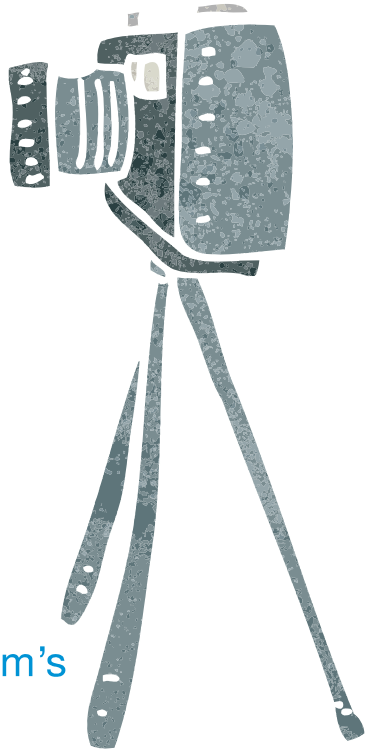


Three legs to the tripod

Jonathan Lombardo provides an update on Pirum's work with Eurex and SunGard

MARK DUGDALE REPORTS

SunGard and Pirum recently joined forces to allow mutual clients to deliver their data set to Aztec Analytics via Pirum. How has that been working?

Pirum's ability to act as a centralised hub continues to add value to our client base and with the creation of the Market Data Gateway service, Pirum continues to deliver innovative product offerings to the industry.

With our unique real-time service, our clients are able to leverage their Pirum interfaces to connect directly to other vendors such as SunGard. This has the huge benefits to our clients, allowing them the freedom to utilise products such as SunGard's Aztec Analytics on a real-time basis, without incurring any cost and time in developing, testing and maintaining separate feeds. From the client perspective, adding a new data feed to SunGard is just a case of flipping a switch at Pirum.

There is a benefit for the data vendor, too. From their perspective, the ability for their clients to connect via Pirum makes it possible for them to subscribe to their enhanced product offerings without any on boarding cost, build or maintenance effort for the new connection.

With the product offering recently being launched initial take up has been extremely positive. We envision that with these enhanced analytics market participants will have the ability to optimise their trading books and increase revenue potential.

Another partnership that Pirum has been involved with is with Eurex Clearing, whose offering, launched 18 months ago, created the first European CCP service for the bilateral securities lending market. Has this partnership venture succeeded and where is the industry on the CCP debate?

While the Eurex offering is only 18 months old, Pirum's partnership with Eurex Clearing began several years prior to this to create our CCP Gateway service and to design the post trade flows for centrally cleared trades. Historically, one of the issues facing central counterparties (CCPs) market penetration was the initial costs of integration and resources required. Recognising this, Eurex Clearing immediately saw that having a partner that could allow participants to connect with minimal resource and technical build would be essential to ensuring market acceptance and quick uptake.

Pirum met this requirement perfectly due to the breadth of our existing client base, existing real-time services and ability to develop and roll out new interfaces with the Eurex Clearing quickly.

In addition to our ability to facilitate connections to Eurex Clearing, Pirum's existing expertise in post-trade automation services allowed us to work in partnership with Eurex Clearing to develop, refine and deliver a comprehensive post-trade life-cycle management solution providing the highest possible level of straight-through processing to our mutual clients.

Eurex Clearings recognition of some of the complexities of existing bilateral trading models in the securities lending markets has helped make its CCP more attractive to potential participants. In addition to this, regulatory requirements, capital and risk-weighted assets have begun to impact present business lines and will continue to add pressure on future revenue growth. Strategic utilisation of a CCP is a key approach to reducing the impact of some of these pressures.

With several clients already live, more actively on boarding and an extremely strong pipeline for 2015, the question of does a CCP work for securities lending has been undeniably answered.

Partnership seems to be a key theme in Pirum's ethos—will this continue to be a strategy that you build on?

Pirum believes that strategic partnerships are critical to the industry to sustain future growth. The growing focus on expense reduction and limited IT budget and resource means that clients are looking hard for ways of connecting to new service providers that are low-touch and quick to implement.

Alongside the Eurex Clearing and SunGard strategic partnerships, Pirum successfully launched its Tri-party RQV offering with both BNY Mellon and J.P. Morgan in 2013, and are currently looking to add access to other triparty agents in order to provide complete coverage.

The triparty offering has quickly gained traction and Pirum is presently approaching $50 billion in daily RQV numbers being processed. As part of the full triparty lifecycle management, Pirum has worked in partnership with the agents to post details of underlying collateral back to the client in a variety of ways that supports their business model.

We are eager to explore all partnership opportunities and are presently exploring future possibilities with market vendors with the hope that Pirum will continue to offer cutting edge solutions for our clients. We will have further announcements to make in the coming months.

What do you see as the biggest challenge to the industry?

Regulatory impact will transform securities lending over the next few years. So the challenge here remains significant as it has been over the last few years. Personally, I believe the awareness and review phase is nearly complete and we are seeing the market move on to the analysis, planning and implementation. Businesses are evaluating current models and re-engineering to accommodate newly defined strategies.

We are already seeing early adopters enthusiastically making use of services such as the CCP and triparty gateways to help them comply with upcoming regulation while also giving them a competitive advantage.

Automation, scalability and ease of implementation will be critical to this process and this is where Pirum becomes a key partner in providing solutions.

What are the biggest challenges facing organisations like Pirum?

Staying ahead of the curve is critical and being able to analyse and anticipate the services our clients will need not just now but in one to two years is one of the key challenges we deal with on a continuous basis.

One example of this would be our decision to begin working on the CCP Gateway, offering at a time when the securities lending market was still to be convinced of the models benefits. Our early start on this service has allowed us to have our product ready at a time when clients are ready to participate.

Another key challenge is the pressure on client IT resource from high priority regulatory changes, meaning that finding IT resource for other projects is increasingly difficult. Pirum has continued to develop and refine our real-time services over seven years. As a result, we were ideally placed to act as a centralised hub, working in partnership with other vendors to reduce the burden on our mutual clients and allowing them to access third party services through their existing connection with Pirum. We will continue to enhance and improve the connectivity and range of services available with the same minimal impact on the clients IT resource. **SLT**



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