

DI&O Group

26 September 2024, On Teams

Meeting Minutes

Participants (in attendance in bold):

Deutsche Bank AG	Paul	Maley
Deutsche Bank AG	Siwei	Feng
Deutsche Bank AG	Pallav	Pandey
Deutsche Börse Group	Isa	Ribeiro
Deutsche Börse Group	Florian	Pfleiderer
Euroclear	Marie-Charlotte	Henseval
GlobeTax Services, Inc.	Brett	Lewis
Goal Group Limited	Debbie	Hickey
Hong Kong Exchanges and Clearing Limited	Samuel	Ng
HSBC Holdings Plc	Robin	Saunders
LLB	Kurt	Ospelt
ISSA	Colin	Parry
MYRIAD Group Technologies Ltd	Rupert	Booth
Northern Trust Corporation	Jonathan	Hartwell
Northern Trust Corporation	Fergal	Keavey
S&P Global	Petra	Handoca
S&P Global	Oliver	Maxwell
S&P Global	Julia	Bava
Saphyre, Inc	Gerhard	Kronsteiner
State Street Corporation	Holly	Winsor-Crowley
State Street Corporation	Santhosh	Ramarao
Strate (Pty) Ltd	Steven	Ingleby
Strate (Pty) Ltd	Kelly	Robinson
SWIFT SCRL	Juliette	Kennel
Tata Group	Giles	Elliott
Tata Group	Sivaraman	Ramasamy
The Investment Association	Shruti	Deb
UBS Group AG	Sonia	Paston-Bedingfeld
UBS Group AG	Joe	Mernagh

Agenda

1. Introduction
2. Discussion on the next phase of the project.
3. Review of initial paper outlining problems in account onboarding.

Introduction

Brett welcomed everyone and set out the approach for the discussion.

Whiteboarding approach, no crazy ideas but really blue sky thinking – “What would great look like to the stakeholders?”

The stakeholders here are the customers, asset services and sub-custodians. For these stakeholders what do they want and then finish with what is stopping that happening be that blockers (real, imagined or historical)

Customer Needs

- Simplicity & Speed: Customers want a straightforward and fast onboarding process.
- Safe and secure
- Single Submission: Desire to provide information once to minimize redundancy.
- Transparency: Clear requirements and process status are crucial.
- Publicly Available Information: Clients prefer to provide only non-public KYC information.
- Document Handling: Pre-populated forms (e.g., using DocuSign) are favoured to streamline the process.
- Tailored Questions: Forms should adapt based on the client's entity type to reduce irrelevant queries.

Asset Servicer Needs

- Risk Minimization: Top priority to reduce onboarding risk.
- Speed and Efficiency: Asset servicers want to onboard accounts quickly to start generating revenue. Streamlining operations and minimizing back-and-forth communication is crucial to achieve this.
- Operational Effort: Reducing the operational burden is essential. This includes automating internal processes and creating a standardized workflow that reduces the need for bespoke requests.
- Transparency: Clients expect clear visibility into the onboarding process. Implementing a system that keeps clients updated on their status can enhance trust and satisfaction.
- Periodic Reviews: There's a shared desire to reduce the frequency of periodic reviews, especially for lower-risk clients. Extending review periods could alleviate some operational pressures.
- Verification and Documentation: Asset servicers face challenges in verifying client-provided information. A push for machine-readable formats could streamline the verification process. Also, there's a need for clarity on how to handle documentation like power of attorney.
- Cybersecurity Standards: There's a growing recognition of the importance of cybersecurity protocols. Standardizing the questions asked of clients regarding their cybersecurity practices could enhance overall risk management.
- Authorised Signatures: Ensuring that the individuals signing documents are authorized representatives is critical. Using notarized lists of authorized signers can help in verifying this information
- emphasized that asset servicing is only one part of a firm's activities, which also include trading, FX, and payments.

Challenges & Blockers

- Discussion on potential blockers such as legacy technology and process inefficiencies.
- Importance of clear communication and expectations to prevent misunderstandings.

Conclusion

Operational Effort: Reducing the operational burden is essential. This includes automating internal processes and creating a standardized workflow that reduces the need for bespoke requests.

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Suggested the need for a standard around the comprehensive data that could be required for asset servicing.

Noted that while a significant portion of processes can be standardized, individual relationships will still require tailored approaches.

The group discussed the concept of a trusted repository for data, with the potential for a decentralized or mutualized solution.

Highlighted that, until a centralized solution is available, clients should have ready answers to standard data elements.

Proposed creating a guideline for best practices in onboarding, including the use of LEI as a standard identifier.

Agreed on the importance of standardizing data elements and documentation for better efficiency

Sub-custodians need's

- Highlighted the need to involve sub-custodians in discussions about the ideal account opening process, emphasizing their desire for speed.
- Suggested using tools like SignatureNet for automatic signature management to minimize delays. Emphasized the importance of minimizing signing time for asset servicers.
- Raised concerns about the complexity of reconciling who is authorized to sign documents.
- Pointed out the inconsistency in communication formats used for A/C opening (MT5X9, MT999) and stressed the importance of a standardized request format across different institutions.
- Highlighted the importance of quick account openings for sub-custodians, indicating a need for speed in the process.
- Questioned the similarities between asset servicers and sub-custodians, seeking clarification on unique requirements.
- Tax Classification Challenges. Noted difficulties in classifying foreign entities for tax purposes, particularly when local jurisdictions differ significantly from investor types. Agreed that the classification process can be confusing, often leading to misunderstandings. Suggested that clients should seek necessary advice to address these mapping challenges.
- KYC Requirements. Discussed the role of asset servicers in providing KYC support, suggesting that responsibilities lie mainly with account owners.
- Highlighted issues surrounding reverse KYC and the need for minimal personal details while ensuring compliance. Suggested to documenting examples of leftover KYC requirements to identify areas for improvement.
- Ideal End-to-End Process. Proposed crafting an ideal process focused on speed and minimizing information requests from account holder

- Suggested that distributed ledger technology (DLT) could provide a transparent and efficient solution for KYC in principle. Alternatively advocate for a centralized repository where clients can submit documentation once for use by multiple asset servicers. Would use of a central database irrespective of the technology allow for avoiding periodic reviews

The idea of starting with guiding principles rather than enforced mandates was supported, recognizing the need for a flexible approach.

Future Meetings

- Sonia Paston-Bedingfeld suggested evaluating momentum from the current meeting to decide on the timing for the next session.
- The group agreed to follow up with synthesized notes and continue discussions on practical steps moving forward.

Action Items and next steps

- Brett Lewis to send meeting notes to the group.
- Colin Parry to gather existing standards and practices for sharing.
- Set a follow-up meeting in one month or sooner if necessary