

JULY 2019 | 6<sup>TH</sup> EDITION



# ASIA-PACIFIC CSD GROUP

## E-NEWSLETTER

### CONTENTS

Message from Chairman  
Market Updates  
Member Profile  
Recent Events  
Upcoming Events  
Task Force Contributions  
Contact Details



## MESSAGE FROM CHAIRMAN



**Dear ACG colleagues,**

I am pleased to present the sixth ACG Newsletter that outlines ACG activities in the first half of the year. For the past six months, ACG members continued to actively take part in diverse activities in each region as well as in the ACG community.

In April, ACG members met again in Marrakech, Morocco for the biennial WFC 2019, where delegates from the global CSD industry gathered to participate in four days of insightful panel discussions on changing business landscape, new technological and regulatory developments, and future outlook. At the ACG Regional Meeting, which was held on the sidelines of WFC2019, ACG participants were informed of the key events that will take place this year, including the 23rd ACG Annual General Meeting, and discussed future plans for Task Forces.

We have also reaffirmed our commitment to adding further momentum to ACG's participation in WFC initiatives. The ACG Committee for WFC Initiatives will be launched in the second half of the year with a goal of encouraging participation to the three ongoing WFC projects. I look forward to seeing more action and engagement to the projects that bind the worldwide CSD community together. The Committee will, without doubt, demonstrate ACG's dedication to promoting cooperation at a global CSD community level.

Last but not least, I would like to ask for your strong support and participation at the 23rd ACG Annual General Meeting in September in Kathmandu, Nepal. This year's Annual General Meeting holds great significance in that you will be responsible for electing new Chairman and Vice Chairman who will serve ACG for the next three years. Each and every one of your decision will play a major role in shaping the future direction and activities of ACG.

I look forward to meeting you all in Kathmandu.

A handwritten signature in black ink, appearing to read 'Lee Byunghae'.

**Lee Byunghae**

Chairman Asia-Pacific CSD Group  
Chairman & CEO Korea Securities Depository (KSD)

## Central Depository Company of Pakistan Ltd. (CDCPL)



CDC makes IPO subscription easy for general public through automation

In its continuous resolve to increase convenience for stock market investment, Central Depository Company of Pakistan Limited has taken initiative to provide ease and efficiency for the subscription of shares offered through IPOs to general public through IPO facilitation account.

This was also the first time that CDC introduced the IPO facilitation account, an additional facility through which investors can subscribe securities even if they do not have a CDC account at the time of IPO subscription. Securities of successful investors will remain in safe custody with CDC, until they open a CDC account and transfer their securities therein. This facility was introduced to encourage those investors to participate in IPOs who do not have a CDC account and don't want to incur the cost and hassle of opening one unless their IPO application is successful. Around 900 new investors participated in the IPO through the initiative, which is a testament of the success of the pilot phase.

These efforts were translated recently in the successful subscriptions of the IPO of Interloop Limited that took place on March 21st and 22nd, 2019. Investors had the option of either physically submitting the IPO applications using Electronic IPO portals of designated Banks or using Centralized eIPO System (CES) of CDC. CES is an online portal, available 24 hours a day from anywhere in the world and connected with all leading banks. CES became the premium choice of investors, as 2279 investors subscribed shares through CES, which is around 80 percent of all electronic subscriptions in the Interloop IPO and around 43 percent of total subscriptions (both physical and electronic).

# Central Depository Systems (Pvt.) Limited (CDS) Sri Lanka

## CDS Sri Lanka Launches Registrar Services and Corporate Action Services



### Background

In Sri Lanka's capital market, the Central Depository Systems (Pvt.) Limited (CDS) operates a 'depository' for securities traded on the Colombo Stock Exchange (CSE) and is entrusted with the custody of such listed securities since 1991. CDS has achieved 96% demat status as at today, opening doors for the CDS to expand its services to more stakeholders.

Although the introduction of a 'Centralized Depository' has solved many issues pertaining to trading and clearing of securities on the CSE, there are several pertinent issues which still exist in securities administration and management where the investors/shareholders of the listed securities appear to be facing unnecessary delays. This is mainly due to shared registers of listed companies being maintained and administered by multiple parties. For example, if a person has invested in ten listed securities, he/she may be compelled to interact with ten different registrars who are in different locations on a variety of matters such as corporate actions, transfer of securities in the event of a death of a shareholder, or updating shareholder records. This is due to the absence of a central registry for listed securities in Sri Lanka. Furthermore, payment of corporate action benefits such as dividends required an innovative mechanism to ensure timely delivery of payments.

### Bridging the gap between stakeholders and the capital market

The most basic fact is, if the stakeholders are not facilitated efficiently they will leave the market. Raising the service standards of the market is essential to attract and maintain investors and issuers. To address the existing inefficiencies, CDS Sri Lanka initiated its drive to serve the capital market with the introduction of a full-fledged registrar and corporate action services arm.

To begin, CDS opened its services for dividend payments. Our unique selling proposition to sell Registrar and Corporate Action services was the e-Dividend concept. e-Dividend is a service which allows an issuer to electronically pay cash dividends/coupon payments directly to bank accounts or via mobile cash on the payment date instead of through cheques that consumed a lot of resources and time. The delivery of the cheques was highly dependent on state postal services that could potentially cause delays. CDS Sri Lanka revolutionized the existing payment mechanism with the introduction of the e-Dividend concept.

### Features of e-Dividends

- Faster access to dividends which are credited directly into bank account or to the e-Wallet
- One-off provision of bank account details for all the listed securities in Colombo Stock Exchange
- No misplacement, loss or expiration of cheques
- Obtaining time value for money

In addition to dividend payments, the Registrar and Corporate Action Services arm of the CDS provide plethora of services, including management of company secretary's ledger, amalgamated ledgers, shareholder front, and corporate actions.

## Central Securities Depository of Iran (CSDI)

### Iran Energy Exchange Integrated Settlement System (ENEXIS)



Politicians and activists may love to talk about renewable energy sources, but in today's world fossil fuels are still king. Indeed, as technology has developed, previously unreachable oil and gas reserves have become huge sources of industry. Iran has the largest natural gas reserve in the world and the fourth largest oil reserves, plus outstanding infrastructure in electrical power and other energy. Needless to say that the large number of transactions and the volume of related activities makes the manual evaluation and confirmation of trade settlements an extremely labor-intensive task for market participants.

Central Securities Depository of Iran designed and implemented a comprehensive system for the settlement of financial transactions taking place on Iran Energy Exchange (IRENEX) trading floor as part of a broad infrastructure covering the energy physical market in commodity exchanges back in 2017. The system named "Energy Exchange Integrated Settlement System," or ENEXIS, went through several phases from analysis and proposal to design, implementation and finally test-launch of the software. The software is capable of performing all pre- and post-trade settlement processes in an integrated platform. The system can electronically communicate with other systems such as banking, supervisory and guarantee management systems. The modular design of the system has made upgrading and applying modifications to the system easy and fast.

Since ENEXIS integrates settlement operations of all the four exchanges of the Iranian capital market, it can incredibly minimize costs related to transactions which will lead to the development of

the market. The registry of basic data, commodities, supplies, order sales and purchase orders, settlement and delivery are the main processes operated by the system. Additionally, the users can check the latest status on their accounts. Another interesting feature of the system is that the operator can enter the prices manually and this means the system can be hailed for its add-on module which allows CSDI to price any share or service and settle the related transactions in multiple foreign currencies. Using fake trading accounts and putting dummy trades will be near-zero incidence and any possible misconduct is easily detectable and the offender will be sued for malpractice. The system has been highly hailed as a role-model since it is the result of a cooperation project among Central Securities Depository of Iran, Iran Energy Exchange and Tehran Securities Exchange Technology Management Co.

With ENEXIS put into effect, the market will be less exposed to operational risk, large volumes of energy trades that require manual human intervention will be maximally faultless, transparent and fair.

Top-notch security, instant payment service, compatibility with market needs as well as its user-friendly design are among other benefits of ENEXIS.

The major beneficiaries of ENEXIS are brokerage firms, Iran Energy Exchange (IRENEX) and CSDI.

IRENEX officially launched its trades in 2013 with power, tar and coal commodities. It consists of three markets: the physical market where listed companies are being traded; the derivatives market where the focus is on commodity based securities; and subsidiary markets.

# National Securities Depository Ltd. (NSDL)

## Developments in Indian Market Operations



### 1. Development regarding collection of stamp duty in financial market transactions

In order to facilitate ease of doing business and to bring in uniformity and affordability of the stamp duty on securities across States of India, thereby building a pan-India securities market, the Central Government has modified the legal and institutional mechanism to enable Indian states to collect stamp duty on securities market instruments at one place by one agency (through Stock Exchanges or Clearing Corporations authorized by it or by the Depositories) on one instrument and develop a mechanism for appropriately sharing the stamp duty with relevant State Governments. Necessary developments to implement this legal regime are under way.

### 2. Digital Payments in Initial Public Offering

Currently, it takes 6 days for a company to list on Indian Stock exchanges post receipt of application from investors for Initial Public Offer (IPO). In order to reduce the time between subscription and listing, several initiatives have already been taken by SEBI (Regulator of Indian Capital Market). One such initiative is to introduce UPI (Unified Payments Interface) for IPO applications.

UPI payments save the investor as well as the issuer the hassle of waiting for a period of three days as is the case with cheques and allows instant payment from anywhere.

With the growth of UPI users in India, this will make it easier for the retail investors to make payments on the go using their mobile phones, laptops, tablets, or any other medium with an internet connection. UPI would also facilitate cutting the 6-day timeline for listing to 3 days.

### 3. Reporting for Artificial Intelligence (AI) and Machine Learning (ML) applications and systems offered and used by market intermediaries

There is an increasing usage of AI (Artificial Intelligence) and ML (Machine Learning) as product offerings by market intermediaries and participants (e.g. robo-advisors) in investor and consumer-facing products. SEBI is conducting a survey on the AI/ML landscape in the Indian financial markets to gain an in-depth understanding of the adoption of such technologies in the markets and to prepare for any AI/ML policies that may arise in the future.



---

# MEMBER PROFILE

MEMBER PROFILE is dedicated to introducing each member of the association. This edition features KSEI, the central securities depository of Indonesia.

## PT Kustodian Sentral Efek Indonesia (KSEI)



---

### Overview

Indonesia Central Securities Depository (KSEI) is one of Indonesia Self-Regulatory Organizations (SRO) along with the Indonesia Stock Exchange (BEI) and the Indonesian Clearing and Guarantee Corporation (KPEI), starting its operational activities in script-form securities transaction settlements in 1998 and took over the function of the Indonesia Securities Clearing Depository (KDEI) as the country's Depository and Settlement Clearing Institution. On May 27, 2019, KSEI Annual General Meeting of Shareholders appointed Mr. Uriep Budhi Prasetyo as the President Director and Mr. Syafruddin along with Mr. Supranoto Prajogo as the Directors for the period of 2019-2022.

In 2000, KSEI and other SROs adopted scripless trading transactions and settlements for the Indonesian Capital Market, which was supported by KSEI's main system, the Central Depository and Book Entry Settlement System (C-BEST). To support the rapid growth in the number of investors and transactions in the Indonesian capital market along with the advancement of technology systems, KSEI launched the C-BEST Next Generation (Next-G) system in 2018.

Optimism and dedication drives KSEI's enthusiasm in advancing Indonesia Capital Market. KSEI's endeavor to increase investors' trust was reflected with the adoption of the mandatory use of Single Investor Identifications (SID) in 2012. SID as a single identification number for each investor not only simplifies the investor identification process but also

became a foundation to develop other capital market advancements, such as AKSes (Securities Ownership Reference) facility. In 2016, KSEI also implemented its Integrated Investment Management System (S-INVEST), which provides an integrated platform for the Indonesian Capital Market's investment management industry. This breakthrough made Indonesia the first country in Southeast Asia with an integrated investment management system, and KSEI was awarded the Best Central Securities Depository in Southeast Asia in 2016 by Alpha Southeast Asia magazine.

To support economic growth in the Indonesian capital market, KSEI has continuously created new breakthroughs. KSEI has launched Simplification of Securities Account Opening, which aims to streamline Securities Account and Fund Account opening to facilitate investors conducting transactions and to attract new investors to invest in the capital market products through simplified process. In early November 2018, KSEI obtained a fatwa from National Sharia Board – Indonesian Ulema Council (DSN-MUI) regarding the Implementation of Sharia Principles related to KSEI's business processes. This fatwa is an addition to the fatwa number 80 year 2011 which was obtained by IDX regarding Sharia Principles application in the Equity Trading Mechanism in Regular Market of the Indonesia Stock Exchange. Indonesia Capital Market has successfully implemented the shortening of settlement cycle from T+3 to T+2 on November 26, 2018, with the smooth settlement processing of double settlement date on

---

November 28, 2018. On December 27, 2018, KSEI soft launched AKSes Next Generation (AKSes Next-G) with the enhancement in some features, such as login process and other information services provided. AKSes facility has been in place since 2009, enabling investors to monitor their consolidated portfolios and transaction movements with the intended purpose of investor protection. KSEI has gradually developed the AKSes Financial Hub since 2014 by collaborating with the banking industry through the Co-Branding of AKSes facilities. KSEI is also planning to develop AKSes Next-G as a financial hub integrating all KSEI service users, including Account Holders, Issuers, and Investors.

Next year, KSEI plans to implement electronic proxy (e-proxy) and electronic voting (e-voting) platform that will provide easier access to participate in General Meetings of Shareholders. KSEI will continue with the development of the C-BEST Next-G by providing Corporate Action (CA) module to increase automation and integration of CA activities management. Furthermore, the C-BEST Next-G will also utilize Equity-based Securities Dematerialization. The Dematerialization program itself is a recording of script form Equity Based Securities into KSEI's system in the form of scripless data. Currently, records on script form securities ownership are still referred

to records of ownership at Registrars. Another main development for next year is the KYC Administration. KSEI has been doing research on the creation of a centralized KYC data storage platform that can be used by Financial Service Participants to share KYC information in order to improve customer data quality.

With the support of its stakeholders, including SROs (BEI and KPEI), securities companies, custodian banks, registrars, and regulators such as OJK (Financial Services Authority) and Bank Indonesia (Central Bank), KSEI continues to push forward in improving its performance by implementing various initiatives and applicable researches that are continuously developed to match with current industry trends and market demands.

KSEI actively participates as a member in ACG where KSEI hosted the 21st ACG Cross Training Seminar last year in Yogyakarta along with KPEI. KSEI was also the host of the 2nd ACG Cross Training Seminar in Jakarta and the 10th ACG Cross Training Seminar in Bali, the 7th ACG General Meeting and the 16th ACG General Meeting, both of which were held in Bali.

## Services

- Asset Management Services, including securities account registration, change in account holder data, closing of securities account, and blocking/unblocking of securities account.
- Central Securities Depository Services, including deposit of securities/funds, securities withdrawal, and reconciliation of securities/funds
- Transaction Settlement Services that cover Stock Exchange transaction settlement and other transaction settlements in the capital market
- Corporate Action Services, divided into mandatory corporate action (bond coupon payment, bond principal payment, dividends, rights distribution, bonus share, warrant distribution, and mandatory conversion) and voluntary corporate action (proxy voting and implementation of rights or warrants).
- Investment Infrastructure Provider Service where KSEI provides an integrated platform for investment management transactions through S-INVEST system, including the registration of investment products, the registration of mutual fund costumers' data, the opening of IFUA, the submission of mutual fund unit transactions and post trade processing
- Information services, where KSEI's AKSes facility enables investors to monitor their consolidated portfolio and transactions for all investment in the capital market
- Other Related Services such as ISIN (International Securities Identification Number) and SID (Single Investor Identification) generators



# RECENT EVENTS

RECENT EVENTS section highlights key events that have taken place in the region in the first half of the year.

## 21st ACG Cross Training Seminar (CTS21)

The 21st ACG Cross Training Seminar was held in Yogyakarta, Indonesia in March 4-7, 2019. Hosted jointly by KSEI and KPEI, the seminar invited more than 100 participants from 34 ACG members who joined in sessions led by the six ACG Task Forces.

On Day 1, CDCPL hosted the morning session on Risk & Recovery Management Task Force, where participants discussed new risks arising from operational, strategic, and financial areas in the industry. In the afternoon, JASDEC hosted Exchange of Information Task Force session, where the presenters shared their new initiatives for attracting and promoting foreign investors. In the following Legal Task Force session hosted by CSDC, participants shared their respective account structure and its legal framework.

On Day 2, NSDL hosted Technical Task Force session regarding cybersecurity, and participants shared their experience in detection and response to these rising threats. TDCC hosted Investor Services Task Force session, where participants discussed new CSD services aimed at enhancing investor rights. KSD hosted the final session on New Business Initiative Task Force, in which participants discussed evolving innovative technology such as fintech and big data analytics and how they can transform CSD services.



The seminar was met with enthusiastic response from the participants, who also enjoyed the kind hospitality that KSEI and KPEI had offered. CTS21 ended in great success, presenting wonderful opportunity for middle-level staff from each ACG member organization to share experiences and best practices, and gain insight from one another.

\* All presentation materials from the sessions are available for download at [www.acgcsd.org](http://www.acgcsd.org) or [www.aecsd.org/en/e-learning](http://www.aecsd.org/en/e-learning).



## UPCOMING EVENT

### 23rd ACG Annual General Meeting

The 23rd ACG Annual General Meeting will be held in Kathmandu, Nepal in September 9-12, 2019. CDSC Nepal will host the conference under the theme “Challenges in Providing Competitive Investor Services.” The ACG23 will feature two panel discussions on “Investor Services,” and “Where We Stand as Industry Community,” respectively.

This year, the General Meeting will elect new Chairman and Vice Chairman who will be leading ACG for the next three years. Registration can be done at the official website: [www.acgagm23.com](http://www.acgagm23.com).



# TASK FORCE CONTRIBUTIONS

## Exchange of Information Task Force

As the convener of Exchange of Information Task Force, JASDEC hosted a session on "CSD's initiatives for attracting and promoting foreign investors" at the 21th ACG Cross-Training Seminar held in Yogyakarta in March, 2019.

During the session, CDSL, KSEI, NSDL, SWIFT, TDCC, VSD and JASDEC delivered presentations about their activities for foreign investors whose presence has been growing in Asian markets year by year.

The presenters introduced their efforts to promote investment from foreign investors, such as ISO20022 adoption, monitoring and information sharing about foreign investors, and strengthening corporate governance. Through the session, the issue commonly acknowledged by CSDs was that the efforts to improve the investment climate of foreign investors need to be firmly coordinated with regulators and other stakeholders.

## Investor Services Task Force

The Investor Services Task Force made its debut at the CTS21 in Indonesia. As the convener, TDCC held one session themed "CSD's services for enhancing investors' rights", delivering presentation about the background of the task force, activities scheduled during this year, and the future plan.

During this session, 7 speakers from CDSL, KPEI, KSD, KSEI, NSDL and TDCC also made presentations about their latest development on investor services, sharing experience with all the attendees and discussing issues facing CSDs to brainstorm new ideas.

The Investor Services Task Force also held working session with other members for further collaboration. This June, delegation of KSD visited TDCC to share current issues in capital markets and enhance understanding of the e-voting and cross-border services.

As for the working plan this year, with an aim to get a better understanding of e-services implemented at shareholder meetings, which directly involve investor services, TDCC conducts a survey on this specific topic, circulating questionnaires to ACG members. This initiative is considered to be an annual project of Investor Services Task Force.



TDCC invites all ACG members to participate in the survey for the whole organization's common interest.

In the second half of this year, TDCC plans to hold a workshop for members to have more discussion that stems from the issues raised earlier by members. The result and analysis of the above-mentioned survey will also be published at the workshop for members' reference.

TDCC held "CSD's services for enhancing investors' rights" session at CTS21 in Indonesia





## New Business Initiative Task Force

The New Business Initiative (NBI) Task Force moderated the session on “Transforming CSD Services through Innovative Technology” at the 21st ACG Cross-Training Seminar in Yogyakarta, Indonesia. In the session, speakers from NSDL, KSEI, KSD, TDCC, NSD (Russia) and SWIFT shared their experiences and plans for utilizing new technologies. The presentations featured a wide range of topics from cyber securities, blockchain, cryptocustody, big data advanced analytics, fintech application and ISO20022. The session was a good opportunity to gain insight on how innovative technologies are reshaping the CSD business, as well as provide inspiration for pursuing new business initiatives.

At the ACG Regional Meeting held on the sidelines of the World Forum of CSDs (WFC) conference, the NBI Task Force gave a report on its activities and future plans. A briefing on the NBI Task Force Session at the ACG CTS21 was followed by an outline of the task force’s plans. In the future, the NBI Task Force seeks to better leverage ACG events like CTS and AGM by

sharing information with non-members and hosting information sharing workshops, as well as promote cross-regional exchanges to enable ACG members to be informed of new developments in other regions. It also shared the annual schedule for the activities of the Asia Fund Standardization Forum (AFSF) operating under the NBI Task Force.







## Technical Task Force

### Digital Transformation for CSDs

Digital transformation and digitisation has touched almost every industry, disrupted existing and well-established business models. The word “digitisation” literally means the conversion of analogue objects (like metal, media, information) into a digital form that can be processed by a computer. CSDs across globe are not new to this concept, as many have embarked their journey with this new digitised age and transforming local capital markets to fully-electronic or fully-digitised trading.

And, as this digital revolution continues, CSDs face new set of challenges of rethinking its processes, infrastructure and utilisation of newer technologies for increased operational efficiency. This surely puts significant burden on technology as CSDs are often heavily transactional. There are limits on how much data firms could access because of various constraints like technology, financial and regulatory.

As digital transformation is happening at an unprecedented rate, the industry now needs to focus on standardisation, compliance and surveillance, and cyber security, while also ensuring efficient interoperability. That is why this year Technical Task Force (TTF) remains focused on new digital technology enablers (such as, Mobile, Big Data and Analytics, Block-chain and DLTs, Robotics Process Automation and Artificial Intelligence/Machine Learning) and opportunities that lie ahead in areas of settlement and data.

NSDL, the convener of Technical Task Force, plans to conduct several studies on technology and digital innovations, and to learn from best practices followed across global depositories.

CISO Forum, launched on December 2016, intends to discuss implementation of best practices in Cyber Security by CSDs and CCPs.

### The below is the Technical Task Force plan for next year with tentative dates :

- Digital Transformation Newsletter (August-September 2019)  
The objective is to study on technology platform trends and consolidation.
- IT Change and System Management (September-October 2019)  
The objective of IT Change and System Management at CSDs is to identify the best practices followed by CSDs. The survey involves two broad areas--Application Development and End-User Response.
- Webinar on “Use cases of Block-chain and relevance of DLT for CSDs” (August 2019)

### The below is the CISO Forum plan for next year with tentative dates :

- Survey on “Cyber Security Operations Centre (CSOC)” (August-November 2019)
- Webinar on “Cyber Risk Management” (December 2019)

## CONTACT DETAILS

For further information,  
please visit [www.acgcsd.org](http://www.acgcsd.org)

#### ACG Secretariat

Ms. Helen Chae : [acgsecretariat@ksd.or.kr](mailto:acgsecretariat@ksd.or.kr)

#### Exchange of Information Task Force

[Exchange\\_of\\_Information@jasdec.com](mailto:Exchange_of_Information@jasdec.com)

#### New Business Initiative Task Force

[contact@ksd.or.kr](mailto:contact@ksd.or.kr)

#### Technical Task Force

[samarb@nsdl.co.in](mailto:samarb@nsdl.co.in)

#### Legal Task Force

[sunhongbing@chinaclear.com.cn](mailto:sunhongbing@chinaclear.com.cn)

#### Risk and Recovery Management Task Force

[rrmtaskforce@cdcpak.com](mailto:rrmtaskforce@cdcpak.com)

#### Investor Services Task Force

[erichsu@tdcc.com.tw](mailto:erichsu@tdcc.com.tw)