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A Region of Growth and Vibrancy

ISLA CEO Andrew Dyson on the Association's call to action to support the development of securities lending markets in the Middle East

TO THE ENTIRE EQUILEND COMMUNITY, THANK YOU!

Recent events have been unprecedented for EquiLend in our 23-year history. The cybersecurity incident in late January temporarily challenged our ability to deliver our full suite of solutions; however, we have and will continue to do anything and everything in our power to protect our clients.

Since then, the entire global EquiLend team has been working 24/7 alongside third-party cybersecurity experts, regulators and law enforcement agencies to restore our services to full capacity, creating a more secure and resilient ecosystem than ever before. We've been truly overwhelmed with the support we have received from clients to once again be able to offer our complete solutions.

We're incredibly grateful for the patience and understanding we've received from clients and are committed to doing everything we can to protect them. We are thankful for the opportunity to come back stronger and continue to provide our best-in-class securities finance solutions to the EquiLend community.

EQUILEND

ISLA expands coverage to US with new affiliate entity

The International Securities Lending Association (ISLA) will be expanding its coverage and activities to the US with the creation of an affiliate entity in Q2 2024.

ISLA aims to serve regional members, including current members operating global businesses. It indicates that it has seen a notable increase in demand to produce “a more cohesive output”.

This reflects the multi-jurisdictional operating models employed by ISLA members and “a growing desire to provide one global advocacy voice across EMEA and the US”, the Association says.

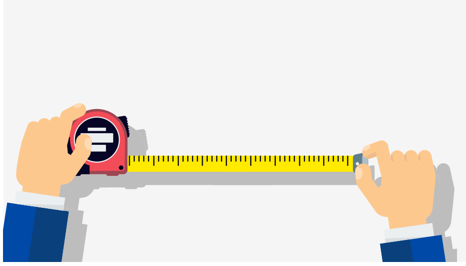
ISLA will provide further details on the expansion over the coming months, based on consultation with its members and wider stakeholders in both regions. In addition, ISLA US is planning a 2024 conference to be held in Florida in October for the securities finance industry.

ISLA has continued to support and represent its members across Europe, the Middle East and Africa over the past 30 years, advocating the importance of securities lending, collateral mobility and financing within the broader capital markets ecosystem.

Commenting on the news, ISLA CEO Andrew Dyson says: “In line with the needs of our members, much of our work is increasingly global in nature. By opening an affiliate in the United States, we will be able to significantly enhance our capabilities across the Americas and deliver better outcomes for our wider membership.”

Debbie Bianucci, president and CEO of the RMA, adds: “We are working closely with ISLA leadership to provide support for a strong attendee conference experience and build on the solid foundation RMA has created to deliver value to securities lending executives over many years.”

Inside this issue



Euroclear and Eurex enhance partnership

International central securities depository (ICSD) Euroclear Bank has become an eligible securities collateral location of Eurex Clearing.

The announcement builds on the existing partnership between the organisations, with the central counterparty already using Euroclear Bank as an eligible securities settlement location.

Mutual clients are now able to post collateral directly to Eurex Clearing and optimise Euroclear Bank's collateral pool, which the companies state will improve operational efficiency and streamline the collateral management process.

Matthias Graulich, chief strategy officer and member of the executive board at Eurex Clearing, comments: "We are pleased to offer Euroclear Bank as an additional securities collateral location for provision of margin and default fund contributions.

"With this service we jointly create added value for our clients by facilitating a smooth access to the CCP and by enabling efficiencies across the clearing community. Euroclear Bank strengthens our offering for the buy-side clients and complements our existing services."

Olivier Grimonpont, managing director and head of product management for market liquidity at Euroclear, says: "As an open financial market infrastructure we continuously strive to benefit our ecosystem by creating efficiencies which contribute to a more stable, secure financial marketplace, providing the best-in-class service to clients."

CIRO proposes amendments to securities lending rules

The Canadian Investment Regulatory Organization (CIRO) has proposed amendments to rules relating to fully paid securities lending and financing arrangements.

Fully paid securities lending refers to the dealer member practice of borrowing a client's fully paid or excess margin securities. The practice is not new in Canada and forms

part of securities lending in general. It will impact the Investment Dealer and Partially Consolidated (IDPC) Rules and IDPC Form 1.

These amendments aim to enhance the rule framework regarding retail fully paid securities lending, as well as to address inconsistencies in the existing financing arrangements rules.

In terms of full paid lending, the organisation proposes to introduce a new Part B.2. in Rule 4600 of the IDPC, entitled Borrowing Retail Client Fully Paid and Excess Margin Securities.

It also intends to make corresponding amendments to the Notes and Instructions of impacted Statements and Schedules in IDPC Form 1.

CIRO will update its rules to address lessons learnt from dealer members offering fully paid lending programmes.

The self-regulatory organisation says the amendments will have a "positive impact" on investors, institutional and retail, and dealer members as it will "codify and clarify measures that are intended to protect retail investors".

Further, the move aims to enhance procedural efficiency, as well as flexibility with regard to different lending models and client types.

ISLA releases SBL guide for Saudi Arabia

ISLA has released a securities borrowing and lending guide for Saudi Arabia.

This volume has been compiled with insights from ISLA members, working groups and with strategic counsel from Latham & Watkins. It represents the first in a series of SBL guides that will be published this year by the industry association.

The guide argues that Saudi Arabia and the Middle East offer ripe opportunities for new businesses, particularly in the financial services and capital markets sector.

Against this background, the SBL sector is well positioned to support the development of a deep and liquid capital market and to contribute to the objectives detailed in the Kingdom's 2030 Economic Vision, which targets growth and economic diversification.

ISLA indicates that it aims to publish a number of additional country-specific guides during 2024, providing an overview of the SBL market in specific locations and details of regulatory changes, market frameworks and netting options.

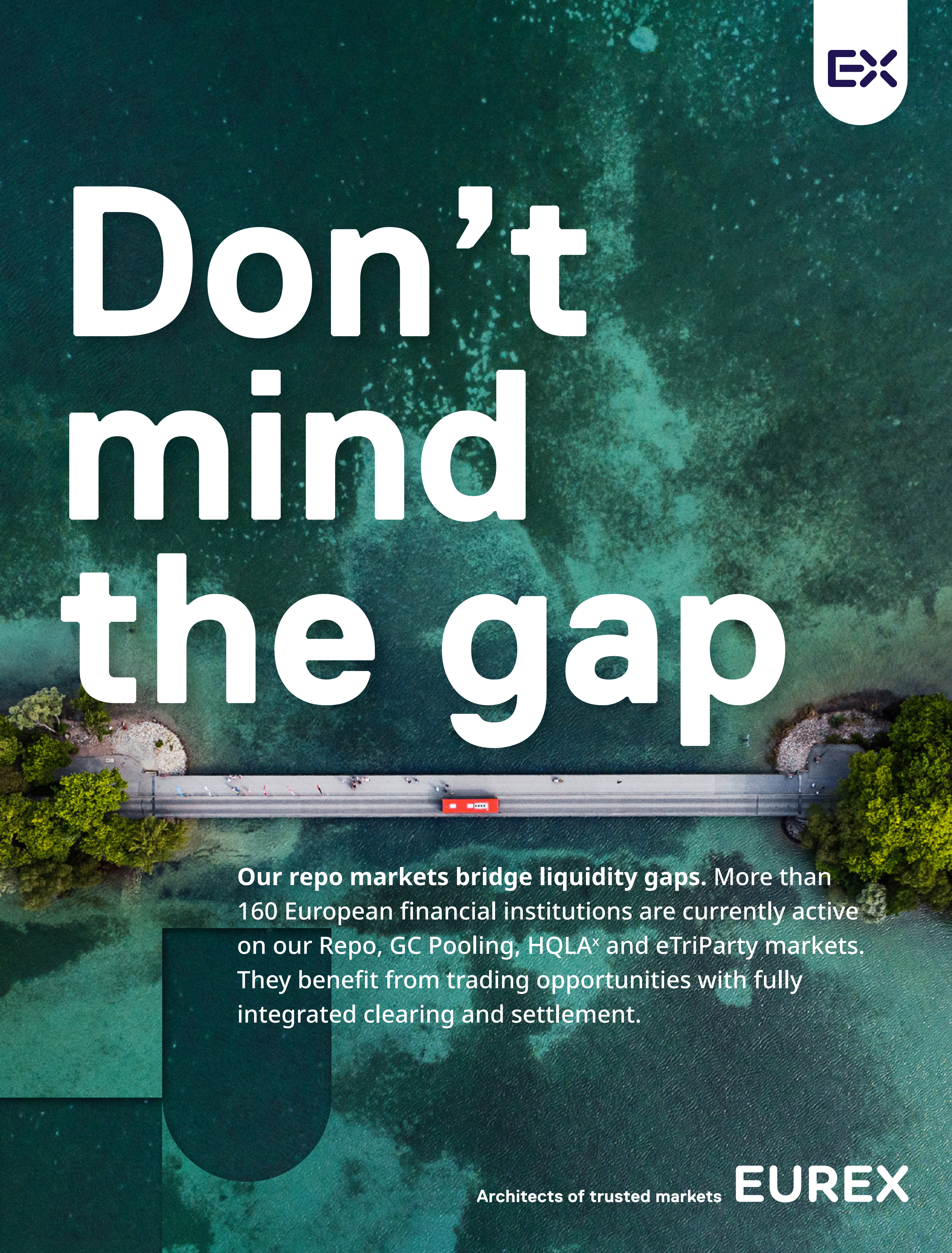
HSBC completes repo trade using digital collateral

HSBC has conducted a HKD repo transaction using digital bonds as collateral.

The Hong Kong-based international bank executed the repo trade with The Bank of East Asia, with digital native green bonds issued by the Hong Kong government used as collateral to secure the transaction against transfer of HKD liquidity.

These digital bonds were issued on the HSBC Orion digital assets platform as part of a HKD 6 billion (US$760 million) equivalent digital native green bonds issuance by the Hong Kong Monetary Authority (HKMA) across HKD, CNH, USD and EUR currencies.

These bonds settled on 7 February and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represented the largest digital bond issuance to be completed globally, according to the participants, as well as being the first multi-currency digital bond issue.

The HKMA's Central Moneymarkets Unit (CMU) operates HSBC Orion in Hong Kong, supporting digital native bond issuance and settlement using CMU infrastructure.

John O'Neill, HSBC's global head of digital assets strategy, says: "The four digital bonds, recently issued by the Hong Kong government on HSBC Orion as part of the CMU's infrastructure, have seen unprecedented investor demand, secondary trading, and now repo trading.

"Digital bonds should be as liquid as conventional bonds and HSBC is proud to have been part of the first multi-currency digital bond transaction globally to achieve this standard."

Bryan Wong, general manager and head of treasury markets division of BEA, comments: "Investing in Hong Kong's first-ever digitally native bonds and transacting repo trades with the bonds as collateral has been a smooth process.

"This repo transaction marks a significant milestone in building liquidity for digital bonds, while reinforcing our bank's support for the development of Hong Kong dollar capital markets."

GPFA welcomes new member

The Global Peer Financing Association (GPFA) has welcomed the British Columbia Investment Management Corporation (BCI) to the global beneficial owner association.

According to the Association, adding BCI "completes the representation from the largest pension plans in Canada", a group informally known as the Maple 8.

Canadian beneficial owners run highly sophisticated securities financing programmes, says GPFA, and are "some of the leading market participants globally".

BCI is the 33rd beneficial owner to join the Association. GPFA members represent nearly US$10 trillion in assets globally, with nearly 80 per cent of these members and assets being from global and public government pension plans or sovereign wealth funds.

GPFA brings together beneficial owner members with the goal of encouraging the development of a more effective and transparent marketplace for securities financing activities, liquidity management and collateral management.

Members of the GPFA community share a goal to increase and support peer-to-peer securities financing trading activity.

Commenting on the announcement, the GPFA says: “The GPFA member community is thrilled to have BCI as a part of the group, and we look forward to the knowledge sharing and expansion of best practices discussions that will follow by having BCI involved.”

TD Securities joins LCH SwapAgent

TD Securities has joined LCH SwapAgent as its first Canadian bank member.

SwapAgent is a service offered by UK clearing house LCH Group, aiming to improve standardisation and efficiency within the bilateral derivatives market.

The service has 44 members over 12 countries, and recorded an average daily volume (ADV) up 78 per cent year-on-year in 2023.

Commenting on the news, Nathan Ondyak, head of SwapAgent at LCH, says: “Welcoming TD Securities as LCH SwapAgent’s first Canadian bank member is a significant milestone, and we look forward to working with them as we continue to receive interest from users in North America.

The continued growth of SwapAgent is testament to the processing, margining and settlement benefits that our members derive from the service.”

Jason Cope, executive managing director and head of global fixed income at TD Securities, adds: “By using the service, we believe our clients will benefit from its robust capabilities and potential reduction in costs and risks associated with the bilateral derivatives market."

JSE Clear to accept securities as collateral

JSE Clear, the clearing house for all exchange-traded derivatives in South Africa, has introduced a new service to accept securities as collateral against open JSE derivative positions.

By accepting South African government bonds as collateral, investors will now be able to utilise their cash for different purposes, alleviating cash liquidity pressures and reducing cash funding costs.

Investors with listed JSE derivative exposures can meet their margin collateral requirements by providing a combination of ZAR cash and liquid South African fixed-rate government bonds, the firm says.

Initially JSE Clear will accept government bonds to cover 35 per cent of margin collateral, lowering the risk of cash liquidity constraints which typically arise in times of market stress.

Likewise, the securities collateral service will be available to cover 30 per cent of total collateral requirements in the Equity and Currency Derivatives markets.

JSE Clear intends to increase this percentage and roll out the service to the Commodity and Interest Rate Derivatives markets in the future.

Securities will be held as collateral by adopting the 'pledge' mechanism, meaning the investor retains ownership of the securities, and entitlement to related coupon payments, at all times.

The assets will be ring-fenced and separated from the other assets of JSE Clear, thereby optimising protection of the investors' assets.

Alicia Greenwood, CEO of JSE Clear, says:

"This development contributes positively to the financial efficiency of our investors, and to the lowering of South Africa's systemic market risk, especially under stressed conditions.

"We envision this initiative offering our clients more flexibility, fostering greater market resilience, and contributing to stronger and more vibrant capital markets."

FSB to strengthen Too Big to Fail framework

The Financial Stability Board (FSB) has recommended a programme of measures to strengthen the Too Big to Fail (TBTF) framework for large banks in Switzerland.

These steps include strengthening the recovery and resolution framework for Global Systemically-Important Banks (G-SIBs) and reinforcing the supervisory framework, invention powers and resources accorded to the Swiss Financial Market Supervisory Authority (FINMA) for supervision, recovery and resolution.

The FSB advises that although recent reforms to the Swiss deposit insurance system represent an improvement on preceding arrangements, there are still gaps in this framework that the Swiss financial authorities should address.

The FSB arrives at these findings on the back of a peer group review exercise for large banks in the Swiss market.

This concludes that the Swiss authorities have generally made good progress in implementing a TBTF regime for large banks.

It notes that FINMA has introduced requirements for G-SIBs that surpass international minimum capital and liquidity standards and the Swiss regulator has committed further resources to G-SIB supervision under its "proportional and systematic risk-oriented approach".

The FSB finds that FINMA has also improved the domestic framework for G-SIB recovery and resolution, including resolution powers, cooperation with foreign authorities, and recovery and resolution planning.

While commending these advances, the FSB proposes that the financial authorities in Switzerland should take action to further strengthen the TBTF framework for G-SIBs.

These additional steps are particularly important following the merger of UBS and Credit Suisse into an even larger G-SIB. The failure of this bank could have severe consequences for the Swiss economy and the global financial system, the FSB concludes.

The review notes that the events leading up to the merger of UBS and Credit Suisse provided a test of how the TBTF regime performs in practice. However, the report does not address these developments in detail since their impact has been evaluated more fully in other review documents.

Ryozo Himino, chair of the FSB's Standing Committee on Standards Implementation (SCSI) that oversaw the preparation of the peer review, says: "The findings and recommendations of the review provide the Swiss authorities with the opportunity to reflect on, and take the necessary steps to further strengthen, their TBTF framework in a changing banking landscape."

SIX partners with Clearstream on data

SIX has partnered with Clearstream to connect its reference data distribution service, Connexor, to D7, Deutsche Börse's digital post-trade platform.

D7 digitalises financial instruments, allowing for the issuance of electronic securities under the June 2021 German eWpG regulation.

When accessed through Connexor, clients will be able to use the service to fulfil and simplify their reporting obligations and related procedures without constructing their own digital interfaces.

The connection between the platforms will be activated provisionally in H2 2024, the firms state.

Through the partnership, SIX will be able to provide a holistic solution for international reference data processing to issuers and financial institutions across countries and jurisdictions.

Using the service, clients will benefit from regulatory compliance, simplified operations and less maintenance-intensive interfaces.

By reducing media breaks and using automation, users will also see standardised, higher-quality reference data and streamlined product lifecycle management, the firms say.

André Buck, global head of sales and relationship management at SIX Swiss Exchange, says: "The new partnership [is] based on years of evolutionary innovation as an infrastructure provider. Through Connexor and D7, we enable our customers to benefit significantly from this partnership."

eSecLending engages Pirum solution to deliver T+1 readiness

Global securities lending agent eSecLending has adopted Pirum Systems' T+1-ready Recalls Manager solution.

The announcement comes ahead of the industry-wide move to a shorter settlement cycle in the US, Canada and Mexico in May.

It also contributes to eSecLending's wider automation strategy, which aims to ensure the firm remains ahead of regulatory changes and allows time and resources to find new avenues to add value for clients.

Pirum's solution offers built-in capabilities including fails reduction and Central Securities Depositories Regulation (CSDR) penalties and overdraft costs management.

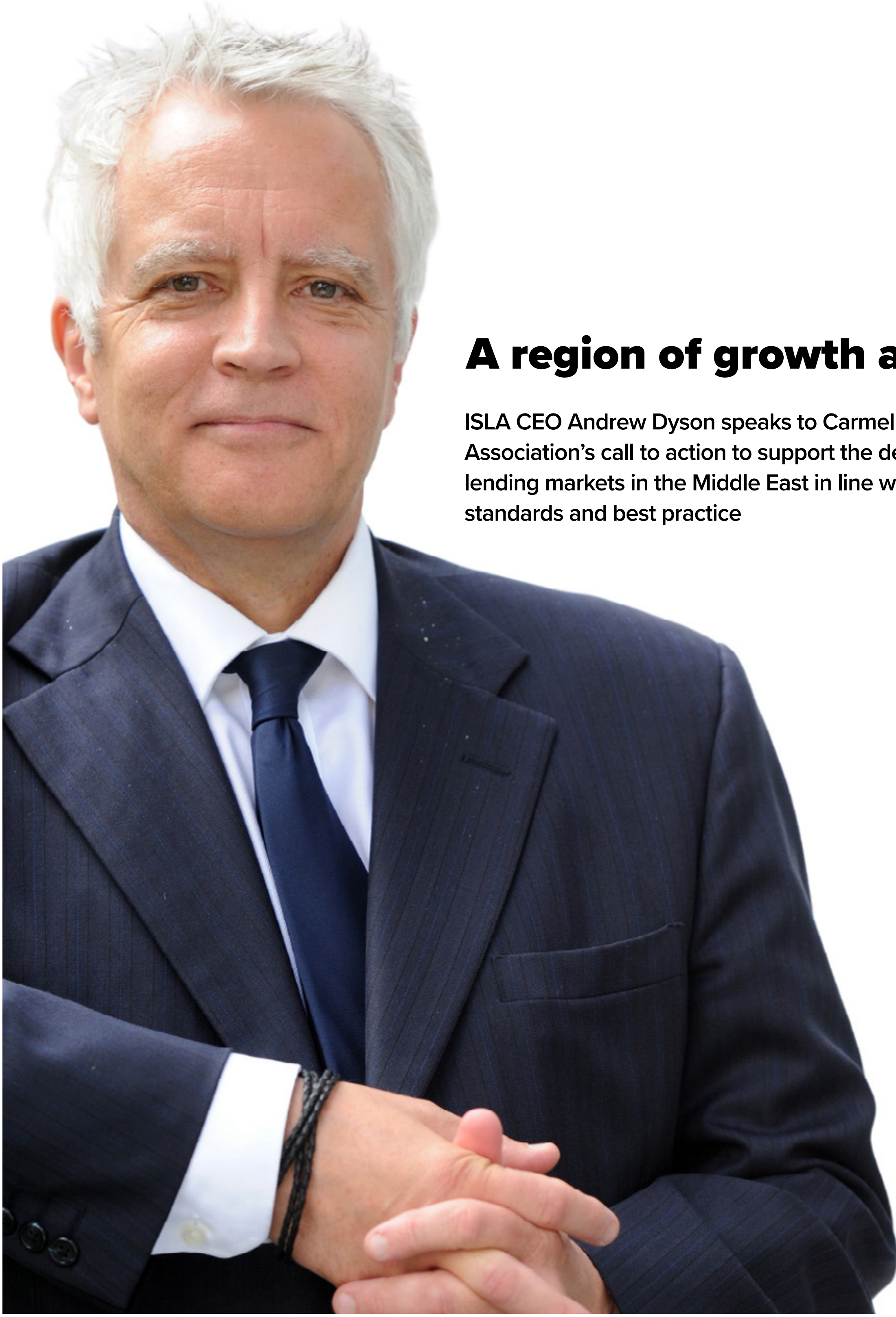
It aims to mitigate buy-in costs, as well as increase trading desk capacity, control and oversight.

Commenting on the news, Jacob Koopmans, chief revenue officer at Pirum, says: "We are delighted to collaborate with eSecLending for their clients to have a stable and successful journey into T+1 settlements.

"Pirum has a long-term relationship with eSecLending and we are pleased to expand our solutions for them in the US. It is through collaborations like these that we can improve and modernise the industry."

Larry Albaugh, managing director and head of global operations at eSecLending, adds: "At eSecLending, we continually seek to refine and improve our operational infrastructure. By leveraging Pirum's Recalls Manager product, we can ensure our client programmes continue to operate seamlessly during the industry's upcoming T+1 settlement transition, as well as future regulatory shifts.

"While the reduced settlement cycle will demand increased efficiencies from securities lending to avoid market disruption, our pre-existing process of direct communication with our clients' investment managers and increased processing automation, from tools such as this Pirum product, will allow us to accommodate the changes required to meet the expectations of both our lending and borrowing communities."



A region of growth and vibrancy

ISLA CEO Andrew Dyson speaks to Carmella Haswell on the Association's call to action to support the development of securities lending markets in the Middle East in line with international standards and best practice

The International Securities Lending Association (ISLA) entered a partnership with law firm Latham & Watkins in September to promote the advancement of securities lending activities in the Middle East. The Association has now begun the gradual release of five reports as a call to action to analyse the gap between where the region is today and where it needs to be to support an active and resilient capital market.

Around 18 months ago, the Association formed a separate task force to focus on developing these markets across the Middle East, following comments from ISLA members that suggested more advocacy was required in the region by the international body. The project is member-led — this will be key in shaping how the Association reviews these jurisdictions.

Due to the sheer scale and gravitational pull in the region, Saudi Arabia became a key country of interest for the group. ISLA is also focused on other regions within the United Arab Emirates (UAE) such as Dubai, Abu Dhabi, Qatar and Kuwait. The reports will initially cover three of these jurisdictions, with the other two following soon after.

“Market participants favour one thing: certainty. When reviewing international markets, we ask ourselves: how is the market currently organised? How does it look in the context of securities financing and lending?”, says Andrew Dyson, ISLA CEO.

ISLA aims to provide a high level of scrutiny when reviewing these markets. Dyson indicates that the Association will review specific rules around lending and borrowing in these jurisdictions, as well as the key factors to consider for member firms interested in these markets. The research will allow Dyson and his team to form advocacy points to present to local policymakers and regulators — similar to the Association’s work across Europe.

Firms are very focused on the regulatory capital that sits around any particular position. Dyson states: “In our markets, because they are collateralised markets, typically participants can offset the collateral they have against a loan. Therefore, capital is calculated on the net exposure. This only works if you have legal certainty — so in the case of bankruptcy or other events, firms could offset their collateral against their loans.”

Some markets in the Middle East do not have legal certainty. As a result, investors are cautious about entering these markets. It becomes more expensive to trade in those jurisdictions because participants potentially have to “gross up” capital requirements.

ISLA is working alongside legal partners in the region to review the environment and to propose changes to the fundamentals of bankruptcy rules in those domains.

The first publication to be released by ISLA is focused on Saudi Arabia; it is the first stage of response to the demand for further advocacy in the Middle East. Speaking to SFT, Dyson says: “It is just the beginning of a much broader engagement. We have analysed those key markets to assess the practicality for international and global participants of trading into and out of those locations."

Dyson intends to actively visit the Middle East in the next three to six months. In the next stage of the discussion, following the release of the reports, ISLA will communicate with legislative groups to discuss the role of netting in these jurisdictions. The five key regions of focus — Saudi Arabia, Dubai, Abu Dhabi, Qatar and Kuwait — will be evaluated separately and from different perspectives, due to the differing priorities of each region from a legal standpoint. Dyson adds: “We need to work with the stakeholders to understand how to attain a level of legal certainty and comfort that market participants need, because they then get the more favourable capital treatment.”

“We will have an active dialogue around this set of issues over the remainder of the year, which may lead to our own event in the region next year.”

An increasingly important market

“Global investors, our market, cannot ignore this region as it is a region of growth and vibrancy. The region is playing its accessibility card quite well as it is in easy reach of the rest of Asia and Europe, which presents opportunity,” states Dyson.

The region is experiencing strong demand from ISLA members eager to participate in the market. From a post-pandemic performance perspective, Dyson indicates that the Middle East secured a more positive position post-pandemic compared to other regions. The “fairly buoyant capital market” has a number of locally-led initial public offerings (IPOs) coming to market in the region. Dyson explains: “In absolute terms, the Middle East is behind places such as North America, but the disproportionate growth in activity in those markets outstrips what we are seeing in Europe, and to an extent, in North America.”

Investors are buying more securities within the region, which is resulting in more of these securities coming through to lending programmes, he indicates. On the other hand, as alternative investment managers, particularly on the short side, begin to scrutinise those markets more broadly, Dyson notes, there is a demand to borrow securities.

It is imperative for ISLA to work hard to ensure the market liquidity provided by the securities finance and lending industry keeps pace with the growth in these markets. “The growth in the region is exponentially high compared to other markets in the world,” he continues. “It is an increasingly important market. This is no more than a mirror of what the global economy sees more broadly in the Middle East.” Reviewing the Association’s research and the key nuances highlighted through ISLA’s work on the Middle East at present, Dyson says the region is not as well developed as other capital markets.

"The whole region will become a vibrant capital markets arena that will attract international capital flows."

The reports detail the current operational construct on how the capital markets work. Short selling is closely associated with securities finance and lending markets. When reviewing the availability of short selling in these jurisdictions, Dyson highlights the need to understand whether short selling is possible from a legal perspective, how it works from an operational standpoint, and whether there is sufficient supply to be able to borrow the required securities. The report also addresses collateral considerations associated with this activity.

“We have done a fairly detailed analysis of each of those markets to provide recommendations regarding what best practice should look like to create the outcomes we are looking for,” Dyson explains.

One of the largest challenges to forming a functioning securities finance and lending market in the Middle East is the ability to attain a clean netting opinion. In terms of the operational constructs of these five key markets, there are challenges around standardisation.

“We advise that rules and regulations around securities lending, financing and borrowing be relatively benign and standard across all jurisdictions,” Dyson confirms. “There should be a clear legal construct around lending and borrowing. There has to be a clear construct on offshore versus onshore participants, what their roles and responsibilities are, what they are allowed and not allowed to do. Where does collateral need to be held to ensure that it is properly in the mix in terms of enforceability?”

Future development of the Middle East

Looking ahead, ISLA anticipates the growth of the Saudi Arabia market to be exponential, predicting it will be “strong, powerful and sustained”.

This first stage of ISLA’s work in the region aims to put the securities financing and lending markets in a “very robust position” within those markets, according to Dyson.

He adds: “The requisite authorities within Saudi Arabia have been very welcoming. ISLA has maintained good dialogue with a number of individuals in the kingdom. They fully understand what we are trying to do — which is to bring a level of standardisation and certainty to markets.”

If Saudi Arabia moves forward with this development, Dyson anticipates that it will drag all of the other markets along with it. The whole region will become “a very vibrant capital markets arena that will attract international capital flows inwards”.

When attracting inward capital flows, it is imperative for international investors to see deep liquid markets with strong price transparency and have the ability to trade in those markets. Securities lending and borrowing is the agent that allows that to happen in an efficient way, he adds.

Dyson concludes: “We have put considerable resources behind this project. It puts us in a very strong position for further advocacy and additional market development. The opportunity in the Middle East is immense. It is about leveraging our work in Europe for the benefit of the development in the Middle East.”

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SASLA: a roundup of the South African market

Having attended the SASLA Conference in Cape Town last month, Carmella Haswell provides a roundup of major findings from the Association's key industry discussions

The South African Securities Lending Association (SASLA) held its annual conference in Cape Town last month, providing market participants with an opportunity to network and discuss key industry topics, including collateral, technology and the changing regulatory landscape.

The Association has 20 members — including banks, pension funds, service providers and asset managers — and is the industry forum for the South African securities lending industry. Its primary goal is to represent the common interests of the industry, promoting an orderly, efficient and competitive market.

SASLA has been instrumental in several market initiatives, including the development of the SA Securities Lending Code of Guidance and the Schedule to the Global Master Securities Lending Agreement (GMSLA).

SFT has produced a roundup of the key findings of SASLA's industry panel discussions.

Use of local services to benefit SA

Market participants should do what they can to keep post-trade services in South Africa for the benefit of the region, according to Farzana Khan, head of collateral services at Strate.

In reviewing the use of local custodians versus the use of offshore custodians, Khan indicated that, in South Africa, collateral is largely managed bilaterally, which is "very inefficient".

She continued: "Last year, we heard from Alistair Trotman on how triparty was the norm offshore, but not yet locally. There is a strong case to consider using a local custodian and triparty agent, because of the cost and the ability to automate and optimise collateral on a single platform in South Africa for the benefit of the region."

Khan highlighted that there are growing opportunities in the market to automate and optimise collateral on the Strate platform.

The South African principal central securities depository and central collateral platform will be completing a proof of concept with the South African Reserve Bank (SARB), which will run from March to November 2024. If implemented into production, this initiative will introduce around ZAR 800 to 900 billion (£32.8 billion - £37.0 billion) worth of assets into a triparty environment.

While comparing the use of local and offshore custodians, Khan said market participants can look to reduce the regulatory cost of doing business for ZAR payments by using a local provider.

"So much of our trading investment opportunity has already been externalised to offshore markets. Let us do what we can to keep post-trade services in South Africa for the benefit of South Africa," she added.

The panel discussion also analysed the challenges faced by foreign clients when transacting with South African participants.

Kimberley Azuelos, senior securities financing sales, Global Markets at BNP Paribas, confirmed that in terms of securities lending, when transacting with South African participants, there are three main challenges.

The first is the diversification and the reuse of collateral — she explained that when receiving a ZAR asset, it comes at a liquidity cost, "the more diverse the collateral, the better we can repost and reuse it elsewhere".

The second barrier is the difficulty for a South African-based counterparty to use an international triparty, "that would allow the whole ecosystem to internationalise the flow and to scale up the business". The third challenge derives from the tax treatment of securities lending transactions, including a requirement to pay stamp duty, which can provide complications when growing a business.

"So much of our trading investment opportunity has already been externalised to offshore markets. Let us do what we can to keep post-trade services in South Africa for the benefit of South Africa."

The SASLA conference has, over time, pivoted from a securities lending focus to a more financing repo and collateral focal point, according to Joseph Gillingwater, senior vice president and global head of fixed income securities finance trading at Northern Trust Capital Markets.

This is a trend Northern Trust has noted with other large custodian banks globally. He added: "More recently, we have seen challenges with the US regional banks, the Credit Suisse and UBS merger, all of these things lead to nervousness and will lead to a flight to quality and lead providers to be better at mobilising collateral."

ESG is critical for influencing investment decisions

The integration of ESG considerations in the financial market goes beyond ethical concerns and has become a major influence on investment decisions, risk management and overall market dynamics, according to Hitesh Harduth, head of securities lending at Standard Bank.

Responsible investing is not a new concept. In the 1960s, investors were already thinking about the ethical and social implications of their investments.

The most recent shift in the ESG space, as noted by Teboho Makhabane, head of ESG and impact at Sanlam Investments, is that the industry is not only looking at ESG from a risk perspective, but at how the market drives capital towards addressing some of the current social and environmental issues.

For Waseem Thokan, head of ESG and research at Peresec, ESG is an "interesting space" with an "interesting historical area of development" which has presented a number of underlying themes and trends to the market.

Thokan states that the nature of the economy and human society creates risks around continuity and sustainability, and asked "to what extent participants can ensure that those long-term systemic risks are managed in a manner that humanity becomes sustainable and its development becomes continuous or self-evident".

This developing space has produced two main categories of products to help achieve sustainable financing; these are general purpose and use of proceeds.

General purpose can be used for financing for any purpose. With this funding, certain ESG commitments that the borrower or issuer make are placed in legal documentation. The pricing margin adjustment mechanisms link to the achievement or non-achievement of these targets.

Use of proceeds relates to financing specific green, social or sustainable projects. Participants would track the use of proceeds and ensure there is a positive impact linked to the financing that is being provided.

Anneke Lund, executive for sustainable finance at Standard Bank, highlighted that the general purpose and use of proceeds pillars are a lens that firms can apply to any form of financing.

She added: "The market began to use these pillars within corporate funding, but now we see them being applied to companies' overdrafts, which are being linked to the firm's commitments around social and green activity. This will eventually become the mainstream way of raising financing."

The Global Alliance of Securities Lending Associations (GASLA) provides a single voice across global securities lending markets, advocating for transparent and standardised practices that support efficient, liquid and sustainable capital markets, including considerations of ESG factors.

Through active collaboration, GASLA seeks to enable positive and impactful engagement with stakeholders, including regulators, policymakers, and standard-setting bodies across all regions.

According to Michael Wright, SASLA chairman and a member of GASLA, the association has been working with a broad range of securities lending market participants to drive best practice, to support integration of corporate governance policies around voting, stewardship, and active ownership. GASLA advocates that a lender's ability to fulfil their stewardship responsibilities over their underlying investments should not be impeded by their participation in securities lending.

To help market participants combat issues forming from the use of ESG, GASLA has created the Global Framework for ESG and Securities Lending (GFESL), a framework for lenders to see how they can evaluate their securities lending programmes in the context of their ESG policies.

Future of securities finance in SA

The future of securities finance in Africa will be led by more automation, streamlined, efficient processes and algorithmic-based trading, according to Matthew Quinlivan, relationship manager at EquiLend.

For Igor Salzgeber, global head of FIS' Securities Finance and Collateral product group, shifting focus from post-trade to pre-trade processes and improving rules and mechanisms for pre-trade order matching or decision-making will help reduce fails and post-trade inefficiencies.

He explained that there is a large amount of data that is kept redundant within the market, and so every counterparty has to capture its own copy of a trade, as well as manage all relevant lifecycle events.

“Imagine there was one global trade store, for example on a distributed ledger, where the whole community could use one common ledger to persist their trades and lifecycle manage them — it would eliminate large parts of today’s post trade headaches. However, it would also kill a whole industry that has been established around providing post-trade services,” he insisted.

However, he continued, “the industry is partly resisting these types of innovations and limiting their practical adoption”.

“Leveraging digital assets and blockchain technology will make the life of custody banks, in the traditional sense, difficult and a good amount of services offered by fintechs partly obsolete, because many players established in the post-trade space generate a significant part of their revenues from these ongoing inefficiencies.”

Cloud computing was also a topic of discussion within The Future of Securities Finance in SA panel. Paul Wilson stated that there is a demand for real front-to-back securities finance trading and operations to move to a true cloud, but this is “some way off yet”.

Currently, cloud computing is typically private cloud provision within a primary and a secondary data centre, whereby the provider manages the service for the client. “The model is referred to as ‘cloud’, but it is accurately a private cloud software-as-a-service (SaaS) managed service,” Wilson confirmed.

He added: “It is extremely popular. Since offering it for securities finance in 2018, 80 per cent of our new clients go for this type of service versus on-premise, up from 5 per cent pre-2016.”

The firms still using on-prem are typically in emerging markets, where SaaS or Cloud regulations make it more difficult to provide the service cost-effectively. “Under this model, firms do not need to manage hardware, database administration (DBA), systems administration and other aspects currently typically in house,” Wilson continued.

Avoiding technology obsolescence and risk is a key driver, he added: “A cloud or SaaS provider will upgrade on a very regular basis.” This includes taking care of all aspects of hardware, networking, cybersecurity and authentication routine, since technology moves so quickly.

"Leveraging digital assets and blockchain technology will make the life of custody banks, in the traditional sense, difficult and a good amount of services offered by fintechs partly obsolete."

However, these models do come at a cost. Firms will face a paradigm shift in the way they look at software when moving from ‘on prem’ to cloud.

Wilson said: “Market participants will need to look at the total cost of ownership (TCO) across a longer period of time, including the sunk costs on existing in-house DBA, hardware, system administration and software. However, when reviewing the shift to cloud over a three to five-year period, firms will save money and reduce risk when moving to cloud provision.”

Coming to a close, the panel also highlighted the potential use of AI to optimise processes and drive new revenue, as well as the importance for South Africa to move to T+1.

Concluding the session, Umesh Vaga indicated that with new innovation comes new challenges and risks, such as cybersecurity threats and regulatory compliance.

A window into investor sentiment

Industry participants discuss how investors and issuers can engage in the growing use of ETF lending and its future in the securities lending market. Carmella Haswell reports

Market participants are encouraging ETF managers to make securities lending a principal discussion, as ETF lending aims to enhance returns and improve performance. While the activity in this space becomes prevalent, firms are identifying opportunities in active ETF strategies and are venturing out to form their own ETF lending services.

"I would encourage asset managers, even if they are not currently interested in lending, to speak with their agents, or potential agents, around where they might see opportunity," says Tom Poppey, head of product strategy for securities lending at Brown Brothers Harriman (BBH).

For issuers contemplating a securities lending programme for its ETFs, the first step is to have a securities lending agent review the holdings of the portfolio to determine what potential income could be generated from the programme, advises Frank Koudelka, global head of ETF solutions at State Street.

For investors looking to lend the ETF shares, Koudelka says they should be reaching out to the capital markets desk of the issuer to determine the market for lending the ETF shares.

Typically, there are two types of ETF securities lending. The first is the traditional lending programmes established by the issuers — otherwise known as 'inside lending' — which entails the issuer lending the underlying securities that comprise the ETF.

The second is referred to as 'outside lending', where the ETF investor lends its ETF shares. According to Koudelka, this area of lending has grown in popularity as more investors become aware of it. Outside lending provides the opportunity for investors to derive income from the ETF investment, therefore offsetting some or all of the costs to own it.

Historically, for inside lending, securities lending programmes have been geared towards passive (index-tracking) ETFs. These programmes are typically established to offset fees or to improve tracking. However, Koudelka says that most recent dynamic growth in this area has been in active ETFs. These strategies are now reaching scale, "having grown in aggregate from approximately US$100 billion to close to US$800 billion in the last five years".

A liquid and active market

Fixed income ETFs were heavily borrowed in 2022, given the pace and size of interest rates moves. Matthew Chessum, director of securities finance at S&P Global Market Intelligence, indicates that this generated some of the "strongest returns ever seen" for ETF lending. However, ETF lending revenues have contracted during 2023 as inflation has cooled and interest rate hikes have slowed.

"As ETFs are a great way of gaining exposure to a sector or thematic, the ETF securities lending market often acts as a window into investor sentiment," Chessum adds.

The top 10 highest securities lending revenue generating ETFs for 2023 included Ishares Iboxx High Yield Bond ETF (HYG) with US$64.36 million, Ishares Iboxx Invt Grade Bond ETF (LQD) with US$25.81 million, Spdr S&P Biotech ETF (XBI) with US$25.19 million

Fig 1: Top 10 revenue generators in ETFs 2023

Ticker	Name	SL Revenue ($M)	Market	Sedol
HYG	Ishares Iboxx High Yield Bond Etf	64.36	US ETF	B1VZ486
LQD	Ishares Iboxx Invt Grade Bond Etf	25.81	US ETF	2971502
XBI	Spdr S&P Biotech Etf	25.19	US ETF	B0Y90K2
ARKK	Ark Innovation Eft	19.96	US ETF	BSBNFV9
IWM	Ishares Russell 2000 Etf	19.11	US ETF	2622059
BKLN	Invsc Senior Loan Etf	18.01	US ETF	BZ03L33
SPY	Spdr S&P 500 Eft	14.23	US ETF	2840215
MUB	Ishares National Muni Bond Etf	11.24	US ETF	B24DX21
JNK	Spdr Blmbrg Brcly Hgh Yd Bnd ETF	11.14	US ETF	BJLV5H6
QQQ	Invsc Qqq Trust Srs 1 Etf	10.31	US ETF	BDQYP67

Source: S&P Global Market Intelligence Securities Finance and Ark Innovation ETF (ARKK) with US$19.96 million.

In terms of market dynamics, Chessum highlights that listed ETFs continue to see the most liquid and active securities lending market. During January 2024, lendable US ETFs had US$345 billion available for loan, EMEA ETFs had US$97 billion available and Asian ETFs had US$3 billion available. Lending activity and revenues continue to be dominated by US-listed assets, with US ETFs generating 84 per cent of total ETF revenues generated throughout January 2024, according to S&P Global Market Intelligence data.

BBH's Poppey has identified a number of trends within the ETF space. Firstly, there has been an increased flow of conversions of mutual funds into ETF structures — where BBH clients take existing product capabilities and convert them into ETFs.

The second is the growth of active ETF strategies which has provided an opportunity, from a lending standpoint, for BBH to create additional alpha for its clients' products. The third reflects the growth of bond ETFs. "Overall, global ETFs are growing faster than the traditional mutual fund or cross border fund space," Poppey states.

Speaking to SFT, Banu Apers, head of lending and borrowing at Clearstream, says the cutting of interest rates in 2024 by the central banks creates an "attractive environment for fixed-income assets" and, similarly, an "increased interest for fixed-income ETFs". She further explains that in such market conditions, "ETFs are expected to play a crucial role in enabling investors to capture value against specific parts of the yield curve".

"The market for ETFs has skyrocketed over the past quarter-century, with trillions of dollars at work in passive, index-tracking strategies," she adds. The use of ETFs backing collateral arrangements, however, is still modest. In an economic environment where investment horizons are shortening, Apers believes ETFs "will become even more important in allowing fund selectors and investors to be more agile".

At Clearstream, the firm is launching its own ETF lending service across all lending solutions in Q1 2024. The service will enable clients to add their strategic and fails lending schedules. The Deutsche Börse-owned company has enhanced its data universe to "a new level of granularity", allowing complex feature selection for a bespoke lending pool creation.

Funds have been eligible for triparty collateral management at Clearstream for some time. The firm says that the addition of ETFs and the enhanced data selection approach "further makes our triparty collateral management offering even more attractive to clients" as they can now combine the benefits of the two.

A suitable pairing

The structuring and the implementation of a lending programme for an ETF product is very similar to any other globally-registered fund, with a couple of unique considerations at play, Poppey says.

Fig 2: Regional details on ETFs

Regional	Revenue ($M)	Rev YoY % Change	Avg Balances ($B)	Bal YoY % Change	Avg Fee	Fee YoY % Change	Avg Lendable ($B)	Lendable YoY % Change	Avg Util	Util YoY % Change
Americas ETFs	$36	-2%	$79	-5%	0.54%	2%	$345	13%	12.3%	-1%
European ETFs	$4	-34%	$4	-32%	1.35%	-4%	$97	20%	2.3%	-46%
Asia EFTs	$1	20%	$1	9%	1.15%	8%	$3	3%	12.4%	58%

Note: Includes only transactions with positive fees
Source: S&P Global Market Intelligence Securities Finance

In terms of the creation and redemption process, clients of New York-based firm BBH keep higher securities on reserve — commonly known as buffers. This allows clients to accommodate redemption activity that occurs. As a result, Poppey observes slightly higher holdbacks, or buffers, in his clients' lendable positions.

"While we do enjoy lending broad market index ETFs, we have recently seen a growth of sector specific ETFs, or country specific ETFs. While the structuring of lending programmes is very similar to registered funds, we have observed that the returns can be quite outsized from participation and lending," Poppey adds.

When discussing full service asset servicing opportunities with clients, in terms of custody, fund administration and fund accounting, lending is almost always part of the discussion for BBH. As managers look to introduce ETF structures, Poppey believes they should consider lending at the outset.

"In the past, lenders have typically waited until funds got to a certain size before they engaged in lending," he explains. "It is our recommendation that they consider lending even at the formation or the seedling stage of the ETF, so that they can have the facility in place at the inception of the launch and a go-forward basis."

The prevalence of lending in the ETF space has been driven by a number of factors. With ETFs that launched as a passive index strategy, the need to be highly competitive on cost and performance was paramount when these structures took root, Poppey highlights. He continues: "The acceptance and the engagement with lending was much more established as ETFs started to come on the scene, versus other funds structures that might have a longer history. The maturity of lending, along with the emergence of ETFs, really paired well together — they were both at mature stages of evolution."

Concluding thoughts

Lendable supply continues to grow in the ETF space, which is positive for liquidity and market participants. The new supply, particularly in the US and Asia, does not seem to be dilutive to average fees, says Chessum. S&P Global Market Data indicates that ETFs have recently "exploded" to more than US$10 trillion in AUM as the asset class continues to steal assets from their mutual fund equivalents. Chessum can only see a growing role for ETFs across all regions in the future in both the securities lending and investor markets.

Similarly, Poppey says ETFs continue to grow faster than traditional funds. From an investor's standpoint, ETFs are highly relevant in terms of being able to attain broad market exposure or more sector exposure in a timely manner.

"As ETF markets continue to grow, there is increased demand for ETF shares across the market ecosystem. As issuers lean into this demand, they will create more awareness to investors of the additional benefits to lend their shares."

For Poppey, the "impact to our business is going to be the additional supply flow into the product". He adds: "The interesting dynamics of ETFs is that you can lend both the underlying securities and, if our clients actually own them, the ETF units themselves."

The continued entry of active managers to the ETF marketplace will expand the adoption of securities lending programmes to active ETFs, explains Koudelka. Historically, the ETF investment wrapper has been viewed as a less expensive option than mutual funds, therefore enabling issuers to generate additional alpha.

Koudelka believes that securities lending programmes have the ability to further enhance returns and allow active managers to improve performance.

He concludes: "As ETF markets continue to grow, there is increased demand for ETF shares across the market ecosystem. As issuers lean into this demand, they will create more awareness to investors of the additional benefits to lend their shares. This will increase the percentage of ETFs participating in outside lending."

Rethinking Europe’s repo marketplace: the case for digitisation and defragmentation

In this final contribution to a three-part series, Cyril Louchtchay de Fleurian examines a roadmap for growth and efficiency gains in European repo markets, including a case for the repositioning of GC Pooling and €GCplus solutions

The first two parts of this article have examined the ecosystem supporting use of general collateral baskets in Europe and the potential case for repositioning GC Pooling and €GCplus.

The article identifies two fundamental issues that crystallise this challenge. The first concerns a decline in the velocity of collateral circulation. The second relates to the shift in bias on liquidity conditions, necessitating a change in the “temporality” of monetary operations. In simple terms, it is important to align the near-instantaneous ability that individuals and businesses have to manage cash in their bank accounts with the operations and risk management capabilities that banks possess in the market.

This involves developing the concept of intraday management. In other words, the same-day value date is no longer an impassable horizon but must be restructured around distinct intraday time slots, allowing for processing, settlement and delivery based on specific intraday time points.

The future is likely to involve a dilution of the same-day value date into a single and homogeneous temporal continuum. Thanks to their specific design — in terms of clearing, digital execution, back-office support allowing real-time valuation, substitution and margin calls — GC Pooling and €GCplus are inherently equipped to meet this major challenge.

Fusion and digitalisation

At this stage, achieving a positive solution to this challenge requires a profound reconsideration of the logic and role of the GC Pooling and €GCplus platforms. The harmonisation of these platforms undoubtedly offers an opportunity. The goal is to reinforce the neutral and agnostic nature of liquidity. The aim would be to break away from the logic of silos, reduce the fragmentation of security pools that penalise profitability and hinder the integration and competitiveness of the European market.

The instability of the money market, combined with a decline in bank intermediation in the repo market, creates a situation where liquidity pools are fluid and constantly relocating. For this reason, it seems valuable to promote a pan-European solution offering a single and harmonised access for all participants.

In the logic of a central banker, the objective could be more deliberate and there may also be a possibility of merging the €GCplus and GC-Pooling offerings. Far from being heresy, the technical characteristics of both offerings make such a convergence conceivable. This would send a strong economic and political signal, an additional vector of Franco-German convergence, offering the prospect of complementing and strengthening the Eurosystem Collateral Management System (ECMS) collateral management harmonisation framework.

"The instability of the money market, combined with a decline in bank intermediation in the repo market, creates a situation where liquidity pools are fluid and constantly relocating."

This presents an opportunity to smooth out some of the disparities prevailing in Europe, notably fostering the integration of the Italian and Spanish silos. The fusion of platforms will provide standardised and unified access for all European participants, breaking down silos, reducing costs and enhancing transparency and international attractiveness as the European authorities have intended. This bold proposal ultimately aligns with the centralisation and simplification initiatives advocated by the ECB over the past 15 years (T2, T2S, ECMS).

In practice, this proposal is based on three main axes:

- A single and interoperable GC offering by triparty agents and clearing houses, a medium-term prelude to at least partial operational integration of market infrastructures. This is the path towards lower complexity for the user, standardisation and concentration of volumes and liquidity.
- Open access for banks and buy-side actors, based on the sponsoring model and guaranteed and indemnified repo, addressing both the increasing fragility of bank intermediation and the integration of new participants. It is worth noting that

buy-side flows represent 50 per cent of repo volumes and are not cleared, triparty or electronic. This innovative model is a structuring, determining factor that will inherently increase the collateral turnover rate.

- A digital execution platform built around intraday cash and GC HQLA trading, aligning the reactivity of interbank trading with that of external retail clients. Blockchain and tokenisation technologies will enhance processing immediacy, maximising security, cost reduction and collateral turnover. Since 80 per cent of repo market flows have a maturity of less than a week, with over half being overnight, it seems pertinent to focus the model on its most natural slope, that is the very short term. The platform will support strong connectivity with the ecosystem (collateral management), favour regulatory compliance (risk management), collect and analyse pre- and post-trade data (reporting and benchmarking tools). A selection process among proposals from private actors will define the suitable model.

"The peculiarities punctuating the lifecycle of repo transactions in Europe, far from fostering healthy competitiveness, instead fragment liquidity and create friction."

On balance, this triptych combines the best to maximise the efficiency of a unified European triparty cleared GC repo tool. For good reason, it is based on four strong market trends: the integration of buy-side players, the need for electronic execution, technological innovation through blockchain, and the centralisation of the offering in the hands of the ECB.

As indicated, this proposal will have the capacity to encourage the creation of baskets identified as "green HQLA", supported by incentive measures and pricing to foster their development as a first priority.

Moreover, this triptych forms the ideal framework for the development of neutral and independent European reference indices such as the Secured Overnight Financing Rate (SOFR) and secured EURIBOR index. This related aspect, focused on data management and transparency, could represent a crucial step forward to strengthen the credibility of the Eurosystem and deliver a better representation of the fundamentals of the secured cash market.

Conclusion

At this stage, we have formulated a number of proposals, but these are not exclusive. Let us acknowledge, nonetheless, that the peculiarities punctuating the lifecycle of repo transactions in Europe, far from fostering healthy competitiveness, instead fragment liquidity and create friction. The multiplication of intermediaries generates additional costs, high complexity, low transparency and ultimately hinders the actions of the central bank and the realisation of the Capital Markets Union.

If our analysis is relevant, then the context would be ideal for the ECB to take notice and push the European market frontier further. From this perspective, it is undeniable that the culture of domestic peculiarities in the repo processing chain cannot be ignored. Today, this represents much more than an anachronism, but rather a high risk that the central bank will correct sooner or later.

If we were to list the changes pushed by bank treasurers, it is obvious that the following subjects would be included, all of which have been addressed in this three-part article:

- Capacity to transfer collateral 24/7.
- Expansion of delivery time slots.
- Reduction of friction between cash and collateral to streamline transfers in both directions.
- Interoperability of systems.
- Optimisation of transparency and information sharing on collateral storage locations.

The underlying theme connecting these changes is that they all necessitate, to varying degrees, the integration of digital technologies for realisation. This marks the essential investment needed to shift from an environment that is in the process of freezing, and that crystallises systemic risks, to a new dynamic paradigm. This is precisely the proposition we advocate for GC Pooling and €GCplus.

Career, community and leadership

Justin Lawson speaks with Jenn Ocampo-King, managing director, head of securities lending, Canada at TD Securities about her career, community and 'Embracing the Change'

Could you share your journey into the financial industry, including where you initially embarked on this path?

I definitely had a non-traditional path through the industry to where I am today. I started through a co-op opportunity in high school. My teacher, Ms Motta, developed this specific co-op programme at our school and it changed my life.

I began in marketing at Scotiabank. That led to a summer student position in global settlements. There I learned so much about the foundation and inner workings of the securities industry. I also realised quickly that this was an opportunity not afforded to many people. I was determined to show my positive work ethic and attitude to ensure they knew just how much I appreciated being there and how much I wanted to stay. This work ethic landed me a full-time role in settlements when I graduated from secondary school.

Every year I learned more and gained more responsibility and experience. I also met one of my first work mentors at this time. Lionel Demercado ran the securities lending business on the trading floor. I went up to the floor for a visit and I knew immediately this was where I wanted to be. The excitement and energy were captivating and infectious. I continued working in operations and sharing ideas for innovations.

Demercado eventually departed from Scotia to start the prime brokerage business at TD Securities and we kept in touch. When a spot opened up on the TD desk, he contacted me to see if I was interested. It was one of the hardest decisions in my career. I had grown up at Scotia over the past six years and they had given me my start, which changed my life. I will forever be grateful for that.

However, the opportunity to be on a trading desk rarely comes along. Everyone was very supportive of the move, especially my husband. While I was nervous, I had to go for it. I thought I was making the biggest mistake of my life, but it was ultimately one of the best decisions I have ever made.

With over two decades at TD Securities, could you shed light on your starting role within the organisation and what has motivated your enduring commitment to the company?

I started on the desk as an associate and I have now been at TD Securities for 21 years. I lead the securities lending business in Canada and have an incredible team that I am so proud of. I have the honour of being global co-chair for our Women at TD initiative, leading a team of more than one hundred volunteers. I am also a podcast host of Embracing the Change, sharing stories and voices of our team members across the globe. I cannot wait to get into work every day and this is because of our culture, our teams, our clients and the work we do in the community.

Beyond your professional life, you're known for your dedication to community involvement. Could you describe some of the projects and groups you are actively engaged with?

With all the opportunities I have been given in life, I feel it is important for me to give back to the community and "pay it forward". The time that you volunteer can make such a positive and lasting impact on people's lives. Many years ago, I began volunteering at Eva's initiatives, which operates three homeless youth shelters in Toronto. While I wasn't homeless, I was living on my own and working while balancing school from 15 years of age and I know firsthand how hard it can be just to survive.

Eva's provides youth with the support and help they need to make their way in life. I was on the board of directors for 10 years and chaired their marquee fundraising event for many years. After Eva's, I joined the Women's College Hospital (WCH) foundation board. The work that WCH does to advance women's health care and to ensure equitable access to care for all Canadians is inspiring. I am also an honorary co-chair for the Princess Maragret Walk to Conquer Cancer.

The Walk to Conquer Cancer is a fundraiser that brings together thousands of people whose lives have been affected by cancer. Millions of dollars have been raised, which has helped the Princess Margaret Cancer Center become one of the top five cancer research centres in the world. Last, but not least, I volunteer on my daughter's school parent board. My daughter is my inspiration and it is important to me to be part of her school community with our family.

The issue of diversity has gained significant prominence within the industry in recent years. In your perspective, do you think we are finally witnessing tangible changes taking place?

This is a tough question to be honest. I have been in the industry for 27 years and, yes, I have seen significant change. There is clearly more diversity now than when I started. However, there is still more work to be done, especially at the executive levels. True equity comes from access to opportunity. Therefore, we need to think about how we ensure diverse talent can get this access, especially in their younger formative years. That underlines the importance of the TD Talent Lab that was founded by our Women at TD committee. Its purpose is to provide opportunities for diverse high school students in underserved communities to learn about capital markets. I will also highlight the work that our employee resources groups do across our diversity pillars.

It is essential that we keep pushing for tangible and positive change. I am excited for the advances that we will continue to see in the future.

Can you share any mentors or role models who have played a pivotal role in guiding your professional journey?

I would not be where I am today without the many mentors, sponsors and allies in my life. There are too many to mention, but I will share some that are very special in my life. My first mentor, as mentioned, was Ms Motta. Her co-op programme changed my life. I am lucky to remain in touch with her and we have an annual lunch that I always look forward to. My first work mentor, as noted, was Lionel Demercado. He believed in me and valued my potential enough to bring me over to TD. He has always encouraged me to pursue my dreams and I am grateful to him. Robbie Pryde and Martine Irman have been special mentors, sponsors and supports in my life. They are both outstanding leaders, who lead with empathy.

I strive to make a positive impact on others, as they have done on me. My boss, Steve Banquier is also an empathetic leader who not only supports me fully in my career, but also as a working parent and a community leader. I am also fortunate enough to have incredible mentors and allies on the trading floor. I will mention Greg Debienne, who has been a major supporter and partnered with me on many initiatives.

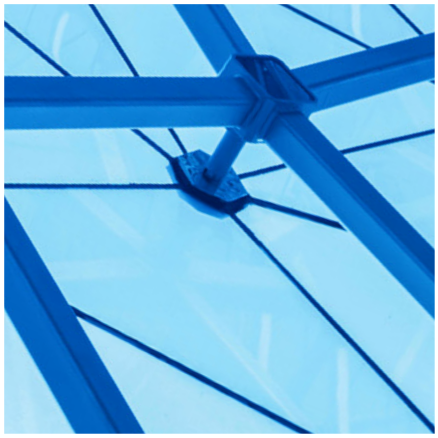
For all the others, you know who you are and I am truly grateful for your support and privileged to work with you. I will also mention my peer teammates who have been so important. They often inspire and mentor me as much as I do them. We have grown up together in the business and have supported each other through hard times, as well as celebrating each other's successes, in our careers and in life.

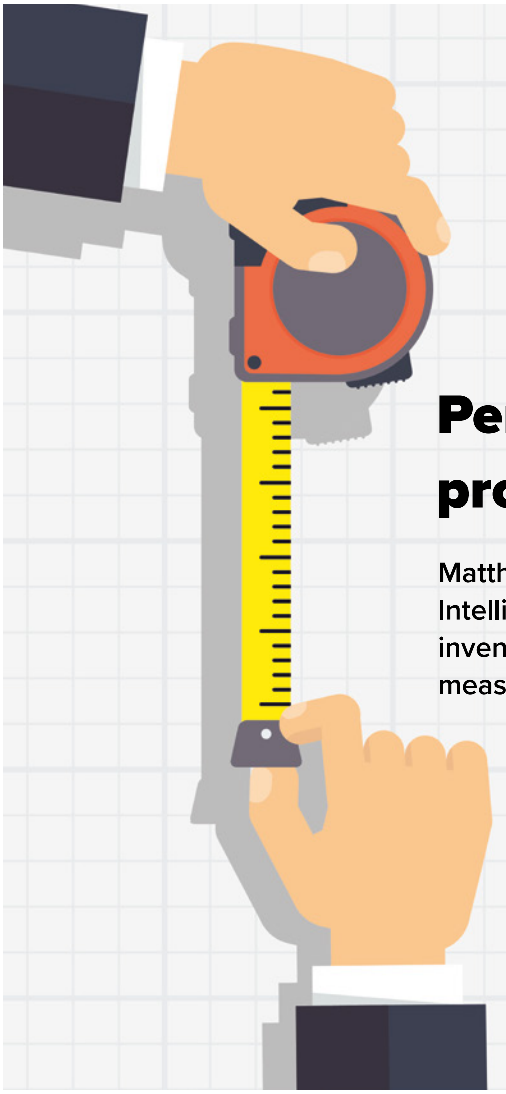
Lastly, my husband and daughter are my biggest supporters. My husband is one of the greatest people I have ever met, who pushes me to be the best version of myself. My daughter is my inspiration. Everything I do in this world is for her and to show her that, with hard work and a positive mindset, one can accomplish anything in life.

"True equity comes from access to opportunity. Therefore, we need to think about how we ensure diverse talent can get this access, especially in their younger formative years."

Jenn Ocampo-King
Managing director
TD Securities





Performance measurement: providing guidelines for consistency

Matthew Chessum, director of securities finance at S&P Global Market Intelligence, reflects on the importance of complete and accurate inventory, transaction and static data in enabling consistent performance measurement across securities lending markets

Data is a very powerful tool. It exists almost everywhere and has provided the basis of some of humankind's most impressive inventions. Financial markets have been built upon data, whether that be in terms of pricing, liquidity, risk management or a combination of all three. As technology has improved, the quantity and quality of the data available has also grown and improved. Within the securities lending markets, this evolution in the complexity and availability of data points has been facilitated and controlled by the introduction of the International Securities Lending Association's (ISLA's) Securities Lending Performance Measurement (SLPM) guidelines.

The SLPM provides the foundation for market participants to achieve high quality, complete and consistent data comparisons across the securities lending landscape. There are three primary areas of data management that are included in this guidance: inventory data, transaction data and static data. Each of these focuses on producing data standards to remove common inconsistencies that often lead to confusion or misrepresentation of data sets, making comparisons less accurate or, in some cases, completely ineffectual.

Inventory data

The definition of inventory is often unique to every market participant. A portfolio manager may include all of their assets under the title of inventory, whereas a securities lender may class their inventory as lendable assets in lendable markets only. Without firm agreement on what the term refers to, performance and risk metrics are often confused and inconsistent between entities.

Transaction data

The completeness of transaction data provided to all data providers remains key to ensuring successful and accurate comparisons and programme oversight. Consistent delivery of all client transaction level data is essential to provide the most comprehensive view of market activity.

Static data

Application of different standards for correcting data errors and identifying data omissions often contributes to a lack of consistency. Clear identification of client types, to ensure consistent peer group comparisons, is imperative in delivering accurate and useful performance measurement guidelines.

At S&P Global Market Intelligence, the application and provision of accurate and timely data across the financing markets remains a cornerstone of our product offering. Following the introduction of the SLPM guidelines in 2021, the goals and requirements of the initiative were fully embedded into our products and services.

As a market-led initiative, we believe it is essential to follow the technical guidance on offer through the SLPM to ensure that the data on offer remains fully aligned with industry standards.

To ensure adherence to the guidelines, the following changes were made to the way that data is collated and processed.

1. Benchmarking is based on total assets and lendable (after any restrictions)

The ingestion of trades and inventory files has been updated to comply with the best practice guide published by ISLA in September 2020. Contributors can now provide both total assets and lendable assets in their daily files. A new preference filter, Lendable Type, has been added to the web portal to analyse performance on a total or lendable asset (excluding restrictions and buffers) basis.

2. Revenue adjustments

Having the ability to include deferred revenue adjustments in performance measurement tools is critical to ensure that data remains accurate and useful. Up to five years of adjusted securities lending revenues can now be added at the entity or security level to facilitate accurate performance analysis. Adjustments can be made for a specific date or month (or value), which are then reflected in the performance measurement reports.

3. Revenue splits

As a new feature, lenders and beneficial owners now have the ability to add their revenue splits to their profiles. Users therefore have the ability to see their gross as well as net revenues and any returns after fee splits.

4. Return on net asset value and assets under management

Lenders and beneficial owners have the ability to input their net asset value (NAV) or their assets under management (AUM) to calculate their returns based upon either metric.

5. Right of substitution

The ingestion of a right of substitution data flag is now possible. Having this ability provides more granular detail to market participants and helps to build a more accurate picture of the financing landscape.

6. Pay to hold

While this is not a data point that is subscribed in the SLPM guidelines, a pay-to-hold option has been added and can now be ingested across data sets. This forms part of continuing efforts to improve the granularity of data provided. This remains an important feature in building a true picture of the securities finance market and it differentiates actual stock loan trades from inventory that has not yet been deployed.

Being able to assess the relative performance of a securities lending programme relies upon the quality and accuracy of the information being used. By ensuring that the guidelines provided by the SLPM best practice documentation are adhered to, all market participants can ensure that comparisons, predictions and appraisal of their activities remain both accurate and useful.

As the availability of data supply grows — and the applications of that data become increasingly important — industry standards created by a broad range of market participants are critical in providing meaningful data points that can translate into effective and valuable insights and signals. Following the recent explosion in the interest in artificial intelligence, never before has the quality and granularity of data been so critical to future innovation and positive, meaningful outcomes.

Cochrane promoted

Tessa Grace Cochrane has been promoted to head of APAC fixed income financing sales at JPMorgan Chase.

Based in Sydney, Cochrane was previously executive director of rates and repo sales, having joined the firm in 2015.

Cochrane brings more than 15 years of industry experience to the role.

Prior to joining JP Morgan Chase, she spent eight months in Luxembourg as an investment analyst at Schroders.

Earlier in her career, Cochrane worked in business development and strategy at retail firm Temple & Webster. Previously, she was a consultant at professional services and accounting firm KPMG US.

Pirum appoints Seibold in US

Pirum Systems has appointed Frank Seibold as head of commercial development for the Americas.

Based in New York, Seibold will focus on accelerating the firm's business in the Americas and will further refine its complete post-trade lifecycle offering.

He will work alongside Matthew Lilien, head of sales for North America, as the firm continues to scale its business in this region.

Seibold brings more than 30 years of industry experience to the role, where he previously held senior positions across financial services, data, trading and post-trade platforms.

He joins Pirum from CME Group, where he was global head of strategic relationship management and head of cash market sales.

Prior to this, Seibold held senior positions at ICAP, NEX Group and Thomson Reuters.

Northern Trust appoints Noël

Northern Trust has appointed Olivier Noël as country head of Luxembourg. Subject to regulatory approval, he will also become CEO and a board member of the firm's EU bank, Northern Trust Global Services SE (NTGS SE).

He reports to Clive Bellows, head of EMEA global fund services and soon-to-be president of Northern Trust's EMEA business.

Noël has more than 20 years of industry experience, the majority of which has been spent with Northern Trust.

Most recently he served as chief operating officer at NTGS SE, before which he was chief operating officer for the global fund services business.

He joined the firm as head of transfer agency in 2005, before which he was an assistant manager for transfer agency at BNP Paribas Securities Services Luxembourg.

BNP Paribas hires Uhlen

BNP Paribas' Securities Services business has appointed Benoit Uhlen as head of market and financing services for the Asia-Pacific (APAC) region.

Based in Hong Kong, Uhlen will be responsible for strengthening the company's offering in APAC.

He will focus on securities lending, foreign exchange services, triparty collateral management and financing.

Uhlen brings extensive industry experience, having worked for Securities Services at BNP Paribas for more than 25 years.

Throughout his career, he has held a variety of senior positions, including head of equity finance trading in Paris and global head of business development and solutions.

Franck Dubois, head of Asia-Pacific, Securities Services at BNP Paribas, says: "Uhlen's in-depth expertise will be instrumental in supporting our clients' domestic and international development in APAC."

Giglio and Wiblin promoted

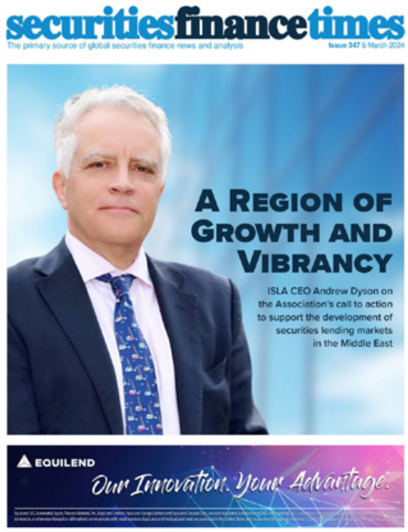
GLMX has announced senior management promotions following the continued expansion of the firm.

Effective immediately, Sal Giglio has been promoted to president and chief revenue officer. Andy Wiblin has stepped up to become global chief operating officer.

Giglio has more than 20 years of industry experience and joined GLMX's New York office in 2015. He was previously chief operating officer and chief markets officer at the firm.

Wiblin joined GLMX's London office in 2019 as chief product officer and brings more than two decades of industry experience to the role.

Commenting on the promotions, GLMX CEO and co-founder Glenn Havlicek says: "Giglio and Wiblin are significant talents who have made, individually and collectively, irreplaceable contributions to GLMX's success."



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