

New job, same challenges



Jim Malgeri has been named the new CEO of Broker-Dealer Services at BNY Mellon. He tells *Global Investor/isf* about the new role the firm is taking in the US

Global Investor/isf: How did it feel to be named CEO of Broker-Dealer Services at BNY Mellon?

Jim Malgeri: It was very humbling. I was originally a client of the bank 25-years-ago and so I was very familiar with people within the division. There are many talented people across our team and the company who could have filled this role so it was an honour to be appointed, especially given the opportunities ahead of us and the changes this business and our industry is going to go through over the next year or two.

“From a career point of view, I’ve had a goal to move into a bigger management role and I’m delighted to have achieved that.

Global Investor/isf: What new clients have you seen coming to market?

Jim Malgeri: There have been many new start-up broker dealers, particularly in the US, due to the credit crisis. Some of the larger firms have de-leveraged and some of that volume has moved into start up broker/dealers. We have also seen some of the larger players move to BNY Mellon following the financial crisis, which I think speaks to our focus on client service and being seen as a trusted partner.

Global Investor/isf: During the crisis, some traditional clients of tri-party reduced their leverage limits and need for refinancing, is this still occurring?

Jim Malgeri: It’s difficult because we’ve seen a little bit of a mixed bag among the client base. In the past month or so we have seen a general bottoming out of the balances in tri-party and they are actually starting to

trend up. I would say that the de-leveraging has probably occurred for the most part. The signs are positive going forward.

Global Investor/isf: What did BNY Mellon do during the financial crisis that differentiated it from its competitors?

Jim Malgeri: We are very proud of the fact of the way we partnered with our clients through the crisis. Through the relationships we had with them, we were able to help them navigate their institutions through any issues they may have been having.

We generally provide a high touch point with our clients during a normal business cycle but during the crisis those relationships became much more important and apparent to them. Clients wanted more communication and we worked hard to

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accommodate them. As a team we are proud of that.

Global Investor/isf: What are the incentives to use tri-party in today's environment?

Jim Malgeri: One of the major incentives is it continues to be a product that significantly eases the operational burdens for clients and their funding transactions. That is especially the case on the cash/stock lending side of things where they need to receive collateral which could be many individual pieces across a wide asset class. It is the ease of use and peace of mind knowing that clients can rely on a stable and strong partner like BNY Mellon. We actually saw a big increase in activity in the European markets from people from the bilateral market.

Global Investor/isf: Tri-party has expanded to offer solutions for OTC derivatives, what is your view on how they will develop?

Jim Malgeri: We continue to think that clients will want to centralise their collateral pools with collateral managers and be able to use those assets in a variety of transactions whether that be to collateralise cash lending, stock lending, OTC transactions, exchange transactions and in certain cases we have seen a big movement in collateral being utilised in security control agreements. We have an array of derivative collateral management programs that support the mitigation of credit risk associated with derivatives, repo and stock loan transactions. We're seeing very strong interest in our derivatives margin management service.

Global Investor/isf: What other products are you looking at providing collateral solutions for?

Jim Malgeri: We have a big push to talk to different clearing houses and exchanges to see where we can provide collateral management solutions. We continue to see a convergence between the hedge fund clients and their respective prime brokers. Hedge funds on one hand want to look for a safe long custodian while at the same time having a very close relationship with their prime broker for execution and financing.

More broadly, we have always been an organization that has innovated on behalf of our clients. Our own experience shows that businesses with a focus on innovation tend to enjoy long-term success. And innovative thinking is not limited to new or enhanced products, but can also focus on making process or service models more efficient. We reward our employees through a formal innovation program so it's really part of our DNA. We'll be roll-

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ing out several new initiatives this year that demonstrate our ability to utilise existing capabilities, or develop new ones, to meet the emerging demands of our clients and respond to structural changes in the market. So all I can say is stay tuned on that front.

Global Investor/isf: Is the tri-party model a global one, and if so how is it expanding in a markets like Asia?

Jim Malgeri: The Asian market, for us, is somewhere we are seeing a lot of activity. We are seeing activity in certain countries at local level and we have already done tri-party in Japan. We are also seeing activity in Australia where people have assets domiciled in those local legal entities that want to keep tri-party funding within that region.

In addition, we see cash being raised from Asian cash lenders across a number of different Asian countries. We see the region as a having significant growth potential. We have systematically built our team in the region over the past couple of years and will continue to do so. In fact, we just announced that Mike Schroeder will take on the newly created role of regional man-

ager for the business in Hong Kong to focus on continuing to build out the business.

Global Investor/isf: What is the latest on the US initiative to remove any systemic risk in having only two clearing banks? Have any proposals been submitted/ accepted?

Jim Malgeri: Late last year a task force formed under the auspices of the payments systems risk committee, within the Federal Reserve Bank of New York to make recommendations on systemic changes that can be made in the tri party market. The task force just issued its recommendations, which include decreasing the intra-day credit provided by clearing banks and eliminating the wholesale daily unwinding of all tri-party repo trades. We are supportive of the recommendations. We are in the process of working with our clients to implement the recommendations and will continue to work with the industry on further enhancements to the overall market.

Global Investor/isf: What is your favourite movie?

Jim Malgeri: For me it's Godfather Part I. It's got a great plotline, which was intertwined over a 30 or 40 year period of the family's history. And the actors and actresses were, at the time, mainly up and coming actors and actresses yet they delivered outstanding performances. It was a launch pad for many of them.

Global Investor/isf: What is your most rewarding job both inside and out of finance?

Jim Malgeri: My two daughters go to St Joseph's University in Philadelphia and my wife and I are involved in a parents programme that is designed to promote St Joseph's not just in New York but all over. It's called the Loyola Executive Council. The programme provides guidance to the administration there but also helps to find internships and career opportunities for the college students. We've been involved in that for about three years now and it's something we really enjoy doing.

Global Investor/isf: What is your favourite vacation destination?

Jim Malgeri: It has to be Aruba. The people are so friendly, the weather is always sunny and hot and tourists are made to feel so welcome.

Global Investor/isf: How do you relax away from the office?

Jim Malgeri: When I'm not in the office I go to the beach with the family and if I'm not doing that I'm usually on the golf course. ■

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