



Asia-Pacific CSD Group
E-NEWSLETTER

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MESSAGE FROM ACG CHAIRMAN



Dr. Wenhua DAI

ACG Chairman

Dear ACG members,

2021 has just arrived, and I would like to extend my warmest New Year wishes to you all! It's my pleasure to present everyone with the 8th edition of ACG Newsletter.

Looking back at the extraordinary 2020 and faced with uncertainties of the future global economy growth, ACG members, like all the others around the world, have dreamed of changes for better. However, this year is also filled with hope that we will overcome adversity, and we get full preparedness for our ACG work ahead.

In the second half of last year, several achievements are made by us as always. ACG Secretariat published the 7th ACG Newsletter and ACG Member profile (Sept. 2020 Edition) which is a showcase of our existing 35 members from 24 markets in APAC and 2 associate members, and hopefully more in the future. In Sept. 2020, we also held the first ACG webinar that addressed COVID-19 opportunities and challenges with the keynote speech given by Deutsche Bank, ACG Associate Member. After a round of voting among all ACG members, the ACG new logo finally came out with the support by Taiwan Depository and Clearing Corporation. This new logo indeed brought us encouragement and a sense of freshness in the time of the pandemic, boosting development of ACG into a more promising future.

This edition of ACG Newsletter brings attention to the new market updates of our members and we're glad to present an article contribution from SWIFT on the topic of cyber security and data technology. Once again, thank you for contributing to the 8th edition of ACG Newsletter.

2021 marks a new start and I strongly believe that upcoming spring will bring the world new momentum of growth, and as for ACG, motivation on better building this hub of CSDs in APAC will be stronger than ever. The prosperity of a big family requires endeavor from all its members. As the ACG Chairman, I dedicate to making our ACG family a sense of belonging for you, with a goal that our group shall stand on a wider horizon of cooperation. Amid ups and downs of global markets, there're much more things we can do, so why don't we get it started from now on.

Once again, I wish all ACG members good health, faith, hope and love in 2021!

A handwritten signature in black ink, appearing to be the name 'Wenhua DAI' in a stylized cursive script.

MEMBER PROFILE

Singapore Exchange Ltd. **SGX**
SINGAPORE EXCHANGE

I. Company Profile

Singapore Exchange (SGX) is Asia's leading and trusted market infrastructure, facilitating the exchange of capital and ideas to create value for people, businesses and economies. As a multi-asset exchange operating equity, fixed income and derivatives markets to the highest regulatory standards, SGX is a vertically integrated business that provides listing, trading, clearing, settlement, depository, data, connectivity and index services.

With about 40% of listed companies and over 80% of listed bonds originating outside of Singapore as well as established linkages across the region and in Europe, SGX is Asia's most international and connected exchange. Offering a full suite of derivatives products across Asian equity indices, commodities and currencies, SGX is the world's most liquid international market for the benchmark equity indices of China, India, Japan and ASEAN.

Headquartered in AAA-rated Singapore, SGX is globally recognised for its risk management and clearing capabilities. As Asia's pioneering central counterparty, SGX is one of the first globally to adopt the Principles of Financial Market Infrastructure.

SGX is listed on the Mainboard of the SGX-ST with a market capitalisation of about S\$10 billion as at 31 December 2020. Since its listing on 23 November 2000, SGX has grown to become a diversified exchange group with a global

distribution network. SGX is represented in key financial centres with offices in Beijing, Chicago, Hong Kong, London, Mumbai, New York, San Francisco, Shanghai and Tokyo.

II. Corporate Head

The SGX Board of Directors is chaired by Mr. Kwa Chong Seng, who started serving on the SGX Board from September 2012 and became Chairman of the Board in September 2016. The corporate management team is headed by Chief Executive Officer Mr. Loh Boon Chye.

Mr. Loh Boon Chye joined SGX as its Chief Executive Officer on July 14, 2015. He is also an Executive and Non-Independent Director on the SGX Board.

He has close to 30 years of experience in the financial industry and has played a key role in the development of Southeast Asia's capital markets. Prior to SGX, he was Deputy President and Head of Asia Pacific Global Markets, and Country Executive for Singapore and Southeast Asia at Bank of America-Merrill Lynch. He spent 17 years in Deutsche Bank where his last role was the Head of Corporate and Investment Banking for Asia Pacific. He started his career with the Monetary Authority of Singapore and Morgan Guaranty Trust Co. of New York.

Mr. Loh currently sits on the boards of GIC, Economic Development Board Singapore and World Federation of Exchanges, and is a council member and Distinguished Fellow at the Institute of Banking & Finance Singapore. He is also Chairman of the Sim Kee Boon Institute for Financial Economics Advisory Board and Co-Chair

of the Council for Board Diversity. He was previously Chairman of the Singapore Foreign Exchange Market Committee, as well as Deputy President of ACI Singapore.

Mr. Loh holds a Bachelor of Engineering degree from the National University of Singapore.

III. Market Profile

SGX has established a diverse and comprehensive ecosystem, covering both securities and derivative markets.

1. Cash Equities Market

SGX operates two listing platforms: the Mainboard caters to the needs of established enterprises, while Catalist caters to the needs of fast-growing enterprises. The Singapore stock market is highly international and well-diversified, with close to 700 listed companies with a combined market capitalisation of about US\$652 billion. SGX is also the largest real estate investment trusts (REITs) and property trusts hub in Asia outside Japan.

SGX provides the full range of services from issuer services, securities trading and clearing, to post trade services. Its cash equities business includes the trading and clearing of cash equities, ETFs, structured warrants, REITs and Daily Leverage Certificates (DLCs), as well as the delivery, settlement and custody of securities.





On creating synergies and promoting liquidity in the stock market, enhancements such as variable rates, internet-based connectivity and non-SGD denominated securities counters were also made to SGX's Stock Borrowing and Lending (SBL) programme allowing for a wider range of securities at competitive rates. By improving the rates, range and accessibility of its SBL programme, SGX is looking to improve the mobility of securities available for loan and better serve its clients as owners of these securities.

In recent years, SGX's Central Depository (CDP) has been working on a number of initiatives to improve investors' online experience, while continuing SGX's efforts to go green with online account opening, cheque-free cash distributions as well as e-statements and notifications.

2. Equity Derivatives Market

SGX is the leading international pan-Asian derivatives exchange offering single point access into major Asian markets for managing Asian portfolio risk. At 22.5 hours, SGX has the longest derivatives trading hours in Asia.

As one of the world's most liquid offshore derivatives market offering derivatives products

on the benchmark equity indices of China, India, Japan and ASEAN, SGX's products address close to 100% of Asia-Pacific's GDP in the investible Developed Markets and Emerging Markets. Its suite of equity derivatives products also includes India and Singapore single stock futures, REIT futures as well as dividend futures contracts.

3. Fixed Income Market

SGX is Asia's leading exchange for international debt securities listings. It has had over 6,600 listed securities by 1,600 issuers from 66 countries, with amounts issued of over US\$2.2 trillion in 26 currencies. It is Asia's largest debt securities platform, with 40% of APAC G3 currency bonds listed on SGX. It is also one of the top five listing venues globally for sustainability bonds. Beyond primary markets, SGX offers a screen-based institutional only electronic bond trading platform, enhancing its offering as a fixed income centre.

SGX, working together with HSBC Singapore and Temasek, has also successfully completed digital bond issuances on SGX's digital asset issuance, depository and servicing platform, successfully replicating syndicated public corporate bonds. This is not only the first step towards wider use of smart contracts and distributed ledger technology (DLT)

for the Asian bond market, but also marks another milestone in SGX's use of digital asset technology, by streamlining processes for issuers, underwriters, investors and ecosystem participants across primary issuance and asset servicing.

4. FX Derivatives Market

SGX operates the world's largest Asian foreign exchange futures marketplace. It offers a comprehensive suite of foreign exchange futures and options contracts across major currencies including the Singapore Dollar, Renminbi, Indian Rupee.

Since SGX introduced FX futures contracts in 2013, it now has 23 FX futures and two options contracts, with over US\$4.4 trillion in aggregate notional has been traded across SGX's entire FX franchise. In a short span of seven years, SGX has become the world's leading exchange for CNH and offshore INR futures, the currencies for Asia's biggest economies.

With the convergence between OTC and the listed futures markets and the upcoming implementation of Uncleared Margin Rules, SGX launched the first-of-its-kind FlexC FX Futures that combine

the bilateral flexibility of OTC FX with the capital efficiency and surety of centrally cleared futures.

5. Commodity Derivatives Market

SGX has established key pillars of liquidity and price benchmarks in the area of commodities. SGX is the global leader in the offshore market for iron ore derivatives. It pioneered the world's first iron ore swaps in 2009 and has close to 100% market share in international cleared iron ore and coking coal derivatives. SGX also offers capital efficient solutions across a range of shipping derivatives contracts. It is the largest clearing house for Forward Freight Agreements (FFAs) globally with a market share of about 60%.

With Singapore as the global price discovery hub for rubber, SGX provides the global pricing benchmark, SICOM, for natural rubber. SGX also offers a suite of petrochemical swap and futures related to petrochemicals such as benzene, paraxylene, polypropylene, polyethylene, styrene monomer and mono-ethylene glycol. Other commodity derivatives contracts include Low Sulphur Fuel Oil derivative contracts as well as electricity futures.



MARKET UPDATES

Central Securities Depository of Iran



1. CSDI'S DIMA OFFERS STRATEGIC ELECTRONIC GENERAL MEETING SERVICES TO IRAN CAPITAL MARKET

Central Securities Depository of Iran has launched the strategic service of electronic General Meetings for the listed companies, an unprecedented service in the history of the Iranian capital market.

The CSDI made the service possible after it was mandated by the Ministry of Economy as well as the Securities and Exchange Organization of Iran, to realize the government's plan to enhance e-government and other electronic services through the innovative technologies during the ongoing Coronavirus pandemic.

Committed to the fulfillment of the mission of providing infrastructure to hold the general meetings of companies listed on the stock exchange electronically, the CSDI decided to facilitate the presence of shareholders in the virtual general meetings with additional features such as e-voting and Q&A platforms for issuers, shareholders, and supervisors.

Central Securities Depository of Iran has started holding the e-GM service initially for companies listed on the country's two exchanges i.e., the Tehran Stock Exchange (TSE) and Iran FaraBourse (IFB).

The CSDI's integrated portal of electronic general meetings, called DIMA, covers all the processes before, during, and after the general meetings.



In a recent development, Central Securities Depository of Iran held electronic general meetings of five provincial investment companies for the first time.

The events supervised by the Securities and Exchange Organization were attended by 33% of shareholders on Saturday 5 December 2020 for millions of shareholders from the provinces of North Khorasan, South Khorasan, Qom, Isfahan, and Kordestan.

Statistics showed above 97% of shareholders had participated in these meetings using mobile phones.

Meanwhile, on December 9, 2020, Ghavamini Bank hosted its AGM through the DIMA platform, where the bank's shareholders approved the meeting agenda.

DIMA enables shareholders to select their legal representative to attend the meeting, watch the general meeting live, participate in votes, ask their questions, present their points of view, and share ideas with other stakeholders in the forum.

In order to hold or join e-GMs, one is required to register in the CSDI's e-KYC system, better known as the Comprehensive Information Gathering System (CIGS).

Among other special features of the service provided by DIMA, are:

- ④ Holding specialized panels for shareholders, issuers, supervisors, and the Board of Directors of the general meetings,
- ④ Offering a CIGS-based multi-factor authentication system,
- ④ possibility of attending several meetings simultaneously,
- ④ Viewing the shareholders' presence in a real-time fashion,
- ④ Proxy appointment to attend the general meetings,
- ④ Uploading and viewing the agenda, presentation slides, and general meeting documents,
- ④ Being able to exchange views among stakeholders in the forum and monitor the content,
- ④ Watching the general meeting live,
- ④ Having a Q&A session with company representatives before and during the meeting,
- ④ Confidential and secure voting
- ④ Viewing the results online, and instantly,
- ④ Being able to create and view general meeting notices,



DIMA also is a time- and cost-effective platform, which removes time and place limitations, increases shareholders participation, facilitates access to reports and documents, creates smart reports, makes communication between

investors and representatives possible, facilitates the participation of international shareholders, provides the possibility of simultaneous attendance at several general meetings and offers high transparency and easy monitoring.

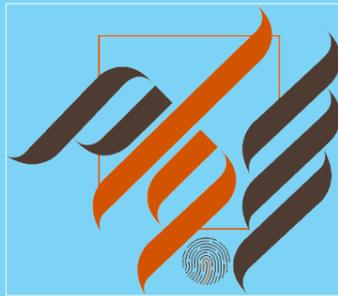
2.CSDI PLAYS MAJOR ROLE IN NATIONAL MEGA PROJECT OF JUSTICE SHARES SERVING NEARLY 60 MILLION IRANIANS

CSDI has taken over the responsibility for Iran’s mega project of Justice Shares which turned millions of Iranian people into shareholders in the state-owned companies.

The Justice Shares project has been implemented in line with Article 44 of the Iranian Constitution, which stipulated the privatization of the national economy, and as result shares of 49 state-owned companies, both listed and non-listed, have been granted to the public.

These shares have been dubbed Justice Shares and are allocated to 59 million people in Iran.

Over the last couple of months, Central Securities Depository of Iran, has issued 35 million new trading accounts for the holders of Justice Shares who didn’t have any trading accounts previously. This is considered an unprecedented development in the history of Iran’s capital market.



As the sole registry entity in the Iranian capital market, the CSDI has taken over the responsibility for the complex system of registry, KYC, settlement, and even part of trading. As the very first step, all recipients of "Justice Shares" were initially required to register in CSDI's e-KYC system that is the Comprehensive Information Gathering System (CIGS) handed over to the CSDI Company

based on the Privatization Organization’s database. In other words, the CSDI's CIGS is the gateway through which "Justice Share" recipients enter the process to "release" the shares that have been allocated to them so they are allowed to begin trading them.

The first phase of the "Justice Share" scheme saw the transfer of the recipients' data to the CSDI from the database of Iran's Privatization Organization.

Then, the beneficiaries of Justice Shares have been given the opportunity to determine their portfolio management methods in two ways of direct and indirect ones.

If the beneficiaries of Justice Shares are familiar with the stock market, they are better to choose the direct method for the management of their shares, while those who are not familiar enough with the stock market were advised to choose the indirect method and leave the management of their portfolios to the provincial investment companies.

Provincial investment companies established as public legal entities with limited liability manage their clients’ shares in a completely transparent manner.

Those who have decided to directly manage their shares should initially announce in the Iran's Privatization Organization's portal and then get registered into the CIGS, so that CSDI creates trading accounts for them.

In the meantime, in case that shareholders do not choose the direct method on their own, the system will automatically choose the indirect method for them. Those who have decided to have their shares managed on their behalf (indirect method), Iran's Privatization Organization transfers their "Justice Shares" to a few Exchange Traded Funds (ETFs) under a scheme composed of experienced financial experts.

As a result, the shares of these investment provincial companies are transferred to the citizens on the basis of each citizen receiving one share in each of the ETFs.

The CSDI meanwhile, based on its established roles in the capital market, has started to offer a wide range of corporate action services including the distribution of dividends to holders of "Justice Shares".

In order to serve the beneficiaries of justice shares, CSDI also set up a call center to take care of Justice Shareholders’ inquiries.

The shareholders, by calling the 24/7 call center

from all over the country, are able to ask their relevant questions from the experts stationed at this center.

CSDI has also allocated a specific "Information Portfolio System" for the holders of Justice Shares where they can get first-hand information on the volume, value, supervising broker, and other data about their portfolio. They can also put their shares for sale or revoke their request via the system.



CSDI is also working on an ongoing project under which the "Justice Share" holders will be offered the relevant services regarding the shares trading on the market, as well as to distribute dividend of the shares among their beneficiaries.

24/7 CALL CENTER



National Securities Depository Limited



Developments in Indian Market Operations

Development regarding collection of stamp duty in financial market transactions

India is a federal democratic republic, with a government at the centre and state government for each state. The payment of stamp duty is a subject matter of state government. Each state government collects stamp duty on a variety of documents including on securities such as shares, bonds, units, etc. Investors are required to pay the stamp duty on various transactions in securities to various state governments which involved a differential rate of stamp duty and a cumbersome process involved in payment of stamp duty.

In a new system introduced by the Government of India by making changes in law, the responsibility of collection of stamp duty was cast on the Depositories and stock exchanges. As a depository, NSDL provides this value added service of collection of stamp duty of issuance and transfer

of securities from the issuers and the investors and makes payment of the same to the respective state governments.

With this new initiative, it has become easy and simple for investors to make payment of stamp duty. NSDL provides a facility by which either the investor can directly make payment of stamp duty to NSDL or can make the payment to the Depository Participant who will make payment to NSDL. The collection of stamp duty is tightly integrated with the transaction platform in such a manner that the transaction is processed only after the applicable stamp duty for the transaction is remitted to NSDL. A simple calculator is also provided by NSDL on its website so that the exact amount of stamp duty can be calculated in advance.

Simplification of SPEEDe Registration

SPEEDe is an existing service provided by NSDL in order to enable demat account holders (including Clearing Members) to submit instructions directly on the Internet through SPEED-e website <https://eservices.nsd.com>. The NSDL demat account holders can easily access the SPEEDe website from anywhere in the world at any point of time, submit the instructions and track its status.

A NSDL demat account holder has the option to either opt for password based access or smart card based access to SPEEDe website. In case if the NSDL demat account holder opts for smart

card based access to SPEEDe, the client can also freeze his/her account, freeze securities held in the account or freeze specific quantity of specific securities through SPEEDe, which cannot be unfrozen by a Participant as well.

Earlier, the NSDL demat account holders were required to submit the physical SPEEDe registration application to its Participant. Due to the restriction in movement of people as a result of Covid -19, NSDL has eased the SPEEDe registration process for Password based users and made the same completely online.

Investors can now attend General Meetings of Companies through audio-video facility provided by NSDL

In India, the Government has now permitted Companies to conduct the General Meetings electronically using video conferencing or through other audio-visual means. NSDL has worked to facilitate Corporate India to conduct the General Meetings through Virtual Conferencing (VC) / Other Audio Visual Means (OAVM). There are various customisations in this service which NSDL provides for holding such meetings.

This service enables Companies shareholders to attend the general meeting proceedings online. Use of such VC/OVAM allows shareholders from

remotest of locations to attend general meetings and pose questions to the Company Management. Shareholders who are entitled to participate in the general meeting can view the general meeting proceedings by using their secure login credentials on the e-Voting website of NSDL and can register themselves in advance to post their queries & suggestions to the Companies. The shareholders can also vote on various resolutions through the secured login provided by NSDL. This will facilitate wider participation of shareholders at the general meetings of companies.



Central Depository Services (India) Limited



Introduction of electronic Debit Instruction Slips (eDIS)

Currently, CDSL facilitates Beneficial Owners (BOs) to authorise any debits in their demat accounts by issuing signed Delivery Instruction Slip (DIS) OR providing Power of Attorney (POA) to the CM OR through CDSL's internet facility – electronic access to securities information and execution of secured transactions (easiest) which allows electronic instructions to be given by a BO anytime, anywhere. Apart from the internet, this facility is available through CDSL's mobile application.

During these unprecedented times of the COVID-19 pandemic, as BOs were finding it difficult to visit their DPs to submit debit instructions due to the lockdown, CDSL introduced another facility to BOs to submit debit instructions from the portal of the DP/CM which would be validated by the CDSL. This makes it convenient for the BOs as they do not need to visit multiple webpages to submit their

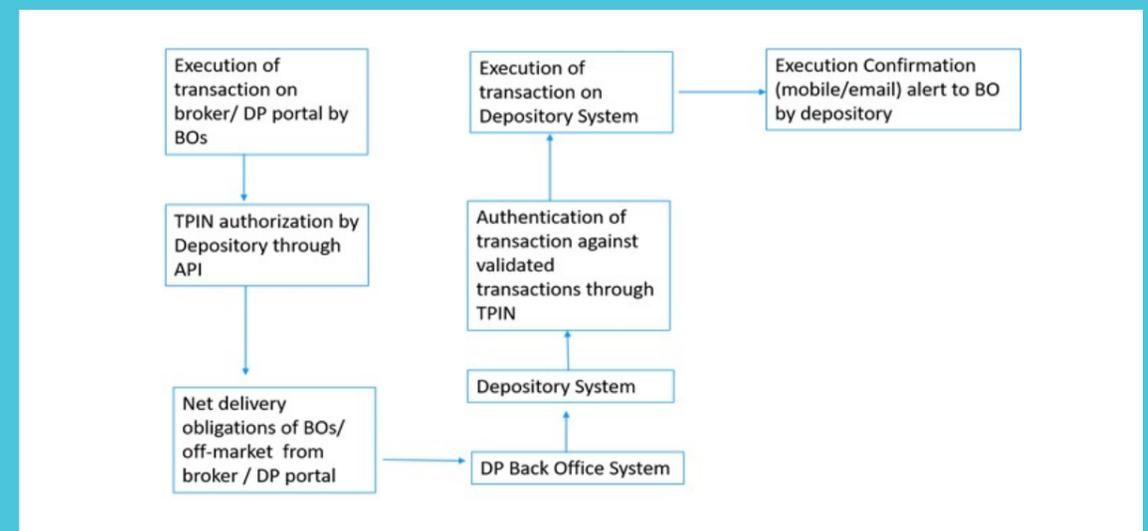
debit instructions, electronically. The eDIS facility with a provision for authentication of the BO by CDSL, was launched on June 01, 2020

A TPIN will be generated by CDSL for each BO wishing to avail eDIS facility, which is communicated directly to the BO. The TPIN is entered by the BO each time a eDIS is submitted. The TPIN is generated and communicated to the registered Mobile Number and Email ID of the BO by CDSL which ensures confidentiality. The DP/CM portal /mobile app will call for CDSL's web-page for entry of TPIN to ensure confidentiality of the TPIN. The TPIN is entered by the BO on the CDSL system only at the time of authentication of the transaction. CDSL also generates an API key while registering a DP for eDIS facility, which will be used during the communication by the DP with CDSL for authentication on eDIS portal.



Transaction process through DP/CM's web-portal or mobile app

- 01 BO will access the DP/CM portal or mobile app using Login ID-Password and Two Factor Authentication. The login credentials will be verified by the respective DP/CM.
- 02 On entry of transactions, an API will be made available to DP such that DP can call CDSL's API and submit details of transactions in encrypted format to the depository webpage.
- 03 CDSL's web page will be opened on the BO's device, which will display the details of debit instructions entered by the BO. The BO is thereafter prompted by the system to confirm the details and to enter the TPIN provided by CDSL.
- 04 On confirmation by the BO and successful validation of TPIN, CDSL will store transaction details as validated transactions and send 'success' message to the DP or in case of unsuccessful validation of TPIN, send 'reject' message to the DP.
- 05 Subsequently, DP will upload the transactions of the BO on the CDSL system. CDSL will match the validated details against the details of such uploaded transaction and allow the transaction to go through, only if they match.



Taiwan Depository & Clearing Corporation



TDCC's More Commitment to Upgrade ACG Website

As the resolutions of the 8th ACG General meeting in 2004, it is decided to set up ACG website and TDCC was in charge of the construction and maintenance. The website was launched in the following year with several revisions and enhanced functions implemented in 2006, 2009 and 2012 respectively. Since its commencement, the ACG website has been playing a crucial role as a platform for information sharing and members communication.

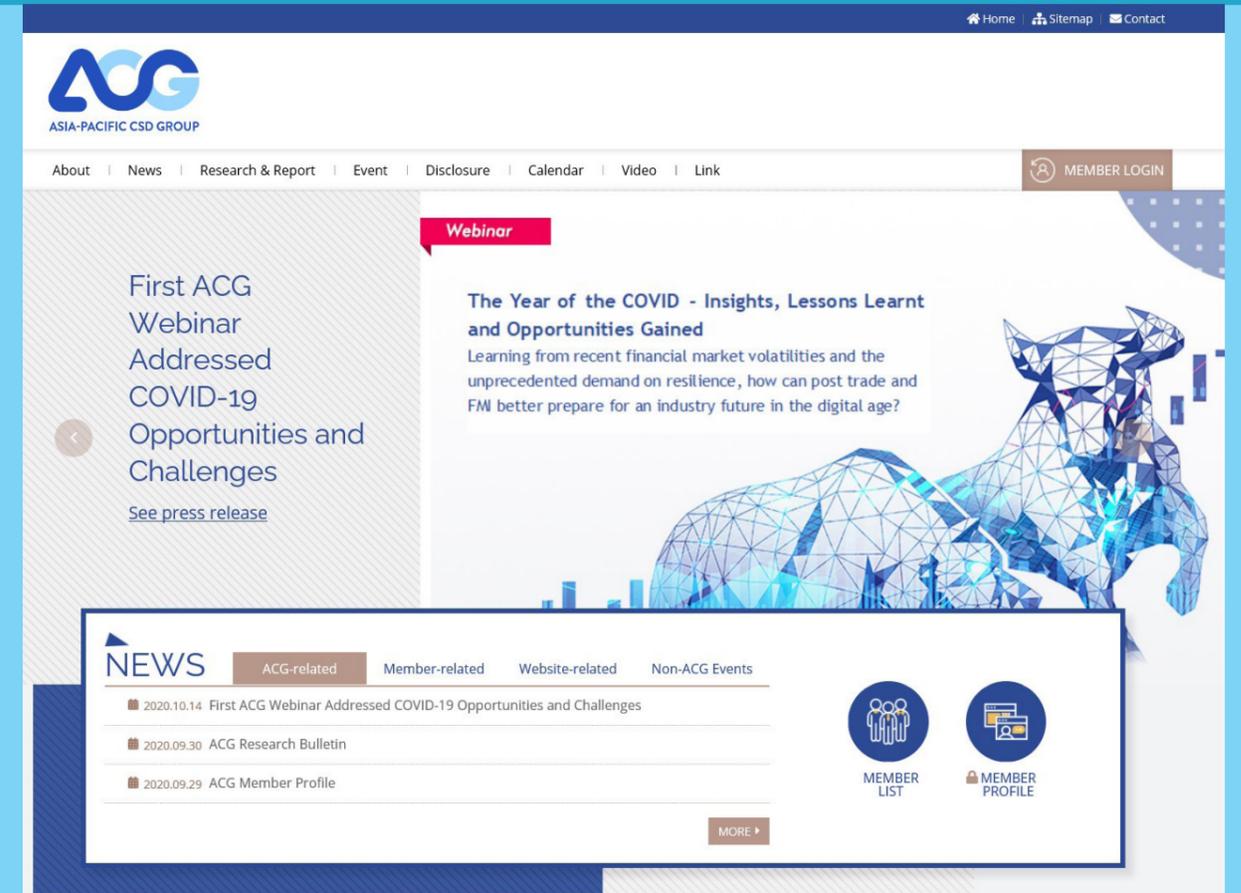
To be in sync with the innovations and development trends of technology, TDCC has planned and preceded the revisions of the ACG website since 2019, and the new design was launched on March 30, 2020. Some major changes are as follows:

Furthermore, in response to the pandemic of COVID-19, the dedicated COVID-19 Contingency Plan page is added and available under the

<p>01</p> <p>The introduction of the RWD technique, responsive web design, enables the viewers to enjoy the ultimate user experience from various mobile platforms.</p>	<p>02</p> <p>The enhanced visual design provides the professional, modern and global image of ACG.</p>	<p>03</p> <p>The Video and Push Notification features intensify the communications among members and the efficiency of website information disclosures.</p>	<p>04</p> <p>The migration to the Cloud environment provides efficient and effective processing performance.</p>
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Disclosure tab on the new ACG website (https://www.acgcsd.org/acg_05-03.aspx). The contingency measures as well as the latest status can be shared among ACG members in the hope that the operations of all members during this pandemic will not be affected.

As the ACG new logo was voted by ACG members and came out in August, 2020. TDCC has applied the new logo on the new ACG website as well. In the future, TDCC will extend the current design framework and aesthetic to ACG's social media icons as well as report templates. With the ACG visual image enhancement, it's expected that ACG identity is recognizable worldwide.



Korean Securities Depository



The impacts of COVID-19 in 2020

Today, we are living in a new normal where the corona virus impacts each aspect of our lives. As it morphed into a global pandemic in March, 2020, the world has faced a wide array of problems. According to the WHO, the virus has so far claimed a staggering 1.6 million people. Moreover, its economic repercussions have been felt in the global economy, with the global GDP contracting by 4.4% this year.

As the specter of COVID-19 is hovering all over the world, Korea is no exception. The Korean economy has also been hit hard, with its GDP rate plummeting to -3.2%. The trade volumes dropped by 18.3% in the second quarter of 2020. This massive drop in trade has gone hand-in-hand with huge reductions

in domestic consumption and investment, amidst the spillover of social distancing policies.

In spite of all the problems above, it has become noticeable that the virus has a positive impact in digital technology. At the SIBOS 2020 conference, Jamie Dimon, CEO of JP Morgan, said, “we would have otherwise taken two years to get people signed up for DocuSign, but we got it done in two weeks because of COVID-19.” Even in Korea, on-line fintech banks, like Kakao Pay, are rising while major conventional banks are rolling out detailed plans to digitize their businesses. It is not the virus that is the sole facilitator for digital transformation, so much as an undisputable catalyst to spark the process of digitization in the financial industry.

KSD’s endeavors in the midst of a crisis

Against this tumultuous backdrop, Korea Securities Depository (KSD) has endeavored its way to engage in four important tasks to improve its services a notch higher.

Firstly, KSD finalized the construction of its new IT center on October 5th, 2020. This center is designed to enhance securities transaction efficiency and reinforce business continuity schemes. By doubling down on processing efficiency, KSD has become able to enhance transaction processing efficiency by more than 100 percent on average. In addition, due to enhanced operationality, it has shortened recovery objective time from 3 hours to 2 hours, which is aligned with the international standard set by the Bank for International Settlement (BIS). With the opening of the new center, KSD has come to process securities transactions even more efficiently and securely than ever before.



Secondly, KSD has upgraded its e-voting and e-proxy system in a way that advances some of its incumbent functions. This system, renamed K-Vote, went live on November 15th, 2020 to meet a rising demand vis-à-vis the e-voting services in Annual General Meetings (AGMs). With respect to the virus-induced restraints hindering AGMs,

K-Vote has made it possible to provide support to institutional investors including pension funds and asset managers. On top of that, it has redesigned user interface and allowed for 24/7 voting service during exercise periods. More features have been enhanced like on-site shareholders’ meeting and on-site attendance management so that it can help smooth the running of AGMs.



Third, in early October 2020, KSD launched its plan to adopt a Robotic Process Automation (RPA) solution into its operation. This attempt is a milestone because KSD is the only securities-related organization in Korea to kick-start such a plan. The main objective is to automate repetitive, manual work. By implementing it, KSD will eliminate many obstacles resulting from its inefficient allocation of human resources and reallocate its workforce in much more efficient way. If successful, it will be conducive to ameliorating KSD’s business operations. On the heels of the RPA solution will

Forging ahead together

Throughout year 2020, we have seen the financial industry undergo fundamental changes stemming largely from COVID-19. Whether they be for the better or worse, what is important is that we have to lead the change, not lagging behind. In that sense, the above-mentioned four achievements are meaningful as they show our constant effort to stay relevant.

come more technologies like blockchain, big data or chatbot, but to move KSD forward in the age of digital transformation.

Lastly, KSD provided on-line financial education courses for high school students. In October, 2020, KSD decided to centralize its financial education programs around the KSD Foundation, KSD’s charity organization, and also to broaden the base for the recipients of financial education across the country. As a part of this effort, KSD held a KSD Dream Growth Charity event on October 31st 2020. This is usually held offline, but because of COVID-19, KSD opened online classes by utilizing the untact – or no contact – technology. Through the classes, 486 students from 37 specialized high schools were able to access the financial education courses opened by KSD, learning issues ranging from post-corona economy to interview tips to get into the financial industry. We at KSD believe that the courses have contributed to raising the financial awareness of the students as well as helping them better prepare to build their career in the financial field in the future.



In the upcoming year, KSD will continue to prioritize upgrading our existing services and expanding our business scope. At the same time, we hope that we will be able to actively work together with the other ACG members on a variety of global cooperation projects including knowledge sharing, business linkage, and international projects. After all, the whole is larger than the sum of its parts, not least with daunting challenges ahead of us.

Guest Column

Collaborative approaches to making capital markets secure



Our financial industry is failing to control effectively for cyber-security and compliance risks. Is that statement unfair? Consider three breathtaking facts .

- First, the financial services industry spends up to \$10 billion on anti-money laundering (AML) compliance.
- Second, of the alerts this system raises for mostly manual checks on transactions, 99.9% turn out to be false positives.
- Third, perhaps no more than 1% of fraudulent transactions are actually stopped.

US\$10 bn

Financial industry spend on AML compliance

99.9%

Alerts are false positive

< 1%

Fraudulent transactions are actually stopped

Source: Accenture "Capital Markets Vision 2022" report

This year, this has been particularly apparent, as the quick shift to enable a remote working environment in the wake of the pandemic has put additional pressure on the fraud defenses that financial institutions have spent time and money investing in.

🔗 Making compliance and cyber-security a partnership

Cybersecurity attacks have traditionally operated in a signature-based environment where victim businesses looked forensically at the evidence left behind by suspicious activities. Fighting financial crime, on the other hand, moved on from this a long time ago into large-scale data-based analytics which allows organisations to expose unknown attacks before they occur, instead of reviewing suspicions activity that has already been uncovered. Therefore financial crime and cyber-security have been treated as distinct threats, with their own solutions.

Criminals don't share this view, however. For this reason, institutions are finding that the existing approaches for addressing cyber and financial crime are not sufficient when employed in silos. Today, more than 43% of financial-crime teams are actively involved in cyber resilience, in addition to their existing anti-money laundering (AML) responsibilities.

Collaboration across both fields becomes necessary for organisations to become more efficient and effective at understanding and managing this very dynamic type of risk.

By Lisa O'Connor, Head of Capital Market Strategy, SWIFT



🔗 Safety in payment and securities transactions

Financial crime and cyber-security are already a fact of life in payment channels, which are used to steal assets and move them into a bank account. There is growing evidence that hackers are also targeting securities markets.

Fortunately, financial institutions are also hard targets. So far, while it is possible to steal ownership of securities, the thief still has to sell the security or otherwise convert it to cash. Compliance checks in payments infrastructure play an important role in containing losses.

However, the securities world has its own vulnerabilities: high-value transfers on predictable

timetables; delivery of securities free of payment; the diversion of cash and securities through manipulation of standing settlement instructions; and omnibus accounts, which are operationally efficient but make it easier for bad actors to conceal their identities.

The system is designed to hide beneficiary information at key moments. Parts of the industry are highly automated, from published data on flows to high-frequency trading algorithms – yet other aspects of securities processing, such as reconciliation, are highly manual. These juxtapositions create openings for criminals.

🔗 An industry-wide solution

It is clear the industry is allocating vast resources to processes that don't always bring results. And when a breach does come to light, the pain caused to financial institutions is acute, both from fines and other penalties, to reputational damage. Regulators can also find themselves caught up in unwelcome news headlines. This is an industry-wide challenge. A starting point is to use pools of shared data to alert an institution when there are signs of illicit activity.

SWIFT's Customer Security Programme (CSP) is one pillar of this community and market-infrastructure approach. CSP helps drive continuous security improvements and transparency in information sharing across the global financial community. It is vital because the vast majority of SWIFT customers use it: 95% of SWIFT customers, representing over 99% of SWIFT traffic, say they refer to CSP's security controls when they manage their own compliance.

In addition, banks have improved response security controls such as the ability to stop or recall fraudulent payment instructions when these are identified quickly enough.

The overall aim of the Customer Security Programme is to transform the institutional financial services ecosystem by raising the bar of cybersecurity hygiene, reducing the risk of cyberattacks and minimising the impact of fraudulent transactions. Importantly for capital markets participants, CSP is agnostic and applies equally to payments, securities, trade and FX businesses, and also applies to all market segments including broker dealers, custodians, funds players, investment managers and securities MIs, such as CSDs and CCPs.

As we move towards a real-time and API world, AML, Know Your Customer (KYC) and sanctions compliance will continue to face new challenges. SWIFT has already developed a centralized screening capability for payments, including KYC and AML checks. Today with SWIFT's platform transformation and move towards transaction management set to enable instant and frictionless transactions, the industry cooperative is also hugely invested in ensuring that it gets the financial-crime compliance and cyber-security side correct.

SWIFT is future proofing all of its compliance services, including those that sit within the transaction flow, and those that provide data and analytics for compliance and fraud detection. In capital markets, SWIFT is working with the more than 6,000 users to explore some key areas in compliance:

- **End-to-end transaction tracking:** to provide all parties to a transaction with early visibility on the content of their settlement instructions and the latest processing status, from initiation to final settlement. This allows them to reduce costs and risks related to settlement failure by detecting and correcting potential issues early on, such as incorrect Standing Settlement Instructions (SSIs) and other reference data.

- **Securities transaction screening:** with regulators across the world asking capital markets participants to also focus on the non-cash-leg of their transactions, we will be adding ISINs and other securities identifiers to the list of what SWIFT's successful Transaction Screening Service filters. This service, already deployed by 1000 users for the screening of payments, will allow users to flag and potentially block transactions on the basis of the traded assets, and through the identifier point out underlying issuers that may cause a compliance risk

- **KYC registry services to securities players:** Building once again in a successful franchise, we aim to extend the KYC Registry, used today to facilitate due diligence in the corresponding banking space, to the asset manager / asset servicer space. This can be done by both broadening KYC Registry access to non-bank financial institutions, and by ensuring specific securities data elements are made available for the capital markets use case (e.g. usage of omnibus vs. segregated accounts).

With such a strong presence in both payments and securities flows, SWIFT is uniquely positioned to help brokers, asset managers and custodians achieve a radically safer and more efficient securities ecosystem.

RECENT EVENTS

First ACG Webinar Addressed COVID-19 Opportunities and Challenges

Asia-Pacific CSD Group (ACG), the premier industrial association for central securities depositories (CSDs) and central counterparties (CCPs) in the Asia-Pacific region, held its first webinar on 7th Sept. 2020 to discuss the opportunities and challenges that the region's post-trade infrastructures face amid the ongoing COVID-19 pandemic.

The webinar featured a keynote representation by Mr. David Lynne, Head of Corporate Bank APAC and Head of FICC APAC at Deutsche Bank, an ACG Associate Member, under the theme of "The Year of the COVID – Insights, Lessons Learnt and Opportunities Gained". As the pandemic spreads across the globe, the initial public health crisis spilled over into the economic and financial sectors, bringing normal economic activities to a halt and affecting corporate cash flows. The decisive response by central banks and authorities to support the market with greater liquidity looks set to maintain, if not strengthen, the low interest rate environment that many parts of the world are in since the aftermath of the GFC. Mr. Lynne went on to point out that financial market infrastructures, in particular those in the Asia-Pacific region, should find in the pandemic both the challenge of ensuring market operation while protecting their staff from infection, and the opportunity for accelerated digitization, with areas such as regional post-trade secure API standards, digital signatures and documents and the applications of the Distributed Ledger Technology (DLT). Such technologies can bring promising benefits, including the potential to allow dispersed resilient operations, promote settlement risks management efficiency and

facilitate ease of investments by international investors.

The keynote was followed by a report presentation by Mr. Shariq Naseem, Head of Product Development and Marketing at Central Depository Company of Pakistan Ltd (CDCPL) on the contingency readiness of ACG members amid the pandemic. As the Convener of the ACG Risk and Recovery Management Task Force (R&RM TF), CDCPL led a survey of ACG members on their contingency planning and COVID-19 response earlier this year. The survey found the responding ACG members on the whole well prepared to continue stable operation, and CDCPL has planned to update the survey in time. Findings of the survey are available on ACG official website. "The COVID-19 pandemic is probably the most impactful event of our times, with the potential to transform the way that the business of capital market post-trade processing is conducted," said Dr. Wenhua DAI, Chairman of ACG, "as a successful attempt to facilitate dialogue when face-to-face communication has been rendered impossible, the Webinar bears testimony to the strength and resilience of the ACG community."



UPCOMING EVENTS

ACG Virtual Seminar in March, 2021.

Annual speech by ACG Chairman Dr. DAI. The speech will cover Covid-19's impact on global economy and China's policy response to Covid-19, Covid-19's impact on Asia-Pacific region and ACG members' development amid the pandemic, and finally the outlook of ACG.

- ▶ The 24th ACG Annual General Meeting (ACG24) in Busan, 2021. (Time Unsettled)
- ▶ The 22nd ACG Cross Training Seminar (ACGCTS22) in Taipei. (Time Unsettled)



TASK FORCE CONTRIBUTIONS

1. Legal Task Force

Due to the impact of the COVID-19, as the convener of ACG Legal Task Force, CSDC was unable to conduct offline activities (including our cross-training seminar) in 2020.

In order to enhance mutual communication and cooperation in this special year, CSDC conducted a questionnaire and invited all members of Legal Task Force to share views on or experience in the "Legal basis of DVP system" by email at the end of 2020. The questionnaire focuses on legal arrangement on

CCP, legal basis for a CSD to become a CCP and legal protection of the to-be-delivered securities.

HKSCC, JSCC, SHCH, NSDL, VSD and CCDG shared their valuable views and experiences based on their respective practices, which gives us a deeper understanding of the positioning of different CSDs in DVP system and CCP role.

Please refer to the summary of the questionnaire feedback on next page:



Hong Kong Exchanges and Clearing Limited (HKEx)

No.	Question	If yes, please provide the name of the relevant laws, regulations and specific statutes.	If no, are there any legislative plans?
1	Does your market have legal arrangements on CCP?	Hong Kong Securities Clearing Company Limited (HKSCC) is recognised by the Securities and Futures Commission (SFC) under Section 37(1) of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (SFO) as a recognised clearing house (RCH). In August 2013, the SFC published guidelines requiring RCHs to observe on an ongoing basis the PFMI, to the extent that these apply to a central counterparty (CCP), securities settlement system (SSS) and central securities depository (CSD).	
2	What legal rights does the CCP enjoy over to-be-delivered securities in the settlement process: lien, contract-based right of claim, or other types of right? Please specify.	Division 3 of Part III of the SFO sets out the regulatory framework for RCHs including the statutory protections for RCHs. RCHs enjoy protection against insolvency law under the SFO.	
3	What is the legal basis for a clearing and settlement institution to become a CCP? Is it stated in the laws that novation, as a legal basis, constitutes a CCP? Please specify.	HKSCC is deemed to be "recognized clearing houses" by virtue of section 6 of Part 1 of Schedule 10 to the SFO. It stated that "on the commencement of Division 3 of Part III of this Ordinance, the HKSCC shall each be deemed to have been recognized as a clearing house under section 37(1) of this Ordinance." Novation is not mentioned under this section 37 of SFO.	
4	Which party should the shareholders claim their rights to if disputes happen during the securities settlement process? Can the shareholders claim their rights with the CCP? If yes, what are the specific eligible circumstances? If no, are the shareholders only allowed to claim their rights with the intermediaries? Please specify.	Under HKSCC's existing clearing, settlement and custody model, account structures and operations infrastructure, HKSCC Nominees Limited is the nominee of HKSCC and holds the legal title in all securities listed and traded on the Stock Exchange as a registered shareholder on record for participants in CCASS ("Participants"). Participants hold the beneficial interest in such securities for themselves, or as agents (except for Investor Participants), for their clients in their CCASS stock accounts opened with HKSCC. When a sale or purchase transaction is made on the Stock Exchange, a transfer of beneficial interest in such securities is effected by way of book entry transfers across the CCASS stock accounts of the relevant Participants. HKSCC provides nominee and similar services to Participants in respect of eligible securities held by them in CCASS. It exercises shareholder rights in respect of the securities held in CCASS, and acts on instructions received from Participants. If a Participant has any outstanding unsettled stock positions under the CNS System, certain adjustments to its entitlements may have to be made between HKSCC and such Participant.	
5	In clearing and settlement process, what legal protections do the to-be-delivered securities enjoy? Please specify.	Division 3 of Part III of the SFO also confers finality on the "market contracts" with an RCH and it defined that "Market contract" means a contract subject to the rules of an RCH entered into by the RCH with its clearing participant, whether or not pursuant to a novation, for the purpose of the clearing and settlement of a transaction in securities contracts that is (i) effected on a recognized stock market; or (ii) subject to the rules of a recognized exchange company. The finality conferred as mentioned above means that actions taken by an RCH upon a default of its Direct Clearing Participant and General Clearing Participant in respect of market contracts and the dispositions of market collateral or assets subject to a market charge are not vulnerable to insolvency avoidance and clawback laws otherwise applicable upon the insolvency of a DCP or GCP in Hong Kong.	

Japan Securities Clearing Corporation (JSCC)

JSCC recommend the disclosure report for principals for financial market infrastructures.

No.	Question	JSCC (Japan Securities Clearing Corporation)	JDCC (JASDEC DVP Clearing Corporation)
		https://www.jpx.co.jp/jsc/en/company/fmi.html https://www.jpx.co.jp/jsc/en/company/fmi-pdf.html	https://www.jasdec.com/en/about/jdcc/disclosure/index.html https://www.jasdec.com/en/download/company/PFMI_Disclosure_JDCC_2020_en.pdf
	Disclosure Report for Principles for financial market infrastructures	I. Executive Summary III. General Background of the FMI IV. Principle-by-Principle Summary Narrative Disclosure Principle 1: Legal basis Principle 2: Governance Principle 3: Framework for the comprehensive management of risks Principle 8: Settlement finality Principle 9: Money settlements Principle 10: Physical deliveries	I. Executive summary ● Participants ● Regulatory framework ● Main risks and risk-management frameworks III. Overall summary of FMIs ● Summary of JDCC ● An overview of the organization of JDCC ● An overview of laws and regulations Organizational form and holding structure Legal basis for major activities Regulatory and supervisory framework Overview of JDCCs institutional design and business operation (DVP scheme) (Framework for the management of risks) ● Assurance Assets ● Net Debit Cap IV. Disclosure under each principle Principle 1: Legal basis Principle 2: Governance Principle 3: Framework for the comprehensive management of risks Principle 8: Settlement finality Principle 9: Money settlements Principle 10: Physical deliveries

Shanghai Clearing House (SCH)

No.	Questions	If yes, please provide the name of the relevant laws, regulations and specific statutes.	If no, are there any legislative plans?
1	Does your market have legal arrangements on CCP?	So far, SHCH carries out the CCP clearing service under relevant Chinese laws. These laws include: the Law of the People's Republic of China on People's Bank of China (Article 4), the Civil Code of the People's Republic of China (Article 543 and 555). The regulations include "Notice of the People's Bank of China on Issues concerning the Establishment of the Centralized Clearing Mechanism for Over-the-Counter Financial Derivatives and the Launching of the Centralized Clearing of RMB Interest Rate Swaps" (YINFA No.29 [2014]), "Reply of People's Bank of China on the recognition of Shanghai Clearing House as a qualified central counterparty" (YINHAN No.8[2016]), "Ratification of the Central Clearing Rules of Shanghai Clearing House" (YINSHICHANG No.1[2020]).	
2	What legal rights does the CCP enjoy over to-be-delivered securities in the settlement process: lien, contract-based right of claim, or other types of right? Please specify.	In the process of settlement, CCP's rights on to-be-delivered securities are based both on the contracts and on business rules, unrelated to lien rights. Details are as below: 1. The rights of Party A (Note: here refers to CCP, the same below) stipulated in Item 4 of Article 8 (1) of the central counterparties clearing agreement include that Party B (Note: here refers to clearing member, the same below) shall, in accordance with the contents of the valid documents under this agreement, deliver the subject assets such as the payable funds and bonds on time and in full. Item 1 of Article 14 (1) stipulates that Party B (Note: here refers to the clearing member, the same below) fails to deliver the underlying assets such as bonds related to the clearing business of the central counterparties before the time point specified in the relevant rules of Party A (Note: here refers to CCP, the same below), so as to fulfill its self-operated and agency obligations, whether due to its own reasons or the non-clearing members acting by Party B, Party B shall be liable to Party A for breach of contract. 2. Article 6 of the rules for central clearing business of Shanghai Clearing House stipulates that the securities, funds and other assets to be settled, as well as the performance guarantee assets such as margin and clearing fund of the clearing participants in the central clearing business are owned by the clearing participants and can only be used for the central clearing business. Shanghai Clearing House shall manage them in accordance with the relevant provisions, and any other third parties shall not divert them. Article 39 stipulates that the Shanghai Clearing House shall, in accordance with the results of central clearing and the principle of synchronous settlement, organize and complete the settlement with all clearing members, including securities settlement, physical settlement and capital settlement. Once the settlement is completed, it cannot be cancelled; Article 47 stipulates that clearing members shall be deemed to have breached the contract in case of the following circumstances, including but not limited to: (1) failing to perform the obligation of deposit payment or settlement in accordance with the provisions.	
3	What is the legal basis for a clearing and settlement institution to become a CCP? Is it stated in the laws that novation, as a legal basis, constitutes a CCP? Please specify.	The legal basis for clearing and settlement institutions to become a CCP includes novation and regulatory recognition. Novation is mainly based on the provisions of Article 543 and Article 555 of the Civil Code of People's Republic of China. On the basis of the agreement of the parties, CCP intervenes between the counterparties of the transaction, becomes the buyer of the seller and the seller of the buyer, and ensures the performance of the contract accordingly. The regulatory recognition includes "Reply of People's Bank of China on the recognition that Shanghai Clearing House as a qualified central counterparty" (YINHAN No.8[2016]), etc.	

No.	Questions	If yes, please provide the name of the relevant laws, regulations and specific statutes.	If no, are there any legislative plans?
4	Which party should the shareholders claim their rights to if disputes happen during the securities settlement process? Can the shareholders claim their rights with the CCP? If yes, what are the specific eligible circumstances? If no, are the shareholders only allowed to claim their rights with the intermediaries? Please specify.	In disputes, bondholders as settlement members of Shanghai clearing house can claim their rights to Shanghai clearing house in the bond settlement business except for the following exemptions according to the Settlement Members Agreement: 1. Any loss caused by the failure of the clearing member to pay the relevant service fee in full or in time; 2. The clearing member or its counterparties fail to perform settlement obligations due to insufficient balance in the holder's account or capital settlement account, resulting in settlement failure; 3. If the instruction sent by the clearing member lacks necessary elements, or fails to confirm the instruction, or the electronic signature attached to the instruction does not conform to the provisions, or the settlement instruction with special requirements is confirmed, resulting in the delay or failure of settlement; 4. The settlement fails because the financial products in the holder's account are frozen or deducted by the authorized institutions; 5. Failure to comply with relevant rules of Shanghai clearing house; 6. The conduct of clearing members or their counterparties for fraudulent or other illegal purposes; 7. In any case, the Shanghai clearing house shall cause indirect losses to the clearing members due to the use of the services provided by the Shanghai clearing house. Shanghai Clearing House is not liable to Force Majeure either. Whether bondholders can claim their rights to the CCP depends on whether they have signed a central counterparties clearing agreement with Shanghai Clearing House. It is also true in cases where bondholders disputing with other intermediaries in absence of clear statutory rights.	
5	In clearing and settlement process, what legal protections do the to-be-delivered securities enjoy? Please specify.	To-be-delivered securities in the settlement process can only be used for such purpose, not subject to mandatory enforcement measures. 1. Article 43 of "The Interbank Bond Market Bond Registration, Custody and Settlement Management Measures" (PBC Order (2009) No.1) has clearly stipulated that settlement funds and securities stored in special clearing and settlement accounts and collateral involved in the settlement can only be used for clearing and settlement, and cannot be enforced; 2. It is also explicitly stipulated in the rules or judicial interpretation issued by the Supreme People's Court, the Supreme People's Procuratorate, the Ministry of Public Security and other judicial and administrative organs that settlement funds and securities cannot be frozen or transferred for other reasons, such as "Notice of the Supreme People's Court, the Supreme People's Procuratorate and the Ministry of Public Security on Issuing the Provisions on the Application of Seizing and Freezing Measures in the Handling of Criminal Cases by Public Security Organs" and "Notice of the China Banking Regulatory Commission, the Supreme People's Procuratorate, the Ministry of Public Security, and the Ministry of State Security on Issuing the Provisions on the Banking Financial Institutions' Assistance in Inquiry and Freeze by the People's Procuratorates, the Public Security Organs and the State Security Organs"; 3. Article 6 and 39 of SHCH's central clearing rules approved by PBC has similar provisions. The assets of clearing participants in the central clearing services such as securities to be settled, funds and other assets, as well as the performance security assets such as margin and clearing fund, are owned by the clearing participants and can only be used for the central clearing services. SHCH manage assets of clearing participants based on the relevant provisions, other units and individuals shall not use them. Based on the results of centralized clearing and the principle of synchronous settlement, SHCH shall organize and complete the settlement with all clearing members, including securities settlement, physical settlement and capital settlement. The settlement is irrevocable once completed.	

Vietnam Securities Depository (VSD)

No.	Question	If yes, please provide the name of the relevant laws, regulations and specific statutes.	If no, are there any legislative plans?
1	Does your market have legal arrangements/regulations on CCP?	- Clause 3, Charter III, Decision 366/QĐ-TTg dated 11th March 2014 by the Prime Minister on approving the Project on building and developing Vietnam Derivatives Market that states "Vietnam Securities Depository (VSD) is the sole agency to perform the clearing and settlement function under CCP model via the Derivatives Clearing and Settlement Center which is a subsidiary of VSD"; - Decree no.42/2015/ND-CP dated 5th May 2015, Circular 11/2016/TT-BTC dated 19th January 2016 and Circular no.23/2017/TT-BTC dated 16th March 2017 defining rights and obligations of VSD as a CCP for the derivatives market. Currently there is no CCP for the cash market.	
2	What legal rights does the CCP enjoy over to-be-delivered securities in the settlement process: lien, contract-based right of claim, or other types of right? Please specify.	In the draft Decree under 2019 Securities Law, there is a provision stating that VSD (as the CCP) has right to sell, use/transfer the securities from cash-short transactions by default investors to refund the support sources and compensate arising fees.	
3	What is the legal basis for a clearing and settlement institution to become a CCP? Is it stated in the laws that novation, as a legal basis, constitutes a CCP? Please specify.	Clause 1, Article 18, Decree 42 states that "Derivatives clearing and settlement under CCP model are performed via VSD, according to which VSD is a counter party and clearing members are the other counter party, including transactions executed by a third party"	
4	Which party should the shareholders claim their rights to if disputes happen during the securities settlement process? Can the shareholders claim their rights with the CCP? If yes, what are the specific eligible circumstances? If no, are the shareholders only allowed to claim their rights with the intermediaries? Please specify.	Article 20, Chapter IV, Decree no.42/2015/ND-CP dated 5th May 2015 on VSD's obligations as regards derivatives clearing and settlement states that: "In settlement and payment of derivatives, VSD is only responsible for its obligations, commitment to clearing members, and no liability for the third parties". Accordingly, in case of disputes, VSD does not assume responsibility to investors.	
5	In clearing and settlement process, what legal protections do the to-be-delivered securities enjoy? Please specify.	To-be-delivered securities are on sellers' accounts and blocked on the trading day (T) by VSD for settlement, those securities are safely protected.	

National Securities Depository Limited (NSDL)

Typically, in most jurisdictions, it is the CSD which provides a DVP system (although not in India). If a CCP is offering a DVP solution to its participants, it will still use the settlement service provided by the CSD, but it may use the FOP service.

In India, CSD and CCP are different entities. The CSD offers settlement service where only FOP transfers are permitted. CSDs in India do not offer any DVP service, unlike many other CSDs around the globe where DVP service is offered by the CSD. In India, at a member level, the CCP provides a DVP service and there is no DVP service at client level.

China Central Depository & Clearing Co., Ltd. (CCDC)

CCDC is a CSD in debt market but doesn't provide CCP service. Interbank bond market fully realized DVP settlement in 2013 and CCDC adopts real-time, full amount DVP settlement method.

Relevant materials for reference:

1. PBOC announcement <http://www.pbc.gov.cn/jinrongshichangsi/147160/147171/147358/147400/2869698/index.html>
2. CCDC business rule <https://www.chinabond.com.cn/cb/cn/ywcz/zjqs/ywgz/20131209/17256154.shtml>

2. New Business Initiative (NBI) Task Force

The COVID-19 pandemic halted numerous events and plans this year, and the activities of the New Business Initiative (NBI) Task Force have been no exception.

This year, the NBI Task Force planned to kick off the 2020-2023 Activity Plan, which aimed to enrich ACG events, increase engagement with other regional groups, and expand global networks. Unfortunately, however, the pandemic shuttered these events and forced these plans to be postponed with no definite timeline for when activities can resume as normal.

Looking back, the NBI Task Force sessions at Cross-Training Seminars (CTS) and General Meetings provided opportunities to share new developments and initiatives, and to invite members of other associations for vital information exchange.

We hope to hold face-to-face sessions at the CTS and General Meeting tentatively scheduled for the 3rd and 4th quarters of 2021. Until then, the NBI Task Force proposes undertaking the following activities in online spaces.

In the first quarter of 2021, the task force will conduct a survey on the newly implemented services and new projects of ACG members. After survey responses are compiled and analyzed, we will hold virtual one-on-one meetings with some of the respondents to better understand and illuminate the survey results.

The findings of the survey and the one-on-one meetings will then be compiled and used to help guide the task force's future plans. We will round off with a series of small online workshops grouped by topics drawn from the survey. These workshops can be flexibly organized to provide a more focused and interactive information sharing experience.

Similarly, the Asia Fund Standardization Forum (AFSF), a working group operating under the NBI Task Force, also had its activities impacted by the pandemic. For example, the 2020 AFSF Knowledge Sharing Workshop, which was to be hosted by Taiwan Depository & Clearing Corporation (TDCC), has been postponed to 2021.

The AFSF has prepared a survey to be conducted prior to the workshop. The survey will be conducted over the first half of 2021 with an aim to identify expected barriers to cross-border fund distribution in the Asian region. The findings of the survey will be shared at the workshop in Taiwan.

2020 has remained an uncertain year for us. However, the ACG community has shown great resilience, adapting to a remote working environment and continuing to launch new services, while ensuring that the capital market keeps running as usual. We are confident that we will emerge from this crisis stronger and more innovative than before.

With all the ACG members' support and cooperation, we believe that we will be able to enjoy more active and productive NBI Task Force activities in the upcoming year.





3. Technical Task Force

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.

AI is expected to become a major business driver across the financial services industry, according to the World Economic Forum (WEF). Seventy-seven percent of finance executives anticipate AI "to possess high or very high overall importance to their businesses within two years.". Currently, fear of the unknown is holding back a lot of finance organizations in their AI/ML deployments. This is because of unfamiliarity with what AI can do, uncertainty about where to start, and not having a strategy in place.

NSDL plans to conduct 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.

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

CISO Forum

In light of COVID-19 pandemic and subsequent lockdown, many organisations transitioned their employees from “work from office” to “work from home” model to continue business as normal. When an employee is working from office, they are working behind layers of preventive security controls, however when the same employee is working from home the remote work environments don’t usually have the same safeguards as in office. 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 followed to protect the critical and sensitive information.

To counter the increasing cyber threats, organisations have set-up Security Operations Center (SOC) comprising of security tools, people, processes and operating procedures to monitor, detect, prevent and respond to cyber threats. With the increase in sophisticated techniques that cybercriminals use to evade detection by conventional means it is important to deploy threat hunting techniques to detect the threats. In the context, NSDL had conducted a webinars on the themes

Session on “Security considerations during the current pandemics / Work from home” on June 05, 2020 to provide insights on the security consideration for remote connectivity for work from home. The nominated CISOs of CSD’s were invited for participation for the webinar. The webinar session covered the various cyber threats in current pandemic situation and general security etiquettes to be followed including workstation and video conferencing security. Best practices to be

followed for securely working from home were also discussed with the participants.

Session on “Threat Hunting” on October 01, 2020. Invite to the webinar session was sent to the nominated CISO of CSD’s for participation to the webinar. The webinar session covered the various threat hunting techniques and methodologies widely used. The webinar also provided detailed insights on the need and advantages of threat hunting.

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.



4. Investor Services Task Force

The COVID-19 pandemic has hit the world severely since 2020Q1 and has brought the CSD industry into a new normal era. To continue the networking of the Investor Services Task Force (ISTF) and explore the opportunities as well as evolution in investor services, Taiwan Depository & Clearing Corporation (TDCC), as the ISTF convener, organized the following activities:

01 Survey on “Investor e-Access Services”

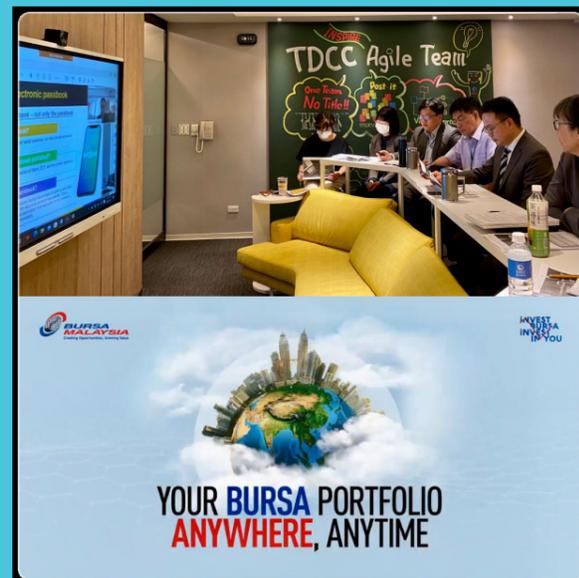
To prevent the spread of pandemic and minimize the infection risk, on-line services, or e-Access services, has been highlighted and greatly facilitated amid COVID-19. To understand CSDs’ investor e-Access services and their ensuing development in response to the pandemic impact, in July 2020, the ISTF circulated a survey on “Investor e-Access Services” to find out the scope, features, FinTech application, service connection and challenges of CSDs’ investor e-Access services. As of November 2020, 16 organizations have responded to this survey, and the survey result is planned to be released in 2021Q1.

02 Quarterly Bulletin

TDCC collected investor service news from CSDs and relevant organizations’ websites, and issued quarterly bulletin for ISTF members and ACG members. The first version of the ISTF Bulletin was published in September 2020, and categorized into four topics, which are account services, corporate action services, information services and investor identification services. In addition to notification through email, the ISTF Bulletin can also be accessed via the “Research and Report” section on the ACG website.

03 e-Account APP Service Workshop

In response to the trend of FinTech applications, the ISTF members, TDCC and Bursa Malaysia held an e-Account APP Service Online Workshop on August 19th, 2020, exchanging experience on their e-Account APPs, e-PASSBOOK and Bursa Anywhere, as well as discussing challenges and opportunities for better e-account APP services.



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