

European Beneficial Owners' Securities Lending

LONDON 26.09.2011

providing plenty of material for debate and discussion.

the conference proper kicked off with a presentation devoted to an overview of the state of the current market.

which focused on the regulatory issues those in the

industry are having to deal with. While tax harmonisation

is a concern for all markets

more concern about the incoming regulation.

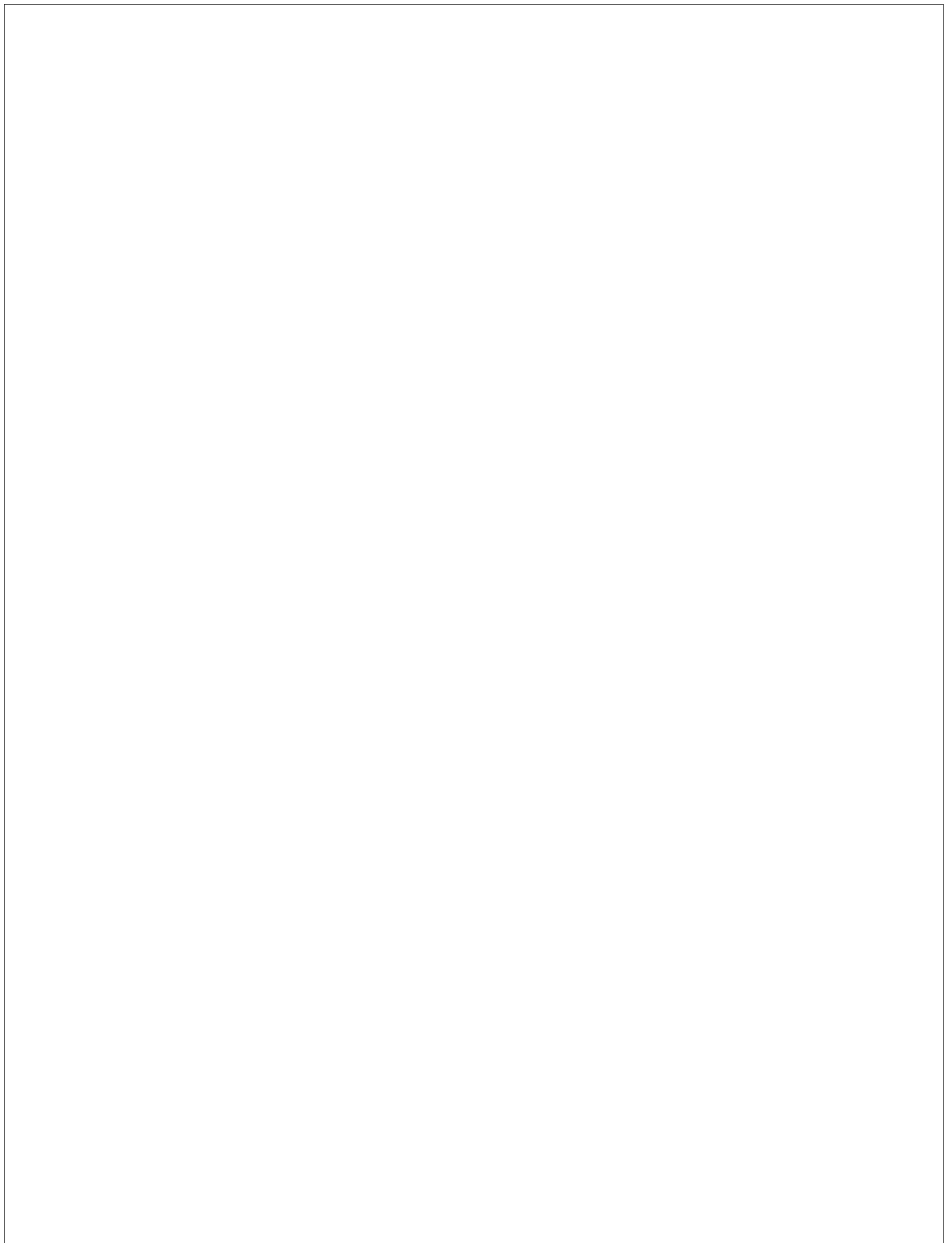
The afternoon started with the ongoing debate over

options available for measuring the performance of

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might be needed in order to bring agent lenders
onside.

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R^æ}ÉÜ[á^!çÁY á]!á}ÉÁ^ç^&~çç^!áá!^&c[!;æ}áÁ@^æáÁ [-Á]!;[ã~&çÁ {æ}æ*^ { ^}çÁ -[!Á Ó[]}áS^}á!•Á Ú^&~!æç^•Á Ø!}æ}æ}•ÉÁ •cæc^•ÉÁ %R[á]á} *Á Ó[]}áS^}á!•Á &[]&~!•Á to our objective for further standardisation and straight-through-processing in our securities lending pool distribution. It aims at optimising !^ç^}~^!c[!Á[~!Á|^}á^!•ÉÁ*çç!} *Áæ}Á^æ:á!^æ&&^••Á to liquidity for borrowers and surely reducing operational risk in securities loan processing. This is a step taken in preparation for the launch of our Equity Lending service in early 2012 and for , @!&@Á , ^Á , á]!æ}•[!Á]á \hc[!ÁÓ~!áS^}áÉ+

Securities lending returns cover fund costs - Finadium

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V@^Á Öæ} \Á [-Á Öæ}æáæ!Á]!~ á^}çÁ , •&æ!Á] [!áá^•Á and the country's comparatively functional majority conservative government has sparked in- ç^•c [!Á & [] , á^} &^Á!^•~!çá} *Á á}Á •c! [] *Á á^ { æ} áá - [!Áç@^Á & [] } c!~!çáá^•áçÉ!æ} áá@á* @Á|Áç^Á!•Á [-!á} c^Á!^•ç! á}Áç@^Á^•~!çá^Á { æ!^Áç@^Áçç^Á@^Ááá~] Áæ!^Á { æ!^Áæá!^Á , Á||ÉÁ•æ^•ÁÜ^Á! { æ}É

%V@^Á!^Á á•Á @~*^Á *! [àæ!Á á^ { æ} áÁ - [!Á] ~!á@æ- ing high quality government debt right now from c@^Áá}Ç^•c { ^}ç! & [{ { }~!çá^•Á•æ^•ÁÜ^Á! { æ}ÉÁæáá- ing that this same intensifying demand is being translated into multiple opportunities across ÜÖÖÁÖ^Áçáæ!Á*! [!áæ!|Á) áá} *Áá^•\••- [!Áá@á* @Á~!æ- áç^ÁÖæ}æááæ}!áæ} ááÖ!; []^Á} * [Ç^Á! { ^}ç!á^•áçÉÁ

And while a myriad of inconsistent and unpredictable short selling regulations across the

world are adding an administrative burden to stock lending and dampening the demand •áá^Á [-Á c@^Á } []ÉÖæ}æááæ}Á^•~!çá^Á à [[\ÉÁ Öæ}æ- ááæ}Á^•~!çá^Á áæ!æ} &^•Á @æÇ^ÁÉÁ á}Á & []ç!æ•çÉÁ @^Á!áá strong he notes.

The global custodian bank has four trading á^•\•Á & [Ç^Á!á} *Á Þ [!ç@ÁÇÉ { ^!á&æÉÁ Ö~!; []^ÁÉÁ Ü}æá}Á æ}ááÇÉ•æÉÜæ&á, &æ} ááá^•æ&çá^Á}ÁÇ!Á { æ!^Áç@^ÁV@^Á •^•&~!áçá^•Á|Á) áá} *Áç!æáá} *Áæ! { Á@^Áæá^Áá à^ÁÜ^Á!- { æ}Á@æ!æá*! [!áæ!|~!ááç^Á!•á, ^ááá [[\Á [-!á~!•á} *Á••ÉÁ with high concentrations in North America and Ö~!; []^Áæ} ááæ!áá}á, &æ}ç! & []ç!áá~!çá []^Á!- [[Áç@^Á Far East.

August was a particularly volatile month from a risk perspective as both the eurozone debt cri- •á•æ} ááÁWÜÁ) [!áçá&æ!áá^•~!çá} &ç! []!á}æáá!^••á} *Áç@^Á •^Á||É [-!á}Á^•~!çá^Á•æ} ááÉ!á { [!çæ}Á^•~!çá^Á!á^•~!çá^Á @çÉ [É safety investing.

%Á Öæ}æááæ!Á- [[Áæ!áá^•\Á!^•] ^&çá^ÁÉÁ , ^Áæ!^Á) [ç! overly concerned as the major securities lend-

á} *Á}æ!ç!á}æ}•Áæ!^Áç@^Á! { æ! [!Ááæ} \•ÉÁ , @á&@Áæ!^ÁÁ some of the best banks globally with solid bal- ance sheets. That brings an element of com- fort from a credit risk perspective and allows us to trade up with high balances with less con- &^Á!•Á! [[Á!á^•\Áá^Á}æ!ç { ^}ç@^Á!^Á} á^Á!^Áæ} ááá [-!; [] , ^!•É^ÁÜ^Á! { æ}Á•æ^•É

Though there has been a rebound since the •~ { { ^!ÉÁç@^Á!^Áæ!^Á •ç!|Á •á* }á, &æ}ç! { æ!^Áç!ááç- ters and all eyes have turned to eurozone á^Áç^Á [] { ^}ç@^Áá}Á Ö!^Á&^Áæ} ááç [!Áæ!|Á^••^Á!Á^•ç- c@^Áç!á}ÁÜ}æ!Áæ} ááÖçæ!^ÉÁ , @á!^Áá} &!^Áæ!á} *Á & []- cerns around French Banks' exposure to these countries is mounting.

%V@^Á!^Á!; [] : []^Á á [^Á } [ç! •^Á { Áç [!Á @æç^Áæ}Á}Á æ!á* } ^ááç!á}É!ç@^Á!^Áæ!^Áááç^Á! *^Á}ç!ç!á^• , •Á []^Á@ [] , Á c [!Á, ç!áç@^Á• [Ç^Á!^Á* } Áá^•áç!ááç!áá}áá} [!Á!æ!|Á & []- sensus. Italy seems to have a vision of raising çæç^ÁÉ!æ} ááÖ!áæ} &^Á!á^•æ&á} *Áæ} Á|Á^Áç! []^Á}^Áç!^Áæ!ÉÁ c@^Á^Áç [!Á&çæç! []^Á []^Á Ö!^Á { æ} ^Áç [!Áæ!|Á^Áç@^Á!^Á! [- zone is not sustainable and everyone is looking c [!Áç@^ÁÁWÜÁ- [!Áæ} Á^Á & [] [[á&Á!^Á à []^Á}ááç@^Á!^Á!áæ}Á}Á

Country

making cash reinvestment more challenging.

One of the areas gaining traction is the use of equity collateral in the post-credit crisis landscape. Though non-cash collateral tends to be showing increased interest in broadening what is acceptable as collateral in securities lending transactions.

lending is done versus non-cash collateral - that has dropped off somewhat from just over a decade ago. Cash collateral are relatively small if a security is

accepting equity collateral.

putting them on unequal footing with pension

He is supportive of the efforts to broaden collateral

but we would say a small percentage of equities were amended to broaden collateral acceptability

But in the here and now in the securities lending cloud hanging over markets does have a silver lining; uncertainty often lends itself to some securities lending optimism.

Ferguson points to solar energy company longer term prospects is creating revenue opportunities for both borrowers and lenders.

clear set of rules.

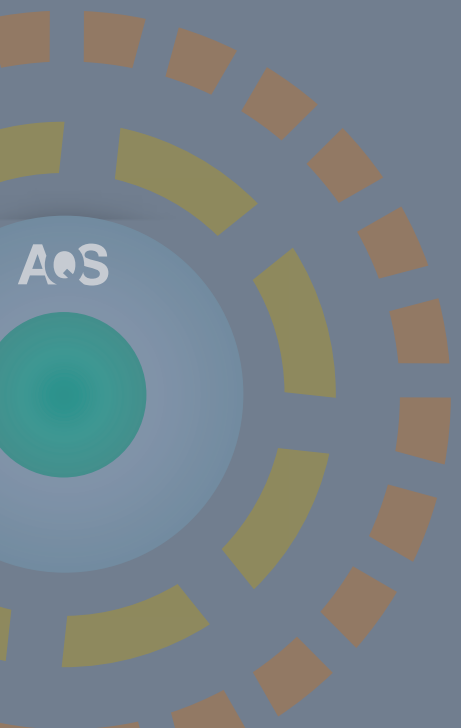
need to be tied together. This is not a bad thing as some of those rules are intended to prevent tax avoidance but where other jurisdictions



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news that instead of periods of high volatility
constituting exceptional market conditions; high
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rather than organisations applying extra atten-
tion and oversight to risk management in the

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If you think Treasury isn't sexy, look at these numbers.

HazelTree Treasury Suite: Selected Hedge Fund Profiles					
Fund Size	\$500m	\$1b	\$1.5b	\$3b	\$6b
Long Exposure	90%	100%	100%	95%	110%
Short Exposure	80%	75%	110%	100%	85%
Avg. Credit Cash Balance	15%	10%	10%	10%	5%
Avg. Debit Cash Balance	10%	5%	15%	15%	12%
% Longs Hard to Borrow	10%	5%	7%	7%	5%
% Shorts Hard to Borrow	30%	30%	25%	20%	15%
Typical Treasury Impact on a Fund					
Cash Management	\$125,000	\$125,000	\$375,000	\$750,000	\$750,000
Stock Loan Management	\$900,000	\$1,000,000	\$2,100,000	\$3,990,000	\$19,800,000
Stock Borrow Management	\$1,180,000	\$2,212,500	\$4,331,250	\$6,900,000	\$8,415,000
Total Performance Increase	\$2,205,000	\$3,337,500	\$6,806,250	\$11,640,000	\$28,965,000
Impact in Basis Points	44.10	33.38	45.38	38.80	48.28

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(Hubba hubba!)

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positions across all counterparties and gives you the tools to squeeze every fraction of a cent out of cash management, securities financing, and reconciliation. As you can see from the figures above, in today's world of multiple primes, flexible leverage, and intraday trading the results can be pretty stunning.

