



Why securities lending now belongs in the CSD conversation

Wassim Bouaziz, senior business lead, capital markets, Vermeg, discusses the importance of technology to support the integration of securities borrowing and lending into market infrastructure

Capital markets are being reshaped by faster settlement cycles, higher regulatory expectations, tighter collateral management, and a more exacting definition of what makes a market genuinely investable. In that setting, securities borrowing and lending (SBL) should no longer be treated as a specialist side activity sitting at the edge of post-trade. It now belongs much closer to the centre of market structure, and central securities depositories (CSDs) increasingly sit at the heart of that discussion.

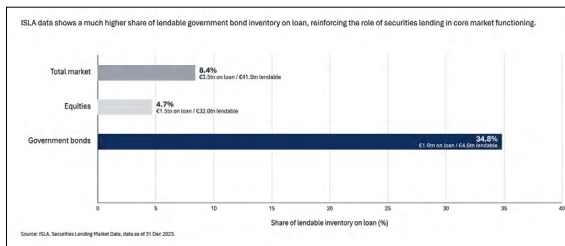
The reason is straightforward. SBL is one of the mechanisms that allows markets to keep moving when securities are not where they need to be, at the moment they need to be delivered. It supports settlement discipline, preserves trading continuity, and gives participants lawful, controlled access to inventory. Those are not secondary conveniences. In shorter settlement environments, they are part of the conditions for orderly market functioning.

That is also why the role of the CSD matters more than it once did. A market can only derive the full benefit of an SBL framework if the surrounding post-trade model is capable of supporting it with clarity and control. Safekeeping, settlement finality, asset servicing, position integrity, and collateral processing all shape the conditions in which borrowing and lending can operate efficiently. SBL may be negotiated between market participants, but its reliability depends heavily on the quality of the underlying depository and post-trade environment.

Seen in that light, SBL is not merely an optional service for sophisticated firms. It is part of the practical architecture of an investable market. International investors do not assess access on execution alone. They also look at whether securities can be borrowed when needed, whether failed deliveries can be mitigated in a disciplined way and whether the market's post-trade framework supports normal institutional activity without excessive friction. Where those conditions are weak, liquidity is often shallower than headline volumes suggest.

This is also visible in market data: the intensity with which government bond inventory is mobilised is materially higher than in equities.

Government bond inventory is used far more intensively than equities



Source: International Securities Lending Association (ISLA), Securities Lending Market Data, data as of 31 December 2025.

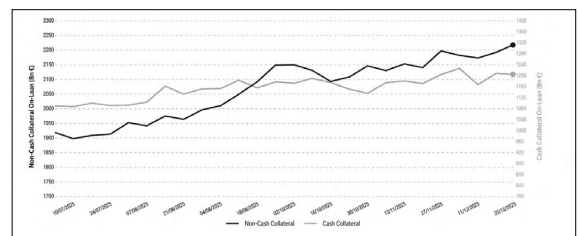
That pattern helps explain why securities lending should be viewed as part of core post-trade market infrastructure

rather than as a peripheral service.

Collateral practice is evolving alongside this shift. Traditional fixed income collateral remains central, but market practice is broadening in some cases to include assets such as equities, provided the legal structure, valuation discipline, and haircut methodology are robust. The driver is not novelty for its own sake. It is collateral efficiency: using available assets more intelligently while preserving sound risk management. Digital and tokenised assets are beginning to move from concept to controlled application. Recent initiatives in the US and Europe show that market infrastructures are starting to incorporate tokenised collateral models into their operating environment, although this remains an emerging practice rather than an established market norm.

This is also visible in market data, where securities lending collateral is split between cash and non-cash forms.

Securities lending collateral flows: Non-Cash grows as Cash remains stable



Source: International Securities Lending Association (ISLA), Securities Lending Market Data, data as of 31 December 2025.

That mix reinforces the point that efficient securities lending depends not only on inventory access, but also on the quality of collateral processing and control.

This is where CSD strategy and SBL strategy increasingly intersect. A well-structured depository environment does more than record ownership and process settlement. It helps create

DEPOSITORIES

the control framework within which inventory can be mobilised with confidence. That connection is becoming more visible in markets seeking to strengthen their post-trade foundations. In the UAE, for example, the Central Bank announced on 13 April 2026 the appointment of Vermeg as lead technology partner in a consortium supporting the establishment of a new CSD for conventional and digital national debt and sukuk, with a broader scope also covering repo and SBL, a useful reminder that depository development and securities finance readiness are often closely linked.

Ultimately, the integration of SBL into the heart of market structure depends on the strength of the technology supporting it. While strategy sets the direction, the quality

of the post-trade environment is determined by its ability to manage exposure and collateral with speed, control and precision. Post-trade is no longer viewed simply as an operational utility. It is increasingly recognised as a strategic component of market resilience, investor confidence and infrastructure credibility. Vermeg's role is to provide the technical foundation that makes this possible. By automating the intersection of SBL, repo, and collateral management, Vermeg enables market infrastructures to reduce counterparty risk and maintain the control required by modern investors. In a market where settlement cycles are shrinking, precision in execution is becoming one of the clearest measures of a CSD's effectiveness. ■



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Investor Confidence

Controlled inventory access with precision and discipline



Collateral Efficiency

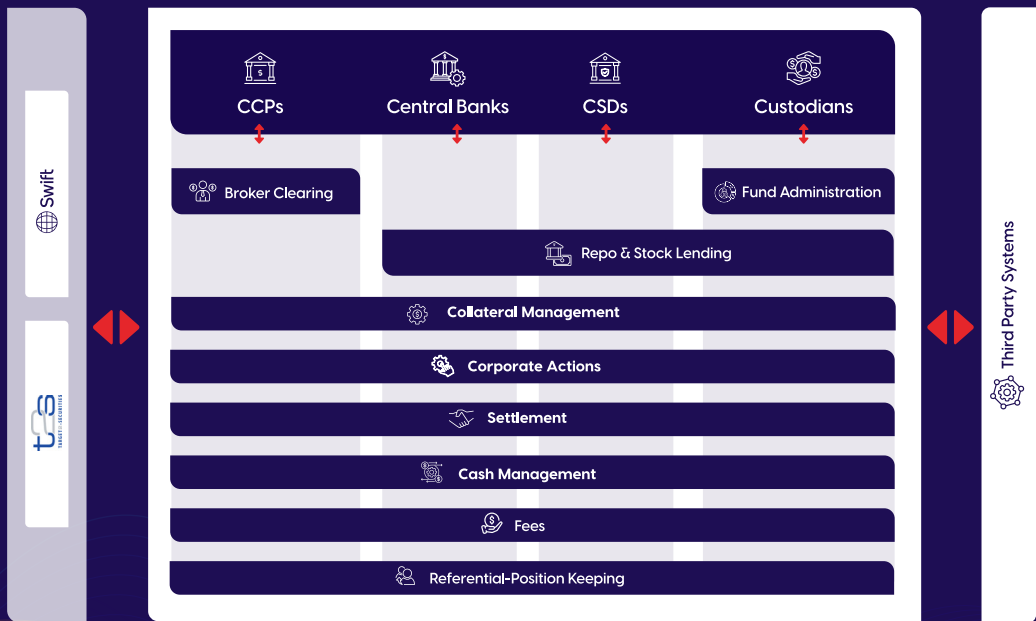
Cash, non-cash, and emerging digital asset support



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