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9<sup>TH</sup> EDITION

# ACG NEWSLETTER





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# MESSAGE FROM ACG CHAIRMAN



Dear ACG members,

As we have passed 2021's halfway point, it's time for us to summarize the achievement of the past 6 months and present you the 9th Edition of ACG Newsletter.

Time flies, the fight against the COVID-19 lasts for more than one year. However, variants of COVID-19, Delta, caused pandemic relapse and pull us back to uncertainties of the future in APAC region. ACG secretariat has reached out to some of our members and gave concerns over their current situation. Consequently, we have to postpone our ACG major events to 2022, including the AGM 24 (hosted by Koran Securities Depository) in Busan and CTS 22 (hosted by Taiwan Depository & Clearing Corporation) in Taipei. However, to maximize members' participation of ACG events this year, a CTS warm-up virtual meeting will be held in this September. In addition to ACG internal routine work, we've taken an active part in WFC activities, and promoted participation in World CSD Factbook, Single Disclosure and E-Learning Platform which can be accessed via ACG website.

The 9th edition of ACG newsletter introduces two ACG members in Company Profile section, and brings attention to recent work done by task forces and updates in several markets. Also included in this edition is a Guest Column article, contributed by Euroclear, about their insights on global distribution efficiency. I would like to take this chance to give my sincere appreciation to all contributors of the ACG Newsletter.

With an increasing number of vaccination doses administered plus multilateral recognition of "Vaccine Passport" progress in APAC, I believe that the day when we see each other in person is not far away. Enthusiasm and eagerness toward physical ACG events are rooted in every element of our ACG work in 2021 and as long as joint efforts made by all of us, 2022 will sure be a fruitful year to expect.

**Dr. Wenhua DAI**  
ACG Chairman  
Chairman, China Securities Depository and Clearing Corporation Ltd.

# COMPANY PROFILE



中央国债登记结算有限责任公司  
CHINA CENTRAL DEPOSITORY & CLEARING CO., LTD.

## 1. China Central Depository & Clearing Corporation Ltd. (CCDC)

### Overview

China Central Depository & Clearing Co., Ltd. (CCDC), founded in December 1996, is the sole state-owned financial enterprise approved and funded by the State Council of China and specializes in providing national financial market infrastructure (FMI) services. At the end of 2020, it had a total of RMB 110 trillion (of which the amount of outstanding bonds stands at RMB 77 trillion) of various financial assets under its registration and management.

### Our Missions

Since its inception, CCDC has been committed to its mandates as the national financial infrastructure and has continuously contributed to the development of China's bond market. It has become a core operation platform for China's bond market, a supporting platform for implementation of macroeconomic policies, a benchmark formation platform for China's financial market and a key gateway for opening up of China's bond market.

- **A core operation platform for China's bond market**

CCDC provides a full set of bond services including issuance, depository, settlement, principal redemption and interest payment, valuation, collateral management and information disclosure. In 2020, CCDC supported bond issues of RMB 22 trillion. The outstanding amount of bonds under depository stood at RMB 77 trillion and the settlement amount registered RMB 1733 trillion.

- **A supporting platform for implementation of macro policies**

CCDC provides support for implementation and operations of the monetary, fiscal and industrial policies. It houses the open market operations (OMO) room for the People's Bank of China (PBC) and the government bond auction room for the Ministry of Finance (MoF). CCDC assisted OMO of 15 trillion and supported Local Government Bonds issues of 6 trillion in 2020.

- **A benchmark formation platform for China's financial market**
- **A major gateway for opening up of China's bond market**

The ChinaBond RMB Chinese Government Bonds Yield Curves formulated by CCDC are now widely acknowledged in the market and are constantly updated on the official website of PBC and Ministry of Finance (MoF). The ChinaBond 3-month CGB Yield Curve has been included in the SDR interest rate basket by IMF as an international pricing benchmark of Renminbi.

CCDC has created viable account structures and service modes compatible with market practices both at home and abroad, allowing foreign participation into the Chinese market through programs including Global Connect and Hong Kong Bond Connect. At the end of 2020, CCDC held RMB 2.8 trillion of bonds for its overseas customers.

## Our Vision

China's bond market now enters into a new stage of development, and CCDC aims to build a world-class financial infrastructure platform. CCDC will use its best endeavour to make progress in improving services quality, reorienting development momentum, and promoting operating efficiency, and build a professional, digital, modern and open financial infrastructure on a higher level and in a global context.



## 2. National Securities Depository Limited (NSDL)

National Securities Depository Limited (NSDL) is one of the largest depositories in the world, established in August 1996. NSDL has put in place a state-of-the-art infrastructure that handles most of the securities held and settled in dematerialized form in the Indian capital market.

The Company plays a major role in dematerialization of securities and electronic settlement of trades in the Indian Stock Market. Financial Year 2020-21 has been a successful year for the Company. The Company was able to capitalize on the market conditions through its operational excellence, higher efficiency and well executed strategies. The value of assets held under custody stood at USD 3330 billion as of March 31, 2021. The market share of NSDL stood at 89.88 % in total custody value as on March 31, 2021. During FY 2020-21, 2.496 million new accounts were opened at NSDL, taking total number of demat accounts opened till March 31, 2021 to 36.4 million.

NSDL is the Executive Member of ACG, and the convener of Technology Task Force.

### Please find below value added-services of NSDL:

1. **SPEED-e** – It enables demat account holders (including Clearing Members) to submit instructions directly on the Internet through SPEED-e website <https://eservices.nsdl.com>, without the need to use paper.
2. **IDeAS** - IDeAS (Internet-based Demat Account Statement) is the facility for viewing balances and transactions in the demat account
3. **STeADY**- Securities Trading Information easy Access and DeliverY (STeADY) is a facility which enables the brokers to deliver/submit contract notes to custodians/ fund managers electronically by transmitting digitally signed trade information with encryption.
4. **E-Voting** - e-Voting is voting through an electronic system where members/shareholders can vote on resolutions of companies requiring members/shareholders consent. NSDL offers Remote e-voting as well as Venue e-Voting.
5. **CAS** - NSDL Consolidated Account Statement (CAS) is a single statement of all investments in the securities market by a particular investor identified by means of unique Permanent Account Number (PAN). NSDL CAS includes investments in equity shares, preference shares, mutual funds, bonds, debentures, securitized instruments, money market instruments and government securities.
6. **SPICE** (Submission of Power of attorney-based Instructions for Clients Electronically) - Clearing Members (Clients who have given Power of Attorney (POA) in favour of the Clearing Member) can submit auto pay-in instructions to Participants (where Clients maintain demat accounts) on SPEED-e facility to debit the demat accounts of the Clients and credit their Clearing Member (CM) Pool Accounts. Thus, eliminating the need to give paper-based delivery instructions to the Participants.
7. **SIMPLE** (Submission of Instruction through Mobile Phone Login Easily) - SIMPLE is a facility that enables the password-based users of SPEED-e facility to submit Client to Clearing Member Pool Account transfer instructions on SPEED-e platform as mentioned above through their mobile phones (enabled with GPRS).

## NEW DIGITAL INITIATIVES

### 1. Demat Account Services

NSDL has developed different APIs to facilitate demat account opening, account validation and account maintenance.

#### a. Insta Demat Account from Net Banking

NSDL Insta DEMAT facility allows a Net Banking client to Open Demat Account in the Depository System. If the Account Holder opts for this facility, the client's demographic details are seamlessly transferred from Net Banking to the NSDL Insta DEMAT application and subsequently to the Depository System for creation of DEMAT account. The Depository System assigns a Demat Account Number (i.e. Client ID) to the Net Banking client.

#### b. DAN

NSDL has developed an API based service to verify the demat account present in the Depository system. This API can be used to verify unique Permanent Account Number and demat account status of investors.

#### c. eMail ID update campaign

NSDL has developed a facility to enable demat account holders to update email ID in their respective demat accounts. Under this campaign, a link to update email ID is sent to the demat account holders whose email ID is not registered on their registered mobile numbers. Account holders are able to update their email id through this link after verifying their PAN and authentication through OTP.

### 2. Private Cloud

NSDL has setup a private cloud which can host the local databases on the Depository Participants. This will help the Depository Participants to reduce the initial set up cost and cost of operations.

### 3. Electronic Book Provider (EBP) platform

NSDL is authorized by SEBI to act as an Electronic Book Provider. NSDL will be providing its EBP services through its Issuer portal which will facilitate Issuer to privately place Debt securities including Non-convertible Redeemable Preference Shares, Commercial Paper and Certificate of Deposits through NSDL EBP platform. The EBP service enables coupon/price discovery in transparent manner and facilitate process of issuance of securities in seamless and efficient manner.

### 4. Commercial Paper System

Commercial Paper Platform is an online service available on NSDL's Issuer portal facilitating Issuer, Investors, Issuing and Paying Agents (IPAs) and Registrar and Transfer Agents (RTAs) to undertake the Commercial Paper (CP) issuance process in a secured, efficient and seamless manner.

Issuers can make online application to NSDL for getting CP ISIN through this issuer portal and subsequently initiate the Commercial Paper Issuance process. Issuers, Investors, IPAs and RTAs can carry out all the activities involved in CP issuance online through this platform.

The CP platform provides secured access to users, eliminates the need for manual activities like movement of physical documents between entities, reduces the Commercial Paper issuance process time from 1 day to a few hours and provides real time updates and notifications to the users on the status of the Issuance.

## 5. Issuer Portal

NSDL Issuer Portal is a platform provided to the Issuers with an objective to provide one stop solution for all Issuer related Services. NSDL Issuer Services portal provides various functions to Issuers for the depository-eligible securities and facilitate issuers to comply regulatory reporting requirements and digitization of many manual processes.

## 6. Online AGMs

NSDL has been providing webcasting services to companies wherein, the shareholders of companies subscribing to this facility are provided online access to the Annual General Meetings (AGMs) using their login credentials of NSDL's e-Voting web site.

Due to the advent of COVID-19 pandemic, MCA has permitted companies to conduct Virtual AGMs/EGMs through Audio Visual means wherein the shareholders should also be provided a facility to participate in the meeting through video conferencing. In light of the same, NSDL has started to offer integrated platform for e-voting & video conferencing services along with webcasting services to enable companies to comply with MCA guidelines while carrying out virtual AGMs/EGMs.

## 7. Un-Listed Issuer Portal

NSDL has launched an online platform for Un-listed Issuers to complete the registration and on-boarding process related to joining the Depository. The platform also facilitates registration of entities like Registrar and Transfer Agents (RTAs), Professional Firms (like CA and CS Firms) for completing on-boarding process related to joining the Depository on behalf of their clients i.e. Issuers.

The registered users can submit digitally signed documents, create pre-filled Application form and generate Tri-partite agreement and franking document using the Un-Listed Issuer portal. The Portal facilitates users in validating the input data for the application form, provides notifications and real-time tracking feature on the workflow status for the users. On completion of registration and on-boarding process, issuers can obtain Issuer code and ISIN of the security from the Depository.



## CORPORATE HEAD

Mr. GV Nageswara Rao has been the CEO and Managing Director of NSDL since July 1, 2013. Prior to this assignment, Mr. Rao was MD & CEO of IDBI Federal Life Insurance since its inception in 2007 till 2013. Prior to that from 2003 till 2007, Mr. Rao was the MD & CEO of IDBI Bank Ltd.

Mr. Rao has over 31 years of experience in various areas of financial services and has successfully established and managed several new businesses. Mr. Rao is a Chartered Accountant, Cost Accountant and PGDM from the Indian Institute of Management, Ahmedabad.





# MARKET UPDATES





中央国债登记结算有限责任公司  
CHINA CENTRAL DEPOSITORY & CLEARING CO., LTD.

## China Central Depository & Clearing Corporation Ltd. (CCDC)

### (1) Market Overview

In Apr. 2021, new issues in the China's inter-bank bond market reached RMB 5.24 trillion, down 7.03% compared to the previous month. Cash bond transactions totaled RMB 169.11 trillion, down 9.31% compared to the previous month. Up to the end of Mar. 2021, the value of the total securities in the inter-bank bond market increased to RMB 105.11 trillion, up 0.84% from the previous month.

In Apr. 2021, ChinaBond New Composite Index has increased 0.31% from the previous month to 100.1, ChinaBond 1-Year Treasury Bond Yield decreased by 22 bps to 2.36%, and ChinaBond 10-Year Treasury Bond Yield decreased by 3 bps to 3.16%. China and US 10-year Treasury bond spread increased by 6 bps to 151 bps.

### Overseas Investors Continuously Increasing RMB Bond Holdings

By the end of Apr. 2021, overseas investors' depository amount at CCDC (both via Global Connect and HongKong Bond Connect) increased 2.05% (compared to the end of Mar. 2021) to RMB 3.22 trillion, and cash bond transactions decreased 15.52% (compared to the end of Mar. 2021) to RMB 791.1 billion.

### (2) ISDA Publishes the English Version of the CCDC-ISDA Joint Whitepaper on its Official Website

On Sep 16th, 2020, CCDC officially released the Use of RMB-denominated Chinese Government Bonds as Margin for Derivatives Transactions, a joined whitepaper with the International Swaps and Derivatives Association (ISDA) in the ChinaBond Collateral International Forum. The English Version was released on Mar 25th, 2021 by ISDA on its Official Website.

This is the first co-publication between a major Chinese financial market infrastructure and an influential global financial industry association. The whitepaper offers a comprehensive analysis on the feasibility of the use of RMB-denominated bonds as collateral in the global derivatives market, which helps further promote the international application of RMB-denominated bonds collateral.

**[Click on the following link to view ISDA's press release:](https://www.isda.org/2021/03/25/use-of-rmb-denominated-chinese-government-bonds-as-margin-for-derivatives-transactions/)**

<https://www.isda.org/2021/03/25/use-of-rmb-denominated-chinese-government-bonds-as-margin-for-derivatives-transactions/>

### **(3) CCDC PFMI Information Disclosure and Self-Assessment (status as of Dec.2020) has been released**

**Click on the following link to get the full report:**

<https://www.chinabond.com.cn/cb/eng/yjfx/zzfx/nb/20210414/156912826.shtml>

### **(4) FTSE Russell Announced Confirmation of the Inclusion of Chinese Government Bonds**

FTSE Russell is pleased to confirm that Chinese Government Bonds will be included in the FTSE World Government Bond Index (WGBI) with inclusion to be phased into the index over a period of 36 months commencing with an effective date of 29 October 2021. The market accessibility level of China will be reclassified from “1” to “2” as of the March 2021 review.

### **(5) CCDC Successfully Held the Japanese Investor Webinar**

On March 3, the CCDC successfully held the Japanese investor webinar on "New Investment Opportunities of China's Bond Market Investment in 2021". A total of nearly 100 representatives from 59 asset management company, commercial banks and other overseas investors participated, of which 75 were representatives of Japanese investors. Senior experts are invited to share their views on the opening of China's bond market, the optimization of financial infrastructure services, the new mechanism of cross-border RFQ trading, the convenience under the CIBM Direct, and the new opportunities under the background of FTSE Russell index inclusion.

### **(6) CCDC supported the CDB to Issue Bonds through Direct Bidding**

On April 28, CCDC supported the China Development Bank (CDB) to issue 12 billion of 5-year term RMB financial bonds through direct bidding, with winning rates of 3.28%. It was the first time for global investors to directly participate in the bidding and subscription of the primary issuance of the CDB bonds, providing a new channel for them to participate in the primary bond market of China. The members of the direct bidding group include more than 100 overseas sovereign institutions, as well as domestic and foreign commercial banks, securities, insurance, funds and other types of institutions.

### **(7) CCDC supported the First RQFII Investor to Carry out Bond as Futures Margin**

On April 29, CCDC supported the first RQFII investor to carry out bond as futures margin business. After QFII participated in the business in 2019, the first RQFII joining is another important breakthrough in the internationalization development of bond as futures margin product, and also an innovation result of optimizing overseas investor service and supporting the opening up of futures market.



**CSDC**  
**中国结算**

China Securities  
Depository & Clearing  
Corporation Ltd.  
(CSDC)

## China to Connect Interbank and Exchange Bond Markets Infrastructures

On July 19th, 2020, People's Bank of China (PBC) and the China Securities Regulatory Commission (CSRC) released a joint announcement to build the Infrastructural Connection Mechanism (the "Connect") between the interbank and exchange bond markets, two major segments of China's domestic bond market. This will allow qualified investors to trade bonds across the two markets via two-way links among infrastructures. Marking a milestone in China's bond market development, the "Connect" enhances infrastructural interoperability and market integration, and ultimately benefits market participants.

### Status quo of China's Bond Market

Amid rapid development over the past two decades, China's domestic bond market formed a "dualistic" landscape where the exchange market and the interbank market became two separate bond trading and pricing centers featuring different regulatory systems, bond types, participant profiles, and trade practices and settlement mechanisms. By the end of June 2020, the total size (measured by market value of bonds in deposit) of China's bond market reached RMB 106.5 trillion (USD 15.7 trillion) which includes RMB 14.3 trillion (USD 2.1 trillion) in the exchange bond market and RMB 91.4 trillion (USD 13.4) in the interbank bond market, each accounting for 13.4% and 85.8%.

Six infrastructures in China together serve these two markets. Among them, Shanghai Stock Exchange (SSE), Shenzhen Stock Exchange (SZSE) and China Foreign Exchange Trading System & National Interbank Funding Center (CFETS) provide trading venues, and the other three, China Securities Depository and Clearing Corporation (CSDC), China Central Depository and Clearing (CCDC) and Shanghai Clearing House (SCH), are responsible for post-trade services including bond registration, depository, clearing and settlement. Detailed functions of the six infrastructures are listed in the table on the right:

Infrastructure	Market Served	Functions
SSE	Exchange	Trading Venue
SZSE	Exchange	Trading Venue
CFETS	Interbank	Trading Venue
CSDC	Exchange	CSD, SSS, CCP
CCDC	Interbank	CSD, SSS
SCH	Interbank	CSD, SSS, CCP

In the “dualistic” landscape, registration and depository of bonds are segmented by the boundary between the exchange and interbank markets, with trading and settlement for each enclosed inside their own systems. This segmentation and the consequent inconvenience to market participants are believed to have adversely affected the development and regulatory unification of China’s bond market. How to facilitate cross-market flow of bond market instruments is a problem that demands urgent solution.

### Exploration and Prospect of the “Connect”

CSRC and PBC, as regulators of the exchange bond market and the interbank bond market respectively, have been planning and working on building the connection mechanism over the past years, and market infrastructures have proactively explored frameworks for cooperation. So far, collaborative effort between CSDC and CCDC has resulted in efficient cross-market listing and cross-market transfer of custody for three types of bonds (T-bonds, Municipal Bonds and Enterprise Bonds), and investors now can transfer the custody of their bonds across the markets, so as to participate bond trades in both markets.

However, this is far from the ultimate solution to the market segmentation problem: only a relatively small portion of bonds are accepted for cross-market listing and cross-market transfer of custody, investors still must have accounts in both markets, factors that limit the benefits of this type of connection.

As seen from the table below, only a limited number of the types of bonds available in each market are accepted for cross-market listing and custody transfer:

Exchange Market	Interbank Market
<b>T-Bonds*</b> <b>Municipal Bonds*</b> Policy-Bank Bonds <b>Government-sponsored enterprise Bonds*</b> Corporate Bonds <b>Enterprise Bonds*</b> Convertible Bonds Exchangeable Corporate Bonds Asset-backed Securities (ABS)	<b>T-Bonds*</b> <b>Municipal Bonds*</b> Policy-Bank Bonds <b>Government-sponsored enterprise Bonds *</b> Central Bank Bills Commercial Bank Bonds <b>Enterprise Bonds*</b> Medium Term Notes (MTN) Commercial Paper (CP) Super & Short-term Commercial Paper (SCP) Certificates of Deposit (CD) Private Placement Note (PPN) Credit Assets-backed Securities Asset-backed Securities (ABS)

(\* represents the bonds accepted for cross-market listing and cross-market transfer of custody)

As China's bond market gradually matures, and cross-border connections like Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect enjoy continued success, CSRC and PBC have arranged a more holistic framework plan for the domestic bond market connection, under which the six infrastructures serve market participants cooperatively. The three trading venues will support cross-market trading, and the three CSDs will work jointly on registration, custody, clearing, settlement and principal and interest payment, etc.

The "Connect" promises better accessibility for investors to both markets through a single access point. With the long troublesome market segmentation problem solved, market participants can enjoy a panoramic market view as well as one-stop services across the entire range of onshore Chinese bonds.

As of now, all market infrastructures are working closely to promote the implementation of all programs of the "Connect", building a strong basis for further development and opening up of China's bond market.





# Korea Securities Depository (KSD)

## An Untrodden Path in 2021

As the coronavirus spread its tentacles well into 2021, Korea Securities Depository (KSD) has been taking the untrodden path cautiously but courageously. KSD has decided to take a glass-half-full approach and make a difference in this tough time. Thanks to this realistic optimism, KSD has been able to launch a couple of new services in early 2021. Are you curious about the new services that KSD has newly introduced? Are you also curious about what efforts KSD has made in order to turn the pandemic into a leverage?

## What are the New Services?

Over the first half of 2021, KSD has brought into being two systems: Asset-Backed Securities (ABS) One-Stop Information System and Securities Lending & Borrowing (SLB) Trade Contract Confirmation System.

For starters, KSD established the ABS One-Stop Information System in January, 2021. This system has been embedded into *SEIBro*, KSD's securities information portal, thus centralizing and integrating scattered pieces of information on the ABS. Thanks to this service, investors have become able to paint the whole picture of the ABS market conveniently and efficiently.

On the SLB service front, the SLB Trade Contract Confirmation System went live in March, 2021. The system was introduced to disincentivize investors from doing the naked short-selling, which is illegal in the Korean SLB market. On the system, securities lenders and borrowers make public their contract terms and conditions once they make a contract.

KSD has put in place the system in a bid to support the Korean financial authorities in resuming the covered short-selling in May, 2021, which had been banned shortly after the stock market crash due to the pandemic in March, 2020. The new system maintains the information on SLB transactions real-time and serves as a conduit to take market transparency a notch higher. Furthermore, it is expected to enhance market stability by giving investors little wiggle room for resorting to the naked short-selling.

### **Virtual Meeting in limelight**

With virtual meetings at the forefront of international cooperation, KSD has pivoted to virtual meetings, using them as a launch pad to deepen – as well as broaden - its relationship with other CSDs. Since the outbreak and spillover of the crisis, KSD has held a series of bilateral and multilateral meetings online.

Following the ACG Junior Workshop in November 2020, KSD held the Korean-Azerbaijan Bilateral CSD Workshop in March. Then, in April, we organized the Cross-regional CSD Workshop along with the National Settlement Depository (NSD) of Russia. In the two-day workshop, the presenters from Azerbaijan, China, Korea, and Russia shared their knowledge and know-how in their core and value-added services. Throughout these on-line gatherings, not only were the participants able to exchange knowledge and know-how, especially on their responses to the coronavirus (e-voting, remote work, BCP, etc.) but also, we were able to strengthen our ties to a greater extent. After all, friends in need are friends indeed!

### **“The Obstacle is the Way”**

Looking back on the first half of this year, it is an utter understatement to say that there were not many obstacles for KSD. That notwithstanding, KSD has tried to turn the obstacles into some opportunities. The results are the two newly established systems and our active knowledge-sharing with our international counterparts in an online setting.

It still remains to be seen when the pandemic comes to an end. Of course, we at KSD cannot wait to see this extraordinary situation return to normal. But it does not mean that we just wait for an ideal time to come to do something meaningful. Within the given situation, KSD will continuously strive to make the obstacle the way with the positive mindset.







# National Securities Depository Limited (NSDL)

## 1. Acceptance of delivery instructions through Demat Gateway (e-DIS)

Participants can execute transactions based on receipt of electronic instructions on behalf of Client from Stock Broker.

In India, Client generally executes power of attorney in favour of its stock broker for transfer of securities from their account to stock broker account for fulfilling client's obligation towards their trades on exchanges.

To avoid client executing power of attorney in favour of stock broker, a new mechanism is enabled i.e. mandate from client for particular trades. Mandate is authenticated by CSD directly through two factor authentication. Stock broker utilizes this mandate for transfer of securities from client account to stock broker account as per client's obligation towards those particular trades.

### Benefits

- No need to execute power of attorney
- Complete digital onboarding of client as power of attorney is not required by stock broker.
- No need for client to submit physical delivery instruction to its Participants for transfer securities from its account to stock broker account for market trades.
- Issues and problem associated with submission of physical delivery instruction by client to its Participants will be eliminated.
- Automatic validation of delivery instruction given by stock broker based on mandate given by client.
- Instructions are also validated against the client wise obligations received from Clearing Corporation before debiting the client account.

## 2. Bank Account Updation facility to shareholders of Companies

NSDL has developed a facility to update bank account details in demat account. With this facility, Issuer Companies can approach their shareholders to whom they are unable to remit the funds. These shareholders would get notification requesting for online updation of bank account details from NSDL and would accordingly be able to update the correct bank account details by using the said online facility.

## 3. e-Voting Facility Provided by Listed Entities

Currently, there are multiple e-voting service providers (ESPs) providing e-voting facility to listed entities in India. This necessitates registration on various ESPs and maintenance of multiple user IDs and passwords by the shareholders.

In order to increase the efficiency of the voting process, it has been decided to enable e-voting to all the demat account holders, by way of a single login credential, through their demat accounts/ websites of Depositories/ Depository Participants. Demat account holders would be able to cast their vote without having to register with different e-Voting Service Providers (ESPs). The facility is available to all individual shareholders holding the securities in demat mode.

In response to the increasing demand regarding accessing bank account information on the TDCC ePASSBOOK app, and in keeping with the spirit of the Open Banking policy of the Financial Supervisory Commission (FSC) in Taiwan, the Taiwan Depository & Clearing Corporation (TDCC), in cooperation with six banks launched a fantastic new feature that allows users to track cross-bank balances and transaction information on ePASSBOOK on April 15th 2021.

The FSC has been promoting the Open Banking policy and launched the first phase of “Open Data Inquiries” in 2019. According to the policy, the second phase will focus on “Customer Information Inquiries”, which authorizes open access to banking information to Third-Party Service Providers (TSP), such as balance of deposit accounts, time deposits, credit card statements, etc. TDCC began developing the TSP service in early 2020 and is currently working hand in hand with six banks to offer investors cross-bank deposit account information in real time via the e-PASSBOOK app.

Utilizing this new feature on e-PASSBOOK, investors can leverage innovative Fintech and realize true customer empowerment in terms of financial information. Since its launch in 2017, e-PASSBOOK has provided investors with integrated information on multi-broker-account securities, mark-to-market portfolios, useful market information, statistics in easy to understand charts and graphs, and e-Voting connection. In 2019, onshore fund information was also included. Today, investors can view not only the aforementioned information but also their bank account balances and transaction details.

In addition to the current six partnered banks, other banks are also conducting online tests with TDCC. After completing these exhaustive tests, TDCC will provide this service for more investors to achieve greater convenience and efficiency.



# TASK FORCE CONTRIBUTIONS

## 1. New Business Initiative (NBI) Task Force - KSD

The New Business Initiative (NBI) Task Force conducted a survey on new services recently implemented or planned to be introduced by ACG members in the near future. The survey was conducted during the period from March 10 to May 3, 2021.

In the survey, ACG members were asked about new services introduced or developed in the year 2020. They were also asked to rank in terms of difficulty in dealing with the certain elements in developing and introducing a new service. In another section of the survey, the respondents were asked about new services they planned to introduce or begin developing in 2021.

Out of 35 members, 14 ACG members completed the survey: CDCPL, CDS, CDSL, KACD, KPEI, KSD, KSEI, MCSD, NCCPL, PDTC, SGX, TDCC, TSD, and VSD. On behalf of the NBI Task Force, KSD would like to extend our heartfelt gratitude to the members who provided valuable input on their recent developments and future plans.

The survey results will be used to set topics for the NBI Task Force session at the Cross-Training Seminar. At the same time, based on the results, we plan to arrange some bilateral- and trilateral workshops between the members who have common interest in certain areas.

By the way, another survey in relation with our task force is going on. The Asia Fund Standardization Forum (AFSF), a working group operating under the NBI Task Force, kicked off its regular survey for the annual Knowledge Sharing Workshop. The 2020/21 AFSF Survey started on April 30, 2021 and will be open until the end of June, 2021.

Under the theme of Cross Border Trade Barriers: From Silos to Symphonies, the survey is comprised of two parts: I. Fund Market Update, and II. Finding Asian Barriers.

The first part revisits the Asian fund industry with the latest statistics to see where we stand, and the second part focuses on technical requirements and market practices to elucidate the barriers to cross-border fund trading in the Asian region.

The survey responses will become an invaluable resource for performing operational mapping in the post-trade space, which can later be referenced in cross-border interoperability and harmonization efforts. The continuous support and cooperation of the ACG members would be highly appreciated.

**1 New Business Initiative (NBI) Task Force**

**2 Technical Task Force**

**3 Investor Services Task Force**

## 2. Technical Task Force - NSDL

1) Artificial intelligence (AI) and machine learning (ML) are at different stages of maturity in the finance industry, but there is widespread agreement that the adoptions are trending upward.

NSDL on behalf of Technical Task Force (TTF) has initiated a survey during the first quarter of 2021 to understand the adoption of AI/ML by CSDs, the apprehensions in adopting such technologies and the practical challenges, which then will be presented to the CSDs.

NSDL, as Convener of TTF, also plans to conduct webinar for members to on the following areas during the second half of 2021:

- a. AI/ML – The Technology
- b. Survey outcomes and analysis
- c. Possible use cases for CSDs

2) Distributed Ledger Technology (DLT) provides numerous avenues for CSDs including strengthened identity measures, improvements in information preservation and data integrity, processing efficiencies, increased operational capacity and compliance effectiveness. However, there are certain standards that are still evolving. NSDL will conduct a webinar for the Technical Task force members to help them understand.

- a. DLT – The Technology
- b. Possible use cases for CSDs
- c. Current challenges and
- d. Risks and possible mitigation measures

3) Data Centre Shifting – NSDL recently relocated its Data Centre . There were partners for co-location, logistics, OEM, and oversight. NSDL did the program management and orchestrated the elaborate and complex exercise. Key learnings are:

- a. Planning is the most important and complex part of the exercise. It should include
  - i. Documentation of the stakeholders and their roles and responsibilities. Plan for each stakeholder with detailed breakup
  - ii. Current floor and rack layout and target floor and rack layout
  - iii. Detailed integrated plan with milestone
- b. Inventory documentation and validation is of paramount importance. This should be verified and validated several times to weed out any possible errors or discrepancy
- c. Cabling is one of the most complex and important tasks. Cabling must be done well in advance and tested. Extra patch cords should be kept handy for exigencies.
- d. Complete power cycle of all equipment is necessary and need to be done at least two weeks prior to shifting
- e. A change freeze must be done and no change in application, equipment, and cabling to be done at least one week prior and preferably two weeks.
- f. A complete walk through of the whole shifting process needs to be done several times to discover any blind spots.
- g. People planning is also important. Each individual part of this shifting should have his/her roles and responsibility defined, and a backup identified, trained, and made part of the exercise.
- h. OEMs need to be kept on standby to cater to any unforeseen events to provide support at short notice.
- i. The Program manager should track all activity for timely completion. Any deviation needs to be quickly escalated and addressed.

1. Considering COVID-19 pandemic and subsequent lockdown, many organizations transitioned their employees to “work from home” model to continue business as normal. In the office setup, the protection is being provided through layers of preventive security, however when the same employees work from home, the safeguards aren’t the same. With users connecting to office infrastructure remotely and handling critical and sensitive information it is very important to ensure that adequate security measures and practices are followed to protect the critical and sensitive information. Due to this shift in the work culture, there has been rise in phishing email attacks targeting the employees. NSDL conducted cyber drills to simulate such phishing attack. The learnings from the exercise are:

- a. Cyber Education must be imparted continuously, re-emphasizing the key behavioral elements are important
- b. New employees onboarding needs to contain cyber security education
- c. Cyber security education needs continuous update as the threat scenario and the types of attack changes rapidly
- d. Behavioral detection is vital, it should be automated and monitored

NSDL would be happy to collaborate and assist the CSD’s in setting up cyber drill exercises.

2. NSDL has Conducted webinars on key themes in the recent past for the CSDs

- a. Security Operations Centre
- b. Security considerations during the current pandemics / Work from home

- Threat Hunting -

3. Of the many cyber threats, Ransomware attacks have seen a consistent rise over the past few years and organisations have been impacted with the attacks resulting in reputational and financial loss. In light of the same, NSDL is planning to conduct session on “Ransomware threats and Strategies for protection against Ransomware attacks”. The session shall provide insights on the recent Ransomware attacks reported and the strategies to be adopted to defend against such threats.

Phishing / Social Engineering attacks are another cyber threat which has also seen an exponential rise. With the organization investing in security technologies to strengthen their security posture, attackers are exploiting other avenues to break into the organizations’ cyber defense. With humans being considered the weakest link in cyber security, attackers are targeting the manpower to gain control over the organizations’ systems. NSDL plans to conduct a survey on the threats perceived by the CSD’s and the various initiatives taken to counter Phishing / Social Engineering attacks. The survey results shall be analyzed and shared across the CSD’s.

### 3. Investor Services Task Force - TDCC

Investor e-access services have always been a key aspect of digitalization. However, COVID-19 has shown us that investor e-access services are also crucial to business continuity. To understand ACG members' investor e-Access services, and their ensuing development in response to COVID-19 impact, the Investor Services Task Force (ISTF) circulated an Investor e-Access Services Survey last July. Over a four-month period, we collected responses from 15 organizations and gathered valuable information on 35 separate investor e-access services. The key takeaways from our analysis results are as follows:

1. CSDs with indirect holding account structures, such as those without end-investor account information, may also provide investor e-access services.
2. Investor portals comprised nearly 50% of all investor e-access services in our survey, while the AGM services and the e-Doc platforms were the second and third most commonly provided service types respectively. Additionally, there were also e-KYC, crowdfunding and LEI services.
3. According to the 35 investor e-access services we surveyed, UI/UX, API and Big Data were the most utilized Fintech or advanced techniques/ concepts.
4. Investors' demand and usage of e-access services has increased during the COVID-19 pandemic, which indicates the growing trend in investor e-access services as being the new normal.

The ISTF will share more details on these 35 investor e-access services in the investor services task force session at the upcoming 22nd Cross Training Seminar later this year.

We firmly believe that you will find the information gleaned from our survey results both insightful and beneficial to your continued business development, and we look forward to your participation in our ISTF panel discussion.



# UPCOMING EVENTS

- ◆ **TDCC will host CTS Networking week (online meeting) from Sept.23<sup>rd</sup> to 29<sup>th</sup>**

As you are aware that due to Pandemic resulting in travel restrictions, the CTS 22 could not be held in 2020 and 2021. In view of the same, TDCC has planned to host CTS networking week virtually this year and is also planning to host the 22nd ACG Cross Training Seminar in 2022 in Taipei.





## GUEST COLUMN

# A new era of true global distribution



When people talk about what Euroclear brings to the international securities marketplace, the word that comes to mind is often 'efficiency'. That's not surprising, perhaps. It is what we have been focusing on for the past 50-odd years – replacing complexity with simplicity.

That is certainly how investors see us. We provide efficiency of access to more than 1.7 million securities worldwide. But there is another side to the story – as seen by markets and issuers - for our global footprint is now transforming the ability of issuers around the world to connect with investors of all kinds.

This is distribution efficiency, on a global scale.

In many ways, access efficiency and distribution efficiency are two sides of the same coin. On the one hand, our investor clients highly appreciate our multi-asset service offering and consider Euroclear as some kind of 'Amazon': we host a huge array of different asset types that they can buy and sell.

On the other, our issuers – who number more than 30,000 different names – can take advantage of Euroclearability to access an investor base that comprises substantially the largest asset managers and intermediaries.

## Listing on the Euroclear platform

Issuers know we reach every investor channel – whether through an asset manager's wrapper, be it a mutual fund or ETF, or direct to investors using a managed account structure. This is the network multiplier effect. They are therefore increasingly keen to list their bonds on the Euroclear platform to maximise their visibility to a significant pool of international investors.

This is a very compelling argument that enhances our credentials as a global distribution hub.

And we continue to build on that. Our proposed acquisition of MFEX Group, a leading global fund distribution platform, is a recognition that the world of securities and funds is increasingly converging.

The combination of MFEX's distribution platform with Euroclear Bank's expertise and global network will create a compelling offering for fund distributors and asset managers around the world.

But our ability to open doors for issuers is not just down to scale. It also reflects a willingness to be flexible and develop different options for different markets and issuers.



## by Stephan Pouyat

Global Head of Capital Markets and Funds Services,  
Euroclear

As Global Head of Capital Markets and Funds Services at Euroclear, Stephan Pouyat cares passionately about aligning the financial sector with moves to accelerate development among the world's emerging economies.

## Innovative approach

One example: We have been able to introduce new issuance models which minimise the main frictional costs of international distribution – by combining the simplicity and cost efficiency of home market issuance and effective access to international liquidity pool.

The most recent cases involve new link-ups for UAE, China, Japan and Singapore that make it possible for domestic and international investors to access those countries' bond markets without having to open local accounts or trade in local currency. These bonds trade as Emirates M-bills, Yulan, Origami and Orchid bonds respectively.

This opens up the world to issuers of domestic securities. In a host of markets, these issuers can now issue their instruments in either local or foreign currency, and these instruments can be traded in multiple currencies and settled in Euroclear Bank.

The ability to issue domestic securities in local currency while attracting international investors largely reduces foreign currency dependency. This in turn increases local economies' resilience to external shocks, such as the current pandemic, and strengthens global financial market stability.

## A multi-currency marketplace with a local touch

This is a key offering of Euroclear: taking the markets and exchanges involved and bringing them into a multi-currency marketplace. Among the gains are access to a wider pool of investors, the prospect of deeper liquidity in their markets and the ability to attract more issuers. This can be a big competitive pull for an exchange and it can help markets absorb external shocks.

There is a macro aspect to all this. Ease of issuance is important in helping countries reach their development goals, while our facility to reach a global investor base enhances the efficiency of financing these countries' sustainable projects. ESG products are the fastest growing segment of the investment market. Reaching ESG investors through Euroclear will give issuers a lot more leverage to fund sustainable projects.

There is a circular quality to all this that is positive for all market players – issuers and investors alike.



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