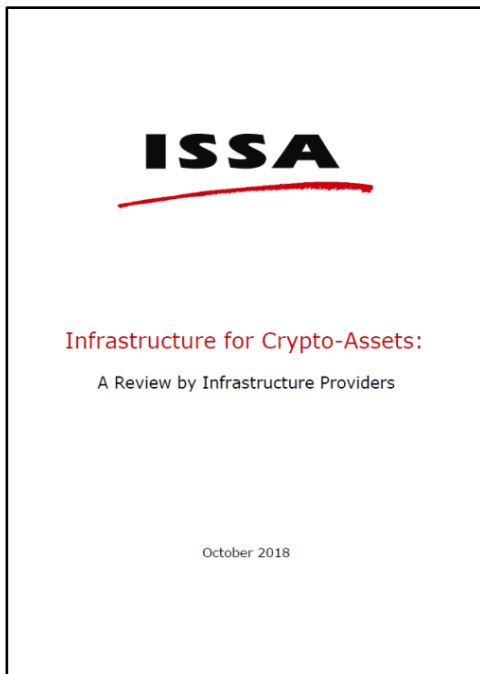


Tokenization – the Elegant Way Forward?

At its July 2019 meeting in Paris, the ISSA Working Group on DLT elaborated on how the perceived benefits of tokenization could be assessed, understood and delivered for institutional investors. The Group's objective is to articulate these findings in its next paper, that will bring an expanded perspective, covering participants along the securities chain. See also the assessment of four participants of the ISSA Working Group.

In addition to weekly calls and extensive work in smaller streams the working group has met five times over the last 24 months in person in London, Paris and Bruxelles. These meetings have proven to be essential in providing thought leadership to our industry and in understanding how this new technology could shape our industry for years to come.

*Urs Sauer
Co-Chair of the ISSA Working Group on DLT*



Infrastructure for Crypto-Assets

Shortly before SIBOS 2018, ISSA's Working Group on Distributed Ledger Technology (DLT) released a paper on ["Infrastructure for Crypto-Assets"](#), highlighting the need for an infrastructure to be developed to support institutional investors' increasing interest in digital / crypto-assets.

Tokenization of Assets

The industry continues at an accelerating pace to experiment and seek use cases. Market infrastructures and Custodian Banks are working on use cases on DLT, Digital Assets and Tokenization. Particularly the tokenization of assets, where a token either represents a property right in an asset that is native to the ledger or for an asset that is off the ledger, has gained significant interest, investments and traction.

ISSA is uniquely positioned to help guiding institutional investors and regulators through their digital assets and tokenization journey.

Jyi-chen Chueh
ISSA Operating Committee Vice-Chair

The potential benefits of tokenization include increased asset liquidity, instant settlement, efficiency gains, reduction of risks and improved risk management and compliance. The industry is still in the early days for the tokenization of assets, but this could potentially dramatically change the dynamic for existing capital markets participants, create new business models and bring new asset classes into the ecosystem.

We look forward to engaging with the industry through the upcoming industry paper and ISSA community session at SIBOS 2019 in London.

Glen Fernandes
Co-Chair of the ISSA Working Group on DLT

The Right Questions to be Answered

In July 2019, 17 representatives of the ISSA Working Group on DLT convened in Paris to discuss, understand and formulate ideas about the future of DLT and digital / crypto-assets, along with their impacts on the securities services industry at large. The group elaborated on how the above benefits could be assessed, understood and delivered for institutional investors, with the objective to articulate these outcomes in its next paper, that will bring an expanded perspective, covering participants across the securities chain. The key highlights to be addressed include:

- Taxonomy and definitions in the digital / crypto-assets field urgently require global harmonization.
- Issuance: Where are the efficiencies? Where does tokenization fit in? How can bankable and non-bankable assets benefit from tokenization?
- Settlement: What are the different models for the settlement of a digital / crypto-asset and what are the options the industry could explore to enable riskless DVP settlement with settlement finality?
- Safekeeping: What are the various products, governance and regulatory considerations for entities looking to provide safekeeping for digital respectively crypto-assets?
- How will the processing of corporate actions change? Can forks be considered as corporate actions?
- How to promote standardization, interoperability and automation without stifling innovation?

The ISSA Working Group on DLT will publish its new DLT paper ahead of SIBOS 2019.

What Workshop Participants have to say

"The work with an ever expanding ISSA user group (from 4 CSDs back in 2016 to 33 CSDs, Global Custodians and IT providers) has been very rewarding and clearly shows the high interest in the post-trade industry that this new technology has created. The commitment by the ISSA members to work together and to share knowledge is also evident by the five very well attended face-to-face meetings held in 2018 and 2019 in London, Paris and Bruxelles", says Urs Sauer, Director, Strategic Business Development SIX Securities and Exchanges and the Co-Chair of the Working Group.

"We look forward to engaging with the industry through the upcoming industry paper and ISSA community session at SIBOS 2019 that will bring together key perspectives on the considerations & initiatives for the evolution of Crypto Assets and DLT", explains Glen Fernandes, Group Strategy and Product Expansion, Euroclear and Co-Chair of the Working Group.

"The ISSA DLT Working Group builds upon the ISSA foundations and industry leadership by facilitating discussions on digital assets and distributed ledger technology. ISSA members within the group are experts in their fields across settlement, custody and technology. They regularly discuss the latest innovations and concepts and explore how these could drive the industry for decades to come", explains Dr. Vic Arulchandran, COO Nivaura Ltd. London.

Jyi-chen Chueh, Head Custody Services, Standard Chartered Bank and ISSA Operating Committee Vice-Chair says: "ISSA is uniquely positioned to help guiding institutional investors and regulators through their digital assets and tokenization journey. It reminds us that fundamental securities services principles such as asset protection or interoperability are relevant, irrespective of new technology and asset classes. The workshop has helped re-emphasize why securities services providers are needed more than ever in the digital assets age."

ISSA at SIBOS

ISSA: DLT – Taking a Bite out of the Securities Industry?

Tuesday, September 24, 2019, 12:00 – 12:45, SWIFT Room 1

This panel asks the fundamental questions that the capital markets industry needs to consider when looking at DLT as a potential future basis. It will address issues like the evolvement of DLT ecosystems, the drive to standardization and regulators' reactions to a widespread DLT adoption and implementation. The panel will be composed of various ISSA Member Representatives. The discussions will be preceded by a brief keynote address on the subject of crypto and tokenization. ISSA's new report to be published before SIBOS will deal with crypto-assets and tokenization and will certainly form part of this panel.