



**AMEDA** *Africa & Middle East Central Depositories  
Association*

**LEADERSHIP FORUM 27<sup>TH</sup> – 29<sup>TH</sup> APRIL 2009**  
**ALEXANDRIA, EGYPT**

**DAY ONE – REGULATION AND COMPLIANCE**

***Welcome address:***

**Dr. Mohammed Omran Vice Chairman Egyptian Exchange**  
**Mohamed Abdel Salam Chairman MCDR**

- Expected GDP rate 3 - 4% financial hub for the region as they have the fundamental policies in place

**Dr. Ahmed Saad chairman of Egyptian Capital Market**

- AMEDA seen as an innovative idea to share knowledge and in particular at this time in the capital markets with so many issues needing to be considered. The industry is complex and vast amounts are being spent for automation. Lessons learnt not to repeat past mistakes. G30 recommendations will have to be implemented.
- Cross boarder trading and settlement are the challenges in the region. CSD to CSD or hub and spoke or regional clearer
- Harmonise standards, take limitation of foreigners increase cooperation in financial system development.

***Overview of Egypt clearing and settlement landscape:***

**Mohamed Abdel Salam**

- More unlisted than listed companies are settled in MCDR as the unlisted companies feel it is cheaper and more effective to dematerialize and settle in the CSD
- 7 settlement banks in Egypt
- The Nile Info Technology is the backbone of the capital market just like the Nile River is the back bone for Egypt
- Provide electronic signature service based on ISO 27001 Standards

- MCDR are in the process of implementing a CCP, they currently use a Guaranteed Fund
- Unique system for Corporate Actions. 47 Bank Branches have a staff member of MCDR with a computer to enable the shareholders to collect the dividend directly. Cash dividend also home delivered to the clients on payment date
- Interest in transparency for listed companies and the increase in regulation in this area was assured by the Head Regulator of the Capital Markets – Dr. Ahmed Saad
- Implemented an oversight Board who can even prevent auditors from auditing
- Transparency after the financial crisis – the rules and regulation are state of the art however it is the enforceability which is the challenge to be achieved
- More regulations is not the solution. Must have a balance and ensure that you can enforce them through the law
- Question on the linking of CSDs which was answered as it will not be optional. All CSDs will link in future so there will have to more of this connectivity of CSDs around the world. The same rule for dealing with a local market should apply to dealing in a foreign CSD for an investor

### ***Overview of the requirements for compliance with G30, the Implications for CSDs of Unidroit and the Hague Conventions***

#### **Anne Njoroge**

- Covered Unidroit Convention
- Transparent and Non Transparent systems
- Requirements of the Group of 30
- Explanation of Giovanini – the harmonization and elimination of barriers for cross border trading in Europe
- The Hague convention explanation of legal certainty for legislation applicable to intermediaries

### ***Egypt compliance of corporate and regulatory environment***

#### **Mohamed Chawki**

- Good explanation on the structure for governance of capital markets and how the regulator being the capital market authority operates in Egypt.
- Major milestone taking place in Egypt of the replacement of the current structure with the Central Bank, the capital market authority, the insurance supervisory authority and the mortgage finance authority being replaced with the new authority and the Central Bank of Egypt. In July 2009.
- Legislation is not always the solution
- Training needed to investors and market players and employees of CMA
- Judges and prosecutors dealing with economic matters are also being provided training in this area of specialized skills

## ***Compliance with IOSCO requirements***

### **Francois Jude Pepin**

- Explained the role of IOSCO
- Set out the principles relating to the regulator and in particular set the scene for the concept of self regulation
- Confidentiality, the right resources, appropriate use of SROs
- Regulators have to balance the risk with the rules and the requirements in particular as to who has a right to provide services in the capital markets.
- Keep the distinction of trading and post trading clear so as to separate the function of a stock exchange and the functions of the CSDs.
- Commitment of the CMA to implement the IOSCO principles.
- Francois set the scene for the topics to be debated by the participants in particular the differences between SRO and government driven regulators
- The regulators must have the right to create an SRO which is not the norm as the politicians do not understand the concept of delegation of power
- Some regulators do use other resources to fulfill their requirements in the law

Participants feedback on the exercise given:

### ***What to expect from the CSD if you are a:***

#### **Clearing member**

- Segregated account structure
- Accurate information
- Guaranteed fund with high integrity
- The more capable the CSD can show then the more they will be allowed to impose as a SRO.
- Innovation- cater for sophisticated instruments that the market participants need to leverage what has been done before do not re-invent the wheel
- Risk mitigation enforce pre and post due diligence in collaboration with the regulators.
- How to ensure that the new product is tried and tested and will not bring failure to the market
- Delivery vs Payment
- Cooperation with the CMA is vital
- Training and consultancy- consult and collaborate with the market players
- Have a user committee with all market players for the CSD to service the market needs
- Preferable that the CSD is owned by its members than by the Stock Exchange as the CSD will resist competition against it.
- Accurate reporting
- More active role in having a guaranteed fund

- Business continuity
- Netting
- Cost effective services
- Margins
- Use of Central Bank funds
- Facilitation of back to back trades to increase liquidity in the markets
- Use of nominee accounts
- Clearing and settlement
- Work through case studies of failures in order to learn to prevent those cases from being repeated
- Standards
- Strong Core infrastructure
- Flexible technology

### **Investor/ security holder**

- Confidentiality- rely on internal auditor to give assurance that this is in place
- Monthly list to issuer or upon request
- Cash dividend accurate at no charge- rely on external auditor to make sure this is in place
- Information about share register large holders of shares any news about the company, who should have this information stock exchange or depository?
- Investment risk facilitate this information
- Settlement should be accurate no delay and certain
- No trade failure
- Accurate record keeping
- Corporate actions update investors of entitlements by CSD to investor and all the actions updated
- Costs should be reasonable to attract investors
- Process shares as collateral
- Provide accurate beneficial information
- Small transmission of accounts to the beneficiaries
- Keep accurate information of processes with foreigners
- Access stock account through the website easy access to their information
- A consolidated statement of all accounts should be made available through the CSD
- Confidentiality
- Efficient payments through Delivery vs Payment
- Provide information to the registrars so they can work out accurate corporate actions
- IPO ensure the accurate units are recorded in the account
- SFIVDP
- Netting
- Guaranteed fund
- Real time register audited internal and external
- Full STP

- Pricing should be competitive with other CSDs
- Have communications links with other market players
- Physical vault
- Encrypted access to website to see access to consolidated balances
- Adequate internal control
- Disaster mirror for recovery
- Finality of settlement should be secure and accurate
- Education of the market
- Legal framework – DVP disaster recovery
- Value added services
- Newsletter
- Training

### **Issuer**

- Live update of the register
- Not a monopoly as we do not want to pay the bill without control
- Want to know the beneficial owners
- Someone to look after the shareholders for the corporate actions
- All players have a role in the market
- Central point for functions where economies of scale can be achieved
- CSD to handle the register to owner level in a retail model
- Register to be accurate
- Historical and real time
- Corporate actions CSD to help the Issuer through the whole event from end to end
- Retail model but foreigners do not want to disclose so they recommend legal support to require this information to be made available to the issuer even for foreigners.
- Once again support for SRO
- Expect confidentiality
- Cost effective
- Real time maintenance of the records
- CSD has strong financial controls
- Robust technology and Risk management
- CSD wants to be independent - their records are sacrosanct
- Skilled staff
- Restrict access to files
- Good reconciliations
- Membership criteria
- Dematerialization
- Good Thomas Murray rating
- Capital market of a county
- Efficient, safe keeping through strong auditing.
- Interconnectivity with other CSDs
- Robust technology
- Performance management confidentiality

- Business continuity plans store data off site
- Periodic audit of system and services
- Standard procedures connected with other CSDs in the region
- Cost efficiency of CSD not an extra cost to the stakeholders and value added services
- Call centers, email, sms to communicate
- Independent not biased
- Efficient & secure to cope with huge volumes
- Flexible for new instruments
- Cost effective rules in line with legal framework
- CSD must have backing from regulator and regulatory framework
- User owned utility
- Properly regulated international standards security of information
- Systems with capability with reliability
- Proper risk management
- Flexibility
- Business continuity
- Cost effective appropriate to the market vs system capability
- SRO is desirable with the appropriate backing from the regulator.
- If not given the power in the law then determine through contract law the relationship between the CSD and the CSDP or other clients of the CSD. As long as the contract is not in contradiction with the law

## **DAY TWO – RISK MANAGEMENT & DEPOSITORY SERVICES**

### ***Advantages and Disadvantages of a CCP in managing settlement risk***

#### **Jim Micklethwaite- Thomas Murray**

- CCPs have been introduced as a tick box exercise
- Others have done the business case and realized there is none and therefore implemented others ways to manage the risk
- The risk is centralized in a CCP and they manage it
- CCPs become critical in the capital markets as there is huge concentration of risk
- It adds another layer of cost and this is a key issue in markets
- For CSDs it can be a threat as there is netting which reduces the volumes that the CSD settle
- The legal basis should be watertight for novation to take place and this is not the case in many markets where they purport to have a CCP
- CCP in cash markets are not critical but are in derivatives markets
- Example of LCH Clearnet which settles in the UK and for Euronext
- CCP Lite= when it is not certain in law that they become the counterparty to the trade / no legal contractual basis for novation to take place so they do not centralize the risk they mutualise the risk i.e the clearing members are the ones carrying the risk and is not really concentrated in the CCP as a separate legal entity.
- The only thing a CCP does different to other models is to achieve novation and centralization of risk
- It is important and preferable to legally and financially separate the CCP from the CSD

#### ***How risk is managed in Jordan***

##### **Samir Jaradat - Jordan CSD**

- STP
- Reducing human interference
- On line surveillance systems
- Capital adequacy and exposure levels of brokers monitored real time

Monica Singer set out the method used by the South African market in managing settlement risk without a CCP

## **Participants Workshop on risk**

### **1. DVP settlement models of BIS and the effect of each one on liquidity and counterparty risk controls**

All of **BIS models** can be used and each market chose the model that suits them. No right or wrong model. You can use a different model at different times and for different instruments and depending on the liquidity available in the market. In Egypt they chose gross securities and net cash which is BIS model 2.

If you have model 1 it is the easier way to manage counterparty risk. In the net model then you need a CCP or other way to manage settlement risk. It also depends on the way that trading takes place in particular when you do not know who is the counterparty to the trade so model 3 would be more suitable

The market will eventually move to model 1 as it is the ideal model as it minimizes risk in a market where you have insight information in terms of knowing the stock holding and cash position of the clients. In emerging markets this is not seen as realistic. Gross/ Net is seen more as the norm. The net/ net model is more appropriate to an intermediary market; it won't work in a market where there is a retail market as the norm. This is more expensive to implement and for the retail investor.

#### **Model 1**

Easier to manage settlement risk

Does not help for liquidity however greater transparency but more costly for the market

Can be very efficient to prevent insider trading as it is very transparent and it is very well received by the regulators

#### **Model 3**

One default will affect the entire market but it is better for liquidity.

Can increase settlement risk as the netting puts the net at risk but it improves liquidity and is less costly. Disadvantage is that it needs sophisticated systems to be able to create the net and it reduces the income to the CSD

**Markets evolve and therefore we should always be thinking: what is the right method to be applied in each market and to each different**



**instrument? The different models can co exist at different levels of the value chain**

## **2. Membership criteria and surveillance- monitoring the quality of CSD participants**

- CSD should set the rules in line with international standards  
The regulations done by the depository to organize the relationship between the clearing members and the depository  
The membership rule cannot cover anything that it is not delegated in terms of the law.
- The expectation is that the CSD will always strive to have membership criteria of the highest standard
- The criteria should consider the characteristics of the members and they should be suitable, appropriate and tough to protect the capital markets
- How to balance the minimization of the risk and allowing openness into the CSD as much as possible?
- The CSD should be responsible for setting the criteria
- Financial requirements
- The skills
- The technology
- Adequate insurance
- How far the surveillance should go and how a risk model should highlight the risk exposures
- SLAs
- Compliance with set standards
- Whose responsibility to set the criteria?
- Must be members of the SEC (Securities Exchange Commission) and the stock exchange before they become members of the CSD in Nigeria
- The investor receives a message on the cell phone when a transaction takes place in his account so that they are aware if an unauthorized transaction takes place. The broker gets severally penalized if this is the finding. This helps to monitor the risk in the market.
- The CSD should determine the criteria however the high level framework to be set by the regulator.
- The members should also have their own risk management in place.

## **3. Risk funds and collateralization**

- Have a number of layers for risk management.
- Liquidity is key to manage risk

- Securities lending practices to grow in AMEDA markets even though it sets complexity for technology setting the rules and the collateral management.
- The risk management process depends on the market and there are no rights or wrong answers.
- A guaranteed fund can also have a negative perception
- The cost and the risk appetite should be determined
- Should be across all instruments
- Securities lending and borrowing should be in place
- A risk fund is seen as a must irrespective if the settlement is in any time frame irrespective if it is an OTC or on the exchange
- The downside is the cost and the complexity of managing the risk in the fund and the calculation of the risk
- Risk of failure as to where the fund is held like if it is held in a commercial bank and the bank fails. So ideally it should be housed in the Central Bank
- If no risk fund accept lines of credit or bank guarantee be careful with risk concentration
- If no payment can be made as for example no electricity then you might have to halt trading until settlement resumes
- Ensure that the core business that of managing settlement operational and custody risk is in place before expanding revenue sources into new products and services

### ***Clearing and Settlement of Money market instruments in South Africa***

#### **Anthony van Eden**

Gave an overview of the Money Market system to settle Money Market instruments in the South African market

### ***Depository Services – Diversification of income from traditional sources, Mutual Funds, Sales of Information to issuers and others & other issuer services (Panel discussion)***

#### **Fouad El Khoury- Lebanon CSD**

The administrator of the fund should not be the beneficiary of the fund this was seen as an opportunity for the CSD to act as the trusted third party They issue the net asset value of the fund on a daily or weekly basis. Some funds are listed on the stock exchange and then the CSD also handles the register.

They check for compliance in terms of what is intended in the prospectus this is a very important function.

The financial statements are also prepared by the administrator with the collaboration of the external auditors as required by legislation

The success of this service depends on both the managers and the administrator

The revenue for administration function is 3% of the value of the fund. This is revenue purely from administration function and double for all other value added services.

In the debate it was stated that there is no real need to separate the manager from the administrator from a mutual fund.

In Lebanon there is no one else doing this function.

There is no capital market authority in Lebanon

### **R Vivekanand- TCS**

If you want to diversify it cannot be at the cost of someone else!

There is a strong need for people to protect their revenue stream so any new revenue stream can be done if we think different.

The model of just centralizing is not viable if there is no appetite in the market.

There is a huge amount of technology available for CSDs

There is also a huge amount of information centralized by CSDs

How to be a trusted source of services, huge need for a trusted source of information?

Trusted and reliable information is the key differentiator

Example: Verification of individuals taking employment in companies done by the CSD? Make this available to the government.

CSDs can take the efficiencies that they have implemented in the cash market and put in place for commodity markets?

We have networks infrastructure data source why not use it for other products!

Tension between the market infrastructure and the market players can technology help to ease the tension? Sometimes technology creates the tension as it makes functionality cheaper and that is where the market gets driven to.

Over the next two to three years there is a great sense of protectionism.

Carbon credit project is needed now but CSDs are taking too long to implement.

### **Tertius Vermeulen - Computershare**

Before CSDs diversify their income stream they must look if the law and the environment allow you to do

Difference between a central *Register* vs the central *Registrar*

Central Registrar this is where many CSDs are moving into. More information about the investor held by the central register  
Provide services to issuers or to the shareholders of that issuer? CSD to decide where they want to be. Then assess if the CSD has the infrastructure for this service that is why the service is to the issuer and not to the shareholders as this will require a more complex type of resources to meet the shareholders requirements.

The CSD is a de facto monopoly cannot abuse the market

What was the reason why CSDs set up in the beginning so be careful when expanding into new businesses.

Data protection laws this will change the way we can move information around

Who owns the data?

Is it the data of the investor or the broker or the CSD or the Stock Exchange or the custodian or the company?

Different data belongs to different people.

Just because the CSD is in the middle you need to make sure if you can use/sell data.

If the other parties are already selling this data do not come into their space. The CSD is the central point of data and if you want to sell it back to the participants you can enrich it first and find out what portion of the data you can use.

Just because the CSD has the access to the information it does not mean that they are entitled to earn income from selling this information

The risk is that the SRO can go unregulated as they are acting as the player and the referee and a de facto monopoly.

It is about fair competition. Competition is healthy to ensure that efficiencies are brought into the market.

The CSD has to look at ways to do more efficient services at a lower cost .

The CSD must keep up with the developments around the world and learn from these developments. Africa has a gap to learn from what is happening in Europe and then take the initiative to implement. Time to market on changes is important.

The CSD might not be able to provide services without being biased to their existing customers.

There is a tendency to look at the existing value chain as opposed to creating a different value chain as most countries cannot invest in state of the art technology so we should re utilize it.

***Centralized infrastructure should be used for more than one person and one function***

**Mohamed Abdel Salam chairing panel**

Monopoly not the right word to use for a CSD

The CSD is the only entity but it is not a monopoly

The custodians have lots of experience and they were there before the CSDs were created

The stock exchanges were created even before custodians.

As the market became more complex there was a need to bring efficiencies and to automate functionality through the creation of a CSD in particular to transfer ownership and cash amongst investors.

Why the CSDs do the corporate actions and not the banks. Because you need a centralized place as the main accounts in a retail model are held in the CSD and the custodian is just an interface between the client and the CSD

Most CSDs are not for profit and their shareholders are the users which get a rebate for the use of the CSD. The custodians then get a benefit from the use of the CSD

### **Ramy Bourgi - Societe Generale**

Automation is important in all processes where errors cost money

Where should the function of corporate actions take place?

CSDs must not be a one stop shop.

Capital is needed to cover the risk

Are CSDs capitalized to manage risk?

If they are then they are not CSDs but financial institutions

It is the custodians then that are the ones with the capital backing and the ability to provide the function of corporate actions

Do not abuse the monopoly to take the services from everyone else!

Welcome the use of the CSD as they have brought great efficiencies to the market

They do not want CSDs to monopolise functionality currently under the control of the custodians.

Even user own CSDs are abusing their power and infringing in the traditional services of the custodians.

Custodians in terms of Basel II have to be well capitalized

Are CSD well capitalized?

Mr Mohamed replied that there is no need as a CSD to be so capitalized in line with Basel II.

### **Tertius Vermeulen - Computershare**

Agrees with Ramy as a custodian and registrar.

The CSD takes no risk

You cannot take the income without taking the risk

The return is made as a result of the risk being taken.

Automation and corporate action this process should be automated from the source.

The source could be the CSD in some countries but the source is really the issuer

How many CSDs have asked the issuers what do they want? Or met their needs.

Do not reinvent the wheel this can be sourced from other markets as the technology is available. Re- use technology that it is already available. Propriety networks or which are tailored made for a market is inefficient. Use international standards do not be unique keep the technology in a standard that it is available and being used around the world.

Use swift to communicate re- use the infrastructure used by the banks in your market

Standardise the corporate actions processing use the 80/20 rule as 80 % can be automated and only 20% for the unusual transactions.

Swift has models to test the STP in corporate actions. Talk to others to see what it is available.

## **R Vivekananad- TCS**

How much to automate?

Only the ones that bring the higher level of risk should be automated

Time value of money in that corporate actions are not always time critical

Mr Mohamed replied to Vivek: he agrees with Vivek but what about being able to finance the technology?

TCS and Computershare are also monopolizing certain technology which is expensive.

Is the system tailor made for example in the London market then why would a small CSD have to pay for such functionality when it might only need 25% of that functionality. Then we will need special functionality to comply with the differences in the legislation

The time to implement the technology? It might be needed urgently and the technology provider might not be able to cope with such a requirement.

Considerations:

- Speed of the changes that are required
- The price that it costs to do the upgrades
- Not the luxury of time to do the updates

Tertius stated that there is a difference when a CSD is set up for profit to those that are not for profit.

Learn from others how other markets have overcome issues. Maybe do not share technology but do share the knowledge.

Ramy says that clients look at the balance sheet, new technology and the ability to operate into the future. Also the ability to meet claims and some are very material and for this the balance sheet is needed to provide this service to clients.

Tax reclamation and corporate actions is the space of the custodian. They do not care for the clearing and settlement.

Vivek stated that the cost of IT is coming down.

They are re-using the technology as opposed to developing from scratch in this way costs are reducing.

The clients only pay for the functionality they buy.

TCS is selling licenses for services being bought.

Failure is not an option for technology being provided as CSDs are mission critical to capital markets so technology providers want to protect their reputation.

### ***Securities lending and borrowing***

Mr Mohamed gave a presentation on short selling

System to be automated in 2009 in Egypt

There cannot be short selling as they have to enquire in advance if the shares are available before they are sold.

Lending and borrowing is used to cover the default. The lending is an option, the borrowing is compulsory.

In the short selling the borrowing and lending is optional.

The revenue being generated is shared MCDR 30% and 70% distributed between client and custodian in accordance with their bilateral contractual agreement.

Only liquid shares are part of the pool for the borrower. The criteria for what constitutes liquid is defined by the stock exchange.

Only 10% of the total share capital can be in the pool

Brokers can only borrow 2% of the pool.

Ramy is happy with the fact that Egypt implemented the securities lending and borrowing and the management of risk. They feel this is complimentary to the custodian's role.

There are different agreements between the CSD and the custodian and a different agreement with the client, his broker and the custodian.

Job of CSD and custodian is complimentary.

The needs of the clients cannot be fully met by the CSD and therefore they can never compete with the custodians in the key services custodians provide.

The right to proxy vote will be lost when there is borrowing.

In Egypt this is not the case as he takes his shares to the meeting and then returns them.

## **DAY THREE – TECHNOLOGY LANDSCAPE, MARKETING AND COLLABORATION**

### ***Cross Border Panel covering Link – Up Markets and COSSE initiative***

#### **Tomas Kindler- Link - Up Markets**

Let us keep in place what works well and just build an adaptor in the middle. This is the interoperability approach. Build this to ensure CSDs technology can communicate with each other

No sunken costs of current technology for any of the CSDs connected. Leverage existing technology and therefore the cost of connectivity kept low and gone live on due date in a year. The investment cost less than US\$ 10m.

Use of ISO 15022 as the format for the messages

Common language in the middle

Seen as a catalyst for the harmonization project in Europe

Raise the bar in the standards and functionality being made available to the CSDs connecting to Link-Up.

Single window into own regional network.

CSDs to be linked to each other in a region using the Link-Up type of technology

CSDs are interdependent with the market players and seen as the ideal leaders to establish interoperability. They should also drive the initiative to link to other CSDs in the region and to other regions in the world

Diversify services and generate new revenue streams and build cross border capabilities in house.

It offers a window into 50% of the European market via a single technical link

Two choices being a private network and secondly the use of Swift network using File Act

They are talking to other European CSDs, like Euroclear and others. Also talking to Asia and America. Asia is looking at a similar process like the Giovannini study in Europe to achieve harmonization in Asia

Clearing and settlement in Europe will become fully commoditized so CSDs must look at other areas for revenue like asset servicing.

Create partnerships with Banks for additional services

Leverage existing infrastructures to connect

Will assist CSDs to go up the value chain as encouraged by the European Central Banks

This model will also provide opportunities to custodian banks

#### **R Vivekanand - TCS**

The power of the networks and standards

The ability to link different technologies



Use what is already there and standardising  
AMEDA as a community to link up and leverage its existing infrastructure  
Leverage technology as a catalyst  
Interoperability is the Holy Grail but there are different interpretations of what it is

### **Steve Everett - COSSE**

African initiative to link Stock Exchanges in the region on a hub and spokes model.

### ***Mapping local market practices to ISO and the role of SMPG***

### **John Falk- SWIFT**

By creating a globally agreed harmonized market practices which are integrated with standards will bring the securities industry closer to achieving STP

Key objective of SMPG (Securities Market Practices Group) - to standardise market practices and message formats.

Start a national market group in your country by learning from other markets that have a national market practices group

There must be a goal and a benefit in taking part in this work to meet international standards and work together as a market towards this goal. The achievement of standardisation is that the market can attract more investors.

You need a champion to see it through.

Egypt and South Africa have an NMPG in place in the AMEDA region.

Egypt offers a bureau service for the use of Swift

Having this in place enables the users in a market access to the outside world and vice versa.

Not easy to implement as people are reluctant to change the proprietary standards that they have been using.

ISO does not mean give up your network or give up totally the proprietary standards as you can use both and run in parallel until migration can take place.

The effort to implement ISO standards will fluctuate depending on the technology already in place. There has to be a business case.

Giovannini barriers not being resolved very fast as there has not always been a business case to do so.

Cost of connecting to the Swift network has in the past been expensive. No longer a joining fee to join Swift

Access to the Swift network has been facilitated. Three different ways with a choice of solutions depending on the need:

- Direct Swift interface to the network
- Or
- A Swift bureau connects you
- Or
- Swift Alliance Light which is a memory stick to let you access the network via the internet

### ***Corporate actions***

They are complex and therefore automation is the way forward to minimize risk.

New ISO 20022 to reduce the complexity so this is the recommended standard if a market is to implement for the first time the automation of corporate actions.

New technology available to assist in testing called STaQS and the event interpretation grid which is a tool developed to test conformance to standards.

AGC has endorsed the tools that are available to assist markets in the increase of STP for corporate actions

ECSDA has lots of documentation in harmonizing corporate actions standards

### **AMEDA TO CREATE A CORPORATE ACTIONS WORKING GROUP IN ORDER TO ASSIST THE CSDS AND OTHER USERS IN THE REGION TO STANDARDISE MESSAGES IN CORPORATE ACTIONS**

Such working groups working very well in the ECSDA and ACSDA regional associations.

### ***Panel discussion on how to increase the exposure of CSDs amongst clients and in the global arena***

#### **Bob Currie, Tomas Kindler, Amr Radwan and Sherif Abdel Razeq**

Historically CSDs were utility type entities. Heavy on IT and process and now moving into product focus the next step to sell customer services and meet the needs of customers and how to add value to clients.

Extend the scope to other clients and services.

For example if you expand into investment funds the requirements are different and CSDs need to understand this new paradigm.

Clearstream are advanced in terms of sales and marketing as they have strong competition.

They invested in press, brochures etc advertising and events being sponsored.

Partnership approach with the clients to expand the services of the CSD.  
Leverage your customers to create win-win situations. Share strategic ideas exchange knowledge with clients.

Strategy by Egypt to extend the technology capabilities they found that they can offer this technology to other CSDs in Africa the first one being in Libya. There is a lot of automation in the Egyptian market and they can offer services to improve the STP.

They are interactive using ISO 15022 standards.

They are also helping to provide tools for compliance.

MCDR highly innovative.

How high is the risk of diversification for CSDs?

Leverage their operational risk management at CSDs to expand their revenue sources.

Shift of business away from banks to CSDs as there is a high level of trust in the CSD rather than in the banks as they have highly polluted balance sheets and this is not the case for CSD

Define carefully the needs of the market and manage any risk that the new service could bring to the CSD when providing the new services. Have strong internal controls and limit the risk in the provision of the new services.

CSD should set a minimum level for every type of risks this level cannot be breached and those levels are updated regularly

Extend standardization into new asset classes to reduce the risk in all instruments in the capital markets. Unique opportunities to get more international exposure by CSDs.

CSDs are the natural representative for the capital markets in each country.

Challenges being faced in Egypt to implement international standards.

Currently they comply with most of the standards but due to national laws there were some conflicts which had to be addressed over time.

They were proactive to eliminate any barriers in particular if the standards were there to reduce risk in the national market.

Strong case for interoperability. Good examples for consolidation in particular where regulators are involved. Some consolidations lacked the scalability with high risk and high cost so the Link-Up model achieved interoperability at a lower cost and a fast time to market.

How to develop the pricing for a new product

Do surveys for market acceptance, cover 4 P's (price, place, product and promotion)

## ***Technology Sharing between CSDs inclusive of Disaster recovery***

### **Fabien Cavenne - Thales Information System Security**

Presented on a novel proposal as to how CSDs can share their technology to act as disaster recovery sites for each other and for other market players. Words of caution in terms of dealing with a disaster in particular events that cannot be predicted. It is all about being adaptable flexible and take into account the physiological impact that certain events have on the decision making process.

The best configuration he has seen is when it is at several km of distance so in this way you are sure that there is no need to use the same people transport connectivity etc they are totally separate

The scenario that it is ideal is to have staff in both sights.

The cost of bandwidth could be a challenge when you have a cross border type DR set up. However as all the data does not have to be sent to the mirror on a real time basis so you use compression and encryption of the data to reduce cost.

Create a working group to see if there is a business case to set this up

*(Action to follow up with Vipin re a questionnaire on cross border back up requirements in the AMEDA region.)*

### ***Sherif Abdel Razek from Nile Information Technology and Dissemination***

#### ***Recommendations:***

- Create a task group in AMEDA to study the barriers of technology sharing and how to mitigate them
- Enable STP and standardisation in all AMEDA members
- Consider co-hosting the applications amongst AMEDA members for cost sharing
  1. First step for AMEDA members is to reply to a questionnaire to be issued by Nile to all AMEDA members. Reply by 17 May 2009 also issue to market participants and attendees to this conference
  2. Then form the AMEDA standardisation task group
  3. Report back on the findings of the questionnaire
  4. Define an action plan which should also include the training needs to the AMEDA members by the AMEDA members taking into account the different languages
- Sweating the assets through technology sharing to Ameda members. Expand on the example set by Egypt which provided the technology platform to Libya.
- Leverage other initiatives to define how to make use of them in the AMEDA region.

- Streamline market access in the region through a single window
- Reduce cross border complexity
- Leverage existing CSD infrastructures
- Increase trading activities driven by market integration

**Sherif Abdel Razeq is to reside as chairman to the AMEDA Standardization Task Group.**

### ***Egypt Payments Landscape***

**Dr Nadia Abdelaal- Central Bank of Egypt**

Overview of the Egyptian payment landscape, the challenges of the cash-less society and the Egyptian laws and regulations to the payment system.

**“TO ACOMPLISH GREAT THINGS WE MUST NOT ONLY ACT BUT ALSO DREAM, NOT ONLY PLAN BUT ALSO BELIEVE”**

Anatole France