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Annual 2025

As dawn opens on China's Year of the Snake, the securities finance market in Asia Pacific faces a range of issues, as diverse as the nations that make up the region. From the upcoming lifting of the short selling ban in South Korea, through country-specific market features such as Japanese margin transactions, to the increasing use of distributed ledger technology in the repo markets, APAC has it all. In this Securities Finance Times Asia Annual 2025, we cover all of these areas and more.

James Davis, head of APAC at GLMX, looks at the explosive rise in electronic trading for repo in the region, while Karen King, head of solution sales for APMEA at S&P Global Market Intelligence, discusses how securities lending in Asia Pacific fits into the global market.

Japan Securities Finance's Kohei Takeda and Kenta Yamamoto discuss the implications of the Bank of Japan's easing in monetary policy and the move back towards normalisation, as Keith Lee, APAC head of securities finance and borrow at Tiger Brokers, analyses the evolution of securities lending into the retail investor space.

Meanwhile, a panel of industry experts look at the various developments facing the region, from regulation to emerging technologies, as elsewhere, Richard Gallagher of State Street attempts to navigate the dynamic landscape in APAC.

Here of course, we cover these issues and many more. 2025 holds a lot of promise for the securities finance market, both globally and across APAC specifically. As always, we hope this Asia Annual can help guide you on your way.

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Inside this annual


How do we fix
a problem with
no boundaries
by pushing
our own?
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Canton Network initiates multi-party project partnership

The Canton Network has commenced a project in partnership with Digital Asset, QCP, and several of their counterparties.

The project aims to address the issues that the crypto derivatives market has encountered as a result of absent regulatory frameworks and infrastructure. The project will see Digital Asset introducing an automated and on-chain solution which will be powered by the Canton Network.

The companies involved hope that the solution will reduce capital inefficiencies, and deliver automated margin workflows, instant tokenised collateral pledging, and automated dispute resolution.

“This collaboration underscores Digital Asset’s dedication to revolutionising market infrastructure through innovative, blockchain-powered solutions within the Canton Network. We are excited to bring privacy to on-chain collateral management,” says Georg Schneider, head of financial products at Digital Asset.

Darius Sit, founder and chief information officer at QCP, adds: “By addressing inefficiencies in collateral management, this initiative reinforces our commitment to providing clients with trusted, efficient, and scalable solutions that redefine market standards.”

Hong Kong and Macao create direct link between bond markets

The Hong Kong Monetary Authority (HKMA) and the Monetary Authority of Macao (AMCM) have launched a direct link between Hong Kong’s Central Moneymarkets Unit (CMU) and Macao’s central securities depository (CSD).

This connection, managed by subsidiaries of each authority, aims to boost bond market development in both regions by providing a cross-border investment and financing channel.

Investors from both markets can now participate in each other’s bond market with greater ease and efficiency, according to the HKMA.

Benjamin Chan, chairman of the AMCM, comments “The official launch of the direct linkage between the bond markets of Macao and Hong Kong achieved the first connectivity of Macao’s bond market infrastructure established with a CSD located outside of Macao.

“This will provide international investors, including those from Portuguese-speaking countries, with a convenient channel to participate in the bond markets of Macao and Hong Kong.”

Financial cooperation between Hong Kong and Macao further supports the development of the Guangdong-Hong Kong-Macao Greater Bay Area, which is an

The future belongs to the integrated

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Eddie Yue, chief executive of the HKMA, adds: "To enhance the competitiveness of Hong Kong as an international financial centre, the HKMA has established connectivity with various neighbouring financial markets over the years, and continues to explore direct linkages with other central securities depositories.

"The direct linkage showcases Hong Kong's role as a super-connector and represents a major step towards developing the CMU into an international CSD in Asia."

AsiaNext launches cross-exchange collateralisation solution

AsiaNext has launched a cross-exchange collateralisation and margining platform — the AsiaNext orchestration layer (AXOL).

Through this solution, combined with the recent inaugural listing of a US dollar-denominated money market fund (MMF), AsiaNext aims to revolutionise the experience for its trading members by integrating its three trading venues and offering capital efficiency.

According to the firm, AXOL offers an efficient and user-friendly trading experience by streamlining cash and collateral management workflows and automating processes for members.

Neil Thomas, chief commercial officer at AsiaNext, believes that the launch of AXOL is a bold step into the future of institutional crypto trading.

He says: "By combining the power of blockchain technology with tried and tested finance principles, we are giving our members the edge they need to thrive in an increasingly complex trading environment."

PASLA selects Lai

The Pan Asia Securities Lending Association (PASLA) has added David Lai as a contractor.

Based in Hong Kong, Lai will be directly supporting PASLA working groups that are central to the association's membership.

Having worked at buy side and sell side institutions, Lai brings a wealth of market knowledge to the role.

Since 2018, he has been an executive director at J.P. Morgan, recently serving as product manager of agency securities finance for APAC.

Prior to that, he was a director at Deutsche Bank for 12 years, covering global prime brokerage for hedge funds, inventory management, equity finance, securities lending, as well as regional regulatory framework alignment.

In other news, and as part of its commitment to good corporate governance, PASLA held an extraordinary general meeting on 8 January.

The association passed two resolutions, including the simplification of the executive committee roles to chairperson, vice chairperson, and treasurer functions.

In addition, all PASLA members can now vote and stand for positions on the executive committee, subject to experience and suitability.

Maybank Securities and Citi facilitate securities lending for retail investors

Maybank Securities has collaborated with Citi to facilitate the lending of retail clients' global equity holdings in Singapore.

The collaboration enables clients of Maybank Securities to earn a portion of the fees paid by borrowers of securities and unlock the potential to monetise "otherwise idle assets".

In addition, it allows Maybank Securities to enhance the investment opportunities available to its retail clients, providing share lending capabilities, the firms say.

The move also marks the introduction of the Citi Securities Lending Access (CSLA) platform in Asia.

Maybank Securities will use its position in Singapore and its ASEAN client base to utilise CSLA. Launched in 2021, CSLA combines Citi's securities lending platform with technology from Sharegain.

It offers a solution that digitises the entire securities lending lifecycle and democratises the securities lending market, says Citi.

Commenting on the news, Eusebio Sanchez, head of execution services for Japan, Asia North and Australia and Asia South at Citi Securities Services, says: "With CSLA, Citi is enabling a broader base of market participants to reap the benefits of securities lending.

"In addition to benefiting our clients and their underlying customers, the solution gives borrowers access to new pools of untapped securities."

Alexander Thorhauge, head of retail business at Maybank Securities, adds: "Maybank Securities stands by its commitment to continuously enhance our products and solutions for our clients.

"With the launch of securities lending, our retail clients now have a unique opportunity to generate additional returns from their existing portfolios."

HKEX's OTC Clear to accept CGBs and policy bank bonds as collateral

The Hong Kong Monetary Authority (HKMA) has approved the use of China government bonds (CGB) and policy bank bonds — held by international investors through Bond Connect — as margin collateral.

It comes as part of new policy measures introduced by the HKMA and the People's Bank of China, with the aim to deepen the financial market connectivity between the two entities.

Both instruments may be used as margin collateral for all OTC derivative transactions cleared by OTC Clear — the clearing subsidiary of Hong Kong Exchanges and Clearing (HKEX).

OTC Clear, which began accepting these instruments as margin collateral for Northbound Swap Connect from 13 January 2025, will also be accepting them as margin collateral for other derivative transactions by the end of the first quarter of 2025.

OTC Clear will work closely with the Securities and Futures Commission (SFC) and the Central Moneymarkets Unit (CMU) of the HKMA to prepare for this arrangement.

The use of CGB and policy bank bonds as collateral for a wider range of derivative transactions will enhance the utility of renminbi-denominated assets in the market, promoting the internationalisation of renminbi, says HKEX.

Having advised the HKEX on the design, drafting of documentation for, and the regulatory and legal issues on taking CGBs as collateral, Linklaters' Asia head of structured finance and derivatives, Chin-Chong Liew, says:

"This project exemplifies the ongoing innovation in financial market infrastructure, with the potential to set a new precedent for the role of CGBs globally. We are proud to have played a pivotal role in advising HKEX on this landmark development,

PASLA expands membership

The Pan Asia Securities Lending Association (PASLA) has significantly bolstered its membership roster in recent months, welcoming six new members spanning technology providers, financial institutions, and global market intermediaries.

The latest additions include Stockbit, an Indonesian investment platform that has evolved from a stock-sharing community to a comprehensive financial services provider, and Clearstream, the Luxembourg-based Deutsche Börse subsidiary specialising in post-trading services. Stockbit joins as a Prime Lite member, representing its focus on the Indonesian market, while Clearstream enters as a Solutions member with its extensive securities management capabilities.

Global intermediary ICAP has also been admitted as a Prime Lite member, bringing its extensive experience across 22 countries and multiple asset classes. The fintech sector is further represented by HQLA^X, a Luxembourg-based distributed ledger technology firm joining as a Solutions member, notable for its innovative work in securities finance and repo transactions.

GLMX, another technology-focused global fintech company, has also secured a Solutions membership, leveraging its expertise in equities, fixed income, and securities lending. Maybank Investment Banking Group rounds out the new members, joining as a Prime Member and bringing its extensive regional presence across Southeast Asia and beyond.

These additions bring PASLA's total membership to over 60 organisations, reflecting the association's growing influence in the Asia Pacific securities finance market.

enabling greater scalability and cost efficiency in collateral use for the participants of OTC Clearing Hong Kong.

"Our team is excited to continue to be involved in market-changing developments, deepening the connectivity between mainland China and international markets. We welcome discussions with market participants on the implications of using CGBs held via Bond Connect for Swap Connect collateral purposes."

HKMA arranges offshore RMB bond repo business

The Hong Kong Monetary Authority (HKMA) has revealed its plans for an offshore renminbi bond repurchase business.

Through this move, the institution aims to enhance the market-based offshore renminbi liquidity management and increase Hong Kong's competitiveness as an offshore renminbi business hub.

Under the offshore repo arrangement, Northbound Bond Connect participants can use eligible onshore bonds as collateral to conduct RMB repo business in Hong Kong.

The participants include all existing Northbound Bond Connect investors, including Central Moneymarkets Unit (CMU) members and offshore investors with CMU sub-accounts opened through Hong Kong custodian banks that are CMU members.

All bonds held by participating institutions under Northbound Bond Connect, regardless of bond type, will be eligible.

In the initial stage, each repo transaction will have to involve at least one of 11 primary liquidity providers designated by the HKMA as market makers.

Participants may choose their own repo agreement template, such as the Global Master Repurchase Agreement (GMRA) or the National Association of Financial Market Institutional Investors (NAFMII)'s Bond Repurchase Master Agreement.

Transactions may be conducted bilaterally over-the-counter, through an electronic trading platform, or in the same manner as existing Northbound Bond Connect transactions, and via the linkage between the Central Securities Depositories (CSDs) in the onshore and offshore markets.

Settlement will be completed under the Repo Service by CMU.

This announcement comes as part of new policy measures introduced by the HKMA and the People's Bank of China, with the aim to deepen the financial market connectivity between the two entities.

According to the HKMA, the business is scheduled to commence soon, but no concrete date was given in the announcement.

Japan Securities Clearing Corporation partners with State Street on USD cash collateral

Japan Securities Clearing Corporation (JSCC) has added US dollar cash to the eligible collaterals in its IRS Clearing Service, with the help of State Street.

Following the "trust establishment" with State Street Trust Bank (SSTB), USD cash collateral posted by clearing participants and customers will be managed on a daily basis through the sponsored repo transactions.

The structure of sponsored repo was jointly developed by State Street Bank and Trust, the parent company of SSTB, and the Fixed Income Clearing Corporation (FICC) in the US.

Commenting on the announcement, Konuma Yasuyuki, JSCC president and CEO, says: "An addition of USD cash to eligible collaterals in IRS Clearing Service is a very big milestone for JSCC providing clearing services to clearing participants and their customers active globally.

"Amid rising calls for CCPs' safe custody and efficient management of collaterals globally, we are confident that State Street's USD cash collateral management service will realise great value for our users in Japan and overseas."

Akiko Terada, representative director and president of SSTB, adds: "The sponsored repo transaction provided by us is an innovative investment scheme which will bring more sophisticated credit management and risk control to the Japanese market.

"The scheme also meets US Treasury repo clearing requirements which is scheduled to be introduced by the US Securities and Exchange Commission in June 2026."

Asia Panel

Industry experts take a look at the Asian markets, the ramifications of a lifting in the South Korean short selling ban, and the possible impacts developing technologies like AI and DLT will have in the securities finance space

Panellists

Benoit Uhlen, Head of Market and Financing Services APAC Securities Services, **BNP Paribas**

Alex MacMillan, Vice President, Securities Finance Sales and Relationship Management, **BNY**

Marina Gomi, Vice President, Institutional Sales Department, **Japan Securities Finance**

Jeff Coyle, Head of Hong Kong Agency Trading, Securities Finance, **Northern Trust**

Juhi Chikhlia, Associate, Securities Finance, **RBC Investor Services**

Jason Wells, Chairman of PASLA, and Managing Director, Regional Head of Agency Trading, **State Street**

How do you assess the performance of APAC securities lending markets during 2024? What key lessons have you learned from this period that will help guide your business through the next 12 months?

Juhi Chikhlia: One standout market in the region from a revenue generation perspective is Taiwan, where demand continues to exceed available supply therefore driving lending fees higher relative to other regional markets. Demand in this 'no-fail' market is largely driven by directional strategies associated with the technology sector, with dominance from stocks in the semiconductor, AI and chipmaker space. RBC Investor Services operates under a negotiated transaction model, and we are well equipped with the tools required to navigate the nuances of lending in the Taiwanese equities market. This includes having the operational structures, legal documentation and reporting necessary to comply with Taiwan Stock Exchange requirements.

In second place is Japan, where demand has been driven by seasonal activity and higher volumes as investors reallocate investment away from China. The sheer size of the Japanese lending market, coupled with increased corporate deal activity, sustained market rally and ongoing corporate governance reforms, all contributed to stronger lending returns.

Although Hong Kong volumes were bearish on the back of US-China tensions, lack of investor confidence in China given slow economic growth, and concerns over Chinese property developers' ability to meet debt repayments, we saw increased demand in the technology, electric vehicle manufacturing, and Chinese property and real estate sectors.

South Korea and Thailand were two markets that introduced stringent revisions to short selling rules which were aimed at enhancing supervisory measures to boost investor trust and confidence pertaining to illegal short selling. More notably, South Korea introduced a full-fledged short sale ban in November 2023 until the end of June 2024, which was further extended to March 2025. As a result of the ban, lending balances have dropped significantly, borrower demand has subdued, and lending revenues have collapsed.

In the collateral space, collateral diversification remains an important differentiator, especially when market participants need to optimise their collateral and funding capital ratios in efforts to lower their risk-weighted asset (RWA) usage. In the region, we are seeing growth in appetite to pledge Korean treasury bonds (KTBs) on the back of operational reform which has gained popularity in the funding space given its credit reliability and attractive yields. We will continue to work on expanding our collateral eligibility and pledge structures based on borrower needs, our own internal risk parameters, and most importantly, our underlying beneficial owners' risk appetite.

When compared to other international regions like North America and Europe, it is evident there is a lack of homogeneity among the APAC securities lending markets. No two markets are identical, with differences being driven by different capital market, regulatory, legal, tax, commercial and operational structures. One may view such fragmentation as presenting challenges to engage in lending in such markets, however, the region continues to be broadly viewed as an important growth area.

According to DataLend, the global securities finance industry generated US$9.64 billion in revenue for lenders in 2024. Despite year-on-year (YoY) revenue decreases of 15 per cent and 24 per cent in North America and EMEA equity markets respectively, revenue generated in the APAC equities market remained relatively flat compared to 2023 performance. It continues to be a region that can provide stable lending revenue against a backdrop of geopolitical uncertainty, central bank policy and everchanging regulatory landscape and operational nuances.

Alex MacMillan: As most of us know by now, no two APAC markets are the same. You need to be active in all markets to take advantage of any market changes or opportunities — micro or macro.

The contrasts between markets are stark, as evidenced by South Korea versus Taiwan. One market has a short sell ban which has limited lending opportunities beyond refinancing, while the other has experienced significant market specials driven by speculative directional plays in the technology segment earning fees in excess of 500 basis points.

Thailand presents another interesting case study, where we saw positive balance growth through the first half of the year. There was a material impact on growth as a result of the more stringent fines implemented in the second half of 2024 and the discussions around the interpretation of Section 650 of the Thai Civil and Commercial Code. However, the market nevertheless ended the year higher.

Another key differentiator is collateral flexibility — not only the scope, but also the mechanics. Title transfer and pledge are both necessary to meet all regulatory or counterparty requirements. Triparty remains a key growth area for BNY and the APAC region, as it enables operational efficiencies in all markets and therefore reduces costs and friction across the various transaction lifecycles.

Benoit Uhlen: At an industry level, APAC securities lending seems to have performed relatively well, though not as dynamically as in EMEA or the US where recent volatility has benefited volumes and levels in such geographies. As far as BNP Paribas' Securities Services business in APAC is concerned, our performance in 2024 has been good thanks to innovative financing transactions, involving collateral from emerging markets and forms of trading which allow a greater level of client engagement. These successes have encouraged us to focus more on structured and innovative trading schemes, with a strong attention on administration and risk monitoring. This has led to greater profitability for our clients and ourselves. For the next 12 months, we will look for more opportunities in these spaces.

Jeff Coyle: 2024 proved to be a dynamic year for APAC, full of challenges and opportunities. Borrow demand across the APAC markets was mixed.

From a country perspective, Hong Kong — a traditionally strong revenue generating market — saw suppressed borrow activity with its Hang Seng index trading at multi-year lows throughout the first three quarters, due to slowing economic growth in China and a prolonged housing crisis, with many Chinese property companies struggling to repay debt. Japan was a dependable market from a volume perspective, providing long-term lending stability. Australia was also another steady market with decent volumes and some specials activity particularly around index rebalances.

The 'jewel in the crown' for the region was Taiwan. Taiwan is a tech-heavy market, with around 67 per cent of the Taiwan Stock Exchange index being weighted to technology companies, including semiconductors, according to Bloomberg data. Semis and related stocks experienced meteoric rises in stock prices in 2024, buoyed by AI mania, driving the TAIEX to record highs and providing fertile ground for directional shorting activity. Taiwan was duly the biggest revenue generating market in APAC for the year.

Thematically, in addition to AI or technology driven activity, we saw borrow demand in the electric vehicle sector, where competition, subsidies, and tariffs have driven pricing pressures, contributing to short interest in the car manufacturers themselves as well as battery manufacturers and infrastructure companies. This has also impacted index rebalancing demand. For example, in Australia, we saw some lithium miners stocks removed from the ASX 200 and MSCI indices, driving elevated fees in those companies that were deleted.

Challenges stemmed from regulatory headwinds such as the short selling ban in South Korea, where regulators continued to shape and implement a new market-wide short selling regime. Meanwhile, Thailand also undertook its own review of the short selling and securities lending framework. Both markets continue to work to produce the finalised versions of their regulations.

The key lesson learned in 2024 was more of a reinforcement of the mantra to 'expect the unexpected'. For example, at the start of the year the short selling ban in Korea was due to expire in June but in actuality we saw the ban extended for a further nine months until the end of March 2025. In Japan, the central bank raised interest rates for the first time since 2008, which while

not entirely unexpected, meant a changing dynamic for trades which had remained quite static for a number of years. Our securities finance programme at Northern Trust incorporates a broad range of counterparties, a diverse selection of collateral options and a variety of trade structures which allows us to pivot between different trading opportunities depending on the market environment and the current demand cycle.

Marina Gomi: The APAC securities lending market has been growing steadily, along with stock indices across various APAC countries showing strong performance. In Japan, the stock market has continued to perform strongly, supported by corporate governance reforms and increased capital inflows driven by weaker yen. Consequently, the securities lending market in Japan has also shown solid growth. Outside Japan, Taiwan's market has expanded significantly, boosted by the strong performance of the IT sector. Japan Securities Finance has been focusing on securities lending transactions not only in Japan but also in Asian markets including Taiwan. The expansion of Taiwan's market has driven the growth of our business.

With increased opportunities for transactions with overseas financial institutions, we feel a heightened need to analyse market trends outside Japan to better understand the background of their needs. Over the past few years, including 2024, the APAC securities lending market has seen enhancements in market infrastructure and revisions to short selling regulations, further raising expectations for growth. We recognise the importance of consistently enhancing our commitments in the APAC markets.

Jason Wells: There truly was an insatiable appetite for Taiwanese equities again this year. New supply has been quickly consumed and the stars remain aligned for this trend to continue. Client interest in our Taiwan securities borrowing and lending (SBL) programme has certainly increased YoY. While we expect more of the same for the next 12 months, in an effort to constantly reinvent and improve our programme we have embarked on a review which will likely lead to significant enhancements to our offering. We see the outcomes benefiting new and existing clients alike.

In which APAC markets do you identify new opportunities for growth of your lending business?

Uhlen: In South Korea, the expected lifting of the stock short selling ban should boost market demand, which will need to find fresh inventory to accompany the anticipated growth and activity in the market. In the financing space, term trades, contributing to better liquidity ratios, continue to show sound and stable dynamics. Australian Commonwealth government bonds (ACGBs) should continue to be sought for, as long as collateral takers accept sufficiently downgraded collateral, which in an agency lending model is usually mitigated by the agent's indemnification mechanism.

Wells: Asia is all about opportunity and growth. International real-money investors appear to have tilted to being underweight China, with those able to redeploy regionally increasing their exposures in Japan and India.

We are extremely excited by the prospect of a renaissance of corporate activity in Japan, spurred on in part by the Tokyo stock exchange's (TSE's) enterprise value enhancement programme, which has been in operation since 2023, and we see real opportunities in this market.

The second market where investment inflows have increased is India, and for very different reasons this market is just too big to ignore. India possesses an established onshore centrally cleared SBL mechanism, with properly-aligned incentives we do hope that the regulators can welcome adjustments to the structure which adopt key international lending constructs. This would quickly catapult India to become a key growth driver for the region. We are certainly eager to play a part where it makes sense.

MacMillan: The successful integration of the International Central Securities Depository and the Korea Securities Depository in 2024 has opened up exciting opportunities for us to expand our lending business in South Korea using the power of triparty. Additionally, we have recently entered the lending market for Japanese government bonds and anticipate continued growth as monetary policy normalises. Policy changes have also positively impacted the collateral market, with increasing interest in using the Japanese yen to secure borrows, providing further opportunities for yield.

Coyle: The perhaps obvious but unexciting answer to this question for 2025 is South Korea. If, as expected, the short selling ban is lifted in March for all listed Korean equities, it will be the first time since March 2020 that investors will have the opportunity to physically short across the entire universe of those assets. We expect lending activity to be relatively modest to start, as market participants seek to ensure that systems and processes implemented to comply with the revised short selling regulations, are robust and reliable.

Elsewhere, markets including the Philippines and Indonesia, continue to refine their short selling frameworks and we remain alert to the potential opportunities in these markets. However, we do not envisage significant opportunities in these markets in 2025.

China presents the largest and as yet unfulfilled opportunity in the region. Participation for international investors through traditional securities lending routes remains a challenge due to the China market's unique structure. The international industry continues to engage with onshore regulators and exchanges, in conjunction with Pan Asian Securities Lending Association (PASLA), to find solutions to allow broad participation in the future.

Gomi: We have been expanding our securities lending and funding business beyond the Japanese market including Hong Kong, South Korea and Taiwan. Recently, we have also identified significant business opportunities in the rapidly growing markets of Malaysia, Indonesia, and the Philippines. We are currently preparing to provide funding solutions with their securities.

The APAC region is characterised by diverse regulations and unique market features in each country. We believe this diversity provides opportunities to offer various solutions. Although we do not have offices outside Japan, we have collaborated with triparty collateral management services and have successfully executed transactions that adhere to local regulations and market characteristics. As a member of the Asia region, we are committed to contributing to the expansion of the APAC markets. We will continue to focus on the APAC market, which is poised for further growth beyond 2025.

Chikhlia: We see the Philippines and Indonesia as the next two emerging lending markets, following the crystallisation of onshore hedging solutions for investors within their capital market structures. We are working closely with PASLA to advocate for improvements in the securities borrowing and lending models in both markets to provide more scalable solutions aligned to international practices in efforts to maximise inclusivity for wider adoption and participation.

Which regulatory initiatives in APAC markets will consume most attention for your agency lending and collateral management teams over the coming 12 months? What programmes are ongoing within PASLA, and at industry-level more broadly, to support this agenda?

Wells: Will they or won't they resume short selling? That is the question I ask myself when observing the current challenges domestically and internationally that Korea faces head-on at this time. Many hours have been dedicated to Korean matters in the last 12 months and I anticipate many more will be dedicated to it in the year ahead. We of course look forward to regulatory certainty, clear, defined requirements for which we shall meet. We are also excited at the prospect of a corporate governance improvement initiative that is underway in Korea and look forward to the resumption of covered short selling on the entire equity market. However, a small part of me still wonders if it may just be easier for the powers that be to kick the can down the road and wait for a more stable environment before lifting the short sale ban this March. I watch with interest and curiosity and will be positively surprised to see growth in this market in 2025.

PASLA's efforts in Indonesia are certainly worth keeping an eye on. Modifications to the collateral management platform at the CCP ID Clear would be most welcome to international lenders.

MacMillan: Settlement cycle compression continues to be a global phenomenon that markets all over are either exploring or leaning into. Specifically in Asia, Hong Kong (HKEX) has undertaken a 'sounding survey' and Australia (ASX) is similarly engaging with the market to better understand the impact and requirements ahead of any move to T+1. Our team at BNY is actively engaging markets directly and via conferences like PASLA to ensure our support is clear and concerns are heard.

We are also keeping close watch on CP 230, a key development taking shape in APAC this year that focuses on operational resilience. CP 230 guidelines will require all securities lending market participants — including BNY — to ensure stricter risk management frameworks.

Coyle: Preparing for the lifting of the short selling ban in Korea is a primary focus. At Northern Trust we are ensuring preparedness through diligent internal stakeholder engagement with legal, risk, compliance, trading and operations teams and additionally by working with the wider industry through our engagement with PASLA. Having PASLA's involvement has been enormously helpful in acting as a conduit between market participants and the various Korean regulatory bodies.

Thailand is also a focus market as we await the outcome of the short selling review. Again, having PASLA as a mouthpiece for regulatory engagement has been helpful, and although at the time of writing the review has not finished, we hope that the constructive dialogue which has taken place will lead to a positive result for the market.

Some APAC markets including Australia, Hong Kong, and Taiwan have started looking at the feasibility and market appetite for a T+1 settlement cycle. It would require significant development in each of these markets for all stakeholders including the exchanges and market participants alike. While there may be opportunities for industry engagement on this matter in 2025, we do not expect to see T+1 implemented in any of these markets until 2026 earliest.

Globally, Basel III Endgame has consumed a lot of focus and attention, and was due to take effect in July 2025. However it is likely that markets will delay implementation amid significant push back from banks and growing political pressure, particularly in the US. The UK has already announced they will be pushing implementation out until 2027, and while we still await clarity from Europe it is also likely to be delayed to avoid EU banks suffering a competitive disadvantage if they were to adopt early.

Uhlen: The possible and progressive move into T+1 settlement cycles in APAC markets is likely to be an area of focus for us. A key priority will be to accommodate these changes without degrading the quality of our lending services nor our clients' capacity to mobilise their securities when needed. Through the potential evolution surrounding China's onshore repo market, this could be of strong interest for us, materialising new opportunities related to the search and supply of liquid collateral.

Chikhlia: Market participants must ensure they have robust processes to manage liquidity, risk scenarios and regulatory developments. Financial reforms such as Basel III Endgame has increased the cost of doing business, and as a result, capital-efficient trade structures remain in focus as market players look to reduce their RWA usage. Initiatives such as central clearing counterparty (CCP) and alternative pledge structures are being developed to address these growing concerns.

The inescapable impact of T+1 will continue to be top-of-mind following India's move in early 2023, and the US, Canada, Mexico, and Argentina's successful moves to T+1 settlement cycle in May 2024. Several APAC markets such as Australia, Taiwan, and Hong Kong have commenced consultation papers and market soundings with industry stakeholders as the industry adapts to the accelerated settlement cadence. Firms will need to leverage scalable automated solutions to remove operational bottlenecks, manage the increased speed at every touchpoint in the trade lifecycle, and ultimately enable more thorough straight-through-processing (STP). As highlighted previously, APAC

markets are less harmonised compared to other regions, where markets differ in operating structures and prefunding requirements, so adjustments and risks will be heightened to address the nuances that exist in the region. Certain markets will need to have infrastructural reform to address such challenging operating structures before moving to T+1.

Similar to other market participants, we will be closely watching the anticipated lift of the short sale ban on all equities in South Korea by the end of March this year. Furthermore, we are closely monitoring the developments in Thailand with regards to the country's Securities Exchange Commission (SEC) and Stock Exchange of Thailand's (SET) introduction of stricter short selling rules in efforts to improve transparency and maintain trust and confidence in the Thai capital market.

PASLA has several working groups which include participants from RBC and various other member firms, to address the nuances of the APAC markets as well as spend time on advocacy efforts, by broadening engagement with regulators, stock exchanges, central clearing counterparties, and policy makers. We will continue to collaborate with PASLA into 2025 through participation in various working groups.

What investments and adaptations to technology and working practices have you made during 2024 to sustain and grow your securities lending activity in the Asia Pacific region?

MacMillan: The EquiLend outage in early 2024 tested the market's ability to execute automated trades, but our ongoing investments in technology enabled us to continue trading in an efficient and highly automated manner throughout and to support our clients around the globe. The sophistication of beneficial owners continues to be the key driver behind our enhancements which enable us to meet the evolving needs of our clients in the region and beyond.

Wells: A cyber incident in January 2024 at the platform EquiLend, led to a sudden and multi-week cessation of core SBL workstreams for the industry. Unlike other agency lenders, State Street exhibited impressive resilience by leveraging its proprietary lending platform named Venturi ALP. The incident highlighted a core dependence on a singular venue. This presented several institutions with significant challenges which State Street was able to solve for in short order. The adoption of Venturi ALP increased commensurably and retained business flows even after the resumption of EquiLend. This situation demonstrated foresight, resilience and underscored the flexibility of the multi-platform State Street business.

Chikhlia: Operations is part and parcel to any securities lending business, so technology adoption and process adaptation is essential to ensure operational resilience. In a period of technological advancement and an everchanging regulatory landscape, it is imperative for firms to keep up with such dynamic changes. RBC Investor Services follows a global 'follow-the-sun' trading model with desks in London, Toronto, Singapore, and operational support in Toronto and Kuala Lumpur to provide 24/5 coverage across 34 lending markets. We have made significant investments to enhance and transform our technology stack to increase efficiency, remove bottlenecks and strategically reduce risks and utilise various solutions provided by market vendors to centralise and automate processes such as recall management and income claims.

Coyle: At Northern Trust we are committed to making sustainable long-term investment in technology which aligns with the needs of our clients, supports market access and delivers both scalable and customised solutions for our product suite. We have a cohesive global strategy which allows product enhancements and technological developments to benefit all geographical regions.

In recent years we have observed a distinct and compelling trend accelerating on the buy side, relating to growing sophistication around the use of inventory to drive incremental return across the portfolio. More specifically, clients are increasingly looking at how to best utilise their long positions across their financing, liquidity and collateral activity. We recognise that to be able to achieve this effectively, there needs to be a centralised strategy across these functions to optimise the use of such assets.

Investments have been made by Northern Trust to optimise capabilities across our securities finance product suite for in-scope clients to be able to derive enhanced benefits from transacting with Northern Trust across these services. We have invested into our technology platforms to consolidate securities finance data into a single platform which supports a suite of new and existing financing solutions. Northern Trust launched Nexus in early 2023 and as part of a multi-year investment, the platform is continuously evolving to bring together a suite of new and existing services across securities lending, borrowing, financing, liquidity and collateral management that would serve as the single point of interface with our capability set.

How have monetary conditions shaped securities lending opportunities in the Japanese market? How are you positioning yourself to maximise opportunities for lenders and borrowers in this environment?

Coyle: The Bank of Japan took action to lift rates from the zero bound in 2024, at a time of policy easing from the Federal Reserve. This convergence of respective interest rates directly impacted the cross-currency basis spread between Japanese yen and US dollars. Demand for borrowers to pledge JGBs as collateral against borrowing US Treasuries softened slightly but did not disappear, although the spreads narrowed for this trade.

In August 2024, Japan's Nikkei 225 lost approximately 25 per cent over three days after the Bank of Japan's decision to hike rates coincided with fears of a US recession. The fears were short-lived, and the index subsequently bounced back, albeit lower than before the shock. This temporary fall was a blip on what was otherwise a strong performing equity market, gaining over 19 per cent through 2024. Japanese companies were able to take advantage of the elevated valuations through capital raising activity, which was the highest among regional peers. However, we did not see many of these events translate into material revenue opportunities, as ample liquidity kept borrow fees at general collateral levels.

As mentioned earlier, during periods of changing demand dynamics, flexibility and adaptability is key. For example, the ability for our clients to accept Korean treasury bonds as collateral, provided another distribution outlet for lending US treasuries, countering the fluctuating demand for JGB's.

MacMillan: With Japan now shaking off many years of stagflation, companies are reducing their dividend ratios and instead putting capital to work either internally or via acquisitions. This, in turn, will reduce and create new opportunities in the financing space. As one counterparty recently said, "there are so many deals in Japan right now, it's hard to work out which ones to really focus on". Hopefully, this trend will continue well into 2025 and beyond.

Wells: After over a decade of ultra-loose Japanese policy, an uptick of inflation led to a decision by the Bank of Japan to raise interest rates marginally in 2024. State Street has long held the unique position among its peer agent lenders in the securities lending market to accept yen cash as collateral. It is likely that rates will continue to face upward pressure which will require adjustments to the facility, however, State Street's close partnership with global cash manager State Street Global Advisors provides the business with intelligence on opportunities in cash investment in Japan. The agency business began to mobilise efforts to capture new opportunities in the yen arena and this effort will build through 2025.

Chikhlia: In March 2024, the BOJ raised short-term interest rates for the first time since 2007, ending its negative interest rate policy. Prior to the central bank's rate hike measures, divergent central bank policies between US and Japan more specifically, provided significant cross currency arbitrage opportunities. The standout funding trade was to borrow US Treasuries versus JGBs due to the USD-JPY cross currency basis spread widening. We will be closely monitoring what actions the BOJ will make over 2025 and the impact of further rate hikes, if any, on the popular Yen carry trade. Japan continues to be a strong market in providing stable lending revenues due to specials and seasonal demand.

Gomi: The repo market for JGBs experienced increased demand for funding in 2024, driven by the high credit and liquidity of JGBs as collateral, as well as expectations of rising interest rates.

The stock market also maintained strong performance, supported by corporate governance reforms among Japanese companies and increased capital inflows due to weaker yen. Consequently, the securities lending market showed steady growth as well.

In the same year, the Bank of Japan ended its negative interest rate policy and subsequently raised interest rates, resulting in significant changes in the market environment. Despite these changes, in the stock lending market there has been no substantial shift in GC rates before and after the interest rate hikes. However, we have observed a trend where borrowers have preferred to reduce inventory and opt for securities as collateral over cash in response to the rising interest rates.

As a leading player in the Japanese repo market, we cover almost all financial institutions in the country and play a crucial role in linking domestic and international repo markets. With over 70 years of expertise in managing domestic margin transactions, we provide a variety of liquidity across different maturities and accept a wide range of collateral, thereby offering diverse solutions to our clients.

In 2024, the Council of Financial Regulators assessed the case for the central clearing of bonds and repos in Australia. How will the possible introduction of a CCP in the region impact the repo market?

Coyle: The potential introduction of a CCP for bonds and repos in Australia would represent a significant development. The market could reap the potential benefits of CCPs including enhanced market transparency, reduced counterparty risk and improved overall market efficiency. We might see increased trading volumes for ACGB's as foreign banks may class them as Level 1 or HQLA for internal regulatory metrics. Costs would be a potential concern with the implementation of a CCP and while some banks are exempt from the Australian Bank Levy, it would create additional costs for those already subject to it.

Northern Trust has significant experience of transacting via CCPs given our large footprint in the US, and more specifically our role as sponsoring member to centrally clear US treasuries via the Fixed Income Clearing Corporation (FICC). The US Securities and Exchange Commission's (SEC) adoption of mandatory clearing for US treasuries from June 2026 will undoubtedly drive other regions to consider such activity.

How do you assess the outlook for APAC securities lending markets for 2025?

Chikhlia: The geopolitical landscape will play a significant role in shaping regional activity in 2025. With Trump's presidency, ongoing tensions between China and the US over trade tariffs will have an impact on regional demand across technology, AI chip manufacturing and shipping sectors across several markets including, but not limited to, Taiwan and Japan.

We anticipate Taiwan will remain a lucrative lending market with continued robust demand. South Korea's reopening in March 2025 will provide renewed lending opportunities. Regulatory reform across regions will require close attention.

Regulatory capital and associated RWA considerations will continue to be at the forefront for securities finance participants. The need for capital-efficient trade structures will continue to cause repricing on existing trades and reinforce the importance of diversification from agent lenders alike with regards to expansion of eligible collateral sets, markets and borrowers. This activity will be aimed at increasing distribution of assets, and more importantly, revenue for our beneficial owners.

MacMillan: Continued progress in markets such as Indonesia, the Philippines, India, and China as they further evolve their regulations, which will open up more lending opportunities to a wider universe of offshore lenders and borrowers. The inclusion of South Korean government bonds in the FTSE World Government Bond Index (WGBI) in November 2025 is also a significant development to watch, as it will drive more activity and opportunities in the South Korean market.

In Australia, the growing superfund industry and increased involvement by those funds in how their securities are loaned, recall rights and voting will drive more directed lending in 2025. However, local and global politics will continue to have a direct or indirect impact on APAC markets, which could alter the approach to existing or future roadmaps in terms of relaxing protective regulatory measures.

The big question for 2025 is whether valuations in China (and therefore Hong Kong) have finally bottomed out, and whether the Chinese economy will be revived, spurring corporate activity and a return to sustainable growth. Regardless, buy side asset managers will need to continuously optimise their portfolios and positions, and securities finance provides a value proposition to all parties, including lending, borrowing, repo-ing, swapping, upgrading, and other commercial or legal conventions. Therefore, it is expected that all parties will need to do more of it in 2025.

Gomi: Financial markets across APAC countries are steadily expanding. In securities lending, various countries are enhancing their market infrastructures to draw in foreign investors, such as the recent establishment of a CCP in Indonesia. As trading environments improve, these markets become increasingly attractive, fueling expectations that the growth trend in APAC's securities lending markets will continue. Given this outlook, we recently supported the establishment of PT Pendanaan Efek Indonesia, a securities financing company in Indonesia. We continuously aim to leverage our unique business model to enhance our presence as a leading security finance institution in Asia, bridging the rapidly growing Asian markets with the global market.

Wells: Another strong year in Taiwan is expected; a resumption of short sale activity in Korea albeit at a cautious pace; an uptick of Japanese corporate events which drive arbitrage opportunities; expect further interest and participation from retail brokerage platforms in the region.

Coyle: We anticipate 2025 will be another interesting, exciting and opportunity-filled year for APAC securities lending. As discussed, the expected return of South Korea as a major regional market for securities finance activity will be welcome, and clarification of the regulatory guidelines in Thailand should lead to improved lending conditions in that market also.

The real conundrum for 2025 is how the Hong Kong market will fare, with its fortune intrinsically tied to the economic landscape on the mainland. Stimulus measures introduced by the Chinese government throughout 2024 boosted market sentiment in the short-term but failed to inspire sustained rallies across the equity landscape, keeping valuations at relatively historic lows. This has meant that fundamental hedge fund activity has been subdued with little appetite to place bets on the downside, therefore suppressing borrow demand. The key to reviving Hong Kong securities lending activity will be whether Beijing can bolster the Chinese economy, while navigating potential sanctions from the new US administration.

We expect that the top performing APAC markets will be Taiwan and Japan — no different to 2024. There is no sign that the AI wave is subsiding any time soon, therefore we would expect conditions to prevail in the technology sector for Taiwan to have another strong year in 2025. The Japanese equity market performed strongly in 2024 and it will be crucial for the BOJ to smoothly manage its transition to a tighter monetary policy to keep the upward momentum this year. If the Nikkei and Topix indices continue to climb then, at the very least, this would mean higher loan balances and higher revenue streams in this volume-driven market. In addition we may have another strong year of capital raising activity, which in turn could lead to lending demand around some of these events.

For certain, in 2025 the world of securities finance in APAC will keep us all engaged, captivated and ever industrious.

South Korea's short selling comeback

With the anticipated return of short selling to South Korea, Daniel Tison sits down with industry experts to discuss if the green light will result in traffic

After a series of regulatory enhancements, South Korea is reopening its securities finance market to the world by lifting its short selling ban on 31 March. While it may seem like a necessary step to establish the country as a competitive market in the global securities finance landscape, there are also concerns about potential implementation challenges.

The Financial Services Commission (FSC) of South Korea imposed a ban on short selling in November 2023, after it had discovered significant violations by foreign firms, including subsidiaries of the former Credit Suisse Group. These firms were fined for engaging in illegal short selling activities.

While short selling is an essential part of securities finance which improves market efficiency, the practice of selling shares without first borrowing them or even confirming their existence — known as naked short selling — is risky and now illegal in many jurisdictions, including the US, Europe, and most developed markets in Asia.

Lessons learnt: Closer monitoring and stronger penalties

A revision bill for the Financial Investment Services and Capital Markets Act (FSCMA), introduced in September 2024, requires institutional investors to set up their own electronic short sale processing system, with both institutional and corporate investors obliged to prepare relevant internal control standards.

Under the new regulations, the conditions for borrowing stocks will be equal for both institutional and retail investors to level the playing field, with a 105 per cent cash collateral ratio and guaranteed minimum 90-day repayment period.

In addition, the bill aims to enhance the effectiveness of punishment and sanctions by strengthening monetary penalties that can be imposed on unfair trading and illegal short sale activities. The new sanctions mechanisms include a ban on trading financial investment products and restriction from being appointed or serving as an executive at listed companies.

At the same time, the Korea Exchange (KRX) has been developing a naked short selling detection system (NSDS), which is to go live once the short selling ban has lifted. The FSC explains that the NSDS will receive information about the status of stock balance and over-the-counter (OTC) transactions from institutional investors, and compare it with their order history stored at the KRX to monitor and ensure detection of naked short selling activities within three days of orders being placed.

The financial regulator adds: "Through these measures, the authorities will work to foster a sound market environment, where short selling can be used as a proper trading strategy that can help to facilitate the market's price discovery function. The authorities also expect that these measures will help to contribute to ensuring fair market order and trust for all market participants."

A local source in South Korea told Securities Finance Times that many diverse and inconsistent regulations had caused chaos among market participants, undermining trust in the Korean financial market. However, he believes that the newly introduced regulations primarily focus on restoring trust among Korean retail investors. Additionally, these regulations are designed to enable most transactions to be systematically monitored, which is expected to reduce the likelihood of further confusing and unnecessary regulations in the future.

The knock-on effect and increased risk appetite

By reopening its borders to short selling, South Korea is expected to attract greater foreign investment and enhance its competitiveness among other Asian countries active in this sector, such as Japan, Hong Kong, or Singapore. By addressing regulatory gaps and aligning with international standards, the FSC aims to enhance market efficiency and investor confidence.

"The return of short selling to South Korea will enable investors to hedge equity risk on a single-stock basis, which will increase risk appetite in the Korean market."

Stephen Howard, CEO of the Pan Asia Securities Lending Association (PASLA), believes that the return of short selling to South Korea will enable investors to hedge equity risk on a single-stock basis, which will increase risk appetite in the Korean market because investors will have more flexibility to manage their exposures.

He says: "If you are an issuer of an equity-linked product in the Korean market, the risk appetite to buy your product, such as a convertible bond, is probably quite low at the moment because the range of hedging solutions available to you is quite limited and prescriptive. [Lifting of the short selling ban] expands that range of hedging solutions, which means that you become more investable for that type of product."

Secondly, short selling helps with price information in the market, making it clearer whether stocks are over or undervalued. This improves the pricing of derivatives, structured products, and above all equity securities, as these particularly rely on accurate price discovery. Investors with long-term positions can use short selling to manage portfolio risks more efficiently.

> "It would be disingenuous to say, or to think even, that the market will switch on like a dime on 31 March."

"[Short selling] is making that price discovery more visible," says Howard. "It's making that price formation process for derivatives more accessible, and therefore, hopefully, a little bit more effectively and efficiently priced for market participants."

Last but not least, short selling increases demand for borrowing stocks, which in turn stimulates securities lending. This leads to more activity in asset financing and collateralised transactions, benefiting the broader financial ecosystem.

Howard says: "The knock-on effect for this would be that it's going to create a demand and stimulus for borrowing and lending of securities and the financing of assets, which can only be a positive for the securities finance market as a whole."

Overall, Howard suggests looking at it top-down, starting with how short selling affects a range of risk management tools, then the market participants' activity, and finally how it drives demand for securities lending.

"You sort of cascade through," he says. "It makes a lot more sense because the short sale mechanism is more effective and utilised by the market risk participants than anybody else."

Testing the waters

With the scheduled ban-lifting, South Korea's securities lending market is poised to gain momentum, but the international implications will depend on various factors. The FSC's reforms signal a commitment to developing a transparent and efficient financial ecosystem. However, the effectiveness of the regulatory framework is yet to be tested. As the March 2025 deadline approaches, the focus will be on ensuring a smooth and transparent transition to this new phase.

According to a financial services firm in South Korea, it is difficult to expect a sudden change, but many investors who had previously overlooked the Korean market are now turning their attention back to it. Therefore, the foreign participation rate in the Korean market, which has sharply declined over the past few years, is expected to increase.

Looking ahead, Howard says: "It would be disingenuous to say, or to think even, that the market will switch on like a dime on 31 March – I cannot imagine that would be the case.

"What we would expect to see, like with any new market opening or reopening, would be a series of test trades undertaken by market professionals in a variety of different ways – market professional to another market professional, offshore to an onshore entity, and so on and so forth, so that they get a high level of confidence over that transaction activity. This will also give all stakeholders that same high level of confidence in the market structure."

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The rise of securities finance e-trading in Asia

Following several years of small steps, Asia has recently experienced explosive growth in the adoption of electronic trading for repo, writes James Davis, head of APAC at GLMX

GLMX has had an eye on growth in Asia since 2018, when we launched our international business. In 2018, we experienced minor client-driven flow, typically London-sourced, in Asia. From that modest beginning and especially since early 2023, GLMX business in the Asian region has experienced powerful growth across several dimensions.

Daily volumes (single-counted) in APAC-denominated collateral are over US$90 billion, up 1,100 per cent since January 2023, and daily balances are over US$200 billion. Clients are active across the region, and new names are going live frequently.

I joined GLMX in spring of 2024 to build out our first office in the region, in Singapore. This was a direct response to the rapid and highly organic growth GLMX experienced in Asia. With the office set up and a growing team in place, we are able to provide the support to existing clients that GLMX is known for. In addition, we are well-positioned to help support new clients with their journey into electronic trading.

Singapore was a natural choice for our initial regional base. We received regulatory approval as a Recognized Market Operator (RMO) from the Monetary Authority of Singapore (MAS) in July 2024. Singaporean authorities, regulators, and institutions have a proven track record of fostering innovation. Our ambition is to work with the market's leading participants in dramatically innovative ways. Our new home in Singapore perfectly fits that bill and we look forward to seeing our clients both in the country and in the region.

My background is in rates sales at a number of banks in APAC covering clients across the region. This included covering repo, which was done entirely manually with all the resultant booking problems and operational risk. Upon joining GLMX and seeing its technology, my first impression was: "Where was this when I was in the market?" The team at GLMX clearly understands the perspective of repo traders and sales traders, and the years of investment in GLMX technology is immediately apparent.

The trend towards digitisation

As I have introduced myself (and in some cases re-introduced myself) to various people in the region, I have been struck by how much this community can benefit from electronic trading. Where there are global sell side institutions who have reaped the benefits in North America or Europe, the conversation tends to be around how we can work together to articulate the value to the buy side to help digitise more of their inbound flows. It is all about a better workflow and superior connectivity. In repo, that fundamentally better experience on the GLMX platform enables the sell side to support more clients more efficiently and effectively, which in turn supports buy side growth — a win for all parties. Superior workflow combined with a network that includes wide market coverage, creates an experience through which the entire repo market can work better.

GLMX's reputation for better trading tools and a platform that connects trading counterparties in the protocols they need has led to new growth outside the repo market. Borrowers and lenders in the securities lending space have — dramatically more so than the repo market — been underserved by technology that materially improves their experience and results. Furthermore, the importance of a robust and secure platform has never been more important. GLMX has found a natural and eager client base in this market segment.

> "Across securities finance, the market is asking for a nuanced platform that delivers engagement with clarity, and GLMX is happy to bring our tried and tested approach to bear."

Working across short-end markets

Across securities finance, the market is asking for a nuanced platform that delivers engagement with clarity, and GLMX is happy to bring our tried and tested approach to bear. Such capability inevitably leads to a conversation with dealers about the convergence of short end markets. Many are looking for tools to optimise collateral use, balance sheet, and client engagement across repo, securities borrowing and lending (SBL), and, increasingly, total return swaps (TRS) markets.

With TRS, specifically within APAC, we see specific local factors driving demand. For example customers looking to gain economic exposure without having to deal with the operational burden of trading a physical security outright. This can occur in markets where there is mandatory buy-in for settlement fails, especially following the move to T+1 settlement and its acute impact on APAC time zones.

This space is on the verge of huge steps forward, and innovation-oriented market participants will reap the rewards.

> "One thing is clear across the repo market, especially in Asia – the ability to transact confidently requires more than just good tools and wide connectivity."

For the buy side, there is more variation. For some, it is an extension of the well-established flow in many other offices already using GLMX technology. As we have expanded our liquidity network to include both new firms and regional desks, trading electronically has become a no-brainer.

For others for whom GLMX is new, the technology speaks to liquidity access, optimised workflows and of course the value of straight through processing. Buy side clients around the world have been able to set up and scale important trading strategies, enabled by the workflow and connectivity provided by GLMX.

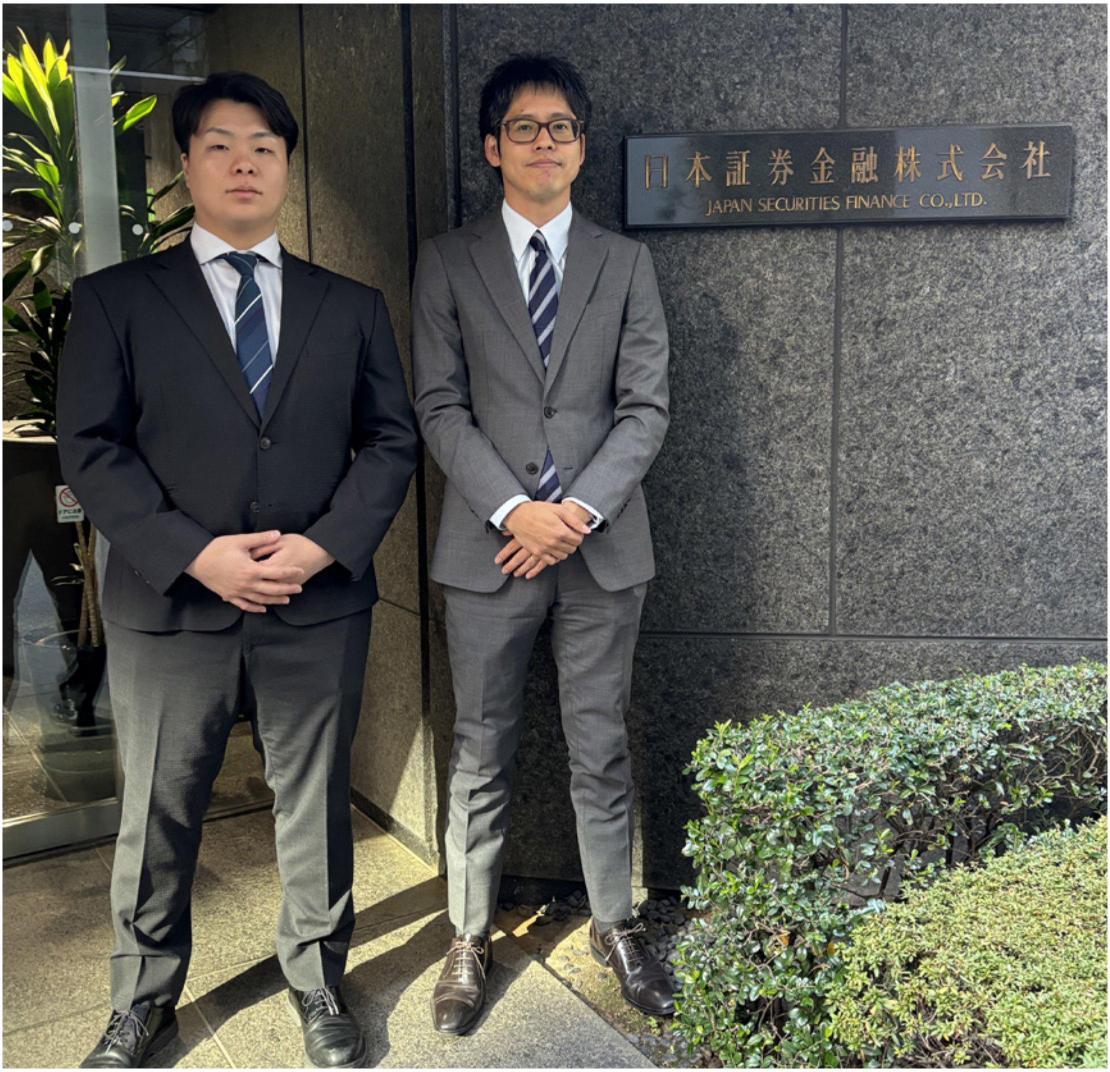
One thing is clear across the repo market, especially in Asia — the ability to transact confidently requires more than just good tools and wide connectivity. In fast-moving rate environments and growing markets, traders need clear visibility into market levels, and the tools to analyse liquidity. GLMX helps dealers assertively engage with their clients in the trades they want to support, and helps the buy side see the market with clarity as they look to perform at scale. This is only possible with large trading volumes and a broad dealer network.

In terms of product coverage, we see in the Asian region a continuation of the dynamic that has already played out across other parts of the globe. The initial driver was very much the flow markets starting with Japan, as international buy side participants rapidly increased their engagement with the Japanese government bond (JGB) market. This was followed quickly by collateral from other major government issuers. Finally, GLMX's offering for credit and emerging market repo allowed more niche business to be moved on platform, for the first time covering the full process from price discovery to negotiation to post-trade lifecycle management.

What to expect in 2025

This year, the growing GLMX team in Singapore is sharply focused on what has long driven our ongoing success. We demonstrate the GLMX value proposition to clients on all sides of the market, working hard to understand emerging client needs, and to deliver a fundamentally better trading platform to serve client growth. Our team follows up on this initial approach with a service model allowing clients to go from demo to live trading in as little as one week. I have never seen a business move this quickly with so much client support, and I am excited to continue that trend in 2025.

Asian markets for securities finance are looking at explosive growth this year. GLMX is investing heavily in Asia, and for good reason. Market participants are ready, and we are excited to serve their success with our powerful and ever-improving technology.



Arbitrage opportunities

With the end of the Bank of Japan's monetary easing policy, the Japanese market is moving towards normalisation and garnering attention from global investors, says Japan Securities Finance's Kohei Takeda and Kenta Yamamoto

What are JSF's primary business lines?

Takeda: Japan Securities Finance Co was established in 1950 as a specialised institution for securities finance. JSF is the only securities finance company in Japan licensed under the Financial Instruments and Exchange Act, operating loans for margin transaction (LMT). Our main business has been LMT since the founding, which is a critical infrastructure for Japan's securities and financial markets.

Additionally, JSF focuses on fixed income repo for Japanese government bonds (JGBs) and government-guaranteed bonds, stock lending for Japanese equities, and equity repo for funding and collateral upgrade by accepting various securities and providing high-quality liquid assets (HQLAs) such as JPY, USD, and JGB. We refer to these operations as our security finance business, one of our growth engines.

What are the latest trends in JGB repo? What role does JSF play in this market?

Yamamoto: The BOJ revised its negative interest rate policy in March 2024 and subsequently implemented two rate hikes by the end of January 2025. As of January 2025, the policy interest rate stands at +0.5 per cent (BOJ will encourage the uncollateralised overnight call rate to remain at around +0.5 per cent).

The repo rates in the JGB repo market (JGB versus JPY transactions) are determined based on the central bank's policy rates similar to other European and US countries, and therefore influenced by the policy changes. Under the previous yield curve control (YCC) policy, the repo rates often fell below the policy rate due to high demand for JGB.

However, with the termination of YCC and a reduction in BOJ's bond purchases, the demand-supply balance of JGB has improved, reducing the divergence from the policy interest rate and volatility of JGB repo rates.

Under such circumstances, JGB repo market transactions grow steadily in both general collateral (GC) and special collateral (SC) transactions, and the outstanding of the JGB repo market stands around 250 trillion yen with the continuous rise in JGB issuance as a background.

On the other hand, outside of Japan, there remains strong speculation about further changes in the BOJ's monetary policy. As a result, the need for short trades and their covering, particularly by hedge funds and other entities, remains high, leading to a continuous shortage of JGB. There are many arbitrage opportunities in the JGB market.

For example, under the Bank of Japan's YCC, there were trades targeting discrepancies among the JGB cash market, the interest rate swap market, and the JGB futures market caused by BOJ's large purchases of JGB with specific maturities.

Similarly, arbitrage opportunities arise from supply and demand discrepancies in specific issues. The smoothness of borrowing and lending JGB in the JGB repo market is crucial for timely execution of these arbitrage trades. Therefore, the JGB repo market continues to be highly attractive for all market participants, both domestically and internationally.

> "The JGB repo market continues to be highly attractive for all market participants, both domestically and internationally."

In the recent JGB repo market, there has been a notable rise in spread trading that achieves a neutral cash position by combining SC transactions for borrowing specific JGB with cash and GC transactions for borrowing cash with JGB collateral. This method has gained significant attention in recent years, as it enables market participants to effectively offset interest rate risk, credit risk, and other risks through reverse transactions.

As a leading entity in the JGB repo market, we have covered nearly all financial institutions and institutional investors in Japan. Within this framework, we have also come to play a pivotal role as a hub between the domestic and international repo markets, facilitating the flow of domestic liquidity to global markets. In addition to regular SC and GC transactions, we are actively engaged in the aforementioned spread trading. Our network of overseas counterparties continues to expand, allowing us to accumulate a wealth of insights and solutions. Our international partners often note that trading with us provides direct access to JGB market liquidity. They also value the ability to obtain real-time pricing across various issues, significantly enhancing their JGB trading capabilities.

> "As a leading security finance institution in Asia, we will connect the rapidly growing Asian markets with global markets."

Furthermore, there is a growing trend of cross-currency repo, borrowing USD and other currencies with JGB in Japan. The demand varies in scale depending on the financial institution; nonetheless, foreign asset managers outside of Japan can operate USD and other currencies at competitive levels while significantly reducing their administrative costs.

Transactions of bonds other than JGB, such as public bonds (government-guaranteed bonds and municipal bonds) and corporate bonds, remain limited. However, there is a growing demand, particularly from overseas, for borrowing or lending cash with various bonds. We are dedicated to pioneering these new transactions and expanding market opportunities. We will further commit to aggregate comprehensive information on various bonds and propose diverse transaction solutions tailored to each need from our clients.

What current trends are you seeing in the lending market for Japanese stocks? What role does JSF play in this market?

Takeda: Despite several interest rate hikes by BOJ, the Japanese stock market has continued to grow steadily. In this circumstance, for Japanese stock-lending transactions, there has been no change in the relationship between GC rates and the policy interest rate in a rising interest rate environment. From the lenders' perspective, they typically need to pay the collateral money rate for unsecured overnight call transactions, but as they operate the received collateral money in unsecured call markets, the impact of rate hikes is limited.

On the other hand, borrowers are compressing their inventories due to the increased cost of collateral money procurement and are showing a preference for securities collateral over cash. Some major lenders who previously only accepted cash collateral have started to accept securities collateral as well. Additionally, with the Tokyo Stock Exchange's extension of trading hours in November (from 15:00 to 15:30), company announcements become published after 15:30, leading to a delay in lending inquiries.

In this environment, we are responding to the increasing demand for securities collateral and continuing to minimise fail risks through fail cover transactions, contributing to the development and stability of the market. Since 2023, a new listing of active ETFs has led to an increase in funds with different stock composition and weightings from the main index, introducing many stocks which are not included in the main index to enter the market. With our high credit ratings (S&P short-term credit rating A-1, long-term credit rating A) and solid operations, we aim to establish a trading framework with these funds to incorporate new stocks into the lending market, enhancing its depth.

What are some of JSF's initiatives for the business globally outside of Japan?

Yamamoto: JSF has focused on the Japanese market since its founding. With the extensive insights accumulated on domestic security finance operations over the years, we extended our business in recent years and are actively trading with overseas clients including global systemically important banks (G-SIBs) in equity repo. During this period, we have consistently participated in international conferences to expand our clients. These initiatives have enhanced our overseas operations, achieving our recognition as the 'Asian Repo Team of the Year' at the Securities Finance Industry Excellence Awards in 2024. Our clients now extend across Asia, Europe, and the US.

Within this international framework, we have identified the Asian market as a strategic target for further growth, given its geographical proximity and dynamic market potential. The stock markets across Asia have diverse regulations and characteristics. In Taiwan for example, the interdealer market restricts the number of brokers capable of handling transactions.

Recognising Taiwan as a high-growth market with limited competitors, we developed our own scheme in 2017 and entered this market. Transaction volumes have been steadily increasing since the beginning.

Beyond Taiwanese stocks, we started a funding business for Hong Kong stocks in 2022 and are actively preparing to launch a funding business for Korean stocks in 2024. We are also preparing to meet funding needs for assets such as Indonesian government bonds.

We collaborate with triparty collateral management services, which enable seamless adaptation to local regulations and market characteristics at a low cost without local offices.

In response to borrowing Asian assets, we provide JPY and JGB as HQLA, effectively addressing the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) regulatory requirements of G-SIBs financial institutions. With JSF's high credit ratings, we can procure JPY and JGB on advantageous terms.

We will continue to make the most of the unique strengths of our business model, flexibly incorporating new assets, regulatory frameworks, and transaction schemes. As a leading security finance institution in Asia, we will connect the rapidly growing Asian markets with global markets and contribute to the overall development of the financial market.

Kenta Yamamoto
Vice president of fixed income repo
Japan Securities Finance

Kohei Takeda
Senior vice president of equity repo
Japan Securities Finance

Movements in data and emerging markets

Karen King, head of solution sales for APMEA at S&P Global Market Intelligence, provides a global overview of the securities lending market, delving into regional activity and industry evolution. Carmella Haswell reports

During your 20+ years in the financial industry, what key transformations have you seen in the securities finance space which has boosted its evolution?

Addressing that question thoroughly would require significantly more time than the length of this article allows. The changes observed over the past 20 years have been nothing short of remarkable. A key starting point for this discussion is regulation; frameworks such as Dodd-Frank, Basel III, MiFID II, and EMIR have profoundly influenced how institutions conduct their business today.

Regulations such as the liquidity coverage ratio (LCR), net stable funding ratio (NSFR), counterparty credit risk (CCR), and the Securities Financing Transactions Regulation (SFTR) were non-existent two decades ago. These regulatory developments have driven considerable evolution in areas such as risk management, transparency, and collateral optimisation. Consequently, technology, infrastructure, and systems have undergone substantial overhauls to meet the enhanced requirements of the current ecosystem.

The rise of the fintech industry has introduced automation and improved data transparency, significantly transforming the trading process. The demand for more detailed data and insights has surged and will likely continue to grow alongside advancements in artificial intelligence and machinereadable data — fields in which S&P Global Market Intelligence remains a key player.

Having been with (what is now known as) S&P Global since 2005, how have you seen the use of data evolve? How have client demands and regulations impacted this evolution?

You may have encountered the phrase 'Data is King', but it is crucial to emphasise that the quality of data and its application are paramount. While there is an abundance of data available, it is essential to conduct appropriate due diligence regarding its security, maintenance, cleansing, aggregation, and point-in-time accuracy. Poor-quality data will inevitably lead to inferior outcomes.

Data is now integral to nearly every stage of the securities lending process, impacting the entire lending chain from beneficial owners to custodians, prime brokers, and hedge funds. The hedge fund industry was an early adopter in utilising data to develop signals and factors; however, this demand for data-driven insights has expanded across the entire sector.

Today, it is possible to monitor intraday trading activity for stocks, assess costs, identify driving factors, and build algorithms to forecast future price movements. The combination of robust infrastructure and data capabilities is particularly powerful, for instance, triparty arrangements and collateral optimisation exemplify this synergy.

Every lending desk utilises daily data, though the sophistication of its application varies. Some firms integrate data throughout the entire trade lifecycle, automating processes such as borrowing, pricing, and reporting, while others use it merely as a reference point. Enhanced data transparency has enabled beneficial owners to broaden their activities, with many now trading their own collateral and reinvestment. Regulatory requirements have also imposed additional governance standards, which can only be fulfilled through transparency.

This trend continues to gain momentum and has expanded into the repo space. Approximately 18 months ago, S&P Global Market Intelligence launched its Repo Data Platform (RDA), which allows for the display of repo and securities borrowing and lending data, high-quality liquid asset (HQLA) indicators and liquidity metrics. Given the increasing focus on collateral optimisation and OTC initial margin requirements, having access to this insight is essential.

In your career, you have worked with a number of desks — including fixed income, repo, equities, data, sales — what are the notable synergies between these desks? How have you seen this change?

The increased fluidity between equity and fixed income desks represents a significant transformation in the industry. Similarly, the integration of repo and securities lending desks, which have historically operated in isolation often on different floors with minimal interaction, has become more pronounced. A substantial number of firms are dismantling these silos, resulting in enhanced collaboration and operational efficiencies.

A notable concern in the repo markets has been the lack of transparency. However, with the launch of the RDA, we are beginning to witness a positive shift in this regard, accompanied by a growing commitment to transparency. This transition is delicate and requires sustained effort over time; it is unrealistic to expect a leap from minimal data availability to intraday insights overnight. Nevertheless, there is a clear demand for improved transparency.

In the cash equities markets, a wealth of data and signals is readily accessible, while the fixed income space remains relatively limited, primarily concerning pricing data. Given the recent interest rate environment, there has been a surge of interest in fixed income markets, along with inquiries regarding their impact on equity markets and vice versa.

Our Alpha Signals team has produced several papers exploring equity-to-fixed income and equity-to-credit default swap signals, which have garnered significant attention. They are now also working on reverse signals, as well as developing additional fixed income insights, in response to the high volume of requests in this area.

In terms of South Africa, the regulatory landscape is changing for the securities finance sector. Can you discuss what you are seeing in terms of SFT reporting?

While in South Africa in Q4 last year, this was particularly topical with the anticipated release of the Conduct of Financial Institutions (COFI) Bill and the confirmation of the first official trade repository. This backdrop led to a compelling panel discussion focused on OTC and securities financing transaction (SFT) reporting, emphasising the critical importance of trade matching, collateral flexibility, optimisation, and the issuance of legal entity identifiers (LEIs). It is widely believed that SFT reporting will soon become a requirement in South Africa. However, several hurdles must be addressed, including the specifics of what will be reported and by whom. My estimate is that we are still about 12 to 18 months away from implementation.

Your position at S&P Global Market Intelligence encompasses a core focus on the APAC, Middle East and Africa markets. How do you see recent decisions on short selling and securities lending impacting investor participation in Korea and China?

This is a nuanced topic. In markets where entry presents challenges, many investors view these as opportunities, as the potential returns can be more attractive. While some investors prefer less risky, more straightforward routes, and may shy away from complex markets, others are drawn by the potential for higher rewards.

In China, stock lending continues to face various barriers to entry, particularly following the Hong Kong Stock Exchange's decision to stop disclosing real-time turnover data for northbound trading in April of this year. Despite these challenges, alternative data sources remain accessible, but it is crucial for investors to know where to find them.

There has indeed been significant discourse around reducing exposure to China. However, some firms continue to identify and capitalise on valuable opportunities within the market. The number of fund launches in Hong Kong has rebounded to respectable levels this year, with proximity to China serving as a key driver for being based there. While market dynamics have shifted, the appetite for investment remains strong. Where there is a will, there is a way, and I maintain a positive outlook for this market.

Regarding Korea, many countries with mature financial markets, robust systems, and substantial institutional investor bases are generally comfortable with short selling. In contrast, Korea's long-term investment landscape has been dominated by the retail sector, which has a complex relationship with short selling.

The current ban on short selling has been officially attributed to concerns over naked short selling and the need for effective control systems. However, many believe the underlying motivation is to appease the retail sector, especially in light of the changing political landscape. The relaxing of the ban in March is very much welcomed however, it appears that short selling will continue to be a contentious issue, and investors will need to remain adaptable to navigate future changes in processes and restrictions.

Can you explore the key trends and movements within the APAC market which you find most interesting for your clients?

Stepping outside the securities borrowing and lending (SBL) space for a moment, one of the most significant trends we are observing is the rise of active exchange traded funds (ETFs), particularly semi-transparent ones. Overall, ETF growth has averaged 24 per cent in compound annual growth rate (CAGR) over the past decade, while the active ETF market has expanded at an impressive 51 per cent CAGR during the same period. Notably, actively managed ETFs captured 34 per cent of flow in the first half of 2024 in the US.

For those unfamiliar with active ETFs, these funds allow portfolio managers to adjust investments as needed, without being constrained by the rules of tracking a specific index. Semi-transparent ETFs, in particular, are not required to disclose their positions daily, enabling many mutual funds to list as ETFs.

As a provider of essential services within the ETF community, S&P Global Market Intelligence calculates portfolio composition files, intraday net asset values (iNAV), and ETF composition data. We have been collaborating closely with clients across APAC to facilitate this growth, achieving notable success in Singapore, Australia, Japan, Hong Kong, and South Africa, with Taiwan set to launch in January 2025.

Linking this growth to the SBL market, the increasing number of traded ETFs has prompted more firms to explore the use of ETFs as collateral. S&P Global Market Intelligence has developed an ETF collateral service to efficiently identify eligible ETFs for collateral between lenders and borrowers, thereby enhancing market efficiency.

The Middle East has garnered a lot of attention in the past 12 months, leading to an increase in the number of funds. How have you seen activity in the region change?

There has been a significant surge of activity in the Middle East, characterised by a positive momentum in the securities lending sector. While the region is familiar with securities lending, as many firms actively lend their international inventory, domestic lending is now emerging as a priority. Saudi Arabia is leading this initiative, with Qatar, Abu Dhabi, and Dubai poised to follow suit. There is a clear commitment from both the market and regulators to expand the securities lending business; however, some patience is necessary as further development of infrastructure and processes is required.

Many countries within the Gulf Cooperation Council (GCC) have expressed a strong interest in diversifying their economies and enhancing their financial markets. As capital flows increase, it is essential to have mechanisms in place for appropriate position hedging. Therefore, the development of the lending space will significantly contribute to this growth. This is an exciting area to monitor, and we look forward to witnessing its continued expansion.

Outside of SBL we see an emerging trend for information in the credit risk space.

There is also a growing emphasis on sustainability in the region, driven by heightened awareness of climate change, government initiatives, corporate commitments, and national sustainability targets. As a result, we anticipate a surge in green bond issuances, as the Middle East emerges as a promising market for green projects, particularly in light of the need to diversify away from reliance on the hydrocarbon sector.

What will be the core focuses for you over the coming 12 months?

We continue to produce and deliver a broad range of solutions to the securities finance community. Our RDA product continues to gain momentum, the value of notional loans is now almost the same as those we see in securities lending. We have been somewhat surprised by the disparities between the securities lending market and repo markets which is really elevating the need for this insight.

We have some nice incremental insights coming on our upcoming fixed income interfaces, with interactive visualisations focusing on clarity, accessibility, and ease of use. Our users will be able to view the two markets side by side with supplementary metrics like liquidity scores in the cash market that helps users gauge the liquidity of the asset in the market.

Our onboarding, ALD tool now has a nucleus of participants and volumes are growing and we are seeing improvements in the pre-trade mutual approval process. Our beneficial owner compliance tool is adding additional checks and is helping these clients take some of the heavy lifting from their oversight responsibility.

Later this year we are adding new analytics to our intraday service, where our volumes are around 80 per cent of end of day volumes, providing competitive advantage to our users with access to timely data who can act faster on changes in short interest, securities availability, shifts in lending rates, and capturing opportunities in fast-moving markets. And lastly, for our hedge fund clients, we have a new transaction analytics feed which breaks down short interest (which is quite different to securities on loan) into different buckets to allow greater understanding and insight to commitment, PnL, momentum and crowding.

MUFG Investor Services expands in Japan

Having expanded its agency securities lending services for the Japanese market, Tim Smollen, EVP and global head of the GSLS team, speaks with Karl Loomes about the offering and the significance of the move

How would you describe the current securities lending landscape in Japan, and how would you say it compares to its counterpart in Europe, the US, and APAC?

This launch is a significant achievement, as Japanese investment trusts have only used securities lending in a very limited capacity, and we are of course very excited to be able to provide a fully fledged global agency securities lending service for them.

When compared to Europe, the US and APAC, it is fair to say that Japanese clients have traditionally been extremely risk averse. For example, in the past they would only accept limited types of collateral, but that is changing now. Clients are interested in a broader range and type of collateral, exploring different trade types and are showing a willingness to expand their approved counterpart list and also have a keen interest in indemnification. I see a real trend of Japanese clients becoming engaged with their providers, which is always a good thing.

From a lending or financing perspective, it is also important to note that many Japanese clients have been in similar programmes for decades, using financial instruments including repo and collateral swaps as important sources of financing. The concept is not necessarily new, especially for some of the larger banks and insurance companies.

What prompted the decision to make this move, and does it fit in with a broader strategy for MUFG?

We have been working on this for several years. In 2020, MUFG Investor Services decided to enhance our global securities lending capabilities by assembling a new team and investing in new technology. We have been actively involved in securities lending for more than two decades, but primarily focused on regional programmes. Recognising a growing need in our industry, the Global Securities Lending Solutions Group (GSLS) team completely recast our offering by introducing more capabilities for clients, including diverse trade types, collateral options, and indemnification.

After enhancing our capabilities, our team met with many clients, and SBI Asset Management in Japan expressed great interest in our new securities lending opportunities. We will serve as a lending agent for SBI where we will lend their assets wherever the demand exists in the world.

What impact do you see this offering having for your clients?

We believe this is a very significant tool. It empowers asset management firms that cannot provide their own securities lending services, and gives them the opportunity to generate additional revenue for funds and investors. In many ways, this service levels the playing field in Japan by giving those asset managers the same options as other investors who have long participated in securities lending. We are very pleased to have developed a service that can help our clients generate new revenue, and we intend to expand the service to other Japan-domiciled investment trust funds in the future.

What were some of the factors that have hindered investment trusts from participating in securities lending in the past?

Historically, it has been very difficult for Japanese investment trusts to do securities lending. It required significant technology upgrades, as well as additional resources to operate a programme. Japanese investment trusts did not use agent lenders because there are many regulatory points to consider when hiring an external lender. Our GSLS team worked with our clients, along with legal and regulatory experts, to clear those hurdles and create this opportunity.

What does this new offering mean for MUFG Investor Services?

This is another important step in the evolution of MUFG Investor Services. During the past decade, we have invested significantly to expand our global suite of services. MUFG Investor Services recently topped more than US$1 trillion in assets under administration. Because we are a division of MUFG Bank, one of the world’s largest, we offer clients access to a broad suite of products, including banking, fund finance, FX overlay, custody, and now securities lending. This means we have the ability to support our clients across the entire investment value chain.

Maximising value

Tiger Brokers' Keith Lee, CFA, managing director, APAC head of securities finance and borrow, speaks to Carmella Haswell about the company's SBL expansion in Asia, as well as the evolution of SBL in the retail investor space

Over the last 20 years, the prime brokerage segment has expanded dramatically in the Asia Pacific region. This growth looks set to continue as equity markets persevere in their development from an institutional and client perspective.

According to Keith Lee, CFA, managing director, APAC head of securities finance and borrow at Tiger Brokers (HK) Global, there are two main contributors to this acceleration. First is the introduction of new asset classes such as cryptocurrencies, which require execution and financing services. Second is the increasing number of family offices being established in Asia.

Emerging asset classes, particularly crypto-related securities, are gaining traction and demand increased attention in the APAC region. Among other trends, the rise in client groups such as family offices present unique service opportunities within this sector.

For Tiger Brokers, there is a significant opportunity to bridge the gap between local traditional brokerages and international brokerages.

"By positioning ourselves as an intermediary, we aim to facilitate smoother transactions and enhance connectivity between these two segments," says Lee. "Ultimately, our strategic goal is to establish Tiger Brokers as a leading wholesaler in the retail investor space, harnessing these trends and our unique market position to drive growth and deliver value to our clients."

The retail investor

Harnessing his expertise in the market, Lee indicates that the evolution of securities borrowing and lending (SBL) in the retail investor space can be examined from two perspectives.

Considering retail investors as securities borrowers in the Hong Kong market, Lee observes a gradual increase in both the number of transactions and notional value. However, these figures remain significantly smaller compared to those of institutional investors.

On the other hand, retail investors are becoming increasingly important as securities lenders in Hong Kong's SBL ecosystem. Through yield enhancement programmes and margin accounts, the securities inventory of retail investors can be efficiently lent out.

He adds: "We've seen consistent growth in both the total borrow notional and the number of securities sourced from retail investors, highlighting their growing significance in this space."

Tiger Brokers is an online brokerage group that holds a brokerage licence in Singapore, the US, New Zealand, and Australia. Specialising in serving retail investors and a range of clients, Tiger Brokers Hong Kong (TBHK) has expanded into the SBL and financing business under Lee's leadership.

Tiger Brokers' business strategy primarily focuses on strategically developing and launching products and markets in a sequential manner. A number of factors influence the firm's strategic decisions, including the complexity of product development, potential return on investment (ROI), required IT resources, staffing needs, market demand, competitive landscape, and regulatory compliance.

"By carefully weighing these factors, we aim to optimise our resource allocation and maximise the value we provide to our clients and stakeholders," adds Lee.

The firm also seems to be maximising value through its announcement with the Pan Asia Securities Lending

Association (PASLA) — which indicates that the company has become the first retail fintech broker to join the association as a member.

> "Tiger Brokers plans to expand its client base and counterparty relationships, enhance borrow quality, increase its securities lending inventory, and optimise the firm's operational processes."

Through its membership, Tiger Brokers will work alongside traditional financial institutions to advance the SBL business.

The company views PASLA as a crucial partner in its future business development, where its various working groups provide "invaluable" clarification on rules and regulations, as well as guidance on general market practices.

Lee explains: "We are excited to be a member of PASLA. It proves that we've met the market standard set by other PASLA members, which are top-tier professional participants. This demonstrates our efforts and commitment to the SBL and financing business."

As Tiger Brokers only recently established its SBL desk in Asia, its PASLA membership has significantly enhanced the company's recognition among industry peers across the Asia Pacific region, the firm comments.

Consequently, Lee says the company has received an increase in business inquiries, and potential counterparties have shown greater confidence in its product offerings.

Expanding its reach

Tiger Brokers' approach to providing prime brokerage services is centred on catering to a specific group of clients.

Lee explores: "We develop our products to meet the unique demands of this targeted client segment. In determining which client group to focus on, our primary consideration is client quality. We assess this by thoroughly evaluating each client's background and financial condition."

He views market volatility, increased demand for liquidity, and regulatory changes not as challenges, but as opportunities. At Tiger Brokers, the firm aims to foster a "culture of innovation", constantly seeking new and improved ways to conduct business. This approach, it says, allows the company to differentiate itself in the market and turn potential challenges into competitive advantages.

Looking ahead over the next 12 months, Tiger Brokers plans to expand its client base and counterparty relationships, enhance borrow quality, increase its securities lending inventory, and optimise the firm's operational processes to handle higher transaction volumes more efficiently.

In his conclusion, Lee says: "As a global entity, we'll continue to use our international presence, fostering collaboration across regions, to create new business opportunities.

"While we can't disclose specific projects at this time, our focus remains on strengthening our market position and delivering enhanced value to our clients in the securities lending and borrowing space."

Navigating growth amid emerging opportunities

As APAC's securities finance landscape continues to evolve, market participants face a dynamic environment characterised by regulatory shifts, technological change, and emerging opportunities, says State Street's Richard Gallagher

The Asia Pacific securities finance markets are on the cusp of significant transformation in 2025. Market participants should anticipate continued evolution, driven by regulatory developments and technological innovation, and subsequent changes in market behaviour. Readiness is key — State Street will work with clients and partners to stay ahead and drive the best possible outcomes over the coming year.

The shape of the future

One prominent development which will have far-reaching implications is the push towards central clearing for specified US Treasury transactions via the Fixed Income Clearing Corporation (FICC). Today, a significant portion of treasury funding and cash markets remains uncleared. This move aims to strengthen the global financial system by reducing contagion risk posed by non-centrally cleared trades, in the event of a default.

We have seen a strong interest and engagement from clients as they prepare for the implications of this regulatory development. Even clients not directly required to clear via FICC have recognised that there will be a continued liquidity shift to this clearing model, necessitating its adoption purely as another source of liquidity.

One refrain I have been hearing more from asset owners and managers in the region is that they are looking to streamline and simplify their counterparty relationships. The regulatory, geopolitical and technological environments are complex enough without a multitude of counterparty relationships to manage. At State Street, we have seen particular interest in our Prime Services offering, as clients see it as a complementary, diversified value-add to their existing relationships and product sets in custody and financing.

I am also excited about the growth in agency lending in the region. In my view, Asia is home to some of the savviest sovereign wealth and pension investors globally. They have been early adopters of internalisation of asset management, as well as becoming more sophisticated in use of their balance sheet. Increasingly, asset owners are solidifying their status as financial partners within the global financial ecosystem. It has been a pleasure to work with these clients to adapt our model and ensure flexibility as we endeavor to continue to add value to their financing arrangements.

As for the outlook regionally, I am cautiously optimistic. We are anticipating the resumption of short sale activity in Korea, which should help bolster volumes and interest from international investors. Increased corporate events in Japan should drive alpha opportunities. In Australia, the superannuation industry will undergo significant changes in 2025, with the trend towards mergers and consolidation a focus on fees and profitability. State Street is well positioned to help the biggest super funds maximise their return on assets via agency lending, as well as evolving the programme to meet their growing sophistication.

Leadership and commitment

State Street's leadership in securities financing is underpinned by over 30 years of experience delivering services and solutions. In Asia-Pacific, State Street plays a vital role in supporting liquidity and operational efficiency in financial markets. Our comprehensive, integrated offerings, including Agency Lending, Secured Financing, and Prime Services, help enhance client portfolios and support investment strategies.

The firm's commitment to the Asia-Pacific securities finance business is evident through numerous accolades, including the Securities Finance Times Industry Excellence award in 2024 for Asian Lender of the Year.

State Street has been doubling down on its commitment to our Financing Solutions suite and I am excited about the opportunities ahead and look forward to partnering with our clients globally, and in particular, within APAC.

Richard Gallagher
Managing director and Financing Solutions head of sales and client management APAC
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BNP Paribas' Securities Services business is a leading global custodian providing multi- asset post-trade and asset servicing solutions to buy-side and sell-side market participants, corporates and issuers. With a global reach covering 90+ markets, its custody network is one of the most extensive in the industry, enabling clients to maximise their investment opportunities worldwide.

As of 30 September 2024, Securities Services had USD 14.96 trillion in assets under custody, USD 2.959 trillion in assets under administration and 9,197 funds administered.

With an in-depth knowledge of global markets across multiple asset classes and currencies, BNP Paribas has supported securities lending and borrowing activities for many years. Our seven trading desks covering all established securities lending and borrowing markets allow us to provide in-depth knowledge of local market trends across multiple asset classes. BNP Paribas' proven track record in the securities lending and borrowing industry is the result of strong trading expertise, robust risk management policy and control, as well as the continuous development of operational efficiencies. We are able to provide both agency and principal lending services and our agency lending capabilities are also available in third-party.

Furthermore, BNP Paribas offers a full suite of repo services including traditional repos and committed repo facilities. We can answer your liquidity needs through efficient and customised (e.g. tenor, size…) programmes.

Since 2017, we also support our clients with our triparty collateral management services, providing advanced technology and seamless user experience. With this solution, we enable you to connect with a large community of banks, asset owners, asset managers, hedge funds and corporates to manage your collateral for repo, securities lending, uncleared derivatives and other activity generating counterparty risk. Our solution is fully integrated with the rest of the BNP Paribas ecosystem to ease the connection between collateral takers and collateral givers.

More on Securities Lending
More on Repos
More on Triparty Collateral Management

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We offer businesses loans to invest in growth, and products such as foreign exchange and trade financing that enable them to expand internationally. And for large companies and organisations operating across borders, we offer tailored advice on decisions such as financing major projects, issuing debt or making acquisitions.

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JSF has founded in 1950 as the financial institution specializing in the securities finance as the name and has already been engaged in this business for 95 years, including the predecessor company.

Since established, JSF have been working for major role in Japanese financial markets providing the infrastructure for the securities finance, such as the margin loan for equities and securities lending/borrowing transactions.

JSF has been keeping high credit-ratings such as long-term A and short-term A-1 in S&P.

JSF has long time been focusing on Japanese markets, however, with the awareness that JSF is one of the players in the Asian markets, so we have recently begun to handle the Asian equities repo transactions, such as Taiwan, Hong Kong and Korea, to contribute to develop the Asian markets.

And, due to the increasing demand for government bonds as collateral for various financial regulations, the repo transactions related to JGB and other government bonds where JSF lending these government bonds to the overseas financial institutions are also expanding. industry knowledge and a strong commitment to serving our clients.

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Northern Trust Corporation (Nasdaq: NTRS) is a leading provider of wealth management, asset servicing, asset management and banking to corporations, institutions, affluent families and individuals. Founded in Chicago in 1889, Northern Trust has a global presence with offices in 24 U.S. states and Washington, D.C., and across 22 locations in Canada, Europe, the Middle East and the Asia-Pacific region.

As of December 31, 2024, Northern Trust had assets under custody/administration of US$16.8 trillion, and assets under management of US$1.6 trillion. For more than 135 years, Northern Trust has earned distinction as an industry leader for exceptional service, financial expertise, integrity and innovation.

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(1) Based on market capitalization as at October 31, 2024

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State Street Financing Solutions provides a comprehensive and innovative set of securities financing products. Our leading Agency Lending, Prime Services, and Repo offerings can help you get the most out of your portfolios and support your investment strategy. As a market innovator, we've expanded our services with a range of peer-to-peer financing services, helping you access new pools of liquidity and providing competitive overnight and term cash investment financing through our common platform, Venturi℠. Combining our full suite of offerings, supported by a business model that is built to provide stability through market cycles, we can help identify potential areas for savings, profits and, ultimately, achieve alpha.

Notes