

ISSA

International Securities Services Association



Change in the ISSA Executive Board

With immediate effect, Mr David Scola, Chief Executive Americas & UK, replaces Javier Pérez-Tasso as ISSA Board Member representing SWIFT.

We congratulate David on this nomination and wish him all the best in his new role.

Board of ISSA

This Newsletter contains

- Article by James Cox, ISSA Board Member, about «Regulation Driving Service and Product Innovation»
- GLEIF Update
- Progress Reports on ISSA Working Group Activities

20th ISSA Symposium

As already announced on ISSA's Homepage and in several Newsletters, the 20th ISSA Symposium will take place

from June 2 to June 5, 2020.

It is a great pleasure to inform you that ISSA will be back at the refurbished Wolfsberg location, based in Ermatingen, Switzerland. This is UBS's «Platform for Executive & Business Development».

At its meeting of November 21, the ISSA Board will approve the final agenda with the theme «*Digitization and Tokenization: Envisioning the Future Industry Ecosystem*». ISSA will continue with the proven concept of past Symposia where senior key note speakers will present their thoughts about future challenges and business experiences followed by breakout sessions. With this unique concept ISSA offers all attendees the opportunity to share their views with their colleagues across the value chain and the globe. ISSA took the opportunity at SIBOS to share the draft agenda with many ISSA Members and non-Members and received excellent feedback about the proposed program.

Wolfsberg is ready to host ISSA's Symposium exclusively guaranteeing all attendees an atmosphere of excellent business and social networking. The formal invitation will be mailed to ISSA's Membership and Guests in early December. It will include the agenda and some important logistic information. The deadline for registration will be at the end of January 2020, providing ample time to initiate all the detailed planning processes with Wolfsberg and related parties.

Regulation Driving Service and Product Innovation



James Cox
EMEA Head of Sec. Services
Deutsche Bank AG
ISSA Board Member

As we move into the final quarter of 2019, our eyes are already focused on the year ahead. In finalising our 2020 book of work for Deutsche Bank's Securities Services business, regulation inevitably dominates. Achieving regulatory compliance for regulations such as CSDR and SRDII is naturally the priority, although our product innovation roadmap is also motivated by the regulatory agenda.

In an era where digital innovation commands attention, regulatory-driven product innovation achieves urgency, validity and credibility. Until recently this had possibly been lacking in the securities industry, as digital fatigue crept in somewhat after the initial fanfare some five years ago. What were once concepts, finally became long-anticipated post-trade products and

services. We have also found it attracting the attention and support of our clients.

When it comes to regulatory implementation, while the impact on the bank and its clients is to the fore in terms of achieving compliance, it also provides securities servicers with a platform to develop next generation standards and solutions. Take a burning issue, achieve compliance, but while doing so challenge the current product suite and delivery mechanism to create 21st century solutions. This is where, as a securities servicer community, we can add true value for our clients; improving operational efficiency and mitigating risk by using innovative techniques to achieve service excellence.

*The work undertaken by
ISSA's DLT Working Group
remains purposeful, thought-
provoking and essential.*

At Sibos 2019, Deutsche Bank Securities Services piloted digital ledger technology to provide global beneficial ownership transparency in response to the implementation requirements of SRDII. Using digital technologies employed at institutions such as eBay, Vimeo and Netflix, Deutsche Bank Securities Services also piloted a real-time settlement risk dashboard – a client service to meet CSDR's settlement discipline regime. Judging by the flurry of press releases and new-launch information emerging from the conference, Deutsche Bank is not alone in substance-led digital change; the scale and pace of which is invigorating. This momentum assures us that the work undertaken by ISSA's DLT Working Group remains purposeful, thought-provoking and essential. Further, the wave of tangible change in our community suggests that at next year's Symposium we will be discussing digital technology in the context of implementation, not simply as a trend.

GLEIF Update

Following two articles on GLEIF / LEI in its Newsletters of May 2017 and April 2018, ISSA is pleased to provide the following update, as reported by GLEIF on the occasion of this year's SIBOS.



*Stephan Wolf
CEO Global Legal Entity
Identifier Foundation
(GLEIF)*

Background

GLEIF (Global Legal Entity Identifier Foundation) is a Swiss non-for-profit foundation established by the FSB (on request of the G20) in June 2014. The GLEIF governance documentation and services are available [here](#) in 14 languages of the G20. GLEIF is subject to oversight of the LEI Regulatory Oversight Committee ([LEI ROC](#)) that was established by the FSB with 71 public authorities members from over 50 countries.

FSB Peer Review Report

On May 28, 2019, the FSB published its Peer Review Report on the global LEI system with four sets of recommendations:

- What the 24 FSB jurisdictions should do: Such as the use of the LEI by Market Infrastructures.
- What the FSB will do: Cooperation with standard-setting bodies and for CCPs.
- What the standard-setting bodies should do: Such as embed the LEI in the policies of CPMI, IOSCO and BCBS for «securities transactions and cross-border payments».
- What the LEI ROC and GLEIF should do: Such as upgrading the business model, encouraging voluntary adoption and cooperation with the OECD for their ADIMA project for Multinational Enterprises.

GLEIF Mandate

GLEIF has the mandate to deliver the LEI data services of the global LEI system as a broad public good for the benefit of the users of the private and the public sector. GLEIF makes the LEI data free of charge and without registration available [here](#) for any users.

GLEIF Services

An LEI is a high quality identifier (based on the ISO 17442 standard) of a legal entity. GLEIF delivers the following services:

1) Who is Who

As of September 1, 2019, over 1.4 mio legal entities in over 200 jurisdictions were registered for an LEI. See [here](#) for «LEI search» and «LEI statistics» (also with a smartphone). The LEI and its reference data are already used by firms of the private sector like banks, data-vendors, tech firms, fintechs etc. and by the public sector (central banks etc.). The Banker's TOP 1000 banks have nearly all registered for an LEI inclusive for many of their *children*.

2) Who owns Whom

This GLEIF service delivers clarity on the direct and ultimate parent (and children) of a legal entity with an LEI based on IFRS or US GAAP. Listed companies have started to register also their subsidiaries.

GLEIF Strategy

A - Public Sector

GLEIF has no mandate to define the strategy for the use of the LEI by the public sector based on article 10 of the GLEIF Statutes. The LEI data are already used for many public purposes such as for reporting to regulators and statistical purposes. The LEI is also included in the XBRL reporting standard. GLEIF publishes an overview with over 100 cases on the «Regulatory use of the LEI».

B - Private Sector

GLEIF has formulated a strategy for the use of the LEI by the private sector that includes among others:

Capital and Money Markets

GLEIF has approached all global banks and several trade associations of the capital and money markets for further cooperation. GLEIF created a GIFI User Stakeholder Group to better understand the requirements of those firms. Many of the listed 45'000 companies of the 250 exchanges that are a member of the World Federation of Exchanges already have an LEI.

Banking Services

Banks start to use the LEI for on-boarding business customers, for trade finance and for their cross-border payments (to mitigate money laundering, terrorist financing and sanction risks). The FSB recommended in November 2018 the use of the LEI for correspondent banking and for cross-border payments. The Wolfsberg Group and ISSA recommend to use the LEI for correspondent banking relations to mitigate money laundering and terrorist financing risks.

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Supply Chains

GLEIF has a strong cooperation among others with:

- The International Chamber of Commerce that supports all exporters and importers with their UCP 600 (Uniform Customs & Practice for Documentary Credits) and which also recommended to use the LEI to the G20 leaders on the transparency and efficiency of the financial supply chain.
- Global Standards One (GS1) that takes care of standardization for the supply chain areas like the food, non-food and healthcare sectors.

The GLEIF Board approved the start of a GLEIF 2.0 program with several projects with the purpose to increase as soon as possible the number of issued LEIs from 1.4 mio to 40 mio for the benefit of the global business community.

Digital Economy

This includes the LEI for e-commerce, block-chain arrangements, smart contracts, certification authorities, digital signatures based on the ITU-T X.509 protocol and for fintechs. GLEIF has a dialogue with several industry organisations, such as the Certification Authority Browser Forum ([CAB Forum](#)).

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GLEIF Value Added Services

GLEIF also makes available free of charge value added services, such as:

- Registration Authorities List with an overview of more than 750 business registers
- LEI to BIC ISO 3166 mapping service delivered in cooperation with SWIFT
- LEI to ISIN ISO 6166 mapping for shares and bonds launched in April 2019 in cooperation with [ANNA](#). Recently, the ANNA members of the USA and Japan opted in for the LEI program and the remaining ANNA members of the 24 FSB countries are expected to follow soon.
- LEI to GLN (Global Location Number) mapping service in cooperation with [GS1](#), planned for 2020
- An overview of all legal forms of any country based on the ISO 20275 ELF: Completion planned in 2019/2020.

On the GLEIF website there is a short [video](#) on the iXBRL presentation of the Annual Report 2018 of GLEIF. This has been created in cooperation with XBRL International.

Progress Reports on ISSA Working Group Activities

Distributed Ledger Technology

Following an insightful ISSA panel at Sibos as portrayed in our October 2019 Newsletter, the Working Group has finalized the update of its 2018 Report on «Infrastructure for Crypto-Assets». The new Report entitled «Crypto-Assets – Moving from Theory to Practice» will be published in the week of November 14, 2019. It contains recommendations in relation to issuance, settlement, safekeeping and asset servicing of Crypto-Assets. In addition, it lists implications regarding law, regulation and interoperability / standards for market participants.

At the upcoming Workshop of the ISSA Operating Committee, the Working Group will propose work for the next phase, which should begin with a survey of where the industry is in its maturity and development of platforms using DLT / Crypto.

Corporate Actions and Proxy Voting

The responses received to ISSA's survey on the beneficial owner disclosure processes in various countries are presently being analyzed. In certain areas there are widespread commonalities, in other fields there is a wide distribution of answers. The resulting overview will enable the Working Group to determine if recommendations for harmonizing certain disclosure processes are warranted. Draft recommendations are scheduled to be available by the end of this year. In addition, the group seeks to make the collected information available to a wider audience.

In parallel, work has started to review current practices and challenges in the proxy voting space. Information has been collected

from a sample of markets, the scope of sources will be extended.

The Working Group has closely engaged with ISSA's Working Group on DLT, particularly relating to Corporate Actions on Crypto-Assets and Smart Contracts.

Financial Crime Compliance Principles for Securities Custody and Settlement (FCCP)

The Working Group will hold a Workshop on November 5 and 6, 2019. It will discuss the outcome of a recent comparative survey to benchmark the sanctions screening practices amongst ISSA Members. Subsequently, the Working Group will issue a second FCCP Bulletin, summarizing the survey outcome.

The Workshop will also discuss aspects of the Payment Transparency Regulation as they pertain to the Securities Industry. The results will form the basis for defining objectives regarding payment transparency guidelines.

In addition, the industry's readiness for the implementation of the Principles will be assessed.

Cyber Risks in Securities Services

As reported in its June 2019 Newsletter, ISSA entered into discussions with FSARC, the US Financial Systemic Analysis & Resilience Center. At its subsequent Workshop, the Working Group determined the draft feedback to be provided to FSARC regarding the latter's Risk Register process. Feedback will be provided by the end of November 2019. The Group further determined the structure of the report which will provide an industry guidance document in relation to managing, responding, recovering and resumption from a cyber-attack from the perspective of a non-directly compromised party. A first draft document is scheduled for the end of January 2020.