



21st ISSA Symposium

10 to 12 May 2023

Breakout Session 6: Retaining Relevance in a Changing World - Outcome



Retaining Relevance in a Changing World - Hypothesis

Globally, financial markets are constantly changing. Within Securities Services, there is also change occurring. Our industry is seeing external players come into the space as well as existing incumbents broaden their service offering and encroach on the activities of the traditional participants.

These external and existing parties could prove to one of the biggest challenges that the traditional participants have to face in order to retain their relevance. Retaining relevance will be key if the traditional participants want to avoid disintermediation. It should be noted that, potentially, each function within the value chain is at risk in this way.

Retaining Relevance in a Changing World - Hypothesis

Potential scenarios could include:

- Sub-custodians being disintermediated by:
 - Global Custodians as FMIs both standardize and harmonize while they simultaneously change their access rules
 - Regional players
- Global Custodians being disintermediated by:
 - Regional players who have scale and local expertise and could be assisted by a geopolitical situation
 - (I)CSDs expanding their service offering
 - Fin Techs or Big Techs through the adoption of DLT at scale for traditional and native digital assets
- (I)CSDs being disintermediated by:
 - Non-permissioned DLT using smart contracts to create liquidity and leverage
 - Big Tech

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 that should be taken forward by ISSA in some way.

Retaining Relevance in a Changing World – Ideas for Consideration

Relevance Factors

- Review what factors will enable the traditional participants to retain relevance
- Look at what new approaches there are that the traditional participants could explore to ensure ongoing relevance moving forward
- Consider the opportunities offered by ensuring future relevance (e.g. partnerships, cost savings, etc.)

Disintermediation

- Consider where the risks of disintermediation could come from
- Look at each of the market segments and consider how disintermediation could occur:
- Review what barriers there may be to disintermediation (e.g. regulatory constraints, protectionism, geopolitics, etc.)

Retaining Relevance in a Changing World – Summary Observations on Hypothesis

Our definition of relevance was the next 2 years, given everything is changing constantly, and looking beyond this period is not overly useful.

Actors in the value chain will continue to remain in existence.

- **Trust Factor:** the actors in the value chain being regulated entities means they have the trust of the client base, which underpins their role in the value chain.
- **Evolution of Activities:** activities that the actors perform will continue to evolve, as it has done over the years due to technology advancement and collaboration. The evolution generally supports outcomes of efficiency, automation and improved client experience.
- **Tech Firms:** have a role to play in helping actors rapidly adopt tech solutions that support the evolution of the activities.

Retaining Relevance in a Changing World – Detailed Findings

Actors in the value chain will continue to remain in existence.

- **Trust & Expertise:** the actors in the value chain being regulated entities means they have the trust of the client base. Similarly, the local market presence, knowledge, connectivity, expertise, regulatory relationships and lobbying are critical items of value in the chain.
- **Tech Disruption:** Technology players will want to help with improving processes, but unlikely to want to step in to become fully regulated financial entities (in the near term).
- **Process Evolution:** There will always be some evolution of processes and activities (including overlap – e.g. some markets a global custodian may choose direct CSD relationships – where they are able to provide a better service).

How will the actors remain relevant?

- **Understand their value:** participants should evaluate carefully the role they play within the chain and the value they bring. Evaluate opportunities to re-imagine current processes (e.g. sub-custodian and global custodian – can the sub-custodian provide a look through to the end client?).
- **Managing Evolution:** Industry and technology trends will continue to change rapidly. Evaluating which of these to adopt as an accelerator / efficiency play, watch (for maturity), or ignore as a distraction.
- **Partnerships:** Tech partners may compliment supporting improving the execution of those act, but will likely not want the burden of becoming a regulated entity. Tech players are often viewed as a threat, but they will likely support a particular process in the value chain that they are strong at, and continue to be unregulated.
- **Mutualized Solutions:** Collaboration amongst peers to mutualize solutions that are “non-differentiating”, for overall efficiency across the industry.

Retaining Relevance in a Changing World – Proposed next steps

For the Industry / Participants:

- **Consider the opportunities for technology partners to help improve existing processes**, for automation, cost efficiency, and improved client experience.
- **Focus on “getting the basics right”** – still many areas of the traditional flow that are too manual.
- **Consider areas to mutualize / collaborate across peers** – for example to mutualize or share technology solutions where there is a non-differentiating process / solution.
- **Monitor your position** – by understanding your role in the market, and regularly reviewing the opportunities / challenges. Identify the talent and skills you need to succeed in achieving your goals.

For ISSA: Harness the power of having a diverse group of participants across the value chain

- **Evaluate each of the working groups and identify areas of overlap.** A 1 page diagram of how the different working groups overlap, overlaid with which elements of the lifecycle each group is targeting to show the focus areas.
- **Agree the order and priority of items being tackled** (e.g. are we focused on getting the basics right?). The aim being to maximise the value and output that the working groups are based on, and agree board consensus on focus.
- **Can ISSA help go a step further than papers?** How ISSA can push beyond paper creation to help drive (push) industry change, collaboration or standards adoption (i.e. how do we now get people to sign up and execute).