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December /January 2020
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GLOBAL INVESTOR | DECEMBER / JANUARY 2020

Asset management

Dubai Conference identifies growth opportunities

SECURITIES FINANCE

EXPERTS REFLECT ON THE CHANGING EUROPEAN MARKET

+ Derivatives

ED&F Man's Gary Pettit backs Prostate Cancer UK

HIGH HOPES:

State Street's European chief tracks key trends in custody provision

NUMBER 300

The future of custody and asset management

Jörg Ambrosius, the head of EMEA at State Street, has had a pretty good run since assuming that position in July last year. State Street's assets under custody edged up in the third quarter and increased an impressive 8.7% in the fourth quarter to reach $34.36 trillion.

The bank cited "higher end of period market levels and client flows" for the fourth quarter hike, giving the US banking giant a welcome bump as it moves into a new decade.

Ambrosius would no doubt welcome the fourth quarter inflows but his focus is also longer term, trying to position State Street for medium and long-term changes in the investment management business.

But it is not only asset managers that currently interest Ambrosius, he is also keen to expand the universe of clients that State Street works with, to include other types of firms such as pension funds, insurance companies and sovereign wealth funds for example.

Speaking to Global Investor, Ambrosius said in this issue's cover feature, State Street's plan is to leverage its 2018 acquisition of front office tech frim Charles River Development to reposition State Street as a full service offering.

He said: "The clear ambition we have is to offer institutions that manage money, whether asset managers or large asset owners, a platform that enables them to outsource their full front-to-back operations, and allows them to focus on their core competencies, ie making investment decisions."

By offering investment management technology alongside the traditional custodial functions of accounting and record-keeping, State Street is moving towards a proposition where it can add value to investment decisions by offering bespoke data.

He continued: "The future is all about data and how do you get the value out of the data to make better investment decisions. We already today provide algorithms and analytics solutions around risk, liquidity, compliance monitoring, ESG, performance and various other key drivers across all asset classes to investment managers."

This makes the US custodian an important part of asset managers' value proposition rather than a cost-centre that handles books and records, changing the relationship between the custodian and its client.

This is an interesting move by the US custodian that could give it a key advantage over rivals as they all look to position themselves for the changing nature of asset management.

Also interesting is that State Street has opted to take an open-access, partnership approach to delivering the platform that underpins its clients' operations. Customers can choose State Street or a rival to support the various links in the value-chain, effectively giving them a best-of-breed option.

Ambrosius continued: "It's not like you have to have all or nothing with State Street. If you have a certain part of the value chain that you have created internally or you want to handle with a different partner, we can still make it a true front-to-back client experience."

And as State Street involves more partners, the proposition only gets stronger because clients can more easily switch on third parties as they migrate to the new platform.

The European head added: "Over the past years we have built a positive track record where these integrations now run in a co-ordinated, and to some degree, standardised way where we know how to connect to another counterparty. So that could for example be another custodian, fund administrator, middle office provider or price source provider."

Rival custodians might be reluctant to volunteer to participate in this type of service but, ultimately, they will have to lump it if the clients demand such involvement.

State Street's move to become a full front-to-back technology partner for clients is a smart move and one that could reap dividends for the firm in the coming years and decades. ■

Luke Jeffs,
Managing Editor,
Global Investor Group

GLOBAL INVESTOR GROUP | FOW | ISF

MANAGEMENT
General manager Will Browne
Tel: +44 (0) 20 7779 8309
will.browne@globalinvestorgroup.com

EDITORIAL
Managing editor Luke Jeffs
Tel: +44 (0) 20 7779 8728
luke.jeffs@globalinvestorgroup.com
Securities finance editor Oliver Wade
Tel: +44 (0) 207 779 8430
oliver.wade@globalinvestorgroup.com
Special reports editor Louise Fordham
Tel: +44 (0) 207 779 8983
louise.fordham@globalinvestorgroup.com
james.thursfield@globalinvestorgroup.com
Derivatives reporter Joe Walters
Tel: +44 (0) 207 779 8678
joe.walters@globalinvestorgroup.com
Fund services reporter Perle Battistella
Tel: +44 (0) 207 779 8028
perle.battistella@globalinvestorgroup.com
Design and production Antony Parselle
aparselledesign@me.com

EVENTS
Head of Events Operations and Marketing
Velida Cajdin
Tel: +44 (0) 20 7779 8188
velida.cajdin@globalinvestorgroup.com
Senior Conference Producer
Oliver Blokland
Tel: +44 (0) 207 779 8088
oliver.blokland@globalinvestorgroup.com
Events Assistant
Christine Adesoye
Tel: +44 (0) 207 779 8858
christine.adesoye@globalinvestorgroup.com

BUSINESS DEVELOPMENT
FOW Head of global business development
Hanna DeBank
Tel: +65 6224 1040 / Mob: +65 8766 9841
hanna.debank@fow.com
Business Development Executive
Jamie McKay
Tel: +44 (0) 207 779 8248
Jamie.mckay@globalinvestorgroup.com
Head of sales Tim Willmott
Tel: +44 (0) 20 7779 7216
tim.willmott@globalinvestorgroup.com
Reprints Christine Jell
cjell@globalinvestorgroup.com
Divisional director Jeff Davis
Chairman Leslie Van de Walle
Chief executive Andrew Rashbass
Directors Jan Babiak, Kevin Beatty, Andrew Billingal, Tim Collier, Colin Day, Tristran Hillgarth, Imogen Joss, Wendy Pallot, Lorna Tilbian

SUBSCRIPTIONS
UK hotline (UK/ROW)
Tel: +44 (0)20 7779 8999
US hotline (Americas)
Tel: +1 212 224 3570
hotline@globalinvestorgroup.com

RENEWALS
Tel: +44 (0)20 7779 8938
renewals@globalinvestorgroup.com

CUSTOMER SERVICES
Tel: +44 (0)20 7779 8610
customerservices@globalinvestorgroup.com

GLOBAL INVESTOR
8 Bouverie Street, London, EC4Y 8AX, UK
globalinvestorgroup.com

Next publication
First Quarter 2020

Global Investor (USPS No 001-182) is a full service business website and e-news facility with supplementary printed magazines, published by Euromoney Institutional Investor PLC.

ISSN 0951-3604

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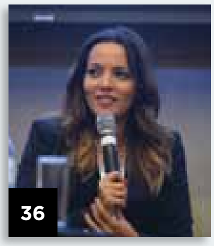
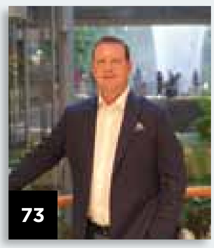
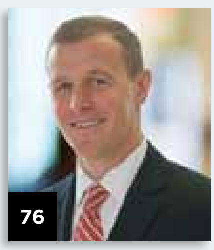






January began with more gloomy Brexit predictions...

... and signs that Libor transition was going to be a nightmare.

City firms to move £800 billion from London to Europe - EY

City finance firms plan to shift around £800 billion worth of assets from London to Europe as a result of Brexit, according to EY, one of the UK's 'Big Four' accountancy companies.

More than a third (36%) of the largest UK financial companies have now confirmed intentions to move some operations and/or staff to continental Europe, according to EY's quarterly Brexit Tracker survey — up from 31% a year ago.

This rises to 56% (27 out of 48) amongst universal banks, investment banks and brokerages.

This comes as a number of members look to establish a presence in the EEA in order to continue servicing clients once the UK leaves the bloc.

LME caps fees for Brexit-related position transfers

The London Metal Exchange (LME) is capping fees for Brexit-related position transfers to support members looking to set up in Europe as part of contingency plans.

In a notice to members on Tuesday, London's metals exchange said it will introduce a time-limited fee cap for position transfers that take place as part of a member's Brexit plans.

Between January 1 and April 30 this year, position transfers taking place as part of Brexit preparations will be charged at $20,000 per member.

Original crypto products "most powerful" – Coinfloor

Original crypto products remain the most powerful as more players and products like security token offerings enter the nascent market, according to the head of Coinfloor.

"As Coinfloor we still think that the most powerful and most valuable segment is the original decentralised cryptocurrency product offering," Obi Nwosu, co-founder and chief executive of London-based crypto firm Coinfloor, told FOW.

His comments came after the group announced it spun-off its cryptocurrency futures exchange CoinfloorEX, which launched the first physically delivered bitcoin futures contract early last year.

The exchange has been rebranded to form CoinFLEX (Coin Futures and Lending Exchange), based in Hong Kong.

Nasdaq Dubai launches Saudi futures

Nasdaq Dubai has launched futures on twelve of the largest Saudi firms marking a step forward for the region as it opens up to foreign investors, albeit after a slight delay.

In a statement on Wednesday, the Dubai exchange confirmed it had introduced futures trading on 12 of the largest Saudi Arabian firms after announcing plans to do so back in May 2018.

The futures were expected to launch in September last year but were delayed to allow time for more brokers and market participants to get familiar with the products, according to a Nasdaq Dubai spokesperson.

Brexit barriers to UK CCPs persist - Isda

The International Swaps and Derivatives Association (Isda) has identified outstanding issues that could have an immediate impact on European clearing firms' access to UK central counterparties (CCPs) after Brexit.

In its latest IQ published on Tuesday, the trade body welcomed a temporary equivalence regime which somewhat alleviates concerns around large scale disruption to clearing.

However EU firms could face challenges accessing UK CCPs given that after Brexit, UK clearing houses will no longer be protected by European insolvency law under the Settlement Finality Directive (SFD).

Derivs users urged to renegotiate Libor contracts

The majority of derivatives users have not yet started negotiating Libor contracts raising concerns about significant capacity issues if it is left to the last minute.

A survey by London-based consultancy JCRA and law firm Travers Smith LLP found that 83% derivatives users have yet to start making changes to their Libor-based contracts.

This comes as a concern as the scandal-tainted London Interbank Offered Rate (Libor) is expected to fall away after year-end 2021 as policy makers shift their focus to alternative risk-free rates. ■

February saw Eurex taking an early lead on ESG futures ...

... as Nasdaq and Euronext locked horns over the Norwegian exchange.

ICE Clear Europe boosts default fund

ICE Clear Europe has decided to boost the size of its futures and options guarantee fund, with the financial and softs segment growing by almost half.

In a circular dated January 31, the Intercontinental Exchange's European clearing house notified members that it has increased the size of its futures and options guarantee fund by 21.4%, from $2.80bn to $3.40bn.

The financial and softs segment sees the biggest increase as the fund grows by most half (48%), from $1.15bn to $1.70bn.

The default fund for the energy segment will however only go up by $0.05bn, from $1.65bn to $1.70bn.

ESG futures "just the beginning" - Eurex

Eurex's new environmental, social and governance (ESG) futures will be "just the beginning" of a new index benchmark family at the German exchange, according to deputy chief executive officer Michael Peters.

The Deutsche Boerse-owned exchange is introducing three ESG index futures on February 14, initially focusing on low carbon and climate impact.

"The first listings of three ESG futures on STOXX Indices, planned in February 2019, is just the beginning of a new index benchmark family at Eurex," Michael Peters, deputy chief exec of Eurex and member of the executive board, told FOW.

Nasdaq, Euronext battle for Oslo Børs

Nasdaq has launched its public offer for Oslo Børs VPS in a bid to tempt shareholders away from Euronext as the latter seeks regulatory approval with sufficient shareholder backing for its takeover.

On February 4, Nasdaq released its full public offer in a bid to tempt Oslo Børs shareholders away from Euronext, after announcing plans to enter the bidding war last week.

Nasdaq emphasised that the Oslo Børs board of directors considers its offer to be the best and recommends that shareholders reject Euronext's offer in favour of Nasdaq's.

Esma to clamp down on letter-box entities

The European Securities and Markets Authority (Esma) is clamping down on the supervision of letter-box entities that are emerging both in context of Brexit and on a wider scale.

On February 6, Esma published a supervisory briefing to help national competent authorities with their judgements on the authorisation and the supervision of EU firms that intend to set up branches in non-EU countries.

The European financial markets watchdog reiterated that EU regulators should be carefully monitoring the risk of so-called letter-box entities – branches of EU firms that arise from outsourcing arrangements or when EU firms use non-EU branches to provide services back into the EU – not just with Brexit in mind.

FSB to review timelines on SFT haircut rules

The Financial Stability Board (FSB) has said it will review the implementation timelines of its policy recommendations for securities finance.

Announcing its 2019 work programme on February 12, the international body said it would review timelines for the regulatory framework for haircuts on non-centrally cleared securities financing transactions, and "make adjustments as needed".

The regulator first published its framework for haircuts on non-centrally cleared securities financing trades in 2014.

The policy sets out minimum haircut floors and determines that in-scope trades which do not meet the haircut floors must be treated as unsecured loans.

Elixium sees first US trades

Securities financing and collateral venue Elixium has completed its first US trades, Global Investor understands.

The 'all-to-all' electronic repo platform launched its US offering in January, according to sources.

The firm's North American subsidiary first received approval back in 2017 from the Financial Industry Regulatory Authority (Finra) to operate their Alternative Trading System (ATS) in the US.

The firm is owned by Swiss broker Tradition and has staff in London and Paris. ■

March saw the Federal Reserve warning that the success ...

...of migration away from Libor would be linked to the repo market.

Nasdaq matches Euronext bid for Oslo Børs

The battle for Oslo Børs VPS continues as Nasdaq matches Euronext's bid and reduces its minimum shareholder acceptance requirement.

On March 4, Nasdaq increased its offer for Oslo Børs to NOK 158 (£14.11) per share (from NOK 152), matching Euronext's offer.

Nasdaq also reduced its minimum acceptance bid requirement from 90% to 66%, bringing it closer to Euronext's which stands at 50.01%.

"In order to provide greater assurance to shareholders of Oslo Børs VPS, Nasdaq is reducing the minimum acceptance condition under the Offer from more than 90% of the shares of Oslo Børs VPS to at least two-thirds of such shares (or such higher percentage as may be necessary to comply with any applicable regulatory requirement)," Nasdaq said in a statement.

LSE to cut jobs despite strong 2018

London Stock Exchange Group (LSEG) has announced plans to cut 5% of its workforce despite reporting strong income growth in 2018.

In its preliminary results released on March 1, the exchange group reported a 9% increase in its total income before announcing that there would also be approximately 250 job losses globally.

LSEG saw its total income reach £2.1 billion in 2018, a 9% increase from 2017.

However, in the media call LSEG chief executive officer David Schwimmer highlighted that following acquisitions in recent years, the group has targeted a need for greater integration and removal of duplication. This would include job losses constituting 5% of the global workforce - approximately 250 jobs.

Sofr success hinges on repo robustness - Fed

The success of a US replacement to Libor hinges on the robustness of the repo market, according to the Federal Reserve.

A paper dated March 6, written by Margaret McCloskey Shanks, deputy secretary of the Fed's board of governors, looks at depository institutions - Pass-Through Investment Entities or PTIEs.

Shanks states that lenders in the 10 overnight general collateral (GC) repo market could find PTIE deposits more attractive than continued activity in the overnight GC repo market.

If the rise of PTIEs were to reduce demand for GC repo lending, securities dealers could find it more costly to finance their inventories of Treasury securities.

Isda calls for uncleared margin threshold lift

The International Swaps and Derivatives Association (Isda) is calling for the phase-five uncleared margin rule threshold to be lifted to avoid imposing complex requirements on hundreds of small buy side firms.

In a statement on March 6, the trade body said the most appropriate solution to address challenges around implementing uncleared margin rules would be to remove the obligation for firms with €8 billion non-cleared derivatives to post initial margin.

"Based on thorough data analysis, we believe the most appropriate solution is to lift the phase-five compliance threshold. This will create certainty and reduce operational complexity for smaller firms, without compromising safety and soundness," the trade body wrote.

Eurex explores "speed bump" expansion

Eurex will consider applying a passive liquidity protection scheme to all of its options and potentially FX futures contracts six months after the initiative goes live.

The Deutsche Boerse-owned derivatives exchange is launching a passive liquidity protection scheme on June 3, which will provide passive liquidity providers with a millisecond of an advantage over aggressive orders.

DLT can improve range of stock loan areas – expert

Distributed ledger technology can be applied to a range of issues in the stock loan market, one expert has claimed.

Speaking in Sydney on March 7, Stewart Cowen, senior product manager at fintech Digital Asset, commented on Digital Asset's Modeling Language (DAML), software offering a way for parties to a transaction to provide updates to a distributed ledger.

"A key feature of DAML is its ability to be extended to solve for a wide range of problems and business specific use cases," Cowen, a former JP Morgan executive, told the audience at the Pan Asia Securities Lending Conference. ■

April had a group of US pension funds in a securities lending lawsuit ...

...reaching agreement with one of the defendants, JP Morgan.

FICC gets nod to diversify sponsor ranks

The clearing house for US repurchase agreements has been given permission to broaden the list of firms it accepts as sponsor participants.

On April 1, the Fixed Income Clearing Corporation (FICC), part of the DTCC, said US regulators had approved its proposals, paving the way for more cleared activity in the Treasury market.

"DTCC received increased interest from dealers, non-US banks, and prime brokers that were not previously able to be sponsors," the firm said in a statement.

Esma adds concentration risk to CCP stress test

The European Securities and Markets Authority (Esma) has decided to include concentration risk as part of the EU-wide stress test for central counterparties (CCPs) for the first time.

The EU financial watchdog will for the first time look at the risks associated with concentrated positions as part of the third stress test for European clearing houses.

The stress test exposes CCPs to adverse market conditions to identify any weaknesses, potential spill-over effects, and emerging systemic risks.

JPM, plaintiffs resolve US stock loan discovery spat

Lawyers representing a group of US pension funds in a securities lending lawsuit have resolved a discovery dispute with one of the defendants, JP Morgan.

Dan Brockett, partner at law firm Quinn Emanuel, wrote to judge Katherine Polk Failla seeking an order compelling JP Morgan to use certain search terms when collecting email and chat records.

However, in a letter dated April 1, Brockett said both sides have now reached an agreement.

Fed's reverse-repo program all but dead – expert

The US Federal Reserve's reverse repo program (RFP) is near lifeless thanks to the growth of FICC's sponsored repo programs.

On April 3, just $16 million worth of cash came to the Fed window.

"That's million, not billion," Scott Skyrm at New York-based Curvature Securities wrote in a note to clients. "In its height, $474.6 billion in cash went to the Fed on December 31, 2015.

"In the past, the heyday of the RRP program occurred on quarter-end. As banks shrank their balance sheets and cutoff money fund investors, the cash flowed to the Fed."

Esma defends work on div-arb schemes

The EU's securities watchdog Esma has defended its work on dividend-arbitrage schemes after MEPs criticised the regulator for its inaction.

Last year a cross-border investigation by numerous media outlets claimed that div-arb transactions, such as cum-ex trades, are still commonplace across Europe and costing taxpayers billions.

That prompted the European Parliament to adopt a resolution on the matter in November 2018 and call upon the EBA and Esma to conduct an inquiry.

However, on April 4, MEPs criticised regulators for not opening an inquiry into dividend arbitrage schemes and slammed what they described as "considerable reluctance" among national competent authorities to initiate investigations.

FSB lists close to 100 crypto regulators

Around 100 entities involved in bitcoin and other cryptocurrency oversight appear in a new list sent out by the Financial Stability Board (FSB).

A new directory published on April 4 lists 98 entities who are dealing with crypto-asset issues across 25 markets.

In the US alone, eight organisations appear in the book, including the Commodity Futures Trading Commission (CFTC), Securities and Exchange Commission (SEC) and Federal Reserve Board. ■

May saw Hong Kong pledge to extend its trading hours ...

...and a warning about the impact of Mifid II on stock lending.

ECB expects quick transition to €str

The European Central Bank (ECB) expects a quick transition from trading the euro overnight index average (Eonia) to the euro short-term rate (€str) given the incentives to encourage participation.

"I believe the incentives are there to move participants from trading Eonia to €str rather quickly," Cornelia Holthausen, deputy director general in market operations in charge of the benchmark dossier at the ECB, told FOW.

Given that Eonia has an end date of year-end 2021, participants will be incentivised to move to €str quickly to avoid possible contract frustration or the need to move to fall-back solutions when Eonia ceases to exist.

HKEX to extend trading hours for 27 derivs contracts

Hong Kong Exchanges and Clearing (HKEx) is planning to extend the trading hours for 27 of its derivatives products from the middle of this year.

In a report presenting its financial results for the first quarter of the year, HKEX detailed plans for its upcoming trading hour extension as part of its three-phase plan.

The exchange said it intends to further extend its trading hours from 1am to 3am (6pm to 8pm GMT) from mid-2019 for 27 products including equity index futures and options, currency futures and commodity futures.

Mifid II makes stock lending look pricey - fund manager

Mifid II has helped reduce costs but makes certain practices, including stock lending, look expensive according to an investment expert at AJ Bell, the online UK stockbroker.

In a new report by research house Cerulli, Matt Brennan, fund manager at AJ Bell, commented on the plus points and negatives from the EU's wide ranging regulatory reform known as Mifid II.

"Mifid has helped reduce costs. However, it has also created problems," Brennan noted in Cerulli's case study of AJ Bell.

For example, Brennan said the practice of stock lending, whereby managers earn extra revenue for the fund by lending out either shares or exchange-traded funds, makes his fund look expensive under Mifid disclosure rules.

LME elects first female chairman

The London Metal Exchange (LME) has elected its first female chairman, Gay Huey Evans, to replace Brian Bender when he retires in December.

On May 10, LME said it elected Evans to replace its current chairman, Bender, who will retire at the end of the year after nine years as chair.

Evans is currently a non-executive director at global banks Standard Chartered and Bank Itau BBA International Limited, as well as at energy company ConocoPhillips.

She is also a member of the US council on foreign relations and also serves as a non-executive member of the UK HM Treasury Board.

Digital asset lending demand growing - study

Digital asset lending and borrowing demand is growing among the top crypto hedge funds and trading houses, according to a new study from Lendingblock.

The UK fintech, which is set to launch an institutional crypto lending exchange later in 2019, said it looked at the borrowing and lending needs of major crypto institutions between January and April 2019.

Bitcoin and Ethereum are the top two digital assets that clients are interested in borrowing and lending.

Lending supply is biased towards loans of 30 days or longer, whereas borrowing demand is spread more evenly across loan terms with interest in 1, 7, 14 and 30 days borrowing.

FCA keen to press on with non-Brexit issues

The Financial Conduct Authority's (FCA) chief exec said the regulator is keen not too lose sight of the other big issues on its agenda amid ongoing uncertainty around Brexit.

In the first FCA Podcast released on May 14, the head of the UK financial markets watchdog discussed how Brexit is impacting planning and priorities for the year ahead.

"It hasn't stopped us obviously having a plan, let me make that clear, and having a plan with some very important elements in it which are not related to Brexit and which we want to press ahead on," FCA chief exec, Andrew Bailey, said. ■

June saw Barclays, Goldman Sachs and JP Morgan pledge ...

...to use DTCC's trade repository for SFTR reporting.

FCA to transition to "enforcement mode" soon - Duff & Phelps

Duff & Phelps expects the UK financial markets watchdog to step up its enforcement of transaction reporting requirements soon, which might catch out firms that are unaware that they are reporting incorrectly.

Nick Bayley, managing director of compliance and regulatory consulting at US-based consultancy Duff & Phelps said in a statement that the Financial Conduct Authority (FCA) is currently in "encouragement mode" with regards to transaction reporting but he does not expect this to continue for much longer.

"What we see now is that the FCA is in 'encouragement mode', telling firms how they can avoid common errors.

Trio of banks to use DTCC for sec finance reporting

Barclays, Goldman Sachs and JP Morgan will funnel securities finance transaction data to DTCC's trade repository when rules kick in next year.

A statement from the US post-trade group – which has a London-based trade repository - said the banks will use the data warehouse to comply with Securities Financing Transactions Regulation (SFTR).

The reporting aspect of the European legislation requires firms to submit data on their stock loan and repo activity to a trade repository.

Banks are set to begin reporting in the first wave, starting April 2020.

Many policy makers think OTC-to-listed shift failed - Swinburne

Many European Parliament policy makers consider the policy of shifting derivatives volumes from over-the-counter (OTC) to on-exchange as failing in its original objective, according to a panellist.

Speaking on a panel at the Futures Industry Association IDX 2019 conference in London, Kay Swinburne, member of the European Parliament said that many of her European policy colleagues view the intention to shift from OTC to exchange-traded derivatives as "failed" because the overall volume of derivatives has grown.

Europe questions CFTC's clearing threshold

A European Commission official said Europe's approach to third-country central counterparty (CCP) supervision will differ from the Commodity Futures Trading Commission (CFTC) as the derivatives market is "not simple".

Speaking at the FIA IDX 2019 conference in London on June 5, Patrick Pearson, head of financial market infrastructure at the European Commission said Europe had not adopted a similar hard threshold approach as the CFTC in determining the systemic risk of third-country CCPs.

"There are differences and the key differences (between the regimes) that I picked up from this morning; a hard 20% threshold – we are not doing that in Europe.

Don't wait for term rate in Libor move – FCA

The head of the Financial Conduct Authority (FCA) told participants not to wait for a term rate before moving ahead with the Libor transition.

During a briefing on Libor held at

ANDREW BAILEY

the Bank of England on Wednesday, FCA chief exec Andrew Bailey said he pleased with the progress made so far on the transition away from the fragile London Interbank Offered Rate (Libor) to the more robust Sterling Overnight Index Average (Sonia).

Given that Sonia is an overnight rate while Libor is forward looking, some participants have asked for a term rate to be developed to reflect their existing needs.

Woodford fund littered with UK's most popular shorts

Neil Woodford's now suspended flagship fund held some of the UK's most in demand stocks from short sellers, data shows.

The fund manager's Equity Income Fund, which froze investor withdrawals on June 3, held estate agent Purplebricks and loan company Amigo Holdings.

Data from IHS Markit, seen by Global Investor, shows the stocks were the most expensive UK equities to borrow due to high demand from short sellers. ■

July saw analysts warning over illiquid assets …

…in the fall-out from the Neil Woodford affair.

Funds urged to wise up on illiquid assets

Analysts have urged fund managers to monitor illiquid asset exposures more carefully given the recent troubles at several firms.

In a note to clients on July 2, researchers at Bank of America assessed exposure to illiquid assets across several asset management stocks.

It follows the recent focus on liquidity at H2O (Natixis) and the Woodford Equity Income Fund.

Neil Woodford, one of the UK's best-known stock-pickers, gated his flagship fund in June after being overwhelmed with demands from investors wanting to withdraw their cash in the wake of a series of poor market bets.

Experts back FCA crypto-approach

Cryptocurrency experts have backed the Financial Conduct Authority's (FCA's) proposed ban on retail customers trading cryptocurrency derivatives, saying the market needs to prove that it can solve the issues raised.

The UK financial markets watchdog said on July 3 it was consulting on a proposed to ban the sale of crypto-derivatives to retail consumers, claiming they are "ill-suited" to participants who can't fully assess the risks.

The regulator said it was concerned that retail consumers are unable to reliably assess the value and risks of derivatives and exchange-trade notes that reference crypto-derivatives which exposes them to "harm from sudden and unexpected losses".

Industry calls out post-Brexit position limit burdens

Market participants are questioning whether the position limits regime may be too burdensome for less liquid EU markets post-Brexit, trade bodies have said.

On July 5, the Futures Industry Association (FIA), International Swaps and Derivatives Association (Isda) and the Global Financial Markets Association (GFMA) published a joint response to the EU financial markets watchdog's call for evidence on position limits, highlighting market participants' concerns about the regime post-Brexit.

Notional value "a poor measure" of swaps activity - Quintenz

A Commodity Futures Trading Commission (CFTC) commissioner said notional value is a "poor measure" of activity in the swaps market following the publication of a report on the swap dealer de minimis exception.

On Monday, the CFTC published its staff report following a study into alternative metrics for the calculation of the swap dealer de minimis threshold.

The CFTC adopted a $8 billion gross notional de minimis threshold in November 2018 - meaning firms with swaps activity above that amount would be required to register as a swap dealer, and comply with the regulatory requirements associated with it.

Esma to address Emir refit, Mifid II misalignment

The European Securities Markets and Markets Authority (Esma) has said it is looking to address the misalignment between Emir Refit and Mifid II that is creating challenges for small and non-financial counterparties.

On Friday, Esma said it plans to produce a report, to be submitted to the European Parliament by December 2020, seeking to align Emir clearing obligations with the Mifid II trading obligation to alleviate implementation challenges for financial and non-financial counterparties.

The Emir Refit regulation came into force on June 17 and aims to simplify the first version rules that introduced a clearing obligation for certain firms as part of efforts to make the over-the-counter derivatives markets more transparent.

Asia, Europe should get ahead in UMR queue – BNY

BNY Mellon's head of collateral segregation has said that Asia and Europe should "get ahead in the queue" and find their uncleared margin rules (UMR) service provider before US clients take up all the onboarding capacity.

Given that the US impacted clients are already lining up their service providers now, it is possible that by the time the European and Asian participants do their calculations in March and June next year that some of their preferred service providers could be full in terms of onboarding capacity. ■

August saw trade bodies coming together to develop a master reporting document ...

...prompted by similarities between different sets of European rules

Industry risks "benchmark-ageddon" in 2022 – legal expert

Two major benchmark reforms are set to kick in at the beginning of 2022 with potentially severe consequences for those that do not prepare for both at the same time, an expert has warned.

On January 1, 2022 the EU Benchmarks Regulation (BMR) is set to go-live after a delay, banning EU firms from using unauthorised benchmarks from the same day as banks will no longer be mandated to submit to the Libor rate.

"Without the right preparatory work there is the potential for 'benchmark-ageddon' because you are going to have lots of things happening at the same time," Will Hallatt, Hong Kong-based partner at law firm Herbert Smith Freehills and head of financial services regulatory practice in Asia, told FOW.

Short seller Muddy Waters targets Burford Capital

Shares in Burford Capital, a UK-listed litigation finance fund, have plunged after aggressive short seller Muddy Waters accused the company of "egregiously misrepresenting" its returns.

On August 7, Burford's stock had slumped by more than 40% during mid-morning trading after analysts at the research firm claimed the company is a "perfect storm" for an "accounting fiasco."

The report states: "Burford is a fund that invests in an illiquid and esoteric asset class, which few investors can understand well. By remaining listed on AIM despite being a midcap company, the company's disclosure requirements are lighter than they would be for the main board – and far lighter than they should be."

Companies do not fail because of short sellers - Gotham

Notorious short-seller Gotham City Research has waded into the row between UK litigation fund Burford Capital and Muddy Waters, saying the latter should be applauded for its work.

Shares in Burford Capital plunged last week after short seller Muddy Waters accused the company of "egregiously misrepresenting" its returns.

In a forceful rebuttal, which spurred Burford's shares to recover on August 8, the UK-listed firm described the document as false and misleading.

Stock loan, derivs groups plan "master reporting" agreement

The top derivatives and securities finance trade bodies are drawing up a new master reporting document prompted by similarities between different sets of European rules.

The International Securities Lending Association (Isla) announced on August 15 that is is working with the Futures Industry Association (FIA) and International Swaps and Derivatives Association (Isla) on a standard reporting template.

"The purpose of the new agreement is to provide for both mandatory and delegated reporting of securities financing transactions under Securities Financing Transactions Regulation (SFTR), and derivative transactions under European Market Infrastructure Regulation (Emir) entered into under standard industry documentation," Isla said in a statement.

Industry split over Libor-end trigger

The derivatives industry is divided over whether and how to implement a so called "pre-cessation" trigger to mark the end of Libor.

On Friday, the International Swaps and Derivatives Association (Isda) published its preliminary results of a consultation on a pre-cessation trigger to mark the "non-respresentativeness" of Libor for derivatives.

The pre-cessation trigger could be written into contracts to be applied when the Financial Conduct Authority (FCA) determines that Libor is no-longer a representative benchmark.

ICE to acquire "the VIX for Bonds"

The Intercontinental Exchange (ICE) has agreed to buy a family of indices from the Bank of America Merrill Lynch two years after landing the investment banks' index platform.

On Monday, the Atlanta-based exchange giant said it has agreed to acquire the Merrill Lynch Option Volatility Estimate (MOVE) family of indices from Bank of America Merrill Lynch (Baml).■

September had Intercontinental Exchange taking its first step...

... into the Middle East with an Abu Dhabi-based exchange

ICE takes first step into Middle East

The Intercontinental Exchange (ICE) has made an application for a new Market Identifier Code for a new exchange called ICE Futures Abu Dhabi, representing the exchange's first major venture into the Middle East.

An application was made to the International Organization for Standardization (ISO) in September 2019, for an exchange with the market operating name "IFAD" and the note: "Electronic platform to trade futures and options products."

Banks to see SFTR costs climb into single digit millions

The cost of meeting upcoming stock loan and repo reporting rules is likely to exceed \$5 million (£4 million) for lending desks at major banks while borrowers will likely spend more, according to predictions.

Global Investor spoke to market experts to gather price estimates associated with implementing the EU's Securities Financing Transactions Regulation (SFTR) reporting requirements, due in April 2020.

"It depends on the business model, products, size and volumes," one executive told Global Investor.

European exchanges to align on corporate actions

The major European exchanges, Eurex Deutschland, Euronext, ICE Futures Europe, Nasdaq Stockholm, Borsa Italiana and BME Group, are to formalise and further align their treatment of corporate actions through the formation of a committee.

The European Corporate Actions Committee (ECAC) was formed this month to prevent market destabilization from occurring due to different treatment of corporate actions, such as mergers and takeovers, between derivatives exchanges.

A spokesperson for Spanish exchange BME Group told Global Investor: "After several years of collaboration between the European derivatives markets and some periodical meetings, it was made the decision to give a formal structure to the meetings."

Eurex Clearing to launch 100% discount as Brexit competition intensifies

Eurex Clearing is to offer a 100% discount on booking fees for portfolio switches in over-the-counter (OTC) derivatives, as the Deutsche-Boerse-owned clearing house steps up its bid to lure clearing business from the City of London.

The incentive program, designed to encourage participants to migrate their OTC interest derivatives positions, specifically existing OTC Interest Rate Swaps and Overnight Index Swaps, will be available from today until the end of 2019.

"We see very competitive euro swap execution prices, and market participants can also take advantage of secondary benefits like lower funding costs," said Matthias Graulich, member of the Eurex Clearing executive board in a statement.

FCA's Bailey flags Brexit derivs issues

The chief executive of the Financial Conduct Authority (FCA) has said European firms losing access to UK liquidity if the EU and UK fail to agree equivalence in the event of a no-deal Brexit would harm both Europe and the UK.

On September 16, Andrew Bailey, the chief executive of the FCA highlighted remaining Brexit issues in the derivatives market, warning that the absence of equivalence with EU's Derivatives Trading Obligations (DTO), EU and UK markets would be harmed in a no-deal Brexit.

Trade bodies raise "skin in the game" concerns to CFTC

The Futures Industry Association (FIA) and International Swaps and Derivatives Association (Isda) have raised "skin in the game" concerns regarding a Commodity Futures Trading Commission (CFTC) consultation.

The FIA and Isda issued on September 13 a joint response to the CFTC's consultation on amendments to derivatives clearing organisation (DCO) Core Principle Regulations.

Whilst being supportive of many of the proposed amendments, the trade bodies said the US commission should re-propose the requirement for the amount of resources a DCO should hold. ■

October saw the Bank of England publish data that prompted …

… a suggestion that "inertia" was affecting the migration from Libor

LGIM picks Euroclear to settle UK funds

Legal & General Investment Management (LGIM) has chosen Euroclear UK & Ireland's (EUI's) CREST investment fund service to automate settlements for its UK investment funds.

As of June 30, LGIM holds £1.1 trillion of assets under management, making it one of Europe's largest asset managers.

The London-based CREST investment fund service delivers end-to-end automation from order placement to settlement and asset servicing.

"Inertia" is hampering Libor transition - expert

The finance industry is "showing signs of inertia" in its migration away from the flawed Libor lending rate, according to a legal expert reflecting on disappointing data from the Bank of England.

The Old Lady published on Tuesday a note that showed the value of new contracts issued referencing Libor increased to $25 trillion in August 2019 compared to £21 trillion in April 2018.

This means the value of contracts that will need to "transition" from Libor to Sonia at the end of 2021 when Libor is terminated is increasing, which is not what UK regulators wanted to see.

Apex lands fund admin mandate

Apex Group announced it has been chosen by global investment holding company, Duet Group, to deliver full depositary and fund administration services for its Africa strategies.

Duet Group, which was founded in 2002, manages money for institutional investors such as pension funds, sovereign wealth funds, investment banks and insurance companies as well as retail investors.

The firm has a portfolio of products with liquid funds which includes Frontier Markets Equity, Multi-Strategy and Global Event Driven.

Post-trade fintechs to prosper from SFTR

The implementation of new stock loan and repo reporting rules will provide a healthy revenue uptick for post-trade providers, according to capital markets consultancy Opimas.

In a September research report, Alex Pierron predicted the phased introduction of the EU's Securities Financing Transactions Regulation (SFTR) will drive revenues for back office tech firms.

HKEx ends LSE pursuit

Hong Kong's stock market operator HKEx has decided to abandon its bid for the London Stock Exchange Group (LSEG).

The proposed takover, worth £32 billion ($40 billion), was knocked back by the UK exchange on September 13 which cited "fundamental flaws" and said it saw "no merit in further engagement" with HKex.

Responding to the news, LSEG said it remains committed to and continues to make good progress on its proposed acquisition of Refinitiv.

US regulators approve Volcker changes

In a joint statement, the Office of the Comptroller of the Currency (the OCC), the Federal Reserve System, the Federal Deposit Insurance Corporation, the Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC) approved changes to the Volcker Rule.

Banking entities have a year to adapt to the changes, which rollback some of the constraints placed on banks' proprietary trading activities after the financial crisis. ■

November was the month that HSBC launched a fund ...

... that gives investors access to the Chinese government bond market

China drains ¥590 billion from banking system

China's central bank, the People's Bank of China (PBOC), drained ¥590 billion ($84.3 billion) from the banking system this week, the largest weekly withdrawal since February.

The central bank opted to skip market operations via reverse repos this week, stating the system had reasonably sufficient liquidity.

Between Monday and Friday, a total of ¥590 billion of reverse repos matured, resulting in the PBOC withdrawing the same amount from the banking system.

Saudi, Egypt, Kuwait offer best value in Gulf – panel

Saudi Arabia, Egypt and Kuwait offer the best opportunities and greatest value for investors in the Middle East and North Africa (Mena), according to panellists.

Speaking at Global Investor's Mena Asset Management and Trading Summit in Dubai, asset managers outlined the potential opportunities in these markets, while explaining why the UAE could be struggling in comparison.

Shakeel Sarwar, head of asset management at SICO, said on Wednesday: "I think the best value for the next twelve months is probably Egypt. The second market with the best value is Saudi Arabia, as it has the most liquidity and debt in the region. The third market, I think, in the next six to twelve months is Kuwait, which is probably one year behind Saudi Arabia."

HSBC launches China government bond fund

HSBC Asset Management has launched a fund which will grant investors access to China's government bond market in a cost-efficient way, the bank said in a statement.

The HSBC China Government Local Bond Index Fund will track the performance of the Bloomberg Barclays China Treasury and Policy Bank 9 percent Capped Bond Index.

US specials return sees sec lending growth

Global securities lending revenues for the third quarter of 2019 were $2.6 billion (£2 billion), according to data from IHS Markit. The revenue haul was 4.7 percent higher than the figure recorded in Q3 2018 and makes the latest period the first quarter of 2019 to deliver year-on-year revenue growth.

In its latest update, IHS Markit said "increasing demand" for hard to borrow equities in the US and Canada resulted in the highest quarterly revenue for North American equities since 2008 ($1.1 billion).

MarketAxess completes US govt bond move

Nasdaq-listed fintech firm MarketAxess has completed the acquisition of US Treasury trading platform LiquidityEdge, previously announced on August 13.

In a statement released yesterday, November 4, the trading platform revealed the purchase was completed on November 1 after it had received approval from the necessary regulatory authorities.

Intertrust completes ABN escrow, settlement deal

Fund services provider Intertrust has announced the completion of its ABN AMRO's escrow and settlement business acquisition.

The acquisition was revealed on February 7, and the ABN AMBRO business will now be rebranded into Intertrust. The acquisition involves no job cuts and 20 people have moved from ABN to Intertrust, a spokesperson from the firm confirmed. ■

December saw Charles River Development land State Street …

… a mandate from LGIM to streamline its trading operations

CFTC sets sights on clearing, market structure

US derivatives regulator the Commodity Futures Trading Commission has created two sub-committees to focus on central counterparties and market structure, reflecting the increasing importance of these issues.

The Washington-based agency said in a statement late on Monday its commissioner Rostin Behnam, who sponsors the Market Risk Advisory Committee, had established the two committees to advise the MRAC.

SNB scraps minimum reserves on non-bank repos

The Swiss National Bank (SNB) announced that repos with non-banks will "no longer be subject to minimum reserve requirements" on November 3.

In a memo seen by Global Investor, the central bank said it is "taking account" of the of growing importance of non-banks in the Swiss franc repo market, while ensuring that different types of repo transactions are being treated equally.

Charles River lands mandate for LGIM

Legal and General Investment Management (LGIM) has chosen State Street's Charles River Development to streamline its global trading operations.

LGIM holds £1 trillion of assets under management and already uses cloud-based Charles River Investment Management Solution (Charles River IMS) for its trade compliance tool.

China to drop foreign ownership restrictions

China is set to drop restrictions on foreign companies owning Chinese futures firms from early next year.

Fang Xinghai, vice chairman of China Securities Regulatory Commission (CSRC), confirmed in a speech the current restrictions on foreign companies owning Chinese futures firms will be lifted at the start of next year.

Speaking at the China Futures Association's 15th annual event in Shenzhen, Fang said: "The CSRC has announced that starting from January 1, 2020, futures companies will lift restrictions on foreign shareholding ratios. This is our specific measure to further expand the opening-up and deployment of the financial industry to the Party Central Committee and the State Council."

Eurex to boost ESG coverage in early 2020

German exchange Eurex has detailed plans to expand its environmental, social and governance (ESG) futures coverage after signing deals with two index firms.

The Frankfurt-based exchange said in a statement on Thursday it will launch early next year futures based on the STOXX USA ESG-X index and various regional MSCI ESG Screened indexes.

CME to hike market data fees by a third

CME Group has told clients it will hike some of its market data fees by a third next year, reigniting a long-running row between exchanges and their customers over market data.

The Chicago-based group said in a client notice seen by FOW that it will raise its real-time wallboard market data fee by one third to $500 from its current level of $375 on April 1 2020. ■

Trading Places: 2019 Review

An overview of the key people moves in the sectors that matter to you.

JANUARY:

Tomlinson gets global trading role at BNY Mellon

Simon Tomlinson took up the role of global head of equity and fixed income finance trading at BNY Mellon, Global Investor understands.

His previous role was managing director, regional head of equity finance trading.

London-based Tomlinson is also a board member of the International Securities Lending Association (Isla).

Tomlinson replaced former securities finance trading head at BNY Mellon, Rob Chiuch.

Euroclear makes addition to CSD boards

Euroclear has appointed Willem Meijer to the boards of directors of its national central securities depositories in continental Europe, the post-trade operator announced.

Meijer will sit as an independent director on the boards of Euroclear Belgium, Euroclear France and Euroclear Nederland, collectively known as the Euroclear Settlement of Euronext-Zone Securities (ESES) CSDs.

Meijer, who participates in various fintech projects, was appointed director and mediator by the Amsterdam Court of Appeal's enterprise division.

Cboe president Concannon departs for MarketAxess

Cboe president and chief operating officer Chris Concannon left the firm to take on the same roles at fixed-income trading firm MarketAxess.

Cboe confirmed that Concannon, who joined Cboe in 2017 as part of the Bats acquisition, will leave on January 14.

In a separate statement issued by MarketAxess, it was announced that he will assume the president and chief operating officer roles within the firm, reporting to chief executive officer Rick McVey, from January 22.

FEBRUARY:

Awad quits Deutsche for ANZ

Securities finance specialist Giselle Awad joined Australian bank ANZ in Sydney.

The former Deutsche Bank executive arrived at ANZ on February 18 as director in the financial institutions sales business, reporting to Charles Evans, head of funding & middle markets.

For the last four years, Awad was responsible for Deutsche Bank's agency securities lending and repo business in Asia Pacific.

Prior to that she held roles with eSecLending, RBC & Goldman Sachs.

Eurex hires Xing for equity derivs sales

Eurex has hired Taotao Xing from Singapore Exchange (SGX) to boost equity derivatives sales.

Xing has joined the Deutsche Boerse-owned derivatives exchange's London office as a senior vice president for equity derivatives sales.

She moves from SGX's London office, where she was an associate director focusing on market development and international client relationship management for almost three years.

Prior to that she spent one year as a commodity sales trader at China Merchants Securities, based in London.

CUSTODY

Citigroup names China regional heads

Citigroup's China unit has named the new heads of its markets and securities services division.

Ji Yang, who has built out Citi's corporate business in the country, is now head of markets and securities services. He reports to Stuart Staley, head of markets & securities Services for Citi Asia Pacific.

Vicky Tsai has been named as head of securities services, reporting to Harry Peng, head of prime, futures and securities services) for Hong Kong and China.

JI YANG

VICKY TSAI

MARCH:

Collateral expert Corral in second spell at JPM

Collateral expert Ed Corral returned to JP Morgan after a decade at Morgan Stanley, Global Investor can reveal.

The New York-based executive re-joined the bank as a managing director.

He is focussing on product strategy and arrives as increasing numbers of entities will soon be required to meet initial margin regulations.

His responsibilities included managing the bank's collateral for OTC derivatives, CCP postings, repo and stock loan.

Vos, Slater to replace Neal at BNY Mellon Markets

Adam Vos and James Slater will become co-heads of BNY Mellon's Market business following the departure of Michelle Neal.

New York-based Neal is leaving the US custodian to join RBC at the beginning of June.

She is tasked with expanding RBC's US fixed income business and will report to the bank's global head of FICC, Jonathan Hunter.

Neal joined BNY Mellon at the end of 2015.

Cinnober chief Peter Lenardos resigns

Cinnober chief Peter Lenardos has handed in his resignation after six months in the position.

On March 4, Lenardos handed in his resignation which is effective from the close of business on March 29.

"My tenure as Cinnober's CEO has been an eventful one! Working in our three offices, visiting our clients around the world, and pursuing new business opportunities allowed me to take 72 flights and fly 115,773 miles (4.65x around the world in just 203 days!).

"It has been worth it, and the results we produced as a team speak for themselves," Lenardos said in a LinkedIn post.

Lenardos took over from Veronica Augustsson as chief executive officer in August 2018, after serving as chief financial officer for only two months. Prior to that he was a senior financial advisor at the firm.

APRIL:

ED&F Man shuts UK equity finance desk

ED&F Man is shutting its UK equity finance business, Global Investor can reveal.

The brokerage firm will cease its securities lending and financing offering after a board-level decision at the end of March to close the unit.

The division catered to hedge funds and proprietary trading firms and employed around 15 members of staff.

"We can confirm that we are closing down our equity finance business; this is a commercial and strategic decision that allows us to focus on our core listed exchange business in London," a spokesperson told Global Investor.

Marex metals COO Kevin Nutt departs

The chief operating officer of Marex Spectron's metals division, Kevin Nutt, has left the firm after fifteen years.

Nutt has left the London-based commodities broker where he was COO and head of product development of the metals division since 2015.

He joined in 2004 as head of credit risk, market risk and margins and was then chief risk officer for over 11 years.

ASSET MANAGEMENT

Northern Trust names Ireland head

Northern Trust has named Melíosa O'Caoimh as country head, Ireland.

O'Caoimh, who has been at the firm since 2003, succeeds Clive Bellows, who in late-2018 was appointed as head of global fund services for Europe, the Middle East and Africa.

Reporting to Bellows, O'Caoimh is responsible for all asset servicing business activities conducted from Northern Trust's Dublin and Limerick offices.

During her career at the Chicago-headquartered bank, she has held senior roles including head of relationship management and chief operations officer.

MAY:

IHS Markit hires Damas-Shaw from JPM

Monica Damas-Shaw has joined IHS Markit from JP Morgan.

The New York-based executive is working within the firm's securities finance division as a product manager, overseeing solutions and services for beneficial owners in the Americas, the company announced.

She previously served as a vice president at JP Morgan, directing securities lending programs for major clients.

Prior to that, she was as a vice president at Credit Suisse where she managed institutional client relationships, including public and corporate pension plans and US mutual funds.

Damas-Shaw will report to Kabin George, global head of product management for IHS Markit Securities Finance.

Stuart Connolly replaces Husk as CloudMargin chief

Fintech CloudMargin has appointed former TriOptima chief Stuart Connolly to run the firm as Steve Husk steps down as chief exec after three years.

Connolly joined the London-based fintech on June 3 replacing Husk, who joined when the firm was a start-up.

Husk originally joined CloudMargin as executive chairman in October 2015 before taking on the chief exec role in the spring of 2016.

FIA appoints Deutsche's Savage to run Europe

Futures trade body FIA is set to appoint Bruce Savage, Deutsche's global head of regulatory affairs, to run its European arm, according to sources.

Savage, who was latterly Deutsche's global head of regulatory affairs and market structure for listed derivatives and clearing, is said by sources to have resigned from his position in the past week.

He is leaving Deutsche Bank after 21 years to become the FIA's new head of Europe, replacing the former European head Simon Puleston Jones who quit that post after three years in January, sources have said.

JUNE:

Pirum hires collateral, stock loan expert Bastin

Securities finance post-trade vendor Pirum has hired Michelle Bastin.

The London-based executive joined the firm in June as a business support specialist, Global Investor understands, having most recently worked at HSBC for over four years.

Earlier in her career Bastin spent close to a decade at Lehman Brothers as a director focused on collateral management. She then spent two years at Nomura between 2009-2011, helping to merge the Nomura and Lehman Brothers collateral teams.

Her expertise covers collateral management, equity finance, billing, risk and product development.


TOM GARDNER

BNP Paribas hires Gardner for sec services sales role

BNP Paribas Securities Services has hired Tom Gardner as head of asset managers, asset owners and alternative investors sales for UK, Middle East and South Africa.

A statement from the French bank said Gardner will be responsible for new sales with institutional investors across the respective regions and markets.

He joined BNP Paribas from eFront, a software provider to alternative investors, where he was chief sales officer.

Marketing head Grob exits ION

ION Markets' chief marketing officer Steve Grob has left the company less than a year after his former firm merged with rivals.

Grob had been at London-based tech firm Fidessa for almost fourteen years before it was acquired by Dublin-based rivals ION in a £1.5 billion deal last year.

Grob joined Fidessa back in November 2004 and was director of group strategy.

He was responsible for the strategic development of four global service lines providing automated solutions across cash equities and derivatives, for the buy and sell-side.


STEVE GROB

JULY:

RBC I&TS boss Harry Samuel to exit

The CEO of RBC Investor & Treasury Services (RBC I&TS), Harry Samuel, is leaving the Canadian bank in a move which will see Francis Jackson take on a larger role, Global Investor can reveal.

London-based Samuel, who first arrived at RBC in 1989, is understood to have exited the firm in mid-July.

A spokesperson for RBC I&TS confirmed the change.

Francis Jackson, who is currently head of global client coverage and also based in London, has been named CEO of Investor Services.

Sourigon lands top sec finance job at Natixis

Simon Sourigon has replaced Anand Krishnan as global head of securities finance at Natixis, Global Investor can reveal.

Sourigon is relocating to New York from Paris to take over from Krishnan, who has resigned to set up his own business, according to sources.


ANAND KRISHNAN

DERIVATIVES

ICE taps ex-Curve Hamilton as Rhodes exits

Intercontinental Exchange (ICE) has appointed ex-CurveGlobal Steve Hamilton to replace global head of financial derivatives Chris Rhodes when he leaves this month.

Rhodes is set to leave the exchange mid-July to join London-based prop firm Tyler Capital at the end of summer.

He returns to the prop world having joined from Arc Derivatives, where he was a senior trader until tapped by ICE in February 2015.

Rhodes was initially hired as head of interest rates to boost trading in the segment following the migration of products from the NYSE Liffe platform to ICE systems.


STEVE HAMILTON

Krishnan was responsible for developing and leading all securities finance activities at Natixis, including equity finance and repo.

Those responsibilities now fall to Sourigon, who has worked for the French bank for over 15 years.

AUGUST:

BNP Paribas agency lending chief exits

Adnan Hussain, the global head of agency lending at BNP Paribas, has left the French bank.

The London-based executive was hired by BNP Paribas Securities Services at the end of 2017 to run the bank's agency securities lending business.

At the time, he relocated from Toronto after leaving his role as global head of client management, securities finance, at RBC Investor & Treasury Services.

Global Investor understands Hussain left BNP Paribas at the start of August.

TP Icap appoints Planquart to run Europe

TP Icap has promoted former Citigroup veteran Michel Planquart to a newly created position running its EMEA business.

London-based interdealer broker TP Icap has appointed Planquart as regional chief executive officer for TP Icap EMEA as of August 1.

He moves from his former position as global head of customer relationship management, which he held since joining the firm at the beginning of last year.

Planquart joined TP Icap from Citigroup where he spent almost 20 years in various roles – the most recent of which being head of futures sales for EMEA, and EMEA head of client executives within the US bank's Investor Services division.

HSBC hires sec services exec from StanChart

HSBC's fund services arm has hired Anastasia Aurol from Standard Chartered.

Aurol, who is based in New York, joined HSBC Securities Services in July as a vice president, covering China business development.

She will report to Elizabeth Arnall, the bank's head of asset owners and asset managers business development, Americas, and functionally to Patrick Wong, the head of the same unit in China.

A note from HSBC said Aurol will be responsible for helping drive China business development growth within the Americas asset owners and managers client segment.


ADNAN HUSSAIN


ANASTASIA AUROL

SEPTEMBER:

Scotiabank hires Fahmy in London

Omar Fahmy has joined Scotiabank's prime services division in London.

The executive arrived at the Canadian bank in September to take up the role of associate director, prime services at Scotiabank.

He joins having spent the last four years working as a director at Deutsche Bank Securities in London.

Prior to Deutsche Bank, Fahmy spent nearly a decade at Credit Suisse where he was a vice president focused on securities lending.

Northern Trust CFO steps down

Northern Trust announced the departure of chief financial officer (CFO) S. Biff Bowman, effective January 1, 2020, after 35 years at the firm.

Bowman will remain with the bank until February 28, during which he will hand over his responsibilities to his successor, Jason Tyler.

Prior to becoming CFO in 2014, Bowman held leadership roles at Northern Trust as head of human resources, head of the Americas region for the corporate & institutional services business unit and chief executive officer for Emea.

SGX to hire ex-RJO saleswoman Patimova

The Singapore Exchange is set to hire former RJ O'Brien and LME saleswoman Elena Patimova to drive European sales of the Asian market's derivatives products.

Patimova, who left the London-based arm of US broker RJ O'Brien in August, is set to join SGX's London-based European team on Monday September 9 following a search led by David Robinson of executive recruitment firm Sheffield Haworth.

Patimova will report to Alex Lenhart, SGX chief representative in the US and UK.

ELENA PATIMOVA

JAY CAAUWE

OCTOBER:

Jefferies hires US sec lending head

Jefferies has hired former Goldman Sachs executive Shawn Byron.

New York-based Byron joined the brokerage unit of Jefferies on October 1, Finra records show.

He will take up the role of head of US securities lending, Global Investor understands.

Byron was a senior securities lending executive at Goldman before he left the bank in 2018 after more than two decades.

At Jefferies, he reports to John Laub, head of prime brokerage.

State Street to open office in Saudi Arabia by 2020

State Street plans to open an office in Saudi Arabia in the first half of 2020, subject to regulatory approval, the bank told Global Investor.

Oliver Berger, head of the MENA region at State Street told Global Investor: "Saudi is a very exciting opportunity in the region under vision 2030, as there's a lot of social and economic changes in the Kingdom and they are on their way to transforming from an oil-based economy to more of a service-based structure."

Cboe's Caauwe leaves to set-up cannabis consultancy

Cboe Global Markets' senior managing director Jay Caauwe has left the Chicago-based exchange group after nearly 16 years to set-up a cannabis consultancy.

Caauwe, who joined Cboe in 2004 as a senior business analyst before becoming the firm's director of business development in 2006 and senior managing director in 2011, left the group in recent weeks.

A spokesperson for Cboe Global Markets said: "Jay has played an instrumental role in promoting the Cboe Futures Exchange's roster of volatility products based on the Cboe Volatility Index to both our sell-side and buy-side clients."

NOVEMBER:

Aviva Investors appoints head of sec lending

Ben Meaden has been appointed head of securities finance trading at Aviva Investors, the company has confirmed to Global Investor.

This is a new role created by the firm and London-based Meaden takes it after having been with Aviva Investors for more than sixteen years as a securities finance trader.

The new securities lending head started his career with Maple Securities in May 2003, but was only there for three months before joining the insurer's asset management arm.

BNY hires head of sales from State Street

BNY has announced the hire of Jane Mancini as head of sales for asset servicing in the Americas.

Based in Boston, she will be responsible for leading sales and business development for the custodian's asset servicing business in the US, Latin America, and the firm's CIBC Mellon joint venture in Canada.

Emily Portney, head of asset servicing for the Americas, commented: "Jane brings a unique combination of skills to the firm. Her robust experience, deep client relationships and outstanding leadership will be invaluable as we continue to advance our strategic dialogue with clients and enhance our suite of innovative solutions."

Cboe European chief Hemsley to retire

Cboe Global Markets has said its European chief Mark Hemsley will retire early next year to be replaced by his number two David Howson.

The US group that operates exchanges in the US and Europe said Hemsley, who has been with the firm for 11 years and currently is the executive vice president of the group and president of Cboe Europe, will retire at the end of February next year.

Hemsley said in a statement: "Announcing my retirement is bittersweet as the last 11 years have been the most rewarding of my career. I am proud to have worked with an outstanding team to help bring competition and innovation to European capital markets."


JANE MANCINI

DECEMBER:

HSBC's global head of equity finance departs

HSBC's global head of equity finance and Delta One, Karl von Buren, left the bank at the end of December, Global Investor understands.

The London-based equity finance head had been with the bank for almost 23 years, although the reason for his departure has not been confirmed.

It was understood that Loic Lebrun will replace von Buren as interim global head of equity prime, effective January 1 2020.

State Street names chief information officer

State Street has appointed Brian Franz as chief information officer (CIO), effective January 2020.

He will report to Lou Maiuri, chief operating officer (COO) and become a member of the bank's management committee which is its strategy and policy making group, the bank said in a statement.

Based in Boston, he takes over from Antoine Shagoury who served in the role for four years.

LCH SwapClear hires COO from Citadel

SwapClear, the world's top swaps clearing house, has hired Matthew Fetta as its new chief operating officer from Citadel Asset Management.

Fetta was appointed chief operating officer (COO) of SwapClear and listed rates at LCH, which includes the clearing side of Curve Global, the interest rate futures venue operated by the LSE Group which owns LCH.

Fetta was most recently deputy COO of Citadel Asset Management's Global Fixed Income group, working on the firm's Macro and Fixed Income fund. ■

ED&F's Gary Pettit raising awareness of prostate cancer

Gary Pettit has in the past 30 years built a reputation as one of the best and best-known brokers in London yet the ED&F Man commercial director has in recent years taken on the role of ambassador for Prostate Cancer UK, drawing on his own experience after he was diagnosed with prostate cancer in 2012.

Gary is now one of the many public faces working hard to raise awareness and funds for the fast-growing British charity, using his own experience of surviving cancer to inspire other men to get themselves checked out.

His story is exceptional. Gary only discovered he had prostate cancer due to a random medical when he switching jobs, without which he probably would not have known about the disease until it was too late. And he only switched jobs because the company he had previously been working for (MF Global) went bankrupt, leaving him and his team seeking a new home.

Mindful of how lucky he was, Gary is working hard with Prostate Cancer UK to ensure more men like him do not need luck in the future.

Speaking to Global Investor, Gary, currently the commercial director and global head of financial futures and options at ED&F Capital Markets, reflects on his relationship with prostate cancer which started in late 2011.

He said: "It all came about when I left MF Global to join ICAP in 2012. We were shifting a lot of brokers and, for one reason or another, they asked me to do a medical."

Gary was the global head of financial futures and options at MF Global when that broker went bankrupt on October 31 2011.

Pettit and his financial futures and options broking team were among the best in London so it was perhaps only a matter of time before they found a new home. In typically opportunistic fashion, ICAP offered the best terms so Pettit and his team starting moving to the London-based inter-dealer broker from December 2011.

As part of the move, ICAP was asked Gary to do a medical, which was then and remains today fairly unusual.

Gary, who was 43 and "fit and healthy" at the time, said: "I'd not had one [a medical] for a good few years but it was something that I wasn't too worried about. I was happy to do it so I went and had the medical. They did a blood test and this showed that my PSA (Prostate Specific Antigen) levels were very high."

Pettit, perhaps like most men in that situation, was not overly worried: "I didn't think anything of it at the time, partly because I didn't know what PSA levels were. From there I was referred to a specialist who did more tests and took some samples and things like that. I got a call about two weeks later sitting at work from the specialist who said: "All your checks have come back and you've got prostate cancer."

Through the efforts of people like Pettit, his fellow ambassadors and the team at Prostate Cancer UK, there is more awareness of prostate cancer now but, as little as eight years ago, ignorance was the norm.

Pettit said: "That completely blew me away, partly because I didn't know

"I felt awful, I was shocked and then, of course, you've got to tell the family. And then there are the questions: Has it spread anywhere? What do you know about it? That was tough but, being pragmatic, you've got to go and deal with the situation."

Gary Pettit: Ambassador for Prostate Cancer UK

what prostate cancer was - I didn't even know where the prostate was.

"I felt awful, I was shocked and then, of course, you've got to tell the family. And then there are the questions: Has it spread anywhere? What do you know about it? That was tough but, being pragmatic, you've got to go and deal with the situation."

Pettit said he decided to "face it head on" and immediately engaged with the specialists over what were the options for treatment.

"So I went to see a specialist who said these are the alternative treatments: so you can go radical and have a prostatectomy, which is basically where it all comes out, radiation treatment or a high-frequency treatment that was only just coming out at that time."

He continued: "I chose to the radical options to have it out, which was probably lucky in hindsight. When I first went to the hospital, they said to me three of the eight samples I gave were cancerous. Three weeks later when I went into the hospital to have the operation, all of the samples I gave were cancerous."

The implication was that, with the cancer developing fast, Gary was very lucky that the problem was identified before the cancer had spread to other organs, which might have been terminal.

He continued: "I'd already made the decision what type of treatment I was going to have but when you hear that, you know that was the right decision. I don't think I could've had a different treatment."

Ultimately, Pettit chose to have a prostatectomy because "it was the only way in my mind that I would have closure".

The procedure, as with other forms of prostate cancer treatment, has evolved radically in recent years and continues to evolve, largely thanks to the efforts of agencies like Prostate Cancer UK.

Gary underwent in 2012 an eight hour operation using numerous robotic arms being controlled by a surgeon working on a screen.

PROSTATE CANCER UK

- **More than 11,500 men die from prostate cancer in the UK each year** – that's one man every 45 minutes.
- **Prostate cancer is the most commonly diagnosed cancer in men,** and it's estimated that by 2030, prostate cancer will be the most commonly diagnosed cancer overall.
- **Prostate cancer mainly affects men over 50** and the risk increases with age. **But the risk is higher for black men or men with a family history of prostate cancer,** so they may wish to speak to their GP from age 45.
- **One in eight men will be diagnosed with prostate cancer in their lifetime. This raises to one in four for black men.**
- **Prostate cancer often has no symptoms** so men shouldn't wait to see changes before they act.
- **Anyone with concerns about prostate cancer may contact Prostate Cancer UK's Specialist Nurses in confidence** on 0800 074 8383 or online via the Live Chat instant messaging service: www.prostatecanceruk.org. The Specialist Nurse phone service is free to landlines and open from 9am to 6pm Monday to Friday, and 10am to 8pm on Wednesdays.

> "From the charity's point of view, they would like a complete national screening programme within five years and that is where a lot of their efforts are going."

"The surgery went well and the surgeon said he was very pleased with it. The surgeon was guy called Chris Ogden who is one of the pioneers of robotic surgery specialising in prostate cancer. At that time, he was doing six or seven of these a week and that was back then."

The procedure took place at the Royal Marsden Hospital in Chelsea where he rested up for two days before heading home to deal with the side-effects.

He said: "To be honest, it's not the nicest, you have to deal with all kinds of problems but these are the things that men don't talk about. It is a nightmare but, no matter what side-effects there are and I've had a few, I would still make that decision."

One major side-effect of a prostatectomy is infertility and this was discussed before the operation. "We took a decision at the time and that has come to fruition and I now had a two year-old, which is wonderful. Again, that was my naivety. I didn't realise that was a side-effect. I was 43 at the time so it was unlikely that I was going to have any more but at least we had the option."

Speaking to Gary, it is obvious the effects of the operation were tough: "Funnily enough, it is the side-effects that actually turn a lot of men off from having it done."

But he is quick to stress that the side-effects differ depending on the treatment and advances in medical science mean the effects are becoming less problematic over time.

He said: "The treatments are evolving fast. I spoke recently at the British Medical Institution and there were four professors there each talking about a different forms of treatment."

Gary went on to stress the importance of decisive intervention when faced with a disease like cancer than can spread rapidly.

I heard some horror stories in there where people had waited four or five months because they were nervous about it and weren't sure what to do by which time it was too late," he said.

Prostate Cancer, like all cancers, is a genetic disease. Currently, more than 11,500 men die from prostate cancer every year in the UK, which is one man every 45 minutes.

Amazingly, one in eight men will be diagnosed with prostate cancer in their life, while the chances for black mean are even shorter at one in four. Men over 50 are most at risk and this risk increases with age.

A family history of prostate cancer is also a sign.

Gary said: "For me, I shouldn't have been surprised that I got it. My Mum's Mum and Dad both died of cancer within six months of each other. My Uncle died of prostate cancer and my Dad, although he didn't die of bowel cancer, he had bowel cancer when he died.

"For me, it wasn't a surprise that I got it, rather the surprise was the age. The guidance is that it's men over 50 that are most susceptible to prostate cancer but, as part of my work, I travel round and meet men who have it and I met a couple of weeks ago a lad who is just 22 and he's got it. I don't think it really matters what age you are, which is why it is so important to raise awareness."

One challenge with prostate cancer is that most men in the early stages of the disease do not have any symptoms.

Pettit said: "For me there were no symptoms so I had absolutely no idea. I was fit and healthy. I'd never had any health problems so I was so lucky that I had to go for a medical which I would not have had if I were not moving jobs. The specialist told me that, with the aggression of the cancer, another three to six months and it would have been all over the place."

He continued: "I've lost people who were close to me who knew nothing about the fact they had cancer and then it was all over the place and they were gone. I was very very lucky."

And this brings us to the lesson.

"The message for men is simple: get yourself checked. There isn't a screening programme and I have heard many times that doctors are hesitant to refer men under 50 but you can have it. The PSA check is not bullet-proof but it will give you half a clue if something is wrong."

Gary said the initial test, which is basically a blood test, will give you a good idea. If the PSA levels are raised then you'll go away and have further checks.

"From the charity's point of view, they would like a complete national screening programme within five years and that is where a lot of their efforts are going," he said.

But Prostate Cancer UK feels the test used today are not good enough on their own for a screening programme so it is investing millions to try to find a more reliable test.

Pettit is quick to acknowledge the excellent work that Prostate Cancer UK has done in just a few years to raise awareness about this disease.

"I didn't know who they were before I got it but now they are everywhere, you see the banners and the adverts of the television. You see all the guys on Sky Sport wearing the badges for example," he said.

"The badges are huge. I wear one wherever I go and people are always stopping me to ask: "What's that badge for?"

As a high-profile figure in an industry dominated by men, including many in their 40s and 50s, Pettit is using his experience to convince more men to get themselves testing.

He reflects: "Anything to do with this isn't pleasant and any symptoms after aren't that pleasant either but the reality is you're alive. Looking back, I had a massive let-off. The medical when I joined ICAP was the very thing that saved my life, it's amazing when you think about it." ■

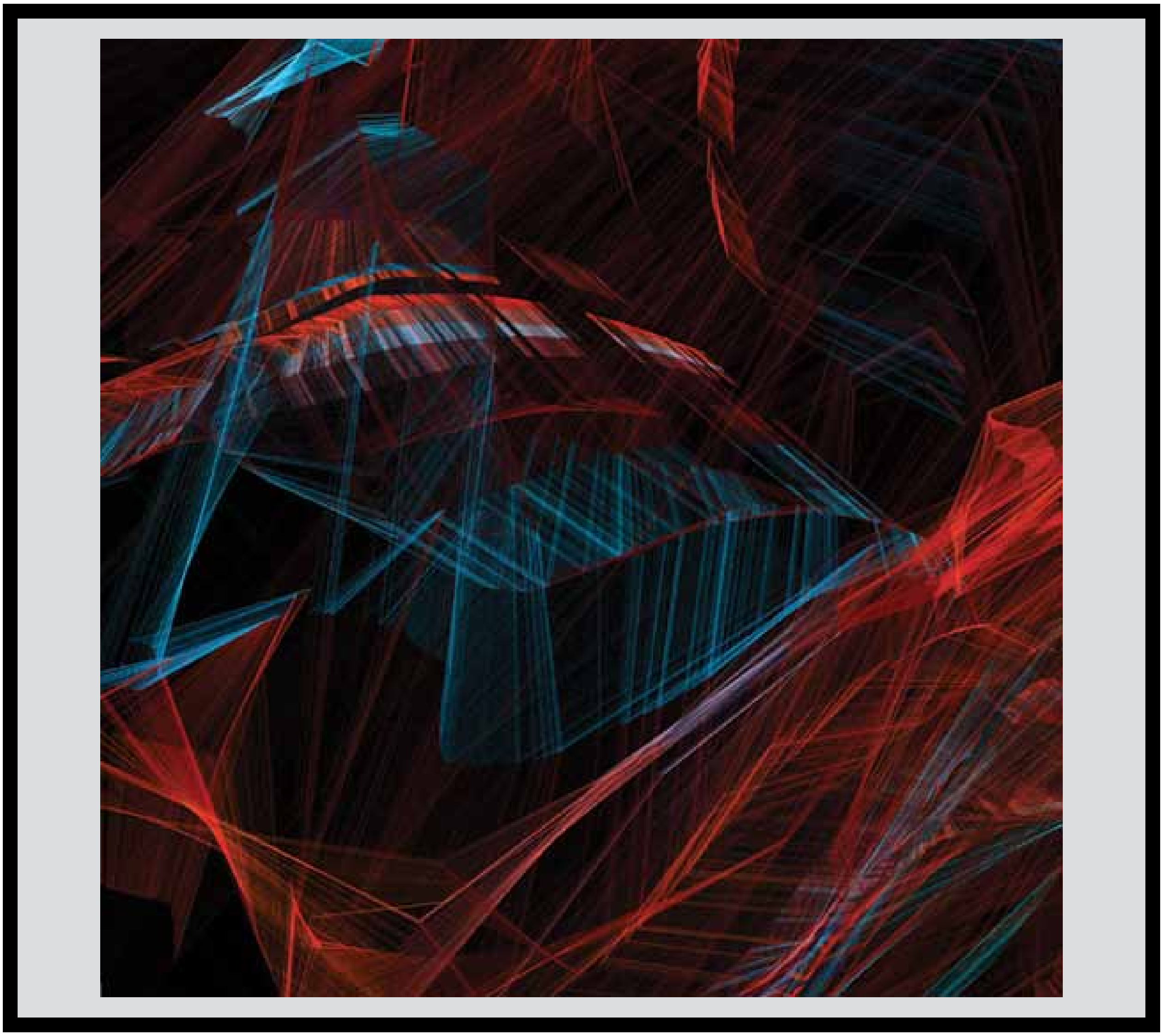
Rival chronicles trading events in art

Rival Systems, a Chicago-based technology firm, has launched its **"Art of Smart"** campaign featuring algorithmic art created using data from a particular trading event.

"Each piece of art provides a unique perspective on important events and concepts in the trading industry while illustrating our enterprise risk capabilities," said Robert D'Arco, CEO of Rival Systems.

"For example, Volmageddon (pictured) evokes a sense of speed and unpredictability, acting as a visual reminder of how quickly the market can turn and the importance of the real-time risk metrics available in our platform."

Each work of art in the campaign was created with the help of an algorithmic artist by combining different data sets with a unique algorithm. ■



State Street's Ambrosius tracks the evolution of custody

State Street started 2020 positively. The Boston-based financial services giant reported in mid-January net fourth quarter income up an impressive 61% to $704 million (£533 million) and revenue up 2% to $2.37 billion. By **Luke Jeffs**

Assets under custody and administration in State Street's asset servicing arm were up 8.7% to $34.36 trillion "due to higher end of period market levels and client flows" while assets under management in the investment management arm rose 24% to a record $3.1 trillion.

Total expenses were down 9% and headcount was down 3% or over 1,000 compared with the end of 2018

Ron O'Hanley, chairman and chief executive officer, said at the time of the earnings: "2019 began with significant industry challenges, including market weakness and increased pricing pressure. We acted aggressively to offset these headwinds, improve value to clients, stabilise revenues and reduce expenses."

He added: "As a result, we realised approximately $415 million in expense savings, enhanced client service through the establishment of our new coverage model and continued to build our

> "Today the European business represents roughly 40% of State Street's revenue globally and is growing at a faster pace than the business at large. EMEA is the corner stone of our international business strategy."

front-to-back Alpha platform, which is producing results for our clients and for State Street."

Europe and the Middle East are crucial battlegrounds for State Street, indeed the US group will celebrate in 2020 the 50th anniversary of the opening of its first European office, in Munich.

Leading those celebrations will be Jörg Ambrosius, the head of EMEA at State Street who assumed that role in July 2019.

Ambrosius told Global Investor: "Today the European business represents roughly 40% of State Street's revenue globally and is growing at a faster pace than the business at large. EMEA is the corner stone of our international business strategy."

He added: "The business we have established over the last few decades resulted from various acquisitions that we had made and integrated over time. That allowed us to create a Bricks and Mortar presence in all key jurisdictions such as the UK, Germany, Italy, Switzerland, France, Netherlands and Abu Dhabi."

State Street, like most of its bulge-bracket custody peers, has accumulated scale partly by acquisitions over the past few years but, in Europe, it has also profited from the growth of offshore assets.

Ambrosius said: "We were able to build out a successful business in the offshore jurisdictions ie. Luxembourg and Ireland. Given some of the regulatory effects like Brexit, these centres have boomed in the last decade and we have been very successful in achieving market leading positions in both jurisdictions."

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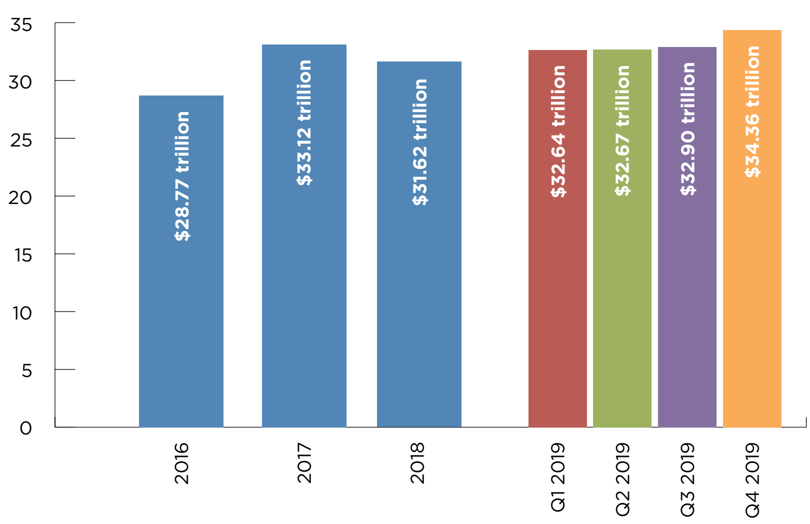

Chart One: State Street Assets Under Custody ($ trillions)

Source: State Street Fourth Quarter 2019 Earnings

For the EMEA head, State Street's October 1 2018, $2.6 billion acquisition of Charles River Development, a supplier of front office technology to fund managers, is a game-changer.

He said: "That was a strategic decision for us as an organisation as it was an acquisition of a different nature from just getting into a new market or more of the same to acquire additional scale, this was breaking into a new part of the value chain where we had had ambitions for some time. This was a unique opportunity to get into the front office space."

Ambrosius said the CRD deal is different to those often undertaken by the largest custodians. This takeover effectively gives State Street another string to its bow and takes the bank further up the value-chain.

The State Street-Charles River trade also reflects broader trends in the custody and fund administration industry where some traditional services are becoming commoditised so firms are required to explore new terrain.

The EMEA chief said: "If you look at how our business has evolved over the years, we started as a custodian and focused on the fund administration and back office space. Over the past decade we have been successful in building out a market leading middle office proposition where we lifted out and transitioned middle offices from large asset management firms to create a global proposition that offers scale."

He added: "The next logical step for us was to move into the front office. One precondition to do this was our data management solution that we have developed over the past five years. We invested a lot of time and effort in developing DataGX, which is our end-to-end data solution that also allows us to integrate the front office acquisition we made with Charles River into our open architecture platform."

With Charles River offering state-of-the-art front office technology State Street can now claim to be the one-stop shop for asset managers and other

Ambrosius: "What we offer is not just an operational service, it is providing individuals who make investment decisions with better data and enabling them to make better decisions that eventually result in alpha."

firms that invest.

"The clear ambition we have is to offer institutions that manage money, whether asset managers or large asset owners, a platform that enables them to outsource their full front-to-back operations, and allows them to focus on their core competencies, ie making investment decisions."

State Street's ownership of Charles River also puts in one place the technology used to make investment decisions and the data that influences those decisions.

Ambrosius said: "The platform does two things. It takes away the operational burden and constant reinvestment pressure by providing scale. At the same time it delivers the relevant data in a consolidated and timely fashion to allow better investment decisions. That is why we named our platform Alpha."

He continued: "What we offer is not just an operational service, it is providing individuals who make investment decisions with better data and enabling them to make better decisions that eventually result in alpha."

The EMEA head said the integration work to make CRD part of the wider State Street proposition is well underway.

"We have integrated a significant portion of the value chain and gone public with a couple of mandates where asset managers have decided to outsource their front, middle and back offices to State Street. This is not a concept, this service and the platform we offer is reality," he said.

When formulating this plan, State Street was faced with a decision of whether to make the service open to other custody and technology providers or a closed shop.

Ambrosius said: "From the very beginning it was clear to us that we want to build and operate with an open architecture platform. The term we use in that context is interoperability. The before mentioned DataGX solution allows us to be flexible with regards to what parts of the value chain clients want to outsource."

He continued: "It's not like you have to have all or nothing with State Street. If you have a certain part of the value chain that you have created internally or you want to handle with a different partner, we can still make it a true front-to-back client experience."

State Street believes that, through the network effect, the more third parties make their services available to State Street, the more attractive the platform will become, which is better for all parties.

"Once you have built connectivity

to another market participant you can leverage that for the next client. We have built up a lot of know-how over time. You need the technology, but you also need skilled talent doing these integrations," said Ambrosius.

"Over the past years we have built a positive track record where these integrations now run in a co-ordinated, and to some degree, standardised way where we know how to connect to another counterparty. So that could for example be another custodian, fund administrator, middle office provider or price source provider."

As part of State Street's move up the value chain, the group is also working to make its services more relevant to a wider range of client firms.

> "If you insource asset management, you need a platform and an infrastructure that allows you to manage that money. We see significant value that we can provide to the asset owner client segments and are focusing a lot on that area."

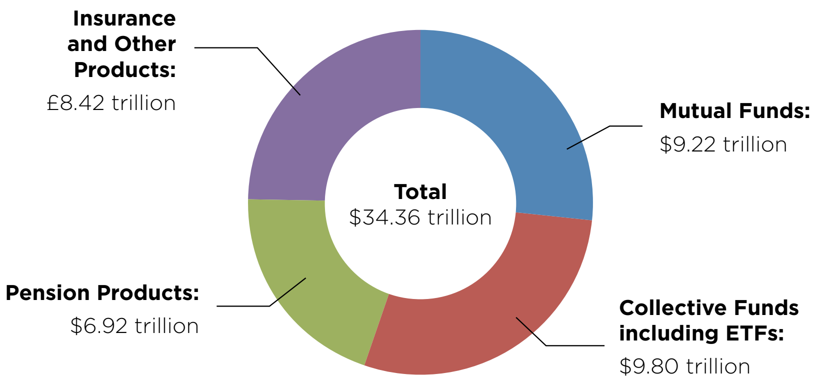

Chart Two: Assets By Product ($ trillions)

Source: State Street Fourth Quarter 2019 Earnings

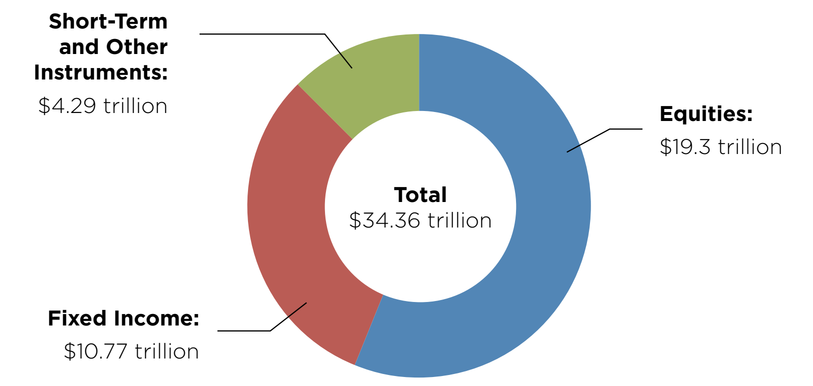

Chart Three: Assets By Instrument ($ trillions)

Source: State Street Fourth Quarter 2019 Earnings

The EMEA head said: "State Street has been very successful over the last years in collecting scale from especially asset manager firms. For a long while asset owners outsourced all or most of their asset management activities to third party managers. What we observe now is that many of these pensions, public institutions, sovereign wealth funds or insurance companies begin to insource asset management activities as it is costly to outsource everything."

Ambrosius added: "If you insource asset management, you need a platform and an infrastructure that allows you to manage that money. We see significant value that we can provide to the asset owner client segments and are focusing a lot on that area."

State Street is positioning itself as full, front-to-back supplier of technology and operational services but what does the future hold?

Ambrosius continued: "The future is all about data and how do you get the value out of the data to make better investment decisions. We already today provide algorithms and analytics solutions around risk, liquidity, compliance monitoring, ESG, performance and various other key drivers across all asset classes to investment managers.

"Once you have the front-to-back structure established, you can plug in other services, for example securities lending. If you are the front office person sitting at your screen looking at your portfolio, then a green light pops up to say there's a security in your portfolio that is in high demand. So then you can press a button and the stock goes on loan to create additional income for your portfolio. That is a development that we have underway."

Similarly, State Street is working to incorporate foreign exchange dealing and best execution analysis into its front office service so firms are alerted to any FX trading opportunities.

And this holistic service offering is changing the fundamental relation-

Ambrosius: "We have seen a significant shift in the nature of the conversations we have. Moving from a provider of a distinct service into an integral part of a future joint target operating model where we cover a strategic part of the value chain makes these conversations strategic and key for the future strategy of our partners."

ship between State Street and its clients.

"We have seen a significant shift in the nature of the conversations we have. Moving from a provider of a distinct service into an integral part of a future joint target operating model where we cover a strategic part of the value chain makes these conversations strategic and key for the future strategy of our partners."

It is well-documented that the investment management industry is under severe margin pressure. Ambrosius said: "The low interest rate environment drives the desperate need for alpha-generation Greater transparency in the market, and better educated and informed investors are far more demanding. It's a perfect storm.

"This pressure is leading to a different mind-set in how organisations will operate their business. They will focus more on investment results, expansion into new asset classes and their underlying clients than on running their own in-house infrastructure as there are external strategic partners that provide the scale and investment power to keep that platform up-to-date," he added.

The margin pressure felt by State Street's traditional asset management clients is partly due to the increasing popularity of low-cost standardised products like exchange-traded funds (ETFs).

Ambrosius said: "In EMEA, it's fair to say ETFs are still lagging behind in terms of market share compared to the US, but what we see is a real fast catch-up. State Street has a dominant position on a global basis in servicing ETFs."

State Street said in mid-January that its value of collective funds including ETFs under custody rose 8.9% in the fourth quarter to $9.8 trillion, which makes this the custody bank's biggest book of business ahead of mutual funds at $9.2 trillion.

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Ambrosius: "We see the digital revolution coming also into our industry, but are we worried that we will be cut out of the process and fintechs will operate the market? No we are not. What should not be underestimated is that there will still be a need and high demand for trusted partners that operate well in a regulated environment – this is what we are – being a trustee and a trusted partner is our DNA,"

"A lot of EMEA ETF products are registered in Luxembourg and Ireland and are sponsored by global clients that we already service in the US. We have a dominant position in terms of offshore ETFs, but we also service ETFs locally in Italy, Germany, France and Switzerland. So we have the combination of onshore and offshore jurisdictions and this is what clients are looking for. They want one partner that can service them across the key jurisdictions and legislations."

Another emerging trend in the investment management industry is the emergence of funds comprising digital assets.

Ambrosius said: "We clearly see digital assets as an opportunity and everyone in the industry realises there is going to be a revolution at some point, but no one knows when this is going to break through. I remember when I did my banking apprenticeship 25 years ago we'd go to the vault and cut coupons with scissors on a monthly basis.

"Then the physical securities were eventually replaced by dematerialised securities and now we are getting close to the next phase where we will move to digital assets. Our strategy is to stay close to and remain engaged with multiple initiatives in the market. We are active users of new technology such as distributed ledger and blockchain in our inhouse operations. We also are believers you should partner with innovation leaders. That was the driver behind the partnership with Gemini that we recently announced."

State Street partnered in December 2019 with crypto-exchange and custodian Gemini to build a digital asset pilot.

Ambrosius continued: "It's a question of when, not if, the market is going to transform, and it is clearly our ambition to be at the forefront of that.

"We see the digital revolution coming also into our industry, but are we worried that we will be cut out of the process and fintechs will operate the market? No we are not. What should not be underestimated is that there will still be a need and high demand for trusted partners that operate well in a regulated environment – this is what we are – being a trustee and a trusted partner is our DNA," he said."

As head of EMEA, Ambrosius has many developed and emerging markets to cover. He said: "From a regional perspective we have expanded a lot over the past two decades and will continue to do so throughout 2020."

In terms of opportunities, Ambrosius likes the Gulf and Nordics. "Last year we opened a new office in Abu Dhabi and this year we will open another office in Saudi, as we see significant potential in the Middle East more broadly. These markets are opening up and we see significant demand for the services that we bring to the table."

He added: "We have recognised you need a local presence to be successful. We started our activities in the Middle East thirty years ago and we are benefiting from a strong client base there but the demand is changing which is why we decided to increase our local presence and get closer to where our clients are. The goal is to bring onboard local talent. It's a market where we will maintain our focus on diversity, so when we look at the Saudi market there is a lot of young female talent and we have already hired two senior positions with local female talent."

Ambrosius also likes the Nordic markets, a region where State Street has not been strong in the past.

"Another area of focus for us is the Nordics where we entered into a long-term strategic partnership with a significant local player in Sweden. We are working on that partnership, and it is going to be the platform that brings us much closer to our clients in the Nordic region. That's an area where we have not been that active historically, but it is going to get a lot more attention in the coming years."

State Street struck in November 2018 a strategic partnership with Swedbank "to establish a leading Nordic client offering that will include fully integrated asset servicing for domestically and globally invested organisations".

And other partnerships will no doubt come to light over time as State Street forges ahead with its open architecture approach to developing a full front-to-back office service based on Charles River and its traditional custody assets.

Success in that endeavour would secure State Street's position as a market-leader for years to come. ■

Jörg Ambrosius

Jörg Ambrosius is an executive vice president of State Street Corporation and head of its business in Europe, the Middle East and Africa (EMEA). He is also vice chair of the Supervisory Board of State Street Bank International GmbH, and a member of the company's Management Committee, its most senior strategy and policy-making team.

As head of State Street for EMEA, Ambrosius is responsible for all business activities in the region including driving strategy, stewarding client engagement, developing talent, pursuing growth opportunities as well as managing diverse stakeholders including local officials and regulators.

He has been in the financial industry for more than 25 years, focusing on the needs of asset managers and institutional investors across EMEA.

Ambrosius joined State Street in 2001. He started his career at Deutsche Bank AG where he had various positions in Frankfurt and London.

He studied business administration at the University of Siegen.

Key developments in the Gulf asset management industry

The annual MENA Asset Management and Trading Summit held in Dubai in November opened with a panel looking at key developments in the Gulf asset management industry and discussing why Saudi Arabia, Egypt and Kuwait currently offer the best opportunities and greatest value for investors.

Speaking on a panel, Shakeel Sarwar, head of asset management at SICO, told the conference: "I think the best value for the next twelve months is probably Egypt. The second market with the best value is Saudi Arabia, as it has the most liquidity and debt in the region. The third market, I think, in the next six to twelve months is Kuwait, which is probably one year behind Saudi Arabia."

Ashish Marwah, chief investment officer at ADS Investment Solutions, added: "We see a lot of value in Saudi Arabia as it is the most diverse market in the region. Yes, the market is volatile, but we see a huge variety of investments to choose from in the Saudi market and that is where we see the best opportunities."

Sarwar told the delegation: "The

The annual MENA Asset Management and Trading Summit held in Dubai in November opened with a panel looking at key developments in the Gulf asset management industry and discussing why Saudi Arabia, Egypt and Kuwait currently offer the best opportunities and greatest value for investors.

MENA stock market over the last three years has seen below average returns, compared to MSCI Emerging Markets. I think because of the low returns, over the last 10 years the asset management industry in the region has struggled to raise more money and grow.

"However, there are positive developments in the region. If you look at the regional market, Egypt, the UAE, Qatar and Saudi Arabia are part of the MSCI Emerging Markets Index. Hopefully, Kuwait will be part of the index next year. Almost the entire region is now on the global investor's radar. Going forward, we expect this will translate into growth in the asset management industry."

The UAE has seen a decrease in value since joining the MSCI Emerging Markets Index in 2014. However, its value has stabilised in the last quarter, according to asset managers. They believe the country's value could increase with Expo 2020, which is being held in Dubai.

Sarwar added that market debt needs to increase in the UAE to boost trading. Excluding Saudi Arabia, the UAE is an expensive market to trade in, and Sawar believes these trading costs need to be addressed to increase the trading value.

A panel hosted by Selloua Chakri, the managing director of SCL Advisory Limited, considered alternative asset classes for MENAS investors, looking beyond the standard equities, bonds and ETFs that have so far been popular in the region.

Alternative asset classes in the Middle East are very attractive, said the panellists, partly due to a low interest rate environment witnessed in the last decade.

Investors are now seeking yields in other areas, which caused a surge in investments flowing towards alternative asset classes.

Sandip Bhatt, chief investment officer of DAMAC Invest, commented that in particular, private equities have been a primary source of investments for some time.

Jahangir Aka, managing director and head of MEA at Neuberger Berman, said this demand was coming from the clients themselves, as "private equity is perceived to be Shariah compliant".

Robert Ansari, executive director and head of Middle East at the MSCI stated that a decline in public equity and an increase in regulations were amongst the driving catalysts for a growth in alternative asset classes.

"In an environment where low, almost negative interest rates and low public equity market will have similar market capitalisation, there is a huge surge towards private equity market," said Ansari.

While Aka stated there has been an increased demand on a regional basis in Mena as opposed to international, the events that have unfolded in the region in the last two or three years

Ashish Marwah: "We see a lot of value in Saudi Arabia as it is the most diverse market in the region. Yes, the market is volatile, but we see a huge variety of investments to choose from in the Saudi market and that is where we see the best opportunities."

A panel hosted by **Selloua Chakri** (pictured above), the managing director of SCL Advisory Limited, considered alternative asset classes for MENAS investors, looking beyond the standard equities, bonds and ETFs that have so far been popular in the region.

has created nervousness and doubt from investors in the private equity sector.

"People get very uncomfortable with regional private equity," added Aka.

A later panel considered the prospects for the currency and commodities markets in the region.

Les Male, chief executive officer Dubai Gold and Commodities Exchange, was sceptical about the popular explanation for price volatility over recent years. He said: "What I get tired of and it's a theme we have already heard this morning is uncertainty linked to US, Trump, China, trade wars, Brexit, Europe and local tensions in the Middle East but that is old news."

Male continued: "The US election in 2020, I've heard that is another issue driving uncertainty but it can't be, we've known we were going to have another election for three years. Similarly, we've know about Brexit for three years as well and we've known about the US-China Trade War for a long time so uncertainty isn't the issue driving price movements. I just don't buy that anymore as it's been an ever-present certainty.

Male concluded: "If the UK came out of Europe there's a trade deal, it doesn't mean we're going to be blessed by a whole new world of certainty over the next decade – get over it, it's not going to happen."

Edward Bell, commodity analyst at Emirates NBD, was also on the currency and commodities panel and explained that gold is relatively overvalued.

"The fact that we have known uncertainties about Brexit and we are locked in a Trade War between US and China mean that global growth is slowing but once those are baked into the markets, gold needs another anchor to be moving off the back of," said Bell.

"But if there were a certain out of the blue shock in the market such as Trump following up on his threat to impose a flat 30% tariff on all goods traded in China, that's something that could give a real boost to gold.

"Given gold has gone up means the people who need to be pushing prices higher are not going to commit because it's too expensive. If you look at gold priced in rupees for example, it's actually at record lows. If you look at the physical market for gold, I should say that currently it is looking too expensive," Bell added.

Bell concluded: "We tend to look at gold as another currency or an alternative asset class to US treasuries or US equities but there are real physical buyers in the market."

The last panel of the day considered whether cryptocurrencies can comply with Shariah law, a contentious issue

Les Male (above and below centre): "What I get tired of and it's a theme we have already heard this morning is uncertainty linked to US, Trump, China, trade wars, Brexit, Europe and local tensions in the Middle East but that is old news."

according to experts in the Middle East and North Africa region.

The panel discussed whether cryptocurrencies could be Shariah products, which are compliant with principles of Islamic law and may prohibit some financial activities, such as 'riba' which means interest paid on monetary loans.

Amjad Bangash, head of Sharia advisory at the National Bank of Oman told the delegation: "From an Islamic point of view there are two types of currencies, which can be used as a medium of exchange. First, one that has an inner value, for example gold as the gold point can be used as a currency. The second option, if it does not have an inner value would be that is has an external value which means that there is government backing.

"When we consider cryptocurrencies, it is recorded from computers so it has some features of a currency. Governments, for example, do not back bitcoin, nor does it have an inner value and it is very volatile and it also does not have widespread acceptance. But from my side, I think with the passage of time, cryptocurrencies will be used as a currency and be Shariah compliant."

Khalid Howladar, managing director at Acreditus, said: "To me, a currency should be a means of exchange, not an intangible asset that can be endlessly printed with infinite supply - this creates massive socio-economic distortions. At present most currencies, including crypto have value because you 'believe' it does.

"On the note of cryptocurrencies, there are now tokens where proceeds go into tangible investments and those tokens can be traded, so I'm comfortable in proposing that it's Shariah compliant."

The panel also discussed how Islamic banking was looking into green financing and environmental, social and governance (ESG) products.

Ismail Dadabhoy, adviser at International Islamic Financial Market (IIFM) said: "Green Sukuk , from a Shariah perspective, is the ideal product. We have seen green Sukuk launch in the UAE as well as in Asia. These Sukuk have been successful and well received by the investors.

"I believe green Sukuk is something that will continue to grow and do well as we all become conscious of protecting our environment. We are in discussion with other organisations to see if we can develop a set of guidelines for Shariah compliant green Sukuk." ■



The last panel of the day considered **whether cryptocurrencies can comply with Shariah law,** a contentious issue according to experts in the Middle East and North Africa region. **Dadabhoy:** (inset left) "I believe green Sukuk is something that will continue to grow and do well as we all become conscious of protecting our environment." **Howladar:** (inset right) "On the note of cryptocurrencies, there are now tokens where proceeds go into tangible investments and those tokens can be traded, so I'm comfortable in proposing that it's Shariah compliant."

The future of European securities finance

Market participants met in Amsterdam at the end of September to discuss the future of the European securities finance market

KABIN GEORGE: Looking at 2019 to date, global lendable assets have passed $22 trillion. Average loan volumes are up for the year average just over $2.3 trillion. Non-cash collateral is at 64%. The headline revenue was down by 15% compared to the first half of 2018. Q3 revenues were up by 5% YoY, as the result of increasing specials revenue in North American equities. While equities boosted Q3 revenue, fixed income revenues are still in decline unfortunately. Equities are up by 11% in Q3 although the year-to-date are still 6% down. Government bond lending revenue was down 15% YoY in Q3 and year-to-date is -21%. Corporate bonds revenues are down by 18% for Q3, year-to-date revenues are down by 16%.

We have seen declining balances and revenues in all regions for government bonds. US treasuries are down by 21% YTD in revenue terms compared with 2018. European government bonds are also down. I think that is owing to end of ECB's quantitative easing in December 2018 resulting in weaker demand for HQLA instruments and government bonds. For Corporate bonds, the demand is up however average fees are down and hence revenues are down. Non-investment corporate bonds still have a higher proportion of revenues in corporates.

ETFs reached an all-time high in lendable assets in 2019, exceeding $300 billion for the first time in Q3. Equity ETFs delivered 72% of revenue, though the most expensive and the most revenue yielding ETF over the past two years has been a high yield bond fund, HYG. 2018 was the most revenue generating year on record for ETFs with $298m in total revenue; 2019 is on pace to come in well short of that mark, with revenues down 19% through Q3.

US equity revenues are up slightly YoY, as the result of underperforming in the first half of the year before seeing dramatic growth in Q3. The neighbouring Canadian equity market revenues are up by 29% thanks primarily to hard to borrow stocks in the Cannabis sector. Looking at super specials in the US market, those with fees greater than 5,000 basis points, we've seen consistent growth in the count of such securities in recent years. The most dramatic example in 2019 has been Beyond Meat, which delivered an outsized $198m in Q3 revenues. Corporate actions, IPOs and the Cannabis sector have been biggest drivers of demand for high fee North American equities.

European equities, the first half of the year were 22% down with all countries down apart from Greek equities, where the country's financial stocks delivered significant lending revenue. Q3 revenues were also down 13%, putting the YTD total down 20% compared with 2018. Some EU specials YTD include Sirius Minerals and Metro Bank in the UK and France's Casino and Eurofins.

Finally, shifting to look at Asia, where the story has been increasing balances and decreasing fees. That

PARTICIPANTS

- **Eward Sonneveld,** AFM
- **Roelof van de Struik,** PGGM
- **Kabin George,** IHS Markit
- **Steve Kiely,** BNY Mellon
- **Simon Heath,** JP Morgan
- **Xavier Bouthors,** NN Investment Partners
- **Raymond Blokland,** Pierpoint Financial Consulting

George: "ETFs reached an all-time high in lendable assets in 2019, exceeding $300 billion for the first time in Q3".

is largely owing to increased GC balances in Japan as well as some formerly hot stocks in emerging markets seeing demand and fees decline. Hong Kong and New Zealand were the only two APAC countries to post higher first half year compared to last year, though HK revenues declined 29% YoY in Q3. Japan equity revenues are down 8% YoY through Q3, with the decline in fees more than offsetting the impressive growth in balances. For South Korea revenues were down 15% YoY through Q3, primarily the result of lower fees, though balances have also seen a small decline.

STEVE KIELY: IHS Markit's figures mirror what we have seen programme-wide. A lack of volatility and a drop-off in demand for HQLA is where we have seen the biggest impact. While lower revenue has been the overall trend, there are pockets of strong demand and healthy revenues. Trends used to come and go for two or three years in this market, recently trends have come and go in the space of three or four weeks. Yes, securities lending revenues are down, and most programmes are down but diversification is key. Clients that have done best are the ones with the widest spread of asset classes and the widest collateral parameters and the broadest borrower base, e.g., those that can use pledge, CCPs. Those that embrace new structures are insulating themselves from this period of lower earnings. Something that people don't often talk about is the paradox of volatility. We live in a world that is financially and geopolitically unstable. It's so volatile that no one's taking investment decisions, and that therefore leads to a lack of volatility. On the positive side, Q3 has been stronger if you compare it year-on-year with the first two quarters of 2019.

SIMON HEATH: Industry revenue figures need to be looked at comparatively. By all benchmarks, 2018 was a watermark revenue year, certainly in the post-crisis period. Supply has increased and the AUM in lending programmes is fairly buoyant although, broadly speaking, demand has remained relatively static. In light of that, lenders need to have diversification to achieve success. There have been some very interesting moments this year, especially September's events in the repo market and strong directional performers in a number of IPO's as well as corporate action activity earlier in the year. It's also been a repositioning year on a number of levels: we'll touch on UMR later but liquidity provision is much more important in 2019.

So far Q3 has been good, we're starting to see more life in the US equity market, which is always going to be the canary in the mine, or the salvation, depending which way you want to look at it. While revenues are somewhat subdued versus 2018 (which was a pretty good year), the trajectory of higher revenue remains and industry earnings are higher than we saw in 2017. There has obviously been a certain amount of deleveraging in our industry and therefore, from a financing perspective, both in the cash reinvestment and non-cash space there hasn't been as much equity collateral flowing through the financing pipes and what is available is trading at lower levels than seen previously.

XAVIER BOUTHORS: NN Investment Partners started lending equities over a decade ago in 2008. We've been developing the programme throughout the years by extending lending to different markets, portfolios and asset classes. For the past few years we have seen a decline in equity lending revenue largely due to weaker demand, but what we lend always adds more value, that's a trade-off. Incorporating high yield portfolios with emerging market debt from various regions is one way in which we've enhanced our programme. We've seen an increase in demand and interest for emerging market debt, so we have been developing this type of asset class to compensate the lower revenue on the equity side. We have also been developing government bond lending within non-UCITS portfolios and we've witnessed sharp increase in revenue and balances, mainly due to the collateral flexibility but also the type of trade you can do versus a UCITS fund. By looking at different asset classes and developing into other area we have managed to keep overall securities lending revenue fairly stable.

ROELOF VAN DE STRUIK: PGGM's securities lending programme has existed for over 15 years. It's been successful in the sense that it hasn't lost money and been a consistent earner of incremental income. However, income has decreased considerably lately. One major reason is the revenue lost from dividend arbitrage. We recently, voluntarily, gave up the last two markets, Sweden and Canada, after discussions with regulators and tax authorities even though we don't think dividend arbitrage is wrong if you are open about it and you tell the tax authorities why you're doing it and that you believe that you are disadvantaged unfairly. Maybe two-thirds of our lending revenue was, at a certain moment, coming from dividend arbitrage, but that's fallen away. More broadly, increased supply has brought down revenues while demand has been sluggish, that's with the market going up. It's difficult to find somebody who is brave enough to short something for any kind of period. All-in-all it surprises me that global industry revenues are keeping up pretty well. I hope that securities lending stays relevant for the clients, relevant enough for them to say it's okay to keep lending. At PGGM, we will not join the race to the bottom in what collateral we take. Currently what's important to us is that when the repo market is broken or breaking down slowly, silos between securities lending and repo exist for liquidity purposes.

RAYMOND BLOKLAND: I joined Pierpoint Financial Consulting in September as Benelux consulting lead. We are primarily a securities finance & prime custody consultancy firm. Also one of our products is our training arm FinTuition, where we see a lot of opportunity. All the people in the room are involved in this business, so we don't necessarily need to advise them because they already know what they want and how they want to do it. But I have had numerous conversations with portfolio managers, for example, who are interested in how our market works or are interested in questions such as, 'Why can I not short what I want to short? How does it all work? What are the mechanisms behind securities finance?' It's logical, with UMR, that firms are breaking down silos between repo and securities lending. You need access to collateral and a certain type of collateral so a function is required where you can exchange one for the other. Investors are not only investing in equities, they are investing in anything under the

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Blokland: "Investors are not only investing in equities, they are investing in anything under the sun. It's very hard to use some assets in the securities finance market as collateral."

sun. It's very hard to use some assets in the securities finance market as collateral. In today's environment, any asset manager should have a mature developed treasury function in-house.

ANDREW NEIL: Is Brexit uncertainty impacting the securities finance market?

ROELOF VAN DE STRUIK: Brexit uncertainty means firms are reorganising and personnel are moving. Among the banks, I see repo and securities finance desks being scaled down. That's logical if you look at the earnings, which are lower. Balance sheet costs are only going one way and regulation is costing an enormous amount of money. All put together, the return on equity on the securities finance business is not great, so big banks start cutting costs or making it less important. That is the feeling I have. I also believe that there is a lack of commitment to SF departments and there is just not enough experience and enough senior people. I'm not sure if I can increase/enhance my plumbing fast enough to compensate and make sure that the pipes keep working especially in times of stress.

ANDREW NEIL: Are there rewards for early movers when it comes to pledged trades?

STEVE KIELY: BNY Mellon went live with pledge in 2018. We have a number of borrowers and a high percentage of our lender base signed up to pledge. We decided to get ahead of ISLA because we felt demand was occurring ahead of the publication of the standard document. Our approach has been very successful. As Raymond noted, pledge has been in the US for years and years, so anyone trading under an MSLA will be very used to a form of pledge structure anyway. People think that this is new, but it isn't. Both internal and external counsel looked at this long and hard and we are satisfied that it is comparable to title transfer. When the music stops and someone takes a chair away, you can still liquidate that collateral and make your clients whole and we take that very seriously, not least because where we indemnify those large clients we're the ones that are on the hook.

SIMON HEATH: Pledge uptake has been good, we've got a number of beneficial owners who approve this structure which is key to sustaining liquidity. Similarly with CCPs, you need sufficient participation to make the model work. We've been making sure that both sides, pledge and CCPs, are progressing. So far, 2019 is more challenging in terms of revenue than binding constraints. We also have not seen pledge being re-priced dramatically versus a title transfer, but that is likely a factor of business cycle.

RAYMOND BLOKLAND: Pledge is not a new phenomenon, it's been around for many, many years. If you read all the conditions of the pledge, it speaks of the tri-party account where the collateral is held, but it's only in the name of the borrower. So, why is it called a tri-party account? I don't think pledge in essence is a particularly secure solution. When a major event happens can you actually get your collateral? I had these conversations years ago, pledge was always quite a difficult product and legal experts back then were not comfortable with it.

ROELOF VAN DE STRUIK: PGGM chose the CCP route. You can't do everything, so you have to pick and choose. One reason for not choosing pledge is that I believe pledge is an unintended consequence of the balance sheet constraints, and I am not quite sure how long this will last.

RAYMOND BLOKLAND: From a borrower's side, probably as long as possible.

ROELOF VAN DE STRUIK: Perhaps. We have a pretty simple mantra at PGGM and that is if you add complexity you really have to explain why. Pledge is adding complexity with a whole bunch of legal documents which vary depending on the jurisdiction you're in. Beyond that, it becomes a little messy, especially with stay protocols. With title transfer it's a lot easier proven technology. The only real investments I should be making are structural investments in good plumbing for the company. With the CCP route, once we get it right that's a big innovation and a powerful product which I am looking forward to building out further. I prefer to invest in CCPs, it's an easier sell to my clients and is something the regulators want. Trying to figure out how solid pledge is and how it will react in times of extreme stress isn't something we have experience with. I haven't seen it work, so for me it's not that easy to get my head around it.

STEVE KIELY: Certainly on the CCP front the biggest take-up has been amongst clients who are more used to a CCP structure, so clients that trade ETD already today and are used to a central counterparty and that whole give up construct, those are the ones that are more likely to go through CCP. However, on just pledge collateral, you couldn't really put a trend on it; it's been across the board.

XAVIER BOUTHORS: We see more counterparties saying, 'If you want us to borrow from you, you have to do pledge.' Borrowers get the benefit on the balance sheet side. I'm not saying that we shouldn't do pledge, but it seems like the turnaround on the buy-side is less efficient than it is on the sell-side, so that's why they have to give us some time. A three month turnaround of a pledge structure is unrealistic on our side, it's going to take at least a year. I expect sovereign wealth funds to move first into this. One question to the agent lenders: what sort of client do you see moving into the pledge structure?

SIMON HEATH: The take-up has been across the board, from sovereigns through to pension funds and other types of beneficial owners. There has been no one stand out type of client adopting the structure. Obviously, where there are considerations such as UCITSs rules, we haven't seen much of a shift. Even in that segment, though, CCPs appear to finally have

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a solution and certain borrowers are suggesting other innovative solutions.

STEVE KIELY: As soon as we went live with pledge, the first borrower took another billion dollars of balance from us. It wasn't a switch from transfer to pledge, it was an increase, and they were paying up to 10 basis points more. That spread is probably still there, but it's not going to be there forever, this will become the new normal. Because CCP and pledge give the borrower the same sort of relief, those two almost act in tandem. There's also a lot of consideration as to what funds, such as UCITs, can and cannot do.

SIMON HEATH: As an industry, agent lenders tend to be very much mono pricing. There's no reason there shouldn't be a smorgasbord of pricing options offered to a borrower depending on what you're trying to solve at any point in time – for instance HQLA on the pledge for a sovereign wealth fund should naturally price differently than HQLA on the title transfer for a UCITS fund. Technology solutions are critical to offering pricing differentiation.

STEVE KIELY: A recent study by Finadium looked at the lower revenues so far in 2019 from three perspectives: beneficial owner, borrower, agent lender, and came up with a few reasons as to why demand was down. Interestingly, one of those reasons Finadium thought the market was down was the view that the spread, the naked borrow fee, is the sole arbiter of best execution. This was one view – that best execution was killing some of the demand and I'm not sure I completely agree with that, but pricing is not that simple.

ANDREW NEIL: SFTR reporting rules are nearly upon us. Eward, what is AFM's current approach to SFTR?

EWARD SONNEVELD: The AFM, like any financial institution, has to go through the same implementation process. We encounter similar issues. On the IT side there are still a lot of uncertainties as well with regard to for example connectivity to ESMA and data collection. We have a lot of things that we still need to address internally, and we realise that the mar-

Sonneveld: "We regulate the financial markets, but we keep a very close eye on what happens outside the financial markets too. We need to familiarise ourselves with the data before we can do any purposeful analysis."

ket is facing these things as well. We have a very full understanding of the challenges with the regulation and the challenges with the deadline.

What is an important message that we want to give to the whole market in general is that we understand things will go wrong, it may not work the way you thought it would work. It will take months to adjust and the data quality will gradually improve. However, if you don't start reporting data on April 13 that may be an issue. There are some aspects of SFTR that should make the data quality better - more validation rules at the source, the repository. We've also covered more potential pitfalls; time will tell. The main message is it will take time, we know a lot of data will initially be of low quality, but as long as we receive the data, we have an understanding.

ANDREW NEIL: Does the analysis of some of that data fall into the hands of the national authorities such as AFM, or does that go up to ESMA?

EWARD SONNEVELD: Every national competent authority must conduct its own national domestic analysis. Originally SFTR was introduced for financial stability purposes. We have dual regulator roles in The Netherlands with AFM more on the market side, the functioning of the markets, and DNB, the Dutch Central Bank, the prudential regulator. It is fully expected that we will see something similar with SFTR. That's our modus operandi anyway, although officially nothing's been decided on data reporting yet.

The first step will be, 'What is the data we are going to receive?' Are we going to see lots of exotic structures? And not just from the financial markets, the information outside the financial markets is at least as important. We regulate the financial markets, but we keep a very close eye on what happens outside the financial markets too. We need to familiarise ourselves with the data before we can do any purposeful analysis. What doesn't help is that there is a phased transition towards SFTR; as long as you don't have dual sided reporting which can be leading up until January 2021, what are you looking at? Single-sided reporting, is it reliable? We have to find out. So, in certain ways you even may have to disregard data quality in itself until then.

ANDREW NEIL: What does AFM expert to find in the data?

EWARD SONNEVELD: The AFM stands for transparent and fair markets, it's our motto. More transparency, more homogenisation of securities finance, more uniform pricing are natural goals that any regulator would like to see. SFTR may help us and the market to achieve these goals. Earlier on, Roelof mentioned about the repo market being unreliable, we also know that there is restricted access to the repo market, so it is a natural concern to us, and the data from SFTR might be able to tell us things that are currently under the surface: Are there pricing mismatches? Do we see certain participants being locked out at certain dates? We expect to see that, but to what extent? From a market functioning perspective , there is a lot of data in there that could be very valuable. The challenge is to make this data tell us a story that you can use for improvements to the functioning of markets for financials and non-financials alike.

KABIN GEORGE: SFTR testing is fully underway at IHS Markit, and has been for some time. Our partnership with Pirum, and the early work we've been able to complete has helped us a great deal in ratifying the model we have in place for our clients. More broadly, we are working to get there as an industry and make sure that we have got a design, connectivity etc prepared. For us it's not going to be an easy winter, but we don't have any issues in going live in April 2020.

XAVIER BOUTHORS: Considering

the double side/dual reporting, any breaks should be visible fairly quickly, so the feedback is almost instant. SFTR should definitely help the small players too, assuming that the bigger players have correct data. When mandatory derivatives clearing began there was a lot of discussion regarding smaller players being impacted by reporting, we don't hear these discussions anymore. Firms didn't stop trading. With SFTR you flag it, you start it, and then it gets smoother and parties stay in the business.

ROELOF VAN DE STRUIK: I am mildly enthusiastic about SFTR because for the first time in the history of securities lending, somebody will wake up and I say, 'What's in column 101?' and they'll say, 'Oh, that's the lending rate.' So, we'll have a standardised report, which I think is something we should have had many years ago. For beneficial owners, transparency is good. The problem now is that the implementation timeframe is short, that's the only thing we're struggling with but we are working closely with our vendor. Smaller players may choose to come back into the market after SFTR reporting has commenced.

KABIN GEORGE: We have spoken to a number of small asset managers and pension funds that complete a small amount of repo trades a month and haven't realized at this stage, that these transactions are not being captured by their agent & would need a SFTR reporting solution to capture these trades. We are working with such funds to make sure that there is some sort of a general package and all the in scope trades are taken care of.

SIMON HEATH: Aside from the agent lending piece, repo also falls under SFTR. Even an investor participating in lending through their own agent lender programme is still using repo for liquidity purposes, could potentially be in-scope. There'll be opportunities under SFTR for an agent lender to work with their beneficial owner clients to help with the plumbing . There are economies of scale with a bulge bracket agent, whereby we could become a part of a client's overall collateral strategy, and lending would be just one piece of a far wider offering.

Kiely: "We've been telling our clients SFTR is like filling out a tax return in that someone else can do it for you but you can't outsource the responsibility, ultimately the data is your responsibility."

RAYMOND BLOKLAND: At Pierpoint Financial Consulting we definitely see an increased interest with, in particular Beneficial Owners to, either start participating in the securities finance market, or expand their existing programs. After a long period whereby the focus has been largely with risk and regulations, the business side of our market starts to receive more attention, which is good I think. By far the most preferred route to market is joining some form of agency lending service, but also direct trading with involvement of portfolio managers is on the table. OTC derivative's are an often discussed possibility. But at the moment it is still largely about ESG, SFTR and CSDR as the main topics and collateral finance and - management as big drivers.

STEVE KIELY: With SFTR, naturally, you would expect me as a large agent lender to think, 'This is something we could well do without, it's more data we've got to move,' etc, but there are some unexpected positive consequences. SFTR has enabled us to have a very good look at some of our data, to improve the quality and accuracy of it. The things that SFTR is going to force us to do or has forced us to do will be beneficial in the long run.

Would we have got round to it were it not for SFTR? From a time and money perspective, maybe not. In terms of negatives, there is a lot more complexity than there used to be at a time when revenues are down.

SFTR might be the straw the breaks the camel's back with some of the smaller players. Even if it's not just the work that's involved, it might just be the consequences of getting it wrong means they decide to exit.

We've been telling our clients SFTR is like filling out a tax return in that someone else can do it for you but you can't outsource the responsibility, ultimately the data is your responsibility. ■

Is another round of SFTR clarification needed?

By **Oliver Wade**

Market participants welcomed the level 3 guidelines from the European Securities and Markets Association (Esma) on the impending Securities Financing Transactions Regulation (SFTR), published on January 6.

However, some have also claimed that a further round of clarity would benefit the industry.

Sunil Daswani, head of business development for securities lending solutions at MarketAxess, said: "There are still questions being asked and a lack of clarification in various areas, so I think another round of clarification would be welcome."

Daswani highlighted a concern surrounding timestamps and whether they are necessary under SFTR because they "remain one of the matching elements of the reconcilable fields between the two counterparties, with a very short tolerance of a couple of hours".

Simon Davies, head of SFTR business development at Pirum, acknowledged there will continue to be questions for the regulator that will "require some further guidance", but claimed that Esma's level 3 text is "detailed enough" and believes that the industry "needs to get on" with implementing what is required.

The one concern raised by Davies was the requirement to use market values as opposed to loan values along with foreign exchange (FX) rates in pricing calculations, stating that this could "cause a headache for some firms".

He also commented on the treatment and timing of life-cycle events, which have been made "much clearer", but still need to be "carefully reviewed" as the impact on firms will be mixed – benefitting some and disadvantaging others, depending on their booking practices.

"The industry bodies are doing a fantastic job in co-ordinating the collective understanding of what's required and liaising with Esma where required," he said.

Europe's financial watchdog published a statement on Legal Entity Identifiers (LEIs), addressing the disparity on LEI coverage for European and third-country jurisdictions and noting that 88% of instruments issued by EU issuers have an LEI code, against a non-EU average of 30%.

Esma will allow a period of up to twelve-months - starting from April 13 - where reports without the LEI of third-country issuers will be accepted.

Many have welcomed the move from the authority, but John Arnesen, consulting lead at Pierpoint Financial Consulting, said the period is "very short" and has questioned whether an issuer in a third country will be "incentivised" to change behaviour.

"If they haven't sought a LEI by now, why would they do so in the future?" he questioned.

Ed Oliver, managing director, product development at eSecLending, welcomed the 'grace period' given the potential impact to liquidity for both loans and collateral, which could have resulted if the twelve-month allowance had not been introduced, but underlined Esma is insistent LEIs will be required afterwards.

"It is incumbent on the securities finance industry to establish how to navigate the various authorities responsible for security numbering to ensure LEI issuance for third country issuers is where it needs to be at the end of the grace period," Oliver added.

Davies stressed that firms "really need to start ramping up" their efforts and get "as much testing done" prior to the go-live date.

"There is a real opportunity here to get good quality reports on day one of reporting, that we've not really seen with other regulations," he said.

Arnesen noted that it is "no surprise" that Esma has taken a "no ifs, ands or buts" in relation to the go-live date and predicted that we could see a revised version of SFTR, which he dubbed "SFTR II", sometime in 2022 or 2023.

"As with any regulation of this magnitude some lessons will only be learned during the application of the actual reporting process," he concluded.

Despite the concerns, it appears as though Esma's guidelines have received a warm welcome from the industry, with many market participants seeing the benefits of the regime while also gaining a greater understanding of what is expected of those firms in scope.

"Both the final report and the guidance gives a lot of clarity on many of the outstanding questions the industry has, and is very much welcomed by us and all our clients," Davies added.

Oliver noted that the guidelines have provided clarity on a number of items, not least the go-live, but also back-loading, settlement reporting and reporting of credit quality of securities.

"The outstanding issues raised have in some areas been solved by cross comparison from the respondents so it appears Esma have dedicated some considerable time in collating all outstanding issues," Arnesen observed. ■

> "As with any regulation of this magnitude some lessons will only be learned during the application of the actual reporting process."
>
> **John Arnesen, consulting lead at Pierpoint Financial Consulting**

TP ICAP targets illiquid markets with data unit

Since his mid-2018 appointment as chief executive officer of TP ICAP, **Nicolas Breteau** has pursued a strategy that includes the diversification of the London-based inter-dealer broker's business through investment in some smaller parts of the TP ICAP portfolio.

One of the main opportunities identified by Breteau and his new management team is the Data and Analytics business run by Eric Sinclair, a relative newcomer to the firm himself who joined in late 2017, just a few months before Breteau took over.

Breteau said in August 2019: "Diversification has been a key priority for the business. This will continue as we look to serve the buy-side in all to-all markets, maximise the value of our data and analytics and grow other non-broking revenue such as risk management and post-trade services."

A little over two years into Sinclair's tenure in charge of the data arm of TP ICAP, the business is already growing in response to the increased impetus from Breteau and his team.

TP ICAP Data & Analytics grew revenues on a constant currency basis by 8% to £117 million in 2018, the last full year of data available.

The TP ICAP annual report said this was down to "executing a number of targeted organic growth opportunities during the year that have enabled it to monetise more proprietary data by releasing new products with a restructured salesforce".

The London-based firm continued the theme in the first half of 2019 when data earnings rose 12% on a constant currency basis to £64 million.

Breteau said at the time of the interim report in August: "Data & Analytics continues to exhibit a strong growth trajectory coupled with attractive margins and recurring revenues underpinned by customer loyalty. While we have seen good organic growth within the D&A business, we see selective opportunities to accelerate that development."

Sinclair: "I am determined to keep the optionality broad within the D&A division over the next 12 months. Undoubtedly there is a huge amount of value that can be derived beyond delivering the raw data."

Sinclair said the Data and Analytics unit is growing solidly under the new regime but there is a long way to go.

"TP ICAP Data and Analytics is currently an undeveloped asset in that it is not living up to its full potential but it is an important part of the firm's diversification strategy going forward," said Sinclair.

Sinclair accepts that TP ICAP is not alone in exploring growth opportunities in data, citing the LSE Group's proposed £27bn acquisition of data firm Refinitiv and Intercontinental Exchange's $5.2bn (£3.45bn) takeover of Interactive Data Corporation in late 2015.

But Sinclair said TP ICAP has a unique angle. As the world's largest inter-dealer broker, TP ICAP is already quoting prices in thousands of small, illiquid markets that are typically overlooked by the data giants.

"If we look specifically at our business, we are currently only offering a sub-set of what is available. Our strategy is to monetise the price discovery function that sits within our brokerage business to offer data that hasn't been available in the market previously," he said.

Sinclair added: "If you look at the over-the-counter (OTC) markets, there are live prices available for maybe only as little as 10% of the entire marketplace so we are working hard to develop indicative rates for more of the OTC market including the most illiquid markets."

The chief executive also said European regulation Mifid II, which took effect in early 2018, has mandated the publication of order and trade data so "so there are also some strong regulatory tail-winds behind the investment into our data business".

Last year, TP ICAP launched two data sets for Euro interest rate options in May, an Indian OTC data service in July and an African OTC data package in October.

The Indian service taps data from I-Stream, India's top electronic swaps brokerage platform, and five TP ICAP Indian brokerage desks.

> Diversification has been a key priority for the business. This will continue as we look to serve the buy-side in all to-all markets, maximise the value of our data and analytics and grow other non-broking revenue such as risk management and post-trade services.
>
> **Nicolas Breteau, chief executive officer, TP ICAP**

Smita Gupta, the head of credit and interest rate derivatives, said in July: "Since its launch a decade ago, I-Stream has emerged head-and-shoulders as the primary hub for price discovery and execution in India's OTC market. While the growth of this market to date has been staggering, there is still a long way to go - India is the world's fastest growing economy and its appeal to offshore participants will only increase."

Sinclair said: "We provide global products but in some regions we are also delivering cross-asset solutions. We have developed solutions for Africa and India for example and we are also looking at some of the other regions of the world. We also have a strong energy and commodities brokerage business which we can draw upon to offer data that is not already available."

With this strategy in mind, Sinclair has also restructured the business and brought in new sales people who have already delivered results. "In the past year we have hired 20 new staff and we have also welcomed Jamie Bailey who has brought to our board expertise of taking raw data and turning it into new products. In my first year on board, we delivered four new data products, in my second year we delivered sixteen."

Bailey is a senior market analyst at TP ICAP who joined Tullett Prebon in December 2016 after a decade working in computer games including six years as a producer with SEGA Europe.

Another key hire was the April 2019 appointment of Roland Anderson as chief technology officer of Data and Analytics. He joined the firm from CME Group, the US exchange that bought NEX Group after that business sold its voice brokers to Tullett Prebon to form TP ICAP.

Anuj Mital, formerly a TP ICAP Global Finance Business Partner, was promoted in April to the role of chief administration officer within the D&A business.

The TP ICAP data arm is also interesting in that it is spear-heading another aspect of the broader diversification agenda - making the group more relevant to a broader range of customers.

Sinclair said: "As an inter-dealer broker, our typical clients are the large dealers and these will continue to be very important to TP ICAP but increasingly we are selling into non-bank institutions such as high-frequency trading firms, hedge funds, sovereign wealth funds and asset owners for example, and they are proving a great source of growth."

Looking ahead, Sinclair feels the highly-anticipated cessation of the much-maligned Libor, slated to take place as soon as the end of 2021, will create demand for new types of products and data services.

He said: "We are also responding to new opportunities presented by emergence of trading products linked to the transition away from Libor to risk-free-rates such as SOFR and €STR."

The Secured Overnight Financing Rate (SOFR) and the Euro Short-Term Rate (€STR) are the preferred alternatives to Libor as chosen by the US and Europeans. They are set to be phased in to replace Libor over the next two years alongside the Sterling Overnight Index Average (SONIA) in the UK, the Swiss Average Overnight Rate (SARON) in Switzerland and the Tokyo Overnight Average Rate (TONA) in Japan.

Futures on these rates are already coming to market and these will likely be followed by options and OTC products such as swaps.

Sinclair continued: "We are not taking a position on the transition away from Libor rather we are delivering the appropriate products to help clients as they move to new risk-free-rates."

The TP ICAP D&A chief continued that his team may partner with other types of firms to supply data: "Over the medium term, we will look to develop more information products to help meet unmet needs, possibly in partnership with third parties such as analytics provider, benchmark administrator, real-time risk manager, transaction cost analysis provider or a technology firm based in the cloud."

Sinclair believes there are many opportunities open to the TP ICAP data business over the coming months and years.

He said: "I am determined to keep the optionality broad within the D&A division over the next 12 months. Undoubtedly there is a huge amount of value that can be derived beyond delivering the raw data. The issue is that previously we were unable to consolidate this data in one place but with the combination of TP ICAP we are able to offer data that is so valuable because it is so scarce."

Sinclair concluded: "In the OTC market, no-one is better positioned than the world's largest inter-dealer broker." ■

Eric Sinclair's Resume:

- November 2017-Present: Chief Executive of TP ICAP Data & Analytics
- February 2003-October 2017: President of TMX Datalink, part of TMX Group
- 1999-2003: Executive Vice President of Spectra Securities Software
- 1986-1999: Vice President of Thomson Reuters


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LIFETIME ACHIEVEMENT AWARD

MARK HEMSLEY | President, Europe, Cboe Global Markets

Mark Hemsley has been an executive vice-president and European president at Cboe Global Markets for almost three years since Cboe bought Bats Global Markets in early 2017. Based in London, Hemsley was responsible for Cboe's European operations which includes the largest pan-European stock market and a European trade reporting facility.

Mark Hemsley has been an executive vice-president and European president at Cboe Global Markets for almost three years since Cboe bought Bats Global Markets in early 2017. Based in London, Hemsley was responsible for Cboe's European operations which includes the largest pan-European stock market and a European trade reporting facility.

Before Cboe bought Bats, Hemsley was one of the founding employees and chief executive of Bats Europe, the pan-European equities multilateral trading facility which emerged in 2008 among a proliferation of new MTFs after the introduction of the European Mifid reforms in late 2007.

Bats, which was owned by some of the world's top investment banks and trading firms until it listed its shares on its own exchange in 2016, was the most successful of the European equity MTFs, partly thanks to Bats' acquisition of its rival Chi-X Europe service in early 2011, a deal led by Hemsley.

Under Hemsley's leadership, Bats also became a Recognised Investment Exchange (RIE) in 2013.

More recently, Hemsley has been in charge of Cboe Global Markets' preparations for Brexit and in July 2018 picked Amsterdam as its European base when it filed an application with the Dutch Authority for the Financial Markets (AFM) to establish a venue in the Netherlands.

In the past decade, Hemsley has established himself as a considered and intelligent advocate of change, backing reforms to make the European markets more efficient and, ultimately, better for investors.

He was an active participant in various European Securities and Markets Authority committees, underlining his commitment to making the European markets better.

Hemsley has always conducted himself with charm and humility. He is one of the industry's good guys and will be keenly missed. ■

CHIEF EXECUTIVE OF THE YEAR

STEPHANE BOUJNAH | Chief Executive of Euronext

Stephane Boujnah, the chief executive of Euronext, has had an exceptional year.

Stephane Boujnah, the chief executive of Euronext, has had an exceptional year.

In June 2019, the European exchange group completed its acquisition of Norway's Oslo Bors despite sustained opposition from the far-larger US group Nasdaq which owns all of the exchanges in the Nordic and Baltic region apart from Norway's.

The scrap started (appropriately enough) on Christmas Eve when Euronext, which runs exchanges in Paris, Amsterdam, Brussels and Lisbon, offered €625 million to acquire Oslo Bors.

The Norwegian exchange responded on January 4 by inviting "relevant parties" to tender their bids and Nasdaq entered the fray on January 30 when its chief executive Adena Friedman outlined her plan "to combine Oslo Børs VPS' leading Norwegian exchange and depository capabilities with our leading Nordic marketplace complex".

Nasdaq's formal offer on February beat that of Euronext which responded by stating that it had secured the support of shareholders with 50.5% of Oslo Bors shares, more than Euronext needed to proceed with the deal.

Euronext then increased its bid to more than Nasdaq's with Boujnah declaring that he was "confident" the transaction would be completed before the end of June.

Boujnah redoubled his commitment in mid-February when he said he wanted Oslo Bors to be Euronext's "anchor in the Nordics". Nasdaq matched Euronext's offer in early March but Boujnah was resolute: "There is not a bidding war because we have secured more than 50.5% of the shares."

He was right.

Nasdaq withdrew its offer in May and Euronext completed the settlement of shares under its formal offer and took ownership of 97.8% of Oslo Bors stock. ■

GLOBAL EXCHANGE OF THE YEAR | LATIN AMERICA EXCHANGE OF THE YEAR

B3

B3 has emerged in recent years as a truly modern, diversified exchange group that offers systems and services for the equities, derivatives, financial and commodities markets as well as for fixed income securities, investment fund shares, federal government securities and spot foreign exchange.

B3 was formed in March 2017 by the merger of BM&F Bovespa and Cetip, and has not looked back since that time. The Brazilian exchange has seen its domestic markets' trading higher and higher over recent years with the IBOVESPA breaking the 100,000 point ceiling in mid-June 2019.

The market capitalisation of companies listed on B3 increased to BRL 3.3 trillion (£600 billion) from BRL 2.7 trillion at the start of the judging period.

This growth reflects B3's function which is to connect, develop and enable the financial and capital market and, together with customers and society, boosts Brazil's growth.

The Sao Paulo-based exchange has also seen very high levels of trading in the past year. In February, B3's Mini Ibovespa Futures Contract hit a record high in 2019 of 7.3 million contracts, while B3's other key equities and futures products have seen active trading.

The growing volumes relate to the fact that B3 has succeeded in increasing its customer base domestically where it now has 1.1 million individual investors in equities and among international trading firms that are increasingly tapping B3's most liquid markets.

ABN Amro Clearing, one of the world's top derivatives clearers, made a commitment to Brazil in September 2018 when it moved one of its top salesmen Richard De Bruijn to the region.

He told FOW at the time: "It is a growing business and has been for many years. There is strong focus on Brazil because we have seen increased growth and future opportunities for growth."

"There is a strong asset management community in Brazil so we also see an opportunity to see whether we can be of any help to them," he added.

Trading Technologies, one of the top technology vendors for derivatives traders, made a similar pledge in August when it linked its main trading platform to the B3 data centre.

Guy Scott, managing director, sales Americas of TT, told FOW: "The Brazilian domestic trading market is significantly larger than other Latin American markets, and it also generates the greatest demand from our global clients."

The Brazilian exchange group also showed innovation over the judging period.

In November 2018, B3 announced plans to acquire algo trading firm BLK Sistemas Financeiros to complement existing services to brokers and investors with a particular focus on developing technology and algorithms for the capital markets and financial derivative markets.

In May, the exchange moved to a T+2 settlement date for cash equities, which led to the reduction of counterparty risk for individual investors, participants and CCP, and greater efficiency in post-trading processes, operational risk reduction and increased availability of capital.

B3 also rolled out a core margin risk simulator to facilitate margin allocation for end clients, and worked on several new data services, including data analytics for its flagship UP2DATA and DATAWISE products.

B3 is also working on an artificial intelligence tool to scan news for reports of corporate actions, and to develop its options programs, with the implementation of the automatic exercise now scheduled for May 2021.

The Brazil exchange is a market-leader among its peers in the adoption of environmental, social and corporate governance (ESG) dimensions.

B3 is also a participant in the Gender Diversity on Boards program, a joint initiative of the Brazilian Institute of Corporate Governance (IBGC), the International Finance Corporation (IFC) and the Women Corporate Directors (WCD), whose mission is to enhance gender diversity on boards of directors. ■

NORTH AMERICA EXCHANGE OF THE YEAR

CME GROUP

CME Group has seen a stellar year in its rates, commodities and foreign exchange segments as the prolonged trade war between the US and China has boosted volumes on the CME's Chicago and New York-based markets.

The vast US exchange group started the judging period by announcing open interest at record levels of 128 million contracts while trading volume broker 20 million contracts September to hit 20.2 million lots for the month, a 13% hike on the same month in 2017.

In February 2019, the average daily volume of the CME's SOFR future, which launched in May 2018, soared 70% compared to the previous month, up to 31,000 contracts per day.

In March, the group announced its plan to launch in May micro e-mini contracts on the S&P 500, Nasdaq-100, Russell 2000 and Dow Jones Industrial Average indexes.

Tim McCourt, global head of equity at CME, said at the time: "The micro e-mini will allow participants to trade futures concurrently with single stocks or ETFs, for example. It's no longer an either-or decision."

In April, CME published data that showed the growth of Asian business, citing that over a quarter of its WTI crude oil futures were traded out of Asia in December 2018 compared to less than 10% just two years earlier.

The exchange group further underlined its global ambition by announcing in June its plan to launch two financially-settled Shanghai Gold futures contracts in Q4.

CME said the Shanghai Gold Exchange (SGE) will grant the Chicago-based futures exchange a license to use, create and list futures contracts based on its Shanghai Gold Benchmark PM Price.

CME said this was the first step in promoting the cross-market cooperation between China and the global market in its gold futures contracts. ■

> "The micro e-mini will allow participants to trade futures concurrently with single stocks or ETFs, for example. It's no longer an either-or decision."
>
> Tim McCourt, global head of equity at CME

EUROPE EXCHANGE OF THE YEAR AND PROP TRADERS' EXCHANGE OF THE YEAR

EUREX

As the largest exchange group in the Eurozone, Eurex has had a busy year with Brexit hanging over Europe and its largest trading centre London. The exchange has responded by launching many new products and services.

Eurex started the judging period by reorganising its equity index and fixed income derivatives business in efforts to support product innovation.

The Frankfurt-based market launched in September the first exchange-listed corporate bond futures based on the Euro Stoxx 50 corporate bond index

The Deutsche Boerse-owned derivatives platform extended its trading and clearing hours into the Asian time zone on December 10 for several European index and euro denominated fixed income benchmark products, as well as MSCI futures.

Eurex then introduced three ESG index futures on February 14, initially focusing on low carbon and climate impact.

The exchange then said in late March it would introduce in April 26 MSCI index futures and one index option, including futures on MSCI Europe ex-UK, futures on MSCI World and options on MSCI World in GBP.

Eurex courted controversy in April when it said it will introduce in late May a speed bump to all of its foreign exchange products.

The move involved delaying aggressive orders by a segment-specific deferral time before they are able to interact with the order book - effectively imposing a small speed bump on orders that would have otherwise executed when they entered the order book.

Randolf Roth, member of the executive board at Eurex, told FOW the plan was to assess it for six months before deciding whether to apply it to all options and potentially FX futures contracts.

"The passive liquidity protection makes most sense in products which are strongly depending on prices in underlying or reference markets. That is the case in options and also in FX futures. It could be also the case in certain illiquid futures but that will be considered later," he said in March. ■

MIDDLE EAST EXCHANGE OF THE YEAR

DGCX

The Dubai Gold & Commodities Exchange has been the most innovative exchange in the Gulf region since its launch in 2005 and continued this theme in 2019.

DGCX started the judging period by partnering in July with Asian banking giant Standard Chartered to broaden the range of collateral accepted by its central counterparty.

Clearing members at the Dubai Commodities Clearing Corporation (DCCC) were allowed to use fixed income securities such as UK and US Government Treasury bills and bonds as collateral in addition to cash, bank guarantees, term deposits and Tradeflow Bullion Warrants.

DGCX chief Les Male underlined his ambition in August 2018 when he said he plans geographical growth and a diversified membership base.

"I want the DGCX to grow geographically and I partly measure our success in the new members and new clients we bring to the exchange," Les Male, chief executive officer at DGCX, told FOW.

Male, who replaced Gaurang Desai as CEO in February 2018, said he would now like to see further diversification of the membership base at DGCX. "For example, bringing in additional clients from Asia and Europe," he said.

"We have one eye on China. We are looking to see how we can deepen and strengthen our good relationships with Chinese regulators and exchanges," he added.

DGCX said in early January that 2018 had been a record year of the market, with 22.26 million contracts traded which was up 28% on the previous year

Male followed this with a comment in March that he wants the ambitious exchange to be member-led.

"We always listen to what our members want but we want that to take that to the next level," Male told FOW.

"We want to engage and embed that into our business, in order to be a member led exchange in terms of the contracts and solutions we provide." ■

ASIAN EXCHANGE OF THE YEAR

SINGAPORE EXCHANGE

The Singapore Exchange has maintained a steady pace of innovation in the 12 months to the middle of last year.

SGX, the main exchange in Asia's largest foreign exchange (FX) market, started the judging period by launching a service that enables customers to trade FX futures "in an over-the-counter (OTC) manner and clear the trades on SGX's platform".

SGX's head of derivatives Michael Syn outlined in March the exchange's priorities for the rest of 2019.

He said the Asian exchange is in the final stages of preparing to launch a Japanese repo future, which later launched in May.

"We offer Nikkei options and dividend futures, which are among our longest dated products, but the one major risk component that remains unaddressed is the repo rate," said Syn.

In April, SGX launched its long-awaited TSI iron ore 62% futures contract amid much fanfare.

"A high-grade iron ore derivative contract is another tool to help the industry more effectively. SGX said in late June it was merging its cash and derivatives channels as part of an organisation restructure to boost opportunities for growth," said Lee Kirk, Cargill Metals' managing director.

The Singapore exchange group said in late June it was restructuring its business to operate under four segments all reporting into chief exec Loh Boon Chye from the start of July.

The cash equities and equity derivatives businesses then merged to form a single equities unit.

They are now operating under a single platform for both retail and institutional clients, offering trading, clearing, post-trade and research services across all equities products.

Syn was promoted to run that business as head of equities.

"Our expertise and market leadership in equity derivatives will be leveraged to internationalise our cash equities proposition through the introduction of new derivatives products, structured products and offshore risk management capabilities," SGX wrote in a statement. ■

> " SGX said in late June it was merging its cash and derivatives channels as part of an organisation restructure to boost opportunities for growth. "
>
> Lee Kirk, Cargill Metals' managing director.

CLEARING HOUSE OF THE YEAR – AMERICAS

CME

CME's US clearing house has stood up well under the pressure of volatile trading and continued to improve its service in the judging period.

In October 2018, the US-based clearing house said it had started clearing over-the-counter (OTC) Secured-Overnight-Financing-Rate (SOFR) swaps on October 1, with the contracts being immediately available for testing.

The Chicago-based exchange offered clearing of SOFR-based interest rate swaps for both the outright overnight and Basis swaps to facilitate trading between SOFR and the existing benchmarks.

The basis swaps included USD the London Interbank Offered rate (Libor) versus SOFR, as well as the Effective Federal Funds Rate (EFFR) versus SOFR swaps.

CME's clearing house said in May 2019 it is forging ahead with its plan to launch the next generation of its industry-leading Standard Portfolio Analysis of Risk (SPAN) margin framework – CME SPAN 2. The new framework is slated for testing in the second half of 2019 and, pending regulatory review and approval, roll out in the first half of 2020.

The exchange said CME SPAN 2 will provide enhanced risk management capabilities in a single, unified interface by maintaining SPAN's current calculations and functions while incorporating several new modeling, reporting and margin replication enhancements.

"Incorporating insights gained from more than 30 years of market leadership, CME SPAN 2 provides unique enhancements that will streamline and standardise margin calculations across listed futures, options, and OTC products," said Sunil Cutinho, the president of CME Clearing.

Also in May, CME was found to have enough funds to withstand extreme scenarios under the Commodity Futures Trading Commission's (CFTC) stress test, which "supports confidence" in the resilience of the clearing house.

According to the CFTC, the results of its third supervisory stress test published in May have improved understanding of, and support confidence, in central counterparty (CCP) resilience. ■

CLEARING HOUSE OF THE YEAR – EUROPE

LCH

LCH's role as the largest European clearing house has been called into question by Brexit and European enthusiasm to relocate the clearing of Euro-denominated swaps into the Eurozone.

But the London and Paris-based clearing house, which is owned by the LSE Group, started the judging period strongly. The clearing house's French arm said in July that it had reached agreement with JP Morgan so the US bank will use LCH CDSClear to clear European credit default swaps.

LCH also said in July 2018 that it was confident of having three quarters of the world's top dozen foreign exchange dealing banks live on its new FX options clearing service by the end of the year.

LCH launched in November 2018 its new cross margining service Spider 2 - a move expected to boost volumes on interest rate derivatives platform CurveGlobal.

The second version will introduce longer term interest rates including the long gilt and the German bund, bobl and schatz futures contracts - a long awaited move set to make a the products more attractive to clients and potentially drive further volume growth on LSEG-backed interest rate derivatives platform.

Also in November 2018, LCH compressed its first significant volume of cleared non-deliverable forwards (NDFs) notional for ForexClear members.

The London-based clearing house said the first ForexClear members, including Citi and Standard Chartered Bank, had reduced their notional outstanding by $4.5 billion through the use of the compression solution.

LCH SwapClear said in April it is looking to meet local demand for clearing overnight index swap (OIS) currencies.

"We are also looking at clearing new currencies for OIS products, such as Swedish and Danish Krona later in the year, as well as the New Zealand Dollar," Cameron Goh, global head of product, rates at LCH, told FOW.

LCH piled into the clearing resiliency debate by publishing in June 2019 an overview of its risk management measures. ■

CLEARING HOUSE OF THE YEAR – ASIA

LCH

LCH's fast-growing Asian business started the judging period well by hiring in October 2018 Kate Birchall to head up its Asia-Pacific business.

Based in Sydney, Birchall reports to LCH Ltd chief executive officer Martin Pluves.

Birchall joined LCH after six years at the National Australia Bank (NAB), where she was most recently head of portfolio optimisation and collateral.

At LCH she is responsible for the APAC business, including the over-the-counter (OTC) derivatives clearing operations in Sydney and Tokyo.

"I'm pleased to welcome Kate to LCH as head of Asia Pacific. She brings with her substantial experience of the markets in Australia and internationally, and will be an asset to our leadership team," Pluves said in a statement.

LCH SwapClear, the world's largest swaps clearing service, gained in June 2019 its first Chinese clearing member.

Bank of China (UK) became its first clearing member from a Chinese banking group, and is now able to clear interest rate derivatives at the London clearing house and provide broking services to clients.

Bank of China has been offering protected payment services to LCH's clearing members since 2015, when it became the first Chinese bank to do so.

"Over the past year we have expanded the number of currencies cleared at SwapClear and look forward to providing Bank of China and its clients access to LCH's clearing services and global liquidity pool," said Birchall.

LCH was in June in the process of setting up a Singapore office to expand its Asia Pacific operations and had hired a sales representative to work in that centre.

A spokesman for the London Stock Exchange Group-owned clearing house LCH told FOW at the time it is setting up a Singapore office and that former Merrill Lynch sales representative Jason Warner had been hired as a sales representative.

Sydney is LCH's Asia hub and it has another office in Tokyo. ■

US OPTIONS EXCHANGE OF THE YEAR

CBOE GLOBAL MARKETS

Cboe Global Markets has long been one of the dominant handful of US options exchanges in what is a highly competitive marketplace.

Cboe started the year in typically vocal fashion by welcoming an act which had been introduced by two US senators to change US bank rules.

Ed Tilly, the chairman and chief executive of Cboe Global Markets, said: "We are pleased that the soundness of centrally-cleared options markets continues to garner bipartisan support from our lawmakers and plan to continue leading the advocacy efforts for this issue and our industry."

In August 2018, Cboe said it will offer a market-maker liquidity incentive scheme to support its new future on a corporate bond exchange-traded fund (ETF) ahead of its launch the following month.

Cboe said in September it would launch in October its second US corporate bond index futures contract, based on investment grade holdings

that are less likely to default than those tracked on its existing product.

The exchange said in October 2018 it had increased the rebate for lead market makers (LMMs) in its flagship VIX index, to boost liquidity after volumes slumped during the year.

"The LMMs are eligible to receive a rebate if they satisfy the heightened standards, which the Exchange believes will encourage LMMs to provide liquidity during global trading hours," the exchange group wrote in October.

The Chicago-based exchange hired in December Arianne Criqui as senior vice president, head of options and business development, and Robert Hocking as senior vice president, head of derivatives strategy.

Cboe veteran Matthew McFarland was also promoted to vice president, head of futures, Cboe Futures Exchange (CFE) after 11 years at the exchange.

The Chicago exchange said in June it would introduce a new market maker incentive programme to foster greater market quality, particularly in newly launched and less actively traded products. ■

MOST INNOVATIVE NEW CONTRACT

EUREX ESG FUTURES

The Frankfurt-based exchange launched on February 14 three ESG futures based on the STOXX Europe 600 index and said that the launch was only the beginning of the exchange's foray into ESG.

"The first listings of three ESG futures on STOXX Indices … is just the beginning of a new index benchmark family at Eurex," Michael Peters, deputy chief exec of Eurex and member of the executive board, told FOW.

Two of the products are based on the STOXX Europe 600 Index, both with ESG screening but one with a particular focus on climate impact. The other contract is based on the EURO STOXX 50 with a low carbon focus.

Eurex also plans to offer a liquidity provider incentive scheme to support on screen price provision for the contracts, the exchange said in February.

The products won an early endorsement from a client who said the ESG products are outperforming the exchange's more established products.

Magnus Linder, head of derivatives trading at Sweden-based Swedbank Robur, said in March the profitability in Eurex's, Euro STOXX 50 with a low carbon focus and STOXX 600 ESG-X, sets an "interesting precedent for sustainable products".

"We have found it very interesting that PNL from the Euro STOXX 50 with a low carbon focus and STOXX 600 ESG-X is higher than the standard EUREX listed STOXX future without the sustainable focus.

"This sets an interesting precedent that sustainable products can perform better than the old benchmark version," Linder stated.

Eurex said in February the return from the Euro STOXX 50 low carbon was 9.6% whilst Euro STOXX 50 was yielding 8.9%. The low carbon ESG approach overweights firms that are low emitters and underweights high emitters.

Similarly, the STOXX Europe 600 ESG-X returns 7.5% in contrast to the old benchmark STOXX Europe 600 that returns 7.3%. ■

BEST NEW PRODUCT – TRADE RECONCILIATION

ION PRECISION

ION Markets has been busy in the past 18 months integrating Fidessa's various trading products into its already strong portfolio of technology solutions.

But ION has also maintained its commitment to innovation as demonstrated by the launch of its Precision system, the firm's state-of-the-art reconciliation tool.

ION believes that data reconciliation is an ongoing challenge for firms active in cleared derivatives, yet most of the solutions available today still rely heavily on manual inputs and data transfers, which slows down the process.

For ION, derivatives firms require a "do it yourself" reconciliation solution where all processes are contained and real-time.

According to the company, Precision provides ION clients with a high-performance, data-agnostic solution which enables them to reconcile information faster and more accurately.

Precision was created as a tool for migrating ION clients from legacy back-office systems to their next-generation post-trade platform, XTP

Precision enables ION's implementation teams to extract data from processes and files generated in the legacy platform, to ensure XTP's configurations and client statement outputs are aligned. This fully automates the data reconciliation process and removes the need for manual comparisons between systems.

Additionally, Precision can compare physical / cash positions to ensure they are matched with a hedge position. For firms all across cleared derivatives from banks and brokers to commodity trading houses, Precision adds real value not just within cleared derivatives operations teams but across an entire organisations.

Using HTML5, Precision is optimised for both performance and user experience, ensuring it can reconcile large amounts of data faster than its legacy competitors. Precision is a lightweight application with a modern and customisable look and feel, as opposed to the rigid, dated views used by incumbent platforms.

As with all ION products, Precision can integrate with the full suite of ION's data visualisation and analytics dashboards to give staff a precise view relevant to their needs. ■

BEST NEW PRODUCT – POST-TRADE

TRIREDUCE BENCHMARK CONVERSION

CME Group's TriReduce Benchmark Conversion is a smart solution to a growing problem for financial services firms and specifically banks.

The migration away from Libor to mitigate the chances of a recurrence of the problems that arose with the flawed lending benchmark.

Regulators in world's main financial centres have in recent years made serious strides to introduce various alternative "risk-free rates" (RFRs) and made it clear that Libor's days are numbered.

Banks, for example, will no longer be required to contribute to Libor fixings beyond 2021, yet 70% of today's Libor trades are estimated to rely on the benchmark beyond that date.

With that in mind, institutions that have exposure to Libor beyond 2021 will need to identify ways to convert their over-the-counter derivative trades into the selected alternatives in each jurisdiction.

This is a significant undertaking for a broad swathe of market participants, including swap dealers, hedge funds, asset managers, insurance companies and corporates.

As an established supplier of post-trade technology solutions, TriOptima is uniquely placed to support this need for benchmark migration and has been busy in the past year building a solution to help clients complete the transition quickly and effectively.

CME thinks it is important to make sure that all holders of Libor exposure are treated equally, and that no-one is disadvantaged through a lack of information.

TriOptima's compression network is the market-leading platform for OTC derivatives compressions and, therefore, provides the ideal platform for facilitating the conversion of legacy Libor positions into the alternative RFRs.

Built on proven technology for executing large scale multilateral portfolio compression with streamlined central counterparty and post-trade connectivity, TriOptima offers compression for bilateral cross-currency swaps that reference Libor.

Using TriReduce Benchmark Conversion, market participants will be able to perform an orderly close out of their Libor exposure using their own mid-market curve. They can even individually control the pace of their conversion by setting risk-based limits on their own risk values. ■

BEST NEW PRODUCT – REGULATORY REPORTING

KAIZEN REPORTING REPORTSHIELD

Kaizen Reporting's ReportShield™ service has for years been a market-leading regulatory reporting platform, having helped clients deal with various reforms including Dodd-Frank, EMIR and Mifir.

The London-based firm went further in 2019 with a range of new features.

Kaizen has in the past year expanded the jurisdictions it covers to include the regulatory authorities in Hong Kong and Singapore as well as new regulations FinfraG and the Securities Financing Transaction Regulation (SFTR).

The company has also added 400 new independent tests to its MiFIR testing service and expanded that suite to include RTS 23 (testing instrument data on trading venues) and Post Trade Transparency Reporting (RTS 1 and 2).

Kaizen has also updated its EMIR testing for the EMIR Refit/EMIR 2.0, which has a particular focus on Exchange-Traded Derivatives (ETDs), and added to its regulatory reporting core training for EMIR, MiFIR and SFTR as a fifth component of its overall service.

Kaizen is particularly targeting SFTR which will take the reporting technology firm into the new segment of securities lending. The regime comes into effect next year in a staggered go-live beginning with banks in April 2020.

The regulatory reporting core training service was launched in late 2018 to ensure firms have access to an integral part of the systems and controls that a company needs to have in place to be reporting accurately.

A lack of understanding of reporting obligations is often cited in Financial Conduct Authority final notices relating to fines for incorrect reporting. The half day training courses are proving popular with clients as a great 'add on' service and also as a way of attracting new clients.

ReportShield's components are sold as individual services and firms can mix and match components based on their business requirements.

Together they act as a shield against the regulator, providing firms with the controls they need to meet their obligations and manage their reporting risk. ■

BEST NEW PRODUCT – RISK MANAGEMENT

TORSTONE TECHNOLOGY

The Torstone Technology RiskMine platform provides a centralised 'single source of truth' for all risk data within a firm, making it easier and faster for Risk Officers to analyse and act on firm-wide risk exposures in real time.

The Torstone Technology RiskMine platform automates the collection, cleansing and management of both input and output risk data liberating Risk Officers from the shackles of manual data management and end-of-day risk reporting, allowing them to focus on risk management and adding value to the business. The design and architecture of the platform future-proofs risk management teams for changes in the business and regulatory landscape.

The primary goal of the platform is to put power into the hands of the risk managers giving them the flexibility to compute and analyse firm wide risk and answer the tough questions they face daily. Put another way, while most other "risk systems" are front office systems that do some risk calculations, RiskMine is the holistic risk management platform that brings it all together for the ultimate flexibility, transparency and scalability.

Financial institutions have faced a tsunami of new regulations and have to move away from siloed environments towards more holistic risk management.

To date, very few financial institutions have managed to build scalable and manageable risk technology, with many still resorting to spreadsheets and ad-hoc solutions. In most capital market environments, there are multiple front office systems, each of them providing specific trading functionality with varying amounts of risk computation built in, often in real time.

> RiskMine is the holistic risk management platform that brings it all together for the ultimate flexibility, transparency and scalability.

While these might be useful for the front office trading teams, it quickly becomes a logistical nightmare for firms needing to deliver consistent firm-wide risk analysis and scale this to perform stress tests and simulations. To achieve their firm-wide risk management objectives, the traditional choices have been to either consolidate into one monolithic vendor product or build an aggregation and parallel risk pricing environment in-house. ■

BEST NEW PRODUCT – TRADING AND EXECUTION

OSTC/ ZISHI

Traders have always performed under pressure. In some moments, more profitably than others. But what about the exact physical and mental conditions that propel individuals to find his winning edge? Until recently, industry insiders had little to go on other than a hunch.

Launched by independent trading group OSTC, the ZISHI Elite app and biometric technology is new it is but fast gaining popularity amongst traders seeking the incremental gains that can be found from mind, body, mood and stress management.

Working with world-renowned sports psychologists from Bangor University, OSTC and ZISHI have taken inspiration from the world of elite sports performance to develop an industry first for traders: a wearable technology that gives users the data needed to assess when body and mind is primed for a winning trade.

Measuring key markers like heart rate variability (HRV), the app and wearable enables users to understand patterns of stress, energy or tiredness and how this influences peak performance or shift a trader into a bad decision.

ZISHI Elite also makes custom recommendations to help traders adapt behaviours, habits or introduce mindfulness, nutrition or breathing techniques that can powerfully and rapidly mitigate the effects of stress on the body and their mental capacity, while moving users back into an 'optimal performance state' faster.

The ZISHI Elite launch clearly indicates OSTC's interest in using advanced technologies for better self-mastery and lifelong learning. Even more than that, the app reflects the company is leaning towards healthier, happier traders who (literally) know their physical limits and can enlist this kind of biometric support to perform better in the long haul.

Endorsed by Welsh rugby captain and OSTC ambassador Alun Wyn Jones, Alun commented: "Performance enhancing technologies like the ZISHI Elite wearable and app are going to radically enhance more than just the trading experience; they've the potential to shape an employee's sense of job fulfilment, health and beyond." ■

BEST NEW PRODUCT – CONNECTIVITY

RAFT TECHNOLOGIES

High-frequency trading firms are hugely reliant on low latency connectivity to ensure they stay ahead of the pack and successful in what is a highly competitive field.

With this in mind, RAFT Technologies has introduced a novel technology based on some solidly founded traditional concepts. Relying on RF communication in the HF band, RAFT has used its cutting edge technology to reduce cross continental latency dramatically.

For those who know RF radio (HAM radio), using HF for high-frequency trading may sound counterintuitive, due to its susceptibility to natural disturbances. But, at RAFT, proficient experts from a vast array of fields have mitigated this potential concern and have managed to develop an advanced signal processing system that overcomes propagation difficulties.

RF transmission is simply twice as fast as the light ray moving in the fiber optic cable, which makes all the difference in the world.

Not only that, but the advantage of being able to cover great distances without having to rely on almost any physical infrastructure, is invaluable.

HF transmission utilises the atmosphere in such a manner that it becomes a mirror of sort, bouncing the wave on it (a certain layer in the atmosphere) at the speed of light.

RF transmission provides a direct point to point link, thus reducing added latency associated with any unnecessary hopping. In a long-range equation, this considerable gain is important beyond measure.

RAFT patented technology utilises directional HF antennas, in house-built modem and proprietary algorithms to enable faster transmission with minimal interferences.

Its lab and field experts are constantly improving and bettering each and every aspect of the system. RAFT is constantly in the process of surveying new locations around the globe to find new potential site locations. New links are also being established, with the end goal of building and operating 30 links between exchanges, thus catering for all the needs of global HFT companies. ■

BEST NEW PRODUCT – COLLATERAL MANAGEMENT

SMARTSTREAM TLM COLLATERAL MANAGEMENT

In the past year SmartStream's TLM Collateral Management has held workshops with its clients to identify emerging problems around newly in-scope counterparties (NISCs) and this uncovered that the responsibility for verifying triparty booked positions resides with the collateral end user and not the triparty agent.

Accordingly, SmartStream created a tool to allow clients to verify that the Triparty positions which were imported into their application did not breach existing eligibility and concentration rules. From the verification tool, clients are also able to compare their own calculated results to those presented by the Triparty and publish reports downstream.

In September 2019, the industry saw Phase 4 counterparties enter into the UMR regulations. However, for much of the year industry resources were dedicated to the education and preparation for September 2020 and 2021, as the wave of Phase 5 and 6 counterparties enter the scope of Uncleared Margin Rules (UMR). Being a leader in the collateral management field, SmartStream's TLM Collateral Management participated in these industry events, working groups and hosted webinars to better prepare the NISCs.

From these sessions, TLM Collateral Management identified the need for new entrants to get set up quickly with their collateral management systems and to have as few barriers of entry as possible. Therefore, SmartStream introduced TLM Collateral OnDemand as its new hosted, Software as a Service, solution. Through this offering, clients can dedicate efforts to the processing of margin calls while SmartStream can administer all data imports and configurations. With SmartStream hosting the solution, clients not only benefit from the decrease in dependency on back-office and IT personnel, but also receive all TLM Collateral Management modules at a market-tested competitive price.

TLM Collateral Management's new browser-based UI allows users to fully process margin calls and interest payments from its best in class, intuitive workflow. ■

Uncleared margin rules drives demand for automation

Post the 2008 financial crisis, regulatory reforms were introduced for uncleared OTC derivatives. These have been phased in with the final stages coming in 2020 and 2021. Over the next two years, 1,100 firms are set to be covered by the uncleared margin rules (UMR) regulations, meaning they will have to post initial margin. In this highly regulated and competitive environment, the industry is turning towards automation as a means to simplify the collateral process.

SmartStream's Collateral Management product, part of the firm's Transaction Lifecycle Management (TLM) suite, helps companies reduce operational risk. Trevor Negus, product manager for TLM Collateral Management at SmartStream told Global Investor that due to regulatory requirements for UMR, the firm has rolled out an easy to deploy, front to back collateral solution to cater for all IM needs. It includes a SIMM calculator, a gross IM workflow, all the regulatory eligibility and concentration checks required, as well as open application programming interfaces (APIs) to connect to downstream settlement systems. Best of all, these processes can now be automated.

"On a day to day basis, trades and market data, including prices and FX rates, will be automatically uploaded. Trades are run through a margin calculation, which sums up the exposures, compares the result to the terms in the legal documentation, and generates an event into a workflow. From here users can process it, or it can be automatically processed by the system," said Negus.

Acquired from IBM in February 2015, the Collateral Management product is used to manage counterparty risk. Negus described it as a "data warehouse" for all of the entity and instrument data as well as the firm's legal documentation data, which includes all credit support annex (CSA) terms. It is then the workflow tool for processing both your IM and variation margin (VM) calls.

Trevor Negus, product manager for TLM Collateral Management at SmartStream.

"Within the workflow we check for wrong way risk, so where collateral is issued by, or related to, the party that is posting it. With initial margin, the collateral for the most part is settled in securities and so users need eligibility, concentration and wrong way checks at the time of booking to handle bond collateral effectively," added Negus.

Once the collateral is booked and checked for eligibility by SmartStream, it will seamlessly flow downstream to a firm's custodian to process the physical settlement. This connected approach enables automation and reduces client resourcing.

Helping smaller vs larger firms

With smaller firms in scope for UMR by 2021, SmartStream has created a "turnkey solution". It offers an application that is deployed on the cloud, which can be easily integrated into an existing infrastructure, allowing smaller firms to scale up their collateral process quickly. "One of the big concerns for the smaller firms is having the ability to calculate initial margin using the ISDA SIMM. We are able, using a partner's risk engine, to generate both the sensitivity inputs and then calculate the SIMM, and use this in our margin calculation. Initial margin calls are created in our standard workflow, where users are able to process them alongside their variation margin calls," said Negus.

For phase 5 and 6 firms impacted by UMR, the ISDA SIMM is likely to be widely used given that it keeps the IM requirement considerably lower versus the grid based schedule approach. Therefore integrating this with the collateral offering is fundamental.

SmartStream can provide the full collateral lifecycle including ISDA SIMM Calculation hosted in the cloud. This allows smaller firms to be more efficient and reduces the time needed to be up and running. However, the traditional on-premise deployment is still there for larger global banks who require everything within their own infrastructure.

With larger firms, the greatest challenge is upgrading to the latest version of the software and staying current with all the latest features. With this in mind, SmartStream has introduced what they have dubbed a quality assurance (QA) testing service. "We deploy the latest version on the cloud for functional review and also provide a full report of all our automated testing. The truth is that many of the tests that clients conduct, we have also run and seen pass," said Negus. "This is clearly a duplication of time and effort."

Furthermore, SmartStream is happy to include clients' tests that they do not have in their suite, which includes any manual testing as well. By doing so, SmartStream is able to shorten the regression cycle and reduce testing effort for client firms.

SmartStream told Global Investor that it invests 30% of its revenue back into research and development (R&D). The firm has been investing heavily into its user interface and the user experience. Repetitive processes are being automated with a transition to an exception based operating model. With regulations driving volumes up, the need for straight-through processing (STP) is more important than ever. ■

BEST NEW PRODUCT – MARKET SURVEILLANCE

EVENTUS SYSTEMS

Eventus Systems provides critical market surveillance and financial risk tools for Tier 1 banks, brokerages, futures commission merchants (FCMs), proprietary trading firms, exchanges, corporates and buy-side firms.

The Validus platform, available as a cloud-based or real-time enterprise on-premise solution, is widely used across asset classes, in equities, equity options, futures, foreign exchange, fixed income and crypto-currency markets.

During the consideration period, a key achievement by Eventus was the introduction of its industry-first combination of machine-learning (ML) and procedural tools that delivers the best in new technology with robust real-world capabilities needed to deliver exceptional, yet practical, results.

> The unique Eventus value proposition is based on tested market experience enhanced with right-sized and effective new technology that delivers results, not empty promises.

Ever-expanding streams of market data lead to a crush of false-positive alerts that over-burden compliance teams and make actionable insight difficult to achieve. Central to the Eventus mission is enabling clients to receive maximum actionable alerts, bringing greater efficiencies to compliance staff to ensure they can follow up on the most relevant issues without getting bogged down in false alerts. Designed for flexible, rapid deployment, Validus allows clients to customise tools and procedures using industry-standard protocols such as Python.

A key development for Eventus in the past year was the introduction of innovative ML capabilities. These ML tools are the first in the industry to combine procedural and automated rules, enabling clients to dig deeper and take resolution action faster. Most initiatives that carry the "ML" banner are long on promises and short on results.

Promising the latest in over-hyped buzzwords, these solutions typically produce little or nothing in the way of results that actually meet the needs of the market practitioners who are thirsting for insight and hungry for help with the daunting regulatory tasks that they face. The unique Eventus value proposition is based on tested market experience enhanced with right-sized and effective new technology that delivers results, not empty promises. ■

BEST NEW PRODUCT – MARKET DATA

ANOVA FINANCIAL NETWORKS

The transport of market data between Aurora and BATS, NASDAQ and NYSE (ICE) is paramount due to the fact that the Chicago Mercantile Exchange (CME) front-month e-mini S&P 500 (ES) drives price formation in virtually all asset classes at the equity exchanges.

Hence, the ability to receive updated CME data to New Jersey matching engine destinations is critical to every market participant (banks, brokerage, prop) across a myriad of strategies (stat arbitrage, market making, price correlation). Ask any trading firm and they will acknowledge there isn't a corridor of more importance for the transport of market data than the one between Aurora, IL and the "equity triangle" in New Jersey.

Which is why Anova spent years focusing on how to improve this mission critical transmission.

And in 2019, MicroFeed was unveiled. Traveling wirelessly over 1100KM and five states, this normalised market data feed gives firms the ability to select from a group of CME ETF and Metals symbols to build a custom book of price updates that can be received in concert at all NJ exchanges.

Further, the tick-to-trade latency of MicroFeed is the fastest-known to every destination. Many providers choose to only optimise one leg (CME to NY4 in Secaucus for example) but Anova's MicroFeed changes the latency paradigm to every destination BATS (NY4 & NY5), NASDAQ (NY11), BrokerTec (NY2) and NYSE (Mahwah).

Specifically, MicroFeed offers latency of well below 4 milliseconds during the entire trading cycle, which provides users with a benefit of 8 -12 microseconds over the legacy offerings.

Further, MicroFeed was developed with high volume markets in mind as it possesses the intelligence to read multiple updates from the CME and only send the latest (which is the most important) price information first. This feature is called conflation and only exists in this fashion on Anova's MicroFeed. ■

TRADING SYSTEM OF THE YEAR – BUY-SIDE

TRADING TECHNOLOGIES

Trading Technologies has celebrated 25 years as a market-leader in execution software and continued to demonstrate over the judging period the commitment to innovation that helped the firm reach that status.

In the past year, Trading Technologies announced new connectivity to the Johannesburg Stock Exchange (JSE), Korea Exchange (KRX), and Moscow Exchange (MOEX) via the TT platform, as well as connectivity to Shanghai International Energy Exchange (INE), Dalian Commodities Exchange (DCE) and Zhengzhou Commodities Exchange (ZCE) via TT's partnership with Hong Kong-based broker, CN Frist.

The TT platform is connected to 50 markets across six continents - and is continually expanding to meet the needs of traders worldwide.

Additionally, Trading Technologies has significantly invested in TT's infrastructure, strategically positioning TT within the ICE Data Services European Liquidity Center (EULC) for direct market access to ICE's European derivatives markets; the B3 Data Center for colocated connectivity to B3; the @Tokyo data center for low-latency access to the Osaka Securities Exchange (OSE), Tokyo Commodity Exchange (TOCOM) and Tokyo Financial Exchange (TFX); and the Hong Kong Exchange and Clearing (HKEX) data center for colocated access to HKEX.

TT has also expanded in the past 12 months into the cryptocurrency derivatives space. Specifically, Trading Technologies' invested in CoinFLEX, the world's first physically delivered cryptocurrency futures exchange. This Asia-based exchange offers physically delivered futures for Bitcoin, Bitcoin Cash and Ethereum against Tether, the world's largest and most liquid stablecoin, and offers the world's first stablecoin-to-stablecoin futures contract, offering Tether (USDT) against Circle's USD Coin stablecoin (USDC).

In an effort to further improve transparency and accountability, Trading Technologies has launched TT® OMS, a unique end-to-end order management solution that is integrated with the TT platform. TT OMS consolidates all order management and execution on one platform, offering users cost-effective, sophisticated order management capabilities with best-of-breed execution tools. ■

TRADING SYSTEM OF THE YEAR – SELL-SIDE

HORIZON SOFTWARE

Horizon's mission for over 20 years has been to empower capital market players by building powerful algorithmic technology into its electronic trading platform, opening trading opportunities across more than 80 exchanges worldwide.

The firm provides the world's professional trading community with advanced, scalable and reliable trading technology.

Horizon's products can be used out-of-the-box and are based on a flexible architecture, which enables software customisation to satisfy each client's specific requirements and market regulations, such as Mifid II.

The platform can be easily integrated with third-party systems, which explains why the firm has had great success in regions including EMEA, APAC and North America. In recent years its presence has grown significantly in emerging countries such as Vietnam, Thailand, Malaysia, Indonesia, China and Turkey.

The firm has also played a significant role in the development of Asian futures and warrants trading, especially for emerging countries. Horizon is now expanding and partnering with local market players in Vietnam, working with a broad range of firms, from global market makers to local customers.

The Horizon platform can handle even the most sophisticated cross-asset algorithmic trading strategies. Trading strategies are evolving day-by-day and traders constantly demand more sophistication and flexibility.

Horizon's platform satisfies traders' needs by offering market-leading technology. It can be integrated into rich APIs and users can easily build proprietary strategies while, crucially, their code remains confidential so the firm gives clients unparalleled control over their algorithmic trading strategies, and the ability to modify the built-in templates.

The OEMS solution has recently been enriched with new features resulting from Horizon's unique experience and long-standing expertise in derivatives trading. As with previous versions, clients benefit from market connectivity to multiple global exchanges to seamlessly access liquidity venues for best execution and manage incoming client order.

Horizon's mission is to deliver market-leading technology. The power of its innovative trading and algo technology was quickly recognised and has resulted in strategic partnerships with many key market participants. ■

TRADE REPOSITORY OF THE YEAR

DTCC GLOBAL TRADE REPOSITORY

Financial firms doing business in the European Union face an additional regulatory regime starting in 2020 that will challenge their operational capacity to report large volumes of securities financing transactions (SFT) to trade repositories.

While many of these financial firms are already experienced in reporting over-the-counter derivatives trades to TRs under the EMIR regime, the EU's Securities Financing Transactions Regulation (SFTR) will disrupt standard operating procedures and impose new compliance burdens in a business area previously untouched by such mandates.

In response to SFTR, the DTCC Global Trade Repository service (GTR) has launched an end-to-end SFT reporting solution, from data ingestion through record-keeping and data analytics, to enable firms to meet the data, operational and risk management challenges of SFTR compliance. The new feature adds to DTCC's GTR's established suite of functionality.

Subject to regulatory approval, GTR is extending its functionality to accommodate the reporting of securities financing transactions when SFTR takes effect in Europe and the UK in 2020. GTR's SFTR solution will give the many EU- and non-EU-based firms subject to this new mandate the same data security and transparency, robust infrastructure, and streamlined reporting functionality GTR has established for derivatives reporting.

GTR will offer SFTR clients the expansive services -- including message ingestion, validation (including "near-real-time" response messages to each submission), record keeping, and reporting to participants and regulators – it now offers for derivatives reporting.

Launched in 2012 to carry out the Group of 20's (G20's) recommendations for risk mitigation in the OTC derivatives market following the 2008 global financial crisis, GTR is the largest trade repository for the reporting of OTC derivatives transactions in the US, Canada, Europe and the Asia-Pacific region with an 80% global market share.

It processes some 40 million open positions a week and more than 11 billion messages for 5,250 clients in multiple jurisdictions around the world. ■

BANK OF THE YEAR

BNP PARIBAS

The French bank became in October 2018 an early backer of CME Group's new SOFR swaps clearing service and helped to set the service off to a strong start with over $200 million processed in the first week alone.

The Chicago-based exchanged announced that five market participants - BNP Paribas, Credit Suisse, JP Morgan, Morgan Stanley, and Natwest Markets - cleared trades worth more than $200 million in notional value in early October.

"We're pleased to see strong customer interest in clearing OTC SOFR swaps as part of our holistic SOFR solution that covers the entire yield curve," Agha Mirza, CME Group global head of interest rate products, said in a statement.

In late 2018, BNP hired former UBS and Societe Generale broker Andrew Chart to boost its London-based derivatives business targeting financial clients.

Chart reports to Simon Walker, BNP Paribas Securities Services' London-based head of strategic account management for banks and brokers.

BNP was named in early 2019 as one of the first wave of banks to join LCH's CDS clearing service CDSClear.

The French bank then promoted in June its European equity derivatives hedge fund sales head Walid Maaouni to lead global sales for that division.

BNP Paribas has more recently reached an agreement with Deutsche Bank to take over the staff, clients and technology in the German bank's prime brokerage and electronic equities businesses.

The agreement came after the two parties revealed they were in talks over the German bank's prime brokerage division in July.

Deutsche Bank will operate the platform until clients are migrated to the French rival.

In a joint statement, the firms said: "Both firms will work closely together to ensure a seamless transition for clients, through the migration of technology and key staff from Deutsche Bank to BNP Paribas." The agreement is subject to regulatory approvals of the relevant authorities. ■

> "We're pleased to see strong customer interest in clearing OTC SOFR swaps as part of our holistic SOFR solution that covers the entire yield curve."
>
> Agha Mirza, CME Group global head of interest rate products

INTER-DEALER BROKER OF THE YEAR

TP ICAP

The British inter-dealer broker started the judging period by appointing a new chief executive in the shape of former Newedge CEO Nicolas Breteau, who joined Tullett Prebon in 2016.

Breteau replaced John Phizackerley who had been the chief exec of Tullett Prebon since 2014 and oversaw the merger with a division of its rival Icap to form TP Icap.

The broker said at the time: "The Group plans to make strategic organic investments of around £15m in Global Broking, Energy & Commodities and the Data & Analytics divisions to accelerate the future growth of the TP Icap business."

In November 2018, TP Icap announced the acquisition of Houston-based brokerage Axiom in a $15.1m cash deal.

This brought Axiom - which has 22 brokers specialising in crude oil, refined oil products, ethanol and physical grains - into TP Icap's energy and commodities division.

In December, TP Icap appointed industry veteran Richard Berliand as chairman and non-executive director in a board reshuffle.

Berliand, at that time a member of the supervisory board, replaced Rupert Robson who retired after 12 years on the board, the last six of which as chairman.

In April, the broker hired former UBS managing director Mike du Plessis as senior managing director of its institutional services division.

Plessis joined the interdealer broker's New York office on July 8, reporting to institutional services chief exec John Ruskin.

He joined after eight years at UBS AG, where he was a managing director in several senior roles across London and New York including global head of FX, rates and credit execution services, and global head of ETF macro execution.

Prior to UBS he worked in listed and cross rates sales for almost 20 years including roles at Cube Financial - which was acquired by Societe Generale - Lehman Brothers and Deutsche Bank.

"Mike has a strong reputation for his singular vision for agency execution and client focus; his appointment is a response to the growing demand amongst our clients for truly impartial and measurable execution quality alongside dedicated pre and post trade service provision," Ruskin said. ■

NON-BANK FCM OF THE YEAR

R.J. O'BRIEN & ASSOCIATES

R.J. O'Brien & Associates achieved new milestones in the judging period, including further building on its global presence, fortifying its commitment to strategic growth, strengthening checks and balances, launching innovative new products, achieving record growth and more.

Following up on the successful opening of its first office in Dubai last year, this year RJO's London-based entity R.J. O'Brien Limited established R.J. O'Brien France S.A.S., giving the firm an office in Paris and first foothold in Continental Europe in preparation for Brexit.

In August 2018, Steve Brodsky joined RJO as the firm's first Chief Strategy Officer to identify areas of investment for the company, and to drive and assist in any number of partnerships and strategic initiatives throughout the group's global companies.

The firm also established a new internal audit function in June, appointing William Harrington as Managing Director, Global Head of Internal Audit. To maintain the independence of the function, he is a member of the senior management team reporting to the Audit Committee of the firm's Board of Directors, with administrative reporting to the Chief Risk Officer.

Through affiliate R.J. O'Brien Financial, in January 2019, the broker launched an OTC Agricultural Structured Products Group. Designed for commercial agricultural firms of all sizes across the world, the bilateral initiative employs a first-of-its kind proprietary software platform developed by the team's financial engineers to analyse client needs and then generate and quote a wide range of customised hedging strategies.

Last year was another record year for RJO in revenues and profits. International revenue in 2018 accounted for 36% of global revenues vs. 1% in 2010. The execution business has quadrupled in the last four years as measured in revenues and profits. RJO now has approximately $5 billion in customer assets globally, with revenues outside the US continuing to grow.

Founded in 1914 and headquartered in Chicago, R.J. O'Brien & Associates remains the oldest and largest independent futures brokerage and clearing firm in the United States. ■

Breteau reflects on 18 months running TP ICAP

When Nicolas Breteau became chief executive of TP ICAP in July 2018, he was faced with immediate challenges. The circumstances of his predecessor's departure had spooked investors, who were forced to watch as their shares crashed by over a third, while the sudden change of leadership raised questions over the firm's future direction.

Some 18 months on from the transition however, Breteau and his new management team have dealt with these issues and are forging ahead with a strategy to position the London-based broker for stronger growth in a changing market place.

Speaking to Global Investor, Breteau said his firm is now in a better place than it was in mid-2018: "TP ICAP was in a difficult position when I became CEO. My first priority was to stabilise the ship and that has been done.

"We have re-based the integration, with cost savings changed to £75m, and we are on track to achieve these cost savings and deliver the integration on time."

Breteau was quick to refresh the management team, appointing long-term ally John Ruskin as head of TP ICAP's institutional services in September 2018. Ruskin was followed by Martin Ryan from the LSE, Mike du Plessis, formerly of UBS, Michel Planquart from Citigroup, Amir Zaidi from the CFTC, Joanna Nader from RBC, Dawn Newsome from Nomura, Dan Wray from RBS, Andrew Chen from Arrow Global and Al Alevizakos from HSBC.

The chief executive continued: "We have also introduced a new global risk framework and ensured we are ready for any Brexit eventuality. These are the foundations that will allow us to build a sustainable and profitable business for the future. And at the same time, the business has navigated some difficult market conditions and performed creditably."

The market is already recognising the progress made at TP ICAP via its share price, which rose from £2.70 when Breteau arrived to hit a high of £4.20 at the end of 2019.

Nicolas Breteau, chief executive of TP ICAP.

Of course, the inter-dealer broker market is changing, due to regulatory reforms and changing client preferences, and it is Breteau's job to ensure his firm is adapting to these changes.

He said: "Markets are more varied and clients are looking for new ways to access products and services. High touch broking still has a significant role to play and we expect that to be the case for quite some time. However, I do think there will be an acceleration in the electronification of broking."

"Execution is very rarely just voice, we see it mainly in a hybrid form (broker and platform) or pure electronic with the choice of execution methods increasing and evolving to suit the product being traded. There will be more electronification and better STP."

Breteau has a three pronged strategy: the further electronification of services to enhance the firm's broking capabilities and meet clients' evolving needs; the aggregation of liquidity across brands and products to offer clients the best pricing and simpler workflows; and a diversification of the business through, amongst other initiatives, its Energy & Commodities and Data & Analytics businesses, both of which saw significant growth in 2019.

Breteau has also identified post-trade as a key opportunity and bought in September 2019 ClearCompress, a derivatives compression firm.

And the firm is also looking to expand its geographic coverage: "We believe we can grow in all three regions where we currently are: Europe, the Americas and APAC. But given the demographics and the amount of capital being deployed into Asia, we do see good potential for growth there."

TP ICAP entered in August a joint venture with Shanghai-based Enmore Investment Group to establish a Chinese commodities broker.

London-based Breteau added: "Europe will remain interesting next year as we await to see how Brexit pans out and how and where our clients decide to trade post-Brexit." At the tail end of 2019, TP ICAP unveiled plans to redomicile its holding company from London to Jersey to provide the company with greater financial flexibility.

Looking ahead, the chief executive said the IDB market, which is dominated by TP ICAP, BGC Partners and Tradition, is unlikely to contract further but there may be opportunities for the big three to buy smaller firms – with TP ICAP underlining this by announcing it had bought Louis Capital Markets at the end of last year.

"I don't see any further consolidation amongst the big three. Regulation is one of the biggest challenges the IDB sector faces. The regulatory agenda has tightened and IDBs need to react to that."

The chief executive said he has invested heavily in compliance and training because he sees "this as an opportunity to differentiate ourselves from our competitors".

Breteau said: "But this is not just driven by the regulators - we believe our clients want to deal with a financial intermediary that has first class compliance procedures. We have already seen significant change in the culture of TP ICAP and that will only continue."

He concluded: "I expect the regulatory focus will make it difficult for some of the smaller brokerages to meet those requirements so we may see them disappear or sell to bigger players." ■

Contact: www.tpicap.com

MARKET-MAKER OF THE YEAR

CITADEL SECURITIES

Citadel Securities is active in more asset classes than any other specialist liquidity provider.

Since 2002, the firm has combined its competitive advantages in technology, risk management, quantitative research, predictive analytics and full-service relationship management to attain leading positions as a liquidity provider across equities, options, fixed income, ETFs and FX.

While known for its presence in the US market, Citadel Securities has also been building its franchise outside of the US, with Europe and Asia now generating a significant portion of the firm's revenues.

Citadel Securities is a major player in European equities and options and is a top five participant on many of Europe's largest equity exchanges. The firm also operates a systematic internaliser and has a growing FICC business.

The firm has expanded its global footprint by launching a new office in Zurich, Switzerland, its first office in continental Europe, which will serve as another research and innovation hub for the firm.

And it continued to invest in its presence in Dublin, expanding headcount to support its options, SI and systematic trading businesses and ensure continuity of trading and client service under any Brexit scenario.

Citadel also invested in exceptional quantitative and technology talent, and engaged with regulators and submitted over 20 comment letters on a on a variety of market structure topics that are central to making markets fair, open, competitive and transparent across asset classes and jurisdictions.

Key advocacy issues engaged by Citadel included post-trade transparency, OTC derivative market reforms, clearing in the Treasury and repo markets, and asymmetric speed bumps.

Citadel Securities has continued to expand and grow its offering across numerous asset classes over the past year.

The firm continued to expand its equity and equity options trading capabilities in Europe, building on the success of its leading platform in the US.

The firm has also become a major foreign exchange liquidity provider to the buy-side by becoming the first disclosed liquidity provider to the client algo offerings of many major banks. Citadel has also become a liquidity provider in FX options. ■

PROPRIETARY TRADING FIRM OF THE YEAR

XTX MARKETS

XTX Markets has continued in the past year its astronomical growth. The company increased its headcount by over a quarter to 124 in the past year and it has also hiked its daily volume of business by a quarter to $150bn every day.

The company built its reputation in foreign exchange and has continued to increase its customer roster in FX to 170 direct clients. XTX is now also a consistent top three order maker (rather than taker) on the top stock and futures exchanges in Europe, Asia and Africa.

The trading firm is now a truly cross-asset, global liquidity provider with a presence in some 40 data The London-based firm announced in October 2018 its decision to set up an entity in Paris to continuing servicing European clients once the UK exits the bloc.

XTX said in late October it filed an application with the French regulator to operate a regulated firm in France.

"As a leading liquidity provider across asset classes globally, it was important to select a location with a strong regulatory environment within which to operate," Zar Amrolia, co-chief executive officer at XTX Markets, said in a statement.

"The French regulators have been very receptive to having a leading market maker such as XTX establish in France and we look forward to working with them to bring even more transparency and efficiency to markets across Europe," he added.

XTX has also contributed to industry debates about contentious issues such as the Intercontinental Exchange's plan to introduce speed bumps.

"We commend ICE for once again demonstrating its willingness to innovate with this simple change to enable a fairer, more competitive marketplace," Eric Swanson, chief exec of XTX Markets, Americas, told FOW.

"This is a great result for end-users who'll benefit as there'll be reduced latency arbitrage 'pick offs' on the venue and therefore liquidity providers will be able to show tighter spreads and greater depth." ■

CLIENT CLEARING PROVIDER OF THE YEAR

MAREX SPECTRON

Marex Spectron has shown itself again to be among the market-leading derivatives brokers in what is a highly competitive field.

Marex said in December it had inked a deal to acquire Chicago-based futures commission merchant (FCM) Rosenthal Collins Group (RCG).

The London-based broker extended its North American presence to Chicago with the addition of RCG's 14,000 client accounts and balances, along with 150 staff.

"Acquiring the RCG FCM business is an exciting development that adds a very strong FCM brand to our business mix, establishes a foothold for Marex Spectron in the critical Chicago marketplace, and elevates our US clearing to the top tier. It is a great fit with our existing agricultural business and fast-growing Marex Solutions' customised hedging services," Ian Lowitt, Marex Spectron chief executive, said in a statement.

Just a month after announcing the RCG deal, Marex Spectron acquired in January UK commodity trading firm CSC Commodities from inter-dealer broker BGC Partners and said it plans to expand its business into new markets.

Marex Spectron followed the RCG trade by saying days later it had also reached agreement to acquire Energy Broking Ireland Limited (EBI).

EBI became part of Marex Spectron's new Dublin entity, Marex Spectron Europe Limited, which was Marex's response to Brexit.

The move built on Marex's existing energy business which spanned London, New York, Houston, Connecticut, Calgary and Singapore.

Marex Spectron appointed in March 2019 Carla Stent as chair of the group board, stepping into the position left vacant when Simon Heale left the firm at the end of 2018.

"To have someone of Carla's calibre as chair of Marex Spectron is a wonderful outcome for the firm," said Jeremy Isaacs, non-executive director of Marex and founding partner of private equity investment firm JRJ Group.

The broker also hired in April Nigel Grace as its chief financial officer. Grace joined Marex from Castleton Commodities International where he was head of metals operations for over four and a half years. ■

> "Acquiring the RCG FCM business is an exciting development that adds a very strong FCM brand to our business mix."
>
> Ian Lowitt, Marex Spectron chief executive

ETF MANAGER OF THE YEAR

DWS

The German asset management giant has had a strong year in the highly competitive exchange-traded fund (ETF) space, fighting off larger rivals to claim the 2019 prize.

DWS stated the judging period by reducing the annual all-in fee on two more share classes of its Xtrackers ETFs. The annual all-in fee (total expense ratio or TER) for the unhedged share class of Xtrackers II USD Emerging Markets Bond UCITS ETF (2D share class) were reduced to 0.25% from 0.35%, while the TER for Xtrackers MSCI Europe UCITS ETF (1D share class) has fallen to 0.12% from 0.25%.

The latest fee reductions follow a September 2018 decrease in the total expense ratio on four share classes of Xtrackers MSCI EMU UCITS ETF, with currency-hedged share classes falling from 0.25% per annum to 0.17%, while the annual fee on the unhedged share class fell from 0.15% to 0.12%.

"We are happy to pass on the benefits of economies of scale to our investors as our ETF volumes increase, and as always our aim is to make Xtrackers some of the most competitive ETFs on the market," said Simon Klein, DWS's Head of Passive Sales for Europe and Asia Pacific."

In January, DWS expanded its range of Core Xtrackers with the addition of an exchange-traded fund (ETF) providing exposure to Europe ex-UK equities.

The Xtrackers S&P Europe Ex UK UCITS ETF targets large and mid-cap exposure across developed markets in Europe, minus the UK, with the underlying index comprised of 379 companies (Source: DWS, S&P as of 18 January, 2019). The ETF is a direct, physical replication fund and has a highly competitive annual all-in fee of 0.09%.

In February, the asset manager listed the Xtrackers Future Mobility UCITS ETF 1C and the Xtrackers Artificial Intelligence & Big Data UCITS ETF 1C on Deutsche Boerse. ■

PROPRIETARY TRADERS' FCM OF THE YEAR

ABN AMRO CLEARING

The Dutch clearing broker was the run-away winner in the proprietary traders' poll, claiming over two thirds of the votes cast.

ABN started the judging period by pledging to expand its business in Brazil more than eight years after it established its first office in the vast south American country.

After four years as regional sales director for principal trading groups based in London, Richard de Bruijn moved to Brazil in September 2018 to attract foreign clients in the region.

"On-boarding procedures in Brazil are different to what we are accustomed to in Europe, but we are more than optimistic about the engagement of the exchange in terms of being able to reduce the barriers to entry over the years," de Bruijn said.

The broker partnered with local brokers who provide execution, and Banco BM&FBOVESPA to act as a custodian bank, while ABN carries out functions of the general clearing member.

"It is a growing business and has been for many years. There is strong focus on Brazil because we have seen increased growth and future opportunities for growth," de Bruijn said.

ABN Amro clearing bank's chief exec of Europe called in June 2019 for greater price diversification from exchanges in relation to environmental, social and governance (ESG) products, claiming it would have a "massive impact" on ESG adoption.

Speaking at the FIA IDX 2019 conference in London, the chief executive officer in Europe at ABN Amro Clearing bank, Robbert Booji said: "I think we can do a little bit more as well. I think we should consider price diversification that where exchanges list ESG derivatives or asset classes - can we do something more, for example, by lowering the price of these products and diversify on price?"

Also in June, ABN said that Swiss Life Asset Managers had become the first buy-side client using Eurex Clearing's ISA Direct service for OTC interest rate derivatives with ABN AMRO Clearing acting as clearing agent. ■

> "It is a growing business and has been for many years. There is strong focus on Brazil because we have seen increased growth and future opportunities for growth."
>
> Richard de Bruijn

PROPRIETARY TRADERS' TECHNOLOGY VENDOR OF THE YEAR

ITIVITI

The European trading software firm started the 12 month judging period by committing to China.

"There is definitely an explosion of chatter around the new commodities options products that have been trading. We are seeing more and more market-makers and brokers going into this space and demand for trading talents," Ofir Gefen, president of Itiviti APAC told FOW in September 2018.

"One of the challenges is there are lots of markets, so we need to support our mainland Chinese clients in developing interfaces to the exchanges according to what they want access, and what they want to trade," Gefen explained.

The tech firm followed this by striking in October a new partnership with Hong Kong-based consulting firm Capital Crux.

The firms said they will work together on business development activities, focusing on connectivity and post-trade technology projects in the region.

Capital Crux provides a range of services including cross border business enablement, project management and digital solutions consultancy to banks and brokers in China.

"We are very pleased to welcome Capital Crux to this ecosystem and as a key partner in the Asia-Pacific region, confident that many joint clients in mainland China will benefit from our partnership," said Philippe Carré, Itiviti's global partnerships director.

Itiviti said in March 2019 it sees opportunities for growth in the exchange-traded fund (ETF) market-making and volatility trading spaces, and hired in April Rob Mackay as its new chief executive after almost two decades at FIS and Sungard.

Per Larsson, chairman of the board at Itiviti, said: "Rob has a strong track record in creating value and driving growth in finance and trading industry businesses.

"We are confident that his excellent sales background and solid understanding of customer needs makes him the right leader to take Itiviti to the next level, as an innovative and supportive partner to our customers," said Larsson. ■

Itiviti leads the field for prop trading firms

While the vendor space within capital markets has seen a period of uncertainty with cost-cutting and market exits, Itiviti has been a company that, in 2019, stood out as one to watch.

The 2018 merger saw the firm bring together its core strengths within agency trading, the NYFIX order routing network, and vast connectivity portfolio from the ULLINK business. Itiviti brought with it, the most advanced and modern principal trading stack built around the firms Tbricks technology platform, FIX engines, and connectivity hubs.

Now, a company with over €200 million in revenue, 2,000 global customers in 50 countries, and more than 1,000 staff, the firm has the credentials to take on any of the larger legacy vendors.

The Stockholm-based firm appointed Rob Mackay as the firm's chief executive on the 1st of April 2019. Mackay came with a formidable track record having joined Itiviti from Fidelity National Information Services (FIS), the world's largest provider of banking technology solutions, where he was most recently Chief Operating Officer for the FIS Cross-Asset Trading & Risk business unit.

To achieve his vision to position Itiviti as the dominant vendor within automation and connectivity, Mackay hired Linda Middleditch, who joined Itiviti in June 2019 as Chief Product Officer from Bloomberg LP, where she most recently was Global Head of SSEOMS Product Management.

Middleditch offers a valuable perspective, having held senior product development positions with tier one investment banks, including Citi, where she was global head of equity product development for six years, Morgan Stanley, where she worked for over a decade, and UBS.

Middleditch told Global Investor that proprietary traders remain a crucial audience for her new firm.

"At Itiviti, we cover a wide spectrum

Linda Middleditch,
Chief Product Officer at Itiviti.

of customers, including proprietary trading firms. We have invested heavily in Tbricks and all of our products, and we will continue to invest in functionality that is important to our customers growing their businesses, including speed and flexibility," she said.

The Itiviti Principal Risk Trading and Market-Making solutions support market-makers, quantitative, algorithmic, and volatility traders, and offer the relevant compliance and reporting functionality to underpin these strategies.

Itiviti's prop solutions enable individuals and teams to trade futures, options, warrants, ETFs, and foreign exchange. They are also available through various delivery models, including on-premise deployment or managed services, covered by 24/6 multi-language support by Itiviti's global team.

Middleditch said proprietary traders' technology preferences are changing.

She said: "The trend within the proprietary trading community is that they want packaged products more than ever before. We are starting to see increasing client demand for more standardized features instead of bespoke features, traditionally built by the client's in house development teams."

Middleditch said prop trading firms are starting to appreciate that they don't have to do everything themselves, which is a testament to the progress that firms like Itiviti have made in recent years.

She said: "The reason for this is that firms are realizing that they would rather focus their development resources on true intellectual property. Our technology is very modular and flexible, so we feel we are well-positioned to support this trend."

Yet Itiviti is careful not to become prescriptive in how firms use its technology services.

Middleditch said: "Every client is different so some will still want to own and support their functionality themselves while others are much more comfortable with off-the-shelf solutions. It comes down to where the client wants to position itself in the trade-off between speed of deployment and customization."

Looking ahead, Middleditch said Itiviti is committed to staying at the vanguard of trading and FIX technology and services provision.

She said: "Over 2020, we will continue to build on our best in class platform to expand our cross-asset market making and volatility trading capabilities. A continued focus and investment in performance is at the forefront of our strategy, and we will continue to innovate and adopt new practices and solutions to assist us with this."

Middleditch said the firm will also continue to invest in new technologies and to cover more of its clients' trading requirements

"Core to Itiviti's strategy is to leverage partnerships to enable us to deliver best in class, holistic workflows. We are working on a number of strategic partnerships in areas such as AI/Machine Learning to drive automation benefits. Other exciting areas of focus include the expansion into new asset classes such as fixed income," she said. ■

Singapore – Silicon valley of the East?

By **Russell Toop,** the founder and managing director of Cheshire Consultancy.

With Goldman Sachs recently moving $4 billion out of Hong Kong due to unrest and Brexit focusing companies' minds on geography, Singapore is well-placed to benefit from these volatile times.

Singapore is the gateway to Southeast Asia, the world's third-largest economy with 600 million people across 10 countries, and sits at the hub of global trading network that positions the city-state at the crossroads between East and West.

Singapore's central bank the Monetary Authority of Singapore (MAS) has in recent years helped establish Singapore's global fin tech hub status through initiatives such as the annual Singapore Fintech Festival which took place over five days in November and is the largest of its kind, with over 60,000 participants from over 127 countries.

There were five key takeaways:

- The focus remains on people
- Blockchain & Tokenisation are still pivoting on the best use-case
- AI industry applications are omnipresent
- Sustainable finance is about real business not just greenwashing
- Cybersecurity is on every regulator's agenda (and so is Libra!)

Blockchain is currently facing increased scrutiny by regulators amid post-bubble market dynamics that should give blockchain greater clarity and a more solid footing.

In this climate, several projects and companies have shown flashes of great things to come. Some blockchain ventures are a safer bet than others simply due to their association with established, successful companies.

Yet regulatory clarity, increased awareness and adoption by market incumbents have helped the products mature which has, in turn, further increased their uptake.

The most popular advantage of security tokens, as indicated by respondents to Greenwich Associates, is the ability to trace transaction history which is key to many businesses.

With the introduction of digital assets, risks of transaction history fraud and operational errors are expected to be significantly reduced.

A survey by the World Economic Forum stated that: 10% of global GDP may be stored with blockchain technology by 2027whereas currently it sits at about 0.025% of a global GDP of $80 trillion.

MAS was also one of the earliest central banks to adopt "regulatory sandboxes" for fintech companies. These allow firms with new ideas to test their products and services in a controlled environment before fully launching them.

And the efforts of MAS are bearing fruit as various new digital projects come to market.

Sygnum, the digital asset technology group based in Singapore and Switzerland, announced recently that it has successfully obtained a capital markets services (CMS) licence from the Monetary Authority of Singapore.

With the CMS licence, Sygnum can now conduct asset management activities in Singapore, and will focus primarily on digital asset investment strategies for institutional and private qualified investors.

Project Ubin is a collaborative project with the industry to explore the use of Blockchain and Distributed Ledger Technology (DLT) for clearing and settlement of payments and securities.

The project aims to help MAS and the industry better understand the technology and the potential benefits it may bring through practical experimentation.

Project Ubin is a multi-year multiphase project, with each phase aimed at solving the pressing challenges faced by the financial industry and the blockchain ecosystem. The project is now in its fifth phase, and has since published five project reports.

1. Tokenised SGD
2. Re-imagining RTGS
3. Delivering Vs Payment (DvP)
4. Cross-border Payment versus Payment (PvP)
5. Enabling Broad Ecosystem Collaboration

Hashstacs Singapore-based blockchain firm developed by the Securities Trading Asset Clearing and Settlement (STACS) Project can list digital representations of funds and debts on blockchain.

The Singapore Exchange (SGX) has partnered with the Monetary Authority of Singapore to explore utilisation of blockchain for improving the speed and efficiency of the securities settlement process. The initiative is getting technical support from three established technology partners: Nasdaq, Deloitte, and blockchain start-up Anquan.

HSBC Singapore recently announced a partnership with SGX and state-owned Temasek for a blockchain trial for servicing fixed income securities. The project will focus on end-to-end digitalisation of the Asian bond markets. This joint evaluation is reviewing whether smart contracts and DLT can solve some of the long-standing challenges in the fixed income issuance ecosystem.

As the UK government looks to boost exports outside the EU due to Brexit and UK firms eye more keenly non-EU markets for growth, Singapore's growing fintech sector is an attractive prospect. ■

Will margin rules change the cleared FX market?

By **Phil Hermon,** Executive Director – FX Products at CME Group.

Among foreign exchange (FX) market participants, there is a nearly unanimous view that uncleared margin rules (UMR) are the major catalyst for the adoption of central clearing for over-the-counter (OTC) FX derivatives.

This conclusion may in and of itself seem evident given that the higher volumes of FX clearing only really began in 2016 in line with the first phase of UMR, and that those volumes (and number of participants in the cleared ecosystem) continued to grow over 2017 and 2018 as the UMR phases continued to roll out.

SIMMple Economics?

For entities directly impacted by UMR, Isda SIMM is the most prevalent model for the calculation of the Initial Margin (IM) requirements that have to be posted by both counterparts to every trade (not all bilateral FX Trades are directly captured in the initial margin calculation under UMR, that is physical FX Forwards are excluded while both non-deliverable forwards and FX options are included.)

The headline comparison of Isda SIMM versus a clearing house IM model often centres on the Margin Period of Risk (MPOR), with Isda SIMM using a 10-day MPOR and a clearing house such as CME Clearing using a 5-day MPOR.

The model differences do, however, go far deeper than the time horizon for coverage. This can be illustrated in a side-by-side comparison of the indicative IM as a percentage of notional requirement on positions cleared to CME Clearing and the same positions under ISDA SIMM in the bilateral environment (Analysis conducted by CME Group in October 2019 on standalone long $3 billion notional one-week maturity non-deliverable forward trades.)

Currency Pair	CME IM	ISDA SIMM IM	Margin Ratio to CME
USD/INR	3.06%	8.10%	2.64
USD/TWD	1.99%	8.10%	4.07

These IM model differences are only the first level consideration in trying to mitigate and optimise the funding costs imposed by UMR.

Migrating trades from a number of bilateral trading counterparts to clearing also enables all of the positions to be netted, and for any correlations and offsets in the portfolio to be recognised.

Embracing Complexity

If the voluntary clearing of FX is indeed all about economics and centred on market participants working to reduce costs, then the next two years could be very interesting in terms of further developments within the FX marketplace.

There are various economic factors for consideration in the cleared environment, and of these we feel that liquidity add-ons, default fund construction and clearing house fees are the additional areas of complexity that market participants should ideally revisit, understand and include in their optimisation decisions rather than just considering the model and netting benefits of moving from Isda SIMM to a clearing house.

Wider Adoption

As UMR Phases 5 and 6 come in to force in September 2020 and 2021, respectively, there will be a clear economic driver for more firms across both the buy side and sell side to embrace clearing of FX. Such a strong drive to clearing can arguably feel like an implicit clearing mandate.

It is, however, worth noting that depending on the entity involved, the adoption of Listed FX Futures and Options and / or OTC clearing for FX isn't always driven by initial margin optimisation alone.

For example, clearing can assist dealers in freeing up their balance sheet and helping to improve return on equity by moving FX forwards, options and swaps in to a clearing house. Whilst for a buy side firm not using a FX prime broker, clearing may provide an effective mechanism to free up bilateral credit lines, access more liquidity providers, achieve netting for daily settlements and automate the trade allocation process.

While this combination of potential benefits may serve as tailwinds for market participants to revisit using listed FX futures and options and OTC clearing for FX, it also remains true that clearing is not available for all FX products and won't necessarily be relevant for all FX market participants – especially those not directly impacted by UMR and those with economic prime brokerage arrangements.

It may feel like there is an implicit clearing mandate of FX products for some market participants, but it remains very much a voluntary choice to help those trading in FX markets achieve margin efficiencies and to optimise their trading activities. ■

Services Above Systems: The Paradigm Shift Toward Resilience

By **Dan Thieke,**
Managing Director, Business Risk and Resilience Management, DTCC

The 2005 Hurricane Katrina storm was the deadliest hurricane since 1928. In addition to considerable loss of life, the category 5 storm's destruction included fiber optic cables and cell phone towers, causing outages for millions, including 911 centers. In 2007, the federal government established the Government Emergency Telecommunications Service (GETS), an emergency telephone service allowing first responders to access communications without denying the public use of the telephone network. Through GETS, the government introduced a new way to deliver a vital service when it was most needed, and when the usual communications system was down.

This prioritisation of providing services over system restoration illustrates a best practice approach to ensuring business resilience in financial services, as outlined in DTCC's new white paper, Resilience First. The paper calls for establishing business resilience as an industry-wide priority.

Although the market is not immune to instability resulting from natural disasters such as Hurricane Katrina, in financial services, disruption is more likely to stem from areas such as rising cybersecurity concerns, the rapid development and adoption of new technologies, the increased interconnectedness of the financial ecosystem and growing industry-wide concentration risks. As a result, there is an increased industry focus on business resilience, or an organisation's ability to safeguard its critical services against the threat of potentially disruptive events, regardless of their nature or origin.

True resilience in a progressively complex environment requires a new approach to safeguard critical businesses services, rather than narrowly focusing on system restoration on its own. First, the DTCC white paper recommends that business resilience initiatives consider impacts on, and interdependencies with, the broader ecosystem, employing an end-to-end perspective that starts with the customer and includes service providers, regulators, third parties and industry associations, as well as any other partners and stakeholders. Second, it suggests that firms complement their defensive efforts by developing additional resiliency strategies that enable them to recover quickly, as well as minimise the impact of disruptions.

The paper also highlights that resilience must be prioritised as a business-owned strategic initiative that is supported at the highest levels of an organisation. Firms must let go of the outdated notion that resilience is a back-office IT concern that taxes business development and instead, establish resilience as a business imperative that enables the delivery of a firm's most critical services.

Given that today's highly interconnected and digital environment has created conditions where the financial services industry is arguably more vulnerable to disruption, absent the appropriate approach to resilience, cyber-attacks and other threats could have far-reaching implications that undermine the safety, stability and integrity of an individual firm and more broadly, the global financial system. To address these challenges, the industry should adopt a new approach to business resilience that is holistic, forward-looking and highly collaborative. Firms must establish business resilience as a core competency that is integrated into every stage of the development of new products and services. From an organisational point of view, this requires greater ownership and accountability, as well as the development of a corporate culture and mindset that prioritises business resilience. Once the collective mindset shifts from a single focus on systems resiliency to a prioritisation on service resiliency, we will become that much stronger - as an industry - in the face of disruption. ■


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European repo at a crossroads in 2020

By **Owain Johnson,** CME Group's head of research

The European repo markets navigated the traditionally challenging end-of-year funding cycle in an atmosphere of relative calm. But repo market participants are unsure whether that calm will persist throughout 2020.

A potential change of direction from new leadership at the European Central Bank (ECB), questions around how long negative rates can persist, and the likely impact of Brexit on UK and European policy all dominate the agenda for the new year.

Volatility levels have been relatively subdued in recent months on CME's BrokerTec platform, which handles the majority of European repo activity. But this relative calm typically means that there will be a reaction when changes to the external environment drive European repo out of its current trading ranges.

New broom, same dust

The new ECB president Christine Lagarde faces the same challenges as her predecessor Mario Draghi: weak economic growth in Europe, the massive expansion of the ECB's balance sheet, and the need to transition away from reliance on negative interest rates as a policy tool.

Repo volatility is driven by rate outlook uncertainty as well as by the supply and demand of funding versus collateral, and therefore both rate policy action as well as the path forward for the ECB's balance sheet are relevant.

The question the European repo markets are asking is whether Lagarde will respond to these challenges in a different way to Draghi. Some market analysts have expressed concern that the ECB is running out of firepower, given its deposit rate is already at a record low of minus 0.5% and the bank is close to hitting limits on ownership of individual sovereign bonds.

Sweden's central bank, the Riksbank, became the first continental European central bank to move its repo rate out of negative territory in mid-December. The Riksbank was signalling that it viewed the long-term effect of negative rates on the Swedish economy as of greater concern than the potential risk of a further economic slowdown.

The removal of negative monetary policy in Sweden after five years of negative rates may provide a clue to the broader direction of other larger European repo markets in 2020. In particular, market participants will be looking for forward guidance from the new Lagarde administration when the ECB announces its interest rate decision on January 23.

Brexit impact

The Bank of England will make its own interest rate announcement the week after the ECB on January 30. The UK, like the United States, has rates that are in positive territory, giving policymakers greater potential room for manoeuvre than their continental European counterparts. But the Bank of England is acutely aware of the potential impact of Brexit on the UK economy.

The nature of Brexit and its effect on both the UK and broader European economies is one of the main uncertainties facing repo traders this year. A hard Brexit that leads to severe economic disruption could see a return to rate cuts by the Bank of England, which would otherwise be looking at a programme of gradual hikes if the Brexit process is smooth and growth continues.

Risk appetite

European activity on the BrokerTec repo platform points to a market that is nicely poised in the early days of 2020. Global and national economic stabilisation along with a smooth resolution to Brexit could lead to more European central banks following the lead of the Riksbank and returning to a neutral or even a positive rates environment.

Equally, slower growth or a difficult Brexit transition could see further cuts or at best a decision to maintain European rates at their current levels. The European repo market is at a crossroads in 2020, where any direction is possible and where the only certainty is that there will be change during the year. ■

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