

SECURITIES FINANCE TIMES

Middle East 2025

Saudi Arabia

Abdullah Alshwer, PhD, CFA, CEO of Riyadh Capital on how regulation and infrastructure are deepening the market

Market Tools

Broadridge on pushing the market forward to economic expansion

Playing the part

HSBC reviews the Middle East over the past 12 months





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Middle East Annual 2025

Welcome to the first edition of the Middle East Annual, a guide offering insights into an emerging market that has captured the attention of the securities finance industry. Work has begun to shape the future of this region and its participation within this market, as industry bodies such as the International Securities Lending Association (ISLA) help to form a foundation for international investor opportunities, breaking down securities borrowing and lending (SBL) barriers.

HSBC's Curtis Dutton notes that major Saudi investors are engaging closely with the idea of enforceability of collateral against default and the enhanced ability it offers to transact with international counterparties. From a J.P. Morgan perspective, Marcus Rudler and Michele Filippini discuss the potential for innovation and how it brings clients a chance to stand at the forefront of a financial revolution.

From a local standpoint, Riyadh Capital's Abdullah Alshwer reviews the firm's position in the Saudi market through its Securities Services business, and how a regulatory overhaul is influencing the Kingdom's appeal to foreign investors.

Meanwhile, SNB Capital's Jalal Faruki furthers this discussion by providing a deep dive into Saudi Arabia's securities lending market as a whole. The region is a key focus for future off-shore participants in the Middle East, as it continues to lead the way for the development of the Middle East's SBL market. EquiLend's Dimitri Arlando speaks to this sentiment in his discussion of the Kingdom and how it is redefining securities lending.

Also not to be missed is an assessment of the diversification properties and risk-adjusted performance of securities lending and its power to unlock opportunities, as presented by State Street's Travis Whitmore and Derin Aksit. Similarly, Broadridge's Darren Crowther explores how the use of securities finance

and collateral management is pushing the Middle East forward to economic expansion.

To help round off the annual, BNP Paribas' Andrew Geggus provides a global perspective in his analysis of the macroeconomic, regulatory, and geopolitical factors that are shaping demand and investment strategies for the market.

2025 is shaping up to be an exciting time for the region, and its prospective investors. We hope this Securities Finance Times Middle East Annual serves as an intrinsic guide for those embarking on this journey.

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8

Sahm Capital enters the AFCM

Sahm Capital has become a member of the Arab Federation of Capital Markets



10

Mashreq onboards Hadi

Mashreq Bank has hired Salman Hadi as group head of treasury and capital markets



14

The kingdom of tradition and innovation

Following the recent introduction of short selling and securities lending facilities, Daniel Tison explores the rapidly growing capital market of Saudi Arabia



20

Toward greater institutional depth

Abdullah Alshwer, PhD, CFA, CEO of Riyadh Capital, sits down with Carmella Haswell to review the firm's position in the Saudi market, and how a regulatory overhaul is influencing the Kingdom's appeal to foreign investors



24

Catering to a broader investor base

Jalal Faruki, head of custody and securities services at SNB Capital, provides a deep dive into Saudi Arabia's securities lending market. Daniel Tison reports



28

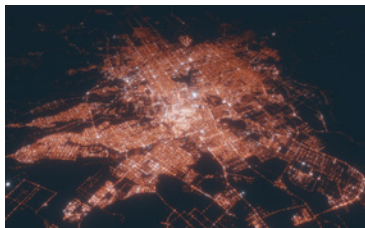
Navigating the desert highway: How SFCM drives market expansion in the Middle East

Broadridge's Darren Crowther reviews how the use of securities finance and collateral management is pushing the region forward to economic expansion

The logo consists of a green upward-pointing chevron shape above the text "SNB Capital".

SNB Capital





32

Saudi Arabia embraces the securities lending market and Tri-party

The potential for innovation brings clients a chance to stand at the forefront of a financial revolution, says J.P. Morgan's Marcus Rudler and Michele Filippini



36

Unlocking opportunity: How Saudi Arabia is redefining securities lending in emerging markets

The Middle East is not a market to watch — it is a market to be in. And Saudi Arabia is at the forefront of that movement, says EquiLend's Dimitri Arlando



40

The 'Sharpe' point of securities lending

State Street's Travis Whitmore, head of AI and trading analytics, and Derin Aksit, quantitative researcher, assess the diversification properties and risk-adjusted performance of securities lending and its power to unlock opportunities



44

Playing the part

HSBC's Curtis Dutton, global head of trading, agency securities lending and liquidity services, reviews the performance of the Middle East over the past 12 months, and what is next for its securities lending and borrowing market



48

Securities lending outlook 2025

Andrew Geggus, global head of agency securities lending, Securities Services at BNP Paribas, explores how macroeconomic, regulatory, and geopolitical factors are shaping demand and investment strategies for the market



52

Vendor profiles

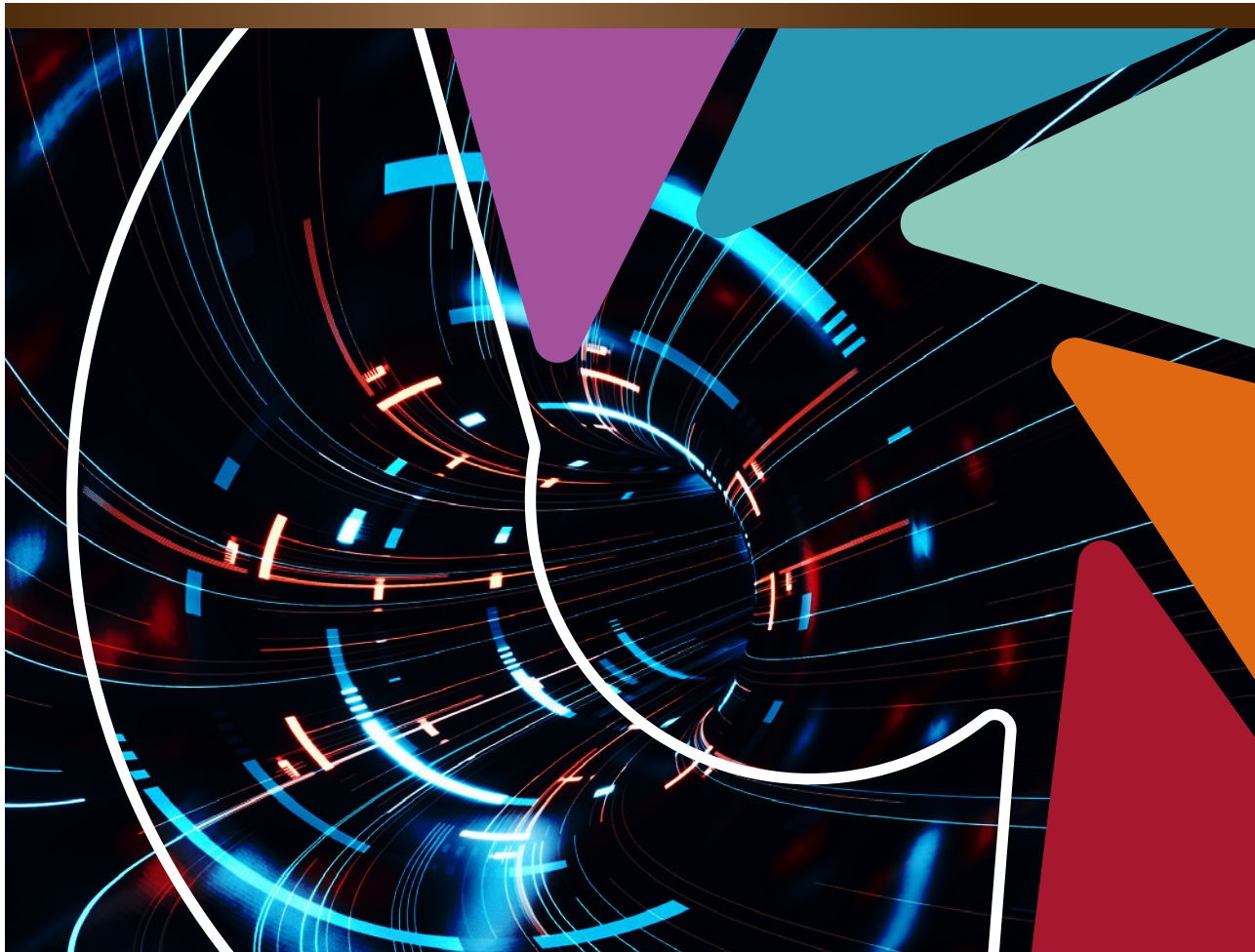
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FAB selects Broadridge Financial Solutions

First Abu Dhabi Bank (FAB) has chosen Broadridge Financial Solutions to support the build-out of its global agency securities finance business.

Broadridge believes that its Securities Finance and Collateral Management (SFCM) solution will allow FAB to enhance its coverage of global fixed income and equities markets.

“This collaboration caters for the growing demand for securities lending and borrowing within the Middle East, and is aligned both with local regulatory needs and with international best practices,” says Darren Crowther, head of SFCM at Broadridge.

With origins dating back to 1996, SFCM accommodates agency and principal trading for equities and fixed income, supporting all securities finance trade types — from smaller direct lenders to global custodians and brokers.

As FAB navigates the evolving landscape of securities borrowing and lending regulations in the Middle East, this collaboration aims to bring new opportunities and efficiencies that will benefit clients across the globe.

Ozean collaborates with First Digital

Ozean, a blockchain for real-world assets yield launched by

Sahm Capital enters the AFCM

Sahm Capital has become an official member of the Arab Federation of Capital Markets (AFCM). The membership will enable the company to collaborate with other market participants and contribute to the continued growth of Arab capital markets, Sahm Capital says.

Having established itself in Saudi Arabia, the firm also says that membership into the AFCM

presents a wider opportunity to offer financial services across the region.

Chairman of Sahm Capital’s board, Steven Chou, comments: “Joining the Arab Federation of Capital Markets is an important milestone for us as we continue to build upon our success in Saudi Arabia and extend our presence across the wider Arab world.”



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Mashreq onboards Hadi

Mashreq Bank has hired Salman Hadi as group head of treasury and capital markets.

Based in Dubai, Hadi brings two decades of experience in the industry to his new role. He joins from Abu Dhabi Commercial Bank, where he worked as the executive head of liquidity management and investments for more than a year.

Prior to that, he spent more than 18 years at Emirates National Bank of

Dubai (NBD), holding various senior positions — most recently as head of global markets and treasury.

At the same time, he has been a vice chairman at the United Arab Emirates Financial Markets Association (UAE FMA) since 2011.

Founded in 1967, Mashreq is the oldest privately-owned bank in the UAE and one of the oldest banking institutions in the Middle East, according to the firm.

Clearpool, has collaborated with First Digital as part of Ozean's WakeMaker programme.

Projects on Ozean will gain access to First Digital's digital asset custody and the First Digital USD (FDUSD) stablecoin ecosystem.

This forms part of First Digital Labs' plan to build a portfolio of stablecoins.

Devere Bryan, general manager of First Digital, says: "Our integration with Ozean's WaveMaker programme allows First Digital to extend the reach of FDUSD and provide secure, efficient stablecoin solutions to projects tokenising risk-weighted assets. We are committed to fostering transparency, compliance, and security in the digital currency space."

Jakob Kronbichler, CEO and co-founder of Clearpool, adds: "The collaboration with First Digital through WaveMaker aligns with our mission to bring diverse, high-quality RWAs on-chain.

"By enabling access to First Digital's custody and payment solutions, we are enhancing the capabilities of projects within the Ozean ecosystem and driving the adoption of RWAs in the broader DeFi landscape."

ADX launches new market infrastructure

The Abu Dhabi Securities Exchange (ADX) has launched the new ADX Group market infrastructure, as well as two new subsidiaries Abu Dhabi Clear (AD Clear) and Abu Dhabi

Central Securities Depository (AD CSD).

The launch is said to mark a milestone within Abu Dhabi's long-term economic vision, where the region intends to deepen its capital market through modern trading infrastructure and better liquidity.

ADX also hopes that the new market infrastructure will attract more investments into the UAE along with increased trading activities.

The exchange has also partnered with Nasdaq to deliver a core platform upgrade in order to increase ADX's operational readiness.

H.E Ghannam Al Mazrouei, chairman of the ADX Group, comments: "With the launch of ADX Group, we are not just building a financial marketplace; we are shaping the future of investment in Abu Dhabi and contributing to the long-term economic development of the UAE and in the region."

Magnus Haglind, senior vice president and head of marketplace technology at Nasdaq, adds: "We are excited about the opportunity to partner with ADX and help deliver this vision for its marketplace.

"Capital markets are already an integral part of the global economy, but by modernising the infrastructure that powers it, we can remove barriers to wider participation."



EFG Hermes KSA joins ISLA as new member

The International Securities Lending Association (ISLA) has welcomed EFG Hermes KSA as a new member.

Located in Riyadh, EFG Hermes KSA, an EFG Holding company, belongs to major financial institutions in Saudi Arabia, offering clients a range of financial services and solutions.

Through its investment banking, securities brokerage, and research services, EFG Hermes KSA allows investors to access local opportunities and companies.

With more than 200 member firms, ISLA represents the common interests of securities lending

and financing market participants across EMEA.

Through its member working groups and securities lending guides, ISLA also plays a role in the creation and promotion of market best practices and processes.

In February 2024, ISLA published the first inaugural guide focused on the securities lending market in Saudi Arabia.

Working with member firms and relevant stakeholders in the region, the Developing Markets Group is a forum for considering the development of capital markets across EMEA, and the role that securities lending can play in that development.



State Street adds Al Hassoun

State Street Corporation has appointed Majed Al Hassoun as country head for Saudi Arabia and Bahrain. In his new role, Al Hassoun will be responsible for the development and execution of an enterprise-wide approach to growing business in the Middle East.

He will report to Oliver Berger, head of emerging growth markets, and Emmanuel Laurina, head of Middle East, Africa, and official institutions.

Based in Riyadh, Al Hassoun will act as CEO of State Street for Saudi

Arabia Financial Solutions, subject to regulatory approval, and will be responsible for ensuring the entity's compliance with regulatory and legal expectations.

Commenting on the appointment, Berger says: "We are pleased to have Majed, whose experience and network will be invaluable to State Street, to join us in implementing our growth strategy in the Middle East, driving business growth, as well as strengthening our presences and connections in Saudi Arabia and Bahrain."

QNB Group hires Servak

QNB Group has onboarded Philip Servak as custody client management and securities lending business development.

Based in Manchester, UK, Servak brings more than 15 years in financial services to his new role.

He joins from BNY, where he spent more than six years, working in client services and securities lending.

Prior to that, he was FX options derivative analyst at Bank of America Merrill Lynch for more than two years.

Servak holds a bachelor's degree in business management from Sheffield Hallam University.

Established in 1964, QNB Group is one of the largest banks in Qatar and the EMEA region.

ADIA hires Argane as Investment Manager

Abu Dhabi Investment Authority (ADIA) has onboarded Mustapha Argane as investment manager. Argane brings nearly a decade of experience in financial services to his new role.

He joins from Societe Generale Corporate and Investment Banking (SGCIB), where he served as a Management de Grenoble. Since 1976, ADIA has been investing funds on behalf of the Government of Abu Dhabi, with a focus on long-term value creation.

Al Rayan Bank and HSBC complete ESG KPI repo

Al Rayan Bank and HSBC have completed their first key performance indicator (KPI) linked repo as part of Qatar's environmental, social, and governance (ESG) strategy.

The deal aims to support Al Rayan Bank's transition journey, following the launch of its Sustainable Finance Framework in April 2022.

The structure includes sustainable performance targets (SPTs) that Al Rayan Bank aims to reach within the next three years.

Abdul Hakeem Mostafawi, CEO of HSBC in Qatar, adds: "Transactions like the first Islamic ESG KPI-linked repo demonstrates the importance and focus HSBC places in helping our clients achieve their ambitions in their net zero journey in Qatar.

"This landmark transaction further builds on the close collaboration we have with Al Rayan Bank in partnering with them on their transition journey."

The State of Qatar committed to achieving carbon net zero by 2050 at the 144th General Assembly of the Inter-Parliamentary Union (IPU) in March 2022, and the Qatar Central Bank released its ESG and Sustainability Strategy for the financial sector in June 2024.

MUFG EMEA and Doha Bank closed their first green repo in the Middle East and North Africa (MENA) region in September 2024.



Deutsche Bank names Singh as Head of Corporate Bank for Middle East

Deutsche Bank has selected Zorawar Singh as head of the Corporate Bank for the Middle East. Relocating to Dubai from London, Singh assumes the post in addition to his existing role as global head of Agency Securities Lending, which he has held since January 2020.

He joined Deutsche Bank in 2009 as an associate of asset and liability management, was named a vice president four years later, and assumed the role of a director of collateral and treasury solutions in 2017.

Upon starting his new role, Singh says: "It's a great privilege to be part of an evolving and rapidly growing region, and I look forward to engaging with the many stakeholders, including the fantastic teams and clients already onboard."

Deutsche Bank's Corporate Bank addresses the needs of corporate clients, financial institutions, investors, and issuers with corporate treasury services, institutional client services, and a business banking segment in Germany.



The kingdom of tradition and innovation

Following the recent introduction of short selling and securities lending facilities, Daniel Tison explores the rapidly growing capital market of Saudi Arabia

The securities finance market of Saudi Arabia is experiencing exponential growth, with increasing participation from both domestic and international investors, says Andrew Dyson, CEO of the International Securities Lending Association (ISLA).

He adds: "This growth is fuelled by initiatives such as the introduction of short selling and the development of the derivatives markets, which requires securities lending to facilitate it."

Dominated by vast deserts, with mountain ranges stretching along the Red Sea and coastal plains accompanying the Persian Gulf, the Kingdom of Saudi

Arabia (KSA) is the largest country in the Middle East region, covering the bulk of the Arabian Peninsula. As the birthplace of Islam and the location of its two holiest sites, Mecca and Medina, the KSA's identity and daily life are deeply intertwined with religious principles, influencing both its culture and legal framework.

With Islam being the official religion of Saudi Arabia, the Quran and Sunna form the foundation of its legal and governance system.

Sharia law, derived from these sacred texts, applies to all individuals within the kingdom, regardless of their faith. This includes the securities finance sector, which must

avoid interest payments and excessive uncertainty to align with religious values.

Nevertheless, market participants agree that Saudi Arabia stands out as an emerging market, with the recent introduction of securities finance playing a key role in increasing liquidity and attracting foreign investment.

Based in Riyadh, Jalal Taji Faruki, head of custody and securities services at SNB Capital, observes some unique dynamics in the local securities finance market. This includes its historical drive by retail and high-net-worth (HNW) investors acting on a self-directed basis, a large flow of foreign investment since the Kingdom's inclusion in major emerging markets indices in 2019, as well as a notable shift towards institutional managers in the local investor population.

“Combined, these dynamics lead to a very compelling opportunity for SBL to grow quickly,” says Faruki.

He adds that Saudi Arabia's securities lending market is characterised by technological advancements, including the adoption of agency lending and pooled principal models, along with ISO/SWIFT messaging, introducing operational efficiency.

Gaining exposure

With Saudi Arabia strengthening its position in global financial markets, foreign investor interest is increasing.

“As this exposure grows, institutional investors look to deploy hedged and long/short strategies,” says Faruki. “These types of mandates drive demand and the requirement for capacity in the securities lending area.”

He adds that custodians, asset managers, and brokers are developing capabilities to offer securities borrowing and lending (SBL), while elements like collateral management and investment accounting are being upgraded to support these types of transactions.

Based on data from S&P Global Market Intelligence, the Saudi equity market demonstrated robust growth in

2024, with total securities lending revenue surpassing US\$12 million. As of 28 February 2025, the value on loan increased by 15 per cent year-on-year (YoY) to US\$5.7 million, while the lendable inventory in Saudi Arabia has seen a remarkable increase of 190 per cent YoY, surging from US\$3.1 billion to US\$8.9 billion.

Shaan Jivan, product specialist for securities finance at S&P Global Market Intelligence, comments: “This substantial growth in lendable inventory indicates growing market participation as more agent lenders and custodians are able to offer securities lending services in the region and local asset owners start to participate in the market.”

Dyson notes that recent regulatory reforms have aimed to align the Saudi market with international best practices, thereby bolstering transparency and investor confidence.

“Consequently, the market has witnessed a significant increase in liquidity and efficiency, alongside an expanding investor base, marking a substantial step towards global financial integration,” he states.

The Middle East, and Saudi Arabia in particular, has been a focus for ISLA for several years, with the association's growing presence and membership in the region. In September 2023, ISLA entered into a partnership with Latham & Watkins to promote the advancement of securities lending activities in the Middle East.

Five months later, in February 2024, the association released the first of a number of SBL guides covering the region, with the first one dedicated to Saudi Arabia.

In this guide, ISLA provides members with insights into the Saudi SBL market, as well as an annex setting out various scenarios in accordance with the specific regulatory framework.

In collaboration with the International Capital Market Association (ICMA) and the International Swaps and Derivatives Association (ISDA), ISLA hosted its first conference in Riyadh in February, with almost 200 market participants attending.

ISLA members can also join its Developing Markets Working Group, which brings together members and relevant stakeholders in the region to help drive the development of SBL and formulate ideas around industry best practice, legal frameworks, and post-trade procedures. SNB Capital, EFG Holding, Riyadh Capital, as well as the Saudi Central Bank (SAMA) and the the Securities Depository Center Company (Edaa), are all members of the association now.

Regulatory overhauls

As conventional SBL activities, which often involve interest payments and speculative practices, do not align with Shariah principles, Islamic financial institutions have developed alternative mechanisms to ensure compliance. This includes Murabaha, where markup represents profit instead of interest. Acceptable collateral typically includes Shariah-compliant assets, avoiding prohibited securities like alcohol or pork products.

According to Faruki, one of the most prominent alternatives is Murabaha with double wa'ad structure, offering a Shariah-compliant framework for both securities lending and short selling. This structure begins with an actual Murabaha transaction that is executed immediately, allowing the borrower to acquire the securities through a Shariah-compliant sale. Alongside this, both parties make separate unilateral promises (wa'ad) to potentially enter into a future transaction under pre-agreed terms.

These promises are not binding until one party requests the other to fulfill the wa'ad. If both parties choose to proceed, the borrower sells the securities back to the original seller, completing the cycle in a Shariah-compliant manner. Additionally, it is essential that the underlying securities in these transactions exclude instruments related to prohibited sectors, such as alcohol, gambling, or conventional financial services.

Faruki comments: "Shariah compliance is a very important aspect for local investors, and enabling compliant securities lending is one of the key priorities for us to access the large local retail and HNW lenders."

Dyson emphasises that the implementation of Shariah-compliant short selling has enhanced market efficiency and provided investors with greater trading flexibility, fostering increased liquidity and improved price discovery.

"This development, coupled with the establishment of robust securities lending infrastructure, has been crucial in supporting the growth of sophisticated trading strategies, and attracting both domestic and international investors," he states.

The Saudi capital market first opened up to foreign investors in 2016, with the introduction of 'Rules of Qualified Foreign Financial Institutions Investment in Listed Securities'. These rules were amended with the formation of Edaa, acting as the central securities depository (CSD) for Saudi Arabia.

Providing an infrastructure and regulatory framework for SBL activities in the kingdom, Edaa has soon become a key player in this sector, along with the Capital Market Authority (CMA), Saudi Stock Exchange (Tadawul), and SAMA.

SAMA primarily regulates the banking sector, insurance companies, and payment systems, with a focus on maintaining monetary stability and ensuring the soundness of the financial system, while the CMA is responsible for setting and policing financial rules and regulations, which includes Tadawul.

The KSA issued its initial SBL and short selling regulations in 2017, but these underwent significant changes in subsequent years to enhance market efficiency and align with international standards.

The CMA's approval of the Securities Central Counterparties Regulation in 2020 paved the way for the introduction of a central counterparty (CCP) in the kingdom.

Since its establishment in 2018, the Securities Clearing Center Company (Muqassa) has completed its full coverage of all exchange-traded products in Tadawul.

In 2021, Tadawul approved amendments, which allowed all types of investors to engage in short selling and SBL activities under specific conditions, aiming to boost market liquidity and provide diversified investment opportunities. In 2022, Edaa updated the SBL regulations to reflect ongoing enhancements in the capital market infrastructure as part of the Kingdom's comprehensive post-trade transformation programme (PTTP).

For instance, the dual portfolio was discontinued, which removed the requirement to link client securities accounts to broker-managed portfolios and allowed for faster market access. The PTTP has also brought greater flexibility in trading and settlement cycles, enabling buyers and sellers in negotiated deals to agree on a settlement period ranging from T+0 to T+5.

Additionally, the introduction of average pricing and post-execution trade allocation to investor accounts has helped investors to capitalise on market opportunities, according to HSBC. Last but not least, recent enhancements to the fails mechanism have also resulted in a substantial reduction in failing trades.

In November 2024, the Saudi Tadawul Group announced the implementation of additional post-trade enhancements, introducing new products and services to diversify offerings and investment opportunities for local and foreign investors.

Commenting on these developments, Sarah Al Othman, managing director and head of securities services at Riyadh Capital, says: "The number of securities on loan and their value have grown significantly over the past year, indicating increased market activity and acceptance.

"Developments such as the establishment of Muqassa and flexible settlement cycles have bolstered market stability and efficiency."

The Kingdom's regulatory capital requirements for financial institutions are often based on net exposure rather than gross exposure when netting agreements are in place. Dyson explains that this allows participants

to engage in more securities lending activity with the same amount of capital, increasing market efficiency and liquidity.

On the back of the close-out netting draft regulations issued by SAMA in February 2025, Faruki expects the activity and interest from foreign investors to continue growing in this area. Meanwhile, the CMA is working on netting legislation, following a recent consultation on the draft rules.

“By investing in sectors such as tourism, entertainment, and technology, Saudi Arabia is positioning itself as a regional hub for innovation and economic activity.”

On that note, Al Othman adds: "This regulation provides a robust legal framework for the enforceability of netting agreements and financial collateral arrangements, particularly in the context of bankruptcy proceedings.

"By ensuring that netting agreements are enforceable even during bankruptcy, the regulation reduces credit risk and promotes financial stability, aligning Saudi Arabia's financial infrastructure with international standards. This will contribute to reducing the credit risks of the transactions and protect against negative

changes in the market, as well as the risk of the counterparty's default on payment."

To Dyson, close-out netting acts as a crucial risk management tool in securities lending, as it transforms a complex web of interconnected obligations into a manageable net exposure, thereby safeguarding individual participants and the overall stability of the financial system.

Otherwise, the potential for significant losses and systemic disruptions in the securities lending market would be considerably higher, he emphasises, hindering its growth and effectiveness.

Edaa is currently working with market participants to propose further amendments to the rules in order to allow greater foreign participation in the market.

As a direct clearing member of Muqassa in the derivative market, SNB Capital actively engages with the Saudi Tadawul Group to stay aligned with regulations while providing feedback to regulatory bodies on any practical challenges that may be addressed in future revisions.

Bright future ahead

Saudi Arabia is currently halfway through its transformative journey towards economic diversification as part of its Vision 2030 initiative, which was first announced by the Saudi government in 2016.

"This ambitious plan aims to reduce the country's dependence on oil revenues, and foster a more sustainable and diversified economic landscape," explains Jivan.

"By investing in sectors such as tourism, entertainment, and technology, Saudi Arabia is positioning itself as a regional hub for innovation and economic activity."

Securities finance plays a pivotal role in this development, according to Jivan, as it increases the efficiency of financial markets and promotes greater participation, essential for economic growth.

"Enhanced liquidity through securities lending can lead to narrower bid-ask spreads, lower transaction costs, and improved price discovery, contributing to a more vibrant capital market," adds Jivan.

Dyson agrees that recent regulatory reforms, together with Vision 2030, are setting the stage for a rapid transformation of Saudi Arabia's securities finance market in the near future.

"The Kingdom's robust economic performance is attracting substantial international capital, expanding beyond its traditional regional focus," he states. "Couple this with increased investment in infrastructure, increased presence of international firms, and greater collaboration across all market participants — the future of securities lending looks very bright."

However, he notes that to allow the Saudi market to reach its full potential, international institutional investors need to see a market structure that is comparable with other G20 economies.

"It will be important for all the relevant stakeholders to work together to align the market in the kingdom with those other developed markets from a best practice perspective," says Dyson.

Over the next few years, Faruki expects increased participation and liquidity in the market from both local and international investors, in addition to enhanced market infrastructure that will support a larger market, streamline securities lending processes, and increase access to liquidity.

Al Othman shares this sentiment, adding: "The securities lending market in Saudi Arabia is expected to expand steadily, driven by regulatory reforms, increased foreign investor participation, and the implementation of Vision 2030 projects.

These factors are expected to enhance market accessibility and liquidity, fostering further development in securities lending. "Expansion into derivatives and other financial instruments will likely provide more opportunities for market participants." ■

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Toward greater institutional depth

Abdullah Alshwer, PhD, CFA, CEO of Riyadh Capital, sits down with Carmella Haswell to review the firm's position in the Saudi market through its Securities Services business, and how a regulatory overhaul is influencing the Kingdom's appeal to foreign investors

Riyadh Capital has a prominent presence in Saudi Arabia's securities finance market. How has the firm's Securities Services business in the region evolved with the changing financial landscape?

Saudi Arabia's financial landscape has evolved rapidly, underpinned by Vision 2030 and over 800 regulatory reforms implemented in recent years. The capital markets have become significantly more open, sophisticated, and investor-friendly — with foreign investors now accounting for 25 per cent of equity market trades.

The launch of the Post-Trade Technology Program, the adoption of derivatives like single-stock options and futures, and the introduction of the close-out netting regulation (effective as of February 2025) have modernised market infrastructure and enhanced investor protection. Within this context, securities lending has gained traction, with the first transactions beginning in 2021 and a lendable asset value of US\$1.7 billion recorded by late 2023, alongside growing foreign participation and the adoption of ISO/SWIFT messaging for streamlined post-trade processing.

By virtue of being the largest custodian in Saudi Arabia and the wider region, Riyadh Capital is inevitably a key player within the ecosystem.

Our Securities Services business provides a comprehensive range of high-quality, full-fledged services across custody, trustee, and fund services. The firm is also a Kingdom of Saudi Arabia (KSA) market leader in ETF custody services and provides Saudi direct, MENA regionally, and global custody, along with trustee solutions such as sukuk agency, registrar, and pledging services. This breadth of offering is backed by an in-house Securities Services team with a full-fledged

operational services operating model, a team of seasoned experts, and advanced technology platforms that reflect the firm's commitment to service excellence.

Our business has responded proactively to market shifts. We have also integrated with the central counterparty clearing house, Muqassa, and adopted post-trade technologies to ensure operational efficiency.

We launched My Asset Portal, a digital dashboard that allows clients to view their full portfolio and cash account positions in real time. The portal is built on robust security infrastructure and is continuously updated, ensuring clients have the latest insights at their fingertips. This empowers clients to view and explore their assets on a real-time basis.

Speaking of the changes facing the Middle East, what key developments in respect of SBL and derivatives markets are catching your attention?

We are seeing strong momentum in the Saudi market with continuous enhancements to the securities borrowing and lending (SBL) framework. Regulatory updates since 2017 — particularly those in 2021-22 — have allowed for relending, inclusion of non-qualified investors through agents, and straight-through post-trade processing, making the market more accessible to international participants.

On the derivatives front, Saudi Arabia's introduction of options and futures products marks a major step in deepening market sophistication and expanding the range of investment tools available to investors. These developments, along with the growing use of global standards in trade and post-trade infrastructure, and collaborations with international custodians and triparty agents, are accelerating Saudi Arabia's alignment with

global markets practices and enhancing the liquidity and efficiency of the ecosystem.

How will these regulatory changes impact not only market infrastructure but also the influx of foreign investors in the region?

Saudi Arabia's regulatory overhaul is significantly enhancing market infrastructure and, in turn, positively influencing the Kingdom's appeal to foreign investors. The implementation of the Post-Trade Technology Program, flexible settlement cycles (T+0 to T+5), and the Close-out Netting and Financial Collateral Regulation (effective 17 February 2025) have aligned the market infrastructure with international standards — thereby reducing operational and credit risks while improving settlement efficiency and investor protection, particularly in times of counterparty default.

All of the regulatory enhancements introduced have translated into positive, tangible outcomes — not only at the Securities Services level, but the sector and the general business environment as a whole.

The securities lending market — supported by the introduction of agency lending models and increasing foreign participation — continues to mature, with about US\$2.6 billion in lendable assets and US\$370 million on loan as of August 2024.

Other positive outcomes include:

- Qualified foreign investors (QFIs) accounted for 32.54 per cent of total equity market buys and 34.20 per cent of sells in March 2025, reflecting their significant role in trading activity.
- Foreign ownership in Saudi equities stood at SAR 430.9 billion as of March 2025, representing 4.34 per cent of total market capitalisation and 11.23 per cent of free float ownership. This reflects steady international interest in the Kingdom's capital markets.
- Saudi Arabia issued 14,321 investment licenses in 2024, marking a 67.7 per cent year-on-year (YoY) increase. While not all are regional headquarters

(RHQ) related, the surge reflects growing investor interest amid broader incentives, including those offered through the RHQ programme — such as a 30-year tax exemption and 10-year Saudization waiver.

How does Riyadh Capital position itself within the custody market? Where do you see the market heading, and what growth opportunities are on the horizon?

By virtue of being the largest custodian in Saudi Arabia, Riyadh Capital is a key player within the ecosystem. As of December 2024, the firm's assets under custody (AUM) reached over US\$220 billion — a more than 200 per cent increase YoY. This alone is testament to the resilience and efficacy of our service model — and, most importantly, the trust our clients continue to have in our offering and team.

The custody market in Saudi Arabia is trending toward greater institutional depth, supported by Vision 2030's emphasis on capital market development and increasing foreign investor activity. Growth opportunities lie in scaling agency lending, expanding the repo market and advancing digital custody infrastructure.

How do you anticipate the Saudi securities lending market will develop over the next few years?

In terms of the growth trajectory, the securities lending market in Saudi Arabia is expected to expand steadily, supported by broader lending growth projected at 10 per cent annually, driven by regulatory reforms, increased foreign investor participation, and the implementation of Vision 2030 projects.

These factors are expected to enhance market accessibility and liquidity, fostering further development in securities lending.

For product diversification, the expansion into derivatives and other financial instruments will likely provide more opportunities for market participants. ■

At the forefront of custody and securities innovation

With over SAR 832 billion in Assets Under Custody (AUC) as of 2024, Riyadh Capital stands as the largest custodian in Saudi Arabia.

Recognized for its comprehensive services, including safekeeping, trade settlement, corporate actions processing, and reporting, the firm delivers seamless custody and securities solutions, underpinned by advanced technology and a strong commitment to operational excellence.

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Catering to a broader investor base

Jalal Faruki, head of custody and securities services at SNB Capital, provides a deep dive into Saudi Arabia's securities lending market. Daniel Tison reports

How would you define the securities lending market in Saudi Arabia?

The securities lending market in Saudi Arabia is emerging with substantial growth potential having witnessed a record 2024 with securities on-loan peaking at nearly US\$1.6 billion during the year. There are a couple unique dynamics in relation to Saudi Arabia, firstly that the market is historically driven by retail investors or high-net-worth individuals (HNWI) acting on a self-directed basis. Secondly, we have seen a large flow of foreign investment since the country's inclusion in the MSCI Emerging Market Index in 2019 (approximately US\$400 billion of inflows

during that period). And thirdly, we have seen a notable shift towards institutional managers in the local investor population.

Combined, these dynamics lead to a very compelling opportunity for securities borrowing and lending (SBL) to grow quickly.

In terms of market infrastructure, a post-trade technology enhancement programme was implemented by the exchange and central securities depository (CSD) in 2022 which has greatly enabled SBL to develop. For foreign investor activity — having become significant and representing on average 15-25 per cent of value traded

— these investors are natural first movers for supply and demand on activities like securities lending

Shariah compliance is a very important aspect for local investors and enabling Shariah-compliant securities lending is one of the key priorities for us to access the large local retail and HNW lenders

Foreign investor interest is increasing as Saudi Arabia strengthens its position in global financial markets. As with any emerging market, as this interest and exposure grows institutional investors look to deploy hedged and long/short strategies given the large allocations they have to a market such as Saudi Arabia. These types of mandates drive demand and requirement for capacity in the securities lending area.

For infrastructure development, custodians, asset managers, and brokers are developing capabilities to offer SBL, while key elements like collateral management and investment accounting are being upgraded to support these types of transactions.

Asset managers are looking at this from the perspective of generating additional income for their funds, especially those with large holdings and lower turnover strategies. On the other hand, there is demand from asset managers who are looking to launch 'long-short' mandates covering Saudi Arabia, which previously did not exist in the local market.

Key players in the market include major financial institutions and intermediaries collaborating with Tadawul and Edaa, this covers both local investment banks as well as foreign investment banks licensed by the Capital Market Authority (CMA) operating brokerage as well as custody services in the local market.

How do you compare the advancement of Saudi's securities lending market with the rest of the Middle East?

Gulf Cooperation Council (GCC) markets have gone through various stages of development and advancement over the past 18 years, which started with the first regional markets being added to global

benchmark indices from MSCI, FTSE, and S&P.

Over that time period, we have seen SBL as well as short selling regulations being published in GCC markets as early as 2010, with limited allowed use cases. In Saudi Arabia, the SBL regulations have existed since 2017, however the market has only seen notable growth between 2023 and 2024. Similarly, markets in the United Arab Emirates (UAE) have had SBL regulations since 2015, however the market is still not operating at the scale and activity that might be needed to consider it a key activity and liquidity pool in the market. Similar challenges can be seen in other GCC markets and we see them being addressed in various ways.

In general, the regulations, rules, and infrastructure to enable a liquid securities financing market need time to evolve. Many markets which look to enable this activity may have challenges in this initial approach or with market capabilities which do not enable market participants to realise the full potential of securities financing immediately. If we look at the challenges, they are generally similar across all GCC and largely other emerging markets:

- Regulations which are restrictive on the terms of SBL transactions, collateral requirements, and entities authorised to participate in this activity.
- Regulations that are challenging to adhere to in terms of short selling and utilising borrowed securities.
- Market infrastructure which is less smooth and efficient than global market practice, this is especially an issue in markets which require full disclosure of beneficial ownership at the CSD level, since they do not normally allow title transfer of securities.
- Participants and service providers who are not familiar with global operating models for SBL and who may have challenges in finding or implementing technology solutions, which include global practices and support local market infrastructure.

While it is difficult to point to a single reason as to the relative success of Saudi Arabia in activating and growing the SBL market versus other GCC markets, it is more likely a combination of addressing these challenges over a period of time which has enabled the market to develop.

In the case of Saudi Arabia, the recent challenges which have been addressed are the market infrastructure changes which were applied by Saudi Tadawul Group in April 2022 and more recently the draft regulations or close-out netting regulations issued by the CMA. However there will continue to be areas of development needed like Shariah-compliant securities lending, standardised market documentation and local triparty solutions.

In summary, as markets develop there will always be challenges to overcome and we have seen the same across all GCC markets, ultimately the largest driver to overcome these challenges is demand from borrowers and financial opportunities. However, even with significant demand and opportunity, if the market infrastructure or regulation does not enable it, the market cannot develop.

The success of Saudi Arabia in growing the securities financing market has been an evolution of addressing challenges over time and we expect that to continue as the kingdom targets the continued achievements of delivering on Vision 2030 initiatives and milestones.

How does SNB Capital contribute to the development of Saudi's local securities lending market, and how has the demand from foreign investors evolved?

SNB Capital Company has contributed in a few key areas to the development of the local securities lending market. For example, it has provided awareness and thought leadership on the benefits of securities lending, including participation in industry bodies such as the International Securities Lending Association (ISLA) and subject matter conferences.

We are leading the market as the first local investment bank to be very active in local securities lending, the

establishment of a securities lending desk, and in developing solutions to cater towards the local lenders in the Saudi market.

Furthermore, SNB Capital is working with regulators and the CSD — Edaa — to improve the infrastructure, regulations, and awareness that support growth in the market.

Demand from foreign investors has grown significantly in-line with the large participation in the market following Saudi Arabia's inclusion in MSCI and FTSE EM indices.

In terms of foreign demand for securities lending, we have seen a significant increase in H2 2024 as the initial operating models implemented by SNB Capital — which caters towards providing foreign investors access to inventory from local lenders — have been very successful.

On the back of the close-out netting draft regulations issued by CMA and the Saudi Central Bank (SAMA) in February 2025, we expect the activity and interest from foreign investors to continue growing in this area.

What are the key regulations shaping the regional securities trading environment, and how is SNB Capital navigating the regulatory landscape?

CMA regulations governing securities lending are very general and not necessarily specific to the local securities market, they cover the activities of securities lending offered by any locally-regulated institution in any underlying securities market.

The recent Close-Out Netting and related Financial Collateral Arrangements Regulation issued by the CMA in February 2025 is expected to cover a key open area which was a lack of a clean netting opinion.

Saudi Tadawul Group including Saudi Exchange and Edaa each have a set of regulations covering short selling and securities borrowing and lending. These regulations have gone through updates over the past three years which greatly enabled the volume of activities we see now.

“We are leading the market as the first local investment bank to be very active in local securities lending.”



SNB Capital actively engages with the CMA and Saudi Tadawul Group to stay aligned with regulations. As a first mover in many products and services we provide feedback to these bodies on any practical challenges that exist from regulations which may be addressed in future revisions.

What are the biggest opportunities and challenges that SNB Capital sees in expanding its securities lending business in Saudi Arabia?

There is a continued growth in the market as more foreign investors access Saudi, increasing demand for securities lending services. Another opportunity in the market is the growing supply and demand from local investors as awareness of the benefits as a lender and interest in hedging as a borrower continues to grow. Supporting development of new financial products and funds which provide investors balanced and hedged exposure to the market, offers opportunities.

The Saudi market is facing challenges in a number of areas, including the education and awareness of the benefits of securities lending; ensuring Shariah-compliant structures for transactions, which remains an important requirement for local investors; and market standards of documentation and agreements. Furthermore, there is a challenge in finding support from triparty service providers for KSA-listed securities to be used as collateral.

Looking ahead, how do you anticipate the Saudi securities lending market will develop over the next few years?

Over the next few years, we expect increased participation and liquidity in the market from both local and international investors. We also see the development of new asset management and trading products and services that cater to a broader investor base. Thirdly, we expect an enhanced market infrastructure that will support a larger market, streamline securities lending processes and increase access to liquidity. ■



Navigating the desert highway: How SFCM drives market expansion in the Middle East

Broadridge's Darren Crowther provides an analysis of the current Middle East market and how the use of securities finance and collateral management is pushing the region forward to economic expansion

As the eyes of the world turn to the Middle East, its role as a burgeoning hub of financial growth and innovation is akin to a desert highway leading to a vibrant economic oasis. Crucially, securities finance and collateral management serve as the compass and vehicle for institutions embarking on this journey.

By optimising asset utilisation and enhancing financial stability, securities finance lays the foundation for sustainable development in the region. At Broadridge we believe we are at the forefront of this transformation,

as a player in capital markets and asset management solutions, empowering Middle Eastern institutions to navigate the complexities of the market landscape and seize emerging opportunities.

The importance of securities finance in the Middle East

Securities finance is indispensable for fostering liquidity and efficiency in financial markets, much like a strategically mapped route ensures smooth travel

through challenging terrain. By enabling institutions to lend and borrow securities, these mechanisms ensure that liquidity circulates efficiently across the economy, propelling investment and growth.

According to recent industry reports, the value of securities on loan in the Middle East has experienced an impressive annual growth rate of over 15 per cent, highlighting their increasing reliance on these mechanisms for market liquidity. This robust growth trajectory resembles a desert highway dotted with accelerative stretches and strategic pitstops essential for reaching the final destination.

Collateral management: A cornerstone for stability

Effective collateral management underpins the risk mitigation, security and reliability of financial transactions, much like ensuring a vehicle is well-maintained for a long road journey. Experts estimate that the collateral market in the Middle East is set to grow by 20 per cent annually in the coming years. This growth underscores the rising importance of securing transactions amid increasing market volatility.

By managing collateral efficiently, financial institutions can mitigate counterparty risk and adhere to stringent regulatory mandates. In the Middle East, where alignment with both regional and global standards is crucial, collateral management provides the traction needed to maintain investor confidence and market stability as institutions traverse the economic highways.

Challenges and opportunities

The financial landscape in the Middle East is dotted with challenges and prospects — regulatory divergence and market fragmentation present significant hurdles that, like unexpected detours, require careful navigation. However, they also open paths for growth through cross-border transactions and emerging markets.

The region's capital markets are projected to expand by 25 per cent over the next decade, presenting ample opportunities for institutions equipped with

comprehensive financial solutions. As regional initiatives aim to harmonise market practices, the call for integrated and adaptable financial solutions becomes more resonant. Traversing this journey, involves navigating through regulatory detours, recalibrating direction with each twist and turn, and ultimately accelerating forward when the path clears.

On the busy road to Riyadh

The Kingdom of Saudi Arabia (KSA) is leading the way on growing and establishing their securities finance marketplace. With this in mind, the industry has started to focus on the KSA processes and understand how participation can increase.

As part of this industry review the 'Securities Borrowing & Lending (SBL) Guide' for the Kingdom of Saudi Arabia was published in collaboration with the International Securities Lending Association (ISLA) and Latham & Watkins in 2025. This provided an in-depth examination of the SBL market, legal components, and regulatory environment in Saudi Arabia.

The guide highlights some key points which I have outlined below to both show how the market is adopting international standards while fitting in with what local guidance from the Saudi Securities Depository Center (Edaa).

SBL market overview

- **Market organisation:** The SBL market operates on an OTC basis facilitated by Edaa, with securities transferred on a free-of-payment basis.
- **Participants:** Qualified investors, including capital market institutions, funds, banks, and qualified foreign investors (QFIs), can engage in SBL. Non-qualified investors from Saudi and Gulf Cooperation Council (GCC) countries require a lending agent.
- **Offshore participation:** Offshore QFIs need a local custody member account. They can conduct transactions with adequate reporting methods in place.

- **Agency lending:** Permitted both onshore and offshore. Onshore agents must be custody members or brokers.

Operational and legal framework

- **Collateral requirements:** Borrowers, lenders, and agents need appropriate custody arrangements, with collateral maintaining at least 100 per cent coverage.
- **Regulatory framework:** Governed by Edaa's regulations and the Saudi exchange's short selling regulations. Adherence to binding SBL agreements is mandatory, with the Global Master Securities Lending Agreement (GMSLA) usable under modified terms.
- **Sharia compliance:** Important for Islamic financial institutions, though not mandated for every transaction.
- **Licensing and reporting:** Borrowers and lenders must be QIs or work with lending agents, with custody members responsible for transaction reporting.
- **Netting legislation:** KSA lacks comprehensive close-out netting laws for SBLs and derivatives, although SAMA proposed regulations for supervised entities. The Capital Market Authority is anticipated to expand these regulations. The current approach is regulator-specific, reducing enforceability compared to the UAE's national framework.

How Broadridge can help

Broadridge plays an instrumental role in facilitating Middle Eastern market expansion through its Securities Finance and Collateral Management (SFCM) solutions. Here is how it guides institutions on their financial journey.

1. Integrated technology platforms

Broadridge offers platforms that integrate diverse

financial operations, promoting consistency across fragmented markets. This integration is essential for navigating regulatory complexities, much like a reliable GPS that guides travellers through intricate road networks.

2. Advanced risk management

With sophisticated risk management tools, Broadridge aids institutions in safeguarding against market volatility and counterparty risks. Proactive risk assessments enable informed decision-making and enhanced market resilience, akin to anticipating and overcoming the numerous challenges found on a desert highway journey.

3. Regulatory compliance and adaptation

Broadridge's adaptable frameworks support compliance with evolving local and global regulations. By responding swiftly to regulatory changes, institutions remain aligned with best practices, ensuring they stay on course toward market expansion.

4. Collateral optimisation

Broadridge's collateral management tools help institutions maximise the potential of their assets, reducing costs and improving capital efficiency. This is comparable to optimising fuel usage for a long road trip, allowing institutions to expand their reach with confidence.

5. Facilitating innovation and growth

Broadridge empowers institutions to innovate through scalable solutions tailored to evolving needs. This adaptability is crucial for accessing emerging markets and supporting long-term growth trajectories, enabling institutions to strategically accelerate through their financial journey.

Final destination, or time to plan the next road trip?

As the Middle East continues to establish itself as a formidable global financial powerhouse, securities

“The journey through this financial transformation parallels the experience of traversing an ever-winding desert highway.”

Darren Crowther
Head of Securities Finance and
Collateral Management
Broadridge



finance and collateral management emerge as the essential vehicle and navigational guide on this extensive journey to economic expansion. The region's financial market size is forecasted to grow significantly, mirroring a vast network of highways opening to new destinations. In this dynamic environment, Broadridge's SFCM solutions are critical to unlocking the full market potential, offering the expertise and insight necessary to navigate complex challenges and seize burgeoning opportunities.

Broadridge's solutions empower institutions to manoeuvre through the intricate landscape of financial regulations and opportunities much like an adept driver smoothly navigating a complex series of roadways. These solutions do not simply facilitate growth — they foster the development of a robust, resilient financial ecosystem that serves as the backbone for sustained economic prosperity. By equipping financial institutions with the tools they need to succeed, Broadridge plays a vital role in not only expanding markets but also in shaping a bright economic future for the Middle East.

The journey through this financial transformation

parallels the experience of traversing an ever-winding desert highway. Each stretch of road reveals new horizons and vistas, promising rewards for those who dare to travel its length. And just like explorers who reach a long-sought destination only to immediately plan their next adventure, the financial entities in the Middle East are already looking toward future opportunities upon reaching each milestone of success.

Every goal achieved becomes a new starting point, as the pursuit of growth and innovation in the financial sector never truly ends. With Broadridge's continued guidance and support, institutions are not just prepared to reach their current destinations but are also poised to embark on future journeys.

The path forward holds infinite possibilities, encouraging continuous exploration and expansion in an ever-evolving financial landscape.

This highway of economic opportunity never stops extending, always offering new routes and destinations for those ambitious enough to seek them out, ensuring that the voyage of progress and exploration is perpetual and exhilarating. ■

Saudi Arabia embraces the securities lending market and Tri-party



J.P. Morgan's Trading Services sees growing opportunities for its Agency Securities Finance and Tri-party businesses. With Saudi opening its doors to global investors, the potential for innovation brings clients a chance to stand at the forefront of a financial revolution, according to Marcus Rudler and Michele Filippini

The transformation of financial markets in the Middle East is capturing global attention, with Saudi Arabia emerging as a pivotal player by positioning itself as a global investment hub. Saudi Vision 2030 underscores the Kingdom's commitment to economic diversification, moving beyond its historical reliance on oil to embrace sectors like tourism, technology, and entertainment, while also enhancing public services and infrastructure.

The Kingdom's strategic initiatives to modernise its markets and attract foreign investors have laid a solid foundation for a robust securities borrowing and lending (SBL) framework, and an environment conducive to Tri-party collateral management services. Investors are poised to reap the benefits of a market ripe for innovation and growth.

The emerging securities lending market in Saudi Arabia matures

Agency Securities Finance (ASF) in Saudi Arabia represents a significant growth opportunity, complementing the Kingdom's development of their capital markets.

ASF is key to supporting the development and liquidity across the market to further enhance other financial products such as short selling, derivatives, hedging, and market making. The market's allure is further enhanced by the diverse array of liquid, data-rich securities available, appealing to quantitative funds and systematic strategies, alongside the increasing number of IPOs across various sectors, offering significant trading opportunities.

In recent decades, Saudi Arabia has implemented significant regulatory reforms. These reforms have developed the market, leading to Saudi Arabia's

inclusion in the MSCI and FTSE global indices. These advancements have aligned Saudi practices to international standards, with ASF playing a crucial role in enhancing market efficiency and liquidity, while also boosting foreign investor confidence — key elements for a mature and resilient market.

The successful overcoming of regulatory challenges and infrastructure improvements has paved the way for increased client participation, offering the ability to replicate global strategies and access a broader tradable universe.

Building on these developments, 2024 witnessed a surge of hedge funds establishing operations in the Gulf Cooperation Council (GCC) region, increasing demand for liquidity across the different markets. From an ASF perspective, there is growing demand for broad supply and an expanded tradable universe of accessible equities and bonds.

Clients benefit from the increased liquidity and transparency, enabling them to optimise their portfolios and achieve specific risk or return objectives. As Saudi Arabia's presence in global indices expands, enhancing market liquidity becomes a crucial component of this growth — this increased liquidity enables quantitative funds and systematic strategies to scale effectively.

However, agent lenders face practical challenges and barriers to entry when establishing a presence. Regulatory complexities, operational hurdles, local custody branch management, and the need to adapt established international models to regional settlement cycles and market norms, present significant difficulties — building relationships with Saudi asset owners requires a long-term approach.

J.P. Morgan has turned these challenges into opportunities, leveraging its local expertise and building strong relationships with key stakeholders to allow clients to unlock additional returns through agency lending.

Further, J.P. Morgan has conducted workshops and seminars to improve understanding among local asset owners, fostering a more informed and engaged market environment.

Once these obstacles are overcome, asset owners can unlock additional returns through ASF at institutions like J.P. Morgan, where the team helps institutional investors to meet specific risk and return requirements through efficient and customisable lending solutions. In a year where securities lending revenues face pressure due to a long bias across EMEA, Saudi Arabia stands out as a beacon of incremental income and opportunity.

Saudi Arabia is swiftly developing its market infrastructure, in turn facilitating a robust capital market structure that will soon evolve into a highly developed ecosystem.

Supported by strong regulatory backing and infrastructure enhancements, Saudi Arabia has introduced best practices, expanded participant numbers, and greater transparency.

The rise in institutional participation and surging demand from global funds underscore the potential for significant yields. Another key development within the ecosystem will be the enhanced opportunities around the financing of Saudi assets, which will come through development within collateral management, specifically within the traditional offshore Tri-party construct, as market participants' demand to finance Saudi assets grows.

The rise in institutional participation, surging demand from global funds, and the integration of securities lending into market reforms signal a shift towards greater market maturity, with a promising trajectory. For those already engaged, the rewards are significant.

Given the continued growth and development across the GCC region, J.P. Morgan ASF continues to partner with exchanges and regulators to develop robust capital markets, with securities lending being a key part of this. We have already observed Edaa, the Saudi Securities Depository Center Company, waive trading fees on listed ETFs to enhance liquidity and market efficiency, alongside Saudi Arabia's commitment to sustainable development and an ESG-conscious approach through Vision 2030.

The expansion of the Tri-party business

Beyond ASF, Saudi Arabia is also a key market for our Tri-party collateral management business. In fact, synergies between the ASF and Tri-party markets have always existed; since the first securities lending trade in the Saudi market in 2021, providing a Tri-party collateral management solution has been crucial for supporting further growth in lending by international and local banks.

J.P. Morgan's proposed Tri-party solution seeks to create a robust and scalable Tri-party framework that harmonises with global markets, in addition to meeting local regulatory requirements.

It is, of course, important for securities services providers to evolve to meet client requirements and market demands. By leveraging an extensive network, technological capabilities, and industry expertise, they can help clients optimise collateral and manage risk effectively.

J.P. Morgan utilises support from its local entity, J.P. Morgan Saudi Arabia (JPMSA), to assist clients in investing in international assets and has established a strong local presence with relationship management, client services, and sales on the ground.

Since 2018, JPMSA's Direct Custody Product has supported Saudi Arabian and GCC clients, including government entities, investment firms, and banks. In 2024, J.P. Morgan launched securities lending for Saudi Arabian equities.

In addition, J.P. Morgan's proposed Tri-party collateral management solution for Saudi Arabian collateral will extend J.P. Morgan Tri-party's overall market coverage to 34 global markets, while managing more than US\$1 trillion in assets.

This expansion provides clients with unparalleled access to a broader range of investment opportunities and enhances their ability to manage collateral across multiple jurisdictions.

J.P. Morgan's Collateral Central application empowers clients to enhance operational efficiency and increase secondary liquidity through optimising their collateral pool, offering a competitive edge in the market.

In pairing global approach with local know-how, J.P. Morgan is seeking to leverage the expertise of its Riyadh office to navigate the Saudi Arabian market, understand licensing requirements for JPMSA, and apply the Tri-party model to the safekeeping and margining of Saudi equity and fixed income securities collateral.

Complementing the securities lending and repo markets, J.P. Morgan's proposed Tri-party solution aims to unite local asset owners with global securities finance participants, facilitating the financing of inventory from Sukuk Bonds to MSCI Saudi IMI listed equity in a single venue. The integration offers clients a seamless experience and the opportunity to capitalise on a wide range of investment options.

Towards an exciting future

The enthusiasm among clients and attendees at the 2025 Securities Finance Symposium: Saudi Arabia, underscores the Kingdom's immense potential as an ASF and collateral market, marking the beginning of an exciting future for business in the region.

As Saudi Arabian collateral is integrated into international clients' existing Tri-party inventory pools, and securities lending is facilitated through J.P. Morgan's Agency Securities Finance business, there is anticipation of expansion into other GCC markets and the welcoming of new clients into the programme.

The next steps in the Middle East journey are expected to bring further integration and growth. J.P. Morgan is committed to leading this journey, providing the expertise and resources needed to succeed in the evolving Middle Eastern market, and ensuring that clients are well-positioned to capitalise on the exciting opportunities ahead. ■

Marcus Rudler
Head of EMEA agency lending trading
J.P. Morgan



Michele Filippini
EMEA Tri-party product management lead
J.P. Morgan





Unlocking opportunity: How Saudi Arabia is redefining securities lending in emerging markets

The Middle East is not a market to watch — it is a market to be in. And Saudi Arabia is at the forefront of that movement, says Dimitri Arlando, director of EMEA sales, EquiLend

In recent years, Saudi Arabia has become one of the most compelling emerging markets in global securities finance. The focus from the global securities lending community including lenders, broker-dealers and industry bodies has exploded over the last two years.

At EquiLend, we have seen a surge in demand for data, trading access and post-trade solutions from clients across the Middle East, and Saudi Arabia is at the centre of the conversation. As the Kingdom continues to open its capital markets and deepen its financial ecosystem under the nation's transformational Vision 2030 plan, securities lending is emerging as a key component in enhancing market efficiency, liquidity and transparency.

Saudi's emergence on the global securities finance stage

One of the unique advantages of Saudi Arabia's capital market development is that it is being built from the ground up, with the benefit of hindsight and global precedent. Unlike more established markets that must

modernise legacy systems or re-engineer infrastructure, Saudi has the opportunity to create a highly efficient, digitally-enabled securities lending ecosystem from its earliest days. By adopting international best practices and embedding modern infrastructure from the start, the market is positioned to scale smoothly and sustainably.

At EquiLend, through our DataLend platform, we have tracked the evolution of Saudi's lending activity and have observed a growing trend in both participation and volumes. While the market is still in its early stages, with over US\$700 million on loan and US\$8 billion in lendable assets as of March 2025, this is from a near standing start in 2023.

The levels of activity we are seeing reflects growth, maturity, and transparency. Notably, Saudi's market is seeing new supply emerge from long holders, especially the large pension funds who hold significant supply. The stable nature of this supply is a critical factor in the development of a healthy, functioning securities lending market.

The building blocks: Regulation, technology and market structure

Saudi Arabia's success story didn't happen overnight. The groundwork was first laid through the efforts of regulatory bodies such as the Capital Market Authority (CMA) and the Saudi Depository Center Company (Edaa). Since the introduction of the securities borrowing and lending (SBL) framework in 2017, and the execution of the first transaction in 2021, the market has undergone substantial reform — from legal infrastructure to post-trade processing.

“Many local investors are engaging with securities lending for the first time or have only engaged recently.”

A particularly notable milestone was the introduction of Saudi Arabia's new close-out netting legislation, which took effect in February 2025. By allowing counterparties to offset obligations into a single net amount, the regulation reduces credit risk and capital requirements, unlocking greater capacity for trading and lending. Modelled on the International Swaps and Derivatives Association's (ISDA's) global framework, this legislation not only boosts legal certainty but also positions Saudi Arabia's financial markets to attract broader participation and institutional capital.

Saudi Arabia has demonstrated a strong commitment to aligning with international standards, signaling its readiness to engage institutional capital at scale. From adopting global messaging protocols like ISO and SWIFT

to launching a central counterparty (CCP) to manage clearing and mitigate risk, Saudi has positioned itself as a forward-thinking market, open to institutional capital and operating on cutting-edge technology.

Technology has played a critical role in this progress. As transaction volumes increase, the days of manually managing lending operations are long gone. Today, automation, interoperability, and scalability are essential, and we are seeing rising demand for out-of-the-box platforms that can support complex SBL workflows while meeting local compliance requirements.

At EquiLend, local firms have been interested in discussing our end-to-end automated offerings, which encompass everything a lender or borrower would need to participate in the market, including books and records, trading, post-trade and market data. This is often driven by the international counterparties firms wish to trade, which often require automated versus manual workflows.

Bridging challenges and unlocking opportunity

As with any emerging market, the development of Saudi Arabia's securities finance landscape is not without its complexities. Both local and international market participants have had to navigate the rapidly evolving regulatory frameworks, establish robust operational models and build scalable infrastructure that can meet the rising demand.

Education remains an important component of this journey. Many local investors are engaging with securities lending for the first time or have only engaged recently. For asset owners and portfolio managers, understanding how to integrate lending activity into their strategies — and the value it can deliver — is a key step in growing supply. On the borrower side, aligning with international best practices and ensuring operational readiness has been equally important.

Additionally, there are structural considerations unique to the region. Requirements around documentation, local infrastructure connectivity and transaction visibility

all play a role in how participants enter and scale within the Saudi market.

In some cases, preferences related to Sharia-compliant structures influence the design and execution of transactions, and market participants are working to ensure those frameworks are respected and operationally supported.

The good news? None of these challenges is insurmountable, and the progress made to date has been impressive. What we are seeing now is a collaborative ecosystem: regulators, custodians, local institutions and service partners like EquiLend are working together to lay a solid foundation for long-term growth.

A catalyst for regional growth

While Saudi Arabia has been in the spotlight in the region as of late, its evolution is already inspiring broader momentum across the Gulf Cooperation Council (GCC).

The United Arab Emirates (UAE), Qatar, Kuwait, Oman and Bahrain are actively developing or enhancing their own securities lending frameworks and are closely observing how the Saudi market is evolving.

This replication effect is one of the most encouraging trends we are observing. In line with market growth in APAC markets, the Middle East is beginning to establish a rhythm of regional growth — where infrastructure improvements in one jurisdiction drive conversations and innovation in another.

Regulatory alignment and regional interoperability will be essential to this next phase. The International Securities Lending Association (ISLA) has already begun its phased work in the Middle East, starting with Saudi Arabia.

By providing clear guidance, legal interpretations and frameworks for participation, ISLA is helping to accelerate the maturity of SBL markets across multiple jurisdictions, which will be crucial in facilitating cross-border activity at scale.

Looking ahead: From momentum to maturity

Investor demand is growing. Infrastructure is evolving. Transparency is improving.

We are no longer talking about potential in the Middle East, we are witnessing real participation, real trading activity and real revenue opportunities in securities lending. At EquiLend, we are proud to support this growth with the tools, data and global connectivity needed to help clients succeed.

“As in every emerging and mature market, EquiLend aims to be the technological foundation.”

Through our Data & Analytics solutions, we will continue to surface insights that provide transparency and help participants make informed decisions.

Through our trading, books and records and post-trade services, we are enabling firms to connect with counterparties more efficiently and scale their business with confidence. As in every emerging and mature market, EquiLend aims to be the technological foundation enabling lenders and borrowers to launch and scale efficiently in the global securities lending market.

The Middle East is not a market to watch — it is a market to be in. And Saudi Arabia is at the forefront of that movement. ■



The ‘Sharpe’ point of securities lending

State Street’s Travis Whitmore, head of AI and trading analytics, and Derin Aksit, quantitative researcher, assess the diversification properties and risk-adjusted performance of securities lending and its power to unlock opportunities

When institutional investors assess investment opportunities, a key consideration is the expected incremental return relative to the marginal risk, as well as the diversification benefits the investment might bring to the entire portfolio. In this analysis, we take the same approach in evaluating securities lending.

We examine the historical performance of more than 5,000 anonymised and aggregated securities lending programmes over 15 years (2008-2023) to quantify the historical returns relative to losses and compute a reward-risk ratio (eg Sharpe ratio).

These metrics are evaluated over different market regimes and across regions.

The empirical findings suggest that securities lending risk-adjusted performance is significantly higher than that of benchmark stock and bond indices, and improve during periods of market drawdowns (eg ‘crisis’ periods) and tightening financial conditions. We also observe securities lending returns having a low or negative correlation with that of other asset classes, suggesting it brings favourable diversification benefits to a theoretical portfolio of traditional asset classes.

Previous literature

Our analysis draws inspiration from Atkins and Horner (2006), as published in 'The Risk Management Association Journal', in which the authors computed risk-adjusted returns for securities lending across various reinvestment vehicles and benchmarked the metrics against other traditional asset classes.

They found that lending returns were smaller than market index returns, but securities lending offered superior risk-adjusted performance. We extend the analysis in the following ways: (1) use more recent data from 2008-2023 to test if these findings still hold; (2) examine how securities lending risk metrics evolve during various market and interest rate regimes; (3) analyse key diversification aspects of securities lending; and (4) assess monetary policy implications on reinvestment spreads.

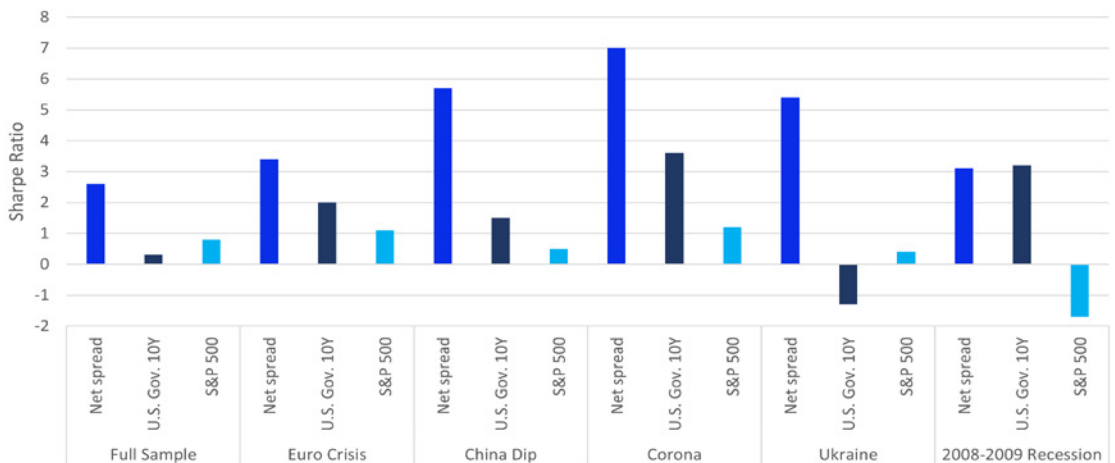
Reward-risk ratios of securities lending

We compare the reward-risk ratios of securities lending returns (ie demand, reinvestment and net spreads) with that of benchmark stock and bond indices. It is important to note that the returns generated from securities lending can be earned on top of a given portfolio's positions without the opportunity cost of reallocating from one asset to another.

We find that the mean excess return of securities lending for US and non-US clients is lower, on average, than returns of the benchmark indices over the full sample. However, the relative volatility of securities lending returns is much lower, implying higher Sharpe ratios for securities lending returns. Unlike the benchmark stock and bond indices, the securities lending spread distributions are positively skewed. Hence, only considering the downside volatility as the risk adjustment, the implied reward-risk ratio — ie Sortino ratio, which is the excess return per its downside standard deviation — is even higher for securities lending returns than the benchmark returns. In particular, the Sharpe ratio of securities lending net spreads for the US is 2.6, while its Sortino ratio is 7.9.

Another interesting feature of securities lending returns is its counter-cyclical nature. This could partly be captured by its returns' low or negative correlation with that of other asset classes, which in turn suggests that securities lending could bring favourable diversification benefits during large market downturns.

We further show that the Sharpe ratios of securities lending returns improve during "crisis episodes", while the benchmark indices perform worse than their average over the full sample during some of these periods, suggesting that securities lending could act as a hedging mechanism and diversify portfolios.



Efficiency frontier expansion by securities lending

The benchmark stock and bond indices can be illustrated as benchmark portfolios on a scatter plot, in which the vertical axis is the excess annual return and the horizontal axis is the annual return volatility. Within our sample space, the S&P 500 and the FTSE World Government Bond Index (WGBI) portfolios have higher excess return per volatility (ie risk).

A hypothetical efficiency frontier between these two portfolios can be drawn as a combination of these two portfolios — ie a particular weight, ω , which is between 0 per cent and 100 per cent, is allocated to one of the corner portfolios while the rest, $1 - \omega$, is allocated to the other, for all possible values of ω .

It is effectively shifted out by lending securities, assuming that the average net spread in our sample is earned upon lending out the securities. We show the degree to which such an efficiency frontier would shift using our sample period from January 2008 to June 2023 for US (shown below) and non-US clients, as well as during periods of non-zero interest rates, in which such outward shifts are larger.

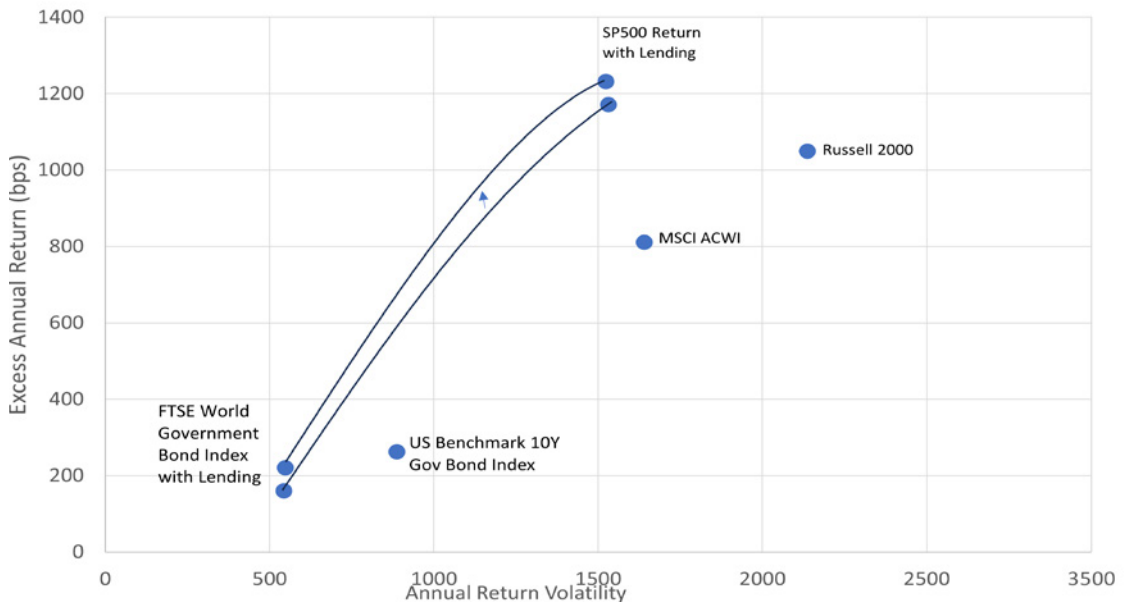
Conclusion

Securities lending has long attracted the interest of asset owners and managers as a way of generating incremental returns, yet it is not fully embraced by all institutional investors. Some of this hesitation is rooted in the perception that the returns seem small on an absolute basis. However, just like any other investment decision, securities lending should be viewed through the lens of a reward-risk trade-off and its diversification properties.

From an empirical perspective, we find that the incremental return from securities lending is well above the marginal risk, and the returns generated from securities lending tend to have a low or negative correlation with traditional asset classes. This favourable diversification characteristic pushes out a hypothetical efficiency frontier of investors (even more so during market downturns), improving returns while maintaining the similar levels of risk. ■

Disclaimers and Important Risk Information [2025.01]

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Playing the part

HSBC's Curtis Dutton, global head of trading, agency securities lending and liquidity services, reviews the performance of the Middle East over the past 12 months, and what is next for its securities lending and borrowing market

Securities borrowing and lending (SBL) in the Middle East continues to evolve.

2024 was certainly a remarkable year for securities financing in the Middle East. We saw further steps taken by countries across the region to evolve the market. Indeed, Saudi Arabia is attracting growing demand, with securities lending volumes through Edaa increasing over 10 times through the course of 2024. That same opportunity is gathering motion also for other countries in the region.

The Kingdom of Saudi Arabia took centre stage in terms of securities lending transactions last year, as

we saw both demand and supply channels expand. Revised regulations for transacting in Saudi Arabia were published in 2022, spurring on hedge funds, prime brokers, and lenders alike to develop the operational capabilities required to support increased volumes.

We have since witnessed securities lending activity in Saudi Arabia develop as more entrants have created solutions to both lending and short-sell rules. We saw supply open to local participation, and key market opportunities covered in many large cap names that are part of the Tadawul All-Share Index.

Liquidity management in the market has in no small

part been driven by the partnerships and co-ordination across regulators, market infrastructure and market participants, which has been instrumental in itself in stimulating further growth. Efforts taken for constructive dialogue, as well as prudence in risk and liquidity management by market players, has been the bedrock of the continued development of SBL in Saudi Arabia.

Last year also saw other countries in the Middle East make strides in the SBL market. HSBC executed the first SBL transactions in Qatar and Dubai. Abu Dhabi, Kuwait, Egypt, also offer exciting SBL opportunities ahead.

Appropriate securities lending and short-sell frameworks in each jurisdiction are important to allow domestic governance of the SBL market, while also creating enough flexibility for international participation.

This international participation is paramount; as considerable liquidity is managed offshore. Indeed, with this participation, countries are more likely to generate significant inbound capital flows to assist in both liquidity and wealth creation for local capital.

At HSBC, we remain positive on the future opportunity for the Kingdom of Saudi Arabia and the wider region. Engagement is very positive, which can be seen through the most recent joint meeting on “Capital Markets & the Kingdom of Saudi Arabia — Delivering Liquidity & Depth in Derivatives, Financing & Secondary Bond Markets”, which took place in Riyadh in February.

The event was held by the International Securities Lending Association (ISLA), the International Swaps and Derivatives Association (ISDA), and the International Capital Market Association (ICMA).

Supply and demand for SBL in Saudi Arabia is, however, presently limited in terms of coverage of securities and diversification of liquidity channels (narrow range of active users).

Enhanced SBL market participation may therefore be the next stage in Saudi Arabia’s evolution. It will support improved liquidity management, a progressive step for increasing order volumes and ultimately creating more

efficient pricing for securities lending execution.

Indeed, an efficient marketplace with critical volume on exchange is a key feature of any orderly functioning capital market, both in terms of effective and efficient spot pricing of securities, as well as to ensure there is as little performance drag as possible based on sub-optimal event coverage.

Infrastructure and regulatory frameworks

SBL barriers in the Middle East region are coming down. Recent developments on netting opinions in Saudi Arabia show exactly this.

Major Saudi investors are engaging closely with the idea of enforceability of collateral against default and the enhanced ability it offers to transact with international counterparties.

As such, ISLA and ISDA should be able to develop netting opinions for Saudi participants soon. This will assist local participation in securities lending, by helping domestic Saudi asset owners to extract a fair value and decent yield for the securities they hold. It could even lead to an expanded domestic supply network.

Whether in Saudi Arabia or elsewhere, securities lending participants must abide by both local laws and local practices. Sharia is, of course, one of these considerations, where we hope understanding will continue to evolve allowing expanded coverage and participation.

The next important stage in the progress of securities lending in the Middle East, is the operational ability for regional equities in particular to be used for funding and financing. Whence, the use of assets in the region as a means to extend leverage and cash.

Currently, there is very little to no mobilisation of Middle Eastern securities as collateral outside of fixed income repo. This means that long borrowing of equities can be costly to fund.

Establishing robust regulatory frameworks and mechanisms

for collateral, not only will enhance the secured funding application, but it should also attract inward capital investment from sophisticated portfolio managers.

Over time, costs and barriers to transact in securities borrowing would reduce. As a result, volumes would increase in SBL and there would be more cash liquidity in local economies.

This mechanism to enable collateral and financing leads to the final catalyst for securities lending in the Middle East, which is the challenge of a fully integrated securities lending, derivatives, and portfolio management product.

The SBL volumes over the last 12 months in Saudi Arabia have been indicative of demand driven by single-name stock interest. There is, of course, an active derivatives market in the Middle East today. Where this provides an opportunity, is the use of more bespoke strategies for local markets such as options, forwards, portfolio swaps, and listed derivatives such as futures.

There are signs that collar, butterfly spreads and other strategies are becoming more accessible.

Indeed, some asset managers are starting to consider call overwriting and put underwriting to generate additional yield for their portfolios, and structured deposits and notes are becoming more commonplace offerings from banks to create investor yield in the region.

It will be important to ensure that these structures can be met with the right supply hedges and with the right level of prudent management to guarantee they succeed. All with the aim of attracting further inward capital flows, more liquidity, and further wealth to the local economies.

So what is next for the Middle East securities lending and borrowing market? In a more uncertain world of geopolitical tensions and market volatility, revenue optimisation is increasingly about diversification.

This is where the Middle East can have a significant part to play, in providing a new and exciting channel for cash and collateral liquidity. In the face of increased funding costs elsewhere globally, the Middle East will continue to attract significant attention. The region's activity will naturally evolve with this. ■



“In the face of increased funding costs elsewhere globally, the Middle East will continue to attract significant attention.”



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Securities lending outlook 2025

Andrew Geggus, global head of agency securities lending, Securities Services at BNP Paribas, explores how macroeconomic, regulatory, and geopolitical factors are shaping demand and investment strategies for the market

The securities lending industry is set for an eventful 2025, driven by macroeconomic shifts, geopolitical developments, regulatory changes, and evolving market structures.

Persistent inflation and uneven global growth are likely to keep markets relatively volatile, while diverging central bank policies on rate cuts will create regional and hedging opportunities. Investors should recalibrate expectations as major economies navigate a complex monetary environment.

Securities lending in the US will likely be mixed — M&A activities could rise amid lower interest rates and a more business-friendly regulatory environment, but equity markets may experience heightened volatility, influenced by monetary policy and the Trump administration's economic agenda.

As EU-US trade negotiations continue under the US administration, as well as the ongoing uncertainty between the US and China, this may drive sectors such as carmakers and other exporters to come under increasing pressure. All these have the potential to drive some directional demands within the securities lending market.

In Asia Pacific, the lifting of South Korea's short-selling ban in March 2025 is expected to drive increased lending activity. Taiwan and Hong Kong will also remain buoyant markets with strong securities lending demand.

We expect the demand for high-quality liquid assets (HQLA) to remain robust but with increased demand from the borrowing community for further collateral flexibility, as well as adding increased duration to trades.

Overall, 2025 is expected to be a dynamic year for securities lending, with macroeconomic, regulatory,

and geopolitical factors shaping demand and investment strategies.

In the backdrop of the demand remains an oversupplied lending market, it is likely that there will be further divergence between those that achieve above market revenue returns from lending activity, and those that see reductions in their returns due to a greater need from borrowers for the optimal securities.

Beneficial owners with wide collateral guidelines, stable positions and flexible tenors can drive the best returns.

Regulatory highlights

Basel III endgame will continue to focus attention for the whole industry. In particular, the disparity in rules between the US, UK, and EU has raised concerns that some banks will be penalised more than others.

Continued advocacy keeps this issue front and center and will see the efforts of central counterparty clearing houses (CCPs) remain in the spotlight as a potentially important option for industry players.

It could also see pricing adjustments and shifts in demand as the potential increased capital requirements impact certain banks more than others.

In addition, while securities lending is out of scope for the US Treasury mandatory clearing rules, it will impact the industry as a whole since all repo trades executed under a master repurchase agreement (MRA) will be subject to the rules.

This will include agency lending cash reinvestment

desks, which require a lot of upheaval on current processes, documentation and compliance.

With the new administration in the US and their focus on deregulation, it is still to be seen how the regulatory framework globally develops and what impact that could have on the financial sector more broadly.

Key themes

Cost focus

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.

With no clear 'winning' solution to the capital's constraints that banks face, it will be imperative for agent lenders to invest wisely, ensuring they balance the cost of development with the returns for their clients.

While some cost pressure is likely to be alleviated by falling global interest rates, increased regulatory pressure to automate and invest in technology will form another source of headwinds.

We continue to see more technology providers enter the market and with limited resources, businesses cannot be expected to onboard all providers.

Therefore, once again in 2025, businesses should focus on the return on investment, the efficiency gains of technology, and the effective use of providers they onboard. Greater efficiency and interoperability are key demands from the market; it is vital that we move away from market silos.

Settlement efficiency and T+1

Following the implementation of T+1 in several jurisdictions in the Americas, the industry will turn to expected implementation in the EU, UK, and

Switzerland in 2027. 2025 will therefore be spent assessing the impact on processes and preparing to build and incorporate new solutions in 2026. T+1 could well require a change in current market behaviours, and this will not happen overnight.

Therefore, it is important for the industry to prepare early and work with all market participants to ensure education and readiness.

Priorities

At BNP Paribas' Securities Services business, we will be further strengthening and improving our platform to serve clients and counterparties in 2025, launching improved booking mechanisms, collateral optimisation, and client portals, as well as measures to extend our cash reinvestment programme.

We have made significant investments over the last few years and will continue to do so to ensure our agency lending and agency repo and cash (ARC) solutions are agile and able to offer a full securities financing suite of products.

The development of our client web portal allows for reporting and more flexibility for clients. We have also made significant investments into our proprietary trading platform to enable further automation.

New and emerging markets are an area of growth for us, as we continue to assess and expand into regions experiencing major growth cycles and support our clients as more securities lending opportunities arise.

Added to the onboarding of new inventory to the market, we aim to bring more liquidity to our borrower base.

While 2025 brings uncertainty, we are excited about the months ahead and will continue to work with our clients across EMEA and APAC to explore opportunities to expand and enhance their lending programmes. ■

All information correct at the time of print.



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

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About EquiLend

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