SESSION SUMMARIES FROM THE 2021 PASLA/RMA UPDATE ON ASIAN SECURITIES LENDING

The recent PASLA/RMA Update on Asian Securities Lending brought together leaders in the securities lending industry in the APAC region for two great days of panel discussions from industry leaders. Discussion topics included:

- Environmental, Social, and Governance
- The Future of Securities Lending in the Asia Pacific Region
- Fintech and Emerging Technologies
- Hong Kong's relevance as China's gateway to the world
- Developing Market Opportunities
- Key Figures in the Industry

To download the complimentary virtual event, click here. Summaries of the individual sessions follow.

DAY ONE

SESSION: ESG AND SECURITIES LENDING

Moderator: Paul Solway, Head of Securities Finance, Asia Pacific, BNY Mellon

Panelists: Stefan Kaiser, Managing Director, BlackRock; Leslie Lin, Head of Stock Loan Trading, Morgan Stanley; Kate Saulenas, Portfolio Analyst, Sunsuper Pty Ltd

The ESG market is soaring globally, more than doubling in size in just the last five years and accelerating last year with the pandemic. Many asset owners have integrated ESG decisions across the spectrum of investments. With this growth comes regulatory change, with more disclosure regulation around sustainability. This scrutiny will naturally extend to securities lending. There are regulations governing short selling in Asia, but few that address ESG. The industry needs to be proactive in putting forth these frameworks and best practices before regulators tackle them. The key challenge as an industry is ensuring investors' investment objectives are not jeopardized while at the same time retaining scalability in securities lending so clients can continue to earn revenues.

PASLA has developed some technical guidelines which encourage lenders to take responsibility for ESG factors in securities lending programs. The guidelines set out options and key considerations for lenders as they establish their own programs. The working group initially focused on six factors, in order of importance as perceived by participants in PASLA's recent survey/consultation: voting rights, transparency in the lending chain, noncash collateral eligibility and cash reinvestment restrictions, rehypothecation of noncash collateral, different tax obligations, and participating in the short side of the market. We discuss the first three here.

Voting rights is one of most prevalent issues when looking at ESG and securities lending. Most would agree there needs to be good governance and accountability around voting. Options to address this issue include: never recall loaned securities ahead of investee companies' elective events, recall loaned securities ahead of elective results in accordance with proxy voting policy, or always recall loaned securities ahead of elective results. In an extreme world where all lenders recall for proxies, overall supply would clearly be challenged at certain times of the year. Having a known but clear policy/framework that ensures certainty of useable supply (versus any required recall/restriction) would be optimal.

Transparency of the lending chain was deemed the second most important factor in the survey. Lenders have several options when addressing this issue, including no monitoring of the lending chain, entrusting its monitoring to the discretion of agent lenders or borrowers, or participating in industry initiatives that apply technology to achieving greater transparency in the securities lending chain. Beneficial owners believe efforts to increase transparency down the lending chain are helpful, as having more data leads to the ability to make better decisions. In the short term, given primary counterparty restrictions that are controllable today, the full chain transparency is not always technically possible. The second option seems to be preferable. Review your counterparties regularly, is what borrowers and agent lenders are suggesting. Maintain an open dialogue to understand borrowers' comfort level with ESG investments.

The issue of noncash collateral eligibility and cash reinvestment restrictions is a "seemingly complex beast," especially with the introduction of products such as special purpose acquisition companies. Options here include no restrictions to noncash collateral eligibility or the reinvestment of cash, restrictions by classification, or restrictions by identifier or single issue. When looking at noncash collateral and collateral reinvestment, beneficial owners, for example, might want to maintain liquidity and minimize any duration mismatch, as well as retain credit quality and the institution's ESG guidelines and principles. The exposure management function and responsible investment team should work together to make sure the securities lending function and collateral are in line with ESG guidelines. As one beneficial owner said, "It wouldn't be in our investment portfolio if we don't want it as collateral. If it's excluded in our regular ESG policy, it could be based off a sector like tobacco, and we don't have any debt in that collateral. This approach goes beyond what is excluded to what we consider as ESG hot topics, things that are on our list of engagement."

It's apparent from the discussions that ESG is here to stay. There may be other items to review within the ESG framework specifically related to securities finance transactions. It's important to get those issues out front so they are part of formulating ESG guidelines. Review your investment beliefs about ESG, and prioritize your ESG policy and compliance. ESG considerations have become the standard in investment portfolios and could present risks that must be addressed from a securities lending (and borrowing) perspective.

Some queries raised during the webinar related to how ESG factors could impact yields and pricing. While pricing would ultimately be down to market supply versus demand, we would foresee that any restrictions placed on portfolios would lead to a more limited return to a lender that would reflect both the limits to the opportunities available and the additional monitoring that may be required.

We would anticipate that any of the guideline factors could be applied to all funds, not just "ESG funds."

Watch out for the official launch and full details pertaining to PASLA's ESG guidelines, which are expected to be made available in April.

SESSION: ASIAN ECONOMIC PROSPECTS FOR THE YEAR OF THE OX AND BEYOND

Keynote Speaker: Frederic Neumann, Co-Head of Asian Economics, Managing Director, HSBC

The Year of the Ox—2021—looks promising in Asia. Financial markets rallied to start the year, and signs point to improvement. But challenges remain, both near and long term, for Asian markets.

One of the most significant challenges is COVID-19. New infection rates are still high, and there have been pockets of renewed outbreaks. Consequently, the first quarter should be the low point in the economic cycle this year, but starting in the second quarter we should see strong improvement as the vaccine rollout quickens and Asia gets closer to herd immunity. In China, however, we do not expect herd immunity to kick in until the first quarter of 2022.

Pent-up savings could be turned into spending power once a normalization of growth returns. Pent-up savings are roughly 10% of GDP in Japan and 8% in Korea, and that could be unleashed in terms of household spending power on the back of normalization after herd immunity is achieved.

A sharp rebound in the U.S. that forces the Federal Reserve (Fed) to change its expectations about when it needs to tighten monetary policy could send ripples across global financial markets and possibly lead to withdrawal of capital in some emerging markets. This volatility is a concern should the U.S. rebound faster than expected and generate more inflation pressures. The weaker dollar and rally in asset markets, for example, owe much to this very loose monetary financial policy.

A market recovery will likely be led by services, as people start to travel again, dine in restaurants, and seek entertainment options. Services typically lag many sectors in a recovery but constitute a large share of CPI baskets around the world, particularly in the U.S., where a services-led rebound could lead to higher service price inflation. Markets are starting to pay closer attention to inflation as something that will likely lead to increased volatility in rates because it does condition the market's expectations about when the Fed will have to normalize its monetary policy.

What does this mean for long-term inflation? We could see a near-term rise in inflation, but globally it still remains fairly contained. Moving into 2022-2023, inflation could normalize more quickly. It is ultimately driven by wage gains, primarily reflecting the broader employment market, and in the U.S. that market as a whole has not fully recovered. The labor market might take much longer to recover despite a potential short-term burst in demand.

Asia's export engine was strong in 2020, and we see its export volume surging ahead of the West. As the demand shifted from services to manufacturing during the pandemic-induced lockdowns, the demand for more goods produced in Asia also increased, including laptops and other electronic devices that met the needs of the growing work-from-home population. There were near-record levels of exports from China and other Southeast Asian economics.

Over the course of 2021, we expect the export engine to start to cool but not collapse as global demand for goods starts to normalize. This will weigh on Asia's recovery, with the exception of electronics. New orders placed with electronics producers are growing, particularly semiconductors, prompted by a worldwide shortage. The pandemic has spurred a move toward digitization, which will help the electronics sector prosper even when broader exports start to wind down.

In fact, China's growth is skyrocketing. China delivered a stellar 2020 partly because of its success in controlling the virus and a determined government stimulus benefiting particular investments such as property, manufacturing, and infrastructure. Going into 2021, manufacturing is now the key driver for investment in China and is expected to expand by 10% year over year. The key component is digitization—one reason we expect the electronics sector to hold up well. A significant share of China's manufacturing investment is in new digitization projects in 5G, internet-of-things, and other automation programs that require intensive electronics.

On the political front, it's likely U.S./China tensions will persist. The view had been that a new administration would reset relations and there would be a cooling off period. However, policy still remains cautious when it comes to China, with the bipartisan consensus in the U.S. that China needs to be reined in. What do these tensions mean when it comes to the economic relationship between the U.S. and China? We see this playing out in three stages:

- Trade/tariffs. We see this issue as already behind us in many ways. The former Trump administration imposed tariffs and China retaliated, which reduced trade between the countries. This policy has been maxed out. Most likely, tariffs will stay in place but will no longer be a policy tool to use aggressively.

- Technology restrictions. We will likely see more measures introduced that control the sale of certain technologies such as semiconductors to mainland China. The measures would reinforce factors like redirecting supply chains to Southeast Asia out of China.

- Financial restrictions. There possibly could be sanctions and other types of investment restrictions on U.S. pension funds, for example, an area where more regulations are possible.

Finally, what will the global recovery look like? We propose the letter W, or a W with a second dip that is far less pronounced. When we think of the recovery this year, a look back at depressed levels shows nuances, long-term challenges, income inequality, unemployment, financial volatility, and concerns about inflation that may lead to a slow gain in economic growth once we're through the initial snapback.

SESSION: DISRUPTER OR DISTRACTER? THE PRACTICAL IMPACT OF FINTECH ON FINANCIAL SERVICES

Moderator: O'delle Burke, Head of Collateral Management Product – APAC, Securities Services, J.P. Morgan

Panelists: Kiranjeet Dhillon, Head of Fund Services, Technology & Innovation, Standard Chartered Bank; Matthew Long, Head of Distribution and Prime Brokerage, OSL; Paul Lynch, Managing Director, Global Head of Products, EquiLend

There is a significant presence of financial technology, or fintech, in the securities borrowing and lending (SBL) space. But is it a disrupter or distracter? The consensus at this panel points to fintech as an enhancer.

Fintech within SBL means enhancing client experiences with technology. Fintech companies work within the ecosystems of the SBL community to create platforms, house data post-trade, and so forth. It's important, however, to have a clear understanding of fintech's business context and how it will accelerate and support client needs. The one area where fintech has struggled is the distributed ledger space, mainly because individual banks have not yet built models. Without the individual participants in the community completing their models, it's difficult to treat an ecosystem in the middle.

How does the industry see the current fintech landscape as it relates to digital assets? There's an evolution in digital assets for prime brokerage, and the way the industry is evolving is largely emulating many of the products found in traditional finance. The industry is evolving quickly, and the technology is facilitating those changes. We will likely see more traditional custodians and prime brokers converging in the digital asset space.

Over the last 9-12 months, there has also been a clear institutional demand for exposure to digital assets such as bitcoin. The institutional adoption has been driving the desire for traditional finance (banks and custodians) to invest in the space, which in turn is spurring investors like pensions, hedge funds, and sovereigns to take positions in digital assets.

Digital assets are also being used as collateral. The same way collateral is taken in equities applies to the collateral management of bitcoin and other digital assets. There is an informal movement globally to have a master lending agreement for the industry. A panelist addressed the question of which digital assets are acceptable as collateral while expanding on CBL (coin borrowing lending). Ethereum and bitcoin were among the options discussed.

Industry participants have been quick to adopt some technologies and slow to accept others. What influences the pace of integration? Innovation is the simple answer. Innovation involves working with fintech companies, regulators, central banks, and industry partners to drive that adoption. In securities lending, the transformation can't be piecemeal. It's important to "future-proof" the tech architecture to build the interfaces that will allow banks to move away from traditional reporting.

But with growth comes risks and challenges, including regulatory and compliance. Cyber risk has historically been at the forefront for the digital asset industry. Mitigants come into play around the safe custody of assets and how custodians are able to provide what is now considered secure custody, with an overlay of insurance. There have been many cybersecurity incidents in the history of the digital asset community. But what has evolved to mitigate away those risks has been the growth in regulated and insured custodians. A customer onboarding with a regulated digital asset platform should have the same level of comfort and security as onboarding with a prime broker or bank.

Another challenge is around source of funds. The technology allows digital asset platforms to have a clear view of the source of new digital assets or coins coming into the platform and apply a risk-based approach to understanding the source of funds, much the same as any institution would do a source of funds analysis on a client.

The relationship between traditional prime/securities lending and fintech solutions is a collaborative one, whether it's a prime broker or agent lender looking for vendor solutions to enhance their business to create cost savings or efficiencies in processing. Everyone is looking for technology solutions that are regulated, and with that regulation comes infrastructure resiliency.

DAY TWO

SESSION: IS HONG KONG STILL RELEVANT AS CHINA'S GATEWAY TO THE WORLD?

Moderator: Stuart Jones, Managing Director, Jefferies

Panelists: Sean Greaves, Managing Director, Head of Product Development, State Street; Joanne Lau, Vice President, Asia Securities Finance Sales & Trading, Jefferies

Foreign investors are looking to China but the question has always been how to access this market. Hong Kong has a solid and tested legal framework as well as documentation that is familiar to global investors. These and other elements of familiarity make Hong Kong a primary route for investors. The Hong Kong Exchange over the past year has been successful, with trading volumes four times that of the London Stock Exchange.

December 2020 marked the first time that qualified foreign institutional investors (QFIIs) were allowed to access the mainland short selling mechanism. Now that the market is available for QFIIs, panelists believe their participation could help attract more funds and could allow China to open up with Hong Kong as a channel. Applying for QFII status was a long and cumbersome process. Regulators clearly believed "institutionalizing" the market was crucial for global investors, making this a smart move, panelists believed. Panelists added there is interest from both supply and demand sides, including institutions that already have QFII access and those that use Stock Connect (a collaboration between the Hong Kong, Shanghai, and Shenzhen Stock Exchanges), which currently is very much linked with Hong Kong. An investor does not need to have QFII access to go through Hong Kong.

Hong Kong is still a popular destination for Chinese companies that want to raise U.S. dollars. Hong Kong exchange regulators work closely with China to access foreign money. Also, the Singapore Exchange recently announced it has partnered with Euroclear Bank to launch the Orchid bond structure in Singapore. Although both exchanges appear to be vying for the Chinese business, Hong Kong for now still holds the top spot. The float coming out of China up to February had been about $50 billion, mostly via a southbound flow, and much of that can be attributed to the Hong Kong Exchange's massive spike in volumes.

There has been a strong push to promote Hong Kong on a global basis to bring access to capital to China. Panelists expect this trend to continue. Driving this access to capital is a keen interest in initial public offerings (IPOs) and secondary listings in Hong Kong. More funds raised in 2020 were technology-focused than in previous years. Also, China, traditionally a very retail-driven market, seems determined to move more toward institutional. The liberalization of QFIIs, opening up participation in securities lending, will help diversify the lending base.

Repo and bond lending across global markets is an important component of the market's structure—both are currently under review by the PBOC for QFIIs, but not available at present. Neither are available via the Bond Connect channel and repo is only currently for RMB clearing and participating banks.

There is hope the China market will head toward "familiar territory" for most market participants—that is, a generous style of repo contract and operational flow. There are ongoing discussions, and it would be advantageous to market participants to have a model that closely follows that of other markets.

Hedge funds, relatively new in mainland China, could become an important part of the overall ecosystem. A decade ago, there were few hedge funds in China, and those that did exist were usually large mutual funds that started hedge fund strategies. A few years ago, domestic hedge funds started appearing, and there are now platforms where hedge funds can raise capital from private investors. Big supply side investors are also increasingly diversifying into hedge funds, and the industry is expected to grow significantly in the next few years as larger institutional groups take on these investments.

Panelists ended the session with a discussion of transparency and oversight—"probably not something that people are going to be used to experiencing when they access China," as one speaker said. Understand that the rules of engagement and level of transparency will differ, although there may be more traditional sources of business that are reluctant to embrace that culture. With the ongoing innovations in China, transparency and strict regulations are necessary, but panelists believe participants will develop a level of confidence once clarity around regulations is achieved.

SESSION: NEW ASIA MARKETS: IS 2021 THE YEAR IN WHICH SECURITIES FINANCE TAKES OFF?

Moderator: Ed Oliver, Managing Director, eSecLending

Panelists: K. Hari, Chief Business Officer, National Stock Exchange of India; Tim Murch, Vice President, Citi; Roel A. Refran, Chief Operating Officer, Philippine Stock Exchange Inc.

Roel Refran discussed the journey the Philippine Stock Exchange (PSE) has been travelling in respect of SBL and short selling. Laws were amended to ensure that securities borrowing and lending transactions were not treated as outright sales. This framework historically was to address fails management. The Philippine Stock Exchange, Inc. expanded its securities framework to make sure short transactions would be within the framework of SBL for execution purposes. Agent lenders and brokers have to confirm that clients do not resort to naked shorts for purposes of executing trades. The PSE has not formally launched its securities lending framework but is close to doing so, aiming for a Q2 launch this year. The PSE has adopted what it believes are "suitable and appropriate" measures for the Philippine market. The exchange is looking at the lending agent model to enable short selling and hopes expanding short selling will attract custodians and institutional investors. There will be short selling ratios and transparency regarding activity.

Are issues such as being able to take foreign collateral on the table? For the PSE, the answer is yes, especially for the offshore collateral that would be eligible for mark to market requirements. The PSE has recommended that move to regulators, especially given how important it is for tax authorities to recognize this collateral. The Global Master Securities Lending Agreement (GMSLA) would have to be registered with the Philippine authorities, but using the standard GMSLA means avoiding the need to renegotiate and incur additional expenditures. The PSE anticipates those items will be approved by regulators and tax authorities soon. Lending agents will have to register too. The combination of registered lending agents and agreements means that the tax authorities will not charge tax on SBL movements.

Derivatives are on the agenda in the Philippines, and the exchange will soon launch futures, followed at some point by single stock options. The exchange is also going to relaunch its clearing and settlement system for purposes of forward planning as well as to prepare for derivative functionality.

The SBL market in India is growing as well. There are about 700 stocks listed on the National Stock Exchange of India (NSE), and over 100 have derivatives driving the SBL route. The NSE has been working on changes to SBL contract tenures, particularly to facilitate certain corporate actions. There are new collateral options to expand from previously just being cash. The exchange is looking to attract domestic institutions, mutual funds, and other "good quality lenders." The NSE said that the SBL market is the "next big thing." The regulator, SEBI, is supportive of change in SBL and is encouraging exchanges to move to shorter term contracts that would be more attractive to lenders. India is currently a highly retail-dominated market, with about 35% of volumes in retail, although institutional investors are welcome. The exchange is comfortable with the existing system, which realizes solid fees and revenues—there is no thought at the moment of moving away from a cleared SBL model.

Other Asian markets are opening up again following bans introduced during the COVID crisis, but at their own pace. Regional exchanges reacted differently to the pandemic, some issuing short selling bans and others doing nothing. Their responses seemed to depend on existing infrastructures. Taiwan came back in June, Thailand in mid-fall and Malaysia has come back online recently. The market is "just about back to normal," with the exception of South Korea, which has taken a different stance, leaving the short sell ban in place for longer. South Korea is looking to bring short selling back in May and give retail investors the opportunity to participate in both short selling and securities lending. Among potential new markets is China, "the one everyone is watching."

Panelists concluded with a discussion on the market growth among retail investors. There was cause for concern in January with the phenomenal spike of GameStop stock, raising alarm bells for purposes of examining margin requirements. Some exchanges noted more than 30% increases in January alone, with much of that coming from individual retail investors. Participants were able to fulfill margin requirements, but the question remained: How sufficient are the margins when there is a lot of volatility in the market? The PSE did introduce more circuit breakers to help. Retail investors will continue to increase in numbers, and market participants need fundamental requirements and risk filters in place, especially on the systems side. Front-end systems were stress tested on a real-time basis early this year, and adjustments should be made to the front-end functionality, infrastructure, and hardware ecosystem.

SESSION: INDUSTRY LEADERS: THE FUTURE OF SECURITIES FINANCE IN ASIA/PACIFIC

Moderator: Jeff Coyle, Head of Securities Lending Trading, Northern Trust

Panelists: Jack Chang, Head of Capital Markets, Financing Distribution, APAC, UBS; Natalie Floate, APAC, Head of Market & Financing Services, BNP Paribas Securities Services; Chunhua Ou, Head of Agency Securities Relationship Management —APAC, Securities Services, J.P.Morgan; Nick Silver, Head of Japan Equities, Credit Suisse

2020 was a challenging year for securities lending markets in terms of revenue generation, with the imposition of a number of short selling bans from various regional regulators partly to blame. But panelists said it was not "all doom and gloom": Toward the end of the year, China saw a change in its Qualified Foreign Investor rules which permit QFI participation in securities lending and short selling.

Market volatility was huge for APAC in 2020. On the demand side, there was increased demand in markets where clients were looking for liquidity. Markets which implemented short selling bans saw client flows coming out of those countries as clients searched for liquidity elsewhere. Initially, markets saw clients derisking at the start of the pandemic, but as the year progressed they started to add back risk, and market participants saw elevated volumes across Asia. As investors adjusted to the new liquidity environment, and central banks poured liquidity into the market in support, significant re-risking occurred followed by improved performance. By third-quarter 2020, confidence had returned to the markets.

From a beneficial owner perspective, reaction to the initial volatility last March was relatively calm compared to the global financial crisis. There were more informed discussions, with some clients making adjustments to their programs according to their risk appetite. Measured conversations took place around exposure, risk profiles, and liquidity in lending programs, and only a few took the decision to suspend their lending programs. Panelists believe this demonstrated clients' sophistication levels and the ability of agent lenders to support programs through heightened volatility supported by lessons learned post the GFC. One unusual dynamic was that some governments introduced schemes where liquidity could be drawn down early, particularly for pension funds. This did drive some clients to halt activities.

There were several trends coming from the pandemic. For one, the work-from-home environment presented a technology challenge, which was met impressively. But digging further, how do you adapt to change? What work-from-home contingencies are necessary for processes that were 100% in-house? These are questions that companies and regulators alike had to address.

Clients wanted to explore alternative ways of conducting business, looking at available tools like securities lending and deploying them to other areas such as Treasury management. Firms were also faced with enacting changes like outsourcing trading for certain types of instruments because clients wanted flexibility. In addition, clients have been laser-focused in the current low-yield environment, searching for ways to capture higher yields. Consequently, following the height of the volatility there has been a desire to look at risk parameters including more flexible collateral sets and alternative vehicles to raise cash.

Technology affects every project, so the focus on tech is a trend that will likely accelerate. Time to market and flexibility are key drivers, forcing companies to update or replace legacy systems. Regulations will change along with the technology, and the role of securities lending will continue to evolve. It has gone from a back-office revenue generator to a facilitation tool appreciated across front offices.

Hedge fund clients as well have adapted to the work-from-home environment. Many Hong Kong clients had already been in a work-from-home scenario for a few months before the pandemic hit globally. Also, many traders haven't been in their offices for a year and are still productive. Corporate access has been helped significantly by the rise of Zoom, WebEx, and other virtual meeting tools.

On a macro level, regulators provided the requisite levels of flexibility, recognizing early there was a problem and banks needed to be able to adapt quickly. This required regulators to develop creative ways to ensure markets continued to function. Japan, for example, which historically relied on a paper-based system and physical signatures, moved quickly to adapt digitalization of some documents. Once the dust settled and the realization set in that work from home was going to be the norm for a while, there was a divergence in the performance of stocks. Some sectors suffered, particularly real estate, while others, such as those in the do-it-yourself space, prospered.

As we moved into 2021 and positive news surfaced about the development of vaccines, there have been several positive signs for markets, including the removal of the last short selling restrictions. Clients are also rethinking their environmental, social, and governance (ESG) strategies following the political and social unrest of 2020. There is a heightened awareness of the importance of ESG not just in securities financing but across the finance industry in general. The industry seems to be moving in a direction where ESG is more compliant. There is no uniform view of ESG compliance currently, especially in regions like APAC which are given to fragmentation. It will be up to market participants to help the industry develop in this area, particularly agent lenders working with clients in understanding their requirements and forming that bridge to the demand side, which might have a different view of how ESG fits with securities lending. Many clients are still evaluating the value of ESG and how it can be incorporated into investment strategies, but this will take time.

In response to a query raised during the session about the long-term implications of the regional short sell bans, the varying degrees of action taken by regional regulators—from none, to reduced short sell quotas and uptick rules, to outright restrictions—were influenced by a combination of historical events and current political pressures. Australia was one market which introduced a ban during the Global Financial Crisis but on this occasion felt there was no need to take such action. Korea on the other hand introduced an outright ban during the GFC and also last March which will only be lifted, partially, in May of this year. It seeks to balance the benefits of short selling to financial markets with political concerns and the inclusion of its retail investor base in short-selling activity. Empirical backward-looking studies on the functioning of markets during the period covering any bans or restrictions would go a long way to addressing whether or not the bans were beneficial or effective in their desired outcome, which was ultimately reducing volatility. Even so, individual countries may never reach a consensus on this topic and when the next market shock occurs, as doubtless it will, countries will act in accordance with their own regulatory and/or political direction at that juncture.

Where will the focus be in 2021? Consensus is that the spotlight will be on the continuing growth market of China. There is more supply coming into that market, and 2020 was significant in that China allowed short selling by offshore participants for the first time. Other markets developing their SBL infrastructure in APAC are also starting to let in international participants, although most markets are at different stages of deployment. Developed markets like Australia and Japan continue to be positive, with global accounts making sure they have enough capital deployed there.

The pace of change is rapid and the SBL ecosystem including financing and liquidity management is evolving at an unprecedented rate. Exciting times are ahead!