Canadian securities lending panel: a view from Toronto

Canada-based securities lending specialists speak to SFT about the market outlook, technology, sustainable lending and what will drive their development expenditure moving into 2023

Panellist

Mary Jane Schuessler, director, equity finance, global equity products
BMO

Rob Ferguson, chief capital markets officer
CIBC Mellon

Jack Herron, vice president, equity trader, agency securities finance
J.P. Morgan

George Trapp, senior vice president, head of business management NA, securities finance
Northern Trust

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

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

How do you assess the performance of the Canadian securities lending market over the past 12 months? What have been the key trends driving loan balances, utilisation and revenues?

Mary Jane Schuessler: The current environment has been challenging, given market fluctuations, the continued impact of the COVID-19 pandemic and the heightened risk environment. At BMO, the focus continues to be on our clients and helping them to navigate through these times. A key element, as we have returned to the office over the past few months, has been on reconnecting with our clients — especially face to face if possible.

As a prime broker, it is important to understand our clients' challenges, as well as their needs, to grow their business. BMO has been building a fully integrated cash and synthetic prime brokerage platform in the United States. This platform will serve as the hub to BMO's global investor franchise and represents a unique opportunity to leverage

BMO Capital Markets' (BMOCM's) existing product offering, while enhancing digital touchpoints with clients via the ongoing expansion of Clearpool execution capabilities.

Jack Herron: The Canadian securities lending market performed well this past year as general collateral and specials activity increased. Demand was strong for securities in the cannabis and electric vehicle sectors. Borrowers are directing trades to lenders that can support a variety of collateral options, have depth of inventory and optimal pricing. Automation remains a key component. Borrowers are keen to receive accurate and highly detailed availability feeds. They require the ability to automatically and efficiently execute trades on the back of these distribution lists. Integration with third-party vendors, to assist with loan and return settlements as well as book management, has been very successful this year.

Chelsea Grossman: As we moved into the second half of 2021, we began to see short-interest pick up in the energy and mining sectors, as well as spikes in demand for companies in the alternative-financing market in anticipation of rising interest rates. This was a shift from the first half of the year, where the focus was on exchange-traded funds (ETFs) and dividend trades in the equity market and government bonds on the fixed income side — although those continued to contribute. While these trends have persisted into 2022, the focus shifted in February to the Russia-Ukraine conflict and the resulting market volatility, which particularly affected Canadian firms with exposure to Russia. This resulted in stronger demand for oil and mining-related firms, specifically gold mining firms.

For Canadian lenders holding global equities, those who owned the IPOs or M&A-related positions that arose from the US — which picked up significantly in H2 2021 — saw a boost in returns. In recent months, borrow interest has also been positively affected in electric vehicles, restaurants, technology and cryptocurrency companies, corresponding to sell-offs owing to poor market performance. Generally, these factors have contributed to a year-over-year increase in earnings throughout our Canadian lending programme for 2022 so far.

Rob Ferguson: The Canadian securities lending market has maintained high standards of risk management and service delivery in 2021, providing an optimistic light at the end of the tunnel. The challenges of adapting to new regulations, evolving technologies and the push for further integration of environmental, social and governance (ESG) principles have been prominent in shaping the market over the past year. Collateral diversification and the ability for an agent lender to pivot between preferred borrower collateral types has also been a recent driver.

In Canada, there has been an uptick in term loans in the programme, including transformation trades, as the Office of the Superintendent of Financial Institutions (OSFI), our federal banking regulator,

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required the Canadian chartered banks to start reporting Net Stable Funding Ratio (NSFR) at the end of 2020. Canadian dealers are also solving for Liquidity Coverage Ratio (LCR). These regulatory requirements have resulted in an increased reliance on securities lending activity as a liquidity tool. Furthermore, Large Exposure/ Counterparty Credit Limits (SCCL) have pushed agent lenders to further diversify their borrower base, as well as considering other routes to market such as utilising a CCP. This has also highlighted the cost of indemnification for agent lenders.

Kyle Kolasingh: When you look at the performance of the Canadian securities lending market, the past 12 months have been muted compared to 2019 and 2020. However, recent events and evolving market conditions offer signs of improvement. During 2021, the market for Canadian equity specials continued to lag pre-pandemic levels. A number of transient opportunities emerged, but these are not having the same magnitude or persistence as previously seen with the cannabis sector.

In contrast, the market for ETF borrowing generated significant revenue in Canada and the US, albeit due to different drivers. US ETF demand tends to be driven by hedging activity against increasing interest rates, while demand in Canada is typically generated by hedging against broad-based market volatility. This has been particularly noteworthy for Canadian fixed income ETFs, specifically in the high-yield space. Ongoing central bank efforts to quell inflationary pressures via interest rate increases and quantitative tightening have resulted in persistent upticks in the demand for government assets. Since the start of 2021, we have seen demand in this category of Level 1 assets steadily increase, particularly in term structures. This was initially on a 35-day basis, but more recently has extended beyond 95 days.

George Trapp: Demand has continued to be relatively consistent despite the extreme volatility in the market. On the equity side, geopolitical tension created heightened volatility in the markets. As a result, hedge funds looked to de-gross their exposures (cover shorts and sell long positions) resulting in softening borrower demand.

As equity markets declined and hedge funds sold long holdings, borrowers had less access to non-cash collateral financing opportunities. As a result, equity balances versus non-cash collateral dropped as borrowers resorted to using alternative forms of collateral (particularly cash) to source borrows.

Key drivers in generating revenues have been market sectors that have prompted strong borrower demand, including electric vehicles, space infrastructure and fintech. Many of the targeted companies have come to market through Special Purpose Acquisition Companies (SPACs). Additionally, index tracking and high-yield ETFs remained a good source of borrower demand during the year. Dividend record dates, as well as heightened market volatility, also played a large part in driving underlying demand.

On the fixed income front, central bank rhetoric turned hawkish as inflationary concerns took hold, prompting measures to smooth the exit from emergency pandemic support. Central banks have been aggressive in increasing rates and costs to borrow money.

US and CAD treasuries, gilts and European sovereigns remain in demand as central banks taper asset purchase programmes. Corporate bond demand remains robust, given interest rate expectations, while concerns of a slowdown in China, alongside surging energy and commodity prices, are leading to increased activity for emerging market assets. Regulations including the NSFR and Uncleared Margin Rules (UMR) will maintain demand of HQLA, such as CAD and US treasuries and gilts, particularly in term exposures versus equity collateral. Strong demand centred around the Canadian government bond benchmark issues, as well as HQLA collateral upgrade trades in both the term and open space as borrowers continued to focus on more effective balance sheet maintenance.

Clients with greater collateral flexibility will benefit the most as borrowers seek to pledge non-cash collateral, including Japanese government bonds (JGBs), equities, and ETFs.

What investments and adaptations to working practices have you made to sustain and grow your Canadian securities lending activity in this environment?

Herron: J.P. Morgan has invested heavily in our Agency Securities Finance proprietary trading, analytics and reporting platform. Our sales team targeted Canadian availability, we added counterparts, increased automation and collateral options. Smart bucketing has been a key theme over the past year. Borrowers are constantly evaluating their book and directing loans to best fit their balance sheet. Smart bucketing has created an option for the lender and targeted borrower to optimise their book using automation. Our increase in collateral

options provides flexibility to borrowers, which are able to insert these new schedules into their existing smart bucketing and autoborrow schedules.

Kolasingh: Our primary focus over the past year has been on unlocking new inventory via expanded markets, digitising the client experience and making it easier for counterparties to transact with us — all the while continuing to deliver sustainable value despite a somewhat lacklustre market for Canadian assets. We have opened new markets, including Taiwan, Poland, Israel and the Czech Republic, and ongoing efforts are underway to further expand our market coverage. While the specials market has been suppressed in North America and Europe since early 2020, the Asia-Pacific region, particularly Taiwan, experienced significant revenue growth following the lifting of short-selling bans. We have also completed extensive work to make it easier for counterparties to transact with us, expanding our tri-party agent capabilities and acceptable collateral sets, as well as rolling out the ISLA/GMSLA pledge model arrangements.

Grossman: In terms of clients, ensuring lenders are engaged in their programme has been key, especially as regulatory headwinds persist. Periodic reviews, to ensure our clients are aware of how they can expand their programmes and make themselves more attractive to the borrowing community, have also been important — for example in terms of expanding acceptable collateral. Listening to the evolving needs of our clients, and adjusting our offering based on State Street's interconnected product set, has been successful in demonstrating State Street's ability to solve for their various changes in strategy. For example, the growth of our Direct Access peer-to-peer lending programme and the introduction of Peer Repo have gained traction among Canadian public fund and pension clients, allowing for increased lending rates and additional distribution channels from Direct Access, and as well as additional repo capabilities from Peer Repo.

Trapp: Working specifically with clients on collateral flexibility, and offering specific trade opportunities for term or open activity, is key to helping our clients achieve their goals. With the increased volatility, risk management has been at the top of our list to ensure that all exposures are fully understood by our clients. A good example is with the recent sanctions and restricted trading in Russian securities.

Ferguson: Our global enterprise has seen clients looking for more integrated capabilities across our parent companies – bringing in global data solutions, or local market correspondent banking, for example, and helping clients to access markets.

Technology is being applied more widely to further automate securities financing transactions. Participants are looking for more automation, greater transparency into investment activities, and flexible and timely access to data – all the while respecting and navigating a rapid rise in regulatory and market complexity.

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***Rob Ferguson**, chief capital markets officer, CIBC Mellon*

The impact of greater automation and technological innovation is consistent with the broader themes: more efficient, effective and transparent investment operations, and, ultimately, stronger optimisation outcomes for clients. From the first straight-through processing to today's data-driven investment operations, these themes have been running for decades.

Which regulatory initiatives will consume most attention for your agency lending and collateral management teams over the coming 12 months?

Ferguson: Regulatory requirements continue to drive and shape the demands and needs of the borrowers, with agent lenders adjusting to these ever-changing needs.

The borrowing community is solving for regulatory initiatives including LCR, which is the proportion of HQLA held by financial institutions to ensure their ongoing ability to meet short-term obligations, and NSFR, which is the liquidity standard requiring banks to hold enough stable funding to cover the duration of their long-term assets. As a result of such requirements, we have seen an influx of term loans including Government of Canada bonds, US treasuries, and provincial debt. We have also seen an increase in demand for transformation trades as borrowers look to upgrade lesser forms of collateral such as equities for HQLA.

On the back of the Archegos collapse and the rise in meme stocks, regulators have looked to increase transparency around short sale reporting, short interest reporting and securities lending transaction reporting.

Furthermore, last year the Securities and Exchange Commission (SEC) proposed new securities lending reporting requirements under SEC 10c-1, which would require lenders of securities to provide the material terms of securities lending transactions to a registered national securities association. On 25 February 2022, the Commission proposed Rule 13f-2 which is designed to provide greater transparency through the publication of short sale-related data to investors and other market participants. The Commission briefly reopened the comment period for proposed Rule 10c-1 so that commenters could consider whether there would be any effects of proposed Rule 13f-2 that the Commission should consider in connection with proposed Rule 10c-1.

Trapp: The SEC's proposed 10c-1 rule would require that persons "that loan a security on behalf of itself or another person" disclose the terms of such transactions to a registered national securities association, namely the Financial Industry Regulatory Authority (FINRA). The disclosed information would include information about the security, terms of the transaction and must be provided to FINRA within 15 minutes of the transaction. While the goal of the proposal is to improve transparency and provide clear and timely access to pricing and other material information, the proposal may have some

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unintended consequences, including reducing lender participation in securities lending trades, increasing use of synthetic trades, and creating potential for increased cybersecurity risk as sensitive data fields are collected in centralised databases. This may result in lower lending revenues for agents, broker-dealers and clients, or the possibility that they withdraw from securities lending activity.

In parallel with these developments, a proposed relaxation of SEC Rule 15c3 could trigger a profound shift in the way US firms look to optimise their non-cash asset base. This rule currently prohibits US banks and broker-dealers from providing equities as collateral against securities finance transactions. Having said that, we have been waiting for this change for over 10 years, so this does not appear to be a priority given the recent introduction of Rule 10c-1.

Kolasingh: With much of the heavy-lifting of the Securities Financing Transactions Regulation (SFTR) and the Central Securities Depositories Regulation (CSDR) behind us, focus has shifted to the SEC's proposed new Rule 10c-1 on transparency and the upcoming Canadian and US market infrastructure change to T+1 settlement in 2024. SEC 10c-1 is of particular interest, given that it is a significant reporting regime for the region and, together with the proposed Rule 13f-2 on short-selling disclosures, is likely to have a significant impact on Canadian beneficial owners and the Canadian lending market. However, it is too early to make a definitive impact assessment as the industry awaits finalisation of the proposed rules.

In addition, T+1 will be at the forefront of many initiatives well into 2023 based on its direct effect on securities finance — similar to the switch from T+3 to T+2 in 2017. Canada's move to T+1 is being led by the Canadian Capital Markets Association (CCMA) and aligns with the US T+1 implementation plan, given the significant market interconnectivity.

And which initiatives focused on standardisation, digitisation and technology enhancement?

Grossman: Technological advances year-after-year continue to be key to our growth strategy. Further automation of internal operational processes — for instance those focused on addressing sell settlements in light of CSDR implementation — have been crucial in creating trading efficiencies and reinforcing the focus on strategy and trade optimisation. We have invested significantly in our platforms over the past few years which, on top of improving connectivity internally, has enabled us to offer greater flexibility in creating and maintaining highly customised client programs.

Ferguson: As an industry, we are continuously looking to improve the efficiency and resilience of our markets. Standardisation, digitisation and governance will remain key focus areas.

Canadian and US market stakeholders, including US and Canadian central depositories, CCMA and industry participants such as CIBC Mellon, have begun work designed to shorten the settlement cycle

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in Canada from T+2 to T+1. CIBC Mellon is playing an active role in consultations that are taking place across the industry in the lead up to implementation.

We anticipate more pressure is in the warm and hard-to-borrow space. Often, the agent lender will receive the sale notification either late in the day or even on the following day, resulting in the recall being processed a day late. Under T+1, this would result in the recall being sent out on a T+0 basis without giving the borrower time to source additional supply elsewhere or to buy back the position.

Agent lenders may have to hold back larger buffers to accommodate late sales in less liquid names, thereby reducing maximum revenue generation on the total position. The industry as a whole may need to look to modify deadlines for accepting and processing recalls, which may need to be extended into the evening. Beneficial owners will be required to explore ways to provide notifications more efficiently to their agent lender, whether that is through automation or some sort of improved batch facility.

What programmes are ongoing within CASLA, and at industry-level more broadly, to support this change agenda?

Schuessler: During the past two years, CASLA has launched several committees to foster deeper collaboration amongst its member firms. These committees are Tax & Regulatory, Engagement and Conference/Events. In February 2022, CASLA kicked off the first educational session with Steve Everett (head of business strategy and innovation at CDS, the Canadian CSD) and Nick Short of HQLA[x], discussing the application of distributed ledger technology, the mobility of assets in a future technology driven ecosystem and its bearing on the securities lending industry. The tax and regulatory committee has been involved in supporting industry comments on SEC's proposed Rule 10c-1 and an active participant in T+1 discussions led by CCMA and the Bank of Canada fails regime.

In November 2021, CASLA also joined a newly formed Global Alliance of Securities Lending Association (GASLA) to provide a single voice across global securities lending markets advocating for transparent and standardised practices, with ESG as a key tenant.

Kolasingh: In 2020, CASLA established a number of committees to foster increased collaboration among members. The Engagement Committee was set up to expand our membership base and industry touch points — locally and internationally. As noted, CASLA was also a founding member of the Global Alliance of Securities Lending Associations (GASLA). One of GASLA's key objectives is to assist with the adoption of standardised ESG practices that safeguard the long-term sustainability of our industry and ensure that beneficial owners are able to exercise their ESG mandates. To date, a voting best practices guide has been published and we are working towards publishing a refreshed Global Framework for ESG and Securities Lending (GFESL). CASLA recently launched a dedicated ESG section within our website, including links to the voting guide and numerous other resources.

What expectations do your clients have from you as a service provider in supporting their commitment to sustainable lending and borrowing? Have recent market conditions and geopolitical stresses had an impact on demand for ESG-compliant lending solutions?

Kolasingh: Data accessibility is top of mind for our beneficial owner clients as they set out to implement their ESG policies. Ensuring that securities lending activities align with lenders' ESG policies is key, and access to quality data forms the crux of any informed strategy and policy execution. To this end, RBC I&TS has been focused on digitising our end-user capabilities, including the launch of "SL Analytics," our comprehensive data visualisation tool that provides a one-stop view of beneficial owners' securities lending activities — including inventory, lending activity, collateral and revenue attribution. Valuable data is readily available to assist beneficial owners in making informed decisions pertaining to their invested assets, including ESG.

Following recent geopolitical stresses, the focus of programme parameter changes was less about ESG compliance and more to do with government and regulatory investment requirements, as well as the incorporation of new risk management considerations into lending programmes. As the move towards a sustainable economy continues, there is certainly room for beneficial owners to adopt similar parameter changes under an ESG lens in the future — if they are not already doing so — rather than being prompted by risk or regulatory governance considerations.

Herron: Client satisfaction is a top priority for our Agency Securities Finance team and we offer full customisation for our customers. With this in mind, we identify greater opportunities to partner with clients to deliver thought leadership and to tailor a lending programme to their needs. For example, clients need to be

able to restrict specific assets or asset types for a defined period of time — and, when recalls are issued, loans must be returned in a timely manner. Clients are also very aware of their sales settling on time. Sale volumes have increased as a result of the global sell-off caused by the Russia-Ukraine war, global inflation, supply chain constraints, and the COVID-19 pandemic. Trade settlements have been a challenge throughout the industry. We have responded by increasing oversight tools, proactively working with borrowers, altering trading behaviour when appropriate, and increasing staff in certain operational areas.

Additionally, our Agency Securities Finance business has a dedicated quantitative research team that constructs analytics, pricing and models. Under the sustainable lending focus, we have leveraged their abilities to provide detailed analysis to clients to dispel the notion that securities lending "feeds the shorts". Internally, our trading team can utilise their analysis to highlight patterns, opportunities and inefficiencies. In short, the combination of our people and technology remain focused on the client experience inclusive of their demand for ESG-compliant lending solutions.

Ferguson: According to new and forthcoming research from CIBC Mellon, ESG is the one of the most important factors impacting asset owners in Canada in the years ahead. We expect the rising focus from beneficial owners on these material non-financial factors will continue to drive change in behaviour and demand as those organisations apply their ESG strategies across their investment activities, including securities finance. We are continuing to stay close to our clients as we continue to evolve our programmes, technology and service offerings to meet their changing needs.

Trapp: Sustainability is a core element of ESG investing, and securities lending is important as it brings liquidity to capital markets generally, and enhanced returns to investors who lend. As such, it is important for all parties to understand how firms can integrate their lending programmes and their approach to ESG.

Recent industry surveys, including "RMA Survey Finds ESG Investing and Securities Lending Can Coexist" (Oct 2020), have shown that "ESG principles and securities lending can co-exist and be complimentary, not conflicting." Typically, governance is reflected in policies on proxy voting that align with the corporations' goals. Proxy voting on behalf of the beneficial owner, with the ability to recall ahead of meetings, is key.

Collateral has also come into focus, both on the cash and non-cash collateral side. Collateral can be customised within guidelines to meet specific ESG needs. However, there is a balance between collateral restrictions and what the borrower community is willing to actively manage or pledge. Northern Trust works with clients and borrowers to explain the balance and help the client achieve their best outcome based on their priorities.

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Schuessler: We are in a time of heightened uncertainty, as well as in an inflationary period we have not seen in over 30 years! Given the securities lending market looked quite different 30 years ago, it is very hard to say just what the coming year(s) will bring.

Many signs point to softer times ahead as both the cannabis sector and the SPAC space continue to face headwinds — both of which were strong drivers of securities lending revenue in the past few years. From a data standpoint, on loan equity balances have remained consistent while fixed income on loan balances are up more than 20 per cent.

There are also opportunities in Canada as we see more interest in the crypto space and additional players in Fully Paid Lending programmes adding supply.

Grossman: As clients determine the ESG criteria they want to adhere to more broadly across their firms, there is an increasing expectation that their securities lending programmes will be able to align with those mandates. With that, we have been working to increase our flexibility on all sides of the lending trade regarding recalls for proxy voting, creating ESG-friendly collateral sets and having cash-reinvestment funds with ESG considerations. It is important to our clients that lending and ESG can co-exist. Consequently, prioritising the topic within our programme provides a level of comfort to clients that we understand their concerns and are willing to work with them to meet their needs. While recent market conditions and geopolitical events have brought conscious investing further into the spotlight, and have generated further inquiries around how lending programmes can be adapted for ESG, we find that the majority of clients are still getting a handle on which components they deem material enough to change.

How do you assess the outlook for the Canadian securities lending markets for the remainder of 2022 and into 2023?

Grossman: Based on experience from the past few years, we are cautiously optimistic about the near future of the Canadian securities lending market. We have seen that extreme market events, such as the COVID-19 pandemic and the Russia-Ukraine conflict, can certainly pose challenges to generating revenues. However, there have also been positive themes throughout this period as the market continues to adjust to its surroundings. For our Canadian lenders, lendable assets have increased 13 per cent year-over-year from April 2021 to April 2022.

Apart from market value appreciation, clients continue to add funds and we have seen a strengthening of our pipeline, both signifying continued interest in the programme. We are also hopeful that short-interest themes will continue in sectors impacted by the constantly evolving market events, as our clients continue to turn to their securities lending programmes for a positive revenue stream to their funds.

Trapp: Northern Trust remains cautiously optimistic as we approach

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the second half of the year. Securities lending remains an integral part of the capital markets business. The trend we find most notable is the level of sophistication and engagement we have seen from our clients as they look to generate incremental revenue from their portfolios. Northern Trust believes that securities lending will continue to be a positive contributor to revenue, both for the bank and for clients in our securities lending programme.

Currently, overall demand remains moderately strong for securities lending in Canada, with utilisation and on loan balances continuing to grow significantly. Fixed income balances account for most of that increase. Demand has waned somewhat for sourcing general collateral securities. We expect continued volatility in global commodity prices, furthering directional short interest across the oil and mining sectors. We expect also to see dividend yield enhancement and dividend reinvestment trades continue to provide a steady revenue stream throughout the remainder of the year.

A few areas that beneficial owners will want to keep an eye on are collateral expansion, term structures and emerging markets. While we have discussed collateral and term above, emerging markets continue to be an important source of securities lending revenue for beneficial owners. Northern Trust, through our global network of borrowers and trading desks, provides market expertise and access to securities lending in both the developed and emerging markets.

Kolasingh: We maintain a positive view of the Canadian securities lending market. Although intrinsic value in Canada's equity market has been relatively muted year-over-year, signs of a pick-up are on the horizon. Increased market volatility so far in 2022, and the corresponding rise in oil prices, have primed the energy sector for potential value in the specials space. Additionally, early H1 activity in the cannabis sector could carry forward and potentially increase with further moves toward legalisation in the US. This sector could once again provide valuable incremental opportunities for beneficial owners in the coming year, but perhaps not to the same extent as the pre-pandemic period.

Fixed income bears a slightly different track, but a similar outlook. As mentioned, we have experienced a fairly steady increase in demand for HQLA over the past 12 months, with particular emphasis on duration-based collateral optimisation trades. In addition, we expect continued demand for specials in the government bond space as quantitative tightening takes shape. We will be monitoring corporate bonds closely as the cost of borrowing rises and the corresponding impact on high-yield and near-high-yield securities intensifies. There is potential for value in this space, but it may require an increased risk appetite for some.

Herron: The outlook is positive for the remainder of the year and into 2023. Securities lending will have to adjust to a higher interest rate environment and continue to deal with the various ongoing geopolitical issues. However, as we have been dealing with these issues in 2022, and balances and demand increased throughout the year, we would expect to continue down this positive path. We continue to see new participants join the programme on the client and borrower side. Demand has also improved from our existing counterparts. As automation and borrowing options are expected to increase, we are forecasting a positive outlook going forward.

Ferguson: Market stakeholders will be watching central bank actions carefully around rates, quantitative easing and more. Collateral flexibility will remain a key focus. We also expect borrowers and lenders to continue to become more sophisticated, taking interest in data and reporting.

Canada is next to the world's largest, most liquid market and as a result we continue to place a premium on innovation, technology and resilience. Canada has earned many global market firsts – the first ETF, the first cannabis securities, the first psychedelics ETF, first publicly traded cryptocurrency funds, and more.

The next generation of securities lending continues to work toward improved modelling, predictive analysis and implementing artificial intelligence within securities lending programmes. Automation and efficiencies will continue to be prominent drivers in the foreseeable future as well.

Canada is blessed with large reserves of natural resources, a highly educated population and an engaged regulatory environment that works collaboratively with participants to help us achieve the highest standards for investors. Increasingly, Canada's diversity, burgeoning status as a technology hub and openness to immigration have helped our country rise as a destination for technology investment, digital talent and global capital seeking opportunity. The features that set Canada apart are also positive for our securities lending and finance markets. We expect that the same attributes that have driven our success will continue in the year ahead. ■