



A new dawn: 2026 outlook for Asia Pacific

HSBC's Adnan Hussain, global head of Agency Lending & Liquidity Services, reviews the landscape for APAC, from performance and cross-border connectivity to the re-emergence of the New Silk Road

The global securities lending market stepped confidently into 2026, with lendable inventory exceeding US\$50 trillion at the start of the year — a record high. Focusing on Asia Pacific, this momentum looks poised to continue.

Supported by elevated equity valuations and expanded

lending pools, lenders and borrowers alike are increasingly looking to diversify their collateral strategies and maximise on event-driven trading. Easing market regulations amid the backdrop of an evolving geopolitical and economic landscape are also sparking a shift in liquidity flows to both new instruments and geographies.

Building on a strong foundation

Market data shows APAC equities revenues surged 54 per cent in 2025, capturing 22 per cent of the global lending pie. Leading markets such as Hong Kong, Korea, and Taiwan fueled this through waves of new listings, complex corporate actions, and high-demand specials in the repo market that attracted premium fees. Japan was also a key beneficiary as the Bank of Japan continued its shift toward monetary policy normalisation, driving considerable yield enhancement on Japanese government bonds. Globally, revenues climbed to US\$15.3 billion — a 26 per cent year-over-year advance — with Asia's fees advancing 17 per cent and on-loan balances rising 22 per cent.

Thematic pressures in technology, consumer sectors, and infrastructure are likely to sustain borrowing needs, favouring lenders who nimbly deploy inventory across high-demand names. Amplified lendable pools and steadier utilisation are also expected to position APAC as an anchor for the expansion of securities lending markets across the world.

Collateral and instrument expansion

Lenders are increasingly looking for diversification across their collateral pools, as they look to harness opportunities coming to market. We are seeing growing demand from clients for alternative assets — like thematic, active, and fractional ETF collateral — as well as tokenisation and gold. Additionally, triparty structures and pledged collateral models continue to gain traction, enhancing balance sheet efficiency, and risk-weighted asset (RWA) optimisation.

Within APAC, cross-border schemes are playing a significant role in helping unlock revenue potential through enhanced access to collateral. Programmes like Stock Connect, Swap

Connect, and ETF Connect, have significantly contributed to annual cross-border flows, pooling liquidity from Shanghai and Shenzhen into Hong Kong and vice versa, providing both domestic and international investors with mutual market access.

Complementing this, the Hong Kong Monetary Authority (HKMA) launched Bond Connect's reverse repo mechanisms last year, enabling northbound participants to conduct onshore reverse repurchase agreements using China government bonds as collateral. As a designated market maker, HSBC supported a number of banks, securities firms, and hedge funds in completing maiden trades under these enhanced arrangements.

We anticipate cross-border connectivity to further progress in 2026 through new and expanded collateral openings, as countries look to boost capital flows and attract international participants across APAC and the Middle East.

The new silk road

Securities lending connectivity across the Middle East and APAC corridor is advancing through regulatory reforms and infrastructure enhancements, particularly in Saudi Arabia, where HSBC facilitated the first securities lending market transaction in 2021 — acting as both agent lender and custodian. Lending demand has continued to build in the market as investors look to tap into growing opportunities stemming from the Kingdom's deepening AUM driven by Saudi Arabia's sovereign wealth funds.

Enhanced financial market infrastructure integration is also spurring bilateral flows across the corridor. Hong Kong continues to play a pivotal role as a super-connector between Middle Eastern and APAC markets, including Memorandums of Understanding with the United Arab

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Emirates's (UAE's) Central Bank for debt capital market linkages and Hong Kong Exchange-Tadawul collaborations on fintech, ESG, and cross-listings.

As cross-corridor demand builds, we are working diligently with regulators and industry bodies to help facilitate new market expansion in APAC and the Middle East — further strengthening the re-emergence of the New Silk Road.

A lion awaits

Having first opened our doors in 1865, with the aspiration of connecting global trade markets, HSBC is well-versed in helping clients navigate the complexities of doing business across jurisdictions and market infrastructures. As one of the

world's largest international banks, we have direct custody offerings in more than 30 markets, uniquely positioning us to pair local market expertise with global scale and capital markets capabilities.

HSBC has provided agency securities lending services for over 50 years, supporting multi-sector clients' lending activities in more than 40 equities and fixed income markets across a diversified network of high credit counterparties. Our comprehensively indemnified programme is designed to be fully transparent and bespoke — tailored to each client's unique inventory, investment needs, and risk appetite. Additionally, we offer a 'follow-the-sun' model, supporting clients with 24/7 trading coverage leveraging a range of high-touch and automated strategies. ■



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