regulatory challenge. Proposals are currently being prepared at the global and EU level."

He said that several key questions remain unanswered, most notably clarifying when recovery and resolution should be triggered, the tools to be used in each situation, and the nature of the resolution authority.

"It is of utmost importance that we speed up the process

ESMA: CCPs are next

Continued from page 1

Powell said: “The failure of a large clearing member that is also a key service provider could disrupt the smooth and effcient operation of one or multiple CCPs, and vice versa.”

“In the event of disorderly CCP failures, the netting benefts and other effciencies that CCPs offer would be lost at a point when the fnancial system is already under signifcant stress. Ultimately, the system as a whole is only as strong as its weakest link.”

Maijoor also reaffrmed his support of the EU’s proposal to require securities fnance transactions to be reported to trade repositories, saying that further progress on passing information to regulators is needed.

“These transactions, like repos and securities lending, very much increase the interconnectedness within asset management and with other parts of the fnancial system. I therefore very much support the European Commission proposal regarding the reporting of these transactions to trade repositories.”

The proposal would require all counterparties doing business within the EU to report to trade repositories.

All UCITS and alternative investment funds would also have to disclose more information about securities fnance transactions to investors, while rules surrounding collateral rehypothecation could also change.

Under the proposal, counterparties would have to ask the permission of the giver before putting any collateral received to work. This would apply to any instruments as defned by the Markets in Financial Instruments Directive.

New hedging tools from BNY Mellon and CME

Continued from page 1

Based on the approximately $400 billion per day of overnight repo transactions in the specifc index asset classes processed daily on BNY Mellon’s triparty repo platform, the new BNY Mellon US triparty repo indices will provide investors with “an entirely new, highly transparent, transactional-based benchmark”.

John Vinci, managing director and head of BNY Mellon’s broker-dealer services product management and strategy, said: “This collaboration promises to provide investors with great new tools to help hedge interest rate exposure—we’ll be giving investors access in a world-class derivatives marketplace to products that refect our unmatched ability to track and report on activity in the triparty repo space.”

Currently representing approximately 85 percent of the US triparty repo market, transactions on the BNY Mellon platform reflect the investment activities of a diverse array of market participants.

Sean Tully, senior managing director of fnancials and over-the-counter at CME Group, commented: “CME Group is a natural home for futures related to BNY Mellon’s triparty repo indices because of our unique ability to offer portfolio margining with one of the world’s largest interest rates futures open interest pools, including euro, dollars, fed funds, and US treasury note and bond futures.”

Eventful October, says Deutsche Bank

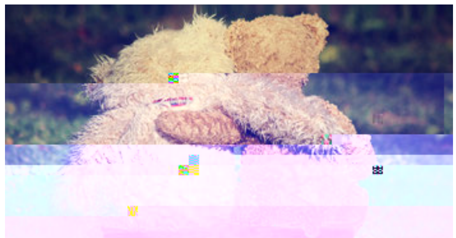
Continued from page 1

The biggest occurrence in the event-driven universe during the month was the withdrawal of an offer for Shire by Abbvie, which was a function of US political moves against inversion trades and not a result of market volatility.

According to Deutsche Bank, the major volatility in the market dampened an otherwise active trend in capital raising continuing from September.

In October, regulators were relatively quick to impose short selling bans as extreme market swings saw a number of stocks trade down.

SLTINBRIEF



With increased regulation, heightened risk sensitivity and fast-changing market dynamics, the management of collateral has never been more critical. Our global perspective on the financial markets will help you propel your business to the next frontier.

Through our SOLVE^{SM} approach, let our comprehensive suite of segregation, optimisation, liquidity and securities financing capabilities work for you as you engage in collateral transactions and connect to market infrastructures and participants around the globe.

"In these cases, each frm's failure to establish systems and procedures to properly close out its fail-to-deliver positions could have potentially negative market impact, which could harm investors."

Lombard Risk and Genpact's new solution

Lombard Risk Management and Genpact have collaborated to provide a new solution to help fnancial services frms optimise their collateral management operations.

Genpact will integrate its Collateral Agreement and Reference Data Services (CARDS) with Lombard Risk's Colline collateral, clearing, inventory management and optimisation solution.

This will enable both buy and sell-side frms to automatically digitise and capture the terms and conditions of various collateral agreements across asset classes, counterparties, and business silos, resulting in a margin and collateral rulebook by counterparty.

More specifically, the digitised data loads Colline's agreement management database with the critical counterparty margin and collateral rules needed to efficiently manage and optimise margin and collateral—reducing the time required to manually capture the information from existing and new agreements and amendments.

Genpact's service includes the data entry of custom agreement terms that are incapable of being extracted and digitised by CARDS, and management of the data.

In addition, the two companies are launching a joint business processing outsourcing (BPO) service for the collateral management function.

"We are very pleased to partner with a service provider like Genpact given their impressive global client base, collateral management domain expertise and their unique ability to combine process expertise with technology and analytics," said Cliff van Tonder, global alliances director at Lombard Risk.

Monty Singh, senior vice president and business leader for capital markets and IT services at Genpact, commented: "This service helps frms advancing their operating models and making operations more intelligent—able to capture data, execute transactions and provide visibility faster and more time effectively—thereby enabling companies to better sense, react, and continuously learn from their activities in the market."

Major partnership for UK pension funds

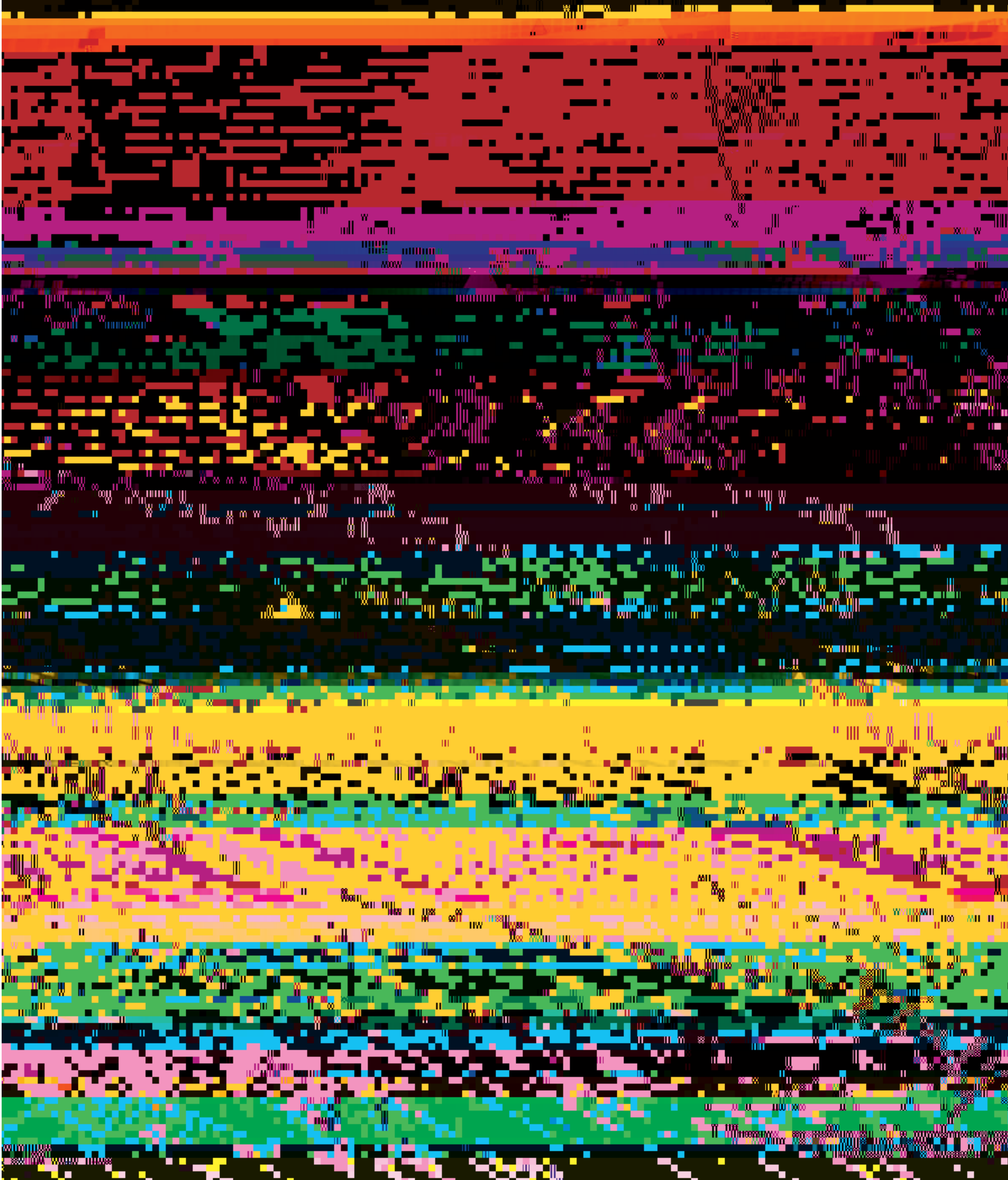
Lancashire County Pension Fund and the London Pensions Fund Authority have started work on the development of a new asset and liability management partnership.

The partnership will allow each pension fund to retain its separate identity and local accountability, but could also ultimately cover all areas of activity involved in the running of the pension funds, including pension administration.

The proposal is to create a commonly managed, jointly invested pool of assets overseen by a Financial Conduct Authority-registered entity created by the two pension funds.

Jennifer Mein, leader of Lancashire County Council, said: "Taking a more andactivity involved in tFuapng (en-GB)/MCID 432 BDC 0.341 T

After 20 years of driving innovation with the



Cloud-based software-as-a-service company FundRecs will provide operational control and a collateral dispute resolution tool, while Cloud-Margin specialises in collateral management and offers a single user interface and support for end-to-end workfow.

The service is designed for derivatives users, Year-to-date volume through 28 November 2014 was 9,820,721, up 18 percent compared to the first 11 months of 2013.

Open interest increased 11 percent year-over-year to 705,542 contracts on the equity finance exchange at close-of-market on 28 November 2014.

On OCX's delta one exchange, 1,117,914 blocks and Exchange For Physicals were traded in November 2014, which represented $5.7 billion in notional value.

Sixty-one percent of November 2014's month-end open interest was in OCX.NoDivRisk products. -

Year-to-date stock loan activity was down 5 percent from 2013 with 1,088,736 new loan transactions in 2014.

The average daily loan value cleared by OCC in November was $170,853,710,094.

Exchange-listed options volume in November was 294,770,356 contracts, down 6 percent from November 2013.

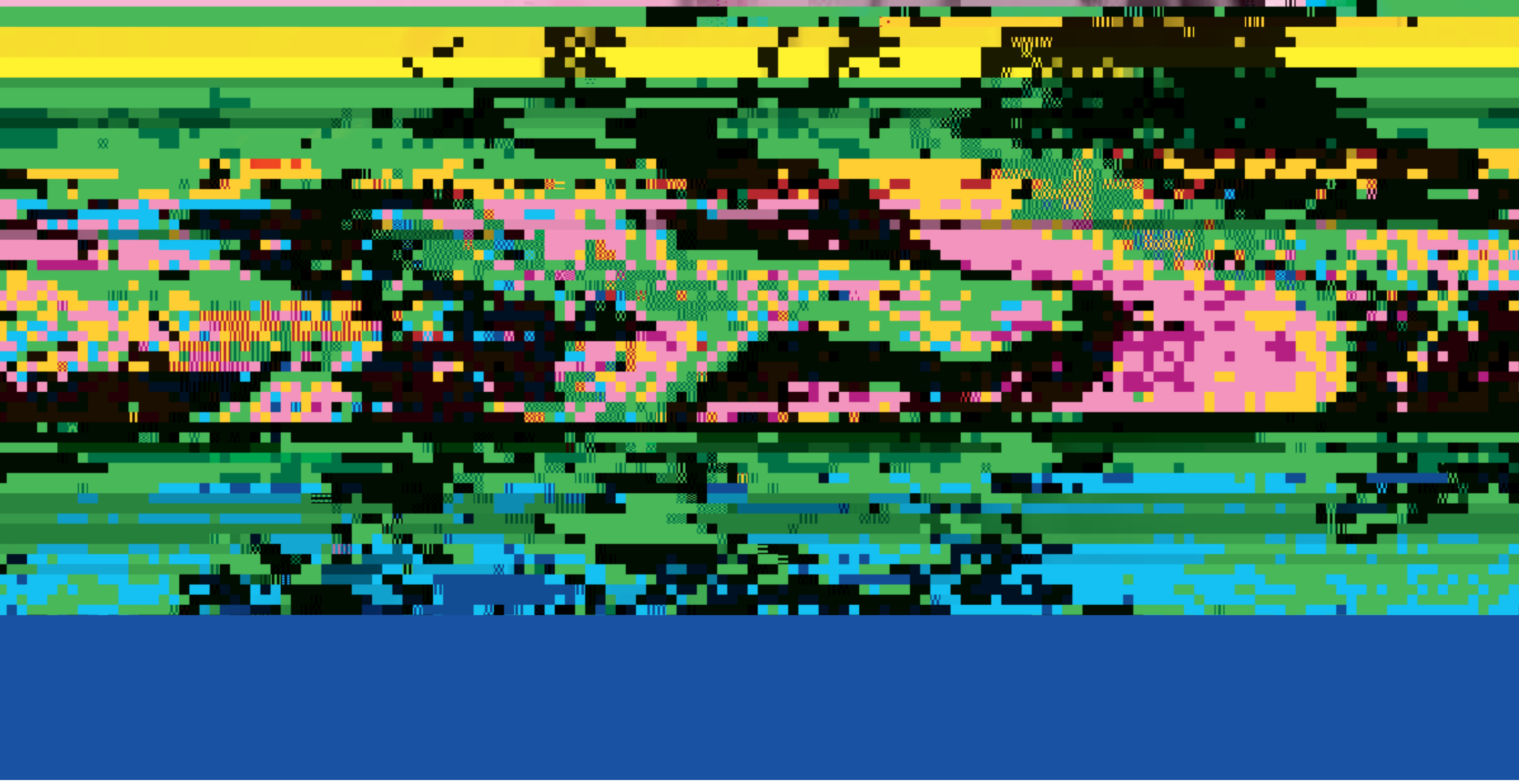
Average daily options trading volume in 2014 is up 4 percent from 2013 with 17,003,308 contracts.

Year-to-date total options trading volume increased 3 percent from 2013 with 3,910,760,808 contracts.

OCC cleared 3,792,680 futures contracts in November, up 1 percent from November 2013.

OCC's year-to-date average daily cleared futures volume is up 15 percent from 2013 with 267,697 contracts.

The year-to-date total cleared futures volume reached 61,570,422 contracts last month, up 14 percent from 2013.



In the wake of the global fnancial crisis, the Basel Committee on Banking Supervision (BCBS) was tasked with revising the core principles around banking supervision in the G20 countries. In recent times, despite much work being done, capital adequacy and liquidity risk have both emerged as big issues that remain unresolved. The BCBS deduced that strong capital requirements were not enough to meet these issues and set about planning what stands as its fagship set of regulations—Basel III.

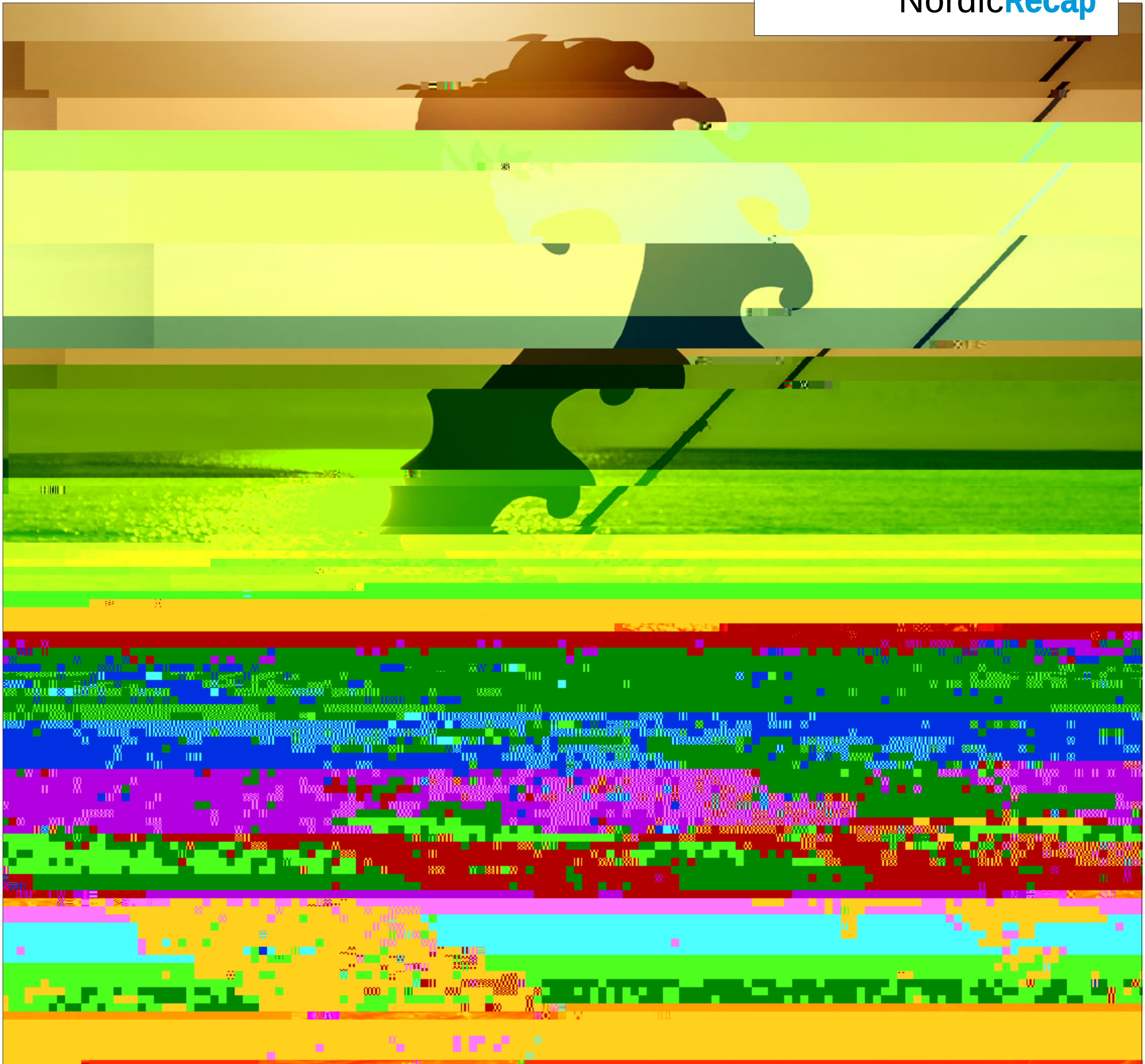
Regardless of the good intentions of Basel III and the BCBS, compliance with the regulation is anticipated by many to be a massive challenge. In particular, uncertainty surrounding the intricacies and effects of the upcoming net stable funding ratio (NSFR) is causing concern.

The NSFR, fnalised by the BCBS on 31 October, adds another piece to the liquidity regulation of international banks. It seeks to improve their funding profles by requiring a reliance on funding sources determined to be suffciently stable and longer term in nature.

As law frm Debevoise & Plimpton pointed out in its NSFR client update, this differs from the recently f-nalised liquidity coverage ratio (LCR), which focuses on 30-day liquidity needs of banks. In its client publication, Shearman & Sterling explained that in broad terms, the NSFR is calculated by dividing available stable funding by required stable funding.

As with the LCR, compliance with the NSFR is likely, according to Debevoise & Plimpton, to increase the costs of certain activities of banks, including securities fnance, proprietary trading and various types of traditional lending. These impacts will also affect various businesses of the broker-dealer affliates within the bank, as part of the consolidated group.

Counsel at Debevoise & Plimpton, Lee Schneider, says: “The frst important thing to note is that the -



Ship shape

Nordic securities lending participants are among the biggest advocates of the business. Experts review the region's 2014

How has 2014 shaped up in terms of securities lending business conducted?

Paul Wilson: The Nordic countries continue to be very positive for us, translating into strong growth. We see this coming in a number of areas including new asset owners coming to market for the frst time, a rotation of asset owners business between agents, and existing asset owners looking to grow revenue streams via trade structures and collateral expansion.

Asset owners in the Nordic countries are very sophisticated in terms of the level of customisation, reporting, data integration and service they expect and are very focused on risk management and mitigation, including depth, breadth, quality and stability of indemnifcation.

Jarkko Järvitalo: This year was our first full year in business and it turned out much better than expected, in terms of profit and loss. We also managed to increase the number of lenders that we work with substantially. Finland, meanwhile, as a Nordic market has matured a lot in a short period of time, with new players entering the market, leading to an increase in liquidity.

Sunil Daswani: From a demand perspective, the business has changed over the course of the year. Although supply continues to grow, demand remains subdued in the current market environment. As such, having technological effciencies in place such as our EquiLend and BondLend capabilities remain essential components in servicing borrower demand and managing a complex book. Reducing leverage and increasing transparency has continued to allow us to operate a robust business to support our clients and organisation globally.

Global markets have improved across the board where clients have global assets. Asian markets remain buoyant and emerging markets demand remains solid in Asia for Taiwan and many other frontier markets such as India, Indonesia and China. In Latin America, Brazil also remains a very attractive market, but its lending infrastructure poses challenges. Although emerging markets are often the space where clients can earn better returns than expected, the traditional markets, such as the US, have enjoyed nice upward trends in the last few years with increased specials activity.

There needs to be greater differentiation as to how securities are lent. Benefcial owners need to be fexible with collateral and agent lenders need to have suffciently diversifed borrower networks. These are key differentiators that will make securities lending more attractive in the market and allow it to attract more lenders to the programme. Our mantra has always been to have a world-class programme, to think ahead and be able to act quickly, be it to develop the product or make changes as a result of client requirements, the market or the regulatory environment.

Are borrowers and lenders happy with the Nordics as a revenue stream? How else can they boost revenue in the region?

Järvitalo: There have been many specials in the Nordics this year and our clients have been very happy. However, it will be challenging to justify the levels if the number of specials decreases. Most of our lenders understand the concept of a general collateral name but there are always lenders having a minimum rate of 1 percent or so, which is challenging in a general collateral environment.

As a frm, we are looking more and more into sending out baskets for a fxed period, which makes the revenue stream more predictable.

Daswani: Northern Trust continues to have a very strong presence in the region and can take advantage of the domestic market place where our clients are large holders in assets. From a macro perspective, declining global oil prices has been the catalyst for increased hedge fund interest in the Nordics, given the region's exposure to this sector.

Additionally, Europe's low interest environment has also been the catalyst for an increasingly level of capital raising within the region, all of which has created revenue attractive opportunities for lender and borrowers alike.

Overall, the Nordics continue to be a good source of revenue for clients that hold the right type of asset, particular those with greater exposure to small cap names. However, this is not dissimilar to other markets.

Wilson: The Nordic region has been a core and important market for J.P. Morgan for at least the last 15 years. This region is expects a certain standard from sell-side providers and consistency and commitment are essential for long-term success. We are very committed to this region and we are seeing the beneft from our long-term focus, which speaks to why we are considered to be the market leader across the region.

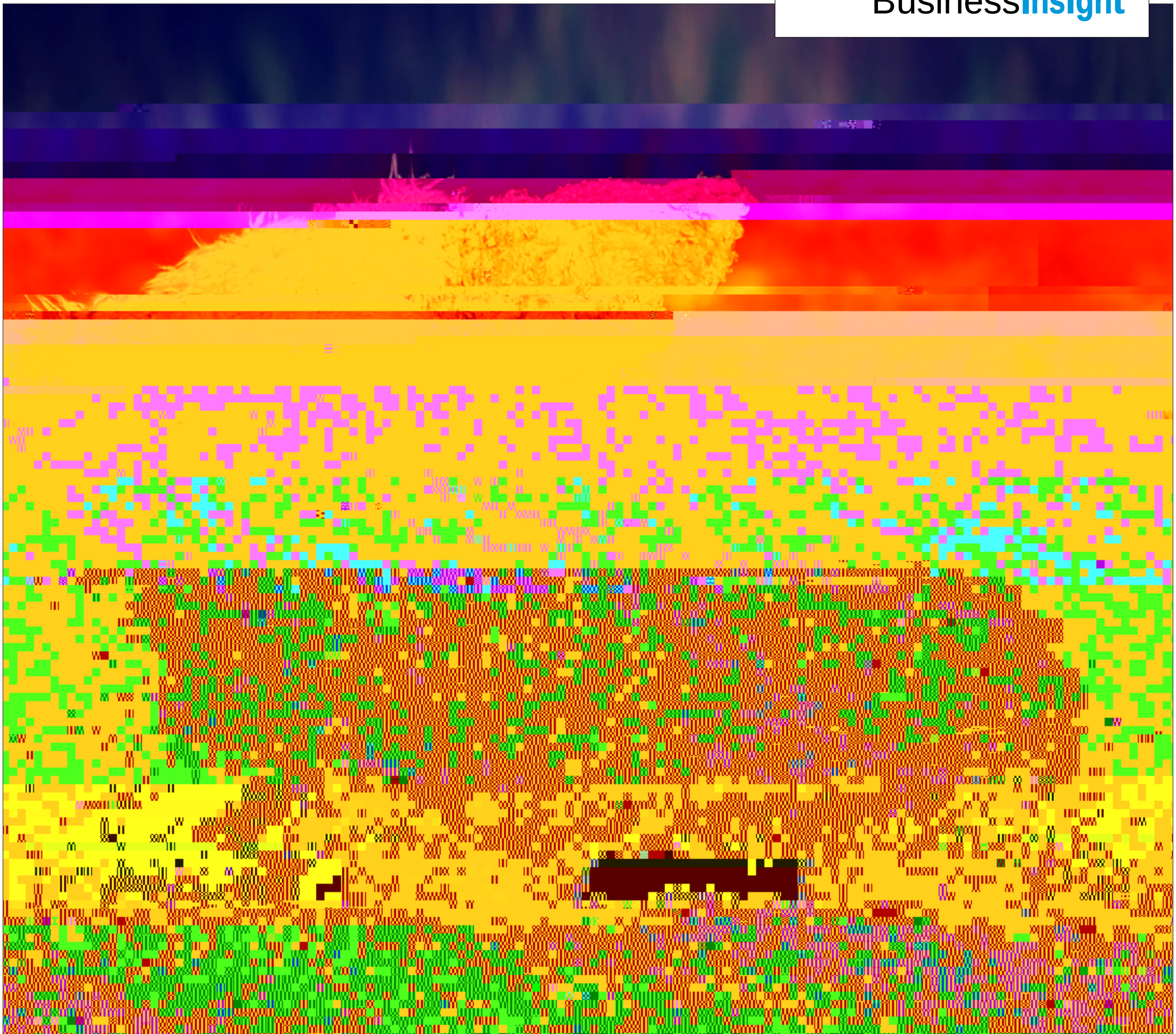
Which country is the most business-friendly, and how important is this to attracting business?

Daswani: It is something of a paradox that the more 'non-business friendly' markets can offer the most attractive opportunities for our clients. Hence, those lenders able to leverage their sophistication in technology, knowledge and infrastructure are best placed in gaining frst mover advantage and capturing these revenue streams.

However, the simple answer here is that the most business friendly markets are the ones that are more developed or mature from a securities lending perspective. Conducting business today requires agent lenders to be nimble and, through strong technology platforms, offer scalable solutions in what may be deemed 'non-standard' markets for securities lending.

Northern Trust has a single global platform that is developed in house. This allows us to be quick to market when product development is required to meet the changing requirements and needs of the newer markets that have introduced securities lending more recently.

Wilson: We are comfortable with the requirements across all of the Nordic countries. In terms of trends, we have see some unbundling of lending from custody, most notably across Sweden and Denmark and this has been a positive development for our business.



Light Horse Market Solutions has been an advocate for the peer-to-peer markets—what does this mean

players don't beneft from change and proft by keeping the markets opaque. And most fund managers focus on their primary skill set, investing in the equity markets. They expect their prime brokers to treat them fairly, but don't have the time or staff to monitor their borrowing and lending activities. Some of the larger funds have staff or hire consultants to oversee frd-

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Lending opportunities have arisen owing to the increased demand for high quality liquid assets (HQLA) that satisfy the needs for collateral by fnancial institutions. This requirement is generated by the European Markets Infrastructure Regulation and the need to satisfy the liquidity coverage and net stable funding ratios of Basel III.

Demand for HQLA is currently strong and rising, generating some of the biggest opportunities for insurance EMdhaaeed payoirsenn
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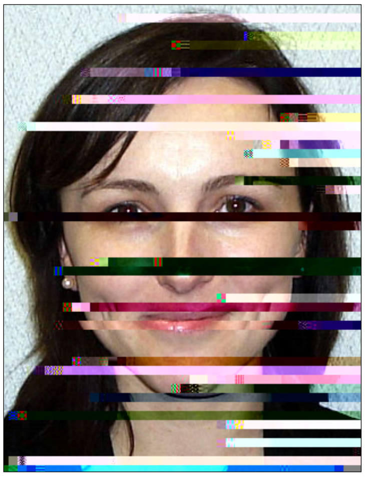
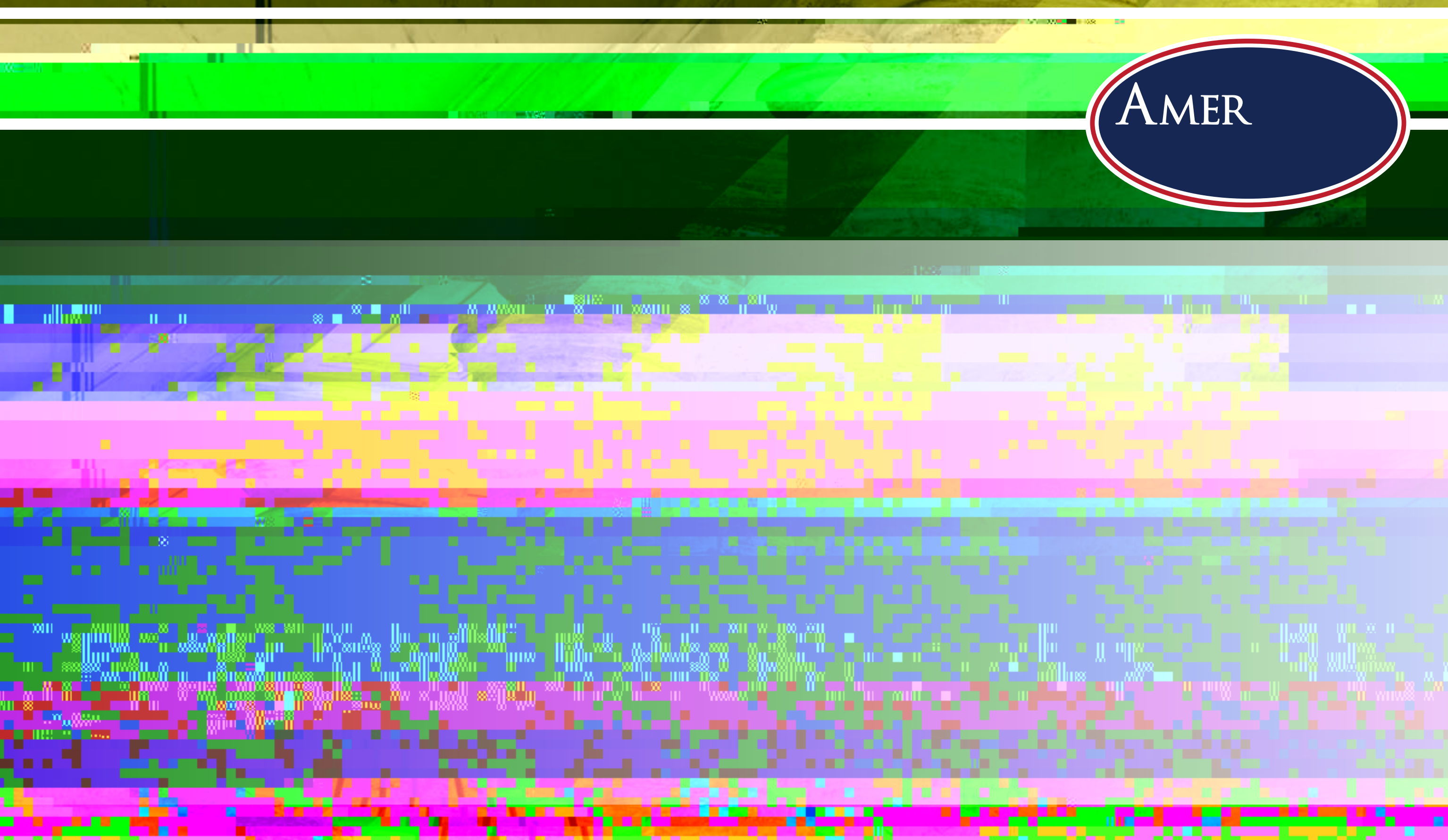


Jemma Finglas
Head of business development, equity fnance and repo
BNP Paribas Securities Services

Oil. That most valuable of commodities. It is not as shiny and attractive as gold or diamonds, but few commodities wield the power to start wars and make or break economies on their own. The production, refinement and delivery of oil around the globe have influenced global relations as well as the balance of power and wealth for many decades. Major players, such as the Organisation of Petroleum Exporting Countries (OPEC), can move markets with their planning decisions



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