

ISSA Virtual Event

20 January 2022

Key Outcome

Future of Securities Services and ISSA Response

Future of Securities Services and ISSA Response

Session Topic

The session started with a lightening overview of the paper.

The second element was the panel on the changes seen in the last 18 months. A number of the factors foreseen are starting to play out and evidence was supplied.

Many of the forces were felt to be more positive for the industry than previously – although there are still hurdles to overcome.

The panel also highlighted the steps that ISSA is taking to address some of the challenges as an industry including the introduction of new Working Groups (WGs).

Key Outcomes

ISSA Members are invited to join the new WGs.

Challenges abound but there is a feeling of positivity with good examples of the industry moving forward.

ISSA is providing focus on the correct areas where communication, collaboration and driving change will have a positive effect on the industry.

The audience indicated support for an updated document in the next few years.

Strategic Implications for the Securities Services Industry

Overview strategic industry forces and associated drivers



Continued pressure on the top-line forcing additional focus on cost

- Downward pressure on fees
- Collapse of net interest margin
- Shift to lower margin solutions and lower cost providers



New revenue opportunities from innovative services

- Emergence of different asset classes
- Emergence of new investor types
- Demand for solutions to new or unaddressed problems



Disruption of the current market structure and value chain

- Disruption by new market participants (e.g. BigTech)
- Disruption through M&A / Partnerships
- Breakdown of traditional value chains and business models



Industry responses to COVID-19 and early-lessons learned

- Drastic push to digitization, automation and new ways of working
- Further shift of value from capital markets participants to market infrastructure

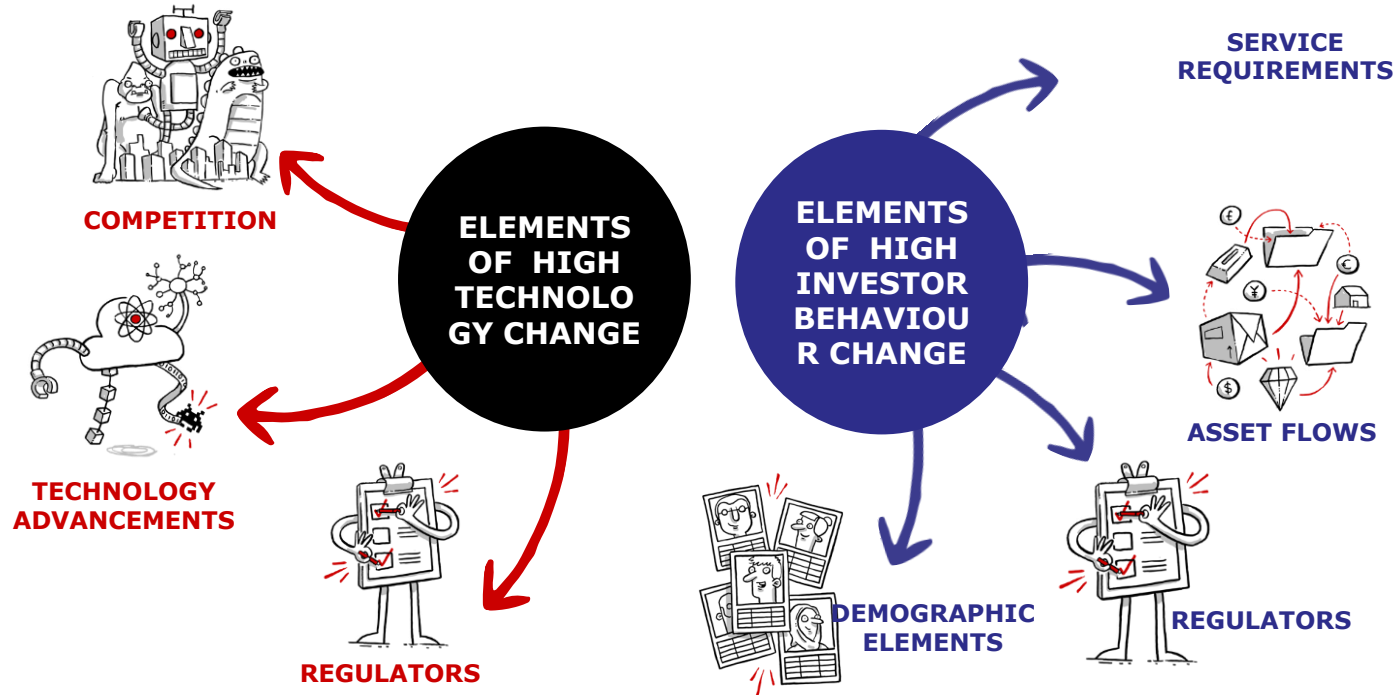
Key Trends Highlighted in November 2020

1. Shift to passive and ESG
2. Shift into digital and alternative assets
3. Financial deepening and globalisation
4. Increased adoption of new technology
5. Industry disruption by Big Tech
6. Increased data and associated use cases
7. Emerging new risks
8. Increased sourcing and partnerships
9. Loose monetary and expansionary fiscal policy
10. Uncertain regulation

Two Most Impactful “Forces” Across the Trends

1. Changes in Technology and Technology-Enabled Competition
2. Changes in Investor Behaviour

An Overview of the Major Forces



ISO 20022

ISO 20022

Session Topic

The session reiterated the need to support the ISO 20022 agenda in securities, including impact of the payments roadmap to ISO 20022.

Clarity was given on the streams of work for both the education, business case, and best practices stream and the API and Interoperability stream.

Attendees gave positive feedback that the direction was correct.

A number of questions were answered giving further impetus to the ISO 20022 stream.

Key Outcomes

Direction of travel supported and ISSA to continue with the WGs and the work efforts are supported by the attendees.

Members should look to get involved now and in the future.

It is imperative that members further understand the relationship between their payments and security linked payments and make strategic decisions based on that.

Regulation will force greater adoption.

ISO 20022 - Key Findings from the Survey

- 1 Nascent technology could be a driver for usage of ISO 20022**
Adoption of ISO 20022 data model in securities markets could help bridge the old world with the new.

- 2 Today, there is limited adoption of ISO 20022 across global securities markets**
Under existing trajectories and developments ISO 20022 will not become the preferred standard within the next five years.

- 3 Investment in ISO 20022 adoption is primarily driven by the requirements set by regulators or FMIs**
Industry participants are only adopting ISO 20022 when they have to, rather than as a strategic choice.

- 4 The industry does not see the business case for a full adoption of ISO 20022**
There is no global business case to migrate to ISO 20022, the case will depend on an individual firm's strategy, their own systems, Market Infrastructure requirements and customer needs.

- 5 Asset owners and Investment Managers will not drive adoption of ISO 20022**
Interoperability is a key feature which the securities market must enable, for the good of the whole market, and not expect 'client demand' to be the driving force.

- 6 There is no industry appetite for a big bang adoption of ISO 20022 within 5 years**
ISSA members need to prepare for prolonged co-existence.

- 7 Co-existence and co-maintenance are required during any transition**
Any plans made to move a set of products onto an ISO 20022 paradigm must allow for interoperability and a transition period.

ISO 2022 - Recommendations and Work Streams

- 1 ISSA should help **educate and inform the industry** on issues related to ISO 2022 adoption and business drivers
- 2 The industry should focus on **developing ISO 2022 capabilities in areas that are sub-optimal** in current operating models, rather than attempting to force a holistic migration agenda
- 3 ISSA should look to **promote interaction between ISO 2022 and other** key industry **standards**
- 4 The Industry should **collaborate to define** a set of **standardized 'utility APIs'**

Stream1 Educational Material, Business Case, Best Practices

- Improve and promote the available educational materials to facilitate the adoption of ISO 2022
- Sponsor an annual survey to measure ISO 2022 adoption rates and provide feedback to the industry

Stream 2 APIs and Interoperability

- Identify flows where API could add value (in the CA space to start)
- Position paper on avoiding APIs fragmentation using Standards/ISO 2022
- Once paper completed, we can work on issues that have been highlighted (TBD)

ISO 20022 – Polling Results

Question

ISO Q1 Are the survey findings still a good representation of your views?

- Yes. Nothing has materially changed that impacts the core...
- Moderate. There are some key changes that we need to c...
- No. The market has evolved and we need to update the c...

Result

Edited

Yes. Nothing has materially changed that impacts the core findings or planned focus	73% (22)
Moderate. There are some key changes that we need to capture. It would be useful to re-survey some areas.	23% (7)
No. The market has evolved and we need to update the core findings.	3% (1)

30 responses

ISO 20022 – Polling Results

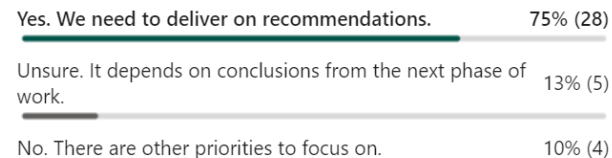
Question

ISO Q2 Is ISO 20022 still an important area for ISSA to spend time on?

- Yes. We need to deliver on recommendations.
- Unsure. It depends on conclusions from the next phase of ...
- No. There are other priorities to focus on.

Result

Edited



37 responses

ISO 20022 – Polling Results

Question

ISO Q3. Do you feel that there is a strong business case for common API standards and taxonomies for core data elements?

- Yes. We cannot expand rapidly and efficiently unless we lo...
- Unsure. We want to see more data and analysis before rea...
- No. We don't see this as a priority and feel we can progres...

Result

Edited

Yes. We cannot expand rapidly and efficiently unless we lock down common standards.	72% (26)
Unsure. We want to see more data and analysis before reaching a view on the business case.	25% (9)
No. We don't see this as a priority and feel we can progress without common standards.	2% (1)

36 responses

Central Bank Digital Currency in Securities Services

Central Bank Digital Currency

Session Topic

The session was a 'tour de force' of all things CBDC, Stablecoin and Defi.

The audience was encouraged to read the CBDC paper.

New technology would require new processes and approaches.

Interoperability will be vital for cross border use cases.

CBDC and Stablecoins will enable DLT in securities.

Key Outcomes

The world is moving, so it is important that the audience move to. We were passionately encouraged to understand Defi more deeply.

CBDC is an enabler of Securities DLT solutions but not the only answer, and Stablecoins are presently more nimble, if less secure.

Securities processes will have to change to use DLT optimally.

Atomic instant settlement impacts liquidity and availability, T+x where x is hours rather than days maybe preferable.

Monica Singer's recommended reading:

<https://setl.io/the-regulated-liability-network-rln-whitepaper-on-scalability-and-performance/>

Central Bank Digital Currency – Polling Results

Question

CBDC q1. Do you agree with the CBDC Paper's conclusion?

- Yes
- No
- Partially

Result

Edited



32 responses