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Autumn 2022
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DERIVATIVES

ICE PLANS EXPANSION IN EQUITY DERIVATIVES

Securities finance

Full results of the ISF Survey 2022

GLOBAL CUSTODY GUIDE

THE TOP GLOBAL CUSTODIANS FOR 2022

GLMX

The fintech discusses its innovative approach to development

The art of marrying tactics with strategy

This quarter's issue of Global Investor celebrates those firms that have continued to innovate to maintain their competitive advantage despite the distractions of the macro-economic environment.

The International Securities Finance survey 2022 recognises again those firms that have remained committed to excellence. HSBC Securities Services was the top-rated global lender when rated by all clients and its largest customers, beating Citi and BNY Mellon.

BNY Mellon was the top lender in the Americas while HSBC Securities Services swept the board in Europe and Asia. State Street was the top-rated lender in Europe, the Middle East and Africa, according to its largest borrowing counterparties.

Natixis Asset Management Finance was the top scorer among the group two lenders globally while Sumitomo Mitsui came top in the Americas, Handelsbanken was top in EMEA and BNP Paribas Securities Services Principal Lending was the best of the second tier lenders in the Asia-Pacific.

Barclays was the top global borrower and RBC Capital Markets was the preeminent in the Americas, while Bank of America Merrill Lynch was top among the group two borrowers rated by group two lenders.

Also featured in this issue are a new breed of fintech firms looking to disrupt the long-established securities lending industry with new technology. GLMX talks about how it is using a team of experts to respond quickly to customer requirements with customisable solutions.

HQLA^{X} has deployed distributed ledger technology to work with clients to address their unique "pain points" and allow counterparties to exchange seamlessly ownership of baskets of securities across disparate collateral pools.

Provable Markets is the first Securities and Exchange Commission Registered Alternative Trading System in securities finance for over a decade. Its partnership with the Depository Trust and Clearing Corporation's (DTCC) Securities Finance Transaction (SFT) Clearing Service is one to watch.

Similarly, eSeclending, a more established force, is looking to deliver granular services based on individual firm's guidelines, collateral and risk profiles.

These companies are adept at staying laser-focused on their growth strategies while managing to react quickly to the not-inconsiderable economic trends buffeting the markets.

Lloyd Sebastian, a vice president of global financial institutions at CIBC Mellon, offers an interesting insight into how Canadian investors are responding to the challenges in that market.

Another good example is the European Energy Exchange which is working hard to position itself for the long-term shift to renewable energy sources while managing the short-term challenges posed by the European energy crisis.

A special mention however is reserved for Caterina Caramaschi, the head of equity derivatives and rising star at the Intercontinental Exchange, who reflects in this issue on a difficult year for UK equities which has managed to get whole lot worth in the last couple of weeks.

Caramaschi talks about building on Liffe's long-established equities franchise by developing a new generation of products around the FTSE 250 index and new ESG benchmarks.

Excepting Caramaschi and EEX's Reitz, this issue is relatively light on ESG, a theme that has dominated the industry's dialogue in recent years. The markets are certainly volatile and traders may be struggling this quarter but those firms and individuals that lose sight of the bigger picture will ultimately be poorer in the long-run. ■

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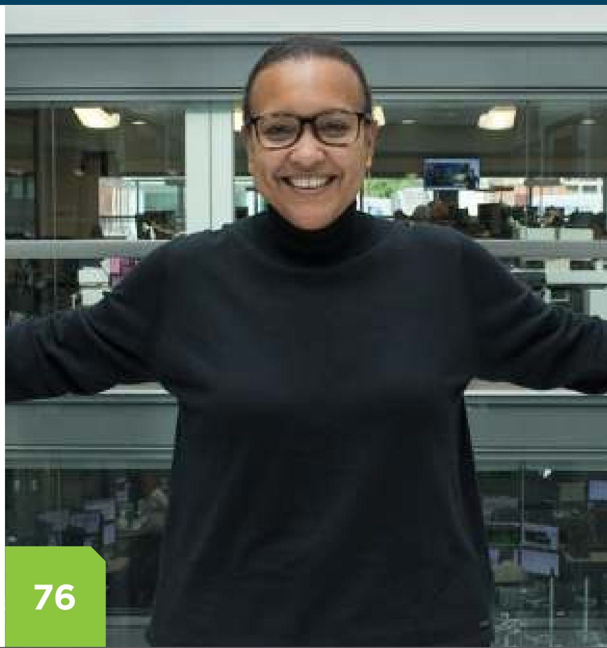
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Trading Places

Senior management continued to move as firms reacted to changing market dynamics

ASSET MANAGEMENT

Liquidnet appoints fixed income sales head

Liquidnet has appointed Nichola Hunter from MarketAxess as global head of sales for fixed income as the buy-side trading network continues to grow the business.

Based in London, Hunter is responsible for growing client relationships through the delivery of tailored and innovative solutions, the TP ICAP-owned firm said. Hunter reports to Mark Russell, global head of fixed income.

Robeco re-hires Preininger from Amundi to run sales

Robeco has re-hired Alexander Preininger exactly one year after he left the Dutch asset manager to join Europe's largest asset manager Amundi.

Robeco, which is based in Rotterdam and manages about $180bn (£156bn) of assets, said in September Preininger will become its global head of sales and marketing on November 1. Preininger will also assume at that time a seat on the Robeco executive committee, the firm said in a statement.


ALEXANDER PREININGER

SECURITIES FINANCE

BNP Paribas hires equity finance trader from Deutsche

BNP Paribas has expanded its prime services team with the appointment of Riddhi Parikh as an equity finance trader from Deutsche Bank.

The French bank confirmed the appointment, saying Parikh is based in New York. Parikh joined Deutsche Bank in 2012 as an analyst in the bank's global transaction banking intern and graduate training program.

Pirum appoints US business development director from Credit Suisse

Pirum appointed in September Francesca Sanzone from Credit Suisse as director of business development as the securities finance fintech continues to boost its North American presence across fixed income and repo.

Based in New York, Sanzone is responsible for selling Pirum's product range to clients in North America with a focus on fixed income, repo lifecycle management, and developing Pirum's engagement model across the value chain, the firm said.


FRANCESCA SANZONE

ICMA hires head of fintech, digitalisation from HSBC

Bond and repo trade body the International Capital Market Association has appointed a head of financial technology and digitalisation from HSBC.

The Zurich-based trade association said in early September it has hired Georgina Jarratt as its managing director, head of fintech and digitalisation, giving her control of ICMA's various live digital projects, including the development of the Common Domain Model for repo.

CUSTODY

State Street taps European financing solutions head from SG

State Street has hired Dr Christian Schuetze from Societe Generale as the US banking group's new head of European financing solutions as State Street looks to expand in Europe.

State Street said in September Schuetze is now its managing director, head of financing solutions Europe within its Global Markets unit, part of State Street Bank International.

Northern Trust makes senior hires in Capital Markets

Northern Trust has announced a raft of management changes in its Capital Markets unit including in the US bank's new Capital Markets Client Solutions team.

Northern Trust announced in September four senior appointments within the institutional equity brokerage business of its Capital Markets division.

Glenn Poulter, formerly of Citigroup and ICAP, has been promoted to global head of Integrated Trading Solutions (ITS), the bank's outsourced trading platform for asset managers and other clients.

Broadridge hires former JP Morgan head to lead UK consulting
Broadridge hired in August David Turmaine formerly of JP Morgan as UK lead for the fintech's consulting services business.

Based in London, Turmaine is responsible for expanding the footprint of the fintech's post-trade and digital asset consultancy across the UK, Europe and Asia-Pacific. He is also involved in the company's securities finance activities, the firm said.

DERIVATIVES

ZISHI hires three experts including Apprentice winner Tim Campbell
ZISHI has hired three experts including the first winner of the Apprentice to help manage its next phase of growth just one month after the training firm span-off from prop trading group OSTC.

London-based ZISHI hired in September as its head of marketing Tim Campbell MBE, who won the first series of the Apprentice in 2005, Jeff Hearn as the firm's new global head of innovation and digital strategy, and Claudia Martorana as a senior sales executive.

Chris Jenkins, the chief executive officer of ZISHI, said: "As ZISHI continues to grow, onboard additional large tier one institutional clients and seek out new opportunities to expand, we are really excited to welcome Tim, Jeff and Claudia into the ZISHI family."


TIM CAMPBELL

Eurex hires ex-Citi head of Asia Pacific futures trading Hopkins
Eurex has hired Citigroup's former Asia Pacific head of futures trading Kris Hopkins to develop the Deutsche Boerse-owned derivatives market's business in Asia and the Middle East.

Hopkins, who left SBI Digital Markets in August after a little over a year with the digital assets firm, joined Eurex on September 12 to focus on selling the exchange's equity and index derivatives to Asian and Middle Eastern clients. He continues to be based in Singapore.

Ex-CFTC commissioner Jill Sommers joins FTX board
FTX US has hired former commissioner at the Commodity Futures Trading Commission (CFTC) Jill Sommers as the crypto market seeks approval from the CFTC for a controversial extension of its services to retail investors.

FTX US Derivatives said on September 1 Sommers has joined the crypto company's board of directors.

The appointment is timely as FTX applied earlier this year to the CFTC for approval to offer margined products directly to retail customers, a plan that was widely criticised at a CFTC roundtable in May. ■


JILL SOMMERS

Breaking stories from Global Investor Group

Here are some of the top stories you may have missed at GlobalInvestorGroup.com

ASSET MANAGEMENT

Liquidity is top problem for hedge funds this year - report

Liquidity problems have affected hedge fund performance this year as volatile markets have tested their internal systems and processes, a new report has found.

The first Systematic Hedge Fund Management Insight Report from intelligence firm Acuiti suggested that two thirds of hedge funds had "some or major issues" with their inability to optimise their trading performance due to liquidity issues.

Technology key to navigate different attitudes to ESG - BNY Mellon

Technology is key to delivering data in the right format to navigate the differing attitudes to environmental, social and governance (ESG) in Europe and the US, a managing director at BNY Mellon has suggested.

Speaking at the Association for Financial Markets in Europe (AFME) operations, post-trade, technology and innovation conference in London, Corinne Neale managing director, global head of ESG applications at BNY Mellon, argued that ESG has a different meaning in the US to Europe.

SECURITIES FINANCE

SEC proposes to increase clearing of US treasuries, repo

The US securities regulator has proposed to expand the scope of clearing in the US treasuries market, including US repo, as it seeks to increase market transparency and reduce systemic risks.

The US Securities and Exchange Commission (SEC) said in a statement that global firms depend on the $23.3 trillion (£20 trillion) US treasuries market to manage risk, post collateral and set benchmarks for borrowing and lending decisions.

Europe cancels UnaVista's securities finance reporting license

The European securities regulator has cancelled UnaVista's securities finance reporting approval a year after the trade repository arm of the London Stock Exchange Group said it was closing the business.

The European Securities and Markets Authority (ESMA) said it had withdrawn the trade repository (TR) registration of UnaVista under the securities financing transactions regulation (SFTR) and all UnaVista's clients have been transferred to a TR of their choice.

Apple overtakes Tesla as most-shorted US stock - research

Apple has overtaken Tesla for the first since April 2020 as the most-shorted US stock, according to new research from New York-headquartered S3 Partners.

Apple short interest reached $18.44 billion (£16.1 billion) in September with 112.86 million shares shorted compared to Tesla short interest of $17.44 billion and 57.3 million shares in short positions.

CUSTODY

State Street targets proxy voting to enable ESG alongside lending

State Street has said it is working to make the process of proxy voting more efficient and transparent as asset owners look to use this function to apply their environmental, governance and social (ESG) strategies alongside their lending programmes.

Speaking to Global Investor Francesco Squillacioti, global head of client management, securities finance at State Street, believes the idea of clients looking to vote through proxies has always been important from the early days of securities lending.

FRANCESCO SQUILLACIOTI

Euroclear invests in ESG analytics provider

Euroclear has invested an undisclosed amount in an environmental, social and governance (ESG) technology-enabled analytics and data science solutions provider, to help firms increase their understanding of the sustainable impact of their investment strategies.

By partnering with London-based Impact Cubed, investors will now be able to compare a security's sustainability exposure, allowing them to make more informed investment decisions.

Komainu hires former LSEG equities head Bertrand as CEO

Digital asset custodian Komainu has appointed markets veteran Nicolas Bertrand as its new chief executive, settling an open position at the head of the joint venture backed by Japanese investment bank Nomura.

Komainu, based in Jersey, said in late September that Bertrand has become its chief executive with immediate effect and is charged with growing its business in the face of the uncertain market environment.

DERIVATIVES

ISDA wants 12 months to implement UK reporting reforms

The International Swaps and Derivatives Association has recommended a 12 month grace period for firms to implement the "designated reporter" trade registration system proposed by the British regulator in September.

In its response to a UK Financial Conduct Authority (FCA) consultation, the New York-based trade body recommended an implementation period of 12 months citing operational challenges.

Singapore Exchange launches NDFs amid FX growth plan

Singapore Exchange (SGX) has begun trading non-deliverable forwards

(NDFs) on its new over-the-counter foreign exchange venue, marking a key first step in the Asian group's plan to expand coverage in the asset class.

The Singapore-based firm said in September the new platform called SGX CurrencyNode streams liquidity for FX spot, precious metals and NDFs for clients, and is hosted in Singapore's SG1 data centre.

CME fee cuts, portfolio margining to support Libor switch

CME Group plans to introduce this year additional measures to encourage voluntary switching from US dollar Libor to the alternative reference rate ahead of its planned conversion dates in the second quarter of 2023.

Agha Mirza, global head of rates and over-the-counter products at CME, told Global Investor the exchange group plans to roll out the additional measures by the end of 2022, ahead of its planned April conversion dates for listed and CME cleared derivatives referencing Libor.

Cboe predicts record year for options trading

Cboe Global Markets has said it is on track to break its annual options volume record as the exchange reaps the benefit of an increase in portfolio hedging activity, according to analysis by the group. ■

AGHA MIRZA

A powerful and intentional approach to product development

Once again in 2022, GLMX took the top spot in ISF's annual survey of Securities Borrowing and Lending Technology. This year's award as Best Global Technology Provider follows GLMX's similar success in 2021 and its win in the Americas category in 2020. GLMX's path to leadership in the dealer-to-client (D2C) electronic securities finance trading technology has been carved with a powerful and intentional approach to product development.

GLMX CEO Glenn Havlicek attributes a significant portion of the company's success to its ability to rapidly develop and deliver customisable technology solutions, based directly on user-driven needs.

Says Havlicek: "The critical GLMX differentiator is our process - refined over several years and numerous development cycles. The process is simple and highly effective. First, listen carefully and with a critical ear to our clients' needs. Second, develop quickly. Third, test new functionality with our clients in a real-world trading environment. Fourth, refine functionality as empirical evidence suggests. This is a continuous process for us."

In practice, this process starts with GLMX clients describing the pain points in their daily manual workflow. The GLMX team digests that information – in this case, having both product and business professionals deeply steeped in the securities financing market is key – then delivers the proposed solution to GLMX's software development team.

Ilia Mirkin, GLMX's Chief Technology Officer, adds: "That crisp handoff to our software engineers has been honed by years of our teams working together. Each 'link in that chain' appreciates the securities finance market from multiple perspectives. Our software developers understand not only how to build a feature, but also how it will be used. This opens up new possibilities for how our clients manage their business - whether that be speed, scale or unlocking new flows."

According to Gareth O'Loughlin, GLMX's VP of Engineering: "GLMX is successful in providing nimble solutions to our clients because of the efficient collaboration across our teams and the direct engagement we have with our clients."

GLMX's Chief Product Officer, Andy Wiblin observes: "GLMX has consistently delivered next-level solutions to our clients. Neither our technology nor our business expertise alone would have given us the ability to out-compete much larger and entrenched competitors, as we continue to do. Together, however, our deep understanding of trading, of technology and of the power of their combination gives GLMX the flexibility to iterate with clients to provide highly effective and scalable solutions."

GLMX clients represent a cross section of the funding industry as a whole, and include broker-dealers, asset managers, money market funds, sovereign wealth funds, insurance companies, hedge funds, corporate treasurers, pensions funds and securities lenders. Daily, they face each other on the GLMX platform to inquire, negotiate and trade across repo, securities lending and time deposits.

Users with a wide array of specific roles take advantage of GLMX technology – salespeople and traders, portfolio managers, funding desks, middle office and operations staff. Whether looking to secure funding at the lowest possible cost, achieve yield enhancement on their portfolio,

> "First, listen carefully and with a critical ear to our clients' needs. Second, develop quickly. Third, test new functionality with our clients in a real-world trading environment. Fourth, refine functionality as empirical evidence suggests. This is a continuous process for us"
>
> **Glenn Havlicek, CEO, GLMX**

"GLMX has consistently delivered next-level solutions to our clients"

Andy Wiblin,
Chief Product Officer, GLMX

source specific collateral, understand potential financing costs on a trade strategy ahead of execution, or simply monitor trade and lifecycle booking, helping clients solve for these potential challenging tasks is where GLMX excels.

Havlicek asks: "Why do GLMX clients constantly ask us to provide solutions to complex problems where others have tried and failed? At the risk of stating the obvious, because we are good at it. GLMX consistently and rapidly delivers as a result of its rare combination of talented engineers (recall that GLMX was founded in Palo Alto, Ca, the heart of Silicon Valley) with deeply experienced Wall Street traders, salespeople, portfolio managers and middle office experts. It is this combined team which produces GLMX technology. Together, we are able to understand the essential characteristics of clients' multifaceted relationships, then to map those characteristics and bring them, digitally, 'to life' - across counterparties, tenors, securities, transaction types and products - via a centralised and standardised web-based interface. Our users consistently report that this process yields powerful, useful and highly intuitive solutions."

> "When envisioning the rebuild of GLMX's platform, I started to appreciate that there are parallels between Google's and Yext's approaches to search and GLMX's clients search for liquidity"

Ilia Mirkin, Chief Technology Officer

Platform Genesis

Ilia Mirkin joined GLMX in 2016 as Chief Technology Officer. He holds both BS and MEng degrees in computer science from the Massachusetts Institute of Technology and was recruited by Google immediately out of MIT. At Google, Ilia was a lead engineer on the Ads Quality Team, which developed algorithms to optimise ad placement and revenue of Google Ads, the largest generator of revenue within the Company. After Google, Ilia became VP of Engineering at Yext, a 'hyper-local search' and online brand management company which went public in 2017, and subsequently reached a market valuation of over $3 billion (£2.6bn). Ilia was architect of the ground-up rebuild of GLMX technology in 2017.

"When envisioning the rebuild of GLMX's platform, I started to appreciate that there are parallels between Google's and Yext's approaches to search and GLMX's clients search for liquidity," said Mirkin. "I suppose unsurprisingly, what users expect from these three different technologies is similar. Whether searching for the hottest new sneakers or to locate a hard to borrow security, users want fast, relevant and targeted information via a frictionless interface. To that end, the tech stack which underlies the GLMX platform we rebuilt in 2017 supports a premium user experience by substantially reducing the time to market for system and workflow enhancements."

Not long after the roll out of the new platform, Andy Wiblin joined GLMX as Chief Product Officer. Andy's role, then and now, is to provide clear internal direction from the point at which business, technology and user experience converge. Wiblin is well-versed in charting the right technology course when faced with heavy and specific client demand as he spent 18 years at the technology provider ION Group, where he was Product Owner for the Repo, Securities Lending and Collateral Management business.

Andy, who received his BA in Computation from Oxford, has been involved in electronic trading since the start of his career. He has observed various attempts to digitise the securities finance space, which had long been ripe for innovation. "What attracted me to GLMX was Glenn's vision for this market, backed up by a fantastic and experienced business team and a technology team led by Ilia, both of which have a serious capacity to deliver. All the conditions were in place for success when I arrived." commented Wiblin.

In his chase to achieve significant gains in trading and settlement efficiency, Wiblin has spent hundreds of hours working with traders, salespeople, mid- and back-office personnel, technology vendors, settlement platforms, custody banks and institutional utilities. Considering GLMX's expansion into other Money Market instruments - time deposits, CDs and commercial paper - many more hours are certainly in his future.

Andy added: "Given GLMX's role as a top provider of technology for the securities finance industry, I have the privilege of collaborating with clients who are market leaders in order to gain insight into the challenges facing them today. An example of the benefit that this close relationship with the marketplace has yielded is the full suite of lifecycle trade maintenance functionality that GLMX has built.

"This includes substitutions, extendables, evergreens, rerates, floating rate, early term, repricing and partials, all supported with straight through processing. These functions were identified by our clients early on as tedious and error-prone but essential processes, so GLMX completely developed all of it for clients back in 2019," said Wiblin.

Having witnessed many firms attempting to build these capabilities over the years but failing to gain traction, Wiblin was ideally placed to understand the challenges to adoption and crucially the solutions that are needed which can integrate within the wider securities financing technology ecosystem.

"Over the past several years, many of our users have benefited from the convenience of our lifecycle trade management capability. Most recently, however, as central banks have begun raising short term rates en masse, this functionality is no longer a mere convenience and has become critical to many GLMX clients as they manage massive numbers of lifecycle trade adjustments. We consistently see significant spikes in mid-life activity, which includes rerates, reprices and early term with corresponding new trade bookings, around central bank activity."

Offering validation of GLMX's premise that thoughtful features built for one client are likely to prove useful to others, Wiblin noted that the "network effect" has powerfully

> "GLMX is successful in providing nimble solutions to our clients because of the efficient collaboration across our teams and the direct engagement we have with our clients"
>
> **Gareth O'Loughlin, VP of Engineering, GLMX**

come into play in this period of rising global rates. "A number of clients had a bifurcated experience around these rate rises – light touch and high accuracy with those counterparts to whom they were connected via GLMX, and very painful and operationally intensive with those who were not. We started getting calls from counterparts in the second set not long afterwards as the message spread through the community. A fantastic validation of our strategy from 2019".

> Because the software development team is actively updated on business progress, they see how their hard work drives platform usage and is changing the way markets function
>
> **Gareth O'Loughlin, VP of Engineering, GLMX**

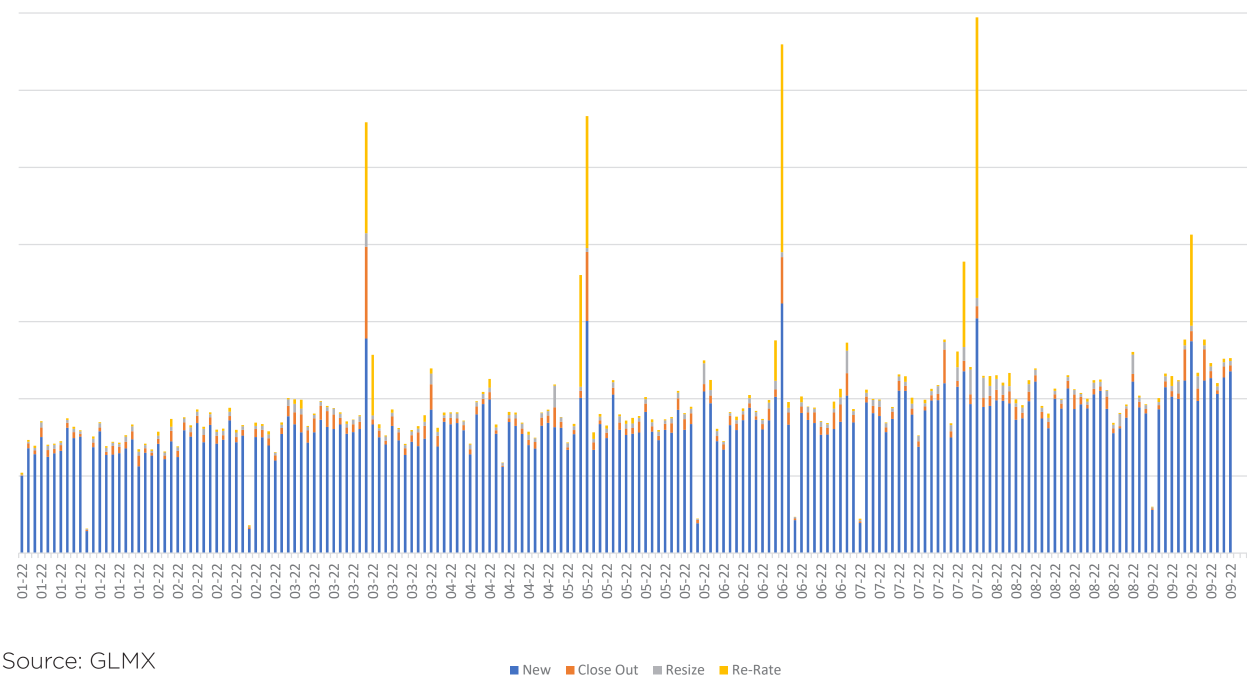
As GLMX continues to experience rapid growth in its existing offerings of repo, securities lending and time deposit technology, client demand has surged to reinforce the Company's plans to expand its product offerings to include a broader array of money market instruments. In this context, leveraging GLMX's engineering capabilities has become paramount. To do so, GLMX brought in technology veteran Gareth O'Loughlin as VP of Engineering earlier this year. O'Loughlin's primary focus is to scale and manage a larger software development organisation while sustaining GLMX's exceptional engineering standards.

Gareth earned a BASc in Electrical and Computer Engineering from the University of Waterloo and an MBA from Columbia Business School, and previously scaled several large engineering teams at Skype and Casper. He joined GLMX from the CTO seat at Gagosian, the world's leading art gallery. At Gagosian, Gareth oversaw the development of both mobile and web applications for their art dealers. High on his priority list when joining GLMX was enhancing the visibility of the technology team's positive impact on the people using GLMX's software.

According to O'Loughlin: "We have a talented team and everyone understands the importance of rapid development and consistently delivering high quality software. The Company does a great job integrating engineering with the business. Because the software development team is actively updated on business progress, they see how their hard work drives platform usage and is changing the way markets function."

One interesting dynamic which

GLMX daily events year-to-date 2022



Source: GLMX

has informed GLMX's strategy is the importance of design and how technology is being consumed at large. "As individuals we are using consumer applications on our phones everyday and those applications are continually raising the bar on what constitutes a good experience. This is impacting people's expectations everywhere, including institutional trading applications. The team at GLMX places a huge effort on making sure we consistently deliver good solutions in this regard," O'Loughlin added.

Versatility

Another GLMX advantage is that the Company's technology was built with scalability and flexibility in mind. "The platform was intentionally designed to be highly versatile. The system handles any security with a recognised security identifier, across all currencies, incorporates local day count convention per local settlement depository, handles approved trading relationships, supports rule-based trading parameters such as haircuts, collateral type, and tenors and provides an easily accessible blotter of all trading activity.

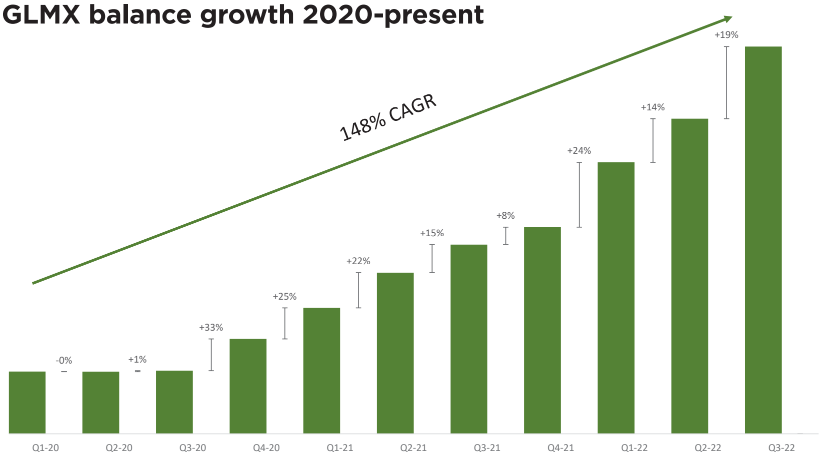
"In addition to mid-life trade events, the platform also supports the myriad transaction types across the D2C securities finance market. Plus, the level of customisation which we provide for clients would not be possible if the technology hadn't been designed with growth in mind," says Wiblin, "Without a doubt our technology's versatility has contributed to the exponential growth GLMX has experienced."

Havlicek concluded: "We are proud of what we have built over the past decade but are even more excited about what GLMX will deliver in the near future. Our clients have been asking for a single, seamless access point to liquidity across the multiple instruments they trade, whether cash, collateral, securities or deposits. We plan to do just that and are confident that we have the right team to achieve it." ■

> "Without a doubt our technology's versatility has contributed to the exponential growth GLMX has experienced"

Andy Wiblin, Chief Product Officer, GLMX

GLMX balance growth 2020-present



Source: GLMX

Ilia Mirkin

Chief Technology Officer

Ilia is a seasoned technology manager, engineer and entrepreneur with hands on experience building both backend and frontend systems. He is a veteran of Google and Yext and holds several technology patents. At Google, Ilia was a member of the Google Ads development team and at Yext, he developed many of the features of Yext Calls, which was spun off as Felix, and sold to IAC. Ilia holds a SB/Computer Science, SB/Physics, and MEng/Computer Science from MIT.

Andy Wiblin

Chief Product Officer

Andy is an experienced product manager, having worked in all aspects of product development predominantly in the securities financing domain. He spent a combined 18 years at ION Trading and Anvil Software, starting in technology, working through client services, business development to product owner. He was responsible for all aspects of product management covering electronic trading, trade execution and processing and post-trade management for repo and securities lending. Andy holds a BA/Computation from the University of Oxford.

Gareth O'Loughlin

VP of Engineering

Gareth has been building software technology teams for over 15 years across a variety of industries at companies such as Red Hat, Skype/eBay, Casper and Gagosian. Gareth earned a BASc in Electrical and Computer Engineering from the University of Waterloo and an MBA from Columbia Business School.

Collaboration: Innovate, validate and implement

Global Investor speaks to, **Nick Short,** Chief Operating Officer at HQLAX.

HQLAX has partnered with many major players in the securities lending space in recent years. Can you share with readers what other initiatives you have in the pipeline?

From inception of our company, we have prided ourselves for being a platform designed by the market for the market. Collaborating with industry players to solve for business problems using distributed ledger technology [DLT] has been part of our DNA from day one, and we continue to collaborate with our clients to solve business problems this way today.

The key driver for our collaboration across the industry is to solve specific industry pain points. Along with our clients, we come up with new ideas, innovate around them and run a feasibility process. We always involve the clients to make sure that the idea works in scale. If it does, the next step is usually to design and implement a Minimal Viable Product (MVP) in production.

The original premise of our platform was to use the HQLAX operating model to enable bank clients to seamlessly exchange ownership of baskets of securities across disparate collateral pools at precise moments in time whilst keeping the underlying securities static. Our initial product offering was focused on bank-to-bank upgrade/downgrade collateral transformation transactions, but we have more recently extended this initial product offering to include participants who are agency securities lenders, which we're very excited about.

Our product development roadmap is very much focused on expanding platform functionality to enable our clients to benefit from enhanced collateral mobility across a number of new use cases. With that in mind, we are working on some new collaboration opportunities with other industry platforms. We consider ourselves a post-trade processing solution, which means that we will be connecting with trade capture solutions that allow market participants to agree trades and/or exposures, which are then routed to our platform. For example, we have recently entered into a collaboration agreement with Wematch to pave the way for common clients to be able to input securities lending indications of interest on the Wematch trade execution platform, with post-trade settlement confirmed by our platform.

We are also working on a variation margin use case for derivatives, in collaboration with both sell-side and buy-side clients. We're extending the basic premise of our platform for the purposes of over-the-counter derivatives variation margining, as well as a more efficient way for institutions to manage 'substitution' - the collateral backwards and forwards that happens during those flows. Finally, we are pursuing several collaborative solutions to extend our product set beyond noncash securities lending transactions to also include repo transactions. We are very excited about the opportunities to collaborate and interoperate with other DLT platforms in the digitized cash space.

> "The key driver for our collaboration across the industry is to solve specific industry pain points"

How has technology influenced the liquidity and collateral management space?

Since the financial crisis, a lot of the focus across the industry has been on building solutions to help deal with regulatory reporting. But in recent years, we've noticed an increasing emphasis on 'pure innovation' – by that, I mean, innovation not driven directly by regulation. For example, this could be helping institutions react to market events more efficiently and support their ability to see and deal with events in real-time. This is a need that we have seen in recent years, for instance.

We're also seeing institutions getting more and more interested in how to manage their collateral more efficiently and the different types of solutions out there, including triparty of course. One of the reasons why HQLA^X came to be in the first place was to help institutions manage their collateral buffers more effectively – for instance, the liquidity coverage ratio [LCR] - by giving participants the opportunity to transfer ownership of collateral more freely and flexibly than they would otherwise do.

On that point, collateral optimisation is an area where there has also been evolution. That is evidenced by the growing number of tech solutions in this space. Organisations need to visualise their collateral, understand how they can execute ownership transfers of that collateral, and then optimise accordingly. We consider these the three pillars of collateral management. One of the things that we do is provide the ability to carry out change of ownership flexibly, at precise moments in time rather than to the nearest day. This could be at 8:15am or 11pm, for example. This flexibility is attractive to our clients. It is also an improvement on today's market.

We have also noticed greater centralisation of collateral management across different areas within an institution. This is particularly true for banks, which may have multiple desks, businesses and functions with sometimes different objectives e.g., the treasury

“Bringing all these collateral needs together optimally can be complex which is why it's an area that will continue to benefit from innovation”

function, operations, the repo desk, the equity finance desk, sometimes an asset management arm, and the collateral needed for derivatives. Bringing all these collateral needs together optimally can be complex which is why it's an area that will continue to benefit from innovation.

Looking specifically at DLT now, what areas will it have the most impact in?

DLT has seen a steady but consistent evolution rather than a so-called big bang approach. The HQLA^X platform is in sync with that thinking because we are offering a layer of DLT on top of the existing market infrastructure to achieve something better for the industry. We are not changing the underlying securities safekeeping infrastructure, or indeed the existing rules that govern that infrastructure.

Frictionless mobilisation, as it is sometimes referred to, is an area where DLT has tremendous potential to help. This ties back to what I said before about moving collateral around more efficiently. DLT can also support collateral ownership change with certainty. For example, if I do a trade with you, in the current system, what happens if neither of us delivers what we are supposed to? The transactions fails. This is something that DLT can help address by providing certainty that you have the collateral up front that you intend to give to me, and vice versa.

“Frictionless mobilisation, as it is sometimes referred to, is an area where DLT has tremendous potential to help”

More generally, DLT will have an impact on consistency of information as well. Going back to our previous example, if you and I do a trade, we each record it in our separate systems. We then need to reconcile our respective information on an ongoing basis, which can be time-consuming. Instead, if we both agree to use the same system to represent the trade we have just done, it is so much more efficient. An extension of that is around collateral valuation, which needs to be done in a consistent way when it comes to pricing, reconciliation, and representation of various schedules.

As I said, HQLA^X's operating model is based on providing a layer of interoperability across disparate collateral pools and tri-party agents. We think that additional innovation will be achieved by collaborating with other tech providers as well as other DLT ledgers too. This is something which has already started, and we're excited about several collaborations that we're engaged in along these lines.

We also value other providers offering similar functionality to the HQLA^X platform. This is because it further validates that what we're building makes sense and that there's a clear need for it in the collateral management industry.

Overall, whilst we're proud of what we've built so far, we're also very excited about what's possible down the road in terms of innovation and collaboration. We can't wait to make it happen! ■

OCC's Technology Transformation: Why it's creating a more robust infrastructure

What do you think are the main current trends and challenges for clearing and settlement? Can you provide some color to these based on some client feedback you're getting?
The biggest challenge over the last couple of years continued to be the significant volatility in the markets. That being said, we managed to navigate this unprecedented volume and volatility smoothly and were even able to make process enhancements designed to mitigate risks. This includes enhancements to our initial margin modelling and to our stress testing methodology. We not only made significant inroads on those fronts while maintaining our systems' resilience in the face of uncertainty, but also continued working on our Renaissance Initiative, which focuses on modernizing our technology infrastructure and replacing our legacy systems [see boxout for more detail].

One major trend that is permeating the clearing and settlement space has been the move to cloud-based technology. It's been transformational for the financial services sector as many firms continue to adopt cloud-based services to enhance business agility and operational efficiency as well as to monitor and manage risk. Those features are also very important to us as a clearing house and as part of our transformation efforts.

We have also been working closely with the SEC on our Advance Notice filing in connection with our proposed adoption of Cloud Infrastructure. We believe our proposal meets the needs of our members and market participants by providing OCC with improved resiliency, further enhanced security and increased scalability.

The Renaissance Initiative is a multi-year effort to comprehensively redevelop and modernize OCC's technology infrastructure, including its clearing, risk management and data management systems. When complete, it will streamline OCC's operational framework, enhance its risk tools and establish a more robust data management system to better serve market participants. OCC also intends to expand its use of cloud technology to support its future platform implementation, subject to regulatory approval.

What type of innovation and enhancements do OCC's members and market participants tend to ask for? How have these evolved over time?
One of the things that market participants are very interested in is their ability to monitor their positions, risk, and exposure while managing the status of their trades and transactions in near real-time. While they can do this today, the user experience can be somewhat fragmented. For instance, users today have multiple screens or run multiple reports to get the information they need.

Based on feedback we've received, enhancements that market participants would like to see include more consolidated reporting and easier access to this information. We're also working on giving a more self-service style of reporting in addition to easier access to more of their historical data.

This is where our future comprehensive platform, Ovation, comes in. By providing real-time data, in the future our members and market participants will have access

"One of the things that market participants are very interested in is their ability to monitor their positions, risk, and exposure while managing the status of their trades and transactions in near real-time"

OCC Stock Loan Programs

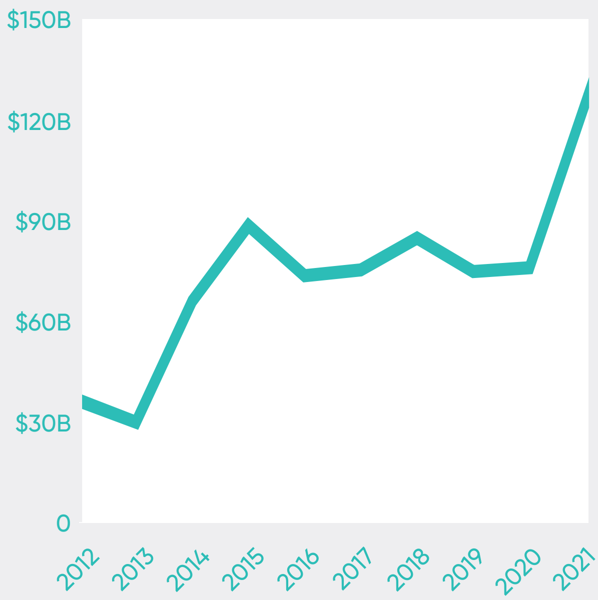
Key Benefits

- Counterparty disintermediation
- Expanded credit and trading allowances for cleared activity
- Risk weighted asset savings of approx. 95% compared to uncleared stock loans
- Margin offset
- Automation and streamlined operations

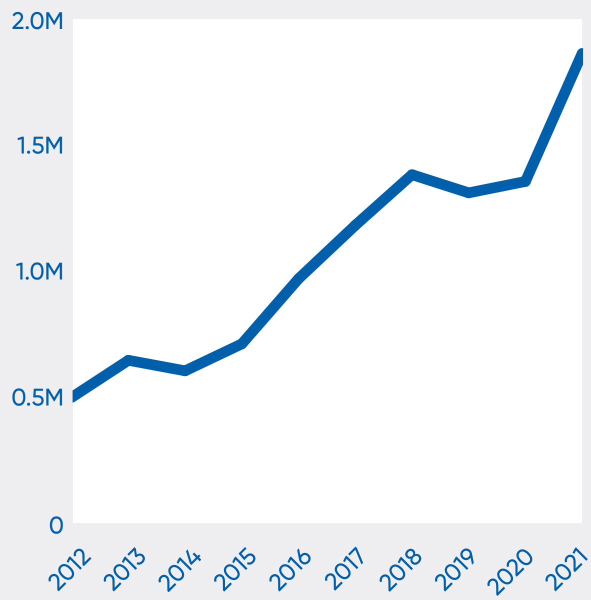
79
HEDGE LOAN PROGRAM MEMBERS

125B
AVERAGE DAILY LOAN VALUE AT YEAR END 2021

Annual Notional Value of Loans



Annual New Loan Transactions



For more information about OCC's Stock Loan Programs, visit www.theocc.com

to a more user-friendly interface for viewing intraday transactions and can further optimize their risk management capabilities using this data. In addition, asset managers and other market participants prefer tools like application programming interfaces (APIs) to get data securely and on-demand. In the future, our users should find it easier to integrate with our systems and access information more efficiently. Initially we will offer two APIs and will gradually increase the universe of information that is available via API.

Ultimately, by tapping into real-time processing, we will be able to achieve greater transparency and operational efficiency for the settlement cycle.

How will OCC’s future clearing platform, Ovation, answer some of the marketplace’s demands?

Our ENCORE clearing system has served the marketplace well for more than 20 years, but it was originally designed to operate in traditional on-premises data centers. With our broad spectrum of members and market participants, we need to ensure our systems are supportive of their needs, which is why we believe that utilizing an event-based, service-oriented architecture, such as the cloud, will enhance our operational efficiencies and resiliency.

While our future platform will operate much as it does today, processing financial transactions and managing exposures to a diverse set of risks; standardizing data and technology enhancements will further drive operational excellence internally and externally. Plus, by enabling more modular architecture, OCC will be able to address the demand for more flexibility in processing and accommodating new industry offerings. This will provide our members and market participants with high-velocity clearing, settlement and risk management capabilities while also preserving OCC’s secure, efficient and reliable operations.

> “From our perspective, one of the big challenges going forward will be ensuring our members’ and market participants’ preparedness for launch. We have over 100 clearing members, as well as 19 exchanges and trading platforms”

Within the future platform, members and market participants will notice these multiple operational efficiencies through significant process reengineering and the automation that we have discussed today. Most importantly, the future platform is designed for greater resiliency to maintain the integrity of the financial markets and to ensure the availability of high-quality operations.

What is your perspective on the main challenges ahead for OCC?

From our perspective, one of the big challenges going forward will be ensuring our members’ and market participants’ preparedness for launch. We have over 100 clearing members, as well as 19 exchanges and trading platforms.

Testing will be essential so that they can feel comfortable with the future system when we can make this switch. Since it will have a huge impact on their daily operations, it’s going to be really important that we can go through all the stages of testing and training with them to ensure that they are well prepared for this shift to ensure that it goes smoothly for everyone involved.

Testing and training will also allow us to get some feedback from clients to determine what’s working well and what isn’t, so we won’t get too far down the road without incorporating their feedback. I am encouraged that we have had some initial very positive feedback from our limited demonstrations to date.

We’re now moving into a phase where we will continue to provide more frequent demonstrations to our members and market participants as new aspects of our platform are developed, especially ahead of our planned industry-wide testing and training effort. This is why we look forward to rolling out specifications and beginning testing on our future system in the near future. ■

Amy McCormick

Managing Director, Market Risk & Default Management at OCC

Amy McCormick is Managing Director, Market Risk & Default Management at OCC. She serves as part of the leadership team for OCC’s Renaissance Initiative, a multi-year effort to comprehensively redevelop and modernize its technology infrastructure, including its risk management, clearing and data systems.

Reimagining securities lending

Matt Cohen, CEO of Provable Markets, explains the benefits of the SFT Clearing Service and how the Firm's ATS, Aurora, is set to reshape the securities lending industry.

Aurora arrives as the first new SEC Registered Alternative Trading System (ATS) for securities finance in over a decade. The cloud-native offering from Provable Markets is architected from the ground up using a modern technology stack that seeks to digitize workflows, optimize pre and post trade management, and reduce operational risk. Aurora launches as the only regulated access point to the Depository Trust and Clearing Corporation's (DTCC) novel Securities Finance Transaction (SFT) Clearing Service. Approved by the SEC in June, the offering introduces central clearing of securities lending transactions via the DTCC's equity clearing subsidiary the National Securities Clearing Corporation (NSCC).

The new Service has innumerable benefits, and, paired with Aurora, has the potential to pragmatically reset the US securities lending market structure more broadly.

Central Clearing as a springboard for modernization

By introducing novation at the point of trade into the securities lending space, the Service provides high flexibility for participants of all shapes and sizes. In the current landscape,

The cloud-native offering from Provable Markets is architected from the ground up using a modern technology stack that seeks to digitize workflows, optimize pre and post trade management, and reduce operational risk

firms are increasingly faced with the need to diligently consider a complex set of capital and balance sheet inputs and outputs in their decision making which have a significant impact both directly and indirectly on financial market participants.

The SFT Service is thoughtfully designed to offer the maximum benefits of a CCP. In-scope participants can realize a Risk Weighted Asset (RWA) exposure of 2%. Even if not directly impacted, the pass-through effects of this portend for significant cost savings to customers of Agent Lenders and Prime Brokers. Furthermore, SFTs are structured as overnight term trades that are automatically rolled by Aurora, leading to enhanced flexibility for balance sheet netting and other related opportunities for capital efficiency.

These benefits are enhanced by the advent of the Approved Submitter to the SFT Clearing Service. Unlike subsidiary FICC's Sponsored Repo program, the NSCC has structured the offering such that SFTs and their entire life cycle are managed by a central source of truth before reaching the CCP for clearance and settlement.

Automation, Digitization, and Risk Mitigation

With the ability to operate a true marketplace with a common contra, Aurora centralizes liquidity, while retaining for Subscribers the ability to submit pre-established loans for central clearing. The Subscriber-driven high and low touch trading flexibility is designed to account for a highly subjective and variable set of factors that go into the decision making for each SFT.

Aurora automates processes while maintaining interoperability within the current infrastructure; offering a modern API architecture in unison with fully backwards compatible integration. For SFT, all life cycle events are pre-matched and managed on platform

Aurora automates processes while maintaining interoperability within the current infrastructure; offering a modern API architecture in unison with fully backwards compatible integration. For SFT, all life cycle events are pre-matched and managed on platform. The resulting solution is free of trade breaks, T+1 reconciliation, and contract compare. Automated roll messages update the unit price of the SFT and loan economics daily for both parties, significantly reducing operational risks and providing participants a more tangible handle on their day-to-day cash flows and collateral requirements.

Maximize the Benefits Of Broader Liquidity

Bilateral contracting has arguably been one of the biggest challenges in the securities lending industry. Master Securities Lending Agreement ("MSLA") negotiations - which often take months (or more) of negotiation at significant cost, with credit and risk assessments looming upon completion - limit the potential number of counterparties one can trade with. An SFT without an MSLA as a necessity was not possible until now. Other costs to transacting, such as Agent Lending Disclosure of Principal regulation ("ALDOP"), Single Counterparty Credit Limits ("SCCL"), and indemnification, when structured properly, are either eliminated or are, at the very least, afforded greater discretion to the underlying beneficial owner or borrower.

Maximizing all of these benefits, especially the diversification of counterparties and creditworthiness is a futile exercise without the proper supporting infrastructure. Aurora expands participant's, both large and small, ability to unleash the potential of this structural change to the market. The ATS's architecture takes into consideration all the nuances of the securities finance markets to bring a cash equity like functionality into the hands of traders. At the core, a basic crossing mechanism brings forth a tangible order book style marketplace to the securities lending space. From there, careful and deliberate layering of smart order router style algorithmic suites allows participants to have as much or as little control in the automation of their day to day workflows as possible.

This is just the beginning for Aurora. Over the coming months and years new products, features, and partnerships will continue to help customers of all profiles reap the benefits of a neutral, modern, and feedback driven platform. ■

Over the coming months and years new products, features, and partnerships will continue to help customers of all profiles reap the benefits of a neutral, modern, and feedback driven platform

BNP Paribas to boost investment into lending platform over two years

BNP Paribas' agency securities lending business sees opportunities to grow in a fast-moving economic situation characterised by rising inflation and interest rates, writes **Ramla Soni**

Geggus: "When looking at business goals and objectives, employee satisfaction is high on the list. I want to foster a great working environment, offering progression and development opportunities."

BNP Paribas has said its immediate focus is to boost investments in its agency securities lending platform over the next two years, as the French bank continues to focus on delivering a service that helps clients optimise revenue whilst managing risk.

Andrew Geggus, global head of agency securities lending at BNP Paribas Securities Services, told Global Investor the firm has always put clients at the centre of its operations whilst adapting to technological and industry developments.

He said: "With that in mind, we will be increasing our investments into our agency securities lending platform over the next two years, and on top of that, we are setting aside new funds to invest further into our technology, platform and the streamlining of operational processes. The goal is to ensure the product remains market leading and best placed to serve our clients in the foreseeable future. This is an ambitious project that will bring sizeable improvements to our technology platform - allowing for greater automation and efficiency and improving the client experience."

From a personal perspective, Geggus said his focus lies in helping to develop employees and giving opportunities for personal growth and training.

"When looking at business goals and objectives, employee satisfaction is high on the list. I want to foster a great working environment, offering progression and development opportunities. I have been fortunate in my career to have many layers of supportive management, and this is something we are keen to promote here at BNP Paribas," he said.

Over the past two years, Geggus believes the securities lending industry has handled the increased volatility very well, demonstrating the strength and resilience of the risk mitigations that have become industry standards.

Geggus who joined BNP Paribas in 2020 from Northern Trust, said: "Coming out of the global pandemic, there are now further challenges in the form of increased geopolitical instability, inflationary pressures and a rapidly increasing interest rate environment, which has not been seen for many years.

"These challenges also bring about opportunities and I believe we are seeing a new resurgence of interest in securities lending amongst many asset owners and assets managers that potentially are new to the securities lending market, or are re-entering the market having previously exited, highlighting the value seen in being part of this industry. The interest rate environment has also offered a variety of opportunities in the cash space, both from a collateral reinvestment perspective and also clients who are long cash and are looking for their securities finance partner to help them put this cash to work."

Another industry issue that presents opportunities is the increasing importance of settlement inefficiency, he believes.

"Failed trades exist in the industry, and, whilst firms would prefer they did not, it is the reality of an over-the-counter industry where liquidity and operational efficiency is not guaranteed. The central securities depositories regulation was derived partly due to this issue and there is still plenty of work to be done to increase the settlement efficiency of our industry. This has paved the way for some new and existing providers who are looking at how technology could perhaps be the solution. We

"I have been fortunate in my career to have many layers of supportive management, and this is something we are keen to promote here at BNP Paribas"

are seeing some early adoption of distributed ledger technology and the use of tokenised collateral, which could, in time, overhaul the current settlement system and see a massive improvement in efficiency," Geggus said.

Geggus sees huge potential in the use of distributed ledger technology in securities lending.

He stated: "The benefits of its theoretical use are clear to see, and, when we start to see the development of the practical use of such technology, I think we will see a rapid improvement in the efficiency of certain processes. Whilst I am a supporter, I also would caution that mass adoption can take time and therefore results may not be seen overnight, but I firmly believe small steps in the right direction can benefit our industry longer term."

One of the main risks of a lending programme, according to Geggus, is borrower default, that is, where the borrower of the beneficial owner's securities can no longer facilitate obligations, and defaults whilst still holding the legal title to the beneficial owner's securities.

He explained: "BNP Paribas utilises three pillars of risk mitigation to help control this risk, the first being counterpart selectivity, internal counterparty ratings and beneficial owner selection means we will only lend to counterparts that BNP Paribas and our beneficial owners have deemed appropriate.

"The second pillar is the collateral. All of the transactions are collateralised including a haircut and are marked to market every day. The last pillar is the indemnification we offer. If there is a short fall in a default scenario, we will indemnify that risk. With indemnification, it is very important to ensure the agent lender offering is credit worthy."

Other risks include an impact to sale settlement efficiency when recalled securities come in late, he noted.

"This can occur when a security is illiquid and there is no longer availability in the securities lending market to substitute the lent asset. There are tools that agent lenders and beneficial owners can employ to help minimise this risk. A lender can set minimum liquidity thresholds before lending, can look at utilising buffers, can re-rate the borrower to ensure the risk is compensated, and a beneficial owner can look at initiating a buy-in where required.

"These are all aspects an agent lender should be talking about during the on-boarding process with a client to understand their risk appetite and what they see as the main drivers for their securities lending programme," Geggus added.

Separately, when asset managers are looking to enter a securities lending programme, they need to investigate whether their lender can customise their programme to ensure they are addressing their key criteria for lending, Geggus believes.

"Dependent on the driver of the fund range, or particular regulations the funds must abide by, the agent lender should be able to customise a solution to ensure the asset managers can optimise their revenue within their risk and operational requirements.

"The key is just to be clear on what is important to you as an asset manager and what you are hoping to achieve by entering into securities lending. Your agent lender should then be able to illustrate the different approaches. It is also worth noting this doesn't have to be one approach for all funds, most agent lenders can cope with a variety of requirements across the full fund range and can adapt their approach accordingly," he said.

According to Geggus, all asset managers should condider securities lending, although for some it may not be the right time or the right product for them.

"In today's environment, where yield is hard to come by, I think it is important to understand all options available on the table. I think it is in the best interest of the investors to know that their manager has explored the option of securities lending and in turn looked at whether the additional returns are an appropriate option for that fund range."

Additionally, Geggus argues that, while often behind the scenes, securities services providers have a key role to play aligning institutional investors and the wider industry with net zero and environmental, social and governance (ESG)-oriented objectives.

> **"Given there is a lack of consensus when it comes to ESG, I do not believe a one-size-fits-all solution is what is required. Instead, it is the role of the agent lender to understand from their clients what they see as ESG compliant and put solutions in place to help them achieve this"**

He said: "The other important role we play is as partners in these clients' value chain. By committing to responsible business practices, service providers can help embed long-term sustainability into clients' operations, minimising risk and maximising positive impact."

Geggus also views the role of an agent lender within ESG as a partner.

"Given there is a lack of consensus when it comes to ESG, I do not believe a one-size-fits-all solution is what is required. Instead, it is the role of the agent lender to understand from their clients what they see as ESG compliant and put solutions in place to help them achieve this. It is going to be very hard to get a single, unified view and therefore the key is to be adaptable to different needs," he concluded. ■

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ISF Survey 2022

The International Securities Finance survey recognises the greatest contributions from agent lenders, prime brokers as well as the vendors of technology and data services

ISF Survey 2022

Each year, the International Securities Finance survey monitors monitors how the world's top securities lenders and borrowers rate each other across different asset classes, regions and functions.

The main body of the study covers equities lending and borrowing, breaking the constituent companies down into two groups, with group one (G1) comprising the 15 largest players and group two (G2) representing mid-tier financing firms. The survey also covers fixed income lending as well as technology vendors and data firms.

The survey publishes the leading six firms based on their counterparties' rankings across the different categories so the entire lists are not included.

The survey includes both weighted and unweighted scores. Weighted scores take into account the importance that the individual respondents give to that particular category while the unweighted scores are based on each category being given equal importance. ■

CONTENTS

GROUP ONE LENDERS

HSBC SECURITIES SERVICES

HSBC Securities Services was top in both the unweighted and weighted Group One (G1) equity lending categories overall this year, taking the spot from BNY Mellon which won in 2021. It first appeared in the survey's top six rankings in 2020.

The UK-headquartered banking group, which was in third place in both categories in 2021, had scores of 359.67 (unweighted) and 304.04 (weighted), both of which are down on 2021's results.

It also won both categories in Europe, the Middle East and Africa (EMEA), jumping from third place last year and knocking Citi off the first place in the process. Its scores of 97.67 (unweighted) and 84.21 (weighted) dropped from last year's totals.

In Asia-Pacific, HSBC Securities Services maintained its number one spot for the second year running, leveraging its regional focus. Scores of 153.50 (unweighted) and 129.48 (weighted) remained similar to the previous year's levels.

In the Americas, it claimed the second spot behind BNY Mellon, climbing from the fourth place in 2021.

It also scored highly in the weighted and unweighted categories when rated by G1 borrowers, taking the top scores globally for the first time, and extending its lead in the Asia Pacific unweighted category.

> HSBC Securities Services and BNY Mellon were the top two Group One lenders in the 2022 edition of the ISF survey

CITI

US-headquartered Citi maintained its second place in the global overall G1 lenders survey in both the unweighted and weighted lists. Its scores of 261.67 and 230.54 were significantly down on last year's figures 536.25 and 454.05 respectively.

Citi's place also remained consistent with 2021's levels, as the banking group stayed in fourth place in the Americas (jointly with RBC Investor & Treasury Services) and in second place in Asia-Pacific, in both unweighted and weighted surveys.

It slipped into third place in EMEA from the top spot in 2021's totals. Scores of 74 (unweighted) and 62.92 (weighted) were at one-third of levels seen last year.

It was featured consistently in the top three lenders rated by G1 borrowers, taking the second spot overall - an improvement on its third place in 2021 - and in Asia-Pacific, and ranking third in the Americas and EMEA.

G1 LENDERS: GLOBAL — UNWEIGHTED

Rank		Score
1	HSBC Securities Services	359.67
2	Citi	261.67
3	BNY Mellon	239.50
4	State Street	220.42
5	RBC Investor & Treasury Services	207.00
6	Blackrock	121.67

G1 LENDERS: GLOBAL — WEIGHTED BY IMPORTANCE

Rank		Score
1	HSBC Securities Services	304.04
2	Citi	230.54
3	BNY Mellon	201.44
4	State Street	187.02
5	RBC Investor & Treasury Services	177.08
6	Blackrock	104.51

G1 LENDERS: AMERICAS — UNWEIGHTED

Rank		Score
1	BNY Mellon	140.83
2	HSBC Securities Services	108.50
3	State Street	89.33
4 =	Citi	78.67
4 =	RBC Investor & Treasury Services	78.67
6	Blackrock	51.67

G1 LENDERS: AMERICAS — WEIGHTED BY IMPORTANCE

Rank		Score
1	BNY Mellon	121.32
2	HSBC Securities Services	90.35
3	State Street	78.89
4	Citi	68.49
5	RBC Investor & Treasury Services	67.60
6	Blackrock	42.75

G1 LENDERS: EMEA — UNWEIGHTED

Rank		Score
1	HSBC Securities Services	97.67
2	State Street	81.08
3	Citi	74.00
4	RBC Investor & Treasury Services	54.83
5	BNP Paribas Sec Services Agency Lending	42.50
6	BNY Mellon	39.67

G1 LENDERS: EMEA — WEIGHTED BY IMPORTANCE

Rank		Score
1	HSBC Securities Services	84.21
2	State Street	67.95
3	Citi	62.92
4	RBC Investor & Treasury Services	46.40
5	BNP Paribas Sec Services Agency Lending	36.70
6	BNY Mellon	35.63

G1 LENDERS: ASIA-PACIFIC — UNWEIGHTED

Rank		Score
1	HSBC Securities Services	153.50
2	Citi	109.00
3	RBC Investor & Treasury Services	73.50
4	BNY Mellon	59.00
5	Blackrock	52.17
6	State Street	50.00

G1 LENDERS: ASIA-PACIFIC — WEIGHTED BY IMPORTANCE

Rank		Score
1	HSBC Securities Services	129.48
2	Citi	99.12
3	RBC Investor & Treasury Services	63.08
4	Blackrock	46.59
5	BNY Mellon	44.48
6	State Street	40.17

Looking forward

Bill Kelly, Managing Director and Global Head of Securities Finance at BNY Mellon, shares his thoughts with Global Investor/ISF on lessons learned this year so far and highlights some opportunities for the securities lending market.

What are some events this year that you think have shaped the securities finance industry?

It has been an eventful year. We have had the Russia-Ukraine war that stimulated a lot of direction and outcomes.

On a general note, we have seen some strong performances throughout the period, notably coming out of US equities and Asian equities. Corporate bonds in the fixed income space have had an extraordinary run. This is a by-product of some of the events that have affected the macroeconomic environment such as rising interest rates and the possible looming of a recession, and their impact on the high yield bond marketplace. I think exchange-traded funds will also have another good run.

The combination of those events has led to what has been a good first half of the year, as I think many clients have experienced. We have seen data aggregators reporting results for the first half of the year, which have been strong.

What are some lessons that you have learned this year?

I am always learning! But I do have a few things I would like to highlight.

Close collaboration with borrowers and lenders, particularly during periods of volatility, remains key for navigating the markets, capturing opportunities and managing the risks along that continuum.

This has led to continuing to identify opportunities that borrowers need financing for. They have circumstances they want to solve for, like financial resource management for example, which lead to a conversation with an asset owner, in terms of an opportunity set that we can bring to them.

The other area of note is regulation. Last year, we had SFTR. This year, we have had CSDR, and new rules proposed by the SEC with 10c-1, T+1 settlement and 15c-3. All have a potential effect on structural changes to securities lending.

ESG continues to be prominent. Close collaboration and communication between participants in the lending arena and the regulatory landscape are essential. I think we are starting to find our footing with ESG. Where securities finance can aid asset owners, as an example, is by bringing transparency to collateral types and the reinvestment of cash collateral, what collateral in a non-cash arena we are receiving, and how that aligns. Giving clients information around all that activity so that they can align it with their principles, and provide that transparency for governance, are important.

Clearly, there are other elements to ESG other than collateral: corporate stewardship, proxy voting, and continuing to accommodate clients and providing them with tools and utilities so that they can manage their participation. We can continue to enjoy the benefits of the incremental income that securities lending can return, albeit with ESG principles in mind.

I think a final lesson learned is in the repo markets. The US has a

“ESG continues to be prominent. Close collaboration and communication between participants in the lending arena and the regulatory landscape are essential”

bifurcated market. The repo markets have the RRP [reverse repurchase agreement] program: what does it means to a certain select population that is eligible for the RRP, and to those that are not? How is the market going to think about this on the forward: will cleared transactions become more central?

Turning to client feedback. What general comments are you getting nowadays and have these changed significantly in recent times?

Clients have not changed but their demands have evolved. This impacts how we can deliver on these and create new opportunities.

Many clients have compulsory reporting obligations, depending on their jurisdiction or industry, or if they are a mutual fund, UCIT or a public pension fund. This has always been something that we continue to improve as an industry.

One important area is timeliness: information is expected more quickly. Information and transparency are always going to be key. Clients I speak to - asset owners and borrowers – want to know what information everyone has access to and how they can accelerate access to it. Whether it is via portal- or web-based tools, electronic transfers, straight through processing or APIs, delivery mechanisms are changing. These will only facilitate the quicker consumption of information, be it the speed of execution or the delivery.

Another key area is collateral. There are not any wholesale changes in terms of trajectory on collateral and collateral types. We have been on this expansion as an industry, and we continue to try to provide it in a way that is sensible and aligned within the risk parameters of either an agent or a client. They always have the flexibility to entertain certain collateral options. We continue to improve or expand upon those collateral sets, whether it is expanded equity indices, ETF indices, corporate bond types, or diversification stipulation.

We are also on the precipice of UMR, with phase six coming into fruition. Borrowers and broker-dealers have been very active historically on financial resource management and optimization. I think there is going to be a point where asset owners in scope will see this as an opportunity where they are going to have to exercise financial resource management and optimization of those resources across their enterprise, as if they're in scope and eligible for participation in UMR phase six. For borrowers, their broker-dealer counterparties and their prime broker counterparties, financial resource management will become ever increasingly essential going forward.

If we turn our attention specifically to collateral: have there been any developments that would indicate a move to broader collateral sets?

If you go back to a year ago and the situation with SPACs back then, that has certainly cooled off a bit. If there is another event or financing opportunity like that, we will look at it and make a sensible risk assessment around its potential.

> “We are excited about the prospects of having what I would consider a DLT type experience and what this means in terms of interoperability and the efficiencies that borrowers can extract”

> “The industry is working collegially and collaboratively on that opportunity because it is essential on the forward”

That being said, mainstream equity indices, corporate bonds, including convertible bonds continue to be in demand. This is something that is selective and selective can be contributory.

I think the interesting thing that we recently did around collateral, maybe a bit more locally, is looking at different platforms and the potential that they represent for collateral mobilization. Our recent work with HQLAx is public, as is the transaction that we did as the first agent lender - recognizing there are multiple agents and borrowers involved.

We are excited about the prospects of having what I would consider a DLT type experience and what this means in terms of interoperability and the efficiencies that borrowers can extract. The opportunity for liquidity across that platform is an opportunity for distribution for our clients' assets that participate in the securities lending transaction. It is early days, but we are excited about the prospects, and very encouraged about having a DLT experience, which we have long coveted. Something like that is representative of the future, not only for securities finance, but certainly for securities transactions more broadly.

Where do you think DLT can have the most impact in the industry?

The great opportunity is really on post-trade, whether that is going to be via straight through processing or leveraging DLT.

When we think about the time periods that are going to get compressed, as we move to T+1, reconciliation activities and lifecycle management that occur to support trades, because they are out there for a period of time, can become time consuming and resource intensive. The industry needs to efficiently chisel these down to reduce the amount of time, risk, effort and friction associated with that lifecycle management.

I think we all recognize that a solution is needed. The industry is working collegially and collaboratively on that opportunity because it is essential on the forward.

Tying back to custody securities processing in general, I think that is something that this entire community and industry will embrace and is trying to seek solutions around. We are just part of that solution in the securities finance space.

Bill Kelly

Managing Director and Global Head of Securities Finance at BNY Mellon

Bill directs global activities for BNY Mellon's Securities Finance business. His responsibilities also include providing overall business strategy and direction for the securities finance. Bill's experience in the securities industry spans more than 20 years. He joined The Bank of New York in 2002 after 13 years with Deutsche Bank (Bankers Trust). His responsibilities at Deutsche Bank were managing the Global Sales and Client Management activities of the Global Portfolio Management Group, which was responsible for both securities lending and short term money management products. Prior to these assignments, Bill was responsible for the Insurance Industry Custody Group at Bankers Trust where he had sales, client management, operations and administration reporting to him. Bill is active in the Risk Management Association (RMA) and he is a frequent speaker and panel participant at Securities Lending industry conferences. Bill holds a B.S. degree from Eastern Connecticut State College.

Amelie Labbe, Global Investor, speaks to Bill Kelly, Managing Director and Global Head of Securities Finance at BNY Mellon.

G1 LENDERS

Most Innovative G1 Lenders
Rated by Group 1 Borrowers

BNY MELLON

BNY MELLON

BNY Mellon remained the top G1 equity lender in the Americas (unweighted and unweighted categories), winning this category once again this year. It posted scores of 140.83 and 121.32, both of which were lower than 2021's totals (283.33 and 247.47, respectively).

It was awarded the same top spot in the Americas region when rated by its largest (G1) clients this year as well.

The US lender stayed strong, featuring in the top three rankings in the overall G1 equity lending category, though this was down from its first place in 2021. BNY Mellon remained in the top six lenders in Asia-Pacific, placing fourth (unweighted) and fifth (weighted), with scores of 59 and 44.38 respectively. It was third in both categories in 2021.

It was voted as most innovative tier 1 lender this year.

STATE STREET

The US bank climbed one spot into fourth place in the global overall unweighted list with a score of 220.42, an improvement on last year's 196.75. It reported 187.02 for the weighted category, up on 2021's 177.6.

While it did not feature in the Americas top six rankings this year, it made in appearance in EMEA, moving to the second spots in the unweighted (81.08) and weighted (67.95) categories. It was also in sixth's place in the Asia-Pacific lists.

The US Group was also first in the unweighted and weighted lists when ranked by its largest G1 borrowers in EMEA, with scores of 79.33 and 66.98 respectively, having not featured in the lists last year. It also took fourth and fifth spots in the Americas unweighted and weighted sections, improving its places from sixth in 2021.

RBC INVESTOR & TREASURY SERVICES

RBC Investor & Treasury Services (RBC I&TS), the only Canadian lender to be featured in the top six, was fifth in the global overall category, from fourth in 2021. It scored 207 (unweighted) and 177.08 (weighted) respectively, down on last year's totals. Its position was the same among the largest lenders when rated by G1 borrowers.

It made an appearance in this year's Asia-Pacific rankings, taking the third spot in the unweighted

> **State Street climbed one spot into fourth place in the G1 lender global overall rankings**

G1 LENDERS RATED BY G1 BORROWERS: GLOBAL
UNWEIGHTED

Rank		Score
1	HSBC Securities Services	252.67
2	Citi	229.67
3	BNY Mellon	197.00
4	State Street	167.67
5	RBC Investor & Treasury Services	155.17
6	Blackrock	94.83

G1 LENDERS RATED BY G1 BORROWERS: GLOBAL
WEIGHTED BY IMPORTANCE

Rank		Score
1	HSBC Securities Services	213.74
2	Citi	198.41
3	BNY Mellon	166.96
4	State Street	144.76
5	RBC Investor & Treasury Services	133.00
6	Blackrock	79.09

G1 LENDERS RATED BY G1 BORROWERS: AMERICAS
UNWEIGHTED

Rank		Score
1	BNY Mellon	117.33
2	HSBC Securities Services	85.00
3 =	Citi	78.67
3 =	RBC Investor & Treasury Services	78.67
5	State Street	67.33
6	Blackrock	51.67

G1 LENDERS RATED BY G1 BORROWERS: AMERICAS
WEIGHTED BY IMPORTANCE

Rank		Score
1	BNY Mellon	101.13
2	HSBC Securities Services	70.21
3	Citi	68.49
4	RBC Investor & Treasury Services	67.60
5	State Street	60.09
6	Blackrock	42.75

G1 LENDERS RATED BY G1 BORROWERS: EMEA
UNWEIGHTED

Rank		Score
1	State Street	79.33
2	HSBC Securities Services	75.00
3	Citi	74.00
4	RBC Investor & Treasury Services	41.50
5	BNY Mellon	39.67
6	eSecLending	28.00

G1 LENDERS RATED BY G1 BORROWERS: EMEA
WEIGHTED BY IMPORTANCE

Rank		Score
1	State Street	66.68
2	HSBC Securities Services	64.71
3	Citi	62.92
4	BNY Mellon	35.63
5	RBC Investor & Treasury Services	35.40
6	eSecLending	24.00

G1 LENDERS RATED BY G1 BORROWERS: ASIA-PACIFIC
UNWEIGHTED

Rank		Score
1	HSBC Securities Services	92.67
2	Citi	77.00
3	Blackrock	43.17
4	BNY Mellon	40.00
5	RBC Investor & Treasury Services	35.00
6	State Street	21.00

G1 LENDERS RATED BY G1 BORROWERS: ASIA-PACIFIC
WEIGHTED BY IMPORTANCE

Rank		Score
1	HSBC Securities Services	78.82
2	Citi	67.00
3	Blackrock	36.34
4	BNY Mellon	30.20
5	RBC Investor & Treasury Services	30.00
6	eSecLending	19.84

(73.5) and weighted (63.08) surveys.

RBC I&TS came joint fourth with Citi in the Americas unweighted category and fifth in the weighted one, and was in fourth place in EMEA for the second year running. It was also in fourth place in the region when rated by G1 borrowers (unweighted), on the same level as last year.

Its scores helped the Canadian group secure third and fourth places when rated by G1 borrowers among lenders in the Americas region, but this was down from second spot in 2021.

BLACKROCK

BlackRock made an appearance in this year's top equity lender ranking, landing in sixth position globally, with scores of 121.67 and 104.51, respectively. The asset manager also did well in the Americas region (sixth place) and in Asia-Pacific (fourth spot in the weighted list). However, it was further down the rankings in EMEA.

It also appeared in the same spots when it comes to the votes awarded by its largest clients, even claiming the third spot in Asia-Pacific.

BNP PARIBAS SECURITIES SERVICES AGENCY LENDING

While the lender did not place in the overall global equity lender rankings, it made an appearance in the regional rankings this year, placing fifth in EMEA with scores of 42.5 (unweighted) and 36.7 (weighted).

The lending arm of the French custodian, also the only European firm in the top six, came fourth and third in the G1 lenders rated by Group Two (G2) borrowers in the overall category, with scores of 49.6 and 43.13 respectively. In the Americas, it improved its position from sixth in 2021 to fourth this year's survey, and from fifth to second in EMEA, as rated by its smallest borrowers.

ESECLENDING

The US securities lending agent was recognised by its G2 borrowers in the Americas region, placing fourth (unweighted) and fifth (weighted) in the region. It did not appear in these rankings in 2021.

It also made a first appearance in the EMEA lists, in fifth spot in the unweighted survey and sixth in the weighted one.

CREDIT SUISSE ZURICH

While Credit Suisse Zurich broke into the G1 EMEA lenders top six last year, it did not feature in 2022. It did, however, maintain its sixth place in the Asia-Pacific lists when rated by G2 borrowers, with a score of 32. This placed it on the same level as Citi.

DEUTSCHE AGENCY LENDING

Deutsche Agency Lending managed to stay in the top six G1 lenders rated by G2 borrowers in Asia-Pacific, finishing in sixth place, with an unweighted score of 7.67. It rose to fifth place in the weighted category (7.34). ■

G1 LENDERS RATED BY G2 BORROWERS: GLOBAL
UNWEIGHTED

Rank		Score
1	HSBC Securities Services	107.00
2	State Street	52.75
3	RBC Investor & Treasury Services	51.83
4	BNP Paribas Sec Services Agency Lending	49.67
5	BNY Mellon	42.50
6 =	Citi	32.00
6 =	Credit Suisse Zurich	32.00

G1 LENDERS RATED BY G2 BORROWERS: GLOBAL
WEIGHTED BY IMPORTANCE

Rank		Score
1	HSBC Securities Services	90.30
2	RBC Investor & Treasury Services	44.08
3	BNP Paribas Sec Services Agency Lending	43.13
4	State Street	42.26
5	BNY Mellon	34.48
6	Citi	32.12

G1 LENDERS RATED BY G2 BORROWERS: AMERICAS
UNWEIGHTED

Rank		Score
1 =	BNY Mellon	23.50
1 =	HSBC Securities Services	23.50
3	State Street	22.00
4	BNP Paribas Sec Services Agency Lending	20.50
5	eSecLending	19.00

G1 LENDERS RATED BY G2 BORROWERS: AMERICAS
WEIGHTED BY IMPORTANCE

Rank		Score
1	BNY Mellon	20.19
2	HSBC Securities Services	20.14
3	State Street	18.81
4	BNP Paribas Sec Services Agency Lending	17.84
5	eSecLending	16.01

G1 LENDERS RATED BY G2 BORROWERS: EMEA
UNWEIGHTED

Rank		Score
1	HSBC Securities Services	22.67
2	BNP Paribas Securities Services Agency Lending	21.50
3	Blackrock	17.83
4	RBC Investor & Treasury Services	13.33
5	eSecLending	8.00
6	Deutsche Agency Lending	7.67

G1 LENDERS RATED BY G2 BORROWERS: EMEA
WEIGHTED BY IMPORTANCE

Rank		Score
1	HSBC Securities Services	19.50
2	BNP Paribas Sec Services Agency Lending	18.70
3	Blackrock	15.17
4	RBC Investor & Treasury Services	11.00
5	Deutsche Agency Lending	7.34
6	eSecLending	6.73

G1 LENDERS RATED BY G2 BORROWERS: ASIA-PACIFIC
UNWEIGHTED

Rank		Score
1	HSBC Securities Services	60.83
2	RBC Investor & Treasury Services	38.50
3 =	Citi	32.00
3 =	Credit Suisse Zurich	32.00
5	State Street	29.00
6	BNY Mellon	19.00

G1 LENDERS RATED BY G2 BORROWERS: ASIA-PACIFIC
WEIGHTED BY IMPORTANCE

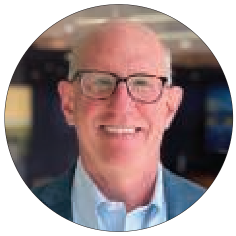
Rank		Score
1	HSBC Securities Services	50.66
2	RBC Investor & Treasury Services	33.08
3	Citi	32.12
4	Credit Suisse Zurich	28.15
5	State Street	22.17
6	Northern Trust	16.68

G1 LENDERS

Most Innovative G1 Lenders
Rated by Group 2 Borrowers

HSBC SECURITIES SERVICES

Actively engaged



Craig Starble, CEO of eSecLending, reflects on how running segregated accounts for each client is key to the company's business proposition.

Clients have different objectives and demands. How does eSecLending address this diversity?

eSecLending was founded 22 years ago to improve the client experience in the securities lending market, with one anchor client. Fast forward to the present and many clients since, our focus is still on providing that one single service. I think we do it well.

The reality is that every client wants something different from their securities lending program. They each have different guidelines, collateral and risk profiles, and sensitivities that can drive restrictions and custom requirements.

We adapt each program to a particular client depending on their risk profile. This isn't necessarily how it's done across the industry but that's what set this business apart in the beginning and it is still how we chose to do it.

The beauty of running segregated accounts for each client, which is very different from a pooled program structure, is not only can we adapt to each client, we can also look at their businesses at an individual level. I believe that has added to performance and to client satisfaction. It allows us to be very flexible when the client wants to make changes to their program – for instance, we can accommodate virtually any custom requirement related to minimum spreads, buffers, collateral profiles, ESG and proxy voting as well as specific restrictions that may be imposed by the portfolio managers themselves.

As I've mentioned before, different clients have different considerations for their collateral sets. Whether it's a cash reinvest strategy, taking equities as collateral or sovereigns only as collateral: all those elements are important to individual client sets. I think we do well at recognizing and adapting to the differences among clients.

Let's talk about performance, a key driver for lending clients. What's your strategy on optimizing those programs for your clients with performance in mind?

Performance is important for all clients, but every client has a different definition of performance.

Our strategy always starts with the same thing: we recommend that a client auctions their portfolio because it gives us its true value as defined by the borrower side of the market. Of course, all assets that are auctioned don't end up going into an exclusive, but we get true visibility into what that portfolio is worth. This strategy is unique to us and the information and pricing intelligence is only seen by us and our clients. This gives us a competitive advantage when understanding and assessing borrower demand.

What happens from that point is the client will decide whether they want to assign certain assets into an exclusive with various borrowers. From there, portfolios not allocated to exclusives are lent like everyone else lends them - on a discretionary basis, every day.

We do both of those trading strategies well, but we believe that the combination of the two disciplines create outperformance for the client. In an exclusive, borrowers are interested in locking up inventory for a period. This optionality allows them to pay more (and sometimes significantly more) for those assets than they would otherwise pay on an as needed daily basis.

We have done this for 22 years. The first client we brought on auctioned their securities, and there was an exclusive established as a result. It's been something that clients have used to create outperformance in the market over time. The assets that perform the best in the auction are those with the highest demand profile such as small cap equities, emerging markets equities, high yield bonds etc.

Borrowers don't typically pay a premium for general collateral (ie large cap assets like S&P 500 equities, investment grade corporate bonds or government bonds). We typically lend those securities on a discretionary basis.

In a separate account structure, we also look at specialty trades, structured trades, or certain one-off collateral trades in a client centric manner. We optimize each client's portfolio by not impacting those of other clients at the same time.

When using a separate account structure, our traders strategize with our clients about how best to optimize the assets they have in their portfolios considering term structure or collateral types, and work with the borrowers to create a structured transaction that's good for both sides. Clients who participate actively in their lending program will outperform those who don't.

An important part of a separate account program is that we can look at individual structures with the borrower base to the advantage of the client. When we do an auction, we focus only on one client's portfolio or assets at any one time. We don't aggregate various clients in that auction - it's always done on a bespoke client-by-client basis.

If we turn our attention to product innovation and innovation around types of transactions as well as counterparties. How are you as a company evolving around this changing landscape and addressing the evolving needs of some of your clients?

I believe we must be flexible enough to change with the market. Clients expect that from us.

We work with them to ensure they have a flexible collateral profile because it increases market opportunity. For example, some clients will only take treasuries or sovereigns as collateral. As a result, they have different opportunities than those clients who will take a broader range of collateral sets.

What we've seen change over the years, and where we have adapted, is demand on the borrower side. Capital restrictions and regulatory capital requirements for borrowers have incentivized us, our clients as well as the borrowers to come up with different trade structures that optimize the risk weighted asset [RWA]/capital impact to the borrower.

We spend a lot of time working with both the client and the borrower to come up with optimized structures that benefit both sides. You must be able to innovate to make it a win/win for everyone.

Historically, we've seen borrowers challenged by regulatory capital considerations, RWA impact or the LCR impact. As an industry, we have questioned whether to transact through a CCP or via the Pledge structure, or by going direct to the underlying borrower; all can be viable options depending upon the client profile and risk appetite.

But the reality is that we found it very beneficial to interact with borrowers on a direct client basis, to meet their needs around capital, and the needs of our clients from a performance perspective. That's changed the way we do business.

We're also starting to see material capital impacts to the business amongst the traditional agent banks in the business. Indemnification for agent bank lenders is a capital-intensive proposition. Certain banks can't do or have chosen not to do high notional/low spread loans for their clients. We are in a unique position as a specialist agent lender since we do not fall under the same regulatory structure as our competitors. This allows us to accommodate those transactions based on how we acquire our indemnification: we purchase indemnification insurance from insurance carriers. It means we have a fixed cost for indemnification, which allows us to do these innovative transactions, among other things. Clients respond well to it.

Many clients now want to do financing trades where they're taking unused general collateral to raise cash funding and create leverage in their portfolio. We lend the securities out and we give them the cash collateral for them to use in their holistic total plan leverage or liquidity strategies.

We have clients who are looking at funding various portions of their other businesses, whether it's real estate or infrastructure assets, for example. Those transactions tend to be high notional/low spread transactions. It's a low spread type of transaction, but for us, it's a quality transaction, and it provides funding for the client. More importantly, it allows them to expand their other businesses by using securities lending as the financing tool.

To expand on the innovation topic, another area to watch is around peer-to-peer [P2P] transactions. We like being the facilitator of those transactions and are seeing a pickup in that opportunity. It will take time to develop further because clients must approve each other as counterparties. But many of our clients are now looking to engage with each other on certain transactions. They may not be lending special stock to each other, but many financing transactions are being done between clients via P2P.

We've talked about client needs and demands, innovation and performance. Something you touched upon is the fact that securities lending is a capital constrained business at its core. How do you think this is affecting the current landscape but also the beneficial owner side of the equation?

Beneficial owners probably don't feel like they've been dramatically impacted yet by capital constraints, because specials trades and trades of value are still being carried out. The RWA and regulatory capital impacts are limited because of the earnings related to those transactions.

However, banks can be hesitant to execute structured and general collateral or funding driven trades where there's high notional/low spread. Whether the beneficial owner knows it or not, they're probably leaving some revenue on the table if their agent lender is a bank subject to these capital constraints.

Every bank has different restraints and is managing to different metrics. There's no clear-cut rule about the quality of a trade. But whenever you have a situation where RWA/Capital is looked at prior to a transaction, the result is going to be the client getting less revenue from that agent lender.

Because of eSecLending's indemnification proposition, and how we manage it, we're an efficient capital play for clients. Clients who want to do these financing trades or make revenue from a high notional/low spread business can come to us: I would say we have a more efficient capital structure today than many of our competitors.

We are a smaller company, and some clients are challenged by that. But the reality is that once they understand the value of our indemnification and the benefits it provides, they turn to us. ■

> "We spend a lot of time working with both the client and the borrower to come up with optimized structures that benefit both sides. You must be able to innovate to make it a win/win for everyone"

Craig Starble

Chief Executive Officer, eSecLending

Craig Starble is the Chief Executive Officer at eSecLending where he leads the development and implementation of eSecLending's overall strategy. Craig joined eSecLending in 2013 and began his career in financial services in 1984. Prior to eSecLending, Craig was the Founder and CEO of Premier Global Securities Lending, LLC (PGSL), Executive Vice President and Head of State Street Bank's global securities lending division from 2004 to 2009, was a Co-Founder and CFO for Shoebuy.com, and was Managing Director for the Treasury Funding Group at BankBoston Corporation. Craig received a Bachelor of Arts in Economics and Government from Connecticut College.

Amelie Labbe, Global Investor, speaks to Craig Starble, Chief Executive Officer at eSecLending.

GROUP TWO LENDERS:

NATIXIS ASSET MANAGEMENT FINANCE

The French lender made an appearance in this year's top Group 2 (G2) lender survey, rising to become the overall winner with scores of 86.83 (unweighted) and 74.08 (weighted).

It also made consistent top six list in most categories, appearing in second place in both the EMEA and Asia-Pacific rankings. When rated by its smaller borrowers, it stayed in the second spot in Asia-Pacific but slipped to fourth in EMEA but slipped to third (unweighted) and fourth (weighted) in its home region of EMEA.

When G1 borrowers were surveyed, Natixis Asset Management Finance was in second place overall in the weighted list, behind Sumitomo Mitsui. It placed fourth in EMEA.

BNP PARIBAS SECURITIES SERVICES PRINCIPAL LENDING

BNP Paribas Securities Services Principal Lending came out top in the Asia-Pacific lists, up from its second (unweighted) and third (weighted) spots in 2021. It reported scores of 44.33 and 38.45 respectively, nearly double last year's totals. It also claimed the first spots in Asia-Pacific when rated by its smallest borrowers.

It was in second place in EMEA, with scores of 83.67 (unweighted) and 72.75 (weighted) reflecting its European scope.

It was first overall when G2 borrowers were surveyed, with a weighted score of 38.45, and second in the unweighted category (with a total of 44.33).

G1 borrowers placed BNP Paribas Securities Services Principal Lending in fourth place in the Americas weighted category with a score of 34.31.

G2 LENDERS

Most Innovative G1 Lenders
Rated by Group 1 Borrowers

BNP Paribas Securities Services Principal Lending

SUMITOMO MITSUI

The Japanese firm's scores of 55.17 (unweighted) and 48.41 (weighted) kept it in the top three G2 lenders in the Americas rankings, boosting it to first place, an improvement on last year's third.

In the overall rankings, it slipped to third place from second place in

G2 LENDERS: GLOBAL — UNWEIGHTED

Rank		Score
1	Natixis Asset Management Finance	86.83
2	BNP Paribas Sec Services Principal Lending	83.67
3	Sumitomo Mitsui	69.17
4	Handelsbanken	49.00
5	Zurcher Kantonalbank	47.00
6	MUFG Investor Services	46.00

G2 LENDERS: AMERICAS — UNWEIGHTED

Rank		Score
1	Sumitomo Mitsui	55.17
2	MUFG Investor Services	46.00
3	Santander	41.00
4	National Bank Financial	40.67
5	Zurcher Kantonalbank	40.00
6	BNP Paribas Sec Services Principal Lending	39.33

G2 LENDERS: EMEA — UNWEIGHTED

Rank		Score
1	Handelsbanken	49.00
2	Natixis Asset Management Finance	44.83
3	Nordea	42.00
4	Danske Bank	35.00
5	Amundi	24.33
6	Societe Generale Agency Lending	21.00

G2 LENDERS: ASIA-PACIFIC — UNWEIGHTED

Rank		Score
1	BNP Paribas Sec Services Principal Lending	44.33
2	Natixis Asset Management Finance	22.17
3 =	Amundi	21.00
3 =	CACEIS Bank	21.00

G2 LENDERS: GLOBAL — WEIGHTED BY IMPORTANCE

Rank		Score
1	Natixis Asset Management Finance	74.08
2	BNP Paribas Sec Services Principal Lending	72.75
3	Sumitomo Mitsui	60.61
4	Handelsbanken	42.00
5	Zurcher Kantonalbank	40.75
6	MUFG Investor Services	39.70

G2 LENDERS: AMERICAS — WEIGHTED BY IMPORTANCE

Rank		Score
1	Sumitomo Mitsui	48.61
2	MUFG Investor Services	39.70
3	Zurcher Kantonalbank	34.75
4	BNP Paribas Sec Services Principal Lending	34.31
5	National Bank Financial	33.99
6	Santander	32.90

G2 LENDERS: EMEA — WEIGHTED BY IMPORTANCE

Rank		Score
1	Handelsbanken	42.00
2	Natixis Asset Management Finance	37.36
3	Nordea	36.00
4	Danske Bank	30.00
5	Amundi	20.86
6	Societe Generale Agency Lending	18.00

G2 LENDERS: ASIA-PACIFIC — WEIGHTED BY IMPORTANCE

Rank		Score
1	BNP Paribas Sec Services Principal Lending	38.45
2	Natixis Asset Management Finance	18.60
3	CACEIS Bank	18.40
4	Amundi	17.55

G2 LENDERS RATED BY G1 BORROWERS: GLOBAL — UNWEIGHTED

Rank		Score
1	Sumitomo Mitsui	69.17
2	Handelsbanken	49.00
3	Natixis Asset Management Finance	47.83
4	Zurcher Kantonalbank	47.00
5	MUFG Investor Services	46.00
6	Societe Generale Agency Lending	42.67

G2 LENDERS RATED BY G1 BORROWERS: AMERICAS — UNWEIGHTED

Rank		Score
1	Sumitomo Mitsui	55.17
2	MUFG Investor Services	46.00
3	Santander	41.00
4	National Bank Financial	40.67
5	Zurcher Kantonalbank	40.00
6	BNP Paribas Sec Services Principal Lending	39.33

G2 LENDERS RATED BY G1 BORROWERS: EMEA — UNWEIGHTED

Rank		Score
1	Handelsbanken	49.00
2	Nordea	42.00
3	Danske Bank	35.00
4	Natixis Asset Management Finance	28.00
5	Societe Generale Agency Lending	21.00
6	Sumitomo Mitsui	14.00

2021, with an unweighted score of 69.17 and a weighted score of 60.61.

However, when rated by its G1 borrowers, it rose to first place in both the overall and in the Americas rankings. It was in the same place overall in 2021.

HANDELSBANKEN

In fourth place overall among G2 lenders this year was Handelsbanken, which saw scores of 49.00 (unweighted) and 42.00 (weighted).

The Swedish lender also claimed the first spot in EMEA this year from Aviva.

It rose to second spot when G1 borrowers were surveyed about overall rankings, behind Sumitomo Mitsui.

It was also first in EMEA as rated by its largest borrowers. It did not break the rankings when G2 borrowers were surveyed.

MUFG

MUFG Investor Services maintained its second place in the Americas overall rankings for the second year running, with a weighted score of 46.00 and an unweighted score of 39.70. While it is typically strong in Asia-Pacific, it did not make the top three rankings this year.

NORDEA

The lender made it to the third spot in the EMEA G2 category, down from its second spot in 2021. Its scores of 42.00 (unweighted) and 46.00 (weightd) also reflected the drop.

It rose to the second spot when rated by G1 borrowers in EMEA, behind Handelsbanken. This was consistent on last year.

AMUNDI

France's Amundi was recognised by G2 borrowers at the top G2 lender overall in the unweighted category. It claimed second place in the weighted list.

It topped EMEA rankings when rated by its smallest borrowers, an improvement on last year when it did not feature in the top three.

CACEIS BANK

CACEIS closed the top three rankings in the Asia-Pacific region this year.

It performed strongly when rated by G2 borrowers, claiming the third spot overall and in Asia-Pacific, and the second place in EMEA.

AVIVA

French asset manager Aviva came top of the G2 lenders list in 2021 but slipped from most rankings in this year's edition. It made an appearance when rated by its smaller borrowers, in fifth place overall (both unweighted and weighted categories), and in fourth place in EMEA in the unweighted category and third in its weighted counterpart.

SOCIETE GENERALE AGENCY LENDING

The French bank's lending arm was featured in this year's survey, finishing in sixth place in the EMEA G2 lender rankings, just behind French asset manager Amundi, with an unweighted score of 21.00 and a weighted score of 18.00. it also finished in fifth place in the same region when rated by both G1 and G2 borrowers, and sixth place overall when these were surveyed. ■

G2 LENDERS

Most Innovative G2 Lenders

Rated by Group 2 Borrowers

AMUNDI

G2 LENDERS RATED BY G1 BORROWERS: GLOBAL
WEIGHTED BY IMPORTANCE

Rank		Score
1	Sumitomo Mitsui	60.61
2	Natixis Asset Management Finance	42.11
3	Handelsbanken	42.00
4	Zurcher Kantonalbank	40.75
5	MUFG Investor Services	39.70
6	Societe Generale Agency Lending	36.65

G2 LENDERS RATED BY G1 BORROWERS: AMERICAS
WEIGHTED BY IMPORTANCE

Rank		Score
1	Sumitomo Mitsui	48.61
2	MUFG Investor Services	39.70
3	Zurcher Kantonalbank	34.75
4	BNP Paribas Sec Services Principal Lending	34.31
5	National Bank Financial	33.99
6	Santander	32.90

G2 LENDERS RATED BY G1 BORROWERS: EMEA
WEIGHTED BY IMPORTANCE

Rank		Score
1	Handelsbanken	42.00
2	Nordea	36.00
3	Danske Bank	30.00
4	Natixis Asset Management Finance	24.00
5	Societe Generale Agency Lending	18.00
6	Sumitomo Mitsui	12.00

G2 LENDERS RATED BY G2 BORROWERS: GLOBAL
UNWEIGHTED

Rank		Score
1	Amundi	45.33
2	BNP Paribas Sec Services Principal Lending	44.33
3	CACEIS Bank	40.17
4	Natixis Asset Management Finance	39.00
5	Aviva	16.67

G2 LENDERS RATED BY G2 BORROWERS: EMEA
UNWEIGHTED

Rank		Score
1	Amundi	24.33
2	CACEIS Bank	19.17
3	Natixis Asset Management Finance	16.83
4	Aviva	16.67

G2 LENDERS RATED BY G2 BORROWERS: ASIA-PACIFIC
UNWEIGHTED

Rank		Score
1	BNP Paribas Sec Services Principal Lending	44.33
2	Natixis Asset Management Finance	22.17
3 =	Amundi	21.00
3 =	CACEIS Bank	21.00

G2 LENDERS RATED BY G2 BORROWERS: GLOBAL
WEIGHTED BY IMPORTANCE

Rank		Score
1	BNP Paribas Sec Services Principal Lending	38.45
2	Amundi	38.41
3	CACEIS Bank	35.11
4	Natixis Asset Management Finance	31.96
5	Aviva	15.07

G2 LENDERS RATED BY G2 BORROWERS: EMEA
WEIGHTED BY IMPORTANCE

Rank		Score
1	Amundi	20.86
2	CACEIS Bank	16.71
3	Aviva	15.07
4	Natixis Asset Management Finance	13.36

G2 LENDERS RATED BY G2 BORROWERS: ASIA-PACIFIC
WEIGHTED BY IMPORTANCE

Rank		Score
1	BNP Paribas Sec Services Principal Lending	38.45
2	Natixis Asset Management Finance	18.60
3	CACEIS Bank	18.40
4	Amundi	17.55

In focus

Donia Rouigueb, Head of Sales - Securities Finance and Repo at CACEIS Bank, discusses why volatility means opportunity for clients.

Let's set the scene. What has this year been like for lenders and lending opportunities?

This year should be very good in terms of revenues for our clients.

Market moves have meant more opportunities. Post-Covid volatility, the normalisation of monetary policies, uncertainty regarding the war in the Ukraine, and interest rate hikes to combat high inflation – these are some of the macroeconomic and geopolitical factors that have given rise to these opportunities.

As an example, July and August, which are traditionally quiet months for the securities lending business, have been the best months in terms of revenues so far according to S&P Global, so 2022 should be an exceptional year in many respects.

We are seeing these lending opportunities across most asset classes, often for varying reasons. There has been a comeback of special situations equity linked to extra liquidity injected by central banks up until July but also on the credit side largely due to significant directional shorts. There has been high demand for corporate bonds, which has caused levels to skyrocket, leading the asset class to become best performer this year in terms of revenue.

As normalisation of monetary policies takes place across the globe, we believe spreads between core and peripheral govies, and HQLA [high-quality liquid assets] vs non-HQLA should widen. Holders of HQLA should then enjoy increased revenues on this asset class during Q4 of 2022.

This year, we have also seen certain clients that were more hesitant about securities lending during Covid return to their programmes. Some had to manage their business using an alternate model, such as relying on remote working and were not comfortable with adding the responsibility of monitoring the lending activity of a provider. Others were simply uncertain about the potential of big market moves during the pandemic and the risk of not being able to recall their securities in time if there were a sell-off. Now that the pandemic is largely behind us, they are all returning to the lending programmes.

What are two or three lessons that you have learned this year?

I would say that resilience is the first lesson. What I have learned, and I think what all of us in the industry have, is that we managed to demonstrate to our clients that we have robust set-up, and we can ensure business continuity. Even during the pandemic, we had no issues managing the activity. We were able to adapt to this exceptional situation and maintain excellent client satisfaction throughout.

The second lesson learned relates to client proximity and delivering on client requests. Clients' behaviour has changed over the past couple of years. They are asking more questions, rightfully reviewing everything, and ever more closely involved in their securities lending programme. As soon as they feel that an issue might be impacting their portfolio management activities, they are more willing to review their programme or even pull the plug entirely. This ongoing volatility also serves as a reminder of why listening to your clients and working in a close partnership with them is key.

The final lesson is more of a general strategic point – and concerns IT. An ongoing programme of investment into IT systems to comply with new regulatory demands is crucial. Just before the pandemic hit, we had to

"As normalisation of monetary policies takes place across the globe, we believe spreads between core and peripheral govies, and HQLA [high-quality liquid assets] vs non-HQLA should widen"

> CSDR implementation has been the most important topic for the industry in 2022. All market participants expected a revolution but even though some players managed to integrate the new CSDR restrictions better than others, somehow most of the banks and custodians seemed ready on time and adjusted quickly and efficiently

implement the Securities Financing Transactions Regulation (SFTR). More recently, we have had to deal with wide-ranging pieces of legislation like the Central Securities Depositories Regulation (CSDR), which demands a strict settlement regime and close communication between market participants.

Regulatory measures such as these push the industry to develop powerful and flexible tools, together with communication systems between borrowers and lenders which can adapt quickly to the fast-paced and complex working environment. The capacity to invest in technology is key to delivering the service efficiency as demanded by regulators and end-clients.

CSDR is a topic that has been omnipresent in the industry for a while, bringing with it some unanswered questions. Fast forward to now, has this changed? What are some considerations that remain?

CSDR implementation has been the most important topic for the industry in 2022. All market participants expected a revolution but even though some players managed to integrate the new CSDR restrictions better than others, somehow most of the banks and custodians seemed ready on time and adjusted quickly and efficiently. Failed transaction monitoring was a key topic as soon as CSDR came into force, and we saw settlement discipline improve across the industry.

From the clients' perspective, this is excellent news both because cash transactions settlement became much smoother and because they could benefit from additional revenues associated with fail coverage. The volumes of short-term lending transactions increased dramatically as market participants attempted to cover ever more intra-day shorts to avoid late settlement penalties. There is a huge question mark regarding a possible second wave of CSDR regulation - the automatic buy-in. This aspect could well be the most transformative part of the regulation and would definitely be a market-changing measure if we required to implement it.

So in summary, CSDR at first appeared to be a game-changer for our industry but we are not out of the woods yet!

Another big theme for the securities lending industry is ESG and its compatibility with the activity. What are some of the areas to consider?

Securities lending is recognised by regulators as an essential tool for bringing liquidity to the markets. We have to keep this in mind, because it makes little sense to debate its compatibility with ESG principles if you do not establish this premise from the outset.

Up until two years ago, ESG was vague concept but today, portfolio managers have clear frameworks, eco-labels, and sometimes even dedicated ESG teams. The topic is being properly addressed.

Discussions are taking place with regards to securities lending's compatibility with sustainability investment principles along various lines.

The most important one is voting rights because investors consider they need to be involved with the stocks in which they are investing. This is not possible while they lend their stock, as the right to vote passes to the borrower. Beneficial owners are therefore worried that securities might be borrowed with an intent that doesn't necessarily align with their own ESG objectives.

The second important topic is collateral. If you have restrictions on investing in companies in the oil sector, for instance, some clients may think that you will not accept these types of securities as collateral. Others will take the position that the collateral is not yours unless your counterpart defaults. However, there is also a debate on the extent of collateral restrictions.

A key feature to the debates about collateral is the impact that restrictions can have on lending revenues and the feasibility of implementing such restrictions. For instance, CACEIS, as a service provider, has tools to manage restrictions but there are limits to the system itself. Clients may require very complex limitations which are not replicable in our systems. Regarding revenues, it must be understood that any restriction will automatically impact the lending performance of the portfolio. Decisions are always the clients' to make but it is in their best interest not to limit revenue generation capacity needlessly through excessive restrictions.

In summary, it is essential to discuss such matters with your service provider to strike the right balance between ESG policies compliance and lending revenues. Clients have to understand what is feasible in such situations. It is important to be realistic, because with ESG, you can open the door to unlimited debate. We in the securities lending industry have the same experience with ESG issues as portfolio managers: it is a very broad topic which touches upon many areas of activity.

What is the outlook for the remainder of the year, but also looking ahead to 2023 and beyond?

I wish I knew what was going to happen next year!

The geopolitical and economic situation is still very uncertain: US mid-terms, the war in Ukraine, energy issues, inflation. Central banks are trying to intervene but as yet not as strongly as the markets want.

For the securities lending community, volatility means opportunities for our clients. Almost all asset classes can benefit from it. So far, we have had exceptional revenues across equities and corporate bonds while returns generated on govies were a bit disappointing. We believe the trend will change during Q4 2022 and throughout 2023. We already noticed a slow-down in the equities and credit spaces in September.

Government bonds and general collateral [GC] securities, which are very liquid stock, are expected to be in high demand. We are already seeing stronger demand for collateral because of the volatility of the markets and the new regulatory requirements, which might lead market participants to borrow more liquid assets. It will be interesting to see what happens towards the end of the year.

Despite the uncertainties of the future, it is important to emphasise that our traders are fully-equipped and have extensive experience of managing the liquidity of the securities we lend to benefit from revenues associated with securities lending without impacting the liquidity of the underlying asset that is lent.

"Establishing the right approach in terms of stock liquidity, understanding current market regulations, and designing the optimal set-up are key steps in creating a bespoke lending programme to suit the current environment"

On the financing side, rate hikes will be important to watch for several reasons. We have been in an environment where there was a lot of cheap cash so with the return of positive interest rates, we might see increased demand for financing and cash reinvestment opportunities.

Regarding the industry more generally, the markets have benefited from a long period, almost 10 years, of low interest rates and whatever the reasons behind this return to reality on the markets, our clients will need to remain agile and seek out added value wherever possible. 2023 will be a challenging year for the securities lending industry, and it will need to keep its longstanding promise of providing low-risk additional returns in the background while beneficial owners maintain focus on their portfolio management strategy.

In conclusion, volatility is definitely a source of revenue opportunities for clients using our securities lending programmes. Establishing the right approach in terms of stock liquidity, understanding current market regulations, and designing the optimal set-up are key steps in creating a bespoke lending programme to suit the current environment.

Our in-depth expertise and willingness to understand our clients' needs have enabled us to become a key player in the securities lending industry, and our professional staff are on hand to ensure you can benefit from market opportunities in a low-risk environment. ■

Donia Rouigueb, ***Head of Sales Securities Finance & Repo,CACEIS***

Donia started her career in the Securities Lending industry in 2007, working as a Securities Lending Trader at CANDRIAM in Paris. In 2010, she moved to a Sales Trader position at Mediobanca SpA, Italy top investment bank. Working between Milan and London offices, she played a central role in the creation of the Equity Finance desk within Mediobanca Equity Derivatives department. In 2015, she joined CACEIS in Luxembourg as Sales Director to help expand the CACEIS Group's Securities Lending and Repo services, developing tailor-made revenue-enhancing products for institutional, asset manager and corporate clients of the CACEIS group. In July 2019, Donia was appointed Head of Sales Securities Finance & Repo.

Donia graduated from the Edhec Business School, majoring in risk and asset management as well as from the University of Paris 1 La Sorbonne as an economics major.

GROUP ONE BORROWERS:

BARCLAYS

The UK bank won the Group One (G1) overall borrower rankings this year, with an unweighted score of 148.42 and a weighted one of 153.17. Barclays was also top in the EMEA and in Asia-Pacific lists, across the weighted and unweighted sections.

It was also the top-rated borrower by G1 lenders in EMEA and in Asia. Scores of 93.33 and 97.27 ensured it was also the overall winner. However, the European borrower dropped to third place when given overall scores by G2 lenders, behind Bank of America Merrill Lynch and Goldman Sachs. It consistently finished in the top four in the regional rankings, when rated by G2 lenders.

> Barclays, Goldman Sachs and UBS were the top three global G1 borrowers in 2022

GOLDMAN SACHS

Goldman Sachs was recognised in second place in the global borrower rankings, having not been featured in the top six borrowers last year. It was awarded scores of 119.00 (unweighted) and 118.71 (weighted). The US borrower dropped to fifth place in the Americas rankings but was second and third in EMEA and Asia-Pacific respectively.

It was awarded fourth place by G1 lenders in the overall rankings, third in Asia-Pacific and fifth in EMEA. It did not feature in the Americas lists. However, Goldman Sachs was top in the G2 lenders Americas rankings, with an unweighted score of 34.00 and 33.96 for the weighted list. It came in second place in EMEA in that particular category.

UBS

UBS closed the top three group of G1 borrowers, with scores of 115.00 (unweighted) and 115.46 (weighted), having come first in 2021. When rated by G1 lenders, it returned in first place in the Americas this year, on the back of an unweighted score of 33.67. It came second in EMEA and third overall.

G1 BORROWERS: GLOBAL — UNWEIGHTED

Rank		Score
1	Barclays	148.42
2	Goldman Sachs	119.00
3	UBS	115.00
4	HSBC Bank	108.67
5	Bank of America Merrill Lynch	90.42
6	Societe Generale CIB	57.08

G1 BORROWERS: AMERICAS — UNWEIGHTED

Rank		Score
1	RBC Capital Markets	50.83
2	Bank of America Merrill Lynch	49.83
3	Barclays	48.08
4	UBS	45.67
5	Goldman Sachs	34.00
6	HSBC Bank	32.00

G1 BORROWERS: EMEA — UNWEIGHTED

Rank		Score
1	Barclays	59.33
2	Goldman Sachs	53.00
3	Societe Generale CIB	51.58
4	UBS	45.33
5	HSBC Bank	41.67
6	Bank of America Merrill Lynch	40.58

G1 BORROWERS: ASIA-PACIFIC — UNWEIGHTED

Rank		Score
1	Barclays	41.00
2	HSBC Bank	35.00
3	Goldman Sachs	32.00
4	UBS	24.00

G1 BORROWERS: GLOBAL — WEIGHTED BY IMPORTANCE

Rank		Score
1	Barclays	153.17
2	Goldman Sachs	118.71
3	UBS	115.46
4	HSBC Bank	108.45
5	Bank of America Merrill Lynch	90.51
6	Societe Generale CIB	56.63

G1 BORROWERS: AMERICAS — WEIGHTED BY IMPORTANCE

Rank		Score
1	RBC Capital Markets	49.07
2	Bank of America Merrill Lynch	48.27
3	Barclays	47.57
4	UBS	43.88
5	Goldman Sachs	33.36
6	HSBC Bank	32.66

G1 BORROWERS: EMEA — WEIGHTED BY IMPORTANCE

Rank		Score
1	Barclays	64.87
2	Goldman Sachs	54.72
3	Societe Generale CIB	51.02
4	UBS	47.98
5	Bank of America Merrill Lynch	42.25
6	HSBC Bank	40.96

G1 BORROWERS: ASIA-PACIFIC — WEIGHTED BY IMPORTANCE

Rank		Score
1	Barclays	40.73
2	HSBC Bank	34.83
3	Goldman Sachs	30.64
4	UBS	23.60

G1 BORROWERS RATED BY G1 LENDERS: GLOBAL — UNWEIGHTED

Rank		Score
1	Barclays	93.33
2	HSBC Bank	93.00
3	UBS	86.67
4	Goldman Sachs	49.00
5	RBC Capital Markets	32.33
6	TD Securities	25.00

G1 BORROWERS RATED BY G1 LENDERS: AMERICAS — UNWEIGHTED

Rank		Score
1	UBS	33.67
2	RBC Capital Markets	32.33
3	HSBC Bank	32.00
4	TD Securities	25.00
5	Barclays	21.33
6	Bank of America Merrill Lynch	16.00

G1 BORROWERS RATED BY G1 LENDERS: EMEA — UNWEIGHTED

Rank		Score
1	Barclays	31.00
2	UBS	29.00
3	HSBC Bank	26.00
4	Societe Generale CIB	22.00
5	Goldman Sachs	17.00

G1 BORROWERS RATED BY G1 LENDERS: ASIA-PACIFIC — UNWEIGHTED

Rank		Score
1	Barclays	41.00
2	HSBC Bank	35.00
3	Goldman Sachs	32.00
4	UBS	24.00

It consistently finished in the top four borrowers in all regions, and was featured in all lists in the G1 borrower category except when rated by G2 lenders.

RBC CAPITAL MARKETS

Canada's RBC Capital Markets came top in the Americas G1 borrower rankings, with an unweighted score of 50.83 and 49.07 for the unweighted list, ahead of Bank of America Merrill Lynch in second place. It was sixth in 2021.

It was in second place in the Americas unweighted group when rated by its larger lenders. It came fifth in the same region when G2 lenders where concerned.

> Canada's RBC Capital Markets came top in the Americas G1 borrower rankings

HSBC

The Anglo-Asian bank came in second place in the Asia-Pacific G1 borrower rankings (unweighted: 35.00; weighted: 34.83), an improvement on last year's fifth place. It was also number two in Asia-Pacific and in the overall list when taking into account G1 lender ratings, both better than last year's placements.

HSBC was fourth in the overall G1 borrower rankings, fifth in EMEA and closed the Americas' top six.

BANK OF AMERICA MERRILL LYNCH

In fifth place, Bank of America Merrill Lynch made an appearance in this year's overall rankings, having been featured only when rated by G2 lenders last year. It came second in the Americas behind RBC Capital Markets, with scores of 49.83 (unweighted) and 48.27 (weighted).

It improved of last year's placements when rated by its smaller lenders, moving up to first place overall and in EMEA. It came second in the Americas region, after Goldman Sachs.

When rated by its largest lenders, it was in sixth place in the Americas region.

SOCIÉTÉ GÉNÉRALE

Société Générale CIB finished sixth overall of the G1 borrowers rated by G2 lenders, improving slightly on last year's scores. It was also third in the EMEA unweighted category.

CITI

Citi made an appearance in the G2 lenders lists, in fifth place overall, just ahead of Société Générale and behind BNP Paribas. It was also in fifth in EMEA. ■

G1 BORROWERS RATED BY G1 LENDERS: GLOBAL
WEIGHTED BY IMPORTANCE

Rank		Score
1	Barclays	97.27
2	HSBC Bank	95.16
3	UBS	87.07
4	Goldman Sachs	49.42
5	RBC Capital Markets	31.08
6	TD Securities	26.12

G1 BORROWERS RATED BY G1 LENDERS: AMERICAS
WEIGHTED BY IMPORTANCE

Rank		Score
1	HSBC Bank	32.66
2	UBS	32.08
3	RBC Capital Markets	31.08
4	TD Securities	26.12
5	Barclays	21.16
6	Bank of America Merrill Lynch	15.34

G1 BORROWERS RATED BY G1 LENDERS: EMEA
WEIGHTED BY IMPORTANCE

Rank		Score
1	Barclays	35.38
2	UBS	31.39
3	HSBC Bank	27.67
4	Societe Generale CIB	22.28
5	Goldman Sachs	18.78

G1 BORROWERS RATED BY G1 LENDERS: ASIA-PACIFIC
WEIGHTED BY IMPORTANCE

Rank		Score
1	Barclays	40.73
2	HSBC Bank	34.83
3	Goldman Sachs	30.64
4	UBS	23.60

G1 BORROWERS RATED BY G2 LENDERS: GLOBAL
UNWEIGHTED

Rank		Score
1	Bank of America Merrill Lynch	74.42
2	Goldman Sachs	70.00
3	Barclays	55.08
4	BNP Paribas	40.33
5	Citi	35.25
6	Societe Generale CIB	35.08

G1 BORROWERS RATED BY G2 LENDERS: AMERICAS
UNWEIGHTED

Rank		Score
1	Goldman Sachs	34.00
2	Bank of America Merrill Lynch	33.83
3	Barclays	26.75
4	BNP Paribas	19.67
5	RBC Capital Markets	18.50
6	UBS	12.00

G1 BORROWERS RATED BY G2 LENDERS: EMEA
UNWEIGHTED

Rank		Score
1	Bank of America Merrill Lynch	40.58
2	Goldman Sachs	36.00
3	Societe Generale CIB	29.58
4	Barclays	28.33
5	Citi	27.25
6	BNP Paribas	20.67

G1 BORROWERS RATED BY G2 LENDERS: GLOBAL
WEIGHTED BY IMPORTANCE

Rank		Score
1	Bank of America Merrill Lynch	75.17
2	Goldman Sachs	69.29
3	Barclays	55.90
4	BNP Paribas	39.68
5	Citi	35.33
6	Societe Generale CIB	34.35

G1 BORROWERS RATED BY G2 LENDERS: AMERICAS
WEIGHTED BY IMPORTANCE

Rank		Score
1	Goldman Sachs	33.36
2	Bank of America Merrill Lynch	32.93
3	Barclays	26.41
4	BNP Paribas	19.56
5	RBC Capital Markets	17.99
6	UBS	11.80

G1 BORROWERS RATED BY G2 LENDERS: EMEA
WEIGHTED BY IMPORTANCE

Rank		Score
1	Bank of America Merrill Lynch	42.25
2	Goldman Sachs	35.94
3	Barclays	29.49
4	Societe Generale CIB	28.74
5	Citi	27.05
6	BNP Paribas	20.13

GROUP TWO BORROWERS:

Natixis was top global G2 borrower for the third year in a row, while National Bank Financial and Macquarie dominated Americas and APAC

NATIXIS

The French bank was top G2 borrower for the third year in a row, with an unweighted score of 134.00 and 131.4 in the weighted category. It was also recognised in second place in the EMEA weighted list, and in second place in Asia and Americas rankings.

It was also the top-rated G2 borrower when rated by G1 lenders, like last year, and was also first in the Americas and in EMEA. It came second in Asia-Pacific.

MACQUARIE

Macquarie came second overall out of the G2 borrowers, with scores of 132.50 (unweighted) and 128.66 (weighted). It was top in Asia-Pacific and EMEA.

The Australian firm was also rated second in EMEA by G2 lenders, and leveraged its regional scope to the first place in the Asia-Pacific list when measured by its largest lenders with ratings of 39.33 (unweighted) and 38.59 (weighted). This is an improvement on last year's placing when it was second in the region.

NOMURA

The Japanese borrower did not make the top three in Asia-Pacific this year but closed the top three in the overall G2 borrower rankings, with an unweighted score of 85.50. It was also in third place overall in

G2 BORROWERS: GLOBAL — UNWEIGHTED

Rank		Score
1	Natixis	134.00
2	Macquarie	132.50
3	Nomura	85.50
4	SEB	84.67
5	ABN Amro Clearing Bank	70.50
6	National Bank Financial	66.17

G2 BORROWERS: AMERICAS — UNWEIGHTED

Rank		Score
1	National Bank Financial	59.00
2	Natixis	51.00
3	SEB	48.00
4	Nomura	44.50
5	Mitsubishi Securities	38.50
6	Macquarie	28.00

G2 BORROWERS: EMEA — UNWEIGHTED

Rank		Score
1	Macquarie	65.17
2	ABN Amro Clearing Bank	44.50
3	Natixis	44.33
4	SEB	36.67
5	Banco Santander	36.50
6	Jefferies	34.33

G2 BORROWERS: ASIA-PACIFIC — UNWEIGHTED

Rank		Score
1	Macquarie	39.33
2	Natixis	38.67
3	ABN Amro Clearing Bank	14.00
4	Nomura	13.00

G2 BORROWERS: GLOBAL — WEIGHTED BY IMPORTANCE

Rank		Score
1	Natixis	131.40
2	Macquarie	128.66
3	SEB	83.80
4	Nomura	81.39
5	National Bank Financial	65.88
6	ABN Amro Clearing Bank	64.24

G2 BORROWERS: AMERICAS — WEIGHTED BY IMPORTANCE

Rank		Score
1	National Bank Financial	58.89
2	Natixis	50.15
3	SEB	47.20
4	Nomura	43.97
5	Mitsubishi Securities	38.07
6	Macquarie	26.66

G2 BORROWERS: EMEA — WEIGHTED BY IMPORTANCE

Rank		Score
1	Macquarie	63.41
2	Natixis	43.14
3	ABN Amro Clearing Bank	42.87
4	SEB	36.60
5	Banco Santander	35.80
6	Jefferies	34.71

G2 BORROWERS: ASIA-PACIFIC — WEIGHTED BY IMPORTANCE

Rank		Score
1	Macquarie	38.59
2	Natixis	38.11
3	ABN Amro Clearing Bank	9.57
4	Nomura	8.52

G2 BORROWERS RATED BY G1 LENDERS: GLOBAL — UNWEIGHTED

Rank		Score
1	Natixis	121.67
2	Macquarie	95.33
3	SEB	60.00
4	Nomura	49.00
5	Banco Santander	45.00
6	National Bank Financial	32.00

G2 BORROWERS RATED BY G1 LENDERS: AMERICAS — UNWEIGHTED

Rank		Score
1	Natixis	42.00
2	National Bank Financial	32.00
3	SEB	30.00
4	Macquarie	28.00
5	Nomura	18.00
6	Banco Santander	12.00

G2 BORROWERS RATED BY G1 LENDERS: EMEA — UNWEIGHTED

Rank		Score
1	Natixis	41.00
2	Banco Santander	33.00
3	SEB	30.00
4	Macquarie	28.00
5	Nomura	18.00
6	Mitsubishi Securities	12.00

G2 BORROWERS RATED BY G1 LENDERS: ASIA-PACIFIC — UNWEIGHTED

Rank		Score
1	Macquarie	39.33
2	Natixis	38.67
3	ABN Amro Clearing Bank	14.00
4	Nomura	13.00

the list rated by G2 lenders and rose to second placed in the Americas in that section of the survey, just behind National Bank Financial.

SEB

Ratings of 48.00 (unweighted) and 47.20 (weighted) ensured Sweden's SEB closed the Americas overall G2 borrower top three group, behind Natixis and National Bank Financial. It was also third in the overall smaller borrower category.

NATIONAL BANK FINANCIAL

National Bank Financial was top rated in the Americas, ahead of the two European borrowers closing the top three (Natixis and SEB). It was also second in that region when G2 lender ratings were considered, with an unweighted score of 27.00 and 26.55 in the weighted list.

ABN AMRO CLEARING BANK

The Dutch bank was top globally and in EMEA when scored by G2 lenders, the same spots as in 2021, though its score were down in both categories.

It arrived in second place in EMEA and in third place in the Asia-Pacific overall rankings, behind Macquarie in both instances. It was also third in Asia-Pacific when rated by its larger lenders.

> ABN Amro Clearing Bank was top globally and in EMEA when scored by G2 lenders, the same spots as in 2021

MITSUBISHI SECURITIES

Japan's Mitsubishi Securities came top in Americas when voted by G2 lenders on the back of scores of 32.50 (unweighted) and 32.17 (weighted) respectively, an improvement on last year's second rank.

The borrowing arm of the Japanese firm did not return in the overall Americas rankings this year.

JEFFERIES

The US bank finished in second place among G2 borrowers in 2021 but did not make the top 3 three this year.

However, Jefferies was second globally when ratings from G2 lenders were taken into account, finishing with scores of 43.33 (unweighted) and 43.56 (weighted), just behind ABN Amro Clearing Bank. It came third in the EMEA list in that category, down from second last year. ■

G2 BORROWERS RATED BY G1 LENDERS: GLOBAL
WEIGHTED BY IMPORTANCE

Rank		Score
1	Natixis	120.23
2	Macquarie	91.91
3	SEB	59.00
4	Banco Santander	44.62
5	Nomura	43.92
6	National Bank Financial	32.34

G2 BORROWERS RATED BY G1 LENDERS: AMERICAS
WEIGHTED BY IMPORTANCE

Rank		Score
1	Natixis	41.30
2	National Bank Financial	32.34
3	SEB	29.50
4	Macquarie	26.66
5	Nomura	17.70
6	Banco Santander	11.80

G2 BORROWERS RATED BY G1 LENDERS: EMEA
WEIGHTED BY IMPORTANCE

Rank		Score
1	Natixis	40.82
2	Banco Santander	32.82
3	SEB	29.50
4	Macquarie	26.66
5	Nomura	17.70
6	Mitsubishi Securities	11.80

G2 BORROWERS RATED BY G1 LENDERS: ASIA-PACIFIC
WEIGHTED BY IMPORTANCE

Rank		Score
1	Macquarie	38.59
2	Natixis	38.11
3	ABN Amro Clearing Bank	9.57
4	Nomura	8.52

G2 BORROWERS RATED BY G2 LENDERS: GLOBAL
UNWEIGHTED

Rank		Score
1	ABN Amro Clearing Bank	50.50
2	Jefferies	43.33
3	Macquarie	37.17
4	Nomura	36.50
5	National Bank Financial	34.17
6	Mitsubishi Securities	33.00

G2 BORROWERS RATED BY G2 LENDERS: AMERICAS
UNWEIGHTED

Rank		Score
1	Mitsubishi Securities	32.50
2	National Bank Financial	27.00
3	Nomura	26.50
4	Cowen	18.50
5	SEB	18.00
6 =	ABN Amro Clearing Bank	12.00
6 =	Credit Agricole CIB	12.00

G2 BORROWERS RATED BY G2 LENDERS: EMEA
UNWEIGHTED

Rank		Score
1	ABN Amro Clearing Bank	38.50
2	Macquarie	37.17
3	Jefferies	34.33
4	UniCredit	23.67
5	Nomura	10.00
6	National Bank Financial	7.17

G2 BORROWERS RATED BY G2 LENDERS: GLOBAL
WEIGHTED BY IMPORTANCE

Rank		Score
1	ABN Amro Clearing Bank	48.77
2	Jefferies	43.56
3	Nomura	37.47
4	Macquarie	36.75
5	National Bank Financial	33.54
6	Mitsubishi Securities	32.45

G2 BORROWERS RATED BY G2 LENDERS: AMERICAS
WEIGHTED BY IMPORTANCE

Rank		Score
1	Mitsubishi Securities	32.17
2	National Bank Financial	26.55
3	Nomura	26.27
4	Cowen	17.99
5	SEB	17.70
6 =	ABN Amro Clearing Bank	11.80
6 =	Credit Agricole CIB	11.80

G2 BORROWERS RATED BY G2 LENDERS: EMEA
WEIGHTED BY IMPORTANCE

Rank		Score
1	ABN Amro Clearing Bank	36.97
2	Macquarie	36.75
3	Jefferies	34.71
4	UniCredit	23.41
5	Nomura	11.20
6	SEB	7.10

FIXED INCOME LENDING:

BNY MELLON

BNY Mellon improved on last year's levels, topping 2022's global fixed income rankings, with scores of 357.50 in the unweighted section and 327.59 in the weighted class. It came in second place in 2021.

The US bank also came top in the Americas, with scores of 82.00 and 72.49 respectively. It finished second in the EMEA unweighted list, like last year, though won the weighted category.

CLEARSTREAM

Luxembourg-headquartered Clearstream continued its rise in the global fixed income list, claiming the second spot this year after finishing third in 2021. The Deutsche Börse-owned securities settlement company performed well in EMEA, in first place with an unweighted score of 264.00, up from third last year.

Clearstream also won the most innovative fixed income lender award this year.

CREDIT SUISSE ZURICH

Scores of 230.00 (unweighted) and 209.86 (weighted) ensured that Credit Suisse Zurich broke into the top six global fixed income lenders list, closing the top three global rankings. The Swiss firm maintained its lead in the Asia-Pacific unweighted list, and made an appearance in the Americas category, finishing second behind BNY Mellon.

STATE STREET

The US asset manager was consistently represented in the top six fixed income lender rankings, claiming the fourth spot in the global, Americas and Asia-Pacific categories. The global score is an improvement of last year's fifth place.

State Street rose to third spot in EMEA, with levels of 152.00 (unweighted) and 135.73 (weighted), compared to fifth in 2021.

BLACKROCK

The US group did not feature in last year's lists but rose to fifth place in the global rated fixed income lenders list, posting scores of 179.00 (unweighted) and 159.38 (weighted). It was also in the same spot in the Americas.

Blackrock also made an appearance in the Asia-Pacific rankings, in the third spot behind Credit Suisse Zurich and HSBC Agent Lender.

> Blackrock did not feature in last year's lists but rose to fifth place in the global rated fixed income lenders list

LIFETIME ACHIEVEMENT AWARD

Fixed Income Lending 2022

Alexandre Roques

Head of Securities Lending Trading - Banking, Funding & Financing, Clearstream

FIXED INCOME LENDER

Most Innovative

Clearstream

GLOBAL FIXED INCOME — UNWEIGHTED

Rank		Score
1	BNY Mellon	357.50
2	Clearstream	282.00
3	Credit Suisse Zurich	230.00
4	State Street	228.00
5	Blackrock	179.00
6	Northern Trust	124.00

GLOBAL FIXED INCOME — WEIGHTED BY IMPORTANCE

Rank		Score
1	BNY Mellon	327.59
2	Clearstream	248.82
3	Credit Suisse Zurich	209.86
4	State Street	206.95
5	Blackrock	159.38
6	Northern Trust	121.24

AMERICAS FIXED INCOME — UNWEIGHTED

Rank		Score
1	BNY Mellon	82.00
2	Credit Suisse Zurich	63.00
3	RBC Investor & Treasury Services	45.00
4	State Street	39.00
5	Blackrock	36.00
6	Julius Baer	27.00

AMERICAS FIXED INCOME — WEIGHTED BY IMPORTANCE

Rank		Score
1	BNY Mellon	78.29
2	Credit Suisse Zurich	56.14
3	RBC Investor & Treasury Services	40.10
4	State Street	38.02
5	Blackrock	32.08
6	Julius Baer	24.06

EMEA FIXED INCOME — UNWEIGHTED

Rank		Score
1	Clearstream	264.00
2	BNY Mellon	259.50
3	State Street	152.00
4	Northern Trust	124.00
5	Credit Suisse Zurich	111.00
6	Deutsche Agency Lending	105.00

EMEA FIXED INCOME — WEIGHTED BY IMPORTANCE

Rank		Score
1	BNY Mellon	235.50
2	Clearstream	232.78
3	State Street	135.73
4	Northern Trust	121.24
5	Credit Suisse Zurich	105.42
6	Blackrock	89.92

ASIA-PACIFIC FIXED INCOME — UNWEIGHTED

Rank		Score
1	Credit Suisse Zurich	56.00
2	HSBC Agent Lender	44.00
3	Blackrock	42.00
4	State Street	37.00
5	Julius Baer	24.00
6	BNY Mellon	16.00

ASIA-PACIFIC FIXED INCOME — WEIGHTED BY IMPORTANCE

Rank		Score
1	Credit Suisse Zurich	48.30
2	HSBC Agent Lender	38.98
3	Blackrock	37.38
4	State Street	33.20
5	Julius Baer	20.70
6	BNY Mellon	13.80

NORTHERN TRUST

With scores of 124.00 (unweighted) and 121.24 (weighted), Northern Trust closed the top six global list in 2022, having not been featured in 2021. The US banking group also finished in fourth place in EMEA.

RBC INVESTOR & TREASURY SERVICES

The Canadian bank stayed in this year's rankings, having entered in 2021 in the Americas list in fourth place. It improved on this, finished third in the region, with an unweighted score of 45.00 and a weighted score of 40.10.

DEUTSCHE AGENCY LENDING

Deutsche Agency Lending returned in this year's fixed income section, remaining in sixth place in the EMEA unweighted rankings with a score of 105.00.

HSBC AGENT LENDER

The Anglo-Asian lender came second in this year's survey in Asia-Pacific, with scores of 44.00 (unweighted) and 38.98 (weighted). This was up on last year's fourth place in the region, its slightly highly scores also reflecting that.

> HSBC Agent Lender came second in this year's survey in Asia-Pacific

CITI

The US bank came sixth in the Americas fixed income lending survey, on par with its 2021 placing and down from its fourth place in 2020. Citi scored 21.00 in the unweighted list and 22.80 in the weighted list.

JULIUS BAER

Switzerland's Julius Baer appeared in this year's Asia-Pacific list, in fifth place. It received scores of 24.00 (unweighted) and 20.70 (weighted). ■

TECHNOLOGY VENDORS:

> EquiLend PTS was the only post-trade service solution to qualify across all three regions and globally for the second year running

EQUILEND

EquiLend PTS was the only post-trade service solution to qualify across all three regions and globally for the second year running. Its global score was up again this year, to 6.47 (6.42 in 2021 and 6.21 in 2020), as was its EMEA one (6.44) though the levels reached in Americas and Asia-Pacific were slightly down year-on-year.

EquiLend Spire was the only software solution to make the rankings in the Americas, EMEA and globally. This was also the situation in 2021. All its scores in this category were up on last year's results.

When it comes to SBL (securities-based lending) trading platforms, Equilend qualified in all regions and globally, but only topped the list in Asia-Pacific with an unweighted score of 6.46 and 6.73 for the weighted category. It came second globally as well in the Americas in the unweighted section of this part of the survey, as well as second in EMEA in the weighted portion.

GLMX

US-headquartered GLMX was first again this year in the unweighted SBL Trading Platform lists globally and in the Americas, with scores of 6.64 and 6.80 respectively, both of which fell slightly from 2021. It conceded the first place in EMEA to WeMatch but did not place in Asia-Pacific, where EquiLend was top.

It also was top in all regions except Asia-Pacific in the weighted rankings, with scores of 7.58 (global), 8.27 (Americas) and 6.72 (EMEA). All scores are improvements on 2021.

WEMATCH

Wematch topped the unweighted EMEA list in the SBL trading platform category, ahead of GLMX and EquiLend, having come second in the previous year's survey. It returned a score of 6.77, which was up on 2021. It closed the top three in the weighted version of this category. ■

TECHNOLOGY VENDORS - POST TRADE SERVICES

GLOBAL			AMERICAS			EMEA			ASIA-PACIFIC		
Rank		Score	Rank		Score	Rank		Score	Rank		Score
1	EquiLend PTS	6.47	1	EquiLend PTS	6.56	1	EquiLend PTS	6.44	1	EquiLend PTS	6.40

TECHNOLOGY VENDORS - SBL TRADING PLATFORM (UNWEIGHTED)

GLOBAL			AMERICAS			EMEA			ASIA-PACIFIC		
Rank		Score	Rank		Score	Rank		Score	Rank		Score
1	GLMX	6.64	1	GLMX	6.80	1	wematch	6.77	1	EquiLend/BondLend NGT	6.46
2	EquiLend/BondLend NGT	6.54	2	EquiLend/BondLend NGT	6.73	2	GLMX	6.44			
						3	EquiLend/BondLend NGT	6.43			

TECHNOLOGY VENDORS - SBL TRADING PLATFORM (WEIGHTED)

GLOBAL			AMERICAS			EMEA			ASIA-PACIFIC		
Rank		Score	Rank		Score	Rank		Score	Rank		Score
1	GLMX	7.58	1	GLMX	8.27	1	GLMX	6.72	1	EquiLend/BondLend NGT	6.73
2	EquiLend/BondLend NGT	6.69	2	EquiLend/BondLend NGT	7.07	2	EquiLend/BondLend NGT	6.35			
						3	wematch	5.76			

TECHNOLOGY VENDORS - SOFTWARE SOLUTIONS

GLOBAL			AMERICAS			EMEA		
Rank		Score	Rank		Score	Rank		Score
1	EquiLend Spire/Stonewain Systems	6.62	1	EquiLend Spire/Stonewain Systems	6.72	1	EquiLend Spire/Stonewain Systems	6.77

DATA VENDORS:

DATALEND

DataLend had the best scores among firms using a single equities data vendor in the EMEA and Americas categories, as well as the highest average (5.67 out of 7). It improved on last year's totals when it came second in these same categories, though remained in that position in Asia-Pacific.

In the section for firms using two data vendors, it confirmed its number one position in the Americas and Asia-Pacific regions again this year, with scores of 1.45 and 1.23, respectively. It also had the better average score.

EquiLend's securities finance data business also had the best average, EMEA and Americas ratings among firms relying on three vendors.

DataLend won across all three regions in the fixed income data vendor market in 2022. It returned scores of 5.57 in EMEA, 5.50 in Americas and 4.00 in Asia-Pacific when rated by when rated by firms using a single data vendor, and an average score of 5.14 out of 7.

Rated among clients using two data vendors in the fixed income category, DataLend was also top in EMEA, ahead of Markit Securities Finance with a score of 1.07. It also had the better global average.

IHS MARKIT SECURITIES FINANCE

The US firm, now part of S&P Global Market Intelligence, won the Asia-Pacific group when rated by firms using a single equities data vendor, like last year. It had a score of 5.67, an improvement on 2021. It was awarded a rating of 5.41 out of 7 on average for that category overall.

IHS Markit also came top in EMEA in the section dedicated to firms using two data vendors, with a score of 1.46. It came in second place last year. For the three data vendor part, it was number two in EMEA, Americas and also when considering its average score.

It qualified in EMEA when rated by firms using a single data vendor in the fixed income space, with a score of 4.22. On average, it returned a score of 4.22. In the two vendor category, it was second in EMEA with a rating of 1.93. ■

DATA VENDORS
SINGLE VENDOR EQUITIES

VENDOR	EMEA	AMERICAS	ASIA-PACIFIC	GLOBAL TOTAL	AVERAGE
DataLend	5.07	6.21	4.71	-	5.67
IHS Markit Securities Finance	4.64	-	5.67	-	5.41

DATA VENDORS
TWO VENDOR EQUITIES

VENDOR	EMEA	Americas	ASIA-PACIFIC	GLOBAL TOTAL	AVERAGE
DataLend	1.54	1.45	1.23	4.22	1.40
IHS Markit Securities Finance	1.46	1.57	1.77	-	1.62

DATA VENDORS
THREE VENDOR EQUITIES

VENDOR	EMEA	AMERICAS	ASIA-PACIFIC	GLOBAL TOTAL	AVERAGE
DataLend	1.29	1.57	-	-	1.46
IHS Markit Securities Finance	1.67	1.95	-	-	1.84

DATA VENDORS
SINGLE VENDOR FIXED INCOME:

VENDOR	EMEA	AMERICAS	ASIA-PACIFIC	GLOBAL TOTAL	AVERAGE
DataLend	5.57	5.50	4.00	-	5.14
IHS Markit Securities Finance	4.22	-	-	-	4.22

DATA VENDORS
TWO VENDOR FIXED INCOME

VENDOR	EMEA	AMERICAS	ASIA-PACIFIC	GLOBAL TOTAL	AVERAGE
DataLend	1.07	-	-	-	1.07
IHS Markit Securities Finance	1.93	1.14	-	-	1.67

EQUITY LENDERS

The ISF Equity Lending Survey 2022 is designed to identify excellence in the industry.

Respondents – lenders or borrowers – are asked to rank their counterparties. There is a separate survey questionnaire for each side of the trade.

Respondents are asked to rank their top counterparties in each of the categories (see below) separately for each region.

A global entity is asked to rate its counterparties for every relevant geographical region: Europe, Middle East and Africa (EMEA), the Americas and Asia Pacific.

The region is defined by where the underlying securities are listed (not where either the respondent or counterparty is based). Therefore, global entity Lender X is asked to rank its top counterparties, in each category, for every region where the equities it trades are listed.

Overall scores are defined as ones where all the category scores are combined (there are global overall scores and regional overall scores)

Global scores are defined as ones where scores from all regions are combined (there are global overall scores and global category scores).

All entities that meet the qualification criteria are included in the appropriate tables regardless of whether the entity actively "participated" in the survey (i.e. circulated the survey in the industry).

MARKET DIVISION BY SCALE

Only the largest borrowers and lenders are eligible to be ranked in the survey. Likewise, these same two groups are the only entities eligible to rank their counterparts.

There is also a distinction between group one and group two entities. Group one consists of the largest counterparts and group two the remainder. This is to reflect the differences in the business models of these firms and ensure that more relevant comparisons are made.

Both group one and group two counterparties are asked to fill out an identical survey. All respondents are asked to rank seven group one counterparts in order of excellence exhibited in that category (from the list of group one counterparties). Similarly, all respondents are then also asked to rank their top seven group two counterparties. In theory any group two firm could receive a higher total score than any group one firm – however they will not be compared in the same tables.

However, the rankings provided by group two respondents have a lower weighting than those of group one when calculating the total scores (see details below under Calculation Method).

RESPONSE VALIDATION

A global entity is only allowed to rank its counterparties once for each region (i.e. two people from Bank X cannot rank its counterparties in the same category and same region). A global entity can rank its top counterparties in each category, for either one, two or all three regions.

If ISF receives multiple responses from the same entity for the same region we will ask the global head of the business to choose which should be used (Global Investor/ISF reserves the right to make the decision after reasonable efforts are made to get a decision).

Respondents are encouraged to rank as many counterparties in as many categories as possible. However, there is no minimum number required for the response to be valid and no categories are mandatory – e.g. a firm could choose to only rank their top 4 Group Two counterparties if they only use 4 from the approved list.

Responses are not permitted if they are submitted via one of the counterparties being ranked. IP addresses for all responses will be checked.

WINNERS AND HIGHLY COMMENDED

In line with the objective of recognising excellence in the industry, winners will be announced for the lenders and borrowers ranked highest by their counterparties.

In addition, a select group of firms will be declared highly commended. These are the borrowers and lenders that secured the next highest scores after the winners. For both group one and two a list of highly commended firms will also be published.

Winners and highly commended lists will be declared for the firms ranked highest on average for the following methodologies:

- Global overall
- Global categories
- Regional overall
- Regional categories

This list will be replicated for four groups:

- Group one lenders
- Group one borrowers
- Group two lenders
- Group two borrowers

QUALIFICATION

Fundamentally, winners and highly commended lists are calculated by the total amount of points accumulated. This means that only the most-qualified firms will be published.

CALCULATION METHOD

Unweighted

All respondents (groups one and two) are asked to rank their top seven counterparties in both groups for each category, in each region. The rankings are then inverted to provide scores (i.e. a number one rank produces a score of seven).

These scores are then added together and the firm with the highest total score is declared the winner (it does not matter which firm is ranked number one by the most counterparts). The counterparties with the next highest scores are declared highly commended.

Being ranked by a group one respondent results in a full score; being ranked by a group two counterpart results in 50% of the inverted score being added to the total.

Rank	Group one respondent score	Group two respondent score
1	7	3.5
2	6	3
3	5	2.5
4	4	2
5	3	1.5
6	2	1
7	1	0.5

Weighted by importance

In the survey questionnaire, respondents are asked to rank the categories according to how important they consider that attribute to be. These ranks are combined to provide weightings theoretically between 0 and 2 (but are likely to be much less extreme) for each category.

For example, if relationship management is considered very important by respondents and generates a weighting of 1.5, and Bank X achieves a score of 25 in that category, 37.5 will be added to the overall score (1.5 x 25 = 37.5).

These weightings are calculated on a global basis and applied to all overall tables (even if there is a disparity between how important attributes are between the regions).

Therefore the combined scores are calculated as follows:

- Regional categories: All scores for the relevant category, for the relevant region, are simply added together.
- Global categories: All scores for the relevant category, for every region, are added together.
- Regional overall: Regional category scores are weighted by importance and then added together to create an overall score for that region.
- Global overall: Global category scores are weighted by importance and then added together to create an overall score for the entire globe.

CATEGORIES & OPERATIONS SUB-CATEGORIES

When respondents rank counterparties they are asked to do so for nine categories including three operations categories. However, the three operations categories are combined into one operational efficiency category for the purposes of creating overall tables (global overall and regional overall).

Therefore, when calculating overall scores (combining categories) the operations scores count for one third as much as each of the other categories.

Likewise, when respondents are asked to rank the categories by importance the operations categories are combined into a single operational efficiency category.

Lenders rating borrowers

1. Breadth of demand – including general international markets, exclusives, corporate actions and emerging markets
2. Stability of demand – including overnight balance and term balance
3. Collateral funding capabilities
4. Trading capability – including idea generation, product knowledge and automation
5. Relationship management – including senior management engagement, trading desk engagement, sales desk engagement and coordination/communication between internal desks globally
6. Operational efficiency
   a. Trading connectivity & automation
   b. Trade matching and settlement
   c. Dividend collection and fees & billing
7. Reliability, connectivity and communication throughout the Covid crisis

Borrowers rating lenders

1. Breadth of supply – including general international markets, exclusives, corporate actions and emerging markets.
2. Stability of supply – including recall frequency and transparency around stability
3. Trading capability – including idea generation, product knowledge and automation
4. Collateral funding capabilities
5. Relationship management – including senior management engagement, trading desk engagement, sales desk engagement and coordination/communication between internal desks globally
6. Operational efficiency
   a. Trading connectivity & automation
   b. Trade matching and settlement
   c. Dividend collection and fees & billing
7. Reliability, connectivity and communication throughout the Covid crisis

VOTING CATEGORIES

In addition to ranking counterparties, respondents are invited to nominate individuals for our lifetime achievement award and elaborate on why their nomination should receive this accolade.

The 'Most Innovative' awards are calculated as in previous years from the highest total votes.

- Lifetime achievement award
- Most innovative borrower of the year (Group One)
- Most innovative borrower of the year (Group Two)
- Most innovative lender of the year (Group One)
- Most innovative lender of the year (Group Two)

DATA PROVIDER VOTING

We are also asking all respondents (both borrowers and lenders) to score their securities lending data vendors (DataLend, IHS Markit Securities Finance and FIS Astec Analytics) while completing each region of the equity lending survey.

We kindly ask respondents to respond for all vendors that they are using.

ISF EQUITY LENDING SURVEY 2022 METHODOLOGY

The scores will be across 7 categories.

- Breadth/coverage of data
- Speed/frequency of data
- Reliability of data
- Client service - helpdesk responsiveness
- Innovation
- Usability & interaction
- Reliability, connectivity and communication throughout the Covid crisis

For voters with one data source, please rate it between 1 for unacceptable to 7 for excellent.

The scores will be averaged to provide global, regional and category scores for the qualifying data providers. These will be published in separate tables alongside the equity lending survey.

For voters with two or three data sources, please rank them on each category for a comparative result in each area.

Minimum qualification requirements for the data vendors:

Global tables: qualification in two regions
Regional tables: 7 votes for Americas, 7 votes for EMEA, 5 votes for Asia-Pacific
Category tables: qualification in two regions .

FIXED INCOME

The ISF Fixed Income Lending Survey 2021 is designed to identify excellence in the industry, and is designed to complement the highly regarded and longstanding Equity Lending Survey.

Borrowers are invited to rank their lending counterparties.

Respondents are asked to rank their top counterparties in each of the categories separately for each region.

There are three geographical regions. Global entities are asked to rate their counterparties for every relevant region: Europe, Middle East & Africa (EMEA), the Americas and Asia Pacific.

Regions are defined by where the underlying securities originate (not where either the respondent or counterparty is based). Therefore, global entity Borrower X is asked to rank its top counterparties, in each category, for every region where the fixed income securities that it trades originate.

Overall scores are defined as ones where all the category scores are combined (there are global overall scores and regional overall scores)

Global scores are defined as ones where scores from all regions are combined (there are global overall scores and global category scores).

All entities that meet the qualification criteria are included in the appropriate tables regardless of whether the entity actively participated in the survey (i.e. helped to circulate the survey in the industry).

RESPONSE VALIDATION

A global entity is only allowed to rank its counterparties once for each region (i.e. two people from Borrower X cannot rank its counterparties in the same category and same region). A global entity can rank its top counterparties in each category, for either one, two or all three regions.

If ISF receives multiple responses from the same entity for the same region we will ask the global head of the business to choose which should be used (ISF reserves the right to make the decision after reasonable efforts have been made).

Respondents are asked to rank seven counterparties in as many categories as possible. However, there is no minimum number required for the response to be valid and no categories are mandatory.

Responses are not permitted if they are submitted via one of the counterparties being ranked. IP addresses for all responses will be checked.

WINNERS AND HIGHLY COMMENDED

In line with the objective of recognising excellence in the industry, winners will be announced for the lenders ranked highest by their counterparties.

In addition, a select group of firms will be declared highly commended. These are the lenders that secured the next highest scores after the winners.

Winners and highly commended lists will be declared for:

- Global overall
- Global categories
- Regional overall
- Regional categories

CALCULATION METHOD

Respondents are asked to rank their top seven counterparties. These rankings are then inverted to create scores.

These scores are then added together and the firm with the highest total score is declared the winner (it does not matter which firm is ranked number one by the most counterparts). The counterparties with the next highest scores are declared highly commended.

All respondents are asked to rank their top seven counterparties for each category, in each region. The rankings are then inverted to provide points awarded (i.e. a number one rank produces a score of seven).

Rank	Score
1	7
2	6
3	5
4	4
5	3
6	2
7	1

TECHNOLOGY & VENDOR

All securities finance market participants are invited to rate three types of technology provider: securities finance trading platform, post-trade service and software solutions.

Respondents are asked to rate these providers between 1 (unacceptable) and 7 (excellent) across several service categories. Six of these categories are the same for each of the provider types and three or four categories are unique to each.

TABLES

The responses of borrowers and lenders are combined, averaged and presented in an overall table for each technology provider type.

There will be regional tables for EMEA, Asia-Pacific and the Americas. The respondent's specified location will determine the region of the response.

A firm will need to qualify in at least 2 of the 3 regions to qualify for the overall table.

There will also be category tables to highlight areas of excellence among qualifying firms.

Trading Platform will have both unweighted and weighted overall tables.

Unweighted will be the average score divided by the number of responses – as has been the case in previous years.

Weighted tables will apply a multiplier to a respondents vote based on the approximate annual balances on that platform as follows:

Approximate annual balance of respondent (%)	Weighting multiplier
0-25	0.7
25-75	1.0
75-100	1.3

QUALIFICATION FOR SECURITIES FINANCE TRADING PLATFORM AND POST-TRADE SERVICES:

Overall

Firms need a minimum of 12 responses to qualify overall. The firm must also qualify in a minimum of two regions (EMEA, Asia-Pacific, Americas). If two or more people from the same entity rate the same provider in the same region, the ratings will be averaged and the responses will count as a single response for qualification and table calculation purposes.

Regional

For regional tables the qualification requirements are 7, 7 and 5 responses for EMEA, Americas and Asia Pacific respectively.

QUALIFICATION FOR SOFTWARE SOLUTIONS

Overall

Firms need a minimum of 10 responses to qualify overall. The firm must also qualify in a minimum of two regions (EMEA, Asia-Pacific, Americas). If two or more people from the same entity rate the same provider in the same region, the ratings will be averaged and the responses will count as a single response for qualification and table calculation purposes.

Regional

For regional tables (EMEA, Asia-Pacific, Americas) firms need a minimum of 5 responses to qualify.

CATEGORIES

The following six categories are applied to all three technology provider types:

- ROI/Value-for-money
- Ease of integration
- User interface – including system responsiveness/speed
- Client service & responsiveness/relationship management
- Innovation
- Reliability, connectivity and communication throughout the Covid crisis

In addition, each type of technology has unique categories

Securities Finance Trading Platform

- Footprint/breadth of functionality – including available inventory management
- Reliability of platform
- Order management/STP process
- Post trade/lifecycle management

Post-trade Services

- Reconciliation ability (including overnight versus intraday processing)
- Proportion of STP/Effectiveness of trade lifecycle processing
- Market connectivity

Software Solutions

- Inventory management/collateral optimisation
- Connectivity (e.g. to external infrastructure, internal systems)
- Front to back lifecycle support (e.g. margin calls, corporate actions, settlement, trade lifecycle event automation, reporting)

PRACTICALITIES & DISCLAIMER

Respondents could re-enter their survey form after completion. Even if the form was finished and submitted, the respondent could revise their answers until the final deadline.

All responses are strictly confidential. Borrowers and lenders will never be able to find out which counterparts ranked them.

ISF reserves the right to amend the methodology or invalidate results in the event of genuine anomalies – however we will remain transparent and publicise if this is ever the case.

Navigating the foggy road to normal

Rising inflation and slowing global growth are two dominant themes casting a pall over the current market environment. With increasing geopolitical uncertainty, tightening monetary policy, supply chain challenges and higher commodity prices at play, a period of global stagflation could potentially be on the horizon. By **Mike Gitlin,** head of Fixed Income at Capital Group.

Navigating the foggy road to normal has never been more challenging but with a long-term lens, one can better understand the strong normalising effect that disinflationary forces such as rising debt levels, technological advancements and ageing demographics, could have. Having a clear understanding of these can help investors better plot a path through the fog.

Investing in fixed income during a time of a high inflation and rising rates can seem worrisome. However, today's starting yields offer an attractive entry point for investors. Yields across fixed income sectors are sharply higher than their lows over the past few years. For example, high quality global investment grade corporate bonds currently offer a yield of 4.3%, which is higher than the 4.1% yield that was offered by global high yield corporate bonds during their recent lows in 2021[1].

At current yields, history suggests higher total returns over the next few years. This means that investors could benefit from holding bonds across fixed income asset classes, including investment grade, high yield and emerging markets. This higher income can offer more of a cushion for total returns over time, even if price movements remain volatile. In fact, a greater portion of investors' income needs could potentially be met with traditional fixed income than would have been the case in recent years.

Despite current volatility, the broad credit universe provides ample opportunities for investors to add value through bottom-up research and security selection in each of the four primary credit sectors – high yield, investment grade, emerging markets and securitised debt. Keeping a long-term view and employing balance can help smooth the way. Investors who seek a balanced portfolio should ensure that their fixed income allocation meets the four key roles bonds are meant to play in a portfolio.

1. **Diversification from equities:** when stocks struggle, owning bonds with a low correlation to equities can result in lower portfolio volatility
2. **Capital preservation:** a fixed income allocation could help protect principal in most market environments, especially when rates and rate expectations have moved higher.
3. **Income:** providing a dependable income is a central function of a bond allocation.
4. **Inflation protection:** bonds directly linked to the consumer price index can help to protect an investor's purchasing power.

> " Investing in fixed income during a time of a high inflation and rising rates can seem worrisome. However, today's starting yields offer an attractive entry point for investors "

> The emerging market debt (EMD) universe has broadened and deepened significantly in the last few decades and as the asset class has developed, it has become more appealing to a broader investor base

Notably, investment grade corporate bonds have become more attractive as corporate fundamentals continue to improve, with net leverage ratios falling across both European and US investment grade bonds. Valuations also look attractive as global investment grade corporate yield has increased alongside higher government bond yields and wider spreads.

US high yield fundamentals have also been improving. The credit quality of the market has improved with a higher proportion of BB rated companies and a lower share of CCC rated bonds, which could potentially make the market more resilient to a slowdown in growth. Defaults are currently very low, and although they may pick up should we enter a recession, we believe the yield cushion and active security selection can offset the potential risks. Yields have also become more attractive, moving from the low levels reached in 2021 to 7.5% currently [(2)]. However, as volatility is expected to remain high and a higher degree of uncertainty in the economy persists, we position our credit portfolios defensively focusing on fundamentals and bottom-up research.

The emerging market debt (EMD) universe has broadened and deepened significantly in the last few decades and as the asset class has developed, it has become more appealing to a broader investor base. Issuance has increased thereby improving liquidity. That said, rising inflation, slowing global growth, tightening US monetary policy and a soaring US dollar have all weighed on the sector. The Russia-Ukraine conflict has created an additional headwind relative to other comparably rated developed market corporate debt. However, there is reason to be optimistic about the future of emerging markets. Current yield levels provide significant cushion to further volatility.

Emerging local currency debt has been the fastest growing segment of the EMD asset class for quite some time and is now the largest part of the universe. We have a preference for local currency bonds. Compared with developed markets, EM central banks are much more advanced in their policy tightening. In addition, the increase in core inflation in emerging markets has generally been more modest than in DM. More aggressive rate hikes coupled with more muted inflation suggests good value in EM duration. In most of these markets hedging costs are high, so our duration exposure is primarily on an unhedged basis. Overall EM currencies remain undervalued, but selectivity remains crucial in assessing mainly those currencies from commodity exporters countries. We still have a constructive view on commodity prices because supply shortages haven't been alleviated. In many cases, supply issues have actually deteriorated yet global activity is still reasonable. As such there is still a structural tailwind for commodity prices.

Securitised credit can also offer a diverse array of investment opportunities across asset backed, commercial real estate, non-agency mortgage and collateralised leveraged loan sub-sectors. Many of the fundamental drivers of these sectors are distinct from corporate and sovereign credit. This brings diversity to a portfolio. We are currently finding good value in the single-asset single-borrower (SASB) market. These niche investments create more concentrated risks than traditional commercial mortgage-backed securities CMBS, but the market largely consists of very high-quality properties, and lends itself to deep, property-specific fundamental research. This presents an opportunity for investors to gain access to specific assets that they find attractive. This sector is under-researched by many market participants, and this enables our team of securitised credit analysts to identify numerous mispriced investment opportunities.

Uncertainty will remain in markets for the foreseeable future and the investment environment will be challenging for investors globally. However, there will continue to be opportunities for active managers with strong research capabilities to navigate these headwinds, and allocations to fixed income assets will remain as crucial as ever. ■

1. *Current yield as at June 30 2022. Date of recent low is July 6 2021. Source: Bloomberg*
2. *As at August 17 2022. Index: Bloomberg US High Yield Index 2% Issuer Cap. Source: Bloomberg*

> Uncertainty will remain in markets for the foreseeable future and the investment environment will be challenging for investors globally

Compromise needed in European consolidated tape plan - Euronext

The emergence of more concrete European proposals to move forward with consolidated tape (CT) plans risks diluting the value of the project, with a rethink needed to find a compromise among the exchanges that provide the data, Euronext has suggested, writes **Radi Khasawneh.**

Rivard: "While it is understandable that many want to focus on the market where data is most readily available - being the equity markets - we would be better off spending time to provide useful and hard to get data in fixed income and derivatives markets."

Nicolas Rivard, head of advanced data services at Euronext, says the initial focus on equities and the current formulation of the data urgently need a rethink to properly focus on arriving at a solution that would be most useful to clients.

The European Commission in November set out a wide-ranging update to the Markets in Financial Regulation (MiFIR) requirements for trade reporting, including its consolidated tape. Under the plans, it would phase in the plan over time, beginning with equities, and moving to fixed income, exchange-traded funds and derivatives over time.

"While it is understandable that many want to focus on the market where data is most readily available – being the equity markets – we would be better off spending time to provide useful and hard to get data in fixed income and derivatives markets," Rivard said.

"We are not saying that equity is useless, a full view of the EU capital market enriched by post-trade data from all the multilateral trading

> "We are not saying that equity is useless, a full view of the EU capital market enriched by post-trade data from all the multilateral trading facilities, regulated markets, organised trading facilities and systematic internalisers with a slight delay would certainly provide value"

facilities, regulated markets, organised trading facilities and systematic internalisers with a slight delay would certainly provide value. There are a number of use cases for that data, but a pre-trade real-time tape could undermine price formation process, constitute a transfer of wealth and increase the complexity far beyond that."

The two proposals on the table still include elements of pre-trade data in the tape, something many exchanges have taken issue with as the debate intensified this year. In June, a Federation of European Securities Exchanges (FESE) event provided a forum where firms questioned the pre-trade elements being championed by European regulators and politicians.

"For us it would be much more important to negotiate and find a compromise between the parties, which we have done as a firm and at the FESE level," Rivard added. "At the moment, we believe that a post-trade tape with a slight delay of one minute is a solution that would work for Europe. It would provide a complete view of the equity market landscape which would provide a good starting point."

The inclusion of pre-trade order data in any form would benefit larger players, and the effects would need further analysis to understand the consequences.

"Once again, this is going to benefit larger participants first, and ultimately it's a way to reduce cost for those players," Rivard said. "For smaller participants and particularly retail flow, they could actually end up being more often routed to non-lit markets (with reference to the CT price to satisfy best ex obligations). There is a real need for a proper impact assessment that should be done looking at the market structure effects as has been observed in the US."

The comments are at odds with the recommendations published by a group of the largest data consumers, which in May detailed a set of 11 principles to support the European equity CT rollout. The group, which includes Cboe Europe and a range of European trade associations, stressed that demand for a solely post-trade CT would be limited and insufficient to support the CT provider, calling for the inclusion of pre-trade data at the start of the process (though not necessarily published).

For others, including Euronext, the additional complexity would restrict the amount of bidders in the tender process for selecting a firm to manage the process.

"The complexity, cost and time needed to build a tape that is capable of collecting all this data at a latency capable of satisfying the requirement for as close to real-time as technically possible publication is also a real issue," Rivard says. "It would require a lot of investment in technology, particularly connectivity and networks, as well as effort in computation and probably quite a large team to manage these steps.

"For that reason we are extremely cautious about the feasibility of this tape as it stands today, particularly for new entrants. Large data vendors, who are largely non-EU participants, are today best placed to satisfy these hurdles, so would probably come forward to be the provider. This has an obvious impact on the strategic independence of the European market, in the likely event that the tender goes to a firm outside the jurisdiction."

In addition, a lack of clarity on compensation for those contributing the necessary data would create an imbalance in the market.

"The data providers should be properly compensated for their contribution to the CT provider, otherwise it's simply a transfer of revenue under the current model," he added. "That is something that needs to be explicitly laid out in the rules."

Even in its current form, the lack of completeness in the coverage, with exemptions for some types of firm and possible opt-ins, and a focus on liquid data covering European blue chip firms, could work against smaller firms in the market.

"For us this is extremely concerning as it could create a two-tier European capital market, as opposed to having a comprehensive view of the market that should allow to expose the smaller exchanges and SMEs that are less liquid," Rivard said. "The tape would then, as it stands in the latest proposals, cover European blue chips, being the large and liquid stocks, being the data that larger institutions are typically interested in. We think this would be a bad outcome, and instead we should strive to preserve the principle of a consolidated and comprehensive view dataset that also promotes smaller listed companies that are less visible." ■

"At the moment, we believe that a post-trade tape with a slight delay of one minute is a solution that would work for Europe. It would provide a complete view of the equity market landscape which would provide a good starting point"

"The data providers should be properly compensated for their contribution to the CT provider, otherwise it's simply a transfer of revenue under the current model"

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GLOBAL CUSTODY SURVEY 2022

Pictet climbs to the top of the Global Custody Survey 2022

This year's Global Custody survey has seen three firms qualify in the various regional and service categories.

PICTET

Switzerland's Pictet won the 2022 edition of the survey's global weighted category, with a total score of 16.52, climbing up from the third position last year. It also won in the same category in the unweighted part of the survey.

It came in first place in the Asia-Pacific category, with a weighted score of 4.83 and 6.32 in the unweighted section, ahead of BNP Paribas. It came top in the Americas weighted list, though conceded the first place to RBC Investor & Treasury Services in the unweighted part. It was second in the Europe, Middle East and Africa (EMEA) region in both categories. The firm had the highest total average in the weighted part of the survey (5.49) and was in second place in its unweighted counterpart.

Pictet was top custodian in 15 of the 21 service categories outlined in the survey, including cash management, corporate actions, execution services, income collections, and innovation and technology investment. It came second in the remainder, such as client services and relationship management.

It was the top-rated supplier by global total in the weighted and unweighted sections where respondents used multiple custodians. It has the second highest average scores but led the lists in the Americas region.

When it comes to respondents relying on single custodians, it had the highest average in the weighted sector, but was runner up in terms of global totals. It was the only firm to qualify in the Asia-Pacific region in that category.

RBC INVESTOR & TREASURY SERVICES

RBC Investor & Treasury Services qualified and won in both the weighted and unweighted sections for the EMEA and Americas regions in this year's survey. A weighted score of 5.90 and an unweighted one of 6.69 in EMEA were higher than in 2021, while those in the Americas were slightly lower. It came in second place (13.40 unweighted and 10.96 weighted) when overall global totals were taken into account, on the back of its two regional scores. It was also in second place in the average score section.

The custody arm of the Canadian bank won the five service categories it returned a score in, both in the unweighted and weighted sections, including for client services, industry knowledge and influence, relationship management and reporting. This is the same number as last year.

The Canadian firm was also the top-rated EMEA firm in the unweighted and weighted sections of the survey for firms using multiple custodians, with score of 6.69 and 6.90 respectively, ahead of Pictet in both. It did not return a score in the Americas or Asia-Pacific, but still had the highest total average score (6.72 unweighted and 6.51 weighted).

RBC was top in the unweighted category for firms using a single custodian in EMEA with a score of 6.69. It was the only firm to return a score in the Americas (6.68), and also had the highest global total (13.37) and average (6.68) scores. In the weighted section, it slipped to second place in the EMEA and in the average score sections. It did, however, retain its leads in the Americas and in the global total section.

BNP PARIBAS

BNP Paribas had the third highest overall unweighted global average (5.73), which was on a similar level to its 2021 score (5.86). It was also third in terms of global total (11.29). The weighted portion of this part of the survey paints a similar picture.

The French bank qualified in EMEA in both the overall weighted (4.87) and unweighted (5.80) sections of the survey and came second in each. The Asia-Pacific section had similar results, with an unweighted score of 5.49 and a weighted score of 4.02. It did not qualify in the Americas.

While its scores in the service categories considered in this survey were mostly down on last year's levels, BNP remained steady in all service categories in which it qualified (16 out of 21 in total) in the unweighted section. In the weighted part, it won in the foreign exchange services category with a score of 4.60, ahead of Pictet.

The custody business at the French firm was third in the unweighted EMEA list for firms using multiple custodians with a score of 5.75. It was the only firm to return a score in Asia-Pacific. Its average scores in that particular category reached 5.60 in the unweighted list and 4.97 in the weighted one, though reflecting its qualification in EMEA only.

Firms using single custodians awarded BNP Paribas a weighted score of 3.14 (6.20 unweighted) for the EMEA region, which translates to third place. ■

The methodology for this survey is on page 74

OVERALL (UNWEIGHTED)

Company Name	EMEA	Americas	Asia-Pacific	Global Total	Average
BNP Paribas	5.80	-	5.49	11.29	5.73
Pictet	6.35	5.61	**6.32**	**18.28**	6.19
RBC Investor & Treasury Services	**6.69**	**6.71**	-	13.40	**6.70**

OVERALL SERVICE CATEGORIES (UNWEIGHTED)

Company Name	Cash Management	Class Actions	Client Services	Commission Recapture	Corporate Actions	Covid Crisis Management
BNP Paribas	5.32	-	6.05	5.30	5.70	5.96
Pictet	**6.19**	**6.12**	6.55	**5.86**	**6.09**	**6.41**
RBC Investor & Treasury Services	-	-	**6.91**	-	-	-

OVERALL SERVICE CATEGORIES (UNWEIGHTED)

Company Name	Derivatives	Execution Services	Foreign Exchange Services	Fund Accounting Investment Accounting	Income Collections
BNP Paribas	-	5.41	5.63	5.67	5.48
Pictet	-	**6.44**	**5.66**	**6.13**	**6.47**
RBC Investor & Treasury Services	-	-	-	-	-

OVERALL SERVICE CATEGORIES (UNWEIGHTED)

Company Name	Industry Knowledge & Influence	Innovation & Technology Investment	Network	Performance Measurement	Relationship Management
BNP Paribas	5.70	-	5.66	-	6.28
Pictet	6.29	**6.10**	**6.30**	**6.24**	6.36
RBC Investor & Treasury Services	**6.80**	-	-	-	**7.00**

OVERALL SERVICE CATEGORIES (UNWEIGHTED)

Company Name	Reporting	Risk Management	Safety Of Client Assets	Settlements	Tax Services
BNP Paribas	5.60	-	6.00	5.95	5.20
Pictet	6.35	**6.14**	**6.63**	6.34	**6.23**
RBC Investor & Treasury Services	**6.64**	-	-	**6.77**	-

MULTIPLE CUSTODIAN (UNWEIGHTED)

Company Name	EMEA	Americas	Asia-Pacific	Global Total	Average
BNP Paribas	5.75	-	**4.98**	10.73	5.60
Pictet	6.31	**5.61**	-	**11.92**	6.09
RBC Investor & Treasury Services	**6.69**	-	-	-	**6.72**

MULTIPLE CUSTODIAN (WEIGHTED)

Company Name	EMEA	Americas	Asia-Pacific	Global Total	Average
BNP Paribas	5.16	-	**4.20**	9.36	4.97
Pictet	5.52	**6.34**	-	**11.86**	5.84
RBC Investor & Treasury Services	**6.90**	-	-	-	**6.51**

OVERALL (WEIGHTED)

Company Name	EMEA	Americas	Asia-Pacific	Global Total	Average
BNP Paribas	4.87	-	4.02	8.89	4.68
Pictet	5.35	**6.34**	**4.83**	**16.52**	**5.49**
RBC Investor & Treasury Services	**5.90**	5.06	-	10.96	5.45

OVERALL SERVICE CATEGORIES (WEIGHTED)

Company Name	Cash Management	Class Actions	Client Services	Commission Recapture	Corporate Actions	Covid Crisis Management
BNP Paribas	4.33	-	4.89	3.85	4.53	4.86
Pictet	**5.21**	**4.93**	**5.62**	**4.57**	**5.47**	**5.48**
RBC Investor & Treasury Services	-	-	5.51	-	-	-

OVERALL SERVICE CATEGORIES (WEIGHTED)

Company Name	Derivatives	Execution Services	Foreign Exchange Services	Fund Accounting Investment Accounting	Income Collections
BNP Paribas	-	4.02	**4.60**	5.06	4.58
Pictet	-	**5.07**	4.59	**5.34**	**5.29**
RBC Investor & Treasury Services	-	-	-	-	-

OVERALL SERVICE CATEGORIES (WEIGHTED)

Company Name	Industry Knowledge & Influence	Innovation & Technology Investment	Network	Performance Measurement	Relationship Management
BNP Paribas	4.92	-	4.83	-	5.01
Pictet	5.12	**4.92**	**5.17**	**4.78**	5.38
RBC Investor & Treasury Services	**5.40**	-	-	-	**5.50**

OVERALL SERVICE CATEGORIES (WEIGHTED)

Company Name	Reporting	Risk Management	Safety Of Client Assets	Settlements	Tax Services
BNP Paribas	4.51	-	4.64	4.88	4.16
Pictet	**5.35**	**5.17**	**5.44**	**5.53**	**4.71**
RBC Investor & Treasury Services	5.28	-	-	5.38	-

SINGLE CUSTODIAN (UNWEIGHTED)

Company Name	EMEA	Americas	Asia-Pacific	Global Total	Average
BNP Paribas	6.10	-	-	-	6.40
Pictet	6.44	-	**6.53**	12.97	6.46
RBC Investor & Treasury Services	**6.69**	**6.68**	-	**13.37**	**6.68**

SINGLE CUSTODIAN (WEIGHTED)

Company Name	EMEA	Americas	Asia-Pacific	Global Total	Average
BNP Paribas	3.14	-	-	-	3.25
Pictet	**4.99**	-	**3.16**	8.15	**4.58**
RBC Investor & Treasury Services	3.40	**4.90**	-	**8.30**	4.52

PENSION FUND (UNWEIGHTED)					
Company Name	EMEA	Americas	Asia-Pacific	Global Total	Average
BNP Paribas	6.40	-	-	-	6.40
Pictet	**6.41**	-	-	-	**6.41**

PENSION FUND (UNWEIGHTED)					
Company Name	EMEA	Americas	Asia-Pacific	Global Total	Average
BNP Paribas	3.55	-	-	-	3.55
Pictet	**6.28**	-	-	-	**6.28**

INSURANCE COMPANY (UNWEIGHTED)					
Company Name	EMEA	Americas	Asia-Pacific	Global Total	Average
BNP Paribas	5.29	-	-	-	**5.72**
RBC Investor & Treasury Services	**6.09**	-	-	**6.09**	-

INSURANCE COMPANY (WEIGHTED)					
Company Name	EMEA	Americas	Asia-Pacific	Global Total	Average
BNP Paribas	5.53	-	-		**5.02**
RBC Investor & Treasury Services	**6.19**	-	-	**6.19**	-

BANK/BROKER DEALER (UNWEIGHTED)					
Company Name	EMEA	Americas	Asia-Pacific	Global Total	Average
BNP Paribas	5.44	-	**5.43**	**10.87**	5.44
Pictet	**6.93**	-	-	-	**6.93**
RBC Investor & Treasury Services	.59	-	-	-	6.59

BANK/BROKER DEALER (WEIGHTED)					
Company Name	EMEA	Americas	Asia-Pacific	Global Total	Average
BNP Paribas	2.71	-	**4.35**	**7.06**	3.53
Pictet	3.53	-	-	-	3.53
RBC Investor & Treasury Services	**5.13**	-	-	-	**5.13**

MUTUAL FUND/UCITS (UNWEIGHTED)					
Company Name	EMEA	Americas	Asia-Pacific	Global Total	Average
BNP Paribas	6.04	-	-	-	5.72
RBC Investor & Treasury Services	**6.71**	-	-	-	**6.71**

MUTUAL FUND/UCITS (WEIGHTED)					
Company Name	EMEA	Americas	Asia-Pacific	Global Total	Average
BNP Paribas	4.28	-	-	-	4.22
RBC Investor & Treasury Services	**8.76**	-	-	-	**8.76**

ASSETS UNDER MANAGEMENT GREATER THAN $3BN (UNWEIGHTED)

Company Name	EMEA	Americas	Asia-Pacific	Global Total	Average
BNP Paribas	5.50	-	-	-	5.39
Pictet	6.14	5.85	-	11.99	6.07
RBC Investor & Treasury Services	**6.68**	**6.41**	-	**13.09**	**6.55**

ASSETS UNDER MANAGEMENT GREATER THAN $3BN (UNWEIGHTED)

Company Name	EMEA	Americas	Asia-Pacific	Global Total	Average
BNP Paribas	6.64	-	-	-	6.26
Pictet	6.83	**6.99**	-	13.82	7.06
RBC Investor & Treasury Services	**7.75**	6.56	-	**14.31**	**7.15**

ASSETS UNDER MANAGEMENT LESSS THAN $3BN (UNWEIGHTED)

Company Name	EMEA	Americas	Asia-Pacific	Global Total	Average
BNP Paribas	6.03	-	-	-	6.01
Pictet	6.60	-	**6.22**	12.82	6.35
RBC Investor & Treasury Services	**6.70**	**7.00**	-	**13.70**	**6.87**

MULTIPLE CUSTODIAN ASSETS UNDER MANAGEMENT LESS THAN $3BN (WEIGHTED)

Company Name	EMEA	Americas	Asia-Pacific	Global Total	Average
BNP Paribas	3.55	-	-	-	3.42
Pictet	**3.57**	-	**3.03**	6.60	3.37
RBC Investor & Treasury Services	3.43	**3.56**	-	**6.99**	**3.50**

Global Custody Survey 2022 *– methodology*

SYNOPSIS

Asset managers, asset owners and banks are asked to rate their global custodians.

Results for custodians that qualify will be published regardless of whether or not they actively participated in the survey.

CATEGORY TABLES

There are 21 service category tables. Each of these categories is broken down into sub-categories, on which the global custodians are actually rated by respondents

Respondents are asked to rate their global custodians from 1 (very poor) to 7 (flawless) in each of the sub-categories (see list below). The scores of these sub-categories are combined to create an overall score for that service category.

For example, for the tax services category, respondents are asked to rate global custodians in three sub-categories: efficiency of obtaining tax relief at source; efficiency of reclaiming taxes; and solicitation of timely tax documentation. Each of the sub-categories is given an equal weighting and combined to create a table for tax services to be published in the magazine.

The all responses category tables, both raw data and weighted, will appear in the magazine, but others such as for multiple custodian may only be available online.

TABLES

Global custodians' results are presented in alphabetical order with the winning score in each column highlighted. There are two global columns – global total and global average. There are three regional columns for Emea, the Americas and Asia Pacific (defined by where the respondent is based).

There will be at least six tables published in the magazine:

- All responses (weighted & raw data)
- Multiple custodian (weighted & raw data)
- Single custodian (weighted & raw data)
- Other heatmaps are published at the discretion of Global Investor/ISF, depending on the editorial value they represent, in print and/or online

CALCULATION METHODS

Raw data

The Raw data tables (labelled unweighted in previous surveys) simply contain an average of the relevant scores of the category tables (which are themselves averages of the sub-category scores). Each category is assigned an equal weighting, regardless of how many sub-categories there are for that category or how important they are considered by respondents.

Weighted

The weighted tables contain a two stage calculation process for the first time, combining stages that allow for the respondents AuM and the importance that the respondents attach to each service category.

Stage 1: Weighted by AuM: The first stage attributes greater weight to the ratings of respondents with larger amount assets under management (AuM). Each respondent is put into a quartile depending on its AuM. The scores of the respondent are then given a weighting based on this quartile. As the boundaries of each quartile are determined by all the responses received in this year's survey, the boundaries are unknown until the survey closes.

Note: This stage is the entire methodology of the weighted service category tables (as category importance is not relevant) and is the first stage of creating the weighted overall tables. The weighted category tables are published in print and online.

Criteria	Weighting
AuM in lowest quartile	0.5
AuM in middle two quartiles	1
AuM in the top quartile	1.5

Stage 2: Weighted by category importance: The respondents are asked to rank the service categories (not subcategories) in order of importance. The core and value added categories are mingled in this list (i.e. some value added services may be considered more important than some core categories). An average is then created based on the rankings of all respondents. These weightings are then applied to the weighted (by AuM) service category tables to create the overall weighted tables.

The more important a category is considered, on average by all respondents, the greater the weight is attached to that category (and by extension all the sub-category scores in that category). Weightings are normalised around 1 to preserve comparability with the raw data scores.

QUALIFICATION CRITERIA

All responses tables

To be included in the global average and global total columns, a global custodian needs to qualify in at least two geographical regions. Global custodians need to receive a minimum number of respondents to qualify for a region: 7 in the Americas; 7 in Emea; and 3 in Asia Pacific.

Multiple custodian tables

Only scores from respondents that deal with more than one custodian are included. To qualify for the global columns, a minimum of 6 responses and qualification in two regions is required. 3 responses are required for each of the regional columns.

Single custodian tables

Only scores from respondents that deal with one custodian are included. A minimum of 4 responses and qualification in two regions is needed to qualify for the global columns. 2 is required for each of the regional tables.

Bank/Broker Dealer, Mutual Fund/UCITS, Hedge Fund, Insurance Company, Pension Fund

A minimum of 4 responses and qualification in two regions is required to qualify globally. 2 responses are needed to qualify for a region. Scores from respondents that deal with multiple custodians and single custodians are included. Global Investor/ISF reserves the right to publish whichever tables it deems appropriate.

Respondents with AuM greater than $3bn tables

Only scores from respondents with assets under management of more than $3bn are included. A minimum of 6 responses and qualification in two regions is needed to qualify for the global columns. 3 is required for each of the regional tables.

Respondents with AuM less than $3bn tables

Only scores from respondent with assets under management of less than $3bn are included. A minimum of 6 responses and qualification in two regions is needed to qualify for the global columns. 3 is required for each of the regional tables.

Category tables

To qualify for a category a global custodian must reach the qualification criteria for the relevant heatmap table, i.e. for the all responses category table a global custodian must qualify in two regions. A respondent must rate the custodian in one or more of the sub-categories for it to be considered a legitimate response for the purposes of qualification for that category.

Valid responses

If different people from the same entity in the same region rate the same global custodian the responses are treated a single grouped response for the purposes of qualification. The two or more responses are averaged (where only one respondent rated the firm in for a particular sub-category this score is used unchanged).

CATEGORIES

Category (table published)	Sub-category (respondent rates)
Settlements	Efficiency of pre-settlement matching and reporting Failed trade management Straight through processing efficiency Competitiveness of cut off times Provision and scope of contractual settlements
Corporate Actions	Accuracy and timeliness of notifications Proxy voting services Provision of standing instructions Competitiveness of response cut off times
Income Collections	Accuracy and quality of income processing Quality of the assured income programme (contractual settlement income programme) Responsiveness and effectiveness of problem solving
Cash Management	Competitiveness of rates Integration of cash products (pooling, target balances etc) with custody solution (n/a for third-party relationships) Competitiveness of cut off times
Tax Services	Efficiency of obtaining tax relief at source Efficiency of reclaiming taxes Solicitation of timely tax documentation (n/a for third-party relationships)
Class Actions	Efficiency of reporting events Quality and efficiency of processing and paying proceeds
Reporting	Flexibility of delivery channels Quality and timeliness of Swift and other reporting Data strategy – near real time activity updates and enhanced activity throughout lifecycle
Client Services	Quality of subject matter expertise Responsiveness and effectiveness of enquiry management Availability and calling frequency
Relationship Management	Understanding of your business needs Ability to identify new product needs and solutions Quality of subject matter expertise Responsiveness and effectiveness of enquiry management
Network	Quality and timeliness of market information Access to market expertise Quality of network management resources Network management risk – monitoring sub-custodian credit risk and regulatory compliance
Risk Management	Credit risk Regulatory risk Market risk Information risk
Commission Recapture	Quality of services
Foreign Exchange Services	Competitiveness of rates offered Transparency of rates provided Transparency of reporting Quality of automated FX solutions
Fund / Investment Accounting	Quality & timeliness of NAV processing Quality of reporting
Performance Measurement	Quality of performance measurement services Timeliness and flexibility of reporting
Derivatives	Quality of exchange traded services Quality of OTC services
Industry Knowledge & Influence	Quality of reporting of regulatory changes and impacts Quality of subject matter expertise Engagement and leadership in shaping market practices and regulation
Execution Services	Quality and expertise in execution to custody services Quality of execution processing and reporting
Safety of client assets	Qualify and performance of depository function
Innovation & Technology Investment	Distributed leger technology Big data Cyber security Robotics process automation
Covid/Crisis Management	Operation resilience in crisis scenario Provision of regular market insights during covid crisis Support of client service, network and operational staff during covid crisis.

Note: Where a respondent ticks the n/a box, the sub-category is ignored when calculating the category score (i.e. for derivatives, if the respondent gives a score of 5 for quality of exchange traded services and ticks n/a for quality of OTC services, the score for derivatives is 5).

Core Focus

Lloyd Sebastian, Vice President, Global Financial Institutions at CIBC Mellon, shares his thoughts on how Canada's Institutional Investors are embracing the opportunities and challenges of an evolving financial landscape.

Market volatility is affecting markets globally and in many different ways. How is it impacting Canada and how are you navigating it as an organisation?

I would start by saying that from a regulatory perspective, Canada tends to embrace high innovation with high governance. Over the years, our strength, stability and prudent regulatory environment has helped us navigate through periods of market volatility.

Canada's financial markets have shared in the significant disruption triggered by the COVID-19 pandemic, lingering market volatility, supply chain issues and geopolitical outlook. More specific to us, Canada has also had to contend with a volatile real estate market which has contributed to some additional pressures on the broader economy.

On a more microeconomic level, banks have announced their most recent quarterly results and it is notable that some have increased their loan loss provisions. As we look to the future, questions around inflationary pressures and cost containment strategies remain.

These are some of the headwinds Canadian market participants will be focused on and will likely navigate in the next 12 to 18 months.

That being said, because of the fast-moving nature of the markets, institutional investors are looking for timely access to relevant and resilient data in support of their decision-making through these challenges.

Organizations are investing time, money and energy in ensuring the quality, accessibility and security of their data. How are they maintaining this as data needs are constantly evolving? What does this mean for the governance of their data?

For many institutional investors, technology is viewed as a range of solutions and expertise rather than a single choice imposed by a vendor. The support of robust analytical tools can also be beneficial on the front lines of risk management.

Data quality, availability and accessibility stand as the enduring challenges of data management. These factors are at the forefront of considerations for institutional investors as they receive varied demands from agents, including compliance officers, accountants and risk managers, as well as the operational requirements of portfolio management and trade processing systems. The support of robust analytical tools can also be beneficial on the front lines of risk management.

In parallel, a number of market participants are looking at outsourcing across multiple functions. They want to focus on building scale in their core operations and remove non-core business functions from their day-to-day activities.

From a data perspective, if you tie all these things together, operating within a decentralised model and working with multiple data points can be challenging. As a service provider, we help bring in standardised best practices to ensure data is accessible at all times and in a unified form. In keeping with our global enterprise, CIBC Mellon enables an open architecture approach designed to provide institutional investors with the flexibility to choose best-in-class systems for their investment activities.

The concept of creating a single data source, which standardizes and stores data from multiple providers and enables them to make informed and timely decisions is gaining traction among many investors.

Organizations continue to invest time, money, and energy in ensuring the quality, accessibility and security of their data – and asking fundamental questions about how to maintain this as data needs are constantly evolving. This has increased the need for a very robust governance framework and enhanced strategic management of their data. This may mean a team dedicated to supporting the data

needs across the organization - and gathering the requirements of who needs what data and what rules must be applied - to ensure the data is fit for its purpose.

Clients want uncompromised integrity of their data, and at the same time, accurate and timely accessibility to this data. How do you marry all these three things? It can be a challenge, but the governance, security and integrity of the data are absolutely non-negotiable – that is the bottom line. The building blocks of today's business and operating models are based on this premise.

Can you speak to some of the key regulatory changes in Canada and their impact on your operations post-Covid?

I can speak to two primary areas where I see Canadian regulators taking an active interest.

The first is environmental, social and governance (ESG) disclosure requirements, and Canada is not unique when it comes to this. This thematic is becoming more prominent in many places. There are variations in ESG methodologies, frameworks, and reporting, which can be scarce or inconsistent. Institutional investors and market stakeholders in Canada are aware of the need to achieve consistency, shared standards and best practices. Investors continue to demand transparency on ESG issues and are looking for additional investment options that may lead to positive ESG outcomes.

Another area is digital assets, and specifically, how they can work in a traditional asset servicing world. The digital asset space continues to shift rapidly, as regulatory clarity improves with respect to the financial services available to support the integration between digital assets and broader markets. 2022 saw Canada step into the digital asset economy globally, with the launch of the first exchange-traded bitcoin and ether funds making those asset classes more easily available

"CIBC Mellon's employee experience is built on empowering individuals to make a positive impact in their work and in their communities"

to both retail and institutional investors.

Canada's Office of the Superintendent of Financial Institutions [OSFI], the regulator for federally regulated financial institutions (FRFI), is beginning to focus here and we are seeing some initial and interim approach on guidelines been issued.

What can the industry and service providers do better when it comes to outsourcing?

Institutional investors embrace a diversity of approaches and have varying needs across their core focus areas.

Institutional investors look to their custodians' service teams for local insights, a consultative service experience, and to proactively explore new solutions to help clients achieve their goals. In that sense, CIBC Mellon is embracing opportunities for innovation and looking to our clients to advise on the areas where we can better serve them. They have cost constraints and imperatives to build more efficiencies, so they have to carefully weigh their options. Do they want to build a solution internally or do they want to leverage an external solution that is designed in a controlled way using a third-party provider?

How has CIBC Mellon managed to work through the ever-present competitive race for talent?

The race for talent has proven to be a challenge not only in the financial services industry but across multiple sectors in the global economy as well.

CIBC Mellon's focus is on attracting talent with a long-term perspective in mind. This includes recruiting and retaining the best and the brightest in the industry. We aim to build and reinforce an engaged employee culture that is collaborative and insightful and puts clients at the centre of everything we do.

CIBC Mellon's employee experience is built on empowering individuals to make a positive impact in their work and in their communities. Alongside our overall philosophy of attracting, retaining and motivating employees, we also foster a sense of community engagement and participate in a wide range of charitable activities as part of our corporate social responsibility program. ■

Lloyd Sebastian

Vice President, Global Financial Institutions, CIBC Mellon

Lloyd is responsible for the overall direction and service delivery for Canadian sub-custody and clearance for CIBC Mellon's Global Financial Institutions segment. Prior to this, Lloyd was Vice President, Client Strategy and Experience, where he was responsible for leading the execution of key projects for CIBC Mellon's client strategy, and overseeing efforts that further enhance the company's client experience practice. Lloyd in his career has held leadership roles in Global Financial Institutions and Risk Management with other Canadian Custody Banks for over three decades.

UMR phase 6: margin mayhem highlights dispute resolution

By **Philip Slavin,** CEO of Taskize

The sixth phase of the uncleared margin rules (UMR) is finally here. The final phase has been well telegraphed but firms falling within scope have been frantically trying to get prepared. There is an ongoing challenge though, as the average aggregate notional amount (AANA) threshold of $8 billion (£7bn) means unforeseen market events, such as recent volatility in over-the-counter derivatives, could result in additional firms coming into scope a month or a year from now. As a result, the true operational impact of UMR is still very much to come.

While the major investment banks – pulled into the earlier phases – may well be highly sophisticated and experienced at calculating, exchanging initial and variation margin, and resolving margin disputes, the reality is that they now face the daunting prospect of exchanging margin with numerous investment managers who are not, due to different priorities and fewer resources to allocate to operations.

Take the much-debated issue of disputing margin. While the vast majority of disputes can, of course, be quickly resolved by Collateral Management teams, those that can't do so represent an increase in counterparty risk, especially in a volatile market environment, to firms in terms of the amount of time it can take to engage in and resolve a margin dispute. Those not as familiar with this process could see longer time to resolve disputes.

A fundamental factor behind margin disputes is the different parameters used in the margin calculation models. In many cases, investment managers will either be using a custom-risk model for margin calculation or one from an external provider if they are resource constrained, irrespective of which will likely contain differences which drive margin calculation anomalies from the model being used by their counterparty.

Slavin: Irrespective of the root cause, the problem is the amount of time and effort it takes trying to solve these disputes

Even if both parties are using the industry wide SIMM model, the amounts could still be different because the underlying portfolios don't reconcile meaning static pricing information, trades incorrectly booked or failed settlement can all impact margin calculations.

Irrespective of the root cause, the problem is the amount of time and effort it takes trying to solve these disputes – especially when using inefficient forms of communication like email or phone. Even the adoption of chatbots has not made any real impact on issue resolution times. To seek out real efficiencies, there is a need for a specific tailored workflow that is designed to help firms manage and accelerate collaboration across operations teams which leads to adoption of best practices and timely settlement of margin.

Now is not the time to default to email for margin dispute resolution, particularly given the fact that firms pulled into this final phase are already overwhelmed with email and cannot absorb additional work unless an alternative method is found. Overlaying the demand for better data loss controls and identity management, and the established go-to option of email for dispute resolution becomes even less attractive.

Those now affected, and those who may soon be affected depending on how their portfolios react to future market volatility, need to find a solution to resolve these disputes more efficiently. Perhaps this final phase is the trigger back-office staff have been looking for to resolve not just margin disputes, but the plethora of other post-trade operational headaches that they face on a daily basis. ■

Back to the future: ICE looks to FTSE growth for equity derivatives

The Intercontinental Exchange (ICE) equity derivatives franchise, with roots in the storied London International Financial Futures and Options Exchange (LIFFE) business, has had a long journey to its present form marked by constant evolution. **Caterina Caramaschi,** the London-based global head of equity derivatives at the Atlanta-based powerhouse, spoke to **Radi Khasawneh** about its plans for the coming year.

Having established a wide-ranging service that spans its ICE Futures US and ICE Futures Europe venues, the exchange is looking to build on its historic core products with initiatives aimed at developing its growing equity index franchise.

Caterina Caramaschi, the London-based global head of equity derivatives at the Atlanta-based powerhouse, spoke to Global Investor about its plans for the coming year. In particular the firm is looking at developing the next generation of its ESG offering.

"In general, our job is to serve our clients and provide appropriate risk management tools, rather than tell people how to trade, so we are always thinking about what we need to add in terms of functionality, new products etc," Caramaschi added. "We have been working closely with FTSE on their new ESG methodology, and the plan is to launch futures on FTSEs new ESG indices once they are live."

FTSE equity index products are part of the European side of ICE's franchise history though the way clients trade has shifted significantly over that period.

"The FTSE franchise has grown out of a strong 38-year relationship, going all the way back to the first FTSE 100 futures that we launched in May 1984," Caramaschi said. "We offer futures and options on the FTSE 100 Index, FTSE 100 Dividend Index and FTSE 250 Index to name a few. Since mid-2021, we have been developing our FTSE 250 Index Futures and we have already started to see improvements in the screen prices and proportion of volume traded on screen."

The push to increase adoption of those contracts have started to bear fruit, with 80% of FTSE 100 futures now being executing via central limit order book versus the block. Market volatility and the demand for more targeted exposure have meant increased flow in a wider universe of instruments.

"We continue to focus our efforts on building our FTSE 250 offering, because there is a belief from clients that the FTSE 250 Index acts as a more accurate barometer of the UK market, given its concentration of companies with locally generated revenues," she added. "Our efforts are also focused on expanding our successful FTSE 100 derivatives offering with new products to be announced soon."

Caramaschi: "Since mid-2021, we have been developing our FTSE 250 Index Futures and we have already started to see improvements in the screen prices and proportion of volume traded on screen"

That thesis was tested after the interview was conducted, as the presentation of the new UK government's growth plan, dubbed a "mini-budget" caused a freefall in UK markets. The turmoil triggered a 5.1% drop in the quoted price of FTSE 250 index futures expiring in December, compared to 3.2% in FTSE 100 index future equivalents trading on ICE between September 19 and September

26, according to data on its website.

In addition to widening adoption and electronic execution of existing instruments, the exchange on September 12 started offering quarterly expiries for its FTSE 100 Dividend index futures.

The moves will enrich its existing dominant position in its US-based MSCI products, where ICE represents around 70% of MSCI-listed derivatives volume traded globally, according to published volumes from exchanges.

That spans its MSCI All Country World Index (ACWI), World, Emerging and Europe, Australasia, and the Far East (EAFE) benchmarks. In general, the equity derivatives segment has benefitted from increased market volatility, with a 36% increase in year-on-year equity index revenues in the second quarter, according its second quarter results published in August.

That has been partly driven by an increased focus on margin efficiency, which has been helped by the roll out of an updated portfolio-based margin model, called IRM 2.0 at the start of this year.

"In the context of margin efficiency, and the flow coming out of that trend, the growth we have seen has come from our MSCI franchise, and going forward with the new products that we are looking to launch we will see similar margin efficiencies in our FTSE franchise as we hold the largest pool of FTSE UK derivatives open interest globally," Caramaschi said.

Index providers are looking to minimise the tracking error versus the main index and still offer "real" ESG

"On our two largest MSCI index futures, the MSCI EM and MSCI EAFE, they are the largest MSCI Futures contracts globally in terms of volume and notional open interest and rank in the top ten Index Futures globally in terms of notional open interest.

IRM 2.0 is a new Value-at-Risk based portfolio margining methodology that models the behaviour of a portfolio as a whole, part of an industry-wide move from measuring risk on an instrument-by-instrument basis.

"As with the FTSE UK derivatives, ICE also holds the largest pool of MSCI Futures open interest, so when we rolled out IRM 2.0 on ICE Clear US for our MSCI Futures at the beginning of the year, the portfolio margining methodology brought even further risk-appropriate capital efficiencies for clearing members and their customers," Caramaschi said.

Following its success with buyside adoption of its MSCI universe, ICE started adding its ESG indices in 2014, with the ESG Leaders, Climate Change, Low Carbon and latterly Climate Paris Aligned indices in February this year.

"When we were looking to grow that MSCI partnership it made sense to partner with the leaders in this space and we have built a wide-ranging offering that trades alongside our deepest contracts," she said. "The MSCI ESG leaders has had the biggest traction, while the Climate Paris-Aligned contracts are at the newer end of the spectrum, we launched just before the Ukraine conflict affected sentiment, but we are very much still focussed on growing this market."

With both the MSCI and FTSE coverage, the exchange believes it is well placed to expand the range of ESG offerings as demand and standards evolve in the nascent space, with many firms looking to customise their use of ESG products.

"All the index providers came out with very different ESG and Climate Index methodologies, to cater for the spectrum of demand," Caramaschi said. "MSCI for example have the MSCI ESG Leaders, the MSCI Climate PAI, MSCI Low Carbon etc which all have different levels of selectivity. What index providers are now looking for is to meet the need from clients for some harmonisation and transparency. Index providers are looking to minimise the tracking error versus the main index and still offer "real" ESG. From our perspective we have licenses from a range of providers to give us the ability to move into stricter scoring depending on demand and regulatory developments in the space."

Caramaschi has experienced this journey first-hand, having started at LIFFE in 2001, just after the exchange closed its famous open outcry pits, and seen the firm develop through its acquisition by Euronext, subsequent merger with the New York Stock Exchange and ultimately takeover by and rebranding under ICE in 2012.

She sees parallels with the transformative shift the business saw with the launch of its Bclear over-the-counter clearing service, leading to an explosion in offered instruments and customised instruments. The question of how best to cater for the remaining OTC flow on exchanges persists today with markets feeling the impact of the implementation of phase 6 of the

When we were looking to grow that MSCI partnership it made sense to partner with the leaders in this space and we have built a wide-ranging offering that trades alongside our deepest contracts

Uncleared Margin Rules (UMR) in September, as well as the roll-out this year of the updated Standardised Approach for Counterparty Credit Risk – a Basel Committee calculation of derivatives positions that affects dealer holdings of derivatives.

"At that point all the feedback we were getting was that the exchanges were only seeing about 20% of the equity derivatives business because the other 80% was executed in the OTC markets," Caramaschi said. "The big question for all listed venues was how to get that business on exchange. People are still asking that question in the context of UMR and SA-CCR."

A report published by trade body the International Swaps and Derivatives Association in 2014 estimated that the former NYSE-Euronext Bclear platform had listed 2,419 unique single name futures and 2,410 single name options, including dividend adjusted single stock futures.

In the year to September 26, that trend has continued with UK single stock option average daily volume up 13% on last year to 38,500 lots. MSCI futures are up 21% by the same measure, with open interest at 1.87 million contracts across futures and options, while both FTSE 100 and 250 index futures are up 11% and 18% over that period. The key shift for Caramaschi was the flexibility embedded in the initial offering, which has stood the firm in good stead as prolonged volatility has meant more pockets of demand from clients.

"As a firm the transformative point was the launch of BClear, which was when the equity derivatives franchise really took off," she said. "We started offering single stock options on multiple different underlying exchanges, and we also added the FTSE family of products to that service. The benefit was we were able to offer a flexible product to trade as opposed to the standard strict contract specifications that were on the order book. You could choose the expiry, the strike price, and the settlement method. That additional flexibility meant the number of contracts we were offering became vast." ■

"As a firm the transformative point was the launch of BClear, which was when the equity derivatives franchise really took off"

EEX looks to the long-term for renewable growth

The European Energy Exchange is positioning itself to support the long-term shift to renewable sources of energy amid increasing pressure on the European market due to the war in Ukraine, writes **Radi Khasawneh.**

Peter Reitz, chief executive of EEX Group and European Commodity Clearing, told Global Investor that the current market stress reinforces the need for products geared towards renewable energy producers, and the exchange has positioned itself to benefit from that trend.

The exchange in September launched extended maturity power futures, with ten-year German, Italian and Spanish power futures offered to match the duration of renewable power projects in the countries.

Demand for these products has so far been affected by market volatility but the concept is one Reitz believes will bear fruit once long-term hedging demand returns to the market.

"When we introduced the ten-year product we saw initial trades in the markets with the highest natural demand for those renewable project hedges, but with all the volatility in the electricity markets, the focus has shifted to what you might call the shorter end of the curve," Reitz said.

"Liquidity has concentrated recently within a three-year horizon. On a long-term basis the demand will re-emerge.

"This is the cheapest way to provide additional capacity, and this will need to be hedged in some shape or form and the ten year product is a very good mechanism to eliminate counterparty risk for these projects. Our customers are telling us that it is the right instrument and they will use it when they build new capacity."

Reitz: "Liquidity has concentrated recently within a three-year horizon. On a long-term basis the demand will re-emerge."

EEX reported in August a 17% year-on-year decline in trading activity to 259.1 million Megawatt Hours (MWh) against a busy August last year, but its EPEX European spot market was flat by the same measure at 50.4 million MWh, including a 13% boost in Intraday volume. That is partly down to changes the exchange has already made to increase flexibility and adapt to the fact that renewables have variable supply levels built into their operating systems.

"In the intraday market we shortened the period of time between trading and production all the way down to five minutes," Reitz said. "That is all the flexibility that you need when you run a wind farm or solar plant, so the exchange offering that we have created is especially catered towards the producers of renewable

"When we introduced the ten-year product we saw initial trades in the markets with the highest natural demand for those renewable project hedges, but with all the volatility in the electricity markets, the focus has shifted to what you might call the shorter end of the curve"

energy who want to trade on that end of the curve."

The Leipzig-based exchange has seen impressive growth in its natural gas complex, across both spot and derivatives markets, rising 216% year-on-year volume in August to 575 million MWh. Reitz says clearing has become a good solution for counterparty risk and margin pressures in the over-the-counter markets.

"The EEX gas market has more than doubled compared to last year, so that's where a lot of the action is right now, a lot more of the gas derivatives trading is moving from OTC to exchange cleared," Reitz said. "One of the biggest drivers for that is margin efficiency. People that do have a power position in the clearing house can actually reduce their overall margin by netting against gas holdings. We only look at the overall risk of the position, these markets are correlated, so the resulting position is much lower than the sum of the two and in many cases even lower than just the power position. That is what is driving this big move from OTC onto exchanges in the natural gas derivatives market."

In advance of this trend, EEX in December agreed a deal to acquire trading analytics provider Lacima Group, offering real-time risk and margin functionality to clients ahead of the disruption this year.

"That focus on efficiency, and managing the blended cost of trading has informed the way we design and develop the functionality of our platform," Reitz said. "The acquisition of Lacima at the end of last year is a good example of that. They have comprehensive tools to allow clients to simulate positions real-time, and understand the margin and execution costs in one place. Introducing that to our existing European client network has complemented the EEX Group offering in a big way."

Speaking to Global Investor in September, fintech ION Markets said there has been a spike in demand for its real-time risk analytics service since the pandemic related market

"At present the voluntary carbon market is fragmented, on a group level we have launched products on our US Nodal exchange, including nature-based products, and we intend to launch a similar set of contracts on EEX next year. This will mean we cover the two major time zones within our product offering"

disruption in March 2020, which accelerated through the extreme price moves in European power markets observed in recent weeks.

EEX also has ambitious plans to grow its sustainability-linked product suite to take advantage of long-term trends in those markets.

Reitz says he expects the voluntary carbon markets to come together and embrace standardisation. It is planning a series of product launches to position itself for that shift.

"The voluntary carbon market is completely separate to the emissions trading schemes for now but ultimately they will come together at some point," Reitz told Global Investor. "At present the voluntary carbon market is fragmented, on a group level we have launched products on our US Nodal exchange, including nature-based products, and we intend to launch a similar set of contracts on EEX next year. This will mean we cover the two major time zones within our product offering."

EEX-owned Nodal more than doubled its trading of environmental futures in July, up to 21,693 lots from 10,684 the year before. It extended its collaboration with IncubEX in June, launching a series of voluntary carbon offset, renewable natural gas certificates and renewable energy credits.

"We have different approaches looking at how we can bring liquidity together in a set of standardised products, that is what everyone is trying to do right now and when it is successful it will boost the size of that market," Reitz said. "We need to move away from individual deals to a standardised product that people can use interchangeably."

EEX has been central to the development of the ETSs in many regions, including the EU ETS, and in North America through Nodal which it added in 2018. More recently, it has finalised its project with New Zealand Exchange to develop a New Zealand ETS first announced in October 2020. Reitz sees significant room for growth in established and new regions.

"Existing ETS schemes only cover about 20% of overall emissions, so they need to be expanded," he said. "The first way that needs to happen is to extend regional coverage, so we are helping others to develop ETS auctions where they don't exist today. The recent introduction of auctions in New Zealand is a good example of that, we are also cooperating with Chinese exchanges to help establish a national market.

"The second expansion is to increase coverage in existing markets. The EU ETS, to take one example, only covers around 40% of the emissions in Europe – major sectors are not part of it. Transportation and heating are not covered. Those two together cover another 40%, and the German government has instituted a national scheme with the intention to also move that to a European level. The Commission has also made that part of their program and it is currently discussed with the

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European Parliament. We are already seeing moves to include areas like the maritime sector, which represents a big change for those who are directly involved in those markets."

"In the coming weeks, the exchange will further develop its sustainable products suite with a Guarantees of origin will be a key component to a sustainable energy world," Reitz said. "We are also engaging in that evolution, partly because we are running the registries for several of these instruments and now we are also introducing a European auction for guarantees of origin at the end of this month.

"This will be another event to pool liquidity, and you can specify several factors; whether it's cheapest to deliver, country of origin, or technology (such as solar, wind). All of that will be pooled in one auction that will determine the prices for guarantees of origin. We see a lot of interest in that market, and even have some new participants that are joining the exchange so that they can take part in this new market."

Looking to the long term, Reitz says that the process of converting natural gas storage capacity to hydrogen must be informed by trading needs of the market at an early stage to ensure a successful transition when global pricing emerges.

"As we move ourselves into a completely decarbonised world, you need to have some element in the energy production mix that is storable," he added. "There will be times where there is not enough wind and not enough sun, but embedded demand that cannot adjust to that supply. The gas network, the huge storage caverns that we are now filling, can also be used for hydrogen.

"That infrastructure still needs to be built, so we are in the very early days of that process but we need to consider the trading elements for that market right from this point. That is why we are engaging with all of the people involved in the physical side to create a mechanism where we can start providing transparency. We are working on a hydrogen index to provide a mechanism to track price discovery and development, and from there we can think about trading products."

Much like its role in the ETS space, Reitz sees an opportunity to guide market development while adapting to evolving client needs.

"At this stage it will be focused on local, regional markets where there is enough supply and demand to create a trading infrastructure which will then grow over time and emerge," Reitz said. "In many ways, it is similar to the development of the gas infrastructure, where we had very small market segments which then grew significantly. We want to be part of this process early on to make sure that market design will support the parallel development of trading markets." ■

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