

Message from the ISSA CEO Office

New Members

- 11 new Members have joined ISSA in 2015 so far

Progress on ISSA Working Groups

- Financial Crime Compliance Principles for Securities Custody and Settlement
- Collateral Management Best Practices
- Corporate Actions
- ISSA Risk Guide 1992 – Revisited

Feedbacks from Industry Conferences

- Collateral Management in APAC: Dilemma or Opportunity?
- Asian and Japanese Markets: Recent Developments and Trends
- Market Standards in the Gulf Cooperation Council Area

Showcase

- Issuer to Investor: SGX transforms Corporate Actions Reporting

We welcome your feedback

We would very much welcome your comments whether the contents of this newsletter suit your requirements.
issa@issanet.org

Many thanks in advance!
The ISSA Secretariat



Message from the ISSA CEO Office

Dear ISSA Members and interested parties

ISSA is very proud that since January 1st this year we have been able to welcome 11 new members to our association. We would like to specifically highlight that four of these members cover three markets that have not been represented in ISSA so far. This increase can be seen as a clear confirmation that ISSA is working on the right topics and is rated as an important voice to take influence on industry matters. We are thus encouraged to involve the members more actively enabling us to obtain the opinions and needs of the industry in a direct way. In order to follow this intention, our members received an invitation to participate in a survey a few days ago. It deals with a research study which we launched with Coventry University via the Swift Institute in the context of the Working Group dealing with Financial Crime Compliance Principles. Read more about this study in the Working Group update of **Irene Mermigidis**, Chairwoman of the ISSA Operating Committee. Around May, we will offer in addition our constituency the first-hand opportunity to make their assessment about business principles related to the above topic, which ISSA subsequently intends to propose to the broader industry. Furthermore a series of other Working Group activities are ongoing, the status of which is included in Irene's update.

As an additional initiative to engage the ISSA readership we continue to offer the Newsletter as a platform to our members and interested parties to provide feedback about industry activities globally. In this edition, the following individuals have provided us with their contributions:

- **Steve Pemberton** from Standard Chartered and **Taketoshi Mori** from Bank of Tokyo Mitsubishi attended the 9th Clearing, Settlement & Custody Asia Forum that took place in Singapore in March 2015. Read their take aways from the conference panels they were part of.
- **Amiée Watson** from UBS AG attended around the same time the 6th Middle East Securities Forum MESF in Abu Dhabi. Read about her impressions from the market standards panel she participated in.
- Singapore Exchange has taken successful steps to significantly mitigate risk in the area of Corporate Actions processes. It is a forward looking up-grade which goes in line with proposed ISSA Principles. **Tinku Gupta** explains how Singapore Exchange had started the process to improve critical elements of their capital market.

We hope you enjoy reading this newsletter and we welcome any feedback from you as well as recommendations about topics to be addressed.

With best personal regards,
In the name of the CEO Office – Josef Landolt

New Members

Since January 1st the following 11 new members have joined our Association

- DZ Bank AG, Frankfurt, Germany
- Tata Consulting Services Limited, India, represented by Tata Consulting Services UK, London
- Standard Bank, South Africa, represented by Standard Bank UK, London
- Erste Group Bank AG, Vienna, Austria
- KASIKORNBANK, Bangkok, Thailand
- Central Securities Depository Ghana Limited, Cantonments/Accra, Ghana
- Bank of Taiwan, Taipei, Taiwan R.O.C.
- Maybank, Kuala Lumpur, Malaysia
- National Securities Depository Limited (NSDL), Mumbai, India
- KBC Bank, Brussels, Belgium
- Crédit Agricole Titres, Brunoy Cedex, France

We welcome these organizations and are looking forward to a mutually fruitful relationship

Board of ISSA

Progress on ISSA Working Groups



*Irene Mermigidis
Managing Director,
REGIS-TR
Chair ISSA Operating
Committee*

One of the key missions of ISSA is to drive industry solutions on topics that are of importance to the ISSA community. The Operating Committee of ISSA manages ISSA's work project through the various Working Groups led by Operating Committee members.

Following on the conclusions of our 2014 ISSA Symposium, the Operating Committee - with the full support of the CEO Office and the Board - started actively the work in 3 Working Groups:

- **Compliance and Transparency** along the securities value chain chaired by Bob Almanas, SIX SIS. The Working Group has meanwhile been renamed to «Financial Crime Compliance Principles for Securities Custody and Settlement»
- **Collateral Management** Best Practices, chaired by Angus Fletcher, Deutsche Bank
- **Corporate Actions**, chaired by John Kirkpatrick, Citibank

Financial Crime Compliance Principles for Securities Custody and Settlement

The objective of the Working Group is to develop compliance principles for securities custody and settlement which would then provide global guidance on the establishment and maintenance of cross-border securities custody relationships.

The principles to be defined aim to provide guidance to securities custodians on how to best manage the challenges that arise from the layers of intermediation between securities issuers and ultimate beneficial owners. Adherence to these principles will enable institutions to exercise sound business judgment with respect to their customers and the underlying clients for whom their customers act.

The compliance principles are intended to cover conduct risks in general, including measures to counter money laundering (AML), terrorist financing (CTF), market abuse, corruption, fraud and the evasion of sanctions. In particular, the principles will provide market participants with practical guidance on the question of transparency of ownership and control in intermediated securities custody arrangements. The principles will be designed to be consistent with the objective of affording the investor with the highest degree of protection.

Some 30 industry experts across the ISSA community are currently involved in the Working Group activities. Sub-groups have been set up in order to optimize the set of deliverables across

- **Operational Implementation Framework:** The manner in which the principles can be implemented across institutions
- **Regulatory, Industry and Membership Engagement:** To raise awareness, acceptance and adoption of these standards throughout the industry.

In parallel and with the support of the SWIFT Institute, the Working Group has engaged with the University of Coventry in order to prepare a study on the benefits and costs of different securities accounting systems. To this extent, ISSA reached out to its constituency on April 7, 2015, to assess and reflect on the suitability of today's securities account structures in light of evolving regulatory expectations and risks. The members were also asked to inform on the legal structure for securities settlement in their jurisdiction and report back whether any reform is being envisioned or has recently been made. We are counting on the valuable feedback of the community for supporting this study.

Collateral Management Best Practices

Still under the leadership of Angus Fletcher, Deutsche Bank, a new Working Group has been put in place following the recommendations emanating from our May 2014 ISSA Symposium. The focus of the analysis is on

- Presenting the various available collateral management service models as well as their related benefits and risks
- Describing the restrictions and opportunities impacting collateral services – whether regulatory, legal, operational or technical
- Providing a checklist for any financial party wanting to consider taking advantage of collateral services with practical questions to answer on internal and external aspects. Questions on external decision criteria will focus on the process of determining which service provider to choose.

The Working Group intends to publish the study ahead of the May 2016 Symposium.

Corporate Actions

This Working Group has also renewed member participation in 2015 and it remains under the leadership of John Kirkpatrick. It monitors the implementation of ISSA's global best practices principles relating to the

processing of corporate actions, including general meetings and proxy voting. This is one of the longest lasting Working Groups and has been very active over the years. The latest activity was the launch of the ISSA Survey 2015 at the end of February, with strong assistance from the World Forum of CSDs (WFC) and the 5 regional CSD associations. The study is addressed to the global CSD community and aims to obtain data on the level of digitization at source and dissemination of corporate actions information. We are grateful for the support of the CSD community. ISSA expects to publish the results by the end of the second quarter 2015.

ISSA Risk Guide 1992 – Revisited

Reviewing the original 1992 ISSA Risk Guide was one of the suggestions of the May 2014 ISSA Symposium endorsed by the Board. Currently there are no Working Group activities ongoing due to priority being given to the work described above. However, the opportunity to update the Risk Guide will be re-examined by the Operating Committee and the Board in the second half of the year. We might then be calling on our members for expression of interest in leading and/or participating in a Working Group.

I would like **to invite the ISSA community** to contact me in relation to topics that are of interest and where ISSA can actively contribute through the creation of a Working Group.

Collateral Management in APAC: A Dilemma or an Opportunity?



*Stephen K. Pemberton
Managing Director, Head,
Custody, Clearing & Collateral
Services, Transaction Banking
Standard Chartered Bank*

The panel, moderated by Sam Ahmed from Deriv Asia, Singapore, included representatives from Standard Chartered Bank, Euro

clear and BNP Paribas. Maybe surprisingly, asking a sub-custodian, a sell-side participant and an infrastructure provider to agree on key challenges affecting the industry, and opportunities arising from regulatory change, was easier than one may have expected.

Each participant was asked to provide their own brief thoughts with regard to the impact of the changing collateral management environment, and the challenges faced by the buy-side. Whilst each participant gave their own perspective, all agreed that collateral management, which was once seen as a back office function, is now a business in its own right and is now critically important to addressing liquidity and balance sheet challenges. The buy-side is particularly challenged because many of its constituency have not previously had to focus on collateral, whereas they now need to understand what the regulations mean to them, before determining how to find and implement the appropriate solution.

The need to embrace technology was a theme running through the session. The group agreed that the buy-side, and the market in general, are in the middle of a significant transition phase because of a confluence of factors, including regulatory change, balance sheet constraints and the cost of providing clearing and collateral management services. Nevertheless, doing nothing is not an option. Some of the more sophisticated clients are building their own in-house capabilities, although this is the exception rather than the norm due to a lack of experience and knowledge, and the majority are looking for providers to help them overcome these challenges.

The benefits of an industry wide, cross asset class margining platform was also debated. Whilst the panel agreed that this is an aspiration which should drive significant efficiencies, there are numerous regulatory and cross-border challenges to overcome. However, despite the ongoing regulatory uncertainty, the panel unanimously agreed that a more collaborative, industry wide approach is required to develop a strategic solution which addresses both buy- and sell-side collateral management challenges.

Asian and Japanese Markets: Recent Developments and Trends



*Taketoshi Mori
Head of Securities
Market Infrastructure,
Global Network
The Bank of Tokyo-Mitsubishi UFJ, Ltd.*

Shortening of Settlement Cycles

Recently, the shortening of settlement cycles has been spreading across Asia. Following a one year consulting process, Australia Stock Exchange will migrate from T+3 to T+2, which can save the market 20% in margin deposits. The target date will be March 2016. Singapore Exchange is also keenly examining T+2.

In Japan it was decided to migrate the settlement cycle for JGBs to T+1 from T+2 in or after 2017. The migration date will be fixed by the end of June 2015. A new General Collateral Repo scheme will be introduced by Japan Securities Clearing Corporation to save time and administration costs for market participants. Moreover, a globally accepted form of Repurchase Agreement will be adopted - the new General Collateral Repo will replace the traditional «Gensaki». Separately, Japan Exchange Group and major market players are considering to move the settlement cycle for equities to T+2 from T+3. The timing has not been mentioned yet. However, the Japanese market may follow the progress in overseas markets, trying to avoid being left behind the US market.

ISO20022 and BOJ-NET Operating Hours Extension

JASDEC is providing ISO20022 messages and the use of ISO15022 will be terminated by the end of 2018. Starting with the upgrade of 12 October 2015, BOJ-NET will provide ISO20022 messages and the settlement suspension period for JGBs will be abolished.

The extension of operating hours of the BOJ-NET will be realized as from February 2016, when extension to 21:00 will create an overlap with the morning session in the European markets. Both the fund transfer system and JGB services will be available after the Tokyo trading market closes. The expected result is to facilitate same-day remittances, same-day funding in foreign currencies and posting JGBs as collateral with foreign CCPs.

Asian Interconnection

ASEAN Trading-Link connects stock exchanges in ASEAN using an electric network in order to enable mutual trading orders. It started in September 2012. Singapore, Malaysia and Thailand joined this framework. At the end of March 2014, the total market value was 1.66 trillion USD and 2,260 companies were listed. The Philippine may connect next year. Indonesia and Vietnam will become members sometime in the future.

Discussions on another cross-border initiative named «CSD-RTGS linkages» have started. The concept of this model relating to settlements is a soft link establishing Central bank and CSD network connections using a «CSD-RTGS Gateway Function». The target date will be in 2020.

Market Standards in the Gulf Cooperation Council Area



*Amiéé Watson
Director
Group Network Management
UBS AG*

It's now not a question of whether, but rather one of when: The opening of the Saudi Arabian market to foreign investors was the main topic of discussion at this year's Middle East Securities Forum (MESF). A market opening with the possibility to even step straight into the MSCI Emerging Market Index instead of the usual stop-over in the Frontier Market Index. A few hurdles for

foreign investors still stand, the highest being the T+0 settlement cycle. Obviously, all will be revealed once the market model has been defined, the risks have been identified, so work in progress.

Work in progress can also be said about the Gulf Cooperation Council (GCC) region in general, some good achievements to book to the past year. A key one being the recognition that there's more power in uniting, working together to standardize processes in the region. One main area of standardization on the foreign investors wish list is ease of market entry. The region has put this on their work list and named it «pass-porting» with the aim to better manage investor details cross-region, the creation of a regional GCC National Investor Number (NIN) being the ideal solution. A few of the other points on the wish list discussed were introduction of positive affirmation on DVP trades; eliminating the dual account model by enhancing custodian usage and diversifying the product offering. Further down the list Clearing was mentioned, but looking at it realistically it's more a nice to have. If the region works towards devoting their time to the main foreign investor wish list there would already be a lot of positive progress.

With the recognition of aligning for purpose, the region has already taken large steps towards standardization and anyway, Clearing in the GCC region would be a most interesting topic for next year's MESF.

Issuer to Investor: SGX transforms Corporate Actions Reporting



*Tinku Gupta
Senior Vice President
Head of Market Data & Access
Singapore Exchange*

It is a common practice among exchanges and central securities depositories (CSDs) to collect information on corporate actions from

issuers in PDF and other unstructured formats and then manually convert this into electronic data for distribution to market participants. The global financial services industry devotes much attention to absorbing the risk and substantial cost of interpreting, structuring and processing such information.

At Singapore Exchange (SGX), we have taken successful steps to significantly mitigate this risk. Under our Listings Rules, all SGX-listed companies are required to submit their corporate announcements to our submission system, [SGXNet](#). Recently, we revamped the system to enable issuers to enter their company announcements into pre-defined online forms which capture such data in structured ISO format, thus reducing the risk of human interpretation and improving the speed of information dissemination.

We focused on three aspects in our journey of transformation:

1. Ensuring that our new submission system meets the expectations of our issuers, from whom we received strong support.
2. Designing the online forms so that the translated data fulfils the needs of the asset servicing community. We could not have done this without the strong support of the Singapore National Market Practice Group (NMPG).
3. Educating and guiding issuers to make continual progress towards perfect submissions.

The structured corporate actions data has enabled STP in operational areas not previously deemed possible, and this is just the beginning. Our message to CEOs, CFOs and the investor relations community is clear: We must work together to improve our capital markets.