

# SECURITIES FINANCE TIMES



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## Post-trade automation: Stock loan vs repo in times of volatility

Firms that neglect assigning budget for automated and real-time front-to-back-office operations are choosing to operate in a foggy and riskier economic environment, says Pirum's Jon Ford, head of fixed income business development

There is good volatility and there is bad volatility. A few weeks into the current trade wars, after 'Liberation Day', a friend and former colleague noted on the back of the well-advertised (and scary) 10-year US Treasury selloff: "What we've been seeing is bad volatility."

Of course, some folks will find a way to trade this market but — overall — when fundamentals are cast aside and desks are left to trade hourly changing headlines, trading becomes tough.

While Q1 volatility has served trading desks well, we will need to see Q2 results as to the impact of the sharp selloffs witnessed after the full tariff battle came into focus.

These days, when I see whipsawing markets like these, I see them through two lenses. One is a trading view: how crazy are these markets! Another is a collateral lens: how this type of trading activity puts more pressure on the

settlement and movement of collateral.

Heightened volatility creates chaos in the post-trade and collateral ecosystem, increasing fails, overdraft costs and penalties, and further stressing the finely balanced art of managing collateral across one's enterprise.

Recent examples are the escalation of fails in the market during Covid, when daily US Treasury fails topped US\$1 trillion per day, and the margin trainwreck of the mini-budget back in September of 2023.

What I have learned during the last 20 months as a post-trade technology expert is that collateral and operational inefficiency can be extremely costly.

What I have also found on my post-trade automation journey is that the pain is not felt equally between equity and fixed income financing. As a long-term practitioner



in the fixed income industry, it is apparent that post-trade automation in fixed income finance has lagged that of equities. Some of that is structural, such as how markets are traded and financed. With the fixed income markets still largely bilateral and off-exchange, the knock-on effect has been a relative underinvestment in fixed income finance post-trade.

As a result, a fault line has emerged that separates the much more technologically advanced equities plate, from the legacy-riddled (from a post-trade technology-stack perspective) fixed income plate.

How and why did this fault line appear? And what are the consequences of not repairing it? That is what I will unpack in this article.

### Post-GFC fixed income growth vs equities

As most folks know, the relative growth of the global fixed income markets compared to equities has been quite dramatic. As quantitative easing piled on government debt, low rates saw an explosion in credit debt.

Meanwhile, restrictions on banks saw trading migrate to

the 'pod shops' — and volumes exploded.

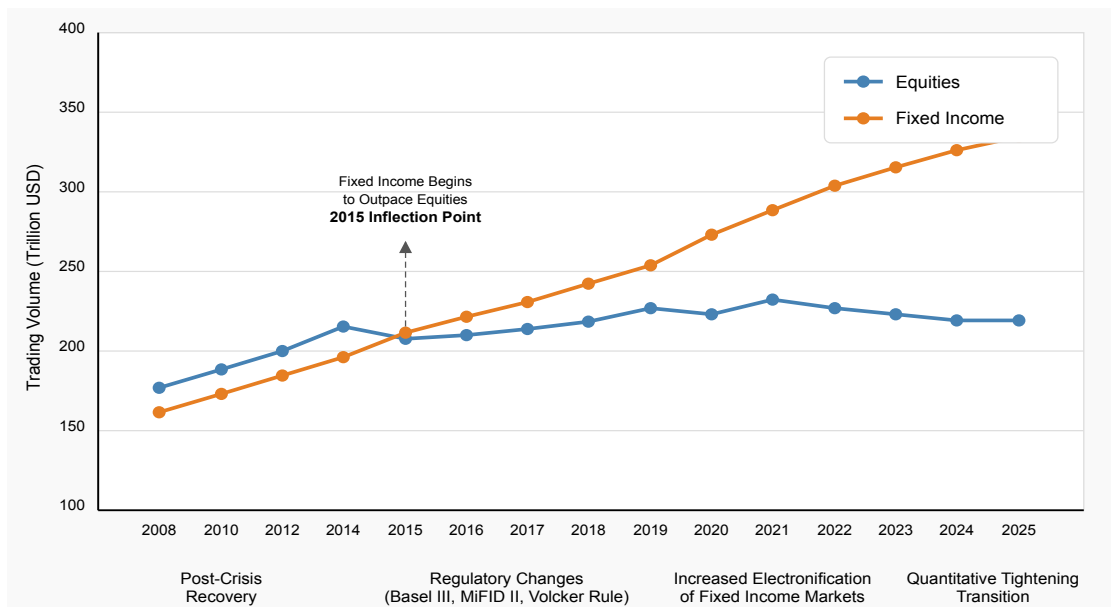
Within the fixed income financing space, auto execution has facilitated managing the trade flow but automation in the post-trade space has not kept up to speed. With the dramatic rise in rates, the cost of this inefficiency became increasingly, and painfully, apparent.

Out of the inefficiencies on the equities side, Pirum was born in 2000 — to automate, standardise data flows, and to connect the many layers of the equities landscape into a single, efficient ecosystem.

As noted above, post-global financial crisis (GFC), debt issuance and trading greatly outpaced equities. This obviously extended to the repo markets and related bond-borrow markets. As trading became more global within fixed income relative value and global macro, the financing of cross-currency and cross regional trades has made the post-trade landscape ever more complex and expensive.

### A faulty engine does not scale well

Today, the lack of efficient post-trade systems and, most of all, automation is a glaring structural issue for fixed



income desks. From the discussions we have had across fixed income trading, middle office and settlement desks, the costs arising from these inefficiencies continue to grow.

In addition to the blunt cost of fails and fines, desks are now contending with risk-weighted assets (RWAs), liquidity coverage ratio (LCR), net stable funding ratio (NSFR), concentration risk, and counterparty risk, all of which puts pressure on controlling cost, satisfying client needs, and making money.

This is all the more important today, given that the challenges that spurred vendors like Pirum to automate equities are now more than evident in repo, such as globalisation and the proliferation of strategies (credit, quants, basis trading, relative value, global macro, emerging markets, structured credit, etc.). The results from this increased activity mean more size, more volume, more lifecycle events, and ultimately, more operational burden.

Case in point: the number of fails and penalties, as well as the amount of overdraft costs, incurred by fixed income trading desks is nothing short of staggering. In 2024, for example, EU capital markets were experiencing [6,000 average daily fails](#). In 2022, fixed income desks in the EU incurred [€1.7 billion in penalties](#) resulting from fails.

Thankfully, in the [48th series of its European repo market analyses](#), the International Capital Market Association (ICMA) noted: “The strong trend growth in the automation of trading in the dealer-to-customer segment, much of it driven by hedge funds... decelerated in the second-half of 2024. However, subsequent reports suggest that it is unlikely that the electrification of the D2C repo market will slow down in 2025.” But there is still much work to be done.

### The increased importance of line of sight

The relative lack of automation has not gone unnoticed. Indeed, some of the largest lenders, prime brokers, and dealers have engaged us to assist in accelerating the automation of their trading operations, front to back.

In the securities borrowing and lending (SBL) space, there

has and continues to be much focus on inefficiencies in bond borrow, collateral movement, and triparty optimisation. What has been somewhat lacking is visibility between the SBL market and the repo trades, which ultimately drive that SBL activity.

It is somewhat obvious, but when you start to drill down, it is also quite complex. The standard bank construct sees a fixed income repo desk financing (long and shorts for their clients and often the bank). This results in a constant optimisation exercise of a collateral stack that runs from high-quality liquid asset (HQLA) to high yield. Equity finance desks, meanwhile, fund their prime brokers, delta one, firm trading, and solutions desk, oftentimes upgrading in HQLA sourced from lenders or their fixed income desks. Throw in treasury desks running liquidity buffers, managing LCR and NSFR, and soon the matrix becomes extremely complex — and fixed income is ever present.

### Implementing automation: The key to long-term fixed income success

Automation is the only way to avoid fails, penalties, and overdraft costs. It is the only way to ensure an effective line of sight across enterprise operations. Ultimately, it is the means to manage complex collateral equations. Retaining accurate, real-time, and detailed visibility over counterparties, collateral movements, settlement statuses, etc., is vital every day, but even more so when faced with the ‘Fog of Trade Wars’.

Automation is therefore no longer a fix, nor a ‘nice-to-have’ — it is the foundation for a resilient, profitable and long-term fixed income business.

Regulators worldwide are calling for automation, automation, automation. Adding to headcount is no longer a viable solution, when faced with regulatory drivers like T+1, SEC 10c-1a, Basel III, the Securities Financing Transactions Regulation (SFTF), the Central Securities Depository Regulation (CSDR), etc. The industry associations and working groups agree ([see Tech Annual T+1 article by Amit Kohli and John Tootell](#)). The only cost-effective and long-term solution to how trading must happen in the future is automation.

So, where to start?

Leveraging technology to automate and offer connectivity solutions to real-world securities finance problems has been Pirum's bread and butter for 25 years. Solutions, like our long-serving Post Trade Services solution, as well as RepoConnect and Recalls Manager, automate returns and recalls in real time. Today, Pirum is processing in excess US\$4 trillion in transactions on a daily basis, with an additional US\$4.7 trillion collateral managed, delivering up to 99.8 per cent straight-through processing (STP).

Recalls Manager, for example, supported our clients in transitioning smoothly to T+1 settlements in the US and Canada, and has now put them in a good position ahead of the move to T+1 in the EU and UK in 2027.

Contrasted by firms that did not automate with 'tried-and-tested' solutions, opting instead to throw headcount at the problem, and suffering as a result. As [a report from Citi](#) put it: "Every area appears to have been more impacted than originally anticipated, from funding to headcounts, securities lending and fail rates."

There is no good reason, in our view, why fixed income desks should not have the same level of control, efficiency, accuracy, and visibility enjoyed by their equity peers. That is why we have spent the last five years extending our equities offering to cover fixed income desks, with RepoConnect.

The fact all of our clients deal in real-time data is key, particularly when money and stocks move faster in times of volatility. Our clients enjoy an accurate line of sight on all their trade, collateral movements, settlements, etc., while also helping them to comply with T+1 timelines. The benefits of automating the complete trade lifecycle combine powerfully to improve P&L and efficiency, enabling clients to focus on growing their business.

From a macro perspective, automation helps to make the entire securities finance industry more liquid, dynamic, and resilient, and less prone to costly errors, fostering bearish uncertainty — which, again, is why the regulators and industry associations are all for it.

## One ecosystem

That is why I want to encourage the fixed income community, globally, to move beyond costly bilateral integrations, confusing email traffic, and laborious manual lifting, and engage with vendors like Pirum. I would also ask all firms to consider what they might look like in 2027 if they embrace automation versus if they do not.

Simply put, firms that neglect assigning budget for automated and real-time front-to-back-office operations are choosing to operate in a foggy and riskier economic environment. Tried and tested solutions like PTS, CollateralConnect, and RepoConnect, which already supports US\$1.5 trillion in daily repo transactions flowing through it, are fast to integrate.

Automated solutions like Pirum's are also — out of the box — connected to the entire securities finance ecosystem (and most likely to at least one part of your organisation). And by ecosystem, I mean the single equities and fixed income space, the beating, two-chambered heart of the wider world of securities finance, which we are lucky to call our professional home. ■

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Head of fixed income business development  
**Pirum**





# Automate your Repo lifecycle

RepoConnect offers real-time trade matching, automated pair-offs, and post trade lifecycle management – designed to help reduce fail costs and operational risk while supporting accuracy of risk, positions and desk P&L.

To learn how RepoConnect can support your repo operations, search:



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