

# Working Group Webinar

Thursday, 9 February 2023, Day 2

## Key Outcomes

# Attendance and Sessions

## Attendance

125 individual attendees  
during the Webinar

## Sessions

1. ISSA's Working Group Plans for 2023
2. Launch of Custody Risks WG
3. Launch of Digital Identity and Onboarding WG
4. Launch of Future of Securities Services 2023 WG
5. Launch of T+1 WG

# 2023 Plans

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# Current Working Groups

## Session Topic

Tour de force on the existing WG not addressed  
Day 1:

- Digitization WG - focus on Private Markets
- Domestic CSD WG - Due Diligence improvements and access for foreign investors next topic
- Financial Crime Compliance WG - launching new Asset Class and Technology Risk Review subgroup and a Geopolitical Impacts forum
- Operational Risk WG - alignment and standardization of processes for all firms to reduce overhead
- Standardization WG - started ESG Standards review for securities servicers and will take on the ISO 20022 standards group

## Key Outcomes

- Good support for WGs but always looking for more experts and interested individuals to volunteer
- Participation is mutually rewarding and educational for an individual and a firm
- All existing WGs plan to publish papers, reports, videos and/or podcasts during 2023
- 4 new WGs will be launched shortly – information on these is covered in the next sessions

# Custody Risks 2023

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# Custody Risks 2023

## Session Topic

Custody Risks is an important topic for ISSA

- Multiple papers have been published since May 1992
- Most downloaded ISSA paper
- Explains Custody as a primer and the overt and hidden risks of Custody
- If read by FTX management, investors and clients it would have highlighted many of the issues early and, if there is a presumption of naivety rather than criminality, reading it could have prevented many risks materialising.
- Changing regulation, products, and technology has reinforced the need for a review to update the 2017 paper.

## Key Outcomes

- Hugely valuable and timely revision
- WG will use the input from Digital Asset Custody and Cyber WGs as well as the existing paper to revise the Custody Risks collateral
- Latest regulatory changes will be incorporated
- Aim is to publish within 2023 and close the WG
- Volunteer or find the experts in your firm to help. Participation is mutually rewarding and educational for an individual and a firm.

# Digital Identity and Onboarding

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# Digital Identity and Onboarding

## Session Topic

- Digital Identity and Onboarding is a new topic for ISSA.
- A number of commercial entities have tried to solve the Digital Identity and Onboarding problem
- Investment by these entities has been significant highlighting that this is an ambitious topic to embark on
- Technology has now evolved which may help the solution
- Can it be solved in a more enclosed ecosystem such as institutional securities services?
- ISSA aims to see if we can help and design a viable approach with the mantra of “not allowing great to stop good”

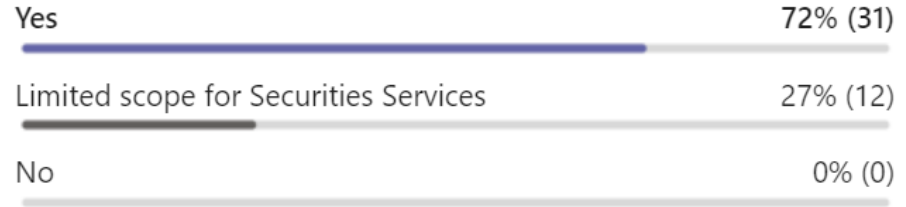
## Key Outcomes

- DI&O is recognised as a substantial problem by the members
- Understand that many KYC and onboarding experts sit in cross-functional or shared services groups and not in securities services – Members will need to find them and allocated them to DI&O
- Need to interview incumbent firms to understand their viewpoint and learnings and partner with them
- A very ambitious WG aims and the milestones need to be set realistically.
- Are there others who ISSA should partner with?



## Digital Identity and Onboarding - Polling Questions

Is this the right topic  
for ISSA to address?



43 responses

Will you /your firm  
be happy to contribute?



28 responses

# Future of Securities Services 2023

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# Future of Securities Services

## Session Topic

The 2020 FSS Paper made predictions about how the Securities Services would change in the next 5-10 years. There is a need to validate whether the predictions have occurred, are visible, or are still on the horizon, and whether different forces and themes have overtaken the original predictions.

- Lots of challenge and validation of the last paper
- ESG pushback in US, LSEG and Microsoft, AI exploration, ASX DLT announcement, FTX
- Widening the WG membership outside of the sponsor firms
- Need for strategy papers from all member firms
- Oliver Wyman highlighted a number of industry events and changes showing the need for a revamp

## Key Outcomes

- Call for participation from all member firms – volunteers welcome
- ISSA would appreciate any Securities Services strategy papers that Members have produced (nothing commercial in confidence)
- ISSA would also appreciate any observations about market trends and forces that members feel are significant and observed or will become significant in the future.
- The Working Group will start in March.

# T+1 Impacts

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# T+1 Impacts

## Session Topic

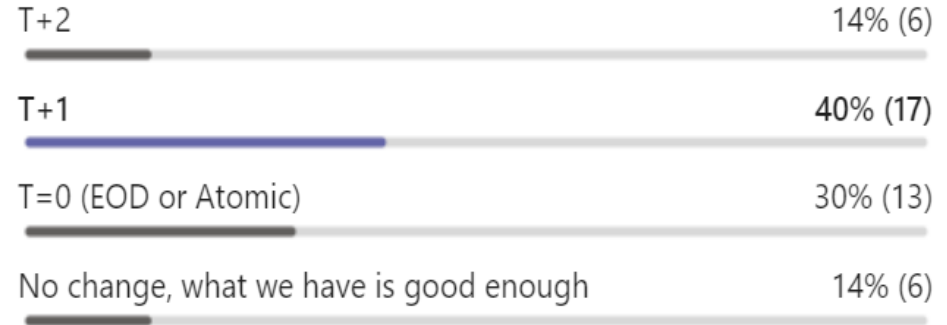
- The panel started with a simple poll and debated it for 5 minutes
- The Co-Chair addressed the need for collaboration across borders in the variety of T+1 initiatives and scoped the ISSA WG as looking at the cross border impacts and solutions.
- India is live with T+1 and retail investors are the main beneficiaries, lessons learnt but volumes have stayed high.
- Benefits and challenges of the move to T+1 discussed at length
- Suggested that ISSA has a key role as no-one really influencing the cross border impacts for the Securities Services industry

## Key Outcomes

- Polling suggested 30% want to stay with what the market has, 30% want Atomic and 40% want T+1 - which was an interesting debating point with the panel.
- Benefits are recognised
- Challenges of liquidity of both stock and cash (including FX) , allocations and confirmations and all recognised as significant and should be a focus
- ISSA should take the lead on these aspects
- The Working Group will start in March
- Please volunteer your experts

## T+1 Impacts - First Polling Question

What settlement  
cycle do you want to see?



42 responses

## T+1 Impacts - Second Polling Question

Here are 5 cross border  
T+1 benefits. Can you rate  
them in priority?

Reduced margin and funding required

Reduced counterparty risk

Increased settlement rates and stock velocity

Enabling innovation

Moving securities to the 21st century

## T+1 Impacts - Third Polling Question

Here are 5 cross border  
T+1 challenges. Can you  
rate them in priority?

Cash liquidity management (including fx)

Timely allocations and confirmations

Securities liquidity management

Communication & issue resolution with your custodian

Decreased netting opportunities