



Ladies and gentlemen, dear colleagues

Good afternoon! On behalf of the ISSA board, welcome to Switzerland, welcome to Wolfsberg, and welcome to our 14th Symposium!



For the first timers at our venue, Wolfsberg is a special place with a long history. More than 400 years ago, a man by the name of Wolf von Gryffenberg built an estate on this prominent spot overlooking Lake Constance. He called his property Wolf's Mountain, or Wolfsberg in German.

This building, right behind our auditorium, is the core of the original estate. The place then expanded and changed its look and ownership many times over the centuries.

In 1970, Wolfsberg was purchased by UBS and turned into the conference and executive development center it is today. Since then, the buildings and facilities have been continuously refurbished and updated. If you were here last time, two years ago, you remember that the place was a construction site with quite some noise and other inconvenience to bear. The complete renewal of our guest house was completed just a few weeks ago. If you remember your old rooms, I am sure you will agree with me that we have now reached state of the art. I hope you will enjoy your stay.

I come back for a moment to the original builder of Wolfsberg, because the period in his life right here towards the end of the 16th century, has some striking parallels to our time:

Wolf von Gryffenberg was a rather low ranking member of local nobility. Like many of his peers in this area, he was involved in real estate business. He used extensive third party financing. Not from UBS I can report, but from wealthy individuals and monasteries. However, he built himself a reputation as being a very intransparent, uncooperative and not very trustworthy business partner. His life is well documented and the records show that he was in frequent disputes with local authorities over unpaid debt and overdue interest payments. By today's definitions he would definitely be called a sub-prime borrower. Eventually, he was taken to court by a monastery for allegedly letting property under his management fall into decay, and for not repaying his debt. Ten years after he had moved to Wolfsberg, he was forced to sell his estate to settle his overdue bills. He had lost all trust of the local community and he had to move away.

Quite some parallels to the buzzwords of our times:

- sub prime lending
- real estate investments gone bad
- lack of transparency
- sloppy controlling
- lengthy legal battles over investment performance and acting in the best interest of the customer
- loss of trust in a business counterparty

Even for professionals, it is difficult right now to make a clear assessment on where we are in the current credit crisis. For each analysis concluding that "The worst is behind us now", there is another one explaining why "The worst is yet to come" – staggering food and oil prices, a potential credit card loan bubble and more, with unknown long term impacts on the global economy.

Now that the initial shocks about the unprecedented size of write-offs in the banking system are more or less digested, we still have the danger that clients have lost their trust in the global capital market system overall. So, another key remedy besides central bank interventions is maintaining trust in our financial market infrastructure, and restoring trust between the market players. The first way of maintaining or restoring trust, is to deliver unfailing backoffice services. We note that our clients are extremely sensitive right now to transaction processing delays, failed settlements, or breaks caused by error or oversight.

In ISSA, we always emphasize the need for the asset servicing industry to work together, to improve everyone's market conditions. The ISSA symposium is a cross-industry forum. It is an ideal place to remind ourselves of that need, and of the value of international cooperation and sharing best practice. We have to do this especially during this difficult period, maybe more so than ever.

But let's now focus on the two days ahead: Our symposium is a small conference, as far as the number of delegates is concerned. We keep it small by choice. What we may lack in numbers compared with other conferences, we try to make up by the seniority of our participants, which has risen again compared with last time. This tells me that most delegates returned home last time with a favorable impression. And it implies that your expectations are high. We have done our best to meet them. But, as is the case with all ISSA meetings, a large part of the responsibility for success rests on your shoulders.

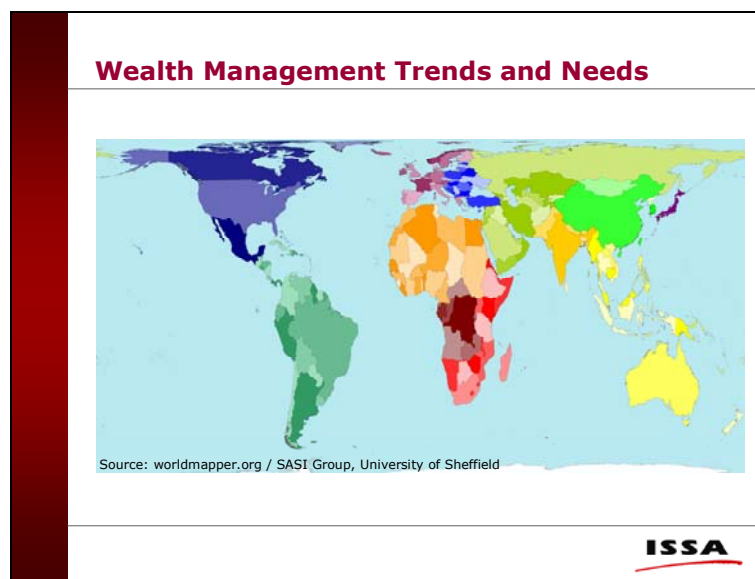
Looking at the participant list, I note that half of our guests have not attended an ISSA symposium before. A special welcome to you! As you will experience soon, we try to be different from a standard securities conference in many respects.

Over the next two days, we will discuss issues that are changing our industry now and in the years to come. And by "*we will discuss*", I mean just that, namely a lively two-way conversation involving, as often as possible, everyone in this room. We value an active dialogue amongst all delegates, as opposed to just presenting slide shows to you. As always, we have tried to create an agenda that highlights the hot spots of our industry. Topics that are relevant for all senior executives in our industry, irrespective of home country or business line. Then also topics which ISSA has been addressing for a while, or should address in the near future. And last but not least, topics of an educational value for us personally.

The rest of today is set aside to relax. Most of you have been traveling for many hours. We would like to give you time today to get acquainted with Wolfsberg, and with your fellow delegates during our welcome dinner. Tomorrow morning, we start with wealth management trends and needs.

This is the core of this year's symposium and it will cover almost a full day. We will start on a very high level. We begin by exploring the major drivers that influence the global capital markets in the years to come.

This world map is what we are all used to see:

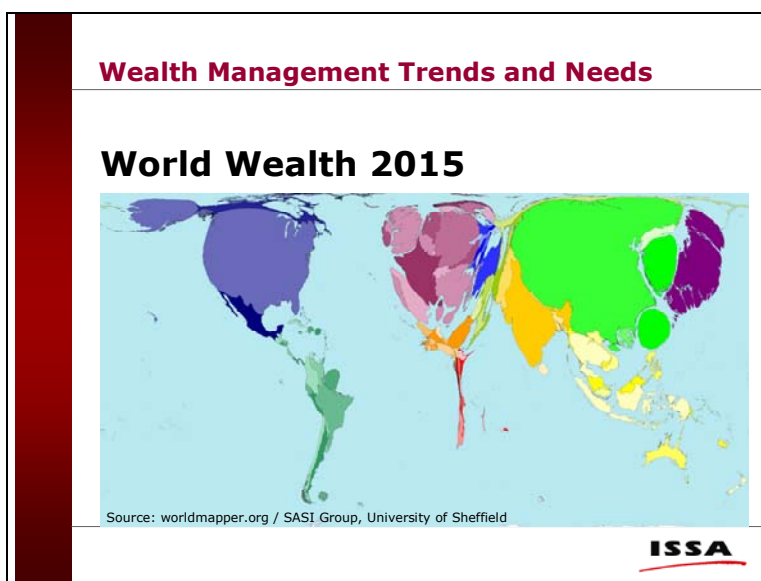


This manipulated map visualizes the distribution of worldwide wealth in 2002, in US dollars, with each country's Gross Domestic Product adjusted for local purchasing power.



Putting it into a single, a bit oversimplified sentence, roughly half of the world's wealth is in North America and Western Europe.

And this is the projection for 2015:



There is a clear shift towards Asia. China in particular, at the expense of the Americas and Europe. There are reasons for this trend, there are related trends such as demographic changes, and there are implications on the global capital market and its actors. This means us. We will start our day tomorrow morning with laying out the big picture.

Wealth Management Trends and Needs



- **Capital market drivers in the next decade**
- **Changing client needs**
- **New investment styles, new products**

.... and what does this mean for operations and market infrastructures?

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Moving on from the drivers, we will look into asset management and financial product development: How will investment styles change if investor profiles change? What major challenges do the asset managers anticipate in Europe, in the Americas, in Asia-Pacific, in Africa and the Middle East? What is on the horizon in the financial product designers' world? And, diving deeper into ISSA's core field of interest, what does this all mean for clearing, settlement and asset servicing?


Most of us are managers of infrastructures. Be it the infrastructure of a whole capital market as an exchange, clearing house or CSD, or of a major player operating in one or many markets. We have all noted for a while that the rapid product innovation with derivatives and structured products tends to blur the distinction between the different product segments, and this has an impact on how our backoffices should be organized. Antonio Riera predicted this trend in his key note speech in our last symposium. We will see tomorrow that he was right.

Our goal for tomorrow evening is to give you food for thought: Based on what I heard, will I be able to configure my infrastructure to meet my client's needs? What are my choices?


In tomorrow's sessions, you may initially be an observer and listener. But as the day will proceed, you will increasingly be involved in the discussion. Your own observations, your own experiences, success or failure stories and your recommendations will be solicited, and you are encouraged to participate. We have a first class moderator for this session. Peter Mathias has contributed to our symposia before and I am happy that he agreed to take the challenge and lead us through the day. A number of subject matter experts in each area will assist in jump-starting the discussions. So, getting ready for the future, and lessons to be learned from others is our agenda for Symposium Day One.

Day 2 will move a bit closer to our current challenges at hand. In a series of focus sessions, we address construction sites which have been open in ISSA for a while.

ISSA Focus Sessions




1. Mutual Fund Processing




You may remember that cross-border mutual funds processing was identified in this room, two symposia ago, as one of the next big challenges to custodians, particularly in Europe. An ISSA Fund Working group was then set up to produce a description of the main challenges to be overcome. This was delivered but, regrettably, the group came to a halt after that milestone. The more difficult part, namely answering the question "Now that we know the problem, what do we do about it?" remained open.

The group was given a fresh start last October, under the leadership of Edouard-François de Lencquesaing who has been a big supporter of ISSA for many years and is well known to many of you. The new group had the mandate to make recommendations for an improved processing environment for mutual funds transactions in Europe. We will hear the group's status report on Thursday morning.

ISSA Focus Sessions



2. OTC Derivatives Valuation

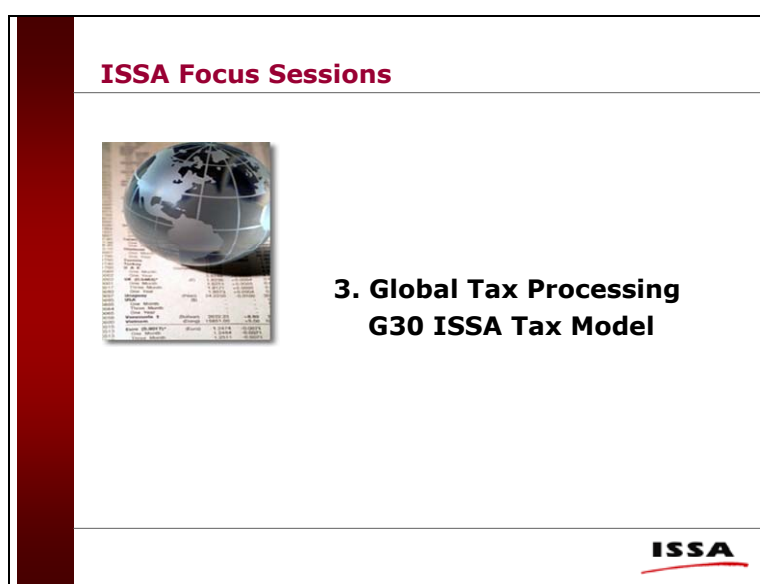


OTC derivatives and their handling are a side of the capital market many of us know little about – sometimes too little. But we can no longer ignore them. They are an asset class with spectacular growth rates, in all major markets around the world. They pose challenges to regulators, asset managers, custodians, data providers, and to the investors too.

We first addressed OTC derivatives processing in our European Regional Meeting in Monaco last July, and the topic triggered more positive feedback than we had dared to hope. We then held a similar session for the benefit of our Asian colleagues in Tokyo last November.

Following our European meeting, a small working group of subject matter experts was convened under the leadership of Jon Lloyd of JPMorgan. The group's mandate was to draft best practices for the process by which the valuations of OTC derivatives held in regulated investment funds are validated. The working group's findings have now been finalized. Some of you received the draft report ahead of the symposium with an invitation to comment. Jon Lloyd will present the topic to us on Thursday morning, and that will mark the official publication of the group's work.

A side remark here: The OTC derivatives working group was the first live test of a new work style we are hoping to use more in the future. Its project plan was not driven by the ISSA Secretariat or board. It was fully in the hands of the real subject matter experts recruited by the group leader amongst our members. I will come back on this later.



The third topic for Thursday morning is an update on the G30 / ISSA Tax Model, and related issues. You all know that the G30 initiative of 2003 was not crowned with too much success, for various reasons. The twenty complex recommendations on global clearing, settlement and asset services have not been followed up consistently.

They may have been the right recommendations, but in hindsight they came at the wrong time. Most of the industry felt little need to fix something that is not seriously broken. You know that ISSA tried to get the so-called Interoperability Group going, but decided to hand back our mandate last year because the industry commitment to throw in resources for a long-time project was just not there.

However, some select initiatives are still alive and deserve our continued attention and support. One of them is the tax model drafted by JPMorgan Chase in response to G30 Recommendation 8. The model proposes a way to automate and standardize withholding tax relief arrangements globally. It uses a very pragmatic approach, seeking to extend existing practices already in use in a number of countries. ISSA members contributed to the drafting stage, and to its distribution to interested parties in more than 50 countries.

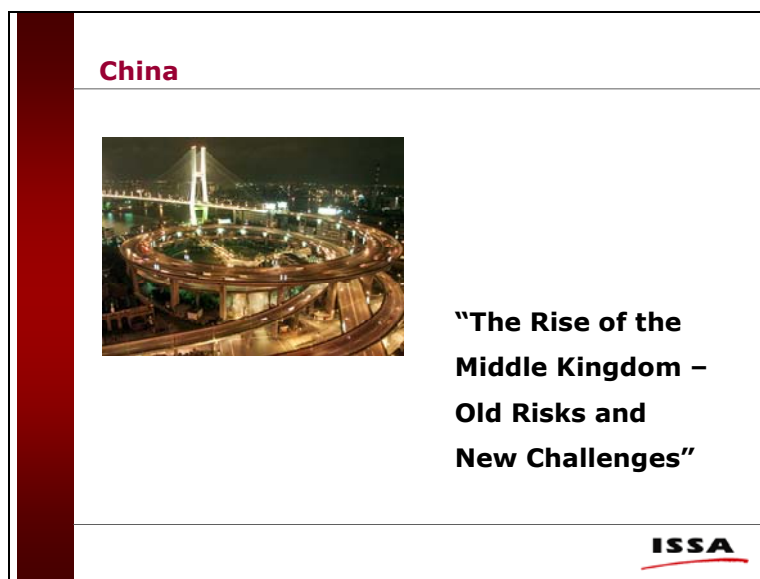
Progress in achieving change in international taxation issues tends to be slow. But we are patient and persistent. A promising door opened in 2006, when the model caught the attention of the OECD Centre for Tax Policy and Administration. It is meanwhile on the agenda of a joint group of private and public sector tax specialists.

I am very pleased that we succeeded in attracting the two top exponents in this initiative to update us on where we stand. Chris Gilbert of JPMorgan Worldwide Securities Services is the principal architect of the tax model, and Tricia Brown of the OECD Centre for Tax Policy and Administration will make the link to the public sector.

We will round off Thursday morning with a combined questions and answer session on the updates I just mentioned. This will include two questions, open to all of you, namely

- first, how can ISSA members help to expedite progress in these initiatives, so that they yield the expected benefits?
- and second, are these the right priorities? What should be the next focal points? Again, your views and suggestions will be invited.

After lunch on Thursday, we will leave the world of securities operations for a while. Our symposium traditionally features an independent view on issues that affect us all. Two years ago, we were treated to a fascinating insight into the history, the current drivers and the likely further development of China as an economic power. The lecture triggered so much interest and demand for a follow-up that we could not help but invite Dr Urs Schoettli back to Wolfsberg again.



Urs Schoettli is the longtime China correspondent of Neue Zürcher Zeitung, one of the world's leading newspapers. He is a profound expert on China and uniquely qualified to give us both an outside and an inside view on a country that intrigues us all. He will share his views in a very frank and lively fashion. "The Rise of the Middle Kingdom – Old Risks and New Challenges" is the title Dr Schoettli chose to call his sequel. I am very much looking forward to his lecture.

Following Dr Schoettli's speech, we will stay in Asia for a while, while at the same time returning closer to ISSA's turf.

Clearing and Settlement in Asia




A regional settlement intermediary for East Asia?

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You remember the slide I showed earlier with the growth of wealth accumulation in the Asia-Pacific region. Not all of this projected growth is in tradable asset classes, of course. However, the need to integrate the regional capital market infrastructures to support that growth, may slowly but surely gain ground.

We discussed many times in this room the harmonization and integration of the European markets. We now direct our view on where the Asia-Pacific region stands. Mr Taketoshi Mori of the Bank of Tokyo Mitsubishi UFJ has kindly agreed to give us an insight.

ISSA Forum



- **Member dialogue: Perceptions, expectations, needs**
- **Increasing the value of a membership**
- **Making ISSA more visible, effective and efficient**

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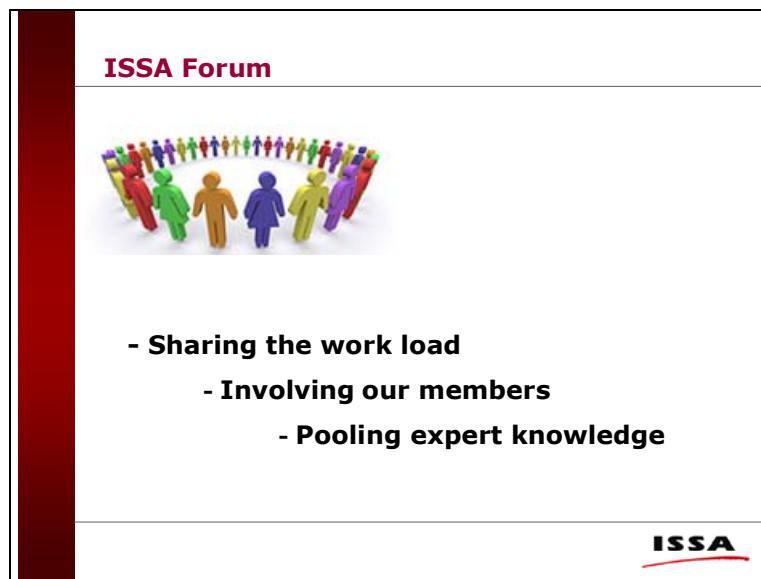
The final symposium session is a very crucial one for us. We set aside more time than in past symposia for a dialogue among our members on the future of ISSA itself.

For a number of years, we have observed and discussed in the board with quite some concern, that members' identification with the association and its objectives tends to weaken. This is not unique to ISSA, we know that other industry associations experience the same. It seems to be a sign of our times. The concept of working together "for the greater good" and dedicating resources to do so, is indeed difficult to defend when cost cutting and efficiency projects are dictating the priorities in every manager's

agenda. However, it is crucial for our board and for our members to know where we stand and what everyone's expectations towards our association are.

To maximize the use of our discussion time, we sent a few relevant questions to all our members ahead of the symposium. I hope you had the chance to review them and submit your feedback. If you did, thank you very much for your effort. If you did not, I hope you will participate all the more in the discussion.

We will show the feedback obtained so far to open the session, and I encourage you to share your views. If you are not representing an ISSA member firm, your views will be equally welcome, since outside views tend to uncover the blind spots.



As I mentioned earlier in connection with the OTC Derivatives Working Group, we need and want more member participation, particularly in topics which require highly specialized know-how. You know that ISSA does not have a permanent infrastructure, with the exception of a very lean Secretariat.

If ISSA is to remain relevant, we need to tap our members' inhouse resources more. This should help us to cover more ground and create more value for everyone more quickly. ISSA is as useful or as strong as our members choose it to be. The board needs your views to determine our future path of action.

If that sounds like a packed program for two days, yes it is. But you traveled here from all over the world and most of you miss a full week of work. We acknowledge that and we want to make your trip worth the while.

Apart from our official agenda, it has become a much valued tradition at ISSA to spend the last evening away from Wolfsberg. Please do join us on Thursday night to revive old personal relationships to your business partners and colleagues, and build new ones.

After Hours...



Join us for an evening out!



We took care of good food and entertainment. You provide the good company. We will be in an informal location, so please come dressed casually.

Well, so much for our outlook on the next two days.

ISSA 14



Enjoy your stay!



Ladies and gentlemen, dear colleagues, thank you for your attention and support. I wish all of us an inspiring symposium.
