Securities Finance Times

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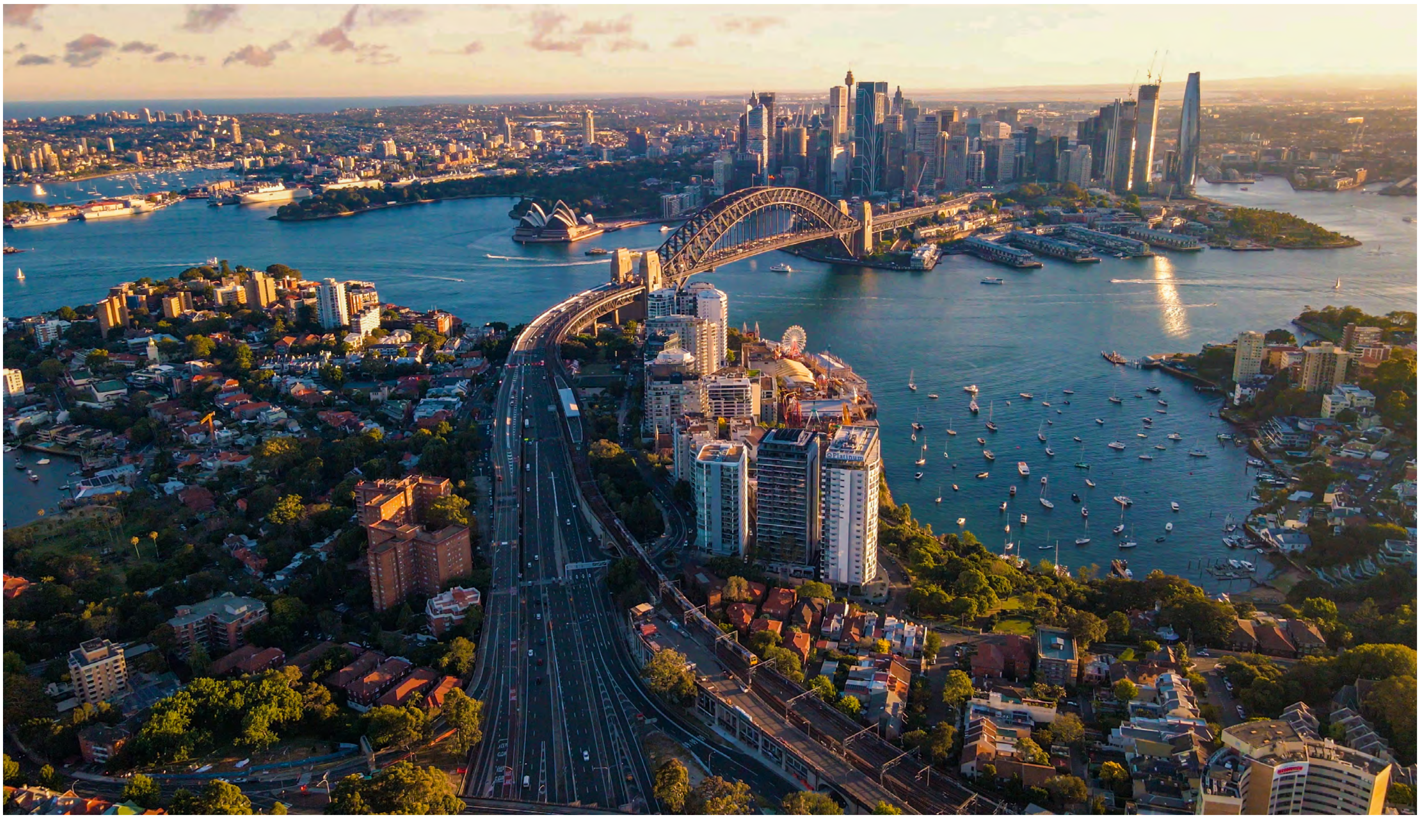
Investing in resilience

BNY's Nate Wuerffel on US Treasury clearing, the world's largest and most liquid sovereign bond market, and its global implications



Commonwealth Bank of Australia, J.P. Morgan, ASX, and HQLA^X complete RBA trial

Commonwealth Bank of Australia (CBA), J.P. Morgan, the Australian Securities Exchange (ASX), and HQLA^X have completed their collaboration under Project Acacia.

The project is a joint initiative led by the Reserve Bank of Australia (RBA) and the Digital Finance Cooperative Research Centre (DFCRC), exploring the role of digital money in tokenised wholesale markets.

The collaboration highlights how digital currencies and digital collateral records can improve the speed, efficiency, and resilience of Australia's US$350 billion repo market.

Bianca Bates, head of J.P. Morgan Payments in Australia and New Zealand, comments: "This signals a turning point for Australia's repo market, showing that digital money and tokenised assets can deliver the speed, transparency, and resilience that modern financial systems demand.

"We're creating a pathway for key players to transition to next-generation infrastructure. Kinexys by J.P. Morgan provided the blockchain infrastructure to make this possible, building on our track record of processing over US$3 trillion in notional volume of transactions."

The repo market has increasingly been seen as a leading candidate for tokenisation as global markets shift toward faster, more automated infrastructure, says CBA.

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STATE STREET

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ISLA welcomes OCBC as new member

The International Securities Lending Association (ISLA) has announced OCBC as its newest member.

Headquartered in Singapore, Oversea-Chinese Banking Corporation (OCBC) is the second largest financial services group in Southeast Asia by assets.

The Group offers a broad array of commercial banking, specialist financial and wealth management services, ranging from consumer, corporate, investment, private and transaction banking to treasury, insurance, asset management, and stockbroking services.

OCBC has expanded its presence in securities finance through its capital markets and treasury activities, including fixed income and derivatives trading, money market operations, and broader financing solutions.

In January 2026, it established a dedicated securities financing unit to deepen the suite of solutions for institutional customers.

The firm also rolled out a securities lending programme for OCBC Securities and Bank of Singapore clients, enabling customers to earn fee income on idle holdings while retaining flexibility over their assets.

Commenting on the news, ISLA says: "We look forward to collaborating with OCBC on shared priorities across securities lending, financing, liquidity, and market efficiency."

Commonwealth Bank of Australia, J.P. Morgan, ASX, and HQLA^X complete RBA trial

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Australia's repo market plays a vital role in the economy by providing essential short-term funding for banks and financial institutions, enabling the RBA to implement monetary policy, and supporting the efficient functioning of government bond markets.

The CBA use case combined global and domestic infrastructure, including J.P. Morgan's Kinexys multi-asset tokenisation platform, CBA's Gravital digital assets platform, HQLA^X's collateral mobility solution, and ASX's local market expertise, to test interoperable settlement models in a controlled test environment.

As part of the use case, repo transactions were settled using CBA Deposit Token and wholesale Australian dollar central bank digital currency (CBDC), with the securities leg orchestrated on the HQLA^X platform using tokenised assets held at ASX.

Sophie Gilder, managing director, Blockchain and Digital Assets at CBA, says: "Tokenisation is moving from theory into real-world application in core financial markets and has the potential to reshape how systemically important funding markets operate.

"For a market as critical as repo, even small gains in speed, liquidity, and risk reduction can have system-wide impact. With technology maturing, regulatory


Around the clock, around the globe

progress underway, and global investment accelerating, the conditions are now falling into place for tokenisation to scale."

Richard Glen, solutions architect at HQLA[X], adds: "Project Acacia demonstrates how tokenised collateral and digital cash can materially enhance efficiency, liquidity, and resilience in capital markets.

"Importantly, the initiative highlights how interoperable digital technology can evolve in alignment with regulatory expectations, supporting the next generation of robust and well-governed market infrastructure."

Digital Prime Technologies launches Tokenet with EquiLend partnership

Digital Prime Technologies has launched Tokenet, its institutional digital asset lending platform, with the first trades now successfully executed on the platform.

Galaxy Digital, a digital asset firm providing trading, asset management, investment banking, and custody services, is among the first participants to go live on the platform.

The firm joins an expanding group of digital asset firms that have committed to the solution, which Digital Prime Technologies says reflects a strong early adoption across the market.

Max Bareiss, head of lending at Galaxy Digital, says: "Galaxy is one of the largest institutional lenders in the digital asset space, and the gap between our operational standards and the tools available has been real.

"Tokenet closes that gap. The workflows, the risk controls, and the transparency are what institutional participants have been looking for."

Tokenet applies securities lending best practices to digital assets, aiming to deliver the structure, transparency, and lifecycle discipline that institutional participants require.

The platform enables firms to post borrow needs and lending availability, manage collateral through a multi-custodian model, and access end-to-end loan lifecycle management — including rerates, recalls, returns, and mark-to-market functionality — through an enterprise-grade system.

James Runnels, co-founder and CEO of Digital Prime Technologies, adds: "Tokenet is live, trades are flowing, and the market now has an institutional-grade platform for digital asset lending with the depth and full front-to-back capabilities required by today's participants.

"This is what Digital Prime Technologies was built to deliver, and having EquiLend's network behind us means we're bringing it to a broader set of market participants."

Digital asset lending has historically suffered from fragmented and opaque practices, limited collateral transparency, and a lack of standardised workflows, the firm says.

Tokenet aims to address these structural gaps by bringing the same governance, risk controls, and operational rigor that underpin traditional securities finance, to the digital asset space.

Through their partnership, Digital Prime will use EquiLend's institutional network to extend Tokenet's reach to a broader base of securities finance participants.

Nick Delikaris, chief product officer at EquiLend, says: "Tokenet is the first digital asset lending platform built to satisfy institutional standards by mirroring the workflows, risk controls, and lifecycle management our clients already rely on.

"Through our partnership with Digital Prime, we are creating a seamless path into a hybrid environment capable of handling both digital and traditional assets."

In December 2025, EquiLend announced its investment in Digital Prime Technologies to advance institutional tokenised-asset and digital-markets infrastructure.

Societe Generale to scale blockchain-based infrastructure

Societe Generale has announced it will accelerate the development of institutional blockchain-based financial infrastructure on the Canton Network, facilitated by its digital assets subsidiary Societe Generale-FORGE (SG-FORGE).

Societe Generale will join Canton as an Ecosystem Super Validator, which will see it support the Global Synchroniser, and is representative of its commitment to contributing to the development of institutional-grade use cases, according to the firm.

The initiative will be predominantly focused on tokenised collateral, onchain financing, and institutional-grade digital settlement solutions, building on the company's prior work on Canton, including its tokenised US bond issuance.

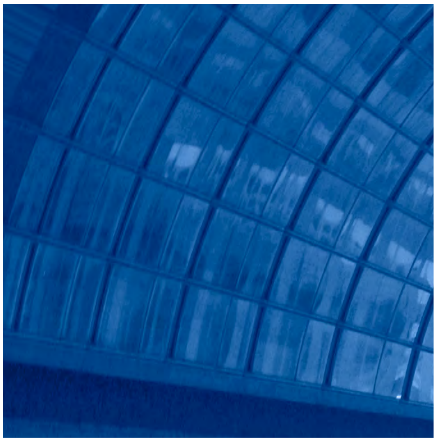
It plans to accept certain tokenised assets as eligible collateral, to enhance collateral mobility, and act as a counterparty in repo transactions, supporting the development of institutional onchain financing markets.

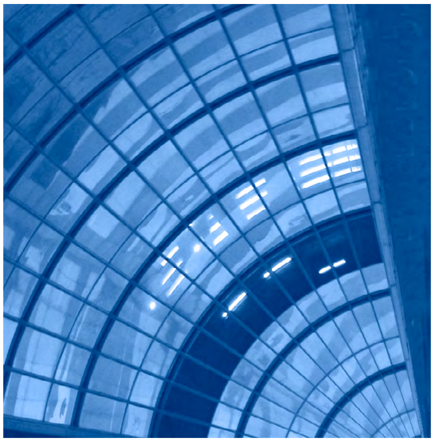
SG-FORGE will also deploy CoinVertible, its institutional-grade stablecoins, on Canton, as it aims to be "among the first banks to develop collateral and financing solutions in tokenised form on Canton".

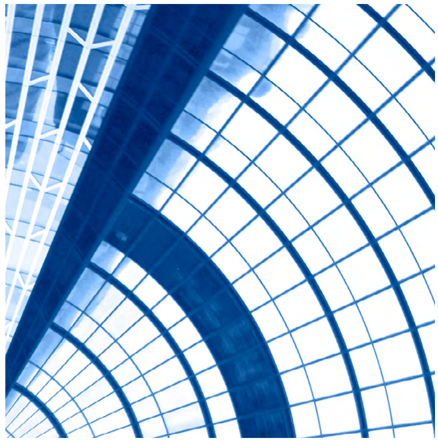
Societe Generale says the initiative is indicative of its commitment to address the growing institutional demand for "more efficient, secure, and compliant market infrastructure".

Commenting on the scheme, Salim Nemouchi, head of equity derivatives Americas and global head of prime services at Societe Generale, says: "This initiative directly responds to growing institutional demand within the Prime Services environment, which is at the core of our franchise.

"We are convinced that a public blockchain with configurable privacy, such as Canton







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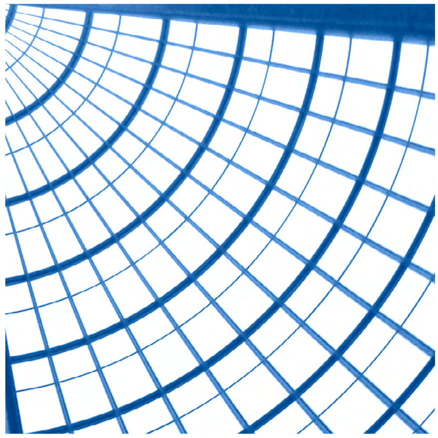

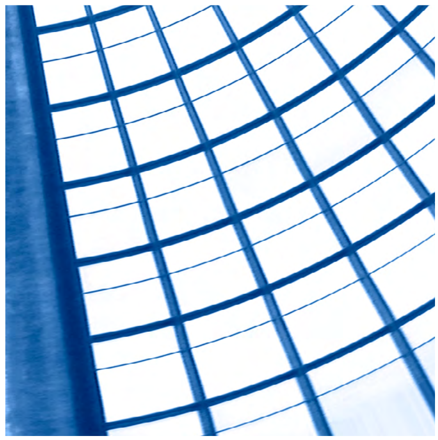

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Network, provides the right framework to bring greater efficiency to margin calls, collateral management and risk management."

Jean-Marc Stenger, CEO of SG-FORGE, adds: "By enabling secure, compliant, and efficient digital settlement, SG-FORGE is helping bridge traditional financial markets with onchain infrastructure and unlocking new possibilities for collateral mobility, financing, and cash management."

SEC approves DTCC's new client access model

The US Securities and Exchange Commission (SEC) has approved for the National Securities Clearing Corporation (NSCC), a Depository Trust & Clearing Corporation (DTCC) subsidiary, to offer a new client access model for the Securities Financing Transaction (SFT) Clearing Service.

The new client access model introduces a dedicated account structure, called the Agent Clearing Member Customer Net Margin Account, that allows stock loan market participants acting in an agent capacity to net margin and clearing fund requirements across their clients' activity.

Rather than calculating margin on a gross, client-by-client basis, offsetting positions across underlying customers are taken into account, improving capital efficiency while maintaining NSCC's robust risk management standards, says the DTCC.

The model more closely aligns margin treatment with proprietary SFT activity and comparable agency models in other cleared markets, while supporting the benefits of central clearing, including reduced counterparty credit risk, enhanced operational efficiency, and greater market stability, particularly during periods of stress.

Commenting on the news, John Vinci, managing director and head of secured funding, DTCC, says: "This launch changes the economics of central clearing for securities financing transactions in a meaningful way.

"By enabling margin netting across client positions, we're better aligning the SFT Clearing Service with how market participants operate today, with real impact to balance sheets and capital. At the same time, we're delivering the risk reduction, transparency, and resilience that central clearing provides."

The new access model uses NSCC's existing risk management framework and aligns with practices already in use at DTCC's Fixed Income Clearing Corporation (FICC), where Agency Clearing Models have supported increased participation in centrally-cleared US Treasury repo markets.

MUFG joins Euroclear's Collateral Service

MUFG has joined Euroclear's Collateral Optimisation Service.

The solution combines Euroclear's collateral management infrastructure with Transcend's optimisation technology, bringing together two areas of market expertise to support a growing demand from the market to make the allocation of pools of collateral more optimal.

According to Euroclear, by adopting the service, MUFG is extracting value from the reallocation of its pool of collateral across trades and counterparties, enabling more dynamic decision-making, and improved capital efficiency.

The Euroclear Collateral Optimisation Service enables clients to reduce their overall funding costs through a more cost-effective collateral allocation, freeing up high-quality liquid assets.

The service provides automated, transparent management of collateral and liquidity, also allowing for faster responses during periods of market stress.

The platform allows clients to run multiple scenarios in parallel, applying different objectives across business lines and adapting strategies to evolving market conditions.

It is also fully integrated within Euroclear's Collateral Highway, which surpassed €2 trillion in collateral under management last year, facilitating the secure and efficient settlement of the transactions.

Andre van Hese, international head of securities financing at MUFG, states: "Efficiency of decision making is key for MUFG, so we are pleased to enable our trading desk to make optimal use of the collateral pool across a number of binding constraints, delivering time, and cost savings."

Marije Verhelst, head of product strategy and product development, collateral management, and securities lending at Euroclear, adds: "It is fantastic to see clients like MUFG adopting our Collateral Optimisation Service which demonstrates the tangible value it brings.

"We are focused on helping clients optimise their collateral more effectively and respond with greater agility in a complex environment."

Wematch.live reaches US$1.72tn in ongoing notional for May

Wematch.live's ongoing notional reached a record US$1.72 trillion as of May 2026, marking another milestone in the platform's continued expansion across global financing markets.

The growth reflects sustained momentum in multilateral trading activity across total return swaps, securities lending, and upgrades/downgrades (FRM).

According to Wematch.live, this highlights the increasing market shift towards more connected, transparent, and scalable trading and post-trade workflows.

The platform continues to see strong engagement from both existing and new participants, with growth being driven by a combination of increased buy side participation, broader inventory accessibility, and continued adoption of platform-based price discovery and lifecycle management capabilities.

Increasingly, firms are seeking infrastructure that allows them to centralise workflows, improve operational resilience, and access liquidity more efficiently across products and counterparties, the firm adds.

Wematch.live is also continuing to see strong momentum across APAC markets, where demand for more interoperable and globally connected financing workflows continues to increase.

Regional participants are increasingly leveraging the platform to access broader pools of liquidity, improve operational standardisation, and support cross-border trading activity within a regulated framework.

In North America, the platform has continued to see accelerating growth across securities lending activity, supported by increasing client adoption, broader inventory participation, and growing demand for scalable post-trade and lifecycle management infrastructure.

Continued market focus on operational efficiency, balance sheet optimisation, and workflow automation is further reinforcing adoption of platform-based models across the region.

This momentum also reflects wider structural trends across securities finance markets, the firm adds, including growing demand for automation, greater transparency around pricing and inventory, and the need for more scalable operational models as trading volumes and balance sheet pressures continue to increase.

Market participants are placing greater emphasis on infrastructure capable of supporting both execution and ongoing lifecycle management within a controlled and regulated environment.

DTCC expands NSCC's central clearing capabilities

The Depository Trust & Clearing Corporation (DTCC) has expanded its central clearing capabilities to support options-based exchange-traded funds (ETFs), marking a significant step forward in the evolution of ETF post-trade infrastructure.

The new capability enables the National Securities Clearing Corporation (NSCC) and Depository Trust Corporation (DTC) to centrally clear ETF shares that include listed options as underlying components, via connectivity to the Options Clearing Corporation (OCC).

It aims to further enhance risk management, operational efficiency, and transparency in the rapidly growing ETF market.

Under the new framework, ETF shares and DTC-eligible components will be centrally cleared through NSCC and settled at DTC.

Listed options components will be cleared by OCC, and NSCC will transmit instructions to facilitate the transfer of options positions between counterparties.

NSCC does not clear the underlying options, but in partnership with the OCC, it provides an integrated clearing workflow that aligns ETF share processing with options settlement.

Arianne M. Collette, managing director and head of US equities at DTCC, says: "As ETFs continue to evolve and diversify, it's critical that the post-trade infrastructure evolves with them.

"This enhancement builds on our existing ETF clearing capabilities and reflects our ongoing commitment to reducing risk, improving liquidity management, and supporting innovation that advances markets and delivers new value."

Options-based ETFs, including covered-call and FLEX options strategies, have experienced significant growth in recent years, says DTCC, driven by strong investor demand and expanding product innovation.

DTCC's enhanced clearing model is designed to support this growth by extending central clearing to ETF structures that include listed options.

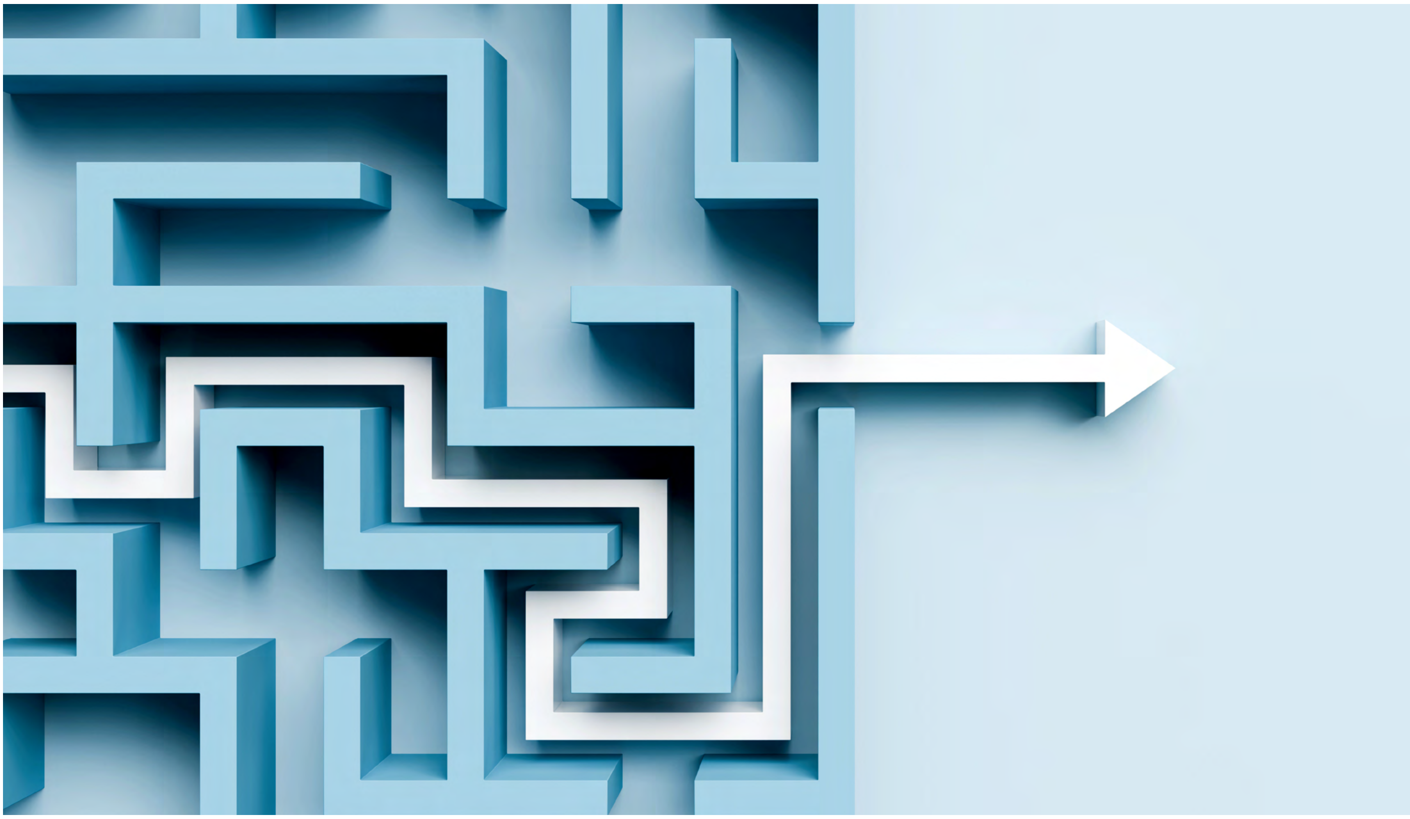
Mike Hansen, chief clearing and settlement officer at OCC, comments: "Our members have been clear about what they need as options-based ETFs continue to gain traction, and this capability delivers on that.

"This enhanced connectivity with DTCC supports a more integrated post-trade workflow, leveraging OCC's expertise in listed options clearing while promoting greater risk management, transparency, and operational efficiency across the ETF ecosystem."

In addition to expanding clearing coverage, DTCC has also enhanced its liquidity and risk management capabilities for ETFs. As part of this initiative, DTCC is introducing earlier access to preliminary ETF transaction data to support more timely liquidity estimation.

"ETF inflows continue to set new records, and central clearing plays a critical role in ensuring that growth is supported by resilient, scalable infrastructure," adds Collette. "This is another step in building the foundation for the next generation of ETF markets."

A part of DTCC's transformation efforts, these enhancements are designed to help market participants better manage high-value primary market ETF activity and respond to evolving liquidity dynamics. ■



Investing in resilience: Navigating the US Treasury clearing mandate

Nate Wuerffel, head of product for Global Collateral and head of Market Structure at BNY, provides a comprehensive perspective on the US Treasury market and the upcoming clearing mandate that is set to impact not only the US, but Asia and Europe also. Carmella Haswell reports

The central clearing rule is set to transform the US Treasury market. How prepared are firms, and what impact will this have on international banks and buy side firms?

The Securities and Exchange Commission (SEC) clearing rule will reassemble the functioning of the US Treasury market — the world's most important sovereign bond market. The Treasury market's roots trace back to Alexander Hamilton, the forefather of the modern Treasury market, who emphasised the essential qualities such a market must embody: safety and liquidity. Those defining characteristics have helped establish the Treasury market as the bedrock of the global financial system, underpinning capital markets, financing activity, and liquidity worldwide.

The Treasury market has experienced a number of periods of market illiquidity, prompting both the public and private sectors to take steps to strengthen its resilience. Among the most significant is the SEC's move to require mandatory clearing for eligible Treasury market transactions.

Central clearing is intended to reduce counterparty credit risk and, by extension, systemic risk in the market. It achieves this by placing a central counterparty (CCP) between the buyer and seller in a trade. Instead of being exposed to one another, firms face the CCP, which is intended to guarantee the transaction and ensure settlement is completed. In doing so, central clearing reduces the risk that either party fails to deliver securities or cash on time.

Because the majority of the Treasury market today is not centrally cleared, implementing the mandate is a significant change management effort. It requires change to counterparty relationships, risk management, margin and capital, systems, legal documentation and more. Fortunately, the original timelines were extended by around a year, with revised deadlines at the end of this year for US Treasury purchase and sale transactions. US Treasury Repo market transactions need to be cleared by the end of June 2027.

The industry has been making a tremendous amount of progress on readiness. BNY recently conducted a survey where about half of the respondents said they are very confident they will be able to comply with these new, revised target deadlines, while a further 40 per cent said they were somewhat confident that they would be able to comply with those deadlines.

In general, US firms appear to be further along in their preparations than those in Europe and in Asia. The survey results also suggest that sell side firms are generally better positioned for central clearing than some of their buy side counterparts. Each firm needs to do its own assessment of how it will prepare and those preparations should be well underway by now.

Repo transactions will be required to clear through a covered clearing agency by 30 June 2027. What uncertainties or challenges are yet to be tackled by the market to enable a smooth transition?

There are three key areas where uncertainties and challenges remain. Firstly, there are different provisions of the SEC clearing rule that require the clearing of certain inter-affiliate transactions.

In the final rule, the SEC responded to market feedback to allow transactions between a member of a Covered Clearing Agency (CCA) and their affiliate to remain outside of the clearing rule, because such transactions are often done for liquidity and collateral management reasons. However, that exemption is conditional. If an affiliate enters into additional outward-facing transactions with clients, those trades must then be centrally cleared. The SEC wanted to avoid firms restructuring their repo activity and moving it to affiliates in order to avoid the clearing rule.

The industry has asked for additional flexibility to allow affiliates to do a small portion of their activity on a non-centrally cleared basis. The view is that firms should not have to devote a large share of their resources to set up clearing a relatively small portion of their activity through affiliates that might be difficult to clear for operational or legal reasons, or because some clients are difficult to bring into central clearing. Some flexibility there could be helpful.

Another aspect of the rule that has garnered attention is its global nature, or 'extraterritorial' reach. The Treasury market is a global one, with market participants trading in the market in many different jurisdictions. The mandate requires central clearing of eligible transactions, irrespective of jurisdiction, or the type of firm that is engaging in the eligible activity with few exceptions. This makes sense, because a safe and liquid Treasury market benefits from having a consistent set of rules regardless of where you participate in the market.

There have been calls for greater flexibility in the treatment of transactions involving non-US counterparties. In cross-border and foreign-jurisdiction contexts, clearing certain trades can be more complex, whether because of time-zone differences or because some legal entity structures are more difficult to accommodate. A measured degree of flexibility for transactions involving non-US entities could therefore be beneficial, provided it is applied in a consistent and even-handed manner, without creating opportunities for evasion or an uneven playing field.

The second issue is around the development of a done-away clearing model. In the US Treasury market, the executing dealer would typically also clear the trade, meaning execution and clearing take place together — what is known as a done-with transaction. By contrast, in derivatives and certain other markets, execution and clearing can be separated, allowing a trade to be cleared away from the point of execution.

In market parlance, a done-away transaction is about separating the clearing and execution of a transaction. There may be firms that are well positioned to execute trades, and some that are well positioned to clear trades — those firms may not be the same.

At some point, there may be efficiencies if firms, who are comparatively well positioned to execute, can hand off the clearing of that trade to a firm that has more capital or margin efficiency and is able to clear transactions — that could broaden access within the US Treasury market to central clearing.

We have not seen that done-away clearing model develop yet, but over time we could see dealers face clearing capacity constraints, either because they run out of capital or margin funding capacity to clear their client activity. In that case they may want to turn to a third party that can clear trades with their clients so that they can continue to execute.

As we get closer to the deadlines, we might see some of the done-away clearing models evolve. Done-away clearing is something we can support in our BNY triparty infrastructure for any third-party clearing agent. We are also planning to create a done-away clearing agent service ourselves at BNY, acting as a third-party clearing agent for those using our triparty platform.

The third and final development is the innovation in clearing models that is happening, including as two new Treasury market CCPs launch. The Fixed Income Clearing Corporation (FICC) is the existing US Treasury CCP, and both CME and ICE have been approved as CCPs

"As we get closer to the deadlines, we might see some of the done-away clearing models evolve, and it is something that we are looking at closely here at BNY."

Nate Wuerffel
Head of product for Global Collateral and head of Market Structure
BNY

and are building out models to be able to clear. We are going to see some innovation in the Treasury market in terms of clearing, and market participants will be very interested to see those models and how they compare to the existing clearing models.

What type of clearing models are available for market participants to comply with the mandate and what kind of factors are driving decision making on which ones to use?

Central clearing is a bit like paying insurance. You are paying an insurance premium for times of stress when a counterparty might back away because of counterparty credit risk. In a centrally cleared trade, you pay that insurance premium on every single transaction to the CCP because the CCP is going to guarantee that such transaction settles. That insurance premium is based on the clearing model that the CCP is offering, and it includes everything from capital requirements for membership, liquidity commitments, and margin.

How can you offer a clearing model that is safe and effective, but also capital efficient and margin efficient? Over the last two years, we have started to see the evolution and innovation in clearing models to develop more capital and margin efficient models that are still safe.

FICC offers a number of different models; one of them is the Sponsored Member clearing model which is used widely within the market. That is a model that requires gross margining, so it tends to require more margin than some of the newer models. For example, Collateral-in-Lieu (CIL) is a second iteration of the Sponsored Member model that allows the CCP (FICC), to have a lien on collateral within BNY's triparty infrastructure. Its ability to take control of those assets means that the model helps protect trade participants in the event of a default while also supporting guaranteed settlement. As a result, it removes the sponsoring member's obligation to guarantee their client's performance, and in most circumstances, alleviates the need for FICC to collect margin for the client's side of the trade. This results in significant margin and capital savings for the sponsoring member. I think that is going to be a very widely used model, because it is much more efficient. It addresses the double margining problem, wherein a sponsoring member both provides collateral to the collateral receiver and provides initial margin to FICC for the same trade.

FICC has also rolled out another model, which is the Agent Clearing Service, which enhances margin efficiency by permitting net margining across clients within the same omnibus account. What we hear today is that most market participants are thinking about how they get ready for day one compliance. So, we may see market participants adopt the models they are more familiar with, like sponsored and CIL, and then consider other models, including across CCPs.

What type of role is BNY playing in supporting the market's transition to central clearing?

BNY has played a central role in the Treasury market. We made the first loan to the US government over 235 years ago, and we have been involved in the US Treasury market since its inception. Today, we offer a full suite of services to the US Treasury market, including sales and trading, custody, settlement, financing, and beyond. Given the scale of the transformation under way in the Treasury market, we see it as important — and, in many respects, a responsibility — to provide services that support market participants as they adapt to the SEC's clearing mandate and move towards compliance.

The offering is structured across four key areas, each designed to support clients at different stages of their central clearing journey.

First, for firms that require pure clearing capabilities, BNY provides outsourced clearing services, enabling clients to delegate their Treasury clearing activity and execute transactions on a centrally-cleared basis in line with regulatory requirements.

Second, the proposition extends to centrally-cleared financing, where counterparties can access direct financing from BNY. For example, clients seeking to centrally clear repo transactions can do so while benefiting from integrated financing alongside compliant trade execution.

A third area is the Global Collateral platform, which supports triparty and other financing transactions within a centrally-cleared framework. The ambition is to establish the platform as a global hub, enabling CCPs to integrate and allowing market participants to conduct centrally-cleared transactions while managing margin requirements efficiently. By facilitating the intake of transactions and their novation to CCPs, and delivering real-time visibility into transaction status, the platform supports a more streamlined and transparent clearing process.

Within this ecosystem, FICC is already integrated, providing access to services such as CIL, Agent Clearing Service, Sponsored GC, and inter-dealer financing through the GCF Repo Service. In parallel, integration efforts are underway with ICE and CME, further expanding the scope of centrally-cleared activity supported by the platform.

The fourth area focuses on margin management and optimisation, supporting CCPs and their members in meeting collateral obligations. Through the Global Collateral platform, participants can allocate and optimise collateral across multiple exposures within a single infrastructure, creating a more efficient framework for deploying assets across centrally-cleared and non-cleared activity.

Overall, we have a comprehensive set of solutions for the marketplace and are looking forward to working with clients to help get them through the transition to mandatory clearing.

Looking forward, what trajectory will the US Treasury market take over the next three to five years?

The US Treasury market is the most important sovereign bond market, and there has been so much emphasis on ensuring its resilience over time to continue to support its safety and liquidity. It is a growing market. Today it is about US$30 trillion in size, but the congressional budget estimates say it will grow to be over US$50 trillion in the next 10 years.

As the Treasury market continues to grow, it will demand more from its participants in terms of intermediation, liquidity, and risk absorption — reinforcing the need for continued improvements in transparency, risk management, and overall market resilience.

We will continue to see the public and the private sector investing in the resilience of the market. Central clearing is one piece of that, but there are a lot of other avenues that need to be pursued.

At the same time, we are seeing that technology is changing in a way that is transforming the Treasury market. Distributed ledger technology (DLT) is helping the marketplace move towards 24/7 trading, financing, settlement, custody — that is the direction of travel in financial markets at large, but also in the Treasury market. AI is also starting to transform financial markets; that is likely to be seen in the US Treasury markets as well.

In the next three to five years, there will be continued efforts to bolster the resiliency of the Treasury market. All of the public agencies — the Treasury, the Fed, the SEC, and the CFTC — are involved in these efforts. That is a priority on the private side as well, because the Treasury market is relied upon for so many things — it is a safe haven for investing, it is a foundation for pricing most of the capital markets instruments, and it can be a port in a storm of volatility.

Looking ahead, ensuring the continued strength of the Treasury market will require sustained commitment from both the public and private sectors. Central clearing is one important step, but the broader goal is clear: to build on the market's enduring foundations and ensure it remains the world's benchmark for safety, liquidity, and resilience. ■

Nordic growth and challenger positioning

Lago Kapital CEO Jarkko Järvitalo sits down with Hansa Tote to discuss the firm's expansion across Scandinavia, built on a foundation of securities lending, with integrated offerings spanning market making, incentive programmes, and complex valuation services

Lago Kapital was created in 2012. 14 years later, how has the business evolved and what notable developments have you identified?

We started our business as a securities lending broker. It soon became clear that in order to increase volumes we would need to be able to book single stock futures in Eurex, which would require our own trading licence from the Financial Services Authority (FSA). The new licence was granted in 2017, and opened multiple doors to allow us to set up new trading services such as liquidity providing, greenshoe in IPOs, and stock buyback services to Nordic listed companies.

Around 2019, we started offering an execution service for unlisted options, meaning Lago buys unlisted options from an incentive programme participant and hedges its position by selling an equivalent amount of shares to the market. This is an excellent example where our wide stock borrowing network is vital due to the hedging requiring a stock loan.

Most recently, we added the administration of incentive programmes to our service, which includes option programmes, performance share plan (PSP) programmes, and employee share-saving programmes.

Having begun as a stock loan broker, today we are able to offer almost everything that a listed company needs to make their stock attractive and incentivise their employees.

Many markets have been dominated by a single provider in this space. How does Lago Kapital differentiate itself and what can it offer clients?

Our aim is to be as open and transparent as possible — for example, our liquidity providing service — we believe we are still the only service provider that sends out a monthly performance report to show how we performed. Stock trading is anonymous, meaning the client is unable to follow how the liquidity provider is delivering the service. Our stock lending network services allow us to create liquidity in a stock market rally day due to the fact we can have a short position.

The incentive administration market has previously been dominated by a single operator in Finland.

We are a challenger — and given that we have invested a lot in automation — we can show attractive prices compared to the traditional monopolistic pricing. In addition, as we have the FSA licence and stock exchange memberships, Lago can easily include add-on services to incentive administration through our market access.

"IFRS valuation work has become more demanding as incentive structures have grown more complex as auditors and audit committees expect more rigorous fair value measurements"

How does your stock loan business underpin your services, from option execution to liquidity provision and incentive programme services?

We use securities lending in every service we offer. For flexibility in liquidity providing, we can short the share without moving the volatility of the share, for hedging in option execution, in certain arbitrage trading strategies.

Can you outline the firm's incentive plan administration? What services do you provide clients and how are they executed?

We provide a pure administration service including IFRS 2 compliant valuation and record keeping, participant portal, subscription of options, payout of shares, and share buybacks — everything except design of the plans and asset management after the plan. We do, however, have co-operation partners that offer those elements.

Valuation seems to be an area you are looking to grow further. What is the opportunity there?

IFRS valuation work has become more demanding as incentive structures have grown more complex as auditors and audit committees expect more rigorous fair value measurements. Many Nordic companies either rely on a small number of established providers or handle the work in-house with limited specialist resources. We see room for an independent and technically capable alternative.

> ***"Market making and liquidity provision require high-capability algorithms running in real time, so a strong technical foundation has been a requirement from the start"***

It is also a natural extension of what we already do. Our team produces IFRS 2 valuations as part of the incentive administration service and has the quantitative skills to take on more complex mandates, such as performance share plans with TSR or peer-group conditions modelled in Monte Carlo, and convertible bonds under IFRS 9 and 13. Together with our FSA licence, exchange memberships, and existing client base, valuation is a logical growth area for us — both as a standalone service and combined with the administration work we already provide.

Given the push towards a more digital world, with automation and technologies like DLT, blockchain, and tokenisation, how are you incorporating these within your services?

Technology has been central to what we do for a long time. Market making and liquidity provision require high-capability algorithms running in real time, so a strong technical foundation has been a requirement from the start rather than something we added later. In many ways we have seen the rest of the market catch up to where we already were. Regarding newer technologies, we have been incorporating advanced deep learning into our trading algorithms and have taken part in external projects supporting that development. We follow developments in areas like distributed ledger technology (DLT), blockchain, and tokenisation closely, and we are well positioned to adopt them where they bring real benefit to our clients.

Lago Kapital's focus has expanded from securities lending into incentive administration and valuation. That is a meaningful shift in skill set. How have you built up the expertise needed for this new direction?

It is a different skill set, but not entirely new for us. Securities lending is a trading and counterparty business, while incentive administration involves plan structures, participant communication, accounting requirements, and valuation work. Finance and quantitative analysis have always been part of what we do, therefore adding valuation capability builds on existing strengths rather than starting from zero.

We have preferred to hire and train people in-house rather than acquire the capability externally. Today we have a team of administrators handling the day-to-day operation of option plans, PSPs and share-saving programmes, and a separate valuation team of specialists who handle IFRS 2 valuations for the programmes we administer. We have invested in their training on both the accounting standards and the quantitative methods. By building this in-house, we can deliver the full service without outsourcing the technical parts.

Looking to the future, what trajectory do you anticipate the firm and its services will take over the next three to five years?

We are offering liquidity providing services in Finland, Sweden, and Denmark today. A natural step forward is to start offering incentive management in other Nordics — especially in Sweden. Our target is that in five years our services cover all Scandinavian countries.

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Business in Boston: Navigating the market

The fourth annual Securities Finance Symposium in Boston saw market participants engage in group discussions on AI, review the current state of readiness for the US Treasury clearing mandate, and share knowledgeable insights on digital assets

Opening the fourth annual Securities Finance Symposium in Boston, emcee Olivia Russell of GLMX welcomed the first panel — 'Shaping the Future of AI in Securities Finance' — which explored the shifting conversation of AI within financial services.

The session was moderated by Chelsea Devereaux, head of US asset owners client management, Financing Solutions at State Street, and provided an engaging and interactive discussion among market participants on how they are using AI in their day-to-day.

The speakers identified a number of areas in which AI is used, for example, as a learning assistant or for coding, as well as within client workflows (largely within onboarding workflows) and to achieve a scalable interpretation of legal documents.

Adopting AI models typically starts with a business or technology use case which has defined outcomes — for example a need for faster client onboarding or easier contract and fee extraction. From there it is a build versus buy decision, according to one speaker. Firms need to determine how AI solutions such as custom copilots, chat bots, and assistance can be embedded into workflows, rather than simply be a stand alone tool.

Commenting on the mention of buy versus build, one panellist highlighted that clients are looking to build for alpha and buy for speed. Firms are more likely to build if the tool is impacting the business and the generation of that. While other firms are looking to partner to help speed up their processes.

Further, it was noted that Copilot, ChatGPT, or other frontier models, are increasingly commoditised. In terms of the hallucination risk — which occurs when generative AI models produce confident but incorrect, misleading, or fabricated information — one panellist believes the issue is not as great as it may appear, as these models are becoming increasingly sophisticated and more nuanced in how they answer.

A key point was highlighted in this discussion — that it is not a model problem, but a data problem. A magnifying glass is being placed on the data, the structure of the data, databases, data lakes, etc. In the end, what will differentiate firms in terms of AI, will be the data and how it is structured.

Shifting the direction of conversion on AI, it was noted that there is some fear and curiosity around what comes next and how the AI journey will evolve. From this, the audience discussed whether there is enough governance around artificial intelligence.

Turning to the audience to share their views, one audience member noted that AI consumes “so much energy”. They feared that the largest risk was the loss of independent thinking, adding: “If we can’t contribute to AI and make it even better, AI will dominate humans — AI will govern humans rather than humans governing AI.”

Another member of the audience noted the importance to not remain complacent in implementation. Despite believing there is a sufficient oversight and governance in where AI is rolled out, the person asked: “If there is a one in 1000 chance a model could produce a bad output, if that error later appears, how can firms build a robust system to ensure that output is caught and the risk to the firm is reduced?”

To tackle this issue, panellists noted the need to be transparent and provide traceability, as well as auditability, of all records being produced.

Further, it was stated that 90 per cent of enterprise data is unstructured. Therefore, if a business is using this unstructured data to feed its AI models, the result will be poor. Using a creative analogy to drive home this statement, one panellist said: "You can have a brand new kitchen, new appliances, and a Michelin star chef, but if the food's expired, it doesn't matter what you're cooking, it is still going to taste bad."

Concluding the discussion, market participants were reminded that training is important. They were advised to be critical of answers that come from AI models when asking a broad question, and that they should also refine their prompts and add files where possible.

Challenges remain for firms facing US Treasury clearing mandate

Market participants reviewed the next steps required for the implementation of the mandatory US Treasury clearing mandate. With no shortage of choice, the panel reviewed the current central clearing models on offer — Sponsored, Agent Clearing Service (ACS), Collateral-in-Lieu — and which is best for which clients.

Providing a comprehensive breakdown, Sofia Pavlidou, product lead for central clearing services on BNY's Global Collateral platform, noted that there is no one-size-fits-all solution in regard to the central clearing services being launched, but there is optionality in the market.

She stated: "Sponsored GC was launched a couple of years ago, and since the finalisation of the mandate at the end of 2023, it has increased more than 400 per cent, crossing over US$800 billion in daily volumes. This shows that the market is moving into cleared channels ahead of the mandate."

Jeff Sowell, head of Financing Solutions product strategy, North America at State Street, commented that the Sponsored model was launched by FICC in 2005 and, up until 2017, was "a really niche" model.

"When that model was created in 2005, I don't think anyone in their wildest dreams could have imagined that it would turn into the US$2.4 trillion wagon that it is today," he added.

He referred to the legacy Sponsored model of 2005 as the "jack of all, master of none". A model which worked well through challenging market conditions, but one that does not offer the same efficiency as the new models which better fit specific client archetypes.

Collateral-in-Lieu is an extension of the Sponsored general collateral (GC) service, explained Pavlidou. The Fixed Income Clearing Corporation (FICC) takes a lien on the assets that sit on the cash investors' triparty account, and because of this lien, the model is able to offer margin and capital benefits if clients are risk-weighted asset (RWA)-constrained.

This is possible because, in most circumstances, there is no need to collect margin on behalf of the Sponsored member, and there is no need to guarantee the performance of the trade, which can reduce RWA exposures.

Sowell added that this model is well-suited for institutional cash investors, who have a focus on yield, liquidity, and are more sensitive to counterparty credit risk. The model also provides the operational ease of having a triparty agent bank hold the collateral and that undertakes the allocation, sending, reporting etc.

The ACS is the next model BNY has launched and is an extension of the existing Agent Clearing Service (the bilateral version) that the FICC offers, except this new model is on triparty. Essentially, this model enables members to continue to receive the benefits of the service by leveraging the operational benefits of operating under a triparty structure, as well as the net margin benefits that the ACS model provides.

For Sowell, the ACS model is well suited for firms like alternative investment funds, which are focused on financing treasuries and minimising all-in cost as it is the most efficient buy side access model that FICC offers.

Looking forward, Sowell predicts: "We're going to see new balances come directly into the new models, and then existing activity will migrate out of Sponsored into those new models over time."

Moving onto a solution which has created much discussion, Pavlidou discussed Done-Away. She said: "From a Global Collateral standpoint, when we think about Done-Away, it is important to have the operational structure to support it, which we have built on our triparty infrastructure. As we get closer to the mandate, dealers might realise that they don't have as much capacity to either clear or paper more counterparties, this is where Done-Away will be a solution that is very beneficial in helping the market comply with the mandate."

Readiness

The conversation shifted to discuss the current state of readiness of firms in both the US and Europe, with moderator Andrew Lazar, managing director, head of rates sales at Buckler Securities, asking: where do we find ourselves right now?

Alice Elizabeth Othigo, director, global product manager at BNP Paribas, noted: "This regulation is a major shift for the industry and for the current market, and the industry is preparing for this change. Yet the preparatory steps and the readiness of different firms may vary depending on market segment, regional presence, clearing model options, and project headways."

In terms of the fundamentals that firms are working on in order to be ready for this regulation, Othigo notes a number of important factors. First, assessing trading patterns, identifying eligible transactions, engaging with trading counterparties and clearing houses to define the best-suited clearing model. Followed by legal repapering and streamlining the flow to avoid activity bottlenecks and drawbacks.

Then, running a comprehensive programme to adapt technology and operating models to the new environment and latest workflows features. As a result, delivering scalable and integrated service models supporting firms' and their clients' business strategies and goals.
For Andy Hill, managing director, co-head of Market Practice and Regulatory Policy at the International Capital Market Association

(ICMA), it is as much about awareness as preparedness.

US Treasuries are traded globally, and for ICMA, the association has members in 70 different jurisdictions, all of which trade US Treasuries to some extent or another. It is no longer simply about whether these jurisdictions are getting ready, but whether they know they are in scope.

In terms of non-US members who are fully prepared, an ICMA survey from late 2025 reports that only four per cent are fully prepared, while around half have not begun or are just starting. As a result, the association is working to raise awareness.

The survey also highlighted a number of current challenges facing in-scope firms, the two key points remain around understanding the cross-border application and whether firms are in-scope. Other issues include coordination with counterparties, regulatory compliance and documentation, operational readiness, and choosing access models.

Notably, Hill highlighted a potential negative impact of the mandatory clearing mandate. He explained that from a non-US entity perspective, if US Treasury and Treasury repo is not part of a firm's core business, then firms must ask — considering the operational lift, the documentational lift, and even the regulatory uncertainty of being in scope — if they need to use US Treasuries or if they can use something else.

As a result, he anticipates that a number of marginal users of the Treasury market will likely step out, due to the complication and expense of this regulatory move.

Further, Hill said there remains uncertainty around triparty in a European context. He explained that if a firm moves forward with a triparty which starts with US Treasuries as part of the basket, they are in scope. But if they start off without US Treasuries and these are later caught up in that triparty due to optimisation engines and dynamic collateral allocation, the regulatory requirement remains unclear.
In his conclusion, Hill stated that there is still much to work through from a European perspective, and in a global context in general.

It's all about data

The Data Quality and Controls and Oversight in Regulatory Reporting panel explored how data is used in securities finance, how it impacts the decisions made by industry participants, and how it looks at risk management and compliance.

Gavin Marcus, head of North American sales at S&P Global Market Intelligence Cappitech, began the panel by explaining how the firm is evaluating data quality, highlighting that regulation is the key driver. He noted that feedback from clients, regulators, and industry bodies, suggests that firms are looking at data quality now as they cannot "get the house in order". He underscored the importance of analysing their data going back to source systems such as trade capture, how firms are booking the trades, risk systems, order management systems, and if the reference data is properly established.

Building on Marcus' remarks, Thomas Veneziano, director of product management at Broadridge, said that data quality is now driving much of the industry's decision making. He noted that with greater clarity around regulatory timelines, market participants have the opportunity to improve data quality, increase transparency, and engage more proactively with regulators on how the date should be used. Previously, tight timelines meant firms were focused primarily on meeting reporting requirements rather than ensuring quality data.

"Data is no longer a back-office or reporting issue or conversation," according to Tommy Ros, senior vice president, capital markets services at Delta Capita. "There is operational friction that now moves into pricing, equity, counterparty confidence, regulatory standing, and reputational damage."

He noted that the lack of regulatory change has led to an emphasis across firms looking at the change in speed and scale of their current operating models due to data flow from front-to-middle-to-back office now being almost instant, causing traditional, manual controls to feel outdated, and raises the question of how can firms improve their data quality as the regulator is putting such emphasis on it.

Concluding this section of the panel, Marcus noted that he has had numerous conversations with clients that suggest that data lakes are "imperative", with firms analysing their data across the front, middle, and back offices as well as for regulation. "Firms have put the data lakes in place so that all the data can be governed correctly, with all the data points and elements needed for processing, pricing, liquidity, and regulation."

Panel moderator Nancy Steiker, senior director, Global Securities Finance Product Management at FIS, then posed the question: why does data quality matter?

"Quality is extremely important," said Veneziano, noting this is true for a number of reasons. Firms rely on a wide range of analytics to assess counterparties and determine appropriate trading strategies. He added that, from a client onboarding perspective, several variables must be considered, including standing settlement instructions (SSIs), concentration limits, and proper investment guidelines.

"Having data in a proper, verified, clean, quality format is key, because if a firm experiences a fail today, it may face TMPG claims, CSDR penalties, reputational risk, and potential buy-ins," he said, explaining that data impacts reputational risk, market risk, and financial risk.

Ros emphasised the importance of data quality, saying that regulators are now requesting to know where data comes from, who owns it, and how it can be trusted. "Traceability is a huge point of emphasis today, which opens up a number of questions when looking at third party and AI-integrated models across third party regulatory platforms or in-house builds."

Shifting the conversation to AI, Marcus noted that "every single client" is asking how AI is being used in tools and how AI can be used to create efficiencies and cost savings. He said at S&P, AI is being embedded in all S&P solutions as well as being used internally in everyday processes, with everybody being encouraged to evaluate ways they can use agents or tools to embed AI in their processes while keeping a human 'in the loop'.

He adds the caveat that guardrails are needed, that code cannot be installed on desktops, that it needs to be vetted by the IT and security teams. “The last thing you want is to see client information on the public domain because someone has made a mistake,” he explained, highlighting that AI implementation has to be done in a slow, controlled manner to ensure it is done correctly.

The panel then moved on to discuss governance, with Veneziano underscoring that governance is shared across the organisation, and that middle office operations play a key monitoring role. He added that governance requirements vary depending on the data type, but also noted that operational risk, trading and market risk, compliance, and internal auditors all play a role in reviewing data as well as regulators.

Marcus added that data scientists are now being employed as data stewards across the industry.

Commenting on best practices to ensure front, middle, and back offices work together, speaking from Delta Capita’s perspective, Ros highlighted that building an ecosystem across the post-trade world has resonated with their client base in the past, having the ability to integrate with various systems that clients are using, and streamlining it into one platform that can aggregate, normalise, and present the data in an easily-digestible format for users across the board.

Moving onto the risks associated with poor-quality data and fragmented data management Veneziano noted that both financial and market risks can arise. He explained that if data is inaccurate or poorly maintained, risks such as incorrect SSIs may occur. He stressed the importance of maintaining strong controls to ensure that settlement instructions remain accurate. Poor data, he added, can create issues across both new and existing transactions, leading to potential fines or penalties.

Ros added that, as the industry becomes faster and the flow becomes almost instantaneous, front-to-back office firms no longer have the luxury to fix downstream regarding errors they have made in trade transaction reporting, adding another layer of risk across the board. The importance of data transparency was echoed by every panellist, particularly the ability to trace the lifecycle and identify where (if at all) an error occurred. From a reconciliation perspective, Veneziano said firms need to ensure that data is accurate, properly maintained, and sourced from reliable systems.

“Tracebility has moved from being a nice-to-have to an expectation in today’s world, especially in legacy and fragmented environments that many firms still have, but the regulators do not care about complexity. The feedback we have received from participants is that having a golden trail of data lineage and traceability is becoming a huge point of emphasis,” Ros added.

Concluding the discussion, market participants heard that data is the new goal, with firms wanting to do less with more — data is the way for firms to differentiate themselves, create new processes, be more efficient, and increase revenues.

The agent lender perspective

Agent lending is only commoditised if participants run a generic, undifferentiated programme, with market leaders distinguishing themselves through customisation, collateral and capital optimisation, and smart use of technology and data to align closely with clients’ evolving financing and regulatory needs, according to panellists.

Titled: ‘Beyond the baseline: how agent lenders compete in a commoditised market’, participants reviewed how firms leverage collateral optimisation, proactive regulatory guidance, balance sheet and risk-weighted asset (RWA) management expertise, and which service innovations resonate with beneficial owners and where the market is heading as competition intensifies.

Jon Whiting, vice president, head of international and fixed income agency trading at Fidelity Investments, laid the foundation for the panel through his perspective on differentiated models from a beneficial owner standpoint.

“What we are trying to do is ensure that we are extrapolating as much value as possible from the parameters our clients provide, including risk parameters, programme parameters, and cultural parameters."

He emphasised the need to maintain stability to ensure the firm can make as many transactions as possible in addition to ensuring there is a level of connectivity with street-side firms so they know the challenges and can provide mutually beneficial solutions.

"From Fidelity's Agency Lending's perspective, we are trying to ensure that we are building a sustainably scalable model. This means we are keeping an eye on costs and maintaining efficiency while being a driver of technology solutions for our client base and the wider market."

Leading the panel forward, moderator Brian Morrissey, executive director, Americas buy side trading services sales, securities services, at J.P. Morgan, asked the panel what collateral optimisation means to an agent lender, and from a beneficial owner perspective.

Mark MacNeill, head of US equity and corporate bond trading at eSecLending, answered, highlighting that as the market is growing and becoming commoditised, a lot of performance at the margin can be generated from managing collateral well.

MacNeill states that managing collateral well, particularly through accurate cash forecasting and efficient intraday decision-making, or even smaller improvements, such as timing cash investments and repos more effectively, can add 10–15 basis points, which becomes significant when applied to large balances.

He also underscored that by understanding the needs of counterparties, firms can optimise collateral deployment and create more value on the lending side.

Alvin Oh, global head of securities lending product at Wematch.live, adds that, from a trading platform perspective, there is a need to introduce effective utilisation of inventory, and the question of 'how do we allow agent lenders to earn more and lend more effectively on platforms such as Wematch' needs to be answered. "It is through

analytics, workflow automation, and smarter matching tools that we can help firms maximise their lendable assets, reduce inventory, rather than lending up and having to finance it overnight, and bring about collateral that they can then run their models against," Oh concluded.

Moving on to answer the question of what clients are asking of agency lending programmes and discussing regulatory impacts, Whiting notes that clients are seeking preparedness for structural market changes such as T+1, Treasury clearing, and equities as collateral in the US — "clients want to know what is going to impact their programme and their day-to-day as it currently stands".

Anthony Toscano, North American head of global securities lending solutions at MUFG Investor Services, shifts the discussion to the ETF market, highlighting that the firm serves a diverse client base, including large institutional investors and quickly growing ETF providers — many clients are seeking help on central clearing as simple as the buys and sells of their treasury positions.

Clients are also constantly wanting to revisit their bespoke programmes, and are looking to see what the implications of tweaking their current guidelines would be — whether broadening their collateral sets or changing buffers or the dynamic liquidity tests there are prior to putting a security on loan.

"ETFs in particular, continue to grow rapidly, meaning the buffers that have been used may be slightly too conservative. Being a full service agent lender means, not only are we finding distribution channels for this supply, being adaptable to the collateral types to address the binding constraints of the counterparts, but also looking at the client guidelines and parameters to see if there's things that can be tweaked," said Toscano.

From a J.P. Morgan perspective, Morrissey notes that clients are continuously asking that the agent lender sits more within the financing ecosystem, and they are looking for providers that are able to handle the full lifecycle of financing, such as liquidity management, collateral optimisation, and seamless connectivity to financing and margin workflows and revenue generation.

Furthering the discussion into service implementations, Oh comments on the use of a trading venue and electronic marketplace that allowed the firm to open up broader liquidity pools rather than relying on traditional bilateral relationships. He noted that this means clients can access a wider network of counterparties, therefore creating more opportunities for supply and demand and improving overall market efficiency in addition to providing market transparency.

Concluding the panel, MacNeill underlines the importance of agent lenders to consider the opportunity cost of a loan versus cash, or a loan versus non-cash. He also notes that for clients that primarily might be in overnight vehicles that can take equity collateral, this provides a good opportunity and may allow them to perform better from an intrinsic standpoint, and that is important to make sure clients see incremental performance.

Tokenisation moves from theory to infrastructure

The 'Blockchain, Digital Assets, and the Tokenisation of Securities Finance' panel brought together perspectives from across the securities finance ecosystem, with participants largely aligned on one point: digital assets are no longer a theoretical discussion.

Moderated by Tina Joshi, head of securities finance and collateral management solutions at Broadridge, the panel explored how institutional thinking around tokenisation has evolved, what is still holding adoption back, and whether the industry is genuinely approaching a large-scale inflection point.

Opening the discussion, Joshi asked whether the industry is now at an inflection point or still firmly in the infrastructure build-out phase. Sasha Sitsker, vice president, solutions engineering at EquiLend, argued that the answer is both. "There was a lot of apprehension about digital assets," he explained. "No one knew exactly what stepping into the digital asset space represented, or what the benefits necessarily were."

According to Sitsker, the industry has now moved beyond that uncertainty, with early adopters and major market participants beginning to align around what future infrastructure may look like and the tangible benefits of its adoption. "At least now we know which infrastructure we are building out to," he noted.

Nathaniel Lindsay, vice president and head of electronic trading, agency securities lending at State Street, agreed, but highlighted the importance of the evolving US regulatory landscape in accelerating institutional interest.

He pointed to the January 2025 executive order supporting digital assets in the US, alongside the US Securities and Exchange Commission's (SEC's) rescission of Staff Accounting Bulletin (SAB) 121 through SAB 122.

Lindsay explained that SAB 121 effectively prevented prudentially regulated institutions from engaging meaningfully in digital asset custody because it required assets under custody to sit on balance sheet. "Imagine if State Street's US$50 trillion was on balance sheet," he remarked. "It is completely infeasible from a regulatory capital standpoint."

Steve Everett, chief commercial officer CDS and head of post-trade innovation at TMX Group, meanwhile argued that the infrastructure discussion needs to be viewed more holistically. While many digital asset discussions focus on innovation layers and settlement rails, Everett suggested the industry often overlooks the operational bottlenecks inside firms themselves. "No matter how efficient your rails are, when a client back-end infrastructure does not quite meet up to the same speed, it all goes down to the lowest common denominator," he observed.

When asked about which part of the industry could see scale adoption of digital assets, Everett highlighted private markets as one area where digital transformation may accelerate more quickly because, unlike many public markets, there is little entrenched infrastructure to replace. "Private markets actually have very little infrastructure, certainly in Canada and it's mostly paper based," he said.

A major theme throughout the panel was the growing distinction between cryptocurrency and broader digital asset infrastructure.

Sitsker noted that for many years digital assets were effectively treated as synonymous with cryptocurrencies such as Bitcoin and Ethereum. Now, however, the industry is developing a much more nuanced understanding of the space, and is better able to distinguish between the asset class and the underlying technology. This includes tokenised securities, tokenised real-world assets, stablecoins, and even the use of distributed ledger technology (DLT) purely for operational workflows.

As an example, Sitsker referenced EquiLend's 1Source distributed ledger platform, which creates a single onchain version of a securities lending contract accessible to both counterparties. "If adopted at scale, it completely eliminates the notion of counterparties being out of sync or needing to come and reconcile their contracts on a day-to-day basis," he said.

Lindsay added that State Street's strategic approach to digital assets has also evolved significantly. "Our 2026 gross technology investment in digital has grown orders of magnitude since 2025 and even more substantially since 2024," he revealed.

According to Lindsay, digital assets have shifted from being a niche custody discussion to something being assessed strategically across the entire organisation.

The question of complexity versus simplification was another central topic during the discussion.

Asked whether tokenisation simplifies custody operations or makes them more complex, Lindsay acknowledged that the short-term reality is likely more difficult operationally.

Maintaining synchronisation between traditional securities and their digital representations, he explained, introduces challenges around minting, burning, corporate actions, stock splits, and dividend processing. However, he argued that in a fully digitally native environment, complexity could ultimately decrease significantly. "That is where we start to reap some of the more compelling benefits of this technology, like programmability and atomic settlement," he noted.

On the question of what still prevents institutions from moving faster into digital assets, the panel broadly agreed that the primary challenge has shifted away from regulation and towards technology integration.

Sitsker argued that the industry now broadly understands the regulatory framework, and the focus has instead turned towards scaling adoption and reducing integration pain points. "Right now everyone has got their sights focused on: okay, we know what the rules of the playground are," he said.

Lindsay similarly highlighted the importance of education and institutional-grade security. He explained that many clients still associate digital assets primarily with cryptocurrencies, rather than with tokenised representations of traditional financial instruments. "We think about abstracting away complexity and really being a bridge between traditional and digital markets for our clients," Lindsay said.

The concept of institutional-grade infrastructure became a recurring theme throughout the discussion. From a vendor perspective, Sitsker argued that many of the industry's early assumptions around decentralisation are now being reconsidered.

Rather than prioritising decentralisation, he suggested institutional markets instead require scalability, security, and trusted operators. "The decentralisation angle was probably more of a hindrance than a benefit to an industry that needs clarity around who is maintaining these networks and applications," he explained.

Everett agreed, referencing Canada's Project Samara as an example where assumptions around disintermediation did not ultimately hold up under scrutiny. "The starting point should not be disintermediation," he argued. "The starting point should be: what value is being derived and what exactly is the problem we are trying to solve for?"

The panel also challenged some of the industry's assumptions around atomic settlement.

While often presented as one of tokenisation's key advantages, Everett questioned whether marginal settlement speed improvements alone justify the operational transformation required.

"Is atomic settlement as big a value as we say it is?" he asked. "Today settlement in traditional infrastructure is measured in 10ths of second. The issue isn't the technology, it's more about how the ecosystem connects with each other today and the associated behaviour which is concomitant."

Instead, Everett highlighted programmability, reconciliation reduction, and cross-border collateral mobility as potentially more meaningful long-term benefits as opposed to pure atomic settlement as a value driver. "Cross-border mobilisation of securities is really not great," he said, suggesting digital infrastructure could materially improve that process.

The discussion later turned towards competition and market structure.

While the panellists generally agreed that trusted incumbents are likely to remain dominant in institutional markets, they also acknowledged that barriers to entry are falling rapidly.

Everett suggested advances in technology and artificial intelligence are making it significantly easier for new firms to build digital infrastructure. "The barrier to entry dropping means that you are going to naturally get more competition," he said.

Still, both Lindsay and Sitsker argued that network effects and institutional trust will continue to favour large incumbent providers, particularly in custody and asset servicing.

Finally, Joshi asked the panel which asset classes they believe will first achieve genuine tokenised scale beyond pilot programmes.

Sitsker pointed towards stablecoins, describing them as the most

easily understood digital asset use case and potentially foundational infrastructure for digitally native transactions.

Lindsay instead highlighted tokenised money market funds, citing growing institutional demand for yield-bearing digital cash instruments that can also be mobilised as collateral. "The product-market fit is pretty clear," he said.

Everett agreed with the money market fund thesis as collateral, but also argued that private markets may ultimately see the most complete digital migration due to their lack of entrenched infrastructure. "When that (private markets) moves across to this technology," he concluded, "I think it is going to move at scale."

Away from the silo

The 'Collateral Management and Optimisation: Making the Most of What You Have' panel highlighted one clear message: collateral optimisation is no longer just a back office efficiency exercise.

Moderated by Amy Caruso, head of collateral initiatives at ISDA, the discussion explored how firms are trying to put the right collateral in the right place at the right time, while navigating constraints around capital, return on equity, liquidity, and operational complexity.

Opening the discussion, Caruso noted that collateral optimisation can mean different things to different firms. Some focus on capital, others on return on investment, and others on ease of movement.

For Joseph Pirro, director and head of equity lending and repo Americas at ING, the answer has been a major internal overhaul.

Pirro explained that ING's securities finance division had historically been split across fixed income repo, equity lending and equity repo, and linear equity derivatives, with each area managing its own funding and collateral.

That siloed model has since shifted towards a more centralised approach through a Funding and Liability structure at ING, which has now been in place for many years with Global Securities Finance. The project is a bank-wide initiative to make Global Securities Finance the hub for all collateral within the bank.

"We are bringing it all back and doing it all from an optimisation perspective, but it all starts with the data and making sure that it is clean," Pirro said.

He added that the project is still in its early stages and is expected to take three to five years, with a focus on dashboards, system connectivity, front-end booking systems, and reducing manual intervention.

Ted Leveroni, head of margin services at BNY, said buy side firms face a similar problem, even if the details differ. "The problem statement, I think, with buy side and sell side, is universal and similar," he said. "It is inefficient operations leading to inefficient use of assets, leading to a drag on performance."

For Leveroni, the first step is an aggregated view of assets, followed by optimisation tools and mobilisation capabilities. He said firms need to see not only their long assets, but also collateral received through financing and derivatives activity.

Ed Corral, head of collateral services at Pirum, argued that vendors can help firms accelerate this process by reducing internal friction and supporting consolidation of inventory and eligibility schedules.

Reflecting on his own experience, Corral said optimisation can take years, but the value can be substantial. "When you finally get there, the value is incredible," he said.

From a central counterparty perspective, Harsh Devpura, director, securities finance at OCC, highlighted the role of infrastructure modernisation.

Devpura pointed to OCC's Ovation programme, describing it as an investment to comprehensively redevelop and modernise the company's risk management, clearing, and data systems.

According to Devpura, the platform is moving from a single mainframe to microservices in the cloud that can support faster product delivery, optimise workflows, provide real-time data that can act as tools for members to develop their own applications, and enhanced security and improved resiliency.

He also highlighted OCC's exploration of new membership access models and tri-party services.

The panel then turned to artificial intelligence, with speakers broadly agreeing that the technology could have a significant role in collateral optimisation.

Corral continued that optimisation is particularly well suited to AI because many of its objectives can be represented mathematically. "Every complex objective in optimisation can be represented as a formula, so it is tailor-made for AI," he said.

Pirro said ING is already using AI for admin and to help with on the desk coding projects. He identifies possible future use cases the market could consider, such as digitising agreements, reviewing collateral support annexes, and summarising regulation.

Leveroni suggested that AI could ultimately support pre-trade optimisation, helping clients identify the best source of financing for a particular security at a particular time. However, he cautioned that firms still need the underlying data, connectivity, and asset mobilisation capabilities before they can fully benefit.

Devpura added that firms can use analytics to assess what their margin requirements may look like before portfolio finalisation.

The use of non-cash collateral was another major theme. Leveroni said the driver behind greater use of securities as

collateral is simple: "It is cash drag." He argued that most collateral support annexes remain cash-only, creating a need for standardisation, automation, and more efficient ways to update documentation at scale.

Pirro agreed, noting that equities and Treasuries have long been used in securities lending, but that large pools of buy side assets remain idle. "The idea of being able to mobilise a lot of these things that were idle, even if you just mobilise it another step, is a step in the right direction," he said.

Corral recalled previous efforts to post non-cash collateral under existing agreements, only to find that counterparties were not operationally ready to accept it. "There was nothing more to it than that," he said, recalling one operations manager's explanation that cash was simply easier to post.

Finally, the panel considered tokenisation and its potential impact on collateral management.

Leveroni argued that tokenised collateral could support intraday margin calls and ultimately better pricing. "To me, you are taking an inefficiency out of the market, which translates into cost out of the market, which is better for the investor," he said.

Corral highlighted the value of models that link traditional collateral with tokenised representations, suggesting these hybrid structures may be more realistic in the near term than a fully digital replacement of existing markets.

Devpura said tokenisation could also support extended trading hours, particularly in a 23/5 or 24/7 market environment. "If you really want to get into a full 24/7 or 23/5, tokenisation becomes a strong workflow tool," he said.

Across the discussion, the message was consistent: collateral optimisation requires technology, but it begins with visibility, clean data, and the ability to mobilise assets across fragmented systems. ■

The 30-minute bank: The horizon of the new liquidity regime

In the fourth instalment of this ongoing series, Cyril Louchtchay de Fleurian, head of securities finance and balance sheet strategy at Capteo: Strategy & Management Consulting, on intraday compression, T+1, and wrong-way risk

More volume, more balance sheet, less time

The expansion of so-called 'liquid' markets has reshaped how banks make money in trading. P&L that used to come from long-dated positions — credit carry, rate transformation — has shifted to flow. That shift reduces apparent market risk. Instead, risk concentrates in two places — both reinforcing each other: balance sheet consumption to carry volume, and a structural dependence on market liquidity to continuously roll funding.

The model feeds on itself. More flow means more balance sheet — more balance sheet means more dependence on external liquidity. From 2010 to 2025, the aggregate balance sheet of euro area banks rose from roughly 250 per cent to 350 per cent of European GDP, even as GDP itself grew from €16 trillion to €21.5 trillion. In a moderate-growth environment, the banking system has effectively doubled its balance sheet.

This shift is not uniform. It shows up in three pressures: the time compression of intraday, the acceleration imposed by T+1, and the structural wrong-way risk that comes with it. They do not move independently — they amplify each other.

Liquidity is an overloaded term. It mixes things the market tends to treat as one. There are three distinct forms of it: first, market liquidity: the ability to buy, sell, lend, or borrow an asset quickly without materially moving its price — a function of depth, resilience, and bid-ask spread. Second, funding liquidity: the ability of intermediaries — dealers, prime brokers, investment banks — to raise cash through repo or other secured funding, carry risk, and make markets. Third, collateral liquidity: the ability to convert assets into cash through secured channels — repo, triparty, CCPs, central banks — with applicable haircuts and margins, and within a time-to-cash compatible with intraday settlement requirements.

These three forms of liquidity reinforce each other and destroy each other. This is not an academic triptych. It is how modern liquidity actually works.

Less overnight, more intraday

That interaction is now being reshaped around a single central constraint: time. An overnight transaction is executed today, valued today, and closed the following business day. An intraday transaction is executed today, valued today, and closed today — for example, a trade running from 09:00 to 11:00. A decisive share of daily liquidity now forms intraday, within extremely tight time windows.

Two-thirds of cleared repo transactions in Europe are executed between 08:30 and 09:00 (Source: Eurex–LCH 2025). That means most of the European market's daily funding is put in place in 30 minutes. In the US, cleared interdealer repo is similarly concentrated: close to two-thirds of delivery-versus-payment (DVP) volume on Treasuries is executed between 07:00 and 08:30, and 62 per cent of general collateral financing (GCF) — cleared triparty repo —is done before 08:30, around 90 per cent before noon (Source: Broadridge–FICC 2025). This is not a convention. It is driven by settlement, collateral, and treasury constraints — in other words, by infrastructure-driven execution requirements. Banks need to be funded before cash opens.

The implications are immediate: procyclicality, high stress sensitivity, and a material risk of a morning funding squeeze. If that window seizes up, the entire system runs short of cash simultaneously. That is the new frontier of liquidity risk.

Most liquidity monitoring and governance frameworks are still built around T+1, T+5, or 30-day horizons, aligned with regulatory reporting requirements. Yet recent stress episodes consistently show that actual liquidity breaks materialise intraday, well before any observable deterioration in ratios. These breaks are almost always timing failures: mismatches between payment flows and the effective availability of collateral; collateral trapped in operational chains or unsynchronised infrastructures; unanticipated payment queue build-ups; cut-off constraints, CCP cycles, or TARGET2/CLS windows that are poorly integrated into real-time decision-making.

The paradox is simple: a bank can be liquid on paper and still unable to raise cash when it matters. No one really owns intraday risk in most organisations. It sits at the intersection of front-office treasury and repo trading, middle-office collateral management, and back-office payments and operations — with, in most cases, no explicit cross-functional coordination.

Under stress, fragmentation turns into self-inflicted gridlock: the priority shifts from strategic arbitrage to operational firefighting. In practice, firms operate with poor consolidated visibility on critical payment flows — TARGET2, CLS, margin calls — limited integration of actual collateral mobilisation timing into intraday decision-making, and only partial ability to prioritise, in real time, liquidity usage across payments, margins, and funding.

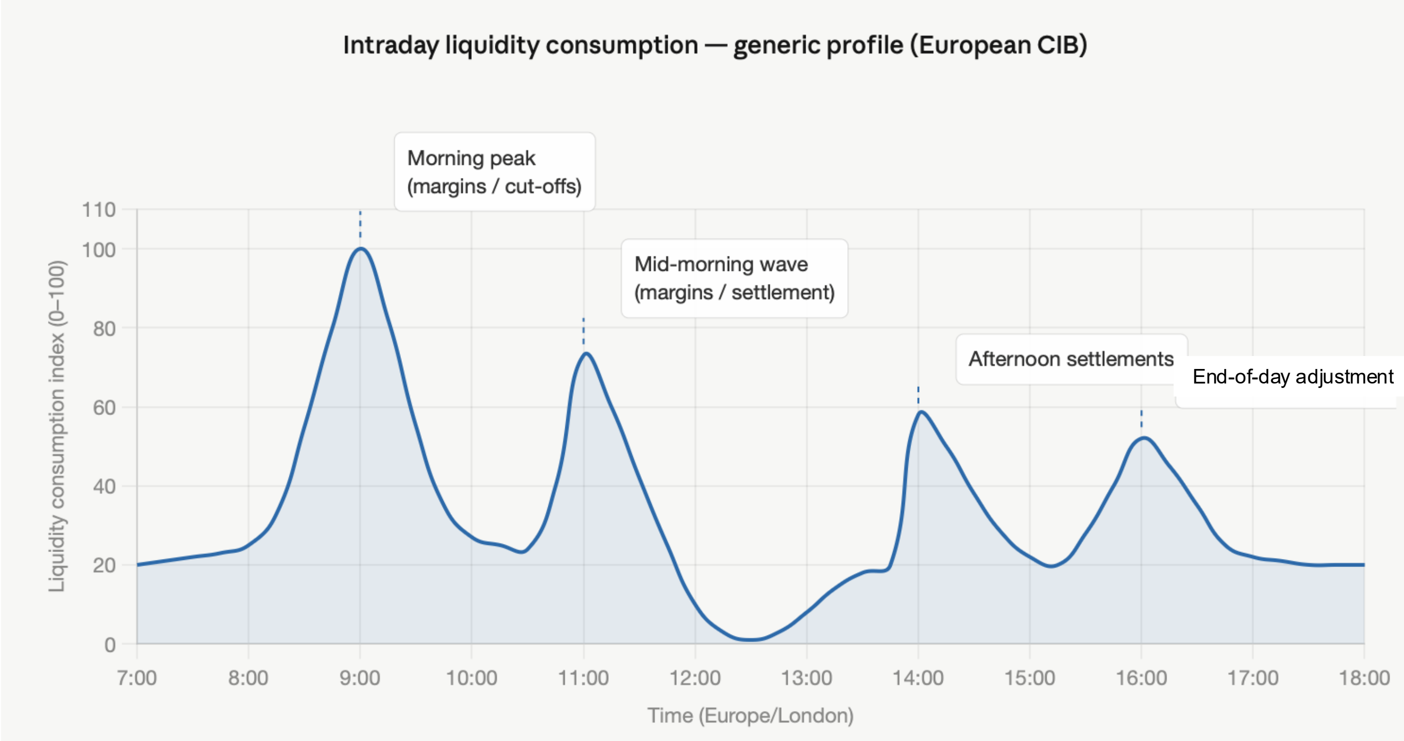
The risk of intraday gridlock — where flows lock up through circular dependency — is high precisely because liquidity stops circulating not from a shortage of resources, but from a failure of orchestration. Without explicit ownership of this risk, liquidity management remains partial: robust on paper, but exposed at the exact moment when operational continuity is at stake.

Liquidity now has an intraday curve, even though many desks still treat overnight as the natural pricing unit. In practice, the marginal cost of liquidity is not flat: it spikes around CCP margin calls, payment cut-offs, and settlement windows. An intraday transaction allows those peaks to be priced explicitly rather than averaged into an overnight rate. Price formation is also necessarily better intraday: when everything is calibrated to overnight, participants fund longer than they need and then wait. Intraday lets you fund the gap when it actually hits — reducing fails, late substitutions — the probability of fire sales triggered by temporary cash shortfalls, and contagion through margin calls. The structural acceleration of market cycles towards T+0, instant payments, and 24/7 processing reinforces this. The more markets move towards rapid turnaround — multiple triparty repo batches per hour, for instance — the more obsolete day-based management becomes. Intraday is not a future aspiration. It is the first realistic step towards a world where funding maturities are measured in hours, not days.

The balance sheet impact is immediate. Less immobilised liquidity means less idle buffer. If a bank owes variation margin at 11:00 and its cash arrives at 14:00, it does not have a structural liquidity problem, it has a timing problem. Without intraday tools, treasury over-buffers as insurance. With intraday, it covers a two or three-hour gap. The result: the bank cuts its comfort cushion — carry cost, high-quality liquid asset (HQLA) encumbrance, leverage usage — without reducing safety.

More importantly, intraday optimises the genuinely scarce resource: balance sheet capacity, not just cash. The real cost of a repo position is not the repo rate; it is the combination of leverage consumption, HQLA encumbrance, collateral transformation capacity, and

How intraday liquidity is consumed across the day in European banks



Source: ECB – Target2 | Occasional Paper No. 300, *Intraday liquidity need: modelling and empirical evidences*, 2022 operational friction. Intraday reduces the duration for which each of these resources is tied up. Even where hourly spreads are high, shorter occupancy frees capacity for other uses. And intraday cuts BAU avoidable losses — missed cut-offs, collateral in the wrong place, margins paid too late, assets liquidated solely to make a payment. These losses do not come from the market. They come from timing.

Where we are now: overnight liquidity is no longer one continuous block. It has become a succession of funding windows — two hours, four hours, 'until cut-off X'. Like electricity pricing, it is no longer kWh per day but kWh by time slice, with peaks. The banks able to price and execute these windows will gain in balance sheet efficiency, resilience, and the capacity to serve clients when the pipes tighten.

T+1 compresses repo and SFT into a critical synchronisation chain

The 30-minute funding window is not an operational glitch. It is the signature of a regime where time has become the scarce resource. T+1 accelerates this logic across the entire settlement cycle.

T+1 does not change the legal nature of repo, nor its own operating mechanics. What it does is sharply tighten the operational environment within which repo functions. That is the key point. Repo depends on the ability to fund, deliver, substitute, recall, and remobilise collateral within short time windows. T+1 compresses those windows, pulls processing deadlines forward, and eliminates tolerance for friction. What used to be an efficiency issue has become an execution-capacity issue.

Repo is a funding and collateral transformation infrastructure. As such, it is directly dependent on markets and flows that themselves move to T+1: securities purchases and sales generating funding requirements; securities settlement in CSDs and ICSDs; collateral movements tied to those transactions; margin management on cleared or funded positions; collateral allocation and substitution across triparty, CCP, and bilateral chains.

Even where repo sits outside the legal perimeter of T+1, it absorbs the compression of the entire ecosystem it is connected to. Repo becomes the temporal shock absorber of a faster cash-securities market. And if that shock absorber fails, stress immediately feeds back into funding, fails, collateral mobilisation, and intraday liquidity.

Market participants will have far less usable time to process the collateral monetisation chain. Confirmations must go out earlier, settlement instructions must be enriched earlier, collateral must be selected earlier, breaks must be identified and corrected earlier — before they become blocking. Repo and securities financing transactions (SFT) are directly exposed to this compression because they depend precisely on synchronisation across cash, securities, collateral, margins, and infrastructure.

T+1 reinforces a truth already at work: operational performance depends less on the theoretical stock of available assets than on the speed at which those assets can be turned into liquidity or settlement capacity. In practice, this means four concrete requirements: earlier confirmation decisions; earlier collateral mobilisation; exception resolution brought forward towards trade date; and greater pressure on intraday liquidity: since the earlier each step is pulled forward, the more cash, securities, and margin needs concentrate at the open. Repo becomes more sensitive to cut-offs, collateral transformation delays, payment queues, infrastructure congestion, and speed asymmetries between participants.

Liquidity execution is a coordination chain spanning multiple functions: repo and SFT front office, treasury, collateral management, securities settlements, operations, risk and credit, IT and data, custody, triparty, and clearing. Under T+1, the fragility of this cross-functionality increases sharply: one slow link degrades the entire chain. Repo is particularly vulnerable because its efficiency depends on a highly sequenced execution path: the funding need arises, collateral must be identified, eligibility must be checked, the trade must be executed, the trading impacts assessed, instructions matched, settlement completed in the right window, and breaks resolved immediately. Under T+1, there is no room left for organisational latency in that sequence. Speed becomes a collective discipline, not a desk-level quality.

The operational impacts are immediate across several fronts. Tighter cut-offs bring higher fail risk, greater funding cost exposure, larger marginal requirements for back-up liquidity, and increased dependence on the fastest counterparties.

Manual steps become more dangerous: manual instruction enrichment, ad hoc collateral selection, human intervention on matching breaks, non-industrialised substitution processing. The problem is the latency these manual processes introduce into an environment that has become significantly tighter.

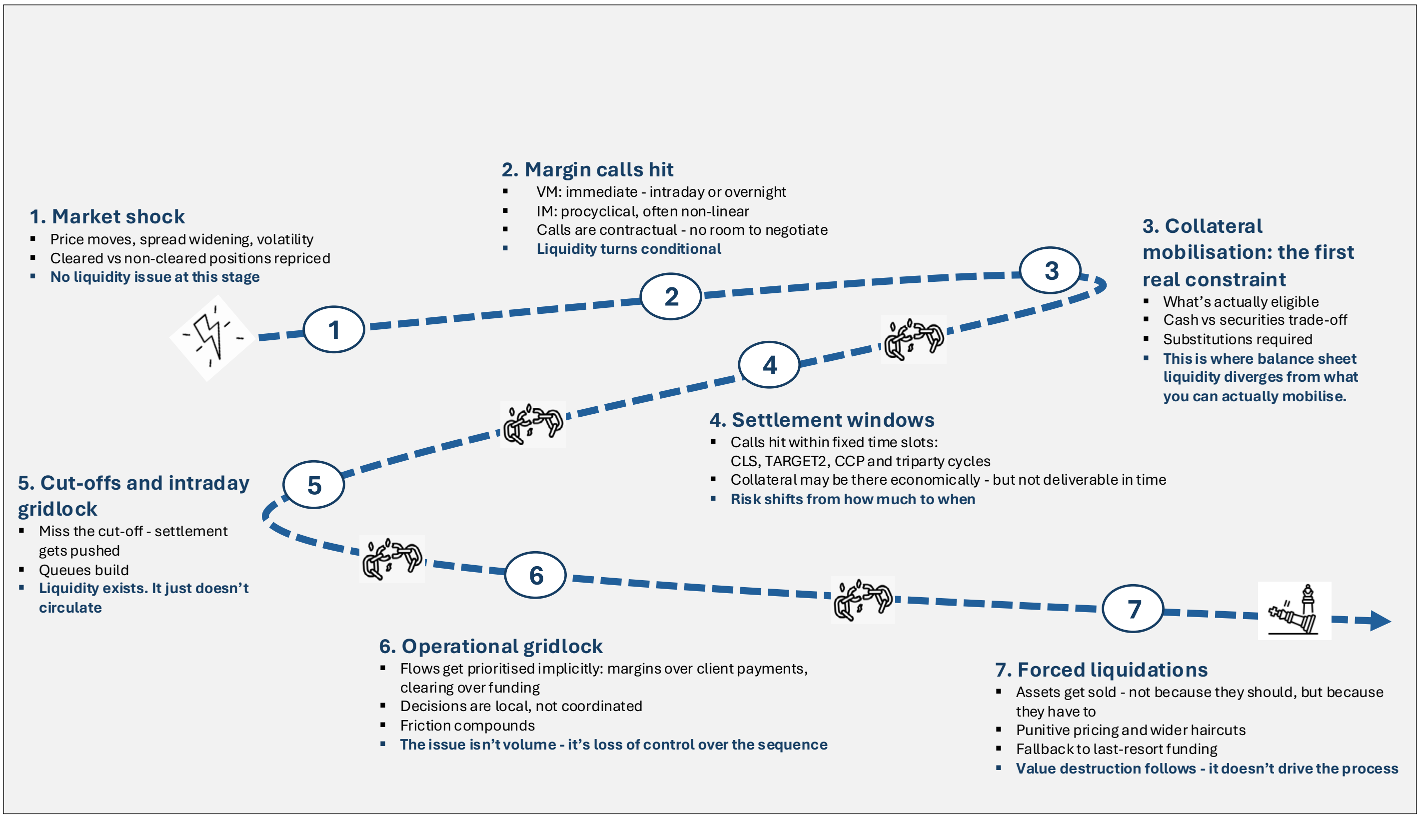
Operating hours must extend: T+1 pushes towards broader processing hours (24/5) with teams more closely aligned across time zones and monitoring capability available earlier and later in the day. Exception management becomes strategically critical. In a T+1 world, the ability to process exceptions quickly matters nearly as much as the ability to handle standard flow — which requires break prioritisation, clear escalation workflows, and the capacity to arbitrate quickly between substitution, collateral transformation, and recourse to an alternative funding channel. This demands explicit ownership. That is the real operational challenge of the new regime.

T+1 fundamentally reconfigures liquidity execution by imposing a far more demanding speed discipline. Repo becomes intolerant of slow organisations, imperfect data, fragmented processing chains, and implicit accountability.

When collateral deteriorates precisely when it is needed

These two dynamics — the concentration of funding into narrow intraday windows and the operational compression imposed by

The kill chain: Where liquidity is won or lost



T+1 — together create a vulnerability that standard frameworks simply do not capture. In normal conditions, they are manageable in isolation. Under stress, they combine: it is precisely then that available collateral deteriorates, haircuts widen, and mobilisation becomes impossible. This is not a coincidence. It is a structural adverse correlation. It is what is meant by liquidity wrong-way risk.

Liquidity wrong-way risk arises when stress hits the franchise — confidence, reputation, perceived credit quality — and mechanically drives a simultaneous deterioration in the economic value of usable assets, their acceptability to counterparties and infrastructures, and their funding terms through higher haircuts and initial margin calls. Collateral that functions perfectly in normal conditions becomes structurally impaired under stress. The mechanism is systematic, not accidental: it is driven by a self-reinforcing spiral in which rising stress increases the marginal cost of liquidity, which narrows the range of viable options, which causes the buffer to contract endogenously.

Standard frameworks — Liquidity Coverage Ratio (LCR), regulatory stress tests, contingency funding plans — underestimate this risk. By treating collateral as exogenous, they implicitly assume that asset quality is independent of franchise health, that haircuts are stable or only mildly cyclical, and that liquidity deteriorates linearly. None of that holds in a confidence crisis. Liquidity wrong-way risk is non-linear, procyclical, and immediate. What this reveals is that under stress, liquidity is not merely consumed — it is destroyed by adverse correlation. And crucially, that destruction is not managed, not arbitrated, has no explicit owner, and is ultimately self-inflicted.

The gap between regulatory LCR — a photograph, a static snapshot — and economic LCR — a film, a dynamic picture — is the accounting expression of this reality. A ratio calculated on eligible assets at book value can show 120 per cent while the effective mobilisation capacity of those same assets — subject to wider market haircuts, nervous counterparties, and closed repo channels — contracts below 100 per cent in under 48 hours. The ratio says ‘liquid’. The market says ‘not executable’.

Credit Suisse was still meeting its regulatory ratios in March 2023. It ceased to exist within 72 hours. The 111 billion Swiss francs (US$141 billion) of outflows in Q4 2022 were not absorbed because collateral was not sufficient, pre-positioned and mobilisable through the right channels at the right moment — the Swiss National Bank said so explicitly. The breaking point was not solvency. It was the loss of operational control over executable liquidity, amplified by a confidence narrative that neither the buffers nor the CHF50 billion (US$63.5 billion) of emergency liquidity assistance were able to stop.

Funding finances the balance sheet: Liquidity makes it executable

Internalising the cost of cash on the balance sheet gives visible form and price to the frictions and risks that business lines face. In that context, funding and liquidity are both about the bank’s cash, but they serve different time horizons and different economic functions. They represent two distinct resources, each as scarce as the other: balance sheet funding and payment execution capacity.

Funding feeds the balance sheet. It is the amount of cash the bank allocates to business lines to finance their market positions. It comes with an envelope, a maturity (overnight, term) and an internal price: the Funds Transfer Price, or FTP. Liquidity is execution capacity. It is the bank’s ability to settle during the day: margin calls, securities settlements, client payments, collateral mobilisation. The distinction matters because banks have invested heavily in structural funding and in regulatory ratios — LCR, net stable funding ratio (NSFR). Far less has been invested in controlling executable liquidity. And recent crises consistently show that the problem is intraday liquidity availability, not structural funding levels.

Liquidity is never free. The question is where the cost sits, who pays it, and how visible it is. What is not explicitly priced, allocated, and governed always resurfaces as amplified risk. If there is a FTP for balance sheet funding, a Liquidity Transfer Price (LTP) is indispensable to price execution capacity itself, whether recharged internally or not.

Liquidity consumes usable collateral, settlement capacity, and above all concentrates emerging risks. As long as liquidity is treated as a by-product of funding, it will remain an unowned risk and therefore a P&L destroyer.

Without LTP, the bank operates blind

LTP is not an analytical refinement. It is the missing price signal that allows business lines to see the true cost of their execution behaviour: a desk that submits settlement instructions at end of day, collateral in the wrong place forcing recourse to central bank intraday credit, a late substitution generating a fail — these are frictions whose true cost is currently socialised on treasury's balance sheet and invisible to the party that caused them. LTP puts the cost back where it belongs. It makes each business line pay the real price of its execution frictions.

Building it is not straightforward. Unlike FTP, whose components — refinancing cost, term premium, regulatory adjustment — rest on relatively established doctrine, LTP must capture heterogeneous dimensions: the opportunity cost of collateral trapped in inefficient settlement chains; the value of settlement capacity available within narrow intraday windows; the premium attached to gridlock risk under infrastructure congestion; and the implicit wrong-way component — the probability that required liquidity deteriorates precisely when the need is at its highest. These four components have one thing in common: they are all time-based. LTP is fundamentally the price of time, not just the price of cash.

The diagnosis is unambiguous. Intraday, T+1, and wrong-way risk are three manifestations of the same structural shift. Liquidity is no longer a stock to hold — it is an execution capacity to manage through time. A bank can be fully funded, fully compliant, and carrying sufficient HQLA: none of that is enough if it cannot mobilise the right resources, in the right window, at the right point in the execution chain. Funding finances the balance sheet. Liquidity makes it executable.

"As long as liquidity is treated as a by-product of funding, it will remain an unowned risk and therefore a P&L destroyer"

Cyril Louchtchay de Fleurian
Head of securities finance and
balance sheet strategy
Capteo: Strategy & Management Consulting

Combining legal expertise with practical market insight

Sabah Anjum, buy-side associate, Market Practice and Regulatory Policy at ICMA, speaks to Carmella Haswell on how her journey into securities finance was shaped by a strong legal foundation and a willingness to embrace unexpected opportunities

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

My journey into the securities finance industry was not a conventional one but it has been shaped by a strong legal foundation and a willingness to embrace unexpected opportunities. I hold both a Bachelor's and a Master's degree in Law and Practice and initially envisaged a traditional legal career.

After university, I joined the world's largest custodian bank as an investment management paralegal, which was my initial exposure and entry into the finance industry. The role provided invaluable exposure to the intersection of law, regulation, and investment management.

The trajectory of my 'traditional' legal career journey shifted when an opportunity arose to join the International Capital Market Association (ICMA) as an associate in the Market Practice and Regulatory Policy team. This marked an unexpected but formative entry into the financial and regulatory realm. Working closely with market participants and regulators deepened my understanding of securities finance, market practice, and the evolving regulatory landscape.

What began as an unplanned move into finance ultimately became a deliberate career choice, allowing me to combine my legal expertise with a broader regulatory and market-focused perspective.

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

The dynamic, ever-changing and closely connected to the stability and efficiency of global markets, makes this space exciting. The pace of regulatory, structural, and market developments means that there is always something new to learn, keeping the work both challenging and engaging.

My role offers strong opportunities for career development and exposure to a wide range of market participants and topics, from regulation and market practice to broader industry policies and initiatives. That diversity of learning, combined with the ability to contribute to meaningful industry discussions, makes the role particularly rewarding at this stage of my career.

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

ICMA has been highly supportive of my professional growth, placing a strong emphasis on continuous learning and development. The organisation offers an extensive range of education and training courses covering capital markets, securities finance, repo, and regulatory developments, which has allowed me to build both technical knowledge and practical market insight alongside my day-to-day role.

In addition to formal education, ICMA actively supports my longer-term career development by encouraging the progression of my legal qualifications. This support has enabled me to continue developing my legal expertise while applying it directly to market practice and regulatory policy work, creating a well-rounded and highly relevant skill set.

The combination of structured education, exposure to market participants, and genuine support for individual career paths has been instrumental in helping me grow both professionally and personally.

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

A misconception is that the industry is inaccessible to those without a traditional finance background. My own journey demonstrates that skills developed through legal experience, such as analytical thinking, drafting, and regulatory interpretation are highly transferable and valued within financial markets.

A more common misconception about working in the industry is that it comes at the expense of work/life balance. My experience at ICMA shows that this is not necessarily the case. The organisation promotes open dialogue, inclusive working practices, and a culture that recognises the importance of wellbeing, both mental and physical.

Finding the right balance is also a personal responsibility. Setting boundaries and managing pressure is something each of us must actively engage in, regardless of sector. Creating healthier workplaces is a joint effort between individuals and organisations, supported by open discussion, wellbeing initiatives, and a commitment to creating a healthy work/life balance.

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

Approach your career with curiosity, resilience, and a strong sense of ownership over your development. The learning curve can be steep, but consistency and determination make a real difference. Take initiative, stay engaged, and look for opportunities to build your skill set — career progression rarely happens by chance.

Do not be afraid to ask questions or seek guidance when you need it. Open communication with colleagues and managers, combined with a willingness to accept and act on feedback, is essential to long-term growth.

Equally important is staying true to yourself. Authenticity matters and your individual background and perspective are strengths, not limitations. There is no single route to success as one person's route may not necessarily be the right route for you.

Careers are shaped over time through small decisions and experiences. Embrace setbacks as part of the process, remain adaptable, and make the most of every opportunity that comes your way. Your journey will be unique. Own it and allow it to evolve.

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

I aim to have completed the Solicitors Qualifying Examination (SQE) and have qualified as a lawyer, specialising in the financial regulatory space. Building on my legal foundation, I would like to continue expanding my technical knowledge of financial markets and deepen my understanding of the evolving regulatory landscape.

Alongside this, I hope to play an increasingly active role in supporting and shaping market practice, making meaningful contributions to the work of ICMA. Being able to combine legal expertise with practical market insight to support efficient, resilient, and well-functioning markets is a long-term aspiration and one I am keen to continue developing. ■

Sabah Anjum joined as an associate in the Market Practice and Regulatory Policy division at the International Capital Market Association in January 2025. In her role, she contributes to market practice initiatives and regulatory policy work, assisting senior directors who support the relationship and dialogue between market participants and regulators across the capital markets landscape.

She holds a Bachelor's degree in Law and a Master's degree in Law and Practice, and has completed the Legal Practice Course (LPC). Anjum brings five years of paralegal experience to her current position. Her professional background includes in-house and financial services experience and has a strong interest in financial regulation, market practice, and the continued development of efficient and resilient markets.

Citi welcomes Hostin

Citi has appointed Patricia Hostin as head of securities finance.

In this role, she will lead the firm's agency lending, collateral management, and liquidity solutions businesses, and will begin in July.

Based in New York, she will report to Chris Cox, head of investor services.

She brings extensive experience in driving client growth, technology modernisation, and capital optimisation to the role, as Citi continues to grow its securities finance business.

Previously, Hostin was global head of agency lending at State Street, where she was responsible for overseeing the entire business globally, while working collaboratively across key business and support functions to ensure State Street delivered its securities lending product.

Prior to that, she held a 20-year tenure at BlackRock, where she was most recently managing director for the firm's Financial Resource Management business.

Here, she worked to execute a global strategy for optimising capital and balance sheet consumption, with broker-dealer counterparties across repo financing, securities lending, prime brokerage financing, cash management, and trading.

While at BlackRock, Hostin also worked as managing director, head of NA Equity and FI Finance, head of US Equity Financing Trading, and director of business strategy.

WTS Hansuke appoints Dyson

WTS Hansuke has appointed Andrew Dyson as an advisor to the firm's Capital Markets practice.

Based in London, Dyson will work closely with market participants across EMEA as they navigate accelerated settlement, evolving market structure, regulatory change, and the increasing importance of efficient financing and collateral strategies.

Dyson was previously CEO of the International Securities Lending Association (ISLA). During his 12 years here, he helped shape the association's role as a leading voice for the securities finance industry.

In a statement, WTS Hansuke says: "Andrew's appointment is the latest addition to our growing team and an important reinforcement of our commitment to supporting clients across securities finance, repo, financing, and collateral markets, and the wider market ecosystem."

Prior to his time at ISLA, Dyson held a number of positions at Markit (formerly Data Explorers), such as director, head of account management EMEA, securities lending analytics, head of Data Explorers consultancy, and managing director, risk explorer and senior consultant.

He also held a 10-year tenure at Deutsche Bank, most recently working as head of

sales and client services, global portfolio management, EMEA.

EquiLend names Heath as Chief Strategy Officer

EquiLend has welcomed the appointment of Simon Heath as chief strategy officer.

Based in London, Heath joins EquiLend's executive leadership team and will report to CEO Rich Grossi.

In his new role, Heath will drive EquiLend's strategic growth agenda, partnering across the organisation to accelerate regional expansion and support continued product innovation.

Heath says: "EquiLend sits at the centre of the global securities finance market, and there are few firms with a comparable vantage point on where the industry is heading.

"I've spent my career on the practitioner side of this business, and I look forward to bringing that perspective to the team as we work to expand EquiLend's footprint and capabilities for clients globally."

Previously positioned at J.P. Morgan, Heath most recently served as managing director and global head of Agency Securities Finance.

Across more than 25 years in the industry, he has built deep expertise in securities finance, client strategy, and market structure.

Gentek.ai onboards Tsang

Gentek.ai has welcomed Jonathan Tsang as head of operations, reporting to CEO of the firm, Pierre Khemdoudi.

He moves to the role after four years at S&P Global Market Intelligence as head of business development EMEA, Cappitech, during which he was responsible for leading the expansion of the firm's regulatory reporting capabilities.

He also managed the Cappitech client services team globally and helped clients navigate and onboard onto the Securities Financing Transactions Regulation (SFTR) platform.

Tsang has 20 years of experience covering collateral management, trade support, and regulatory reporting.

Prior to S&P Global Market Intelligence, Tsang spent more than three years at IHS Markit as director within the firm's Global Regulatory Reporting Solutions team.

Earlier in his career, Tsang spent five years at CME Group where he was business and product development manager of the European Trade Repository.

Hadingham departs EquiLend

Lisbeth Hadingham has left her role as director at EquiLend after almost a year at the firm.

She originally worked within TradingApps as head of global sales and saw the company through its acquisition by EquiLend.

She has held a number of positions, such as at DoxAI, where she served as executive vice president for North America for more than two years, driving the IT services company's expansion in the region.

Prior to that, Hadingham held sales and leadership positions at financial firms such as J.P. Morgan and Citi, as well as technology providers like Transcend, CloudMargin, and FIS.■

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