

Domestic CSD Working Group

18 July 2023, Teams

Meeting Minutes 19th June, 3rd July and 17th July

Participants: (attendees highlighted in bold)

- Dale Connock (Chair)
- Lavinia Gheorghe
- Pheona Härtel
- Louis Jin
- Selina Ng
- Femi Onifade
- Catherine Tinavapi

Colin Parry (PMO)

Agenda

1. 19th June
 - a. Drafting of Due Diligence Paper and no minutes
2. 3rd July
 - a. Agreement that we should also ask that the total number of questions was reduced.
 - b. Agreement that we would syndicate with AGC and AFME before publishing
 - c. Catherine to provide AGC contacts (Done)
 - d. Colin to process revisions and recirculate the draft by mail.
 - e. Sign off of the document by mail and then distribute to AFME and AGC Colin (Done)
3. 17th July
 - a. Dale asked whether there was a commitment to carry on for a further paper. Agreed unanimously that there was that commitment.
 - b. There was then a debate about which topic should be the next on the list.
 - c. Colin shared the list of open topics which had been talked about before Due Diligence and three were further debated:
 - i. 5. Voting including the best practices for launching e-proxy
 - ii. 9. Practicality of a 2 hour recovery window for resumption of service given the severity of Cyber-attacks.
 - iii. 12. Best practices for markets about how (if they want to) they can open up to foreign investors, what do they need to have in place.
 - d. The decision was agreed to move forward with “12. Best practices for markets about how (if they want to) they can open up to foreign investors, what do they need to have in place.”
 - e. It was agreed that there are lessons which are applicable for both frontier and emerging markets and different countries will be on different stages of different paths but there is a common view on what must be achieved to increase investment.
 - f. It was agreed that the focus should be on attracting foreign investment funds rather than domestic retail investors as this was most beneficial in growing the economy in the long term and these funds if are attracted they generally are long term investors.

- g. Domestic retail is mainly about education and will equally benefit from changes made for foreign large investors in governance etc.
- h. It was also recognised that Domestic CSDs may not be the biggest influence in opening a market up and that it was likely to need a whole country effort including the CSD but including;
 - i. Government (legal certainty, fiscal rules)
 - ii. Exchanges
 - iii. External views/attitudes such as “grey listing” from OFAC changing
 - iv. Credit institutions
 - v. The CSD’s own members
- i. It was suggested that the paper should include examples (both positive and negative) of changes that had attracted or repelled flows of funds.
- j. In a previous meeting Lavinia had shared a list of considerations and Colin shared those with the group.
 - i. Market development - legal, political etc.
 - ii. Fiscal rules and double tax treaties, tax reclaims regime
 - iii. Documentation and AML
 - iv. General Liability and responsibilities
 - v. CSD and trading rules
 - vi. Access to the banking system
 - vii. FX convertibility
 - viii. Corporate events (communications and processing e.g. proxy voting and cash receipt)
 - ix. Issuer communications
 - x. Investment Manager (IM) – are they a client of a brokerage who are a direct or indirect CSD member
 - xi. Does that brokerage offer liquidity, speed, and order execution policy in line with the needs?
 - xii. Communications Local broker, CSD, IM
 - xiii. Beneficial owner rules at market/ CSD level
 - xiv. Registration and Paying agents
 - xv. Deposit and withdrawal of securities
 - xvi. Counterparty risks – CCP, guarantee fund, other arrangements
 - xvii. Legal background - may need to change to allow accessibility
 - xviii. Fund entry and exit from the market
 - xix. (Corporate) Governance
 - xx. Stability of legal framework – are the market rules subject to sudden change and/or retroactive changes
 - xxi. Transparency and reporting requirements.

These were agreed as key elements but others may exist.
- k. Lavinia had synthesised the list and had shared the summary version for the minutes (please see attached)
- l. The group agreed to review the list and come prepared to talk to their thoughts at the next call.

AOB

Summary of Follow Up Actions

No.	Action Description	Responsibility	Deadline
1.	Catherine to provide AGC contacts	Catherine	Closed
2.	Sign off of the document by mail and then distribute to AFME and AGC	Colin	Closed
3.	DD paper to be published after feedback from AGC and AFME	Colin	31 Aug 2023
4.	The group agreed to review the list of things to be addressed to open up a market to Institutional Foreign Investors and come prepared to talk to their thoughts at the next call	All	21 August 2023

International Securities Services Association

Tel: +41 58 399 23 68

Email: issa@issanet.org

c/o SIX Group Services AG, Hardturmstrasse 201,
P.O. Box, CH-8021 Zurich, Switzerland

www.issanet.org