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Beneficial Owners Roundtable

Experts reflect on ESG adoption

FOW AWARDS

EURONEXT, DGCX, B3, AND BURSA MALAYSIA SHARE SPOILS

+ BNY Mellon

The app to help fund managers navigate ESG

2020

THE YEAR IN REVIEW

The path from volatility to recovery

NUMBER 304


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2020: A year that shook the markets

As our 2020 Review reflects, the year started fairly predictably but the mood quickly turned in February as the reports of the Coronavirus began to circulate. The equity markets went into freefall in March as the scale of the epidemic became clear, prompting various European and Asian countries to ban short-selling.

Exchanges reacted quickly to the unprecedented circumstances, with the CME relaxing its rules to allow floor brokers to work from home as exchanges were forced to close their physical trading facilities.

By April, the gravity of the problem was clear and pressure was applied to regulators to delay their various reforms, including the securities lending SFTR and the Uncleared Margin Rules which require asset managers to allocate for the first time margin against their uncleared swaps.

By May, most of the short-selling bans had been lifted but this inevitably led to an argument about the efficacy of these types of interventions, an argument that is still raging.

In listed derivatives, a different row was escalating, with brokers on one side and the exchanges they use on the other. Brokers expressed frustration that the margin calls they were expected to meet in the worst of the March volatility were unpredictable and therefore hard to accommodate.

The brokers' disquiet was compounded by the fact that the exchanges reported record trading volumes in March and April, leading to record quarterly results, while some brokers had been badly burned by defaulting clients.

The futures commission merchants argued the commercial balance between exchanges and their clients should be revisited while some brokers said that higher fees were inevitable if they were to cover the losses they incurred and continue supporting clients' trading activities.

By July, asset management firms were pushing ahead with their ESG agendas as experts claimed the COVID-19 pandemic would boost further demand for sustainable investment strategies.

In September, the long-term effects of the pandemic were coming into stark relief with firms suggesting they would cancel or delay major projects until there was more certainty about the outlook.

By the last quarter of the year, the LSE Group was entering the home stretch in its long pursuit of the systems and data firm Refinitiv, a deal ultimately completed in January 2021.

Attention turned to the US presidential election in November, with experts speculating what a Biden victory would mean for US regulation. In Europe, the UK's departure from the European Union at the end of 2020 continued to cause confusion though most firms had long-since put in place their preparations.

2020 then was tough year for many of the firms we cover but there are in this issue some welcome reasons to be cheerful.

The FOW International Awards 2020 celebrates strong performances across the industry, with B3 winning the global exchange of the year award for the second year running. Euronext's European exchange of the year award refers to its launch in early 2020 of more granular equity and equity dividend futures.

As we move into 2021 and hopefully towards a return to some sort of normality, the mood in the industry is understandably reflective. We must work to learn the lessons presented by the pandemic and move forward confidently. This industry prides itself on its ability to adapt. Now is the time to prove it. ■

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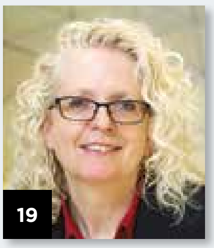

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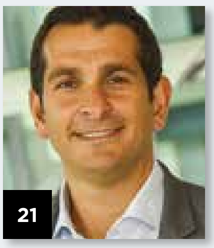

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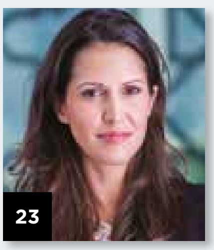

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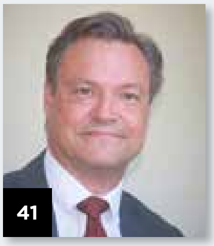

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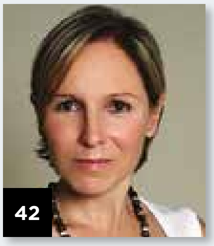

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January sees firms launching new products and strategies

The year 2020 started with firms such as Northern Trust and State Street launching new products and strategies.

ASSET MANAGEMENT

Europe's first cannabis UCITS ETF set to launch

Canadian-based asset manager Purpose Investments will launch Europe's first Undertakings for the Collective Investment in Transferable Securities (UCITS) exchange-traded fund (ETF) on HANetf's ETF platform, on January 13.

Set to launch on Deutsche Boerse, the Medical Cannabis and Wellness UCITS ETF (CBSX) will be domiciled in Ireland and has been approved for sale in the UK and Italy.

Northern Trust AM launches ESG strategy

Northern Trust Asset Management has announced the launch of a sustainability investment strategy, which will add to the bank's existing solutions, which help institutional investors incorporate environmental, social, and governance (ESG) factors into their investment decisions.

The launch, dubbed The Emerging Markets Quality Low Carbon Strategy, seeks to tackle climate change risk while increasing performance by integrating Northern Trust's quality factors, which targets companies that are profitable, have strong cash flows and are efficiently managed.

CUSTODY

Private equity faces conflicting pressures – Vistra

The private equity (PE) industry is facing a multitude of conflicting pressures, according to analysts from Hong Kong-based fund administrator, Vistra.

The whitepaper, dubbed 'Vistra Private Equity: Where Challenges Meet Opportunities', collected data from limited partners, general partners and legal intermediaries.

A big challenge for the industry is a trend towards larger fund sizes, political uncertainty (such as Brexit) and regulatory scrutiny, with 63% of respondents believing that the level of regulations will become more complex in the next three years, the report claimed.

State Street, iCapital partner for alternatives

State Street has partnered with tech platform iCapital Network to support its alternative fund manager clients and access the wealth management channels.

The bank will combine its transfer agency and private market fund administration capabilities with iCapital's platform and distribution network to enhance the offering and services of US registered funds, the bank said in a statement on January 23.

iCapital's platform offers advisers access to private equity and hedge funds at lower minimums in which they can streamline private investments operational infrastructure.

SECURITIES FINANCE

Esma publishes final SFTR guidelines

The European Securities and Markets Authority (Esma) has published its final report and guidelines under the Securities Financing Transactions Regulation (SFTR), alongside amended SFTR validation rules and a statement on Legal Entity Identifiers (LEI).

Europe's SFTR is intended to enhance the transparency of the securities financing markets by requiring firm to report details of securities lending, repo and margin lending transactions to a trade repository.

Europe's securities regulator published the guidelines on January 6, having released updated ISO 20022 XML schemas to be used for reporting under SFTR, on December 20, 2018.

BlackRock sees 30% spike in lending revenue

BlackRock's securities lending revenue increased 31% year-on-year (YoY), from $129 million (£99 million) in the fourth quarter of 2018 to $169 million in Q4 2019.

On January 15, the firm's fourth quarter earnings report stated that its securities lending revenue increased $19 million quarter-on-quarter (QoQ).

BlackRock's investment advisory, administration fees and securities lending revenue was $3.1 billion in the fourth quarter of 2019, marking an 11% increase YoY.

DERIVATIVES

Traders set for a frantic start to 2020

Traders are set for frantic start to the year as the US announces three sets of economic data and investors pile into safe havens due to the worsening situation in the Middle East, a Chinese broker has said.

John Browning of BANDS, the Hong Kong-based broker, said the slow holiday season will be quickly forgotten this week.

"You don't need a crystal ball to know that this week will be a busy week. The data release calendar from the US is particularly full, we have US balance of Trade and the ISM Non-Manufacturing PMI and is topped with Non-Farm payroll on Friday," Browning said. ■

February shows first signs of the impending pandemic

February 2020 saw the first signs of the coronavirus infection that was to escalate and dominate the year's news agenda. Firms continued to work hard on their sustainability credentials and the new securities finance reporting rules loomed.

ASSET MANAGEMENT

Credit Suisse scraps HK event due to virus

Credit Suisse Group AG has scrapped its annual Asia investment conference next month as the coronavirus continues to spread, a spokesperson for the Swiss bank told Global Investor.

The conference, which was due to take place over three days from March 25 at the Conrad Hotel in Hong Kong, will not be rescheduled.

Credit Suisse said: "In view of the continued health and safety risks caused by the coronavirus, we have taken the decision to cancel this year's Asian Investment Conference, which was scheduled to take place in Hong Kong in March."

Standardised reporting not viable for impact investments

Firms need to construct a framework to measure their impact investments, as opposed to adopting a standardised measurement, according to Connor Bigland, analyst, European institutional research at Cerulli Associates.

However, depending on what you are measuring within environmental, social, and governance (ESG) performance, Bigland said there is a wide scope for standardisation in relation to climate and the environment.

CUSTODY

Northern Trust automates settlement lifecycle

Northern Trust has automated the full trade settlement lifecycle for syndicated bank loans, the firm said in a statement.

By integrating IHS Markit's ClearPar Custodian Services Messaging tool, it will deliver standardised data to reduce risks that may occur in manual trade settlement processes.

Pete Cherecwich, president of corporate and institutional services at Northern Trust, commented: "Syndicated loans are an increasingly important asset class for our institutional investors and family offices seeking higher yields."

SECURITIES FINANCE

UnaVista warns buy-side over SFTR reporting

Catherine Talks, UnaVista's SFTR product manager, has warned that some buy-side firms may have to comply with Europe's stock loan and repo reporting rules from April.

Europe's Securities Financing Transactions Regulation (SFTR), due to come into force from April 13, is intended to enhance the transparency of the securities financing markets by requiring firms to report details of their securities lending, repo and margin lending transactions to a trade repository.

Demand for sec lending declines - panel

The demand for securities lending is on the decline, according to a group of industry experts speaking at a recent industry event.

On a panel at the IMN's Annual Beneficial Owners' International Securities Finance & Collateral Management Conference in Fort Lauderdale, Florida, John McGuire, managing director, global head of business development at State Street said "de-leveraging has certainly caused the demand to decrease across the board" and "it's really become a buyers' market".

"Because of that, there are pricing pressures as prime brokers are looking to attract more business," he said.

DERIVATIVES

Nodal completes Nasdaq Futures' power switch

US commodities market Nodal Exchange has completed the migration of Nasdaq Futures' US power book to its platform and pledged to move the defunct exchange's US gas contracts across next month.

Nodal said it had completed the migration of the US power futures and options contracts from Nasdaq Futures to Nodal Clear, its clearing house.

Nodal said all of NFX's US power contracts, equivalent to 91.2 million MWh including 17.3 million MWh of options, were migrated to Nodal Exchange.

Eurex adds to ESG futures complex

Eurex has launched a futures contract based on the STOXX USA 500 ESG-X Index, the European exchange's fifth ESG product that went live almost one year after the first three.

Frankfurt-based Eurex said it had made available for trading the US ESG future and described the launch as "the next step to support market participants in their sustainable investment strategies beyond Europe".

Michael Peters, member of the Eurex Executive Board: "We want to offer our clients the greatest possible flexibility in ESG investments. Expanding our offering to the US equity market is therefore the next logical step. Other regions and markets will follow in early March with the launch of further ESG contracts." ■

March volumes spike as COVID-19 epidemic worsens

As the COVID-19 epidemic worsened, trading volumes spiked amid extreme volatility and various countries moved to restrict short-selling to reduce the pressure on tumbling stock markets. US exchanges that still deploy trading pits moved to relax rules around these facilities.

ASSET MANAGEMENT

"Revolutionary period" for ESG funds – Pictet

Providers of environmental solutions will outperform the market, as they will benefit from tailwinds, according to Luciano Diana, senior investment manager at Pictet Asset Management (Pictet) who spoke at a media briefing on March 4.

Increased awareness of environmental issues, a changing consumer mindset of the young generation, and more favourable policies are factors Diana attributed to this claim.

Robeco ranks first in ESG survey

Rotterdam-headquartered Robeco has been ranked first in ShareAction's responsible investment assessment, according to the ESG specialist's press release on March 9.

The Asset Owners Disclosure Project (AODP), managed by ShareAction, ranked 75 of the world's largest asset managers according to their responsible investment practices, such as governance, climate change, human rights and labour standards, and biodiversity.

CUSTODY

Citigroup finalises RBC Aussie transfer

Citi Australia has finalised the transfer agreement of the Royal Bank of Canada's (RBC) custody business, the bank confirmed.

The memorandum of understanding was signed in November 2019 for RBC to transfer its client base to the US bank over the next 12-24 months.

RBC's Investor and Treasury Services (RBC I&TS) reported a decrease of 71% in net income year-on-year (YoY) to CAD$45 million (£26.3 million) in the fourth quarter of 2019 from CAD$155 million in Q418.

SECURITIES FINANCE

South Korea imposes short selling ban

South Korea's Financial Services Commission (FSC) has decided to impose a six-month ban on short selling.

In a statement on March 13, the authority said short selling in the Kospi, Kosdaq and Konex markets will be prohibited for a period of six months, effective from March 16 to September 15.

"During the six-month period, the current limits on stock buybacks will also be lifted for listed companies," the authority said.

European countries ban short selling

European countries have banned short selling for fixed periods after prices dropped at the end of trading day on March 16.

France, Italy and Belgium have announced a temporary ban on short selling for the trading day of March 17, while Spain's ban will last a month.

Italy and Spain already implemented a one-day short selling ban on March 13 to stabilise markets.

DERIVATIVES

"Volatility to last months" - traders

Traders expect the current levels of market volatility to last months rather than weeks, according to a new study.

Some 44% of respondents to the latest Acuiti monthly survey expect the current period of heightened market activity to last months rather than weeks.

This compares to 41% who expect the volatility to last a matter of weeks and some 8% that expect the current conditions to last for only days longer.

The world's derivatives markets have been trading at unprecedented levels in recent weeks as the spread of the coronavirus has spooked investors.

The survey, conducted between March 2 and 13, found nine in ten firms surveyed globally had taken action to mitigate the impact of the spread of the virus.

CME relaxes floor broking rules due to virus

CME Group has relaxed the rules relating to floor brokers entering orders to allow more flexible working arrangements to mitigate the threat of coronavirus.

The world's largest exchange group issued a Special Executive Report entitled: "Regulatory Relief Concerning Covid-19 Pandemic" that outlined various rule changes designed to allow the CME's many floor brokers to work away from its Chicago trading pits.

The CME wrote: "In anticipation of Commodity Futures Trading Commission ("CFTC") no-action relief, CME, CBOT, NYMEX and COMEX are extending relief with respect to various Exchange rules concerning the solicitation and handling of customer orders, including by CME and CBOT registered floor brokers, effective immediately." ■

Regulators rethink short-selling bans as pandemic escalates in April

The escalating COVID-19 pandemic forced regulators to re-think their reform agendas as a debate raged about the efficacy of short-selling bans in response to various interventions around the world.

ASSET MANAGEMENT

ECB extends policy review due to COVID-19

The European Central Bank (ECB) has extended the review period of its monetary policy strategy, it said in a statement on April 2.

Due to central banks shifting their attention to mitigate the impact of Covid-19, the review will be postponed from the end of 2020 to mid-2021.

The ECB also announced that its events, and those of the EU's central banks scheduled to take place in the first half of the year, would be pushed back to the end of the year.

BNP, BlackRock partner on front-to-back solution

BNP Paribas and BlackRock have announced a partnership to provide a front-to-back solution for their mutual clients.

In a statement made on April 21, BNP Paribas' Securities Services announced it would provide middle and back office services and that BlackRock's Aladdin investment management platform would deliver the front office capabilities.

CUSTODY

Europe rejects further delay to buy-in rules

The European Securities and Markets Authority (ESMA) has denied a request from trade associations to delay the introduction of the buy-in rules under the Settlement Discipline Regime of the Central Securities Depository Regulation (CSDR).

In a letter to the trade bodies dated April 16 and seen by Global Investor, Steven Maijoor, ESMA's chair, said: "The mandatory nature of the buy-in was a clear policy choice by the co-legislators when adopting the CSDR and it is meant to protect the securities buyer.

HSBC halts restructuring programme

Noel Quinn, chief executive officer at HSBC announced in the bank's first quarter earnings that it was pausing its restructuring programme, in light of the Covid-19 pandemic.

The programme, initially announced in February during the bank's 2019 full year earnings call, would be to restructure areas of the business that were underperforming with restructuring costs of $6 billion (£4.8 billion) between now and 2022.

Ewen Stevenson, chief financial officer at HSBC said in the first quarter earnings call: "When Noel was talking about the pause on the restructuring programme, I think what that means is that at the full year earnings we talked about $6 billion costs, of which about 40% of that would be incurred in 2020.

SECURITIES FINANCE

Austrian short-selling ban "right step" - CEO

The head of the Vienna Stock Exchange has said temporarily suspending short selling and keeping markets open was the right approach, as the Austrian market reported strong volumes for the first quarter of the year.

Christoph Boschan, chief executive officer of the Vienna Stock Exchange, said: "When deciding for a temporary short selling regulation, the Financial Market Authority (FMA) took the right step for our national market.

DERIVATIVES

CFTC grants compliance relief amid Covid-19

The Commodity Futures Trading Commission (CFTC) is to provide relief until September 30 to foreign affiliates of certain futures commission merchants (FCMs) during the coronavirus pandemic,

The relief has been granted by the US regulator's Division of Swap Dealer and Intermediary Oversight (DSIO) in response to a request from the Futures Industry Association (FIA).

"The pandemic has caused compliance with certain CFTC requirements to be particularly challenging or impossible because of displacement of personnel from normal business sites due to social distancing and other measures," the US regulator said.

Regulators delay margin rules due to Covid-19

The Basel Committee on Banking Supervision (BCBS) and the International Organisation of Securities Commissions (IOSCO) have postponed the margin requirements for non-centrally cleared derivatives by one year, the Bank for International Settlements has said.

BIS said the new deadline responds to "significant challenges posed by Covid-19, including the displacement of staff and the need for firms to focus resources on managing risks associated with current market volatility". ■

Management fees donated and covid issues exposed in May

The ongoing COVID-19 pandemic continued to dominate firms' thinking as AXA Investment Management donated its management fees to related charities and the derivatives industry started to reflect on some of the issues exposed by the extreme volatility in March and April.

ASSET MANAGEMENT

Morgan Stanley launches $110 million climate fund

Morgan Stanley Investment Management has launched a $110 million (£88.5 million) Global Climate Impact fund to address climate issues, the firm announced on May 4.

The fund was launched by its Alternatives Investment Partners Private Market (AIP Private Markets) arm, which was established in 2000 to focus on client solutions within less-efficient areas of the private markets.

The new fund was created in collaboration with the US congregations of Dominican Sisters to address issues such as global warming, pollution, resource depletion and eco diversity, while also building on AIP Private Markets' $800 million impact investing platform.

AXA IM donates management fees to charities

AXA Investment Managers (AXA IM) has partnered with the Access to Medicine Foundation to donate 5% of management fees from its impact funds to charities.

Alongside the fees, the Paris-headquartered asset manager announced it will also be donating a lump sum of €500,000 (£436,000), which will be allocated to the foundation's activities and response to infectious diseases and pandemics, such as Covid-19.

CUSTODY

Caceis migrates first fund for Candriam

Credit Agricole's asset servicing business Caceis has completed the first phase of Candriam's fund migration, the firm announced on May 12. There are three fund migration waves, according to Paris-headquartered Caceis.

The mandate for the asset management firm was won by Caceis on January 20 from the Royal Bank of Canada's Investor and Treasury Services (RBC I&TS) to provide its services to Candriam's funds located in Luxembourg and France.

BNP Paribas SS begins operations in Mexico

BNP Paribas Securities Services announced on May 14 that it has begun operations in Mexico.

Through the bank's existing subsidiary, BNP Paribas Asset Management Mexico, the operations began at the end of March to provide daily accounting and valuation services, tax pricing, and regulatory reporting.

The new announcement marks its seventh offering in the Americas region, which includes Brazil, Chile, Colombia, Peru, and the US.

SECURITIES FINANCE

SFTR testing windows "quite narrow" – IHS Markit

The current testing windows for Europe's Securities Financing Transactions Regulation (SFTR) are "quite narrow" as firms continue to face "severe operational challenges" relating to Covid-19, according to a regulatory expert.

Que-Phuong Dufournet-Tran, director of trading services, analytics and regulatory affairs at IHS Markit, said: "Current testing windows still seem quite narrow while firms are still facing severe operational challenges related to COVID-19 measures and reduced testing resources.

DERIVATIVES

Derivatives industry learns from Covid-19 - FIS

Covid-19 has highlighted the importance of building additional resilience in technology, capacity and systems as the derivatives industry learns from the crisis, Fidelity National Information Services (FIS) has said.

In a virtual seminar, the fintech firm based in Jacksonville, Florida, said risk management tools, liquidity solutions to navigate volume spikes and improved staffing capacity will all be of key importance as the industry moves on from the virus. Speaker Ken Monahan, vice president, market structure and technology at Greenwich Associates, said the pandemic's impact on the industry had been profound and dramatic, yet its infrastructure has held up well.

CME to close European repository, reporting arm

CME Group has said it will close in the next sixth months its European and Australian trade repositories, and the regulatory reporting unit it inherited through its acquisition of NEX. The US exchange, clearing and data group confirmed the plan in a statement, drawing a line under speculation about the future of the London-based regulatory reporting services.

A spokesman for CME Group said: "Following an evaluation of our business portfolio after the acquisition of NEX Group in November 2018, we have made the decision to wind-down our Abide Financial and NEX Regulatory Reporting businesses and our European and Australian Trade Repositories." ■

Some early signs of returning to normality in June

The industry showed in June some early signs of returning to some sort of normality as Aviva launched another ESG fund, Northern Trust reconsidered fund manager outsourcing and CME announced its decision to reopen its Eurodollar options pit in August.

ASSET MANAGEMENT

NN IP predicts post-Covid outcomes

The Hague-headquartered NN Investment Partners (NN IP) has forecast potential scenarios that could occur in the next year and a half, following the Covid-19 pandemic.

In the asset manager's research, it developed a positive outcome based on two factors and a negative outcome based on five factors that could act as potential triggers.

Marco Willner, head of investment strategy at NN IP, said: "These boundary scenarios go beyond the simple assumptions that 'everything goes well' and 'everything turns out badly'."

CUSTODY

Asset managers to outsource trading – Northern Trust

Northern Trust has released a white paper to offer insights into how the asset management industry can overcome challenges, notably how they can control costs, leverage technology to increase their distribution, outsource functions, and view their operations as a holistic whole office, rather than separate front, middle and back office functions.

Issue on June 16, the 'Driving Growth in Asset Management: Solutions for the Whole Office in 2020 and Beyond' research surveyed 300 global asset management firms and found that while the market stress of the Covid-19 pandemic has not yet been fully realised, the current climate has escalated costs and fee pressures for the industry.

UK drops European regulation for non-financial firms

The UK will not adopt the Central Securities Depositories Regulation (CSDR) settlement discipline regime once it has left the European Union (EU), the Chancellor of the Exchequer has confirmed.

Chancellor Rishi Sunak published a series of statements detailing how the UK will respond to EU legislation once it has left the bloc, highlighting that it will not adopt CSDR's buy-in rules and non-financial counterparties will not have to comply with the impending stock loan and repo reporting rules.

In his statement, Sunak said: "Under the terms of the Withdrawal Agreement, the Government will implement EU legislation that comes into force before the end of the Transition Period."

SECURITIES FINANCE:

Esma renews short position reporting measure

The European securities watchdog has renewed its decision to require the holders of net short positions that exceed 0.1% of the issued share capital to report to their relevant national competent authority (NCA).

In a statement, the European Securities and Markets Authority (Esma) said the temporary measures, which applies to all European Union (EU) regulated markets will "maintain the ability of NCAs to deal with any threats to market integrity, orderly functioning of markets and financial stability at an early stage".

Short sellers make $2.25bn on Wirecard

Wirecard short sellers made $2.25 billion (£1.82 billion) on June 18, as the German payments and processing firm saw its stock price plummet more than 70%.

After the tumble, Wirecard short sellers are up $2.19 billion in mark-to-market profits for 2020, according to data from S3 Partners.

DERIVATIVES

Small Exchange seeks to simplify futures

The Small Exchange in Chicago plans to simplify the futures market with smaller products for retail customers, its president and chief executive told Global investor as the exchange went live.

"We felt that the existing futures products were very difficult for the individual public customer to consume because of the different tick sizes and the expiration cycles that were all over the map," Don Roberts said. "Then the size of the actual futures contracts were a little bit too much for anybody with an account of 25,000 dollars or less."

CME to reopen Eurodollar pit on August 10

CME Group will reopen its Eurodollar options trading pit in Chicago on August 10, but says all other open outcry trading pits in the city and state of Illinois will remain closed.

In a statement, the exchange said that it will reconfigure the Eurodollar pit over the next few weeks to meet social distancing standards and put additional safety measures in place. ■

Attention turns to ESG Covid strategies in July

In response to the COVID-19 pandemic, attention naturally moved to ESG strategies and the role they might play in guarding against widespread health problems in the future. Chicago's Cboe forged ahead with its European plans and the FSB warned that firms must be prepared for Libor transition.

ASSET MANAGEMENT

Mandatory ESG disclosures should be strengthened – DWS

Roelfien Kuijpers, head of responsible investments and head of UK clients at DWS, has said that mandatory disclosures should be encouraged.

In a webinar that focused on the future and evolution of sustainable investing post-Covid, Kuijpers said: "At DWS, we believe that more stringent and even mandatory disclosures should be strengthened and we are very encouraged by the work that has been done by the European Union," said Kuijpers.

Old ESG metrics "do not suffice" – Stiglitz

Economist and Nobel Memorial Prize winner Professor Joseph Stiglitz has said responsible investing will be instrumental in shaping our global recovery from the Covid-19 pandemic and highlighted that old environmental, social and governance (ESG) metrics are not progressive enough.

Speaking at a conference organised by Dutch asset manager NN Investment Partners (NN IP), Stiglitz commented: "Our current metrics do not reflect the vulnerability of enterprises or our overall economy to climate risk, we didn't have any metrics that reflected the resilience that all of us have been talking about."

CUSTODY

Clearstream, LCH partner on settlement service

LCH EquityClear and Clearstream have established a post-trade connection making all LCH cleared equities contracts eligible for settlement via Deutsche Börse's clearing house, due to go-live by the third quarter of this year.

On the launch, Alex Krunic, head of equities at LCH, said: "Our open access philosophy and customer partnership approach enables us to work with a number of different trading platforms and settlement venues to help drive efficiencies for the market as a whole."

SECURITIES FINANCE

Tesla to be first to hit $20 billion short interest

Tesla is set to become the first stock to reach the $20 billion of short interest threshold, according to data firm S3 Partners.

In a report, S3 Partners managing director, Ihor Dusaniwsky, highlighted that Tesla recently hit a short interest level of $19.95 billion.

He said: "The reason behind Tesla's short squeeze is obvious and straight forward, large mark-to-market losses are forcing out some short sellers as they hit their loss limit thresholds."

Short selling "essential" for responsible investing

The Alternative Investment Management Association (Aima) has labelled short selling an "essential tool" for responsible investment as it allows investors to hedge against environmental, social and governance risks.

In collaboration with international law firm Simmons & Simmons, Aima has released a research paper, that explains how hedge funds can use their "unique investment abilities to accomplish and important goal of responsible investment", which is protecting against undesired key risks, such as climate risk.

DERIVATIVES

Cboe plans European equity futures in early 2021

Cboe Global Markets has completed the acquisition of clearing house EuroCCP, paving the way for the Chicago-based group to launch its first European derivatives trading venue in the first half of next year subject to regulatory approval.

Cboe Global Markets, which announced an agreement to buy EuroCCP in December, said it had completed the acquisition of the Amsterdam-based clearing house, the central counterparty to some 37 European equity trading venues. Ed Tilly, chairman, president and chief executive officer of Cboe Global Markets, said in a statement: "Full ownership of a leading equities clearing house not only enhances our current European equities business, but also provides opportunities to diversify our business into trading and clearing derivatives in the region."

Covid has compressed Libor timeline - FSB

Financial firms must be prepared to work to a compressed Libor transition timeline once the Covid-19 situation has stabilised, the Financial Stability Board (FSB) has warned.

The FSB acknowledged that some aspects of firms' transition plans are likely to be temporarily disrupted or delayed by Covid-19 but said the pandemic has highlighted that the underlying markets Libor seeks to measure are no longer sufficiently active. ■

Research paper shows stark reality of pandemic August

The impact of the pandemic on firms' projects was brought into stark relief by a research paper while HSBC said it is focusing on wealth management and State Street became the latest bank to open up in Saudi Arabia. The Singapore Exchange looked ahead to the unclear margin rules.

ASSET MANAGEMENT

Firms to delay or can projects due to COVID - survey

More than half of financial firms told a recent survey they expect to slowdown or cancel major projects over the next 12 months due to the COVID-19 pandemic.

Some 56% of respondents to the FIS readiness Report 2020 said they will pause or delay major organisational transformation projects over the next 12 months, with another third planning to accelerate these plans.

Negative rates good for lenders and borrowers - ECB

The ECB has defended its decision to introduce and maintain negative interest rates, arguing they are good for lenders and borrowers.

Isabel Schnabel, member of the Executive Board of the Frankfurt-based ECB, told the 35th Congress of the European Economic Association the ECB's programme of negative interest rates that began in mid-2014 and continued when the bank cut rates to -0.5% in September last year has had positive effects.

CUSTODY:

HSBC looks at wealth business for growth

Noel Quinn, chief executive officer of HSBC said that growth in its wealth business would help offset the bank's revenue loss.

In the bank's half-yearly earnings call, Quinn commented: "On broader revenues, we are looking at what other options we have to mitigate some of the revenues shortfalls from lower interest rates and we see growth in our wealth business as an opportunity for that. But we are looking at all options to look at revenue mitigation."

State Street opens Saudi Arabia office

State Street has announced the opening of its first office in Saudi Arabia under the brand State Street Saudi Arabia Financial Solutions.

Located in Riyadh, the new office will provide both institutional services and asset management, as the bank looks to "strengthen" its current offering for official institutions and institutional investors in the Middle East, the firm said in a statement.

SECURITIES FINANCE

European ben owners lack "critical mass" for P2P

Peer-to-peer (P2P) lending in Europe will be "less sought after" as the number of pension funds of "meaningful size" in Europe are "far fewer" than those in the US, claims Matthew Chessum, investment director at Aberdeen Standard Investments.

Chessum said: "In Europe as beneficial owners tend to be smaller, I think that the trade specific infrastructure through an agent or bank needs to be put in front of us for us to be able to engage fully, and we also need a bit more hand-holding."

SFTR phase three will not be as "seismic"

Volumes under phase three of Europe's stock loan and repo reporting rules will not be as "seismic" as those under the first two phases, according to John Kernan, CEO of Regis-TR UK and head of product and business development for Regis-TR SA.

The first two phases of the European Securities and Markets Authority's (Esma) Securities Financing Transactions Regulation (SFTR) went live on July 13.

Kernan said: "We will see a change in overall volumes when the buy-side has to comply, but we also need to remember that in first two phases, the majority of the really heavy volume market participants have already gone live."

DERIVATIVES

CFTC must remain at "full strength" - Quintenz

The Commodity Futures Trading Commission (CFTC) must remain at full strength as markets navigate the impacts of Covid-19, the US derivatives regulator's outgoing commissioner has said.

"The CFTC has an incredibly important mission to protect the derivatives markets," said Brian Quintenz, who will step down by Oct 31. "Because of that important mission, and the dramatic impacts on those markets from the Covid pandemic, the agency should remain at full strength without interruption."

SGX to launch uncleared margin rules service

Singapore Exchange is to launch an uncleared margin rules (UMR) service for market participants to allow them time to reduce their average aggregated notional amount (AANA) and delay falling into scope.

"UMR will inevitably increase the cost burden for many of our clients," KC Lam, head of FX and rates at SGX, said in a statement. "By September 2022, more than a thousand firms will be impacted by UMR, thus it is important to start planning for it now." ■

Suggestion of fund managers greenwashing investment strategies in September

The debate about standards in ESG continued as a report suggested some fund managers are green-washing their investment strategies. Euronext made its move to acquire Borsa Italiana as the LSE looked to off-load that asset to pave the way for its Refinitiv acquisition.

ASSET MANAGEMENT

FCA "cognisant" about divergence from ESG standards

The Financial Conduct Authority (FCA) has said it is aware the UK's divergence from agreed standards under the EU Taxonomy Regulation could cause issues but confirmed the UK is still pushing ahead with its sustainability agenda regardless.

Richard Monks, director of Strategy at the FCA, said in a webinar hosted by City & Financial Global: "In terms of the taxonomy, the high-level, the level one, has been onshored during the implementation period so that will be become UK law. But the level two, the more detailed requirements, will not become UK law and within the time-frames of the implementation period."

Asset managers must "raise the bar" on ESG

Research conducted by London-based Redington found that asset managers still have a long way to go with their environmental, social and governance (ESG) efforts, as 39% of respondents could not give examples of climate change related engagement efforts.

Surveying more than 104 asset managers across the world with $10 trillion (£7.8 trillion) in assets under management combined, Redington's manager research team found less than 62% of asset managers surveyed have an ESG engagement policy established.

CUSTODY

SocGen wins front-to-back mandate

Societe Generale Securities Services (SGSS) has won a mandate from Sunny Asset Management (Sunny AM) for its front-to-back office solution.

The Paris-headquartered asset management firm will utilise the bank's CrossWire system, an outsourcing tool built by SGSS in 2018.

SECURITIES FINANCE

"Clearly a split" in buy-side SFTR readiness – panel

There is "clearly a split" between those firms that are prepared and those that are not for the third phase of Europe's stock loan and repo reporting rules, panellists said during an industry webinar.

The International Capital Markets Association (Icma) hosted a webinar to discuss what lessons have been learned from the first two months of reporting and what the buy-side needs to be aware of before it has to comply with the Securities Financing Transactions Regulation (SFTR) on October 12.

During the panel, moderator and Icma director Alexander Westphal asked the panel what their impressions of buy-side readiness was, given their conversations with counterparts.

Sec lending "well positioned" to handle second wave – Isla

The securities finance and the broader financial services industry are "well positioned" to withstand any further shocks associated with a second wave of Covid-19, Andrew Dyson, CEO of the International Securities Lending Association (Isla) told Global Investor.

He highlighted that the settlement infrastructure across the markets "stood up well" during the spring, as the industry not only kept markets open but also as they were re-aligning how they operated, with a broad move towards remote working.

DERIVATIVES

US gives nod to derivatives in climate change debate

The unanimous adoption of more than 50 actions to mitigate climate change-related risks to financial markets is the first effort of its kind by a US government entity, the Commodity Futures and Trading Commission has said.

"Beyond their physical devastation and tragic loss of human life and livelihood, escalating weather events also pose significant challenges to our financial system and our ability to sustain long-term economic growth," said CFTC commissioner and committee sponsor Rostin Behnam.

Euronext confirms bid submission for Borsa Italiana

Euronext has submitted a non-binding offer to the London Stock Exchange Group (LSEG) for the acquisition of Borsa Italiana, the exchange group confirmed.

The bid was submitted with Cassa Depositi e Prestiti (CDP) Equity and Sanpaolo.

Euronext said: "The proposed combination of Borsa Italiana and Euronext would create a leading player in continental European capital markets, where Italy would be the largest revenue contributor to the enlarged Euronext group." ■

Optimism over green bonds and ESG investing in October

NN Investment Partners saw huge potential in green bonds as PwC was equally optimistic about ESG investing. BNY Mellon celebrated success in Saudi as the LSE confirmed its plan to sell Borsa Italiana to Euronext.

ASSET MANAGEMENT

Green bonds to reach €2 trillion - NN IP

Bram Bos, lead portolio manager for the green bond strategy at NN Investment Partners (NN IP), has said that The Hague-headquartered asset management firm predicts the green bond market could reach €2 trillion (£1.8 trillion) by the end of 2023.

"The key reasons why we expect such a strong growth is because there are three big game changers in the green bond market. The first one is the European Union green bond standard that is dramatically going to change and stimulate the green bond market. Secondly, issuance by the European Union will boost the market hugely," said Bos.

ESG assets to soar by 2025 – PwC Luxembourg

Environmental, social and governance (ESG) assets under management will reach between €5.5 trillion (£5 trillion) and €7.6 trillion by 2025, according to a report by PwC Luxembourg.

The report, dubbed The Growth Opportunity of a Century, surveyed 200 asset managers and 300 institutional investors who operate in Europe, as well as over 800 European retail investors, with combined assets of $14.3 trillion (£11 trillion).

It also found that ESG assets would make up between 41% to 57% of total mutual fund assets in Europe by 2025, up from 15.1% at 2019 year-end.

CUSTODY

Banks must "do more" to compete with fintechs – Dimon

Jamie Dimon, chief executive of JP Morgan, has argued banks need to do a lot more in order to compete with fintechs, such as PayPal and Square.

Speaking at Sibos' virtual event on October 5, Dimon commented: "First of all, they were born in a digital world and banks weren't. What they also got right was looking at pain points and making it easier for the customer. "We didn't always think through about making it easier, faster, better, and cheaper, which we are doing a better job at now and we have got to do more of it."

BNY Mellon forges alliance with NCB

BNY Mellon and Saudi-based asset management firm NCB Capital have partnered to offer global custody and asset servicing activities to NCB's clients.

Todd Gibbons, chief executive of BNY Mellon, said: "We are excited to announce this strategic alliance with NCB Capital and look forward to working together to support the financial and social agenda the Kingdom has forged as part of its transformation, by sharing capabilities, resources and practices via our new alliance."

SECURITIES FINANCE

Sec lending "needs to evolve" for ESG – survey

Securities lending "needs to evolve" in order to integrate investors' environmental, social and governance (ESG) principles with their securities lending programmes, a study conducted by the Risk Management Association (RMA) highlighted.

The survey identified an opportunity for the industry to help beneficial owners better understand their options for managing ESG factors in securities lending, the association believes.

Lending must "prepare" for digital assets

The securities lending industry must "come together" and "decide how best to prepare" for the normalisation of digital assets, the Risk Management Association (RMA) said in an industry whitepaper. The whitepaper, titled The New Normal: Digital Asset Corporate Actions, highlighted that digital assets and distributed ledger technologies (DLT) are among the developments "challenging" the securities finance industry's status quo.

DERIVATIVES

No extension for Mifid II reporting after Brexit - FCA

Mifid II transaction reporting regimes must be in place by the end of the Brexit transition period, and will not be granted an extension under temporary transitional power (TTP), according to the Financial Conduct Authority (FCA).

In a statement, the FCA included Mifid II, EMIR and Securities Financing Transactions Regulation (SFTR) reporting regimes on a list of compliance obligations that firms must meet by 11 p.m. on December 31, after which onshored legislation will apply.

LSE to sell Borsa Italiana to Euronext for €4.3bn

The London Stock Exchange Group and Euronext have reached agreement to sell the LSEG-owned Borsa Italiana to Euronext for €4.32 billion (£3.9bn), subject to a European ruling on the London group's planned $27bn (£21bn) acquisition of data and tech giant Refinitiv. ■

US election leaves investors unimpressed and China draws attention in November

The uncertainty around the US election left investors unimpressed but bitcoin futures were much in demand at CME Group. BlackRock and JP Morgan showed their ESG credentials as China's gradual opening to international firms drew attention

ASSET MANAGEMENT

US election confusion viewed "dimly by investors"

Market volatility is likely to remain high in the short-term as a landslide victory for Democrats seems to be off the table and fear of a contested election rises, according to experts.

Andrew Lake, head of global fixed income at Mirabaud Asset Management, said: "We are without a definitive election result in the US – for now. As a result, we should expect to see some short-term volatility in markets, which had largely priced-in a Biden win. The uncertainty, until the election result is finalised, will also weigh on global markets."

BlackRock designs ESG fund for Oxford University

BlackRock has launched an environmental, social and governance (ESG) fund in partnership with Oxford University Endowment Management (OUem), which announced in April that it would divest from fossil fuel companies.

OUem selected the US asset manager to create a bespoke equity fund, dubbed the iShares Developed World Fossil Fuel Screened Equity Index Fund.

Sarah Melvin, head of UK at BlackRock, commented: "Oxford University Endowment Management is at the forefront of sustainable investing.

CUSTODY

JP Morgan reinforces sustainability commitment

JP Morgan has collaborated with environmental, social and governance (ESG) data science firm, RepRisk, to provide front-office functions with access to ESG risk data through the bank's multi-asset data and analytics platform DataQuery.

RepRisk combines machine learning and human intelligence to offer quantitative risk analytics and metrics of private and public companies across all sectors, globally.

Hong Kong to open doors further to foreign investors

Hong Kong Exchange and Clearing (HKEX) looks to encourage further foreign investment via its Stock Connect programme through the introduction of a new settlement platform, which will connect to the Depository Trust & Clearing Corporation (DTCC).

Dubbed Synapse, the new platform will improve the efficiency and transparency of Northbound Stock Connect settlement for institutional investors.

Charles Li, chief executive of HKEX, said: "Synapse is our latest Stock Connect innovation and will be of major benefit to global investors when they trade through Northbound Stock Connect. Embracing new technology to further develop our markets is a cornerstone of our strategy."

SECURITIES FINANCE

European financial transaction tax "detrimental" – Isla

The introduction of a European-wide Financial Transaction Tax would be "detrimental" to the future of the securities lending industry, according to a regulatory expert. Farrah Mahmood, regulatory analyst at the International Securities Lending Association (Isla), said: "If an FTT is imposed on these transactions, investors would see a monumental decrease in returns and certain markets would start to disappear, where the cost of business would be significantly higher than the revenue generated, impacting institutional investors profits and thus retail consumers."

DERIVATIVES

Access to China "cheap, easy and fast" - broker

Foreign firms seeking to access Chinese derivatives markets can expect a much shorter application process under the China Securities Regulatory Commission's (CSRC) relaxed rules on foreign investors, according to the head of international business development at Xinhu Futures in Shanghai.

Wes Hu told Global Investor that his feedback from custodian banks indicates that the process now takes less than a month, meaning that participants in the Qualified Foreign Institutional Investors (QFII) programme will now be able to develop more easily portfolios to manage their risk via a futures broker.

US election spurs bitcoin futures rush at CME

Uncertainty created by the US election and its undetermined result is generating a rush for bitcoin futures, according to CME Group.

"While we can't make predictions, we do know uncertainty creates risks that investors are looking to manage," Tim McCourt, CME's global head of equity index and alternative investment products, told Global Investor. ■

Brexit implications considered and pandemic could slow adoption of ESG in December

With Brexit looming, UK and European firms were once again forced to consider the implications of the UK's departure from the European bloc as the main European markets regulator said the COVID-19 pandemic could slow the adoption of ESG products.

ASSET MANAGEMENT

FCA to "minimise disruption" as Brexit closes in

The UK's financial regulator has urged firms to make sure they are prepared for the end of the Brexit transition period this month, saying it has put measures in place to minimise disruption.

'With just a month to go until the end of the transition period, firms need to make sure they are prepared for the end of passporting, and for the new financial services landscape after the end of the transition period," said Nausicaa Delfas, the Financial Conduct Authority's executive director of international, in a statement.

"To help minimise disruption, we have onshored EU legislation and established temporary regimes to allow non-UK firms and funds to operate in the UK after 11 p.m. on 31 December 2020.

Covid remains top risk in 2021 – survey

The Depository Trust & Clearing Corporation's (DTCC) annual Systemic Risk Barometer survey has found the Covid-19 pandemic was listed as the biggest threat to global financial stability in the new year.

The 2021 Risk Forecast reported that 31% of respondents listed the health crisis as the biggest risk, while 67% listed it in their top five risks.

Almost 70% of respondents were concerned about equity valuations being stretched, which would reflect unrealistic expectations on economic recovery.

CUSTODY

BNY Mellon opens Danish branch

BNY Mellon's European Bank entity, The Bank of New York Mellon SA/NV (The European Bank), opened a branch in Copenhagen on December 1.

The Danish representative office was established in 2008 by Søren Eberhard and subsequently.

HSBC bolsters securities offering through BlackRock

HSBC has partnered with BlackRock to offer its Securities Services' products through the latter firm's Aladdin platform.

The partnership will allow asset managers and beneficial owners to connect with HSBC through a single platform.

The integration will begin in the first half of 2021 and will initially only be available in Hong Kong and Singapore, before being rolled out globally.

SECURITIES FINANCE

Canada raises activist short selling concerns

Canadian securities regulators have launched a public consultation paper in response to ongoing complaints about activist short sellers.

In a new consultation paper, the Canadian Securities Administrators (CSA) are exploring the subject of short sellers who publicly stake out their negative position in a company with the expectation that it will negatively impact the company's share price.

Issuers and other market participants have complained to the regulators that it has become too easy for short sellers to publicly target companies in an effort to drive down their stock price and ultimately profit on the decline.

DERIVATIVES

China poised for more international futures - panelist

Dalian Commodity Exchange (DCE), which opens its palm olein futures to overseas traders in December, said it expects China's exchanges to offer more internationalised derivatives as overseas interest is developing rapidly.

"By the end of this year, overseas investors will be able to trade seven Chinese commodity futures directly from their home country including the iron ore contracts and the palm oil contracts in DCE," said Li Ning, DCE's chief representative at the exchange's Singapore office.

ESG progress may 'slow' due to Covid - Maijoor

Most developed countries "face the risk" of having to "slow down" their progress of their environmental objectives due to the economic consequences of the Covid-19 pandemic, according to Steven Maijoor, chair of the European securities watchdog.

Economic downturn caused by the outbreak of the Coronavirus in 2020 has meant that central banks and authorities have had to intervene to stabilise their domestic markets, which, according to Maijoor, has highlighted the relevance of the social dimension in the functioning global economies. ■

Trading Places: 2020 Review

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

JANUARY

BNY Mellon nabs HSBC FX head

BNY Mellon has hired Paresh Shah as global chief operating officer for the bank's foreign exchange business.

Shah joins from HSBC where for two years, he held the role of chief operating officer for the bank's Americas foreign exchange, commodities and corporate sales.

Prior to this, he held multiple senior positions at Deutsche Bank over more than 16 years at the firm.

LSE hires former Citigroup head of equities

The London Stock Exchange Group has appointed Murray Roos, Citigroup's former co-head of equities, as group director, capital markets and a member of the exchange's executive committee.

Effective April 1, Roos reports to David Schwimmer, CEO of LSE, and will look after the group's global capital markets business across primary and secondary markets.

Raffaele Jerusalmi will continue as the firm's group director, capital markets until Roos joins in April, who will remain in his position as CEO of Borsa Italiana after stepping down from his capital markets role.

FEBRUARY

Scotia's Stracquadino to retire this year

John Stracquadanio, Bank of Nova Scotia's head of US capital markets, prime services and collateral management and funding, has said he will retire later this year.

New York-based Stracquadanio has been with the Canadian bank for almost ten years, leading the global growth of the firm's prime services business.

He will continue to serve in his role until his retirement, expected to be in July 2020.

HSBC names asset manager heads in Asia

HSBC Global Asset Management has appointed two chief executive officers in Asia.

Patrice Conxicoeur has been named CEO of Singapore and head of South East Asia for the division, subject to regulatory approval.

His successor as head of the business line in Japan will be Masayuki Kaneko, the bank said.

Eurex targets buy-side with new hire

Nick Barnes has joined Deutsche Boerse Group as senior vice president for sales and relationship management.

London-based Barnes, who previously served at MarketAxess, will focus on Eurex Clearing's buy-side initiative and reports to Jonathan Lombardo, head of fixed income derivatives funding and financing sales, Northern Europe.

At MarketAxess, he held the position of sales and business development lead for the firm's post-trade repo confirmation tool, which looks to connect the buy- and sell-side.

MARCH

Singapore Exchange hires deputy CFO

Singapore Exchange has appointed Ng Yao Loong as deputy chief financial officer effective April 1 and said he will succeed Chng Lay Chew as CFO in October after Chng retires.

Ng previously served with the

NG YAO LOONG

JANUARY

AXA IM promotes de Colombe to COO

GODEFROY DE COLOMBE

AXA Investment Managers has announced the appointment of Godefroy de Colombe as global chief operating officer, effective January 16.

He is responsible for overseeing operations, IT, data, digital, innovation, security and risk, and compliance, as well as trading operations.

With over 15 years of industry experience, de Colombe joins AXA IM from Direct Assurance, AXA's property and casualty e-insurance business where he served as chief executive officer.

Monetary Authority of Singapore, holding senior positions over more than seven years including assistant managing director of MAS's Development and International Group. Before joining the Singapore regulator, Ng was an investment banker with Morgan Stanley in Singapore, and Citigroup in Hong Kong and London.

IHS Markit sets sights on beneficial owners

Oliver Madden has joined IHS Markit's securities finance team in London as director of sales.

Reporting to Charlie Bedford-Forde, Madden will be responsible for business development in the Europe, Middle East and Africa region, targeting the beneficial owner market.

On the appointment, Bedford-Forde said: "As we continue to expand our global focus on serving beneficial owners, Oliver brings a strong breadth of relationships with firms in the EMEA region."

Barclays appoints Delta1 director

Alykhan Somji has been promoted to director of trading for Delta 1 and equity financing at Barclays Investment Bank.

Somji, based in London, has been with the bank for more than eight years, serving in a number of roles across the treasury and trading arms of Barclays.

He was previously the vice president of trading for the bank's structured financing division, a position that he held for just over three years.

APRIL

Northern Trust hires tech chief from Deutsche

Northern Trust has hired Alison Pain as chief technology officer of the bank's Europe, Middle East and Africa operations.

She joins the Chicago-based bank from Deutsche where she served for four years in various senior tech positions, including global head of

ALISON PAIN

storage and backup, global head of unified communications and automation, and interim CIO for end user compute.

Prior to the German bank, she served at Goldman Sachs for 12 years where she was responsible for leading infrastructure services and application development functions for Emea and globally.

SocGen promotes sec services duo

Societe Generale Securities Services has announced the promotions of Stewart Gladstone and Steve Gutowski.

Gladstone is now head of segment and solutions for banks and financial intermediaries, responsible for leading the strategy and relationship management of new and existing clients.

Gutowski was promoted to the new role of director of sales and relationship management for broker dealers, to drive new business and sales, specifically for clearing and settlement services for global broker dealers.

LCH names Imanishi as head of Japan

LCH has hired Yutaka Imanishi from CME Group as its new head of Japan, saying the appointment demonstrates the clearing house's commitment to the country and Asia Pacific.

At CME Group, Imanishi was executive director, optimisation Japan. He also held the position of CEO Asia Pacific, TriOptima, where he oversaw TriOptima's compression and portfolio reconciliation business in the Asia-Pacific region.

MAY

Deutsche appoints ESG head in APAC

Deutsche Bank has named Kamran Khan as head of environmental, social and governance for Asia Pacific.

In the newly created role, he will be responsible for creating and leading the ESG business strategy in the region across the bank's business divisions.

Khan is based in Singapore and reports regionally to Werner Steinmueller, APAC chief executive officer and locally to David Lynne, Singapore chief country officer, head of corporate bank APAC, and head of fixed income and currencies APAC.

MAY

ISDA names CME's Hasenpusch to board

The International Swaps and Derivatives Association has appointed CME's Tina Hasenpusch and Mizuho's head of derivatives trading to its board of directors.

Hasenpusch is CME Group's managing director, global head of clearing house operations, and Taihei Okabe is managing director, head of derivatives trading with Mizuho Securities.

"As we deal with and absorb the lessons from the coronavirus outbreak, Tina and Okabe-san's input and insight will be extremely valuable in helping to ensure the derivatives market continues to be safe and efficient," the New York-based trade body's chairman Eric Litvack said.

MAY

Nikko poaches BNP head for COO role

Tokyo-headquartered Nikko Asset Management has named Davina Goodall-Smith as chief operating officer of the firm's Europe division.

She joined the asset management firm from BNP Paribas Securities Services where she has held senior roles since 2010, most recently as head of senior relationship management for asset managers and asset owners in the UK.

Prior to joining BNP Paribas, she served at Barclays since 2001, lastly as an associate director for Barclays Wealth.

DAVINA GOODALL-SMITH

JUNE

Standard Chartered hires wealth head

Standard Chartered has appointed Marc van de Walle as global head of wealth management.

Based in Singapore, he will report to Benjamin Hung, regional chief executive officer Greater China and North Asia, CEO retail banking and wealth management.

Van de Walle joins the firm from the Bank of Singapore where he served for over 11 years, most recently as senior managing director and global head of products, while also heading the Oversea-Chinese Banking Corporation's wealth management division.

Aviva names head of pension solutions

Aviva Investors has appointed Andy Seed to head its defined contribution solutions in its solutions function, the firm announced.

In this newly created role, Seed will be based in London and report to Al Denholm, chief investment officer of solutions at Aviva Investors.

He will be responsible for growing the asset manager's offering in the defined contribution retirement savings market.

RJ O'Brien hires team of softs brokers

Futures broker RJ O'Brien has moved aggressively into the soft commodities market by hiring three brokers including the former heads of softs at BGC Partners.

The softs team, Gary Papier, James Hunt and David Cutler, will provide global coverage, supporting RJO's plans to grow in softs to complement its agricultural business and diversify its brokerage products and services.

"RJO has strength and depth of coverage in grains, oilseeds and livestock, but we had a gap in soft commodities expertise," Renée Laird, RJO's senior managing director and global head of commercial agriculture and over-the-counter markets told Global Investor.

MARC VAN DE WALLE

JULY

BNP Paribas AM appoints APAC head

BNP Paribas Asset Management has named Steven Billiet to lead its business in Asia Pacific.

Billiet is based in Hong Kong and reports to Sandro Pierri, global head of client group at BNP Paribas AM, and locally to Eric Raynaud, head of BNP Paribas APAC.

He joined BNP Paribas AM in May as head of distribution for APAC and in his new role, he will maintain his regional distribution responsibilities in addition to leading the APAC business.

Prime services exec Martin departs JPM

Shane Martin, managing director of prime services at JP Morgan, has left the bank.

The London-based executive joined JP Morgan in March 2019 and reported to Jonathan Cossey, co-global head of prime financing.

Prior to joining JP Morgan, Martin was a long-serving senior executive within Deutsche Bank's prime brokerage business, having joined the German bank in 2002.

Deutsche Boerse reshuffles senior management

Deutsche Boerse Group has moved its cash market businesses into its larger trading and clearing division under the leadership of Thomas Book, who has stepped down as the head of Eurex to be replaced by his deputy.

The German group said Book has been named as chairman of the management board of the Frankfurt Stock Exchange after serving since 2016 as the chief executive of the group's derivatives exchange Eurex. Book will move to the company's supervisory board and continue as member of the management board of Eurex Deutschland.

AUGUST

Clear Street targets growth with new hires

Clear Street has expanded its securities finance team with the addition of four market veterans as it looks to improve its offering for institutional clients and broaden its services, the firm told Global Investor.

Clear Street has hired Vincent Avena to lead the growth of its securities lending and prime funding services, and he will work alongside the firm's client support, execution, financing and engineering teams to "further modernise" the client experience.

Avena has 40 years' industry experience and has led securities lending programmes at TD Securities, BNP Paribas, Bank of America, Albert Fried and Montgomery Securities.

TP ICAP plans talent acquisition in Asia

Inter-dealer broker TP ICAP is to launch a talent acquisition program in Asia as part of its ambition to grow its Data & Analytics (D&A) division.

Rhys Spencer, who is based in Singapore, has been promoted to head of sales Asia, where he will focus on talent acquisition to establish a team focused on growing revenue from client segments including asset managers and hedge funds.

"D&A is a growth business and remains optimistic regarding our strategy, despite the headwinds we currently face," D&A global head of sales Jonathan Cooper told Global Investor. "In order to operate at scale and drive growth we need the right processes and people in place."

AUGUST

PGIM boosts its ESG research team

Newark-headquartered PGIM Fixed Income has hired Eugenia Unanyants-Jackson to lead its environmental, social and governance (ESG) research.

In the new role, based in London, she reports to Rich Greenwood, head of credit and head of the London office at PGIM Fixed Income.

The investment management arm of PGIM appointed Unanyants-Jackson to oversee the integration of ESG research across the team.


EUGENIA UNANYANTS-JACKSON

SEPTEMBER

State Street's Charles River names CEO

State Street's Charles River Development has named Spiros Giannaros as its chief executive officer.

He was appointed president of the technology firm in December 2019 and he will now be responsible for all aspects of the global business.

Based in Boston, he reports to John Planksy, global head of State Street Alpha.

CRD, which provides front office software solutions for institutional and wealth management sectors, is a foundational technology of the bank's Alpha platform.


SPIROS GIANNAROS

Northern Trust makes senior hires in Saudi

Northern Trust has hired Areej Al-Mokbel from HSBC as the US bank's chief operating officer for the Middle East and Africa, and promoted Effat Badeeb to deputy country manager of Saudi Arabia.

Al-Mokbel is responsible for the bank's business operations for its offices in Riyadh and Abu Dhabi, as well as managing the operational and administrative capabilities to support the needs of its clients in the region.

BNY names CEO of global market infrastructure

BNY Mellon has named Robin Vince as vice chair and CEO of global market infrastructure, where he will oversee the bank's clearing and collateral management, treasury services, markets and the bank's Pershing businesses.

Vince reports to Todd Gibbons, CEO of the New York-based bank, and joins BNY's executive committee.

Gibbons said: "By bringing these four complementary businesses together under his leadership, we are better positioned to become the central facilitator in our clients' capital markets ecosystems – across markets, asset classes and geographies."

ROBIN VINCE

OCTOBER

Robeco appoints climate strategist

LUCIAN PEPPELENBOS

Environmental, social and governance market leader Robeco has appointed Lucian Peppelenbos as climate strategist to join its Sustainable Investing (SI) centre of expertise team.

In the new role, he is responsible for developing Robeco and RobecoSAM's climate change strategy, as well as chairing the climate change task force to help establish the new steps in lowering the carbon footprint of the firm's investments.

OCTOBER

Deutsche Bank bolsters Malaysian team

Deutsche Bank's securities services arm has strengthened its Malaysian business with two senior appointments, the firm said.

Gerard Ang has been named chief executive officer of Deutsche Trustee Malaysia Berhad.

Ang will replace Richard Lim who has been promoted to head of domestic sales for Malaysia.

MUFG expands middle-office team in London

Japanese bank Mitsubishi UFJ Financial Group Investor Services has added Charlotte Clode as a senior manager in the middle-office division of its securities lending team, based in London.

Tim Smollen, the bank's global head of securities lending solutions, announced the appointment, as he highlighted the importance of middle office functions.

He said: "In our front-to-back business model, every role is important and every role touches the client, so great to be able to have someone like Charlotte sitting in the middle directing traffic."

NOVEMBER

Palmeri, Losurdo to lead Siebert sec finance

Anthony Palmeri and Jerry Losurdo have been named to lead Siebert's Securities Finance Group within its broker-dealer subsidiary, Muriel Siebert & Co.

Palmeri joins from JP Morgan, where he was an executive director, and Losurdo joins from TD Prime Services, where, as a managing director, he led the firm's securities

GLORIA GEBBIA

lending and equity finance division.

Gloria Gebbia, controlling shareholder and board member of Siebert, said: "This very dynamic team will build upon the success of our current Securities Finance Group, and will be critical to getting it to the next level."

BCS prime services names business development head

Russian brokerage house BCS Global Markets has named Grigoriy Kozin as its news head of business development for its prime services division.

The new business development head will be responsible for spearheading the development of the prime brokerage and securities finance business lines.

Kozin will be based in BCS's London office and report to Tim Bevan, the firm's UK CEO.

Pirum names new technology head

Securities finance tech firm Pirum has named Alex Rothwell as its new CTO, marking CEO Phil Morgan's third management team addition in recent months.

In this newly created role, Rothwell takes on the responsibility of the fintech's technology and new product development execution, the firm said in a statement.

PHIL MORGAN

Before Pirum, Rothwell was CTO for Michelin Fleet Management, where he was responsible for technology, product development and software-as-a-service operations, managing teams in Europe, Brazil and the US.

NOOR ADHAMI

DECEMBER

HSBC Singapore names securities services head

HSBC Singapore has named Noor Adhami as its head of securities services, effective February 1 2021.

She has held multiple roles at the bank since 2004, most recently as regional head of global liquidity and cash management for the Middle East and North Africa (Mena) and Turkey.

Adhami served from 2013 to 2016 as regional head of client management, global liquidity and cash management for Mena and Turkey.

Collateral expert Ahlner resurfaces at State Street

State Street has named Staffan Ahlner as its global head of Collateral+, part of the bank's funding and collateral solutions group.

London-based Ahlner was previously BNY Mellon's global head of collateral management but resigned from the bank in September after 22 years of service.

In his new role, Ahlner will work to build on core collateral management capabilities and develop future collateral management solutions, the bank said.

Ex-Citi banker Kemp to advise Baton Systems

Jerome Kemp, who recently retired as head of derivatives at Citigroup and chair of trade body FIA, has been appointed as a senior advisor to post-trade solutions provider Baton Systems.

Kemp announced his decision to retire from the US investment bank in June after a 36-year career, of which the last nine years were with Citi.

Kemp's appointment comes as Baton, based in Fremont, California, prepares to accelerate the delivery of a fully end-to-end foreign exchange settlement ecosystem, the company said. ■

Greenwashing risks rise as green bond issuances soar

Aegon Asset Management (Aegon) has warned investors that the threat of greenwashing is rising as the number of green bonds issued soars. By **Perle Battistella**

Aegon Asset Management has said the demand for green bonds, which raise money for climate and environmental projects, reached new heights with $226 billion (£165 billion) worth of issuance last year, up from $38 billion in 2015.

NN Investment Partners said in October that the green bond market could reach €2 trillion (£1.8 trillion) by the end of 2023.

James Rich, senior portfolio manager at Aegon, commented: "Issuance of green, social, and sustainability bonds, so-called 'labelled' bonds, surged in 2020 as companies rushed to fund sustainability initiatives, and we expect this growth to continue into 2021.

"However, many first-time labelled bond issuers are opportunistically issuing to take advantage of lower interest rates relative to plain vanilla financing. As a result, the risk of greenwashing through labelled bonds is growing, indicating a need for investors to carefully assess each issuance on a case-by-case basis."

Due to the lack of an industry standard for labelled bonds, Rich added that they can be lead to false promises, whereby companies fail to publish promised reports on these bonds or they fail to report on the metrics to assess the success of each project.

The asset manager, therefore, states that each labelled bond issuance should be assessed across five key areas – use of proceeds, governance, frameworks, reporting and alignment.

When it comes to assessing the proceeds, Rich said: "First and foremost, it is important to ensure that the offering documents outline the projects and the intended money allocation.

"A detailed review of the documents can help ensure the alignment of use of proceeds with sustainable themes. For example, we measure the green bond's use of proceeds against relevant sustainable themes."

Rich: A detailed review of the documents can help ensure the alignment of use of proceeds with sustainable themes.

Corporate governance surrounding the use of the proceeds should be robust in nature, and evaluating the level of governance can be beneficial for investors to understand a firm's commitment to sustainability.

When it comes to analysing the frameworks, Rich added: "We evaluate if the issuance is supportive or aligned with a particular framework such as ICMA Green Bond Principles, which could help us verify if the issuance is aligned with a particular green investment criterion.

"Despite the criticism towards frameworks, labelled bonds are transaction-level decisions, in which frameworks can still bring value in terms of seeking standardisation. The use of standards often brings third-party verification which can bring some assurances of the overall labelled issuance program."

With reporting, post-issuance reporting is paramount, notably to assess the impact of the issuance proceeds on projects listed at the outset of green bond issuance.

"The most robust issuance clearly outlines that the proceeds are allocated and includes relevant metrics to measure to success of each project. However, since reporting is not enforced, often companies will not follow through on reporting after issuance. In those situations, we engage with companies to encourage sufficient reporting," said Rich.

Finally, checking if the issuance aligns with a longer-term strategy the improve the sustainability of the business is crucial, rather than being a one-off launch, according to Aegon.

On the contrary, NN Investment Partners believes greenwashing is not a threat if you're an ESG specialist as sustainability factors are becoming clearer.

Aegon appointed in January Lindsay Hudson as head of inclusion and diversity.

The asset manager grew its sustainability team in July 2020 by appointing Miranda Beacham as senior responsible investment manager, Retno Kusumaningtya as a senior responsible investment associate and Georgina Laird as a sustainable investment analyst. ■

> "First and foremost, it is important to ensure that the offering documents outline the projects and the intended money allocation."
>
> **James Rich,** senior portfolio manager at Aegon

Beneficial Owners ESG Roundtable

On December 10 2020, experts from the beneficial owner, agent lender and data provider community gathered to discuss how the securities lending market can be better at implementing environmental, social and governance (ESG) principles and the challenges that come with it. Here, we present some of the highlights from the roundtable discussion.

PARTICIPANTS:

Steve Kiely,
BNY Mellon

James Day,
State Street


Dimitri Arlando,
DataLend

Roelof van der Struik,
PGGM


Martin Aasly,
NN IP


Andrew Geggus,
BNP Paribas

Radek Stech,
Global PSSL


Chair: Oliver Wade,
Global Investor Group

DIMITRI ARLANDO: Total lendable assets averaged $21.94 trillion so far in 2020 (year to date to November), representing an increase of 7% compared to the same period in 2019. The actual breakdown of beneficial owners remains the same. Collective investment vehicles continue to be the largest suppliers of lendable assets, and together with pension funds and government entities account for about 85% of the market in terms of lendable assets. That carried through into the on-loan amounts as well, so pension funds, government entities and collective investment vehicles accounted for about 85% of assets on-loan. What changed here was the make-up of those top three with collective investment schemes dropping to third in the list, which is not surprising, because they tend to be highly regulated and have more restrictions which results in less on loan compared to the other two.

The average on loan amount of $2.2 trillion in 2020 is more or less in line with the 2019 average of $2.22 trillion.

Taking a look at revenue, the global year to date revenue figure was $6.91 billion, which is 14% lower than the same period in 2019.

Looking at the weighted average fees and the utilisation figures, it is clear that the fee component is the main reason for the lower revenue, with equities in particular seeing a significant drop in 2020. EMEA equities are down 20% this year in fee terms, and fixed income fees are down 10%.

The breakdown of revenue by fee bands shows that for equities the biggest impact was in the 50-250 bps band or the ‘warm bucket’ if you like.

For fixed income, most of the revenue comes from general collateral or GC trades, and in fact 2020 saw an increase in revenue. French government debt dominated in 2020 accounting for about 25% of the total fixed income revenue for the EMEA region.

Finally looking at the top performers, German battery manufacturer Varta AG was this year’s highest revenue generator in Europe, earning beneficial owners $76 million. Together with Wirecard, the two securities helped the German market dominate and indeed outperform in 2020 compared to 2019; it was the only major European market to do so this year.

Overall, the top 10 securities in 2020 generated 9% more revenue than the top 10 in 2019.

When you look at the top 100 securities, you start to see it turn negative, and comparing the 2020 figures to the 2019 figures, you can see that the top 100 revenue was 13% less than in 2019, and for the top 250 it was 15% less than 2019.

Interestingly, on any given day, there are about 13,000 unique securities out on loan for the EMEA region (55,000 globally), and yet 60% of the total revenue comes from just 250 of those securities.

I don't think there are any surprises really; 2020 has not been the greatest year.

Steve Kiely, BNY Mellon

Chair: How have the events that have unfolded this year impacted certain sectors and what stocks in particular have been hit the hardest?

Steve: We've covered a lot of this ground already this year, but just to sum up, I don't think there are any surprises really; 2020 has not been the greatest year. Having said that, we had a good first half as we were up year-on-year in Q1 and Q2 and that was buoyed by all the usual suspects: when the effects of the pandemic first started to be felt HQLA was holding up, then there were good opportunities in the equity space, in the US and Europe, and then Asia. If I look at our book, it is not dissimilar to what Dimitri just showed: Europe has been buoyed in the Sec Fin space by Germany. It's in no small part due to Wirecard, but also the travel sector such as Lufthansa, and that's what we're seeing everywhere with those types of stocks being shorted. The energy sector, travel, retail were all being shorted, but so too were REITS. The real estate stocks were under stress before the pandemic volatility kicked in and continued to be shorted strongly throughout. Then we saw probably the quietest Q3 for quite some time, which I think is probably due to external factors - there's an element of everyone pausing for breath with the working from home, a bit of COVID restriction fatigue setting in, and then I think the real effect of things like a lack of M&A, lack of corporate activity, cancelled dividends. I'm pleased to say that we've seen some of the Scandinavian companies issuing dividends in Q4, which is indicative of market health and there are some positive noises from European regulators around lifting the restrictions on issuing dividends next year.

I think at the start of the year, with the volatility, sec lending did very well, and for a lot of clients it was a very useful hedge to the significant downturn that was affecting the cash market. I think Q4 is looking up. I'm more positive than I've ever been and I think we're going to have a good year. I think post-COVID we're going to start seeing increased activity, increased travel and hopefully a very good 2021.

Chair: Roelof, how have the events this year impacted your business and is there anything you have had to do differently to what you may have not done last year?

Roelof: I think my numbers are pretty much aligned with markets, so it's all a little bit dull – high value/low volume programme. That means it isn't hit quite as hard sometimes but I do require quite high quality collateral so I'm not the most attractive lender on the block. My performance is down 5-10% this year net. For the first time I've put on a financing trade so that I'm taking in cash collateral for one of my funds who is looking for funding. Incremental income is important, but being able to help your clients when they need funding or hedging, is even more important than giving them some incremental income.

Martin: We have actually had a very decent year. We are quite active in the government bond space, and just like Roelof we also had some funding trades, specifically in the March and April period where we faced a number of challenges in getting enough funding together on the repo market as a lot of banks' balance sheets were closing up. But all in all our performance for the year has been good.

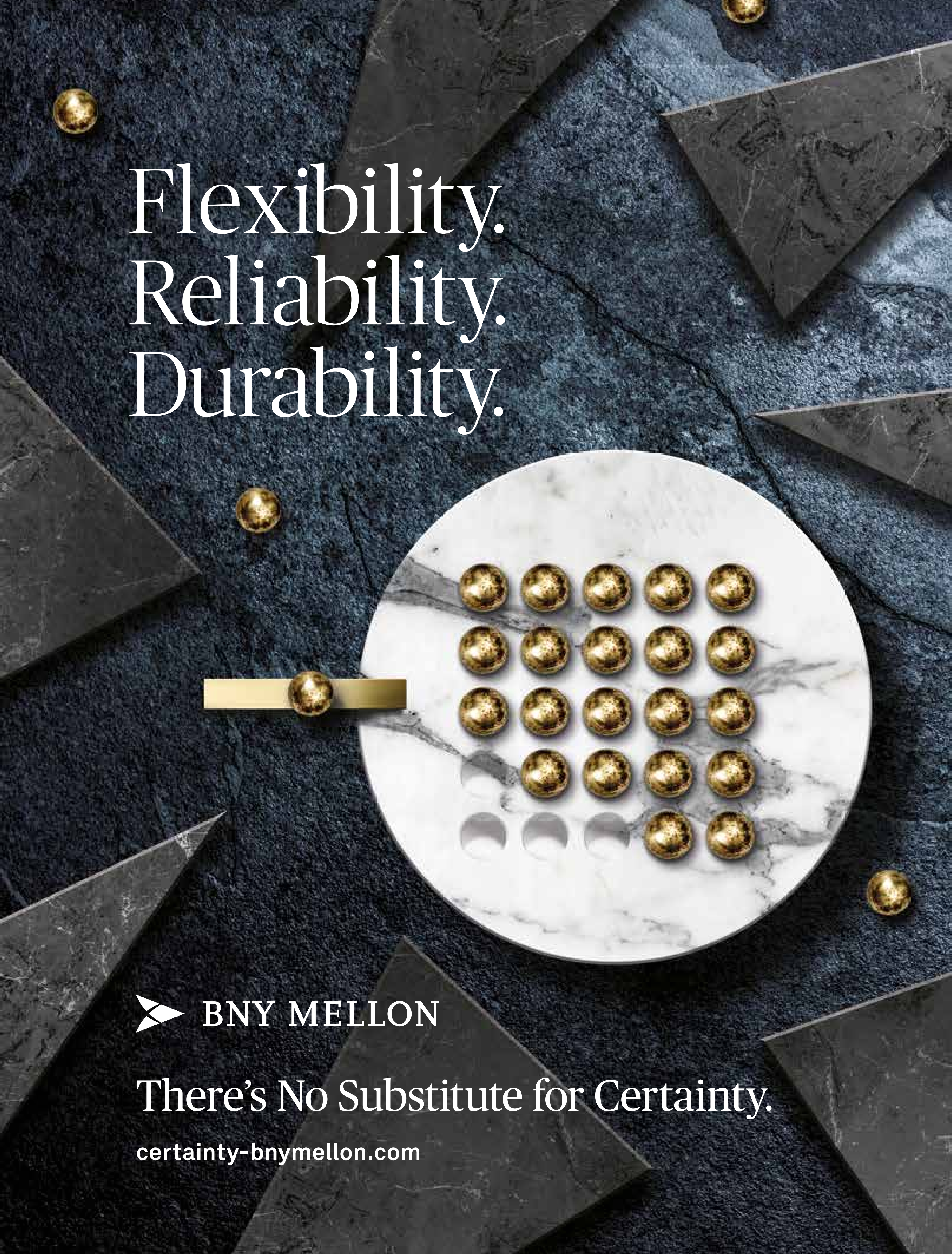
Roelof: I don't lend out my government bonds. I'm looking at it for next year, but I think again there that's not for incremental income, but for liquidity reasons.

James: Looking at the Fed cut in March 2020 you saw clients that had duration in their reinvestment programmes did better with the rate change, and in some of the figures you can see that the percentage of reinvestment returns into the overall lending fee post-March was relatively considerable.

Steve: I'd back that up, just to jump in there. I agree, James. That was a considerable factor in our Q1/Q2 performance.

Chair: Dimitri, what is the data suggesting?

Dimitri: Lufthansa AG features in the list of top performing securities, as does Unibail which is a European commercial real estate company. Naturally the transport and retail/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The evidence is there, it's just consuming that evidence and people making up their own minds.

James Day, State Street

commercial real-estate sectors have performed well this year in the lending market because of Covid.

The other interesting one is the pharmaceuticals sector. If you broaden the top securities and look at the global best performers, Inovio was very much a pharmaceutical stock that experienced a rollercoaster ride throughout the year. Positive news for a Covid vaccine resulted in the stock price rising and short selling activity increased. Since then they haven't really released any updates and news of a potential vaccine fizzled out towards the end of the year, which resulted in less fluctuations in the share price and lower demand from short sellers. It will be interesting to see how Pfizer and Moderna perform. There hasn't been a huge spike in activity as yet, which is a testament to people having confidence that the vaccines are going to be successful.

Throughout the year, the amount of short activity in the US and in Asia in particular has been less than in previous years. The number of IPOs that generated significant revenue compared to the previous year has also been less.

We did some analysis in our recent research publication The Purple, where we looked at short selling bans. In the European markets where short selling bans were imposed, there was clearly subdued lending activity compared to markets that didn't impose bans. In Asia, the data clearly shows that the Korean lending market has suffered significantly because of the short selling ban, which should continue now until March of next year given that the ban has been extended.

Andrew: We definitely saw liquidity increase significantly in Q3 which is when we saw spreads really narrow, adding to the quiet Q3 overall. Leading into year-end I would say we haven't seen spreads reach levels that they have previously in the last five years. We are still seeing a bit of an uptick of demand but obviously the amount of liquidity that's out there is much higher than in previous years.

Steve: It's interesting Andrew. Our experience was that when the real extent of the pandemic became known, and volatility started to increase, there was the usual flurry of activity around HQLA, which is pretty standard for such an event. But very quickly, we saw just as spreads started to come off a bit in the Govt bond space, a number of clients started to limit the amount of lending allowed in government bonds, because they wanted to sell them in order to take advantage of the buying opportunity in the equity market. I really noticed the view that equities were good value after the initial volatility bout when the indices dropped significantly, and government bonds were well bid, so we saw some transformation shifts within the underlying portfolios from govvie bond to equity.

Chair: ESG seems to have really gathered momentum this year, particularly with the formation of Global PSSL. Radek, can you give us an overview of the organisation and its ambitions?

Radek: Global PSSL is going to be the global standard for sustainable securities lending and borrowing. Our ambition is to have it recognised as a global standard by the organisations who are co-creating it, as well as organisations who sit outside the usual securities lending markets.

The first objective is to co-create that market standard, thereafter we want it to influence and improve practices within sustainable securities lending. We can only do that by collaborating with key stakeholders, which is what we are doing at the moment. We believe that this area is still under-explored and we have an opportunity to positively influence the global sustainable finance agenda.

We have discussed the difficulties that 2020 has presented and history tells us that, during such times, people tend to deprioritise issues like sustainability. We saw that in the previous financial crisis – the sales of organic foods went down and so on. But, I think what's really important is that, even in difficult year like this, we have seen clear momentum behind ESG. Developments, such as the global principles for sustainable securities lending, are gaining support so it is evident that industry is taking this agenda seriously.

Chair: What more can the regulators and trade associations do to encourage ESG practices?

Andrew: I think from my point of view, before the regulators


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[1] Global Investor ISF Survey 2020 – Securities Finance Agency Lending named Most Innovative Lender

To ask regulators and trade organisations to push agendas without a clear definition of what ESG is, is in my view quite tricky to start with.

Andrew Geggus, BNP Paribas

and trade organisations can push agendas, a lot of work still needs to be done around what is ESG? I believe that there is a view of what ESG is out there, but I think lots of people have differing views, and there are different levels of importance placed upon the pillars. Then under each pillar there's just a multitude of elements to consider. We have the broad idea of what is ESG and what is sustainable finance as a collective, but actually going into the details and developing the items underneath each pillar, I think it's a real challenge. It is not an easy task, so to ask regulators and trade organisations to push agendas without a clear definition of what ESG is, is in my view quite tricky to start with.

James: I was on a webinar earlier this morning and one of the questions posed to the panellists was about the interplay between oil stocks and ESG. The investment officers said, 'From an ESG perspective, if this oil stock is going to become the largest natural resources energy company as they transition, I should hold it in my portfolio as in the future it will be a very good ESG stock but currently it's investing through petroleum.'

Radek: When you reflect on the development of sustainable finance and other voluntary mechanisms, you will see that these all serve to clarify and progress the sustainable finance agenda. For example, the Equator Principles which sit within the project finance and long term infrastructure projects have proven popular because people thought that this was a way of clarifying what we mean by ESG or sustainable finance. In other words, you could say that principles, or principle-based thinking which is voluntary and based on commitments, pre-empts any regulation. That's why I agree with Andrew; let's develop those global principles and see how much we can work out in terms of standardisation on a voluntary basis. Not from A to Z, but from A to C or A to B, and thereafter start building on it in terms of the detail.

We have the FCA as an observer of Global PSSL, and we have heard from other regulators that they are interested in observing what we are doing, because this is a way for regulators to learn about the principles as well. These matters are very, very complex. So rather than spending lots of taxpayers' resources on regulating the market, I think we should work collectively on the principle-based approach. Having a global approach at the same time where we look at priorities and developments in various regions or organisations is very helpful in terms of achieving that. I believe regulators will see ESG in securities lending, or sustainable securities lending, as credible when they can refer or see one set of principles that the industry can agree to, and this is the change we are starting to bring about.

Martin: From a beneficial owner perspective, we are very pleased with what regulators are doing in terms of SFDR and the EU taxonomy. However, we cannot forget that what was missing the whole time was something that fund managers and beneficial owners in general could rely on, so some stamp to say that we follow this, and this is accepted as a standard for ESG. That's why it is so positive that market participants, a group of beneficial owners, came together to form initially the International Securities Lending Association's Council for Sustainable Finance and now Global Principles for Sustainable Securities Lending. I know other associations are working on similar things, so it took a while for these initiatives to gather pace, but it's fantastic to see it really lifting off now.

Roelof: What is very important is tearing down these siloes. I think a good example of that is short selling bans, at the moment they just appear out of nowhere and except for some gut feeling there's no real rationale behind why they are suddenly popping up. I think it would be beneficial if the regulators could communicate with the market and give us an idea of when a ban is going to be implemented. They also need to justify the ban and assure the market that it is a not a political decision, but that it will benefit the market.

I think breaking down siloes and coming together to agree that a circuit-breaker is not a bad endeavour when done well, and I think we all should figure out when it is done well.

Dimitri: Just to add to Roelof's point, you mentioned from an ESG perspective, and short selling bans in particular, the ability to short securities is important. There's a huge amount of research to suggest short selling is beneficial for price discovery and efficient markets, and I would argue from a governance perspective under the ESG banner that those things are vital. For good governance you need to be able to have efficient markets and have mechanisms in place that allow you to keep those markets efficient. Short selling is one of those.

Steve: I couldn't agree more. In fact, there's a good paper fromState Street about the intersection between securities lending and ESG, and it focuses on the short selling bans and short selling in general. They tackle it from the liquidity angle, especially the fact that when short selling bans are brought in there's lots of evidence showing bid/offer spreads widening, liquidity decreasing, and I think it was quoted that liquidity decreased 15% in countries where short selling bans were introduced. Then there's the myth that short selling drives prices down; it doesn't. The short sellers get to the correct price a bit sooner - they just anticipate the drop in price, therefore price discovery is another benefit of short selling. I think this year has shown that short selling is very much part and parcel of ESG, in fact ESG wouldn't be as strong a concept without short selling.

James: Short selling is a reportable event over a certain size, so the boards of the companies where investors have taken short positions, it is the ESG investors that are expressing a negative opinion on that company to force them to improve their ESG standards, so absolutely I think ESG and short selling go completely hand-in-hand.

Chair: Does the rise of ESG bring some form of redemption for short sellers?

James: I would actually question the question in itself: does short selling need redemption? It's the fact , as we've mentioned, there is empirical evidence, and many a paper been written of the benefits that securities short selling brings

Throughout the year, the amount of short activity in the US and in Asia in particular has been less than in previous years.

Dimitri Arlando, DataLend

to the marketplace, so I would say that short selling in itself is a necessary and welcome part of the marketplace. The main point, we've almost covered it, short selling really does enhance ESG across the marketplace because people are expressing a negative view towards companies that do not meet the ESG footprint and people expressing their opinions by taking a short position. We are also seeing a lot of investment houses running ESG portfolios starting to introduce long/short ESG portfolios, so they're now expressing their views negatively as well as positively through companies that are investing in ESG.

In most cases I think lending goes very well with ESG, but there are some instances where you have to see if they are compatible.

Roelof van der Struik, PGGM

Andrew: Historically short sellers have probably been painted with a brush where there hasn't been enough research and evidence base to back that up. Unfortunately, I think in the world we're in now everybody likes very quick information and is very quick to condemn short sellers by a tweet or whatever it may be, but the evidence is there, the studies have been done, the benefits of it are quite clear. Obviously, yes, this panel and this roundtable are probably all going to be pro-short selling, so yes we have a vested interest, but I believe purely empirical evidence and evidence-based research highlights the fact that short selling is a necessity and it improves market efficiency and doesn't hinder it.

Roelof: We need a credible evidence-based answer to this, I think that has been lacking. It has always come from the industry, and that always gives the impression it's coloured, but I think it's now time to find a good platform where it's seen as being impartial and it's seen as being principled evidence-based research.

James: There are a lot of research papers published by many universities around the world looking at short selling, so the evidence is there, it's just consuming that evidence and people making up their own minds.

Martin: Should we actually be discussing this in this way, because the evidence is there, academic papers are rolled out plentifully with proof of this. But the fact is that it is being debated, short selling bans are being put in place, so clearly, we do need to focus on it. I think short sellers once again proved themselves as not just correcting overpriced assets but uncovering bad governance and fraudulent activities, such as in the case of Wirecard. Governance, as one of the three pillars of ESG, has clearly gotten more of a firm-wide attention as part of ESG integration, and this has helped raise short selling on the agenda of ESG, which I think is really good.

Steve: I think that's something that will become a fact of life post-COVID. Until now the focus of ESG has been on the E in terms of carbon neutral policies. We were getting there anyway, but like a lot of things, working from home and virtual technology has acted as a catalyst and has sped us along the way. There will be a renewed focus on corporate governance in 2021. If banks and financials are hoping to issue dividends again and convince their regulators that it's the right thing to do, then corporate governance will come under a spotlight. As we've said, if you're going to talk about corporate governance, you've got to have short selling in there because it is, very good at uncovering questionable ethics and examples of sub-standard corporate governance.

Dimitri: It's ultimately education, isn't it? There's lots of research out there as everybody has said, but market regulators need to be made aware of this research as it isn't necessarily their area of expertise. That is why the work being done by the various bodies is really important. They are speaking to and lobbying the regulators.

James: There are a number of consultant organisations advising clients, particularly around the uncleared margin rules, and the interaction with securities finance in helping clients generate eligible collateral to meet the requirements of the regulation. This brings ESG up a level, particularly around governance; in this low yielding environment you've got organisations that point blank refuse to lend. When the return generated from lending a fixed income portfolio sometimes is more than the investment yield on the assets. The question needs to be asked from a governance perspective, are people looking after their investors and have their interests at heart? There are studies that show the compounding influence of lending revenue over 20 years has had a significant impact on the performance of a fund. So, I think there's a slightly different lens that we can look at from a governance and securities lending view as well.

Steve: More and more asset managers have gone into sec lending in 2020. That's because in the low interest environment, it's a very low risk way of increasing revenue incrementally. As you just said James, I think that message is getting across, and we're on an upward trajectory. I'd be interested to hear from Roelof on this actually, what do you hear from your investors, Roelof, your funds, regarding ESG? Is there a bias? Is it about governance? Is it about carbon footprint? What's the underlying view, or is it just politically the right thing to do, is that where the push is coming from?

Roelof: I think you have a few layers, of course. That's mostly the mistake made by the industry is that they think the buck stops at the fund manager, but behind the fund manager there are pension funds who are investing in the funds, so the boards of trustees of the pension funds. Within the funds, you do have different schools of thought, there are fund managers and teams of fund managers where you have pros and cons, but you can often convince them just with basis point returns. They all look at their spreadsheets, look at their outperformance and think, 'Oh, that basis point or two basis points or five basis points would do very nicely.' But then if you come to the boards of the real asset owners, they are further away from the financial industry. Also they have to look at the bigger picture. If you look at a fund manager, basis points is a big thing, but for most pensions funds, ALM is much more important than the basis point or extra incremental income of one fund somewhere. I think they look at a broader picture and continually have to explain why they take certain, sometimes bold, decisions and then bravely have to face the headline risk they entail. We stopped investing directly in oil and we get criticism, we exclude certain companies, they complain, we facilitated the short selling of wirecard, the BAFIN bans it's short selling. Securities lending, with fund managers it is still significant, once it gets above that level I think it becomes quite insignificant and maybe even a liability for many stakeholders.

If you talk about how important liquidity is to the market, then you have their attention again and then they do understand that if they have to start holding a cash allocations to fund the CCP initial and variation margin of their derivative positions, then they think, 'That's going to be a drag on performance,' so that is something that's important, that really does make a difference.

We have an impact fund with which we invest in companies where there is a long-term vision, with strong engagement and it can be difficult to reconcile with lending. How do you explain when you are talking to a board or a CEO of a company and he looks and he says, 'I don't see you owning any stock, you must be lending everything out, I don't' see anything in the vault.'

Of course, there are some real issues, you can't just dismiss lending out your assets to a short seller and then going and engaging with the CEO, it is a bit of a strange situation. In most cases I think lending goes very well with ESG, but there are some instances where you have to see if they are compatible.

Radek: Often, Global PSSL is referred to as 'my' organisation, but actually I just want to highlight that Global PSSL is unique in the sense that it's a community interest company which is a non-profit social enterprise, and I prefer to call it 'our' organisation. Roelof has kindly agreed to chair a workstream on engagement, governance and stewardship, so these are exactly the collective questions that we want to answer, and that workstream will help us as well. It stands to reason, these are the critical questions on the connection between fund managers and securities lending experts and I think that Global PSSL is becoming a standard that market participants recognise. So, it makes perfect sense, and I agree with Roelof, there are still many questions to be answered but as long as we have a great platform to do so, I think we are on a great pathway to answering them.

Chair: How can the market as a whole be better at implementing these ESG strategies?

Radek: I am often asked, 'What do you mean by ESG strategies?' Well, I see ESG strategies as being the decisions and actions undertaken by all stakeholders in a system that

We need to first agree on those principles as a community of practitioners, before we can start implementing them on the sustainable securities lending market.

Radek Stech, Global PSSL

recognises the economic, social and environmental interests of the society. For my part, I am leading an organisation dedicated to developing and propagating holistic and globally applicable ESG strategies in the form of principles. We need to first agree on those principles as a community of practitioners, before we can start implementing them on the sustainable securities lending market. Let's agree on that set of principles, let's agree on the direction of travel, let's see what needs to be done, and this is actually what we are doing with many workshops under Global PSSL. In doing so, we can establish what is needed in a given region, which regions are best equipped to adopt these principles, and what the priorities are. Through that exercise, we increase transparency so that we may discover that there are more similarities than differences – and this is actually what I am starting to understand. Under Global PSSL, we have all market participants including beneficial owners, agent lenders, prime brokers, hedge funds, as well as data providers and other stakeholders. It is amazing for me to see such different stakeholders collaborating in these workshops.

Andrew: From an agent lender perspective, primarily we need to listen to our clients. I think that there is multiple different parts of ESG that different clients will have a view on, but I don't think it's an agent lender's job to lead the direction of travel for our clients, I think we need to listen to the beneficial owners and understand their views and work with them to achieve their ESG aims really. It's not, I would say, as an agent lender for us to dictate when it comes to ESG, I think it's incredibly important that we work with our clients and we focus on what's best for them. I think that as an industry body and as an industry participant we can help with the likes of Radek's GPSSL, and we can work as a collective unit to move things in a direction of travel that we think is appropriate. However, at the end of the day, as an agent we're a service provider for our clients, so our first responsibility is for them, therefore we really need to listen and develop a solution that suits their needs.

Steve: Can I just say, Oliver, I 100% back Andrew on that sentiment. We need to be a bit careful here; BNY Mellon, as a large agent lender, obviously needs to show leadership in market trends, and hopefully we do that. The market is showing a desire to move to a more ESG-friendly environment and it's keen to show that sec finance can be a part of that, but we mustn't be so arrogant as to force people to do what we think is necessarily best - it instead has to come from the participants. At the end of the day, as an agent lender you are a service provider, you're not a direct counterpart in a trade necessarily, you're a service provider, and we have to listen to what our clients want. I think sometimes that gets forgotten about.

Andrew: The direction of travel we are seeing from our clients is a more ESG-focused view on things, so coming up with solutions that incorporate ESG principles is what is in demand, and what we want. However, I don't think we can victimise one client if they don't share the same view as another. If a client does not have a view or desire to vote, for example, then we cannot dictate to them that they should do. It's part of working with our clients to see which parts they want to focus on and how that fits into what we can offer as agent lenders.

James: I completely agree with you. The role of the agent lender sitting in the middle is to help facilitate the conversations and connect clients so they understand what other clients are talking about, just to help them to formulate their own opinions of what other clients are doing, what other people are doing and just to help the overall ESG acceptability across the industry.

Chair: What role will data play as the market becomes more ESG-compliant?

Dimitri: Technology and leading securities finance technology companies such as EquiLend have a huge part to play here – not just in the data aspect but also in the trading and post trade arena. Data is an important component however, benchmarking can be challenging because every beneficial owner has a slightly different view on which stocks are ESG compliant and which of the ESG pillars is important to them. From a governance perspective, data and benchmarking tools are certainly important as they allow beneficial owners to use data to assess if their securities lending programme is performing well compared to others. The challenge is if you want to take the analysis one step further and compare yourself to a like peer. The lack of consistency around which stocks are ESG compliant means the task becomes more difficult.

Technology has historically helped our industry grow and evolve and it will continue to do so. For example, technology solutions have helped clients to recall for voting purposes, long before ESG became a hot topic, and agent lenders have facilitated this really well.

As soon as you have non-standard requirements and things become complicated, you're going to rely on technology providers to provide solutions.

Steve: I've got a question: as we're still in the infancy, to a certain extent, of ESG, and I hear this word used a lot, 'taxonomy', but how close are we to some form of common classification of ESG standards? Ultimately, that's what's holding progress back. I can think of an example of one oil company which has a very carbon neutral policy in how it operates. To some people that company might be an ESG champion, to others it's still an oil company. Where are we with or how close are we to a form of standardisation?

Radek: I would like to argue for a different language or different terms to be used. I have done a lot of work on European Union law. When you merge or when you talk about environment, which is on its own doubly complex, because it's complicated in terms of bringing environmental ecosystems with the human environment and so on, you add social matters and then economic matters, it's getting very complex, and I think there is a need to use both qualitative and quantitative approaches. That's why I like to use the language of 'the floor' and 'the ceiling'. So, the ceiling would be the maximum harmonisation and the maximum classification, which I myself do not support because it's not flexible enough; what I prefer is working towards the floor. Perhaps when you see the draft Global PSSL principles, you will see that there is some of this thinking embedded into Global PSSL. To answer your question, Steve, I would say we are very close to getting on the same floor, the ceiling is high but it provides that opportunity for progression, competition and a shared understanding of the journey.

Roelof: You underestimate how important platforms such as EquiLend are, how important transparency is, how important trading platforms are to get where we want to go. We talk about benchmarking, but it is much better to benchmark beforehand in the sense that you have very transparent platforms where price forming is done in a positive way.

Dimitri: Transparency falls under the governance umbrella. I think the other panellists have hit important points in terms of the scope each of those pillars potentially has. Industry participants are having some really good conversations around ESG and some consensus is being reached, but where do you draw that ESG line, and how far do you take it? We have a number of agent lenders here at this round table, and I'm sure they can confirm that they are starting to see more RFPs come through with an increasing number of ESG related questions. Each beneficial owner has its own vendor selection criteria, and I'm sure many of these have added ESG components in recent times.

Martin: We have looked at several data vendors in the pure ESG space and found the correlation between them on certain names is really quite low, which shows it's more of a skill than a science, let's say. I think it's far more important, at least for us beneficial owners, to work towards having the lines in the organisation really sorted out so that you have proper collaboration with your responsible investment team for example. That's something that in the end helped us on

We are thrilled at that end to see ESG finally rising to the fore in the securities financing industry.

Martin Aasly, NN IP

the way with this very early on. Once this is established, work can be focused on other aspects, voting for example, how clients prefer to filter collateral, etc. Then what you find is that the two can coexist without any problems. Finally it comes down to how to get your agent lender and your tri-party agents to accommodate all this.

Andrew: The mention of it being called an art is possibly also one of the biggest challenges. The fact that there is no standardised measurable element to this means we will find it hard to adopt on a mass scale because if we don't have a simplified model or a standardised view or something that was completely measurable then it's going to be difficult to implement. Yes, it's having a fully customisable or very flexible view on this is fine, but at some point in time a line does need to be drawn, and as Radek says, that starts with a floor and not a ceiling. We do need some measurable elements to this otherwise it's going to be extremely hard to get things moving in the right direction.

James: To your point, it comes down to a cost perspective, to be bespoke and have your bespoke ESG requirements will have an impact in your lending revenue and it's just understanding that and where those reflection points are of how much the ESG component overrides the revenue component.

Dimitri: I'd reiterate that technology has a huge role to play, and leading technology companies like EquiLend, who have been helping the market with solutions as it's evolved, will continue to do so. I see ESG as the next evolution or part of a strand of the next evolution of the securities finance market, and technology solutions will help with transparency, trading, collateral and settlement.

Andrew: There is nothing wrong with making money for your clients. If you had the data in front of you to show the difference between voting on a portfolio and not voting on a portfolio, at a security level, that would be fantastic because you can make that decision of if you want to lose some of that incremental revenue by participating in the greater governance. But that's a decision for the clients to make, I'd say, and it's not wrong or right whichever way the client wishes to proceed.

James: It's the governance of 'if you make less money, it's your investors that are making less money' and it's just finding the balance of what's important.

Roelof: The most important thing is that you have a policy on these kinds of things within the company, so at least you are transparent on what you are doing, and I think everybody will be different on what they are doing. Securities Lending has tax implications, so you need a tax policy. It's the same with proxy voting, are you trying to be practical on it or do you always vote? We have policies and it's transparent, everybody has access to them and can figure out how our policies work. Are we always right? Most probably not, but at least we try our utmost to get it right and to be transparent about it.

James: But it also shows that there's governance there, you have governance over what you're doing. I can bring it back to the, 'We don't lend.' Lending a bond portfolio is different to lending a smaller companies portfolio, it's having that governance that you've looked it and made your determination of how you're going to set your stall out. It is through governance.

Steve: I think this is indicative of the fact that we are going to start seeing divergence in ESG policies. At the moment it's more of an ideal, but as we get down to the nuts and bolts people will go slightly different ways. Perhaps there will almost be some form of ESG arbitrage. I read that the US Department of Labor issued a proposal which said that if a pension fund was foregoing returns in order to ensure that what it was doing was ESG-compliant, then the fund was failing in its duties to its investors. I think James was trying to make that point. Taking that on another level, one of the largest pension funds in the US decided to divest all its retailers and wholesalers that sold weaponry and they almost ended up in a lawsuit. Some of their board members were unseated as a result of that, so, it's not as simple as we think.

Radek: I just wanted to add, in terms of differentiation or divergence, I would call it positive differentiation. When you look at our themes paper, which sets the policy for Global PSSL, we have a theme on progressive competition, and I do understand that every organisation wants to be a leader. BNP Paribas also wants to be a leader and so on. There is a need to allow or enable every organisation to show where they are strongest, where they have cutting edge solutions on ESG. So, I think some differentiation is absolutely needed. It is a positive factor and will drive that progress.

Roelof: I think it makes a small difference. Our largest client is a pension fund for the health sector, they most probably have a different opinion on tobacco companies than the pension fund of a tobacco company themselves have. There's still a world of difference in schools of thought, and I think that's very healthy in some ways.

Chair: how cans tri-party collateral frameworks support an ESG-focused portfolio and what challenges are there?

Steve: I think it can be supported but it's not clear cut. That's why I asked the question earlier about whether there would be some form of standardised ESG scoring system or ESG index, because I think we could quite quickly get to a place where a tri-party agent could give you a score for your collateral set. Whereas there are government bond collateral sets and equity collateral sets, there could be a high-scoring ESG collateral set or a low-scoring ESG collateral set. I think that is something that could be achieved. To echo Roelof, what ESG is to someone isn't necessarily the same thing to someone else. Therefore, removing certain stocks from collateral sets is quite difficult because the whole tri-party collateral industry or idea has been built on omnibus and aggregation. If something is going to make that shrink to an extent and become more fragmented, then that means the collateral sets will not be as liquid and it might even cost the end user, maybe not directly but indirectly as in ease of borrowing and lower utilisation. Some people might say that's a price worth paying, but it will have an effect and people will need to decide whether it's worth it or not.

Roelof: I think that is one mistake that is easily made. My exclusion list comes from a completely different side of the company, so I think you have to accept that as a given. If we lay a few exclusion lists next to each other from big pension funds maybe we could come to one golden set. But as far as I'm concerned, my exclusion list is a given, I have no way of influencing that list. We standardise where possible and if we can find a collateral set that a large group of beneficial owners agree on, that would be great. For the time being you kind of have to accept that it's going to be bespoke for every club or every continent in any case, but most probably every beneficial owner will have his own bespoke set of exclusions.

James: Tri-party can handle it today, they can exclude securities from schedules, but you then become individual with bespoke schedules which impacts revenue, and it becomes a revenue over return conversation – 'Do you really want those excluded?' I believe that's where Steve was getting to. Having standardised ESG collateral sets that clients can converge around, be it ESG 123,or ESG456, for example, depending on the level of ESG of the particular collateral schedule. Integrating ESG data into the decision process to help define the collateral schedules dependant on the level of ESG required. . But then again, to your point Roelof, it's got to be accepted by your boards?

Martin: As James just said, we have been filtering our collateral for years now, it's not really an issue but it is an operational burden when you change them, so you can only change them so often because of that operational burden. We would have appreciated a bit more proactivity from the tri-party agents to ease that pain, and what we would really like to see is a bit more forward thinking, maybe teaming up with some ESG data providers.

I know Steve was hinting towards that, which would have been great, in which case you could have dynamic collateral sets, from a beneficial owner standpoint again, you could agree with your responsible investment team, 'These parameters are the ones that we really want to agree upon,' set that out in the collateral set and you would be all set.

Andrew: I think whilst they're not represented here we need to take into account the thoughts of borrowers in this situation, because they want more automation, more efficiency, if we go down the route of having separate collateral per client based on different parameters around ESG, then that's actually inefficient to an extent. This is something the industry will need to work on to improve.

We'll have to always consider the beneficial owner view on this as well and we'll have to figure out as an industry how we can cope with that. We have the ability to exclude certain securities from tri-party sets, but then by doing so are we potentially increasing sets and are at risk of having less liquidity in the market. So, I would say that tri-parties could handle it, but I don't think as an industry we're fully prepared for going to a much more bespoke system.

James: That's another interesting point, the standard collateral model has been a transfer title of collateral through tri-party. Now, as we roll out on pledge GMSLAs, the collateral is provided under an English or a Luxembourg law security interest, so the lender doesn't have the underlying collateral. It has the security interest over a pool of collateral, and it seems as though we don't have a consensus from the industry, because you're not holding the title of the collateral, is it acceptable to have a security interest over collateral that would be restricted under a title transfer arrangement?

Roelof: I can be pretty clear on that from a PGGM standpoint – No. Anything that becomes our property when something goes wrong, I would be immediately in breach if that was on the exclusion list, so that would be a problem. Once that excluded collateral becomes my property I would be in breach and I would be seeking opportunities elsewhere, so that's not a good idea.

Chair: Are there any final thoughts on today's discussion?

Andrew: The benefit of having these discussions around ESG is there is movement and it's not about just talking for the sake of talking. Everyone does it but people tend to use buzz words for sales pitches or at conferences, whatever it may be, but there is actually action that's going on behind the scenes and it's being demanded by clients. So, I think from an ESG perspective securities lending and securities finance more broadly is moving in the right direction. Whether or not people have different views on what to do around ESG depending on clients or agent lenders, people aren't standing still, they're not stagnating, organisations are moving forward, so I think we're going to see positive changes in the future and I think that can only be a good thing.

Dimitri: From my perspective, I'd just reiterate that I think technology has got a huge role to play in this and leading technology companies like EquiLend I think, who have been helping the market with solutions as it's evolved will continue to do so. I think I see ESG as the next evolution or part of a strand of the next evolution of the securities finance market, and I think there's a role for technology providers to play there which will help with things like collateral, with trading and with transparency, as Roelof pointed out earlier.

Steve: Dimitri is spot on using the word 'evolution'. I think we're at an inflection point with ESG and securities lending; securities lending will naturally evolve to include all the best tenets of ESG. It will be similar to when tri-party collateral first came to prominence, or when securities lending moved from being a quiet back office / custody activity into a front office alpha driver. It's one of those evolutionary periods. It won't happen overnight but the fact that we're heading in that direction is pretty unarguable. As I said at the start of this call, and I'll finish with it, I think 2021 will be a good year – it will be a good year for ESG, it'll be a good year for P&L, and I think everyone will be glad to just get out of 2020 and start talking about something other than COVID and Brexit.

Roelof: I always said, the dog wags the tail and not the tail wags the dog, and I think the industry demands from us that we as the securities finance industry have very robust ESG parameters and principles, so I think the dog says wag the tail and as a market we will wag.

James: I agree, I think the securities financing industry will get there without a question of a doubt. Through technology, we will be able to provide ESG friendly solutions, but there's still more work to be done on the wider industry working closely with the associations to help define what ESG looks like across the wider industry.

Martin: We are thrilled at that end to see ESG finally rising to the fore in the securities financing industry. It's clear that the market was struggling with this for several years and us as beneficial owners have been bringing it up, and that's how Radek came into the picture a couple of years back already. Back then the Anglo-American world was still like, 'ESG, what's that?' So yes, here we are. ■

Securities lending: The view from Canada

In this Q&A, **Donato D'Eramo,** managing director and global head, securities finance and **Kyle Kolasingh,** associate director of securities finance at RBC Investor & Treasury Services, provide an overview of how the Canadian market fared in 2020 and what the bank did to support its clients.

DONATO D'ERAMO

KYLE KOLASINGH

How has the Canadian securities lending market evolved over the last 12 months?

Kyle: The Canadian securities lending market has gone through a number of changes over the past year, primarily as a result of covid-19. In the spring, when markets were particularly volatile, we witnessed the repositioning of portfolios and a flight-to-liquidity in response to the market downturn, resulting in an influx of transactions. This subsequently led to a steep increase in the number of recalls across the industry. Such a period of volatility and heightened activity highlighted the resiliency of the securities lending market and its ability to support financial markets in periods of stress.

In addition, the demand for structured term lending softened over the course of the year. In prior years and leading into 2020, there was high demand for HQLA (high quality liquid assets), specifically level 1 assets with a variety of duration structures. However, due to the pandemic and central bank intervention, there has been lower demand for these types of loans from the borrowing community as alternative liquidity avenues opened.

Looking at equities, we have seen the demand for cannabis stocks decline to levels significantly below the pre-covid period as share issuances continued across the sector, adding supply to the market. This was in addition to a general de-leveraging from the hedge fund market, resulting in fewer new shorts and additional refinancing. Notwithstanding this, the fall of 2020 showed significant intrinsic value opportunities for beneficial owners when specials in some covid-19 affected sectors heated up.

On a more positive note, the corporate event space produced meaningful pockets of intrinsic value in 2020. Generally speaking, initial public offerings continued to be attractive from a lending perspective, although they looked slightly different this time round, emerging as SPACs (Special Purpose Acquisition Companies).

What steps have been taken to ensure that the Canadian securities lending market remains efficient in what has been a turbulent year?

Kyle: The Canadian securities lending industry is well-established within the global financial market, evolving over the past three decades to its current resilient state. The risk mitigation practices previously implemented within Canada were integral to the efficient operation of the securities lending market during March and April 2020. From an RBC Investor & Treasury Services (RBC I&TS) perspective, our counterparty networks remained strong despite the influx of transactions and heightened volatility during the peak of the first covid-19 wave.

In response to the "new normal," we placed an even stronger emphasis on communication with our clients, particularly in the area of aligning their portfolios with the securities lending program. This provided them with additional assurance around our risk management protocols regarding counterparty and collateral monitoring, as well as the strength of the indemnification process in the event of any adverse scenarios.

Donato: The significant increase in transaction volumes during the early months of the pandemic highlighted the robust nature of the Canadian securities lending market and tested a number of recent developments, particularly in terms of technology.

What steps has RBC I&TS taken to ensure it continues to meet demand in this environment?

Donato: From an efficiency perspective, covid-19 underscored our ongoing focus on automation. At RBC I&TS, we continue to implement a digitised experience for our clients, providing them with timely metrics on their securities lending programme in a much more visual context. Enhancing connectivity and the transfer of knowledge are top priorities for us.

The risk aspect of the market has not changed dramatically over the past year and our programme has been able to withstand the impact of the pandemic thanks to the effective risk mitigation tools that we have in place.

We continue to fine-tune this part of the programme, but the pandemic has demonstrated that the securities lending offering continues to deliver, while safeguarding clients in adverse circumstances.

What has RBC I&TS done to meet this demand?

Donato: As a major Canadian agent lender, we have one of the broadest non-cash collateral profiles in the marketplace. If you look at other markets, such as the U.S., which is predominantly cash collateral, or Europe, which is largely non-cash, we are seeing our experience of managing non-cash collateral as a crucial benefit in this environment.

Kyle: We will continue to focus on our collateral acceptance policies in 2021 and are currently assessing opportunities to expand our programme from both an asset class and tri-party perspective. We were one of the first agent lenders to accept exchange-traded funds (ETFs) as collateral, something that we have been doing for over a year now as an important part of our commitment to meeting client demand and evolving market trends.

> "The term loan aspect, the optionality with respect to corporate events and conviction in relation to specials are the three broad themes that we will be focusing on in 2021.
>
> Donato D'Eramo"

How has the demand for ESG-compliant investing impacted the Canadian market?

Kyle: A number of practices under the ESG umbrella have existed within the Canadian securities lending market for quite some time, although there is currently a heightened focus on this area. Industry bodies such as the International Securities Lending Association and the Global Principles for Sustainable Securities Lending initiative continue to drive further developments among all stakeholders.

ESG practices continue to evolve in securities lending. Participation remains voluntary and there are currently no specific regulatory requirements in this regard. The interpretation and application of ESG will differ depending on who you talk to and what region they come from. As an agent lender, it is our responsibility to work with our clients and develop a securities lending programme that meets their ESG needs. There's little doubt that, going forward, ESG will have a significant impact on the investment strategies and practices adopted by asset managers and owners.

Donato: At RBC I&TS, we tailor our securities lending programme to the particular risk profile of our clients. One of the topical areas regarding ESG and securities lending is proxy voting. We manage proxy voting recalls based on the preferences of our clients. Some clients recall in principle while others only recall based on specific events. Regardless, RBC I&TS is able to accommodate our clients' needs.

We are also starting to see a higher ESG focus on the collateral side and expect that ESG collateral sets will emerge within the next year. RBC I&TS is ready to accommodate bespoke collateral sets.

How will the Canadian securities lending market fare in 2021 and what can we expect to see?

Kyle: I doubt many would have been able to predict what occurred in 2020 and, similarly, it is difficult to forecast the future of securities lending. That being said, we are noticing that the current market is becoming more stable almost on a weekly basis and anticipate this to continue, barring any unforeseen circumstances.

During 2021, we expect to see a greater focus on intrinsic value opportunities in the form of corporate events and pockets of strong conviction in directional interest trades, as opposed to the more broad-based sector specials to which we are accustomed. As global financial markets react to new developments, regardless of whether they relate to the pandemic, I am confident that we will continue to identify securities lending opportunities for beneficial owners.

We are also monitoring the demand for HQLA on an ongoing basis, including Canadian government bonds and U.S. treasuries. The actions of central banks are likely to have an impact, and if liquidity continues to be added to the financial system, we can expect to see more softening on the term loan side.

Donato: The term loan aspect, the optionality with respect to corporate events and conviction in relation to specials are the three broad themes that we will be focusing on in 2021. ■

Euroclear CEO sets out Sweden's harmonisation journey

By **Perle Battistella**

Euroclear Sweden's recently appointed CEO, Roger Storm, is optimistic about the country's harmonisation journey as new regulations come into force across the Bloc, fortifying the role and objectives of working groups.

Speaking to Global Investor, Storm says: "One of the reasons I took the job is because Sweden has restarted its work of harmonising and aligning its securities market processes with that of the rest of the EU. This follows in the footsteps of the long-standing work done by the Giovannini Group, the European Post-Trade Forum (EPTF), Corporate Actions Joint Working Group (CAJWG) and the Advisory Group on Market Infrastructures for Securities and Collateral (AMI-SeCo).

"Now we have new securities market regulations in place, such as Central Securities Depositories Regulation (CSDR), European Market Infrastructure Regulation (EMIR) and the Markets in Financial Instruments Directive (MiFID II), and the Commission's push for a single Capital Markets Union (CMU) and a more digitally savvy financial services market, which supports this further harmonisation and induces Swedish actors to revisit processes and standards used here."

The Giovannini Group, was established in 1996 to provide advice to the European Commission on issues pertaining to the integration of financial markets across the EU and began working on clearing and settlement arrangements in 2001.

Its first report was generated in the same year and found that fragmentation in the EU clearing and settlement space increases complications in post-trade processes of cross-border securities transactions compared to domestic transactions and that it could be im-

Roger Storm. Euroclear Sweden's recently appointed CEO

proved through market-led convergence in technical requirements and practices. Another paper closely followed in 2003 which provided recommendations to overcome barriers as EU clearing and settlement could not be improved with different regulatory, fiscal and legal requirements.

The EPTF was established thereafter in 2016 by the European Commission, in light of its CMU project. Its goal was to support the Commission in reviewing post-trade functions to promote efficiency and resiliency. It revisited the Giovannini Barriers in 2017 and redefined its own set of barriers called the EPTF Barriers.

Improvements have been made by the Bloc since the reports were published with regulatory acronyms such as MiFID II, CSDR, EMIR and SFTR. However, regulatory delays and a continued lack of harmonisation 20 years on from the Giovannini Barriers means that there is still more that could be done.

"The harmonisation of the post-trade side of securities markets is part of the long list of things that still needs addressing. It is partly on the CSDs to help and guide this effort, but a lot of stakeholders need to invest as well, including the authorities. There are many stakeholders involved in securities transactions, and to get everyone aligned and coordinated is a big challenge, but necessary," adds Storm.

The Covid-19 pandemic threw a spanner in the works across financial markets and acted as a catalyst to demonstrate an evident need to digitalise and automate. "The thing we realised immediately with the pandemic was the need for digitalisation. Such projects have accelerated, and that is something that will continue after the pandemic. The pandemic has also changed the need for refinancing because of multifaced business disruptions. In areas where we had not already automated and digitalised, it became clear we should digitalise and automate. I think that is another trend going forward," says Storm.

In the midst of the health and economic crisis, the Swedish CSD deployed a digital service for shareholders to digitally cast their votes prior to general meetings. The solution coincided with Swedish law that came into force in April to give temporary exceptions on general meetings.

The CEO has more plans in mind for this year. "We have a couple of exciting projects in the pipeline on the participant and investor side. These projects combined with the increased economic activity we are seeing means we will have more issuance, more accounts, more movement across these accounts and more corporate actions. Serving issuers is a key part of our strategy. We have several initiatives on our roadmap to modernise our range of issuer services. The first of these will launch already in the first half of 2021, providing a next generation shareholder information analytics tool for the issuer community."

Storm adds that he expects this year to be more volatile. Perhaps not as fluctuant as volumes in 2020, but more in comparison to historical averages. The implication of higher trading volumes means more activity for the CSD. Similar to firms across the world, Storm has no plans on bringing his workforce back to the office. "We have not set a definitive date for staff to return to the office because of the fluidity of the pandemic situation. As a company, our primary concern is the safety of our employees," concludes Storm. ■

BNY Mellon app helps clients navigate ESG confusion

By **Luke Jeffs**

The ESG market has more than doubled in the past five years to an estimated $40 trillion but the growing challenge for investors and their advisors is defining which ESG investment strategy is right for them.

Environmental, social and governance covers by definition a vast array of investment opportunities so asset owners and money managers must define and explain their specific investment objectives.

This challenge is compounded by the fact that there are currently no accepted industry standards to which potential investors can refer. There are an increasing number of ESG strategies, definitions and data sets that investors and managers must navigate before they come to market.

BNY Mellon, as one of the world's largest custodians, was uniquely placed to identify this emerging problem and design a solution to help clients mitigate its effects.

BNY Mellon developed and delivered in 2020 its ESG Data Analytics application, a cloud-based solution to help clients build customised ESG investment portfolios. The app also won BNY Mellon the Technology Innovation of the Year award in the Global Investor Investment Excellence awards of 2020.

Corinne Neale, Global Head of Business Applications at BNY Mellon, Data and Analytics Solutions, said the app emerged from discussions with BNY Mellon's largest clients.

She said: "Asset owners and asset managers are telling us that, because there is no unique global standard for what sustainability really is, for the data which issuers should be publishing or for solution-labelling, it made it very difficult for them to navigate, grow investments and figure out if they had done the right thing."

BNY Mellon's cloud-based app is a response to this challenge, aimed at asset owners and asset managers working to define or refine their ESG strategies.

CORINNE NEALE

Neale said: "The focus of the application is creating clarity on investors' ESG expectations. It was built from hundreds of discussions with clients, recognising that not everyone is on the same page with the same objectives and moving at the same pace.

"Regionally, it was clear from clients that had conducted surveys with their beneficiaries, retail clients or pension fund holders that we needed to accommodate customisation from different perspectives, objectives and pace of movement on sustainability, as well as facilitating collaboration between investors because, in a field that is growing so fast, it was critical to have a common language."

Neale said the application was built with three purposes. First, helping investors define their ESG expectations and to do this from a data-agnostic place. Secondly, the application aligns the ESG expectations of investors to asset managers' solutions and thirdly, the application provides transparency on investors' ESG expectations, knowing that those will evolve rapidly over time.

That the app is hosted in the cloud reflects one of BNY Mellon's objectives.

"The idea is to make it easy for users. We have a wide-range of clients using the application. We have asset managers who need to rapidly deploy infrastructure to accommodate a growing number of sources of data and types of data," said Neale.

The app is also designed for asset owners, such as pension funds, mutual funds and insurance firms, some of whom are adept at ESG investing while others are less experienced.

Neale said: "We have users that say "I don't know what part of sustainability will be important for me so I will follow the guidance of a taxonomy" or we have clients that say they want anything green. But we also have asset owners that are very specific so they might say, to align with my mission statement I need to focus on themes that are important to my beneficiaries."

BNY Mellon built the app with a handful of large, regionally diverse asset owners and fund managers who had become frustrated with the tools available to them.

"They put their heads together to resolve this global issue and we served as the global navigator across all of those clients to enable those ideas around how do we help the market grow," said Neale.

She added: "The fact that COVID happened within two months of us starting development was a catalyst. The sustainability application still would have been successful because of trends that had been in the market for a long time, but COVID amplified those issues and added urgency among senior executives. Now it is a CEO-level topic and this level of discussions is accelerating progress."

Looking ahead, BNY Mellon hopes the open nature of the solution, which is accessible on the public cloud without any specific hardware or software, should ultimately help the industry address the lack of benchmarks that it has been designed to address.

Neale concluded: "We believe this application, because of its collaborative nature, has the potential to promote industry standards." ■

Contact details:

www.bnymellon.com/us/en/solutions/asset-managers/data-analytics


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Categories and winners

LIFETIME ACHIEVEMENT AWARD

JEROME KEMP

Jerome Kemp, the former head of derivatives at Citigroup and chairman of trade body FIA, announced his decision to retire in June 2020.

Citigroup said in an internal memo: "Jerome Kemp has informed us about his decision to retire after a successful 36 year career of which the last nine years were with Citi."

Kemp, who joined Citigroup in 2011 from JP Morgan, was the driving force behind Citi's growth in listed and over-the-counter derivatives execution and clearing, which saw the US bank rise to become a top three service provider.

He initially joined Citi in London to run listed derivatives and launch an over-the-counter derivatives business to compete with its main US and European bank rivals.

Kemp was promoted in 2019 to run foreign exchange prime brokerage as well as his existing responsibilities and oversaw the restructuring of that business and its alignment with Citi's other brokerage services.

Okan Pekin, Citigroup's global head of securities services, which includes Kemp's futures, clearing & FX prime unit, said: "Jerome is leaving Citi with a top team and an industry-leading platform. Please join me in thanking Jerome for his extensive contributions to Citi's franchise and wishing him well in the next stage of his life."

Kemp started his career in 1987 as an OAT trader in Paris before joining JP Morgan in 1991 where he was promoted to manage the JP futures business in Paris in 1995. He also ran JP Morgan's Asian futures business out of Tokyo and later led the EMEA business before being named the global co-head of futures in 2008.

Kemp was elected as chairman of the Board of FIA Global, the industry association, in 2018.

FIA president and CEO Walt Lukken said: "In his nine years on the board, and the last two as chair, Jerome has worked with distinction to drive positive change for our industry. His leadership has raised the standards for our industry to make our markets more resilient, safer and competitive." ■

CHIEF EXECUTIVE OFFICER AND PROPRIETARY TRADING FIRM OF THE YEAR

LEE HODGKINSON | Chief Executive of OSTC

The London-based proprietary trading firm started the year on the front foot by hiring a director from HSBC and reshuffled its senior management to increase its focus on innovation.

The firm announced in January current chief operating officer Ian Firla had moved to the new role of head of innovation, and former HSBC director Ian Cohen would join on February 11 to take-up the role of chief operating officer and deputy chief executive.

In April, Hodgkinson said the firm's performance analytic tool was attracting interest from companies both inside and outside the financial sector.

Hodgkinson said: "We're really interested in taking this service to external clients and are in discussions with a number at the moment about rolling it out to their traders.

"Anybody that employs humans that are material risk-takers can think about biometric performance in the same way," he added.

The chief executive said in June OSTC was planning to seek external funding to help the firm undertake acquisitions, particularly in the ed-tech sector.

To lead OSTC's capital raising efforts, the company appointed Peter Lenardos as chief financial officer. Lenardos was hired to be closely involved with deploying the capital raised to conduct mergers and acquisitions.

"We are accelerating growth in the trading business, alongside a strategic pivot to education and training to diversify revenues," Lenardos said.

The firm took in November the first step towards expanding its ed-tech business with the acquisition of Volcube, a UK-based options education technology platform.

"During this Covid environment we've started to be presented with opportunities that would not necessarily have existed before the pandemic," Hodgkinson said, "and in that context to a certain extent the conditions suit us as a strategic buyer".

Currently, OSTC's educational offering accounts for less than 5% of its annual revenue, and the company aims to grow the business to 25-30% of revenue by full-year 2023.

"Over the last six months we've built an acquisition pipeline that will enable us to expand our educational product suite and general service offering," Hodgkinson said. ■

GLOBAL AND AMERICAS EXCHANGE OF THE YEAR

B3

Sao Paulo-based B3 won the Americas and Global exchange of the year for the second year running in what was a competitive year for Americas exchanges as the COVID-19 pandemic sent the markets into a tailspin and volumes to record levels.

B3 volumes were up 63% to 6.3 billion lots traded in the year to the end of the judging period while the exchange's Bovespa Mini Index Futures was one of the world's most successful contracts in 2021, trading 2.9 billion contracts, which was up 78.9% on the previous year, according to the US-based trade association FIA.

The Brazilian exchange group continued to deliver new products such as US dollar currency pairs Futures, fixed income ETFs, a micro S&P500, COPOM Options and Single Stock Futures.

Chicago's CME Group and B3, which have had a cross-listing agreement since 2007, jointly moved to boost their soybean product suite with futures based on South American soybeans in September.

B3 said they agreed to work together "to jointly develop risk management products for both Brazilian domestic and global market participants".

Tim Andriesen, CME Group Managing Director of Agricultural Products, said: "Brazil is an important player in the global grain and oilseed trade and is expected to export over 83 million metric tons of soybeans this year alone."

He added: "These new futures contracts respond to the demand from our customers for regional hedging and price discovery tools that complement the deep liquidity of our benchmark grain and oilseed futures and options."

B3's growth potential was recognised by the FIA. The trade body's senior VP, publications, data and research, Will Acworth said in August Brazil is demonstrating significant potential: "This is a long-term growth story that will continue over time."

Speaking in August, B3 had grown by more than half its trading volume in the previous year.

"This almost 55% rate of growth year-over-year is a function of some deep and probably very long-term changes in the structure of the Brazilian market, which are very positive for exchange-traded futures and options," Acworth said.

The majority of the growth is driven by equity index futures, Acworth said, while interest rate and currency complexes are also showing significant growth.

"This is a function of a lot of different factors all converging at the same time," Acworth said. "Partly it's because of the recent trend towards that rather dramatic reduction in interest rates."

Brazil's interest rates are now below 3% after a long history of double-digit rates, Acworth said, which is driving a shift in incentives across the economy and financial sector.

"You've a generation of people that were used to being savers… and now are shifting to alternative sources of investment, they're going to the stock market," he said. "B3 tells us that the number of individual accounts at that exchange has now roughly doubled over last year or so. A whole generation of people who were savers are now investors."

Brazil has also seen tremendous growth in liquidity with the entry of principal trading groups in Chicago, Amsterdam, London and elsewhere entering the market.

Acworth cited Citi as an example, which began in July offering carrying broker services for trading in the Brazilian futures market at B3 through its US-based futures commission merchant (FCM).

A number of other FCMs are offering access to B3 via US or European entities, Acworth said, in response to rising demand from clients who want to manage exposure to Brazil.

"Perhaps they were using over the counter swaps before, but at a certain point in time it becomes more efficient to trade index futures," he said. ■

ASIA EXCHANGE OF THE YEAR

BURSA MALAYSIA DERIVATIVES

Bursa Malaysia has seen a huge increase in trading activity this year, up almost a half from the start of this year to the end of the judging period. The exchange has also continued to innovate by bringing new products to market such as the option on palm olein futures.

The Kuala Lumpur-based exchange started the year strongly by launching in January an options contract on US Dollar Denominated Refined, Bleached and Deodorised ("RBD") Palm Olein Futures ("OPOL"), the world's first options contract on palm olein.

Serving to complement the existing US Dollar Denominated RBD Palm Olein Futures Contract ("FPOL"), OPOL broadened the array of possible risk management tools available for palm oil players in line with the exchange's aim of expanding Bursa. The exchange said in January that all market participants will be entitled to an exchange fee and clearing fee waiver on OPOL transactions up to the end of June 2020.

Datuk Muhamad Umar Swift, Chairman of Bursa Malaysia Derivatives, said: "The OPOL contract allows for the introduction of more sophisticated strategies to raise the level of derivatives trading and will attract new categories of market participants such as commercial banks and options writers and traders."

The Taiwan Futures Exchange (TAIFEX) and the Bursa Malaysia Derivatives Berhad signed in May a Memorandum of Understanding with the intent to pursue a mutually beneficial business partnership. The two exchanges said they will share information and best practices pertaining to product development, market operations, and in the areas of common interest for both markets.

Bursa Malaysia Derivatives relaunched in September the 5-Year Malaysian Government Securities ("MGS") Futures contract with a revised settlement methodology. The FMG5 Contract's settlement, which was previously cash-settled, is now physically delivered.

The exchange re-launched in December 2020 the Mini FTSE Bursa Malaysia Mid 70 Index Futures ("FM70") contract, implementing several amendments to the contract specifications. ■

MIDDLE EAST EXCHANGE OF THE YEAR

DGCX

Established 15 years ago, Dubai Gold & Commodities Exchange (DGCX) is the largest and most diversified derivatives exchange in the Middle East, providing guaranteed settlement and reduced counterparty risk through the Dubai Commodities Clearing Corporation (DCCC), a subsidiary 100% owned by DGCX.

DGCX trades up to $4 billion per day of underlying notional value in four asset classes: FX, Equities, Hydrocarbons and Metals. Over the course of the past twelve months, DGCX has witnessed remarkable growth and broken numerous records for trading volume, notional value and open interest.

DGCX's strategic focus has been on diversifying its product offering based on market participants' needs and expanding its membership base both locally and globally.

DGCX has achieved success on both fronts, strengthening its unique value proposition. DGCX has widened investor participation and enhanced liquidity in the market while remaining the largest global offshore liquidity pool for Indian Rupee futures trading.

ESMA has added DGCX to list of third-country trading venues that meet post-trade transparency requirements, making DGCX more accessible to European investors and collaboration opportunities.

DGCX is at the forefront of developing and shaping the Islamic finance sector. Since launching the region's first and worlds only exchange-listed Shari'ah compliant Spot Gold contract in 2018, the contract has seen record trading.

The exchange is involved in further structuring the Islamic finance sector through partnerships with leading institutions to introduce more Islamic products, recently partnered with Albilad Capital to provide pricing data for the company's Shari'ah compliant gold-backed ETF listed on Tadawul.

DGCX continues to focus on and raise the bar for clearing and settlement through its exchange and clearing technology platform providing increased bandwidth usage and low-latency performance, allowing for cheaper and faster access.

DGCX is also a signatory of the UN's Women's Empowerment Principles promoting women's empowerment and advancing gender equality in the workplace, marketplace and community. ■

Innovation and flexibility drive Euronext derivatives growth

Euronext has had a busy year, working hard to increase the competitive edge amid large European rivals in the derivatives space.

INTERNATIONAL AWARDS 2020
Exchange of the Year - Europe
Euronext
FOW

INTERNATIONAL AWARDS 2020
Most Innovative Contract of the Year
Euronext Single stock dividend futures and single stock futures
FOW

By **Luke Jeffs**

Recent highlights for the European exchange group include the June 2019 acquisition of Norway's Oslo Børs, which opens up a new front for Euronext, and the delivery of single stock dividend futures with shorter maturities in late 2019 and into early 2020.

In light of the volatility that swept the market and the disruption to regular dividend cycles caused by the escalating COVID-19 pandemic beginning of 2020, these launches were a masterstroke.

Charlotte Alliot (pictured, left), Head of Institutional Derivatives at Euronext, told Global Investor: "We have won these awards partly due to the incredible breakthrough we have made in the single stock futures and the single stock dividend futures market in 2020. It all started by the introduction of the new product feature in the dividend contract and specifically the implementation of a shorter maturity cycle which helped our clients to better hedge their risk."

Euronext's single stock dividend futures were previously only available in yearly maturities, which meant they only covered the risk on a full year basis.

Alliot said: "From October last year, we responded to market participants

> "We have won these awards partly due to the incredible breakthrough we have made in the single stock futures and the single stock dividend futures market in 2020."
>
> **Charlotte Alliot,** Head of Institutional Derivatives at Euronext

and started to roll out shorter maturities. Starting with semi-annual maturities, and in January, we started to roll out quarterly maturities."

Of course, Euronext didn't know the pandemic was coming but it was in the right place at the right time.

"I have to say the market timing of this has been absolutely perfect. Because of the COVID-crisis, 2020 has been a complicated year for equity derivatives contracts, with the cancellations or postponement of already announced dividend distributions. We have been the only ones able to provide the necessary hedging tool in these tough conditions."

She added: "From January, our market share has been rising rapidly on dividend futures and single stock futures because these two products tend to trade together. We are proving to the market that we can be a giant and that we can react quickly, indeed we have continued throughout the year to roll-out these maturities in line with client demand to allow traders, brokers, asset managers to hedge their dividend exposure in extreme market conditions."

Alliot, who has been with Euronext for more than a decade, starting there before it span-off the New York Stock Exchange in 2015, said the exchange group is also working hard on derivatives linked to ESG indices.

She said: "Our industry is transforming as we move towards a responsible economy. As mentioned by the European Commission, indices are going to play a key role in the allocation of assets to sustainable companies, and derivatives are needed in this transition to provide the right hedging tools and easy access to the ESG indices.

"Our ESG index group is one of the biggest ESG index providers in Europe if you consider the assets under management on the ETF and structured products, and this is why we are a natural entrant to this market. We have been working with our index team to launch the first ESG derivatives contract at Euronext, which is called the Euronext Eurozone ESG Large 80 index future, or the ESG80 for short, developed in partnership with V.E (an affiliate of Moody's)."

Euronext has built momentum with strong product launches in 2020 and looks set to continue this work into 2021. The proposed acquisition of Borsa Italiana Group will only further boost the group and present new opportunities.

The ESG futures contract, like everything that Euronext does, is based on discussions with clients, said Alliot.

She continued: "We launched the futures contract in June with the support of four market makers: BNP Paribas, DRW, Optiver and Societe Generale. What we are doing is a huge challenge, we are working to build an ecosystem. This is not a sprint, rather it is a marathon but we strongly believe this index has everything to establish it as a leading ESG benchmark in the Eurozone. "

With the equity and ESG futures behind them, Alliot and her team are looking ahead.

"We have also completed the migration of the Norwegian derivatives market after the acquisition of Oslo Børs. This is a great achievement for us as it brings on board the Scandinavian investors and enriches our client base. Also, our existing clients will be able to access under the same IT and clearing infrastructure an additional set of products such as the Norwegian equity futures and options, so our markets are definitely getting wider."

Alliot added: "We recently announced that we will offer a set of single stock futures with physical delivery which will further strengthen our offering. We have a lot more to come in 2021, watch this space because you will hear a lot more about new products from Euronext."

Euronext is smaller and nimbler than the main European derivatives markets but Alliot says the exchange is also exceptional in other ways.

She said: "We want to be different and, with that in mind, there are three things that are important to us. The first is that we strongly believe we cannot develop a market without strong client intimacy, indeed we are developing this business with and for our clients and we believe only in win-win strategies."

Alliot concluded: "Secondly, we are dedicated to always implement added-value solutions with a fair cost structure; it is a matter of respect to our clients that we see as business partners. And the third thing is agility. We are driven to work with clients as flexibly as we can be. We believe these three principles helped us succeed this year."

Euronext has built momentum with strong product launches in 2020 and looks set to continue this work into 2021. The proposed acquisition of Borsa Italiana Group will only further boost the group and present new opportunities. ■

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GLOBAL, EUROPE, ASIA AND MIDDLE EAST CLEARING HOUSE OF THE YEAR

LCH

LSE-owned LCH has continued to demonstrate its commitment to the growth markets of Asia.

LCH announced in April that Yutaka Imanishi had been appointed Head of Japan, LCH. Based in Tokyo, Mr Imanishi reports to Kate Birchall, Head of Asia Pacific, LCH.

Imanishi is responsible for LCH's business in Japan, including the CCP's office in Tokyo. LCH is licensed in Japan for offering clearing services for non-Yen IRS and FX NDFs to Japanese financial institutions.

Imanishi joined LCH from CME Group, where he was Executive Director, Optimisation Japan. He also held the role CEO Asia Pacific, TriOptima. In this role, he oversaw TriOptima's compression and portfolio reconciliation business in Asia Pacific region. Prior to joining TriOptima, Mr Imanishi held a number of roles at Nomura and other banking groups across Australia, Japan and Singapore.

LCH cleared in May the first Singapore Dollar interest rate swaps referencing the Singapore Overnight Rate Average (SORA). LCH implemented clearing of SORA swaps as the industry continues to adopt alternative interest rate benchmarks. LCH already offered clearing in €STR swaps, SOFR swaps, SONIA Futures and SARON swaps.

The firm cleared in September the first Israeli Shekel-denominated interest rate swaps. Israeli Shekel was the latest currency to be cleared at SwapClear, which offers clearing for interest rate derivatives in 27 currencies.

Also in September, LCH SwapAgent, a service for the non-cleared derivatives, registered its first SONIA/SOFR cross-currency basis swap.

In December, LCH extended its credit index options clearing offering to include the CDX Investment Grade 5Y and CDX High Yield 5Y indices, and started offering clearing services for financial derivatives listed on Oslo Børs Derivatives Market.

Following the migration, five additional members trading financial derivatives on Oslo Børs were able to access the risk management benefits of clearing at LCH SA, with two existing clearing members extending their membership to clear the Oslo market. ■

AMERICAS CLEARING HOUSE OF THE YEAR

CME CLEARING

CME held up well in the extreme volatility that marked the early part of the year as the COVID-19 pandemic roiled the global market, helping the exchange to many record days and record months of trading.

The clearing house also continued to build on its portfolio margining and compression services as well as introducing clearing of a range of new products including SOFR swaps.

CME Group was in October central to a key step in the US market's migration away from Libor to its preferred alternative SOFR.

The Chicago exchange group transitioned in mid-October the remaining US dollar OTC swaps to discounting based on the Secured Overnight Financing Rate (SOFR), joining the industry-wide switch to the US rate as central counterparty clearing houses (CCPs) transition away from Libor and other Ibors.

"It's been about two years in the making, this journey, and we worked closely with our clients," Sunil Cutinho, president of CME Clearing, told Global Investor. "We've prepared them, we've done dry runs, so I think they are prepared and we are prepared for this transition."

The weekend transition was designed to ensure that clients were not disrupted during the trading day, Cutinho said. After the close, CME will use the SOFR discount curve to revalue the dollar portfolio and set the level of cash compensation that will ensure market participants are neutral to the switch.

CME said later the discounting and price alignment rate on more than $7.2 trillion notional in U.S. dollar Cleared Interest Rate Swap products at CME Group were transitioned successfully to SOFR.

CME has over 60 clearing members, comprising the world's top investment banks, FCMs and commodities brokers, across is many traded markets such as CME, CBOT, NYMEX, COMEX, OTC interest rate swaps and OTC foreign exchange.

By acting as the counterparty for every trade, CME Clearing helps clients mitigate counterparty risk by maintaining a matched book and risk-neutral position.

In October, the DTCC started testing for the UK's stock loan and repo reporting rules in a post-Brexit environment. ■

ASSET MANAGER OF THE YEAR

LGIM

Legal and General Investment Management accumulated almost $300 million (£228 million) of additional assets in 2019 to take its total assets under management to a record $1.4 trillion at the end of last year.

This made LGIM the only British manager in the world top 20 by assets and the only UK fund manager with total assets over $1 trillion.

The manager was affected by the pandemic but it pledged on April 3 to pay its full year 2019 dividend at a time when many firms were cancelling theirs. On April 15, LGIM said it had escalated its £20m partnership with Edinburgh University in response to Covid-19, recognising critical need for research into social care for older people.

Nigel Wilson, CEO of Legal & General, said: "Rather than looking at quick fixes on short-term Covid-19 specific issues, the pressures on the care system will remain after the current pandemic subsides, and a longer-term, system-wide, research-backed approach will be required. Life expectancy has increased, but living longer doesn't currently mean living well."

He added: "It's time to stop thinking solely about how to extend life, and think harder about how to improve the quality of life we already have."

In May, LGIM said it had significant concerns about ExxonMobil's approach to climate change, political lobbying and board independence, and said it was taking the unusual step in pre-declaring its intention to vote against the re-election of the Exxon board chair.

In October, the firm released its annual Climate Impact Pledge, increasing the ambition of its engagement programme and holding far more companies to account.

In November, LGIM launched the L&G Emerging Market Equity Future Core [Index] Fund, developed in collaboration with the Swedish public pension fund AP1 to meet the institutional needs of a passive investment solution addressing multiple ESG dimensions. ■

> "It's time to stop thinking solely about how to extend life, and think harder about how to improve the quality of life we already have."
>
> Nigel Wilson, CEO of Legal & General

TRADE REPOSITORY OF THE YEAR

DTCC

DTCC, like its main rival, has been working hard on a new front this year: Europe's Securities Financing Transaction Regulation. As with the earlier European derivatives reporting regulation, DTCC Global Repository has become the repository of choice for reporting these transactions, while maintaining its lead in derivatives.

The post-trade giant launched in February its Application Programming Interface (API) marketplace, dubbed the Marketplace.

The new features provide global clients, internal developers and partners with a single location to access APIs developed by DTCC, which will streamline access to services and improve the user experience.

In March, the DTCC advised banks to consider its pilot third-party pooling service as part of their preparations for the Risk Factor Eligibility Test (RFET) and opened a portal for pre-production testing for the Securities Financing Transactions Regulation.

In May, the DTCC was approved as a trade repository under Europe's Securities Financing Transactions Regulation (SFTR) and extended its partnership with London-based consulting firm Delta Capita to support buy-side clients bound by SFTR.

The DTCC said in June that 11 custodians had joined its Exception Manager platform and, in July, the firm and TriOptima enhanced their relationship to simplify compliance with Europe's SFTR reforms.

The DTCC launched in November a consulting arm to enable its many clients to tap-into its 45 years of post-trade experience and finished the year by passing a milestone with SFTR.

The Depository Trust & Clearing Corporation sad in December 2020 more than 500 of the securities lending industry's dealers, agent lenders and buy-side firms have subscribed to its Securities Financing Transactions Regulation (SFTR) reporting service.

Val Wotton, managing director of product development and strategy at DTCC, said: "We have made significant investment in our client services experience and our user acceptance testing tooling, which is a further reflection of our commitment to our trade reporting offering."■

Marex Spectron enhances focus on clearing clients

Thomas Texier, speaks to Global Investor after the clearing service won FOW's Client Clearing Provider of the Year for the second consecutive year.
By **Wendy Lisney,** Derivatives Editor


THOMAS TEXIER

Customer assets held by Marex Clearing Services, the clearing arm of British broker Marex Spectron, have grown to more than $3 billion (£2.2bn) with the integration of Chicago-based futures commission merchant Rosenthal Collins Group (RCG).

According to Marex's head of clearing Thomas Texier, the RCG deal, which closed in February 2019, has contributed to meaningful growth in the group's clearing business to over $3.5 billion in customer assets.

The acquisition added Chicago to Marex's North American footprint and expanded its US clearing offering and agriculture business, bringing 14,000 client accounts and balances along with 150 staff.

"RCG are now fully integrated with our structure, and that means we can really make use of their capabilities," Texier said.

Texier, who joined London-based Marex as head of clearing from R.J. O'Brien in July, was speaking to Global Investor after the clearing service won FOW's Client Clearing Provider of the Year for the second consecutive year.

Marex launched the division in late 2019 after moving larger clients across and closing its Pro Trader division. Smaller accounts were transferred to long-term clearing client TTG Capital.

"Clearing is not a new business for Marex," said Texier, "but creating a clearing services division really focuses our efforts on service towards the clearing customers. We have a dedicated clearing support infrastructure that interacts with all the traditional divisions of Marex, and we work alongside them to facilitate interaction for clearing clients."

> "We have a dedicated clearing support infrastructure that interacts with all the traditional divisions of Marex, and we work alongside them to facilitate interaction for clearing clients."

The division plays a key role in the group, Texier said, as it consolidates and advances the broker's clearing offerings. One of the firm's fastest-growing areas, it offers global connectivity and infrastructure, end-to-end clearing and execution services and global, 24-hour coverage.

Setting up the service turned out to be more timely than Marex originally envisaged, as it became instrumental in supporting clients as they navigated the challenges of Covid-19 market turmoil. Against this background, the group achieved record first half results with net revenues up 28% year-on-year at $219.9 million and profit before tax up 48% to $38.2 million.

"In 2020, every single person in the financial services industry and probably the world learnt to work from home," said Texier. "The focus had to be on risk management for the first half of the year because the market was so volatile.

"We were able to protect our clients and equity by charging the right level of margins. We worked closely with them to manage their risk and the increased volatility throughout the Covid-19 pandemic. This ensured there were no significant defaults or risk management issues.

"It's a testament to our risk functions and front office management that we navigated the crisis and came out stronger as a result."

Currently, Marex is in a growth phase based on three key pillars: acquisition and product diversification, growing its sales team and technology investment.

The company remains resolutely committed to expansion at a time when several competitors are conducting strategic reviews of their clearing activities and wondering if they are still relevant, Texier said. This is largely due to the loss of interest rate income, particularly in US Dollar deposits, which has dented profitability and resulted in the need to adjust client models.

"We see some client dissatisfaction in the market over their current vendors, and they are asking us if we can service their business. For Marex it's a core business: We are definitely in this market, we intend to remain, and we want to gain market share."

To that end, the RCG acquisition was transformational as it added Chicago to Marex's US footprint in New York, Calgary, Connecticut and Houston, as well as grains and livestock to its agriculture business which traditionally focused on sugar, cocoa and coffee.

The acquisitive phase continued in 2020 with agricultural brokerage team the Matthews Group, recycled metals trading firm Tangent Trading and BIP Asset Management, an equity and commodity options market maker.

Then, in November, Marex acquired X-Change Financial Access (XFA), the US agency broker focused on equity and other exchange-traded derivatives linked to equity indices and interest rates.

Adding XFA brings an opportunity to expand further in North America and develop new financial derivatives asset classes, as XFA specialises in financial products traded on CME Group and Cboe Global Markets.

In December, Marex secured approval to become a trading privilege holder of Cboe Futures Exchange, which lists volatility and corporate bond index futures, and a clearing member of the Options Clearing Corporation, the sole clearer of US equity options.

"Traditionally Marex has been strong in commodities and energy. Oil and ags are areas that we are growing very actively at the moment," Texier said.

> "We see some client dissatisfaction in the market over their current vendors, and they are asking us if we can service their business. For Marex it's a core business: We are definitely in this market, we intend to remain, and we want to gain market share."

"Separately, we are also growing in new asset classes that Marex has historically never been known for, these are financial products and equity derivatives in particular."

Marex has also achieved growth through multiple senior appointments, including Texier and Chicago-based Peter Ceko, who joined as executive VP from ED&F Man. This was part of a significant expansion of the Chicago team, which included the hiring in July of former JP Morgan and Goldman Sachs managing director Ram Vittal as chief executive of Marex Spectron North America.

The third pillar of Marex's growth strategy lies in developing its technology and infrastructure, which provides connectivity and clearing services to 37 global exchanges and the majority of central counterparties in North America and Europe.

Currently, Marex is in the first phase of adding a dedicated clearing platform for clients to NEON, its bespoke front-office platform covering the global commodities and financial exchanges. The platform has already undergone significant enhancements including a new interface providing a single-entry point-of-access to Marex's services.

The company is also modernising its back-office technology, starting with the transition last year of its legacy platform to XTP. This enables clients to visualise their clearing activity in real time as well as bringing improved processing times and other operational efficiencies. The platform is already live for North American clients, and Marex expects to complete the roll-out to the rest of its client base in early 2021.

Another key development this year will be the integration of Marex and XFA, Texier said, as the broker moves beyond commodities into financial derivatives.

"One of the big plans is to interconnect the two companies to give all our clients access to the XFA markets and technology. It's a new asset class and this is definitely an area where we want to develop our presence." ■

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EXCHANGE INNOVATION OF THE YEAR

EUREX ENLIGHT

Eurex EnLight is a new solution that bridges the OTC and exchange-traded markets, bringing together the price discovery advantages of OTC brokerage with the operational efficiencies of the exchange-traded markets.

EnLight is a fully integrated exchange RFQ platform. The fully automated solution replicates the core aspects of voice trading while providing its users all the advantages of automatic electronic price formation, data collection and timely information retrieval to meet MiFID II Best Execution requirements

Eurex EnLight is available for all equity, equity index and fixed income options and corresponding futures traded on Eurex.

The exchange has continued to improve the service with enhancements:

Basis Trading for Eurex EnLight

This functionality allows a negotiation workflow for outright futures trading on an agreed basis with full Straight-Through-Processing and best execution reporting of all agreed steps within the negotiation workflow. The goal is to reduce the underlying delta risk of the responder as the negotiation is only around the basis between the underlying and the future.

Eurex EnLight Anonymous Negotiation

Eurex provides the possibility to negotiate deals and trade via Eurex EnLight without disclosing the identities of the requester and respondents. The Eurex EnLight Anonymous Negotiation offers a new type of negotiation for requesters who are sensitive to inventory tracking or simply wish to remain anonymous. Anonymous Negotiation is not a fixed setting, requesters can opt for anonymity on a case by case basis.

Eurex EnLight SMART RfQ

Eurex EnLight SMART Request for Quote (RfQ) allows customers to use exchange data to assist brokers and traders in targeting those trading participants who are most likely to have an interest in a specific RfQ. This increases the probability of tighter spreads and better pricing outcomes for the end-client or risk desk.

Eurex EnLight participants who want to be included as potential Eurex EnLight SMART respondents need to be assigned by their Admin user in the Admin GUI to the Eurex EnLight SMART Respondent Assignment list. ■

CLEARING HOUSE INNOVATION OF THE YEAR

EUREX CLOUD PRISMA MARGIN ESTIMATOR

Eurex Clearing has developed a service to answer the main issue that emerged in the excessive volatility seen during the worsening COVID-19 pandemic in March and April, namely the unpredictability of margin calls.

The clearing house's Cloud Prisma Margin Estimator (Cloud PME) offers clients and prospective clients a cloud-based solution for margin simulations under Prisma, Eurex Clearing's margin methodology. The service is free of charge and enables users to simulate margin requirements for Exchange Traded Derivatives (ETDs) or OTC interest rate swaps with or without cross margining.

Cloud PME is easy to use and is accessible via any web browser's GUI. Users may enter individual ETD positions or portfolios directly into the GUI or upload ETD/OTC portfolios in several formats, and the resulting margin is directly available in the GUI. More advanced or technically adept users can also connect to the service via an API, allowing for a high degree of flexibility and automation.

The key benefits of the service:

• **Transparent calculation**
Free tool which provides transparency on Eurex Clearing's Prisma margin requirements with high accuracy

• **Portfolio-based margin simulation**
Allows clients to readily simulate margin requirements for single positions and portfolios under the Prisma methodology

• **Usable via GUI and API**
Provides margin simulation in a user-friendly environment and hassle-free integration with client systems and processes via GUI and REST API

• **Cloud-based set-up**
By running margin simulations in the cloud, you are sure to always use the latest version of Prisma and benefit from up-to-date features

• **Continuous development**
Releasing new features and Prisma margining for other asset classes based on client demand

The application, which is available to both members and non-members of Eurex Clearing, supports also greek and stress price calculation - these analytical tools are not related to the margin.

The Margin Estimator works in parallel with the the Eurex Clearing Prisma Online Margin Calculator, which is designed for maximum accuracy with real-time data, prices and curves. ■

MARKET-MAKER OF THE YEAR

CITADEL SECURITIES

Citadel Securities has maintained its position as one of the leading market-makers globally. In the US, it has cemented its dominance in US equities and US options in what was a challenging period. The firm has also expanded its international footprint.

Citadel Securities with its parent Citadel became some of the first to mobilise in the battle against the coronavirus when they pledged $7.5m on February 4 to support relief efforts in China and the United States.

The two firms followed this by similar pledges to counter food insecurity in Chicago in March and to accelerate in April COVID-19 testing and treatment initiatives across the US. In May, Citadel Securities and Citadel pledged £3 million of support to advance immunology research to accelerate COVID-19 treatment and prevention.

Citadel Securities said in August it was opening a new office in Singapore, as part of a broader expansion plan in Asia.

The firm told Bloomberg that the new office will be shared by Citadel Securities and Citadel, the hedge fund arm. The company also pledged at that time to continue to invest in its Hong Kong office and to continue growing its presence in Shanghai and Sydney.

"Asia-Pacific continues to be an important focus for both Citadel and Citadel Securities," John Buckley, Citadel Securities' regional chief operating officer, told Bloomberg.

The firm completed in November its acquisition of IMC's Designated Market Making (DMM) business.

As a result, Citadel Securities now serves as DMM for 500 additional securities, reinforcing its position as the largest DMM on the NYSE both by number of securities and by market cap.

"This is an important milestone in the continued growth of our DMM business," said Joe Mecane, Head of Execution Services for Citadel Securities. "We are thrilled to extend the benefits of our liquidity and exceptional client service model to an even broader group of NYSE-listed issuers as a result of this transaction." ■

BANK OF THE YEAR

MORGAN STANLEY

The US bank had an exceptional year in 2020, with full year revenues hitting $48.2 billion, which was a record for a single 12 month period at the firm, and up from $41.4 billion in 2019.

This performance was partly driven by an excellent fourth quarter when the bank reported net revenues of $13.6 billion, compared with $10.9 billion a year ago. Net income applicable to Morgan Stanley for the three months was $3.4 billion, or $1.81 per diluted share, compared with $2.2 billion, or $1.30 per diluted share, for the same period a year ago.

James Gorman, Morgan Stanley Chairman and Chief Executive Officer, said when the full year results were announced: "The Firm produced a very strong quarter and record full-year results, with excellent performance across all three businesses and geographies. I am extremely proud of how our employees came together to support each other and our communities and deliver for our clients in an incredibly challenging year."

Gorman added: "Our unique business model continues to serve us well as we further execute on our long-term strategy with the acquisitions of E*TRADE and Eaton Vance. We enter 2021 with significant momentum, and I am very confident in our competitive position and our opportunities for continued growth."

Morgan Stanley Institutional Securities delivered record full year net revenues of $25.9 billion and that division's fourth quarter net revenues were up 39% driven by continued strong client engagement in a constructive market environment.

The bank said in its quarterly results: "Equity sales and trading net revenues increased from a year ago reflecting strong performance across products and geographies driven by increased client activity, with particular strength in derivatives."

The comparisons of current year results to prior periods were impacted by the acquisition of E*TRADE Financial Corporation ("E*TRADE"), completed on October 2 2020. ■

> "We enter 2021 with significant momentum, and I am very confident in our competitive position and our opportunities for continued growth."
>
> James Gorman, Morgan Stanley Chairman and Chief Executive Officer

NON-BANK FCM OF THE YEAR

RJ O'BRIEN

RJ O'Brien has once again shown itself as the pre-eminent international FCM. The Chicago-based firm extended its coverage in the Middle East by acquiring Lombard Forte and has hired strategically in OTC brokerage and soft commodities to expand its business in those areas. The firm has also used technology to ensure it remains at the cutting edge of brokerage services.

RJ O'Brien moved in June aggressively into the soft commodities market by hiring three brokers including the former heads of softs at BGC Partners.

The softs team, Gary Papier, James Hunt and David Cutler, provide global coverage, supporting RJO's plans to grow in softs to complement its agricultural business and diversify its brokerage products and services.

"RJO has strength and depth of coverage in grains, oilseeds and livestock, but we had a gap in soft commodities expertise," Renée Laird, RJO's senior managing director and global head of commercial agriculture and over-the-counter markets, said at the time.

The broker said in July it was entering the interest rate swaps (IRS) market with a new over-the-counter (OTC) swaps sales and trading desk focused on US dollar swaps.

The IRS desk supports on-swap execution facility (SEF) and off-SEF activities, block trades and basis trades, as well as cleared swaps at CME Group and LCH, RJO said in a statement.

In August, RJO strengthened its presence in Dubai with the acquisition of interdealer broker Lombard Forte Securities (LFS).

The deal, which added 14 brokers and continues the Chicago-based futures broker's growth strategy, was completed through its Dubai affiliate RJO MENA.

"We've been interested in opportunities for expanding into other asset classes and geographies, but we are very selective in our approach to new lines of business," said RJO's chief sales officer Dan Staniford.

Also in August, RJ O'Brien hired Emre Degirmenci as its new head of Europe from Marex Spectron.

Degirmenci became managing director in charge of Europe, the Middle East and Africa at the Chicago-based brokerage group's London-based arm RJ O'Brien Limited on September 1. ■

EQUITY TRADING SOLUTION OF THE YEAR

ITIVITI SELL SIDE ORDER MANAGEMENT SYSTEM

The Itiviti Sell Side order management system is a market-leader in a competitive field. The system is truly multi-asset but supports equities traders across the various strategies they might use, from high to low touch, market-making, smart-order routing and dark pools. The firm has improved its analytics functionality and delivered a new program trading module.

While the firm's technology performed well amid the peak demand seen in the immediate fall-out from the emergence of the coronavirus pandemic, Itiviti chief Rob Mackay said it exposed weaknesses with some installed software systems.

"The capital markets are plagued with legacy technology," Mackay said in May. "If you build something right with much newer technologies, there are nice growth opportunities available as a result."

The key problem, Mackay said, is that there are still plenty of firms using technology that was built in the Eighties and Nineties. The pandemic highlighted the constraints of these systems when it comes to flexible, compliant working, Mackay believes.

The firm cut in September a deal with NeoXam to allow the Paris-based fintech to incorporate NYFIX, Itiviti's order routing network that connects buy-side, sell-side and trading venues.

"What we are doing with Itiviti is a seamless integration," said Joseph Cordahi, Product Strategy Director, at NeoXam.

Itiviti said in September it plans to integrate its order management system (OMS) capability into fixed income and FX across its markets in Asia Pacific, the US and Europe.

The strategy responds to an accelerating shift towards passive investing and index-type products, which Ofir Gefen, Itiviti's managing director, Asia Pacific, says is driving an increased focus on execution quality across a growing range of asset classes.

"If you look globally, a lot more investors are buying index-type products," Gefen told Global Investor. "One of the interesting ways to look at these is that your decision in what to invest in is pretty much being made by the index. That is where the quality of execution becomes a very important factor." ■

FIXED INCOME TRADING SOLUTION OF THE YEAR

TRADEWEB

Tradeweb has a long history as a market-leader in the fixed income market. Recently, the firm has been working hard to improve its portfolio trading service, which enables clients to trade portfolios of bonds rather than trading each instrument individually. Tradeweb has expanded the portfolio trading service into new markets by including European credit and emerging market bonds.

Tradeweb said in February Justin Peterson was to become its new Chief Technology Officer.

Peterson joined the company more than 20 years ago and previously held the role of Managing Director, Head of Institutional Technology

Tradeweb took in October another step in the transition to the Sterling Overnight Index Average after facilitating the electronic execution of SONIA swaps against gilt futures, with JP Morgan as the liquidity provider.

Bhas Nalabothula, Tradeweb's head of European interest rate derivatives, said the transaction on Tradeweb's interest rate swaps platform was the first of its kind, and helped bring transparency to the electronic trading of interest rate swaps in the risk-free rate.

The transaction, developed jointly with JP Morgan with Capula Investment Management as the first client, built on a multi-asset package launch in 2019 which included the facility to trade SONIA swaps versus regular gilt cash bonds, Nalabothula said.

"Once we know that there are market makers aligned and interested in providing pricing for these types of new packages which we don't have on the platform, that's when we can make the decision to bring it forward," he said.

"Futures is part of the portfolio of interest rate risk that clients have on their books, so this is our way of introducing the ability to trade in and out of futures versus swaps on the platform."

Intercontinental Exchange expanded in November the waterfall method used to calculate its term SONIA reference rates with the addition of dealer-to-client data from Tradeweb.

The new data, which has been added to the second level of the waterfall, builds on the initial beta version of the rates launched in July for testing purposes, ICE Benchmark Administration said in a statement. ■

MULTI-ASSET TRADING SOLUTION OF THE YEAR

HORIZON SOFTWARE

Horizon Software has built over years a reputation as a truly cross-asset trading system, offering multiple instruments through a single platform. The system also offers technology for market-makers and firms that use RFQ platforms for equities and bonds. The firm introduced this year a new implementation shortfall algorithm as well enhanced functionality for Delta One, options and warrants trading.

Horizon Software chief executive officer Sylvain Thieullent said the company's focus for 2020 was Asia and more than half of more than a dozen new clients onboarded last year were in that region, where the company established a presence 15 years ago.

"Our strategy is to be global," Thieullent said in September. "APAC is definitely part of the long-term strategy for the company, and we quantify this growth with new clients we are onboarding in the region."

Horizon, a provider of software-as-a-service electronic trading solutions and algorithmic technology, offers direct connectivity to more than 80 exchanges worldwide. The company has offices in Europe and North America, as well as three Asian locations: Hong Kong, Shanghai and Bangkok.

Horizon added in 2020 the Bank of East Asia in Hong Kong to its client list, and late in 2019 entered a new agreement with the Ho Chi Minh Stock Exchange in Vietnam to support covered warrants market making.

Thieullent said Horizon intends to maintain its footprint of three Asian offices as it develops its APAC business, and plans to strengthen its offering by expanding its sales team.

This initiative is led by Emmanuel Faure, who joined Horizon in 2020 as head of sales APAC from Fimat, part of Société General group in Japan and Hong Kong.

"My target as CEO is to onboard the best people I can," said Thieullent. "Especially in Asia, you need to fit in with the culture. Some countries are completely happy with remote relationships, for some others it just doesn't work, meaning that you need to be on site for sure." ■

Covid drives shift to next-generation tech

The challenges of Covid-19 have highlighted the constraints of legacy tech and the need for a real-time view of the business and risk in post-trade derivatives infrastructure, says the head of product management for cleared derivatives at ION Markets. By **Wendy Lisney,** Derivatives Editor

"The current market environment is evidencing more than ever that it's necessary to have post-trade solutions providing a real-time view of client positions and risk, with increased speed of operations and visibility of exceptions in the trade processing flow," said Francesco Margini.

Covid has been a key driver of a shift in attitude to technology investment, which is increasingly seen as a real-time differentiator that removes the need for manual processing and brings a competitive edge.

"During the Covid crisis, exchange systems, central counterparty systems and the front office systems of banks and brokers managed to cope well with the massive increased volatility and volumes, while unfortunately some of those using post-trade legacy solutions experienced very severe issues," Margini said.

This created a domino effect because of the intricate relationships between participants in derivatives markets, leading to a significant business impact on their end-clients.

"Because of the functional limitations and performance constraints of post-trade legacy technology, banks and brokers are still forced to carry out many processes manually, which is resource intensive. Some were unable to meet exchange deadlines, they were unable to have a complete view of client positions and were unable to deliver a service in a timely manner, with rippling effects on other FCMs (futures commission merchants) and clients."

Margini was commenting after ION's XTP derivatives clearing solution won post trade system of the year in the FOW International Awards 2020. This was one of three awards captured by the data, analytics and trading tech firm which also took Technology Innovation of the Year for its ION Low Touch solution, while ION Risk was named Risk Management Solution of the Year.

ION's XTP solution has been developed to automate the complete cleared

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Francesco Margini, Head of Product Management for Cleared Derivatives at ION

derivatives post-trade lifecycle and deliver actionable insights. Essentially it is a front-to-back office solution providing clearing, settlement, risk management and reporting in one platform in a single, unified system with integrated workflows and a central repository of data.

ION Markets describes XTP as a solution that transforms complexity into simplicity. Its message is that by removing disparate workflows that lead to data duplication, reduced scalability and increased operational risk, firms can also remove significant costs and inefficiencies.

XTP grew from a multi-year investment project that began when ION acquired electronic trading solutions provider Rolfe & Nolan Systems in 2008.

"When ION acquired Rolfe & Nolan, we had a clear intent and vision to bring innovation in the cleared derivatives space and truly allow customers to escape the legacy solutions that they used for so many years," Margini said.

"We were able to deliver a next-generation solution in transaction processing by combining ION's technology expertise coming from the front office space with the Rolfe & Nolan experience, documenting the needs of our customers active in derivatives clearing."

In the initial phases, developers looked scientifically at all post-trade business processes to design a holistic solution for both global and smaller clearing firms clearing through third parties, Margini said. Two key objectives were workflow automation to reduce human error and deliver scalability, and the ability to process trades in real time.

It is this continuous processing functionality, which includes top day processing of reconciliations and trade remediations, that enables firms to move away from the costs and risks of a next-day model to a system that provides a real-time view of the client business.

The solution can process trade volumes at an average straight-through-processing (STP) rate of 99.8%, reducing manual tasks for clearing and post-trade events with no impact on performance. This minimises operational risk and ensures clients meet exchange and regulatory deadlines.

"The ability to process trades in real time is a key technical feature that responds to the need for customers to understand what clients are doing," Margini said. "Their net positions, their risk exposure to the CCPs, commissions, profitability, breaks in the trade flow during the day; these can only be spotted if you truly have a real-time processing system."

A third goal was to provide clients with the ability to monitor key performance indicators and spot trends on a customer-by-customer basis.

"One of the limitations of legacy technologies is that they are kind of black boxes, it's very difficult to extract data and derive insights," Margini said. "Modern technologies like XTP are able to expose this data, perform calculations and provide analytics, which give a huge insight from an operational perspective, but also from a business perspective."

For clearing firms, moving to XTP from legacy tech is a long-term project that can take up to two years for large Tier One banks, although the typical implementation time is less than a year. Currently, ION is seeing a significant increase in adoption from existing and new customers.

"Now more than ever there is a need and an appetite, and we believe that this need will effectively create the conditions for allocating a significant portion of the technology budget into the post-trade space," Margini said.

"In the past couple of years, the agenda and the budget were effectively dominated by the regulations. Now there's a realisation that in addition to mandatory technology changes to meet regulatory demands, there is also a mandatory need to invest in operational efficiency and scalability." ■

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MARKET SURVEILLANCE SOLUTION OF THE YEAR

EVENTUS VALIDUS

Eventus' Validus platform is a cutting-edge market surveillance platform that covers all assets classes and is adaptable to different types of users from corporates to investment banks.

The Austin, Texas-based firm started 2020 on a flier with chief executive Travis Schwab promising to hire aggressively over the course of the year after having raised $10.5 million (£8m) in growth capital from a group of investors led by Jump Capital and LiveOak Venture Partners.

Schwab said in February: "We currently employ 15 people but by the end of the year want to increase that to 30-35."

He added: "With the additional resources, we want to grow our customer base by hiring talented people. We are already being aggressive with recruitment, having added two hires in Chicago and will look to add staff in London, Hong Kong and Singapore."

In March, the firm hired in Chicago Eric Einfalt as chief strategy officer and David Mitchell as regional sales executive, North America.

Also in March, Eventus opened its first European office, in London, and hired Roger Chandler as senior sales engineer, Europe. Chandler was quickly followed by another four senior hires in the US and Jeff Gale, formerly of BGC Partners and the LSE Group, who became in June the firm's London-based sales director for EMEA.

The company went on to promise in June significant growth in Europe where it expected more than 20 new clients in the following 12 months.

Scott Schroeder, Global Head of Sales at Eventus Systems, said: "We would anticipate having 20 to 30 clients based in the region in the next 12 months. As we cover all asset classes, we're targeting the full range of clients that Eventus serves, from tier-1 and other banks, to brokerages, FCMs, clearing firms, trading firms, exchanges, buy-sides and corporates."

Eventus said in November it signed clearing firm G.H. Financials which planned to deploy the cloud-based version of the Eventus Validus platform in early 2021, replacing two existing outsourced solutions. ■

REGULATORY REPORTING SOLUTION OF THE YEAR

KAIZEN REPORTING ACCURACY TESTING

Kaizen Reporting's Accuracy Testing is an important addition to firms' reporting toolkit. The functionality identifies errors and generates reports to simplify the remediation process for clients. This is valuable to clients because it can help them avoid fines, which is important to firms such as investment banks for financial and reputational reasons.

Kaizen Reporting hired in March Patrick Ludden, an experienced reporting expert from the sell-side, to help clients navigate a period of increased regulatory scrutiny.

London-based Kaizen said in a statement it hired Ludden on Monday March 2 as a regulatory reporting SME (subject matter expert) working across the business including with clients.

Kaizen Reporting chief executive Dario Crispini said: "Regulators have been clear that they are increasing their scrutiny of regulatory reporting data quality, so by increasing our pool of reporting experts we can continue to meet the increasing demand from our customers for high quality advice."

Kaizen also moved into shareholding disclosure after completing the acquisition of MDM Compliance Systems in September.

Kaizen said MDM's shareholding monitoring and reporting solution would sit alongside its existing reporting quality assurance services to form a newly-named Shareholding Disclosure Service (SDS).

"The new service complements our existing reporting services and affects many of the firms that are already long-term Kaizen clients," said Crispini, who worked at the Financial Conduct Authority (FCA) for almost a decade before founding Kaizen in 2013.

Kaizen went further in November 2020 by announcing the acquisition of Single Rulebook, the integrated software solution for the management of regulatory rules.

Formed in 2019, Single Rulebook provides a solution that lets firms search, share and manage the multitude of complex regulatory rules on a single digital platform.

Crispini said: "The acquisition of Single Rulebook further enhances our offering to compliance teams struggling to cope with the burden of regulatory rules and ensures that they are not only able to interpret them properly but also report on the actions and course they have taken internally. ■

Trading and Execution Solution of the Year

Fenics Global Options (GO), BGC Partners' pioneering electronic trading platform for exchange listed futures and options, is the winner of the Trading and Execution Solution of the Year in FOW's International Awards 2020.

By **Wendy Lisney**

The fully anonymous and multilateral trading platform enhances the voice brokerage model by connecting participants and intermediaries directly in an electronic environment. It is open to all liquidity providers, global banks and non-affiliated third-party brokers.

Key to the development of Fenics GO was a derivatives trading model that had remained the same since the London International Financial Futures and Options Exchange, now ICE Futures Europe, and Marché à Terme International de France, now Euronext Paris, moved to an electronic environment in the late 1990s.

"For more than 20 years, the way to trade the market did not change," said Jean Pierre Aubin, co-global head of brokerage at BGC, "so we decided to create Fenics GO."

Fenics GO was launched in the third quarter of 2019 in collaboration with market-makers Optiver, IMC and Maven Securities.

The platform enables users to access liquidity without disclosing identity, size, or direction to the market. Multiple protocols offer a choice between providing a price during the request-for-stream stage or joining the volume clearing session after a price has matched.

"BGC has always been strong in its electronic business," said Aubin, recalling the sale of its US Treasury notes and bond platform eSpeed to Nasdaq in 2013 and commodities platform Trayport to Intercontinental Exchange in 2015.

"Today we have multiple electronic platforms under the Fenics umbrella and Fenics GO is one of these. Its technology is unique."

Fenics GO saw a gap in the market to modernise global options to electronically capture the over-the-counter (OTC) business, particularly where orders are too big or complex to be displayed on the native screen of an exchange.

Aubin: Compared to voice, when you trade Fenics GO you have an instant, clear visibility on what you're doing.

"Above a certain block size, any member is able to look for a counterparty," Aubin said. "If you look across all the exchanges, they do have a common pattern. Even in an electronic environment, some of the business remains OTC.

"Fenics GO electronically captures what was an OTC business before. We're not in competition with the exchange because every trade is automatically crossed with these exchanges, so we are partners as well."

Other features include Application Programming Interface connectivity which allows users to stream quotes and prices, a reduced tick size offering the ability to quote in tighter spreads, and straight-through-processing (STP) for transactions to the exchange including time stamps for full transparency of order flow.

At its launch, the platform offered Eurex-listed Euro Stoxx 50 Index Options and related Delta 1 products. Since then, Euro Stoxx options front months have reached a market share of almost 10% supported by five partners: IMC, Maven Securities, Optiver, Susquehanna and Citadel Securities which joined the platform in January last year.

Fenics GO's coverage has also expanded to Nikkei options and futures on the Osaka Securities Exchange and Singapore Exchange, where it has up to 20% market share of front months the block trade market and four partners: IMC, Maven Securities, Lighthouse Financial Technologies and Optiver.

The platform also offers products linked to the Hang Seng Composite Index tracking the top 95th percentile of the total market capitalisation of companies listed on the Stock Exchange of Hong Kong, and will soon offer the DAX Performance Index covering the 30 top German companies trading on the Frankfurt Stock Exchange.

In 2020, around 4.5 million Euro Stoxx options with a notional value of over $80 billion were arranged on Fenics GO. For Nikkei, over 320,000 options with a notional value of over $35 billion were arranged since the launch in February 2020.

Aubin highlighted that BGC remains the derivatives equity leader in voice business, and that its goal is to enhance the current voice brokerage model to offer a wider choice to options traders.

"Let's step in the shoes of a trader for a minute," he said. "Compared to voice, when you trade Fenics GO you have an instant, clear visibility on what you're doing, especially on the vanilla products." ■

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COLLATERAL MANAGEMENT SYSTEM OF THE YEAR

CME TRIOPTIMA

CME TriOptima offers a range of collateral management solutions to address clients' specific collateral challenges.

TriOptima's triResolve, which draws on a decade's experience of automating the management of credit risk in the bilateral markets for over a decade, is a central automation network (portfolio reconciliation) where firms can reach and maintain agreement about their netting sets, population, key trades terms and valuations.

The firm's triResolve Margin has been much in demand over recent years as the Uncleared Margin Rules have been applied to more and more capital markets firms.

With the margin rules set to embrace in 2021 and 2022 the two last groups of firms, including smaller asset managers, services like triResolve Margin are only set to increase in importance.

The triResolve Margion service is a mature product now, having been deployed to help manage on behalf of clients the first four stages of the UMR roll-out.

The past 12 months have been particularly busy as more than 240 clients have signed up to use the TriOptima platform, which is more than any comparable service. Indeed triResolve Margin has gained market support from dealers and major asset servicers continuing to recommend the service to their counterparties and clients respectively.

triResolve Margin includes embedded connectivity to electronic margin messaging at no additional cost and is fully integrated with triResolve portfolio reconciliation which offers a network of over 2000 clients.

The platform works by re-using triResolve data to calculate margin requirements for variation margin and independent amount movements. With direct access to triResolve's portfolio reconciliation data, the service is unique in its ability to automate the collateral management process.

triResolve Margin is the only collateral management system with full integration to both triResolve and the Initial Margin Exposure Manager to support seamless dispute investigation across both Variation Margin and Initial Margin.

The integration of both VM and Regulatory IM dispute drilldown capabilities is unique in the industry and helps firms achieve complete transparency to show clients where they have meaningful differences, along with advanced analytics to tell them what is driving those differences. ■

MARKET DATA SOLUTION OF THE YEAR

QUINCY DATA POWERED BY MCKAY BROTHERS' QUINCY EXTREME DATA SERVICE

Quincy Data powered by McKay Brothers' Quincy Extreme Data service offers the most comprehensive coverage of global exchanges. The low latency service enables firms to tailor the market data set they received to suit their specific requirements.

McKay Brothers International started 2020 on the front foot after announcing in December 2019 that it has established a presence in India that allows traders on its network to trade Indian products.

McKay said the Quincy Extreme Data (QED) service could distribute London Metal Exchange data at Mumbai's Banda Kurla Complex (BKC) in less than 51 milliseconds one-way.

Francois Tyc, McKay Brothers International managing director, said in a statement: "The growth of Indian markets has been bolstered by an active community of local traders and has attracted substantial interest from global firms. Access to the lowest latency market data is critical for all these market participants."

Quincy Data said in May US Treasuries data had been added to its Quincy Extreme Data (QED) service. Quincy now sources on-the-run US Treasuries data at the Equinix Secaucus-NY2 data center. Quincy uses the McKay Brothers' microwave network to transport the data to Aurora, IL in under four milliseconds, the lowest latency available.

McKay Brothers International announced in July the expansion of its lowest known latency private bandwidth services to Busan. The company launched hybrid microwave/fiber private bandwidth services between Illinois and Busan as well as between Tokyo and Busan. Both services are offered at the lowest known latency.

Quincy Data and McKay Brothers announced in November 2020 they had connected the largest US futures exchanges at the lowest latency. The new services link the two largest US futures exchanges, which are based in Aurora and Chicago, Illinois. Quincy Data's Illinois Metro service offers market data in the native exchange format sourced in Aurora and distributed in Chicago.

"The market between the largest energy futures complexes has consistently been one of the most active in the world," said Tyc. "Our Illinois Metro services give all firms the opportunity to compete on a level playing field for these trades." ■

DERIVATIVES TRADING SYSTEM OF THE YEAR

TRADING TECHNOLOGIES

Trading Technologies maintained its position as a market-leader amid strong competition. The firm has cut deals recently with Goldman Sachs, TP ICAP, BGC Partners and LME as well as partnerships with many Chinese brokers. TT has also opened up to various international derivatives markets, increasing the trading universe for clients.

The Chicago-based firm said in January it planned to extend its coverage of cryptocurrency exchanges in 2020.

Chief marketing officer, Brian Mehta, said: "With CME crypto contracts, Coinbase, BitMEX, CoinFlex, Bakkt and Deribit already available, we hope to add two cryptocurrency exchanges to the TT platform in 2020."

The firm said in February it had been named Blocksize Capital's preferred front-end execution platform.

Blocksize Capital said its clients will be able to view market data for over 20 cryptocurrency exchanges and crypto assets on TT.

TT entered in March a commercial agreement with Nodal Exchange, part of EEX Group, that made the US derivatives exchange's contracts available for trading through the TT platform.

Chicago-based TT said in May its clients will be able to trade Borsa Istanbul Derivatives Market's full suite of derivatives products including foreign exchange, commodity, index and interest rate futures and options on futures.

The firm also announced in May plans to open the Chinese derivatives markets to its global trading clients for the first time via an agreement with Zhengzhou Exchange.

The fintech firm said June it was testing with clients a new service that aims to slash trading firms' market data costs. TT also said in June it had struck a partnership with Huatai Futures to make international derivatives products listed on five Chinese exchanges available to Huatai clients.

TT established in November connectivity to its platform for South African firms through a partnership with Applied Derivatives.

The Cape Town-based broker, a member of the Johannesburg Stock Exchange (JSE), was the first to distribute the Chicago tech firm's platform from South Africa. ■

BSO's commitment to innovation sets the pace in the capital markets industry

Luke Jeffs talks to **Michael Ourabah,** chief executive and founder, BSO.

MICHAEL OURABAH

The trading network business is a dynamic and competitive space where trading clients' profitability is directly linked to the performance of the firms that connect them to the markets they trade.

For connectivity providers, the challenge is ensuring clients can trade as many markets as possible as quickly and securely as possible. This requires continual innovation: to open up new markets, to cut the latency of trading these markets and to edge towards 100% reliability.

BSO's demonstration of these qualities in 2020 secured the firm the FOW International Connectivity Provider of the Year award.

Michael Ourabah, chief executive and founder, was concise in his analysis of the sector in which his firm excels: "This is an extremely competitive business. We all know that trading firms, whether buy-side or sell-side are looking for the best infrastructure to support their core trading business."

In a year of innovation, two recent highlights for BSO were the launch in October of its new ultra low latency network between London and South Africa, allowing trading firms to have the fastest route to the South African exchange.

BSO also partnered in December with Australia-based network provider Superloop to provide the underlying fibre optic infrastructure to support new ultra-high capacity DWDM across an initial four Singapore major hubs.

BSO distinguished itself in 2020 by working hard in the field of Radio Frequency (RF) technology, another technique for delivering ultra-low latency connectivity.

Ourabah said: "RF technology has been with us for quite some time now. There are the prop and algo trading firms that are on the bleeding edge of these technologies to get the edge to win but adoption by the more mainstream financial and capital markets communities is usually a lot slower."

The BSO chief continued: "As the technology matures, you need to develop additional value-added services and intellectual property software on top of the RF product to ensure that more traditional tier one banks, brokers, market data providers can benefit from this technology because it can obviously not be used as a replacement of fibre connectivity.

Ourabah said the firm tested the technology in the New Jersey triangle between the three major US equity exchanges – NYSE, Nasdaq and Cboe – and more recently deployed RF elsewhere, namely Chicago metro between CME and ICE, and the Toronto metro area between TMX and Nasdaq Canada.

BSO launched in October a new RF route for firms trading on the Toronto Stock Exchange (TSX) and Nasdaq CXC, using its RF network to connect TMX Group's colocation data centre with carrier-neutral Equinix Toronto TR2 to provide the international financial community with the fastest way to trade between these exchanges.

Ourabah said: "We have plenty of other projects ongoing leveraging this RF Technology, not only millimetre wave, where we have been operating for a while, but also microwave in projects in other regions in the world where we believe there is significant potential for adoption."

In line with its commitment to innovation, BSO is also working hard to help firms, including tier one investment banks, trade digital assets such as crypto-currencies.

> "We feel we are in a pretty good position so we are going to continue on that journey whilst investing in new locations, new venues and expanding into new geographies and new emerging markets as trading firms demand more proximity trading into these new emerging markets."
>
> **Michael Ourabah,** chief executive and founder, BSO

Ourabah said: "For crypto-currencies and crypto-exchanges lying inside the public cloud, to connect to these matching engines, traditionally you would just run a VPN over the internet and place your orders. This is a complete no-no when it comes to a tier one bank because their regulator insists that no matter what they need to be able to clear their positions. So if you rely on the internet to clear your positions, you are failing and therefore in breach."

Enabling tier one banks and asset managers to trade crypto-currencies securely is one of the main challenges faced by the digital asset markets.

Ourabah continues: "This is why we have been working hard in the last few years to develop a product that can support and give access from any of the exiting liquidity venues in the traditional capital markets, whether exchanges or data centres where there are plenty of different engines or OTC trading is happening.

"So we provide customers with a port in these data centres, so that is a cross connect switch, and we guarantee them access to the crypto-exchanges into the public cloud provider via the on-ramps we have in all the different regions on all the various public cloud providers."

BSO developed in December a bespoke ultra low latency cloud connectivity solution for CryptoStruct, the Hamburg-based crypto-currency trading firm, enabling professional trading companies, market makers, banks, and investment funds to develop, test, and run automated trading strategies for cryptocurrencies and derivatives.

Looking ahead to 2021, Ourabah is clear on his objectives: "If we look back over the past three years, we embarked a journey where we started M&A in 2017 with two acquisitions and a third acquisition in 2019. It took us three years to swallow and digest these acquisitions, so 2021 is going to be a year where we are going to consolidate our leadership in the market, both in terms of fibre and RF connectivity, and create additional value-added services on these underlying infrastructure subsets that can widen our coverage and depth in the market."

The BSO chief executive and founder said he is keen to revisit the opportunities presented by acquisitions.

"We feel we are in a pretty good position so we are going to continue on that journey whilst investing in new locations, new venues and expanding into new geographies and new emerging markets as trading firms demand more proximity trading into these new emerging markets."

Ourabah also said his firm will continue to support trading firms as they explore new geographic liquidity centres: "They can see alpha is becoming complicated in established markets because there is a lot of competition but when you combine these with new venues that are underserved and under-traded then you can find these trading opportunities." ■

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Closing LME ring would risk date structure, member warns

By **Wendy Lisney**

The potential closure of the London Metal Exchange's (LME) open outcry trading ring could risk its unique date structure model and open the exchange to greater competition from the Shanghai International Energy Exchange (INE) and CME Group's COMEX, according to Marc Bailey, chief executive of Sucden Financial, a Category 1 LME member.

"What's been missed here is that Category 1 members are collectively responsible for setting the price benchmark, but in the electronic market we are not," Marc Bailey told Global Investor on Wednesday. "That gives certainty to those people that are fixing physical contracts, because they know that their reference price will be the LME closing price.

"If the floor's going to close permanently, other influences will be coming in and distorting the pricing. Therefore, it makes it very difficult to know what price to give our clients, because we're not the only influence over that settlement process."

Bailey was commenting after LME said it would consult on permanently closing its iconic trading ring as part of a suite of proposals designed to modernise the metals market.

Simon van den Born, head of metals and president of Marex Spectron, also a Category 1 member, said the proposed closure was expected.

"This can come as no surprise to market participants, given the floor has now been closed for the past 10 months," he said in an emailed statement.

"We began preparing for this change a number of years ago and have been developing our electronic presence with sophisticated algorithmic strategies on LME Select (LME's electronic member-to-member trading system) and our own proprietary liquidity platform, as well as expanding into new markets, such as steel scrap, HRC (hot rolled coil steel) and iron ore.

Bailey: "If the floor's going to close permanently, other influences will be coming in and distorting the pricing"

"These have all seen accelerated growth over the past year and, given our scale and market share in many metals products, we are in a good position to take advantage of this development."

In its consultation paper, LME sets out key features which it would protect and maintain under an all-electronic model, including its date structure.

Sucden Financial's Bailey said: "Everybody agrees collectively that the date system should be preserved, except we argue that actually the floor is still an intrinsic part of that preservation process.

"While the exchange argues that the last year has demonstrated that the ring is not necessary, I don't think the last year was a clear demonstration because we were operating a model which was effectively replicating the ring on the understanding it would come back."

"If more people come in and start adjusting the prices on the close, and we're not able to give those reference prices, then will clients still think that those dates are something they can rely on? Or does it trigger a process where the date system itself starts to be undermined?"

Bailey conceded that in future the LME's technology could achieve full replication of the open outcry model, but said LME Select does not currently offer that capability. For example, he said, the system does not offer market-maker protection, which means prices would not be displayed, or enable market makers to simultaneously send multiple bids and offers.

"I don't believe that the current technology platform is strong enough to completely secure the date system if the LME ring was to close entirely. Given that the LME is saying that it has a progressive technology development which would deliver an enhanced LME Select platform in 2022 or 2023, the timing doesn't seem right to us."

While Sucden Financial also operates a non-ring LME trading business, Bailey said the closure could have implications both for brokers' relationships with other Category 1 members and the international standing of the exchange itself.

"If the LME were competing purely on a like-for-like Shanghai or COMEX futures contract I honestly think it would struggle. It's only the date system and the ability to price the dates and the settlement structure around that, and the ability to grant credit, which holds the trade client loyal to the LME."

Bands Financial, a commodity and financial futures broker based in Hong Kong, has said that INE's copper contract launched in November is set to become the Asia pricing benchmark. ■


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