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Euroclear and Clearstream agree on partnership for repo market

The future of the repo market has inspired three post-trade infrastructure providers to work together to increase efficiencies.

The International Capital Market Association's (ICMA) European Repo Council has signed a memorandum of understanding with Clearstream, Euroclear and Eurex Clearing, which recruits the providers to a joint project to increase the efficiency of the repo market.

The project primarily creates the opportunity for Eurex Clearing to extend the connected settlement locations for its secured funding market GC Pooling with Clearstream Banking to include Euroclear Bank.

The pending completion of detailed feasibility studies and market consultation, triparty settlement interoperability could be delivered by the end of 2015.

Establishing triparty settlement interoperability with both triparty service providers will improve the movement of collateral between the connected settlement locations in Europe.

"It will also reduce collateral pool fragmentation, which currently can cause technical fails, while allowing banks to supply liquidity to the real economy through the intervention of the repo markets," said a release.

"The initiative will increase the efficiency of collateral management for repo basket trading throughout Europe and will boost the fluidity of collateral across the eurozone."

Commenting on behalf of ICMA's European Repo Council, Godfried De Vidts said: "The MoU is a big step forward towards building a true single European capital market. No longer will the fragmentation of location of collateral in Europe harm the transmission of liquidity between market participants. When completed, this development will contribute to a safer settlement environment allowing banks to allocate cash to the real economy where most needed."

read**more p2**

Insurers hoped to boost India's SLB market

India's insurance regulator is allowing insurers to lend a maximum of 10 percent of their securities, in rules that could revive the country's market.

The Insurance Regulatory and Development Authority (IRDA) has been seeking comment as of August last year relating to insurers participating in a securities lending and borrowing scheme.

Comments were received over the course of a year from the various stakeholders including life insurers, general insurers and other entities, along with suggestions for the controls needed.

read**more p2**

J.P. Morgan's collateral division mandates LSEG

J.P. Morgan's collateral management business has selected London Stock Exchange Group (LSEG) to provide settlement, custody and asset servicing services through a new central securities depository (CSD) that LSEG is establishing in Luxembourg.

This development is in response to the European Market Infrastructure Regulation (EMIR), which requires margin and default contributions posted to a central counterparty (CCP) to be held with a securities settlement system, where possible. CCPs will become subject to this requirement when they obtain authorisation under EMIR.

LSEG's new CSD, subject to regulatory approval, is expected to be operational in the first half of 2014, in order to provide services to CCPs when they become authorised.

read**more p3**

Euroclear and Clearstream agree on partnership for repo

Continued from page 1

Stefan Lepp, member of the executive board and head of global securities financing at Clearstream, said: "[The] agreement marks a major milestone for the further improvement of interoperability between financial market infrastructures."

"It is sending a strong signal that we are committed to delivering this long-awaited market requirement that will also strengthen our collateral value proposition as part of our Global Liquidity Hub. In order for the industry to fully benefit from triparty interoperability between Clearstream and Euroclear, we must also progress with enhancements to the settlement layer."

"Clearstream will work closely with Eurex Clearing and Euroclear on improving interoperability both between the two ICSDs and between the ICSDs and Clearstream Banking Frankfurt (the German CSD). The aim is to ensure the secure and seamless settlement of products across ICSDs and CSDs, commercial bank money and central bank money environments, prior to T2S implementation."

Yves Poullet, CEO of Euroclear Bank, added: "We look forward to discussing with Eurex Clearing and Clearstream how to deliver triparty settlement interoperability. In the challenging environment we face now and in the future, market participants are looking at us—their service providers—to collaborate more and offer innovative solutions to improve operational and settlement efficiencies. They want us to make the movement of vital collateral assets as fluid and as frictionless as possible across all market infrastructures globally."

"We fully support such a fundamental requirement and have been implementing this through our open collateral infrastructure called the Collateral Highway. This project, appropriately entitled Triparty Settlement Interoperability, is timely indeed."

Thomas Book, CEO of Eurex Clearing, said: "We are pleased to support this very important initiative in times where collateral management and liquidity management become critically important."

"The agreement between Clearstream Banking and Euroclear to create a triparty settlement interoperability framework and to enable seamless access to the two largest collateral pools in Europe will allow us to enhance and expand GC Pooling based on proven high product standards."

"This will strengthen the GC Pooling market and support our clearing members in reducing their collateral pool fragmentation, while keeping the high risk management standards of Eurex Clearing. This is an important task."

Insurers hoped to boost India's SLB market

Continued from page 1

"After examination of the comments received, it is observed that insurers can generate extra yield on the securities held in their custody by lending securities through [the] SLB mechanism," said an IRDA statement.

Among the rules was the notice that around Rs 50,000 crores ($3 billion) of stocks may now be eligible to be lent to short sellers.

IRDA said that the lending and borrowing framework should be governed by the Securities and Exchange Board of India (SEBI) 2007 circular, and any of its subsequent updates.

Insurers can only lend securities to the maximum extent of 10 percent quantity in "the respective scrips in the respective funds", said the statement.

The regulations allow insurers to lend around 191 stocks listed in the futures and options segment for a maximum tenure of 12 months in securities that are part of the futures and options segment.

SLTINBRIEF

The announcement follows the news on 30 May this year that SEBI was to allow stocks that meet several criteria, including average monthly turnover of at least 1 billion rupees ($17.8 million), to be used under the country's securities lending and borrowing programme.

Until then, a limited set of stocks that traded in the futures and options markets were allowed to be borrowed and lent.

It is not the first time that the regulator has attempted to relax what some have seen as particularly severe rules. In November last year, the board stated in a circular that lenders and borrowers of shares could carry forward their positions up to three months, instead of one month as is the current norm.

The "roll-over facility" states that any lender or borrower who wishes to extend an existing lent or borrow position shall be permitted to roll-over such positions for three months, although roll-over shall not permit netting of counter positions.

SEBI also indicated the introduction of liquid index exchange traded funds as eligible for trading, with the ETF deemed liquid provided it has traded on at least 80 percent of the days over the past six months and its impact cost over the past six months is less than or equal to 1 percent.

J.P. Morgan's collateral division mandates London Stock Exchange

Continued from page 1

Kelly Mathieson, global head of collateral management at J.P. Morgan, said: "We are delighted to choose London Stock Exchange Group for CSD services, which shares our commitment to making regulatory change more straightforward for clients looking to manage collateral effectively. With this development, we believe that we are helping our clients to adhere to EMIR rules."

Raffaele Jerusalmi, CEO of Borsa Italiana and director of capital markets for London Stock Exchange Group, said: "We are pleased that J.P. Morgan has confirmed its intention to appoint London Stock Exchange Group as provider of its settlement, custody and asset servicing, offering a solution to their international collateral management business."

"J.P. Morgan is a leading collateral management provider and the establishment of a new CSD in Luxembourg alongside LSEG's existing infrastructure and expertise will help meet the needs of its customer base."

The new mandate is hoped to enhance J.P. Morgan's collateral management service, which provides collateral portfolio management solutions to buy- and sell-side firms, allowing them to view obligations and global assets available for use in real time, regardless of where they are held.

BNP Paribas ties up Henderson fund migration

BNP Paribas Securities Services has completed the final stage of the migration of a large number of Henderson funds on to its platform.

In total, the project has required the migration of 25 legacy Gartmore funds with an approximate value of €8 billion in three stages and incorporating multiple jurisdictions and fund types.

The bank will now provide Henderson Global Investors (HGI) with a full service including custody, fund accounting, securities lending and foreign exchange services for the former Gartmore fund ranges in the UK and in Luxembourg.

James McAleenan, head of BNP Paribas Securities Services UK, Middle East and South Africa, said: “We’re very pleased with the outcome of this deal, which is the culmination of collective efforts across different areas within the business and across a number of markets. It reinforces and consolidates our long-standing relationship with Henderson, which we have developed over the last 10 years.”

“We have a very good understanding of their business and their operational objectives, and this is crucial to our ability to maintain high quality service levels we provide and to build on for the upcoming projects planned in 2014.”

Lesley Cairney, Henderson’s COO, said: “This project is the culmination of over 12 months work between the two project teams and has been delivered to an exceptionally high standard without any impact to our day-to-day service and activities.”

Seoul prime broker distributes SkyBridge hedge fund products

SkyBridge Capital, a research-based alternative investment firm located in New York, and Seoul-based Woori Investment & Securities have partnered up to allow for the distribution of SkyBridge’s hedge fund products throughout South Korea and other regions in Asia.

Woori Investment & Securities has also allocated capital to a SkyBridge fund of hedge funds vehicle.

SkyBridge manages or advises on approximately $8.2 billion in assets, and the agreement is hoped to boost the firm’s global distribution of its hedge fund product portfolio, including multi-advisor, multi-strategy fund of hedge fund products, custom portfolios and advisory services.

“Forging a partnership of this kind with one of the largest securities firms in [South] Korea underscores our commitment to provide alpha-centric hedge fund solutions to a broad, global investor base, as well as shows increased appetite for this type of product among investors in Asia,” said Ray Nolte, co-managing partner and chief investment officer at SkyBridge Capital.

Woori Investment & Securities offers a range of financial services, including wealth management, investment banking and prime brokerage. With client assets of 148.9 trillion won, the firm serves its clients through its more than 117 domestic branches in South Korea and 13 overseas offices and subsidiaries.

“Investors in this region are seeking to diversify portfolios to include more alternative investment options,” said Eun Soo Kim, head of global division for Woori Investment & Securities.

“We believe that SkyBridge’s thoughtful, thematic investment strategy and high-conviction approach to alpha generation will help us to provide our clients with a high-quality hedge fund investment option.”

SimCorp signs $50 billion agreement with asset manager

SimCorp has signed a licence agreement with a UK asset management company with more than $50 billion under management for the use of SimCorp Dimension by its middle and back offices.

SimCorp Dimension will be used by asset managers across a range of asset classes to support trade processing, including derivatives clearing, investment book of record, fund valuation, investment accounting, collateral management and data management.

Peregrine calls on SGSS

Peregrine Equities, part of the Peregrine Group, has selected Societe Generale Securities Services (SGSS) in South Africa to provide it with custody services.

SGSS already provides securities lending and borrowing and global custody to Peregrine Equities, as well as futures clearing services to Peregrine Derivatives.

The group's derivative, equity and prime services entities are housed within Peregrine Securities, which is a member of the Johannesburg Stock Exchange.

Bank Leumi USA opts for Lombard Risk reporting solution

Bank Leumi USA has chosen Lombard Risk's REG-Reporter regulatory reporting solution to comply with reporting requirements in the US.

REG-Reporter addresses the requirements of both domestic and international banks and financial institutions by automating compliance with mandated reports to the Federal Reserve Bank and other regulatory agencies.

Michael Fegan, executive vice president and chief operations and technology officer of Bank Leumi USA, said: "We are very confident about our decision to purchase REG-Reporter based on their long-standing reputation for providing the most comprehensive solution to automating the regulatory reporting process to the Fed."

"We feel this software will significantly streamline our report preparation, allowing us to maximise our time in reviewing and analysing our reports."

Moelis Australia Securities and Weeden & Co cross-pollinate

Moelis Australia Securities and Weeden & Co, a US institutional equity and fixed income broker, will ally to promote each company's broker-dealer offering to each other's institutional clients.

The alliance creates the opportunity to offer reciprocal broker-to-broker execution services and, subject to Financial Industry Regulatory Authority approval, for Weeden & Co to distribute Moelis Australia Securities's equity research and capital markets transactions into US institutions.

Weeden & Co has hired Matthew McCloghry as a managing director, selling Australian securities to US institutions. Prior to this appointment, he worked as an equity salesman for Moelis Australia Securities, in Sydney, for five years.

Lance Lonergan, co-CEO at Weeden & Co, said: "This partnership will provide client access to capital markets transactions, cutting edge research, and global best execution capabilities. By leveraging our respective franchises, we're providing institutional clients with unique products and world class service."

Simon Scott, managing director at Moelis Australia Securities in Sydney, said: "We are excited to partner with a highly regarded US broker-dealer that has deep and long-standing relationships with a wide range of US institutional clients. In addition, Weeden is known for excellence in global execution and that is a new service we can offer to Moelis' Australian customers that want to invest outside of our home market."

BNP Paribas wins Bahamas prime brokerage mandate

Arabian Gulf Holdings has appointed BNP Paribas as the prime broker and custodian for its latest fund. BNP Paribas will provide prime brokerage services for all investments, margin financing, clearing, securities lending and borrowing fa-

cilities, synthetic instruments, currency hedging and custody services for the Bahamas-based AGF Arbitrage Fund.

The fund will provide investors with exposure to arbitrage opportunities in emerging markets, according to Arabian Gulf Holdings.

In a statement, Jai Narain Gupta, consultant to H.R.H. Sheikh Khalifa bin Hamdan al Nahyan and an advisor to the fund, said: "BNP Paribas is a leader in the prime brokerage industry and has all of the capabilities, including a 'AA+' credit rating, strong balance sheet, global platform and market leading derivatives business."

"BNP Paribas's strengths and its excellent equity prime brokerage platform combined with AGH's knowledge of emerging markets will be a powerful addition to the industry."

Clearstream GSF services experience June drop

Clearstream's global securities financing (GSF) services experienced a monthly average outstanding of €581.9 billion in June.

The combined services, which include triparty repo, securities lending and collateral management, collectively experienced a decrease of 3 percent over June 2012 (€598.3 billion).

At €571.5 billion, the year-to-date June 2013 GSF monthly average outstanding was 2 percent below the same period last year (year-to-date June 2012 was €585.6 billion).

Traiana gains support of Barclays

Traiana, a provider of pre-trade risk and post-trade processing solutions, has announced that its pre-trade clearing certainty initiative continues to gain momentum and has received the support of futures commissions merchants (FCMs) and trading venues.

Barclays, BofA Merrill Lynch, Citi, Goldman Sachs, J.P. Morgan and leading buy-side institutions have put their support behind the central risk management infrastructure to be the first clearing firms to use Traiana's CreditLink service to manage swap clearing limits, with deployments underway to meet regulatory deadlines.

The service is in live production operation and is connected to and supported by 12 potential swap execution facilities and designated contract markets, including GFI Group, iSwap, Javelin, MarketAxess, TeraExchange and trueEX, and has been built in consultation with major clearinghouses, including CME Group, IntercontinentalExchange and LCH.Clearnet Group.

MarketAxess was the first trading venue to complete production certification for order screening with CreditLink. J.P. Morgan was the first to complete production certification as an FCM.

"Pre-trade clearing checks are an important part of ensuring a fully automated and seamless process for the centralized clearing of OTC derivatives," said Mike Yarian, the global head of agency derivative services at Barclays.

"This initiative provides a pre-trade, low-latency solution to check the certainty of clearing across multiple venues, in compliance with the requirements of Dodd-Frank legislation."

SunGard puts confidence in Poland with new mandate

Dom Inwestycyjny Investors SA (DI Investors), an independent Polish brokerage house, has selected SunGard's Valdi to provide a front-to-back trading and direct market access connectivity solution to the Warsaw Stock Exchange (WSE).

In order to provide brokerage activities on the WSE's new trading platform, DI Investors chose SunGard's Valdi trading solutions, which will give users DMA access on the WSE, as well as market-making and advanced trading functionalities.

"Poland remains a resilient area of growth in Europe, and access to its capital markets is an attractive proposition for SunGard's customers. For emerging European markets, Poland is a blueprint of how to do things right," said Philippe Carré, global head of connectivity, SunGard's capital markets business.

DI Investors is the 21st local member of the WSE to choose SunGard solutions for its trading floor in Poland.

Parliament proposes alterations to the FTT

The European Parliament vote in favour of the Financial Transaction Tax (FTT) approved the European commission's proposal—subject to certain proposed amendments.

The vote, which took place on 3 July, was praised by European commissioner Algirdas Šemeta, who said that it was now time to agree on the tax.

"With [this] democratic backing, member states must now press ahead in reaching quick agreement on this file. Rumours and speculation are not good for business, and create a difficult environment for our economic operators."

However, the European Parliament is only acting as a consultant, and its proposed amendments can be ignored by legislator the Economic and Financial Affairs Council.

KPMG set out the main amendments that were proposed by parliament, which were: extending the scope of the tax to cover currency spots on the FX markets; the introduction of the transfer of legal title principle; permanent reduced rates on repos and temporary reduced rates on trades in sovereign bonds and trades of pension funds; and the introduction of an exemption for market makers.

The exemption for 'liquidity providers' defined the market makers as: "A person who holds himself out on the financial markets on a continuous basis as being willing to deal on own account by buying and selling financial instruments against his proprietary capital (market maker), when performing an essential function with regard to illiquid bonds and shares in his role of liquidity provider, as provided for in the agreement between the market maker and the organised venue where the financial transaction is carried out, where that transaction is not part of a high-frequency trading strategy."

A 'high-frequency strategy', KPMG noted, is defined by reference to portfolio turnover, proportion of orders cancelled, timing of unwinding of positions, and discounted orders.

Amendments to the rates related to reduced rates on repo and reverse repo agreements: 0.01 percent on such instruments with a maturity of up to 3 months.

Under current FTT proposals, repos would be taxed at 0.1 percent, along with stock and bond trades.

Bursa Malaysia to revitalise SBL and short selling

Kuala Lumpur's stock exchange Bursa Malaysia is to reportedly release new guidelines next for both securities lending and short selling.

The exchange announced their best financial results for the quarter and first half since the 2007 rally, and a special 20 sen dividend on top of the 16 sen dividend to be distributed to the shareholders.

For the period under review, revenue from the securities market registered a strong double-digit performance of 17 percent, bringing the current total to RM109 million ($34.27 million).

This improved performance is derived from a higher average daily trading value of RM2.06 billion ($628.85 million), an increase of 19 percent from the corresponding period under review.

CEO of the stock exchange Dato' Tajuddin said: "In the coming months, we will be focusing on value extraction in order to take advantage of all the initiatives and projects which we have worked hard to complete."

"We will continue to build for the future to further strengthen our breadth and depth of the markets. Amongst our focus areas will be the regulated short selling and securities borrowing and lending which is necessary for Malaysia to achieve developed market status."

Short selling regulations were introduced in 1996, relatively early for what was then a very emerging market. The business didn't last long; at the heart of the Asian crisis less than a year later, securities borrowing and lending was suspended on all shares listed on Bursa Malaysia.

In 2007, a new system was introduced. The Bursa SBL system, offered by Bursa Malaysia Securities Clearing, specifies which shares are currently eligible for borrowing and lending—the numbers vary, but most publicly traded shares are permitted.

Securities borrowing and lending activities in Malaysia must either be made through an approved clearing house acting as a central lending agency (CLA) under the SBL-CLA model; or entered directly over-the-counter between the eligible participants and facilitated by the approved clearing house under the SBL-negotiated transactions (SBL-NT) model.

Use it or lose it

SLT's discussion with BNP Paribas reflected wider thoughts on the importance of using collateral appropriately

GEORGINA LAVERS REPORTS

The collateral challenge means different things to different people. For final investors, it means reducing counterparty risk. For clearers it means velocity, and avoiding costs of funding. For broker-dealers, the obstacles lie in how to best optimise and use assets. For CCPs velocity (again), and compliance with new regulations.

A discussion with Philippe Ruault and Hélène Virello of BNP Paribas Securities Services proved that efficient risk mitigation is increasingly significant in collateral chatter, with Virello using AIG as an example of what not to do.

In American International Group's near-failure and subsequent bailout, it is clear that systemically important banks had bought and relied on large amounts of mortgage-backed security default protection in the form of credit default swaps on subprime mortgages written by the insurer's financial products subsidiary (AIG- FP) and guaranteed by AIG.

As the crisis stretched out over the months, the value of the protection soared, and following the ratings downgrade of parent company AIG, AIG-FP was obliged to post huge amounts of collateral that it did not have.

"Because of the potentially disastrous systemic knock-on effects of a failure to post, US authorities decided to supply AIG with liquidity assistance that, at one point, exceeded $100 billion. If these contracts had been novated to central counterparties, the collateral calls still would have been problematic for AIG, but they would have come sooner and more frequently. Hence, uncollateralised exposures would not have been given the chance to build to levels that became systemically critical," said a senior financial sector expert in an IMF report on central counterparties.

After this and the failure of Lehman Brothers, it has been suggested that central clearing might have reduced the systemic fallout from these various disasters.

There are undeniable benefits to central clearing of derivatives: it reduces counterparty risk, strengthens overall market integrity, and helps with position segregation and portability in the event of a default—a particularly important point, notes Ruault.

Currently, all exchange-traded and some OTC-traded derivatives contracts are centrally cleared. However, pending legislation, central clearing will be required for most standardised OTC derivatives contracts.

But the benefits come at a price. Sapient Global Markets warned in a report that new central clearing requirements for OTC derivatives trades would cause significant drag on portfolio returns in the new regulatory environment.

On 11 March 2013, firms categorised as swap dealers, major swap participants and active funds were required to centrally clear several types of interest rate swaps—across four currencies—and certain credit default swap index trades.

On 10 June, "Category 2 Entities", including securitisation vehicles, insurers, investment funds and non-swap dealer financial institutions begin mandatory clearing.

"Recent regulations mandating central clearing of OTC derivatives creates performance challenges for all investment firms and their bank counterparties alike," said Kevin Samborn, vice president of Sapient Global Markets at the time.

The results of the study show that cumulative portfolio returns are highest when hedging is performed using uncleared swaps in a pre-2008 environment, and lowest when hedging is performed using uncleared swaps in a Basel Committee on Banking Supervision (BCBS)/International Organization of Securities Commissions (IOSCO) recommended environment.

"These results serve to show the significance of the impact of Dodd-Frank/BCBS legislation on clearing costs," said the statement, adding that once the BCBS/IOSCO recommendations take effect, the use of customised, uncleared swaps will jump from being the cheapest to the most expensive way to hedge.

Ruault discussed these challenges and their effect on the bilateral space and clearing space—whereby mandatory clearing obligations mean more collateral will be required from clearers and from the end-customers. BNP Paribas Securities Services, he says, had designed two sets of products either dedicated to the clearing or bilateral spaces, with the key aspect of both being bringing safety to customers in terms of assets and their liquidity.

The first product, Margin Protect, is dedicated to support the margining between bilateral transactions. BNP Paribas Securities Services announced in April of this year that Margin Protect is being used in conjunction with SWIFT to improve the bank's collateral protection solutions for corporate, buy-side and sell-side clients.

The move followed an earlier link-up with Euroclear's Collateral Highway to improve the bank's access to liquidity.

BNP Paribas, says Ruault, is working closely with SWIFT to integrate the body's standardised messages into its operations, supporting triparty collateral flows within the bank's Margin Protect solution, which ensures compliance with approaching regulatory requirements on OTC transactions, mitigation of counterparty risk, asset safety and cash reinvestment facilities.

> "Recent regulations mandating central clearing of OTC derivatives creates performance challenges for all investment firms and their bank counterparties alike"

"Margin Protect enables one party to source collateral from another party, and making sure the assets are fully protected and that no-one can retrieve that collateral without the acknowledgement of the original party," he said.

"This product is currently live in London with a number of investment bankers, dealers and some hedge funds as our customers. We are going to roll it out in the US on the back of our US custody product."

Slowly but surely, collateral protection has recently moved up the priority agenda. Over 10 regulations, in particular the US Dodd-Frank Act and the European Market Infrastructure Regulation will have a significant impact on how banks manage and protect collateral. And when regulators get involved, market players must allow themselves to be drawn—reluctantly or not—into the discussion. **SLT**

Gloom below the azure sky

The reinstatement of short selling in Greece seems unlikely to revive a drowned securities lending market, as SLT finds out

GEORGINA LAVERS REPORTS

In a mire of bad news, Greece's capital markets regulator unveiled a silver lining for those in the securities lending business on 15 July. This was the date that the Hellenic Capital Markets Commission (HCMC) lifted a short selling ban on bank shares, two weeks before the official ban had ended.

The decision was taken due to the fact that the country's major banks have been recapitalised—a fairly laborious process that had caused the regulator in May to extend its ban on short selling until the end of July, stating that the decision was due to the country's plan.

In a statement, HCMC said that its board considered "the process of recapitalising the lenders" in its decision—referring to the €50 billion set aside to inject capital into the country's four big banks, and to scrap some smaller lenders.

The European Securities and Markets Authority (ESMA) published its opinion on the emergency measure, stating that it was appropriate and proportionate in relation to the country's current situation.

"ESMA considers that the measure which is targeted at credit institutions admitted to trading on the Athens Stock Exchange remains appropriate and proportionate to address the ... threats that persist in Greece."

"[The authority] considers that the duration of the measure is justified and appreciates the HCMC's statement in its notification of intent whereby the measure may be lifted during the period of enforcement of the measure, if appropriate."

The bans have directly affected lending in Greece in the past; influencing borrowers' demand and keeping some investors at bay. And more general concerns such as issuer risk and fear of default, have kept activity to a minimum, . A lifting of the ban should support market settlements as well as efficient price discovery.

Things appeared, if not rosy, then at least dimly lit in 2010, with CitiGroup's Global Transaction Services business announcing that it would now be offering agency lending services in Greece.

The firm said it would be providing securities lending for Greek equities, working closely with Greek legal and tax specialists to create easy access for foreign borrowers and lenders as part of its due diligence.

Launching a new office in a country mid-crisis was a strategic move: J.P. Morgan had been in the market since 2008 and was seen picking up several new clients, and other large European and international banks also had a significant presence. Multinationals were seen by many to have the same level of local expertise as domestic players, coupled with a global presence that soothed any liquidity or risk-related fears.

But the crisis also persuaded the more cautious players to bow out. Prime brokerage firm Newedge pulled out of the Greek market in July 2012, citing its "ordinary risk practices" as reason for the exit.

The broker, which is a joint venture between two banks, Société Générale and Crédit Agricole, had more than $30 billion in client assets at the time, telling clients that it was to cease extending margin loans for existing positions in Greek securities, and would only process sell orders.

A cut on development

Just recently Greece became the first developed nation to be cut to emerging-market status by MSCI—a further blow to the country's economy (recently described as being worth "less than Apple").

MSCI reclassified the MSCI Greece Index to Emerging Markets as part of the November 2013 semi-annual index review, stating that the country's index fails to qualify on several market accessibility criteria. The minimum standards that currently prevail in developed markets reflect continuous market improvements introduced by authorities in other countries over the years.

However, very few of these improved market practices have been reflected in the Greek market. "This has led to Greece now failing to meet on multiple criteria: securities borrowing and lending facilities, short selling and transferability," said a statement from MSCI.

Market participants have commented that in-kind transfer and off-exchange transaction-like facilities that were introduced in 2008 by the Greek authorities and the Athens Stock Exchange, are so restrictive that they are, in practice, unusable.

As well as this, the long standing absence of well-established stock lending as well as short selling practices also made the Greek equity market incompatible with the standards of other developed equity markets, said the MSCI.

The report concluded that the MSCI Greece Index has not met the developed market criterion for size for the last two years, saying: "If it were not for an exception to the index maintenance methodology that requires the index to have at least two constituents, only one security would currently qualify for inclusion in the MSCI Greece Index."

Greece has been on the MSCI's radar for a while now; with the firm putting the country under review for downgrade in June 2012. Things only got worse with the relocation of Coca-Cola HBC AG from the Athens Stock Exchange to London—the soft-drink bottler had comprised around 25 percent of the Greek exchange.

Though the short selling ban has been lifted, it remains to be seen if that will cause any ripples in a flat securites lending market. So long as money keeps heading back to safe havens, Greek securities lending looks set to stay dejected. **SLT**

The private/public debate

Overcharging claims are being levelled at government contractors. Markit Securities Finance analyst Simon Colvin sees where the short interest lies

With G4S and Serco at the centre of an imminent serious fraud office investigation, we are looking at investor sentiment in commercial and professional services firms which derive a large part of their revenue from government outsourcing.

Serco and G4S recently topped the list of the largest FTSE 100 decliners following the shock announcement that both firms potentially overcharged the UK government for administering some of its supervised release (of humans) programmes. This has led the UK government to review all outstanding contracts with the two firms and place hold on new business pending the investigation With this in mind, one has to wonder if investors are seeing these developments as a possible paradigm shift between governments and the companies that have relied on their drive to outsource costs to grow.

Short interest surging

Demand to borrow Stoxx 600 commercial and professional services has surged in the last seven months, with borrowing across the 23 sector constituents now standing at 2.6 percent of shares outstanding. The current demand to borrow now stands at a 12-month high after a 48 percent surge in demand to borrow, which saw average short interest leap past the overall sector average. This surge in demand to borrow is the third largest of any sector in the Stoxx. The sector is not the most shorted by any means, however, with 11 sectors currently seeing a greater demand to borrow.

Despite this, the sector has been able to outperform the Stoxx with a 10 percent average return in the last six and a half months as opposed to 5.7 percent across the overall index.

UK firms lead the way

Diving deeper into the numbers, UK firms dominate the list of the six firms seeing four companies with more than 3 percent of shares out on loan. These firms have seen demand to borrow surge following weak guidance in their interim statements. The majority of firms in the sector see little increase in shorting appetite.

Powerplant leasing firm Aggreko comes in as the most shorted with 8.5 percent of its shares out on loan currently. The firm has seen relatively high demand to borrow over much of the last year and saw shorts increase their positions following the firm's recent lacklustre guidance in the middle of last month. Leading the bearishness in its trading statement was the fact that slowing growth in emerging markets was cramping overall group growth.

G4S seeing the largest increase in short interest

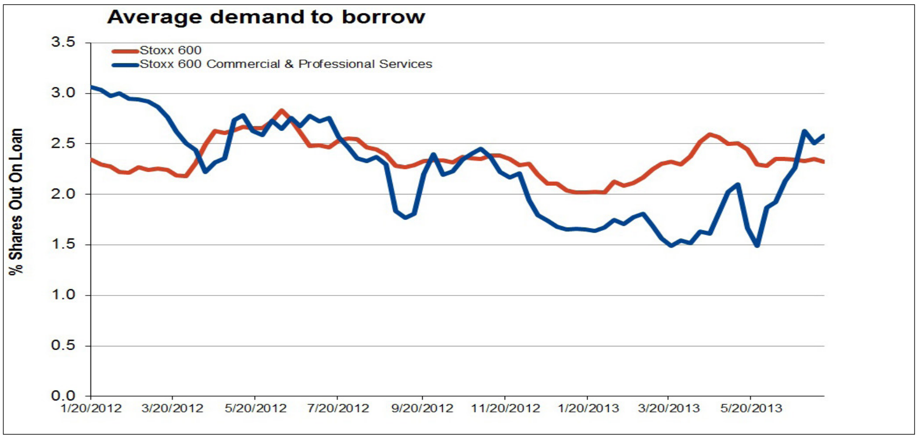
G4S's uninspiriting trading update in April also saw shorts redouble their attention. While the firm confirmed its growth outlook, it stated that profits would not come in line with investor expectations owing to margin pressure. These developments saw G4S shares give back all of their year to date price appreciation and was followed by a 50 percent increase in demand to borrow.

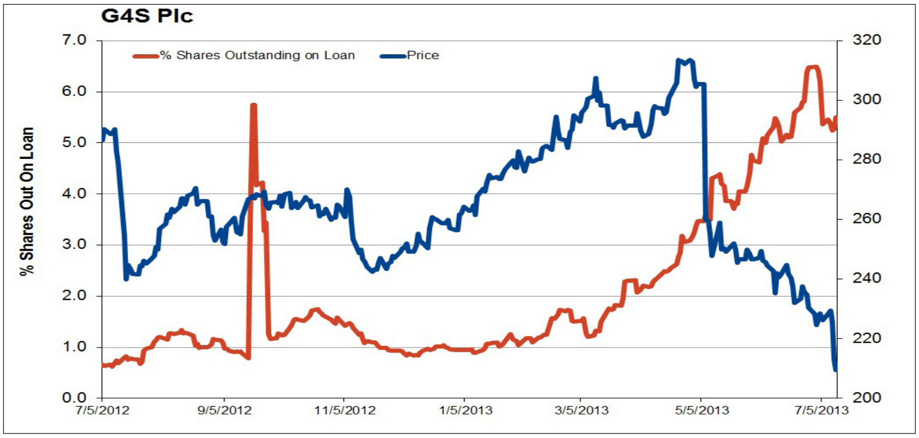
Markit Dividends is closely monitoring analyst estimates in the wake of the recent scandal to see if the developments have any material impact on forecasted earnings. The current 10.33 pence per share payment represents 45 percent of pre-crisis consensus earnings.

Interestingly, Serco which was also implicated in the scandal has seen shorts cover their positions year to date with the current demand to borrow now hovering at 12-month low levels.

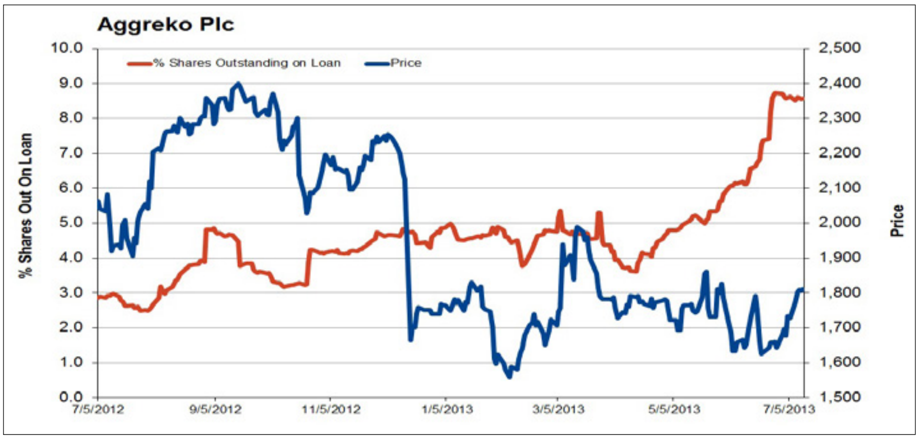
French firms also in the spotlight

Two French firms round out the list of the heavily targeted firms led by telemarketing firm Teleperformance. The firm, which has the best performing share price of the sector with a 41 percent year-to-date return, has seen demand to borrow jump over 20 folds to 6.3 percent following its latest dividend payment. **SLT**





Name	Ticker	% Shares Outstanding On Loan	YTD % Change
Aggreko Plc	AGK	**8.5**	80%
Teleperformance Sa	RCF	**6.3**	2301%
G4S Plc	GFS	**5.5**	483%
Michael Page International Plc	MPI	**5.5**	77%
Mitie Group Plc	MTO	**5.1**	171%
Edenred Sa	EDEN	**3.1**	-1%



18th Annual European Beneficial Owners' Securities Lending Conference

Date: 19-20 September 2013
Location: London
www.imn.org

Dedicated to meeting the information and networking needs of the beneficial owner community for nearly 20 years, IMN's European beneficial owners' securities lending conference attracts over 250 attendees annually, including more than 65 beneficial owners.

7th Annual Collateral Management

Date: 9-10 October 2013
Location: Amsterdam, the Netherlands
www.finance.flemingeurope.com

Europe's oldest, best known and most anticipated conference focused purely on collateral is back! The most prominent and the market leader, now more focused and innovative than ever.

Securities Lending: 2014 Outlook

Date: 21 November 2013
Location: Citi offices, Stirling Square, SW1Y 5AD, UK
www.securitieslendingtimes.com

SLT and Citi invite beneficial owners and consultants to a seminar looking at navigating securities lending in exceptional times.

INFORMATION MANAGEMENT NETWORK IMN

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September 19-20, 2013 | One Great George Street | London, UK

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IMN is proud to announce that its 18th Annual European Beneficial Owners' Securities Lending Conference will take place September 19-20, 2013, in London, UK.

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Sessions this year include:

- Beneficial Owner Viewpoint: Optimizing Securities Lending Revenue in a New Environment
- Is Securities Lending Still Economically Viable? Understanding and Calculating the Costs of Business & Debunking Common Industry Misconceptions
- A Practical Approach to Collateral: Its Use, its Optimization & Preparing for a Shortfall – is Transformation the Solution?
- It's Not All Short-Selling - Trades & Strategies behind Borrowing Securities and the Drivers behind Demand: Borrower Perspective Panel
- Critical Regulatory Update: Financial Transaction Tax (FTT)/ Shadow Banking/ Basel III/Dodd Frank/ESMA
- A Practical Application – Securities Lending Strategies to Weather the Different Regulatory Scenarios & to Meet the Need for Alpha
- Lending Fixed Income Securities: Making the Business Case & How to Optimize Revenues in the Current Climate
- Yield Enhancement Trades: How Will They Take Shape in the Coming Years? Assessing the Outlook for the Equity Finance Business & What it Means for Securities Lending

…and much more!

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Industry appointments

Vijay Chander has joined the Asia Securities Industry and Financial Markets Association (ASIFMA) in Hong Kong as an executive director in fixed income.

While he will largely be focused on working with the various fixed income committees, he will also help address other initiatives in the tax and compliance areas.

Rule Financial has hired **Catherine Houston** as principal consultant in its domain group.

Houston joins Rule Financial as a specialist in operational processing and repo, to facilitate the delivery of an expanding portfolio of projects being delivered for tier one clients.

She will report into head of the domain group, Jim Warburton.

Matthew Clark will join Citi's prime brokerage business as a managing director and global head of client solutions.

In this role, he will oversee all regional client service and client solutions teams across prime finance, futures, derivatives clearing and delta one.

He will be based in London initially and report to Alan Pace, global head of prime brokerage and client experience.

Clark will join Citi after 20 years at Goldman Sachs, where he was most recently head of prime brokerage client service and product development in EMEA.

Oscar Huettner has left EquiLend, the company has confirmed.

Huettner, who is BondLend's global product manager, departed "to pursue other interests", according to EquiLend. His last day was 12 July.

In the role, Huettner was responsible for the design, development and marketing of BondLend's global fixed income technology.

He previously spent 17 years at Barclays Capital in London and New York. During this time, he established the firm's European repo desk, RMBS financing operation and structured repo book.

Huettner was also a founding member of the European Repo Council, and has worked at the Industrial Bank of Japan, Donaldson, Lufkin, & Jenrette, and Salomon Brothers.

Christa Gallagher is joining BNY Mellon from UBS Investment Bank, a source has confirmed.

The New York-based stock loan trader, who has been at UBS since 2006, will move to BNY Mellon in August, although in what capacity remains unclear.

Pierre Jond, the managing director of BNP Paribas Securities Services in Australia and New Zealand, will return to Paris in December 2013 after four years in his current role.

Peter Baker, the current head of client strategy and communication, has been announced as his successor, and will officially take over the role at the end of 2013.

In addition, **Michelle Crosbie** has taken on the role of new COO for Australia and New Zealand.

Jond was appointed at the start of a significant building phase for the business. During his tenure, the Australian location has obtained its banking licence, moved onto a global custody system in line with BNP Paribas's global model and started listed derivatives clearing.

During this time, Australia became one of 25 BNP Paribas locations to offer local custody to overseas clients.

Jond also saw through the successful completion of the joint-migration project with AMP and the on-boarding of more than AUD$100 billion of assets under custody in a single year in 2012.

Baker was recruited to the company 18 months ago. He brings more than 25 years experience to the role, gained most recently at State Street Investor Services as a managing director for numerous locations.

Crosbie has taken on the role of COO of BNP Paribas Securities Services in Australia and New Zealand. He is a New Zealand national and has more than 25 years local experience, having held roles as head of operations at J.P. Morgan Worldwide Securities Services and head of relationship management for NAS.

She has been with BNP Paribas for the last five years, as COO for securities services based in London.

Israel A Englander & Co has expanded the sales and business development team in its managed accounts and prime services (MA&PS) division in response to a "growing demand" for its technology platform.

Bob Chicoine, **Harry Freda** and **Nick Rizzi** join MA&PS as managing directors. They will be responsible for selling the firm's managed accounts and prime brokerage services to both hedge fund managers and investors.

The trio previously worked at Cantor Fitzgerald & Co and PCS Dunbar.

Pauline Banks has joined Bank of America Merrill Lynch as global custody agency services (GCAS) senior product manager responsible for custody in the APAC region.

She will report directly to Ivo Distelbrink, head of Asia Pacific global transaction services, and to Stephanie Colaric, global custody product head in New York.

She last ran J.P. Morgan's network management function for APAC covering global custody, prime services, clearance and collateral management, as well as the investment bank and the treasury services businesses.

J.P. Morgan has promoted **Stephane Marchand** to the role of managing director and head of prime and hedge funds services sales in Europe, the Middle East and Africa.

He is taking over the role from Brian Bisesi, who is moving to New York to work in a similar capacity.

In his new role, Marchand will report to Francis Jackson, who leads the EMEA investor services business at J.P. Morgan.

Bisesi and Marchand joined J.P. Morgan's prime brokerage business in 2010. The former previously worked at Barclays Capital, while the latter served in Nomura's prime services business in London. **SLT**

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