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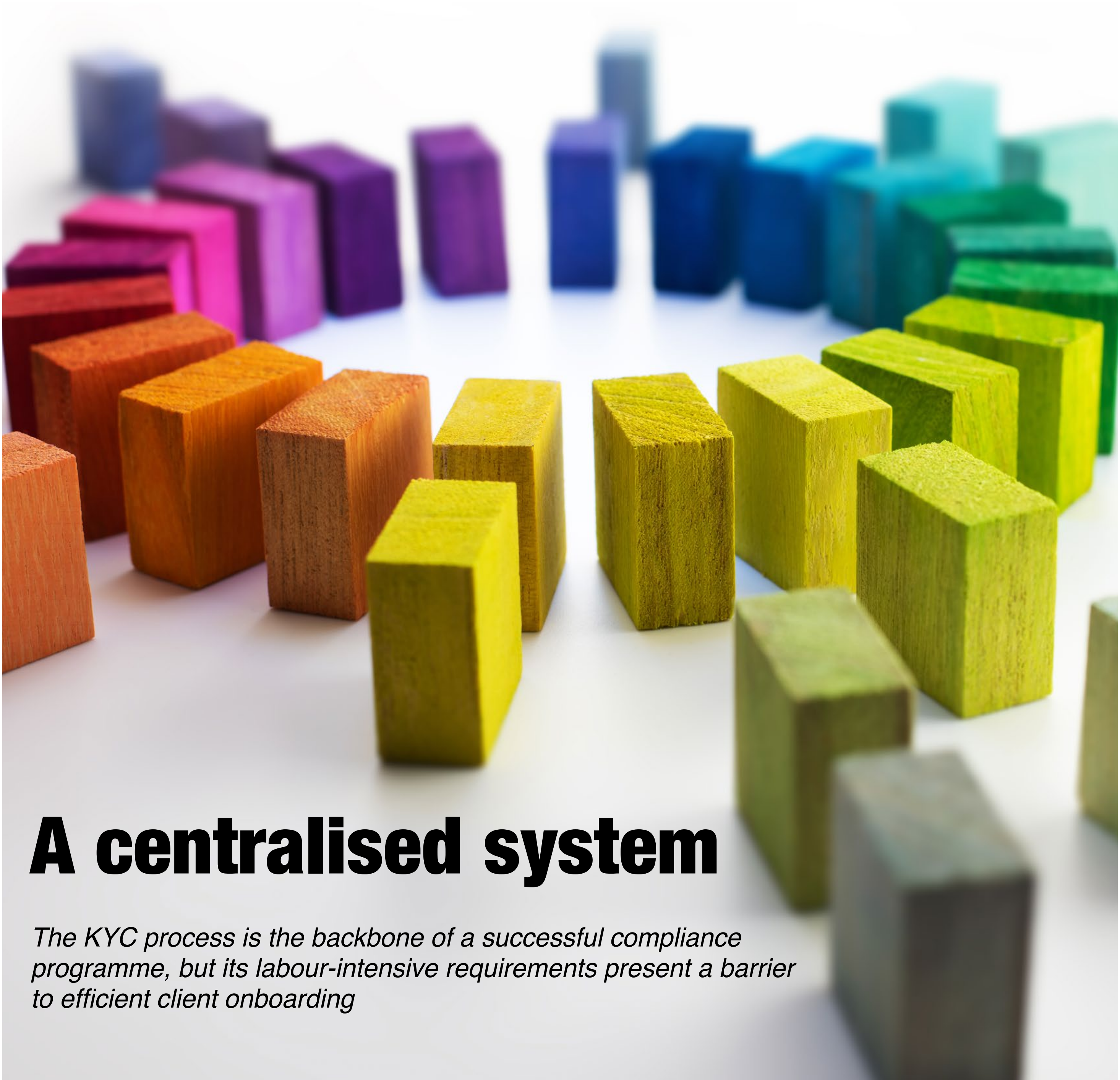

A centralised system

The KYC process is the backbone of a successful compliance programme, but its labour-intensive requirements present a barrier to efficient client onboarding

DBS becomes first bank in Asia to complete an intraday repurchase via blockchain network

DBS has become the first bank in Asia to complete an intraday repurchase (repo) transaction on J.P. Morgan's intraday repurchase application via Onyx Digital Assets (Onyx).

Onyx is a blockchain-based network which supports instant settlements and maturity of the transactions within hours, instead of the current industry norm of one to two working days.

The news comes a month after DBS Bank joined LCH SwapClear as the clearing service's first direct member in Singapore.

Commenting on the recent transaction, Andrew Ng, head of treasury and markets at DBS, says: "Repurchase agreements are a traditional and well-established method of raising financing, but infrastructural and technical inefficiencies mean the minimum term has usually been one day.

"In the past, banks around the world had to explore alternative routes for intraday financing requirements. Through leveraging efficiencies of a blockchain-based solution, we are able to raise USD funding in compressed time frames which are beneficial to our liquidity needs."

Ed Bond, head of trading services APAC at J.P. Morgan, comments: "This is the first time that J.P. Morgan is acting as both triparty agent and collateral token agent, which is an exciting development for the market. DBS has been a great partner on this project and we will continue looking at ways to innovate and help our clients navigate market challenges."

Inside this issue

BOJ implements relaxed measures for securities lending facility

The Bank of Japan (BOJ) has relaxed the terms applicable to its securities lending facility for 10-year Japanese government bonds (JGBs), enabling it to lend bonds purchased through its asset purchase programmes back into the market.

The move aims to ensure stability in the market by easing excessive tightening in the supply and demand of Japanese government securities in the repo market, enabling the central bank to offset potential concerns around collateral shortages and to manage market liquidity.

The BOJ will continue to purchase cheapest-to-deliver bonds under the relaxed conditions, which will come into effect from 30 November. Under the relaxed terms, the Bank of Japan has extended the maximum number of consecutive days for purchases of a specified security from 50 to 80 days.

Prior to the relaxation, lending was permitted for cheapest-to-deliver issues where the BoJ's holdings in the market exceeded 80 per cent. From 30 November, this restriction will be lifted to embrace all cheapest-to-deliver issues, regardless of the Bank's holdings in the security.

ICMA and ISDA to combine CDM model

The International Capital Market Association (ICMA) is to combine its Common Domain Model (CDM) for repo and bonds with the International Swaps and Derivatives Association's (ISDA's) version.

The move, expected in the coming weeks, will allow members of the associations to access one single model that supports different repo structures and bond settlement, securities lending and derivatives.

ICMA's latest CDM SteerCo meetings have focused on modelling the structure and lifecycle events of evergreen and extendible repo.

These meetings also discussed general collateral baskets, triparty repo and announced that the second stage of modelling repo workflows is nearly complete.

A CDM SteerCo meeting is scheduled for 15 December to provide a detailed update on the CDM initiative.

According to ICMA, the CDM plays a key role in supporting the digital transformation of capital markets, fostering interoperability and cohesiveness through FinTech Open Source Foundation’s (FINOS’s) open-source framework.

ISDA, ICMA and the International Securities Lending Association (ISLA) jointly appointed FINOS to run the CDM in September. The three organisations will migrate the CDM to FINOS by the start of 2023.

S&P Global Market Intelligence collaborates with GLEIF

The Global Legal Entity Identifier Foundation (GLEIF) has created a linking solution to certify the mapping of S&P Global Company ID to the legal entity identifier (LEI).

Through the collaboration with GLEIF, stakeholders can continue to use S&P Global Market Intelligence's cross reference mapping solution, which includes the S&P Global Company ID.

According to GLEIF, this identifier is the primary key in S&P Global’s cross reference services and will be supplemented by LEI data via a GLEIF-certified link.

The move is designed to increase broad accessibility to key entity identifiers used globally, promote interoperability between parallel identifier systems, and help to streamline entity verification processes for data consumers everywhere.

GLEIF will publish the S&P Global Company ID to LEI mapping pairs via LEI search 2.0, which will be updated on a weekly basis. This will allow users to map the standardised and proprietary identities across datasets.

Stephan Wolf, CEO at GLEIF, says: “Collaborations such as this are crucial to the future security and integrity of global markets. The mapping of open LEI data to S&P’s Global Company ID will streamline the process of gathering, aggregating and reconciling counterparty information for a huge number of organisations worldwide.

“The LEI is gaining traction as a key data connector, creating interoperability between the

world's identifier systems with the aim of making the highest quality reference data obtainable to all. Today we take another confident step in the right direction and look forward to guiding more data vendors through the certification process."

Andreas Hoepner, member and head of data for the platform on sustainable finance at DG FISMA, European Commission, adds: "Mapping the LEI to the S&P Global Company ID reflects the financial ecosystem's advancements towards more transparent and efficient practices.

"By enabling streamlined compliance and allowing for more accurate regulatory reporting, data users around the world can establish confidence in their interactions faster than ever before."

DTCC releases Report Hub's assisted reporting model

The Depository Trust & Clearing Corporation (DTCC) has launched DTCC Report Hub's assisted reporting model, allowing sell-side firms to assist buy-side clients with regulatory reporting requirements.

Report Hub is a pre- and post-trade reporting solution that aims to help firms manage the complexities of meeting multiple regulatory mandates across jurisdictions and asset classes.

With the newly launched model, sell-side firms including clearing brokers and prime brokers are able to provide the required counterparty trade data to their buy-side clients which also use Report Hub, according to DTCC.

Using this workflow, the sell-side firm submits trade details for their underlying clients, which can add data regarding the trade directly into Report Hub. Once submitted, Report Hub performs reporting eligibility checks across jurisdictional requirements and transmits the trade data for automatic reporting via an authorised trade repository.

The Report Hub will then streamline the data sharing process between counterparties, enabling users to draw on the benefits of a central utility, sourcing and reporting counterparty trade data required for compliance with regulatory obligations.

With the assisted reporting model, counterparties have access to Report Hub's exception management monitoring and remediation functionality, with roles and responsibilities defined between the sell-side and their clients for resolving any failed submissions, explains DTCC.

The sell-side firm has access to Report Hub to view and address errors within Report Hub, while their buy-side clients can monitor and fix trade detail issues.

Val Wotton, DTCC managing director of product development and strategy, repository and derivatives services, says: "We are pleased to provide our clients with DTCC Report Hub's pre- and post-trade reporting capabilities leveraging our assisted reporting model.

"We built DTCC Report Hub incorporating insights from key stakeholders including Barclays, to put the power of a robust reporting solution into our clients' hands."

Gary Saunders, managing director and global head of prime derivative services at Barclays, adds: "Barclays was proud to work with DTCC to share insights and perspectives to make Report Hub a go-to resource for sell- and buy-side clients. The new Report Hub assisted reporting model will help to increase data transparency and drive more efficient self-reporting.

"Report Hub will help industry participants reduce unnecessary costs and operationally intensive processes while creating a more seamless and efficient trade reporting process for all parties involved."

ISLA releases report on proposed GMSLA changes

The International Securities Lending Association (ISLA) has published a paper investigating the changes that will need to be made to the Global Master Securities Lending Agreement (GMSLA) to allow for market engagement with digital assets.

The paper, entitled 'Preparing the Global Master Securities Lending Agreement (GMSLA) for an Evolving Digital Asset Landscape', finds that there are elements both within and outside ISLA's remit that need to be addressed. It states that there are three categories of issues related to digital assets, namely legal, commercial and documentation.

Legal issues consider how a digital asset is defined, including whether it comes under the scope of personal property rights and, if so, how these can be transferred. Additionally, this category covers how non-defaulting parties can exercise their rights in the transaction of digital assets following the default of a counterparty.

Commercial issues look at the extent to which digital assets can be used in securities lending transactions, and where the commercial and economic risks are allocated during transactions. The question of whether the economics of a digital asset securities lending transaction would be preserved, and how this would be achieved, is also considered.

Finally, documentation issues discuss amendments to existing securities lending documentation that may be needed when digital assets are involved.

ISLA makes a series of proposals in light of its research, emphasising the need to produce documentation that accommodates digital assets as loaned assets or collateral. It recommends that the 2010 GMSLA (Title Transfer) is addressed first, before the 2018 GMSLA Security Interest ('Pledge') is considered.

The association advocates an agnostic approach regarding why types of digital asset may be involved in the securities lending market. If prioritisation is required,

COLLINE©

Overview

- Single, global cross-product platform
- Modular
- Rapid implementation
- Flexible pricing models
- Buy and sell-side
- On-premise, SaaS or Public Cloud

COLLINE is a web-based solution that supports all regulatory and strategic collateral management needs anywhere a business operates, across all time zones.
At the heart of the system is a powerful, configurable enterprise inventory manager that interfaces with existing systems.

Architecture

Analytics
- What if scenarios
- Pre-funding examination
- SPAN/VaR analysis

Optimisation
- Cost benefit across multiple attributes
- Minimizing the cost of collateral allocation

Self Service
- Configuration dashboard
- Immediate on-line access to portfolios
- Quick identification of 'critical' events

Connectivity
- MarginSphere
- Settlements/Payments

Operations
- Configurable Workflow
- Regulatory compliance
- Intuitive dashboards
- Process automation
- Flexible Rules Engine

Inventory
- Liquidity management
- Risk and inventory projection
- Forward funding
- Real time reporting/MIS
- Multiple Views

ISLA suggests that digital securities (debt and equity), traditional securities that use distributed ledger technology, and tokenised securities are the first digital assets to be considered.

The paper recommends that market participants engage with ISLA's working groups to further explore the issues that it raises, in order to ensure consistency and a 'common direction of travel' across the industry.

Finally, it states that amendments to the GMSLA are required, acknowledging that the issues that may be raised by the paper and subsequent discussions could produce operational complexities.

Eurex launches new futures referencing €STR

Derivatives exchange Eurex is expanding its interest rate segment with the launch of Three-Month Euro STR Futures referencing €STR.

The switch from the former short-term rate EONIA to €STR is part of a broader Interbank Offered Rate (IBOR) reform.

The organisation names the move as an "important milestone" for the establishment of the €STR as a new benchmark risk-free rate, and in expanding Eurex's EUR-denominated fixed income product offering.

With the launch of the Three-Month Euro STR Futures, Eurex says it is offering a listed, centrally cleared and cash-settled solution for trading or hedging the new risk-free rate.

The contracts are based on the compounded €STR over a three-month period. They will be available for trading on Eurex from 23 January 2023.

The ECB began to officially publish €STR on 2 October 2019. Eurex supported this transition and started clearing the first €STR Overnight Index Swaps in November 2019.

Eurex says complementing this offering with a listed product now would further help the market in transitioning smoothly to the new rate.

Volumes in €STR OIS have consistently grown since the launch in monthly volume and active members, Eurex indicates. The firm says that notional outstanding has almost doubled in the last 12 months and stood at €2.4 trillion at the end of October 2022.

Lee Bartholomew, global head of derivatives product R&D fixed income and FX, says: "Launching Three-Month Euro STR Futures is a natural extension of our product portfolio, given our liquidity in the long-term interest rate segment.

"It underlines our commitment to be the home of the Euro yield curve and deliver maximum margin and capital efficiencies to the market. Additionally, further product extensions are likely as the market evolves."

Broadridge and SLIB go-live with voting solution for French market

Broadridge has collaborated with SLIB, a France-based software editor for electronic voting and securities services, to deliver a joint end-to-end global voting solution.

The solution aims to provide firms with an efficient, streamlined process throughout the vote processing lifecycle — from capture and distribution of golden copy issuer meeting announcements to vote execution and confirmation of votes cast.

With an automated and digital approach, Broadridge says the solution will reduce exposure to operational and regulatory risk.

The go-live of the voting solution represents an addition to the cross-border proxy voting service for France-based investors that hold international shares, launched by Broadridge and SLIB in December 2021.

Speaking on the announcement, Demi Derem, general manager of Broadridge's International Investor Communication Solutions, says: "Broadridge remains firmly committed to enabling greater levels of shareholder engagement across markets globally.

"Together with our partners at SLIB, we have delivered an advanced voting and communications solution that makes it easier for all investors, those in France and in other markets, to seamlessly cast their votes in the companies they own."

Philippe Cognet, CEO of SLIB, adds: "To attract foreign investment, and in response to regulatory pressures and the requirement for robust ESG policies, there is a foundational need to demonstrate strong corporate governance practices through the provision of efficient vote communications.

"With Broadridge as our strategic partner, we can now offer intermediaries a comprehensive and efficient ecosystem that combines support for international investors in French listed companies and for French investors in foreign companies."

SECURITIES FINANCE TECHNOLOGY SYMPOSIUM

"Nothing moves that quickly" when it comes to regulation, SFT Technology Symposium panellist says

Regulations will tighten if regulators find themselves unable to identify industry issues, agreed panellists at the Securities Finance Technology Symposium 2022.

During the Regulation panel, speakers discussed the current state of regulation in the industry, including the relationships between regulators and the market, what clients are looking for and what might lie ahead.

Jonathan Lee, senior regulatory reporting specialist at Kaizen Reporting, stated that central banks and regulators are "on heightened alert" when it comes to interest exposures, solvency issues, contagion and credit default risk. Predicting that the next financial crisis will be based on an inability to deal with increasing interest rates, Lee suggested that regulators will become more strict when they cannot deal with the aforementioned dangers.

Sam North, director and European head of product for repository and derivatives services at DTCC, noted increased regulator interactions with trade repositories on SFTR and EMIR data. This is due to increased technological capabilities on both sides of the equation, he said, along with improved resources for regulators to be able to understand the data that they are receiving.

Commenting on what clients are looking for in the current market environment, Fabien Romero, head of transaction reporting, managed services at S&P Global Market Intelligence Cappitech, highlighted the demand for data quality — something that is now expected as an indispensable foundation of a provider's service. This is a direct reaction to ESMA's April 2022 EMIR and SFTR data quality report, he said, which identified key issues that remain in the regulations.

The focus of 2022 has been inaccurate data, argued Iain Mackay, product owner of RegTech Solutions at EquiLend. Work is being done with industry bodies to ensure that data is up to regulatory demands, he said, but the fact that clients are using different reporting methods means that the data output is often muddled. The speed and success rate of reporting is good, he assured, but there is still a need for improved quality.

Panellists agreed that pricing was a significant concern. Ed Oliver, managing director of product development at eSecLending, reasserted the problems that emerge from market participants using different vendors, all of whom have different prices — this will impact the reconciliation of market value from January 2023 as there is a very low tolerance allowed. "The clients' journey is ahead of the regulators' journey" when it comes to how to use data, he said. Clients are already using appropriate oversight, while regulators are lagging behind. However, they are beginning to return data with analysis which should illuminate the problems that clients and vendors have already been noticing.

Lee commented that the fundamentals of the process need to be right — currently, prices are often expressed at the wrong category, with decimal and monetary misused. Additionally, a large proportion of trades are not subject to the reconciliation process and are therefore not regulated, which presents further problems.

Updates to regulations take place 'incrementally', said Romero. The current standards are not enough, he posited, adding that the large number of variations on similar regulatory ideas is unhelpful.

Developing this point, Lee explained that the lack of global standardisation means that many investors base themselves where

regulations are most beneficial to them. Regulatory arbitrage is ‘inevitable’ with global discrepancies, another panellist argued.

Focusing in on the Central Securities Depositories Regulation (CSDR), Oliver affirmed that it is working as expected, but he questioned the efficacy of penalties. While he highlighted the preparation that the market had undergone in anticipation for CSDR’s rollout, Mackay countered that market participants and infrastructure were not as prepared as they could have been, which has resulted in an ‘unacceptable’ number of fines.

Data is inconsistent and hard to reconcile daily, he said, with costs difficult to manage. Settlement rates are “at best” equal to pre-CSDR levels, “maybe even worse,” he concluded. Despite this, he stated that he was “more optimistic” about the future now that the cause and effect of these low rates were being more thoroughly considered by the market. With vendors having developed solutions to address workflow, the industry has seen more transparent data and automated processes. These have helped to resolve some of the problems highlighted by CSDR, Mackay added.

Addressing the upcoming US move to T+1, North stated that this was a “number one priority” from an enterprise perspective. He anticipated a 2024 implementation, with building taking place in 2023. Technology and operations must be ready for the change, he warned, with Lee predicting bespoke models to be abandoned in favour of market simplification and standardisation.

The panel concluded that regulation still has a way to go, but reminded the audience that change can take a long time, with Lee suggesting that there will be five to ten years before any significant developments in standardisation are seen.

SFTS: UMR Phase 6 is not an ‘endpoint’ as firms are set to onboard late

Phase 6 of the Uncleared Margin Rules (UMR) is expected to continue for a “long period of time” as approximately 900 firms are in the monitoring phase and are not “fully engaged” in UMR.

The statement was made at the Securities Finance Technology Symposium in London, SFT’s second in-person event of 2022.

Moderated by Margin Reform’s founder and chief operating officer Chetan Joshi, the Initial Margin panel highlighted initial margin (IM) optimisation, lessons from UMR Phase 5 and first impressions of UMR Phase 6 since it went live in September.

Panellists included Clive Ansell, head of market infrastructure and technology at the International Swaps and Derivatives Association,

Stuart Smith, co-head of business development at Acadia, and David Beatrix, head of over-the-counter (OTC) and collateral services, Securities Services at BNP Paribas.

Global head of collateral at State Street Staffan Ahlner and VERMEG's head of collateral solutions product strategy Wassel Dammak, completed the panel.

Speaking at the event, Acadia's Smith said: "Initial margin brought something new to the margin world, there was a risk-based calculation that firms were going to have to do.

"From Phase 1 to Phase 4, there were around 75 firms that Acadia saw reconcile margin on its platform, but Phase 5 and 6 saw another 400 firms. The magnitude of the firms being onboarded changed, as did the nature of those firms.

"The industry went from [having] enormously experienced, very large firms with sophisticated risk departments, to firms that were experiencing their first time engaging in daily risk calculation."

The phasing approach drove the volume of clients coming into Phase 5 and 6, the panel heard.

"Firms had to perform various calculations to determine whether or not they were in scope of initial margin requirements," ISDA's Ansell explained. "When [the industry] reached Phases 5 and 6 — and for Phase 6 in particular — it appears there was a relatively low number of firms that qualified for the IM threshold calculations for posting margin on day one."

From a liquidity and initial margin optimisation perspective, State Street's Ahlner examined what he had seen from his clients.

He said that as a large custodian, State Street was working with a lot of new participants coming into this space. "What is interesting, is that the UMR side is forcing a lot of participants into the collateral space for the first time, in a regimented and strict way," he continued. "Firms are facing a different set of problems on the buy-side."

According to State Street's Ahlner: "UMR is not just solving one problem, a firm needs to look at the holistic picture, particularly for the smaller buy-side firms that now have to figure out how to post margin and [they] will have to work out the demand on the asset from a funding, settlement, lending and OTC perspective, in addition to UMR."

Acadia's Smith concluded that while a huge number of firms have already gone live on reconciling margin, the vast majority of firms are still in their monitoring phase.

"Phase 6 is not an endpoint, it is a stepping stone along the way as we expect to see a lot of those firms reaching thresholds and coming onboard later on in the process," he added.

SFTS: 2023 could see the return of pre-2008 crisis markets

Collateral scarcity may no longer be a talking point for the industry in 2023 and market participants could begin to see a return to pre-financial crisis markets, said Gareth Jones, CEO of Euroclear GlobalCollateral.

The remarks were made at the 5th Securities Finance Technology Symposium, where Jones indicated that the industry may “be at a point of inflection”.

The Symposium’s Collateral Management panel, hosted by SFT’s Bob Currie, examined how firms manage their cash, collateral and margins, and how this is key to maintaining a competitive advantage.

Panellists included Martin Walker, head of product management, Securities Finance and Collateral Management at Broadridge, and Jerome Petit, EMEA market specialist manager at Adenza.

Solutions architect at HQLA^X Martin O’Connell and EMEA head of collateral services at J.P. Morgan Graham Gooden, completed the panel line-up.

Euroclear’s Jones noted that a reduction in settlement efficiency “by a couple of percentage points” was a key change toward the end of 2021, which had declined further during the Russian invasion of Ukraine. Although settlement efficiency has improved, it has not returned to where it was in the first half of 2021, he added.

“The reduction in settlement efficiency is typically associated with

volatility and higher trading volumes, but it has been sustained for a while, which is an indication that there is some scarcity of collateral and securities liquidity out there," Jones explained.

Despite the fact that settlement efficiency is still down, Euroclear's specialist borrowing programmes — GCA for HQLA and Autoborrow — linked to the firm's settlement algorithm, are facing high record volumes. This activity fits with the general trend being seen by market participants, the panel heard.

Jones said: "We all know central banks are holding very large volumes of assets as a result of asset purchases and we know that, with interest rates rising, it is almost inevitable that many people are positioned short. If you look to the US, they are ahead of us by six to 12 months in the interest rate cycle.

"About six months ago, the US market was starting to predict the balance between collateral scarcity and cash scarcity would start to reverse in Q3 and Q4 this year, as interest rates rose and the Federal Reserve began to unwind its asset purchases. The trends in the US are beginning to show that this change is now starting to take place."

Adenza's Petit noted that with the new market conditions, and with the application of UMR behind the industry, firms are now looking for more automation, more efficient optimisation of the inventory, as well as new solutions to manage this. He added that for Adenza as a vendor, "it creates opportunities."

Continuing the discussion, Broadridge's Walker indicated that the market conditions reinforced the need to "get the basics right" in terms of good quality data, timely processes and automation.

"[The industry has] seen with the LDI funds that firms are collateralising interest rate derivatives with bonds, with gilts, and firms are going to get risk on that. People need to get the basics right, supported by the vendors to deal with the market conditions, which are going to get a lot more exciting over the next couple of years," Walker said.

As market participants recognised the importance of automation, HQLA^{X}'s O'Connell noted that from the LDI experience, a number of firms had realised how constrained they were by manual processes.

O'Connell pinpointed that there was a "huge opportunity" here for vendors. He explained: "These opportunities do not come along very often, but when we see the pain points, which were highlighted by that liquidity crisis especially, it is apparent that scalability and automation need to be invested in to ensure that those firms have the capacity to cope with stress volumes.

"After a few years where firms have been concentrating on regulatory investment, the opportunity to re-focus on scalability and automation is now."

SFTS: Repo market is crucially important and prone to vulnerabilities

"If the repo market does not work, none of it works," said International Capital Market Association (ICMA) senior director Andy Hill, when discussing repo as a cornerstone of the financial system at Securities Finance Times' winter Securities Finance Technology Symposium.

Hill made the comment on the Symposium's Repo Panel which

outlined how the industry can make the market more resilient, beyond regulatory intervention.

The discussion was spearheaded by BondCliq's head of European Expansion Gabriele Frediani, who moderated the timely Repo panel, which took place amid the backdrop of wider industry concerns surrounding the repo market.

The panel consisted of EMEA head of financing solutions business development at State Street Cassandra Jones, EMEA director of sales at GLMX Andy Turvey, and head of business development straight-through processing (STP) at MarketAxess Camille McKelvey.

Providing an overview of the repo landscape, ICMA's Hill said: "Repo is a bank-intermediated product, repo trades through the balance sheets of banks.

"It is important that banks are able to trade their match books, to take positions onto their balance sheet and provide two-way liquidity in repo across all different bond classes. This is becoming more difficult."

The panel raised concern over Basel regulation, indicating that this regulation has made it increasingly expensive for the industry to apply balance sheet, particularly for repo, which is a relatively high volume, low return transaction.

According to ICMA's Hill, the industry has seen banks improve balance sheet management over time and has witnessed a progressive move to central clearing. However, the industry is still having moments of vulnerability.

He added: "We hear concern from money market funds that are being penalised for being long cash for certain times in the year.

"We hear concerns from pension funds that worry about being able to meet margin calls, because they have to 'repo out' their holdings to raise cash. The repo market is crucially important and prone to vulnerabilities."

To aid the repo market in dealing with such vulnerabilities, the panel discussed the push toward incorporating automation.

MarketAxess' McKelvey explained: "When it comes to the repo market and the adoption of automation, it has been very slow, and we still have a fairly long way to go. However, in the last two to three years, there has been a real shift and a focus on repo automation and repo workflow from front to back.

"We are starting to see more and more buy-side firms coming onto the post-trade repo platform at MarketAxess. These clients have been instrumental in this growth by working with their sell-side counterparts to move to post-trade automation."

Market participants expressed the need for change in the repo markets.

One panellist said that if regulation does not change, it is imperative that the repo market sees a continued innovation to help give clients and banks optionality to be able to "pull different levers to deal with the regulatory reporting times".

Whether it be incorporating more peer-to-peer structures, or re-evaluating securities lending and the cost of indemnification, change is needed to allow banks and dealers to provide a more efficient way of offering liquidity, the panellist concluded.

DLT is not a solution for every problem, SFT Technology Symposium panellists warn

Distributed ledger technology (DLT) is not a solution for every problem and banks must find valid use cases that work for them, said panellists at this year's Securities Finance Technology Symposium.

The statements were made during the Digital Assets in Securities Finance panel, which explored the current state of digital assets in the market and considered possible futures for the industry.

Ted Allen, director of business development, securities finance and collateral at FIS, was quick to remind the audience that the phrase 'digital assets' does not refer solely to cryptocurrencies — in fact, these do not come under the purview of the securities finance industry. Instead, banks are looking to tokenise existing assets and bonds, improve the efficiency of their current business and eventually issue digitally native assets.

This process will not be a quick one, Allen warned, calling the transition an 'evolution' and a 'gradual migration' from traditional to new rails, with both forms coexisting for many years before a digital approach is fully adopted.

The coexistence of old and new may prove challenging for many market participants. Richard Glen, solutions architect at HQLA^X, highlighted how HQLA^X has established an initial 'one-sided' version of their agency securities lending solution to help agent lenders to integrate their loan activities with a digital ledger without impacting their borrowers' collateral management. This step-by-step approach allows for a steadier integration of workflow, enabling the market to gain confidence in new ways of operating before the full benefits of a delivery-versus-delivery mechanism are realised, he said.

A further concern around digital assets may be the questions around ownership, another panellist suggested. If something goes wrong, it is often unclear where the rights to it lie. With each digital asset having a different answer to this, market participants want to be clear on where they stand.

David Shone, director of market infrastructure and technology at the International Securities Lending Association, stated that market demand is high, with the association's digital steering group asking how the industry should start to adopt digital assets into their day-to-day business. He emphasised the need for standardisation, legal frameworks and regulation, along with education. Market participants need to see digital assets as just another asset class, he said, with the misconception that the technology is the product, rather than the asset itself, making many cautious to engage.

Trust comes from a product or system working, Allen stated. Regulation may not necessarily be the only solution to the lack of confidence in digital assets — people simply need to see that they are a viable and effective opportunity. Glen added that greater ecosystem engagement will help with this issue, proving that digital assets and the systems around them work and gaining industry trust.

He went on to emphasise the importance of an easy transition for clients, who want to be able to use their current infrastructure to see and process digital assets alongside their traditional counterparts. The importance of infrastructure being able to support all market blockchains was also cited as a priority.

Considering central bank digital currencies (CBDCs), the panel raised the issue of a lack of consistency across jurisdictions, particularly in consideration to tax laws, which may be an impediment to adoption.

Securities finance needs standardisation

Securities finance-as-a-service, golden source transaction records and standardisation are areas of particular interest in the securities finance industry as it looks to the future, panellists at this year's Securities Finance Technology Symposium agreed.

The topics were discussed at a panel entitled 'Securities Finance: The Future', in which speakers discussed their companies' recent innovations and future plans, along with their own hopes for the future of the industry.

Matthew Barnett, head of operations at Sharegain, explained Sharegain's recent work on securities finance-as-a-service, developing an end-to-end single-stock solution that covers all lifecycle events. He stated that recent capital market growth was due to retail investor engagement, a sector which does not have access to as much capital as larger market participants. Sharegain's solution offers a more accessible service, with the ethos that accessibility and education are essential for the industry, Barnett said.

His fellow speakers raised concerns about the practicalities of offering securities finance-as-a-service. Kevin McNulty, head of RegTech Solutions Group at EquiLend, questioned whether retail investors were educated enough to make informed decisions, and Matthew Phillips, chief operating officer and head of delivery at Trading Apps, inquired where the line between regulation and consumer protections would be drawn when it came to the retail market.

To these questions, Barnett emphasised Sharegain's focus on education and its approach to risk management, something that he said would be made possible through recent technological developments and the availability of real-time information.

McNulty went on to explain the need for a golden source transaction record, which distributed ledger technology (DLT) can now allow for. He recounted EquiLend's investigation into industry pain points that could be solved with DLT, and the company's conclusion that reconciliation was a key area where cost and effort could be reduced.

After the successful launch of their proof-of-concept solution, which has been volume tested, McNulty stated that the company will work with clients throughout 2023 to provide a market-viable product.

Shane Martin, global head of securities financing sales at Wematch. live, said that the adoption of tokenised assets was at its 'infancy stage' and that further developments would only be prompted by an industry event, such as shortened settlement cycles.

This was disputed by Phillips, who suggested that an adoption of a golden source in one area of the industry would allow further adoption in different areas, with an understanding of the infrastructure catalysing expansion.

McNulty reported that EquiLend has seen a high level of buy-in from many firms with banks willing to spend money in this area. He added that the company was 'quietly confident' in industry adoption, despite Phillips' concerns that the shift to DLT requires a change in mindsets, with trust in technology having to take over from trust in counterparties.

Building on the need for this paradigm shift, the panel's moderator questioned whether legacy technology would fade out or be replaced all at once. Barnett responded that although moving to new technology is ‘inevitable’, it will not happen in a ‘single jump’. Standards need to be put in place before the industry moves to this golden source, he said, but the change is something that should be driven by the industry, rather than by regulatory pressure.

Michael Brown, senior associate at Clifford Chance, added that technology evolution will be iterative. With companies all vying for the same outcome and targeting the same audience, it is inevitable that different versions of ‘golden sources’ will become obsolete, until there is only one remaining.

The importance of standardisation across the industry was an issue also raised by Phillips, who stated that by using the same methods and ensuring the same output format, the common domain model (CDM) will make it easier for counterparties to communicate in a shared ‘language’. CDM will be “the glue that brings the industry together,” he added.

Martin reported that WeMatch.live has seen shortened trade times and regulatory progress in total return swaps, with an industry focus on bringing liquidity to the market. With primes looking for better ways to manage their balance sheets, portfolios and assets, there has been a rise in the number of synthetics coming to market, he said.

Concluding the panel, the speakers shared their wishes for the near and mid-future of the securities finance industry. Barnett hoped to see broader market participation and improved capital markets infrastructure, with McNulty and Brown affirming this sentiment. Martin anticipated better resource allocation and market competition, while Phillips looked forward to the standardisation of risk assessments and contractual negotiations, which he considered significant barriers to market entry.

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A centralised system

The Know-Your-Client process is the backbone of a successful compliance and risk management programme, but market participants are voicing concern over the labour-intensive process. Transparency, centralisation and automation are key to tackling the complexity of KYC, writes Carmella Haswell

The Know-Your-Client (KYC) process is a major barrier to entry in the securities lending space. With limited tech dollars to tackle the complexity of the KYC process, it remains imperative for firms to prioritise automation to boost the efficiency of the lifecycle. "Unless firms start focusing on post-trade and onboarding, we are not going to grow this industry," warns Andy Krangel, director of agency securities finance at Citi Securities Services.

Seventy-one per cent of market participants believe the KYC process needs fixing, according to a poll taken at the International Securities Lending Association (ISLA) AGM & 12th Annual Post-Trade Conference. This is one area of the securities lending lifecycle, respondents indicate, that is in desperate need of attention.

The introduction of new regulations — including the Securities Financing Transactions Regulation (SFTR) and the European Market Infrastructure Regulation (EMIR) — and pressure from geopolitical events, such as Brexit and sanctions imposed during the Russia-Ukraine conflict, has led to banks moving toward an increasingly centralised KYC function across asset classes and jurisdictions. This wave of evolution has largely passed by the securities lending sector, primarily due to idiosyncrasies unique to the industry, according to ISLA's whitepaper, The Future of the Securities Lending Market: On the Cusp of Transformation.

This missed opportunity has proven to be costly when comparing the experiences of new regulations for derivatives to securities lending. While recognising the differences in data collected prior to transaction reporting for Dodd-Frank Rewrite and SFTR, the derivatives industry took the opportunity to centralise and standardise counterparty data sets, while the securities lending industry could not. As a result, the cost of data collection was upwards of five times greater per client in preparation for SFTR.

While, arguably, the securities lending sector is lagging behind the derivatives market in this respect, it is now looking to address this deficit.

The backbone of compliance

KYC standards are designed to protect financial institutions against fraud, coruption, money laundering and terrorist financing. This embraces a set of processes that allow banks and other financial institutions to confirm the identity of an organisation and individuals they do business with, and ensures those entities are acting legally.

Unfortunately, the securities lending market is faced with a higher degree of complexity compared to other segments, says Fenergo's chief strategy officer Stella Clarke. For instance, a large number of securities providers or custodians may be based in a jurisdiction which is a hotspot of financial crime and, therefore, have to deal with more complex investor arrangements, as well as evolving regulatory environments.

A number of firms have been hit with fines in the past few years for not applying appropriate KYC procedures. Commerzbank AG, for example, was fined £37, 805, 400 by the Financial Conduct Authority (FCA) after "failing to put adequate anti-money laundering (AML) systems and controls in place between October 2012 and September 2017".

The FCA's investigation of Commerzbank identified a failure to "conduct timely periodic due diligence on its clients, which resulted in a significant number of existing clients not being subject to timely know-your-client checks".

ABN AMRO also fell short of regulators' expectations and agreed a €480 million settlement with the Dutch Public Prosecution Service (DPPS) in April 2021, following "serious shortcomings" in ABN AMRO's processes to combat money laundering in the Netherlands, including the client acceptance, transaction monitoring and client exit processes in the period between 2014 and 2020.

"Compliance and regulation are everything, you have to follow that before you onboard," says Krangel. "You cannot just start trading with someone, you have to make sure they have the authority to lend, you have to deal with credit risk and documentation on both the borrower and lender side. You have to go through all of these loops internally to make sure you are meeting every piece of regulation."

Clarke indicates that the KYC process is incredibly time-consuming and cumbersome for securities providers. In cases where digitalisation solutions are not deployed for continuous compliance monitoring, this can make it difficult to spot changes in circumstances and lead to "down-stream compliance impacts".

Until necessary standards are agreed and adopted across the market, KYC evaluation is likely to remain a manual and labour-intensive process.

She adds: "Our recent research describes a function that is highly manual and people-driven with risk of human error. In this case, KYC compliance becomes more of a tick-box exercise than an effective approach to financial crime prevention."

Reviewing the current state of the KYC process, Sharegain's head of operations Matthew Barnett says: "Right now, the KYC process is a major barrier to entry in the securities lending space — not because of any regulatory implications or potential for the underlying beneficial owners to participate in this market, but because of the inefficiency and time it takes to conduct the onboarding process."

Barnett says KYC should not be "one-hat-fits-all", despite being treated as such. Whether a firm is onboarding a new custody account or opening a new securities lending account, the KYC process is the same, but the two exhibit different considerations. "It should be defined by the activities intended under any new relationship — and provided with definition from compliance and regulators which is currently too opaque and open to interpretation."

The transition period

As a provider of vendor solutions S&P Global Market Intelligence indicates that it is important to centralise KYC information and to improve coordination across business areas and systems. Lansing Gatrell, managing director of risk and compliance at S&P Global Market Intelligence, explains that information needs to be centralised in a location that is interoperable with other services and client systems. In terms of speed, he indicates that the average time to onboard an account using centralised tools was 15 days, while accounts not using those services took 80 days to onboard.

Completing KYC checks on all customers and entities has proven to be a costly burden for financial institutions. Adding to this burden, KYC checks are not a one-time affair. Firms must contact their customers frequently to request KYC information as company details and regulations evolve.

SWIFT, the Brussels-based financial messaging network and technology specialist, indicates that the creation of a central KYC registry may be an important step forward in improving the efficiency of KYC validation. The registry would store up-to-date, necessary KYC information for a business, where an institution could log into and consume the data they need at any time.

The challenge for the industry, similar to other industries, is that there is "so much to be fixed", and that firms cannot "fix this in isolation", according to Krangel. Although steps to improve this stage of the lifecycle will make the system more efficient overall, the industry should focus on the whole process and decide if it needs to be re-engineered from start to finish.

Krangel says: "We are all on different systems and the complexity of clients being on different systems means vendor solutions that link systems are key. The industry needs globally consistent processes."

Market participants and vendors could utilise a single repository as a golden source of truth, utilising the information to conduct the necessary KYC checks and balances defined by the services they are intending to provide, suggests Sharegain's Barnett.

"The single repository and a common adoption of standards then shift the conversation into the digital space – at that point, we can begin to look at real automation and improved efficiency in KYC and the benefits and wider participation that will bring," he advocates.

Following this train of thought, S&P Global Market Intelligence's Gatrell says that making data shareable across platforms, thereby removing the need for firms to manually insert the data themselves, would improve the system. "We are all competitors, so it needs to be done in a way that is not anti-competitive, but 'success' is impossible without it," he says.

Providing solutions

A push from clients, and encouragement from borrowers and lenders, is likely to be the catalyst that will help drive through changes to the current KYC process.

For the time being, firms are providing their own solutions to aid their clients in navigating this complex process. Speaking to SFT, Gatrell says S&P Global Market Intelligence is tackling the issues surrounding the KYC and onboarding process through two initiatives.

Firstly, the firm added functionality to its Onboarding Accelerator tool that is specific to securities lending, masking client names from the front office while enabling trading desks to prioritise accounts for onboarding. Secondly, the firm integrated the Onboarding Accelerator tool into its securities finance service to allow borrowers to review a lender's credit rating and equity inventory alongside onboarding documentation.

"Sending a portfolio of documentation and then not hearing anything for months is incredibly frustrating and creates a poor first impression – whatever way you look at it," Barnett explains. "[Sharegain] are now looking at partnering with and developing in-house supporting solutions in this space that can create a better first impression – supporting trust and transparency – while meeting this incredibly important regulatory provision."

Clarke says the current economic climate has put "an even greater emphasis" on cost control. In turn, more financial institutions are looking for ways to streamline the client lifecycle process to drive much needed efficiencies.

Fenergo's automated regulatory rules engine aims to reduce through-put rates, which is expected to lead to higher conversion rates and reduction in onboarding costs. "Our KYC solution incorporating perpetual KYC (Smart Review) removes the complexity from KYC for the onboarding and maintenance of funds and investors for securities providers and custodians. This ultimately improves operational efficiencies, improves client experience while reducing operating costs and regulatory risk," Clarke explains.

"At the risk of sounding like a broken record, [the next step] is product interoperability," Gatrell concludes. "Without this, there will be islands of efficiency (onboarding, legal negotiation, trading and settlement) separated by seas of manual intervention, thereby making automation impossible.

"It took the derivatives industry a decade to achieve the onboarding efficiencies of today. But [by] leveraging the same tools, the securities lending industry could replicate this in a few years."

Regulators outline their expectations regarding LDI fund resilience

The Central Bank of Ireland and Luxembourg's Commission de Surveillance du Secteur Financier have written to GBP-denominated liability-driven investment funds outlining actions to protect fund resilience in the event of market shocks. Bob Currie reports

The European Securities and Markets Authority (ESMA) has provided its backing to the actions of financial regulators in Ireland and Luxembourg designed to protect the resilience of liability-driven investment (LDI) funds.

The Central Bank of Ireland (CBI) and the Commission de Surveillance du Secteur Financier (CSSF) have each written to LDI fund managers asking them to maintain the current level of resilience of their GBP-denominated LDI funds and to ensure that there is no significant rise in the risk profile of GBP LDI funds under their management.

This action marks a response to the vulnerability experienced by some GBP-denominated LDI funds in the wake of the UK mini-budget, when funds found themselves needing to meet sizeable margin calls following the volatility surge in the UK gilts market in September 2022.

According to the letters written by Irish and Luxembourg national competent authorities (NCAs), fund managers wishing to reduce yield buffers for GBP LDI funds below their current levels will be expected to inform their NCA in advance, explaining the justification for this change.

ESMA indicates that it welcomes this action from CBI-Ireland and CSSF and reiterates the importance of strengthening funds' resilience, given that large and unexpected shocks can develop rapidly under current economic conditions.

With this in mind, ESMA encourages information sharing and coordinated regulatory activity across NCAs to address risks associated with LDI funds and, more broadly, with risks which may threaten financial stability.

In its letter to LDI funds, CBI highlighted that recent volatility in yields linked to UK gilts gave rise to a concerning cycle of collateral calls and forced sales for some GBP-denominated LDI funds.

The CBI and CSSF indicate that they engaged proactively with managers of GBP LDI funds throughout this period of instability and, subsequently, resilience of these funds across Europe has improved, with an average yield buffer of 300-400 basis points.

A 'yield buffer' refers to the level of yield adjustment on long-term gilts that a fund is insulated from, or may absorb, before its capital reserves are used up. These capital reserves are the capital held in the fund, excluding any shared pool of assets or other investor capital that the fund may have access to.

The letter, signed by CBI head of securities markets and funds supervision Darragh Rossi, states that: "Given the current market outlook, the NCAs expect that levels of resilience and the reduced risk profile of GBP LDI funds are now maintained, and do not consider that any reduction in the resilience at individual sub-fund level is appropriate at this juncture."

Should the resilience of a LDI fund fall below this level [ie "below the levels that were achieved in the period following the dislocation in the UK gilt market"], the fund manager must inform its relevant supervisory authority, provide justification based on detailed risk assessment, and submit a step-by-step plan for returning the GBP LDI fund to this required level of resilience.

> *"Recent volatility in yields linked to UK gilts gave rise to a concerning cycle of collateral calls and forced sales for some GBP-denominated LDI funds"*

In cases where the changing market environment results in an inadvertent reduction in the resilience of GBP LDI funds — including a decrease in the market value of assets held by the fund — the CBI and CSSF requires the fund manager to have procedures in place to recapitalise or de-risk their portfolios through a timely reduction in their exposures. This must take into account the "second-round effects" of actions by other market participants on the individual LDI funds, for instance the market impact of asset disposals triggered by rising yields.

CBI and CSSF indicate that these measures apply to GBP-denominated LDI funds and are not applicable to LDI funds in other currencies for the time being.

However, NCAs require LDI managers to maintain an appropriate level of resilience for all LDI funds at individual sub-fund level to ensure they can absorb possible market shocks. This, again, must include possible “second-round effects” of actions taken by other market participants, including the potential impact of forced sales.

UK Pensions Regulator

Responding to these statements from CBI and CSSF, the UK Pensions Regulator has also issued a guidance statement requiring pension scheme trustees that use LDI funds as part of their investment strategy to maintain an appropriate level of resilience in leveraged arrangements, thereby improving the scheme’s ability to “withstand a large and significant rise in bond yields”.

> *"CBI and CSSF indicate that these measures apply to GBP-denominated LDI funds and are not applicable to LDI funds in other currencies for the time being"*

The Pension Regulator (TPR) also requires trustees to improve operational governance arrangements for pension funds investing in LDI programmes that apply significant leverage — that is funds that use debt, or borrowed capital, to engage in an investment or project.

As part of this guidance, the regulator provides specific practical steps to ensure that pension schemes are able to respond quickly to stresses as they develop in the market. This includes more detailed analysis of how these stresses will impact margin calls and collateral requirements, including the size and timing of margin calls, whether assets may need to be sold to meet these margin requirements and when collateral will settle.

TPR indicates that some defined-benefit pension schemes may opt to establish a line of credit with their sponsoring employer to ensure access to liquidity under stress conditions. These arrangements should be clearly documented and reviewed frequently, detailing the time period, size of the credit line and the conditions under which these may be exercised. The regulator specifies that such facilities should only be used on a short-term basis and for liquidity purposes.

Charles Counsell, chief executive of The Pensions Regulator, says: “LDI funds are regulated in the country their provider is based and, in most cases, these are EEA countries. We are very pleased therefore to see these joint statements from regulators in Ireland and Luxembourg setting clear expectations for the resilience of LDI portfolios.”

With this in mind, Counsell confirmed that TPR had issued a guidance statement for trustees and pension fund advisers confirming the regulator’s expectations regarding their funds’ exposure to LDI funds.

“I urge trustees to read the statement and consider how they can meet the steps it outlines to ensure their scheme buffer is sufficient to cover a swift and substantial increase in yield at the level set by the NCAs.”

Many pension funds should be expected to model these stresses — such as those created by the bond yield rises that followed the UK mini-budget — on an ongoing basis as part of their wider investment risk analytics and stress testing framework. As such, these funds should not be expected to make radical changes to current investment strategies to align with the TPR’s expectations.

For some asset owners, however, this experience does reinforce the need to develop a deeper understanding of how LDI funds react under conditions of market stress and the impact this may have on scheme resilience. This experience will also require some financial regulators to strengthen their ability to monitor the build up of market stress and to provide appropriate guidance. A sharp and significant rise in gilt yields was widely predicted in the period leading up to the UK mini-budget on 23 September, but resulted in significant disruption as LDI funds responded to margin calls and threat of forced sale of assets.

In concluding, TPR indicates that it is continuing to discuss these issues with other regulators and external stakeholders to provide clarification of its longer-term expectations in this area. It plans to issue additional information as part of an update to its annual funding statement in April 2023.

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Into the Matrix

Questions have been raised over the due diligence undertaken on cryptoexchange FTX, where nothing untoward about its financial controls was reported until it went bankrupt. FIS' David Lewis examines the implications for conducting risk reviews in a world of traditional and digital assets

There are multiple examples of stories, books and movies that merge reality with digitally constructed worlds, often blurring the lines between them, and saving the revelation on which is which to the shocking twist at the very end of the story. Similarly, the recent and dramatic fall of cryptoexchange FTX has brought the similarities and differences in financial risks between the real and the digitally constructed world into sharp relief.

FTX is far from the first organisation to fall foul of allegedly lax financial controls, as those that have been in the market long enough to recall the name Nick Leeson will attest. Contagion risk, and its ripple effect following the failure of financial institutions, is a very real thing, as history illustrates with the impact on other organisations following the Lehman Brothers default. However, FTX brings another, slightly more tangential, contagion risk to the development of financial markets — namely misunderstanding.

Understanding digital assets

At the recent Securities Finance Times Technology Symposium, a panel addressed digital assets. It was instructive that, even for that educated audience, my learned FIS colleague Ted Allen thought it appropriate to start with some definitions as to what digital assets are and are not. Ted clearly explained that not all digital assets are cryptocurrencies, and that tokenised traditional assets should not be tarred with the same brush. Such differences are identifiable and explainable, but the risks those differences represent may not be so clear.

The digitisation of an asset does not mean it is any more or less secure than its physical peers, nor is it likely to outperform similar assets that are not digitised. An extreme example of this might be NFTs, or non-fungible tokens. While the lack of fungibility and the unique aspects of NFTs set them apart from digitised shares and bonds, they are similar in that they are a digital or electronic proof of ownership of a given asset – typically a piece of media, such as an artwork or photograph — whether that asset itself is digital or physical. This has quickly become an extremely volatile investment space and not a place for the fainthearted investor.

In the clamour for investing in NFTs, very basic analysis of the actual item to be invested in appears to have been lost, or set aside, on the basis that others who are investing have probably undertaken some effective due diligence. This type of disregard for investigating the true value of the investment has not just been seen in the retail markets. Some very significant funds and institutions backed Theranos, the blood testing start-up whose CEO is now serving 11 years for fraud. Some might argue that the abundance of cheap money over recent years, combined with the paucity of investment returns, has increased investment managers' risk tolerances – but caution should always be exercised in such scenarios. In all these cases, however, it is not the nature of the asset that was digitised that caused the volatility, but the real-world value of the asset itself.

Risk profile

Cryptocurrencies are also commonly confused with other digital assets as an asset class: while one may belong to the other, their definitions should not be conflated. An increased perception of risk for a given financial product is every bit as influential as the real risk. A conversation with a pension fund some years ago illustrated this point: the pension fund refused to invest in exchange-traded funds (ETFs), as anything labelled as 'funds' did not meet their risk profile.

Digital assets, as tokens representing ownership, do not represent a different risk profile to any other real-world version of the same security. In the same way that printed promissory notes replaced the need to carry gold with a more convenient exchangeable form of value, a digitised asset can be moved with near-zero friction in a movement that represents real-time settlement, replacing the need to instruct and settle securities through custodians. The shared register, or distributed ledger, of ownership records the movements and totals assets and liabilities in real-time.

Driving adoption

The increased security and speed of settlement opens a multitude of use cases, but like any new technology it requires widespread adoption. Digital asset issuers are appearing, and most banks have a digital asset strategy of some form as they eye the potential of cost savings and decreased settlement risk.

Distributed ledger technology and digital assets are taking more time to achieve widespread adoption than many would like. However, there are some good reasons for this. Ensuring the market is ready to place its trust in the concepts is key, and caution, following the debacles of the past, is not a negative characteristic. Some observers have suggested that there is a correlation between the practice of audits often being undertaken by the new entrants or juniors of third-party firms — employees that may not have previously experienced market defaults and the damage they cause — and the inability to identify control failures and the risks they represent. Questions have been raised over the reviews taken on FTX, where nothing untoward was reported in terms of its financial controls right up until it went bankrupt.

Bold actions and strategies are needed to continue to develop the securities finance and collateral industry. Many, including FIS, believe that digital assets and secure wallets are a vital component of a more efficient, and flexible future, but market participants need to ensure that solid financial and regulatory foundations are in place to support widespread adoption. Such adoption will not occur without a clear understanding of the broad value of digital assets beyond crypto and what the impact is of stepping from the traditional on one side to the matrix of digital assets on the other.

Latest moves at Wells Fargo, VERMEG and BNY Mellon

Investment bank Mizuho Securities USA hires Sandeep Sureka as managing director, head of equity financing, structured trading and equity's financial resource management.

Based in New York, Sureka will report to head of Americas equity division at Mizuho Americas, Darlene Pasquill.

Sureka was formerly managing director, head of financing and structuring at Wells Fargo from 2019 to 2022.

Prior to this, he was head of prime and D1 financing at Citi from 2010 to 2019. Sureka has worked at a number of companies including AllianceBernstein and SkillSpheres — which he co-founded in 2003.

CIBC Capital Markets, a provider of equity finance, corporate banking and trading, has hired Pasquale Crispo as an executive director for equity finance sales trading.

He joins CIBC Capital Markets with more than 15 years of experience in equity finance trading.

Previously, Crispo was an equity finance sales trader at Citi from 2006 to 2022.

Wells Fargo has appointed Leo Rosenholz as a director within the firm's securities lending demand trading team in New York.

He joins Wells Fargo from Morgan Stanley, where he was previously vice president of hedge fund sales and distribution.

Dolce leaves AXA Investment Managers

Ernst Dolce has departed from his position as head of liquidity solutions at AXA Investment Managers (IM) after 16 years with the firm.

At AXA IM, Dolce led the security financing team and was in charge of liquidity solutions.

He was responsible for ensuring that the team maximised revenue generation and optimised funding for funds and clients' balance sheets by using securities financing techniques.

Based in London, Dolce joined AXA IM in 2006 as senior quantitative analyst, where he later held responsibilities as senior risk manager.

In 2013, he took on the role of senior structurer and was promoted three years later to head of structuring UK and solutions development.

Dolce will remain on the International Securities Lending Association's board of directors after he was elected as director earlier this month.

Prior to this, Rosenholz was employed by financial services subsidiary of Morgan Stanley E*TRADE from 2014 to 2021.

He held a number of positions during his term with the firm, most recently as director of securities lending.

Rosenholz was also a securities lending trader at Interactive Brokers Group from 2003 to 2013.

SIX has appointed Richard Gomm as senior product manager, clearing services.

Based in London, Gomm will report to head of product and markets at SIX, x-clear at SIX AG Michael Gort.

Gomm joins SIX from CloudMargin, where he was formerly director of product management.

Prior to this, Gomm was employed by VERMEG as head of Europe, Middle East and Africa collateral management, during his term with the company from 2014 to 2020.

During his employment with VERMEG, Gomm also took on the role of head of COLLINE business solutions.

BNY Mellon has appointed Zheng Quan Luah as an associate to its client services — clearance and collateral management team.

Based in Singapore, Luah previously served at TransAsia Private Capital Limited as an analyst for its structured trade finance team from October 2020 to November 2022.

Prior to this, Luah was an energy market research intern for Enel X, a Singapore-based market researcher on large energy consumers.

Luah studied at the Singapore Management University.

LCH has appointed James Mernagh as director of RepoClear specialist sales.

Based in London, Mernagh will report to Nigel de Jong, head of sales and relationship management at RepoClear, LCH.

He joins the LSEG from RepOptim, a provider of securities finance services, where he was previously director of business development.

Prior to this, Mernagh was employed by ENSO from 2015 to 2019, where he grew the firm's European client base. He took on a number of roles including sales director for Hazletree and sales director for CME Group.

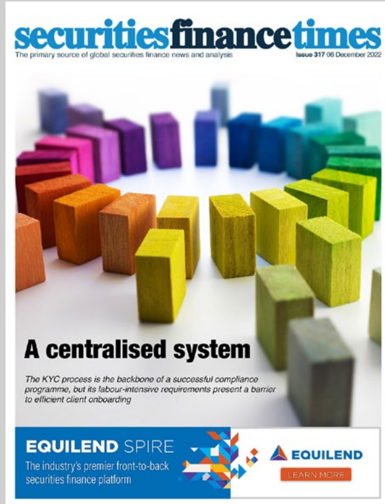
Earlier in his career, Mernagh worked in fixed-income financing sales at Barclays Investment Bank from 2006 to 2014.

VERMEG for Banking & Insurance Software has welcomed back Samuel Welford-Smith as senior sales executive.

He joins the firm’s London office from a senior sales executive position at Regnology.

Prior to this, he joined VERMEG for Banking & Insurance from 2014 to 2021 as a senior sales executive.

Welford-Smith also held a three-year term with Elicit Intelligence as an inside sales specialist.



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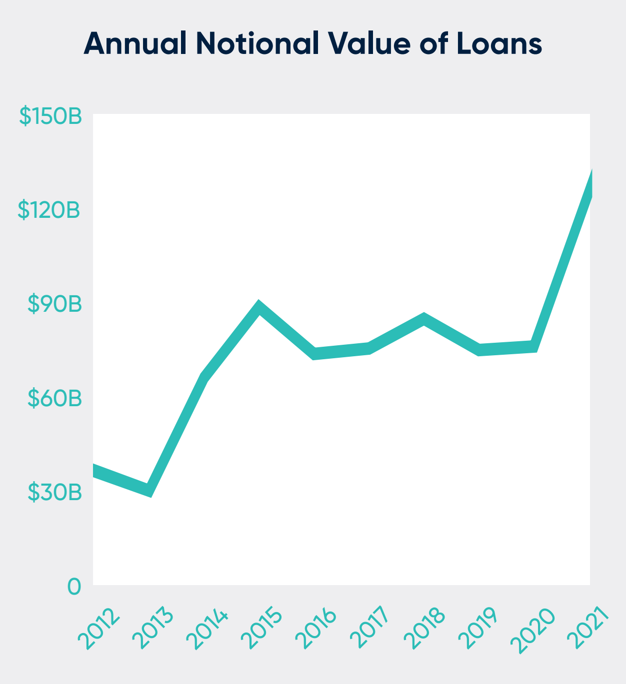

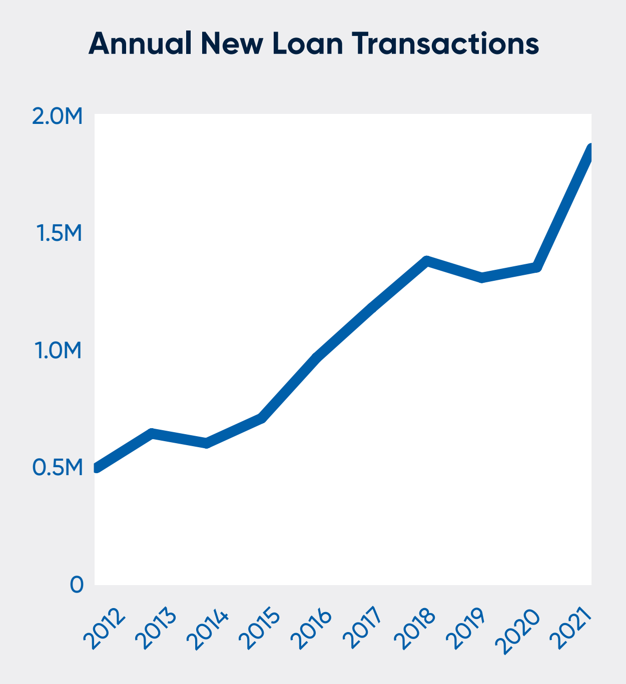

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