

ISSA – CSD WG

Minutes of Call 16 Jan 2023,

Participants

Dale Connock – Chair	Strate
Colin Parry (Minutes)	ISSA
Simon Shepherd (presenter)	MYRIAD
Femi Onifade	CSCS
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Agenda

- Presentation and questions on CoDuDe for Due Diligence
- Next Steps and AOB

Welcome and Introductions

Dale welcomed the group and Simon Shepherd from MYRIAD and handed over to Simon.

Presentation

Simon agreed that the CSDs are challenged by the volume of inbound DD and the risks and expectations of their clients. Which results in many questionnaires in many different formats. The Sell-side in Securities Services does find it to be onerous and has in the past suggested they might like to charge for it.

If we use the AFME questionnaire as an example it is big and cumbersome but lots of firms use it, roughly 80% of the Securities Services participants either on its own or in conjunction with (additional) proprietary questionnaires, but it does drive an increased workload and that workload can be reduced by automation.

Next version of AFME will be excel-based, which is not as useful as JSON or XML but at least machine readable and therefore overheads can be reduced by further automation. If completed by a Sell-side Responder for a Buy-side Requestor it can be lifted and dropped to other tools, and there is some “interoperability”. AFME statistics suggest that globally 60% of questionnaires are based on AFME and of those: 20% of the industry use proprietary questionnaires, 20% only AFME and 60% AFME+.

International Securities Services Association

CoDuDe is MYRIAD Group Technologies' "Collaborative Due Diligence" tool set. Allows collaboration with the Buy-side and the GC, but could equally be Buy-side with a CSD or GC to CSD.

1. Request is made on a bilateral basis only. Only the requestor (A) and the provider see the details, thus preserving privacy of the exchange.
2. Responder fills in the questionnaire (say plain AFME) and responds.
3. Requestor (A) sees the response.
4. Requestor (B) asks for a response to their questionnaire AFME +.
5. Responder has AFME responses loaded and can reply with those in bulk then add the additional answers for the extra questions.

In year 2 AFME makes some changes and the tool highlights the delta between AFME original to revised. Responder checks that nothing has changed for the other questions but can actually focus on the delta. The answers and questions can be tracked over the years.

The Requestor can also filter the delta in the answers from the Responders and hence there is a radical reduction of effort for both the Responder and Requestor.

The same applies for proprietary questionnaires.

The delta management is the key so say in the example above AFME adds or deletes a question then the technology can help normalise these changes to permit year-on-year comparison of the same data point(s).

Question: Does it cover AGC questionnaire?

Answer - same principles apply presently not loaded on CoDuDe, but it can be subject to any copyright issues. If it can be provided in a machine readable format then it is relatively easy to upload. MYRIAD happy to help AGC make it machine readable.

Question: Is it downloadable to allow internal syndication of each part.

Answer - yes if on the platform can download blank questionnaires and completed responses as excel or pdf.

Question : Can/how does CoDuDe deal with timing issues? For example, accounts are annual but request maybe off-cycle so at the point of request the accounts may not have been signed off.

Answer – Documents can be added over time. So today you respond with unaudited but once audited available then share the document for publication. The whole package of documents stays in the CoDuDe platform (both store for current activity and archive for old) and the Responder can retire and replace the accounts or just add the new ones, as with any retired and replaced document. In this case there is not a workflow that prompts people to post the new documents.

However, the Requestor has the ability to close a request and freeze each Response so they can score the Responder at the point in time, and if a new audit was provided they would have to reopen the request, probably/possibly following a nudge from the Responder.

Question: Can we just pick a date for all Due Diligence to be based on?

Answer – AFME recommends year end of the previous financial year.

Question: In our CSD the responses are a collaborative work between all the departments, how does that work in the tool?

Answer: There are two solutions: One there are editing controls and review functionality (not least if downloaded to pdf for sharing and comment only), or alternative if downloaded in a machine-readable format, it can be uploaded again in machine-readable format.

Question: Can you merge the questionnaires and so jointly respond to the same question from AGC or AFME.

Answer: presently CoDuDe is focused on a single questionnaire approach; though this might be convenient, it might not be advised – would impair delta management and scoring, for example - so not yet thought through.

Question: Can we have a demo next time.

Answer: Yes

Summary of Follow-Up Actions

No.	Action Description	Responsibility	Deadline	Revised status
1	Colin to talk to MYRIAD to see if we can get free access and a demonstration	Colin	31/1/23	
3				

Colin Parry, ISSA CEO Office, 24 Jan 23