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Beneficial Owners:

European experts consider the key themes as the sector emerges from COVID-19

SUB-CUSTODY GUIDE:

THE 2021 GUIDE TRACKS THE PERFORMANCE OF CUSTODIANS IN THE MAIN INTERNATIONAL MARKETS

DTCC CHRIS CHILDS

The challenge of
regulatory reporting across
multiple jurisdictions



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In appreciation of the bigger picture

There are few firms better placed to comment on the efficacy of global regulatory reporting rules than the Depository Trust & Clearing Corporation. The post-trade giant, which is currently spearheading the implementation of T+1 settlement in the US, offers trade repository services in all the world's key markets including those in Asia.

As such it has been able to observe first-hand how different regulatory authorities have interpreted the guidelines agreed in the 2009 Pittsburgh-based G20 summit that vowed to introduce reforms to avoid a repeat of the preceding year's banking crisis.

Chris Childs, Managing Director, Repository & Derivatives Services, DTCC and CEO & President, DTCC Deriv/SERV LLC, said in this issue's cover feature: "Clearly, there's been a huge amount of effort, and a lot of data is now being collected, although the data differs in each jurisdiction. If you look at the connectivity between the derivatives market participants, the trade repositories and the regulators, and the sheer amount of data that is being collected, you can view it through a positive lens and say that it has increased the transparency and the availability of data for the regulatory community.

"That said, when you look at the flip side, the issue is, and we've been saying this from the outset with others in the industry including the Financial Stability Board [FSB], the implementation of the commitments made at the 2009 Pittsburgh summit was left to each individual jurisdiction without a global oversight structure.

"As a result, regulatory requirements have been fragmented, and the datasets being collected do not provide a global view of risk despite the cross-border nature of the derivatives markets," Childs concluded.

Childs explores in the cover feature the challenges that have arisen in recent years as different regulators have adopted slightly different interpretations of the guidelines and

tracks efforts by global regulators such as the Financial Stability Board to mitigate these effects.

The disharmony of different international markets is a theme explored also in Global Investor's Sub-Custody Guide 2021 which details the post-trade changes that have taken place in the world's most important trading markets.

In a departure from previous years, we have not written about every market out there this year, instead we have tried to focus on the markets that really matter to investors and the firms that help them manage these investments.

The Sub-Custody Guide 2021 also includes scores from clients about the relative merits of the various firms that provide sub-custody services in those markets.

Also in this issue, we have the European Beneficial Owners Roundtable 2021 which discusses many of the key themes in the European securities finance and repo markets.

The roundtable discusses that, after years of revenue declines, the European market is actually growing, which is partly due to the increased value of stocks as most of the main equity indices have all hit or approached new records in the early part of this year.

The securities finance industry has also faced particular challenges in recent months, not least from the Meme stocks revolution in the US.

The Gamestop affair in the early part of the year exposed to the general public the pivotal role that banks play in helping firms short stocks to enable hedge funds to make quick profits, which does not sit well with a cohort of investors that want responsible, sustainable and ethical investment practices.

The securities finance industry is discussing its response to these charges and these too are discussed in the Beneficial Owners Roundtable. ■

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Trading Places

The world's top asset managers, banks, brokers and exchanges continued to shuffle their decks in the second quarter of 2021.

ASSET MANAGEMENT

HSBC AM reshuffles sustainability board, opens new office

HSBC Asset Management has ramped up its environmental, social and governance (ESG) capabilities by creating a new sustainability office and reorganises its responsible investment team.

The firm said the new office would be led by Erin Leonard, who was named global head of sustainability, effective immediately.

Based in London, she reports to Nicolas Moreau, chief executive officer of HSBC Asset Management.

She has served at HSBC since 2010, notably as global head of fixed income product and head of Europe, the Middle East and Africa (Emea) product.

Most recently, she was named interim global head of institutional business, a position she held for just under a year before stepping up to lead the sustainability office.

Prior to HSBC, she served at Neuberger Berman, Lehman Brothers, Aegon Asset Management, Evergreen Investments, and First Citizens Bank.

The new division will be in charge of driving the firm's sustainability agenda and the business-wide transition to sustainable investing.



ERIN LEONARD



STEVEN BILLIET

BNP Paribas AM names new global client group head

BNP Paribas Asset Management (BNPP AM) has named Steven Billiet as head of global client group, effective August 1.

He reports to and succeeds Sandro Pierri who became CEO of the asset management business on July 1, after being appointed as deputy CEO in February.

With this appointment, he will also become a member of BNPP AM's executive committee.

Billiet is currently based in Hong Kong but will relocate to Paris for the new role.

He joined the French firm last year as CEO of BNPP AM in Asia Pacific (APAC) and head of distribution for APAC in July 2020.

In that role, he contributed to the group's expansion strategy in China. Prior to the French banking group, he served at JP Morgan Asset Management for six years as CEO of its Singapore business.

From 2006 to 2013 he served at ING Investment Management where he spent four years as CEO of Taiwan, followed by almost two years as CEO of Australia.

CUSTODY & FUND SERVICES

Northern Trust's Asian capital markets head departs

Mark Snowdon, Northern Trust's head of capital markets in Asia Pacific (APAC) departed the business in late June, the bank has confirmed to Global Investor.

Snowdon, who worked out of Singapore, served at the bank for more than eleven years in a number of senior roles.

Northern Trust's Capital Markets division encompasses brokerage, foreign exchange, securities lending and transition management services, and has offices in Hong Kong, Seoul, Singapore and Sydney.

Snowdon's role included a mandate to pursue the strategic alignment, growth and development of these businesses across the region.

He joined the bank in 2010 as senior vice president, securities lending and client management in Europe, the Middle East and Africa (EMEA), based in London.

He relocated to Singapore in 2015 when he was appointed head of client management, capital markets for APAC, and was promoted to head of capital markets for the region in 2019.

Prior to joining the Chicago-headquartered bank, Snowdon served as executive director and head of global custody growth in EMEA for JP Morgan.

Bisegna to run State Street's global markets unit

State Street has reshuffled its senior management by promoting Anthony Bisegna to head of Global Markets, replacing Nadine Chakar who is moving to run the bank's new digital finance arm.

State Street said Bisegna, previously an executive vice president and global head of portfolio solutions, foreign exchange sales and trading, and research in the Global Markets unit, will assume his new role on September 1. He will report to Lou

Maiuri, COO of State Street.

He has more than 30 years' experience managing and leading trading businesses and, prior to joining State Street, he was with Chase Manhattan Bank in its treasury operations.

Since joining State Street's Capital Markets Group in 1987, Bisegna has held a variety of trading and management positions in foreign exchange, money markets and derivatives.

Chakar has been chosen to lead State Street's new division dedicated to digital finance, also reporting to Maiuri.

SECURITIES FINANCE

BNY parts ways with head of US lending business development

Tom Daniels, former director, senior principal and head of securities lending business development in the Americas for BNY Mellon, has departed the bank.

Daniels, who spent more than 22 years with the New York-headquartered bank, departed in June, Global Investor understands.

In his most recent role with the bank, which he held for around 14 years, Daniels directed US and Latin American institutional managers.

Prior to that, Daniels was the bank's first vice president and manager of securities lending new business development for the US, a role he held between 2004 and 2007.

He joined the bank in 1998 as a vice president and senior client service and sales officer, a role he held more than six years before his first promotion.

Aris swaps Deutsche Bank for Mitsubishi UFJ

James Aris, former head of Deutsche Bank's agency securities lending business in Europe, the Middle East and Africa (EMEA) and in Asia-Pacific (APAC), has joined his former colleagues Tim Smollen and Jay Schreyer at Mitsubishi UFJ (MUFG).

Aris joins MUFG's Global Securities Lending Solutions Group as head of

equity trading, reporting to Schreyer, the firm's head of global securities lending solutions in EMEA and APAC.

"I am pleased to announce that I have joined MUFG. Thank you to everyone involved in the process who have welcomed me and made the transition into work life at MUFG both swift and seamless," said Aris.

"My role will be head of equity trading working for Jay Schreyer and Tim Smollen. I am excited and eager to help the team build a world class global Securities Lending Solutions business."

Aris, based in London, departed Deutsche Bank in April, having served at the German bank for more than eleven years.

He led the bank's agency securities lending business across EMEA and APAC for just shy of 18 months.

DERIVATIVES

Former HKEX chief Charles Li joins MarketAxess board

MarketAxess, the New York-based bond platform, has hired the former chief executive of Hong Kong Exchanges and Clearing Charles Li to sit on its board, less than eight months after he left the Asian exchange group.

Li, who left the Asian exchange group at the end of last year, joined the MarketAxess board on July 13.

Li's appointment is interesting for MarketAxess because Li was in his

time at the exchange instrumental in establishing Bond Connect, the bond trading link between HKEX and Mainland China.

Li was chief executive of HKEX for almost 11 years, in which time he led the 2012 acquisition of the London Metal Exchange and the launch of central counterparty OTC Clear in 2013.

He also masterminded the exchange group's Stock Connect trading link between the Hong Kong, Shanghai and Shenzhen stock exchanges, which was followed by a bond market equivalent.

RJ O'Brien promotes Gilhooly to global COO

RJ O'Brien, the oldest and largest independent futures brokerage and clearing firm in the US, has promoted Terry Gilhooly to global chief operating officer (COO) from COO of North America.

The Chicago-based brokerage has also promoted Heather Rucci to chief human resources officer from managing director of human resources.

The move comes shortly after RJ O'Brien named Danial Staniford as its new president.

Both Gilhooly and Rucci will continue to report to the firm's chairman and chief exec, Gerald Corcoran.

Gilhooly and Rucci have been co-heads of the firm's Coronavirus Response Task Force, working in tandem since early 2020 to facilitate the successful mobilisation of all aspects of the

firm's business and work-from-home capabilities.

Corcoran said: "RJO has been the beneficiary of Terry's skills and extensive experience in the futures industry – including in key roles at major banks – along with his calm, cool and collected approach. Now he will assume responsibility for our entire global operations and technology teams and infrastructure." ■



CHARLES LI



Breaking stories from Global Investor Group

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ASSET MANAGEMENT

Asia offers best ESG investment opportunities - Manulife

Emerging markets including those in Asia offer some of the best environmental, social and governance (ESG) investment opportunities, a report by Manulife Investment Management has concluded.

The Manulife report, titled Global Intelligence, added that Asian economies, which make up the majority of the MSCI Emerging Markets Index, are the largest investors in low-carbon energy sources.

Over the next two decades, Asia is expected to drive more than 60% of the global energy demand which would address a priority for climate change.

However, the asset manager noted that aggregate investments in sustainable businesses would need to increase substantially for emerging market growth in the long term.

Despite emerging markets offering growth opportunities for investors, failure to coordinate climate policies,

practices and investments would be a hindrance.

Key findings of the Global Intelligence report also mentioned that it was now necessary to apply an ESG lens to macro analyses as it highlighted that ESG factors, including biodiversity and stewardship, are playing an increasingly important role in macroeconomic valuations and the creation of value across asset classes.

NN IP to enhance data capabilities in 2022

NN Investment Partners (NN IP) is looking to bolster its data capabilities by building out its own in-house datasets next year to look at the impact of environmental, social and governance (ESG) sentiments stemming from news and social media.

Aviral Utkarsh, multi asset strategist at NN IP, said: "We have a dedicated innovation platform and we are planning to partner with them and create some of our data in-house."

"There are a lot of initiatives on the ESG side in-house, which are useful and relevant for more qualitative parts of our process, but on the quantitative side, building custom indicators would be something for the next year."

Utkarsh added that the Dutch asset management firm's first priority for this year would be to strengthen its existing relationship with third-party data vendors to receive customised datasets.

The firm would also like to enhance its datasets by making them less biased, broader and more robust.

"We are in discussion with Marketpsych and there are some other topical analyses related to ESG that they can provide so that is the next step."

CUSTODY & FUND SERVICES

DTCC to enhance CSDR features before year-end

The Depository Trust & Clearing Corporation (DTCC) is looking to enhance its offering to help clients with the Central Securities Depositories Regulation (CSDR) by adding new features targeted for the fourth quarter of this year.

Matt Johnson, director, ITP product management at DTCC told Global Investor: "We continue to keep CSDR in mind, and we've identified a model that could help clients reduce their post trade risk under CSDR."

"Our current focus has been on enhancing our Exception Manager platform with new CSDR features, currently targeted for delivery by the end of this year. We are also advising clients on the importance of preventing trade failures."

The settlement discipline regime under CSDR is set to go live in February 2022, after being delayed by 12 months last summer.

Broadridge boosts asset management offering

Broadridge has enhanced its offering for asset management clients globally by partnering with OpenFin.

The collaboration will help with the efficiency of trading and portfolio management solutions by using the New York-based fintech's operating system for financial desktops.

The solution will provide asset management clients, that use its portfolio and order management system, componentised apps that have configurable layouts and intuitive workflows, Broadridge said in July.

Eric Bernstein, president of Broadridge Asset Management, said: "In this ever-evolving digital environment, clients are increasingly looking for flexibility and the ability to adapt their workspaces to meet their unique needs."

"OpenFin's leading system, combined with our open architecture,





will eliminate user friction and is another example of how we are setting the industry standard for flexible and adaptable next-gen investment operations.”

SECURITIES FINANCE

Credit Suisse hires risk head from Goldman

Credit Suisse Group, the Swiss banking giant, has announced the appointment of a new Chief Risk Officer (CRO) from Goldman Sachs.

David Wildermuth will join at the beginning of February, reporting to Group Chief Executive Officer Thomas Gottstein. Wildermuth has been at Goldman since 1997, and is a former EMEA CRO and global chief credit officer at the firm. He was appointed deputy CRO at the bank in 2015.

The move comes after a strategic review linked to the net loss of CHF 252 million (£199 million) in its first quarter earnings following a CHF 4.4 billion charge from the collapse of US private office Archegos Capital Management.

Gottstein had called the Archegos losses “unacceptable” and the news precipitated the immediate departure of chief risk and compliance officer Lara Warner. Chief executive of the group’s investment bank Brian Chin left at the end of April.

SFTR firms to streamline regulatory reporting - survey

Most securities finance firms want to consolidate their regulatory reporting processes under a single platform, a new report has concluded.

The survey from IHS Markit and Pirum polled securities finance firms’ attitudes to technology in light of the introduction of the Securities Financing Transactions Regulation (SFTR).

Almost 55% of the surveyed firms claimed that the implementation of SFTR has served as a catalyst for rethinking their regulatory reporting process for various regimes, including the Markets in Financial Instruments



PIERRE KHEMDOUDI

Directive (Mifid) and European Market Infrastructure Regulation (EMIR).

Pierre Khemdoudi, senior vice president of equities and regulatory reporting at IHS Markit, said: “It is clear that while the implementation of SFTR was complex in many ways, market participants rose to the occasion and successfully navigated challenges through innovation.

“As firms recognise the value of streamlined reporting and the need for data harmonisation, there is a strong opportunity to leverage enhanced analytics for greater insights on transactions.”

DERIVATIVES

Australia Securities Exchange completes first swaps compression

The Australian Securities Exchange has become the latest market to offer clients the ability to compress their swaps books after completing its first compression cycle using technology from CME Group.

TriOptima, the CME Group owned post-trade and risk management service for over-the-counter (OTC) derivatives, is handling the regular compression runs, the first of which was completed on July 22.

“ASX has invested in this critical service for our OTC clearing customers

who are looking to reduce operational risk and lower capital costs in accordance with domestic and global capital requirements,” Allan McGregor, senior manager, rates at ASX said.

TriOptima announced in July that it had halved notional outstanding in interest rate derivatives on the Singapore Exchange in the first half of the year.

US lagging UK in Libor transition - report

The US is lagging the UK in their respective transitions from Libor to their new risk-free-rates, a new report has concluded.

A paper published by consultancy Sia Partners found that US efforts to transition to the Secured Overnight Financing Rate (SOFR) have significantly lagged the UK’s switch to the Sterling Overnight Index Average (SONIA), leaving the US regulator and working groups in a game of “catch-up”.

By contrast, transparency from the British regulator has helped banks and end users prepare effectively for the shift from sterling Libor to the SONIA rate, according to the report, based on interviews with over 50 financial firms.

“The study concluded that there are still meaningful efforts required for the US to transition from USD Libor to SOFR,” said Bradley Ziff, operating partner at Sia Partners in a statement. ■

On the path to global regulatory harmonisation in trade reporting

The Depository Trust & Clearing Corporation (DTCC) has played a leading role in the implementation of post-2008 financial crisis reforms and is currently hitting the headlines for its advocacy of shorter settlement cycle in the US.

By **Luke Jeffs**

The global post-trade firm, that lists the world's largest banks, institutional investors, investment managers, custodians and many others as clients, is focused on delivering solutions that address the lack of harmonisation across different regulatory regimes in the Americas, the UK and Europe, and across the vast Asia Pacific region.

For Chris Childs, Managing Director, Head of Repository & Derivatives Services at DTCC, regulation has come a long way from the 2009 Pittsburgh-based G20 summit that vowed to introduce reforms to avoid a repeat of the preceding year's banking crisis.

Regulators in the key trading centres

are now collecting and collating reports on firms' exposure to all manner of listed and over-the-counter derivatives while much more of these instruments are now being cleared through central counterparties.

Yet, the global "patchwork-quilt" implementation of regulation, where different authorities have adopted their own interpretations of generic laws and at different times, has created a unique set of challenges for this global market.

Childs said: "Clearly, there's been a huge amount of effort, and a lot of data is now being collected, although the data differs in each jurisdiction. If you look at the connectivity between the derivatives market participants, the trade repositories and the regulators,

.....

“ We’ve been lobbying for more harmonisation of data, including fewer data fields, so the ability to take data from various jurisdictions and piece it together can be better facilitated to achieve a holistic view of the data. That is where we think the regulators need to focus their attention going forward. ”



and the sheer amount of data that is being collected, you can view it through a positive lens and say that it has increased the transparency and the availability of data for the regulatory community.

That said, when you look at the flip side, the issue is, and we've been saying this from the outset with others in the industry including the Financial Stability Board [FSB], the implementation of the commitments made at the 2009 Pittsburgh summit was left to each individual jurisdiction

without a global oversight structure.

As a result, regulatory requirements have been fragmented, and the datasets being collected do not provide a global view of risk despite the cross-border nature of the derivatives markets," Childs concluded.

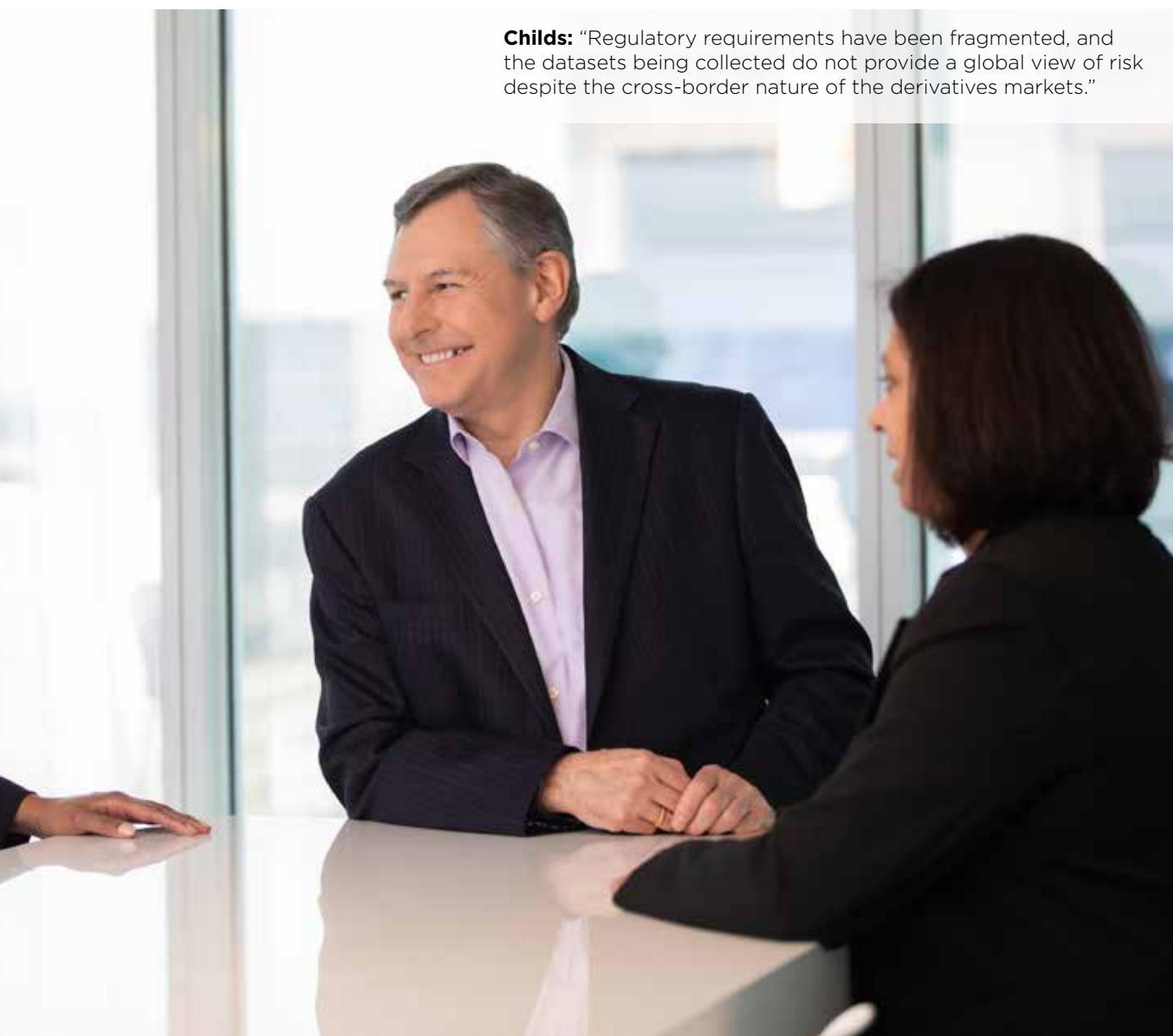
DTCC feels that being able to create a single global view of a firms' exposure or a potentially dangerous build-up of positions in a particular asset class is complicated by a lack of standardisation, making harder the work of prudential regulators charged

with tracking these risks.

Childs said: "We've been lobbying for more harmonisation of data, including fewer data fields, so the ability to take data from various jurisdictions and piece it together can be better facilitated to achieve a holistic view of the data. That is where we think the regulators need to focus their attention going forward."

The DTCC MD said the FSB has rightly flagged the issue but the problem again is in the implementation of these standards.

Childs: "Regulatory requirements have been fragmented, and the datasets being collected do not provide a global view of risk despite the cross-border nature of the derivatives markets."





Childs: “We see a desire from the regulators to harmonize and standardize a bit more but it’s still very much being administered on a local basis.”

“Based on recommendations from the FSB, CPMI and IOSCO provided recommendations on the definition and adoption of global standards. We’re now seeing the implementation of these recommendations as each of the regulators work through a rewrite of their initial rules. You’re going to see over the next 12 to 24 months an awful lot of change for reporting firms, the trade repositories and for the regulators that receive this data.

“We see a desire from the regulators to harmonize and standardize a bit more but it’s still very much being administered on a local basis. Looking at recent regulatory proposals from ASIC, CFTC and ESMA, our analysis indicates that out of the 110 critical data elements identified by CPMI and IOSCO, only about 50% of the elements will be implemented in a consistent manner by all regulators. The other 50% are either not being adopted or are being adopted but not consistently in

terms of the same definitions, format and allowable values.”

Childs said the direction of travel is towards harmonisation and this is to be encouraged.

“It’s true to say in this round of rewrites we’ll be more harmonised than the prior set of rules. And based on those 50% of elements that are consistently adopted, we will be able to start to amalgamate data if required from the various jurisdictional data sets.”

One of the recommendations that the CPMI and IOSCO proposed was to have a global governance structure. They suggested, and this has been adopted now, that the Regulatory Oversight Committee [ROC] which oversees the legal entity identifier, would provide the governance for the maintenance and implementation of critical data elements.

Childs said: “The ROC has now established that governance structure,

which is a positive thing. That said, the ROC doesn’t have authority over each of the local regulators and so its role will be one of observation, comment, and influence. The lack of a powerful governing oversight to push for co-ordinated regulations is evident in the standards that apply to firms reporting their trades in different jurisdictions.

“You’ve got two-sided reporting versus single sided reporting, which is different from one jurisdiction to the next. Delegated reporting is mandatory in Europe, which is not required in other jurisdictions. Also, in Europe, trade repositories are required to reconcile trades reported by counterparties to different trade repositories, which is not needed in a single sided regime.”

Childs acknowledges that the problem of regulatory disharmony is of low concern to its clients that operate in only one market, but to those that operate in multiple jurisdictions a lack of harmonization is more problematic.

“Any firm reporting to multiple regulators has to understand all of the rules in each different jurisdiction, and they need to code and develop systems for those different regimes. That is expensive. In addition, institutions trading in multiple jurisdictions not only have coded for the original rules, they now must develop new code for all the rewrites. And to the extent that those rewrites are not on a globally consistent regime, it’s much more expensive.”

Greater harmonisation is not only beneficial to reporting firms however, Childs added.

“From the regulatory perspective, the more harmonised the data is, the more useful the data is. If you’re trying to look at trading activity globally and holistically as a prudential regulator trying to understand systemic risk would do, then you may need to work with other prudential regulators and share data sets. The shared data would only be helpful if it is the same across the jurisdictions. Otherwise, the prudential regulator will need to go to some lengths to amalgamate and interpret the data. The prudential regulatory environment, therefore, is enhanced by harmonised data.”

Childs said an important area of focus for clients going forward is the message format mandated by national regulators.

“All firms, whether they’re reporting to a single jurisdiction or multiple jurisdictions, should pay close attention to the rules as they’re being rewritten. One area of particular focus is whether a regulator is mandating the message format that the reporting party must adhere to.

“We’re expecting ESMA Refit will mandate the inbound submission message to follow an ISO 20022 format, which is a similar approach they took with Securities Financing Transaction Regulation (SFTR). Currently, the trade repositories administer the inbound submission message, so we’ll have to adjust to a new message format if mandated. Right now, we use a combination of CSV or FPML inputs.”

Childs said that other regulators



Childs: “We have concerns around the regulatory implementation of ISO 20022. It looks like most of the regulators, whether they mandate it or not, will at least have a version of an ISO message.”

are now looking at mandating ISO 20022, so it’s important that clients understand whether they are going to have to adhere to a single message format eventually. In fact, the CFTC rules and the recent ASIC and MAS consultations suggest ISO 20022 will be implemented when its available.

“We have concerns around the regulatory implementation of ISO 20022. It looks like most of the regulators, whether they mandate it or not, will at least have a version of an ISO message.

DTCC has lobbied for an individual ISO 20022 message based on the critical data elements. “We believe that to be the easiest to implement, not just for those that are reporting, but for the regulatory community as well. However, at this moment in time, it appears the regulators are going down a path of stipulating their own ISO message version for each jurisdiction.”

Childs said DTCC believes that is a mistake. “We’re concerned that over time, if there are individual ISO messages per jurisdiction, the message formats may move out of alignment.

“On the other hand, if you have a standard ISO message based on critical data elements and there are any changes required within those critical data elements, they could be put into

that one message.”

Firms also need to think about the timing of regulatory changes and ensure they are allocating resources effectively, for example with respect to the implementation of a unique product identifier [UPI].

“Implementation of UPIs won’t only change trade reporting, it means that at the time of execution, counterparties are going to need to make sure they have a unique product identifier for whatever is being traded. That could change trade execution or trade capture processes,” said Childs.

DTCC is also watching the implementation of UPIs, “likely to go into production in Q2 or Q3 next year.”

Childs said: “UPIs include data elements which are currently required to be reported. What is not clear is whether there will be duplication of reporting where you need to report the UPI and the underlying fields. The question is, will the onus be on the trade repository to make sure the data within the message that relates to a specific trade ties to the UPI? Does the regulatory community plan on requiring data elements that are also included in the UPI to be reported to TRs? If so, what is the expectation when the data is contradictory (the value in the UPI differs from the

“The focus is going to be on readying our systems for the rewrites and with these enhancements we’ll introduce a simplified and consistent client experience, for example, with respect to how clients access their data and the portal.”

submitted value)? Should the TR reject the transaction? Should TR ignore the submitted data elements? All of this needs to be ironed out as the UPI for trade reporting is implemented.”

DTCC provides trade reporting services through its licensed trade repositories in 22 jurisdictions, servicing approximately 8,500 clients.

“We’re one of the few institutions that has a global perspective, in as much as we provide trade repository services in all of the large jurisdictions, so that gives us a uniquely broad view on these issues. Since day one, we’ve been highlighting, through thought leadership pieces, panels, working groups and providing comments back to regulatory proposals and consultation papers, where there are differences between jurisdictions that create issues for the whole trade reporting ecosystem.”

He added: “It’s highly unlikely we’ll ever get to a truly single global implementation of trade reporting, so our approach is to continue to point out those areas that are more problematic than others.”

The world’s major economies are only now emerging from the worst of the COVID-19 pandemic and DTCC, its clients and the rest of the financial services industry are still adjusting to new ways of working.

Childs said the pragmatism shown by some regulators in response to the pandemic was welcome and the

industry would like to see this attitude continue in future.

“An example of that was the European launch SFTR where ESMA agreed to push back the go-live date by three months due to the pandemic. If other unexpected events occur in the future that could make meeting compliance deadlines problematic for the industry, hopefully, that pragmatic approach will continue.”

Childs said DTCC is looking at its services more broadly as its clients return to a more normal environment.

“In terms of DTCC services, we have been thinking more holistically about the trade reporting mechanisms from start to finish, not just running a trade repository. Where does the data come from within the firms? How do they report? How do they deal with multiple jurisdictions? And then after they’ve reported, how do they reconcile the data back to their own books and records to make sure the information that they’ve provided to the regulators is accurate? The answers to these questions drove us to look at the whole pre and post reporting space and provide additional services to our clients to help ease the burden of trade reporting.”

According to Childs, DTCC launched the DTCC Report Hub® service, a highly efficient solution for pre and post trade reporting that can help firms manage the complexities of meeting multiple regulatory mandates

across jurisdictions. The service offers comprehensive jurisdiction, regulation, and mandate coverage, and can help firms mitigate compliance risks, enhance operational efficiencies, and drive down costs.

He explains that DTCC Report Hub®’s “robust functionality and flexible integration provides firms with access to a wide range of pre and post trade reporting capabilities, including pre reporting data normalization and exception management, assessment of reporting eligibility, automated reconciliation, and compliance analytics creation. The service also interfaces with registered trade repositories [TRs] and approved reporting mechanisms [ARMs] to facilitate trade submission and approved publication arrangements [APAs].

In terms of the trade repositories, he added: “The focus is going to be on readying our systems for the rewrites and with these enhancements we’ll introduce a simplified and consistent client experience, for example, with respect to how clients access their data and the portal.

For firms who need guidance on readying for the swathe of regulatory changes, we recently launched DTCC Consulting Services, which helps clients with challenges related to trade reporting and control frameworks, and assists them with their reporting infrastructure set up to facilitate successful compliance, especially given the swathe of regulatory changes in the global derivatives landscape rolling out over the next couple of years.”

The continuing evolution of derivatives reporting following the financial crisis of 2008 into the current stream of refreshed regulations looks likely to keep DTCC and its clients busy for years to come. ■

“In terms of DTCC services, we have been thinking more holistically about the trade reporting mechanisms from start to finish, not just running a trade repository.”

European Beneficial Owners Roundtable 2021

Securities finance experts gathered in July to discuss the trends currently influencing their market in Europe and reflect on a challenging year.

Chair: Dimitri, can you give us an overview of how the market has performed so far this year?

Dimitri: The lendable balance in 2021 has almost reached \$30 trillion (£22 trillion). In comparison, the average for 2020 was \$22 trillion. The breakdown of the lendable by client type shows that most of the supply continues to come from Collective Investment Vehicles which make up 47% of the total amount available to lend. The Beneficial Owner breakdown hasn't really changed much over the last few years.

In terms of on-loan balance, the average so far in 2021 stands at \$2.6 trillion. You'll notice that the Beneficial Owner on-loan breakdown has changed compared to the lendable breakdown with Collective Investment Vehicles only accounting for about 20% of the amount on loan even though they supply the most inventory. This is largely because of the restrictive guidelines that some of those collective investment vehicles operate under, meaning they get less out on-loan. Again, the contribution to the on-loan balance for each client segment has remained consistent for the last few years.

Looking at the quarterly revenue we can see that there has been a decline compared to the record year of 2018. 2019 saw a decrease due to macro uncertainty driven by trade wars, Brexit and Central Bank actions leading to a general

ATTENDEES:



Top row (left to right)

Steve Kiely, BNY Mellon

Nick Davis, JP Morgan

James Day, State Street

Don D'Eramo, RBC

Bottom row (left to right)

Dimitri Arlando, DataLend

Bill Foley, SecFinHub

Ernst Dolce, AXA IM

Oliver Wade, Global Investor (Chair)

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“The rise in global revenue can be attributed to the short squeezes we saw at the end of January with GameStop and AMC Holdings doing well in the early part of the year.”

Dimitri Arlando, DataLend

lack of conviction from Hedge Funds. 2020 then saw a further decline due to the Global Pandemic. So far in 2021, revenue seems to be climbing.

Year to date (Jan to May) revenue in 2021 is approx. 17% higher compared to the same period in 2020 - \$3.65 billion versus \$3.13 billion. In EMEA, year to date revenues are up around 16% climbing to \$190 million from \$170 million in 2020.

The rise in global revenue can be attributed to the short squeezes we saw at the end of January with GameStop and AMC Holdings doing well in the early part of the year. Equity markets have also been on the rise, so asset prices have been higher. The major US and European indices have all been up 10 to 20% so far this year compared to where they finished at in 2020. We’ve also had a lot of SPAC and IPO activity, with electric vehicles stocks in particular doing well like Blink Charging.

In EMEA revenue has benefited from a lack of short selling bans and a return of corporate dividends, both of which dampened European Equity revenue in 2020. Varta

AG continued to perform well in the early part of this year. Shares in AXA also performed particularly well following their capital raise, and we expect to see some dividend related specials appearing in the top performers charts very soon.

From a government debt perspective, revenue has been up 30% mainly down to US Treasuries. The 10-year in particular has performed very well this year, and in March actually made it to the top five best performers globally which is quite a rare occurrence in recent times.

Corporate Debt was relatively flat this year compared to 2021. Even though lendable and on-loan balances have increased, this has been countered by a slight decrease in the fees so year on year revenue has remained broadly unchanged.

It is also important to note that cash reinvestment revenue has been down in 2021 as we have not experienced the same rate cuts that we saw in March 2020 when Central Banks eased monetary policy in order to counter the economic effects of the pandemic taking hold in Major Economies.

Looking at the rise of the retail investor in more detail and specifically looking at the behaviour of GameStop and AMC Holdings, the short squeeze at the end of January clearly caused revenue to spike for both of these stocks with GameStop and AMC Holdings contributing \$42.4 million and \$18.8 million in revenue, respectively, in 2021 so far. Utilisation levels over that initial short squeeze period remained close to 100%. Utilisation in GameStop has since fallen away; however, demand for AMC Holdings shares remains high and with recent social media coverage causing a spike in the share price it would seem that this will continue.

Chair: What trends have emerged this year and how has the market bounced back from a turbulent 2020?

Nick: From a macro perspective, the European markets enjoyed a good rally as countries start to reopen. Regional markets have also reacted well to the pace of the US re-opening coupled with President Biden’s large stimulus packages, despite fears of a spike in inflation as we entered June. Indeed inflation risk is something that is seen by the market as one of the large risk factors for growth in the second half of the year.

At the start of 2021 the lending industry enjoyed an increase in corporate action activity such as rights issues and IPOs. The expectation is that Corporate Activity will continue into the second half of the year focusing on sectors that have struggled due to COVID, such as Travel & Tourism and Airlines that have not managed to capitalise as we have seen with other companies.

As Dimitri mentioned, companies had started to reward investors towards the end of 2020 with paying dividends

following the omissions we saw during 2020. The theme for giving back to shareholders continued in the form of an increase in companies offering scrip payments. All created good demand from borrowers following the reduced activity that we all saw during the majority of 2020.

We did witness some headwinds in EMEA, especially around specials. Long term directional shorts in Europe were being closed out following the contagion effect we saw from the US. Retail investor activity triggered a risk-off approach by Hedge Funds.

On the fixed income side, Euro sovereigns saw a good start with balances up year-on-year. Spreads remain thin due to secured funding levels in the short dates, moving lower as continued monetary policy support, maintained an abundance of excess liquidity in the secured funding space. Finally corporates performed well with ongoing central bank purchases supporting pricing. Hedge funds have maintained a long bias as a result which in turn has reflected in GC flow. This has led to good balanced growth against specific collateral sets.

James: On the European side, taxation agreements are reducing the amount of lower dividend supply in the market which has taken away a bit of revenue opportunity. We're witnessing a real push for those wishing to transact under a pledge agreement, something which was discussed a few years ago but is now really starting to see traction. Borrowers have started looking at smart buckets to access supply from counterparties with a much lower risk weight.

Ernst: The first half of 2020 could be summarised by the decrease in value of the equities, an increase of margin requirements, a spike of volatility and massive widening of CDS spread. This cocktail generated a huge demand from banks for High Quality of Liquid Assets (HQLA). This situation has created some strong opportunities to re-rate the on-loan transactions and increase the revenue from our



"The first half of 2020 could be summarised by the decrease in value of the equities, an increase of margin requirements, a spike of volatility and massive widening of CDS spread."

Ernst Dolce, AXA IM

securities lending activity during in Q1 and Q2 2020.

During H2-2020, the approach taken by the Central Banks and Governments singing "whatever it takes" to save the financial market and the massive injection of liquidity in the markets (ECB Excess liquidity Index double between January 1 2020 and December 31 2020 – from €1.5 trillion

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“The retail space across financial services is fascinating and has changed, and continues to change, at an incredible pace”

Bill Foley, SecFinHub

(£1.3 trillion) to €3.3 trillion have contributed to reverse all movements observed in H1-2020. The market liquidity remains abundant in H1 2021, the ECB Excess liquidity Index is €4.2 trillion.

Chair: What role do retail investors play in the European market and do we need more regulatory regimes to protect investors?

Bill: The retail space across financial services is fascinating and has changed, and continues to change, at an incredible pace. The picture is, as you would expect, an extremely varied one both in terms of the participants and the nature of participation. From a securities lending perspective, direct retail involvement is still in its infancy but clearly growing as technology facilitates access. If we look at the so called “meme stocks”, it is perhaps unsurprising that the online communities driving them grew up in the US and, initially at least, had a US focus. Retail share ownership and direct pension investment are much more familiar and widespread there than in the UK and Europe.

The question around protections is also fascinating because of the nature of participation and the retail investor’s chosen route to access these markets. Deciding to purchase securities via an online platform and acknowledging the risk statements and disclaimers with a click of your mouse is vastly different to traditional

investment which came perhaps via an investment advisor. Clicking another button to agree to the securities you own being lent too is also rather novel. The other members of this roundtable are well versed in discussing the low-risk nature of the returns available from a securities lending programme and the protections and mitigants to risk are well known. There are lots of protections there already. I do think it’s an interesting to consider whether additional protections are required for retail investors and if so, what those might be. The nature of their participation is very different from the majority of the established asset owners, accessing the securities lending market through an agent lender in accordance with pre-approved parameters. I will be interested to see how regulators, look at that and also how quickly.

As I mentioned earlier, we haven’t seen the same level of retail activity in UK & Europe that we have seen in the States, however it’s definitely growing. The drivers for that activity are manifold but I think it is also worth recognising the impact of both the pandemic and historically low interest rates. Many commentators have suggested that as a result of multiple lockdowns and homeworking, allied to the ease of access to markets provided by technology and the proliferation of new platforms, people had a lot of time on their hands to try and make some money – the crypto story is also a factor here. Why spend our lockdown time making yet more sourdough when I can join an investment revolution and make some money?! It is now amazingly easy and cheap to do. The returns, or lack of, from traditional savings options cannot be ignored either.

Steve: There has not been a sufficient passage of time to conduct a meaningful study, but it’s worth asking how much of the meme stock phenomenon is due to the pandemic? You’ve got record numbers of people with access to brokerage platforms and a lot of those people are working from home, saving money because of the COVID restrictions. Those funds have found an outlet this way, but I’ll be interested to see whether this activity survives or whether new meme stocks will emerge again on that scale, once people return to the office. Once the majority of people are back to work and COVID is as endemic as the flu without affecting our lives so much, I suggest it will be the latter.

Don: Approaching it from a slightly different perspective, we previously discussed the trends in the market over the past 12 months or so through the lens of the pandemic, but as we know the securities lending market has been affected by various different influences, whether that’s macroeconomic impacts, financial crisis or Euro sovereign bond crisis.

It has a resiliency to be able to transmit the actual macro events into industry trends and demand, and if you step

back and you look at the retail investor environment as just another event, the scrutiny in this market sector will adjust accordingly. So, for the reasons we just stated, pandemic related, or not, you may want to look at this as a sector of the market that's been developing and will continue to do so, similar to the US, where the fully paid market is a relatively mature market now.

I'm sure there will be a little bit more scrutiny around protections and more discussions from regulators, as we saw with SEC post-GameStop. If you think of it as another source of supply, you see that volatility in the US and the North American market. That's where that retail market is really going to impact.

If we view this as just another event within the history of securities lending from a supply perspective, I think I agree with the comments that it needs to be looked at from a regulatory perspective. The institutional side is well versed and well entrenched in that, and I think that is the next step with retail investors.

Bill: When we think about the retail sector and its historic participation in financial markets, the main headlines regarding protections have been in relation to vast mis-selling campaigns and the resulting compensation being paid out to the retail sector. Where do these protections kick-in when there was no advisor or agent mis-selling? Sure, the trading platforms will be scrutinised, and their policies and T&Cs will need to be watertight, but who is at fault if I decide to trade on the back of something I read in a Tweet or on Reddit? Who's picking up the tab for letting me do that and it not working out for me?

Don: It's not just about lendables, it's about the type of lendable asset, and you'll see this supply probably not concentrated on GC. It's not going to be financing assets, as the supply is more likely going to be focused on directional and volatile names where there is significant intrinsic value.



"As we know the securities lending market has been affected by various different influences, whether that's macroeconomic impacts, financial crisis or Euro sovereign bond crisis."

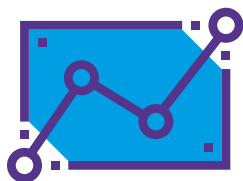
Don D'Eramo, RBC

So what does that potentially do to the broader market in that specials space?

Bill: If we were to see a significant increase in lendable overall, what does that mean for the broader market in

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“We are going to see continued enquiries and execution when it comes to peer-to-peer. Beneficial owners and agent lenders continue to look for new demand.”

Nick Davis, JP Morgan

terms of those securities which aren't special? Where do we get to the point when we say, there's just too much main-index, liquid GC and the value for that is zero.

James: It has also had an impact on demand - seeing some hedge funds being squeezed out of their shorts, and the gamma squeeze kicking in and hurting them. A lot of the hedge funds have taken off some of their risk, you know, they are not going to have these concentrated short positions across the market where they may have historically. We may see that it impacts the demand profile that that we're used to.

Nick: As James mentioned you have seen a risk-off approach, however hedge funds may pay more attention to those regions where we didn't see as much contagion such as APAC. Specials will always be there, you just may see it more regionalised in the interim.

Ernst: The rise of retail investors seems to be correlated with the fact some US companies that are supported by more efficient technology have lowered costs and facilitated greater access to retail investors. In Europe, the trend is less strong as the fintechs have at this stage less power (i.e. less client base) compare to the US fintechs.

James: It's a slightly different dynamic in the US, which I think has helped to create this participation by retail investors, which doesn't exist to the same degree in Europe or in Asia.

Bill: I think the motivations are interesting too. If you look at GameStop, that starts out with some people being disruptive on Reddit, to defend a company that they liked a lot more than some short sellers who clearly have a very different view to what that company's value is. The motivator was probably more emotional than actually financial.

It's still a different view and that's fine because that's how markets work. If you think it has more value and you want to do something about it, then do something about it - I wonder how early in the process it moves from an attempt to "stick it to the shorts" and become something more cynical. Does it help in terms of the way we traditionally value companies? Will it make more hedge funds go out of business if you get that the wrong way around? Well, we have certainly seen some forced to take a more circumspect approach.

It's a very different world we live in now, where you can get access to those markets you can express an opinion via buy, sell or whatever you want to do, and that's quite motivating for people who want to get involved with stocks.

James: I think social media platforms, such as Reddit, are changing the way people are thinking about research. There are investors out there that are reading Reddit, reading how many rockets are posted and the commentary about stocks, and taking this into consideration when investing, so it has changed. This has changed the landscape, quite dramatically and people are waking up to the new order.

Bill: From an ethical and regulatory standpoint, there undoubtedly needs to be some focus on social media and how it is being used. Governments and legislators around the world have been caught on the hop by social media and they're still struggling to catch up now so regulators are just discovering that there is a lot to consider in that space and it will be interesting to see their approach.

Chair: July makes one year since the introduction of SFTR. What has the market learned from the introduction of the regime?

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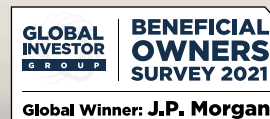
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“We’ve seen a trend the last couple of years, where some of our more sophisticated beneficial owners have chosen to become both borrowers and cash collateral reinvestment counterparts.”

Steve Kiely, BNY Mellon

Ernst: It has been a challenge to implement but more important I think that it creates some opportunity for the market to embrace technology and create more efficient processes. For example, we can think about automated prospect confirmation matching schedule processing for reporting. So, clearly, that has pushed for greater automation and transparency, or to become more data focused.

SFTR’s complexity has been challenging to implement but has also given firms the opportunity to embrace technology to create more efficient processes. SFTR has highlighted that more than ever there is a need for greater automation, greater transparency and more data focussed operations within sec financing. Automated post trade confirmation/matching being a good example, and straight through processing for reporting

However, a year down the line, the market recognises SFTR data quality needs to improve. ESMA recognised that and has put a data quality framework with national regulators to follow up on the issue

If we look to the future, it still very much work in progress - as the regulators focus more on accuracy and sharing of data and with the upcoming CSDR regulation. The CSDR

regime will bring challenges but also potential costs, particularly fines.

The market needs to embrace technology and needs to improve the processes. Clearly the matching solutions needs to work.

Nick: To add to what Ernst said, a large part is around collaboration. We saw ISLA and ICMA come together to aid the implementation of SFTR. From a booking perspective, we have noticed some differences. For example, we have witnessed securities lending transactions being booked as a repo, which has created challenges, therefore there is a view to try and get to a common ground. In 2022, there is a hope for an SFTR review which will tackle some of the core issues highlighted by the association members. For example, actual vs contractual lifecycle reporting, re-use reporting and the large challenges around understanding collateral data.

James: It is about optimisation as well. Every time you report, you incur a cost to file that report. It’s looking across your businesses, assessing how often you reallocate your securities, how many times you allocate clients in and out of loans and reviewing your business models to ensure efficiency. We have mentioned that SFTR is up and running, now the real work is in optimising the business flows and processes.

Steve: A bi-product of SFTR is that organisations, such as DataLend, will benefit due to the improved quality of data that they are receiving. One of the benefits, painful though it was, has been that SFTR has forced us to take a root and branch overview of how we collect data and how we log certain things in our systems. So, there will be many intangible benefits from it, albeit it probably didn’t feel like that in the build up to go live.

Don: It opens up an important point around standardisation. Here’s an industry that prides itself on being bespoke to various different stakeholders, and now we are finding we have to come to some sort of common standard, and I think that is the real next challenge.

Chair: What role will peer-to-peer lending play in the European market going forward?

Ernst: Peer-to-peer will not replace what the banks are doing, you go to peer-to-peer because you want to extend liquidity access in case of liquidity stress in the market and or to improve the income from securities lending activity.

Where you have this type of connectivity between peers, you can somehow reduce the bid-ask spread on some funding transactions.

Peer-to-peer will not become the new norm, but rather

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The opinion seems to be pointing that short selling and securities lending are compatible. And the argument stands that short selling supports ESG because it allows investors to take a view of a company.

James Day, State Street

an additional liquidity tool. We still have work to do, and I believe it will gain popularity, but it's not something that I believe will replace the venue we have for most of our transactions.

Nick: We are going to see continued enquiries and execution when it comes to peer-to-peer. Beneficial owners and agent lenders continue to look for new demand. Lending directly to hedge funds can allow for better spreads and continues to diversify the lending book. That said when entering into transactions like this, technology comes to the forefront. Having the right platforms to execute and making sure hedge funds can support trading directly with an agent lender is key. One of the largest challenges being the (Agency Lender Disclosure) ALD approval process.

Secondly peer-to-peer can help maintain efficiency in the securities lending space. Demand continues to grow with asset managers amongst others, who want to use their long positions to cover their internal shorts, borrowing from

their own inventory to begin with, before going externally to source supply.

Steve: We've seen a trend the last couple of years, where some of our more sophisticated beneficial owners have chosen to become both borrowers and cash collateral reinvestment counterparts.

The central counterparty concept took a long while to take off and you could argue it still hasn't really. For years, the big sticking point was that beneficial owners are not used to paying margin. They're used to receiving margin, and therefore, the industry had to overcome that hurdle.

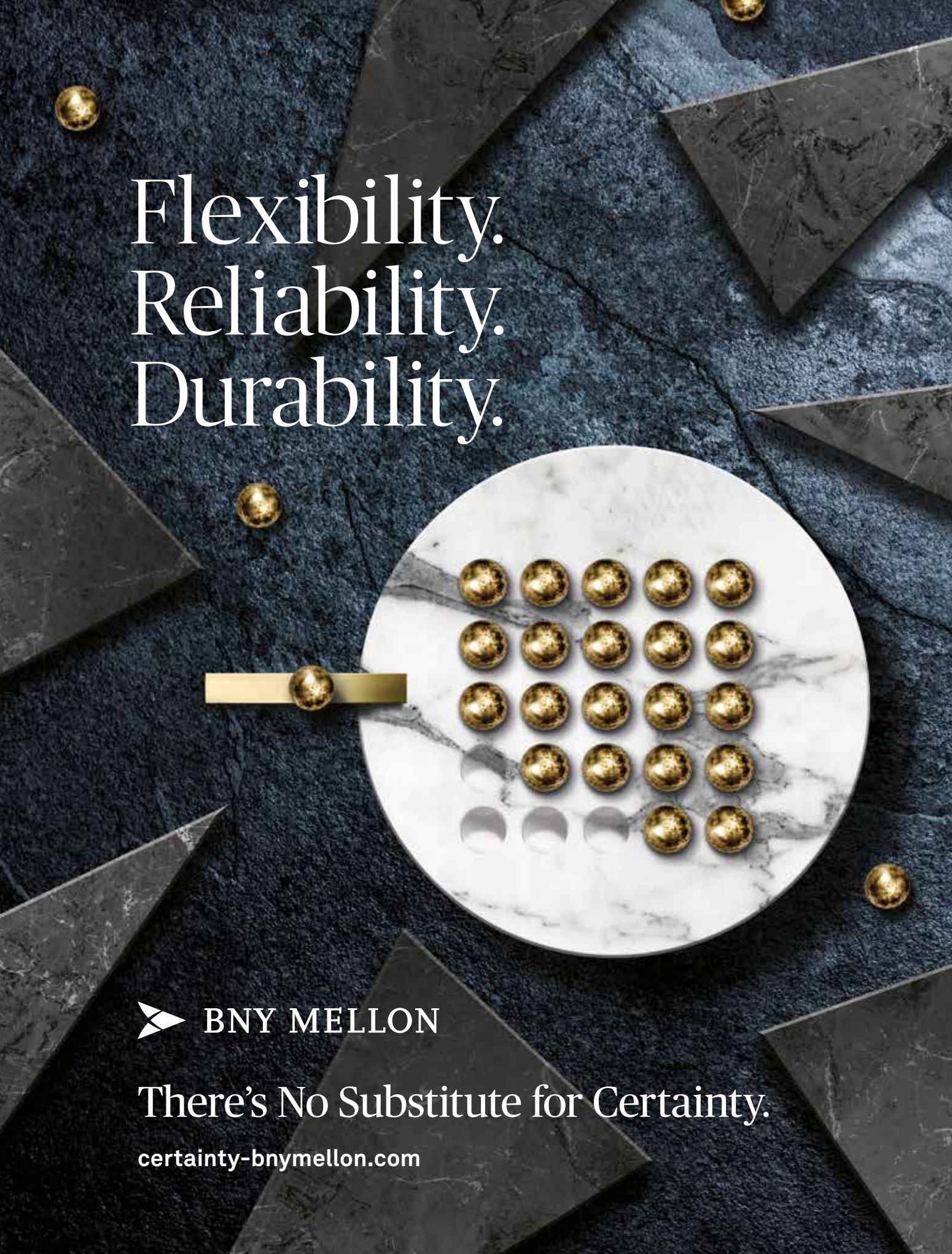
With peer-to-peer lending, what has been holding that construct back, and everyone has said this in one way or another, is the credit intermediation which the agent lender performs. And we've got to find a way around that.

Don: Peer-to-peer is an important segment and within that backdrop, agent lenders are really trying to provide solutions. That's what we've done in various different ways, whether it is through solutions to beneficial owners, who may want to be a lender and a borrower to cover shorts internally, an agent lender who may want to support a direct lender, which is a form of peer-to-peer, or a platform that supports peer-to-peer.

To this point, it's an adjunct to the existing industry and agent lenders play an important role in the continued development of that.

James: I think the banks will continue to play a very important role. When you look at what agents and prime brokers do for their clients, such as the clearing and settlement. Most peers that we speak to still need that functionality, so they are looking at their agent lender and relying on them to facilitate the transaction and provide the indemnification. Agent lenders remain a central part of the peer-to-peer process and I do not see that changing, even if you move it to an electronic platform.

Bill: One thing we have not spoken about, and whilst not exactly peer-to-peer, it is another example of beneficial owners taking more direct control of their lending programmes by leveraging their own relationships with borrowers. They can still operate within an agent lenders programme, but where they have a strong corporate relationship with a bank who also happens to be an approved borrower, they may be able to leverage this better than their agent lender can. In essence it's more akin to a "directed borrowing" arrangement, where they'll enter into their own arrangements, but then use their agent's operational capabilities, and possibly indemnification, in exchange for a fee. I see it as a really healthy evolution and a useful tool to add to the securities lending toolkit.



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“ Ultimately, there’ll be some standardisation, especially around collateral sets - it’s an absolute necessity and that’s why there are so many people on so many organisations and panels, trying to get their heads around this. ESG impacts our industry in many ways, but the collateral side is the most difficult to deal with. ”

Steve Kiely, BNY Mellon

Chair: How successful has the industry been at applying ESG principles?

Bill: I think ESG is a fantastic thing, and we should all live it, breathe it and think it in both our professional and personal life. I think it is that important. I also think that from a securities lending perspective, we have had an enormous number of conversations on the topic over the last 18 months that have added very little of use to the discussion. However, that’s not to say that it isn’t relevant because of course it is.

I think we just been approaching it from the wrong angle. Governance, in terms of corporate governance has been with us in securities lending forever. Socially Responsible Investing (SRI) and environmental considerations are also familiar themes. We’ve been managing these considerations in one form or another for a long time. One area that still needs work is collateral management, that is to say the ability to exclude “sin” stocks from acceptable collateral profiles quickly and easily, particularly within Triparty programmes. This is an element that we have not quite mastered yet, and perhaps not as easy to implement.

It’s going to matter much more how your organisation measures up to its ESG objectives and those of your clients. RFPs are already including questions around green credentials, diversity and inclusion and how you live these things rather than just speaking to them. The make-up of your business is going to matter as much as your ability to carry out that business.

I think a lot of the conversation about ESG and securities finance has gone down the wrong path. As is the case across financial markets, we are still a long way from reaching any form of ESG standardisation for securities lending and we may never do so.

Nick: I agree and I do not think it will be pure standardisation, but rather automated customisation. What has the industry done today? Tri party agents such as JP Morgan have introduced ESG indices to meet the eligibility requirements of specific beneficial owners. Vendors feeding data into trading systems so that agents can navigate recalls or swaps if their underlying client

wishes to vote on specific events, tracking specific ESG scoring, the list goes on. The process and development will continue to evolve as we align with ESG requirements. That said one must also remember that it is getting the right balance between a client’s ESG parameters and their lending program.

Don: Short selling does impact capital flows in the greater market, and I think that is an equally important discussion and one I think we will continue to see evolve. There are a number of conversations at the beneficial owner level where ESG becomes a flag versus securities lending, because of the short-termism view. I think there’s more to be debated and that’s been happening for some time now, but it would be great to switch the discussion to how securities lending in the industry can facilitate ESG views by supporting that short-termism view with respect to the flow of capital in the greater macroeconomic market.

James: The opinion seems to be pointing that short selling and securities lending are compatible. And the argument stands that short selling supports ESG because it allows investors to take a view of a company.

Steve: Ultimately, there’ll be some standardisation, especially around collateral sets - it’s an absolute necessity and that’s why there are so many people on so many organisations and panels, trying to get their heads around this. ESG impacts our industry in many ways, but the collateral side is the most difficult to deal with.

Ernst: I think we need maintain our stewardship in terms of responsible investment and implement security lending activities that are align with this role. In addition, we should continuously communicate on the compatibility of ESG and securities lending as well as on the role of liquidity provider of this activity.

Chair: What role is data and technology playing in today’s market?

Dimitri: Technology and Data play a huge part in today’s



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“ Looking ahead, digitalisation of market infrastructure and tokenisation of assets, offers the securities finance industry in particular some quite extraordinarily exciting and revolutionary opportunities and will be transformational for securities lending. ”

Bill Foley, SecFinHub

securities finance market. A lot of the points that we have discussed today are the result of or have been driven by technology—everything from social media platforms helping to drive short squeezes to technology enabling beneficial owners to lend directly to each other through peer-to-peer.

Over time, our industry has become more efficient through technological developments. EquiLend's NGT platform has facilitated more efficient and automated trading and that pattern continues to grow. The global pandemic highlighted the benefit of this automation and NGT actually experienced record trade flows in March 2020 as companies shifted their traders to work from home with very little disruption.

ESG is very much on everyone's radar at the moment and technology will play a big role here too. Whenever we talk about standardising things these days there is usually a technology build required to enable this to happen. An example here might be monitoring collateral received to ensure that it complies with the beneficial owner's ESG requirements – something which we are looking to develop at EquiLend.

One area which still needs work from a technology perspective is settlement. Our industry is still behind others when it comes to trade settlement with many firms still having to rely on manual processes to settle trades. Regulatory initiatives such as CSDR will provide some impetus for firms to update their technology as there will be a direct impact on the P&L.

The use of data has also been on the rise. My colleagues in EquiLend's Post Trade team are working on ways of using data to identify patterns in workflows that cause issues and ultimately impact the P&L. These might not be obvious to clients as they don't necessarily have the same level of access to data as we do. Now that we have more intra-day data this allows us to pick up issues quicker enabling clients to resolve issues a lot earlier.

More accurate and timely data will help with granularity and transparency and this in turn will help our industry be more efficient.

Steve: I think a natural route for us to take is the road to

tokenisation and I believe that will really take off in the next couple of years.

Don: It's how stakeholders and beneficial owners consume data, and how they're going to use that data to make decisions going forward, which is an equally important part of this whole data discussion. Clients like to consume data in various different formats but also, as discussed earlier with a potential new supply like the retail segment, we know there are clients that are not participating proactively and may just want to participate opportunistically. This means having that data available in a way that clients can see those opportunities allows for better data-based decisions.

Dimitri: That's a really good point Don. One of the things that I have noticed is that some of our Beneficial Owner clients are now starting to use screens which previously only the trading desks were looking at. These Beneficial Owners are really focused on getting the most value they can out of their portfolios and they're looking at data and technology to help them do that.

Nick: Technology and data has always been a priority for JP Morgan and we continue to meet the requests of our clients and the regulatory bodies. Data remains at the forefront for our clients, API reporting for example will only continue to grow as more clients expect intraday analytics. As the securities lending market continues to evolve as we have seen with ESG and Peer-to-peer for example, so will our technology mandate.

Bill: I think non-automated trading will become vanishingly small over the next few years. Data will become ever more important as we move towards that greater automation – we may also see standardisation of the data across providers. Looking ahead, digitalisation of market infrastructure and tokenisation of assets, offers the securities finance industry in particular some quite extraordinarily exciting and revolutionary opportunities and will be transformational for securities lending. ■

TP ICAP details plans to develop Liquidnet

By **Luke Jeffs**

TP ICAP has detailed its plan for Liquidnet less than four months after the London-based broker bought the \$700 million (£504m) equities market, suggesting credit trading, new protocols and the inclusion of dealer liquidity are among its priorities.

Speaking to Global Investor less than 100 days after TP ICAP completed its acquisition of Liquidnet in late March, Joanna Nader, Group Head of Strategy at TP ICAP, said Liquidnet is a market-leader in low-touch cash equities block execution for 1000 of the world's top asset managers and hedge funds.

Nader, who joined TP ICAP in October 2019 from RBC Capital Markets, said the LSE-listed broker is keen to build on Liquidnet's equities franchise partly by diversifying into fixed income.

She said: "Electronic trading in equities is much more mature than electronic trading of corporate bonds. There are a lot of choices for executing electronically in equities. In contrast, in credit, three large platforms account for the bulk of electronic trading volume – Bloomberg, MarketAxess and Tradeweb."

Nader added: "In terms of order flow, we believe Liquidnet ranks a strong fourth in the market, with 500 of the largest buy-side asset managers connected to the platform connected via their order and execution management systems. This level of connectivity with large buy-side players makes Liquidnet a rare platform."

Nader said that, while Liquidnet's trading tools are well suited to fund managers handling blocks of equities, bonds work differently.

"Our plan is to evolve the traditional platform to improve client matches as well as broadening the suite of trading protocols, in order to give that large network of clients more execution choices," the Group Head of Strategy said.



Nader: "Electronic trading in equities is much more mature than electronic trading of corporate bonds."

For John Ruskin, TP ICAP's Chief Executive Officer of Agency Execution, the plan is partly around building on the established Liquidnet service through complementary products.

"Liquidnet is a trusted brand, which is important, and it is market-leading provider of block trading but there are some obvious adjuncts that are needed before it could be considered a full service player. As well as fixed income, we think there is an opportunity to, in time, make futures and options available as well as cleared interest rate swaps and foreign exchange."

TP ICAP said it is also keen to offer Liquidnet's core buy-side users access to a greater range of liquidity sources, including TP ICAP's traditional dealer clients.

Nader said: "In conjunction with introducing a wider range of trading protocols, we also want to give buy-side traders of credit more access to dealer liquidity and prices via the Liquidnet platform. TP ICAP has strong long-term relationships with the largest global dealers, and we are already actively engaged with the sell-side community, who are keen to see Liquidnet broaden its capabilities."

Historically, Liquidnet has focused on

the key equities markets but hasn't fully explored some other regions, according to Ruskin who said that TP ICAP's broader international coverage will open-up new opportunities.

"TP ICAP brings with it some distribution opportunities. Liquidnet doesn't have a sales presence in Paris for example whereas TP ICAP does and we see an opportunity in Asia where we will be able to use TP ICAP's established presence across the region," said Ruskin.

Nader added that the Liquidnet acquisition and TP ICAP's plans to develop the service further also fit with a secular shift in the inter-dealer broker business as more markets come to rely on screens rather than voice brokers for prices.

Liquidnet offers a range of trading algorithms, largely for managing the execution of block trades, and this is a service that TP ICAP is keen to develop further.

Nader said: "We are trying to make more of our traditional broking business low touch. However, we want to achieve this by giving our clients more low touch execution options, and making it attractive for them to execute electronically."

The TP ICAP head of strategy said the inter-dealer broker market has not had a regulatory incentive to move to screens, unlike fund managers for example.

"Rather, the shift to low touch that we want to encourage will be driven more by economic incentives, and by efficiency considerations. However, we are not going to be prescriptive with our clients about how much business is done in a particular way."

Nader also believes there is a cultural shift in the way traders are handling orders.

"We do think our electronification strategy in our traditional broking businesses will be helped by a generational change that has been taking place; younger traders are happier working in a low-touch environment. These traders want more information delivered electronically, and more low touch tools."

Nader concluded: "Our strategy is about evolving our offering to ensure we cater for our client's changing requirements." ■

Emphasis on buy side services shifts focus

Staffan Ahlner, global head of Collateral+ at State Street in London describes how the growing emphasis on buy side services is shifting the firm's focus and why the buy side has a right to ask for more when it comes to collateral.



Could buy side firms legitimately complain that getting UMR compliance currently takes too long?

Yes, I think they could, and here our sector has a huge lesson to learn from retail banking when it comes to managing accounts and supporting client relationships. In the last few years, the transformation wrought by the challenger banks in the retail sector, where in many cases electronic accounts take just a few minutes to open, has demonstrated what is possible. This should set a new bar for what can be achieved in our sector. At the very least it shows that the months of administration required to get new client accounts up and running can be drastically reduced. Currently, there are significant obstacles at every stage: weeks or months of contractual negotiations, administration to support KYC; SWIFT connectivity, data harmonisation and mapping etc; an exhaustive process that needs to be done although it takes unnecessary time on all sides.

What specific challenges do providers face in serving the growing number of buy side firms coming into scope under UMR and the evolution of the collateral eco system?

One recent shift is worth emphasising, I think. Historically the provision of services around collateral management has been measured in terms of AUM. With the new regulatory trajectory another aspect of scale comes in: number of accounts and clients that a provider must serve. Certainly, there are more participants in the market now but, as importantly, they are smaller. There is a big difference between supporting major institutions with billions of dollars' worth of single exposure across one or two counterparties and supporting asset managers with hundreds of accounts across a much larger number of counterparties. Data mapping, automated reconciliation and front to back integration is crucial for the scale needed. A broad and open architecture is needed with

collaboration across a number of vendors to make sure the process is sustainable. For example, the traditional tri-party systems are built well to cope with cases of the former but are far less effective at coping with the latter.

How does the task of achieving UMR compliance for the buy side differ from that faced by the sell side?

When it comes to making the transition required for UMR compliance, buy side firms are in some cases better placed than the larger sell side firm when facing a similar journey several years ago. Buy side firms are less siloed and tend not to run their business in divisions, which means that the shifts required to centralise resources can occur more quickly.

Remember that the purpose of collateral management is to make the trade possible and to ensure you can best manage your liquidity and your regulatory compliance, each of

“ At the very least it shows that the months of administration required to get new client accounts up and running can be drastically reduced. ”

these have an impact on the other. One example is support of collateral transformation, where clients are looking to transform one asset into another – or into cash through the repo market.

Elsewhere, buy side participants face greater challenges. Data provides one example. Multi-fund managers may find themselves juggling a large number of legal entities. In many cases, there could be hundreds of different accounts, each with their own legal entities, which must be managed in a segregated yet integrated fashion. Integrating them to ensure a centralised collateral management strategy is able to work effectively may be a very challenging proposition. By contrast, large banks have typically streamlined the legal entities into a manageable number by reducing the number of legal entities they manage.

Regulatory compliance is another area where buy side firms have very significant hurdles. There is a great deal of talk about regulatory requirements for the sell side around capital that are imposing strict restrictions. But for many years the buy side has faced extensive regulatory requirements around consumer protection that need to be considered. Pension, UCITs, KAG, and Alternatives funds face very strict controls concerning what they can and can't do.

Why is data important in achieving UMR compliance?

Data comes into play significantly for any collateral management, in particular for exposure calculations and Average Aggregated Notional Amount (AANA) at a legal entity level, which in turn determines which

“ There is a great deal of talk about regulatory requirements for the sell side around capital that are imposing strict restrictions. But for many years the buy side has faced extensive regulatory requirements around consumer protection that need to be considered. ”

phase a firm is in and its deadline to achieve compliance. In some cases for these last phases, clients have been focusing their efforts to bring them below a certain threshold. Measures ensuring they do not breach the threshold may restrain or curtail their trading strategies if they are not carefully formulated and implemented.

Helping clients calculate and monitor their AANA is an important service in our view to provide end to end service. Keeping a running tally of where they are is crucial in understanding their collateral needs and how they will meet them, whether that be through tri-party or via third-party solutions within State Street.

Our efforts are focused on ensuring that clients can continue trading regardless of the threshold they are seeking to meet. And this is where my point about the retail challenger banks is relevant again. Our industry needs to acknowledge the impact of the long on-boarding cycle currently required – a function of the slow pace of implementing the operational processes that support it. If the cycle to open a new segregated account or add a counterpart is six months, how different the impact is on the client

than if it could be achieved in a few minutes!

Of course, all this provides another argument for the importance of a holistic view of collateral which goes beyond a silo-based approach. You may need to transform an asset into a fixed income security in order to post collateral for OTC trades. Or you may have new demands arising in terms of variation margin, that you meet by raising finance through a sponsored repo, peer-to-peer transaction or through your prime broker.

How are you helping buy side clients make the most of their data more broadly?

It is important to note the speed with which the buy side is growing in sophistication. On this journey, many institutions need help with their data and we are working closely with clients to provide pre-and post-trade analytics. The foundation for this is not only collecting data – and ensuring it is 100% accurate – but then aggregating it and normalising it. Providing accurate data means no missed margin calls, which can have a devastating effect on a relationship with a counterparty. Aggregating and presenting this data gives clients a better chance to review trade

“ Our industry needs to acknowledge the impact of the long on-boarding cycle currently required – a function of the slow pace of implementing the operational processes that support it. ”

costs and liquidity from a collateral perspective. We are working closely with fin tech firms here to ensure that we are providing the best-of-breed solutions.

The value of effective data solutions is most visible when something goes wrong. In times of stress having a clear real-time view of data and a carefully prepared decision tree internally stipulating how to act on that information may inform crucial decisions, such as when to sell collateral in the case of a counterparty's impending default. If something doesn't look right you need to be in a position to take action immediately. Accurate and timely data therefore becomes a pillar of your insurance against the unthinkable.

What is the relative importance of data collection compared with data aggregation?

Collecting accurate data is essential, but in order for clients to make timely and informed decisions on the basis of this information, they need to make sense of it. We have a dedicated team developing, refining and delivering analytic tools that provide a clearly presented, consolidated view of a client's collateral obligations pre- and post-trade analytics. This is an effective way to optimally support the management of margin calls, reconciliation, the monitoring of custody assets, the cost of collateral and the process by which it can be optimised.

This last point is highly specific to the type of institution. On the sell side, how best to optimise collateral varies considerably from bank to bank and will change from week to

“ The value of effective data solutions is most visible when something goes wrong.... If something doesn't look right you need to be in a position to take action immediately. Accurate and timely data therefore becomes a pillar of your insurance against the unthinkable. ”

week as an institution's balance sheet composition shifts. On the buy side, the emphasis is more on preserving liquidity and reducing counterparty risk. At the same side, if the buy side can engage in a second level of optimisation that facilitates the needs of the sell side, they will see opportunities for revenue arising from their greater attractiveness as a sell side counterparty. And, when it comes to the optimal use of collateral, what may be good for the buy side firm may not be good for its sell side counterparty, a fact that may be reflected in the prices or access to the market.

What role do you see for partnerships in improving your technology offering?

Here at State Street we have devoted considerable energy to developing our technology capability, at the same time as centralising our collateral management offering to provide a holistic but modular service. This has meant upgrading our technology in partnership with fin tech firms as well as our core system to support better integration and to deliver higher levels of automation for participants. Today, embracing technology is the only way to operate a sustainable

collateral business that can shape to client needs and deliver the performance improvements they expect. Partnerships with technology vendors and our clients is at the heart of this: this is a fast-moving sector; we must move as the market moves. The open architecture model that we employ facilitates this significantly because it means we have a greater ability to work with the market and clients to meet demands.

The rollout of our new platform continues with clients already on the new infrastructure. In March 2021, we announced our tri-party offering. We are on track ahead of the next UMR deadline and are actively working on onboarding accounts. Our efforts are focused particularly on buy side needs – notably on satisfying client demands around tri-party – but remain trained on the needs of the sell side, too. I'd add here that it is very important to look forward to firms' trajectory post-UMR. At that stage a large number of buy side participants will be seeking access to the market, meaning that post-trade services supporting peer to peer, sponsored market access together with analytics will be vital in allowing clients to grow their liquidity and pursue their collateral strategies. ■

“ Our efforts are focused particularly on buy side needs – notably on satisfying client demands around tri-party – but remain trained on the needs of the sell side, too. ”

Leveraging technology



Stewart Gladstone, head of segment and solutions, banks and financial institutions and **Yvan Mirochnikoff**, head of digital solutions explain how Societe Generale Securities Services is leveraging technology to enhance the customer experience.

Securities services has experienced a great deal of innovation over the last 12 months as the industry has adapted to new ways of working. While securities services remains a relationship driven business and clients have increasingly realised that there is no substitute for face-to-face contact, they also appreciate the efforts made by custodians to meet their technology requirements.

This is evident in the digital strategy at Societe Generale Securities Services (SGSS), where understanding the client environment and requirement is the starting point for every project.

"Some customers prefer to have all services on a single platform,

whereas larger clients tend to adopt a more selective approach using just some of our services," explains Yvan Mirochnikoff. "The third model is the bank-as-a-service approach where we plug as much of our delivery as possible into the client's environment."

Because the offer is based on open architecture, the bank can work with any technical environment. This can be time consuming at the start of a project, but it is more efficient for the customer in the long term.

"The open environment is vital

.....

“ The open environment is vital because we are working with clients on a collaborative basis rather than telling them what we think they need. ”

Yvan Mirochnikoff



Gladstone: “Many intermediaries and buy side institutions don’t want the hassle of maintaining and upgrading their technology, so they may choose to fully outsource it and go onto a provider platform so they can focus on their core business.”

because we are working with clients on a collaborative basis rather than telling them what we think they need,” says Mirochnikoff. “It allows us to interface more smoothly with our client’s systems. For instance, during COVID-19 pandemic, we have been able to on-board large portfolios, such as Aviva Investors France, entirely remotely using new digital capacities.”

The precise steps taken to determine the client’s technology requirements depend on their scale and business explains Stewart Gladstone.

“We often approach non-clients to tell them we believe we have the optimal solution and platform for their business,” he says. “For existing clients we take time to understand their business and where the pain points and inefficiencies are and where we can add value, allowing them to potentially develop new products and

services for their own clients.”

Gladstone adds that SGSS has a responsibility to identify solutions that could work for its clients.

“Some firms will have internal technology resources where they look to partners such as SGSS to work with them and the client drives the initiative,” he says. “Many intermediaries and buy side institutions don’t want the hassle of maintaining and upgrading their technology, so they may choose to fully outsource it and go onto a provider platform so they can focus on their core business.”

In this scenario, everything from execution through to post-trade and regulatory reporting can be supported end-to-end. SGSS is working on standardisation of platform interfacing and connectivity to avoid the need for intermediaries to develop and maintain multiple setups.

Mirochnikoff acknowledges the importance of securities services providers working with vendors to understand the operational and commercial potential of new technology based solutions.

“Time-to-market and the level of expertise are vital,” he says. “In order to find the best upgrade solution we sometimes work with vendors to develop a solution, as we have done with SimCorp on our CrossWise solution.”

CrossWise consists of four complementary modules - front office, trading & execution (I-DEAL), middle office and back office - which can be subscribed to either as a whole or separately, in order to adapt to the needs of investment professionals and the growth of their activity. It combines a portfolio management platform with the support of a team of business experts to help clients secure and optimise their front-to-back processing chain.

Global fund distribution platform provider MFEX is another important partner for SGSS. In 2019 the companies signed a partnership agreement related to SGSS’s global fund trading activities in Luxembourg under which MFEX manages post-trade services related to funds.

Through this partnership, global asset managers can connect with local financial institutions that buy and hold funds, and process trailer fees.

“We have also undertaken significant development of our pan-European custodian platform, changing the architecture to enable us to offer a single platform across all countries,” says Mirochnikoff. “Vendors are accustomed to working on projects of this scale and we have worked collaboratively to develop this platform.”

As well as relationship management and day-to-day client services, SGSS can facilitate direct access to operations specialists on the custodian platform. The client project team is responsible for onboarding, continuous improvement and change requests.

SGSS is working with vendors - and particularly fintechs - on new products that use DLT as well as supporting existing and new asset classes. In April, Societe Generale issued the first structured product as a security token directly registered on the Tezos public blockchain, following on from a first covered bond security token issuance worth €100m on the Ethereum blockchain (settled in April 2019) and a second issuance worth €40m settled in central bank digital currency issued by Banque de France in May 2020.

"We have ongoing dialogue with fintechs in order to better understand what they are offering and their ability to move quickly to address specific business requirements," says Gladstone. "We have already successfully partnered with a number of fintechs and these partnerships have influenced our approach to open architecture development."

When asked about the level of commitment required to build a customised technology solution if an off-the-shelf alternative is unavailable, he says the first challenge is how to monetise the product.

"Some financial intermediary clients will expect to have access to this type of technology as a matter of course, whereas we may work with a buy side client to co-construct a solution in a workshop setting, which obviously demands a level of commitment from both parties," explains Gladstone.

Streamlining the invoicing process is a major area of interest among larger intermediaries.

"Customers are looking to increase the efficiency of their operations and reduce error rates and the building blocks we have put in place are able to address these challenges," he adds. "Discussions with the customer are vital during the planning phase to ensure we know exactly what they expect from us and our solution."

Gladstone observes that clients are seeking a more dynamic view of their activities. For instance, many institutions find it difficult to validate the invoices they receive, so they need access to daily or even close to real time



Mirochnikoff: "We have developed self-care services where clients can find the information they need 24/7. In the past, customers would have received reports in pdf format - now they have access to visualisation tools and can use cloud based tools to aggregate data from multiple sources."

data rather than having to wait until the end of month to find out they had more fails than usual over that period.

This enables them to manage their operational risk more efficiently, which is a huge focus with central banks and regulators looking closely at resilience and resolution.

"Technology also gives the customer greater autonomy," says Mirochnikoff. "For example, we have developed self-care services where clients can find the information they need 24/7. In the past, customers would have received reports in pdf format - now they have access to visualisation tools and can use cloud based tools to aggregate data from multiple sources."

Artificial intelligence helps SGSS extract value from data and design new risk models to address real customer challenges. The user experience is vital, so increased automation enables the bank to offer features such as client alerts when

markets move significantly.

"These technologies are already part of our digital strategy," adds Mirochnikoff. "Looking ahead, some manual processes remain so there is work to be done to further reduce operational risk. In the asset servicing world, errors can be very expensive."

The development of adapted working has accelerated significantly over the last 12 months. However, this remains a people business and SGSS is focused on adding value, says Gladstone.

"Technology and innovation are a driving force for much needed change in our industry," he concludes. "Custodians can add value and can enrich a client's experience and accelerate development across the industry as we adapt to new ways of working. However, it is people who continue to be the bedrock that relationships and partnerships are built upon." ■

Caceis looks ahead

Dan Copin, group head of securities finance & repo and **Remy Ferraretto**, senior sales securities finance & repo at Caceis outline some of the key issues affecting the group's securities lending business.



In order to make sense of our objectives as a firm, it is necessary to consider some of the developments that have impacted securities lending over the last few years.

Market overview

Banks' constraints in terms of accounting and regulatory ratios have allowed a certain dynamic to be created in recent years. The recurring need for high quality securities as a result of the LCR has made it possible to bring in structures allowing for greater added value.

However, the low interest rate environment has added to the pressure to generate additional returns. On repo, banks are limiting their supply of paper - and therefore liquidity - and significantly downgrading their levels with the objective of managing these scarce resources more efficiently.

NSFR, which enters into force on July 2021 should lead to a few movements in the market, although not to the same extent as the LCR.

In the securities lending space, the coronavirus crisis has highlighted the need to offer clients a better experience, both in terms of reporting and information on what we are doing with their securities.

If we look at trends over the first half of the year in the equity lending segment, it is clear that demand for ETFs continues to increase. With the transfer of investment from active

to passive management, ETFs are increasingly liquid and becoming a mainstream asset class for use as collateral.

We have also seen the return of 'special situations' which have helped generate extra performance for those funds invested in the right securities during the second quarter of 2021. Last year there was limited external growth due to the economic context and uncertainty around corporate cash flows.

In 2021 we see more corporate actions (M&A, stock buyback, IPO, right issues, convertible bonds) and also more scrip dividends. Notwithstanding a good start to the year, February was marked by a deleveraging of hedge funds with historical low short positions on special names.

On the fixed income side, debt buybacks by central banks over recent months have dried up the funding market. Taking the impact of regulatory and balance sheet constraints into account, the result is a market that is less efficient with reduced liquidity.

There are more trading opportunities in triparty structures due to the need to manage increasing volumes, but financing levels remain very low on account of there being too much cash in the market.

How this plays out over the remainder of the year will depend on how the global economy recovers

from the impact of the pandemic and specifically the movement of inflation rates. We have seen some signs of inflation returning, which would of course mean the end of very low or negative interest rates and therefore higher spreads, benefitting fixed income activity.

Key topics

More than ever, ESG is the subject of extensive discussion in the securities lending space as investors seek to invest in sustainable products and to be reassured on the investments they are considering.

We believe that securities lending can meet both lenders' and borrowers' specific ESG criteria as long as a strong set of conduct rules are in place. We have held discussions with all market participants and taken part in many roundtables in order to help the industry establish a robust set of sustainability principles for securities lending, the key components of which can be summarised as follows:

- Transparency and ethics
- Service provider selection
- Borrower selection
- Collateral selection
- Voting rights and general meetings attendance

It is important to be transparent throughout the securities lending process, providing dedicated activity reports (positions, collateral received), benchmark reporting, and analysis of

the liquidity versus risk approach to securities lending.

For borrower selection, a strict counterparty approval policy based on quantitative and qualitative criteria is vital. When it comes to selecting collateral, lending clients should have the option to exclude securities that do not fit with their ESG policy.

On the question of recalling securities during AGM periods, a recall option enables lenders to vote on resolutions. Another possibility is to set up a quota system of stocks to be recalled - also known as 'buffers'.

We believe that industry players have a responsibility to contribute to greater understanding and transparency of securities lending as there are misconceptions that can become accepted as fact and have a negative impact on beneficial owners' decisions to pursue lending activity.

Perhaps the most damaging misconception is that securities lending encourages speculative behaviour and aggressive short-selling. Securities lending is essential for the proper functioning of financial markets as it makes it possible to cover pending or short sales when the latter are authorised and to structure indices or hedging products for investors.

However, we also recognise that management strategies – regardless of how beneficial they may be for the future - cannot be the cause of market disruption by drying up securities lending inventories.

In terms of regulations

We also feel that steps need to be taken to optimise the efficiency of SFTR reporting. SFTR is the last piece of the OTC product puzzle for trade repository declarations and is an obligation for daily reporting of transactions, associated events, their valuations and collateral exchange.

It imposes major reporting commitments and, even when the lending agent is able to carry a major share of this burden, clients will need

to monitor the quality of reporting. SFTR reporting is well established for funds but the onus is on all players to make progress on the collateral reconciliation rate.

CSDR regulation is the next big topic for beneficial owners where the lending industry will have an important role to play. We expect the second phase of the regulation to encourage market participants to borrow securities in order to avoid compulsory repurchase proceedings if settlement/delivery is suspended, which could generate significant negative impacts on their performance.

Technology

Digitising and optimising our tools is an important part of this process, allowing us to rapidly structure and make operational data available to clients. These technological levers (and the flexibility of our structure) make it possible to respond to increasing volumes of requests from clients around the transactions negotiated and best practice processes relating to issues such as ESG.

Our management information system is already helping resolve pending settlement transactions, enabling clients to operate more efficiently and get a head start on upcoming regulation. The growing impact of technology cannot be denied and requires firms to optimise trading tools to keep up with increasingly complex trading activity such as cross-asset structures.

Maximising revenues for our clients is the main purpose of our activity, which implies a strong responsiveness to different market movements through a proactive rerate strategy; optimised communication with clients regarding corporate actions elections; collecting the data needed to establish prices; and offering solutions to customers seeking greater customisation.

Reconciling standardisation of many market processes (SFTR, CSDR)

with customised client requests that involve constant IT developments is a challenge.

Where next?

Looking further ahead, there are a number of developments that will affect securities lending over the coming years.

Product life cycles are getting shorter and the market is now mature. From a trading point of view, we expect to see a continual increase in the supply of lenders looking - in an environment of low interest rates - to maximise their inventories and benefit from returns, although overall these returns have been down for all asset classes combined for some time.

The industry is facing standardisation on the trading side due to current regulations and stronger risk approaches following the last financial crisis, which will make it increasingly difficult to innovate in terms of products.

Spreads have been under pressure for quite some time and the interventions during the coronavirus crisis make us think that this situation will not change any time soon. However, in a very competitive environment we need to find new paths of growth for our beneficial owners.

One of the ways in which we hope to achieve this is by optimising tools and processes through greater digitisation. With more flow to manage as spreads tighten, service provider tools need to be more efficient and we will continue to focus on the use of new technologies.

It will also be important to ensure that our organisation remains client-oriented in order to anticipate and support their needs and address any constraints they face. Client interaction has increased considerably despite lockdown restrictions – one of the positive developments to emerge from what has been a challenging time for everyone in the industry. ■

A voluntary solution for mandatory events – CoacsConnect by Pirum

Scott Brown, Director, Business Development



Lights, Corporate, Action!

Perhaps I have missed my vocation with all the word play, or perhaps my time on the Sun newspaper pun desk is still to come. Either way, in 2021 the spotlight is officially on corporate event processing and now is the time to take action.

Many areas of capital markets have seen seismic changes to processing standards, much of which has been driven by regulation, but some areas have been ‘reupholstered’ for the specific purpose of bringing them up to date. Corporate Actions processing spans both scenarios. Securities Finance Transaction Reporting (SFTR) in Europe has helped improve the accuracy of stock outturn bookings and firms such as Pirum have listened to its clients and looked to use technology to bring about fresh tools to enhance processing.

As with most things, it is easy to speak in broad terms, but it is the detail that you must seek to get to the

real story. Corporate Actions is a huge area that incorporates a large number of actors and much complexity. Some events have a financial impact on the shareholders, some directly impact liquidity, and some have no direct financial impact at all.

Before we go any further, let’s take a moment to define what a corporate action is. A corporate action is any event initiated by a company that changes its capital structure or financial condition, and thus impacts its shareholders. Some events are mandatory: Income processing (dividends and coupons), stock splits, mergers. Some events are voluntary: Rights issues and Buy-backs.

Pirum is not trying to become all things to all actors, and certainly isn’t making that claim. CoacsConnect has been introduced to the market as a thoughtful approach to solving existing challenges where technology can enhance the existing processes. CoacsConnect is another product

from Pirum’s Future Tech Initiative and begins with Income processing as the first phase of delivery. Services have existed in this space for a number of years and have tackled issues that have made it easier for their clients to process events, but what has been missing is a centralised service that brings parties together to share in rich functionality and automation of manual processes. The Income Processing phase covers 100% of claims with 100% of a client’s counterparties. We have centralised the process of claim creation, through to agreement and payment. What this means, is that clients can manage all claims as the issuer or receiver through one channel and bring about process efficiency, greater transparency and a measurable risk and capital reduction. There are no manual touch points in the processing of a matched claim, allowing valuable human resource to focus on exceptions only.

“ A corporate action is any event initiated by a company that changes its capital structure or financial condition, and thus impacts its shareholders. ”

CoacsConnect

Corporate Actions Services



Centralise

A single solution for all claims for all counterparties



Automate

Fully automate your claims from issuance to payment



Reduce Risk

Improve levels of STP with greater transparency and more stringent control, preventing aged payments

For more information

✉ connect@pirum.com

🌐 pirum.com

CoacsConnect provides connectivity between counterparts and enables reconciliations for corporate actions in real-time, allowing for events to be paid and closed on a fully automated basis reducing capital impact and risk to lenders and borrowers. The removal of manual emails and faxes will lead to more efficiency and enable beneficial owners to offer better deadlines for voluntary events.

Connecting with the service is easy and builds on the real-time data exchange we have with our clients today. Pirum's experienced integrations team will handle 90% of the effort for clients to get connected.

Pirum provides a limited cost-free option that allows clients to respond to issued claims, mostly lender driven. We encourage users to start with the limited usage where this complements their operating model, but to consider full-service adoption when looking for a wholesale change to an often-disparate communication approach.

Elon Musk once said that 'technology should be used as a tool allowing employees to focus on value-added activities instead of mundane processes. Technology alone need not be the answer'. My interpretation of his meaning here, is that technology should take away the often boring and repetitive tasks, but often fails to do this on a wholesale basis. If I think about why the securities finance industry has embraced wholesale change or hasn't, it is often the same reason. Coverage. Market leading software and services are nothing without a network of clients. If I am the only firm processing corporate actions in an efficient way, this isn't going to get

“Elon Musk once said that ‘technology should be used as a tool allowing employees to focus on value-added activities instead of mundane processes. Technology alone need not be the answer’.”

me far. In the case of CoacsConnect, we have the hard-earned benefit of leveraging a community of clients that contains almost, if not all, of the major players.

In traditional style, Pirum consulted with clients on where and how we began with our foray into corporate actions processing and it was universally agreed to begin with income processing. Whilst many firms have sound operating models, the tools of communication appear to be the biggest reason for long winded processing.

Pirum has already begun the build for mandatory and voluntary events and with a strong depth of internal practitioner knowledge, coupled with client input, we will endeavor to untangle some of the complexity that exists in this arena.

Improving the efficiency of corporate actions handling can provide firms with a competitive advantage through client service, reduced operational and reputational risk, as well as cutting costs.

Depending on the source you use, my experience is that the write off costs for losses associated with processing errors can run into tens of millions of dollars per year.

When we look at what ISLA, the RMA, ICMA and the broader industry see as the tenets of best

practice, the consistent element that I see is standardisation. This can be interpreted as data shared, the style of communication and the approach to record keeping. These are three areas where Pirum helps, and these are arguably the areas in most need of external assistance. Event data sourcing, tax management and interaction between traders and operations are all key areas that can be solved for internally.

In many of our articles published in the last two years, we have emphasised the importance of choosing a technology partner that has a deep suite of products, one that can extend services to assist the full processing lifecycle and, of equal importance, one that integrates easily with the remainder of your upstream and downstream systems. Choosing your partner(s) carefully and thoughtfully can yield many benefits that should easily outweigh the cost of adoption. For CoacsConnect, a reduction of risk, greatly increased scalability and that of staff productivity all result in a compelling story and bring a measurable ROI. ■

For more information on CoacsConnect or our suite of products, contact **connect@pirum.com** or visit us at **www.pirum.com**

“Improving the efficiency of corporate actions handling can provide firms with a competitive advantage through client service, reduced operational and reputational risk, as well as cutting costs.”

GLOBAL INVESTOR | ISF FOW

SUB-CUSTODY GUIDE 2021

HANDBOOK OF MARKET TRENDS & SUB-CUSTODIAN
PERFORMANCE IN EVERY MAJOR MARKET



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ARGENTINA

Argentina - Domestic - Unweighted	
Citi	5.28

BRAZIL

Brazil - Cross-Border - Unweighted	
BNP Paribas Securities Services	5.29

Brazil - Cross-Border - Weighted	
BNP Paribas Securities Services	4.88

Brazil - Domestic - Unweighted	
Citi	5.17
BNP Paribas Securities Services	5.00
Banco Itau	4.31

A report by PwC Luxembourg and Sura Investment Management found that assets under management in Latin America are expected to grow by 75% to \$5.3 trillion (£3.83 trillion) in 2025 from \$2.4 trillion in 2018. "LatAm is attractive for asset managers as it is not a mature market such as those of North America and Europe, and there is a rising middle class as well as private pension systems in Chile, Peru and Mexico that require asset management services. For institutional investors, the privatisation of infrastructure in this region provides attractive opportunities," commented Fanny Sergent, AWM Partner at PwC Luxembourg during an

interview with Global Investor.

The largest markets in the region – Brazil, Mexico and Chile – will continue to grow following the United States' quantitative easing programme which sees these currencies appreciating against the dollar, according to analysts in the report.

After Peter Hughes, chief executive of Apex Group, told Global Investor about the firm's plans to acquire a Brazilian firm, the fund administrator announced in October it was planning to acquire Banco Modal's alternative fund administration business (MAF). The win brought Apex's assets under administration, custody, depositary and management to over \$1 trillion. The acquisition would also move 75 employees across from the Rio de Janeiro-headquartered firm to Apex, bringing its headcount to above 400 in the Americas. "There is a significant opportunity in Latin America and we have been looking for the right business in Brazil to complement our global service model. MAF is well established in the Brazil fund administration market and is a strong addition to our business, expanding the reach of our single-source model across the Americas and also giving our existing clients direct access to the Brazil market," commented Hughes.

Roberto Paolino, Head of Securities

Services for Brazil at Citi, said: "In recent years, new regulations were implemented in the Brazilian Market and many of them have affected the registration process for nonresident investors. Citi Brazil engaged the Brazilian Association of Financial and Capital Market Institutions' (ANBIMA) custody sub-committee to find solutions to simplify the process.

Paolino added: "As a result, a new qualification model was agreed upon, combining the existing qualifications in the market from the Brazilian Securities and Exchange Commission (CVM), the Brazilian Tax Authority (RFB) and the Common Reporting Standard (CRS). In addition, Citi is providing clients with an industry-leading solution to further simplify the account opening process via our Smart Portfolio Application Form (PAF)."

CANADA

Canada - Cross-Border - Unweighted	
CIBC Mellon	6.61
RBC Investor and Treasury Services	5.48

Canada - Cross-Border - Weighted	
RBC Investor and Treasury Services	5.47
CIBC Mellon	5.21

Canada - Domestic - Unweighted	
CIBC Mellon	5.53
RBC Investor and Treasury Services	5.53

HSBC won in May 2021 a mandate to provide fund administration, transfer agency, custody and depositary services to Connor, Clark & Lunn's (CC&L) first Ireland-registered UCITS umbrella fund.

The firm, one of Canada's largest independent asset management firm, launched its CC&L Q Emerging Markets Equity UCITS Fund and the CC&L Q Global Equity Market Neutral UCITS Fund, targeted at European investors.

Canadian public pension investment manager CPP Investments joined in February the ranks of the main global peer-to-peer securities lending body.

The Global Peer Financing Association (GPFA) welcomed the Canadian fund to the group as it continued to





gain traction in North America.

CN Investment Division, a large single-employer defined benefit pension funds in Canada, joined the GPFA in November.

Scotiabank reappointed in February BNP Paribas as its pan-European local custody provider, offering custody services across 15 European markets, representing €3.5 billion (£3 billion) in assets under custody.

The renewed agreement, which has been in place for almost a decade, enables Scotiabank to leverage BNP Paribas Securities Services' expertise across asset classes, extensive proprietary network and in-depth knowledge of European markets.

Also in February, Euroclear partnered with Toronto-headquartered TMX Group's subsidiaries to develop an automated collateral management service for Canada's capital markets.

The European post-trade firm said the joint service will launch in the second half of 2022 as it is awaiting regulatory approval.

TMX subsidiaries CDS Clearing and Depository Services (CDS), which serves as the equity and fixed income clearing house, and the Canadian Derivatives Clearing Corporation (CDCC) signed a memorandum of understanding with Euroclear to improve interoperability between domestic collateral pools, which would seek to increase li-

quidity and efficient collateral mobility.

Canadian pension funds were buoyed by robust equity markets at the end of 2020, returning 5% for the quarter and closing a volatile year with a 10% gain.

During the final quarter of 2020, global equity markets generated strong returns as investors welcome the relief of further fiscal stimulus and the long-awaited approval of vaccines, according to the Northern Trust Canada Universe.

Katie Pries, president and CEO of Northern Trust Canada, said: "The global pandemic undoubtedly was the focal point over the last year, but 2020 also symbolised a period of leadership, adaptation and resiliency.

"Canadian pension plan sponsors faced the difficult task of navigating through an extraordinary and unpredictable period in history, while safeguarding plan assets for future retirement. This test of resiliency was met with solid performance."

RBC Investor and Treasury Services landed in September last year a custody mandate for Presima's Yield Fund.

The Montreal-headquartered boutique investment manager selected the bank for its custody and investment administration services.

Sylvain Gervais, managing director and co-head, Quebec and Eastern Canada at RBC I&TS, commented: "I am confident our sophisticated technology based solutions and considerable ex-

perience in the market will allow us to provide them with an exemplary level of client service."

CHILE

Chile - Cross-Border - Unweighted

Santander	5.05
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Chile - Cross-Border - Weighted

Santander	5.05
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Chile - Domestic - Unweighted

Citi	5.07
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BNP Paribas Securities Services opened its domestic custody service in Chile in May of 2021. The French bank said the move now contributes to its network across 27 markets. Through the new venture, the bank's asset servicing business provides international and regional investors with access to the Chilean market. The move marks the fourth country added to its Latin America footprint, which includes Brazil, Colombia and Peru. Claudia Calderón, head of BNP Paribas Securities Services in Hispanic Latin America, commented: "We are very pleased to be able to offer our broad portfolio of local custody services in Chile. Opening a new market is further proof of BNP Paribas's commitment to the Latin America region. Our operating model, which has already proven successful in other countries in the region, offers a wide range of opportunities to non-resident investors in Chile."

With the announcement, BNP Paribas Securities Services has become a direct participant of Chile's central securities depository, known as the Depósito Central de Valores, which acts as the tax agent. The bank's services in the country include settlement, safekeeping, corporate actions, proxy voting, cash management and foreign exchange, and regulatory reporting. "As a custodian in the local market, we are very pleased with our new tax agent service for foreign investors, which allows us to make Chile an even more attractive market for all investors," added Javier Jara, legal and corporate issues managers, at Depósito Central de Valores.



Canada's Leader in Sub-custody

2020 GLOBAL INVESTOR/ISF SUB-CUSTODY SURVEY

CIBC Mellon was named best sub-custodian in Canada in the 2020 Global Investor/ISF Sub-custody Survey.

With more than 1,600 professionals exclusively focused on servicing Canadian investors and global investors into Canada, CIBC Mellon can deliver on-the-ground execution, expertise and insights to help clients navigate the Canadian market. Leveraging the technology and scale of BNY Mellon, a global leader in investment servicing, and the local presence of CIBC, one of Canada's leading financial institutions, CIBC Mellon has the experience and the capabilities to help you succeed in Canada.

Canadian custody and sub-custody

Canadian correspondent banking¹

Broker-dealer clearing

Securities lending²

Brokerage¹

Investment fund services

MIS (NEXENSM, STP scorecard, trade match report card)

Data analytics²

¹ Provided by CIBC

² Provided by BNY Mellon

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COLOMBIA

Colombia - Cross-Border - Unweighted	
BNP Paribas Securities Services	5.00

Colombia - Cross-Border - Weighted	
BNP Paribas Securities Services	5.00

Colombia - Domestic - Unweighted	
BNP Paribas Securities Services	6.28
Citi	5.03

MEXICO

Mexico - Cross-Border - Unweighted	
Santander	5.13

Mexico - Cross-Border - Weighted	
Santander	5.13

Mexico - Domestic - Unweighted	
Citi	5.04

BNP Paribas Securities Services announced in 2020 that it had begun operating in Mexico through the bank's existing subsidiary in the region, BNP Paribas Asset Management Mexico. Francisco Hernandez, country head for Mexico at BNP Paribas, commented: "We have been growing our presence in Mexico significantly over the past few years and are delighted to be able to offer local clients new products and solutions. With this new milestone, we are now able to offer our institutional clients a more complete pan-Americas

fund services solution." Since then, the French banking giant's securities services arm has appointed Dennis Bon as head of Americas. He is responsible for driving the bank's services across North and Latin America.

Mexico City-headquartered Banco Monex became the first Latin American bank to offer third-party access to CLS's payment-versus-payment FX settlement service, known as CLSSettlement. Through this announcement, third parties can now mitigate settlement risks and enhance liquidity efficiencies for the Mexico market. Héctor Lagos, chief executive officer at Banco Monex, said: "As a CLSSettlement member for nearly two years, we have benefited from the increased liquidity, reduced settlement risk and greater operational efficiency the service provides. We look forward to facilitating access to CLSSettlement for our clients as third parties and believe this will help to build a more robust FX market in Latin America and globally."

Edmundo Fajardo, Head of Securities Services for Mexico at Citigroup, said: "During the pandemic, we were an active participant with the local market associations to prioritize the need of a sound remote voting structure in the market. These discussions led to the initiation of a market wide project including an operational market development (to be implemented by Indeval as the market agent) to receive, consoli-

date and present the instructions to issuers, and also a change in regulation to allow the hybrid model for voting in Mexico (remote and physical attendance).

Citibanamex also continues to work on different fronts to clarify the tax regulatory definition published back in 2019 granting tax benefits for foreign investors on corporate bonds.

We also led an initiative to create a Securities Lending Committee sponsored by the Mexican Association of Broker Dealers (AMIB), which launched at the end of 2020. The committee's purpose is to review market practices such as Hedge Funds Regulation, Pension Funds, Equities Loans Regulation, Tri-party Collateral Manager Model, and Short Selling Regulation.

PERU

Peru - Domestic - Unweighted	
Citi	4.89

USA

United States - Domestic - Unweighted	
Brown Brothers Harriman	6.80
Citi	6.20
BNP Paribas Securities Services	5.94

The post-trade debate in the world's largest capital market has been dominated in recent months by the prospect of a move from a standard equity settlement cycle of T+2 to T+1, which effectively means trades will have to be settled the day after they are executed.

The discussions started in February after a surge in US equities trading linked to retail investors piling into GameStop shares to thwart hedge funds that had shorted the stock.

US post-trade giant the Depository Trust & Clearing Corporation (DTCC) released in February a two-year roadmap for shortening the settlement cycle for US equities.

The firm highlighted the immediate benefits of transitioning to a T+1 settlement cycle, including a reduction in costs, reduced market risk and lower margin requirements.

Murray Pozmanter, head of clearing



agency services and global business operations at DTCC, said: “The time to settlement equals counterparty risk, which can become elevated during market shocks. It can also lead to the need for higher margin requirements, which are critical to protecting the financial system and investors against a firm default.”

While DTCC does not have the regulatory or legal authority to unilaterally change the settlement cycle, it has taken on the responsibility of driving this initiative forward, similar to the role it played in 2017 to move to T+2.

“We have been working collaboratively with a wide cross section of the industry to build support for further shortening the current settlement cycle over the past year, and we have outlined a plan to increase these efforts to forge consensus on setting a firm date and approach to achieve T+1,” added

Pozmanter.

DTCC estimated that the move to a T+1 framework could bring a 41% reduction in the volatility component of the National Securities Clearing Corporation’s margin.

The DTCC followed the publication of the roadmap by underlining in April the business case for the halving of the US equities settlement standard.

Pozmanter said in April: “Two years ago, the average margin that the National Securities Clearing Corporation (NSCC) was holding was \$6 billion (£4 billion) per day. The average in 2020 was \$13 billion per day, with several periods that spiked over \$30 billion in response to extreme volatility.”

The DTCC man said the move would save the market around \$250 million per day and, during periods of extreme volatility, upwards of \$7 billion per day.

Pozmanter continued: “This would

substantially reduce the burden on the industry in terms of having to post margin with the central counterparty clearing house (CCP), and reduce the period of credit risk that we have from two days to one day.”

The initiative secured in late April the backing of two US trade associations.

The Securities Industry and Financial Markets Association (SIFMA), which represents the US securities industry, and the Investment Company Institute (ICI), which oversees US funds, joined the DTCC in outlining steps to achieve the shorter settlement cycle.

SIFMA president and CEO Kenneth E. Bentsen, said: “A shorter settlement timeframe can benefit investors and market participants by reducing credit, market and liquidity risks and promoting financial stability. Our plan is to fully address the business and operational impacts of the change first, to ensure a smooth transition and avoid any unnecessary market risk.”

The parties said they started discussing T+1 settlement with their members last year and plan to complete by the end of September their analysis of the work required to complete the transition. The trade bodies and the DTCC said they will start work on a timetable for migration in October this year.

The support of SIFMA and ICI is important as they worked with the DTCC on the transition to T+2 from T+3 in 2017.

ICI president and CEO Eric Pan said: “Regulated funds occupy a prominent place at the intersection of trading and settlement as they are the primary source for the daily trading transactions that brokers process. ICI, SIFMA and DTCC led the move to T+2 settlement in 2017, and we look forward to reviving that successful partnership.”



“We have been working collaboratively with a wide cross section of the industry to build support for further shortening the current settlement cycle over the past year.”

Murray Pozmanter, head of clearing agency services and global business operations at DTCC.

URUGUAY

Uruguay - Domestic - Unweighted

Banco Itau	5.29
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VENEZUELA

Venezuela - Domestic - Unweighted

Banco Venezolano de Credito	4.50
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Asia Pacific

AUSTRALIA	49	PAKISTAN	52
BANGLADESH	50	PHILIPPINES	54
CHINA	50	SINGAPORE	54
HONG KONG	50	SOUTH KOREA	54
INDIA	51	SRI LANKA	54
INDONESIA	52	TAIWAN	54
JAPAN	52	THAILAND	54
MALAYSIA	52	VIETNAM	54
NEW ZEALAND	52		



AUSTRALIA

Australia - Cross-Border - Unweighted	
HSBC	5.58
BNP Paribas Securities Services	5.26
Australia - Cross-Border - Weighted	
HSBC	5.58
BNP Paribas Securities Services	3.15
Australia - Domestic - Unweighted	
HSBC	5.08
Citi	5.00

Northern Trust named in June 2021 Angelo (Ange) Calvitto as head of Asia Pacific (APAC), who takes over from William Mak who is retiring from the bank after 11 years.

Peter Cherecwich, president of Corporate & Institutional Services, Northern Trust, commented: "We thank William for his service and leadership and are delighted to name Ange to this important role.

"The Asia-Pacific region is a leading centre for technology innovation, with Singapore as a key hub, particularly for our blockchain initiatives."

Based in Melbourne, Calvitto will be responsible for driving the growth of the asset servicing business for institutional clients.

He joined the Chicago-headquartered bank in 2008, where he most recently served as country head for Northern Trust's business in Australia.

Prior to Northern Trust, he served at

ANZ Custodian Services from 2000 to 2008, and State Street for eight years as well.

"Ange, through his leadership of our business in Australia, has demonstrated his expertise in bringing our solutions to clients and we look forward to seeing him harness his experience across the region and continuing to build on William's successful legacy," added Cherecwich.

Clearstream said in May 2021 it plans to cross-sell its newly acquired fund network Clearstream Fund Centre to the long list of fund execution clients on its Vestima platform, with a focus on key fund centres in the Asia-Pacific such as Australia.

Bernard Tancre, chief executive officer of Clearstream Fund Centre, was speaking after the Deutsche Boerse-owned post-trade firm paid in May CHF 390 million (£308 million) for the 49% of the fund network it did not already own.

The 100% ownership of Clearstream Fund Centre effectively fires the starting pistol on the next phase of Clearstream's fund distribution strategy which Tancre said will involve pitching the Fund Centre's distribution capabilities to firms using the Clearstream Vestima fund execution hub.

Tancre said: "We want to cross-sell the new product and its capabilities to the distributors that we have on the Vestima platform. Currently, we have about €300 billion (£260 billion)

under distribution in agreements with Clearstream Fund Centre, and we have about €3 trillion on the execution and custody side of the business. So, we have the opportunity to tap into the €3 trillion reservoir."

Tancre said he wanted to increase dramatically the volumes of business passing through the platform by matching fund distributors to fund providers.

Clearstream chief executive Philippe Seyll said the acquisition of Clearstream Fund Centre was strategically important as it boosted the firm's distribution assets to complement its already dominant position in fund execution with Vestima.

Tancre said: "If we look at the Pacific region, which is mostly Australia, we made an acquisition there a couple of years ago: Ausmaq, now Clearstream Australia. It focuses on the execution side though there is also significant data business there. We are also looking at that market for the distribution product. It is a market in transition, but we do see some demand for funds distribution services over there."

Northern Trust won in January a mandate from Australia-based, First Sentier Investors (FSI), following a sought-after tender process, according to the bank.

The Chicago-headquartered custody bank secured the mandate to provide middle office outsourcing services to support the asset manager's strategic objectives.

The bank did not disclose how many financial institutions were involved in the bid.

Formerly owned by the Commonwealth Bank of Australia, FSI was acquired by Mitsubishi UFJ Financial Group in August 2019.

Rob Scott, chief operating officer of FSI, commented: "Northern Trust's ability to provide a single global middle office service utilising a single scalable technology infrastructure were key factors in our decision.

"The cultural fit with FSI was also a factor in the decision-making process. This has already played an important role in the partnership as we have transitioned on to Northern Trust's service model."



BANGLADESH**Bangladesh - Domestic - Unweighted**

Standard Chartered	4.67
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CHINA**China - Cross-Border - Unweighted**

BNP Paribas Securities Services	6.68
Standard Chartered	5.20

China - Cross-Border - Weighted

BNP Paribas Securities Services	5.31
Standard Chartered	5.20

China - Domestic - Unweighted

HSBC	5.63
Standard Chartered	4.81
Industrial and Commercial Bank of China	4.59
Bank of China	4.00
China Construction Bank	3.83

Derivatives trade body FIA backed in May China's proposed Futures Law, suggesting the legislative change will "help to develop a more robust and liquid futures market for both Chinese and international customers".

The international trade body published its response to the consultation on the proposed law launched by China's National People's Congress on April 29.

FIA welcomed the proposed law because it will offer the critical legal protections the trade body believes are limiting international participation in the vast Chinese onshore markets.

FIA President and CEO Walt Lukken said in a statement: "FIA is pleased to support the draft Futures Law, which will provide a critical legal foundation for the continued growth of these global markets and their participants."

Lukken added: "The draft Futures Law contains important legal protections and requirements that are needed for the resilience and integrity of these markets, including the finality of futures transactions and enforceability of close-out netting."

The trade body cited in its consultation letter four specific measures that will help address FIA member concerns about trading in China: Finality of Futures Transactions; Client Clearing for

Futures Transactions; Central Clearing of OTC Derivatives Transactions; and the Introduction of Substituted Compliance between Chinese regions.

The Finality of Futures trades was a key issue for the FIA.

The trade association said in its statement: "FIA strongly supports the introduction of a statutory settlement finality concept in the Futures Law, but seeks clarification on settlement/clearing finality, default management measures, impact of bankruptcy, and the bankruptcy of a futures clearing institution."

A lawyer told a panel in early May provisions in China's draft Futures Law around netting and collateral regime should bring certainty to foreign participants.

ISDA, the swap's trade body, said in May the Futures Law includes a "seminal milestone" on close-out netting that will remove a major barrier to international participation in the country's derivatives markets.

Recent QFII changes have seen the quota control mechanism abolished, the QFII/RQFII schemes merged, free fund injection and repatriation and simplified QFII application requirements.

Allowing alternative investment fund managers to apply for a QFII license has resulted in more financial instruments being made available. As such, foreign investors can use one license to access the China A-shares Market, In-



ter-Bank Bond Market (CIBM), Financial Futures and Commodity Futures Market; participate in IPOs, securities lending/margin trading; as well as subscribe to private placements funds.

Vicky Tsai, Head of Securities Services, China at Citi, said: "Citi China was one of the few custodians to support QFII securities lending and margin trading on day one with systems in place to support various reporting requirement on the new financial instruments. These developments paved the way for FTSE Russel to announce Chinese government bond inclusion which is due to take place this October, which in turn has attracted huge capital inflow to the CIBM. Our market advocacy journey continues through our closed-door meetings with regulators and through our arranging an annual regulatory tour for foreign investors both in-person and virtually, with the aim of improving market efficiency and further internationalization."

HONG KONG**Hong Kong SAR - Cross-Border - Unweighted**

Deutsche Bank AG	6.33
BNP Paribas Securities Services	5.98
Standard Chartered	5.28
JPMorgan	5.00

Hong Kong SAR - Cross-Border - Weighted

BNP Paribas Securities Services	5.97
Standard Chartered	5.28
Deutsche Bank AG	3.80
JPMorgan	3.00

Hong Kong SAR - Domestic - Unweighted

BNP Paribas Securities Services	6.72
Deutsche Bank AG	6.55
HSBC	5.31
Standard Chartered	4.69

Hong Kong Exchanges and Clearing (HKEX) welcomed in June the first group of participants to join the pilot programme for its Synapse platform, the group's new Stock Connect settlement acceleration service. The pilot will see market participants, including asset managers, brokers, custodians and clearing houses take part in workshops and testing of Synapse, the Asian

exchange group said.

The aim is to allow the market to familiarise itself with the platform and understand how their own settlement operations infrastructure can efficiently integrate within the Synapse environment.

Glenda So, head of post-trade at HKEX, said: "This is another key development in optimising the two way flow of capital between HKEX and our Mainland exchange partners, through Stock Connect.

"The launch of HKEX Synapse will significantly improve connectivity for global investors, enhancing their post-trade capacity and their ability to handle the significant trading volumes now flowing through Stock Connect."

The launch of Synapse is targeted for 2022.

The platform was first announced in November 2020, when HKEX said it hoped 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.

In the first quarter of 2021, Stock Connect's Northbound and Southbound average daily turnover reached record quarterly highs of RMB126.8 billion and \$60.8 billion respectively.

Using DAML smart contracts, HKEX

Synapse will standardise and streamline the post-trade workflows of Northbound Stock Connect, therefore maximising efficiencies for market participants in a transparent, secure and reliable manner, the exchange group said.

DAML is a type of programming language used to build smart contracts, which is a computer programme or transaction protocol that is intended to automatically execute, control or document relevant events and actions.

So concluded: "We would like to thank each of the pilot participants for their support in the development of HKEX Synapse, and we look forward to continuing to work closely with them, and the market as we drive this latest innovation forward."

Edward Tse, Head of Direct Custody and Clearing Hong Kong at Citi, said: "Hong Kong has benefited from the early recovery of China as well as factors such as the inclusion and increased weighting of China assets in global indexes. These factors have led to an expansion of foreign interest and capital into the Mainland market via Hong Kong. There is continued investment in the local market infrastructure to automate and streamline the China Connect channels and Citi has been exploring and developing solutions to help keep clients one step ahead."

Tse added: "In 2020 Citi launched CCASS Real Time technology that uses bots to provide real-time processing for trades matching and settlement. This technology allows clients to comply with the Stock Connect tight turnaround requirements in terms of instructions."

The new chief executive of Hong Kong Exchanges and Clearing outlined in June three key opportunities for the Asian exchange group, citing links with China, biotech and sustainable investing as priorities.

Nicolas Aguzin said he has spent the past month talking to staff and has identified three themes to guide the group as it moves forward under his leadership.

The HKEX chief said cross-border capital flows between China and the international markets will increase as China continues to open up, which presents a long-term opportunity for his firm.

Aguzin said in a statement to mark the 21st anniversary of HKEX listing its shares: "HKEX is perfectly placed through its Connect programmes, and its close partnership with Mainland exchanges, to support this expected exponential increase in volumes and flow. HKEX must continue to strengthen its international competitiveness and relevance to Mainland China by bringing more diversified products and risk-management tools to the market, while serving the growing appetites of Mainland investors and international investors alike."

INDIA

India - Cross-Border - Unweighted

Société Générale Securities Services	6.46
Standard Chartered	5.28

India - Cross-Border - Weighted

Standard Chartered	5.28
Société Générale Securities Services	4.74

India - Domestic - Unweighted

BNP Paribas Securities Services	6.91
Société Générale Securities Services	6.39
Citi	5.56
HSBC	5.24



INDONESIA

Indonesia - Cross-Border - Unweighted	
Standard Chartered	5.18
Indonesia - Cross-Border - Weighted	
Standard Chartered	5.17
Indonesia - Domestic - Unweighted	
Citi	5.47
Standard Chartered	4.98

JAPAN

Japan - Cross-Border - Unweighted	
Mizuho Bank Ltd	6.98
Japan - Cross-Border - Weighted	
Mizuho Bank Ltd	7.30
Japan - Domestic - Unweighted	
Mizuho Bank Ltd	4.92
Sumitomo Mitsui Banking Corporation	4.70

In September of last year, fintech Torstone partnered with Tosho Computer Systems, a Japanese provider of financial services hosting, to facilitate the connection to the country's central securities depository and the Japanese Securities Depository Center (Jasdec). The fintech said that a global investment bank which operates heavily in Japan was live with the firm's cloud-based platform.

The connectivity to Jasdec marked the completion of a "full post-trade lifecycle solution" to foreign and domestic brokers in Japan, according to Torstone. Mack Gill, COO of Torstone, said: "Market participants in Japan are increasingly faced with regulatory and cost pressures, leading to post-trade processing challenges. We see rising demand for new, agile cloud-based technology, while at the same time emphasis continues to be placed on local market expertise."

Brussels-based international central securities depository (ICSD), Euroclear Bank, developed a new asset class with the Japanese capital market, dubbed the origami bond. These are foreign currency denominated Japanese local bonds that are issued by domestic market participants. These are then dis-

tributed and settled within Euroclear Bank. "We are very excited by the level of interest that we have seen in the Origami bond roll out. Our extensive experience in Japan has deepened our understanding of ways to deliver new and innovative services to benefit the market," said Valerie Urbain, CEO of Euroclear Bank. The Origami bond will give Japanese issuers greater exposure to foreign investors, leading to greater liquidity pools and improved cost efficiencies.

MALAYSIA

Malaysia - Cross-Border - Unweighted	
Standard Chartered	5.20
Malaysia - Cross-Border - Weighted	
Standard Chartered	5.20
Malaysia - Domestic - Unweighted	
HSBC	5.20
Standard Chartered	5.04

Bursa Malaysia, which owns and operates the country's central depository system (CDS), added a new feature to its mobile app in June of 2020 to allow clients to apply online for CDS services accounts and register for e-Dividends via the app. The move enhances its capabilities to service clients remotely after the pandemic required entities to provide services without the need to physically visit brokers.

The exchange also extended its intraday short selling and intraday short selling by proprietary day traders ban until the end of August. The move was said to boost control and market stability. The securities regulator in Malaysia, the Securities Commission Malaysia, alongside Bursa Malaysia also told investors to remain cautious when participating in online chatrooms that promote specific stock trading in light of price surges that occurred for certain US stocks in February 2021, such as GameStop.

Deutsche Bank's securities services arm partnered with Singapore-based fintech Hashstacs in May to use distributed ledger technology to streamline the processing of digital assets and



sustainability-linked bonds. Bursa Malaysia was one of the first companies to test the new collaboration. Deutsche Bank also strengthened its team in the country when it appointed Gerard Ang and Richard Lim as chief executive officer of Deutsche Trustee Malaysia Berhad, and head of domestic sales for Malaysia, respectively.

NEW ZEALAND

New Zealand - Cross-Border - Unweighted	
BNP Paribas Securities Services	5.70
HSBC	5.38
New Zealand - Cross-Border - Weighted	
HSBC	5.38
BNP Paribas Securities Services	3.42
New Zealand - Domestic - Unweighted	
HSBC	5.08
BNP Paribas Securities Services	4.63

PAKISTAN

Pakistan - Cross-Border - Unweighted	
Standard Chartered	5.18
Pakistan - Cross-Border - Weighted	
Standard Chartered	5.17
Pakistan - Domestic - Unweighted	
Standard Chartered	4.38



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we work side by side with you as your committed
financial services partner to deliver a world
of opportunity.

MIZUHO

PHILIPPINES

Philippines - Cross-Border - Unweighted	
Standard Chartered	5.18

Philippines - Cross-Border - Weighted	
Standard Chartered	5.17

Philippines - Domestic - Unweighted	
Deutsche Bank AG	5.20
HSBC	5.06
Standard Chartered	5.02
Citi	5.00

SINGAPORE

Singapore - Cross-Border - Unweighted	
BNP Paribas Securities Services	5.33
Standard Chartered	5.20

Singapore - Cross-Border - Weighted	
BNP Paribas Securities Services	5.33
Standard Chartered	5.20

Singapore - Domestic - Unweighted	
HSBC	5.06
DBS Bank Ltd	4.92
Standard Chartered	4.89
BNP Paribas Securities Services	4.53

After announcing that it was expanding aggressively into Asia and moving the heart of the business to the continent during its first quarter earnings call, HSBC appointed Noor Adhami as head of securities services for Singapore, effective February 1. Adhami has been at the bank since 2004, and previously served as regional head of global liquidity and cash management for the Middle East and North Africa, and Turkey.

Commenting on her appointment, Brian Godins, head of securities services Asia Pacific said: "Singapore is a key market for Securities Services and plays an influential role in our broader ASEAN strategy. Noor's passion, experience and expertise across wholesale and transactional banking, and Noor's focus on embracing innovation and the digital agenda, will enable us to refine our strategy in the region to capture new business opportunities and build on our strong momentum."

Noel Quinn, chief executive of HSBC, said that the bank would capitalise on the advantage it has in Asia, whilst also continuing to cut its headcount throughout the year. "Global Banking and Market (GB&M) will retain the capacity to serve clients globally but we will invest in the markets that set us apart whilst also moving the heart of the business to Asia, including leadership. We'll spend around \$800 million (£568 million) in GB&M in Asia to build better digital market platforms to support our wealth strategy, to build better market access and execution capabilities for our wholesale clients, and to expand our investment banking coverage across Asia," said Quinn.

In November, the Singapore Exchange's Central Depository (CPD) offer its clients real-time oversight and enhanced authorisation capabilities with the implementation of a software developed by GovTech and dubbed SingPass. It will facilitate the signing of transactions that require a high level of security. The offering was added to the CDP's online services.

The announcement comes as the Singapore Exchange plans to bring all CDP customers online in 2021, a move that supports its 'CDP Goes Digital' Initiative. Kwok Quek Sin, senior director of National Digital Identity, added: "Our partnership with SGX offers CDP customers better convenience and security while transacting online. Transaction signing with SingPass, as with the other National Digital Identity initiatives, is a significant step towards helping businesses develop value-added digital services to serve their customers better."

SOUTH KOREA

South Korea - Cross-Border - Unweighted	
Standard Chartered	5.18

South Korea - Cross-Border - Weighted	
Standard Chartered	5.17

South Korea - Domestic - Unweighted	
Citi	5.42
HSBC	5.28

SRI LANKA

Sri Lanka - Domestic - Unweighted	
HSBC	4.88

TAIWAN

Taiwan - Domestic - Unweighted	
HSBC	5.17
Bank of Taiwan	5.09
Standard Chartered	5.09
JPMorgan	4.85

THAILAND

Thailand - Domestic - Unweighted	
HSBC	5.39

VIETNAM

Vietnam - Cross-Border - Unweighted	
Standard Chartered	5.20

Vietnam - Cross-Border - Weighted	
Standard Chartered	5.20

Vietnam - Domestic - Unweighted	
HSBC	5.19



Europe

AUSTRIA	56	LITHUANIA	59
BELGIUM	56	LUXEMBOURG	59
BULGARIA	56	NETHERLANDS	59
CROATIA	56	NORWAY	59
CYPRUS	56	POLAND	59
CZECH REPUBLIC	57	PORTUGAL	60
DENMARK	57	ROMANIA	60
ESTONIA	57	RUSSIA	60
FINLAND	57	SERBIA	60
FRANCE	57	SLOVAKIA	60
GERMANY	58	SLOVENIA	60
GREECE	58	SPAIN	61
HUNGARY	58	SWEDEN	61
ICELAND	58	SWITZERLAND	61
IRELAND	58	TURKEY	61
ITALY	59	UKRAINE	61
LATVIA	59	UNITED KINGDOM	61

AUSTRIA

Austria - Cross-Border - Unweighted	
UniCredit	4.98

Austria - Cross-Border - Weighted	
UniCredit	4.97

Austria - Domestic - Unweighted	
UniCredit	6.21
BNP Paribas Securities Services	6.17
Deutsche Bank AG	5.46
Raiffeisen Bank International	5.14

Austria was in the news early in 2020 for imposing a short selling ban, like many of its European peers such as France, Belgium and Spain.

HSBC Global Asset Management (HSBC GAM) named in September Philip Kneuppel as head of exchange-traded fund (ETF) sales for Germany, Austria and Switzerland (DACH).

In the newly created role, he is based in Frankfurt and is responsible for expanding the bank's ETF platform, as well as driving sales across the DACH region.

He reports to Olga De Tapia, global head of ETF sales.

Prior to joining HSBC GAM, Kneuppel served at Deutsche Bank's asset management arm, DWS, for just over 10 years in multiple senior positions.

Between 2017-2020, he was head key account, Deutsche Bank Wealth Management, for Europe, the Middle East and Africa, as well as for Asia Pacific.

Before that role, he served as head of passive investments for Switzerland, Austria, Central Europe, Israel and the Middle East at DWS.

Scotiabank reappointed in February 2021 BNP Paribas as its pan-European local custody provider, where it offers custody services across 15 European markets including Austria, representing €3.5 billion (£3 billion) in assets under custody.

The renewed agreement, which has been in place for almost a decade, enables Scotiabank to leverage BNP Paribas Securities Services' expertise across asset classes, extensive proprietary network and in-depth knowledge of European markets.

Loretta Marcoccia, executive vice president and COO of global banking and markets at Scotiabank, said: "BNP Paribas Securities Services has been a strong partner for nearly a decade and this mandate recognises the confidence we have in their ability to provide quality service."

"We are pleased to continue to work together to support Scotiabank's business and to provide our clients with access to European markets."

The mandate covers Austria, Belgium, Cyprus, France, Germany, Greece, Hungary, Ireland, Italy, the Netherlands, Poland, Portugal, Spain, Switzerland and the UK.

Across the 15 markets, there is a combined €3.5 billion (£3 billion) in assets under custody.

Bruno Campenon, global head of financial intermediaries at BNP Paribas Securities Services, added: "This mandate highlights our ability to combine our market connectivity with our local on-the-ground expertise for the benefits of our clients."

Headquartered in Canada, Scotiabank has a team of over 90,000 employees and holds around \$1.1 trillion in assets.

Collateral and margin management firm CloudMargin said in April it is taking the next step in its geographical expansion programme with a sales drive in Europe's DACH region covering Germany, Austria, Switzerland and Central Europe. To lead the initiative, the London-based fintech appointed Martin Heraghty as sales director for the region.

BELGIUM

Belgium - Cross-Border - Unweighted	
BNP Paribas Securities Services	5.75

Belgium - Cross-Border - Weighted	
BNP Paribas Securities Services	5.75

Belgium - Domestic - Unweighted	
BNP Paribas Securities Services	5.47
Deutsche Bank AG	5.40

BULGARIA

Bulgaria - Domestic - Unweighted	
Eurobank	5.63
Citi	5.21

CROATIA

Croatia - Cross-Border - Unweighted	
OTP banka d.d.	6.91

Croatia - Cross-Border - Weighted	
OTP banka d.d.	4.14

Croatia - Domestic - Unweighted	
Privredna Banka Zagreb d.d.	6.88
OTP banka d.d.	6.35
UniCredit	5.00

CYPRUS

Cyprus - Cross-Border - Unweighted	
BNP Paribas Securities Services	6.57

Cyprus - Cross-Border - Weighted	
BNP Paribas Securities Services	5.17

Cyprus - Domestic - Unweighted	
BNP Paribas Securities Services	5.13





CZECH REPUBLIC

Czech Republic - Cross-Border - Unweighted

Raiffeisen Bank International	5.23
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Czech Republic - Cross-Border - Weighted

Raiffeisen Bank International	5.22
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Czech Republic - Domestic - Unweighted

UniCredit	6.49
Citi	5.11

DENMARK

Denmark - Cross-Border - Unweighted

SEB	5.70
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Denmark - Cross-Border - Weighted

SEB	5.70
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Denmark - Domestic - Unweighted

SEB	5.18
Nordea Bank	4.33

ESTONIA

Estonia - Domestic - Unweighted

Swedbank	4.69
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FINLAND

Finland - Cross-Border - Unweighted

SEB	5.71
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Finland - Cross-Border - Weighted

SEB	5.71
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Finland - Domestic - Unweighted

Nordea Bank	5.00
SEB	5.00



FRANCE

France - Cross-Border - Unweighted

Euroclear	5.60
BNP Paribas Securities Services	5.51

France - Cross-Border - Weighted

Euroclear	4.48
BNP Paribas Securities Services	4.42

France - Domestic - Unweighted

Euroclear	6.10
BNP Paribas Securities Services	5.39
Deutsche Bank AG	5.30
CACEIS BANK	4.85

In January, London-headquartered clearing house, LCH, expanded the settlement connection for its RepoClear service, including France. Thilo Derenback, head of European custody product at Clearstream, commented: "French and Belgian government debt remain in continued high demand. We are excited that we can offer a broadened settlement proposition for these two new domestic markets. With this development, Clearstream's and LCH's clients can take advantage of the operational benefits of bundling their settlement flows with us."

Members can now settle Belgian and French government bonds at Clear-

stream Banking Frankfurt, Spanish government bonds at Euroclear France, and French and German government bonds at BME-owned Iberclear. Corentine Poilvet-Clediere, head of RepoClear, collateral and liquidity at LCH SA, said: "As an open access clearing house, an important part of LCH's role is to support our members' settlement strategies whilst allowing them to benefit from RepoClear's deep and diverse netting pool."

Euroclear central securities depositories (CSDs) launched a shareholder identification services called InvestorInsight. The CSDs involved are Euroclear France, Euroclear Belgium and Euroclear Nederland. The service was established to support those who fall in scope of the European Union's Shareholder Rights Directive II. The cloud-based service was designed for issuers and intermediaries to allow issuers to manage their disclosure requests and receive a full view of their shareholders, through a web solution. "The launch represents an important milestone in fostering direct communication between issuers and their shareholders while bringing increased efficiencies to the market," commented Isabelle Delorme, chief business officer of the CSDs.



GERMANY

Germany - Cross-Border - Unweighted

BNP Paribas Securities Services	6.50
Deutsche Bank AG	5.48

Germany - Cross-Border - Weighted

Deutsche Bank AG	4.24
BNP Paribas Securities Services	3.90

Germany - Domestic - Unweighted

BNP Paribas Securities Services	6.12
Deutsche Bank AG	5.64

BNP Paribas Asset Management partnered in May 2021 with non-profit organisation CDP to launch a corporate reporting framework focused on biodiversity.

The French bank said it was backing a project to be developed by CDP to establish global reporting metrics to bolster environmental, social and governance (ESG) activities in the private sector.

Robert-Alexandre Poujade, ESG analyst at BNP Paribas AM, said: "The asset management industry is in urgent need of better data on biodiversity and how it is impacted by capital allocation choices."

Based in the UK, Germany and the US, CDP helps firms, investors, cities, states and regions disclose their environmental impact.

Electronic trading platform and provider of post-trade services MarketAxess completed in late November the

acquisition of Deutsche Boerse's Regulatory Reporting Hub.

The firm purchased the regulatory reporting business through Trax NL, its wholly owned subsidiary in the Netherlands, on November 30.

The acquisition was previously announced in September, as MarketAxess looked to expand and improve its post-trade reporting services across a broader European client base, particularly in Germany, France and the Nordics.

Commenting, Christophe Roupie, head of Europe, the Middle East and Africa and Asia-Pacific at MarketAxess, said: "This acquisition is a firm demonstration of our long-term commitment to building our regulatory reporting infrastructure across Europe."

"It will help us to extend the full front-to-back trade lifecycle services that we offer, from trading and data through to reporting and regulatory compliance."

Caceis, the fund administration business of Credit Agricole, was mandated in September to take over the fund accounting for 16 closed-ended special funds from KGAL Group, a Grünwald-based investment and asset management firm.

The mandate represented €3.6 billion (£3.3 billion) in assets under administration, and the KGAL team in charge of these activities have joined Caceis' business in Munich.

The relationship between the two firms started in 2014 when Caceis was chosen as KGAL's provider of deposi-

tary services.

Thomas Schröder, chief financial officer of KGAL, commented: "We very much appreciate the long-standing and successful partnership with CACEIS as our depositary. Now, we will take it one step further using Caceis' fund administration platform that offers a wide range of services."

HSBC Global Asset Management (HSBC GAM) named in September 2020 Philip Kneuppel as head of exchange-traded fund (ETF) sales for Germany, Austria and Switzerland.

In the newly created role, he is based in Frankfurt and is responsible for expanding the bank's ETF platform, as well as driving sales across the DACH region.

GREECE

Greece - Cross-Border - Unweighted

BNP Paribas Securities Services	6.08
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Greece - Cross-Border - Weighted

BNP Paribas Securities Services	5.15
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Greece - Domestic - Unweighted

BNP Paribas Securities Services	6.42
HSBC	5.44

HUNGARY

Hungary - Cross-Border - Unweighted

UniCredit	6.50
Raiffeisen Bank International	5.33

Hungary - Cross-Border - Weighted

UniCredit	6.50
Raiffeisen Bank International	5.33

Hungary - Domestic - Unweighted

UniCredit	6.00
Citi	5.15

ICELAND

Iceland - Domestic - Unweighted

Landsbankinn hf	5.13
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IRELAND

Ireland - Domestic - Unweighted

BNP Paribas Securities Services	6.45
HSBC	5.18

ITALY

Italy - Cross-Border - Unweighted	
BNP Paribas Securities Services	5.79
Italy - Cross-Border - Weighted	
BNP Paribas Securities Services	4.49
Italy - Domestic - Unweighted	
BNP Paribas Securities Services	5.95
Société Générale Securities Services	4.92

The acquisition of Borsa Italiana Group by Euronext was completed in April 2021 from the London Stock Exchange Group. The deal, worth €4.4 billion (£3.2billion), brought Euronext's revenue over €1 billion according to the group's chief executive, Stéphane Boujnah. "On a pro forma basis we have now crossed the symbolic €1 billion revenue bar, with for 2020 total revenue a total amount of €1.4 billion approximately. Of this total revenue amount, 49% was non-volume related revenue and 26% is generated in post-trade operations. Italy is now the largest revenue contributor with 34% of the 2020 pro forma revenue," said Boujnah during Euronext's first quarter results.

The acquisition is said to bring the group significant capabilities in fixed income trading and enhanced post-trade activities, which includes a multi-asset clearing house and a sizable central securities depository (CSD). "This transaction is financially compelling for shareholders," Boujnah said.

"We expect the acquisition to be mid-single-digit accretive on adjusted EPS (earnings per share) before synergies and double-digit accretive on adjusted EPS after run rate synergies. We expect to achieve a total amount of €60 million of annual run-rate pre-tax synergies by year three, including €45 million of annual run-rate pre-tax revenue synergies," added Boujnah.

LATVIA

Latvia - Domestic - Unweighted	
Swedbank	4.46

LITHUANIA

Lithuania - Domestic - Unweighted	
Swedbank	4.53

LUXEMBOURG

Luxembourg - Cross-Border - Unweighted	
Clearstream	5.85

Luxembourg - Cross-Border - Weighted	
Clearstream	3.51

Luxembourg - Domestic - Unweighted	
Clearstream	5.85
Euroclear	5.00

NETHERLANDS

Netherlands - Domestic - Unweighted	
BNP Paribas Securities Services	5.52
Deutsche Bank AG	5.38

NORWAY

Norway - Cross-Border - Unweighted	
SEB	5.70

Norway - Cross-Border - Weighted	
SEB	5.70

Norway - Domestic - Unweighted	
SEB	5.03
Nordea Bank	4.85

POLAND

Poland - Cross-Border - Unweighted	
BNP Paribas Securities Services	5.78
ING	5.19

Poland - Cross-Border - Weighted	
BNP Paribas Securities Services	5.78
ING	5.19

Poland - Domestic - Unweighted	
BNP Paribas Securities Services	6.29

Marek Dietl, the CEO at Warsaw Stock Exchange (GPW), has in the past years been working hard with other exchanges in Central and Eastern Europe to attract international investors to the fast-growing companies across that part of Europe.

Dietl's initiatives have involved neighbours such as the Czech Republic and Hungary, growing economies to the south such as Romania and Croatia, and, more recently, far-flung markets such as Armenia.

The Warsaw-based exchange group sees itself as a regional hub for international investors to access interesting firms from across the vast Central and Eastern sections of Europe.

Dietl said recent efforts have drawn on Poland's experience of being promoted by index firms through the ranks of more advanced economies, the most recent example being the country's promotion to the status of "developed market" by FTSE Russell in September 2018.

The chief executive said in March: "As Poland was upgraded from emerging, to advanced emerging and developed markets, we somehow missed some of our clients so we decided to





“We are already an eastern European hub; we have on our venue Ukrainian companies and Czech companies for example, but we would like to group together companies from frontier markets and offer these to international investors.”

Marek Dietl, CEO at Warsaw Stock Exchange (GPW).

work on what we call the Frontier Markets Board for investors that are interested in assets bearing the country risk of frontier markets such as Ukraine, Georgia or Armenia.”

“We are already an eastern European hub; we have on our venue Ukrainian companies and Czech companies for example, but we would like to group together companies from frontier markets and offer these to international investors. Thus, the investors would have exposure to the risk of non-developed countries, but with the quality of exchange and service from a developed market,” Mr Dietl added.

Scotiabank reappointed in February BNP Paribas as its pan-European local custody provider, offering custody services across 15 European markets including Poland.

Brown Brothers Harriman was hiring in January an operations supervi-

sor to joins its securities lending team in Krakow.

The operations supervisor would manage projects and focus on growing the banks’ client base, while also ensure the firm meets its regulatory requirements, such as the Central Securities Depositories Regulation.

Poland’s Central Securities Depository KDPW launched in July 2020 its trade repository service in line with the Securities Financing Transactions Regulation (SFTR).

The regulation requires mandatory reporting of securities financing transactions (SFT) to trade repositories for all market participants.

Phase 1 of SFTR was due to come into force in April but due to the Covid-19 pandemic, the European Securities and Markets Authority (Esma) delayed its implementation date to coincide with the second phase’s go-

live date.

On May 7 2020, Esma extended the registration of KDPW’s trade repository to include the reporting of transactions under the regulation.

The Polish CSD offers participants the option of meeting regulatory obligations in a single trade repository, a reduction of workload and technology solutions.

PORTUGAL

Portugal - Domestic - Unweighted	
BNP Paribas Securities Services	5.72

ROMANIA

Romania - Cross-Border - Unweighted	
Société Générale Securities Services	6.25

Romania - Cross-Border - Weighted	
Société Générale Securities Services	5.15

Romania - Domestic - Unweighted	
Société Générale Securities Services	6.89
Citi	5.41
UniCredit	5.08

RUSSIA

Russia - Cross-Border - Unweighted	
Société Générale Securities Services	6.41

Russia - Cross-Border - Weighted	
Société Générale Securities Services	4.82

Russia - Domestic - Unweighted	
UniCredit	6.88
Société Générale Securities Services	6.84
Citi	5.17

SERBIA

Serbia - Domestic - Unweighted	
UniCredit	5.25

SLOVAKIA

Slovakia - Domestic - Unweighted	
Citi	5.19

SLOVENIA

Slovenia - Domestic - Unweighted	
UniCredit	6.17



SPAIN

Spain - Cross-Border - Unweighted	
BNP Paribas Securities Services	5.78
BBVA	5.68

Spain - Cross-Border - Weighted	
BBVA	4.52
BNP Paribas Securities Services	4.46

Spain - Domestic - Unweighted	
CACEIS BANK	6.18
Société Générale Securities Services	6.04
BNP Paribas Securities Services	5.78
BBVA	5.03

Swiss exchange SIX said in June it will migrate the Spanish exchange's equities and fixed income markets to new technology.

The Zurich-based exchange said the Spanish exchange Bolsas y Mercados Españoles, which was acquired by the Swiss last year, will transition its equities and fixed income segments to a version of the Swiss exchange's main trading platform.

SIX said in a statement that the BME's equities and fixed income markets will move to the new technology between the end of next year and the middle of 2023, adding: "The scope of the trading platform harmonisation process does not include derivative instruments."

The plan is an early example of harmonisation between the Swiss and Spanish markets after they became part of the same group last year.

Deutsche Bank went live in May with

Proximity digital proxy voting, underlining its commitment to environmental, social and governance (ESG) factors.

The bank invested in the digital investor communications platform in 2020, with it now serving Deutsche Bank clients across ten territories including Spain.

NN Investment Partners (NN IP) believes 2021 will be a 'landmark year' for treasury and government-related green bonds as Italy launched its own issuance and more countries are set to follow suit this year.

The Dutch manager said in March: "Other major European countries like Spain and the UK are also expected to issue inaugural green bond issues this year."

The European Union is set to be the biggest issuer of green bonds globally as it intends to finance a third of its €750 billion EU Next Generation programme with €200 billion of green bonds.

HSBC Global Asset Management further boosted its exchange-traded funds (ETF) sales team in September 2021 by appointing Stefano Caleffi as head of ETF sales for Southern Europe.

Spain's financial regulator, Comisión Nacional del Mercado de Valores (CNMV), found in July that its earlier short selling ban impacted bid-ask spreads, but uncovered no evidence of the effects the bans had on a number of other variables.

The findings were revealed in a research paper published on July 24, which analysed the effects the Spanish short selling bans had on its domestic market between March to May, when the ban was imposed.

SWEDEN

Sweden - Cross-Border - Unweighted	
SEB	5.66

Sweden - Cross-Border - Weighted	
SEB	5.66

Sweden - Domestic - Unweighted	
SEB	5.63
Nordea Bank	5.04

SWITZERLAND

Switzerland - Cross-Border - Unweighted	
Credit Suisse	5.28

Switzerland - Cross-Border - Weighted	
Credit Suisse	5.28

Switzerland - Domestic - Unweighted	
BNP Paribas Securities Services	6.11
Credit Suisse	5.57
UBS AG	5.18

TURKEY

Turkey - Cross-Border - Unweighted	
Deutsche Bank AG	5.66

Turkey - Cross-Border - Weighted	
Deutsche Bank AG	5.66

Turkey - Domestic - Unweighted	
BNP Paribas Securities Services	6.41
Deutsche Bank AG	6.08

UKRAINE

Ukraine - Domestic - Unweighted	
Citi	5.04

UNITED KINGDOM

United Kingdom - Cross-Border - Unweighted	
BNP Paribas Securities Services	6.73
Deutsche Bank AG	6.25
HSBC	5.58
Brown Brothers Harriman	5.13

United Kingdom - Cross-Border - Weighted	
BNP Paribas Securities Services	6.72
Deutsche Bank AG	6.25
Brown Brothers Harriman	5.13
BNY Mellon	5.00

United Kingdom - Domestic - Unweighted	
BNP Paribas Securities Services	6.02
HSBC	5.75
Citi	5.10



Middle East & Africa

BAHRAIN	63	NAMIBIA	65
BOTSWANA	63	NIGERIA	65
CAMEROON	63	OMAN	66
CÔTE D'IVOIRE	63	QATAR	66
EGYPT	63	RWANDA	66
GHANA	63	SAUDI ARABIA	66
ISRAEL	64	SOUTH AFRICA	67
JORDAN	64	TANZANIA	67
KENYA	64	UGANDA	67
KUWAIT	65	UNITED ARAB EMIRATES	67
MAURITIUS	65	ZAMBIA	67
MOROCCO	65	ZIMBABWE	67



BAHRAIN

Bahrain - Domestic - Unweighted	
HSBC	4.84

BOTSWANA

Botswana - Domestic - Unweighted	
Standard Chartered	4.92

CAMEROON

Cameroon - Domestic - Unweighted	
Société Générale Securities Services	4.53

COTE D'IVOIRE

Cote D'Ivoire - Cross-Border - Unweighted	
Société Générale Securities Services	4.95

Cote D'Ivoire - Cross-Border - Weighted	
Société Générale Securities Services	2.97

Cote D'Ivoire - Domestic - Unweighted	
Société Générale Securities Services	5.32
Standard Chartered	4.00

EGYPT

Egypt - Domestic - Unweighted	
HSBC	4.97
Citi	4.79

First Abu Dhabi Bank (FAB) obtained its custody licence from Egypt's Financial Regulatory Authority in February 2021, a move that is necessary for an entity to connect directly to the country's securities depository. FAB is now a member of the country's deposi-

tory, known as Misr for Central Clearing, Depository and Registry (MCDR) which allows it to provide settlement and clearing of trades on the Egyptian Exchange. Kashif Darr, managing director and head of securities services, commented: "FAB has operated in Egypt since 1975 and the addition of Egypt custody services further emphasises our commitment to the market. We will offer domestic investors a full range of world class post-trade solutions, with our direct MCDR connectivity at its core. We will also intermediate international capital flows into this strategic market, as part of our regional direct custody platform," commented Kashif Darr, managing director and head of securities services at FAB.

Fund administration firm, Apex, was appointed by Lorax Capital Partners in October to provide corporate services and fund administration to one of its funds. The Cairo-based private equity firm's fund has a target size of \$250 million (£192 million) and seeks to support the growth of mid-cap companies in Egypt that favour local consumption and production.

Glyn Gibbs, regional head of business development, of the Middle East and North Africa (Mena) at Apex Group, commented: "This appointment is testament to our global reach, assisting them from the very earliest stages of the project, including execution as well as delivering the full benefits of our single-source model utilising our local experts combined with our broad experience of the African private equity

sector. We look forward to supporting LCP to provide flexible fund administration services as they continue in their role as one of Egypt's leading private equity investors."

Mohamed Raafat, Acting Interim Head of Securities Services, Egypt at Citi, said: "Foreign investors' appetite to invest in fixed income instruments in Egypt has increased rapidly in recent years; hence, tax refunds have become one of the most important topics given their strong relation to debt instruments."

Raafat added: "In that context, Citi has been proactively approaching Misr for Central Clearing, Depository and Registry, to process refunds related to government bonds upon approval of the beneficial tax rate by the tax authority and have had remarkable success in attaining refunds since 2020. Citi is also working closely with our clients' tax consultants to facilitate tax reclaims on treasury bills, while continuing to make efforts with the Ministry of Finance to streamline the process."

GHANA

Ghana - Domestic - Unweighted	
Standard Chartered	4.47

Market participants said in November 2020 they hoped Ghana will become the "gateway" to the African repo market once it has finalised its collateral framework.

Before the country's repo market truly takes off, George Asante, managing principal and head of global markets at Absa Group, said that its repo collateral framework must be inclusive of all African currencies.

He said: "Including all African currencies will allow Ghana to truly become a gateway to the continent."

The Bank of Ghana established in late 2019 a set of guidelines to facilitate the short-term trading of government securities between dealers and investors, which were adopted from the 2011 Global Master Repurchase Agreement standard.

"As we build our repo market, there are certain operational things that we need to think about. One of these



things is really defining a world-class collateral framework," he said during the International Capital Market Association's Africa webinar series.

The market still needs to determine what types of collateral will be accepted for a repo transaction and it is yet to decide what margin will be required.

Asante added: "This is something that the market must come together and agree on. My wish is that, when this has been defined, it should not be limited to local currency."

In keeping the collateral scope broad, Asante hopes that other investors on the continent will be attracted to the Ghanaian market.

Ekow Afedzie, acting managing director of the Ghana Stock Exchange (GSE), said in November 2019 the West African nation was planning to engage in securities lending and borrowing.

During his speech at the launch of the Global Master Repurchase Agreement in Accra on November 19, Afedzie stated that the Ghana Fixed Income Market (GFIM) will introduce securities lending to promote the corporate bond market and develop other fixed income securities, such as commercial paper and municipal bonds.

GFIM worked closely with the Bank of Ghana (BoG), the Ministry of Finance, and the Securities and Exchange Commission (SEC) to establish a local credit rating agency in Ghana, he said.

GFIM, established in 2015 by the BoG, GSE, Central Securities Depository Ghana and others, is the market that facilitates the secondary trading of all fixed income securities and other securities.



ISRAEL

Israel - Cross-Border - Unweighted	
Bank Hapoalim	5.18

Israel - Cross-Border - Weighted	
Bank Hapoalim	5.17

Israel - Domestic - Unweighted	
Bank Hapoalim	5.22
Citi	5.00

JORDAN

Jordan - Cross-Border - Unweighted	
Bank of Jordan	5.84

Jordan - Cross-Border - Weighted	
Bank of Jordan	3.50

Jordan - Domestic - Unweighted	
Standard Chartered	4.96

KENYA

Kenya - Domestic - Unweighted	
Standard Chartered	5.13

Shikkoh Malik, head of group fiduciary and fund services at Standard Chartered, said in June 2021 Kenya could emerge as a mature investment market in the next three years,

Speaking to Global Investor, Malik said: "If one looks at the way the markets evolve, then it can be clearly noticed that maturity normally comes on the back of banking and capital markets, followed by the downstream support ecosystem. Kenya is at that level where it has crossed that threshold, hence, it is looking beyond capital mar-



kets to ensure there is maturity across the food chain.

"As per our assessment, one could look at a shorter-term horizon of two to three years for the downstream element of the market to mature and support enhanced activity."

He added that major players in the asset and fund management sector are looking for international standards in terms of service provision and this is why the bank launched its trustee and fund administration services in Kenya.

"Moreover, if the market attracts further international flows and international investments, the growth and evolution could be faster.

"Having said that, keeping Covid-19 and other unforeseen elements in mind, i.e. specific domestic priorities and the way the market is shaped from a socio-political perspective, this could also vary and take longer," added Malik.

Kenya's Central Depository & Settlement Corporation (CDSC) approved in August 2020 two securities borrowing and lending (SBL) agents to operate in the pilot of its new SBL platform, launched this week.

The two agents are Dyer & Blair Investment Bank and Faida Investment Bank, with more to be added as CDSC concludes the approval process.

In a statement, the organisation said it will be conducting SBL pilot phase transactions under the Screen-Basel Model, meaning the lender and borrower are anonymous as the trading requests are captured by CDSC's automated platform.

CDSC is approved by the Kenyan Capital Markets Authority (CMA) to provide automated clearing, delivery and settlement facilities for transactions carried out on the Nairobi Securities Exchange (NSE). It can also hold listed and non-listed securities on behalf of investors.

In 2015, a report from the World Bank recommended the implementation of securities lending and borrowing in Kenya, as well as short selling.

Following the recommendations, the NSE opened its stock market to short sellers as it looked to boost liquidity in

the market, where almost 90% of the 1.6 million share accounts on the exchange are dormant and have not been actively traded in the past two years.

In 2018, Kenyan officials amended market regulations to include short selling and securities lending.

KUWAIT

Kuwait - Domestic - Unweighted	
HSBC	4.63

Kuwait was identified by Bahrain's SICO in November 2019 as one of the key emerging Gulf markets along with Saudi and Egypt.

Speaking at Global Investor's Mena Asset Management and Trading Summit in Dubai, asset managers outlined the potential opportunities in these markets.

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

Sarwar told the delegation: "The MENA stock market over the last three years has seen below average returns,

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

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

Pricing agency S&P Global Platts said in December 2020 it expects the liquefied natural gas (LNG) derivatives market in India and the Middle East to develop along similar lines to Asian markets as trade flows become more global.

"India is pushing to increase the gas usage in its energy mix from 6% to 15% by 2030 in order to create a gas-based economy," said Kenneth Foo, Head of LNG Pricing, Asia, S&P Global Platts.

"It is not just the development of India itself but also the development of the region, because India is just a very short freight route away from Dubai and Kuwait, which are the two other major LNG demand centres."

MAURITIUS

Mauritius - Cross-Border - Unweighted	
Société Générale Securities Services	7.00
Mauritius - Cross-Border - Weighted	
Société Générale Securities Services	4.20
Mauritius - Domestic - Unweighted	
HSBC	4.82

MOROCCO

Morocco - Domestic - Unweighted	
Citi	3.31
Attijariwafa Bank	2.00

NAMIBIA

Namibia - Domestic - Unweighted	
Standard Bank	4.43

NIGERIA

Nigeria - Domestic - Unweighted	
Standard Bank	4.94

Sustainable securities lending body Global PSSSL said in November it had taken aim at emerging markets with the creation of its second focussed workstream.

The new stream, dubbed 'Sustainable Securities Lending and Emerging Markets', is intended to support Global PSSSL in reaching its commitment to become a global market standard that will influence the securities finance market and broader sustainable finance agenda.

Radek Stech, founder and CEO of Global PSSSL, said: "This is an opportunity to embrace fresh and creative ideas that contribute to building unique solutions for sustainable securities lending in those markets."

The stream will be co-chaired by Oluwatoyin Alake and Juanita Taylor.

Alake has been working on the developing securities lending market at the Nigerian Stock Exchange and Juanita, through her role at Standard Bank South Africa, has played a pivotal role in the start-up of securities lending in the Nigerian market.

Juanita is also working closely with other African nations in shaping the framework for securities lending on the continent.

Babatunde Majiyagbe, of Stanbic IBTC Bank in Nigeria, and Roy Zimmerhansl, a securities finance veteran, have also agreed to contribute to the new workstream.

"This approach will enhance the current paradigm in well-established economies through innovation and fresh-thinking," Stech concluded.

Nigeria hit the headlines in May when German asset manager DWS highlighted concerns about a controversy in the West African country relating to recurring spills due to inadequate pipelines, as well as operational spills and spills caused by sabotage.

The firm said that Shell's presence in the country faces human rights risks.



Ben van Beurden, chief executive of Shell, said: "Shareholder support is critical as our business changes and we work towards our target to become a net-zero emissions energy business by 2050, in step with society."

Aderonke Adetoro, Head of Securities Services for Nigeria at Citi, said of more developments in Nigeria: "Proxy voting is currently performed physically at annual general meetings organized by the issuers. The pandemic has brought the need for viable electronic voting to the fore. Electronic voting (e-voting) would benefit foreign as well as local investors. This is a long-term advocacy effort, and Citi Nigeria is championing this initiative under the auspices of the Association of Asset Custodians of Nigeria (AACN)."

Adetoro added: "In conjunction with the Association of Asset Custodians of Nigeria (AACN), Citi Nigeria has worked closely with the CSCS Plc, who is a member of the Association of National Numbering Agencies (ANNA) with the right to assign International Securities Identification Numbers (ISINs) to market instruments, the Central Bank of Nigeria (CBN), the FMDQ Exchange, and the Debt Management Office (DMO) to enhance ISIN numbering for Nigerian T-Bills."

OMAN

Oman - Domestic - Unweighted	
HSBC	4.89

QATAR

Qatar - Cross-Border - Unweighted	
HSBC	5.22

Qatar - Cross-Border - Weighted	
HSBC	5.22

Qatar - Domestic - Unweighted	
HSBC	4.83

RWANDA

Rwanda - Domestic - Unweighted	
Standard Chartered	4.64

SAUDI ARABIA

Saudi Arabia - Cross-Border - Unweighted	
HSBC	5.11

Saudi Arabia - Cross-Border - Weighted	
HSBC	5.11

Saudi Arabia - Domestic - Unweighted	
HSBC	5.14

2021 marked the first securities lending transaction in the Kingdom of Saudi Arabia, with HSBC acting as the custodian and agent lender. As the prime broker for the transaction on behalf of a regional asset owner, the global bank borrowed Saudi Arabian equities for the owner and provided access to the country's equities market for a global institutional investor. "As the borrower of a broad range of Saudi equities from a large regional asset owner, HSBC is providing access to the Saudi market for our global clients. It was the first securities lending transaction in the Saudi market, and represents a key way of further developing and deepening the Kingdom's capital markets, in line with Saudi Vision 2030," said Loic Lebrun, global head of prime finance at HSBC.

At the end of 2020, BNY Mellon partnered with NCB Capital, a Saudi-based asset manager to provide global custody and asset servicing activities for the latter's clients. The new arrangement sees the US bank providing global custody, asset servicing, data and technology services, whilst National Commercial Bank's asset management arm provides local expertise. In July of last year, BNY Mellon received a conditional regulatory approval to open its office in Riyadh to support its alliance with NCB Capital.

US custody bank State Street also ramped up its presence in the country as its long-awaited Riyadh office opened its doors in August 2020. Jorg Ambrosius, head of Europe, Middle East and Africa at State Street, commented: "Saudi Arabia itself is a strategically important country for State Street. Having an office here is absolutely vital for us to fulfil our ambitious growth plans for the region. We are

strong supporters of His Royal Highness Prince Mohammed bin Salman's Vision 2030 strategy, with one of its pillars being that the Kingdom becomes a global investment powerhouse."

Mohamed Kassem, Head of Securities Services for Saudi Arabia at Citi, said: "Driven by "Saudi Arabia Vision 2030," the Kingdom has embarked on a significant economic reform program since early 2016 aiming to diversify its economy and reduce its dependency on petroleum. The initiative encompasses reforming financial markets and improving foreign investor access to Saudi markets. Recently, the development has been extended to the debt market, which has been opened to all investors with no need to obtain Qualified Foreign Investor (QFI) status. Also, the Saudi exchange, Tadawul, has increased the number of listings of local currency sukuk and bond issuances."

Kassem added: "Saudi Arabia's favourable credit record and stable exchange rate, pegged to the US Dollar since 1986, are reflected in the high credit ratings of recent issuances, totaling more than 70 issuances with nominal value of SAR 2.4bn. Separately, the Saudi market is working towards liberalizing market access via offering a variety of investment schemes and instruments to investors and developing the operational infrastructure to keep pace with the most sophisticated industry practices."



SOUTH AFRICA

South Africa - Cross-Border - Unweighted	
RMB	5.28

South Africa - Cross-Border - Weighted	
RMB	5.28

South Africa - Domestic - Unweighted	
Nedbank Limited	6.16
RMB	5.00
Standard Bank	5.00
Standard Chartered	4.51

BNY Mellon and South Africa-based Standard Bank partnered in March of this year to deliver on a custody mandate for South Africa's Government Employees Pension Fund, which manages more than R2 trillion (£95 billion) worth of assets. It has a further 1.2 million active members from 325 government departments with approximately 450 thousand pensioners and other beneficiaries.

Adam Bateman, head of business development for Standard Bank Investor Services, said: "Our partnership with BNY Mellon has allowed us to enhance and grow our investor services business reach in supporting large cross-border asset owners and asset manager mandates such as this." Standard Bank was reappointed by the pension fund to provide different services for its portfolio including investment accounting, mandate compliance monitoring, performance and risk reporting services for GEPIF's listed and unlisted investment portfolios.

Securities lending services were also included in the mandate as a new service. Kenny Fihla, chief executive for corporate and investment banking at Standard Bank, added: "We are pleased to have been re-awarded this contract following a competitive tendering process."

Standard Bank collaborated with another US custody bank in February as it signed a memorandum of understanding with Northern Trust on the launch of a joint transition management service across Southern Africa. The firms' statements said that the Chicago-headquartered bank will provide clients

with full access to its suite of transition management services.

Craig Blackburn, head of transition management for Europe, Middle East, Africa and Asia-Pacific at Northern Trust, commented: "We look forward to partnering with Standard Bank and their clients, to create cost-effective strategies, supplemented with robust project management, to help mitigate these risks. Through the implementation of customised execution strategies, we manage the complexity attached to high volume asset transitions, supporting protection of the economic value of the portfolio."

The project is available to Southern Africa client, but will have a predominant focus on South Africa. "By partnering with a global leader in this space, Standard Bank is further enhancing its transition management offering and strengthening its overall investor services business. Transition management has become an increasingly complex undertaking in recent years, given that more investment managers, stakeholders and strategies are involved in the process," added Charl Bruyns, head of investor services and financial institutions at Standard Bank Group.

Masha Maharaj, Head of Securities Services for South Africa at Citigroup, said: "Citi South Africa is working with Strate, South Africa's Central Securities Depository, as they plan to review their fee structures. The fee rationalization project commenced in 2019 and will likely continue to the end of 2021."

Maharaj added: "In addition, Citi South Africa is working with the South African Reserve Bank to revamp the existing payment system. The new system will be a new generation RTGS solution that will have more functionality such as multicurrency transactions."

TANZANIA

Tanzania - Domestic - Unweighted	
Standard Chartered	4.11

UGANDA

Uganda - Domestic - Unweighted	
Standard Chartered	4.93

UAE

UAE - Cross-Border - Unweighted	
HSBC	5.22

UAE - Cross-Border - Weighted	
HSBC	5.22

UAE - Domestic - Unweighted	
HSBC	5.32

Nasdaq Dubai announced that the value of its Sukuk listings reached \$74.3 billion (£53.65 billion) in November, after Dubai Islamic Bank (DIB) issued a \$1 billion Sukuk. The instrument, which is a Shariah-compliant Islamic financial certificate similar to bonds marked the first issuance for DIB since it acquired Dubai-headquartered Noor Bank which was completed at the start of 2020.

Earlier on in the month, Nasdaq Dubai also announced the listing of a five-year \$600 million Sukuk by the Islamic Corporation for the Development of the Private Sector. The capital raised from the Sukuk will help with the development activities of the firm's 55 countries, including the creation of competition, entrepreneurship, employment opportunities, boosting export capabilities, and encouraging the development of Islamic financing such as debt and equity capital markets.

Northern Trust expanded its team in the Middle East and Africa in September 2020 with the appointments of Justin Miller and Chris Dulieu, as head of relationship management and head of client services, respectively. Both based in Abu Dhabi, Miller oversees the strategic development of the bank's asset servicing relationships in the region, whilst Dulieu oversees clients' custodial, investment accounting, performance and reporting services.

ZAMBIA

Zambia - Domestic - Unweighted	
Standard Chartered	4.18

ZIMBABWE

Zimbabwe - Domestic - Unweighted	
Standard Chartered	4.69

Navigating the digital asset space

Javier Hernani, head of the Spanish stock exchange Bolsas y Mercados Españoles (BME), and head of securities services for the Swiss exchange SIX which bought BME last year, wants to position the two firms at the forefront of the digital asset space.



One of the key challenges in post-trade services for Hernani is the digital environment and analysing how to help clients navigate the digital asset space with safety, efficiency and using the right technology. Subsequently, the Group has unveiled a multitude of projects, including its investment in SIX's digital exchange called SDX. Whilst the exchange was unveiled in 2018 for launch in 2019, it has since been delayed. The exchange is still awaiting regulatory approval for SDX, which is based in Switzerland.

"The Group has a big investment into digital. We have an initiative called SDX and it is focused on the digitalisation of all processes. We are well advanced into trying to bring the benefits of safety and regulation into

the efficiencies, speed and scalability of the digital world, which I think can bring a lot of advantages in the future going forward. For example, the fact that securities can be, to a large extent, dealt with in a blockchain environment as there is no need to move them around the world means that everything can happen in a very safe and controlled environment," Hernani told Global Investor.

After Swiss Group completed the acquisition of its Spanish counterpart in June last year, Hernani was named head of the securities services business in January 2021 and has been focusing on integrating the two businesses, telling Global Investor: "As newly head of securities services, I have been very concentrated on the integration of BME and SIX. This was a big opportunity to make the Spanish and Swiss infrastructures work together as they have different locations and clients, as well as a different reach and set of services."

Another key challenge that Hernani highlights is the severe restructuring that the banking sector is undergoing. He says the negative interest rate environment in the Eurozone places banks in a complex situation. Most of them are looking for improvements, savings and efficiencies in all areas, including the post-trade space.

To further strengthen its offering for clients and place itself as a leader in the digital asset space, BME is planning to issue a digital bond by the end of the year to early 2022. The identity of the issuer was not disclosed but the

exchange told Global Investor that the issuer would be a Spanish company and that the firms taking part in the initiative would also be Spanish.

BME is also taking part in a blockchain-based facility that would initially focus on commercial loans and bonds, but going forward the exchange said it would look into how it can apply this technology in a multi-asset marketplace to provide liquidity and exposure for clients' different assets that can be tokenised. "We want to open the possibility for our customers to invest into different asset classes which may not be correlated to bonds and equities. However, regulation will have to allow for it because we are still in the early days of getting coverage from regulation for everything that is a digital asset or token," adds Hernani.

A second technological initiative for the firm will look to address tax-related services for clients. "Another very important process is our tax services in terms of dealing with withholding tax and tax claims. The digital world will also help us deploy this because it's putting together these two elements, the technology and the service," said Hernani.

The final challenge for post-trade services that Hernani notes is the importance placed on being an international player. He says that local service providers are limited in scope, which is not a good idea from a survival point of view.

SIX acquired in June last year 93.16% of the equity share capital of BME with 77,899,990 BME shares for €2.57 billion (£2.18 billion).

"The internationalisation of our Group is very important for us. We have very international banks as customers and we need to progress in giving them a first-class service in every part of the world. The Group is truly international and one of the main reasons for the merger between SIX and BME was the fact that SIX is a very international company," says Hernani. The Swiss exchange opened its custody business in the United States on July 21. ■



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Ex-BNY Mellon exec Pearce prioritises ESG in new venture

After 20 years at BNY Mellon, **Daron Pearce** has established his own management consultancy firm and plans to drive an active ESG agenda across his projects.

By **Perle Battistella**



Speaking to Global Investor, the former chief executive of asset servicing for Europe, the Middle East and Africa (Emea) at BNY Mellon says: “There are a lot of initiatives underway which are very much driven by the large institutions. However, there are many opportunities to call out areas where there should be stronger collaboration and more collective thinking, and I’m particularly focused on ESG when I say that. I think there are a lot of independent, single corporate initiatives in that space and what we really need is unification and someone reminding all of the various large players that we will better serve the industry and our constituents if we act together. That’s something you will see from me as I progress with my agenda.”

Daron Pearce Associates’ longer-term strategy falls into three areas: responding to former client demands, advisory work for potential acqui-

sitions in the asset servicing space, and thirdly, Pearce plans on being an active board member for institutional investors. Pearce has secured a couple of board positions and is applying for a couple more, but he was not ready to discuss these in more detail. He plans to use his experience and voice to push the ESG agenda forward in the companies he takes a role in.

Pearce waved goodbye to the US custody bank at the end of April and announced his new venture two weeks later. He continues: “We are now just over two weeks since then and I’ve been overwhelmed by the number of offers I’ve had. Some are very exciting and interesting and will lead to aligning myself with other companies.”

Whilst the firm will initially focus across Emea, Pearce says he has good connectivity in the US due to previous roles. Since forming Daron Pearce Associates, he’s been invited by former

clients to take a look at their operational arrangements and see whether areas of improvement can be identified or whether they can get more value from their existing partnerships and servicing provider arrangements. “I felt there was room in the asset servicing and asset management space for a fresh voice. We will focus on advising institutional investors on operational matters, and they can be asset managers, fund managers, sovereign wealth funds, or pensions,” adds Pearce.

With asset owners, Pearce notes that there are opportunities to ensure that they are really getting value from their service providers. With value assessments being a hot topic at the moment, he adds that this is something he can get involved in very easily. On the asset manager side, Pearce comments: “If you look at the smaller asset managers, they haven’t been able to keep up with investments in technology so they are looking for advice on where they could leverage third parties better than they have. That’s thinking about using new technologies, looking at solutions from asset servicers and where they could improve connectivity and integration of their operational infrastructure to streamline.”

In terms of regulatory advice, Pearce said he would get involved depending on the nature of the institution and its setup. “Asset managers are typically well served, as are pension funds. I don’t think it’s an area of specialism for me. As a former CEO of a business, you have a keen eye for regulation but you’re really looking to your legal and compliance departments. I’m sure I might have the odd observation there but it’s not an area of focus.” ■

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