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Introducing TIDE

Tiered Indicator of Dynamic Fees in Securities Lending

In this iFlow Vision paper we introduce **TIDE**, a new framework that examines the relationship between securities lending fees and investor behavior, particularly as markets entered the COVID-19 pandemic in early 2020.

To access the paper **click here**.

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Introducing TIDE
Tiered Indicator of Dynamic Fees in Securities Lending

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Leveraging our unique view into global markets as the world's largest custodian, we examine the relationship between securities lending fees and investor behavior, particularly as markets entered the pandemic.

Introduction:Lending and Behavior

The capacity to sell securities one does not own is a conduit that reveals price formation across financial markets.

The ability to formulate and act upon negative views across asset classes is one of the most important features of efficient markets, enhancing market liquidity when liquidity is most needed. A market aimed at facilitating borrowing and lending securities is therefore a mechanism that enables the execution of adverse views in both bonds and equities. A key component of financial markets for four centuries, modern deployments and regulation have established securities lending as a standard instrument in the investment management toolkit.

Similar to ESG investing, securities lending is an activity dedicated to supporting investors who wish to extract value from mispriced assets. These securities could be overpriced for many reasons, such as temporary supply-demand imbalances, diverging opinions regarding earnings and weak management practices.

Short selling is usually significantly riskier than outright buying. On paper, buying a security has limitless profitability. Conversely, selling implies limitless potential losses. Staying power is thus heavily skewed in favor of long-only investors because, just as economies post growth in the long term, so do equity markets.

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