

EquiLend Spire: Untangling the sec finance spider web



EquiLend's **Paul Lynch** and **Dan Dougherty** and Stonewain's **Armeet Sandhu** speak to *Global Investor* about the launch of EquiLend Spire, and the importance of integrated solutions in achieving efficiencies in the face of industry pressures and regulatory change.

EquiLend and Stonewain have big ambitions for their new joint offering, EquiLend Spire, the most recent high-profile technology integration in the securities finance market. Both firms announced an agreement in February 2019 designed to give lenders and borrowers of all shapes, sizes and cities the ability to manage their securities finance business on a single platform.

The deal comes at a time of significant industry change as firms across the globe rethink their current technology setup in a bid to cut costs, meet reporting requirements, improve risk profiles and gain a more holistic, real-time view into securities lending and associated securities finance activities (repo and collateral management).

Vendors are looking to team up and integrate their best-of-breed applications within large financial institutions that are poised to update their tech. EquiLend and Stonewain look to have secured an early mover advantage.

Founded in 2009 in Berkeley Heights, New Jersey, Stonewain first launched Spire in 2015. The system, described in a 2017 vendor report by Aite Group as 'intuitive, customizable, and problem-solving', supports agency lending,

stock borrowing/lending, regulatory locates, trade and position management, risk analysis, compliance, accounting and reporting. The system is tailored to the distinct needs of the different players in the securities finance market, namely agent lenders, broker dealers, retail brokers and even collateral managers and beneficial owners.

Put simply, it is a fully integrated front, middle and back-office platform rivalling the likes of Loanet, Global One, 4sight and others.

A link with New York-headquartered EquiLend means the EquiLend Spire system will be fully integrated into EquiLend's own well-known suite of trading, post-trade, market data, clearing and regulatory services, including NGT, the company's flagship trading platform which has been known to handle as many as 100,000 or more executed trades in a single trading day.

"The whole objective of this partnership is to provide clients with a comprehensive, state-of-the-art books and records system which completes our product set overall," explains Dan Dougherty, global head of sales and client relationship management at EquiLend.

Paul Lynch, global head of products at EquiLend, adds: "Over time we've noticed

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the legacy books and records systems in this market have become old, antiquated and mostly inflexible. As firms have held onto ageing systems, spider networks of proprietary systems have been created around various technology platforms. Efficiency has been sacrificed as a result of not moving forward in search of better solutions.

“It’s a struggle to interface with a lot of these legacy systems, so we knew there was a gap in the marketplace. We had a lot of conversations with borrowers and lending agents, and everyone pointed us to the same product – Spire.”

For Armeet Sandhu, chief executive at Stonewain, it is clear that the securities finance industry is going through a transformation driven by regulatory changes and pressure on the business as a whole to generate more revenues and control costs.

“What we have seen previously is a lot of time, effort and money being wasted in supporting what are, quite frankly, very inefficient processes,” Sandhu explains. “Collectively, both Stonewain and EquiLend have been able to create an efficient platform that every player in the industry can utilise to their benefit.

“EquiLend has been helping firms become more efficient since its inception in 2001. Stonewain has always followed the same guiding principle.”

Problem solving

Both parties believe one of the big selling points of the new combined platform is the fact that EquiLend Spire doesn’t dictate what clients should be doing, but instead places a priority on solving the business problems customers themselves want to tackle first.

The modular nature of the platform allows users to address specific challenges along a path towards, potentially, a wider and more holistic technology replacement.

“We see this as a journey,” Stonewain’s Sandhu adds. “We want clients to come on board and use our technology in areas which make sense to them. EquiLend Spire offers modules that address pain points first and then enable clients to pick up a wider value proposition down the line as they get comfortable with the system. It’s not an all-or-nothing solution.”

At the same time, EquiLend and Stonewain aren’t expecting somebody to switch over to the service entirely on day one and are open to supporting integration, even with competitors, where needed.

EquiLend’s Lynch says the benefits from EquiLend Spire are multiple. “From a front-end perspective, the inventory management software helps traders. If you look at the core books and records technology, the efficiencies are exceptional, particularly in post-trade.

“There is great value to be found. Certain firms who can handle an all-in implementation process will see efficiencies immediately. Others who prefer a modular approach to implementation can implement parts that are best for them.”

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Paul Lynch, EquiLend

Sandhu says EquiLend Spire has also been designed to benefit different levels of sophistication. “For banks and brokers with large IT budgets and programming stacks in house, APIs and sophisticated trading algorithms can be used, allowing them to do things that are propriety in nature, creating a competitive advantage.

“Those that are investing less or have a different strategic interest can still use the solution’s inbuilt tools to have highly efficient processing. The goal is to provide a service that isn’t one size fits all but instead offers multiple levels of technology and processing capabilities so that a firm can use the solution to best suit its requirements.”

Pre-compliance

In 2020, Securities Financing Transactions Regulation (SFTR) reporting will raise the reporting bar for firms engaged in the European securities lending market.

EquiLend’s London and Dublin teams are continuing to work with Trax, part of MarketAxess, collaborating on a full front-to-back SFTR toolkit.

Globally, in Europe, U.S. and Asia post-SFTR, Stonewain’s Sandhu says EquiLend Spire is designed as a pre-compliant solution which is able to reduce the burden on the industry.

“Our solution takes away some of the anxiety SFTR creates. Using a mix of legacy systems creates complexity and makes it challenging to get the transaction data needed for legislation such as SFTR.

“Users of EquiLend Spire would only have to focus on the business impact of SFTR versus the technical impact of changes.”

As well as SFTR, the growing appetite for central counterparties (CCPs) in the securities lending space has also created a need for connectivity and standardized communications. “In general, EquiLend Spire is open to furthering products and creating new

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links. We want our products to be as efficient, end-to-end and functional as possible,” Sandhu says.

“We’re open to working with multiple parties,” Dougherty adds. “EquiLend Clearing Services already directs trades through Eurex, for example, and we do a robust business in our Loan Market, which flows through to OCC for central clearing. Extending these and other cleared offerings would be a natural next step for integration with EquiLend Spire.”

Positive feedback

According to Sandhu, existing Stonewain clients have been very positive of the relationship. “The general feedback is that this is a good solution for both firms involved, as well as current and potential new clients. People see the efficiencies and advantages of having a solution like this available along with the future innovation potential that comes with it.

“Legacy systems increase spend and risk. The fear of migrating away from old platforms is starting to be outweighed by the benefits that a solution like EquiLend Spire brings to the table, especially in the current market environment.”

“People are holding onto platforms, but constantly re-evaluating,” EquiLend’s Lynch concludes. “For a long time clients didn’t have fully functioning, integrated choices, and now they do. EquiLend Spire is a global, multi-asset class solution for securities finance market participants of all types, and we’re excited about offering it to the marketplace.” ■