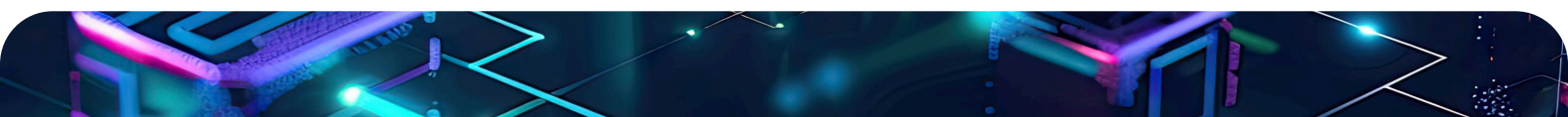


From Operational Savings to Collateral Mobility

The Next Phase of Tokenization in APAC

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Executive Summary

Distributed ledger technology (DLT) has matured rapidly to become a robust, institutional-grade technology which brings significant efficiencies. It has now grown beyond the phase of an innovation sandbox into a new production-scale era. At an industry session held in Singapore on 11 November the consensus was clear: the value of DLT in collateral markets is no longer theoretical.

With the underlying infrastructure now facilitating significant daily volumes—referenced in our *DLT in the Real World 2025* report—the focus for Asian institutions has shifted. The driver is no longer just operational efficiency, but the critical need for intraday liquidity to navigate the "dead zones" between US and Asian operating hours.



1. The Strategic Imperative: Solving the Liquidity Dead Zone

The primary friction point identified during the session is the misalignment of global time zones, which traps high-quality liquid assets (HQLA) when Asian markets need them most. By tokenizing them not only do we expand the availability window, but we place liquidity “on tap”.

The Follow-the-Sun Challenge

We are witnessing a persistent structural failure in global markets: while Europe and the US have overlapping hours, once the US market closes, moving US Treasuries into Asia for the open becomes impossible under legacy infrastructure.

Without access to US collateral during the Asian trading day, clearing banks are often forced to provide liquidity based on strict limits which sometimes limits liquidity from the market. Conversely, the ability to mobilize collateral immediately and reliably enables the use of high-quality liquid assets (HQLA) for intraday liquidity and their repositioning as needed to meet capital or other requirements. This approach reduces reliance on central bank discount windows, which in turn lowers the cost of capital and financing.

In a T+1 settlement environment—which effectively translates to T0 settlement pressures for Asian firms trading US securities—this lack of secured funding creates a tangible risk. Absent an effective liquidity tool, investors might be stuck with pre-funding, or obtaining unsecured loans which might be limited in size and saddled with high lending costs. Liquidity is binary—it is either available or it is not—and unlike market risk, there is no effective hedge for a lack of liquidity.

DLT as a Risk Management Tool

For major clearing institutions, adopting DLT is increasingly viewed not as a technology upgrade, but as a risk tool. By enabling immediate movement of collateral, banks can manage liquidity buffers more granularly. This reduces the capital drag of holding excess buffers and allows institutions to offer more liquidity to market makers without increasing their risk exposure.

“Liquidity is something that's either there or it's not, and there's no hedge for liquidity.”

Robert Sim, CEO, ABN AMRO Clearing Asia Pacific

2. The Mechanics of Velocity: Immobilization & Tokenization

To solve the "dead zone," the market is moving toward a model where the *asset* stays put, but the *ownership* moves instantly.

Immobilization as a Bridge from Traditional to Digital

The solution detailed during the session relies on "immobilizing" or locking the underlying collateral within a custodial location.

Once locked, a tokenized representation is created on the ledger. This token can be transferred 24/7 between counterparties, bypassing the operating hour constraints of the underlying securities depository.

The ultimate goal is increasing the velocity of the collateral. Instead of an asset sitting idle overnight, it can be rehypothecated and used to secure funding in a different time zone, maximizing the use of the asset beyond standard custody hours.

“You have to make something stop moving, to get it to move 24 by 7 on chain.”

Rajeev Tummala, Head of Digital & Data, Asia & MENA,
HSBC Securities Services, HSBC

The Cross-Currency Barrier

The next phase of value creation lies in cross-currency repo. Currently, HQLA is often restricted to its home jurisdiction, meaning US Treasuries cannot easily be used to secure local currency borrowing in Asia on an intraday basis. Tokenization allows these global assets to be used seamlessly to secure local currency funding (e.g., HKD, SGD, JPY) during Asian hours. This opens up a "total addressable market" of assets that were previously illiquid or inaccessible due to settlement friction.

3. Implementation Strategy: The Power of Simplicity

Integration over Replacement

Successful projects must integrate with, rather than replace, legacy ecosystems. Mass adoption requires making the new infrastructure "simple" and even "boring" for the end user.

Success depends on utilizing standard addendums to existing custody agreements rather than creating complex, comprehensive rulebooks that legal teams will reject or will get bogged down in slow negotiations.

Users should be able to instruct via existing channels (like SWIFT) without overhauling their back-office systems. The goal is to fold the technology into existing structures so that it becomes "just an addendum to what you're already doing".

APAC has the benefit of having sustained investments on DLT over the past few years, creating strong infrastructure foundations as well as domain expertise to support adoption.

The Network Effect

The "cold start" problem for this network is largely solved. The ecosystem now supports hundreds of relationships, primarily between US and European counterparties, and is extending into APAC. As liquidity providers and custodians come online, the network becomes a "follow the liquidity" model—where participants join because that is where the funding is available.

The momentum in APAC is further encouraged by global projects coalescing both the public and private sectors from around the world, such as Global Layer 1 (GL1) which foster the development of open, interoperable, shared ledger infrastructures for hosting and executing transactions involving tokenised assets.

“You can make the technology work for you without a massive revamp of your flows and internal operations.

Horacio Barakat, Head of Digital Innovation, Broadridge

Conclusion: The Path Forward

As evidenced by recent ECB Trials, BIS Projects and national initiatives, the regulatory and technical questions surrounding DLT settlement are being answered, validating that wholesale transactions can settle securely on these new rails. The challenge now is mostly around driving community adoption.

For firms in APAC, the transition to platforms like Broadridge's Distributed Ledger Repo (DLR) is no longer about testing a hypothesis; it is about securing the intraday liquidity necessary to compete in the modernized marketplace, supporting extended working hours, shorter settlement cycles, and new assets. The shift to real-time asset movement changes the entire setup of how liquidity is managed globally.

Key Takeaways for the Industry:



Risk Management First

View DLT not as IT infrastructure, but as a tool to hedge liquidity risk in a world with stricter liquidity demands and narrowed operational windows.



Interoperability

Leverage existing custodial relationships to access DLT liquidity pools without building proprietary infrastructure.



Asset Velocity

Shift focus from simply holding assets to maximizing their turnover velocity across time zones to reduce funding costs.