SLT SecuritiesLendingTimes
ISSUE152
24.05.2016 TUESDAY
securitieslendingtimes.com
The primary source of global securities finance news and analysis

OCC at risk of losing AA+ S&P rating

Options Clearing Corporation (OCC) has staunchly defended its financial safeguards following the decision of Standard & Poor's (S&P) to put the central counterparty's credit rating on CreditWatch with a negative designation.

The ongoing review of OCC's financial safeguards means that its AA+ credit rating is at risk of being downgraded.

In response, OCC argued that its safeguards are actually superior to those of its global peers, stating that they include the use of a two-day margin period of risk.

They also include a $1.8 billion prudential margin of safety in the clearing fund above the cover one level, the ability to call for additional individual intra-day clearing fund contributions of up to $1 billion, and the ability to re-size the clearing fund intra-month if required by changing market conditions.

OCC went on to add that "like other systemically important central counterparties, OCC is actively working with US and international regulators to implement enhancements to further strengthen its loss absorption capacity and liquidity resources based on conservative stress testing methodologies".

The central counterparty also pointed out that the Securities and Exchange Commission (SEC), its primary regulator, has not yet adopted enhanced capital, loss absorption and liquidity requirements in line with international standards.

"[OCC] has been proactive in strengthening its capital and clearinghouse financial safeguards in advance of such requirements, as well as European requirements that would potentially apply to OCC pursuant to an equivalency decision between the SEC and the European Commission," the central counterparty explained in a statement.

Continued on page 3

Challenging market hits Clearstream global securities financing volumes

Clearstream's global securities financing (GSF) business endured its fourth consecutive month of volume dips, with a 16 percent drop-off in both year-to-year for April and monthly average volume figures for 2016 so far.

The Deutsche Börse subsidiary's GSF volumes for 2016 have so far failed to match last year's monthly volumes, reaching €530.11 billion in April, down from €628.35 billion at the same point in 2015.

Monthly average volume data for 2016 also registered a fall to €530.2 billion from €628.41 billion in 2015.

Continued on page 3

More US states to hear litigation

More US securities litigation cases may now be heard in state courts rather than at the federal level, following the unanimous ruling of the US Supreme Court in a case of alleged naked short selling.

In the recent verdict in the case of Merrill Lynch, Pierce, Fenner & Smith v Manning, the highest court in the US held that "the exclusive jurisdiction of securities claims in federal court provided by the Securities Exchange Act is limited to claims 'arising under' the Exchange Act".

The case was brought by the plaintiff in New Jersey's state court, alleging that several financial institutions facilitated and engaged in naked short sales of stock, causing a devaluation in value.

Naked short sales are regulated at the federal level by Securities and Exchange Commission Regulation SHO, which prohibits short sellers from intentionally failing to deliver securities.

Continued on page 3

NGT®
NEXT
GENERATION
TRADING

EQUILEND BONDLEND DATALEND

NEW YORK
+1 212 901 2200

LONDON
+44 207 426 4426

TORONTO
+1 416 865 3395

HONG KONG
+852 3101 7070

EquiLend LLC, EquiLend Europe Limited, and EquiLend Canada Corp. are subsidiaries of EquiLend Holdings LLC (collectively, "EquiLend"). EquiLend LLC is a member of the FINRA and SIPC. EquiLend Europe Limited is authorized and regulated by the Financial Conduct Authority. EquiLend Canada is authorized and regulated by IIROC. All services offered by EquiLend are offered through EquiLend LLC, EquiLend Europe Limited, and EquiLend Canada Corp. EquiLend and the EquiLend mark are protected in the United States and in countries throughout the world. © 2001-2015 EquiLend Holdings LLC. All Rights Reserved.

OCC at risk of losing AA+ S&P rating

Continued from page 1

The questions regarding OCC's financial safeguards come only two months after the SEC overruled industry opposition and approved its capital plan that saw its capital increase by almost 900 percent.

Shareholders' equity grew from $25 million at the beginning of 2014 to $247 million in 2016.

S&P also shone the spotlight on the Depository Trust & Clearing Corporation (DTCC), which faces the possibility of having two of its credit ratings downgraded due to concerns over DTCC subsidiary the Fixed Income Clearing Corporation's (FICC) liquidity tools.

FICC's current credit rating is AA+, while DTCC's stands at AA.

Both are at risk of a downgrade.

In response to the review, a DTCC spokesperson said: "DTCC plans to continue working with S&P in the coming months to ensure a complete understanding of all liquidity tools available to FICC, including access to the clearing fund."

"We will also continue to engage with our regulators and clients to accelerate the implementation of a committed backstop liquidity facility for FICC."

Challenging market hits Clearstream global securities financing volumes

Continued from page 1

Philippe Seyll, who is head of global securities financing and co-CEO of Clearstream Banking Luxembourg, blamed challenging market conditions for the decline in outstanding volumes.

He expects the market to see some floor to that development once central bank policies go back to normal.

In a statement on the performance data, Clearstream explained that the greater demand for collateral, driven by the regulatory agenda, makes it more and more attractive to use multiple types of securities as collateral in repo transactions and other exposures.

Therefore, market participants are increasingly using their equities portfolio.

Mandatory central clearing of certain derivatives plus more stringent capital ratios are increasing the need for high quality securities as collateral.

At the same time, central bank bond purchasing programmes such as the European Central Bank's public sector purchase programme have further reduced the available amount of high quality liquid assets in the market.

Seyll expanded, saying: "In consequence, more and more market participants are including equities in their collateral eligibility schedules in addition to fixed income."

"Equities have certain advantages over fixed income: they are transparently priced and can be easily liquidated in the event of a default, either on-exchange or via a broker."

"In addition, yield on equities can be higher than on fixed income collateral and customers can choose between a wide range of traded terms and currencies."

"This shift towards equities is being hastened by the entry of the buy side into the secured funding market."

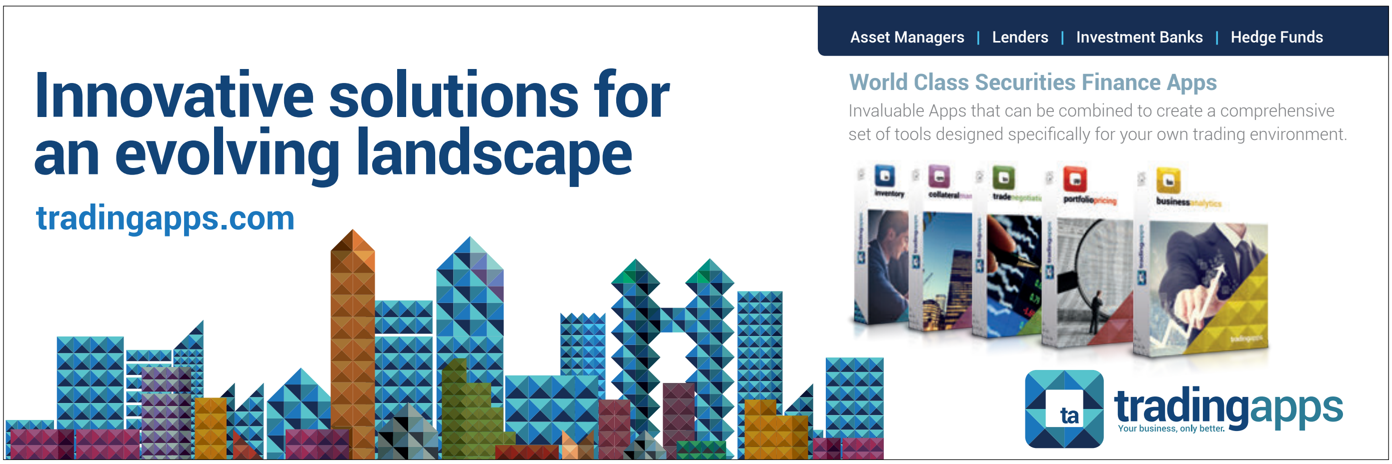
More US states to hear litigation

Continued from page 1

The allegations held that the short sales in question violated Regulation SHO, a federal rule.

But the plaintiff only asserted New Jersey statutory and common law claims, without citing any federal securities laws.

Contents



In a note for clients on the ruling, US law firm Kaye Scholer suggested the new precedent may be a boon for plaintiffs that have been campaigning for securities litigation cases to be heard at a state level in an attempt to "find more plaintiff friendly fora or to avoid automatic discovery stays imposed by federal law".

Short sellers turn up the heat on UK hospitality sector

The UK's hard-pressed hospitality sector has caught the eye of short sellers as the looming EU Referendum and legislative pressures have thrown the future of the sector into uncertainty, according to Markit.

Markit noted a 30 percent increase in short interest in consumer services FTSE 350 constituents so far this year, representing an 11-month high for the sector.

The UK hospitality sector, which relies heavily on affordable labour with a high turnover rate, has been caught between a potential drought of future foreign labour caused by the possibility of the UK voting to leave the EU in June, and the recent rise in UK's minimum wage.

The Markit/CIPS UK Services PMI indicated that the living wage coincided with a sharp rise in costs.

Markit explained that "most of the surge in shorting activity has occurred in the weeks since the referendum was announced in February and short sellers show no signs of slowing down in the lead-up to next month's election, despite the news that the 'remain' camp was ahead by 15 percent in a recent poll".

Whitbread and Restaurant Group have seen the largest jump in short interest so far across the sector.

Whitbread has seen short interest explode by 500 percent so far in 2016 to 3.1 percent of shares outstanding, according to Markit.

Restaurant Group suffered a 50 percent drop in share price after issuing three profit warnings.

Canadian pension funds see first quarter returns drop-off

Canadian pension funds suffered a 0.03 percent fall in defined benefits pension plans' returns in Q1 2016, according to RBC Investor & Treasury Services All Plan Universe.

The marginal losses represent a stall in the market that was only just coming off a two-quarter losing streak with 3.1 percent returns in Q4 2015.

A positive annual return for 2015 was only salvaged by abnormally strong Q1 2015 results of 6.6 percent, the largest quarterly return recorded by RBC in the past six years.

RBC cited global market volatility for the negative returns as equities wiped out most of their Q4 2015 gains of 8.9 percent with a 6.2 drop-off in Q1 2016.

Data provided by the RBC All Plan Universe noted that Canadian equities managed to buck the global trend, posting positive Q1 2016 returns of 4.6 percent, reversing their 0.5 percent losses from Q4 2015.

"Global uncertainty created a volatile start to the year for markets around the world before stabilising somewhat as the year progressed," said David Heisz, CEO of RBC Investor Services Trust.

"The TSX Composite Index posted a 4.5 percent gain in Q1 after one of the worst starts to a year, while commodities, particularly gold and oil, ended the quarter on a strong run and boosted the performance of Canadian companies in the energy and materials sectors."

Craig Wright, senior vice president and chief economist at RBC, added: "Concerns with respect to the Chinese economy, commodity prices and central bank actions nudged markets in a negative direction before anxiety eased and markets rebounded in mid-February. Meanwhile, economic data during this period pointed to the global economy experiencing modest growth."

ISDA launches new jurisdictional protocol aid for national stay regs

The International Swaps and Derivatives Association (ISDA) has launched the ISDA Resolution Stay Jurisdictional Modular Protocol (JMP) to help market participants adhere to national stay regulations.

The ISDA JMP is a standalone protocol that aims to allow for more consistent compliance with regional regulation by offering participants a generic script that can be amended to fit the terms of their protocol covered agreements.

The association explained that as some entities are required to obtain contractual recognition from their counterparties of the application of any relevant stays or overrides of termination rights, a template protocol should allow for more consistency across the market.

The service is open to both ISDA members and non-members and users must pay a one-time fee of $500 for each jurisdictional module they choose to adhere to.

ISDA published the 2015 Universal Resolution Stay Protocol last year. Its open to all participants, but the association said it expects buy-side entities will prefer to adhere to the new ISDA JMP.

The ISDA Resolution Stay Protocol was first produced in 2014 on the request of the Financial Stability Board (FSB) in order to facilitate amendments to derivatives documentation among 17 of the what the FSB considered global systemically important banks.

The 2015 version included an annex incorporating securities financing transactions documented under master agreements


Global Markets
Get the Most From Your Lending Program
Securities lending can be an important source of return and a key part of overall portfolio and risk management strategies. We offer individualised service, technology and a commitment to transparency to help you achieve your goals.
For more information contact
Alex Lawton, Senior Managing Director
EMEA Regional Director, Securities Finance
+44 20 3395 4641 or alawton@statestreet.com
State Street Global Markets is the marketing name and a registered trademark of State Street Corporation used for its financial markets business and that of its affiliates. The products and services outlined herein are only offered to professional clients or eligible counterparties through State Street Bank and Trust Company, London Branch, authorised and regulated by Federal Reserve Board, authorised and subject to limited regulation by the Prudential Regulation Authority and subject to regulation by the Financial Conduct Authority; and State Street Bank GmbH, London Branch, authorised by Deutsche Bundesbank and the German Financial Supervisory Authority and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority.
© 2016 State Street Corporation - All rights reserved.
statestreet.com/securitiesfinance
STATE STREET.

sponsored by the International Capital Market Association, the Securities Industry and Financial Markets Association and the International Securities Lending Association.

GFT launches new compliance tool

Consulting and software service provider GFT has launched its new Regulatory Change and Management Service, a tool for helping firms track regulatory changes in the industry.

The new service is intended to reduce the risk of non-compliance and to help reduce the costs associated with new regulation by providing tracking for the likes of the Markets in Financial Instruments Directive (MiFID) II, the European Market Infrastructure Regulation (EMIR), the Dodd-Frank Act and Senior Managers Regime, and to help senior managers handle regulatory change in a structured way.

It provides updates on changes drawn from various data sources, and a process tool that links business requirements and individual regulations, automatically generating requirements for each regulation and asset class. Users will also have access to a visual dashboard, according to GFT.

Built using the GFT regulatory change manager toolset, the service has already been implemented in the trade and transaction reporting department at RBS.

Gareth Richardson, a managing director at GFT UK, commented: “Regulations may be multi-layered and regional, but they create similar challenges for banks whether they are based in the City of London or on Wall Street. The new GFT Regulatory Change Management Service helps solve these difficult regulatory challenges and mutualises these answers for all users of the service, providing a lower total cost and risk no matter where they are located.”

Tony Sodhi, head of legal, regulatory and compliance at GFT, said: “We have seen a huge appetite for this type of solution from our clients, so it is very exciting to be able to roll this service out to the market. The ability of the service to demonstrate and log regulatory compliance actions will also give comfort to hard-pressed senior management within banks.”

Pirum revamps CCP Gateway for Eurex Clearing corporate actions

Post-trade services provider Pirum has enhanced its CCP Gateway service with access to the voluntary corporate action messaging system of Eurex Clearing’s Lending Central Counterparty (CCP) securities lending service.

The new bolt-on service allows CCP Gateway users to convey instructions relating to voluntary corporate actions onto the Lending CCP for processing.

In a brief on the new functionality, Pirum outlined the benefits of the service. Lenders are able to manage elections at fund level maintaining the relevant bulked view for the borrower. Additionally, reconciliation of stock outturns and notifications of cash payments on the back of elections will be available.

All update notifications for elections or queries from the borrower to lender will be delivered automatically and users will have full visibility on updates to the CCP positions and trade details in real time.

Pirum has collaborated with Eurex Clearing since 2012 though its CCP Gateway, which enables bilaterally traded business to be sent to a CCP for refinancing by leveraging post-trade automation connectivity to access central clearing platforms.

The partnership also allows for matching of new trades with counterparties, followed by novation with Eurex Clearing, along with matched

... and climbing.

A global player in asset servicing...

Offering leading value in investor services demands constant evolution. At CACEIS, our strategy of sustained growth is helping customers meet competitive challenges on a global scale. Find out how our highly adapted investor services can keep you a leap ahead.

CACEIS, your comprehensive asset servicing partner.

www.munier-bbn.com

www.caceis.com

caceis
INVESTOR SERVICES
solid & innovative

cancellation of new trades and matched rate changes fed through to Eurex Clearing.

Eurex Clearing's voluntary corporate action service allow for the instruction, agreement and management of securities lending trades on its CCP.

Market participants can arrange for all types of voluntary corporate actions bilaterally while keeping the loan within the CCP.

Gerard Denham, business development and sales and relationship management at Eurex Clearing, said: "Eurex Clearing carried out an extensive consultation with the help of a number of key market participants—both borrowers and agent lenders alike, and committed to developing and delivering a fully straight-through processing solution that is a sustainable model that supports our clients' needs both legally and operationally for corporate action processing."

LSEG and Deutsche Börse merger documents imminent

Shareholder documentation on the merger of the London Stock Exchange Group (LSEG) and Deutsche Börse is on track to be published in June, according to an update from the two institutions.

In a joint announcement, LSEG and Deutsche Börse said they are making progress on preparation of shareholder documents regarding the all-share merger of equals that was announced in March.

The documents will be subject to approval from the appropriate regulatory authorities in Germany and the UK, as well as from the board of LSEG and the management board of Deutsche Börse.

July is expected to see an LSEG shareholder meeting regarding the merger and the end of the acceptance period for Deutsche Börse shareholders. The announcement did not make any mention of the expected merger completion date.

The merger of the two institutions is set to be completed through establishing a new company that will acquire both LSEG and Deutsche Börse.

Under the terms of the deals, LSEG shareholders will own 45.6 percent of the new company, with Deutsche Börse shareholders owning the remaining 54.4 percent.

The board of the new company will have equal representation from Deutsche Börse and LSEG, with Donald Brydon, current chair of LSEG, becoming chair of the board

The latest update comes after the Intercontinental Exchange confirmed earlier in May that it will not be placing a counter-bid to Deutsche Börse's merger offer. The exchange clarified, however, that it maintains the right to reconsider in the event that the LSEG-Deutsche Börse talks eventually collapse.

ENSO launches data platform for emerging managers

ENSO Financial Analytics has launched ENSO Edge, a new data analytics platform for for emerging hedge funds and prime brokers.

According to ENSO, the platform will offer a scalable analytics service to growing hedge funds that fit a specific client profile based on assets under management and number of financing counterparties.

In a statement on the launch, ENSO explained that the new offering comes in response to "the varying degree to which certain prime brokers are increasing and decreasing hedge fund client exposure, most clearly lead by narrowing client focus, and monitoring revenues and balance sheet usage".

ENSO Edge also offers users access to ENSO Broker Scorecards, a data driven tool that is used to inform and validate manager's decisions when assessing and adding financing counterparties.

ENSO currently has 14 major prime brokers contributing securities lending desk flow commentary in order to quantify their financing strengths, as well as manage their balance sheet usage and profitability.

Matthew Bernard, partner and co-founder of ENSO, said: "After receiving an unprecedented demand from emerging managers to offer services on a scalable level, we are excited to officially launch this new global offering."

Scott Beal, president at Bocage Capital and ENSO Edge client, added: "As a growing manager, it is essential that we have the most developed and secure technology that the marketplace is using to validate our counterparty relationships and support investor due diligence."

HSBC tackles swaps clearing rules

HSBC has launched a new over-the-counter (OTC) clearing collateral service to support clients in meeting the requirements of the G20 swaps clearing reforms.

Reforms coming in to effect through regulations such as the European Market Infrastructure Regulation (EMIR) require buy-side firms to better manage and mobilise collateral.

EMIR mandates clearing of OTC derivatives through a central counterparty, and similar initiatives are underway in Asia.

The new capability from HSBC will provide an independent and automated collateral management service including calculation and verification of margins and interest, and automated margin payments.

Collateral movements will be processed on a straight-through basis using standard SWIFT links with custodians.

IN A CHANGING WORLD,

BY THE TIME YOU MASTER THE GAME, THE RULES HAVE CHANGED.

WHEN TRANSPARENCY AND CONTROL MATTER

Having a winning strategy isn't easy. At Securities Services, we can maximize your asset performance through a combination of product expertise, customization, operational efficiency and an international footprint offering greater global access.

www.securities.bnpparibas.com

BNP PARIBAS

The bank for a changing world

BNP Paribas Securities Services is incorporated in France as a Partnership Limited by Shares and is authorised and supervised by the European Central Bank (ECB), the ACPR (Autorité de Contrôle Prudentiel et de Résolution) and the AMF (Autorité des Marchés Financiers). BNP Paribas Securities Services, London branch is authorised by the ACPR, the AMF and the Prudential Regulation Authority and is subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority. Details about the extent of our authorisation and regulation by the Prudential Regulation Authority and regulation by the Financial Conduct Authority are available from us on request. BNP Paribas Securities Services, London branch is a member of the London Stock Exchange. BNP Paribas Trust Corporation UK Limited (a wholly owned subsidiary of BNP Paribas Securities Services), incorporated in the UK is authorised and regulated by the Financial Conduct Authority. ©"3 man chess"

The HSBC client portal can also provide underlying trade and collateral position information, as well as reporting services.

Craig Cowe, head of collateral management product and securities services at HSBC, commented: "Incoming regulations to centrally clear OTC derivatives mean that it's crucial for investment managers to know where their assets are and what they can be used for."

Cowe added: "We've put in place collateral processing hubs in Europe and Asia and have invested significantly in our capability to ensure our clients can keep pace with global regulatory change."

John Van Verre, HSBC global head of custody and treasury, added: "In the past, collateral management has been viewed by many institutional investors as a back office activity."

"These new regulatory requirements mean that the process is becoming more firmly integrated with the front office, which requires much more proactive management of positions than historically was the case."

Linedata and Sycamore team up in China for hedge funds

French technology provider Linedata has partnered with Sycamore Investment Services in Shanghai to provide front- to middle-office services to China's hedge funds.

The partnership will combine Sycamore's middle office outsourcing service with Linedata's hedge fund management offering Linedata Global Hedge.

In a brief on the partnership, Linedata explained that the agreement reflects an increasing demand from hedge funds in China to seek middle- and back-office fund operation and administration services from a third-party provider to access trade and corporate actions processing.

The partnership will also offer services in reconciliation, pricing and valuation, profit and loss analysis, net asset value calculations, and investor relations services.

Sally Crane, managing director for the Asia Pacific at Linedata, said: "Understanding and meeting the needs of our clients is central to our philosophy at Linedata. This partnership demonstrates our commitment to deliver not just a product but the complete end-to-end solution our clients demand."

"With the strong reputation of the management team, Sycamore has established an extensive network in China since its launch last year and was a natural partner as we look to build on our recent momentum in the region."

Jeff Li, CEO at Sycamore, added: "Sycamore is a technology driven company, delivering high quality services through our robust technology platform."

"Linedata offers complete solutions to our hedge fund clients. By partnering with Linedata, we can ensure our clients receive our best middle-office services. We look forward to the strong partnership with Linedata."

London Stock Exchange to offer weekly FTSE 100 options contracts

A 'first-of-its-kind' weekly options contract based on the FTSE 100 Index will launch on 31 May.

According to an London Stock Exchange statement on the product launch, its introduction will complement the London Stock Exchange Derivatives Market (LSEDM) existing product offering on the FTSE 100 Index and is a first of its kind for the UK-listed derivatives market.

The weekly options contract aims to offer more precise hedging and trading and greater flexibility to leverage market volatility and hedge short term decline than the more traditional monthly options contract.

The contracts will expire every Friday, except the third Friday of the month when monthly contracts expire.

FTSE Russell, the global index provider, will calculate the official uncross price of the FTSE 100 after the auction the new London Stock Exchange intra-day auction at midday, which

BMO Capital Markets®
We're here to help.™

You can count on our global expertise and access to engineer insightful solutions for your business. Our global prime finance team combines skill, knowledge and responsiveness to help you reach your financial goals.

BMO Capital Markets is a trade name used by BMO Financial Group for the wholesale banking businesses of Bank of Montreal, BMO Harris Bank N.A. (member FDIC), Bank of Montreal Ireland p.l.c, and Bank of Montreal (China) Co. Ltd and the institutional broker dealer businesses of BMO Capital Markets Corp. (Member SIPC) in the U.S., BMO Nesbitt Burns Inc. (Member Canadian Investor Protection Fund) in Canada and Asia, BMO Capital Markets Limited (authorised and regulated by the Financial Conduct Authority) in Europe and Australia and BMO Advisors Private Limited in India. "Nesbitt Burns" is a registered trademark of BMO Nesbitt Burns Inc., used under license. "BMO Capital Markets" is a trademark of Bank of Montreal, used under license. "BMO (M-Bar roundel symbol)" is a registered trademark of Bank of Montreal, used under license. ® Registered trademark of Bank of Montreal in the United States, Canada and elsewhere.™ Trademark of Bank of Montreal in the United States and Canada.

we lead the way

OCC guides its customers safely and securely through a dynamic marketplace with the industry's most innovative risk management, clearing and settlement services. We're always on course.

OCC is the world's largest equity derivatives clearinghouse and a leading innovator in risk management solutions. As a Systemically Important Financial Market Utility, OCC provides market participants with industry leading efficiencies in the clearing and settlement of options and futures transactions. We strive to achieve the highest standards possible in everything that we do in order to promote financial stability and integrity in every market we serve.

OCC

The Foundation for Secure Markets www.theocc.com

LSEDM will then use to determine the exercise settlement price of the contracts.

The liquidity will initially provided by SIG Susquehanna, which will offer continuous two-way prices on the order book and LCH will offer clearing services.

Nicolas Bertrand, head of LSE equity and derivatives markets, said: "LSEDM was created to bring true innovation and cost efficiency to the UK equity derivatives market."

"We believe the unique characteristics of weekly options on the FTSE 100 will appeal to a wide swathe of UK investors. This launch represents a true collaborative approach across London Stock Exchange Group, reflecting our open access philosophy."

Cathal Hardiman, options sales trader at Susquehanna International Securities, added: "As well as providing more precise hedging, weekly options afford investors more direct exposure to events and we tend to see index weekly volumes jump around large macro events."

Korea Exchange pairs with DTCC for trade repository solution

The Depository Trust & Clearing Corporation (DTCC) has signed a memorandum of understanding with the Korea Exchange (KRX) to cooperate on a trade repository solution in South Korea.

KRX is the only securities and derivatives exchange operator in South Korea. The two institutions intend to build a long-term relationship, exploring the potential of direct links between the DTCC Global Trade Repository (GTR) and KRX.

A partnership could allow international firms to use GTR for cross-border transaction reporting to the South Korean regulator, improving transparency and cooperation across jurisdictions.

In this way, DTCC and KRX could help users to satisfy their regulatory reporting obligations through standardised and harmonised reporting fields.

Peter Tierney, head of GTR in Asia, said: "With the introduction of trade reporting in the US, Europe and across many Asian jurisdictions, a significant portion of the world's over-the-counter (OTC) transactions have already been reported through the GTR platform. A large percentage of the cross-border data needed by Korean regulators has already been collected."

"Partnering with KRX will allow us to explore opportunities to bring operational efficiencies to firms that will be required to report Korean trades and deliver the highest quality data to the Korean regulators."

Kiwon Kang, president and COO of the KRX derivatives market division, added: "KRX plans to support the new OTC trade reporting regime for Korean regulators for local reporting. By combining our effort to establish an effective trade repository with DTCC's abundant expertise and leading GTR solution, market participants will be able to report their OTC

Eliminate Collateral Management

A Better Way

OneChicago.com - An Equity Finance Exchange - OCXdelta1 312.883.3440

One CCP.
Multiple Efficiencies.

Increasing capital and collateral requirements across the derivatives and securities financing business keep raising costs for market participants, sell side and buy side alike.

Unlock the full benefits of a CCP – leverage our superior solutions and services to maximize capital, margin- and collateral efficiencies.

Eurex Clearing – smart solutions keeping you clear to trade.

» Learn more

eurex clearing

www.eurexclearing.com

market transactions in a cost effective, streamlined manner."

IPC Systems adds Otkritie Capital to network

IPC Systems, a communications services provider to the financial markets, has expanded its network with the addition of Russian brokerage firm Otkritie Capital.

Otkritie is the newest client to the IPC financial markets network, a cloud-based platform that allows users to connect with Otkritie in order to trade in Russian equities and derivatives, and as receive global prime services.

According to IPC Systems, the financial markets network, which currently hosts more than 6,000 participants, offers services the likes of Connexus Financial Extranet, Direct Connect and MPLS WAN data services, as well as trader and enhanced voice connectivity services.

Serge Alexandre, head of international prime services sales at Otkritie, said: "Otkritie plays a central role in the success of most institutional investors, fund managers and proprietary traders, particularly for firms interested in borrowing securities, getting margin trading facilities and having direct access to multiple asset classes and liquidity pools available on the Moscow Exchange, with a strong focus on RUB-related instruments."

"We are thrilled to collaborate with IPC to offer global investors with state-of-the-art connectivity and communications solutions for financing trades and managing risk."

David Brown, senior vice president and managing director, financial markets network at IPC, added: "It is our goal to provide institutional investors, corporate treasuries and fund managers with innovative solutions to source liquidity and execute compliant trades across asset classes."

"Connectivity has become a cornerstone for investors, especially for those taking short positions and seeking to amplify profits through leverage. We are delighted to welcome Otkritie Capital to our diverse and secure financial markets private cloud."

Euroclear and Lyxor launch liquidity tool for fixed income market

Euroclear and Lyxor Asset Management have teamed up for the launch of an asset liquidity monitoring tool for the fixed income market.

e-Data Liquidity was developed in response to the increasing regulatory emphasis on maintaining liquidity and aims to allow participants a way of accurately gauging their asset portfolio's 'intrinsic liquidity' in order to effectively price assets and allocate their funds, according to Euroclear.

In a brief on the launch, Euroclear explained that the product is aimed at the fixed income market because "measuring liquidity can prove particularly challenging for fixed income securities, which mainly operate over-the-counter and offer less transparency by nature than other markets".

Stephan Pouyat, global head of funds and capital markets at Euroclear, said: "The current market climate is prompting investment managers, treasurers, risk managers, insurers, collateral takers, central counterparties and other buy-side institutions to better manage their asset portfolios and strengthen their balance sheets, including liquidity buffers."

"e-Data is a modular tool and the liquidity module provides key indicators founded on our neutral settlement data and presented in its simplest form, relying on the infrastructure stamp of Euroclear. This first module, designed in close collaboration with Lyxor,

Experts in:

☐ Securities Lending
☐ Cash Management
☐ Risk Management
☐ Client Servicing
☑ All of the above

You want to focus on your strategic priorities. You need experts anticipating your needs and developing the tools to make you successful. For your securities lending business, rely on Northern Trust's market knowledge, experienced professionals, unique solutions and industry leading technology. So you can concentrate on running ***your*** business. To find out more, visit northerntrust.com/securitieslending or contact George Trapp at +1 312 444 3126 (North America), Justin Miller at +44 (0)20 7982 3837 (EMEA) or Mark Snowdon at +65 64376777 (Asia Pacific).

NORTHERN TRUST

Asset Servicing | Asset Management | Wealth Management

DIRECTED TO PROFESSIONAL CLIENTS ONLY. NOT INTENDED FOR RETAIL CLIENTS. FOR ASIA-PACIFIC MARKETS, THIS MATERIAL IS DIRECTED TO INSTITUTIONAL INVESTORS, EXPERT INVESTORS AND PROFESSIONAL INVESTORS ONLY AND SHOULD NOT BE RELIED UPON BY RETAIL INVESTORS.

© 2016 Northern Trust Corporation, 50 South La Salle Street, Chicago, Illinois 60603 U.S.A. Incorporated with limited liability in the United States. Products and services provided by subsidiaries of Northern Trust Corporation may vary in different markets and are offered in accordance with local regulation. For legal and regulatory information about individual market offices, visit northerntrust.com/disclosures. Issued by Northern Trust Global Services Limited.

Flexible Financing Solutions

New regulations and market changes have transformed securities financing. In this evolving environment, innovative tools and new strategies can help you to collateralise transactions, enhance returns and facilitate liquidity more effectively.

BNY Mellon has the resources to design securities lending solutions to help support your pursuit of incremental revenue. Explore how BNY Mellon's agency securities lending program can fit into your portfolio strategy.

To learn more, please contact
Bill Kelly at +1 212 815 3908
Rob Chiuch at +1 212 815 2700

bnymellon.com/securitiesfinance/2016

BNY MELLON | Invested

Products/services are provided in various countries by subsidiaries or joint ventures of The Bank of New York Mellon Corporation (and in some instances by third parties) that are authorized and regulated within each jurisdiction, under various brand names, including BNY Mellon. Not all products and services are offered in all locations. This information is for general reference purposes only and does not constitute legal, tax, accounting or other professional advice nor is it an offer or solicitation of securities or services or an endorsement thereof in any jurisdiction or in any circumstance that is otherwise unlawful or not authorized. Your ability to use these services is subject to a wide variety of applicable regulations and to the oversight of relevant regulators in different territories and/or jurisdictions. You should obtain your own independent professional advice (including fi nancial, tax and legal advice) before agreeing to use the various services referenced herein. ©2016 The Bank of New York Mellon Corporation. All rights reserved.

A focus on regulation

Regulatory change management: Time for a smart approach?

The regulatory environment for financial services continues to exist in a state of constant flux. Many legislative bodies around the globe publish regulations that are growing in both volume and complexity. Although most commentators agree that all regulation has a worthy aim, achieving and maintaining regulatory compliance has increased the cost of doing business significantly. But it's worse than that—regulatory compliance is often now an impediment to business agility and a major distraction from core activities.

In practice, legislation is reshaping the global financial services industry and will determine future business models. The sheer depth, breadth and pace of regulatory mandates mean that financial institutions have already diverted billions of dollars of infrastructure investment into regulatory compliance programmes. If these are not managed strategically, over time they will increase both technology and processing costs further. This phenomenon has become known as what GFT research has confirmed as 'the new normal'—a state of continuous regulatory change in the financial markets.

All firms need to design, implement and manage efficient processes to on-board regulation and maintain compliance. But financial organisations worldwide have risen to the regulatory challenge in many different ways. Some have implemented tactical solutions and workarounds. These may have worked in the past, but success in the new normal now requires a fresh approach.

Successful regulatory change management programmes can deliver far more than compliance by adopting a strategic view financial institutions can become more confident and responsive to new business opportunities and enjoy a permanent reduction in compliance costs.

A successful regulatory change management programme must encompass both technical and business processes. The notion of regulatory change needs to be embedded into a business as usual mind-set, so that regulatory change is seen as an ongoing requirement, rather than an individual necessary evil that comes and goes. Successful regulatory compliance is more akin to a journey than a destination.

If the regulatory workflow is combined with an interactive visual dashboard, issues can be aggregated with built-in thresholds allowing the process to be monitored holistically, with any bottlenecks easily resolved.

The workflow must also allow for roles and responsibilities to be appropriately assigned to individuals and must have filtered views, so that individuals are directly accountable and can demonstrate compliance actions to the regulator.

This level of transparency, combined with the ability to identify individual users and send alerts when required provides regulators with an assurance that the entire organisation is in control of its overall compliance programme.

Firms that embrace such a holistic approach across the organisation in order to manage the required change will be more likely to succeed—those that choose not to will face the perils of the new normal of continuous regulatory change.

Paul Harrington
Deputy head of legal, regulatory and compliance practice, GFT
www.gft.com

focuses on supporting the management of fixed income and more specifically high quality liquid assets."

Jean Sayegh, co-head of sovereign bonds investments at Lyxor Asset Management, added: "Lyxor has always helped its clients understand and adjust to a rapidly changing environment."

"By teaming up with Euroclear we are participating in the current regulatory drive for market transparency and providing fixed income investors with an innovative tool helping them better manage their portfolios. This partnership confirms our expertise as an innovative and growing fixed income asset manager."

SecuritiesLendingTimes

Editor: Mark Dugdale
editor@securitieslendingtimes.com
+44 (0)203 750 6022

Deputy Editor: Stephanie Palmer
stephaniepalmer@blackknightmedialtd.com
+44 (0)203 750 6019

Reporter: Drew Nicol
drewnicol@securitieslendingtimes.com
+44 (0)203 750 6018

Contributor: Becky Butcher

Marketing Director: Steven Lafferty
design@securitieslendingtimes.com
+44 (0)203 750 6021

Designer: John Savage
design@securitieslendingtimes.com
+44 (0)203 750 6021

Publisher: Justin Lawson
justinlawson@securitieslendingtimes.com
+44 (0)203 750 6028

Recruitment Manager: Chris Lafferty
chris@assetservicingtimes.com
+44 (0)208 663 9624

Office Manager: Chelsea Bowles
accounts@securitieslendingtimes.com
+44 (0)203 750 6020

Office fax: +44 (0)20 8711 5985

Published by Black Knight Media Ltd

Copyright © 2016 Black Knight Media Ltd.
All rights reserved.

Working hard to discover hidden specials

LAGO
KAPITAL
Leading Finnish Securities Finance Boutique

- Securities Lending
- Single Stock Futures
- REPO
- Financing
- Emerging Markets

Lago Kapital Ltd
info@lagokapital.fi

www.lagokapital.com
tel. +358 10 320 8950

© Lago Kapital Ltd

Growing strong

CASLA chair Donato D'Eramo discusses what delegates can expect to hear at the upcoming conference in Toronto and why it's important for the industry

What should delegates expect from this year's CASLA Conference on Securities Lending?

The Canadian Securities Lending Association (CASLA) was created to ensure the long-term viability of the industry by establishing a common platform and working with a broad spectrum of direct and indirect industry stakeholders. This year's conference programme brings together a wide spectrum of experts and their perspectives on the securities lending business in Canada and globally. This includes leaders representing the supply and demand sides, regulatory and tax representatives, agent lenders, beneficial owners, hedge funds, and leading consultants. Together they will cover the latest trends and challenges in the Canadian securities lending market.

Delegates can expect an update on the Canadian market from a quantitative market data perspective, as well as insights from panels that will cover a broad range of topics that are important to all stakeholders across the entire value chain.

Delegates will also hear about themes from industry leaders as well as insights centred on current and emerging regulations that may impact securities lending market participants in Canada.

This year we are delighted to welcome entrepreneur and former investor on CBC's Dragons' Den, Bruce Croxon, who will deliver the keynote speech.

How has the market changed since last time the industry came together in Canada?

Ongoing focus on balance sheet and capital ratios will continue to have an effect on borrower and lender behaviour, leading to developing constructs for clients and beneficial owners to consider when shaping their offering. Solutions continue to focus on the growth of non-cash capabilities, term and cash offerings where economical, and collateral optimal solutions for stakeholders.

From a macro perspective, the price of oil affected not only most asset prices and the Canadian dollar, but also the price of gold and the positive effect on mining stocks. All of this has led to an active and healthy demand for the industry.

Which panels are you personally most looking forward to?

There are so many to choose from. We have a hedge fund panel focusing on areas such as retail reform on alternative investments and the latest product innovations; the securities lending panel seeking the views across the entire value chain, and potentially how it may be changing; and an always interesting discussion on the tax and regulatory panel. I'm looking forward to hearing from the panellists and know they will bring a lot of great insight for the group to consider.

What are the main challenges facing CASLA currently and how are they being tackled?

From an industry perspective, we are focused on a few priorities such as enhancing the public's understanding of the role that securities lending plays in capital markets, as well as working collaboratively with regulators and industry partners to implement change and support an efficient and secure marketplace.

Developing strong linkages with similar global trade associations is also essential, as is advocating for the common interests of securities lending market participants, including custodian banks, beneficial owners, asset managers and broker-dealers.

> ***This year we are delighted to welcome entrepreneur and former investor on CBC's Dragons' Den, Bruce Croxon, who will deliver the keynote speech***
>
> **Donato D'Eramo,** Chair, CASLA

In addition, we are working on regulatory themes that touch on capital and leverage ratios and potential downstream impacts for all constituents, including banks, broker-dealers and agent lenders. We also continue to work on certain regulations and their impact on certain segments of the market such as Canadian mutual funds, and the National Instrument to the extent that collateral profiles can be expanded to allow for broader market alignment.

For those coming to Toronto from overseas that may not fully understand the Canadian market, what would you like the key takeaways to be?

We hope attendees gain a greater understanding and interest in dealing with Canadian institutions and clients, understanding that Canada is one of the larger and more sophisticated markets in the world, and that our institutions and businesses are maturing and becoming more global. Finally we hope they will come to further appreciate the importance of the Canadian market, banks, dealers, financial institutions, as clients and counterparts. **SLT**

J.P.Morgan

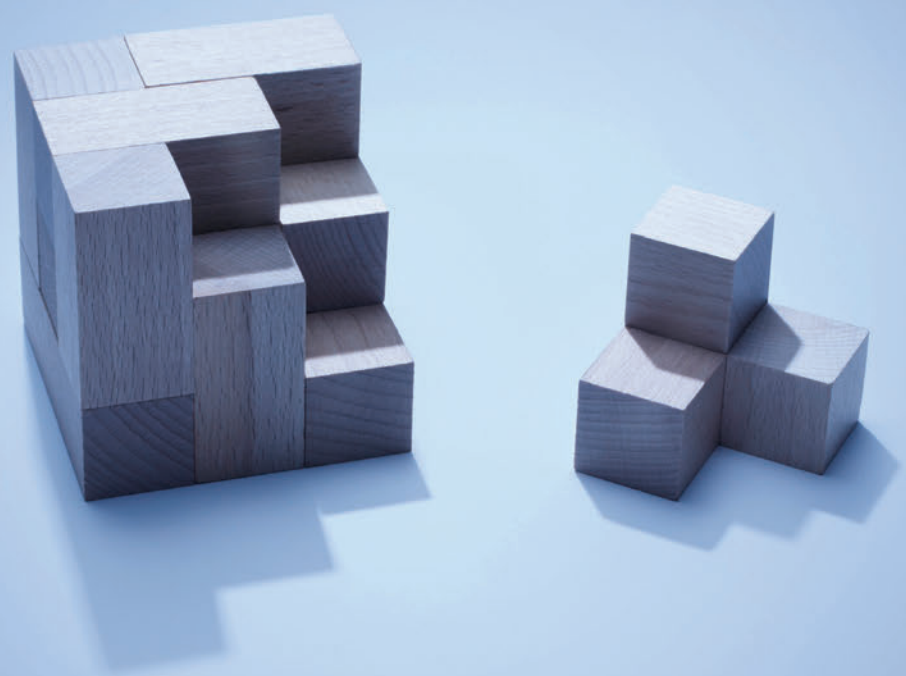
Are you in need of a customized Securities Lending Program?

Think J.P. Morgan.

For 35 years, J.P. Morgan has been helping clients to enhance returns with securities lending programs tailored to their unique requirements.

Our clients individual lending, collateral and reinvestment needs are met through a comprehensive range of flexible solutions supported by our leading technology infrastructure, our global expertise and the strength of our firm.

jpmorgan.com/visit/securitieslending



© 2013 JPMorgan Chase & Co. All rights reserved. J.P. Morgan is the global brand name for J.P. Morgan Chase & Co. and its subsidiaries and affiliates worldwide. Access to financial products and execution services is offered through J.P. Morgan Securities LLC ("JPMS") and J.P. Morgan Securities plc ("JPMS plc"). Clearing and brokerage custody services are provided by J.P. Morgan Clearing Corp. ("JPMCC") and JPMS plc. Bank custody services are provided by J.P. Morgan Chase Bank, N.A. ("JPMCB"). JPMS and JPMCC are separately registered US broker dealer affiliates of JPMorgan Chase & Co., and are each members of FINRA, NYSE and SIPC. JPMS plc is authorized by the PRA and regulated by the FCA and the PRA in the UK and is a member of the LSE.

The perfect hedge

David Downey explains how OneChicago can offer 'risk-free' delta one trading

Can you outline what OneChicago's derivative contract is and how it is used within the OneChicago marketplace?

At OneChicago, our product, known as a security future, is an exchange-traded derivative contract. They are often lumped in with other forms of futures contracts, which isn't incorrect but means some of the subtlety becomes lost, particularly in terms of what they are and what they are not.

If a participant wants synthetic exposure they have a couple of options, but none of them will bring the pure delta one exposure that a security future contract will. For example, a long call, short put position brings certain risk characteristics such as pin risk and exercise and assignment risks, along with dividend exposure. Whereas OneChicago's security future contracts provide pure delta one exposure, meaning there is no optionality in the derivative. It offers very specific replication of the underlying stock exposure.

How does OneChicago's derivative product differ from other synthetics options?

There are none of these additional risks attached with our exact duplication of owning stock. There is no other derivative out there like it.

That sounds a lot like a total return swap. Are they the same?

A security future is a total return swap, but one trades over-the-counter (OTC), while ours trades via an exchange in a heavily regulated environment where all of the transactions are centrally cleared through a AA+ counterparty, which makes it US Dodd-Frank Act-compliant.

The other thing to remember about OTC total return swaps is that for buyers, such as hedge funds, if they want to exit the position they have to return to the same broker and pay to do so. The customer is captive and that makes it enormously profitable for brokers' delta one desks that service these trades.

In most futures markets, participants look for daily, weekly and monthly trends on market participation, whether for price discovery or liquidity. This is different in our marketplace because participants do not trade in and out. There are no high frequency traders at OneChicago.

OneChicago has seen some very volatile month-to-month trading figures this year. Does that concern you?

Our participants enter into these contracts for terms and so we see a lot of monthly contract rolls where those participants often choose to extend their long-term positions. Sometimes they may wish to add or trim their position, but overall they are simply holding them. There are some days where we see as little as 6,000 contracts and others where we trade 165,000 contracts. However, the nature of having a marketplace of low-frequency traders means that if a participant does choose to close out their exposure, then that creates a much larger impact on our volume data than it might otherwise.

At OneChicago, we have very few quarterly contracts because it's an interest rate trade. The only variable that must be negotiated is how many basis points (bps) will be charged to finance the next term. Our low fees allow people to keep their terms down to a month to allow participants to remain nimble.

At the same time, in today's world, with so much uncertainty around interest rate levels, it pays to keep terms short. For example, we saw a significant fluctuation in our American depository receipt (ADR) volumes recently because we had huge positions open with two Brazilian oil companies with low stock rates. The customer in question held these large positions for a long period of time, but when the trend was over, it exited the position.

As a result, we had a negative spike in our ADR volumes for that month. It only takes one or two of our biggest customers to close out their positions to have a massive impact on monthly volume, which can be misleading.

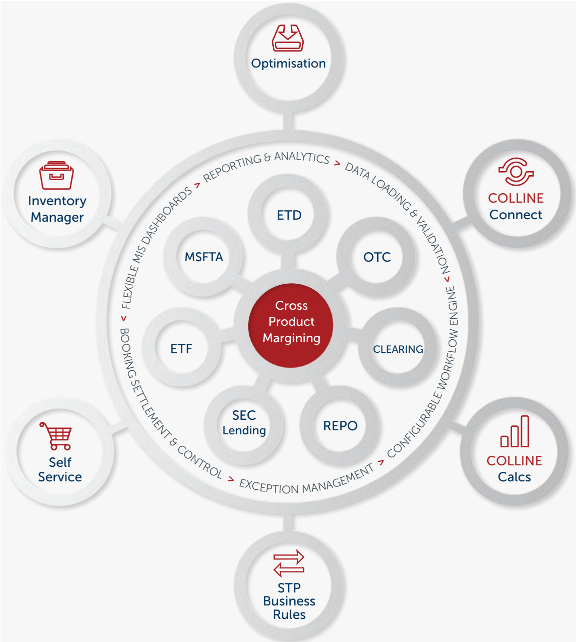
What would be a more appropriate way of gauging OneChicago's progress?

I don't look at monthly volumes at all. We have to publish those but it's value for us is often misunderstood. I focus on notional value, which is based on the fact that our basis point charge is a flat transaction fee. Everyone in our OCX.NoDivRisk products pay the same—$5 per million dollars per notional value.

COLLINE

Lombard Risk

Agility | Advantage



COLLINE: Consolidated end-to-end cross-product (OTC derivatives, repo, securities lending and ETFs) collateral management, clearing, inventory aggregation and optimization.

Mitigating exposure risk while satisfying the growing demand for multiple/global entities, margining, master netting, dispute management and electronic messaging.

- **COLLINE OTC** has market-leading functionality including a legal agreement repository supporting CSA, SCSA and umbrella agreements, flexible margin calculation and configurable workflow, reporting and reconciliation.
- **COLLINE REPO and SEC LENDING** supports front-to-back margin operations for an institution's repo and securities lending agreements, including optional mark-to-market calculation and exposure profiling.
- **COLLINE CCP/CLEARING** workflow supporting both house and client clearing requirements. Validation of CCP and broker calculations with configurable margin process definition and cash flow management to support multiple clearing house models on a single platform.
- **COLLINE OPTIMIZATION** offers a highly configurable solution to enable real-time algorithmic calculations, according to user-defined rules, goals and evolving priorities, to ensure optimal use of assets.
- **COLLINE ETF** organizes, manages and tracks the creation and redemption process of an ETF (Exchange-Traded Fund) – improving an organization's operational efficiencies.
- **COLLINE ELECTRONIC MESSAGING** - automates the interaction between financial institutions on their margining requirements (margin calls, partial and full dispute notification, real-time visibility of counterparty actions, interest statements, and collateral substitutions) thus reducing operational risk.

For more information:

visit our website: **www.lombardrisk.com**

email: **info@lombardrisk.com**

Can you expand on your fee structure and how it compares to other similar marketplaces?

Other marketplaces will charge a per-contract fee, which ranges depending on your status in the market, such as a member or a customer. We changed our fee structure because it's a financing trade. Therefore, I have the notional value fee and a daily carry fee of $1.6 per million dollars for each day the contract is open. The key point to remember is that for the participant, the fees are transparent and easily calculable.

Are you seeing the number of participants in your marketplace growing?

We are growing, the prime brokers would begrudgingly admit, because they do not want to see the total return swap turn into a single-stock future (SSF). Calling them SSFs makes them subject to regulation and therefore more transparent. It also means that because they are centrally cleared, their customer is no longer captive.

In terms of new customers, we have introduced commodity trading advisors to the market and taught them to speak to each other. We also now have pure financing players coming to market. Participants that send their stock to prime brokers via securities lending and repo and get maybe 12 to 15 bps are now looking at our roll market and seeing others looking to pay 80 bps for a 30-day term. When someone is asking you to buy one future and sell another in the same stock, there is no risk there because they are both delta one.

Nothing is risk free, is it?

It is risk free, that's what a delta one trade is. If I buy 100 shares of IBM and then sell 100 shares of IBM in the same account, where is the risk? For every penny IBM goes up, my long will benefit and my short will suffer, or visa versa. As a prime broker, this allows you to engage in risk-free financing trades and bank the interest rate difference that's built into the contract.

What are the barriers to entry for other market participants looking to leverage this product?

In order to get access to the OneChicago marketplace you have to go through the Options Clearing Corporation and the only people that can do that are brokers, meaning a lot of people do not have direct access to this type of trade. Very few prime brokers have ever brought customers in to deal directly with OneChicago, the vast majority don't allow it. They don't just resist it, they refuse it.

OneChicago is in direct competition with prime brokers and we challenge their business model. We are trying to get into that game because I think mutual funds are taking unnecessary risks by working with lower-rated brokers, particularly when there's a new way to do the business.

With OneChicago, they can upgrade their counterparty exposure while enhancing their yields by offering directly to the consumer. By removing the spread, both parties will do better with less risk. **SLT**

With OneChicago, they can upgrade their counterparty exposure while enhancing their yields by offering directly to the consumer

David Downey, CEO, OneChicago

CONSololtd

A new name providing expertise and resource for Business Change in Securities Finance

contact us: www.consololtd.co.uk | info@consololtd.co.uk

Global securities financing and collateral management solutions

- Optimize funding and collateral decisions
- Reduce counterparty and operational risks
- Enable efficient and high-growth operations
- Meet regulatory and market requirements

Contact us:
+1 888 237 1900
broadridge.com/cm

© 2014 Broadridge Financial Solutions, Inc., Broadridge and the Broadridge logo are registered trademarks of Broadridge Financial Solutions, Inc.

Broadridge®

Recession? What recession?

The world may have to stop ignoring the bubble that is being built up, says David Lewis, senior vice president at FIS Astec Analytics

As we approach the halfway point of 2016, we have already seen more economic activity and turbulence to last two or three times as long. Collapsing and then rebounding oil prices, falling demand from what is, for the moment at least, the world's second largest economy not to mention political changes spreading fear and uncertainty across individual countries and the wider global economic system.

In the UK and Europe, the potential departure of the UK from the EU will be decided in June, but the pros and cons, economic and otherwise, fill many column inches every day. Over the water in the US, a potential regime change there come November has many countries and investors spooked as talk of tariffs and abandoned trade deals cast fear among trading partners. But is the world economy really on the brink of a recession, or has it already been and gone?

At the start of 2016, the financial markets suffered some of the worst weeks ever. Oil dropped below $30 a barrel, albeit briefly, all major stock exchanges fell along with commodity prices crashing as the growth expectations for their main consumer, China, fell back dramatically. When volatility is high, market confidence can be said to be low. The Chicago Board of Exchange Volatility Index, aptly referred to colloquially as the 'Fear Gauge', hit new highs in the first weeks of January, scoring 28 against a long term average of 20.

Growth in China and the strength of the world's second largest economy is often taken as an indicator, as well as a cause, of growth and decline in many industries around the world. For many years, China has been demanding ever more inputs in the form of raw materials and commodities to fuel the huge growth its economy is experiencing. With growth slowing, demand has slowed and this has affected many industries from mining to shipping. Growth for 2016 is publicised as being between 6.5 and 7 percent. 2015 saw an actual growth of 6.9 percent. Some economists believe the true figure is around 2.4 percent and this belief was supported by the Chinese premier's leaked remarks that "headline GDP rates are manufactured figures for reference only".

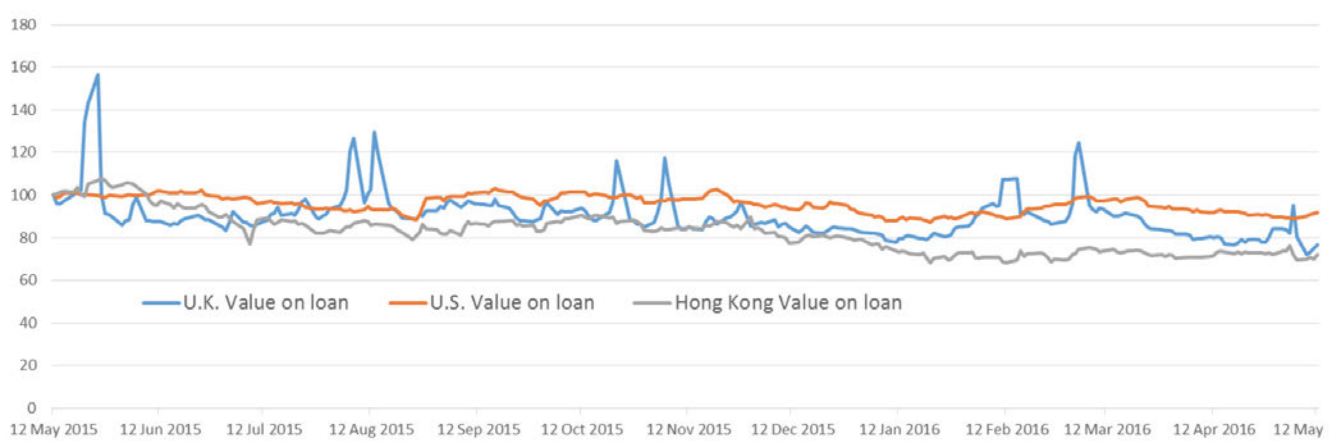
A credit fuelled growth pattern is believed to be compensating, at least in the short term, for significant bad debts in (part government-owned) banks and municipals, which have issued enormous amounts of debt for infrastructure, industrial and real estate developments, all of which are contributing to massive overcapacity in China, the effects of which will not be felt until the borrowing runs out.

In the UK, a forthcoming recession is believed, by some, to be inevitable, whether or not the country leaves the EU or remains a member. Despite unemployment being low, productivity remains stuck on the lower rungs compared with other European competitors. Savings rates are said to be at an all-time low, suggesting that consumers cannot afford to spend as they direct incomes to servicing record levels of debt. One thing that can be guaranteed, politically, is that if the UK does fall into a recession, the Leave or the Remain campaign will be blaming the other.

What position is the short side of the market taking up in anticipation of an impending recession? In the UK, it would appear that short interest in equities is falling. Figure 1 shows the indexed values of equities on loan for the US, the UK and Hong Kong (as a representative of Chinese shares through their listings in Hong Kong). All three markets are showing a fall in absolute values on loan compared with 12 months ago. The UK is down 23 percent, the US down 8 percent and Hong Kong is down 28 percent. Looking at the major indices over the same period, the FTSE 100, the S&P 500 and the Hang Seng have changed only 1.1, 0.1 and -0.9 percent respectively, indicating that the falls in values on loan are not due to depressed share prices.

With main indices buoyant, and short interest falling, there seems to be good news to absorb rather than the bad that affected Q1 2016 so deeply. It may be that the global recession was largely avoided and the start of this year was symptomatic of the world's largest economies skimming across the surface rather than sinking into deflation. But are they right to be less 'short'? With China continuing to ride a credit fuelled boom that surely cannot be sustained, the rest of the world may have to stop ignoring the bubble that is being built up and consider the fact that Q1 was just a taste and the real recession is yet to come. **SLT**

Figure 1: Market value on-loan over prior 12 months, indexed to 12 May 2015



Source: FIS Astec Analytics

25TH ANNUAL

SECURITIES FINANCE AND COLLATERAL MANAGEMENT CONFERENCE

ISLA
INTERNATIONAL
SECURITIES
LENDING
ASSOCIATION

21 - 23 June 2016
Marriott Hotel, Vienna
Austria

REGISTER ONLINE: WWW.ISLA.CO.UK/ISLA2016

ISLA is delighted to announce its keynote speakers for this year's **25th Annual Securities Finance and Collateral Management Conference**.

SPECIAL KEYNOTE ADDRESSES

Steven Maijoor
Chair
European Securities and Markets Authority (ESMA)

Harald Müller
Deputy Head of Treasury Strategy Division
Oesterreichische Nationalbank (OeNB)

Lord Evans of Weardale KCB DL
Former Director General of the British Security Service MI5 from 2007 to 2013

FOR ALL CONFERENCE INFORMATION

Email: isla@eventrock.co.uk
Tel: +44 (0) 208 288 7738
Web: **www.isla.co.uk/isla2016**

FULL AGENDA LIVE

Moderators and speakers have now been announced! For all the latest agenda developments join our linkedin group.

Comings and goings at CIBC Mellon, HazelTree and Pirum

CIBC Mellon president and CEO Thomas Monahan is preparing to retire at the end of 2016.

A successor has not yet been confirmed but CIBC Mellon is currently implementing a leadership transition plan.

During Monahan's time at CIBC Mellon, the bank has grown to manage CAD 1.6 trillion (USD 1.2 trillion) of assets under administration, strengthened its risk and governance regime and launched several new solutions for institutional investors in Canada.

Monahan said: "I've been fortunate to lead a successful company that is committed to client service, employee engagement, corporate social responsibility, operational excellence and strong governance."

"I am proud of the CIBC Mellon team that we have built and the standard of excellence we have established in Canada. In the best CIBC and BNY Mellon tradition, our executive management team will work collaboratively with the boards to ensure an effective transition."

Samir Pandiri, CEO of BNY Mellon's asset servicing business and chairman of CIBC Mellon, added: "Thomas Monahan has been a strong leader and advocate for our business and our clients, successfully managing CIBC Mellon through challenging times and uncertain markets."

The European Central Securities Depositories Association has re-elected Mathias Papenfuß of Clearstream as chairman.

Representatives of 41 central securities depositories gathered for the election during the ordinary general meeting on 20 May held at KDPW's headquarters in Warsaw.

Papenfuß will continue to be supported by two vice chairs Brigitte Daurelle of Euroclear and György Dudás of KELER.

Georg Zinner of OeKB CSD was also re-elected as treasurer of the association.

Papenfuß commented on his re-election: "I expect the next three years to witness an unprecedented level of harmonisation of CSD activities, as well as stronger competition within Europe."

He added: "Each CSD will face its own specific challenges, but as an industry association ECSDA can play a key role in ensuring that the new rules of the game are applied consistently and meaningfully across national markets."

Credit Agricole has reshuffled its senior leadership team within the bank's major clients division.

Jean-François Abadie, previously head of global operations in Credit Agricole's corporate and investment banking business, has been appointed CEO of CACEIS.

He has also joined Credit Agricole's extended executive committee.

François Marion, previously CEO of CACEIS, has been named deputy CEO of Credit Agricole's corporate and investment banking business in charge of supervising support functions.

The clients division, which encompasses Credit Agricole's corporate and investment banking business, CACEIS and Indosuez Wealth Management, is supervised by Jean-Yves Hocher, deputy CEO of Credit Agricole and CEO of corporate and investment banking.

Abadie has been with the bank since 1999 in a number of regional and global senior leadership positions.

Marion is also well established at Credit Agricole, having joined in 1997 as head of financial control, budgeting and strategic planning for Indosuez.

Marion has served as chair of CACEIS's management board since it was formed in 2005, and as CEO since 2009.

Pirum Systems has taken on Robert Keane as product manager from BMO Global Asset Management.

Keane will focus on improving Pirum's product offering as well working on projects described by Pirum as "innovative opportunities that are being explored in greater detail".

Based in London, Keane will report to Robert Frost, head of product development.

Keane previously ran the agency lending programme at F&C Investments between 2014 and 2016, maintaining his position when F&C was acquired by BMO Global Asset Management in 2015.

"I am delighted to welcome Robert Keane into our product team which further strengthens our ability to meet the needs of customers as they deal with the diverse demands of managing efficiency, operational risk and capital requirements, " said Frost.

Keane added: "Pirum has an outstanding reputation in the market for delivering superior technology intertwined with excellent customer service and I am excited to be joining such a dynamic company and working alongside a talented set of individuals."

In addition to Keane joining the company, Mark Schilling, global head of sales, has left after just over a year at the business.

Schilling, who is also based in London, moved to Pirum after just over a three-year tenure as managing director at Scotiabank. A replacement has not yet been appointed.

HazelTree has named Sameer Shalaby as the company's president, CEO and board director.

He replaces Stephen Casner, who will continue with HazelTree as its global head of partnerships to forge key strategic relationships with major industry players.

Shalaby, who brings 25 years of financial technology experience, will prioritise accelerating the company's global growth, increasing focus on customer service and driving product innovation, according to HazelTree.

He said: "The need for HazelTree's solution has never been greater. Dissipating custody and liquidity boundaries between financial institutions are driving alternative managers as well as traditional asset management firms toward a much more active treasury management function."

"HazelTree is a strategic asset in this evolving environment that will enable our clients to improve profitability and maintain effective capital market relationships.

"Our laser focus on customers will ensure they realise the maximum benefit of our solution." **SLT**