

# ISSA

International Securities Services Association



## Newsletter

February 2020

### Change in the ISSA Executive Board



With immediate effect, Mr. Steven Hondelink, Head of Securities Services and Agency Securities Lending, replaces James Cox as ISSA Board Member representing Deutsche Bank AG.

Steven has a securitized Equity trading background and was recently the Head of Capital Release for the Deutsche Bank Group. He has taken over as the Head of Securities Services and Agency Securities Lending at the start of this year.

We congratulate Steven on this nomination and wish him all the best in his new role.

*Board of ISSA*

### Welcome

Dear ISSA Members and interested parties

Firstly welcome to 2020 and to the beginning of a new decade which ISSA hopes will offer many opportunities, as well as the inevitable challenges.

ISSA is certainly looking to the future. For those that have somehow missed it, the bi-annual ISSA Symposium takes place from 2<sup>nd</sup> to 4<sup>th</sup> June this year. Entitled «Securities Services Evolution – Increasing Value in the Future Capital Markets Environment», this flagship event will focus on key themes that are expected to drive Securities Services over the next 3 to 5 years. The key findings from the «Future of Securities Services» Working Group will be presented; practical use cases will be demonstrated and breakout sessions will enable attendees to offer their insights and debate the key issues that will face the Securities Services Industry. With this forward-looking agenda, we anticipate interesting and stimulating discussions.

The future is a theme that also runs through the articles in this Newsletter:

- Andy Smith, Head of Risk aligned to Operations, at BNY Mellon talks about the ongoing threat from Cyberattacks and the future plans of the Cyber Risks in Securities Services Working Group. Brett Lancaster, Head of Customer Security, then outlines the role that SWIFT is playing in helping the industry secure itself against cyberattacks with the introduction of its Customer Security Programme (CSP)
- Jyi-chen Chueh, Head of Custody Services at Standard Chartered Bank, provides his perspective on taking over as Chair of the Operating Committee (OC)
- The ISSA Working Groups provide updates on their recent activities and plans for 2020

At the start of this new year, the ISSA CEO Office would like to thank you for your continued support of the Association and we look forward to connecting with you during the course of the year.

ISSA CEO Office

# The Ongoing Battle Against the Cyber Threat

**Cyberattacks continue to be a threat to financial services; having the potential to seriously disrupt or completely undermine the financial system. Recognizing the importance of this threat to its members, ISSA created a Cyber Risks in Securities Services Working Group.**

The Working Group, co-chaired by Jennifer Cryan of Citi, Thomas Koch of SIX and Andrew Smith of BNY Mellon, focuses on establishing best practices for industry response to a key member being incapacitated by a cyberattack.

## Cyber Risks in Securities Services Working Group

The Working Group initially focused on understanding the cyberattack threats to firms active within the securities servicing. Their report – Cyber Securities Risk Management in Securities Services – was published in late 2018 and provided senior management, security professionals and risk managers working within the securities services industry with valuable information on both potential cyber threats as well as possible risk mitigation techniques to manage those threats.

The Group is now working on a Guidance document to further assist the industry in understanding how they can collectively best manage a successful attack.

As the Working Group Lead, Andy Smith confirms:



**Andrew Smith**  
Head of Risk  
aligned to Operations  
BNY Mellon

*«The Working Group has identified a series of the most meaningful use cases (impactful cyberattack scenarios) relative to Securities Services and is documenting the priority activities that Securities Servicing entities would follow together with the information required from a compromised firm.»*

## SWIFT`s Customer Security Programme

As an industry cooperative, SWIFT plays a key role in reinforcing and safeguarding the security of the financial ecosystem. After Bangladesh Bank famously became victim of a cyberattack in February 2016, SWIFT rapidly launched its Customer Security Programme (CSP) to drive industry-wide collaboration in the battle against the cyber threat.

Designed to support all types of customers (institutional banks, broker dealers, custodians, FMIs, investment managers, corporates...) of all sizes, CSP provides the framework, information and tools to help the community secure itself against aggressive cyber threat actors, such as Lazarus and Carbanak. Nearly four years into the program, the CSP is delivering tangible results.

As Brett Lancaster, Managing Director at SWIFT, explains:



**Brett Lancaster**  
Global Head of  
Customer Security  
SWIFT

*«With CSP, SWIFT is reinforcing the security of the entire global banking system by raising the level of 'cyber hygiene' across our entire customer base. As attackers prove ever more determined, patient and cunning, we are seeing financial institutions across the world use CSP as the cornerstone of their cyber defences.»*

## CSCF Implementation

At the heart of CSP is the Customer Security Controls Framework (CSCF) – a set of mandatory and advisory cybersecurity criteria (or «controls») that SWIFT revises annually. These controls establish a security baseline for the entire community and must be implemented by all SWIFT customers. SWIFT reserves the right to report non-compliant institutions to their local regulator/supervisor.

For the 2019 year-end deadline, 91% of all SWIFT customers actively attested their level of compliance against the CSCF v2019 security controls, representing 99% of all FIN message traffic carried over the SWIFT network.

Looking forward, SWIFT published the v2020 CSCF version of the controls during the summer of 2019 and the attestation «window» opens on 01 July 2020. With the view to enhance the overall integrity of attestations across all customers, all submitted attestations for CSCF v2020 must be supported by an independent assessment – either by a second or third line of defence of an internal department (e.g. risk, compliance or internal audit) or by external third-party. To help support, SWIFT is in the stages of enhancing the Cyber Security Service Provides directory of suitable external assessors.

You can access [CSCF v2020 here](#). (SWIFT login ID required).

## ISSA Operating Committee Chair's Address



**Jyi-chen Chueh**  
Chairman of the ISSA  
Operating Committee/  
Head Custody Services  
Standard Chartered Bank

Looking at all the past and recent achievements of ISSA, I am very fortunate and humbled to serve as the new Operating Committee (OC) Chair for the next two years.

Over the last 40 years, ISSA's mission has remained consistent and has proven to lead the securities services industry towards more efficiency, more standardisation, and less risk. Its achievements have touched a vast array of topics that matter to our community, such as defining inherent risks in the custody chain, contributing to the G30 recommendations, defining corporate actions

and proxy voting best practices, laying out the regulatory global landscape, or establishing the securities services industry's Financial Crime Compliance Principles.

Standard Chartered has been a great supporter and contributor of ISSA's work over the years, as we value the intrinsic benefits that ISSA brings to our Bank, our clients, and to the overall securities services ecosystem.

As ISSA enters its fifth decade of existence, I am also deeply convinced that ISSA's mission and objectives - Drive Solutions, Strengthen Collaboration, Facilitate Communication to promote forward thinking solutions and collaboration across our industry - are more relevant than ever.

New technologies and new asset classes can pose new challenges as highlighted in our most recent paper «Crypto-Assets – Moving from Theory to Practice». But rather than being disrupted, our core fundamentals remain inherently engrained in our DNA: protecting investors' assets; enabling business and technical interoperability through best practices and standards, embedding risk mitigation in every process we perform while also embracing and mastering innovation.

The collective, and greatly diverse, expertise of the OC and Working Group (WG) members are an invaluable source of thought leadership to tackle the future of our industry. Over the next months, in addition to the existing WGs on FCC Principles, DLT & Crypto Assets, Cyber Risk, Corporate Actions, we will increasingly focus our energy on a newly formed WG – The Future of Securities Services. This will also help shaping the central theme of our 20th Symposium in June «Securities Services Evolution - Increasing Value in the Future Capital Markets Environment», and I hope to see many of you in Wolfsberg.

As we are welcoming Colin Parry as ISSA's new CEO and Karen Zeeb as its new Secretary, I also would like to take a moment to thank Joseph Landolt and Urs Stahli for their outstanding contribution to the industry throughout the years. Many thanks also to my predecessor Bill Hodash of DTCC and for his tremendous term. Together with the OC Vice-Chair Juliette Kennel of SWIFT and the entire OC members, we look forward to supporting the Executive Board keeping ISSA relevant, influential, and aligned to our members and their priorities during the next two years.

## New ISSA Members

Since the Newsletter of December 2019 the following members have joined our Association:

- UST Global, United States
- ING Bank, The Netherlands
- Commonwealth Bank, Australia

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

*Board of ISSA*

# Progress Reports on ISSA Working Group Activities

## Corporate Actions and Proxy Voting

The Corporate Actions and Proxy Voting Working Group focused on two key topics during Q4 2019. These were:

- **Beneficial Owner Disclosure Processes:** The Working Group received responses to ISSA's survey on the beneficial owner disclosure processes in various countries and these have now been analyzed. A paper outlining the results and findings is being prepared and this will be published during Q2 2020.
- **Proxy Voting Market Practices:** During Q4 2019, work also commenced on a review of the current practices and challenges in the proxy voting space. Having initially piloted this review by collating information from the Central and Eastern European markets, the questionnaire is not being extended to other markets.

Separately, the Working Group closely engaged with ISSA's Working Group on DLT, particularly focusing on the asset servicing section recommendations.

## Financial Crime Compliance

The Working Group has focused on supporting member firms and the wider market in achieving compliance with the Principles. ISSA does not monitor member firms' compliance practices. Nonetheless, evidence suggests that the Principles are increasingly applied by larger and smaller securities services firms alike. The Working Group also aims to foster best practice across a broad spectrum of financial crime-related risks across the industry. It is currently focused on advising members of best practice in the fields of payment transparency, sanctions screening, AML risk assessment and monitoring.

To support the community of ISSA member firms, the Working Group has published a wide set of materials. It will continue its efforts to ensure strong and continuous communication to the industry.

## Distributed Ledger Technology

The recently published report on «Crypto-Assets – Moving from Theory to Practice» has received widespread industry and media attention. ISSA is determined to build on this momentum. The Working Group has agreed on the next focus area to be the launch of an Industry Survey on adoption of DLT and Crypto Assets, with the intention to make the survey results available as preparatory material to participants of ISSA's upcoming Symposium.

## Cyber Risks in Securities Services

The Working Group is in the process of producing a document outlining the information required when various scenarios of incident events occur. It will be aimed as a practical guide setting out, for a non-compromised firm, what information would be needed on various cyber events from a compromised firm. The paper will be use case driven. A strawman document is available covering a large CSD being affected. The Working Group is presently progressing specific use cases in the guidance document. One sub-group will focus on a Large CSD, whereas the second group will be dealing with scenarios for a Large Global Custodian & a Large Local Custodian. At its next Workshop in March 2020, the Working Group will deal in detail with various issues to that effect.

## Regulatory Impacts on the Securities Services Chain

In view of updating its August 2018 report on regulatory impacts, the ISSA Working Group has been revived. A first review has yielded some important updates and shown the need to include aspects related to the FinTech Sector as well as to enlarge the expertise from Asia Pacific, Middle East and the Americas. The Working Group is seeking to broaden the number of contributors in view of publishing an update report by the end of April for distribution at the ISSA Symposium in June 2020.