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Greater integration

Brian Ruane discusses BNY Mellon's growing collateral business, connecting to new pools of collateral and the voice of the client

Murex partners with Rabobank to expand securities finance solution

Murex has partnered with Rabobank to expand its securities finance offering with the release of MX.3 for Securities Finance.

French software fintech Murex and Netherlands-based bank and financial services firm Rabobank have collaborated on expanding Murex's MX.3 front-to-back-to-risk integrated banking technology platform.

Murex says MX.3 for Securities Finance aims to help traders to make informed trading and collateral allocation decisions through real-time monitoring and settlement-aware inventory, to improve time-to-market of new products, and automate trading processing with a focus on increasing straight-through processing (STP) rates.

Murex also suggests that its low-touch platform will be useful in breaking silos and mitigating risk by consolidating securities finance, collateral operations, post-trade processing and risk management in a single system.

Murex says MX.3 for Securities Finance offers firmwide inventory for available assets, a catalogue of physical and synthetic instruments, as well as post-trade processing automation. Users are also able to monitor risk and inventories in real time and instantly connect with settlement and collateral management.

Rabobank, already a client of Murex and user of its MX.3 platform, contributed multi-disciplinary teams to the iterative development process.

François Nissen, global head of securities finance and collateral management at Rabobank, says: "The collaboration between Rabobank and Murex leveraged MX.3's native integrated platform and produced diverse features that are available in a single system, with a focus on automating the process and producing a low touch and high straight-through processing rate for execution."

Sabine Farhat, head of securities finance product management at Murex, says: "By working with Rabobank and other major players in the securities finance market, we ensured that all market participants can be served across regions by providing a complete solution, meeting local specificities, from cash lenders and cash borrowers to securities lenders and securities borrowers."

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H1 sec finance revenues hit highest levels since 2008

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SFT Industry Excellence Awards

The second SFT Industry Excellence Awards brought the industry's finest together for a night of celebration and entertainment in London

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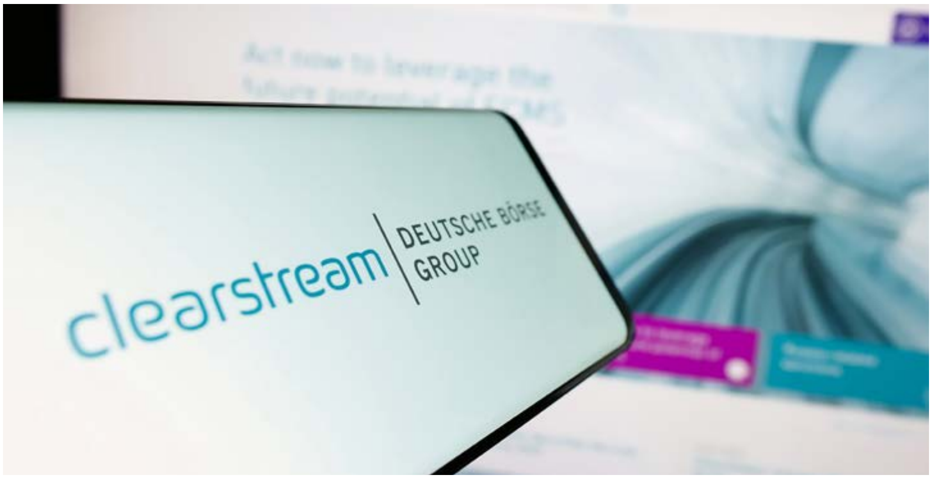
ISDA appoints David Shone

The International Swaps and Derivatives Association (ISDA) has appointed David Shone as director of product, data and digital



Clearstream GSF volumes outstanding increase

Clearstream's global securities financing (GSF) business recorded a 15 per cent year-over-year increase in volumes outstanding to €681.1 billion for June, according to recent monthly figures.

Year-to-date GSF outstanding volumes have increased 4 per cent to €603.7 billion for 2023, relative to €582.5 billion for the equivalent period in 2022.

Assets under custody held in Clearstream have increased 6 per cent YoY to €17,526 billion for the month of June.

Year-to-date, assets under custody saw a 4 per cent rise to €17,283 billion for 2023.

For Clearstream's investment funds services (IFS), securities deposits increased 1 per cent YoY to €3,247 billion for June. The total number of transactions through this service has decreased 4 per cent YoY to 3.84 million for June.

International business (ICSD) securities deposits have increased 6 per cent YoY to €8,281 billion for June. The number of transactions through this service has grown 12 per cent YoY to 6.3 million for June.

GLMX reaches US$1.5 trillion milestone in daily balances

GLMX Technologies has recorded a new milestone as the platform reaches US$1.5 trillion in daily balances.

According to the global technology solutions firm, these balances represent the trading activity of global financial institutions that utilise GLMX technology to negotiate and execute securities financing transactions (SFTs).

Since its inception, the platform has recorded US$186 trillion in volume executed via its technology, the firm says. Its client-base, across 110 individual firms, includes 40 sell-side institutions and a mix of hedge funds, asset managers, sovereign wealth funds, pension funds, insurance companies, money market funds, corporate treasurers, prime brokers and securities lenders.

The firm was recently named Trading System of the Year at this year's Securities Finance Times Industry Excellence Awards.

Commenting on the achievement, CEO and co-founder of GLMX Glenn Havlicek says: "Exceeding US$1.5 trillion in balances reflects

the more than 120 per cent year-over-year growth we saw on 30 June of this year.

"Further, it speaks to the amazing effort of GLMX employees and the speed at which the money market industry is welcoming innovative technology. The success GLMX has achieved in the securities finance market is replicable across the greater money market ecosystem, which is where we have been expanding our focus and will continue to do so moving forward."

Andy Wiblin, chief product officer at GLMX, adds: "This rapid growth, in large part, has been driven by the technology and user experience provided by GLMX. We are excited to apply this same playbook as we expand the product set to achieve our vision of creating a single application to unify access to historically fragmented liquidity pools."

Wematch.live launches Data & Analytics Tool

Fintech company Wematch.live has launched its Data & Analytics Tool to enhance securities financing through improved market transparency and standardisation.

The Tool will initially focus on providing users with data points for common vanilla structures across various tenors including Euro GC, CACM, IBEX and FTSE.

It will incorporate daily activity from across the market to determine accurate mid-calculations and offer comprehensive analytics, according to the fintech firm.

The Data & Analytics Tool has currently gathered nearly 600 data points from 12 institutions in four sessions, Wematch.live adds.

Commenting on the new product, Laurent Benzaquine, co-founder, securities financing coverage at Wematch.live, says: "This new Tool will empower market risk professionals to make better-informed decisions through accurate, standardised data.

"By gathering pricing inputs across the industry, our Tool fosters collaboration and establishes reliable fair value benchmarks to optimise operational efficiency."

Benzaquine adds: "With its user-friendly interface and API integration, our Tool demystifies the complex securities financing market and enables easy participation from all industry players. Users can view historical trends, submit their own data and access metrics — all through an intuitive and interactive platform."

Securities lending revenues make for 'second-best half year ever' for 2023

Securities lending specials revenues for H1 2023 were close to 'an all-time high', pushing total revenues to the 'second-best half year ever', according to Matthew Chessum, director of securities finance at S&P Global Market Intelligence.

The sector generated US$7.02 billion in securities lending revenue during H1 2023, nearing heights not seen since 2008, where H1 2008 figures reached US$8.4 billion.

According to S&P Global Market Intelligence, Q1 2023 generated US$3.414 billion in revenue, representing a 27 per cent year-on-year (YoY) jump. While Q2 2023 accounted for US$3.695 billion, a 7 per cent YoY increase from the same period the previous year.

Strong average fees contributed to H1 2023 revenues, says Chessum. Across all

equities, H1 average fees increased 19 per cent YoY to 87bps.

Average fees across government bonds inclined 34 per cent YoY to 18bps. Corporate bonds also experienced strong demand, attaining an average fee of 46bps, a 47 per cent YoY increase from H1 2022.

The specials market was one of the strongest drivers of revenues throughout the first half of the year, according to Chessum, while US equity specials experienced their best half-year period ever, increasing revenues by 44 per cent YoY to US$2.049 billion.

All top 10 generating stocks over the H1 2023 period were US equities, with AMC generating the most at US$456.4 million.

Anticipating the performance of H2 2023, Chessum concludes: "Heading into the second half of the year, elevated average fees continue to produce healthy returns.

"As the economic situation starts to evolve with a decline in the pace of interest rate hikes, a reduction in inflation and ever-increasing equity markets driven higher by the interest in artificial intelligence, H2 is shaping up to be just as interesting as H1."

ActiveViam partners with Tonic

The company says the partnership will address growing demand for decision-making solutions in the financial services sector.

ActiveViam will add Tonic's transformation and data practitioners to its team in an effort to improve solution delivery.

Additionally, the firm seeks to combine its analytics knowledge with Tonic's experience in collateral management, post-trade, inventory management, market risk and x-value adjustment.

Capital markets consultancy Tonic was founded in 2018. It specialises in transformation and front-to-back trade.

Kathy Perrotte, CEO and founder at ActiveViam, says: "ActiveViam's robust and flexible risk analytics platform and Tonic's focus on transformation programmes and systems implementation provide the right combination of proven technology and outstanding support to any financial institutions wishing to implement best

practices in areas such as collateral management, inventory analytics, credit and market risk."

Chris Watts, CEO and co-founder of Tonic, adds: "We [have established a partnership] with ActiveViam to help accelerate and optimise the delivery of its technology solutions to its growing client base. We have strong crossover in both our domain coverage and market vision."

Interactive Brokers launches Securities Lending Dashboard

Interactive Brokers has launched its Securities Lending Dashboard, a digital tool designed to aid assessment of short-selling activity and inform overall trading decisions.

The dashboard's data is powered by securities lending intelligence provider Orbisa and covers securities that trade in North America, Europe and Asia.

Available market intelligence includes metrics for utilisation, borrower depth, lender depth and a weighted average duration of all open loans.

Users are also able to view two stocks' short-selling data across chosen date ranges.

A subscription-based premium tier adds a short interest indicator and measures of on-loan quantity, on-loan value and days to cover.

The dashboard complements the firm's existing Securities Loan Borrow system, which catalogues shortable stocks on the Interactive Brokers platform.

Commenting on the Launch, Milan Galik, CEO of Interactive Brokers, says: "The new Securities Lending Dashboard is a straightforward tool for advanced traders and hedge fund clients seeking to analyse potential short-selling investment opportunities.

"Our clients can now access a more comprehensive data set to evaluate their short trade ideas and use our Securities Loan Borrow system to identify shortable securities."

JSF and University of Tokyo release report on DLT

Japan Securities Finance (JSF) and the Graduate School of Engineering of The University of Tokyo have released a collaborative research report into the use of distributed ledger technology (DLT) — which the report uses synonymously with blockchain — in securities finance transactions.

From April 2021 to March 2023, the two parties conducted empirical research into the feasibility of using the technology to facilitate transactions involving tokenised securities, collateral in repo transactions and securities lending and borrowing transactions.

The research evaluated three points: the feasibility of using DLT in securities finance transactions, the system performance when processing transactions in market-wide scale, and the impacts of collateralised securities diversification and threshold setting for margin calls on net credit amount and required liquidity, including the evaluation upon market turmoil.

Among its primary findings, the report concluded that DLT is smoothly implemented to securities finance transactions and could reduce credit risk and economise liquidity.

The report found that the use of DLT can reduce settlement risks, especially for transactions denominated in different currencies.

It also finds that DLT can streamline transactions through the automation of margin calls and settlement, therefore reducing administrative workloads, as well as provide more utility to low-liquidity assets.

In managing the research process, JSF took charge of conceptualisation and scheme planning, research of related market practices, and compilation of the final report, while the University of Tokyo was responsible for data analysis and reviewing relevant technologies.

HSBC executes first international SLB transaction on DFM

Dubai Financial Market (DFM) has confirmed HSBC's execution of the first international securities lending and borrowing transaction on the exchange.

The milestone marks the latest step in the continued evolution and expansion of Dubai's capital markets, according to the exchange.

HSBC facilitated the transaction as custodian, acting as the lending representative for a large asset owner and a borrowing representative.

The London-based bank also acted as lending agent and, separately, as prime broker, borrowing DFM-listed equities from the asset owner which global institutional investors could then use to access the exchange.

For the DFM, providing end-to-end over-the-counter SLB transactions is a milestone development, enabling investors to hedge portfolios more effectively or take new positions to derive additional opportunities on traded securities.

SLB is part of the critical infrastructure facilitating the regulated short selling of securities and it also allows asset owners and managers to enhance the yield of their long-term holdings by lending out their securities to borrowers for an annualised fee, the DFM adds, while retaining their rights of holding the securities.

Commenting on the milestone, CEO of DFM and Nasdaq Dubai Hamed Ali says: "This transaction underscores the effectiveness of our market infrastructure to support the implementation of market strategies by our stakeholders. We look forward to seeing international participants making greater use of our SLB facility in the future."

Adnan Hussain, global head of agency securities lending and liquidity services at HSBC, adds: "We are pleased to have collaborated with Dubai Clear and to have used our deep local and global market knowledge to achieve this first-of-its-kind international transaction on the DFM.

"Securities lending activities contribute to a vibrant and robust marketplace, facilitate the efficient functioning of capital markets, and are expected to attract more international investors to the UAE as a result."

Nabeel Albloushi, managing director, head of markets and securities services UAE and regional corporate sales, MENAT, HSBC comments: "We are pleased to have been able to act as a lending and borrowing representative, lending agent as well as prime broker, ensuring the efficient delivery of this transaction.

"It is a further testament to HSBC's commitment to the development of the capital markets in the UAE and to ensuring that, in line with our ambition to be the world's leading international bank, we are connecting clients to the substantial opportunities that exist in this dynamic and vibrant region."

LCH SA merges RepoClear and €GCPlus services

LCH RepoClear SA has merged its RepoClear euro debt service, which includes specials and general collateral, with its €GCPlus service.

The Paris-based clearing house will combine its €GCPlus liquidity with the €3.3 trillion RepoClear liquidity pool to unlock additional netting opportunities for members.

€GCPlus is a general collateral triparty basket repo clearing service that was launched in collaboration with Euroclear and Banque de France in 2014.

The clearing house says the transition will enable "quick and easy access" to secured liquidity and enhanced collateral management capabilities. It also aims to create alternative routes to access liquidity in the general collateral segment through the euro cleared liquidity pool.

According to LCH RepoClear SA, members of the clearing house will benefit from cost reductions through payment into a single default fund, as well as further operational efficiencies including the introduction of one set of margin calls and reports across combined services.

Clearing members can now lend specific securities and recycle the cash proceeds into €GCPlus, therefore reclaiming their asset inventory in one single ecosystem, the firm adds.

RepoClear SA anticipates that a number of financial institutions will benefit from access to a single liquidity pool.

The firm explains that it can ease resource management pressures that derive from balance sheet constraints through its Sponsored Clearing model, allowing buy-side access to cleared liquidity and releasing resource capacity for banks.

Securities finance revenue jumps 20% for H1 2023, says DataLend

The global securities finance industry generated US$5.8 billion in revenue for lenders in H1 2023, a 20 per cent increase on H1 2022, according to DataLend.

Global broker-to-broker activity, where broker-dealers lend and borrow securities from each other, accounted for an additional US$1.5 billion in revenue for H1 2023.

The market data service of fintech EquiLend reports that lenders generated US$3.0 billion in revenue in the second quarter of the year, which drove "improved" H1 figures.

North America, EMEA and APAC also saw improved performances in both equities and fixed income, with North American equities becoming the largest overall contributor with a 27 per cent increase over the first half of 2022.

For the month of June, the global securities finance industry generated US$888 million in revenue for lenders, representing a 16 per cent month-on-month decrease from May

OCC average daily loan value up by 8.3% YoY

The Options Clearing Corporation (OCC) saw the average daily loan value for securities lending trades increase by 8.3 per cent YoY to US$139.2 billion.

The total securities lending volumes cleared by the Chicago-based clearing house has increased 0.2 per cent year-on-year to 206,450 transactions.

For futures and options contracts, total volume has grown 19.4 per cent YoY to 962.6 million contracts for June.

This growth has been propelled by an increase in index options, which have risen by 38.1 per cent YoY to 83.1 million contracts, and equity options, which have risen by 23.3 per cent YoY to 503.3 million contracts.

ETF options have also increased by 11.6 per cent YoY to 372.0 million contracts.

However, futures contracts have decreased slightly, falling 2.2 per cent YoY to 4.2 million.

The year-to-date average daily volume for all futures and options cleared on the platform is 44.7 million contracts, an increase of 8.7 per cent compared to the YTD average volume in June 2022.

2023 and a 1 per cent fall year-over-year.

Global equity revenue also contracted YoY, contracting 5 per cent in June relative to June 2022. However, lending revenue for fixed income securities has risen 15 per cent for the same period.

The broker-to-broker market generated an additional US$232 million in revenue in June, representing a 12 per cent decrease YoY.

The top five earners in the securities lending market in June 2023 were AMC Entertainment Holdings (AMC), C3.AI Inc. (AI), Sirius XM Holdings (SIRI), Beyond Meat Inc. (BYND) and Nikola Corporation (NKLA). The five securities in total generated nearly US$90 million in revenue for the month.

Eurex Repo average daily volume nearly doubles YoY for June

Trading volumes on Eurex Repo have risen 95 per cent YoY to €378.6 billion for June, nearly doubling the average daily term-adjusted volume of €194.2 billion recorded in June 2022.

This growth has been driven by a 138 per cent increase in GC pooling volumes YoY to €168.6 billion and a 70 per cent YoY increase in special repo to €210 billion.

There was smaller expansion in OTC derivatives clearing, with aggregate notional outstanding volumes increasing by 23 per cent YoY for June to €33,623 billion.

This includes a 14 per cent YoY rise in notional outstanding interest rate swaps to €14,162 billion, of which overnight index swap clearing volumes have risen 34 per cent YoY to €2,775 billion.

Average daily cleared volumes increased 36 per cent YoY to €173 billion.

However, this includes a 38 per cent contraction YoY in average daily interest rate swaps to €20 billion, as well as a five per cent decrease in overnight index swaps YoY to €13 billion.

Brazilian exchange group B3 collaborates with Nasdaq

Nasdaq has confirmed a partnership with Brazilian exchange group B3 to deliver a clearing platform for the Brazilian stock exchange.

This establishes a multi-year collaboration between the US exchange and financial technology group Nasdaq and B3, drawing on Nasdaq’s expertise in delivering real-time clearing solutions to more than 30 clearing houses globally.

Through its modularised clearing solutions, Nasdaq aims to provide central counterparties with high-velocity clearing, settlement and risk management tools for multi-asset class clearing services.

B3 indicates that this agreement is the latest step in its long-term strategic plan to deliver high-grade technology to the Brazilian market through collaboration with global partners.

B3 chief technology officer Rodrigo Nardoni says that the upgrade of the B3 clearing platform will be conducted through a phased transition that will minimise impact on market operation. “Through a phased migration process, B3 will gradually transform its clearing house solution onto a new platform, reinforcing our strategic commitment to technological innovation and capturing direct benefits for our clients,” he says.

Greater integration in collateral management

Brian Ruane, senior executive vice president, global head of clearance and collateral management at BNY Mellon, recently met with Justin Lawson to discuss the firm's growing collateral business, connecting to new pools of collateral and how to integrate the voice of the client

What are some of the major trends you are seeing in collateral management?

Collateral management is an integral part of our clients’ funding, trading and business models — and clients continue to look to us for flexibility, improved connectivity and data analytics. With this in mind, firms are increasingly considering consolidation and centralisation of funding activities. Clients want to optimise their portfolio across a range of metrics in a central funding model, reducing funding costs by using the right asset to support the right obligation in the right legal entity at the right time.

Facilitating this is part of our strategy and includes greater integration and interoperability between settlement locations (CCPs, CSDs) which, in turn, is increasing the use of collateral. To enable this, we continue to look for increased connectivity to other market infrastructure providers, technology providers and clients via application programming interfaces (APIs), while continuing to support standards such as Swift secure financial messages.

We also continue to see demand for collateral mobility driven by the need to meet regional obligations, minimise shortfalls and meet the Uncleared Margin Rules (UMR). To fully optimise and mobilise collateral, connectivity to other pools of collateral and new markets is essential. To achieve this, we are increasing our connectivity to new markets, triparty agents, central counterparties, central banks, fintechs and clients' internal systems. For example, we have launched services with Hong Kong Stock and Bond Connect, Euroclear Collateral Interface, Korea, Malaysia, and Indonesia, and we will roll out a solution in Taiwan later this year.

In addition, market volatility has highlighted the importance of collateral management for managing liquidity and mitigating counterparty risk. This volatility has affected most financial institutions and, as a result, a number of collateralised facilities that use BNY Mellon’s platform have grown in popularity, including the Federal Reserve’s Reverse Repo Program, the Standing Repo Facility, and the FICC’s Sponsored General Collateral Program.

The industry is also clearly benefiting from the work done to comply with all six phases of the Uncleared Margin Rules (UMR). For example, an area of focus is the adoption of market standards for margin messaging, reconciliation and increasing automation, which is resulting in improved settlement.

How is BNY Mellon ensuring that it stays ahead of these trends?

We are active in the collateral lifecycle and our scale, diversity and resiliency enables clients to operate in the most optimal and efficient way possible. We continue to invest in our core technology infrastructure and user experience with the goal of improving the client experience and simplifying doing business on our platform. We will continue to invest in the platform and new technologies to ensure that our platform supports our clients’ needs and increased demand for decision-making tools.

What is BNY Mellon’s collateral optimisation strategy?

In today’s financial markets, the demand for aggregation and efficient allocation of collateral is growing and, in response, we are investing in capabilities that give clients a comprehensive view of their sources and uses of collateral, as well as providing optimisation across asset types, transaction types and collateral venues. For example, by leveraging the strength of our robust collateral optimisation engine, eligibility screening and directed allocation solutions, clients can more efficiently allocate collateral across BNY Mellon’s US$6 trillion platform in a short period of time.

Technology is a key part of the success of these solutions. Our optimiser uses multiple patented algorithms, client-defined inventory data, customised cost models and security reference data to reduce funding costs associated with Liquidity Coverage Ratio, Net Stable Funding Ratio, Risk-Weighted Assets, and more. In addition, we acknowledge the value of collaboration – and, as a result, have established strategic relationships with Pirum Systems and Baton Systems and regularly engage with clients to demonstrate the value our expertise and solutions can unlock.

A feature that all our solutions have in common is that they do not represent a one-size-fits-all approach. Clients can choose to use the full suite of optimisation services or specific modules in conjunction with their own optimisation tools. In this way, through our strategic investments and collaborations, we are creating key building blocks to achieve a truly global and truly tailored optimisation for our clients.

What are your clients’ views on the future of collateral management?

It is an exciting time to be in the collateral space. We are constantly listening to our clients – and it is clear from these conversations that resiliency, innovation, mobility and connectivity are some of the important pillars for the future.

"In today's financial markets, the demand for aggregation and efficient allocation of collateral is growing and, in response, we are investing in capabilities that give clients a comprehensive view of their sources and uses of collateral"

Brian Ruane
Global head of clearance and collateral management
BNY Mellon

In particular, we hear – and also believe – that the emerging technologies that are transforming the world around us, such as artificial intelligence, tokenisation, and cloud computing, are well-placed to improve collateral management. As a result, we continue to explore ways to integrate them into our platform to provide enhanced resiliency and value to our clients. Alongside this, we are also investing in our people, as evidenced by our new class of interns, the largest in our firm's history. This combination of new engineering talent and technologies will play an essential role in bringing markets and platforms together such that our clients can derive greater efficiencies and better manage their scarce resources.

We also believe that ongoing technological innovation will make optimisation easier in the long run. For example, we are in the early stages of developing services to support tokenised US Treasuries from a clearance, settlement and collateral management perspective across regions and time zones. We approach this by creating the future market infrastructure technology platforms that will deliver digital asset custody and tokenisation-as-a-service.

What can your clients look forward to from BNY Mellon in the near term?

Given our market position, clients also talk to us about how we can leverage our data to provide them with greater efficiencies. One example of this is our investment in our front-office analytics portal, which will offer premium services based on artificial intelligence with integrated solutions aimed at improving our clients' profit margins. One new product we are particularly excited by is our Treasury-Fails Indicator & Auto-Borrow Service, a machine-learning based predictive analytics service that forecasts anticipated fails and cancels hours before they occur. Dealers can then borrow Fed-eligible securities via a push-button solution, mitigating fails to reduce fail charges and generate investable cash. Mitigating fails has a material return on investment that is not widely understood in the market.

Another feature of the portal is our Repo Spread Indicator, an AI analytics service that forecasts bilateral treasury repo rates over the auction cycle for on-the-run treasury securities to help clients reduce their cost of funding and increase their lending revenues. We are excited to work with our clients using a consultative approach and in-depth analysis as they look to optimise their global portfolio of assets across regions, legal entities and service providers.

MUREX

MX.3 for Collateral Management and Securities Finance

Banks can now break silos and bridge the gap between collateral management, settlement and securities finance for a wide asset class catalog.

Benefit from Murex technology and deploy centralized real-time inventory management, a holistic strategy on funding activities and a high level of automation that can mitigate risk, manage liquidity and reduce cost.

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Building an integrated SFT infrastructure on secrecy-preserving computation

Matthew Cohen, chief executive of Provable Markets, speaks to Bob Currie about the benefits that their vertically-integrated ATS is bringing to securities finance and how cryptographic research is driving their approach to product design and development over the medium and long term

The New York-based broker-dealer and alternative trading system (ATS) Provable Markets was initially preceded by its R&D arm and engineering team that was founded in 2018 by MIT-trained engineer Thomer Gil. Together, the commercial and engineering teams are seeking to bring together cryptographic research and emerging computational advances, with practical experience held by seasoned financial professionals with a deep understanding of securities finance and the broader capital markets infrastructure.

The founding team and advisers brought to the company an impressive track record of building companies from the ground up, with a number of billion dollar exits already to their name. The company is a staunch advocate of standardisation and interoperability within the financial services industry, bringing a direct market access type model to SFT trading and clearing that, it believes, is best served through collaboration with other technology innovators and service partners.

Sister company Provable Labs was formed in the Netherlands in June 2018, drawing on academic work in the field of cryptography by advisers Chris Thorpe, David Parkes, and Steve Willis. Thorpe completed his doctoral research at Harvard in 2007 with an idea for a fully-encrypted dark pool where the order book and matching process are conducted under encryption.

The underlying cryptographic application is called secure multi-party computation (MPC), which enables mutually distrustful parties jointly to perform distributed computation on individually encrypted inputs.

Provable Labs applied this technology to create a novel matching engine that enables participants to submit their full trading interest into an encrypted order book without disclosing their intended execution goals — even to Provable — thus eliminating pre-trade information leakage.

While institutional investors have long had access to alternative trading systems that enable them to execute block trades, parties remain concerned about leakage of trading information — meaning that key details of their trading strategies may be revealed to others and that knowledge of their liquidity and trading structures can impact pricing, creating market movements that may be exploited by other trading participants.

On completing his PhD, Thorpe authored a series of white papers on potential uses of MPC in capital markets. Recognising the potential that this application could offer in a trading context, the work was discovered by a large Dutch pension fund which sought to bring this academic concept into practice.

Cohen joined the company in 2020, looking more deeply at how these computational models could be applied to the broader financial services environment. Drawing on his trading experience at Bank of America Merrill Lynch and MD positions at Jefferies and Nomura, he focused particularly on areas where risk and inefficiency persists in a trading context due to incomplete data sets. “From the outside, there is always a tendency to assume that financial markets operate more efficiently than they do,” Cohen observes. It took a trader’s experience, with a solid grasp of technology solutions, to recognise some of the most pressing use cases where these computational advances could be applied more widely.

SFT clearing service

From its inception in 2018 until Cohen joined two years later, the company was centred around a core of highly skilled software engineers based in Amsterdam. Provable Labs was led by Gil, who had previously been CTO of successful non-financial startups, and the firm's chief technology officer Ruben de Vries. While their initial implementation focused on block trading, the team recognised that the ability to perform complex matching algorithms under encryption could quickly expand to a much wider range of use cases.

Since then, Provable has built full stack securities lending infrastructure from scratch, all accommodated in one modern and integrated cloud-based platform. “We call our current, live product a vertically integrated Alternative Trading System,” says Cohen. “We emphasise vertical in that, together with trading functionality, it offers significant post-trade efficiency by pre-matching position details, eliminating — among other historical inefficiencies — the need for overnight batch settlement and T+1 reconciliation entirely. We are designed to serve the needs of the front, middle and back office.”

In November 2021, Provable Markets was accepted as a broker-dealer member of the Financial Industry Regulatory Authority (FINRA) and, several months later, the firm also registered its Form ATS with the Securities and Exchange Commission (SEC).

In October 2022, Provable Markets confirmed the completion of the first securities lending transaction cleared through the Depository Trust and Clearing Corporation’s (DTCC’s) new Securities Finance Transaction

(SFT) Clearing Service. The firm is one of two approved submitters, alongside Broadridge, into the DTCC SFT clearing solution.

The trade was executed on Provable's ATS, Aurora, and centrally cleared and settled via the SFT Clearing Service on 6 October. To support seamless processing, Provable Markets has established an alliance with FIS to enhance user connectivity to the DTCC SFT Clearing platform. The partnership integrates Aurora and FIS' Securities Lending Processing Platform — previously known as Loanet — and its related product suite.

Cohen explains that this partnership has enabled National Securities Clearing Corporation (NSCC) members, and sponsored access firms that are customers of FIS Loanet, to connect to DTCC's SFT service with little disruption to their existing workflows. With this, trade positions are updated in the book of record held at Loanet Accounting and Settlement in close to real time.

"Customers are best served when providers collaborate to make the process low lift and low cost," explains Cohen. "In contrast to other market structures, the concept of a new system or vendor in securities finance comes with immediate concerns about underwriting a big build or contract. Quite bluntly, we feel this shouldn't be the case, and we've proved the possibility with this relationship."

One of the primary drivers, Cohen notes, is to bring efficiencies from electronic cash equities trading and other mature markets into the SFT realm. Aurora is designed to be flexible and interoperable with other execution platforms, enabling users to access trading liquidity from multiple sources and ensuring that the broader securities lending infrastructure is no longer vulnerable to single points of failure.

In doing so, Provable Markets has embedded front, middle and back-office procedures into a single solution, offering automation across the SFT lifecycle. This also offers advantages to the trading desk, where Aurora can deliver central order book style trading to securities finance trading, while also delivering major benefits in RWA reduction and balance sheet efficiency.

Having established this integrated SFT infrastructure, the management team is now reviewing the next step in the company's evolution. "We offer a significantly broader product set than we did 12 months ago, built upon a foundation of execution and settlement workflows that reset a broken market structure," Cohen argues, "and our approvals allow us to develop trading and post-trade support in swaps and options trading, providing wider access in synthetic markets to meet securities finance trading outcomes."

This will form one element of the firm's plans to extend its solutions coverage — shaped by consultation with clients and across its working groups — but Cohen is clear that the expansion programme should remain focused and lean, without delivering any unnecessary features that the market might not use.

"This approach underpins our working culture and mindset, to always be pragmatic and open in our decision making," comments Cohen. "In our initial engagement, clients might be fearful that a highly feature-rich solution may take six months to install," explains Cohen. "However, our engineering team is mindful that solutions do not always need to be done in an overly complex way, and that often leaner and more streamlined technology may result in the best outcome by focusing on solutions that deliver the most impact for our clients."

In delivering these objectives, Provable Markets is willing to collaborate with other firms that serve complementary workflows and that its customers would like the firm to work with. "Our partnership with FIS has been valuable in helping participants of all sizes seamlessly reap the benefits of the DTCC's SFT Clearing service," says Cohen.

"In this respect, our focus has been on working to save back-office overhead through straight-through processing," he continues. This is one area in particular where Provable Markets has sought to establish additional partnerships. The company anticipates announcements of such projects over the coming months.

Vertically-integrated ATS

SFT asked Cohen to elaborate on which features of the Provable Markets solution have been most compelling to its broad constituency of users. The list includes benefits to the SFT trader with DMA-type access through Aurora; the ability to promote an STP workflow from pre-trade across the transaction lifecycle; and the offer of RWA and capital efficiency benefits. Embedded in the architecture, solutions are also available today for pending regulatory items, in particular T+1 recalls and 10c-1 compliance.

"It has been a mixture of all of these elements," Cohen responds. "Many customers are attracted to our ability to provide a centralised order book for SFT trading, which expands to new and valuable opportunities for automation."

Bank clients are heavily focused on capital efficiency and capacity to offer RWA savings associated with their SFT trading activity or provision of agency lending services. A noteworthy feature of the DTCC SFT clearing solution is that the agent lender can also participate in this cleared SFT ecosystem and Provable Markets is working actively with the agents, DTCC, and their counterparts to find the right model to support scalable SFT access to a cleared environment.

To strengthen its hand, the company has made some judicious appointments to its senior team, with Halima Butt, former head of US platform sales at Euronext joining as head of strategy and sales in August 2021, and becoming Provable Markets' chief operating officer just over a year ago.

In April 2022, it brought in Rachel Andreassian from Liquidnet to head its product and market structure team, deepening its pool of expertise in electronic equities trading and workflows.

To run the sales function, Brian Foley was appointed as the firm's managing director for sales in March, having previously been a founding employee of both Liquidnet and IEX.

Ramping up volume

It can be a tough infancy for an emergent fintech working to establish itself in the capital markets — with young companies facing a constant challenge to prove their worth and to justify strategic choices at each stage on the journey.

Against this background, Cohen highlights the importance of support from its investors, venture capital companies Anthemis Group and Inkef. It also has support from a network of investors that "have lived and breathed" the financial services world over their distinguished careers, mainly as hedge fund executives or as technology specialists. "It takes a long time and plenty of patience to build an enduring business and we are appreciative of the continuous support in this context that has enabled the company to grow properly," he says.

In driving innovation, Provable's approach is to move in incremental steps, advancing one step at a time and looking to do each as well as possible, informed by incorporating constant feedback from clients.

In the short term, the focus is to ramp up volumes with its initial cohort of customers, growing Provable Markets as a business and bringing more flow into the DTCC SFT Clearing service, while at the same time demonstrating the broader benefits the system architecture offers for day-to-day financing workflows.

"It is important that we are moving with the needs of our users, but also that we build volume and scale the solution," says Cohen. "Only in close coordination can we fully leverage our existing pipes and apply standardised workflows to meet users' requirements, while delivering greater efficiency to the collateral and margin management requirements that may need to be tailored directly to the individual user."

"Customers are best served when providers collaborate to make the process low lift and low cost"

Matthew Cohen
Chief executive
Provable Markets

With this in mind, the team has been reinforcing its ability to work with pledged collateral transactions, to accommodate triparty structures and a wider range of collateral arrangements.

The philosophy of the company, he explains, is to remain open and pragmatic and to build enduring relationships with customers. This involves engaging across the organisation's front, middle and back office, recognising that actions in each of these areas is likely to generate a reaction across the wider trade lifecycle.

"We have taken pride since our formation in being open at each stage in our development — in disclosing what we have built, what we expect to build and what we will not, while collaborating with industry partners where appropriate to deliver effective solutions for our clients," concludes Cohen. "We intend to work closely with our clients and the industry to play a key role in the evolution of the securities finance market for many years to come."

H1 sec finance revenues hit highest levels since 2008

Matthew Chessum, director of securities finance at S&P Global Market Intelligence, reviews performance in global securities finance markets during H1 2023 and explains how monetary tightening, AI-driven equities rallies and US banking failures are combining to drive trading activity across the sector

Q2, and indeed H1 2023, provided a vibrant backdrop for market participants. Regional bank failures in the US, some of the largest swings in bond yields ever recorded, a doubling down in the fight against inflation with steep and regular interest rate hikes, a debt ceiling cliff edge, and the emergence of a new artificial intelligence market rally, account for just a small number of market events that securities lenders have had to navigate. Throughout all of these different scenarios, the securities finance markets continued to provide liquidity to market participants in a risk-adjusted manner, helping investors to seize opportunities to generate additional returns and to manage their investment risk.

These conditions, while being very different to anything experienced for many years, provided the fertile ground required for securities lending to thrive. During the first half of the year, securities finance revenues have reached levels not seen since 2008. While being a little way off 2008 levels (securities finance revenues were US$8.40 billion in H1 2008 and US$7.02 billion in H1 2023), revenues have remained elevated throughout the period.

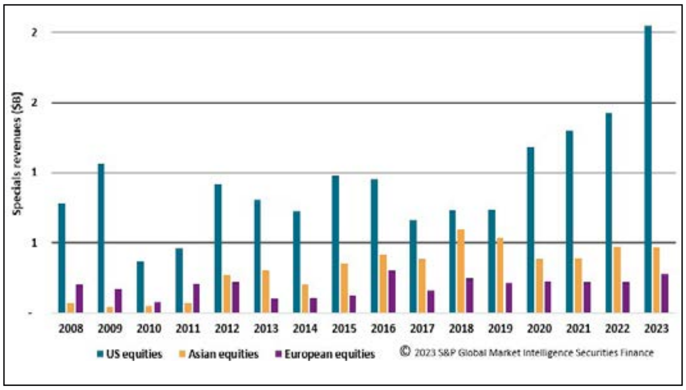
Looking at H1 returns, revenues increased 16 per cent year-on-year to US$7.02 billion. Drilling down into these numbers, all asset classes outperformed YoY over the H1 period apart from exchange traded products. Revenues from equities increased 14 per cent YoY to US$5.394 billion. In the fixed income markets, government bond revenues grew by 11 per cent YoY to US$966 million, while corporate bonds continued to generate very strong returns, rising 37 per cent YoY to US$594 million. Exchange traded products generated US$316 million in revenue during the first half of the year, which represented a decline of 30 per cent YoY.

Across the equity markets, Americas equities were once again the hero, producing an incredible US$2.825 billion in revenues. Average fees increased 29 per cent YoY, standing at 86bps over H1. Asian equity revenues climbed 1 per cent over the six-month period to US$1.038 billion and EMEA equities experienced revenue growth of 14 per cent over H1 to US$966 million.

Equity markets have experienced impressive growth when compared to H1 2022. An increase in average fees has been an important driver for revenue growth across the asset class, with fees across all equities climbing 19 per cent YoY to 87bps. In contrast, loan balances declined 5 per cent YoY, lendable declined 5 per cent and loan utilisation remained flat. The increase in average fees was a result of a very strong specials market in the US, higher fees in some European markets — particularly Switzerland, Sweden and France — and an improvement in securities lending activity in some of the high value Asian markets such as South Korea and Taiwan.

The performance of the specials market has been well documented this year, but figures seen during H1 2023 have set new records (fig 1). US equities have seen the vast majority of specials activity, generating US$2.049 billion in revenues over the first six months of the year. To put this into context, this represents a 44 per cent increase on 2022 (H1 2022 revenues were US$1.40 billion, H1 2021 revenues were US$1.29 billion and H1 2020 revenues were US$1.18 billion). Again, this is the highest revenue figure seen since our data collection started.

Fig 1: Equity specials revenues by region for H1 2023 (US$ billion)



Over the course of H1, US equities specials revenues were strongest in April at US$393 million, derived by lending assets with average fees greater than 500bps. During this month, 77 per cent of all US equity revenues were generated by specials trading. Over the six-month period, an average 78 per cent of all monthly revenues were generated by specials, which accounted for an average 3.2 per cent of all balances. As long as recall risk is managed effectively, this market has been very good at generating exceptionally strong risk-adjusted returns for lenders.

Across Asia, US$469 million was generated in specials revenue, making H1 2023 the fourth-best period since 2008. In Europe, US$279 million was generated from specials activity over the period, making it the second-best H1 for specials revenues since 2008. For EMEA, record H1 specials revenues were attained in 2016 at US$303 million. A similar story played out across fixed income markets, with strong demand across both government and corporate bonds as interest rates continued to rise, economic data kept surprising to the upside and inflation remained stubborn across numerous jurisdictions worldwide.

Government bonds experienced increased volatility, especially over the second quarter of the year, as the US debt ceiling discussions pushed borrowing rates higher across US treasuries and caused balances to decline. Short-dated government bonds remained in demand as borrowers required additional liquidity and directional demand increased. Short-dated bonds are the most sensitive to immediate rises in interest rates and, given the lack of clarity surrounding any decline in the rate of inflation throughout the majority of the H1 period, these bonds remained in high demand throughout. Revenues generated by government bonds increased 11 per cent YoY. In contrast, average fees were 18bps, balances declined by 17 per cent YoY and utilisation contracted by 19 per cent.

Corporate bonds continued to experience gains throughout the period. Average fees hit an impressive 46bps (a 47 per cent rise YoY), pushing revenues up by 37 per cent to US$594 million. However, balances declined by an average of 8 per cent over the period. Corporate bonds have been a strong driver of revenues for the last 18 months. However, towards the end of the Q2 period the recent increases experienced in both fees and revenues started to taper off. Corporate bond revenues hit US$298 million during Q1 and declined very slightly to US$296 million during Q2.

Average fees also fell by 1bps. During June, average fees fell to 44bps, their lowest monthly average since November 2022. It is therefore possible that corporate bond returns have reached their peak.
The first half of 2023 gave securities lenders a lot to be thankful for. Higher average fees have contributed to higher revenues and, for those lenders that held any of the assets that were trading special, very strong risk-adjusted returns. Market conditions have started to change as we head into H2 and Q3. Equity markets continue to rally, inflation in the US has started to fall and the possibility of soft landings across multiple regions seems to be an increasingly likely scenario.

As always, the broader market backdrop will continue to shape activity levels in securities finance markets. Despite the recent changes in market conditions, we can conclude from H1 2023 that we should take nothing for granted. As the speed of market changing events has increased and regional economic divergences become more pronounced, pockets of opportunity are still likely to exist for some time to come.

2023 securitiesfinancetimes INDUSTRY EXCELLENCE AWARDS

The second SFT Industry Excellence Awards brought the industry's finest together for a night of celebration and entertainment in London

Securities Finance Times hosted its second annual Industry Excellence Awards on 6 July 2023 at London's Plaisterers Hall.

Returning host Neil Griffiths welcomed rising stars and lifetime achievers, presenting 26 awards to the estimable winners chosen by an independent panel of industry experts.

The awards are dedicated to supporting and recognising talented and dedicated firms, individuals and departments across the industry. Winners of the awards form part of an exclusive group comprising some of the most influential names in the financial services market.

This year's Lifetime Achievement Award recognised Carol Kemm, consultant director of Trading Apps, for her nearly 40-year-long career and the incredible legacy of her Global One software system, which is still in common use.

Commenting on her win, chief operating officer of Trading Apps Matt Phillips says: "From her initial entry into the sector, Carol has played a transformative role in the evolution of the securities finance industry. Her commitment to innovation and her exceptional ability to foresee industry trends have been revolutionary.

"We are immensely proud of Carol and believe that her legacy will continue to inspire not just us, but generations of technologists in the securities finance industry."

Guests also congratulated Travis Whitmore, senior quantitative researcher and head of securities finance research at State Street Associates, on his Rising Star of the Year win, which recognised his excellence conveying relevant and abstract insights to clients and his work with academics to blend theory with real-world complexities.

Commenting on his win, Whitmore says: “It is an honour and a privilege to have received SFT’s Industry Excellence Award for Rising Star. The securities lending market is such an interesting space to explore through the lens of quantitative analysis and academic studies.

“It is humbling to have that work recognised on an industry-wide forum. All of this is not possible without my talented colleagues at State Street, so I want to thank them for their continued support and guidance. I look forward to continuing to work towards making a positive impact for investors and the industry as a whole.”

EquiLend won its fourth award of the night with the Diversity and Inclusion Initiative of the Year award, making it this year’s most prolific winner; the firm also took home Americas Data Provider of the Year,

Global Data Provider of the Year and Post Trade Technology Provider of the Year.

"I am extremely proud of the recognition for our diversity and inclusion, which we live and breathe every day — we always have, and always will," says Brian Lamb, CEO at EquiLend. "Team EquiLend is made up of hundreds of talented and hard-working individuals around the globe who are dedicated to our singular vision of developing the best-quality solutions for the securities finance marketplace."

Darren Crowther, head of securities finance services at Broadridge, was awarded Industry Inspiration for his work to implement and promote the use of financial technologies in the securities finance and asset management industries over the past 20 years.

"Our centralised, robust and automated framework is compliance-ready for uncleared margining rules. It provides a consolidated view of asset inventory in real-time. We think this award is well-deserved and we thank the panel at SFT for selecting MX.3 for Collateral Management."

Guilhem Bernard
Head of collateral product management
Murex

Responding to his win, Crowther comments: “It has been 22 years since I began working in securities finance and I have had the pleasure to work with, for and, in many cases, manage some great people who turned into great leaders.

“Learning from all of these people and having some great mentors and support has helped me to progress from the most junior role in a fintech [firm] to now running Broadridge’s securities finance platforms and services. There have of course been challenges to navigate along the way but it is always fun! That is how it should be...hard work and enjoyment…I hope the future leaders have the same experience!”

The night also featured some exciting new awards; for the first time, the ceremony recognised excellence in the field of repo, with the European

“For over 20 years, the repo team at South Street Securities has demonstrated unwavering dedication and professionalism, making this achievement possible. Our relentless commitment to our clients has been the catalyst for our success.”

“This accolade serves as validation for our tireless efforts and motivates us to push the boundaries even further in the dynamic world of capital markets. I extend my heartfelt appreciation to our exceptional team for their remarkable contributions, which are instrumental in maintaining our commitment to excellence at South Street Securities.”

Jim Tabacchi
CEO
South Street Securities

Habiba Greenland of South Street Securities collecting the award

Repo Team of the Year and Global Repo Team of the Year awards going to Natixis. The Americas Repo Team of the Year was awarded to South Street Securities.

Other winners included Citi and Sharegain, joint recipients of Best Partnership of the Year, MUFG Securities EMEA, winners of ESG Initiative of the Year, and J.P. Morgan, which took home Global Lender of the Year, Client Services Team of the Year and Collateral Solution of the Year.

Ben Challice, global head of trading services at J.P. Morgan, comments: "It is fantastic to see our teams recognised for the effort and commitment they put in every day to deliver for our clients. It was especially motivating to receive this hat trick of awards. They are a testament to the significant investment we made in this business and we are truly seeing the fruits of the decision we made six years ago to bring the agency collateral and financing businesses together under the Trading Services umbrella.

"We believe our unique position in aligning collateral and securities financing provides a full view of the ecosystem and gives us an edge in terms of how we develop our product offering for the future."

"Operational excellence has been imperative to our success over the past 23+ years, enabling us to compete with custodial providers and their captive clients while driving our remarkable business growth."

"Our experienced operations team brings invaluable expertise that permeates every aspect of our programme. It is because of their dedication and knowledge that eSecLending has been recognised as the recipient of the Operations Team of the Year award in the prestigious 2023 Securities Finance Times Industry Excellence Awards."

Larry Albaugh
Managing director, head of global operations
eSecLending

Major industry moves at Dinosaur Merchant Bank, ISDA and HQLA^X

HQLA^X has appointed Anand Paul to lead the firm’s client onboarding team.

Based in London, Paul will focus on partnering with clients to help them to onboard to the HQLA^X platform as seamlessly as possible.

Further, the new team lead will aid users in adopting the platform and to realise value — such as operational efficiencies — through the firm’s ecosystem.

Paul joins HQLA^X from a 10-year tenure at Credit Suisse, where he was primarily positioned within change and business management for two main departments including Global Markets and Compliance.

In his role at Credit Suisse, Paul was responsible for the firm’s active programmes, which were either regulatory in nature or focused on strategic technology initiatives.

The Global Peer Financing Association (GPFA) has appointed Amy Borgquist as head of international (outside North America).

In this new voluntary role, Borgquist will ensure GPFA activities are coordinated globally to serve the interests of the association’s beneficial owners as it strengthens its regional leadership.

Based in Abu Dhabi, Borgquist will lead in the Europe, Middle East and Africa, and Asia-Pacific regions, working closely with the GPFA board of directors to connect the association's members.

ISDA appoints David Shone

The International Swaps and Derivatives Association (ISDA) has appointed David Shone as director of product, data and digital.

Based in London, Shone will lead and drive the product vision, strategy and execution for the Association’s data and digital products.

Entering the role on 17 July 2023, Shone will report to Alan Milligan, head of data and digital at ISDA.

Shone was formerly director of digital affairs at the International Securities Lending Association (ISLA). He spent three years at ISLA contributing to the Association’s work on the Common Domain Model (CDM), and encouraging digitalisation and standardisation within the securities finance market.

He is recognised for forming the ISLA Digital Asset Working Group — a subgroup of the Digital Steering Group — his thought leadership paper on Tokenisation which was published in April 2023, and working with legal services to push for the expansion of the Global Master Securities Lending Agreement (GMSLA) to cover digital assets.

Shone became a full-time director of market infrastructure and technology at ISLA in January 2021, where he was responsible for the ongoing development and implementation of the CDM, as well as the production of a clause library and taxonomy for the GMSLA.

He first joined ISLA in June 2020 to support the Association’s digital working group — which had been launched two months prior in April — as a contract consultant, at the time operating through his consultancy firm DASHMAX Ltd. (now defunct).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She retains her role as research and portfolio engineering lead for the Abu Dhabi Investment Authority (ADIA), which she has held since January 2023.

Borgquist previously worked for eight years as executive director of One Delta equity structuring at Goldman Sachs.

GPFA says it plans to appoint additional regional leads to the group in the US and Canada. The organisation also intends to take on more volunteer support within EMEA and Asia-Pacific regions as its member base expands.

Dinosaur Merchant Bank (DMBL) has appointed Scott Fuller to its prime brokerage sales team.

Fuller will report to Ashley Pover, head of fixed income at DMBL, in the London-based role, where he brings more than 36 years of experience in the financial services industry.

The announcement follows the expansion of DMBL's prime brokerage services in June, which aims to support a range of clients including hedge funds, asset managers, institutional investors and trading firms.

Fuller joins the international investment bank from Rostro Group, where he was head of prime brokerage sales. Previously, he was director of prime brokerage sales at BCS Global Markets.

During his career, Fuller has held positions within Xconnect Trading, Scotiabank and Credit Suisse.

Commenting on the announcement, Pover says: "At a time when we have just unveiled our enhanced prime brokerage services, Scott's expertise will go a long way in delivering innovative solutions to our clients."

The Global Legal Entity Identifier Foundation (GLEIF) board has elected T. Dessa Glasser as the organisation's new chair, succeeding Steven A. Joachim.

Glasser brings 35 years of leadership experience to her new position, having previously led in risk, data and analytics within financial markets during her career.

Previously, Glasser took on director and managing director roles in the US Treasury, J.P. Morgan Chase, Credit Suisse and IBM Global Services.

She is an existing GLEIF board member and chair of the organisation's risk committee, as well as principal of the Financial Risk Group — a position Glasser has held since 2017. Glasser also serves as an independent board director at Oppenheimer Holdings.

In addition to Glasser's appointment as chair, the organisation has selected three non-executive directors to the board.

These include Folarin Alayande, vice president of public sector for Eastern Europe, Middle East and Africa at Mastercard; Angela Kyermaten-Jimoh, Africa's lead in strategic partnerships and multinational corporations at Microsoft; and Luis Felipe Monterio, CEO of Cateno Payments.

The announcement follows a period of strategic and operational change and development undertaken to expand GLEIF's focus, and to encourage voluntary adoption of the LEI by legal entities operating across all markets globally.

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