



Global Regulatory Trends

Imperatives & Opportunities for AMEDA members

R Vivekanand



CSD-Regulation & targeted outcomes

Target 2 Securities (T2S) - an opportunity?

ISO 20022: Towards 'State of the Art STP'

CRA: Safeguarding markets

The Way Forward

CSD-R and targeted outcomes

CSD-R : A set of regulations for operational discipline of CSDs

CSD Regulation



Harmonization

- Single market formalization
- Promotion of competition
- **Free choice and level** playing field

Safety

- Resiliency in Financial crises
- Safety & efficiency of cross-border settlement
- Operational Transparency

Cross-border Settlement

- CSD services in Member States
- Standard links with 3rd country CSDs
- Promotion of competition and increased market participation

Communication

- Use of International standards, ISO

Transparency

- Disclosure of costs and revenues to users & regulators

Omnibus & Segregated Accounts

- Omnibus & segregated account structures



CSD-R and targeted outcomes

Settlement Cycle & Discipline

- T+2 Settlement
- Enhancing settlement efficiency & liquidity

Ex-Post Settlement

- Mandatory Buy-in
- Cash Compensation for 'Buy-In' fails

Separation of CSD & Banking Ops

- 'Limited purpose' banking services
- Higher *Capital requirement*

Credit Risk Management

- High standards of collateral
- Haircuts & Concentration limits
- Auto re-imburement of intra-day credit

Record Keeping & Reconciliation

- Mandatory record keeping & Reconciliation
- Records to be maintained for a period of 5 years
- REPO & Securities lending transactions to be stored

While the mandate for CSD-R is Europe ...

Let us discuss what does CSD-R means to AMEDA

Account Structures

Segregated accounts are already the norm in the Middle East
=> there may be no need for change
African CSDs to evaluate model

Cross-Border Settlement

With CBS, boundaries are disappearing and investments are flowing across borders. How can this be facilitated in the MEA?

T+2 Settlement

The move towards 'shorter settlement cycle' is clearly a felt need in markets today.
Would you want to roll out similar harmonization measures amongst the AMEDA member community?

Settlement Discipline

Settlement discipline measures are aimed at increasing market confidence & efficiency.
Are there sufficient deterrents in place?

Banking Operations

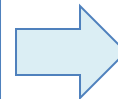
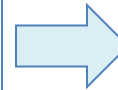
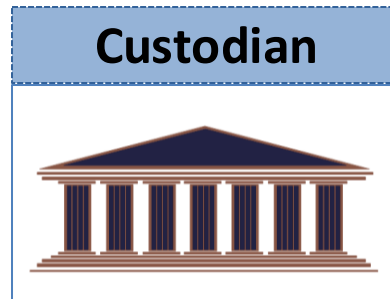
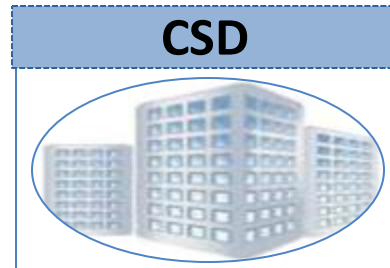
Would AMEDA member CSDs evaluate a move in the near future to provide restricted Banking operations (to facilitate Securities settlement) ?
Would the current regulatory environment facilitate this?

T2S and its benefits

T2S is expected to completely redefine the European CSD landscape &
Simplify cross border settlement



- ❑ Growth Opportunities for CSDs/Custodians beyond immediate borders
- ❑ Reduced cross-border settlement costs
- ❑ Streamlining of operations



Key Highlights

Borderless Settlement

Cash Settlement in Central Bank Money

Settlement of CA disbursements

Liquidity Management

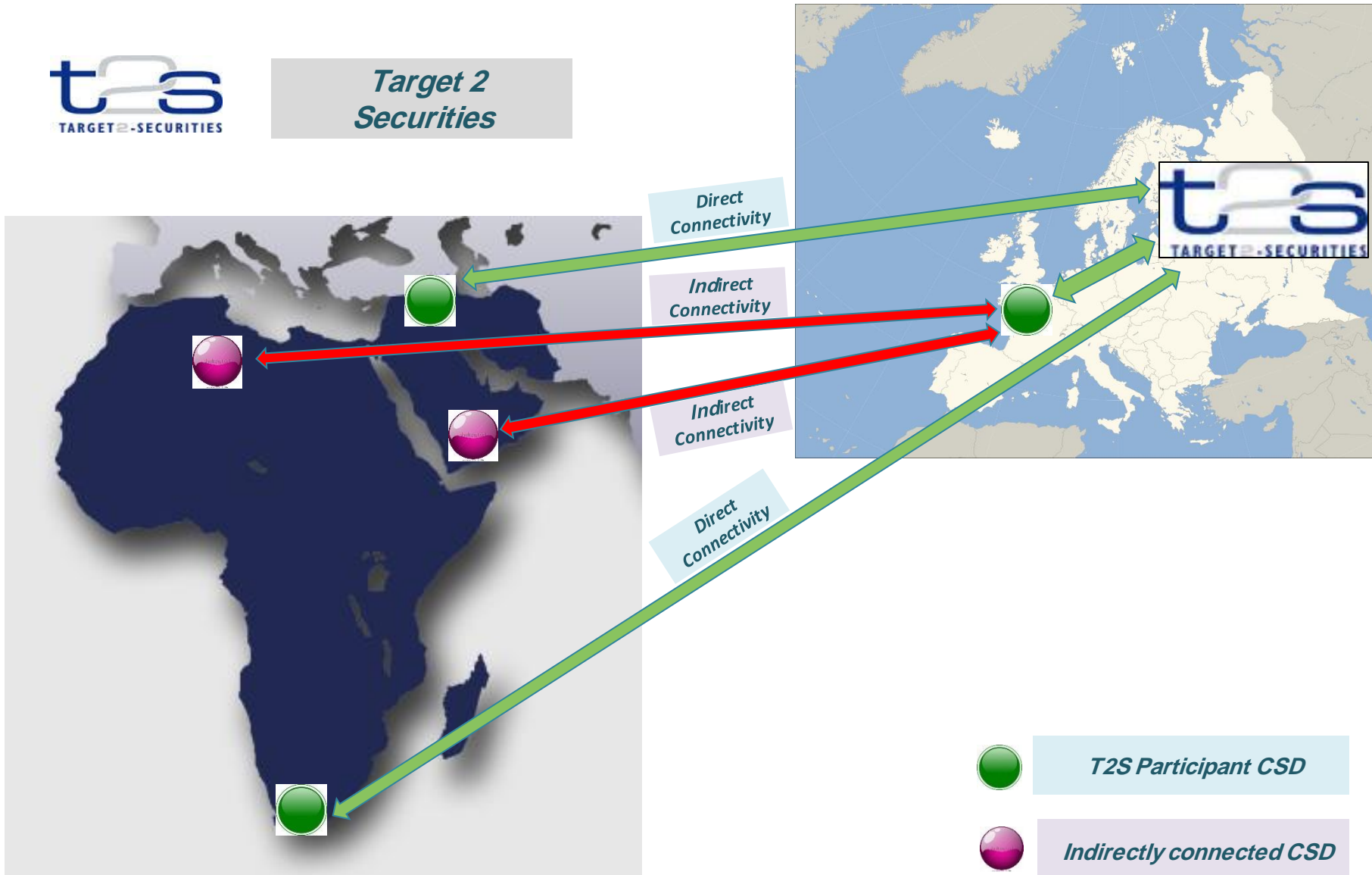
ISO 20022 Messages

T2S is generating keen interest in **non European** markets;
its benefits can potentially be reaped by markets outside Europe

T2S – Connectivity models



*Target 2
Securities*



T2S – an opportunity ?

How can your markets benefit from the investments being made in Europe?

Access to new markets, asset classes and a diversified investor base

Optimized Liquidity Management

Reduced risk and costs in cross border transactions



Are your market participants voting for T2S ?

If so, what would be your preferred T2S connectivity strategy – direct / indirect?

What would be the timelines needed to have Regulatory frameworks in place?

State of the art STP



International
Organization for
Standardization

ISO20022 - XML based independent business standard



Ease of integration with third party software



Coexistence with ISO 15022, interoperability

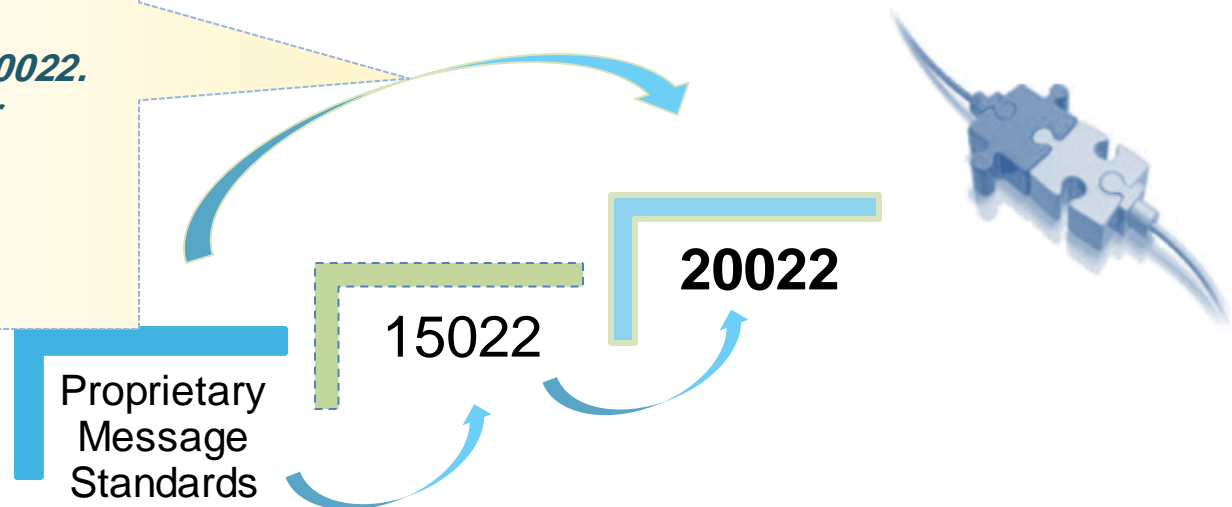


Freedom from proprietary messages, MT 598



Faster implementation timeframes

There is an opportunity to leapfrog directly into ISO20022. Do you see this as a driver towards reigning in costs involved in standards compliance?



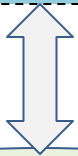
Invest early – reduce long term change costs and set the pace towards modernization

KYC Mandate – CSD as a CRA?

A reliable single point of reference for validated KYC information



Contributors



Registered KYC Agency



Takers

- *Depository Participants*
- *Asset management companies*
- *Brokers/Dealers*
- *Regulators*

Key Highlights

- Centralized KYC data
 - Reduces **cost** and effort in maintaining information through digitization
 - Eliminates duplicity of KYC data at multiple organizations
- Reduces operational **risks** & identity thefts
- Ensures capture of information required for **Regulatory** monitoring (e.g. FATCA, LEI)
- Services can be extended to track investor's track record & behavior

Can CSDs become the Central Record Keeping Agency (CRA) for KYC info?

The possible way forward

CSD-R

- Market consultation in order to explore a move to adopting T+2 settlement, Cross Border Settlement
- Creating a Regulatory framework for AMEDA like CSD-R

ISO 20022

- Ensure early investments into ISO 20022,
- In the interim, provide for a co-existence strategy to ease ISO20022 adoption
- Adopt at AMEDA level

T2S

- Engage with the ECB to understand their thinking on opening up of T2S to participants outside Europe
- Socialize the concept with Market participants

KYC

- Create an 'Early mover' advantage by becoming the CRA in your country/region
- Diversify, create new revenue streams

AMEDA can identify priorities and set up task forces for CSD-R, ISO 20022
Individual CSDs can take decisions on T2S, KYC



Thank You

IT Services
Business Solutions
Consulting