



## INVESTING IN THE CANADIAN MARKET

Wealthsimple's Tara Kennedy and David Mak talk about the firm's growth from a managed investing company to a full service financial platform

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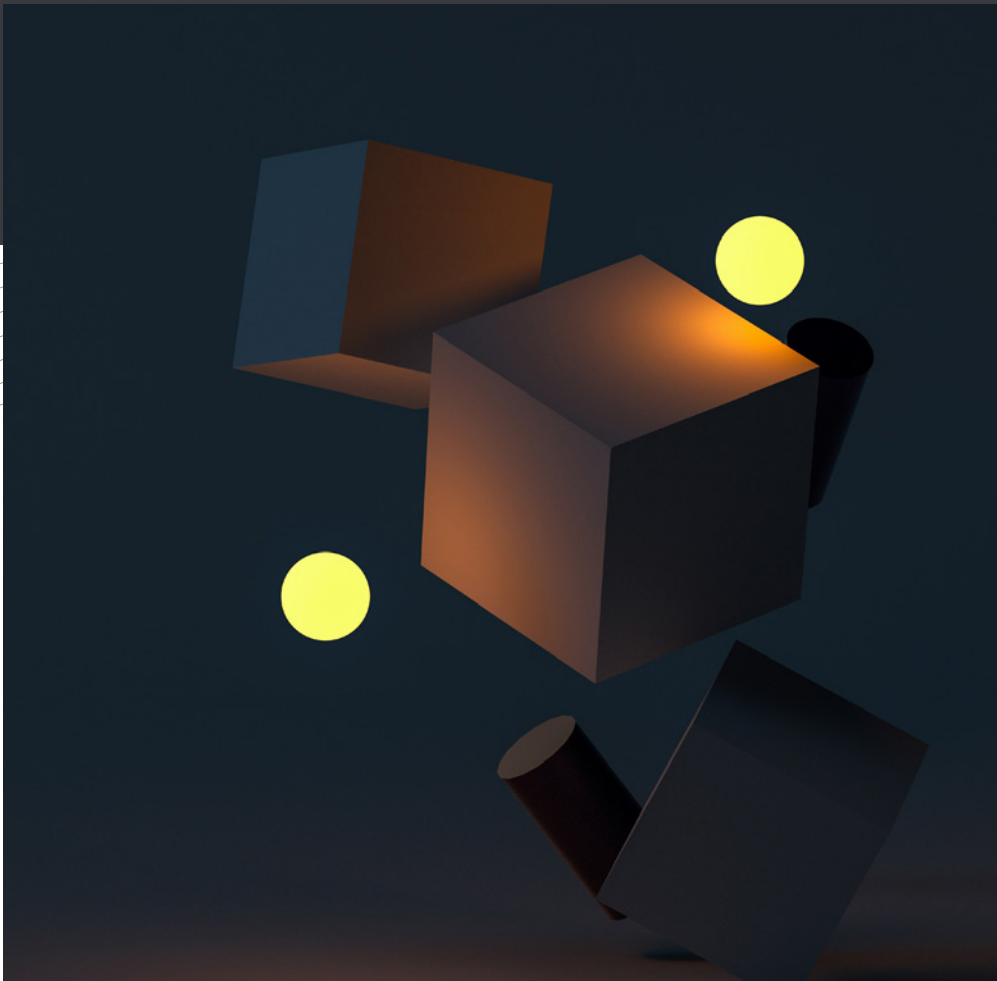
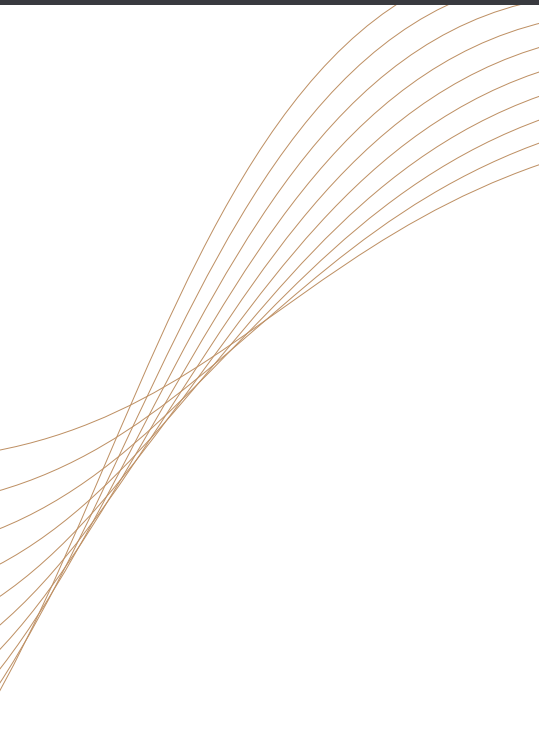
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## **Finality and HQLA<sup>x</sup> complete cross-chain intraday repo settlement testing**

Finality and HQLA<sup>x</sup> have completed the initial end-to-end testing of cross-chain intraday repo settlement.

The testing follows the firms' first proof of concept delivery versus payment repo settlement in Q4 2022.

The PoC was the first cross-chain repo swap pilot across R3's Corda platform and Enterprise Ethereum. According to the two firms, it set the foundations for the "rapid settlement" of intraday transactions.

The firms claim that this testing "paves the way for the precise control and easy mobility of liquidity and collateral, ensuring the clearing of wholesale payments in minutes with unprecedented visibility and control".

They continue to add that the success of the tests will enable the ability to settle at a precise moment in time.

Simone Cortese, director of Product Management at Finality International, says: "[This] showcases a complete end-to-end process: from a trade originating in Eurex to the transaction settling seamlessly and atomically across FnPS and HQLA<sup>x</sup> in mere seconds.

"As we stand on the cusp of our first 'real' live transaction, we are poised to unlock groundbreaking opportunities within the intraday finance sector."

Guido Stroemer, CEO at HQLA<sup>x</sup>, adds: "Interoperability across DLT platforms is a core functional requirement for a robust DLT ecosystem for capital markets, which is why we are so pleased with our successful collaboration with Finality on this transformative DvP use case."





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### **Fnlity and HQLA<sup>x</sup> complete cross-chain intraday repo settlement testing**

Fnlity and HQLA<sup>x</sup> have completed the initial end-to-end testing of cross-chain intraday repo settlement



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## PASLA signs letter of intent with ASLA

The Pan Asia Securities Lending Association (PASLA) has signed a letter of intent with the Australian Securities Lending Association (ASLA) to expand its reach to the Australasia region.

Both associations will collaborate on the execution and details of the final agreement in the coming months, and aim to complete by Q4 2024.

Commenting on the move, Stephen Howard, CEO of PASLA, says: "We're excited to be working on this process with ASLA because

it has clear potential to benefit members of both associations.

"Australia and New Zealand are highly developed securities finance markets with a large number of beneficial owners with active lending programmes.

"Establishing a closer relationship with participants in these markets will reinforce PASLA's ability to serve and represent the securities finance industry across the whole of Asia Pacific."

## Wematch.live launches SM@RT Matching optimiser

Wematch.live has launched its SM@RT Matching optimiser which aims to address common pain points and drive efficiency in securities lending operations.

SM@RT Matching is designed to enable both lenders and borrowers to define their own rules and constraints on the platform, such as risk-weighted asset (RWA) weighting linked to Tax ID, collateral schedules, currencies, borrower ranking, and lender ranking.

Through the use of direct connectivity with both lenders and borrowers to receive targeted availabilities and borrow needs in real-time, the firm says the new engine provides the "best combination of trades" based on the inputted constraints.

Commenting on the news, David Raccat, co-founder and chief revenue officer of Wematch, says: "This innovative technology is a game-changer, empowering our clients to optimise their securities lending operations and find the best liquidity match based on their unique requirements."

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Elie Slama, co-founder and chief technology officer of Wematch, adds: "Our SBL live platform was entirely revamped in 2022 to accommodate general collateral flow, as well as tailored workflows for underserved segments such as FRM, HTB, and corporate bonds.

"With a cloud-based serverless architecture, we can dynamically adapt to market size, handling over 10 million simultaneous interests in live data and processing up to 6,000 trades per minute."

### **ISLA launches securities lending and borrowing hub**

The International Securities Lending Association (ISLA) has launched a new resource of information which is designed to highlight pertinent topics for new market entrants, regulators and policy makers.

The ISLA Securities Lending & Borrowing Hub will act as a resource for all securities lending and borrowing information, including market mechanics, regulatory frameworks, and industry guides.

According to the association, the online resource aims to demystify securities lending

and borrowing, end-to-end, for a range of audiences.

It will act as a central point and will provide links to ISLA's work in regulation and policy, as well as the legal and digital space. In addition, the hub will integrate the ISLA Glossary.

Sejal Amin, head of events, content and communications, comments: "I'm proud to announce this initiative which I'm sure will bring value to both newcomers and seasoned professionals within our sector.

"The Hub will be regularly updated to reflect the ever-changing landscape, with future content around digital assets, trade lifecycles and new regulation already in the pipeline"

### **Euroclear and LSF join forces to launch repo solution**

Euroclear and the Liquidity and Sustainability Facility (LSF) have joined forces to create an interbank repo solution to support African sovereign eurobonds.

The new facility will sit within Euroclear's triparty platform.

With the creation of the new standardised triparty basket dedicated to African sovereign eurobonds, 'LSF GC Africa Euroclear', the two firms aim to create an interbank flow market within the African repo market.

This basket, which reflects more than 120 sovereign African eurobonds that the LSF accepts as collateral in repo transactions, is designed to allow investors to trade in a standardised and high-quality framework on a wide range of African eurobonds.

Commenting on the announcement, Bernard Ferran, chief commercial officer at Euroclear, says: "In our role as a financial market infrastructure, we are pleased to be able to work with our colleagues at the LSF to bring this new solution to market.

"We believe this triparty basket could provide a new avenue for international investment in Africa creating market efficiencies and driving increased liquidity."

David Escoffier, CEO of the LSF Secretariat, adds: "This new phase for the LSF, thanks to the creation of a global community of African eurobond holders, and the coordination of a

The graphic features a dark blue background with a circuit-like pattern of light blue lines and dots. In the center, the text "C-ONE" is prominently displayed. Surrounding it are four circular icons connected by dashed lines, each representing a different aspect of securities finance: "REGULATORY REPORTING" (top-left), "SECURITIES FINANCE" (top-right), "CONNECTIVITY" (bottom-left), and "DLT/BLOCKCHAIN" (bottom-right). To the right of the central text, the "COMYNO" logo is shown, followed by the text "C-ONE | One-Stop-Shop for Securities Finance". At the bottom right, the website address "WWW.COMYNO.COM" is listed.



diversified pool of specialised counterparties on the repo market, enables liquidity in this asset class to be concentrated and organised efficiently.”

The LSF was designed with the support of the United Nations Economic Commission for Africa and Afreximbank.

Its dual objective is to support the liquidity of African sovereigns eurobonds and incentivise Sustainable Development Goals-related investments, such as GSS bonds on the African continent.

## Fidelity International goes live on J.P. Morgan's Tokenized Collateral Network

Investment management services firm Fidelity International has gone live on J.P. Morgan's Tokenized Collateral Network (TCN).

TCN sits on J.P. Morgan's Onyx Digital Assets, and operates as a private blockchain-based platform, which is used for tokenised asset movements including collateral settlement.

Fidelity International has tokenised the representation of shares in Fidelity International money market funds (MMF) through the TCN.

The ability to post MMF shares as collateral directly without first redeeming to cash, offers the prospect of greater efficiency and stability in times of market stress, the firms say.


TCN has started with the tokenisation of money market shares, with a view to expanding across equities, fixed income and a range of asset classes.

According to J.P. Morgan, the ability to tokenise assets and use them under both title transfer and pledge structures, outside of any limiting market operating hours, has the potential to create new opportunities in the collateral market.

Commenting on the news Stephen Whyman,

head of Debt Capital Markets at Fidelity International, says: “Tokenising our money market fund shares to use as collateral is an important and natural first step in scaling our adoption of this technology.

“The benefits to our clients and the wider financial system are clear — in particular,




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the improved efficiency in delivering margin requirements and reduction in transaction costs and operational risk.”

Harpreet Bains, managing director and head of trading services digital at J.P. Morgan, adds: “Growing the number of participants on TCN was a key objective from the outset, and we’re delighted to welcome Fidelity International to the network.

“We believe TCN has the potential to transform collateral markets, allowing our clients to extract greater utility from existing asset pools, and broadening the network is the next important step on that journey.”

### **EquiLend and valid8Me enter strategic partnership with Onboard+**

With the rollout of Onboard+, EquiLend has entered into a new partnership with digital onboarding and due diligence platform valid8Me.

The platform Onboard+, which is powered by valid8Me, introduces an end-to-end fund and counterparty onboarding solution to the securities finance market.

It aims to address challenges around the onboarding of beneficial owners in securities lending programmes.

According to the firms, this process has “traditionally been a very manual and onerous process with significant lead times”. The AI-driven platform will provide an increase in automation, expediting the entire process while reducing costs.

Kevin McNulty, head of RegTech Solutions at EquiLend, says: “Developed in collaboration with our clients, EquiLend Onboard+ fuses valid8Me’s innovation in KYC with EquiLend’s expertise in the securities finance market to unlock huge volumes of untapped liquidity.”

Patrick Horgan, CEO of valid8Me, adds: “We are excited to partner with EquiLend, a market leader in securities finance,



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and together solve a significant industry challenge with the introduction of the Onboard+ platform, which will unlock long-term value for our end clients.”

## SDC Jordan and KDPW Poland elected to ANNA board

The Securities Depository Center (SDC) Jordan and Grupa KDPW have been elected to the Association of National Numbering Agencies (ANNA) board.

SDC will be represented by Sarah Tarawneh, CEO of the group. Tarawneh was previously an ANNA board member between 2018 and 2021.

She comments: “I am excited to be involved in advancing ANNA’s activities as the individual and collective work of the NNAs is so important to ensuring the harmonisation of data standards.”

Grupa KDPW, re-elected to the board, are represented by Slawomir Zajac — an existing director in the ANNA Management Body.

He adds: “With NNA’s working collaboratively to continually evolve global financial standards, market interoperability and better data quality will be enabled. Better quality and greater availability of data means reduced business costs and operational risk for the market.”

These appointments come amid the India International Depository IFSC and Depósito Centralizado de Compensación y Liquidación de Valores, Ecuador, being approved to transition to become full ANNA members.

This total number of ANNA full members has now risen to 103.

Stephan Dreyer, managing director at ANNA, says: “Active NNA participation is both valued and essential and I am always incredibly proud of our members who collectively bring their experiences and knowledge together to promote the development and understanding of global identifiers.” ■

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## From the ground up: Investing in the Canadian market

Wealthsimple's Tara Kennedy, vice president and head of capital markets, and David Mak, executive director, securities finance, speak to Carmella Haswell about the firm's growth from a managed investing company to a full service financial platform

**How do you assess the performance of Wealthsimple's securities lending programme over the past 12 months?**

**David Mak:** We have seen exciting growth and success from our fully paid lending programme. We built the product from the ground up by combining technological innovation with industry

expertise. A third of eligible accounts have opted-in to the programme in less than 15 months of operation, and we continue to listen to feedback from clients on how we can expand and improve the programme.

### **How have market events and client demand in the past year shaped where Wealthsimple is today, and where the firm is heading?**

**Tara Kennedy:** It has been an interesting few years for consumer finance. Moments like meme stocks and the pandemic saw a surge of retail investors entering the market faster than before.

Retail investors are looking for financial products that meet their needs, bring them greater value, and allow them to take control of their financial futures. It has created an enormous opportunity for us to build products and iterate our platform to best serve them. And our offerings are resonating.

We are averaging US\$1 billion in net deposits per month. When you look at where Canadians are choosing to put their next dollar, it is with Wealthsimple.

### **Which regulatory initiatives will consume the most attention for your team in the next year? What investments and adaptations to working practices have you made to sustain and grow your securities lending activity in the current environment?**

**Kennedy:** We invest in talent and expertise to build world-class teams in-house. We have been able to grow our securities lending services in Canada's highly regulated environment by closely collaborating with our regulatory, compliance and product teams.

We have developed strong relationships with regulators in our journey from a managed investing platform to a full service financial platform. In the short term, we are advocating for greater adoption of automated investment account transfers. Unlike many other jurisdictions, there are no regulated service standards for account transfers in Canada.

Last year, nearly half of account transfers into Wealthsimple were sent manually — by fax, mail or cheque — a slow and unnecessary process when automated solutions are readily available. Canadian regulators

have been working to increase adoption for automated transfers and we hope they are successful.

### **What do you see as some of the most prominent challenges and risks associated with securities lending, and how are they managed?**

**Mak:** Education has been a key part of our rollout, ensuring clients understand what a fully paid lending programme is and what they are opting into. We want to ensure clients are able to make an informed decision on whether they do or do not want to participate in the programme, while providing them with full autonomy in making this choice.

### **Assessing the next 12 months, how will Wealthsimple be investing in its technology stack to provide for its clients, tackle periods of market stress, as well as advance its platform?**

**Kennedy:** We will continue to identify opportunities to help our clients take control of their finances and educate them about the tips, tools and services that can support their savings goals. From a securities lending perspective, we have aspirations to grow our offerings even more. We are testing a few different avenues — including margin accounts — though it is still early days.

### **Wealthsimple is nominated for the 'New Securities Finance Team of the Year' category at this year's SFT Awards. How do you feel about making the shortlist, and why do you think Wealthsimple should win?**

**Mak:** We are honoured to be shortlisted for this award and to be included with our highly regarded peers in this category. We have sought to provide a best-in-class experience by unlocking value for our clients while balancing an ever-evolving regulatory and market dynamic.

By combining a unique blend of technology savvy and deep industry knowledge, we feel we have created one of the best fully paid lending programmes in Canada. Clients can digitally opt in or out daily at their discretion. Those who opt in can see their accrued earnings directly in the app, rather than waiting for monthly statements. Our programme gives our clients greater transparency and freedom over how they want their assets utilised. This is borne from our goal and culture to democratise finance for our clients and ultimately all Canadians. ■



## CASLA: A roundup of the Canadian market

Having attended the CASLA conference in Toronto in May, Carmella Haswell and Sophie Downes provide a roundup of the key findings from industry discussions

The Canadian Securities Lending Association's (CASLA) 14th annual conference took place in Toronto last month, where market participants gathered to discuss the region's current financial landscape, the days following the implementation of T+1, as well as post-trade challenges and market trends.

CASLA was created with a mission of ensuring the long-term viability of the Canadian securities lending industry by establishing a unified voice. Its membership includes over 20 firms in Canada and the US across broker-dealers, asset managers, custodial banks, prime brokers, and technology providers.

Below, Securities Finance Times provides highlights of the event's key discussions.

### **Canada is underdeveloped and must rethink collateral approach**

The Canadian market requires improvement, especially in terms of repo and collateral, according to panellists at the CASLA conference in Toronto.

The panel discussed post-trade challenges in the session entitled 'Market Infrastructure Revolution: Navigating Post Trade Challenges and Partnering in Industry Transformation'.

Moderated by Steve Everett, head of business strategy and Post Trade Innovation at TMX, panellists agreed that the Canadian market requires improvements in the collateral space.



According to Nick Chan, managing director, head of financial resource management at BMO Capital Markets, “Canada is unique”.

“When I look at how we operate compared to other jurisdictions, we tend to come through things by collaboration, discussion and standardisation,” he added.

Triparty was not a term that was known to local Canadian participants until very recently, said Chan, who believes that this has come from “the fact that we have had good access to well-developed funding markets that did not rely on us to have much collateral reuse”.

During the discussions, Chan indicated that collateral has become a core part of the way the Canadian market manages risk. In the area of collateral reuse, he believes that “we have been underdeveloped, and there is an opportunity to evolve”.

He continued: “The Canadian market has been very resilient, but there is an opportunity for us to evolve the infrastructure to pave the way for more innovation and liquidity, which will lead to more Canadian market participation in the future.”

Following this topic, Maksym Padalko, operations and policy advisor at the Bank of Canada, highlighted that the country lacks a general collateral market. In addition, he stated that the term repo market could also “be more active”, and usage of Canadian collateral or securities in foreign markets, such as in the US and Europe, could be expanded.

“In terms of the importance of having the proper infrastructure, there are broad systemic benefits,” Padalko explained. “If you have a well developed term repo market, for example, and you face sudden volatility like what we have seen in the past, term repo markets can help to absorb some of those shocks — such as risks, big price moves and margin calls — in the near term.”

Adding to the debate, Value Exchange CEO Barnaby Nelson pinpointed how the “incredible costs” the industry carries everyday to support the current infrastructure in the collateral repo space, from a balance sheet, risk-weighted asset (RWA) and operational cost perspective, was “striking”. He asked: can we afford not to?

He concluded: “There is no way we can run our collateral and repos in 10 years in the same way that we do now. We are just

entering the triparty era in Canada, arguably, the revolution is well advanced in Europe and Asia. It would be wrong to think we have the luxury of time.”

### **T+1 achieves a smooth landing following implementation**

T+1 proved to be a smooth transition for the US and Canada, and now participants have advised the UK not to be afraid to “have those difficult conversations”, as the country works toward the implementation of a shorter settlement cycle.

The panel entitled ‘T+1 in the Rearview’ discussed the move to a shorter settlement cycle for the US and Canada over a week after its official implementation.

**"I was preparing for the end of the world scenario, but it was pretty smooth. The preparation paid off."**

**Ahmed Shadmann**

Head of Agency Trading Canada and non-US equities  
State Street

Moderated by Phil Zywoj, head of North American equities and US corporates at BNY, panellists were questioned on the unexpected surprises of the transition, recalls, automation, and how the UK should handle its own transition to T+1.

It appeared that the “unexpected surprise” from the T+1 go-live was that there were no surprises, said Ahmed Shadmann, head of Agency Trading Canada and non-US equities at State Street. He added: “I was preparing for the end of the world scenario, but it was pretty smooth. The preparation paid off.”

For one panellist, there were “a few hiccups” during the transition,

however, market participants were prepared and continued to monitor the move.

An industry fear regarding the potential increase in fail rates during 27-28 May “did not materialise”, confirmed Mathilda Yared, managing director of global securities finance at National Bank Financial.

The panel agreed that the transition to T+1 brought the industry together, as firms participated in “an immense amount of collaboration and discussion”. However, one panellist in particular said that T+1 may be in the rearview, but it is a long road ahead. He advised firms to remain vigilant and to not become complacent.

In April, the UK government gave the go-ahead for the country to move to a T+1 settlement cycle. This journey will be led by the Accelerated

**"Partnerships between borrowers and lenders is extremely important. The UK needs to establish that line of communication, even if it is difficult."**

**Mathilda Yared**

Managing director of global securities finance  
National Bank Financial

Settlement Taskforce (AST), with the aid of its Technology Group, which aims to implement T+1 no later than the end of 2027.

Offering advice on the UK’s T+1 implementation, the panel noted that firms should not be afraid to have “those difficult conversations”. Companies should partner with all of the respected firms, leverage their vendors, and listen to the solutions that are out there.

Alexa Lemstra, director of client relationship management at EquiLend, encouraged the UK to “get a head start” as deadlines will “come up quickly”.

She continued: “Use the budget and focus of the deadline to look at your full lifecycle and understand where you can find more efficiency. Participants will be moving into a real-time environment, and so they will need that risk mitigation view, transparency and visibility in the back, middle and front office. Everyone needs to move quickly to handle any exceptions coming out.”

In conclusion, Yared said: “Partnerships between borrowers and lenders is extremely important. The UK needs to establish that line of communication, even if it is difficult.

“Take a look at the available market infrastructure. Maybe what you want to achieve as an industry with the currently available infrastructure is not possible, but there is no reason why firms can’t get together and put something in place that will help reach the needed end result, like we did in Canada.”

### **The market faces challenges with regulatory definitions**

Regulatory requirements need to be much clearer, agreed panellists at the CASLA conference.

The panel discussion, titled ‘Regulatory Discussion: Who is Drinking and Who is Paying?’, applied a Croatian phrase to the subject of regulations, typically denoting a confused and disorganised situation.

In light of current regulations, particularly Basel III Endgame and the US Securities and Exchange Commission’s (SEC) 10c-1a, the speakers concurred the phrase was apt.

Focusing on the Basel III Endgame, the panel outlined key issues that the regulation has created for banks.

Firstly, they discussed potential problems with defining investment grade counterparties under Basel III Endgame, and how narrowing this definition could impact capital treatment of certain assets.

The session also discussed concerns from beneficial owners regarding the operational risk framework, highlighting the additional demands it will place on overall bank balance sheets by assigning additional capital requirements based on stress testing results.

One panellist specifically noted increases in market risk, pointing to challenges for firms' business model, operations, as well as for franchise optimisation.

When questioned on whether the regulation really would be the 'endgame', one speaker was dubious. They did, however, acknowledge that the collective impact of the regulation would highlight some of the gaps within market infrastructure that could be built on.

Discussion then moved to consideration of 10c-1a, highlighting the numerous questions that the regulations are yet to answer.

For example, questions remain around what constitutes a 'reportable event' and how much new development work will be required from existing SFT reporting systems.

Likewise, speakers explained that questions of jurisdiction still persist, and that there could be a potential overlap with Securities Financing Transactions Regulation (SFTR) requirements. In essence, they suggested, there needs to be significantly greater clarification regarding these reporting requirements.

As the panel concluded, discussion reverted back to the opening title: who will be drinking and who will be paying?

For one panellist, the issue comes down to capacity. The Canadian market might have some success, they posed, arguing that the size of the US Treasury clearing model might take a while for everyone to have sufficient access to it.

Getting new standard documents that are modern and useful for this purpose is going to be really important, the panel noted.

The speakers expressed being unsure if they can get there in preparation for implementation of these rules, or at least in a way that is generally useful for the market at large. But they are trying really hard to make that happen.

### **Industry needs to prioritise diversity in order to grow, say speakers**

Progress in the industry is incumbent upon increasing diversity, said panellists.

In a discussion focused on client insights and perspectives, speakers agreed that more work is required to diversify the workforce in securities lending.

Using the turnout of the room as an example, Brittany Gallagher, director of operations at K2 & Associates, highlighted the necessity of increasing the number of women in the industry.

"It is the responsibility of larger institutions, but on a personal level, it is down to us," she explained.

Meanwhile, Kyle Kolasingh, head of Market Services Solutions at RBC Investor Services, argued that firms need to build a greater awareness of disability and accessibility, focusing on neurodiversity in particular.

"If you want the industry to continue to grow successfully, you have to focus on fostering talent and its sustainability. You cannot do this without acknowledging and incorporating diversity, equity and inclusivity goals in hiring practices," he argued.

Brendan Eccles, managing director, global head securities lending at Scotiabank, affirmed Kolasingh's comments, arguing that this work was "imperative". He acknowledged, however, that few people in the industry had done that research, and that investment firms do not necessarily have the resources in place.

Elsewhere, speakers discussed the importance of adapting to market changes and optimising trading and investment strategies.

They discussed the need for understanding client perspectives, with panellists emphasising the more active roles clients are taking with their return strategies.

As one panellist argued, it is vital for clients to know what they are up against. He detailed the huge focus his firm is placing on increasing transparency across the securities lending chain.

"For us, it's about being nimble," he explained. "We need to try to make sure that we have as many options across the street as possible when it comes to foreign stock or financing needs." ■





## All to play for: A breakdown of market performance in H1 2024

Matthew Chessum, director of securities finance at S&P Global Market Intelligence, reviews the securities lending market's performance in the first half of the year

Before reaching for the suitcase and factor 50 and setting off to the beach, it seems like a good time to stop and take the opportunity to have a brief look at the securities lending market's performance over the first half of the year.

The macroeconomic environment has provided a degree of stability throughout the first six months of the year, as inflation has continued to cool and interest rates, for much of the period, have been kept on hold. Despite inflation falling closer to the magic two per cent level, the path has not always been easy. The inconsistent economic data during the first quarter made interpretation challenging, leading to heightened volatility in bond prices that fixed income markets had to contend with.

In the equity markets, the impact of the data has been less pronounced, as many global equity indices have continued to reach new highs. At the time of writing, the S&P 500 has just achieved its 27th new record high of 2024 so far. From New York to Tokyo, global markets have reached new peaks with little to no correctional periods taking place. Even Chinese equities have started to make a sustained comeback after declining significantly during the first couple of months of the year.

Looming interest rate cuts, healthy economies and higher than expected corporate earnings have been the main drivers behind the sustained increase in valuations. With over US\$6 trillion currently sitting in money market funds and the VIX hovering close to record

all-time lows, heading into the second half of the year, there does not appear to be much change on the horizon.

### Context remains crucial

In securities lending markets, it is well documented that revenues during the first half of the year have not been as robust as those seen in 2023. Although revenues to the end of May are approximately 24 per cent lower year-on-year (YoY), they do still compare favourably to previous years. At the moment, revenues are trending in line with those seen during 2021 or 2022, depending on the month examined. Both years rank among the top five highest revenue-generating years since our securities lending data service started in 2006, so context remains crucial at this point in the year.

Much of the difference in year-to-date revenues has come from the specials market. 2023 was an exceptional year for equity specials and the revenues associated with these trades were responsible for catapulting 2023 to the second highest revenue producing year since 2008. The US specials market generated US\$3.573 billion during 2023, approximately 70 per cent of all Americas revenues and 28 per cent of the entire 2023 market revenues.

Nevertheless, during the opening months of 2024, several stocks have proven to be highly profitable for lenders. When examining the top 10 revenue-producing stocks (up to the end of May), several observations can be made.

All of the top 10 stocks are US equities or US domiciled ETFs, a number of well known names continue to produce strong revenues for lenders and three sectors dominate the table — media and entertainment, financial services, and pharmaceutical and biotechnology stocks.

During the first half of the year, two stocks have surpassed the US\$100 million revenue mark: Sirius XM Holdings (US\$118 million) and Trump Media and Technology Group (US\$106 million). While the main drivers behind the two borrows remain very different, the reformulation of Liberty Media's tracking stock and a related spin-off versus a pure short sale based upon the expectation of a significant decline in the company's share price, lenders of these equities have benefitted from sustained demand and revenues.

Automobile and component stocks have also attracted strong

revenues throughout the period. Two stocks in particular, Lucid Group and Vinfast Auto, have collectively generated US\$122 million. Lucid Group continues to provide strong returns for lenders after taking the top spot in 2022 (US\$267 million) and second place during 2023 (US\$159 million). Vinfast Auto pushed its way into the highest revenue generating table following its SPAC listing on 15 August, which experienced a rapid increase in its share price.

The Vietnamese car maker's sudden US\$190 billion market valuation meant that it was larger than at least half of the companies within the Dow Jones Industrial Average. The limited free float of the company and its appeal to momentum-focused retail investors helped to push market valuations increasingly higher despite its lack of revenue generation and general market liquidity. This naturally attracted short sellers, as the company's valuation was deemed to be significantly higher than expected.

Hawkish monetary policy, intense competition and on-going trade wars continue to affect this sector and heading into the second half of the year this only looks to intensify following the 100 per cent tariffs recently placed on some Chinese-made electric cars by the US government.

Visa and B Riley Financial have remained stalwarts of the highest revenue generator during the first half of the year. The saga surrounding alleged improprieties at B Riley Financial continue to attract short sellers and the restructuring of Visa shares has generated approximately US\$43 million each, during the year so far.

Since the end of the pandemic, a growing number of pressures have started to take their toll on biotechnology company balance sheets. A story of revenue normalisation, following strong demand during the pandemic, higher interest rates leading to more expensive and difficult refinancing opportunities, and a rise in regulatory pressures that are likely to restrict future innovation, are all impacting the industry. Immunitybio and Cassava Sciences continue to be affected by market conditions and remain heavily shorted companies, generating a collective US\$72 million over the first five months of the year.

Heading into the summer months and the third quarter of 2024, many of these themes will continue to play out in the securities lending markets. Many new themes are also likely to play a growing role in the market's performance. Regulatory change will continue

### Top 10 Revenue Generating Equities (January - May 2024)

Top Earning Assets	Ticker	Sector	Country	Revenue Generated (\$M)
Sirius XM Holdings Inc	SIRI	North America Media and Entertainment	US	\$118.18
Trump Media & Technology Group Corp	DJT	North America Media and Entertainment	US	\$105.95
Lucid Group Inc	LCID	North America Automobiles & Components	US	\$95.74
Beyond Meat Inc	BYND	North America Food, Beverage & Tobacco	US	\$79.48
Immunitybio Inc	IBRX	North America Pharmaceuticals, Biotech & Life Sciences	US	\$46.73
Visa Inc	V	North America Financial Services	US	\$43.71
B Riley Financial Inc	RILY	North America Financial Services	US	\$43.70
Vinfast Auto Ltd	VFS	North America Automobiles & Components	US	\$26.05
Cassava Sciences	SAVA	North America Pharmaceuticals, Biotech & Life Sciences	US	\$25.28
iShares iBoxx Investment Grade Bond ETF	LQD	Exchange Traded Fund	US	\$24.93

Source: S&P Global Market Intelligence Securities Finance

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to dominate flows and resources, the changing shape of several influential democracies around the globe will impact both financial markets and investor confidence and sadly, on-going conflict will stamp its bleak mark upon the geopolitical landscape.

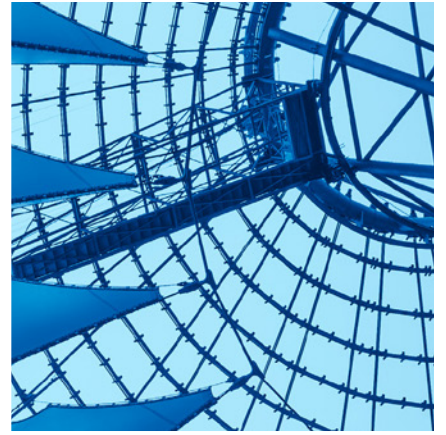
As interest rate divergence is now a reality, inflationary pressures have eased and equity markets are experiencing some of their longest periods of increased valuations on record without any significant correction — there is plenty of uncertainty and opportunity to navigate in the coming months. Uncertainty often leads to volatility which is predominantly positive for the securities finance markets.

All is left to play for in terms of revenues during the second half of the year, given the level of uncertainty and prospective change to come. This provides the potential for Q3 and Q4 to prove more lucrative than the first two quarters of 2024 — but we can worry about that after some much deserved summer sunshine. ■

**Matthew Chessum**  
 Director of securities finance  
**S&P Global Market Intelligence**







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### **Hazeltree enlists Yates**

Hazeltree has appointed Paul Yates as senior pre-sales director.

Based in London, Yates will help the company expand its expertise within the hedge fund and alternative investment market.

In his new role, he will report to James Kirkman, global head of pre-sales at Hazeltree.

Yates joins the firm after 15 years in operational roles at Citi, Lehman's, Morgan Stanley, Nomura and Arbuthnot Securities.

During his long career, Yates also spent 20 years in pre-sales roles at SunGard (FIS), Stonewain, EquiLend, Velexa, and Proximity.



### **GLMX appoints Zekraus**

GLMX has enlisted Robert Zekraus to lead global business development for the firm's securities lending division.

Based in New York, Zekraus brings more than 25 years of experience in capital markets across collateralised financing products, including equity finance, securities lending and repo, and prime brokerage businesses.

He joins the firm from a three-year tenure at Pirum, where he took on the role of chief operating officer and head of Americas. Here, he led geographic expansion and developed the commercial go-to-market strategy in the US and Canada.

Throughout his career, Zekraus has held a number of senior positions in New York and London. At Scotiabank, he was a member of the board of directors of Scotia Capital (USA) and head of prime services client capital management and funding.



### **Citi hires Gambardella**

Citi has appointed Cécile Gambardella as head of sales, Markets for Japan, Asia North and Australia, and Asia South.

In her new role, Gambardella will spearhead the development and expansion of relationships across Citi's Markets franchise in the region.

Based in Hong Kong, Gambardella will report to Paul Smith, head of Markets, Japan, Asia North and Australia, and Sue Lee, head of Markets, Asia South.

Gambardella joined Citi in 2022 and was most recently head of Markets for France and Benelux. In this role, she provided regional leadership in full partnership with the product areas across all customer segments.

Prior to this, she worked at Bank of America and J.P. Morgan in local and G10 markets roles.

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**J.P. Morgan selects Jeffries**

J.P. Morgan has appointed Will Jeffries to lead sell-side trading services sales for its international (ex US) business.

In his role, Jeffries will relocate from Hong Kong to London in early 2025, bringing with him over a decade of experience covering the Asian triparty market.

The announcement follows the departure of Marieken Pronk, EMEA head of sell-side trading services sales, who has been with J.P. Morgan for more than 13 years.

Jeffries was previously executive director, APAC head of sell-side trading services sales at J.P. Morgan — a position he held since 2019. He will now expand his role to cover EMEA.

Prior to joining J.P. Morgan, he worked at BNY between 2012 and 2019, where he was most recently director of Clearance and Collateral Management sales.



**LCH welcomes Robinson**

Continental European clearing house LCH SA has appointed Marcus Robinson as head of CDCSClear and head of DigitalAssetClear.

In his new role, Robinson will lead the firm's clearing service CDCSClear into the next phase of international expansion, particularly across the US, following the launch of client clearing to US firms in February 2024.

In addition, he will also focus on bringing to market DigitalAssetClear, as well as its subsequent development, following recent regulatory approvals, the firm says.

The appointment follows Frank Soussan's decision to leave the group, where he was formerly global head of CDCSClear and head of SA EquityClear and CommodityClear.

Robinson will report to Corentine Poilvet-Clédière, CEO of LCH SA, and he will join the LCH SA leadership team.



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