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# The evolution of the US securities finance market

Darren Crowther, head of securities finance solutions at Broadridge, looks at the impacts of mandatory repo clearing, new market entrants, and technological investments

The US securities finance market stands at the cusp of significant transformation, driven by several converging trends and regulatory changes. As we approach 2026, the landscape is poised for a seismic shift, underpinned by the introduction of mandatory repurchase agreement clearing for US Treasuries (UST), the entry of new market players like CME Group and the Intercontinental Exchange (ICE), the rise of synthetic securities finance offerings from agent lenders, and the expansion of the Options Clearing Corporation (OCC) in securities borrowing and lending (SBL), alongside the National Securities Clearing Corporation's (NSCC) securities financing transactions (SFT) initiative.

These developments are set to reduce capital costs and balance sheet usage, ultimately benefiting the securities finance business. However, the true potential of these changes will only be realised when firms invest in technology that enables the scalable transaction of these products across the same business lines.

## **Mandatory repo clearing for US Treasuries in 2026: A game-changer**

The 2026 mandate for mandatory repo clearing for US Treasuries represents a pivotal moment in the securities finance market. Historically, the repo market has been a cornerstone of liquidity for financial institutions, enabling them to secure short-term funding by pledging securities as collateral. However, the bilateral nature of

these transactions has often led to inefficiencies, counterparty risks, and significant capital requirements due to the need for banks to hold reserves against potential defaults.

Mandatory clearing through central counterparties (CCPs) like the Fixed Income Clearing Corporation (FICC) will fundamentally alter the structure of the repo market. By interposing a CCP between the buyer and seller, counterparty risk is mitigated, and netting efficiencies are realised. This not only reduces the capital burden on financial institutions but also enhances market stability. The reduced counterparty risk allows for more favourable capital treatment under regulatory frameworks like the Basel III capital adequacy standards.

The introduction of mandatory clearing is also expected to increase transparency in the repo market. With a CCP at the centre of transactions, regulators and market participants gain better visibility into the aggregate risks and exposures within the system. This increased transparency can help prevent systemic risks and enhance the overall resilience of the financial markets.

## **The entry of CME and ICE: Expanding the clearing ecosystem**

In addition to the regulatory push for mandatory repo clearing, the entrance of new market participants like CME Group and the Intercontinental Exchange into the securities finance market marks

another significant development. Traditionally, the securities finance market has been dominated by a few large players, but the arrival of CME and ICE introduces new competition and innovation.

CME and ICE bring with them extensive experience in derivatives clearing, which could lead to the introduction of new products and services that further enhance market efficiency. Their entry into the market is likely to drive down costs for participants by fostering competition among clearing houses. Moreover, the expertise of these firms in technology and risk management could lead to the development of more sophisticated clearing solutions, such as cross-margining across different asset classes, which would further reduce capital requirements for market participants.

The presence of multiple clearing houses also offers participants greater flexibility in choosing the most cost-effective and efficient clearing solutions. This could lead to a more dynamic and competitive market environment, where participants can optimise their clearing strategies based on their specific needs and risk profiles.

### **The rise of synthetic securities finance offerings**

Another trend reshaping the securities finance market is the rise of synthetic securities finance offerings by agent lenders. Traditional securities lending involves the temporary transfer of securities from a lender to a borrower, with the borrower providing collateral in return. However, the rise of synthetic finance — where exposure is achieved through derivatives like total return swaps (TRS) or contracts for difference (CFDs) rather than the physical transfer of securities — is changing the game.

Synthetic securities finance offers several advantages over traditional lending. For one, it reduces the need for physical settlement, which can be costly and operationally complex. Additionally, synthetic finance can be more capital efficient, as it allows for greater leverage and does not require the same level of collateralisation as traditional lending. This is particularly attractive in a regulatory environment where capital efficiency is paramount.

Agent lenders are increasingly offering synthetic products as part of their broader securities finance services. These offerings allow institutional investors to achieve the same economic exposure as traditional lending but with greater flexibility and potentially

lower costs. As demand for synthetic products grows, it is likely to become an increasingly important component of the securities finance market.

### **The growth of OCC in securities lending and the introduction of NSCC's SFT**

OCC has long been a key player in the US securities finance market, particularly in options and futures clearing. However, in recent years, OCC has expanded its role in SBL, offering market participants new avenues for liquidity and risk management. This expansion is aligned with the broader trend of clearing houses playing a more central role in securities finance, as they offer the credit and liquidity benefits that are increasingly necessary in a post-crisis regulatory environment.

Simultaneously, the NSCC has introduced its Securities Financing Transactions (SFT) service, which allows for the central clearing of SFTs. The NSCC's SFT initiative is designed to reduce systemic risk and improve efficiency in the securities finance market by centralising the clearing and settlement of these transactions. This reduces the reliance on bilateral agreements, which are more opaque and carry higher counterparty risk.

The growth of OCC in SBL and the introduction of NSCC's SFT service are likely to contribute to a more integrated and efficient securities finance market. By centralising these activities through established clearing houses, market participants can benefit from reduced capital requirements, enhanced liquidity, and lower operational risks. This is particularly important in a market where the cost of capital is a critical concern for many participants.

### **Broadridge's role in shaping the market**

As these sweeping changes take hold, technology providers like Broadridge Financial Solutions are playing a crucial role in enabling market participants to navigate and capitalise on the evolving landscape. Broadridge has been at the forefront of developing solutions that address the complexities and regulatory requirements of the modern securities finance market.

Broadridge's suite of securities finance and collateral management solutions offers end-to-end support for the entire transaction

lifecycle, from trade capture and collateral optimisation to settlement and reporting. These tools are designed to help firms meet the stringent requirements of new regulations, such as the mandatory clearing of UST repos, while also enhancing operational efficiency and reducing costs.

One of Broadridge's key contributions is its advanced repo clearing platform, which integrates seamlessly with multiple CCPs, including FICC. This platform enables firms to automate and streamline their repo transactions, reducing the manual processes that often lead to errors and inefficiencies. By providing real-time visibility into repo positions and collateral movements, Broadridge helps firms optimise their capital usage and ensure compliance with regulatory mandates.

In addition to its clearing solutions, Broadridge is also pioneering in the area of synthetic finance. The company's technology facilitates the efficient management of synthetic securities lending and total return swaps, allowing firms to expand their product offerings without significantly increasing their operational burden. Broadridge's solutions are designed to be scalable, enabling firms to grow their synthetic finance businesses in line with market demand.

Furthermore, Broadridge is investing heavily in data and analytics capabilities, recognising that the future of securities finance will be driven by data-driven decision-making. Its platforms provide firms with the tools they need to analyse market trends, assess counterparty risk, and make informed trading decisions. This is particularly important as the market becomes more complex and fragmented, with multiple clearing houses and a growing array of synthetic products.

By offering a comprehensive and integrated suite of solutions, Broadridge is helping to shape the future of the securities finance market. Its technology not only addresses current regulatory and market challenges but also positions firms to take advantage of new opportunities as they arise.

### **Reducing capital costs and balance sheet usage: A common thread**

A unifying theme across these developments is the potential for significant reductions in capital costs and balance sheet usage.

The adoption of central clearing, the rise of synthetic finance, and the expansion of clearing house services all contribute to a more capital-efficient market structure.

Central clearing reduces the capital that banks and other financial institutions need to hold against their exposures, as counterparty risk is transferred to the CCP. This is particularly beneficial in a regulatory environment where capital costs are rising due to stricter capital adequacy requirements. Similarly, synthetic finance allows market participants to achieve desired exposures without the need for physical settlement, further reducing the burden on balance sheets.

The reduced need for capital and balance sheet resources frees up capacity for financial institutions to engage in additional activities, thereby enhancing profitability. Moreover, the increased efficiency and reduced risk associated with these changes are likely to attract more participants to the securities finance market, further boosting liquidity and market depth.

### **The critical role of technology in unlocking full benefits**

While the structural changes in the securities finance market are promising, the true benefits will only be realised if firms invest in the technology necessary to transact these products at scale and across business lines. The complexity of modern securities finance requires sophisticated technology platforms that can handle large volumes of transactions, manage risk in real-time, and ensure compliance with evolving regulatory requirements.

Investments in technology will be crucial for firms looking to take full advantage of the new opportunities in the securities finance market. This includes developing or acquiring systems that can seamlessly integrate with CCPs, manage synthetic finance products, and optimise capital usage across different business lines. Firms that fail to make these investments risk being left behind as the market becomes more automated and data-driven.

Moreover, technology will play a key role in ensuring that firms can scale their operations to meet the growing demand for securities finance services. This includes not only the ability to handle increased transaction volumes but also the ability to offer more sophisticated products. ■