

ISLA Market Update

2022 ATHEX Derivatives & Stock Lending Forum

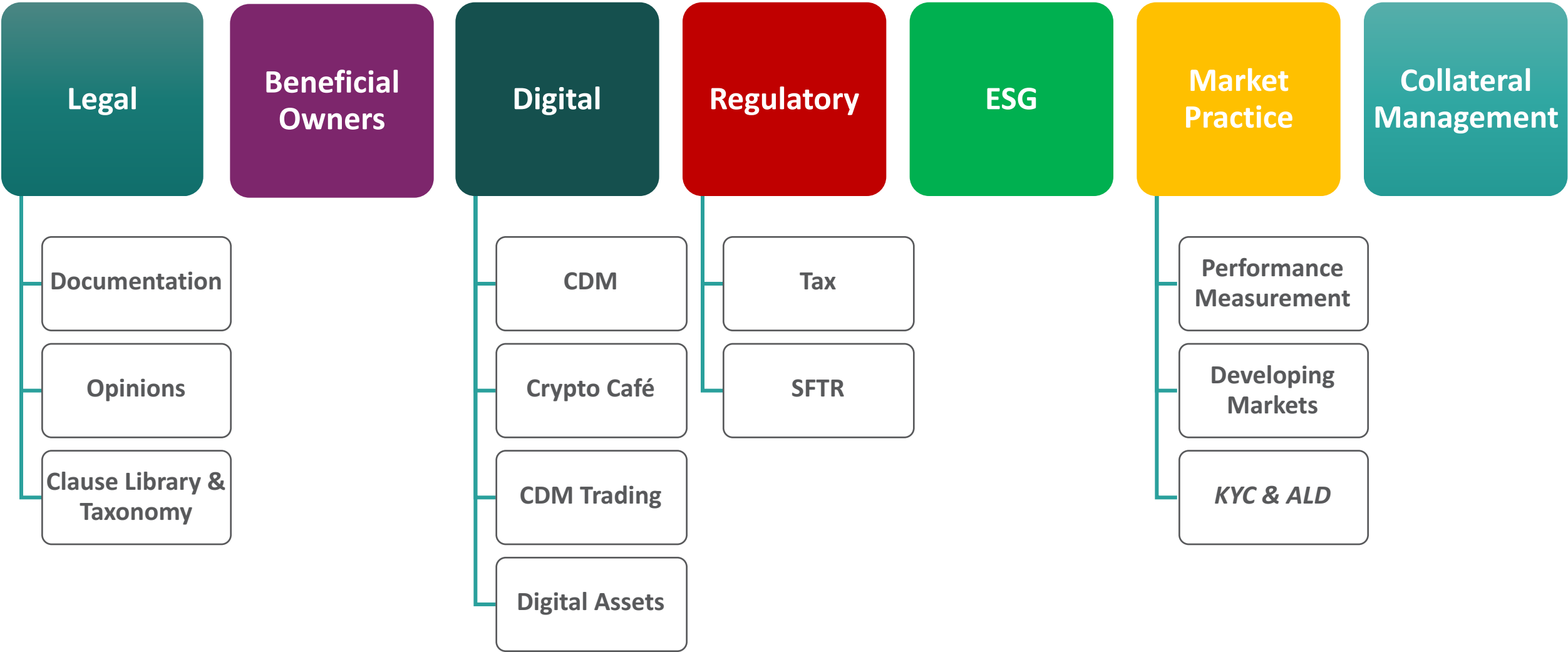
Fredrik Carstens, Public Affairs Advisor

2nd November 2022

- **International Securities Lending Association (ISLA)** is a leading non-profit industry association, representing the common interests of securities lending and financing market participants across *Europe, Middle East and Africa*.
- With a **geographically diverse** membership of over **190 firms** includes institutional investors, asset managers, custodial banks, agent lenders, prime brokers and service providers.
- Working closely with the industry, as well as national, regional, and global regulators and policy makers, **ISLA advocates** for, amongst other things, the importance of securities lending to the broader financial services industry.
- **ISLA supports** both the **Global Master Securities Lending Agreement (GMSLA)** legal framework (including the *Title Transfer* and *Securities Interest over Collateral* variants), as well as the periodical enforceability and security enforcement across global jurisdictions.
- Through member working groups, industry guidance, consultations and first-class events, ISLA plays a pivotal role in the creation and promotion of **market best practices** and processes, **thought leadership**, **standards for legal frameworks**, and **securities lending guides** and related documents.

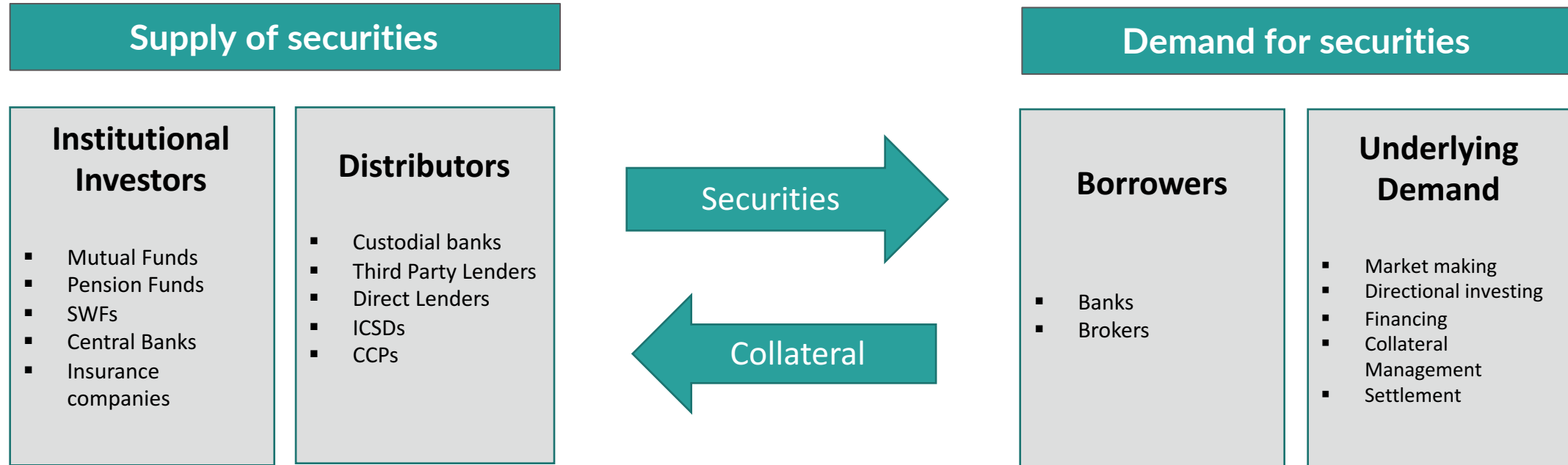


ISLA Working Group structure



About the market

Participants and drivers for Securities Lending



- **Investors** lend securities to generate an incremental return to improve return, reduce custodial and asset servicing costs.
- **Distributors** act as intermediaries on investor's behalf (**Agent**) - *lending securities* and *managing collateral* - as per defined framework and risk parameters

- **Delivery:** Transfer of title or pledge
- **Distributions:** paid to counterpart
- **Fee:** paid to lender
- **Activity:** high volume and short-term activity
- **Haircut:** Collateral / Securities
- **Indemnification:** margin shortfall

- **Borrowers** have a range of underlying reasons to borrow securities

Global market by size as of 30 September 2022

Lendable assets: €28.3 trillion* (EQ €20.5 tn | Gov bonds: €3.8 tn)
On-loan balance: €2.3 trillion* (EQ €1 tn | Gov bonds: €1.1 tn)

- Includes Corporates
- Source: S&P Global

Total revenue earned in Q3 2022: €2.63 billion

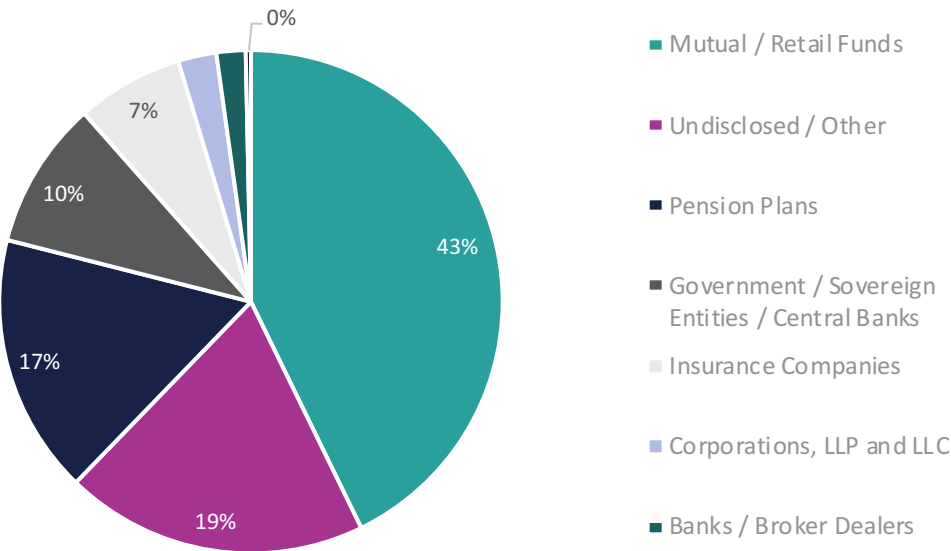
- Source: DataLend

European market by size as of 30 September 2022

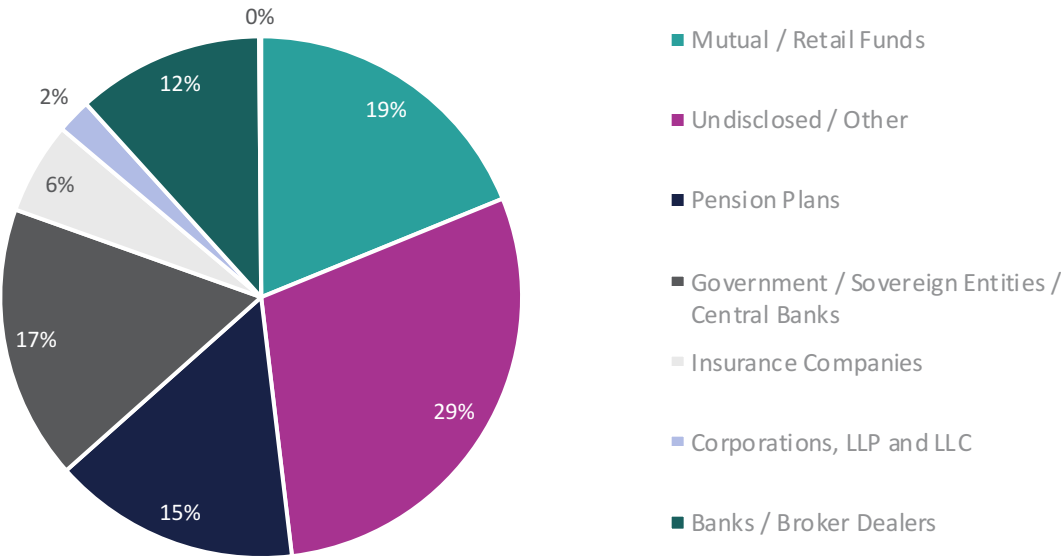
Lendable assets: €3.9 trillion* (EQ €2.4 tn | Gov bonds: €0.7 tn)
On-loan balance: €605 billion* (EQ €225 bn | Gov bonds: €307 bn)

- Includes Corporates
- Source: DataLend

European Lendable Securities by Client Type



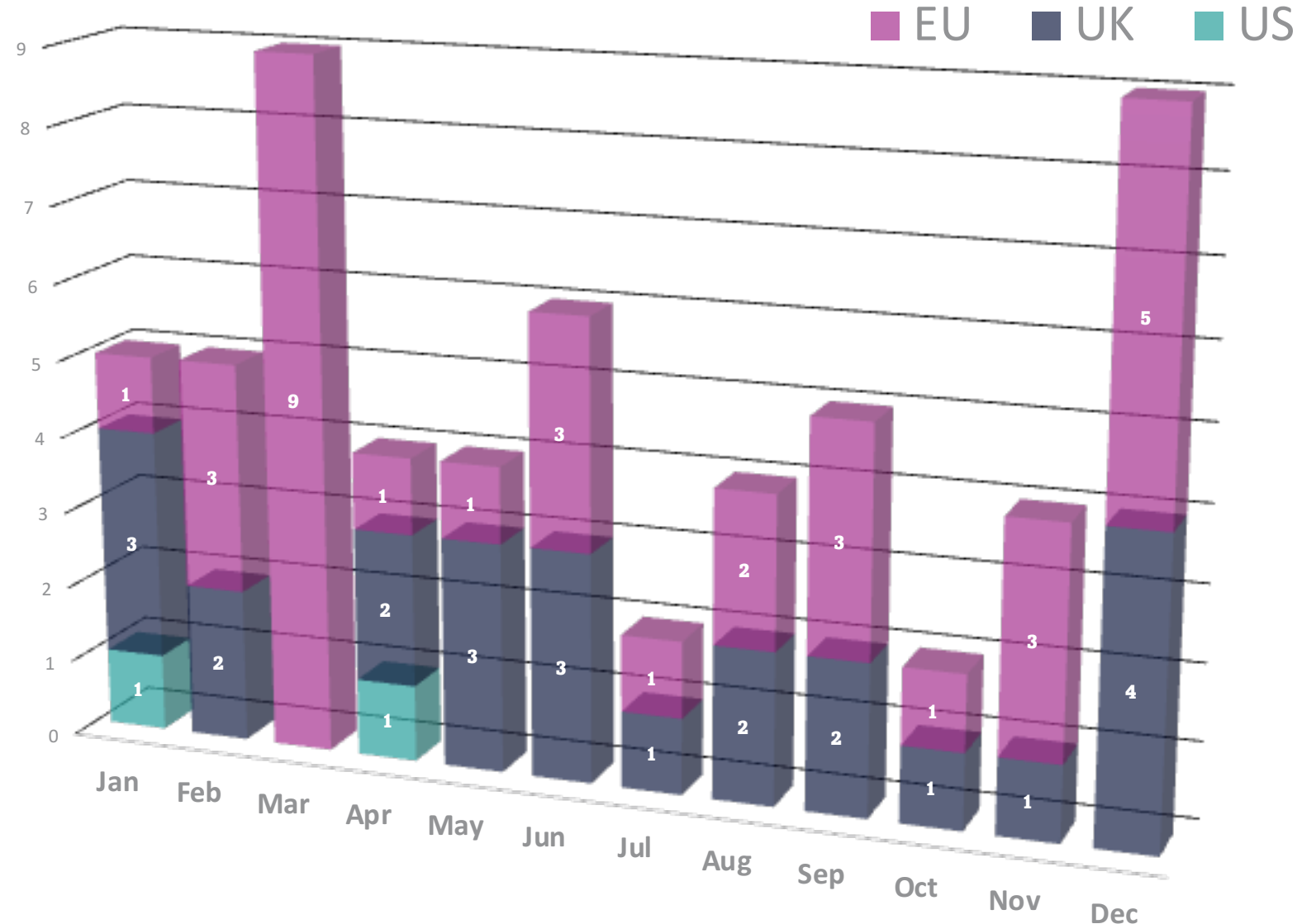
European Securities On-Loan by Client Type



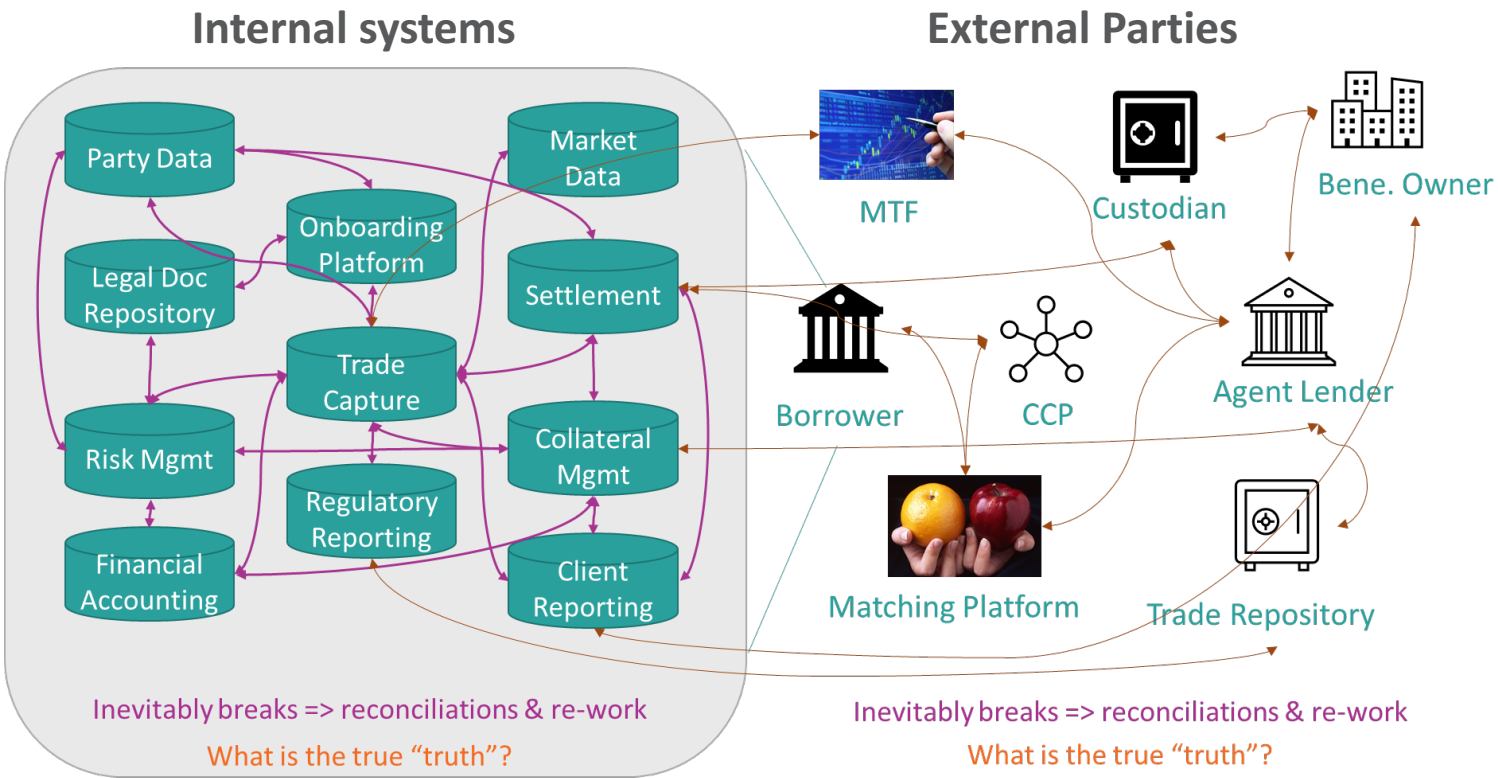
Regulatory Landscape

Regulatory Drivers – ISLA Regulatory Pipeline

	EU	UK	US	Total
AIFMD/UCITS	5			5
BASLE	4	1		5
CCP/CSD		1		1
Clearing	1			1
CSDR	3			3
CSRD	1			1
Digital	7	3		10
ELTIF	1			1
ESAP	1			1
ESG	3	2		5
LIBOR		1		1
Liquidity		2		2
MiFID	3	1		4
Reporting		1		1
SEC 10c-1			2	2
Solvency II	1	2		3
Supervisory		1		1
Tax	3	1		4
Financial Services		6		6
CRR/CRD		2		2
Total	33	24	2	59



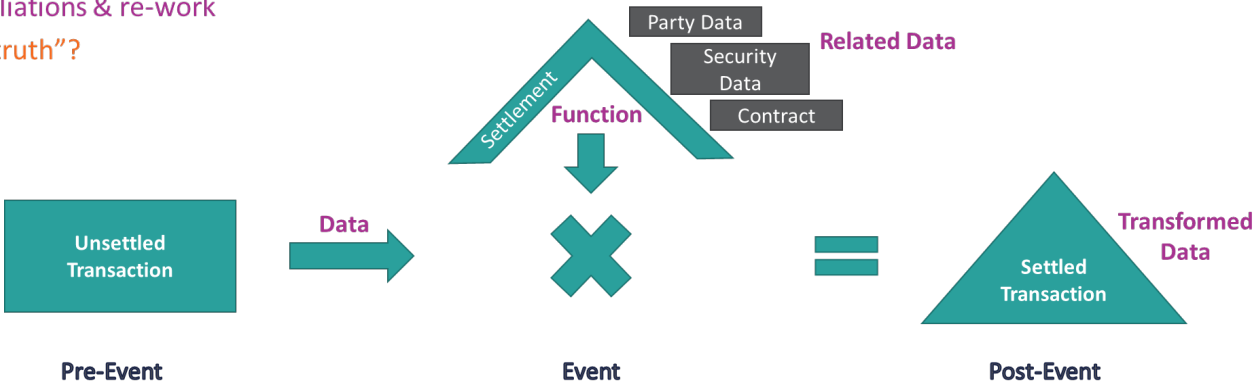
Digital and Sustainability



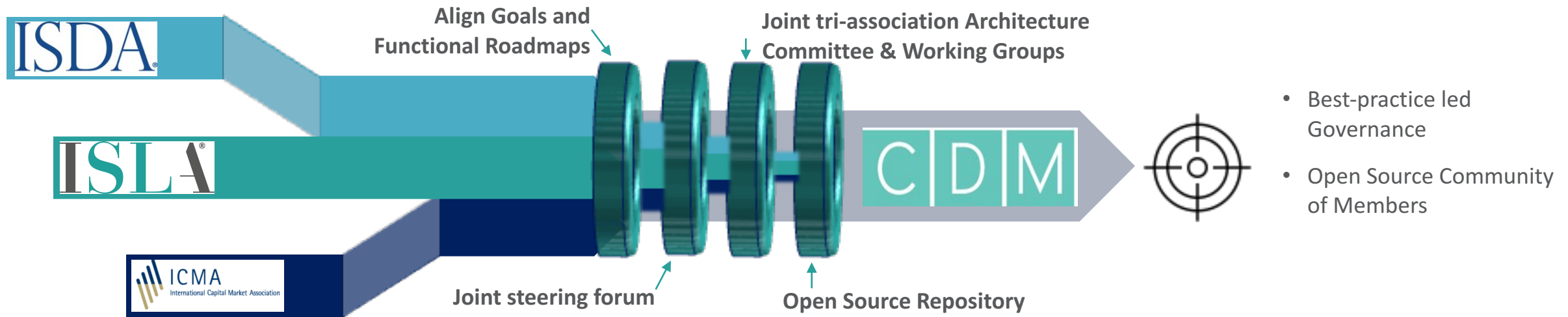
- Differences in booking models
= Different outcomes :
- Reconciliation breaks
 - Valuation differences
 - Collateral disputes
 - Reporting mismatches
 - Operational inefficiency
 - Settlement failures

Outcomes are an interaction between data representation and functional representations.

Data + Function = Domain Model



Industry Initiatives - Trade Association Collaboration



Associations collaborating towards the same future goal, to benefit the whole industry.
A Common Domain for the market, built by the market.

Thursday 8 September 2022

ISLA, ICMA & ISDA Appoint FINOS for CDM Repository





Voting

Participating in proxy voting is an important way for active investors to influence corporate behaviour on ESG and sustainability issues

Transparency

Exercise due diligence and consider the purpose for which securities are borrowed, ensuring compliance with transparency regulatory requirements

Collateral Selection

Aligning Collateral requirements with sustainability objectives, whilst ensuring it is an effective risk mitigant

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