

Custodian Interface with Depositories

African & Middle East Depositories Association

12th December 2019

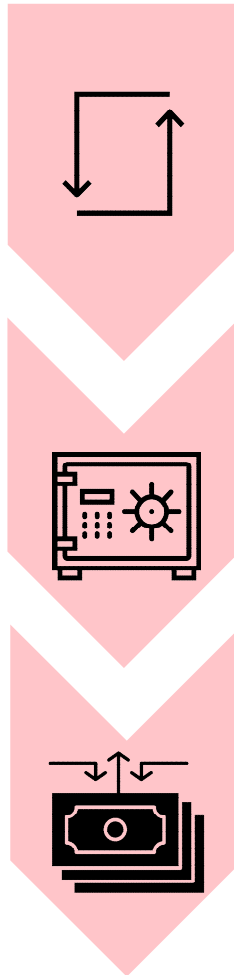


The role of the custodian

Enabling clients to invest in the local market, whilst minimising the risk of loss of assets

Clients;

- Investors
- Global Custodians
- Broker Dealers



Trade Settlement

- Pre Matching
- Settlement
- Funding

Safekeeping

- Client Asset Protection
- Reconciliation

Asset Servicing

- Corporate Actions
- Taxation
- Dividends
- Proxy Voting

Custodian settlement

A critical process with significant risk for the custodian

The matching process manages the risk of an incorrect settlement occurring

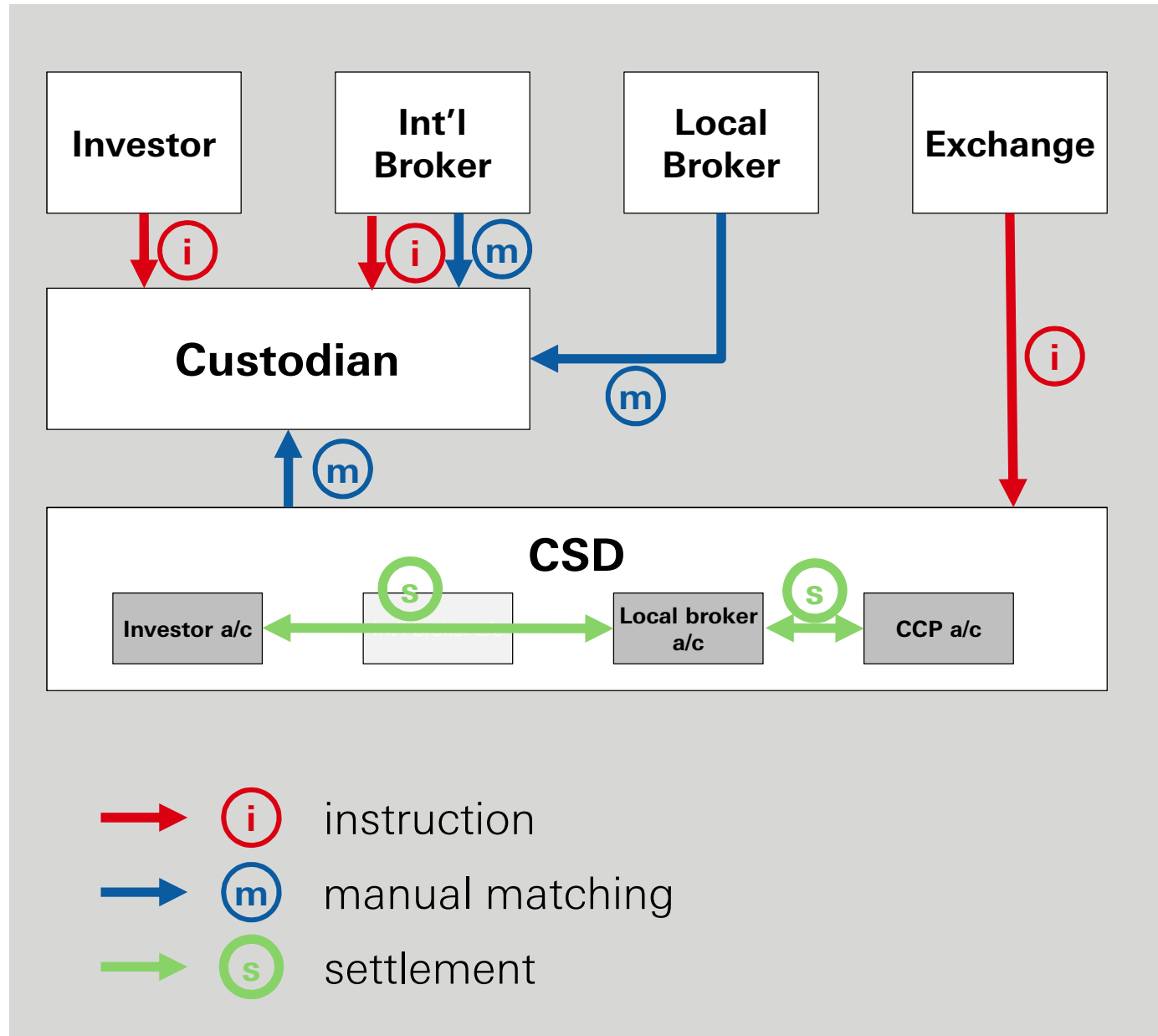
Matching process is manually performed by the custodian in three stages

1. CSD file vs Local Broker file
2. Local Broker vs Int'l broker file
3. Investor instruction vs Int'l broker file

There are no settlement instructions submitted by brokers or custodians

Trades settle unless rejected

There is no settlement through the account of the international broker



International settlement

Settlement by instruction not rejection

Matching instructions (bilateral)
required from both parties to effect
settlement

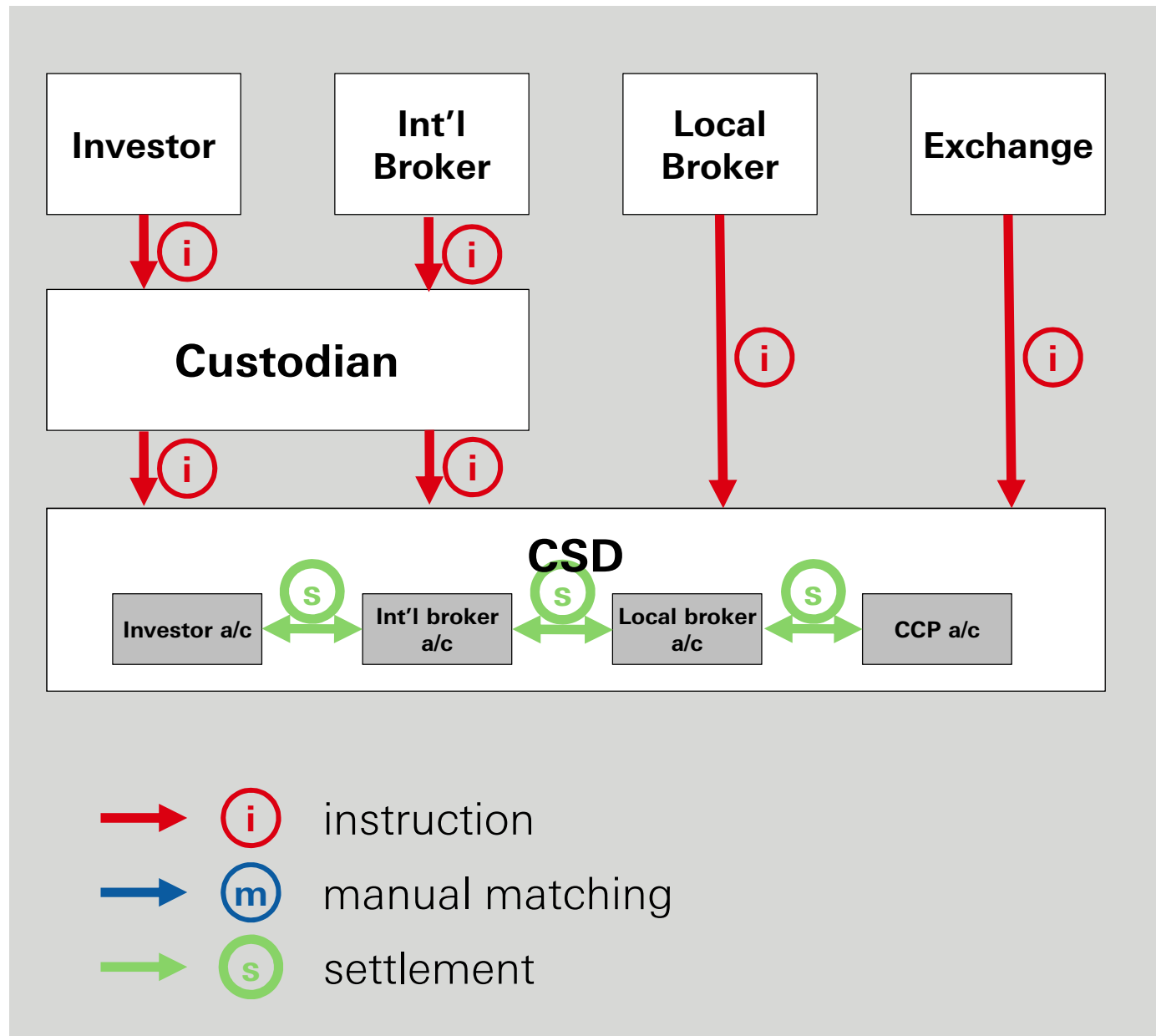
Matching is managed at the CSD

Typically SWIFT enabled

Trades settle with the international
brokers

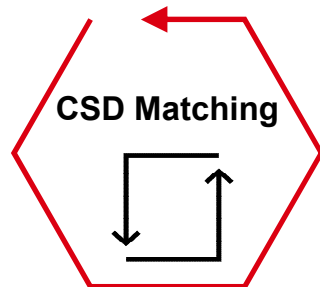
Allows for netting and aggregation

Automated allegements

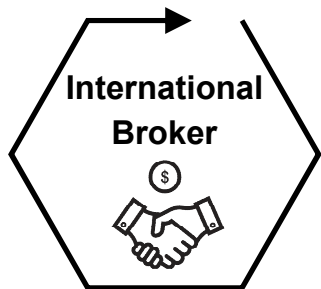


Opportunities to evolve the CSD and Custodian Model

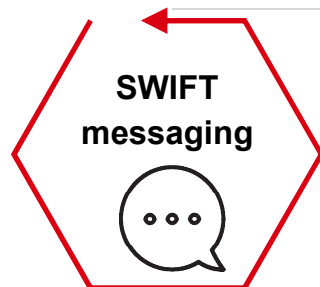
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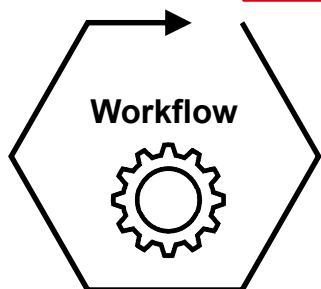
- ◆ Matching of instructions from buyer and seller at the CSD before a trade can settle
- ◆ Removes the risks of the rejection model



- ◆ Recognition of the International broker by the local market and CSD
- ◆ Settlement of trades between local broker and international broker enables commission to be part of settlement process



- ◆ Option for CSD participants to instruct using SWIFT messaging using depository connections



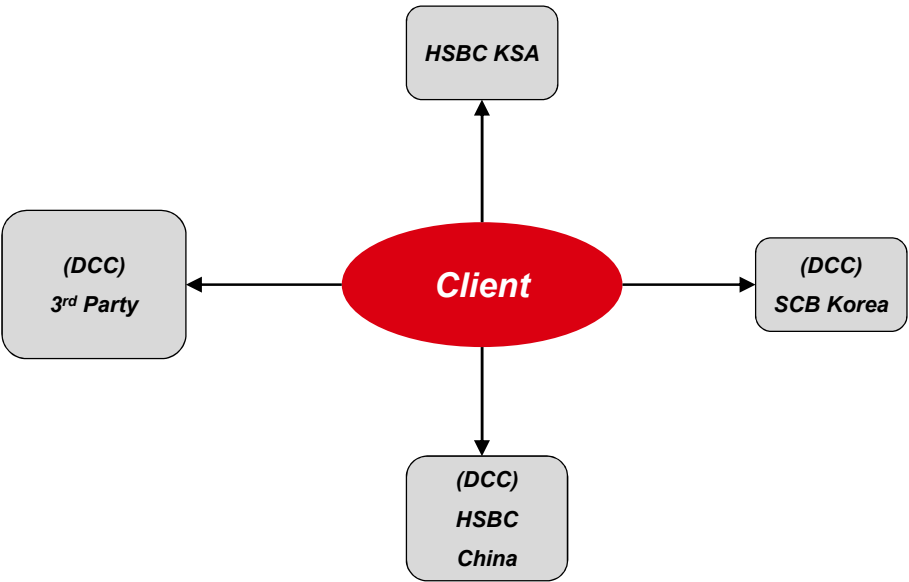
- ◆ Predefined workflow for matching exceptions
- ◆ a matching process enables custodians to implement workflow for **allegements**

Global Custody & Direct Custody & Clearing (DCC)

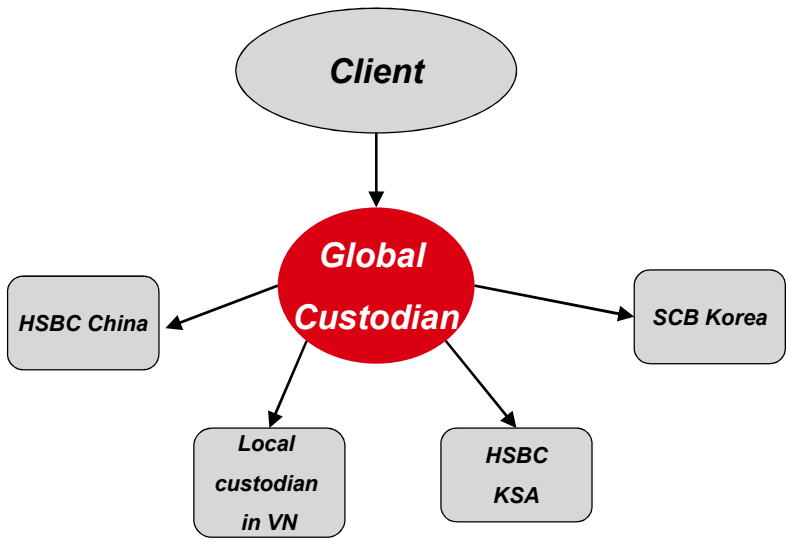
Global Custody: A single point of access

	Traditional client base	Propositions
Global Custody	<ul style="list-style-type: none">Buy-side fund managers, sovereign wealth funds, pension funds requiring consolidated service provision across multiple markets	<ul style="list-style-type: none">One contract required – one contract covering global networkConsolidated portfolio reporting and consistent service provisionAccess to ancillary services – Security Lending, Treasury Services, etc.
Direct Custody & Clearing	<ul style="list-style-type: none">Banks & Broker Dealers	<ul style="list-style-type: none">Access to local markets, clearing & settlement servicesLocal expertise & intelligenceAbility to hold account with DCC (without having to contract as a GC client)

Direct Custody & Clearing (DCC) (& 3rd Party)



Global Custody



Product Description – Global Custody

Core Services

Settlement & Trade Processing

- Trade Capture
- Settlement Instructions
- Settlement & Trade Fail Management

Safe-keeping

- Asset Protection
- Account Structures
- Network Management

Servicing

- Corporate Actions
- Income Collection
- Proxy Voting
- Tax Services

Value Chain



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