Building secondary market liquidity in Saudi Arabia – powering Vision 2030?

Simon Squire, managing director, Global Collateral product at BNY, examines how strengthening repo, securities lending, and triparty collateral infrastructure, can unlock secondary market liquidity in Saudi Arabia and support the Kingdom's ambitions

Saudi Arabia's capital markets have advanced rapidly over the past decade. Primary issuance has been strong, foreign investor access has improved, and the Saudi Exchange has become a regional anchor. The next phase is clear: deepen secondary market liquidity to mobilise assets, strengthen price discovery, and attract long-term institutional capital. To achieve that, securities finance — repurchase agreements (repo) and securities lending — enabled by scalable triparty collateral services are essential to fostering the resilient, globally integrated capital market ecosystem outlined in Vision 2030.

Financing activity in Saudi Arabia has traditionally been bilateral and cash-collateralised. As balances grow, so does the need for greater operational automation, capital and liquidity efficiency, and transparency. A proven path is to shift from cash to non-cash collateral, standardise eligibility, and leverage a triparty agent for allocation, settlement, and optimisation —

within a legal and regulatory framework that enables collateral mobility and risk reduction, without sacrificing control.

The role of secondary market financing

A robust secondary market will build market credibility and attract global institutional investors seeking efficient capital allocation, operational efficiency at scale, and robust risk management. The right mechanisms and trusted solutions, designed with regulatory and operational considerations at the forefront, have the potential to accelerate and achieve the Kingdom's capital market ambitions.

Repo — borrowing cash against securities — supports price discovery and liquidity in capital markets. Securities lending enhances settlement efficiency and reduces the risk of settlement fails, contributing to more accurate pricing and smoother market functioning. Triparty collateral solutions reduce friction and enable firms to transact at scale through increased automation and reduced manual processing. Together, these mechanisms help create a self-reinforcing flywheel: as lending supply and borrowing demand grow, liquidity deepens and price discovery improves.

They also strengthen risk management through established margining, hedging, and funding channels. Operating models and documentation such as pledge frameworks and title-transfer, creates globally recognised standards, therefore reflecting international best practices while respecting local laws and regulations.

Non-cash collateral lowers liquidity and reinvestment risk and supports capital objectives, enhancing balance-sheet efficiency. Standardised eligibility schedules and automated substitution enable operational scale. Daily mark-to-market, independent controls, and transparent reporting further reinforce governance. These practices can also enable tangible optimisation possibilities, such as lowering all-in funding costs, using risk-weighted assets more efficiently through smarter collateral allocation, and freeing untapped liquidity resources, which can result in improving capital efficiency and throughput across the secondary market.

Regulatory and operational priorities in Saudi Arabia

A successful secondary financing market depends on clear and consistent legal and regulatory frameworks for securities lending and triparty collateral services. Today, key challenges include the treatment and registration of securities interests, market recognition of omnibus concepts for title transfer arrangements, and the enforceability of close-out netting and collateral rights. Ambiguities in how ownership is transferred or protected, particularly in default scenarios, can deter participation from global institutions who are used to well-established operational frameworks in other global markets.

Operationally, local registration requirements along with limited ability to mobilise assets free of payment in the market can constrain efficiency and scale. Addressing these challenges requires a coordinated approach to ensure enforceable creditor rights, robust collateral solutions, and reliable default-management protocols aligned with the Kingdom's market-modernisation goals.

Adopting international best practices and adopting scalable frameworks is essential to support liquidity, resilience, and investor confidence. Statutory recognition of close-out netting, legal support for title-transfer collateral and master agreements, as well as modernised registry processes can materially reduce legal and compliance risk, while enabling cross-border participation.

BNY is engaged with market stakeholders to support a phased roadmap — covering formal recognition of securities lending structures, clarity on netting, modernisation of registration processes, and standardisation of master agreements adapted for Saudi Arabia. The aim is to reduce friction, increase operational certainty, and enable scalable participation in secured financing.

Our recent paper, '*Saudi Arabia's Domestic Capital Markets: Strategic Considerations for Developing Secondary Market Financing*', builds further on the legal, operational and infrastructure enablers required to support scalable secondary market growth.

What to look for in a strategic provider

A strategic provider is not defined by product capability alone. It is about bridging global standards with local market realities. The right provider can help de-risk market entry, accelerate scale and align with Saudi Arabia's evolving regulatory and market-infrastructure landscape.

With deep global expertise and a long-standing presence in the region, BNY aims to combine international best practices with on-the-ground insight to deliver securities finance and collateral solutions that are globally proven and locally attuned. Our commitment is clear: to support market participants across the Kingdom as a trusted service provider aligned with Saudi Arabia's evolving market framework.

The recent establishment of our regional headquarters in Riyadh, and the planned introduction of locally aligned triparty collateral services underline our long-term commitment to the Kingdom. We support clients across the full lifecycle of securities finance and collateral. Our integrated global platforms enable scalable, transparent, and efficient securities finance and collateral workflows, unlocking lending supply and facilitating efficient borrowing.

Through our agency lending programme, we support international holders of Saudi issued assets, (including sovereign wealth funds, asset managers, insurance companies, and pension funds) to earn incremental revenue. Matching supply with demand increases liquidity in Saudi assets and aids efficient market dynamics. The loaned assets are secured with high-quality, eligible collateral, enabling lenders to take advantage of demand to borrow Saudi securities from high quality borrowers. Our approach aligns eligibility schedules, marking to market, income processing, and corporate action processing while providing transparent daily reporting and independent controls.

Through the BNY Global Collateral platform, the world's largest triparty agent, we support over US$7.4 trillion in collateral and more than 305,000 unique securities as of Q4 2025. The platform delivers end-to-end automation across eligibility, selection and substitution, deliveries and returns, exposure monitoring, and daily mark-to-market — with independent reporting to both parties. We help clients scale bilateral activity by transitioning from cash to non-cash collateral, simplifying onboarding with regional dealers and prime brokers, and applying robust controls that align eligibility with risk appetite and provide broker-dealers predictable access to inventory.

In Saudi Arabia, the BNY Global Collateral platform plays a pivotal role in enabling domestic institutions to scale their programmes and connect to global liquidity pools. To support this next phase, development of a new pledge-based model is under way, designed to be closely aligned with local legal and regulatory requirements.

While every market is unique, targeted changes to market structure can catalyse growth in lending balances — particularly when supported by clear legal frameworks and resilient infrastructure. In South Korea, for example, legal reforms that enabled local sub-custodians to perfect a security interest at the security level supported the introduction of scalable triparty services. Despite stops and starts related to short selling bans, balances accelerated once the market reopened and operational barriers were reduced. This illustrates how a supportive legal framework, combined with triparty infrastructure can help markets grow.

We stand ready to collaborate with domestic stakeholders to deliver scalable solutions underpinned by a resilient, efficient and globally aligned secondary market ecosystem.

"At BNY, we are focused on building the foundations that broaden participation, reduce client friction and support the scalable growth of Saudi Arabia's financing markets," says Grant Mansfield, EMEA head of Securities Finance trading, BNY.

Looking forward

Saudi Arabia has laid the groundwork for modern, liquid markets. Advancing a deep and resilient secondary market will hinge on practical legal and operational enhancements and scalable collateral infrastructure tailored to Saudi requirements while remaining aligned with global standards. A pledge-first triparty model provides a pragmatic foundation. As international constructs gain broader recognition, adoption can accelerate and liquidity deepen.

BNY is proud to be playing a role in shaping Saudi Arabia's secondary financing ecosystem, working alongside domestic stakeholders to help translate Vision 2030's momentum into durable, day-in, day-out liquidity.

If you would like to unlock the full potential of secondary market financing, BNY is ready to help you plan, implement and scale. To learn more about our integrated financing and collateral solutions, solutions, visit the ***BNY website.***

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Simon Squire
Managing director, Global Collateral product
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