Ladies and gentlemen, dear colleagues,

Good morning and welcome to our Asia-Pacific ISSA meeting. This is the second of two regional events we are setting up for our members and guests this year. In April, we met with our European colleagues in Budapest.

I am confident that last night's welcome dinner made everyone feel comfortable. We always see our pre-conference dinner as an opportunity to build personal bridges, and to exchange thoughts on issues that extend beyond the horizon of our daily routines.

The more we communicate electronically with the whole world, the more important it is to maintain personal contacts, and to make new ones. The occasion should not always be a business negotiation. This is something we value in ISSA and we intend to keep it that way.

Responding to members' suggestions, ISSA started convening regional meetings exactly ten years ago. The first one took place at our home base in Zurich, in 1995. We had 27 participants from 7 countries.

Today's meeting, which could well be considered an unofficial anniversary, attracted more than 70 participants. They represent 13 countries.

For the benefit of our guests, ISSA's full membership currently stands at 96 leading financial institutions in 47 countries around the world.

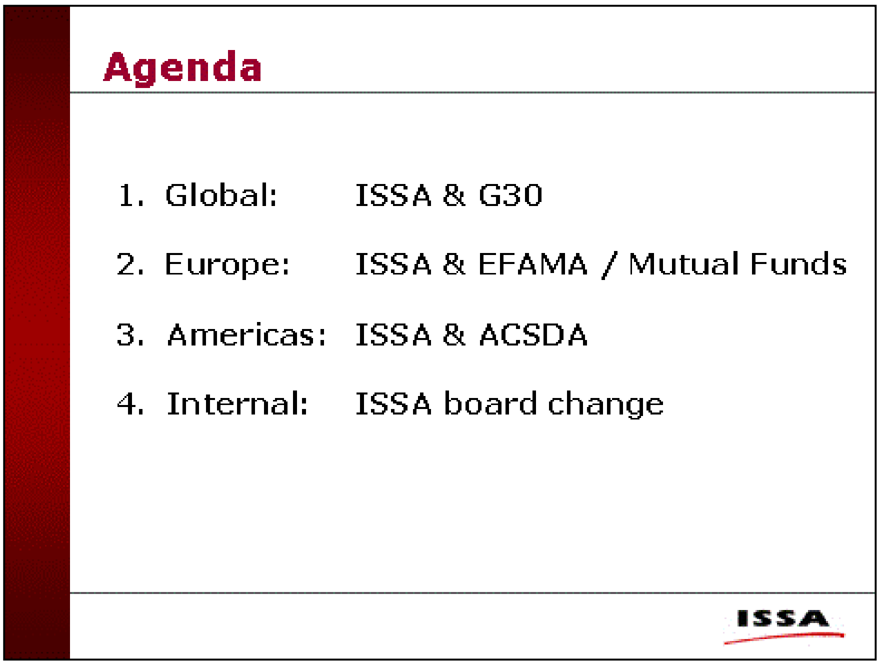
I am particularly pleased to note that, for the first time ever, we have our member delegates from Indonesia. We also have guests from China who not only accepted our invitation, but who also agreed to contribute actively to our agenda. A very warm welcome to you!

The opportunity to meet in Seoul is another "first" for ISSA. Before we dive into business, let me therefore thank Mr Chung and the management of KSD for having invited us to Korea and for hosting today's meeting.

Rob Edwards of Standard Chartered Bank, and Charlie Savage of HSBC, have been of tremendous help with arranging first contacts to some of today's speakers. We are very grateful for your personal support!

And of course, special thanks must go to Helen Chai at KSD. For several months, as our meeting was prepared, she has been acting as a local member of our ISSA secretariat. She and her team did an outstanding job in selecting this venue, they took care of all the organizational details to make last night enjoyable, and they set up the perfect framework for today. It is now our responsibility to fill the frame with substance. Again, and also on behalf of my board colleagues and my secretariat staff, "Thank you" to our hosts!

This session is entitled "ISSA information items". There are updates in four areas I would like to share with you:



ISSA's agenda for 2005 has two focal points: First, our ongoing involvement with the Group of Thirty, which is of global scope.

Second, a growing exposure to mutual funds processing issues. For the moment, this is a bit more centered on Europe.

Both topics were on the agenda of our European regional meeting in Budapest. In addition, we addressed issues of particular relevance to our Central and Eastern European members. In the interest of time, I am leaving those aside.

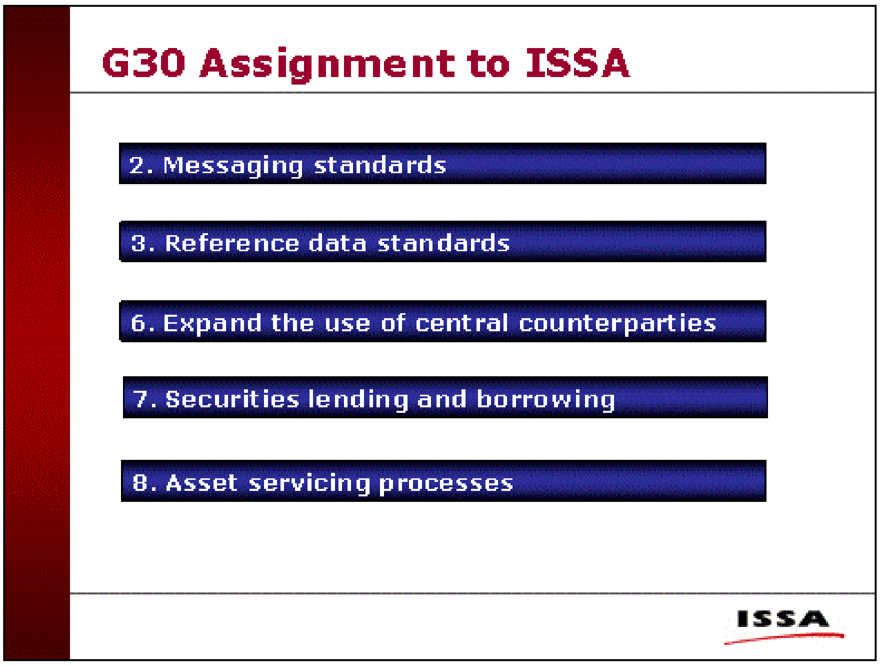
In spring, ISSA participated in the annual general assembly of the Americas Central Depository Association in Santiago de Chile.

I would like to share some impressions from our involvement with our colleagues in Latin America.

And last but by no means least, we have a change to announce in the circle of our association's sponsoring firms and board members.

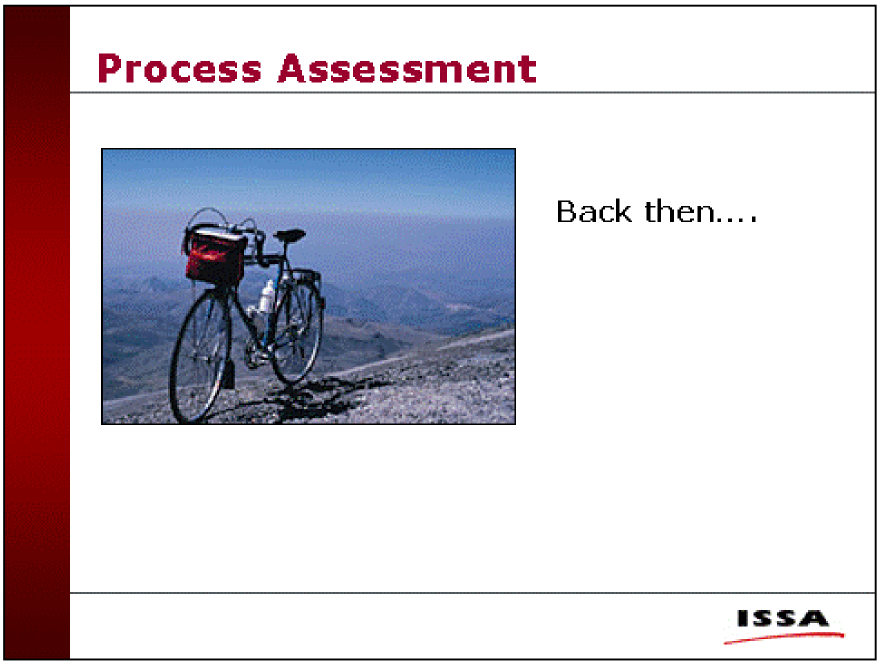
ISSA and G30

I assume you know that ISSA is one of the industry bodies appointed by the Group of Thirty to assist with monitoring and expediting progress in the areas addressed by G30.



From among the set of 20 recommendations, five were entrusted to ISSA as the lead organization. You see them highlighted here.

Before I report on the specific recommendations assigned to ISSA for follow-up, let me share a quick assessment of how ISSA has experienced the overall process to date.



The "new" G30 recommendations were published in early 2003. Very obviously, the whole exercise is proceeding at a slower speed than planned and expected.

ISSA was very closely involved with the first set of G30 recommendations that were published in 1989. If you were in the securities industry at that time, you will have noted that it is much harder now to rally the industry behind G30, than it was in 1989.

The wake-up call to the industry may be as loud as the first one was.

But the caller is not shouting into peaceful silence anymore.

Today, he is competing against a dense layer of steady background noise.

To be more precise: The 1989 recommendations were the first globally coordinated initiative ever in the securities clearing and settlement world. Looking back on the last two years, it seems that the new recommendations were perceived as one initiative amongst many. They fell into a time which saw a growing *typhoon* of best practice recommendations, suggested operating standards, and new compliance requirements, beyond securities clearing and custody. Think of Basel II, or control standards imposed by the Sarbanes Oxley Act on most firms doing business in the US. Or business continuity concerns in the wake of 9/11 or SARS.

And what is the natural reaction if you see a typhoon coming your way? "Run if you can!"

A number of regional and specialist trade groups we had invited to become ISSA's partners in addressing G30 tasks, chose to run. At least, they showed little active interest in joining hands and meet the tasks with combined forces.

We note that in the Asia-Pacific Region, the commitment to do G30 related research was greater than in Europe. The reasons for its relatively lower priority in Europe are quite clear: European institutions are particularly burdened with market infrastructure projects, with calls to support study groups and information gathering requests of all sorts. Broadly, there are two types of initiatives currently in Europe that enjoy highest attention and absorb most of the scarce resources:

First, market integration initiatives with a regulatory background. There is the threat of European regulators enforcing changes on the market, if the industry does not move on its own - and quickly - towards a single capital market. The political leaders in Europe pursue the vision of an integrated, borderless internal marketplace for all economic sectors throughout the European Union. A unified capital market, supported by seamless securities clearing and settlement, is one small but important piece of that greater picture.

Second, securities business harmonization efforts driven by commercial motives - such as those among the stock exchanges belonging to the Euronext group in the Western part of Europe, or the OMX group markets in Northern Europe.

On the settlement level, the same applies to the subsidiaries of the Euroclear group, or the Nordic CSD group in Scandinavia. Their primary concern is not business harmonisation per se, but to reduce market complexity, which in turn reduces the complexity and therefore the cost of converging IT platforms. The end result will be the same, but the motivation to take action is different.

Coming back to G30, another reason for delays was in the scope of the recommendations. A better understanding and agreement was required in many cases as to what exactly should be examined, at what level of detail, for what purpose, what realistic targets were and who would have the clout to induce change. The benefits of the recommendations can only be achieved if the high level objectives are broken down into very concrete action steps that are agreed by those affected by change. I will come back on this issue.

However, there *is* progress to report on several fronts. Let me update you on the five recommendations where ISSA is involved directly or indirectly:

Recommendation 2 says that markets should harmonise messaging standards and communications protocols. For all practical purposes, it is a call to use ISO, respectively SWIFT standards for all securities related communication. This recommendation can easily be enforced by SWIFT - but of course only on the users of the SWIFT network. Many securities industry participants are part of the asset servicing chain, but they are not SWIFT users. Just think of the issuers and how they distribute corporate action data, for example. In last month's SIBOS conference in Copenhagen, SWIFT announced an intention to open up the network to certain corporate users. However, it will be a long time before we will see them participating in securities-related message traffic.

The key to achieve progress on this recommendation is in Europe.

An expert group mandated by the European Commission – known as the Giovannini Group – identified the lack of harmonized technology interfaces across the European Union as one of the major obstacles on the road towards pan-European securities clearing and settlement. The problems raised by the Giovannini Group are essentially the same as those addressed in G30 Recommendation 2.

Last year, the Giovannini Group appointed SWIFT to draft a proposal for a common IT communication protocol for Europe. A first proposal was put out in January for public comment. ISSA commented as well. Our feedback emphasized two points:

- The need to design a solution that is widely accepted by the market,
- and the need for a solution that looks beyond Europe and indeed fits into a globally open architecture.

The SWIFT proposal was about 20 pages long. About 80 comments from European and non-European market players were received. We heard that the analysis of all replies filled 180 pages! SWIFT then convened a small group of industry experts to deal with contradictions and issues where no conclusive way forward was visible. ISSA participated very actively in that task force. It concluded its work just a few days ago. The next steps are now to prepare a revised proposal, put that out once more for public comment, and arrive at the definite blue print, ready for implementation, in March 2006. The experts believe that realistically, a time window of five years is required to close all gaps and finally reach the goal, namely the European Communication Protocol.

The important aspect for the G30 process is this: We believe that a solution designed to meet the needs of 25 diverse European markets, and hopefully proven to work by 2011, should be good enough to be extended to the rest of the world and eventually meet the goal of Recommendation 2 on a global scale.

This recommendation also demonstrates that, even with professional leadership and highly committed industry participation, substantial progress in market-wide projects does not happen over night.

Recommendation 3 states that the securities industry should implement reference data standards that meet the needs of all market participants, for all relevant areas, and this should be done quickly and for a fair price. It sounds simple and obvious. In reality, it is the least clearly defined and most complex of the twenty recommendations.

The task is like asking a single person to turn a large piece of tropical jungle into a vegetable garden without the help of efficient machinery. Where do you start? What are your priorities? How do you make sure that by the time you reach the end of the field, half of the cleared area is not already overgrown again by a new generation of weeds?

The problem is not achieving more efficiency in local markets. Those generally are efficient. It is in reaching global agreement on what exactly should be achieved in the vast area of reference data beyond

ISIN, BIC and ISO 15022. But sending out tons of questionnaires to market participants around the world is not the way to go. We have opted for a different approach:

Deutsche Börse with Clearstream, the Euroclear group, DTCC with Omgeo and SWIFT together handle around 75% of the world's securities related message traffic. Taken as a group, they maintain connections into almost every country where cross-border investors operate.

Under the leadership of John Gubert, those key institutions were invited to identify areas where they could agree on standards convergence.

We asked them to suggest areas where existing standards are different for no pressing reason and therefore alignment should be possible rather easily.

And secondly, they were asked to identify areas where they believe that global standards have no chance.

Reaching an agreement among those key players would have a catalytic effect on the whole securities industry. And if that group of key operators finds no common ground, we better leave the arena for a long time.

As I mentioned before, high level objectives must be broken down into very concrete action steps, otherwise even the best of intentions will not come through.

A first agreement in this difficult area has indeed been reached: Euroclear, Clearstream and SWIFT jointly support a rapid implementation of ISO standard 19312 which is in an advanced stage of development. In essence, that standard covers data fields necessary to categorize financial instruments, and to process all corporate actions that may occur during the lifecycle of a financial instrument.

Recommendations 6, 7 and 8 are the areas where ISSA provided market data to G30 last year. We covered the markets requested by G30 and used the questionnaires prescribed by G30.

The G30 office published an interim report in April. It noted that global progress has been achieved on several fronts, but mainly as a result of domestic market activity and less in areas where international coordinated action was expected.

However, those conclusions were based on an examination of 15 countries. The question has been rightly asked: Why were tiny markets like Belgium or Luxembourg considered key markets of global importance

- we are not talking about Euroclear and Clearstream here - but not for instance Brazil, South Africa, India or China? Nobody seems to know the answer.

ISSA has members in 47 countries, and we wanted to hear their voices, too. We launched an internet-based member survey in July. We took the liberty to simplify or replace the original G30 questionnaires, because we wanted to minimize the burden on our members and at the same time generate more value where we believe that real information gaps exist.

The target deadline for feedback has just lapsed. Feedback is still below our expectations. If you received our invitation but did not find the time to reply yet, I would encourage you to do as soon as possible. Every interested party is invited to participate, whether or not they are an ISSA member.

With regard to Recommendation 6 on central counterparties: Our assessment is that the 2004 CPSS-IOSCO standards for central counterparties will become the global benchmark. They did not exist yet when the G30 Recommendations were released. Clearly, the relevance of Recommendation 6 has changed.

With regard to recommendation 7 on securities lending: G30 came to the conclusion that securities lending is in place in all major markets. However, we believe it is worthwhile to dig a little bit deeper and address impediments where they still exist. For instance, there are markets where foreign investors are not allowed to participate in lending and borrowing, and therefore there may be gaps in an optimal fails management process. We will hear more about this later today and I am grateful that PASLA agreed to share their expertise.

Lastly, there are news with regard to the withholding tax aspects of Recommendation 8.

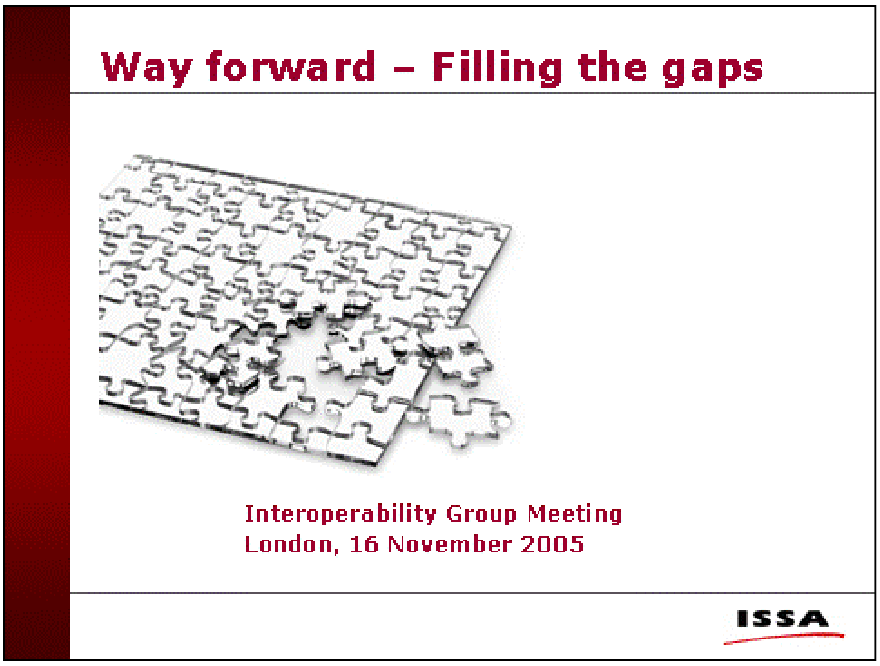
Among other things, Recommendation 8 calls for the automation and standardisation of tax relief arrangements. A proposal meeting all G30 criteria was introduced by JPMorgan Chase in the beginning of this year. It is an easy to read document, available from the ISSA website.

ISSA was pleased to be the first industry body who received it for circulation among our members. The proposal follows a very pragmatic approach. It builds on existing practices used in a number of countries. It is based on the concept that optimal tax relief should be available at source, but it takes into consideration that not all countries can disclose beneficial ownership details to foreign authorities. ISSA endorses the concept although a few amendments will be necessary.

I am pleased to inform you that the proposal has meanwhile caught the attention of the European Union Fiscal Compliance Experts' Group (FISCO), the British Bankers Association, the European Securities Forum and the Association of Global Custodians.

To date, we have no feedback yet from the Asia Pacific region.

I would like to encourage you to make your own inhouse tax experts aware of the proposal. And please do share their comments either with the ISSA Secretariat or with the study's principal author directly. We plan to use all comments received within this year as a basis for an improved second version. We need to be comfortable that we have a proper mandate from the industry before the next step can be taken, which is to formally approach select tax authorities.



What is the way forward with the overall G30 process?

Clearly, more concerted effort is needed to move from fact finding and status monitoring to actually filling the gaps. The G30 Executive Committee is aware of this. Their proposed approach is to adopt and extend the same process ISSA has been using for the reference data issues.

A group of key industry associations and individual market players will meet on November 16 in London. They will explore how to carry forward the very challenging portions of the full G30 package which require industry-wide cooperation and interoperability - essentially recommendations 1, 2 3, and 8. Again, breaking down the large chunks into digestible bites.

Once defined and agreed, the priorities and necessary actions will then have to be pursued by dedicated task forces whose members are expected to implement them in their organizations.

ISSA is looking forward to participating in that steering group. We are fully committed to keep playing a key role throughout the process.

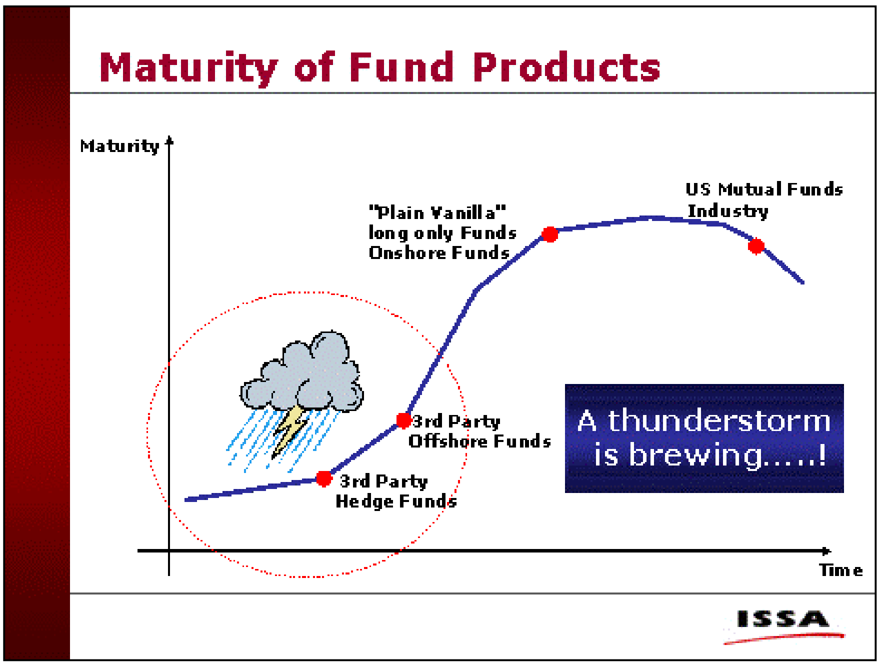
Lets now leave the topic of G30!

Mutual Funds

The world of mutual and hedge funds processing may not be the biggest concern for many markets, but it is most certainly one for all major custodians in Europe.

The market in exotic and offshore - or should I use a more politically correct term "non-standard" funds continues to rise in popularity. So do the processing risks, the exceptions, the inefficiencies. The compliance burden related to fund subscriptions has reached a level that becomes unbearable for custodians.

If you attended our last ISSA Symposium, you will remember a call on ISSA to help bringing funds transactions more in line with established settlement standards, as we have them in the equity markets.



The current weather forecast for the European funds landscape looks like this: We are still near the bottom of the curve, but we see a steep rise of transaction volumes in complex fund products coming our way. A thunderstorm is brewing!

Last April, ISSA convened around 20 large asset managers, custodians exposed to cross-border funds business, SWIFT, Euroclear and Clearstream in London. We tried to identify useful action steps allowing us to withstand the thunderstorm. This is an example for the role we see as ISSA's particular strength: To bring the whole processing chain for a product to a table, and to discuss problems and realistic approaches in the absence of commercial sales pitches.

In that roundtable, two schools of thought became apparent: In one camp those who would like to <u>automate today's fragmented funds processing landscape</u>, with ISO 20022 being the preferred communication standard. In the other camp, those who <u>question today's retail investor-oriented business model</u>. They see mutual fund shares much in the same way as equity shares and they would like to settle them in the same infrastructures we all use to settle our stock exchange trades.

Shortly after the workshop, we initiated a dialogue with EFAMA, the European Fund and Asset Management Association. EFAMA recently published a set of recommendations which aim at realizing efficiency gains in the <u>existing</u> funds order placement and settlement process. Good timing, as far as we were concerned! ISSA agreed to assist EFAMA by spreading their proposal beyond their own association's reach and inviting ISSA member feedback.

But we took the opportunity to ask our members what they think of aiming higher and moving towards a <u>changed</u> business model for funds. A recent announcement by the stock exchanges of Shanghai and Shenzen shows that new ways are indeed possible: The two exchanges are launching a service where investors can use the trading system to subscribe and redeem open-ended funds. Settlement and safekeeping is centralized in Chinaclear. The service is set up as an investor-friendly alternative to maintaining individual relationships with fund issuers or their distribution agents. Our vision would be a process along these lines, extended to include all European markets.

Funds settlement was on the agenda in our European regional meeting in Budapest in April. ISSA was again encouraged to make its network of experts available to expedite progress. Research and discussion will continue and we plan to make this a key topic of next year's ISSA symposium.

ISSA 13, by the way, will take place June 6-9, 2006, as always at Wolfsberg in Switzerland. Please mark the dates in your agendas.

Participation in ACSDA

In order not to leave out the Americas from our update, a brief word on this year's ACSDA conference. Our members know that we organize our own regional meetings in Europe and in Asia, but longer in the Americas. Most of our members on the American continent are CSDs. This is why we joined hands with ACSDA - the American CSD Association - a few years ago and have been contributing to their annual general assembly ever since.

Our informal joint venture has proven successful for both sides.

For us, it opens direct communication lines to all CSDs and stock exchanges in Latin America. With a few exceptions, they seldom participate in conferences outside of their home region.

The ACSDA members see *their* benefit in the fact that we can facilitate comparisons between their markets and other world regions. We can also help to arrange contacts in Europe or Asia where this is helpful. Perhaps most appreciated in the ACSDA community, we can often explain the background behind the needs, misunderstandings or complaints they receive from foreign investors who enter the Latin American markets. Such discussions are always educational for both sides.

This year's ACSDA conference took place in Santiago de Chile in March. ISSA's contribution was in three areas:

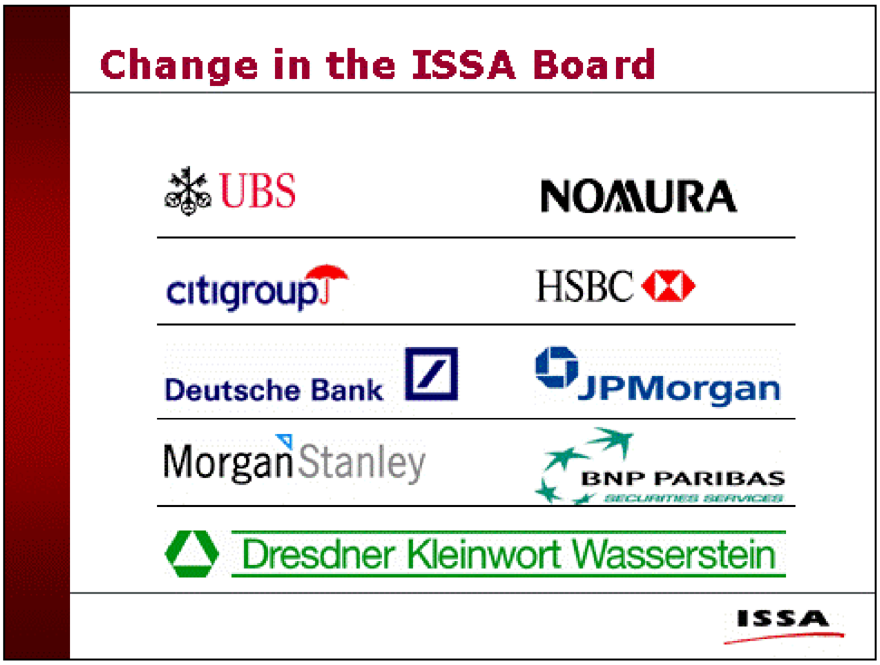
First, a general update on ISSA's recent activities, much like this one.

Second, we were invited to give an overview on the state of the European market integration. Somewhat surprisingly for us, this topic is of great interest in Latin America. The region would like to create an integrated capital market, too. Their primary motivation is however not a political one like in Europe. Rather, they would like to attract those equity trading volumes, which are now traded in New York in the form of American Depository Receipts, back to their home turf. To be successful, they need a liquid and attractive cross-border trading platform.

Several operational models are being discussed with Mexico and Brazil in the driving seat, but the project is still in an early stage and progress is slow. Nevertheless, the experiences we make in Europe with all the tricky issues of regulatory and operational convergence, are valuable lessons for our American colleagues.

The third information block from ISSA was a roundup of current industry initiatives in the US, in the area of Straight Through Processing, corporate action streamlining, and how the US securities industry has to cope with ever more stringent regulatory and compliance burdens, imposed by its own regulator. I was rather glad that those comments were delivered by an American ISSA board member, namely by Judy Smith from Morgan Stanley…

Change in the Board

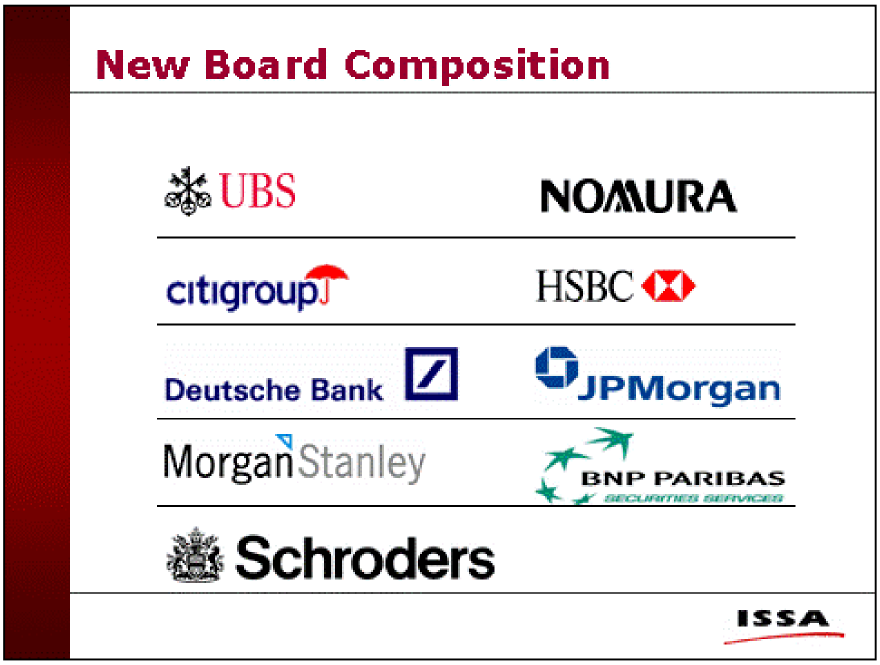


This brings me to my last point. There is a change to announce in the composition of the circle of our sponsoring members, and therefore in our Executive Board.

You may remember that, in mid-2004, Dresdner Bank withdrew from the board because it had sold its institutional custody business to Deutsche Bank. The Dresdner Bank sponsorship was taken up by the group's investment banking division, Dresdner Kleinwort Wasserstein. However, Dresdner Kleinwort soon notified us that they wanted to continue participating in ISSA, but without the additional commitment required of a sponsoring member. This is the bad news.

In independence from this development and for quite some time – in any case long before a closer involvement with mutual funds was even planned - our executive board has had the desire to win over more asset managers for an ISSA membership and, ideally, have that important function represented on our board as well. And here is the good news:

I am happy to announce that, as of today, Schroder Investment Management Limited is joining the circle of ISSA sponsor firms. The timing could not have been better. Schroders will be represented on our board by Markus Ruetimann, Chief Operating Officer. I am sure Markus is known to many of you and we are very happy that he accepted our invitation. Markus is based in London. He could not attend this meeting but – and I am equally pleased about this – we already benefit from Schroders' active support this afternoon in our session with a panel of leading asset managers.



Ladies and gentlemen, I now hand over to Mr Yoo, to guide you further through today's program. Today's success depends not only on our speakers, but on *your* active participation as well. Please *do* use the opportunities to ask questions, and do not hesitate to make your opinion heard.

I am looking forward to an exciting day.

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