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The Unified Inventory Era:

How Connected Market Infrastructure Is Transforming TRS, SBL and Repo

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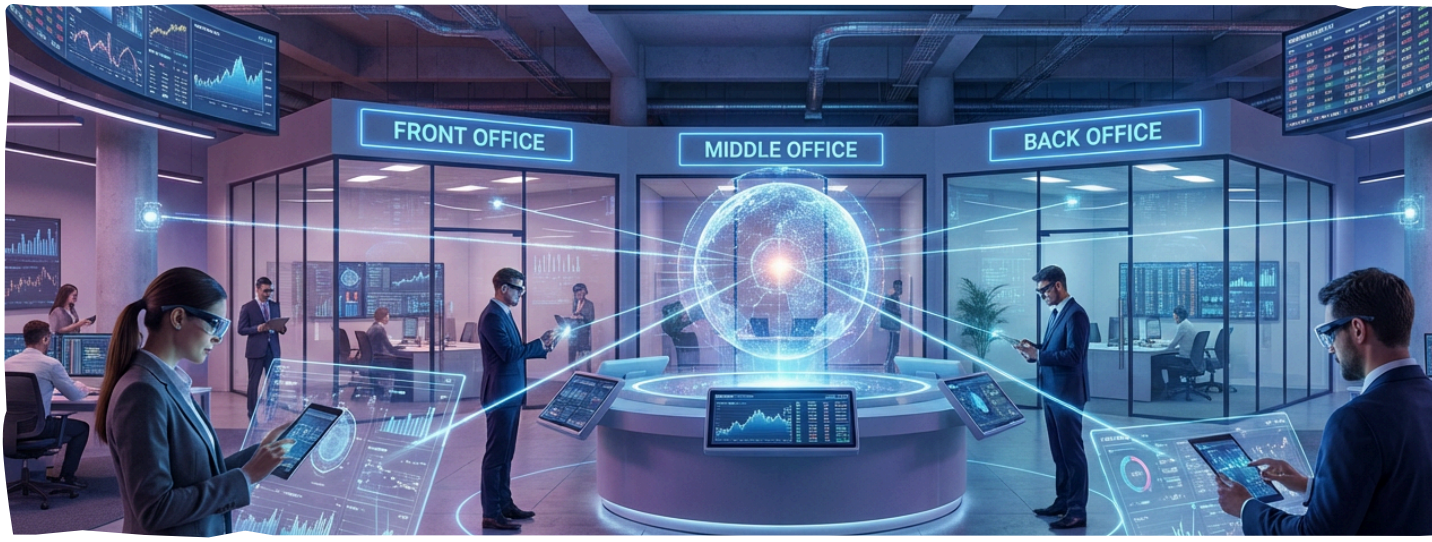
Content

Executive Summary



Securities finance is undergoing a structural shift driven by regulatory requirements, balance sheet constraints, and the accelerating move towards compliant, digitised, auditable, and scalable workflows.

Historically siloed activities such as Total Return Swaps (TRS), Securities Borrowing and Lending (SBL), and Repos are converging, creating a need for unified inventory management, transparent liquidity formation, and cross-product workflow automation.

As these workflows converge, institutions are also rethinking how users interact with market infrastructure, moving from static interfaces towards intelligent, context-aware interactions that can interpret intent, surface insight, and support decision-making across products.

This paper explores the key challenges institutions face across trading and lifecycle management, the growing importance of data transparency along the TRS curve, and the emergence of regulated, multi-product electronic venues as critical infrastructure for the future of equity finance.

It also examines the market's transition from manual execution to digitised, data-driven workflows - and why a connected environment is essential for operational resilience, price discovery, and balance-sheet efficiency. In this environment, intelligence is no longer confined to analytics teams or downstream reporting, but increasingly embedded directly into execution and lifecycle workflows.

1. A New Era of Connected Markets

For years, equity finance markets have operated in fragmented silos. TRS, SBL and repo desks have traditionally used different systems, protocols, and communication channels - often relying heavily on manual processes. The result is a landscape marked by:

- operational inefficiencies
- inconsistent data quality
- limited transparency
- challenges in lifecycle management
- duplicated manual effort across front, middle and back office
- difficulty building a holistic view of inventory and exposures.

Beyond fragmentation, users are increasingly constrained by how systems require them to work, navigating rigid interfaces, disconnected tools and manual handoffs that make it difficult to access the right information at the right moment.

At the same time, regulatory expectations around conduct, auditability, and best execution have intensified. Combined with ongoing balance sheet constraints, these pressures are pushing institutions to rethink their workflow architecture.

The industry has reached a tipping point. Digitisation and convergence are no longer optional; they are structural necessities. This shift is not only about connecting systems, but about enabling more intelligent interaction, allowing users to query, explore and act on market information dynamically, rather than being constrained by fixed workflows.

2. Pain Points across TRS, SBL and Repo

Despite technological advances elsewhere in capital markets, several persistent challenges continue to impact the securities finance ecosystem:

2.1 BASKET MODIFICATION AT SCALE

Basket updates - often representing trillions of dollars in notional each year - remain heavily email or chat-driven. This introduces operational risk, slows responsiveness, and creates inefficiencies at precisely the moment firms need speed and accuracy. These workflows highlight the need not just for digitisation, but for intelligent assistance that can interpret intent, flag inconsistencies and guide users through complex changes in real time.

2.2 SILOED LIFECYCLE MANAGEMENT

TRS and Securities Lending lifecycle events (corporate actions, resets, substitutions, rate changes) are often handled in fragmented systems. Manual reconciliation and spreadsheet workflows make it difficult to track exposure clearly or prevent booking errors. Without contextual intelligence embedded into lifecycle workflows, issues are often detected too late, and remediation remains manual.

2.3 PRE-TRADE OPTIMISATION GAPS IN SBL

SBL execution frequently occurs without a unified view of inventory across related products. Without pre-trade optimisation, firms may miss more efficient financing routes or introduce unnecessary balance-sheet drag. As complexity increases, effective pre-trade decision-making increasingly relies on systems that can synthesise inventory, pricing and balance-sheet considerations and surface actionable insight at the point of decision.

2.4 LEGACY PROTOCOL DEPENDENCIES

Many TRS and FRM workflows still run over legacy protocols or direct chat-based negotiation. These channels limit automation, restrict auditability, and create inefficiencies that scale poorly as volumes grow. They also inhibit intelligent supervision and decision support, as context remains locked in unstructured conversations rather than governed systems.

2.5 DATA TRANSPARENCY CHALLENGES ALONG THE TRS CURVE

TRS pricing has historically lacked the transparency needed for firms to classify exposures confidently or optimise capital treatment. While improved price observability is becoming a market priority, transparency alone is insufficient unless data can be interpreted and contextualised in a way that supports real-time decision-making across desks.

2.6 MANUAL RECONCILIATION AND OPERATIONAL DRAG

Where reconciliation remains manual, errors accumulate, breaks increase and documentation becomes misaligned. Middle- and back-office teams face unnecessary operational burden. As volumes scale, intelligent exception management and guided resolution become increasingly critical.

3. Market Structure Is Evolving: Convergence and Digitisation

Across the industry, a clear trend is emerging: the boundaries between equity finance products are dissolving. Four major forces are driving this shift:

Regulatory pressure on transparency and auditability

Institutions must demonstrate clear, consistent lifecycle processes and show complete audit trails across the entire trade lifecycle.

The rise of holistic risk and balance sheet management

As trading desks increasingly look across TRS, SBL and repo, the separation between products becomes a structural disadvantage.

The emergence of neutral, multi-product electronic venues

Regulated infrastructures capable of supporting multiple asset-finance workflows give institutions a competitive advantage by reducing operational friction and enabling cross-product optimisation.

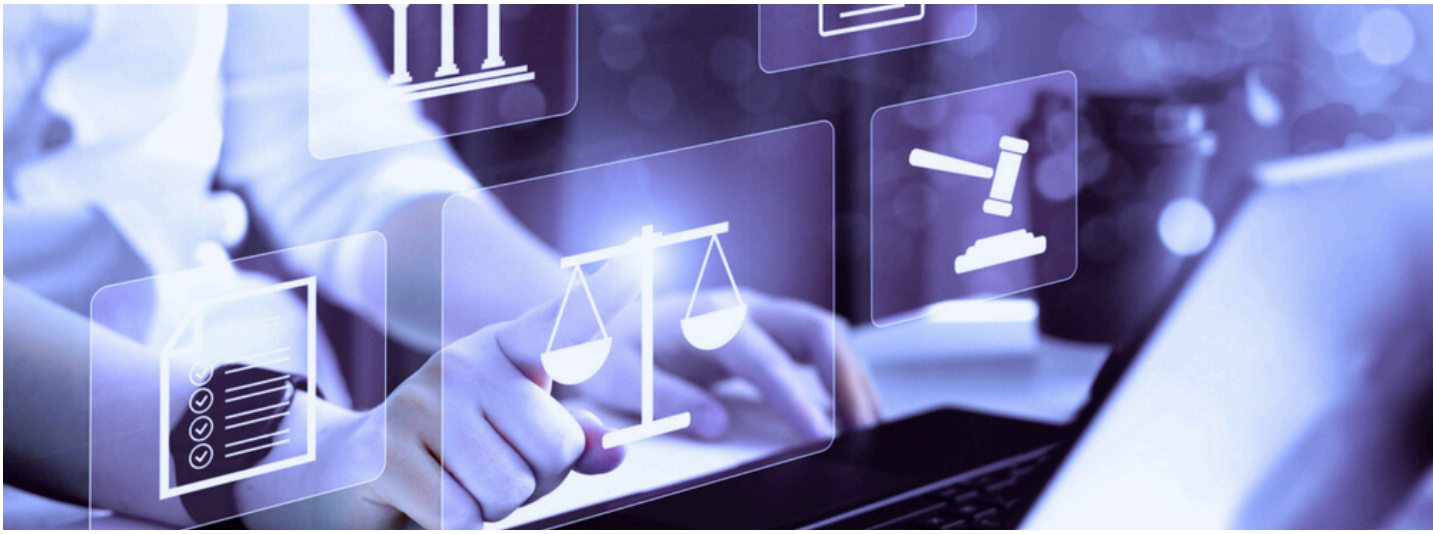
The emergence of intelligence-led infrastructure

Platforms are evolving beyond execution venues into decision-support environments, where data, workflows and intelligent interaction combine to reduce complexity and improve outcomes.

The result is a future where TRS, SBL and repo no longer operate as independent verticals, but as interconnected components of a unified liquidity ecosystem. In this environment, intelligence becomes a core characteristic of market infrastructure rather than an optional overlay.

4. The Unified Inventory Concept

One of the most significant innovations in market structure over the past decade is the move towards unified inventory - the ability to view, optimise and allocate inventory across multiple products simultaneously. Unified inventory is most powerful when paired with intelligence that can interpret how inventory behaves across products, market conditions and client flows.



4.1 A Single Source of Truth Across TRS, SBL and FRM

By centralising eligible inventory, firms gain clearer exposure visibility and can route flow more intelligently across financing products.

4.2 Improved Balance Sheet Outcomes

Cross-product optimisation enables desks to reduce balance-sheet intensity while maintaining execution quality.

4.3 Pre-Trade Decision Intelligence

Pre-trade decision intelligence increasingly relies on systems that can interpret unified inventory in context, highlighting optimal routes, trade-offs and constraints dynamically rather than through static rules.

4.4 Workflow Consistency and Interoperability

Standardised execution channels, digitised lifecycle steps and connected workflows reduce manual intervention and operational risk. In practice, unified inventory is becoming a foundational requirement for modern equity finance operations.

5. Data - and its Growing Role in Liquidity Formation

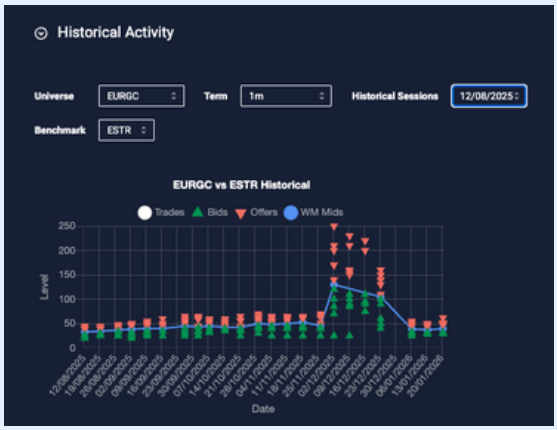
Data transparency is emerging as a critical driver of liquidity in securities finance. As data volumes grow, the differentiator is no longer access to information, but the ability to translate data into timely, contextual insight that supports action.

As more firms contribute structured, anonymised data into digitised ecosystems, the market benefits from:

- clearer pricing and increased transparency
- better benchmark formation
- more accurate mid curves
- improved ability to classify TRS exposures
- increased confidence in model outputs

The movement from fragmented bilateral conversations to network-driven liquidity formation marks a step-change in how markets function. Intelligent interpretation of network data allows participants to move from observing liquidity to understanding how and when to act on it.

Below is an example of the type of network-derived data we make available to clients on a regular basis, helping to bring greater transparency and insight to traditionally opaque areas of the securities finance market.



Euro GC TRS 1M curve vs ESTR
August 2025 - January 2026

Euro GC TRS 3M curve vs ESTR
August 2025 - January 2026

Across both tenors, EURO GC TRS exhibited a pronounced year-end turn premium, reflecting forward-priced balance-sheet and funding constraints. A sharper December divergence in the 1M tenor highlights more acute year-end funding pressures.

6. Intelligent Interaction: The Next Evolution of Connected Markets

Intelligent interaction is the natural consequence of connected markets, unified data and digitised workflows reaching sufficient scale.

As workflows become more interconnected, the way users engage with market infrastructure is changing. The next phase is not defined by more screens or denser interfaces, but by intelligent, context-aware interaction.

Users increasingly expect to engage with systems as they would with colleagues — asking questions, exploring scenarios and receiving timely insight without navigating rigid workflows. In response, platforms are evolving towards language-based, AI-assisted interaction layers that sit above execution, data and lifecycle frameworks.

In regulated markets, this shift must occur without compromising security, data segregation or compliance. Rather than exposing raw models to sensitive workflows, architectures are being designed with orchestration, supervision and governance layers to ensure activity remains deterministic, auditable and compliant.

Built on strong foundations, intelligent interaction layers can leverage existing market intelligence — spanning liquidity, pricing, activity and lifecycle data — to interpret intent, surface relevant context and support decision-making, while execution continues to flow through controlled APIs and governed processes.

In practice, this enables:

- faster access to relevant market and portfolio context
- more efficient internal coverage and trading workflows
- consistent delivery of insight across teams and channels
- reduced operational friction as complexity scales

As AI becomes embedded within connected market infrastructure, its role is not to replace human judgement but to extend it — enabling firms to operate with greater clarity, confidence and efficiency across products and regions.

7. Case Studies Illustrating Market Transformation

Case Study A: Lifecycle Digitisation
A large institutional TRS desk digitises lifecycle management, materially reducing booking breaks and operational burden.

Case Study B: Cross-Product Optimisation
A global equities finance desk moves from siloed SBL routing to cross-product optimisation, improving balance-sheet efficiency.

Case Study C: Data-Driven Transparency
Market participants leverage shared contributor networks to improve price observability along the TRS curve and strengthen exposure classification.

Across these examples, the common thread is not automation alone, but the introduction of intelligence that supports decision-making at scale.

8. What the Next Three Years Will Bring?

Looking ahead to 2026–2028, several trends seem likely to accelerate:

- Broader adoption of regulated, multi-product MTFs
- Digitised lifecycle management as standard practice
- Increased transparency and consistency along TRS curves
- Expansion of data-driven liquidity formation
- Deeper convergence across TRS, SBL, repo, ETF and collateral workflows
- Rising expectations for API-first, automation-ready infrastructure
- Streamlined workflows across multiple products and multiple teams (e.g. sales and trading teams)
- Wider adoption of intelligent interaction layers within regulated market environments

Firms that successfully combine connectivity, data and intelligent interaction will be best positioned to scale complexity without increasing operational risk, while meeting regulatory and commercial expectations.

Conclusion:

A Connected Future for Equity Finance

Equity finance markets are moving decisively towards a more integrated, transparent and efficient future. As TRS, SBL and repo workflows continue to converge, institutions will increasingly rely on unified inventory, digitised lifecycle management, and data-driven decisioning to remain competitive.

In this environment, connected market infrastructure is not simply about digitisation. It is about embedding intelligence directly into how markets operate — enabling participants to navigate complexity, make better decisions and operate with confidence as products, volumes and regulatory expectations continue to expand. Connected infrastructure is therefore not just a technological enhancement, but a strategic requirement.

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