



Creating a Global ESG Market Standard
for Owners, Lenders, Borrowers and
Impact Creators

Ms. Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street NE, Washington, DC 20549

April 1, 2022

Re: File No. S7-18-21: Reporting of Securities Loans

Global checks and balances to securities lending

Status: Reviewed by Global PSSSL ROSE

Dear Ms. Countryman,

Thank you very much for giving me the opportunity to engage with the Securities and Exchange Commission in relation to The Proposed Rule: Reporting of Securities Loans.

I responded to the SEC on 7th Januaryⁱ and submitted my notes to facilitate our meeting on 3rd Marchⁱⁱ. I am currently working on providing more details on the global checks and balances to securities lending by liaising with various stakeholders. My immediate goal is to co-create a *charter* based on the unlocked potential of the whole value chain, principles, regulation, and supervision. This would be complemented by adequate access to data that will enable the continuous peer review and justification of securities lending. Such a global collaboration will require a greater input from the international community (including the SEC), and I feel it will help to avoid a race to the bottom beyond the U.S. as a potential unintended consequence of the SEC's strong stance on transparency. I am in touch with several stakeholders and am already putting some aspects of this *charter* into action. I also think that the global checks and balances approach should serve as a prerequisite for successful implementation of the broader ESG agenda in securities lending.

Avoiding a race to the bottom

In the context of transparency and this rule, the term 'race to the bottom' relates to the overall state of misinformation and costly litigation/disputes that translate into increased transaction costs and harm to societyⁱⁱⁱ. Race to the bottom relates also to the movement of some powerful stakeholders away from adequate standards/rules towards significantly lower standards internationally.



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Testing exercises at Global PSSSL

I have convened a new research centre at Global PSSSL – Research Opportunities for Sustainable Economy (ROSE Centre)^{iv}. As part of our commitment to co-creating a global checks and balances approach to securities lending, I have conducted the following preliminary research and testing exercises:

1. I have proposed that securities lending should be interconnected with trading activities and have liaised with the Plato Partnership^v and Planet Tracker^{vi} on this matter.
2. I have engaged with The Center for the Study of Financial Market Evolution (CSFME)^{vii} to explore the feasibility of including a “Do No Harm” Principle as part of existing Global PSSSL principles. We would also work with CSFME to give effect to this holistic set of principles through a cross-border data registry. As part of the initial collaboration, we are in touch with European regulators such as AFM (as Global PSSSL Observer) and ESMA. PGGM, Global PSSSL opening signatory, is also taking part in these discussions.
3. I have engaged in the broader discussion relating to the role of asset owners in the securities lending value chain. I will soon address The Principles for Responsible Investment^{viii} to inject more clarity into the market.
4. I have engaged with our opening signatory, Quintessential Capital Management LLC^{ix}, to conduct some research on the role of values-based long and short investments in the context of competition policy.

Global roundtable with the SEC to evaluate race to the bottom risk

The above testing exercises put extreme pressure on Global PSSSL’s limited resources, but will help the SEC in shedding more light on the securities lending value chain in the U.S. market. To build upon this, I suggest that the SEC arranges a roundtable to explore the SEC’s global role in the context of the race to the bottom risk. I feel that such a study would prove most valuable to the SEC in demonstrating transparency and international engagement. In participation, Global PSSSL would present relevant findings from our testing exercises as part of the broader stakeholder engagement exercise^x.

I look forward to discussing such an exercise with you further in due course.

Yours Sincerely,

Dr Radek Stech
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Senior Lecturer, University of Exeter Law School

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Text notes:

ⁱ <https://www.sec.gov/comments/s7-18-21/s71821-20111690-265026.pdf>

ⁱⁱ <https://www.sec.gov/comments/s7-18-21/s71821-20119066-271894.pdf>

ⁱⁱⁱ See for example: <https://www.bbc.co.uk/news/business-58984813>;
<https://www.reuters.com/business/finance/credit-suisse-entities-agree-settle-lawsuit-us-81-million-court-filing-2022-02-12/>; <https://www.sec.gov/news/press-release/2018-285>; <https://www.sec.gov/news/press-release/2019-99>;

^{iv} <https://gpssl.org/global-pssl-on-the-rise-with-support-from-prominent-collaborators/>

^v <https://platopartnership.com/academic-research-mi3/>

^{vi} <https://planet-tracker.org/>

^{vii} <https://csfme.org/>

^{viii} <https://www.unpri.org/>

^{ix} <https://www.qcmfunds.com/>

^x I have advocated for such a roundtable in the context of the broader sustainability agenda since 2020. Today, such a roundtable should cover global checks and balances approach to transparent securities lending. See a paper titled “Reinforcing Global Sustainable Finance by Improving Guidance on Securities Lending”, led by me, directly supported by six beneficial owners as part of the [ISLA Council for Sustainable Finance](#), and co-funded by ESRC:

https://www.securitiesfinancetimes.com/securitieslendingnews/industryarticle.php?article_id=223907&navigationaction=industrynews&newssection=industry;

<https://www.engage.hoganlovells.com/knowledgeservices/news/financial-institutions-general-regulatory-news-22-may-2020>;

Global PSSSL has received significant funding from [the Economic and Social Research Council \(ESRC\)](#), part of UK Research and Innovation, through the Sustainable Finance – Law – Stakeholders (SFLS) Network at Exeter Law School.

Grant request was designed based on earlier engagement with stakeholders shaping values-based banking, green bonds and sustainable project finance as well as initial contacts, research and discussions with staff from the World Bank.