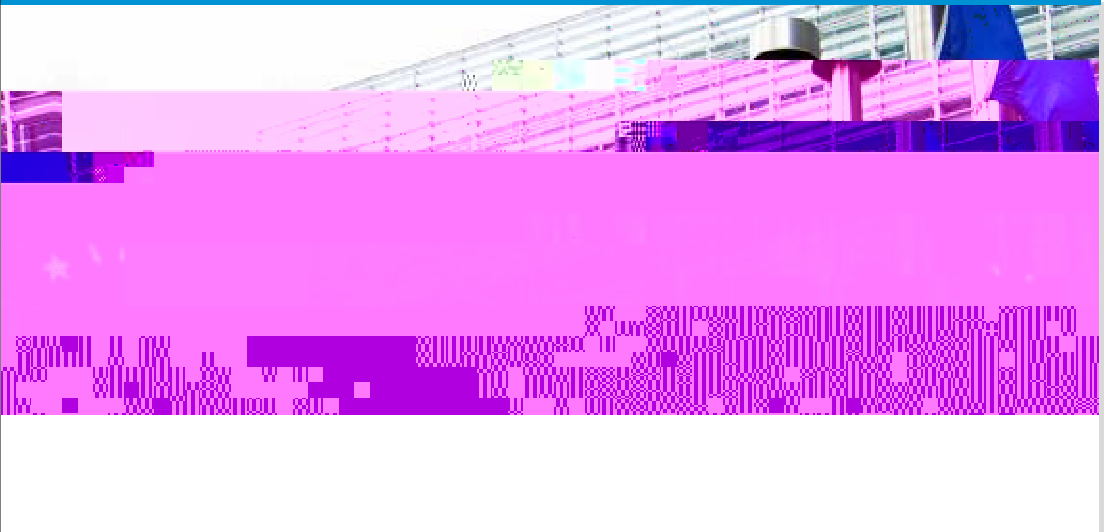


continued from p1

The company now provides custody and related services to 36 per cent of the Local Government Pension Schemes in the UK.

The announcement follows a series of Local Government Pension Schemes wins announced by Northern Trust underpinning its commitment to the Local Government Pension Schemes market, including the US$1.2 billion London Borough of Wandsworth, the US$65 million Shetland Islands Council and the US$2.2 billion West Sussex County Council, as well as most recently the US$5 billion Lothian Pension Scheme.

“Local government pension schemes are faced with a variety of challenges and concerns – such as changes to the state pension age and how to manage their liabilities,” said Douglas Gee, UK institutional business development manager for asset servicing at Northern Trust.

“The Local Government Pension Schemes market is a key focus for us at Northern Trust and we understand they, like all our pension scheme clients, are looking for solutions including, and beyond, custody, such as access to expertise and information on pensions, investments and government and regulatory issues, as well as proprietary research into market-related issues such as risk management and f duciary management – all of which we can provide.”

The Securities Markets Division of the Securities

“We re-appointed State Street after a comprehensive tendering process as we felt they were best suited at this point in time to provide custody and asset servicing solutions for our growing investment portfolio” said Martin Clarke, executive director of Financial Risk of the PPF. “As we diversify our assets into new areas, it is important we choose an asset servicing provider who can best meet our needs now and for the immediate future.”

“We are delighted to have been reappointed by the PPF and to further extend the depth of our relationship with them. Supporting their growth and increasing complexity has resulted in the introduction of a number of new products in their service model,” said Mark Westwell, senior vice president of State Street’s global services business in Europe, Middle East and Africa. “We will continue to focus on developing solutions to help the PPF meet their strategic objectives. The recent addition of securities lending services is a testament to our ability to support these needs.”

The Board of Directors of Singapore Exchange has lodged a formal application to the Australian Foreign Investment Review Board about the proposed merger of SGX and ASX Limited.

ASX and SGX have also amended the Merger Implementation Agreement entered into on 25

Experts in:

Asset Servicing | Asset Management | Wealth Management

Passport dashboard, clients can immediately retrieve total holdings in any one issuer/counterparty across exposure types, asset types and accounts, including the option to peek-through to holdings in commingled funds. As the new Passport design is rolled out, Northern Trust continues to enhance Exposure and other tools for institutional clients. Exposure recently incorporated direct and indirect posithan6 inn6nt

Penson Worldwide Inc. has filed its annual report for 2010.

For the year ended December 31, 2010, the firm generated net revenues of $288.3 million. Clearing and commission fees, net interest income, technology revenues and other revenues comprised 53 per cent, 24 per cent, seven per cent and 16 per cent of net revenues, respectively. Approximately 40 per cent of securities correspondents generate both clearing and technology revenue. In addition, some customers generate revenue from both securities and futures trading.

As an integral part of the securities clearing relationships, Penson maintains a significant margin lending business with correspondents and their customers. Under these margin lending arrangements, Penson extends credit to its correspondents and their customers so that they may purchase securities on margin.

As is typical in margin lending arrangements, Penson extends credit for a portion of the purchase price of the securities, which is collateralised by existing securities and cash in the accounts of the correspondents and their customers. Penson also earns interest income from both securities and futures operations by investing customers' cash and it engages in securities lending activities as a means of financing the business and generating additional interest income. Over the past year, net interest revenues increased from $65.9 million in 2009 to $68.5 million in 2010, representing ap-

As the markets tumbled in the past few years, Asian asset owners - like their counterparts across the world - took a look at their participation in the securities lending industry and, in many cases, reduced their exposure or withdrew from the market.

While securities lending itself was causing few problems, the collateral reinvestment was proving trickier. While there were few losses, managers took the decision that the rewards were far outweighed by the risks.

Compared to European or North American markets, those in Asia fared relatively well. The established markets saw comparatively small falls in their values, while the emerging growth markets continued pretty much as they were - the levels of growth dropped slightly, but they kept on growing.

The one major exception was Australia, which saw its markets tumble and many securities lending players either withdraw from the market or reduce their exposure. Legal suits are ongoing, but most of the major players have gradually edged their way back into the market.

But that is starting to change. The past year has seen securities lending agents report revenues of up to 25 per cent more than the year before, and the big beasts in the institutional fnance world are making sure their presence is felt in the biggest markets. At the recent PASLA conference in Singapore, over 80 per cent of delegates predict that revenue for the market is only going to grow.

The same conference held the view that Taiwan will be leading the way in terms of revenue generation, with Hong Kong not far behind. Prospects in Japan are less positive, although growth is still expected. India remains a market many eyes are on, although active participation is limited - there still appears to be a lack of understanding of how the market works and a reluctance to be a frontiersman when it comes to entering the market.

But while there is signifcant excitement about the market, concerns remain about risk. Over 90 per cent of attendees said that risk has risen up their agenda since the fnancial crisis, and the amount of time®i eii bortinf torou wh tirt orofles anne

E roclear colla eral managemen

Fle ible and for ard hinking
sol ions for a orld in mo ion

euroclear

RESEARCH REPORT

On December 8, 2010, the European Repo Council (ERC) of the International Capital Market Association (ICMA) conducted the 20th in its series of semi-annual surveys of the repo market in Europe.

The ICMA survey was actively supported by the ACI – The Financial Markets Association, and has been welcomed by the European Central Bank and European Commission.

The survey was managed and the results analysed on behalf of ICMA by the author at the ICMA Centre at Reading University in England, under the guidance of the ERC Steering Committee.

What the survey asked

The survey asked financial institutions operating in a number of European financial centres for the value of the cash side of repo and reverse repo contracts still outstanding at close of business on Wednesday, December 8, 2010.

The questionnaire also asked these institutions to analyse their business in terms of the currency, the type of counterparty, contract and repo rate, the remaining term to maturity, the method of settlement and the origin of collateral. In addition, institutions were asked about securities lending and borrowing conducted on their repo desks.

Separate returns were made directly by the principal automatic repo trading systems (ATS) and triparty repo agents in Europe, and an aggregate return was made directly by the London-based Wholesale Market Brokers' Association (WMBA).

The response to the survey

The latest survey was completed by 57 offices of 55 financial groups. This is the same number of institutions that participated in June 2010. Three institutions which participated in the last survey dropped out of the latest survey but three rejoined. 46 institutions were based in 14 European countries, as well as in North America (6) and Japan (5).

44 institutions were based in 13 of the 27 member states of the EU (no institutions from Finland, Portugal and Sweden, and only one former Ac-

cession State, participated in the latest survey), and 39 were based in 11 of the 17 countries in the eurozone.

However, although some institutions were based in one country, much of their business was conducted in others. Many institutions provided data for their entire European repo business. Others provided separate returns for one or more (but not necessarily all) of their European offces.

Survey results

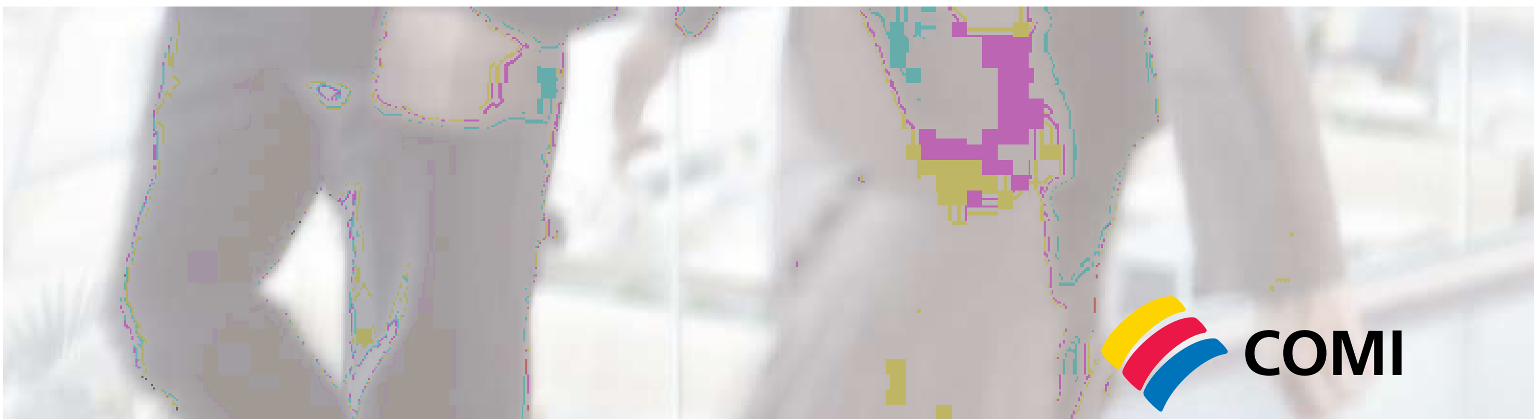
The total value, at close of business on December 8, 2010, of repos and reverse repos outstanding on the books of the 57 institutions, which participated in the latest survey fell back to EUR 5,908 billion. This was signifcantly lower than the fgure of EUR 6,979 billion recorded in June 2010 (-15.3 per cent) but above the December 2009 total of EUR 5,582 billion (+5.8 per cent) and close to the level at June 2006.

Of the sample of 57 institutions, 30 were net lenders, compared to 27 (of 57) in the last survey. Aggregate net borrowing (repo) exceeded

[redacted]

Compared to other asset classes, municipal bonds have had a relatively short relationship with the securities lending market. Before 1982, when muni bonds were issued as bearer bonds, institutions did not lend them. Bearer bonds were not registered with DTC, and lending complicated the matter of receiving interest payments. After the US Congress passed a bill in 1982, however, muni bonds were no longer issued as bearer bonds and it became possible to lend them.

Initially, the securities lending market for muni bonds was not large. The muni bond market was not very volatile, and there was little demand to short. Recently, however, this has changed, because state and local governments are faced with massive fscal defcits. From 2004 through 2007, as incomes and property values increased, tax revenues were high and


COMI

APAC Collateral Management Forum

Date: 23-24 March 2011
Location: Singapore
Website: www.feminggulf.com

Fleming Gulf's APAC Collateral Management Forum, Singapore to be held on 23-24 March 2011 in cooperation with collateral management experts, aims to provide comprehensive insights on how to achieve a well managed collateral program in an increasingly complex and volatile market.

Network Management 2011

Date: 15-16 June 2011
Location: Dubrovnik
Website: www.icbi-events.com/nema/