

Automated Equity Finance Markets, Inc. A Quadriserv Company



Submitted by email to [fsb@bis.org](mailto:fsb@bis.org)

January 14, 2013  
Secretary of the Financial Board  
c/o Bank of International Settlements  
CH-4002 Basel  
Switzerland

Re: **Strengthening Oversight and Regulation of Shadow Banking**

Dear Sir/Madam:

Quadriserv, Inc. ("Quadriserv") appreciates the opportunity to submit comments to the Financial Stability Board ("FSB") in response to its Consultative Document entitled Strengthening Oversight and Regulation of Shadow Banking (subtitle "A Policy Framework for Addressing Shadow Banking Risks in Securities Lending and Repos.")

By way of introduction, Quadriserv, through its wholly owned subsidiary, Automated Equity Finance Markets, Inc., operates the AQS® platform ("AQS") for securities lending. AQS is a regulated, automated, and centralized marketplace for securities lending transactions in the U.S. The Options Clearing Corporation ("OCC") acts as the central counterparty ("CCP") for AQS providing collateral and risk management for all securities lending transactions that are matched and executed on AQS. OCC is the world's largest equity derivatives clearing organization. Currently, Quadriserv is working with OCC to offer a CCP-based equity repo trading platform ("AQS Repo"). Quadriserv aims to maximize liquidity, access, credit and transparency, while reducing systemic risks, through a fully automated trading environment in securities lending and repos.

Quadriserv would like to take this opportunity to submit the following brief comments to FSB's proposed recommendations for addressing financial stability risks in securities lending and repos.

Quadriserv agrees that regulatory authorities and participants would benefit from additional transparency in the securities lending and repo markets. In particular, Quadriserv believes that

real-time based market data, such as trade volume (expressed in shares or value), identities of underlying securities, rebate rates, and borrow rates, would provide reliable, objective, and standardized information that is relevant in assessing the securities lending and repo markets. Currently, Quadriserv offers such securities lending market data through AQS Market Data Services, Inc., a wholly owned subsidiary, to industry participants and other interested parties.

As regards to the FSB's recommendation that authorities should evaluate the costs and benefits of proposals to introduce CCPs in their securities lending and repo markets, Quadriserv would simply note that it already offers this service for the U.S. securities lending industry participants through its partnership with OCC. OCC acts as the CCP for all securities lending transactions matched and executed on AQS. Importantly, OCC performs daily collateral and risk management, including standardized collateral valuations as well as rigorous haircut and margin calculations, for all securities lending transactions on AQS. All participants on AQS are treated identically for collateral and risk management purposes. Quadriserv would further suggest that the costs to transact on AQS are generally not considered prohibitive.

Finally, as aforementioned, Quadriserv is working in conjunction with OCC to offer AQS Repo, a CCP-based equity repo trading platform. Quadriserv expects to launch AQS Repo during the fourth quarter of 2013. Quadriserv believes that this marketplace will offer all of the benefits that its securities lending platform offers, with one additional critical feature being cash lenders' ability to lend directly to the CCP, thus minimizing transaction costs and improving the credit exposure for all counterparties. And once again, as with the AQS securities lending platform, Quadriserv does not expect that the costs to repo industry participants to transact business on AQS Repo would be prohibitive.

Quadriserv supports the efforts by the FSB, as well as by other regulatory authorities, to identify and reduce potential systemic risks in the securities lending and/or repo markets. In collaboration with the industry participants, Quadriserv will continuously work toward these ends.

If you have any questions, please do not hesitate to contact either Pat Cestaro (212-370-5657) or Bruce Turner (212-905-5227).

Respectfully submitted,



Pat Cestaro III  
Co Chief Executive Officer



Bruce C. Turner  
Co Chief Executive Officer