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Issue 370 04 February 2025

Understanding Japanese margin transactions

Following the introduction of margin transactions, Kei Hashimoto of Japan Securities Finance, provides an update and user guide of the Japanese stock trading method

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Trading Apps and Credit Benchmark collaborate on same-day efficiency

Trading Apps and Credit Benchmark have joined forces to transform agent lending disclosures (ALD), know-your-client (KYC) processes, and client onboarding.

Using Trading Apps' TA.Link messaging platform and Credit Benchmark's data service, this strategic partnership aims to bring speed, efficiency, and information to the securities finance industry.

The vision is to shift ALD processes from overnight methods to same-day operations to reduce risk, minimise errors, and accelerate workflows for securities finance professionals.

By integrating its Credit Consensus Ratings into a streamlined workflow, Credit Benchmark aims to enable users to accelerate client onboarding, identify reduced risk-weighted asset (RWA) opportunities, and enhance market profitability through automation and simplicity.

Matthew Harrison, CEO of Trading Apps, comments: "TA.Link is a secure, real-time messaging platform connecting participants across the securities finance ecosystem. It's the ideal foundation to transform cumbersome ALD processes into an efficient same-day solution."

Mark Faulkner, co-founder of Credit Benchmark, adds: "Our Consensus Credit Ratings and Analytics are becoming essential for in-business counterparty risk management across prime brokerage, agency securities lending, and peer-to-peer models.

"The integration with TA.Link provides a secure, efficient method to deliver our data where it matters most: directly into client workflows. The early feedback from customers has been overwhelmingly positive. Partnering with Trading Apps underscores our shared mission to solve longstanding ALD, KYC, and onboarding inefficiencies once and for all."

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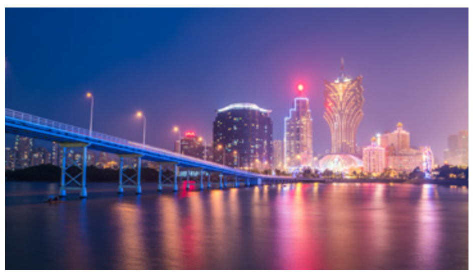
30 years of supporting growth

Stephen Howard, CEO of PASLA, sits down with Carmella Haswell to discuss how the association is shaping its membership for the future, looking back at three decades of serving APAC markets, and the upcoming conference



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Market participants highlight the key securities lending markets capturing the industry's attention and what each has to offer for Asia, as well as how retail investors and digital transformation is impacting the region. Carmella Haswell reports

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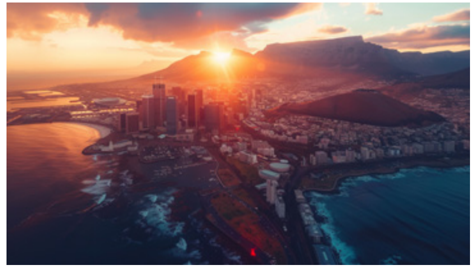
Growth and innovation in global clearing

Brian Ruane, senior executive vice president, head of Global Clearing, Credit Services and Corporate Trust of BNY, sits down with Justin Lawson to discuss BNY's Global Clearing business



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Remaining attractive for institutional clients and offshore markets

South African Securities Lending Association members review the market and discuss the complexity of the region's collateral management landscape, as well as the potential introduction of reporting requirements for securities financing transactions

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Eurex Clearing partners with HQLA^X on digital collateral mobilisation

Eurex Clearing has announced the launch of collateral mobilisation supported by distributed ledger technology (DLT) in Q2 2025.

The move aims to “set an example” for enabling digital mobilisation of collateral with the benefits of a secure CCP framework.

The flexibility, speed and efficiency of collateral transfers will be enhanced by mobilising collateral with the support of the HQLA^X digital ledger, says Eurex Clearing.

Through digital ledger, Eurex clients can mobilise margin collateral via custodians and central securities depositories (CSDs). Such collateral is being posted to Eurex Clearing as margin collateral at Clearstream Banking.

According to the firm, the goal is to ensure that securities collateral becomes easily accessible, independent of its physical location, and can be moved quickly and without incurring substantial costs.

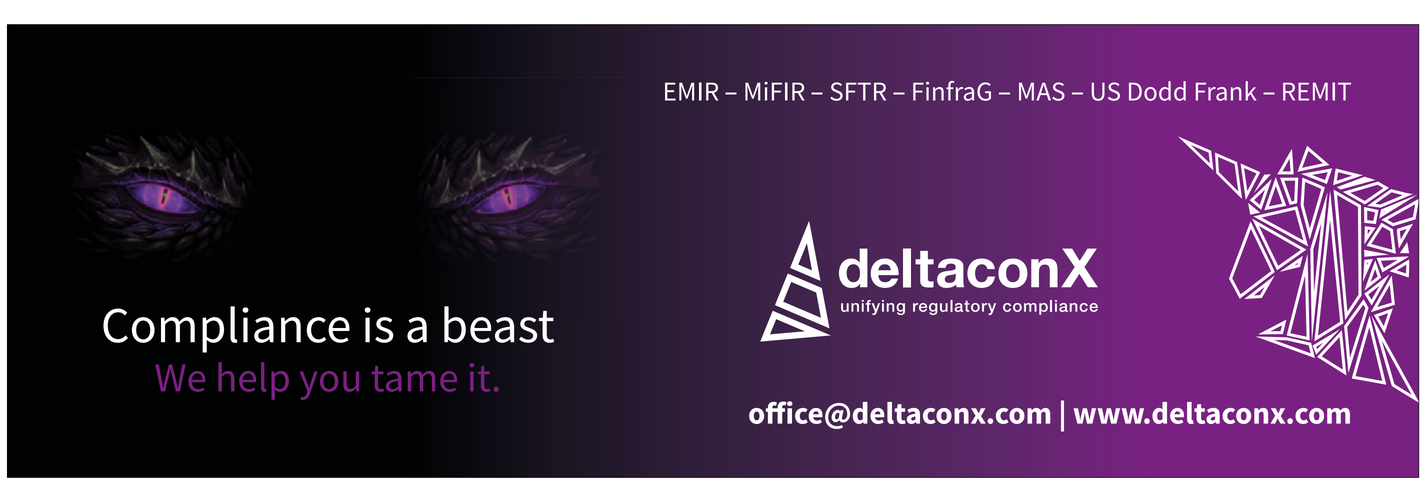
As a result, this should improve the immediate availability to meet the margin requirements set by CCPs. By achieving this, the process of fulfilling CCP margin requirements becomes even more efficient, the firm adds.

This initiative, which will see J.P. Morgan participate as the pilot clearing member, is a cornerstone of Eurex Clearing's collateral offering and digital services ambitions.

Helen Gordon, global head of Derivatives Clearing at J.P. Morgan, says: “J.P. Morgan early on identified the benefits of using traditional assets in digital form to move cleared derivatives collateral and is pleased to see this regulatory milestone achieved.

“We look forward to the next phase of implementation and realising the risk and optimisation benefits associated with improved collateral mobility for us and our clients.”

Matthias Graulich, member of the executive board, Eurex Clearing, concludes: “With this offering Eurex Clearing once again pioneers and upholds its status as the innovator in the CCP space. Eurex Clearing continues to invest in such advanced services.”



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ICI requests no-action relief on SEC's short sell reporting rules

The Investment Company Institute (ICI) has written to the US Securities and Exchange Commission (SEC) to request no-action relief on short sell reporting rules until additional interpretive guidance on compliance can be provided.

Under the Securities Exchange Act of 1934, Rule 13f-2 says institutional investment managers that meet or exceed certain prescribed reporting thresholds will report on Form SHO certain short position and short activity data for equity securities.

The commission will then aggregate and publish certain data collected from Form SHO.

According to the ICI, the need for this no-action relief is "urgent" due to the impending 14 February 2025 deadline to file the first Form SHO reports.

As an association representing the asset management industry in service of individual investors, the ICI considers the relief important as without further guidance on Form SHO, it could negatively impact the quality and accuracy of the data reported to the commission.

Institutional investment managers will report on end-of-month gross short positions in equity securities where the manager exceeds specified short position thresholds, and daily changes in gross short positions during any month where the manager has exceeded the specified gross short position threshold for the applicable security.

ICI and other industry associations previously expressed concern about the ability for institutional investment managers to meet the 2 January 2025 compliance date.

The main concern expressed was the "short time frame to develop and implement system changes to capture the relevant data".

Further, the ICI says the SEC has not issued any formal guidance or FAQs leading to "inconsistent interpretations" regarding the scope of equity securities included in Rule 13f-2, as well as how to report changes in gross short positions as a result of the exercise of certain derivatives.

The ICI asks to allow at least six months after the SEC's Division of Trading and Markets has provided additional interpretative guidance on compliance with the rule.

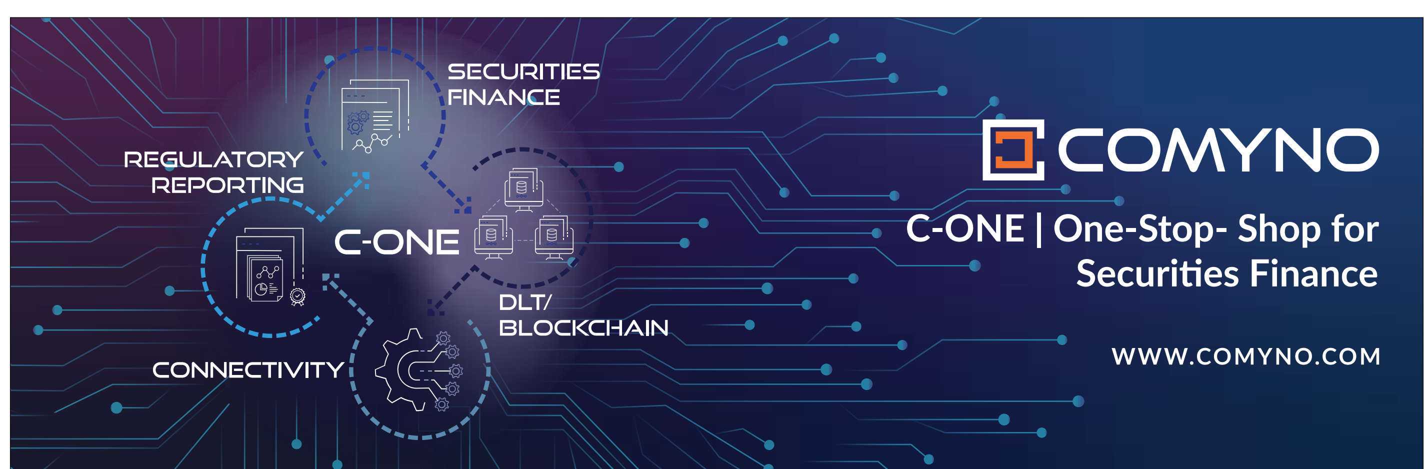
Interactive Brokers selects Pirum to automate corporate actions

Automated global electronic broker, Interactive Brokers, has adopted Pirum's CoacsConnect to automate corporate actions for its clients worldwide.

The offering provides a centralised solution for managing corporate actions, including income claims and voluntary corporate actions functionality.

CoacsConnect caters to individual requirements and technology stack, and currently processes on average US$3.8 billion of corporate actions daily, Pirum says.

Through the use of Pirum's solution, Interactive Brokers intends to streamline its operations, clean up receivables, reduce email traffic, and accelerate response times with counterparts.



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Automated payments mean quicker payment times and reduced open claim balances, says Pirum.

The firm highlights that the centralised solution offers a valuable risk mitigant, with full audit trails, updates, and alerts to identify and notify of time-critical actions to be taken.

Commenting on the news, Jacob Koopmans, chief revenue officer at Pirum, says: "Even within leading organisations, processing of corporate actions has traditionally relied heavily on manual processes.

"We look forward to collaborating closely with the Interactive Brokers team, to support its roll out of automated and digitalised corporate actions, and to continue developing CoacsConnect, for the benefit of all our clients."

UK Accelerated Settlement Taskforce proposes T+1 transition date

The UK Accelerated Settlement Taskforce (AST) has recommended a move to T+1 for securities on 11 October 2027.

This aligns the UK with the EU and Switzerland, both of which are aiming for the same implementation date for the migration to a faster securities settlement cycle.

Andrew Douglas, chairman of the AST, says: "We look forward to working with the EU team led by Giovanni Sabatini and the Swiss team led by Florentin Soliva, to harmonise our implementation schedules and, where appropriate, share common solutions.

"So, 2025 will be the year of planning and budgeting, 2026 building and implementing solutions, and 2027 testing and migrating."

He adds that following the US shift to T+1 in May 2024, Europe will benefit from "second mover advantage", learning the lessons of the US experience, in particular the benefits of automating processes.

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The AST will publish its final recommendations and implementation plan at the start of February, with an online and in-person event for market participants being held on 20 February.

Swiss Securities Post-Trade Council sets T+1 move for October 2027

The Swiss Securities Post-Trade Council (swissSPTC) has recommended that the transition to a T+1 settlement cycle for the domestic markets in Switzerland and Liechtenstein should occur in October 2027.

It follows the recent announcement from the European Securities and Markets Authority (ESMA), which recommended 11 October 2027 as an optimal date to begin the transition.

Synchronising the transition date for the UK, Europe, Switzerland, and Liechtenstein is the preferred solution of the swissSPTC and "in the interests of concerned markets and users".

In the event of a delay in one jurisdiction, domestic markets will seek to align their timeline with the "first mover", provided the migration occurs no earlier than October 2027.

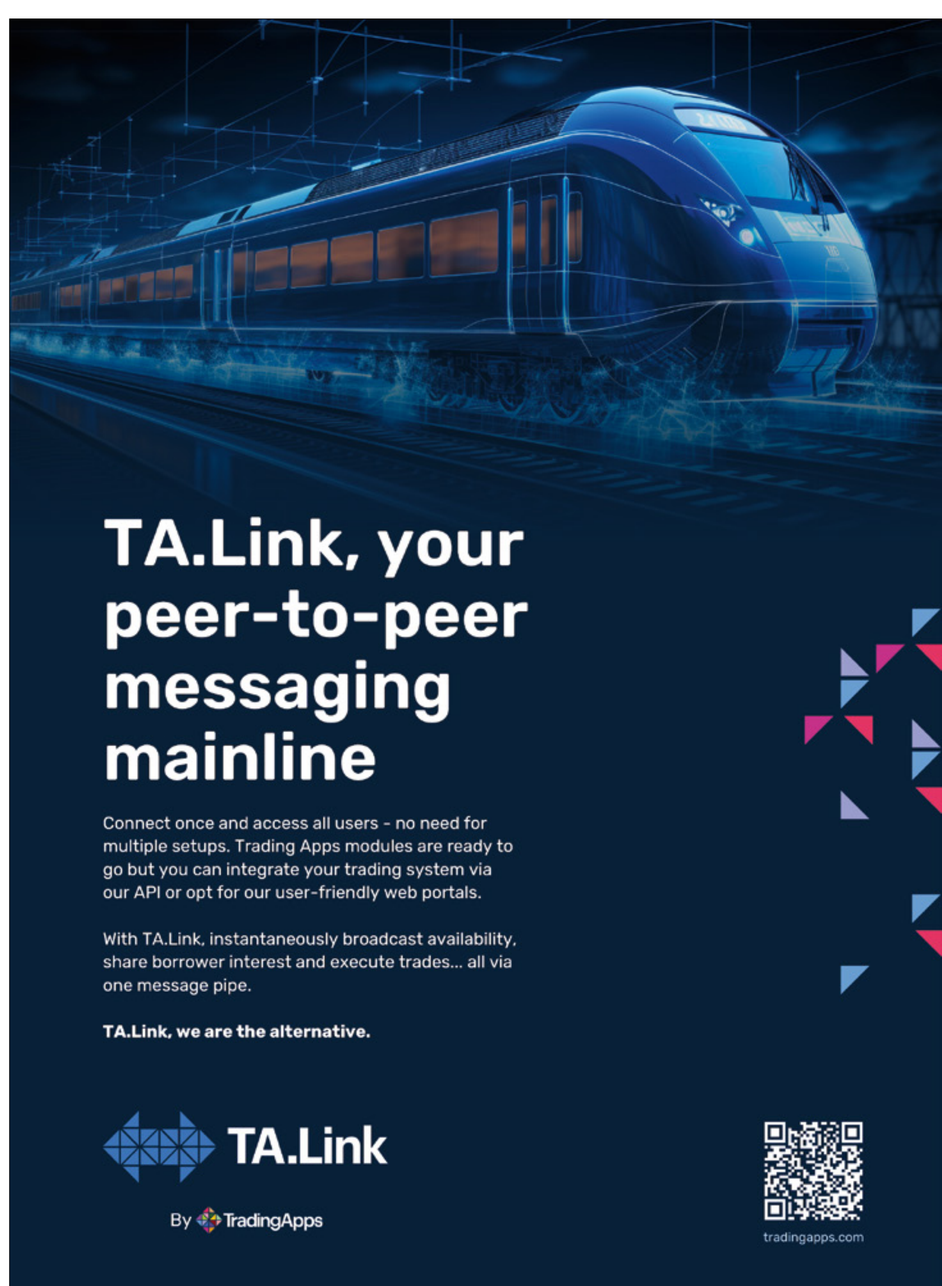
According to the council, this approach ensures consistency with the agreed schedule while accommodating any necessary adjustments.

The recommended date of transition is acknowledged by the Swiss State Secretariat for International Finance (SIF).

SIX also acknowledges this recommendation and will commence the process of seeking approval to adjust the Rule Book of SIX Swiss Exchange to accommodate the change of the settlement cycle at the appropriate time.

The swissSPTC Task Force T+1 will now commence detailed assessments on specific proposals and produce recommendations for the transition.

It is further recommended by Florentin Soliva, swissSPTC chairman, that the Swiss and Liechtenstein market participants continue to drive forward their internal planning to adopt a shorter settlement cycle and ensure their preparedness for an effective migration.



Simon Belser, head of International Custody at SIX, comments: "The announcement from swissSPTC recommending a coordinated migration to T+1 with both the EU and UK marks a significant step forward. The biggest challenge for Europe in making a smooth transition to a shorter settlement cycle was the costly scenario of misalignment between the EU, UK, and Switzerland.

"With a joint October 2027 transition now looking more certain, SIX, as the main market infrastructure operator in Switzerland, will work together with the Swiss market to ensure all market participants are prepared. SIX will begin the process of seeking approval to amend the Rule Book of SIX Swiss Exchange to accommodate the change in the settlement cycle at the appropriate time."

Authorities welcome new governance structure for T+1 transition in EU

The European Securities and Markets Authorities (ESMA), the European Commission, and the European Central Bank (ECB) have launched a new governance structure to support the transition to T+1 in the EU.

Following a governance launch meeting on 22 January, the new structure has been designed to oversee and manage the operational, regulatory, and technological aspects of this transition.

ESMA has recommended 11 October 2027 as the optimal date for the transition, which will be implemented in phases, with key milestones including technology upgrades, stakeholder engagement, and regulatory alignment.

Given the high level of interconnectedness within the EU capital market, a coordinated approach across the EU, involving authorities, market participants, financial market infrastructures and investors, is desirable, says ESMA.

The new structure involves an Industry Committee chaired by Giovanni Sabatini,

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and will compose of senior leaders and representatives from market players.

Sabatini has a long-standing experience working in securities markets, both in the private and public sectors. He has previously served as a member of the European Economic and Social Committee.

In addition to the Industry Committee, several technical workstreams will take place, focusing on technological operational adaptations needed in the areas concerned by the transition to T+1.

These areas include trading, matching, clearing, settlement, securities financing, and asset management.

Further, two more general workstreams will review the scope and the legal and regulatory aspects of these adaptations.

Thirdly, a Coordination Committee will ensure coordination between the authorities and the industry, advising on challenges that may arise during the transition.

It will be chaired by ESMA, with representation from the European Commission, the ECB and Sabatini.

Shortening the trade settlement cycle from the current T+2 framework to one business day should enable faster execution, clearing, and settlement of securities transactions, as well as international alignment, benefiting the entire EU financial ecosystem, adds ESMA.

The European commission is currently considering the merits of a legislative change mandating a potential transition to a shorter settlement cycle.

Clearstream launches Lending Analytics Dashboard

Clearstream has launched the Lending Analytics Dashboard, a new data-driven solution.

The new solution aims to increase transparency by providing lenders with a clear and comprehensive understanding of their lending activity at Clearstream through a selection of pre-defined graphs and KPIs.

The key benefits of the Lending Analytics Dashboard include enhanced transparency with customised reporting, centralised data points for easy access and optimised strategic decision-making.

The firm says, through the utilisation of this tool, lenders will be able to get a global view of their overall activity that allows them to gain an understanding of lending activity through the consolidation of historical data into user-friendly dashboards over a pre-defined reporting period.

PASLA welcomes Clearstream as new member

Clearstream has joined the Pan Asia Securities Lending Association (PASLA) as a Solutions member.

As a European supplier of post-trading services, the Luxembourg-based subsidiary of Deutsche Börse aims to ensure that cash and securities are promptly and effectively delivered between trading parties.

Clearstream also manages securities on behalf of its customers, with more than 300,000 domestic and internationally traded bonds, equities, and investment funds currently deposited with the firm.

PASLA's Solutions membership is specifically aimed at clearing houses, data providers, exchanges, fintech platforms, and infrastructure providers that are involved with securities finance transactions.

ISLA welcomes ION as new member

ION Markets has joined the International Securities Lending Association (ISLA) as a new member.

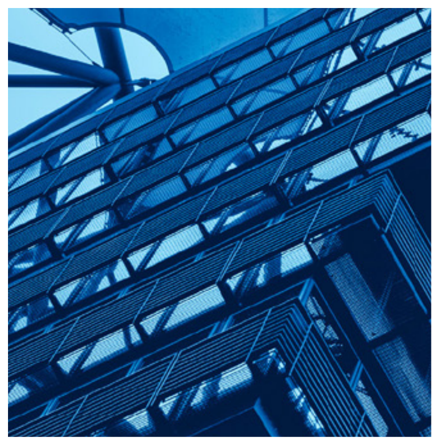
The company develops software to improve decision-making, increase efficiency, and simplify complex processes across a range of industries.

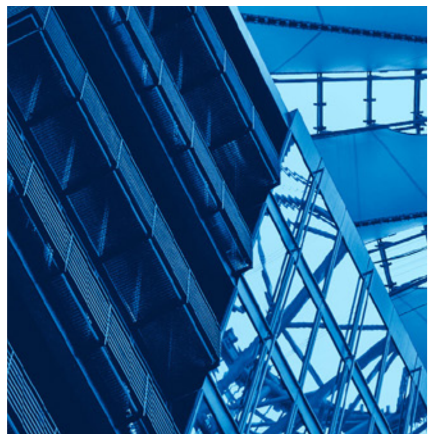
Through its markets division, ION offers trading and risk management solutions for equities, fixed income, forex trading, cleared derivatives, secured funding, and asset management.

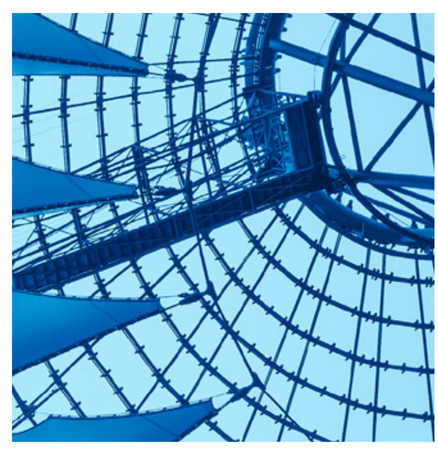
As an associate member, ION aims to contribute to defining trade lifecycle processing standards for repo and securities lending as business processes are automated and standardised.

Commenting on the move, Ed Tyndale-Biscoe, head of secured funding product development at ION, says: "Joining ISLA demonstrates our commitment to advancing the securities lending industry by fostering innovation, contributing to the development of best practices, and engaging in advocacy.

"Through active participation in regulatory initiatives and collaborative efforts, we aim to shape a stronger, more resilient market that meets the evolving needs of all stakeholders."







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DORA: ESAs consider further centralisation in reporting major ICT incidents

The European Supervisory Authorities (ESAs) have published a joint report exploring the potential for further centralisation in reporting major ICT-related incidents by financial entities.

Article 21 of the Digital Operational Resilience Act (DORA) requires ESAs to assess the feasibility of further centralisation of incident reporting through the establishment of a single EU hub.

In addition to that, the report also assesses the feasibility of the existing reporting flows, operational from 17 January, and a model with enhanced data-sharing arrangements.

It considers the potential burden and cost reductions, as well as the efficiency and effectiveness gains that each model would bring for cross-sector supervisory practices.

"The study clearly shows further centralisation and a single EU Hub scenario is feasible and brings certain benefits," say ESAs.

According to the report, the fully centralised model aims to facilitate the collection, dissemination, and offering of advanced analytical capabilities of ICT incidents, creating efficiencies at the EU level.

The report also identifies that the high concentration of sensitive information brings a higher risk of data loss, which will require comprehensive information security controls to be built into such a centralised solution.

However, this risk is "only marginally higher" in comparison to the first scenario, the ESAs add.

The report concludes that all three models are feasible, and there is no significant difference in terms of costs.

The authorities estimate that the data-sharing solution could be implemented progressively from this solution within three years, and the fully centralised hub could be put in place five years after that.

The ESAs have submitted the report to the European Parliament, the European Council, and the European Commission, which will consider its findings for future developments.

HQLA^X obtains CSSF license

HQLA^X S.àr.l., the Luxembourg-based entity of HQLA^X, has received authorisation as an IT systems and communications networks operator, under the category of support professionals of the financial sector.

The regulatory licence, granted by the Commission de Surveillance du Secteur Financier (CSSF), allows the firm to manage and operate IT systems and networks that support financial transactions and operations in the region.

This is in line with HQLA^X's mission to enable market participants to execute frictionless, precise, and real-time transfer of ownership of securities in global securities lending and repo markets.

Guido Stroemer, CEO and co-founder of HQLA^X, comments: "We chose to base our company in Luxembourg because of its long history as an innovative post-trade centre of excellence, and we are delighted to have reached this important milestone to receive our CSSF license as an IT systems and communication networks operator of the financial sector."

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Understanding Japanese margin transactions: A comprehensive guide

Following the introduction of margin transactions, Kei Hashimoto of the margin loan department at Japan Securities Finance provides an update and user guide of the Japanese stock trading method

We introduced 'margin transactions', a unique Japanese stock trading method, in 2023. Following this, interest in the Japanese stock market has further increased, and as a result, there has been a growing interest in this trading method from outside Japan, which had been primarily utilised by domestic institutional and individual investors. Consequently, there has been an increase in the number of new participants in margin transactions and recipients of margin transaction information.

In general, to short shares, it is a global standard method to borrow these shares from securities companies who procure stocks from the

stock lending market. However, market participants can use another unique method called margin transactions in Japan. The advantage of margin transactions is anyone can freely short the majority of more than 4,300 listed issues without complicated prior contracts, negotiations or paperwork with lenders.

Margin transactions account for approximately 15 per cent of the total trading value on the Tokyo Stock Exchange. Around 60-70 per cent of trading by individual investors involves margin transactions. Essentially, it has a large presence on the stock market in Japan.

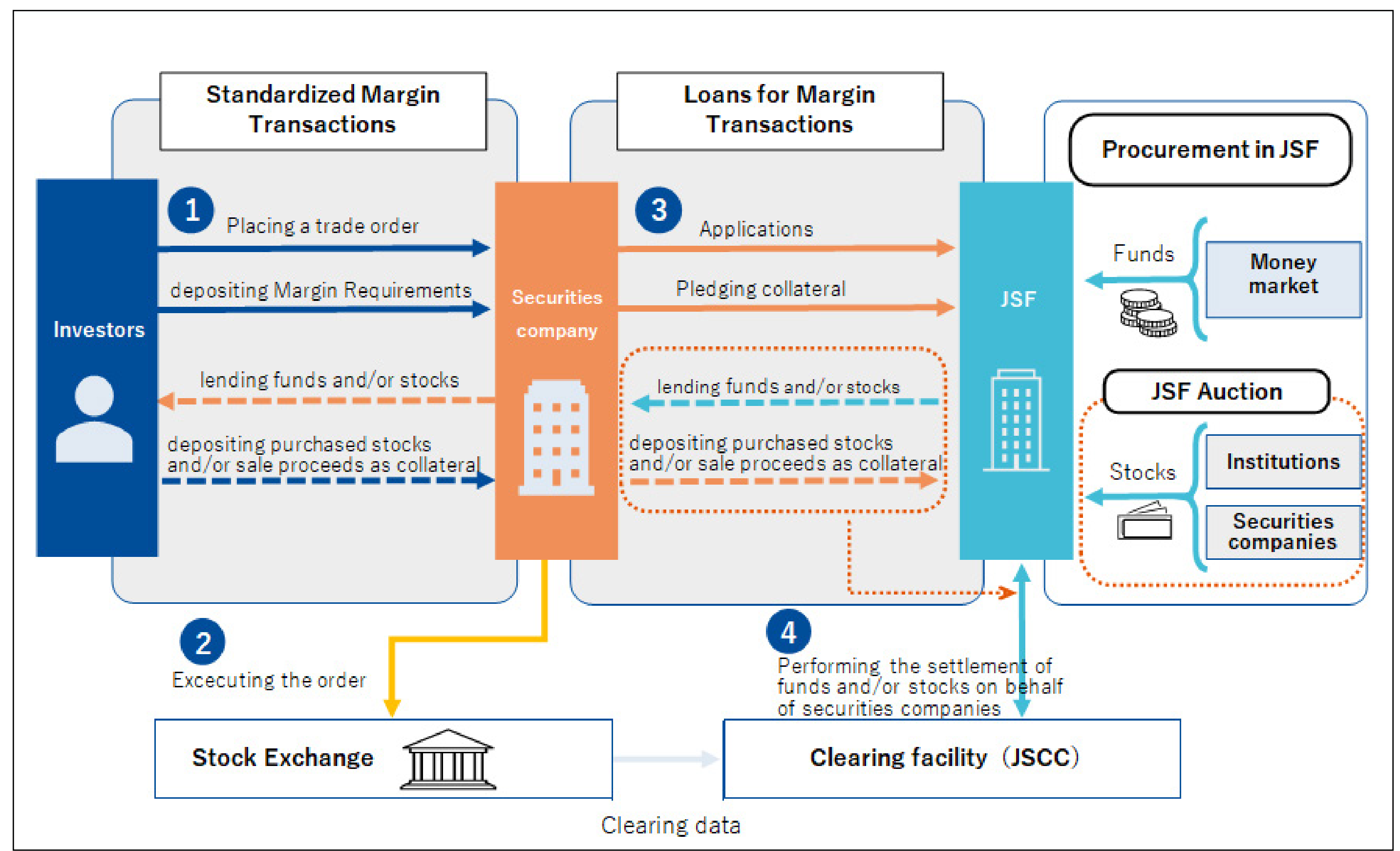
Margin transactions is the most utilised tool in Japan for investors to enter stock investments by short selling specific stocks or using short selling for hedging purposes of their existing stock holdings. Short selling is normally required to have shares procured in advance in countries with short selling regulations, including Japan. However, in standardised margin transactions (SMTs) in Japan, Japan Securities Finance (JSF) operates loans for margin transactions (LMTs) — an efficient stock procurement scheme.

Understanding the mechanics

A SMT is where an investor provides a certain amount of deposit (generally 30 per cent) to a securities company as collateral according to their own market forecast.

The investor then trades shares by borrowing the funds to buy the shares or the shares for sale from the securities company. These transactions are an effective investment tool which enables individual investors, who do not have direct access to the stock lending market, to improve capital efficiency and engage in stock investments by short selling specific stocks, just like professional investors. They are also widely recognised as a means of hedging risk of cash transaction position.

For instance, if a firm believes that the price of a certain stock will fall in the future, it can use a SMT to profit from this expectation. By using a SMT, the firm could borrow and sell those shares from a securities company only by placing a standardised margin selling order. It could then repurchase the shares when the price drops within the repayment



> "The advantage of margin transactions is anyone can freely short the majority of more than 4,300 listed issues without complicated prior contracts."

period (up to six months in a SMT) and give them back to the securities company. The firm would then receive the difference in the selling price and the repurchase price. Moreover, as mentioned earlier, market participants can also avoid losses through hedge selling using SMT for hedging purposes (in other words, when one thinks the price of the shares held will drop) in addition to margin acquisition purposes.

Loans for margin transactions

Only securities finance companies licensed by the Prime Minister are provided to offer LMTs. JSF is the only such securities finance company in Japan. In principle, LMT participants are securities companies which are general trading participants of stock exchanges in Japan. Securities companies which have received trading orders for a SMT from their customers can procure the funds and shares necessary for settlement of the trade order by providing a certain level of collateral to JSF.

How does JSF procure the funds and shares necessary for LMT? With regard to funding, JSF can borrow the funds necessary from financial markets due to our high credit rating (S&P 'A' rating).

However, when it comes to stocks, they cannot be procured as easily as funds. Herein lies a major characteristic of LMT. In fact, JSF procures shares necessary from securities companies and institutional investors through an auction process (JSF Auction). While this auction is a means for JSF to procure stocks, it is also a highly attractive platform for stock utilisation in the Japanese stock lending market. JSF Auction is held every business day, on the day following the trade date, and the cost determined in the JSF Auction is called the 'premium charge rate'.

An even more interesting point of this system is that this premium charge rate is applied to the entire SMT. Margin sellers pay a uniform premium charge according to the margin selling balance. On the other hand, auction participants and margin buyers can receive these premium charges according to the number of shares they successfully bid for and the margin buying balance.

From a data analysis perspective, the premium charge rate is an indicator which expresses the supply and demand of the Japanese stock lending market. If the premium charge rises sharply, it has the effect of encouraging margin sellers to clear their accounts and margin

buyers to newly enter the market. Naturally, for the premium charge rate to occur, it is necessary for JSF's position to be short, so LMT is one of the major factors.

In general, the balance between margin buying and margin selling reaches an equilibrium through self-adjustment mechanism of the premium charge rate as mentioned earlier. Nevertheless, if the outlook for procurement through the auction process is unclear due to special factors such as sudden price fluctuations, corporate actions, and record date, JSF will issue a Notice for Precaution or restrict or suspend applications (prohibit new sales etc) in the use of stock loans according to the situation, thereby controlling the excessive increase in selling.

In this way, information such as the premium charge rate, LMT outstanding, and status of restrictive measures, greatly reflect the trends in the Japanese stock market and can be used to predict future stock price momentum. Inquiries from funds, primarily those considered to be quant-focused, have been increasing, and the level of interest has risen compared to before.

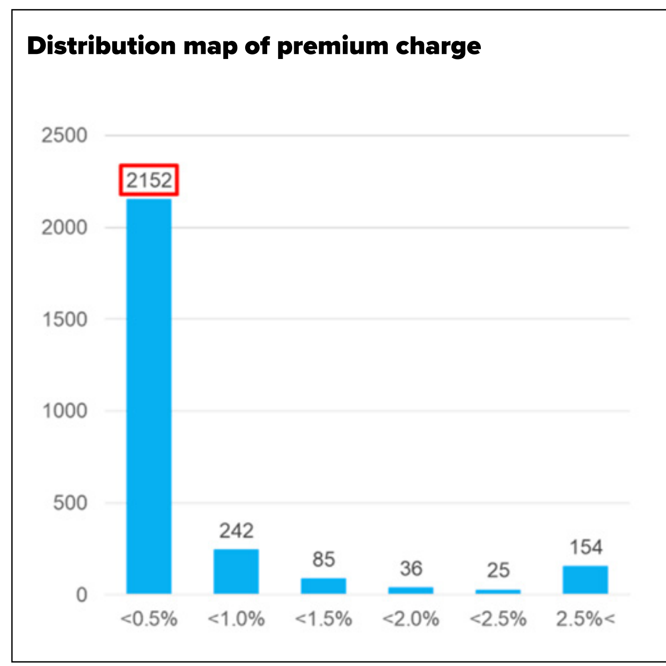
This data can be obtained from major financial vendors such as Bloomberg, Refinitiv, and Nasdaq Data Link, so we encourage market participants to consider acquiring them. Additionally, JSF published a theory on special index composition using these data, so those interested are to inquire with JSF.

Utilisation of margin selling

Again, firms can freely short 60 per cent of more than 4,300 listed issues without negotiating for stock procurement in SMT (that figure is more than 90 per cent in Prime Market). When any issues are eligible for margin selling and limited availability or high procurement costs on the stock lending market, how about considering shorting it using a SMT?

As previously described, the costs incurred in margin selling consist of the premium charge (there are also many issues which may not incur a premium charge) and the lending fee set by the securities company.

The premium charge is determined on the day after the trading date. Uncertainty remains because the procurement cost is finalised ex-post facto. However, looking at the historical data, there are many cases in which the costs involved in margin selling are lower than the cost of borrowing on the stock lending market. In particular, it is possible to find many issues which are comparatively less expensive if using margin selling among those which are difficult to borrow with high market rates.



One of the reasons for that is, so far, participation in the SMT market by professional investors has been limited (although, as mentioned at the beginning, the number of new participants is increasing recently) and most users tend to be individual investors in Japan. The preferences of professional investors and individual investors are often divided. Now, firms might be able to short Japanese stocks at a reasonable price with SMT without paying high fees on the stock lending market. As explained above, analysing historical data could reveal a lot of potential.

Conclusion

The mechanism of SMT is complicated. Nevertheless, it is a very interesting system unique to Japan which enables firms to short a wide range of issues. Firms can also start these transactions at any time by opening a margin trading account with a Japanese securities company, including its overseas branches or subsidiaries.

Furthermore, analysing this data might help firms to invest in Japanese stocks from a new and unprecedented perspective. Why not take this opportunity to once again focus on the stock market?

30 years of supporting growth

Stephen Howard, CEO of PASLA, sits down with Carmella Haswell to discuss how the association is shaping its membership for the future, looking back at three decades of serving APAC markets, and the upcoming conference

With Indonesia exploring short selling structures, the reopening of covered short selling in Korea in the next several weeks, and the resurgence of activity in the initial public offering (IPO) pipeline as issuers head to Hong Kong, APAC presents an interesting value proposition for market participants.

Reviewing the past 12 months, the APAC region has demonstrated mixed attitudes towards securities lending and short selling. For instance, Japan's Government Pension Investment Fund (GPIF) confirmed in March that it would resume foreign stock lending after it initially suspended this activity in 2019.

According to Stephen Howard, CEO of the Pan Asia Securities Lending Association (PASLA), GPIF is returning to the market now because it sees the value proposition in the region. He adds: “It's also probably due to the rate structure in Japan changing, and the fact that the value proposition is now ever so more significant with a higher rate structure, albeit the rates are still quite low, but it's all relative.”

On the other end of the spectrum, and four months after the GPIF’s decision, China approved the suspension of securities relending to further strengthen the counter-cyclical regulation of securities lending. The China Securities Regulatory Commission (CSRC) also approved to raise margin requirements for short sellers.

“We have seen China go through a major recalibration, plus a range of different policy initiatives that came post that as well. At both ends of the spectrum it reflects two themes — retail participation and retail concerns with spot prices that policy makers cannot control,” Howard explains. “Securities regulators can make sure that the market structure is appropriate for the market backdrop that they have at that point in time, and be adaptive.”

In the G7 economies, Howard indicates a world that is going through an increasing-rate environment and a higher inflationary landscape, while in China, deflation trying to take hold. “The economics of this is quite interesting for the fixed income markets in a rate-cutting environment, that's phenomenal for fixed income in China,” he continues. He notes that this rate-cutting backdrop is a “significant boost” for equities. Given this, Howard believes the financing of assets is going to be important for a broad range of investors and market participants.

Elsewhere in Asia, Taiwan has become the standout success story of this year according to Howard. The country’s equity market has been technology-driven, the region lives off processor chips, and Nvidia feeds through that chip construct.

Even with Korea’s short selling market being closed for the best part of a year, Howard has seen a revenue profile that is corresponding to that, but the upside with the reopening “is going to be quite interesting”. He adds: “The banks are going to be cautious with the reopening, but when we look forward, this is a rightsizing opportunity for the Korean market.”

In Hong Kong, there has been a quiet pipeline in 2023 of IPOs and product issuance. But then in 2024, participants started to see this IPO pipeline reappearing as issuers have come to Hong Kong rather than the Chinese market, which allows people to get exposure to China.

Headwinds for this year are things market participants can’t control, for example inflation and geopolitical factors. Howard explains: “We will deal with these when they come along, I don't think they will change the market structure; more that there will be changes to spot prices, which means a greater requirement for hedging and financing solutions. It's a win-win for different component pieces of the market.”

Where it all began

For three decades, PASLA has supported the growth of the APAC region, and has itself expanded over the years to accommodate market interest. Since its emergence in 1995, the association has been present for some of Asia’s key turning points, providing guidance through turmoil and triumph.

As PASLA celebrates 30 years, it is important to revisit how the association came to be. According to Howard, the emergence of an association often occurs when there is an issue to be solved, for PASLA, this challenge was Hong Kong inland revenue based.

In Hong Kong, firms need to file their securities lending documentation with inland revenue to achieve a stamp duty exemption. “The challenge was that this is a government office and the documentation that existed was bilateral and very bespoke. Everyone was seemingly happy with this bilateral approach, except it failed to live up to the Inland Revenue's expectations," Howard explains.

“The key problem was that everyone was submitting their version of a securities lending document into the inland revenue, which led to documents being rejected due to it not being recognised.”

The industry coalesced quite rapidly around this problem and agreed to use a single set of documentation, with an annex which would cover specific points that are relevant for the inland revenue, and called it a side letter. Organisations would then sign this when transacting in Hong Kong.

Not long after, in 1997, the financial crisis across Asia appeared. Howard recalls how PASLA was integral in supporting Malaysia’s netting process with both derivatives and securities lending markets.

"Having gone through that period of market turmoil, what was interesting was that the Hong Kong market persisted — no suspension of the short sale regime."

In the early 2000s, after the Asian financial crisis — "and this goes down to the nature and DNA of how we've chosen to refactor and describe the securities finance business in Asia" — a key theme was investment access. In other words, achieving market access to China, Taiwan, Korea, or India, and markets which have different barriers to entry.

Howard says this created the question: how do you get exposure and do that in a securitised or an OTC derivative form? From this, he indicates that it necessitated financing pools of assets, particularly hedging solutions around indices, which brought index providers into play and allowed them to help structure indices, making them more robust.

"The transition from the local market benchmark to the MSCI or to the FTSE indexing has helped to open up that embryonic need for hedging requirements," he explores. "This leads directly to — for the futures market — the need for short sell market structures, which can only really work with securities borrowing and lending to ensure fair market pricing construction and pricing efficiency."

There are many events which have occurred through that process, Howard pinpoints, including the openings of markets in Korea and Taiwan, the creation of the Qualified Foreign Institutional Investor (QFII) infrastructure in China, Stock Connect, and being able to navigate through the global financial crisis in 2008, again "without too much structural trauma" through that process.

The conference

Through PASLA's headline conference in Macao on 26-27 February, the association will celebrate its 30th anniversary with members and financial players, as it hosts a number of discussions surrounding market moves and the future development of APAC.

Macao is an administrative region of China, on the country's southern coast, and will be home to this year's PASLA conference. Only a 45-50 minute drive from Hong Kong, Macao was chosen to provide a different experience from previous events.

Following feedback from its members, Howard says the association found that conference attendees were continuously pulled away into meetings when located in a regional financial hub. This year, the event has been designed to allow attendees to be more present, and will take place at the Galaxy International Convention Center.

Howard indicates that participants want to "get eyes and ears involved in the dialogue, discussions, the narrative, as well as the professional networking that comes with that, so that they can create connectivity across that landscape". To help with this connectivity, the large venue will have enough private meeting room space for members to have "those deeper and more invested conversations".

Opening the conference will be a panel discussion on Hong Kong and China, named 'Re-awakening the Dragon', which will feature one of the largest international banks operating in China, a Chinese asset manager, as well as an exchange from each region. The panel will explore a variety of topics including Stock Connect, Bond Connect, and what asset managers are looking at in China.

"The market is different in terms of retail participation, which is far higher in China relative to institutional participation, because the institutions haven't evolved and grown due to the underlying market being slightly different," Howard highlights.

"China only put a national pension system in place two years ago — the need for the pension dynamic, the need for that form of savings vehicle, is very different, it's evolving at the moment. The opportunity set is significant with that, and then concurrently, the opportunity set for the financing of those assets and the product suite to support this."

The conference will also host a review of legal and regulatory perspectives, highlighting several regional market adaptations and also discussing with law firm Kim & Chang the reopening of Korea — which is happening within four weeks after the conference.

Providing more details of the event, Howard notes: "For the rest of the conference, we have tried to make sure that we have the right themes, such as retail and private wealth. We've had a new member firm join us who is a retail aggregator, Tiger Brokers.

"We feel that's an important segment of the market, and one that we're probably going to focus on over the course of this year, probably next year as well, because the retail voice needs to be represented."

Rounding off the conference, the association will host an anniversary gala dinner, which will provide capacity for up to 500 participants. Conference ticketing (which includes the gala dinner) is available, and juniors are encouraged to come and join the feast.

"Come to the conference, become a PASLA member," Howard encourages. "Once you are a PASLA member, you can deliver your brand into the association and use this as an opportunity to sponsor events. The conference is going to be operating at a different pace, on a different scale, than what we've done before in the past. More than ever, you will see the change year on year. It's going to be something quite special."

A leading voice in Asia

Moving forward, the association reviewed its membership structure to re-design it to better fit the membership it intends to grow into.

Howard explains: "We want to create membership sleeves that represent the functional pieces of business activity that is being conducted, so it is then easy to bring those membership firms together."

These sleeves include Prime membership (international prime brokers, securities houses); Agent (custodians and third-party lenders); Hedge membership (alternative asset managers, liquidity providers); Owners (beneficial owners, family offices and sovereign wealth funds); and Solutions Partners (market solution providers, infrastructure support providers).

By creating these member sleeves, PASLA is able to provide for that particular group, whose advocacy requirements are likely to be of a similar vein, instead of "trying to be all things for all people". To help further this initiative, the association will "up the cadence" of different events that it is hosting and target them around the different membership sleeves.

Over the coming months, the association expects to onboard a number of new members. Furthering its expansion, PASLA aims to achieve a physical footing in Australia — which could potentially take place in March. The association intends to create a round table and coalesce some of its existing and new members.

Howard expands: "During the conference last year, we signed a letter of intent between PASLA and the Australian Securities Lending Association. We wanted to leverage our professional footprint, membership structures, and full-time staffing into the Australian market. Just like PASLA before it had an executive function, ASLA is member run.

"It's an opportunity for us to present an offering to a lot of different constituencies in the Australian market. I think this is why Barrenjoey joined us as a member, because they saw this as a springboard opportunity to sit with a larger entity with a more regional perspective to support their business objectives."

As Howard looks ahead at the future of the association, he reviews PASLA's key priorities. He says: "It's growth, it's growth, and it's growth."

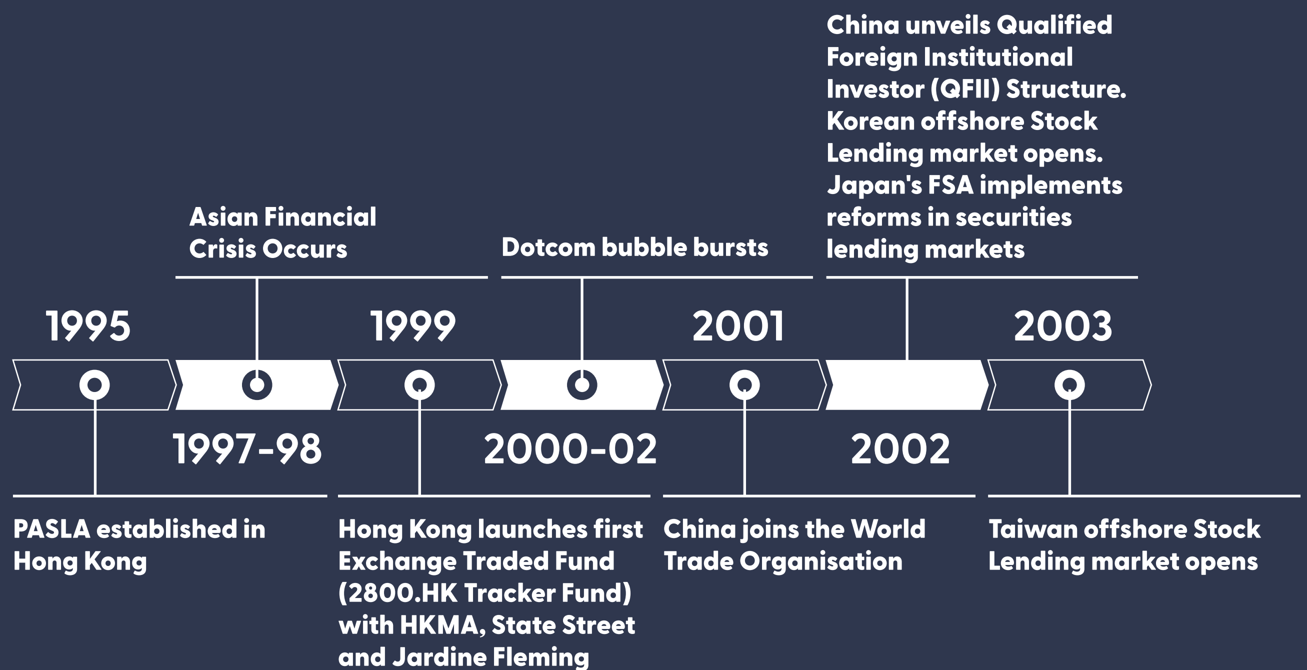
He continues: "It is growth in the membership and in the underlying market structures and supporting that construct. It's growth in the sense of delivering stronger advocacy outcomes out of our working groups and into those markets, so we can help to support that growth factor in those capital market structures as they're evolving.

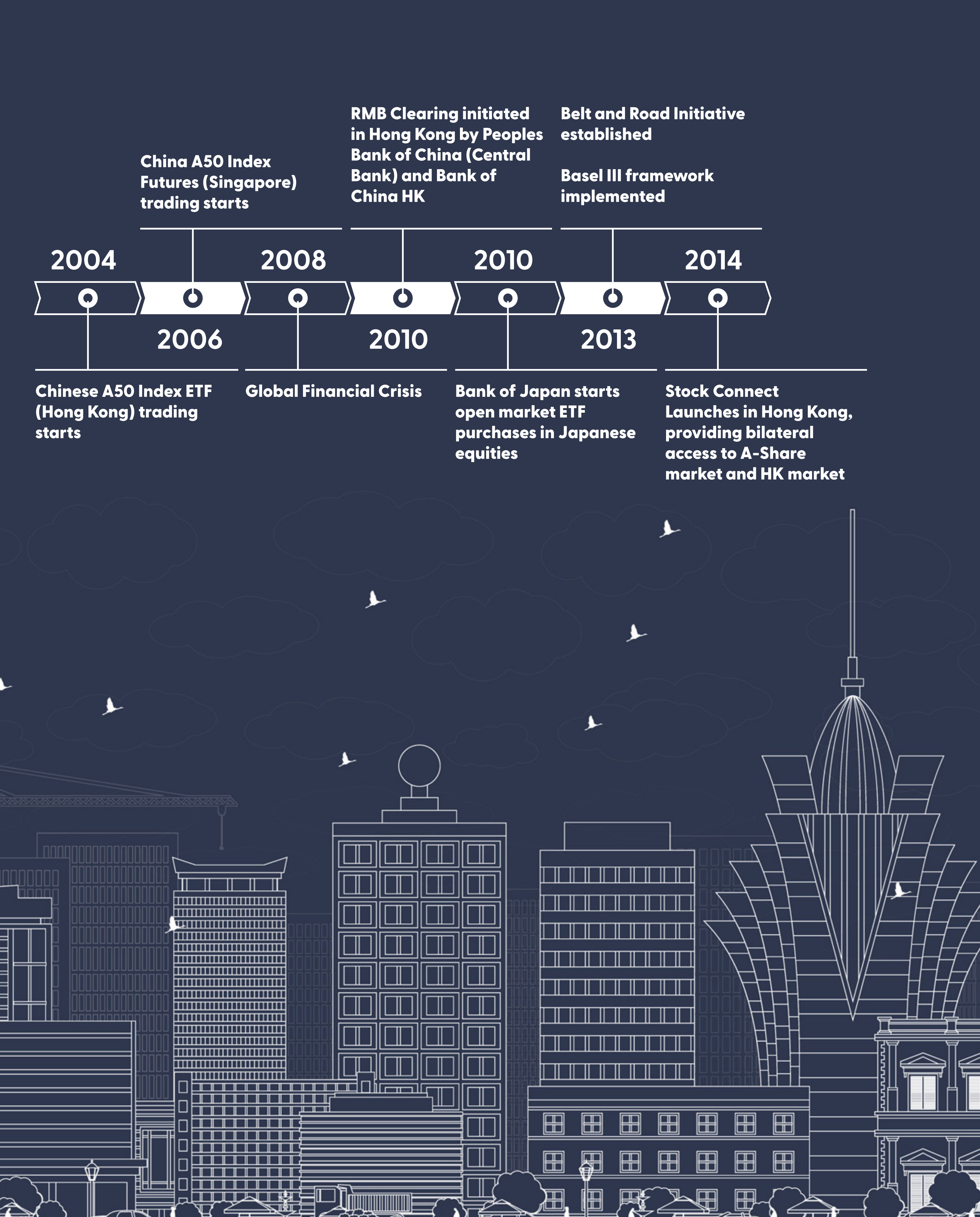
"We want to help support policy makers, stakeholders, decision makers, through that construct, so that we can be the leading voice in Asia for all things securities finance."

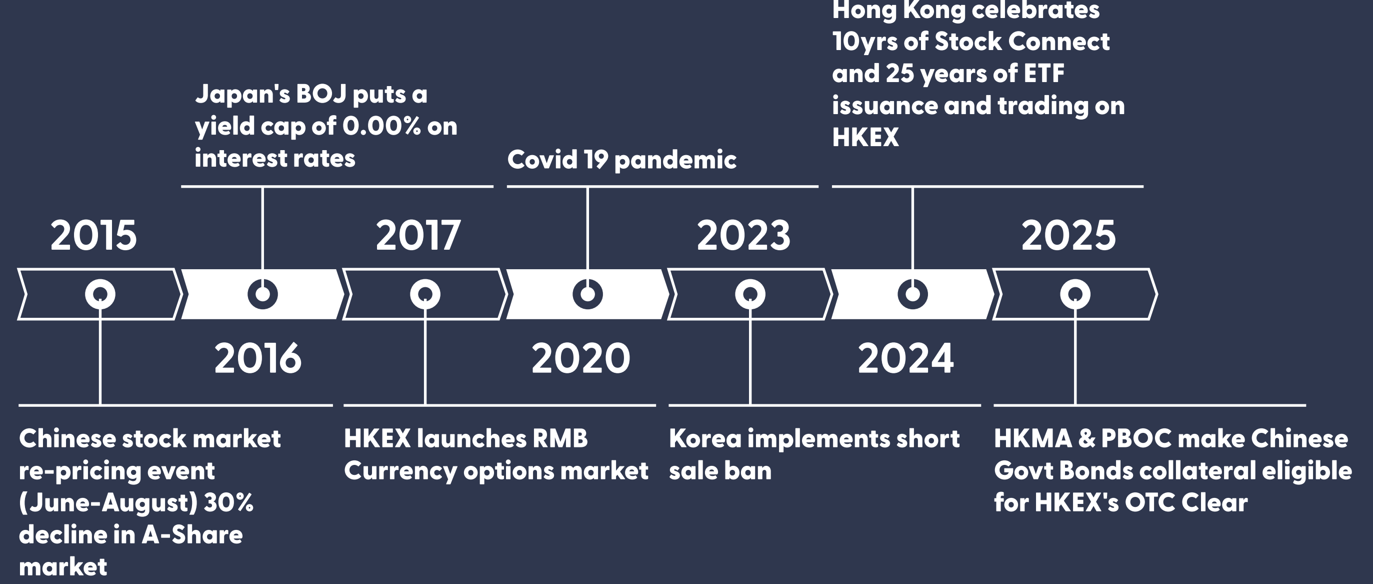
Stephen Howard
CEO
PASLA

30 Years of PASLA

As PASLA prepares to welcome the industry to Macao for its Annual Conference on Asian Securities Finance, and to celebrate 30 years of driving growth, we look back over key market events in APAC's development


China unveils Qualified Foreign Institutional Investor (QFII) Structure. Korean offshore Stock Lending market opens. Japan's FSA implements reforms in securities lending markets
Asian Financial Crisis Occurs
Dotcom bubble bursts
1995
1999
2001
2003
1997-98
2000-02
2002
PASLA established in Hong Kong
Hong Kong launches first Exchange Traded Fund (2800.HK Tracker Fund) with HKMA, State Street and Jardine Fleming
China joins the World Trade Organisation
Taiwan offshore Stock Lending market opens


2004
Chinese A50 Index ETF (Hong Kong) trading starts
2006
China A50 Index Futures (Singapore) trading starts
2008
Global Financial Crisis
2010
RMB Clearing initiated in Hong Kong by Peoples Bank of China (Central Bank) and Bank of China HK
2010
Bank of Japan starts open market ETF purchases in Japanese equities
2013
Belt and Road Initiative established
Basel III framework implemented
2014
Stock Connect Launches in Hong Kong, providing bilateral access to A-Share market and HK market


Hong Kong celebrates 10yrs of Stock Connect and 25 years of ETF issuance and trading on HKEX
Japan's BOJ puts a yield cap of 0.00% on interest rates
Covid 19 pandemic
2015
2017
2023
2025
2016
2020
2024
Chinese stock market re-pricing event (June-August) 30% decline in A-Share market
HKEX launches RMB Currency options market
Korea implements short sale ban
HKMA & PBOC make Chinese Govt Bonds collateral eligible for HKEX's OTC Clear

Asia panel

Industry experts take a look at the Asian markets, the ramifications of a lifting in the South Korean short selling ban, and the possible impacts developing technologies like AI and DLT will have in the securities finance space

Panellists

Benoit Uhlen, Head of Market and Financing Services APAC Securities Services
BNP Paribas

Alex MacMillan, Vice President, Securities Finance Sales and Relationship Management
BNY

Marina Gomi, Vice President, Institutional Sales Department
Japan Securities Finance

Gerard Ngai, APAC Product Manager, Agency Securities Finance
J.P. Morgan

Reshad Mullboccus, Head of Global Securities Lending Solutions Asian Equity Lending
Mitsubishi UFJ Trust & Banking Corporation (MUTB)

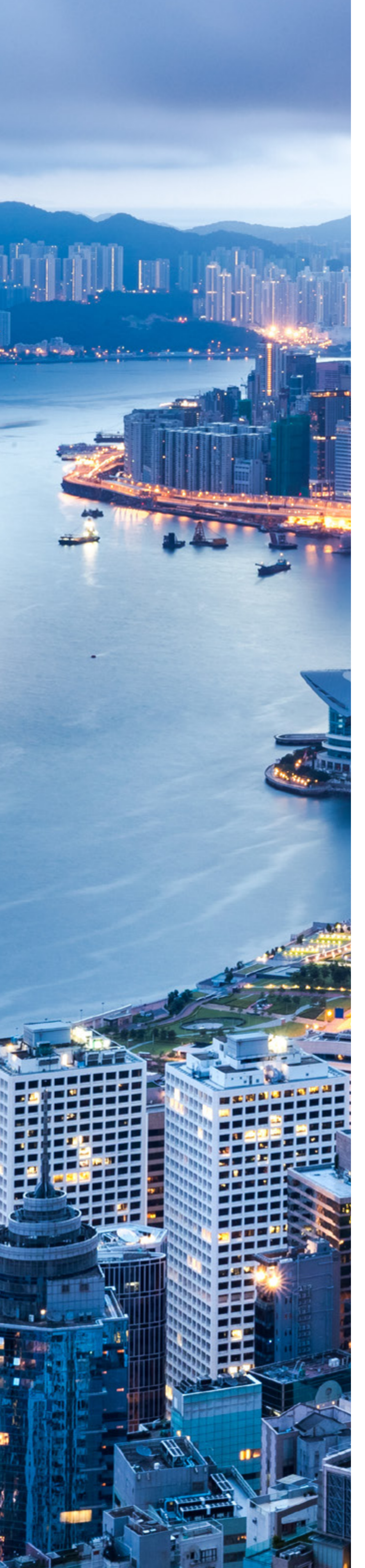
Jeff Coyle, Head of Hong Kong Agency Trading, Securities Finance
Northern Trust

Juhi Chikhlia, Associate, Securities Finance
RBC Investor Services

Jason Wells, Chairman of PASLA, and Managing Director, Regional Head of Agency Trading
State Street

Suwa Kento, Manager
The Tokyo Tanshi

AIA
GRAND LISBOA



How do you assess the performance of APAC securities lending markets during 2024? What key lessons have you learned from this period that will help guide your business through the next 12 months?

Juhi Chikhlia: One standout market in the region from a revenue generation perspective is Taiwan, where demand continues to exceed available supply therefore driving lending fees higher relative to other regional markets. Demand in this 'no-fail' market is largely driven by directional strategies associated with the technology sector, with dominance from stocks in the semiconductor, AI and chipmaker space. RBC Investor Services operates under a negotiated transaction model, and we are well equipped with the tools required to navigate the nuances of lending in the Taiwanese equities market. This includes having the operational structures, legal documentation and reporting necessary to comply with Taiwan Stock Exchange requirements.

In second place is Japan, where demand has been driven by seasonal activity and higher volumes as investors reallocate investment away from China. The sheer size of the Japanese lending market, coupled with increased corporate deal activity, sustained market rally and ongoing corporate governance reforms, all contributed to stronger lending returns.

Although Hong Kong volumes were bearish on the back of US-China tensions, lack of investor confidence in China given slow economic growth, and concerns over Chinese property developers' ability to meet debt repayments, we saw increased demand in the technology, electric vehicle manufacturing, and Chinese property and real estate sectors.

South Korea and Thailand were two markets that introduced stringent revisions to short selling rules which were aimed at enhancing supervisory measures to boost investor trust and confidence pertaining to illegal short selling. More notably, South Korea introduced a full-fledged short sale ban in November 2023 until the end of June 2024, which was further extended to March 2025. As a result of the ban, lending balances have dropped significantly, borrower demand has subdued, and lending revenues have collapsed.

In the collateral space, collateral diversification remains an important differentiator, especially when market participants need to optimise their collateral and funding capital ratios in efforts to lower their risk-weighted asset (RWA) usage. In the region, we are seeing growth in appetite to pledge Korean treasury bonds (KTBs) on the back of operational reform which has gained popularity in the funding space given its credit reliability and attractive yields. We will continue to work on expanding our collateral eligibility and pledge structures based on borrower needs, our own internal risk parameters, and most importantly, our underlying beneficial owners' risk appetite.

When compared to other international regions like North America and Europe, it is evident there is a lack of homogeneity among the APAC securities lending markets. No two markets are identical, with differences being driven by different capital market, regulatory, legal, tax, commercial and operational structures. One may view such fragmentation as presenting challenges to engage in lending in such markets, however, the region continues to be broadly viewed as an important growth area. According to DataLend, the global securities finance industry generated US$9.64 billion in revenue

for lenders in 2024. Despite year-on-year (YoY) revenue decreases of 15 per cent and 24 per cent in North America and EMEA equity markets respectively, revenue generated in the APAC equities market remained relatively flat compared to 2023 performance. It continues to be a region that can provide stable lending revenue against a backdrop of geopolitical uncertainty, central bank policy and everchanging regulatory landscape and operational nuances.

Suwa Kento: Thanks to the Bank of Japan (BOJ) rate hike and normalisation of interest rate level, we saw a continuous flow into the Japanese government bond (JGB) market from hedge funds, foreign banks, etc.

The key lesson was a market flash clash happened in August. We have experienced unprecedented numbers of margin calls. We have learned the importance of streamlined operations and further enhancement in the counterparty risk control.

Alex MacMillan: As most of us know by now, no two APAC markets are the same. You need to be active in all markets to take advantage of any market changes or opportunities — micro or macro.

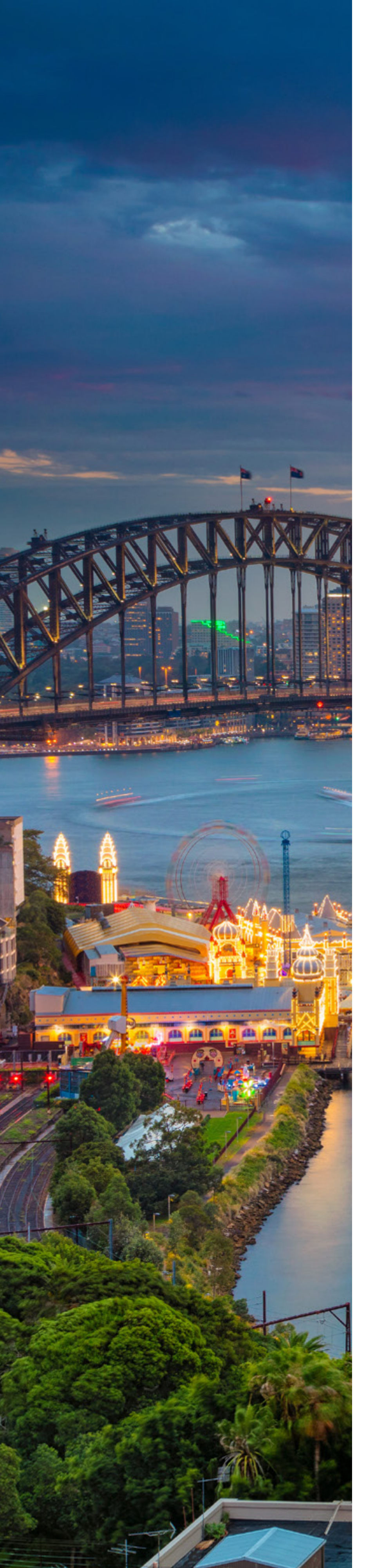
The contrasts between markets are stark, as evidenced by South Korea versus Taiwan. One market has a short sell ban which has limited lending opportunities beyond refinancing, while the other has experienced significant market specials driven by speculative directional plays in the technology segment earning fees in excess of 500 basis points.

Thailand presents another interesting case study, where we saw positive balance growth through the first half of the year. There was a material impact on growth as a result of the more stringent fines implemented in the second half of 2024 and the discussions around the interpretation of Section 650 of the Thai Civil and Commercial Code. However, the market nevertheless ended the year higher.

Another key differentiator is collateral flexibility — not only the scope, but also the mechanics. Title transfer and pledge are both necessary to meet all regulatory or counterparty requirements. Triparty remains a key growth area for BNY and the APAC region, as it enables operational efficiencies in all markets and therefore reduces costs and friction across the various transaction lifecycles.

Benoit Uhlen: At an industry level, APAC securities lending seems to have performed relatively well, though not as dynamically as in EMEA or the US where recent volatility has benefited volumes and levels in such geographies. As far as BNP Paribas' Securities Services business in APAC is concerned, our performance in 2024 has been good thanks to innovative financing transactions, involving collateral from emerging markets and forms of trading which allow a greater level of client engagement. These successes have encouraged us to focus more on structured and innovative trading schemes, with a strong attention on administration and risk monitoring. This has led to greater profitability for our clients and ourselves. For the next 12 months, we will look for more opportunities in these spaces.

Jeff Coyle: 2024 proved to be a dynamic year for APAC, full of challenges and opportunities. Borrow demand across the APAC markets was mixed.



From a country perspective, Hong Kong — a traditionally strong revenue generating market — saw suppressed borrow activity with its Hang Seng index trading at multi-year lows throughout the first three quarters, due to slowing economic growth in China and a prolonged housing crisis, with many Chinese property companies struggling to repay debt. Japan was a dependable market from a volume perspective, providing long-term lending stability. Australia was also another steady market with decent volumes and some specials activity particularly around index rebalances.

The 'jewel in the crown' for the region was Taiwan. Taiwan is a tech-heavy market, with around 67 per cent of the Taiwan Stock Exchange index being weighted to technology companies, including semiconductors, according to Bloomberg data. Semis and related stocks experienced meteoric rises in stock prices in 2024, buoyed by AI mania, driving the TAIEX to record highs and providing fertile ground for directional shorting activity. Taiwan was duly the biggest revenue generating market in APAC for the year.

Thematically, in addition to AI or technology-driven activity, we saw borrow demand in the electric vehicle sector, where competition, subsidies, and tariffs have driven pricing pressures, contributing to short interest in the car manufacturers themselves as well as battery manufacturers and infrastructure companies. This has also impacted index rebalancing demand. For example, in Australia, we saw some lithium miners stocks removed from the ASX 200 and MSCI indices, driving elevated fees in those companies that were deleted.

Challenges stemmed from regulatory headwinds such as the short selling ban in South Korea, where regulators continued to shape and implement a new market-wide short selling regime. Meanwhile, Thailand also undertook its own review of the short selling and securities lending framework. Both markets continue to work to produce the finalised versions of their regulations.

The key lesson learned in 2024 was more of a reinforcement of the mantra to 'expect the unexpected'. For example, at the start of the year the short selling ban in Korea was due to expire in June but in actuality we saw the ban extended for a further nine months until the end of March 2025. In Japan, the central bank raised interest rates for the first time since 2008, which while not entirely unexpected, meant a changing dynamic for trades which had remained quite static for a number of years. Our securities finance programme at Northern Trust incorporates a broad range of counterparties, a diverse selection of collateral options and a variety of trade structures which allows us to pivot between different trading opportunities depending on the market environment and the current demand cycle.

Reshad Mullboccus: 2024 was another interesting year for securities finance — a year marked by a complex environment, shaped by geopolitical uncertainty, global elections, and shifting monetary policies. Amid this backdrop, APAC securities lending market demand was driven strongly by Taiwan and Japan. The stellar performance of Taiwan was underpinned by the insatiable demand for AI and semiconductor names, while Japan benefited from improved corporate governance reforms, overall positive sentiment and active deal-making. Lending activity in other markets such as Hong Kong remained solid, driven by ongoing challenges in sectors like real estate. The short sale ban in

South Korea continued to hinder lending returns but ultimately did not take away from the overall strong returns we saw from the region.

I would not say we learned any particularly new lessons in 2024, but with every market or political event we experience, it just reinforces the need to stay the course with our long-tested business model. Namely, to lead with risk management and mitigation, to stay close to our clients and our counterparts to understand their needs and requirements and to continually evolve our programme.

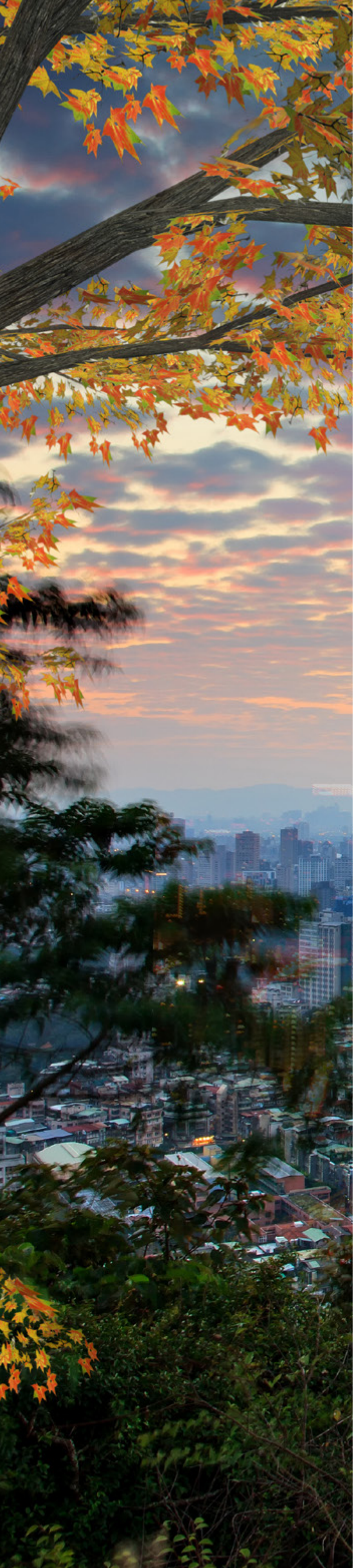
Not only do clients expect us to proactively adapt and change, but I would argue that it is even more important for us to change to meet the changing requirements of our counterparts.

Gerard Ngai: Markets in Hong Kong improved as China's economy displays positive signals, despite property sector credit concerns. In the early fourth quarter of last year, the People's Bank of China launched a bold policy campaign, lowering bank reserve ratios and supporting the property sector to boost the slowing economy and restore investor confidence. This move signalled the government's emphasis on meeting its five per cent growth target. Trading demand increased across various sectors in the second half of 2024, with a focus on property, technology, communications and finance sectors.

Japan's stock market maintained strong momentum in early 2024, driven by favorable domestic and external conditions. Despite volatility in the second half due to a downturn in the US and the unwinding of the yen carry trade, the TOPIX rose 17.7 per cent and the Nikkei 19.2 per cent for the year, making Japan the second-best performer by stock market performance after the US. Strong sectors included banks, insurance, energy, retail, machinery, and telecom, while transportation, basic materials, electricity and gas, food, and pharmaceuticals lagged. Corporate governance reforms revitalised capital markets activity resulting in increased stock placements and takeovers, boosting lending market opportunities. Japan remained a top contributor to APAC market lending revenues due to its large and deep equity markets.

In 2024, Taiwan's stock market hit an all-time high with the TAIEX rising over 30 per cent, driven by strong performances in the technology and chipmaker sectors. The US technology and AI sectors boosted demand for semiconductors from key manufacturers like TSMC, leading to increased investments in Taiwan's technology, semiconductors and related industries, and strengthening Taiwan's role in the global supply chain. Partnerships with US firms have led to technological improvements, fueling investor optimism and driving the TAIEX to record highs. The market growth increased demand for borrowing large and small-cap Taiwanese equities, with strong offshore supply needs solidifying Taiwan's position as a key global lending revenue market.

The market in South Korea was subject to an equity short sale ban in 2024, resulting in limited trading activity except for refinancing trades. Regulators are investigating short selling malpractices and plan to implement new monitoring systems before the anticipated cessation of the ban in the second quarter of this year. On the funding side, there has been growing interest in using KTBs as collateral in exchange for higher-quality collateral types.



In Australia, the ASX200 rose 12.4 per cent in 2024, peaking in November before declining in December to close the year eight per cent higher. Market confidence was supported by the Reserve Bank of Australia maintaining steady interest rates and a gradual decline in inflation, signalling potential easing in 2025. The financial sector saw record gains of 28.2 per cent, with the big four banks reaching all-time high valuations. The technology sector notably outperformed, surging nearly 50 per cent, due to the strong performance of AI-related stocks. In the natural resources sector, commodity price fluctuations persisted, with lithium spot prices declining due to global oversupply.

Marina Gomi: The APAC securities lending market has been growing steadily, along with stock indices across various APAC countries showing strong performance. In Japan, the stock market has continued to perform strongly, supported by corporate governance reforms and increased capital inflows driven by weaker yen. Consequently, the securities lending market in Japan has also shown solid growth. Outside Japan, Taiwan's market has expanded significantly, boosted by the strong performance of the IT sector. Japan Securities Finance has been focusing on securities lending transactions not only in Japan but also in Asian markets including Taiwan. The expansion of Taiwan's market has driven the growth of our business.

With increased opportunities for transactions with overseas financial institutions, we feel a heightened need to analyse market trends outside Japan to better understand the background of their needs. Over the past few years, including 2024, the APAC securities lending market has seen enhancements in market infrastructure and revisions to short selling regulations, further raising expectations for growth. We recognise the importance of consistently enhancing our commitments in the APAC markets.

Jason Wells: There truly was an insatiable appetite for Taiwanese equities again this year. New supply has been quickly consumed and the stars remain aligned for this trend to continue. Client interest in our Taiwan securities borrowing and lending (SBL) programme has certainly increased YoY. While we expect more of the same for the next 12 months, in an effort to constantly reinvent and improve our programme we have embarked on a review which will likely lead to significant enhancements to our offering. We see the outcomes benefiting new and existing clients alike.

In which APAC markets do you identify new opportunities for growth of your lending business?

Uhlen: In South Korea, the expected lifting of the stock short selling ban should boost market demand, which will need to find fresh inventory to accompany the anticipated growth and activity in the market. In the financing space, term trades, contributing to better liquidity ratios, continue to show sound and stable dynamics. Australian Commonwealth government bonds (ACGBs) should continue to be sought for, as long as collateral takers accept sufficiently downgraded collateral, which in an agency lending model is usually mitigated by the agent's indemnification mechanism.

Kento: Japan, Australia, China (Stock Connect and renminbi repo via Hong Kong) and Taiwan.

Perhaps India. As for Korea, we keep an eye on the end of the short selling ban.

Wells: Asia is all about opportunity and growth. International real-money investors appear to have tilted to being underweight China, with those able to redeploy regionally increasing their exposures in Japan and India.

We are extremely excited by the prospect of a renaissance of corporate activity in Japan, spurred on in part by the Tokyo stock exchange's (TSE's) enterprise value enhancement programme, which has been in operation since 2023, and we see real opportunities in this market.

The second market where investment inflows have increased is India, and for very different reasons this market is just too big to ignore. India possesses an established onshore centrally cleared SBL mechanism, with properly-aligned incentives we do hope that the regulators can welcome adjustments to the structure which adopt key international lending constructs. This would quickly catapult India to become a key growth driver for the region. We are certainly eager to play a part where it makes sense.

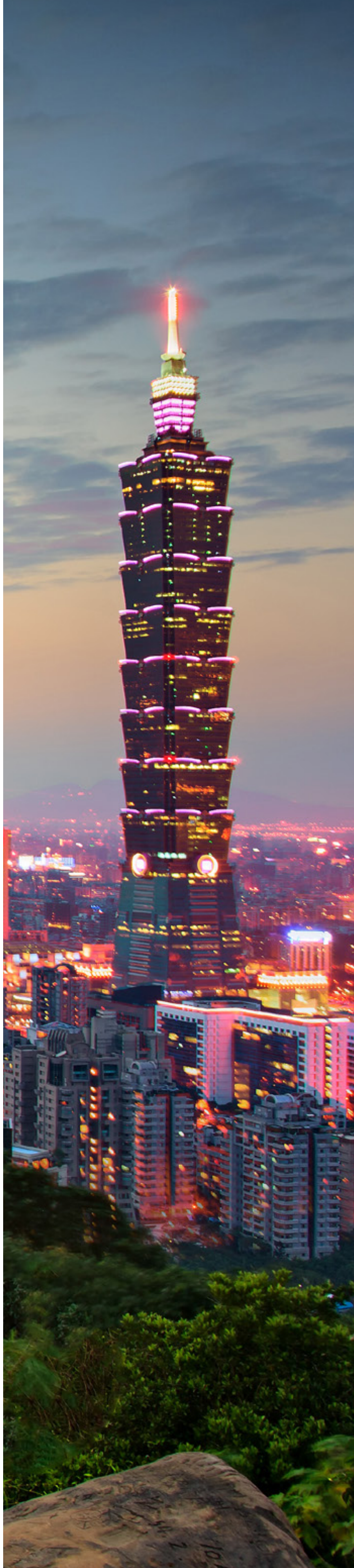
MacMillan: The successful integration of the International Central Securities Depository and the Korea Securities Depository in 2024 has opened up exciting opportunities for us to expand our lending business in South Korea using the power of triparty. Additionally, we have recently entered the lending market for Japanese government bonds and anticipate continued growth as monetary policy normalises. Policy changes have also positively impacted the collateral market, with increasing interest in using the Japanese yen to secure borrows, providing further opportunities for yield.

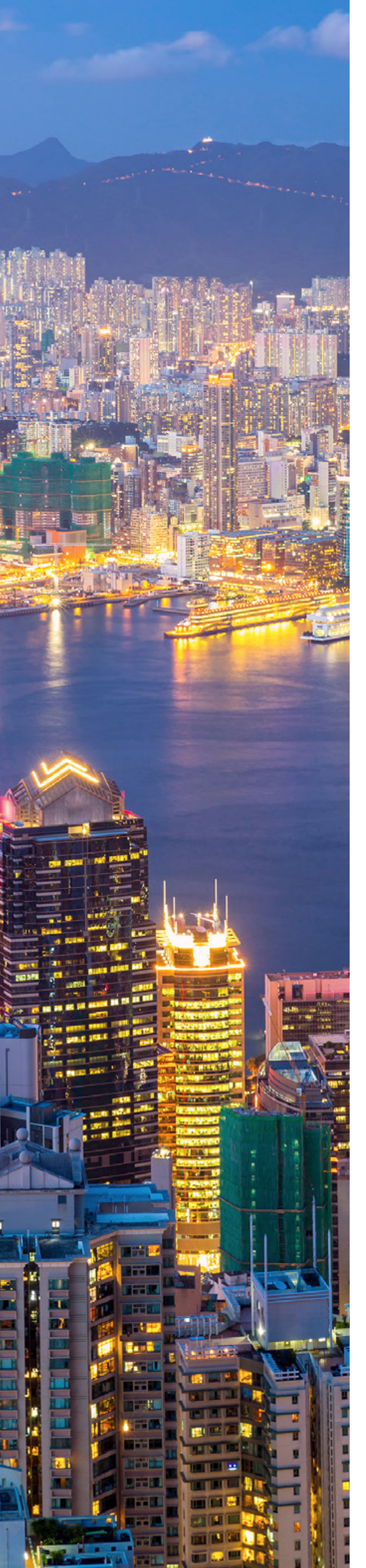
Coyle: The perhaps obvious but unexciting answer to this question for 2025 is South Korea. If, as expected, the short selling ban is lifted in March for all listed Korean equities, it will be the first time since March 2020 that investors will have the opportunity to physically short across the entire universe of those assets. We expect lending activity to be relatively modest to start, as market participants seek to ensure that systems and processes implemented to comply with the revised short selling regulations, are robust and reliable.

Elsewhere, markets including the Philippines and Indonesia, continue to refine their short selling frameworks and we remain alert to the potential opportunities in these markets. However, we do not envisage significant opportunities in these markets in 2025.

China presents the largest and as yet unfulfilled opportunity in the region. Participation for international investors through traditional securities lending routes remains a challenge due to the China market's unique structure. The international industry continues to engage with onshore regulators and exchanges, in conjunction with Pan Asian Securities Lending Association (PASLA), to find solutions to allow broad participation in the future.

Gomi: We have been expanding our securities lending and funding business beyond the Japanese market including Hong Kong, South Korea and Taiwan. Recently, we have also identified significant business opportunities in the rapidly growing markets of Malaysia, Indonesia, and the Philippines. We are currently





preparing to provide funding solutions with their securities.

The APAC region is characterised by diverse regulations and unique market features in each country. We believe this diversity provides opportunities to offer various solutions. Although we do not have offices outside Japan, we have collaborated with triparty collateral management services and have successfully executed transactions that adhere to local regulations and market characteristics. As a member of the Asia region, we are committed to contributing to the expansion of the APAC markets. We will continue to focus on the APAC market, which is poised for further growth beyond 2025.

Chikhlia: We see the Philippines and Indonesia as the next two emerging lending markets, following the crystallisation of onshore hedging solutions for investors within their capital market structures. We are working closely with PASLA to advocate for improvements in the securities borrowing and lending models in both markets to provide more scalable solutions aligned to international practices in efforts to maximise inclusivity for wider adoption and participation.

Mullboccus: Clients frequently inquire about the key capital markets in Asia and we are especially getting a great deal of questions and interest in India and China. Clients are really hoping for fully functioning offshore securities lending markets in both countries. Interest has also grown in the progress being made by the Philippines and Indonesia as they develop their domestic securities borrowing and lending models. South Korea, with its short selling ban expected to be lifted at the end of March 2025, will be a market to watch closely for potential shifting demand.

Which regulatory initiatives in APAC markets will consume most attention for your agency lending and collateral management teams over the coming 12 months? What programmes are ongoing within PASLA, and at industry-level more broadly, to support this agenda?

Wells: Will they or won't they resume short selling? That is the question I ask myself when observing the current challenges domestically and internationally that Korea faces head-on at this time. Many hours have been dedicated to Korean matters in the last 12 months and I anticipate many more will be dedicated to it in the year ahead. We of course look forward to regulatory certainty, clear, defined requirements for which we shall meet. We are also excited at the prospect of a corporate governance improvement initiative that is underway in Korea and look forward to the resumption of covered short selling on the entire equity market. However, a small part of me still wonders if it may just be easier for the powers that be to kick the can down the road and wait for a more stable environment before lifting the short sale ban this March. I watch with interest and curiosity and will be positively surprised to see growth in this market in 2025.

PASLA's efforts in Indonesia are certainly worth keeping an eye on. Modifications to the collateral management platform at the CCP ID Clear would be most welcome to international lenders.

MacMillan: Settlement cycle compression continues to be a global phenomenon that markets all over are either exploring or leaning into. Specifically in Asia, Hong Kong (HKEX) has

undertaken a 'sounding survey' and Australia (ASX) is similarly engaging with the market to better understand the impact and requirements ahead of any move to T+1. Our team at BNY is actively engaging markets directly and via conferences like PASLA to ensure our support is clear and concerns are heard.

We are also keeping close watch on CP 230, a key development taking shape in APAC this year that focuses on operational resilience. CP 230 guidelines will require all securities lending market participants — including BNY — to ensure stricter risk management frameworks.

Coyle: Preparing for the lifting of the short selling ban in Korea is a primary focus. At Northern Trust we are ensuring preparedness through diligent internal stakeholder engagement with legal, risk, compliance, trading and operations teams and additionally by working with the wider industry through our engagement with PASLA. Having PASLA's involvement has been enormously helpful in acting as a conduit between market participants and the various Korean regulatory bodies.

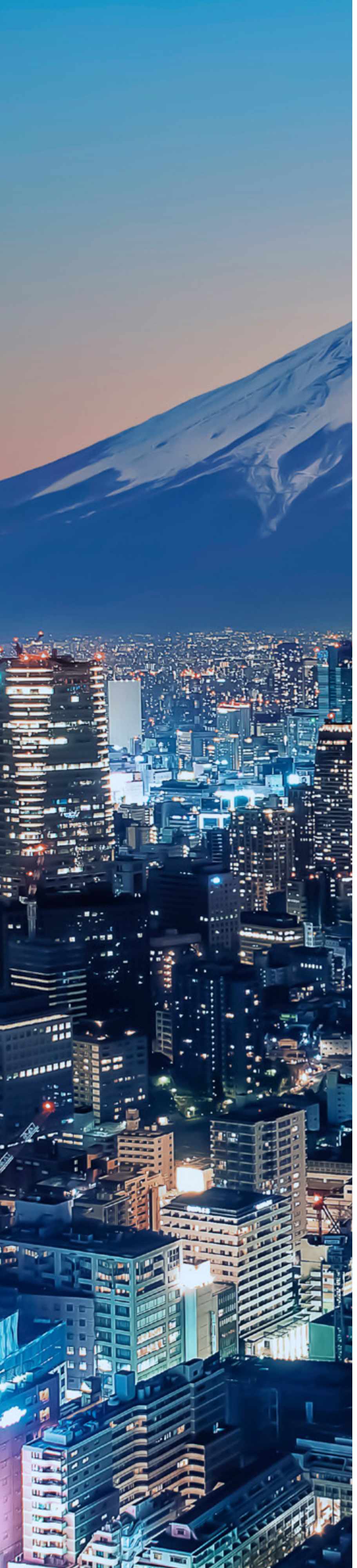
Thailand is also a focus market as we await the outcome of the short selling review. Again, having PASLA as a mouthpiece for regulatory engagement has been helpful, and although at the time of writing the review has not finished, we hope that the constructive dialogue which has taken place will lead to a positive result for the market.

Some APAC markets including Australia, Hong Kong, and Taiwan have started looking at the feasibility and market appetite for a T+1 settlement cycle. It would require significant development in each of these markets for all stakeholders including the exchanges and market participants alike. While there may be opportunities for industry engagement on this matter in 2025, we do not expect to see T+1 implemented in any of these markets until 2026 earliest.

Globally, Basel III Endgame has consumed a lot of focus and attention, and was due to take effect in July 2025. However it is likely that markets will delay implementation amid significant push back from banks and growing political pressure, particularly in the US. The UK has already announced they will be pushing implementation out until 2027, and while we still await clarity from Europe it is also likely to be delayed to avoid EU banks suffering a competitive disadvantage if they were to adopt early.

Uhlen: The possible and progressive move into T+1 settlement cycles in APAC markets is likely to be an area of focus for us. A key priority will be to accommodate these changes without degrading the quality of our lending services nor our clients' capacity to mobilise their securities when needed. Through the potential evolution surrounding China's onshore repo market, this could be of strong interest for us, materialising new opportunities related to the search and supply of liquid collateral.

Chikhlia: Market participants must ensure they have robust processes to manage liquidity, risk scenarios and regulatory developments. Financial reforms such as Basel III Endgame has increased the cost of doing business, and as a result, capital-efficient trade structures remain in focus as market players look to reduce their RWA usage. Initiatives such as central clearing counterparty (CCP) and alternative pledge



structures are being developed to address these growing concerns.

The inescapable impact of T+1 will continue to be top-of-mind following India's move in early 2023, and the US, Canada, Mexico, and Argentina's successful moves to T+1 settlement cycle in May 2024. Several APAC markets such as Australia, Taiwan, and Hong Kong have commenced consultation papers and market soundings with industry stakeholders as the industry adapts to the accelerated settlement cadence. Firms will need to leverage scalable automated solutions to remove operational bottlenecks, manage the increased speed at every touchpoint in the trade lifecycle, and ultimately enable more thorough straight-through-processing (STP). As highlighted previously, APAC markets are less harmonised compared to other regions, where markets differ in operating structures and prefunding requirements, so adjustments and risks will be heightened to address the nuances that exist in the region. Certain markets will need to have infrastructural reform to address such challenging operating structures before moving to T+1.

Similar to other market participants, we will be closely watching the anticipated lift of the short sale ban on all equities in South Korea by the end of March this year. Furthermore, we are closely monitoring the developments in Thailand with regards to the country's Securities Exchange Commission (SEC) and Stock Exchange of Thailand's (SET) introduction of stricter short selling rules in efforts to improve transparency and maintain trust and confidence in the Thai capital market.

PASLA has several working groups which include participants from RBC and various other member firms, to address the nuances of the APAC markets as well as spend time on advocacy efforts, by broadening engagement with regulators, stock exchanges, central clearing counterparties, and policy makers. We will continue to collaborate with PASLA into 2025 through participation in various working groups.

Ngai: I have broken this down into three sections, the first of which is regulatory reporting requirements.

The Australian Prudential Regulation Authority (APRA) issued the specifications for Superannuation Data Transformation Phase II. This initiative aims to improve transparency and risk management by enhancing data granularity and quality detailed in reporting from Australian superannuation funds. The changes are expected to impact securities financing and collateral management, among other areas, with annual reports for 30 June 2025, due in November 2025, and the first quarterly report for 30 September 2025, due in December 2025

Meanwhile in Hong Kong, the Hong Kong Monetary Authority (HKMA) and the Securities and Futures Commission (SFC) plan to implement global reporting standards, including unique transaction and product identifiers, for OTC derivatives reporting.

Secondly, I consider the accelerated settlement cycle. In the APAC region, several markets are exploring or consulting on reducing settlement timeframes to match the T+1 cycle adopted by the US and Canada last year. We have seen recent consultations within industry groups across Australia, Hong Kong, Japan, and Taiwan. While implementation may still be some time

away, we are actively engaging with broader industry groups to ensure readiness and effective planning.

Finally, it is worth considering the regulatory impact on the collateral market. In South Korea, the short sale ban is expected to be lifted in March 2025 after 15 months. We anticipate clients re-entering or expanding their equity portfolios, with a strong focus on compliance with the new regulatory and market frameworks.

In Taiwan, there are industry discussions exploring amendments to collateral rules to allow pledging of Taiwan securities as collateral. We see broad interest in using Taiwan assets as collateral, but operating model complexities will need to be carefully considered.

In China, there is ongoing expansion and discussion on permissible use cases for China government bonds as collateral. Additionally, the newly issued margin rules for derivatives by the National Financial Regulatory Administration (NFRA) are expected to increase interest in using RMB assets as collateral.

What investments and adaptations to technology and working practices have you made during 2024 to sustain and grow your securities lending activity in the Asia Pacific region?

Ngai: The introduction and proliferation of artificial intelligence and machine learning-driven tools has been seen across industries, and J.P. Morgan is heavily investing into these areas. Our business currently leverages various tools across disciplines to enhance productivity, software development lifecycles, and predictive pricing models.

We also continue to invest in core processes and technology in strategic areas such as product innovation, client experience, analytics, API and data strategy, and scaling operational efficiency through workflow automation.

MacMillan: The EquiLend outage in early 2024 tested the market's ability to execute automated trades, but our ongoing investments in technology enabled us to continue trading in an efficient and highly automated manner throughout and to support our clients around the globe. The sophistication of beneficial owners continues to be the key driver behind our enhancements which enable us to meet the evolving needs of our clients in the region and beyond.

Mullboccus: Our 'follow-the-sun' trading philosophy is set to advance further in the coming year as our local presence in Asia continues to take shape. At the core of this approach is a focus on leveraging technology to seamlessly connect with clients, platforms, counterparts, and vendors across the entire securities lending value chain. Our goal is to offer clients the widest range of routes to market.

Wells: A cyber incident in January 2024 at the platform EquiLend, led to a sudden and multi-week cessation of core SBL workstreams for the industry. Unlike other agency lenders, State Street exhibited impressive resilience by leveraging its proprietary lending platform named Venturi ALP. The incident highlighted a core dependence on a singular venue. This presented several institutions with significant challenges which State Street was able to solve

for in short order. The adoption of Venturi ALP increased commensurably and retained business flows even after the resumption of EquiLend. This situation demonstrated foresight, resilience and underscored the flexibility of the multi-platform State Street business.

Chikhlia: Operations is part and parcel to any securities lending business, so technology adoption and process adaptation is essential to ensure operational resilience. In a period of technological advancement and an everchanging regulatory landscape, it is imperative for firms to keep up with such dynamic changes. RBC Investor Services follows a global 'follow-the-sun' trading model with desks in London, Toronto, Singapore, and operational support in Toronto and Kuala Lumpur to provide 24/5 coverage across 34 lending markets. We have made significant investments to enhance and transform our technology stack to increase efficiency, remove bottlenecks and strategically reduce risks and utilise various solutions provided by market vendors to centralise and automate processes such as recall management and income claims.

Coyle: At Northern Trust we are committed to making sustainable long-term investment in technology which aligns with the needs of our clients, supports market access and delivers both scalable and customised solutions for our product suite. We have a cohesive global strategy which allows product enhancements and technological developments to benefit all geographical regions.

In recent years we have observed a distinct and compelling trend accelerating on the buy side, relating to growing sophistication around the use of inventory to drive incremental return across the portfolio. More specifically, clients are increasingly looking at how to best utilise their long positions across their financing, liquidity and collateral activity. We recognise that to be able to achieve this effectively, there needs to be a centralised strategy across these functions to optimise the use of such assets.

Investments have been made by Northern Trust to optimise capabilities across our securities finance product suite for in-scope clients to be able to derive enhanced benefits from transacting with Northern Trust across these services. We have invested into our technology platforms to consolidate securities finance data into a single platform which supports a suite of new and existing financing solutions. Northern Trust launched Nexus in early 2023 and as part of a multi-year investment, the platform is continuously evolving to bring together a suite of new and existing services across securities lending, borrowing, financing, liquidity and collateral management that would serve as the single point of interface with our capability set.

How have monetary conditions shaped securities lending opportunities in the Japanese market? How are you positioning yourself to maximise opportunities for lenders and borrowers in this environment?

Mullboccus: The changing monetary conditions in Japan have been spurring demand for JPY fixed income securities and JGBs since the start of 2023. Historically, JGB portfolios saw very low lending returns, with few, if any, securities regularly on loan. We witnessed the first increase in demand for these securities when the Bank of Japan added greater flexibility to its yield curve control around two years ago, and the initial

result was an increase in demand for JGBs with a maturity between 5 and 10 years, as well as for bonds deliverable into the futures contracts. As many as 20-30 different JGBs saw strong borrowing interest, with spreads of up to 3bps. At the same time, we also started to see appetite for JGBs in collateral upgrade/downgrade transactions, allowing clients with JGB portfolios to see utilisation rates of up to 100 per cent for the first time.

However, since then we have seen a trend of gradually decreasing demand for specific JGBs along with a reduction in lending spreads, as the BOJ maintained a stable base for monetary policy operations, Even the interest rate rises in 2024, first to 0.10 per cent in March, then to 0.25 per cent in July, did little to reverse this trend. Spreads compacted with most JGBs available below 10bps fee and demand waned across the maturity range.

But strong returns are still possible for lenders looking to maximise opportunities for their clients and this is something that we have worked to achieve as we position our lending programme to continue to maximise revenue for our clients. As specific value wanes, it is entirely possible to increase the use of JGBs in collateral upgrade/downgrade trades. In effect, JGBs that had been lent as specials moved into general collateral (GC) trades, maintaining high utilisation levels at a consistent spread. Importantly, if the market changes and a specific security does pick up special value, then it can be moved out of a GC basket and put on loan at the maximum lending spread possible.

To achieve this continued value in a JGB portfolio, we need to position ourselves to be able to structure bespoke, flexible transactions that meet both the needs of the borrower as well as the underlying client. Working closely with clients is key, as is the ability for flexibility in collateral schedules and transaction tenors. The future looks good for JGB lending. A further interest rate rise is possible for early in 2025 and we feel we are well positioned to take advantage of any changes in the lending market.

Coyle: The Bank of Japan took action to lift rates from the zero bound in 2024, at a time of policy easing from the Federal Reserve. This convergence of respective interest rates directly impacted the cross-currency basis spread between Japanese yen and US dollars. Demand for borrowers to pledge JGBs as collateral against borrowing US Treasuries softened slightly but did not disappear, although the spreads narrowed for this trade.

In August 2024, Japan's Nikkei 225 lost approximately 25 per cent over three days after the Bank of Japan's decision to hike rates coincided with fears of a US recession. The fears were short-lived, and the index subsequently bounced back, albeit lower than before the shock. This temporary fall was a blip on what was otherwise a strong performing equity market, gaining over 19 per cent through 2024. Japanese companies were able to take advantage of the elevated valuations through capital raising activity, which was the highest among regional peers. However, we did not see many of these events translate into material revenue opportunities, as ample liquidity kept borrow fees at general collateral levels.

As mentioned earlier, during periods of changing demand dynamics, flexibility and adaptability

is key. For example, the ability for our clients to accept Korean treasury bonds as collateral, provided another distribution outlet for lending US treasuries, countering the fluctuating demand for JGB's.

MacMillan: With Japan now shaking off many years of stagflation, companies are reducing their dividend ratios and instead putting capital to work either internally or via acquisitions. This, in turn, will reduce and create new opportunities in the financing space. As one counterparty recently said, "there are so many deals in Japan right now, it's hard to work out which ones to really focus on". Hopefully, this trend will continue well into 2025 and beyond.

Wells: After over a decade of ultra-loose Japanese policy, an uptick of inflation led to a decision by the Bank of Japan to raise interest rates marginally in 2024. State Street has long held the unique position among its peer agent lenders in the securities lending market to accept yen cash as collateral. It is likely that rates will continue to face upward pressure which will require adjustments to the facility, however, State Street's close partnership with global cash manager State Street Global Advisors provides the business with intelligence on opportunities in cash investment in Japan. The agency business began to mobilise efforts to capture new opportunities in the yen arena and this effort will build through 2025.

Chikhlia: In March 2024, the BOJ raised short-term interest rates for the first time since 2007, ending its negative interest rate policy. Prior to the central bank's rate hike measures, divergent central bank policies between US and Japan more specifically, provided significant cross currency arbitrage opportunities. The standout funding trade was to borrow US Treasuries versus JGBs due to the USD-JPY cross currency basis spread widening. We will be closely monitoring what actions the BOJ will make over 2025 and the impact of further rate hikes, if any, on the popular Yen carry trade. Japan continues to be a strong market in providing stable lending revenues due to specials and seasonal demand.

Gomi: The repo market for JGBs experienced increased demand for funding in 2024, driven by the high credit and liquidity of JGBs as collateral, as well as expectations of rising interest rates.

The stock market also maintained strong performance, supported by corporate governance reforms among Japanese companies and increased capital inflows due to weaker yen. Consequently, the securities lending market showed steady growth as well.

In the same year, the Bank of Japan ended its negative interest rate policy and subsequently raised interest rates, resulting in significant changes in the market environment. Despite these changes, in the stock lending market there has been no substantial shift in GC rates before and after the interest rate hikes. However, we have observed a trend where borrowers have preferred to reduce inventory and opt for securities as collateral over cash in response to the rising interest rates.

As a leading player in the Japanese repo market, we cover almost all financial institutions in the country and play a crucial role in linking domestic and international repo markets. With over 70 years of expertise in managing domestic margin

transactions, we provide a variety of liquidity across different maturities and accept a wide range of collateral, thereby offering diverse solutions to our clients.

Ngai: In 2024, the Bank of Japan cautiously began normalising monetary policy, with domestic economic data and the US economy likely being key factors. There is expectation for this to continue into 2025. As the Federal Reserve enters a rate-cut cycle, the narrowed USD-JPY cross-currency spread may limit opportunities in JPY funding and US Treasury (UST) versus JGB upgrade trades. Consequently, demand has increased in areas like equities upgrade trades into UST or JGB. Other market opportunities include accepting JPY cash and JGB repos for reinvestment.

Kento: The change in the monetary conditions has brought significant volatility in the market. We regard ourselves as a first-time-attender to this community. We are very open to any new opportunities.

In 2024, the Council of Financial Regulators assessed the case for the central clearing of bonds and repos in Australia. How will the possible introduction of a CCP in the region impact the repo market?

Ngai: The proposed CCP was previously implemented but faced challenges due to several key repo counterparties not using the service, leading to its termination in 2004. Feedback suggests that a CCP could improve settlement cycle efficiency in the market, but it requires broad market participation to reach critical mass. Given the large commitment required for a rollout, most repo counterparties expect limited impact in 2025.

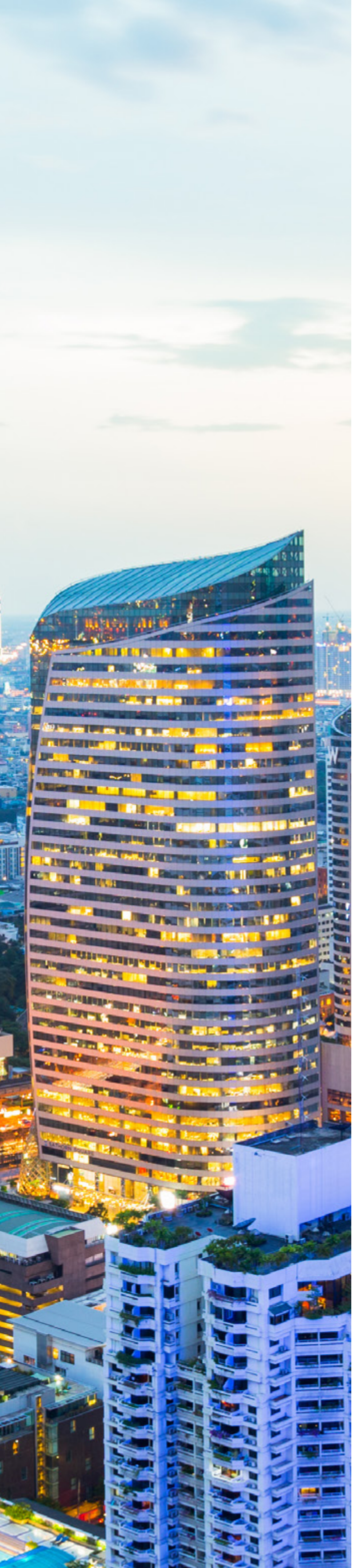
Kento: We believe this will have a big impact on Japan Securities Clearing Corporation (JSCC) and push them to move on to client clearing.

Coyle: The potential introduction of a CCP for bonds and repos in Australia would represent a significant development. The market could reap the potential benefits of CCPs including enhanced market transparency, reduced counterparty risk and improved overall market efficiency. We might see increased trading volumes for ACGB's as foreign banks may class them as Level 1 or HQLA for internal regulatory metrics. Costs would be a potential concern with the implementation of a CCP and while some banks are exempt from the Australian Bank Levy, it would create additional costs for those already subject to it.

Northern Trust has significant experience of transacting via CCPs given our large footprint in the US, and more specifically our role as sponsoring member to centrally clear US treasuries via the Fixed Income Clearing Corporation (FICC). The US Securities and Exchange Commission's (SEC) adoption of mandatory clearing for US treasuries from June 2026 will undoubtedly drive other regions to consider such activity.

How do you assess the outlook for APAC securities lending markets for 2025?

Kento: It will be a more exciting year than ever, in that AI will be more common in daily operation and more sophisticated data analysis will be



available. New initiatives for crypto assets, DtC e-trading system, distributed ledger technology (DLT) etc. Needless to say, there will be much more market volatility this year.

Chikhlia: The geopolitical landscape will play a significant role in shaping regional activity in 2025. With Trump's presidency, ongoing tensions between China and the US over trade tariffs will have an impact on regional demand across technology, AI chip manufacturing and shipping sectors across several markets including, but not limited to, Taiwan and Japan.

We anticipate Taiwan will remain a lucrative lending market with continued robust demand. South Korea's reopening in March 2025 will provide renewed lending opportunities. Regulatory reform across regions will require close attention.

Regulatory capital and associated RWA considerations will continue to be at the forefront for securities finance participants. The need for capital-efficient trade structures will continue to cause repricing on existing trades and reinforce the importance of diversification from agent lenders alike with regards to expansion of eligible collateral sets, markets and borrowers. This activity will be aimed at increasing distribution of assets, and more importantly, revenue for our beneficial owners.

MacMillan: Continued progress in markets such as Indonesia, the Philippines, India, and China as they further evolve their regulations, which will open up more lending opportunities to a wider universe of offshore lenders and borrowers. The inclusion of South Korean government bonds in the FTSE World Government Bond Index (WGBI) in November 2025 is also a significant development to watch, as it will drive more activity and opportunities in the South Korean market.

In Australia, the growing superfund industry and increased involvement by those funds in how their securities are loaned, recall rights and voting will drive more directed lending in 2025. However, local and global politics will continue to have a direct or indirect impact on APAC markets, which could alter the approach to existing or future roadmaps in terms of relaxing protective regulatory measures.

The big question for 2025 is whether valuations in China (and therefore Hong Kong) have finally bottomed out, and whether the Chinese economy will be revived, spurring corporate activity and a return to sustainable growth. Regardless, buy side asset managers will need to continuously optimise their portfolios and positions, and securities finance provides a value proposition to all parties, including lending, borrowing, repo-ing, swapping, upgrading, and other commercial or legal conventions. Therefore, it is expected that all parties will need to do more of it in 2025.

Gomi: Financial markets across APAC countries are steadily expanding. In securities lending, various countries are enhancing their market infrastructures to draw in foreign investors, such as the recent establishment of a CCP in Indonesia. As trading environments improve, these markets become increasingly attractive, fueling expectations that the growth trend in APAC's securities lending markets will continue. Given this outlook, we recently supported the establishment of PT Pendanaan Efek Indonesia,

a securities financing company in Indonesia. We continuously aim to leverage our unique business model to enhance our presence as a leading security finance institution in Asia, bridging the rapidly growing Asian markets with the global market.

Wells: Another strong year in Taiwan is expected; a resumption of short sale activity in Korea albeit at a cautious pace; an uptick of Japanese corporate events which drive arbitrage opportunities; expect further interest and participation from retail brokerage platforms in the region.

Mullboccus: Looking ahead to 2025, we are optimistic about the prospects for the Asia market which we think will build upon the momentum from 2024. Demand for borrowing Taiwan and Japan securities is expected to remain robust, with the anticipated lifting of South Korea's short selling ban likely to further boost demand.

MUTB's focus will be on further developing the three C's: clients, collateral, and counterparts. We are continually working with our clients to refine guidelines, expand the range of acceptable collateral, and implement pledge agreements with counterparts to enhance our solutions offering.

Coyle: We anticipate 2025 will be another interesting, exciting and opportunity-filled year for APAC securities lending. As discussed, the expected return of South Korea as a major regional market for securities finance activity will be welcome, and clarification of the regulatory guidelines in Thailand should lead to improved lending conditions in that market also.

The real conundrum for 2025 is how the Hong Kong market will fare, with its fortune intrinsically tied to the economic landscape on the mainland. Stimulus measures introduced by the Chinese government throughout 2024 boosted market sentiment in the short-term but failed to inspire sustained rallies across the equity landscape, keeping valuations at relatively historic lows. This has meant that fundamental hedge fund activity has been subdued with little appetite to place bets on the downside, therefore suppressing borrow demand. The key to reviving Hong Kong securities lending activity will be whether Beijing can bolster the Chinese economy, while navigating potential sanctions from the new US administration.

We expect that the top performing APAC markets will be Taiwan and Japan — no different to 2024. There is no sign that the AI wave is subsiding any time soon, therefore we would expect conditions to prevail in the technology sector for Taiwan to have another strong year in 2025. The Japanese equity market performed strongly in 2024 and it will be crucial for the BOJ to smoothly manage its transition to a tighter monetary policy to keep the upward momentum this year. If the Nikkei and Topix indices continue to climb then, at the very least, this would mean higher loan balances and higher revenue streams in this volumes driven market. In addition we may have another strong year of capital raising activity, which in turn could lead to lending demand around some of these events.

For certain, in 2025 the world of securities finance in APAC will keep us all engaged, captivated and ever industrious.

The rundown on Asia

Market participants highlight the key securities lending markets capturing the industry's attention and what each has to offer for Asia, as well as how retail investors and digital transformation is impacting the region. Carmella Haswell reports

Emerging markets

The industry is on the lookout for promising emerging markets which could prove beneficial for participants. While the Middle East has gained much attention over the past 12 months, the potential for Latin America has peaked interest, and the removal of stamp duty on securities lending transactions looks to provide further opportunity in Greece.

When it comes to Asia, market participants have noted a common attentiveness in Indonesia and the Philippines, as they look to drive further liquidity in these markets.

Speaking to Securities Finance Times, Maybank Securities CEO Aditya Laroia notes: "In Asia, we would like to focus on large emerging economies, notably Indonesia and the Philippines, where onshore lending obstacles tend to exist, to allow international borrowing of assets. In the meantime, we will work on potential intermediation and alternatives."

Another interested party is the stock exchange of Hong Kong, HKEX, which has been actively expanding its international presence through strategic partnerships and overseas offices. To grow its market network, the exchange has confirmed a cooperation agreement with the Indonesia Stock Exchange.

Notably, another market which is drawing much attention given recent developments is South Korea. Andrew McCardle, head of EquiLend Asia, says the big focus and question for 2025 is Korea. He asks: "Will the go-live date of 1 April for lifting the short selling ban be a day of

significant activity? Or will it be a cautious move back into a market that back in 2019 was the second-biggest market in the region, with its sights firmly set on the number one spot?"

In APAC, the start of 2024 was uncertain due to the South Korean short selling ban introduced in the previous November, which "continued to loom over the securities lending market", states Matthew Chessum, director of securities finance at S&P Global Market Intelligence. He confirms that the ban followed a period of record revenues for the country and region, casting uncertainty on future performance.

In March 2025, South Korea will lift the short selling ban. Chessum explains that the scheduled reopening of South Korea is likely to provide additional opportunities for lenders and borrowers. "Heading into the short selling ban during 2023, revenues in South Korea were hitting new highs. The South Korean economy has a strong focus on technology and innovation and is likely to provide lenders and borrowers a renewed source of revenues."

McCardle interjects: "Demand will be high, but with the regulatory hurdles and added cost of tech and personnel, the outstanding question will be: will this be a market that many firms go back into in scale early in the year? Only time will tell, but I believe that we will not see too much activity until the second half of the year."

Taiwan and Malaysia

Reviewing the APAC landscape over the past 12 months, arguably the two standout markets have been Taiwan and Malaysia.

In a year marked by a two per cent decline in market revenues and average fees across Asia, lending in the region's equities demonstrated remarkable resilience given the challenges it faced, according to S&P Global Market Intelligence data. In addition, Taiwan and Malaysia have showcased "impressive growth" in revenues, average fees, and balances.

"The experiences of both Malaysia and Taiwan illustrated the increasing accessibility investors enjoyed in terms of securities lending across the region," reports Chessum.

"Once viewed as complex markets due to pre-sale notification requirements and stringent penalties for trade settlement failures, the growth in demand and revenues in these markets underscored that, with the right controls and processes in place, lenders enhanced their ability to navigate these additional transactional complexities."

Overall, while 2024 presented its share of challenges, Chessum believes the robust performances of Taiwan and Malaysia signalled a "promising outlook for Asian equities", driven by demand for assets in these relatively new markets and strategic market adaptability "growing the number of new opportunities" for both lenders and borrowers.

S&P Global Market Intelligence names the surge in AI and the corresponding demand for advanced chip and semiconductor capabilities, as a significant catalyst for stock market performance throughout 2024.

Taiwan is a "powerhouse" in the global semiconductor arena, responsible for approximately 60 per cent of the world's semiconductor production. "This dominance, coupled with its expertise in technology and hardware, fostered robust securities lending demand for Taiwanese equities," adds Chessum.

Consequently, Taiwan emerged as the highest revenue-generating market in the region, according to data from S&P Global Market Intelligence, amassing US$768 million — equivalent to the combined revenues of the seven highest-grossing European countries.

Similarly, Malaysian equities experienced "a remarkable surge" in demand throughout 2024, with revenues "skyrocketing" by 73 per cent year-over-year (YoY). Average fees in this market also saw a healthy increase of seven per cent, Chessum reports.

Malaysian equities catered to a broader spectrum of investor needs, with capital goods, semiconductor, and utility companies all contributing to strong revenue figures. Sunway Bhd took the lead as the highest revenue-generating stock in Malaysia, reporting annual revenues of US$2.3 million.

Chessum concludes: "As investors look to navigate these changes, the markets of Taiwan and Malaysia are emerging as attractive opportunities for lenders. The size and growth potential of these markets can provide additional revenue avenues, further enriching the securities lending landscape in the APAC region.

“As these dynamics unfold, 2025 promises to be a year of robust activity and opportunity for participants in the securities lending market across the APAC region.”

China

China is set to remain crucial in 2025, boosting Asia’s economic and innovative status, according to HKEX. Speaking with Securities Finance Times, an exchange representative notes that global investors are underinvested in China, which could present an opportunity for asset managers to increase allocations in the world's second-largest economy.

China's economy is undergoing structural changes with expanding capital markets and diversified portfolios. Emerging sectors include new energy, environmental protection, electronic vehicles, AI, biotech, advanced hardware, and semiconductor materials.

“Moreover, China's ambitious decarbonisation plans present massive opportunities. The country's focus on green technology and sustainability initiatives is expected to create new investment opportunities and drive long-term growth,” says HKEX.

As a key international financial centre in Asia, Hong Kong is positioned to offer two-way connectivity between mainland China and the rest of the world, attracting international issuers and providing an “efficient market infrastructure and a robust regulatory framework”.

With the Connect programme linking mainland China’s onshore market and Hong Kong’s internationally-facing market, HKEX says Hong Kong is “the market to be in” to facilitate these cross-border flows with globally-recognised market rules and standards.

HKEX has been expanding its Connect programme with new products — such as the additions of bonds, ETFs, and interest rate swaps — and new market infrastructure, including additional trading days and Master SPSA services.

To support the continued development of Hong Kong as a financial centre and encouraging more participation from offshore investors, HKEX highlights its work to enhance market infrastructure to drive liquidity in the securities markets, through the introduction of the Hong Kong dollar/renminbi Dual Counter Trading Model, implementation of severe weather trading, as well as reducing the minimum spreads for certain securities.

Commenting on the year ahead, Chessum says: “With the possibility of further stimulus measures in mainland China, there is potential for significant movement in the stock market, creating numerous opportunities for investors looking to capitalise on market fluctuations.”

Digital transformation

The increasing use of AI in the West brings into question the road to digital transformation, and it appears firms are eager to invest in their technology infrastructure to provide for future innovations. As Chessum puts it: “Behind every great product is a robust technical foundation.”

For S&P Global Market Intelligence, the use of AI and machine learning (ML) has led to the improvement of the firm’s ability to identify erroneous or outlier transactions, enabling it to detect abnormal variances in volumes and fees across various asset classes and markets. “This advancement represents a major step forward in our data cleansing and aggregation processes, ensuring that we consistently deliver best-in-class data,” Chessum highlights.

AI is helping to drive activity and interest in markets such as Taiwan due to the firms listed in the country, according to McCardle. With market nuances and multiple language barriers, some questions arise as to how to implement AI in the region.

For EquiLend, the firm is moving its distributed ledger technology (DLT) solution 1Source from beta phase to full go-live with multiple clients in 2025. McCardle explains: “We continue to engage and see keen ongoing interest from clients in Asia as to how this tech can help to bring significant risk mitigation into markets such as Korea and Taiwan in the future.”

While it may be harder to implement in the region, McCardle insists the potential reward from DLT and AI from a risk mitigation perspective could be the largest of all the regions in the world.

The value of AI is also a topic explored across Maybank entities. This technology is beginning to be implemented in research and recommendation processes at Maybank Securities, especially towards its retail clients.

Laroia adds: “But more specifically in the lending space, it remains a key area of interest. Maybank will liaise with our technology providers

to see how they are accessing the various fragmented offerings. The expectation would be that the exchanges look to implement where they can, especially if T+1 gets onto the agenda that the collateral agents and custodians generate solutions to reduce settlement and credit risks."

At HKEX, the exchange has applied AI in assisting to extract and review the information from the announcements and annual reports published by all issuers listed on its markets, therefore enhancing vetting capabilities and compliance work, its spokesperson says.

"The integration of AI in securities lending data provision has led to significant positive impacts for the market, particularly in enhancing short squeeze score calculations and trend analysis," highlights Chessum. "By leveraging advanced algorithms, AI can process vast amounts of data at unprecedented speeds, allowing for real-time insights that were previously unattainable."

He indicates that rapid data processing enables market participants to assess short squeeze risks more accurately, identifying potential opportunities and threats with greater precision. In addition, Chessum suggests AI-driven trend analysis helps traders to recognise patterns and shifts in market behaviour, facilitating more informed decision-making.

"Overall, the amalgamation of AI in this domain not only improves efficiency but also empowers participants to navigate the complexities of the securities lending landscape with enhanced confidence," he insists.

Retail investors

Retail investors are taking an interest in securities lending, using it to gain incremental value via trading platforms. From an Asia perspective, retail investors have played a "significant role", particularly in South Korea and Japan, according to Karen King, head of data solutions sales for APAC at S&P Global Market Intelligence. She notes that this influence is now expanding to Hong Kong.

"In Japan and the Hong Kong special administrative region, retail investors tend to be more comfortable utilising securities lending to generate incremental value. However, for this market to truly thrive, we need to see further enhancements in trading platforms and workflows that facilitate the efficient use of retail-held stocks," says King.

Currently, there remains skepticism regarding the stability and efficiency of trading in this area. Nonetheless, King believes the potential for lucrative opportunities is evident, especially with access to more mid and small-cap companies.

In recent developments, Maybank Securities in Singapore went live with retail lending in 2024 and aims to roll this out to clients across permitted ASEAN markets in the next 18 months.

Laroia comments: "It is the natural evolution of the markets where offerings traditionally limited to institutional investors are opened up to retail investors, we have seen a similar democratisation in trading and trading products."

> "Korea, Taiwan, Thailand, and Malaysia are on the rise, and with markets such as Indonesia and the Philippines looking to make regulatory changes, it should lead to more interest from offshore participants."

Depending on the investment profiles of the retail base per country, Laroia sees good potential in Malaysia to get a full inventory of the entire (approximately) 450 shortable stocks Maybank Securities would not see from its institutional clients.

"This supports the offering further by bringing complimentary liquidity and names into the lending market, often different from what's available via the institutional lenders," Laroia explains. "The process of building the full list of inventory across the region will give surety to potential users that there is enough liquidity across the lendable instruments and markets."

Global investors

Furthering the conversation, McCardle discusses how structural changes to Asia markets can help to drive transparency and liquidity for global investors, and encourage more offshore participation. He pinpoints market's ranking within indices, such as MSCI, as a key variable to how offshore participation can create change in a region.

He provides Korea as an example, noting it has been pushing for a change, but that the lack of securities borrowing and lending must be seen as a contributing factor for the lack of actual market change in the past few years.

"Why does this bring a significant change for offshore? Simply, many large global beneficial owners track such indices, and so, more favourable status or an inclusion in such indices mean these funds are more likely to purchase those stocks," says McCardle.

For more offshore participation, he believes it is important to realise that participants are focused more on emerging and developing markets, rather than developed markets.

"Japan, Australia, Hong Kong, and Singapore are developed and enjoy significant participation. Korea, Taiwan, Thailand, and Malaysia are on the rise, and with markets such as Indonesia and the Philippines looking to make some regulatory changes in the coming years, it should lead to more interest from offshore participants." McCardle adds: "What remains to be seen is the pace of change and market structures to drive this."

Political landscape

Through this indepth discussion, it is imperative to take into account the political landscape, which has seen a number of impactful changes in the last 12 months.

From a Southeast Asia perspective, Laroia believes much of the dynamics of the region will depend on events in the US, and how this will affect tariffs, exchange rates, as well as import and exports. "Meanwhile, local initiatives like the Johor-Singapore Special Economic Zone (JS-SEZ) have generated lots of interest to attract more investments globally into the region, so it should be an interesting year as it unfolds," he adds.

JS-SEZ was formed via a signed agreement on 7 January 2025 between the governments of Malaysia and Singapore to strengthen business ties and increase connectivity between the two countries. It will offer special tax arrangements, passport-free clearance, training incentives, and joint events promotions to improve cross-border business for Malaysians and Singaporeans.

Laroia continues: "As ever, we continue to advocate for positive change where we can, and build up the full spectrum of products to provide better investment and return options for our clients"

The political landscape in Northeast Asia, particularly in South Korea, is currently characterised by fluctuations that are likely to impact market participants significantly. Recently, President Yoon Suk Yeol's brief declaration of martial law triggered political turmoil and raised concerns regarding market stability.

Chessum comments: "Despite the rapid reversal of this declaration, the ongoing political uncertainty has pressured the KOSPI index and diminished investor confidence. However, this environment has not dissuaded the Financial Services Commission (FSC) from moving forward with plans to recommence short selling activity, backed by a new and improved monitoring system."

Overall, while the political climate presents certain risks, Chessum believes it also opens avenues for strategic investment and engagement in the securities lending market across Northeast Asia.

Through Chessum's rundown of the current landscape in Northeast Asia, he pinpoints that the changing political landscape in the US, coupled with ongoing discussions surrounding trade tariffs, is "likely to generate a wealth of opportunity for securities lenders".

He says this environment will allow investors to identify potential winners and losers based on policy shifts, while ongoing geopolitical tensions will further provide avenues for investors to strategically position their portfolios in response to evolving economic conditions.

Chessum concludes: "Market participants are navigating a landscape marked by a stringent regulatory environment and a pronounced focus on the cost benefit of short selling and strong levels of investor protection. These factors contribute to increased operational complexities that stakeholders must adeptly manage. Despite these challenges, the opportunities available across the region continue to be compelling."

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Brian Ruane
Senior executive vice president, head of Global Clearing, Credit Services and Corporate Trust
BNY

Growth and innovation in global clearing

Brian Ruane, senior executive vice president, head of Global Clearing, Credit Services and Corporate Trust of BNY, sits down with Justin Lawson to discuss BNY's Global Clearing business

What is global clearing?

BNY's Global Clearing service provides market participants with access to securities clearing and settlement services that allow them to transact and settle trades in the global equity and fixed income markets. Recently, we aligned our outsourced clearing and self-clearing solutions to one global clearing platform as part of our effort to be more for our clients and run our businesses better. This alignment positions us to deliver a more innovative, integrated, and robust clearing offering. With teams based across the globe, our platform ensures 24-hour coverage. BNY clears and settles in excess of US$15 trillion of securities transactions daily, and provides access to more than 100 markets across the globe. BNY's Global Clearing offering is uniquely positioned in the financial markets due to the scale and breadth of the services we offer, including connectivity with our execution, securities finance, treasury services and collateral management solutions.

What clearing services does BNY offer its clients?

For self-clearing financial institutions, we provide settlement, financing, liquidity, and treasury services globally. Where clients require additional support, we offer an outsourced clearing service model. This service includes general clearing memberships, business process outsourcing, and settlement in 10 direct markets and global support in more than 100 other markets. BNY provides all aspects of trade processing as a single global provider. This includes providing middle office support, margin financing, short covering, and support of a client's books and records.

In 2025, BNY will introduce a new flexible financing solution that will allow clients to operate on a continuum between self-clearing and outsourced clearing across asset classes. This solution will provide a choice for clients who may need a combination of both outsourced and self-clearing models by retaining self-financing capabilities while outsourcing clearing and settlement. By decoupling these functions, clients can focus on managing market, credit, and liquidity risks directly, while outsourcing operations and settlement to a specialised provider.

Moreover, by outsourcing clearing and settlement, clients can leverage economies of scale and convert fixed costs into variable costs that align with their transaction volumes, which can lead to a significant reduction in fixed operations cost. This separation of responsibilities can bring a more focused and effective risk management strategy, as clients can allocate resources to the areas that have the greatest impact on their financial stability and performance. This flexible financing solution will mark a new chapter in BNY's Global Clearing offering and further reinforces the important role that we play in the global financial system.

Who are your clients?

At BNY, the financial institutions we serve use a number of our Global Clearing and settlement services. Global Clearing clients include full-service banks, institutional broker-dealers, and US regional banks. Self-clearing banks, broker-dealers and hedge funds come to us because they require large scale settlement efficiency and APIs to increase automation. Additionally, we service US regional banks and broker-dealers that primarily outsource their clearing to us and need a flexible self-financing solution to fund their growing balance sheet or to optimise financing costs. Global Clearing services well capitalised retail broker platforms that require the global scale that BNY provides across custody, settlement, payments, FX, and securities lending.

What are some of the trends you see in the market?

The demand for global clearing services is generally increasing. This is in part driven by the move to T+1 and by the US Securities and Exchange Commission (SEC) US Treasury central clearing mandate. The move to reduce the time between trade execution and settlement is a continuing theme. We saw this in 2024 with

"The SEC US Treasury central clearing mandate is set to change the US Treasury market, with market participants preparing to reorganise their trading, operations, and technology."

the change to T+1 in the US and Canada, and we expect that European and UK markets will follow suit in 2027.

The topic of artificial intelligence and how it can be used to improve market settlement is also on clients' minds. For instance, AI is employed in indicative trade analytics to identify when a trade may fail early in the process, by analysing historical data, trading flows, and spotting irregularities, thereby improving market resiliency, and creating settlement efficiencies. The SEC US Treasury central clearing mandate is set to change the US Treasury market, with market participants preparing to reorganise their trading, operations, and technology. The mandate requires covered clearing agencies in the US Treasury market to implement policies and procedures that necessitate their members to submit eligible secondary market transactions for clearing.

The rule outlines a phased implementation for central clearing, with a deadline of 31 December 2025 for cash market trades, and 30 June 2026 for repo market transactions. The rule will create significant demand for access to clearing services, as it expands the scope of central clearing to encompass the interdealer cash market segment and the non-centrally cleared bilateral and triparty repo market segments. It will require market participants to determine in-scope activity as well as an access model and provider. For us, this creates opportunities to help clients centrally clear their trades using our sponsored services or agent clearing service model.

What are your future growth plans?

As the market develops, the technology and infrastructure required to trade, clear, and finance securities globally will become more important than ever. We continue to invest in the safety and reliability of our platform because resiliency is always a priority for our clients. In the short term we intend to expand the number of markets in which we clear and settle for existing global clearing clients and add new clients with our integrated self-clearing and outsourced clearing offering with a focus on settling fixed income, equities, listed options, and ETFs. 2025 will mark an important new chapter in the market's evolution with BNY's new Flexible Financing solution, combining the operational efficiencies of outsourcing with the financial control of self-financing. We are excited to add more services, more markets, and continue to partner with our clients.

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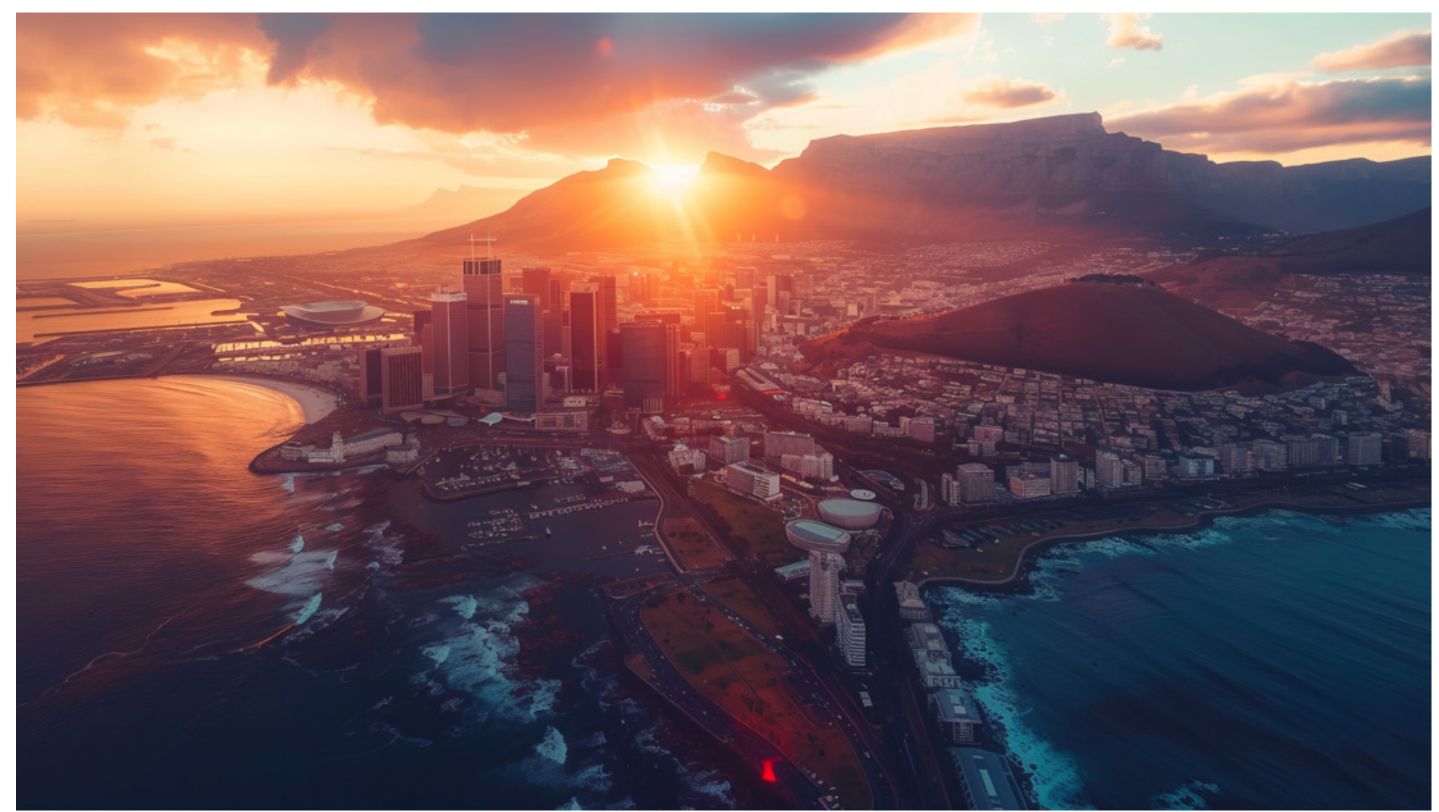

Remaining attractive for institutional clients and offshore markets

South African Securities Lending Association members review the market and discuss the complexity of the region's collateral management landscape, as well as the potential introduction of reporting requirements for securities financing transactions

What have been the key drivers of demand for South Africa's securities lending market over the past 12 months? How does this correlate with the rest of the continent?

Lloyd Keys: Over the past year, global economic pressures, such as fluctuating interest rates, inflation, and geopolitical tensions, and South Africa's improved macroeconomic stability have driven demand for institutions seeking to manage liquidity and the resultant short selling and hedging strategies that come with this. It has been encouraging to witness the noticeable boost in securities lending activity.

Furthermore, domestic pension funds, insurers, collective investment schemes and other asset managers have been leveraging securities lending to enhance portfolio returns, mirroring global trends, which has contributed to increased liquidity and supported the increase in lending activity.

Although the stats have shown a decrease in net sales by non-residents, discussions with offshore counterparties have been extremely positive around South Africa and we remain optimistic that this generally positive sentiment will translate to increased international investor exposure to South Africa's equities and bonds.

Similar trends have been observed across Africa, particularly in markets like Nigeria and Kenya, but South Africa's more developed

financial infrastructure and regulatory environment give us an edge in attracting institutional players.

Can you explore the barriers to market facing international participants looking to enter South Africa? What steps should regulators be taking to ease this process?

Keys: South Africa's exchange control regulations, tax requirements, and stringent compliance requirements can create hurdles for international players. Differences in settlement cycles, technological infrastructure, and collateral standards may also be a deterrence.

Although we are an attractive emerging market and South Africa remains one of the most developed financial markets in Africa, when we compare ourselves to global markets in North America, Europe, and Asia, the depth and liquidity of South African securities are often dwarfed in size.

Regulators can definitely look at harmonising with international standards and aligning local regulations with global practices to ease compliance which could support a more simplified onboarding process.

The simplification of exchange control regulations and streamlining cross-border tax compliance will make the foreign exchange processes more straightforward for international investors.

Michael Wright: South Africa has one of the most developed securities lending markets in Africa, but it is small from a global perspective. While some local regulations have been a barrier, the main issue is collateral. The industry is working with regulators on how we can become more competitive. The data indicates that just under 50 per cent of the market is traded offshore.

SASLA's Collateral Forum was set up to discuss issues facing the South African financial markets. Can you expand on the current problems facing the use of collateral in the region?

Keys: Many participants continue to rely on bilateral agreements, which can be inefficient and the access to high-quality liquid asset (HQLA) — which seem to be more of an inflexible collateral eligibility criteria in a triparty-based system — is often limited due to regulatory capital requirements.

Triparty arrangements, as seen in North American and European markets, could definitely improve efficiency in certain areas and reduce operational risks, but the wholesale adoption in South Africa is still quite far away and will require significant infrastructural upgrades and regulatory alignment.

Wright: The forum was created to allow for greater participation of the South African financial markets in the collateral discussion. The need for optimisation and mobilisation is driven by the continued growth in the demand for collateral in the South African financial markets, mostly because of strengthened regulatory requirements.

Farzana Khan: One of the problems that our market currently faces is the introduction of restrictions in respect of re-use when receiving securities on an outright transfer basis under a 'collateral arrangement' since 2023. This has added complexity to the South African collateral management landscape and limits collateral optimisation opportunities to some extent. We had hoped that this change would encourage greater market adoption of triparty services in South Africa, given the innate ability of the triparty platform to strictly adhere to the re-use restrictions while providing automation, efficiency and risk mitigation benefits. However, this has not been the case.

Another problem is the implementation of Phase 4 of the Uncleared Margin Rules (UMR) in South Africa, with multiple parties expected to come into scope in September 2025. As demonstrated with great success in the developed markets, triparty agents play a key role in managing the exchange of regulatory initial margin (IM) and we expect South Africa to follow suit in this regard, but there is still lots to be done from a readiness perspective, including the clarification of the legal framework required to support this in SA.

There are also other exciting initiatives on the horizon that will ultimately drive the transition to triparty collateral management (TCM) in the near future. These include a TCM proof-of-concept with the South African Reserve Bank (SARB) in Q3 2025, that will enable seamless access to any surplus inventory that banks may hold and offer true collateral mobilisation and optimisation opportunities in the face of growing collateral demand like IM.

We are also looking forward to the implementation of triparty repos from Q2 2025 in collaboration with the JSE, that will empower market participants to raise liquidity using general collateral baskets while

benefitting from the automated post-trade collateral management related to this.

How do you anticipate the advancement of the COFI Bill will impact the South African market? What other regulatory initiatives are grabbing your attention?

Keys: The Conduct of Financial Institutions (COFI) Bill has garnered both praise and criticism as it focuses on the ethical conduct and transparency of financial institutions with improved consumer protection at the heart of the bill.

This being said, the heightened compliance requirements of the COFI Bill will significantly increase operational costs for financial institutions, particularly smaller firms. These stricter regulations coupled with increased costs, may result in these costs being passed on to customers, which creates its own ethical dilemma.

The one-size-fits-all approach needs to be carefully assessed, and I believe that the unique characteristics and needs of different and niche financial service providers need to be considered.

Notwithstanding this, the COFI Bill's long-term goals, such as increased trust in the financial system, improved consumer protection, and alignment with international standards (like MiFID II), should not be ignored.

Wright: South Africa currently has no reporting requirements for securities financing transactions (SFTs), but in March last year, the Financial Sector Conduct Authority (FSCA) released a general communication on the legal entity identifier (LEI) which included a paragraph about the possible regulations for SFT markets, which would include the reporting of SFT transactions. This paragraph read:

"Securities Finance Transactions (SFT): As part of the policies identified by the FSB to increase transparency across SFTs, the FSCA is in the process of formulating a Conduct Standard for the SFT market in South Africa. The proposed Conduct Standard will include a number of new rules for market participants, including a requirement for counterparties to SFTs to report the details of any SFTs they have concluded, as well as any modification or termination thereof, to the FSCA. It is envisaged that in the reporting of SFT transactions, the Conduct Standard will require the use of an LEI."

Strate, South Africa's central securities depository (CSD), was granted a licence in late 2024 to operate as the country's first trade repository by the FSCA.

As the UK and Europe journey to achieve a shorter settlement cycle. Where does South Africa stand in respect to T+1? Is the region likely to follow suit?

Keys: South Africa's move from T+5 to T+3 took many years. Moving to T+1 would require further upgrades to clearing and settlement systems and would be impacted by a number of challenges. Changing settlement cycles carries high costs of infrastructure modernisation for all market participants.

While T+1 is desirable to align with global markets, progress will likely be gradual at best and there is limited readiness among market participants for shorter cycles at this time, and it would also be contingent on market consensus and would require significant resource allocation from all market participants.

Wright: The move to T+1 settlement has the headline aims of reducing counterparty risk exposure and unlocking tied-up liquidity in the settlement process. Improving settlement efficiency should be a priority and a mandatory condition prior to any reduction of the settlement cycle.

To allow for a compression of the settlement cycle, all of the steps between the execution of trades and the settlement should be enhanced and automated where possible.

Looking ahead, what are SASLA's core objectives for 2025?

Keys: As we are members of the association, I would like our focus to be on expanding collaboration with regulators, international investors, and local participants to address systemic issues. We will continue engaging in meaningful dialogue with our regulators and improve policy development to ensure South Africa's securities lending market remains competitive globally. In addition, we will continue hosting forums and educational initiatives to demystify securities lending for beneficial owners.

Wright: Securities lending is facing increased regulatory scrutiny and SASLA will need to engage with regulators to ensure the South African market remains attractive for both institutional clients and the offshore markets.

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Key takeaways from GFF Summit 2025

From geopolitical risks to mandatory clearing, Daniel Tison reports on some of the main themes at this year’s conference

With the title ‘Navigating Uncertainty: Geopolitics and Market Dynamics’, this year’s Global Funding and Financing (GFF) Summit aimed to explore the evolving financial landscape amid rising political polarisation and regulatory overhaul.

Hosted in the European Convention Center in Luxembourg, the Deutsche Börse Group’s event brought together industry experts from securities lending, collateral management, and repo to discuss the key themes of 2025.

A lot of work ahead

Central clearing in Europe has been a slow process and there is still a lot of work that needs to be done, according to the ‘Repo dynamics: Adapting to volatile markets’ panel, which brought together representatives from four financial institutions.

While some speakers believe that the clearing mandate will increase balance sheet capacity and support additional liquidity, others

highlight the fragmented nature of the European market and the challenges in implementation.

In the US, the Fixed Income Clearing Corporation (FICC), a subsidiary of the Depository Trust and Clearing Corporation (DTCC), operates the Sponsored Repo clearing model, which allows non-bank institutions, such as hedge funds and pension funds, to access centrally-cleared repo transactions, reducing capital requirements.

The lack of a sophisticated money market fund industry in Europe, compared to the US, was cited as a potential obstacle to the smooth integration of new clearing participants.

One panellist noted that the current proposed timeline is unrealistic and that the industry calls for a one-year delay to ensure a more feasible implementation.

The situation in the UK is similar to Europe when it comes to central clearing, the panel heard, with much fragmentation being a major challenge.

The audience had the chance to participate in the discussion by voting in polls, which showed that 69.2 per cent of those present do not expect to see mandatory clearing in Europe by the end of 2026.

Another key focus of the panel was the mounting supply of government bonds.

One panellist expressed concerns about the market's capacity to absorb the US$9 trillion in US Treasury refinancing due this year, alongside the inflationary policies and tariffs, noting the potential for a steep rise in the rates curve.

Panellists discussed the potential impact of quantitative tightening (QT) by central banks, expressing concerns about funding distress as central banks' balance sheets shrink.

One speaker cautioned that the tightening of monetary policy could lead to funding distress and market dysfunction, drawing parallels to the events of September 2019 — when a sudden liquidity shortage caused repo rates to spike, leading to market instability.

Another participant noted that the leverage community, including hedge funds and banks, has a limited role in absorbing primary market supply because, unlike pension funds and other long-term investors, their strategies often focus on short-term trading and arbitrage.

Rather than purchasing bonds directly as new issuances, leveraged investors prefer trading existing bonds in the secondary market, enabling them to exploit price differences, interest rate movements, and market inefficiencies. However, if demand for new bonds is weak, yields could rise sharply, affecting borrowing costs and market stability.

Regarding emerging markets, the panel highlighted the recent developments in China, with the new option for foreign investors to access Chinese sovereign bonds through Bond Connect. Under the new offshore repo arrangement, Northound Bond Connect participants can also use eligible onshore bonds as collateral to conduct renminbi repo business in Hong Kong.

"Repo desks are now engaging in a wider range of services, from providing leverage for futures and bond strategies to facilitating access to local currency and alternative asset classes."

The evolving role of repo desks was also a topic of discussion, with panellists noting the increasing sophistication of client-facing activities. Repo desks are now engaging in a wider range of services, from providing leverage for futures and bond strategies to facilitating access to local currency and alternative asset classes.

Amid these changes, the panel emphasised the need for new cash providers in the repo market. One speaker suggested that pension funds could lend their operational cash in the repo market, where banks and money market funds have been the main cash providers, to diversify the sources, increase liquidity, and prevent funding stress.

Diverse strategies to face obstacles

Geopolitics and collateral optimisation were at the centre of discussions at the ‘Securities lending: Voices from across the value chain’ panel, where representatives from both the buy and sell sides shared their insights.

The moderator opened the debate by outlining key challenges expected to shape the global securities finance landscape in 2025. These included concerns over inflation and sluggish growth, rising political polarisation and social unrest, as well as the fragmentation of global trade due to protectionism.

> “Extending the duration of financing agreements helps reduce exposure to sudden changes in market conditions, such as those triggered by geopolitical events or shifts in monetary policies.”

He added that market data shows both opportunities and risks arising from the recent political changes — for instance, supply chain disruptions and trade restrictions could create opportunities for securities lending but also expose institutions to increased counterparty risk.

The panel heard that the ongoing impact of geopolitical events on the securities lending market often presents itself through changes to both programme parameters and strategies, as well as online balances and lending values.

On that note, the panel emphasised the importance of diversifying portfolios across countries and asset types to mitigate geopolitical risks. By holding a range of asset classes — equity, fixed income, and alternative assets — investors can better manage the heightened volatility in specific regions.

The discussion also stressed the need to term out financing to avoid short-term vulnerabilities, drawing on lessons from the Russia-Ukraine scenario. Extending the duration of financing agreements helps reduce exposure to sudden changes in market conditions, such as those triggered by geopolitical events or shifts in monetary policies.

On the agency lending side, panellists explained how they are balancing increased risk with client demands for higher returns.

Collateral optimisation strategies emerged as a central focus, with some clients exploring more bespoke trade activities and providers offering full indemnity to protect clients against counterparty risk in case of default. The panellists agreed that managing the quality and liquidity of collateral helps reduce the cost of financing and mitigates counterparty risk.

Sell side participants pointed to a rise in collateral upgrade trades, where lower-quality collateral is exchanged for higher-quality assets to maintain liquidity and satisfy regulatory requirements.

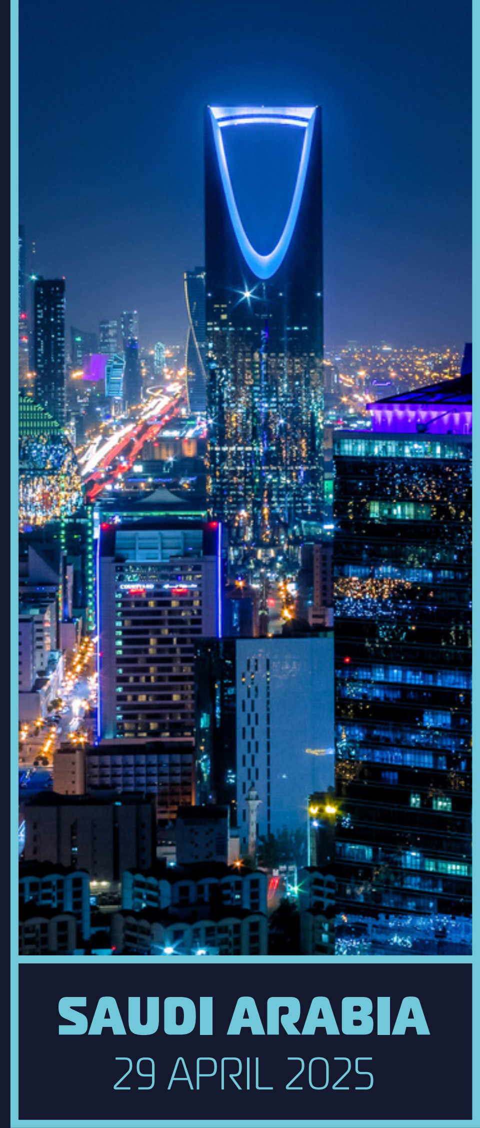
This relates to the growing participation of cash-rich clients, such as money market funds, in collateral optimisation, as these clients can provide higher-quality collateral.

The speakers also identified opportunities in cross-currency trades, where securities are lent in one currency while borrowing in another, as highly beneficial in a volatile market, as they provide additional flexibility and diversification for collateral management.

The discussion also touched on the effects of interest rate volatility and regulatory changes, with panellists sharing their strategies for managing these challenges.

Treasury functions are increasingly focused on anticipating structural shifts and diversifying funding sources. Furthermore, they are implementing more sophisticated hedging strategies, using instruments such as interest rate swaps and bond futures, to manage the financial risks posed by fluctuating rates, the panel heard.

Looking ahead, the panel agreed that adaptability will be crucial in navigating future uncertainties, whether it be the potential impact of US policies under the new administration or broader geopolitical shifts. Additionally, recent developments in emerging markets, such as Latin America, the Middle East, and Southeast Asia, might open up new securities lending avenues. ■



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A broad view on opportunities

Charles Rodgers, a securities lending trader at eSecLending, speaks with Daniel Tison about his role in building out a portfolio pricing model and the importance of friendships in the industry

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

One of Northeastern University's main appeals is its co-op programme where students work multiple six-month internships in place of a semester of classes. For my second co-op, I was hired by eSecLending as a supporting, back-end role for the trading desk, primarily providing reporting and data configuration for the desk. During my time as a co-op, I saw how interactive the traders were with the rest of the street and all the relationships they had built.

This attracted me to the securities lending industry, as I was looking for a career that involved lots of interaction and relationship building. After a successful co-op, I was asked to come back as a full-time junior trader. It was a no-brainer for me given my interests in finance and economics and the interpersonal nature of the job, but also the people on the desk.

Throughout my six months as a co-op, the team on the desk were highly supportive and collaborative, and made me feel like more than an intern. I knew this would be a great position to begin my career where I would have ample opportunities to learn in addition to being surrounded by a group of people who I knew would have my back.

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

Externally, building strong relationships across the street has been the most fulfilling aspect of the stock loan industry. I admit that it was at first a bit daunting being the new person at all the events. However, after interacting with people daily, I have created strong, lasting bonds with counterparts at different shops. Whether that be mentor figures or other junior traders, I always look forward to grabbing drinks and catching up both on a professional and personal level.

Internally at eSecLending, building out our portfolio pricing model has been very rewarding. Over the past two years, I have continuously added functionalities to our model to help visualise, automate, and more accurately estimate lending value on portfolios for prospective and current clients.

Within seconds, we are able to input portfolios with tens of thousands of positions and receive an estimated forward or backward-looking revenue projection. This is all done using coding combined with industry-level securities lending data. We are able to further tailor the model to specific client programmes with different input selections, whether that be collateral types accepted, reinvest spreads, or lending limits.

Prior to co-oping at eSecLending, this was a much more manual and involved process to produce evaluations based upon custom parameters. Seeing how far the estimate tool has grown has been extremely rewarding.

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

While eSecLending is a smaller company, I have had numerous opportunities to gain exposure to trading different asset classes and markets which has led to additional responsibilities. Everyone on the desk has always been open to sitting down and talking through their different trades, movements, or special situations.

The company has also allowed me to travel, which has been a huge benefit for growth and development. This year, I was lucky enough to travel to the Canadian Securities Lending Association (CASLA), New York for our US borrower event, and London for our UK borrower event. I am super thankful to eSecLending for these opportunities, as I have been able to learn so much about the industry from so many different people.

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

Initially, a huge misconception I encountered within the financial industry was how technical the behind-the-scenes trade settlement and account setup is. This forced me to constantly ask questions to understand what was occurring to be able to effectively coordinate any issues with our operations teams and counterparties.

Learning the different trade types and understanding where the money being made was coming from was another challenge at first. Especially within the Canadian market, there are several trade types we participate in. Again, asking questions on the why and how was crucial to gaining an understanding of these trades.

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

In the next five years, I see myself continuing to incrementally build up responsibilities with the end goal of being given a larger book to trade. This coupled with a greater role in facing clients on our end is something that is another aspiration. I hope to leverage the current and future relationships I have built to provide as much value as I can.

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

If I could offer one piece of advice to individuals pursuing a career in the financial industry, it would be to keep a broad view on opportunities. I was lucky enough to stumble upon eSecLending as a college student looking for a co-op. Prior to that, I had not heard much about securities lending. Three years later, I am trading my own book, travelling the world, and forming everlasting relationships with friends and mentors. There are so many careers out there that combine different interests and characteristics that are congruent to different people.

I think it is also massively important to surround yourself with people you trust, admire, and garner support from. Without the team on my desk at eSecLending, I can confidently say I would not be anywhere near where I am today. ■

Charles Rodgers

Charles Rodgers works as a securities lending trader at eSecLending in Boston. In this role, he is responsible for the coverage of the Canadian equities market, while also managing the back end of eSecLending's Auction product.

Prior to that, Rodgers was a trading desk assistant at BNY for six months.

Originally from Montgomery, New Jersey, Charles attended Northeastern University where he graduated with a bachelor's degree in finance and economics.

SocGen appoints Sanzone

Societe Generale has appointed Francesca Sanzone as a relationship manager within the firm's Prime Services department.

Based in New York, Sanzone will report to David Amar, head of hedge fund sales within Prime Services.

She joins the firm from a two-year tenure with Pirum where she was director of North American business development.

Here, she was responsible for leading the firm's expansion plans into North America across fixed income and repo automation.

Sanzone brings a host of experience in prime brokerage and fixed income clearing to her new role, including her 16-year tenure at Credit Suisse where she was most recently a director within the firm's prime services division.

Sanzone also held positions at Morgan Stanley, Citi and Salomon Brothers.

Dimmick joins Hazeltree

Hazeltree, a treasury and liquidity management technology firm, has appointed Chris Dimmick as head of collateral product.

Based in London, Dimmick will report to Paul Gallant, chief product officer.

He brings over 20 years of experience in financial services, including in securities lending.

Joining the company from talent solutions business, Robert Walters, as a payments project manager, Dimmick is recognised for his tenure at J.P. Morgan.

Dimmick left J.P. Morgan in July 2022 as equities middle office programme manager, after his third stint with the company. Here, he ran the treasury change programme team.

Prior to this, he was global collateral strategic project manager between 2010 and 2015 at J.P. Morgan.

Dimmick began his career with J.P. Morgan in 1999 as securities lending senior supervisor of corporate actions. He stayed with the firm for seven years, entering a number of securities lending roles before joining Deutsche Bank in 2007.

ASIC selects Gregson

The Australian Securities and Investments Commission (ASIC) has appointed Scott Gregson as CEO, effective from 17 March 2025.

In his new role, Gregson succeeds interim CEO Greg Yanco who is retiring.

He joins from the Australian Competition and Consumer Commission (ACCC), where he has spent nearly three decades.

For the past three years, he acted as CEO, leading the agency's digital and data transformation programme.

Gregson has spent much of his time at the ACCC in investigation and enforcement roles, developing experience and appreciation for the regulatory role.

He also led teams that litigated high-profile matters, including against Volkswagen, Coles, and Apple.

He commenced work at the agency as a graduate in 1996.

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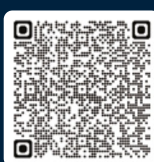

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PASLA adds Lai

The Pan Asia Securities Lending Association (PASLA) has added David Lai as a contractor.

Based in Hong Kong, Lai will be directly supporting PASLA working groups that are central to the association’s membership.

Having worked at buy side and sell side institutions, Lai brings a wealth of market knowledge to the role.

Since 2018, he has been an executive director at J.P. Morgan, recently serving as product manager of agency securities finance for APAC.

Prior to that, he was a director at Deutsche Bank for 12 years, covering global prime brokerage for hedge funds, inventory management, equity finance, securities lending, as well as regional regulatory framework alignment.

LCH names de Verdelon

London Stock Exchange Group (LSEG) has appointed Susi de Verdelon as CEO of LCH Limited.

Assuming the role in February, de Verdelon takes over the position from Isabelle Girolami, who is set to leave the company after holding the position since November 2019.

She joined LCH Limited in 2017 as global chief operating officer for rates. Since then, de Verdelon has advanced to group head of SwapClear, Listed Rates, where she has been responsible for maintaining strong relationships with global clients and setting new strategic directions for the firm.

Daniel Maguire, group head of LSEG Markets, and CEO of LCH Group, says: “I’m delighted that Susi will be assuming the role of CEO at LCH Limited. As group head of LCH SwapClear & Listed Rates, she has driven growth and expansion into new markets. I look forward to continuing to work with Susi as we expand our multi-asset class offering.”

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