



## NEWSINBRIEF

### Northern Trust to acquire BOISS

Northern Trust has reached an agreement to acquire the fund administration, investment operations outsourcing and custody business of the Bank of Ireland Group, Bank of Ireland Securities Services (BOISS).

Northern Trust will pay up to €60 million (approximately US\$82 million) to acquire the business.

The acquisition, which is subject to applicable regulatory approvals and other customary closing conditions, is anticipated to close in the second quarter of 2011.

[readmore p2](#)

### Finadium publishes Basel III white paper

Finadium has published a new research report looking into what Basel III means for securities lending and collateral management.

The Basel Committee on Banking Supervision has now published the main recommendations of Basel III, a sweeping set of reforms and new metrics for supervising the banking industry. Basel III is similar to its predecessor, Basel II, but goes much further in managing the leverage that banks can provide their clients and the liquidity they must maintain. Like any new government regulation, Basel III promises to create new winners, losers and distortions in the market.

[readmore p2](#)

## Canada to relax short selling rules on falling markets

TORONTO 28.02.2011

The Investment Industry Regulatory Organisation of Canada (IIROC) has announced plans to remove restrictions on short selling in falling markets.

IIROC has published two studies that look at the trends of short selling in the last three years and says the results show that there has been little or no negative change in short selling patterns in Canadian markets.

The first study looked at the relation between short sales and failed trades during the period of the greatest market turmoil in generations, from October 1, 2008 to April 30, 2009. The study found no unusual patterns of short selling or trade failure.

The second study looked at the relationship between price movement and short sale activity during a period when all of the securities traded on the TSX Venture were subject to price restrictions on short sales. These restrictions (the "tick test") require that a short sale can

only be made a price which is not less than the last sale price of that security on a marketplace. The study found that there were no "systemic" problems in the working of the short sale regime and that the tick test was not effective as a tool to restrict significant and rapid systemic declines in prices.

As a result, it plans to repeal the tick test, which meant that short selling was not permitted when a company's stock was falling. Public comments are being solicited on the proposed move.

The announcement came at the same time that the US SEC implemented the rule that imposes price restrictions on short sales if a circuit breaker has been triggered by a 10 per cent decline on a particular stock. If the circuit breaker is implemented, short sales must be priced at one increment above the best bid price for the rest of that trading day and all of the following trading day.

### INSIDE SECURITIESLENDINGTIMES

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## Northern Trust to acquire BOISS

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It is anticipated that on completion of the transaction, Northern Trust's combined assets under custody and administration in Ireland will increase by approximately €70 billion (approximately US\$96 billion).

"Ireland is one of the largest European domiciles for cross-border fund administration," said Northern Trust chairman and chief executive officer Frederick H. Waddell. "We look forward to combining this business with our existing activities in Ireland and continuing to provide the exceptional client service and solutions for which Northern Trust and Bank of Ireland Securities Services are both known."

Bank of Ireland Securities Services is the largest Irish-owned asset administration provider and is based in Dublin. The business provides specialised, client-driven services to a broad range of funds, including mutual money-market, multi-manager, exchange-traded funds, and property funds, serving both the on-shore and off-shore markets.

"This acquisition will enhance and expand Northern Trust's Global Fund Service capabilities, particularly in the key areas of fund administration and the support of ETFs," said Steven Fradkin, president of corporate and institutional services at Northern Trust. "We look forward to working with our new clients and drawing upon the intellectual capital and depth of leadership talent that Bank of Ireland Securities Services will bring to our already successful operations in Ireland."

## Finadium publishes Basel III white paper

continued from p1

Basel III presents a wide array of opportunities and challenges for securities lending and collateral management professionals. From particular exemptions to rules that will affect other parts of the bank to newly proposed risk weightings for central credit counterparties, more attention from Basel III has one conclusive outcome: more transparency is coming to the securities lending and collateral management markets.

This report has been written to provide education on the looming Basel III landscape for professionals in securities lending and collateral management and a synopsis of the macro impacts that Basel III will have on their business activities. It presumes the reader has advance knowledge of the securities lending and collateral management industries and an understanding of the

main ideas of credit risk. While most changes to this part of the securities industry will be benign, the report addresses several scenarios that could lead to unwelcome consequences if not addressed proactively, including the accounting treatment of indemnities provided to beneficial owners in securities lending.

## ISLA seeks topics for conference

The organisers of the forthcoming ISLA/AFME International Securities Lending Conference in Portugal in June are soliciting industry views for topics to be discussed during round table sessions.

The conference website is inviting potential delegates to vote on the topics they are most interested in hearing during the conference. It's possible to help decide which countries will be discussed in depth, while other topics include electronic trading, regulation and collateral trends.

"Round tables will give you an opportunity to learn more about, and actively debate the issues that arise," said Kevin McNulty, chief executive of ISLA. "We will provide feedback on each of the roundtable discussions to the wider group at the end of the session to provide delegates with an overview and discussion highlights from each roundtable after the sessions on 30th June."

## Viking Global sues Porsche

Viking Global Investors is suing Porsche over short selling losses the company incurred during the takeover of Volkswagen.

The New York hedge fund alleges that Porsche misrepresented its intentions towards the rival carmaker, after it repeatedly denied claims it was interested in an acquisition.

In October 2008, Porsche said it owned a majority of Volkswagen's stock, which left funds struggling to cover their short positions. The lawsuit alleges that the share price has now fallen back to 2007 levels, which - it says - means that short sellers were correct and the market had been manipulated by Porsche.

German regulators are investigating the transactions.

"All of this is of little solace for Viking, however, which lost at least \$390 million terminating and/or hedging its short positions in the two days following Porsche's surprise announcement," Viking Global said in the complaint.

## Tree Top under fire from short sellers

The common stock of Tree Top Industries expe-

rienced another rash of naked short selling, verified according to FINRA.

David Reichman, chairman of the board of Tree Top stated: "We were completely surprised and confused by the exorbitant volume of trading that occurred in our stock last Friday, February 18th. According to the FINRA report that is issued every day, our stock was shorted by over 3,000,000 shares. Therefore, we are facing the possibility of a hostile seller or sellers in the market, and we are looking into ways to address this immediately."

Kathy Griffin, president of Tree Top stated: "We want our shareholders to know that we are moving ahead with the plans that we have put forward in disclosures to the public over the last few months, specifically our intention to partner with revenue producing companies, such as Sky Corporation, and our continued efforts to find investors for the BAT technology." Tree Top is a development stage company, moving to acquire companies that are in various stages of development.

## BlackRock announces dividend increase

BlackRock has declared a quarterly cash dividend of \$1.375 per share of common stock, increasing the dividend \$0.375 per share, or 37.5 per cent, from the prior quarter's dividend of \$1.00 per share. The dividend is payable on March 23, 2011 to shareholders of record at the close of business on March 7, 2011.

"Today's dividend increase demonstrates the power of BlackRock's business model and our commitment to giving back to shareholders," stated Laurence D. Fink, chairman and chief executive officer.

The Board of Directors reviews BlackRock's dividend policy annually at its regularly scheduled first quarter meeting.

## BOC launches RMB repo facilities

Bank of China (Hong Kong) has launched securities sale and repurchase facilities through the Central Moneymarkets Unit to facilitate intraday liquidity management of participating banks in the RMB Clearing System (RTGS).

BOCHK believes that the introduction of RMB Repo Facilities will enhance the liquidity of Hong Kong's RMB market, facilitate prompt and efficient RMB settlements, enable the launch of new RMB products and services in the future, and

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pave ways for the long-term development of the RMB business in Hong Kong.

BOCHK was appointed as the clearing bank of RMB banking business in Hong Kong by the PBoC on 24 December, 2003. In line with the steady expansion and development of RMB service, the operation has been running smoothly, providing comprehensive and efficient clearing services for all the PBs.

As a listed commercial bank with solid foundation and strong franchise, BOCHK enjoys various distinctive edges, including proven track record of RMB business and foreign currency notes delivery across the border for years.

It has solid experience in handling the clearing business between Hong Kong and the Mainland of China, with an efficient cross-border clearing system and strong contingency backup capabilities.

### SimCorp releases version 4.9 of Dimension

SimCorp has released version 4.9 of its seamless enterprise solution for investment management, SimCorp Dimension. In line with the firm's semi-annual release schedule, version 4.9 features new developments designed to meet growing challenges in the investment management industry and further automate workflow processes throughout the back-, middle- and front-office.

"As the industry begins to recover from the financial crisis, regulatory demands are placing greater pressure on global investment management firms to implement an operational infrastructure that allows for greater transparency and automation," commented Torben Munch, COO of SimCorp. "At SimCorp, we invest heavily in research and development. Version 4.9 represents more than 100,000 man-hours of development and six months of rigorous research.

With a view towards helping firms mitigate risk, reduce cost, and prepare for growth, SimCorp Dimension version 4.9 introduces a number of important developments across front, middle, and backoffice, including:

- **Compliance Checks:** Investment managers can now run compliance checks on figures imported from outside SimCorp Dimension and incorporating these into compliance rules. Compliance checks may also be run on broker restrictions.
- **Order Creation:** The newly improved order creation process allows for advanced simulation possibilities using formulas or custom investment strategies.
- **Performance Calculation / VaR:** The new performance calculation module and analytical value at risk (VaR) model improves accuracy and reduces calculation time

- **Collateral Management:** The enhanced collateral management feature enables greater automation and enables firms to handle large numbers of collateral agreements.

- **Security Forecasting:** A new enhancement allows forecasting of security holdings and a view of upcoming corporate events. Users can now specify when they want to view available positions and match their positions against collateral.

- **Period Closure:** A new period closure functionality ensures that holding data from a closed period is held static.

In addition to the sophisticated new developments to SimCorp Dimension, the firm now also offers a number of value-add services to guide users through running and maintaining SimCorp Dimension. The SimCorp release and deployment management service allows SimCorp Dimension clients to minimise risk and manage the costs associated with regular product upgrades. Following a standardised approach with clearly defined responsibilities, clients can enjoy a fully controlled end-to-end upgrade process under maximum budget control.

SimCorp Capacity Management is a new service offering for clients, driven by the increasing focus on data volumes and system performance. The Capacity Management service is designed to provide specific actionable analysis related to data distribution and system performance and the service includes an option for implementing proposed corrective actions.

### ICB joins SFTI for Mexico

Interacciones Casa de Bolsa of Mexico (ICB) has joined the Secure Financial Transaction Infrastructure (SFTI) as a prime destination to Mexico.

"NYSE Technologies is excited to work with one of Mexico's leading capital markets firms on a project that further opens Mexico to more global investors while also bringing the global markets closer to local investors," said Stanley Young, CEO, NYSE Technologies.

"When combined with our industry-leading technology, global footprint and unparalleled customer community, Interacciones' extensive coverage in Mexico and its focus on facilitating foreign investors in Mexico will enable us to jointly implement a new breed of direct market access solutions unlike anything available in the region."

Raúl Garduño, CEO and general manager of ICB said: "Connection to SFTI is an important step in a larger commitment to invest in next-generation electronic trading technologies. Buy-side clients in North America and Europe will have access to a complete provider of investment services in Mexico from custody to asset management, foreign exchange, research for equities, derivatives, fixed income products and stock loan. As we continue our international expansion, ICB will work further with NYSE Technologies to build and expand this technology platform, providing international investors with robust, innovative solutions for trading electronically in our markets."

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## Northern Trust

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## Going places

The appointment of Gerard Losurdo to head the securities lending team at Albert Fried has sent a message that the broker is serious about the market. SLT speaks to Losurdo and the broker's COO Anthony Katsingris about their plans and ambitions

### BEN WILKIE REPORTS

#### SLT: Firstly, can you tell us a little about Albert Fried?

**Anthony Katsingris:** The broker dealer was established in 1919 by Albert Fried Sr and was taken over in 1955 by Albert Fried Jr, who still heads up the firm. Until the 1990s, it was a New York Stock Exchange specialist firm, but then it started to cater to institutional clients. We have concentrated on staying a boutique, and service our clients in that fashion. We are a self-clearing broker dealer mainly for our institutional business, and family office trading activity.

Our clients range from small hedge funds to large pension funds. We also have a significant number of high net worth clients, a prime brokerage platform and a DMA structure as part of our offering. We are relationship driven, and provide a high level service to our clients. The firm is well-capitalised, and has a long standing solid reputation.

The last couple of years have been pretty good for the firm. We pick our spots, identify, and manage risk well. Of course, commissions are off, but we have diversified our offerings to make up for lost revenue.

We've benefited because there is a heightened awareness of risk in the market, and firms are hesitant to deal with smaller broker dealers. The broker alliance has been coming to us because they see deals here that are not being shopped around.

#### SLT: Why has the firm decided that now is the time to expand its securities lending activities?

**Losurdo:** There is already an internal supply that we will expand and leverage, particularly

from our clients on the agency side that we can access. Building out our securities lending group will help to widen our liquidity, and reduce carry costs to our clients.

We're looking to lend into the market to generate fees. We're building a network of broker dealers in the US although we expect to expand into the international market in the near future.

**Katsingris:** Volumes and market volatility are both down. So we feel it's a good time to be building a lending network and other infrastructure for when the market does rebound.

We do see the markets starting to ramp up for Q2. Street side, a lot of clients are getting back in the market through various trading programmes. These programmes support healthy lending activity, where previously most of that business has almost come to a halt.

#### SLT: Where will Albert Fried fit into the market?

**Losurdo:** I don't want to fit into the markets at all! I want to replicate the success we had at Swiss American Securities [where Losurdo and his deputy Kim Wilson were before moving to Albert Fried in January]. We want to be first at the point of the trade, and fully own our accounts through our multiple business lines.

As far as the type of business I would like to attract, we will start by building the broker dealer relationships that AFCO doesn't currently have, and from there, we can cross sell to hedge funds and clients. Most importantly we have to build our supply side network to have an edge.

**Katsingris:** Nobody is interested in nurturing a small broker dealer any more, but we bring the personal touch that bigger clearing firms just can't - we welcome those types of relationships.

#### SLT: What targets do you have for the business?

**Losurdo:** I have over 30 years in the industry and I want to leverage my longstanding relationships in both securities lending and equity/fixed income finance. We plan on bringing in an entirely new client base to the firm. We will be looking at start-up lending groups as new potential clients. I feel there will be many more coming to market in the near future. Our strengths lie in the ability to cross sell securities lending, and prime services to Albert Fried's current client base and our street-side network.

The securities lending team at Albert Fried is far from complete. We're going to be adding people as we see fit, people who are on the same page as us, people that have the ability to search out deals, close trades, and still closely managing risk.

#### SLT: What are your ambitions and expectations for the rest of 2011?

**Losurdo:** I came into Albert Fried with my eyes wide open, when Anthony explained the type firm, and the long standing relationship the firm has, it just screams securities lending cross sell to me. It has the right culture, focus and staying power needed to take on this endeavor. I feel in two years Albert Fried will have evolved into a complete full service broker dealer. I feel Anthony has the type of spirit and drive needed to build Albert Fried into an entirely different firm than it is today. **SLT**

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# Eastern Europe

The new markets have come along way since freeing themselves from oppression. But many still have more to do.

## BEN WILKIE REPORTS

Only 20 years ago, the vast majority of Eastern Europe was covered by the monolithic Iron Curtain of Soviet rule. It's hard to believe that now, especially when visiting the countries - the main cities anyway - and it's impressive to see how far they have come in terms of infrastructure and commerce. Estonia, for example, has one of the best broadband infrastructures in the world.

But, as with any country or institution that attempts huge changes in a short space of time, there are issues arising. In some regions, the liquidity of the markets remain low, while in others the regulatory infrastructure still has some way to go before it meets the standards of the developed world. And there remains the issue of understanding - those who grew up under communist rule had no need to worry about saving for their future, or investing their incomes, and that has led to the younger generation taking control. The key challenge that remains for the securi-

ties lending market, especially in some of the smaller markets, is the limited numbers of stocks available for lending. Some of the exchanges have liquid stocks only in the dozens, leaving little room for manoeuvre.

But one of the key benefits of working in Eastern Europe is that because everything is so new, there are few legacy issues that affect the market. Most countries looked at models that already worked when designing their markets, so most Western investors and providers will be familiar with the technology, infrastructure and regulatory regime from markets in Germany, the UK and elsewhere.

As most of the most popular Eastern European jurisdictions are also part of the European Union, they are involved in the creation of the new pan-European legislation that will impact the financial services industry. This is expected

to help the smaller states, as an increasingly harmonised regulatory regime will, they hope, encourage greater investment into their markets by firms familiar with the rules.

## The Baltic states

Estonia has become one of the most technologically advanced European states and has a reputation for welcoming international firms to Tallinn. Securities lending is a small part of its market, simply because there are few local firms that hold interest to international investors, but there is certainly activity in the top 10-15 stocks.

There's no formal securities lending regulation within the Estonian regulatory infrastructure, although short selling is not permitted. Securities lending is allowed, but it's only offered on the OTC market. Local custodians do sometimes practice buy and sellback transactions exter-

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nally but the market has some way to go before securities lending becomes a common practice. The introduction of the euro as the country's currency at the start of the year, may provide some stimulus. The Tallinn stock exchange is now part of the OMX Group, which means Nordic investors are well-represented.

Neighbouring Latvia, while structurally sound, has a much smaller market, and securities lending is virtually non-existent. Short selling isn't permitted, but foreign investors are welcome. Lithuania, which makes up the trio of Baltic states is in a similar position, although securities lending transactions are slightly more common. It's still only offered on the OTC market, and custodians can provide lending transactions on a case-by-case basis for more regularly traded securities.

## Bulgaria

Closer to Russia in terms of culture and attitude than some of its neighbours, Bulgaria has been slowly moving towards Western standards. In 2008, the Bulgarian Stock Exchange (BSE) - which is still almost 50 per cent state owned, switched to the Xetra trading system from RTS.

By virtue of the regulations of the local legislation securities lending can only be used to cover short selling transactions. However, though legally allowed, short selling cannot practically take place because of the stringent requirements to the issues that might be subject to short selling.

Short sales with financial instruments can be carried out within the territory of the country only on the regulated market and with instruments meeting the specific criteria set in the regulation. The financial instruments to be used when executing margin buys and short sales shall be such that are tradable on a local regulated market and with reference to the last 20 trading sessions on that market:

- Have been actually traded during at least 15 of those
- The average daily trading volume has been at least 5,000 lots
- The average daily number of trades has been at least 30
- The market capitalisation of the issue is at least BGN 20 million and its free float at least 15 per cent
- The BSE is obliged to announce officially in its daily bulletin the list of securities that comply with the above criteria.

Investment intermediaries are obliged to keep securities subject to margin buys and short sales in separate safekeeping accounts within the depository institution. Short sales are offered only after signing a separate special contract between the client and the investment

intermediaries. In addition, it is an obligation of the investment intermediary to make sure that it will be able to deliver the financial instruments subject to a short sale transaction, before executing it through the regulated market.

Repo transactions, however, are possible and much more popular. Repo transactions can be done with government securities, as well as with bonds and shares traded on the stock exchange.

## Ukraine

As one of the largest countries in Europe, Ukraine still maintains close political ties to Russia, although its young and educated workforce looks more to the West. As with many Eastern European states, there is huge disparity between its modern, efficient and culturally exciting cities such as Kiev, and the rest of the country, where poverty, traditional farming methods and relics of Soviet times dominate.

## Bulgaria has been slowly moving towards Western standards

Befitting such a large country, Ukraine has a bewildering number of exchanges, 10 at the last count, along with an OTC trading system. Investing in the market is not as simple as in some of its neighbours; foreign players have a few hoops to jump through before a firm can make investments, and currency controls remain in place.

Short selling is not available, and securities lending is not allowed - and says RBC Dexia, not likely to be introduced in the near future. Some lending does take place in the form of repurchase trades.

## Romania

Romania has made real strides when it comes to attracting international investors. Its stock exchange is open to all-comers, provided they meet the same standards expected of locals, and the electronic order-driven system will be familiar to traders across the world.

Short selling is allowed only for the financial instruments for which the country's CSD is not the main depository and registrar. The instruments should be in the account at the settlement date. For the instruments for which CSD is the Registrar, when a sale trade is introduced in the system, this checks the availability of the instruments in the account (pre-validation).

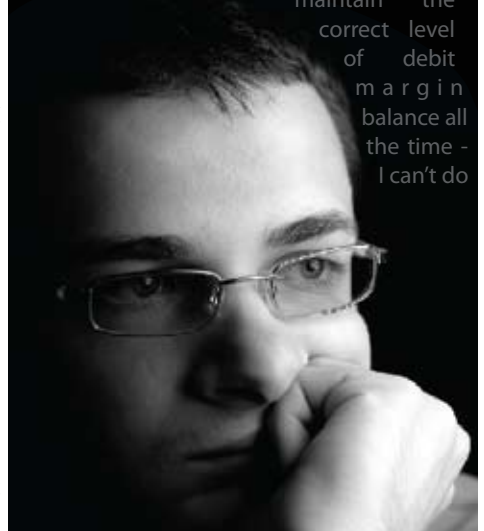
Securities lending is permitted, but it's not yet widespread. **SLT**

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# Building the Big Society

Will Duff Gordon analyses the UK firms that specialise in providing services to the public sector

## SECTOR ANALYSIS

The UK Government plans to “completely change” public services to end the “state monopoly”, which gave the private sector an automatic right to public work. To what extent will this new shift affect the business services sector, which has relied heavily on contracts from a large and cash-rich, centralised government?

Outsourcing specialist, Mitie Group, has been subject to increasing negative sentiment. The CEO, Ms McGregor-Smith has said that the UK centric group will continue to consider acquisitions over the coming year to diversify the business. According to Charles Stanley, the company is experiencing slow organic growth, if acquisitions are stripped out. Short interest has doubled since August to eight per cent of total shares outstanding on loan, accounting for 50 per cent of the lendable supply out on loan. Although the share price has fallen by 20 per cent since January, short sellers continue to hold their positions.

While the public sector accounts for over 90 per cent of Serco Group Plc revenues, the business

services provider is well placed in international markets. In the UK, the company has secured a six year contract as the official operator of the London bike hire scheme, with a possible two year extension. Investor sentiment is increasingly positive with short sellers covering their positions since October from eight per cent to five per cent of total shares outstanding on loan.

Also seeing positive investor sentiment ahead of full year results later this week is Capita Group. The company ranks itself as the leading business process outsourcing provider for the UK, claiming to hold a 27 per cent market share. Acknowledging the Government’s new stance, Capita claims outsourcing to local businesses as its competitive edge. The UK focused company has observed a downward trend in its share price over the past six months. However, short interest has halved after peaking at a 52 week high of six per cent of total shares outstanding on loan in September.

Holdings of funds who lend, which can also be used as a proxy for institutional ownership, has remained static at over the past six months at 22

per cent of total shares in issue.

ROK Plc and Connaught Plc were the first casualties of the UK Government’s spending cutbacks last year. Housing, infrastructure and maintenance services companies held their breath as share prices fell with investors turning aggressively bearish. Almost a year later, Carillion (like Mitie) is also looking to diversify its services through acquisitions such as Eaga, a provider of green technology and efficiency services. Carillion’s shares have increased by more than 35 per cent over the year reaching new highs. Short interest has fallen from the annual high observed in May of five per cent to two per cent of total shares outstanding on loan.

Investor sentiment towards the business services sector has been generally positive over the past year. Protected by lengthy contracts, these companies seem insulated from the Government’s Big Society policy in the near term. It is worth asking whether outsourcing companies risk a turn in investor sentiment should they overshoot their diversification objectives. [SLT](#)



**Will Duff Gordon**  
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Finace is currently the only fully integrated solution which supports the future business models within the area of Securities Finance and Collateral Management. The architecture of Finace is based on a stable, leading edge technology platform which was developed with performance and robustness as the focus of design. With flexibility at its core, customer-driven extensions and modifications can be quickly and easily applied to the standard component set.

## IMN's 17th Annual Beneficial Owners International Securities Lending and Repo Summit 2011



IMN's 17th annual Beneficial Owners' Securities Lending Summit took place over Valentine's week in Scottsdale, Arizona.

A high turnout, including a significant number of beneficial owners attended to hear experts discuss the market - indeed, in some sessions, there was standing room only, while the exhibition hall was constantly busy.

Delegates heard how the securities lending market is beginning to return to pre-crisis levels, but with added transparency and risk management.

Panelists debated the merits of cash versus non-cash collateral, reinvestment strategies and the use of CCPs. The use of securities lending in emerging markets also came under the spotlight; some experts suggested that offering securities for loan in illiquid markets could harm the fund itself as in effect hedge funds could end up betting that the fund's own securities would fall in value.

The conference also had select beneficial owner-only panels, which had experts explaining and discussing specific areas within the market. This proved hugely successful, as one of the main themes when speaking to some owners was that they still had only a limited understanding of how the market works, and were leaving the decisions in the hands of their service providers.

While there are rumours that the conference may move to Miami next year, the general consensus was that this successful event had been right to switch to Scottsdale for 2011. SLT

## PASLA/RMA Conference on Asian Securities Lending

Date: [1-3 March 2011](#)  
 Location: [Singapore](#)  
 Website: [www.rmahq.org](http://www.rmahq.org)



This annual event combines the resources of both the Pan Asia Securities Lending Association (PASLA) located in Hong Kong and The Risk Management Association (RMA) located in the US

## London Securities Financing Forum

Date: [16 March 2011](#)  
 Location: [London](#)  
 Website: [www.dataexplorers.com](http://www.dataexplorers.com)



If you are serious about securities financing in Europe, and around the globe, the Securities Financing Forum is the one event that you really must attend. Senior delegates from the industry will be in attendance for a series of panel discussions and high-level networking.

## APAC Collateral Management Forum

Date: [23-24 March 2011](#)  
 Location: [Singapore](#)  
 Website: [www.fleminggulf.com](http://www.fleminggulf.com)



Fleming Gulf's APAC Collateral Management Forum, Singapore to be held on 23-24 March 2011 in cooperation with collateral management experts, aims to provide comprehensive insights on how to achieve a well managed collateral program in an increasingly complex and volatile market.

## Network Management 2011

Date: [15-16 June 2011](#)  
 Location: [Dubrovnik](#)  
 Website: [www.icbi-events.com/nema/](http://www.icbi-events.com/nema/)



Over 300 delegates will be attending the 11th network management conference at a venue to be announced.

## New York Securities Financing Forum

Date: [26 May 2011](#)  
 Location: [New York](#)  
 Website: [www.dataexplorers.com](http://www.dataexplorers.com)



If you are serious about securities financing in Europe, and around the globe, the Securities Financing Forum is the one event that you really must attend. Senior delegates from the industry will be in attendance for a series of panel discussions and high-level networking.

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## Industry Appointments

The Options Clearing Corporation (OCC) has announced the appointment of **Thomas Callahan**, executive vice president and chief executive officer of NYSE Liffe US, the US futures exchange of NYSE Euronext, to its board of directors.

Callahan joined NYSE Euronext in 2008. Prior to joining NYSE Euronext, he was the head of global financial futures and options at Merrill Lynch where he was responsible for global listed derivatives for debt, equity, FX and commodity products. Callahan also held various leadership positions during his 15 year tenure at Merrill Lynch, in both New York and London. Prior to that, Callahan worked for Prudential Securities, where he began his career in 1992.

Callahan is a 1991 Graduate of Harvard University. He replaces Edward Boyle who has left NYSE Euronext.

Lombard Risk Management has appointed three key executives to join the existing senior management team in leading the company through the planned expansion following the rapid growth experienced in 2010 (34 per cent rise in revenues in half year to September 2010).

**Paul Tuson**, a chartered accountant with 20 years' post-qualification experience in industry and commerce, including four at KPMG, joins Lombard Risk as chief financial officer and has been appointed to the board of directors. He has previous CFO experience with three AIM-listed companies, executed two successful IPOs and recently acted as finance director for Aspire Technology that was successfully sold to Synnex Corporation. Tuson said: "Having been interim CFO of Lombard Risk for five months, I am delighted to have been appointed as full time CFO at what I believe to be a key phase in the company's development, and I look to the future with much optimism."

**Philip Stanning** has joined as group sales director. Philip has held senior positions in banking and other software companies including Temenos where he was responsible for building the sales and pre-sales organisation across initially Northern Europe, Middle East and then globally across Asia and America. From his taking the initial role in 1998 with Temenos, revenues grew from \$23 million to in excess of \$160 million in 2005. Stanning said: "Lombard Risk has an excellent value proposition that is ideally suited to the needs of the market, whether local branch institutions or multi-national Tier 1 global banks - and a superb list of referenceable clients."

**Rebecca Bond** returns to Lombard Risk as group marketing director from FRSGlobal where she was VP marketing in a period of growth that culminated in the firm's trade sale to Wolters Kluwer Financial Services in late 2010.

Bond has successfully taken similar financial software firms through significant periods of expansion. Her experience in the financial services software marketplace includes periods in

senior positions at Iris Financial, Asset Control, QUMAS and most recently FRSGlobal.

Her knowledge, particularly in the areas of risk and regulatory compliance, well equips her to manage corporate communications for the Lombard Risk group. She said "I'm delighted to be back at Lombard Risk. Our collateral management solution (Colline) greatly extends the regulatory reporting and stress testing offering already being enjoyed by Lombard Risk's clients, and will be a big differentiator when it comes to firms selecting an integrated solution to manage operations to the level management and regulators are demanding to provide better oversight."

These appointments follow the strengthening of the Lombard Risk team in 2010 through the appointment of Philip Crawford as chairman and Sherry Isenberg as managing director, Americas and other senior appointments.

John Wisbey, CEO, welcomed the new team on board, saying: "Successful companies in our space need outstanding people, products and services. Our significant improved mid-year results have already confirmed that Lombard Risk has great products and services, and with these three high quality appointments we have further strengthened what was already an excellent team".

"Lombard Risk has ambitious growth plans for the next few years and an impressive sales pipeline. Market and regulatory developments around OTC derivatives being cleared more on exchanges and consequent changes in the structure of the derivatives markets make this a time for banks and market participants to be looking at upgrading their legacy collateral systems and there will be additional mandatory expenditure on Basel III and Solvency 2 in the next two years."

The International Capital Market Association (ICMA), which represents capital market participants globally, has announced that **Yury Dubin**, director of custody of Sberbank will chair the ICMA Committee for Russia and the CIS. ICMA is also pleased to welcome high level representatives from ICMA's member banks in the region as members of the new committee.

Hans-Joerg Rudloff, ICMA's chairman, said: "We are delighted that Mr Dubin has accepted the role of chairman of the Russian regional committee to spearhead mutual efforts in the exchange of information and expertise between international financial markets and those of Russia and the CIS. He and the newly appointed committee members will be building on ICMA's lengthy and productive involvement in the Russian market, through its cooperation with the National Securities Market Association (NSMA)."

Citi's Securities and Fund Services, part of the Global Transaction Services division, has appointed **Atul Dubey** as chief operating officer.

Dubey takes the role after serving as COO of the Investor Services business within Securities and Fund Services. In this new role, he will also



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Dubey joined Citi in 2005, running the strategy unit for the Institutional Clients Group, and prior to that he spent 10 years at Booz, Allen & Hamilton, providing strategic advice to leading global financial institutions in the wholesale banking, capital markets and securities processing space. He holds a BS in Mechanical Engineering from the University of Bombay and an MBA from Carnegie Mellon.

"We are pleased to be promoting a highly-experienced industry manager to provide management oversight of the continuing operations of this business," said Neeraj Sahai, global head, securities and fund services, Citi.

"In Atul, we have a very strong business leader with outstanding credentials whose experience, dedication and focus on execution in managing successful teams, and strategic growth initiatives make him uniquely qualified for the job."



John Arnesen



**Securities Lending Times gets to know John Arnesen, head of agency lending product, markets and financial services at BNP Paribas Securities Services in London, who explains his entry into the securities lending market, how he watched the credit crisis unfold with his new son, and why he's a huge fan of winter sports.**

### Tell us about your career to date?

In January of this year I joined BNP Paribas Securities Services as head of the agency lending product and it's been very exciting and challenging from day one. In my opinion, BNP Paribas Securities Services is extremely well positioned to attract clients in this post liquidity crisis world as we tick many of the boxes that have become important to clients engaged in securities lending.

Between October 2009 and January 2011, I was a senior business consultant at Data Explorers Consultancy, which was a fascinating company to work for and one of the few organisations to materially impact how the industry operates. The other, in my opinion, is Equilend.

From 1990 to 2008, I headed the agency lending business in EMEA for The Bank of New York

although I did spend sixteen months between August 1997 and December 1998 at what was then Cedel (now Clearstream) as head of its strategic securities lending unit. In the early months of 1991, at The Bank of New York, the extent of our lending operation consisted of myself in a small office in Birch Lane with access to BLEND and the internal custody system. Growth was rapid and by 1995, partly due to acquisition, there were more than fifty staff and balances were in the tens of billions. I learnt a huge amount at The Bank of New York and the programme in those days was without parallel in terms of its client base and service offering.

Prior to the securities lending assignment, I had worked within the primary dealer as a US Treasury bond salesperson selling largely to Scandinavian clients. This is where I really cut my teeth as to the workings of the fixed income markets and I still get a buzz at 1.30 pm on the first Friday of every month but with less anxiety!

### How did you get into securities lending?

The primary dealer closed in the summer of 1990 as the merger of Irving Trust and The Bank of New York shifted focus to a more fee based structure. The securities lending role was being touted by New York but I had no real idea as to what it was until it was described as a repo type transaction with which I was obviously familiar. My boss, Steve Dimino came to London, introduced me to a ton of people such as John Di-Rocco, Mike Hird, Catherine Bennet, and Mark Mazzonelli. Some of your readers may not be familiar with these people but for others, they will know how influential they were in the early years of the industry.

Steve left London after two weeks and I continued with creating the infrastructure. Japanese equities could be lent in excess of 300 basis points and German government debt against USD cash at 105 per cent margin was around 25 basis points. Oh to return to those days!

### Was it different to what you expected, if so how?

I didn't really have many initial expectations as it was new to me. At one point in the first few months, I did question how such a simple concept could create such wide spreads which I thought at the time represented very little risk for clients. I developed a more mature concept of the risks during the 90's but still believe that when executed well, securities lending is a low risk, very compelling product for asset owners.

### Has anyone helped or inspired you during your career?

I was fortunate at BNY that the division was headed by two individuals during my tenure, Tom Price and then Tom Ford. These men have minds like steel traps and both were inspirational and beneficial to my career. I learnt many concepts from both of them about work ethic, preparedness, attention to detail and lateral thinking.

### How did you find working through the industry's biggest ever crisis?

It's debatable as to when the crisis really started. August 6th 2007 was certainly a turning point but for me it really presented itself when Alt A and AAA rated, first tranche mortgage backed securities began to not only decline in value, but become illiquid in the autumn of 2007. A number of our European clients owned these assets as part of their approved reinvestment guidelines and it was a stressful time for all to work through suitable solutions. It was shocking to witness the speed with which liquidity dried up in these and other assets such as Structured Investment Vehicles and Asset Backed Floating Rate Notes. I think VaR died a death during this period.

By the time Lehman Brothers became insolvent I had left BNY as a result of the merger with Mellon Bank. I spent invaluable time with my recently born son that summer, a time I will never regret. Watching the collapse of Lehman on MSNBC in my living room wearing shorts and a T shirt, I instantly knew the world had changed forever. A perverse part of me would have liked to have worked through that in dealing with the default and subsequent client issues. It is in the bad times that one's character, experience and knowledge is really tested. I heard a lot of anecdotes in the months that followed of individuals acting heroically on behalf of their clients and "doing the right thing". Equally, I heard of less cavalier acts both individually and corporately.

### If there is one thing you could change about the industry what would it be?

I would work to bring about a change in the current model that reduces the number of intermediaries in the lending chain.

### What are your ambitions?

To see the product offering at BNP Paribas Securities Services become regarded as state of the art and one that attracts the world's largest and most influential asset owners. I'd also like to improve my skiing to a level that means any double black run in North America can be taken with ease!

### Outside of work what are your interests and pursuits?

For as long as I can remember I have always been fascinated with other countries and cultures and this has led to an enormous amount of travel over the years and quite a few adventures. From riding a motorcycle across the US at eighteen and falling for a girl with questionable Sicilian ties, to having a gun thrust to my head in Bangkok to the temples of Angkor in Cambodia and the beaches of the Philippines and Fiji, I have never failed to be enriched by these experiences and impressed by the diversity of cultures, people and geography.

The arrival of my son three years ago has put adventurous travel on hold until such time that

he is old enough to appreciate it. Perhaps it's the Viking blood inherited through my Norwegian father that drives this. I travel in peace, however, unlike my ancestors!

## If you were given an unexpected USD 10 million bonus tomorrow what would you do?

This is going to sound rather boring but I'd buy the land in Winchester where we live that has so far eluded me and build a Huf Haus to our specifications. Did I mention that Winchester is the best city in the UK? I would then work out an annuity requirement to start in 10 years to give my family a comfortable but modest living. The balance would be put to work in ways that benefit others. That wouldn't be my decision alone so I can't be more specific but it would involve an organisation like World Vision that helps children. I have been involved with them for a number of years and they really make a difference.

I'm fortunate enough to have been well compensated in this business over the years and have rubbed shoulders and got to know a number of very wealthy people. They do not appear to be any happier than anyone else and some

seemed downright miserable. I appreciate money but it wouldn't change the fact that you will find me at my desk the day after I receive it.

## If you weren't working in securities lending what would you be doing?

With a lot of talent and a little luck, some people get to do something they absolutely love and get financially rewarded for it. Sean White, the American snowboarder was a millionaire at eighteen but I doubt it is the money that motivates him. Winning a gold medal at the last Olympics probably does. Bruce Dickinson gets to fly his own 747 all over the world when touring with Iron Maiden and he clearly loves doing both.

So, if I could pursue something I would love to do, it would be twofold. Firstly, to develop my photography (some of that £10 million might have to buy me some serious kit) which I really enjoy and I think I have a good eye. Secondly, I'm interested in owning a restaurant. I have no clue with regard to the kitchen but I do understand something about aesthetics and I sure as hell know a lot about customer service. I think that would be challenging and rewarding. **SLT**

## Favourites

### Food

Norwegian smoked salmon and Italian white truffle grated on almost anything

### Sport:

Athletics and winter games

### Music

Led Zeppelin and Sibelius

### Movie

Apocalypse Now and This is Spinal Tap

### Book:

The Lord of the Rings and dozens of others. Shadow of the Wind is one.

### Holiday:

Cala Galdana, Menorca and Tokoriki Island, Fiji.

### Celebrity:

Aung San Suu Kyi and Eddie Izzard.

