

Sec finance firms eye S3's real-time data



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A wider set of market participants are looking at real-time short interest analytics and securities finance data to achieve better pricing and performance on their trades.

Fintech firm S3 Partners has been experiencing an uptick in treasurers, traders and portfolio managers – both on the short and long-side – seeking live metrics to gauge bearish market sentiment.

The New York-based company's BLACK APP now has over 30,000 daily users assessing short selling, short covering and short squeezes. A new version of the tool, dubbed BLACK APP 2.0, went live on Bloomberg's App Portal last week.

The upgrades allow users to drill down on real-time short activity by country, sector, industry, index or on the portfolio level—complementing existing live data on more than 28,000 securities worldwide.

"There is no doubt that the BLACK APP 2.0 delivers valuable data and analytics that fill an important need for portfolio managers, traders and analysts alike—all the while integrating this crucial information seamlessly into their workflow," said Mike King, global business manager for the Bloomberg App Portal. "The BLACK APP remains very successful among Terminal subscribers, and we look forward to supporting its continued growth and development."

Much of the data stems from BLACKLIGHT, S3's Treasury Management SaaS platform, which has over \$2 trillion worth of assets under analytics (AuA).

This network approach allows the firm gather enough data on trades from clients to form an accurate picture of borrow and lend activity.

A team of analysts, with

significant real-world securities finance experience, are also on hand to churn out daily research notes on stocks, ETFs and trades that delivered positive results or missed the mark.

"Our analytics allow for better outcomes in investing, trading, counterparty risk and treasury management," said Bob Sloan, S3's founder and managing partner. "With over \$2 trillion worth of AuA, we have an incredible amount of live data."

Sloan headed up prime services globally at Credit Suisse before leaving the Swiss bank in 2002 to launch S3.

Around that time many hedge funds lacked the in-house sophistication when it came to such items as locating borrows and negotiating rates and prices.

Post-financial crisis, however, managers have sought to build first-class treasury units in recent years by adding staff, boosting automation and taking on additional responsibilities.

Lower yields and incomes from other market activities have put pressure on securities finance to deliver.

In addition, regulation (notably Basel III) has pushed up financing costs, leading hedge fund managers to rethink their prime brokerage relationships.

"This focus on cost and balance sheet optimization has increased the importance of external, independent data sources," Sloan adds.

The end result is savings, in some cases alpha generation, for hedge funds via better pricing of and tighter ranges for their hard to borrow positions.

Meanwhile, on the lending side, large beneficial owners including pension funds and asset managers, are taking a closer look at securities finance data

in a bid to achieve best pricing and revenues for their securities sent out on loan.

Often, this information is fed back to portfolio management teams to

improve their investment decision making. The data can also be used to monitor for best execution, including under Mifid II, which is due to take effect in January 2018.

Currently, the majority of beneficial owners take securities lending data from their agent lenders who subscribe to vendors such as FIS, IHS Markit or DataLend.

A senior US-based agency lending executive told Global Investor his firm has started to take a closer look at S3's BLACK APP.

"We're looking at S3's offering to see if we can use them alongside all our other vendors. The real-time short interest product looks interesting. I'm curious to see what S3 can do on the data analytics side to bring something to our attention sooner."

Another securities finance specialist working for a fintech firm in New York, added: "I like what S3 is trying to do. They are concentrating on the demand-side, specifically the hedge funds. Going forward, I expect more of the supply-side to give S3 data."

"I think everyone realizes that at some point the beneficial owners will somehow be connected directly with the end users, the hedge funds. How we get there as an industry and when it happens are the questions that are difficult to answer. Right now, you have the banks and primes in the middle trying desperately to hold onto their market share."

S3's Sloan concluded: "At the end of the day, we're in the listening business. We listen to what our clients want, and then we add the programming and technology to deliver it. We have robust plans for new products and technological enhancements over the next six to twelve months—so be sure to watch this space and S3 closely." ■