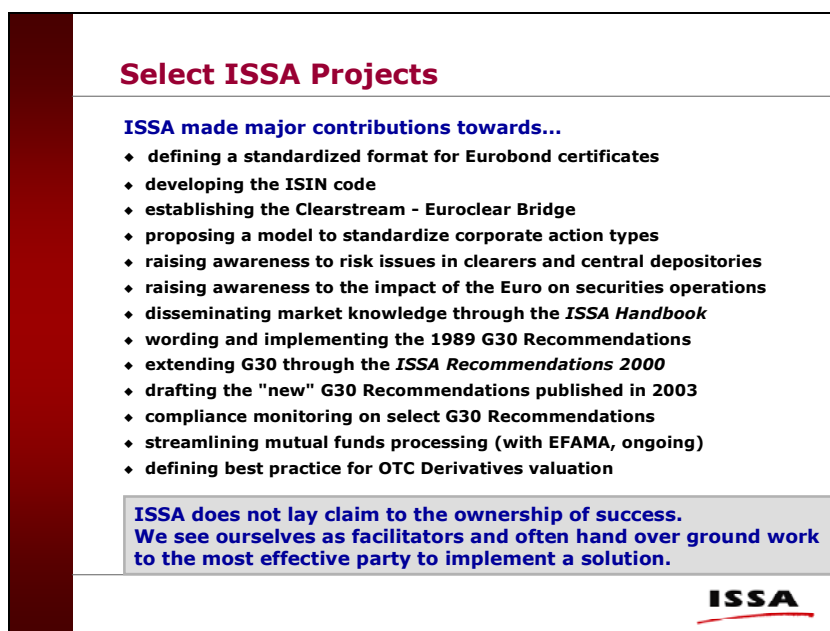


The devil takes the hindmost – or as we say in German: "the last one get's bitten by the dogs". There is little time left, and I therefore take the liberty of running through my presentation very quickly, skipping some slides, and I will just give you the essence.

We – in its executive board – have already for about 5-6 years discussed whether or not we still have a future. Particularly when Markus and the newer generation arrived on the board, that question was more heavily asked than in the past. That is why we actually decided to bombard you with a questionnaire. Luckily enough Sara followed up with all the people who did not reply, so that finally we got a response from about 50% which is not that bad compared to other surveys we did in ISSA, but it is actually bad considering that we really hoped to get a commitment to the organization from every member.

Let me quickly take a glimpse into the past. Since we have quite a number of newcomers in this symposium, I would like to cite just a few of the projects where ISSA left a footprint:



**Select ISSA Projects**

**ISSA made major contributions towards...**

- ◆ defining a standardized format for Eurobond certificates
- ◆ developing the ISIN code
- ◆ establishing the Clearstream - Euroclear Bridge
- ◆ proposing a model to standardize corporate action types
- ◆ raising awareness to risk issues in clearers and central depositories
- ◆ raising awareness to the impact of the Euro on securities operations
- ◆ disseminating market knowledge through the *ISSA Handbook*
- ◆ wording and implementing the 1989 G30 Recommendations
- ◆ extending G30 through the *ISSA Recommendations 2000*
- ◆ drafting the "new" G30 Recommendations published in 2003
- ◆ compliance monitoring on select G30 Recommendations
- ◆ streamlining mutual funds processing (with EFAMA, ongoing)
- ◆ defining best practice for OTC Derivatives valuation

**ISSA does not lay claim to the ownership of success. We see ourselves as facilitators and often hand over ground work to the most effective party to implement a solution.**

**ISSA**

If we start at the very beginning – and don't laugh at that – it was defining a standardized format for Eurobond certificates. That was one of the first achievements which was actually also contributed to by ISSA at the time.

Developing the ISIN code – who talks about ISIN codes today? Well, there are still nations that do not use them, if you look at the US for example. Or do you now know what it is at least? – You do, okay.

We could run through the whole list, but it is actually a choice of all initiatives we were involved in as ISSA, and where we really left a footprint.

Now, I am turning to the questionnaire.

The first question was: "What is the main benefit of an ISSA membership?" We have summarized the answers on the next slide:

### **Main Benefits of a Membership**

- **Members want ISSA as a platform to discuss strategic industry developments**
- **Unique networking opportunity for senior level people, across countries and value chain**
- **"To keep in touch" with the industry seems much more important than "to do actual work" to shape where the industry is going**
- **The combination of doing professional work in an informal style seems to create a distinct "ISSA flavor" which our members like**



In the next question by lean we mean HR-wise. You all know Peter who is basically working 80% for ISSA, as well as Sara and Hanna who work 100% of their part-time employment for ISSA, but that is basically a very lean approach, although we also get member help, of course.

### **Can the lean approach assure ISSA's relevance?**

- **Mixed feelings**
- **Many are satisfied but some clearly concerned about ISSA's ability to tackle the future without mobilizing additional resources**
- **Heavy dependance on committed individuals – what if they step down?**
- **Some calls for a more robust corporate structure, more frequent task forces, more frequent international seminars**
- **"User advisory board" to engage members more proactively**



These are just some of the statements we got back. The heavy dependence on committed individuals is worth noting. That is a big challenge, indeed. We could ask: What if they step down? Have we made the proper succession planning? For example, I think this is the first symposium where two board members are not present. I don't think this has happened before. Is this a sign of the times also that the agendas have become too cramped? Or do we try to have those people who probably have other priorities first and the industry associations' purposes only last?

### Deficits of ISSA's lean approach

- **Current ISSA governance does not guarantee its neutrality and openness**
- **Existing working groups not transparent enough – sort of private club**
- **More topics of interest to stock exchanges**
- **ISSA lacks visibility**



The first point here is understandable, because we have to see that the board only consists of global players; mainly global custodians, global asset managers and one or two global brokers, but no other representatives of the value chain.

I hope that on the second point, today we could at least give some transparency on the Fund Working Group and the OTC Derivatives Working Group, but we try of course always to disseminate the information, if there is something to be reported. We do however not want to issue newsletters with just blah, blah. We want to disseminate information when there is substance to report.

### Concrete proposals for eliminating the deficits

- **Members to take ownership of certain issues**
- **Align ISSA agenda with that of other industry organisations**
- **Force members to take on certain WG topics**
- **Online discussion forums, ISSA chat-rooms, etc.**
- **Involve emerging markets more often**
- **Go for increased Asian participation / involvement**
- **Merge with other Associations**
- **Make the Symposium an annual event**



With regard to point 4, I don't think that the senior representation ever go into a chat room at all, so – maybe the new generation is different..

*[Annotation: Did Urs realize that – just as he said that – a part of his audience was chatting to each other on their Blackberries right under his nose?]*

"Make the Symposium an annual event" – here I have to open a little line, because we actually decided in the board that we are not going to hold the Regional Meetings anymore (the next ones would have been next year). One of the reasons was the rather low participation we had in the last two Regional Meetings, the ones in Tokyo and in Monaco last year.

### ISSA's Diversity – strength or weakness ?

- **Almost unanimously considered a strength**
- **Keep in touch with global industry developments and with the key people**
- **Have discussions on a strategic level, macro not micro**
- **Many voices urge to be more specific despite our diversity**
- **We should not strive for reaching an agreed ISSA opinion**
- **Do not tilt further towards an infrastructure and old boys club!**



Some very pronounced language there..

In fact, because our agendas tend to be so diverse, we will never reach an agreement on certain issues. We might have reached it on designing the looks of a physical Eurobond at the time, because it was bugging everybody, but today the danger is that very soon you eat into the turf of somebody else, of your competitor or of your provider, and you may threaten their margins.

### Appropriateness of approach nowadays

- **Unanimous view: Approach still valuable and appropriate**
- **Many voices call for more visible and effective follow-up on results achieved**
- **ISSA should be more assertive and sell its results with more "noise" – blow the trumpet louder when we made a significant contribution to the greater good**




Well, sometimes you also can say you do good things and you may speak about it, but you may also be modest and hold back on praising yourself.

In the next two questions, we asked our members to prioritize the issues that we should address. The exact wording was: "Could ISSA involvement add value for members?" and would the member "commit resources to a working group?"

So, the first figure you see behind each item stands for "Yes, we think ISSA could add value" and the second figure reflects the number of members who stated "Yes, I would be willing to commit resources in a working group".

| <b>Member priorities &amp; commitment (1)</b>   |
|---|
| <p><b>Top 5 Priorities (Yes votes)</b></p> <ul style="list-style-type: none"> <li>• <b>Corporate actions harmonization and standardization (40 - 28)</b></li> <li>• <b>Operational risk reduction (39 - 25)</b></li> <li>• <b>Processing specific / complex instruments such as derivatives, mutual funds (39 - 17)</b></li> <li>• <b>Reference Data and Standards (38 - 19)</b></li> <li>• <b>General market knowledge and education, info on market trends (36 - 18)</b></li> </ul> <p>(Value of ISSA / Prepared to commit resources)</p> |
|    |

So, it is rather banal and down to earth actually what is considered to be the issues. Getting to the bottom priorities, we here listed the "No"-votes.

| <b>Member priorities &amp; commitment (2)</b>  |
|--|
| <p><b>Bottom 5 Priorities (No votes)</b></p> <ul style="list-style-type: none"> <li>• <b>Value added custody services (17 - 24)</b></li> <li>• <b>Tax processing (17 - 25)</b></li> <li>• <b>Investor protection (15 - 23)</b></li> <li>• <b>Substantial Shareholder Reporting (13 - 20)</b></li> <li>• <b>Focus on newly emerging markets (12 - 20)</b></li> </ul> <p>(No Value of ISSA / Not Prepared to commit resources)</p> |
|   |

For "value added custody services" 17 people said this is something they would not benefit from ISSA's involvement, and 24 said they would never commit resources on that topic. This is understandable, because our community is so split on these issues. Probably the CSDs are not too much interested in it, and the global players have developed the standards anyway. So what good is it, if ISSA works on it?

Tax processing: Finally, we have a working group on that. Therefore, in this respect we have a little diversion between where a majority wants us to be acting, and where we are actually doing some work..

In the last question we asked for member companies' top operational challenges, but here it is the total myriad you can have. Whatever company you look at, they have listed three totally different priorities. It stretches from talent retention, over risk, business continuity, to dematerialization, cost efficiency projects, .. You name it!

## Floor discussion

So that was a very short run-down of the feedback on the questionnaire of 50% of the membership. I don't know how many are here, that is why we want to open the discussion to all of you who are here today – with one exception: We agreed in the board that the board members will hold back on purpose in this discussion. They will not raise their voices or at least not in the beginning of the discussion, because it is our goal to give the members the possibility to express their wishes.

To start with, let me ask you a question: What would you or the industry miss – except the nice symposia and outings – if there was no ISSA? Would ISSA have to be invented or not?

### Mary Ann Callahan

I want to speak about the great debt that we as an industry owe to ISSA for the leadership on all the issues on that first slide that we or the industry have accomplished through ISSA. So would it have to be created if it didn't exist? – Yes, I think so, because we do not have many groups that cross the sector at least between CSDs and global custodians and try to give a really global view of industry issues and help us see the symmetries between the issues that we are perhaps facing regionally.

And, on behalf of ACSDA, the American CSD Association, we thank you very much for the mentorship that ISSA has given us as a group in our first ten years. You have been very good at setting an example of the kind of organization that we would like to be. So, I think on many levels we are very grateful from the old days of the ISSA Handbooks all the way up through now.

However, I do think that there are many more challenges for ISSA, and we heard about a lot of them today and yesterday. One view that I do have is that we put an awful lot of pressure on the secretariat to structure us and try to make us productive, and perhaps there is room for us all to play a bit more of a role in taking responsibility for the work effort. We found in ACSDA and CCP12 that if we expand the group to maybe ten and people have defined responsibilities for different initiatives – and we see this leadership already with the leaders of the working groups – maybe that constant discipline on the work would help us achieve things more quickly.

**Urs Stähli:** Thank you. Do we have any contrary views on that?

### Edouard-François de Lencquesaing

In the European political affairs there is a big subject about regulation, overregulation, self-regulation and so on. The market forces are very much against any kind of new regulation and over regulation. However, if on one side, we try to avoid too much regulation, it means that the industry needs to have some forums to address the market pressure, market discipline, market convergence and so on. If we abandon both sides, regulations and market forums, then there remains a dark hole.

I believe, ISSA plays a major role in this, even though there is no major deliverable. Just to share information – like the one we just received on Asia which was very interesting or on a common experience that we can have in Germany, in France and so on in any kind of subject – is already some value to the industry.

### Rob Edwards

My take-away from today is that the cost is 50, but it could be 15. But who is going to bring it down to 15?

### Urs Stähli

So, just listening to these three statements, it seems it does not matter that we do not appear loudly in the market, that we are not a lobbying group under the name of ISSA going after governments or whatever. That it is more like the farmer sowing the seed in the field, and that some of the plants start growing slowly as soon as you get home and report in your local constituencies what was discussed in ISSA.

I sense that it is not necessary that we make big shows like others or publish successes in the papers every week. Or do I misconceive that?

**Janet Wynn**

I don't think it is really necessary to make a big show as you say, however I think that if you are interested in an issue, it is important to engage with what else is going on in the industry. Maybe 15-20 years ago you may have been the only organization working on some of these issues, but at this point in time – particularly in the derivatives space – there is a lot of industry activity that is pretty far advanced. And as I believe they would really welcome your voice, because of the diversity of roles in the value chain here. That however means participating in what is going on in the industry, not turning aside and working on a paper on your own.

**Martin Brennan**

Urs, I just have one comment aside from all the things that Mary Ann has quite rightly said. I find this cross-section of stakeholders has one thing that is conspicuous by its absence and that is the executing broker side. When I look across, we have got fund managers, we have custodians, CSDs.. But in terms of operational risk and processing of securities, some of the major broker firms are not present in this room, and I don't know: is that their choice or the board's decision?

**Urs Stähli**

It is actually their choice. We have tried numerous times. But we actually have two big brokers: Nomura who is not represented this time and we had Morgan Stanley where we have no replacement for Judy Smith yet. Then, I must say we did not succeed in convincing the typical investment banking community to join. We were luckier on the asset manager side. On the other hand we can say that some of the global players are broker-dealers as well, but to be honest we have not always taken care of the interests of our investment banks.

In that respect: Would it help in your opinion if we were to expand the disciplines, go beyond the brokerage side, go more into exchanges, into alternative trading places as members or not? Is the coverage a deficit? Should we even enlarge it?

[*Silence*] – No opinions?

Then let me ask you differently: Is the board too remote from the basis? As I said before, we have been asking ourselves for a couple of years already whether or not we have a purpose. If I listen now, the tenor is in favor of continuing, but are we doing enough in order to be relevant for the market? What can we do more than what we do now?

**Jacques-Philippe Marson**

Let me take a shot at this and make a few comments. First, we have to be consistent with what we say. If we want to be macro, we cannot be micro or get into details. I think we should put in place working groups to work actual solutions.

If we look back at the history of ISSA, it is a success. ISSA is a brand name which is recognized, and I think we should not hide the fact that ISSA was at the origin of the first G30 Recommendations and actually was the brain behind the second set of recommendations and is very much behind the Giovannini work. I think that over the past 30 years since the world has gone more cross-border the people in this room have addressed a set of issues which seem to be now under control, but we should now be moving into other territories.

I would disagree with the fact that the broker-dealer community is not well represented, because I guess Neeraj Sahai, myself and a few others could claim to represent that community with legitimacy. I believe we are still weak on the buy-side. I think we could put an emphasis on the automation required at the buy-side level from the whole chain and from the whole set of instruments these institutions are dealing. We could be a form of discussion forum for streamlining some of the legal structures for distribution on a global basis. We could and should be a voice in the transatlantic dialogue between the US and Europe.

And let's not forget that ISSA is a brand name, that if you write to the Group of Thirty or to official regulators, you get an answer. So, I think we need to build on the franchise. We need to integrate some of the intelligence which exists in other associations. Bringing all those issues to the table for discussion and just all of us sharing information on those important topics is great value. Remember when John Gubert asked who knew about FPP? – I think that the 100 people in this room will go back home knowing that it is a passport for funds and perhaps will invite their own organizations to work with it. The discussions that took place these last two days were worth being here. We should not be too modest about the fact that the organization brings value.

**Andrew Douglas**

Just to pick up on a point that Edouard made earlier which had not really occurred to me, but is actually a very important thing: Certainly from a European perspective, this is one of the few meeting places that I can think of that is *not* actually moderated by some sort of regulatory authority. So it's actually one of the few areas where we as the actual participants in the industry can get together to talk about the problems. And looking at the list of things that ISSA has been responsible for kicking off, if those had not been kicked off, how many of those would have become part of some punitive legislation by the authorities? We are all at the moment suffering from the amount of legislation, because there is a perception that we aren't working together coherently as an industry to move the industry forward. Maybe that is a role that ISSA can play in terms of trying to turn down the volume on the amount of regulation that the authorities feel is necessary to impose.

**Markus Ruetimann**

When I joined ISSA 2½ years ago, I was rather skeptical. It sort of felt initially like Jurassic Park, episode 7, but I was wrong. This is not about Hollywood, although you need a director, you need a crew, you need actors and you need critics – and I think we have a lot of critics which actually kept this organization sane. I am a member of many other organizations where the only achievement basically is hot air.

I see the future of ISSA very much about influence, shape, react and direct. We should not have a score board like in football where we say it was 1:0 for us, or we lost a game, etc. There will be tangible benefits, there is no doubt, but it is perfectly acceptable to have non-tangible benefits. In a way we should be a clearing house for intelligence, common sense, change and debate. I cannot think of any other association where I could cover the spectrum, not only of those functions of disciplines described but also geographically.

Therefore, my suggestion would be to consider expanding the membership temporarily or permanently to involve perhaps more institutional clients, some – are I say it? – reasonable regulators, and perhaps even more controversial, people who come from the area of technology. Because technology clearly is something that is not just reactive to our needs, but also often is ahead of us in terms of what should change and how we should commoditize.

The second suggestion I would have is that we spend some money to actually support the ISSA team. The team is fantastic and does quite a lot of work, but I mean having along the line of a Secretary General a person to continuously interact with markets, regulators, institutional clients to bring the association to the community. By doing that I would hope you would get more engagement, more commitment, more influence and more debate. If we achieve that, then I think it is more than worth the money, our time and all the other things which we clearly have in terms of interaction.

So, my vote now would be for continuation indeed, investing more in the resources.

**Martin Brennan**

I think the focus is in the right area. OTC Derivatives and funds are areas of incredible inefficiencies and risk. I also agree with Markus that influencing in the right areas is the most important thing to do, and that can maybe be done by sharing partnering with other trade associations and industry organizations. I spend a lot of time in Brussels, and they continuously say to me that there are far too many trade associations in Europe and that the views of the market are heavily fragmented. But I think there has been quite a bit of success over the last couple of years if you look at the MiFID project for example. A lot of trade groups formed together so that they presented a unified view to the regulators. That was somewhat successful, certainly more successful than if they all had been saying their own thing. So, if you want more broker-dealer interaction – and they are not great at joining things, they are clannish, they stick together – the LIBA group in London, I think is the forum where you get that influence and that contact. Cooperation with ISDA in the derivatives market is absolutely vital probably, and there is a hedge fund association, the AIMA, which is the nearest thing to a hedge fund organization where you can reach that community. I think in the expansion of membership area probably the most productive area would be the hedge fund and fund administrators. They are in the situation that the Eurobond market was in 30 years ago. They are running like crazy just to stand still, because of the lack of standards and automation and operational procedures. That is where I would look for more expansion in membership.

**Urs Stähli**

So I take it, that generally we would have to beef up resources, but it would also mean, in my opinion, that in the traditional ISSA way, we could also engage the members for that. It does not necessarily need to be the corporate center of ISSA running all those activities, but like ambassadors the members could take that role in their home turfs, because they are much closer anyway.

**Frederic Hannequart**

I am not so sure that beefing up central resources is the right way to go.

ISSA should focus on issues that are strategic to the well functioning of the market, and high level enough. Going lower into detail or into too "mundane" issues would quite quickly bring to the forefront differences of view due to the individual member firms' positioning or functioning, and hence prevent to act for the greater benefit of the market. In view of that, I am not sure ISSA itself needs higher staffing or resources or a 100% resource selling the voice of ISSA. The achievements so far show that we know what to do!

**Urs Stähli**

Okay, we conclude here. I am not going to comment the opinions mentioned, because the board members did listen very carefully, and we definitively are going to discuss many of these ideas.

With that I hand over to Josef.

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