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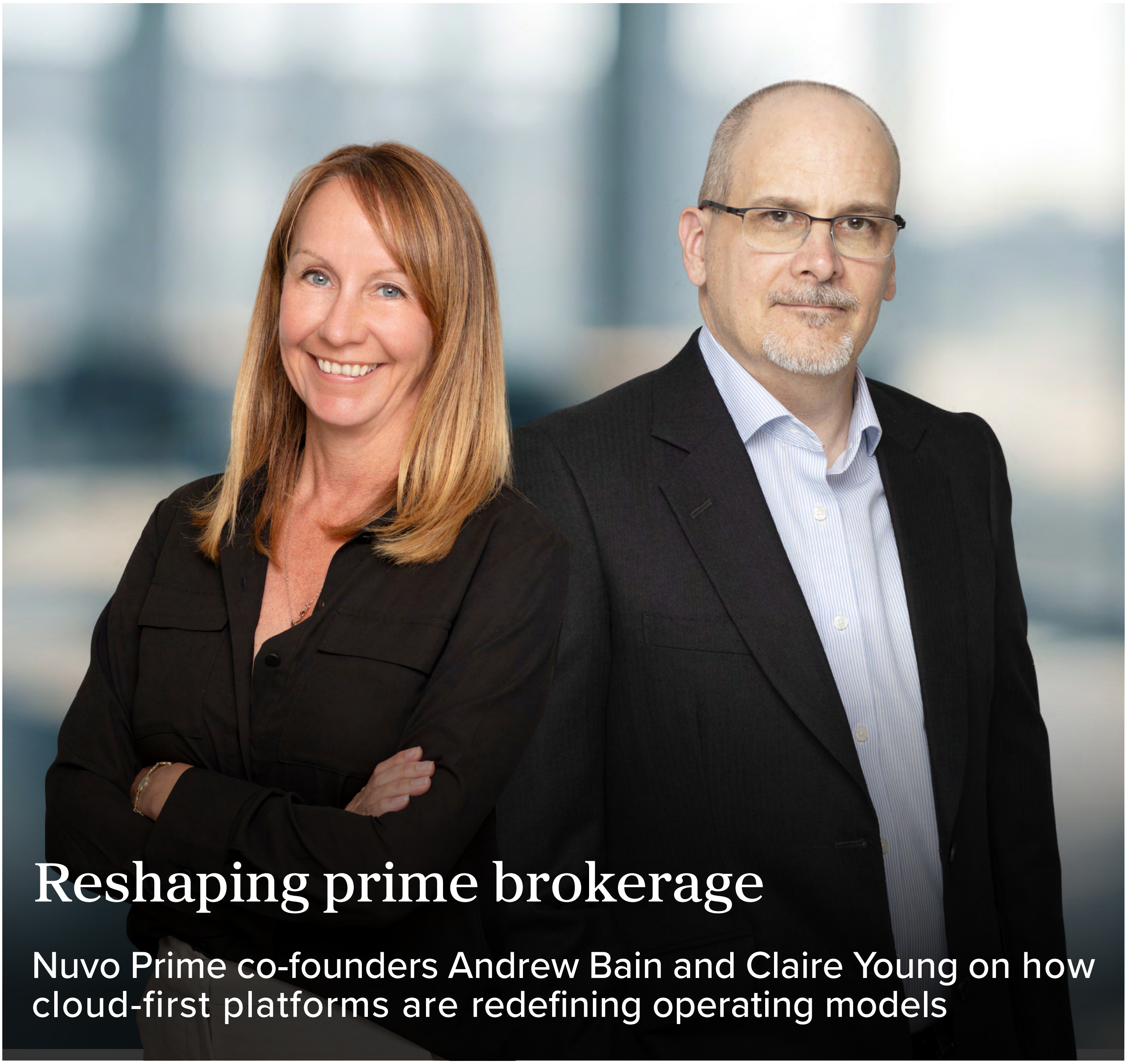

Reshaping prime brokerage

Nuvo Prime co-founders Andrew Bain and Claire Young on how cloud-first platforms are redefining operating models

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DTCC's NSCC extends clearing hours to 24/5 model

The National Securities Clearing Corporation (NSCC), a subsidiary of the Depository Trust & Clearing Corporation (DTCC), has extended its clearing hours to 24/5 availability, supporting overnight trading activity from alternative trading systems (ATS) and exchanges.

The move expands the firm's clearing hours from Sundays at 20:00 Eastern Time (ET) to Fridays at 20:00 ET.

According to the firm, it reflects growing global demand for increased access to US markets as investors seek greater flexibility to trade outside traditional hours.

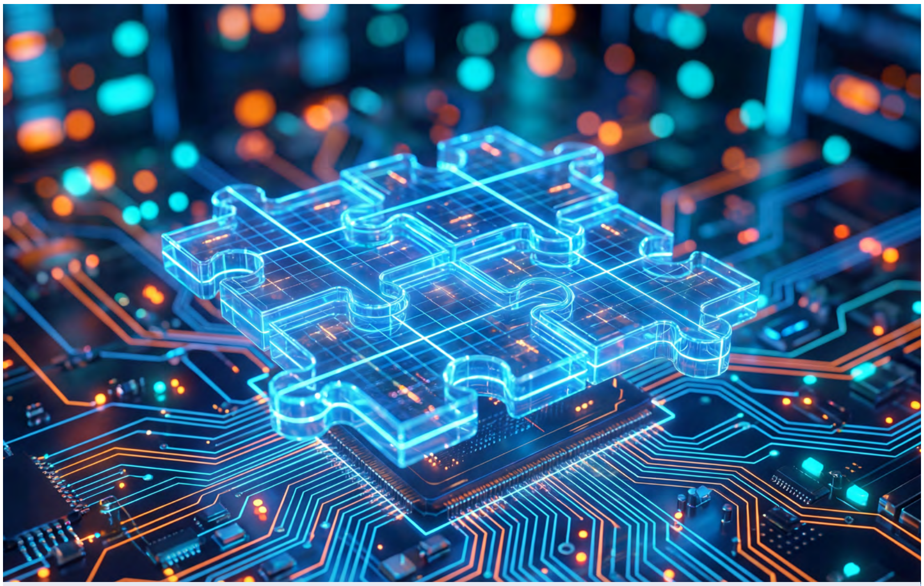
It enables NSCC to apply its central counterparty guarantee immediately to transactions executed across extended trading hours and multiple time zones.

DTCC opened its testing environment in January 2026, requiring all consumers of the Universal Trade Capture real-time messages to test the required changes.

All firms completed testing successfully prior to the recent go-live.

ATS have already been using NSCC's previously extended operating window, introduced in September 2024 with clearing beginning approximately 2.5 hours earlier than before, while exchanges are expected to follow with longer trading hours in late 2026, alongside planned extensions from securities information processors.

CONTENTS



Digital Prime Technologies integrates with BitGo Bank & Trust

Digital Prime Technologies has integrated its institutional digital asset lending platform, Tokenet, with BitGo's subsidiary, BitGo Bank & Trust.

The integration will allow clients to execute institutional-grade bilateral digital asset lending workflows, with BitGo Bank & Trust providing regulated custody and offchain, real-time settlement through the Go Network, its institutional settlement infrastructure.

According to Digital Prime, Tokenet's consolidation with BitGo comes in response to the preferences of the platform's launch clients, who utilise BitGo's infrastructure for its support of the Canton Network.

The collaboration will also enable firms using Tokenet's multi-custodian model to manage collateral, execute loans, and access full lifecycle management.

Client assets in qualified custody with BitGo Bank & Trust will be held in offline cold storage, insured up to US$250 million, with its settlement infrastructure able to move assets within a regulated framework.

Digital Prime is in the advanced stages of integrating BitGo's triparty solution, intended to extend the platform's collateral management capabilities.

EquiLend's ongoing partnership with Digital Prime provides the foundation for Tokenet's distribution and ability to scale within the institutional lending market.

Provable Markets joins DTCC Industry Working Group

Provable Markets has joined the DTCC Industry Working Group for the Depository Trust Company's (DTC's) tokenisation service.

The group has over 50 custodians, broker-dealers, asset managers, and trading venues working through the operational and technical workflows the service will run on.

As tokenised assets gain momentum, Provable Markets says participants of every perspective have a stake in shaping the infrastructure and workflows around them — preserving what already works in existing market structure, finding where tokenisation genuinely enhances it, and keeping both inside the rigorous framework the US capital markets operate under.

"We joined because this is where those standards take shape, in coordination with the centre of the US market — DTC. That is the layer we operate in," the firm adds.

Settlement on a T+1 cycle requires participants to hold excess collateral as a timing buffer; atomic settlement changes that calculus.

Bilateral agreements that today depend on proprietary connectivity and manual lifecycle steps could operate more efficiently if the underlying assets carry programmable, chain-native properties.

DTC's tokenisation service creates the

regulated infrastructure context in which those improvements become operationally viable, the firm comments.

ICMA updates SFTR reporting recommendations

The International Capital Market Association (ICMA) has published an updated version of its detailed 'Recommendations for Reporting under SFTR'.

According to the association, this latest update introduces four new questions and numerous further updates, reflecting recent regulatory developments as well as the ongoing discussions with reporting firms.

Compared to the previous public version, the updated guide includes a number of important clarifications, particularly covering recent regulatory developments such as reporting of the Depository Trust & Clearing Corporation (DTCC)-sponsored repo and repo cleared via the DTCC agent clearing service, which are expected to become more prominent in light of the US mandatory clearing mandate.

The recent changes to the reporting recommendations also address emerging topics, including reporting of repos involving digital assets.

The Securities Financing Transactions Regulation (SFTR) recommendations will continue to develop over time, incorporating further input from the European Repo and Collateral Council's (ERCC's) SFTR Taskforce, regulatory changes, and developments in market practice.

Kraken goes live on Trever to bring prime brokerage to European firms

Kraken Prime, a full-service prime brokerage offering trading, qualified custody, and other financial services through an integrated platform, is now available through Trever, the digital asset software infrastructure provider.

The integration extends Trever's connectivity, bringing a prime brokerage relationship into the existing workflows institutional teams use across their digital asset operations.

Trever's Digital Asset Operating System is used by financial institutions across Europe to manage the full digital asset lifecycle within a single environment — including trading, treasury, settlement, and bookkeeping.

Banks and brokers using Trever can now route execution, settle into qualified custody, record all transactions, and access other services through Kraken Prime without leaving their existing operational environment.

Gurpreet Oberoi, head of Kraken Institutional, says: "Trever's clients are some of Europe's most established financial institutions, and they need infrastructure that meets the operational standards their existing businesses already run on.

"By bringing Kraken Prime into their workflow, we're giving them access to execution quality and qualified custody without the operational drag of stitching together multiple counterparties."

Kraken Prime delivers institutional crypto trading across more than 20 global liquidity venues — covering over 90 per cent of digital asset liquidity, including smart order routing and algorithmic execution for block trades.

Hans-Juergen Griesbacher, CEO and co-founder of Trever, adds: "Banks and brokers want to run digital asset operations at high institutional standards, MiCA-conform and without assembling infrastructure piece by piece.

"This is why we integrated Kraken Prime — one of the most trusted names in institutional crypto — to bring another trading and custody connection directly into Trever."

LCH SA strengthens RepoClear

LCH SA has strengthened its repo sponsored clearing ecosystem with the inclusion of HSBC Continental Europe as a second agent member.

In this context, PGGM is extending its RepoClear activity as a sponsored member, enhancing its access to the efficiencies of clearing.

According to LCH SA, these developments increase multilateral netting opportunities,

supporting improved balance sheet efficiency, settlement optimisation, and risk reduction.

Michel Semaan, global head of LCH RepoClear at London Stock Exchange Group, says: “With a second sponsoring agent and PGGM expanding its activity, we continue to broaden buy side access to cleared euro repo liquidity, strengthening multilateral netting, capital efficiency, and operational resilience.”

Anja Kleefsman, head of treasury and liquidity management at PGGM, adds: “Expanding our use of sponsored clearing at RepoClear allows us to further optimise our liquidity management.

“The addition of our new agent, HSBC, in this model supports our ongoing focus on diversification, operational resilience, and robust risk management for our portfolios.”

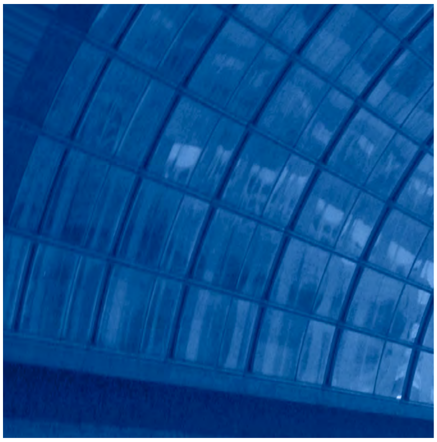
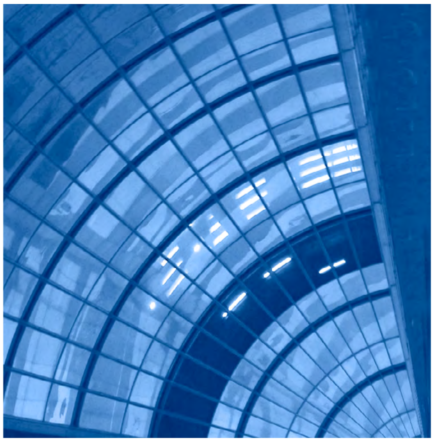
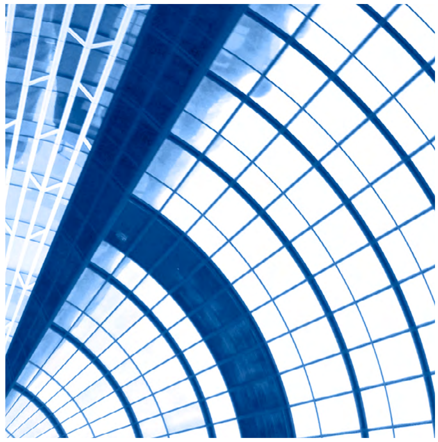
EIB issues the first DLT native commercial paper on Clearstream’s D7

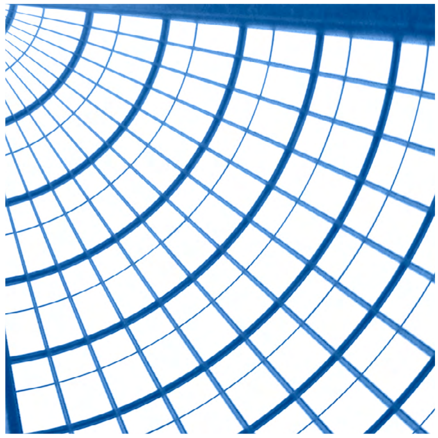
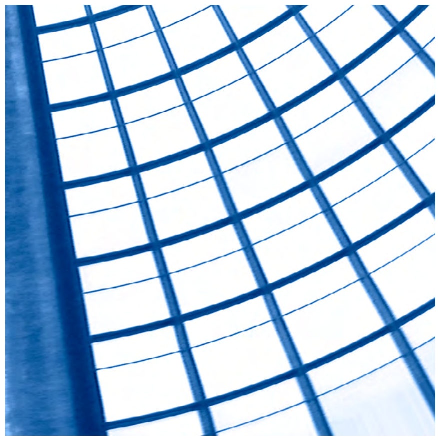
The European Investment Bank (EIB) has issued the first distributed ledger technology (DLT)-native commercial paper on Clearstream’s D7 platform, which according to the organisation, marks a pivotal moment for digital finance.

Citi facilitated the issuance acting as sole dealer and issuing and paying agent.

BIL, DekaBank, DZ BANK, Eurex Clearing, Union Investment, and Volksbank Mittlerer Schwarzwald participated as primary investors in the tokenised commercial paper.

Subsequently, the bank says that DekaBank

and Eurex Clearing were able to mobilise the DLT instrument through Clearstream's triparty collateral management solution and the Eurosystem Collateral Management System (ECMS) for financing with the Bundesbank.

This transaction marked the digital issuance of a DLT-native euro-denominated commercial paper distributed into the international market with 10 business days duration and €77.5 million principal value.

It was processed via Clearstream's D7 platform enabling issuance with DLT-based tokenisation capabilities at scale, all within a regulated framework that complies with the Central Securities Depositories Regulation (CSDR).

Following the European Central Bank's recent decision to accept DLT-native securities issued via central securities depositories (CSDs) as collateral in Eurosystem credit operations, the bank says that this transaction demonstrates that digital assets can serve not only as investment instruments, but also as mobilisable collateral in the financing ecosystem.

Additionally, by enabling use through Clearstream's triparty collateral management solution, it reinforces the relevance of tokenised issuance for market liquidity, collateral mobility, and the future functioning of financial markets.

Cyril Rousseau, director general of Finance at EIB, says: "The transaction illustrates the potential and appeal of applying DLT more broadly in financial markets. With its first DLT-based digital commercial paper issuance, the EIB marks a further milestone in its broader work on the issuance of digital financial instruments, building on extensive experience in this field and supporting the Eurosystem.

"The Eurosystem eligibility of tokenised securities is a very welcome addition to the digital financial market ecosystem and important for investors."

Dirk Jones, head of Issuer Services at Citi, adds: "As sole dealer, and issuing and paying agent, Citi continues to actively participate in the development of digital capital markets worldwide, including in Europe.

"This transaction, and our support of the EIB and Clearstream, exemplifies the benefits of integrating DLT in significant financial markets including commercial paper issuances to benefit both global investors and issuers."

Jens Hachmeister, head of Issuer Services and New Digital Markets at Clearstream, comments: "D7 is reinventing how securities are issued, managed, and traded, benefiting all market participants by providing the flexibility to choose between dematerialised and tokenised issuance.

"By combining this innovation with our unique triparty collateral management connectivity to ECMS, we are leading the capital markets' transformation and unlocking greater speed, enhanced liquidity,

and collateral mobility, while proving the financing utility of tokenised securities within established market infrastructure."

Euroclear expands pan-European market access

Euroclear, an international central securities depository (ICSD), has advanced its pan-European access plan by adding seven additional markets to its platform.

The ICSD has expanded access to European capital markets enabling nearly all asset classes in Hungary, the Czech Republic, Estonia, Latvia, Lithuania, Slovenia, and Cyprus to be accessible via Euroclear Bank.

Equities issued in Hungary and the Czech Republic can be settled and held in Euroclear Bank, completing existing debt instruments.

Euroclear also made equities and corporate debt from Estonia, Latvia, Lithuania, Slovenia, and Cyprus eligible, extending beyond the government bonds previously accessible.

The firm says the expansion brings it closer to delivering a single point of access to all 27 EU markets.

According to the firm, the move reduces reliance on multiple local market infrastructures, allows investors to manage a broader range of assets through a single account, helps limit operational fragmentation, and facilitates cross-border capital allocation across both core and less accessible markets.

Sebastien Danloy, chief business officer, Euroclear, remarks: "We are moving closer to truly comprehensive access to European markets.

"Extending our model to additional countries, including those that are less commonly accessed through international infrastructure, means our clients can deploy capital across Europe more efficiently through a single pool of assets and liquidity."

Bahrain Bourse upgrades post-trade platform to Nasdaq Eqlipse CSD

Bahrain Bourse, a licensed exchange regulated by the Central Bank of Bahrain, has announced it will upgrade Bahrain Clear's central securities depository (CSD) post-trade platform to Nasdaq Eqlipse CSD.

The move marks a significant milestone in the exchange's ongoing digital transformation and commitment to strengthening Bahrain's capital markets infrastructure and aims to enhance connectivity to the country's capital markets for international investors.

Nasdaq Eqlipse CSD's modular architecture will lay the technical and operational foundation for Bahrain Clear to establish links with international central securities depositories (ICSDs).

This infrastructure will enable international custody, securities financing, and securities lending and borrowing services to be delivered centrally and efficiently, positioning Bahrain Bourse as an accessible destination for international capital, the firm says.

Shaikh Khalifa bin Ebrahim Al-Khalifa, CEO of Bahrain Bourse, comments: "Our decision to modernise was driven by a clear need to enhance operational resilience, scalability, and efficiency while aligning with international standards and future market requirements in line with the recently unveiled comprehensive Capital Market Development Plan 2026-2028 aimed at elevating the market.

"As market complexity increases and investor expectations evolve, it is critical to have a flexible, technology-driven infrastructure that can support innovation and regulatory readiness."

According to Al-Khalifa, market participants will benefit from streamlined, automated post-trade workflows that reduce manual intervention and operational overhead; reduced settlement risk and improved settlement efficiency; and greater transparency and real-time visibility across the post-trade lifecycle.

Magnus Haglind, head of capital markets technology at Nasdaq, adds: "This transformative partnership will significantly enhance connectivity to Bahrain's capital markets for international investors, reducing friction, improving settlement efficiency, and reinforcing resilience across the market's post-trade infrastructure." ■

Up in the cloud: Reshaping prime brokerage

Nuvo Prime co-founders Andrew Bain and Claire Young speak with Carmella Haswell about the firm's creation and how cloud-first platforms are redefining operating models

Can you explore the drive behind the inception of Nuvo Prime, and the journey to its creation?

Nuvo Prime was launched in 2017 with a clear objective: to build a specialist prime finance platform designed for the cloud from day one.

The business was founded on a simple observation. Prime finance had become increasingly technology-intensive, yet firms were often reliant on expensive internal builds or legacy vendor platforms that were difficult to maintain, heavily customised, and not designed specifically for the complexity of prime brokerage. There was no modern platform focused on the full lifecycle requirements of prime finance, particularly synthetic prime brokerage.

The opportunity was informed by years of experience building and integrating swap platforms. Having worked extensively with traditional architectures, we understood both the operational demands of prime finance and the limitations of existing technology approaches.

The attraction was not simply moving systems to the cloud, but using modern technologies to build something fundamentally better. The goal was to create a platform that could scale efficiently in Amazon Web Services (AWS), while providing the flexibility, resilience, and automation required by prime finance businesses.

The platform journey began with portfolio swaps, expanded into total return swaps, and more recently into cash prime brokerage. Alongside the product suite, Nuvo Prime has established a global support model across London, Singapore, and Canada, backed by experienced product and technical teams.

Today, the company remains focused on the same core principle: delivering specialist prime finance technology built by people who understand the business. That approach has helped clients launch new prime services, modernise existing operations, and reduce the cost and complexity associated with maintaining legacy in-house systems.

In an increasingly evolving digital landscape, how is the use of cloud reshaping the prime brokerage market? How are cloud-first platforms redefining operating models?

Cloud is reshaping prime brokerage by changing both the economics of technology ownership and the way firms operate.

When Nuvo Prime launched, cloud adoption for core trading and lifecycle platforms was still relatively new within financial services. Today, cloud-native technology is increasingly viewed as the preferred architecture for firms entering or modernising the prime finance market.

The commercial benefits are significant. Rather than maintaining infrastructure sized for peak demand, firms can scale resources as required, provision environments more quickly, and reduce the operational overhead associated with large infrastructure estates.

Just as importantly, the cloud is transforming operating models. Cloud-first platforms support faster onboarding, more efficient testing, and continuous delivery of product enhancements. At Nuvo Prime, clients operate on a single configurable codebase with regular monthly releases, allowing them to benefit from ongoing innovation without disruptive upgrade programmes.

For prime finance businesses, where automation, lifecycle processing, margin calculations, reporting, and operational control are critical, cloud-native platforms provide the flexibility and resilience needed to support growing transaction volumes and increasingly complex workflows.

Ultimately, cloud allows firms to spend less time managing technology infrastructure and more time focusing on financing, risk management, client service, and business growth.

With prime finance being at the heart of the organisation, how do you view the current prime brokerage landscape?

Prime brokerage remains a dynamic and strategically important market, with financing at the centre of the business model. Demand continues to be shaped by hedge fund activity, market volatility, securities lending, swaps, margin financing, and the broader need for efficient access to leverage and market exposure.

Prime brokerage is a financing business, with demand following hedge fund activity and the appetite for leverage. But as competition grows, what sets firms apart is no longer simply access to financing, but how efficiently and reliably firms can deliver it. Legacy technology can become a constraint: heavily customised platforms often become harder to maintain, slower to change, and more exposed to regression risk with each release. At the same time, swap and financing activity has increased substantially in recent years, placing pressure on platforms to handle higher throughput and greater operational complexity. With greater scale comes a need for technology that can process large volumes, maintain clean data, support auditability, and deliver reliable operational control.

Clients are also looking for broader and more flexible prime finance capabilities. They increasingly want access to both cash and synthetic financing, while benefitting from strong lifecycle processing, transparent reporting, efficient margin management, and support for complex strategies across multiple markets. That is putting additional pressure on prime brokers to modernise the technology stack that sits underneath the business.

Regulation is another major influence. Compliance is no longer

"For Nuvo Prime, the direction of travel is clear. Prime finance businesses need more integrated, more automated, and more adaptable technology"

Claire Young
Co-founder
Nuvo Prime

something that can be managed around the edges of the platform: it needs to be embedded in the processing itself. Regulatory reporting, resilience, auditability, data lineage, and control evidence are now expected features. Requirements such as the US rules on withholding tax (26 U.S.C. § 871(m)), Italian Financial Transaction Tax, short selling rules in Europe and the UK, and broader supervisory focus on leverage and counterparty exposure, all reinforce the need for robust systems.

Control, risk, and margin management are also increasingly central. Firms need transparency around margin methodologies, collateral optimisation, exposure management, and stress testing. That is important not only for regulatory compliance, but also for internal governance and client confidence.

Macroeconomic conditions add another layer. Interest rate changes, higher financing costs, volatility, and balance sheet availability all influence client behaviour and prime broker economics. In that environment, technology must help firms operate securely, price accurately, understand the sources of risk and manage them effectively at scale, all with a minimum of operational friction.

For Nuvo Prime, the direction of travel is clear. Prime finance businesses need more integrated, more automated, and more adaptable technology. The firms that succeed will be those that combine strong client service with scalable infrastructure, transparent controls, and the ability to respond quickly as the market evolves.

Providing your offerings to clients in Asia, the Americas, and Europe, are there notable differences in how these regions approach prime brokerage? How do client needs differ?

While client requirements still vary across Asia, Europe, and the Americas, we are seeing firms converge on the same technology priorities. Regional differences remain, driven by regulation, market structure, market access, settlement practices, and tax regimes, but clients are increasingly prioritising flexible, scalable platforms that can support long-term growth.

In Europe, clients often place particular emphasis on regulation, transparency, and operational resilience. In Asia, those priorities are combined with the additional complexity of market access restrictions, differing settlement practices and local market requirements, which have historically been important drivers for the adoption of synthetic financing. Regulatory reporting and tax obligations continue to evolve, increasing the need for systems that can adapt quickly to changing requirements across multiple jurisdictions. Recent measures, including the French Finance Act 2025, highlight how quickly regulatory and tax requirements can evolve, adding further operational complexity for firms operating globally.

In North America, many prime brokerage businesses have mature cash prime brokerage operations, while the balance between cash and synthetic capabilities often reflects each firm's history and strategic priorities. As firms modernise their technology and broaden their product offering, we are seeing growing demand for solutions that can replace legacy infrastructure and support both cash and synthetic prime brokerage through a single platform.

Across our global client base, we have consistently seen trading volumes increase as firms expand into new markets, onboard new customers and introduce new products. As a result, they expect platforms to be designed for growth from day one.

We are also seeing a shift in how firms view technology providers. Clients are increasingly looking for technology partners rather than simply software providers. They want partners that can evolve alongside their business, respond quickly to changing market conditions and regulatory requirements, and support their long-term growth.

That is why we have built a platform that is global in scale while remaining flexible enough to accommodate local market practices, regulations, and differences in client requirements. Clients do not want technology to limit how their business evolves. Whether they are entering new markets, launching new products, or supporting

"Clients don't want technology to limit how their business evolves. They need platforms designed for growth from day one."

Andrew Bain
Co-founder
Nuvo Prime

higher trading volumes, they should not have to rethink the technology underpinning their business.

Looking forward, what will be top of mind for Nuvo Prime over the next 12 months? Can you share what projects may be in the pipeline?

Over the next 12 months, Nuvo Prime's priorities will centre on continued product expansion, client onboarding and further investment in platform capability.

A major focus will be the continued development of cash prime brokerage. Following the launch of the cash prime brokerage offering in 2024, Nuvo Prime has continued to expand the platform, including the addition of FX spots and forwards, US equity options and arranged financing.

Client onboarding will also remain a key priority. Nuvo Prime is in active discussions with a range of institutions, from larger firms to more specialised businesses, looking to adopt a modern prime finance platform. That reflects the broader market trend of firms seeking to move away from fragmented or legacy technology stacks.

The product roadmap will continue to be shaped by client feedback and evolving regulatory requirements. Enhancements across both swaps and cash prime brokerage will focus on practical business needs, operational control, reporting, and workflow automation.

Data and analytics will also be an important area of investment. Nuvo Prime is developing its data-lake and warehouse strategy to improve client self-service, regulatory reporting, and management information across the large volumes of data generated by swaps and cash prime brokerage workflows. This is increasingly important as clients look to extract more insight from their operating data and reduce manual reporting effort.

Longer term, Nuvo Prime plans to expand its existing securities lending capabilities, with the ambition of offering a complete, integrated, and seamless prime finance solution across cash, synthetic, and securities lending workflows in a unified platform. ■

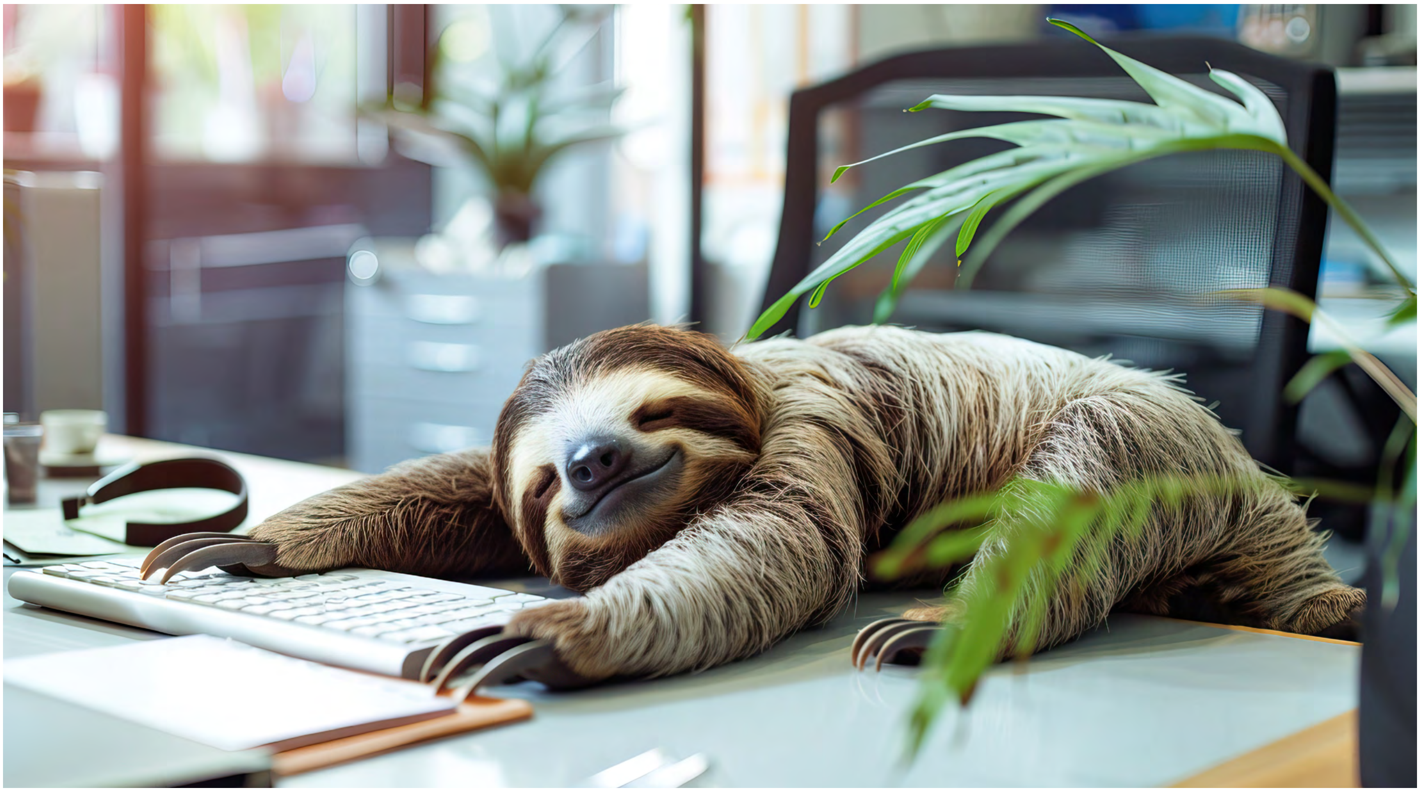
Nuvo Prime was created to bring specialist prime finance technology into the cloud era. From the outset, the focus has been on delivering a modern platform supported by people who understand the operational realities of prime brokerage.

That combination of technology and domain expertise remains central to the business. Prime finance is a complex environment that requires deep understanding of financing, margin, lifecycle processing, corporate actions, tax, reporting, and operational controls. Successful platforms need to correctly embed those realities rather than apply generic software approaches.

The roadmap for Nuvo Prime is strongly influenced by client feedback, ensuring the platform continues to evolve in line with real business requirements. Combined with its global support model across London, Singapore, and Canada, this enables the firm to provide both continuous product development and follow-the-sun, business-focused client support.

Ultimately, Nuvo Prime's goal is to provide stable, scalable, and continuously evolving infrastructure that allows clients to focus on financing, risk management, client service, and business growth.

As the industry continues to modernise, the firm believes prime finance increasingly benefits from specialist platforms rather than bespoke technology estates. By bringing portfolio swaps, total return swaps and cash prime brokerage together within a single environment, Nuvo Prime helps clients reduce complexity, improve operational efficiency, and build scalable prime finance businesses with confidence.



What risk management cannot promise

In the sixth instalment of this ongoing series, Cyril Louchtchay de Fleurian, head of securities finance and balance sheet strategy at Capteo: Strategy & Management Consulting, talks risks, repo, and cost

Repo looks like a sleepy little business. That is what most risk departments still believe. In truth, it is a dense, unstable cluster of risks — and the fact that hedge funds have made it their favourite P&L tool is no accident; they have understood that its apparent simplicity is an optical illusion. 2026 has just confirmed it.

The wrong tool, by design

Splitting risks into 'classic' and 'recent' suggests the recent ones are new types of risk — only in part. What has changed comes down to three distinct moves. First, dormant risks that have been repriced. Sovereign and sanction risks have always existed, but they sat in the tail, treated as negligible, until the Russian asset freeze of February 2022. The risks did not just emerge; its expected value jumped by an order of magnitude, dragged up by geopolitics. Second, risks that have changed regime: intraday and the direction of reserves. The mechanics are the same as before, but what was once comfortable has become binding. Third, risks that are structurally new, created by new participants (NBFI), and by the evolution of the infrastructure itself: T+1, mandatory clearing, distributed ledger technology, SOFR reflexivity. Those are genuinely new.

All of these risks converge on a single point: the convergence of unavailabilities. Whether collateral is frozen by sanctions, locked by a central securities depository (CSD) outage or held hostage by ransomware, the balance sheet effect is identical — the bank can neither unwind nor mobilise. The distinction between political, operational, and cyber causes dissolves into a single liquidity risk. Repo stops being a homogeneous pricing risk and becomes a portfolio of circular threats, interconnected in their dynamics as much as in their mechanics. That is the central insight.

What really separates the two families is not their vintage but four criteria that together dictate how a desk should treat them — and, as we will see, drive their intensity directly.

Maturity of the framework. Classic risks rest on a settled doctrine: Global Master Repo Agreement, Basel, netting opinions, Financial Stability Board haircut floors. The risk is known, written, litigated. Recent risks operate within a framework still under construction — or absent altogether: the Digital Operational Resilience Act only just in force, the mandatory clearing timetable still in flux, the legal doctrine around tokenisation unsettled. One does not discover the existence of a classic risk; one can discover a recent one, precisely as it materialises.

Nature of the risk. Classic risks are largely idiosyncratic and modellable: they are measured, provisioned, stress-tested as routine. The second family gathers risks that are often systemic and non-stationary; their distribution shifts with the geopolitical or monetary regime, which makes history a poor guide to what comes next.

Failure mode. Classic risks deteriorate gradually, which buys time to act: margin call, netting, orderly liquidation of collateral. Recent risks materialise in a discontinuous and binary way: collateral is either accessible or it is not, settlement either clears or it freezes. There is little or no slope to claw back on between the two states.

Hedgeability. This is the decisive criterion. The first family hedges or collateralises: one hedges rates, margins a counterparty, nets a default. The second is largely unhedgeable, and that is precisely its signature. One does not hedge or net a sanctions freeze, a Fedwire outage or ransomware on one's CSD. If recent risks are structurally unhedgeable, then the entire risk management toolkit — pricing, modelling, hedging, margining, provisioning — is the wrong tool. By design, not by deficiency.

The second family is not "more of the same risk". It is a break in hedgeability. The answer does not lie in pricing or modelling but in infrastructure redundancy, custodian diversification, and pre-positioned collateral. That is a different game entirely. A desk that meets second-family risks with first-family instruments — model, margin, hedge — has picked the wrong tool, and will only find out when the incident hits.

Three speeds of loss of control

These four criteria do more than classify. They predict how fast a risk escapes you. The less mature its framework, the more non-stationary it is, the more binary its failure, and the less hedgeable its nature, the faster and more irreversible the loss of control. That is precisely what the three tiers below measure — no longer the nature of the risk, but its operational intensity.

Tier 1 — existential, exogenous, T+0/T+1. Three signatures define them: total externality (the bank has no grip on the initial shock), immediate kinetics (the effect lands at T+0/T+1), and irreversibility (once the shock fires, options close). Neither the Liquidity Coverage Ratio, nor the Contingency Funding Plan, nor extra buffers will respond: the bank stays liquid on the balance sheet while paralysed in execution. This is precisely where repo turns into a systemic weapon.

Such risks are not managed, they are anticipated. Active mapping of infrastructure dependencies, real — not declared — diversification of channels, the ability to reallocate collateral before conditions deteriorate. Without a transverse mandate empowered to arbitrate, those decisions remain scattered, late, and unenforceable — in other words, useless at the moment that matters.

Three risks belong here. First, central clearing as a choke point: cleared repo is no longer an open market where price arbitrates access to funding, it is a closed club from which one can be excluded with no price signal at all. Second, the asymmetry of speed: in a constrained market, velocity stops being an execution parameter and becomes an instrument of dominance — whoever mobilises first shuts the door on the rest. Third, repo as indirect sanction: faster and often more effective than any formal legal mechanism, because it strikes before any recourse is available.

Tier 2 — orchestration failures and self-inflicted risks. These risks do not fire alone; they turn a manageable stress into a crisis whenever decision making is scattered and unranked. The bank then penalises itself through three channels. Internal desynchronisation, which tips stress into crisis. Technical reputation, which hardens into an informal gating criterion on liquidity access and marginally degrades every condition. And pre-emptive anticipation, where haircuts and eligibility criteria turn forward-looking and exclude market participants before any visible crisis. These are amplifiers, not detonators: absorbable in an orchestrated bank, existential in a siloed one. Three levers neutralise them: a unified orchestration of collateral, cash, and margin flows; a standardised set of behaviours under stress; and an anticipatory read of the buffer's vulnerabilities. Without them, these risks stay invisible until they combine — which is to say, too late.

Tier 3 — structural risks. These trends trigger no crisis. They settle in over years and reshape the funding environment continuously. The effect is not a shock but an erosion: structural balance sheet cost drifts upwards, business models lose viability, relative competitiveness shifts quietly between banks. Predictable, yet systematically underestimated because diluted in time — no incident makes them visible before the gap is already entrenched. These are not managed, they are positioned: transverse treatment with a consolidated view, ongoing adjustment of buffer composition, anticipation of fragmentation zones, integration of every funding channel's constraints into long-horizon trade-offs. This is the only category where time works in favour of the bank that moved early — and against the one waiting for a signal that will never come. Three markers compose it.

First, control over collateral eligibility: a quiet piece of rule-setting that redraws the boundary between financeable and non-financeable players. Second, fragmentation of liquidity pools, which ends a long-held assumption that a high-quality asset would be mobilisable in roughly uniform fashion across venues. Third, central bank repo, now an instrument of sovereignty: a tool of financial industrial policy that, through its operational parameters alone, organises the relative competitiveness of bank balance sheets.

Two further mechanisms escape this grid because they cut across all three tiers.

Model monoculture. Synchronisation of haircuts and margins through converging methodologies (CCPs, triparty, vendors) and automatic feedback loops. Models — VaR, stress add-ons, concentration add-ons, rating triggers, liquidity scores — tend to converge because they share the same inputs, the same vendors, and very similar logics. Under stress, this produces a synchronised cascade of margin calls and haircut revisions across infrastructures and counterparties: a liquidity shock that is sharper and faster, not because the fundamentals have changed, but because the models recalibrate all at once in the same direction. It is a risk distinct from eligibility. The asset may remain eligible, yet the haircut and margin function can jump on cliff effects driven by automatic recalibration — and that shock propagates mechanically through the system.

Indirect governance through liquidity. Repo — and more broadly secured funding access — disciplines markets. It also disciplines the institutions themselves, turning liquidity into a lever of indirect governance. A bank structurally dependent on a handful of CCPs, a few dominant dealers, and an increasingly conditional access to central bank liquidity gives up part of its strategic freedom. It no longer arbitrates its business model on return and risk alone, but on what remains financeable through the existing pipes. It becomes less able to push back on instructions, contest norms, or defend non-aligned choices without paying an immediate liquidity cost. The effect is concrete and quick: some activities become de facto undesirable because they consume too much high-quality collateral or worsen the funding profile; some clients become too expensive in liquidity terms even when they are profitable on P&L; some strategies become impossible to deploy without any formal prohibition being issued, simply because the infrastructure and its gatekeepers reprice or ration access to refinancing.

The asymmetry of error

Asymmetry first; the figure comes later. The first question is not what inaction costs, but which error one chooses. Treat a hedgeable risk as unhedgeable and the result is near-certain over-provisioning: the loss is bounded, visible, booked — a carry cost the balance sheet absorbs and a committee can arbitrate. Treat an unhedgeable risk as hedgeable and the cost is zero, until the incident. At that point, the loss is neither bounded nor provisioned: it represents the gap between an optionality that one believed one held and a frozen position one discovers the moment it stops unwinding.

The two errors are not symmetric. The first is paid continuously and can be steered. The second is paid only once, in full, with no warning. A system calibrated to minimise the visible cost optimises precisely the wrong error. Inaction is not a deferred expense; it is a short option sold at zero premium, with an unknown strike.

> *My desk had a short-term funding line, rolled every month for two years, at a spread that was genuinely unbeatable — from a single client. Every month, P&L and funding validated the choice: cheaper than any diversified alternative, and by a wide margin. The trader was, fairly enough, congratulated for the optimisation. In the desk committee, the question came up from time to time; the answer was always the same, and it was a good one — over two years, diversification would have cost a multiple of anything it could ever have protected. The roll fell on the last Thursday of the month; it had become a routine no one really looked at any more. The month the client needed his cash elsewhere, the line did not get more expensive: it vanished. It took us 20 minutes to realise it was not a delay. We had to refinance, in a hurry, a volume that had quietly swollen with time and habit. For two years, the optimisation had been booked as performance. It was a premium collected on a risk no one had ever named — and for good reason: the one who could have named it was precisely the one being congratulated.*

The absence of transverse steering of executable liquidity does not produce only a single, identifiable shock. It also produces a continuous erosion, invisible in the usual performance indicators. These costs are neither a compliance failure nor a case of excess risk-taking: they come from trade-offs forced upon the bank — late, or over-cautious — imposed by operational uncertainty. The orders of magnitude that follow are not observed measurements. They are bounds modelled from published parameters, which any institution can rerun on its own data.

The only directly documented item is also the most telling: the extra cost of funding under stress. In September 2019, US repo went from two per cent to a peak around 9–10 per cent in a single session (BIS Quarterly Review, December 2019). The year-end reports of the International Capital Market Association's European Repo and Collateral Council consistently document repo spikes of tens to hundreds of basis points on the European repo market at balance sheet dates. Assuming a differential of a few tens of bps between prepared mobilisation and forced mobilisation is therefore a prudent assumption — applied precisely to the volumes that cannot wait, at the moment they cannot wait.

The other items follow. Lacking fine-grained visibility on what is actually mobilisable, banks oversize their precautionary buffer. Two documented frictions feed that inertia: an asset encumbrance ratio of around 25 per cent on average across the EU (EBA) and an intraday settlement inefficiency of five to six per cent of volumes (ECB, TARGET Services 2024). Together they leave a fraction of the buffer inert at the very moment it is required.

For context, and outside the figures: that inertia is structurally worse in Europe than in the US, where cross-border collateral mobility costs around 65 per cent less in post-trade fees (AFME, October 2025). That is a market structure fragmentation point, not an input to the model. The immobilisation has a mechanical price: the trapped fraction multiplied by the cost of equity (around 10 per cent, EBA). The full calculation and its assumptions are set out in the box below.

THE COST OF INACTION - MODELLED FIGURES AND ASSUMPTIONS

The figures below apply to a reference European investment bank, G-SIB-sized. They strictly distinguish sourced (published) parameters from assumed ones. They deliberately exclude franchise erosion, which cannot be quantified: the result is therefore a lower bound.

1. Reference bank (assumed parameters)

Parameter	Value	Status
Total balance sheet	€1,200bn	assumption (G-SIB order of magnitude)
Liquidity buffer (HQLA)	€240bn (20 per cent of balance sheet)	assumption
Total equity	€70bn	assumption (consistent with ~14 per cent CET1)
Cost of equity	10 per cent	sourced - EBA Risk Dashboard / market

2. Sourced parameters

Parameter	Value	Source
Asset encumbrance, EU average	~25 per cent	EBA, Report on Asset Encumbrance
Intraday settlement inefficiency	5 to 6 per cent of volumes	ECB, TARGET Services Annual Report 2024
US repo peak, Sep 2019	2 per cent → 9 to 10 per cent	BIS Quarterly Review, Dec 2019
Year-end EUR repo spikes	tens to hundreds of bps	ICMA ERCC, year-end reports

3. Modelling assumptions (conservative)

Assumption	Low	Base	High
Buffer fraction inert at the moment required	5 per cent	8 per cent	12 per cent
Net opportunity cost of inert buffer (bps)	30	40	55
Critical exposure to roll in a tight window	€35bn	€50bn	€70bn
Differential, prepared vs forced (bps)	20	30	45
Expected frequency of stress episode / year	0.3	0.5	0.8

The inert fraction (8 per cent in the base case) is deliberately well below the 25 per cent gross encumbrance figure: only a portion of encumbrance and fails actually bites on the tranche genuinely called under intraday constraint. The 30 bps differential is prudent against the BIS and ICMA ranges observed.

4. Calculation - base case

Item A - buffer immobilisation

Inert buffer = €240bn × 8 per cent = €19.2bn

Annual cost = €19.2bn × 40 bps = €76.8m

ROE drag = €76.8m / €70bn ≈ 11 bps

Item B - extra funding cost under stress (annualised expectation)

Cost per episode = €50bn × 30 bps = €150m

Annual expectation = €150m × 0.5 = €75m

ROE drag = €75m / €70bn ≈ 11 bps

5. Result - recurrent structural cost

Scenario	Annual cost	ROE drag
Low	~€57m	~8 bps
Base	~€152m	~22 bps
High	~€410m	~59 bps

Reading: for a European G-SIB, the recurrent cost of not steering executable liquidity transversely sits, in the base case, at around €150m a year, or roughly 22 bps of ROE - borne every year, outside any crisis, and carried by no identified cost centre. What is robust is not the point estimate but the property: positive, recurrent, unattributed, and conservative (franchise erosion excluded).

Methodology note: the latest editions of EBA (encumbrance, cost of equity), ECB TARGET and AFME figures evolve over time. The balance sheet parameters of the reference bank are declared orders of magnitude, to be replaced by each institution's own data for an institution-specific figure.

One item is deliberately left unquantified. The preemptive or disorderly withdrawal from certain repo and securities financing transactions activities under stress erodes franchise and client relationships. No public data measures it, because it does not show up as a dated loss but as reduced capture of the recovery. Quantifying it precisely would be spurious precision; flagging it as a structural blind spot is the real thing. Excluding it from the figures makes them conservative — a lower bound.

Taken on their own, each of these effects looks marginal. Taken together, they form a recurrent structural cost, borne year after year, regardless of any major crisis.

The cost no one carries

The price of inaction is not a loss. It is a rent. €152 million. 22 bps of ROE. Year after year, outside any crisis, for a bank that has neither taken too much risk nor breached compliance. It is the price of a massive blind spot, not of a fault. And a blind spot does not correct itself: it sits in no mandate, charges no cost centre, triggers no alert. It is simply paid — quietly and indefinitely.

The diagnosis ends there. What follows is no longer a question of measurement. If these risks are unhedgeable, then the answer is not a better model, a finer margin or a bigger buffer: those instruments treat the wrong error. The answer is organisational. It requires an organisation able to mobilise, transform, and move its liquidity under constraint, at market speed — not to measure it cold. Some banks have organised themselves accordingly. In most, collateral, cash, margins, and infrastructure dependencies are still managed in silos, optimised locally, and defended separately. The regime has changed. The organisation has not.

Those 22 bps are not a loss. They are a fee paid to inaction — recurrent, and entirely recoverable. The next articles in this series will show how an executable, cross-functional liquidity capability turns those silent, accepted costs into explicit and governed decisions — and why enterprise liquidity management will become as structural a function as asset-liability management or risk management. Not because it makes for a new org chart, but because €152 million a year tends to surface in the end. ■

"The next articles in this series will show how an executable, cross-functional liquidity capability turns those silent, accepted costs into explicit and governed decisions"

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

Paving the way for institutional entry

As digital assets become mainstream components of institutional portfolios, investors will expect the transformative benefits of these new assets to come with the same levels of trust they have in traditional assets. HSBC's Fiona Horsewill, global head of Securities Services and Sean Mullins, global head of Digital Assets Product, explore

After more than a decade of vigorous experimentation at the fringes of the financial system, digital assets are now a mainstream component of institutional investment portfolios. It is a momentous shift that looks set to revolutionise global finance, by reshaping infrastructure and regulations to deliver new levels of market efficiency.

There is clearly strong demand. One survey conducted in 2025, found that 86 per cent of institutional investors had exposure to digital assets or planned to make allocations to the asset class over the course of the year.

And data from another broad survey of investors, banks, and brokers showed that 36 per cent of industry participants are already live with distributed ledger technology (DLT) — the technology that enables digital assets.

The most commonly cited reason driving these projects was the prospect of new product revenues, suggesting that financial institutions see being part of this emerging ecosystem as a major component of future business growth.

"In many ways, the future of finance is already here," said Fiona Horsewill, global head of Securities Services, HSBC. "The rapid adoption of digital assets among institutional investors is leading to change along the entire value chain, with the potential to reorder the market infrastructure that has defined global finance for generations."

The next wave of digitisation

The scale of upcoming change can be compared with the move away from paper-based systems towards digitisation that took place in the last half of the 20th century — a multi-decade process that replaced a wide range of manual processes with more efficient digital alternatives. Physical certificates became computerised records, trade settlement was automated, and trading floors were replaced by electronic trading platforms.

What we are seeing today is the next wave of digitisation, as the adoption of DLT by financial institutions has the potential to unlock further efficiency benefits. These include: instant settlement, greater automation from smart contracts, and enhanced liquidity due to 24/7 trading.

But we are still at the early stages of what will be a long-term transition, as demonstrated by the current level of progress in tokenisation — the process by which securities are added to a programmable ledger. In 2025, only US$600 billion worth of real-world assets (RWA) were tokenised, a tiny fraction of total global assets, but this number is forecast to grow to US$18.9 trillion by 2033.

There is an important lesson we can learn from the first wave of digitisation. Although there was a dramatic transformation in market processes, the underlying institutions did not disappear. Custodians, depositories, clearinghouses, continued to provide trust in the safety, security, and integrity that ensures the smooth function of financial markets.

The same will be the case with the rise of digital assets: existing institutions will adapt to evolving customer needs, by extending their offering in areas like custody, fund administration, and transfer agency, while also developing entirely new services and leveraging their longstanding experience in facilitating market activity.

In addition, there has been an important shift in the narrative in how the financial system will evolve, as the conversation has moved away from the idea that incumbent businesses will be replaced by a new generation of digital asset disruptors. Nowadays, there is more talk around partnership between traditional industry participants and innovative startups.

For example, in 2025 HSBC made a strategic investment in Elliptic, a DLT analytics provider that provides compliance, risk management, and intelligence operations. Founded in 2015, it is behind one of the first digital currency anti-money laundering (AML) and compliance tools, and our investment is a move to support the safe and scalable adoption of digital currencies and DLT.

The digital asset spectrum

There is a widening range of tokenised instruments that are attracting the interest of institutional investors — including sovereign and corporate bonds, fractionalised RWA, and stablecoins. HSBC is involved in many of the landmark digital asset transactions that have taken place so far.

When it comes to issuance, the creation of new digital assets has come a long way in recent years: major asset managers are launching new products, such as tokenised Treasury and money market funds, while governments and corporates are issuing large-scale digital bonds.

One standout transaction was the issuance of the world's largest digital bond by the Hong Kong Special Administrative Region government in November last year. This multi-currency green bond — with tranches in Hong Kong dollars, Chinese renminbi, US dollars, and euros — raised HK$10 billion (US$1.3 billion). Institutional investors from a variety of markets participated in the deal, which was facilitated by HSBC.

The issuance of sovereign debt in digital form provides credence to the nascent asset class. And there is more to come.

In February, The UK government selected HSBC as the platform provider for the Digital Gilt Instrument (DIGIT) pilot issuance, an initiative that puts the country in pole position among G7 nations to issue the first-ever tokenised sovereign bonds on a blockchain.

Beyond bonds, there is a drive to tokenise real world assets like real estate, infrastructure, and commodities. Adding these high-value, illiquid assets onto a distributed ledger allows for fractionalisation, where the asset is split into multiple tokens that each represent a small transferable percentage of the asset.

This process can be seen in action in the HSBC Gold Token, a retail product in Hong Kong where each unit represents the fractional ownership record of 0.001 troy ounce of gold, recorded on a distributed ledger. This innovative product broadens access to the gold market, while allowing for the transfer of ownership without moving the underlying physical asset.

The medium of exchange for digital assets is also a token. Stablecoins are a form of digital currency that are designed to maintain a fixed value, as they are pegged on a one-to-one basis to a highly liquid stable asset — such as USD.

As the cash equivalent of digital assets, stablecoins are able to function seamlessly within the digital space. They allow for money to be transferred on the distributed ledger, rather than via traditional banking methods, allowing for instant settlement.

HSBC is also active in this area, as it was recently granted a licence by the Hong Kong Monetary Authority (HKMA) to issue a stablecoin in Hong Kong. The tokens will be launched in the second half of 2026 and will be used for everyday transactions, like peer-to-peer payments and subscribing to tokenised investments.

The evolving regulatory framework

The effective regulation of digital assets is another source of confidence for institutional investors, as the appropriate rules help to build safety into the coming wave of products and processes.

The next five years will be a defining period, due to ongoing policymaker conversations across jurisdictions that are likely to build a consensus on how digital assets will be integrated into the mainstream financial system.

Stablecoins are currently the main regulatory focus across major markets. Last summer, the US signed into law the GENIUS Act, its first federal regulatory framework for stablecoins.

Hong Kong has a new stablecoin ordinance and there is a stablecoin consultation taking place in the UK.

Stablecoin regulations aim to capture the settlement benefits of these digital currencies, while at the same time offsetting the risks. The new rules protect users by ensuring that reserve requirements are always met. They also prevent illicit activity by imposing AML and Know Your Customer (KYC) requirements.

HSBC's Hong Kong stablecoin for example, will be fully backed at all times by high-quality liquid assets held in segregated accounts, while meeting the highest standards of financial compliance.

"We are advocates for regulation that will drive responsible innovation," said Sean Mullins, global head of Digital Assets Product, Securities Services, HSBC. "Going forward, more parts of the digital asset ecosystem will fall under regulatory supervision, creating the necessary clarity to scale safely."

The future of custody

As investors accumulate more digital assets, the question of safeguarding becomes ever more critical. Institutional-grade digital custody solutions are being built to meet the need for everything from segregation to asset servicing and compliance.

Digital assets add a new layer of complexity for a custodian. An important shift will be the management of the private keys that are used to control and transfer a digital asset, creating new requirements for storage and contingency planning. Smart contracts will have to be integrated into operations, marking a shift from executing processes to managing the code that automates them. Custodians will also be expected to be nodes of interoperability by providing the means for different networks to share data and transfer value with each other.

The end result is that an investor will be able to have a unified vision of all their digital holdings, across various assets and networks, along with all the traditional assets in their portfolio. It is a natural extension of a custodian's fundamental role as an access provider to the markets, products, and assets that investors want exposure to.

Compliance standards will need to be met — covering everything from operational resilience, cybersecurity requirements, as well as the need to store client data in adherence with cross-jurisdictional privacy frameworks.

And given that regulations are still being made, custodians will have to be agile to ensure that they can pivot their operations if there is a sudden change in the rules.

"In short, the custodian of the future will be expected to provide the bank-grade safety that institutional investors expect, and combine it with sophisticated enterprise-grade technology that brings out all of the advantages of digital assets," said Horsewill.

"The custodians that are able to do this, will be the ones that thrive in the coming digital era."

A synthesis of the old and the new

It should be clear now that the issuance, trading, and subsequent safekeeping of digital assets will be fully realised by combining the trust, safety, and experience of traditional financial institutions with the innovative potential that DLT promises.

At HSBC, we look forward to continuing our pioneering work in this fast-moving space, by working with partners across the industry to ensure that the mainstream institutional adoption of digital assets will be as safe as it is transformative.

The future of finance is within reach, and we will build it together. ■

Fiona Horsewill
Global head of Securities Services
HSBC

Sean Mullins
Global head of Digital Assets Product
HSBC

Reading the game: Football (not soccer), liquidity, and securities lending

With the World Cup in motion, Matt Chessum, executive director, equity and analytic products at S&P Global Market Intelligence, discusses how this global event impacts behaviours in the market

Every four years, the World Cup takes over. Desks get a little quieter, attention drifts between prices and matches, and trading can become more concentrated around the main fixtures. For securities lending, that matters because even small shifts in participation can affect how quickly inventory is offered, borrowed, and repriced. The tournament does not change the macro backdrop, but it can change the rhythm of the market: when people trade, how closely they watch risk, and how much liquidity is available at key moments.

In a market where revenues are increasingly driven by utilisation, positioning, and specific pockets of demand, those temporary changes in behaviour can be meaningful.

From volatility to behaviour: A change in formation

Securities lending has long been associated with volatility. When markets move sharply, short selling, hedging, and borrow demand usually follow. Recent data, however, suggests the picture is becoming more nuanced. In May 2026, global securities lending revenues reached US$1.724 billion, up 43 per cent year-on-year (YoY), even though the VIX had already fallen back from its 2026 intraday high of 35.30 on 9 March to average around 17.3 in May. That points to revenue growth being supported by more than headline volatility. Higher balances, greater use of available inventory, and concentrated demand in individual names are all becoming more important.

The same pattern is visible across regions. Asian equity lending revenues reached US$487 million in May, up 113 per cent YoY, while EMEA equity revenues rose 55 per cent to US$266 million. These figures point to a market increasingly driven by regional dispersion, specials activity, and sector-specific demand.

That is the most interesting development. Markets are not only responding to big macro set pieces; they are also being shaped by the way participants behave within them.

When kick-off changes liquidity

Big matches, especially knockout games, can lead to short but meaningful changes in trading behaviour. Participation may dip, particularly in football-heavy markets, and intraday activity can become less even. Volumes usually recover later, but those windows still matter. For a short period, the market can be left with a thinner defensive line: less depth, fewer active participants and less room for error.

In a market driven by microstructure, that matters. Securities lending does not need a major macro shock to generate strong revenues. Sometimes a temporary mismatch between supply and demand is enough. When participation drops, even modest borrow activity can lead to: higher utilisation, increased borrow costs, and reduced availability in harder-to-borrow securities.

Intraday lending data helps bring these effects into view. End-of-day figures remain useful, but they can miss how quickly conditions move during the session. The recent SpaceX (SPCX) IPO is a good example. In the days after listing, intraday lending data showed shares on loan rising from around 15,500 to more than 36 million, with intraday and end-of-day figures differing by millions of shares at certain points. If you are trying to read the market in real time, that difference matters.

Broad-market ETFs such as SPY, QQQ, and IWM show the same point from a different angle. They are often used to maintain exposure when single-stock liquidity is less reliable. SPY, in particular, has deep secondary trading, meaningful short interest, and extensive options activity, making it a natural tool for hedging and tactical positioning when investors want to stay in the game without taking on too much single-name risk.

This is not volatility in the traditional sense. It is a change in liquidity patterns. And, unlike the World Cup, there are no convenient hydration breaks to let the market reset. When liquidity thins, pressure can often build quickly.

Retail flows and sudden imbalances

Retail participation adds another layer of complexity. It has grown significantly in recent years and is often more episodic and sentiment-led than institutional positioning. At times, it can look like a late run into the box: sudden, crowded, and capable of changing the pattern of play very quickly.

GameStop and AMC remain useful examples of how retail attention can feed through into securities lending. In both cases, social-media-driven buying, elevated short interest, and limited borrow availability have, at times, contributed to sharp moves in borrow costs and short-covering pressure. More recent IPO and thematic examples show the same mechanics in a more institutional setting. CoreWeave has generated approximately US$758 million in securities lending revenue since listing at a 26.43 per cent volume-weighted average fee, while CATL has generated around US$137.7 million at an 8.14 per cent volume-weighted average fee.

For securities lending, the important point is that retail and event-driven flows can create sudden shifts in supply and demand. Those shifts can lead to:

- Rapid increases in borrowing activity in specific names
- Unexpected tightening in lendable supply
- Short-lived spikes in borrowing costs

Unlike institutional positioning, which often builds gradually, these dynamics can be abrupt and difficult to predict. APAC specials revenues reached US$982.6 million year-to-date by May, up 73 per cent YoY and their highest level since specials tracking began in 2010. That shows how a relatively small group of high-demand names can drive a disproportionate share of returns. The play can change quickly, and not everyone is in position when it does.

ETFs: The liquidity anchor

ETFs now play a central role in both trading and securities lending. They become particularly important when liquidity in the underlying securities is more fragmented. If single-stock liquidity becomes harder to rely on, ETFs can provide a cleaner way to maintain exposure. The data clearly shows this. ETF lending revenues reached US$162 million in May 2026, up 81 per cent YoY. Average value on loan rose 30 per cent to US$166 billion, while average fees increased 40 per cent to 1.14 per cent.

ETFs provide:

- Immediate access to single or broad market exposure
- Deep secondary market liquidity
- A highly efficient vehicle for shorting and hedging

During periods of disrupted participation, ETFs can absorb a greater share of trading flow. Investors looking for quick exposure without the friction of single-stock execution naturally gravitate towards them. This is not just a short-term feature. ETF lending programme availability has more than doubled since 2020 to around US$743 billion. In 2025, ETFs accounted for 7.7 per cent of lending revenues despite representing only 1.6 per cent of available supply.

The same applies across ETF asset classes. HYG and LQD are commonly used for high-yield and investment-grade credit exposure, TLT for long-duration US Treasuries, and EEM or FXI for emerging market and China exposure. In Q1 2026, ETF lending revenues rose 48 per cent YoY to US$394 million, as investors used ETFs for hedging and rapid repositioning, particularly across leveraged equity and credit products. When cash market liquidity is patchy, ETFs often become the cleaner way to adjust risk while the rest of the market gets back into shape.

That has clear implications for securities lending. ETF shares are often borrowed to support hedging and short exposure, creating a steady source of demand. ETF activity can also act as a useful read-through for broader positioning, particularly when index-level exposure starts to diverge from single-name demand. Concentration matters too. In 2025, just five ETFs generated 18.6 per cent of total ETF lending revenues, 10 generated 28 per cent, and 25 generated 41 per cent.

At the single-stock level, large and heavily-traded technology names such as Nvidia, Tesla, and Palantir show how narrative, momentum, and hedging demand can overlap. When positioning becomes crowded, borrow demand can rise quickly, particularly where investors use short exposure to manage concentration risk or hedge broader thematic trades. These names do not need to become hard-to-borrow to matter. Even small changes in utilisation and fees can show that the tempo is changing.

In that sense, ETFs have become the market's midfield engine: connecting flows, supporting liquidity, and keeping positioning moving when conditions shift.

Football, flows, and market microstructure

The World Cup does not change valuations or earnings directly. What it changes is behaviour. It can compress trading into narrower windows, alter participation patterns, and amplify the impact of marginal or at times, regional flows.

In a market increasingly defined by microstructure, those changes matter. Securities lending data captures them through utilisation, supply, and pricing in a way that broader indicators, such as the VIX, often do not. Fixed income provides another example. Government bond lending revenues reached US$254 million in May, up 41 per cent YoY, with average balances above US$1.7 trillion and utilisation at 23.9 per cent. The same liquidity and positioning themes are visible well beyond equities.

The football comparison works because matches are rarely won through constant dominance. More often, they are decided by moments of imbalance: a gap in the defensive line, a sudden change of tempo, or a well-timed run. Markets are moving in a similar direction. The broad macro picture still matters, but the edge increasingly comes from spotting short-lived dislocations before everyone else has reorganised.

Conclusion: Playing the margins

Securities lending is increasingly a market of fine margins. Headline volatility still matters, but it is no longer the whole story. Liquidity, participation, and positioning now carry more weight. Retail flows and ETFs have accelerated that shift, creating a market where small changes in behaviour can have a bigger impact than many traditional indicators would suggest.

That is why events such as the World Cup are worth watching. They may not change the macro story, but they can quickly shift attention, participation, and liquidity. For securities lending desks, these moments are not distractions; they are gaps to read and potential opportunities to act on.

The broader lesson is straightforward. Success in markets, as in football, depends on reading the game properly: anticipating pressure, adapting quickly, and responding appropriately when others are slow to react.

P.S. It's coming home. ■

"The football comparison works because matches are rarely won through constant dominance. More often, they are decided by moments of imbalance: a gap in the defensive line, a sudden change of tempo, or a well-timed run. Markets are moving in a similar direction"

Matt Chessum
Executive director, equity and analytic products
S&P Global Market Intelligence

Leaders never stop learning

Rose Beatty, execution manager, Capital Marketplace at Capitolis, speaks with Carmella Haswell on gaining a broader perspective, uncovering the opportunities beneath the surface, and adapting to the next market shift

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

I studied Public Policy at Brown University and began my career at the cybersecurity company Darktrace before moving into Debt Capital Markets at MUFG. At the time, those career moves may have seemed like starting from scratch, but in hindsight each added another layer of knowledge and perspective.

Public policy taught me how incentives and regulation shape behaviour. At Darktrace, I developed an appreciation for how technology can fundamentally transform the way organisations identify and manage risk. Debt Capital Markets presented an opportunity to build a foundation in a function that touches every industry, ultimately opening the door to the group I am now part of at Capitolis.

Together, those experiences have given me a broader perspective on how institutions, technology, and capital markets interact.

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

What I find most exciting about securities finance is the kind of thinking it rewards. There is an intellectual challenge in understanding an existing system deeply enough to recognise opportunities that are not immediately obvious.

In securities finance, you inherit a lot of constraints. You are often working with an existing set of regulations, operational realities, collateral requirements, and investor preferences. You are rarely starting with a blank page. Instead, you are working within a framework that already exists, and the challenge is understanding that framework in order to identify where value can be created for the client.

In an execution role, this can take a more incremental form, but the underlying principle is the same. On a specific trade, there may only be a handful of dimensions to work with — price, tenor, timing, size, or structure — but the challenge is understanding the mechanics and constraints of a trade deeply enough to know which adjustment can best achieve the client's objectives.

To me, that is what makes the industry so engaging. The best ideas do not come from ignoring the constraints but from understanding them well enough to see possibilities that others may overlook.

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

One of the aspects I value most about Capitolis is the opportunity to learn beyond the boundaries of a single role. Because the company sits at the intersection of technology, financial markets, and innovation, I am exposed to colleagues across the business who approach the same problem from very different perspectives. I have learned from structurers, engineers, product managers, lawyers, and salespeople, each of whom asks different questions before arriving at a solution.

I have also appreciated that ideas are evaluated on their merits rather than where they come from. It is a culture that encourages thoughtful questions, healthy debate, and intellectual curiosity, regardless of title or tenure. That creates an environment where you are comfortable challenging assumptions and just as comfortable having your own ideas challenged.

What has made the biggest difference, though, is the emphasis on ownership. Development is not something that happens only through formal training. It is earned by taking on meaningful responsibility, collaborating across functions, and solving real business problems. I have been fortunate to work with leaders who see mentorship as part of their role. They do not simply provide answers; they explain how they approach a problem, offer candid feedback, and give you the space to develop your own judgment. The combination of trust, ownership, and mentorship has accelerated my development in ways that no formal training programme could have.

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

People sometimes assume finance is a slow-moving industry dominated by large incumbents. From my experience so far, I have found it to be an industry that continues to evolve alongside new technologies, business models, and changing client expectations. Those shifts continually create opportunities for firms to innovate and adapt.

Smaller companies have an important role in addressing industry challenges in partnership with established institutions. They have the agility to focus on specific inefficiencies and develop targeted solutions that help address them. It has been exciting to see how these new entrants complement existing market participants by helping clients improve capital efficiency, liquidity management, and operational effectiveness.

Working at Capitolis has given me a front-row seat to that evolution. I have come to appreciate that the most meaningful innovation is often highly collaborative. It comes from bringing together market participants with different perspectives, expertise, and incentives to solve problems that no single institution could solve as effectively on its own.

"I am learning that meaningful career progression is not just about expanding your own capabilities but equally about creating opportunities for others to grow alongside you"

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

You do not necessarily need to study finance to build a successful career in financial markets. What matters more is developing the ability to learn continuously, adapt to new challenges, and remain intellectually curious. Some of the most successful people I have worked with have come from remarkably diverse academic and professional backgrounds.

Careers are rarely linear. They are often shaped by experimentation, a willingness to embrace new opportunities, and the confidence to step outside your comfort zone. Many of the experiences that proved most valuable did not seem directly connected at the time, but each added a new perspective and skill set that became invaluable later on.

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

Over the next five years, I hope to continue taking on broader and more impactful challenges while investing more of my time in developing others. I have benefited tremendously from mentors who challenged my thinking, trusted me with meaningful responsibility, and accelerated my growth. I would like to have that same impact on the next generation of colleagues.

I am learning that meaningful career progression is not just about expanding your own capabilities but equally about creating opportunities for others to grow alongside you. The best leaders never stop learning themselves, but they also build teams where people are empowered to take ownership. If, five years from now, I have helped build stronger teams while continuing to learn and make a meaningful impact on the business, I would consider that a very successful outcome. ■

Rose Beatty joined Capitolis in 2023, where she works with clients on financing solutions across the firm's Capital Marketplace business. She is part of the execution team, issuing asset-backed commercial paper and communicating directly with clients to execute their funding needs.

Before Capitolis, Rose worked in Debt Capital Markets at MUFG, and began her career at the cybersecurity company Darktrace. She graduated from Brown University with a concentration in Public Policy. Across finance, technology, and public policy, she has built a foundation in how institutions manage risk and capital.

Pavlidou leaves BNY

Sofia Pavlidou has departed her role at BNY following four years with the bank.

Based in London, she was most recently product lead for central clearing services on BNY's Global Collateral platform.

Here, Pavlidou led end-to-end build and market launch of central clearing solutions on BNY's Global Collateral platform in response to the US Securities and Exchange Commission's mandatory central clearing rule.

During her time with BNY, Pavlidou took on roles within several areas of the business, including payments product, market sales, and within BNY Pershing's global strategy.

Pavlidou joined BNY from CIL Management Consultants where she took on the position of an M&A research consultant.

The departure comes as she becomes a founder in residence at Founders, a San Francisco-based startup incubator, venture capital firm, and campus for early-stage builders.

MUFG Investor Services promotes Collard

MUFG Investor Services has promoted Paul Collard to global head of trading for Global Securities Lending Solutions.

Based in London, he will lead the firm's global trading strategy across the Americas, EMEA, and Asia Pacific.

In addition, he is responsible for overseeing a global trading platform focused on delivering securities lending solutions, execution, and value for institutional clients worldwide.

Collard first joined the firm in January 2020 and has more than 20 years of securities finance experience. He brings deep trading expertise with disciplined risk management and a collaborative leadership style, the firm says.

Throughout his career, he has played a key role in expanding global lending capabilities, particularly across fixed income and international markets, while helping to develop a follow-the-sun trading model that connects regional expertise with global opportunities.

Prior to MUFG Investor Services, Collard was head of fixed income trading for the Agency Securities Lending business of Deutsche Bank in London and, prior to that, he held a similar role at Dresdner Kleinwort Wasserstein.

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Citi appoints Levy

Citi has appointed Antoine Levy as assistant vice president, delta one single stock trader.

Based in London, he brings over two years of experience within the financial services industry to his new role.

Previously, he was positioned at Societe Generale Corporate and Investment Banking as an equity finance trader and analyst.

At the beginning of his career, he took on internships at cooperative bank BRED Banque Populaire, and ALTEN, an engineering and IT services firm.

Levy gained an engineering degree specialising in financial engineering at the Léonard de Vinci Graduate School of Engineering.

Fox departs Sharegain

Tim Fox has left securities lending technology provider Sharegain after nearly seven years with the firm to establish his own strategic advisory business.

Fox has founded Campbelltown Advisory, a consultancy focused on defence and dual-use technology, financial innovation, geopolitics, and market risk.

Most recently, Fox served as head of demand generation trading desk at Sharegain, a role he held from September 2019 to May 2026.

During his tenure, he helped drive the firm's securities lending offering and market engagement strategy.

Prior to joining Sharegain, Fox spent more than three years at Moore Capital Management as a fixed income and foreign exchange trader and strategist.

Earlier in his career, he held fixed income and FX trading and strategy roles at PineBridge Investments and BlueBay Asset Management, before joining Morgan Stanley, where he worked in FX sales across New York and London.

GLMX adds Verheijen

GLMX EU BV, a firm that provides financing, securities lending, and collateral management technology solutions, has appointed Kristiaan Verheijen as director of business development.

Based in Amsterdam, Verheijen joined the company in June 2026 and is responsible for supporting GLMX EU BV's business development activities.

Verheijen brings more than two decades of experience across treasury, liquidity management, financial markets, and banking.

Prior to joining GLMX EU BV, he served as a treasury executive at Sandberg Consultancy, where he worked with public and private sector organisations on treasury, funding, liquidity management, and risk-related initiatives.

Earlier in his career, Verheijen spent more than 10 years at ABN AMRO Bank, working across Amsterdam, London, and New York.

He subsequently joined the investment office of Dutch insurer VIVAT, supporting balance sheet management activities in the Netherlands. ■

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