



BANK OF ENGLAND

Minutes

Securities Lending Committee

27 September 2019

Location: 20 Moorgate, EC2R 6DA

Attendees:

State Street	Alex Lawton
Citi	Andy Krangel
ERCC / ICMA	Godfried De Vidts
Clifford Chance	Habib Motani
Lloyds	Jamie Smith
Goldman Sachs	Mark Short
Goldman Sachs	Johanne Armita
M&G Prudential	Nina Moylett
M&G Prudential	Simon Dunderdale
BNY Mellon	Staffan Ahlner
BlackRock	Tim Mcleod
DMO (Observer)	Jessica Pulay
FCA (Observer)	Alessandro Puce
Bank of England	Jon Pyzer
Bank of England	Sumita Ghosh
Bank of England	Michelle Kearns
Bank of England	Paul Alexander (secretary)
Bank of England	Bianca Ginelli Nardi (secretary)

Apologies:

HSBC	Jamie Anderson
Norges Bank	Matthew Brunette
Aviva Investors	Mick Chadwick
Morgan Stanley	Krishan Chada
Citadel	Timothy Tomalin-Reeves
Aberdeen Standard Investments	Matthew Chessum

1. Introductory remarks

The Chair confirmed that the May 2019 SLC minutes were published on the Bank's website.

The Chair welcomed Johanne Armita (Goldman Sachs) to the Committee.

2. Update on recent market trends

The Chair noted that the [September 2019 ISLA report on the Securities Lending Market](#) quoted a fall in revenues from securities lending by 15% in the first six months of the year compared to the same period in 2018. The Chair also pointed to an increase in government bonds being available for lending by 13% for this period according to the ISLA report.

On the back of the trends outlined in the ISLA report, Committee members noted some demand constraints on securities lending on the equity side, as balances have decreased due to a lack of hedge fund activity. Spreads have been compressed on the fixed income side due to lack of activity. Members noted an increased demand for US cash and HQLA.

There were mixed views by members on demand for pledge structures. One member noted that a firm bound by standardised risk weighted assets will be incentivised to pledge, but that ultimately whether this happens will depend on economic viability. Another member noted demand for pledge structures by CCPs.

On post trade, there continues to be a focus on regulatory changes including SFTR and CSDR. On CSDR some members noted a continued lack of clarity on how it will impact the securities lending industry. On SFTR, members are still awaiting further clarification from ESMA as a number of protocols are still being finalised.

3. Diversity and Inclusion in Securities Lending markets

The discussion focused particularly on gender diversity in Securities Lending markets.

The Bank of England (BoE) presented on their diversity and inclusion strategy. The presenters noted that diversity is essential to the fundamental delivery of the Bank's

public mission of “promoting the good of the people of the United Kingdom by maintaining monetary and financial stability”.

The presenters covered internal steps taken to improve diversity, and invited Committee members to share initiatives taken in their firms.

Members noted the importance of encouraging gender diversity in industry panels, and discussed how best to encourage more women to participate in these. Some members noted that there is often an issue in making opportunities visible and that there should be a focus on communicating them effectively. This is also the case for promotion opportunities.

Some members also pointed to the importance of holding seniors accountable for raising diversity, as executive buy-in is crucial for an initiative to be successful.

Members also noted that diversity and inclusion initiatives should be carried out at initial recruiting stages as well as senior levels, and that they should have broad remits covering development and retention also. On retention, successful initiatives have included emergency home care, paternity leave, and other initiatives to promote employees’ mental health.

Members agreed that gender diversity in securities lending markets should continue to be addressed by the Committee and agreed to return to this topic regularly. Members also agreed to consider how the committee can promote practical changes in this area.

4. Impact of Environmental, Social and Corporate Governance (ESG) on Securities Lending Markets

The chair noted that are different ways that firms approach ESG, and invited committee members to discuss.

Members discussed trends in sustainable investment, which seeks not only to have an economic return but also to have an impact on society and the environment. Investors will look at the ESG criteria of a business and their operations in order to inform their investment decisions.

One member noted the Sustainable Investment Alliance which has £31tn of assets under management as sustainable assets, and that Europe and the UK are leading the way in ESG investing.

One member noted that ESG investing is expected to increase as millennials are expressing new expectations regarding what they buy and where they invest. In this regard asset managers will need to embrace sustainability.

Members also discussed the importance of accountability and how legislation and regulation have evolved to acknowledge this, noting that the PRA has regulated how banks and insurance companies manage climate related risks.

Members discussed how ESG factors are integrated among asset managers and asset owners, and included into financial analysis, corporate shareholder action, regular reporting and disclosures.

One member noted the difficulties in determining the share of ESG investing as these securities are not classified in a binary way (ESG/non-ESG) but in a sliding scale.

Members noted that collateral received for ESG fund needs to meet investment guidelines and values, in order to be aligned from a reputational point of view.

5. AOB

The Chair invited members to suggest forward looking agenda items for the November SLC meeting.