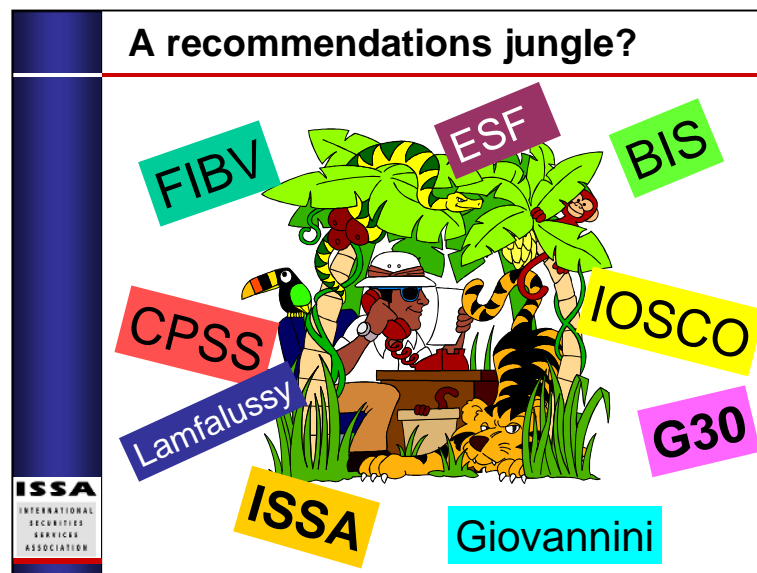


## Introduction to the joint G30/ISSA Session

Josef Landolt, ISSA Chairman

Welcome to this session. It is an important one for ISSA, and we hope for the Group of Thirty project as well.

In a conference last year, I used this picture:



I believe that most of you would agree that the securities markets worldwide, in particular the Central Depositories, have been flooded lately with all sorts of surveys, questionnaires and recommendations, all dealing with the design of market infrastructures, with prevailing market practices and desirable best practices. While each single initiative is certainly well-intended, it is questionable whether an overdose of recommendations will have the desired effect on the industry.

As I said on Tuesday, we see an opportunity here for building bridges and joining forces in the interest of all of us.

ISSA, as a private sector organisation, cannot interfere with public sector projects. But we believe that the private sector should align parallel efforts.

Our best experts' knowledge, a scarce commodity, should be pooled rather than absorbed by overlapping projects that ultimately pursue very similar goals.

Besides ourselves, the Group of Thirty, no doubt the most influential of all private sector groups, has worked very hard on a new set of recommendations for the design of global clearing and settlement systems. It is close to publishing its findings.

ISSA's recommendations, and both the old and the current G30 work have been interrelated in the past. Now again, we find that quite a few people have been contributing to both projects at the same time, sometimes wearing an ISSA hat, sometimes a G30 hat, and in between trying to make money for their employer...

Achieving alignment and convergence between the ISSA and the G30 recommendations is our strong desire. This is exactly what we want to explore today. I am very happy indeed that Sir Andrew Large has agreed to participate in a joint information and discussion session. He chairs the new G30 Steering Committee.

Besides his position in the Group of Thirty, Sir Andrew Large is the Deputy Chairman of Barclays plc. He has a distinguished career as a banker and as a regulator in the United Kingdom. He served on the Takeover Panel, the Board of Banking Supervision and was Chairman of the Securities and Investments Board from 1992 to 1997.

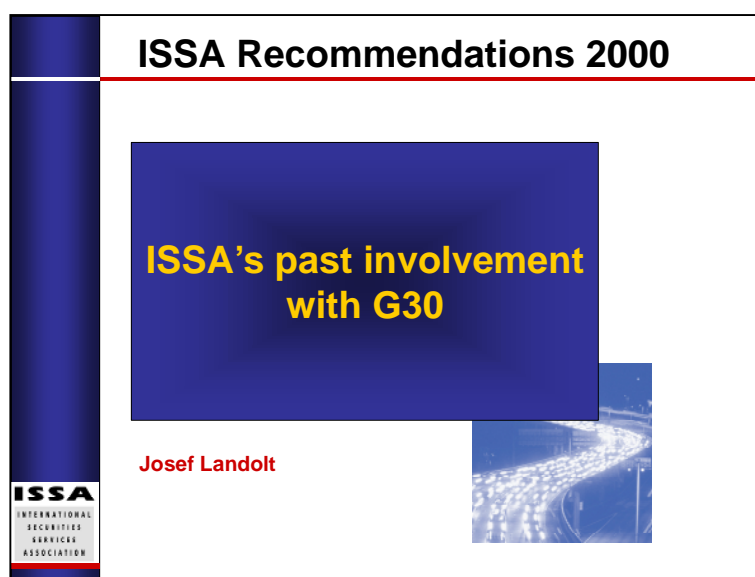
Our session has four parts:

First, for the benefit of those who may not be very familiar with ISSA's history, I will give a brief background on our close involvement with past G30 work.

Second, Sir Andrew Large will update us on the status and outlook of the current G30 global clearing and settlement project.

Third, Ray Parodi will summarize our own process following the publication of our ISSA Recommendations 2000, up to completion of our first analysis a few weeks ago. Ray will highlight the results, open items, overlaps and gaps between ISSA and G30, and our proposed way forward.

Lastly but most importantly, the floor will be open for you to give your own opinions and suggestions.



The history of ISSA and that of the Group of Thirty recommendations have crossed more than once in the past. In fact, the G30 recommendations built heavily on a set of 12 conclusions drawn from the 4<sup>th</sup> ISSA Symposium which took place here in 1988. The symposium title had been "Global Securities Investments - Processing Issues and Solutions". Perhaps Angus Richards, Ray Parodi, Jacques-Philippe Marson and Robert Rickenbacher still remember; you were there!

### Convergence "back then"

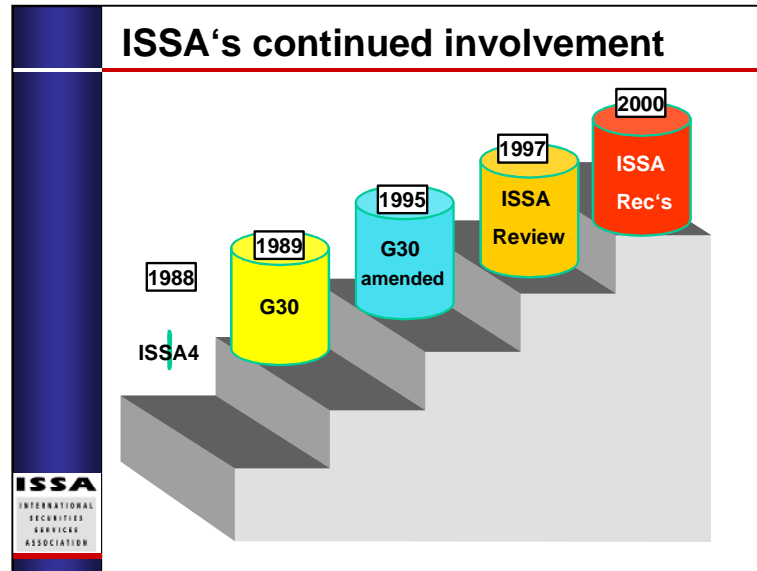
ISSA - 1988	G30 - 1989
1 One CSD per market	1 Trade comparison among direct market participants
2 Bilateral links between CSDs	2 Trade affirmation by indirect market participants
3 Settlement on T+5 or better	3 <b>One CSD per market</b>
4 Implement "Risk free DVP"	4 <b>Netted settlement</b>
5 Rolling net settlement	5 <b>DVP settlement</b>
6 Minimize systemic risk	6 Same day funds
7 Dematerialization	7 <b>Rolling settlement on T+3</b>
8 Governance of utilities	8 Securities Lending & Borrowing
9 Cross-listed securities	9 <b>ISO 7775 and ISIN codes</b>
10 Promotion of double tax treaties	
11 Communication standards	
12 Promotion of the ISIN code	

The G30 published its nine "Recommendations on Clearance and Settlement in the World's Financial Markets" in early 1989. I do not want to go into a detailed comparison but even a quick mapping exercise reveals a close connection.

In early 1990 and again in the end of 1992, G30 followed up, conducted compliance surveys and published the findings. The trends were encouraging. Substantial progress had become evident around the world. The G30 considered its job done and turned its attention to more

pressing matters elsewhere. The special working group on clearing and settlement was never formally dissolved - at least not to our knowledge - but it went into a dormant state.

However, market participants and market analysts looking for updated information in a structured format soon began to call on ISSA for assistance.



In 1995, at first without having a formal mandate from G30 but in the interest of the cause, our board decided to act and initiated a new structured review.

At the same time, a discussion was launched within ISSA with regard to possible changes to the recommendations. However well respected the G30 recommendations were, they had been drafted prior to the advent of the internet, e-mail and electronic banking. Meanwhile, technology issues had become ever more important. Keeping up with technology was absorbing an ever higher percentage of operating budgets in all securities processing businesses.

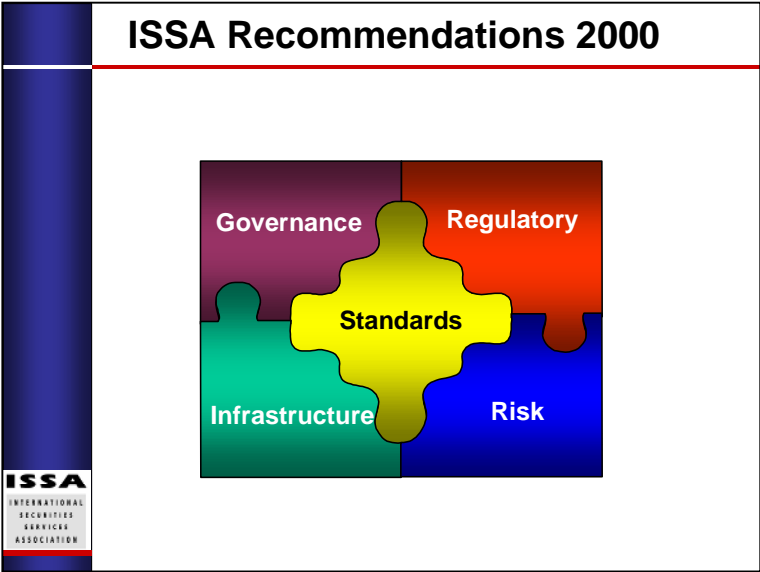
In parallel to the availability of new communications and data processing facilities, the early nineties had marked the start of the dramatic rise in cross-border investment patterns that still continues today. The universe of markets, currencies and investment instruments to be serviced by custodians had risen accordingly.

By the end of 1995, the ISSA membership had jointly developed a sharpened and more precise version of the G30 recommendations. That is, by the way, how the ISSA Regional Meetings came into being: as a series of informal, international workshops where our members exchanged market status reports and defined elements that would add value to future compliance monitoring exercises. At that time, the scope of the original G30 recommendations was left deliberately untouched.

ISSA subsequently conducted and published two global compliance surveys on 50 markets, using the amended G30 recommendations as templates.

In early 1999, the ISSA board finally concluded that another global market survey using the old templates, was no longer justified.

On the threshold to the new millennium, the securities industry lacked a forward looking, comprehensive set of best practice guidelines for truly globalized markets. Moving from trading to clearing, to settlement, and to the custody arena, institutional investors had become more sensitive to corporate governance issues in the markets they were active in. While the economy as a whole was being de-regulated on a global scale, the opposite was true for most financial markets. Regulatory and tax reporting, and disclosure requirements of various kinds became ever more demanding and burdensome. The application of internet technology, the common currency in Europe, the global STP initiatives, the CLS Bank and other developments added new dynamics to the securities services world.



The ISSA board then identified the five critical areas we believe our industry must address jointly in the next five to ten years. The Recommendations 2000 were developed around them.

ISSA, as noted above, was instrumental in developing the original G30 recommendations. It has consistently supported and is now actively supporting, the ongoing G30 initiative. The ISSA executive board is firmly of the opinion that co-operation is vital and that we want to avoid duplication of effort, time, funding and people involved to conduct future industry surveys. Diverging or competing sets of best practice recommendations will send confusing messages to the market operator and thus serve nobody.

Neither ISSA nor any other organization in this field should feel proprietary about their work, especially as they often source their knowledge and resources from the same organizations around the world. Pooling those resources and sharing the results among like-minded bodies will be to the advantage of the industry at large.

Ray Parodi will pick up from here in a few moments, to summarize the post-launch story of the ISSA Recommendations 2000, and our views on the way forward. Right now, however, let me hand over to Sir Andrew Large to update us on the background, status and outlook for the new G30 project.