

April 2018

International Securities Services Association

Introduction by the ISSA CEO Office

Governance Update

Change at ISSA Board Level

New ISSA Members

4 new Members have joined ISSA since January 2018

Farewell Stephen

After a 16 years' tenure on the ISSA Board, Stephen Lomas has stepped down.

ISSA Operating Committee Chairman's Address

In its December 2017 Newsletter, ISSA informed about William Hodash's nomination to OC Chair. Follow his address on the various challenges.

ACG – A Snapshot

With a profile of the Asia-Pacific Securities Depository Group we conclude our series of presenting the different regional CSD Associations.

Progress of the LEI Program for the Securities Industry

Following up on his article in the May 2017 ISSA Newsletter, Stephan Wolf, CEO Global Legal Entity Identifier Foundation, provides us with a progress update.

ISSA's Progress Report on Regulatory Developments

This Report is now freely available on ISSA's Homepage



Dear ISSA Members and interested parties,

Nothing is more constant than change. This saying is true as well for the composition of the ISSA Board, where ISSA experienced quite some changes over the past few years. ISSA takes this Newsletter as opportunity to express a "Big Thank You" to **Stephen Lomas, Deutsche Bank**, who retired from a 16 years' tenure on the ISSA Board.

William Hodash, DTCC, recently elected ISSA Operating Committee Chairman and ex officio ISSA Board Member, portrays in his address the many interaction possibilities of ISSA with the various players in the Securities Services field in the constant strive to cope with the challenges faced by the industry.

The **Asia-Pacific Central Securities Depository Group (ACG)** informs about their major achievements and challenges as an important industry association. This contribution concludes ISSA's series of portraying the different regional CSD Associations around the globe.

ISSA is pleased to publish an update by **Stephan Wolf, CEO, Global Legal Entity Identifier Foundation (GLEIF)**, on the potential of the Legal Entity Identifier (LEI) that has become a very important identification element. Stephan Wolf's progress report follows up on his article in the May 2017 ISSA Newsletter.

By registration closing date, a record number of 130 participants have registered for our upcoming **Symposium in May 2018**. This is testimony of the interest which the agenda of our 19th Symposium has provoked.

With ISSA's November 2017 Newsletter, the **Progress Report on Regulatory Developments** was announced to be available in the Closed User Group section of ISSA's Homepage. ISSA is pleased to announce herewith that this important report is now freely accessible in the general section of the ISSA website.

With best regards – ISSA CEO Office

GOVERNANCE UPDATE

ISSA Board

- As of April 1, 2018, Stephen Lomas retired from Deutsche Bank as well as from the ISSA Board.
- ISSA is pleased to welcome Graham Ray as Deutsche Bank's new representative on the ISSA Board, succeeding Stephen Lomas. We congratulate Graham to this nomination and wish him all the best in his new role.

NEW MEMBERS

Since our Newsletter last December, the following 4 members have joined our Association:

- MIDCLEAR S.A.L., Lebanon
- Bank of America, USA
- Fiserv, Inc., USA
- Securities Depository Centre (Edaa), Saudi Arabia

We welcome these organizations and are looking forward to a fruitful relationship.

Board of ISSA

A Big Thank You

Effective April 1, 2018, Stephen Lomas has retired from Deutsche Bank as well as from the ISSA Board. Stephen Lomas deserves a "Big Thank You" for an outstanding support and contribution during more than 15 years on the ISSA Board. This includes his role as the ISSA Chairman between 2014 and 2016 when he guided the CEO Office in a very professional way. We wish him all the best in his "financial industry remote" phase of life.

ISSA Board and CEO Office

ISSA Operating Committee Chairman's Address

Having been active with ISSA for many years, I am honored to serve as Operating Committee (OC) Chair for the next two years. DTCC greatly values its collaboration with other CSDs/ICSDs, many Custodian Banks and other industry participants

through ISSA, and we support ISSA's mission to "Drive Solutions, Strengthen Collaboration and Facilitate Communication".



*William M. Hodash
Chair ISSA Operating
Committee*

In the OC, our mandate includes proposing topics to the Executive Board, launching and managing approved Working Groups and delivering the results to ISSA's membership. But why are the members of the OC motivated to devote so much time to support all of ISSA's current Working Groups? In a word: "Disruption".

The securities servicing industry is facing significant strategic challenges in several areas, including regulatory compliance, ongoing cost pressures, cyber risk and the advent of innovative technologies, some of which hold great promise for us to improve our services to clients and others that can be transformative to major segments of the industry.

DTCC is actively experimenting with the newest FinTech innovations, such as distributed ledgers, cloud computing, robotics and machine learning. In fact, we titled our annual Fintech symposium "Turning Headwinds into Tailwinds - Embracing Innovation to Maximize Value" this year to reflect our commitment to developing solutions that address the industry's top pain points. This is in line with so much of what ISSA is now focused on, including its biennial Symposium, which will focus on FinTech as well with the theme: "Securities Services Industry: Disrupted?" and the creation of new Working Groups on Cyber Risk and DLT to complement existing ones on Financial Crime Compliance Principles and the Regulatory Environment. The industry can benefit through cooperation on these issues as we face our future challenges.

It is clear that DTCC and ISSA are both united in a common mission to support our clients' securities servicing needs in a more challenging risk and regulatory environment and looking to create opportunities from the new technologies.

I am fortunate to take on this role at a time when ISSA's Symposium theme and Working

Group initiatives are aligned with the new strategic challenges our industry is facing. Many thanks to the Executive Board, my predecessor as OC Chair, Irene Mermigidis of Clearstream, the OC Vice Chair Jyi-chen Chueh of Standard Chartered Bank, and all the OC members for ensuring this consistent focus. I hope ISSA's initiatives are aligned with your company's priorities as well and that I will see many of you at the ISSA Symposium in Zurich 23-25 May, 2018 and Working Group meetings during the next two years.

ACG – A Snapshot

The Asia-Pacific Central Securities Depository Group (ACG) was formed in 1997 in a bid to facilitate information exchange and promote mutual cooperation among depositories and clearing organizations in the Asia-Pacific region. Over the last two decades, the ACG has grown into a group of 34 members from 24 countries, actively interacting with other regional associations and international bodies. ACG members regularly get together twice a year for an annual general meeting and a cross training seminar.

Recently, the ACG experienced remarkable moments within and without. Within the ACG, it has been introducing new institutions to make the ACG more systematic and efficient: ACG Executive Committee (EC) Vice Chairmanship, Fund Administration, and Medium-Term Activity Plan, to name a few. Without the ACG, the ACG hosted the biennial World Forum of CSDs (WFC), as known as WFC 2017, in Hong Kong last November. Attracting over 250 industry experts and leaders from 58 countries, WFC 2017 was the stage for the CSDs to exchange ideas on how to cope with the challenges brought on by technological advancements and regulatory changes.

The challenge faced by the ACG as a group is to act as a steady hand in the financial market. The group is required to tirelessly enhance its fundamentals and smoothly adapt to new developments. To that end, the ACG has taken a two-pronged approach: Enhancing exchange and cooperation within the ACG and expanding horizons by forging alliances with other regional groups.

"All is flux, nothing stays still." The saying of a Greek philosopher rings even truer today in the Asia-Pacific region, the powerhouse of global economic growth and the epicenter of drastic changes. The ACG will make all-out efforts to establish itself as the reliable filter

of the financial market through which any kind of changes could be clearly understood, prudently introduced, and smoothly aligned with legacy systems.



Secretariat of the Asia-Pacific CSD Group

Progress of the LEI Program for the Securities Industry

In its report on "[Communication Standards and Reference Data](#)" of June 2012, ISSA wrote on the promise of the LEI standard focussed on the data and processing challenges of the implementations in the securities industry. In June 2014 GLEIF (www.gleif.org) was created by the Financial Stability Board with the mandate to make the LEI a broad public good free of charge for any user of the data. In this article the major developments of the LEI program are reported.

GLEIF started to make the promise a reality. At the end of March 2018, over 1,1 million legal entities have registered for an LEI issued by one of the 30 accredited LEI issuers. The LEI data are downloadable in several technical formats (Excel, CSV, XML, JASON). In May 2017 the "Who owns Who" program started with the addition of the direct and/or ultimate parent (if available) to each of the LEI records. GLEIF has a rigorous quality program to ensure the quality of the LEI data and publishes monthly a quality report of the performance of each LEI issuer. GLEIF started to deliver value added services that include:

- The ISO 20275 Entity Legal Form register with a completion for all jurisdictions planned in 2019;
- The free of charge "LEI ISO 17442-to-BIC ISO 3166" mapping service;
- The Registration Authorities list with an overview of over 650 business registers;
- The GLEIF look up API;
- The overview "Regulatory Use of the LEI".

GLEIF management is cooperating actively together with the ANNA management to make the free of charge "LEI ISO 17442-to-ISIN ISO 6166" mapping service as soon as possible available to the users.

A growing number of legislators have decided to include the LEI as a mandatory requirement of the reporting for the sell side and buy side of the derivatives industry to their supervisors. In addition a growing number of legislators (or supervisors) will require that a prospectus to issue shares and bonds should include an LEI and/or make the LEI a mandatory requirement for the exchange(s) in their jurisdiction. The FSB published on 16 March a press release with the remark to include the LEI in payment messages as part of the regulatory expectations of the FATF and BCBS to combat the AML and CTF challenges at international level with a reference to the CPMI. The CPMI-IOSCO Principles for FMIs include already the international accepted standard for oversight (such as the LEI) in Principle 22: "An FMI should use, or at minimum accommodate, relevant internationally accepted communication procedures and standards in order to facilitate efficient payment, clearing and settlement and recording". The Wolfsberg Group decided to include the LEI as question 10 into their CBDDQ (correspondent bank due diligence questionnaire) that was published in February 2018. Likewise, ISSA included the LEI as company identifier in its Financial Crime Compliance Sample Questionnaire. Market participants in the securities industry adopt the LEI for their services, risk management or for innovation of their services. GLEIF is not registering the users of the LEI data but GLEIF is fully aware that the LEI is included in the services of data-vendors, KYC utilities, FinTech firms and that some central banks start to include the LEI in their (new) RTGS system. In addition large global systemically important banks, large asset-managers and international FMIs are importing the LEI data for risk management purposes. The LEI has also become a very relevant identifier for block chain application as a consequence of the high quality and the fact that the LEI data are free of charge.



*Stephan Wolf
CEO Global Legal Entity
Identifier Foundation
(GLEIF)*

ISSA Symposium 2018 – Record Attendance Expected

By registration closing date, a record number of 130 participants have registered for our upcoming event in May 2018. This is testimony of the interest our [agenda](#) has provoked within the securities services industry, given the timeliness of issues to be addressed. ISSA expects representatives from various disciplines within the securities services chain, representing no less than 34 countries around the globe. During the 1st quarter 2018, various ISSA Working Groups have focused on preparing pre-reading material for the ISSA Symposium participants, providing them with background information and the questions to be addressed during the Symposium Breakout Sessions. The material will be mailed towards the end of April 2018.

Availability of ISSA's Pro- gress Report on Regulatory Developments

On November 24, 2017, ISSA made its update Report available to its Members via the closed User Group on its Homepage. In line with ISSA's policy change communicated in February this year, the report has been made available to the wider industry after the "cooling-off" period of a few months. The Report is an encompassing overview 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 five years. It is in direct continuity of ISSA's previous 2012 Regulatory Report that analysed the impact of new regulatory initiatives on custodians and financial market infrastructures.

A second update Report will be published later in the 2nd quarter 2018. It will focus on appraising how industry participants have adapted to these various evolutions, notably by modifying internal organization and operational processing, but also by introducing new types of services for their clients.

ISSA's November 2017 report on "Progress Made in Various Regulatory Initiatives Undertaken in the Aftermath of the Financial Crisis" can be accessed [here](#).