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Market Intelligence

Securities Finance
Market Activity Review 2022
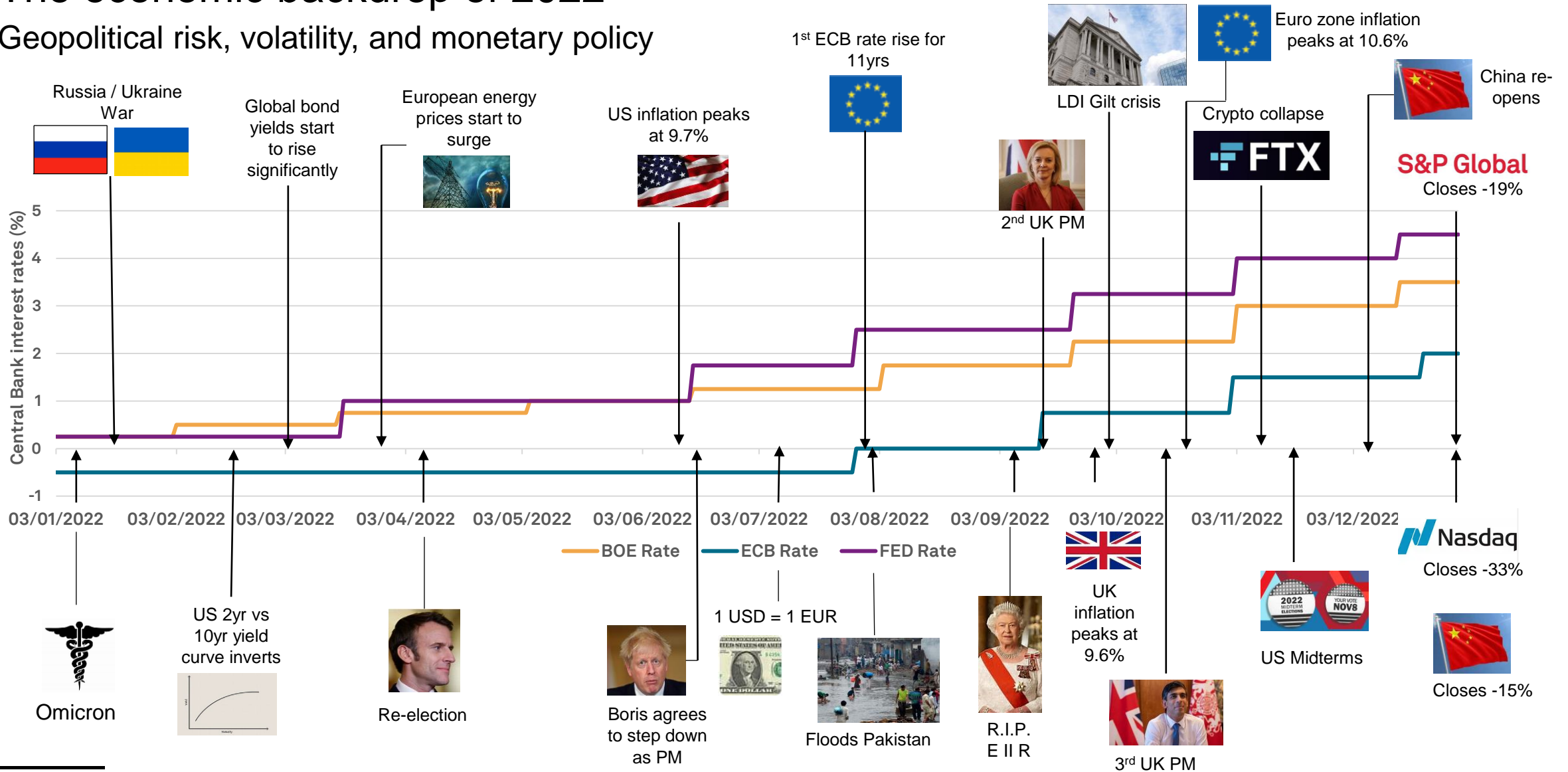
Matt Chessum, Director

8th / 10th February 2023

The economic backdrop of 2022
## Geopolitical risk, volatility, and monetary policy

Russia / Ukraine War

Global bond yields start to rise significantly

European energy prices start to surge

US inflation peaks at 9.7%

1st ECB rate rise for 11yrs

LDI Gilt crisis

Euro zone inflation peaks at 10.6%

Crypto collapse

China re-opens

2nd UK PM

S&P Global Closes -19%

Central Bank interest rates (%)

5
4
3
2
1
0
-1

03/01/2022 03/02/2022 03/03/2022 03/04/2022 03/05/2022 03/06/2022 03/07/2022 03/08/2022 03/09/2022 03/10/2022 03/11/2022 03/12/2022

— BOE Rate   — ECB Rate   — FED Rate

Omicron

US 2yr vs 10yr yield curve inverts

Re-election

Boris agrees to step down as PM

1 USD = 1 EUR

Floods Pakistan

R.I.P. E II R

UK inflation peaks at 9.6%

3rd UK PM

US Midterms

Nasdaq Closes -33%

Closes -15%

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Revenue recap of 2022

Asset Class	FY Revenue ($M)	Rev YoY %Chg	Avg Balances ($B)	Bal YoY %Chg	Avg Fee	Fee YoY %Chg	Avg Utilization	Util YoY %Chg
All Securities	$12,522	15%	$2,807	4%	0.45%	10%	6.9%	5%
All Equity	$9,603	10%	$1,293	7%	0.74%	2%	4.0%	13%
Americas Equity	$4,774	24%	$681	9%	0.70%	12%	3.1%	10%
Asia Equity	$2,052	1%	$214	-1%	0.97%	3%	5.2%	18%
EMEA Equity	$1,495	1%	$253	16%	0.57%	-14%	6.0%	38%
ADR	$303	-46%	$29	-37%	1.06%	-9%	8.8%	0%
ETP	$847	34%	$110	18%	0.77%	14%	12.2%	-3%
Government Bond	$1,850	14%	$1,216	-1%	0.15%	19%	24.9%	-6%
Corporate Bond	$963	81%	$273	14%	0.36%	61%	5.7%	26%

Note: Includes only transactions with positive fees

Source : SPGMI Global Securities Finance

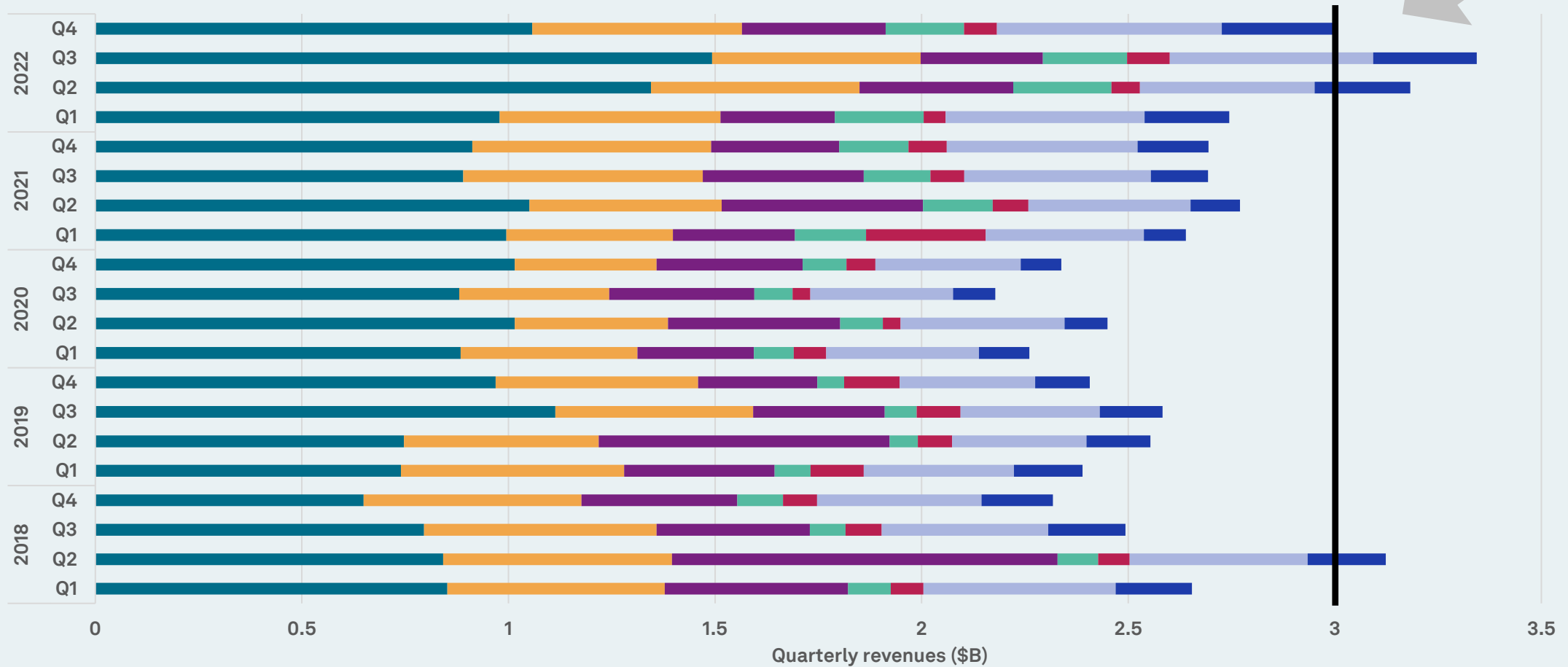© 2023 S&P Global Market Intelligence
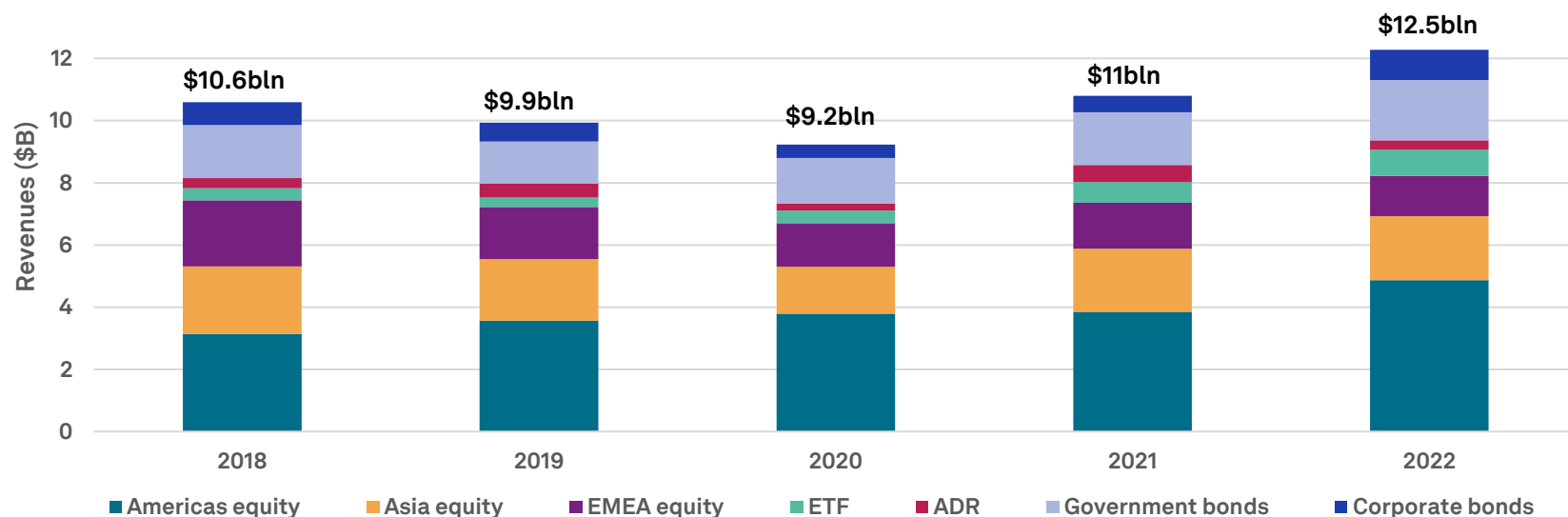
$12.5B in revenues

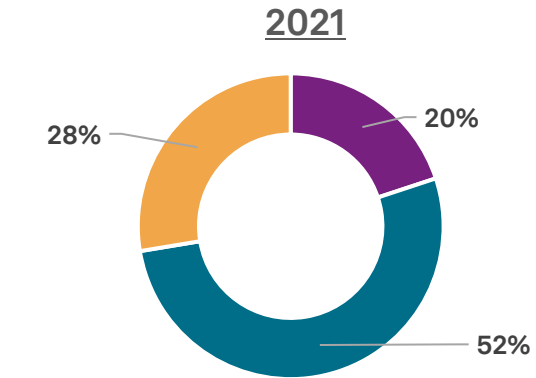**Best year since 2008**

Market returns - Return to lendable
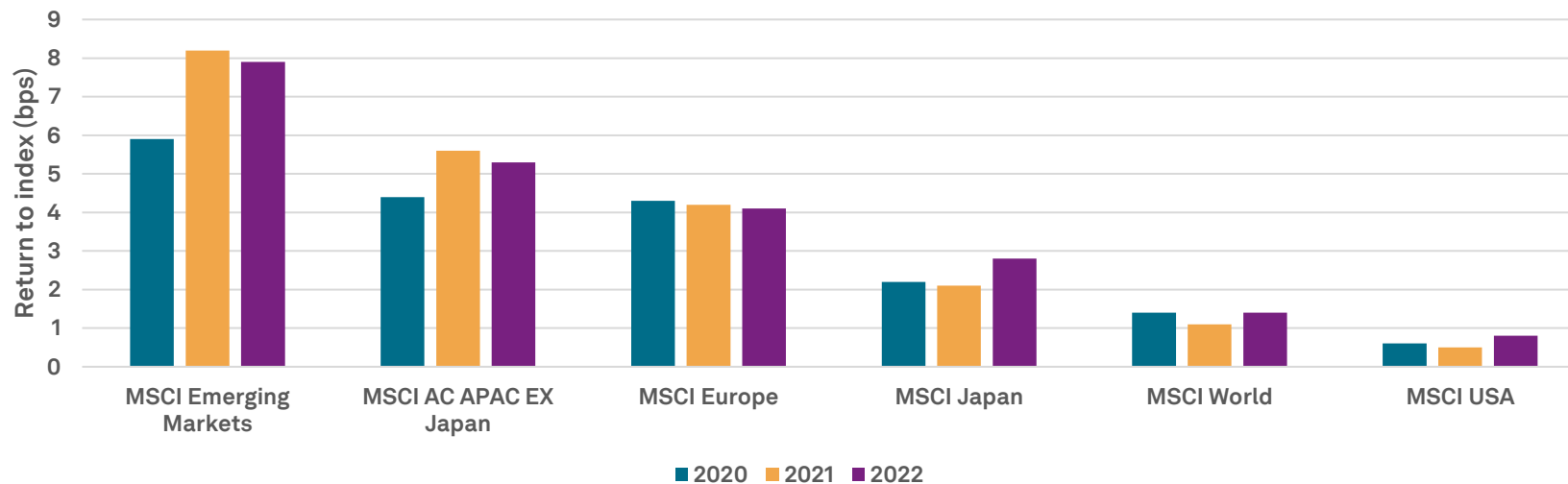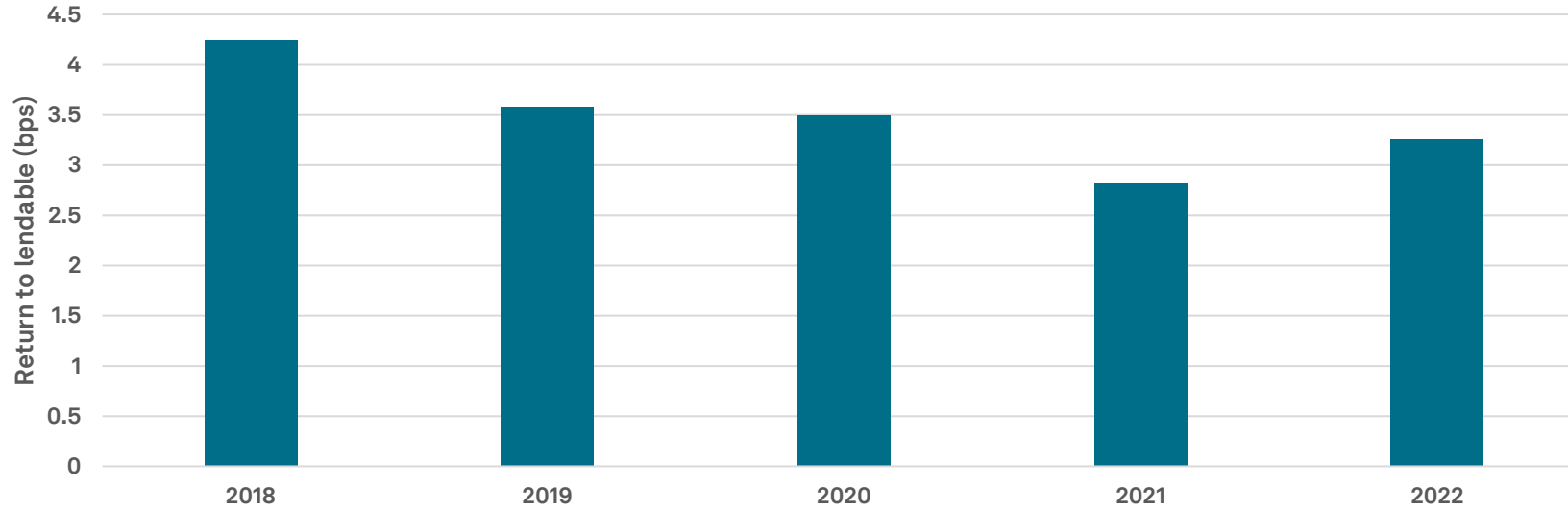
Return to lendable increases to 3.26bps

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Quarterly revenues by asset class

Quarterly revenues ($B)

Legend: Americas equity | Asia equity | EMEA equity | ETF | ADR | Government bonds | Corporate bonds
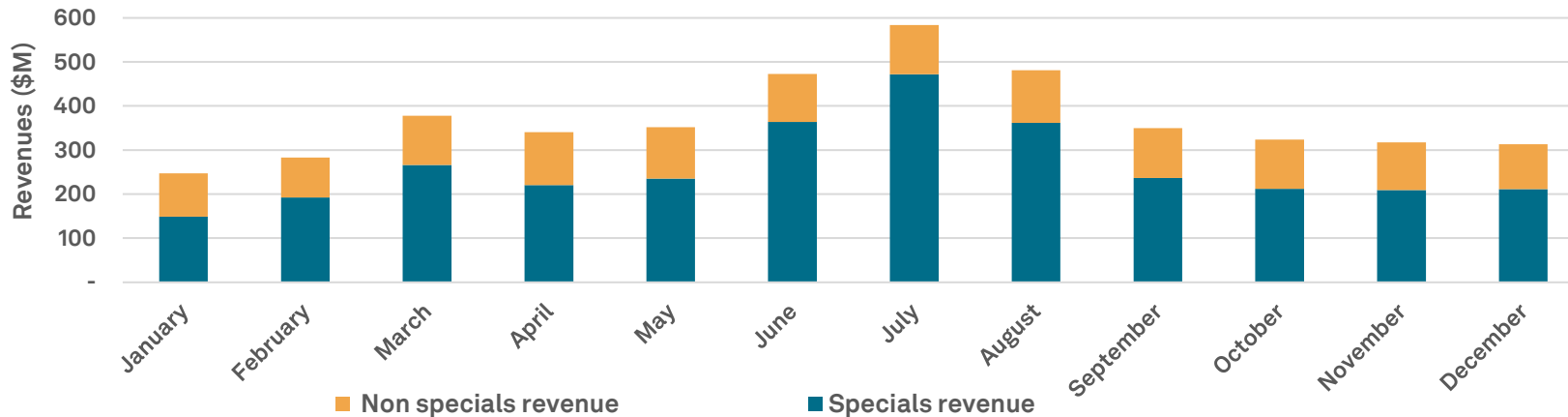
Revenues - Equities

2021

28%
20%
52%

2020

22%
21%
57%

2022

25%
16%
59%
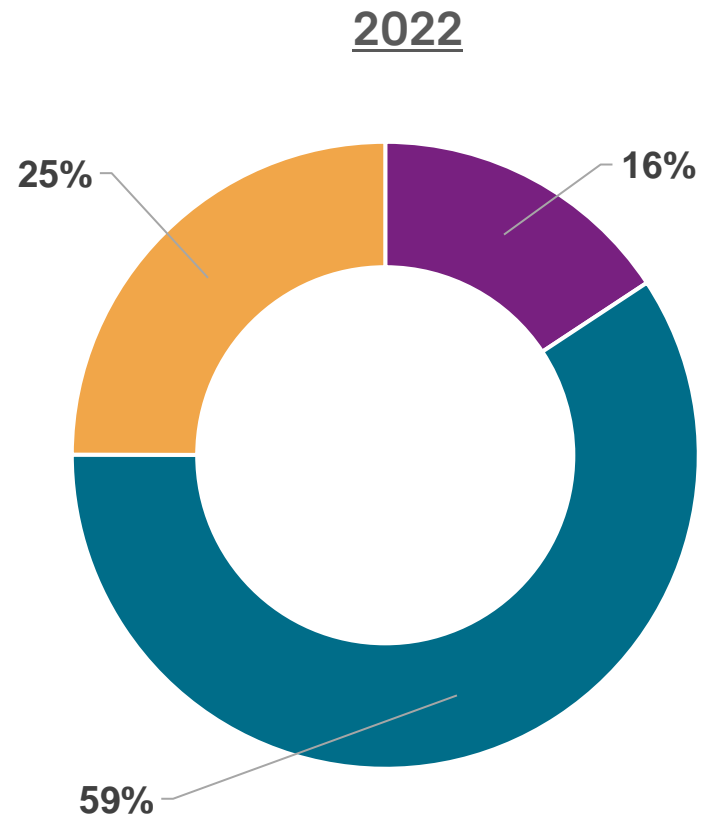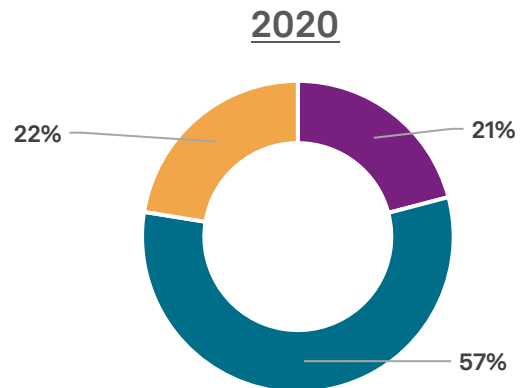
■ EMEA equity ■ Americas equities ■ APAC equities

Equity revenues continue to be dominated by Americas equities

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Equity specials by region

Revenues ($B)

Years: 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022

Legend: US specials, APAC specials, EMEA specials
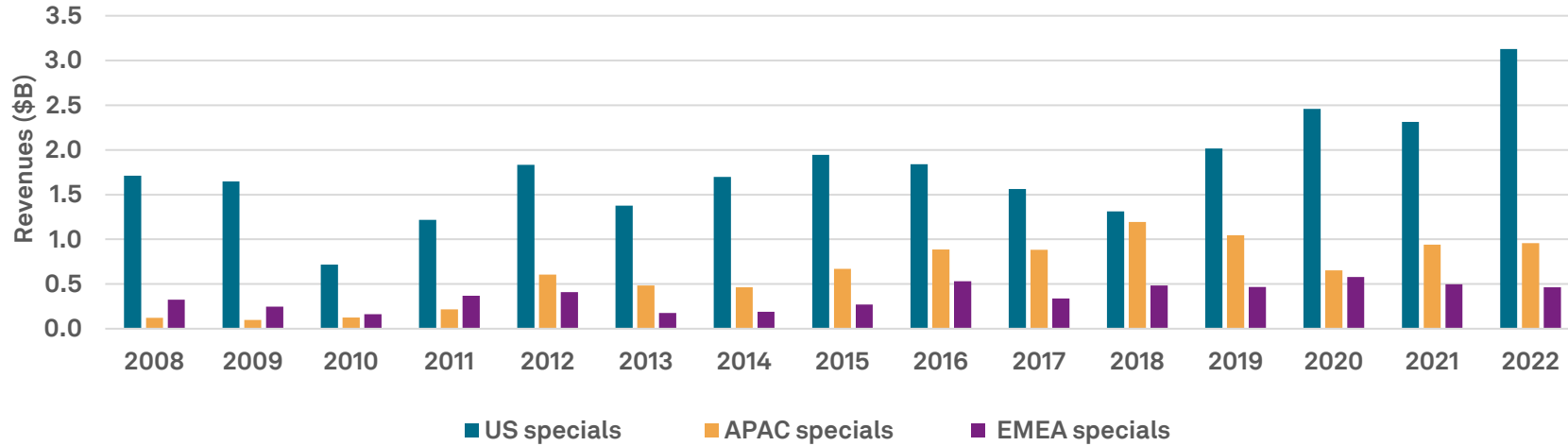
US equity revenues per month of 2022

Revenues ($M)

Months: January, February, March, April, May, June, July, August, September, October, November, December

Legend: Non specials revenue, Specials revenue

Specials > 500bps fee

US specials reached all time highs in 2022

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Average fees and balances - Equities

Value on loan ex financing ($T)

All equity · EMEA equities · Asia equities · Americas equities

Average fee (%)

All equity · EMEA equity · Asia Equity · Americas equity
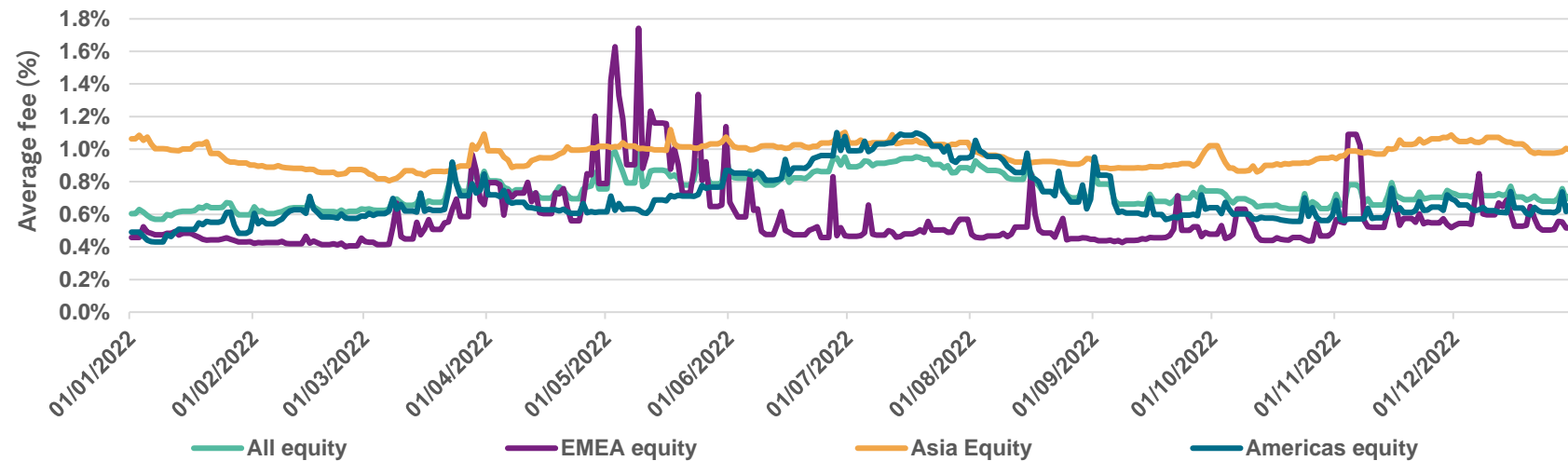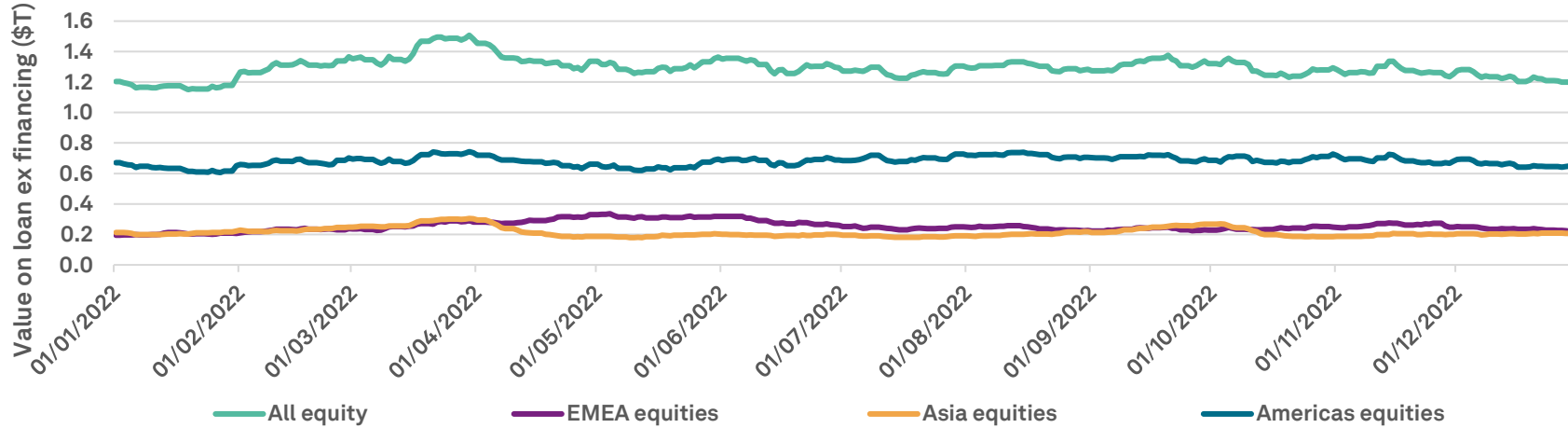
Volume Weighted Average Fee ex financing

All equities 74bps

Americas equities 70bps

EMEA equities 57bps

APAC equities 94bps

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Equities – Top revenue generators and most borrowed sectors of 2022

Top 10 Revenue Generators - All region equities 2022

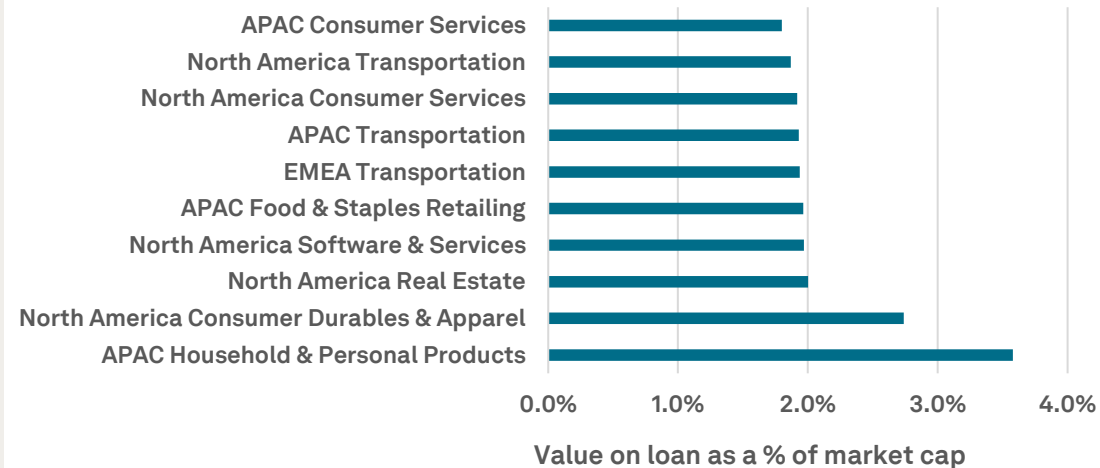| Ticker	Name	SL Revenue ($M)	Market	Sector	SEDOL
LCID	Lucid Group Inc	263.96	US Equity (Others)	North America Automobiles & Components	BP0TR77
GME	Gamestop Corp	232.79	US Equity (Others)	North America Retailing	B0LLFT5
BYND	Beyond Meat Inc	195.27	US Equity (RUSSELL 2000)	North America Food, Beverage & Tobacco	BJ1FDK7
SIRI	Sirius Xm Holdings Inc	110.42	US Equity (Others)	North America Media and Entertainment	BGLDK10
AMC	Amc Entertainment Holdings Inc	110.24	US Equity (Others)	North America Media and Entertainment	BH4HLL3
SAVA	Cassava Sciences Inc	109.64	US Equity (RUSSELL 2000)	North America Pharmaceuticals, Biotechnology & Life Sciences	BJVLKZ9
UPST	Upstart Holdings Inc	105.25	US Equity (Others)	North America Diversified Financials	BL53QN5
BROS	Dutch Bros Inc	94.66	US Equity (Others)	North America Consumer Services	BMWP7H2
MSTR	Microstrategy Inc	80.94	US Equity (RUSSELL 2000)	North America Software & Services	2974329
V	Visa Inc	73.56	US Equity (S&P500)	North America Software & Services	B2PZN04

Source : SPGMI Securities Finance
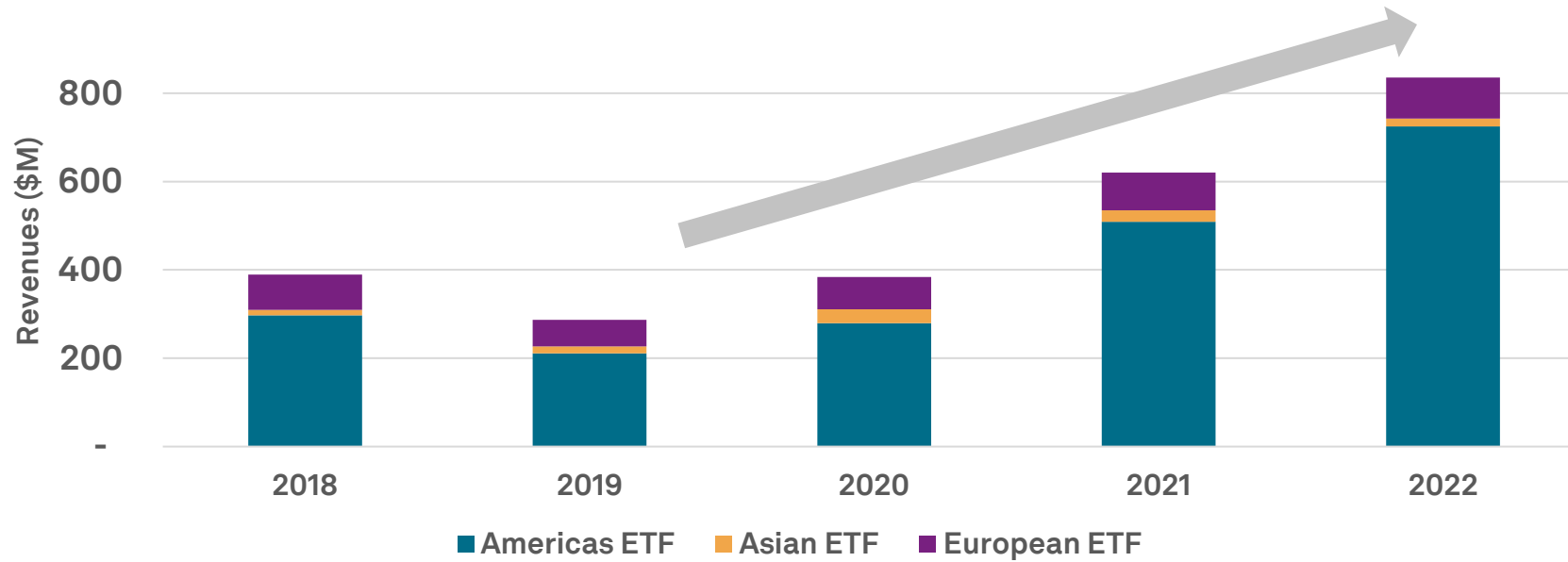
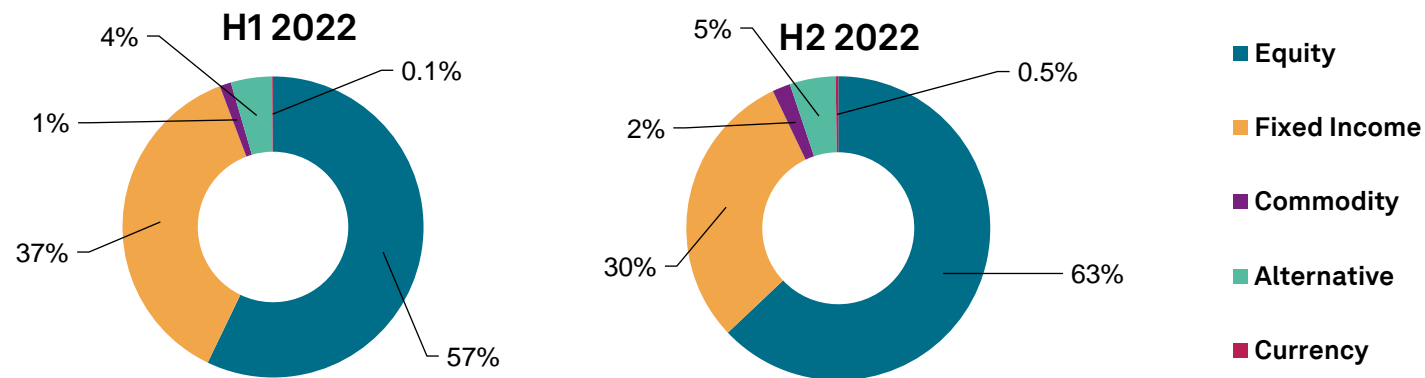© 2023 S&P Global Market Intelligence

H1 2022

Value on loan as a % of market cap

H2 2022

Value on loan as a % of market cap
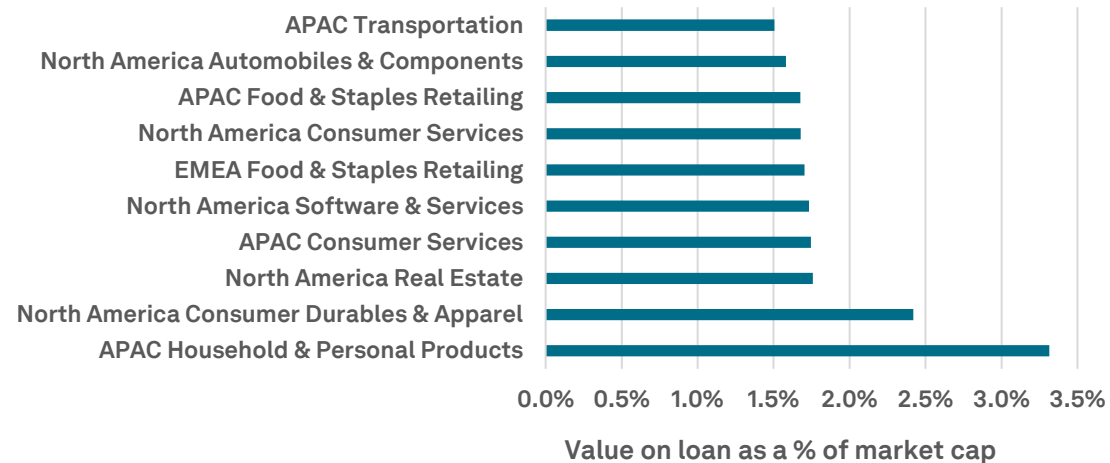
ETF revenues 2022

ETP revenues grew significantly over 2022

ETFs – Top revenue generators

Top ETP revenue generators - 2022

Ticker	Name	SL Revenue ($M)	Market	Sedol
HYG	Ishares Iboxx High Yield Bond Etf	107.51	US ETF	B1VZ486
LQD	Ishares Iboxx Invt Grade Bond Etf	30.51	US ETF	2971502
SPY	Spdr S&P 500 Etf	29.75	US ETF	2840215
IWM	Ishares Russell 2000 Etf	29.27	US ETF	2622059
BKLN	Invsc Senior Loan Etf	29.10	US ETF	BZ03L33
ARKK	Ark Innovation Etf	28.37	US ETF	BSBNFV9
JNK	Spdr Bloomberg Hgh Yild Bnd Etf	22.76	US ETF	BJLV5H6
XRT	Spdr S&P Retail Etf	15.41	US ETF	B17N7R4
CNYA	Is Msci China A Ucits Usd (Acc) Etf	14.15	IE ETF	BQT3WF0
QQQ	Invsc Qqq Trust Srs 1 Etf	12.98	US ETF	BDQYP67

Source : SPGMI Securities Finance

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Depositary Receipts

Top 5 Revenue Generators - 2022

Ticker	Name	SL Revenue ($M)	Market	Sector	SEDOL
PSNY	Polestar Automotive Hld Cl A Ads	45.64	SE ADR	North America Automobiles & Components	BM9VBN7
UMC	United Micr Elctrns Adr Rep 5 Ord	20.79	TW ADR	North America Semiconductors & Semiconductor Equipment	2634117
TIGR	Up Fintech Holding Adr	12.53	CN ADR	North America Diversified Financials	BJTL675
TTM	Tata Motors Adr Repsg 5 Ord	11.47	ADR (Others)	North America Automobiles & Components	B02ZP96
XPEV	Xpeng Adr Rep 2 Ord	9.22	CN ADR	North America Automobiles & Components	BMXR2T4

Source : SPGMI Securities Finance

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Utilization and VWAF

Monthly revenues (USD)
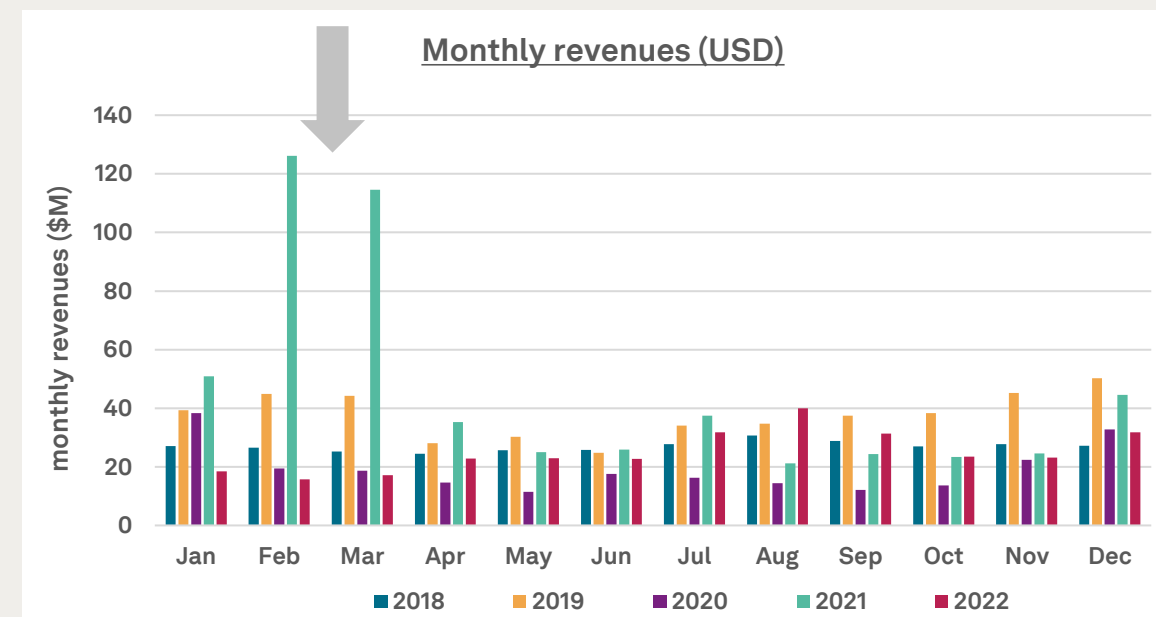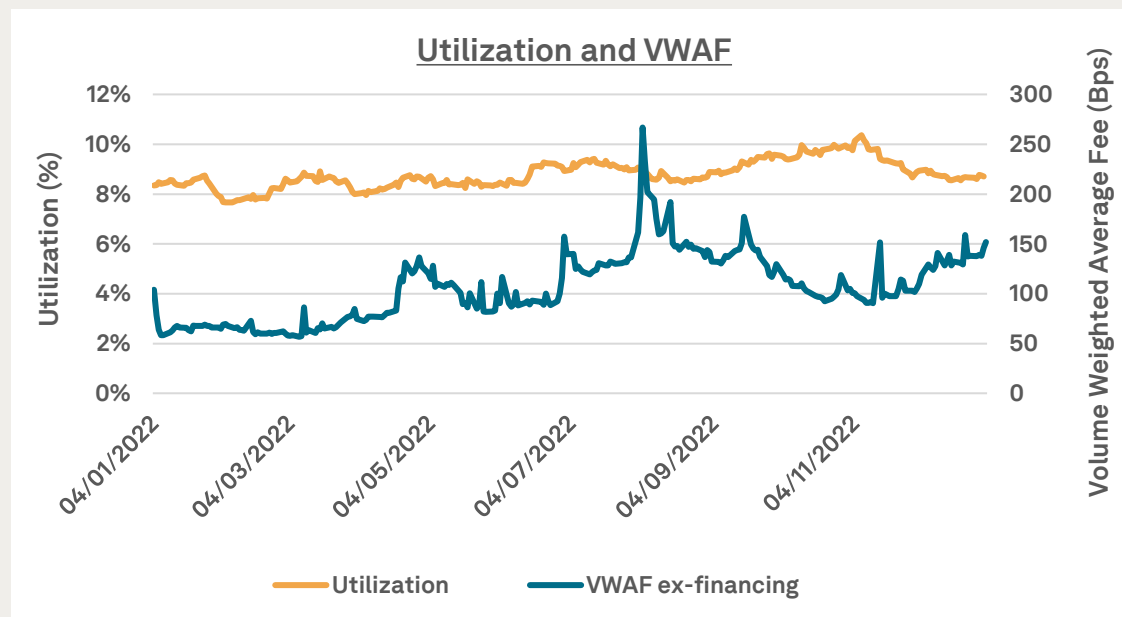
Corporate bond balances grow to recent high in 2022
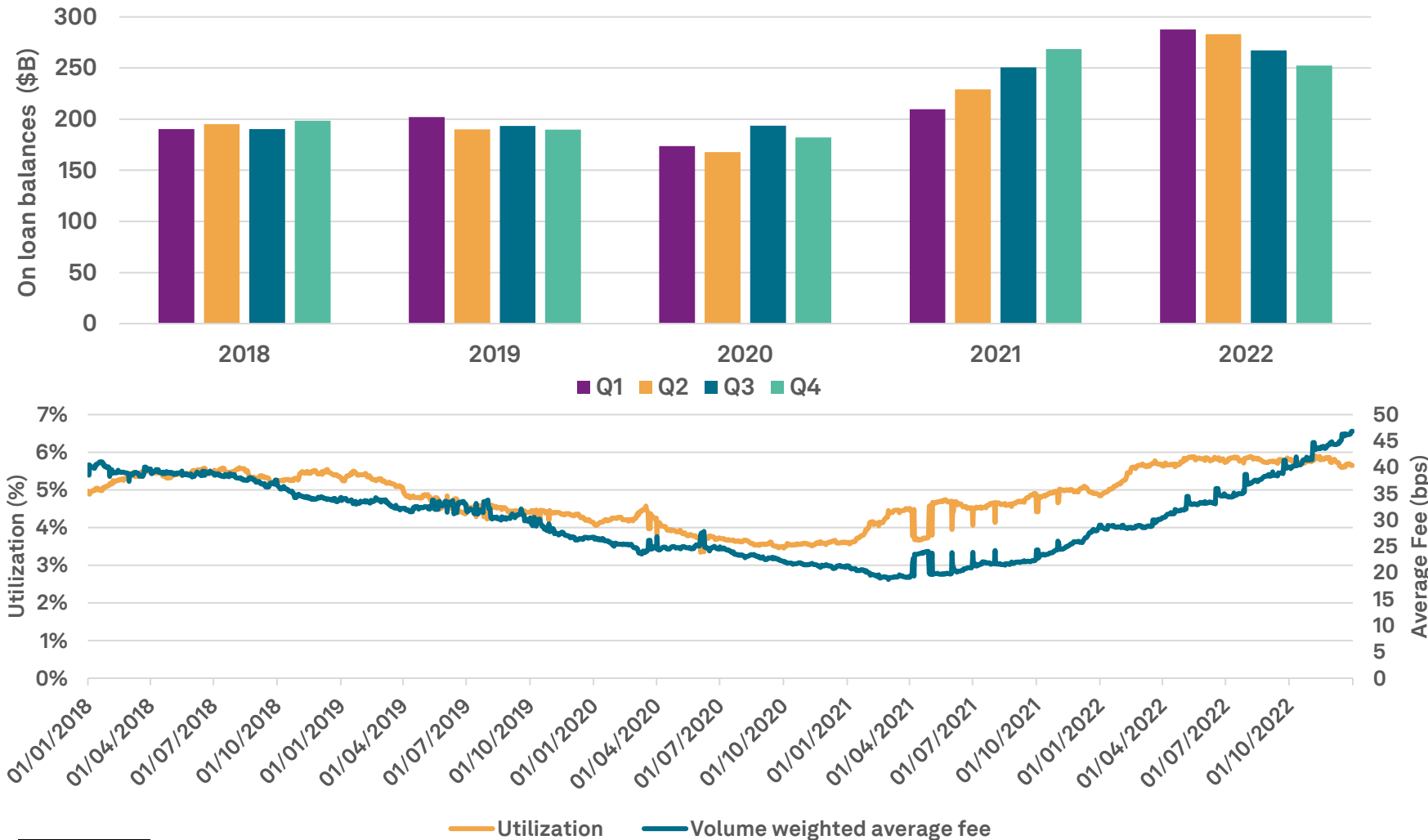
Average 2022 balance $272.56bln +14%

Average 2022 fee 36bps +61%

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Corporate bond revenues increased inline with balances
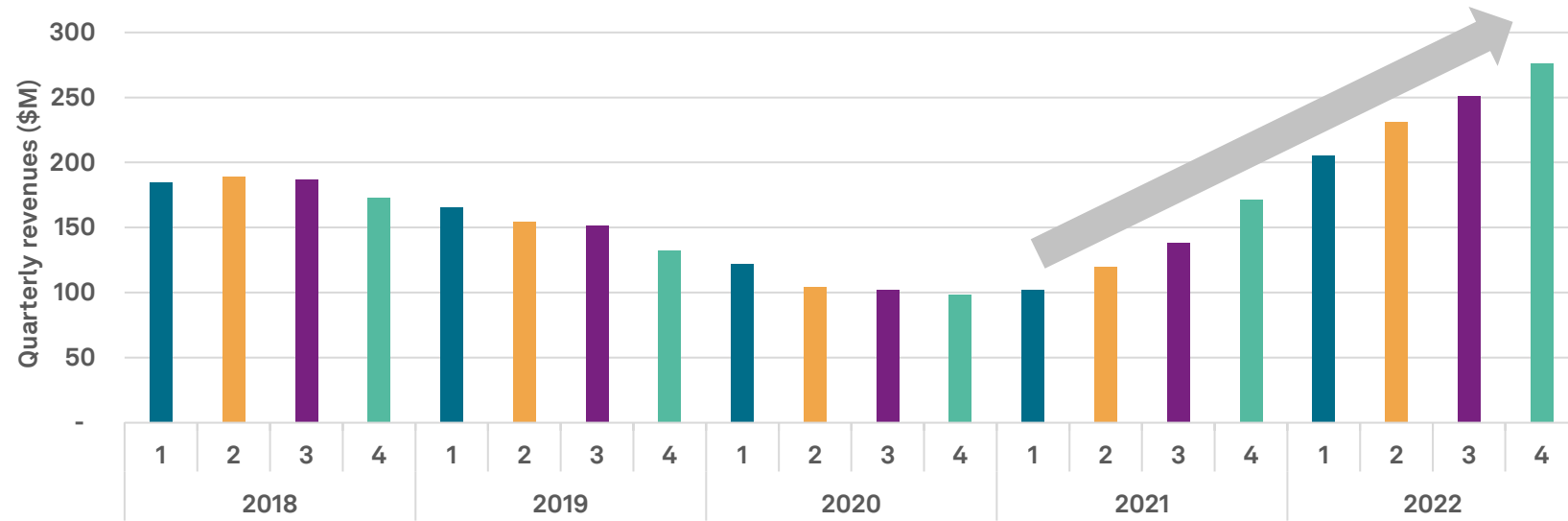
2022 was a standout year for corporate bond revenues
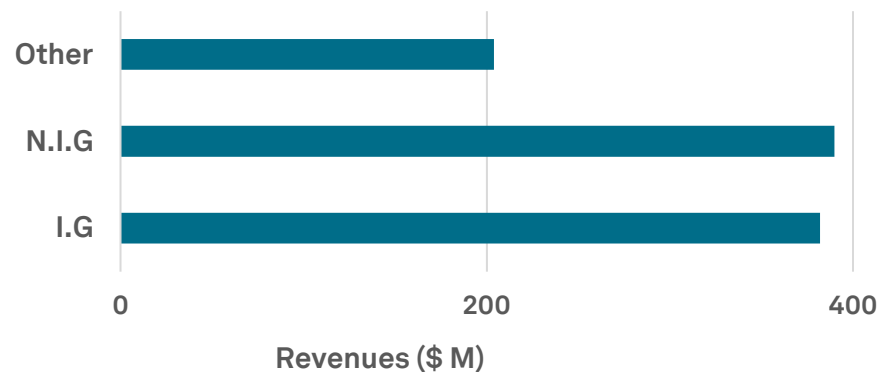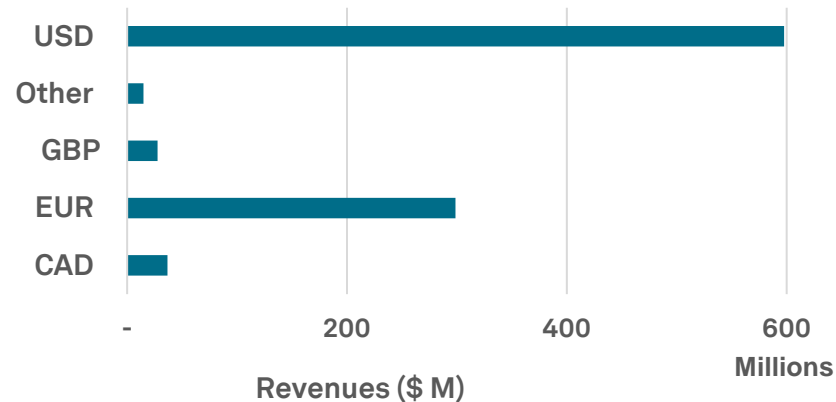
$963M

Corporate Bonds – Top revenue generators

Top revenue generating corporate Bonds - 2022

Cusip	Name	SL Revenue ($M)	Market
09857LAN8	Booking Holdings Inc (0.75% 01-May-2025)	7.81	USD I.G.
97789LAB2	Wolverine Escrow Llc (9% 15-Nov-2026)	7.37	USD Priv.
02376RAE2	American Airlines Group Inc (3.75% 01-Mar-2025)	5.84	USD Priv.
595017AU8	Microchip Technology Inc (0.125% 15-Nov-2024)	5.79	USD N.I.G.
252131AK3	Dexcom Inc (0.25% 15-Nov-2025)	5.34	USD N.I.G.
553283AC6	Mph Acquisition Holdings Llc (5.75% 01-Nov-2028)	5.26	USD Priv.
J7596PAJ8	Softbank Group Corp (6.875% Undated)	5.12	USD N.I.G.
13123XBD3	Callon Petroleum Co (8% 01-Aug-2028)	4.29	USD Priv.
21925AAE5	Cstn Merger Sub Inc (6.75% 15-Aug-2024)	4.25	USD Priv.
78433BAB4	Scih Salt Holdings Inc (6.625% 01-May-2029)	4.19	USD Priv.

Source : SPGMI Securities Finance

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Government bond revenues top $400m in every quarter
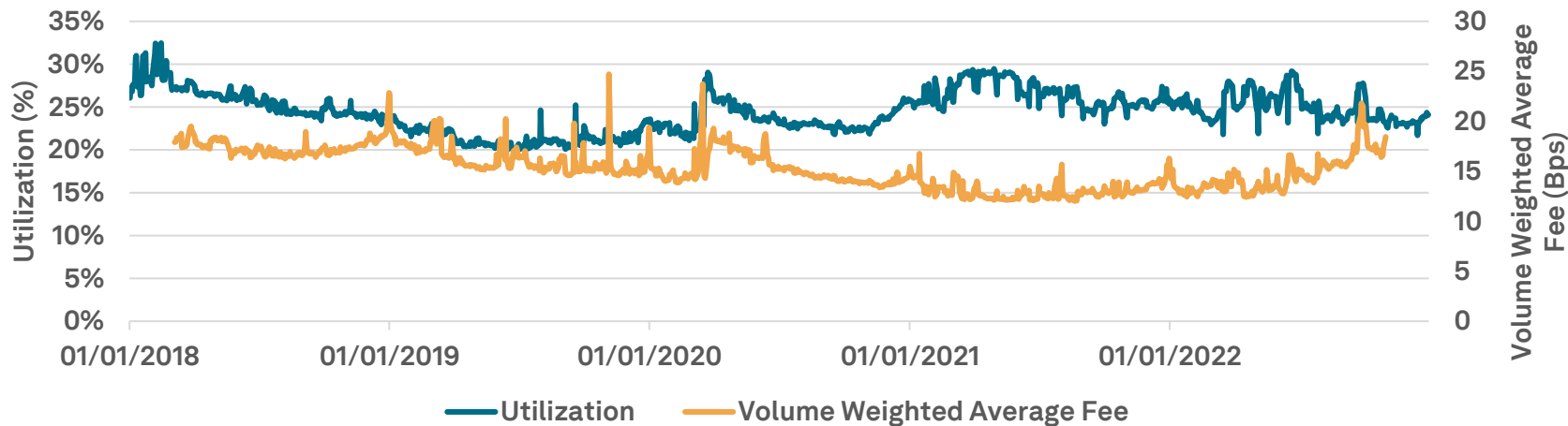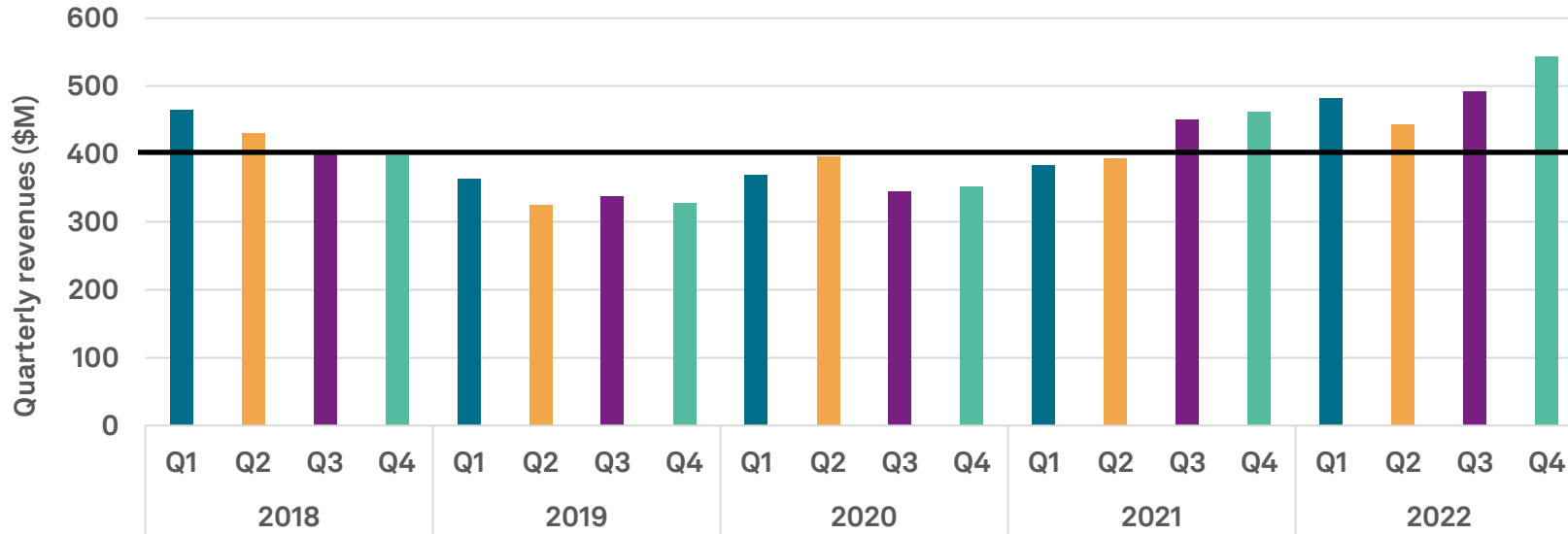
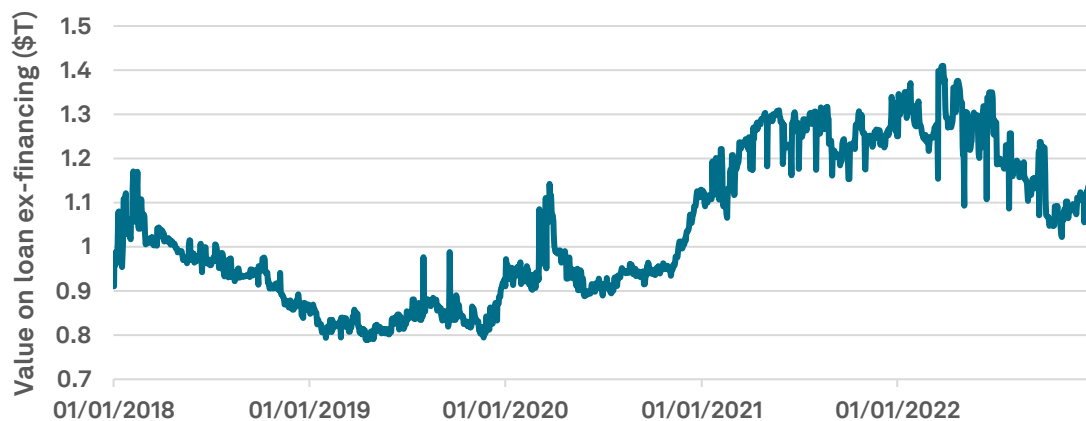Government bond fees and revenues continue to rise

Government bonds – Top borrows

Top revenue generating government bonds - 2022

Cusip	Name	SL Revenue ($M)	Market
91282CFG1	United States Treasury (3.25% 31-Aug-2024)	14.86	US Govt
G4527HDX6	United Kingdom Of Great Britain And Northern Ireland (Government) (1% 22-Apr-2024)	12.78	UK Non
91282CEA5	United States Treasury (1.5% 29-Feb-2024)	12.24	US Govt
91282CBL4	United States Treasury (1.125% 15-Feb-2031)	10.30	US Govt
912810TM0	United States Treasury (4% 15-Nov-2042)	9.01	US Govt
D206584S2	Germany, Federal Republic Of (Government) (0.5% 15-Feb-2025)	8.63	DE Dom
D2R8H4DU0	Germany, Federal Republic Of (Government) (0.25% 15-Feb-2029)	8.61	DE Dom
J2615QKT1	Japan (Government) (0.8% 20-Jun-2023)	8.25	JP Dom
F40411HN7	France, Republic Of (Government) (3.5% 25-Apr-2026)	7.84	FR Dom
91282CDJ7	United States Treasury (1.375% 15-Nov-2031)	7.52	US Govt

Source : SPGMI Global Securities Finance

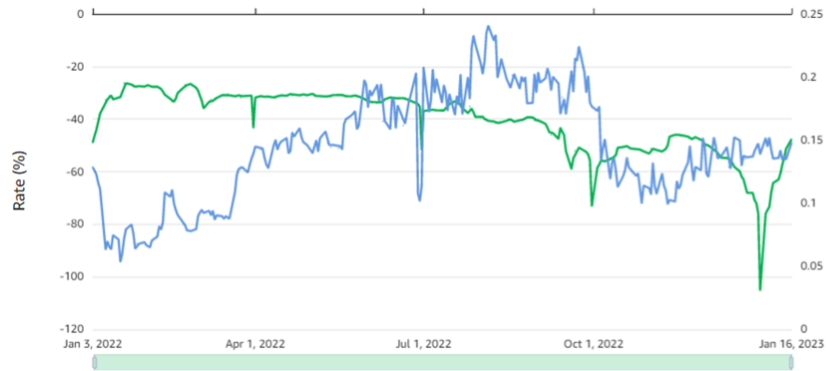© 2023 S&P Global Market Intelligence

Value On Loan ex-financing

2022 revenues by country

- USA — 48%
- Germany — 10%
- UK — 9%
- France — 8%
- Canada — 7%
- Other — 5%
- Japan — 3%
- Emerging Markets — 2%
- Italy — 2%
- Australia — 2%
- Austria — 1%
- Spain — 1%
- Netherlands — 1%

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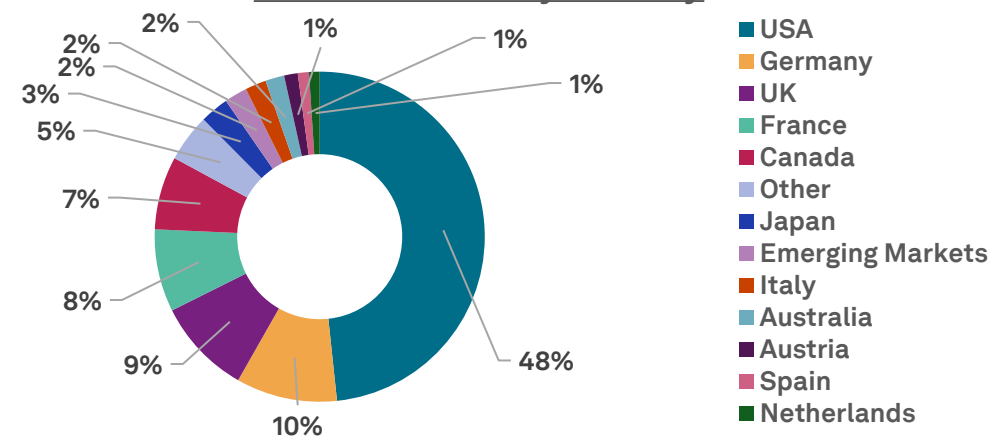
Repo market

Market Area Repo - Spread (bps) and Haircut

Spread over benchmark rate

Haircut

Repo spreads increased throughout the year

Source: SPGMI Repo Data Analytics

An incredible year across financial markets

Best year for securities finance revenues since 2008

- Equity specials activity in the US pushed revenues higher

- Not every lender will have benefited from an increase in revenues given the concentration in the year's activity

- In the equities space the US dominated

- ETPs benefited from increased market volatility and the credit sell off

- Corporate bonds had their best year to date seeing an impressive increase in average fees

- Government bonds remain popular, short dated debt was the most popular borrow

- Inflation and interest rates will continue to have a strong influence upon revenues and borrowing activity throughout 2023

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Securities finance 2022 market activity review webinar

Please send all questions to……

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Or contact your product or sales specialist

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