

INTERVIEW

BRIAN LAMB, CEO OF EQUILEND

NGT, Equilend's Next Generation Trading Platform

The EquiLend and BondLend trading platform is a critical system for securities finance professionals worldwide. We met with Brian Lamb, CEO of EquiLend, to ask about the firm's goals for NGT, their approach to defining and building the platform, and how they expect NGT to change the ways their clients do business.

BY SECURITIES FINANCE MONITOR

Securities Finance Monitor (SFM): What has changed in the business that makes NGT an important development for the industry?

Brian Lamb (BL): The very nature of securities finance has undergone substantial changes since the financial crisis of 2008. Once a business built around volume, in which revenue and profits were driven by efficiently trading and processing enormous balances, securities finance has been changed by regulations. Thin spreads, balances restricted by capital and credit and increasingly sophisticated investment and financing strategies have necessitated a more hands-on, complex and highly managed approach to the trade. The mission is still to let the machines do as much as possible. However, there is more thinking now that happens alongside the machines to manage new levels of complexity.

At the same time, securities finance processes have become more globalized, and EquiLend customers have been looking for changes in the platform to better automate, facilitate and support different market structures. Some core aspects of the

platform were – according to our customers – increasingly challenging to manage and restricted the usefulness of the service.

SFM: Which aspects?

BL: One important one was the reliance on “schedules.” When we built EquiLend, the idea was that trades would fall into a relatively finite set of static rules. The business was simpler, and clients’ front-end systems were relatively less sophisticated. We built most of the automated trading process around these schedules. It was a convenience then, but now it’s become something of a nuisance factor, even a barrier for some.

SFM: What kinds of barriers do clients report back?

BL: The automation needs these schedules to process the AutoBorrow function. You submit your trade needs against a particular schedule. When the lender and borrower schedules match up on terms and requirements, the trade happens. So over the years, and particularly as we grew outside the U.S. market, we found that the rules – the terms and requirements – were increasingly complex and detailed. Some

clients were setting up schedules to make a trade happen but never had another trade that fit that rule set. We went through the system and found hundreds of schedules that hadn’t been used in months or years. Yet, to make trades process, clients were in there setting up schedules. In reality, some of our clients just decided to bypass the automation because the setup of the schedule was becoming too onerous.

SFM: How does NGT change things for your clients?

BL: We’ve now extended the ability to set the “rules” for the trade right into the message. So when you drop the XML into the system, you include the terms and requirements with the XML message. Front-end systems have gained new capabilities since EquiLend first launched. Most of our customers already have, internally, their own sets of rules, so having a whole other set of rules within the platform is redundant.

The system is dynamic now and flexible down to the level of an individual trade. This is a good time to mention that another major change is that NGT is really now one single system – there’s virtually no distinction

between automated trade submission and manual trade submission. The backbone is all the same, using all the same XML structures. Whether you wrap an API around the XML to do automated trades, or you use our new UI [user interface], your counterparty really doesn't even know the difference – unlike the original platform.

SFM: There's a new UI. How is that different?

BL: It's better in a host of ways. We've incorporated a lot of new technology into the UI, using a lot of browser features and technology that just weren't available before. Technology continues to evolve. Cloud infrastructures, massively increased bandwidth and desktop technology have created opportunities to deliver data-dense services in ways that could not have been contemplated as recently as five years ago. Business users have high expectations about how they interact with systems including features and capabilities, and less tolerance for limitations on what they can see and do.

Our goal is to make NGT flexible and powerful enough that our customers can do everything through the system – not just the volume trades, and not just GC [general collateral]. Our vision is that our users will never need to go outside the system to trade – no matter what the asset class is, no matter what market or region, and no matter whether it's hot, GC or somewhere in between.

SFM: Ambitious.

BL: We are aware that our customers



need to do more with less. It's about changing behaviors and choosing the tools that work best for this business. NGT is a game changer, but it is definitely true that traders and firms have to decide to take advantage of the greater capabilities of the system to get the most out of what it can do.

SFM: This is a big project, and not one that a firm that's already a market leader just decides to do one day. How did you decide to do this, and how did you decide what needed to be done?

BL: Through organizational changes, market-facing and technical staff have been teamed up in new ways, ensuring that EquiLend's product enhancement process is driven by our customers' needs and requirements. Former

relationship management, sales and client services staff have assumed new strategic roles within the product management realm, while separate technology teams have been brought together to jointly implement new features across the enterprise.

If you talk to our customers, I think you'll also find that we've raised our level of engagement with them to new levels. We've reached out to the industry through an intensive and ongoing series of meetings, workshops and planning sessions around the globe – across five continents, actually. Additionally, for more than a year, as the NGT roadmap evolved, we have been hosting monthly "Developer Days," a peer-to-peer forum for customers and their technologists and EquiLend's technology staff to get together on the nuts and bolts of the new platform and other developments.

We should also mention that not only have we brought the teams together, we've also reevaluated our whole approach to building, testing and delivering enhancements. We're less "release" focused now – not as big bang. We're much more prepared to quickly turn around changes. We know that as NGT gets going and really starts to meet its potential, there will be lots of requests and ideas from our customers. We will be able to respond much more rapidly than ever before.

Now, 14 years after the launch of AutoBorrow, NGT is the genesis of the next 14 years and beyond.

SFM: NGT went live on April 27th. How did that process go?

BL: In NGT's first "live" week, we saw trades flowing between counterparties around the world, both from screen-based users and automated, system-to-system trades. It was a successful launch, and we anticipate steady growth on the platform as our clients continue to realize the benefits and efficiencies offered by NGT.

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