Securities Finance Times

ASIA 2026

Asia Annual 2026

Entering the year of the fire horse, the Chinese zodiac signals forward movement, independence, and endurance — but colliding with the element fire, this is a moment that occurs only once every 60 years. Under this symbol, 2026 is expected to face fast-paced change — but will the securities finance market reflect this?

Mapping out the movements in Asia Pacific, this year's Asia Annual provides discussions on recent activity in South Korea, Taiwan, Japan, and Hong Kong. In addition, core themes include fully paid securities lending, the US Treasury clearing mandate, and post-trade infrastructure.

A detailed panel discussion provides a comprehensive review of the market from short selling and political changes to heightened activity and digital assets. Meanwhile, HSBC's Adnan Hussain reviews cross-border connectivity and the re-emergence of the New Silk Road.

Paul Wilson of Transcend Street Solutions discusses Asia's evolving collateral landscape, the operational pressures facing the buy and sell side, and why enterprise-wide optimisation is becoming a strategic differentiator. Readers may also be keen to view insights from State Street Market's Richard Gallagher on how upcoming central clearing regulation in the US is shaping the priorities of APAC global investors.

Much more lies inside, with Deutsche Bank's Kaitlyn Choo and Cassie von Sprecher on providing optimal allocation of cash to money market funds and reverse repo across multiple currencies, and Kei Hashimoto of Japan Securities Finance Co. on Japan's unique Margin Transaction system. We would like to thank all contributors for their insights into the fascinating world of Asia securities finance and hope that, with this guide, readers gain a greater understanding of the market to navigate the year ahead.

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PASLA endorses Bursa Malaysia's Shariah-compliant model

The Bursa Malaysia Islamic Securities Selling and Buying — Negotiated Transaction (ISSBNT) model has been endorsed as a vital addition to the regional securities financing toolkit for Shariah-compliant products.

The endorsement comes following a review by the Pan Asia Securities Lending Association's (PASLA) Association of Southeast Asian Nations (ASEAN) and legal working groups and executive team.

The ISSBNT model is a Shariah-compliant alternative to the conventional Securities Borrowing and Lending - Negotiated Transaction (SBLNT) Model

The model is structured based on two outright bai` (sale) transactions that includes the feature of wa`dan (two unilateral promises/ undertakings), and khiyar al-shart (conditional option), as well as the provision of collateral as security for the indebtedness.

PASLA says it recognises the importance of advancing Shariah-compliant products within the Malaysian capital markets, in line with similar initiatives across other regions.

IDClear activates bilateral repo on Megara

IDClear, Indonesia's central counterparty (CCP), has activated the bilateral repo business line on Vermeg's Megara platform, expanding the region's clearing landscape.

The deployment of the bilateral repo capability marks a key step in IDClear's strategic development programme to strengthen the country's financial market infrastructure while deepening liquidity in the money market.

By integrating bilateral repo processing into its Megara setup, IDClear is now able to enhance collateral efficiency and mobilisation; expand the range of CCP services offered to members; support broader money-market development; and reinforce overall financial resilience.

This extension builds on the initial Megara deployment performed by Vermeg in collaboration with Bank Indonesia, and eight major local banks.

Megara serves as a unified, scalable backbone for Indonesia's post-trade ecosystem, enabling progressive service expansion across markets and asset classes, says Vermeg.

Megara is designed to meet

the needs of modern market infrastructures, combining robustness, high configurability, and regulatory alignment.

The platform offers: cloud-native, API-first architecture, unified workflows, market-specific flexibility, and scalability for future service expansion and innovation.

For Indonesia, Megara delivers an extensible foundation capable of supporting additional market segments and regulatory evolutions as the country's financial system continues to mature.

Thailand proposes revisions to short selling and SBL services

The Securities and Exchange Commission of Thailand (SEC) has proposed revisions to regulations governing short selling, as well as securities borrowing and lending services provided by securities firms.

Looking to improve the appropriateness and efficiency of these services, the SEC also aims to enhance regulatory oversight in line with the current capital market conditions.

The SEC has solicited public feedback on the proposed revisions and has consulted with the business sector and relevant agencies.

Incorporating feedback from stakeholders, the SEC says that most agree with the overall principles, as well as suggestions to review and improve the regulations further.

The goal is to ensure they are appropriate, consistent with the practices of securities firms, and reduce unnecessary burdens on businesses.

The key aspects of the revisions are three fold: to clearly define the meaning of a short selling transaction; provide short selling services according to customer orders — such as getting to know inter-broker customers, efficient short selling order processing; and require customers to certify that securities are being borrowed or provided before placing a sell order, including the cancellation of the recourse agreement requirement.

The SEC has clarified the SBL service guidelines, emphasising that securities firms must have an effective risk management system and can only lend or confirm the availability of securities for lending if they have sufficient securities available, in order to prevent the risk of lending or confirming lending beyond the amount of securities held.

PASLA welcomes McCardle to board of directors

The Pan Asia Securities Lending Association (PASLA) has appointed Andrew McCardle, head of EquiLend, to its board of directors.

As the first non-bank to join the board, McCardle's appointment comes at a pivotal time in PASLA's governance evolution.

Over the past year, the association has streamlined its board from 16 to 12 directors, introduced advisory roles, and integrated its first Solutions Provider membership sleeve into the board construct.

These changes reflect the rapid expansion of PASLA's membership, up more than 30 per cent year-over-year, and the association's commitment to ensuring broader and more diverse representation at the board level.

With EquiLend becoming the first Solutions Provider to hold a board seat, PASLA reinforces its dedication to incorporating perspectives from across the full spectrum of the regional securities finance ecosystem.

McCardle's transition to a full voting director brings technology-driven insight and infrastructure expertise — critical elements of the market's ongoing development.

Having spent almost 20 years with the firm, McCardle leads the EquiLend Asia office out of Hong Kong and is responsible for the APAC region.

His appointment further strengthens the board's ability to foster rich dialogue and informed debate, supported by deep franchise experience and a wide range of institutional viewpoints.

People's Bank of China recognises GMRA

The People's Bank of China (PBoC) has recognised the use of the Global Master Agreement for Repurchase Transactions (GMRA) involving bonds in the China Interbank Bond Market (CIBM).

According to the International Capital Market Association (ICMA), the decision follows a recent announcement by the PBoC, China Securities Regulatory Commission, and the State Administration of Foreign Exchange, to broaden access for offshore investors to China's repo market.

The GMRA is a widely-used market standard master agreement for repo transactions, published and maintained by ICMA, which provides a framework of standard terms and conditions to govern repos between two contracting parties.

Having this framework in place means that, whenever a new repo is transacted, the parties do not need to agree all its terms and conditions again.

This intends to make the negotiation of repos more efficient and less prone to inadvertent mistakes.

The association notes that there are special characteristics in China's repo market, where there may be potential differences in market practice and technical aspects of the relevant trading and settlement process.

Clearstream enables use of offshore Chinese government bonds

Clearstream has opened up the possibility for international investors to use offshore Chinese government bonds as collateral.

The company supported Crédit Agricole CIB, CITIC Securities, and Shanghai Pudong Development Bank in becoming the first group of institutions to use offshore Chinese government bonds for initial margin segregation.

Euroclear is also supporting Crédit Agricole CIB and the Bank of China in the use of offshore Chinese government bonds as eligible collateral under triparty arrangements for uncleared margin requirements, highlighting Euroclear's role in enabling the efficient mobilisation of Chinese assets within the global markets.

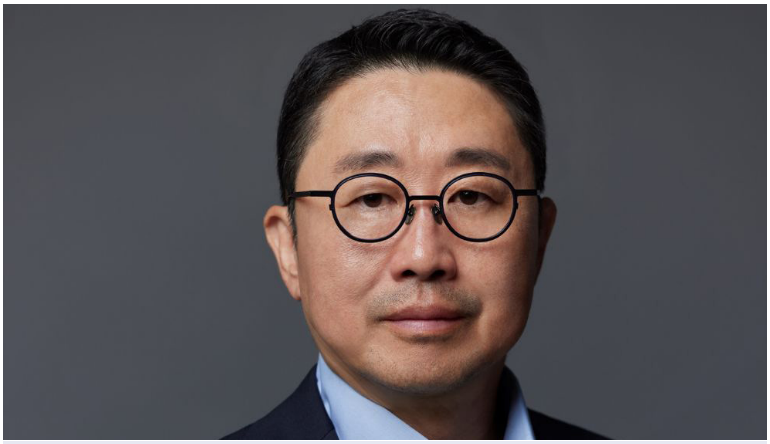
Onshore RMB bonds now represent a pool of high-quality collateral totalling approximately €5 trillion, with ongoing market and regulatory initiatives further supporting their use in cross-border financing activities.

China's vast bond market, the second largest in the world at US$26 trillion in volume outstanding, is becoming increasingly accessible to international investors.

This has been made possible through initiatives like Bond Connect, a cross-border investment programme that links the Mainland China and Hong Kong bond markets, and the opening of China's interbank repo market to qualified foreign institutions.

In many areas, initial margin segregation is a main regulatory requirement for collateral posted upfront to cover over-the-counter (OTC) derivatives transactions.

Clearstream offers initial margining services for both cleared and



BNY appoints Suh

BNY has appointed Phillip (Bongkyun) Suh as the new BNY Korea country manager and Seoul branch manager.

He succeeds Hyon Joo Park, who will retire in March after more than six years at the bank, with the firm saying the two will work closely to support the transition.

In his new role, Suh will lead BNY's business in Korea and will be responsible for executing the country's strategy, deepening and expanding client relationships, and ensuring effective governance oversight.

Korea, with its recent policy reforms, such as allowing registered foreign financial institutions to trade in the domestic FX market, extending trading hours, and streamlining foreign investor registration, is creating new opportunities for global participation.

To support this momentum, BNY is committing further investment to its Seoul Branch, expanding FX and securities finance solutions.

Suh joins BNY Korea from Samsung Asset Management, where he served as CEO. Prior to that, he was head of Korea at Goldman Sachs Securities.

Earlier in his career, he held positions at global banks including Citigroup, Morgan Stanley, Deutsche Bank, and HSBC.

Japan Securities Finance Co. promotes Shimoyamada

Japan Securities Finance Co. (JSF) has promoted Morikuni (Jimmy) Shimoyamada to representative executive officer and CEO, effective 1 April 2026.

Based in Tokyo, Shimoyamada's new role within JSF will see him directing and leading the firm's executive officers.

Shimoyamada has been with the firm for more than 10 years, holding positions such as senior executive managing officer, head of global securities finance, executive managing director, head of global business development, and corporate officer, head of global business development.

Previously, he worked at Mizuho Alternative Investments as president and CEO, based in New York, and at Mizuho in Tokyo as general manager, global career management division.

In addition to the promotion of Shimoyamada, JSF has promoted Yutaka Okada from senior managing executive officer to representative executive officer and co-CEO, and Shigeki Kushida from representative executive officer and president to director and chairperson.

uncleared OTC derivatives from a single collateral pool, allowing clients to hold multiple currencies and asset classes in a single location.

DBS appointed to RMB clearing bank

DBS has become the first Singapore bank to obtain approval from the Chinese central bank to serve as an renminbi clearing bank — a big step forward in its RMB capabilities.
In addition, DBS has been given the go-ahead to operate in the onshore over-the-counter (OTC) bond market. The announcement was made during the Joint Council for Bilateral Cooperation.

These developments strengthen DBS's ability to deliver more comprehensive and competitive RMB solutions when clients are increasingly seeking to diversify their currency risk.

They also enable the bank to provide access to more efficient RMB settlement services and cross-border usage, which can drive greater investment connectivity and financial innovation across the region.

With direct access to China's onshore RMB liquidity and its clearing bank status, DBS is able to offer clients wider access to various RMB-denominated instruments and seamless RMB solutions across both onshore and offshore markets.

By leveraging Singapore's position as a global foreign exchange centre, DBS offers greater convenience, improved liquidity access, and enhanced settlement options to support clients' capital and risk management needs.

This builds on the bank's existing capabilities to facilitate cross-border RMB investment and financing activities.

DBS China is one of the earliest direct participants in the Cross-Border Interbank Payment System (CIPS), having been a member since 2015.

In September 2025, DBS Singapore was admitted as an overseas direct participant of CIPS.

With the People's Bank of China's approval for the commencement of OTC bond market arrangements, DBS will be able to facilitate onshore China bond trading and provide custody services offshore, streamlining access to the China bond market and boosts trading convenience, offering overseas investors greater optionality and a more efficient channel to tap China's domestic bonds.

OCBC and Citi collaborate in Asia

OCBC Group (OCBC) has leveraged the Citi Securities Lending Access (CSLA) platform to introduce a new securities lending programme.

The programme enables retail and corporate customers of OCBC Securities and clients of its private banking branch, Bank of Singapore, to enhance portfolio returns by lending out their idle securities to institutional borrowers for a fee.

Customers with lent securities will continue to receive dividends, coupon payments, and bonus issues, while retaining full flexibility to sell their securities at any time.

The CSLA platform is a solution that digitises and simplifies the entire securities lending lifecycle, and will provide OCBC access to institutional borrowers such as prime brokers and investment banks globally.

They borrow securities for various strategies, including short selling securities, arbitraging and hedging strategies, which require borrowing to cover their positions.

The programme is now open to OCBC Securities customers, who can currently lend out both US and Hong Kong shares.

The programme will be extended to Bank of Singapore clients in 2026, with Singapore, Hong Kong, US, and Japan shares eligible to be lent out to begin with.

Shares must be custodised with OCBC Securities or Bank of Singapore to be eligible for lending, and once a loan is confirmed, the shares from OCBC Securities or Bank of Singapore are then loaned to an OCBC account, before then being loaned to the borrower.

Launched in 2021, the CSLA platform provides seamless access to the securities lending market.

Citi's collaboration with OCBC marks a notable expansion of CSLA in Asia, bringing its benefits to one of the region's most substantial and varied investor communities.

SEBI reviews framework for stock brokers

The Securities and Exchange Board of India (SEBI) has undertaken a series of measures to enhance ease of compliance and facilitate ease of doing business for market intermediaries.

To further this objective, the board carried out a review of the extant technical glitch framework for stock brokers and has modified it in line with ease of compliance.

The eligibility criteria for the applicability of the technical glitch framework has been streamlined to exclude smaller size stock brokers — the framework is now applicable to stock brokers having more than 10,000 registered clients.

As a result of the new eligibility criteria, approximately 60 per cent of stock brokers would move out of this framework and consequently reduce their overall compliance requirement.

The revised framework also carved out certain exemptions from the glitches and the compliance requirement thereof.

The glitches which are taking place outside the stock brokers' trading architecture, glitches that do not directly affect the trading functionality, and those which have negligible impact, have been exempted from the technical glitch framework.

The decision brings immunity for the stock brokers from the glitches which are out of their control and which do not affect the ability of the stock broker to provide seamless services.

Marex joins PASLA

Marex Financial has joined the Pan Asia Securities Lending Association (PASLA) as a Prime member.

The firm provides essential liquidity, market access, and infrastructure services to clients in the global financial and commodity markets.

Marex offers specialised, independent, and full-service trade execution, financing, and clearing for global financial products, with services across equities, rates, credit, FX, prime, and digital assets within its capital markets division.

It has a leading franchise in many major metals, energy, and agricultural products and provides access to the world's major commodity markets, covering a broad range of clients that include some of the largest commodity producers, consumers, trade houses, banks, hedge funds, and asset managers.

The PASLA Prime membership is tailored for investment banks, securities houses, participating dealers, and physical and synthetic prime brokers operating across the APAC region.

The revised framework also aims to simplify the reporting requirement by providing an extension of time for reporting of technical glitches (from one hour to two hours), consideration to the trading holidays while submitting reports, and streamlining the reporting requirement from reporting to all the exchanges to a single reporting platform.

SEBI confirms that the revised framework rationalised the technology compliance requirement based on the size of the stock brokers and their technology dependency — such as rationalisation in capacity planning and disaster recovery drill requirements etc.

Finally, the financial disincentive structure in the revised framework has been rationalised, says SEBI, considering the applicable exemptions, type of glitches, and the frequency of the occurrences etc., the same shall be issued by the stock exchange.

OCBC becomes first Singapore bank to establish securities financing unit

OCBC has become the first Singapore bank to establish a dedicated securities financing unit to deepen the suite of solutions for institutional customers.

The securities financing unit sits within the bank's Global Markets division, which has almost doubled its contribution to the OCBC Group's operating profit year-on-year as of 30 September 2025.

Industry veteran Jansen Chua recently joined OCBC as head of securities finance to spearhead the bank's growth in this area.

Based in Singapore, he will report to Kenneth Lai, head of Global Markets.

The unit will mobilise lendable securities — both equities and fixed income — from customers across OCBC bank and its subsidiaries OCBC Securities, Bank of Singapore, and Great Eastern, to meet the growing global demand for securities financing.

In doing so, the bank says it will also create opportunities for these customers to earn fee income by lending out their idle securities.

Chua joined OCBC from State Street Bank & Trust Company, where he served as senior managing director and head of Financing Solutions for Asia Pacific.

In this previous role, he led teams across trading, sales, customer management, and product development.

With over 25 years of global experience spanning the US, Europe, the Middle East, and Africa, as well as Asia Pacific, Chua brings deep expertise in securities services, securities finance, and prime brokerage.

OSTTRA joins PASLA

OSTTRA has joined the Pan Asia Securities Lending Association (PASLA) as a Solutions member.

The firm brings together MarkitServ, Traiana, TriOptima, and Reset — businesses that have worked toward post-trade evolution and innovation for more than 25 years.

OSTTRA plays a crucial role in supporting global financial markets by connecting thousands of counterparties on their multi-asset networks that underpin the post-trade lifecycle — from trade capture, through portfolio optimisation, to clearing and settlement.

The PASLA Solutions membership is tailored for clearing houses, data providers, exchanges, financial technology platforms, index providers, and professional service companies involved in securities finance transactions.

From access to outcomes: APAC securities finance rewired

Nehal Mehra, head of Securities Finance and Global Collateral, Asia Pacific, at BNY, outlines how institutional investors across the region are moving beyond market access to configure lending programmes that deliver income, liquidity, and funding resilience

Securities finance in Asia Pacific is now a multi-asset discipline delivering institutional outcomes — income, liquidity, funding, and resilience — across diverse regulatory and market structures. Regional dynamics — including regulatory nuance, collateral practices, and cross-border flows — shape how supply meets demand across mature markets like Japan and Australia, regulatory-led locations like Taiwan and Korea, and fast-evolving ecosystems in Southeast Asia.

Institutional stakeholders are asking more of their lending programmes. Asset owners and sovereigns seek risk aware income aligned to governance and ESG priorities, with greater control over collateral, counterparties, and term. Pension and mutual funds want flexible structures that adapt to cycles, optimise balance sheets, and support funding and liquidity. Borrowers — from hedge funds to banks to asset managers — prioritise resilient access to borrow a broader range of securities, diversified liquidity sources, efficient pricing, and operational, technology-led agility as regulation and market microstructure continue to evolve.

A securities financing platform offering principal and agency lending capabilities provides a holistic set of integrated solutions. In an agency lending model, clients define the policies and a third-party agent executes the programme — optimising borrower demands, collateral management, settlement, and reporting — combining scalability with strong governance and a client-centric approach. Diversified counterparty exposure across a broad, vetted borrower universe reduces concentration risk and enhances price discovery. Principal lending offers an alternative channel for selective, balance sheet-driven trades, creating compatibility in meeting clients' needs across both models.

As securities lending matures from a tactical capability to a strategic lever, institutions seek solutions that are fully client aligned, resilient, and capable of solving near and longer-term challenges both specific to APAC and globally. BNY's end-to-end securities financing model includes agency and principal lending and is grounded in scale, governance, and local insight, adapting to each client's needs to deliver operational efficiency and strategic impact.

The rise of agency lending in APAC

In 2025, revenue generated by securities lending markets globally rose 27 per cent to US$14.9 billion, while revenue in the Asia Pacific region jumped 54 per cent to US$3.3 billion. This growth in lendable assets is continuing in 2026, with BNY's on-loan balances more than doubling in a number of APAC fixed income and equity markets during 2025.

"At BNY, we're seeing a clear rise in our on-loan inventory and new opportunities across our principal and agency lending businesses that mirrors the strong growth in demand for APAC assets. We're investing in new capabilities and partnerships to meet that momentum," comments Nehal Mehra, head of Securities Financing and Global Collateral for Asia Pacific at BNY.

"On the agency side, clients across the region want to participate in lending programmes, often as a means to deliver competitive outperformance for their customers. We connect them to a broad community of creditworthy borrowers, enabling them to monetise their asset pool in a risk-aligned, operationally scalable manner."

Agency lending programmes offer tailored programme design, transparent reporting, and diversified borrower access. Loaned securities comprise global equities and government, sovereign, supranational, and corporate bonds. Eligible collateral includes cash and high-quality non-cash securities — such as equity index baskets, ETFs, and government bonds. Solutions extend to include directed, indemnified and non-indemnified loans, asset segregation, contingent cash raising, and alignment of cash collateral investment choices aligned to the client's risk tolerance and investment policies.

BNY's agency lending programme is the largest globally, with US$6.1 trillion in lendable assets and on-loan levels of US$695 billion at 2025 year-end. With lending in 34 local markets across six global trading desks — including Hong Kong and Singapore — solutions are tuned to local and global client and borrower requirements and are calibrated for local market regulatory specifications.

Within this framework, BNY provides interactive reporting tools that enhance transparency, underpinned by advanced credit, market, and operational risk controls. These capabilities harness innovative technology for trade management and optimisation for a broad range of institutional investors — from public asset owners and pension funds to mutual funds, sovereigns, and hedge funds — within a trusted partnership model that keeps programmes disciplined and measurable.

Investing in third-party lending

In third-party lending, the client appoints a lending agent independent of their custodian, selecting best-in-class specialist providers by capability. Operational risk-managed third-party programmes deliver lending services without the embedded requirement (and costs) to appoint a new custodian. But they require investment in technology, automation, and a partnership between lending agent and custodian, especially relevant for no-fail markets prevalent in Asia. BNY is investing in these capabilities, driving growth in lendable assets. Operational best practices, global scale, and tech innovation are driving adoption of third-party lending programmes that pair custodians and lenders to meet shared client needs.

Translating evolving needs into practical, measurable solutions

For APAC institutions seeking to use agency lending for incremental revenue generation, liquidity, funding, and portfolio resilience, the priorities are clear: configurable mandates, granular transparency, and cross-border resilience. A robust agency programme balances risk, return, income, liquidity, and fiduciary oversight — adapting global agency models to local rules with clear collateral policies, selective counterparties, dynamic term/fee optimisation, and transparent reporting. Flexibility of programme parameters and lending models is key.

But institutions also want a securities finance partner who understands their whole business — in-region and globally where needed. BNY approaches clients holistically, looking first and foremost to understand their goals, and recognising the importance of offering not just individual products, but a single port of call for unlocking securities financing opportunities across coordinated touchpoints. They want a partner who supports innovation, navigates regulatory change, invests in the technologies of the future, and leans into market evolution. BNY's synthetic agency finance solution, a swap-based lending and financing product, expands the toolkit for agent lenders and clients to increase utilisation and monetise supply-demand and regulatory dislocations.

Stepping beyond agency

As agency programmes scale across APAC and broaden supply, principal lending adds depth and immediacy — providing continuous market-making and balance sheet intermediation when size, timing, or market conditions demand it. Where agency optimises utilisation and client outcomes, principal activity ensures liquidity is available to meet borrower demands and helps stabilise spreads during episodic stress.

To anchor funding stability, BNY provides access to sponsored FICC clearing — converting bilateral variability into centrally margined, predictable liquidity. Facing the clearing house enables multilateral netting, reducing balance sheet drag relative to bilateral networks, while standardised margining and settlement processes dampen idiosyncratic shocks and curb fails, particularly during rate volatility or quarter-end constraints. Cleared repo delivers US Treasury market resiliency. BNY's sponsored member programme enables clients to meet regulatory obligations and/or navigate flows to liquidity centres. For APAC based clients, education and region agnostic execution are critical to meeting mandated deadlines. Integration with agency services enables clients to raise liquidity or to reinvest via a stable, credit mitigated channel.

Complementing sponsored cleared repo, BNY's secured loan offering delivers customised, principal-based financing — with term certainty, broader collateral coverage, and structuring tailored to portfolio needs across cycles. Used together, cleared repo provides scalable day-to-day liquidity and collateral optimisation, while secured loans extend strategic financing against a wider range of assets. The result is diversified funding, more efficient collateral usage, and stronger balance sheet resilience — kept within disciplined governance and measurable programme outcomes.

Partnership and communication

Translating strategy into daily results requires a disciplined partnership model. Whether agency or principal, a well-run lending programme provides named points of contact who coordinate day-to-day operations, governance reporting, and periodic reviews in partnership with regional and global trading desks. The emphasis should be on consistent dialogue, timely issue resolution, and proactive adjustments to local market changes — keeping the programme aligned to policy and delivering measurable outcomes. Firms like BNY offer this partnership model, combining steady communication with local market insight to keep parameters calibrated to the client's mandate.

Looking ahead in APAC securities finance: Outcomes and innovation

APAC securities finance is moving from access to outcomes — income, liquidity, funding, and portfolio resilience — delivered through configurable programmes that are measurable, governed, and tuned to local market practice. The most effective models pair agency execution with selective principal capabilities, adapting to regulatory and market context, and allowing institutions to calibrate collateral and counterparties, access diversified borrower liquidity, and use cleared pathways where appropriate, all within disciplined governance.

"For APAC securities financing, the way ahead is coordinated and pragmatic: tune programmes to the mandate, leverage agency principal where it serves, and anchor on performance and risk"

Nehal Mehra
Head of Securities Finance and Global Collateral, Asia Pacific
BNY

BNY will continue to invest in technology, operating models, and risk management to expand lending pools and enhance market coverage across APAC and globally. For APAC securities financing, the way ahead is coordinated and pragmatic: tune programmes to the mandate, leverage agency principal where it serves, and anchor on performance and risk.

Securities lending outlook for 2026

Andrew Geggus, global head of Agency Securities Lending, Triparty Services at BNP Paribas' Securities Services, reviews key industry focuses for the new year from regulatory initiatives to emerging markets and AI

A year ago, we anticipated an eventful 2025, driven by macroeconomic shifts, regulatory changes, and evolving market structures. What we saw was exactly that; bouts of volatility driven by the aforementioned factors, record highs in certain indices assisted by rate cuts and tech demand focused on AI, and greater divergence in macroeconomic policies.

The securities lending market benefitted from a record-breaking year, closing in on US$15 billion of total market revenue, according to S&P Global data. Nearly all asset classes were up double-digit percentage revenue wise year-on-year, with only a minor drop in Americas equity and flat in corporate bonds to miss the full sweep. A significant part of the increased revenues came from specials, which rebounded in all markets from muted figures in 2024.

Looking onwards in 2026

We expect 2026 to be another dynamic year, with the level of uncertainty and macroeconomic divergence on the rise. Will the various trade policies strategies have a significant impact on securities lending revenues? Perhaps not directly, but as we see the impact on foreign exchange swings and earnings, this could drive directional demand as well as some potential arbitrage opportunities.

Despite the demand for high-quality liquid assets (HQLA) remaining robust through 2025, we did see downward pressure on spreads in the more liquid trade types, which could be continuing into 2026, unless we see prolonged periods of volatility or the cross-currency basis spreads pick up.

Once again, a trend might be that divergence keeps growing between lending programmes with very flexible collateral and tenor parameters and those that have a more conservative programme. The gap is continuing to widen and flexibility is the key to optimal revenues.

"Another key trend we expect to see in 2026 is the continued growth of retail investors in securities lending"

Exploring other key themes

New and emerging markets

We see the increasing development of securities lending in a host of new markets going forward, with particular intrigue into APAC, South America, the Middle East, and Africa as areas of possible growth.

We expect to see further regulatory changes to allow for more securities financing possibilities across multiple different countries that currently have limited securities lending opportunities.

Retail investors

Another key trend we expect to see in 2026 is the continued growth of retail investors in securities lending. Platforms designed for retail investors have made the market more accessible for individuals and, in recent years, this has brought new special supply into the market.

The challenge for market participants will be to work with investors whose behaviour is markedly different from traditional institutional investors — more actively managed and more volatile — and who operate under a regulatory framework of investor protection designed for individuals. However, for those who can offer a compelling offering to these investors, the opportunity could be significant, as retail investors can be the key holders of small and mid-cap names that can be highly in demand.

Settlement efficiency and T+1

The EU, UK, and Switzerland confirm that they will be moving to a T+1 settlement cycle from October 2027, and regulators gave the market clear guidance that they expect firms to be ready for that implementation date. Market participants are therefore likely to spend 2026 building new processes and making system amendments to allow for this constrained timeframe, focusing on automating and streamlining as much as possible.

A key challenge for the securities lending market which — while exempt itself is the engine behind the buy/sell market — will be the management of recalls for sold positions, where sales are agreed late in the trading day. Resolving this will require close collaboration between market participants, investors, and regulators.

For additional information on T+1, you may also want to read our two latest articles for the financial intermediaries or for the asset managers and asset owners.

US Treasury Securities central clearing

The changing landscape in US Treasury central clearing may not directly impact securities lending, as it is out of scope, however it does impact the ecosystem including the cash repo market. It is a major shift in market practice and therefore requires significant effort to implement seamlessly.

While the market continues to prepare and confidence in the readiness of the market increases, there are still some pertinent issues pending clarification. As we move into 2026, we expect regulators, clearing houses, and working groups to continue to work together to address the pending points and establish best practices.

For additional information about this change, you may also read our latest article and Q&A on US Treasury Securities Central Clearing — Securities Services.

Cost pressure

As capital rules have continued to be implemented, banks and broker-dealers will be increasingly focused on the regulatory capital costs of each trade. Solutions such as pledge and central clearing will therefore be an increased focus for borrowers.

New innovations are also emerging to manage regulatory constraints in different jurisdictions; market participants will need to invest wisely to create a tool kit of measures suiting a variety of counterparties.

We continue to see more technology providers enter the market and with limited resources, and a need to focus on development aimed at T+1, businesses cannot onboard all providers. Therefore, businesses should focus on the return on investment, the efficiency gains of technology, and the effective use of the providers they onboard. Greater efficiency and interoperability are key demands from the market; it is vital that we move away from market silos.

Artificial intelligence

The financial sector is experiencing significant transformation, driven by AI and intelligent agents, which requires strategic investments in both human and financial capital, and securities lending is no exception to this trend.

At BNP Paribas, we are experimenting with multiple use cases and training our employees to help improve efficiency within both our agency and principal lending programmes, while ensuring ethical governance and complying with applicable laws and regulations on AI.

Our priorities at BNP Paribas

Our focus in the agency lending business is the growth of our platform, we shall be onboarding new inventory to the market throughout the year and leveraging the investments made to achieve optimal returns and more automation.

We will also be scaling up our agency repo product into new currencies and markets. 2026 will also see further adoption of capital-efficient trading structures such as pledge and pledge-back, therefore we will continue to engage with our clients about programme changes that can aid performance and efficiency.

Lastly, we are committed to continuing to make our agency lending business a great place to work. The talent of the organisation is the key to its ongoing success and we want to keep the working environment one for collaboration, growth, and continuous improvement. We are excited about the opportunities 2026 will bring and will continue to work with our clients across EMEA, APAC, and the Americas to explore opportunities to expand and enhance their lending programmes. ■

Asia's markets: Poised for strength

Industry participants discuss the Asian securities finance market, from South Korea's reintroduction of short selling to how recent political changes are shaping Japan

Pannelists

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

Serge Micallef, APAC Head of Trading Securities Finance, **BNY**

Adnan Hussain, Global Head of Agency Lending & Liquidity Services, **HSBC**

Shinsuke Yamamoto, Executive Director, Securities Finance Group, **Japan Securities Finance Co.**

Stephen Michael, Head of Buyside Trading Services Sales, APAC, **J.P. Morgan**

Marion Au, Vice President, Financing Solutions, Agency Trading, APAC, **State Street**

William Han, Managing Director, Financing Solutions, Head of Sales and Client Management, Asia-ex Japan, **State Street**

How do you assess the performance of APAC securities finance markets during 2025? What key lessons have you learned from this period that will help guide your business through the next 12 months?

Shinsuke Yamamoto: The APAC securities finance markets in 2025 showed strong performance, driven by growth in AI and semiconductor-related stocks, with Japan, Taiwan, and South Korea at the centre. This bullish market created an active securities lending environment. However, the significant rise in specific stocks, which drove overall market growth, led to inefficiencies in the lending space, as certain stocks remained underutilised due to a focus on avoiding excessive concentration. We anticipate that rapid market growth driven by significant price increases in certain stocks may continue. Over the next 12 months, we plan to explore initiatives such as developing schemes to better utilise underused assets arising from stock concentration and providing securities finance services for underdeveloped regions with rapidly growing markets.

Adnan Hussain: Hong Kong, Korea, Japan, and Taiwan led the pack — achieving the largest year-on-year (YoY) revenue increases across the region in 2025, according to market data. Hong Kong benefited from robust activity in equity issuances, placements and IPOs, alongside evolving lock-up periods and shifting sentiment from mainland China towards technology firms. Japan profited from attractive opportunities in tenders and IPOs, while lending activity in Taiwan continued to be driven by growth across its IT, computer manufacturing, and semiconductor sectors — despite speculation around rapid technological advancements prompting temporary market stabilisation measures to be implemented from April to May 2025.

Benoit Uhlen: The APAC securities finance market so far in 2026 appears as both constructive and selective in its outlook, building on 2025's robust performance. Global revenues have been up in January 2026, with APAC up by over 50 per cent, led by Taiwan, Hong Kong, and Japan.

Serge Micallef: APAC delivered a standout year in 2025, with Hong Kong and South Korea leading the gains. Industry revenues rose markedly, lendable assets expanded, and sentiment finished the year on a constructive footing — an outcome that contrasts sharply with the uncertain start to 2025. Despite headline risks around tariffs and geopolitics, markets proved resilient, supply chains adapted rather than fractured, and several indices set new records. We enter 2026 with a clearer runway than a year ago.

Hong Kong's IPO revival was a defining theme: after a modest 2024, issuance accelerated in 2025 and the pipeline for 2026 is strong, supported by several hundred listing applications. That momentum underpins robust borrow and lend turnover across corporate events, new listings, and related hedging activity.

The core lesson is the importance of agility — remaining flexible and solution-oriented as conditions shift on both the supply and demand sides. For the year ahead, we are prioritising collateral optimisation and post-trade automation to deepen efficiency, strengthen controls, and scale capacity across the region. We will also expand our third-party lending programme and invest in our principal lending and cash collateral capabilities to support clients' financing needs, enhance balance sheet resilience, and improve funding optionality in key regional markets.

Stephen Michael: 2025 was a standout year for the APAC securities finance industry. Our lending programme delivered robust revenues across the region, with Hong Kong leading the way thanks to a strong local stock market that spurred capital raising and directional trading activity. Japan also experienced elevated specials trading and sustained demand for offshore inventory throughout the year. US trade restrictions and tariffs continued to drive heightened demand in sectors where supply was limited or volatility increased, notably technology, manufacturing, energy, and AI. These industries remained key growth drivers. Looking ahead to 2026, we anticipate ongoing deal flow and volatility, with APAC expected to again contribute a significant share of global balances and revenues.

William Han: Looking back at 2025 and our ongoing conversations with beneficial owners, I see clear value in a 'back to basics' approach that has stood the test of time, and which will shape how we guide our clients in the year ahead.

To begin with, diversification remains fundamental to lowering risk and return volatility. In 2025, industry benchmark data suggests performance for securities finance markets in Europe, the Middle East, and Africa grew only moderately, while the Americas experienced a YoY decline. In contrast, Asia Pacific markets outperformed these regions, generating outsized revenue and fee growth compared to the year before. Against that backdrop, it was clear that beneficial owners with broad geographical allocations in their asset pools (as well as asset class and segments), generally experienced more stable returns relative to single market allocations, when assessed on a YoY basis.

For investors, that value predictability is particularly important to forecast financial outcomes — such as a corporate looking to plan income streams for treasury management, or a fund manager seeking a more balanced Sharpe ratio (or risk-adjusted return). Maintaining a diversified lending portfolio continues to be an effective way to support those objectives.

Flexibility remains another critical differentiator. Beneficial owners with wide non-cash collateral guidelines and a variety of structures (central clearing counterparties, UK-style pledge, etc.) are expected to differentiate their supply and generate better returns than those who do not. However, it is important to note that flexibility is not an 'all-or-nothing' decision; it exists on a spectrum that should align to the investor's appetite and objectives.

Marion Au: APAC's equity trading performance in 2025 was truly unprecedented, defined not only by its scale, but also by the broad-based momentum seen across all markets in the region. Ongoing geopolitical uncertainty, a resurgence in corporate-action activity, AI-sector driven demand and heightened market volatility — all contributed to the year's record revenues.

Specifically, Hong Kong was a standout market, marked by exceptionally strong fundraising activity, be that IPOs or convertible bond issuance and robust stock price performance across sectors including real estate, financial services, consumer discretionary, and technology.

On reflection, the year moved quickly. Despite exceptional flow and continued product expansion, the core fundamentals of teamwork and experience remain the real differentiators. We are fortunate to have a trading team at State Street that consistently delivers meaningful value for clients while carefully managing risk. This strong foundation has made us resilient across market cycles and enables us to provide a customised, high-touch client experience. The performance of 2025 was a clear demonstration of those strengths, which will continue to guide our approach in the year ahead.

How has the reintroduction of short selling in South Korea in March 2025 impacted this particular market? And how do you evaluate attitudes towards short selling in other APAC markets?

Uhlen: The South Korean securities borrowing and lending (SBL) market has seen rapid expansion since the lifting of the short sell ban. It has been a very profitable market across the street with a few counterparties holding out on returning into the space and a number of participants not fully opening their pipes. The impact and interest on short selling in other markets has continued to grow, but as these markets may not necessarily be the main attraction anymore, Korea may move up the leader board.

Michael: The reintroduction of short selling in South Korea has reinvigorated trading demand in the market. While only a subset of participants have resumed active borrowing and lending, fee levels and revenues have been strong. Market participants remain cautious, mindful of regulatory scrutiny, but overall demand for both borrowing and lending is resilient.

Au: The steadfast commitment by South Korean authorities to the resumption of covered short selling on 'Liberation Day' — despite heightened global market volatility — was commendable. At a time when peer markets moved quickly to contract their short sell quota (Taiwan) and suspended short selling (Thailand), the Governor of South Korea's Financial Supervisory Service (FSS) took a constructive approach by visiting Hong Kong in mid-April. During the visit, the Governor engaged directly with a wide range of market participants about stabilising their regulatory position on rules around short selling. This engagement helped reinforce confidence in policy continuity and regulatory intent.

Furthermore, the new South Korean administration has shown clear willingness to take necessary actions to reduce the ‘Korea-discount’ and strengthen the investment case for South Korea’s capital market. Whether achieved through corporate governance initiatives or broader market reforms, the ability to deliver lower hedging costs for net long investors has provided substantial support for South Korean equities in 2025 and contributed meaningfully to the market’s strong performance.

Peer markets would do well to view the Korean experience as a key learning opportunity and draw on this to understand how best to navigate the optics and perceptions of key stakeholders around short selling. Getting ahead of potential negative press, emotive social media, and political influence remain key challenges for authorities, especially in markets with high retail participation and outsized volatility. Ongoing investor education around short selling remains critical and should be proactive and continuous, rather than reactive.

Han: More generally, I think beneficial owners have maintained broadly consistent attitudes towards short selling over the years.

On one hand, to the extent that beneficial owners continue to see short selling supporting the price discovery process within a mature and efficient market — and as a driver for lending returns — it is probably fair to say that short selling is viewed neutrally at worst or positively as an enabler of liquidity and opportunity.

On the other hand, I recognise there are beneficial owners — especially retail investors and corporate executives — and policy makers, who remain philosophically conflicted about short selling. They may believe short selling drives prices down, particularly during periods of market stress, and contributes to excessive volatility and steep price declines, even though research shows mixed evidence about the correlation between short selling and market impact.

Micallef: South Korea’s restart catalysed a sharp rebound in borrowing activity and revenues after an 18-month hiatus. While some participants returned cautiously as new rules bedded in, confidence has been rebuilding. We expect the market to normalise further, with elevated margins and healthy volumes sustained by hedging, relative-value strategies, and tactical shorts.

Across APAC, the tone toward short selling is generally supportive when transparency and compliance are clear. Regulators recognise its role in price discovery and market liquidity. China has announced a number of initiatives to increase cross-border financing for government bonds, and regional frameworks continue to evolve toward robust, transparent practices.

Which regulatory initiatives in APAC markets will consume most attention for your agency lending and collateral management teams over the coming 12 months? What is your firm doing to prepare clients for these movements?

Hussain: A range of regulatory initiatives are underway across the region, all of which require strategic attention from market participants. APAC is seeing a broader acceptance of collateral types, with eligible assets now including emerging market credit, equities, ETFs, corporate credit, agencies, and supranationals. This expansion is expected to continue through 2026 as demand grows for new forms of accepted collateral — including alternatives, tokenisation, digital assets, and gold. This is further illustrated by the Taiwan Stock Exchange's (TWSE's) upcoming induction of pledge collateral, taking effect in late-March 2026. At the same time, platforms such as Bond Connect, Euroclear, and Clearstream are enabling a more prominent and coordinated role for offshore agent lenders in the financing of renminbi-denominated assets — unlocking new opportunities for international and domestic investors alike.

Another key change is the transition to T+1 settlement cycles across major exchanges, including the Australian Stock Exchange (ASX), the TWSE and the Hong Kong Stock Exchange (HKEX). This shift introduces new considerations around liquidity and the operation of buy-in market structures, particularly given the increased risk profile.

Au: APAC's progressive move to T+1 settlement is the major regulatory development. While the larger developed markets such as Japan, Hong Kong, and Australia are expected to face some potential liquidity hurdles, it is the more nuanced APAC markets that are likely to encounter greater challenges. The transition to T+1 will likely push borrowing rates higher and may reduce overall supply. In addition, South Korea has floated the ambition to move toward 24-hour trading, a concept that is also receiving increasing attention in the US. Both initiatives represent structural shifts that will require careful coordination across trading, settlement, and collateral management workflows.

Against this backdrop, scalable and automated solutions will be essential to mitigate any operational complexities, while also engaging closely with our peers and our clients to collectively respond to significant market changes and build aligned, common solutions.

Han: We take our roles as fiduciaries on behalf of our clients seriously. That means we proactively track and respond to regulatory changes, assess their implications for our programme and engage with our clients early on so that they can plan ahead. Depending on the specific regulatory matter, engagement can happen in various forms — a letter providing background and implications (and in some cases requiring a decision to maintain the status quo or change), a discussion as part of a scheduled service review, a deep-dive session with relevant subject matter experts, etc. Across the board, we lead with transparency and engagement in our outreach, qualities that help us establish credibility and trust with our clients.

Michael: The two main areas we see are accelerated settlement cycles and regulatory developments in the collateral market;

Accelerated settlement cycle: APAC markets are actively considering reductions in settlement timeframes to align with the T+1 cycles adopted or targeted globally. While implementation in APAC may take time, we are engaged with industry groups to ensure readiness and effective planning. J.P. Morgan continues to provide thought leadership for clients in this area.

Regulatory developments in the collateral market: In Taiwan, recent amendments to the "Operating Rules on the Use of Domestic Securities by Overseas Chinese and Foreign Nationals as Collaterals for Offshore Investment Activities" would permit Foreign Institutional Investors (FINIs) to pledge Taiwanese securities as collateral for offshore investment activities. These amendments will be effective 30 March 2026. J.P. Morgan is actively monitoring and engaging with these developments to support anticipated opportunities.

Micallef: Korea and Thailand will headline the regulatory focus.

Korea: Proposed extensions to trading hours (potentially to 20:00 by mid-2026) and the longer-term ambition for 24-hour trading add operational complexity. We are evaluating impacts on recalls for sales and corporate actions, late-day locates, and collateral timing, and building extended-hours service models with clear cut-offs and escalation paths.

Thailand: Authorities are reviewing short-selling and SBL frameworks, including tighter definitions, reinforced pre-borrow certification, and stronger broker risk systems. We are aligning order flows with pre-borrow evidence, enhancing inventory controls, and coordinating with counterparties on standardisation.

T+1 discussions: Two years on from the US switch, APAC debate continues. Hong Kong appears closer to enabling T+1 subject to industry coordination; Australia's timeline is linked to the Clearing House Electronic Subregister System (CHESS) replacement. Regardless of dates, we are preparing for compressed settlement — earlier recalls, tighter pre-borrow gates, and accelerated collateral cycles.

BNY's collaboration with Cboe Clear Europe in centrally cleared SFTs — featuring a title-transfer model with pledge-back for UCITS — has elevated liquidity, collateral efficiency, and risk management across Europe. As adoption accelerates, APAC's scale, institutional depth, and cross-border connectivity make it the natural next frontier, where clearing can harmonise regional complexity into a competitive advantage — unlocking new liquidity, optimising balance sheets, and driving market innovation.

We continue to engage with peers and trade associations, including PASLA, and provide clients with market-specific playbooks, training, and operational dry-runs to ensure readiness.

What investments and adaptations to technology and working practices have you made during 2025 to sustain and grow your securities finance activity in the Asia Pacific region? What part has the use of digital assets played in this respect?

Micallef: AI sits at the centre of our investment agenda at BNY. We are not only embedding AI into existing workflows; we are rethinking operating models to unlock new solutions and decisioning capabilities for clients and counterparties.

Digital assets are already influencing our business. We have partnered across the ecosystem to develop tokenised collateral solutions in both bonds and cash, aiming to enhance settlement efficiency, collateral mobility, and transparency. These initiatives mark a forward path for how transactions could be processed and financed in the years ahead.

Michael: We have continued to invest in our front office trading tools to automate processes across trading, compliance, collateral management, and reporting. Our quantitative research teams leverage AI and machine learning to analyse large datasets, optimise security pricing, assess elasticity, and identify trading opportunities to deliver the best outcomes for clients. In 2025, we rolled out enhancements to our client portal, Securities Finance Central, offering clients advanced analytics, customisable reporting, and API access.

Tokenisation is gaining significant traction across the industry, particularly as a means to enhance collateral efficiency. However, adoption of securities finance solutions leveraging tokenised assets remains in its early stages, with market participants seeking greater regulatory clarity and legal certainty before scaling up. Achieving the full benefits of reduced risk and improved operational and capital efficiency will require broader industry collaboration and scale. At J.P. Morgan, we are actively involved in industry initiatives and driving standards and best practices through International Securities Lending Association (ISLA) working groups and participation in industry sandboxes, and we are advancing targeted connectivity to market infrastructure solutions that meet the risk, liquidity, and scalability standards needed to make tokenisation scalable. In parallel, we continue to invest in and develop our Tokenised Collateral Network and Collateral Token Agent solutions, expanding beyond the initial tokenised money market funds (MMF) collateral use case to encompass other asset types and transaction flows, with a particular focus on securities financing as part of our ongoing roadmap.

Han: At an overarching level, our capital expenditure in recent years reflects our multi-year growth strategy to continue strengthening our core products in securities financing — namely agency lending, prime services and secured financing — while driving greater synergies across these products. We continue to invest in building on the unique positioning of our core products across the wholesale/supply and retail/demand ends of the value chain, further differentiating our offerings, and strengthening the integrated value across our platform.

I can point out a couple of examples that illustrate this approach. Firstly, we are expanding our suite of solutions with the objective of increasing capital efficiencies while providing our clients with greater access to securities lending opportunities. This ambition led us to a key milestone in December 2025. State Street became the first bank to become an Options Clearing Corporation (OCC) clearing member, with OCC providing central counterparty clearing and settlement through its stock loan programme for our prime services platform.

Strategically, the investment strengthens our prime services offering, benefits our beneficial owners within our agency lending programme, and reflects our commitment to expanding our core products and delivering greater value for our clients.

State Street's Financing Hub represents a multi-year commitment to strengthening our core franchises while unlocking integrated value for our clients. It consolidates financing operations, enhances liquidity and collateral management, integrates with repo and lending markets and equips clients with data-driven tools to optimise balance sheet usage and funding decisions. The platform also supports agency lending and secured financing workflows, leveraging modern interoperability standards to integrate all relevant systems and deliver a seamless client experience.

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

Au: Corporate governance reforms and the Japanese government's pro-growth policies have been key drivers of robust corporate deal activity and a sustained market rally in Japan. This momentum has, in turn, supported steady borrower demand for Japanese equities. At the same time, rising Japanese yields and the end of negative interest rates have compressed basis point levels, tightening US Treasury-Japanese government bond (JGB) spreads. Although volatile, this spread has long underpinned one of the market's largest funding trades. Conversely, demand for JGBs has increased as yields have moved higher, fueling greater borrowing across a wide range of specific issues.

Looking ahead, a key question is whether a higher-yield environment and a steeper curve will create new opportunities for money market funds. We are also monitoring yen volatility closely for signs that rising hedging costs could prompt domestic investors to repatriate foreign assets, potentially putting a cap on long-term yields.

Michael: Monetary conditions and political changes have fueled increased activity in Japan's securities finance market since 2025, with momentum continuing into 2026. The Bank of Japan (BOJ) has remained cautious on rate hikes, but volatility in long-term JGB yields has risen amid fiscal expansion concerns. Japanese equities have outperformed regional peers, supported by stable policies that attract momentum-driven capital flows and boost stock borrowing and lending. Yen volatility, influenced by monetary policy divergence and potential Ministry of Finance intervention, has led to active two-way trading in USD/JPY, impacting stock lending demand.

As an agency lender, despite narrower USD/JPY spreads limiting cross-currency lending, we see opportunities in increased market-wide activity, special trades from heightened equity volatility, stronger JGB lending demand, and reinvestment/lending of JPY cash as rates rise. To maximise these opportunities, we are deepening relationships with existing borrowers, forging new partnerships, and expanding our localised business within the domestic market.

Hussain: Following the recent election in Japan, equity markets have responded positively to the government's pro-market and pro-economy stance, supported by fiscal stimulus and tax relief initiatives. However, investors remain cautious regarding Japan's long-term fiscal sustainability, given the nation's elevated debt levels.

In terms of fixed income, the BOJ has scaled back its Bond Purchase Programme over the past year, resulting in higher JGB yields. There is ongoing discussion about potential foreign exchange market intervention in 2026, particularly in light of the weak yen. The BOJ's gradual balance sheet reduction is creating opportunities for lenders to provide liquidity in the JGB repo market. Additionally, the diversification of funding needs is expected to benefit Asian high-quality liquid assets (HQLA), including JGBs.

Yamamoto: The BOJ's gradual interest rate hikes, coupled with the strong performance of the Japanese equity market, have significantly invigorated Japan's securities finance market in recent years. The historic victory of the Liberal Democratic Party (LDP) in the February 2026 general election has further solidified political stability, boosting confidence in Japan's markets. This environment, reminiscent of the growth during the Abenomics era, has supported the expansion of the securities lending market and driven an increase in funding demand. To address the growing demand for yen funding, we are accommodating diverse collateral types, including foreign equities and both domestic and international bonds. Additionally, we are offering solutions like collateral swaps through upgrade and downgrade repos and schemes tailored to meet liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) requirements, aiming to contribute to the sustainable growth and dynamism of the securities finance sector.

Micallef: Japan's policy normalisation and yen volatility have periodically created specials in JGBs, particularly at the super-long end. That environment has opened opportunities for specific-name borrows, term trades, and collateral transformation. We are expanding inventory channels in JGBs and working closely with partners to support liquidity, manage haircuts dynamically, and capture revenue while maintaining robust risk and governance standards. On the equity side, governance-driven corporate actions continue to present event-led borrow demand that we are positioned to serve.

How do you assess the outlook for APAC securities finance markets for 2025? And what opportunities do you foresee for these markets?

Au: Looking ahead, APAC is well positioned to build on the strong momentum of 2025, as elevated market activity continues to drive demand for regional assets. We expect Hong Kong to remain a key revenue-generating market, with the IPO market likely to sustain its momentum. Taiwan, as a technology-heavy market, is expected to continue attracting substantial borrow demand. Supported by ongoing AI themes, we anticipate steady lending performance from this market.

Japan is also expected to remain a robust lending market, driven by the Japanese government's growth-focused policies, ongoing corporate governance reforms and investors' desire to diversify beyond the US. South Korea is likely to increase its share of regional market revenues as participants re-enter and scale up their activity following significant investments in risk management, compliance, and operational enhancements. Overall, APAC is set to remain one of the most diversified, resilient, and opportunity-rich regions for securities finance globally in the year ahead.

Micallef: APAC markets are poised for strength in 2026, extending the positive trajectory established in 2025. Continued progress in collateral optimisation, coupled with improving liquidity across key Asian venues, is set to drive meaningful gains across multiple product lines. Early-year activity already points to rising volumes and deeper client engagement, reinforcing a constructive outlook for the months ahead.

South Korea: With short-selling fully reinstated, borrow demand should remain firm in index heavyweights and tech/industrial names. Standardised processes and improved surveillance reduce friction and broaden participation. Term borrows and market-making inventory are likely to be in high demand.

Hong Kong: Expect policy calibration from the mainland to support stability, with Hong Kong driven by event-led specials (buybacks, restructurings), IPO pipelines, and convertibles hedging. Tokenised instruments are poised to gain traction as infrastructure matures.

Australia: Policy is likely to remain comparatively restrictive, but this supports attractive collateral transformation trades. Corporate actions and placements will keep equity lending active, while term funding opportunities should remain.

Taiwan: Tech momentum (AI/semiconductors) continues to underpin elevated fees and frequent specials. Supply constraints persist in flagship names, but lendable inventory should keep expanding as more participants enter the market. Term supply and careful recall management will be key.

Yamamoto: The outlook for the APAC securities finance market in 2025 is highly positive, with sustained strong performance expected across equity markets in the region. This is likely to further increase the demand for securities as collateral, driving the growth of the securities finance market. As this trend continues, the need for solutions that enhance collateral utilisation and ensure liquidity will become even more critical. As a Japan-based institution, we aim to support the expanding APAC market by offering structured securities finance transactions. Specifically, we plan to accept emerging market securities as collateral and lend Japanese assets such as Japanese equities, yen, and government bonds.

Michael: We expect trading momentum to continue in 2026, building on the strong performance of 2025. Beyond Hong Kong and Japan, higher spread markets such as Taiwan and Korea will remain a key focus as borrowing demand stays robust. Geopolitical uncertainties will continue to shape the landscape, prompting beneficial owners to optimise their portfolios and potentially impacting trading inventories. From a trading perspective, we aim to expand our lending distribution channels across the region and focus on growing our product offering to meet evolving market needs.

Hussain: A range of trends will be impacting the APAC securities finance markets landscape in the year ahead, particularly collateral diversification, capital flows, and evolving portfolio management strategies. There is a clear shift towards diversification into non-USD denominated collateral as a means of managing risk. Historically, a weaker US dollar has benefited non-USD assets, leading to increased capital flows into Asia and emerging markets. This dynamic is resulting in higher asset valuations, more shorting opportunities, and a growing need for effective hedging strategies.

Asset owners are increasingly seeking holistic solutions that integrate securities lending, financing, and liquidity management to optimise portfolio performance. APAC is likely to be a beneficiary as markets across the region continue to maintain a strong emphasis on transparency, stability, and market fairness.

Uhlen: We remain cautiously optimistic about the APAC securities finance landscape in 2026. Market participants continue to focus on three pillars — access to liquidity, balance sheet efficiency, and cost discipline. This environment may drive noticeable increase in collateral-pledge structures that can involve both APAC-listed securities and regional participants.

Lending activity in the technology sector is expected to be dynamic and a key opportunity in 2026, driven by elevated valuations in that category.

Geopolitical uncertainties, including potential tensions or shifts in trade policies, could also trigger price swings and temporarily increase short-term borrowing demand. The combination of continuous demand for HQLA, particularly the Australian Commonwealth Government Bonds (ACGBs), a strong pipeline of IPOs, and rapid technological adoption positions the APAC securities-finance market for continued growth and innovation throughout 2026.

As an agent lender, we will need to continue to enhance collateral flexibility and structures around triparty so borrowers can obtain better liquidity ratios. We also need to embrace technology fast to enhance our offering. ■

A new dawn: 2026 outlook for Asia Pacific

HSBC's Adnan Hussain, global head of Agency Lending & Liquidity Services, reviews the landscape for APAC, from performance and cross-border connectivity to the re-emergence of the New Silk Road

The global securities lending market stepped confidently into 2026, with lendable inventory exceeding US$50 trillion at the start of the year — a record high. Focusing on Asia Pacific, this momentum looks poised to continue.

Supported by elevated equity valuations and expanded lending pools, lenders and borrowers alike are increasingly looking to diversify their collateral strategies and maximise on event-driven trading. Easing market regulations amid the backdrop of an evolving geopolitical and economic landscape are also sparking a shift in liquidity flows to both new instruments and geographies.

Building on a strong foundation

Market data shows APAC equities revenues surged 54 per cent in 2025, capturing 22 per cent of the global lending pie. Leading markets such as Hong Kong, Korea, and Taiwan fueled this through waves of new listings, complex corporate actions, and high-demand specials in the repo market that attracted premium fees. Japan was also a key beneficiary as the Bank of Japan continued its shift toward monetary policy normalisation, driving considerable yield enhancement on Japanese government bonds. Globally, revenues climbed to US$15.3 billion — a 26 per cent year-over-year advance — with Asia's fees advancing 17 per cent and on-loan balances rising 22 per cent.

Thematic pressures in technology, consumer sectors, and infrastructure are likely to sustain borrowing needs, favouring lenders who nimbly deploy inventory across high-demand names. Amplified lendable pools and steadier utilisation are also expected to position APAC as an anchor for the expansion of securities lending markets across the world.

Collateral and instrument expansion

Lenders are increasingly looking for diversification across their collateral pools, as they look to harness opportunities coming to market. We are seeing growing demand from clients for alternative assets — like thematic, active, and fractional ETF collateral — as well as tokenisation and gold. Additionally, triparty structures and pledged collateral models continue to gain traction, enhancing balance sheet efficiency, and risk-weighted asset (RWA) optimisation.

Within APAC, cross-border schemes are playing a significant role in helping unlock revenue potential through enhanced access to collateral. Programmes like Stock Connect, Swap Connect, and ETF Connect, have significantly contributed to annual cross-border flows, pooling liquidity from Shanghai and Shenzhen into Hong Kong and vice versa, providing both domestic and international investors with mutual market access.

Complementing this, the Hong Kong Monetary Authority (HKMA) launched Bond Connect's reverse repo mechanisms last year, enabling northbound participants to conduct onshore reverse repurchase agreements using China government bonds as collateral. As a designated market maker, HSBC supported a number of banks, securities firms, and hedge funds in completing maiden trades under these enhanced arrangements.

We anticipate cross-border connectivity to further progress in 2026 through new and expanded collateral openings, as countries look to boost capital flows and attract international participants across APAC and the Middle East.

The new silk road

Securities lending connectivity across the Middle East and APAC corridor is advancing through regulatory reforms and infrastructure enhancements, particularly in Saudi Arabia, where HSBC facilitated the first securities lending market transaction in 2021 — acting as both agent lender and custodian. Lending demand has continued to build in the market as investors look to tap into growing opportunities stemming from the Kingdom's deepening AUM driven by Saudi Arabia's sovereign wealth funds.

Enhanced financial market infrastructure integration is also spurring bilateral flows across the corridor. Hong Kong continues to play a pivotal role as a super-connector between Middle Eastern and APAC markets, including Memorandums of Understanding with the United Arab

Emirates's (UAE's) Central Bank for debt capital market linkages and Hong Kong Exchange-Tadawul collaborations on fintech, ESG, and cross-listings.

As cross-corridor demand builds, we are working diligently with regulators and industry bodies to help facilitate new market expansion in APAC and the Middle East — further strengthening the re-emergence of the New Silk Road.

A lion awaits

Having first opened our doors in 1865, with the aspiration of connecting global trade markets, HSBC is well-versed in helping clients navigate the complexities of doing business across jurisdictions and market infrastructures. As one of the world's largest international banks, we have direct custody offerings in more than 30 markets, uniquely positioning us to pair local market expertise with global scale and capital markets capabilities.

HSBC has provided agency securities lending services for over 50 years, supporting multi-sector clients' lending activities in more than 40 equities and fixed income markets across a diversified network of high credit counterparties. Our comprehensively indemnified programme is designed to be fully transparent and bespoke — tailored to each client's unique inventory, investment needs, and risk appetite. Additionally, we offer a 'follow-the-sun' model, supporting clients with 24/7 trading coverage leveraging a range of high-touch and automated strategies.

"HSBC has provided agency securities lending services for over 50 years, supporting multi-sector clients' lending activities in more than 40 equities and fixed income markets"

Adnan Hussain
Global head of Agency Lending & Liquidity Services
HSBC

EQUILEND

Turn Idle Assets Into **Active Revenue**

Let the Agent Handle the Lending - You Earn the Revenue

The next frontier in retail brokerage revenue

Tony Camarota, head of Spire at EquiLend, reviews how fully paid lending turns dormant assets into scalable income

Retail brokerages face a revenue crisis hiding in plain sight. Commission-free trading eliminated a core income stream. Payment for order flow invites regulatory scrutiny and reputational risk. Net interest income swings with rate volatility. Yet trillions of dollars in customer assets sit dormant on broker balance sheets, generating nothing. The solution is not encouraging more trades or launching another product, it is monetising what you already have.

The overlooked asset class: Idle customer securities

Retail investors hold long-only positions in stocks, bonds, and ETFs that rarely move. These securities have real economic value to the securities lending market, where hedge funds, market makers, and institutional investors need them for short selling, hedging, and maintaining market liquidity. Demand for borrow is persistent and often increases during low-volatility periods when retail activity slows.

The supply exists. The demand is constant. What has been missing is scalable, compliant infrastructure to bridge the gap.

Fully Paid Lending (FPL) closes it.

What fully paid lending actually is

FPL allows brokers to lend customer securities that are fully paid for or represent excess margin, with explicit customer consent. Customers receive a share of the lending revenue. The broker earns recurring income without deploying proprietary capital or changing customer investment strategies. Securities lending is no small business; it generated more than US$15 billion for lenders in 2025, according to EquiLend data.

Here is how it works in practice: a customer holds 500 shares of a widely shorted stock worth US$25,000. They opt into FPL. Those shares go on loan, generating perhaps US$200-400 annually in passive income for the customer while the broker captures its share. The customer retains full ownership, all market exposure, and can sell at any time with securities recalled automatically.

Unlike traditional revenue models, FPL scales with assets under custody, not trading volume. It rewards brokers for holding customer relationships, not churning them.

Clearing up what FPL is not

It does not increase market risk. Customer economic exposure remains identical. They keep all upside and downside. The only change is a temporary loan of the security that generates incremental income.

It does not lock up assets. Modern FPL programmes include recall mechanisms that return securities immediately when customers sell or transfer positions. Lending happens in the background and is operationally invisible.

It is not complex or opaque. Transparent disclosures, clear revenue sharing, and detailed reporting show customers exactly what they earn and why. When implemented correctly, FPL is conservative, opt-in, and straightforward.

Representing the next revenue frontier

Fully Paid Lending aligns with where retail economics are heading, not where they have been.

It delivers recurring revenue that accrues daily and compounds as assets grow, creating predictable income compared to transaction-driven models. It scales automatically as platforms add customers and assets, requiring no new products or licenses. It operates with minimal capital, avoiding the balance sheet intensity of margin lending or principal trading. And it strengthens retention by giving customers passive income on assets they already hold, making platforms stickier and accounts less likely to migrate.

For a mid-sized broker with US$10 billion in retail assets, a well-run FPL programme can generate millions in annual revenue at utilisation rates of just 5-10 per cent of eligible inventory.

Why retail has been slow to adopt

The barriers have been real. Managing recalls, corporate actions, collateral movements, and revenue splits across millions of accounts is operationally intensive. Many retail brokers lack direct connectivity to global securities finance markets or real-time optimisation tools. And there has been legitimate hesitation around client education — poorly implemented programmes risk confusion or mistrust.

But these barriers are no longer structural. Modern platforms now automate the operational complexity while giving brokers control over programme design, risk parameters, and client communication.

The brokers winning with FPL treat it as core infrastructure, not a bolt-on experiment.

That means integrating lending into a broader strategy: educating clients through clear disclosures, optimising inventory distribution across global borrowers, actively managing utilisation and recall risk, and reporting lending income as a strategic line item. When FPL runs as a background revenue engine rather than a marginal yield enhancement, it becomes a meaningful contributor to growth.

The firms that move first and execute well will establish competitive advantages that are difficult to replicate. Those that wait risk watching assets — and revenue — walk to competitors offering better economics.

Why EquiLend for fully paid lending

EquiLend brings institutional-grade securities finance infrastructure to retail brokerages without the institutional-grade complexity. Our FPL solution connects your retail inventory directly to global borrow demand while automating the operational heavy lifting that has historically held firms back. Fit for purpose for brokers starting new FPL programmes as well as those looking to optimise an existing FPL programme, EquiLend's solution is tailored for retail brokers of all shapes and sizes.

Brokers and wealth managers that do not want to take on a principal role can also utilise the platform alongside their custodian's lending desk or a third-party lending agent. These institutional lenders have the advantage of experience, multiple distribution channels, robust operational frameworks, and cutting-edge technology to ensure that revenue is maximised and risks are well managed.

From inventory optimisation and collateral management to recalls, reporting, and revenue transparency, we enable brokers to launch and scale FPL programmes quickly, compliantly, and profitably. The result is faster time to revenue, higher utilisation rates, and a lending programme that works quietly in the background while your platform grows.

We have eliminated the barriers. You bring the assets.

What comes next

Retail brokerage is evolving. Future growth will come less from encouraging more transactions and more from extracting value from existing relationships in smarter, more sustainable ways.

Fully Paid Lending sits at the centre of that shift. It is proven, scalable, and aligned with both market structure and customer expectations. The question is not whether to evaluate it. The question is whether you can afford to be the last in your segment to launch.

The next frontier is not somewhere on the horizon. It is already here. ■

Tony Camarota
Head of Spire
EquiLend

PROFILE

From the ground up: The faces behind APAC's stock loan market

Following an impressive career spanning 40 years in finance, Tak Sugahara sits down with Carmella Haswell to uncover his journey in building Japan's domestic SBL market outside of the JSFC

Looking back on a 40-year-long career in financial services, Tak Sugahara shares his story and that of those who left their mark on the evolution of securities borrowing and lending (SBL) and the rise of modern trading infrastructures in Asia Pacific. From building the first global stock borrow system (IP Sharp's BLEND platform) to establishing Japan's domestic SBL market, Sugahara takes great pride in helping to build businesses that were "innovative, resilient, and safe — without shortcuts or compromises".

Where it all began

Morgan Stanley was a niche player in Japan when it opened its Tokyo office in 1970. But as Japan became a larger industrial force and global investor a decade later, the business there expanded.

In 1986, the firm became one of the first foreign investment banks to obtain the Tokyo Stock Exchange membership. This marked a turning point, where the firm began to invest more heavily in developing the talent and expertise to compete in the domestic market.

One of these talents was Sugahara — an industry veteran who has held senior roles within Deutsche Bank, Bank of America Merrill Lynch, Mizuho Securities Co., and Nomura Securities, to name a few.

Sugahara was introduced to the SBL world in 1985, an experience which he calls "serendipitous". His father had received a call from the business, which at the time was seeking new university graduates for its frontier offices. "Although I had already accepted a job elsewhere, my father volunteered me without asking. That led to a memorable phone call — where I mistakenly described Morgan Stanley as a 'great power tool company' — and ultimately to an interview that changed my career," he recalls.

Through Morgan Stanley's management training programme, Sugahara was assigned to the stock loan group, where he learnt the mechanics of securities lending in the US and internationally. He gained exposure to the operational, legal, and technological foundations that underpin modern SBL.

While at the firm, he met Hiro Ishitani. Having joined Morgan Stanley in 1987 as an entry-level clerk in the operations department, Ishitani remembers Sugahara as a "young and bright stock loan specialist" who was sent to establish a separate stock loan team in operations.

He continues: "Tak and I, together with other operational professionals, worked very closely to improve operational processes and establish new ones required for his key objective which was to establish a domestic stock loan business."

Playing important roles in the building of Morgan Stanley's stock loan market, both Sugahara and Ishitani toured the firm's European offices in London, Frankfurt, and Geneva to educate foreign traders who were selling short against warrant, bond or depository receipt (DR) certificate.

Looking back: Revisiting 1980s Japan

Setting the scene, Sugahara explores the Japanese market in the mid-1980s — when he was spearheading the SBL desk for Morgan Stanley. Describing the environment as "extraordinary", Sugahara says it was a time where Morgan Stanley, Lehman Brothers, and Salomon Brothers were battling to lead index, convertible bond, and warrant arbitrage in Japan. The Nikkei was approaching historic highs, Japanese capital was flowing globally, and inefficiencies in the trading markets — particularly across mid and small-cap equities — created abundant arbitrage opportunities.

"But the infrastructure was primitive. Settlement was entirely physical — stocks were counted, transported by bicycle couriers, and stored in vaults," he explores. "The Japan Securities Finance Corporation offered limited supply at high cost, and domestic institutions had no lending programmes, no legal frameworks, and no familiarity with stock loan mechanics."

According to Sugahara, regulatory constraints added complexity to this market, where foreign collateral was restricted, Japan government bonds (JGBs) transferred to foreign entities became "dirty", and settlement mismatches were common. "Against this backdrop, developing a functional domestic stock loan market required rebuilding nearly every operational, legal, and technological foundation from scratch."

Ishitani recalls that the market at the time was dominated by domestic securities companies and was purely a client-side business. Foreign companies were small but growing — Morgan Stanley was less than 200 when Ishitani joined — and it was these entities that started to implement such strategies as arbitrage, repos, and hedging.

"The market quickly caught up but it was the foreign companies that were dominant and Morgan Stanley then was one of the dominant players. The best way perhaps to describe the Japanese market at that time is physical and manual," notes Ishitani.

Prior to Sugahara's domestic lending business, Ishitani says that the only form of a lending or borrow facility was via the Japan Securities Finance Corporation (JSFC) — a regulated and "expensive" stock borrow scheme primarily used to cover fails. Japan was a no fail market to the exchange so if a foreign client failed to deliver, it was the coordination between Sugahara's team and the core operational team to borrow securities to deliver to the exchange.

Building a foundation

Alongside operational and support professionals, Sugahara and Ishitani began the journey to help form a domestic stock loan market in Japan by creating the business architecture. Collaborating with legal, compliance, treasury, settlements, technology, and trading desks, they worked to define acceptable collateral, settlement workflows, reporting procedures, and contingency plans.

These plans were formally presented to the Ministry of Finance and the Bank of Japan and once approved, Sugahara says the team worked around the clock with the settlements group to operationalise the framework.

It was then important to build relationships with key domestic institutions which, according to Sugahara, were initially those associated with Mitsubishi Group companies across life insurers, fire and marine casualty companies, banks, and trust banks — to form the first lending partnerships.

"Systems had to be invented. I built Japanese-language confirmation tools and the TraderX inventory platform to track borrows, recalls, and trading desk activity across settlement cycles. These tools proved essential, particularly around dividend and record dates," he explains.

However, it was not all smooth sailing. From Ishitani's perspective, there were several key challenges due to the physical delivery environment, no fail market, and client expectations. For instance — and specific to the stock loan market — Sugahara had to educate and convince large investors such as insurance companies to loan out their proprietary holdings. Ishitani explains that "no standards existed" and so a process had to be created which met the standards and expectations of both the clients and the market.

"Imagine hundreds and thousands of trades requiring settlement and for each one of those, physical securities had to be delivered to the client and to the exchange," Ishitani explains. "Although the actual custody/safekeeping and delivery of physical certificates was done by a third party, the operational process at Morgan Stanley had to ensure this was all instructed and delivered on time."

Another key challenge to tackle was the conservative nature of the decision makers of the equity owners. Ishitani says: "If you could imagine Tak's client seeking executive and/or board approval of an insurance company, primarily very grey-haired, this might help imagine the scene," he adds.

The Japanese are very detail-oriented and mistakes are highly frowned upon. For example, not returning stocks to lenders for record dates would have caused material harm to lenders because those shares were often held for cross shareholding purposes. This would have cascaded to irreparable harm to Morgan Stanley's market reputation and ultimately damage the lending market itself. "I can report this never happened," notes Sugahara. "Interestingly, Morgan Stanley built such a positive reputation that some lenders allowed it to borrow 'mu-tampo' — without collateral."

Morgan Stanley launched its domestic stock borrow programme in early 1987 and, as Sugahara put it, "quickly became the leading index, convertible bond, and warrant arbitrageur". Through Sugahara's efforts, Ishitani says the first ever stock loan transaction was concluded via a third party.

Sugahara adds: "Growth strained the physical settlement process and systems, prompting us to innovate using safekeeping receipts to replace actual stock movements. Rather than transferring thousands of stocks positions between lenders and Morgan Stanley and between Morgan Stanley and exchanges, we used a confirmation process to eliminate almost half the stock movements. This mechanism drastically reduced operational overhead and costs and ultimately enabled Morgan Stanley to successfully arbitrage the TOPIX futures contract when it launched.

"It was a foundational moment for Japan's capital markets and a defining chapter in my career."

Reviewing the impact of these events, Ishitani says the Japanese market was primarily long only and when stock loans became household, investors and traders began looking at the short-end of the market and became more creative. Through stock lending, investors were able to secure additional income via lending fees.

From Japan to Hong Kong

Following his move to Goldman Sachs in 1990, Sugahara worked to build the firm's Japan SBL desk before taking on a new role at its Hong Kong office in 1991. Here, he was tasked with building Goldman Sachs' APAC SBL desk. "When joining Goldman Sachs, the market already existed, but building the business still required recreating the structure — this time in a more formalised environment," notes Sugahara. "Within six months, we were live with most of the major domestic lenders. The desk grew rapidly and supported index, convertible bond, and warrant arbitrage, as well as the growing hedge fund community trading Japan."

The move to Hong Kong, following five years in Japan, enabled Sugahara and his team to map, in detail, the legal, tax, and regulatory frameworks needed to expand financing and short selling across APAC. "This work laid a solid foundation for the firm's later prime brokerage growth in the region."

Prior to Sugahara's relocation, Lawrence Komo worked under his leadership at Goldman Sachs' Japan office. "Those were exciting times as it was still the early days of securities lending in Japan, and there were many internal battles with compliance and operations as we grew the business," Komo recalls. "It took years of discussions to persuade the large holders of Japanese equities, mainly the insurance companies, to get comfortable with the benefits and safeguards around OTC lending."

Despite these challenges, Sugahara and Komo partnered on various projects including one that established the 'first-ever' exclusive borrow arrangement with one of the largest regional sovereign funds. Not only was this unique, says Sugahara, but it expanded the trading opportunities and created resilience in supply.

For Komo, there are two critical components for a robust securities lending market — trading demand for shorting/hedging and supply of lenders in the market. He explains that, at the time, Japan's financial markets were "exploding" with new exchange traded products — futures, CB's, warrants — which drove "huge demand" for lending to support market makers and arbitrage desks.

"I built off the work Tak had successfully done with local institutional lenders, and continued to grow the pool of firms willing to lend," he says. "The combination of these newly introduced exchange traded derivatives and ample supply of stock loan fed not only proprietary desks but hedge funds and the growth of Japan market focused hedge funds!"

Imitation is the highest form of flattery and broker-dealers are masters in that regard, according to Komo. He says the success of Goldman and Morgan Stanley pulled in most large Western brokers into establishing domestic desks, which ultimately legitimised the lending market in Japan.

"At that time, Japan was the bellwether for financial market liberalisation, and the success of Japan's robust derivatives markets left a legacy of similar modernisation across Asian markets going forward. Tak's success in introducing securities lending to the Hong Kong market and regulators is a prime example of this knock on effect and impact!"

Reviewing the key highlights from his career, Sugahara says the most rewarding moments came from tackling projects that seemed impossible at first glance — building markets, creating systems, designing frameworks, and solving operational bottlenecks. Even more so, he highlights the significance of the people he worked with, noting that he worked alongside teams who took ownership, invested long hours, and consistently did things the "right way".

"I take great pride in knowing we built businesses that were innovative, resilient, and safe — without shortcuts or compromises. That, more than anything, defines the legacy I hope we leave behind."

He concludes: "After 40 years, I leave with the satisfaction of having contributed to businesses that grew from nothing into dominant market franchises. It feels like the right moment to step back and let the next generation carry the torch."

"After 40 years, I leave with the satisfaction of having contributed to businesses that grew from nothing into dominant market franchises"

Tak Sugahara

Japan's unique Margin Transaction system

Kei Hashimoto, associate, securities lending (equities) of Japan Securities Finance Co. reviews a distinctive feature of Japan's trading framework as global interest in Margin Transactions continues to rise

In earlier editions of the Securities Finance Times, Japan Securities Finance (JSF) introduced readers to Margin Transactions, a distinctive feature of Japan's trading framework. With the Japanese stock market demonstrating robust performance and global interest in Margin Transactions continuing to rise, we are excited to revisit this topic and share our pivotal role within the wider securities lending ecosystem.

Globally, the standard way to initiate a short trade is to borrow stocks through the securities lending market and sell them. However, in Japan, investors can make use of the distinctive Margin Transaction market as an alternative to borrowing stocks. The advantage of the Margin Transaction system is that investors can freely short sell the majority of over 4,000 listed stocks without complex prior contracts, negotiations, or paperwork with lenders. In other words, anyone can easily initiate a short position on most Japanese stocks under this framework.

Margin Transactions account for approximately 15 per cent of total equity trading volume on the Tokyo Stock Exchange, and an estimated 60–70 per cent of stock trades by individuals use this scheme, demonstrating their significant presence in Japan's equity market. As a brief introduction of the mechanism, Margin Transactions in Japan are classified into two categories:

- Standardised Margin Transactions (SMT) — trades in which eligible securities and the terms are set uniformly by the stock exchange. Most listed stocks are eligible under these standardised terms, and investors can readily use SMT to obtain leverage or to short stocks.
- Negotiable Margin Transactions — trades in which individual securities companies set the terms and conditions. Investors may choose this type of transaction when they find terms that differ from those specified under SMT. While SMT remains the primary choice for margin trading, Negotiable Margin Transactions serve as an alternative option to accommodate specific needs.

In many countries with short selling regulations, a short seller must secure stock before selling short. It is also true for Japanese Negotiable Margin Transactions: the broker needs to have the shares lined up beforehand. SMT, on the other hand, benefits from an extremely efficient stock procurement scheme operated by JSF called Loans for Margin Transactions (LMT). Using LMT, neither investors nor brokers need to pre-borrow shares themselves; they can short sell any available stock on demand. In essence, SMT's existence, underpinned by JSF's LMT framework, is what enables margin trading to cover the vast majority of listed securities in Japan.

Reviewing SMT and LMT

Under a SMT, an investor deposits 30 per cent of the trade's value as margin to a securities company and then raises cash or borrows stocks to execute a leveraged buy or a short sale. This structure allows individual investors to enhance returns with leverage or conduct short sells as means of risk hedging.

For example, if you expect the price of a stock to decline, they can use SMT to execute a short sell instead of borrowing shares from a prime broker on the lending market. Within the repayment period (up to six months), if the stock price drops, you can buy back the shares at a lower price and return them to the securities company, profiting from the price difference. SMT can be also used for hedging purposes; for example, to avoid losses by short selling equivalent shares when expecting a price decline in stocks you already hold.

Behind every SMT lies JSF's LMT mechanism. Only securities finance companies licensed by the Prime Minister of Japan are permitted to conduct LMT, and JSF is the nation's sole securities finance company. When an investor places an order for a SMT with a broker, the broker in turn can obtain the necessary cash or stock for settlement from JSF via the LMT by depositing a certain level of collateral.

A question arises here: how does JSF procure cash and shares required to run LMT? The answer lies in JSF's robust financing capabilities. With a solid credit 'A' rating by S&P,

JSF raises funds in financial markets. For stock lending, JSF organises a daily auction on the business day following the trade date of LMT to source the shares required for T+1 settlement to cover all margin short sells executed. In this auction, securities companies or institutional investors holding demanded stocks can lend them to JSF. The auction mechanism ensures efficient, market-driven procurement of equities. This backstop is an exclusive feature of the LMT system and exemplifies JSF's role as a reliable stock lender in the margin trading framework.

The borrowing cost determined by the JSF auction is called the 'premium charge'. Premium charge rates are set according to a predetermined tiered schedule based on the value of the investment amount. All short sellers using SMT must pay this premium charge uniformly according to the size of their short position, whereas the lenders in the JSF auction (those who supplied shares) and margin buyers (long position holders in SMT) receive this premium charge based on the quantity of shares they lend or buy.

In effect, the premium charge flows from the short side to the long side and lenders, serving as an incentive mechanism to balance supply and demand. This will encourage short sellers to close their positions and new buyers to enter the market. Through this self-adjusting mechanism, the balance between margin buying and margin selling tends to find equilibrium under normal circumstances.

Nonetheless, supply and demand can sometimes become severely imbalanced. If the outlook for sourcing shares via the auction becomes uncertain due to

"JSF plays a vital role in achieving one of the primary objectives of the recent Tokyo Stock Exchange market reforms — enhancing market liquidity — and we are proud to serve in this capacity"

Kei Hashimoto
Associate, securities lending (equities)
Japan Securities Finance Co.

special circumstances — such as sudden price volatility, corporate actions, or large short position over a record date — JSF may intervene by imposing temporary restrictions on new short sales in SMT. Depending on conditions, JSF can issue a caution (an advisory of limited stock availability) or enforce an application suspension (a prohibition on new margin short sale orders for the particular stock). These measures are designed to preempt excessive short selling and maintain market stability when supply mechanisms fall short.

The various data associated with JSF's operations serve as valuable indicators of supply-demand dynamics in the Japanese stock lending market. Recently, efforts have been made to utilise this data for predicting market supply and demand. JSF's data services, offering detailed LMT and stock loan market statistics, are increasingly in demand from domestic and international investors and researchers.

JSF's role in the general stock lending market

Apart from the margin transaction market, JSF also plays a vital role in the Japanese stock lending market. As the only securities finance company in Japan, JSF has cultivated relationships with domestic financial institutions and major shareholders over decades. Through this extensive network, JSF holds a substantial inventory of stocks on deposit from these partners. This unique positioning enables JSF to inject liquidity into the securities lending market, effectively acting as a lender of last resort to support the smooth functioning of the Japanese equity market.

While international investors become increasingly active in Japan's booming market, their activities have predominantly concentrated on large, highly liquid stocks. These names generally have ample liquidity and are well-covered by global securities lending participants, meaning JSF's services are not often called upon for mainstream large-cap shorting.

JSF's true strength, however, lies in less-liquid small and mid-cap stocks. Where typical lenders may not have inventory or are unable to lend a particular stock, JSF leverages its network to procure the shares and supply them to the market. By providing liquidity in these otherwise illiquid names, JSF plays a vital role in achieving one of the primary objectives of the recent Tokyo Stock Exchange market reforms — enhancing market liquidity — and we are proud to serve in this capacity. JSF regularly deals with lending transactions through industry platforms such as Bloomberg and EquiLend NGT, so feel free to reach out.

In addition, JSF actively commits to mitigate settlement failures in the market by providing T+0 stock loans for settlement failure. In practice, if a market participant faces the risk of failing to deliver stocks by the settlement cut-off time, JSF can swiftly step in to provide the required shares — often within just 15 minutes of the request in urgent situations. By serving as the final anchor of stock settlement in this way, JSF significantly reduces the incidence of delivery failures and enhances the overall stability and integrity of Japan's stock settlement system.

Conclusion

As Japan's sole securities finance company, JSF commits to the development of the nation's securities market infrastructure. We encourage global investors to take advantage of the unique trading schemes and actively participate in the Japanese market. The SMT and the associated LMT are complex in certain respects, but they are also highly effective mechanisms that can benefit your trading strategies. To learn more about these systems, please visit JSF's website for detailed information.

Rewiring APAC's funding architecture

Paul Wilson, director of sales at Transcend Street Solutions, discusses Asia's evolving collateral landscape, the operational pressures facing buy side and banking firms, and why enterprise-wide optimisation is becoming a strategic differentiator

Transcend is rapidly expanding in Asia. What is driving this movement?

Transcend's expansion into Asia reflects both the natural evolution of our client base and increasing regional demand for more sophisticated collateral and liquidity optimisation capabilities. Building on our early footprint in the Americas and expansion in the European markets, we now have clients on the ground in Asia and are seeing exponential growth driven by the need for new technology to meet more complex market needs, growing portfolio return expectations and desire to be better positioned operationally to handle market stress when it inevitably arrives. As a result, there has been a significant increase in inbound interest from Asian banks and buy side firms for our solutions, as well as demand from global banks seeking to extend optimisation strategies across their regional entities.

Asia also represents one of the most dynamic and rapidly evolving collateral environments globally. The region consists of multiple expanding jurisdictions, including both mature and emerging markets, each with differing collateral restrictions, regulations, and infrastructure maturity levels. This creates a heterogeneous marketplace that introduces significant complexity for institutions attempting to mobilise collateral efficiently across entities and borders.

Unlike Europe and North America, where regulatory frameworks such as EMIR, Dodd-Frank, and Commodity Futures Trading Commission (CFTC) regulation, helped drive market standardisation and centralisation, Asia continues to operate across a more fragmented infrastructure landscape, which is where we can help. However, the region is undergoing meaningful transformation. Securities finance activity is growing rapidly in markets such as Taiwan and Thailand, while regulatory and market modernisation initiatives including the expansion of collateral acceptability, developments around China government bonds as eligible collateral, digital tokenisation, T-0 pilots, and programmes such as Hong Kong Stock Connect are expanding cross-border market participation and a need for innovation. At the same time, institutions across the region are steadily increasing their use of secured funding, further elevating the strategic importance of collateral efficiency.

The expansion is therefore both proactive and client led. Transcend's solutions are designed to be scalable across jurisdictions, allowing institutions to apply consistent collateral and liquidity management strategies globally while accounting for regional market nuances. Our clients also benefit from our established global footprint, including our large operational presence in India, which supports our ability to serve clients across time zones and regulatory environments.

How do you see collateral and liquidity challenges in Asian markets differing from those in Europe and North America?

Asian markets present a fundamentally more fragmented operating environment with unique characteristics compared with Europe and North America. Firms in Asia often operate across multiple regulatory jurisdictions, including established securities finance markets like Singapore, Korea, Malaysia, Japan, Hong Kong, Australia, and other emerging or regional financial hubs. Each jurisdiction maintains its own regulatory constraints, collateral eligibility frameworks and settlement conventions, which significantly complicates consolidated inventory visibility and enterprise-level optimisation.

A key differentiator is the relative lack of interconnected market infrastructure between entities, custodians, trading venues, and funding channels. This can result in significant volumes of trapped or operationally inaccessible collateral, where assets held within certain entities or jurisdictions cannot be easily mobilised to meet obligations elsewhere within the same organisation.

By comparison, European markets benefit from a highly developed triparty collateral infrastructure that allows desks to optimise collateral usage efficiently within a standardised and centralised framework. Asian markets, while sophisticated, tend to rely more heavily on bilateral trading relationships, largely as a result of fragmentation and differing stages of infrastructure adoption. This reduces the ease of collateral mobilisation and has historically slowed the widespread adoption of centralised collateral utilities that are now commonplace in Europe and North America.

That said, the landscape is shifting. Both global institutions and regional players are becoming increasingly focused on unlocking cross-border optimisation opportunities. Many APAC institutions are expanding their use of multiple triparty agents to increase operational efficiency and reduce time zone dependencies to support more automated collateral workflows. This reflects a growing shift away from traditional models that focused primarily on local asset utilisation toward a more globally integrated collateral strategy.

What pressures are Asian firms facing today when it comes to optimising collateral usage and balance sheet efficiency?

Asian institutions are navigating several structural and operational pressures that influence how they manage collateral and liquidity.

First, the multi-jurisdictional nature of regional operations creates challenges around regulatory compliance, legal entity setups, and capital allocation. Institutions must constantly balance local regulatory obligations with enterprise-wide optimisation objectives while managing differing collateral eligibility and reporting requirements. Second, collateral infrastructure adoption across the region remains at varying stages of development. While triparty frameworks and centralised optimisation capabilities are expanding, many institutions continue to operate within hybrid environments that combine bilateral workflows, manual support and emerging automation. This can limit scalability and increase operational risk.

Third, collateral mobility across borders and entities remains one of the most complex operational challenges. Fragmentation across custody networks, settlement systems, and regulatory frameworks can restrict asset movement and limit balance sheet efficiency.

Finally, time zone dynamics introduce additional coordination challenges. Many Asian trading desks remain dependent on liquidity and market activity in Europe and the United States, which creates timing pressures around margin management, funding, and collateral allocation. As settlement cycles shorten and market velocity increases, these pressures are becoming more pronounced.

What challenges do APAC buy side firms face as collateral and liquidity demands intensify across the region?

APAC buy side firms are navigating a convergence of pressures: collateral mobilisation and cash management windows are shrinking due to regional accelerated settlement pilots; broader eligibility frameworks; growing adoption of Uncleared Margin Regulations; and rising expectations around liquidity governance under stress.

Simultaneously, like their European and North American counterparts, many are moving down the liquidity spectrum, increasing allocations to private markets, alternatives, and offshore assets. But they are doing so against a backdrop of greater jurisdictional fragmentation, adding complexity and creating a potential drag on returns.

The need for enterprise-wide optimisation for asset managers is more acute than ever, requiring an integrated view across asset classes, group entities, counterparties, and jurisdictions.

Buy side firms that can meet these challenges will pull ahead. Specifically, those who:

- build multi-jurisdictional operations that balance regional compliance with enterprise-wide optimisation;
- identify eligible collateral in real time and determine the optimal assets to mobilise;
- automate bookings to reduce friction and settlement risk;
- integrate securities lending, repo, derivatives margining, and cash management into a single framework;
- develop transfer pricing models that allocate the true cost of funding across business lines, entities, and portfolios;

will be positioned not just to manage complexity, but to turn it into a competitive advantage.

How are regulatory frameworks and market structures across Asia shaping the way firms think about liquidity management?

Securities services providers and custody networks are expanding triparty and collateral management capabilities throughout the region, although adoption remains at varying stages across jurisdictions. Institutions across Asia are not necessarily less sophisticated in their liquidity management approaches, but they are operating at different points along the infrastructure adoption cycle.

Cost considerations, return on investment expectations and market-specific regulatory requirements all influence how firms evaluate advanced collateral optimisation platforms. However, as regulatory requirements evolve and capital efficiency becomes a greater competitive differentiator, institutions are increasingly recognising the strategic importance of integrated liquidity and collateral management.

The continued growth of secured funding markets across Asia is further accelerating this shift. As firms increase their use of repo, securities lending, and derivatives margining strategies, the need for centralised visibility and decision-making across funding and trading activities becomes significantly more important.

Looking ahead, where do you see the biggest opportunities for Asian institutions to improve collateral efficiency and liquidity resilience over the next few years?

One of the most significant opportunities lies in integrating liquidity, collateral, and margin management into a unified optimisation ecosystem. Institutions are increasingly seeking solutions that allow enterprise-level decision making across funding, trading, and risk management functions rather than managing these processes in isolation.

The region is also seeing increasing adoption of securities lending as a strategic liquidity tool, enabling firms to unlock additional balance sheet flexibility while supporting broader funding strategies. Continued expansion of triparty collateral frameworks will further improve operational standardisation and scalability across the region.

Cross-border collateral mobility will remain a critical priority.

As APAC institutions expand globally and local firms adopt more international trading strategies, the ability to allocate assets efficiently across entities and jurisdictions will become a defining factor in liquidity resilience and balance sheet performance.

Furthermore, as firms prepare for structural market changes such as T+1 settlement, increased digitalisation, and the growing adoption of artificial intelligence, the ability to operate a fully-optimised collateralised business while remaining flexible enough to adapt to regulatory and market changes will require significant investment and strategic focus.

This is where Transcend's platform delivers meaningful value. Transcend provides a centralised optimisation framework capable of integrating both triparty and bilateral activity across asset classes including equities, fixed income, cleared and OTC derivatives. By centralising siloed inventory, automating cross-venue collateral movements, and modeling jurisdiction-specific regulatory and market constraints, Transcend enables institutions to optimise collateral usage in near real time within the practical limits of current market infrastructure.

Transcend's strategic focus is on creating the most comprehensive straight-through processing, cross-venue optimisation framework across triparty agents and central counterparties. This infrastructure provides a proven, off-the-shelf capability that supports all types of financial firms seeking to modernise their collateral and liquidity management strategies.

"As APAC institutions expand globally and local firms adopt more international trading strategies, the ability to allocate assets efficiently across entities and jurisdictions will become a defining factor in liquidity resilience and balance sheet performance"

Paul Wilson
Director of sales
Transcend Street Solutions

REPO

Centralised cash solutions: Providing opportunities for optimising cash holdings

Deutsche Bank's Kaitlyn Choo and Cassie von Sprecher provide their insights on how Deutsche Bank is providing solutions to support client's optimal allocation of cash to money market funds and reverse repo, across multiple currencies

As clients continue to face ever changing global interest rate environments, cash as a permanent asset class is here to stay. While both funding and cash placement optimisation solutions continue to converge for many institutional investors, Deutsche Bank has found that providing flexibility for our clients has enabled them to take advantage of these changing rates, in line with their risk and return preferences.

The Cash Investment Services (CIS) allows for optimal allocation of cash to either money market funds (MMFs), and/or reverse repo across multiple currencies, through a single access point. This centralised solution provides market access to allow clients to prioritise their cash investment goals, be it safety through collateralisation, yield enhancement, ease of operations, or daily access to liquidity.

Reverse repo

A diverging rate environment requires clients to have access to capabilities that take advantage of changing rates. Deutsche Bank's Cash Investment Service provides a comprehensive toolkit for managing cash tailored to investor needs, prioritising risk or return based on preferences depending on interest rate volatility.

Since 19 March 2024, the Bank of Japan ended negative rates and raised rates to around 0.75 per cent. This makes the case to engage in reverse repos to allow asset owners the freedom and flexibility to decide on duration, hurdle yield, and collateral, allowing active management of their Japanese yen cash in line with their expectations. Positive rates further deepen the opportunity costs of sub-optimal cash placements.

Elsewhere in Asia, we have seen strong growth in the Australian repo market alongside increased liquidity, supporting rising demand for risk assets such as leveraged loans with expanded collateral pools. Yields in the repo space have been in the three to four per cent range close to the Reserve Bank of Australia (RBA) overnight cash rate of 3.6 per cent. Looking ahead, there are expectations that the RBA will cut the overnight rate in early 2026. However, with the strength of the Australian dollar, reverse repo will continue to be a key tool for cash investors.

"In contrast to traditional money market fund providers, Deutsche Bank's Cash Investment Service supports diversification across fund providers, mitigating concentration risk"

Historic challenges to accessing the reverse repo markets included the lack of market infrastructure, and heavy lifting to negotiate bilateral repo agreements (GMRAs). Through a single agency agreement, we have found that clients are provided with ease of access to the market, leveraging Deutsche Bank's 100+ GMRA counterparties to achieve competitive rates.

With Deutsche Bank's reverse repo offering, investors can leverage an experienced trading desk on a 24-7 model and enjoy significant distribution without counterparty level legal agreements. Diversification limits are managed via a look through to the underlying collateral by Deutsche Bank and the client retains full control over counterparty exposure, term, and yield. Each reverse repo trade is overcollateralised and clients retain direct rights to collateral in the event of default. Additionally, Deutsche Bank provides indemnification for specific collateral sets, meaning that principal is protected even when the collateral liquidation value is insufficient.

Additionally, for APAC stablecoin issuers, the Monetary Authority of Singapore (MAS) framework mandates reserve assets be cash/cash equivalents, or debt securities with a ≤3-month residual maturity, requiring redemptions at par within five business days. This is tighter than the EU's Markets in Crypto-Assets (MiCA) allowance of ≤365 days and Deutsche Bank's Reverse Repo can be configured to meet these stringent MAS constraints, offering a crucial compliance solution for this growing market.

Money market funds

Deutsche Bank's Cash Investment Service offers access to MMFs to provide a relatively stable yield that is oriented around short-term rates. These funds offer a compelling alternative to being captive to bank deposit rates. As a secured product, each unit represents ownership in a fund's underlying treasuries and corporate debt and are typically rated by agencies. Deutsche Bank offers an electronic platform to access several MMFs providing visibility into yields and ease of access to fund investments.

In contrast to traditional MMF providers, Deutsche Bank's Cash Investment Service supports diversification across fund providers, mitigating concentration risk. Additionally, to combat cash drag, Deutsche Bank offers flexible reinvestment timelines and real-time liquidity in the form of Asia-friendly cutoff windows and multiple T+0 funds across currencies.

The Singapore dollar is widely regarded as a beacon of stability within the Asian currency complex, underpinned by Singapore's robust economic fundamentals and the MAS prudent, inflation-focused monetary policy. Given the backdrop, the SGD is likely to maintain its defensive characteristics and offer a stable option for cash investment.

Elsewhere in the region, China continues to focus on stimulating domestic demand. Hence, the People's Bank of China is likely to maintain an accommodative monetary policy stance, which would keep Chinese government bond yields relatively lower compared to some developed markets. Against this backdrop, Deutsche Bank will be looking to add both SGD and renminbi MMFs onto the platform.

Our fully live API solution allows clients to seamlessly integrate their holdings with Deutsche Bank directly into their treasury systems. This provides direct visibility of all available funds, comprehensive portfolio overviews featuring account balances, invested funds, and critical analytics to help investment decision-making. In addition to seamless connectivity, we offer a fully web-based platform that allows clients to transact in money market funds as they wish. For safety and security, we have included a 4-eye check in addition to market standard two factor authentication.

Conclusion

Deutsche Bank's Cash Investment Service is a strategic partner for treasurers and institutional investors. By providing efficient solutions for allocating cash to money market funds and reverse repos, we empower clients to navigate complex market conditions, unlock superior yields, and manage their liquidity with unparalleled control, flexibility, and security. In an era where every basis point counts, optimising cash holdings is no longer an option, but a necessity.

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Fragmentation, clearing, and the future of repo markets

OSTTRA's Neil Taylor, product design, and Peter Altero, chief business development officer, speak with Karl Loomes about fragmentation risk, margin efficiency, and the role of post-trade infrastructure as clearing expands in the US Treasury and repo markets

As more CCPs enter US Treasury clearing, is liquidity at risk of becoming fragmented — and what does that mean in practice for repo markets?

Neil Taylor: As new clearing houses enter the US Treasury (UST) clearing space, one implication is that firms may have to post margin across multiple central counterparties (CCPs) without being able to net transactions, which creates what is commonly referred to as collateral drag.

That links to what is more widely known as the CCP basis, where premiums can emerge for certain transactions or CCPs depending on netting obligations or cross-margining

capabilities. Fragmentation could therefore increase capital costs for organisations because positions cannot be cross-netted across CCPs.

Peter Altero: We have seen similar fragmentation play out in other asset classes. Often, the price to clear and the cost to clear are not immediately visible. Early on, pricing between bilateral and cleared trades may appear consistent, but over time a basis can develop.

If you look back at the swaps market, there was even a basis between different clearing houses which shifted buy side market share over a period of time. I am not saying this will happen in the UST market, but it is one to watch over time post mandate. What is interesting is which other CCPs might get involved. As more products become centrally cleared, firms will likely expand their requirements of the global CCPs to support broader product coverage, or will push for inter CCP partnerships to assist clients in recognising cross-margining benefits.

Can post-trade technology genuinely prevent repo markets from becoming siloed as clearing options multiply, or is some fragmentation inevitable?

Altero: In short, yes, but the starting point for the UST market is different to what I have observed in other asset classes. In swaps for instance, there was already a push to electronically confirm transactions in the early 2000s which created a central authoritative data record, eliminating silos and fragmentation.

As regulators rolled out sweeping changes to the swaps market and introduced a clearing mandate, it was accompanied by a trading mandate which centralised liquidity on swap execution facilities (SEFs) and multilateral trading facilities (MTFs) and drove the majority of dealer-to-client voice transactions onto electronic venues. Technology played a pivotal role in helping customers comply with regulation, simultaneously linking a wider market segment that included their execution venues, clearing houses, and counterparties. This allowed clients to decide where to execute and clear based on pricing and liquidity, rather than technology constraints.

In repo, the objective is similar. Firms should be able to process trades in a familiar way, receive consistent messages into their risk systems, and then clear at the CCP that best suits their business. Evolution in post-trade technology is imperative to ensure a smooth transition and will also help firms drive standardisation in their workflows, especially as new clearing models, and CCPs are adopted.

Taylor: Standardisation is the critical component. When you have standardisation and a central point for transactions, many of the fragmentation issues firms experience — or may experience in the future — can be significantly reduced.

What role can portfolio optimisation, netting, or compression play in offsetting higher margin costs across multiple clearing venues?

Taylor: They will play an important role. Historically, these services have not been widely used in repo, however we have seen how effective these services have been in other asset classes through OSTTRA triBalance and triReduce, and there is an opportunity to introduce similar concepts into repo.

Extensive participation in the evolution of the trading landscape in other asset classes has demonstrated our ability to help clients optimise their exposures within, and across, separate trading venues. This will allow clients and end users to retain flexibility on their choice of clearing venues. We are already developing the extension of our existing services with clients to enable more efficient use of their own financial resources (margin, balance sheet, and liquidity) in cleared and uncleared repo.

Altero: Over my 18 years in the industry, optimisation and compression have evolved significantly. Early on, when trading was largely bilateral, the primary objective was balance sheet relief. As markets moved towards clearing, optimisation providers became more important.

A common CCP and increased portfolio fungibility allowed providers to enhance their offerings and deliver better outcomes. If repo follows a similar trajectory, optimisation will grow in importance, but it needs time. Clearing is the first hurdle. The next phase — product evolution — will be the most interesting.

Repo has traditionally been flexible and relationship-driven. Is increased clearing pushing the market toward over-standardisation?

Altero: I do not think so. Firms will still be able to achieve the trade outcomes they want. There may be pressure, particularly from the buy side, to trade more vanilla products in order to access clearing benefits.

That said, repo is a deep and liquid market, and relationships still matter. If firms want to trade bespoke transactions bilaterally, they will continue to do so. Any move toward standardisation will be driven by the industry itself.

Taylor: CCPs will also evolve, offering a broader range of transaction types — such as open or evergreen repo — so that more trades can be cleared. There will always be a balance between flexibility and balance sheet relief, and CCPs will adapt because demand for flexibility remains.

OSTTRA often refers to the idea of a 'golden trade record'. How close are firms to having a single, reliable view of their global repo positions?

Altero: I would say the industry is still not there yet, but the concept is well understood. Repo post-trade processing remains highly inefficient. Firms rely on multiple point-to-point data sources — e-mails, chats, CSV and reports from execution venues, CCPs, Prime Brokers, and futures commission merchants (FCMs) — and then stitch together multiple data formats simply to understand their position.

A central authoritative trade record in repo which is kept up to date when lifecycle events such as re-rates and allocations take place, would eliminate much of the operational risk and complexity of supporting this market and its evolution.

The next step is extending that record into settlement — enabling cash flow matching, independent marks, and greater lifecycle automation to reduce settlement friction.

Taylor: Repo appears simple on the surface, but it is operationally complex, with many lifecycle touchpoints. Missed re-rates or incorrect interest calculations as an example can quickly lead to settlement failures. A central golden record removes many of those issues. It works in rates and derivatives, and there is no reason it cannot work in repo.

With T+1 now live in cash markets, how well positioned is the repo market – and is near real-time affirmation becoming essential?

Altero: It is less about mandatory affirmation and more about flexibility. Electronic trades may already be matched, but the real opportunity lies in standardised data, lifecycle automation, and settlement workflows — including predictive analytics, cash flow matching, portfolio reconciliation, and exception management to catch settlement breaks in advance of settlement date. That is how firms move closer to effective T+1 compliance and avoid potential fail penalties. Central data and affirmation workflows is a model to achieve this, but it is not the only answer.

If you could change one aspect of the global post-trade infrastructure to improve repo clearing efficiency, what would it be?

Altero: Standardisation and centralisation. If the repo market already consisted of centralised authoritative data a shift into clearing would be far easier. The market remains fragmented, and firms ultimately need to decide how much they want to invest their technology budgets as they approach regulatory changes in this market.

From a vendor perspective, that means partnering with existing platforms and acting as connective tissue across the ecosystem. We are encouraged by the constructive feedback from our key clients, which is helping us sharpen our focus on these industry partnerships.

Taylor: Post-trade repo remains under-invested in. Firms should look at what has worked in rates and credit derivatives and apply those lessons. Both cleared and non-cleared repo will remain significant, so solutions need to work across both. ■

US Treasury clearing evolution: The road to ‘done-away’

Richard Gallagher, head of sales and client management, Asia Pacific, Financing Solutions, State Street Markets, examines the upcoming US Treasury clearing mandate in the US and how this is shaping the priorities of APAC global investors

US Treasuries (UST) sit at the core of the global financial system, underpinning liquidity, risk-free pricing, and collateral transformation across markets.

On 13 December 2023, the Securities and Exchange Commission (SEC) mandated all trades of US debt securities to be centrally cleared. The mandate represents one of the most significant structural changes to the UST market in decades, expanding central clearing well beyond its traditional scope. As implementation timelines approach, the focus for global investors — particularly in Asia Pacific — has shifted from 'whether to clear' to 'how clearing can be achieved without sacrificing execution flexibility, liquidity access, or operating efficiency'.

This evolution is accelerating new access models, the emergence of a multi-covered clearing agency (CCA) landscape, and a decisive move toward the 'done-away' execution model.

FICC foundations: Mandate, scale, and market evolution

The SEC's expanded UST clearing mandate represents one of the most significant structural reforms to global fixed-income markets in decades. The rule requires that a substantially larger proportion of secondary-market UST cash and repo transactions be centrally cleared through SEC-designated CCAs. Under the mandate's current timeline, cash transactions must comply by 31 December 2026, with repo transactions following by 30 June 2027.

At the centre of this framework sits the Fixed Income Clearing Corporation (FICC), the incumbent CCA for UST repo. Even prior to the mandate, central clearing was gaining momentum as dealers faced balance-sheet constraints and funding volatility highlighted the benefits of netting, standardised risk management, and default mutualisation.

Recent liquidity stresses have reinforced these dynamics. Episodes such as the September 2019 repo market cash crunch, Covid-19 dislocation, the April 2025 funding-market imbalance, and various auction-related tensions all demonstrated how quickly liquidity can fragment in bilateral markets. By contrast, expanding the share of activity cleared through FICC is expected to reduce systemic vulnerabilities by consolidating risk management, mutualising default protections, and strengthening market resilience — helping to limit the likelihood and severity of such disruptions in the future.

Clearing volumes have already begun to scale. Mandate materials show the cleared share of UST repo rising steadily, while sponsored clearing volumes continue to expand, reaching approximately US$2.96 trillion at year-end. This growth underscores how clearing infrastructure becomes increasingly central during periods of balance-sheet sensitivity and market stress.

Against this backdrop, the evolution from FICC's Sponsored Member Repo (SMR) to Agent Clearing Service (ACS) reflects increasing standardisation and flexibility rather than replacement of one model by another. While SMR provides an important access path into cleared repo, ACS was introduced to better align UST clearing with established futures commission merchant (FCM)-style client clearing frameworks and to help promote broader adoption of done-away structures at scale.

The facts: Asia's structural importance to the UST market

Asia's relevance to the UST market is not anecdotal — it is quantifiable. Japan holds roughly 12.4 per cent and China around 8.9 per cent of total foreign ownership of US publicly-held federal debt, placing both among the largest foreign holders globally. In aggregate, Asian investors hold approximately 40–45 per cent of offshore US debt instruments.

These holdings play a foundational role in reserve management, liquidity provision, and collateral transformation across APAC. As UST market structure evolves, the transmission effects extend directly to Asian asset managers, hedge funds, pension funds, and central bank-related institutions that rely on UST for funding and risk management.

On the clearing side, data illustrates quantifiable momentum. The proportion of centrally cleared UST repo activity has increased materially over the past two years, rising from roughly 15 per cent in early 2023 to more than 30 per cent by early 2025. Crucially, a significant volume of repo remains uncleared and must migrate before the mandate's repo compliance deadline, elevating clearing access and capacity from an operational concern to a strategic imperative.

Within this expanding cleared ecosystem, large global clearing agents play a central role in supporting sponsored

Figure 1: US Treasury top six holders (ex.US)

U.S. TREASURY HOLDINGS ANALYSIS

Asia Pacific's *Sovereign* Bond Exposure

USD, Billions
As of July 2025
Excl. United States

Japan	1,151
United Kingdom	899
China	731
Cayman Islands	439
Belgium	428
Luxembourg	405
All Others	5,105

Top 6 holders excluding U.S.
Source: U.S. Department of Treasury

APAC UST MARKETS Ranked globally

RANK	MARKET	HOLDINGS (BN)	% SHARE	YOY	FICC
1	Japan	1,151.4	13%	+5%	✓
3	China 1	730.7	8%	-6%	✓
11	Taiwan 2	299.8	3%	+8%	✓
12	Singapore	253.6	3%	+10%	✓
13	Hong Kong	247.9	3%	+4%	✓
14	India	219.7	2%	-8%	✗
17	South Korea 3	132.5	1%	+8%	✓
~30	Australia	67.3	0.7%	N/A	✓
~30+	Philippines	62.8	0.7%	N/A	✓

Holdings based on July 2025 data · Source: U.S. Department of Treasury
FICC = Fixed Income Clearing Corporation approval status · YoY = Year-on-year change

and agented access to FICC-cleared repo markets. State Street accounts for an estimated 20–30 per cent of cleared reverse repo activity and roughly 10–15 per cent of total sponsored cleared volumes, underscoring the scale and infrastructure required to support the market's transition.

Clearing models: From sponsored repo to agented flexibility

The industry's first scalable response to expanded clearing was the SMR model. Under this 'done-with' model, buy side firms execute and clear trades through a sponsoring dealer that submits transactions to FICC and guarantees client performance. For many APAC investors, SMR remains the foundation of cleared repo activity, offering operational simplicity and access to central counterparty (CCP) protections without the burden of direct membership.

As clearing volumes increase and investment strategies diversify, greater flexibility in how execution and clearing are

Figure 2: US repo and reverse repo market

combined has become increasingly important. FICC's ACS model extends the sponsored framework by standardising agented clearing workflows. In practice, implementations can vary by provider, supporting done-with clearing only or a combination of done-with and done-away structures.

However, the most significant evolution lies in the ability to support true done-away clearing at scale. Under SMR, the client effectively becomes a quasi-member of FICC — becoming subject to certain rulebook provisions and typically required to be domiciled in jurisdictions acceptable to FICC — so operational, legal, and jurisdictional considerations can be more involved.

Figure 3: A breakdown of the core models

FICC CLEARED REPO · ACCESS MODELS

Three Paths to *Cleared* Repo

State Street · FICC Programs
SMP & ACS Structures

Model	How it works	Key benefits
MODEL 01 **Sponsored Member** *SMP* EXISTING MODEL	Under State Street's existing SMP model, access cleared repo directly with limited onboarding required. State Street streamlines access to cleared repo, handling processing with FICC and contribution of margin on your behalf.	• Exposure to highly rated CCA, backed by default fund • Performance guaranteed to FICC • Simplicity of using an established model
ACS MODEL		
MODEL 02 **Agented Clearing** *"Done-With"* ACS · NEW	Under the new Agent Clearing Services (ACS) model, access cleared repo indirectly with limited onboarding required. State Street streamlines your access, handling processing with FICC and contribution of margin on your behalf.	• Incremental capacity beyond SMP model • Flexibility to route some trades to "done away" under same model • Performance guaranteed to FICC
EXTENDED REACH		
MODEL 03 **Agented Clearing** *"Done-Away"* ACS · EXTENDED	Under the ACS model, trade with any FICC member and route trades to State Street for centralised clearing. We streamline your access, handling processing with FICC. You contribute your own segregated margin or State Street can contribute on your behalf.	• Maintain relationships with existing counterparties while ensuring trades comply with mandate • Flexibility to route some trades to "done with" and tap into State Street's liquidity under the same model

SMP = Sponsored Member Program · ACS = Agent Clearing Service · FICC = Fixed Income Clearing Corporation
State Street Global Advisors · For institutional use only

By contrast, under ACS the client does not become an FICC member; FICC views the activity as a clearing agent on behalf of the client. This structure is lower-touch from the client's perspective, enabling investors to execute with a broad network of bilateral counterparties while routing trades to a single clearing agent for novation. In practice, this preserves long-standing dealer relationships, expands access to liquidity across time zones, and avoids the operational and legal complexity associated with maintaining multiple clearing memberships.

CCAs and CCPs: The emergence of a multi-CCA ecosystem

The evolution of access models is unfolding alongside a

Figure 4: Uncleared bilateral repo vs SMP and ACS

FICC CLEARED REPO · SERVICE COMPARISON

Clearing Pathways & *Notable Differences*

State Street · FICC Programs
SMP & ACS Structures

	UNCLEARED BILATERAL REPO	STATE STREET FICC SPONSORED MEMBER PROGRAM *SMP REPO*	STATE STREET FICC AGENT CLEARING SERVICE *ACS REPO*
LEGAL AGREEMENTS	G(MRA)	Bilateral execution: G(MRA) Clearing agreement: MTSCA[1] Sponsored agreement: SMA	G(MRA) MTSCA
LIQUIDITY	Subject to individual broker capacity; can be constrained over period ends	Broad, centralised market-making availability, ensuring consistent access to liquidity	Improved capacity: enhanced liquidity allowing for greater flexibility and scalability in meeting client demands across market conditions
CUSTODIAL SERVICES	Generally, responsibility of client	For cash investors, handled by State Street	For cash investors, handled by State Street
MARGIN	Cash borrowers: paid by borrower to dealer Cash investors: standard is 102% overcollateralisation	Cash borrowers: haircuts paid to State Street Cash investors: standard is 102% overcollateralisation	Cash borrowers: haircuts or separate IM paid to State Street Cash investors: standard is 102% overcollateralisation
DEFAULT FUND	Not applicable	Additional clearing fund paid to FICC by State Street	Additional clearing fund paid to FICC by State Street; IM paid to State Street offsets these costs
CREDIT QUALITY	Broker's credit	Fixed Income Clearing Corporation (S&P credit rating of AA)	State Street Bank and Trust (S&P credit rating of AA-)
SEC CLEARING MANDATE COMPLIANT	No[2]	Yes	Yes

Notable Differences

- **Capacity & Flexibility**
  Upgrades available by trading through ACS over SMP
- **Netting Mechanisms**
  STT netting at FICC reduces clearing fund requirements under ACS, enabling improved capacity
- **Credit Exposure**
  Under ACS the client is no longer a limited member; creates direct exposure to the clearing member

[1] MTSCA = Master Treasury Securities Clearing Agreement · [2] Subject to regulatory timeline

State Street Global Advisors · For institutional use only broader transformation in clearing infrastructure itself. In addition to FICC, the SEC's approval of Chicago Mercantile Exchange Securities Clearing (CMESC) in December 2025 introduces complementary clearing capacity into the UST market, with go-live expected in 2026.

In practice, the initial scaling of new CCAs is likely to be gradual. Capital efficiencies achieved through trading across multiple CCAs may influence how firms manage activity, particularly around balance sheet reporting dates, but onboarding, liquidity concentration, and operational readiness will shape early adoption.

CME's offering is positioned to coexist alongside incumbent infrastructure, with a particular emphasis on portfolio-based margin efficiencies for participants active across UST cash, repo, futures, and options. Other CCPs, including Intercontinental Exchange (ICE) and London Clearing House (LCH), have publicly signaled intent to enter the UST clearing space. While ICE has submitted an application to the SEC, formal approval is still expected to take time, reinforcing that a multi-CCA future will emerge progressively rather than overnight.

It is critical to distinguish CCAs from access models. Sponsored and agent clearing do not replace CCPs; they provide pathways into clearing infrastructure. This distinction becomes increasingly important as participants evaluate long-term clearing strategies in a multi-CCA environment. For example, cross-product margining could offer significant enhancement and differentiation to the current offering in the market.

What APAC clients are demanding and the end-state market

For APAC investors, the core message is consistent and pragmatic: achieve clearing compliance while preserving bilateral execution flexibility. Many institutions have spent decades cultivating diversified dealer relationships to manage liquidity, pricing, and risk across market conditions, and increasingly require in-region access to UST repo markets — particularly the ability to source pricing, market colour and execution liquidity during APAC hours, often ahead of the US trading hours.

Done-away clearing directly addresses this requirement. By separating execution choice from clearing obligation, it allows investors to retain counterparty diversification while centralising clearing through a single agent, preserving access to broad dealer liquidity while improving operational efficiency. For investors in APAC, however, execution flexibility alone is not sufficient. Clients are also seeking margin visibility and notification during APAC business hours, alongside documentation frameworks that better reflect regional market conventions.

In this emerging landscape, the ability to support multiple access models at scale and with genuine regional depth becomes critical. As one of the largest clearing providers globally, State Street is already well-positioned within the cleared UST ecosystem to support this transition — combining APAC coverage with experience across sponsored and agent clearing models, and the operational capability to support margining, documentation, and execution workflows aligned with local market expectations in a multi-CCA environment.

The future state of the UST market is therefore one of structured flexibility: multiple CCAs, interoperable access models, and preserved execution choice, underpinned by centralised risk management and globally coordinated operations. In that future, done-away clearing is not a niche solution — it is the logical destination of the UST clearing evolution for globally active APAC institutions.


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Deutsche Bank provides retail and private banking, corporate and transaction banking, lending, asset and wealth management products and services as well as focused investment banking to private individuals, small and medium-sized companies, corporations, governments and institutional investors. Deutsche Bank is the leading bank in Germany with strong European roots and a global network.

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Since its establishment, JSF has been providing infrastructure for securities finance, such as margin loans for equities and securities lending/borrowing transactions.

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

While JSF has historically focused on the Japanese market, we recognize our role as part of the broader Asian financial landscape. We have recently begun handling the Asian equities repo transactions, such as Taiwan, Hong Kong and Korea, contributing to the development of Asian markets.

Additionally, we have expanded our activities in response to the growing demand for government bonds as collateral under various financial regulations. This includes repo transactions involving JGBs and other government bonds, lending them to overseas financial institutions to meet their needs.

JSF remains dedicated to meeting the dynamic needs of financial markets across Asia.

OSTTRA

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OSTTRA provides critical post-trade infrastructure to global financial markets.

Launched in 2021 through the combination of four businesses that have been at the heart of post-trade innovation for more than 20 years (MarkitServ, Traiana, TriOptima and Reset), the OSTTRA network connects thousands of market participants to process millions of trades each day, streamlining end-to-end workflows – from trade capture and confirmation, through portfolio optimisation, to clearing and settlement.

OSTTRA Trade Processing for Repo automates the entire post-trade lifecycle, from initial confirmation to allocations, amendments, re-rates, and terminations. Built on the established OSTTRA MarkitWire platform, which connects over 2,000 firms, our solution centralises and streamlines Repo processing.

Transactions previously captured on OSTTRA MarkitWire can soon be leveraged to achieve settlement STP through SWIFT connectivity to custodians and depositories. In addition, the OSTTRA reconciliation service, OSTTRA triResolve, ensures the accuracy of repo portfolios on a multilateral basis, with streamlined exception management processes.

Our integrated margin workflow provides real-time, comprehensive visibility of all counterparties' activity providing valuable insight into portfolio differences, facilitating prompt dispute resolution.

For more information contact info@osttra.com or visit osttra.com/repo

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State Street Financing Solutions delivers a comprehensive and innovative suite of securities-financing capabilities designed to help institutional investors unlock liquidity, enhance portfolio efficiency and strengthen overall investment performance. Our marketleading agency lending, prime services and repo offerings work together to provide flexible, transparent and scalable financing pathways that support a wide range of trading and investment strategies.

As a long-standing industry innovator, we've expanded access to liquidity through a broad set of peer-to-peer financing services. These services enable clients to directly connect with new counterparties and benefit from competitive overnight and term cash investment financing via our common platform, Financing Hub. These enhanced liquidity channels complement our differentiated sponsored clearing and secured financing capabilities, giving clients more optionality and cost-efficient ways to raise or deploy cash.

Supported by a business model built for resilience across market cycles, our integrated financing ecosystem helps clients streamline workflows, optimize collateral usage and uncover opportunities for cost savings and incremental returns. By combining the strength of our global infrastructure with advanced analytics and execution technology, we enable investors to identify potential areas for efficiency, improve financing outcomes and ultimately, pursue sustainable alpha generation.

transcend

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Transcend is on a mission to help market participants achieve next-level performance through innovative collateral technology that enhances liquidity, funding, capital and operational efficiency. With a large roster of world-class financial institutions as clients across sell-side, buy side and FMIs, the firm is the gold standard for analytics, optimization, and automation.

Key capabilities include:

- Inventory Management
- Collateral & Inventory Optimization (Cross Triparty or Triparty)
- Sources and Uses
- Transfer Pricing
- Cash Forecasting & Intraday Liquidity Management
- Industry Connectivity & Booking Execution
- Digitized Eligibility & Collateral Validation
- Regulatory Reporting

Led by a global team of 145+ domain experts, Transcend addresses an array of complex financial, operational and regulatory concerns

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