

AUTUMN EDITION 2021

LETTER FROM THE CHAIRMAN

The summer is over but the pandemic continues to dominate the world's headlines and the race between vaccines and the variants looks set to define the rest of the year. While the post-pandemic world is still a little way off, we should start to see the outlines of a new reality emerging in the rest of the year.

This year, PASLA has continued its adjustment to the "new normal." We've turned our landmark annual event into virtual meetings while maintaining the quality of the content produced and continued to attract high calibre speakers to share their views with the industry. As you can see in this inaugural issue of our newsletter, we have lined up a number of events and webinars for the rest of the year to ensure we continue to do what we do well – providing a platform for exchanging ideas and learning about the latest market developments in the market. I very much hope that more of us will be able to meet again soon, but you can be assured that we will continue to adapt, whatever the circumstances.

I would also like to take this opportunity to thank everyone for their hard work and the commitment to building a better securities lending market in Asia Pacific.

I'm very proud of the work we have been doing to promote a more inclusive industry in Asia through the PASLA Inclusion Network.

PASLA has also led the global agenda on the integration of securities lending with ESG principles, culminating in the publication of the first edition of the Global Framework for ESG and Securities Lending (GFESL) in May. On the back of this, we have been closely involved in the formation of a new group that seeks to drive closer collaboration among global securities lending associations.

I'm pleased to say that the regulatory environment in Asia Pacific has also become more constructive over the last year. Short-selling restrictions in a number of markets – notably Korea – have ended or eased. It is encouraging to see we are moving on at last from these emergency measures, which were introduced during the market turmoil we all remember during the first quarter of last year.

Looking ahead, PASLA's mission is consistent, but our ambitions are growing. Our purpose is to promote open, transparent and efficient securities lending across Asia-Pacific. Our priorities are a more open market for securities lending in mainland China, supporting the development of emerging markets in the region, ensuring that securities lending embraces ESG principles and harmonising regional market standards around international best practice.

As well as ensuring you have the resources and insights you need, we will continue to advocate for our priorities and provide thought leadership on the trends that matter most. In the rest of 2021 and beyond, we will step up our engagement with regulators, exchanges and the media to deliver on this.

Stay healthy, stay safe and I hope to see everyone soon.

Regards,

Stuart Jones

Chairman, PASLA





SPOTLIGHT : THE LAUNCH OF THE GLOBAL FRAMEWORK FOR ESG AND SECURITIES LENDING (GFESL)

In partnership with the Risk Management Association (RMA) in the US, PASLA successfully launched the **Global Framework for ESG and Securities Lending (GFESL)** in May this year. The framework aims to help market participants understand how ESG and securities lending intersect as well as standardise the choices available to lenders looking to manage those touchpoints in accordance with their organisational ESG objectives.

The foundations for the framework were laid in April 2020, when a PASLA survey found a majority of market participants saw ESG and securities lending as compatible and highlighted the need for defined standards to guide market participants.

To explore the findings further, PASLA then launched a region-wide consultation in conjunction with AsianInvestor, a leading industry publication, with a view to creating guidelines on the ESG-related aspects of securities lending. The exercise took the form of an industry survey and interviews with selected lenders, with additional research supported by the RMA on whether securities lending and ESG principles could coexist.

The top 6 recommendations in the GFESL for institutional investors to consider when lending securities are:

- Voting rights
- Transparency in the lending chain
- Non- cash collateral eligibility and cash reinvestment
- Lending over record date
- Facilitation participation in the short side of the market
- Rehypotheication of non-cash collateral

The launch of the GFESL generated high-profile media coverage from specialist publications, such as [Securities Finance Times](#) and [Global Investor](#), and mainstream media, including an exclusive story with [Reuters](#) ahead of the launch. In addition, an opinion article authored by Paul Solway, Director and Communications Officer, was published in [ESG Investor](#) entitled “A flexible, sustainable framework for securities lending”.

Click here to read the [GFESL](#) on the PASLA website.

INDUSTRY HIGHLIGHT : A RECAP OF KOREA’S SHORT-SELLING BAN

The year cannot go by without a mention of the short-selling ban in Korea that has caused some upheaval in the securities lending industry.

In August last year, Korea’s top regulator, the Financial Services Commission (FSC), extended the short-selling ban put in place at the height of the Covid-19 sell-off for another six months. PASLA expressed disappointment at the decision and argued that markets that allow participants to express different views would be more attractive to global institutional investors and better positioned to support economic growth and prosperity.

The regulator in early 2021 confirmed that the suspension on short selling of listed shares would expire in March – a move publicly applauded by PASLA. Shortly after that announcement, however, the FSC unexpectedly said it would extend the ban and allow short selling to resume on a partial basis from May. PASLA viewed that as a disappointing decision and commented publicly that these extensions have created uncertainty about Korea's commitment to allowing regulated, transparent and covered short selling and stressed that markets that permit regulated short selling should be more liquid and resilient.

PASLA believes the partial resumption, which eventually started on May 3, is a step in the right direction for the Korean market.

Thailand has also announced the resumption of normal short selling in 2020, while Malaysia is expected to lift its intraday short-selling ban at the end of the year – encouraging signs for the Asian markets.

PASLA continues to believe that an open, transparent and efficient securities lending sector contributes to the healthy development of the financial industry in Asia Pacific.

You may track PASLA's public comments to the development of various short-selling bans in different markets on [PASLA LinkedIn](#).

PASLA WEBINARS AND EVENTS CALENDAR

Notwithstanding the global travel restrictions that have prevented many of us from seeing each other at in-person events, they have not dampened the enthusiasm of PASLA members and market participants for this year's PASLA webinars!

We have had a strong run of virtual events since the start of the year, having organised multiple highly successful and well-attended webinars, including our annual flagship PASLA/RMA update on Asian securities lending.

We foresee maintaining the virtual format for a little longer amid strict social distancing rules but we hope to see you very soon in-person when rules start to relax!

PASLA/RMA UPDATE ON ASIAN SECURITIES LENDING – MARCH 2021

The virtual event was held over two days consisting of 6 panels with over 530 registrants. As always, it was a highly engaging and interactive event addressing some of the pertinent issues that are affecting the securities lending industry. We had the honour of hosting **Frederic Neumann, Co-Head of Asian Economics at HSBC**, as this year's keynote speaker where he provided his "crystal ball" predictions for Asia's prospects in the year of the ox. Other panels included:

- ESG and securities lending
- Fintech and emerging technologies
- Hong Kong's relevance as China's gateway to the world
- Market opportunities
- The future of securities finance



HOW UNCONSCIOUS IS YOUR BIAS? PASLA INCLUSION NETWORK – MAY 2021



This is the kick-off event for the PIN network, following its launch last year. The virtual event was co-hosted by Valerie Rossi, the chairperson of the network and Esther Mollema, a well-known speaker and researcher on diversity and inclusion issues and the event attracted over 50 registrants. Participants felt that at some point in their career, they have faced experience bias at their workplace and many of them have expressed their interest in learning more about how to achieve change from unconscious bias.

Read more in the section below on an interview with Val about the PIN network where you can find out more of the findings and takeaways from the webinar.

Also, don't forget to take some time to fill in the PIN [survey](#) which will close at the end of September!

WORKSHOPS – AUGUST-SEPTEMBER 2021

Over the summer period, PASLA hosted two virtual workshops for market participants with the aim of refreshing their knowledge on collateral management and securities borrowing and lending. At the first event, participants were taught the importance of collateral management and how effective collateral utilization can contribute to enhanced liquidity and asset mobility. The event generated coverage from [Securities Lending Times](#).

The second event on modern day essentials for securities borrowing and lending was a teach-in designed to offer professionals new to the securities lending industry a basic understanding of securities lending functions and various forms of transactions, as well as regulatory and taxation issues affecting the industry.

Both events can still be viewed on-demand – please visit the events section of our website for further information.

UPCOMING VIRTUAL EVENTS

Stay tuned for future events! We will be advertising the below events in due course and we hope you will be able to join us.

EVENT	TIMING	DESCRIPTION
The digital dilemma	Thursday, October 7 th at 4pm HK time	How technology can play its part in shaping the future in the diverse securities lending markets of APAC. Click here to register.
Market update – China	Winter 2021	Update on the most recent developments within China's evolving securities lending market and the roadmap ahead.
Collateral management (Advanced)	Winter 2021	Evolution of collateral mobilization. Following on from the previous collateral tutorial we will delve deeper into the latest developments in collateral optimization in the Asia Pacific region
ESG update	Winter 2021	PASLA's published ESG framework provides a platform for practical implementation of ESG policies in securities lending programmes. We will discuss how this is playing out so far
Market update	October	A rundown of all the important market developments in APAC in 2021

STAY TUNED FOR THE REGIONAL MARKET UPDATE!

We know you find the Regional Market Update immensely useful when you are having conversations with exchanges and market participants. We are in the midst of producing this year's edition and it should be ready in October. Stay tuned!

WORKING GROUPS UPDATE – AS OF EARLY SEPTEMBER

WORKING GROUP	LEADER	UPDATE
Hong Kong	Alex Prince	<p>The group is currently focusing on the following initiatives:</p> <ul style="list-style-type: none"> • In discussion with ASIFMA and CMTC to extend stamp duty exemption to the GMSLA 2018. • In discussion with the Collateral Group and HKEx about potential operational improvements.
China	Stuart Jones	<p>ASIFMA and PASLA continue to work together with the Chinese regulators and exchanges on the utilization of the recently available stock borrow facility via the QFI channel. A number of initiatives are in the pipeline including reporting of positions as well as creating a uniform interpretation of some rules that would disadvantage some market participants. We also continue to work on the previous Connect reforms but QFI reform outpaces that at this point.</p>
India	Prem Purohit	<ul style="list-style-type: none"> • Working closely with the Market Intermediaries to bring in line with global standards. For example, reduce the contract tenure for lending and borrowing contract of 30 days to up to 12 months. • Collateral: enhance the collateral offering for foreign lenders and borrowers and to be in sync with global standards.
Business Development Team	Paul Solway	<p>Working with global associations to determine next steps for ESG guidelines. Considering options for expanding document repository following membership survey.</p>
South Korea	Cherin Kim	<p>Reviewing changing legal landscape and considering impact on market participants.</p>
Taiwan	Eric Champion	<p>In discussions with TWSE on potential areas for change within the market. Immediate changes seem unlikely, but the current focus is on potential improvement to haircut requirements.</p>
Japan	Emiko Ida	<p>Increase involvement of domestic market participants, review evolution of corporate governance and Japan's ESG push.</p>
Indonesia and Philippines	Ed Oliver	<ul style="list-style-type: none"> • Philippines: waiting for upcoming changes for short selling regulations to allow use of GMSLA and offshore collateral. The WG continues to provide feedback to the PSE as questions arise. • Indonesia: The WG has assisted the Bank of Indonesia in its SBL project – introducing securities lending of Indonesian bonds. A number of calls have occurred as well as e-mail correspondence as the BOI nears the end of their project.
Singapore and Thailand	Karen Diu	<p>Reviewing current regulations and consider options for improvements.</p>

Malaysia	Billy Kwong	The working group had a consultation session with Bursa Malaysia to review potential changes to the short selling framework. Discussions included relaxation of the enhanced controls for RSS imposed earlier this year, removal of pre-SBL borrow requirement and expansion of approved securities list.
PASLA Inclusion Network	Val Rossi	In-person event in Hong Kong scheduled for October 6.
Collateral/Triparty Group	Greig Ramsay	The Collateral Working Group is newly established and has created a list of actions points across each market in order to pursue advocacy and promote changes to encourage the use of collateral in APAC. The working group has split into relevant country teams to distribute the work and ensure progress can be made across all areas. The working group has engaged specific country groups where there are items which are being taken forward for further discussions with exchanges/ infrastructure or regulators.
PASLA Events Group	Jeff Coyle	PASLA will host a series of educational and informative webinar events through the remainder of 2021. This kicked off with Securities Lending and Collateral tutorials and will switch focus to some of the in-focus topics including technology, China SBL, ESG practices and regional market updates. We encourage members and the wider community alike to join us for these lively discussions. Past webinars are available on the PASLA website to view on demand.

AN INTERVIEW WITH VALERIE ROSSI ON THE PASLA INCLUSION NETWORK (PIN)

We talked to **Valerie Rossi**, chairperson of the PASLA Inclusion Network (PIN) about what has changed since the launch of PIN and what is in place to tackle the problems currently facing inclusion in the securities lending industry.

1. IT'S BEEN ALMOST A YEAR SINCE THE LAUNCH OF THE PASLA INCLUSION NETWORK (PIN), WHAT HAS CHANGED AT PASLA AND IN THE SECURITIES LENDING INDUSTRY IN TERMS OF EMBRACING INCLUSIVITY?

There is definitely an increased awareness about inclusivity among the PASLA network and in our industry. We set out last year with a mission to build a more inclusive community for securities lending in Asia Pacific by leveraging the fantastic diversity of experience, knowledge and perspectives that we have among us.

It's been difficult during the pandemic, of course, but we have adapted. We held our first virtual event in May this year, welcoming an authoritative speaker on diversity and inclusion – Esther Mollema – who has produced an enormous amount of research on the benefits of embracing diversity and inclusion. Esther advises many world's leading organisations and universities on the themes of high performance and D&I and she particularly enjoys working for small to medium-sized organisations that want to make a difference. Esther strongly believes the strength of an organisation lies in the individual differences of employees and she's effective in putting diversity and inclusion to work for better strategic and financial results. As a regular contributor to media publications, she also appears on TedX and radio shows and she has been named as one of the most successful and influential female entrepreneurs in the Netherlands.

People found Esther really engaging and told us that attending the event had given them new perspectives on inclusion. Some also said they are keen to learn more practical skills in dealing with bias, especially how to help influence others and drive change in organisations with a dominant culture.

As the pandemic has subsided in Hong Kong, we are very excited to host our first ever in-person PIN event on October 6. Interested parties can register via the [link](#). I can't wait to see everyone there!

2. WHAT CAN YOU AND YOUR MEMBERS DO MORE IN TERMS OF ACHIEVING INCLUSIVITY?

The key is to constantly ask yourself these questions:

- Am I actively including?
- Am I excluding others without consciously doing it?
- Am I aware of my own bias?
- How can I drive change?

It's vital that people who are passionate about inclusion lead by example in order to influence their colleagues and organisations. That's how we will drive change in the industry.

We conducted a poll during the PIN launch event and some of the results were very telling. For example, we asked participants which categories of biases they recognise at work. Eighty percent said experience bias, which means people trusting their own judgement because of their extensive experience. The next most common form of bias identified by the respondents was similarity bias, where people tend to gravitate towards and have more trust in people who are similar to them because of their experience, values, or upbringing.

When we asked about the key learning they would take to work from the event, 60% said they would make themselves equally accessible to everyone in the team, followed by 40% who said they would correct those who shut out other team members or people who make others feel uncomfortable or inferior. Some participants have said they would actively invite introverts to share their views.

Insight like this is really helpful and the PIN survey published this month will help us further understand the industry's need. Click [here](#) to participate!



3. WHAT ARE THE BENEFITS OF AN INCLUSIVE SECURITIES LENDING INDUSTRY?

The role of the PASLA Inclusion Network is to facilitate the exchange of ideas so that we can all benefit from the diversity of our industry and region. This will enable us to embrace change, generate new ideas, attract talent and provide equal opportunities in the industry.

Our goal is to build some consensus about the importance of inclusivity for our industry, while respecting local differences. This mission is very closely aligned with PASLA's goal of working with partners to seek the gradual harmonisation of securities lending market standards across the region, while recognising that markets are at different stages of development.



4. FINALLY, WHAT DO YOU WANT TO SAY TO MEMBERS AND YOUR FELLOW COMMITTEE MEMBERS TO GARNER THEIR SUPPORT FOR THE NETWORK?

We genuinely believe that we are more together than we are in isolation. Everyone has a part to play and I would ask everyone to start by helping themselves, and others, to build awareness about diversity and inclusion. Please bring forward your ideas and help us build a more inclusive community!



LAST BUT NOT LEAST.....

As part of our LinkedIn engagement process, we tried out something fun earlier this year which was rewarding and aligned to PASLA's strong commitment to D&I. Check out the photos from the International Women's Day campaign where we were able to drive decent traction to our LinkedIn profile, as well as celebrate the wonderful female representation and male allies at PASLA!

