



National Association of State Treasurers

December 2, 2009

New York City

Automated
Equity
Finance
Markets, Inc.

Emerging Market Alternatives



Motivating Factors

- New routes to market evolved to solve problems faced by industry participants
- Lenders
 - Changing perspectives on risk-adjusted lending returns
 - Trend toward value-based lending models
 - Focus on transparency in all forms
- Borrowers
 - Balance sheet costs and risk weighted assets of broker/dealers
 - Maturing prime brokerage landscape
- General
 - Increasingly sophisticated consumers
 - New alternatives can complement existing programs for suitable clients

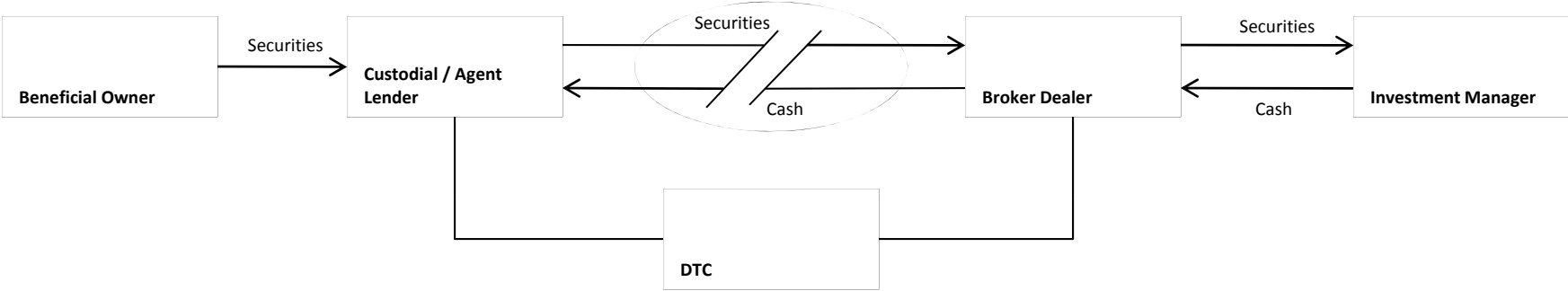
Centralized Market Structure

- Two distinct components
 - Competitive electronic price discovery
 - Central Counterparty (CCP)
- Participants
 - Direct (broker/dealers)
 - Indirect (lenders, hedge funds)
- Status
 - Early operational stages
 - Broad industry participation in 2010

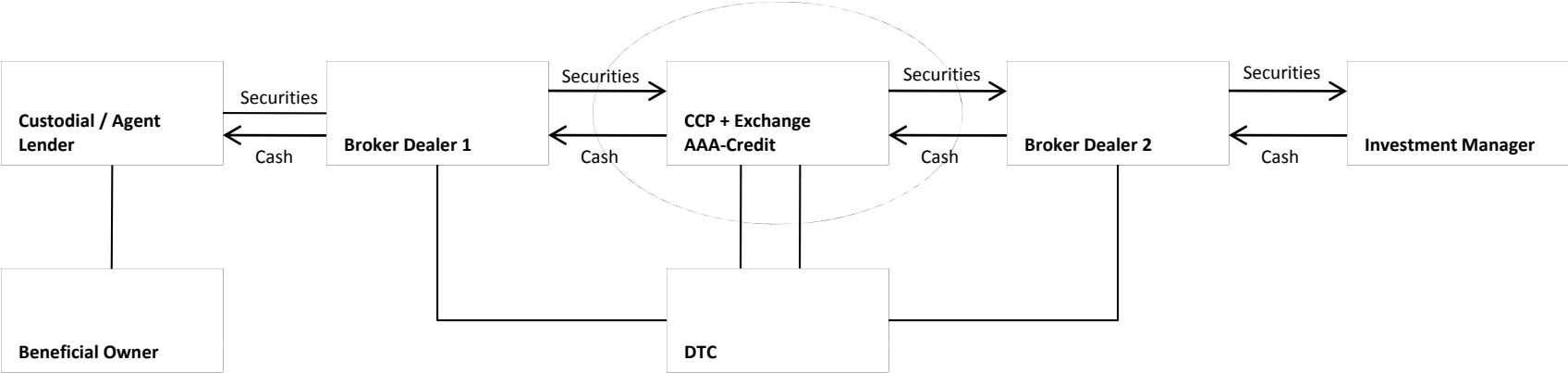
Securities Lending Transaction Flow



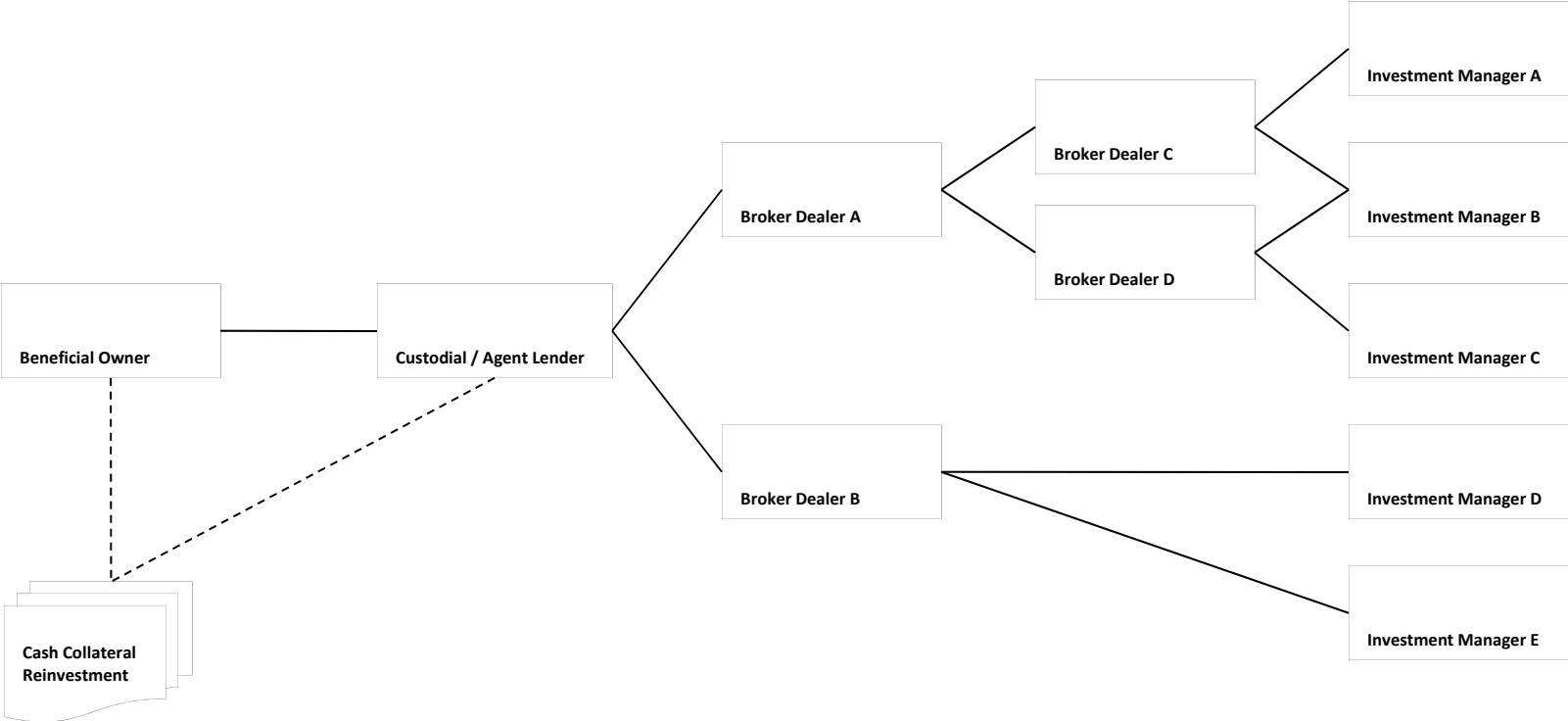
Conventional



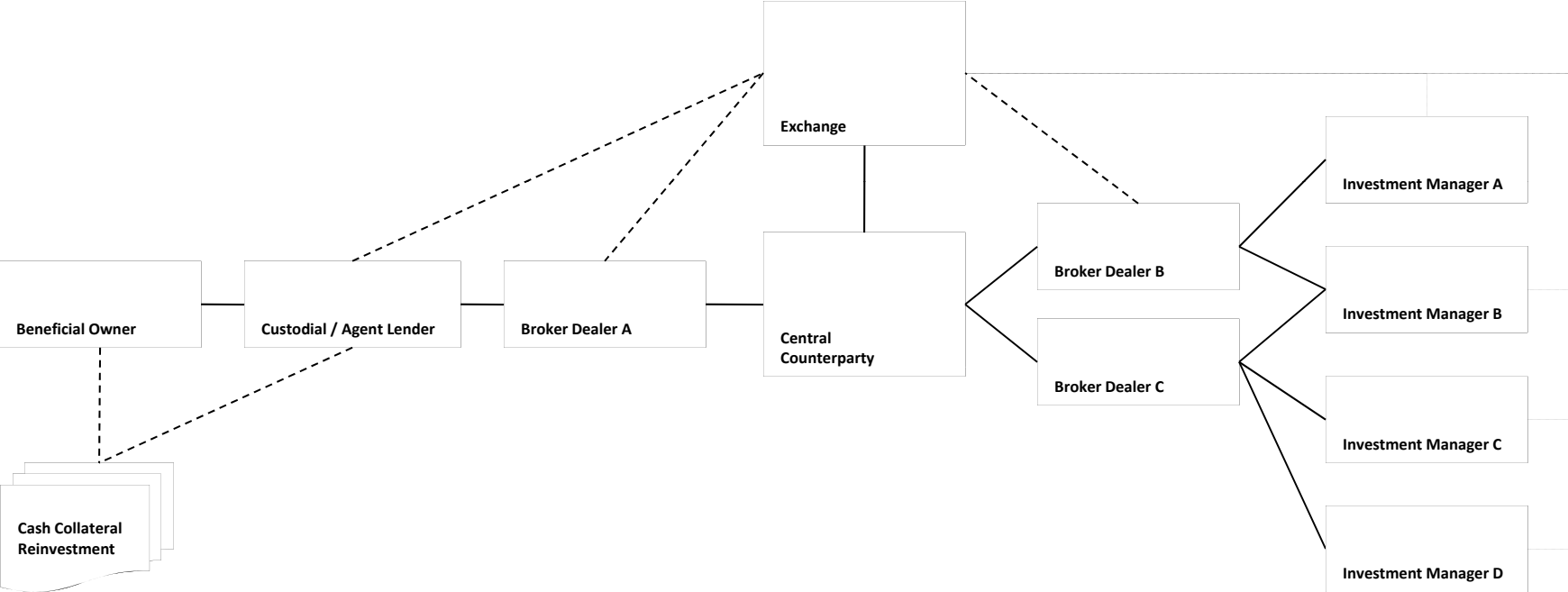
Centralized



Conventional Market Structure



Centralized Market Structure



Topical Issues Going Forward...



Discussion Topics for 2010:

- Distribution Channels – Open Market, Exclusives, Exchanges
- Cash Collateral Risk
- Transparency/Reporting
- Intrinsic Value Lending
- Regulatory Changes
- Short Interest Growth/Borrowing Demand
- Changes in Macro Lending Supply
- Trends in Unbundling