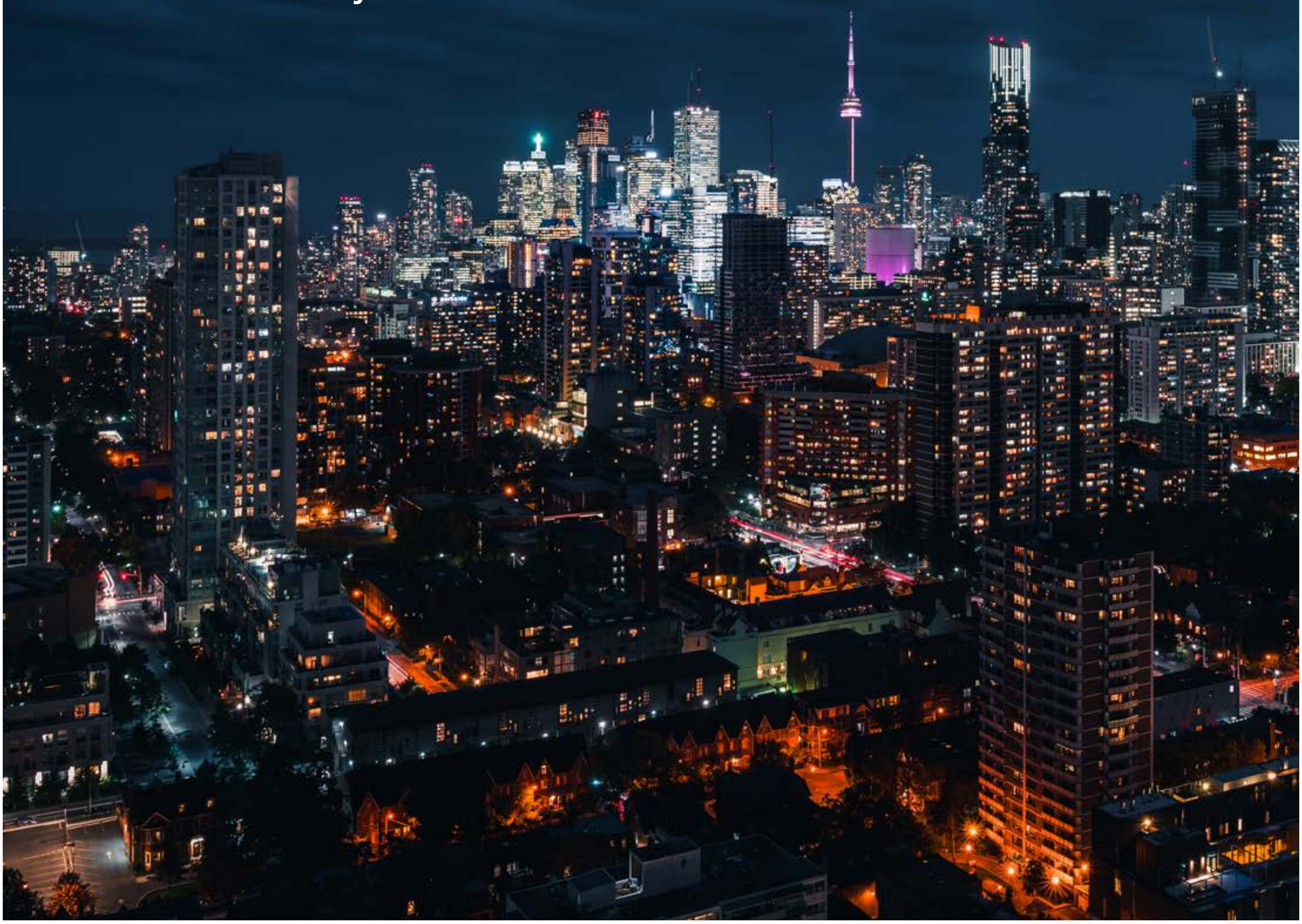
STRONG AND RESILIENT

The Canadian securities lending market has always held a strong position but how did it react to the significant volatility triggered by the COVID-19 pandemic and what does the future look like in terms of economic recovery?



Canadian pension funds closed 2020 in the black, according to Industry Benchmarks, but how did lenders get on in 2020 and where are they at now?

Lisa Tomada: Even with strong management and a global reputation for resilient performance, Canada's pension plans are not immune to shocks in the markets in which they operate. The COVID-19 pandemic has been testing pension plans and their asset managers, prompting significant volatility in financial markets and reshaping the global economy. The good news is that Canada's pension plans are well-governed, maintaining diversified portfolios that deliver returns closely aligned to their long-term liabilities. This far-sighted approach has provided some protection from the disruption caused by COVID-19; most plans have the time and the space they need to work through the immediate impacts of the pandemic on short-term returns.

Canada's pension plans have a long history of leadership in alternative and private investment and with incorporating responsible investment strategies and environmental, social and governance factors — with a progressively prominent role in the global investment community — and their style is increasingly recognised globally as 'the Canadian model'. Canadian plans have a stronger focus on direct and co-investment strategies than most other institutions. Canadian institutions are already among the world's most admired and influential and they appear set to retain that status in the years to come.

An important aspect that distinguishes Canadian investors from others in the pension space is a strong capacity for innovation and dexterity. In this environment, pension plan leaders are now thinking hard about what is needed to maintain confidence in their ability to meet their long-term obligations – above all, to fund pension payments to their members.

Jack Herron: Canadian equity lending demand has increased over

the past few years. Borrowers from the US, Canada, and abroad have increased demand to borrow Canadian securities from large holders which include Canadian pensions.

Additionally, it appears the ongoing transition from cash collateral to non-cash collateral from Canadian borrowers is continuing. This has resulted in increased usage of triparty collateral platforms as a method of transacting versus keeping the transactions in the bi-lateral space. Increased usage of triparty, particularly as Phases five and six of the Uncleared Margin Rules (UMR) progress and Liquidity Coverage Ratio/Net Stable Funding Ratio becomes more prevalent in Canada, seems to be a trend that will continue into 2022.

George Trapp: 2020 was a year where clients, including Canadian pension funds, saw positive returns from a variety of factors. The year started out with a relatively strong demand for securities lending. However, as the COVID-19 pandemic kicked off market volatility, this led to clients repositioning their portfolios, which triggered an influx of sales and a demand for high quality liquid assets (HQLA) in the form of Canadian Government bonds and US Treasuries. The securities lending business proved its resilience and was able to meet the demand. Governments and Central Banks around the world stepped in to pledge unprecedented levels of economic support.

The primary areas of revenue in 2020 for Northern Trust's Canadian lending clients have centred around 'in-demand' single name equities, exchange-traded funds (ETFs), special purpose acquisition companies (SPACs), and dividend reinvestment plans (DRIPs). Specials were centred in sectors affected by COVID-19 including airlines, travel and tourism, energy and industrials which continued to experience an increase in demand, and in many cases at increased lending spreads. In the fixed-income space, there was continuous demand around the Canadian government bond benchmark issues as well as HQLA collateral upgrade trades for open and term structures.

"The vast majority of liquidity was generated by way of the term repo facility which was the most active and longest standing"

Mary Jane Schuessler
Director, equity finance, global equity products group
BMO Capital Markets

We expect that securities lending in 2021 will continue to be a consistent source of alpha for pension funds. Currently, overall demand remains strong for securities lending in Canada with utilisation up slightly with fixed income balances accounting for most of that increase.

Chelsea Grossman: State Street's overall experience with the 2020 Canadian lending market aligned with the main themes seen across the industry, where an increased lendable supply along with a general lack of "specials," or hard-to-borrow stock, resulted in a challenging earnings environment for Canadian lenders. In Canada specifically, cannabis stocks were at the forefront of Canadian equity revenues since its legalisation in 2018; however, beginning in Q3 2020, the market saw declining demand for those positions and a corresponding negative period-over-period earnings impact to those lenders who held them. With no material replacements in terms of specials in Canada, this shift in market demand certainly added to the revenue challenges for the remainder of 2020.

That being said, there were pockets of heightened borrower interest in specific asset classes and sectors seen throughout the year where lending clients, particularly those asset owners with guidelines allowing for expansive collateral acceptance, were able to capitalise on certain opportunities. For instance, lenders with large, stable ETF or government fixed-income positions, as well as those with holdings in pandemic-affected companies and Canadian DRIPs, saw healthy utilisations in those securities throughout the past year that continued to generate returns across their programmes.

As we progress into Q2 2021, the continued environment of depressed specials has placed even more of an emphasis on lender flexibility; however, the core book of balances outside of hard-to-borrow stock has continued to provide clients with a consistent revenue stream. State Street's Canadian clients overall saw a 24 per cent increase in earnings between Q4 2020 and Q1 2021, with asset owner clients experiencing a 19 per cent increase.

Kyle Kolasingh: Canadian defined benefit pension plans ended the year in positive territory against a backdrop of ongoing uncertainty. According to the RBC Investor & Treasury Services (RBC I&TS) All Plan Universe, Canadian defined benefit pension assets returned 9.2 per cent overall in 2020. Canadian pension plans continue to see benefits of the low-risk incremental returns derived from securities lending programmes, even during challenging times such as 2020. With significant positions in level one sovereign debt, which remained relatively attractive throughout the year, Canadian pensions earned stable lending fees throughout 2020, especially where collateral flexibility permitted term lending.

While the market for deep specials was suppressed, pockets of intrinsic value presented significant revenue opportunities for eligible holders, particularly in the second half of the year. Most notable was the persistent demand and elevated fees for Brookfield Property Partners (BPY-U). Fast-forward to today and Canadian pensions continue to reap the benefits of securities lending, but not only from traditional lending. As pension funds grow and seek more sophisticated leveraged strategies to increase returns for their beneficiaries, many look to their agent lenders for assistance with integrated borrowing facilities. At RBC I&TS, not only do we work consultatively with pension plans to drive incremental returns but we also partner with our clients to execute their longer-term investment strategies through bespoke securities financing solutions.

The Canadian central bank was among those that opened new liquidity lines last year. How did Canada's strategy to cope with COVID financial strife, compared to the US or Europe? Are any of those liquidity facilities still available?

Mary Jane Schuessler: Globally, central banks were very quick to intervene after markets experienced liquidity challenges. Despite various nuances across global liquidity programmes, the introduction of several new/unprecedented facilities, including expanded collateral classes and longer terms as well as changes to standard central bank policies were both comparable and widespread. Generally speaking, Canada fared very well where most of the front-end programmes were actively used at the onset albeit for a short amount of time. The vast majority of liquidity was generated by way of the term repo facility which was the most active and longest standing — the Bank of Canada (BoC) discontinued the Commercial Paper Purchase Program, the Provincial Bond Purchase Program, and the Corporate Bond Purchase Program on 23 March 2021 and the Term Repo operation on 10 May 2021.

Trapp: While many of the BoC liquidity facilities are still in play, starting in the fall of last year, the BoC began scaling back purchases of Canada treasury bills and discontinuing the Provincial Money Market Purchase Program. Just last month, BoC became the first central bank to signal an end to the stimulus brought about during the pandemic and began scaling back the bond purchasing programme from CAD $4 billion to $3 billion per week.

The Canadian securities lending market has always been in a strong position due to the majority of collateral accepted is non-cash. This allows borrowers to efficiently manage their balance sheets without having to rely on cash collateral. The flood of liquidity from the Central Banks has resulted in a lack of specials trading in the Canadian Government Bond (CGB) market. It has not had an impact on equity specials demand, as the focus on single name stock has continued. There has been an interest in pledging equities as collateral for CGBs as borrowers have looked to maintain or upgrade their balance sheets while demonstrating secured financing. This has given rise to opportunities in the Term market for holders of HQLA assets.

Kolasingh: The volatility of early 2020 and resulting economic impact necessitated significant central bank intervention to ease liquidity concerns and financial fallout, both here in Canada and abroad. As a result, markets stabilised relatively quickly. During Q1, both the US Federal Reserve and the BoC introduced changes to their quantitative easing programmes, as well as the discontinuation of programmes introduced during the COVID-19 pandemic. In Canada, the BoC announced changes to a number of programmes as the market outlook continued to improve. On the other hand, the BoC also increased total bidding amounts within its securities repo operations to ensure liquidity in tighter mid-curve bonds. This intervention, combined with all-time low interest rates, ultimately provided alternatives to the liquidity once sought in the securities lending market. As a result, demand for term lending softened in 2020, with some borrowers reducing existing structures taken on prior to the COVID-induced market decline. Such demand has historically been concentrated around level one and level two assets, Canadian government bonds and provincial debt. While demand for Canadian government bonds persists, albeit at lower levels, demand for the provincial debt has tapered due to alternative sources of liquidity and collateral optimisation.

During this period we had very specific discussions with clients and counterparts about risk and controls and individual client risk tolerances.

"The volatility of early 2020 and resulting economic impact necessitated significant central bank intervention to ease liquidity concerns and financial fallout, both here in Canada and abroad"

Kyle Kolasingh
Associate director, securities finance
RBC Investor & Treasury Services

Clients valued the constant communication and globally remained comforted with our business strategy.

Herron: The industry as a whole fared extremely well during the COVID-19 pandemic and communication was excellent between agents and their clients, regulatory and trade bodies, as well as banks, borrowers and counterparts. At J.P. Morgan we invest heavily in technology and resiliency plans and we were able to transition to a remote work arrangement immediately without issue. Communication was vital internally with our teams and various support staff partners and externally with clients and counterparts. Our approach was to err on the side of caution and over communicate, heighten focus on risk, controls and data and remain in constant contact with all parties. We proactively reached out to clients multiple times per day to provide updates on market events and opportunities and to flag heightened risks. As an agent, we were focused on settlements, liquidity, collateralisation, corporate action events, counterparty credit risk, market events and opportunities.

Triparty platforms were helpful to facilitate seamless securities for securities substitutions while maintaining all relevant eligibility parameters and requirements. The acute drain on liquidity and increased market volatility during that initial period resulted in record sale volumes, significant increases in loans, collateral substitutions and mark-to-market processing for securities lending businesses and clients generally.

Tomada: Canada's financial markets shared in the significant disruption triggered by the global COVID-19 pandemic. The market correction that followed from the onset of COVID-19, during the peak period of March 2020, saw tremendous volatility and extremely high volumes of investment operations. This came in concert with the profound operational transition which saw financial institutions adapting and expanding remote work environments and business continuity actions, while also handling an unusually high spike in volume. For example, according to our research, two-thirds of Canadian pension funds had concerns about liquidity during the pandemic crisis. Almost all said their future investment decisions will be influenced by this experience, and nearly half said COVID-19 has prompted a review of outsourcing plans. I think we saw the continued role of securities finance in enabling that market liquidity, as well as the level of engagement of Canadian beneficial owners in lending generally, play out through the depths of the crisis as, from our perspective, this market function performed well.

Canadian governments at the federal and provincial level also stepped in with an array of relief measures to support individuals, businesses and the broader economy through the pandemic while working to 'flatten the curve'. The BoC reduced its benchmark lending rate through a series of rate cuts during March 2020 in response to the pandemic. Other stabilising measures were also launched by the BoC in order to support and uphold the stability and functioning of Canada's financial system. For example, the BoC established several large-scale asset purchase programmes to help enable liquidity. With those measures, Canada's financial system remained stable during the height of volatility and continues to properly function in the 'new normal'.

Furthermore, in response to challenges related to the COVID-19 pandemic, Canadian tax authorities developed some significant tax measures to support Canadians and businesses. For instance, for Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS) information returns, the filing deadlines for Part XVIII (FATCA) and Part XIX (CRS) returns were extended to 1 September 2020. In addition, no penalty will apply for failure to obtain a self-certification on financial accounts opened before 1 January 2021.

During periods of volatility, communication between stakeholders becomes more important than ever. How did agent lenders tackle the pandemic troubles on behalf of their clients?

Kolasingh: At RBC I&TS, we maintain a close dialogue with our clients to help them navigate tumultuous periods. This was particularly important during the early months of the COVID-19 pandemic and collaboration will continue to be a key tenet of our programme going forward.

The market volatility experienced globally in the spring of 2020 translated into a significant surge in securities lending activity and risk management was a particularly important topic for us to discuss with our clients during this time. Beneficial owners took broad-based positions to hedge rapidly changing market conditions, and this resulted in increased transaction volumes in addition to higher loan reallocations and recalls. As a result, we had numerous conversations with our clients about the parameters in place to support lending activities and balance investment decisions, reassuring them of the rigorous risk management protocols within our securities lending programme. It was important to emphasise RBC's strong balance sheet and the protections that our contractual indemnifications provide.

Trapp: Communication is key, specifically during times of significant market events like the COVID-19 pandemic. Northern Trust securities lending placed a strong emphasis on communication with our clients, specifically on the impact on the fixed income and equity markets as well as providing assurances around our risk management protocols, counterparty and collateral monitoring processes. Our 40 years of experience as an agent lender was key to our success during the pandemic. The single most important issue we dealt with was ensuring the business was successfully transitioned to a remote work environment without impacting our clients or borrowers. This was happening at the same time our client's and borrowers were also figuring out how to transition their businesses. Northern Trust was able to support our clients and our securities lending business throughout the transition period as we moved trading, client relationship management and our operations teams to a remote environment without any business disruption. Northern Trust remained committed to our clients revenue and client servicing needs throughout the pandemic and positioned ourselves to take advantage of demand opportunities.

Grossman: At the onset of the pandemic in March 2020, State Street placed emphasis on ensuring the smooth transition of its employees to a work-from-home environment, to maintain a business-as-usual service model, in addition to providing proactive and more frequent communication with clients. Client managers provided clients with increased transparency into the market's impact on their agency lending programmes, while also delivering focused communications on the enhanced risk monitoring in place in order to help alleviate their concerns during periods of extreme market volatility.

For clients looking to adjust lending parameters in order to accommodate additional liquidity needs or portfolio rebalances, State Street quickly accommodated them to bring programmes in line with revised objectives. This demonstrated how we, as an agent, can tailor clients' programmes based on their specific requirements and risk profiles. Additionally, for further client support, regional securities finance-specific calls were organised to allow for clients to hear from State Street's senior

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Chelsea Grossman
Vice president and head of securities finance Canada business development and client management
State Street Global Markets

management, specifically on relevant market trends or impacts, as well as any updates with respect to our agency lending programme. In these same sessions, clients were able to pose questions to senior management directly, for which positive feedback was received.

Tomada: CIBC Mellon knows how strongly clients value resiliency and robust governance. To this end, we are committed to sustaining resilient capabilities designed to maintain operations in the face of business disruptions. Our response to the pandemic was underpinned by our business continuity programme, and this supported the stable delivery of products and services to our clients throughout this pandemic. We continue to maintain open lines of communication and collaboration with our employees, clients, vendors and other stakeholders to work through these challenging times together.

One critical aspect that we found was both a key achievement and a major success factor: staying connected and keeping communications channels open even as we were physically separated. Our teams actively engaged with clients and employees, keeping them informed — for example, frequent employee, management and leadership meetings, detailed and regular client updates across multiple formats, and regular employee calls and messaging.

Looking ahead, economic recovery seems intrinsically linked with the vaccine roll out. What is the broader outlook for Canada going forward and how will this impact the securities finance market?

Grossman: The broader outlook for Canada is similarly aligned with the goals of other countries, where a successful vaccination roll-out is expected to show the light at the end of the tunnel, and ultimately lead to increased mobility and an economic re-opening. While many aspects of the securities finance market have adjusted to the new, somewhat isolated, work-from-home environment, there are areas of optimism that correspond with economic recovery. For one, institutional lending clients are sensitive to market stability, so an economic recovery in Canada would allow for them to further engage and potentially do more with their lending programmes. From a lending perspective, a more stabilised economy could reintroduce further conviction from market participants, which could also be expected to result in increased short-activity and therefore hard-to-borrow ‘specials’ in the market, impacting fees and revenues in a positive way. Finally, the ability to return to the office and travel to see clients is one of the many things we look forward to, although it remains to be seen how in-person interactions will be rolled out among the various countries and corporations.

Tomada: Across evolving headlines around vaccine deployment and new strains, it is as yet impossible to say how long the uncertainties of COVID-19 will endure in Canada.

Regardless, global investors and market participants in Canada continue to focus on risk mitigation measures, new technology and modern architecture. The Canadian market is buoyed by its strength, stability and transparency and Canada still holds on to its fundamental character for which it is recognised globally.

While 2020 has been a challenging year for markets, investment operations and for many individuals, market participants and stakeholders have worked hard to deliver on the fundamental themes that distinguish Canada: confidence, stability and innovation.

Trapp: Canada has always been supported by a strong economy and well-capitalised banks and financial institutions. Securities lending is a global product and our clients hold diversified portfolios across Canada, the US, Europe, and Asia Pacific. It is Northern Trust’s responsibility to make sure we are maximising securities lending revenue for our clients irrespective of the impact in any specific region. What we have seen is that the vaccine roll out has been different around the globe and how that translates to securities lending demand is not clear. What is important to our clients and borrowers is to have a regionalised programme set up to react to any market demand or events within the securities lending market. Northern Trust has trading desks in London, Toronto, Chicago, Hong Kong, and Sydney to cover all regions for our clients.

Herron: The Canadian economy is heavily centred on financials and industrials, two sectors that remained open during the pandemic. The strength of those sectors will remain integral to any recovery. The cannabis sector remains of interest with companies awaiting lockdowns to end, so as to allow stores to open and sales to increase. Hedge funds have remained active in the market and we expect this should continue to increase, going to hopefully grow revenue in securities finance.

Schuessler: Recovery does seem intrinsically linked with the vaccine roll out, however, there remains a cloud of uncertainty in predicting if we truly are at the end of this pandemic and the impact of all the stimulus already provided. There are virus variants posing risks, potential overvalued markets and slower vaccine roll out in Canada. These factors tend to point to some continued volatility for at least the short term. Looking forward, volatility when healthy is generally positive for the securities finance industry and I think many of the trends of 2020 will continue through 2021; continued high interest in the SPAC space and alternative asset financing, potentially further consolidation within the cannabis sector and as borrowing levels remain at historic lows we may see additional merger and acquisition (M&A) activity as well.

Kolasingh: Despite ongoing lockdown conditions, the Canadian economy continues to show resiliency with month-over-month headline GDP growth that is sometimes faring better than initial estimates. Equity markets remain strong and the securities lending market is demonstrating ongoing resiliency.

As to the Canadian securities lending market, RBC I&TS is paying particular attention to improving conditions in the demand for term structures, while seeking pockets of intrinsic value from market and corporate events for our beneficial owners. Demand is returning due to the ongoing stabilisation of financial markets, albeit in a different way. Fixed income demand for HQLA remains steady, while the demand for HQLA on term as of Q1 2021 surpassed 2020 as a whole. However, term structures are not as long-dated and fees have softened. This is not unexpected given alternative avenues to liquidity provided by central banks. On the equity side, the cannabis sector has consistently been the number one driver of incremental revenue since legalisation in Canada on 17 October 2018. While demand was substantially subdued and essentially muted in the second half of 2020, we are confident that, as financial markets improve and consolidation activity increases, securities lending opportunities will return.

There have been rumblings of anti-short selling sentiment (within regulatory bodies, politicians and potential shorter targets) in Canada for some time but that appears

to have developed more recently. What's going on here and do you predict anything substantial will come from this to curb short selling?

Kolasingh: In 2020, the Canadian Securities Administrators (CSA) published the CSA Consultation Paper 25- 403 – Activist Short Selling in an effort to formalise the discussion on activist short selling. According to the CSA, "short selling, as a trading activity, is subject to a well-developed, risk-based regulatory regime". In addition, the BoC noted that short selling is a tool that promotes liquidity, enhances price discovery and prevents settlement failure. When investors have the ability to take both sides, the mechanism of price discovery is much more efficient. It is important to note that securities lending goes beyond short selling and includes other important market facilities such as market making, funding, prime brokerage and collateral optimisation. It is also important to remember that regulators have a vested interest in a financial services industry that is based on sound, stable and transparent practices.

Grossman: Short selling often faces scrutiny across global markets, especially during market downturns, so the ramp up in anti-short selling sentiment has not been unexpected given the circumstances around the COVID-19 pandemic. More recently, headlines around Reddit and GameStop, as well as Credit Suisse's exposure to Archegos, have further fueled those conversations. With that being said, these events are partly a testament to why short selling is not bad.

When markets went haywire around GameStop, we saw no sell fails, meaning owners were able to sell and settle their trades within settlement cycles. In essence, the lending universe did what it was engineered to do, which was provide liquidity to the market during a time of stress. It is also important to note that the Reddit-affected positions were targeted, security-specific issues, rather than broad market or sector events. Still, these incidents are currently under review by regulators in terms of their market impacts, so it remains to be seen what potential regulatory changes will be imposed by governing bodies. What the lending market has felt more broadly as a result of GameStop/Reddit/Archegos events is a hesitancy by end-users of the loaned securities to crowd their short positions, which has exacerbated the lack of hard-to-borrow stock in the current market.

As these trends develop, State Street continues to keep in close touch with our borrowing relationships, carefully monitoring the market movements and pending regulatory changes around these recent issues. Overall, we continue to see the benefits of short selling in the market as it has been shown to contribute positively to price transparency as well as liquidity.

Schuessler: Yes there has been much discussion in the past year over anti-short selling and the role regulators play in this regard. I have seen more and more industry organisation get involved to provide comment letters and responses to regulators. I think there is a large element that involves education and has seen more publications around this. In line with the focus towards environmental, social, and governance (ESG) and how short selling fits in, there are new organisations like Global Principles for Sustainable Securities Lending (PSSL) helping. Global PSSL's goal is to create a Global ESG Market Standard for owners, lenders, borrowers and impact creators. CALSA's mandate seeks to enhance the public's understanding of securities lending and the role it plays in Canada's financial markets which also embodies the education piece around short selling. I don't predict anything substantial will come to curb short selling but possibly further regulations/disclosures may come.

Herron: Short selling has proven time and again to be an effective mechanism to balance markets, provide efficiency, liquidity and price discovery. Short selling has also played a role in highlighting corporate mismanagement, accounting irregularities and outright fraud. However, from a headline perspective short selling does tend to carry negative connotations and in many global markets, an anti-short selling sentiment seems to be cyclical. It is important to educate against misconceptions and highlight various studies performed by global regulatory bodies that support the value of transparent permissible short selling.

In addition to the market benefits, another aspect often overlooked or excluded from commentary is the economic value that securities lending offers beneficial owners, for example, Canadian pensioners. The pensions, insurance companies, retirement account mutual funds that own the assets supplied to cover and settle a short sale are paid economic returns for the usage of their idle assets. This extra income increases the returns to 'main street' and helps companies meet their obligations and/or offset expenses.

Specifically, as it relates to Canada, short selling is regulated and we do see efficient short selling continuing, offering all the market benefits studies have highlighted. We do expect certain levels of due diligence will be performed by industry regulatory bodies and industry participants, but given the controls already in place, we are not anticipating wholesale changes. Demand tends to increase at times of volatility and as an agent, we are seeing opportunities in certain sectors, mentioned previously, and for specific event driven names as M&A have remained strong in Canada

Tomada: While short selling bans intend to limit exaggerated price movements, and to prevent artificially pushing stocks below fundamental prices, a host of research finds that efforts to prohibit short selling during market downturns can instead lead to increased trading costs and reduced market liquidity, while also preventing short sellers from exposing potentially destructive market manipulation.

Canada's industry associations and regulators have taken the view that short selling is part of the functioning of our sophisticated market. Unlike some other jurisdictions that decided to ban short selling outright or certain asset classes temporarily, Canadian regulators did not seek to ban short selling during the extreme market volatility experienced in March of last year, when the pandemic was first declared.

Trapp: Where we see a shift in the market is toward ESG and how that should be implemented at the securities lending level. Securities lending programmes can coexist with ESG principles. There are two main ways clients are addressing ESG in their lending programme: through their policy on proxy voting and collateral acceptance. A client's lending policy should reflect their unique ESG preferences, so this means clients may not choose to lend certain securities because they want to vote their proxies. Another area that we see clients considering ESG is in the types of collateral they hold, whether it be securities collateral or through their investment of cash collateral. A client may decide to restrict certain areas of investment to reflect their ESG preference.

On a side note, we were glad to see Korea begin lifting its short selling ban at the start of May. Most of the restrictions that were put in place by regulators globally were short lived

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Jack Herron
Vice president, agency securities lending international equity trader
J. P. Morgan

For CASLA specifically, what has been the association's focus over the past year and what is on the roadmap for the future?

Tomada: The Canadian Securities Lending Association's 10th Annual Conference on Canadian Securities Lending, covered industry and regulatory trends in the agent lender and borrower communities, it held discussions on the economic impact of the COVID-19 pandemic, mainly focusing on the buy-side and its perspectives, and the role of government and market reactions toward the 2020 pandemic versus the 2008 financial crisis.

The afternoon panel discussion on buy-side perspectives during a pandemic was moderated by Stephen Novo, executive director, prime services group – securities lending, CIBC Capital Markets. The session focused on how COVID-19 has impacted the Canadian hedge fund industry and what steps the industry has taken to adapt to the current environment.

From 9 to 10 June 2021, CASLA will hold their 11th annual conference. CASLA's guest speakers will include Benjamin Tal, managing director and deputy chief economist and journalist Bethany McLean, known for her writing on the 2008 financial crisis. The panels will discuss the evolution of securities lending, the highs and lows of 2020 and the increasing role of technology across the industry; opportunities, challenges and its future state.

Schuessler: CASLA has had an active year despite the pandemic and although we didn't get to celebrate our milestone 10-year anniversary last year we have undergone some interesting work. ESG has continued to be a focus for CASLA this year as we became a contributor to GPSSL's strategic themes paper and continue to work alongside this social enterprise to further the progression of this critical aspect of the financing industry. CASLA continues to work closely with regulators on aligning the risk/reward metrics specific to the institutional beneficial owner community. For the future, CASLA would like to continue to work closely with their industry peers through dedicated working committees that have been formed in the past year. CASLA will continue to support its main mandate of ensuring the long-term viability of the Canadian securities lending industry and the adoption of best practices.

Kolasingh: Like many areas of the industry, 2020 was a year of change for CASLA and, as the association's coordinator, I look forward to supporting its future endeavours. Over the past year, CASLA revitalised our board of directors, launched two additional subcommittees and welcomed a number of new member firms in order to broaden our scope and impact across the Canadian securities finance landscape. Led by our volunteer member firms, the new tax and regulatory and events and engagement committees will drive greater interaction and discussion as our industry evolves. Looking forward, CASLA will continue to actively engage with stakeholders, assess the changing regulatory landscape and participate in industry discussions on behalf of our members.

Last year was the 10th anniversary of CASLA's annual conference on Canadian Securities Lending, which has become an extremely popular event. However, due to the pandemic and not unlike other in-person events, we held our first virtual conference this past November, which was attended by over 300 delegates. This year, we are excited to be hosting the annual CASLA Conference — a two-day virtual event featuring a number of panels and guest speakers covering a range of topics, including ESG and the Canadian economic outlook, as well as various emerging trends and the future of securities lending.

Herron: CASLA has been tremendously helpful in organising various participants who operate within the Canadian Securities Lending market to focus on long-term viability and the adoption of best practices. CASLA's virtual presence in 2020 was extremely educational, but as with any virtual forum unfortunately lacked the networking aspect, which also affords opportunities to continue conference discussions.

Going forward, we hope to see CASLA continue to focus on updating the marketplace on changes within the CAD securities lending market; helping borrowers, lenders, triparty agents, and vendors interact to develop economically beneficial opportunities; and promoting continued efficiency and best practices for all parties. It will be interesting to see how the remote working environment will re-shape organisations moving forward and where the Canadian firms stand on that topic.

Grossman: State Street's Canadian securities finance programme, via its involvement with CASLA, has been focused on several key topics regarding the future of the securities finance business. In the current environment of increased lending supply, with an emphasis on balance sheet usage and adherence to regulatory limits, the use of collateral and its efficient movement in the market has become increasingly important. Other relevant topics include ESG, specifically how a client's lending programme can align with their ESG values, and the future of digital currencies and ledgers, including how these can be incorporated into the lending market.