Future of Securities Services (FSS) 2023 Whitepaper

Points to note:

1. Trends need to be aligned to developments within the broader Capital Markets ecosystem that are **relevant for the Securities Services** industry.

2. Consider drivers of future growth for instance, arising from **new asset classes** (e.g., digital assets) and **new technologies**, impacting Securities Services.

3. **Global/regional/in-country nuances** need to be factored in as Securities Services markets operate worldwide, influenced by myriad geo-political considerations.

Link to the previous Whitepaper, published in 2020: Future of Securities Services - Publications- ISSA (issanet.org)

Topics:

Group A	Group B
✓ Shift into Digital and Alternative assets (partially started)	✓ Increased adoption of new technology
✓ Financial deepening and globalisation	✓ Industry disruption by Big Tech
✓ Increased data and associated use cases	✓ Emerging new risks
✓ Increased sourcing and partnerships	✓ Loose monetary and expansionary fiscal policy
✓ Uncertain regulation	

Future of Securities Services - Framework

Trend: **Data and Associated Use Cases**

		Sample provided below, please edit / add your inputs accordingly
1	**Relevance** Are the points mentioned in the previous paper relevant and are there any use cases?	*The FOSS Paper saw these trends and we still see them as relevant:* • *Common data standards: Development of common data standards that facilitate data analytics creating value for clients that can be monetized in the industry and increase collaboration among industry players.* • *Going forward, we expect that data-related use cases will have a larger share in overall value creation in Capital Markets, while the underlying data becomes increasingly commoditised* • *The Securities Services industry has the opportunity to draw on their existing data assets to provide analytical services. This is a unique chance to transform into data-led organisations that can face-off to technology firms, leveraging the existing wealth of data on securities flows and beneficial ownership in order to provide insights to clients and further build out solutions. However, data ownership and privacy considerations will need to be carefully considered.*
2	**Correlation** Is there a link to other trends from the Whitepaper?	*Potential Disruption by Big Tech: The existing data pools of industry players represent a significant advantage over Big Tech and can provide a meaningful advantage to industry incumbents if they are used successfully to provide proprietary insights and solutions.* *Can we provide data that can predict fails? Data that can provide more efficiency for clients? Via Fintech, can we pull data from different sources if we feel securities servicers' data is not sufficient on its own to attract a premium from clients? Does this lead to partnership opportunities with a technology platform provider outside the industry to combine and draw insights from data from many sources?* *Unregulated entities may be in a better position to monetize the data as an aggregator, using superior technology. Thus, we may be in a better position to partner with them.*
3	**Outliers** Are there any sub or underlying trends and have we critically examined them?	*The last point on data ownership has come to the forefront: who owns the data and whether clients would pay for data about their own securities or their own transactions was raised as well as the trade-off between providing such data free as part of a more comprehensive, more valuable service offering vs. unbundling and charging separately and specifically for the data and insights around it. Some clients may believe the data is their so they will not pay for it but they may pay a premium for insights based on data derived from their activities and those of other firms' activities in aggregated and anonymized ways.*
4	**Factuality** Are there any data points, visualizations, reference publications, to support the trend?	*None captured by the WG at this time*
5	**Effectiveness**	*Common Data Standards have not been developed. Custodians have not developed major separate data services*

Future of Securities Services - Framework

Trend:

		Sample provided below, please edit / add your inputs accordingly
6	**Granularity** Have the opinions, arguments covered all key factors relevant for the time-horizon?	*Some members feel clients are willing to pay for the data and once all securities service providers are supplying it, it may become a necessary part of the business offering that gets rolled into a more bundled offering price. Others feel that selling data is very challenging as a standalone product and requires a platform, software, and the data itself and that as a result it will be mainly used to drive higher margins in broader service offerings. Regulators views of all this need to be considered and some may be averse to the industry using the data in various ways, especially data provided by clients directly or via their transactions.*
7	**Time-Horizon** What's the time-horizon for the predictions, trends - 2030?	*Although there is no mention of a time-horizon for this theme, it seems to be implicitly short to medium term, certainly before 2030.*
8	**Specificities** Are there any specific implications for Securities Services industry? [strategic, financial, operating model, technology stack, macro-economic, risk & regulatory]	*The bottom-line question has become: Is the industry in the best position to directly monetize the data by selling it themselves, or indirectly monetize it by providing it to tech platform providers, or will it be seen as a necessary part of our broader service offerings to maintain margins on existing services. Perhaps there is an expectation that custodians have data analytic capabilities for them to continue to be their service providers. It may well be too early to know whether the insights from data sets can grow into a significant separate revenue stream for custodians. Each custodian needs to be prepared for scenarios either way, and both scenarios demand that custodians invest in their data analysis and analytics capabilities, on their own or via partnerships. This is required to either earn new data related revenue streams or to defend margins on existing businesses. In any event, the custodians will need to build expertise in AI use cases to lower costs, increase value of insights and understand the ways their AI models or those of their technology partners work, to assess the risks of the service offerings.*