



SUNGARD

Astec Analytics

THE SECURITIES BORROWING AND LENDING MARKET

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SunGard's Astec Analytics

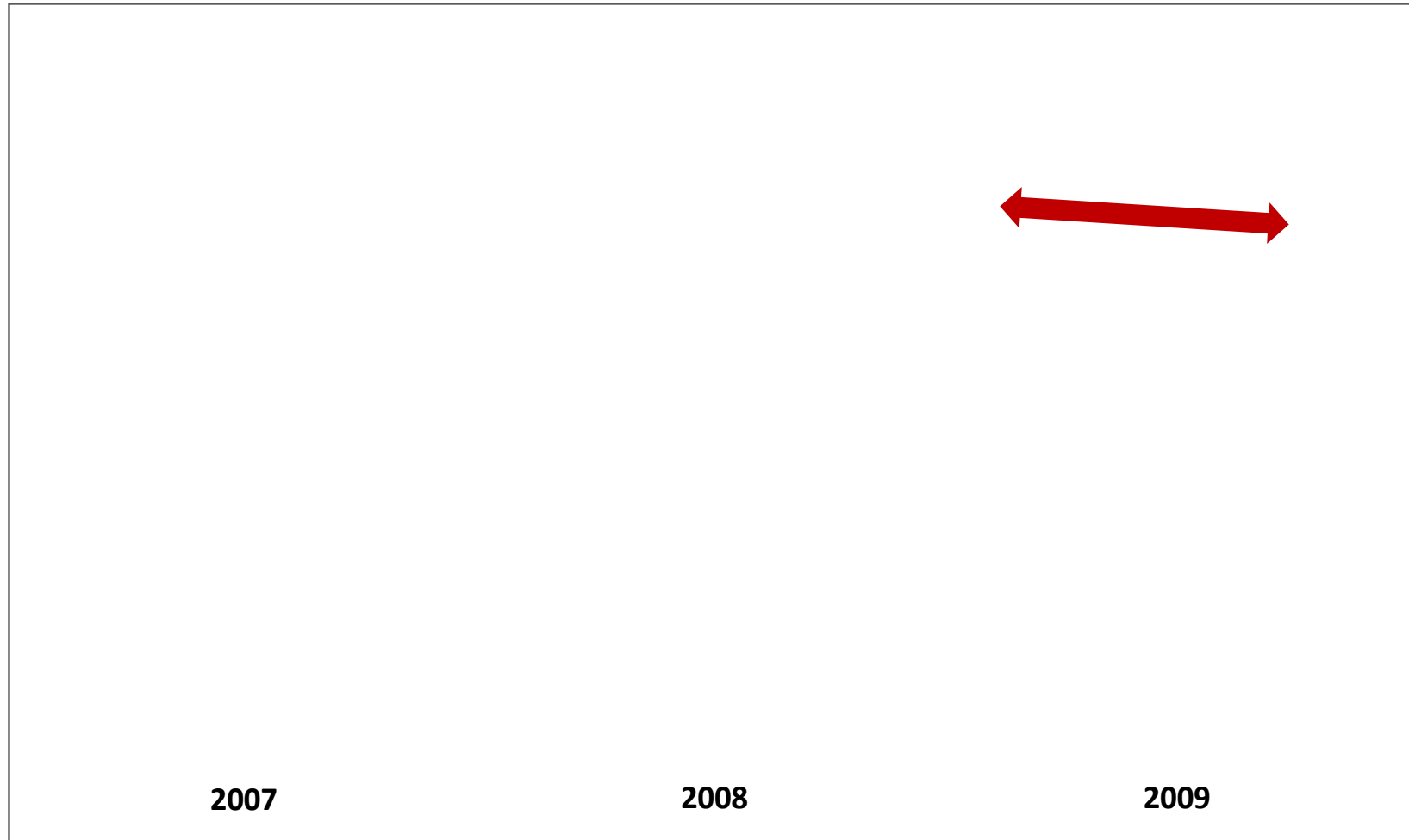
Background of SunGard's Astec Analytics

- Securities lending specialist
 - Market information
 - Benchmarking
 - Research
- Founded 1980
 - Acquired by SunGard October 2007
 - 29-years experience
 - State-of-the-art technology
 - Integration with other SunGard solutions
- Clients
 - Beneficial owners and direct lenders
 - Custodians and 3rd-party agent lenders
 - Prime brokers
 - Hedge funds



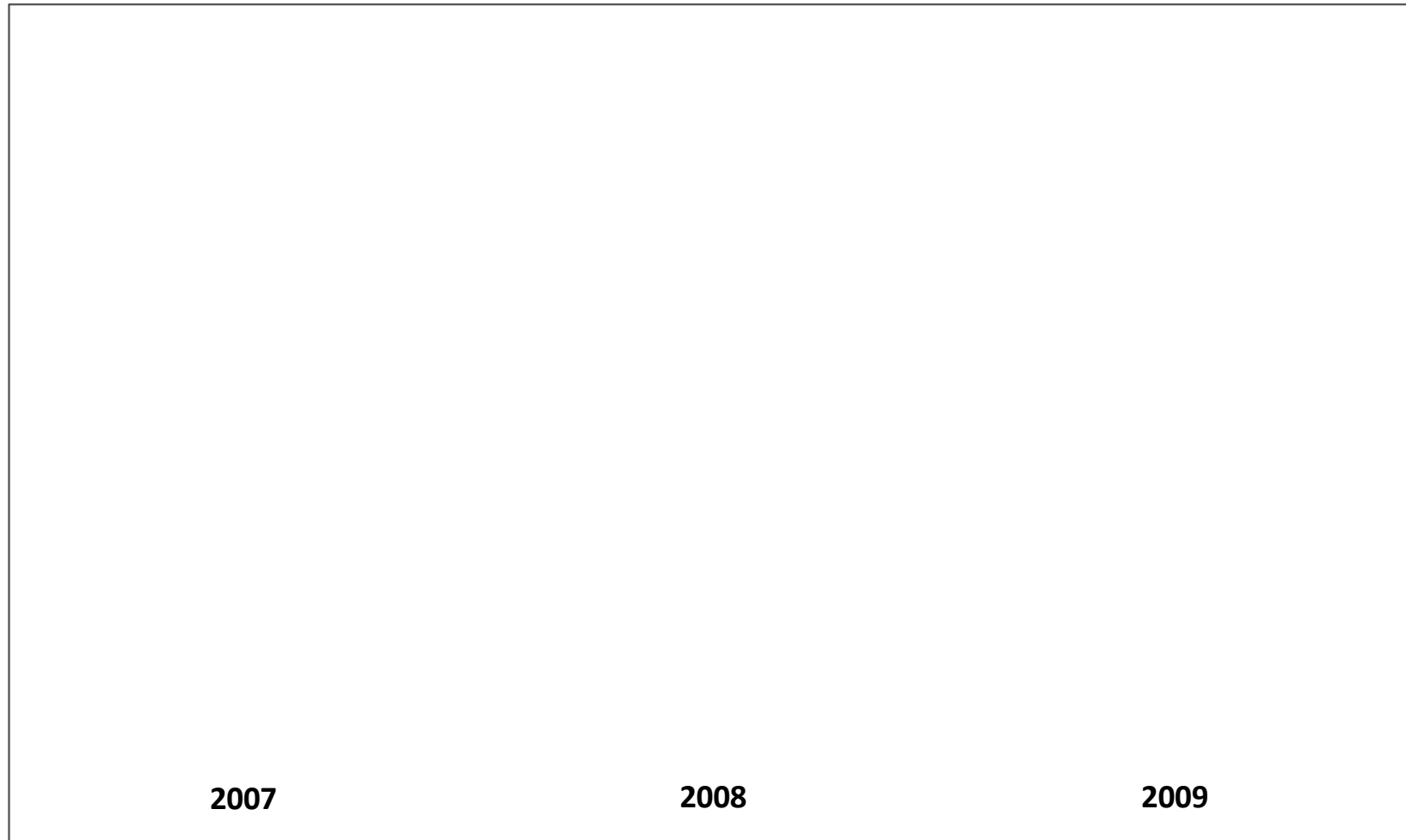
State of the Industry

Effects of the Last Year – Supply



Source: SunGard Astec Analytics

Effects of the Last Year – Demand



Source: SunGard Astec Analytics

Effects of the Last Year – Changes in Volume

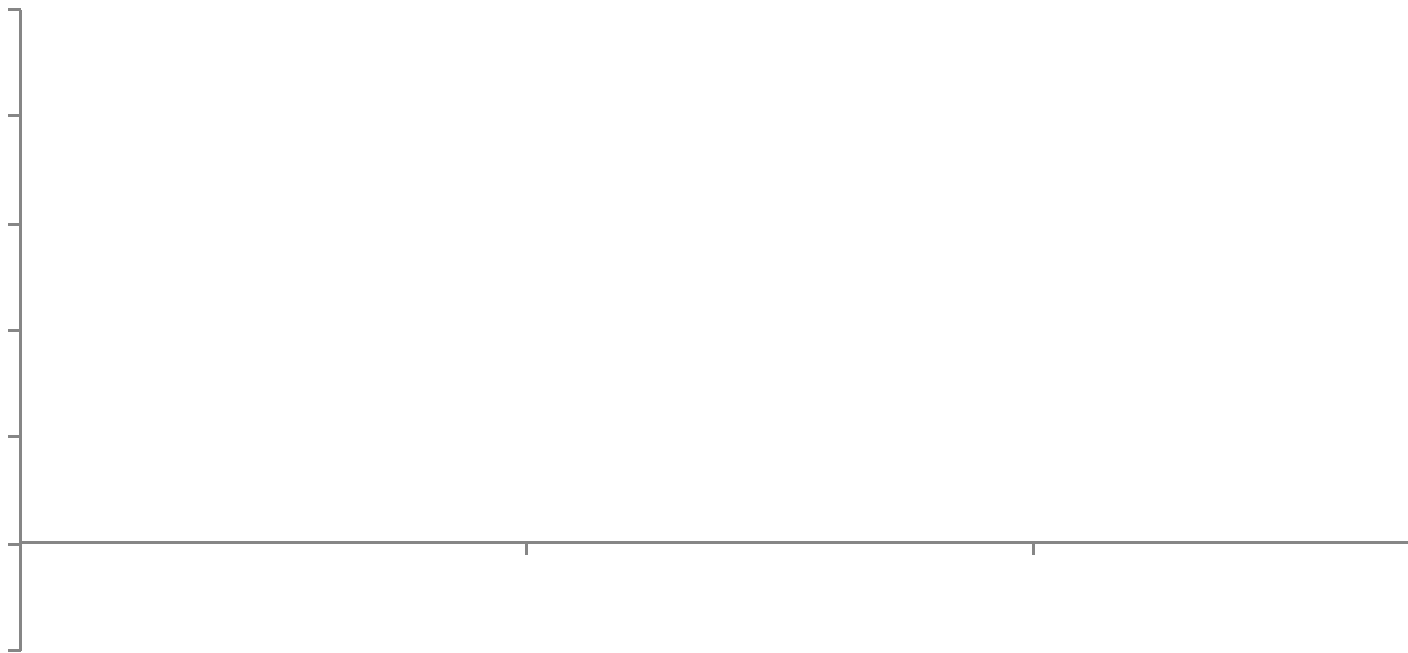
Securities Loan Volume U.S. Equities



Source: SunGard Astec Analytics

Effects of the last year – spread differentials

GC vs. Special,by Intrinsic Fees



Source: SunGard Astec Analytics

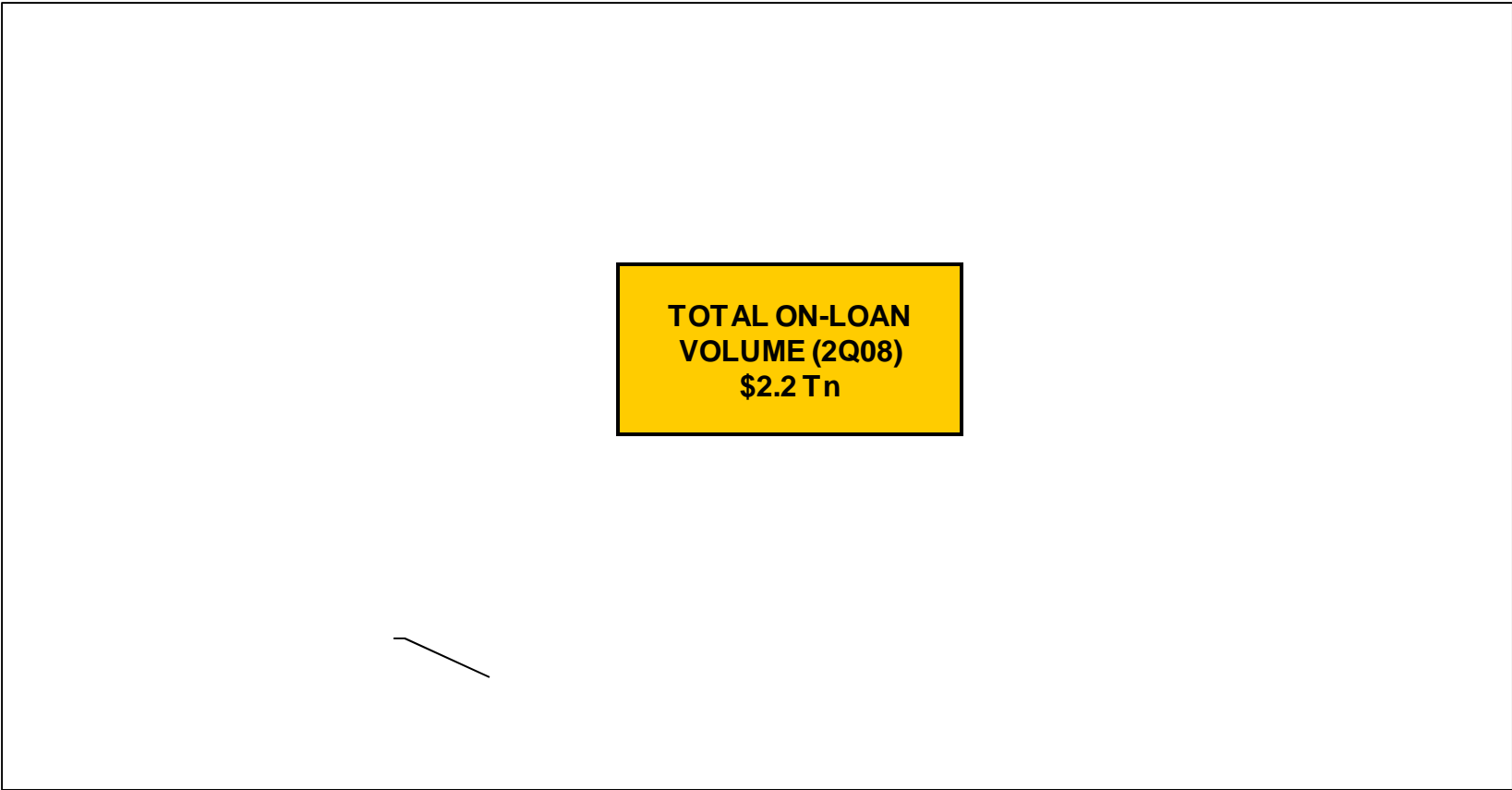
Effects of the Last Year – ‘Specials only lending?’

GC vs. Special



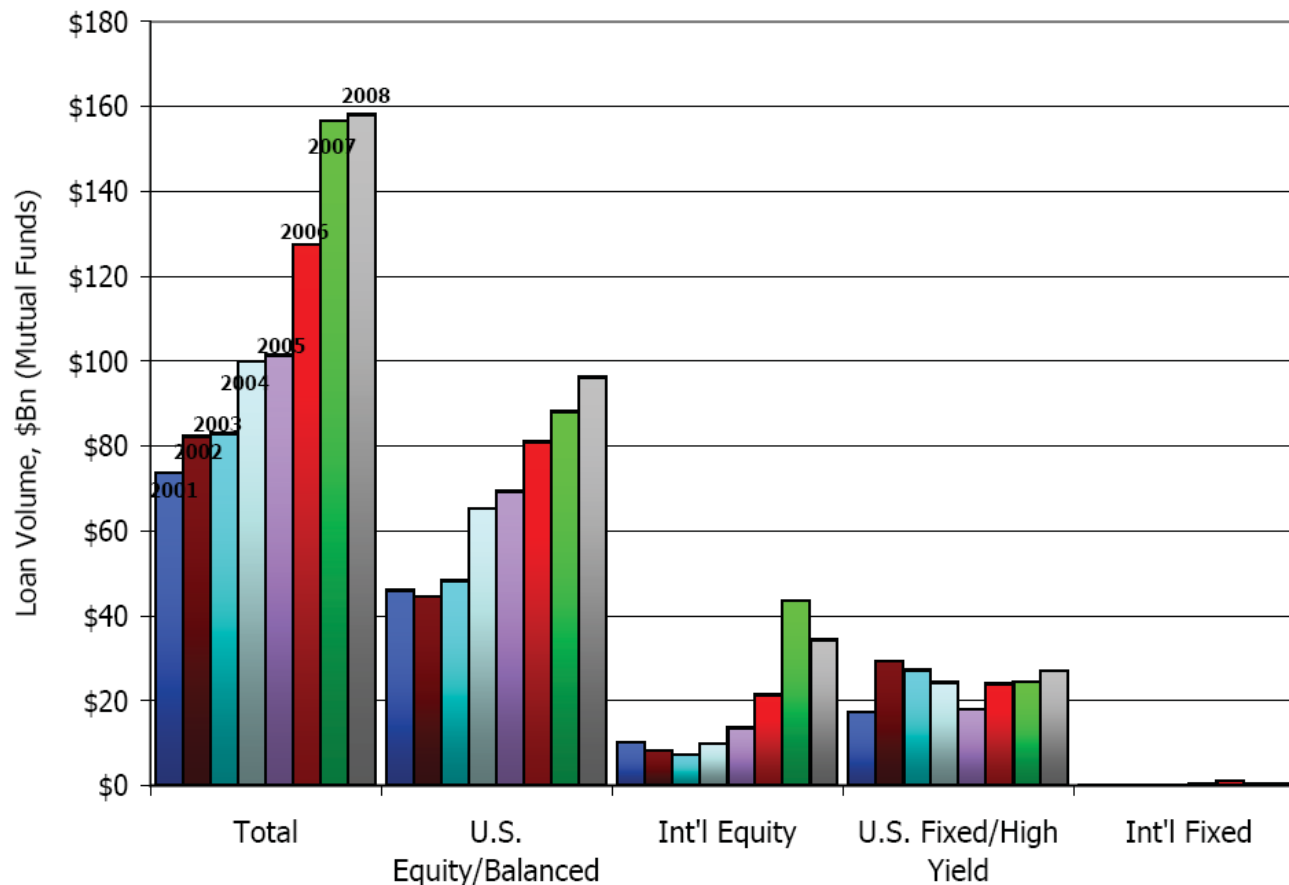
Source: SunGard Astec Analytics

- About one-tenth of loan volume



TOTAL ON-LOAN
VOLUME (2Q08)
\$2.2 Tn

- Lending activity at funds has increased steadily since the late 1990s



Focus on Investment Companies: Returns in S/L

- Total returns vary across asset classes
 - Due to utilization rates and loan spreads

Average Earnings Due To Securities Lending for Different Investment Styles			
July 2008. Source: SunGard Astec Analytics			
Investment Style	Return on Loans (Basis Points)	Average Share of Portfolio on Loan	Annualized S/L Return on Portfolio Value (Basis Points)
Equity Small-Cap	173.5	11.6%	20.0
Equity Mid-Cap	153.2	6.1%	9.4
Equity International	119.3	5.7%	6.8
Fixed Income Government	40.1	15.6%	6.3
Equity Growth	92.3	5.9%	5.4
Equity Value	82.0	6.0%	4.9
Fixed Income Corporate	73.7	5.7%	4.2
Fixed International	50.0	8.2%	4.1
Equity Domestic	68.0	5.5%	3.7
Fixed Income High Yield	89.3	4.2%	3.7
Balanced	51.7	5.9%	3.0
Equity Large-Cap	79.4	2.6%	2.0



Overview of the U.S. Securities Lending Model

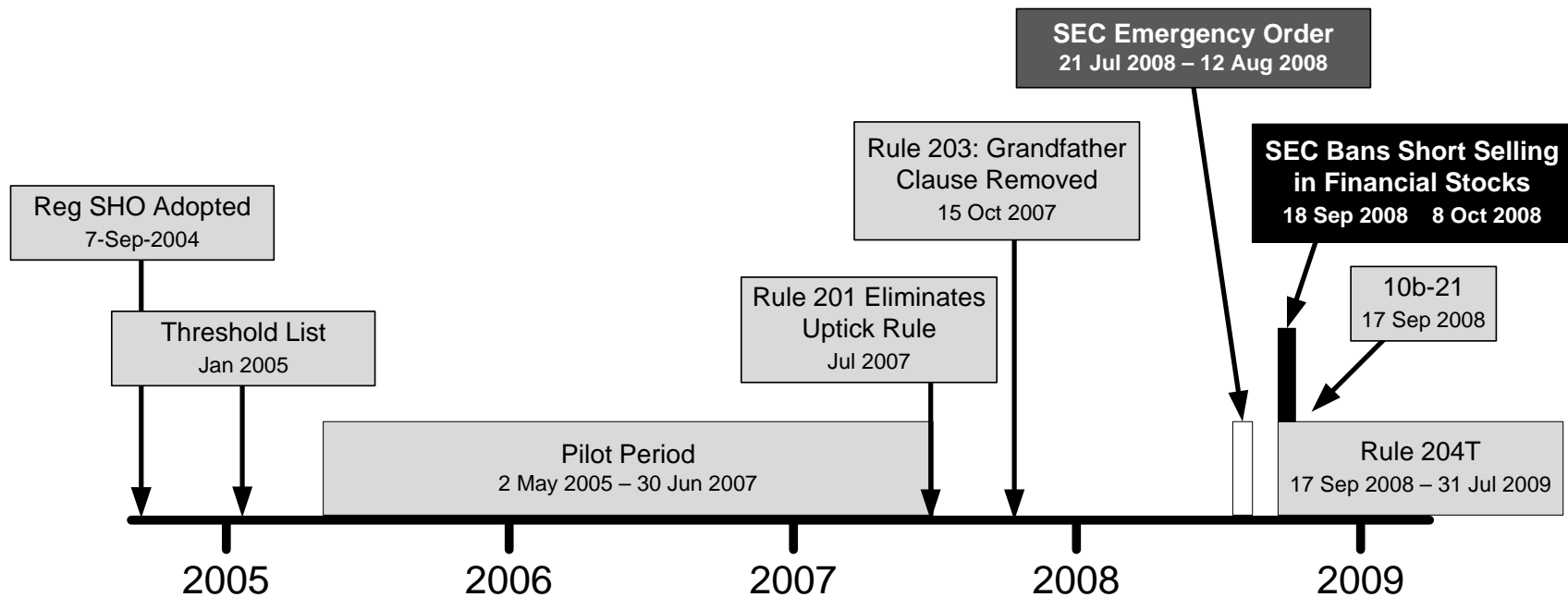
Overview of the U.S. Securities Lending Model

- **Use of Lending Agents**
 - Custodial / operational activity
 - Few 'direct' lending programs
- **Collateral**
 - Cash , almost exclusively, with regulatory promotion
 - Collateral 're-investment' became driver of S/L revenue
- **Industry competition**
 - Rise of the third party lending agent
 - Competing on (cash) returns
- **Service levels**
 - Income splits
 - Indemnification

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U.S. Regulatory Interest and Impact

Reg SHO Timeline



US Regulatory Interest and Impact – The Uptick Rule

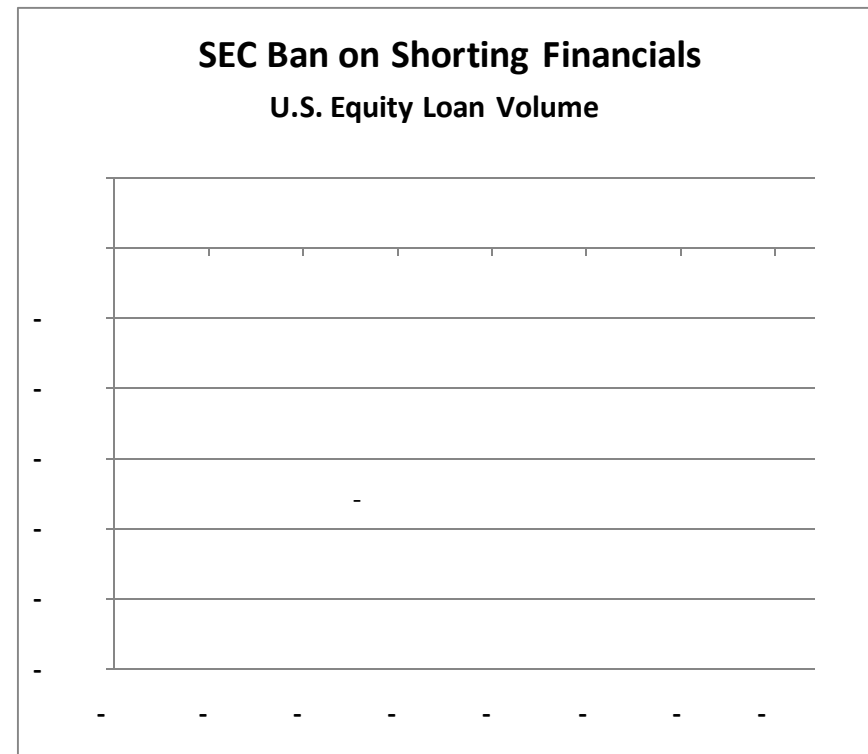
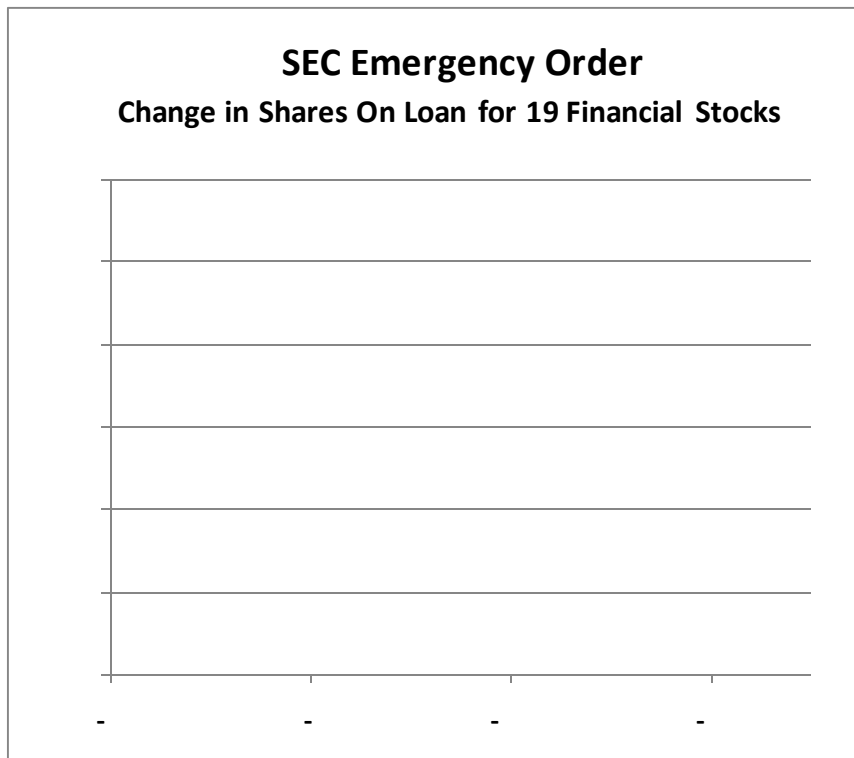
- The original uptick rule vis-à-vis securities lending

Analysis of changes in stock loan volume before/during/after Pilot Period for Russell 3000 Index stocks:

- Change from pre-Pilot to start of Pilot:
 - Pilot stocks (N=750) → +17%
 - Non-Pilot stocks (N=2,600) → +14%
- Change from end days of Pilot to elimination of Uptick rule:
 - Pilot stocks (N=750) → +18%
 - Non-Pilot stocks (N=2,600) → +16%

US Regulatory Interest and Impact – Short Selling Restrictions

- SEC short selling restrictions
 - Emergency Order of July 2008
 - Short selling ban of September 2008



Source: SunGard Astec Analytics

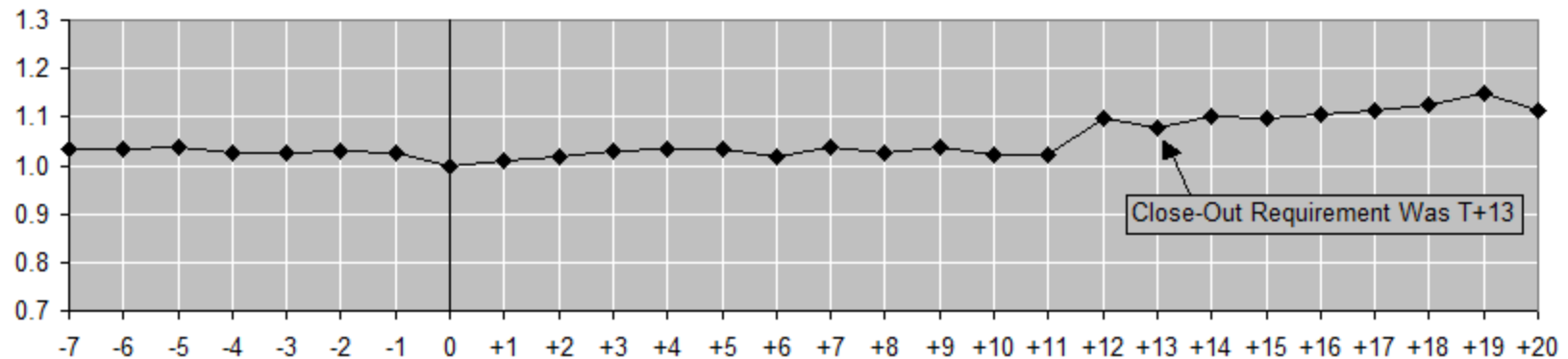
US Regulatory Interest and Impact – Rule 204

Before Rule 204T

13 Aug 2008 - 16 Sep 2008

Avg. # Stocks on List per Day: 134

Avg. # Days on the List: 11

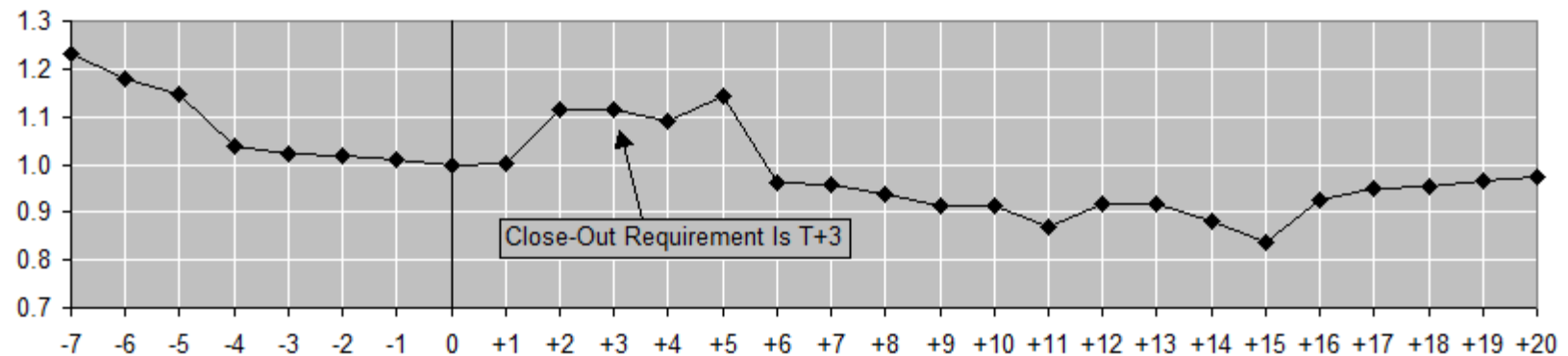


Now, with Rule 204T and No Options Market Maker Exemption

Oct. 2008 - Mar. 2009

Avg. # Stocks on List per Day: 57

Avg. # Days on the List: 6.1





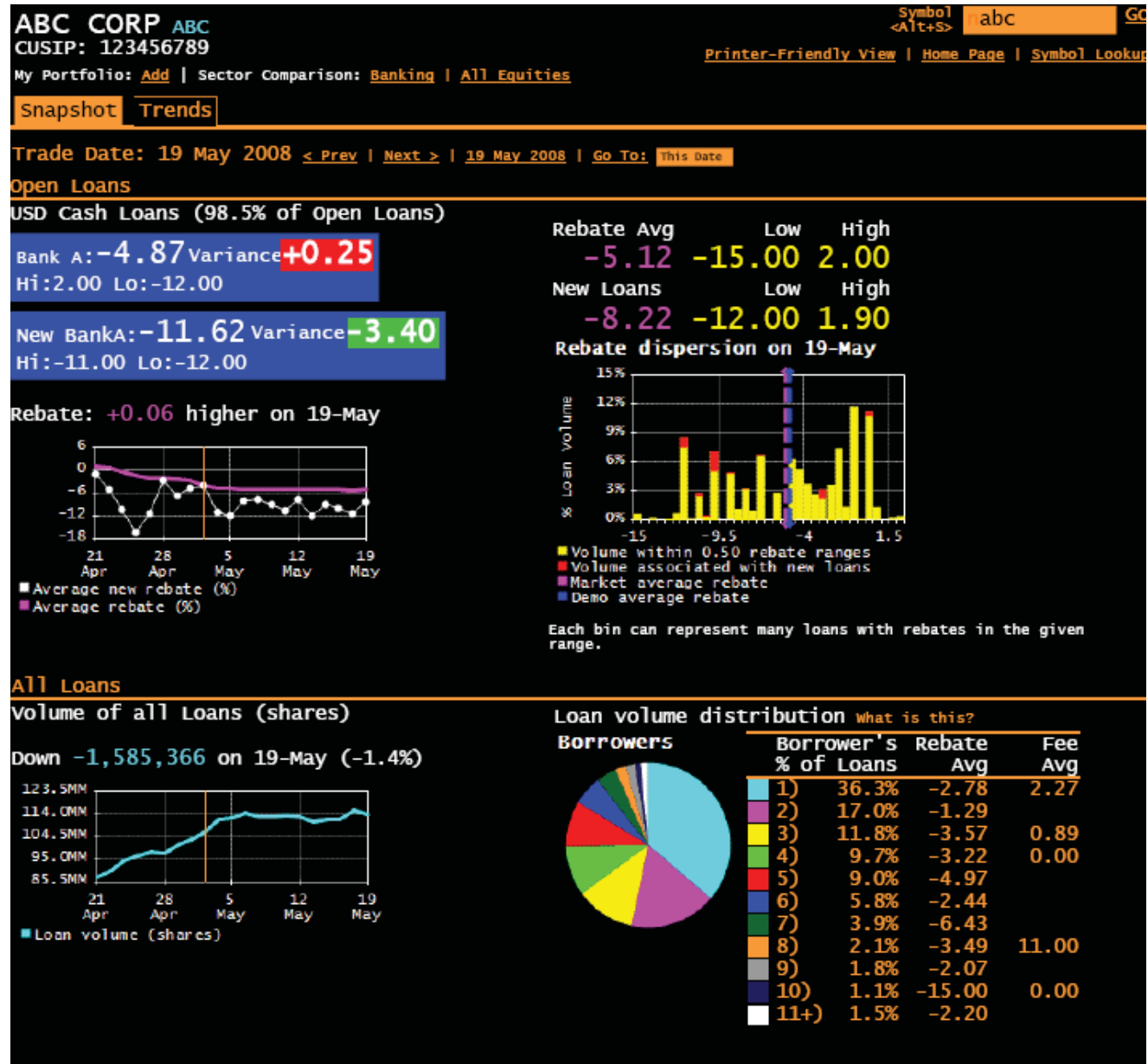
Transparency in Securities Lending

Transparency in Securities Lending

- How it all started
 - Unintentional opacity
- How it has changed
 - Cross-border expansion
 - Corporate actions and voting
 - Academic interest
 - Beneficial owner interest
 - Growth in robust available data
 - Performance benchmarking requirements and the RFP process
 - Regulatory interest
- Where we are today
 - 'Real' acceptance of principle of 'relevant' transparency

Example of Transparency: Lending Pit

- Price discovery tool
- Securities lending trading desks





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Thank You

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