

ISSA

International Securities Services Association



New ISSA Board Members

We are delighted to announce that IHS Markit will join the ISSA Board. John Stewart will become IHS Markit's Board Member. We look forward to John joining our next Board meeting and to IHS Markit's contribution to the Association.

We are also pleased to announce the following change to the ISSA Board. On 3rd March 2021, Jason Nabi will replace Pierre Yves Goemans as the ISSA Board Member for Euroclear. We would like to thank Pierre Yves for his support and contributions on both occasions that he has been an ISSA Board Member as well as wish Jason all the best in his new role.

New ISSA Members

In the first quarter 2021, the following Members joined our Association:

- Swiss Re
- WTax

Board of ISSA

Welcome

Dear ISSA Members and interested parties

Welcome to 2021 and our first quarter Newsletter.

We are seeing increasing signs of hope and optimism across the globe and are delighted to see the change that a quarter can bring. However, the Board's decision to postpone the Symposium until 18th Jan 2022 has been vindicated as the opening of borders and the vaccination programs progress at different speeds.

As an Association we are designed to look forward, but an occasional look over one's shoulder is allowed. In this Newsletter we are doing both. We have articles covering the pandemic and the lessons the industry can learn from it and, most importantly, we provide you with an update on our Working Group activities.

From the Association's viewpoint 2021 has started well with the WGs pushing forward and producing great output. Additionally, we are putting the finishing touches to the AGM and a «Mini-Virtual Symposium» and the vast majority of Members have paid their bills to take advantage of the discount – Thank you.

The following articles are included in this Newsletter:

- One Perspective on the Pandemic – how ISSA has dealt with the pandemic and our perspective on the future
- ISSA and Social Media – how ISSA has adapted to stay in contact with our Members
- ISSA Cyber Report – Cyber Risks of Remote Working & WFH and the implications for the Securities Services industry
- The New Norm – the impact of the pandemic on Working Methods
- Working Group Updates – quarter four activities and plans for 2021 for each of the ISSA Working Groups

We wish you all the best for the 2021. Here's to the end of the pandemic and a time when we may finally be able to meet up again in person.

Sincerely, ISSA CEO Office

A Year On: One Perspective on the Pandemic

The Last Year

Like many of our Members the Association has had a challenging year since the start of the pandemic. We have had to think and act differently.

Sadly we have been forced to postpone the Symposium twice. However, as always, ISSA's Board was very supportive and the decision to move to 18th January next year has proved to be a sound one. I therefore do hope that you will be able to join us and will look forward to meeting as many of you as possible.

The intense workshops, where we had all the experts in a single room for two days, stopped abruptly last March and initially changed to marathon conference calls. These did not really work for debating the diverse opinions and coming to a conclusion. We therefore quickly adjusted to holding multiple calls, each for an hour or two, mainly around that key time of 13.00 Zurich and on a variety of video conference tools. In my opinion this has been beneficial. The intensity has not dropped but the gaps between the calls has allowed syndication within a firm and reflection from the Working Group Members.

The facts speak for themselves. The Working Groups created a record amount of output and that activity was sustained throughout the year. The papers and reports produced have had significant coverage and showcased the benefits of the industry collaborating to address the key issues that the Securities Services industry faces. This certainly reflects the hard work of all the Working Group Members, who have continued to contribute during a challenging year both professionally and personally. I wish to thank each and every one of them for their efforts.

What Next?

2021 has started as 2020 ended - with the exception that Mrs. Parry has accepted that if lunch is at 1pm UK I will not be there!

For the Association we continue to aim high.

We have generated enthusiasm from the Members' employees and leaders to be part of successful WGs and have taken on more topics for the year. This is especially true for «Corporate Actions» and «Distributed Ledger Technology» which are now both running a number of Sub-Groups. Additionally, we are planning new Working Groups - and hope that those Members who are not currently participating, will consider joining these once they become available.

Our General Meeting will be on the 4th May, as a virtual event, followed by a «Mini-Virtual Symposium» debate on the «Future of Securities Services» initiatives as well as on what we should work on next. I am personally hoping that SIBOS will again be a physical meeting and we can see many of you there.

Despite being some way out, the 20th Symposium agenda is almost finalized. The event already looks like it will be a great opportunity to learn more about what is key to the Securities Services industry, with stimulating debates as well as pleasant conversations!

As always we will try and respond to requests from our Members. So please feel free to contact me and let us know if there is anything else you would like to see from us.



Colin Parry, ISSA CEO

ISSA and Social Media

Maintaining Contact with our Members

The Impact of the Pandemic

As with most Associations, one of ISSA's most important roles is to be in regular contact with our membership and other people within our industry. We would normally achieve this by using a number of different methods - such as emailing our quarterly Newsletter to all of our Newsletter subscribers or distributing Working Group reports and papers via email, our website and LinkedIn. We would also, however, have physical meetings - such as supporting our Working Group participants to come together to spend time discussing and driving forward

solutions to key topics and, of course, by holding our biennial signature event - the ISSA Symposium.

Over the last year, though, the option of physical meetings has proved to be limited - if not almost impossible - due to the impact of the pandemic. Working Group meetings have become calls and the 20th ISSA Symposium has been rescheduled twice from its original date of May 2020 to now being due to be held in January 2022.

Adapting our Communication

Inevitably, not being able to physically meet has meant that ISSA has had to adapt and look at other ways for us to maintain that ongoing contact with our Members. The first thing that we therefore did was review what we needed to change. We have continued to schedule Working Group meetings - but done so by using various video conferencing tools to allow participants to, at least virtually, meet each other. We also decided to hold our first General Meeting on-line - an event that was successfully scheduled and enthusiastically received.

One of the other things that we have done is to take greater advantage of the social media tools available to us. LinkedIn enables us to share - both with our Members and the broader Securities industry - a significant amount of information; from the key output from our Working Groups and details about changes and additions to our Board and membership, through to important messages from our Chair and CEO.

Our website is also an invaluable source of information. As well as providing a platform for sharing the same information that we provide on LinkedIn, it also contains many historical documents. Our Board, Operating Committee and Working Group Members can also access a Member Section that provides them with details of recent meetings and calls. All of this is key information to help our Members get the most out of ISSA.

One thing that this increased use of social media has shown, though, is that we need to upgrade how we look. We have therefore decided to create a new logo as part of an overall refresh of the ISSA image. We are also taking the opportunity to create a new website - something that will enable us to more easily connect and stay in contact with our Members as we move forward. Whilst we cannot wait to see you all again in person, we will also look forward to sharing the result of this refresh which is due to be introduced later this year.

Cyber Risks Working Group Considerations for Remote Working

You will have seen the latest [Cyber Article](#) on ISSA's website & LinkedIn. This is the third Cyber paper in the last 24 months, addressing the idiosyncratic risks faced by Securities Service providers. It covers many of the aspects of Remote Working that you would expect by building on the original 2018 ISSA white paper: «Cyber Security Risk Management in Securities Services». These heightened risks include phishing & end point device management but it also has identified a number of less obvious risks such as the concentration of vendors of tokens for dual factor authentication and the use of Electronic Signatures.

The article also gives a framework for thinking about video-conferencing platforms. The variety of video conference options are author's personal go directly to Dante's 5th Circle of Hell so the author is more than happy that a framework has been proposed which may allow calls to start on time again... with the majority of participants...

On a more serious note the Cyber WG believes that it

has covered the idiosyncratic risks faced by Securities Service providers. The threat of Cyber incidents is still growing and substantive effort and expenditure of money will need to be continually deployed to mitigate the risks. However the WG does not consider that there are further issues which we have not covered that are unique to the Securities industry, but emerging risks rather cover the spectrum of industries.

To that end the Cyber Working Group has moved into a dormant state. The Members are open to re-forming as required to address new threats.

If you become aware of a risk which is not addressed in the prior papers and is unique to the Securities Service industry, please let Colin Parry know and the Group will assess and look at how we, as a Securities Services industry, can address those risks.

The Board and the CEO Office thank the whole Cyber Working Group for their contribution to a key area of risk mitigation for the industry.

The New Norm Working Methods

Businesses and individuals, across all continents, have faced unprecedented challenges as a result of the global pandemic. Many companies around the world have risen to the occasion, acting swiftly to safeguard employees and migrating to a new way of working that even the most extreme business-continuity plans could not have envisioned. Some refer to this new temporary normal as «Business as Unusual».

However, what is clear is that many of the changes to our working methods are likely to be here to stay.

In an initial article, entitled «Working Methods», the Working Group set out to brief Members on how changes to working methods, that have been necessary due to the pandemic, have impacted the Securities Services industry.

The ISSA New Norm WG participants first considered the key challenges faced by the Securities Services industry in managing different working methods during this difficult time. The Working Group then looked to offer insights and guidance as to how working methods could potentially be optimised in the future as well as lessons that leaders could learn from this large-scale work-from-home experiment.

By being creative and bold, the New Norm Working Group participants believe it is possible to re-imagine how work could be done - and what role offices and employees could play - in the future.

For further insights from the New Norm Working Group, read the full article here on the following [link](#) - or visit ISSA's website on www.issanet.org.

Progress Reports on ISSA Working Group Activities

Please see below ISSA's progress report on its Working Groups:

Corporate Actions and Proxy Voting

During 2021, the Corporate Actions and Proxy Voting Working Group's focus will be on the following key topics:

- **Proxy Voting:** The WG is analysing and documenting Proxy Voting market practices
- **Golden Copy Data Sourcing:** The WG will work with The Value Exchange on a data sourcing survey for Corporate Action events. The results will enable the WG to provide guidance on the use of a golden copy for key events
- **Withholding Tax Processes:** One area of concern highlighted as a result of the pandemic is the area of Withholding Tax processing. The WG will review the current issues and look at how these could potentially be addressed for both tax reclaims and relief at source
- **Complex Corporate Action Events:** The WG will identify issues around processing complex Corporate Action events and aim to provide best practise guidance

Cyber Risks in Securities Services

Please see article above.

Distributed Ledger Technology

The core Group is still doing «show and tell» and discussions of interesting use cases and public Proof of Concepts to educate and inform the WG participants.

In addition there are three very active Sub-Groups initiated from the input of the summer 2020 DLT survey:

- **Voice of customer:** This Sub-Group is creating a quantitative and qualitative survey. The concept is that firms query their own clients (CEO Office acting as a clearing house to avoid duplication) and then the anonymous feedback will be taken to create a benchmark result. Those firms that contribute will have their responses published against the benchmark. Please let Colin know whether you would like to interview your clients (even if not in the WG) The interviews are likely to be in March.
- **CBDC/Stable Coins:** The Group is creating a series of Research Blocks which each covers a specific point and feeds into the next block so that by the end of

May, a comprehensive document can be published. These Research blocks are:

- Frameworks and Terminology
- Use Case 1 – Issuance and Redemption
- Use Case 2 – Settlement
- Use Case 3 – Collateral
- Roles and responsibilities in a future CBDC landscape
- Features, functionality & systems
- Regulation, Risks, Policy, Opportunities & Challenges

- **Standards:** Surprisingly the most complex of the streams, the Standards Group is unearthing an interesting multiplicity of «Standards» used in the market, describing all features of an asset, platform and consensus. There is much work to do here and more volunteers are welcome.

Financial Crime Compliance

During 2021, the Financial Crime Compliance Working Group will focus on the following key topics:

- **FCC Principles Questionnaire:** The FCC DDQ Sub-Group has completed its review of the original Due Diligence Questionnaire (DDQ) and updated it to incorporate the feedback provided from multiple sources. The document will be published this quarter.

The FCC WG are now working with SWIFT to embed the FCC DDQ in the SWIFT Registry.

- **Payment Transparency:** This Sub-Group is looking at how securities-related payments are identified and what controls need to be in place for certain payment types. From this, the WG will develop scenarios for each payment type to assist Members in ensuring that they have the appropriate mechanisms in place to handle them.

Future of Securities Services

The Group has reached a hiatus during the first quarter as it prepares for the «Mini-Virtual Symposium» on the 5th May 2021. This event will be open to all Member firms and, within the technological constraints, any employee of those firms. If you would like to join please let your Member Representative know. The invitations will be going out in March.

ISO 20022

The WG has created, issued and collated responses to a second survey on ISO 20022 adoption during January. The core conclusions have been updated to reflect the themes in segment level reports – which were used in the second survey.

A very successful virtual Workshop was held in February to agree the holistic narrative with WG members and other interested parties.

Deloitte has kindly volunteered to write up the paper, our thanks to David Myers and the team at Deloitte, and they are working with the WG on the draft conclusions paper now. The findings will be published at the start of the second quarter.

Recovery, Resolution and Resilience

At the end of the year, the Working Group finalised and approved the interim results. The following three objectives were achieved:

- Common understanding of Terminology and Regulations deliverable (living document)
- Define a template standard set of materials
- Develop a process to test the identified criteria

The Goal for 2021 is to intensify the collaboration by undertaking tests of several scenarios and discussing potential outcomes.

The New Norm

The New Norm Working Group is focused on publishing a series of short articles that look at the impact of the pandemic on the Securities Services industry. The first article has now been published (see item above on Working Methods) and a further article on Electronic Signatures is due to be published shortly.

Further articles on the following topics are also planned:

- SSIs
- Operational Models and Resilience
- Automation

In each article, the WG outlines how the pandemic initially impacted the topic. They also offer potential solutions and guidance on best practice to help institutions manage the current situation and position them positively for the future.
