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The client focus

Brooke Gillman of eSecLending discusses the increasing popularity of independent agents, where the opportunities lie, and the future outlook

Cboe Clear Europe expands SFT clearing service

Cboe Clear Europe is set to extend its securities financing transactions (SFT) clearing service to cover fixed income lending from 24 August 2026, marking a milestone in its push to deliver central clearing benefits across the global securities lending market.

The service will cover specific EU, Swiss, and UK government and corporate bonds for all lenders and borrowers, and will extend to US Treasuries and US corporate bonds for non-US participants.

Settlement will take place via Euroclear Bank for European and Swiss instruments, CREST for UK instruments, the Federal Reserve for US Treasuries, and the Depository Trust Company for US corporate bonds.

Vikesh Patel, global head of clearing and president, Cboe Clear Europe, says: "We've seen strong demand from the SFT industry seeking greater capital efficiency and lower risk-weighted asset exposures across their equity and ETF portfolios, and they are looking to extend those benefits globally and across asset classes.

"It demonstrates Cboe's continued investment in expanding its global clearing business to help unlock greater capital efficiencies for market participants."

The expansion builds on the 2025 launch of Cboe Clear Europe's SFT clearing service, which initially covered European cash equities and ETFs across 19 European central securities depositories.

Since launch, the service has attracted principal lenders, agent lenders representing UCITS and non-UCITS beneficial owners, and a broad set of borrowers, with daily notional outstanding around €9 billion and more than 1,000 settlements a day.

Continued on page 6

CONTENTS

Transparence IO acquires securities lending technology platform

Transparence IO, a financial technology company founded by securities finance veteran Tony Venditti, has acquired a securities lending technology platform from South Street Securities Holdings, for an undisclosed amount.

The acquisition marks the official launch of Transparence IO as a provider of outsourced securities lending technology and operational solutions for US broker-dealers, banks, custodians, asset managers, and foreign financial institutions.

The institutional-grade platform enables firms to manage securities lending trading, inventory, portfolio and cash analysis, position management, and operational workflows through an outsourced model.

Venditti, founder and CEO of Transparence IO, says: "As global markets continue to evolve, institutions need flexible technology and experienced partners that can help them scale efficiently.

"By combining South Street Holdings' proven software platform with Transparence IO's outsourced operating model and industry expertise, we are delivering a turnkey solution that enables clients to grow their securities lending business faster while significantly reducing technology and operational costs."

Transparence IO's outsourced securities lending platform supports domestic and international institutions across key functional areas: trading and operations; inventory and cash management; risk and

Cboe Clear Europe expands SFT clearing service

Continued from page 3

By shifting SFTs from bilateral to central clearing, the model offers balance sheet efficiencies while streamlining post-trade processes such as settlement, reporting, and onboarding.

Jan Treuren, head of product, Cboe Clear Europe, states: "Participant appetite for a single, globally consistent clearing framework for securities lending continues to grow as demonstrated by increased utilisation rates for lenders.

"By bringing the capital efficiency, operational simplicity, and risk management benefits we've delivered in European equities and ETFs to new asset classes, we're taking a major step toward building the leading securities lending clearing ecosystem."

Cboe Clear Europe provides clearing for European cash equities and SFTs, while Cboe Clear U.S. currently clears digital asset futures on Cboe Futures Exchange and plans to broaden its clearing remit across both established and emerging asset classes.

Marex invests in Digital Prime Technologies

Marex has announced a strategic investment in Digital Prime Technologies.

The investment builds on Marex's existing

relationship with Digital Prime Technologies as an operational participant on Tokenet, the institutional digital and tokenised asset lending platform developed with EquiLend.

Tokenet applies securities lending workflows, risk controls, and lifecycle management to digital and tokenised assets, allowing firms to enter digital asset lending within familiar operational, risk, and compliance frameworks.

Marex, Digital Prime Technologies, and Galaxy Digital are working with EquiLend to build the institutional infrastructure needed for traditional financial firms to enter digital asset lending.

Steve Hood, head of clearing Americas at Marex, comments: "The demand from institutional investors for digital assets is growing, and the tools we use to service clients need to be built with the high operational and risk management standards financial institutions already rely upon.

"Marex is proud to play a role in bringing those standards to digital asset lending, enabling more clients to access a wider suite of services."

Egypt's FRA to release new short selling mechanism

The Financial Regulatory Authority (FRA) for Egypt has announced it will soon release a new mechanism which aims to drive increased interest in short selling among foreign and young investors.

The comments were made at a recent meeting held by the FRA, which discussed the final steps for launching the securities lending for short selling mechanism.

According to the authority, short selling will enhance the attractiveness of the Egyptian Exchange and positively impact liquidity levels.

The new regulatory framework aims to define the responsibilities and tasks of each party, ensure full integration and transparency, and boost interest in short selling among foreign and young investors, says the FRA.

During the meeting, which was chaired by FRA Executive Chairman Dr Islam Azzam, it was noted that the success of short selling will require intensifying awareness and spreading investment knowledge among market participants.

Prior to establishing or amending regulatory frameworks for the non-banking financial sectors, the authority is keen to ensure consensus among market participants.

The meeting brought together leadership from the Egypt Stock Exchange, Misr for Central Clearing, Depository and Registry (MCDR), as well as representatives from brokerage firms and investors.

During the meeting, participants were briefed on the latest developments regarding the finalisation of the organisational and operational framework for the short selling mechanism.

The aim is to ensure a comprehensive rollout that aligns with international best practices in transparency and governance, the authority says, while facilitating communication among all stakeholders, thereby contributing to the expansion and deepening of the market.

Meeting attendees also reviewed the components of the new regulatory framework for the short selling mechanism — specifically regarding the regulation of securities borrowing for the purpose of selling — which aims to facilitate the process for various investor segments and encourage the adoption of this mechanism upon its launch on the Egyptian Exchange.

Dr Azzam emphasised that the success of short selling requires intensifying awareness and fostering an investment culture among market participants — whether potential borrowers or lenders — to achieve the goal of enhancing market efficiency and increasing liquidity levels.

He added that the new regulatory framework would enable more efficient investment management, creating greater opportunities to generate returns, capitalise on price movements, and reinvest profits into new investments.

The authority's chairman explained that the new regulatory framework will ensure a rapid response to market changes — guaranteeing efficient risk management and the protection of market participants' rights — by fully linking

brokerage firms with MCDR and clearly defining the roles and responsibilities of each party throughout the entire process of selling borrowed securities, from the initial lending stage to final settlement.

At the conclusion of the meeting, the chairman highlighted the ongoing coordination with the Stock Exchange, MCDR, and market participants to launch short selling.

This follows years of anticipation and technical and legal discussions regarding a mechanism. He urged companies to rapidly build their technical and professional readiness to enable them to operate within the new system as soon as possible.

Clearstream issues first dematerialised eurobond

Clearstream has successfully completed the pilot issuance of a dematerialised eurobond.

The milestone saw Clearstream Banking act as issuer, with Deutsche Bank's London branch as issuing and paying agent, UBS Investment Bank as dealer, and Citigroup Global Markets as arranger.

The transaction involved a Euro-Commercial Paper with a nominal amount of €50 million.

This primary issuance was enabled by the new issuance model from the two international central securities depositories, Clearstream and Euroclear, in March 2026.

It marks a key step ahead of the model's full rollout in November 2026, when issuers incorporated outside the UK will be able to issue dematerialised debt securities under English law.

It also lays the groundwork for adopting new digitalmarket technologies, including Clearstream's D7 platform.

Repo ADV rises 7.2%, reports Tradeweb

Repo average daily volume (ADV) traded on the Tradeweb platform increased 7.2 per cent year-on-year (YoY) to US$832.9 billion for July.

According to Tradeweb, the strong global repo ADV was supported by increased client participation across the platform YoY.

In the US, significant growth was driven by the effects of the Fed's balance sheet unwind.

Additionally, balances in the Fed's reverse repo facility (RRP) remained close to zero for the entirety of the month.

In Europe, continued robust activity YoY was driven by elevated activity amid ongoing geopolitical uncertainty and an uncertain outlook for the future direction of monetary policy.

The firm reports that ADV across all asset classes for the month of July reached US$2.9 trillion, up 23.3 per cent YoY.

US government bond ADV was up 26.1 per cent YoY to US$258 billion. European government bond ADV was up 20.8 per cent YoY to US$61.4 billion.

For swaps and swaptions, ADV jumped 45.3 per cent YoY for the month to US$564.5 billion. Total rates derivatives ADV also increased, rising 49.9 per cent YoY to US$1.2 trillion.

In credit markets, fully electronic US credit ADV was up 15.7 per cent YoY to US$9.4 billion, while European credit ADV rose 4.7 per cent YoY to US$3 billion.

TMX Group acquires Cboe Australia

TMX Group has completed the acquisition of Middlebury Holdings (Cboe Australia) from Cboe Global Markets.

According to the firm, the transaction aims to bolster TMX Group's ability to serve clients across the capital markets ecosystem, expand the company's global presence, and accelerate the company's growth strategy.

The acquisition of Cboe Australia will bring together mining and energy transition financing ecosystems, unlocking potential to innovate for a growing global client base, says TMX Group.

Cboe Australia, which will be rebranded as TMX Australia Exchange, is a securities exchange offering companies tailored support for public market listings, including exchange traded funds, as well as structured products and warrants.

It also provides a trading venue for brokers and investors with access to local and global investment opportunities, and has recently been granted a license for corporate listings.

BrokerTec EU repo climbs 20% YoY for July

CME Group's BrokerTec has revealed EU repo average daily notional value (ADNV) was up 20 per cent year-on-year (YoY) for July, generating US$355.6 billion.

The market's focus remained squarely on central bank decisions, with both the European Central Bank and the Bank of England opting to hold their main interest rates steady at current levels.

BrokerTec's overall ADNV for the month was US$1.056 trillion, up 15 per cent YoY.

The figure represents volumes across benchmark cash US Treasuries, European government bonds, and US and EU repo on its dealer-to-dealer central limit order book and dealer-to-client request-for-quote platforms.

In terms of US repo, volumes increased 9 per cent YoY and remain elevated at €392.8 billion in ADNV.

For US Treasuries ADNV, June volumes were up 13 per cent YoY to US$90.6 billion, while volatility — measured by the CME Group US Treasury Volatility Index — declined 11 per cent over the same period.

Erik Norland, chief economist at CME group, states: "US Treasury yields bear-steepened in July as the Federal Reserve opted not to hike rates despite core inflation running at 3.3 per cent YoY, well above the central bank's target. Two-year Treasury yields rose by 8 basis points, while 5-year, 10-year, and 30-year yields drifted 16bps, 19bps, and 23bps higher respectively.

"Eurozone bond yields jumped across the curve by 21 to 3 bps, depending on the country and maturity, as eurozone core inflation accelerated to 2.5 per cent YoY. UK gilt yields also rose by 25–27bps, depending on the maturity.

"UK core inflation remains at 2.6 per cent and, like many of its peers, the country continues to run large budget deficits given the low unemployment rate. Finally, Japanese government bond yields also rose by about 8–10bps in the 2-year to 10-year segment as the market continues to price in the possibility of further BoJ tightening."

Marex acquires Webb Traders

Marex has completed the acquisition of Webb Traders, a European equity derivatives market maker.

Webb Traders has bases in Amsterdam and Paris, and specialises in single stock options market making for European and US mid and large-cap equities.

The addition brings further electronic trading capabilities to Marex, in line with its strategy to diversify earnings.

The acquisition will further enhance Marex's established Equity Linked Structured Products platform allowing the group to internalise hedging, enhance profit margins, and provide better pricing for clients.

ISLA joins Canton Foundation as associate member

The International Securities Lending Association (ISLA) has joined the Canton Foundation as an associate member, as it seeks to support the development of a competitive and interoperable digital securities finance landscape.

Through its membership, ISLA will contribute to discussions on the practical applications of distributed ledger technology and digital infrastructure within securities lending.

The association said the move reflects its commitment to engaging with a broad range of market solutions and technologies.

As part of the collaboration, Adrian Dale, head of regulation and market practice at ISLA, will join the Canton Foundation's Collateral Subcommittee, which is exploring how collateral can be mobilised across the network.

Chris Rayner, senior associate for market infrastructure and technology at ISLA, will participate in the Technology Working Group, focusing on digital infrastructure and network applications. ■

The client focus

Brooke Gillman, managing director, global head of Client Relationship Management at eSecLending, sits down with Justin Lawson for a candid conversation on the increasing popularity of independent agents, where opportunity lies, and the future outlook

You have been with eSecLending for over 20 years now. What are the most dramatic changes you have seen in the industry in that time?

I joined the securities lending industry and the business of eSecLending when we first started in 2000. I did not think that I would have 25 years in a particular career and industry, but it has been good and fruitful. There has been a lot of change. My perspective has always been more focused on the client, beneficial owner, and lender part of the market, and where I have also seen pretty dramatic change in the last 20 plus years.

The reason why eSecLending was founded originally was to have a differentiated approach to how lenders approach securities lending, to move away from the more traditionalist product and from the queued agency lending pool, and to look at their assets and lendable as a unique offering to the market. From the beginning, we built the business to best maximise and optimise a lender's programme within the control that they wanted to have over the programme. That has had a dramatic evolution over the last few decades, where lenders, back then, would have treated securities lending as an add-on and as more of an operational custody-adjacent product, and they would have looked at the revenue as an offset to expenses.

The revenue is very helpful in that regard, but many have evolved to where they are now looking at lending and repo as financing products. Many of the largest and most sophisticated institutional investors are utilising the tools of lending a repo as a method to support their broader treasury management, balance sheet optimisation, and liquidity management functions across their organisations.

While many still use lending in a way to optimise revenue and returns, and take an intrinsically focused approach, many are also looking at it as a tool to support the broader investment needs of their organisation and how they can best implement leverage and liquidity solutions. So, it has definitely changed a lot, and where it sits within individual lender organisations has also evolved alongside that.

How is eSecLending positioned in the US market today? What is driving that success?

Our business is US-based, we operate out of London and have a global clientele. We have had a lot of success over the recent time in the Americas, both in the US and Canada. We are well positioned with a lot of the US and Canadian lenders, in part because many of them have shifted to looking at lending and repo, as a way to raise cash and use it as another funding mechanism for their broader plan purposes.

We are very well positioned to do that, as we do not have the same bank and regulatory capital constraints that many of the large agent lenders have, just by the nature of who they are as a bank entity and the regulation that they are under.

Our ability to support lenders on a very direct and individualised basis and allow them to run a directed agent programme where we are adapting and running a business and a programme to their specific needs, has well-positioned us. Our ability to run volume and balance-based business for them, and to satisfy those needs for leverage and liquidity, to be able to be more flexible, and ultimately to not have the same capital cost constraints that our bank competitors would, has differentiated our business pretty dramatically in the last 5–10 years, and even more recently in the last few.

Where are you seeing the biggest opportunities for clients at the moment?

It depends on the client and what their profile is: the assets they have, the opportunity they have based on what collateral they accept, what drives their decision making for securities lending, and what their objectives are. For those that are a cash-driven focused lender, there is a lot of opportunity if they can find ways to improve their risk weightings for the brokers. We have seen a lot of implementation of various solutions that improve the capital footprint of the lender, and essentially allow the lender to become more of a preferred counterpart to many of the bank counterparts — that has been a big opportunity for those clients that are a cash collateral-driven programme.

Outside of that, we see a number of opportunities for collateral trades that many clients are partaking in. Then, where there is more of an intrinsic-focused value, we continue to see and the market sees a lot of trading opportunities in Asia and some of the emerging markets. The implementation of newer markets; the reopening of South Korea in a more meaningful way post the short sell ban; and markets like Saudi Arabia and other Asian markets tend to have more demand.

Shifting back, domestically in the US, there is always interest when there are specials opportunities, and smaller caps continue to have opportunities there also. US corporates and a lot of high yield interest is still a big area of opportunity for lenders. Noting that we are speaking in May now, with the IPO season in the US, and some of the sizable ones that are anticipated with SpaceX or OpenAI or others, the market is very much looking forward to those events, and has a lot of expectation with the size and the magnitude of some of those IPOs. If they are added to the indices earlier, then hopefully there will be more adoption by the larger institutions in terms of ownership. It should be interesting to see how the year plays out in terms of trading and where specials lie, on the back of the IPO and other corporate events.

Independent agents like eSecLending are gaining in popularity as clients are increasingly moving away from the traditional pool model. Why is that?

We have seen that trend over the past 25 years. It is not for everyone, and there are still many lenders that I think are well suited to working with a bank agent lender or well suited to more of a traditional approach and a pooled programme. But the shift towards wanting to have more control and to run more of a directed agent style programme, is a trend among larger institutions. And with that, the agents, such as ourselves and some others, are very well positioned to build a programme and a profile that can best directly suit what the underlying beneficial owner is aiming to achieve with their lending activities.

We have had a lot of success over the last few decades but, early on, our independence and not being a bank was probably what the market sold against us. Now, what is interesting, especially with a lot of the regulation that came on the back of the financial crisis, we have benefited from that independence and from being a non-affiliated bank lender, a non-custodial lender, and one that is able to essentially meet the needs of what the clients ultimately want, and to be able to do that in a pretty flexible way.

The downside is, that type of business is less scalable. Where the custodians and the large banks benefit is they do have the ability to service hundreds and hundreds of clients in a uniform way, and that works very well for certain market participants. But where uniformity is not what is desired, that is where independent agents and those that have the flexibility to run a directed style programme for clients, do benefit. Ultimately, competition breeds more success and better programmes for the underlying lenders.

With over 20 years of perspective, what sets eSecLending's culture and client relationships apart?

Trust is a big one. Trust does not always happen overnight, as you know from your business. We have known each other for much of that time. I remember in the early 2000s when you were also getting your business off the ground, and building out relationships with clients. It is what drives our business. Making sure that we are running programmes not for ourselves but for the clients, and demonstrating that to clients, day in day out, that we are ultimately there to serve their needs and to be fully aligned.

We are not a bank, and because we are independent, we have the ability to have full alignment with our clients, and that matters. It matters when it comes to decision making. It matters when it comes to contract negotiation. It matters when it comes to what trades they want done and what trades we are able to support for them. Trust and deep relationships are really what drives us. There are many people within our organisation that were with us at our founding, and some of us, like myself, are still here today and still enjoy the work we do and the client partnerships that we have.

Many of those partnerships run the full length of our business, but we have really benefited from bringing on new client adoption and new partnerships in the last number of years, and hope that we can grow those relationships in the decades to come, and keep that trust and partnership-focused, client mindset.

Looking ahead, what excites you most about where eSecLending and the US market is headed?

There is a tremendous amount of opportunity to continue to serve the needs of these large, sophisticated clients, but to do so in a way that really allows them to run their programme themselves. With where technology is today and where it is headed, the more that we can do as providers to put solutions and tools in the hands of our clients and support them through the legal framework, operational processing, settlement of activities, the risk overlay with indemnification and controls, is super important.

It is almost as if the next 20–25 years will be condensed into what is more like the next three to five to seven years, just given the pace of change and the speed of technology right now

To allow the decision making and the reasons for trade execution and what is driving that to be directed or controlled or in the hands of clients, is really important. As we continue to grow and evolve with our clients and partner with them on how they want to see securities lending and their related financing activities managed, we are well positioned, and I am confident our clients are well positioned as well.

It is almost as if the next 20–25 years will be condensed into what is more like the next three to five to seven years, just given the pace of change and the speed of technology right now. Maybe we will both be around to see how it plays out in the years to come. ■

Brazil: Providing an international bridge to market

Industry participants explore Brazil's collaborative efforts to attain a new securities lending model ahead of its transition to a T+1 settlement cycle, with hopes to expand offshore participation and sources of liquidity. Carmella Haswell reports

Brazil has truly captured the attention of the securities finance market; not for its Amazon Rainforest, Carnival, or even for its historic wins in the FIFA World Cup, but for its developing capital market which holds prospective opportunities for participants, onshore and offshore.

As a key development for the country, Brazil's stock exchange, B3, announced a move to T+1, in keeping with markets such as the US, UK, EU, as well as its neighbours Chile, Colombia, and Peru — of which aim to make the transition in the second quarter of 2027.

The move, set for February 2028, aims to promote greater operational efficiency, risk mitigation, and alignment with

international best post-trade practices. The initiative is led by B3 — coordinator and facilitator of the T+1 project — along with market participants, through a governance structure, with the involvement of regulators and trade associations.

While the industry is eager to see what this journey will bring, it is important to first assess the landscape.

Securities lending activity in Brazil has shown a mixed but revealing picture in the first half of 2026, as the market prepares for its transition to a shorter settlement cycle, says Matt Chessum, executive director, equity and analytic products at S&P Global Market Intelligence.

While total lending revenue dipped marginally by 3.7 per cent year-on-year to US$63.8 million, the underlying dynamics tell a more nuanced story. Figures from S&P Global Market Intelligence reveal that average loan balances surged 58 per cent to US$5.4 billion, suggesting heightened demand for Brazilian equities. Meanwhile, the lendable supply pool expanded nearly 29 per cent to US$14.9 billion, reflecting growing institutional participation in the country's securities lending programme.

The apparent disconnect between rising balances and flat revenues can be explained by shifting fee dynamics, says Chessum. Average weighted fees climbed 16 per cent to 2.23 per cent, yet utilisation rates, the proportion of lendable securities actually on loan, fell 22 per cent to just 2.02 per cent.

"This pattern indicates that while more securities are available for lending than ever before, borrowing activity remains concentrated in specific high-demand names rather than spread broadly across the market," he adds.

June 2026 proved particularly active, with monthly revenues of US$10 million, up 176 per cent compared to June 2025, driven by fees spiking to 2.77 per cent as particular securities came into sharp demand.

As Brazil moves toward T+1 settlement, Chessum notes that market participants will be watching closely to see whether compressed settlement cycles affect this lending landscape, potentially reducing the window for investment strategies that rely on borrowed stock.

Out of reach

Having a functioning and reliable securities lending market in Brazil will be key to enabling a successful transition, and for Malu Gregorio, managing director, head of Brazil, Securities Services, BNP Paribas, it is a market that is well-established and one that has grown steadily in recent years, supporting healthy liquidity for the most actively traded names.

It was 30 years ago that securities lending was first authorised in Brazil by the Banco Central do Brasil (BCB) through Resolution 2,268 dated 10 April 1996. This resolution has been amended and replaced multiple times, and with the ongoing work to reach T+1, the market will undoubtedly continue to develop.

Brazil has one of the most robust domestic securities lending markets in the world, says Gene Picone, consultant to the International Securities Lending Association (ISLA) Americas. The central counterparty (CCP) model operated by B3 provides a highly efficient framework for local participants and has contributed to strong levels of market stability.

However, this current framework is providing restrictions to international players who are keen to participate in this market.

The current securities lending landscape is niche, says Patrick Morrissey, director of product and strategy for securities lending at Vanguard. It is a niche market for local investors and for those entities that have risk tolerance. "It's a very unique market infrastructure, and it's one that isn't favourable to a lot of foreign institutional investors."

Providing insight on the topic, Morrissey indicates that due to Brazil's use of the central clearing counterparty model for securities lending, many foreign institutional investors have been kept out of the market for different reasons. For instance, US mutual funds "were never really allowed to participate in the CCP model" from a regulatory perspective.

Similarly, Fred Leonel, head of Investor Services for Brazil at Citi, says the current structure can hold international lenders, such as beneficial owners and agent lenders, back from participating. "These participants do not take possession of collateral, and the market does not utilise a segregated account structure for collateral, which means lenders do not have direct visibility into the specific securities allocated."

As of right now, a bilateral securities lending framework does not exist. To achieve a more robust securities lending market, Morrissey says a new model must become available to both local and foreign investors, with a focus on collateral control.

The ISLA Americas' working group has been collaborating with B3 over the past two years to propose a new securities lending model to Brazilian regulators.

According to Leonel, the proposed model introduces key structural improvements such as the use of bilateral collateral exchange in the US, meanwhile maintaining the settlement of the underlying securities in the local Brazilian market. This structure aligns Brazil with other established offshore lending markets.

In addition, the model aims to unlock international capital, enabling "a substantial volume" of international lenders, such as US mutual funds and global pension funds, to enter the Brazilian securities lending market. Further, it aims to stimulate local demand, with a strong expectation that as this new supply enters the market, it will draw in local borrowers who are currently sitting on the sidelines due to limited inventory.

While this model is a key talking point for participants, and would be a significant step forward for the market, bottlenecks remain. Picone says the industry has identified several areas where additional refinements would make Brazil more accessible to global investors. These include settlement and recall timelines, collateral flexibility, buy-in practices, fail management, and billing conventions.

He continues: "Through ongoing collaboration between ISLA Americas, B3, market participants, and other stakeholders, many of the historical barriers have either been resolved or are well on their way to resolution. Those changes should meaningfully expand offshore participation and provide additional sources of liquidity as Brazil approaches T+1."

Working in tandem...or almost

As previously mentioned, Colombia, Chile, and Peru have also confirmed their transition to T+1, with a plan to move to a shorter settlement cycle in the second quarter of 2027. But just how important is it to align these capital markets?

Well, for Picone, the broader transition across Latin America represents an important milestone for the region. By modernising settlement infrastructure and simplifying securities finance practices, he says these countries are creating a more efficient and attractive investment environment. "Brazil's transition complements this broader regional evolution and further strengthens Latin America's position in global capital markets."

With the globe moving to T+1, greater regional consistency benefits all. Although there may be an estimated seven-month gap between Brazil and its neighbours in regards to T+1 implementation deadlines, Gregorio believes it is a valuable opportunity for the region: lessons on funding, FX cut-off times, and cross-border securities lending from the first wave can support Brazil's own transition.

Morrissey adds: "The mindset of all participants, regardless of jurisdiction, should be frictionless engagement throughout the settlement ecosystem, which includes a robust and near-real-time securities lending infrastructure.

"While market-specific nuances will always exist and present unique challenges, building an adaptable and scalable programme with the right guardrails will help ensure alignment as the LatAm market continues to grow."

Looking towards the future, market participants value regulatory alignment, early planning, automation, common operational standards, and close collaboration as key principles for a successful implementation. These points have been a core focus for other jurisdictions which have moved to a shorter settlement cycle, highlighting the importance of learning the lessons of previous movers.

Liquidity will also be a key consideration for participants or for any regulator that wants to move to a T+1 cash equity settlement cycle. Morrissey indicates that, to be successful, there needs to be various bridges to liquidity through the lenses of frictionless workflows, standardised lifecycle events, well-defined onboard and documentation, reasonable penalty regimes, and tax considerations up and down the value chain.

"The transition to T+1 should be viewed not simply as a settlement initiative, but as an opportunity to modernise Brazil's securities lending ecosystem, attract greater international participation, and enhance overall market liquidity for years to come," concludes Picone. ■

Collateral in motion: Why mobility is becoming the next competitive advantage

As shorter settlement cycles, regulatory reform, and evolving market infrastructures reshape securities finance, Theodore Law explores why collateral mobility has become a strategic priority, how fragmentation is limiting efficiency, and why optimisation increasingly depends on better decision-making rather than simply moving assets

Collateral becomes strategic

Collateral has long supported securities lending, repo, derivatives, and clearing activity. However, recently its role has changed significantly. Once viewed primarily as an operational requirement, collateral is increasingly being managed as a strategic resource that influences liquidity, funding, and capital efficiency.

Regulatory reform has been a key driver of this shift. Basel III, Uncleared Margin Rules (UMR), mandatory clearing obligations, and

liquidity requirements such as the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), have increased demand for high-quality liquid assets (HQLA).

At the same time, firms are managing larger collateral inventories spread across custodians, central securities depositories (CSDs), central counterparties (CCPs), triparty agents, and bilateral relationships. Each operates with different eligibility requirements, settlement processes, and operational constraints, making efficient mobilisation increasingly important.

Market stress has highlighted the consequences of limited collateral flexibility. The Covid-19 volatility of 2020, the UK liability-driven investment (LDI) crisis in 2022, and the banking sector disruption surrounding Silicon Valley Bank and Credit Suisse, demonstrated how quickly liquidity pressures can emerge when margin requirements increase.

Firms able to identify and redeploy collateral quickly were generally better positioned to respond than those operating with fragmented inventories and limited visibility.

"Historically, firms tended to focus on the availability of collateral," says Gael Delaunay, head of collateral management at Clearstream. "Today, the focus is increasingly on the ability to access, mobilise, and deploy collateral efficiently across multiple venues, counterparties, and jurisdictions."

The shift reflects a broader change across securities finance. Holding collateral is no longer enough; firms increasingly need to understand where assets sit, how they can be used, and where they create the greatest value.

T+1 accelerates the challenge

The move towards shorter settlement cycles is reinforcing this trend.

Following the US transition to T+1 settlement in 2024, Europe is preparing to shorten its settlement cycle in October 2027. While the move is expected to reduce counterparty risk and improve efficiency, it also compresses the time available to source, allocate, and deliver collateral.

Processes that once took an entire trading day now need to be completed within hours. This requires firms to have greater visibility across collateral pools and make allocation decisions faster.

Many institutions, however, continue to manage collateral through separate business lines and technology platforms. Securities lending, repo, treasury, derivatives, and clearing functions often optimise assets independently, making it difficult to establish an enterprise-wide view.

James Stillwell, director of product management, collateral, and digital assets at Pirum, says the industry's focus has shifted from availability to decision-making.

"It used to be about whether you had the collateral, but now it's about whether you can make the right call on it quickly enough to act. The movement itself has never been the hard part — the decision is."

As settlement windows shorten, firms must balance competing requirements across liquidity, funding, regulation, and collateral eligibility within increasingly limited timeframes.

"Firms continue to face pressure to improve returns, optimise liquidity, and make more efficient use of capital," says Delaunay. "As a result, collateral is increasingly being managed as an economic resource that should be actively deployed rather than passively held."

Fragmentation remains the key obstacle

For many institutions, the challenge is not a shortage of collateral but an inability to access and understand what they already hold.

The International Securities Lending Association (ISLA) says firms increasingly struggle to obtain a consolidated view of collateral held across legal entities, business lines, and market infrastructures.

Assets may exist within an organisation but remain difficult to deploy because of operational silos, settlement locations, eligibility restrictions, or governance frameworks. This can result in firms sourcing collateral externally despite holding suitable assets elsewhere on their balance sheet.

Fragmentation also extends across the wider market. Collateral is distributed across custodians, CCPs, CSDs, triparty agents, and bilateral counterparties, each with its own processes and connectivity requirements.

"Inventory has never been more disparate," says Stillwell. "It sits across triparty agents, bilateral books, and CCPs, each with its own eligibility rules, formats and cut-off times, and no single venue sees the whole picture."

For firms seeking to optimise collateral, visibility has become the essential first step. Without a complete view of available assets, even sophisticated optimisation strategies have limited impact.

From visibility to optimisation

Collateral optimisation has traditionally focused on identifying the cheapest eligible asset to deliver against a specific obligation. While cost remains important, firms are increasingly required to consider a wider range of factors, including liquidity requirements, funding costs, regulatory constraints, and balance sheet efficiency.

"Cheapest-to-deliver is one input, not the answer," says Stillwell. An asset that appears cheapest to allocate may ultimately have greater value elsewhere when broader funding and liquidity considerations are taken into account.

Stephen O'Donnell, chief operating officer at ISLA, says firms with mature collateral mobility capabilities typically share three characteristics: strong visibility across inventories, connectivity with market infrastructures and counterparties, and optimisation models that incorporate wider liquidity and funding considerations.

The market response is also becoming increasingly varied. Large dealer banks are investing in enterprise-wide collateral platforms to coordinate assets across business lines and jurisdictions. Custodians and triparty providers are improving connectivity between infrastructures, while many buy side firms are relying on specialist technology providers to improve visibility without building extensive internal systems.

"Market participants need a consolidated view of their assets, exposures, and funding requirements across custodians, market infrastructures, and jurisdictions," says Delaunay. "Without that transparency, it becomes difficult to make informed optimisation decisions."

For the industry as a whole, the objective is becoming clear: make fragmented collateral behave like a connected ecosystem.

From automation to orchestration

Technology has transformed collateral management over the past decade. Straight-through processing, APIs, and automated workflows have reduced manual intervention, while triparty collateral management has improved allocation, substitution, and settlement.

However, automation has largely addressed individual processes rather than the wider challenge of coordinating collateral across fragmented infrastructures.

"I'd be careful about where the real friction sits," says Stillwell. "Inside a single triparty venue, allocation, substitution, and optimisation are already highly automated and work well. The friction is at the seams."

Those seams increasingly exist between infrastructures rather than within them.

Moving collateral between custodians, CCPs, triparty agents, and bilateral counterparties can introduce delays, settlement risk, and operational complexity. As firms connect to more markets and manage assets across more jurisdictions, the ability to coordinate those movements has become as important as automating individual processes.

This is driving greater interest in collateral orchestration: technology and operating models designed to connect existing infrastructure rather than replace it. The aim is to provide firms with a consolidated view of inventory while identifying the most efficient way to mobilise assets across multiple venues.

For many institutions, the next challenge is not developing more advanced optimisation models, but executing those decisions consistently across different market infrastructures and within shorter settlement windows.

"Moving the wrong asset in seconds is still moving the wrong asset," says Stillwell.

The value of orchestration therefore lies in the intelligence behind the movement. Firms increasingly need technology capable of considering funding costs, liquidity requirements, regulatory constraints, and settlement considerations before recommending how collateral should be deployed.

As the market moves towards faster settlement cycles and more complex collateral requirements, the ability to make the right decision will become just as important as the ability to execute it quickly.

Interoperability will define the next phase

Alongside improvements to existing infrastructure, the industry is exploring how emerging technologies could reshape collateral mobility.

Digital assets and distributed ledger technology (DLT) have attracted attention because of their potential to reduce settlement friction, improve transparency, and enable greater automation. Tokenisation could allow firms to transfer ownership or control of assets more efficiently, potentially expanding the range of collateral available to market participants.

"Tokenisation and pledge models let a firm transfer ownership or control while the security stays where it is, so the value moves without the asset having to," says Stillwell.

However, technology alone will not solve the industry's underlying challenges.

For O'Donnell, one of the key risks is that new digital markets could reproduce the fragmentation already present in traditional infrastructure. "The industry must avoid recreating existing fragmentation within new digital environments."

The future of collateral management will therefore depend on interoperability. Common standards and legal frameworks will be required to connect traditional custody networks with emerging digital infrastructures.

This is one reason why ISLA continues to develop initiatives such as the Common Domain Model (CDM), which provides a common representation of securities finance data and events, alongside the Digital Assets Annexes to the Global Master Securities Lending Agreement (GMSLA), designed to provide legal certainty for transactions involving digital assets and tokenised securities.

Whether collateral remains within established market infrastructure or moves into digitally enabled environments, the requirement remains the same: firms must be able to identify, mobilise, and deploy assets efficiently.

The next competitive advantage

Collateral mobility has moved from an operational consideration to a strategic capability.

Shorter settlement cycles, increasing margin requirements, and more complex market structures are forcing firms to rethink how collateral is managed across the organisation. The institutions best positioned for this environment will not necessarily be those holding the largest collateral pools, but those able to understand where assets sit, evaluate competing demands, and deploy them effectively.

The next stage of collateral management will be defined by connectivity. Firms are moving away from isolated optimisation initiatives and towards broader strategies that link inventories, infrastructures, and decision-making processes.

Technology will remain central to that transformation, but automation alone will not determine success. Interoperability, common standards, and the ability to coordinate fragmented markets will be equally important.

The industry has spent years improving its ability to process collateral. The next challenge is improving its ability to orchestrate it.

As securities finance enters a more interconnected era, collateral itself may become less of a differentiator. The competitive advantage will come from the intelligence surrounding it: knowing what assets are available, understanding where they create the most value, and mobilising them when markets demand it.

The future of collateral management will not be defined by the size of a firm's inventory, but by its ability to make that inventory work. ■

Boredom is performance

In the eighth instalment of the series, Cyril Louchtchay de Fleurian, head of securities finance and balance sheet strategy at Capteo: Strategy & Management Consulting, looks at enterprise liquidity management

Create, use, secure: Three verbs, three owners

The most advanced benchmarks, a handful of large US broker-dealers, and global custodian banks for which secured financing is the historic core business, are distinguished neither by the visible existence of an enterprise liquidity management (ELM) function, nor even by possession of the underlying capabilities. A consolidated inventory of mobilisable collateral, structural access to the major secured funding pools, intraday management of margin flows and settlement constraints, deep anchoring in custody, triparty, and clearing infrastructures. Taken in isolation, these building blocks exist in many institutions. What is rare is their integration. In these firms, repo, derivatives, margining, clearing, collateral management, and settlement do not operate as juxtaposed areas of expertise but as components of a single liquidity chain, in which every link knows the state of the others and information travels at the speed of execution. That integration cannot be decreed; it is the product of a culture of secured financing and of the associated balance sheet optimisation, one that treats liquidity as a matter of execution before making it a matter of compliance. The result is a de facto ELM, operating without the name — and that is precisely what makes these institutions so difficult to imitate.

What these firms already practise without naming it, most banks will have to build by naming it: that is what the ELM formalises. Nothing more — and that is precisely what makes its absence indefensible. In a regime where liquidity has become conditional, fragmented, and politically structured, every bank already executes liquidity trade-offs, every day; the point is simply that no one answers for them end to end. Leaving that responsibility diffuse amounts to flying blind through the core risk of banking. The ELM invents nothing; it gives an owner, a cross-functional perimeter and a line of accountability to a capability the organisation already exercises implicitly, piecemeal — and therefore dangerously.

For it is the formalisation that creates the capability: a trade-off without an owner cannot be steered, cannot be measured, and can be held against no one. As orchestrator of executable liquidity, the ELM coordinates every function that touches cash and collateral, from asset and liability management (ALM) and collateral management through to operations, to guarantee the effective convertibility of assets across every available channel, from bilateral repo to triparty and on to central bank facilities. But it does not merely coordinate: it executes. It answers for the velocity of monetisation, for access to infrastructures and for the trade-offs between liquidity, balance sheet and cost; it maintains, in normal conditions as in stress, a demonstrable conversion capability. It is this dual nature, orchestrator and executor, that prevents the capture of liquidity by the business lines, implicit arbitrage, and the silent destruction of value.

Naming the function is not enough; its operating model must be written down. The target operating model (TOM) sets out how the organisation runs — in steady state — to deliver executable, multi-channel liquidity. Its logic rests on one principle of separation: the party that creates liquidity, the party that uses it, and the party that secures it must no longer be confused. Treasury creates, through funding and institutional access; the repo desk uses, in the service of clients and P&L; collateral management aligns securities inventory with needs; ALM and risk secure, through the framework, the limits and the scenarios. The ELM, for its part, puts a price on liquidity, orchestrates, arbitrates and executes day to day. The separation looks obvious once written down; it exists formally almost nowhere, and it is its absence that makes implicit arbitrage possible.

The TOM applies that principle across three dimensions. The first delineates what the ELM does, orchestration, cross-functional arbitration, management of time-to-cash, and what the user teams continue to do; then how the two interact, with critical dependencies identified. The second governs: who decides what, with limited veto rights, escalation thresholds to the executive committee (ExCo), distinct rules for business as usual (BAU) and for stress, and a cadence of forums running from the daily coordination point to the crisis cell triggered by Risk Appetite Framework (RAF) thresholds. The third proves: the key processes, from collateral allocation to the activation of central bank facilities, are tooled, measured, and auditable — access tests, proof of mobilisability, traceability of exceptions. A TOM that delineates without governing produces an organisation chart; a TOM that governs without proving produces a doctrine. The three planes together produce a capability.

The end of comfortable ambiguity

On paper, the allocation of responsibilities for liquidity looks settled; in practice, it does not survive the first spike. 10 decisions typical of the liquidity, securities, and repo environment are enough to demonstrate the point. For each, a Responsible, Accountable, Consulted, Informed (RACI) matrix makes the allocation of roles explicit and enforceable, separating what belongs to orchestration from what belongs to usage. Two positions concentrate the stakes: the Responsible (R), who actually executes — arbitrates, trades, mobilises collateral; and the Accountable (A), who carries final responsibility and decides, alone and undivided. The question asked of each decision is simple: where does the ELM sit — and, above all, where did no one sit before it.

Calibrating the reserve. Two decisions found the framework. The buffer monetisation rate in target state (0, 25, 50 per cent and so on) and its associated fluctuation band: the ELM decides within the approved band (A); moving outside it is a matter for the ExCo. The target composition of the buffer, securities, currencies, maturities: Treasury and the ELM jointly build the conversion portfolio by channel (R); the ELM answers for implementation and for compliance with limits (A).

Routing the execution. Four decisions drive the daily funding mechanics. Collateral allocation by channel, bilateral, triparty, CCP, or central bank: the collateral teams, the repo desk, and the ELM execute the movements (R); the ELM answers for multi-channel orchestration and time-to-cash coherence (A). The choice of funding route for a given need: repo, Treasury and the ELM handle pricing, sizing, and execution (R); the ELM decides in BAU (A), with the ExCo stepping in directly whenever an exceptional backstop is to be activated or doctrine is to change. Collateral substitutions: the ELM arbitrates the cross-functional prioritisation between margins, funding, and clients (A). Operational cut-offs, exceptions and extensions included: the ELM decides on activation in the moment, within policy (A).

Holding under stress. Two decisions arise only under strain. Prioritising clients and flows, CCP margins, roll-overs, central bank access: execution is coordinated across the ELM, Treasury, repo, and operations (R); the ELM applies and arbitrates intraday (A). Activating the playbooks and the war room: the same teams in the front line (R); the ELM triggers on RAF thresholds and runs the operation (A); the ExCo takes over in crisis mode or for major exceptions.

Arbitrating the economics and the dependencies. Two decisions commit the structure. Sorting activities that are low risk but heavy in liquidity cost: finance and the ELM measure the implicit cost, build the scenarios and propose (R). Contracting — and unwinding — dependencies, GMRA, triparty agents, CCP access, counterparty onboarding: legal, repo and Treasury document and negotiate (R); the ELM orchestrates the overall plan and its multi-channel coherence (A); the ExCo decides the irreversible — exiting a counterparty, or changing triparty agent, for instance.

The logic is constant. The desks keep execution and their expertise, market-making, pricing, client relationships; the ELM concentrates final responsibility for orchestration and executes itself only where a decision affects monetisability, execution dynamics or RAF constraints; the ExCo decides only two things, doctrine and the irreversible. Far from adding a layer, this division reduces effective complexity: a single point of arbitration replaces inconsistent local optimisations, across Treasury, repo, operations, and risk. Under stress, the difference becomes decisive, because an unassigned capability is an undecided capability — and therefore a slow one. Read between the lines, the exercise says what matters most: of these 10 decisions, most had until now no designated final owner, only dispersed trade-offs whose sum no one carried. In practical terms, an independent ELM does not replace the expertise of the desks; it guarantees that this expertise executes on time, with stable priorities, and without letting liquidity become a common good — capturable, or ungovernable.

Putting risk appetite to the test

Liquidity risk appetite is defined by the demonstrated capacity to mobilise and monetise collateral quickly, at controlled cost, through secured channels, in normal conditions as in stress. The RAF manages that execution capability.

Most liquidity risk appetite frameworks measure stocks: a buffer level, a ratio, a theoretical survival horizon in days. The framework the new liquidity regime requires manages something else — a demonstrated capacity to mobilise and monetise collateral, quickly, at controlled cost, through secured channels. The nuance sounds semantic; it is structural. An appetite defined in stock is verified once a quarter; an appetite defined as execution capability is proven every day.

The perimeter widens accordingly. Beyond regulatory liquidity, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), the framework covers economically mobilisable liquidity, repo and SFT activity, collateral, the infrastructures on which its transformation into cash depends, central counterparties (CCPs), triparty, central banks, and extends to the interactions between liquidity, balance sheet, and profitability. Nothing that conditions execution stays out of scope.

The core of the framework rests on three requirements. The first: prove convertibility. The institution commits to a buffer effectively monetised in BAU, in the region of 50 to 60 per cent, reversible within a day, and mobilisable at 80 to 90 per cent within five days under moderate stress; it also commits on speed, with target conversion times by channel and kinetic degradation measured under strain. An asset untested for too long, an excessive dependency on a single channel: each of these deviations constitutes a breach of the framework, not a footnote in the reporting.

The second requirement: control the external fragilities. No infrastructure, no counterparty may become a chokepoint — that link whose failure or restriction paralyses access to liquidity; hence concentration ceilings by channel and by jurisdiction, and central bank access tested monthly, not assumed. The same discipline applies to procyclicality: the bank must demonstrate its capacity to absorb a rise in haircuts without forced liquidation, and stressed margin calls over five days — failing which deleveraging stops being a scenario and becomes a mechanism.

The third requirement is economic and political. Economic: the implicit cost of liquidity is capped by activity, low-risk but liquidity-heavy repo is explicitly limited, and any activity structurally loss-making after liquidity cost triggers a mandatory review; that is the end of the silent destruction of value. Political: liquidity decisions are arbitrated by the ELM, the repo desk becomes once again an internal client of the framework rather than its owner, and any usage outside the framework, or left untracked, constitutes a breach. Risk appetite stops being a document and becomes a discipline.

Escalation follows a simple gradient: daily management by the ELM in BAU; a weekly liquidity committee on alert; ExCo arbitration and a corrective plan within 48 hours on breach; playbook activation, ELM in command, under stress. Four levels, four owners, no ambiguity about who decides when.

Very well — and what does it make?

One has to have presented an organisational project to a head of markets to know the real hierarchy of arguments. Resilience earns a nod; governance, a glance at the watch; the regulator, a sigh. Then comes the real question, the only one: 'very well — and what does it make?'. The question is legitimate. A function that lives only off the fear of the next crisis will be the first one cut in the next cost plan, precisely because the crisis has not happened. The ELM must therefore defend itself on the ground where it is expected: the P&L. Put plainly, an insurance policy that pays out only in fires is a cost line on the other 364 days; the ELM, for its part, must earn its keep in all weathers.

The primary vocation of the ELM is not to generate P&L. Its central purpose remains the control of execution risk and the securing of executable liquidity. That defensive capability, however, mechanically creates strategic optionality in normal conditions, today largely under-exploited. By making the real liquidity and balance sheet constraints visible and arbitrable, the ELM allows a finer allocation of scarce resources, where fragmented organisations operate on incomplete or delayed signals.

That visibility translates into smarter trade-offs between collateral usage, funding cost, balance sheet consumption, and risk-adjusted profitability. Concretely, the ELM opens the way to sharper pricing of repo and SFT transactions, reflecting the true economic cost of the liquidity mobilised — to a differentiating capacity to serve selected clients in periods of strain, when liquidity is scarce and execution discipline becomes a selection factor — and to more dynamic balance sheet arbitrage, redeploying the balance sheet towards activities that create more value, without degrading overall resilience. This optionality rests on a reduction of operational uncertainty. The ELM does not create profit by construction; it avoids the silent destruction of value and restores the capacity to choose when, how, and at what price liquidity is committed. Over time, moreover, that control confers a durable competitive advantage: the bank is no longer condemned to take market conditions as given under stress, nor to over-optimise in BAU out of precaution. It can, on the contrary, deploy its balance sheet selectively, in line with its strategy and its risk appetite.

Serving, for instance, precisely where others withdraw. Consider the starting position in a period of market strain, for a bank without an ELM:

haircuts rise, volatility spikes on peripheral sovereigns, CCP stress builds — the repo desks apply uniform cuts, pricing turns defensive and undifferentiated, some perfectly sound counterparties are refused or rationed, the bank shrinks activity to protect itself as a precaution. The result: immediate revenue loss, damaged client relationships, an under-used balance sheet at the worst possible moment.

Same situation with an ELM in place. The function holds a consolidated view of the genuinely mobilisable buffer, of the marginal cost of liquidity by channel (bilateral repo, triparty, central bank), of intraday and CCP constraints, and a validated cross-functional arbitration capacity. On that basis, the bank can keep repo access open for a limited number of strategic clients, price to the true cost of liquidity rather than to the worst case, and impose targeted conditions — shorter maturities, specific collateral — while strictly respecting its risk appetite. The bank does not take more risk. It chooses where to commit it: revenues preserved where the market contracts, the standing of a reliable counterparty reinforced, client relationships consolidated for the long term, a balance sheet used with discernment rather than by defensive reflex. Without an ELM, the bank protects itself by withdrawing. With one, it protects itself by arbitrating.

The end of free liquidity

A business case can always be argued with; a daily mechanism, far less easily. Here, then, is how these gains materialise, item by item, in the ordinary functioning of the framework.

The bank keeps a safety reserve of highly liquid high-quality liquid assets (HQLA). The ELM organises, day by day, how to put part of it to work without compromising safety — to raise cash quickly, pay on time, and get through the tense moments: crises, margin calls, large payments, cut-offs.

First, the ELM puts an internal price on liquidity. Teams that consume large amounts of cash, or immobilise scarce assets, pay that cost internally. The system forces the trade-offs: it weeds out activities that earn little but consume enormous liquidity, notably on an intraday basis — typically repo: large volumes, thin margins. As long as liquidity is free, every desk optimises its own P&L by externalising the cost of cash, of encumbrance, of CCP margin and of operational friction.

The whole discipline rests on a mechanism banks know well but do not always apply: internal transfer pricing. The principle of Funds Transfer Pricing (FTP) is old — each business pays the bank the internal cost of the funds it consumes; its variant, Liquidity Transfer Pricing (LTP), goes further, folding into the funding price what liquidity really costs in constraints: LCR, NSFR, encumbrance, CCP cost. But the tool only yields its discipline on three conditions — and that is where practice parts company with theory.

First condition: the price must be marginal, and matched to actual maturity. Concretely, a desk that locks up cash for 30 days pays the price of 30-day liquidity, not an average price smoothed across the whole balance sheet. The nuance sounds technical; it is decisive. An average price silently subsidises long usage with short liquidity, and every desk, rationally, exploits the subsidy: that is value destruction as daily routine, perfectly invisible in local P&Ls. Marginal pricing, maturity by maturity, removes the subsidy — and with it the incentive.

Second condition: the mechanism must reach down into the intraday. A transfer price calibrated on 30 days ignores the essence of today's risk, which plays out within the day, between the morning's margin calls and the afternoon's cut-offs. Charging for liquidity by the day without charging for it within the day is like running a market position on closing prices: the average is right, and all the risk is elsewhere.

Third condition, the most political: liquidity budgets enforceable by business line, and an exception process that escalates to the ExCo. For there will be exceptions — activities structurally expensive in liquidity that the bank chooses to keep for franchise reasons; the framework does not forbid them, it requires that they be decided knowingly, at the right level, rather than granted by default in the blind spot of an average price.

Managed centrally by the ELM, this triptych — marginal pricing, intraday granularity, arbitrated exceptions — turns liquidity from a free resource into a metered one. And a metered resource changes behaviour without any committee having to intervene: the internal market does the disciplining.

In effect, waste is reduced (less liquidity immobilised for nothing), costly incidents are avoided (late payments, penalties, mishandled margin calls), and overall profitability improves as hidden costs become visible. Internally, the ELM charges the desks a liquidity price (FTP/liquidity charge). It is not external cash, but it recovers the true cost of liquidity and, above all, forces the trade-offs (fewer 'thin margin/heavy cash' volumes). Externally, through execution, the ELM optimises the cost of secured funding (repo/triparty/CCP/central bank) and captures the spread between badly funded and well funded (while avoiding penalties and fails). Through loss avoidance, fewer incidents — margins, cut-offs, emergency liquidations — mean less negative P&L in stress (which is often where the real return on investment sits). What a typical day would look like: every morning the ELM publishes the liquidity 'tariff' and the budgets by team; during the day it monitors spikes, sets priorities (pay X first, protect buffer Y), and triggers standardised operations to raise cash on time; in the evening it attributes the costs and documents the exceptions.

What an ELM makes: order of magnitude for a €100 billion buffer (conservative assumptions)
Starting assumption: HQLA buffer of €100 billion
Unencumbered floor: €40 billion
BAU mobilisable/monetisable share: €60 billion (repo/triparty/CCP/central bank), short-dated and reversible.

Two caveats condition the reading of these figures. The first: it would be misleading to see them as the consolidated P&L of a desk. Part corresponds to genuine external savings, funding costs and penalties actually avoided; part is internal allocation, the liquidity charge whose function is to force trade-offs between businesses, not to enrich the bank. Confusing the two would be double counting. The second caveat is the more important: none of these gains comes from monetisation as such. A bank can monetise its buffer massively and earn nothing, if no one routes, prices, disciplines, or escalates. All four sources of gain share the same origin — the combination of centralised execution, an internal price at marginal cost, budget discipline, and effective escalation rights. In other words, it is the mandate that pays, not the desk.

Measure what you can do, not what you hold

A mandate without measurement remains an intention. The indicators the ELM requires share one characteristic: they do not measure what the bank holds, they measure what it can execute. The difference leaps off the page as soon as they are listed.

The first block measures preparation. What share of the buffer is effectively monetised in BAU; what share is mobilisable within one day, within three, within five; and above all, what share has been tested in live conditions over the past 30 or 60 days. That last indicator is the most uncomfortable in the framework: an asset never tested is a hypothesis, not a reserve. To this is added execution dynamics — the median time to convert an asset into cash, channel by channel, and its measured degradation under stress; time-to-cash made enforceable.

Source of gain	Assumption	Annual gain
Secured funding execution (channel, maturity, best collateral allocation)	2.5bps on €60bn	€15m
Repricing of exposures whose margin turns negative after liquidity cost	5bps spread on €15bn	€7.5m
Reduced operational friction (fails, late substitutions, penalties)	Conservative assumption	€5m
Release of excess buffer, redeployed at yield	€5bn at 30bps net	€15m
Total BAU		≈ €42m / year
Option value: stress losses avoided (fire sales, margin scramble, missed cut-offs)	€100m avoided every 4 years	€25m (expected value)
Overall order of magnitude (BAU + option value)		≈ €67m / year

The second block measures resistance. Average haircuts in BAU against haircuts in stress; the share of assets exposed to an eligibility exclusion; margin call absorption capacity at one day and at five days, set against simulated peaks; dependency by infrastructure, and access tests, passed or failed, on critical facilities. One of these figures, published internally, is usually enough to close the debate on the usefulness of the function.

The third block measures discipline, and closes the economic loop: implicit liquidity cost by activity, return on equity (ROE) contribution adjusted for that cost, volumes of low-risk but consumption-heavy repo, the share of liquidity usage validated within the framework, exceptions outside it, average time to arbitration. These last indicators monitor the organisation itself more than they monitor liquidity; that is deliberate. A framework that does not measure its own exceptions ends up as one more procedure.

The playbook, or the 13 minutes that will never happen

Return to the morning described in the fifth article of this series. It is 08:47. A margin call is due at 09:00, right in the window where the bulk of repo, margin and CCP flows concentrates. The collateral exists, at least on paper. But it sits with the wrong custodian, under the wrong governing law, or locked beyond the relevant cut-off window. 13 minutes to find out who and what your liquidity really depends on.

In an institution with a genuine crisis playbook, that morning simply never happens. The work has already been done.

At 08:00, the stress scenario is frozen around a few essential variables: client outflows, rising margin calls, deteriorating collateral quality. Stressed haircuts are predefined, priorities set, governance activated. Even reference-data changes are suspended: nothing executes cleanly while the parameters keep moving. At 08:30, the margin calls expected from the CCPs, stress add-ons included, are confirmed. The critical cut-offs and their time-to-cash are mapped. Margins and systemic payments take priority. At 09:30 comes a decision many organisations still improvise in a crisis: securing intraday funding. Unencumbered HQLA eligible at CCPs or central banks are mobilised first. Exposures carrying margin convexity are cut before they turn destabilising. At 10:30, the exposure decisions are taken. At 11:30, the execution orders have already gone out to the desks: collateral substitutions, compressions, unwinds and, where necessary, the rationing of certain clients on the basis of a triage mechanism prepared long in advance.

By noon, every decision that matters has already been taken. The fifth article asked the question: are your dependencies chosen or implicit? The playbook answers line by line: every implicit dependency, identified, tested, documented, becomes a chosen one. Every hidden operational friction becomes a known parameter. Every nasty surprise becomes a scenario already rehearsed. Those 13 minutes of discovery under fire will never happen — dissolved into months of preparation.

One truth, timestamped

The ELM cannot be run without a control tower: a single interface consolidating, in near-real-time, the operational truth of the bank — what is mobilisable, through which routes, at what speed — with alerts aligned on RAF thresholds rather than on end-of-day noise.

Its foundation is a collateral golden source built on five fields, not one more. Positions: quantity, ISIN, currency, location down to the custodian, settlement status, settled or pending, and freedom of movement. Encumbrance: what is already pledged, margins, triparty allocations, rehypothecation, and above all the genuinely mobilisable remainder, ranked by usage — margins first, survival funding next, franchise last. Eligibility by channel, bilateral, triparty, CCP, central bank, with versioned rules, because rules change and the data must record which one applies now. Haircuts, actual by channel and stressed by scenario, the bridge between inventory and convertibility: an HQLA becomes economically illiquid if its haircut turns prohibitive. Cut-offs and time-to-cash, finally: effective conversion time by route, operating windows, friction probability — turning a static stock into executable dynamics.

The doctrine is two-fold, and deliberately strict. If a field does not exist reliably intraday, it cannot be managed. And since liquidity data is contentious by nature — front office versus operations discrepancies, eligibility versions, CCP events — every figure carries a status, certified, under exception, or unreliable, within an explicit error budget: the ExCo knows at any moment whether it is steering on a stable truth or on a fragile aggregate. Liquidity that is compliant but unmeasurable within real cut-offs is not a capability; it is a hypothesis — and the control tower replaces the hypothesis with a capability: traceable, testable, arbitrable at the moment it matters.

Lunch on time

There remains a question this kind of article usually dodges: what will success look like? And it is here that the framework holds its final surprise, because the answer is: like nothing at all.

There will be no trophy. The war room will not be activated, for want of a crisis to its taste. The escalation committee will run its meetings in eight minutes, exceptions included. Internal audit, come looking for material, will leave with the most expensive phrase in the industry: nothing to report. On a day of genuine strain, the bank across the street will convene its crisis cell in urgency and disorder; at yours, someone will consult the morning's liquidity tariff, run down a list of orders written months earlier, and go to lunch on time. The playbook will have produced its masterpiece: a non-event.

The budgetary paradox will be raised — tens of millions spent to manufacture boredom. The objection fails twice. First because the framework earns its keep in all weathers; the numbers are above. Second because boredom, in liquidity, is the rarest and most expensive product on the market; ask those who ran out of it one morning in September 2019, or one afternoon in the autumn of 2022.

The fifth article in this series tested all of this on 'an ordinary Tuesday morning', at 08:47, 13 minutes before a margin call. The ambition of everything above — TOM, RACI, RAF, internal pricing, KPIs, playbook, control tower — comes down, in the end, to a single sentence: giving Tuesday mornings back their mediocrity.

Only one thing is missing, and it is neither a tool, nor a budget, nor a hire. It is a signature. And there is only one floor of the bank it can come from. ■

"A mandate without measurement remains an intention"

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

Forging your own path

Javier Vigo, a senior associate on BBVA's securities finance trading desk, speaks to Carmella Haswell on building from the ground up, and how personal curiosity led him to be the first in his family to build a career in financial markets

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

Growing up in Asturias, I had no family background in finance, so my interest in financial markets came entirely from personal curiosity. I had to carve out my own way, building my understanding of the profession from the ground up. From an early age, I was fascinated by financial markets and knew I wanted to work in the industry, which led me to study Economics at the University of Oviedo before moving to Madrid to complete an MSc in Finance at CUNEF.

I started my professional career at Santander Asset Management, initially as an intern before becoming a portfolio manager within the Global Multi-Asset team, specialising in European government bonds. Looking back, I could not have asked for a better environment in which to learn. Managing portfolios through the Covid-19 pandemic and a transition from negative interest rates to one of the fastest monetary tightening cycles in decades, gave me invaluable experience and helped me understand how different asset classes interact under very different market conditions. During this time, I also earned the CFA Charter, an experience that significantly strengthened my understanding of investment management and complemented the practical experience I was gaining.

Although I thoroughly enjoyed asset management, my ambition had always been to work in global markets. The opportunity to join BBVA and help build its securities finance business from an early stage was particularly exciting because it combined trading with the chance to contribute to a high-growth business with significant long-term potential. Since joining the desk, it has been incredibly rewarding to be part of an expanding franchise, contributing directly to its growth and increasing market share.

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

What excites me most about securities finance is that it sits at the heart of the financial system. It is one of the few areas where you constantly see how monetary policy, liquidity, collateral, funding, government bond markets, and bank balance sheets all interact with one another.

Working in repo has given me a much deeper understanding of the mechanisms that keep financial markets functioning efficiently and reinforced my belief that understanding these connections is essential to understanding markets as a whole.

I have always enjoyed looking at markets from a cross-asset perspective rather than focusing on a single product or asset. Securities finance allows me to do exactly that. Understanding how repo interacts with OIS, FX swaps, government bond relative value strategies, and funding markets provides a much broader perspective on how markets operate.

I also enjoy the fast pace of trading. Every day brings different market conditions, new challenges, and new opportunities to learn. That constant intellectual challenge is one of the things I value most about my role.

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

BBVA has supported my development in many ways. Beyond formal training, I have had the privilege of working alongside highly experienced professionals and outstanding mentors who have been incredibly generous in sharing their knowledge, challenging my thinking, and encouraging me to take on increasing responsibility.

One of the most rewarding aspects has been joining the securities finance desk during an important stage of its growth. Being part of a relatively new business has allowed me to contribute beyond my day-to-day trading responsibilities, gaining exposure to product development, client relationships, and strategic initiatives.

Watching the franchise evolve from its early stages into an increasingly relevant player in the market, while contributing directly to that journey, has been one of the highlights of my career. That experience has accelerated my learning far more than simply operating within a well-established structure.

The collaborative culture has also played a significant role. Markets evolve constantly, and being surrounded by colleagues who openly exchange ideas and challenge one another creates an environment where continuous learning becomes part of everyday work.

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

One common misconception is that trading is simply about buying and selling financial instruments. In reality, it is far more complex. Success requires a combination of market expertise, quantitative analysis, technology, regulation, risk management, and constant collaboration across different teams. It also requires the discipline to stay focused on your long-term trading strategy while continuously managing short-term market dislocations and volatility.

It is not just about quoting prices. A key part of the role is engaging with clients, understanding their needs, and working alongside them as a trusted partner to help them manage risk and achieve their objectives.

When you look specifically at securities finance, the misconception becomes even greater. Even within financial markets, repo is often seen as a niche OTC product and remains relatively unknown outside the desks that use it every day. However, repo is fundamental to market liquidity, collateral management, the effective transmission of monetary policy, and facilitates the efficient use of leverage. I enjoy explaining that what may appear to be a highly specialised activity is actually one of the key building blocks of the global financial system.

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

My biggest piece of advice would be simple: stay curious, ask as many questions as possible, and never stop learning. Building a solid understanding of macroeconomics, fixed income, monetary policy, and market structure early in your career will give you a background that will stay with you throughout your professional life.

At the same time, do not underestimate the value of the people around you. By far the most valuable lessons I have learned have come from conversations with colleagues, discussions in meetings, and time spent on the trading floor rather than from textbooks alone. That said, I will always defend the importance of studying hard at the beginning of your career. Building strong technical foundations as early as possible allows you to make the most of every opportunity that comes afterwards.

Finally, be patient. Financial markets are complex, and developing sound judgement takes time. Stay intellectually curious, embrace challenging opportunities, and focus on learning consistently rather than trying to follow a predetermined path.

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 developing as a trader while taking on greater responsibility. I would like to deepen my expertise across funding, collateral management, and liquidity while continuing to broaden my understanding of global markets from a cross-asset perspective.

More broadly, my ambition is to keep learning. Financial markets are constantly evolving, and that continuous evolution is one of the reasons I find this industry so engaging. I hope to remain in a role where I can combine analytical thinking, trading, and collaboration while continuing to grow both professionally and personally.

I also hope to contribute to the ambitious growth of BBVA's securities finance franchise. Having had the opportunity to be part of its development has been one of the most rewarding aspects of my career, and I look forward to continuing to help the business expand its capabilities and strengthen its position in the market. ■

Javier Vigo is a senior associate on BBVA's securities finance trading desk, where he is responsible for market making in European government bond financing markets, actively managing risk and providing high-quality market colour across repo and short-term rates markets to a broad range of institutional clients.

Before joining BBVA, he was a portfolio manager within Santander Asset Management's Global Multi-Asset team, specialising in sovereign fixed income strategies. He is a CFA Charterholder, holds an MSc in Finance from CUNEF and a Degree in Economics from the University of Oviedo.

Originally from Asturias, he is the first in his family to build a career in financial markets. Outside work, he enjoys staying active through sport and is always planning his next travel adventure.

Bodson becomes Chair

The Options Clearing Corporation (OCC) has elected Michael Bodson, as a public director and chairman of the board of directors, following Stephen Luparello's retirement .

Bodson brings more than 35 years of experience to the role, serving as president and CEO of the Depository Trust and Clearing Corporation (DTCC) from 2012 to 2022.

During his tenure, he led through a series of systemic market events, including the Knight Capital disruption, Superstorm Sandy, the Covid-19 pandemic, and meme-stock volatility, while strengthening the company's financial resilience.

Before his appointment as CEO, Bodson held several senior roles at DTCC, including chief operating officer, and spent two decades at Morgan Stanley in senior operations and financial control roles in the US, Japan, and Asia.

Since leaving DTCC, he has served on corporate boards and as an advisor to McKinsey and several asset digitisation and data firms.

Bodson states: "I have always admired OCC for its strong risk management and processing capabilities — strengths that will be needed even more as markets undergo increasingly rapid transformations.

"My time at DTCC provided me the opportunity to see how critical market infrastructures are in maintaining highly efficient and resilient financial systems and I look forward to leveraging my experience to positively contribute to this impressive organisation."

Bodson will succeed Luparello, who will be retiring as chairman in January 2027, after nine years of service on OCC's board.

Field joins Tikker's board as Non-Executive Chairman

David Field has joined the board of Tikker — a fintech which provides multi-platform model portfolio automation for discretionary fund managers (DFMs) — as non-executive chairman.

According to the firm, Field's strong commercial focus on revenue generation, profitability, and cashflow will strengthen its strategy, as the company's flagship solution grows its market share.

After 10 years as managing director at global capital markets consultancy Rule Financial, Field founded advisory firm The Field Effect, also resulting in a successful trade sale in 2019 to Delta Capita.

He previously spent 12 years as director of wholesale investment banking practice at TCA Consulting between 1992 and 2004.

Hazeltree appoints Trafelet as CEO

Hazeltree has appointed the company's executive chairman, Remy W. Trafelet, as chairman, president, and CEO, along with two additional senior leadership appointments.

Trafelet will succeed Lokesh Seth, marking the next phase of the company's growth, expanding its treasury management, as well as its networked data and AI capabilities for alternative asset managers.

Trafelet founded Hazeltree within his alternative asset management firm, Trafelet Delta Funds, prior to spinning the company out in 2011.

He returned to the role of executive chairman in late 2024, renewing strategic focus on Hazeltree's treasury value proposition and data networking solutions.

Prior to this, Trafelet served as managing partner at global hedge fund Trafelet Delta Funds and private investment firm Trafelet & Company, alongside a tenure as senior advisor to the US Department of the Interior.

Alongside this appointment, Hazeltree has selected Jessica Segarra as the firm's chief operating officer and Martin Koopman as chief product officer.

Segarra previously served as the global head of operations at Schoenfeld Strategic Advisors Management and as deputy head of operations at Balyasny Asset Management.

Koopman operated as chief product officer and co-head of AI at Broadridge, and before that as Broadridge's head of strategy and product innovation.

Commenting on the appointments, Trafelet says: "These accomplished executives further enhance Hazeltree's leadership ranks.

"As a former Hazeltree client and alternative asset management executive, Jessica brings significant value to Hazeltree's existing client base and internal operations.

"Martin's extensive product development leadership and AI expertise will continue to enhance Hazeltree's value proposition and performance for its hedge fund and private equity clients."

DTCC appoints Chikada

The Depository Trust & Clearing Corporation (DTCC) has named Ayako Chikada as head of DTCC data repository in Japan.

Chikada will lead DTCC's Japan-based trade repository, succeeding Seiji Ryusekido, who will retire after serving 12 years at the company.

She brings 35 years of experience to the role, having most recently spent 12 years as executive director for sales, relationship management, and business management at DTCC.

Prior to that, she served as senior sales manager at Markit, and held a number of roles within fixed income at Bear Stearns, UBS, and BNP Paribas.

Digital Asset hires Bigaud

Digital Asset, creator of the Canton Network, has appointed Sylvain Bigaud as senior director, global business development and strategy.

In his new role, Bigaud will have a strong focus on financial market infrastructures and capital market development projects.

Based in Dubai, he will be reporting to Aurélie Dhellemmes, global head of RWA sales.

Bigaud brings 13 years of industry experience from his time at Euroclear, having most recently operated as senior executive officer and regional head of the Middle East, Africa, and Turkey. ■

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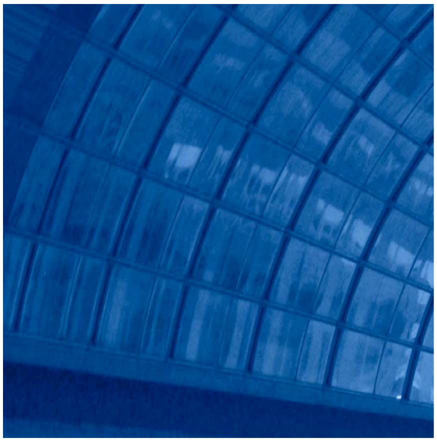
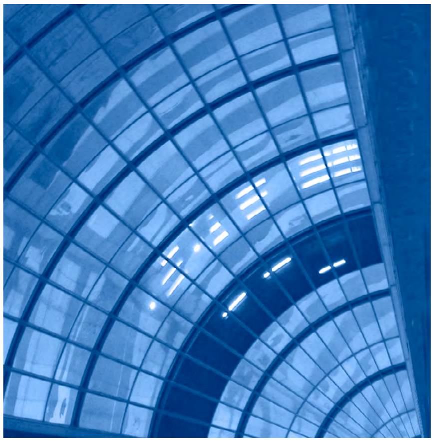
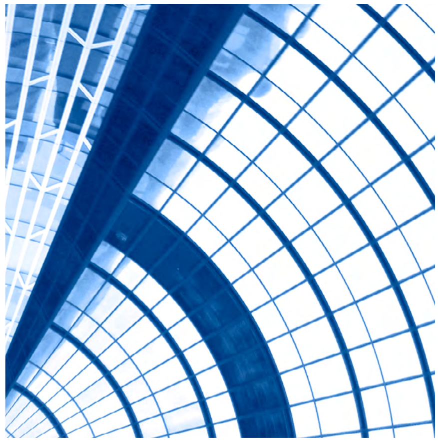

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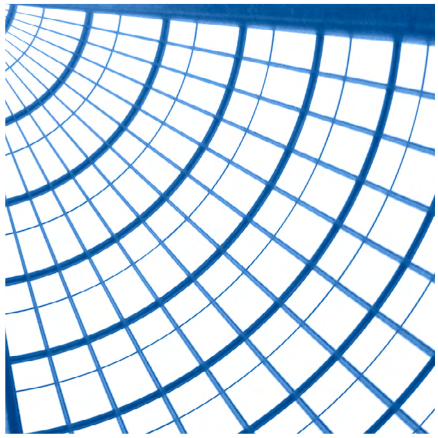
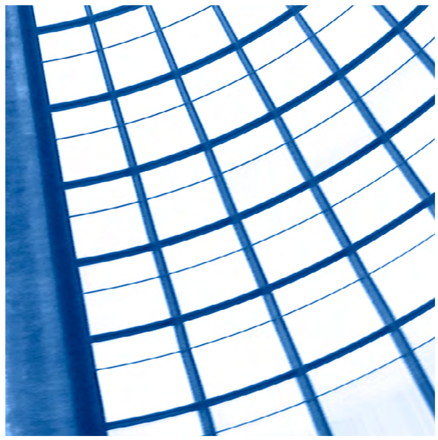

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