*A Securities Finance Times publication*

# RMA Securities Finance & Collateral Management Conference Daily

# DAY 1

Tuesday, October 10

## OCC: supporting industry growth for another 30 years and beyond

*Day one agenda inside*


**EquiLend offers a complete T+1 solution to connect, automate, simplify and expedite all elements of the trade lifecycle leveraging existing EquiLend connectivity.**

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## BCBS releases adoption progress update

The Basel Committee on Banking Supervision (BCBS) has released an update on the Basel III adoption progress, as of the end of September 2023.

The update considers outstanding standards that remain after the Basel III framework's 1 January 2023 implementation date, outlining progress that has been made by BCBS member jurisdictions since the end of September 2022 update.

BCBS states that most member jurisdictions are in the process of implementation and have published draft rules, with a third having implemented all or the majority of Basel III standards. While individual jurisdictions are at different stages of implementation, the committee notes that most have published draft rules for consultation.

The Group of Central Bank Governors and Heads of Supervision (GHOS), which oversees BCBS, affirms that two-thirds of member jurisdictions have planned to implement all or the majority of standards by the end of 2024. The remaining third expect to reach this target in 2025.

In regard to longer past-due standards, five implementations have been completed for disclosure standards and three for interest rate risk in the banking book standard. Final rules have been issued for each large exposures framework, the capital standards for securitisations, the Net Stable Funding Ratio and margin requirements for non-centrally cleared derivatives.

The update forms part of the committee's Regulatory Consistency Assessment Programme (RCAP), designed to track the adoption and implementation of domestic regulations, assessing their consistency and analysing outcomes.

The GHOS states that it is prioritising the implementation of the Basel III "in full, consistently and as soon as possible".

## Basel III capital ratios rise for largest global banks, finds BCBS report

The most recent Basel III monitoring exercise finds that bank capital ratios for a sample of the largest global banks have grown during H2 2022 to above pre-pandemic levels.

This analysis, conducted by the Basel Committee for Banking Supervision (BCBS), finds that common tier one equity for the largest Tier 1 banks has increased, with the CET1 ratio climbing for this group of banks from 12.7 per cent on 30 June 2022 to 13.1 per cent for 31 December 2022.

"After a downturn in the first half of 2022, initial Basel III capital ratios for a sample of the largest global banks increased above pre-pandemic levels in H2 2022 on the basis of 31 December 2022 data," says the BCBS report, titled the Basel III Monitoring Report, September 2023.

Leverage ratios for this group of banks also increased over the same timeframe, rising from 5.8 per cent on 30 June 2022 to 6.1 per cent for 31 December 2022. This indicates a reduction in banks' debt as a percentage of Tier 1 capital.

However, the weighted average liquidity coverage ratio (LCR) for Group 1 banks has contracted, falling from 138.2 per cent on 30 June 2022 to 132.0 per cent on 31 December 2022, resulting in an aggregate shortfall of €15.1 billion (p 10). The LCR reflects the minimum stock of high-quality liquid assets that a bank must hold as liquidity reserves to cover net cash outflows under a 30-day stress scenario.

Three Group 1 banks, which are not named in the BCBS paper, reported that their LCR was below the minimum required level of 100 per cent

Net stable funding ratios (NSFR) improved over the same period for Group 1 banks from 123.5 to 124.4 per cent. All banks indicated that the NSFR was above the required minimum level of 100 per cent.

In contrast to LCR, which measures liquidity coverage according to a 30-day stress scenario, the NSFR indicates a bank's ability to withstand funding risk over a longer time horizon.

With implementation of the final phase of the Basel III reforms beginning on 1 January 2023, the report finds that the impact of the fully phased-in Basel III framework on the Tier 1 capital of Group 1 banks was a 0.2 per cent rise in CET1 ratio to 12.7 per cent.

For the period, Group 1 banks reported a total regulatory capital shortfall of €3.2 billion on 31 December 2022, down from €7.8 billion at the end of June 2022.


## ESMA withdraws third-country clearing recognition from JSE Clear

The European Securities and Markets Authority (ESMA) has terminated clearing recognition for JSE Clear, the Johannesburg-based central counterparty, following South Africa's addition to the anti-moneylaundering (AML) blacklist.

This move, in accordance with the requirements of the European Market Infrastructure Regulation (EMIR), will mean that JSE Clear will no longer qualify to provide clearing services to trading venues or clearing members established in the European Union.

This results from the European Commission's decision to add South Africa to the list of high-risk third countries on 16 July as a result of perceived shortcomings in the country's AML and counter financing of terrorism (CFT) provisions.

EMIR specifies that for a third-country CCP to be recognised by ESMA, the country must meet all cumulative conditions specified under Article 25(2) of the regulation, including the requirement that the country does not appear on an AML blacklist under the AML Directive.

ESMA has instructed a three-month adaptation period for this change to take place, meaning that JSE Clear's third-country CCP recognition will lapse on 29 December 2023.

JSE Clear is a wholly-owned subsidiary of JSE Ltd providing central counterparty clearing services for JSE's derivatives markets.

## Danmarks Nationalbank to centrally-clear repo trades at Eurex

Eurex has onboarded its first Nordic central bank, Danmarks Nationalbank, to trade and centrally-cleared repo transactions on the platform.

The move is a milestone for Eurex's cleared repo markets and follows the recent addition of BNY Mellon — which selected Eurex as the first European central counterparty to trade centrally-cleared repo trades for the US bank.

Eurex says its liquid and centrally-cleared repo markets allow clients to trade repos with more than 160 registered participants. The platform enables clients to raise or place cash in four currencies against more than 13,000 domestic and international securities.

Danmarks Nationalbank is the second central bank outside the euro area to join Eurex and the fifth central bank connected to Eurex for repo so far.

Commenting on the announcement, Martin Wagner Toftdahl, head of banking and markets at Danmarks Nationalbank, says: "Joining centrally-cleared repo markets is an important milestone in our reserve management.

"First and foremost, centrally-cleared repo transactions are perfectly in line with our aim of having broad market access and ensuring efficient management across products. Having access to liquid markets for cleared repos will further strengthen our ability to achieve underlying demand for our euro liquidity."

## UK regulators push back Basel III reforms

The UK Prudential Regulation Authority (PRA) has pushed back the implementation date for the final phase of Basel III reforms in the UK by six months to 1 July 2025.

With this announcement, the PRA will compress the transition period for the final Basel 3.1 policies to 4.5 years to deliver full implementation by 1 January 2030 in line with plans outlined in its November 2022 consultation paper CP 16/22.

The revised timetable responds to industry responses forwarded during the CP 16/22 consultation period which closed on 31 March.

To digest industry consultation responses relating to the credit risk and output floor proposals detailed in CP 16/22, the PRA will release its 'near-final' Basel 3.1 outline in two parts.

It will release its near-final policies on market risk, credit valuation adjustment risk, counterparty credit risk and operational risk in Q4 2023.

In Q2 2024, it will then publish remaining elements from its CP16/22 proposals, delivering near-final plans for credit risk, the output floor and reporting and disclosure requirements.

For a comparative evaluation of Basel III Endgame proposals in the US and other jurisdictions, refer to SFT 336, p. 24.

## ISDA Create available through S&P Global Market Intelligence's Counterparty Manager

The International Swaps and Derivatives Association (ISDA) and law firm Linklaters, which worked together to develop the online derivatives documentation platform ISDA Create, have announced an arrangement with S&P Global Market Intelligence that will enable users to access and amend documentation on ISDA Create via S&P's Counterparty Manager service.

Through this arrangement, the participating companies aim to streamline client onboarding and contract lifecycle management by enabling derivatives contracts to be negotiated end-to-end via Counterparty Manager.

This will enable users to draw on ISDA Create to draft, negotiate and execute ISDA Master Agreements and other key derivatives documentation directly within Counterparty Manager, enabling users to access their contract details in digital form via a single point of access.

Prior to the release, a number of banks and asset managers completed a testing phase through which they were able to access ISDA Create modules via Counterparty Manager to amend their ISDA docs.

ISDA Create is a module of CreateiQ, a contract negotiation platform developed by Linklaters. The integration with S&P Counterparty Manager covers all modules on the CreateiQ platform.

# Florida forecast: tackling the greatest industry challenges

*RMA Conference co-chairs Christopher Galli, US head of trading services operations at J.P. Morgan, and Nehal Udeshi, head of securities finance at BNY Mellon, speak to Carmella Haswell on what attendees can expect from the 38th annual event and which challenges are driving debate in the market*

**What can delegates expect from this year's RMA Conference and what will be the key themes of the event?**

**Christopher Galli:** We are in an era of relentless innovation and unprecedented technology, which will reshape prospective possibilities while presenting opportunities to revolutionise the industry. The theme of the conference is to provide a holistic view, touching on pertinent topics from top to bottom. There will be two keynote speakers, Mauro Guillén, professor and vice dean at Wharton's MBA Program for Executives, and Charles Myers, founder and CEO of Signum, who will discuss geopolitics, demographics, as well as long-term political, social and economic trends that will impact securities finance and collateral.

Industry panels will provide depth and understanding on cutting-edge technologies, the regulatory agenda, intellectual capital and diverse leadership, the supply-side perspective on securities finance from the beneficial owners, topics in collateral management, and the opportunities and challenges presented by central clearing.

**Nehal Udeshi:** An idea that we are trying this year is two sets of 'double sessions' to further evaluate two topics: changing technology and regulation. For technology, one session identifies what the latest technologies are and what they mean. The second addresses how the technologies will be integrated into our business in practice. We have created a similar setup for questions about the US Basel III Endgame proposed rule.

**Galli:** The design of the programme ensures ample opportunities for networking among industry leaders in economics, trading, fintech, regulatory policy, product management, tax and operations. The intent is to bring together brilliant and influential experts across the whole value chain so participants can develop their own holistic view of the state of the industry and its future.

## With the industry in talks about what Basel III Endgame could mean for market participants, what are your thoughts on the proposal?

**Galli:** The US regulator's proposal has been expected for quite some time. The Basel Committee issued its guidelines in 2017 and some important international regulators finalised their rules some time ago. The US proposals would significantly increase regulatory capital, whereas the BCBS proposal originally suggested that the net impact would be neutral. That said, it is important to understand the details and we are continuing to work through the implications for securities finance during the regulatory comment period.

**Udeshi:** We share industry concerns that higher capital requirements could harm US economic competitiveness, making it harder for US banks to support the economy, and incentivising migration of more activity to the unregulated financial sector.

We also question the need to increase capital requirements at the largest banks, given they have more than doubled capital ratios since the 2008 financial crisis along with a myriad of additional prudential regulatory enhancements that have further bolstered large bank resilience. Further, large banks have been sources of strength through several recent real-life stress tests.

Most large agent lending firms subject to the capital rules will likely see an increase in their overall capital requirements because of the recent US proposal. However, that impact may be felt more in other business lines outside of agency securities lending.

The new expanded risk-based approach contains some provisions that are beneficial to securities lending transactions when compared to the current standardised approach, which remains unchanged. These provisions include a new risk sensitive formula for calculating exposure at default for repo style transactions and lower risk weights for certain broker-dealer counterparties, which is partially offset by an increase in risk weights for bank counterparties.

The impact on any one agent lender's programme will depend on several factors, which include their current constraining ratio (advanced or standardised), the size and diversification of their netting sets, and the composition of their portfolios.

Perhaps the most significant change is the elimination of internal models. This will impact those agent lenders who have current approval to utilise a VaR model to calculate exposures at default, as well as the ability to use their own internal estimates for counterparty risk weights. If the advanced approach is their controlling measure, then capital requirements with respect to agency lending portfolios will likely increase. Conversely, if the standardised approach is their constraining measure, they should see a significant decrease.

The elimination of internal models will also impact single counterparty credit limits for firms with approved VaR models. These firms will likely see an increase in exposures for some counterparties depending on the composition of the portfolio, the size of the netting set, and the amount of diversification. This may require some management of the exposures for those firms, but it is unlikely to result in a significant impact on the overall market.

Nothing in the proposal will likely change the structures or approaches used to manage capital associated with indemnified agency lending. However, it will continue to foster industry discussion with respect to the cost and benefits of indemnification.

## What has the RMA's Securities Lending Council been focusing on this year and how is the Council forming its development strategy for 2024?

**Udeshi:** The Council's focus in 2023 has been on readiness for changes in regulation and opportunities presented by changing technologies.

Aside from Basel III Endgame, examples of this include the T+1 settlement. Early in the first quarter, it struck the Council that virtually all industry players were aware of the May 2024 delivery date for T+1 settlement, but not everyone was preparing for the details. To stoke industry efforts to get on the same page, we published a paper with KPMG in July called Securities Finance & T+1: Preparing for the Upcoming Settlement Cycle Change. It is a survey of the issues that each player needs to consider in preparing for T+1 and is useful for all market participants from lenders, lending agents and borrowers to beneficial owners, custodians and other stakeholders.

Since the paper was published, the members of the Council have been using it as a backgrounder to communicate with their partners in the industry and to encourage all constituencies to get ahead of the details in advance of the May 2024 deadline.

**Galli:** Two other key themes jump out at me from 2023. First, the Council recognised early on that the pace of change in the industry would require greater coordination around standards, market institutions and technology. The Council has been making a significant effort to increase the involvement of partners on the sell side and the buy side, as well as across all stages of the value chain. As an example, I chair the Operations and Technology subcommittee. The Securities Lending Council has sponsored a new, concentrated effort to elevate operations into the dialogue, as the success of innovation and navigating regulatory change will require coordinated operational preparation, focus and consistent adherence to best practices across the industry.

Second, recognising that change will have global intersects and therefore international markets cannot be isolated, the Council has continued to make efforts to collaborate with global partner associations to ensure consistent and cooperative understanding of an aggressive market and regulatory environment.

## What securities finance and lending trends do you anticipate for the industry over the coming 12 months?

**Udeshi:** In economics and the financial markets, the changing rate environment is top of the list. The Federal Reserve paused at the September FOMC meeting, but they have left the door open for further rate hikes in the future. The market seems to believe a soft landing is possible, but the whole industry continues to monitor events closely. Looking at the equity markets, eyes are on whether the equity rally will continue and whether leverage at prime brokers will be sustained. Capital markets are looking healthier. As the rate cycle peaks, IPO activity is picking up, which could, optimistically, drive some equities specials activity.

**Galli:** On securities finance and lending infrastructure and related market institutions, T+1 settlement will require coordinated industry engagement, technology investment and coordination with operational partners — focusing on operability controls as well as efficiencies leading up to implementation, go live and the time to follow.

It is inevitable that other global markets will eventually move to T+1. What we learn from the transition and the period to follow will pave the way to future well-prepared implementations. In addition, the SEC is expected to finalise its 10c-1 rule on securities lending reporting, possibly later this year, and firms will have to move swiftly to implement it.

In the medium term, the industry will continue to assess and focus on opportunities surrounding central clearing, going from whiteboarding to building where clearing can bring benefits. Central clearing is not expected to be a panacea. However, it deserves fair assessment and, for the right use cases, it could be a welcomed avenue of opportunity.

The industry will increase dedicated resources to focus on leveraging advancing technologies such as artificial intelligence (AI). There is immense potential for technologies to reduce market friction, reduce costs and enhance operability. Done correctly, it will also contribute to enhanced controls and improved risk management. The crucial point is to focus attention and resources on practical use cases.

Finally, there are numerous forces that will not take a time-out while we build for the future. Firms will need to maintain and increase focus on resilience, sustainability and crisis-management capacities. Cyber threats, debt-ceiling politics, and the potential for a single point of weakness such as disruption of a large clearing institution, mean that we need to continue to sharpen our capabilities of measuring, monitoring and managing threats. Continued refinements in related scenario analysis will be a point of focus.

**Udeshi:** In addition to technology, the industry will need to expand the way it thinks about developing human capital. We need to foster the new skills required to leverage new technologies, and develop new technologies needed to leverage humans' comparative advantages. It is imperative that the industry continues to make progress in diversity. The landscape is changing so quickly that we need the creativity that diversity of perspective brings to bear. The next 12 months are probably the period when we need to put the COVID era behind. We will adopt what is most beneficial in hybrid work arrangements and get on with building the optimal work arrangements for the future, not the past.

### What have been the greatest challenges for the securities lending industry so far and what trajectory will the industry take going into 2024?

**Udeshi:** The greatest challenge lies in managing under uncertainty, the uncertainty of the financial markets, the uncertainty of regulation, the uncertainty of a technological environment that exceeds the experience of several senior managers. Challenges are never nicely spaced in the calendar, they travel in bunches, and we are at a moment of considerable challenges on all fronts.

The macro economy looks more stable as we end the third quarter, but just look back to April. The failure of a few banks that none of us considered to present systemic risk “going in”, raised serious concerns about the stability of the US financial system. The FDIC’s actions seem to have stemmed the tide in that regard, but we still need to consider the potential longer-term effects of a sustained high-rate environment, especially for credit risk, globally.

**Galli:** Going into 2024, the most crucial challenges will be to ensure a clear and effective playbook for the implementation of T+1, as well as to address rising regulatory capital hurdles from the proposed Basel III Endgame. The industry has done an exemplary job in mobilising to discuss the terms and material considerations for T+1, with a next step to perform appropriate testing as well as to finalise an implementation and post-go live playbook. Regarding the regulatory focus, we need to articulate how that will impact our industry, what alterations are required in respect of the proposed rule, and how business strategies may have to change if certain provisions are finalised.

To put a fine point on the trajectory the industry will take going into 2024, there are five focal points to follow: developing and adopting advancing technologies, especially AI; adapting to new Basel III capital rules; executing on T+1 settlement; implementing SEC 10c-1 reporting; and managing cash optimally in a high-interest rate environment.

As a final point, 2024 is a presidential election year in the US. The industry’s trajectory will be against a political backdrop, both geopolitical and domestic, that will require diligent considerations and coordination. Uncertainties make it difficult to plan, but they make it essential to engage in planning (to paraphrase Eisenhower). In this context, execution will also have to be considerably more agile and adaptable than in the past. This includes not just the agility of a single firm acting in isolation, but the agility of all players in the whole ecosystem to adapt technology, infrastructure and institutions. ■

**Christopher Galli**
US head of trading services operations
J.P. Morgan

**Nehal Udeshi**
Head of securities finance
BNY Mellon

# New and approved: OCC lines up for future expansion

*OCC's Oberon Knapp, executive director of participant solutions and head of securities lending, and Sheila Zak, executive director of member services, speak to Carmella Haswell about the firm's SEC-approved membership standards which will expand the number of banks eligible to clear on the platform*

On 3 March 2023, the Options Clearing Corporation (OCC) filed a proposed rule change to the Securities and Exchange Commission (SEC) which will reshape its clearing membership standards, expanding the types of entities that are eligible to become clearing members, while removing distinctions between certain membership categories to ensure consistent requirements across members.

Previously, OCC's bye-laws permitted three types of institutions for clearing membership — broker-dealers, futures commission merchants (FCMs) and non-US securities firms. Now with the SEC's approval, OCC has expanded the list of eligible institutions to include certain banks. Eligibility is now available for full service banks that are overseen by the Office of the Comptroller of the Currency — an independent bureau within the United States Department of the Treasury — as well as state-chartered banks that are part of the US Federal Reserve System.

Oberon Knapp, OCC's executive director of participant solutions and head of securities lending, explains that this represents an opportunity for existing members to gain the capital efficiencies of clearing for one of their largest remaining uncleared businesses. "For instance, their uncleared bilateral transactions with banks now have an opportunity to move into the clearing framework," he says. "Beyond capital efficiencies, this allows them to further consolidate their bifurcated operational flows that are split between bilateral and cleared."

Since its launch 30 years ago, OCC's securities lending programme has continued to grow in membership and volume. The platform cleared more than 2.3 million new securities lending transactions last year, representing a 25 per cent increase over 2021. Knapp indicates that the platform's performance "speaks to the strength of the underlying trend of our members to continue clearing".

OCC's Sheila Zak, executive director of member services, who oversees the membership on-boarding process, has identified new entrants seeking clearing benefits on the platform.

"These firms say that their customers are well versed in securities lending and borrowing and that they want to be involved in this business," Zak explains. "The firms see value in OCC providing lower cost and lower risk operating models. They are excited about the expanded counterparty and distribution opportunities that they can access through OCC."

OCC acts as the central counterparty for all listed options in the US, including selected futures. The Chicago-based organisation provides clearing services to its members — which are financial organisations that, in turn, facilitate the clearing and settlement of their customer transactions or proprietary transactions through OCC.

Under the new and approved rules, OCC membership for eligible banks will be limited to clearing proprietary activity only, and banks will now need to provide assurances regarding its activities and ability to contribute collateral. Proprietary activity is the first step in OCC's plan to expand and exchange its ability to serve the lending market.

Speaking to SFT, Zak says the move is a meaningful change for both current and existing customers. OCC's programme is initially focused on securities lending and borrowing that is intermediated through a bank as a principal on a transaction and is also aligned with the firm's current risk management, operational and technology flows. "Based on discussions with our current and prospective members, there is an appetite for OCC to expand further and we are working to support buy-side clearing," Zak adds.

Zak continues: "At OCC, we continue to evolve our rules and bye-laws to reflect best practices and regulatory obligations — not just for OCC, but on behalf of our clearing members also. As part of that process, we are adding and diversifying bank-based service providers and liquidity sources, along with the growing presence of banks in our ecosystem. We also know several bank-based agent lenders who want to clear their securities lending, and so we are willing to support that."

Over time, Knapp anticipates having a comprehensive securities finance clearing business that "brings the commercial, the capital and the resiliency benefits" of OCC clearing to more participants. Knapp notes: "Given the sheer scale of the buy side, meaning the agent banking side, we are optimistic about the potential of a clearing

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**Sheila Zak**
Executive director of member services
OCC

programme that significantly reduces post-trade friction and, at the same time, continues to expand access for new entrants."

### ENCORE to Ovation

In furthering the development of its technology strategy, OCC is utilising the feedback it has received through its industry groups to deliver new enhancements and efficiencies to its securities lending system.

A core focus for the central counterparty is the development of Ovation — OCC's future clearing platform, which represents a natural follow up

*The changes to our membership eligibility and the transformation of our platform are going to enable us to support continued industry growth for another 30 years and beyond.*

**Oberon Knapp**
Executive director of participant solutions and head of securities lending
OCC

to the firm's current ENCORE platform. Knapp says that this initiative is "a firm-wide transformation that is being powered by the replatforming of our core clearing, risk and data management systems". Development is nearing completion for many of those systems. OCC will begin industry-wide testing in 2024, with Ovation's planned launch in 2025.

Knapp says a positive step forward for the development of Ovation comes in the form of a 'Notice of No Objection' from the SEC regarding its cloud infrastructure proposal. According to Knapp, OCC is the first Systemically Important Financial Market Utility (SIFMU) to receive a 'Notice of No Objection' for moving core functions to the cloud. The 'No Objection' applies to all of OCC's clearing systems — which includes the securities lending platform.

"Overall interest in the securities lending platform is quite high," Knapp indicates. "Member firms and a number of third-party service providers are intrigued and are speaking to us about the potential benefits of a system with features of DLT, including the high quality and reliable access to real-time data, as well as the potential to adopt nodes in the future."

In preparation for its arrival, OCC has produced an extensive outreach programme to ensure that firms and service providers are aware of what is happening in the Ovation project. Over the past year, OCC has been providing demos on various topics covering options, futures and stock loan. In addition, the organisation has been putting together training materials to help prepare clearing members and exchanges for testing next year.

The OCC team is also working on a programme to consolidate hedge and market loan programmes into a single offering — and this is expected to be released after Ovation's launch.

For OCC membership, this consolidation will allow the organisation to expand its guarantee to cover rebates, as well as a number of mandatory corporate actions. OCC is working with the entire capital markets industry — not just securities lending, but all of its connection points — to ensure a seamless adoption of T+1, which is front of mind for market participants.

Knapp concludes: "We take pride and responsibility in the work that we do for the industry. The changes to our membership eligibility and the transformation of our platform are going to enable us to support continued industry growth for another 30 years and beyond."

# Talking about repo: what is happening in the market?

*From the altering interest rate environment to the ECB's new remuneration scheme and regulatory challenges, Frank Gast, member of the management board of Eurex Repo, and Frank Odendall, head of securities financing product and business development at Eurex, review the market*

**How has the current interest rate environment affected the funding and financing segment?**

**Frank Odendall:** The abrupt rise in interest rates, but also the earlier-than-initially-expected repayment of targeted longer-term refinancing operations (TLTROs), has led to an increase in the cost of funding on the capital market. For the first time in many years, cash driven repo transactions and, in particular, such transactions cleared through a CCP have come back into focus. Accordingly, the number of active participants we have has increased, as have the number of new participants wishing to connect with us — especially in GC Pooling.

**Frank Gast:** The upward trend continues — for short- and long-term repo transactions of up to one year. The GC Pooling segment, which is traded and cleared by Eurex Repo and Eurex Clearing respectively, is particularly interesting in terms of capital costs, settlement efficiency and the wide range of eligible securities that can be used for funding.

**How has the ECB's remuneration policy affected your market?**

**Gast:** The change to the European Central Bank's (ECB's) remuneration cap for non-bank deposits has meant that, after a number of years, non-banks and new customers are finally providing more liquidity in our repo markets — especially since the ECB, through their national central banks, has only been paying €STR -20bp on non-bank cash deposits since May. As a customer, if you receive around €STR in the centrally cleared repo market, but only €STR -20bp at the ECB, the decision is clear. Bundesbank recently affirmed it would not pay any interest from 1 October. This will bring even more attention to CCP repo for public authorities.

**Odendall:** In addition to the increasing demand from financial agencies, supranational or central banks outside of the Eurozone, a new group has emerged — pension funds. This is an area in which volumes have risen steadily over the last two years.

### What lessons can be learned from the widely discussed gilt crisis?

**Odendall:** Buy-side entities and banks should always ask themselves whether they are well positioned in terms of liquidity management. This applies to business-as-usual, as well as to crisis situations. During the gilt crisis, it became clear that clearing through a CCP can be very useful — not only because of the risk mitigation provided by a CCP, but also because of the more efficient settlement infrastructure. In a bilateral world, this can often be very complex and can therefore leave CCPs more vulnerable to disruptions.

Of course, clearing houses need to adjust their margins in times of extreme volatility. However, the discussions around margin increases have helped clearing members and clients better understand that this is an intended feature of margins and is part of risk management logic.

### What does this mean for repo markets in the future?

**Gast:** For a clean and stable funding structure of repos and reverse repos, we need a balanced participant structure. The more participants with different interests and positions, the stronger the liquidity pool.

Even though commercial banks, national debt management offices (DMOs), central banks, supranationals and, most recently, pension funds already participate in Eurex's repo markets, we still need to include more participant groups for an increased resilient market structure. These are, for example, insurance companies, money market funds or hedge funds. Since last year, we have been offering access to the clearing house via ISA Direct Indemnified. We are currently in a pilot phase, with the first hedge funds interested in joining us.

### Are we still dealing with a scarcity of collateral?

**Odendall:** The issue of 'collateral scarcity' is less prominent now compared to the second half of last year, due to the TLTRO repayments. Nevertheless, further shortages cannot be ruled out.

These can be caused not only by reduced supply, but also by increased demand due to higher margin requirements for uncleared derivatives or a general increased need for hedging in volatile markets. But mandatory clearing in OTC transactions also increases the demand for high-quality government bonds.

*For a clean and stable funding structure of repos and reverse repos, we need a balanced participant structure. The more participants with different interests and positions, the stronger the liquidity pool.*

**Frank Gast**
Member of the management board
Eurex Repo

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**Frank Odendall**
Head of securities financing product and business development
Eurex Repo

**Gast:** Let us not forget that currently more than half of our volume is in special repos — these are repo transactions that are tied to a specific security. Demand pressure can also arise here.

### Do you see any impact on the repo markets coming up from regulation?

**Odendall:** There are multiple developments likely making cleared repo, particularly centrally cleared dealer-to-client repo, more attractive and relevant to market participants.

First, within the current EMIR 3.0 discussion, there has been a suggestion to remove some relevant barriers for regulated buy-side firms to effectively access cleared repo — such as counterparty limits. Secondly, potentially changing global systemically important bank (GSIB) treatment of repo exposures under Basel 4.0 should increase the value of central clearing. And finally, recent publications by central banks have highlighted risks and deficiencies of the bilateral repo markets and suggested the introduction of a repo clearing obligation.

### How do you see the platform developing for the rest of the year?

**Gast:** Even in the traditionally quieter months of July and August, we saw exceptionally high trading activity with a lot of term transactions. We expect this trend to continue for the rest of the year. In addition to the interest rate environment, we are optimistic about the pipeline of participants currently in the onboarding process. These are high-potential participants such as global custodians, central banks, DMOs and buy-side firms. The closer we get to the ECB deposit rate with our repo rates, the more we will see other banks as cash providers.

In addition, several clients want to pay more attention to our Green Bond basket activities, which we welcome. We will aim to further promote this new segment under the ESG umbrella, even though we realise this is at an early stage for the secured funding markets.

The repo business will continue to grow, contributing significantly to Eurex's success in being the "home of the euro yield curve". Through initiatives such as cross-product margining between Eurex cleared repos and derivatives, we will continue to provide our participants with further benefits along the whole euro yield curve. As a leading market infrastructure provider, our overarching aim is to help improve the attractiveness and resilience of the European capital market.

# Day one

## Introduction to RMA and the 38th Securities Finance and Collateral Management Conference

Tuesday, October 10, 2023 12:30 PM to 1:15 PM

A conference overview with the Co-chairs and Executive Committee who will introduce the topics to be covered throughout the conference and identify the market, industry and regulatory factors that inspired this curated agenda.

### Speakers

**George Rapalje**
State Street

**Mark Whipple**
Invesco

**Ranada Fergerson**
Brown Brothers Harriman

**Nick Delikaris**
State Street

**Christopher Galli**
J.P. Morgan

**Nehal Udeshi**
Bank of New York Mellon

# Future Market and Regulatory Impacts on Securities Finance

Tuesday, October 10, 2023 1:15 PM to 2:00 PM

The regulatory trajectory signals a busy future for a Securities Finance Industry already engaged in change and adaptation. Our panel of industry and legal experts will discuss major regulatory developments and key legal and market factors that will require the Securities Finance industry to evolve holistically. These include: transitioning to T+1 settlement, adopting mandatory loan and position reporting under the SEC's proposed Rule 10c-1, mandatory short-position and activity reporting under Proposed Rule 13f-2, and the culmination of new Basel rules.

## Moderator

**Greg Lyons**
Debevoise & Plimpton

## Speakers

**Laura Klimpel**
DTCC

**Michael Martinen**
KPMG

**Anthony Camarota**
Brown Brothers Harriman

**Tamela Merriweather**
The Northern Trust Company

# Empowering Future Leaders: Building Talent and Embracing Trends in Securities Finance

Tuesday, October 10, 2023 2:30 PM to 3:30 PM

Join our panel of industry leaders for a dynamic discussion on cultivating talent and embracing diversity within securities finance. This panel will highlight strategies for identifying and developing emerging leaders and explore evolving trends in our workplace.

## Speakers

**Cherry Trower**
BlackRock

**Christel Carroll**
Goldman Sachs Agency Lending

**Anita Hill Sands**
Intuition Financial Placement LLC

**Meredith Roderick**
Brown Brothers Harriman

**Sagar Patel**
J.P. Morgan

# Cutting-Edge Technologies Part 1: What does it all mean?

Tuesday, October 10, 2023 3:30 PM to 4:30 PM

Too many buzz words? Finding it hard to understand the real-world capabilities of new technologies and how innovations will impact you?  This panel looks to provide a basic understanding of certain new technologies and their practical use cases. We'll explain key innovations such as tokenisation, digital assets, distributed ledger technology (DLT), smart contracts, artificial intelligence (AI), machine learning (ML) and robotic process automation (RPA). Our goal is to strip back the hype and ensure we understand the transformative impact these technologies can have on our industry. This discussion serves as a foundation for Thursday's panel: "Cutting-Edge Technologies, Part 2: How can we, as an industry, leverage them?"

## Speakers

**Amar Amlani**
Goldman Sachs

**Ken DeGiglio**
EquiLend

**Phil Morgan**
Pirum Systems

**Keerthi Moudgal**
J.P. Morgan

**Victor O'Laughlen**
BNY Mellon

# Things to do on Amelia Island

Compiled by Jamie Richards

Green Turtle Tavern

In downtown Fernandina Beach, Green Turtle Tavern offers a cocktail bar and live music with a beach-house flair and open-air deck just minutes from the shores of the Amelia river. For a more casual vibe, try Locals Cocktail Lounge.

Theatre & Dining

Nearby Jacksonville's Alhambra Theatre & Dining is the oldest continuously running dinner theatre in the country. Founded in 1967, the establishment pivoted from promoting individual stars to cement the venue itself as a recognisable brand, and continues to offer three-course service and entertainment to locals and tourists alike.

Fort Clinch State Park

Fort Clinch State Park encompasses the north tip of the island, with rolling nature trails and officially marked "Outstanding Florida Water" on the northernmost beaches. The park's eponymous fort evokes the island's tumultuous history from the colonial period up to the Civil War.