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Eurex to launch Europe's first securities lending CCP service

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Eurex Clearing will soon launch Europe's first central counterparty (CCP) service for the bilateral securities lending market in partnership with Pirum Systems and Clearstream Banking.

It plans to launch the new CCP on 22 November. "This offering will be the first service in Europe to preserve the special structure of the securities lending market combined with a proven and industry-accepted CCP model that provides transparent and standardised risk management and robust default procedures," said Thomas Wißbach, senior vice president at Eurex Clearing.

Eurex is the first clearinghouse to integrate the securities lending market model into an industry-accepted CCP model, which allows cash and non-cash collateral, and provides automated trade flow and loan lifecycle management.

Wißbach said that over the past two years, Eurex has held extensive consultation sessions and working groups, leading to many interested borrowers and lenders from a wide geographical area committing to the service.

He added that agent lenders that have been involved in the consultation phase of the service from the start have been "very supportive, in particular, [of] the ability to maintain their existing bilateral trading relationships—an opportunity to increase their range of borrowing counterparties".

"They have also welcomed our innovative specific lender licence that enables their beneficial owners to participate in the service without paying margin for their securities lending transactions," added Wißbach.

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Citi and UBS offer joint post-trade solution in APAC

Citi and UBS have launched a combined service offering that provides a post-trade solution to broker-dealers in Asia Pacific.

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Greece extends short selling ban

The Hellenic Capital Market Commission (HCMC) has decided to extend a ban on short selling for three months, effective from 1 November.

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Eurex to launch Europe's first securities lending CCP service

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The new CCP will commence operations with an initial group of banks and asset classes, starting with German and Swiss blue chip equities and exchange traded funds.

With customers set to go live on the service this year, Wißbach added that "many others are planning their integration to the service in the first half of 2013 when the service will be extended to include fixed-income securities and further European equity markets."

It will combine the trading capabilities of Eurex Repo's SecLend Market and Pirum's Real-Time service, with the triparty collateral management services of Clearstream Banking Luxembourg and Euroclear Bank. The new offering also meets regulatory requirements including, Basel III and IOSCO proposals.

Thomas Book, member of the Eurex executive board and responsible for clearing, said: "Our new clearing offering for securities lending has been designed with support from key market participants who have committed to utilising the service to achieve a substantial reduction in capital allocation. We have completed testing of our offering and are ready to start a pilot phase with our early adopters."

"Our set-up will enable customers to make use of their existing connectivity to these dynamic service providers for trade and collateral management and to take the benefit of substantial improvements to the current market structure by delivering significant capital and operational benefits to all participants," added Book.

Citi and UBS offer joint post-trade solution in APAC

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The joint solution will provide middle office, back office, clearing, asset servicing and custody capabilities to broker-dealers that are seeking to minimise cost, while retaining operational flexibility.

Andrew Murfin, regional head of UBS's group operations, said: "Firms are increasingly having to review their operating options given the extreme pressure on cost bases and a regulatory environment that is highly challenging and rapidly evolving."

"UBS believes that this will drive a preference for buying expertise to service business rather than developing processes and technology in-house which require significant investment and lead to an unsustainable level of fixed costs," added Murfin.

David Russell, regional head for Asia Pacific securities and fund services at Citi, said: "Citi is pleased to be working with UBS on this market-leading solution for the region. The collaboration reinforces our commitment to our clients, by working with select partners to build operational infrastructures to better serve market participants."

Greece extends short selling ban

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The additional three-month ban is an extension of the HCMC's previous ban—which it introduced in August—that expired on 31 October.

The European Securities and Markets Authority (ESMA) released its opinion on Greece's ban extension on 1 November.

"ESMA considers that there are adverse developments which constitute a serious threat to financial stability and to the market confidence in Greece."

"ESMA [also] considers that the duration of the measure is justified and appreciates the HCMC's statement in its notification of intent whereby the measure may be lifted during the period of enforcement of the measure, if considered necessary," said a statement from ESMA.

Spanish regulator the CNMV also extended its short selling ban for a further three months from 1 November. The ban is an extension of a seven-day ban that it introduced on 23 July.

The EU Regulation on Short Selling and Aspects of Credit Default Swaps came into effect on 1 November.

ESMA recently released a question and answer document to help authorities, investors and other market participants better understand the new European short selling regulatory regime.

The document provides responses to questions posed by the industry and offers clarity on the requirements that were introduced under the short selling framework.

Subjects covered in the paper include transparency and calculating of net short positions, uncovering short sales and enforcement of the regulation itself.

The document will be continually updated as new queries arise.

"The objectives of this short selling legislative framework are to increase transparency of short positions held by investors in certain EU securities, reduce settlement and other risks linked with uncovered or naked short selling and create a harmonised framework for coordinated action at European level," stated the ESMA document.

OCC's securities lending activity up 31 percent

Options Clearing Corporation's (OCC) securities lending CCP activities saw a 31 percent increase in new loans from October 2011 with 77,292 transactions in October.

Year-to-date stock loan activity is also up 26 percent from 2011 with 813,950 new loan transactions in 2012.

Futures cleared by OCC reached 3,247,032 contracts in October this year, a 31 percent increase from October 2011. Equities futures reached 424,573 contracts this month, up 149 percent from 2011.

Northern Trust

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