

16th ISSA Symposium June 5-8, 2012

Summary Report

Opening Remarks June 6, 2012

ISSA16 – Overview			
June 5 (Tue)	June 6 (Wed)	June 7 (Thu)	June 8 (Fri)
	Introduction, setting the stage	Recap yesterday, Introduction today	Breakfast
	Regulatory impact on the securities services chain	Hidden Risks for Custodians, Clearers and (I)CSDs	Departure
	Lunch break	Lunch break	
Arrival of all participants	Regulatory impact on the securities services chain	Working Group updates (other)	
Combined Board and OC Meeting	Key note / exotic topic	Take-aways, new topics General Assembly	
Cocktails and brief welcome remarks		Closing Remarks	
Dinner	Cocktails and Dinner	Closing Event	

Josef Landolt, ISSA's Chairman, set the stage for the next 2 days with some slides outlining what to expect and what would be expected from participants.

→ [Link to Josef Landolt's presentation](#)

Regulatory Impact on the Securities Services Chain

The 16th ISSA Symposium began with a keynote speech on the Regulatory Impact on the Securities Services Chain by Sandrine Leclercq, Head of Business Development Fund & Banking at Baker & McKenzie, Luxemburg. She characterized the current legal environment as a „Turning point in the history of finance and unprecedented.“ She covered

- 9 pieces of legislation, and more to come
- Political challenges
- Technical challenges
- Concluding that many scenarios are plausible and there is a high level of concern.

→ [Link to Sandrine Leclercq's Keynote](#)

This first presentation was followed by a „Regulatory Poll“ on the opinions of the Symposium participants to 10 questions. A short version follows, also indicating the result of the majority of votes for each question:

1.	Have financial reforms gone too far?	Yes
2.	Will they prevent the next crisis?	No
3.	Effect on trading volumes?	Decrease by 10%+
4.	Can costs be passed along in full to end investors?	No
5.	Effect on profitability of financial intermediaries?	Decrease by 10%+
6.	Financial reforms will result in consolidation of the number of banks?	Yes
7.	Financial reforms will result in consolidation of FMIs?	Yes
8.	Will there be regulatory arbitrage?	Yes
9.	Have regulatory changes reached a peak?	No clear opinion
10.	Do regulatory changes drive more than 30% of IT budgets?	No clear opinion

The second presentation was a talk on the CPSS-IOSCO Principles for Financial Market Infrastructures and the Assessment Methodology by Massimo Cirasino, Manager for Financial Infrastructure and Head of the World Bank Payment Systems Development Group. Areas covered included the new principles / standards to make infrastructures more robust and better able to withstand financial shocks. The 24 new principles replace 3 existing sets of interrelated standards intended to help ensure consistent risk management. The new principles distinguish between credit and liquidity risks, which the previous standards did not. Also covered was an overview of the responsibilities of Authorities overseeing FMIs as well as the use of the Disclosure Framework and Assessment Methodology.

→ [Link to Massimo Cirasino's presentation](#)

In the next session, Florence Fontan, ISSA Working Group Leader and Global Head of Public Affairs at BNP Paribas Securities Services, presented the ISSA Working Group Report on the „Regulatory Impact on the Securities Services Chain.“ The objective of the report was to identify key regulatory trends and their impact on various industry actors. The overview of regulatory changes was divided into „5 Buckets“: banking; shadow banking; investor protection; market organization and tax and other authorities; as well as geographic regions. An interesting addition was the discussion of potential opportunities, just before the concluding observations summarized overarching impacts.

→ [Link to WG report by Florence Fontan](#)

After lunch break, participants were divided into six groups covering 3 sub topics (2 groups per topic) which were:

- Banking issues and challenges / impact on custody and clearing
- FMI issues and challenges
- T2S challenges and unresolved issues.

Group presentations of their findings / discussions were followed by audience discussions on the material presented. In all, more than half a dozen ideas for ISSA follow up were identified. These are being reviewed and the most important will continue to be worked on by ISSA and then presented to the appropriate parties in the industry. A sample of presentations and a summary of issues can be accessed below:

→ [Link to summary of breakout session on ISSA WG impact of regulatory changes](#)

The day concluded with a keynote speech on “The Latest Global Economic Scenarios, Flags and Possibilities – and Implications for the Financial Services Industry” by Clem Sunter, Strategist and Scenario Planner at mindofafox. This segment covered “operationalizing” scenario planning, finding “flags” which indicate a move from one scenario to another, and assigning probabilities to the move. It further described the need to plan for threats or opportunities based on the scenarios and methods for disseminating information to appropriate parties. Scenario planning in this fashion helps to adjust strategic plans by observing many possibilities and determining that a given strategy is in sync with the environment. The presentation also identified sample scenarios addressing global and regional growth rates and expectations, and was both entertaining and informative.

→ [Link to mindofafox website – Latest scenarios](#)

Hidden Risks for Custodians, Clearers and (I)CSDs

Day 2 opened with a presentation on the "Systemic Risk and Securities Transactions" by Eddy Wymeersch, Member of the Board of Directors, FINMA, and President of the Public Interest Oversight Board (PIOB), Madrid. Covered in the speech were systemic risk definitions, importance, origin, and events specific to the securities field. Also addressed were methods and organizations in place to address systemic risk. It was pointed out that securities regulators historically did not address systemic risk. New regulatory mandates resulted in a shift in the regulatory structure and regulators' objectives and the use of new tools to deal with the problem. This was followed by more interest in market structures and streamlining of the roles of gatekeepers such as bank directors, auditors, CRAs and financial analysts. Importantly, Mr. Wymeersch asked the question „What should top management do about systemic concerns?“, as well as pointing out the potential liabilities linked to flaws in risk management and the duties of the CRO, CEO and Board.

→ [Link to the text of Eddy Wymeersch's speech](#)

→ [Link to the slides of Eddy Wymeersch's speech](#)

Next up was Ed Neeck's speech on the work of ISSA's working group addressing the „Hidden Risks for Custodians, Clearers and (I)CSDs“. These risks are in fact visible, but since industry participants do not adequately focus on them appear to be less apparent. Ed is the Working Group 2 leader and Risk Management Executive in J.P. Morgan's Worldwide Securities Services business. Ed began by acknowledging the contribution of approximately 100 people at various ISSA member organizations to this effort. The presentation covered a sampling of less obvious risks that are encountered in post-trade processing and recordkeeping, as well as methods of mitigating these risks. Six specific risks are analyzed in the report:

1. Administrative risks related to Hedge Funds, Fund of Funds and Complex Master Feeder Arrangements
2. Hidden risks of disruptive change due to regulatory evolution or shifts in servicing conventions: The "Global Custodian Liability" example
3. Disclosure risks in Securities Lending
4. Hidden risks for Fund Administrators and Custodians in Complex Instrument Valuation
5. Hidden risks in servicing non-standard („Out of Network“) assets
6. Hidden risks involved in relying on Third Parties.

The report is aimed at suggesting steps that can be taken to help mitigate risks where feasible or make them more transparent where they are not easily overcome.

→ [Link to WG report by Ed Neeck](#)

Communication Standards and Reference Data

The afternoon sessions started with Irene Mermigidis, ISSA Working Group 3 Leader and Managing Director of Link Up Markets, presenting the ISSA Working Group Report on Communication Standards and Reference Data. This report covers internal and external market drivers for standardization, including regulatory mandates and the need for process efficiencies. The report's scope extends across standards for trade allocation and confirmation, clearing and settlement, as well as for Trade Repositories (TRs) and Legal Entity Identifiers (LEIs). For each function in the middle and back office, the report identifies key issues and provides recommendations for implementation. Another area addressed was CCP interoperability, its benefits and four recommendations to facilitate future progress.

→ [Link to WG report by Irene Mermigidis](#)

The presentation was followed by 3 specific questions and 1 general question to be answered in working groups:

1. What are your concerns regarding adoption of LEIs and how should LEIs be progressed?
2. How are firms handling the co-existence of message standards ISO 15022 and ISO 20022?
3. How will the new TRs impact your business and what opportunities or burdens do you see?
4. Any other top issues?

Answers included general industry support for LEIs, but noted problems caused by LEIs for countries with secrecy laws and some others; progress on the co-existence and movement to ISO 20022 was expected to be slow except in certain segments like funds, but there will be no SWIFT requirement to move; TRs are less important in many Asian markets, but there is pressure from EU / US.

Global Corporate Actions Update

Ranjit Chatterji, ISSA Working Group Leader and Head Custody Business Development and Network Management at Citi's Securities and Fund Services business, presented ISSA's update on Corporate Actions. This has been an extended effort due to resistance on the part of issuers, but progress has been made in geographic areas like Japan and Mexico, where issuers worked with exchanges and depositories. Additionally, proxy voting related principles / best practices have been added in the project and Broadridge and ISS have joined the working group to provide additional expertise. The report analyzes 9 Corporate Actions principles, the most difficult being number 3 which requests issuer sourced key information / input. Furthermore, and predominantly as an incentive to issuers, 4 principles for proxy handling have been added.

→ [Link to WG report by Ranjit Chatterji](#)

The presentation was followed by an audience poll with 4 questions to be answered (majority of answers indicated):

1.	Should 2 weeks be allowed for Symposium participants to provide comments on the proposed proxy principles?	Yes
2.	Should the working group continue to do further follow up on this subject?	Yes
3.	Should the goal be a) Monitoring? b) More Advocacy? c) Focused Initiatives	Yes No Yes
4.	As the XBRL-type or other initiatives won't fly because of issuer resistance, should the industry set up a utility paid for by those who would benefit?	Audience supports further dialogue on this topic

Take-away Session / General Assembly

The official part of the Symposium concluded with a Take-away Session / General Assembly and covered the following topics:

- Short update on membership voting on change to ISSA's Articles of Association. The ISSA community was asked to vote on following amendments:
 1. Creation of the new body Operating Committee
 2. Rights and Duties of Operating Committee
 3. Amended Rights and Duties of Secretariat
 4. Signature Regulations aligned with above Changes

The return of the vote was 66% with an approval rate of 100%.

- The report on ISSA's Board discussion on the way forward:
 1. The Board will continue the mandate on providing education for the industry
 2. The Board will identify priorities on the key issues for ISSA to continue to work on
 3. The ISSA Chairman will provide a business plan based on Board member inputs, as well as member input provided during this take-away session
 4. The completed business plan will be distributed to the membership after Board approval
 5. The ISSA Chairman and Secretary will both spend more time on ISSA matters, supported by Neil Henderson in his role as Operating Committee Chair.

- The session concluded with a request to the audience to discuss and respond to these 2 questions:
 1. a) Overall impressions of this Symposium?
b) What was learned of value?
 2. What should ISSA focus on going forward?

Comments received in response to these questions included:

- „Back on track“, high level participation
- High quality presentations
- Great networking opportunities
- Puts all the pieces together; only place that FMIs and banks get together for „real“ work
- We’re all in the same boat
- Concentrate on including Asia
- Terrific open and frank discussions

Results of the list of priorities the Board will reach will be provided when completed. Refer to the enclosed summary of take-aways and proposed issues to address:

→ [Link to Take-aways](#)

- The next Symposium (ISSA 17) is scheduled to take place from

Tuesday, May 20, 2014 to Friday, May 23, 2014

Enclosures

Detailed Agenda 16th ISSA Symposium and Participant List:

→ [Link to ISSA 16 Agenda](#)

→ [Link to List of Participants](#)