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Thirteen is the lucky number for the Financial Stability Board

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In its continued efforts to strengthen oversight and regulation of "shadow banking", the Financial Stability Board (FSB) is asking for feedback on its 13 recommendations.

The recommendations span areas in which the FSB believes policies are needed to address potential systemic risks associated with shadow banking, including mitigating the spill-over effect between the regular banking system and the shadow banking system.

It also proposed reducing the susceptibility of money market funds (MMFs) to "runs", and dampening risks and pro-cyclical incentives that are associated with secured financing contracts such as repos and securities lending that may exacerbate funding strains in times of runs.

Commenting on the push for tighter rules, Dr Pete Hahn from Cass Business School said that the "menacing" name should be revamped.

"Shadow banking should be replaced with the less ominous but more explicit term 'non-bank creditors'. Non-bank creditors that smell, feel, and sound like banks but aren't in name are clearly the problem; while non-bank creditors that do not, and are not linked to the banking system, surely offer us a welcome reduced dependence on banks."

Vital issues flagged up by the FSB's recommendations include the following:

- Authorities should collect more granular data on securities lending and repo exposures amongst large international financial institutions with high urgency.
- Trade repositories (TRs) are likely to be the most effective way to collect comprehensive market data.

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Citi makes securities lending moves

Citi is expanding its securities lending operations as it looks to capitalise on new and existing markets. The firm now offers services in Malaysia through its OpenLend platform, allowing offshore and domestic investors access to the Malaysian market.

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Canada to expand accepted securities for lending

Securities lenders and borrowers in Canada will soon be able to trade any trust that is listed on a stock exchange, including exchange-traded funds (ETFs), US real estate investment trusts and foreign trusts, after the country's minister of finance, Jim Flaherty, tabled a motion to implement outstanding technical tax amendments.

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Thirteen is the lucky number for the Financial Stability Board

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- As an interim step, the FSB should co-ordinate a set of market-wide surveys by national/regional authorities to increase transparency for financial stability purposes and inform the design of TRs. Market-wide surveys should make aggregate summary information on securities lending and repo markets publicly available on a regular basis.
- Regulatory authorities should introduce minimum standards for the methodologies that firms use to calculate collateral haircuts. Those guidelines should seek to minimise the extent to which these methodologies are pro-cyclical. Standard setters (for example, BCBS) should review existing regulatory requirements for the calculation of collateral haircuts in line with this recommendation.
- In principle, there is a case for introducing a framework of numerical floors on haircuts for securities financing transactions where there is material procyclicality risk.
- Regulatory authorities for non-bank entities that engage in securities lending (including securities lenders and their agents) should implement regulatory regimes meeting the proposed minimum standards for cash collateral reinvestment in their jurisdictions to limit liquidity risks arising from such activities.
- Authorities should adopt minimum regulatory standards for collateral valuation and management for all securities lending and repo market participants.
- Authorities should evaluate the costs and benefits of proposals to introduce central counterparties (CCPs) in their securities lending and repo markets, especially in cases where important funding providers in the repo market are not participating in existing CCPs.

Finally, the FSB resolved that changes to bankruptcy law treatment and development of Repo Resolution Authorities (RRAs) may be viable theoretical options, but "should not be prioritised for further work at this stage due to significant difficulties in implementation."

The board is seeking comment on the documents, to be submitted by 14 January 2013, with final recommendations to be published in September 2013.

Citi makes securities lending moves

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The firm's current expansion follows a string of recent launches including securities lending on the National Stock Exchange in India and an industry trading desk in Dublin.

David Russell, Asia Pacific head of securities and fund services at Citi, said: "The launch of the securities lending services in Malaysia further underscores our commitment to expanding our product offering."

"The new service leverages our deep on-the-ground expertise and global capabilities through our core in-country infrastructure, as well as our product and relationship teams."

David Martocci, global head of securities finance for Citi Transaction Services, said: "Emerging markets are an area of particular expertise for our business as we are able to leverage Citi's vast global footprint and our team's deep market knowledge."

"Extending our lending services in Asia enables our clients to take advantage of the lucrative revenue opportunities in these markets such as Malaysia."

Citi's new Dublin desk will form part of an expanded Europe, Middle-East and Africa (EMEA) securities lending trading team, covering global equity lending, global fixed income lending and multi-currency reinvestment.

Gareth Mitchell, EMEA head of securities finance trading, who currently runs the London EMEA trading desk, will also manage the new Dublin venture.

Martocci said: "By expanding our existing OpenLend capabilities to include a securities lending trading desk in Dublin, we are leveraging the importance of Ireland as a centre of excellence for financial services."

"We look forward to continuing to provide customised securities lending solutions to our clients that draw upon our global network and trading expertise across all asset classes. The addition of this new trading desk will add significant value to our already successful securities and fund services franchise in Ireland."

Canada to expand accepted securities for lending

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Flaherty presented the motion to Canada's parliament on October 24. If accepted, it would implement amendments to the country's Income Tax Act.

He said: "The last comprehensive package of technical income tax legislation was passed by parliament in 2001. This has led to a significant backlog of outstanding measures. [The] Notice of Ways and Means Motion will begin the process of addressing the backlog."

Rob Ferguson, senior vice president for capital markets at CIBC Mellon, said that the amendments will affect "not only Canadian investors but also international investors active in Canada across a number of segments".

He said: "CIBC Mellon and other market participants have been working with government and regulatory stakeholders for many years to help find the right direction for these reforms, and we very pleased to see these enhancements go forward. I think the changes help level the playing field and provide new opportunities for investors in a number of areas—in particular securities lending."

The most important change for the securities lending industry is the expansion of the definition of "qualified security" under Canada's Income Tax Act to include any trust that is listed on a stock exchange. "This means that ETFs and other exchange-listed trusts can now be lent as well as accepted as collateral in securities lending transactions," said Ferguson.

He explained: "Canada's Department of Finance is amending Canada's definition of 'qualified trust

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unit' to mean 'an interest, as a beneficiary under a trust, that is listed on a stock exchange'. This means any trust listed on a stock exchange—including non-Canadian-resident trusts and ETFs—will be qualified securities under the securities lending rules in section 260 of Canada's Income Tax Act."

When enacted, the proposed amendment will be effective from October 24. The amendment is an improvement on previously proposed changes, which could have been restrictive.

Ferguson said: "The recently announced amendments are a definite improvement over the originally proposed amendments from 2002, under which non-Canadian ETFs would not have been 'qualified securities' eligible to participate in securities lending. In 2007, a proposed amendment to the definition of 'qualified trust unit' was announced, which effectively expanded qualified securities to the current definition: any mutual fund trust unit listed on a stock exchange."

"While neither the 2002 nor the 2007 proposals were enacted, the expectation is that the amendments will be retroactive to the date of each announcement, so the past announcements remain relevant."

Ferguson called the changes a "great development for securities lending in Canada—for both domestic and global participants". He said: "For example, Canadian borrowers should now be able to borrow certain non-Canadian trust units from non-Canadian lenders without the imposition of Canadian withholding tax on compensation payments."

"The amendments are likewise great news for ETF sponsors, beneficial owners and other trust participants, who can now access the expanded liquidity and new opportunities available through participation in Canada's securities lending market."

Euroclear widens Collateral Highway

In a continued effort to create the first fully open global market infrastructure to source and mobilise collateral across geographic borders, Euroclear's 'Collateral Highway' has expanded into South Korea.

Euroclear Bank has signed a Memorandum of Understanding with the Korea Securities Depository (KSD) "to usher in the wider use of Euroclear Bank-eligible securities as collateral by international counterparties when securing collateralised transactions with local Korean investment counterparties," said a statement from Euroclear.

The Collateral Highway is expected to be useful to South Korea in two specific collateral management domains—secured loans and derivatives contracts—which up until now have been reliant on cash and South Korean securities that are posted as collateral.

"Upon the launch of the service, [South] Korean entities will be able to secure securities lending and derivatives transactions using a possible range of over 600,000 securities eligible at Euroclear Bank—naturally subject to the prearranged eligibility requirements which both trading parties have agreed to," added Euroclear.

Olivier Grimonpont, general manager and regional head of Euroclear for the Asia-Pacific,

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said: "The agreement with KSD reinforces our commitment to the Asia-Pacific region and builds on many initiatives which we have started. In recent times, we have worked closely with our partners KSD to help them launch an off-shore [South] Korean funds platform using Euroclear Bank's investment fund processing technology."

"Beyond [South] Korea we are crystalising our mission of 'post-trade made easy' by cooperating with the likes of the Hong Kong Monetary Authority to strengthen cross-border access to liquidity and with Bank Negara Malaysia to extend the attractiveness of Asian bond markets to foreign investors."

Kyung Dong Kim, chairman and CEO of KSD, said: "As the sole CSD in the nation, my organisation oversees the issuance and circulation of 2,500 trillion worth of [South] Korean won securities."

"In an ever expanding global market space, it is only normal that our local clients look at bigger and better ways to attract trading counterparties from within the region, Europe and the Americas. This MoU with Euroclear Bank unlocks the door to wider cross-border business flows with their 1400 clients based in over 90 countries."

Euroclear's Collateral Highway went live earlier this year, with the Hong Kong Monetary Authority's Central Money Markets Unit and BNP Paribas Securities Services among first to sign up.

Thomson Reuters launches short interest model

A new model that assesses the activities of short sellers in US equity markets could help firms to generate alpha.

Thomson Reuters's StarMine short interest model profitably ranks stocks based on the observation that stocks with a high number of shares shorted will underperform, while those with low short interest will outperform.

"The Thomson Reuters StarMine short interest model is the only such model that employs a short squeeze indicator, which ranks stocks based on their predicted likelihood of large upward spikes in the near future based on medium and long-term price volatility combined with the level of short interest," said a statement from the firm.

The short interest model will also help investment managers generate more profitable investment ideas and mitigate risk.

Dr George Bonne, director of quantitative research at Thomson Reuters, said: "Thomson Reuters goes beyond the basic shares shorted divided by shares outstanding signal that many managers use. By taking into account the cost of borrowing, and really zeroing in on the shares shorted as a result of investors placing directional bets, we do significantly better than the basic signal."

"What we do is more difficult because it requires merging together multiple pieces of disparate information and data—from short interest, deals, institutional holdings, and fundamentals—but that's what is required to generate real alpha these days. The proof is in both the performance of live data and in back tests of historical data."

J.P. Morgan say goodbye to triparty repo intraday credit exposure

More than a third of J.P. Morgan's intraday credit exposure that it experiences during the unwinding of triparty repos has been eliminated as the firm implements market reforms.

Reform of the US triparty repo market is well underway, with financial institutions, such as J.P. Morgan, working towards completion of the Phase Two Target End State as agreed with Federal Reserve Bank of New York, by the end of 2013.

J.P. Morgan is also the first triparty agent to offer new collateral optimisation functionality, which gives dealers new options to adjust their collateral allocations without requiring credit from clearing banks, in the US fixed income repo market.

New features for clients include the ability to reoptimise collateral in term repos during the settlement window, additional intraday security-for-security substitution tools and an ability to adjust collateral mixes of new repos after transactions have settled, up to 6.30pm.

Mark Trivedi, managing director at J.P. Morgan, said: "Once again, we have delivered on our promise to provide clients with innovative tools that achieve market reforms and reduce their operational burden. Our new infrastructure that supports reoptimisation forms the foundation for the rolling settlement and simultaneous exchange modules we will introduce next year."

Pakistan ponders intraday short-selling

A meeting whose attendees included the Securities and Exchange Commission of Pakistan (SECP) and the Karachi Stock Exchange (KSE) discussed allowing intraday short-selling, but reached no final decision.

Moderating the meeting was Muhammad Ali, chairman of the SECP, with attendees including Nadeem Naqvi, managing director of the KSE, and Haroon Askari, deputy managing director of the KSE.

It was said at the meeting that IT systems would have to be upgraded before the introduction of intraday short selling.

CCPs do not conform

The heterogeneous nature and diverse ownership of central counterparties (CCPs) worldwide mean that they do not conform to regulatory initiatives to impose a single framework for operations and risk management, according to a new report.

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Research firm Finadium interviewed major CCPs worldwide to find out how they view the role of collateral for both risk management and as a potential competitive lever in the marketplace.

Its subsequent report—CCPs and the Business of Collateral Management—was released on 15 November.

Stock, options and futures exchanges own 60 percent of recognised CCPs, said the report. "This ownership structure makes CCP activity part of the strategic direction of the exchange itself; decisions made at the exchange level trickle down as opposed to CCP decisions trickling up."

Boards of industry representatives or outside parties run the remaining 40 percent.

"These ownership structures complicate the process of categorising the intentions of the CCP community; some CCPs operate truly as utilities for the benefit of their users while others are inclined towards market growth through acquisitions and new product development. Further, many exchanges including the CME, ICE and London Stock Exchange are competitive, publicly traded entities, putting their fully owned CCP functions in a competitive position as well."

While different CCPs offer a range of services for user convenience and as a competitive differentiator, "CCPs worldwide are not necessarily converging to provide one set of advanced functionalities", said the report.

"CCPs universally say that they are looking to provide efficient services, but the definition of efficiency may vary depending on local market conditions. Institutions typically called CCPs may also not be counterparties for every product; some organisations may simply offer clearing, reporting and collateral management services but may leave the counterparty risk to the original trading parties. These variations are important to remember for both users and regulators."

US digs in heels for Basel III

SIFMA released a statement from president and CEO Tim Ryan in response to the Federal Reserve, the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC), saying that the 1 January 2013 effective date of Basel III capital rules would be pushed back.

"Regulators have appropriately acted to give the industry more time to implement these new capital standards and ensure that each of their systems is updated to comply with Basel III. We remain committed to working with the regulators to ensure compliance with Basel III capital standards to ensure the safety and soundness of the financial system while not constricting bank's ability to lend, facilitate capital formation, and significantly contribute to our economic recovery."

However, it has been reported that both EU and Chinese lawmakers have been accelerating their efforts to finalise their respective interpretations of Basel III capital requirements.

Retirement plan sues Wells Fargo over securities lending

It has been reported that the Nebraska Public Power District Employees Retirement Plan (NPPD) is suing Wells Fargo over claims that the bank misinformed it about the risks of a securities lending programme.

The lawsuit was filed in October in Platte County District Court on behalf of the trust fund committee of the retirement plan. It is seeking damages from the San Francisco-based bank.

Wells Fargo faced a group lawsuit from institutional investors over similar claims. Filed in 2010 by the City of Farmington Hills Employees Retirement System, a Michigan pension fund, on behalf of more than 100 institutional investors, the lawsuit claimed breach of fiduciary duty and fraud. The investors sought permission to pursue the case against Wells Fargo as a group.

Wells Fargo touted its securities-lending programme "as a highly-secure way for its institutional clients to maximise portfolio returns," according to the complaint.

Instead, the pension fund said, "Wells Fargo invested a substantial portion of the collateral in extremely risky securities".

The investors also claimed that Wells Fargo concealed investment performance from class members to prevent them from exiting the programme.

The bank also lost a jury verdict in 2010 of about $30 million to four Minnesota non-profits making similar claims about its lending programme.

Citi to rise to the Challenger

Citi will provide Australian annuity provider and fund manager Challenger with collateral management and custody services.

Challenger will be using Citi's OpenInvestor custody solution. The network helps clients to optimise the use of collateral and streamline the administrative and operational challenges of managing all types of collateral assets across multiple counterparties.

The single platform also allows clients to respond faster to market events, enhance risk management and connect directly to local experts.

David Mackaway, general manager of operations at Challenger, said: "We were looking for a service provider that could meet our current and future operational needs."

"The requirements around receipt and provision of custody data are getting ever more stringent. Citi's proprietary on-the-ground network allows for more efficient processing and offered the shortest timeframes for these, as well as direct access to market experts worldwide," added Mackaway.

David Edwards, head of sales and client engagement, securities and fund services for Citi

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Transaction Services in Australia, said: "Citi is able to integrate its custody service offering with a range of other products and capabilities to meet the requirements of Challenger."

"We are delighted to have structured the right solution for Challenger both for now and as their business evolves. They are recognised as a leader in the Australian retirement space and we look forward to a long-term consultative partnership with them."

BNY Mellon renews VRS lending contract

BNY Mellon will continue to provide custody banking services, including securities lending, to the Virginia Retirement System (VRS), after its contract was renewed for five years with an option of extending for another five-year period.

Custody banking services provided to VRS include custody, performance and risk, securities lending and FX services.

"BNY Mellon has been a partner with us for many years and we look forward to working with them to continue to provide a variety of custody banking services on terms favourable to our members," said VRS director, Bob Schultze.

Vince Stands, executive vice president and deputy CEO of BNY Mellon Asset Servicing, said: "We are very pleased to continue our long-standing relationship with the VRS."

"We remain committed to providing the VRS with best-in-class custody banking services that are important tools for their investment professionals as they seek to create value for their members."

Broadridge and Archive release records management solution

Broadridge Financial Solutions and Archive Systems are working in partnership to create a complete records management solution for clients such as broker-dealers.

The new solution, which is supported by Archive Systems's records management software suite, OmniRIM, will offer greater control, retrieval and analysis of all records for banks, broker-dealers and mutual organisations.

The alliance will also complement Broadridge's existing electronic document delivery and archival solution, PostEdge.

Archive Systems' CEO, Gordon Rapkin, said: "With our unique approach to records management and Broadridge's extensive experience in investor communications, we believe we will change the way the financial services industry manages documents."

Andrew Besheer, vice president of customer communications at Broadridge, said: "Increased regulatory compliance demands are driving the need for an efficient end-to-end physical and digital document management solution that provides intelligent storage capabilities. We anticipate that our alliance will reduce the risk of lost documents and improve retrieval efficiency."

Clearstream's GSF services take a dip

Clearstream has released its October 2012 figures, which reveal an increase in assets under custody, but a dip in global securities financing (GSF) services.

For GSF services, the monthly average outstanding reached €551.3 billion. The combined services including tripartry repo, securities lending and collateral management, collectively experienced a drop of 16 percent over October 2011.

The value of customer assets under custody has increased to €11.1 trillion, a year-on-year increase of 3 percent, and securities held under custody in international business rose by 1 percent above October 2011 figures to €5.9 trillion.

The investment funds services saw a 65 percent rise from October 2011, with 0.59 million transactions processed.

MXCorner

Foreshadowing change

On 18 November, the Financial Stability Board (FSB) published a series of papers proposing policies for shadow banking. One paper is specifically on securities lending, but some of the other papers may also have an impact on our industry.

The FSB is developing these policy recommendations following an agreement of the G20 to "strengthen oversight and regulation of shadow banking". The policies will inform global regulation going forward and so are likely to have a profound effect on the market landscape in the future.

The paper on securities lending focuses on three specific aspects on the industry—transparency (to regulators, the market and investors), regulation, and structural aspects of the market—and makes 13 recommendations.

The paper looks at the type of information that regulators may need to monitor the potential build-up of leverage and systemic risk and considers the different options of delivery, including trade repositories.

In terms of regulation, the paper proposes that there should be regulation that provides for minimum haircuts, cash collateral re-investment, re-hypothecation and collateral valuation and management. Of these, imposing minimum haircuts is probably the most controversial.

The paper argues that imposing minimum haircuts may limit the build-up of excessive leverage and reduce procyclicality in the financial system via the financing of risky assets, in particular by entities that are not subject to prudential regulation. It proposes a risk-based calculation for haircut levels that seems to be based on a classic VaR model using 95 percent confidence levels and using pricing data that covers at least one stress cycle. It also proposes imposing a numerical floor. However, it does recognise that these should apply to financing trades only and not stock-specific securities lending, and it also discusses whether these should be applied to all market participants or a sub-set based around whether one or more of the counterparties is a regulated financial intermediary.

For structural aspects of the market, the paper considers the benefits of imposing a central counterparty but recognises that the pros and cons are balanced and so stops short of recommending an absolute requirement.

Over the last 12 months, there seems to have been a deluge of papers discussing different aspects of our market. This consultation paper, and the proposals within it, is probably one of the most important.

The influence that the FSB has and the global nature of its reach suggest that its final recommendations are likely to be far reaching and inform future global regulatory change. It is crucial that market participants are engaged in this process, consider the implications and practicalities of the proposals, and respond to the consultation paper—the deadline is 14 January 2013.

Sarah Nicholson, senior partner
MX Consulting Services

The state of play

ESMA's short selling regulations came into effect on 1 November. SLT talks to Vladimir Maly of law firm Latham & Watkins about what they entail

MARK DUGDALE REPORTS

What are the reasons behind the implementation of the short-selling framework in the EU?

There are two distinct parts to the new rules. The section dealing with short-selling rules applying to shares is designed to harmonise the rules that were already adopted by individual EU member states. The section dealing with short selling of sovereign debt is a completely new set of rules that is primarily driven by a view that short selling creates systemic risks and is often abusive and distorts the markets.

Why did EU member states' national rules on short selling need to be harmonised?

Harmonisation of rules applying to financial markets in the EU has been one of the key drivers for rulemaking coming from EU institutions in number of areas. Coming up with so called a 'single rulebook' has been accepted as a way of promoting single EU market and short-selling rules are no different in that respect.

What sort of transparency regime does the short-selling framework implement in Europe?

We need to look separately at the rules to see how they apply to shares and how they apply to sovereign debt. In the context of shares that are listed on one of the EU trading venues, the reporting obligation has two elements to it.

First, anyone who has a net-short position in the shares (irrespective of how such short position is held—whether directly, through options, swaps or otherwise) equal to at least 0.2 percent of the overall issued share capital of the underlying issuer has to send a report to the competent authority regulating the market on which the share is primarily traded. Every time this position is increased or reduced by another 0.1 percent, such an increase / reduction has to be reported as well.

The second prong to the reporting regime on shares is public disclosure. Net-short positions that amount to 0.5 percent or more will be disclosed to the market. With respect to sovereign debt markets, net-short positions in sovereign debt are only reported to the relevant competent authority in the member state that issued the sovereign debt. The reporting thresholds start from 0.1 percent or 0.5 percent, depending on the type of the debt instrument.

What do EU regulators hope to achieve with the transparency regime, and how does it apply to institutions that are not based in the EU?

Regulators are worried that short selling may often amount to market abuse and by requiring market players to disclose short positions, they will be able to better monitor the short-selling activities and take further action if necessary. The regulation obviously has to apply to anyone, including entities that are not based in the EU. Otherwise, it would be very easily avoided and all of the short-selling market would simply move offshore. It remains to be seen, however, how EU regulators will impose the short-selling rules abroad.

How will US-based firms adjust their strategies to accommodate the transparency regime if they want to continue to do short-selling business in the EU?

All firms operating out of US (irrespective of where incorporated) will need to fully comply with the rules. This means, in particular, setting up compliance apparatus that will allow them to first monitor their net-short positions (calculated on a group basis) as of midnight every day and then they will have to establish reporting lines to each of the EU competent authorities to be able to report by 3.30pm (the next day) any net-short positions that reached the reporting threshold.

For a firm that is actively trading in the relevant shares, American depository receipts or taking position in the EU sovereign credit default swap market, this means introducing an automated system that will have to be tailored to reflect the EU rules and provide for calculations of net-short positions, including positions that are held through portfolio swaps, index transactions, futures and some other more complex instruments.

What are the penalties for non-compliance?

Although the rules are being harmonised, the one area that generally remains with local member states authorities is enforcement. It therefore remains to be seen what penalties will be applied to breaches of the short-selling rules. Some member states have already clearly outlined the rules that will apply to enforcement but others have not, so it is too early to conclude what the penalties will be overall.

How likely is it that some market players could abandon it altogether?

This will depend on whether we are talking about short selling in shares or in sovereign debt. The rules on short selling of sovereign debt are new and I can definitely see that number of players in this market will either be prevented from engaging in short selling of sovereign debt going forward or may simply take a view that they won't build compliance around the complex rules and rather exit the market altogether.

In the context of short selling of shares, these rules do follow regulation that some member states adopted earlier, so the change is significant but more gradual, and I expect that most players will adjust their strategies but will not be exiting the market entirely. Some strategies may well be put on hold though pending the build out of sophisticated reporting systems that would allow the firms to monitor their net-short positions that are held through some of the more complex instruments, such as index trades. **SLT**

Vladimir Maly
Derivatives partner
Latham & Watkins

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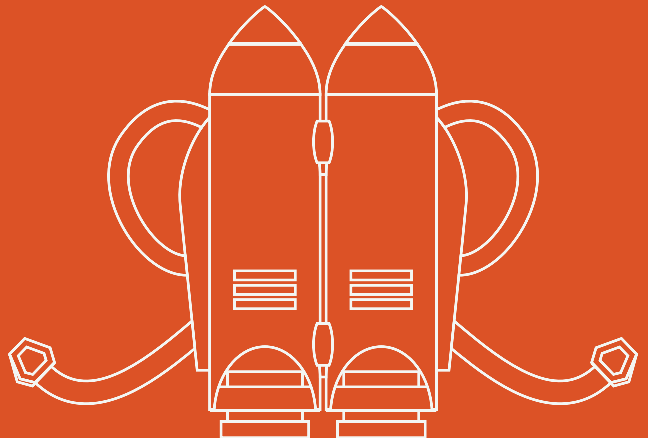

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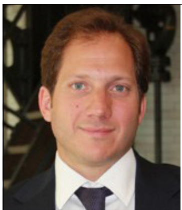
Return of the tax

SLT's panel of experts discusses the indirect effects that the financial transaction tax, and other regulations, could have on business in France



David Raccat
Head of global markets, markets and financing services
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John Irwin
Head of international trading
Northern Trust

Guy Knepper
Head of the securities lending desk
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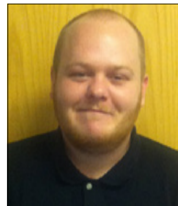

Mark Dudale
Editor
Securities Lending Times

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Northern Trust

France's FTT does not apply directly to securities lending, but what are its indirect effects?

David Raccat: The financial transaction tax (FTT) does not directly impact securities lending and repos, but it will for sure participate to the general deleveraging of the financial industry. The question is still open whether it will systematically effect synthetic products where a sale is part of the structure, with a potential impact on the volumes.

> **Irwin: France's decision to introduce a 3 percent tax on companies that pay a dividend will undoubtedly have the effect of reducing company payouts**

Guy Knepper: Despite securities lending operations' exoneration from the French FTT, all lending operations (both the lending and the return phases) will have to be declared to Euroclear France as of 1 January 2013. The information to be submitted via a standard Euroclear file must include the date, the ISIN code, the amount of securities and their price.

The French Banking Federation (FBF) has expressed its opinion to the French tax authorities (FTA) that securities lending transactions are not declarable even after January 1 2013 as such transactions are exonerated from the FTT. For the moment, the FBF is still awaiting a reply from the FTA.

The indirect effect of the FTT is therefore a major increase in the administrative burden, which is usually handled by a broker, but when no broker is involved as in an agency arrangement with a custodian, it is the custodian's responsibility to make the declaration to Euroclear.

What about the European Court of Justice's 2011 ruling that France's 25 percent tax on dividends paid to foreign investors was discriminatory? How could France's July 2012 decision to instead impose a 3 percent tax on companies that pay the dividends affect dividend arbitrage as a revenue stream for securities lending businesses, particularly if this is adopted in other European countries?

Knepper: The European Court of Justice ruled that the tax was prohibited by EU law, as restrictions on the free movement of capital include those that discourage non-residents from making investments in a member state. For this reason, the tax was seen as being discriminatory.

Concerning the future of dividend arbitrage, the newly announced 3 percent withholding tax to be levied on all dividends of French companies, independent of the investor's country of residence, puts an instant end to dividend arbitrage activity involving European equities in France as there are no longer any taxation differences to exploit.

Furthermore, the activity could be under threat in other countries, if similar proceedings are brought against member states by foreign investors. It is very likely that the claimants would win such a case in other European countries that they may target, including Germany and Belgium. Further, such rulings would create a severe dent in a custodian's revenue streams arising from European equity lending as dividend arbitrage accounts for an estimated 80 percent of the total lending activity. Due to revenue split agreements with the lender, the custodian has been able to absorb the cost of securities lending operations for the client, but it remains to be seen whether that would be possible in a post-dividend arbitrage era.

John Irwin: This is a common theme we have seen from European court rulings over recent years. The European Court of Justice held that the discriminatory treatment of dividends paid to foreign investment funds violated the free movement of capital principle under the Treaty on the Functioning of the EU and that any discrimination cannot be justified by the EU. We saw a similar ruling from the French Supreme Court in 2009 when a Dutch pension fund successfully contested that Dutch pension plans were being discriminated against by suffering withholding tax on dividends that were received from a French company, whereas French pension funds were not. We can probably expect to see this theme continue.

Interestingly, following the French Supreme Court's ruling in 2009, the French tax authorities took a decision to equalise the tax treatment of Dutch and French pension plans by taxing French domestic pension plans. As we move forwards, governments may have to make some difficult decisions as they balance European Court of Justice rulings and all important tax revenues in these fiscally challenged times.

France's decision to introduce a 3 percent tax on companies that pay a dividend will undoubtedly have the effect of reducing company payouts. In effect, it's the shareholder that is likely to suffer as much as the company. If dividend payments are reduced, dividend yield will be negatively effected and as such revenues from yield enhancement trading could come down. However, it should be noted that the 3 percent tax is small, and the direct impact on yield enhancement returns is likely to be largely immaterial.

> **Raccat: The FTT must be applied on the most appropriate perimeters and should not affect the volumes on critical financial streams that are key for an optimal and liquid market**

Raccat: This decision is obviously killing a lot of opportunities on the yield enhancement stream, however, institutional investors still need to be quite cautious about whether they will receive 100 percent of the dividend, as the exact rules of the game will not be clarified before the law is voted on. Hence, there is still some market at least until end 2012 and maybe even for 2013.

Financial institutions are being hit on all sides—is France's FTT, and plans to introduce something similar in other European jurisdictions, a step too far?

Raccat: The FTT is an important step in the ongoing initiative to look for more transparency and deleveraging, however, it must be applied on the most appropriate perimeters and should not affect the volumes on critical financial streams that are key for an optimal and liquid

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market, ie, securities lending and repos, and FX Swaps.

Knepper: It is true that the financial industry is facing what has been referred to as a "regulatory tsunami", with the incoming UCITS, Alternative Investment Fund Managers Directive, Foreign Account Tax Compliance Act, Solvency II and Basel III regulations. In terms of the administrative burden of implementing France's FTT or indeed a European one, it would require far lower IT development costs than one of the five regulatory measures mentioned above.

Knepper: The impact on financial institutions' margins and the necessary passing on a proportion of the costs to the end investor could seriously affect the competitiveness of the European economy

However, the impact on financial institutions' margins and the necessary passing on a proportion of the costs to the end investor could seriously affect the competitiveness of the European economy. It could also cause institutions to stop using taxed products, which, for example, could lead to problems in hedging risks, and in an ever-more globalised world, could even trigger a transfer of taxed activities to jurisdictions outside of high-cost Europe.

ESMA's short selling regulations came into effect on 1 November—how will these affect business in France and will their introduction be positively received?

Raccat: The new regulation will change processes without a doubt, but some uncertainties still exist, such as the exact and definitive list of 'liquid' assets, together with the maintenance of this list. Lenders will also need to refine their processes for icing / pay to hold in order to match with the potential new requirements.

Knepper: The short-selling ban will likely be positively received by the general public, as 'short selling' is perceived as a form of speculative trading that can trigger market turmoil. Indeed, short-selling bans were imposed in France in August 2011 in an attempt to calm the markets caught in the European debt crisis.

Clearly, however, there are concerns that the new short-selling regulations could affect securities lending activity, and by limiting market-maker activities, negatively affect a function that provides short-term liquidity to the market.

Yield enhancement trading is popular in France—how has this fared in 2012?

Raccat: This year was still an excellent year for yield enhancement in France, however, the new tax regime for UCITS holding French equities will severely affect this market for 2013 onwards.

What are the up-and-coming forms of business in France, and how could future regulatory initiatives affect the possible popularity of these?

Raccat: ESMA (European Securities and Markets Authority) guidelines for UCITS and exchange-traded funds will affect the securities lending activity in France (like in all other European markets) with additional requirements in funds notices, annual reports, and enhanced collateral management and reporting. Asset managers are currently looking at this deeply in order to adjust their documents and processes for 2013. **SLT**

Another time in America

The US is putting the breaks on certain reforms in response to fears that financial institutions are not prepared for their implementation in 2013, as SLT finds out

MARK DUGDALE REPORTS

After Hurricane Sandy battered the East coast and President Barack Obama won a hard-fought election to overcome Republican presidential candidate Mitt Romney, the US could be forgiven for needing to take a breather.

And take one it did. On 9 November, the US Treasury said that it would not be implementing Basel III rules on 1 January 2013 because financial institutions would not be ready to meet tougher capital standards.

Basel III increases financial institutions' common equity holding of risk-weighted assets from 2 percent to 7 percent, and demands improved risk coverage for complex illiquid trading activities.

"Many industry participants have expressed concern that they may be subject to a final regulatory capital rule on January 1, 2013, without sufficient time to understand the rule or to make necessary systems changes," said the US Treasury, without specifying a new implementation date.

A delay to the implementation of Basel III rules comes after US regulators received nearly 1500 comment latters on three notices of proposed rulemaking that would help to implement the new Basel capital rules as well as certain aspects of the US Dodd-Frank Act.

Speaking at the 15th Annual International Banking Conference in Chicago on 16 November, Mary Miller, the US Treasury's under secretary for domestic finance, noted the delay to the implementation of Basel III and aspects of Dodd-Frank and that regulators offered assurances that financial institutions will have time to transition after the rules take effect.

She said: "In the meantime, our banking agencies should work closely with their international counterparts towards Basel III implementation. Currently, only eight of the 27 Basel committee members have issued final Basel III regulations. US banking regulators should be mindful of divergences with their international peers, which may lead to regulatory arbitrage and uncertainty on the part of firms trying to manage capital resources. In addition, we encourage our international counterparts to implement the Basel III leverage ratio to ensure that there is a simple backstop against excessive risk and to promote a level playing field."

The securities lending industry has been highly critical of both Basel III and Dodd-Frank, arguing that they would severely restrict the industry's ability to conduct business.

Nicholas Bonn, executive vice president and head of securities finance and portfolio solutions at State Street, says that the punitive effects of these regulations are worrying borrowers and agent lenders more than beneficial owners, who are "not too fussed about it".

"The proposed implementation of Section 165(e) of the Dodd-Frank Act is concerning to both agent lenders and borrowers, with respect to credit concentration and the proposed implementation of the Basel III capital agreement, which could limit the ability of agency lenders to provide indemnified securities lending due

to higher capital requirements. But we believe that indemnification will continue to be offered, though it may be viewed as a premium product feature and priced accordingly in the future."

Bonn says that this is representative of beneficial owners' confidence in their agent lenders, and that he is not seeing a lack of enthusiasm for doing business in the US.

He explains: "We've built up a gradual confidence in our client base, but they are watchful and risk averse. Beneficial owners understand that we're doing securities lending in an uncertain market environment, particularly with all that's going on in Europe, but we haven't seen a lack of enthusiasm for lending, it's just a far more cautious approach with risk management at the forefront."

The industry's position on the onslaught of regulation that has followed the financial crisis has not always been negative, and it has in fact embraced some reforms.

Reform of the US triparty repo market is well underway, with financial institutions, such as J.P. Morgan, working towards completion of the Phase Two Target End State as agreed with the Federal Reserve Bank of New York, by the end of 2013.

A key component of the reform was to align the settlement of trades, so that one large initial batch is confirmed and funded by 3.30pm, and additional smaller batches are settled continuously thereafter as needed.

Mark Trivedi, managing director at J.P. Morgan Worldwide Securities Services, was a member of the Federal Reserve Bank of New York's Triparty Repo Infrastructure Task Force that worked to define and achieve the "target state" of a safer and more robust settlement process for the triparty repo market that would not rely on significant discretionary intraday credit.

He says: "Today, even without moving any further, we've changed the dynamic of that risk alignment, so that cash investors are holding collateral for the full trading day—until 3.30pm—and that's a big change. No longer unwinding at the start of the day means that they are secured with defined collateral versus concentrated unsecured depositor risk with the clearing agents. In the past, the full exposure was with the clearing agents. There's a population of cash lenders that may not have understood those nuances, so having the risks properly aligned and making sure they're properly sensitive to those risks has been a significant change."

He adds: "Now we're starting to see the impact in the decisions that they make about the way that they invest collateral—the change in the distribution of high quality collateral. Prior to the implementation of reforms, we had about a 60 / 40 split, meaning that 60 percent was Fed-eligible, 40 percent was DTC—this being the lesser quality, less liquid collateral. Today, we're at about 86 percent Fed and 14 percent DTC. It's a tremendous change over the last several years. What that highlights is lenders and dealers have become more aware of the risks inherent in the triparty collateral and are moving towards better quality collateral."

Acclimatise or be surprised

Changes have occurred in US securities lending in the prolonged aftermath of the financial crisis. One is the agent lender / beneficial owner relationship, which evolved as a need for greater transparency developed. Mark Payson, managing director at Brown Brothers Harriman, says that agent lenders are providing additional transparency, primarily because of a desire from beneficial owners rather than mandates from regulators.

He says: "Many beneficial owners already had transparency into how their programmes were managed. But now it's become clear that it is the beneficial owner's fiduciary responsibility to maintain ultimate oversight of their programmes, and the agent lender's responsibility to make sure that we deliver them the level information that allows them to conduct those responsibilities. This has meant that more transparency is now industry standard."

Another change is that broker-dealers' demand for exclusives, and beneficial owners' appetite to participate in them, is still "well below the highs" of 2007 and 2008, notes Payson, but there are certain assets showing a positive trend.

He explains: "There still hasn't been a broad improvement in the demand for exclusives. We are seeing demand from broker-dealers for certain US equity exclusives, and we're starting to see the premiums for those escalate a little bit, particularly the Russell 2000 or other small-cap US equities, but it hasn't really extended further."

"I think the recent activity is driven by broker-dealers looking to dampen some of the rate volatility and velocity that has been in the market for the last few years. Agent lenders are aggressively re-rating loans for their clients on a daily basis. Entering into an exclusive or paying a premium for certain assets may be more expensive for the borrower, but it allows them to lock in their costs of funding instead of being subject to the continuous re-rate process."

The increased frequency of rate changes is the result of lower returns and fewer opportunities, says Payson. "Returns are down, there is virtually no opportunity to increase returns through cash collateral reinvestment, and there are fewer specials than there were when markets were stronger, so most agents lenders are focused on a smaller subset of securities in order to generate returns. This just increases the velocity of the rate changes."

He says: "Overall, beneficial owners are looking at ways to generate additional returns, but they're reviewing these cautiously. I think as a rule beneficial owners are open to either exclusives or traditional discretionary agency lending, or a hybrid of the two, but ultimately the determination of route to market should be a client-by-client conversation depending on their asset mix and risk profile."

As the US settles down for another four years of Obama, conservative fears of further federal intervention in financial markets will increase. But the securities lending industry has proven to be adaptable and capable of taking the rough with the smooth, while regulators are listening to financial institutions, which are not ready for a 2013 of Basel III and Dodd-Frank implementation. Time, as ever, will tell. **SLT**

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Is Scrooge stalking our high streets?

David Lewis of SunGard's Astec Analytics looks at UK retailers as they prepare for Christmas and wonders whether their festive period will be spiteful or delightful

In Charles Dickens's A Christmas Carol, the ghosts of Christmas Past, Present and Future were sent to stalk old Ebenezer Scrooge and help him to mend his miserly ways. Updating the story for our times appears to reverse that process—the financial constraints and pressures of today have turned ordinary people into caricatures of Scrooge, and it is they who stalk the High Streets, bringing retailers misery. Is there a chance for their redemption this year or next?

Looking back at Christmas Past, many retailers were already feeling the spending pinch as families reined in the spending for fear of losing their jobs and incomes in the cold reality of the New Year. According to the UK Office for National Statistics (ONS), four of the last six quarters saw household demand contract as spending was postponed and replaced by saving and paying off debts. Household expenditure, which is the largest single component of UK domestic demand, has fallen as average earnings shrink in real terms. Consequently, the sales started early in 2011 and bargains were stacked high on the shelves in an attempt to get people to spend before Christmas instead of wait until the traditional January sales.

What view was the market taking of how household spending behaviour and the on-going recession would affect the High Street? Looking at a selection of retailers (those deemed multi-line or speciality in terms of the Standard and Poor's Global Industry Classification sectors as used in SunGard's Astec Analytics service, Lending Pit) we can compare the market sentiment by measuring the number of shares on loan as an indicator of short selling activity. The following graphs show the differences between Christmas Past and Present.

Kingfisher PLC, describing itself as Europe's largest home improvement retailer, owns B&Q, Screwfix, Brico Depot, and so on. The short interest in this organisation has remained low and indeed tailed off over the last two years, giving a benign if not positive outlook, presumably as spenders prefer to spruce up their own homes rather than move.

The same cannot be said for Dixons, the retailer of domestic electronics. Under the same competitive pressures that have seen the demise of their rival, COMET, the volume of shares on loan in Dixons stayed relatively flat through Christmas 2010, but rose to an indexed value of more than 300 during December 2011. Looking to its current position, there are four times as many Dixons shares on loan now as there were two years ago. Over the same period, Dixons's share price has fallen from just over 25p to a low of around 9p over Christmas 2011. However, 2012 has seen the price recover back to 25p; exactlyx the same position as two years ago.

If loan volume alone was a measure of performance, WHSmith is appearing to perform very badly indeed—balances on loan have grown 20-fold over the last two years, yet the share price over the same period has risen from 32 percent to around 627p. Do the short sellers

know something that the long portfolio holders do not? The size of these positions certainly implies that many think WHSmith is over-valued going into Christmas Present, and perhaps the New Year does not bode well either.

Figure 2 shows the borrowing costs for the same three securities; here, Dixons is the outlier as fees to borrow this stock rocketed in the middle of 2011 and, despite falling back a little ahead of Christmas Past, remain high going into Christmas Present. As can often be seen with such stocks, utilisation rose above 75 percent during April 2011, almost two months before the fee levels took off signalling lost revenue opportunities for lenders in Dixons.

The ghost of Christmas Present looms large and is putting pressure on many stores. The British Retail Consortium (BRC) has reported that town centre shop occupancy is at its lowest in 15 months—empty premises stand at an average of 11.3 percent, with this number reaching 20 percent in Northern Ireland and 15 percent in Wales and some regions in the North of England. These figures were released just ahead of the collapse of COMET, which will no doubt add to the vacant stock list as other firms such as JJB Sports, Blacks Leisure, Game, Peacocks and Clinton Cards have done through contraction or bankruptcy. It was of little surprise that the UK's Office for National Statistics reported that retail sales fell 0.8 percent in October.

However, looking at two other retail stocks, we can see a little cheer for the retail space in this Christmas Present. Marks and Spencer has been under pressure for some time as it begins to execute its turnaround strategy and recover its prestige position—recent changes in management seem to have changed the sentiment of some. Securities lending balances, which are taken as a proxy for short selling, have halved since the middle of August 2011 where balances peaked (see Figure 3).

Share price changes over the same period have remained remarkably flat, dropping only around 10p to 370p at the middle of November this year, indicating that the substantial short bets taken have yielded little. Next Group PLC on the other hand has seen its share price gain significantly—November 2010 saw the shares around 21p but they are now trading at approximately 36p (at the time of writing). This share price rise has demonstrated relatively low volatility during its rise, yet the short positions have continued to build. In tandem with WHSmith, it seems that some may think that Next has become over bought and a price correction is due.

In keeping with applying memorable names to key events, Mega Monday, as it is known will shortly be upon us. Mega Monday is traditionally the first Monday in December and marks the first real spending splurge ahead of Christmas. Visa, the credit card company, is expecting £320 million to be spent on its cards alone on Mega Monday, which is up 20 percent on last year. This year is also expected to see more purchases online than ever before, a shift which will itself no doubt be reflected in the make-up of our High Streets in years to come. IMRG, the UK retail association, expects around £900 million to be spent online in the first two weeks of December—around 20 percent of the yearly online spend put at £4.6 billion.

It will be very interesting to see how these positions compare when we look at Christmas Future—in 12 months' time, we will be able to see whether Marks and Spencer and Next have continued to advance and whether those who being bet against Dixons and WHSmith have managed to confound their critics. Retail sales performance over this Christmas period will be very telling indeed, the results of which will no doubt give us some indication whether it was the long holders or short sellers that have won the big prizes this season.

David Lewis
Senior vice president Astec Analytics
SunGard's capital markets business

Figure 1: Volume of shares on loan November 2010 to November 2012—indexed to 19 November 2010

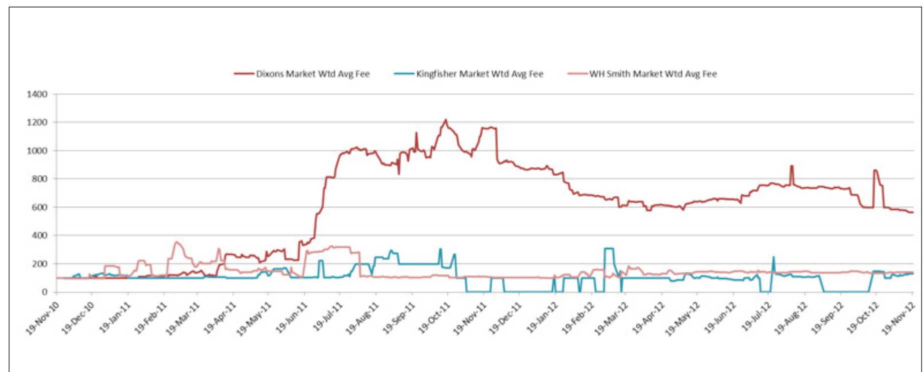

Figure 2: Borrowing costs November 2010 to November 2012—indexed to 19 November 2010

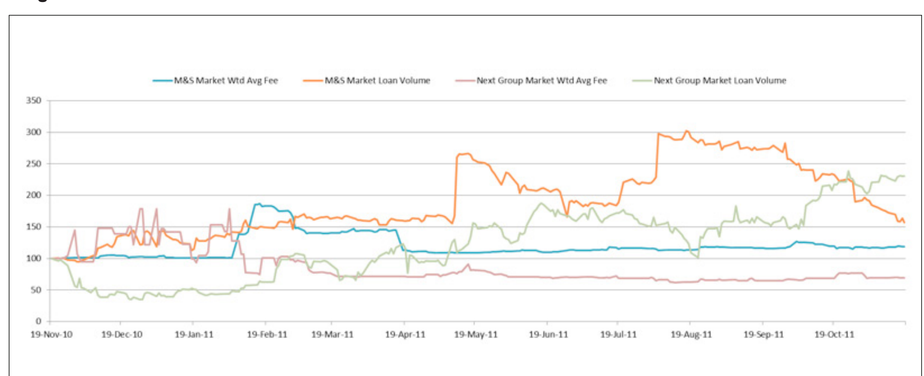

Figure 3: Marks and Spencer and Next Group—balances on loan and average fees indexed to 19 November 2010

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Location: New Orleans
Date: 28-30 January 2013
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Location: Hong Kong
Date: 5-7 March 2013
ebiz.rmahq.org

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...Sinead O'Sullivan

SLT and Sinead O'Sullivan, who is a pre-sales consultant at 4Sight Financial Software, talk about technology roles in lending, ambitions and regrets, and the vicious circle of life

How did you get into the securities lending industry?

After graduation in Ireland in 2004, I moved to London to join the UBS graduate scheme. In my first year at UBS, I worked as a BA on a securities lending IT team and it just went from there. I spent about three years working on different securities borrowing and lending projects within IT before moving to the equity finance product development team in 2007. In 2009, I joined the equity finance group at Barclays shortly after the Lehman Brothers takeover and spent my first few months there working on the integration project. All of this led me to my latest role in technology sales at 4sight.

To what extent has working in technology sales met your expectations?

I am really pleased with the move to this role. If I were to pick my favourite parts of previous roles and put them into one, I would get something close to what I am doing now. The sales role offers great variety and I enjoy meeting new and existing clients and seeing how they operate. It's interesting to see all of the different ways that people come up with to achieve similar things. It's a nice change to work for a small company where you get to know your colleagues really well and where you can get a new mouse without waiting two weeks for your manager's manager's manager to approve the request!

What do you see as the biggest challenge facing securities lending right now and why?

I guess the hot topic at the moment is keeping up with regulatory changes, particularly on the OTC derivatives collateral management side. The challenge for collateral managers will be coming up with processes to meet these regulations while at the same time optimising the collateral that they hold.

Do you have any role models who have helped or inspired you?

There's a misaligned public perception about people who work in the City of London, but I have been lucky to have some good times with some great people who have been really supportive and given me lots of help along the way. The nice thing about working in a smaller company is that you get an opportunity to get to know your colleagues really well and see how people can create a workable balance between their lives at work and lives beyond financial services.

In or out of work, what are your ambitions?

For now, I would just like to improve my knowledge and skills and do as well as I possibly can in my new role. A growing company is an exciting place to be so I am happy to see what happens and take up opportunities as they present themselves.

What about regrets? If you could go back in time, what would you change or do differently in your career?

As cheesy as it sounds, I don't really regret anything that I have done. Although I can't claim to have always been truly satisfied with my career, I think that everything is a learning experience that leads you on to the next thing. I had a short career change recently to secondary teaching and although it didn't quite meet my expectations, I don't regret a minute of it. I learned a huge amount about the realities of the 'real world' and I came to realise how lucky I am to have choices to do other things. I also picked up some good crowd control skills and gangster raps, which might come in handy down the line!

If you were not in the industry what would you be doing?

I'd love to be in a musical but I just don't have the voice!

What are your hobbies and interests?

My hobbies are centred around a vicious circle of partaking in activities that ruin my health, ie, eating, drinking and staying out late with friends, which is followed by partaking in activities to undo the damage, ie, torturing myself in the gym, on the bike, in the pool and while running in parks. I did my first triathlon last year and might enter a few next year as I really enjoyed it. I am very fond of 'the road' and have been on some great trips recently, including a six-week charity trip to Africa and a four-week holiday around Brazil, not to mention about eight years worth of trips via Ryanair to Ireland for birthdays, births, weddings and home-cooked dinners! **SLT**

Sinead O'Sullivan
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Industry appointments

Maple Financial Group has restructured its securities finance team, and re-titled **Walter Kraushaar** as it looks to opportunities in the North American market.

Kraushaar moved from the position of managing director and head of short-term products at Dekabank to become head of securities finance at Maple Bank in October 2010.

A source confirmed that his new job title is now global head of securities finance for the Maple Group, adding that the group has begun to take action to restructure in light of changing market dynamics.

The Royal Bank of Scotland (RBS) has named **Jeffrey Howard** as its head of prime services for the Americas, based in Stamford, Connecticut.

He will be responsible for futures and options, prime brokerage, OTC derivatives client clearing, futures DMA sales and mandate sales.

Howard previously worked at Bank of America/ Merrill Lynch as the head of futures execution sales for the Americas, within the global futures and derivatives clearing services group.

Alongside Howard, RBS has also appointed **Garry O'Connor** as head of OTC client clearing for the Americas, also based in Stamford.

O'Connor will report to Howard and Ramasamy Venkatesh, global head of prime brokerage and OTC client clearing. Prior to this appointment, he served as CEO of the International Derivatives Clearing Group.

Fabian Shey, global head of prime services and client execution at RBS, said: "We are pleased to welcome Howard and O'Connor to our team. Their depth of industry experience and knowledge underscores our commitment to help our clients meet the demands of today's evolving regulatory environment and market structure."

"As we continue to make significant strategic investments in people and our platform, the prime services and client execution business is forging deeper relationship with clients to grow RBS's franchise."

The former head of equity finance at J.P. Morgan, **Andrew Jamieson**, has joined the iShares capital markets division of BlackRock as managing director.

Jamieson will be a part of the iShares capital markets team, which is designed to help clients execute exchange-traded products more efficiently and enhance their investment returns.

Prior to J.P. Morgan, Jamieson held the role of European head of equity finance at Bear Stearns.

Lombard Risk Management has appointed **David Wilford** as director of compliance products.

Wilford will also act as product director for Lombard Risk Management's new compliance and audit application, ComplianceASSESSOR, and lead its dedicated team.

He has more than 35 years experience, primarily in the areas of risk management and regulation.

State Street's executive vice president and CFO, **Edward Resch**, will retire in 2013 after more than 10 years in the role.

The firm will conduct a comprehensive internal and external search to find his replacement. Jay Hooley, chairman, CEO and president of State Street, said: "Resch has been our CFO during one of the most challenging times for our industry."

"We are fortunate to have benefited from his unwavering dedication for the past ten years and, particularly, for his leadership during the recent critical period of the financial crisis. The timing of his retirement will enable a thorough transition process to his successor."

"I feel very fortunate to have worked as part of this management team over the past decade," said Resch. "I look forward to being actively involved in the leadership transition of the finance function."

Joanne Segars, chief executive of the National Association of Pension Funds (NAPF), has been elected as chair of the European Federation for Retirement Provision (EFRP).

Segars was elected to the position by members of the EFRP at its general assembly meeting in Dublin. She will continue in her role as chief executive of the NAPF.

She succeeds Patrick Burke, director of Irish Life Investment Managers, and will take on her responsibilities immediately.

Segars will lead the federation for two years "at a time when the European Union is playing an increasingly active role in the field of pensions," according to a release.

In the meeting, members also agreed to rename the organisation PensionsEurope. **SLT**

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