



## Unlocking liquidity: The Middle East securities lending opportunity

**Adnan Hussain of HSBC's Securities Services discusses the firm's involvement in executing the first securities lending transactions in Qatar, Dubai, and the Kingdom of Saudi Arabia; and how the Middle East will evolve into a mainstream building block for global investors to manage risk, liquidity, and opportunity**

For years the Middle East operated on the periphery of global securities lending markets, with limited infrastructure and participation compared to more established financial hubs. Local markets were large in market-cap terms but under-used as a source of liquidity and collateral. The real action in regional names often took place in offshore booking centres, far removed from the

exchanges where the securities are traded. However, that distance is now closing.

Despite geopolitical and economic headwinds, the region has begun to write its own chapter in securities finance, on its own infrastructure and using its own rulebook. Underpinned by regulatory reforms and expanding market capabilities, the

Middle East is poised to be an engine for growth across the securities lending landscape — transcribing a new narrative for global capital flows.

## **The Kingdom of Saudi Arabia sets the pace**

The Kingdom of Saudi Arabia (KSA) sits at the centre of this story. KSA's capital markets reform agenda created room for a proper lending market; the question was who would take the first step. HSBC helped answer that by supporting the first on-exchange securities lending transactions in KSA in 2021, acting as custodian, agent lender, and borrower for a large regional asset owner. While those initial trades were small in size, they were big in consequence. They demonstrated that title transfer, collateral movements, and settlement could all be aligned with global practice without losing sight of domestic legal and regulatory requirements.

From that point, scale became a question of confidence rather than theory. As more asset owners and managers grew comfortable with the framework, KSA securities started to move into lending programmes en masse. The results have been remarkable: Edaa data shows an exponential increase year-on-year bringing the market's current on-loan value to nearly US\$2.2 billion, underscoring a step-change in liquidity and depth — momentum that HSBC, as an agent lender, has helped to support.

International investors followed, using KSA names to hedge index exposure and express sentiment on local growth and reform. The market's acceleration gathered pace in Q4 2025, with a sharp increase in new lendable inventory from both international and domestic participants, widening engagement across institutional and non-institutional segments. Today, KSA securities account for a large share of regional lendable balances; on-loan volumes in both equities and local-currency bonds are a regular feature of daily flows rather than a curiosity at

the margin. For many global borrowers, KSA has become the natural starting point for any diversified strategy that involves short exposure or relative value in the Gulf — supported by stronger securities financing that is enabling more sophisticated activity, including market making, hedging, and improved settlement efficiency.

## **Gulf neighbours pick up speed**

The region surrounding KSA has not stood still either. Other Gulf markets have introduced or refined their own stock borrowing and lending frameworks, and more local institutions are exploring agency lending as a way to put their portfolios to work. Here too, HSBC has been involved in a series of 'firsts' — breaking new ground by executing the first securities lending transactions in Qatar and Dubai, in 2024 and 2023 respectively.

Expanding our gaze more broadly, there exists a wider narrative of opportunity to be written — both across the region and with its key geographic partners. To harness this, HSBC is working on similar initiatives across developing markets in Asia and the Middle East, where local market reform, stronger post-trade infrastructure, and deeper institutional participation are unlocking new lending opportunities. Within the Gulf, Kuwait, and Abu Dhabi are increasingly attractive, given the direction of market development, the growth of local asset pools, and the potential to connect regional supply more efficiently with international borrowing demand.

## **Collateral as a catalyst**

Collateral is the ink penning all of this. As regional issuance grows and Middle Eastern assets take up a larger place in global portfolios, investors want to be able to turn those holdings into usable collateral. Securities lending provides one of the most direct ways to do that. Lenders

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can receive cash or high-quality securities that support clearing, margin, and funding needs; borrowers gain access to hard-to-find names and can run more efficient strategies in local markets.

In a world where funding costs remain elevated and geopolitical events can change sentiment overnight, having a functioning lending market in the region is not just a nice-to-have, but a necessity. It is part of the basic toolkit for keeping capital moving. Looking into 2026, continued expansion in foreign ownership is expected to deepen participation and enhance liquidity further, with securities lending playing a central role in supporting efficient price discovery and risk management. The next phase will be

about depth rather than headlines. That means continued work on legal certainty around close-out and collateral, smoother links between local and international infrastructure and, in many markets, further evolution of Shariah-compliant solutions that can support scale, not just one-off deals.

As the securities financing market matures, it should also help accelerate the development of the wider ecosystem — supporting growth in repo, enabling more activity in derivatives and ETFs, and underpinning a more robust short selling framework. As those foundations solidify, securities lending in the Middle East will no longer be a story about ‘firsts’. It will evolve into a mainstream building block for global investors to manage risk, liquidity, and opportunity. ■



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**Adnan Hussain**  
Global head of agency securities lending  
and liquidity services  
HSBC’s Securities Services