

PRESS RELEASE

13 September 2010

UK financial trade associations launch securities lending guide for pension fund trustees

A group of the UK's leading financial trade associations has today published a range of educational materials, designed to enhance pension fund trustees' understanding of the securities lending market.

The documents include an introductory guide and checklist for investors contemplating starting securities lending programmes, as well as a disclosure code of guidance for securities lending agents.

The materials were jointly developed at the instigation of the Bank of England's Securities Lending and Repo Committee (SLRC) and are endorsed by the Association of British Insurers, British Bankers Association, ICMA European Repo Council, Investment Management Association, International Securities Lending Association (ISLA), Local Authority Pension Fund Forum, National Association of Pension Funds (NAPF), as well as securities services consultant Thomas Murray.

The group worked closely with the Financial Services Authority, Bank of England, HM Treasury and the Pensions Regulator.

Joyce Martindale, representing the NAPF and chair of the SLRC working group, said:

"The securities lending guidance should be very beneficial in helping pension fund trustees enhance their awareness of this specialised investment-related activity and decide whether to participate. The documents complement the broader range of materials already in existence aimed at educating investors on securities lending."

Kevin McNulty, Chief Executive of ISLA and a member of the SLRC working group, commented:

"There has been concern in some quarters that not all pension fund trustees adequately understand securities lending and may be unaware of its potential benefits or uncertain as to any risks it might pose and how to deal effectively with them. We were very pleased to work with such a wide group of trade bodies and regulators in developing these materials and hope they provide a clear introduction."

Securities lending can generate incremental returns for investors on portfolios of shares and bonds, while contributing also to the promotion of efficient financial markets. Investors lend securities to borrowers such as market makers and investment banks who pay the lender a fee. Loans are secured with collateral and business is conducted under well-developed master agreements.

The total value of securities on loan globally is estimated at around US\$2.5 trillion* and pension funds generate an estimated US\$800 million* of revenue annually from lending their securities.

..Continues



Whilst much has been written on the subject of securities lending, most of the materials available are aimed at readers with an existing degree of understanding of the business. Trustees and others with responsibility for the oversight of investments are challenged to stay abreast of the large array of investment techniques available to them.

The introductory materials can be viewed on the Securities Lending and Repo Committee's website www.bankofengland.co.uk/markets/gilts/slr.htm

**Source: Data Explorers*

Ends

Media enquiries:

NAPF

Paul Platt

T: +44 (0)20 7601 1717/ M: +44 (0)7917 506683

ISLA

Alex Evans

M: +44 (0)7702 237736

Jessica Johnson

M: +44 (0)7952 764410