

ISSA Examines The New Securities Landscape

ISSA, the International Securities Services Association, held its 11th Symposium at Wolfsberg, Switzerland from June 11 to 14, 2002. The symposium brought together some one hundred securities industry leaders from 36 countries. They were drawn from custodians, broker dealers, investment managers, depositories and stock exchanges.

The symposium was entitled the "New Securities Landscape" and examined the securities industry's evolving infrastructures, particularly in Europe. The sessions kicked off with a view of the impact of the economic environment on the industry by Dr. Bruno Gehrig, Vice Chairman of the Governing Board of the Swiss National Bank and was followed by presentations on securities infrastructure models by Jill Considine, Chairman and CEO of DTCC (New York) and Werner Seifert, CEO of Deutsche Börse AG (Frankfurt). Further discussion on the merits of utilities versus for profit commercial providers was introduced by Dominic Hobson, Executive Editor of Global Custodian Magazine and facilitated by Peter Mathias, President of Mathias & Co.

The second major topic addressed at the meeting was the handling of collective investment vehicles. Presentations were made by Mark Tennant, Senior Vice President of JP Morgan plc London, Elizabeth Corley, Managing Director, Merrill Lynch Investment Managers, David Sachon, Managing Director of Threadneedle Investment Services Ltd, and Fayez Akhras, President of International Financial Services & Technology. Lastly, Sir Andrew Large, Chairman, G-30 Steering Committee on Global Clearing and Settlement Systems provided the gathering with an update on G-30's current work in progress.

As a result of the Symposium deliberations and working group meetings, the ISSA membership produced two recommendations for working in the new landscape. The first recommendation was based on the presentations on securities infrastructures and is targeted at ensuring industry-wide continuity of business in times of crisis. It states,

"Each financial market and all market participants must have a business continuity and disaster recovery and crisis management plan, including programs supporting a robust technical recovery, regular and extensive testing, employee safety and training and the establishment and maintenance of safe-site locations. Coordination among market participants themselves, key suppliers and the appropriate local, regional and national authorities must all be part of the planning process. The planning assumptions should encompass the loss of key personnel, loss of important suppliers and limited or no access to geographic areas housing primary headquarters, records storage and data centers, as well as other worst case scenarios. Key market infrastructures particularly, need comprehensive plans to ensure their ability to continue to function. A framework for handling business continuity and disaster recovery for systemically important facilities should be formalized through the creation of a "market stability group" for each national market. Lastly, audit standards should be developed to evaluate continuity of business preparedness."

This recommendation and the associated explanatory notes will be added to the ISSA 2000 Recommendations and be provided to the G-30 working group as input to their work on business continuity.

The second recommendation emanated from working group discussions on the lack of STP, overlapping processes, regulatory differences and other important problems associated with mutual funds in Europe. It was suggested that, due to the expected growth in mutual funds transaction volumes, ISSA evaluate forming a working group to examine the complexity, duplication, lack of standards and high costs involved in the distribution and post trade processes for European mutual funds and recommend improvements.

This appropriate and timely suggestion is being evaluated by the Board which will revert to the membership with its plans shortly.

Transcripts or summaries of the insightful and in some instances controversial presentations and discussions at ISSA's 11th Symposium are available from the ISSA website (www.issanet.org).