



Minutes

Securities Lending Committee

24 September 2018

Location: Governors House, Laurence Pountney Hill

Attendees:	Prudential	Nina Moylett (Chair)
	Aberdeen Standard Investments	Matthew Chessum
	Aviva Investors	Mick Chadwick
	BlackRock	Tim McLeod
	BoNY Mellon	Staffan Ahlner
	Citadel	Timothy Tomalin-Reeves
	Citi	Andy Krangel
	Clifford Chance	Habib Motani
	Goldman Sachs	Mark Short
	HSBC	Jamie Anderson
	ICMA/ERCC	Godfried De Vidts
	Lloyds Bank	Jamie Smith
	Morgan Stanley	Krishan Chada
	Norges Bank Investment Management	Matthew Brunette
	Prudential	Simon Dunderdale
	State Street	Alex Lawton
	DMO (Observer)	Jessica Pulay
	FCA (Observer)	Alessandro Puce
	BoE	Iain Ramsay (Secretary)
	BoE	Jonathan Pyzer
Apologies:	Insight	Mark Stancombe
	ISLA	Andrew Dyson

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1. Introductions

Nina Moylett (Chair) welcomed new member Krishan Chada to the Committee.

Ahead of each presentation the Chair noted to presenters that presentations were expected to stimulate and contribute to discussion about the impact of and outlook for technology with regard to securities lending, and should not be a sales pitch.

2. Presentation from HQLA^X

The intention of HQLA^X is to remove the need for settlement of the collateral itself in a transaction. HQLA^X employs distributed ledger technology and the transfer of 'tokens', which represent an underlying basket of collateral, via this channel. The initial focus of the product would fall on collateral versus collateral ('collateral upgrade') transactions. Collateral management, including title transfer following the exchange of tokens, takes place within a third party custodian. A proof of concept test trade, including the re-use of collateral by a counterparty to the transaction, has taken place on the platform. The triparty agent assures counterparties of

the contents of collateral baskets, and removes the need for settlement of the underlying securities. Requisite legal documents – essentially a GMSLA for settling tokens – had been written.

3. Presentation from *WeMatch*

The intention of WeMatch is for participants to upload their interest on the bid and offer side against specific securities, essentially providing a matching platform. Additionally, an algorithm is used to find and suggest 'matches' which may be suitable to certain participants on the platform. It may also assist in provision of evidence for best execution – though agent lender retains ultimate responsibility.

4. Presentation from *TradingApps*

The intention of TradingApps is to use Distributed Ledger Technology (DLT) in order to provide a 'single version of the truth' underpinning the settlement, billing, and reporting aspects of securities lending transactions. The product aims to simplify the post-trade operational processes due to this transaction record shared by counterparties – aiming to simplify what they see as more disjointed and inefficient current processes.

5. Discussion following presentations

It was noted by Committee members that a common theme of the presentations had been that the products intended to improve the efficiency of the existing operational aspects of the securities lending market, rather than – for example – connecting a broader set of counterparties to the securities lending market or expanding the universe of securities available for lending. Regulatory changes were also highlighted as relevant in coming years – for example, SFTR would help in standardising trade reporting.

Members also noted the likely important of DLT in the securities lending market and across financial markets more broadly in coming years – noting that there is broad interest in making use of DLT across other firms and markets. Members briefly discussed the importance in limiting any risk that widespread adoption of one single DLT solution by the market could pose a 'single point of failure' risk.

6. AOB

The Chair confirmed to the Committee that the next meeting of the SLC would take place on 20 November 2018.

Agenda items at the November meeting would include an update on pledge structures, and discussions on the trading implications of CSDR and business model implications of SFTR.

Members also discussed the possibility of discussing the possible implications of Brexit – particularly in a 'no deal' scenario – at the November meeting.