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IMPACT REPORT

Top Operations Executives on Wall Street

No trade settles and no payment gets made without this critical behind-the-scenes talent. Usually, you only hear about them, when things go wrong. But they make their organizations tick. Here are profiles of eight of the best.



NAME: James Malgieri

TITLE: CEO,
Broker-Dealer Services

COMPANY: BNY Mellon

KEY FOCUS: Eliminating
operational risks in handling
of repurchase agreements.

By Katherine Heires

For James (“Jim”) Malgieri, running a multi-faceted, dual-track business unit at Bank of New York Mellon is no big deal. It’s simply the everyday order of things.

Malgieri was appointed chief executive officer of broker-dealer services in April of last year, after joining the firm in 2002. Now, he oversees a global unit of approximately 360 people in ten locations, not including a technology staff of 520. His team runs two lines of business.

One offers a suite of clearing products and manages clearing for 16 of the 20 primary

dealers, acting as a leading clearing agent for U.S. Government Securities. “We are one of the largest US government bond clearers in the world,” notes Malgieri.

The other division offers a suite of global collateral management services and operates as a leading collateral management agent. This business services more than \$1.8 trillion daily in tri-party repurchase or repo market balances and is a form of short-term lending that Wall Street investment banks actively employ to fund their balance sheets. In a repo or repurchase agreement, one party lends money – frequently overnight – and receives securities pledged as collateral from the other party.

Indeed, Malgieri points out that the tri-party repo represents “at least 50% of what we do day in and day out” in the broker-dealer services unit.

A previously little-known aspect of financial markets, the tri-party repo market came into the spotlight during the time of the Bear Stearns collapse, when investors who fund repo agreements began to pull their money out and as a result, sparked a run on Bear Stearns.

According to Malgieri, as of 2011, currently “there is a tremendous amount of activity” in the collateral management area of his business with growing numbers of buy-side and sell-side players ensuring that both players involved in a transaction are sufficiently collateralized.

“Because of the crisis, anyone who has a financial transaction with a counterparty that has exposure is now requiring collateral,” said Malgieri and as a result, that’s been good for BNY Mellon’s broker-dealer services.

“We saw the bottom of the market in the summer of last year but have seen steady increases in activity since September which we attribute to more trading activity, more position taking by large broker-dealers and new

products in the marketplace,” Malgieri said.

Malgieri has also been working closely with the Federal Reserve Bank of New York’s Tri-Party Repo Infrastructure Task Force, a committee of market participants backed by the New York Federal Reserve, formed to help eliminate systemic risks associated with the tri-party repo market. Their efforts have been focused on making details of repurchase agreements more transparent and improving risk management practices.

As Malgieri explained it, a key recommendation of the task force is the elimination of intra-day credit provided by clearing banks – an effort BNY Mellon fully supports.

In this, there are 18 recommended steps that have been presented. However, two in particular stand out in Malgieri’s mind as critical, both of which involve the use of technology:

The first entails the establishment of automated capture and matching on a three-way trade. Another key recommendation involves the use of technology to provide an automated collateral substitution process that would reduce the amount of intra-day credit clearing banks provide to the dealers.

In terms of the enormity of the changes, Malgieri emphasizes that “this task force is taking a business model of 25 years and rewriting it, and the only way you can effectively do that is through technology.” He also pointed out that BNY Mellon’s broker dealer services division is actively working with clients to meet the deadlines associated with these now required changes.

Malgieri also sees a growing demand for derivatives collateral management services, which his unit provides via Derivatives Margin Management products.

“Buy-side institutions are looking to secure their exposures in over-the-counter derivatives transactions and are turning to BNY Mellon to provide that service,” Malgieri said. ■