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THE
DESK

The accelerating boat to China: A faster route for traders

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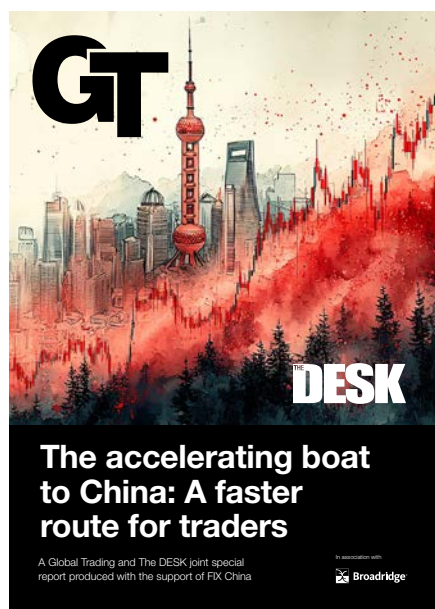
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Introduction

China offers investors a wealth of opportunity, with the caveat that markets are not fully open. Where the authorities are cautious about changes to market activity and engagement, equally global investors need confidence in their decision making and risk management. In this report, The DESK and Global Trading investigate access to China's debt, equity and FX markets to better support traders and investors manage their positions.

Dan Barnes
Managing Editor, The DESK



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China broadens bond market access with futures reform and protocol evolution

China's debt markets are being restructured to increase accessibility for overseas investors. Dan Barnes reports.

China's bond market is continuing to open up to foreign investors via a combination of deliberate regulatory reform, new trading infrastructure and a maturing derivatives ecosystem. Following the announced expansion of bond futures trading to foreign investors, market participants also report an expected development of trading protocols.

This is transforming China's fixed income landscape into something that increasingly resembles a global market. The journey, however, is far from complete.

Launched in 2017, Northbound Bond Connect provides overseas institutions with a pathway into the Chinese interbank bond market via a request-for-quote (RFQ) trading protocol linked to Hong Kong's financial infrastructure. The model was deliberately incremental: portfolio allocation tools followed in 2018, list trading in 2019, and a trade-at-close protocol in 2021. All settlements on Bond Connect are in CNY with offshore investors responsible for managing their FX positions. Southbound Bond Connect – enabling onshore Chinese investors to access offshore bond markets



Andrew Beacham, global head of emerging market trading product, Bloomberg

– went live the same year. Swap Connect, allowing offshore investors to hedge renminbi interest rate exposure using onshore interest rate swaps, launched in 2023.

The cumulative effect on volumes has been substantial. Li Renn Tsai, head of regional markets & business management at Tradeweb, says, “What we have seen with Bond Connect is not just strong growth in volumes, from around CNY 1.9 trillion (US\$270 billion) in 2021 to CNY 3.4 trillion in 2025 for Northbound, but also a real shift in how investors are using the channel. Client inquiries have nearly doubled over that period, and we are seeing a clear increase in larger ticket sizes, with around 25% of inquiries now above CNY 200 million, up from 13% in 2021. That points to greater institutional confidence and deeper participation.”

Market quality metrics have improved alongside volume. Bid-offer spreads have tightened and dealer response times have fallen by roughly a third. Automation has accelerated sharply: around 18% of Northbound trades were executed automatically in 2025, up from just 4% in 2023.

As Tsai notes, “The adoption of trading protocols such as list trading – now reportedly accounting for roughly 36% of Northbound tickets – and the launch of Swap Connect are driving further engagement, as investors look for more flexible ways to access the market. Since its launch in 2023, Swap Connect inquiry volumes have grown by around 300% year-on-year, highlighting strong demand.”

The nature of foreign participation has shifted as Bond Connect has matured. The early years

were dominated by index-tracking asset managers responding to Chinese government bonds’ inclusion in major global fixed income benchmarks.

Andrew Beacham, global head of emerging market trading product at Bloomberg says, “That has shifted to about US\$40 billion a day turnover, which is around 10-20% up versus last year. We’re seeing more smaller sized trades now, more hedge funds being active, as well as bank treasury traders. On the ground we hear this is a shift from those dedicated asset managers into more opportunistic trading. Relative value trading strategies are being employed. When we include Swap Connect and offshore repo that’s really where clients want to get exposure, because of the lower yield in China today.”

This behavioural shift – from passive, index-driven allocation to active tactical positioning – is an important marker of market maturity. It implies that foreign investors are developing genuine views on Chinese rates rather than simply tracking benchmarks.

Roheet Shah, head of Hong Kong office at MarketAxess, says, “There are a lot of two-way flows, it’s very tactical in nature. There could be curve plays in there; everyone looks at spreads versus developed markets. If you look at the average trade sizes in the public data they’ve reduced over time, while we have seen ours grow and then plateau. That reflects investors being a lot more comfortable trading in and out. Instead of trading blocks and getting everything done in one go they’re cutting it up and being more tactical.”

Liquidity provision in Bond Connect remains concentrated among domestic institutions.

As Shah notes, “Liquidity providers tend to be the local names, like ICBC, Bank of China, China Construction Bank and ABC. They are either the primary dealers or have a bunch of inventory in cash bonds, or have access to inventory or repo.”

The expansion of repurchase agreement (repo) trading, which came into effect in September 2025, allowing foreigners to access onshore secured financing, is one mechanism intended to broaden this, although Shah acknowledges it is “still very new, in its infancy.”

Government bond futures have also emerged as a practical hedging tool for market makers serving foreign clients, allowing rapid duration management after completing large ticket transactions and

thereby improving the quality and continuity of pricing offered to overseas counterparties.

Bond futures

While the China Financial Futures Exchange (CFFEX) listed its first 5-year government bond futures contract on 6 September 2013, the China Securities Regulatory Commission (CSRC) launched a new plan to streamline the qualified foreign investor regime in April 2026, introducing measures to ease access requirements, improve operational efficiency, and expand the investment scope.

CFFEX derivatives officials Yu Xiang and Zhong Shan noted in a March 2026 article for *Bonds Magazine*, that the establishment of the government bond futures market was “An important measure to implement the decisions of the Third Plenary Session of the 18th Central Committee regarding accelerating the marketisation of interest rates and improving the government bond yield curve that reflects supply and demand relationships in the market.”

CFFEX built out its product suite methodically: 10-year futures launched in 2015, 2-year contracts in 2018, and 30-year futures in 2023. The result is a curve-spanning set of instruments covering the key nodes of the Chinese yield curve. That coverage matters. China’s government bond yield functions as the pricing anchor for the entire domestic asset market, and futures allow market participants to manage duration risk at each major tenor. That is a capability that became increasingly important as government bond issuance scaled. By 2025, the final year of the 14th Five-Year Plan, China issued 16 trillion yuan in government bonds, a rise of 125% compared with the close of the preceding planning period.

Price correlation between futures and the underlying spot market has remained above 98% across all tenors since listing, according to official data.

Daily average open interest reached 637,400 contracts in 2025, with a trading-to-open-interest ratio of around 0.5, a balance the exchange regards as reflecting healthy market stability.

CFFEX reports that institutional investors now account for roughly 90% of open interest, and the participant base has broadened steadily to include securities firms, public funds, commercial banks, insurance companies and pension funds. The regulatory framework has evolved in parallel,



Roheet Shah, head of Hong Kong office, MarketAxess

with CFFEX introducing a unilateral margin system, government bond repo as eligible collateral, a delivery-versus-payment settlement mechanism, and market-making arrangements.

Looking ahead to the 15th Five-Year Plan period, CFFEX now intends to develop government bond options and extend market access to overseas participants — recognising that gaps remain relative to globally mature markets.

A new trading landscape

On the southbound side, offshore renminbi dim sum bonds are growing fast, with the outstanding stock rising from under US\$150 billion to around US\$250 billion in a year, according to Beacham — a sign that two-way capital flows are becoming structural. New trading protocols for Northbound Bond Connect are expected in 2026, with all-to-all models under discussion.

Shah observes, “I think protocol diversification, which would include all-to-all, would be the logical step. We’re ready for that, but it’s subject to endorsement by all parties involved.”

By end-2025, overseas institutional custody balances in China’s bond market stood at 3.5 trillion yuan. That figure, and the infrastructure built to support it, reflects a market that has travelled an enormous distance in a short time, and one that, by its own reckoning, still has considerably further to go.

Yet with increased access to trading instruments and better ways to express investment ideas into the market expected shortly, the pace of access to Chinese debt may well accelerate moving into the second half of 2026. ■



Navigating the Dragon: The challenges of trading in China's FX market

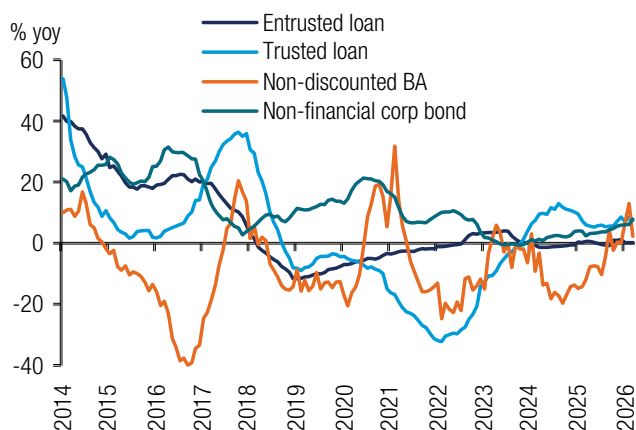
China's onshore and offshore currency market presents a unique structure for traders. Dan Barnes reports.

China's bond and equity markets can be regarded as second only to those of the United States in size and depth, and their role in global portfolios has shifted from opportunistic allocation to structural exposure. Yet for all their scale, these markets present institutional investors with a set of FX challenges unlike those encountered anywhere else in the world, with the Renminbi (RMB) currency capturing onshore Yuan (CNY) and offshore Yuan (CNH). These challenges that are becoming more acute as geopolitical tensions mount and capital flows grow more complex.

A market under pressure

The backdrop to today's FX environment is one of softening credit momentum inside China. According to BofA Global Research's April 2026 China Watch report, both new Renminbi (RMB) loans – which captures onshore Yuan (CNY) and offshore Yuan (CNH) – and total social financing (TSF) in March missed expectations, “confirming soft headline credit momentum.” New RMB loans reached RMB2,990bn, falling short of the RMB3,456bn consensus, while new TSF disappointed at RMB5,226bn. Broad money indicators softened further, with M1 and M2

Growth of bonds and off-balance sheet credit (2014-26)



Source: BofA Global Research, CEIC

growth decelerating to 5.1% and 8.5% year-on-year respectively, signalling, BofA notes, weak credit appetite across the economy.

The report paints a picture of an economy still searching for traction. Household borrowing remained weak across both short- and long-term tenors, while the recovery in capital expenditure was described by BofA as “still tentative.” Investment demand, the bank argues, “remains fragile,” with households and firms cautious on new lending amid geopolitical tensions and an uncertain property market. BofA concluded that while exports and policy support should aid manufacturing investment, “the limited improvement in secondary home sales in tier 1 cities has yet to translate into a broader property market turnaround capable of boosting household mortgage demand.”

This macroeconomic softness has direct consequences for FX markets. Financial conditions tightened as the CNY strengthened, BofA’s China Financial Condition Indicator tightened to 97.1 in March from a revised 95.9 in February, reflecting CNY appreciation against the basket and a further contraction in the six-month moving average of new TSF. For international investors holding Chinese assets, currency moves of this kind are not merely a backdrop: they determine a significant portion of total returns.

The dual currency conundrum

At the heart of China’s FX market complexity is a structural feature that has no real



Li Renn Tsai

parallel in developed markets: A dual currency system. The CNY trades onshore within mainland China, tightly managed within a daily band set by the People’s Bank of China (PBoC). The CNH, its offshore counterpart traded primarily in Hong Kong, is more freely priced but still subject to significant central bank influence.

Andreas Koenig, head of global FX at Amundi, one of Europe’s largest asset managers, describes the CNH as carrying “special features and peculiarities.”

“If there are significant moves in the currency it has an important impact on other Asian currencies,” he says.

That systemic role makes it consequential far beyond China itself. For pure currency investors, however, the appeal is limited.

“The currency is a so-called managed currency,” Koenig explains, “as the PBoC is influencing the development of the currency value decisively.”

The result is structurally low volatility, limiting opportunities for FX-trading strategies. Koenig adds that the PBoC actively discourages speculative positioning, further constraining the tradeable range. There is also a cost dimension: with CNH interest rates below those of the US dollar, investors face a carry cost when holding the currency overweight, eating into any potential appreciation gains.

“The attractiveness is very limited due to the rate differential and the fact that the currency is managed to a large extent,” he adds.

Amundi’s current positioning reflects this, he says, noting the CNH is not a primary focus currency, and the firm maintains long dollar, with modest appreciation potential for the CNH, supported by China’s dominance in battery technology, electric vehicles, AI and rare earth minerals, as well as a record trade surplus.

“As long as the Middle East conflict is full on and there is no endgame visibility we remain tactically long the USD,” he says.

“In the medium term we think the CNH can appreciate as mentioned, although in a very marginal and slow manner so that the expected return is limited.”

How institutions trade Chinese FX

For investors with broader mandates, those managing bond



Carol Lye

or equity portfolios with Chinese exposure rather than pure FX books, the mechanics of currency management are considerably more complex.

Li Renn Tsai, head of regional markets and business management at Tradeweb, describes the standard approach for institutional investors as combining onshore access channels with offshore instruments.

“For bond portfolios, this means using Bond Connect or CIBM Direct for cash bonds, alongside Swap Connect for onshore RMB interest rate hedging,” he explains.

Offshore CNH FX forwards, swaps and bonds then provide additional flexibility for currency management. The result is a layered ecosystem in which market makers are split between onshore dealer networks linked to China’s Foreign Exchange Trade System (CFETS) for CNY exposure, and offshore CNH dealers for more flexible hedging.

“Asset managers trading China assets continue to face structural and operational challenges, including fragmented liquidity, regulatory complexity, and historically manual workflows, all of which can affect execution quality and speed,” he says.

Liquidity in CNH can vary significantly depending on market conditions, and the information asymmetries between onshore and offshore pricing create execution risks that do not exist in more unified currency markets. Geopolitical uncertainty compounds the challenge, pushing investors toward more dynamic hedging with greater emphasis on minimising information leakage during execution.

Carol Lye, portfolio manager and senior research analyst at Brandywine Global, offers a more macro-driven perspective. Her firm’s medium-term view

is biased toward a weaker US dollar on grounds of overvaluation and high foreign ownership of US equities, a backdrop that is structurally supportive of CNY exposure. “The PBoC has been allowing the CNY to appreciate, which supports our current exposure to the CNY and FX trades related to it,” she says. But Brandywine’s approach is conditional: “At appropriate times, we will hedge our China exposure if Chinese growth weakens or if the PBoC signals a preference for a weaker currency.” That flexibility, staying largely unhedged when the macro view supports it, pivoting quickly when signals change, reflects a pragmatic approach to a currency that can shift rapidly when policy changes.

The direction of travel

All three practitioners point toward a market in transition. The direction is clearly toward greater electronification and data-driven execution.

“In response, firms are adopting automation, multi-protocol execution and integrated workflows to improve efficiency,” Tsai says. “They are also strengthening trade surveillance and best-execution oversight through audit trails and cross-asset monitoring tools.”

Access to real-time data and analytics is critical in this context he says, as this enables better price discovery, execution decisions and post-trade analysis in a market where conditions can change rapidly.

At the same time, the regulatory and access infrastructure continues to evolve. Tsai sees the Connect channels – Bond Connect, CIBM Direct, Swap Connect – as gradually reducing friction, with investors increasingly relying on these approved frameworks rather than workaround structures.

The channels, he notes, “are increasingly complementary, forming a more complete ecosystem for managing both duration and FX risk.”

Yet challenges remain deeply embedded. The dual currency system creates inherent complexity that no amount of technology fully resolves. The PBoC’s willingness to intervene decisively means that standard FX models can potentially misprice the currency.

Koenig notes that the CNH is seen as very cheap and undervalued compared to different fair value models, yet that undervaluation can persist for extended periods precisely because of central bank decisions. ■



Chinese equities: An unmissable opportunity

The Chinese equity market is currently valued at a record high of US\$17 trillion, according to CEIC data, growing considerably from sub-US\$12 trillion last year. Yet as the market booms, geopolitical tensions and unprecedented volatility have risen. Global Trading hears what the picture looks like from those on the ground. Lucy Carter reports.

Foreign investor FOMO

Market participants disagree on just how much impact tensions between the US and China are having on foreign investments.

“There’s a whole trend of US capital departing China. I think other G7 countries may do the same,

trying to pull their venture capital or private equity out of the country. But the thing is, China is the second biggest capital market in the world, so they won’t want to lose this opportunity,” one prominent Chinese broker told Global Trading.

“The investment sentiment is neutral,” argued



Equity market performance has rebounded from the bottom since early 2024 but overall allocation is still underweight. That gives an indication that the sentiment is not overly positive yet. There's still a lot of room to increase."

Joanna Yang

Ninety One



Joanna Yang, co-portfolio manager for the All China Equity and China A Shares Strategy at Ninety One.

"Equity market performance has rebounded from the bottom since early 2024 but overall allocation is still underweight. That gives an indication that the sentiment is not overly positive yet. There's still a lot of room to increase."

Even so, changes over recent years have been considerable.

"Foreign investment into China has increased steadily since 2014, when the onshore A-share markets started to open up to foreign investors via stock connect. Another catalyst is MSCI inclusion which took place in 2018. China A-share markets have gone from 0% to 20% of the index," Yang said.

Based on the MSCI World Index, which is widely tracked by international investors, Chinese stocks have a market cap of US\$14.4 trillion.

That said, foreign investment has tapered somewhat since its 2021 peak, when it represented about 5% of the market.

"The market has gone through a lot of changes. Regulatory changes, Covid, economic slowdown, geopolitical tension – so that foreign investors' A-share allocation is currently at about 3%," Yang added.

"We're seeing increased volumes through China, and in Asia more broadly," Lee Bray, APAC head of trading at JP Morgan Asset Management, told Global Trading. "At JPMAM, we're doing quite a significant amount of business both locally and from Hong Kong into China."

JPMAM has five traders operating onshore in China, as well as an established Hong Kong office.

"The secondary market is still the most liquid, especially in Hong Kong. A lot of China A-shares list there nowadays. I'm not sure how much foreign investors are going to put into onshore investing, but Hong Kong is the easiest and safest gateway for Western capital to get into China," the broker noted.

Foot in the door

Foreign investors have two routes to take when investing in Chinese equities: the qualified foreign institutional investor (QFII) initiative, where international players have to gain a licence to trade on the Shanghai (SSE) and Shenzhen (SZSE) exchanges, or Stock Connect, where trading goes through the Hong Kong Exchange (HKEX). QFII is generally accepted to be the 'clunkier' option, requiring users to move money onshore.

"Before 2014 and the invention of Stock Connect, trading on QFII was very different to a lot of the markets in Asia," Bray recounted. "Stock Connect aligned as much as possible with other markets, and with our best execution policies. We've really embraced it over the last decade."

"I believe that for most international investors like us, Stock Connect would be the preferred starting point, because it offers flexibility and operational alignment," agreed Ako Nishi, equity trader at JP Morgan Asset Management.

Historically, a draw of the QFII programme was its ability to facilitate block trades. Market participants

have long been calling for the same functionality in Stock Connect – “We’ve been engaging with the regulators on that,” Bray assured.

As of October 2025, according to the SSE, 913 foreign institutional investors are qualified on the platform, with combined assets under management valued at more than US\$140.7 billion.

In spite of Stock Connect’s more limited coverage of Chinese equities, it is still the first port of call for the majority of international investors.

“It accounts for 80%-85% of the market cap. That’s sufficient for most active asset management strategies, unless you’re looking at a very specific strategy or very small caps,” Nishi explained.

The SSE primarily lists large-cap, state-owned companies across finance, heavy industry and energy, while the SZSE has a more tech-focused, small-cap approach. Its ChiNext board is sometimes compared to Nasdaq.

“QFII and Stock Connect are becoming quite similar now,” Yang mused. “We’re increasingly getting the same market access through both programmes. We treat the two routes quite indifferently.”

Yang also emphasised Ninety One’s “all China” approach. “We see different jurisdictions as the same,” she explained. “We look holistically at onshore, offshore, and ADRs [foreign listed shares in US], and identify unique opportunities in different listing platforms. When investors look at China, we always say that they should look from a bottom-up,

fundamental basis, and have a stock-level specific reason to own a certain share.”

“There are differences between the markets, but we always say that we shouldn’t allocate our resources all into one.”

HFTs

HFTs have flooded into the Chinese and broader APAC markets over recent years, and regulators have responded with force. The China Securities Regulatory Commission (CSRC) has taken a number of measures to clip these firms’ wings, including programme trading restrictions and bans on colocation services.

On programme trading, “We’re working very closely with the brokers to make sure that some of the tools that we’re accessing are adhering to the regulatory environment,” Bray said. Despite some furor about the crackdown, “It’s nothing that we’ve not been prepared for,” he noted.

The restrictions have had little impact on how the firm operates, with Bray referring to the company’s tech-forward approach. “We use technology as much as we can, we leverage machine learning, to select the optimal broker or broker algorithm that will ensure best execution,” he said.

Regardless of apparent high-level concerns about quant-y market participants, Nishi does not see them having a massive impact on liquidity.

“There are a lot of different types of investors still in the market. Retail investors have a pretty



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It’s actually an extremely liquid and seamless market to access, once you know the slight nuances around it.”

Lee Bray

JP Morgan Asset Management



Because of the T+0 settlement cycle, a seamless operation is needed on the trade level, especially for funds outside the Asia time zone.”

Ako Nishi

JP Morgan Asset Management

significant presence. So any group could create volatility at some point, responding to news headlines or speculations. What we do is avoid chasing that volatility. We work closely with brokers and apply protections,” she said

Bray added, “It’s quite a liquid market anyway, but the more participants in the market, the more liquidity there is. We’re a large institutional player, which makes our ability to execute large trades easier.”

Some market participants have suggested that an arbitrage play might be occurring, between Stock Connect and QFII. “Quants may find patterns based on historical data, but we don’t know. They’re like a black box,” one regional specialist speculated.

Another argued that, if this is true, HFTs would simply be fulfilling the role they were invented to enact. “Their job is to make sure that those markets are as efficient as possible,” they said. “They’re there to arbitrage.”

Things to consider

As in any market that has opened up to foreign investment fairly recently, there are certain things that potential participants need to be aware of.

“Because of the T+0 settlement cycle, a seamless operation is needed on the trade level, especially for funds outside the Asia time zone,” Nishi warned. “Market holidays are a little bit different, you need to be mindful of blackout periods or mismatches. You have to make sure that everything is set up perfectly, and compliant.”

“It’s a no-fail market, so you have to be on your game all the time and make sure you know what’s happening at a very high level,” added Bray. “Spend time learning the market microstructure.”

But, he was quick to add, “It’s not too different from trading any other market. Don’t let it put you off, because it’s actually an extremely liquid and seamless market to access, once you know the slight nuances around it.”

Looking ahead, “I think it really comes down to whether there’s an improvement in the market that creates an attractive opportunity for foreign investors,” Yang said. “Fundamentally, the Chinese economy needs to get better. Earnings are starting to stabilise after quite a few years of a downgrade cycle. We need more broad-based recovery, but so far there are little pockets where things are getting better: in IT, healthcare, industrials, there has been a lot of innovation.” The direction of travel for allocation into should be upward.”

Also to keep note of is the country’s giant ETF market. In 2025, according to Morningstar and Bloomberg data, the China onshore market’s total ETF wallet was valued at US\$972 billion – the largest in the APAC region. Hong Kong ETFs were valued at US\$221 billion.

The Chinese equity market is a growth story, one that foreign investors and domestic regulators must adapt to. It also, in spite of various challenges, appears to have an irresistible draw for market participants, and be an opportunity that cannot afford to be missed. ■

Turning fragmentation into flow: Hong Kong and the evolution of APAC market infrastructure

Front-to-back integration, distributed ledger technology (DLT) and securities finance are reshaping Asia Pacific's capital markets

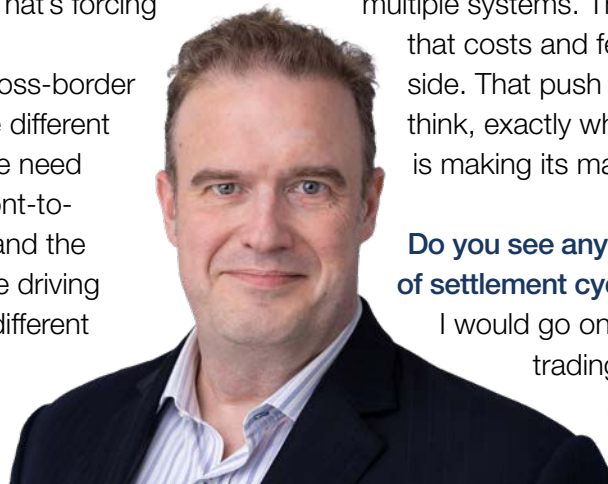
Asia Pacific's capital markets are at an inflection point. Rising trading volumes, compressed commissions, shortening settlement cycles and the emergence of distributed ledger technology (DLT) are converging to demand a rethinking of market infrastructure from front to back.

Dan Barnes spoke with Wout Kalis, senior country officer, Hong Kong of Broadridge about what is driving this transformation, where DLT is delivering real results, and what it will take for Hong Kong to cement its position as the region's pre-eminent financial centre.

What is driving the evolution of market infrastructure in Asia Pacific today — is it primarily competitive pressure to grow, or is it more about managing costs and reducing operational friction?

I think it's both, because it's often not one-sided. Firms really want to drive efficiency. We've seen a rise in volume, so the straight-through-processing (STP) ratio is very important. The cost of a trade is really high when you don't execute on STP. At the same time commissions on trading have come down, so there's less margin. That's forcing firms to be more efficient.

In Asia, you also have the cross-border component, as well as multiple different instruments, which increase the need to create efficiencies across front-to-back. Higher trading volumes and the growth of low-touch trading are driving a significant need to have the different components working together — otherwise you don't create those operational efficiencies.



Front-to-back doesn't take away flexibility. Firms would still want a mobile app for the retail client, a portal for their wealth managers, an institutional workflow that operates differently — but all of that could feed into an omnibus account straight through to position allocation when needed. STP doesn't mean just one type of requirement. It's really about the trade process. And if you then layer AI on top of that, having a centralised database becomes even more important — you need it to run AI models effectively.

Can you give examples of where that evolution is really delivering value from the front-to-back model?

The clearest example is the shift from high-touch to low-touch trading. As volumes have increased significantly, the importance of having back office and middle office operating on a straight-through basis becomes much more critical. Our clients don't want to increase headcount as volumes grow, so that means reducing operational breaks and settlement issues, improving client service by resolving queries faster, and having the ability to trade different products on one platform rather than multiple systems. There is a continuous demand that costs and fees be reduced on the buy side. That push to create efficiencies is, I think, exactly where the front-to-back model is making its mark.

Do you see any impact from the shortening of settlement cycles in certain markets?

I would go one step further: 24-hour trading is really what people are now looking at. The shortened cycle is seen as

a phased approach, but ultimately what everyone is moving towards is 24-by-5 trading. People who have had exposure to crypto are thinking: this is much more straightforward – I can trade any time, instantly, without worrying about margin calculations. That has become the benchmark for what an efficient market could look like. From a pure technology perspective, it is already possible, even if regulation means the journey will take time.

That benchmark is already influencing regulatory thinking. Tokenisation of US equities, including trading them outside the US on private markets, is now being put to US regulators as a direct challenge, with implications that could accelerate change across traditional markets over time.

Where do you see distributed ledger technology having the most impact on market infrastructure today?

Where you can create real operational efficiencies. Tokenisation of US equities may make it possible to trade them more frequently, but that doesn't mean there is automatically a market; why would you not just trade them directly on US markets at no cost? But if you look at collateral liquidity and the movement of assets, that is where practical benefits exist today. With our DLT solution, we see real problems being solved around collateral management, collateral mobility and optimisation. These are areas where firms can generate value now, because they address real constraints in how collateral is sourced, moved and deployed across organisations. It typically starts with intra-company workflows — moving liquidity between branches in Singapore and Hong Kong for example, making more efficient use of the same collateral across different entities.

The next level is bilateral use. In the US we are seeing significant success with intraday repo. It becomes possible to use repo during the day, reusing the same liquidity two or three times. That can change liquidity management completely. The key question for any tokenised asset is always: does it carry genuine benefit? If it does, it will succeed.

Does improved collateral liquidity effectively reduce the cost of associated instruments — swaps, for example?

Yes, and it also adds a revenue component. In the

past, firms would put a repo on overnight. Now you can put it on for two hours, retrieve it, lend it out again to another party, and then put it overnight, so there is a revenue dimension to this, not just cost reduction.

Think also about capital requirements: if a bank needs to hold liquidity to satisfy regulations in Singapore, it can use that same liquidity again at Hong Kong's cut-off, and then again into the US overnight. You start to optimise your capital requirements in a way that was not previously possible.

What has been the level of support from regulators in developing these DLT applications?

A key benefit of our DLT solution is that it fits within the current regulatory framework. It does not require a new regime. It resolves pain points that already exist in the repo workflow without requiring regulatory change. Where digital assets are concerned, tokenised equities are one example: European rules permit this but the US Securities and Exchange Commission (SEC) does not yet. In our solution, the collateral is tokenised but the cash remains cash, though over time using stablecoins or digital cash would make the process faster and more certain. The design allows firms to start small and build confidence, then move to digital cash when they are ready.

More broadly, both Hong Kong and Singapore are significantly more accommodating of digital assets than many Western jurisdictions. There are active working groups and a real focus on enabling digital asset infrastructure.

How would you describe the curve of adoption in the US, and do you expect Asia Pacific to follow a similar trajectory?

In the US, once people became comfortable with the technology and trusted it, and once genuine liquidity built up on the platform, adoption accelerated very quickly. You start to see banks rethinking their liquidity management entirely — rather than holding a large daily balance transferred from the US for Hong Kong trading, they reduce that balance and use the DLT platform to meet capital requirements intraday. We are also pushing hard to bring the buy side on board to add more liquidity. You need adoption on both sides — borrower and lender — and in the US that happened fast.

The US has a structural advantage: it is a single dominant capital market with guaranteed size and the participant base to drive rapid onboarding. In APAC it is more fragmented. But once a couple of key regional players come on board, I expect the acceleration to follow. There is a core group of regionally significant banks that already see the competitive advantage clearly. Competition between offices within the same bank is actually a catalyst – we've seen Hong Kong branches taking the lead on digital initiatives ahead of headquarters, because satellite offices are often better placed to spot emerging trends.

How do you see the securities borrowing and lending market supporting market efficiency across Asia Pacific at the moment?

There are two dimensions. One is prime brokers servicing hedge funds that need inventory to facilitate trading across multi-asset, multi-market strategies in Korea, Hong Kong, Indonesia and Japan, each with their own nuances. The other dimension is that the decline in commission revenue is pushing firms to explore other sources of revenue. Many have sizeable retail client bases with niche inventory that could be useful to active hedge funds. Where they may once have handed that inventory to a single custodian, they are now looking more closely at how to manage and monetise it themselves.

The exchange landscape is changing too. Singapore Exchange, which used to hold inventory on behalf of all Singaporean banks, is now pushing that responsibility back to the banks themselves. Firms that previously had access on the same level must now understand and manage the business. That is driving an overall sophistication across APAC that we have not seen before.

In Hong Kong last year, on-loan balances on a daily basis exceeded US\$60 billion, up more than 10-15% year-on-year. Securities lending revenues on equities exceeded US\$250 million. That by itself signals another meaningful avenue for revenue generation in Asian markets. As capital flows diversify away from the US, markets need the infrastructure to handle that. A more liquid, efficiently-operating securities finance market means smoother settlements, tighter bid-ask spreads, and a more attractive proposition overall.

What are the barriers firms need to overcome to increase participation in securities finance?

At the market level, there are clearly barriers. Short-selling rules, disclosure requirements, tax treatment and cross-border participation rules all vary significantly. Singapore is very straightforward, while other markets become considerably more complex. That said, we are seeing institutional progress in Malaysia and real momentum in Indonesia, where markets are actively competing to attract flow, particularly given the success of US markets, which has had a direct impact on volumes in the existing regional exchanges.

Beyond that, scale also matters. You need to be of a certain size, and APAC does have a long tail of smaller players who won't participate at this level. But many traditional brokers have been complacent, focused purely on execution and missing the client in a fuller sense. Digital brokers have challenged them on that, and now they have to respond. If you go to a digital broker, the capabilities are already there, and being purely an execution broker is no longer sufficient.

How do these threads connect to potentially change Hong Kong's profile as a financial centre?

All of this, trade lifecycle modernisation, DLT-enabled infrastructure and securities finance, points towards Hong Kong maintaining and reinforcing its position as the leading financial centre it wants to be in Asia. Its advantages in cross-border investment and market connectivity are highly valuable, and the infrastructure being built now is what will underpin them.

Hong Kong remains the number one IPO market worldwide, and that says a great deal about the innovation and entrepreneurship it continues to attract. The heart of HKEX – the continuing expansion in ETFs that connect activity across asset classes, dual-currency counters for market-making, the range of connectivity initiatives – shows a market that is continuing to evolve. Repo Connect is a useful recent example: it is primarily about channelling outbound flows from China through Hong Kong, and it adds another dimension to the city's role as the bridge between Chinese capital and global markets. ■