

A panoramic view of a city skyline at sunset, featuring a large domed cathedral on the left and several modern skyscrapers on the right. The sky is a mix of orange and blue.

# *CSD Trends*

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- I. ISO 20022 Standard
- II. Settlement Cycles
- III. Liquidity Risk
- IV. Regional Hubs
- v. Systems and Blockchain
- VI. Value Added Services

More and more CSDs adopting SWIFT ISO 20022 for settlement transactions, corporate actions or funds transactions.

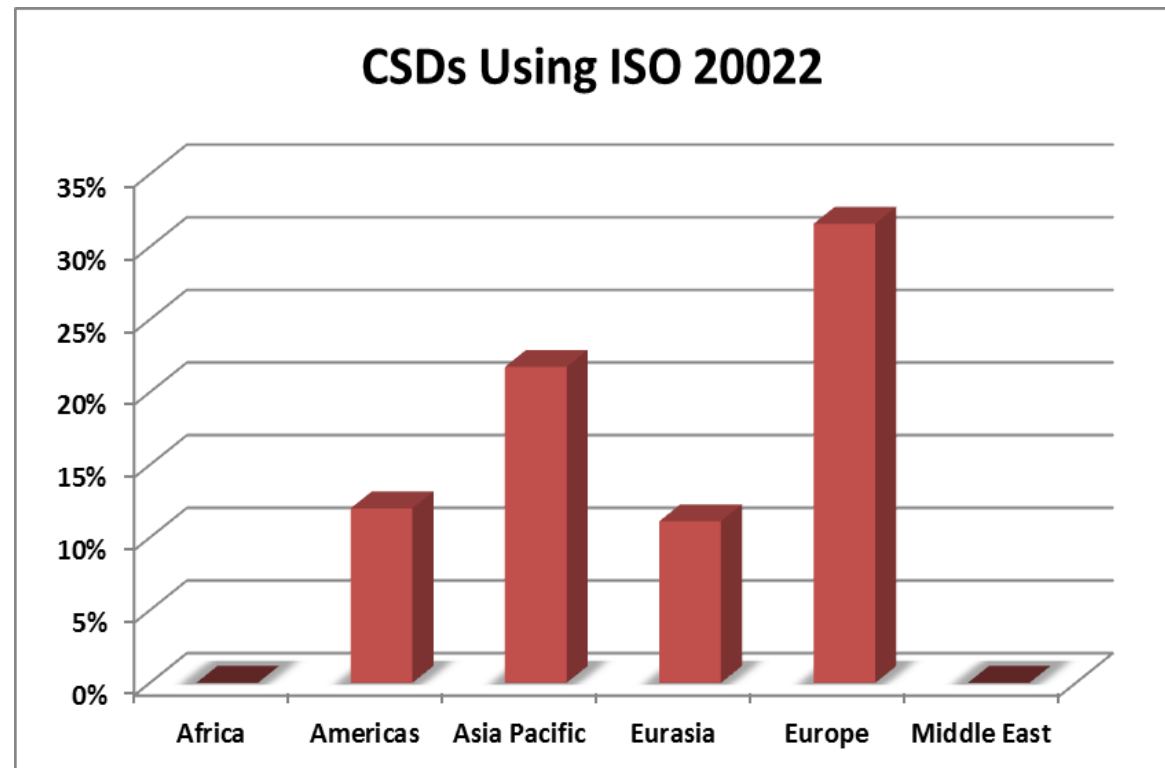
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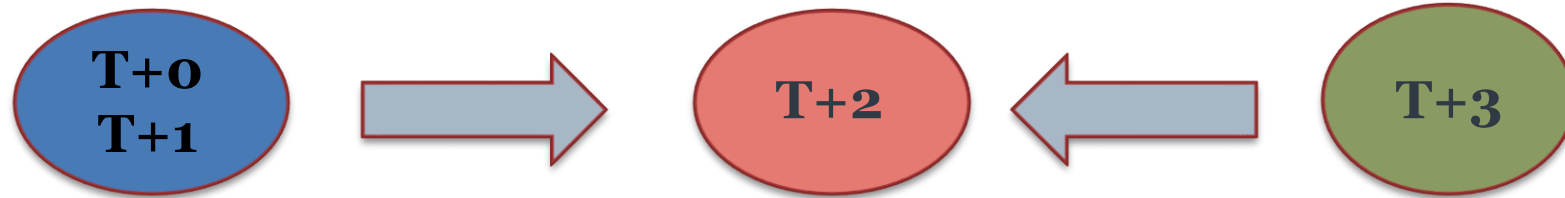
### Benefits

- Unifies existing standards which improves STP within a chain
- Increase possibility for interoperability between infrastructures (e.g. payment systems, other CSDs, T2S)

### Challenges

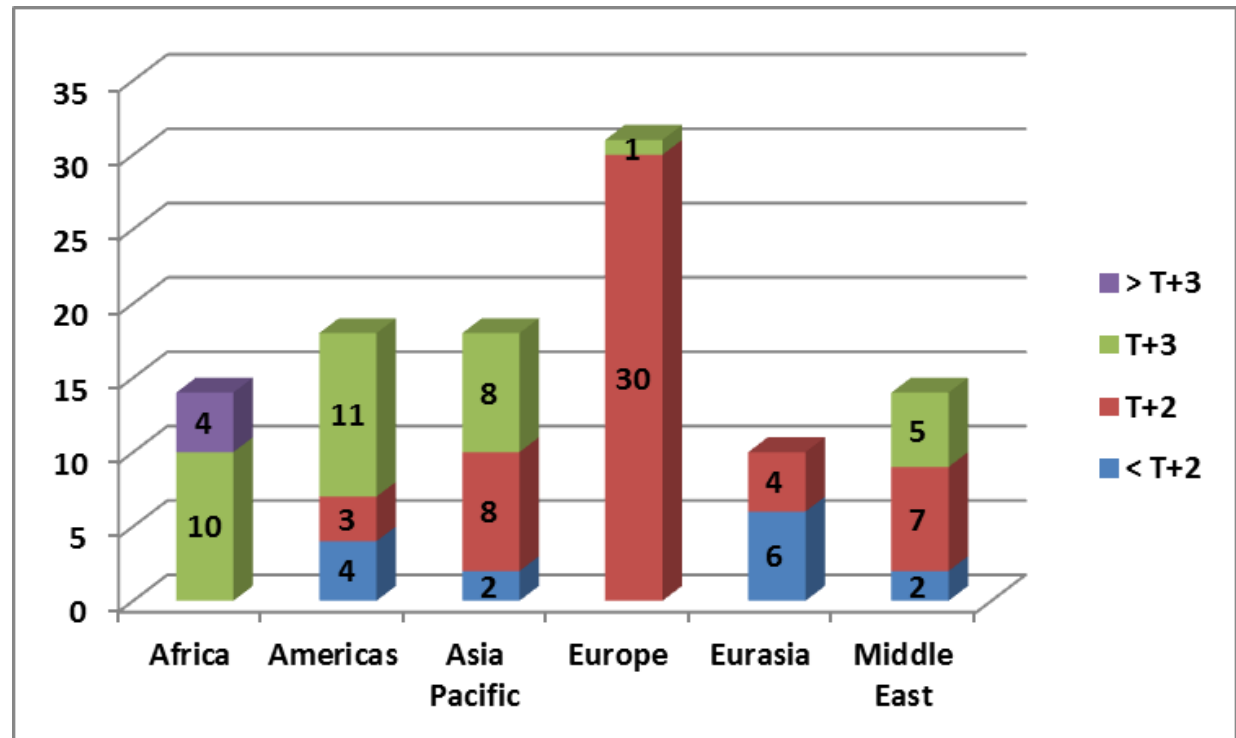
- Operational burden and cost of moving entire community
- Manage co-existence with 15022 standards





## Planned Move to T+2

- Spain – Oct 2016
- Saudi Arabia – Q2 2017
- Indonesia – Q2 2017
- USA , Canada, Mexico – Sept 2017
- Japan – 2019



## No Pre-Funding => Liquidity Risk

### Fails Management

- Buy-in mechanisms
- Penalties on late settlement to “control” participants’ behaviour

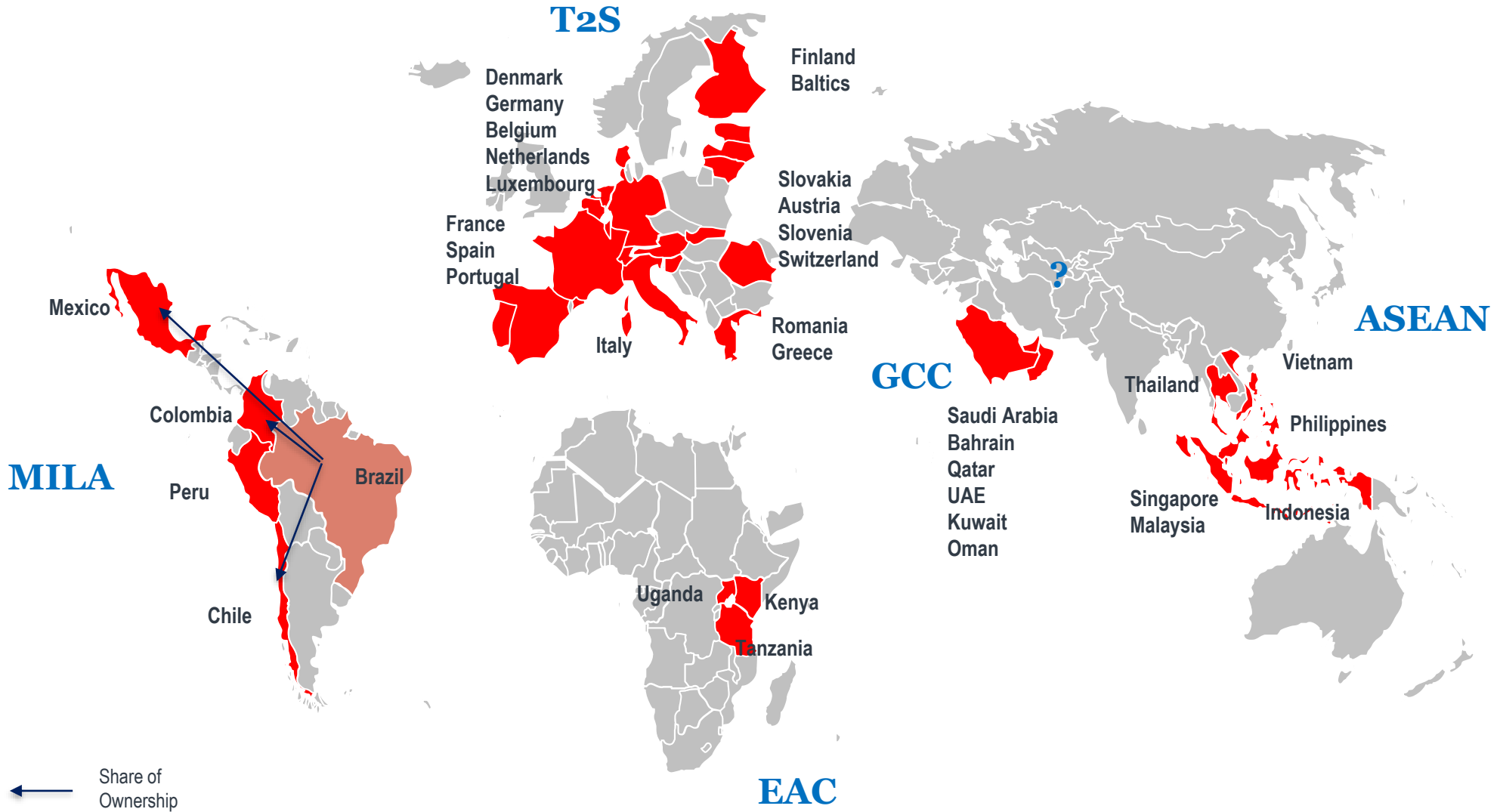
### Securities Lending

- Central lending facilities
- Lending between banks
- Reverse repo market

### Credit Facilities

- Intraday facilities,, e.g. auto-collateralisation with Central Bank
- Repo market

# Regional Hubs



New core custody and settlement systems in CSDs because of:

- T2S in Europe – Finland, Hungary, Baltics, Sweden
- Equator replacement (X-Stream CSD) – Indonesia [Bahrain, Bermuda, Cyprus, Egypt, Jordan, Poland, Romania, Saudi, Slovenia]
- Planned replacements - Colombia, Mongolia, Nigeria, Norway, South Africa, Tunisia,
- Recent implementations – Kenya, Oman, Uruguay

## Key Features

- More transparent real-time data
- Faster settlement of transactions
- Removal of post-trade affirmation or confirmation as everyone would be using the same data
- No reconciliation needed

## Examples

- DTCC issued a white paper in January 2016 on the subject and is exploring the possibility of using distributed ledger technology
- NSD Russia tested a voting system
- ESMA has issued a consultation in June 2016 seeking feedback on the potential benefits and risks
- ASX is working to build a “distributed ledger” that could replace the C&S systems



**General consensus: immature system for the moment and big revolution for the industry in terms of regulatory changes and operational challenges.**



## **Capital Market Infrastructure Services**

- CCP services (e.g. Singapore, Canada)
- Withholding tax (e.g. Peru, Norway, Israel)
- Shareholder registry and Transfer agency services (Chile, Colombia, Korea)
- OTC Derivatives Trade Repository (Poland, USA)
- SWIFT Gateway (South Africa, Mexico)
- Pre-Matching (Malaysia, Italy)
- Collateral Management services and partnerships (Brazil, Euroclear, Clearstream, Korea)
- Fund servicing (Norway, Korea, Lebanon)

## **Financial Market Infrastructure**

- Tax Registry and Accounting (India)
- National Lien System (CETIP - Brazil)
- Supervisory activities (South Africa, BM&FBOVESPA/CETIP - Brazil)
- Proxy Voting (Turkey, Taiwan)
- Management of Pension System (Latvia, Estonia)
- Insurance and Pensions services (Korea,
- Trustee Services (Pakistan, Azerbaijan, Lebanon)
- E-KYC (India NSDL/CDSL). E-AML (Taiwan)
- Crowd-funding Repository – Korea
- P-Notes - Colombia

## **Commercial**

- Global Custody Services (Panama, CEDEVAL)
- Subcustody (Chile, Italy)
- Software development (Egypt, Brazil)
- Information Services (Brazil, Canada)
- Mortgage Credit Solution (Denmark)
- E-Wills (India)



THANK YOU