ISSA International Securities Services Association

ISSA Domestic CSD Working Group

Key Challenges Domestic CSDs face in Cross-Border Securities

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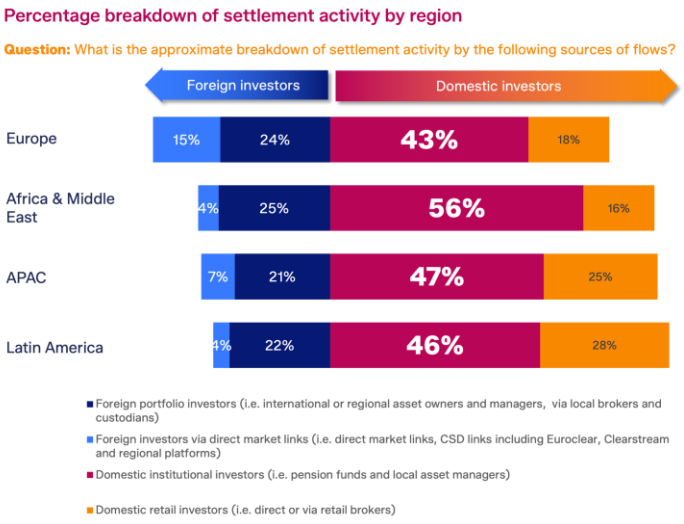
INTRODUCTION

The purpose of ISSA's Domestic CSD Working Group (WG) is to research the key challenges and issues that impact the Domestic CSDs. As a result, in the third quarter of 2026, ISSA and The ValueExchange recently surveyed Central Securities Depositories (CSDs) globally with responses received from across Europe, Asia-Pacific, Latin America and Africa and the Middle East.

In conducting the survey, the WG sought to identify the key challenges CSDs face in cross-border securities transactions and the changes Domestic CSDs believe could make the greatest difference in terms of supporting foreign investment. This Bulletin summarizes the key findings from the survey responses and offers a Domestic CSD perspective on the opportunities for more accessible, connected and efficient cross-border markets.

INVESTMENT TRENDS

Foreign investment is already material to domestic markets and expectations for further growth are high. Foreign portfolio investors account for an average 32% of settlement flows, while 76% of Domestic CSDs regard growth in foreign investor activity as highly important over the coming three years. However, domestic institutional investors remain the largest source of settlement activity, underscoring the need to balance domestic market priorities with international accessibility.



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KEY FINDINGS

Below are summarized the key findings from the Domestic CSD survey. If you would like to read the full survey findings, they can be accessed here: https://thevx.io/research-insights/key-findings/cross-border-investments-2026-key-findings

Today's CSD Landscape

- Growth is evident, but uneven. Every region reported a net increase in foreign investor flows over the past three years. The survey cites average year-on-year growth of 4%. Growth was reported by 80% of APAC respondents and 73% in Europe, compared with 33% in Latin America and 29% in Africa and the Middle East.
- Market fundamentals remain the leading barriers, with the highest-impact growth levers largely sitting outside CSDs' direct control. Market liquidity was cited among the top three impediments to foreign investment by 57% of respondents, followed by local tax complexity (43%). Foreign-exchange and funding restrictions, limited index allocations and country risk each attracted 30%.

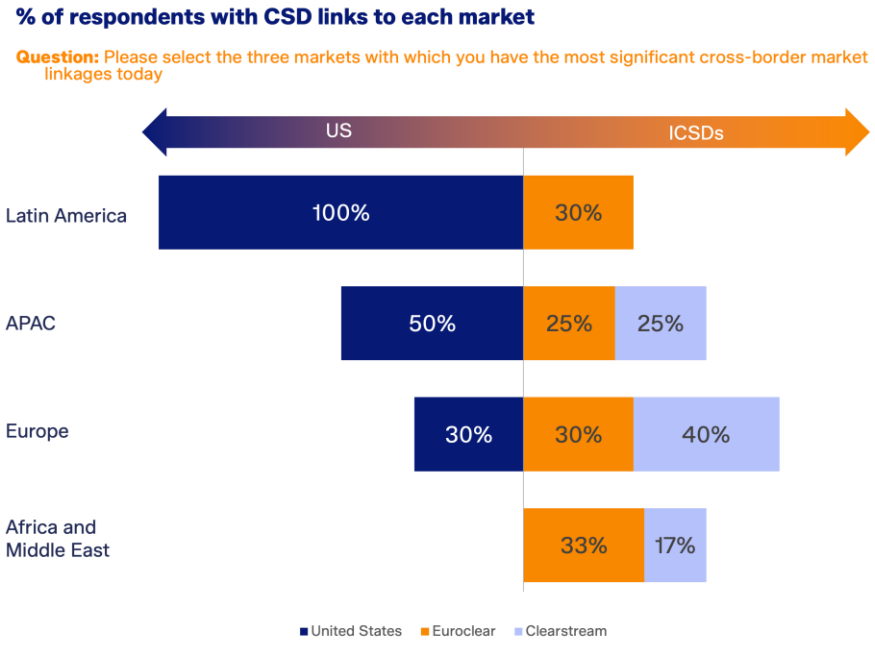


What Role for CSD Links?

Market links are an important part of the access agenda, although outcomes vary. Globally, 69% of respondents said link volumes had met or exceeded original expectations (44% above expectation / 25% in line with expectations). Ease of investor access, including removed or reduced registration requirements, was the most frequently cited benefit (60%), followed by operational consolidation (27%) and lower cost (20%).

ISSA Domestic CSD Working Group

- Market links are not a complete solution, however and not all links are created equal. Respondents identified local tax complexity (54%), local registration requirements (36%) and settlement-related operational challenges (36%) as obstacles to achieving greater volumes through existing links. Looking ahead, 83% of respondents planning new links prioritized equities. This points to the importance of addressing local market rules and processes alongside building connectivity.



CONCLUSION

The WG participants believe that the survey findings suggest there is no single intervention that will unlock cross-border flows. Market liquidity, tax, foreign-exchange, investor-registration and eligibility issues all require collaboration across Domestic CSDs, regulators, Central Banks, Stock Exchanges, Custodians and other market participants. Indeed, 74% of respondents identified domestic market infrastructures as highly important to growth, alongside regulators (67%) and Central Banks and Global Custodians (59% each).

For ISSA, and its members, the findings provide an evidence base for industry dialogue on practical priorities: simplifying access requirements; improving transparency and real-time visibility; strengthening standards and interoperability; and coordinating major market infrastructure changes. They also highlight the value of region-specific solutions rather than assuming a uniform model for every market.

ISSA's Domestic CSD WG plans to use these insights to support further engagement with the Domestic CSD community, and wider industry stakeholders, on the barriers that can be addressed collaboratively. Members are encouraged to consider how the findings compare with their own market experience and where shared approaches could reduce friction for international investors.