Agent Lending Newsletter

Q2 2013

J.P.Morgan

Welcome

The second quarter is always the busiest for the Securities Lending business, with the European dividend season giving rise to increased volumes and revenue generation. This year was no different, although as you will read elsewhere in this newsletter, it was perhaps one of the more challenging in a number of years. Though All-In levels were quite varied and volatile, we feel that we were rewarded by trading and locking in levels at optimal points. This strategy helped us generally maximize earnings as levels tended to deteriorate close to record dates. We have invested a considerable amount in our Operations, with our own metrics showing that this was one of the smoothest and efficient dividend seasons; we hope our clients also noticed this. As we predicted earlier in the year, reduced supply resulted in lower bill issuance and bill maturities gave rise to declining rebate rates, which was positive for our fixed income lending clients. These occurrences may be signaling an improving U.S. economy, also giving rise to improved spreads between term unsecured investments and lending of fixed income collateral.

In our last newsletter we noted the implementation of JGB collateral. This has been effective in delivering additional revenue for those clients who approved the use of this collateral type. As the business across Asia continues to expand, we are pleased to be able to implement same day loans there, which assists borrowers with same day coverage and increased loan opportunities. As we focus on program development, we are also pleased to announce the roll out of J.P. Morgan ACCESS® *Securities* for Securities Lending. First implemented in late 2012, ACCESS *Securities* helps enhance how clients assess, manage and leverage investment information. With an intelligent design, intuitive navigation and the ability to personalize views and settings to fit users' specific responsibilities, ACCESS *Securities* has proven to be a powerful and easy-to-use online solution for clients. The portal's expansion to include Securities Lending is designed to deliver the same benefits to you *(please see page 6)*.

As we look ahead, all eyes are on the U.S. Federal Reserve following its June announcement that it may start tapering its QE3 asset purchases later this year, and the impact this will have on the economy and the Securities Lending market. One of the other themes we are seeing is borrowers focusing more than ever on balance sheet usage and RWA (Risk Weighted Assets) as they seek to achieve new Basel III capital standards well ahead of regulatory deadlines. This is giving rise to new and different revenue opportunities for clients with eligible collateral criteria who are willing to commit to term or Evergreen structures. We anticipate more of these types of trade opportunities over the course of the year.

We hope you enjoy this newsletter.

Paul Wilson
Managing Director

Global Head of
Agent Lending Product
and Portfolio Analysis

Judith Polzer
Managing Director

Global Head of
Analytics and
Research

Shirley McCoy
Managing Director

Global Head of
Fixed Income Trading,
Agent Lending

John Shellard
Managing Director

Global Head of Equity
Lending Trading,
Agent Lending

Matthew Sarson
Managing Director

Global Head of
Asset Management,
Agent Lending

Table of Contents

Update from the Fixed Income Desk

U.S Fixed Income

During the second quarter, Treasury, Agency and mortgage-backed security ("MBS") general collateral ("GC") rebate rates steadily declined, averaging 12.8 basis points for the period and trading in a range of .002%-0.25%. The combination of maturing cash management bills in mid-April and reductions in weekly bill issuance created downward pressure, with less Treasury supply in the market. In conjunction with low rebate rates, many of the current issues traded special. Notably, the current 10-year note (1.75% 5/23-CUSIP 912828VB3) traded at a deep negative rate before the June 17 reopening of $21 billion worth of the notes settling in the market. Agency collateral continued to trade in a narrow range of two to three basis points above Treasury GC while mortgage-backed collateral traded in a three to four basis points range. Balance sheet considerations remain a large concern for dealers, which continues to challenge utilization for these asset classes.

As we have seen in the past, the actions of the Federal Reserve tend to have a direct impact on lending programs. With lower rebate rates, we have been able to lend Treasury GC for accounts that have investment guidelines that are able to support these trades. We continue to see demand for non-cash trades and have expanded the eligible list of pledge collateral, including high rated Eurozone sovereign debt and Japanese Government Bonds ("JGBs"). Lenders who approve the expanded pledge collateral sets have the flexibility to participate in these trades when we have the opportunity to structure a trade.

Corporates

Balances remained range bound through the second quarter. Borrowers continued to contribute to a very high churn rate as trades were put on and taken off rapidly. Borrowers focused on rerating their specials and were particularly quick to return securities that began to trade closer to general collateral levels.

Balances did dip briefly in late May when Fed funds started to consistently open below 10 basis points and GC began to trade consistently at a negative rebate. After the initial reaction of closing out trades and several trading sessions of reduced activity, balances returned to the general range where they have been for the past several quarters. Activity generally tails off through the first two months of the third quarter as market participants pare back risk prior to summer vacations. After Labor Day, activity generally increases, leading into the fourth quarter.

International

Balances in the international fixed income lending book increased strongly at the beginning of the second quarter but declined during June and ended up back where they had started – as improving market sentiment and the end of the European dividend season led to less demand for core euro sovereign GC. Core GC repo markets cheapened slightly, with the AAA/AA issuers pricing around 0.03% in short dates, as the unwind in dividend season demand, coupled with ongoing Long-Term Refinancing Operation ("LTRO") repayments, started to have some effect on front-end rates. A high number of specials remained, especially the German 5-7-year maturities. Specific issues were volatile but remained special for the entire period.

Balance in the corporate bond book increased over the quarter, and continues to be helped by the automation of shorts coverage through Bondlend. Liquidity generally remains good and we are still not seeing any significant numbers of long-term fails. Volumes remained very high as dealers continued to closely manage their balance sheet.

The European Central Bank, as expected, kept the main refinancing rate at 0.50% as improving confidence underscored President Mario Draghi's timetable for an economic recovery later this year. Following the decision, Draghi noted that the ECB continued to expect economic activity to stabilize and moderately rebound during the second part of 2013. The Bank of England kept rates and quantitative easing unchanged, with Governor Mervin King losing his final monetary policy vote as the MPC voted 6-3 to keep the target of its bond purchase program at £375 billion.

Looking Forward

In the U.S., we expect rates and spreads to remain in the range we have seen recently and repo markets to remain stable overall. With the Fed's June announcement that it could start tapering its current Quantitative Easing ("QE3") asset purchases "later this year" and complete the program by mid-2014, it may have little impact in the short run. Instead, with the Fed likely to keep the 0-0.25% funds target for quite some time thereafter, the focus remains on the effects of ongoing reductions in bill supply, the potential for coupon reductions later this year, money fund balances and the demand for high-quality collateral for margin purposes due to derivatives reform. In addition, the spread between collateral classes (U.S. Treasuries vs. MBS) remains stable in term markets at this time.

In Europe, demand will remain for high quality European sovereign GC, but with spreads so tight in cross-currency trades, this opportunity will only be there for those lenders with three-month cash reinvestment guidelines, or those willing to participate in an upgrade trade. Outside of Europe, demand is still strong for Australian sovereigns, but spreads will remain under pressure as there are so few issues trading with any intrinsic value. Specials will likely remain concentrated in shorter maturity German sovereigns and we will continue to see demand for under 10-year gilts, though close to GC levels. With Eonia and Sonia likely to remain low and stable for the immediate future, the bulk of our activity will remain on open, with little term lending opportunity.

Update from the Equities Desk

Equity markets were mixed over the quarter, rallying strongly through to late May before suffering sharp falls into June. The selloff was caused by the U.S. Fed signaling that its extraordinary monetary stimulus policy is coming to an end as the U.S. economy shows continued signs of sustainable growth. Another factor was a liquidity squeeze by the Chinese central bank as it tries to curtail credit growth, causing concern among investors that Chinese economic growth will be negatively impacted. These events took markets by surprise with investors concerned that the flood of central bank liquidity that has been driving markets higher will be withdrawn and interest rates will rise. Markets did recover some of their losses by the end of June, after officials in the U.S. and China played down any imminent tightening of monetary policy. The Japanese market reached a May high after the Bank of Japan announced an aggressive stimulus plan for the economy, before suffering a particularly large correction, falling 20% and entering into a technical bear market after investors took the view that prices were ahead of fundamentals and were therefore due for a correction.

The increased market volatility did generate borrowing demand. Emerging markets like Thailand, Malaysia and Poland, which were hit particularly hard by the selloff, and emerging market ETFs like iShares, J.P. Morgan USD Emerging Markets Bond Fund and iShares S&P U.S. Preferred Stock Index Fund, all saw increased borrowing demand. However, this was not enough to offset a sharp fall in directional borrowing demand in several key markets. The U.S. in particular saw fees decline in several long-term specials such as Tesla Motors, Coinstar, InterOil and Westport Innovations. Short sellers conceded defeat in the face of a rising equity market and because prices in some of the most crowded shorts had risen higher than the broader index. Hong Kong continued to experience weak demand and borrower refinancing, with reduced fees in key revenue generating specials like Byd, GCL-Poly Energy, Anhui Conch Cement and China Yurun Food, as did Australia, with fees easing in stocks like JB Hi-Fi and Mesoblast as their share prices rallied. Markets in which we saw an increase in revenue included Singapore, on the back of the Olam International special; Taiwan, as hedge funds shorted the tech sector; Finland, as directional demand for Nokia more than offset the fact that the company did not pay a dividend; Canada, due to specials in Blackberry and Westport Innovations; and Brazil, on increased specials activity and more profitable IOC trades.

In terms of deal activity, the big story was the completion of the Glencore Xstrata merger in the U.K., one of the most profitable lending trades of the last 12 months. Loans were returned quickly once the deal closed in May. Regarding new deal activity in the quarter, in the U.S., Pfizer's spin-off of Zoetis through a voluntary exchange offer was a profitable deal for clients. In Australia, demand increased for News Corp shares as it split its TV and publishing businesses. In Europe, the story was all about capital raising, with rights issues in Banco Popular Español and Bankia in Spain, Koninklijke KPN in the Netherlands, Commerzbank in Germany, Firstgroup and Thomas Cook in the U.K., CDON and Hakon in Sweden, Meyer Burger in Switzerland, and RCS MediaGroup in Italy.

The second quarter was the peak European dividend season. Germany and France traded in a wide range depending on dividend yield, and the Italian financial transaction tax had a significant impact on demand for Italian equities. Finland, Norway, Sweden and Switzerland traded strongly, matching or exceeding prior years in terms of trading levels. Incremental revenue was generated for clients that elected to receive cash rather than stock on French and Dutch dividends that offered investors the scrip option. In general it was a tough and volatile season. A pull back in appetite from several big banks, an increased focus on balance sheet costs, tax changes and a lack of funding for hedge funds all contributed to a more volatile market. We also saw some activity in South African stocks being traded for dividend. These include Vodacom and Foschini. Outside of Europe, Japan was active from a dividend perspective, with balances initially falling as March record date trades unwound, and then rising as borrowers took low dividend stock for the June dividend. Unfortunately, Australia has had a weak dividend season, as several companies, like NAB and ANZ, did not offer a discount on their drip dividends, removing the arbitrage opportunity.

We continued to grow our book of business against Japanese Government Bond collateral, which is proving to be one of the most successful collateral initiatives of recent times. In the U.S., overnight repo rates continued to trade at very low levels, making general collateral loans particularly challenging for clients with restrictive cash reinvestment guidelines. U.S. equity general collateral traded at negative rebates from the end of May through to the end of the quarter, i.e., borrowers paid a fee for cash collateral loans.

Looking Forward

Dividend activity will be significantly lower in the third quarter, as the second quarter marked the peak period in Europe. Japan's September dividend record date will likely be the big event of the quarter.

We expect that events in China and the U.S. will drive markets, with uncertainty over the strength of their respective economies and what that means for monetary policy. How markets react to economic data and central bank action will likely determine the level of directional shorting and borrowing demand.

We expect to continue to enhance our product offering. Same day loans in Asia, including Japan, will go live in July (receiving non-cash collateral and delivering loan securities on the same day), providing our broker counterparts with same day borrow cover, for instance, if they need to cover a fail.

Update from the Re-Investment Desk

Highlights

- Debate surrounding tapering of QE3 by the Fed continues, as the ECB and RBA cut interest rates
- An overall seasonal reduction in T-bill inventory has driven levels down across product types
- Issuers continue to adjust term unsecured issuance levels to incentivize longer dated funding

---

2Q Review

During the second quarter, the Federal Open Market Committee ("FOMC") and Bank of England left monetary policy unchanged, while the European Central Bank ("ECB") and Reserve Bank of Australia ("RBA") both delivered rate cuts in May. At the June FOMC meeting, the Fed sounded more confident in the outlook and in the economy's ability to grow without the need of ongoing extraordinary support, and introduced the possibility of moderating the monthly pace of purchases later in the year. The ECB delivered on a cut to the main rate, and deliberated over further cuts, including a potentially negative deposit rate. In Australia, the RBA surprised most with a rate cut in May, maintaining an easing bias, while June minutes showed there is no urgency for lower rates in the near term.

The June FOMC meeting and potential tapering of the current Quantitative Easing ("QE3") program led to an increase in financial market volatility. However, given the high levels of excess central bank reserves globally, short duration markets remained calm, and rates continued to be driven by issuer supply and demand conditions.

Outlook

In the U.S., we expect Treasury Bill supply to remain negative into July, continuing to provide improved spreads between term unsecured investments and lending fixed income collateral, while also putting downward pressure on U.S. term rates, as investors continue to search across short dated product types for higher yields. In Europe, speculation over further central bank action, and ongoing passive tightening from Long-Term Refinancing Operation repayments to the ECB, will continue to provide uncertainty on short-term rates and provide yield curve opportunities in longer tenors. With overnight investments remaining at consistently low levels, issuers are likely to take advantage of market demand in order to lengthen their maturity profiles, and may continue to restrict or eliminate shorter dated offerings. We expect speculation to continue around when the Fed will begin to taper its monthly asset purchases, although the Fed has stressed this remains extremely data dependent. In Australia, despite the recent weakening of the AUD and the upcoming elections, we anticipate the RBA to cut rates again in 2013, which will most likely occur in the fourth quarter rather than the third, the book will be positioned accordingly. Issuance is likely to remain limited in the AUD commercial paper market, with further redemptions in programs reducing the already minimal supply. Therefore, where the yield opportunity allows, diversification will be sought through increased investment in offshore issuers.

Our strategy will remain focused on maintaining liquidity overnight and through our maturity structure by layering bank and corporate investments in the 1- to 3-month maturity ranges, although we anticipate levels and available supply in these tenors to continue to decrease. We will selectively target investments in the 4- to 6-month tenors where we expect to receive a premium over available 3-month yields of up to 10 basis points, as levels in the longer dates will continue to vary on an issuer-by-issuer basis. We will continue seeking attractive opportunities for core holdings in longer dated, high-quality investments for eligible accounts, generally out to one year. These trades offer incremental yield and further diversification by providing access to some of the higher quality names that are no longer actively issuing in the shorter dates due to the excess liquidity that remains in that end of the market.

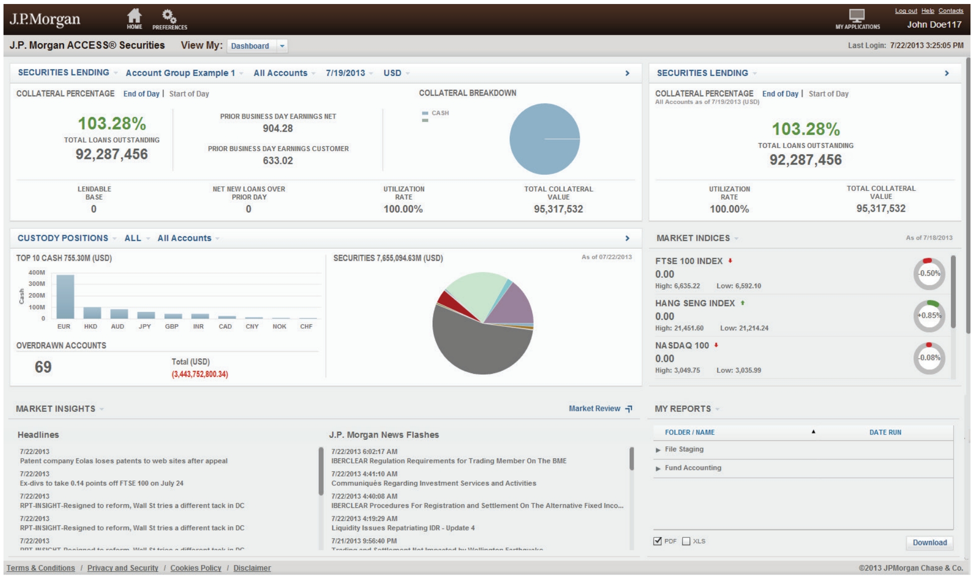
J.P. Morgan ACCESS® *Securities*

A New Tool for Online Securities Lending Clients

Following extensive market research and product development, a dynamic new tool for securities lending clients will launch on J.P. Morgan ACCESS *Securities* (“ACCESS *Securities*”) in August 2013.

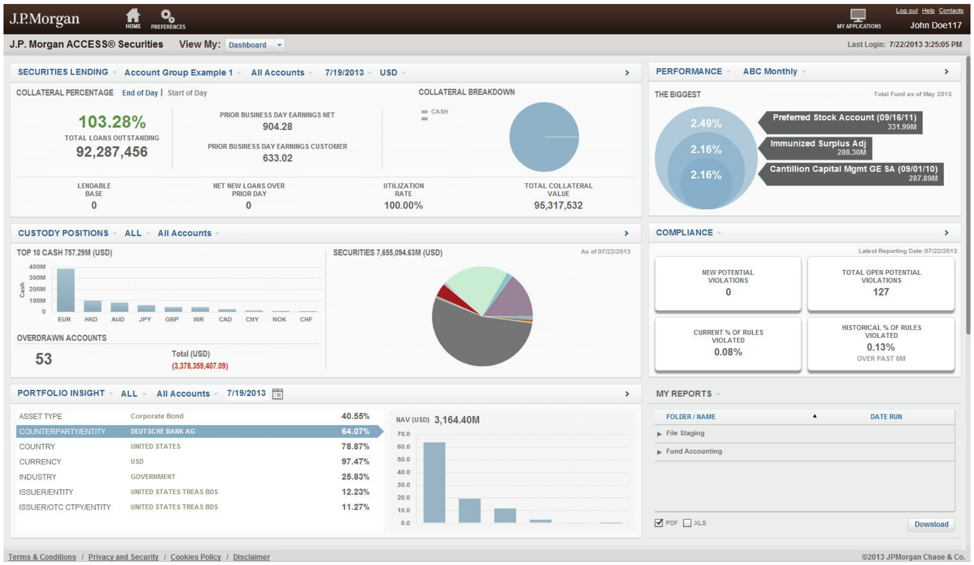
ACCESS Securities was introduced in the fourth quarter of 2012 to help enhance how clients assess, manage and leverage investment information. With an intelligent design, intuitive navigation and the ability to personalize views and settings to fit users’ specific responsibilities, ACCESS Securities has proven to be a powerful and easy-to-use online solution for clients. The portal’s expansion to include Securities Lending is designed to deliver the same benefits to this unique segment.

Upon logging in, ACCESS Securities users are greeted by an executive level dashboard, consisting of six customizable portlets. These portlets allow users to pick and choose across several products and obtain a quick snapshot of pertinent information, all in one easy view.

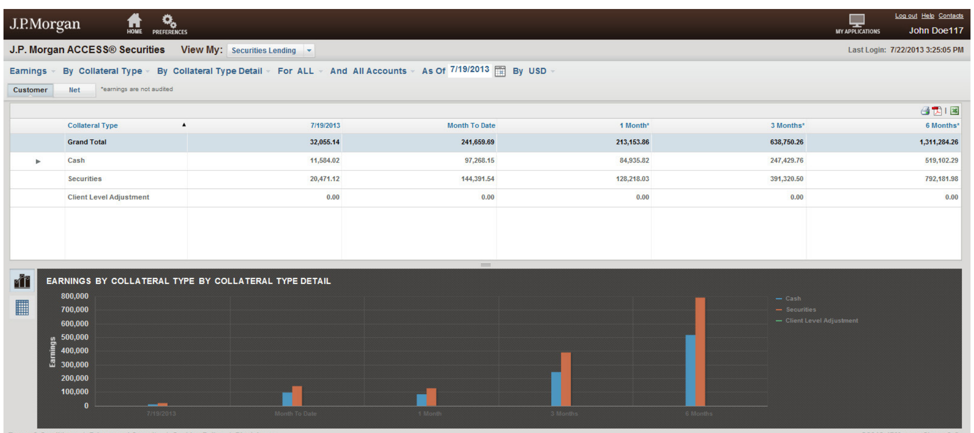


Each product portlet offers an efficient workspace that presents more detailed information with an interactive experience. The Securities Lending workspace, for instance, displays critical program information and metrics such as loans outstanding, collateral by type, daily earnings and collateral percentage that can be drilled down on for more detail. Earnings information is viewable over specific time frames and loans outstanding by various dimensions—including borrower, asset, type and sector—with extensive graphical visualizations.

The Securities Lending product is available to all ACCESS *Securities* subscribers, along with our additional portal offerings: Custody, Compliance, Performance and Portfolio Insight. Other features include Market Insights for the latest headlines and News Flashes across J.P. Morgan’s market network; as well as My Reports, which provides VIEWS Portfolio Reporting users quick access to recently run reports.



In the months ahead, J.P. Morgan is focused on bringing additional products onto ACCESS *Securities*, including Cash and Accounting offerings. We are constantly monitoring our global client base and engaging them in dialogues to better understand their challenges. This input helps inform what should be included in future portal releases, as well as which functionality and features are most critically needed.



If you are currently an ACCESS *Securities* user and would like to know when Securities Lending will be available to you, please contact your Securities Lending Portfolio Advisor for roll-out information. The new tool is simply an add-on to your current logon ID credentials and avoids the need for an additional user ID and password. All new ACCESS *Securities* users will automatically be greeted by the new dashboard and all its features upon logging onto the site. Existing users will notice the addition of J.P. Morgan ACCESS *Securities* on the left hand side of the screen, under Applications. One click on the link will launch you on your way to our new online experience.

Regulatory Update

Regulatory review and change has continued, with recent focus being placed on preparation for the final stages of implementation of the Alternative Investment Fund Management Directive and continued discussions regarding the EU Financial Transaction Tax.

Alternative Investment Fund Management Directive

The Alternative Investment Fund Management Directive ("AIFMD") took effect in July 2011, with EU member states having until July 22, 2012 to transpose the directive into their own legislation. Detailed Level 2 Regulations were published by the European Commission in December 2012, which are also now in effect, with direct application in the EU.

The AIFMD aims to create a comprehensive and effective regulatory and supervisory framework for alternative investment funds and their managers within the EU. Within the AIFMD, the role of the depositary in relation to alternative investment funds is set out, including custodial responsibilities. This latter point is of interest to participants in securities lending, as depositaries are now responsible for certain collateral holdings, in which a relevant fund retains an interest, as part of its custodial functions. The new rules provide that certain financial instruments which are taken as collateral by a fund, or are delivered by methods other than by title transfer, will be the legal responsibility of the depositary. The consequence is that collateral managers or custodians holding such assets may need to be treated as sub-custodians of the depositary. This is expected to have operational and practical implications, as depositaries introduce new requirements for account structures, reporting and control over assets on agents holding collateral that is subject to these rules.

Although the main EU markets for alternative investment funds have met the deadline for transposing the Directive – including the U.K., Luxembourg and Ireland – many countries are still in the process of completing the required legislative and regulatory changes.

EU Financial Transaction Tax Proposal

As reported previously, the European Commission ("EC") published proposals earlier in 2013 for an EU-wide Financial Transaction Tax ("FTT"). The proposal covered 11 member states that had opted for 'enhanced cooperation' in order to move the matter forward, as the FTT was set at a minimum 0.1% on all share/bond transactions and 0.01% on all derivative transactions. Securities lending transactions are not exempt from the proposals, as they currently stand.

The EC originally hoped that the FTT would take effect in January 2014, however, it recently stated on its website that it would more likely take effect in "mid 2014" – most likely a reflection of the ongoing discussions that are taking place between member states regarding the scope and application of the FTT.

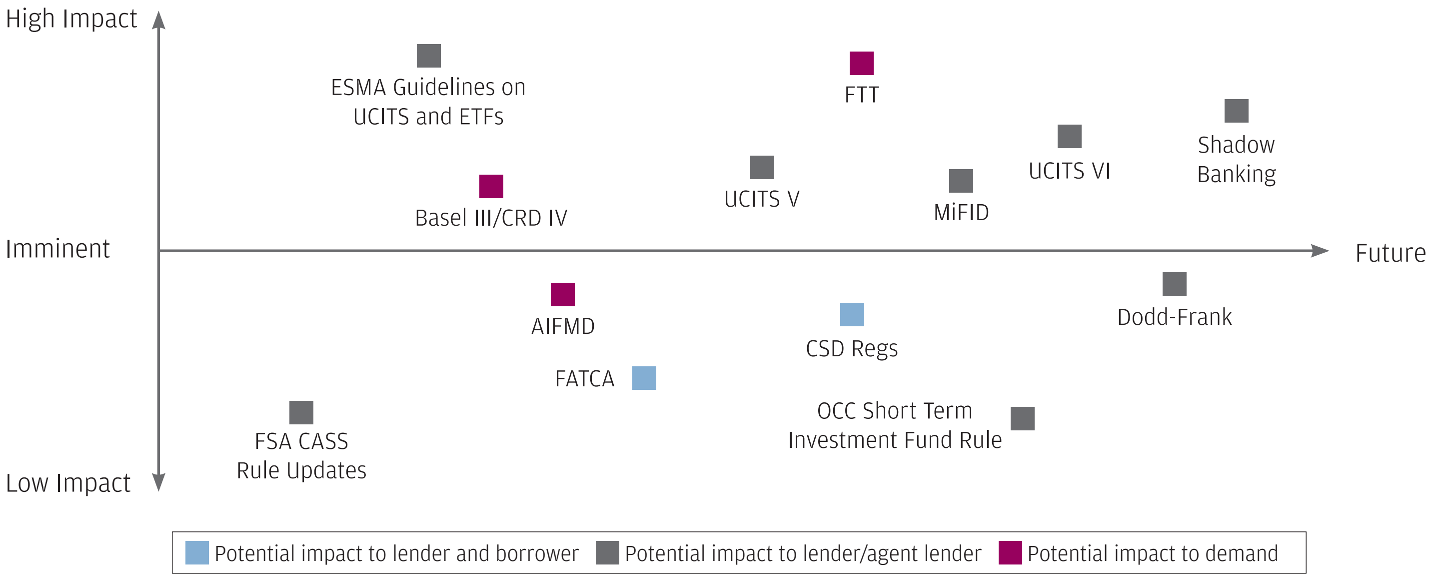
The securities lending industry is also actively seeking to discuss the proposals with individual member states and the EC, with the goal of obtaining an exemption for these transactions. The International Securities Lending Association recently published a position paper on the EU FTT. You can access a copy of this at **http://www.isla.co.uk/index.php/latest-news/214-islas-analysis-on-the-proposed-european-ftt.**

Other Regulatory Headlines

EC Review of the Capital Requirements Package ("CRD4") – This package is the EU's implementation of Basel III and comprises a Capital Requirements Regulation ("CRR") and a revision of the Capital Requirements Directive ("CRD"). Within this review there are provisions covering disclosure requirements to competent authorities for securities lending, repos and all forms of asset encumbrances.

A political agreement was recently reached on CRD4 and the date of entry is planned for January 1, 2014.

Client Regulatory Update



Key Regulatory Timeline

2013			2014 & Beyond
Q1	Q2	Q3-Q4	
ESMA Guidelines on ETFs & UCITS CRD IV/R	EU CSD Legislation FATCA – payee tax tracking OCC Short Term Investment Fund Rule	AIFMD UCITS V EMIR	EU Wide FTT Shadow Banking UCITS VI FATCA – full regulations

Country Profile: South Africa

Securities Lending in South Africa is deemed a mature over-the-counter stock borrow and loan (SBL) market and is considered by J.P. Morgan as a market with moderate growing demand for liquidity and revenue opportunities. Many SBL market observers have stated that the lack of formal regulation around SBL has held back the market growth and overseas investment community participation.

However, this year has seen an increase in directional interest, especially in the Financial, Telecom, Consumer and Mining sectors. Of note were stocks such as Kumba Iron, which has commanded fees above 75 basis points, and stocks of significant interest such as African Investment Bank and Anglo Platinum with fees in the range of 50-150 basis points.

Most companies pay a dividend in April and then again in June through September. Typically the yields are low, which is reflected in the "all in level" rates ranging from 88 to 91.50, with demand coming from offshore borrowers. Individual companies can issue a Secondary Tax Credit ("STC") which is applied to all clients and taken into account when trading the underlying security. The desk has a robust procedure in place to account for STC's when lending the underlying security over record date. Other forms of demand include corporate actions and M&A activity, though this has been minimal. If capital investment grows into sub-Saharan commodity rich markets, this would benefit South African companies and the market, and we could see increased corporate activity in the region.

As part of our ongoing market intelligence, it has come to our attention that there is a possibility of lender sale and of loan recall settlement time frame mismatch that could result in a price differential cost. Current off market settlement practices in South Africa is a T+5 cycle; if the sale cannot be settled by T+10 due to the borrower's inability to return the stock due to liquidity reasons, the sale trade is cancelled. If the purchasing broker still wants to proceed with the transaction, either party could encounter a trading loss due to the stock price change from T to T+10 when the sale is re-booked. We can generally provide our lenders with two levels of comfort. First, we believe this type of sale failure settlement due to a late return of loaned stock is quite a rare occurrence and second, through the J.P. Morgan Agency Securities Lending indemnity provisions, the costs incurred may be recompensed to the lender by J.P. Morgan.

Looking forward, our present view on South African SBL activity is a contained positive, with continued directional activity in the mining sector and yield enhancement activity.

Complete Collateral Portfolio Solutions

Interview with Kelly Mathieson, Global Business Executive for Collateral Management

Tell me about J.P. Morgan's enhanced collateral management offering, and why it's different from the service you've historically provided.

Mathieson: We're fortunate to be able to build on a strong platform of expertise in collateral management, in all regions and across a broad array of transactions. Our enhanced offering moves from providing settlement-related collateral services to treating collateral as a portfolio and a key part of the trading/investment decisions. This is particularly important to clients affected by global regulatory change, who are facing a more complex operating environment and a increased network of counterparties and providers.

Our clients will gain a comprehensive view of all their obligations across counterparties (CCPs, brokers and bilateral relationships) and trade types (securities and derivatives) and will be able to leverage all assets available for collateral. We've leveraged our historical strengths in collateral management to allow this global service to support a broad array of transaction types and different level of a client's structure, from account level to legal entity, subject to appropriate authorizations.

Who will primarily benefit from the new offering?

Mathieson: J.P. Morgan's enhanced collateral management service benefits counterparties across the entire market – from banks and broker-dealers typically on the sell side to buy side clients such as asset managers, hedge funds, pension funds, insurance companies and corporations. Collateral management is increasingly critical as a risk management strategy for all these firms, and with greater demands on collateral, the ability to analyze, optimize and deploy it efficiently is becoming a business imperative.

How is J.P. Morgan's offering unique?

Mathieson: Our enhanced offering is unique in several ways.

- First, the traditional model of managing collateral required the collateral agent to have the underlying assets in custody. J.P. Morgan has broken through that boundary to create a collateral management service that is agnostic to custodian or clearing provider. As long as a client gives us the appropriate permission, our Virtual Global Longbox aggregates information from multiple relationships to show a single, comprehensive view of all collateral assets and obligations, regardless of counterparty, custodian or clearing bank and across all geographies.

- Second, we're going beyond margin management to provide sophisticated margin analytics to help inform trading and investing decisions. Clients will be able to assess the cost and availability of collateral, as well as collateral conditions associated with hypothetical or projected trades / investments.
- Third, advanced optimization tools will shift from a single facet, waterfall methodology that relies on counterparty and asset order requirements to a multi-factor linear algorithm that extends beyond those factors to include credit, lending / financing costs and opportunities, location and availability of collateral, and transaction settlement and costs.
- Fourth, we'll provide clients with information to support intelligent portfolio and obligation decisions, including trade-driven margin requirements and tools to help them understand the cost of collateral and associated impact on trade economics. This will help clients identify and evaluate scenarios based on sophisticated projection and simulation tools – including an understanding of assets that might be used to secure financing through repo or securities lending facilities.
- Fifth, we're supporting this with a holistic, end-to-end client service offering that gives our clients access to experts at the forefront of managing collateral and meeting regulatory requirements. J.P. Morgan's people, expertise, and service model are every bit as critical as the new technology that we've been developing.
- And finally, clients may be able to access other services from a premier global institution with a strong balance sheet and expertise across pre-trade, trade and post-trade services. This includes market leading financing capabilities, such as securities lending, that will be important for clients needing to access financing markets in the event of a collateral mismatch.

How does J.P. Morgan's solution differ from other post-trade service providers?

Mathieson: Subject to appropriate documentation, clients can use J.P. Morgan's service without having to make changes to existing custody or clearing arrangements. For clients who wish, or are required, to employ multiple custodians, they gain the flexibility of viewing all their assets and obligations in a single place, regardless of where those assets are held. And, while some post-trade services provide various components of a solution, or operate in a specific geographic market, J.P. Morgan provides a comprehensive, end-to-end global collateral management solution to support clients seeking to effectively manage their collateral in the midst of significant market changes.

Why should clients consider using J.P. Morgan as their collateral agent?

Mathieson: Clients are facing an increasingly complicated operating model, where it's more important than ever to manage collateral efficiently across all of their obligations, no matter what transaction gives rise to the need for collateral. J.P. Morgan's advanced service provides new decision making and analytic tools for managing and optimizing collateral to minimize funding costs and mitigate risk. In fact, we're the only collateral agent able to support a broad range of transaction types, globally, against all your counterparties, brokers, custodians or other providers.

J.P.Morgan

www.jpmorgan.com/visit/wss