

Q&A with Sandie O'Connor



Snapshot: Sandie O'Connor

Current Position:	Global Head of Financing & Markets Products
First Job:	JPMorgan Audit-Plus trainee
Education:	B.S. cum laude in finance and international business from Stern School of Business at New York University, where she was a University Scholar.
Personal:	Married with two daughters
Favorite Vacation Spot:	Maine
Favorite Actress:	Audrey Hepburn

There are many challenges facing the securities lending business today; how are you working to address some of them?

Some of the key challenges include getting more supply to market for new lenders and simultaneously growing relationships with borrowers who drive demand; growing client revenues without taking on significant incremental risk; and managing the potential impact of current and pending tax legislation worldwide.

Scale and expertise are paramount in this industry. We remain committed to building and leveraging technology and employing market professionals who are able to maximize value for our clients.

As the line between asset managers and more mainstream hedge funds is becoming blurred and investment strategies differences between the two diminishes, service providers face a new array of demands and opportunities. For example, more aggressive asset managers are moving outside of the traditional long only strategies and are employing "long/short or 130/30" strategies in which they seek to fund long positions by taking on a corresponding ratio of short positions. JPMorgan has been developing its capabilities around financing and servicing this growing segment of asset managers.

We are very aware that each lending client comes with unique risk and return parameters. We have ongoing reviews to examine and expand our lending program's guidelines while working closely with our clients to tailor their programs according to individual risk appetite and return targets. We continue to use a highly disciplined risk management approach to investing cash collateral and work closely with the credit teams at the firm that monitor issuer and broker/dealer credit.

As the industry's premier lending agent, we have maintained a leadership role within key industry organizations, most notably the RMA, ISLA and PASLA. Our position within these organizations enables us to serve as an advocate for lenders' interests as well as an advisor to regulators and legislators on the potential impact proposed regulations and legislation could have on lenders, borrowers and the industry as a whole. We continue to keep pace with a dynamic legislative and regulatory environment through the oversight of our on-the-ground team that is specifically focused on these issues.

Why has securities lending gained in appeal among asset managers in recent years?

Growth projections for the securities lending industry are as strong as they are due to the ability to earn incremental revenue within client-approved, designated risk management parameters. The value generated by securities lending adds incremental return to asset manager performance and has become more mainstream as part of overall investment strategies.

In the increasingly competitive environment in which managers are scrutinized on a daily basis, the ability to generate incremental returns on existing assets without sacrificing control is an appealing option. This has enabled securities lending to transition from a once-peripheral investment strategy to a viable and valued avenue to building and maintaining a competitive edge.

While securities lending remains a very manager-specific decision, the landscape surrounding our business has changed fundamentally. Five years ago, managers were looking for reasons to justify engaging in lending activities. Today, most asset managers would need to come up with reasons *not* to lend. Specifically, a pension

plan sponsor's primary concerns include reducing the plan's liabilities while offsetting some of the expenses inherent in pension funds. Mutual fund managers, on the other hand, are benchmarked against their peers on a quarterly basis. In their highly performance-driven universe, extracting every possible basis point of return within appropriate risk parameters is vital.

JPMorgan Securities Lending was instrumental in opening Korea and Taiwan as viable lending markets, followed most recently by Hungary and Turkey. What are the benefits of opening new markets to our clients?

Our ongoing efforts and success in opening and establishing new markets enables our clients to enhance revenues, providing broader opportunities to lend securities to meet borrower demand.

As securities lending continues to grow at a dramatic pace, JPMorgan's goal is to offer a lending service to its clients in every market where it is permissible to lend and where the risks are acceptable and returns appropriate. We back this commitment with proactive research and development that enables us to move quickly into a market following all due diligence, in order to maximize the most attractive lending opportunities for our clients.

How does JPMorgan's Securities Lending business benefit from being part of a large financial services franchise, and how does this benefit clients?

JPMorgan is at a great advantage through our ability to offer clients product expertise combined with our global distribution and depth of firmwide resources. We know that our increasingly sophisticated client community expects nothing less.

JPMorgan Securities Lending clients are the benefactors, as we leverage the expertise of many areas of the firm to meet their needs. For example, credit risk assessment of the issuers in which cash collateral is invested is managed by our Asset and Wealth Management business; while the credit exposure to broker-dealers is evaluated by our broker-dealer team. Moreover, our Investment Bank is a leader in foreign exchange, equities and fixed income, enabling us to bring the power of the franchise to our clients whether through executing FX spot transactions to convert dividend payments or to effectively manage a client's transition of its portfolio. Our ability to provide a vast suite of offerings translates into more choices, greater customization and a higher degree of flexibility than other firms can offer. The size and scope of our franchise allows for greater efficiencies and cost controls through economies of scale. JPMorgan's scale and strength is also evident in its strong capital base which provides our clients security in terms of indemnification of the broker dealers with which we transact.

Turning to Markets Products, the FX market is growing rapidly with current daily trading volumes of more than \$2 trillion. What benefits does JPMorgan bring to clients as one of the largest providers?

JPMorgan is uniquely placed to help our clients navigate an asset class as diverse and volatile as foreign exchange. Our estimated 10% market share makes us one of the top participants. We offer transparency, competitive pricing and ease of access. Our global reach extends to dealing rooms in all major financial centers across Asia Pacific, Europe, the Middle East and Africa and the Western Hemisphere. We are also a top three player in e-commerce service delivery.

We are one of the largest cross-border custodians as well as one of the most active FX providers, trading over 200 currency pairs around the clock. FX at JPMorgan is not segregated between our custody and markets businesses, but is provided holistically based on client needs.

As our clients' businesses change, so do their needs. Increasingly, this means that clients are venturing into new and alternative products that require specialist FX services such as Prime Brokerage, Passive FX Overlay (or hedging) and derivative valuations. JPMorgan is unique in that it offers this full suite of products and services seamlessly, and has done so for more than 10 years.

When institutional investors undergo restructuring of their investment portfolios, transition management is vital to reducing cost and risk. How does JPMorgan differentiate itself as a transition manager?

JPMorgan manages transitions for clients at most major custodians; and when JPMorgan acts as both transition manager and global custodian for a client, we are uniquely able to manage all parts of the transition, providing unrivalled accountability and confidentiality.

Delivering an efficient transition requires the coordination of a variety of disciplines, capabilities and dedicated resources. JPMorgan Transition Management is a team of dedicated experts with experience in asset management, trading and execution, quantitative analysis, custody operations and project management. Each transition is unique and individually planned and managed, combining the analytic and execution capabilities of a leading investment bank with the operational and administrative strengths of one of the world's largest global custodians. In addition to a transition manager, we dedicate a project manager to each event, which minimizes operational risk and ensures that transitions are seamless with our clients' ongoing relationships and operations.