GLMX

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# Entering the next wave for securities finance

with Bob Zekraus and James Day

At the centre of a growing and changing market, GLMX's Bob Zekraus and James Day discuss the past, present, and future of execution technology, where the opportunities lie, and how the market is supporting growth.

**Securities borrowing and lending seems to be in the news more these days. Can you share some insights on what you are seeing?**

**James Day:** Securities lending is on the move. Lendable assets are up 24 per cent year-on-year (YoY) and on-loan balances are up 34 per cent YoY (S&P Global Markets Intelligence Snapshot Aug-26). In addition to the overall growth of the securities borrowing and lending (SBL) market, we are in the middle of a big technology evolution. We like to refer to it as the 'second wave of innovation', critical to supporting financing businesses that are growing into larger and more strategic pillars of the market than ever before.

Take the prime brokerage perspective: prime broker revenue in H1 2026 was US$22.5 billion, with 51 per cent YoY growth, supporting a hedge fund industry that has grown larger and more complex than ever before. For perspective, 25 years ago hedge funds managed assets of approximately US$600 billion, whereas today the hedge fund industry manages roughly US$5.6 trillion. That client base engages in a variety of strategies, across geographies and asset classes, ranging from directional to event-driven to quantitative in nature, all of which are serviced by prime brokers.

**How do prime brokers support these strategies?**

**Bob Zekraus:** As James mentioned, one fundamental component is securities lending, colloquially referred to as stock loan. Securities lending typically resides within a firm's prime broker business and represents a crucial trading element for supporting a functioning market.

It is fundamental to the trading activities of hedge funds, alternative asset managers, banks, and broker-dealers, and a growing retail segment. A prime broker financing the short position for a hedge fund borrows the security from an asset owner directly or through an agent. Short selling is only half the story. Securities lending also plays a vital role in funding and optimising collateral, obtaining secured funding, and hedging exposures.

This business has undergone fundamental change and has seen tremendous growth over the past 30 years — from a back office cost centre function into a profit centre within a bank's markets division, with over US$4 trillion on-loan balances today. As hedge funds became more relevant to a firm's prime brokerage business, so too did securities lending. There is no coincidence that the technology needed to support this business is more critical than ever.

**How have asset owners engaged with so much growth and change?**

**Day:** Pivoting from the prime broker to the perspective of the asset owner, securities lending is a mechanism to generate additional revenue, boost investment returns, raise liquidity, and secure funding by using the assets as collateral.

The growth in this market has provided an enormous opportunity for agent lenders, direct lenders, and custodians to mobilise collateral and deliver returns for beneficial owners. That said, the entire market is more competitive than ever. Agent lenders and their beneficial owner clients are working more closely to maximise revenue generation. Major providers of liquidity in the securities lending market are differentiating the ways they transact and are seeking more efficient ways to increase utilisation and reduce and diversify risk.

At GLMX, we have long seen liquidity providers seeking the efficiency of electronic trading to increase utilisation of their low margin, high-volume general collateral (GC) flows. Increasingly, those liquidity providers now seek precision in the management of their specials, collateral transformation, and lifecycle events.

**You mentioned being in the second wave of innovation. Can you shed light on the first wave?**

**Zekraus:** It is an interesting story. For many years prior to the first wave of innovation, the SBL market was voice-driven and manually processed. This included negotiating and executing over the phone, telex, fax, email, and spreadsheets. Efficient integration and straight-through processing (STP) were almost non-existent.

In the early 2000s, the first wave of electronic securities lending was developed to support GC trading. Connectivity, and the routing of securities borrow requirements (i.e. orders) to lenders, was a game changer. Automated borrowing was born and it aided in converting a time consuming function into a low touch process. This was an important step for the adoption of electronic trading in which borrowers set up a 'batting order' of lenders, sending their GC orders and waiting for them to cycle through.

In today's demanding market, that somewhat blunt approach suffers from limited intelligence, lack of nuance, and what is by today's standards an extended time to complete the process. The market has evolved and so has the technology needed to support it.

At GLMX, we observed the first wave and the impact that technology can bring to bear on the markets we engage with. We are excited and encouraged to see how our solutions are being adopted and are supporting our clients — SBL traders have more tools than ever, and we believe we are only mid-way through the full innovation cycle.

**Speaking of excitement and innovation, where are we now? And, what should the industry be excited about?**

**Day:** To our eye, the second wave began post-global financial crisis regulations, as new capital rules and shortened settlement cycles created demanding new mandates to manage collateral, improve liquidity, and manage counterparty risk. These new demands have outstripped the technology supporting the market. Until now.

At GLMX, the prevailing state of the market was table stakes when we built our SBL product over five years ago. But even then, traders who grew up with basic electronic trading were increasingly looking to trade efficiently and electronically across the entire flow, not just GC, and to manage the entirety of trade lifecycle events on a venue.

Today, electronic execution is paramount for managing and agreeing trades and collateral, and avoiding errors and failing trades. Best execution is widely understood and used to assess execution options. Additionally, collateral transformation has become a key trade structure that introduces the additional complexity of managing lifecycle events and substitutions.

**Zekraus:** I will take it a step further. We have seen market participants gravitate to a few important capabilities and requirements in this second wave. Lenders are focused on managing availability with new cuts throughout the day, with portfolios and pooled availability which present an organised picture to borrowers. Both sides of the market are using new negotiation tools to deliver on the need for best execution and provide traders with alpha generations tools.

To support this, we have developed matrix-style functionality for traders to send and evaluate targeted availability or borrow requests to a mix of their counterparts, in competition, in real time. This allows traders to see, negotiate and execute cleanly, seamlessly matching liquidity to needs, making for clear best execution.

A final observation, which is an important one, is to understand what is going on behind the scenes. We appreciate that under the broad heading of 'electronic', clients still access the market in a number of different ways. Participants may choose to transact via a user interface (UI), adopt a hybrid approach of UI plus STP, or integrate pre-trade, negotiation, and post-trade completely using one or more connectivity options.

GLMX lets the client decide on their optimal path. As securities lending continues to grow, improving both connectivity and resiliency remain top of mind priorities for our clients.

**Is this entirely an equity story?**

**Zekraus:** Equity SBL, and in particular US underlying, still represents the vast majority of the market by volume of transactions. But demands are growing every year and it is not just about equities. Credit as an asset class has grown tremendously. There are many similarities between how equities and corporate bonds behave from an SBL perspective, though the asset classes each have their own quirks.

Critically, from a trading perspective, those classes are converging. The division between the equity financing business silo and the equivalent fixed income financing desk silo continues to erode. We see much more alignment and collaboration between these two groups to better manage firm liquidity, collateral, and overall client financing flows. Some firms have gone further by creating a single funding unit for all asset

classes. Irrespective of an individual firm's structure, it is abundantly clear that the adoption of technology solutions which serve multiple asset classes and trade structures is key.

**You have spoken and written about convergence before. How does that fit into the story?**

**Day:** Following on Bob's points, wave three is about convergence across securities finance, allowing traders to optimise collateral management and access the best fitting trades for their needs. The next five years are not going to look like the last five years. Traders now have and use more execution options than ever.

With specific intent, GLMX has built its technology for wave three of SBL. We have been developing for the reality that securities finance traders increasingly look at bids, offers, availability, and demand across a variety of financing trades or trade wrappers.

The exciting part is that wave three is unfolding before our eyes — today. With it, our clients are gaining meaningful operational advantages by capitalising on the convergence of securities finance.

**Can you put this in the context of a trading situation?**

**Zekraus:** Here is a scenario that often comes up. With access to multiple execution options, prime brokers of course look to source supply in the most efficient way. This could be through SBL, repo, or a total return swap.

On the supply side, an asset owner or long holder that is flexible in their routes to market also may use any of these trade types to maximise revenue and utilisation. It is currently inefficient, to say the least, for traders to swivel between platforms, chats, emails, and calls to figure out the best combination of trades to optimise their objectives. These traders want one platform where they can see the varied borrowing and lending options with clarity, allowing them to execute efficiently.

**How do broader advances in technology present opportunities and risks for the market?**

**Day:** Trading is growing ever more digitally-enabled. New tools to analyse and utilise market data are adding increasing value with every new technology cycle. The firms that will thrive in a more digital future are those that are ready to engage with both enhanced data and new tools.

Machine learning and artificial intelligence are highly likely to make trading models and trading desks more competitive and efficient. At the same time, successful trading desks will continue to use their valuable relationships and market position to execute on new opportunities. In that world, the market will need performant, dynamic venues that allow clients to capitalise on market convergence.

We at GLMX are excited to support our clients' success by continuing to provide them the ability and confidence to scale.

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