

**ISSA – Future of Securities Services 2023 - Meeting, 12 June 2023**

**Minutes**

**Participants:**

Abhijit Kulkarni	Deutsche Bank	
Alan CAMERON	BNPParibas	
Alex Dockx	JP Morgan	
Alexander Duggan	Cognizant	
Carlos Fan	Macau CSD	
Colin Parry	ISSA	Co-Chair and Minutes
Cryan, Jennifer	Citi	
David Petiteville	RBC	
Emma Johnson	JP Morgan	
Florian Pfleiderer	Clearstream	
Gemma Balasingam	DTCC	
Giles Elliott	TCS	
Haroun BOUCHETA	BNPParibas	
Howard Rapley	Northern Trust	
Katalin Kiss	Unicredito	
Kelly Mathieson	Digital Asset	
Martin Watkins	Montis	
Mathew Kathayanat	Deutsche Bank	Co-Chair
Matthew Jimenez	Northern Trust	
Prakash George,	DTCC	
Samuel Riley	Clearstream	
STEFANO GALLETI	Intesa San Paolo	
Vicky Kyproglou	UBS	Sponsor
Yajnesh Pandey	Citi	

**Agenda**

Introductions

Way of working

Scope and aim of the WG

Short term goals:

- Review existing paper and assess whether the trends are still the most important
- Identify new trends
- Identify evidence (or counter factual) of trends
- Data collation (for old and new trends across the firms involved)

**International Securities Services Association**

## Introductions

Matt and Colin welcomed everyone to the call. They welcomed the participants to the meeting and thanked everyone for the attendance. There was then a round of introductions.

## Way of Working, Scope and Aims of the WG.

Scope and aims – Colin set out the view of the co-chairs.

The 2020 FSS Paper made predictions about how the Securities Services would change in the next 5-10 years. The WG wants to validate whether the predictions have occurred, are visible, or are still on the horizon, and whether different forces and themes have over taken the original predictions. This includes reviewing whether the 2 major themes of Investor Behaviours and Technology are still the dominate themes.

This WG review will allow us to assess the current and future direction of Securities Services and allow the members to validate their own firm's assumptions and change if necessary. The WG aims to:

- To identify the evidence (or otherwise) for the themes being seen
- Analyse the impacts of new themes
- Revise the paper to incorporate the necessary changes.

The WG will create a comprehensive document setting out the Future of Securities Services over the next 5 -10 years.

It will also educate the industry through webinars and conferences on the outcomes.

In addition to raise awareness of the upcoming paper and create industry excitement the WG will produce a series of videos highlighting the members views on a particular topic at monthly intervals. ACTION Please volunteer yourself/firm to star in these WG

The debate was then had:

1. Aims were agreed
2. Need to validate that the themes or forces had moved forward preferably with real data rather than anecdotes
3. Ensure that new ideas as well as changes to the predictions are captured in the new version
4. "FSS 2030" should be the target time horizon
5. Meeting rhythm monthly J, J, A and then every other week from September (ACTION COLIN & MIRIAM)
6. In whole paper there needs to be consideration of the huge changes over three years of "unprecedented change" i.e. the future in 2020 is the now in 2023. For example cloud was hardly a conversation at the start of the pandemic and now the vast majority of firms are in the process of implementing/finishing their cloud strategy.
7. Utilise material from other WG looking at particular topics.

## Short term goals

Having agreed the aims and outline the conversation focused on exploring the forces identified in the 2020 paper.

## Passive Investing

1. Still increasing by value – gather information to prove this 2019-2023 and what is the rate of growth
2. Cover products specifically FI ETFs growing more rapidly
3. Look to explain that the phenomena is in the listed v private markets arena
4. There are "active Spikes" in volume and value such as Meme stocks, Ukrainian war impact so quarterly inconsistencies may be seen in the data
5. Passive was being driven by fee pressure and compression as well as consolidation in the IM industry. A counter factual is the increase in appetite for "new" assets
6. This led to a conversation about rate of growth versus base line. Again need to consider time frames has growth been 30% for 2 years and 10% for 4 years average 17.5% but actually slowing more recently? (Post discussion inputs i.e.

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ETFs in US and Europe USD6.7trillion and 15% CAGR in comparison to Digital Assets USD4.12 billion and CAGR of 18% both high rates of growth but one is growing annually by more than the entire market capitalisation of the other)

### ESG Investing

1. Do we need to split E & S & G rather than ESG as they are different
2. G in particular has had a great deal of traction – not necessarily from an investment viewpoint but rather the activities supporting G in Securities Services. Much greater push into Proxy voting and voting from the Investment Vehicle's clients through to the issuer. Can we get stats from Broadridge and Proximity to show that? (ACTION COLIN TO ASK)
3. E & S still struggling to be as far ahead as we thought in 2020 we were originally too optimistic about what would change.
4. Looking at EMEA things have progressed but even in EYU there is still a need to prove that a product is "green", that there is a push against "greenwashing" and there is still an atmosphere of cynicism which could allow SS firms to add professionalism.
5. In US there is a need to have a quality control on the composition of ESG investments in managed accounts and provenance tracking. This is an area of cross over with digital assets and the potential for digital imprints of "green" sources and exchanges.
6. Expansive and green view needs further definition. Gather information from ESG WG and ensure consistency.
7. Regulators are pushing for ESG Services in Depository Services i.e. the check of ESG quality of assets that an AM is placing with the depository.
8. Regulatory trends will change the services offered through SS? Can we articulate those regulatory trends on a macro basis?
9. In summary we are seeing Industry, client and regulations pushing in one direction.
10. Is the US an outlier? Or is that US, APAC (Parts of) and Africa i.e. the outlier is EMEA?

### Digital Assets

1. Shift in digital assets has been seen in last three years.
2. Historically there has been an conflagration of the tech and infrastructure with the assets and everything is viewed through a singular lens.
3. Distributed workflow not necessarily DLT.
4. We can enable digital workflows now.
5. The take up has been slower than expected but the focus has been on the technological definition of the assets versus which assets are emerging using the technology.
6. Digital Standards are starting to emerge.
7. Tokenisation is not a singular activity – non-digitally native assets play to the historic incumbents but natively digital assets favours those who can nimbly deal with the legal and regulatory questions fastest.
8. Does DA require conversation about wholesale CBDC? In the mind of the speaker this is too slow and e-money tokens and stable coins or CB tokens are more practical by 2030.
9. Crypto and NFT market is moving extremely fast.
10. Explosions/fraud in crypto firms is driving regulation and capital treatments in a direction that will constrain the use cases and govern how the successful ones look.

### AOB and Close

It was noted that the process can be speeded up by individuals sending comments to Colin on the remaining forces before the next call. He can collate and we can validate rather than start at first principles. ACTION WG.

The meeting was then closed.

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