

21st ISSA Symposium - Context Document

Breakout Session 3: Challenges of Sanctions and Geopolitics

HYPOTHESIS

Sanctions and geopolitical concerns continue to be problematic for the Securities Services industry. This is particularly acute when looking at the different regulations and their interpretation.

Examples of the challenges currently faced by Securities Services providers, in relation to sanctions, include:

- Restrictions on CSD operations
- Restrictions on capital raising activity
- Dealing with countermeasures

The Financial Crime Compliance Working Group (WG) has created a Geopolitical Impacts Forum that is looking at the current challenges of sanctions and geopolitics. ISSA's hypothesis is that it is highly likely there will be future geopolitical events, which could involve the introduction of sanctions and other restrictions. It is therefore key that the Securities Services industry looks at how it can rise to the current challenges as well as future proof its response.

The objective of the Breakout Session will therefore be to debate the theme, consider if there are areas that the ISSA membership feel resonate and, where this is the case, review whether this is something further that should be taken forward by ISSA in some way.

PRE-READING

Breakout Session participants should read the following collateral to familiarize themselves with the hypothesis prior to the Symposium:

[EU Working Group to look at using frozen Russian assets for reconstruction of Ukraine \(europa.eu\)](https://europa.eu)

[China Seeks to Pre-Empt Sanctions in Case of Taiwan Clash, F.B.I. Chief Says - The New York Times \(nytimes.com\)](https://www.nytimes.com)

IDEAS FOR CONSIDERATION

Below is a list of ideas that the Breakout Session participants may wish to consider during their discussions:

Practical challenges and consequences of countermeasures

- Forced transfers of Russian securities
- Forced conversions of Russian-related ADRs
- Treatment of blocked securities-related cash (S-type accounts) and corporate action proceeds
- Income payments on Russian-related securities that disintermediate Western clearing systems and agent banks
- Conversions of Russian-related securities into domestic law instruments without the consent of Western CSD and custodian bank holders

Reconstruction considerations

- Anticipated USD 1 – 1.5 Trillion required for Ukraine reconstruction
- Expected that around USD 350 Billion will need to come from private investors

Use of Frozen Assets

- The options being considered:
 - Confiscation of Russian Reserves
 - Pledging against Russian Reserves
 - Borrowing against frozen assets
- Impacts and implications for the securities services industry

Expectations in relation to future potential conflicts

- Ideas for how organizations can best prepare for future geopolitical impacts
- Any actions that ISSA may consider, for example in communication with the authorities