Dear ISSA Members and interested parties,

At its last meeting the ISSA Board nominated a Program Committee among its members supporting the ISSA CEO Office to prepare the 19th ISSA Symposium taking place in May 2018. We are pleased to inform our community about the key themes making up the agenda. Not surprisingly, «Cyber Security», «Distributed Ledger Technology» and «Robotics/Artificial Intelligence» are focal topics. As in the past, senior experts will enrich our event with their thoughts and they will be part of attractive breakout sessions. We are now in the process of initiating the detailed work and we are grateful that we can count again on the expertise from the ISSA community.

In this Newsletter you will find two special contributions confirming our selection of themes for the next Symposium:

- **Regarding «Cyber Security»**, Javier Pérez-Tasso, SWIFT and ISSA Board Member, presents SWIFT’s Customer Security Program and its related mutually reinforcing areas affecting all SWIFT users. As Cyber Security is a big industry challenge for all of us, the ISSA Board launched a pre-working group to evaluate areas where ISSA is the right organization to be engaged to work on specific issues. We will inform in our next Newsletter in more detail about the scope and milestones agreed and the opportunity how ISSA Members can be involved.

- **Concerning «Distributed Ledger Technology»**, five innovative CSDs have finalized what could be the blueprint for enhancing the process in the area of electronic voting to be used at corporations’ general meetings. It is a practical case how this technology can be used in our industry.

Furthermore, updates on the four active ISSA Working Groups are part of this Newsletter. They provide relevant information about milestones achieved and planned next steps. In order to obtain information on the latest progress, we encourage you to regularly visit the ISSA Homepage.

We hope you enjoy reading this edition and as always you are most welcome to send us your feedback as well as recommendations about topics you may wish to be addressed.

We take this opportunity to wish you all a nice summer holiday season where you can enjoy a well-deserved break.

With best personal regards,

CEO Office
Community Collaboration and the Fight Against Cybercrime

The cyber threat landscape is ever more sophisticated and persistent across the global community. SWIFT launched its Customer Security Programme (CSP) in May 2016 as part of a strategic, community-wide response to evolving cyber security threats and specific cyber incidents affecting member banks.

The CSP focuses on three mutually reinforcing areas: 1) the need for any SWIFT member institution to secure and protect their own environment; 2) the importance of managing relationships with your counterparts; and 3) the need for financial institutions to share information within the SWIFT community about (potential) threats.

Over the past year the programme has made strong progress in supporting members in all three areas. It makes it easier for banks to secure their environments by bolstering cyber protection within core products. In addition to making logical security more robust, a key pillar of the programme is the introduction of a Customer Security Controls Framework which creates a security baseline for the whole financial community.

Healthy paranoia is essential in the fight against cyber, so as well as encouraging financial institutions to secure their own local operating environments, it’s also essential to be prepared for the eventuality that a counterparty may be breached. In this context, the CSP introduces new community anti-fraud tools such as Daily Validation Reports as well as a new Payments Controls service to allow users to spot and investigate any unusual activity in their SWIFT messaging flows.

Remaining a step ahead of cyber criminals is an ongoing challenge and there is no doubt that the community is stronger if it works together in this regard. Information sharing is being spearheaded by SWIFT’s new Information Sharing and Analysis Centre, a secure portal that shares intelligence bulletins and other cyber security related information that is already having a material impact.

Governance Update

We are pleased to inform about the following change in the ISSA Operating Committee:

In July 2017 Juliette Kennel was appointed as SWIFT’s new representative succeeding Fabian Vandenreydt.

New Member

In June 2017 Banco Bilbao Vizcaya Argentaria (BBVA) Spain joined ISSA.

We welcome this organization and are looking forward to a mutually fruitful relationship.

Board of ISSA

Javier Pérez-Tasso
Chief Executive
Americas, UK, Ireland
and Nordics SWIFT /
ISSA Board Member

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One year on from the introduction of the CSP, there are also clear signs of increased awareness and action on the fundamental security hygiene measures necessary to secure customers’ local environments. There is still much to be done as cybercrime is a challenge that’s here to stay. But there is no doubt that community collaboration is taking the industry a step forward in the fight against cybercrime.

Further information can be obtained [here](#).

**AMEDA – A Snapshot**

Given the interoperability of financial markets and the very nature of Central Securities Depositories (CSDs), it is only inevitable that they come together to share their experiences so that they can apply lessons learnt in their own jurisdictions.

The Africa and Middle East Depositories Association (AMEDA) is one example of a number of regional CSD Associations that exist, sharing knowledge and jointly fostering a spirit of cooperation, reciprocity and harmony among members, to achieve objectives it determines from time-to-time.

Since its establishment in April 2005, AMEDA has grown from seven members to thirty-five members from twenty-nine countries in 2017, with Thomas Murray and SWIFT as consultants to the Association.

AMEDA's goal is to support local markets in their efforts to adopt securities market regulations, while considering their specific circumstances and to serve as a dialogue channel with other organizations worldwide. AMEDA uses its general meetings to achieve this goal. During its 2017 Meeting in Cape Town, South Africa, its members were enlightened by expert presentations on cyber security, collateral management and the disruptive technologies coming to the fore. As an association, it has embraced learning about big data, robotics and distributed ledger technology / blockchain so that its members can explore opportunities and embrace new technologies that could provide further value to their respective financial markets.

During its short life, AMEDA has facilitated training for its members, introducing new systems and addressing risks in the clearing and settlement process. Milestones of the association include its inaugural Leadership Forum in Alexandria in 2009, which was then succeeded by hosting the CSD11 Conference in Cape Town, South Africa. In cooperation with Thomas Murray, AMEDA concluded also its Members Profile Benchmarking Study in 2015 and now, AMEDA intends to host the WFC2019 in Tangier, Morocco in 2019.

More details are available [here](#).

**Electronic Proxy Voting using Distributed Ledger Technology**

A dedicated Working Group comprising some of the world’s innovative Central Securities Depositories - Chile's DCV, Nordic's Nasdaq, Russia’s NSD, Switzerland’s SIX Securities Services, South Africa’s Strate together with SWIFT - have finalised what could be the blueprint to an industry-wide accepted standard for an electronic voting solution using Distributed Ledger Technology (DLT) to manage corporations' general meetings.

The envisaged solution will respond to many of today’s shareholder and issuer frustrations by eliminating the current manual processes that are prone to errors and the limits which shareholders face when exercising their...
voting rights without attending an actual meeting. The work by these CSDs will promote the adoption of a unified standard for voting where CSDs can interact with each other yet still allow for local customization.

For all shareholders, both local and foreign, it is important that the voting process is easy to access, streamlined and transparent so that the meeting results are legally binding and are reported precisely, quickly and with guaranteed finality. A DLT-based solution designed to mitigate the risks within the traditional systems will introduce numerous benefits pertaining to these issues.

DLT enables trust in trustless environments. In traditional systems, trust is typically achieved by designing business processes in ways that create incentives for parties to act with integrity and prudence. These processes come with a lot of double-checking, audit, reconciliation, validation and correction mechanisms necessary to make the process work. These steps create a significant overhead in otherwise simple business processes. DLT-based systems take another approach to trust. The technology technically guarantees that the rules of the process are the same for every participant and that these rules are followed. It eliminates the need to trust actors in the transactions – the trust is now placed in the system itself. The blueprint has been presented to ISSA to define principles for an industry-accepted standard for e-Voting that can be adopted across the globe.

The latest version of the document is available online here.

The CSD Working Group on DLT welcomes any feedback or collaboration opportunities from potential partners. To get in touch with the Working Group, please contact one of the member organizations:

- **National Settlement Depository**, Russia
  Alexander Chekanov, chekanov.as@nsd.ru;

- **Strate**, South Africa
  Tanya Knowles, tanyak@strate.co.za;

- **SIX Securities Services**, Switzerland
  Urs Sauer, urs.sauer@six-group.com;

- **Nasdaq**, Nordic
  Michael Rexestrand, michael.rexestrand@nasdaq.com

- **Depósito Central de Valores**, Chile
  Claudio Calderón, claudio.calderon@dcv.cl.

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**Update on ISSA Working Groups**

Presently, activities are going on in four of the six Working Groups. ISSA is pleased to update you on their progress as follows:

**Financial Crime Compliance Principles for Securities Custody and Settlement**

ISSA’s Financial Crime Compliance Principles for Securities Custody and Settlement (FCCP) published in August 2015 have received industry-wide attention. ISSA anticipates that cross-market adoption of the FCCP should be achievable by the end of 2019. Over the past two months, ISSA has made available some documents and has taken first steps to organize an operational support group for its members.

**FCCP-related Documents**

The following documents were published:

- **Document «Examples of Draft Contractual Terms to Support the Implementation of the Principles».** It provides initial guidance on the drafting of contractual terms between Custodians and their regulated Account Holders. The document was made available to its members in the Closed User Group on ISSA's Homepage. A short introduction is freely accessible here. A full revision is planned for 2018.

- **Document «FCCP – First Revision, May 2017».** In the course of its tasks, the Working Group has made a series of technical revisions to the original Principles. The updated document can be accessed here. Swift has agreed to integrate the ISSA Sample Questionnaire in the Swift Registry with their September 2017 release.

- **Document «ISSA Financial Crime Compliance Sample Questionnaire».** It is a simplified version providing those Custodians that require it with the guidance and information necessary to perform due diligence on their Account Holders. At the beginning of July 2017, this Questionnaire (ISSA DDQ) and an «Explanatory Document» were made freely available on the ISSA Homepage.

Next Steps

The Working Group will now focus on the following activities:
The Wolfsberg Group is presently working on an in-depth revision of their Anti-Money Laundering Questionnaire (Wolfsberg DDQ). Their new expanded version will serve ISSA as a basis to elaborate on a 2nd ISSA DDQ version to be used by institutions that are not required to fill out the Wolfsberg DDQ (e.g., Brokers, Fund Administrators). ISSA expects to start this activity after Sibos 2017 with a view to having an extended ISSA DDQ available in the course of the 1st quarter 2018.

ISSA will put in place a stakeholder support structure providing its members' project managers with a platform to meet on a regular basis with other firms' peers in order to provide best practice guidance on deploying a securities specific crime compliance due diligence program. The structure and scope will be defined by the end of July 2017. At the beginning of 4th quarter 2017, a first workshop will take place to discuss progress and share best practices or concerns when implementing the Principles. Member firms interested in taking part are invited to inform the ISSA CEO Office by the end of August.

Regulatory Impact on the Securities Services Chain
Following its June 2012 report on regulatory changes and their impact on stakeholders in the securities services industry, ISSA's Working Group has been tasked with providing an update. On a global level, most of the G-20 requirements have been transposed through regional/local legislations. Some detailed rules are still to be identified in many situations and effective implementation will be challenging for all stakeholders. It is also evident that progress varies from one region to another and that new developments will continue to reshape the industry.

The Working Group has decided to provide two update reports as follows:

- **Regulatory Developments:** This report will provide an overview of the main progress made in the various regulatory initiatives undertaken in the aftermath of the financial crisis and of the new regulatory trends underway for the securities industry over the last 5 years. It will cover main developments at the international level and subsequently in the Americas, Europe and Asia. It also will attempt to compare the similarities and differences across the regulatory initiatives promoted by the public authorities more recently and which are seen as of interest in the post-trade landscape. ISSA plans to make the final report available by the end of the 3rd quarter 2017.

- **Impacts and Adaptations by the Industry:** This second report, due by year end 2017, will focus on appraising how the securities services industry has adapted to these various evolutions, notably by modifying internal organization and operational processing, but also by introducing new types of services for its clients. More recent and future developments will also be taken into consideration, especially when they may incur orientations compared to those which prevailed following the financial crisis.

Corporate Actions and Proxy Voting
The Working Group's main mandate is the monitoring of the implementation of ISSA's global best practices principles relating to the processing of corporate actions, including general meetings and proxy voting. The periodic ISSA Newsletters showcase in loose sequence those successfully implemented market solutions having incorporated ISSA best practices principles.

The following work items are being tackled by the Working Group in order of priority:

- **Investor Transparency – Guide to Disclosure Practices:** ISSA intends to create a guide aimed at bringing clarity into the beneficial owners disclosure processes in various countries. In order to gather data from different markets, the Working Group is presently drafting a survey that will be tested in 2 to 3 markets by September 2017. It will subsequently be launched in the 4th quarter 2017 with a view to having a consolidated report ready by the ISSA Symposium in May 2018. The findings of the survey should act as a basis to highlight the similarities and differences which could be leveraged in a second stage to issue recommendations with the aim to minimize the variety of processes.

- **Impact of Technology on The Proxy Voting Service:** ISSA intends to create an inventory of the current local market
practices and specifically their usage of digital flows for information and instructions. This inventory will serve as input for recommendations about the improvement opportunities of new technologies and digitization solutions. On purpose, the Working Group decided at the beginning of this year to address these issues only following the finalization of the Guide to Disclosure Practices mentioned above. In this respect, reference is also made to a separate article in this Newsletter. The «CSD Working Group on DLT» presents a blueprint on «Electronic Proxy Voting using Distributed Ledger Technology».

**Digitization of Corporate Actions and Proxy Voting at Source:** A follow-up survey to the report issued in 2015 will be initiated in the course of 2018. In the meantime, ISSA will serve as a platform to showcase interesting solutions.

**Distributed Ledger Technology**

The Working Group will outline possible areas / processes where Distributed Ledger Technology (DLT) would be beneficial for the securities services industry at large. The work will be addressed from a viewpoint of business practitioners. The group will also look at whether current technology is «fit for purpose» and outline key principles to be met for industry-wide acceptance.

Intensive breakout group discussions at the May 2016 Symposium highlighted a number of needs to be addressed by the Working Group. The Working Group has prioritized those needs and meanwhile formed a series of work streams, based on which ISSA solicited support from among its members. Feedback from the ISSA membership has been very positive and should now allow to actively progress the Working Group activities. Based on industry developments since the Symposium, it has become evident that the original scope of the work streams needs to be adjusted.

In August 2017, there will be a conference call among all Working Group members, to be followed by a physical Workshop in September 2017, where scope and actual work streams will be discussed and further steps will be planned in detail.

ISSA will continue to report about progress via its Homepage and periodic Newsletters.

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**Chart referred to by Javier Pérez-Tasso in his article on the Fight Against Cybercrime**

![Chart](image-url)