

# Repo and lending: The journey to electronification

Repo and securities lending have historically been slow to move up the electronification curve. Phil Buck of ION explains how this is changing

For many financial products, the days of manual, voice trading are gone, replaced by a flow trading world.

This is a world where sophisticated dealers use a single solution to interact with a plethora of liquidity sources and distribution channels. Responses are timed in milliseconds.

Negotiation is mostly automated and rule-driven, so traders can concentrate on high-value deals.

Hedges are booked automatically. Competitive advantage depends on getting the right real-time data to drive decisions, either automatic or manual.

Some markets have made the leap into this world, while others are hanging back. Equities and futures trading are now fully electronic. Fixed income government and credit bond trading are primarily a flow business. Swaps and other derivatives are going the same way, spurred on by regulation and the proliferation of swaps execution facilities.

Repo and, more so, securities lending have historically been slow to move up the electronification curve.

One repo segment that has gone electronic is interdealer short-dated repo in liquid products. Europe has had multiple liquidity pools for some time, and the US is catching up.

At ION, we've moved quickly with solutions to help. Our Repo OM solution connects you to diverse liquidity pools in a homogeneous way. It provides aggregation so you can see best prices and execute on them fast, taking into account the specifics of the order book.

In turn, this electronification is driving automation, something that we're passionate about at ION. For example, our trading tools liberate traders from manual jobs such as firm funding.

However, there is currently very limited repo dealer-to-customer electronic flow, despite increasing attempts from various platforms to introduce it.

We're beginning to see some movement of securities finance to electronification, but the bulk of the business is still highly manual.

## The repo and lending world is changing

Change is in the air as the repo and lending industry is finding itself under pressure from several directions.

Regulatory pressure is creating a need for systematic order recordkeeping, execution tracking, and transaction reporting.

Although many organisations are still figuring out how the second Markets in Financial Instruments Directive (MiFID II) will affect securities finance transactions, it's clear that they'll need to capture more data to satisfy the regulators.

It's critical that your firm keeps pace with the evolving regulatory landscape.

Balance sheet pressure is driving a need to trade via central counterparty (CCP) to realise the relief from netting.

Meanwhile, cost pressure is ever present. Do more with less is the order of the day. Laborious processes, like managing customer requests and lifecycle events, are ripe for optimisation.

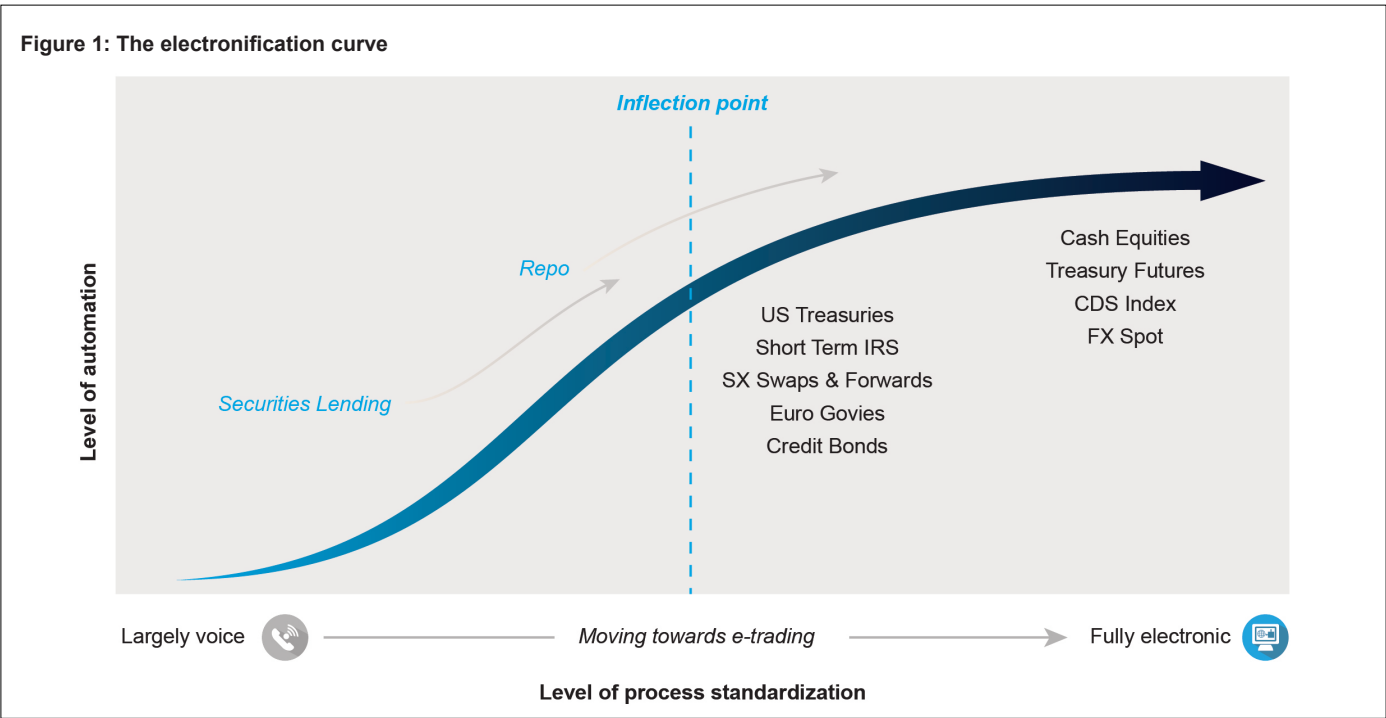
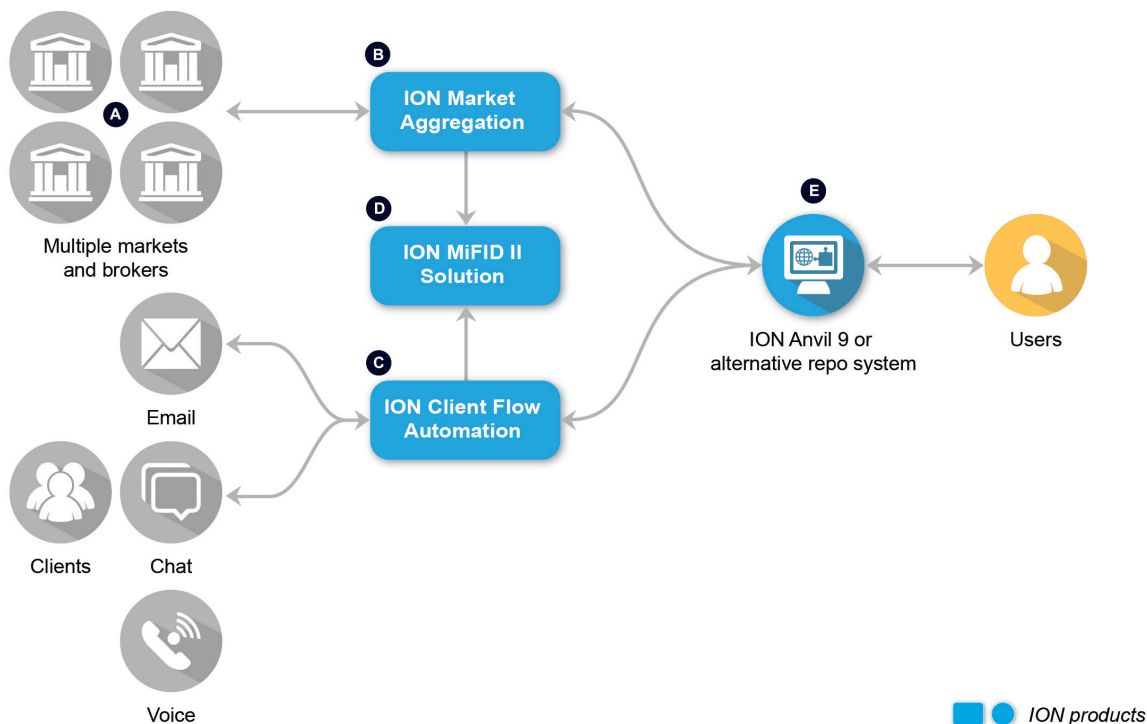


Figure 2: ION products



The industry is responding to these pressures in several ways:

- Platforms are emerging for new asset classes. Volumes on lending platforms are growing. Peer-to-peer platforms are coming on the scene
- More ways for the buy-side to interact electronically
- Multiple market or utility-provider pipes for registering trades executed via CCP
- A desire to go electronic and digitise the manual flow is growing

### How can ION help?

At ION, we share a vision of a fully digitalised trading world. It runs deep in our DNA.

With our market-leading repo e-trading solution, we already support the electronic segment of the repo market, inter-dealer short-dated repo flow.

And across the board, we're engaging with the drivers and industry responses that are accelerating electrification.

As indicated in Figure 2, we offer:

- Market connectivity gateways, to support new electronic markets as they emerge and existing markets as they move into new segments (A)
- A single point of entry to a range of venues, giving you cross-market aggregation with fewer screens and custom pipes (B)
- Digitised customer flow: capture of flow conducted outside electronic venues; enrichment with decision-support data; and order flow analytics (C)
- A regulatory compliance solution for e-trading and manual flow (D)
- Native linkage to Anvil 9, our complete solution for front-office and middle-office trading (E)

If you don't use Anvil 9—no problem. We provide:

- Seamless integration with a range of solutions for cross asset-class connectivity, trading tools, and trade processing
- Open solutions, allowing easy integration with other front-office systems [SLT](#)



Repo and securities lending electrification is on the up. You need to be ahead of that change

Phil Buck, CEO, Anvil repo and securities finance division  
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