

The General Assembly of June 17, 2004 dealt with the following agenda items:

1. Return to the pre-1999 organisational structure and amendment of the Articles of Association
2. Membership fees for 2005
3. Changes in the board
4. ISSA and G30
5. ISSA Handbook
6. Evaluation of involvement with securities training
7. Mutual funds processing
8. Regional meetings in 2005
9. Miscellaneous

### **1. Return to the pre-1999 organisational structure and amendment of the Articles of Association**

ISSA's organizational structure was changed in 1999 with the introduction of three Regional Forums and a Global Forum. The intention and expectation had been that the members would thus have an incentive to organize themselves and address topics of specific interest to their region, or issues of a global scope in the case of the Global Forum, with greater flexibility and in independence from the executive board or the secretariat. The intention had also been for the regional members to elect their own regional chairperson, who would represent his or her region in the ISSA executive board on a rotating basis for two years.

Looking back on the past five years, the executive board has come to the conclusion that this structure has not had a practical impact on the association, or on the membership. The following proposals were put before the membership for approval (they had been announced to the members by correspondence prior to the symposium):

- Effective immediately, ISSA returns to the pre-1999 organisational structure, without Regional or Global Forums and memberships.
- The regional meetings in the Asia-Pacific zone and in Europe are well established and appreciated by most members and they have served well to promote the association. ISSA will continue to organise them, together with a local member acting as host.
- The regional meeting Americas will not be re-introduced. Instead, ISSA will continue to contribute to the annual ACSDA general assembly if and when invited. This has worked well for both sides in the last three years.
- The two-tiered membership fee will be maintained. Members with an international business scope will be invited to contribute, on a voluntary basis, a higher membership fee than members with a primarily domestic market focus. See item 2 below for details.
- Some of the organizational changes require amendments to ISSA's Articles of Association. Apart from some very minor amendments of a rather "cosmetic" nature, the revised Articles contain the following changes:

## Amendments to Articles of Association

- ◆ References to Global Forum / Regional Forum removed
- ◆ References to specific publication titles removed
- ◆ E-mail a valid means for all correspondence
- ◆ Loss of membership provision

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- all references to an ISSA Regional or Global Forum are removed
- all references to specific titles of ISSA publications are removed
- an amendment to article 19 clarifying that eMail is a valid means to conduct votes or elections if the board deems this appropriate (the current wording says "by correspondence")
- a new article stating that membership is lost if a member does not pay its membership fee by the end of the calendar year, despite having received an invoice with a specified due date, and at least one reminder. There have been a few instances in the last few years which make it necessary to clarify this issue.

A draft version of the Articles, showing all proposed changes, had been sent to all members in advance of the symposium.

All proposed changes were unanimously approved by the members present, no additional changes were made.

## 2. Membership fees for 2005

Even though the distinction between global and regional members ceases to exist, the two-tiered membership fee will be maintained, on a voluntary basis. Members with an international business scope are invited to continue contributing a higher membership fee, than members with a primarily domestic market orientation. Towards the end of this year, all members will be invited to choose, based on their own self-assessment, among two levels (USD 6,500 and USD 1,500) the amount they wish to be invoiced for the 2005 membership contribution. The board will neither establish selection criteria, nor influence the members' choice.

Prior to the introduction of the tiered structure, the board had very generally categorised members with business activity in more than one country as "global" and those with business activity mostly limited to their home market as "regional". There were some exceptions: When a basically home market oriented member was a world leader in its business line due to the size and global importance of its home market,

then it was categorised as a "global" member. At that time, member allocations to the two categories were made based on quick judgements rather than any "scientific" principles. Each member was then invited to join the proposed category, and all of them had agreed with the proposal.


The decision to maintain the two-tiered fee is based, on one hand, on the fact that the association depends on income from its members to carry out its activities (even though additional funding continues to be provided by the sponsor firms). On the other hand, it is acknowledged that the financial possibilities of our members differ widely. However, the annual fee should not become an obstacle to taking up a membership.

This somewhat unusual fee schedule is introduced on a trial basis. It will be reviewed at the end of 2005 and adjusted if needed.

### 3. Changes in the board

The following changes were announced:

<b>Changes in the board</b>	
1) <b>Morgan Stanley becomes Sponsoring Member</b>	>>> <b>Judith Smith joins board</b>
2) <b>BNP Paribas Securities Services becomes Sponsoring Member</b>	>>> <b>Jacques-Philippe Marson joins board</b>
3) <b>Dresdner Bank mandate moves to Dresdner Kleinwort Wasserstein</b>	>>> <b>Nigel Whitehouse joins board</b>
4) <b>Deutsche Bank:</b>	- <b>Andrew Carter steps down</b> - <b>Stephen Lomas succeeds Andrew Carter</b>



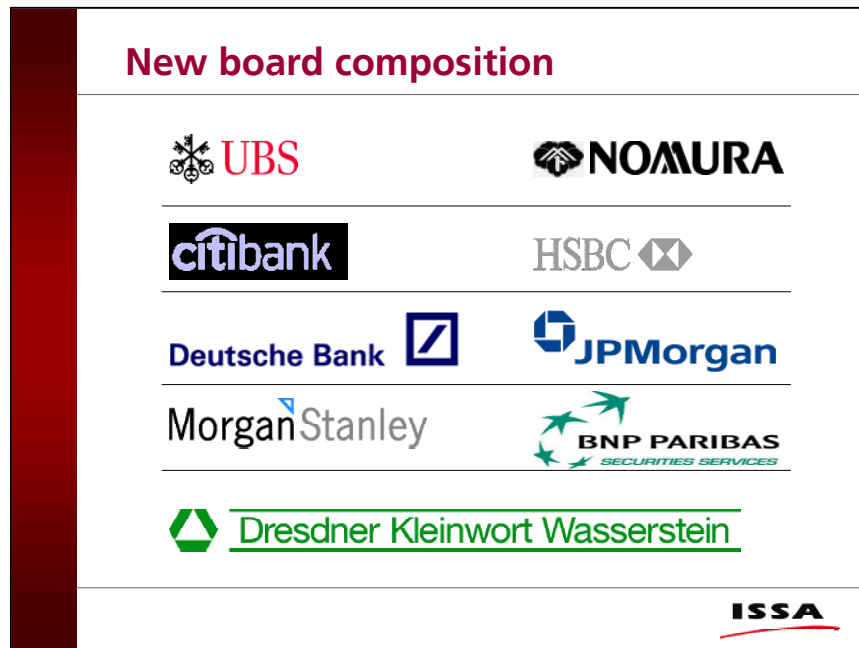
Morgan Stanley and BNP Paribas Securities Services accepted invitations by the board to join the circle of sponsoring ISSA members which now comprises nine institutions. Judith Smith and Jacques-Philippe Marson, having served as regional forum chairs Americas and Europe, respectively, become full board members.

Andrew Carter steps down from the board and cedes the Deutsche Bank board seat to Stephen Lomas. This change is a consequence of the recent transfer of Dresdner Bank's institutional custody business and staff to Deutsche Bank.

Dresdner Bank's ISSA sponsorship moves to Dresdner Kleinwort Wasserstein, represented on the ISSA board by Nigel Whitehouse, Global Head of Operations.

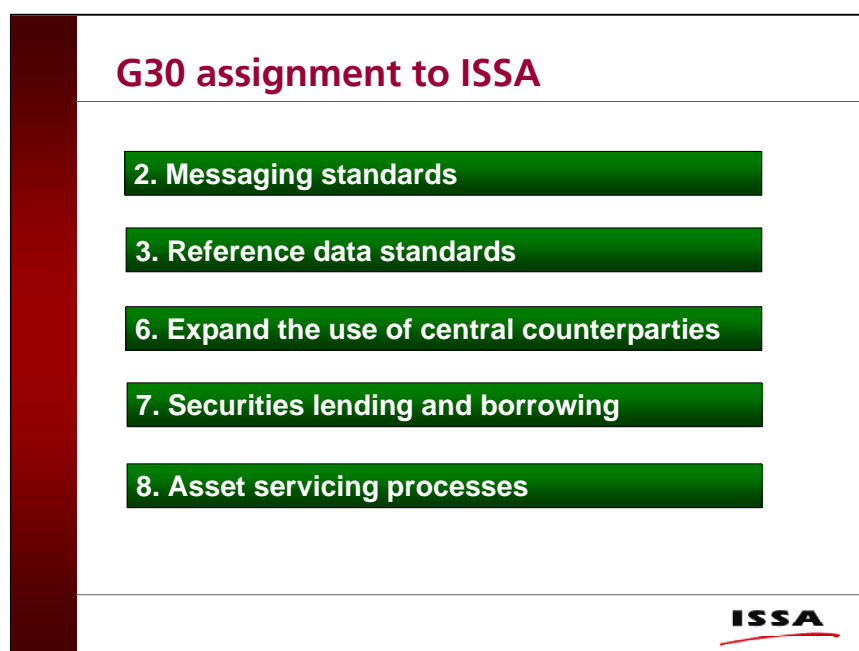
These changes are effective immediately. The board welcomed Nigel Whitehouse on the board and thanked Andrew Carter for his contribution to ISSA over the past two years. A farewell address was given

separately, on the occasion of the evening away from Wolfsberg. After the changes, the circle of ISSA sponsor institutions and board member firms looks as follows:



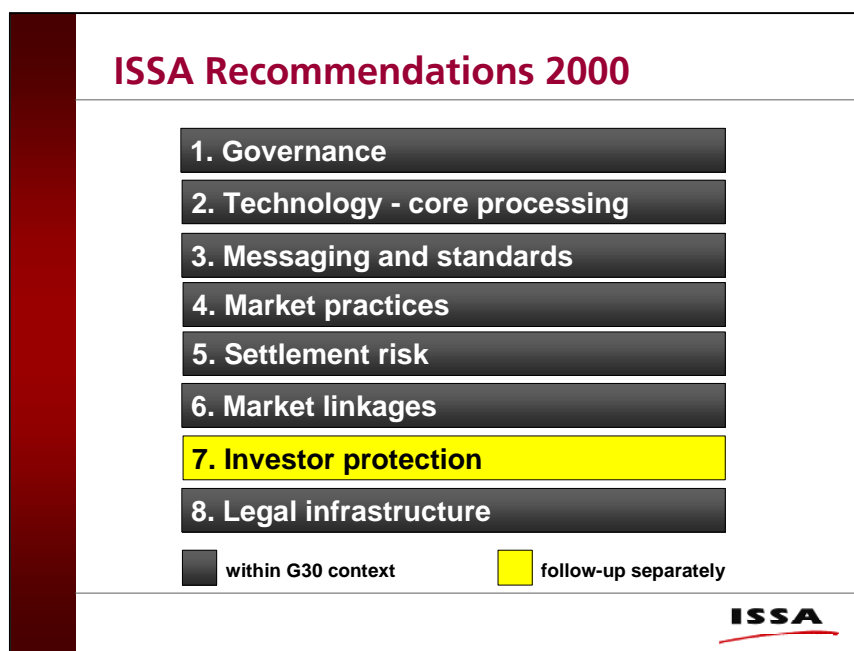
#### 4. ISSA and G30

ISSA is well aware of the challenge of resolving the complexity associated with clearing and settlement, having already committed enormous amounts of time and resources to its own Recommendations 2000, while supporting other international standards, and regulatory and industry bodies, including the G30. Today with so many organisations involved, coordination and communication have become key challenges.



In April 2004, the Group of Thirty formally issued a mandate to ISSA to act as monitoring organisation for the G30 Recommendations 2, 3, 6, 7 and 8. ISSA is committed to support the G30 process actively and will focus on this task in the months and perhaps even years ahead.

There are two exceptions where the scope of ISSA's focus differs from that of the G30 - investor protection issues and geographic coverage. In addition, mutual funds processing is not addressed by G30 at all. This area, being one of the most pressing industry issues currently and in the near and mid-term future, ought to be tackled as well.



The substance of our own ISSA Recommendations 2000 will be followed up within the scope and context of the G30-related work. This will also apply to ISSA Recommendation 7 (investor protection issues) for which no directly matching G30 recommendation exists. An ISSA work plan will be drafted in the very near future.

ISSA recognises that the new G30 recommendations had to be more general and therefore less specific than the 1989 recommendations. Meanwhile, a large number of organisations are engaged in securities settlement standards and recommendations. Gaps and overlaps exist. There is concern that an unfocused approach will create excessive workloads and pressures on a relatively few number of institutions and experts, creating duplication and abortive work. ISSA wants to avoid such negative implications on its membership.

Accordingly, in its 12th ISSA Symposium ISSA laid out its "Roadmap to the future", a pragmatic approach towards fulfilling its obligations in respect of the G30 recommendations assigned to it and in respect of remaining issues and industry priorities affecting its membership. Of course within the 'Roadmap', the G30 project represents a significant effort. ISSA's challenge is to:

- ensure an efficient approach to member involvement;
- conduct simultaneous streams of research and review;
- communicate efficiently with the many organisations and associations interested in the 'Roadmap', and
- deliver the much needed benefits expected.

In response to such challenges, ISSA uses a structured methodology for its 'Roadmap' and within this, the G30 project; this to ensure efficiency of work effort and improved communication. As such a straightforward administrative process will be put in place for the G30 work to ensure that:

- responsibility and work content has been clearly explained;
- work falls within the scope of the G30 Recommendations;
- streamlined communication with and calls for comment from other industry bodies and associations;
- efficient target setting, monitoring and corrective action;
- the working methodology follows the SMART principle (specific, measurable, achievable, relevant, time based).
- the critical issues, bench marks, and quick wins that can be achieved at modest expense and effort are identified for each recommendation to avoid unfocused surveys.

#### ISSA's contribution to the G30 process

In summary, beyond the purely administrative approach described above, ISSA's contribution to the G30 process includes the following blocks:

- ISSA stands down work on its own Recommendations 2000 in favour of G30. However, the G30 tasks ahead will leverage on the work done in the Recommendations 2000 initiative and subsequent status reporting.
- Reconciling the gaps between ISSA 2000 and G30: ISSA will retain investor protection issues (ISSA Recommendations 2000, Number 7) and examine those under the umbrella of G30 recommendation 8 (asset servicing issues)
- G30's immediate focus of attention is on 22 markets. ISSA will invite all its members, representing 47 markets, to participate in the process.

## **5. ISSA Handbook**

Financial considerations, the availability of alternative information sources, and a generally declining member support to contribute updates to the Handbook in a timely fashion, have led to the decision to discontinue the ISSA Handbook. However, the current 8th edition must be completed. All outstanding subscriptions from non-member Handbook users were fully paid in advance. ISSA is under an obligation to honour those contracts. An urgent appeal was made to those members whose contributions have long been overdue, to complete their assignments within the next few months. The Secretariat will get in touch with the respective contributors individually.

It is intended to partially replace the Handbook with a collection of useful internet links, to be structured in a similar way as the Handbook. On a trial basis, links for a limited number of markets will be collected over the coming months and will be made accessible on the ISSA website. User demand will be monitored and, if the pilot demonstrates the usefulness of such service, it will be expanded to the full market universe covered in the Handbook. This project will again rely on the ongoing support of the ISSA membership.

## **6. Evaluation of involvement with securities training**

ISSA was approached by Global Custodian Magazine with an invitation to consider a joint venture in the area of securities processing and asset servicing training courses. The board agreed to further explore the options and their implications. However, no decisions have been taken and no commitments given. The members will be informed of further developments.

## 7. Mutual funds processing

The symposium group sessions identified mutual funds processing in Europe as one of the most pressing industry issues.

G30 does not address mutual funds, but the ISSA membership considers making mutual funds processing "G30 compatible" one of tomorrow's key industry priorities. To the extent possible, today's processes should be enhanced and brought in line with the G30 standards applicable to the equity markets. Following ISSA 11 already, ISSA exponents had brought that symposium's concerns to the attention of FEFSI (European Federation of Investment Funds and Companies). No concrete initiative materialised at the time. As the market in hedge and "exotic" funds continues to rise in popularity, so do the processing risks and inefficiencies. The ISSA board therefore decided to revisit the area of managed funds, together with the relevant trade associations in that field.

## 8. Regional meetings in 2005

<b>Regional Meetings 2005</b>	
<b>Americas:</b>	<b>Santiago de Chile</b> - ISSA contributes to ACSDA General Assembly - February / March
<b>Asia Pacific:</b>	<b>Seoul, KSD offers to host</b> - September (subject to confirmation)
<b>Europe:</b>	<b>Budapest, Deutsche Bank offers to host</b> - 6 May 2005 (subject to confirmation)

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In lieu of a separate ISSA meeting in the Americas, ISSA will actively participate in the 7<sup>th</sup> ACSDA General Assembly, to be held in Santiago de Chile, in February/March 2005.

The European ISSA meeting will be hosted by Deutsche Bank in Budapest, on May 6, 2005 (date subject to confirmation).

The Asia-Pacific ISSA meeting will be hosted by Korea Securities Depository KSD in Seoul, around September/October 2005 (date to be decided).

## 9. Miscellaneous issues

A number of additional items were noted during the symposium (e.g. endorsement of the Hague Convention on indirectly held securities, commenting on regulatory developments in Europe). Those will be addressed as the opportunity arises.

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