

Contents

Contributors	viii
Preface	xi
<i>Judith G. Mabry</i>	
Introduction: Securities Lending	1
<i>Simon Luhr</i>	
PART I	
1 The UK Gilts and Equities Markets	9
<i>Patrick Mitford-Slade</i>	
History	9
The Gilt-edged market	10
The equity and fixed interest market	16
2 Securities Lending in the German Market	20
<i>Douglas G. Ziurys and Gunter H. Femers</i>	
The long and hard road to securities lending 1986–1990: major market factors affecting rapid development	21
Major market developments in 1990: securities lending finally established as a viable product	26
Current status of securities lending in Germany: the Deutscher Kassenverein system	27
The current status of securities lending in Germany: alternatives to the KV lending programme	37
Legal and accounting aspects	41
Required changes and future prospects for securities lending in Germany	42
3 The French Market	47
<i>Michel Sidier</i>	
Structure of the securities industry	47
The settlement system	51
Who can lend and who can borrow: the Law of 1987	57
The existing lending techniques on the French market	59

The securities lending market	62
Conclusion	64
4 Lending Securities in Japan	66
<i>Jiro Takahashi and Makoto Yokota</i>	
History of the Japan Securities Finance Co Ltd	66
Domestic lending	67
International lending	73
The present situation for international lending	78
The outlook for domestic and international lending of Japanese stocks	79
5 Financing transactions as short-term investments	80
<i>Steven R. Meier</i>	
Introduction to the United States market for repurchase agreements	81
The mechanics of repos	82
Repo collateral	83
Types of repos	84
Delivery of repo collateral	84
Determination of repo and reverse repo rates	86
The matched book	87
Dealer's availability of repo collateral	88
Parties involved in the repo market	90
Repurchase agreements: a hybrid transaction	90
The evolution of the repo market	91
Financing transactions and the 'Big Picture'	96
International financing transactions	97
XYZ Bank – February 1990	99
Suggested guidelines for investing in 'repurchase agreements'	102
Summary	102

PART II

1 Risks in International Securities Lending – Identification and Minimisation	107
<i>Habib Motani</i>	
Essential elements of a securities loan	107
Main areas of risk	108
Credit risk	109
Default	112
Operational risks	113
Conclusion	115

2	Global Custody	116
	<i>Daniel R. Roccato</i>	
	Functions of a global custodian	117
	Evolution of global custody	120
	Image	122
3	The Function of the Clearing House	124
	Securities Lending in an International Clearing System: Cedel's Securities Lending Programme	
	<i>Susan Alexander</i>	
4	The Euroclear System	132
	<i>Martine Dinne</i>	
5	The Taxation of International Lending Transactions	140
	<i>Jurgen Jung</i>	
	Introduction	140
	Tax treatment of securities lending transactions in Germany	141
	Tax treatment of securities lending transactions in France	144
	Tax treatment of securities lending transactions in Japan	149
	Accounting and tax treatment of securities lending transactions in the UK	150
	Tax treatment of securities lending transactions in the United States	152
	Index	155