

# Rethinking Boundaries in Market Governance: Signals from Securities Lending Practice

# Reflection Paper



**Radek Stech**, CEO of Global PSSL CIC and Founder of ABC Score™  
**Roy Zimmerhansl**, Head of Capital Markets, WTS Hansuke

---



# Table of contents

- 1. Introduction..... 3
- 2. The trillion-dollar pathway that connects thousands of stakeholders..... 4
- 3. Signals from securities lending..... 5
- 4. Moving forward ..... 7
- 5. Guiding Principle: From Insight to Action..... 8



SUSTAINABLE  
FINANCE | LAW  
& STAKEHOLDERS



University  
of Exeter

# 1. Introduction

What began as our joint examination of securities lending in the context of sustainable development has, over time, revealed a broader set of signals across the financial system. These signals point to structural fragmentation, inefficiencies and governance gaps that extend well beyond any single transaction type or market silo.

Securities lending is not a discrete market segment, but a transactional building block that cuts across multiple asset classes, geographies and infrastructures, in both analogue and digital form. It therefore offers a practical lens through which to examine how transparency, accountability and governance operate across markets, while also highlighting the inefficiencies that arise from complexity and from disconnects in how different parts of the system interpret and act on available information.

## 2. The trillion-dollar pathway that connects thousands of stakeholders

The collaboration began in 2020, with a shared focus on action and a deliberate avoidance of purely presentational approaches. At the time, the objective was to improve securities lending, recognising that there were multiple entry points for reform.

The Principles developed through this work were initially framed through a sustainability lens, driven in part by major institutional investors, but were ultimately grounded in core governance considerations. Alongside this, parallel efforts across the market addressed areas such as collateral, financing, regulation, and data.

What became increasingly clear, however, is the scale and interconnectedness of securities lending. It forms part of a trillion-dollar daily pathway that links cash equities, ETFs, fixed income, derivatives and, increasingly, tokenised instruments. Thousands of institutions and their end-clients participate in, or are indirectly affected by, these activities across jurisdictions.

Recent work on accelerated settlement in Europe provides a practical illustration. In the context of T+1, a majority of the recommendations developed within the securities finance workstream were redistributed across settlements, trading, operations and related areas, underlining that securities finance is integral to the successful operation of markets rather than a sideline activity.

Taken together, these developments point to a broader reality: securities lending functions as a fundamental building block of how wider developed financial markets operate, where individual practices can have system-wide implications.

### 3. Signals from securities lending

Securities lending provides a lens through which signals can be observed across the system. These signals are not confined to a single activity or market silo, but appear in different forms, from pricing anomalies and behavioural patterns to delayed responses to emerging risks.

Our (previous) work, included engagement with asset owners, banks, hedge funds, regulators and other market participants alongside policy and regulatory contributions. This work highlighted concerns about transparency, accountability and the effective use of assets across broader markets, from shorter-term trading activity to long-term investment stewardship. These concerns are not isolated; they reflect broader challenges in how information is generated, shared, interpreted, and ultimately acted upon.

Global market experience seems to have confirmed these concerns. High-profile failures such as the Wirecard case show that signals can remain within the system for extended periods without being recognised or acted on. At the same time, recent discussions highlight the role of investigative journalism, short selling, and securities lending in bringing mispriced risk, weak governance or potential fraud to the surface.

Similar patterns can be seen in the context of ESG, sustainable investing and similar concepts. Concerns around greenwashing, alongside the subsequent backlash, illustrate how the same signals can be interpreted differently across the market. While political dynamics are clearly present, these developments also point to underlying challenges in how information is assessed, trusted, and translated into action.

The widening gap between rich and poor, growing pressures on living standards, and limited progress on the Sustainable Development Goals are examples of how these dynamics play out in practice.



## 4. Moving forward

These observations reinforce the need for a more holistic approach to market governance. Rather than focusing on individual components in isolation, attention should shift to how different parts of the system interact and to how signals identified in one area are interpreted in another. Building on earlier work, including engagement with asset owners, consumer groups, and industry experts, this direction is now being explored through the development of the ABC Score™ (Assess, Balance, Calibrate™). The aim is not to introduce another layer of complexity, but to provide a practical framework through which governance signals can be assessed, balanced, and calibrated across wider financial systems, with the help of cutting-edge technology.

In this context, securities finance remains an important reference point, and the Principles continue to guide this work. At the same time, the implications go beyond securities finance and support a stronger and more connected approach to market governance.

## 5. Guiding Principle: From Insight to Action

The next phase of this work will involve further review, continued engagement with stakeholders and the testing of initial metrics in practical settings, including in the context of global development. The work remains guided by the same principle that shaped the collaboration from the outset: a ***focus on action***. The intention is not to add additional layers of siloed frameworks, but to complement with approaches that can be applied, tested, and refined in practice. Ultimately, this is about delivering benefits for the broader community.