



ISSA Webinar Day 2 7 February 2024

Welcome Remarks



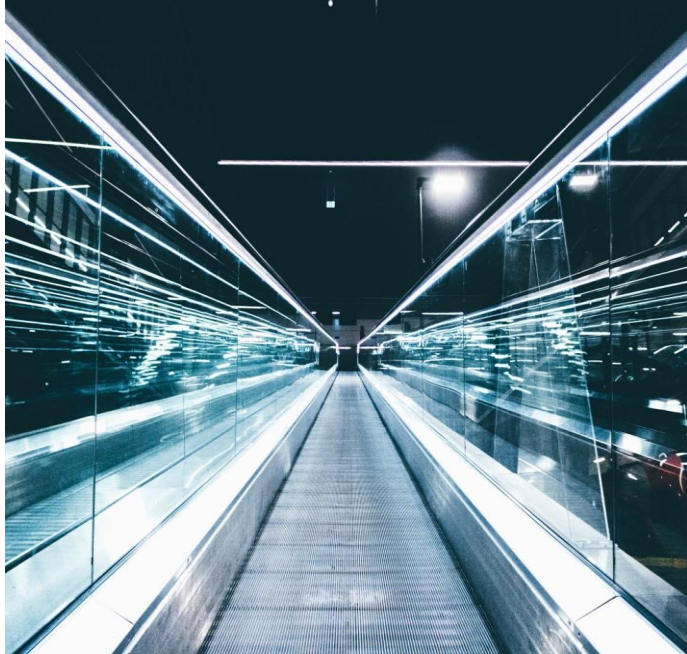
Speaker

- **Colin Parry - ISSA**

Agenda

Welcome Remarks	Colin Parry - <i>ISSA</i>	13.00 – 13.05
Future of Securities Services WG	Phil Brown - <i>Clearstream</i> Mat Kathayanat - <i>Deutsche Bank</i> Colin Parry - <i>ISSA</i>	13.05 – 13.35
Standardization – ESG Standards in Securities Services WG	Flora Belladonna - <i>BNP Paribas</i> Hai Jade Fuan - <i>Standard Chartered Bank</i> Karen Zeeb - <i>ISSA</i>	13.35 - 14.05
Global Impacts of T+1 WG	Haroun Boucheta - <i>BNP Paribas</i> Kamal Kannan - <i>S&P Global</i> Colin Parry - <i>ISSA</i>	14.05 - 14.40
Break		14.40 - 14.45
Digitization WG	Michael McPolin - <i>Broadridge</i> Ian Pledger - <i>BNY Mellon</i>	14.45 - 15.00
Securities Services Risks 2024 WG	Emma Johnson - <i>JP Morgan</i> Andy Smith - <i>BNY Mellon</i> Karen Zeeb - <i>ISSA</i>	15.00 - 15.30
2024 Plans	Haroun Boucheta - <i>BNP Paribas</i> Karen Zeeb - <i>ISSA</i>	15.30 - 15.55
Wrap up day two	Colin Parry - <i>ISSA</i>	15.55 - 16.00

Future of Securities Services WG



Speakers

- **Phil Brown** - *Clearstream*
- **Mat Kathayanat** - *Deutsche Bank*
- **Colin Parry** - *ISSA*

Co-Chairs of Working Group

- **Mat Kathayanat** - *Deutsche Bank*
- **Colin Parry** - *ISSA*

Standardization – ESG Standards in Securities Services WG



Speakers

- Flora Belladonna - *BNP Paribas*
- Hai Jade Fuan - *Standard Chartered*
- Karen Zeeb - *ISSA*

Co-Chairs of Working Group

- Flora Belladonna - *BNP Paribas*
- Hai Jade Fuan - *Standard Chartered*

Global Impacts of T+1 WG



Speakers

- Haroun Boucheta - BNP Paribas
- Kamal Kannan - S&P Global

Co-Chairs of Working Group

- Haroun Boucheta - BNP Paribas
- Kamal Kannan - S&P Global

T+1 Global Impacts Scope



Scope

- To identify the challenges in moving to T+1 for non-domestic investors,
- To analyse the impacts of these challenges,
- To suggest mitigation and best practices to reduce or negate these impacts,
- To decide whether discussions with public stakeholders would be appropriate.

T+1 - Global Context

- There is a clear trend to accelerate securities from the global standard of T+2 to T+1:
- India successfully implemented T+1, using a phased approach.
- The US securities market regulator issued a rule mandating T+1 settlement for US equities and associated asset classes, with a “Big Bang” implementation date of May 28, 2024.
- Canada and Mexico will implement, also with a “Big Bang”, on May 27, 2024.
- The UK and European markets are exploring acceleration as well. While recommendations may be issued in the coming months, no firm decisions should be made until after gauging the impacts of the US, Canada, and Mexico implementations, especially the global impacts on cross-border market participants.
- All the initiatives will have some common benefits and costs:
- Benefits: Reductions in settlement, counterparty credit and market risks, as well as an overall gain in processing efficiency.
- Costs: There are also obstacles that must be addressed, both domestically, and very importantly, on an international basis, focused on cross-border trades into markets moving to T+1 settlement.

Unique Issue for International Investors - Foreign Exchange (FX)

- The FX market is the largest financial market in the world and is operated by a different industry segment, with its own trading and settlement conventions and market infrastructure that processes the vast majority of FX transactions.
- The spot market for FX currently supports the bulk of execution liquidity between mid-day and 5:00 p.m. CET and settles on a T+2 basis, with some T+1 settlement availability, but very little T+0 availability.
- There is no corresponding initiative by the global FX market to shift spot market settlement to T+1, and that presents significant obstacles to many international investors, causing them to significantly overhaul their approach to funding their cross-border securities transactions, and may cause their transaction costs to rise significantly.

The FX Problem

The FX problem is two-fold:

- Settlement Risk: CLS cut-off time for input of FX transactions into PvP multi-lateral netting settlement process is 6:00 p.m. EST.
- Currently there is very little liquidity to execute FX transactions for each investor between 4:00 p.m. (when the US equity market closes) and 6:00 p.m. EST and for the liquidity that exists, spreads are relatively wide.
- The two problems intersect: Under T+1 securities settlement, for an FX trade to enter PvP, it will need to be executed right after 4:00 p.m. EST, assuming sufficient liquidity becomes supplied then to meet that demand.
- If there is not sufficient FX liquidity in the evening of T+0, the FX trades will be executed the next morning (T+1 for the security trade), will require settlement within a few hours and will settle as bilateral gross transactions, increasing operational complexity and counterparty risk.
- CLS is exploring the feasibility of extending the input of FX transactions into PvP by up to 90 minutes. Such an extension would be helpful in getting late in the day executions into PvP, assuming that custodian banks extended their cut-off times as well, though it does not alleviate the lack of liquidity late in the day to execute FX transactions.

Issues Faced by Domestic Investors with a more significant Impact on International Investors

- Time to get executed trades allocated, confirmed, and affirmed and instructed to custodians
- Time to address exceptions by settlement close
- Stock loan returns
- Corporate Actions
- Global products with components from markets moving to T+1 - ETFs and depositary receipts

Issues Faced by Domestic Investors with a more significant Impact on International Investors - example

- Investment managers for institutional investors perform critical processes after receiving execution notices from executing broker-dealers, including:
- Allocating the executed share quantity to various institutional investor accounts.
- Communicating those to the executing broker-dealers.
- Affirming the resulting legal trade confirmation produced by the broker-dealers.
- Instructing custodians to settle the trades with the executing brokers.
- This process must speed up considerably in a T+1 settlement cycle.
- For example, for the US, market practice will be for trades to be allocated by 7:00 p.m. EST and affirmed by 9:00 p.m. EST, which corresponds to 1:00 a.m. and 3:00 a.m. on T+1 CET.
- For cross-border trades, all this critical processing is exacerbated by time zone differences, especially relating to correcting trades that do not match and subsequently do not get affirmed and instructed to custodian banks and CSDs by the domestic market's established cut-off times.

ISSA Recommendations

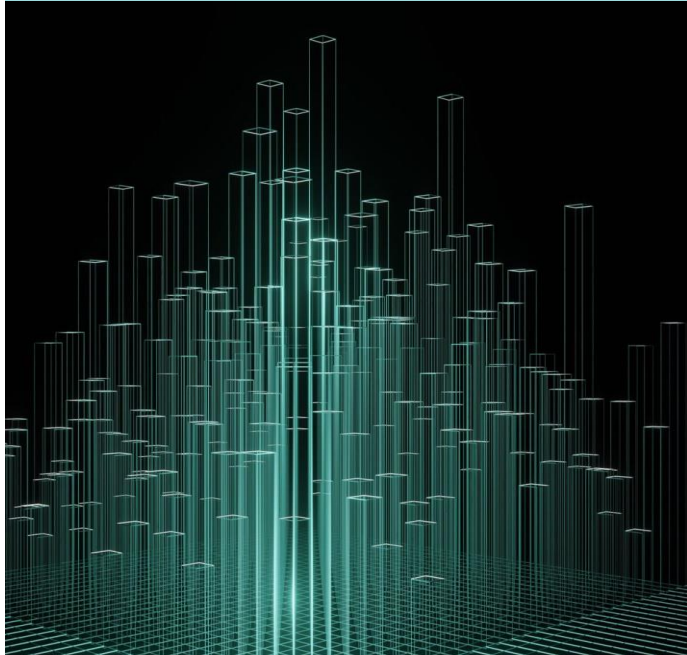
- Work with sell-side, buy-side, and securities services participants in key market centres around the world that represent significant cross-border transaction volume into their markets to evaluate the known issues to be solved and identify any unknown issues. Once identified, determine the impact of them on international investors and market practice. Then, identify operational changes necessary to mitigate the issues and related risks, prior to making any final recommendations, most importantly, before setting a target date for that market to move to T+1.
- Analyze the T+1 business case, not just at a macro-industry level, but on a much more segmented level, assessing the impacts both domestically and internationally. Several surveys of industry readiness for T+1 have shown that certain segments are far less advanced in their preparations to move to T+1 than others. While this may vary from market to market, the WG feels that the readiness data shows that the sponsors of T+1 explorations should work very early with investment management firms of all sizes in market centers around the world that invest in their domestic market's securities. The aim should be to identify all the challenges from those firms' perspectives and develop solutions or risk mitigants, prior to making any final recommendations, including setting a target date for that market to move to T+1.

ISSA Recommendations

- Once the solutions and risk mitigants are agreed and scoped for implementation, the sponsors should include end-to-end testing of international transactions in their T+1 “Playbook”. This ensures that transactions related to the areas of enhanced challenges for international investors are solved prior to implementation. Ideally, regulators, central banks and/or market infrastructures could require that all critical market practice changes necessary to implement T+1 settlement successfully, be in place and utilized by all market participants for a significant period prior to the targeted implementation date of T+1 settlement.
- Specifically related to FX, ISSA recommends that domestic markets, with collaboration from investment managers in key geographic markets for cross-border transactions into their market, reach out to the FX/international payments industry to analyze the obstacles in both execution/liquidity and settlement, before finalizing plans to move to T+1 settlement.

Break

Digitization WG



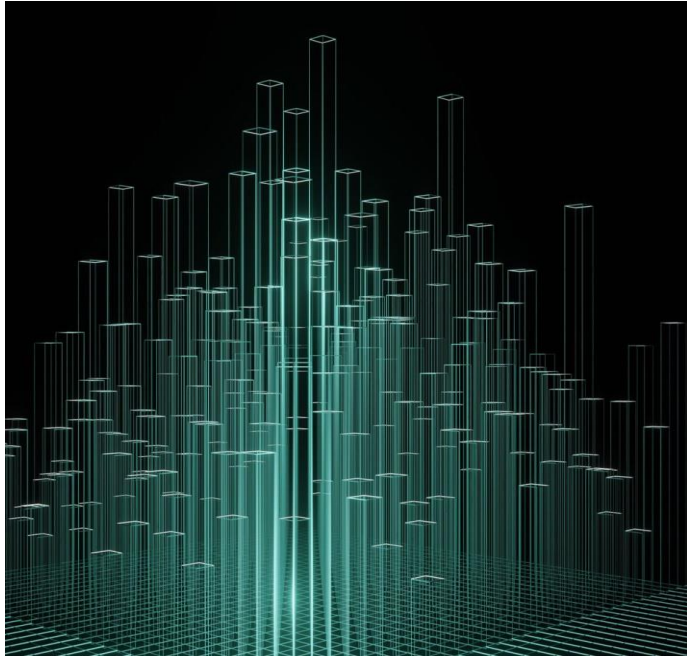
Speakers

- Michael McPolin - *Broadridge*
- Ian Pledger - *BNY Mellon*

Co-Chairs of Working Group

- Michael McPolin - *Broadridge*
- Ian Pledger - *BNY Mellon*

Digitization - Evolution



The Security Services Industry is currently on a digital transformation journey and - at ISSA - we would like to advocate, support, and enhance the efficiency of the numerous digital transformation programmes. In order to provide a meaningful contribution, it is important to understand the following three key stages in the digital evolution:

- where are we now
- where do we want to be
- how do we get there

Digitization - Client Communication

This planned report hopes to answer many questions as detailed in the scope below, it will also be supported by an industry survey to enhance and validate our understanding of the current state of play. The plan is to start on the journey of discovery looking at communication in two categories, with client and with market counterparties.

Scope:

- Digital and analog channels used by financial institutions to communicate with their clients.
- Including any use of unstructured data even if electronically exchanged. (E-mail/MT599)
- Rationale behind the channels used for client communication.
- Various strategies employed by all types of intermediaries.
- Partnerships and selection of strategic partners
- Weighting of communication media (absolute and relative)
- Amount, place, and rationale of remaining manual processes and the barriers for automation
- Scale, scope and time aspirations of digital transformation plans
- Buy vs build. Rationale and objectives behind the decision (e.g., Controls, risk reduction, client experience)
- Main barriers against success – why have things not moved from legacy to digital?
- Harmonization needs for data exchanges and “data portals”
- Position of Fintech's to assist in the transformation
- Drivers for change (Business and Regulatory)

Securities Services Risks 2024 WG



Speakers

- Emma Johnson - JP Morgan
- Andy Smith - BNY Mellon
- Karen Zeeb - ISSA

Co-Chairs of Working Group

- Emma Johnson - JP Morgan
- Andy Smith - BNY Mellon

Securities Services Risks 2024 Member Firms



- ABN Amro
- BNY Mellon
- CDSL
- CIBC Mellon
- DWP Bank AG
- Digital Asset Holdings
- DTCC
- Euroclear
- HSBC Holdings
- Intesa Sanpaolo Group
- JP Morgan
- Northern Trust
- Rand Merchant Bank
- S&P Global
- SEB Group
- Standard Chartered Bank
- Strate
- UniCredit

2024 Plans

2024

CALENDAR

Speakers

- Haroun Boucheta - *BNP Paribas*
- Karen Zeeb - *ISSA*

Looking Forward

Planning

- Planning for next ISSA Symposium - scheduled for 3rd – 5th June 2025
- Testing and implementation of a new digital marketing tool
- Investigation into launching an education programme for Securities Services

2024 Financials

- No change to member fees in 2024

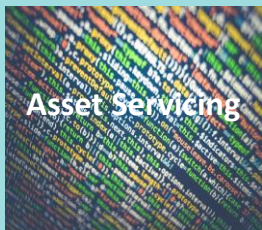
ISSA Events

- ISSA WG Webinar – 6-7 Feb
- Women of ISSA forum – Q1
- ISSA AGM – Q3

External Events

- Bloomberg Seminar – 21 Feb
- ACSDA – 13- 15 Mar
- PostTrade 360 Conference – 4 - 5 Sep (looking to have WG representation at this free event)
- SIBOS – 21 – 24 Oct

Working Groups



Asset Servicing

Focusing on Corporate Governance and technology enablers



Digital Identity and Onboarding

Exploring how DI can be used to facilitate onboarding



Digitization

Setting out the industrialization of private markets



Distributed Ledger Technology

Creating Digital Asset Custody baselines



Domestic

Resolving issues in CSO Operations



Financial Crime Compliance

Focusing on geopolitical impacts and new asset classes



Future of Securities Services 2023

Divining the future of Securities Services



Operational Resilience

Aligning of Operational Resilience requirements



Securities Services Risks 2024

Revising the risks facing Securities Services



Standardization

Looking at ESG and ISO 20022



T+1 Impacts

Investigation non-Domestic firm Impacts

Working Group 2024 Focus

Asset Servicing

- Publish Corporate Governance and Technology Enablers outcomes

Digital Identity & Onboarding

- Publish an industry discussion document

Digitization

- Deliver The Digitization of Client Communication Report

DLT

- Produce the output from the 2024 Survey
- Publish a Project Management for DLT Report

Domestic CSDs

- Publishing paper on Enabling Foreign Investors

FCC

- New Asset Class Risk Review

Future of Securities Services

- Publish the FSS 2024 Paper

Operational Resilience

- Deliver the ISSA OR Questionnaire

Securities Services Risks 2024

- Publish the updated 2024 Risk Report

Standardization

- ESG: Deliver the Impacts and Implications outcomes
- ISO: Publish the Migration Approaches Report

T+1

- Focus on Accelerated Settlement Cycles

Wrap up day two



Speaker

- **Colin Parry - ISSA**