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GASLA Launches Updated Global Framework for ESG and Securities Lending

A global perspective on evaluating securities lending in the context of financial institutions' ESG policies

(Hong Kong/Johannesburg/London/Philadelphia/Toronto) **The Global Alliance of Securities Lending Associations (GASLA)** today released an update to the **Global Framework for ESG and Securities Lending (GFESL)**, reflecting its commitment to providing market participants with a practical framework for evaluating securities lending in the context of financial institutions' Environmental, Social and Governance (ESG) policies. The paper can be downloaded [here](#).

The 2023 GFESL updates the first version of the framework, which was released by the Pan Asia Securities Lending Association (PASLA) and Risk Management Association (RMA) in May 2021 with the support of the International Securities Lending Association (ISLA). This provided the first practical guidance on how securities lending market participants could approach ESG issues in their businesses.

Developed in collaboration by the five member associations of GASLA, which collectively represent the vast majority of industry participants around the world, the updated version released today equips the industry with a truly global perspective on the intersection of securities lending and ESG considerations.

It provides insight into key considerations across the five main touchpoints between securities finance and ESG: voting rights, collateral, lending over record dates, facilitating participation in the short side of the market and transparency in the lending chain. The GFESL also offers commentary on the legal and regulatory context for each touchpoint as well as practical guidance for lenders.

Key practical guidance considerations

Among the practical guidance considerations provided, the GFESL offers the following suggestions to financial institutions that lend securities:

- **Voting rights:** Assess or develop a policy for recalling loaned securities based on ESG considerations in a proxy voting framework; identify the types of material shareholder resolutions on which they want to vote by company and by issue, also taking into consideration other fiduciary duties, including revenue generation for underlying investors.
- **Non-cash collateral, cash reinvestment and reuse:** While ESG-related risks should be considered in all aspects of an asset owner or managers' investment portfolio, it should be recognised that collateral guidelines should also be adequately diversified with a key aim of properly mitigating credit risk, as well as ensuring collateral is liquid and can be realised in the event of default.
- **Lending over record date:** Securities lending activity across multiple jurisdictions can result in different tax obligations for the various participants in the lending chain. Lenders should ensure compliance with the spirit as well as the letter of the law for tax-related regulations and initiatives across global jurisdictions.

- **Facilitating participation in short side of the market:** Where securities are borrowed to cover short-selling, which is recognised globally for its contribution to price discovery as well as healthy and liquid markets, borrowers should pay close attention to regulatory requirements in different jurisdictions with regards to the disclosure requirements for short positions.
- **Transparency in the lending chain:** GASLA's objective is to ensure that regulators and issuers have access to the transparency about securities lending that they require. Lenders, via their agents, can consider implementing effective minimum standards, reflecting their corporate-level sustainability framework, with respect to selecting their direct counterparties, thereby embedding their ESG policies into their 'approved' borrower lists.

The GFESL has drawn on several studies and surveys commissioned by GASLA's member associations since 2020, which support the general view that ESG considerations and securities lending transactions are compatible when lenders take steps to ensure that their lending programme is coherent with their sustainable investment strategy.

Global collaboration

"CASLA firmly believes in the collective ambition set out through GASLA along with our sister organizations," said **Mary Jane Schuessler**, President of the Canadian Securities Lending Association (CASLA). "Following extensive dialogue with our fellow industry participants, this 2nd edition of the GFESL presents a unified and global framework for industry stakeholders when considering the integration of ESG policies into well-functioning securities lending programs. Ensuring the continued viability and evolution of the securities lending market is imperative to the sustainability of the wider global capital market system, and we look forward to future work with our GASLA peers as we aim to continue to promote and foster its evolution."

"ISLA are very pleased to be joining forces with other GASLA members for the release of the GFESL (2nd Edition). The GFESL aims to provide a framework of factors for beneficial owners to evaluate when lending securities in the context of their ESG policies. ISLA, along with our sister associations, understand the importance of developing a global approach to ESG, to support the role that securities lending plays in our markets, whilst adapting to ESG considerations. I firmly believe it is the role of industry bodies such as GASLA, to identify the challenges that members face and help drive solutions through advocacy, engagement with regulators and our members, towards development of market practice standards," said **Andrew Dyson**, Chief Executive Officer of ISLA.

"We're excited to be launching this update to the GFESL at the time of our conference in Tokyo," said **Paul Solway**, Director and Communications Officer at PASLA. "This is the product of extensive research and dialogue by GASLA's member associations, distilling the latest thinking on how the securities finance market can approach ESG considerations, which are critical to all financial institutions. We're proud that we have been able to converge on a single framework for the industry globally and look forward to learning more about its value to our members."

"RMA is delighted to participate in this important effort with our fellow GASLA members," said **Fran Garritt**, Director of Securities Lending, Market Risk, and Credit Risk at RMA. This revised framework incorporates global considerations and best practices that have evolved since the initial release of GFESL in 2021. In a fast-moving environment, the framework is an important resource for participants in the securities lending market as they seek to integrate ESG considerations into their activities effectively."

"SASLA believes it is crucial that the market has a shared understanding of how ESG and securities lending are compatible with each other. The publication of the GFESL (2nd Edition) provides a global framework for managing these touchpoints. The framework provides insight on how the industry can actually apply ESG principles in our market, providing important guidance to beneficial owners in particular." said **Michael Wright**, Chairperson of the South African Securities Lending Association (SASLA).

About GASLA

The Global Alliance of Securities Lending Associations (GASLA) provides a single voice across global securities lending markets, advocating for transparent and standardised practices that support efficient, liquid, and sustainable capital markets, including considerations of Environmental, Social and Governance (ESG) factors.

Through active collaboration, GASLA seeks to enable positive and impactful engagement with stakeholders, including regulators, policymakers and standard-setting bodies across all regions.

GASLA was formed in September 2021 by the Canadian Securities Lending Association (CASLA), International Securities Lending Association (ISLA), Pan Asia Securities Lending Association (PASLA), Risk Management Association (RMA) and South African Securities Lending Association (SASLA).

Inclusivity is a core principle for the Alliance, which welcomes further engagement with financial markets associations globally.

MEDIA ENQUIRIES:

ISLA

General enquiries

support@islaemea.org

Press enquiries

press@islaemea.org

PASLA

Fion Tsang

+852 6699 2078

ftsang@ashburycommunications.com

RMA

Frank Devlin

+215 446 4137

fdevlin@rmahq.org

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