ISLA™

Securities Lending Market Report

>>> An ISLA Publication | 20th Edition | December 2023

Securities Lending Biannual Market Report

Dec 2023

>>> Index

Foreword

>>> Welcome to the 20th edition of ISLA's Securities Lending Market Report

I'd like to welcome you to ISLA's 20th edition of the Securities Lending Market Report.

One might think that as I put pen to pad for the 20th foreword, spanning the best part of a decade, that I might be short of things to write. However, such is the nature of the Securities Lending and Borrowing sector - constantly evolving, innovating and growing - that editing my thoughts to a mere 600 words, has been much more of a challenge.

Indeed, as I write this, our members, and the wider markets find themselves at an intersection of new technologies, new markets, and new regulation which will shape the industry for years to come.

Over the next few pages of this report, you'll see that the data paints a picture of a 'business-as-usual' albeit, quieter second half of 2023, with balances remaining steady and revenues as expected, with perhaps the exception of the United States (US). However, the forces at play behind these numbers are anything but steady and paint a very different picture for 2024.

This year we will see more than 60 countries, representing over half the world's population, hold regional, legislative, and presidential elections. With the new governments comes the promise of new regulation, which will no doubt impact how we do business. At ISLA, our focus will be on identifying opportunities to influence, educate and communicate to those who will drive policy, regulation, and legislation, ensuring we position our markets in the proper context.

Irrespective of the geo-political and economic outlook, what is certain is that securities lending and borrowing is in for another year of contrasts, not least from a regulatory perspective. Much has already been written about ongoing regulatory pressures, namely Basel III and T+1, which will continue to shape the dialogue as firms start to implement the various reporting, monitoring, and management protocols within their businesses. This year I expect to see the lens widen to look at what these developments mean for the protagonists at either end of the value chain.

Alongside this, 2024 will likely see many new technologies and platforms come to market to simplify, standardise, and alleviate some of the regulatory burden. The space will become more competitive as new players enter the market with innovative, cost effective and scalable solutions across the pre and post trade space. While an increase in solutions comes with the promise of lower costs and greater efficiency, so does inherent risk through greater fragmentation, less standardisation and compatibility challenges.

Although the above may allude to a tighter operating environment, 2024 will see the emergence and growth of new markets, not least in the Middle East. The region has long been on the radar of our members, as it looks to diversify its economies and further develop its financial markets.

At ISLA, the Middle East is a region that represents strategic importance for our markets. We recently published our first country-specific Guide, which focused on the Kingdom of Saudi Arabia. Over the remainder of 2024, we will look to publish further reports for key jurisdictions, providing our members a common understanding and interpretation of the current market and regulatory frameworks, as well as an outlook on netting legislation in each respective country.

Much of what I have written forms the basis of the agenda at our upcoming 31st Annual Securities Finance & Collateral Management Conference in Geneva. Now in its fourth decade, and a highlight of my year, the conference brings together 600+ market participants to learn, share and ultimately address the challenges we face, head-on and realise the opportunities to grow our sector. I hope to see many of you there!

In closing, I would also like to thank the team at eSecLending for providing the market commentary for this report.

Finally, and by no means least, I would like to thank our data partners - tri-party agents BNY Mellon, Euroclear, Clearstream, and JP Morgan, as well as data firms DataLend, S&P Global, and FIS Global, for providing the underlying data, without which it would not have been possible to compile this report.

Andrew Dyson
CEO, ISLA

Andrew Dyson, CEO, ISLA

> Alongside this, 2024 will likely see many new technologies and platforms come to market to simplify, standardise, and alleviate some of the regulatory burden.

Market Highlights

Global Trends

Global Securities Lending Market

€27.2Tn Dec 23 €27.5Tn Jun 23

Global Securites On-Loan

€2.4Tn Dec 23 €2.4Tn Jun 23

Global SL Revenues - Lender to Broker (DataLend)

€9.7Bn Dec23 €9.2Bn Dec 22

Market Volatility (VIX)

12.45 Dec 23 13.59 Jun 23

S&P 500 Index

4770 Dec 23 4450 Jun 23

Global Government Bonds On Loan by Client Type

Government Bond Markets

Utilisation

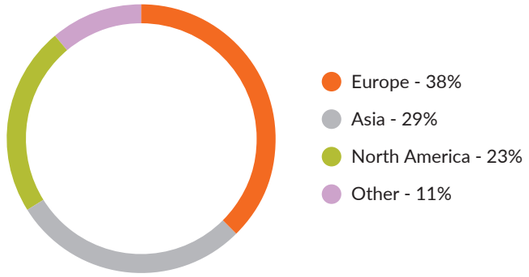
32% Dec 23 31% Jun 23

Securities On-Loan

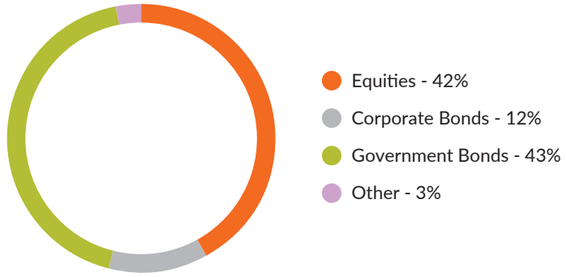
€1.1Tn Dec 23 €1.1Tn jun 23

Collateral

Government Bond Collateral Held in European Tri-Party by Domicile of Issuers



European Non-Cash Collateral Held in European Tri-Party



Equity Markets

Securities On-Loan

€1.0Tn Dec 23 €1.1Tn Jun 23

Lendable Assets

€20.2Tn Dec 23 €20.4Tn Jun 23

Providers

DATALEND
S&P Global Market Intelligence
FIS
J.P.Morgan
BNY MELLON
clearstream
euroclear

Securities Lending Biannual Market Review

H2 2023

eSECLENDING
SECURITIES FINANCE TRUST COMPANY

Introduction

The second half of 2023 turned out to be much quieter than the first half. The banking crisis of early 2023 is fully in the rear-view mirror and Central Banks have paused the interest rate rises that have dominated the economic headlines for the last 18 months. Securities lending revenues flattened amidst a lower specials environment. The second half of 2023 saw some big regional variances in securities lending activity with the US leading the transactional chart. Asia Pacific saw some strong revenue pick up but Europe fell into the doldrums.

The industry has been focused on preparations for the move to T+1 in May 2024, particularly in the high-volume US market. As attendees flew back from the RMA Securities Finance & Collateral Management Conference in October 2023, the SEC released its highly anticipated 10c-1a ruling which starts to define the reporting of securities lending activity, in all likelihood, from early 2026. Most readers breathed a sigh of relief at the changes from the initial version that was launched for consultation in 2021 and 2022 but more detail won't be known until the first half of 2024.

In Asia, 6 November 2023 proved to be an interesting day as South Korea banned short selling until at least June 2024, simultaneously as the Philippines launched its short selling regime. 2023 was also the year when securities lending in Saudi Arabia became real. Volume grew steadily, particularly in the second half of the year. We anticipate most lending agents will look to play some role in Saudi Arabia in 2024.

Meanwhile the Basel III endgame continues to focus attention for the whole industry. In particular, disparity in rules between the US, UK and EU leads to concerns that some Banks will be penalized more than others. Continued advocacy keeps this issue front and centre and will see the efforts of CCPs remain in the spotlight as a potentially important option for industry players.

In the following pages, we examine in more detail the performance of the various asset classes in the last six months of 2023 and taking a first look at what we can expect from 2024.

Introduction & Outlook
Michael Brooks
Vice President, Fixed Income
Simon Lee
Managing Director, Head of Business Development, EMEA & APAC
Ed Oliver
Managing Director, Product Development
eSecLending Trading Team

EMEA

>>> As mentioned in our introductory comments, the second half of the year in the EMEA region has fared little to no better that the previous two quarters – in fact, if anything, in securities lending terms it has worsened. We have continued to see interest rates raise across the region in what has now looked to be a successful manoeuvre in containing inflation. Numbers suggest that towards the end of Q3 and into Q4 inflation was at a steady decline in the more developed economic countries. Unfortunately, we have seen an upsurge in activity in the Ukraine and Russia Conflict which continues to put pressure on many industries including shipping and energy forcing financial institutions to navigate around the situation at potentially great cost which is absorbed into the transactions in which many of us are engaged. In October Palestine militants launched an attack at Gaza. The conflict is ongoing and is yet another major geo-political event effecting global markets and creating volatility. As with the Ukraine situation, shipping costs are in focus with most shipping companies avoiding the Red Sea and Suez Canal route.

Looking at the specials market in EMEA, it has been very crowded with little to no new activity, interest remains in a handful of directional names that have pressure on the share price and increasing lending fees which ultimately results in flat alpha. Small and mid-cap names have led the charge when it comes to event driven or special situation opportunities across a number of countries but margins have been thin. Revenues in European equities dropped significantly, by 25%, in Q3 year on year, and whilst fared a little bit better in Q4 were still down a further 10%. Fees declined by more than 40% in the UK and Sweden in Q4 and there were very few bright spots to talk about.

With the cost of Capital at an all-time high we have seen the large blue-chip companies sit somewhat in the shadows with little to no activity. The number of third-quarter deal announcements fell 36.4% year over year to the lowest level since the second quarter of 2020.

Balances took the usual seasonal tumble during the summer period, and it has been a very slow burn into the final quarter. A name of note in the UK market is Manchester-based Boohoo Group plc, we saw significant utilization and fee increases in this name on the back of a $197mm settlement in the US for fake discount advertising, just another incident for the troubled company which remains on every lenders' watch list as more and more clients take short positions in the name.

Also in the UK, it was good to see the continuation of the UK scrip dividend for SSE. This provides revenue for all lenders and was a rare positive for London based traders as borrowers look to benefit from differences between cash and stock options.

Fixed Income has seen balances remain fairly level in comparison to equities with lots of demand in the credit/rates and High Yield space. Again, the high-rate environment has contributed to an increase of fees in both the government and corporate space.

Fig 1 - DataLend

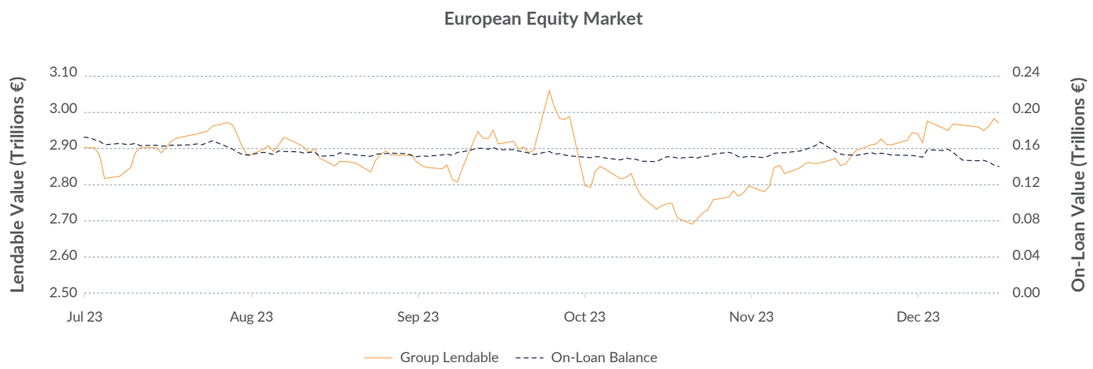


Fig 2 - DataLend

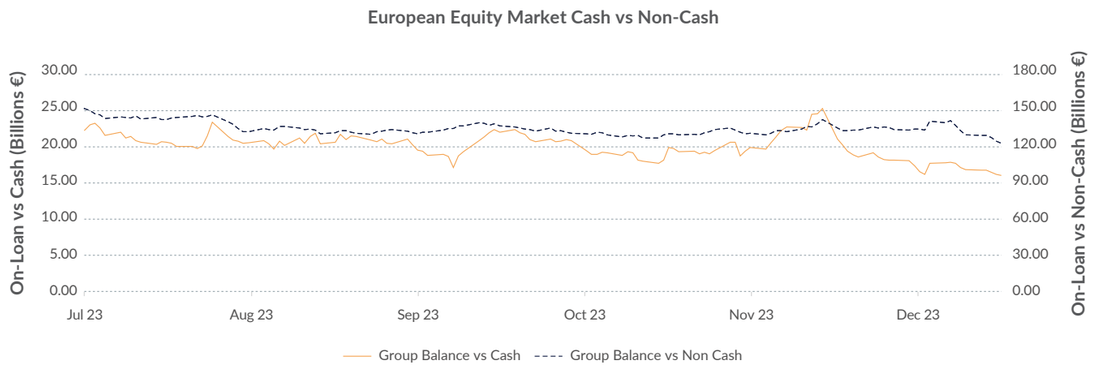
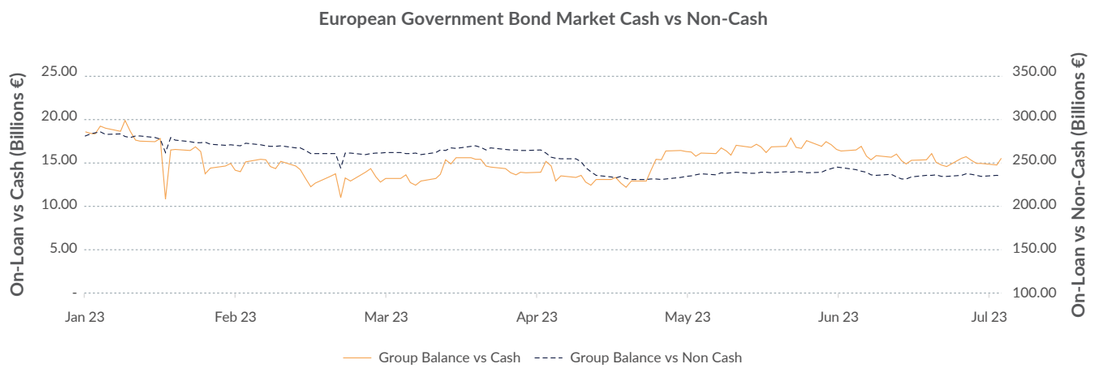


Fig 3 - DataLend



US

>>> Equities

The headlines in US Equity and US corporate bond lending during this period include higher US interest rates, an inverted yield curve, and a handful of large concentrated special trades, with at least one stock achieving historically high lending revenue. We saw little rotation of sectors that are in the crosshairs of short-side investors: electric vehicles, meme stocks, crypto currency and biotech continued to house many of the top specials in the US throughout 2023. Special situations remained a massive focus for both lenders and borrowers and rapidly rising US interest rates led to an increase in general collateral lending for those lenders with cash reinvest programs able to support it. Last, but certainly not least, corporate bonds proved to be an asset class that continued to improve its relevance in the securities lending space.

Special situation trades, known to some as corporate events, dominated the US equity lending headlines in the latter half of 2023; however, associated lending revenue came largely from just a few event-driven deals. Undoubtedly the year's most talked about trade was long AMC Entertainment (AMC US) / short AMC Preferred (APE US). After multiple delays in closing throughout H1 2023, the deal finally closed in the middle of Q3 2023. Lending clients made upwards of $3 per share in 2023, with much of that revenue being paid out upon the deal closing. Earnings of $3 per share compares to a stock price of $3.39 in August when the deal closed (pre 1:10 split). Prime brokers and lenders were certainly sad to see the AMC deal end, but knowing how much revenue was generated for lenders, we can surmise that many deal arb hedge funds were thrilled to have AMC in the rear-view mirror. Also in Q3 2023, Johnson & Johnson (JNJ) spun-off Kenvue (KVUE US) in a voluntary tender offer that the Street paid handsomely for guaranteed no sale, take no action (TNA) elections. And then there is Sirius Satellite Radio (SIRI US), which was the most crowed US equity short of the period. SIRI is merging with Liberty Media, but details of the deal weren't finalized until late in 2023. Lending fees on SIRI will likely be top in the market in the first half of next year as the deal should close mid-2024. Many other special situations, with less lending revenue attached, either were announced or closed in the period; VMWare (VMW US) being bought by Broadcom (AVGO US) would be a good example. The Street almost unanimously believes this is a harbinger of good things to come to Securities Finance in 2024.

IPOs issuance had dried up in 2022 and first half of 2023, but that window reopened slightly in the year's second half and remains open today. IPOs can trade special immediately following the launch and/or a short base can grow over many months and then lending fees will rise aggressively heading into the IPO's insider lock-up expiration date. Cava Group (CAVA) came to market last summer and traded at approximately 4% lending fee into the Fall before rising steadily into a December lock up expiration, at which point few borrows approached 90% lending fees. The market enjoyed robust IPO issuance in Q4 with stocks like Arm Holding (ARM US), Instacart (CART US), Birkenstock (BIRK US) and a few others. Unlike Cava, these stocks produced modest lending revenue in Q4, but are poised have material impacts on revenue in 2024 when expiration dates approach. Between IPOs, mergers and conversion trades, it is fair to conclude that US Equity lending activity is trending in the right direction led by various trade types in the special situation arena.

Fig 4 - DataLend

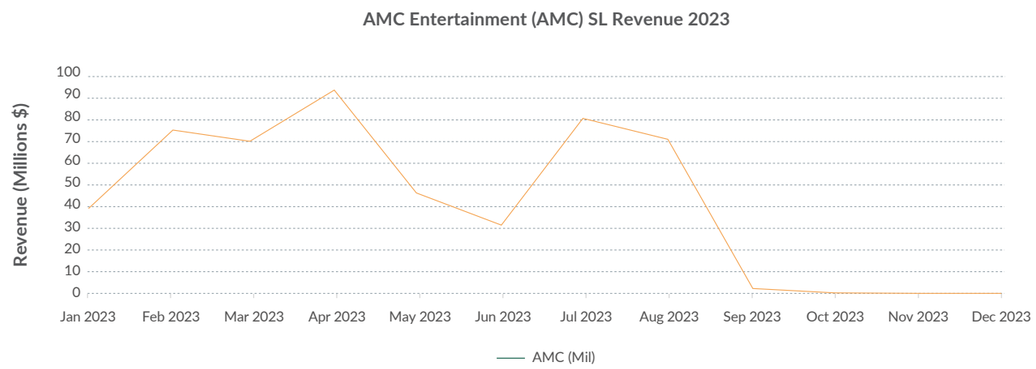
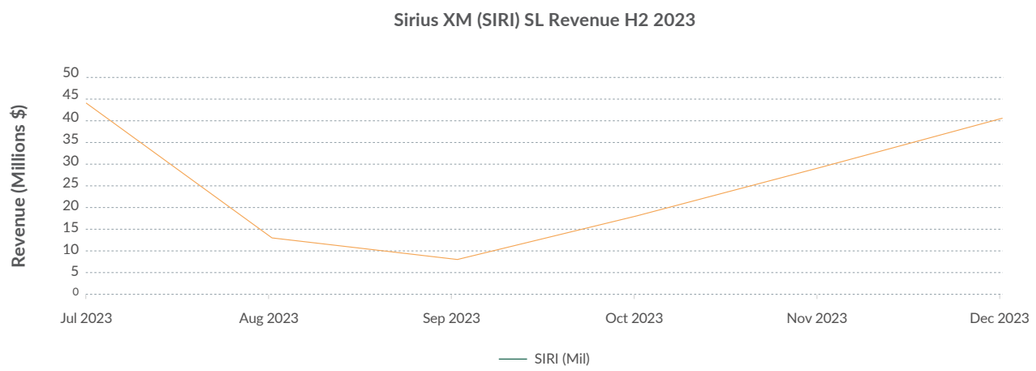


Fig 5 - DataLend



US

>>> USD Cash Funding was a lending market theme that re-emerged in 2023; one that seemingly pushed non-cash collateral lending into the background. When considered from the perspective of lenders, cash funding is simply lending US equities or US corporate bonds at an 'enhanced' general collateral rate as a means to raise additional USD cash for that lender to allocate to either traditional or non-traditional reinvest opportunities. eSecLending has witnessed substantial growth in both demand and supply for this trade type; program balances started the year already healthy and then proceeded to grow 100% YoY, and advanced 35% in the period reviewed here. The driver of revenue for USD cash loans has been increasing yields as the US Fed has aggressively moved interest rates higher. The cost of lending equities vs USD cash moved up much slower than has yield, therefore resulting in a total spread trade that was very profitable for many in the US Equity lending space. This is reversing the trend seen for many years of a preference for non-cash collateral by prime brokers and created a more balanced dynamic between cash and non-cash collateral in the region; higher nominal interest rates make USD cash collateral more attractive for both sides of the loan transaction. Then in the back half of 2023, we again saw borrowers looking for non-cash balances as they dressed up their balance sheets for year-end.

Credit bond lending outperformed many other asset classes for both full-year and half-year periods, and that includes high-yield (HY) bonds, investment grade (IG) bonds and global emerging market bonds (EMD). US interest rates predictably marched higher for most of the year so it isn't surprising that shorts were crowded in the credit lending and EMD space, both of which are spread products that use the US Treasury (UST) curve as a benchmark. Global credit bond prices have moved lower in lockstep with the UST benchmark. Average fees in 2023 for HY and IG bonds topped out at levels nearly double where credit bond lending has traded in prior periods of near-zero rate environment and with tailwinds from the Federal Reserve and its Quantitative Easing (QE) policy.

Specifically, for HY debt, when bond prices moved lower in response to the higher rates, supply began to contract at agent lenders which had a compounding balance and revenue impact for remaining lenders in the market. Furthermore, eSecLending witnessed strong participation and YoY fee growth in most of its auctions for exclusivity. Stable inventory is desired and almost mandatory for brokers in the HY and EMD space and accessing inventory via exclusives has been a strong solution in the period reviewed here. IG bonds mostly traded at standard general collateral rates, 'desk rates', but because of the increased volume in USD cash funding, the market's preference in this space, coupled with the higher rate environment has resulted in IG bonds and HY bonds producing higher revenue from a combination of wider total spreads and higher balances.

All told, the market sentiment in securities lending in 2023 improved from the first half to the second. We saw many new positive trends such as event driven deals and IPOs increasing in scale and profitability. In specials lending, we saw a continuation of high lending fees paid for stock in sectors such as Electric Vehicles and Biotech. However, the market punished these stocks and many others with negative cash flow, and the result was markedly lower stock prices, which meant lower lending revenues in the back half of 2023 despite holding serve on the fees paid to borrow that same stock. Corporate bond lending finished the year with fantastic momentum and a growing short base and balances. Finally, the USD Cash funding trade in 2023 has proved to be a worthwhile trade for both sides of the transaction and we'd expect this space to take its lead from future rate moves next year dictated by The Fed. May the 2024 securities lending market carry on with the momentum enjoyed in 2023 and bring lenders increased corporate event opportunities, increased IPO issuance, a strong borrow for HY and IG lending, and higher stock prices to pair with strong special lending fees for those well-shorted sectors like EV, Biotech, Meme stocks and hopefully a few new sector shorts!

Fig 6 - S&P Global

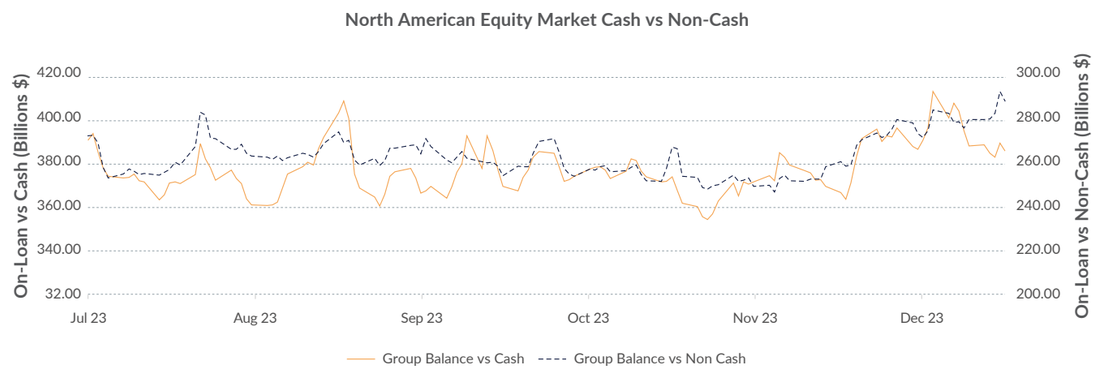
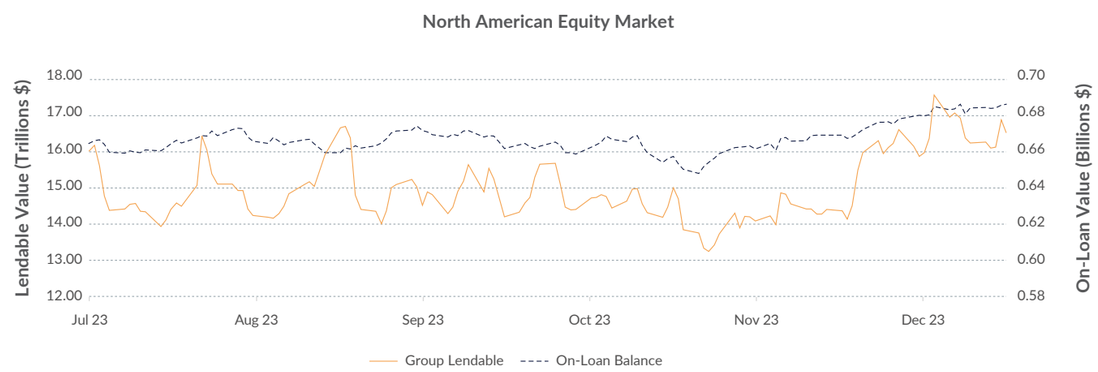


Fig 7 - S&P Global



US

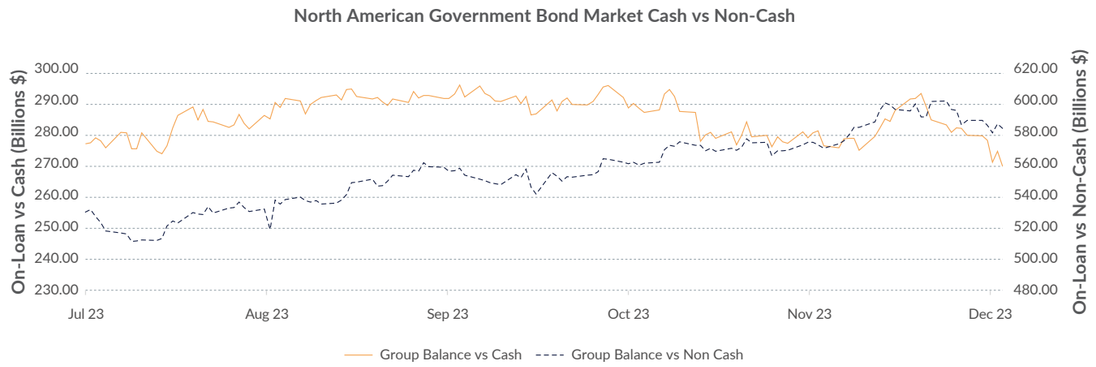
>>> Fixed Income

The back half of 2023 started with a continued sell off in US Treasuries stemming from a disappointing prior quarter tax collection, a refunding announcement that was expected to show an onslaught of treasury issuance on the horizon, and stingy inflation and jobs data that signalled that the tightening cycle may not be over. The FED hiked another 25bps in July, bringing their target range to 5.25-5.50%. Rising rates have brought continued shorting opportunities in the Treasury space, particularly in the on-the-run securities that have seen decreased supply in both lending accounts as well as at the FED's SOMA portfolio, increasing the scarcity bid in certain issues. Flight to quality demand remains strong, both versus cash and non-cash collateral sets. Borrowers remain keen to borrow UST collateral versus various collateral sets including equities, corporate bonds and other sovereign debt to better improve their capital and funding requirements. Lenders who have engaged in these trades have benefited. Lending demand for US Treasuries can be seen in its yearly revenue number of over $900 million for Fiscal Year 2023. The front end has seen a rapid increase in bill supply as the debt ceiling resolution was reached in June, creating more collateral for the street to digest, and ultimately driving funding levels higher and creating further dislocations in the very front end of the curve.

A "soft landing" (achieving a deceleration in the overall economy while decreasing inflation and avoiding a recession) once seemed like an impossible task for the Fed as higher interest rates, geopolitical turmoil, the united auto workers strike, stubborn inflation and an overheated labour market all weighed on the market. It seemed unlikely that monetary policy was restrictive enough to improve inflation and market participants pondered what further tightening would do to economic growth. The fourth quarter of 2023 saw a shift in market sentiment as steady improvement in both headline and core inflation, easing in the labour market, and steady unemployment rates all put the higher for longer narrative in jeopardy. The most recent release of the Fed minutes showed that not only are officials in favour of the end of the most aggressive tightening cycle in decades but are also in favour of multiple cuts in 2024. The debate remains around the timing and magnitude of the pivot as there is variation between Fed members, but the inclination that we have reached a terminal rate spurred a year-end rally in both equities and treasuries.

As year-end approached, repo rates were driven higher by an increase of supply and a decrease of balance sheet availability as intra year window dressing was beginning to unwind and dealers looked to shore up their liquidity metrics. This dynamic caused an increase in the Fixed Income Clearing Corporation's (FICC) sponsored program, which saw an all-time high above $1 trillion and a decrease of the Fed's RRP programme as money began reallocating out to chase higher yielding assets. The drainage of the RRP is in full focus and was even mentioned in the latest Fed minutes – if the facility is fully drained in the first half of the year as many expect, this could mean the end to QT and balance sheet runoff to ensure an ample number of reserves in the system and help prevent deterioration in funding markets. Cleared transactions, both cash and repo, will increase in the coming years as the SEC adopted amendments to increase risk management and clearing in U.S Treasuries. The implementation process of this vast market will take time with deadlines of 2025 for clearing houses to have infrastructure in place and cash trades to clear and 2026 for repo transactions.

Fig 8 - S&P Global



APAC

>>> **APAC continued to be a good place to lend securities with some interesting developments in the region in the second half of 2023. Revenues were up 20% year on year in Q3 with a further increase of 7% in Q4 with the large majority of markets contributing to the positive story.**

Despite a general easing of fees across some markets, Japan has performed well, with the market witnessing an increase in activity, particularly in the Banking and Shipping space. JP Azora Bank was downgraded by S&P and was re-instated a SELL by a lot of the major players. Regional banks have been hit hard over the year and directional demand has been high with 89% utilization and 17 million shares on loan.

Taiwan continues to be the leading market across our discretionary and exclusive programs on a pure intrinsic fee basis, particularly in the semi-conductor and pharmaceutical/ healthcare sectors. With supply in this market increasing significantly, it doesn't look to be slowing down.

There has been a lot of focus on South Korea in the second half of the year after the MSCI confirmed they would not be included in their developed markets index. South Korea was a major plus point for securities lending in Q3 with revenues nearly doubling year on year. EcoPro was the top earner in Asia in Q3.Then a full short sell ban was announced in November. This news came as a surprise and caught many off-guard, as it had generally been expected that we would see a general loosening of the prior existing partial ban post the elections in April 2024. As a result, securities lending revenues dried up in late Q4 and as we head into 2024 the future of securities lending revenues in South Korea is a little unsure. The industry, led by PASLA, is heavily engaged with onshore stakeholders to contribute to the discussion about best practice in monitoring short selling. Given this, we suspect prime brokers will shift resources to Taiwan.

Speaking to prime brokers in the region on a recent visit, sentiment continues to be bullish with China remaining critical, despite this market enduring significant bouts of volatility. For the 2-3% share of the Chinese retail market which prime brokers can access synthetically, this small allocation translates into 50-60% of P&L. In Hong Kong, the long term problems with the Chinese property sector led to Country Garden Holdings to continue to be a good earner for those lenders holding the security.

The long-awaited decision from the Philippines to allow for short selling has been announced, meaning that we should see this market finally open for securities lending in 2024.

Towards year-end we saw a lot of activity in Japanese Government Bonds (JGBs) as collateral as brokers looked to cheapen up their cost of balance sheet over the turn of the year.

Outlook

Whilst our marketplace has always witnessed continuous evolution, oftentimes the rate of change appears to lag behind expectations. The same most definitely cannot be said when considering the outlook for 2024, when a real, notable shift is evident, with the influence of rising risk-weighted asset (RWA) costs driving change for all market participants.

For beneficial owners, the impact on counterparty indemnifications due to increased regulatory cost will continue to dominate the discussion. As this storyline continues to play out, it is likely that beneficial owners that lend via an agent will take one of two paths in the short to medium term, either acknowledging and accepting this new paradigm, or implementing measures to counter the impact on performance and take advantage of borrower demand dynamics via expanding eligible collateral schedules, trading with new counterparties, and accessing alternative routes-to-market.

As we observe agent lenders reacting to increased RWA costs, so too will the borrower community continue to adapt their practises and trading strategies to improve their P&L through 2024. The focus here is on shifting trading volumes into more capital-friendly structures, so expect further growth in lending under Pledge collateral arrangement, which saw real momentum in 2023, and given that categories of beneficial owners may not be able to participate in these trades due to regulatory restrictions, in and of itself this may benefit those that can. Otherwise, the CCP conversation was brought back to the table in 2023. Given the challenges the industry previously faced in transacting over this medium it remains to be seen whether things will be different this time around, though with the cost benefit discussion evolved, amplifying the incentives for interested parties to participate, the expectation is for a clearer understanding of the landscape through 2024.

Outside of Basel III, regulation also informs the rest of the landscape for 2024. The opening of new lending markets for offshore participants, particularly in Saudi Arabia and the Philippines, gives cause for optimism that revenue opportunities will materialise for early adopters, whilst noting that as we go to press, the short selling landscape in South Korea continues to be under regulatory scrutiny, limiting revenue opportunities in that market.

Lastly, inarguably, the most impactful changes will be seen in the US; the shift to T+1 settlement may well provide opportunities as industry participants search for intraday liquidity, but most eyes will be focused on the success of the recall process in the early weeks and months of the new regime. Otherwise, SEC rule 10c-1a will take up much bandwidth throughout the year as further clarification is received, and vendors and their industry participant clients identify if an industry led SFTR-like approach to best practice in reporting will be required, or if the new reporting requirements will be relatively a light lift.

In summary, the outlook for the coming 12 months is one of a fast-evolving marketplace, the narrative of increasing RWA cost informing adaptation and possibility for beneficial owners, agents, and borrowers, whilst the focus from regulators around the globe will continue to require diligent navigation and present both challenges and opportunities for all market participants in 2024.

“Outside of Basel III, regulation also informs the rest of the landscape for 2024.

ISLA™

Exploring SFTR Data

Introduction

In the last report I drew a comparisson between SFTR and a semi-dormant volcano, due to its size and ability to influence at a tectonic level. Over the past months that analogy has continue to resonate on two fronts, first as firms address challenges related to back-dated reporting and second, the SFTR refit has appeared on our horizon.

Historical reporting is an ongoing challenge, not least because the regulation doesn't make it particularly easy to submit retrospective data. Over recent weeks the nuance of this activity have been the primary focus of ISLA, resulting in a re-write of the related SFTR Best Practices. A good indication of its complexity is the resulting practice has required over 2,500 words and several meetings to complete. That practice can be found on the ISLA Best Practice Handbook and, if there are further questions, please do reach out to us at regtech@islaemea.org.

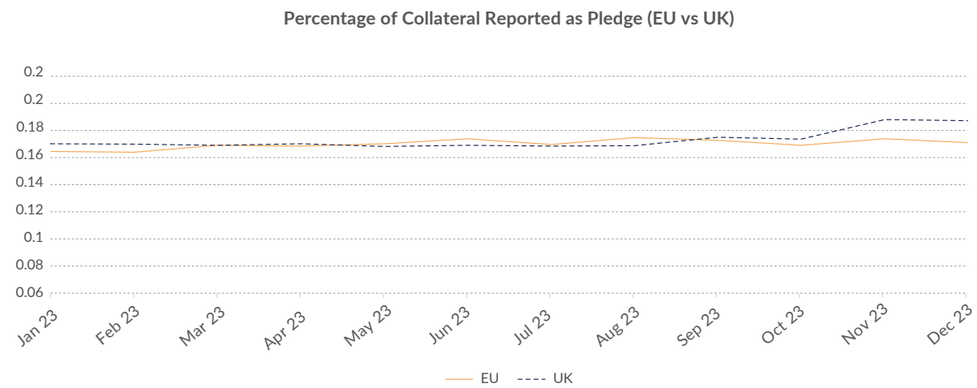
The second point I mentioned above is the appearance on the horizon of the SFTR Refit. At the moment, exact dates or approach aren't clear, but can be found on the European Commission's website in relation to their report to parliament on the macroprudential review for credit institutions. Text in the report notes that "In 2024, the Commission will also consult on the review of the Securities Financing Transaction Regulation (SFTR)". The full report can be found here.

Work on this topic will continue in the newly named ISLA 'Regulatory Reporting' working group. The name of this working group changed quite recently to broaden its scope from solely SFTR to the wider spectrum of regulatory reporting, including the upcoming US Securities and Exchange Commission (SEC) 10c-1a reporting obligations.

In the following pages we will explore the publicly available trade repository data and, as in previous editions of this report, please be mindful that the available data may not contain the full story.

>>> Pledge Collateral

Fig 9 - Publicly Available Data from Trade Repositories

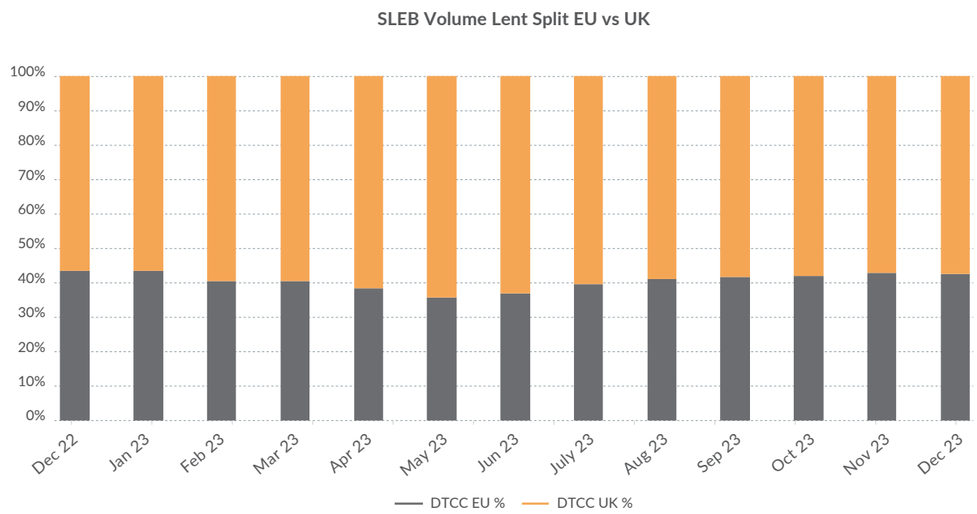


During the first half of the year the use of security interest arrangements had shown stable growth, which lead to a moderate uptick through Q3 2023 and a notable spike in Q4 2023, regarding UK reportable transactions. As a result, from December 2022 to December 2023, the level of this type of activity rose signifcantly from 16.14% to 18.99%.

While EU reported activity experienced more stable growth. From December 2022 to December 2023, the level of this type of activity rose from 16.48% to 17.15%.

>>> SFTR Reporting Trends Between EU & UK

Fig 10 - DTCC

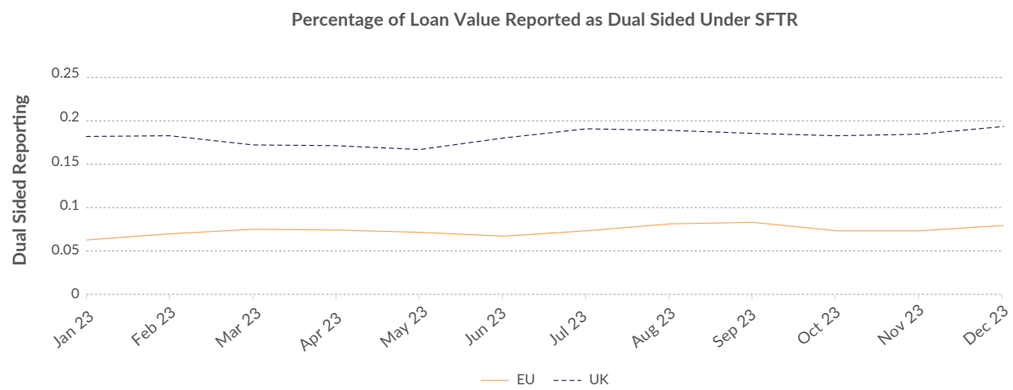


In previous ISLA market reports, we explained how data was presented to highlight the relationship between trading volumes in different jurisdictions rather than overall increases or decreases in activity. We have continued with this approach in the above graphic to highlight any further movement.

Referring to previous data, by December 2022 there was just over a 64/36 split between UK and EU respectively. This past year has seen some change to that ratio which, as of December '23 sits at 53/47, a notable increase in the percentage of EU volumes relative to UK reported transactions maintained from midway through Q3 2023 until the end of the year.

>>> Single-Sided Reporting vs Dual-Sided Reporting

Fig 12 - Publicly Available Data from Trade Repositories



For the last graph in our data series, we look at the percentage of single single-sided versus dual-sided reporting. The intention of looking at data from this perspective is to observe supply and demand patterns between counterparts in various jurisdictions.

In the above graph, we note a roughly 1.25% drop in EU single-sided transactions this year which of course represents an increase in dual-sided transactions, or EU internal trading, a trend more notable in the UK data with an almost 2% decrease in single-sided transactions in the same time period.

Data Methodologies

This ISLA Securities Lending Market Report has been compiled using a range of data contributors together with specific information provided directly by our members through questionnaires.

We would like at this point to thank all of the various contributors for their efforts in assisting ISLA in the production of this report.

Loan information that includes details of securities on-loan across different asset and client types has been provided by three institutions that provide commercial data and benchmarking services for the securities financing industry.

DataLend, S&P Global and FIS Global all collect data from industry participants on a high frequency basis and provide a range of securities lending benchmarking analytics that allow firms and their clients to better understand and assess the relative performance of any given lending programme.

Whilst each of these data providers covers broadly the same market we have chosen to use data from each to reflect the fact that each has a slightly different business model and client mix and therefore provide different perspectives across certain asset classes or regions.

All regional and geographic analysis reflects the location of the issuer of the securities (as opposed to the location of the lender or borrower) as this is the basis on which the providers collect and analyse their data.

Data from the principal tri-party service providers active in Europe today is also incorporated within the report as part of our analysis of collateral.

Providers

DATALEND	Find out more **www.datalend.com**
FIS	Find out more **www.fisglobal.com**
S&P Global Market Intelligence	Find out more **www.spglobal.com**
BNY MELLON	Find out more **www.bnymellon.com**
clearstream	Find out more **www.clearstream.com**
euroclear	Find out more **www.euroclear.com**
J.P.Morgan	Find out more **www.jpmorgan.com**

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About ISLA

The 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. Its geographically diverse membership of over 180 firms includes institutional investors, asset managers, custodial banks, 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. It 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.

Found here: www.islaemea.org/about-isla

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