

## Canadian securities lending: by the numbers

Canadian equities are keeping up their momentum in the securities lending market, says DataLend director Chris Benedict

Canada has maintained its position as the number two securities finance market in the world (behind the US) with an on-loan balance for equities of \$107.87 billion at the end of last year, up 22 percent from year-end 2013. Canada continued to beat other big markets such as France, Germany, Japan and the UK.

We can see by the fee bands as a percentage of on-loan value (see Figure 1) that Canada's securities lending market reflects the stability of its overall economy. In general, fees to borrow Canada's equity markets were approximately 70 to 80 percent general collateral from 0 to 20 basis points, 5 to 10 percent warm in the 20 to 50 basis point range, 5 to 10 percent warmer or hot (50 to 500 basis points) and a very small percentage (roughly 2 to 3 percent) very hot, trading above 500 basis.

The hottest sector in Canada for 2014 was the industrials sector with a volume-weighted average fee (VWAF) of 59 basis points for the year. Industrials reached a peak of about 86 basis points in mid-August 2014 and ended the

year at around 43 basis points, where they have remained for the first half of 2015.

Healthcare came in as the second warmest sector in Canada last year with an average VWAF of just under 50 basis points in 2014. A few hot stocks helped to push the Canadian healthcare sector higher, including Aeterna Zentaris, Oncolytic Biotech and ProMetric Life Sciences.

Finally, the materials sectors appears to be the third warmest sector in Canada with a VWAF of 41 basis points, pushed higher by an overall selloff in mining firms last year.

Despite the stable nature of the Canadian securities lending market, there were several names that were very actively traded last year. Westport Innovations was one of the most shorted stocks in Canada in 2014. Low oil prices, fluctuating exchange rates, sagging sales, a climbing debt-to-equity ratio and the acquisition of Netherlands-based Prins Autogassystemen Holding BV were all potential causes of this security selling off hard, losing 75 percent of its market capitalisation in a year.

In the securities lending market, it was in constant demand. With a VWAF of 934 basis points and average utilisations more than 50 percent, securities lenders made more than \$3.31 million in this name alone last year. Westport recently was still trading at a VWAF of more than 4,300 basis points, making it one of the hottest names in Canada today.

Westport may have been one of the most shorted Canadian stocks of 2014, but the hottest stock award goes to Ballard Power Systems. The fuel cell maker had a daily average VWAF of 1,670 basis points and a daily average utilisation of more than 50 percent. Securities lenders made more than \$2.1 million lending this name last year. Ballard Power Systems was still trading hot more recently with a VWAF of more than 1600 basis points and a utilisation of 71 percent.

Uranium Energy was a close second to Ballard in terms of how hot it traded last year. Uranium Energy yielded an average VWAF of 1,582 basis points and a 61 percent utilisation last year, earning securities lenders an estimated \$1.85 million. Uranium Energy also remains very hot, commanding 1,500 basis points in fees recently with a 61 percent utilisation.

Once again, the Canadian market appears to be steady-as-she-goes, just as it did in 2013, with the proportion of hot trades thinning out again, while general collateral trades still dominate. Thus far, 2015 looks to extend that trend. [SLT](#)

Figure 1: Fees to borrow Canadian equities as a percentage of on-loan, January 2013 to May 2015

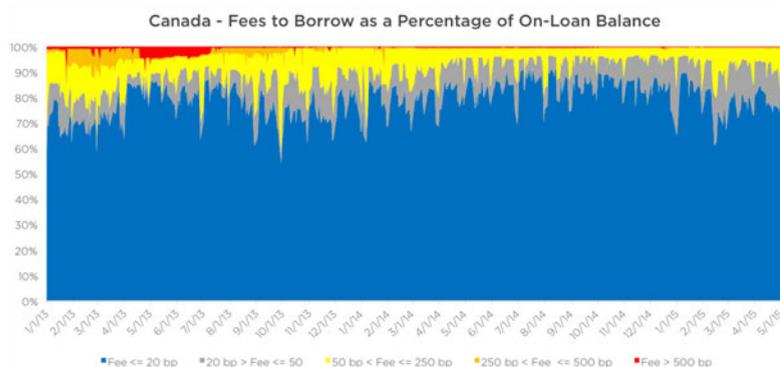


Figure 2: Volume-weighted average fees warm sectors, 2014 to 2015. Source: DataLend

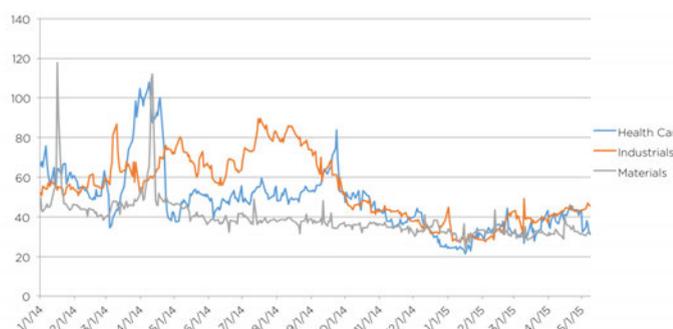


Figure 3: Volume weighted average fees by sector, 2014. Source: DataLend

Sector	VWAF (bps)
Industrials	58.83
Healthcare	49.77
Materials	41.33
Consumer Staples	26.47
Utilities	25.69
Information Technology	24.45
Energy	21.62
Consumer Discretionary	21.48
Financials	13.98
Telecommunication Services	10.57