

AFTi & **ISSA**

The conference

Wednesday 29 th October 2014

“Thoughts on current key Securities industry challenges”

In partnership with :

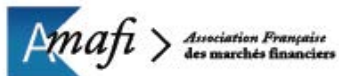


FEDERATION
BANCAIRE
FRANCAISE

Introduction

Marcel Roncin

Chairman
AFTI



9h30: Introduction

Marcel Roncin, Chairman, **AFTI**

9h35: Welcome address

Alain Pochet, Board Member, **ISSA**, Head of Clearing, Custody & Corporate Trust Services, **BNP Paribas Securities Services**, Vice-Chairman **AFTI**

9h50: Information on ISSA and core activities

Josef Landolt, CEO, **ISSA**

10H20: Collateral and collateral Management

Angus Fletcher, Head of Market Advocacy, Global Transaction Bank, **Deutsche Bank**

10h40: Current Status about Regulatory Challenges for the Securities Industry

Laurence Caron-Habib, Head of Public Affairs, **BNP Paribas Securities Services**

11h00: Compliance and Transparency along the Securities Services Chain

Mark Gem, Chief Compliance Officer, **Clearstream**

11h30: Panel session and Q/A

Moderated by : Urs Stähli, Secretary, **ISSA**

Angus Fletcher, Head of Market Advocacy & Business Strategy, Director, Global Transaction Bank, **Deutsche Bank**

Laurence Caron-Habib, Head of Public Affairs, **BNP Paribas Securities Services**

Mark Gem, Head of Compliance, **Clearstream**

Jean-Marc Eyssautier, Chief Risk and Compliance Officer **Caceis Group** - Member of the Executive Committee of Caceis

Pierre Colladon, Senior Adviser in Strategy for Market Infrastructures, **Société Générale**

12h30: Cocktail

Welcome address

Alain Pochet

Board Member, **ISSA**

Head of Clearing, Custody & Corporate Trust
Services, **BNP Paribas Securities Services**

Vice-Chairman, **AFTI**

Information on ISSA and core activities

Josef Landolt

CEO
ISSA

History

Need and Idea

The idea of an association of securities services providers from all over the world was conceived in 1975 by the heads of Securities Services Citibank, New York, and Union Bank of Switzerland, Zurich.

Foundation

In 1979, Citibank, Deutsche Bank and Union Bank of Switzerland, by jointly organizing a first meeting of senior securities services executives in Switzerland, laid the foundation of ISSA.

Mission

Drive Solutions

Actively contribute to developing and promoting forward-thinking solutions that create efficiencies and mitigate risk within the global securities services industry.

Strengthen Collaboration

Bring together influential securities services leaders, regulators, and other industry stakeholders to foster international coordination and collaboration across the securities services industry.

Facilitate Communication

Facilitate and stimulate active communication among all industry stakeholders.

Sponsoring Institutions and Board Members

José Placido



John Van Verre



Hani Kablawi



Nick Rudenstine



Lee R. Waite



Mervyn Chiu



Phil Brown



Thomas Zeeb



Stephen Lomas



Alan Naughton



Andrew Gray



Chris Church



Pierre Yves Goemans



Vicky Kyproglou



Additional Board Members:

Josef Landolt (ISSA CEO)

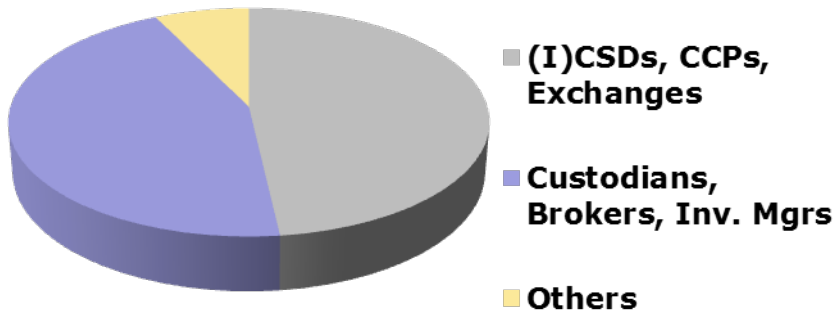
Irene Mermigidis, Clearstream (Chair Operating Committee)

Urs Stähli (ISSA Secretary)

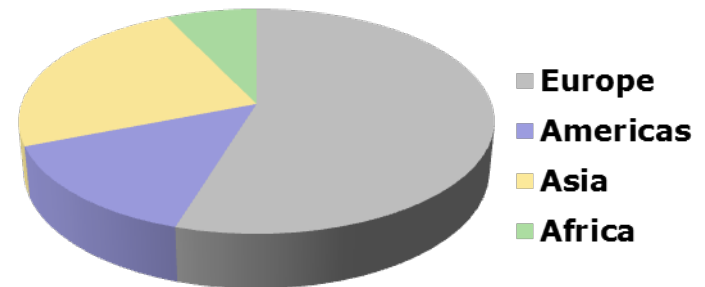
Members

October 2014: 85 ISSA Members from 43 Countries

Membership Types



Country Representation



Achievements

Contribution to Standardization

- Physical Eurobond Format; ISIN; Corporate Action Types; Bridge CB / EOC

Contribution to G30 Recommendations

- Wording / implementing 1989 Recs; new G30 Recs in 2003; monitoring

Raising awareness

- Risk issues in CCPs / CSDs; impact of Euro on securities operations; regulatory impacts on securities services chain; risks in "Out of Network Assets"

Disseminating Market Knowledge

- Publication of ISSA Handbook and Updates

Defining Best Practices

- MuFu processing (with EFAMA); OTC Deriva Valuations; CA and Proxy Voting processing; posting of collateral

Offering Platforms

- ISSA Symposia; Working Groups; Thought Leadership Events; Roadshows

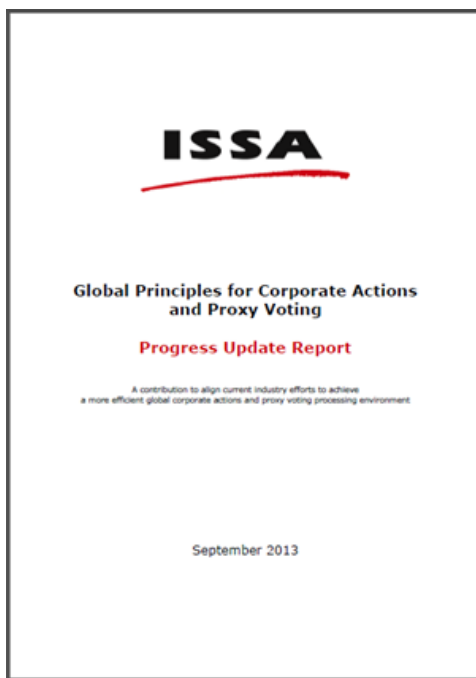
Recent Report «Global Principles for Corporate Actions and Proxy Voting»

Main Contents

- Survey in 33 markets
- Realities
- Recommendations

Recommendations for Next Steps

- Promote Principles actively with industry participants, particularly CSDs and Exchanges
- Promote regulatory change to require the digitization of CA information at source
- Take a firm stand on and actively promote the use of ISO formats for cross-border CA info exchange
- **The working group should repeat this survey annually**
- The working group should publish a case study highlighting benefits in successful markets



Recent Report «Regulatory Impacts on the Securities Value Chain – Shadow Banking»

Main Contents

- General Description of Shadow Banking Initiatives
- Impacts on Securities Lending and Repos Transactions
- Impacts on Money Market Funds

Conclusions

- Further Shadow Banking developments to be expected in 2014
- Different speed and focus on a regional level
- Custodians (and Fund Depositories) to closely study the reforms to be able to make adjustments to accounting and disclosure policies and procedures
- The jury is out as to whether proposed Money Market Fund reforms will impact client product appetite and whether alternatives will benefit.



ISSA

Report on Shadow Banking

Developments of Regulatory Changes and
their Impact on ISSA Members

February 2014

Recent Report (ISSA and AGC) «Out of Network Assets – Challenges in Safekeeping and Supervisory Services»

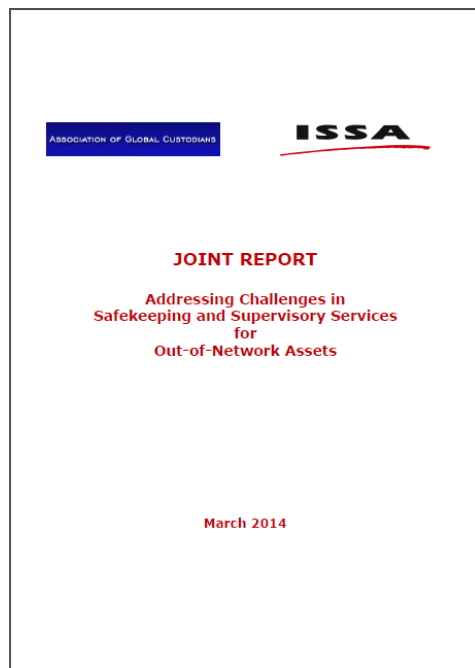
Main Contents

- Legal and practice framework
- Advancements of Market Infrastructures
- Possible approaches / recommendations to close gaps

Out of Network Assets dealt with

- Third-party Time Deposits
- Interests in Funds / Collective Investment Schemes and Private Equity Funds
- Bank Loans
- Derivatives
- Precious Metals

on legal nature / ownership, ownership interest and asset information, perfected security interests and title transfer arrangements.



Recent Report «Collateral Management Best Practices»

Main Contents

- Background and Key Definitions Collateral Management
- 37 Best Practice Recommendations
- Regulatory Overview in EU; Future Trends

Best Practice Recommendations

- Collateral Protection (Collateral Segregation; Cash / Non-Cash Collateral; Cleared / Uncleared TRX)
- Operational Processes Associated with Default Management (Pre-Default; Post-Default)
- Customer Communication and Reporting (Message Automation; Pledge and Release Automation; Report Automation, Reconciliation)



ISSA

Report on Collateral Management

Best Practices of Collateral Management for
Cleared and Bi-laterally Traded Products

March 2014

Current / future Working Groups

Collateral Management Best Practices

Compliance and Transparency along the Securities Services Value Chain

Corporate Actions and Proxy Voting

ISSA Risk Guide 1992 - Revisited

Communication

ISSA Homepage

www.issanet.org

ISSA
International Securities Services Association

- Home
- News
- About ISSA
 - Mission
 - History & Achievements
 - Organization
 - Sponsors
 - Executive Board
 - Operating Committee
 - Membership
 - Secretariat
- Activities & Publications
 - ISSA Symposium
 - Newsletters
 - Current Working Groups
 - Past Working Groups
 - Special Topic Reports
- Links
 - ISSA Members
 - Industry Associations
- Contact us

News

ISSA Symposium 17 – Registration deadline approaching
Created: Friday, 07 March 2014 10:53
Registration is open until 14 March 2014. Please make sure you see more details under ISSA Symposium

Video on Shadow Banking
Created: Friday, 07 March 2014 10:50
This ISSA Spotlight Video is now available online as announced

New board member
Created: Friday, 14 February 2014 15:41
Pierre Yves Goemans replaced Frederic Hannequart as representative

ISSA 17 coming up
Created: Friday, 07 February 2014 11:38
The renowned ISSA Symposium will take place from 20 to 23 October. The chosen theme: «Responding to the Regulatory Challenge»
See more details under ISSA Symposium

New member
Created: Friday, 07 February 2014 10:46
As of the beginning of February 2014, Julius Baer & Co., Ltd.

ISSA Newsletters

on a quarterly basis
on an ad-hoc basis

ISSA Newsletter
October 2014
International Securities Services Association

Message from the ISSA CEO

- Global in retrospect
- Compliance and Transparency among the Securities Services Value Chain

Message from the Chair of the ISSA Operating Committee

Governance Update

- Change in the Operating Committee
- Change in Membership

Sibos 2014 – Talk covers Statements by the following speakers:

- Markus H. Rosenmann, Chairman of Board of Operational Alpha
- Mark Bennett, CEO of the Evolving Cultural Challenge
- Andrew White, ASB, «Transformation in Corporate Actions»
- Seema Sinha, ACSDA, «Global Financial System: Jean Barre, (ASB)»
- TDS: What is next?
- Andreas White and Mark Jensen: «Standards in Cultural Management»
- Felipe Sandoval, SWIFT, «Global Systemic Challenge»

We welcome your feedback

We would very much welcome your comments whether the contents of this newsletter met your requirements.

ISSA@issanet.org
Many thanks to editorial The ISSA Secretariat

Message from the ISSA CEO

Dear ISSA Members and interested parties

In this edition we put a special focus on important take aways from Sibos which was held from September 29 to October 2 in Boston. We are very grateful that a number of ISSA member organisations have volunteered to share with their views on some challenges they have expressed or their impressions gained during the session. In addition we inform you about the most recent news in relation to Compliance and Transparency among the Securities Services Value Chain.

Sibos 2014 was a great conference and we from the CEO office have used the platform to discuss our agenda with many current and potential ISSA members. We are very pleased that our intended activities, mainly through the working group activities and the way we communicate the results, got unanimous positive feedback and increase the interest to evaluate a membership in ISSA. In one of the sessions with industry leaders, ISSA was mentioned several times as the organization best positioned to work on challenges affecting participants of the value chain. We take such statements as a clear mandate to continue with our work in an efficient and effective way and we are grateful to count on a robust professional support which is critically important.

The global Sibos has confirmed that transparency in the securities business is seen as one of the current key topics. In his Sibos address, the Director of the Office of Foreign Assets Control (OFAC) made very clear statements about influences in the securities industry including the misuse of dual (omnibus versus segregated accounts). He communicated his expectations but he also offered support from the regulatory side to discuss any best practice proposals from the industry. As we have informed you already, ISSA is committed to work on these issues with special efforts. After our Symposium we decided to start with a small group of experts to design a non-conflict practice guidelines – one of the ones we know from the Wolfsberg Group on Correspondent Banking. A dedicated workshop schedule takes place in the first week of November. The workshop results including our proposal for the next steps and time schedule will be discussed at the Board meeting in mid-November. The decisions taken will serve as the basis for the detailed working group activities to be launched in January 2015. It is self-evident that all of these activities are in line with our commitment to consider different views across the value chain and geographic regions.

Last but not by no means least, I would like to draw your attention to the message from our new Operating Committee Chair, Irene Ditzgen. I thank her for her readiness to assume the additional responsibility.

With my best personal regards,
Josef Landolt, CEO ISSA

ISSA at Industry events



World Forum of CSDs



Collateral and collateral Management

Angus Fletcher

Head of Market Advocacy, Global Transaction Bank
Deutsche Bank

Collateral Management – why so important?

- Background: Back office function to critical function
 - Regulatory drivers (BASEL, EMIR, Dodd Frank)
 - Enhanced risk management post crisis

- What does it mean for financial players?
 - Which trades am I required to collateralize?
 - Which trades must be centrally cleared vs can be done bilaterally?
 - What types of collateral will be eligible for trades that I am required to collateralize?
 - What collateral arrangement is required (e.g. pledge vs title transfer)
 - How do I value my collateral?
 - What in my portfolio do I have that can be used as collateral?
 - How do I make the most effective use of my collateral (keeping costs low)?
 - How do I mobilise collateral to ensure it is in the right place at the right time?
Do I need to transform collateral?

ISSA Collateral Management initiatives – Paper proposal

- Cross border mobilization of collateral
 - Focus on the tools/services available and being created: non exhaustive list of the models being proposed by different types of virtual collateral pools, T2S functionality, ASEAN integration etc.
 - Regulatory or best practice initiatives that are focusing on this space and facilitating or highlighting improvements
 - Highlight potential challenges & obstacles (risk, legal jurisdictional etc.)
 - Determine a checklist of the key aspects that anyone looking to mobilize collateral cross border needs to consider
- Updated regulatory landscape impacting collateral management

ISSA Collateral Management initiatives – Paper proposal

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Current Status about Regulatory Challenges for the Securities Industry

Laurence Caron-Habib

Head of Public Affairs
BNP Paribas Securities Services

Agenda

General context

Main initiatives

Main impacts

Conclusions

General Context

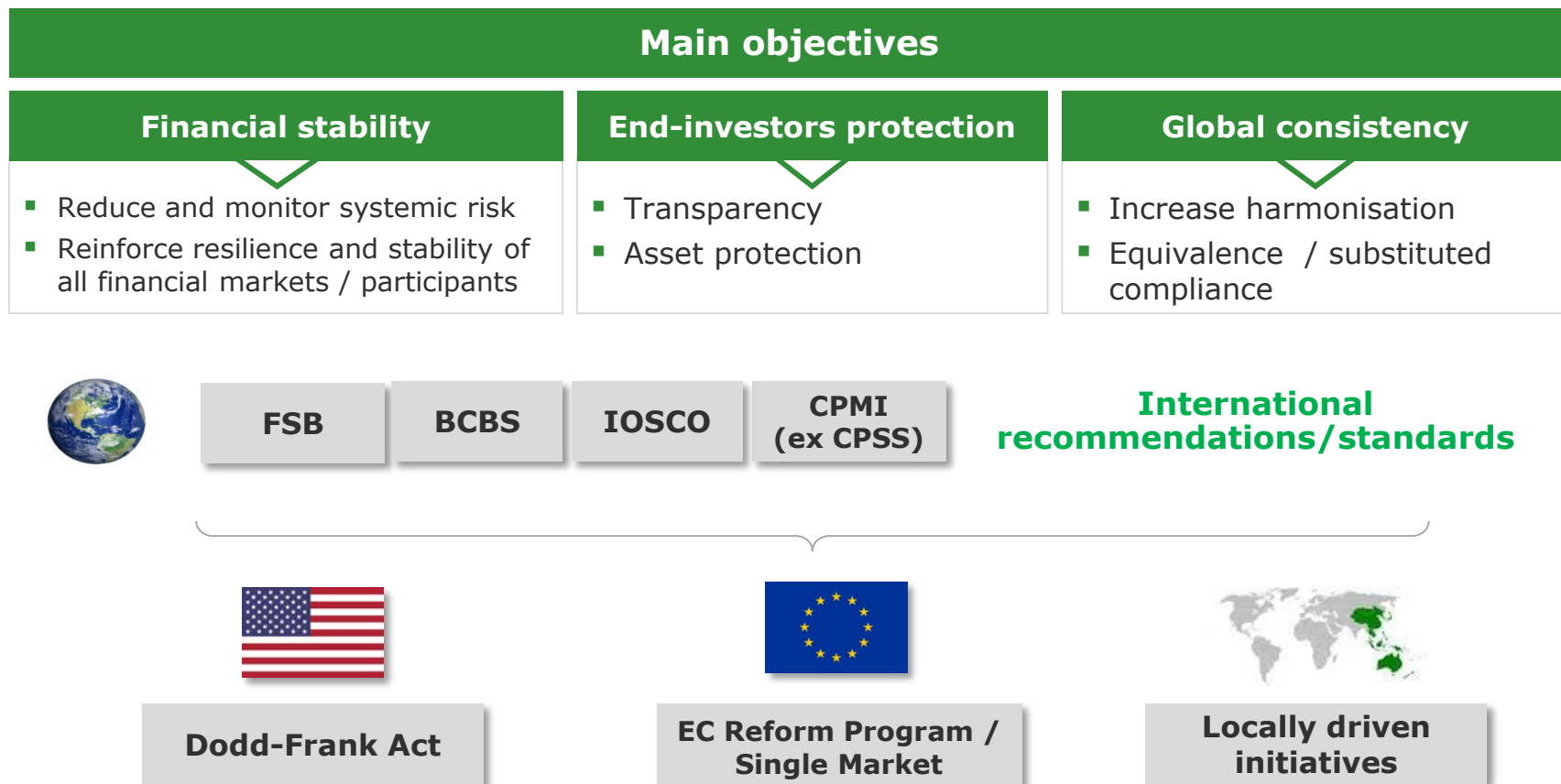
2014

- 5 years of intense regulation driven by the G20 agenda
- Structuring impacts for all market participants

- A year of transition

- New European Commission initiatives to support long term growth
- Still uncertainties on many other aspects

General Context – G20 Agenda



General Context – Global Picture

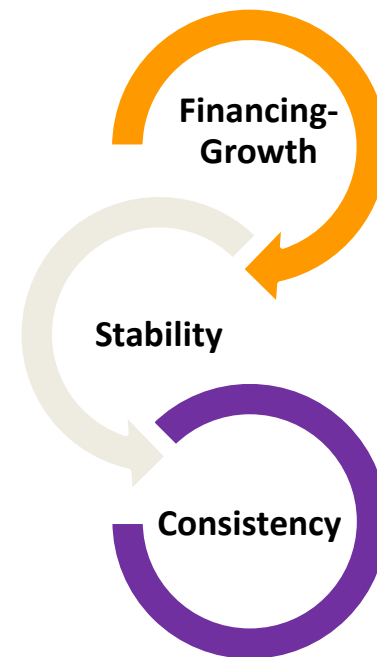


Regulation for all types of Markets / Products / Players

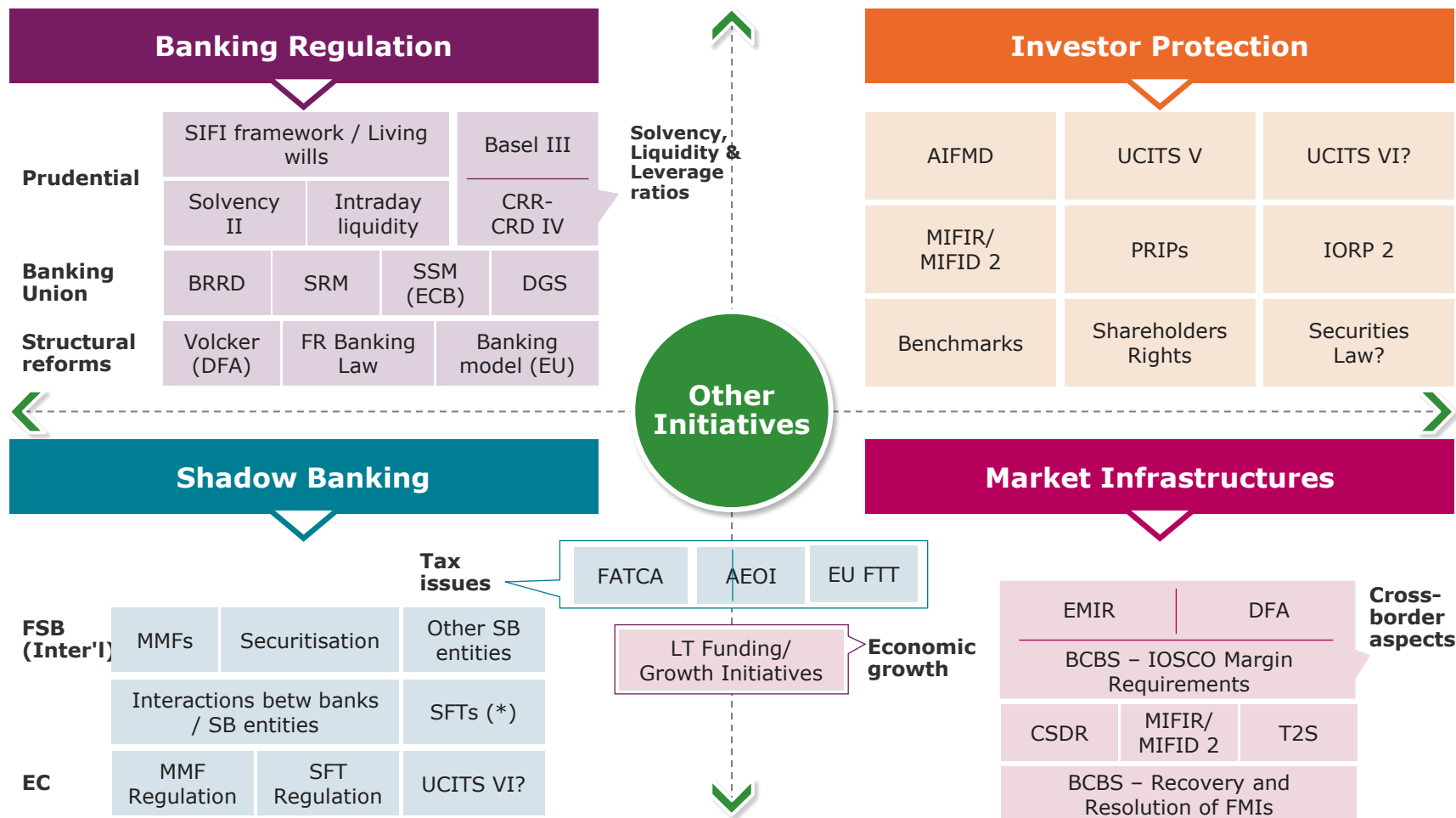
General Context – EC Roadmap for next 5 YEARS

Five Key Priorities

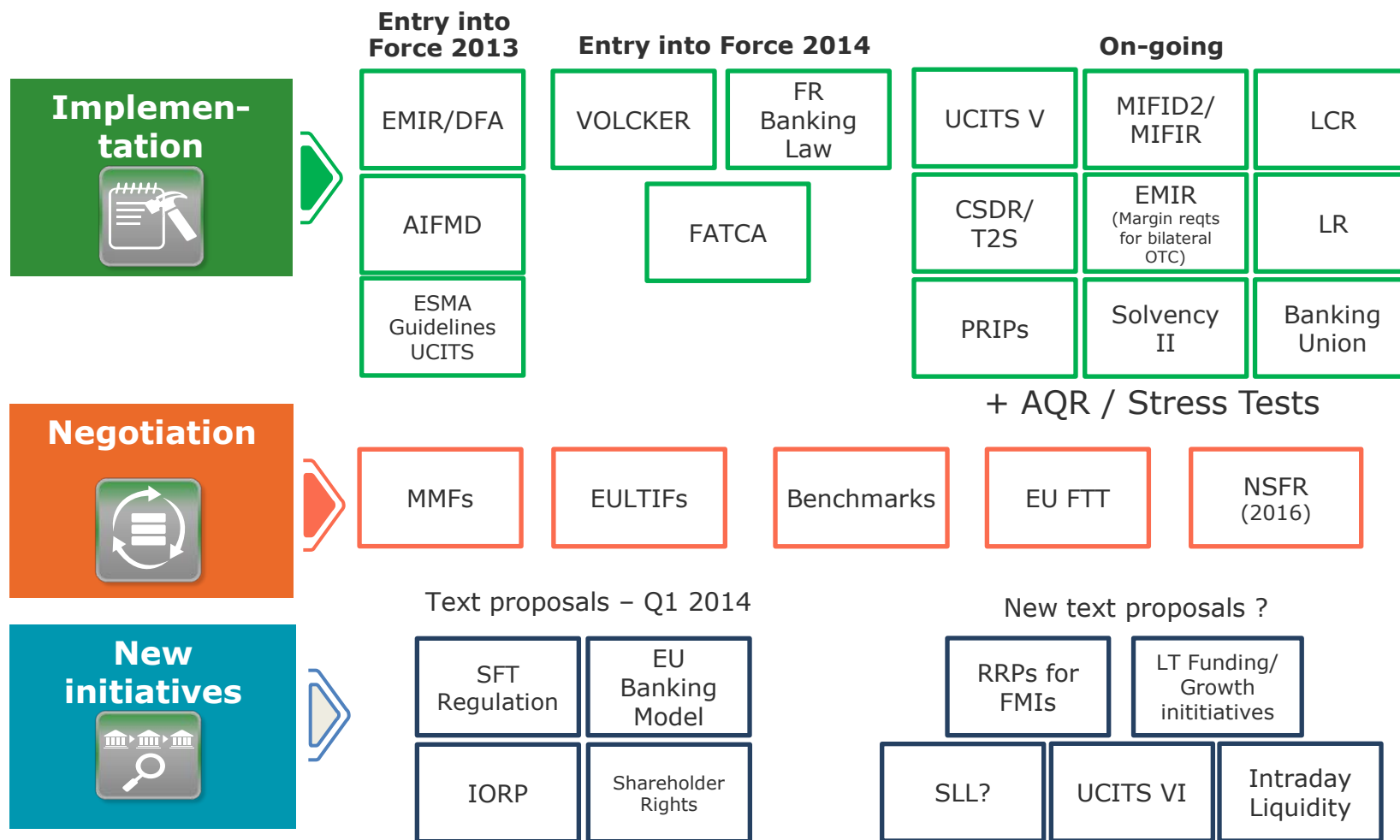
<p>Coherent application of new rules</p>	<ul style="list-style-type: none"> ▪ Stricter control on transposition ▪ Ensure coherent application ▪ Focus on Banking Union
<p>Finalising work that hangs over</p>	<ul style="list-style-type: none"> ▪ Shadow Banking (SFTR, MMF Regulation) ▪ Recovery/resolution plans for CCPs
<p>Impact assessment of the regulatory «tsunami»</p>	<ul style="list-style-type: none"> ▪ Clause of review included in a number of texts ▪ To be performed in 2 or 3 years from now
<p>Capital Market Union</p>	<ul style="list-style-type: none"> ▪ New sources of financing / improved access to finance ▪ Tools for better cross-border operations ▪ US is the benchmark
<p>International dimension</p>	<ul style="list-style-type: none"> ▪ To overcome the fragmentation resulting from different rules (notably on OTC derivatives) ▪ In favour of more detailed standards



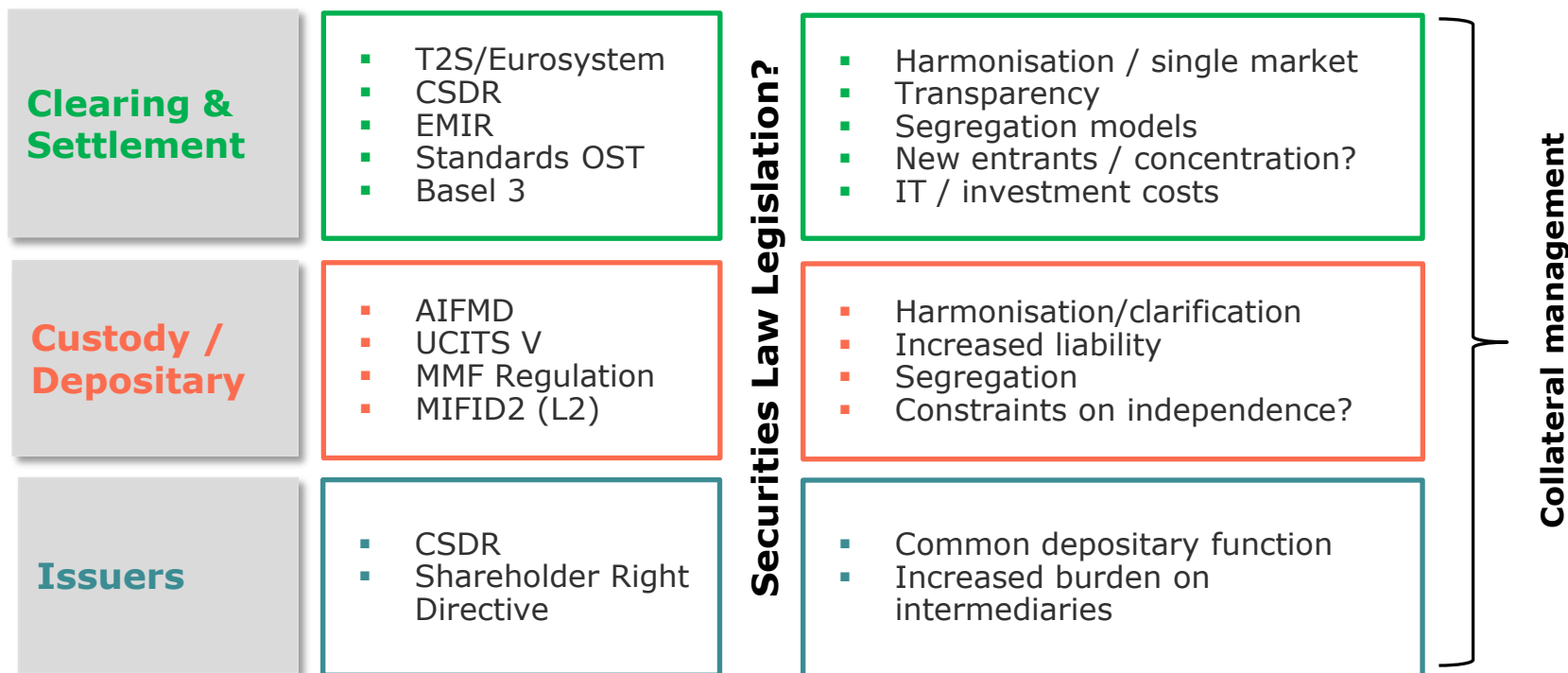
Main Initiatives – Panorama



Main Initiatives – Timeline



Main Impacts for Custodians – Need to Adapt



Beyond the need to adapt to new rules, custodians will be expected to absorb even more risk in the chain

Main Impacts for Custodians – Also Opportunities

Evolutions

Increased transparency

Protection of assets/investors

Collateral demand

Constraints on Liquidity

Further use of FMIs

Rationalisation / Transversal approach

Increased complexity

Opportunities

Reporting solutions

Depository / custody offer

Collateral Management
(transformation / optimisation)

Optimisation / alternative sources

Access to Infrastructures / T2S solutions

Optimisation / Outsourcing for MO/BO

Integrated Solutions



**New «business models»/
New allocations of assets**



**Extension to new Products /
Markets / Clients**

Conclusions

- New regulations will shape structuring market evolutions for all participants
- Custodians are expected to absorb more risk in the chain and expand custodians' role in servicing the different types of market participants
- In this new context, many questions are still to be answered
 - Which actors will remain? How will they adapt their services?
 - How will additional costs be optimised across the chain?
 - To what extent will costs be passed to final users? Will they be ready to pay the risk-shift premium?
- Some benefits will also emerge from this new framework
 - Improvements in some areas (e.g. clarification / harmonisation, T+2, increased transparency, enhanced protection...)
 - Custodians are well positioned to develop new services to address expectations of all market participants

Compliance and Transparency along the Securities Services Chain

Mark Gem

Chief Compliance Officer
Clearstream

Background

Compliance has become a major focus for financial services, but the securities industry has been relatively lightly affected.

There are three trends that might cause us to question the compliance framework in which the industry works:

1. Increasing regulatory attention and focus on sanctions enforcement and counter-terrorism measures has led to new standards and processes in correspondent banking. Some of those standards might be relevant for us too
2. Concerns that the lack of transparency in securities trading have led the SEC to adopt new standards that depart from traditional guidance
3. The settlement between Clearstream and US Treasury highlighted differing expectations between the industry and enforcement authorities.
4. The development of «scanning» practices in securities settlement will lead to significant operational friction if not accompanied by appropriate cross-industry standards.

ISSA aims to provoke an industry wide discussion into the transparency in securities transactions and custody chains at the ISSA Symposium which was taking place from 20 to 23 May.

Transparency in intermediated custody chains

What is the issue?

- The global system under which securities are safe kept and settled is based on a clear distinction between **beneficial and legal ownership**.
- The practice of **co-mingling fungible interests** brings benefits to the market and to end investors because it creates large economies of scale, low transactional costs and promotes a degree of liquidity and mobility of securities and collateral that has become a cornerstone of market stability.
- To achieve that, the global system intermediates many players into securities custody **transforming the legal ownership of securities interests multiple times**.
- But the omnibus model also reduces transparency by **substituting a record of the end investor's identity** for a record of the custodian's or the broker's identity.

The management of the compliance risks is made the more challenging by the lack of transparency

Bad guys and omnibus accounts



The Beneficial
Owner ...

... is a client of an
institution somewhere ...

...which is a client of a
bank ...

... who deposits the assets
somewhere...

Is the existing standard clear?

- Custodians, depositories and clearing agents must perform **customer due diligence** for all accounts and extended due diligence on those customers deemed to be higher risk.
- The lack of visibility of custodians and securities settlement agents over the principals of the securities whose transactions they process has been mitigated by the principle of «**equivalent regulation**».
- Where a securities intermediary is a regulated financial institution (and so is «**equivalently regulated**»), it does not generally disclose to its custodians, settlement agents and depositories for whom it is acting **on the basis that it itself has performed due diligence and KYC on its own clients.**

In comparison to other areas of financial services, there has been little discussion at policy-making level about how compliance risks should best be managed in the context of the nominee account.

Principles on Client Identification and Beneficial Ownership for the Securities Industry – IOSCO 2004

- The **objective** of the paper was to ensure that securities service providers identify their clients and beneficial owners in order to prevent fraud and market abuse whilst acknowledging that policy goals relating to money laundering and terrorist financing would also be served.
 - The paper argues that securities services providers should be compelled by regulation to identify clients and beneficial owners but also to put in place «**specific Client Due Diligence policies for omnibus accounts**».
 - **IOSCO stopped short of recommending that securities service providers look behind their regulated omnibus account holders**
- IOSCO recommended that when dealing with foreign holders of omnibus accounts, providers should be required to
- Understand the business and professional reputation of the omnibus account holder,
 - Assess the adequacy of the omnibus account holder's Client Due Diligence process,
 - Assess the regulatory and oversight regime of the country of the omnibus account holder in order to establish that it is subject to equivalent client due diligence standards.

The approach of IOSCO was explicitly embraced by other regulators

- **FinCEN** and the **SEC** jointly issued a rule under the PATRIOT Act in May 2003 specifying that “with respect to an omnibus account established by an intermediary, a broker dealer is not required to look through the intermediary to the underlying beneficial owners, if the intermediary is identified as the accountholder.”
- In guidance issued in October 2003, the **US Treasury** and the **SEC** made clear that even when broker-dealers have information regarding a financial intermediary’s underlying customers, they should treat the holder of the omnibus account – as the sole “customer” for purposes of the customer identification program rule.
- **FinCEN** and the **CFTC** issued almost identical guidance in February 2006.

Is it sufficient for us to rely on the first regulated intermediary in the chain to identify the beneficial ownership?

- The regulatory guidance, though explicit on exempting securities intermediaries from any requirement to look through their regulated customers, has been silent on the consequences of a violation caused by the unidentified client of a regulated account holder.
- There are signs that regulators are increasingly likely to challenge the principle of «equivalent regulation» in the area of beneficial ownership identification.



«A vulnerability to money laundering exists because a securities intermediary may not know the beneficial owner of an investment if held in an omnibus account maintained for a (foreign) financial institution». **Moneyval / FATF, 2009**

OFAC's Challenge

«(The Clearstream settlement) should serve as a clear alert to firms operating in the securities industry that they need to be vigilant with respect to dealings with sanctioned parties, and that omnibus and custody accounts require scrutiny to ensure compliance with relevant sanctions laws.»

«The banking world has grappled with (transparency) and has done some really positive things in terms of piercing the veil and seeing who the beneficial owner is. I think in the securities world, we're not where we need to be yet.»

OFAC's Recommendations for Best Practice

- Imposing restrictions and heightened due diligence requirements on the use of certain products or services by customers who are judged to present a high risk from an OFAC sanctions perspective. Restrictions might include limitations on the use of omnibus accounts, where a lack of transparency can be exploited in order to circumvent OFAC regulations.
- Making efforts to understand the nature and purpose of non-proprietary accounts, including requiring information regarding third parties whose assets may be held in the accounts.

OFAC also issued general guidance to the securities industry in January 2014

What can (custodians and securities intermediaries) do to protect themselves from the risk of directly or indirectly providing services to — or dealing in property in which there is an ownership or other interest of — parties subject to sanctions? Best practices include:

- Making customers aware of the firm's U.S. sanctions compliance obligations and having customers agree in writing not to use their account(s) with the firm in a manner that could cause a violation of OFAC sanctions.
- Conducting due diligence to identify customers who do business in or with countries or persons subject to U.S. sanctions. Such customers may warrant enhanced due diligence.
- Imposing restrictions and heightened due diligence requirements on the use of certain products or services by customers who are judged to present a high risk from an OFAC sanctions perspective. Restrictions might include limitations on the use of omnibus accounts, where a lack of transparency can be exploited in order to circumvent OFAC regulations.
- Making efforts to understand the nature and purpose of non-proprietary accounts, including requiring information regarding third parties whose assets may be held in the accounts.
- Monitoring accounts to detect unusual or suspicious activity – for example, unexplained significant changes in the value, volume, and types of assets within an account. These types of changes may indicate that a customer is facilitating new business for third parties that has not been vetted for possible sanctions implications.

OFAC FAQs 23 January 2014 (emphasis added)

Market abuse measures are also driving increased transparency

- In the **EU**, the Market Abuse Directive which was adopted by parliament in January 2014 and which is scheduled for transposition in 2016 seeks to extend market abuse protections more explicitly to the OTC markets. Amongst other things, the directive will criminalise the «aiding and abetting» of abuse.
- In the **United States**, with its Rule 613, the SEC has issued requirements for securities broker-dealers to establish a «consolidated audit trail» of securities transactions forcing the communication of the identities of the buyer and the seller to each intermediary involved in the execution of a trade. The requirement does not, however, extend to the settlement of the trades.

The payments industry - Is this where we're headed?

Transparency

- The introduction of the **MT202/5 cover** message in 2009 harmonised the transmission of payer and final beneficiary details in cover payments
- An MT202/5 COV is designed for use when two financial institutions effect a payment through correspondents
- Final payor and beneficiary details are therefore also known to the **underlying correspondents**
- The standard has driven an **exponential increase in the operating costs and risks** of correspondent banking

The Wolfsberg Correspondent Banking Standards

- Financial institutions should not rely solely on the fact that a foreign correspondent is subject to an internationally-recognised regulatory environment
- The financial institution should assess the foreign correspondent's geographic risk, its branches, subsidiaries and affiliates, its ownership and management structures, its underlying business, its customer base, the products and services offered, its regulatory history and the effectiveness of its anti-money laundering controls.
- The downstream relationships of the correspondents should be understood

Due diligence and transparency regarding cover payment messages: Basle Committee on Banking Supervision, 2009

Existing messaging practices do not ensure full transparency for the cover intermediary banks on the transfers they facilitate... Lack of originator and beneficiary information for funds transfers can hinder or limit a cover intermediary bank's ability to accurately assess risks associated with correspondent and clearing operations.

... To comply with locally applicable requirements, such as the blocking, rejecting or freezing of assets of designated individuals or entities, cover intermediary banks thus might need to receive originator and beneficiary information.

But we're different, right?

- SWIFT FIN messages are evenly split between securities and payments volume
- High value payment systems and securities settlement systems have similar cross-border turnover by value

How are we similar?

The situation of a financial institution settling a securities trade is similar to that of an intermediate financial institution; assets can be transferred between parties whose identities are not known to the institution.

How are we different?

Payments are made for almost any purpose and in almost any context. Securities trades and transfers are made in a much more homogenous environment and often but not always on regulated trading forums.

A Hint from the Authorities?

The correspondent banking industry was required to transmit principal data down the payment execution chain

Its situation is analogous to that of securities intermediaries in certain respects

Have the authorities ever taken a position on this point?

INTERPRETIVE NOTE TO RECOMMENDATION 13 (CORRESPONDENT BANKING)

The similar relationships to which financial institutions should apply criteria (a) to (e) include, for example, those established for securities transactions or funds transfers, whether for the cross-border financial institution as principal or for its customers.

International Standards on Combating Money Laundering and Financing of Terrorism & Proliferation, FATF, February 2012

The main conclusion from ISSA's 2014 Symposium

- Discussions have focused on whether existing best practice is sufficient to protect the industry's interests in the light of emerging regulatory expectations.
- A clear consensus has emerged that the industry would benefit from the development of a global industry standard which could provide a degree of assurance beyond what a high standard of scrutiny alone can deliver.
- The working group aims to define that standard in the form of principles and supporting material. It will also address the question of how such a standard might be adopted by individual firms and their industry associations and what continuing governance arrangements might be.

In the high value payments arena, the Wolfsberg Group has defined a set of Correspondent banking Principles establishing common standards which the leading correspondent banks agree to apply to their correspondent customers

Best Practice Guidelines in Securities Intermediation: the wider issues

- Can the securities industry define more efficient and effective standards than those imposed on the payments industry in 2009 by the Basle Committee?
- Do the expectations of the authorities, judicial overreach and the developing geo-political context undermine the legal principles on which our industry has been developed?
- How can the compliance standards of one organisation be reconciled to those of its upstream and downstream partners?
- Should the principles apply to the issuance process as well as to the custodial process?

The securities industry has the opportunity to develop and apply standards that generate less friction, cost and risk than those applied in high value payments.

To achieve that the industry shall have to work together on a global basis.

Creation of Best Practice Standards - ISSA's homework

- Define securities equivalent of Wolfsberg Correspondent Banking Principles
- Ensure that intermediaries put their provider in a position to comply with applicable regulations at all times
- Create a governance organization for adopting and maintaining standards
- Discuss with SWIFT possible methods of transmitting beneficial owner identity information throughout the custody chain
- Create working group to document technical solutions/options that could be considered together with SWIFT standards, e.g. securities equiv. of MT202/5 COV
- Define a standard, relying on mutual representation as opposed to transmission of principal data
- Identify any alternative technical means of ensuring that the parties in the custody chain can identify the beneficial owner

Panel session and Q/A

Moderated by : Urs Stähli, Secretary, ISSA

**Angus Fletcher, Head of Market Advocacy, Global Transaction Bank
Deutsche Bank**

**Laurence Caron-Habib, Head of Public Affairs, BNP Paribas Securities
Services**

Mark Gem, Chief Compliance, Clearstream

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