



Beyond electronic trading: The digital evolution of securities finance

Nick Delikaris, chief product officer at EquiLend, explores how connected infrastructure, shared data, and digital market frameworks are reshaping securities finance, as institutions move towards a unified operating model spanning traditional and tokenised assets

Over the past decade, securities finance has quietly undergone one of the most significant structural shifts in its history.

What was a fragmented market has evolved into a digitally connected ecosystem where automated workflows, electronic trading platforms, and standardised protocols now underpin daily activity.

The digitisation of trading, while transformative, was just the first chapter of a much broader evolution. Today, more than US\$4 trillion in securities are on loan globally, yet much of the supporting infrastructure still relies on fragmented operational processes. The next phase of modernisation in securities finance will be defined by connected infrastructure.

Recent market developments are accelerating this shift. The global transition to T+1 settlement, growing pressure to optimise collateral and balance sheet usage, and increasingly fragmented data across institutions are exposing the limits of legacy operating models. Firms need infrastructure that can synchronise data, automate lifecycle events, and provide a consistent operational framework across participants.

Regulation is playing a growing role in accelerating modernisation. Traditional frameworks such as 10c-1a, Securities Financing Transactions Regulation (SFTR), and Basel III/IV are increasing reporting requirements, balance sheet scrutiny, and operational transparency, acting as defensive catalysts that raise the cost of fragmented infrastructure.

At the same time, newer frameworks including Markets in Crypto-Assets Regulation (MiCA), the distributed ledger technology (DLT) Pilot Regime, Staff Accounting Bulletin (SAB) 122, and Financial Innovation and Technology for the 21st Century Act (FIT21) are establishing the legal foundations for institutional participation in digital assets and tokenised markets, acting as market access enablers that give institutions the regulatory clarity needed to engage in emerging digital financing and settlement models.

Today, the industry is entering a new stage of development that goes beyond digitising execution. The focus has shifted to building infrastructure that connects trading, post-trade processes, and emerging digital asset markets into a single ecosystem.

From digital trading to digital infrastructure

Electronic trading has already reshaped the front end of securities finance. Automated workflows, improved inventory transparency, and faster execution have become standard features of the modern market. As a case in point, Next Generation Trading (NGT) trade counts have increased more than 80 per cent since 2019, to over 3.5 million trades a month today, illustrating how standardised electronic trading has become across the industry.

However, much of the infrastructure that supports securities finance transactions remains fragmented. Portfolio management systems, collateral, and risk platforms, and proprietary custodian systems often operate independently and do not communicate with one another natively. Each maintains its own records of positions, lifecycle events and collateral movements, forcing firms to reconcile information across multiple internal and external systems.

Digital assets and tokenised instruments are becoming increasingly embedded in financial markets. Tokenised funds have crossed the US\$500 million threshold in assets under management, a growing number of firms have introduced tokenised securities products, and stablecoins are drawing significant attention for their ability to streamline capital flows and reimagine how payments can function.

As tokenised instruments begin to coexist with traditional securities, the interoperability challenge becomes more acute. Institutions need infrastructure capable of synchronising data, lifecycle events, and operational records across platforms and counterparties. Without that connectivity, the benefits of automation and digital market access remain constrained by fragmented operational architecture.

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That is why the next stage of innovation in securities finance is less about digitising trading and more about building integrated infrastructure that connects execution, data, and post-trade workflow processes across institutions and asset classes.

One platform, one network

A defining characteristic of the next phase of securities finance will be convergence. Institutions increasingly want a single operating model that allows them to manage traditional securities and digital assets within the same framework. Running separate operational environments for each asset class is inefficient and introduces operational risk that compounds across counterparties.

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This convergence is beginning to blur the historical boundaries between secured financing markets. Over time, firms are likely to operate a single infrastructure layer capable of supporting both securities lending and repo activity within the same operating model. In digital environments, these markets may increasingly intersect through stablecoin-based settlement and collateral mobility, creating a unified secured financing ecosystem rather than separate operational silos.

Achieving this requires a shared technical architecture built on standardised data schemas, common API layers, and synchronised transaction records that allow systems across institutions to interact with the same lifecycle data. This shared infrastructure also creates a powerful network effect; as more institutions connect, each new participant expands the pool of liquidity and counterparties while reducing operational friction and reconciliation costs for all existing participants, mutualising both cost and risk.

In practical terms, this allows firms to access digital asset financing, tokenised securities, and traditional securities lending workflows within a common operational environment while maintaining the governance standards required by institutional markets.

The three pillars of the digital ecosystem

Addressing this challenge requires a coordinated architecture spanning infrastructure, data, and market access. Three foundational components are emerging to support this ecosystem: distributed infrastructure, shared transaction data, and digital market execution.

These pillars form a dependency chain. Infrastructure enables synchronised data. Shared data enables trusted market execution. Without a common infrastructure layer, institutions cannot reliably synchronise lifecycle information across counterparties. Without trusted shared data, digital markets cannot operate with the transparency, governance and operational discipline required by institutional participants.

Pillar one: Canton network — the infrastructure layer

The Canton Network provides the distributed infrastructure layer that enables institutions to synchronise financial workflows across a network of independently run applications, while maintaining privacy, governance, and regulatory controls. Supporting applications built using Daml — a smart contract language already adopted by a number of global investment banks, broker-dealers, and financial market

infrastructures — the network is designed to support the operational and regulatory requirements of institutional finance.

Unlike fully transparent public blockchain environments, Canton's architecture allows multiple institutions and platforms to synchronise shared contract state and create a single source of truth across a distributed network without exposing sensitive data or relying on centralised control. This distributed model also reduces operational risk by eliminating single points of failure that exist in centralised systems, as participants synchronise lifecycle events across the network while maintaining their own governance frameworks and system environments.

Pillar two: 1Source — the data foundation

Securities finance has long operated without a universally shared transaction record. Lifecycle events, from allocation to recalls, corporate actions, and collateral movements, are tracked across multiple internal systems, requiring continuous reconciliation between counterparties.

1Source addresses this by creating a unified ledger that acts as a single source of truth for securities finance transactions. By standardising lifecycle data and synchronising information across participants, the platform has the potential to significantly reduce reconciliation while improving transparency across the trade lifecycle. Leading institutions, including BNY and National Bank of Canada, are already leveraging 1Source to drive greater transparency, efficiency, and control across their operations.

This shared ledger also delivers meaningful regulatory benefits. A synchronised, auditable transaction record supports reporting requirements under SFTR and US Securities and Exchange Commission (SEC) Rule 10c-1a while strengthening internal audit and governance controls, consolidating what are currently separate reporting workflows into a single data layer. The same architecture can support both traditional financial instruments and digital assets, positioning 1Source as the operational bridge between traditional finance and the emerging digital asset ecosystem.

Pillar three: Digital prime — enabling digital markets

Through its investment in Digital Prime, EquiLend is expanding into institutional infrastructure for digital asset lending and financing. Institutional participation in these markets has been limited by gaps in infrastructure, transparency around collateral, counterparty exposure, and lifecycle management that has lagged behind the standards that govern traditional securities finance.

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Stablecoins are emerging as an important bridge between traditional secured financing and digital markets. While digital-native firms approach tokenised securities through crypto financing and stablecoin liquidity, many traditional institutions are initially engaging stablecoins for their potential to streamline collateral movement and settlement payments. As these approaches converge, the infrastructure required to support both must operate within a single governed framework.

Digital Prime's Tokenet platform addresses these gaps by providing an institutional marketplace for digital asset lending and financing. Tokenet connects lenders and borrowers through an automated platform that supports trade negotiation,

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collateral management, and lifecycle processing within a controlled operating environment. Critically, the platform incorporates the risk and governance mechanisms familiar to traditional securities finance, providing transparency around counterparty exposure, collateral positions, and transaction lifecycle events in a manner consistent with internal risk frameworks and credit committee expectations.

By applying the operational discipline of traditional securities finance to digital asset lending, Digital Prime provides institutions with a pathway into these markets without requiring a wholesale shift in governance or risk management practices.

Bringing the ecosystem together

While each pillar addresses a different layer of market structure, their real value lies in how they operate together in a single transaction workflow.

For traditional equity securities lending, NGT and 1Source already demonstrate this model in production. The same dependency chain extends directly into digital markets, as the following example illustrates.

Consider a tokenised US Treasury repo transaction. The Canton Network provides the distributed infrastructure that allows participating institutions to coordinate the transaction across a shared environment while maintaining privacy and governance controls.

1Source provides the synchronised data layer, ensuring both counterparties reference the same lifecycle record for the trade, collateral movements, and settlement status. Digital Prime's Tokenet platform provides the execution environment where lenders and borrowers negotiate and transact in tokenised collateral.

The result is a transaction lifecycle that operates across multiple institutions without continuous reconciliation between independent

records, reducing settlement discrepancies, improving collateral visibility, and enabling more efficient asset allocation across financing and margin obligations. For institutions managing large securities finance portfolios, these are not marginal gains. They translate directly into balance sheet optimisation and meaningful reductions in operational cost.

Infrastructure for a hybrid market

Securities finance has always been a networked market built on relationships between lenders, borrowers, custodians, and intermediaries. What is changing is the infrastructure that enables those relationships.

The digitisation of trading marked an important milestone, but the next phase of evolution will be defined by something more significant: a unified digital ecosystem capable of supporting traditional securities, tokenised instruments, and entirely new forms of financial activity.

Over the next 18 months, EquiLend will be positioned to enable all three pillars and offer an operating model capable of handling both digital and traditional securities within a single framework.

The drivers behind this shift are already present: compressed settlement cycles, collateral efficiency pressures, tokenised asset growth, and new digital financing markets.

Adoption will not be without friction; regulatory variation across jurisdictions, legacy system migration costs and the coordination required across a multi-participant network are real implementation considerations.

But the architecture is designed precisely to absorb that complexity, providing institutions a governed, phased pathway into the digital ecosystem without abandoning the operational standards that define institutional finance. ■