

European Securities Lender of the Year: eSecLending



Winner

eSECLENDING 
SECURITIES FINANCE TRUST COMPANY

Simon Lee, senior vice president of business development EMEA, eSecLending

eSecLending has stood out from the market once again for its innovative approach to securities lending. Until recently, securities lending was seen as an operational service tied to custody. But now, beneficial owners are seeking best-in-class providers to optimise intrinsic returns for their assets. This has coincided with increased focus around counterparty risk, transparency and control. It is an environment that suits a provider offering bespoke solutions.

This shift in perception has resulted in greater supply for securities lending groups as more beneficial owners recognise the merits of unbundling and using specialists. eSecLending's lendable assets increased approximately 7% in autumn 2009 to August 2010. Its clients also experienced up to a 30% increase in revenue over the previous year's auction bids.

The group gained a reputation for innovation when it pioneered the use of auctions in 2000. It has continued to innovate this year with several initiatives, including the introduction of a credit-monitoring system based on the movement of counterparty credit default swap spreads. This system dynamically adjusts collateral margins in the clients' favour.

Another advancement is the introduction of treasury and financing solutions to support institutional investors in managing

the operations around their treasury management functions.

In order to maximise intrinsic profitability for clients, eSecLending has instigated a review of alternative distribution channels – such as central counterparties, swaps and single-stock futures – to ensure idle assets are continually optimised.

The group has seen some major client wins as well, which were secured due to the group's ability to offer bespoke solutions within client-specified risk/return parameters, and their investment management approach to the business.

eSecLending has also prioritised day-to-day securities lending efficiency and risk management through services such as ongoing credit reviews of counterparties, stress testing, SAS 70 Type II audits and default simulations. It has also established an asset/liability management team to offer risk-averse solutions for managing large daily cashflows in securities lending.

It believes its ability to secure hard-to-borrow assets is unparalleled in the market because it attracts large institutional investors with diverse portfolios. eSecLending remains the only agent in the market with a differentiated process that starts each client's lending programme with a competitive auction process to achieve price discovery and best execution.