

ISSA

International Securities Services Association



New ISSA Members

We are delighted to announce that the following Member joined our Association in the second quarter 2021:

- Capco, UK

We welcome Capco to the ISSA community.

If there are other firms that are active in Securities Services who are not Members, but you think should be, please reach out to Colin Parry to discuss how you can help encourage them to join.

Board of ISSA

Welcome

Dear ISSA Members and interested parties

We trust that you and your loved ones are well and wish those areas of the world within the grip of the pandemic a speedy exit and journey to normality.

To quote from a General Meeting slide, «more content, more media, more intense flow of information» has certainly been a theme of the second quarter. Taking the cancelled Symposium days and repurposing them for the General Meeting and a virtual mini-Symposium, in addition to Working Group and survey output, has meant that we are never far from your mailbox. However, the added intensity has been well received and the feedback on the content immensely encouraging.

In this edition we provide highlights from our two recent virtual ISSA events mentioned above: The General Meeting - which outlined how we are positioning ISSA for the 21st Century - and our mini-Symposium - which focussed on the next steps for «The Future of Securities Services».

For our Association, the second quarter of 2021 has been all about looking forward and, later in this edition of the Newsletter, we summarise the findings from our ISO 20022 Report. This was based on two surveys, your feedback and our virtual ISO 20022 call. In addition, we highlight the New Norm Working Group, as well as bring you information about the new survey from the Asset Servicing Working Group and The Value Exchange. If you have not already received the survey - and would be prepared to complete one - please do let us know and we will forward one on.

We conclude this Newsletter with the Working Group Updates, covering quarter one activities and plans for the rest of 2021.

We wish you a successful second half of the year and, as always, if you have suggestions for the ISSA team, please do reach out to us and let us know.

Sincerely, ISSA CEO Office

ISSA Virtual General Meeting 4th May 2021

Key Take-Aways

The ISSA Board and CEO Office held the 2021 General Meeting virtually on the 4th May. Offering an opportunity to provide our Member Representatives and deputies with information about what ISSA is doing, as well as a platform for Members to ask questions, the event was – once again - well attended by the Membership.

Key items covered included:

- Phil Brown, ISSA Chair, thanked Members for their time attending the Meeting and support during the year
- The new Board Members Jason Nabi (Euroclear), John Stewart (IHS Markit) and Andrew Luscombe (Credit Suisse) were approved by the Members
- Colin Parry, ISSA CEO, updated the Membership on a variety of topics: highlighting the key deliverables of improvements within the ISSA organization, a stable financial situation, a Membership update, Working Group output as well as the heightened intensity of communication and partnership
- The Members voted to accept the suggested changes to the Articles of Association. These will be adopted and published after registration with the Registry of Commerce in Zurich
- Jyi-Chen Chueh, ISSA Operating Committee Chair, thanked the Members for their support of the Working Groups and gave an update on the progress, successes and focus of each one (see more below)

What next?

As agreed, the General Meeting will become an annual event, allowing a more frequent formal interaction between the Membership and ISSA.

ISSA Virtual Mini-Symposium 5th May 2021

The Future of Securities Services

As you can imagine, the ISSA Office has been quiet for over a year. However, we have all been on many Teams / Zoom / BlueJeans / Webex meetings during the period. Reading the press, «Zoom fatigue» appears to be rife and personally I (Colin Parry) would love to meet actual people again. So it was with some trepidation that we took the decision that «the show must go on» and organized to take the excellent ISSA and Oliver Wyman «Future of Securities Services» paper to its conclusion via a virtual mini-Symposium. We have been delighted with the response of the Membership – with almost 150 attendees from over 45 firms having signed up to participate. Thank you.

Mini-Symposium Achieved Its Aims

The aim of the mini-Symposium was to conclude the paper and decide which of the many recommendations the Membership were going to recommend to the Board that ISSA takes forward in new Working Groups.

ISSA Chair, Phil Brown, provided a short introduction and held an insightful poll on the «return to work», after which he handed over to Archie Stebbings, Partner at Oliver Wyman. Archie led us through a thorough presentation of the work underpinning the FSS paper, the big picture of what is happening - and could happen - within both the world economies and the industry over the next decade.

Next, Colin explained how we took the 16 opportunities and focused on 6. The starting point was the input from the September polls on member priorities, and we also removed those that we are already working on. We then ranked the opportunities using a lens of «Members' Priorities» and what was «ISSA's ability to influence» and took the upper right quadrant as the 6 best opportunities.

Interactive sessions then followed, with participants being randomly allocated to breakout rooms. The aim was to have the different groups discuss and answer a number of key questions on one of the opportunities:

- a. How will the work effect change through collaboration and communication to make the Securities markets more efficient and effective whilst reducing the risk for all participants?
- b. On which aspects can ISSA express clear strong (authoritative) views on implementation, industry positioning, etc.?
- c. Is this topic already covered by another industry organization? Is this topic an area where ISSA is uniquely positioned to address?
- d. How will the Working Group's output be used? Ideally, it should lead to action and not just be a one-time thought piece.
- e. Any additional points the breakout team think are important.

The groups then presented back their thoughts and recommendations and we had a final poll on the proposal to take to the Board. The favourite ones were:

Digitization Best Practices	25% (34%)
Common Data Standards	20% (14%)
Private Markets	19% (17%)
API	15% (17%)
ESG Standards	12% (16%)
Cyber – Cloud and quantum	9% (2%)

(Percentages in brackets were prior to the presentations)

In addition to the voting, there were adjustments made to the questions in the breakout sessions (such as «Cyber Cloud and quantum» was repackaged to «Cloud adoption best practices including Cyber»). Given that a number of elements that were suggested for focus can be captured in other Working Groups, Colin agreed to take away the conclusions and work with the Operating Committee to assess how best these topics can be covered: either through new Working Groups or via combining different themes. Timelines for establishing these new topics also need to be confirmed.

ISO 20022 Paper

The Industry's Perspective

After many months of effort, the ISO 20022 paper has finally been published. Through assessing the results of two industry-wide surveys, the ISO 20022 Working Group participants have brought together the views of the Securities industry on ISO 20022 adoption as well as provided a number of core recommendations.

The ISSA CEO Office would like to thank all of the firms that have contributed to this paper, either through answering the surveys and/or by providing experts to help in the WG. In addition, our special thanks go to Juliette Kennel (SWIFT) and Giles Elliot (TCS) for their roles in actively chairing the Working Group and driving this project forward.

Highlighting opportunities...

The paper highlighted the opportunities of ISO 20022, including how it can help bridge the heritage solutions to the new world of API and DLT - whilst avoiding yet further fragmentation in the Securities markets. However, it also unwaveringly addressed the elephant in the room: that the Securities market uses the ISO 15022 standards extensively and that these standards already support the vast majority of the high-volume interactions between participants with high straight through processing rates (STP).

It is these high rates of STP that meant the business case to move the market, on a wholesale basis, to ISO 20022 is missing. Although there are instances where - in particular at platform renewal time - a business case can be made, the overwhelming feedback from ISSA participants was that, unless forced to adopt, they will remain on existing standards.

In the meantime, it is worth considering the 4 recommendations that the ISO 20022 paper made:

1. ISSA should help educate and inform the Securities industry on issues related to ISO 20022 adoption and business drivers
2. The Securities industry should focus on developing ISO 20022 capabilities in areas that are sub-optimal in current operating models, rather than attempting to force a holistic migration agenda. Additionally, The Working Group recommends that the payments migration to ISO 20022 is completed prior to any mandatory migration for Securities
3. ISSA should look to promote interaction between ISO 20022 and other key industry standards
4. The Industry should collaborate to define a set of standardized «utility APIs»

... but more needs to be done

Having made these recommendations, ISSA cannot sit back and will need to actively play our part in helping the industry move forward. The ISO 20022 WG participants have agreed to continue to serve the industry through a series of next steps, including interacting with other ISSA Working Groups. These will include:

- Educational Material, Industry Best Practices and Survey in 2022
- Adding a new Sub-Group to the DLT WG covering DLT/Digital Assets
- Creating new Sub-Groups within the ISO 20022 WG covering:
 - a. APIs
 - b. Asset Servicing
 - c. Industry Standards and Interoperability

As always, the success of these Sub-Groups will be dependent on the resources that ISSA Member firms can allocate to the Working Group. Please let Colin Parry know if your firm is able to contribute.

The New Norm

Electronic Signatures

In the second of a series of articles, written by The New Norm Working Group, the participants explore the use of electronic signatures.

At the beginning of the pandemic, a seismic shift occurred in Securities Services. Almost overnight the industry moved from wet ink signatures and circulating originals by courier - which most jurisdictions considered the only way of signing legal agreements - to signing documents electronically and returning them via email (known as an electronic or e-signature). As a result, digital adoption and acceptance accelerated significantly.

Although electronic execution was already becoming more common in a number of jurisdictions, in most markets (and especially in Asia) it was not and, even where it was accepted, there was still the requirement to retain the original copies with a wet ink signature. It is

therefore a concern that - post-pandemic - there will still be a need for this wet ink signature or that the entire wet ink process will be completely reinstated.

In the article, the Working Group looks at:

- The adoption and specific challenges around electronic signatures in Securities Services during Covid and suggestions for a way forward post-pandemic
- The legal aspects surrounding electronic signatures, which may differ by jurisdiction (albeit that common cross-jurisdictional elements can be identified)
- The different technological solutions that are available for executing documents electronically

For further insights from the New Norm Working Group, read the full article [here](#) or visit ISSA's website on www.issanet.org.

Corporate Action Survey

Is it all about the data?

ISSA's Asset Servicing Working Group is liaising with The Value Exchange, Accenture, DTCC, FIS and HKEx on a survey about data in the corporate action space. The survey was issued to ISSA Member Representatives and the Asset Servicing Working Group participants on the 28th April. Responses are required by the 28th May.

The aim of the survey will be to provide market participants across the world with detailed, statistical

insights on where and how Securities Services providers can improve corporate event data processing.

If you are also interested in participating in this survey, please contact us by email (ursula.borer.issa@six-group.com) and we will be happy to send you an individual link. Alternatively, you can send in your responses anonymously via the following link:

https://thevalueexchange.ca1.qualtrics.com/jfe/form/SV_5i4AqnaNeOB600C?partner=203

Progress Reports on ISSA Working Group Activities

Please see below ISSA's progress report on its Working Groups:

Financial Crime Compliance

The Financial Crime Compliance Working Group has continued to focus on the following key topics:

- **FCC Principles Questionnaire:** Updates to the DDQ have been completed and agreed by the ISSA Board. The FCC Working Group is now working with SWIFT to embed the FCC DDQ in the SWIFT Registry.
- **Payment Transparency:** The Working Group's existing conclusions on payment transparency will be integrated into a more general discussion at the ISSA Operating Committee level of the future evolution of securities related cash transfers.

Recovery, Resolution and Resilience

At the end of the year, the Working Group finalised and approved the interim results. The following three objectives were achieved:

- Common understanding of Terminology and Regulations deliverable (living document)
- Define a template standard set of materials
- Develop a process to test the identified criteria

The Goal for 2021 is to intensify the collaboration by undertaking tests of several scenarios and discussing potential outcomes.

Distributed Ledger Technology

The core Working Group is still doing «show and tell» and discussions of interesting use cases and public Proof of Concepts to educate and inform the WG participants.

In addition there are three very active Sub-Groups initiated from the input of the summer 2020 DLT survey:

- **Voice of Customer:** The survey has been produced and can be accessed via the link:
<https://www.surveymonkey.com/r/ISSADLTVoC>
The Working Group is running the confidential survey which is focused on the Asset Owner and Investment Management industries until mid-June.
The Working Group is partnering with BVI and EFAMA and possibly one other association to ensure we are capturing a wide market view.
If you have clients who you would like to participate, please feel free to forward the link. If your clients prefer an interview style questionnaire either you can do it and feedback, or Colin Parry can execute it for you.
- **CBDC/Stable Coins:** The Working Group is creating a series of research blocks which each covers a specific point and feeds into the next block so that by the end of May, a comprehensive document can be published. These research blocks are:
 - Frameworks and Terminology
 - Use Case 1 – Issuance and Redemption
 - Use Case 2 – Settlement
 - Use Case 3 – Collateral
 - Roles and responsibilities in a future CBDC landscape
 - Features, functionality & systems
 - Regulation, Risks, Policy, Opportunities & Challenges
- **Standards:** Surprisingly the most complex of the streams, the Standards Group is unearthing an interesting multiplicity of «Standards» used in the market, describing all features of an asset, platform and consensus. There is still much work to do here and more volunteers are welcome.

Future of Securities Services

Please see article above

The New Norm

The New Norm Working Group is focused on publishing a series of short articles that look at the impact of the pandemic on the Securities Services industry. Two articles on [Working Methods](#) and [Electronic Signatures](#) have now been published.

Further articles on the following topics are also planned:

- SSIs
- Operational Models and Resilience
- Automation

In each article, the Working Group outlines how the pandemic initially impacted the topic. They also offer potential solutions and guidance on best practice to help institutions manage the current situation and position them positively for the future.

Asset Servicing

The Corporate Action and Proxy Voting Working Group has been renamed the Asset Servicing Working Group.

Key Achievements of the 1st Quarter are:

- Publication of the Asset Servicing survey results and call to review with The Value Exchange
- Review of issues identified due to the pandemic and agreement on how these could potentially be addressed
- From review, agreement on four Sub-Groups covering Withholding Tax Processes, Data Sourcing, Proxy Voting and Complex Corporate Action Events
- Creation of the first two Sub-Groups Withholding Tax Processes and Data Sourcing

Planned Next Activities:

- Withholding Tax Processes Sub-Group will focus on best practices in this space, as well as identify key processing issues and how these can potentially be addressed
- Data Sourcing Sub-Group will work with The Value Exchange on a survey on data sources for asset servicing

ISO 20022

Please see article above
