

## Message from the ISSA CEO Office

### Governance Update

- Change of Board Members
- Change of Operating Committee Members

### New ISSA Members

- 3 new Members joined ISSA in the 1<sup>st</sup> quarter 2016.

### Essentiality of Strategic Partnerships

Thoughts by Charles Cock on cooperative and «co-creative» approaches to address today's strategic challenges

### Moving Toward the Next Stage: TDCC E-voting Update

An insight of Sherman Lin into the Taiwanese market's recently implemented e-voting app

### ACSDA – A Snapshot

A portrait of this regional CSD association by Bruce Butterill

### Updates on ISSA Working Groups

- Inherent Risks within the Custody Chain
- Collateral Management Best Practices
- Corporate Actions and Proxy Voting
- Financial Crime Compliance Principles for Securities Custody and Settlement
- Distributed Ledger Technology – Principles for Industry-wide Acceptance
- Regulatory Impact on the Securities Services Chain

**For more information about ISSA's activities please contact our Homepage**

[www.issanet.org](http://www.issanet.org)



## Message from the ISSA CEO Office

Dear ISSA Members and interested parties

The 18<sup>th</sup> ISSA Symposium which will take place in Switzerland from May 24 to 27 is approaching fast. We are very pleased that around 100 Senior Managers across the securities services industry have accepted our invitation. They are representing 56 ISSA Member Institutions (out of 106). The Conference will focus on two key themes: The operational impacts of Transformative Technologies and today's Custody Risks considering the developments and new challenges since ISSA published its first risk report in 1992. These intense interactions will be followed by several Working Group updates. As stipulated in the Articles of our Association, we will also hold the biennial General Assembly of our organization at the end of the Symposium. The conference agenda is accessible on the [ISSA Homepage](#).

In our endeavors to keep our readership informed about securities services developments, we have included in this Newsletter three contributions from industry exponents. **Charles Cock**, Vice Chairman BNP Paribas Securities Services and ISSA Board Member, is talking about the even greater essentiality of strategic partnerships due to major industry changes. **Sherman Lin**, Chairman & CEO of the Taiwan Depository & Clearing Corporation and ISSA member presents TDCC's recent achievements around E-voting solutions. **Bruce Butterill**, Executive Director of ACSDA, gives us more insights about ACSDA's mission and current activities, highlighting the importance to cooperate with partners across the industry including ISSA.

Short updates on the current Working Group activities are also part of this Newsletter. Special attention is drawn to the new report on **Cross Border Mobilization of Collateral** which will be published right after the Symposium. As communicated earlier we want to give our ISSA members the opportunity to send us their views on the report before we make it available to a wider audience. Therefore, all ISSA members are invited to send us back their proposals for amendments and/or requests for clarifications by May 6. This will allow us to present the final report at the Symposium.

We hope you enjoy reading this Newsletter and welcome as usual any feedback as well as recommendations about topics you may wish to be addressed. We are looking forward to seeing many representatives from ISSA at our Symposium and wish safe travels.

With best personal regards,  
CEO Office

## Governance Update

We are pleased to inform about the following changes in the ISSA Board and the ISSA Operating Committee:

### Change of Board Members

In March 2016

- Teresa Heitsenrether was replaced by Matthew Bax as representative of J.P. Morgan and
- Anita Leung was nominated to represent Nomura Group Japan in the ISSA Board.

### Change of Operating Committee Members

- In March Nino Ciganovic succeeded Bob Almanas as the representative of SIX Securities Services Ltd.
- In April Leigh Cleasby succeeded Anita Leung representing Nomura.

## New Members

Since the beginning of 2016 the following 3 new members have joined our Association:

- Banque Lombard Odier & Cie SA., Geneva, Switzerland
- Digital Asset Holdings, LLC, New York, US
- itBit Trust Company, New York, US

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

*Board of ISSA*

## Essentiality of Strategic Partnerships

There are a number of major industry changes that are affecting securities services providers and their clients: Changing technology, changing business models, changing regulation, changing attitudes to risk, and changing approaches to asset classes and geographies. These changes are urging



*Charles Cock,  
Vice Chairman BNP Paribas  
Securities Services and  
ISSA Board Member*

clients and service providers to become more cooperative and strategic. In parallel, the threat of major industry disruption has provoked more innovative product and service development.

Increasing pressure on time-to-market, the need to leverage fast-moving technologies and renewed client expectations are all triggers for a fresh approach to manage innovation with clients. These demands have compelled providers to adopt more «co-creative» approaches to product and service development that positions the client at the center of the process.

The cornerstone of our co-creation approach is the **BizHackathon\***: A 2-day creative workshop made up of BNP Paribas leaders, clients, partners, consultants, start-up veterans and FinTech innovators, who are asked to consider, together, how a major disruptive threat could be converted into an opportunity.

\* The term **BizHackathon** was coined by Philippe Denis, BNP Paribas Securities Services Chief Digital Officer. Philippe wanted to use the methodology of a Hackathon for a business application. A Hackathon involves large numbers of people meeting to collaborate intensively on computer programming and software development. It is renowned for taking place over a week-end and typically involves sleeping on the site, drinking Coca Cola and eating pizzas. Of course this format was not favored by HR practices, so the BizHackathon was created - a Hackathon for Corporates and Institutional Bankers where clients were invited. The BizHackathon generates ideas to transform our business (biz) models (but occurs during weekday business hours with real food).

A co-creation approach was applied to our data visualization tool, DNA. Today, the sheer amount of data being produced is

higher than ever before, and the insights it can yield are invaluable. As a result of a number of BizHackathon-style workshops, we are now providing more sophisticated tools and applications that enable clients to interpret and use their data more strategically. As a direct result of these workshops, clients have saved time analyzing data and have been able to devote greater focus on their core strategic and operational objectives. Feedback from clients about the improvements to this tool has been excellent, and the co-creation process has also served to cement our strategic partnerships.

The new financial services landscape will be characterized by co-operation, open innovation and entrepreneurial methods. By keeping clients at the heart of the conversation, the output will be more successful, and partnerships will only get stronger.

## Moving Toward the Next Stage: TDCC E-voting Update



*Sherman Lin,  
Chairman & CEO  
Taiwan Depository & Clearing  
Corporation*

To improve transparency and corporate governance in Taiwan, the Taiwan Depository & Clearing Corporation (TDCC) has been active in both the implementation and the aggrandizement of electronic voting platform in the recent years.

### The StockVote platform

StockVote, a TDCC's e-voting platform, is set up to provide a secured and veracious e-voting service for both issuers and investors. From the end of 2014, TDCC has set up a direct link with Broadridge to facilitate the cross-border voting process for foreign institutional investors. In the meantime, TDCC has been continuously improving the e-voting service with the mobile application of such technology. In April 2015, TDCC took another step forward by releasing the e-vot-

ing App to further encourage the engagement of retail investors in Taiwan.

### The cross-border voting STP

In the past, the sub-custodians in Taiwan voted manually on behalf of their foreign institutional clients, which took the sub-custodians an extra 2-4 working days to process the voting instructions. Starting from late 2014, TDCC has offered a straight through voting service for the sub-custodians in Taiwan by collaborating with Broadridge. With this cross-border voting STP, the market will benefit from the standardization of meeting information and the automation of the voting process, and this further guarantees more time for the comprehensive communication between issuers and their investors, hence the improved transparency at both the AGMs and EGMs.

### The mobile e-voting solution

With the advancement in compulsory regulations and the enhancements in corporate governance, an increasing number of the companies in Taiwan are required to adopt e-voting service, and the breakthrough penetration of TDCC's StockVote service is optimistically expected. At TDCC, we aspire to utilize technologies to make voting prevalent, convenient and accessible; and we have taken a successful step to facilitate the voting process for retail investors. Since April 2015, we have offered the e-voting App for retail investors, and enabled the investors to execute their voting instructions or to view the voting results via smart phones or mobile tablets.

E-voting service now plays an imperative role in corporate governance. Our mission, as the sole service provider in Taiwan, is to constantly enhance both the efficiency and accessibility of the voting system, as well as to increase the transparency and credibility in AGMs or EGMs.

## ACSDA – A Snapshot

ACSDA is a non-profit organization comprised of twenty-nine (29) member Central Securities Depositories and Clearing Houses of the Americas and Strate from South Africa. Incorporated in Lima Peru, ACSDA was established on August 10, 1999 at its first General Assembly held in that city.



*Bruce Butterill*  
*Executive Director*  
*Americas' Central Securities*  
*Depositories Association*  
ACSDA

ACSDA's principal purpose has been and continues to be a forum for the exchange of information and experiences among its members in a spirit of mutual cooperation and to promote best practice recommendations in services such as securities depository, clearance, settlement, and risk management. ACSDA's programs recently have placed a great deal of emphasis on the sharing of information and experience with respect to international standards and best practices such as the CPMI/IOSCO Principles for Financial Market Infrastructures in order to elevate the overall level of compliance of our members in this area. A goal ACSDA believes is very much in the interest of the capital markets represented by its members.

Its goal is also to support local markets in their efforts to adopt securities market regulations, while considering their specific circumstances and to serve as a channel for dialogue with other organizations worldwide. In this context, ACSDA has had ISSA as one of its longest standing and most valued partners.

ACSDA is a member of the World Forum of CSDs (WFC), which represents the CSD industry, and it comprises five regional CSD associations from across the globe. Jorge Jaramillo, ACSDA's President, is currently serving a two-year term as Chairman of the WFC. ACSDA in conjunction with Indeval (the national CSD of Mexico) had the honor of hosting the 13<sup>th</sup> biennial conference of CSDs from across the globe, an event ACSDA has hosted on four occasions so far.

In addition to educational workshops, seminars and webinars, each year ACSDA holds its General Assembly where it completes the business of the Association in conjunction with a two-day conference where its members are joined by representatives from partners and stakeholders from across the

securities industry to share information, enhance relationships and exchange ideas on the subjects most relevant to our community. ACSDA's 2016 General Assembly will take place in Buenos Aires, Argentina, from May 16 to 18 and will include sessions on important subjects such as: Blockchain technology, ISSA's Report on Transparency in Securities Transactions and Custody Chains, Cyber security, CSD capitalization and developments at SWIFT, another important partner of ACSDA.

Information on the other activities of ACSDA as well as on past events can be found at its website at [www.acsda.org](http://www.acsda.org).

## **Updates on ISSA Working Groups**

Presently, ISSA has engaged six Working Groups to prepare best practice recommendations and educational reference documents relating to various topics dealt with by the securities services industry. All work items have been mandated by the ISSA Board and are subject to a periodic information reporting within our organization. Some of the work presently being undertaken is specifically targeted to the upcoming ISSA Symposium and will be reflected in the pre-reading material to be sent to all registered participants of our May event.

### **Inherent Risks within the Custody Chain**

The Working Group is mandated to refresh the «ISSA 1992 Report on Global Custody Risks» by designing the update as an educational reference document rather than a best practice guide as the earlier report has been. A detailed working draft report was discussed by the group in mid-March with a view to finalizing it in April for subsequent dispatch to the registered participants of the ISSA Symposium. On the occasion of this event, there will be an in-depth discussion of the report in a specific panel and in various breakout groups. The Working Group is also preparing specific questions to be addressed during the Symposium. It is intended to make the final report available to a wider audience in the 3rd quarter 2016.

## **Collateral Management Best Practices**

The Working Group has just finalized its report on «Cross Border Mobilisation of Collateral», a particular aspect of the collateral management landscape. The purpose of the report is to provide information on the emerging topic of collateral mobility and the various models, services and tools that are being offered to the market. It is designed to be informative but neutral, providing model information and guidance for those parties who are looking to engage with collateral providers. A few days ago, the ISSA Membership was provided with the report for comment by the first week of May 2016. Subsequently, the report will be presented at the upcoming Symposium and publication will be effected thereafter.

## **Corporate Actions and Proxy Voting**

Following the publication of its global survey on «Digitization at Source of Corporate Action event data» in December 2015, the Working Group has identified two potential work topics related to the need for increased transparency in the securities services industry. Prior to the ISSA Symposium, the Working Group will assess and propose the scope to be addressed in terms of diverging disclosure requirements for Beneficial Owner information as well as the technical possibilities to streamline the Proxy Voting process. In addition, the Working Group will initiate a follow-up survey on Digitization at Source towards the end of 2016. Concurrently, ISSA will continue to showcase successfully implemented market solutions by means of its periodic Newsletters (refer in this edition to the e-voting solution adopted in Taiwan).

## **Distributed Ledger Technology – Principles for Industry-wide Acceptance**

This group was founded in November 2015 with a view to outline possible areas / processes where DLT would be beneficial for our community at large, and this particularly as seen by business practitioners. In addition, the Working Group will look at whether the current technology is 'fit for purpose' and outline key principles to be met for industry-wide acceptance. Presently, the Working Group is preparing the pre-reading

material for the ISSA Symposium, which will be distributed to the Symposium participants within the course of April 2016. The Symposium will discuss the DLT topic in-depth in presentations, panels and specific breakout groups so that a clear direction on the way forward can be formulated by the Symposium participants.

## **Financial Crime Compliance Principles for Securities Custody and Settlement**

Following ISSA's release of the 17 Principles related to Financial Crime Compliance in August 2015 and some further background information in October 2015, the working Group was given the mandate to provide guidance and support to the industry for implementing the Principles, to continue to engage with regulators and advocate adjustment of secrecy and data protection and finally to publish and maintain a list of screening and KYC registry providers. A dialogue has and will continue to take place with various important regulators and regulatory bodies. The Working Group has largely finalized the Due Diligence Framework. The relevant Due Diligence Questionnaires will be made available in the 2nd quarter 2016. In terms of practical implementation guidance, the Working Group has decided to abstain from more detailed guidance than ISSA has already provided. During the upcoming ISSA Symposium, the Working Group will provide a status update and solicit first experiences the participants have gained with the implementation of the Principles.

## **Regulatory Impact on the Securities Services Chain**

Following two earlier reports on regulatory changes and their impact on stakeholders in the securities services industry, the ISSA Board mandated the Working Group to provide an update in 2016. The new report will provide a comparison of the different states of progress by geographical region and how the industry has adapted so far, with a special focus on unintended consequences. Finally, the report will provide an overview on further regulatory developments and new trends such as FinTech. The Symposium participants will receive an update on the status of the new report, which is scheduled to be published by the end of this year.