

Securities Lender of the Year

eSecLending

Judges agreed this year that there was one clear winner in the Securities Lender of the Year category – eSecLending.

Auctioning in excess of \$200 billion in assets in 2012, the judging revealed the year to be a strong one for eSecLending. The lender showed consistent demand from borrowers and, although industry supply and demand was relatively flat versus 2011, returns were up. The industry continues to be impacted by several challenges, including the unintended consequences of regulation, tax harmonisation, market volatility, financial transaction taxes, lower reinvestment spreads and limited trading strategies.

One judge said: "In a challenging market – with increasing demands from regulation – assets are down, yet eSecLending held onto its book while expanding capabilities."

In 2012, eSecLending launched iQ, a new client reporting website that provides an enhanced suite of reporting capabilities covering all aspects of the securities lending and collateral management activities. The product constructs specific time series reporting outputs and trending analysis tools that go beyond a point-in-time snapshot of a programme. eSecLending says the new functionality better enables clients to dynamically manage and monitor all activities in their securities lending programmes.

eSecLending believes risk management, transparency and best execution are increasingly important objectives for beneficial owners. Its auction process is unique in that it allows clients to obtain high levels of price discovery – enabling them to make better-informed decisions, and optimise risk-adjusted returns for their securities lending programmes.

eSecLending's differentiated process attracts the largest global institutional investors who have over \$3 trillion in assets under management. The company says borrowers favour its auction process as it facilitates their access to hard-to-borrow or 'special' assets on an exclusive basis. Its clients

benefit from the guaranteed revenue stream as well as the premium returns generated versus traditional discretionary routes to market. In 2012, eSecLending witnessed one of its best performing auction years with an average of 13 borrowers participating in each auction and overall outperformance against market benchmarks. The auction process also provides proof statements for clients to present to their boards and auditors to demonstrate they are acting in the best interests of their shareholders or beneficiaries.

Independence is an important facet of eSecLending's offering. Securities lending is its primary focus, with no affiliation to a custodian or a borrower. As a specialist, it says it builds individual programmes around each client's distinctive profile instead of a one-size-fits-all approach, which enforces rigid, pre-determined programme options. To assist in the oversight of a multi-provider programme, the company offers a consolidated reporting platform that aggregates data across lending agents and collateral managers.

Going forward, eSecLending believes securities lending participants are positioned to capitalise on many opportunities – especially once interest rates move off historic lows – including emerging market demand, strong corporate earnings, increasing government fixed-income spreads and a growing demand for high-quality collateral. While the level of risk-taking has been reined in due to client preference and preparation for impending regulation, eSecLending's objective to increase portfolio alpha from the lending value of a security is strong.

Custody Risk publisher Nat Knight comments: "The *Custody Risk* Americas Awards champion best practice and innovation in the securities servicing industries. Judged by an independent panel, winners must demonstrate excellence in several criteria. The judges agreed that again, for the fourth year in a row, eSecLending was the clear frontrunner in this category."



Brooke Gillman, Managing Director, Client Relationship Management (left), and Allyson Lewis, Senior Vice President, Marketing and Communications (right), eSecLending

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