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ISSUE 176 02 May 2017

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State Street, BNY Mellon and BlackRock all suffered disappointing starts to 2017, with securities lending revenue failing to increase

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Collateral liquidity has "deteriorated" due to government bonds being ensnared in stringent collateral reuse and new margin rules

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Attendees of Finadium's Investors in Securities Lending Conference heard how RWA ratings are influencing behaviour, and more

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ISLA's Annual Securities Finance and Collateral Management Conference and other events are going to make for a packed summer

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Saudi Arabia has fired the starting gun on its securities lending and covered short selling markets

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Northern Trust has been appointed to provide securities lending for £6.7 billion in pension fund assets

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The number of equity specials and the fees they generate have fallen significantly. Revenues have been affected as a result

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BNY Mellon's Adam Sporn has joined State Street's enhanced custody business development team for North America

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The new code was also endorsed by the UK's Money Markets Committee, a senior-level forum for market participants and the public authorities.

All UK money market participants have to commit to the principles of the code by 1 January 2018.

ISLA CEO Andy Dyson said: "The code is a principles-based code that will provide a conduct-based framework that market participants will adhere to."

"We fully endorse and support this new code which firms will need to be compliant with from 2018."

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Short sellers remain in the driving seat with Tesla stock after it posted substantial losses in Q1 2017, according to FIS Astec Analytics.

The car manufacturer and alternative energy

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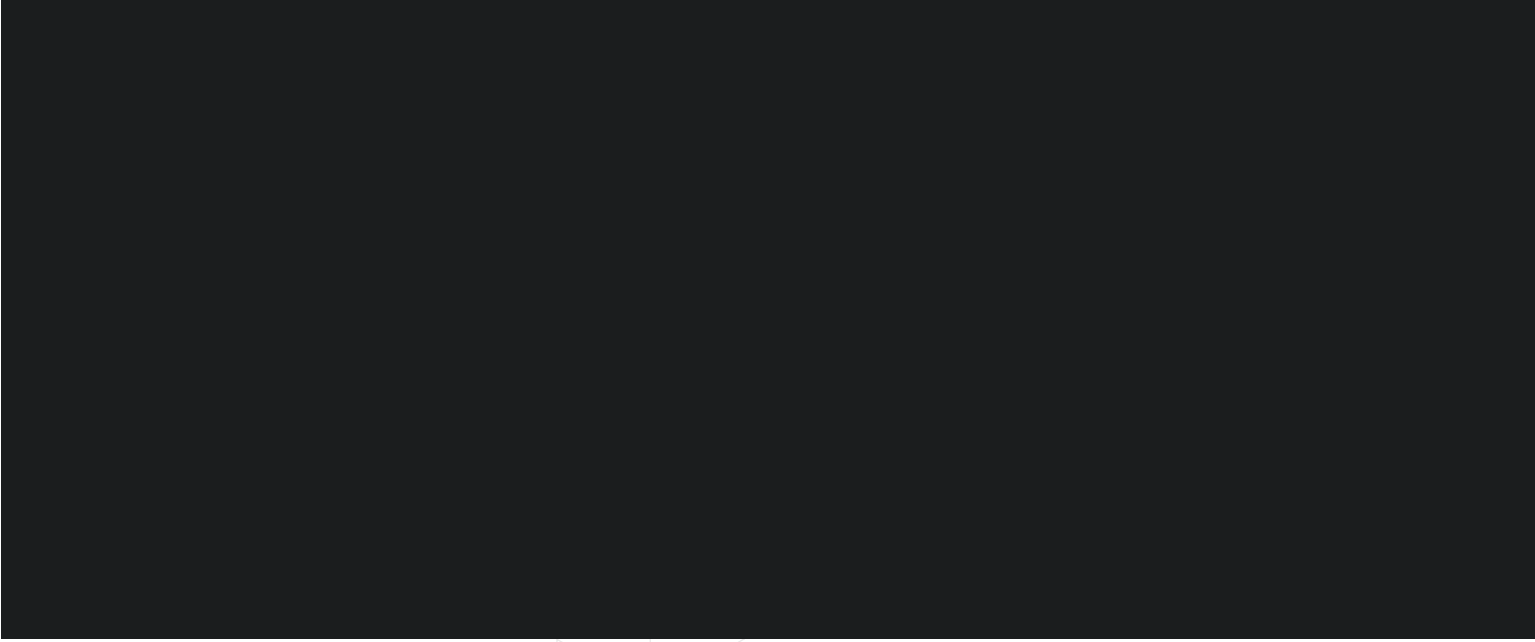
A global player in asset servicing...

The results mark the hedge fund industry's best opening quarter of a year since 2013.

Overall Q1 2017 performance is now 3.18 percent in the black, according to Preqin.

Preqin highlighted that, with just one month of losses recorded since February 2016, the industry has now returned 11.61 percent over a 12-month period.

Amy Bensted, head of hedge fund products at Preqin, indicated that these figures could go some way to dispelling performance concerns within the hedge fund industry, as well as anxieties surrounding wider economic



Clearing and Rec





The move follows LCH's extension of its RepoClear service to cash and repo trades on German government securities last month.

Trades cleared through LCH's Paris subsidiary can be settled in Clearstream Banking Luxembourg accounts.

Combined with Frankfurt as an existing settlement location, Clearstream customers will be able to settle transactions either in central bank money via Frankfurt or in commercial bank money via Luxembourg.

The new service for German bonds and repos

Hazeltree provides an interface to sweep excess cash to a wide range of liquidity products through its partner network.

Federated Investors offer money market funds a range of short-duration options managed to deliver enhanced yield potential.

This partnership provides a straight-through process between buy-side firms and Investor Federated funds.

"Federated's commitment to providing our clients a superior set of options for allocating and managing cash is exemplified by our new partnership with Hazeltree," said Brian Ronayne, Federated's senior vice president and national sales manager for capital markets and institutional cash.

Sameer Shalaby, president and CEO of Hazeltree, said: "With the continued focus on cash and liquidity management by our clients globally, Hazeltree is uniquely positioned to deliver an efficient way to aggregate and manage cross-counterparty cash accounts and sweep unencumbered free cash to money market funds. We welcome Federated to our well-established partner network and look forward to collaborating with them to provide our mutual clients with automated access to their liquidity products."

Lord William Hague sees a positive future for the UK's financial services industry post-Brexit, but attendees at SWIFT Business Forum London were not so easily convinced.

In his keynote speech at the conference in April, the former head of the Conservative party suggested that as long as the financial services industry remains open for business, it will remain strong.

But a poll of attendees revealed that 60 percent believe the UK financial services industry will merely survive outside of the EU, while 40 percent think it will thrive.

In his speech, Hague reminded delegates that a Brexit deal will be based on the "overall architecture", saying "there isn't going to be a brilliant deal for financial services and a terrible one for the car industry, or the other way around".

The EU is strongly opposed to a sector-by-sector outcome. The overall architecture means ending free movement as it now exists, and therefore leaving the single market, and this will necessarily apply to financial services.

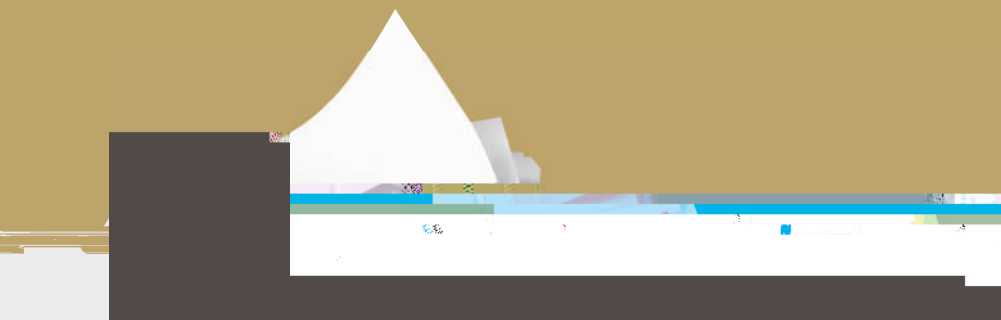
While there should be concern about any threat to the UK's industry, Hague said in his speech: "It would be a mistake to be defeatist about this."

There is "critical mass" in UK financial services that cannot be easily replicated elsewhere, he said, adding that this is "one of the most sophisticated and liquid markets in Europe". Hague said: "The key for the UK will be remaining open, whatever the outcome of the negotiations, to talent and business and markets from all over the world, while maintaining a highly competitive environment at the same time."

SWIFT tests for reconciliations tech

The Depository Trust & Clearing Corporation (DTCC) Wealth Management Services (WMS) business will go ahead with new capabilities to meet the US Department of Labor's mandatory best-interest standards for retirement savings, despite the department delaying implementation of the standards.

The WMS business has developed new features and service improvements intended to help with disclosure and sharing of commission schedules, fees and expense data, as required under the new standards, which were scheduled to come into effect on 10 April.



Finadium's Investors in Securities Lending Conferences, held in New York and London, threatened to shake-up an otherwise familiar event schedule for the would-be securities finance professional, and the London iteration didn't disappoint.

London attendees heard how risk-weighted asset (RWA) ratings under Basel III are dictating the attractiveness of assets. This has created a buyer's market, with borrowers choosing which lenders they trade with on the basis of the RWA ratings of their available stock.

According to panellists, Basel III's balance sheet management rules have significantly affected certain borrowers to favour lenders without RWA issues in order to avoid exposure limits.

The total loss-absorbing capacity (TLAC) standard for globally systemically important banks (G-SIBs), which are part of Basel III's balance sheet requirements, state that G-SIBs must meet a minimum TLAC requirement of at least 16 percent of RWA from 1 January



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Securities lending revenues earned by beneficial owners over the opening quarter of 2017 failed to match those earned in Q1 2016, when surging market volatility took the industry's profitability to levels not seen since the financial crisis. Overall, industry revenues are down by over 6 percent from the same period last year. Equities are the main culprit as the securities lending fees earned by the asset class came up short

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Securities Lending Times is present at all of the major securities lending conferences around the world. Make sure you pick up a copy of the latest issue

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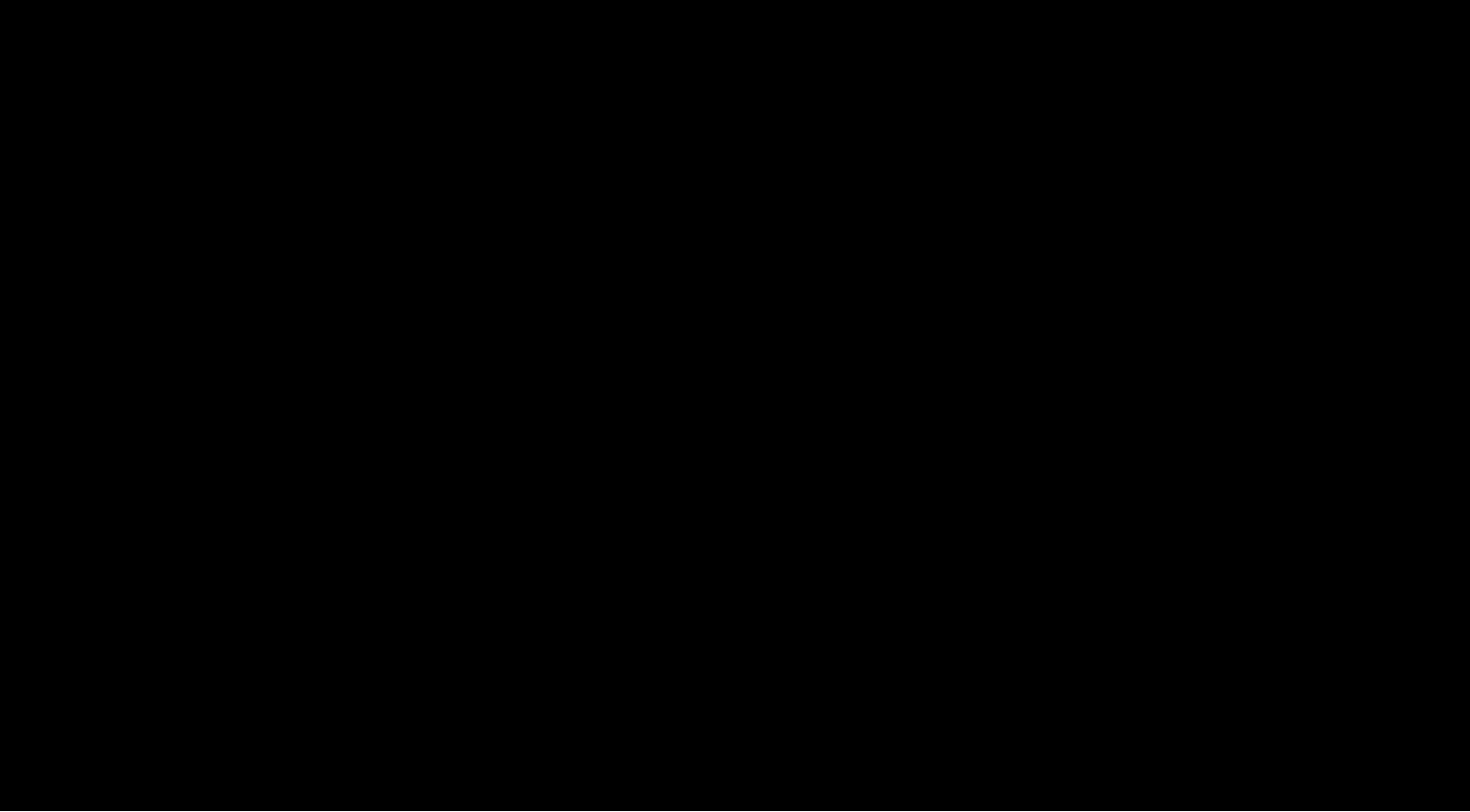
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Comings and goings at State Street, Trading Apps, OCC and more

EquiLend is a leading provider of secured lending solutions for institutional investors. EquiLend is a subsidiary of State Street Corporation.

At EquiLend, Cacace was vice president at its product management office from October 2013. She also served at J.P. Morgan and Morgan Stanley.

Sporn, who shifted to State Street in late March, is responsible for developing new business opportunities, cultivating existing relationships and serving as a product expert in industry affairs.

Cacace follows EquiLend's former head of sales Chris Valentino, who moved to Trading Apps in September 2016 and now leads its US office.

He reports into Jim Bryant, senior managing director for State Street's enhanced custody business development team.

"Jacqueline Cacace's impressive experience and commitment to the industry are consistent with the culture we have and continue to build upon at Trading Apps," said Matthew Harrison, CEO of Trading Apps.

Previously, Sporn was managing director and head of business development for Borrow Plus, BNY Mellon's principal securities finance programme.

"We view Jacqueline's appointment as a testament to the growing demand for our products, services and expertise in the North American market."

The role involved managing the bank's client-facing activities, including sales and relationship management, with a focus on hedge funds and liquid alternatives.

Trading Apps is a leading provider of securities financing solutions for institutional investors. Trading Apps is a subsidiary of State Street Corporation.

Sporn's CV also includes 11 years in Morgan Stanley's securities lending group, where he was responsible for building out incremental supply for prime brokerage clients through exclusives and enhancement swaps.

i-Hub is part of the POST Luxembourg group and facilitates client documentation onboarding, delivering significant operational efficiencies for securities finance.

OCC is a leading provider of securities financing solutions for institutional investors. OCC is a subsidiary of State Street Corporation.

The platform focuses on know-your-customer document management.

Cacace's role focuses on developing and designing business requirements for existing and prospective Trading Apps clients, as well as serving as an extra point of technical contact for Trading Apps growing US client base.

Morosini resigned from Clearstream in July 2016 after 20 years at the firm.

She will also serve as a sales engineer assisting the head of US sales.

His departure followed Deutsche Börse Group's decision to fuse the agency lending services of Clearstream, Eurex Repo and Eurex Clearing in 2015 to better serve large, fixed income lenders.

Cacace joined the securities finance technology vendor's New York office on 1 April and reports to Matthew Phillips, head of delivery.

Hoag is a leading provider of securities financing solutions for institutional investors. Hoag is a subsidiary of State Street Corporation.

Hoag will fill the role left by Luke Moranda. Moranda, in turn, will become senior vice president and senior information technology adviser to OCC's

