



The EquiLend ecosystem

Kevin McNulty reviews the first year of its RegTech Solutions division

Day three agenda inside



TradingApps

Your Securities Finance technology partners.

▶ tradingapps.com

The EquiLend ecosystem: forming connections through solutions

One year on from the launch of EquiLend's RegTech Solutions, head of the division Kevin McNulty reviews its accomplishments over the past 12 months, the top concerns for market participants and implementing new technology amid mandate changes

EquiLend's RegTech Solutions division has been up and running for one year now. What has been your main focus and accomplishments over the past year?

Although we created the division last year, EquiLend has a long history of providing regulatory solutions for our clients, tracing back to the development of our core Agency Lending Disclosure (ALD) service in the 2000s. Having joined EquiLend at the end of 2021, and having had a few years out of the industry, it was clear that regulatory developments remained a dominant issue for firms. It made sense to create a specialist team to focus on helping clients with their compliance needs. I was delighted to have Iain Mackay, who was previously responsible for our Post-Trade Solutions group, join me to run the division on a day-to-day basis. We have been growing the team ever since with specialists in London and New York.

One of EquiLend's strengths is the ecosystem that we have developed. We connect firms operating in securities finance with each other through a wide variety of our solutions designed to reduce friction, risk and cost. RegTech is an important part of that ecosystem.

What are the biggest concerns for market participants right now and where is the focus for the RegTech division?

One of the first concerns we noticed was the challenge of onboarding new beneficial owners into securities lending programmes. The ALD protocols developed over a decade ago included some basic messaging to help with this, but with the increasing focus and complexity associated with onboarding, the whole process is a major pain point for the industry.

By listening to our clients and understanding their needs, we developed our Onboard+ solution, which incorporates an enhanced version of our ALD offering with a state-of-the-art know-your-client (KYC) and client integration platform. Onboard+ aims to achieve reduced onboarding times for beneficial owners and includes tools which give lenders and borrowers unprecedented insight into the pipeline of new funds coming to market.

Looking ahead, we are focused on the proposed SEC 10c-1 rule, which would require lenders in the US to disclose their transactions and positions to regulators who, in turn, would publish the data in an anonymised form. It is the US version of the Securities Financing Transactions Regulation (SFTR), so to speak, but, as currently proposed, the SEC 10c-1 rule has some material differences to the European regulation. One of these material differences is a requirement to report transactions within 15 minutes of execution. There has been a large amount of pushback from the industry on this point, as well as other features such as reporting lender availability. The market must wait and see what the final rule says, which is expected to be published later this year. We have engaged with the SEC on the proposed rule and are prepared to support clients should it come into force as proposed.

Earlier you mentioned the EquiLend ecosystem. Outside of RegTech, what are some of EquiLend's current priorities across the firm?

The move to a T+1 settlement in the US and Canada is a top priority for our clients. The key to operating successfully in a shortened time frame is to be as efficient and as automated as possible. To that end, we have been busy enhancing our suite

of post-trade solutions. Firms that take advantage of these to automate workflows around returns and recalls, exposure monitoring and transaction settlement on a real-time basis should be well placed to manage the change.



“Firms are challenged and have limited bandwidth to implement new technology, but most recognise that maintaining outdated legacy systems is costly”

Of course, being able to trade and cover positions efficiently on our NGT trading platform is also part of the toolkit that firms can take advantage of. NGT trading volumes continue to grow steadily, with 2.5 million transactions executed on NGT in May across more than 110 global firms. We continue to enhance NGT functionality to support the various needs of our large client base. As an example, earlier this year we launched Competitive Bid, a new NGT functionality specifically designed for non-general collateral (GC) trading, which has been popular among clients looking to eliminate time-consuming manual trade executions ahead of the shift to T+1.

We continue to see increasing demand from clients for increased and improved data. Our current focus has been to develop tools and solutions that provide for more real-time data on securities finance markets and to deliver this in ways that support how our clients actually work. New user interfaces, new data points and integration into other solutions such as NGT and Onboard+ are some of the highlights this year.

With a focus on regulatory compliance and shortened settlement cycle in North America, do firms have the bandwidth to implement technology that is not directly impacted by these mandated changes?

Firms are challenged and have limited bandwidth to implement new technology, but most recognise that maintaining outdated legacy systems is costly. Market participants know that to stay competitive with their peers, they need to employ the latest technology. One area where we are helping and where we see strong demand is our EquiLend Spire platform, which is a full end-to-end books and records system. There are a number of advantages of using Spire — it is a fully modular solution, so clients can take the full solution or just the components that they need; the job of maintaining and upgrading the platform is effectively outsourced to EquiLend; and it comes integrated with our full ecosystem of Trading, Post-Trade, Data & Analytics and RegTech Solutions. The demand for Spire has been incredible and is a sign that firms continue to invest in this business.

Digital transformation has been a hot topic among fintech firms. What is EquiLend doing on this front?

Two years ago, we established a Digital Transformation Working Group which included many of the main players in our industry and drew people from business and technology. The first objective of this group was to identify problems that digital technologies would be best placed to solve. Having reviewed a number of industry pain points, they concluded that the elimination of trade reconciliations would be an ideal problem area that could be solved through the deployment of distributed ledger technology (DLT).

Roll on a couple of years and we are in development of our 1Source solution, which is now entering the pilot phase. 1Source will facilitate the creation of a single immutable record on a distributed ledger for every securities finance transaction, completely eliminating the need for firms to reconcile their own representations of the same transaction. Based upon analysis conducted by external consultants, the cost saving for the industry of doing this will be huge. We see 1Source as the platform to support the development of future solutions for the industry, including regulatory reporting. Interoperability is a priority for clients — 1Source will be fully interoperable with the EquiLend ecosystem and is open to connectivity with other technology platforms and solutions. ■