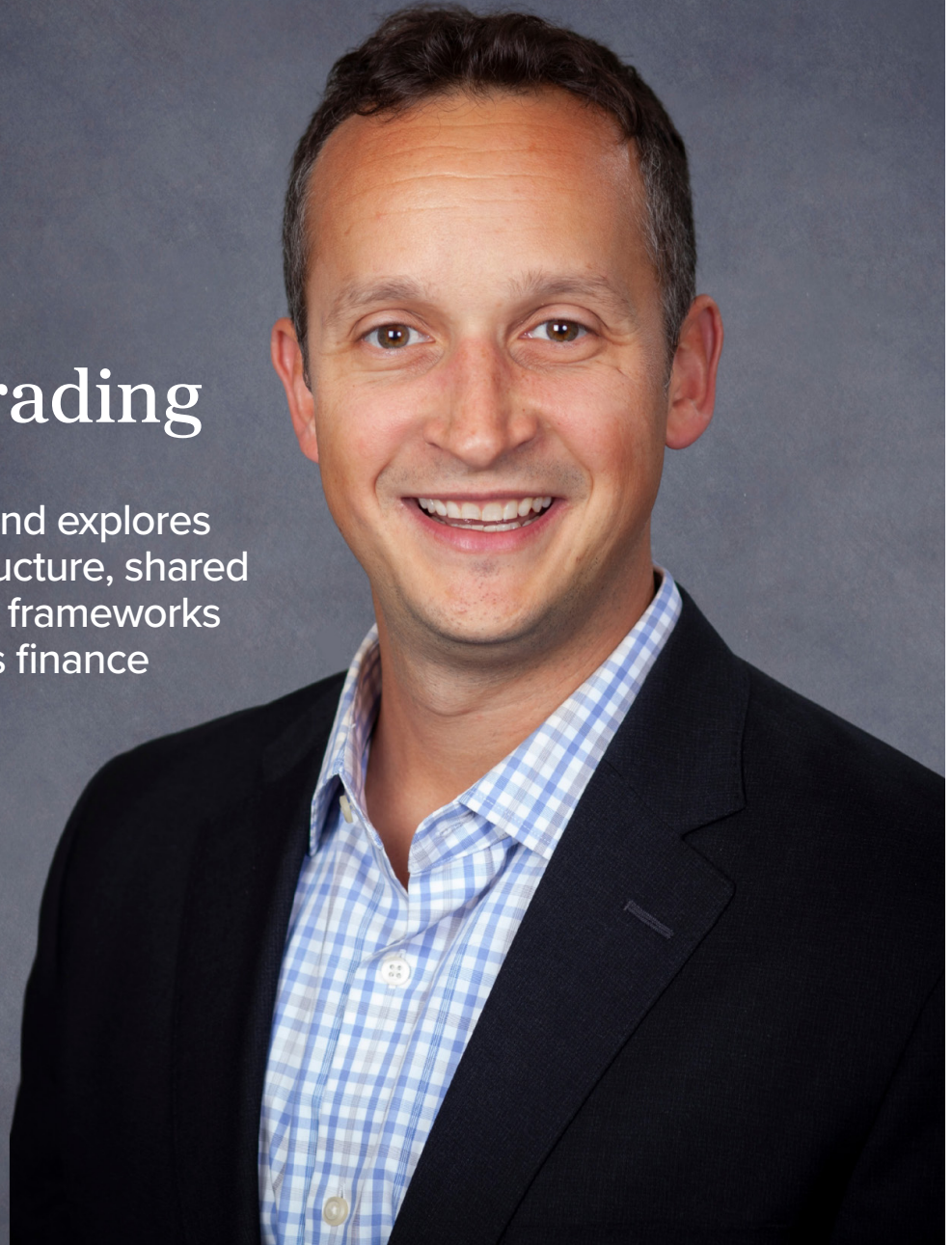


Beyond electronic trading

Nick Delikaris of EquiLend explores how connected infrastructure, shared data, and digital market frameworks are reshaping securities finance



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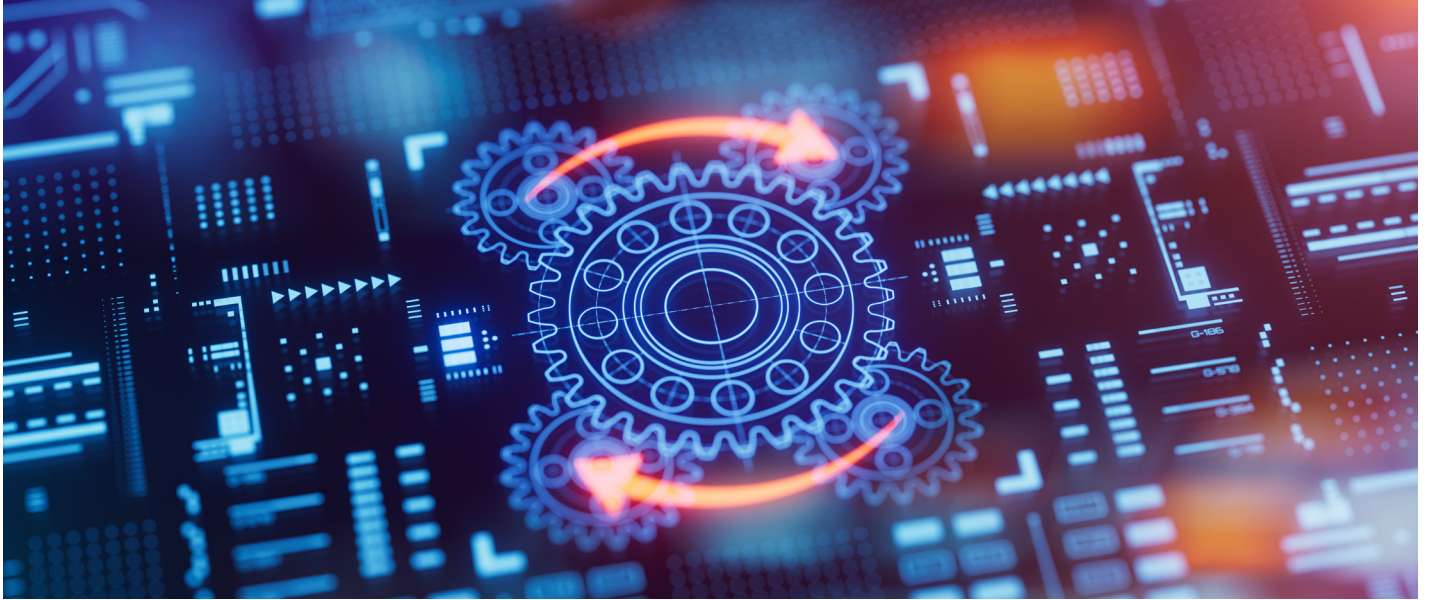
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SEC issues interpretive relief on Rule 15c3-3

The US Securities and Exchange Commission's (SEC's) Division of Trading and Markets has acted on a joint request — submitted by the International Securities Lending Association (ISLA) Americas and the Securities Industry and Financial Markets Association (SIFMA) — for an exemptive order and interpretive relief regarding the application of Rule 15c3-3 (Customer Protection Rule) under the Securities Exchange Act of 1934.

In the new exemptive order, the SEC allows broker-dealers to pledge baskets of liquid equity securities as collateral when borrowing equity securities from customers under a 'fully-paid borrow'.

According to ISLA Americas, in the accompanying letter addressed to the two associations, the SEC confirmed that it will not recommend enforcement action if a broker-dealer pledging customer margin equity securities as collateral for equity securities borrowed to cover customer short sales or to make delivery on customer fails to deliver includes a debit under the Customer Reserve Formula for the market value of such equity securities borrowed, subject to the conditions outlined in the staff's response.

The request, developed through close coordination between ISLA Americas, SIFMA, and their respective members, was submitted to

permit a more efficient and transparent structure for equity borrowing under existing interpretations of Rule 15c3-3.

The relief is expected to significantly reduce operational complexity and counterparty exposures during times of market volatility, while providing beneficial owners and agent lenders with an additional and important risk management tool for their securities lending programmes.

Fran Garritt, CEO, ISLA Americas, states: "This outcome reflects the importance of coordinated industry engagement and constructive dialogue with regulators.

"It demonstrates how practical, market-informed advocacy can support resilience while remaining fully aligned with customer protection objectives."

To support members in understanding and implementing the SEC position, ISLA Americas has published a whitepaper outlining the background to the request, the regulatory framework, and key considerations for firms across legal, operational, risk, and balance sheet functions.



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Beyond electronic trading: The digital evolution of securities finance

Nick Delikaris, chief product officer at EquiLend, explores how connected infrastructure, shared data, and digital market frameworks are reshaping securities finance, as institutions move towards a unified operating model spanning traditional and tokenised assets



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David Beatrix, head of OTC and collateral services, Securities Services at BNP Paribas, provides an overview of the Uncleared Margin Rules and the latest evolutions of the IM model



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A Cape Town recap

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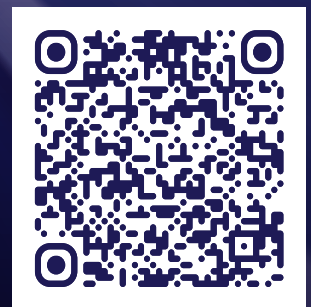


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Time to test T+1

With the move to a next-day settlement cycle approaching, a taskforce has been established between the UK, EU, and Switzerland to advise firms on the best ways to prepare themselves. Andrew Douglas, chair of UK T+1 Taskforce, and Giovanni Sabatini, chair of the EU T+1 Industry Committee, discuss the readiness plan with Hansa Tote



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The next liquidity crisis will not be the one you expect

In the second instalment of this ongoing series, Cyril Louchtchay de Fleurian, head of securities finance and balance sheet strategy at Capteo: Strategy & Management Consulting, reviews the next potential liquidity crises and how shifts in the market are contributing to unusable liquidity



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Geopolitical shockwaves: How the Middle East war is reshaping securities finance activity

Matt Chessum, executive director of equity and analytic products at S&P Global Market Intelligence, looks at the impact of the Iran conflict on short selling and securities lending activity



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Entering a hyperspecialised environment

From winning championship titles on the softball field to navigating corporate culture, Francesca Frelick of Fidelity Capital Markets discusses her journey into securities finance through the firm's Emerging Leader Program. Carmella Haswell reports

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RQD* Clearing goes live on EquiLend

RQD* Clearing has gone live on EquiLend's Next Generation Trading platform.

Next Generation Trading is a multi-asset class trading platform for the securities finance marketplace.

Accessed through NGT's web-based user interface or via full automation using the firm's proprietary messaging protocol, NGT offers access to global securities finance trading to firms of all sizes.

RQD* joins more than 135 firms transacting daily on the platform, and US\$200 billion in average daily notional.

RQD* Clearing is a next-generation correspondent clearing provider, providing clearing, custody, and execution solutions for modern markets.

With the industry's first solution built entirely on cloud-native, real-time technology, the firm says it is able to enhance the platform, mitigate emerging cybersecurity threats, and offer a more efficient implementation that scales as clients grow.

Supporting US equities, options, and ETFs, the firm caters to broker-dealers that service retail, institutional and active traders, foreign financial institutions, and proprietary trading firms.

ISDA selects Gentek AI to develop a transparency tool

The International Swaps and Derivatives Association (ISDA) has selected Gentek AI to develop a new traceability tool for the ISDA Digital Regulatory Reporting (DRR) solution, aimed at enhancing transparency for users of the ISDA DRR.

The traceability tool will allow users to look back at the history of DRR decision-making and pinpoint when and why coding choices were made, providing a full audit trail of DRR development, says the association.

The ISDA DRR uses the open-source Common Domain Model (CDM) to transform a golden-source interpretation of regulatory reporting rules into machine-executable code, making implementation more efficient and cost effective.

The ISDA DRR has been applied to eight sets of reporting rules globally and ISDA is committed to supporting 14 reporting rule sets in nine jurisdictions.

ISDA launched a request for quote on 30 October 2025 seeking proposals from firms interested in developing the tool.

David Shone, senior director of Data and Digital Solutions at ISDA, says: "Traceability is a foundational requirement for scalable, trusted digital regulatory reporting.

"Gentek AI demonstrated a strong

alignment with ISDA's vision for an open, auditable and AI-driven traceability framework that links regulatory text, working group decisions and DRR code in a transparent and sustainable fashion.

"Development of the traceability tool will strengthen confidence, consistency and accountability across the ISDA DRR ecosystem."

Pierre Khemdoudi, CEO at Gentek AI, adds: "We're proud ISDA has chosen to work with Gentek AI on this next phase of Digital Regulatory Reporting.

"We're excited to bring our AI and regulatory expertise to drive wider adoption of ISDA's DRR standards and ultimately facilitate implementation and reduce operational costs for the industry."

Broadridge's DLR platform reaches US\$354 billion ADV

Broadridge Financial Solutions' Distributed Ledger Repo (DLR) platform has processed US\$354 billion in average daily trade volumes for repo transactions during March, with volumes totalling almost US\$8 trillion.

The daily average is a 392 per cent increase year-on-year (YoY), building on the robust institutional adoption of tokenised real-asset settlement at scale and indicative of expanded use cases of tokenisation activities.

Broadridge's DLR platform is an institutional platform for settling tokenised real assets.

Horacio Barakat, global head of digital innovation at Broadridge, states:

"Broadridge is committed to extending its capabilities across digital trading, collateral, and settlement ecosystems to reduce operational friction and improve margins for participants."

Helaba goes live on Murex's MX.3

Helaba has gone live on the MX.3 for Collateral Management solution from Murex.

According to the firms, this is the latest milestone in a decades-long collaboration between the German financial institution and the global fintech firm, and will power an increased level of automation in collateral operations for the bank.

Helaba is a Landesbank, minority owned by the federal states of Hesse and Thuringia, and is part of the Sparkassen-Finanzgruppe, a public sector bank network that is the largest by assets in Germany and Europe.

Starting work with Murex in 1997, the bank completed migration to the MX.3 platform in 2023, which enabled the recent extension.

MX.3 for Collateral Management will deliver broad functional coverage, end-to-end management with high straight-through processing, and shared data across functions.

The implementation ensures strong regulatory compliance — including with the Uncleared

Margin Rules (UMR) and the International Swaps and Derivatives Association (ISDA), for which Murex is a certified vendor.

Leveraging data already available in Helaba's existing MX.3 instance, the solution simplifies operations, reduces costs, and consolidates collateral management activities on a single platform.

Anja Schlütz, Helaba IT director, states:

"Following the implementation of MX.3 for Collateral Management with Murex, we are now operating with a stable and modern collateral management system that meets our strategic needs and sets a strong foundation for the future.

"This implementation underscores Helaba's continuous uptake of leading technology. Helaba benefits from a stable and robust system that enhances operational efficiency and aligns with its collateral management strategy."

Enabled by a deep, global pool of Murex expertise, MX.3 for Collateral Management positions Helaba to adapt efficiently to future market and regulatory developments.

Luc Testud, Central Europe managing director, Murex, says: "Murex experts devoted a wide breadth of organisational expertise developed over more than 100 collateral management solution implementations worldwide, including three in Germany, to this successful collaboration with Helaba.

“The bank has gained leading standard market practices with the flexibility to achieve customisations as and when needed.”

Three French banks go live on CLS’s CCS service

BNP Paribas, Crédit Agricole CIB, and Natixis CIB, have gone live on Continuous Linked Settlement’s (CLS’s) Cross Currency Swaps (CCS) service.

According to CLS, the CCS service can be used in conjunction with the post-

trade processing platform OSTTRA MarketWire to integrate CCS flows into CLSSettlement, allowing participants to benefit from multilateral netting against all FX transactions, optimising liquidity and reducing daily funding requirements.

Lisa Danino-Lewis, chief growth officer at CLS, states: “BNP Paribas, Crédit Agricole CIB, and Natixis CIB will all benefit from the efficiencies and risk reduction that CLS’s services provide.

“With increased market volatility driven by geopolitical uncertainty, the past year has

highlighted the importance of sound risk mitigation and operational resilience for market participants.”

Underscoring the service’s benefits, CLS’s CCS solution has experienced significant growth, with the average daily settled value of CCS flows submitted to CLSSettlement up 87 per cent in 2025.

The growth in cross-currency swap flows to CLSSettlement bolsters the efforts of policymakers and regulators to promote the widespread adoption of payment-versus-



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payment (PvP) as a means of reducing settlement risk.

Bruno D’Illiers, head of CIB ITO Platforms at BNP Paribas, says: “Joining CLS’s Cross Currency Swaps service marks an important step in adopting best practices in our FX post-trade processes.

“The ability to bilaterally net and settle CCS transactions via CLS Settlement supports our broader efforts to increase operational efficiency, reduce risk, and optimise liquidity across our FX activity.”

Julien Serror, global head of cross currency swaps and CEE, at Crédit Agricole CIB, adds: “Mitigating settlement risk continues to be a primary focus for institutions such as Crédit Agricole CIB.

“Cross currency swaps in particular have a high settlement risk exposure, so we’re pleased to find a solution through CLS’s service.

“Making the move to multilateral netting will open up liquidity across our FX activity and support our operational efficiency — benefits our clients will be delighted with.”

Olivier Lamy, Macro Markets — head of strategic projects at Natixis CIB, also comments: “The CCS service is an innovative solution to the problems facing firms everywhere, and its unique PvP settlement system and netting capabilities will enhance and improve our FX operations.

“We believe the settlement risk, liquidity, and funding benefits that CLS’s CCS service will provide will be hugely beneficial for our business.”

Central Tanshi joins Securities Finance Association

Securities Finance Association (formerly Pan Asia Securities Lending Association) has welcomed Central Tanshi Co. as a Prime Lite member.

Central Tanshi has served as an intermediary in the Japanese money market for more than 100 years since its establishment in 1909.

The company maintains trading relationships with a broad range of banks, dealers, and institutional investors in Japan.

Further, it is a current account holder and an eligible counterparty for monetary operations at the Bank of Japan, as well as a participant in Japanese government bond auctions conducted by the Ministry of Finance.

Its main products include Japan government bond (JGB) repos, equity lending, triparty repos, and Japanese Treasury bill trading.

Central Tanshi also operates interdealer broking companies across Asia (Mainland China, Hong Kong, Singapore, Korea, and Indonesia) and contributes to the development of financial markets across the region.

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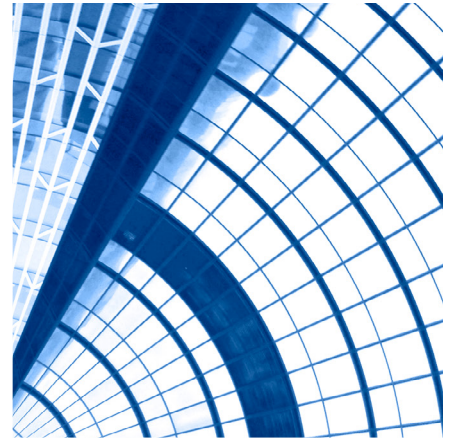
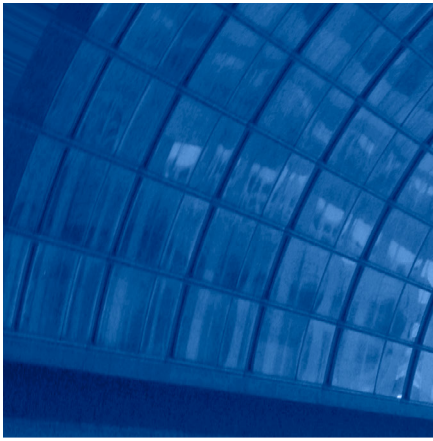
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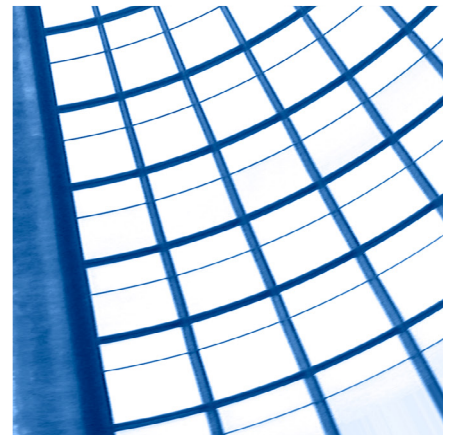
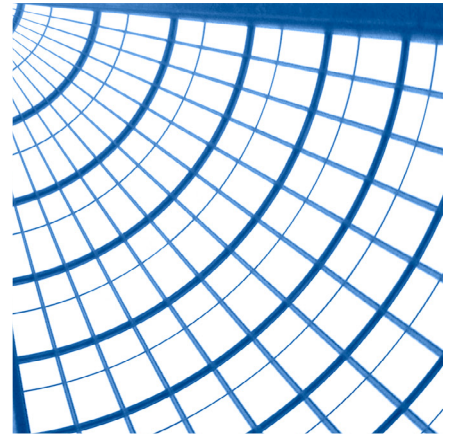
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FCA fines Dinosaur Merchant Bank

The UK Financial Conduct Authority (FCA) has fined Dinosaur Merchant Bank Limited (DMBL) £338,000 for failing to put in place effective systems and controls to detect and report suspicious trading in its Contracts for Difference (CFD) business.

In June 2024, DMBL introduced a new order system that led to a sharp increase in CFD trading by its clients.

Between June and October 2024, trades with a corresponding asset value of approximately US\$3.05 billion were executed via the platform, however, these orders and trades were not captured and reviewed by the automated surveillance system, which meant that potential market abuse could have gone undetected.

Despite DMBL identifying the issue in

October 2024, the firm failed to properly address the deficiencies until May 2025, limiting the firm's ability to identify and report potentially suspicious trading, according to the FCA.

Steve Smart, joint executive director of enforcement and market oversight, at the FCA states: "DMBL's failures had the potential to undermine the integrity of the market. Firms must ensure they have effective surveillance arrangements in place. We will continue to take action where this is not the case."

DMBL fully cooperated with the FCA investigation and qualified for a 30 per cent discount, without which, the fine would have been £482,900.

The firm stopped selling CFDs in May 2025.

Prime Lite membership is tailored for securities houses, participating dealers, interdealer brokers, physical and synthetic prime brokers that operate in a single market within Asia Pacific that are involved with securities finance transactions.

Eurex Repo trading volumes rise 66% YoY

Trading volumes on Eurex Repo have increased 66 per cent year-on-year (YoY) to €530.4 billion for March, in average daily term-adjusted volume (TAV).

This was driven by an 85 per cent YoY rise in GC Pooling average daily TAV to €276.9 billion, and an 48 per cent YoY increase in special repo average daily TAV to €253.5 billion.

For OTC derivatives clearing, notional outstanding volumes have increased 37 per cent YoY for the month, to €53,320 billion.

Growth in this area can be credited to YoY increases in notional outstanding volumes for interest rate swaps (33 per cent, €22,540 billion) and overnight index swap clearing (84 per cent, €8,900 billion).

Average daily cleared volumes through Eurex Clearing have risen 19 per cent YoY for March to €372 billion.

This includes a 69 per cent YoY rise in average daily cleared volume for interest rate swaps to €88 billion, and a 167 per cent YoY jump in overnight index swaps average daily cleared volume to €113 billion. ■



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Beyond electronic trading: The digital evolution of securities finance

Nick Delikaris, chief product officer at EquiLend, explores how connected infrastructure, shared data, and digital market frameworks are reshaping securities finance, as institutions move towards a unified operating model spanning traditional and tokenised assets

Over the past decade, securities finance has quietly undergone one of the most significant structural shifts in its history.

What was a fragmented market has evolved into a digitally connected ecosystem where automated workflows, electronic trading platforms, and standardised protocols now underpin daily activity.

The digitisation of trading, while transformative, was just the first chapter of a much broader evolution. Today, more than US\$4 trillion in securities are on loan globally, yet much of the supporting infrastructure still relies on fragmented operational processes. The next phase of modernisation in securities finance will be defined by connected infrastructure.

Recent market developments are accelerating this shift. The global transition to T+1 settlement, growing pressure to optimise collateral and balance sheet usage, and increasingly fragmented data across institutions are exposing the limits of legacy operating models. Firms need infrastructure that can synchronise data, automate lifecycle events, and provide a consistent operational framework across participants.

Regulation is playing a growing role in accelerating modernisation. Traditional frameworks such as 10c-1a, Securities Financing Transactions Regulation (SFTR), and Basel III/IV are increasing reporting requirements, balance sheet scrutiny, and operational transparency, acting as defensive catalysts that raise the cost of fragmented infrastructure.

At the same time, newer frameworks including Markets in Crypto-Assets Regulation (MiCA), the distributed ledger technology (DLT) Pilot Regime, Staff Accounting Bulletin (SAB) 122, and Financial Innovation and Technology for the 21st Century Act (FIT21) are establishing the legal foundations for institutional participation in digital assets and tokenised markets, acting as market access enablers that give institutions the regulatory clarity needed to engage in emerging digital financing and settlement models.

Today, the industry is entering a new stage of development that goes beyond digitising execution. The focus has shifted to building infrastructure that connects trading, post-trade processes, and emerging digital asset markets into a single ecosystem.

From digital trading to digital infrastructure

Electronic trading has already reshaped the front end of securities finance. Automated workflows, improved inventory transparency, and faster execution have become standard features of the modern market. As a case in point, Next Generation Trading (NGT) trade counts have increased more than 80 per cent since 2019, to over 3.5 million trades a month today, illustrating how standardised electronic trading has become across the industry.

However, much of the infrastructure that supports securities finance transactions remains fragmented. Portfolio management systems, collateral, and risk platforms, and proprietary custodian systems often operate independently and do not communicate with one another natively. Each maintains its own records of positions, lifecycle events and collateral movements, forcing firms to reconcile information across multiple internal and external systems.

Digital assets and tokenised instruments are becoming increasingly embedded in financial markets. Tokenised funds have crossed the US\$500 million threshold in assets under management, a growing number of firms have introduced tokenised securities products, and stablecoins are drawing significant attention for their ability to streamline capital flows and reimagine how payments can function.

As tokenised instruments begin to coexist with traditional securities, the interoperability challenge becomes more acute. Institutions need infrastructure capable of synchronising data, lifecycle events, and operational records across platforms and counterparties. Without that connectivity, the benefits of automation and digital market access remain constrained by fragmented operational architecture.

STRUCTURAL SHIFT

That is why the next stage of innovation in securities finance is less about digitising trading and more about building integrated infrastructure that connects execution, data, and post-trade workflow processes across institutions and asset classes.

One platform, one network

A defining characteristic of the next phase of securities finance will be convergence. Institutions increasingly want a single operating model that allows them to manage traditional securities and digital assets within the same framework. Running separate operational environments for each asset class is inefficient and introduces operational risk that compounds across counterparties.

“Over time, firms are likely to operate a single infrastructure layer capable of supporting both securities lending and repo activity within the same operating mode”

This convergence is beginning to blur the historical boundaries between secured financing markets. Over time, firms are likely to operate a single infrastructure layer capable of supporting both securities lending and repo activity within the same operating model. In digital environments, these markets may increasingly intersect through stablecoin-based settlement and collateral mobility, creating a unified secured financing ecosystem rather than separate operational silos.

Achieving this requires a shared technical architecture built on standardised data schemas, common API layers, and synchronised transaction records that allow systems across institutions to interact with the same lifecycle data. This shared infrastructure also creates a powerful network effect; as more institutions connect, each new participant expands the pool of liquidity and counterparties while reducing operational friction and reconciliation costs for all existing participants, mutualising both cost and risk.

In practical terms, this allows firms to access digital asset financing, tokenised securities, and traditional securities lending workflows within a common operational environment while maintaining the governance standards required by institutional markets.

The three pillars of the digital ecosystem

Addressing this challenge requires a coordinated architecture spanning infrastructure, data, and market access. Three foundational components are emerging to support this ecosystem: distributed infrastructure, shared transaction data, and digital market execution.

These pillars form a dependency chain. Infrastructure enables synchronised data. Shared data enables trusted market execution. Without a common infrastructure layer, institutions cannot reliably synchronise lifecycle information across counterparties. Without trusted shared data, digital markets cannot operate with the transparency, governance and operational discipline required by institutional participants.

Pillar one: Canton network — the infrastructure layer

The Canton Network provides the distributed infrastructure layer that enables institutions to synchronise financial workflows across a network of independently run applications, while maintaining privacy, governance, and regulatory controls. Supporting applications built using Daml — a smart contract language already adopted by a number of global investment banks, broker-dealers, and financial market

infrastructures — the network is designed to support the operational and regulatory requirements of institutional finance.

Unlike fully transparent public blockchain environments, Canton's architecture allows multiple institutions and platforms to synchronise shared contract state and create a single source of truth across a distributed network without exposing sensitive data or relying on centralised control. This distributed model also reduces operational risk by eliminating single points of failure that exist in centralised systems, as participants synchronise lifecycle events across the network while maintaining their own governance frameworks and system environments.

Pillar two: 1Source — the data foundation

Securities finance has long operated without a universally shared transaction record. Lifecycle events, from allocation to recalls, corporate actions, and collateral movements, are tracked across multiple internal systems, requiring continuous reconciliation between counterparties.

1Source addresses this by creating a unified ledger that acts as a single source of truth for securities finance transactions. By standardising lifecycle data and synchronising information across participants, the platform has the potential to significantly reduce reconciliation while improving transparency across the trade lifecycle. Leading institutions, including BNY and National Bank of Canada, are already leveraging 1Source to drive greater transparency, efficiency, and control across their operations.

This shared ledger also delivers meaningful regulatory benefits. A synchronised, auditable transaction record supports reporting requirements under SFTR and US Securities and Exchange Commission (SEC) Rule 10c-1a while strengthening internal audit and governance controls, consolidating what are currently separate reporting workflows into a single data layer. The same architecture can support both traditional financial instruments and digital assets, positioning 1Source as the operational bridge between traditional finance and the emerging digital asset ecosystem.

Pillar three: Digital prime — enabling digital markets

Through its investment in Digital Prime, EquiLend is expanding into institutional infrastructure for digital asset lending and financing. Institutional participation in these markets has been limited by gaps in infrastructure, transparency around collateral, counterparty exposure, and lifecycle management that has lagged behind the standards that govern traditional securities finance.

“While digital-native firms approach tokenised securities through crypto financing and stablecoin liquidity, many traditional institutions are engaging stablecoins to streamline collateral movement”

Stablecoins are emerging as an important bridge between traditional secured financing and digital markets. While digital-native firms approach tokenised securities through crypto financing and stablecoin liquidity, many traditional institutions are initially engaging stablecoins for their potential to streamline collateral movement and settlement payments. As these approaches converge, the infrastructure required to support both must operate within a single governed framework.

Digital Prime's Tokenet platform addresses these gaps by providing an institutional marketplace for digital asset lending and financing. Tokenet connects lenders and borrowers through an automated platform that supports trade negotiation,

STRUCTURAL SHIFT

collateral management, and lifecycle processing within a controlled operating environment. Critically, the platform incorporates the risk and governance mechanisms familiar to traditional securities finance, providing transparency around counterparty exposure, collateral positions, and transaction lifecycle events in a manner consistent with internal risk frameworks and credit committee expectations.

By applying the operational discipline of traditional securities finance to digital asset lending, Digital Prime provides institutions with a pathway into these markets without requiring a wholesale shift in governance or risk management practices.

Bringing the ecosystem together

While each pillar addresses a different layer of market structure, their real value lies in how they operate together in a single transaction workflow.

For traditional equity securities lending, NGT and 1Source already demonstrate this model in production. The same dependency chain extends directly into digital markets, as the following example illustrates.

Consider a tokenised US Treasury repo transaction. The Canton Network provides the distributed infrastructure that allows participating institutions to coordinate the transaction across a shared environment while maintaining privacy and governance controls.

1Source provides the synchronised data layer, ensuring both counterparties reference the same lifecycle record for the trade, collateral movements, and settlement status. Digital Prime's Tokenet platform provides the execution environment where lenders and borrowers negotiate and transact in tokenised collateral.

The result is a transaction lifecycle that operates across multiple institutions without continuous reconciliation between independent

records, reducing settlement discrepancies, improving collateral visibility, and enabling more efficient asset allocation across financing and margin obligations. For institutions managing large securities finance portfolios, these are not marginal gains. They translate directly into balance sheet optimisation and meaningful reductions in operational cost.

Infrastructure for a hybrid market

Securities finance has always been a networked market built on relationships between lenders, borrowers, custodians, and intermediaries. What is changing is the infrastructure that enables those relationships.

The digitisation of trading marked an important milestone, but the next phase of evolution will be defined by something more significant: a unified digital ecosystem capable of supporting traditional securities, tokenised instruments, and entirely new forms of financial activity.

Over the next 18 months, EquiLend will be positioned to enable all three pillars and offer an operating model capable of handling both digital and traditional securities within a single framework.

The drivers behind this shift are already present: compressed settlement cycles, collateral efficiency pressures, tokenised asset growth, and new digital financing markets.

Adoption will not be without friction; regulatory variation across jurisdictions, legacy system migration costs and the coordination required across a multi-participant network are real implementation considerations.

But the architecture is designed precisely to absorb that complexity, providing institutions a governed, phased pathway into the digital ecosystem without abandoning the operational standards that define institutional finance. ■



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Central clearing panel

Industry experts discuss how firms are preparing for the US Treasury clearing mandate, exploring evolving access models, operational readiness, and the remaining regulatory and infrastructure challenges facing market participants

Panellists

Nate Wuerffel, Head of Product for the Global Collateral Platform and Head of Market Structure, BNY

Andrew Lazar, Managing Director, Head of Sales, BUCKLER Securities

Brooke Reis, Secured Financing Product Development, State Street

The US Treasury Clearing Mandate is expected to come into force for cash trades on 31 December, with rules around repo set for June 2027. What actionable steps is your firm taking to meet the compliance deadlines?

Nate Wuerffel: BNY has played a central role in building the safety and liquidity of the US Treasury market since its inception, having first financed the US government over 235 years ago. Today, BNY continues to hold a unique position in the world's most important bond market and provides a solution for every stage of the Treasury market investment lifecycle. We act as the primary settlement provider for US Treasury securities and operate the leading triparty liquidity venue for

US Treasury securities. We recognise the important role we play and are working to provide our clients with enhanced solutions that allow them to comply with the mandate.

This has taken a variety of forms. In our Global Collateral business, we have been working with US Treasury market central counterparties (CCPs) to develop margin and capital efficient clearing models, as seen in the launch of the Fixed Income Clearing Corporation's (FICC's) Collateral in Lieu (CiL) and Agent Clearing Triparty Service. This is complemented by the work we are doing in Global Clearing and Securities Financing businesses, where we are providing clients with access to clearing via the Sponsored and Agent Clearing models. Additionally, we are working to develop a done-away clearing solution that would leverage our sponsored member programme and allow clients to comply with the mandate in a more scalable manner.

In some cases, we are a CCP member and have an obligation to comply with the clearing mandate, and in other cases we have business lines that engage in Treasury cash and repo transactions with other CCP members. To accomplish this, we are assessing the eligibility of our transactions, reviewing access models to determine the right approach to supporting in scope activity, reviewing our risk management practices, and implementing these changes via a rigorous change management programme.

Andrew Lazar: It is well beyond concept and is in the implementation stage where we have tested the pipes and wiring in advance of compliance. So, it is in the 'tech-ops' phase.

Brooke Reis: State Street is actively preparing to support an influx of new clearing volumes in the US Treasury market, with a focus on expanding our suite of clearing access models for the buy side. From Regulated Investment Companies (RICs) to hedge funds, we're taking a client-centric approach by designing solutions tailored to distinct trading, operational, and regulatory profiles.

As part of this effort, we recently adopted FICC Agent Clearing Service (ACS) and are in the process of expanding our capabilities to include

CiL, both as a Sponsoring Member and as a FICC Clearing Agent Bank. In parallel, we have assessed our firm's internal capital and liquidity usage across our trading products and have taken targeted steps to optimise resources to prevent constraining new clearing volumes. Another key step has been adopting the Securities Industry and Financial Markets Association's (SIFMA's) industry standard clearing documentation, the Master Treasury Securities Clearing Agreement (MTSCA). Our MTSCA schedule is structured to streamline client onboarding and support interoperability between clearing access models.

Lastly, we have scaled our global trading and operations coverage to deliver seamless follow-the-sun support, particularly for our non-US clients preparing for upcoming compliance deadlines.

CME Group, ICE, and DTCC are gearing up for the regulation by offering clients a clearing service, while a number of clearing models, such as sponsored and agent clearing, are also available to users. How should firms navigate this landscape of choice?

Lazar: We suspect that clients will take a portfolio approach to solving for the most efficient funding ecosystem for themselves. No model is one 'one-size-fits-all' but for those who can leverage cross-margining it can make sense.

Wuerffel: Clearing a Treasury transaction involves costs, including those for margin, liquidity commitments, and CCP membership. There is a good reason for this, because it is like paying for insurance, making the system more resilient in times of stress. As we approach the mandate, the challenge is how to make the system safer but also create clearing infrastructure that is efficient and scalable and gives market participants options for clearing that are tailored to their needs and constraints.

Two of the biggest costs are related to margin and the capital. FICC, CME, and ICE are all evaluating how they can create safe and efficient clearing models that help address these costs. For example, FICC has developed CiL and ACS, with CiL lowering

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margin and capital costs, and ACS providing the ability to net margin across your repo book. As market participants evaluate these options, it is important they consider which of these savings is most valuable to them and work to utilise the model that best addresses it.

Reis: While FICC's Sponsored Member Repo remains the most prominent cleared repo model, the introduction of new models and covered clearing agencies has materially expanded the set of choices available to firms seeking clearing. This broader landscape allows firms to tailor their clearing strategy based on their size, trading activity, and operational sophistication.

Smaller firms may find that their optimal clearing solution involves a combination of indirect access models, making it important to work with providers that offer multiple clearing models or maintain direct clearing memberships across several CCPs.

Reviewing the requirements for this clearing mandate, such as margin, capital allocation, and liquidity management, are there aspects of this

regulation where questions remain? What can regulators do to further support participants?

Lazar: Platforms are taking different views on pricing stressed volatility, so which is more effective remains to be determined. Operating efficiency under the different models with one versus multiple CCPs is also a consideration. This will inform clearing fees as well as the ability for broker-dealers to scale given these constraints.

Reis: While not a direct regulatory matter, uncertainty persists around the finalisation of SIFMA's done-away MTSCA schedule and modules, which remain a work-in-progress, along with the development of industry-sourced enforceability opinions on the MTSCA for non-US jurisdictions.

While this is an efficient, industry-led approach, market participant firms will need to dedicate time and resources to adopt done-away documentation and review enforceability opinions once finalised. Given the expected concentration of onboarding activity, ample time should be allotted for negotiations and implementations, as many firms are likely to seek clearing access at the same time.



“While not a direct regulatory matter, uncertainty persists around the finalisation of SIFMA’s done-away MTSCA schedule and modules”

Brooke Reis
Secured Financing Product Development
State Street

Additionally, there are open questions around the scope of certain clearing mandate requirements applicable to non-US institutions. Greater regulatory clarity on extraterritorial aspects of the mandate, particularly for foreign branches of US banks, will help participants finalise their clearing strategies and implementation plans with greater confidence.

Wuerffel: The US Securities and Exchange Commission (SEC) has been working through some of the outstanding issues and has made real progress. They also extended the implementation deadline by a year, which was very helpful. Several questions remain though, specifically around the treatment of inter-affiliate transactions, and how banks and their branches are treated under the rule. While some parties have focused on the extraterritoriality of the rule, the Treasury market is a truly global market, and it should have fair and consistent rules for those that choose to participate in the market. We know it can be harder to clear trades in some international jurisdictions and for some types of firms, and we think it is possible to solve for those concerns in a way that preserves a level playing field.

“The firms that are really going to come out ahead are the ones who view this change as an opportunity and decide to invest in their capabilities”

Nate Wuerffel
Head of Product for the Global Collateral Platform and Head of Market Structure
BNY

Technology is a key aspect to preparing for this mandate. How has your firm had to upgrade systems to fulfil upcoming requirements?

Wuerffel: We view the mandate as a real opportunity to invest in our systems to ensure they are able to support the Treasury market into the future. We made a number of changes to our systems to support the clearing of activity today that is uncleared, including a scalable and resilient infrastructure, support for new access models, the introduction of new information like novation status, and streamlined onboarding and legal documentations processes.

Lazar: We have upgraded our systems prospectively to train towards clearing mandate implementation, so no retro fitting of legacy systems is required.

Reis: State Street made strategic investments in re-platforming its repo IT stack ahead of the clearing mandate. Building on this, we are implementing targeted system updates to support new clearing access models and our expanded role as a FICC Clearing Agent Bank for the forthcoming CiL offering.



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We have also made several enhancements to our trading system to support trade submission workflows and robust connectivity with FICC for our ACS and CiL clearing accounts. Together, these upgrades are designed to support higher volumes, operational resilience, and seamless client onboarding as clearing activity increases.

Striving for connectivity, resiliency, and surety is core for US Treasury clearing. How should the industry approach these regulatory requirements, from now to implementation?

Reis: As options in the clearing market evolve over the next few years, new participants may consider a phased approach, initially seeking clearing access through established models that have proven to be reliable. The industry has steadily enhanced clearing practices to meet regulatory requirements and strengthen connectivity and resiliency in the done-with marketplace.

With market interest increasing in forthcoming done-away models, the industry should keep these themes in mind to establish robust, resilient trading flows and connectivity. Margin management and pre-trade

credit checks, in particular, will be critical to enabling scalable, resilient clearing as participation expands.

Wuerffel: Market participants can choose to view the change in one of two ways. For many market participants, they are likely to view this change as strictly a compliance exercise, ensuring that they secure access to clearing and establish the proper collateral and risk management practices for a cleared market. While all of this is necessary, the firms that are really going to come out ahead are the ones who view this change as an opportunity and decide to invest in their capabilities. That will take an investment in making changes that are strategic, scalable, and resilient — all the attributes that are needed to operate successfully in the US Treasury market.

Lazar: The day-to-day client experience will largely remain unchanged. The question is does the operational complexity created by mandated central clearing introduce new costs and collateral/cash movement issues? Does it improve the securities financing ecosystem or introduce lurking issues like key institution risk? In normal market conditions the experience is likely business as usual, but in stressed conditions does this create concentrated risk? Stay tuned. ■



“Platforms are taking different views on pricing stressed volatility, so which is more effective remains to be determined”

Andrew Lazar
Managing Director, Head of Sales
BUCKLER Securities

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Initial margin for non-cleared derivatives: The end of the journey?

David Beatrix, head of OTC and Collateral Services, Securities Services at BNP Paribas, provides an overview of the Uncleared Margin Rules and the latest evolutions of the IM model

From 1 September 2016 until September 2022, the Uncleared Margin Rules (UMR) were phased in, requiring each year an increasing number of market participants to exchange initial margins on their non-cleared derivative transactions.

However, due to the threshold effect of these rules, many firms are still not affected by them. Does it mean that those firms are not affected by initial margin concerns?

Reminder on the initial margin rules

Since UMR came into force, any firm whose aggregate average notional amount (AANA) of non-centrally cleared OTC derivatives exceeds €8 billion — calculated at consolidated group level — must exchange initial margins (IM). Every OTC derivative position including physically settled FX forwards and swaps is counted in the AANA calculation. The AANA is assessed annually (as of the last business

Figure 1: Initial Margin – In-scope instruments by jurisdiction

	EUROPE	USA	AUSTRALIA	HONG KONG	JAPAN	SINGAPORE
INTEREST RATES DERIVATIVES	✓	✓	✓	✓	✓	✓
CREDIT DERIVATIVES	✓	✓	✓	✓	✓	✓
FOREIGN EXCHANGE («FX») DERIVATIVES, EXCEPT:	✓	✓	✓	✓	✓	✓
<i>Physically Settled Forwards</i>	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
<i>Physically Settled Swaps</i>	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
<i>Principal Payments on Cross-Currency Swaps</i>	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
EQUITY DERIVATIVES, EXCEPT:	✓	✓	✓	✓	✓	✓
<i>Equity Swaps</i>	✓	✓	✓	✓	✓	✓
<i>Equity Options</i>	Exempt	Exempt	✓	Exempt	✓	Exempt
<i>Equity Forwards</i>	✓	Exempt	✓	✓	✓	✓
COMMODITY DERIVATIVES, EXCEPT:	✓	✓	✓	Yes under conditions	✓	Yes, only for trades not for commercial purpose
<i>Physically Settled Forwards</i>	Yes under conditions	Exempt	✓	Exempt	Exempt	Yes, only for trades not for commercial purpose
<i>Physically Settled Options</i>	Yes under conditions	✓	✓	Exempt	✓	Yes, only for trades not for commercial purpose
OTHERS (e.g. weather derivatives)	Yes, if instrument defined as derivatives under Mifid	Yes under CFTC No under SEC	Yes if instrument defined as OTC derivative under local rules			

day of the previous March, April, and May for the compliance date of the following January) and reaching the threshold requires each firm to activate IM exchange processes and controls.

UMR has been transposed in the EU, US, Japan, Australia, Hong Kong, Singapore, and other jurisdictions, with a strong extraterritorial effect that pulls most cross-border transactions with third country entities into scope. The instrument list is broadly consistent worldwide, excluding physically settled FX forwards, FX swaps, and the exchange of principal on cross-currency swaps, while certain carve-outs remain, e.g. equity-option exemptions in the US and lately the EU and Hong Kong.

Initial margins may be calculated using a regulator approved table-based Grid or an internal model, most commonly the International Swaps and Derivatives Association (ISDA) Standard Initial Margin Model (SIMM) with a back testing obligation. The industry is moving toward a single framework to simplify approvals and reduce disputes

between participants. They are subject to a two-way exchange principle (each party posts and receives at the same time), a bankruptcy-remote obligation in terms of margins safekeeping (implying custodial segregation) and among other things, a possible relief if margins stay under a €50 million threshold.

Moreover, as part of the ISDA SIMM Governance Framework, the ISDA SIMM Remediation Annex, published in March 2023, has set out a principle to perform back testing for portfolios above a €25 million threshold regardless of whether the portfolios are already subject to IM exchanges or not.

Complying with those rules is resource intensive, involves trading, risk, legal, middle and back office, IT, custodians, and market platforms, and normally takes several months. Firms can either build an in-house solution or enlist a service provider such as BNP Paribas for end-to-end implementation.

Which initial margin calculation method?

The Grid method is simple as it considers only the trades notional, maturity, and net-to-gross parameters. It has the beauty of simplicity but does not consider the netting of risks inside a portfolio with a given counterparty so — except in particular situations — it will usually exhibit higher amounts than the SIMM.

Meanwhile, SIMM is more difficult to implement, maintain, and implies more complex analysis when disputes arise, however it allows netting of market risks for positions executed with the same counterparty (e.g. payer versus receiver swaps), so it reflects a more accurate picture for risk-neutral portfolios.

Despite a massive adoption of SIMM, the grid method remains an option in some relationships between banks and buy side firms, with some agreements combining the two methodologies (SIMM and Grid) depending on instrument types.

There are multiple reasons:

1. Implementing SIMM can take time for certain types of instruments. Grid can be an alternative to comply quickly with the rules.
2. The regulator may prescribe to use the Grid method for specific instruments where they estimate that a specific risk is not sufficiently considered by SIMM.
3. Grid can lead to lower IM amounts in particular cases. As the costs involved with financing posted collateral come into play, this is an important criterion especially when collateral received cannot be reused.

For example, for a six-month bond forward with an underlying bond maturity above 10 years, the difference between Grid and SIMM can be significant. With a 40-year underlying bond maturity, the difference is about 13 per cent of the notional. Under SIMM, a longer time-to-maturity implies higher rate sensitivities therefore a higher SIMM amount, whereas Grid is capped after a certain time-to-maturity.

As a result, directional rate portfolios with long maturities — typical of insurance or pension portfolios — may in some cases exhibit lower IM amounts with Grid compared to SIMM.

When the regulation does not prescribe the use of a method, a firm can opt for the different methods listed in the Credit Support Annex (CSA) signed with its counterparty.

Initial margin threshold monitoring: Buying more time

A relief mechanism has been put in place to take into consideration the complexity of implementation for firms with low trading activity.

In April 2020, the Basel Committee on Banking Supervision (BCBS) stated in its 'Margin requirements for non-centrally cleared derivatives' paper:

"The requirements could impose some unnecessary operational costs on smaller entities that pose no significant systemic risk to the system and would not be expected to be bound by the initial margin requirements, in particular, in light of the provided threshold amount of €50 million."

As always, the devil is in the detail. This €50 million threshold is the maximum threshold a firm can set with another trading relationship — both firms should consider this amount at consolidated group level. Therefore, for institutions with multiple entities, themselves in trading relationships with several branches/subsidiaries of a bank, a significant part of the preparatory work (and maintenance thereafter, acknowledging developments and creation of entities) is to map and allocate the appropriate threshold amount to each relationship, function of the expected trading activity post compliance date, the risk profile of the transactions, and the capacity of that entity to fund eligible collateral. Finally, for the same relationship, it could also be the case that these thresholds are set in an asymmetric way between the pledger and pledgee directions.

In light of that, if, for a given trading relationship, the uncleared OTC derivatives portfolio in-scope, i.e. having all its trades executed after compliance date, has its IM amounts under the threshold (€50 million or lower depending on the allocation mechanism described previously), it is then exempt of IM postings until it reaches this threshold. Firms under the threshold are not expected to have the specific documentation, custodial, or operational processes related to IM.

This, however, is only supposed to grant more time for firms and custodians to prepare for full IM compliance. Once this threshold is exceeded, firms are expected to start posting and collecting, and have all required documentation and processes in place. Therefore, precise monitoring of the thresholds is crucial.

Latest evolutions of the IM model

The latest update confirms that the biannual recalibration schedule is now fully adopted, ensuring the SIMM model stays aligned with evolving market conditions. This regular, market-driven recalibration — most recently applied in December 2025 (SIMM v2.8 + 2506) — eliminates the previous short-fall risk by keeping model parameters consistently in step with current market dynamics.

On 3 July 2023, the EBA — responsible for overseeing Initial Margin Model Validation (IMMV) — published the final draft of the Regulatory Technical Standard (RTS) on IMMV. The RTS implements the risk-mitigation rules for non-cleared OTC derivatives contained in Article 11(15) of EMIR (2012/648) and sets out the governance, back-testing, and documentation requirements that market participants must meet, establishing a uniform supervisory review process.

With EMIR 3.0 coming into effect at the end of December 2024, every firm exchanging IM must submit a request for IM model validation to its National Competent Authority.

The first trigger for this obligation was the recalibration of the

ISDA SIMM model on the 7 July 2025, which constituted a 'model change' under EMIR 3.0. Consequently, firms were required to provide the information outlined in the EBA's Opinion. In November 2025, the EBA issued a reminder press release, urging firms to comply before the next scheduled recalibration on 7 December 2025. Failing to submit the information to the competent authority may prevent the future validation of the model for IM calculation.

How BNP Paribas can help

At BNP Paribas, we have been supporting clients on their compliance journey since 2016 when the first obligations entered into force. We can provide a full suite of services ranging from IM calculation, exposure management, and pledge management via our triparty collateral service.

To help our clients prepare for the compliance work, we also developed a threshold monitoring service allowing them to monitor their IM levels against pre-defined IM exchange thresholds. This allows them to keep trading even though their IM framework is not fully in place.

We can help clients anticipate their funding needs and identify the most efficient trading counterparties through our pre-trade initial-margin (IM) simulation tool. This solution, available on our NeoLink portal, allows clients to visualise the IM impact of simulated trades to a number of selected counterparties, factoring the portfolio already in position with each of them, with the option to choose between Grid or SIMM. The solution is available to front-office teams and risk managers, enabling them to optimise the counterparty selection before trade execution.

We continue to support clients in the complex regulatory and market evolutions surrounding initial margins, in an integrated manner within our wider set of OTC and collateral services, and develop new solutions to facilitate their compliance processes. ■



A Cape Town recap

Following in-depth discussions within Africa's southernmost country, Carmella Haswell provides an overview of the key highlights from SASLA's annual conference

The South Africa Securities Lending Association (SASLA) celebrated the end of summer in Cape Town with its annual one-day conference. Hosting discussions from regulation and stablecoins to collateral and T+1, the event provided a reminder to current and future participants of South Africa's position in the securities finance market, and where it is heading.

Led by SASLA chair Hitesh Harduth, the association aims to ensure that the South African securities lending industry remains at the forefront of innovation and development, setting a standard for others to follow.

ISLA advocates for South Africa

Opening this year's South Africa Securities Lending and Collateral Management conference, Ina Budh-Raja, CEO of the International Securities Lending Association (ISLA), reviewed the global market and developments within South Africa.

Predicting tremendous change and challenges ahead, Budh-Raja said she is keen to foster more collaboration on a global scale and highlights the importance of having a professional, credible voice in the industry.

While 2026 came at the back of a bumpy year, it followed a record-breaking year in 2025 which presented a 27 per cent year-on-year increase to US\$14.9 billion for securities lending. However, she noted a deepened requirement around growth, with policymakers “desperately looking” for growth opportunities on a jurisdictional and regional basis.

Focusing on South Africa, Budh-Raja noted that it is a market which is capital sufficient but liquidity poor. The region presents much opportunity since its exit from the Financial Action Task Force (FATF) — otherwise known as the ‘grey list’ — and moving to the green list for netting. A move she believes is extremely meaningful for the global market.

“The foundations are there and the doors are open for business,” she noted. “How do we drive that liquidity, working with organisations like SASLA, to bring that international market access to this market? That will be done through building credibility and trust in the market through well recognised frameworks.”

This further development of the market is also being replicated in Nigeria and Kenya. ISLA has participated in discussions in both countries in regards to the evolution of netting.

In addition, the association is engaging with SASLA to share its experience, lessons learned, as well as existing issues that the market is facing in Europe. “You have a market here that is very well placed to jump into the driving seat and not have to go through the same hurdles, learn those lessons from us and make progress ahead,” she explained.

Netting in South Africa and Kenya is an ongoing advocacy process for ISLA. Budh-Raja believes this is not only a key lever for the industry, but a game changer for this market.

“We certainly see precedence in the Middle East. Saudi Arabia was a market that, 10–15 years ago, we thought netting would never be possible, but we got there through years of coordinated advocacy and working with the regulators,” she highlighted.

In terms of ISLA priorities for 2026, the association will work to challenge



fragmentation, produce standards, advocate for simplification and harmonisation, drive market initiatives for liquidity, and when it comes to digital, ISLA will focus on what this transformation means for the industry and work on the underlying standards to drive harmonisation.

On the European front, there is currently heightened advocacy with competitiveness being a key focus. Significant packages have been released by the EU Commission around market integration and supervision. It has provided ISLA with an opportunity to advocate for this industry when it comes to T+1, capital solutions, solutions around clearing.

In terms of its advocacy work, a key item for ISLA is working on pledge collateral for UCITS to create a level playing field.

“Some of the agenda in Europe is relevant in Africa. Looking at this region, where South Africa is a clear front runner, there is an opportunity to break down some of the barriers when it comes to regional distinctions, to drive a common market approach to market structure,” Budh-Raja added.

Concluding her keynote speech, Budh-Raja highlighted the importance of working together to challenge fragmentation in the markets. She insisted that the underlying standards need to be harmonised and recognisable by regulators and the industry.

She added that by using common platforms, like the Common Domain Model, there is an opportunity to move to a digital future with an underlying common language.

Exploring South Africa’s first institutional rand stablecoin

Introducing South Africa’s first institutional-grade rand stablecoin, representatives of Sanlam Specialised Asset Management, EasyEquities, and Luno explored ZARU.

Over the last year, Vighnesh Patel, independent member of Luno’s Digital Asset Listing Committee, and responsible for overseeing

stablecoins at Luno, has seen a dramatic development in the stablecoin market, which he believes has decoupled from the digital asset market entirely. There is an increasing growth, notably in the institutional space, he highlighted.

According to Patel, recent reports suggest the market capital of stablecoins is sitting at approximately US\$320 billion, with 232 million holders of stablecoins. In 2025, around US\$30 trillion worth of transactions were processed in 2025.

“The power of an institutional stablecoin comes from a group of reputable institutions that can bring credibility, infrastructure, governance, adoption, as well as liquidity. If you are working in isolation, you are limited by your own balance sheet,” he explained.

Providing more context to what a stablecoin is, Earle Loxton, CEO of EasyCrypto, a product of EasyEquities, said that the biggest distinction between a stablecoin and an asset like Ethereum or Bitcoin is “the fact that its value is stable”. It is stable because it is “pegged” to the rand and backed by rand-denominated high-quality liquid assets (HQLA).

The project to create ZARU came together with the intention to put an institutional-grade stablecoin on the market through the collaboration between four “highly reputable” institutions (Sanlam, EasyEquities, Luno, and Lesaka Technologies), which is typically how stablecoins propagate, noted Loxton, through digital exchanges and financial platforms.

Jacques le Roux, CEO of Sanlam Financial Markets and representing Sanlam Specialised Asset Management, said his firm is primarily responsible for managing the assets that back the stablecoin and, in particular, to manage those assets in a way that allows the issuer to meet its obligation.

Moving the conversation forward, Patel noted that regulation in this area is well established globally. Whether it is in Hong Kong or Dubai, regulations such as the CLARITY Act and MiCA are baseline requirements that apply to stablecoins globally.

“While at the moment, in the context of South Africa, there is an

absence of very specific mandates on potential requirements or liquidity, ZARU has been designed as an institutional stablecoin, so it's designed to fit into those global frameworks," Patel highlighted. "A stablecoin by its nature, and institutions, are operating globally, and as such, your money needs to be compliant globally."

Currently, ZARU is only available to institutional clients on a direct mint basis — in other words, an institution looking to access this stablecoin would need to deposit or transfer the ZAR by electronic funds transfer (EFT) into the bank account of the issuer (a licensed crypto-asset service provider), and then the ZARU will be sent to the buyer as an institution as the issuer does not engage directly with retail clients.

ZARU is accessible via OTC on Luno and is also available on the South African online investment platform, EasyEquities. According to Patel, there are multiple other global partners seeking to create distribution for this asset, both on exchanges and OTC, which will unfold over the coming months.

Le Roux added: "The starting point was to design something that would be of such a high standard that an institution would be comfortable engaging with it.

"We take governance, compliance, and regulatory requirements — both current and future — into account to continue to build out

something that we believe, one day, will be the foundation of digital value transmission in the South African industry."

Expanding the conversation, le Roux sees a global trend where, increasingly, a wider scope of assets are being digitised. He noted that in order to engage with assets that are digital, participants need digital 'money' to transfer value. Therefore, ZARU is acting as the "foundation layer" of that digital economy, so to speak, he added.

With the conversation coming to a close, le Roux provided a perspective which he noted "may seem a little futuristic, but it's really not".

In the context of securities lending and collateralisation, he sees a world where collateral contracts can be translated perfectly and, effectively, automated in digital form.

As an example, if the collateral contract notes "if you give me X number of securities, I will give you Y number of other securities, and applying the following haircuts" it is possible when assets are tokenised and the currency is tokenised, for all of that to happen instantaneously and in a rules-based fashion, without human error or intervention, and 24/7.

"Collateralisation can happen all of the time. Margining, topping up, returning collateral, can happen on an automated basis, without timing differences between jurisdictions," said le Roux.



He warned that the sooner large institutions realise the world is shifting in that direction, the better, because otherwise they will be left behind in a world where they do not have the infrastructure or knowledge to participate.

In conclusion, le Roux said: “The South African financial market, in the context of broad emerging markets, is very well advanced. And I also think that is the case on the digital asset side. I don’t believe we are terribly behind the curve, globally speaking.

“We’re perhaps slightly behind in terms of regulatory clarity and adoption, but in our defence, it is because the world has suddenly moved very quickly in the last two years. The sophistication is there in terms of certain market participants. My worry is that, on the institutional side, we run the risk of falling behind.”

The potential journey to T+1

Panellists sat down to discuss everything regulation, legal, and tax — with a debate on T+1 leading the charge forward.

The Johannesburg Stock Exchange released a paper for comment in December 2025 to gather insights from market participants on a shorter settlement cycle, in particular, whether South Africa should transition from T+3 to T+2 or to move straight to T+1, or not at all.

Providing his commentary on the matter, Brett Kotze, head of Post-Trade Services at A2X Markets, noted his involvement in South Africa’s transition from T+5 to T+3, which took seven years to achieve.

He thought it best for the market to move straight to T+1 — in line with other markets such as the US, and soon to be the UK and Europe — because it is a “very costly project” to change systems and provide testing across a number of institutions.

Kotze noted that in the US, the fail rates in a T+1 environment are sitting in the region of eight per cent of market volumes on a daily basis.

With predictions for a possible eight to nine per cent fail rate on a daily basis in this shorter settlement cycle environment, Kotze said this provides a barrier for the South African market. In South Africa, the market prides itself on a 99.99 per cent settlement rate.

“My big issue at the moment, and a discussion I’ve had with the various regulators, is that we’ve got such a large workbook for the next five or six years, where does T+1 come as a priority,” he continued.

Gary Haylett, general manager of Strategic Projects, Prudential Division at The Banking Association South Africa, stated that there are a number of positives to moving to T+1, but it will also come with a number of challenges. Key focuses will centre on standardisation and automation.

From the perspective of August Sander, head of securities lending at Sanlam Financial Markets, South Africa is liquidity poor. While the region needs to move to a short settlement cycle with the belief that it will increase liquidity, Sander says that at the same time, more liquidity is required from the lending side to be able to facilitate the move.

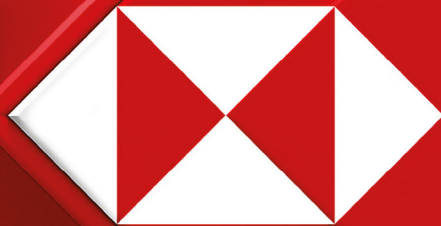
Similarly, Sander notes the difficulty of recurring fail rates. He highlighted the importance of ensuring that the liquidity is available to ensure a fail rate of up to eight per cent, but from a fail rate of “almost nothing”, this means losing the claim of no fail trades in South Africa.

“It’s not just the liquidity that’s not deep, but the breadth of the market is not that big, and that is probably to a large degree due to the economy that’s not growing,” he explained. “We need the economy to grow, to increase listed securities and listed shares, to make it worthwhile to trade here.”

Touching on eligible collateral, Haylett mentioned ongoing discussions of expanding collateral to include equities, project bonds, NCDs, and even corporate debt.

Haylett is excited to see how this pans out and hopes for a “Redbull injection” into capital markets as a result, something the market has not had for “a very long time”.

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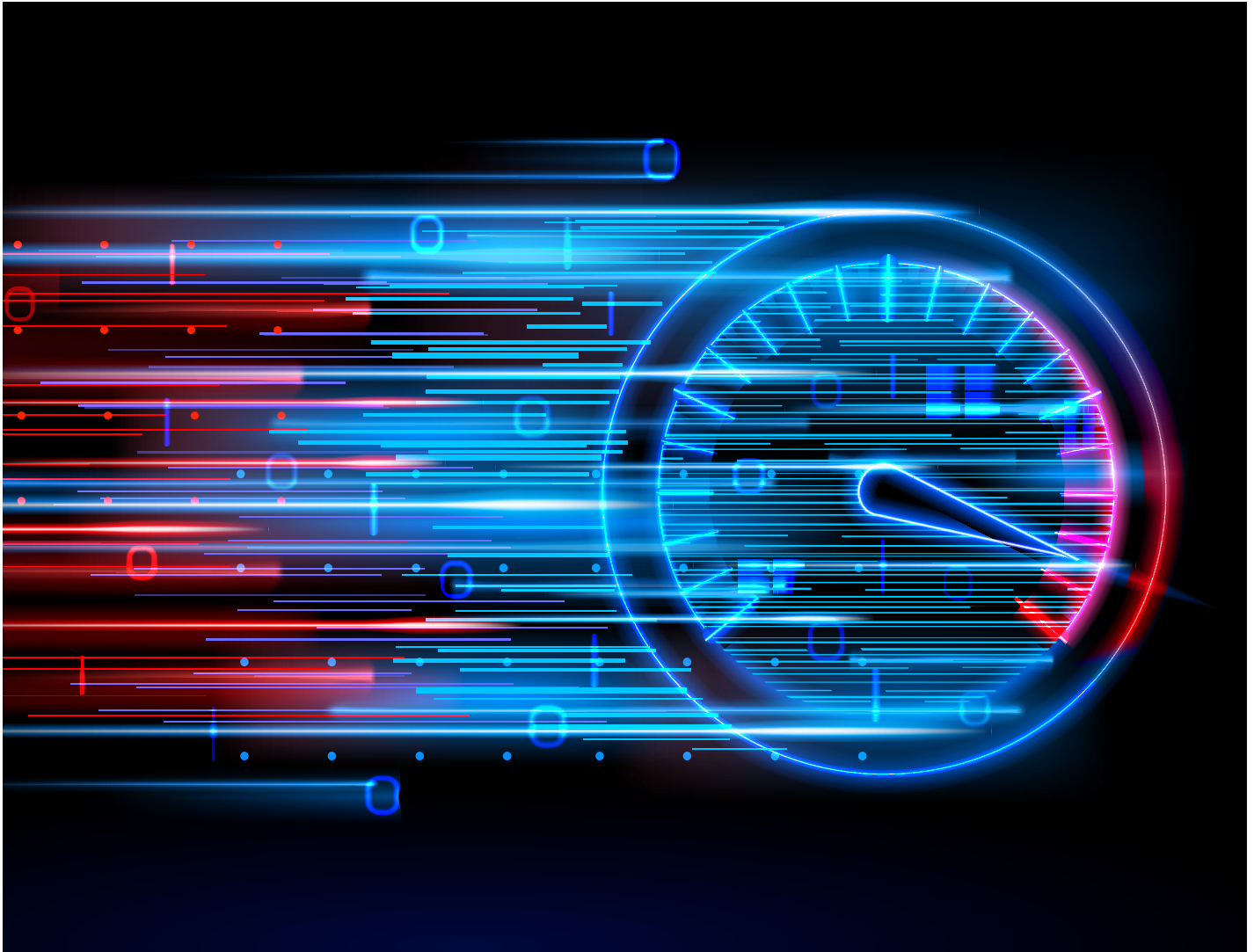


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Time to test T+1

With the move to a next-day settlement cycle approaching, a taskforce has been established between the UK, EU, and Switzerland to advise firms on the best ways to prepare themselves. Andrew Douglas, chair of UK T+1 Taskforce, and Giovanni Sabatini, chair of the EU T+1 Industry Committee, discuss the readiness plan with Hansa Tote

The UK Accelerated Settlement Taskforce (AST), the EU T+1 Industry Committee (IC), and the Swiss Securities Post Trade Council T+1 Task Force (swissSPTC), have published a unified Testing and Readiness Plan to guide the European financial industry through its transition to T+1 settlement on 11 October 2027.

The plan is the first of its kind to span the EU, UK, and Swiss financial markets simultaneously, and provides a framework for all market participants and financial infrastructures (FMIs) to assess their readiness for the shorter settlement timeline, in addition to de-risking the transition prior to its go-live.

Andrew Douglas, chair of UK T+1 Taskforce, and Giovanni Sabatini, chair of the EU T+1 Industry Committee, discuss the aims and objectives of the taskforce, lessons learnt from the US's transition to T+1, and how to measure success.

What should firms already be testing today to stay on track for T+1 in 2027?

Andrew Douglas: Everything.

A common question I get is 'what should I do to be compliant with T+1?' and the reality is, it is impossible to know how every firm currently conducts their processing, whether they have outsourced processes, how much is in house, and how much is automated.

So to answer that question, I encourage firms to review the report published by the AST in February 2025, reverse engineer the recommendations into their own back office, and work out what they need to do to be compliant.

A simple example of this is the automation of standard settlement instructions (SSIs). It is important that firms automate that SSI process, and there are a number of solutions in the market to allow them to do this. If a firm has already adopted an automated SSI solution, then there is no need to test it, because they are currently using it, and probably have been for some time.

However, if a firm has not automated their SSI process, then they will need to work out what they are going to implement to meet that requirement. If it means that they have to build something or buy something, then they will need to test. So, for the rest of this year, the key message is to start testing today where you have changed your existing process.

If a firm has built or modified a proportion of its processing cycle to include automation, it can test it with its automation provider. What we as a taskforce are arranging, in conjunction with our colleagues in Switzerland and the EU, are periods in 2027 where companies will

be able to do full end-to-end testing, meaning they can replicate the entire value chain from the creation of a transaction through to the settlement of that transaction and dealing with post-trade activities, such as corporate actions.

What do firms need to test now? Whatever they have changed. What will you need to test in the future? Whatever they change in the future.

I would recommend that everybody does at least one end-to-end test before the go-live of T+1. Firms can operate a T+1 environment within the existing T+2 setup, therefore, they are currently able to implement their T+1 solutions.

Firms are able to self-certify that they are compliant with the requirements for T+1 on a readiness register hosted on the Taskforce website, with Baillie Gifford and Swiss Re already having stated they are able to comply with the shorter settlement timeline.

Firms should be working on implementing their solutions for T+1 now, so by the end of this year, they are ready to go into the end-to-end testing phase.

Giovanni Sabatini: The main message from the joint testing plan is that firms should not wait for the formal 2027 market-wide testing windows. The plan says "begin preparation NOW", use existing business-as-usual test environments now, and spend 2026 getting operationally ready so that 2027 can be used to prove the full transaction lifecycle under T+1 conditions. In practice, that means testing whether allocations and confirmations are completed on trade date, whether settlement instructions are sent early enough, whether matching happens fast enough, and whether firms can actually settle on the intended settlement date under compressed timelines.

Firms should also prioritise testing the things that tend to break under time compression: SSI workflows, partial settlement and hold/release usage, inventory and liquidity management, securities lending recalls, FX funding and cut-off alignment, and corporate-action flows that still rely on manual touchpoints. The testing plan explicitly points firms

toward scaled use of tools like auto-partial, hold and partial release, while the EU handbook pushes straight through processing SSI exchange, more automation in buyer-protection and corporate-action processing, and tighter FX lifecycle control.

This is the first unified testing framework spanning the EU, UK, and Switzerland. What are the biggest operational challenges in aligning the three jurisdictions with different regulatory structures and market practices?

Douglas: The biggest challenge was the initial one: agreeing that all three jurisdictions should sign up to the same testing process as participants requested a single testing environment, not three separate ones, and Giovanni Sabatini, Florentin Soliva, chair, Swiss Securities Post-Trade Council T+1 task force, and myself agreed to provide this.

Despite the hurdle of being three parties having largely separate project teams, sharing the same goal unified our thought processes in creating an environment where all market participants can cross the finish line together on 11 October 2027.

The UK and Switzerland, as evidenced in the report, have a similar structural setup with a single infrastructural silo, with a single central securities depository (CSD) supported by a limited number of central counterparties (CCPs). Europe is a different beast, with multiple CCPs and CSDs operating at Member State level.

The testing plan is therefore almost identical for the UK and Switzerland, and identical in structure but different in detail to that of the EU, harmonising as far as is possible, requirements of all three jurisdictions.

I am astounded by how well the jurisdictions have worked together to deliver such a significant result in such a short period of time. The work only began at the end of November, and to be able to deliver that plan in March meant it was essentially finalised by the beginning of this year, it is a remarkable achievement, proving that jurisdictions

can work together when they share a common goal. The secret is establishing the common goal.

Sabatini: The main challenge is that, while the target (T+1) is aligned, the operational models are not. Markets differ in settlement workflows, levels of automation, cut-off times, and reliance on manual processes, so firms are not starting from the same baseline.

Fragmentation is the bigger issue. Europe spans many markets, CSDs, currencies, and time zones, with different matching practices, SSI standards, and funding/FX timelines. This makes it harder to standardise key processes like allocation, confirmation, and instruction input.

A key constraint is limited end-to-end connectivity in testing. Even where trading venues and CCPs are linked, that often does not extend to CSDs, so firms cannot always test the full chain. The result is that success depends on synchronising multiple interdependent workflows across infrastructures and compressing them into T+1.

Finally, operational differences are reinforced by differing legal and regulatory frameworks across the three jurisdictions, which adds another layer of complexity to alignment. In the EU, the transition sits inside a formal public-private governance structure and a Central Securities Depositories Regulation (CSDR)-based legislative framework, with the European Securities and Markets Authority (ESMA) also preparing regulatory standards. In the UK, the move is being enabled through amendments to UK CSDR plus a market Code of Conduct. In Switzerland, the report is explicit that there is no CSDR-equivalent settlement-cycle regime and that the migration is based on self-regulation. So, the industry has one testing framework, but three different legal and supervisory architectures to map it onto.

The framework draws on lessons learnt from the US move to T+1. Which lessons are most relevant for Europe, and where do you think Europe's transition will differ?

Douglas: European markets operate differently to the US. Focusing on

the UK, superficially, there are some similarities between that market and the US, but the differences can be quite profound.

I frequently caution firms that, even though they may have completed the US migration, they should not assume that they are set up for the UK, the EU, or Switzerland, because of the differences in markets.

For example, in the US, they start with the affirmations process, however, the UK does not use affirmations, we use confirmations. The UK in particular, is a big user of partial settlement, something that is not widely used in the US and hardly used at all in Europe. So, there are differences between the jurisdictions and T+1 at its heart, encourages environment harmonisation between jurisdictions.

Regarding relevant lessons learnt from the US, they did a splendid job of providing a very clear and robust testing plan and environment for participants, which we have sought to emulate. This is why we produced such a comprehensive testing plan, ahead of our original timeline of the end of 2026. The industry wanted the plan sooner, so the taskforce used the experience from the US to provide a clear plan ahead of time.

Sabatini: The most relevant US lesson is that settlement-cycle compression is really an operational-discipline project. The testing plan borrows directly from the US focus on same-day allocation, confirmation and affirmation discipline, and it translates that into concrete metrics for Europe: timing of allocations and confirmations, timing of instruction input, matching rates, and settlement efficiency on intended settlement date.

Where Europe differs is in structure and complexity. The EU handbook is clear that Europe will not mirror the US because the US has one central CSD, one currency and a centralised regulatory framework. In contrast, Europe has many markets, many CSDs, multiple currencies and more heterogeneous market practices. So, Europe could reuse the US playbook on automation and metrics, but not assume a US-style implementation path.

The testing plan highlights that participant readiness depends on the entire settlement chain. Where do you currently see the weakest links across that chain?

Douglas: The settlement chain is highly dependent on each participant 'doing their bit' according to the recommendations, whether that is the asset manager submitting allocations on time, automating their instruction matching and submitting according to custodian deadlines; the intermediary they choose to for providing specific services; or the custodian being ready to send the instruction into CREST.

It is a chain of events, and each leg requires the previous leg to have done their job properly and on time. So, who is the weakest link? It is whoever has not geared up for T+1, and that could vary from chain to chain. So, it could be the asset manager, or the intermediary or the global custodian. Success very much depends on the readiness of everyone.

Firms need to satisfy themselves that the chain of which you are a part is ready.

Sabatini: My read is that the weakest links are wherever the chain still depends on manual intervention or on hand-offs between institutions rather than straight-through processing. The joint plan itself points to a structural weak point: testing connectivity often stops at the CCP/CSD boundary, which means firms may prove their own segment works without proving the entire chain works. It also stresses that readiness depends on the whole chain, including underlying clients, and says FMI users should bring those clients into testing where relevant.

Beyond that, the recurring pressure points across the EU documents are pre-settlement matching, SSI quality, funding/FX readiness, and inventory mobilisation. The roadmap highlights pre-matching, resource management, SSIs, and messaging standards as core areas for improvement; the handbook says SSI exchange and storage need to

become much more standardised and STP; and both the roadmap and handbook flag FX timing, partial settlements, and securities financing optimisation as sensitive points.

What does success look like for industry testing? Is it about participation levels, settlement efficiency, or measurable reductions in fails?

Douglas: Success will look like all of the above. It will be all participants crossing the finish line together; there will be no joy in seeing firms fail to do so. We are currently in the process of working out what we would expect as a fail rate post go-live.

Going back to what we learnt from the US, we know specifically from them that good preparation and good testing means that fail rates do not increase post go-live, so we will be expecting to see equivalent levels of preparation, equivalent levels of testing, and equivalent levels of success post go-live.

Our 'targets' are yet to be finalised, but my expectation is that post implementation, settlement rates should not be worse than they are currently.

When we started this process, I was asked what I expect to happen on 11–12 October, and my honest answer, which has not changed, is, I hope nothing happens on those days.

I hope firms will have prepared adequately, will have tested appropriately, and it will simply be business as usual. In fact, I would hope that many of them are already operating on the T+1 cycle when it does become live, because as an asset manager, you can operate on a T+1 cycle today, and some firms already do operate on the T+1 settlement cycle. Statistics show that roughly 80 per cent of matched instructions are already received by CREST by the specified T+1 deadline of 05.59 on T+1.

Firms should focus on the 20 per cent of transactions that currently do not meet the T+1 requirement, and work out why that is, because

there is the possibility that they might not need to reengineer everything that they do, there might simply be something that needs a little bit more focus, a little tweak to get their rate up from mid 80s to mid 90s, which is where firms need to be, because the broader settlement rate today is 97 per cent on T+2 and we want to replicate that on T+1.

Sabatini: Success is not just high participation. Participation matters, especially because the plan is trying to synchronise testing across the transaction chain and across jurisdictions, but the documents are clear that the real objective is de-risking the live transition. That means proving firms can run the full lifecycle in T+1 time, proving dependencies on agents and providers are understood, and proving that enough of the chain is ready at the same time for cross-market and cross-border flows to work.

I would define success in measurable terms: earlier allocations and confirmations, earlier instruction input, higher same-day matching, strong settlement efficiency on intended settlement date, and no material increase in settlement fails at go-live. The testing plan's own metrics framework points exactly there, and the EU roadmap says the move will be undermined if it causes a significant increase in settlement fails. In other words, participation is the input; settlement efficiency and fail reduction are the outcome.

How will the Taskforce measure whether early testing has been successful in ensuring readiness ahead of October 2027?

Douglas: We will be looking at who is testing and what they are testing. We will rely on intermediaries telling us how they are progressing and when I say an intermediary, I mean a provider of automated processing solutions such as SSI, matching, workflow automation etc., and we will be asking them what testing and success levels have they seen? We work very closely with the global custodians, mostly via an organisation called the Association of Global Custodians, and the taskforce will be asking them the same questions.

The regulator is obviously very interested in how implementation goes because part of its role is to protect the financial stability of UK markets. Therefore it is important that we do not see potential instability brought in as a result of excessive trade fails. This means it is important that every involved participant treats this with the degree of attention that it warrants.

T+1 is a regulatory requirement, there will be a change to UK CSDR, which will state that firms are required to settle on T+1.

The UK Financial Conduct Authority (FCA) has specifically said it will be taking a “more intrusive approach”, by engaging directly with firms to ask them how their implementation is progressing, and critically, will require evidence of their progress

Within the Accelerated Settlement Taskforce, we will also continue to conduct engagement surveys which will specifically test the water regarding preparations. We do these every six months, one in Q1 and one in Q3, providing an indication of progress.

Why is T+1 a “pillar of the Savings and Investment Union” in practical terms?

Sabatini: In practical terms, T+1 is not just a post-trade plumbing change or a compliance exercise — it is a competitiveness and integration measure. By reducing settlement risk, margin drag and cross-border friction, it makes capital markets cheaper and more efficient to use, supporting deeper liquidity and more attractive conditions for issuers and investors.

There is also a clear strategic dimension. As global markets have already moved to T+1, misalignment creates cost and complexity for EU participants. Aligning with that standard is therefore essential if Europe wants to remain competitive and globally connected.

Ultimately, calling T+1 a pillar of the Savings and Investment Union means recognising that you cannot build deeper, more integrated capital markets while core post-trade processes remain slower,

fragmented and manual. T+1 forces the standardisation, automation, and integration needed to support that goal. ■

Andrew Douglas
Chair of the UK T+1 Taskforce



Giovanni Sabatini
Chair of the EU T+1 Industry Committee





The next liquidity crisis will not be the one you expect

In the second instalment of this ongoing series, Cyril Louchtchay de Fleurian, head of securities finance and balance sheet strategy at Capteo: Strategy & Management Consulting, reviews the next potential liquidity crises and how shifts in the market are contributing to unusable liquidity

Liquidity is there — until it is no longer executable.

The liquidity regime has changed; recent crises have made that clear. Their defining feature is heterogeneity: the message is constant, the path is not. Liquidity no longer fades in a gradual, readable way — it gaps, withdraws in blocks, fragments, and reconfigures itself across channels that do not necessarily align.

What was once treated as a stable stock to protect now operates under a different logic: an execution capacity — reversible, conditional, and prone to seize up under uncontrolled margin calls, widening spreads, or collapsing roll-over rates. Liquidity no longer fails as a stock; it fails in execution.

The prevailing analytical framework now rests on an untenable fiction: that a liquidity crisis is a rare, systemic event, primarily driven by a lack of volume, and sufficiently homogeneous to be captured by a handful of prudential metrics. Recent episodes have invalidated this view.

Shocks can be exogenous, endogenous, or structural. Breaking points may emerge in markets, balance sheets, collateral, confidence, or geopolitics. Stress then propagates through spreads, haircuts, eligibility, infrastructure constraints, withdrawal behaviour, or deleveraging loops. Crucially, time dynamics diverge sharply: some crises strike suddenly, others erode the market gradually, while others accelerate through self-reinforcing feedback loops. This

heterogeneity extends not only to forms, but also to scope — systemic or idiosyncratic, isolated or simultaneous — as well as to public responses, which have themselves become increasingly fragmented.

Liquidity breaks through its execution channels

If crises are the symptom of this new regime, they need to be read across two dimensions: the form the disruption takes, and the way executable liquidity actually deteriorates.

Some crises take the form of a sudden, exogenous shock, as seen during Covid in 2020 (Scenario A), where market depth evaporated instantly before being restored through public intervention. Others unfold as a slow deterioration, as in the European sovereign crisis of 2011–12 (Scenario B), where credit repricing, widening spreads, and a gradual contraction in execution capacity weaken the market without an immediate break. Others still develop through self-reinforcing dynamics, as in the UK LDI crisis in 2022 (Scenario C), where forced selling and margin calls feed on each other until market liquidity collapses. Liquidity does not disappear. It fragments.

Yet the form of the crisis alone does not explain everything. The loss of executable liquidity crystallises in purely operational elements: collateral fragmentation, where assets remain eligible but are difficult to mobilise; access failure, where infrastructure, clearing, or settlement constraints prevent mobilisation of otherwise available liquidity; or the more structural erosion of market depth, where regulatory and balance sheet constraints on key intermediaries (broker-dealers, prime brokers) durably reduce the market's capacity to absorb flows.

The market does not lack liquidity

The next liquidity crisis is unlikely to resemble a uniform drying-up of the market. Rather, it will take the form of liquidity that remains available in theory, but becomes unusable in practice. The regime shift is already underway: liquidity no longer disappears everywhere at once; it withdraws locally, temporarily, and non-linearly.

In this context, kinetics matter more than stock. The priority, therefore, is to identify ex ante the points of blockage — the choke points — and to quantify how assets flow in both BAU and stress across each monetisation rail: bilateral repo, triparty repo, cleared repo, and central bank access. It also means mapping dependencies on specific access chains — the channels that become critical under stress. In other words, future crises will be less about a shortage of market liquidity than about the inability to transform assets into executable funding.

The centre of gravity of liquidity has shifted beyond the banking perimeter

Non-bank actors now play an increasing role in both the production and consumption of market liquidity: money market funds, hedge funds, insurers, pension funds, securitisation vehicles, financing entities, as well as crypto hedge funds and lending platforms, all contribute materially to funding dynamics.

This is not marginal. Around 15 per cent of European funding comes from these actors. Volumes have doubled between 2021 and 2025. 73 per cent of which originates outside the euro area. Concentration is extreme: 10 per cent of participants provide 80 per cent of volumes. Maturity is short: 65 per cent under seven days, 80 per cent overnight. Half of it is in US dollars, according to the 'Financial stability risks from linkages between banks and non-banks financial intermediation sector' report by the European Central Bank (ECB) and the European Systemic Risk Board (ESRB).

This non-banking financial institution (NBFI) liquidity is short-term, concentrated, largely offshore, and predominantly dollar-denominated; four characteristics that make it structurally unstable as a funding source. NBFI liquidity is not committed — it is rented.

Promised liquidity versus rented liquidity

By construction, bank-provided liquidity rests on a regulated balance sheet, governed by prudential requirements — such as liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) — access to

central bank facilities, and implicit safety nets. This creates a continuity constraint: a bank cannot withdraw from the market instantaneously without consequence. It is committed liquidity, costly, but relatively predictable over time.

By contrast, liquidity provided by NBFIs is not anchored to a banking balance sheet, benefits from no lender of last resort, and carries no continuity obligation. It is driven by a pure arbitrage between return, risk, and liquidity, and effectively takes the form of a revocable, procyclical option.

An investment fund will fund itself in repo as long as spreads are attractive, haircuts remain acceptable, and perceived risk is stable. As soon as one of these parameters deteriorates, funding is withdrawn immediately. As a result, NBFIs liquidity is rented and can disappear precisely when banks need it most.

It plays out intraday

On the banking side, liquidity has historically been managed as a stock of high-quality liquid assets (HQLA), complemented by forward projections at a 30-day horizon through regulatory stress tests. Decisions are largely taken on end-of-day, T+1, or even T+30 cycles, consistent with a balance sheet and prudential view of risk.

By contrast, NBFIs liquidity operates predominantly as intraday flows. It reacts instantly to price movements, haircut adjustments, market volatility, and margin calls, and reallocates within hours, sometimes minutes.

Modern liquidity stress is therefore a crisis of speed and synchronisation. In this context, a bank may be fully compliant with LCR requirements, solvent, and well-capitalised, yet operationally illiquid if NBFIs liquidity sources withdraw abruptly.

Procyclical and ungoverned haircuts

Within banks, liquidity parameters are largely governed by internal and regulatory frameworks, with relatively stable

haircuts set ex ante and overseen by defined functions (ALM, risk, treasury). By contrast, NBFIs liquidity is governed by private, heterogeneous, and evolving rules over which banks have no control. Haircuts are endogenous, uncoordinated, and inherently procyclical — moving with markets, not against them. These decisions are unilateral and non-negotiable: they are imposed on banks without any buffering mechanism.

NBFIs do not fund banks as entities; they fund specific collateral, at a given price and at a specific point in time. The case of US Treasuries is illustrative: widely regarded as a safe asset, they nevertheless experience rising haircuts when market volatility increases, mechanically reducing repo funding capacity precisely when liquidity demand intensifies.

Siloed organisations facing a systemic risk

The breaking point is primarily organisational. Liquidity execution remains structured in silos, while risk has shifted to the ecosystem level. Within most banks, each function operates with its own legitimate framework: Treasury manages available cash, ALM optimises regulatory ratios, risk sets limits and stress tests, and the repo desk serves clients, maximises P&L, and sources funding at the lowest cost. Each optimises within its perimeter, but based on a partial view.

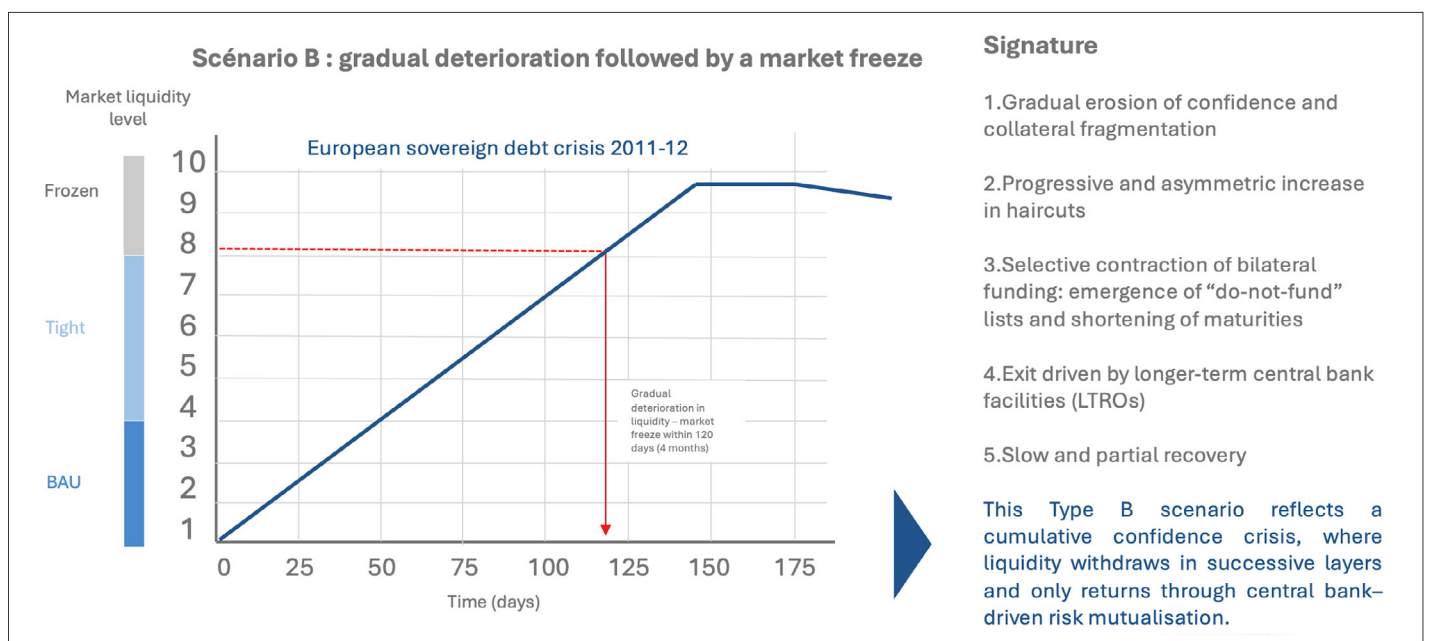
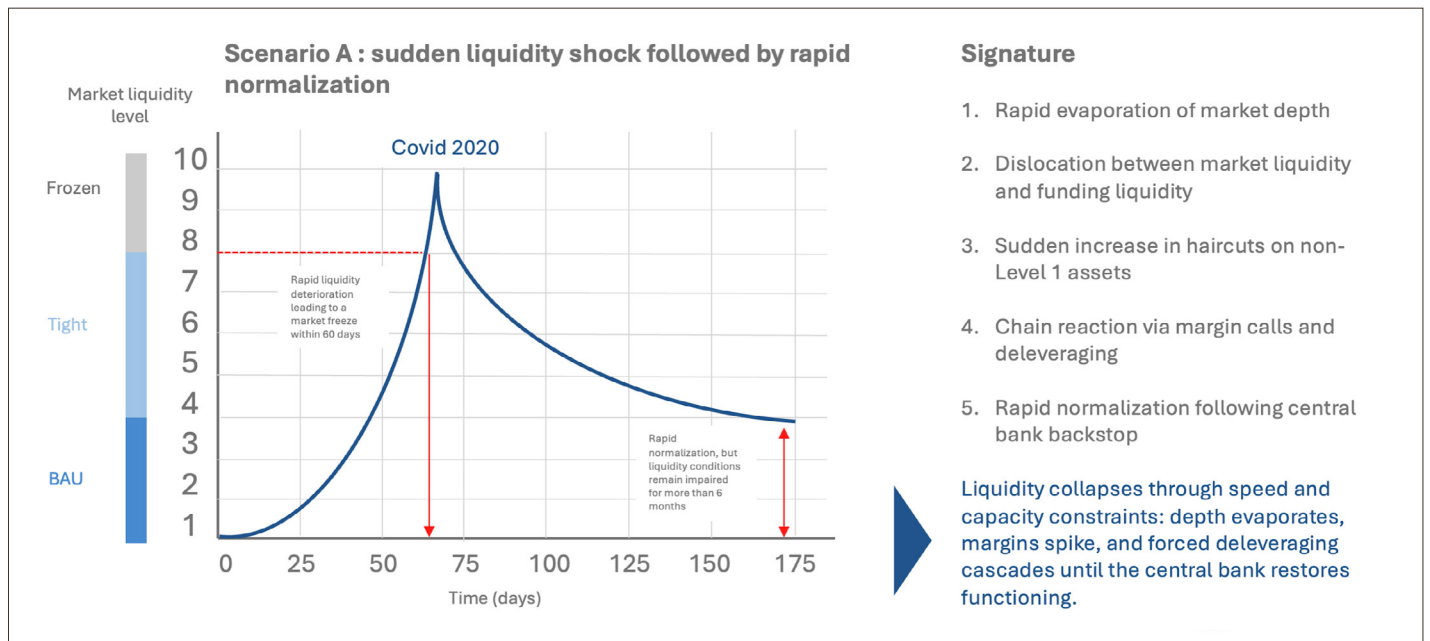
What is often missing is the ability to orchestrate the dynamic interactions that now link market participants — particularly NBFIs — collateral, margin calls, and infrastructures. Liquidity no longer flows simply between bank balance sheets; it is co-produced, transformed, and sometimes blocked within a chain where each link depends on the others. Banks manage stock; the market operates in flows.

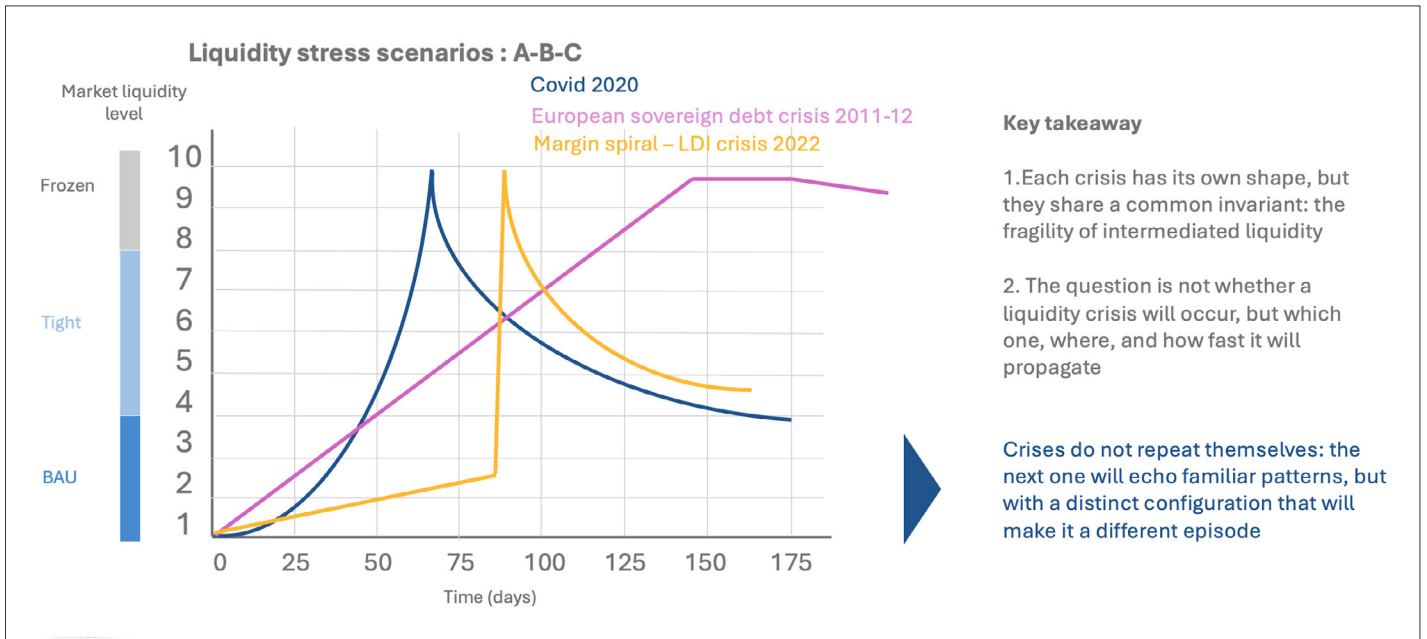
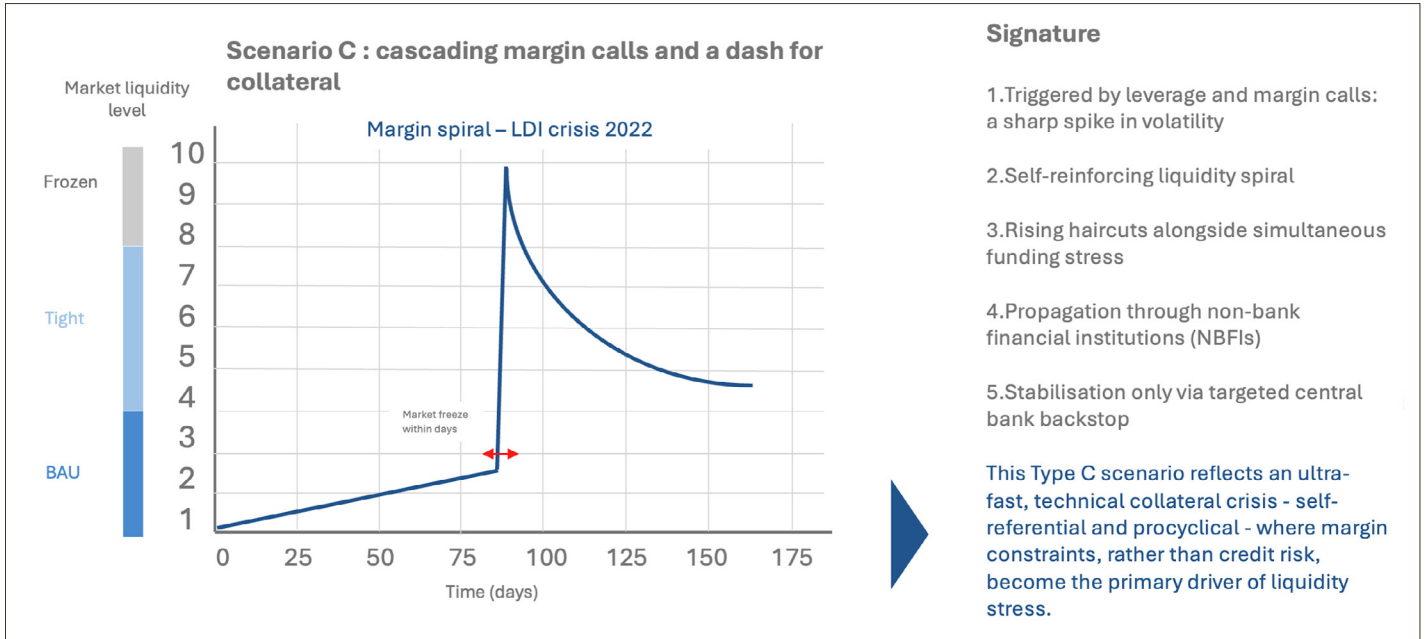
In this context, seemingly basic questions remain unanswered: who actually holds the cash in stress? Who owns and can mobilise the collateral? Who effectively sets haircuts, and according to what logic? And above all, how quickly can liquidity deteriorate or disappear? Today, very few institutions actively manage the decisive intraday metrics: time-to-cash, time-to-margin, time-to-substitution. This is

precisely where modern liquidity fragility lies.

When stress hits, these are no longer theoretical considerations but immediate trade-offs: do you roll positions or allow funding to fail, post collateral or preserve optionality, access central bank liquidity or remain in the market? In practice, very few institutions structure these

decisions explicitly. They are neither clearly articulated nor prioritised, and their cost is rarely explicitly acknowledged. This is a critical blind spot: in the face of private, volatile, and non-cooperative liquidity, the absence of explicit trade-offs is not just a gap, it is a loss of control. Put simply, you are exposed, and you do not know it. In stress, liquidity is not scarce — it is unusable.





In this regime, liquidity does not protect. It exposes

NBFI liquidity is not a marginal phenomenon, nor a substitute for bank liquidity. It is a major but conditional, procyclical, and revocable source of funding, which requires centralised, intraday, execution-focused management.

The price paid for liquidity density in BAU is an increasing dependence on actors with no obligation to provide continuity in stress, quite the opposite. Liquidity therefore remains a promise, and becomes non-executable the moment private liquidity ceases to cooperate. This is not insurance. It is conditional liquidity — and it breaks precisely when it needs to be executed. ■

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Geopolitical shockwaves: How the Middle East war is reshaping securities finance activity

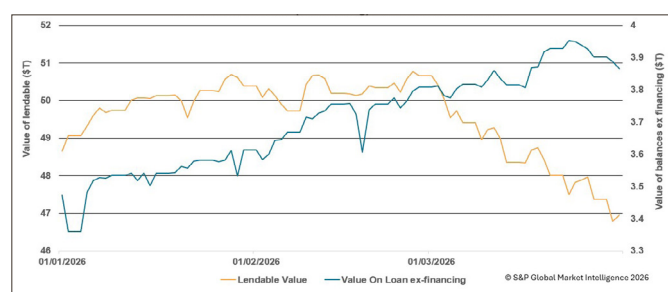
Matt Chessum, executive director of equity and analytic products at S&P Global Market Intelligence, looks at the impact of the Iran conflict on short selling and securities lending activity

The escalation of hostilities involving Iran in March marked one of the most significant geopolitical shocks to financial markets in recent years. Beyond the immediate reaction across energy, shipping, and regional equities, the conflict had a profound impact on the securities finance market, altering balance dynamics, intensifying lending activity and driving highly concentrated borrowing in assets directly exposed to the conflict.

One of the clearest signals of this shift has been a pronounced contraction in global lendable supply. As risk aversion increased and asset owners moved to protect liquidity, average securities lending balances fell sharply throughout the month of March. Balances declined from over US\$50 trillion at the beginning of the month to US\$46.9 trillion by 31 March, reflecting portfolio deleveraging, equity market weakness, and a rotation into cash and short-duration

instruments. In periods of geopolitical stress, beneficial owners can often reduce lending programmes or recall inventory, tightening supply just as demand begins to rise. During the month of March, demand to borrow securities did rise significantly, pushing on loan balances to one of their highest levels since the collection of market data started.

Lendable vs balances (ex-financing) across all securities 2026



Energy markets and the return of event-driven shorts

Energy equities were one of the sectors at the centre of March's borrowing activity. While crude prices surged on fears of supply disruption, particularly around the Strait of Hormuz, the sustainability of the rally quickly came into question. Investors became increasingly wary that political intervention, strategic reserve releases, or demand destruction, through higher inflation, could abruptly reverse price gains.

This uncertainty was accompanied by an increase in borrowing activity across volatile energy producers, one of which was Battalion Oil Corp (BATL). By 27 March, BATL saw 17.78 per cent of shares outstanding on loan, with utilisation (percentage of available shares on loan) reaching an impressive 95 per cent, signalling scarcity of lendable supply. The surge possibly reflected BATL's sensitivity to oil price swings, its leveraged balance sheet and concerns that higher prices might not translate into lasting financial stability. For many market participants, BATL emerged as a prominent target for event-driven positioning, expressing

scepticism that geopolitical premiums alone could offset possible structural vulnerabilities.

Borrowing demand also rose in Canadian Natural Resources (CNQ), albeit for more strategic, portfolio-level reasons. As one of Canada's largest energy producers, CNQ could be seen to offer liquidity and scale, making it an effective proxy for hedging downside risk across the global energy complex. Elevated short interest may have reflected fears that prolonged instability could weigh on global growth, trigger policy responses such as windfall taxes, or introduce regulatory risks that cap upside price moves despite elevated crude prices.

Commodity-linked ETFs also featured prominently. United States Oil (USO) saw increased borrowing as market participants expressed possible scepticism over the durability of the oil price rally. Short interest in USO reflected expectations that emergency supply measures, weaker demand or a potential diplomatic de-escalation could unwind geopolitical risk premiums embedded in crude markets.

Shipping disruption targets global trade exposures

The conflict's impact extended well beyond oil itself. Heightened threats to maritime trade routes pushed shipping stocks back into the spotlight, as increased borrowing in A.P. Møller-Maersk A/S was seen. While higher freight rates can be positive in the short term, investors may have been growing cautious regarding sustained disruption to global supply chains, rising insurance and fuel costs, and the potential for reduced trade volumes if the conflict were to escalate further.

Borrowers may have been using Maersk to reflect concerns about earnings volatility and margin compression in a world where geopolitical risk, rather than demand fundamentals, dictates shipping conditions. The result was a steady rise in securities lending demand for the stock as investors positioned defensively against a historically cyclical sector facing elevated uncertainty.

Regional ETFs and extreme fee spikes

Regional exposure to the Middle East was most clearly expressed through ETFs, where securities lending tends to react rapidly to macro and geopolitical shocks. The iShares MSCI UAE (UAE) exchange traded fund experienced a sharp increase in borrowing demand during the month as investors reassessed Gulf exposure amid rising regional risk. Although the UAE itself remained relatively stable, its economic ties to energy markets and proximity to the conflict made the ETF a commonly used vehicle for hedging regional exposure.

“As the conflict in the Middle East remains unresolved, securities finance markets are likely to stay reactive”

This pressure may have contributed to the spike in borrowing costs, with UAE’s volume-weighted average fee (VWAF) peaking at 6,700 basis points on 18 March. Such levels highlight increased demand amid constrained lendable supply, and underline how quickly geopolitical stress can feed through to securities finance pricing. The spike is likely to have reflected both directional shorts and relative-value trades, where investors sought protection against regional volatility without selling underlying cash holdings.

Broader implications for securities finance

March illustrated a familiar but powerful dynamic in securities lending: overall balances increased sharply as revenue opportunities emerged through concentrated demand and higher utilisation in

select assets. Borrowing activity became increasingly targeted, focused on equities and ETFs most sensitive to geopolitical outcomes rather than broad market hedges.

For lenders, this environment presented both opportunity and risk. Elevated fees in names like BATL and UAE enhanced returns, but only where counterparty, liquidity and collateral risks were rigorously managed. For borrowers, tight supply and rising costs increased the importance of timing and position sizing, particularly as headline risk continued to dominate price action.

As the conflict in the Middle East remains unresolved, securities finance markets are likely to stay reactive. Energy producers, shipping firms and regional ETFs will remain focal points for borrowers, while balance volatility underscores how quickly geopolitical events can reshape lending behaviour. If nothing else, March has made one thing clear to all market participants: in times of conflict, securities lending becomes one of the most immediate and revealing channels through which market stress and positioning can be expressed. ■

Matthew Chessum
Executive director of equity and analytic products
S&P Global Market Intelligence



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www.securitiesfinancetimes.com
justinlawson@securitiesfinancetimes.com

Entering a hyperspecialised environment

From winning championship titles on the softball field to navigating corporate culture, Francesca Frelick of Fidelity Capital Markets discusses her journey into securities finance through the firm's Emerging Leader Program. Carmella Haswell reports

Can you tell me about your journey into the securities finance industry?

I was first introduced to the securities finance industry through a unique opportunity through Fidelity's Emerging Leader Program (ELP), an 18-month rotational programme that exposed me to various roles and divisions across Fidelity.

I joined the Fidelity Agency Lending product team for my second rotation where I was excited to try a unique and complex area of Fidelity that was unfamiliar to me. I not only enjoyed the work, but I was eager to continue learning from such an experienced and remarkable group of people.

During my final rotation, I rejoined the Agency Lending team before landing full time as a securities finance product associate where I am focusing on advancing the FIX initiative for securities finance trading.

As a young professional, what aspects of your role or the industry do you find most exciting?

My excitement stems from being in the centre of innovation that supports the industry's focus on driving greater efficiency. My current involvement in the adoption of FIX Protocol puts me at the forefront of a broader industry shift.

FIX Protocol is an open-source language that uses standardised messaging to communicate a trade. Applying standardised messaging to securities finance electronic trading not only reduces integration costs, but it also promotes market efficiency, market resiliency, and innovation.

Many companies offer various training and development opportunities for their employees. How has your company supported your growth?

The ELP rotation programme offered me the opportunity to understand Fidelity's corporate culture while navigating various groups the firm offers. My rotations took me to a wide range of teams including Corporate Affairs, Fidelity Agency Lending, and internal consulting.

“Transitioning into securities finance brought a lot of uncertainty, but I was committed to understanding my potential”

While each rotation only lasted four months, I was able to develop and enhance my critical thinking, data analytics, and presentation skills, which I continue to apply in my current role. Once I graduated from the rotation programme, I was quickly thrown into a more hands-on experience where I immediately interacted with bank and broker business partners, contributed to an industry-wide FIX working group, and participated in Women in Securities Finance events.

My professional training and development have come in many forms, but Fidelity has provided me with foundational knowledge and skills at an early stage in my career that I am looking forward to building upon.

What misconceptions about working in the financial industry have you encountered, and how do you address these challenges?

Capital markets tends to be an area that is hyperspecialised in certain disciplines led by tenured professionals. Entering a hyperspecialised environment with my liberal arts and finance background initially felt daunting. However, I was welcomed by knowledgeable experts who took the time to teach me the subject matter, creating a culture of thoughtful, intentional learning where I am now an active contributor of various initiatives.

What advice do you have for other young professionals aspiring to pursue a career in your industry?

Lean into uncertainty and discomfort — it is where your potential is tested and revealed. While that may sound cliché, I have learned first-hand the benefits of tackling ambiguities, beginning on the softball field and now in my professional career. Transitioning into securities finance brought a lot of uncertainty, but I was committed to understanding my potential. Being surrounded by exceptional people throughout Fidelity has challenged me to find that potential by striving to reach their level of excellence.

Looking ahead, where do you see yourself in the next five years in terms of your career goals and aspirations?

My current role in product development allows me to work across different areas in capital markets, namely trading, strategy, risk, technology, and business development. While my role offers me the chance to learn from various groups, I am only scratching the surface. Therefore, I want to utilise these first five years of my career to expand my knowledge and expertise, positioning myself to take on greater responsibility and make a meaningful impact. ■



Francesca Frelick attended Duke University, where she earned a liberal arts degree in finance and competed as a member of the Duke Women's Softball team. During her collegiate athletic career, she won two ACC Championship titles and competed in the Women's College World Series.

After graduating, Francesca began her professional career at Fidelity as part of the Emerging Leader Program — an 18-month rotational initiative that provided exposure to a variety of roles and divisions across the firm, including securities finance. Upon completing the programme, she joined the Fidelity Securities Finance product team, where she currently focuses on supporting the adoption and integration of the Financial Information eXchange (FIX) Protocol into securities finance electronic trading.



OCC promotes Devpura

The Options Clearing Corporation (OCC) has promoted Harsh Devpura as the firm's director of securities finance.

He moves into the role having been with the firm for more than nine years, most recently working as principal and product owner for securities finance.

In an online statement, Devpura says: "Over the past several years, I have had the opportunity to work across securities lending, collateral, and post-trade systems — an area that continues to evolve in both complexity and importance.

"A large part of this journey has been shaped by OCC's Ovation initiative,

where we are rethinking how core market infrastructure is designed and built, particularly across stock loan and collateral.

"What stands out is how much our industry is at an inflection point — balancing legacy systems with the need to evolve toward more scalable and efficient models.

"The next phase of market infrastructure will be defined by how we rethink collateral, liquidity, settlement, and the role of digital assets."

Prior to joining OCC in 2016, Devpura held the position of business analyst at Community Brands, before that he worked at Tata Consultancy Services as IT team lead.

Harrison departs EquiLend

Matthew Harrison has departed EquiLend, having been with the firm for nine months.

Based in London, Harrison was most recently head of innovation at the company.

Previously, he held a three-year tenure at Trading Apps as CEO. Prior to this, he was managing director of markets and securities lending at the Bank of New York Mellon Financial Corporation.

Previously, Harrison founded Trading Apps in 2010, before becoming a non-executive director at the firm in 2018.

Harrison also spent more than three years at Rule Financial, holding positions such as non-executive director and managing director, during which time he became the founder and CEO of Rule Financial, a wholly owned subsidiary of Rule Financial, based in New York.

Deutsche Bank welcomes Echague

Deutsche Bank has welcomed Rocío Echague as head of Trust and Securities Services (TSS) for the Middle East and Africa. Based in Dubai, Rocío will report to Daniel Clark, head of TSS for APAC and MEA.

Echague brings over two decades of experience in securities services across multiple markets, most recently working at HSBC Bank Middle East, where she held a number



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of positions such as director, head of securities services — MENA (excluding Saudi Arabia), and director, head of securities services, UAE.

She also held positions in HSBC Argentina, where she worked as head of securities services, Argentina, as a custody relationship manager, and as a custody and clearing product officer.

Echague has a strong track record in business growth, market advocacy, regulatory engagement, and leading diverse, high performing teams.

OSTTRA makes key appointments

OSTTRA has announced four key appointments to its leadership and product teams to support its strategy of post-trade transformation.

Nathan Ondyak joins as chief commercial officer, Peter Altero as chief business development officer, Chris Licini as buy side strategic relationship manager, and Christian Kjaeldgaard joins as product design director.

The news follows the acquisition of the firm by private equity company KKR in October last year, and builds on the further investment from a consortium of global banks announced in February 2026.

The new hires will work closely with OSTTRA partners and clients to accelerate innovation and the build-out of new services that bring new capital and operational efficiencies to complex workflows, extending OSTTRA

services across asset classes.

Ondyak spent over 14 years at LSEG, where he led the expansion of the firm’s post-trade capabilities, and most recently served as the CEO of LSEG Post Trade Services (TradeAgent) and SwapAgent.

Prior to LSEG, Ondyak held senior product and sales management positions at Markit.

Altero returns to OSTTRA from LSEG, where he spent three years as North America head of TradeAgent, SwapAgent, and Quantile, responsible for advancing LCH’s post-trade operations outside of its core clearing business.

Licini held a leading role in developing strategic customer relationships at LSEG for more than 14 years, focusing on the buy side community.

Kjaeldgaard previously developed post-trade strategy and solutions across the SwapAgent offering at LSEG, having formerly played an important role in the evolution of MarkitWire in the product management team at Markit.

Commenting on the appointments, Guy Rowcliffe and John Stewart, co-CEOs of OSTTRA, state: “Nathan, Peter, Chris, and Christian bring deep expertise and proven track records of innovation and collaboration across our industry.

“This perfectly complements the in-house expertise we already have at OSTTRA. Their appointments will significantly accelerate our ambition to transform post-trade this year

and beyond, turning shared infrastructure into shared benefit.”

Ondyak says: “I am excited to be joining OSTTRA at this pivotal moment and look forward to contributing significantly to writing the next chapter in the evolution of the post-trade landscape.

“Our strategy focuses on working with the industry to connect and evolve our robust, trusted infrastructure with the new workflows and technologies that will define tomorrow’s financial markets.” ■

Publisher: Justin Lawson
justinlawson@securitiesfinancetimes.com
020 3667 3244

Associate publisher: Nicole Taylor
nicoletaylor@blackknightmedialtd.com
07780 008598

Group editor: Karl Loomes
karlloomes@blackknightmedialtd.com
020 3617 1722

Deputy editor: Carmella Haswell
carmellahaswell@securitiesfinancetimes.com
020 3617 1722

Reporter: Hansa Tote
hansatote@securitiesfinancetimes.com
020 3617 1722

Accounts: Chelsea Denyer
accounts@securitiesfinancetimes.com
020 3667 3979

Sales and events support: Vanessa Hayes
vanessahayes@blackknightmedialtd.com
020 3667 3979

Studio director: Steven Lafferty
design@securitiesfinancetimes.com

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