

ISSA FSS Working Group

17 July 2023, On Teams

Meeting Minutes

Participants (in attendance in bold):

- **Abhijit Kulkarni, Deutsche Bank**
- **Alan Cameron, BNP Paribas**
- **Alex Dockx, JP Morgan**
- Alexander Duggan, Cognizant
- Carlos Fan, Macau CSD
- **Colin Parry, ISSA, CO-Chair**
- Cryan Jennifer, Citi
- David Petiteville, RBC
- Emma Johnson, JP Morgan
- **Emmanuel Alao, FMDQ, Nigeria**
- Florian Pfeleiderer, Clearstream
- **Gemma Balasingam, DTCC**
- **Giles Elliotte, TCS**
- **Gilles Papadopoulos, Swiss Re**
- **Haroun Boucheta, BNP Paribas**
- **Howard Rapley, Northern Trust**
- Katalin Kiss, Unicredito
- **Kelly Mathieson, Digital Asset**
- **Martin Watkins, Montis**
- **Mathew Kathayanat (Kat), Deutsche Bank, Co-Chair**
- **Matthew Jimenez, Northern Trust**
- **Orateng Leterbele, Strate (Pty) Ltd**
- **Phil Brown, Clearstream**
- **Prakash George, DTCC**
- Samuel Riley, Clearstream
- **Stefano Galletti, Intesa San Paolo**
- Vicky Kyproglou, UBS
- Yajnes Pandey, Citi
- **Bill Hodash, ISSA (PMO)**

Agenda

- Introductions
- Oliver Wyman (OW) Involvement
- Subgroup Activities
- Digital Assets
- Monetary and Fiscal Policy
- ESG
- AOB

Introductions

Mat and Colin welcomed everyone to the call. They welcomed the participants to the meeting and thanked everyone for the attendance. Colin introduced Bill Hodash who will serve as ISSA PMO for the WG. Bill retired recently from DTCC and was the Co-Chair of the FSS WG when we released the original paper that we are looking to now update. Colin also noted that the Broadridge and Proximity follow-ups suggested at the June 23 meeting are in progress.

Oliver Wyman Involvement

Colin reminded the members of OW's involvement with the original paper, running Design Thinking Workshops, supplying data underlying trends and co-drafting and co-publishing the final paper. This time around OW will support the WG with data to support/refute its hypotheses as we move along including charts and diagrams we can use in the revised paper.

Sub-Groups Activities Since June 23 Meeting

Colin reminded the members that the WG was split into two Subgroups but that feedback on where we are heading was only received from one member thus far. He asked if it would be helpful to set up formal meetings for each Subgroup prior to the next full WG meeting on August 21. It was agreed that it would be helpful.

Mat suggested the need for a framework with the trends from the previous paper as a starting point, under each trend incorporating new data points reinforcing that trend or refuting it and diagnosing how that trend has moved on since the last paper, as well as room for newly observed trends to be added.

Alan asked that we also clarify the distinctions between the two Subgroups.

Digital Assets -- A Subgroup A Topic

Kelly suggested that the revised paper dive deeper into Digital Assets and illustrate how digital assets come into place, the evolution of digital asset exchanges and the connections amongst the various Digital Assets applications. In this way we can show our view of the emerging Digital Assets Ecosystem.

Alan stated that we need to look at both native and tokenized Digital Assets including the currency rails. We should make an assumption on whether we think CBDCs will be issued by 2030. Kelly offered that she believes CBDCs may be issued by Asian countries by 2030 and other stable coins and tokenized deposits including money market funds will gain traction by then as well. Alan added that all the new Digital Assets and currencies will run alongside the traditional versions thus adding cost and complexity, not reducing it for service providers who of course must service both the legacy and new ecosystems. Giles suggested we also take a stand on whether by 2030 there will be a major push to tokenize current traditional assets to speed up the capture of the benefits of the new ecosystem.

Prakash asked if Alternative Assets like those in illiquid private markets would be addressed in the paper. Colin said they would. We should take a stand on whether we think the private markets will keep growing and whether that will necessitate standardization. Alan offered that he believed they would continue to grow, pointing to recent legislation encouraging UK pensions to invest in them.

Phil suggested that the paper take a view on the relative growth of public vs. private markets. Mat agreed pointing to a BCG report that indicated that investment managers' revenue is now higher from managing private assets than public assets. So, the question is, can Securities Servicers increase our revenue from private market assets as well? And if not, why not? Kelly agreed saying that as Securities Servicing grows and evolves as asset classes do and that currently private market assets have much higher costs due to bespoke workflows and the industry has an opportunity to grow revenue while lowering costs for investors through standardization and best practices. She suggested we all look at what Nasdaq private markets is doing to put together a full streamlined ecosystem. Colin added that the paper will likely have technology discussed in each section as well as a stand-alone Technology Section.

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Monetary and Fiscal Policy - - A Subgroup B Topic

The original paper stressed the impacts of loose monetary and fiscal policy given that interest rates had stayed historically low for so long and that clearly things have tightened up considerably since. What will happen to equity and debt valuations and volumes and thus post-trade revenue as this environment takes hold for a significant period?

Phil stated that obviously the zero-interest rate period is now over and 3% to 5% “normal;” interest rates are here to stay, and the inverse yield curve is driving significant fixed income investing volumes. That said, he added that success in Securities Servicing requires cost-effectiveness in all asset classes, since we cannot ever predict the next moves in monetary and fiscal policies. QE is also unwinding and should be called out.

Interest rates increasing make money more valuable and this will cause issues in cash management and the impact of Fails on RWA.

Additionally away from monetary and fiscal policy the fragmentation of the global order should be called out with the impacts of regional/country/political blocks fragmenting the existing market norms. New walls and boundaries are appearing.

ESG - - A Subgroup B Topic

It was observed that there is a wall of money from Europe, China and the U.S. into Sustainable investments and this provides an opportunity for Securities Servicers who can provide accurate sustainability scores on their clients’ portfolios.

Playing a role in helping to improve governance/transparency is an opportunity as well. So is assisting with measures of impact investing.

Phil asked whether digitization of alternative markets and investments into sustainable solutions presented an opportunity to embed the scoring into the security itself via smart contracts.

Other potential areas of investigation are sanctions compliance reporting and solving the costs associated with cross-border data issues, forcing us all to have different data infrastructures in different countries.

Alan C. suggested we may want to look at demographic issues relating to the future work force for Securities Services.

AOB and Close

As there was no AOB raised, the meeting was then closed.

Summary of Follow Up Actions

No.	Action Description	Responsibility	Deadline
1.	Schedule and conduct meetings for Subgroup A and B prior to the next WG meeting	Bill, Colin	14 August 2023
2.	Begin design of a template for each group to analyse the trends from the first paper on each of the Two Major Forces	Mat (enclosed)	7 August 2023

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