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FSB calls for SFT transparency

The Financial Stability Board (FSB) has recommended that national and regional authorities collect appropriate data on securities financing markets to help them detect financial stability risks and develop policy responses.

The proposed standards and processes for doing so have been outlined in a new report and are based on the policy recommendations in a previous paper, the Policy Framework for Addressing Shadow Banking Risks in Securities Lending and Repos, which was published in August 2013.

The FSB will complete its work on developing standards and processes by the end of 2015, based on the public consultation findings and further discussion with market participants.

By then, the FSB also plans to develop an implementation timeline for the global data collection and aggregation.

Following this, the publication of relevant aggregates on the global securities financing markets to improve market transparency will be considered.

Mark Carney, chairman of the FSB, commented: “The proposed standards are an important step to ensure that authorities fully understand trends and risks in one of the core funding markets for a wide range of market participants.”

“The global data collection and aggregation based on the FSB standards and processes will help transform securities financing markets into more transparent and resilient sources of financing that would better serve the needs of the economy”.

The FSB has asked that comments on the proposed standards and processes be submitted by 12 February 2015.

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Liquidity Alliance spots global benefits of T2S

Non-European members of the Liquidity Alliance will be able to benefit from the implementation of Target2-Securities through their members in Germany and Spain.

ASX, operator of the Australian Securities Exchange, and central securities depositories Cetlip in Brazil and Strate in South Africa will have access to the T2S pool through Clearstream in Germany and Iberclear in Spain, extending collateral services cross-border and offering mobilisation in real-time.

The settlement will integrate assets, enabling smooth collateral transactions. The member companies will be able to consolidate European and domestic assets in to one pool of liquidity, transferring collateral between the tow relatively easily.

Jesús Benito, CEO of Iberclear, said: “The Liquidity Alliance’s initiative of providing worldwide collateral access to T2S is a major milestone in its history. We are proud to be a key part of this new facility, which will allow all members to tap into the huge collateral resources T2S will make available.”

read**more p2**

NAB to introduce securities lending programme

National Australia Bank (NAB) plans to introduce an agency securities lending programme as part of its ongoing investment in asset servicing and technology.

The new platform will provide greater flexibility on both counterparty exposure and investment returns. It comes alongside plans to improve performance reporting, and to introduce a new registry platform and client portal.

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FSB calls for SFT transparency

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The board also recently released its shadow banking framework for haircuts on non-centrally cleared securities financing transactions, with numerical haircut floors set higher than previously proposed.

Under the framework, corporate bonds with a maturity between one and five years will require a 1.5 percent haircut, up from 1 percent.

Equities will need a 6 percent haircut, up from 4 percent. Other assets within the scope of the framework will require haircuts of 10 percent. The FSB will apply these rules to securities-against-cash transactions.

Where shares in mutual funds are used as collateral for securities financing transactions, they will be subject to the 10 percent "other asset" haircut.

The FSB said the haircut floors have been set higher than previously proposed due to qualitative impact study results, existing market and central bank haircuts, and data on historical price volatility of different asset classes.

Liquidity Alliance spots global benefits of T2S

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The alliance had already developed concepts for offshore collateral used to cover domestic exposures, but T2S will allow this collateral to be accessed from EU markets.

Monica Singer CEO of Strate said: "While we had already been following the project with interest from a distance, we did not think we could benefit directly. Our Liquidity Alliance membership now opens up a great opportunity to access T2S and we are confident it will greatly streamline the activities of our customers in Europe."

The Liquidity Alliance has also provided an update to its customer connectivity service, intended to further enhance collateral efficiency.

Cetip will pilot the scheme, which will be rolled out to ASX in Australia, Clearstream in Germany, Iberclear in Spain and Strate in South Africa from 2015.

Cetip was also the first member to adopt the original collateral management solution.

NAB to introduce securities lending programme

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NAB announced the changes after an eight-month project to determine the best course of action for the company.

Antony Cahill, group executive for products and markets, said: "The eight-month process reinforced to NAB that our customers value our custody services. We look forward to continuing to work closely with our partners in delivering for our asset servicing customers."

It was also confirmed that NAB will continue its global custody partnership with BNY Mellon to provide a range of investment and technology services.

Italian bank shares sidelined until January 2015

A ban on net short positions in Banca MPS and Banca Carige shares has been extended in Italy due to fears over a hit on shares in the Italian banking sector.

Italy's regulator Consob has extended the ban until 27 January 2015. It initially ran between 27 October and 10 November and prohibited creating and increasing net short positions in Banca MPS and Banca Carige shares and any underlying instruments.

Marketing activities are exempt from the ban.

In 2013, shares in Italian banks on Milan exchanges fell sharply in response to the news that a hung parliament was likely in the country, leading Consob to ban short selling of four of them on 26 February.

The short selling of shares in Banco Popolare, Mediolanum, Banca Carige and Intesa Sanpaolo were prohibited for the entire trading day of 27 February.

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SunGard's hottest stocks

SunGard's Astec Analytics has compiled the hottest stocks from around the globe for the week beginning 17 November 2014.

The UK-based oil and gas exploration firm Salamander Energy (SMDR.L) has debuted as Astec's top pick for Europe, the Middle East and Africa (EMEA) after news that a Spanish consortium led by oil company Cepsa has proposed a 145p-per-share offer for the company.

The news naturally brought about strong gains in the stock, which closed more than 20 percent higher, though data from Astec suggests the news has yet to shake the conviction of short sellers, with borrowing volumes having climbed 7 percent.

Swiss tech company Logitech International SA (LOGN.S) has also been singled out for the EMEA region after it proposed a 25 percent increase in its full-year dividend.

The news helped boost the company's stock, which has already been holding onto gains made in October following its earnings numbers, while Astec's data hints at a similarly optimistic view from the short side.

Mexican infrastructure company Empresas ICA SAB de CV (ICA.MX) is Astec's top North American pick, after it announced that it was awarded a billion peso contract for the engineering procurement and construction of a new deep water technology centre for the Mexican Petroleum Institution.

The company's stock continued the sell-off it has been undergoing since the start of the month while, on the borrowing front, Astec's data has hinted at a similar belief form short sellers—with borrowing climbing 16 percent since mid-October.

GoPro (GPRO) has seen demand to borrow its shares surge recently, driving the cost of borrowing as high as 112 percent per annum, after it said it would be offering $800 million in shares to take advantage of the gains made in its price following its initial public offering.

With this increased demand, the last three weeks have seen borrowing volumes climbing higher, now up 75 percent since mid-October.

Astec's top pick in the Asia Pacific region is Paladin Energy (PDN.AX), which saw fresh attention in the wake of its latest earnings numbers.

The data from Astec has suggested short sellers were skeptical of the gains made by Paladin and were quick to enter positions against them, with borrowing volumes having climbed 27 percent following its results.

Finally, Japanese online gaming firm GungHo Online Entertainment (3765) has also entered Astec's list.

Despite its shares having made little recovery over the past two weeks, Astec's data has shown borrowing of GungHo has now climbed back and even surpassed its previous level—up 19 percent overall.

Clearstream sees 10 percent outstanding rise

Clearstream has announced its monthly figures for October 2014, including increases in its global securities financing sector.

The monthly average outstanding of combined services reached €636.7 billion, including tripartY repo, securities lending and collateral management services.

This is a 10 percent rise on last October's figure of €578.7 billion.

The year-to-date GSF monthly average reached €605.2 billion, a 6 percent increase on the same period in 2013, which amounted to €572.1 billion.

G4S hoax not the work of short sellers

A fake press release and website that claimed G4S had miscalculated its accounts caused the security services company's share price to drop, leading some to incorrectly suggest that short sellers were behind the plot.

The press release, purporting to be from the press office of G4S, was distributed to journalists via email on 12 November. Its contents were then picked up on Twitter, causing its share price on the FTSE 100 to drop, hours after the company issued a positive trading update.

G4S shares, which had risen during intra-day trading following the update, ended the trading session up 2.1 percent. Shortly after the press release was distributed, the stock fell marginally before recovering.

The drop caused some commentators to suggest that short sellers were behind the hoax, but data from SunGard's Astec Analytics showed that short selling volumes have actually decreased around 10 percent from more than 35 million shares on 6 November to around 32 million on 13 November.

This was in line with an expectation of more positive trading news from G4S. David Lewis, senior vice president at SunGard's Astec Analytics, said: "The data suggest that this is not a short selling plot, but simply mischievous behaviour from unknown quarters."

The fake press release claimed that accounting errors meant that G4S had recorded net losses for both 2013 and the first six months of 2014.

Journalists soon discovered that the press release was false, as it contained missing words and spelling mistakes, as well as the name of a press officer who no longer works at G4S.

The press release included a telephone number for an automated answering service, which ran a message informing callers that the press office's lines were busy, and a link to a copycat G4S website that soon went offline after the forgery was unmasked.

In a statement, G4S said: "We have been made aware of a fraudulent website and press release purporting to be from G4S which has been released to members of the media. The website and the announcement contain wholly inaccurate information."

The website, using the domain g4s-plc.com, was registered to an address in the Netherlands under the bogus name 'Sikko van der Donk'.

An anonymous statement has since been circulated claiming responsibility for the hoax. It said the hoax was carried out against G4S because "it is one of the many companies collaborating with and enforcing the European border system".

Brazilian CCP enjoys a good October

Securities lending transactions reached 141,274 in October at Brazilian central counterparty BM&FBovespa.

This was up on September, when the CCP processed 118,015 transactions.

Trading value amounted to BRL 65.71 billion ($25.3 billion), compared with BRL 56.69 billion ($21.9 billion) in September.

Hedge funds in recovery mode, says Lyxor

The market recovery is gathering momentum, according to Lyxor Asset Management, with the S&P 500 hitting a new high. Equities were up, high yield spreads down and the volatility index has returned to the 12 to 14 range.

According to Lyxor, market sentiment was boosted by positive data on US jobs and better than expected releases in some European countries.

Trends in foreign exchange and commodity markets continued, with the US dollar edging up against major currencies while energy and precious metals slid. Lyxor has stated that this framework was supportive to commodity trading advisors (CTAs).

Philippe Ferreira, head of research at Lyxor Asset Management, commented: "Despite this remarkable upswing, the Lyxor Hedge Fund index was still in timid recovery mode, up 0.1 percent last week."

"This is now the fourth consecutive week of positive performance, up 1 percent since mid-October. However, dispersion among strategies remains high, with CTAs leading the pack. In terms of positioning, momentum players recently turned short European equities."

Event driven strategies were also in recovery mode on the back of special situations managers, while long and short equity was the worst performing strategy.

Most of the disappointment came from European funds, which suffered from their short exposure on energy services names.

US managers fared better as they held onto their long positions on retailers before Black Friday.

Despite this, they failed from fully capturing the market rebound on the back of their low exposure to the energy sector, which experienced an unexpected rebound.

Cuckoo for CoCos

Financial institutions across Europe have flocked to contingent convertibles (CoCos) in order to shore up their balance sheets, according Markit's Relte Schutte.

The rise of this new hybrid equity/debt instrument could also, according to Markit, drive increased securities lending demand as market participants hedge their exposure to their bond instruments being converted to equity.

The hybrid nature of CoCos opens the door for investors to hedge their equity exposure in the event of a CoCo conversion.

As CoCos are similar to writing a put, the hedge would be to sell the reference equity short ahead of an impending conversion.

According to Schutte, this is not prevalent among the current crop of CoCo issuing firms, as none of them see any significant demand to borrow in the securities lending market.

The most shorted CoCo issuer is Credit Suisse, which has 1.5 percent of its shares out on loan, a number that is considerably below the market average.

Schutte commented: "Lloyds Banking group, for example, did not see any change in its demand to borrow despite issuing over $8.6 billion of CoCos at the start of [April 2014]."

"This represents roughly a tenth of the company's current market cap and any significant hedging activity would have lifted the proportion of Lloyds shares out on loan above the 0.5 percent, which it has seen over the last 18 months."

The value of outstanding CoCo issuances has increased significantly in the 20 months since Basel III's initial rollout.

The current notional amount of global CoCo securities tracked by the newly launched iBoxx Contingent Convertible Index Family now stands at $79 billion as of the end of September, which is nearly four times the amount seen at the start of the year.

CoCo issuance has been driven by large European financial institutions, according to Schutte, with an average market capitalisation across the 21 issuing firms of $40 billion.

On aggregate, these firms have issued CoCos worth 7 percent of their current market capitalisation.

Eurex Group reveals repo losses

Eurex Group has released its monthly figures for October 2014, revealing losses in the Eurex Repo average outstanding.

Across the Eurex Repo markets, the average outstanding reduced from €210.3 billion in October 2013 to €202.7 billion in October 2014. This incorporates the Swiss Franc Repo, the Euro Repo and the GC Pooling markets.

Secured money in GC Pooling reached an average outstanding of €161.5 billion, a 12 percent increase on last year's figure of €144 billion.

The repo market increased by 3 percent to €39 billion, and the Swiss Franc Repo market reached 2.2 billion.

University adds two more Markit datasets to its arsenal

Wharton Research Data Services (WRDS) has chosen to add two Markit datasets to its arsenal—Credit index and securities finance data.

WRDS, a part of the Wharton School of the University of Pennsylvania, provides instant access to more than 200 terabytes of data across accounting, banking, economics, finance, insurance, marketing and statistics disciplines, making it the leading business intelligence tool for more than 30,000 corporate, academic, government and not-for-profit clients at some 375 institutions in 33 countries.

Markit's securities finance data provides insight into securities lending markets, helping to make sense of market efficiency and limits to arbitrage, and offering a quantifiable way to gauge the actual cost associated with securities lending.

Its credit index offers coverage for loans and corporate, municipal and sovereign debt across Europe, Asia, North America and emerging markets.

"The addition of these two datasets gives WRDS subscribers critical information on the complex and evolving credit and [securities] lending markets," said Robert Zarazowski, managing director of WRDS.

"Providing these new datasets expands our already strong relationship with WRDS. We hope the research community will gain valuable market insights using Markit's Securities Finance data and Credit Index to support their academic research efforts," said Ed Chidsey, head of pricing data at Markit.

Banks fined £2 billion over FX scandal

Five international banks have been fined a total of £2 billion by the UK Financial Conduct Authority (FCA) and the US Commodity Futures Trading Commission (CFTC) over attempts to manipulate the foreign exchange market.

The Royal Bank of Scotland, HSBC, UBS, J.P. Morgan and Citigroup were collectively fined £1.1 billion by the FCA and $1.4 billion by the CFTC.

The FCA is continuing its investigation in to the role of Barclays in the scandal.

Banks formed groups of traders to place orders during the period of time that the daily rate was established, creating profit for their firms and potentially affecting the benchmark calculations that could in turn distort the daily rate.

The groups of traders conversed through online chat room and identified themselves with codenames such as 'the players', 'the 3 musketeers' and 'the A-team'.

An FCA investigation found that banks did not exercise effective control over their G10 spot FX trading businesses between 1 January 2008 and 15 October 2013, and acted without "proper regard for the interests of their clients, other market participants or the wider UK financial system".

President of the ACI Financial Markets Association, Marshall Bailey, has responded to the deci-

sion, saying that lessons must be learnt for the scandal, and that regulations must be tightened to prevent unethical behaviour in the future.

"Ultimately, it came down to the behaviour of individual market participants, and the ability of their supervisors to enforce the standards required through oversight and governance," he said.

"We must work with international regulators to strengthen and implement these internal controls and ensure they are applied across all institutions globally."

He added, however, that the market has a collective responsibility to work with policymakers to create a fair system, and that the industry should not leap to over-zealous changes.

"Unfortunately, the actions of this relatively small unrepresentative minority has damaged the reputation of the market in the eyes of the public, but this should not be seen to reflect the broader health of the FX industry, nor should it trigger wider structural reforms," he said.

"At the heart of this should be a renewed focus on instilling ethical conduct and individual responsibility across all institutions and regions globally. Market participants also need to be uniformly educated about what is and isn't acceptable, and be aware that they, as individuals, are responsible for their actions."

Director of enforcement and financial crime at the FCA, Tracey McDermott, said: "This is not about having armies of compliance staff ticking boxes. It is about firms understanding, and managing, the risks their conduct might pose to markets."

"Where problems are identified we expect firms to deal with those quickly, decisively and effectively and to make sure they apply the lessons across their business. If they fail to do so they will continue to face significant regulatory and reputational costs."

The FCA is also launching an industry-wide remediation programme encouraging firms to address the root causes of the failings in question, and to ensure that senior management take responsibility for their traders' conduct.

Retailers seeing increased short interest

A number of specialist retailers have high levels of short interest ahead of earnings results following positive US sales numbers, according to Markit.

Retail sales in the US picked up 0.3 percent in October (a 4.1 percent increase year-on-year) after a decline of the same amount was reported in October, which sent fears of a subdued festive trading season into the equity markets.

Gamestop, the online gaming retailer, has 29 percent of shares outstanding on loan and the company's shares are down 10 percent year-to-date.

According to market, this may be due to the market continuing to take a negative view on the evolution of online console and game sales amid increased competition and digital distribution.

Analyst at Markit, Relte Schutte, commented: "Console makers are going straight to digital release with new titles and consumers are changing their buying habits."

"Additionally, as reported earlier in the year, Gamestop's refurbished console business does quite well over holiday periods. However, the increase in digital release and uptake has eroded the primary market for second hand sales."

Beyond retailers, short interest in solar energy company Jinkosolar has increased by 5 percent to 16.4 percent of shares outstanding and Ja Solar has also seen significant short interest with 11.5 percent.

Solar and renewable energy firms have come under pressure as energy prices globally have declined and the short-term viability of projects comes into question at reduced prices.

The largest short in the European market at the moment, according to Markit, is Dutch technical services company Royal Imtech, which had to revise accounts post fraudulent activity in Germany and Poland.

The company recently executed a rights offer with that received low demand from investors. The offer was fully underwritten by Dutch banks Rabobank, ABN AMRO and ING, which now own 47 percent of the firm.

A notable stock also announcing earnings is the UK's Majestic Wine whose shares have fallen by 32 percent year-to-date, with 5.7 percent of shares outstanding on loan ahead of earnings.

The wine retailer reported marginally contracting sales in June after worse than expected sales in March caused by a surprise slowdown in post Christmas sales.

The most shorted stock in Asia ahead of earnings is Micronics Japan with 8 percent of shares outstanding on loan.

The company is involved in the design and manufacture of probe cards that inspect semiconductors and LCD displays.

According to Markit, the share price is flat year-to-date but is trading at five-year highs.

The second most shorted in Asia was communication and telecommunication manufacturer Hitron Technologies, with 7.1 percent of shares outstanding on loan, a number that has increased at "a steady pace throughout the year", according to Schutte.

Lombard Risk and Genpact's new solution

Lombard Risk Management and Genpact have collaborated to provide a new solution to help financial services firms optimise their collateral management operations.

Genpact will integrate its Collateral Agreement and Reference Data Services (CARDS) with Lombard Risk's Colline collateral, clearing, inventory management and optimisation solution.

This will enable both buy and sell-side firms to automatically digitise and capture the terms and conditions of various collateral agreements across asset classes, counterparties, and business silos, resulting in a margin and collateral rulebook by counterparty.

More specifically, the digitised data loads Colline's agreement management database with the critical counterparty margin and collateral rules needed to efficiently manage and optimise margin and collateral—reducing the time required to manually capture the information from existing and new agreements and amendments.

Genpact's service includes the data entry of custom agreement terms that are incapable of being extracted and digitised by CARDS, and management of the data.

In addition, the two companies are launching a joint business processing outsourcing (BPO) service for the collateral management function.

"We are very pleased to partner with a service provider like Genpact given their impressive global client base, collateral management domain expertise and their unique ability to combine process expertise with technology and analytics," said Cliff van Tonder, global alliances director at Lombard Risk.

Monty Singh, senior vice president and business leader for capital markets and IT services at Genpact, commented: "This service helps firms advancing their operating models and making operations more intelligent—able to capture data, execute transactions and provide visibility faster and more time effectively—thereby enabling companies to better sense, react, and continuously learn from their activities in the market."

Pension funds hungry for investment risk

Pension funds will see an increase in appetite for investment risk over the next three years, according to a report by State Street.

The report found that 77 percent of pension funds expect their appetite for risk to increase, enabling them to meet long-term liabilities and deliver optimal value for members in a low interest environment.

In contrast, only 20 percent of asset owners expect their risk appetites to increase in this period.

Pension funds expressed interest in increasing exposure to alternatives, with 60 percent saying they intend to increase exposure to private equity, 45 percent intending to invest in real estate, and 39 percent saying they may opt for infrastructure investment.

Of the hedge funds, 29 percent said they plan to increase exposure to single managers, while 3 percent will decrease allocation. For fund of hedge funds, 20 percent will increase allocation, 3 percent will reduce, and 27 percent intend to invest for the first time.

Oliver Berger, senior vice president and head of strategic marketing initiatives for EMEA at State Street said: "Pension funds are under huge pressure at the moment. With increased market volatility, they are faced with challenging and complex liabilities."

"To achieve the returns they need, they have to take on more risk. However, they are better equipped than ever before to do this. With improvements in data mining and management and reporting, fund managers and asset owners have a better understanding of the risk reward profile of investments."

What shortfall?

Broadridge is making strides in collateral management, as Jerry Friedhoff reveals

Broadridge has recently strengthened its collateral team—why did it make these appointments?

We are committed to building our global collateral management capabilities, so we're investing in individuals who have deep industry expertise to add to our existing securities financing team.

We are bringing in knowledgeable resources with various backgrounds to support our collateral management offering, but the key areas that we needed to recruit for were relationship management, sales and product management. Michael Airey has joined us as vice president of strategic solutions in the capital markets team. He is responsible for sales channel enablement for our global securities financing and collateral management solutions, and will act as the subject matter expert for our FinancePro and CollateralPro products.

Airey was managing director for short-term markets and financing, and head of US enterprise collateral optimisation at Royal Bank of Scotland, and he has held similar roles at Dresdner Bank and Merrill Lynch. He has been working in the securities finance and collateral industry for more than 20 years, so he is very knowledgeable about the trends and demands that buy and sell side firms face in terms of collateral management and financing.

The other addition to our team was Mark Faber, who joined as product manager of our collateral management business. He has spent more than 17 years managing various operational functions for investment banks. He has been responsible for managing multi-product collateral management groups at financial institutions including Societe Generale, Goldman Sachs and Jefferies.

His experience in collateral management has focused on collateral management operations, system replacement, department transformation and support of regulatory initiatives. His past experience will be valuable in helping us understand our clients' needs, which will ultimately shape our collateral management strategy.

What are you aiming to achieve with these new hires?

Although CollateralPro is an upstream/downstream system agnostic solution, our aim is to enhance our offering to Broadridge clients by linking it to our other, globally deployed, front-, middle- and back-office solutions. We decided as a company to focus on collateral management, because we know it is a top priority for our clients around the globe as well as other market participants. Our strength in global securities processing makes us a logical choice to provide an enterprise collateral management solution, too.

With links to depositories, would it be right in saying your middle-to-back office solution is becoming more of an enterprise one?

Indeed, we have links to depositories, utilities, custodians and other key players around the world through our widely-used securities processing platforms (Gloss, BPS, Impact, etc). Our plan is to connect CollateralPro into those systems so we can provide an enterprise collateral management infrastructure.

> “The vast majority of transactions are going to be centrally cleared over the next four years”

In addition to local deployment, we offer CollateralPro in a hosted environment so that anyone with connections to Broadridge data centres can obtain an integrated end-to-end solution with minimal IT costs. Use of our technology allows participants to adopt an enterprise strategy for collateral management without the expense normally associated with this kind of initiative.

What is your position on the so-called collateral shortfall?

We are not seeing that come about—yet. Markets are changing, but right now, there has been enough collateral to meet the market demands. The flexibility to accept different types of collateral is key, and participants' willingness to adopt that approach has alleviated concern about a shortfall to some extent.

Having said that, we expect there will be a spike in collateral movements because of margin requirements and rules surrounding settling in different currencies. The sheer volume of margin calls should only increase and assumptions are that sufficient collateral will be available to support those movements, so we think that the shortfall doomsaying was perhaps a little over done.

Of course, the situation could change tomorrow, but right now, without a crisis, markets are surviving.

The central counterparty is an ever-present regulatory reliever—how much securities finance business do you predict going through them?

We see that as happening slowly but surely. Our internal analyses have suggested that if the regulatory schedule stays as is and as more agreements between central counterparties (CCPs) and new members are made, the vast majority of transactions are going to be centrally cleared over the next four years. It will take some time for that to happen because the old bilateral agreements need to run their course. Once they are done, we will see more than half of the business change over to CCPs.

What else is next for Broadridge?

One area that we are looking at is concerns about spikes in collateral management operational workloads. We have a large business process outsourcing (BPO) team that focuses on financial services operations and we are putting into place teams that can provide various levels of collateral management outsourcing, depending on a company's needs or desires. The plan with that is to coordinate the collateral management operations teams and link into either our or their technology stack. We have identified a number of aspects of collateral management functionality that are real candidates for outsourcing. **SLT**

Jerry Friedhoff
Managing director, securities financing and collateral management
Broadridge

Too late for frontier markets

Global technology infrastructure operators and carriers are scrambling to shore up frontier markets as growth slows elsewhere and competition increases. But the land grab has become a game of consolidation as some markets leap ahead of others. Markit's Relte Stephen Schutte reports

'Quad play' is driving partnerships and consolidation as operators compete to offer bundled services to customers. The four key elements to quad are fixed-line broadband, telephone, television and cellphone services.

In Brazil, Telecom Italia's subsidiary TIM Brazil was outbid by rival Telefonica to buy GVT from Vivendi. The bid was in an effort to offer converged services to consumers. The deal miss has seen short interest in Telecom Italia almost double since July to 15.5 percent. The company is now targeting another Brazil-based operator, Grupo Oi.

European and Latin American operator Telefonica recently partnered with TalkTalk in the UK to replace Vodafone in offering converged wireless, broadband and television services. These types of deals aim to extract value by leveraging different user bases and maximising revenue potential. Telefonica has seen stable short interest throughout the year, with the price reacting positively in recent weeks.

In Africa, short interest in Vodafone has increased substantially (from a small base) from 0.1 percent to 0.8 percent and subsidiary Vodacom continues to be among the top shorted operators globally, with 4.3 percent of shares outstanding on loan.

Despite impressive growth in data, declining voice revenues and data prices due to increased competition are putting strain on Vodacom. But short interest, in comparison to Vodafone, has decreased from the 6.5 percent high reached in June.

Other forces affecting carriers' growth plans

Mobile messaging and payment platforms are gaining momentum and carriers are trying to position themselves to protect and grow market share and revenue. Besides Vodafone's M-Pesa, carriers are behind the curve and competing with their own customers services, which are offered for free or at a fraction of the cost to the carrier to provide directly.

Kenyans have been doing bankless transfers with M-Pesa for several years without a smartphone or bank account, using just a phone number. Although now cloned by other applications and bank-based services, M-Pesa has not gained traction in other markets.

Snapchat recently revealed a payment service collaborating with payment service platform Square that allows users to send each other 'cash' with the swipe of a finger on a mobile device. This does involve connecting a bank account, which is good news for VISA and MasterCard, but not so for the newly unbundled PayPal. Visa has witnessed short interest increase throughout the year to hit 6.5 percent of shares outstanding on loan.

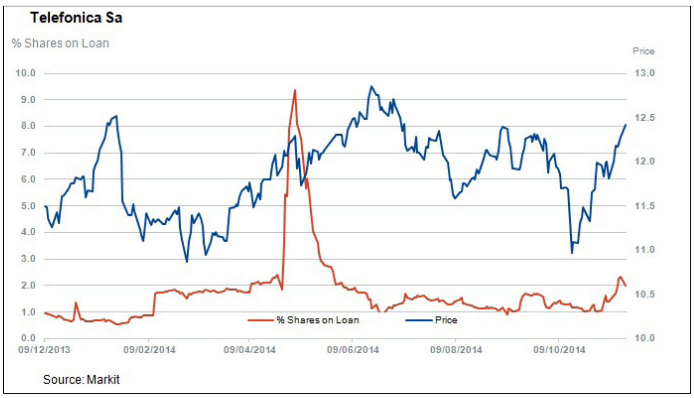
These developments close the door to opportunities that carriers could have capitalised on, such as Snapchat's new bank agnostic service

Applications such as Skype and Whatsapp protect their owner's business (Microsoft and Facebook in this case) by offering the value-added communication for free.

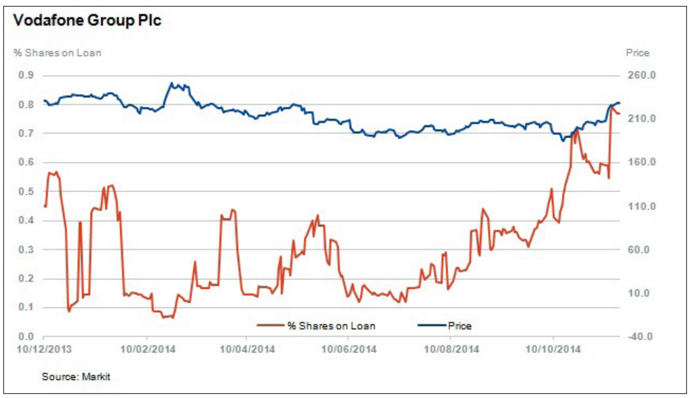
This is a threat to network operator growth and has, or will eventually, turn carrier networks into mere data utilities. **SLT**

Source: Markit

Source: Markit



Source: Markit



Source: Markit

Industry appointments

David Carruthers is leaving Markit to join a new venture outside of securities lending, it has been confirmed.

Carruthers, who is co-head of Markit Securities Finance, will leave the data analytics company before the end of the year.

Co-head Ed Marhefka will take over full responsibility for running Markit's securities finance business, with directors Oliver Smith and Pierre Khemdoudi supporting in Europe.

Carruthers has worked at what was previously known as Data Explorers since 2008.

He has also worked at risk management analytics firm Barrie & Hibbert, which is now owed by Moody's, as a senior consultant on portfolio risk, asset liability modelling and derivative pricing.

Matt Jose has been appointed as global head of client services of Sam Hocking's San Francisco-based firm, iMatchative.

Prior to joining the firm, Jose had a 15-year career at Bank of America Merrill Lynch, BNP Paribas and Banc of America Securities.

He held prime brokerage, client services and relationship roles at those banks.

Hocking commented: "Having Jose come on board as an executive team member of iMatchative is invaluable."

"I feel confident that his 20 years of Wall Street and prime brokerage experience will take our company to the next level, resulting in a best in class client experience for hedge funds and investors."

Andy Allen has been named managing director to lead RBC's investor and treasury services business in Singapore.

Prior to his new role, Allen worked at J.P. Morgan Investor Services. He has more than 25 years of experience in global banking, 17 of which he has spent in Asia.

He will bring extensive knowledge of the securities industry, risk management, the local operating and regulatory environment and relationship management of clients, both domiciled in Singapore and those looking for offshore solutions.

Andrew Gordon, managing director of Asia at RBC Investor & Treasury Services, said: "Allen's extensive experience in the industry together with his relationships in Asia will be invaluable in leading our business and client activity in this important market."

BNY Mellon has made key changes to its leadership team in the United Arab Emirates (UAE) and wider Middle East and Africa region.

Tarek Sherlala has been appointed as senior executive officer in the Dubai office.

Sherlala will lead business strategy for the branch and oversee compliance of the bank's activities in Dubai. He will also continue as BNY Mellon's head of asset servicing in the Middle East and Africa.

Rajai Ayyash will take the role of regional executive for the Gulf. For the past 10 years, Ayyash has been the country executive for the UAE, Kuwait and Oman.

Since early 2014, he has been responsible for Saudi Arabia, Qatar and Bahrain.

The restructuring follows the retirement of Tarek Elrefai, who has been senior executive officer of the Dubai branch and head of client management for the Middle East and Africa for five years.

The new senior team includes **Imad Abukhal**, **Giambattista Atzeni**, **Brian Hoey**, **Clive Robinson** and **Bana Akkad Azhari**.

Deutsche Bank has appointed **Elizabeth Nolan** as head of custody and clearing effective January 2015.

Nolan's appointment follows the launch of investor services within the institutional cash and securities services business of Deutsche Bank's global transaction banking division.

Nolan joins from J.P. Morgan after working there for 12 years.

She held various senior leadership roles across securities services, with her most recent role being head of client services and client onboarding globally for markets and investor services. **SLT**

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