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OCC and eSecLending innovate for central counterparties in times of stress

The operating arm of securities lending agent eSecLending and Options Clearing Corporation (OCC) have teamed up to create an automated default management platform.

Using eSecLending operating arm Securities Finance Trust Company's (SFTC) hosted software Auction Platform Services (APS), which is a secure web-based portal that offers the ability for listing auction assets, centralised bid submissions, and management/audit reporting, OCC will achieve administrative efficiency and cost savings.

APS was used to conduct OCC's most recent default management simulation exercise, with successful participation from clearing members in November 2013.

SFTC developed APS to help address regulatory concerns and provide central counterparties (CCPs) with the level of automation and reporting functionality that demonstrates to regulators, auditors, boards of directors, and compliance groups that their default management process is conducted in a controlled environment.

"OCC's ability to conduct auctions of cleared contracts and collateral is a key component of its default management programme," said John Fennell, OCC's senior vice president for risk management and treasury operations.

"APS was designed to bring automation and scalability to OCC's existing auction process. We are pleased to team with SFTC because of their known expertise in financial auctions and their ability to quickly bring the platform to market."

Chris Poikonen, executive vice president at SFTC, said: "As trade volumes rise, CCPs around the globe are coming under increasing regulatory scrutiny, particularly as it relates to their default management procedures, and the associated technology used to support them.

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Clearstream and NSD strengthen Russian deal

Clearstream has opened up settlement to Russian corporate bonds via its direct link to the National Settlement Depository (NSD).

The international central securities depository has offered services in the Russian market since 2006, including government bonds (OFZ) since January 2012 via its indirect link to the Russian CSD.

On top of opening up settlement to Russian corporate bonds, Clearstream will also work with NSD to help customers easily settle transactions between their accounts at the two ICSDs, potentially increasing liquidity flow in the Russian market.

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Hot stocks: what's ready to pop?

DataLend and SunGard's Astec Analytics round up the shares that are in greatest demand, and what they are earning borrowers and lenders.

In the US, life sciences companies are the pick of the litter. Fees to borrow Myriad Genetics ($MYGN) have trended considerably higher recently, according to DataLend. Utilisation has been climbing regularly over the past six months, remaining steady in this range since early December 2013.

Following the news that Myriad signed a deal with Sividon Diagnostics granting its exclusive rights to co-market Sividon's EndoPredict prognostic test kit for breast cancer patients outside of the US, the biotech company's stock climbed in the latter sessions as it announced the date of its upcoming earnings results and a date for the presentation of results from its prostate cancer drug clinical trials, according to SunGard's Astec Analytics.

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OCC and eSecLending innovate for central counterparties in times of stress

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They need to demonstrate that their asset liquidation process is conducted in a disciplined, efficient, and risk controlled manner, while protecting non-defaulting members from undue loss."

"We are confident that our product offering will help OCC manage the orderly unwinding of a defaulting member's positions during times of market stress."

OCC recently reshuffled its leadership team, with Craig Donohue becoming executive chairman, Michael Cahill becoming president and CEO, and Michael McClain moving up to the role of chief operating officer, giving him oversight of business operations and technology.

Its securities lending CCP activities saw an 8 percent increase in new loans from December 2012, with 93,274 transactions in the same month in 2013.

Stock loan activity was up 26 percent last year from 2012 with 1,233,708 new loan transactions in 2013, marking the highest annual volume for stock loan activity to date. The average daily loan value at OCC in December was $72,489,182,819.

Clearstream and NSD strengthen Russian deal

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Jeffrey Tessler, CEO of Clearstream, said: "We are delighted to have established and to keep further developing the necessary financial market infrastructure to help facilitate the opening up of the Russian capital market to foreign investors."

"Last year Clearstream received access to the Russian government bond market which resulted in a significant increase in market volumes, as well as in the number of market participants," explained Alexander Afanasyev, CEO of Moscow Exchange.

"This year Clearstream has started to provide post-trade services on Russian corporate bonds. This move is a reflection of the interest of international investors in Russian corporate rouble-denominated debt. As was the case with government bonds, the arrival of international clearing organisations into the corporate bond market should provide for greater liquidity and reduced cost of borrowing. This will benefit both market participants and issuers alike."

As a next step, Clearstream will look to offer settlement for equities via its direct link to NSD, due for summer 2014, in line with expected changes to Russian legislation.

Clearstream is continuing to settle equities in Russia via its indirect link to NSD, through Clearstream's local agent bank, Deutsche Bank Moscow.

Sergey Shvetsov, first deputy governor of the Bank of Russia and head of the Bank of Russia financial markets service, said: "Access to the corporate bonds market granted to Clearstream is a great event for the Russian market."

"Entry of international clearing and settlement organisations to the OFZ market already provided a positive impact by decreasing the cost of borrowings for the government. Now we continue our commitment to open access to the stock market for ICSDs on 1 July 2014. We are considering Clearstream's access to the corporate bonds market as an indicator of our successful work in collaboration with NSD and international infrastructural organisations."

Eddie Astanin, chairman of the NSD executive board, described the links with Clearstream as "a positive sign of the progress made", but urged caution.

"There is still a long way to go. We have to improve accessibility of corporate actions information, develop new products like collateral management and serve investors from around the world in line with best practice. We believe that [the] launch is another big step in establishing Moscow as one of the global financial centres."

Hot stocks: what's ready to pop?

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As the shares gained, data from SunGard's Astec Analytics suggested that short sell-

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ers continued to demand to borrow stock, although the high levels of utilisation in the shares "didn't allow much room for increased borrowing, instead driving the cost of borrowing more than three-times higher to become one of the highest-cost US stocks on [the Astec Analytics] system".

Mindray Medical ($MR) has seen considerable fluctuation in its stock price since the August peak, said DataLend. Fees to borrow rose to a high in late November 2013.

"While they are not to those levels now, they are up on the December dip. Utilisation is down slightly over this period."

Arena Pharmaceuticals ($ARNA) utilisation has been trending slightly higher over the past two months. Fees to borrow had been coming down from the late-November 2013 highs until they began climbing again in January to levels not seen since last May.

In the UK, Blinkx ($BLNX.LN) fees to borrow continue to stagger higher as the stock price dipped in January, said DataLend. Utilisation has climbed to recent highs. It has been reported that the internet video and audio search engine's founder would be joining a European venture capital firm.

Staying with technology, RadioShack Corp (RSH) was once again back in the SunGard's Astec Analytics top 10, after its shares jumped the most in almost a year after an online report by securities research firm The Motley Fool was positive about Litespeed Management LLC's investment in the company.

As the shares climbed more than 25 percent to peak, borrowing figures eased off, suggesting those on the short side were following the cash market's attitude, said SunGard's Astec Analytics.

"Even as these gains were retraced in the latter half of the week, Astec's numbers show borrowing continued to fall, although at approximately a 4 percent decrease these levels are still far from suggesting a turnaround in shorting activity."

Sears Holdings Corp (SHLD), SandRidge Energy Inc (SD), PSA Peugeot Citroën SA (UG.PA), Alcoa Inc (AA), SSAB Swedish Steel AB (SSABA.OMX), InterOil Corp (IOC), J.C. Penney Inc (JCP) and Tesla Motors Inc (TSLA) rounded off the SunGard's Astec Analytics top-10 stock for the week of 27 January.

Those with an eye on the Asia Pacific should look to GungHo Online ($3765.JP), according to DataLend, as its fees to borrow dipped late in December 2013 for the first time in a while, "but they are trending even higher now".

"The stock price continues to slide from the May peak, albeit at a decelerated pace more recently."

Celltrion ($068270.KS) fees to borrow trended slightly higher in January, while utilisation continued its gradual rise. "Reports of possible acquisition talks for the biotech firm nudged the stock price slightly higher earlier [in January], but it is down a touch since then," said DataLend.

CJEU bulldozes over British short selling pleas

The UK government's efforts to curb the power of EU financial watchdogs were in vain, after it was ruled that Brussels has the power to ban short selling.

Judges of the Court of Justice of the EU (CJEU) rejected all of UK's claims to limit European Securities and Markets Authority (ESMA) short selling powers. The UK had argued that ESMA had been given a very large measure of discretion of a political nature, which was at odds with EU principles relating to the delegation of powers.

The UK also submitted that ESMA's regulation, aimed at harmonising short selling—based on an article of law that permits the adoption of harmonisation measures necessary for the establishment and functioning of the internal market—was not the correct legal basis for the adoption of the rules laid down in Article 28 of the regulation, which vests ESMA with certain powers of intervention that are legally binding.

But the CJEU, the EU's highest court, found that Article 28 of the short selling regulation does not confer any autonomous power on ESMA that goes beyond the powers granted to that authority when it was created.

The court also pointed out that the exercise of the powers laid down in that provision is circumscribed by various conditions and criteria that limit ESMA's discretion.

The CJEU also observed that ESMA is required to consult the European Systemic Risk Board and, if necessary, other relevant bodies.

"Furthermore, ESMA must notify the competent national authorities concerned of the measure it proposes to take. ESMA is also under a duty to review the measures at appropriate intervals (at least every three months), so that such measures may only be temporary," said the CJEU's judgement.

"Moreover, the detailed delineation of the powers of intervention available to ESMA is apparent from the fact that the commission is empowered to adopt delegated acts specifying criteria and factors to be taken into account by the competent authorities and ESMA in determining in which cases certain adverse events or developments and the threat to the financial markets or the stability of the EU's financial system arise."

"In those circumstances, the court finds that the powers available to ESMA are precisely delineated and amenable to judicial review in the light of the objectives established by the authority which delegated those powers to it. The court concludes that those powers are compatible with the FEU Treaty."

'Mixed effects'

In June 2013, ESMA stated that the EU's new short selling regulation had "a positive effect on market transparency and reducing the risk of settlement failure in Europe", but admitted that adjustments still needed to be made.

ESMA was asked to carry out a review of the effects of the short selling regulation shortly after it was implemented in November 2012.

After seven months of assessment, the authority said that the short selling regulation had "mixed effects" on the liquidity of EU stocks, "with a slight decline in volatility, a decrease in bid-ask spreads and no significant impact on traded volumes". But price discovery speed "seems to have decreased compared to the period before the entry into force of the regulation", although "overall, settlement discipline has improved".

ESMA's report said: "Overall, it seems that market participants had a tendency to settle on one side or the other of the threshold and avoid crossing it. This would suggest that holders' behaviour is pre-determined, ie, over time a holder is sticking to its initial decision on whether to go public on a given position."

"This would mean that the public disclosure threshold has an effect on short-selling activities, and even though no strict conclusion is to be drawn from the available data, it can be suspected that some actors prefer to stay below the 0.5 percent threshold and not to disclose information on their short-selling activity."

ESMA's statement added that the short selling regulation had "no compelling impact on the liquidity of EU single name CDS and on the related sovereign bonds markets ... except in a few countries".

"The liquidity in European sovereign CDS indices has been somewhat reduced."

ESMA recommended changing the way that net short positions in shares are calculated, and revisiting the method of calculation of net short positions in sovereign debt, particularly the duration-adjusted approach, and reviewing the thresholds for notifications. For restrictions on uncovered short sales in shares and sovereign debt, ESMA recommended considering some adjustments to the regime to allow internal locate arrangements within the same legal entity.

It also suggested revisiting the issue of the definition of 'liquid shares' for the purpose of

locate arrangements at a later stage, when proper regulatory data on securities lending would be available.

The authority also looked at emergency short selling bans, such as the one that is in operation in Greece, recommending that they should be simplified and made more consistent in their application.

OCC prepares S&P 500 launch

OCC has received regulatory approvals to clear over-the-counter equity index options, bringing capital and operational efficiencies and enhanced customer protections to the equity derivatives marketplace.

The corporation plans to launch its OTC S&P 500 equity index option clearing services in Q2 following the completion of testing with market participants.

The Securities and Exchange Commission (SEC) has recently approved a Securities Investor Protection Corporation (SIPA) rule change broadening the definition of 'standardised options' under the Securities Investor Protection Act to include OTC options cleared by OCC.

This approval enhances the protections afforded to customers in the event of a liquidation of their broker-dealer as standardised OTC options will now be subject to closeout or transfer in a SIPA proceeding.

Regulatory approvals also enable OCC to offer portfolio margining of listed and OTC positions that are held in a single account, which may result in margin offsets and lowering the overall cost of clearing.

Additionally, OCC has received SEC approval for changes to its rules to reflect modifications to its margin model for longer tenor options. These options of at least three years, both listed and OTC, will be covered by enhancements to OCC's risk model in order to better reflect certain risks of longer-tenor options, strengthening risk management across the industry.

Craig Donohue, executive chairman of OCC, said: "Being the first clearinghouse in the United States to clear OTC equity index options is an exciting step for OCC. As the world's largest equity derivatives clearing house, this is a logical extension of our capabilities."

"OCC has been a leading innovator in the clearing and settlement of equity derivatives for more than 40 years," said Michael Cahill, president and CEO of OCC. "We are pleased to extend the protections of our financial guarantee and our central counterparty role to the OTC equity derivatives market."

SmartStream launch reacts to industry demands

SmartStream Technologies, the financial transaction lifecycle management specialist, has launched its new TLM cash and liquidity management solution.

Following on from SmartStream's participation in industry consultation, roundtables, conferences and workshops, it has reacted to the demand and paradigm shifts taking place within the cash and liquidity management operations.

The new software is a strategic tool to enable banks to comply with Basel regulatory compliance for monitoring tools for intraday liquidity management, with the first reporting deadline coming in January 2015.The new solution will enable banks to report on all liquidity and exposures.

Banks have to react to increasing regulatory and operational pressures to actively monitor and manage their intraday liquidity positions and risks for both direct participant and correspondent banking settlement markets. SmartStream said that the new management solution ensures they can meet payment and settlement obligations on a timely basis.

In a statement, the company said: "This is a paradigm shift from end of day focused cash management operations and is required to ensure banks contribute to the smooth functioning of payment and settlement systems, under both normal and stressed conditions, as well as managing their own intraday liquidity risk profiles."

Nick Noble, product manager of cash management at SmartStream, said: "Correspondent banks are often not able to provide full coverage of movements across financial institutions Nostro accounts. This lack of coverage clouds visibility, causing forecasting errors, which can lead to huge amounts of money being lost due to incorrect funding decisions, and also makes monitoring the Basel Intraday Reporting metrics in real time almost impossible."

"At SmartStream we believe there should be a duty of care for managing intraday liquidity, this is not just a tick box item, this is going to be a key requirement for 2015."

DataLend makes reporting more transparent

A service that enables agent lenders and beneficial owners to benchmark their securities lending performance has been released by DataLend.

The Client Performance Reporting service allows users to produce customisable reports on overall firm, beneficial owner organisation and legal entity-level performance metrics over time. It provides peer group performance comparisons and benchmarking using a variety of filters, including collateral types allowed, fiscal location, fund size, fund type and other attributes.

It takes a standardised approach to peer group benchmarking, allowing for flexibility while ensuring a representative sample size.

Ben Glicher, chief information officer and head of DataLend, said: "More than ever, beneficial owners are asking for more transparency into the performance of their securities lending programmes."

"Client Performance Reporting allows agent lenders to supply their clients with insight into their securities lending activities, not just on an individual beneficial owner level but with the added depth of benchmarking against industry peers."

The new service is available to DataLend's agent lender users. Beneficial owners may also request reports.

Singapore Exchange to introduce circuit breakers

Singapore Exchange will introduce circuit breakers in the securities market from 24 February as an additional market safeguard.

Circuit breakers will initially apply to Straits Times Index and MSCI Singapore Index component stocks and all those securities priced $0.50 and above.

This will also include stapled securities, funds, exchange-traded funds, exchange-traded notes and extended settlement contracts. These securities account for about 80 percent of trading on the Singapore stock market.

Circuit breakers will be triggered when a potential trade is matched at a price that is more than 10 percent away from the reference price. The

reference price is the last traded price at least five minutes earlier.

Once a circuit breaker is triggered, a five-minute cooling-off period follows where trading can only take place within a price band 10 percent above or below the reference price. Thereafter, trading will resume with a new reference price as established during the cooling-off period.

In addition, SGX will revise its error trade policy effective 24 February. For all securities except bonds, trades will not be cancelled if the transacted price falls within a price range of 20 minimum bid sizes, or 5 percent, from the last traded price.

Muthukrishnan Ramaswami, president of SGX, said: "The introduction of circuit breakers and the new error trade policy will assure investors of continued safety and transparency even under volatile market conditions. The implementation of these two initiatives will complement our existing safeguards in support of a fair, orderly and transparent market."

DTCC outlines margin concerns

Financial firms could face significant cost, risk and operational challenges managing margin requirements in the years ahead, according to the Depository Trust & Clearing Corporation.

DTCC has automated, centralised and standardised the post-trade processing of financial transactions for thousands of financial institutions globally for more than 40 years.

The company has called for collaborative solutions that leverage market infrastructures to help the industry meet increasing demands.

In the whitepaper Trends, Risks and Opportunities in Collateral Management, DTCC outlined the key factors behind emerging trends and risks, and potential solutions and opportunities in collateral management.

New financial rules and requirements are adding to collateral requirements with projections on rising margin calls running as high as 1000 percent and demand for collateral outstripping supply, which DTCC believes will increase pressure on firms' operating margins, increase operational risk and overwhelm the current operational processes and system infrastructures.

Mark Jennis, managing director for strategy and business development at DTCC, and co-author of the whitepaper, said: "Regulatory changes implemented over the past two years, and those still to come, have the potential to overwhelm firms and market participants with operational and risk challenges of a magnitude we have never seen before."

"This paper reinforces that collaborative infrastructure solutions are critical to solving the most challenging margin issues today because they will leverage the expertise and knowledge of multiple providers as well as address the problems in a more holistic manner. The reality is that collateral challenges will be far more extensive than what has been reported thus far, and in many cases, fragmented solutions will only address certain parts of the problem and may lead to unintended consequences."

PrimeOne addresses Canadian PBs

PrimeOne Solutions has released an end-to-end solution for Canadian prime brokers to try and accommodate unique Canadian securities regulation.

PrimeOne Canada offers integration to various systems for straight-through processing, including settlement via CDS (Canadian Depository for Securities), as well as financial control systems in Canada for margin, accounting and risk management.

It is also set up to facilitate triparty relationships for collateral held outside of the prime broker.

Chris Chanod, head of business development at PrimeOne, said: "It's no secret Canadian banks have become desirable counterparties for hedge funds. As Canadian banks have stepped in they are keen to leverage our platform we packaged for Canada, in order to reduce the cost and increase the speed-to-market entering the space or increasing their footprint." "Our unique offering of a hosted, managed service for cash and synthetic prime brokerage and prime finance capabilities offers a flexible entry into a lucrative market."

ECB liquidity inspires drop in European repo

There has been a sharp drop-off in the size of the European repo market since June 2013, said a recent survey.

The European Repo Council of the International Capital Market Association (ICMA) calculated the amount of repo business outstanding on 11 December 2013, setting the baseline figure for market size at €5.5 trillion.

This represents a sharp decline in market size from the figure of €6.1 trillion recorded in the last survey in June 2013. Using a constant sample of banks in both surveys, it is estimated that that the market has shrunk by at least 8.2 percent since June.

But, the latest figure for repo market size is still substantially above the lowest survey figure of €4.6 trillion recorded in December 2008, although well short of the pre-crisis peak in European repo market size of €6.8 trillion in June 2007.

The author of the survey, Richard Comotto of the ICMA Centre at the University of Reading, said: "The contraction of the market would seem to be the result of the usual shrinkage of repo books at year-end plus the impact of the liquidity offered by the European Central Bank in December in order to relieve any seasonal funding shortages. It may also have been driven by the anticipation of future regulatory constraints on short-term wholesale funding."

Godfried De Vidts, chairman of ICMA's European Repo Council, said that the repo market still faces an unclear landscape. The impact


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of regulatory reforms and interactions with the central bank community continue to increase uncertainty. Market users need to be alert to changing market forces, including the increased use of collateral while the introduction of mandatory clearing for OTC derivatives is taking place."

Other findings of the survey showed that the share of directly negotiated repo business continued to rise to 53.2 percent of the survey total. This gain in market share was at the expense of the electronic trading of repos, which fell to 31.7 percent of the survey.

Data provided directly by the principal automatic trading systems showed that the outstanding value of all electronic trading (not just the institutions in the survey sample) also contracted.

The market share of triparty repo business improved slightly to 9.9 percent from 9.6 percent in the previous survey. However, the outstanding value of triparty repo reported directly by the major triparty agents in Europe reached a record figure of €1.3 trillion (22 percent).

"This points to a further expansion of the repo market outside the survey sample, which is mainly repo dealers, supporting anecdotal evidence of new kinds of customer adopting triparty as a means of accessing the repo market," said a statement from the ICMA.

It may also reflect renewed interest in lending to core eurozone banks by external investors such as US money market mutual funds.

There was a drop it the share of domestic business in the survey to 26.1 percent, likely attributable to central bank assistance in December 2013 reducing the need for trading within eurozone countries.

There was increase in the share of central counterparty-cleared (CCP) trading since the last survey to 25 percent of the survey sample, "contrary to reports suggesting that banks were shifting out of CCP-cleared trading to take advantage of smaller haircuts in the uncleared market".

"However, the picture is confused by a change in the questions asked about CCP-cleared trading and is anyway complicated (eg, Spanish banks may have been reducing their use of CCPs but Italian have had to increase their use)."

Euroclear states that its figures eclipse rivals'

Average daily collateral outstanding on Euroclear's global collateral highway climbed from €700 billion at the end of 2012 to over €787 billion at the end of 2013, with peaks of up to €830 billion in the second half of the year.

A statement from Euroclear said that the 12 percent increase on the collateral highway "comfortably eclipsed" annual growth figures reported by other collateral management service providers.

Tim Howell, CEO of Euroclear, said: "I am delighted by the tremendous growth witnessed on Euroclear's collateral highway, both in terms of the billions sourced and mobilised every single day for our participants, and also the many additional clients and partners we have welcomed on board in 2013 … [it] is an endorsement of Euroclear's strategy to focus on providing friction-free mobility of assets globally which can then be allocated optimally to key liquidity providers, such as central banks and risk-mitigating central clearing counterparties (CCPs)."

He added that increased traffic on the highway justified the firm's multi-year investment plan to deliver an open market collateral management infrastructure solution.

The highway has experienced eight CCP take-ups, including CME, ICE Clear, LCH.Clearnet and, most recently, the Dubai Central Clearing Corporation.

However, the firm asserted that the biggest growth in collateral traffic came from financial institutions increasingly accessing collateralised liquidity from central banks assembled on the highway.

Question of Volcker Rule foreign coverage answered

'Location, location, location' is the most important aspect of the Volcker Rule's requirements on foreign banking entities, according to Pepper Hamilton LLP.

The US rule, which prohibits banking entities and non-bank financial companies from engaging in proprietary trading and restricts their relationships with hedge funds and private equity funds, will also have a direct impact on foreign banking organisations and foreign operations of US banking entities.

Frank Mayer, Timothy McTaggart and Jonathan Levin of Pepper Hamilton stated that banking entities covered by the Volcker Rule include companies that are treated as bank holding companies (BHCs) under the International Banking Act.

These include any foreign bank that maintains a US branch or agency, any foreign bank or company that controls a US commercial lending company, and the parent company of any foreign bank or company. In addition, by covering all insured US depository institutions and bank holding companies, the rule reaches all foreign operations of those entities.

But there is hope regarding the core ban on proprietary trading. Mayer, McTaggart and Levin asserted that foreign banking entities are ac-


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corded special treatment under carefully delineated circumstances.

The prohibition does not apply to purchases or sales of financial instruments by a qualified foreign banking organisation (FBO) under Federal Reserve Regulation K that is not organised or controlled by a US banking entity and conducts the majority of its business outside of the US.

It is similarly inapplicable to a banking entity that is not a FBO, they added, as long as the entity is not organised under US law and possesses two of the following three characteristics: more assets outside of the US than inside, more foreign revenue than US revenue, and more total net income outside of the US than inside.

However, the lawyers made the important caveat that a foreign banking entity may not rely on any proprietary trading exemption if the activity would result in a material conflict of interest with its clients, customers, or counterparties (unless clear advance disclosures are made or information barriers are erected), result in exposure to high-risk assets or trading strategies, or threaten the safety and soundness of the entity or the financial stability of the US.

Investor exodus from macro funds

Investors abandoned macro funds in 2013 as higher-risk alternatives proved to be more profitable, according to new report.

The hedge fund flows report, carried out by investment analysis firm eVestment., covered trends in the hedge fund industry for the whole of 2013.

The report found that investors illustrated their disapproval of macro funds' 2013 performance with their largest monthly redemptions since December 2008, and that macro and managed futures fund redemptions were the primary reason hedge fund flows were negative in December 2013.

Although it has been a strong year for hedge fund flows, the report dound that there have been many forward redemptions. Those from macro funds were larger than at any other point since December 2008. This dropped the group's 2013 net flows back into negative territory for the year.

Macro strategies produced asset-weighted returns of 3.7 percent in 2013, well above their equal weighted average of 3 percent, which eVestment attributed to relative outperformance by larger funds.

Performance added $190.1 billion to industry assets under management in 2013. When combined with investor inflows there was an overall increase of $262 billion, or 10.1 percent, the industry's biggest asset increase in three years.

Event driven and distressed strategies took in a combined $14.9 billion in 2013. Activists, which had the segment's best average returns in 2013, accounted for a disproportionately large amount of the segment's flows.

BoE to make borrowing easier for banks

The Bank of England has launched new indexed long-term repo operations (ILTR), which it believes will help to provide liquidity insurance to the banking system.

The regular market-wide ILTR operations are aimed at banks with a predictable need for liquid assets. The ILTR will provide consistent six-month committed liquidity against the full range of eligible SMF collateral.

Governor Mark Carney hinted at the possibility of easing the process of converting collateral to funds in October 2013.

The move may indicate a growing belief at the central bank that liquid assets are more valuable than less liquid assets. Conversely, yields tend to be lower on cash-equivalent, or highly liquid assets.

This will help to mitigate against the liquidity shortages that were prevalent during the financial crisis.

Mervyn King, the central bank's previous governor, was criticised for his attitude towards assets that, during normal market conditions, would be considered highly liquid. There was a reluctance to release capital, which some commentators believe prolonged the crisis.

In a statement, the Bank of England said that the new ILTR design was responsive to market conditions, with the amount of liquidity available rising with demand.

This new system will replace the bank's current ILTR operations when it goes into effect on 11 February.

In a statement announcing the move, the central bank said that the new ILTR auctions will increase liquidity and the range of available collateral.

Collateral management systems made defunct

Interactive Data Corporation and Matrix Applications have agreed to provide data and tools to help asset managers to navigate the process of margining forward-settling trades, without using "expensive" collateral management systems.

The Treasury Markets Practice Group (TMPG), which is sponsored by the Federal Reserve Bank of New York, has recommended that all firms margin forward-settling agency mortgage-backed securities (MBS) transactions.

The TMPG recommends market participants exchange "two-way variation margins" on a regular basis to mitigate counterparty credit risk.

The agreement provides Matrix's clients with access to Interactive Data's evaluated pricing and descriptive data for to-be-announced securities, collateralised mortgage obligations, agency MBS and US government treasury and agency securities.

"MarginCalculator.com enables financial firms to quickly, easily and affordably calculate and track margin requirements without the need to implement comprehensive, and often expensive, collateral management systems," said Stephen Mellert, managing director for Matrix Applications.

"MarginCalculator.com uses Interactive Data's independent evaluated pricing and descriptive data to provide a hosted, cost-effective solution for managing the complexities of margining forward-settling trades."

"We are pleased to provide Matrix Applications with a wide range of pricing and descriptive data to power its service that can help asset managers to better manage their transactions," said Mark Hepsworth, president of pricing and reference data for Interactive Data.

"Our ability to integrate our data into a variety of platforms aimed at helping asset managers to meet evolving industry standards underscores our commitment to collaborating with a wide range of innovative financial technology providers."

Va va boom: increasing securities lending revs

The hunt for revenue is perilous and fraught with danger, or is it?

MARK DUGDALE REPORTS

Profit, as its clairvoyant cousin of similar spelling is wont to do, is impossible to predict. Of course, the age of data has made profit and loss projections more than just educated guesses, but what happens a day from now could be vastly different to what was predicted. While the assumption joke cannot be repeated here, its humourous point is still valid—assume at your peril.

Custodian banks and agent lenders regularly publish their financial results. State Street's Q4 2013 earnings came out on 24 January, revealing a securities finance revenue increase for the bank.

The bank, a global financial services provider with $27.43 trillion in assets under custody and administration, and $2.35 trillion in assets under management, reported that it earned securities finance revenue of $76 million in Q4 2013, an increase of 2.7 percent from Q3 2013 and Q4 2012, respectively.

Chria Holzarth, senior managing director in securities finance at State Street Global Markets, comments: "We saw securities finance revenue increase approximately 3 percent from both the third quarter of 2013 and the fourth quarter of 2012 (securities finance revenue was not up for the full year 2013, just up sequentially in the fourth quarter) and average securities on loan were relatively unchanged sequentially at $315 billion."

"Securities lending continues to be a source of returns for our clients, and while it is often cyclical, it still plays an important role in portfolios."

At approximately the same time as State Street, Northern Trust brought out its Q4 2013 results. Banks, and financial institutions in general, tend to vary in how they report their earnings, so a measure of explanation is required to understand the context in which Northern Trust has reported a securities lending revenue increase.

Investment, trust and other servicing fees at Northern Trust reached $673.8 million in Q4 2013, an 8 percent increase on the previous year. The $51.2 million increase over Q4 2012's $622.6 million "primarily reflects new business and the favourable impact of equity markets, partially offset by higher waived fees in money market mutual funds".

Assets under custody and assets under management are the primary drivers of Northern Trust's investment, trust and other servicing fees. The bank's corporate and institutional services (C&IS) and wealth management businesses had combined assets of $5.6 trillion under custody and $884.5 trillion under management in Q4 2013.

C&IS trust, investment and other servicing fees increased $26.8 million, or 8 percent, to $371.1 million in Q4 2013 from the prior year quarter's $344.3 million.

So, securities lending revenue at Northern Trust increased 7 percent, "primarily reflecting higher volumes in the current quarter". But revenue was down 4 percent in Q4 2013 Q3 2013, due to lower volumes.

Commenting on the results, Andy Clayton, senior vice president and head of global securities lending at Northern Trust, says: "[Our] securities lending revenue increase was attributed to a combination of several new client wins, expansion of acceptable collateral types, the addition of new distribution channels and improved efficiencies. Throughout 2013, we remained focused on developing programme enhancements for the benefit of our clients."

Ed Oliver, senior vice president and head of product development at securities lending agent eSecLending, which was bought by a private equity firm in August 2013, discussed securities lending revenue at the 18th Global Securities Finance Summit in Luxembourg.

In an interview following the event, he described revenues in securities lending as "consistent for some time".

He says: "During the Global Securities Finance Summit, our panel showed some graphs from Markit that demonstrated on-loan balances have been flat for five years and equity utilisation is at a seven-year low. In that context, one could conclude that any securities lending agent achieving a revenue increase year over year is doing a good job."

"The data from SunGard also showed that the majority of revenues now come from a small number of super-specials (above 500 bps) and so it is also important that you have a diverse lending base where you have a good chance of exposure to those assets."

The sentiment of the audience at the Global Securities Finance Summit "was very disparate", according to Oliver. "There remains a

lot of regulatory uncertainty in our business at the moment."

"However, there are some positive signs with reports of hedge fund managers raising capital to start to take more short positions. Allocations to long/short strategies are at the highest levels in the last four years."

"We also have seen some good M&A activity in the early weeks of 2014. However, our panel discussion suggested the best opportunity for growing revenues was from emerging markets and we agree with that."

Holzarth adds that despite the ambiguity of regulatory reform, the market has shown signs of stabilisation.

"Client engagement has been strong and reflective of a flight to quality to providers who have distinguished themselves over the long-term by delivering strong risk-adjusted returns and whose service commitment underscores a core competency within their respective organisation."

Clayton is equally positive: "Although the regulatory environment and its impact on borrower demand will remain a factor in the coming year, our continued expansion of acceptable collateral and distribution channels, coupled with the implementation of technology enhancements, well position Northern Trust to maximise revenue opportunities in 2014."

Regulation—again

The ever-present specter of regulation will affect revenue, agree Oliver, Holzarth and Clayton, with Basel III, shadow banking, the Financial Transaction Tax (FTT) and the work of national regulators likely to result in significant changes to securities lending.

Holzarth says: "Of particular note are the large exposure limits/single counterparty limits, which may require the reduction in transactions between certain participants, and the standardised approach to risk-weighted assets (RWA) under Basel III, which all US banks will have to apply (they would then determine which measure, the advanced or standardised would be applied based on which is the most conservative at an institution level)."

"The potential increase in RWA and the associated capital that would be required may make certain indemnified transactions less appealing to agent lenders."

"The industry will likely adapt to these regulatory pressures by developing and enhancing alternative routes to markets, such as central counterparties and principal lending," he adds.

Clayton says: "Northern Trust, along with other industry participants, is actively monitoring the cumulative impact of global regulatory developments. The level of uncertainty that surrounds the regulatory environment is negatively impacting borrower demand. Depending upon the final outcome of regulations such as Basel III and the Financial Transaction Tax, securities lending demand may be affected. We continue to engage with federal agencies on these regulations either directly or through industry groups."

The EU 11's FTT has the biggest potential to affect revenue, according to Oliver.

"There is no certainty on how it will affect the business but if it is implemented as proposed we all know that the impact will be substantial. Other regulations may also begin to affect the business this year as, for example, borrowers start to position themselves under Basel III requirements."

"Agent lenders need to be responsive to the new demand landscape in order to maintain revenues and potentially increase revenues where opportunities exist to do so. It is important that agent lenders start communicating the impact of these regulatory drivers on their securities lending business to their client base as things will change. As an example, general collateral transactions, which make up to 80 percent of securities lending volumes, are likely to shrink substantially, but fortunately they only provide 20 percent of the revenues." **SLT**

OUR SURVEY SAYS

THE 18TH GLOBAL SECURITIES FINANCE SUMMIT IN LUXEMBOURG POSTULATED, SURVEYED, ANALYSED AND CONCLUDED, WITH MORE THAN A FEW OPINIONS THROWN IN FOR GOOD MEASURE

MARK DUGDALE REPORTS

The Clearstream-hosted 18th Global Securities Finance Summit in Luxembourg, a technologically savvy two-day affair, surveyed approximately 850 attendees on a range of topics in the hope of clarifying key issues affecting the market.

Sourcing the most appropriate collateral to cover global exposures is increasingly a top priority for financial institutions, yet most still have "much work to undertake" to establish a clear approach to their collateral management needs, found Cleastream.

Some 95 percent of the attendees, who represent pan-regional institutions, infrastructures, investment banks, universal banks and central banks from across the globe, expressed that "sourcing the most appropriate collateral to meet new industry practices has risen up their institution's agenda in the past 12 months".

At the same time, more than 61 percent of attendees agreed that their financial institutions still had some way to go to establish a clear strategy, approach and measures to address future collateral management needs. Only 13 percent had already achieved readiness.

In light of upcoming regulatory requirements for financing to be more collateralised, 85 percent of attendees strongly agreed that triparty repo would become increasingly attractive to corporates as a replacement for cash deposits.

Commenting, Stefan Lepp, who is head of global securities financing and an executive board member at Clearstream, said that financial institutions know that they need to "get smarter" about their collateral management operations.

"Yet while we know that collateral is in theory available, much of it remains fragmented and difficult to unlock and mobilise, which comes at a high cost. At the same time, creating new systemic risk by pooling collateral in a single place must be avoided."

Attendees of the event heard from Oscar Huettner, formerly BondLend product manager and currently a consultant at Finadium, that collateral mobilisation is becoming increasingly important to the financial markets.

He said that developing an institution's ability to move collateral from one location to another is a key step in optimising the collateral process.

Huettner pointed to Clearstream's global liquidity hub, which offers a range of management services, as a useful means of mobilising collateral, particularly cross-border.

Clearstream executive board member Philip Brown turned the panel on to TARGET-2 Securities (T2S), an initiative that will offer centralised settlement of central bank money across all European securities markets.

A PricewaterhouseCoopers/Clearstream survey, conducted in December 2013, showed additional benefits to T2S above and beyond basic settlement, said Brown. "The T2S platform will facilitate solutions that will affect the profit and loss of banks."

Brown said that the survey highlighted multiple benefits to T2S, with liquidity and funding having the most to gain from the settlement platform.

The settlement platform will allow institutions to pool cash, which must currently be held in each European market, into a single account, reducing their reliance on liquidity, said Brown, who added that Clearstream stands to reduce its liquidity usage by 15 percent under T2S.

T2S will also act as a "single funding source in Europe", potentially saving institutions tens of billions in collateral.

The securities lending panel discussion, which was moderated by eSecLending's Ed Oliver and featured Barclays Capital's Michael Manna and BlackRock's Michael Evan, tackled potential revenue rises following a survey of the audience.

Asked when they expect to see revenue rise, attendees were split, with 30 percent predicting increases within three years.

Evan agreed with the majority of attendees, saying he is "cautiously optimistic, but not in the near term".

Barclays Capital's Manna was surprised at the majority of attendees' optimism, which was echoed by Oliver, who said that while available inventory has recovered well since the financial crisis in 2008 as beneficial owners have come back to the market, securities out-on-loan have remained steady but low in comparison, at approximately $2 trillion.

This, said Oliver, suggests that revenue rises will not happen over the next three years, as 30 percent of attendees were hoping.

The consistency of securities out on loan demonstrates a supply and demand equilibrium, argued Evan, as beneficial owners and borrowers are comfortable with what is being lent out and borrowed.

The repo panel was critical of central counterparties (CCPs), with bilateral business mooted as a more attractive alternative in light of onerous haircut requirements.

Seemingly in support of this, a survey revealed that more than 90 percent of conference attendees believe that CCP costs are prohibitive to business.

"We've seen haircuts of 100 percent applied to buyers and sellers, which was more than the value of the asset being traded," highlighted Sylvain Bojic of Société Générale.

He added that as CCPs are privately owned, "they're not providing a public service".

Commerzbank's Michael Lassmann described CCP costs as "haircuts of the sovereign debt crisis", suggesting that they should come down in the future.

Repo transactions moving away from CCPs to the bilateral market shows that haircuts are too onerous, said Romain Dumas, managing director in Credit Suisse's fixed income department.

He is also in charge of the government repo desk.

But Dumas added: "The evolution will be it is possible for these haircuts to go down."

He concluded that short-term repo business may be more suitable for a CCP, while long-term business should be conducted bilaterally. **SLT**

A task from the past

The 20th Beneficial Owners' International Securities Lending Conference in Texas saw a wedge firmly driven between the conservatism of beneficial owners and the progressive spirit of the agent lenders

GEORGINA LAVERS REPORTS

The first panel of the 20th Beneficial Owners' International Securities Lending Conference in Austin, Texas, went back to the 1990s, with Mark Payson of Brown Brothers Harriman explaining how the decade saw the rise of the specials market, and many large fund companies driving the securities lending product to the forefront of the market.

Craig Starble of eSecLending agreed that this was when lending shifted from the back office to the front, and business became more akin to an investment product.

Susan Peters of Scorpeo Asset Management reminisced about the days when contracts were often just one page: there were no accounting rules; and indemnification was achieved by simply saying one was. But, she added, things have changed for the better. Large lenders that had the resources to run these programmes began to develop their own risk methodologies, and now there is better risk allocation and better legal definition of how the process works.

But the most reluctant to change were the beneficial owners. Payson said that despite the industry having more products and more participants, there are still owners that are choosing options that are conservative, and "a little outdated".

Moving towards 2000, John Arnesen of BNP Paribas Securities Services, moderator of the discussion, asked panellists to specify the significant timings when technology began to really make a difference.

James Templeman of BlackRock indicated that it was in 2002 when things really began to hot up, what with the advent of EquiLend and its AutoBorrow solution. "Clearly, technology provided scale. Hedge funds were growing rapidly, and the industry collectively realised technology had to keep up. We had no real operational automation behind the scenes. EquiLend's AutoBorrow changed the complexion of the trading desk ... its advent took a lot of heavy lifting away from the traders."

A panel on tripartу repo reforms took attendees back to 1917, when the Federal Reserve created the repo market.

However, excitement in the repo market rally took place more than 60 years later. In 1982, Drysdale Government Securities missed a $297 million margin call after trading with accrued interest, and Lombard Wall also lost $250 million. Two years later, US Congress exempted repos from bankruptcy stays. Then in 2008, Bear Sterns and Lehman Brothers failed.

The Financial Stability Board (FSB) council in April 2013 expressed concern about vulnerabilities in tripartу repo markets, and panellists said that steps were being taken to rectify this.

Vic Chakrian of the Federal Reserve Bank of New York said that in the past year, major technology milestones have been implemented by clearing banks.

The Securities Industry and Financial Markets Association and the Federal Reserve Bank of New York's Treasury Market Practices Group have published best practices, which Chakrian said resulted in behaviour changes in trading practices. But he admitted that dealers continue to make slow and uneven progress towards tenor of books.

Most importantly, said Chakrian, risk reduction milestones have been achieved, resulting in $1.4 trillion, or 80 percent, of clearing bank intraday credit risk reduction.

The panel was concluded with the agreed statement that both investors and their custodians need to know clearing bank timelines, technology changes, new settlement processes, updated legal agreements, and the impact that all of this will have on investors' current processing.

Attendees later heard that regulators are considering a range of measures, but there is no clear consensus for global harmonisation of standards at present.

The topic of regulation was, as ever, present during sessions. Bruce McDougal of BlackRock usefully separated regulations into two overarching areas: as addressing systemic risk, or investor protection.

Regulations concerning systemic risk are trying to provide transparency to regulators, and encompass collateral re-use, hypothecation, pro-cyclicality, and risks arising from fire sale of collateral assets.

While regulations concerning investor protection are trying to address the disclosure of counterparty risk and potential conflicts of interest, disclosure of fees, disclosure of lending agents, and clear and consistent disclosure of net lending revenue.

In a securities lending context, an example of systemic risk would be the FSB's shadow banking proposals, specifically, the recommendation on imposing minimum haircuts.

By contrast, the FSB is also recommending that fund managers increase disclosure to their investors, which relates to investor protection.

Kevin Bannerton of Deutsche Bank made the comment that regulators are considering a range of measures, but there is no clear consensus for global harmonisation of standards at present.

A chart presented by the panel showed that the only rules that were agreed on by the International Organization of Securities Commissions, the European Commission and the US Securities and Exchange Commission were portfolio restrictions, and enhanced disclosure. On a mandated floating NAV, capital buffers for cNAV funds, and redemption restrictions—the regulators differ in their approach. **SLT**


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Don't be misled by the numbers

While there are indications of a lack of confidence in the long-term viability of share valuations, the devil remains in the more detailed and granular levels of data, says David Lewis, senior vice president at SunGard's Astec Analytics

Depending on your political leaning, the recovery taking hold in the UK and some parts of Europe is either the right kind of recovery or the wrong kind. To be more specific, the right kind according to some observers is one that is long lasting and built on fundamental value generation in sustainable businesses. To those who think the recovery is the wrong sort, they are describing a recovery purely built on rising house prices and increasing debt. Whatever the truth is, it cannot be found in the high level numbers; analysis has to be done at a much more detailed level. The same rule applies to our own securities lending industry.

Looking at the statistics from Astec Analytics, the value of securities on loan in Europe is certainly rising, which is a good thing on two counts—it means that, assuming stable volumes, asset prices are rising as shares and other securities recover their value post-recession, and where values on loan are rising, lenders incomes can rise. The opposite side of the same coin brings a potentially less attractive result for some investors—rising short interest is likely to be the main driver behind the rise in values on loan.

Looking at equities so as to remove some of the distortion caused by fixed income borrowing for collateral purposes, we can gauge the degree of positive and negative sentiment in the marketplace based on the hypothesis that a rising short interest indicates a negative sentiment towards the price levels currently achieved by those same equities, and short positions being closed off can suggest a more positive outlook for value.

Of course, short interest is not the only reason shares are borrowed, but with the caveat that a proportion of the volume is used for market making and settlement certainty, for example, we can assume the trends give us accurate signals. Looking at European equities only, there are some striking figures standing out, but like the measures taken of the national economies by the warring political parties, the real answers lie in the detail some layers beneath.

The first layer of expanded detail leads us to the 'sectors'—groups of like securities showing us the trends in some industries compared with others. Since 1 January 2013, some of the major European share sectors have seen some significant increases in balances on loan. Energy sector stocks are up 20.3 percent, utilities up 22.7 percent and information technology up a comparatively low 10 percent. Overall, we have seen European equity values on loan rise around 39 percent between 1 January 2013 and 31 January 2014, aided by both the rising share values across Europe (say 15 percent based on the average value appreciation in the FTSE100, DAX, CAC40 and others), as well as some significant growth in our own data sample as new clients join the SunGard's Astec Analytics service. After adjusting for these, we can see value on loan changes of between -10 percent and +30 percent over the last 13 months, depending on individual sectors. With this variance across industry sectors, we need to look a layer down and examine the individual securities to find the real trends and a measure of the financial health and outlook for those companies.

The energy sector has been a common subject in the news through 2013, with the expansion of shale gas and fracking activities to the withdrawal of renewable energy subsidies, which have kept shares such as Solarworld AG an omnipresent hot stock.

Beginning with Solarworld (SWV.F), the balances on loan are nearing their 15-month low, significantly down from their recent highs, which peaked only six weeks ago. However, factoring in that the utilisation is near maximum and has not reduced despite a drop of around 85 percent in volume, the drop in loan balances suddenly carries less of a positive message than might at first be thought. Falling balances negatively correlated with rising or high utilisation indicates a sell off by institutional investors on the assumption that most lending supply comes from such funds. The corresponding recalls combined with tight supply can lead to a short squeeze, which may well have happened at the end of 2013 as the share price rose a third, only to fall again during January.

Other securities of note in this sector include four oil and gas service companies: Aker Solutions of Norway, with volume on loan up nine fold since 1 January 2013; SAIPEM SPA SAN Donato Milane of Italy up six fold; and Technip New of France doubling in volume. In contrast, Lamprell PLC in the UK has seen a reduction of 95 percent in their balance on loan from January 2013 positions, suggesting significant differences and expectations across this group of similar European organisations.

In the utilities sector, Severn Trent PLC was very active in 2013 following the failed takeover bid from Longriver, with short interest returning to calmer levels little deeper than in January 2013. In contrast to the Portuguese electricity company EDP SA, whose volume on loan was around 200,000 shares at the start of 2013 compared with almost 30 million at the end of January 2014. Terna-Rete Elettrica of Italy saw a similar charge with a rise of almost four fold over the same period, indicating a significant potential difference between long and short side investor's expectations regarding the share price.

Figure 1 shows the sector level changes in value on loan for three sectors alongside the overall European equities data. There is some significant volatility, particularly and perhaps unsurprisingly in the energy sector, and the rise in values over the European dividend season can be seen clearly between April and June, but the overall trend upwards can also be seen. This is more obvious in the last quarter of 2013 running into 2014, but the implications remain the same.

Whilst there are high-level indicators that negative sentiment is building in European equities across many sectors, indicating a lack of confidence in the long-term viability of share valuations, the devil remains in the more detailed and granular levels of data. Just as politicians cannot claim an economic recovery on a handful of well-chosen statistics, but must instead look to the details buried beneath, investors must always look to the detailed data available to them and incorporate all of the factors when making their investment decisions. It is the performance of these same companies that will form the building blocks for the recovery that will no doubt be argued about for some time to come. **SLT**

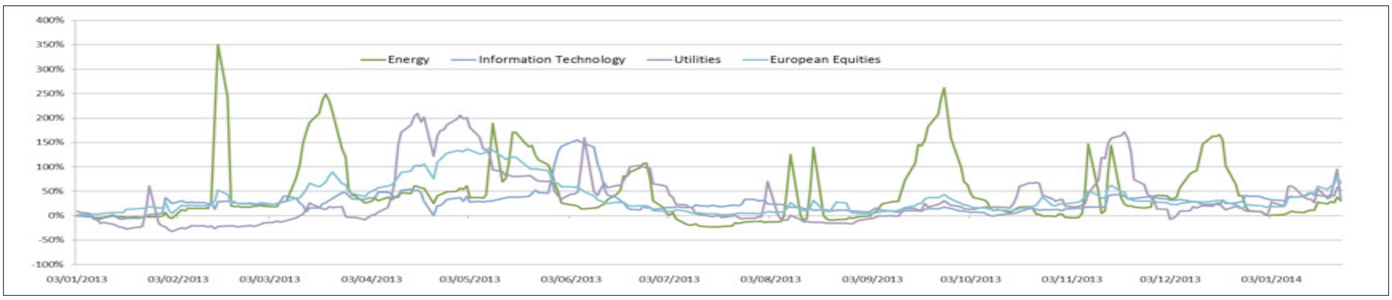
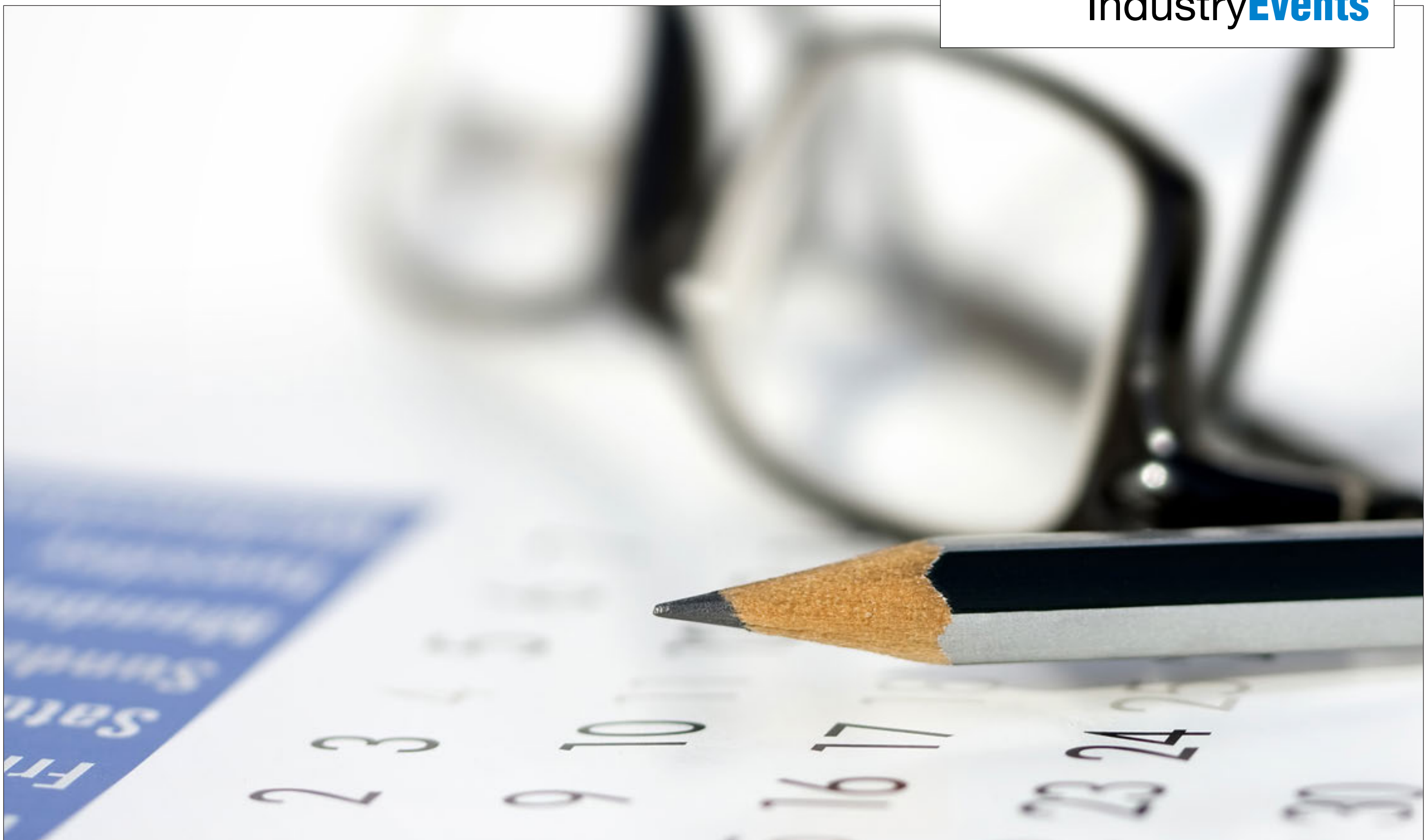


Figure 1: balance on loan changes by sector | Source: SunGard's Astec Analytics



Advanced Risk Management Programme

Date: 9-13 February 2014
Location: London
www.cass.city.ac.uk

On behalf of RMA and Cass Business School, we want to bring to your attention our Advanced Risk Management Programme offering. The 2014 Programme is scheduled to take place on 9-13 February. As the process to identify an appropriate participant and budget for their attendance can be fairly long, we wanted to raise your awareness as soon as possible.

PASLA/RMA Conference

Date: 4-6 March 2014
Location: Tokyo, Japan
community.rmahq.org

The conference co-chairs, Martin Corrall, Citibank, and Jason Strofs, BlackRock, and the conference planning committee—Yoshihiko Aoyama, BlackRock; Dominick Falco, BNY Mellon; Dane Fannin, Northern Trust; Valerie Rossi, ABN AMRO Bank; Adam York, HSBC and Paul York, State Street hope you enjoy the interesting, relevant, and comprehensive business program they have created

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Industry appointments

Securities lending agent eSecLending has recruited **Bill Locke** as head of market and credit risk management.

Locke will be responsible for identifying, quantifying and managing market and credit risk in eSecLending's securities financing and cash management programmes.

Locke brings more than 30 years of industry experience to the firm, which includes work on policy development, credit risk management, customised trade structures, interest rate risk management, and collateral eligibility and valuation.

Prior to joining eSecLending, Locke worked as a financial services market specialist for the Federal Reserve Bank of Boston, vice president of global securities lending at Brown Brothers Harriman, as well as managing director of securities finance at State Street Bank and Trust Company.

Peter Economou, chief risk officer and head of corporate strategy at eSecLending, said: "We are excited to have Locke on board. His experience in the securities financing industry and knowledge of capital markets, balance sheet and collateral management will be instrumental to eSecLending as we continue to develop new products and further strengthen our ability to provide customised programmes to fit clients' individual risk tolerances."

"Locke's in-depth knowledge of impending regulation will also help us to better execute trade structures, investment opportunities, new markets and products that will increase profitability for our clients."

Former Omgeo president and CEO **Marianne Brown** has left the post-trade provider to join SunGard as COO of its financial systems business.

In July last year, the Depository Trust & Clearing Corporation (DTCC) took full control of Omgeo after agreeing to acquire Thomson Reuters's 50 percent stake in the company.

Since its inception, the now fully-owned DTCC subsidiary has introduced a straight-through-processing solution for institutional post-trade processing, which integrated an electronic allocation engine, a central matching solution and an account and standing settlement instruction database.

Before joining Omgeo in 2006, she was the CEO of the Securities Industry Automation Corporation (SIAC), a wholly owned subsidiary of the NYSE Euronext Group, where she was responsible for the delivery of all trading and regulatory solutions for the New York Stock Exchange as well as production support for the American Stock Exchange.

Russ Fradin, SunGard's president and CEO, said: "We are delighted to welcome [Brown] to the SunGard team. She has a storied career in our industry and a strong reputation as a leader who is focused on crisp execution and delivering stellar results."

Michael McGovern has left Citi for Brown Brothers Harriman (BBH), and joins as managing director, chief information officer and head of systems at the firm.

McGovern will be responsible for the management and leadership of the firm's technology strategy, application development, and systems infrastructure across all business lines.

He is based in New York and reports to BBH partner and global head of technology, Taylor Bodman.

McGovern joins BBH from Citi Transaction Services, where he spent the last 10 years serving as managing director and global technology head of securities and fund services.

He has also worked at Chase Manhattan Bank and Chemical Bank.

Maxim Group has hired **Michael Messinger** as an executive managing director and co-head of the fixed income group.

Messinger's appointment is part of an ongoing expansion of Maxim Group's fixed income division, and marks his return to the firm after an eight-year hiatus.

He will manage the fixed income group along with Jamie Terranova, the group's current managing director, and will be responsible for expanding the fixed income sales and trading platform.

He has nearly 30 years of experience in the financial industry, building sales teams and managing relationships across several product areas.

Prior to re-joining Maxim Group, Messinger served as CEO of HC Wainwright & Co, and as director of fixed income for Collins Stewart & Co/Canaccord, Genuity & Co.

He held leadership positions at Wall Street Access, MH Meyerson & Co, and Stuart Coleman & Co, before joining Maxim Group in 2001.

BCS, the trader of equities and FX on the Russian exchange, has appointed **John Barker** as executive chairman of BCS Financial Group in London. Barker started his new role at BCS in January 2014.

He was formerly the managing director and head of international at Liquidnet Europe. He has also held various senior positions at Instinet Global Services, including director of operations, head of trade support and managing the membership of multiple exchanges, clearing and settlement systems.

The new executive chairman role at BCS will primarily focus on driving the business strategy for the international business, and for overseeing corporate governance issues such as the regulatory, risk management and compliance systems.

Barker has acted as a non-executive director at BCS since January 2013.

4sight Financial Software has hired **Marco Ossanna** as senior vice president for North America. He will be based in New York,

Ossanna will be involved in sales and business development for 4sight's securities finance and collateral management solutions.

He previously oversaw OTC derivatives risk management at the Chicago Mercantile Exchange, with a focus on default management and clearing member due diligence.

In prior roles, Ossanna managed the market risk practice for Intesa Sanpaolo, the second largest bank in Italy.

He was global head of structured equity products within the risk management department of the Intesa Sanpaolo Group. **SLT**

SLT SECURITIESLENDINGTIMES

Editor: Mark Dugdale
editor@securitieslendingtimes.com
Tel: +44 (0)20 8663 9620

Deputy editor: Georgina Lavers
georginalavers@securitieslendingtimes.com
Tel: +44 (0)20 8663 9629

Reporter: Daniel Jackson
danieljackson@securitieslendingtimes.com
Tel: +44 (0)20 663 9622

Publisher: Justin Lawson
justinlawson@securitieslendingtimes.com
Tel: +44 (0)20 8663 9628

Marketing director: Steven Lafferty
design@securitieslendingtimes.com

Published by Black Knight Media Ltd
Provident House, 6-20 Burrell Row,
Beckenham, BR3 1AT, UK

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