

ISSA

Newsletter

October 2007

Creating Value for ISSA and our Members

Over the past months, the ISSA board reviewed ISSA's mandate and assessed the association's strengths and weaknesses. Background was the need to regain more active member involvement and to generate more value for our members and beyond our membership.

With the suspension of our ISSA Handbook in 2005, ISSA lost an ongoing project that had always provided for continuous member interaction. However, ISSA has significant strengths and those should be exploited more actively.

Being a cross-industry association, ISSA is ideally positioned to act as a link between the market buy side, the sell side and the market infrastructure.

As a result, a new work mode was defined that should allow us to take better advantage of the strong points ISSA has. It is based on small and flexible working groups composed of members (and third parties, where needed), analyzing issues of relevance to ISSA. Each working group is chaired by one sponsoring member who takes accountability for delivering results within an agreed time frame.

The concept is currently being tested on two topics, as described below.

ISSA Funds Working Group Relunched

Following a period of inactivity the ISSA Funds Working Group is now re-launched. The group's objective is to propose practical ways of gradually reducing barriers to operational efficiency in pan-European cross-border funds processing, aiming to reduce costs and risks to investors, distributors, asset managers, custodians and other providers of securities services. The "old" group completed Phase I of an ongoing project, by defining ten barriers and constraints to efficient funds processing. The task now at hand is to set

priorities, to propose solutions and to agree on action plans and implementation paths for the proposed solutions. The group is composed around a core team led by BNP Paribas Securities Services, Schroders and Citigroup. It is chaired by Edouard-François de Lencquesaing. The new work plan foresees completion of the steps described above by the June 2008 ISSA Symposium.

New Working Group: OTC Derivatives

Our European regional meeting in Monaco in July looked into the increasing use of OTC derivatives in asset management and the challenges they pose on brokers, fund managers and custodians in terms of processing efficiency and risk management. A new ISSA Working Group follows up on these issues. A core team of experts from Morgan Stanley, Schroders and JPMorgan, supported by additional members, will drive the project forward. JPMorgan assumes the role of overall coordinator. Initially, the group focuses on three areas that are most fundamental to im-

proving the processing and management of OTC derivative trades:

- 1) Valuations;
- 2) Trade Capture; and
- 3) Confirmations.

Each field is examined by a small dedicated sub-team. The stream

"Valuations" has been launched, the remaining two streams will kick off shortly. Final reports on all three are expected to be complete by the June 2008 ISSA Symposium.

ISSA and G30

As reported in our last newsletter, ISSA had solicited input for a joint action plan to advance the G30 Recommendations 1, 2, 3 and 8 from a number of key stakeholders (referred to as the G30 Interoperability Group). After repeated deadline extensions, it became evident that there is currently no industry-wide appetite for a joint effort. While everyone agrees on the value of the G30 recommendations in principle and looks to them for guidance in individual projects, the priorities are elsewhere when it comes to allocating time and resources to launch a cross-industry initiative.

As a result, our board took the decision to acknowledge reality and suspend ISSA's involvement as the group facilitator. The IOG members and the G30 Office were notified accordingly in August.

ISSA'S MISSION STATEMENT:

ISSA PROVIDES LEADERSHIP IN THE FORMULATION AND PROMOTION OF BEST PRACTICE TO IMPROVE EFFICIENCY AND RISK MANAGEMENT IN THE GLOBAL ASSET SERVICING INDUSTRY

ISSA will however not leave the field of the G30 Recommendations entirely. Going forward, ISSA will continue to participate in two initiatives that are already up and running. Both are part of the IOG scope: Removing Giovannini Barrier 1 in Europe (G30 Recommendation 2) and pursuing the G30/ISSA withholding tax streamlining model (G30 Recommendation 8). The former was initiated by SWIFT and is well underway, with a due date of March 2011. The latter received broad industry support and has meanwhile found its way into a joint private and public sector working group sponsored by the OECD Centre for Tax Policy and Administration. ISSA may consider additional work items in a G30 context, if and when the opportunity arises.

SAVE THE DATE:
14TH ISSA SYMPOSIUM
JUNE 3-6, 2008
WOLFSBERG, SWITZERLAND

ACSDA General Assembly 2007 and CSD9

As in previous years, ISSA accepted an invitation by the Americas' CSD Association to contribute as a guest to their General Assembly, held in Mexico City 28 February – 2 March 2007.

In April, ISSA participated actively in the global CSD9 conference in Seoul, by moderating a major discussion session entitled 'CSDs Facing the Future - Challenges and Opportunities through Harmonization and Globalization'; and by speaking in a special interest session on tax issues.

Both events were excellent and valuable opportunities to exchange information, but likewise to strengthen and expand working and personal relationships.

ISSA Regional Meeting Europe

This year's European regional meeting took place in Monte Carlo on 2 July 2007. Key agenda items included:

- Operational Efficiency in Alternative Investment Instruments
- Impact of MiFID on the Fund Management Industry
- Target2 Securities: Status and industry assessment.

All presentations and a summary can be accessed on the ISSA website.

ISSA Regional Meeting Asia-Pacific

Our members and select guests in the Asia-Pacific region will meet on 2 November 2007 in Tokyo. The morning sessions of the conference

will focus on Japan as the host country, and on issues of relevance to inbound investors. The afternoon session takes the discussion on OTC derivatives management from Europe to the Asia-Pacific region.

Nordic Custody Event

ISSA endorses the Nordic Securities Processing and Operations Summit to be held in Stockholm on 3-4 December 2007, followed by two half-day interactive workshops on 5 December 2007. This pan-European event focuses on efficiency across securities processing operations, effective risk management, and increased profitability through superior client service. Details of the conference can be found on the conference website www.nordicsecurities2007.com

Welcome to ISSA

Broadridge Financial Solutions, Inc., New York (formerly known as ADP Brokerage Services) joined ISSA in September 2007. Our membership currently stands at 91 institutions domiciled in 46 countries.

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