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ISSA's activities
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Homepage

www.issanet.org



Dear ISSA Members and interested parties,

The CEO Office is pleased to note that 2018 was a very successful year for ISSA. With the right topics on the agenda we were able to support the securities services industry to manage today's challenges. The CEO Office acknowledges with great respect what was achieved and seconds what has been mentioned by Lee Waite, ISSA Chairman, and William Hodash, ISSA Operating Committee Chairman, in their messages on the following pages.

Let us share with you some relevant projects on the Working Group agenda 2019:

- **Distributed Ledger Technology:** The recent report 'Infrastructure for Crypto-Assets' will be enriched with the input from Global Custodians. Two new reports will be prepared on 'Settlement of Crypto-Assets' and on 'Safekeeping of Crypto-Assets'.
- **Cyber Security Risk:** The focus 2019 is on the following three aspects: a) agreeing on priorities related to practical steps when responding to and recovering from an attack, b) addressing key practices to follow from a Third Party Cyber Risk Management framework and c) identifying benefits to be gained from cross Security Industry simulation exercises.
- **Corporate Actions and Proxy Voting:** First priority is to create a guide aimed at bringing clarity into the beneficial owners disclosure process in various countries. For this purpose, ISSA will launch a survey on these processes in various markets.
- **Financial Crime Compliance:** It is expected that the 17 Principles (published August 2015) will be implemented by the global community in their due diligence processes by the end of 2019. ISSA will support this implementation by means of regular news updates.

Since May 2018, our Working Groups have enjoyed a special support from some Board Members. They act as **Executive Sponsors**, giving guidance on direction and sharing their opinion with respect to the scope and the milestones set. Experiences gained so far confirm that this role provides real added value.

With the year-end approaching fast, we wish you all and your families a Merry Christmas and a prosperous 2019! We are looking forward to continuing our successful journey and we thank you again for your dedicated support.

With best regards
ISSA CEO Office

Note from The Chair of the ISSA Board



*Lee Waite
Chairman of the ISSA
Executive Board*

Once again, it is very hard to believe that yet another year slipped by and that very shortly we will be executing against our 2019 plans! So too has time flown by relative to ISSA.

One could make a very convincing argument that 2018 was, perhaps, the most successful year in ISSA's 40 year history. Let me explain why I believe this, having been involved with ISSA for approximately 12 years or so:

1. The feedback from the Symposium in Zurich this year was top notch – to the attendee. Most participants felt that the topics addressed were very relevant to their organizations / interests, the speakers were first rate and the breakout sessions incredibly useful. Obviously we hope to replicate this success in 2020!
2. The topics covered and the quality of the material produced by ISSA this year was outstanding. This is largely due to the work of Bill Hodash (please see his note in this Newsletter), the various work stream leads and participants, which, of course, come from all of our ISSA participant organizations and the significant support provided by the CEO Office. So a big THANK YOU to all of you for your contribution and support throughout the year.
3. ISSA representation at SIBOS this year. Thanks to our good friends at SWIFT and due to the quality of topics / content noted above, ISSA and our work was highlighted in many different ways throughout the conference. Obviously we were thrilled to be mentioned in such positive light in so many ways and this goes a long way toward increasing the value of an ISSA Membership.

In closing, I would like to thank every ISSA Member for a very successful 2018 and wish you and your families all the best for the holiday season. Rest, relax and rejuvenate – we have more work to do together in 2019!

Note from The Chair of the ISSA Operating Committee



*William M. Hodash
Chair of the ISSA
Operating Committee*

In many ways the work of ISSA that is most tangible to Members gets done by the Working Groups sponsored by the Operating Committee. 2018 saw increased ISSA Member engagement in the Working Groups and a significant increase in output in the form of white papers. At the ISSA Symposium, we reported that 122 people from 37 ISSA Member firms were taking part in one or more of the then active Working Groups and we invited all ISSA Members to participate more, emphasizing the value of participating. The benefits to ISSA Member Firms include:

- Keeping current on industry developments
- Impacting early shaping of specific topics
- Directly influencing development of ISSA recommendations
- Networking with peers at a deeper level than in other forums
- Development opportunities for SMEs / future leaders

While the benefits to ISSA and the Industry include:

- Depth to avoid manpower issues
- More diversity of background, experience and expertise
- Deeper dialogue / broader debate
- Higher quality ISSA deliverables with broader industry support

The response by year-end was very favorable as we now have 167 people from 51 ISSA member firms participating in four Working Groups. On behalf of the Operating Committee and the Working Groups, I thank the ISSA Members that have increased their participation.

Further, the output of the Working Groups was extremely impressive with two papers issued by the DLT Working Group under the leadership of Urs Sauer of SIX; two papers were issued by the Regulatory Working Group under the leadership of Laurence Caron-Habib of BNP Paribas; and a follow-up paper to 2016's Custody Risks paper focused on Cyber Risk Management in Securities Services. It was issued under a new working group led by Andy Smith of BNY Mellon. Three of those papers were launched via the ISSA Newsletter and public web site in mid-October, just before SWIFT's SIBOS conference held in Sydney, at which ISSA had a significant presence, with panels on the ISSA Financial Crime Compliance Principles, Cyber Risk and DLT / Crypto Assets. The Operating Committee thanks our colleagues at SWIFT for helping ISSA make a strong showing at SIBOS. The attention certainly paid off as we have had more than 3'700 downloads of the 3 papers released in October, a significant increase over past paper releases.

2019 looks to be a very active year as well. The FCCP Working Group will be issuing several pieces to aid members as they look to come in compliance with ISSA's Financial Crime Compliance Principles by year-end. The Corporate Actions, Cyber Risk and DLT Working Groups are all planning to release papers during the year.

I hope the ISSA Community is able to digest this prolific output and draw insights that help them navigate these fast-changing times for our industry. The ISSA Symposium theme was "Securities Services Industry: Disrupted?". Based on the discussions there and the insights from the Working Group's 2018 papers, the forces behind disruption are speeding up and this makes our collaboration under the ISSA umbrella even more valuable going forward.

Securities Services Industry Forced to Move to ISO 20022? – Yes and No!

By Urs Stähli, ISSA Secretary

The ISO 20022 standard can be described as a global success. Increased adoption of this standard in payments systems and other market infrastructures (e.g. by TARGET2-Securities) have triggered a demand to use the same standard cross-border. In April 2018, SWIFT launched a large scale community consultation to seek feedback on all aspects of a migration of cross-border MT traffic towards ISO 20022 for both payments and securities business. A summary of responses can be obtained [here](#). In September 2018, the SWIFT Board recommended a [migration of payments traffic](#) to ISO 20022, starting November 2021. So, how will securities services industry participants be affected by this?

Securities services providers are engaged in pure payment transactions. In fact, some 30% of the payments message traffic via the SWIFT network (MT categories 1 and 2) emanate from securities services providers and / or are the result of securities-related transactions. Hence, these industry segments / transactions will be affected by SWIFT's following migration decision.

- The SWIFT Board approved that SWIFT facilitate an industry migration of cross-border payments and cash. The start date is aligned with the adoption plans of High Value Payments Systems in the Eurozone, presently scheduled for November 2021. The US and UK payments market infrastructures are expected to adopt ISO 20022 in a similar timeframe. This migration will include all users of payments and cash management messages (MT categories 1, 2 and 9). MT and ISO 20022 will coexist for a period of 4 years and SWIFT will provide a shared service to translate between ISO 20022 and MT standards, enabling interoperability for the community. Further details on the migration approach can be found [here](#).

- The SWIFT Board also recommended that SWIFT provide an ISO 20022 capability for securities flows for institutions to use on an opt-in basis. As Juliette Kennel from SWIFT comments, SWIFT does not set an end date for the use of ISO 15022.

As concerns treasury/forex and trade finance transactions, industry responses to the consultation indicated little appetite to stop using MT messages at the present time. No plans to migrate to ISO 20022 have been made.

Securities Services providers are well advised to prepare for the ISO 20022 migration regarding their related cash transactions.

Juliette Kennel, Head of Securities and FX markets, SWIFT, and Member of the ISSA Operating Committee:

"We got clear feedback from our Securities customers that for the moment, ISO 15022 messages meet their business requirements. SWIFT will therefore not set an end date for the support of MT Category 5 securities messages, but will continue to explore product and service offerings to facilitate adoption of ISO 20022 in securities markets. However, all our customers, including the securities players, need to start planning now so that they are able to use ISO 20022 for their payments flows by 2021".