

Asia-Pacific CSD Group



E-NEWSLETTER

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MESSAGE FROM NEW ACG CHAIRMAN



Dr. Wenhua DAI

ACG Chairman

Chairman, China Securities Depository and Clearing Corporation Ltd.

Dear ACG Members,

Welcome to the 7th Edition of the ACG Newsletter.

First of all, I would like to take this opportunity to thank all of you for your trust and support in endorsing me as the new Chairman of the Asia-Pacific Central Securities Depository Group during the 23rd Annual General Meeting in Kathmandu. I am honored to have this opportunity to build upon the success of my predecessors and serve our membership together with the new ACG Vice Chairman Mr. Sherman LIN. I look forward to working closely with all colleagues from our 35 Members as well as Deutsche Bank and the Association of Global Custodians, our latest Associate Members whom we were pleased to welcome into our family in Kathmandu, and make ACG an even greater platform.

2020 starts as a tough year with the outbreak of COVID-19, which has posed immense challenges for all of us alike. APAC markets have witnessed widespread turbulence earlier this year when the reality of a global pandemic sank in and foreign capital flows drained out. Daily order of life has been severely disrupted as the pandemic rages through the world, with closed shops and continuous/on-and-off social distancing becoming the “new norm”. In particular, on-site events of the CSD community have taken the brunt of the pandemic, with the 22nd ACG Cross Training Seminar and the 24th Annual General Meeting as well as the WFC 2021 conference postponed due to huge uncertainty and concern for participants’ health and safety.

However, despite the economic lockdown, social distancing and market turbulence, I take pride in the bedrock role that our members have played in ensuring the stability and resilience of our respective markets, which are well demonstrated in the findings of the Risk and Recovery Management Task Force’s contingency plan survey and the various measures that our members have taken as displayed in the “COVID-19 Contingency Plan” area on our newly updated website. While the pandemic is not over yet as of the publication of this newsletter, the unity and strength of the ACG community has given me much hope and confidence. Let us take care and keep a positive perspective, and we will emerge from this test of our times, stronger and better.

This edition of the ACG newsletter will bring to you the latest market developments from our membership, as well as the progress that the Task Forces have made with their respective lines of work. A recap is presented on the 23rd Annual General Meeting hosted by CDSC last September and we will get to learn more about KSD, the host of our next Annual General Meeting in Busan, Korea.

I would like to thank all members and colleagues that have contributed to the making of this newsletter and please feel free to contact the Secretariat if you have any suggestions or comments.

Stay safe and strong! I look forward to seeing you all in person soon.

A handwritten signature in black ink, likely belonging to Dr. Wenhua DAI, the Chairman.

01/02

MESSAGE FROM NEW ACG VICE- CHAIRMAN



Dear ACG colleagues,

I am pleased and honored to serve ACG community as Vice Chairman. During my tenure, I am committed to dedicate myself to assisting Chairman with ACG mission and task in every way to make ACG a better platform for all the members, and to ensure that ACG will strive for much greater heights and achievements.

Economic circumstances and business environment are changing rapidly with new technology. In response, we will take full responsibility and advantage of ACG's unique platform capabilities to bring together expertise, innovation and new ideas to optimize members' business portfolio, enrich the core value of CSD in Asia-Pacific region, and create opportunities for collaboration.

In accordance with the above-mentioned visions, I would like to be the bridge for all our colleagues and make my utmost effort to work with Chairman to facilitate communication and understanding among ACG members. Once again, thank you for your support and look forward to working with your participation.



03/04



Mr. Sherman LIN

ACG Vice Chairman
Chairman & CEO, Taiwan Depository & Clearing Corporation

MEMBER PROFILE

Korea Securities Depository (KSD)



Introducing Korea Securities Depository

Korea Securities Depository (KSD) is the central securities depository of Korea. Since its establishment in 1974, KSD has promoted the development of the Korean capital market and the interests of investors at home and abroad. Now, we are expanding our footprint towards global financial markets to contribute to a better future for the industry.



✓ Central depository and settlement services

KSD has been providing securities depository and settlement services for over 40 years, always striving to offer cost-effective high-quality services through constant innovation and IT development. As of the end of 2019, KSD has in custody over KRW 4,234 trillion in securities, and processes a daily average of KRW 23.7 trillion in settlement funds.

In September 16, 2019, KSD launched the Electronic Securities System, realizing the full dematerialization of listed securities in Korea and laying the foundations for a digital revolution in the capital market.

4,234
trillion

23,7
trillion

✓ Global securities services

In the cross-border market, KSD provides custody and settlement for domestic investors investing overseas, and acts as a local custodian to foreign investors investing in Korean securities. In addition, KSD is a custodian for underlying shares of depository receipts (DR), as well as a depository bank for Korean depository receipts (KDR).

✓ Provider of wide-ranging services

KSD also offers a broad range of services beyond the scope of a traditional CSD. Beginning with transfer agent services, KSD has expanded its service portfolio to include platforms to support the asset management market (FundNet) and securities financing (securities lending, repo, collateral management), as well as e-voting, legal entity identifier (LEI) issuance, and central repository for crowdfunding.

✓ Creating shared value

KSD is deeply committed to its social responsibilities as a corporate citizen. KSD runs the Nanum Foundation to conduct corporate social responsibility (CSR) programs in Korea and abroad. KSD also leverages its expertise to support the growth of innovative startups and contribute to the development of local communities.

● Welcoming ACG Members to ACG24

As all of you are well aware, KSD will host the 24th ACG General Meeting (ACG24) in Busan, the second largest city in Korea. ACG24 is all the more significant to KSD as it is the first major international conference we will host after we relocated our headquarters to Busan in 2014.

We at KSD believe that your proactive participation as the members, our unsparing hospitality as the host, and the beautiful scenery of Busan will make a perfect harmony, leading ACG24 to a resounding success.

By now, you may wonder, "By the way, when will ACG24 be held?" Alas, due to COVID-19, we have decided to postpone ACG24 to 2021. As soon as the final date is settled, it will be notified to you. Under the unprecedentedly uncertain circumstances, one thing is for sure, ACG members will be wholeheartedly welcomed and enjoy unforgettable experiences at ACG24 in Busan.

● Serving as WFC Secretariat

KSD has been serving as the Secretariat of the World Forum of CSDs (WFC) since November, 2017.

With 149 members, the WFC is composed of the five regional CSD associations of Asia-Pacific, the America, Eurasia, Africa and the Middle East, and Europe.

As the Secretariat, KSD organizes WFC Board Meetings, records minutes, publishes WFC Newsletters, etc. As for the board meetings where the chairmen and vice chairmen of the five associations discuss issues of common interest, Dr. Wenhua DAI, ACG Chairman, and Mr. Sherman Lin, ACG Vice Chairman, represent the voices and interests of the ACG members.

It is always an honor and pleasure for KSD to have an opportunity to contribute to the harmonious progress of our CSD community as the WFC Secretariat. All the ACG members' interest in and support for the WFC would be highly appreciated.



MARKET UPDATE

**Central Depository Services
(India) Limited**



Inauguration of CDSL's IFSC Branch at Gift City, Gujarat

Government of India has been in the forefront of developing an competitive market in the International Financial Services Centre (IFSC) at Gujarat International Finance Tec-City (GIFT City) at Gandhinagar, Gujarat State. The Government inter alia is preparing grounds to enable trading, transacting and holding securities, derivatives, Depository Receipts, etc. that are acceptable or listable in all other global markets.

CDSL is pleased to inform you that CDSL has set up a branch at GIFT City as per the provisions of the extant regulations. CDSL is the first and only depository to have received

the approval from India's capital market regulator-SEBI to commence operations at GIFT City. CDSL has inaugurated its IFSC Branch at the GIFT City, Gandhinagar in Gujarat on 6th January, 2020. Further, the regulations allow admission of equity shares of company incorporated outside India, Depository Receipts (DRs), Foreign Currency Convertible Bonds (FCCBs), Currency and Interest rate derivatives, Index based derivatives, etc. Government of India has in the recent past notified 'GIFT City IFSC' as a permissible jurisdiction for the purpose of listing, trading, transacting and holding such instruments.

**Central Securities Depository
of Iran**



SUMMARY

Central Securities Depository of Iran – as the sole registrar and infrastructure provider of the country's capital market - has developed an electronic KYC process named Comprehensive Information Gathering System (CIGS) which provides a wealth of value-added services to shareholders and – on a broader perspective - to the whole capital market.



Now just recently two reputed banks of Iran, Parsian and Shahr banks, have started using CIGS to identify and authenticate their customers via the system.

Meanwhile, the latest technological achievements in Iran's capital market were unveiled on February 10, 2020 at CSDI headquarters in Tehran with Economy Minister, Farhad Dejapsand in attendance.

CSDI HOSTS CEREMONY TO UNVEIL LATEST TECHNOLOGICAL ACHIEVEMENTS OF IRAN CAPITAL MARKET; TWO REPUTED BANKS START USING CSDI'S INDIGENOUS E-KYC SYSTEM

07/08



The challenges for capital markets players are vast and include pressures from clients, stakeholders and regulators. Financial institutions often cite regulatory requirements as the main reason for complicated onboarding processes. Although these requirements pose challenges, Central Securities Depository of Iran sees many opportunities for improvements.

Investors today have high expectations. They expect a streamlined, efficient, and personalized onboarding experience. We believe that any financial institution that lacks a thoughtful and integrated onboarding process would miss the opportunity to strengthen relationships with its clients. And many investors leave the market as quickly as they joined, seeking a better and more reliable investment experience from competitors.

At CSDI, we believe that when we get investor onboarding right, we should focus on four overarching objectives:

- 1 To improve the investor experience
- 2 To protect their capital through thoughtful compliance
- 3 To enhance efficiency and profitability
- 4 To mitigate market risks

Central Securities Depository of Iran – as the sole registrar and infrastructure provider of the country's capital market - has developed a process named Comprehensive Information Gathering System (CIGS) that helps us address a number of fundamental components. The totally indigenous electronic system is a sophisticated infrastructure which provides a wealth of value-added services to

shareholders and – on a broader perspective - to the whole capital market.

"CIGS" aims to contribute to the principle of transparency in the capital market, since all market players need to register and fill out the relative forms "once and for all". Therefore, from then on, they will have access to all the services and entities in the capital market needless of registering again and again.

Since "CIGS" is proved to be an agile, portable, global, user-owned, standard and supported by digital technologies, it will continue to be a fundamental ground for distributing the dividends to investors, registration of investment funds and a way forward toward electronic general meeting (e-GM) management systems.

Central Securities Depository of Iran recommends peer financial institutions as well to perform a strategic review and implement a well-rounded customized solution that exceeds the needs of their customers, the business, and the regulators to better manage the risks and meet their market demands.



bank joining CIGS

In line with the latter, two reputed banks in Iran namely Parsian and Shahr banks have just recently started using CSDI's home-grown electronic KYC system to identify and authenticate their customers wherein a variety of information concerning identity, contact, bank account, and suchlike of the users are electronically verified.

Addressing the audience to launch the project, the Chief Executive Officer of CSDI, Mr. Hossein Fahimi, welcomed and expressed satisfaction over the first step regarding simultaneous registration and authentication of customers, saying "since the onset of the project, we eyed the day when capital and money markets can join in to take the utmost out of the capabilities of this system."



CSDI CEO Hossein Fahimi

Fahimi said: "CSDI is proud of its engineers indigenously designing and launching the huge project welcomed today by various sectors of the market, particularly banks."

This as the latest technological achievements in Iran's capital market were unveiled on February 10, 2020 at CSDI headquarters in Tehran with Economy Minister, Farhad Dejapsand and Head of Securities and Exchange Organization, Shapur Mohammadi, in attendance.



In an address to the ceremony, Mr. Fahimi, said, "The mechanization, automation technologies and infrastructural development of the Iranian capital market with the aim of cutting off physical communication have officially come on stream as of this day."

Saying the technological achievements come to materialize macro-policies of the establishment and to promote electronic services to investors and shareholders of equity and commodity exchanges, Fahimi went on to say that "the smart economy is the foundation of all executive entities, and Central Securities Depository of Iran is one of the harbingers of this huge economic advancement."



Elsewhere in his remarks, CSDI Chief enumerated real-time reporting, electronic certificate of securities, an online e-service desk, electronic portal for issuers, online dividend distribution as well as mechanized development of the capital market infrastructure as the latest achievements by CSDI in this field.

Although CSDI's Comprehensive Information Gathering System (CIGS) may appear as an example of conventional electronic KYC program, its unique features that have overcome the deficiencies in its counterparts worldwide make it as outstanding as it is, particularly the critical role it plays to reach the anti-money laundering (AML) goals.



Implementation of Delivery versus payment system with the settlement cycle of T+2

The Mongolian securities market is considering the abolition of the pre-funding system currently in operation to attract foreign investors. Also developing the Mongolian capital market in line with international standards and create a favorable environment for investors is the current aspiration of the country

To achieve this goal after almost two years of the preparation initiated by the Ministry of finance with the participation of the securities market participants as well as the Financial Regulatory Committee, introduced the PFMI principles created by OICU-IOSCO and BIS organizations to the Mongolian securities market. As a result of implementing the PFMI principle to the securities market, regulated market transactions and settlement are to be carried out by DvP/Model III/ and T+2 settlement cycle starting from March 30th of 2020.

As the Mongolian securities market transiting to DvP/Model III/and T+2 settlement cycle, finally MCSD will be able to carry out a DvP settlement operator under PFMI. We believe that introducing T+2 will allow making exchange transaction settlement by international practices, besides bringing many positive consequences, which will increase the efficiency of a post-trade process, mitigation of principle risk, and lower settlement costs.

● Joined “ANNA” as a member

Mongolian Central Securities Depository is the only organization that has been granted the International Securities Identification Number issuer license on securities of the Mongolian securities market by the Financial regulatory committee. Based on this license we signed the "ANNA international cooperation agreement" with the Association of National Numbering Agency on November 25, 2010, and had successfully worked as an "Partner" until 2019. On November 27, 2019, at ANNA's General Meeting in Montevideo, Uruguay MCSD joined as a "Member" supported by 100 percent of members votes.

opportunity to exchange information more flexible, fast, secure, and safe.

This system made KYC and verifying the information /Mongolian citizens/ to open a securities account easier for us. Until the March 2019 procedure for opening an account has been handled manually, which required a long time and a labor-intensive task for securities companies as well as us. Using the new IT solution Mongolian Central Securities Depository initiated an API online exchange of information between securities companies. As the launching of API Mongolian Central Securities Depository gets multiple abilities such as:

01

Lowered the number of paper documentation drastically;

02

Verification upon opening securities account lessens the risk of incorrect accounts;

03

If securities companies send the data without errors within 5 minutes we can open 20,000 accounts.

● Launched the API with the securities companies in Mongolia

In 2018 Mongolian government launched the “KHUR” national information exchange system. This information exchange system directly exchanges the information between government organizations by copying and renewing the database and removed the traditional service solutions of government organizations. It also created an



Developments in Indian Market Operations

● Framework for Innovation Sandbox

Capital markets in India have been early adopters of technology. Accordingly, encouraging adoption and usage of financial technology ('FinTech') would have a profound impact on the development of securities market. FinTech can act as a catalyst to further develop and maintain an efficient, fair and transparent securities market ecosystem. To create an ecosystem which promotes innovation in the securities market, it was felt that FinTech firms should have access to market related data, particularly, trading and holding data, which is otherwise not readily available to them, to enable them to test their innovations effectively before the introduction of such innovations in a live environment.

To operationalize the abovementioned endeavour, an “Innovation Sandbox” which would act as a testing environment for FinTech firms and other entities / individuals, has been created. These entities may use the environment for offline testing of their proposed solutions in isolation from the live market, subject to fulfillment of the eligibility criteria, based on market related data made available by Stock Exchanges, Depositories and Qualified Registrar and Share Transfer Agents.

● Framework for the process of accreditation of investors for the purpose of Innovators Growth Platform

Accredited investor are a new set of investor category introduced by Indian Capital Market Regulator – SEBI, with an intent to include investments made by individual investors, HNIs, super angels etc. in the companies as part of the minimum institutional holding criteria.

Accredited Investors (AIs) for the limited purpose of Innovators Growth Platform (“IGP”) are investors whose holding in the Issuer Company, is eligible for the computation of at least 25% of the pre-issue capital in accordance with Regulations.

The Innovators Growth Platform will provide a boost for startups seeking to get listed on the stock exchanges.

● Margin obligations to be given by way of Pledge/ Re-pledge in the Depository System

A framework has been devised to mitigate the risk of misappropriation or misuse of client's securities available with the Trading Member (TM) / Clearing Member (CM) / Depository Participant (DP). The misappropriation or misuse would include use of one client's securities to meet the exposure, margin or settlement obligations of another client or of the TM / CM. Accordingly, collateral of securities, only by way of 'Margin Pledge', shall be accepted by the TM from the clients and transfer of securities which results in change in ownership of securities in the records of depository would be prohibited. Depository system is being enhanced for the same.



Update on TDCC’s Innovative Services

Since its establishment in 1989, TDCC has run a diversified business and been closely associated with the capital market. November 2019 marked the 30th anniversary of TDCC, and TDCC remains committed to promoting financial digitization with innovative ideas to better serve the markets. Recent major business development is as follows.

☑ ePASSBOOK

TDCC applied Fintech and launched ePASSBOOK in 2017 to assist investors keeping updated with account and market information. By streamlining access to services, optimizing functions and improving the user experience, the number of users has increased rapidly to reach 1,000,000 in February 2020.

☑ IR Platform

To comply with the goals of the 2018-2020 New Corporate Governance Blueprint published by the Financial Supervisory Commission, TDCC launched the “IR Platform” in 2019 which facilitates mutual communication between institutional investors and issuers and help institutional investors stay up to date with trends as well as company information on ESG issues.

☑ SupTech

“Big Data and Analytics Application Platform” is under going to integrate cross-system data. It provides Financial Supervisory Commission and Central Bank with visualized and interactive supervisory data. The platform not only assists authorities in strengthening market supervision but also offers a wider range of analyzed data to the market.

☑ ReLife Project

TDCC promotes ReLife Project, the retirement investment plan for all citizens, instructed by Financial Supervisory Commission and organized by FundRich. There are over 110,000 investors sign up to register for Relife Project, indicating enormous demand for retirement preparation and raising awareness on retirement planning.



Gaining an edge through real time information

*This article is also published on DB’s Global Magazine Flow www.db.com/flow

As a sub-custodian, we help our clients manage their market liquidity, operational and compliance risks in their market and their investment and repatriation activities. Acting in partnership with financial market infrastructure, a major part of our role is to communicate relevant and timely information to provide our clients with the peace of mind that their actions have been successful and to take joint action to address potential risks.

In Asia, the ability to deliver these valuable insights quickly continues to deepen and aligns with the trend towards a T+2 securities settlement cycle,

and the technology refresh happening at the core financial market infrastructure layer.

Information and speed are competitive tools, and the prospect of innovative business models¹ have led an exploration of the value that can be created from these new capabilities. On this journey we investigated what could be achieved, how to achieve it and the potential challenges. This investigation employs API, real-time connectivity and concurrency with FMIs’ new post-trade technologies and Standards to create new value for clients and markets.

Creating value through five scalable characteristics

In our exploration of Distributed Ledger Technology (DLT) and Application Programming Interfaces (API), five essential ingredients came to light to pave the way for significant scalability, productivity and the successful reduction of post-trade risks:



They are especially relevant for the reuseability of APIs and DLTs in a multi-party platform such as the post-trade environment where there are different time-zones, where missing details could deviate from the desired outcome, and multiple actions can be inter-related to each other. We will explore these further from an API perspective.

Channelling real-time information and concurrent communication

From an operating model perspective, APIs are a connectivity channel that would allow our clients and

ourselves to realise productivity gains, for example, in managing potential mismatched trade instructions, one-sided instructions, and avoid potential settlement fails. For this to happen, it needs to channel real-time information and concurrent communication; between the financial market infrastructure and sub-custodians, and from sub-custodians to its clients

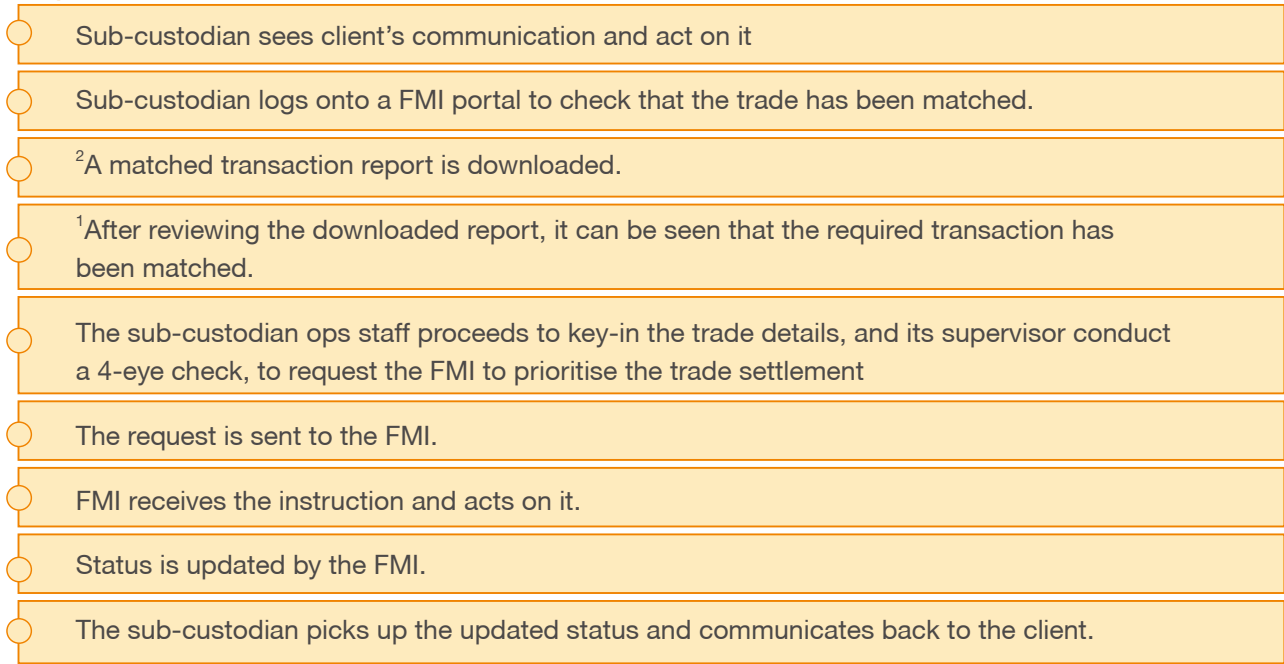
With key stakeholders linked with quality information in real-time, APIs also provide transparency to preview potential events which give the different participants sufficient time to coordinate and take action. The benefit here is not only faster workflow but achieving earlier views of risks. These benefits to post-trade workflows that connect FMIs, ourselves and our clients can be illustrated in two ways:

Example 1. Increased productivity*

A “before” and “after” workflow with APIs and concurrent communication in the area of .customised settlement of trades

BEFORE:

Sequential communication and non-real time information with FMI and client

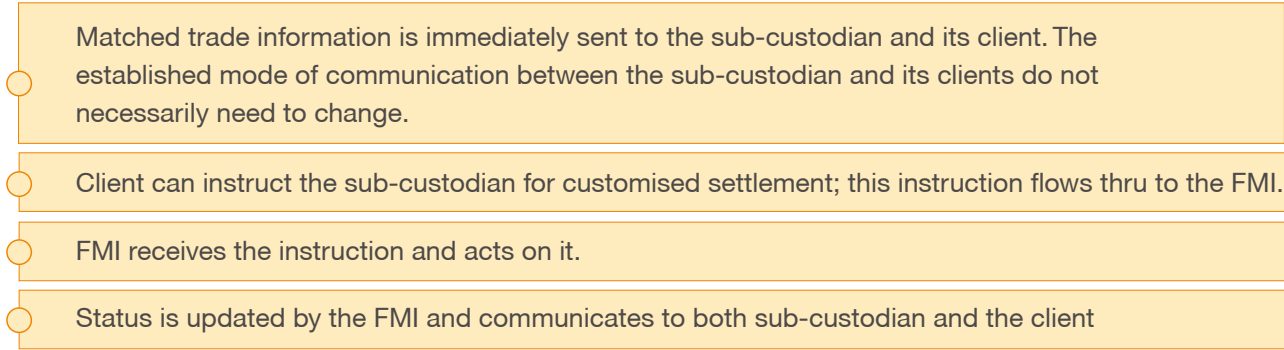


/end

AFTER:

Concurrent communication and near real-time information with FMI and client

By implementing API for concurrent communications, the FMI, the sub-custodian and the client could send/ receive immediate information, and the workflow can evolve to



/end

*Illustration is based on broad assumptions and actual steps can be different. The “Before” steps can be lower. The processes are not reflective of any specific market.

In an operating environment, APIs enable customised trade settlements to be initiated by cross-border clients, which can be completed without typical undue pressure before market cut-off time. Within the API environment, simple tasks that are made “self-executing”, for example in combing for common transactions in different records, would add to the overall process productivity.

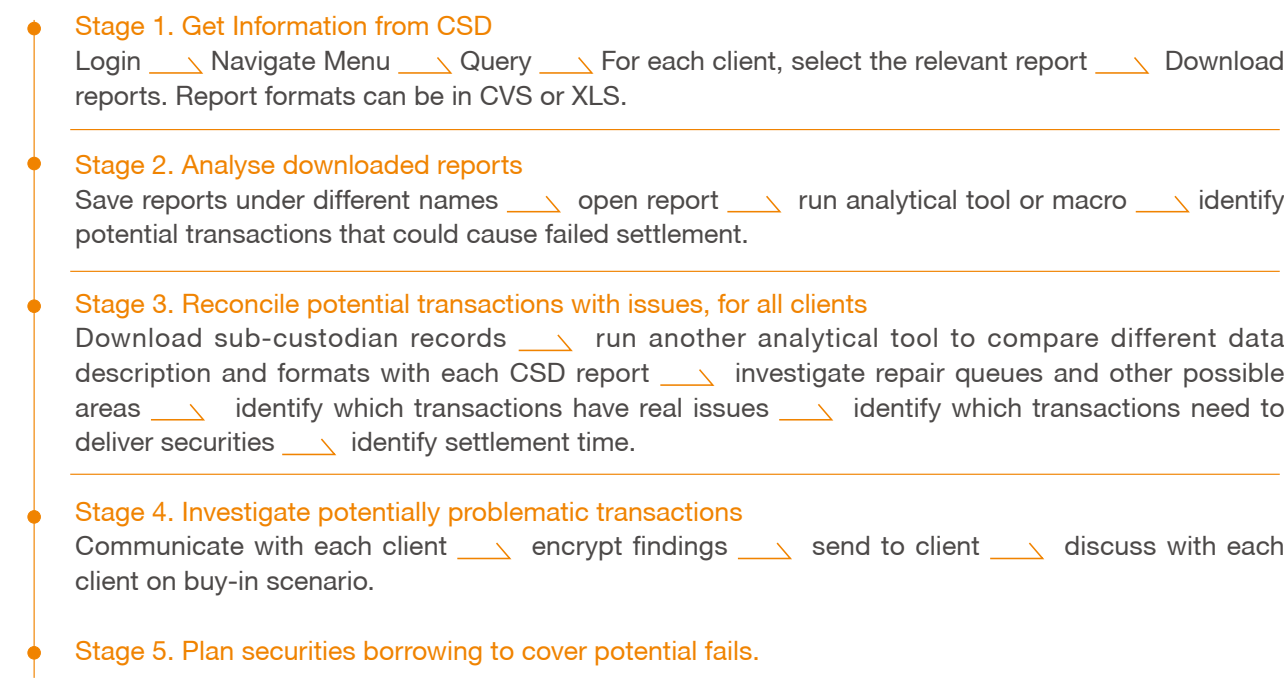
Other use cases where real time connectivity with API and concurrent communication have benefitted include notification of cash availability and timing that acts as a key compliance trigger before trades are executed. In this case, faster information from FMIs can uncover new service features based providing further transparency for clients by alerting them to future events.

Example 2: Providing earlier views of downstream risks

Receiving information on a faster basis can catalyse a “chain reaction effect” that allows a series of dependent events to be acted on earlier. For example, in managing potential fail trades, which can result in punitive penalties for clients, the workflow to proactively manage potential fails can involve multiple operational and time-consuming sequential steps.

The following illustrates a generic flow from the time of analysis of potential fails, to the time where a decision is made to borrow to cover potential fails. Without real-time communication from FMI to sub-custodian to its client, more time and additional steps would be required before reaching this key decision point.

ILLUSTRATION 2: Benefits of chain reaction leading to earlier risk management*



*Illustration is based on generalised steps and assumptions. It does not reflect any specific market.

A higher level of productivity from Stage 1 to 3 is realised when post-trade transaction information is pulled from the central securities depository by the sub-custodian on a real-time basis, and communicated to the client concurrently. At this stage, the client and the sub-custodian can collaboratively identify potential failed

transactions and avoid penalties more efficiently – which is represented by Stages 4 and 5.

With these benefits, participants can focus on enhancing specific system features and workflows to better support potential failed settlement risks resolutions. Given the direct relationship between enhancements and investments, the clear “return on systems investments” is a third potential benefit.

Scaling API benefits across different markets through a common language

While API, real-time information and concurrent communication can create new advantages, these can be significantly diluted by costs and complexities that can arise from cross-border implementations.

These implementation challenges may include different workflow steps based on legacy manual paradigms, multiple click-and-type efforts into on-screen “paper” formats to trigger “automation”, inconsistent data formats and definitions, and inconsistent business processing logic. Some of these can be traced to legal and regulatory requirements for paper, including “wet signatures” while others are the result of industry’s attempts to use a mixture of technology and manual processes in a bid to minimise investments and change.

This is where a level of standardisation, common definitions and business logic is required to realise benefits from using API across different markets.

For example, to address this complexity creep from API reuse in different markets, Deutsche Bank follows a global framework that includes principles, technical standards and development guides/playbooks to support reusable and secure APIs. The framework includes:



Common principles that are applied across all of our development efforts and approaching API development with different client types, and not for any specific client, in mind. This focuses our API developments on event sources, activities associated with the event and associated services.



Linking the principles with agility and costs, we use established standards such as Open API and ISO20022-compliant schema in JSON, and practices such as “mandatory-to-mandatory” field mapping between business and technical requirements. This ensures that a “common language” is used across different implementation that would also facilitate the maintenance and updates of a large library of APIs. Strong links between business logic and technical implementation are also preserved.



To manage development process with external parties, the use of playbooks that specify the steps to achieve goals, for example, a 2-way mutual secured connection and authentication, could harmonise processing logic to this overall framework. The need to avoid the misuses of schema and fields are also rigorously adhered to, so that a standard remains the standard.

Beyond standards, we would also depend on the FMI’s technology to “manufacture” and transmit information in real-time. The information quality that the API consumes and would guide further actions by participants would depend on inter-related FMI processes such as pre-matching conditions, the completeness of information, frequency of settlement runs, etc. Robust cybersecurity standards will also be a necessity.

Hence, any regional standards for implementing API real time connectivity with concurrent communication,

can synergise with FMI’s new technologies for the prospect of new and exciting post-trade securities servicing operating models in Asia.

Looking ahead

Going forward, API will continue to be a focus for us to create significant value for our clients and markets. Encouraged by FMI’s advanced technology focus, our Securities Servicing product management and I.T. teams are working with key clients and those FMI’s to achieve API-based post-trade securities real time information connectivity. As part of this effort, we are also considering how legal relationships could evolve, what an Asia-wide securities servicing API “Open Architecture” could look like, and how that can be practically adopted by different markets to facilitate agile API (and DLT) deployments.

As we continue in our journey, we look forward to investigating and synergising common interests with FMI’s, and to working collaboratively to reduce unnecessary duplicated investments and cross-border complexity, and to promote new and exciting operating models and growth. /End

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Note

¹ Speed can create new business models. For example, imagine if a Google or Apple Map API that only allowed 10 calls per minute, Ride Sharing model like UBER would have been difficult to differentiate themselves. As another example, a telecommunication speed at 2G or even 2.5G could not have allowed DLT or even today’s business model of Ride Sharing to exist.

² This assumed that the FMI can allow for a relatively large scale and volume of on-demand settlement requests.

RECENT EVENTS

The 23rd ACG Annual General Meeting (ACG23)

The 23rd ACG General Meeting, hosted by CDS and Clearing Corporation (CDSC), took place at Crown Plaza Hotel in Kathmandu, Nepal during September 9th to 12th, 2019. With the theme of “Challenges for providing competitive investor services” and attended by 92 participants from 26 members and other related institutions, the meeting is a showcase of ACG members and global practitioners’ business update, widening horizon for our members and facilitating ACG’s collaboration with institutions inside and outside APAC.

In Breakout Sessions, Legal Task Force, New Business Initiative (NBI) Task Force, Risk & Recovery Management (RRM) Task Force, Technical Task Force, Exchange of Information Task Force and Investor Services Task Force shared their views with their members, and six Task Forces gave their work report of 2019 and plans for 2020 in the Task Force Reporting Session.

The ACG Secretariat KSD presided over the 23rd Annual General Meeting. Before the AGM, former ACG Chairman, Mr. Byungrhae Lee delivered

a touching farewell remark for the end of his term. After the Secretariat’s briefing of ACG and WFC activities in 2019 and plans for the future, the AGM confirmed the minutes of the 22nd ACG General Meeting, and approved the 2019 financial statements and 2020 budget plan and the admission of associate member, Association of Global Custodians (AGC) and Deutsche Bank AG Singapore. Besides six existing TFs, Central Depository Services (India) Limited, Central Securities Depository of Iran and Singapore Exchange Ltd as three voted members of ACG Executive Committee for the next term were announced and approved. 2019 is the year of ACG Chairman and Vice Chairman re-election. Dr. Wenhua DAI, Chairman of China Securities Depository and Clearing Corporation (CSDC), was elected as the new ACG Chairman for the next term, together with Mr. Sherman Lin, Chairman & CEO of Taiwan Depository and Clearing Corporation (TDCC) elected as the new ACG Vice Chairman. CSDC was appointed as the new ACG Secretariat.



TASK FORCE CONTRIBUTIONS

Legal Task Force

In 2019, Legal Task Force actively implemented the work arrangement of ACG Secretariat under the organization of its convener, China Securities Depository and Clearing Corporation Limited (CSDC).

01

The 21st ACG Cross Training Seminar in March

During the 21st ACG Cross Training Seminar, CSDC presided over the Legal Task Force Session, the theme of which is Securities Account and its Legal Regulations. CSDC shared CSDC’s securities account structure, legal implication of securities accounts as well as its legal regulations. And all other three honored speakers from KSD, NSDL and KSEI shared their respective securities accounts structure, domestic legislations and other relevant legal issues.



02

The WFC2019 in April

The delegate of CSDC gave a brief introduction of the activities carried out during the period of ACG22 on behalf of Legal Task Force. CSDC reported the general information of attending the 22nd Annual General Meeting and the 21st ACG cross training seminar, as well as made a summary of future plans of Legal Task Force.



03

The 23rd General Meeting in September

The delegate of CSDC reported the general information of attending WFC 2019 and the 21st ACG cross training seminar, and made a summary of recent activities and future plans on behalf of Legal Task Force.

During the group meeting session, CSDC presided and gave a lecture themed as the self-discipline management of CSDs. The lecture was consisted of four parts: (1) the self-discipline management of securities market, (2) a brief introduction of the background of CSDC’s self-discipline management institutions, (3) the institutions of CSDC’s self-discipline management, and (4) some suggestions on enhancing the self-discipline management of CSDs. After the lecture, the participants from Legal Task Force members had a warm discussion on relevant topics and shared their respective experiences.

19/20

New Business Initiative Task Force



The New Business Initiative (NBI) Task Force gave a report on its activities and future plans at the ACG23 General Meeting in Kathmandu, Nepal.

The report covered the task force’s activities in the past three years and presented its plans for 2020-2022. The plans focus on enhancing knowledge sharing and cooperation through the enrichment of ACG events and increased engagement with other regional associations, as well on promoting the work of the Asia Fund Standardization Forum (AFSF), a working group operating under the NBI Task Force, by expanding collaboration and global networks.

Prior to the reporting session, the NBI Task Force held a breakout session to review its activities in the past term, share updates on recent developments of members, and discuss future plans.

In November 2019, the AFSF workshop was held in Bangkok hosted by the Thailand Securities Depository (TSD). Around 50 participants from 10 countries attended the event to discuss the cross-border fund distribution and post-trade implications of fund passporting schemes.

The results of a survey on the optimal post-trade infrastructure, conducted from July to September, was also shared during the workshop.

Exchange of Information Task Force



As a Task Force to promote and support information sharing and understanding of ACG members’ business, Exchange of Information (Eoi) TF led by JASDEC hosted a breakout session at the 23rd ACG General Meeting at Kathmandu in September, 2019.

The session consisted of two parts. In the first part, JASDEC presented “Activity Report” and “Future Plan” of Eoi TF, and the members delivered their

ideas and hints regarding next theme of the Survey project. JASDEC asked the members to cooperate on selecting the theme by communication with e-mail.

In the second part of the session, TDCC delivered a presentation on new AGC Website which has been activated in this April. The members of Eoi TF praised the features of the new website and the contribution of TDCC.

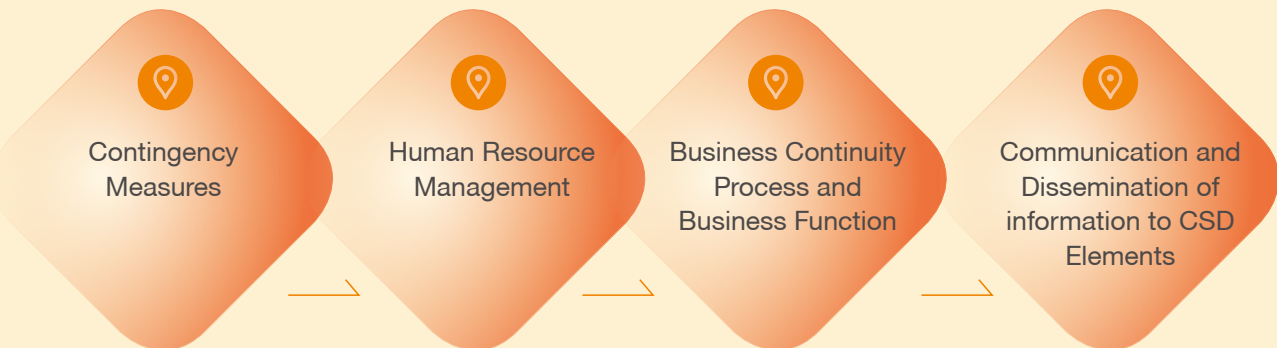


Risk & Recovery Management Task Force

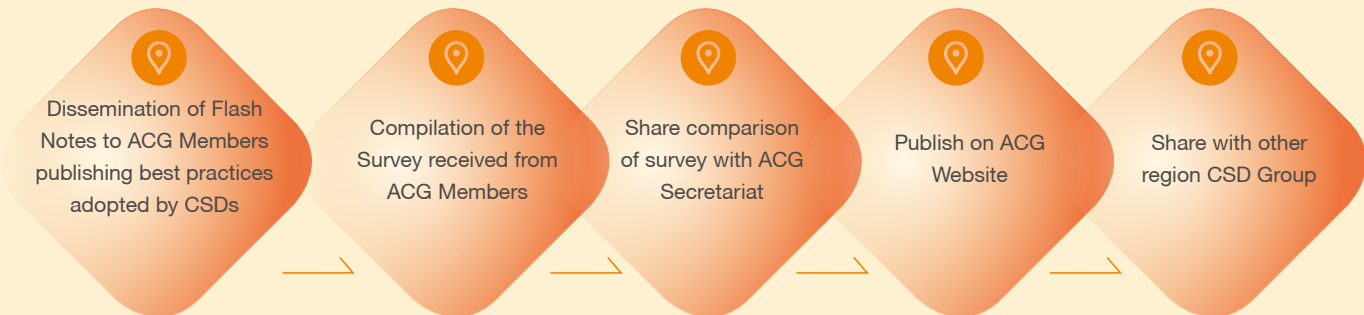


While governments, communities, businesses and people are struggling to cope with Coronavirus and its far reaching impact, Capital Markets are no different. The fight to keep the business going, to continue the service delivery and to ensure that staff members are safe has not been easy.

In this regard, the RRM Taskforce conducted a survey to investigate the response of CSDs to this novel challenge. The participants of the survey include Member CSDs of the Asia-Pacific region. The primary goal of the survey was to assess the challenges faced by CSDs in continuing business operations and the measures adopted in addressing the risks to their employees as well as the business. In particular, the survey focused on risk and response on these primary areas:



RRM Taskforce conducted a survey on the pandemic situation due to spread of COVID-19 around the world and with regards to our Asia Pacific Region. With the objective to perform Business As Usual (BAU) activities, that are affected alongwith associated risks were evolved and mitigating measures are required to be implemented to perform the activities. RRM Taskforce received responses from ACG Members providing measures to respond to COVID-19. Following are the activities in wake of the COVID-19 Survey:



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’s the reason, 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.

The below is the Technical Task Force plan for next six months–

- **Digital Transformation Newsletter – Jun '20**
The objective is to study and publish technology platform trends and consolidation in form of newsletter.
- **IT Change and System Management – May '20 to Jun '20**
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” – Jul '20**

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

NSDL had conducted a webinar Session on “Next Generation Cyber Security Operation Center (C-SOC)” on December 12, 2019. Invite to the

webinar session was sent to the nominated CISO of CSD’s for participation to the webinar. The webinar session covered the essential components and requirements of Next Generation C-SOC. Detailed insights were provided on the best practices to be followed to improve the detection of cyber incidents and cyber resiliency.

The below is the Technical Task Force plan for next six months–

Webinar on “Risk and mitigation in face of Pandemic (Covid 19)” – May 2020

This webinar shall discuss the current pandemic, the cyber risks and challenges faced by CSDs and the possible solutions

Survey on “Business Continuity in face of uncertainty” – June- July 2020

The current challenges in the wake of Covid 19 provide an opportunity to re-define business continuity. What are the CSDs planning to do, what are their existing processes and where they can collaborate to improve processes will be analyzed and presented as a paper in the annual meeting of the CSDs



Investor Services Task Force



Investor Services Task Force (ISTF) convener, Taiwan Depository & Clearing Corporation (TDCC) continued to organize the following activities:

01 Research on “e-Services of Shareholder Meeting”

To exchange experience of e-services provided for shareholder meetings, ISTF conducted a survey on this and circulated questionnaires to all ACG members. The survey analyses are included in ISTF 2019 Report (available at https://www.acgcsd.org/acg_03.aspx?menuid=7), and the key findings from this survey are as follows:

- ✓ The main factor of service prevalence is the regulatory support.
- ✓ New technology will be widely used among respondents.
- ✓ Providing an integrated access for e-services is recommended.

02 Task Force Meeting at ACG23

TDCC reported ISTF activities, survey results and future plans at ACG23. During the breakout session, CDSL was invited to make a presentation on its current investor services, and all participants exchanged their latest development of investor services.

03 AGM e-Services Workshop

In response to the trend of enhancing corporate governance, ISTF held its very first workshop on Annual General Meeting e-Services on 14th November 2019 in Bangkok, jointly with Asia Fund Standardization Forum (AFSF) by TSD and KSD. Industry experts from Digital Asset, National Settlement Depository, CDSL, Deutsche Bank, HKEX, KSD, and TDCC were invited to share their experiences and discuss challenges and opportunities of new technology application.



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