

# ISSA

## Newsletter

December 2009

### ISSA Working Group Progress in 2009 and Outlook

#### Fund Working Group

The ISSA Fund Working Group under the leadership of Edouard-François de Lencquesaing published its final report in October. Its mandate was to describe a generic model for mutual fund order processing in Europe that is

- paperless
- suitable for automation based on ISO standards
- service provider neutral and not dependent on a particular operating model
- identical for domestic and cross-border trades
- fully based on features that already exist and are well-proven in certain markets today.

Apart from the operational details covered in the report, the working group wanted to convey a key message to market participants and regulators: Efficiency gains and European fund market integration can be achieved without having to jeopardize the commercial interests of individual competitors, by acting within a simple framework of agreed best practice principles.

The ISSA report attracted immediate praise from the European Commission and key market players. Follow-up activities are planned for 2010 to disseminate those "Guiding Principles" more widely, also beyond Europe. Our members will be invited to comment on the principles and how they intend to use or promote them.

#### WG "Liability of a Fund Depositary"

Responding to an industry consultation launched by the European Commission, a small ISSA working group led by Urs Stähli prepared an educational paper explaining the intermediary chains, responsibilities and inherent risks involved with safekeeping assets – including non-traditional asset classes like OTC derivatives – for UCITS funds. The paper was published in October, preceded by a comment letter to the European Commission in September.

#### Asset Servicing Working Group

The mandate of the Asset Servicing Working Group, set up in early 2009 and chaired by Ranjit Chatterji, is fourfold:

- To facilitate the alignment of efforts among the various industry groups involved in corporate actions work around the world;
- To synthesize existing and emerging industry initiatives on corporate actions processing and thereby publish globally applicable principles that would facilitate risk reduction, efficiency, investor protection, and issuers' ability to reach a broad investor base;
- To highlight and advocate recommended best practices being implemented or planned around the world;
- To highlight gaps in current practices and areas that would benefit from concerted action.

To date, the group prepared a working paper including a draft set of principles that it hopes could serve as a high level framework towards international harmonization of standards for corporate actions processing. In early 2010, the group will reach out to members and other industry groups to solicit comments on the usefulness of the proposed principles. Member and third party contributions will be sought to compile status overviews for the different world regions. Those will be used as the basis for a joint work plan involving the relevant drivers of corporate action initiatives.

It is important to note that this project is not about creating "yet another" set of recommendations. ISSA is responding to observations made by members that, in the area of corporate actions management, there is neither an industry-wide dialogue across the world regions, nor a systematic end-to-end process coordination along the intermediary chain. ISSA now seeks to identify local or regional best practices that seem suitable for implementation on a wider scale – in dialogue with the groups who articulated them – and act as a catalyst to help achieve the desired leverage. In addition, ISSA wishes to play a role in helping to prevent multiple bodies from working on the same issues in independence of each other, and to fill gaps where important ones are identified.

#### OTC Derivatives Working Group

This working group had intended – following the publication of its first report on the verification of valuations of OTC derivatives in 2008 – to develop minimum operating and data standards that would improve the efficiency in the trade capture and trade confirmation process for OTC derivatives transactions. At the end of an initial phase of fact gathering, the group concluded that launching an ISSA initiative in this field would duplicate industry-led efforts already underway, mainly through working groups within ISDA. An overview of relevant

issues and industry groups addressing them was published on ISSA's website. A call on all members to suggest additional issues to be taken up by ISSA, yielded no feedback. The working group has in the meantime discontinued its work.

## Other Topics

### G30/ISSA Tax Model

In October, the European Commission adopted a recommendation that outlines how EU member states could make it easier for resident investors to claim withholding tax relief on dividends, interest and other securities income received from other member states. The recommendation bears a very close resemblance to the procedures outlined in the G30/ISSA Tax Model first published in 2005 and discussed in ISSA 13 and 14.

The EU Commission recommendation marks an important milestone on the way towards turning the model into reality throughout the European Union.

Meanwhile, on a global level, similar work is progressing within the Business and Industry Advisory Committee to the OECD. ISSA is among the parties that have provided funding to support the BIAC/OECD project through 2010.

## Membership Issues

### Changes in the ISSA Board

The past year saw two changes in the representation of ISSA' sponsoring members in the executive board:

In May, **Nomura** shifted its board representation from Tokyo to London, by appointing Garth Barker-Goldie, Managing Director and Co-Head Global Wholesale Operations, Nomura International plc to succeed Hiroshi Tanaka.

**BNP Paribas Securities Services:** the vacancy left by Jacques-Philippe Marson in November was filled in December by Michel Laurent, Member of the Executive Committee and Head of Global Network and Strategy.

### Membership Changes

The difficult market environment caused many firms to reassess their business priorities and focus on their core activity. As a result, ISSA lost nine members in 2009:

- ANZ Banking Group
- Dresdner Kleinwort
- Euroclear Finland
- Euroclear Sweden

- Franklin Templeton
- Hellenic Stock Exchange
- Malta Stock Exchange
- National Depository Center (Russia)
- Svenska Handelsbanken

On the positive side, the **Taiwan Stock Exchange** joined as a new member. Two firms are currently considering taking up a membership, one based in East Asia, the other in the USA. At the end of 2009 our membership stands at 84 members representing 45 markets.

### Annual Membership Fee 2010

The membership fee remains unchanged at EUR 1,500. It will be invoiced in the first quarter of 2010.

### ISSA Symposium 2010 Preview

The 15<sup>th</sup> ISSA Symposium will – as always – take place at Wolfsberg, Switzerland, June 1-4, 2010.

Recognizing that the financial world post the 2008 crisis is no longer the same, ISSA 15 will focus on issues that are strategic to the well functioning of the market. The agenda will be structured around three topical baskets:

- Looking back – lessons learnt from the financial crisis
- Looking inside – assessing the current state of the financial industry; key issues from the viewpoint of the public and the private sector
- Looking ahead – conclusions and take-aways for each constituency in the ISSA membership, elaborated and presented by the symposium participants themselves.

Even more so than in the past, the 2010 symposium will emphasize dialogue and debate, and active audience participation. The detailed program is now being assembled. The invitations are expected to be ready for mailing in February. We hope that you will join, please mark the dates today!

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Board and Secretariat wish to thank all members, industry groups with whom we have an ongoing dialogue, and all individuals who contributed to the various activities, for their support throughout the year. 2010 should see follow-up work that will call for the participation of all our members. We are looking forward to an intensified dialogue.

With our best wishes for a joyous Holiday Season and a Happy New Year,

ISSA Secretariat

**15<sup>TH</sup> ISSA SYMPOSIUM**  
**1-4 JUNE 2010**  
**WOLFSBERG CONFERENCE CENTER**  
**SWITZERLAND**