

Wired Together or Falling Apart: What the Securities Industry Must Do Right Now

Nine months into the role. A head full of ideas, a diary full of conversations, and — refreshingly — very little patience for the way things have always been done. We sat down with Julia McKenny, CEO of the International Securities Services Association, to talk about what the securities industry urgently needs, what it is spectacularly failing to do, and why the answer — as it almost always is — comes down to whether we are willing to work together or whether we would rather be right alone.

Julia, nine months at ISSA. What has struck you most?

I want to tell you about something I saw at an exhibition recently, because it has not left me. There was a pyramid — enormous, commanding — but when you looked closely, it was made entirely of thousands of smaller pyramids interlocked within it. The structure created this extraordinary, web-like maze where you could not isolate any single element. Wherever you looked, you saw one continuous, unbroken chain. Everything connected to everything else. Pull one piece and the whole thing trembles.

That is exactly what ISSA should be. The overarching pyramid — the one that captures, supports and enables thousands of interconnections happening beneath it across our industry. Not a talking shop, but an active, dynamic web of collaboration that erodes duplication, creates tangible results, and makes our collective effort worth more than the sum of its parts.

Because right now, that web has too many broken threads. Collaboration within sectors, yes — but we also desperately need to be more connected across our associations. ISSA has been growing louder on this, and I make no apology for that. Our engagement with AFME, ICMA, The AI, ICI, AGC and FMSB has been genuinely exciting — including the brilliant event hosted by Swift in London for ISSA's Women of ISSA and their Allies. This is what connected looks like. We need far more of it.

You convened the Symposium in May 2026. What were the big conversations?

The Symposium on 11 to 13 May brought together the people who actually make this industry run — and the conversations were exactly the kind you want to be having. Forward-looking capabilities. Strategic priorities. And then the other thing, the harder thing: the scenarios we are not taking seriously enough. The black swans. The events that seem improbable right up until the moment they are not.

I want to be clear about what I mean by that. These are not theoretical exercises for risk committees to tick off and file. These are live, credible, asymmetric shocks — events where some institutions survive and others do not, and where the difference is whether you thought about it beforehand. Let me tell you which ones are on my mind and that were touched on at the symposium.

- **AI-enabled cyber shock against shared financial infrastructure:** A major cyberattack on a cloud provider, payments processor, identity platform, core banking system or market infrastructure provider could disable some institutions whilst others carry on functioning. The asymmetry is brutal — it comes from uneven dependency on the compromised provider, creating settlement failures, liquidity hoarding and a terrifying uncertainty about who can still operate and who cannot. The more we centralise and digitise, the more concentrated this risk becomes.

- **Private credit valuation and refinancing shock:** Stress in private credit can emerge quietly and then move fast — borrower defaults, delayed valuations, weak refinancing conditions, fund liquidity pressure. The shock concentrates losses among funds, insurers, pensions, banks and investors sitting in opaque or leveraged structures. The complexity that makes private credit attractive is precisely the complexity that makes its failure hard to see coming and hard to contain.
- **Non-bank liquidity spiral:** A sharp move in rates, credit, FX or commodities triggers margin calls and forced selling — hedge funds, pension strategies, insurers, open-ended funds, commodity traders all moving at once. The asymmetry bites because leveraged or liquidity-mismatched non-bank players are selling into markets that have gone thin at exactly the moment banks and dealers are pulling back balance-sheet support. We have seen versions of this. The non-bank sector is larger and more complex than it has ever been.
- **Sovereign bond market shock in a “safe” market:** A disorderly sell-off in a major government bond market — the kind of asset everyone has always treated as bedrock, as collateral you can rely on — could unsettle the foundations of the entire system. Institutions with duration exposure, repo dependence or sovereign collateral reliance get hit hardest. And then the damage feeds through to bank capital, funding markets and credit availability. The safe haven becomes the source of the shock. That is a deeply uncomfortable thought.
- **Energy or shipping corridor shock:** A disruption in a critical corridor — the Strait of Hormuz, the Red Sea, Suez, the Taiwan Strait, the Black Sea, the Panama Canal — spikes energy, freight and insurance costs with a speed and severity that most scenario models simply do not capture. The asymmetry falls on commodity importers, airlines, logistics firms, manufacturers, emerging markets and lower-income consumers. We live in a world of interconnected supply chains, and we have perhaps forgotten just how fragile they are.
- **Stablecoin or tokenised collateral failure:** A major stablecoin de-peg, a tokenised money-market failure, a blockchain settlement outage — any of these could disrupt digital liquidity and collateral flows at precisely the moment when more and more of the system depends on them. The asymmetry hits firms on digital rails first. But reserve-asset sales and short-term funding markets create the contagion pathway into the broader system faster than most people expect.
- **Insurance protection gap shock from catastrophe clustering:** A cluster of climate, cyber, wildfire, flood or liability losses forces insurers and reinsurers to reprice or withdraw cover — not gradually, but sharply. The asymmetry devastates coastal property, agriculture, infrastructure, utilities, mortgage lenders and municipal finance. The protection gap is not a future problem. In some geographies it is already here.
- **AI model monoculture shock:** This one is perhaps the most insidious. If many institutions are all depending on the same AI models, the same data sources, the same automated risk engines, a shared error generates correlated bad decisions across the system simultaneously. The asymmetry hits the firms on the same model stack first — one-sided trades, liquidity gaps, sudden dislocations. And the bitter irony is that this risk lives inside the very solution everyone is racing to deploy.

And then — the more uncomfortable argument, but the one I keep coming back to — perhaps the problem is not the black swans at all. Perhaps the problem is the institutions. Because in the modern financial system, an extraordinary number of firms are still built, led and managed for a world that no longer exists. They are optimised for stability and predictability that evaporated years ago. The black swans land on institutions that were never designed to absorb them. That is the conversation we are barely having, and it may be the most important one of all.

These are my reflections — not an economist's forecast, not a regulator's guidance note, but a frank personal view of where the fragility actually sits and it was fantastic to hear what our industry experts brought to this debate at the Symposium.

What We, as an Industry, Need to Be Doing Collectively Right Now

Look at the Broadridge / ISSA / Value Exchange Survey. Read it properly. The findings are unambiguous, and the conclusion is almost embarrassingly obvious: the only way we achieve meaningful, lasting progress is through genuine collaboration. Not the kind of collaboration where we share a panel at a conference and call it partnership. Real, structured, purposeful, uncomfortable collaboration — the kind where you actually have to give something up to get something better.

And here is where AI enters the picture as something more than a buzzword. Yes, I flagged the monoculture risk above — we have to be clear-eyed about that. But whilst we keep that danger in sharp focus, it is equally beyond doubt that AI can dramatically accelerate collaboration and dismantle the fragmentation that has hobbled this industry for years. Networks and utilities that currently operate in polite proximity to each other can be genuinely unified and made to work with force and purpose. It is not a fantasy to imagine KYC and onboarding utilities — reignited from the attempts of the past. Fraud detection networks where multiple institutions contribute data to shared AI models that see patterns no single firm could ever spot alone. Market intelligence platforms where collective intelligence makes every participant sharper, faster and less exposed. All of this is available to us. The question is whether we choose it.

So, What Do We Need to Do Better?

The first and most important thing is to be ruthlessly honest about what actually needs to change — and to resist, with equal ruthlessness, the urge to optimise things that should not exist at all. We are extraordinarily good, as an industry, at making broken processes run more smoothly. At polishing the inefficiency rather than eliminating it. That has to stop.

We also need to face the scale of what is required. Some of this is a genuinely enormous lift. Complete reinvention, not incremental adjustment. The examples we have discussed and what we are focused on in the ISSA working groups make clear where the real work lies. Firms can collaborate. Associations can lead. But independent efforts, however well-intentioned, are not sufficient. Interoperability demands co-ordination. Integration demands alignment. You cannot harmonise a system by working on it in isolation.

Without genuine, committed collaboration, we will continue to be — and I think this phrase captures it perfectly — efficiently inefficient. That era needs to end. We need to harmonise. And we need to do it together, not in parallel.

Finally, and critically: we must be discussing the black swan events openly and collaboratively. Not in hushed tones behind closed doors, but out loud, in the room, with the people who have the power and the responsibility to act. The whole point of naming these scenarios together is to determine how we collectively join forces to recognise them early and mitigate them before they become catastrophes.

The industry is wired together whether it likes it or not. The question is whether we wire it intentionally — or wait to discover, the hard way, exactly how connected we always were.

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