



DEMOCRATISING SECURITIES LENDING

Sharegain's Keren Halperin speaks to SFT about share ownership rights, how to scale a fintech and lessons that yoga and surfing can offer to solutions development

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A digital takeover

Wematch's co-founder and head of EMEA David Raccat speaks to Carmella Haswell about the search for digitised processes, battling through a volatile market, and going global

Gaining in momentum, digitisation is set to go global as far as Wematch is concerned, as the firm expands its footprint in the US and Asia-Pacific markets. It aims to extend its digital solutions to support the capital market, and tackle the pain points of the digital space with a click-based approach.

An acceleration in digitisation has been driven by multiple factors, which has placed an increasing significance on the search for digitised processes, according to David Raccat. Regulation, compliance and conduct risks, operational risks, and market risks have led to the increase in digitisation that Raccat has seen since the launch of Wematch in 2017.

The importance of digitised processes circulates around its ability to tackle all of the aforementioned risks and allow dealers, institutions and traders to feel more secure and protected in what they are doing. Therefore, Wematch is working to address the potential risks one-by-one by offering a digitised, STP, integrated and interoperable workflow.

“We tried to look into conduct and compliance risks by making sure that the platforms that we are releasing into the market are click-based,” explains Raccat. “One of the important and key topics at Wematch is that there is no chat option, we are protecting the traders and the users from being exposed to writing something which could be used against them.”

He adds: “We are very aware of those risks and any human behaviour is systematically turned into a click at Wematch, which allows us to respect the who, when, what — which means that each time the user is using Wematch there is a click, and each click triggers a log where we know who did what and at what time.”

This is extremely significant from a compliance and regulatory standpoint to ensure that each action is time-stamped and that any trade, which has been facilitated by the platform, can be reconstructed

from the moment the interest has been input until the moment the confirmation is sent.

Wematch seeks to protect its clients from market movements and extreme volatility, which has been a focus point for the financial world for the past few years. The financial technology company is plugging auto-protect features in the majority of its products, where clients can ensure they are protected in case the market is moving against them. Raccat indicates: “We went through the periods of turbulent market conditions by keeping the pressure on our roadmap, developments, hires, and on structuring the company. The markets have been extremely volatile, we have been moving away from the COVID pandemic and into a geopolitical crisis with a war — so it is very hectic out there.”

Charging forward with a community-based approach, Raccat plans to roll out Wematch's securities financing product to a maximum number of users, dealers and financial institutions in the marketplace. “As far as we are concerned, we see our numbers picking up again — every month is a record month in terms of activity and revenue,” says Raccat.

Users of Wematch are focusing on managing the multiple crises impacting the world and financial markets. Raccat continues: “An impact for them is to make sure that if the revenues are impacted, then they have the right restrictions or policy on the expenses. We are offering solutions which can accompany the enhancement, or the replacement, of internal tools or solutions.”

Going global

Wematch — which develops web-based solutions to deliver automated matching, negotiation and lifecycle management for transactions including securities lending and borrowing, total return swaps, interest rate derivatives and equity derivatives — has been beefing out its teams in the US since securing a further US\$8.5 million in a second series B funding round in December 2021. Its CEO Joseph Seroussi



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has recently moved from Tel Aviv to New York in an effort to aid the firm's mandate to accelerate the Wematch footprint in the US, and to create the structure in America, which is already present in Europe.

The series B funding was led by the corporate venture capital arm of Deutsche Börse DB1 in October 2021. J.P. Morgan, Augmentum Fintech and Illuminate Financial were among the other companies to have invested in Wematch in the first close of the funding round. By the time the second round closed in December 2021, several companies had also become investors, including Barclays, CE Innovation Capita and Societe Generale. The funding rounds accumulated US\$28 million in total.

Wematch indicates that these investors support the company's vision to help the capital market to adopt further digital solutions across markets globally and to apply this technology to internal and client-facing solutions.

According to Raccat, Wematch has appointed its first sales manager in APAC, based in Singapore. However, the push toward an expansion in APAC has not been smooth sailing owing to the recent financial climate. Current restrictions have slowed Wematch's efforts to sit down with its users and roll out its offers in the region. Despite the difficulties, Wematch is expected to go fully global over the next year.

Among its expansion, the securities financing products suite and product scope at Wematch remains a priority for the company. Raccat says: "We are coming to a point where our workflow and optimisation tools on equity swaps are becoming pretty mature, with a sizeable percentage of the market now using our solutions."

He continues: "We are upgrading the product on a very regular basis, but it is moving to a more mature status now in Europe. We have been rolling out the product in the US over the past 18 months, and we are rolling it out in APAC as we speak. We aim to produce a global offer on our equity swap product suite."

The hard-to-borrow platform at Wematch has been live for the last six months in Europe, and is looking promising in terms of the flows the firm is seeing and the activity that is going through the platform. Wematch is about to release its minimum viable product in the US, and has already received queries and questions about it in APAC. The plan for securities lending is to produce a global footprint in Wematch products by the first quarter of next year.

In regards to the Wematch equity derivatives franchise, the firm is

analysing regulation and observing prices in the equity derivatives markets, specifically, the Fundamental Review of the Trading Book (FRTB) regulation. "We are offering our clients the ability to have an observable marketplace, using API connectivities with the platform, allowing them to benefit from better capital treatment when they trade OTC products," concludes Raccat.

Blurred lines

In predicting the future of the digital space, Raccat anticipates that a number of emerging trends will continue to develop. For example, the Wematch co-founder identifies a demand to improve interoperability between multiple products in the securities financing space. The ability to navigate between over-the-counter (OTC) and listed, and the ability to navigate between physical and synthetic — where the lines are becoming more and more blurred — is going to increase.

"We see that some of the agent lenders, who historically have been heavily involved in sec lending, are looking at swaps at the moment and diversifying their products suite into synthetic," Raccat states.

"I believe it is a great area of opportunity for us to add new client segments in our current portfolio. The more we progress, the more the clients are going to be asking for sophisticated solutions around helping them optimise their negotiation protocols. Obviously, interoperability and STP processes are extremely important," he indicates. With this in mind, Wematch will continue its work to offer a front-to-back solution for its product set.

From a product standpoint, tools which allow banks to manage UCITs concentration limits, collateral inefficiencies, and environmental, social and governance (ESG) baskets on an automated basis, are becoming "extremely powerful" and attracting growing demand. Wematch has noticed this trend within its own equity swap product, which enables clients and banks to manage the complexity of the business in the exchange-traded fund synthetic space.

Moving on to its next stage of operation, Raccat plans to leverage its market solutions to facilitate exchanges and optimisation of collateral between multiple desks and regions within the same bank. Wematch has been rolling out a framework to support the interactions between traders, in addition to the interactions between sales and traders to facilitate relationships with end clients. Raccat believes this solution will become an attractive structure to customers as he anticipates strong interest from clients in the future. ■