

2021Q2 Online Bulletin

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Collaborative partnerships set to shape the securities services industry of the future

The current wave of collaborations and partnerships with FinTechs and other incumbents is likely to continue, as experts believe industry-wide projects will shape the securities services model going forward.

Partnerships with FinTechs, data vendors, and other third-party providers have become prevalent in areas such as front-to-back services, proxy voting and asset servicing, digital assets, and ESG data services.

Day Three of Global Custodian's Leaders in Custody Week showcased a panel discussion on this growing trend, in which participants explained these partnerships have been fuelled by client demand to provide them with new capabilities and help them navigate the changing investment environment.

"We are seeing client demand drive this strategy. We have recognized that the companies we are working with have developed very strong capabilities, they have created a lot of value with the work they have developed, and there are now some very good tools in the market," said Noam Tasch, global head of digital partnerships, BNY Mellon.

What has also driven these collaborative moves has been a change of mindset between securities services firms, where many have realized that they no longer need to develop and carry out functions exclusively.

The growing move to collaborate with start-ups in securities services is also a reflection of the evolution of the FinTech space over the past decade. Solutions that were once used mostly for the payments sector are now becoming tailored for asset servicing, custody and fund administration, paving the way for greater industry partnerships.

For the long-term, panellists agreed that everyone involved in the investment ecosystem, including clients, securities services providers and the FinTech community will have to keep their values aligned. In order to do this, market participants will have to keep up these efforts and maintain a culture of collaboration.

*Source: [Global Custodian, 2021/06/09](#)

TDCC upholds shareholder activism by allowing shareholders to view e-voting results before general meetings

Voting on proposals and board member elections have been the highlights of the general shareholder meeting. Many shareholders that are unable to attend the meeting in person tend to participate by voting electronically. With peak season of shareholder meetings approaching, TDCC launched a new service in late March 2021, that allows shareholders to access the e-voting outcome via our STOCKVOTE platform at 2pm one day before the scheduled general meeting in order to further enhance transparency in e-voting.

According to Taiwan Stock Exchange, about 670 thousand new stock trader accounts were opened in 2020, which means many novice investors will attend general meetings for the first time in 2021. Notably, attending a general shareholder meeting is very easy now: instead of showing up in person, investors only need to download TDCC's e-Passbook or brokerages' stock trading apps on their smartphones, or visit our STOCKVOTE website at

<https://www.stockvote.com.tw/evote/index.html?language=EN>

to participate in meetings regardless of their locations.

In the past, investors had to spend hours moving from place to place to attend general meetings, and if they had work, they either had to take a day off work or abstain from proposal voting and board elections. However, since 2018, all publicly-listed companies in Taiwan have been required to provide e-voting to shareholders who cannot make it to the general meeting so that these shareholders can still have a say on company decisions. That said, the results of e-voting are only made available on the day of the general meeting at the meeting venue.

To solve the problem, TDCC has strived to increase transparency in e-voting as part of the Corporate Governance 3.0—Sustainable Development Roadmap of the Financial Supervisory Commission by having issuing companies or their shareholder services agents release the results of e-voting on TDCC's STOCKVOTE platform at 2pm one day before the scheduled general meeting starting late March 2021.

Ms. Jane Huang, Senior Vice President of TDCC's Issuer Services Department said the Company Act stipulates that e-voting shall be closed two days before the actual general shareholder meeting. In the past, shareholders had to go to the meeting venue in person to see the results e-voting results, but now they can access the results early

by going to the STOCKVOTE website a day before the meeting after 2pm. The website has an “E-voting Results” section where they can search for issuing companies or their shareholder services agents to view the results.

The new service gives all shareholders online access to e-voting results, and thus improves the transparency in e-voting as well as the quality of corporate governance in Taiwan, marking a major breakthrough of shareholder activism.

*Source: [TDCC, 2021/4/22](#)

SGX RegCo leverages RegTech for oversight of listed issuers

Singapore Exchange Regulation (SGX RegCo) is introducing the use of artificial intelligence and other RegTech solutions to enhance its oversight of listed issuers.

The solutions will help automate the extraction of data that can then be used to compute certain indicators of financial risks. The indicators are based on SGX RegCo's observations of indicative signs of possible financial distress or irregularities in listed companies. These include, among others, the existence of long outstanding trade receivables; significant asset write-offs; low cash coverage ratio and negative working capital.

SGX RegCo is expanding the solutions to include machine learning techniques and additional information sources with a view to improving predictive capabilities in these areas.

"Using artificial intelligence and other technology, SGX RegCo is adapting information from companies' disclosures into structured data that can be analysed and used easily and speedily. The automation of such processes directs regulatory resources to higher risk areas and enables us to be more targeted in our regulatory responses," said Tan Boon Gin, CEO of SGX RegCo.

"We could, for example, issue disclosure queries taking into account these indicators, and where necessary, engage with the audit committee and external auditors. This together with issuers' responses will provide transparency to investors on signs of possible financial distress or irregularities in listed companies," Mr Tan added.

*Source: [SGX, 2021/05/06](#)

DTCC approved as data repository for upcoming US swaps reporting rules

The Depository Trust & Clearing Corporation (DTCC) has gained regulatory approval from the US watchdog to offer security-based data reporting services in the US ahead of new swaps reporting rules.

Following the approval from the Securities and Exchange Commission (SEC), DTCC is the first security-based swap data repository (SBSSDR) in the US that can accept transaction reports as part of Security-based Swap Reporting (SBSR) requirements.

The Dodd-Frank Act in the US divided the regulatory oversight of derivatives between the SEC for security-based swaps and the Commodity Futures Trading Commission (CFTC) for all other swaps.

Under the new reporting regime, firms will be required to report swap transactions that reference a single security or loan, or credit default swaps that reference a narrow-based index, to the SEC via data repositories such as the approved DTCC Data Repository (DDR).

“A centralised database of security-based swap transactions is an essential reform to better understanding these markets, for surveillance and for enforcement. The data repository also will facilitate public reporting of security-based swap transactions, bringing much-needed transparency to these markets,” said SEC chair Gary Gensler.

Market participants are required to be compliant with the new service from 8 November.

SBSR was due to come into force in the US in 2015 but was never fully implemented. In December 2019, the SEC confirmed it had adopted the regime and provided a new timeline for compliance.

“This marks an important step forward in continuing to provide greater transparency in the OTC derivatives market,” added Kate Delp, executive director at DTCC and general manager of DDR.

“We are proud to extend our trade reporting capabilities in the US and are committed to working with our clients to help them prepare for the reporting date. Now is the time to begin to implement and test trade reporting solutions as the reporting

compliance date draws near.”

DDR, which falls under the umbrella of DTCC’s Global Trade Repository (GTR), will act as a registered SBSDR for transactions across equities, credit and interest rate derivatives asset classes.

*Source: [The Trade, 2021/5/11](#)

TDCC and Glass Lewis partner in world-first initiative to bring greater transparency into the proxy process

Taiwan Depository & Clearing Corporation (TDCC), a central securities depository and the leading ESG promoters in Taiwan and Asia, and Glass Lewis, the world's leading provider of independent research and governance solutions, today announced their strategic partnership. TDCC will provide corporate issuers listed on Taiwan Stock Exchange (TWSE) and Taipei Stock Exchange (TPEX) with a complimentary copy of their Proxy Paper research report as soon as it has been published by Glass Lewis.

"Taiwan commits to enhancing transparency of proxy recommendations, which would benefit both companies and investors", said TDCC chairman Sherman Lin. "We are delighted to partner with Glass Lewis in this iconic project. "Now Taiwan is the first market in the world where the central securities depository helps ensure that companies have timely access to Glass Lewis' Proxy Paper research reports."

"We are seeing a sustained increase in demand for meaningful and actionable governance research across the Asia Pacific region," said Stanley Soosur, Country Head Australia at Glass Lewis. "Our strategic partnership with TDCC will ensure that companies listed on these exchanges have a detailed understanding of the global proxy voting policies leveraged by our 1,300+ institutional clients - many of whom invest directly via TWSE and TPEX. With a strong global focus on ESG issues, it has never been more important for companies to understand how investors vote."

The initiative is the latest offering of TDCC's ESG solutions. In 2020, TDCC launched Taiwan ESG Dashboard, the world's first consolidated and public platform displaying ESG rating published by major ESG rating agencies. Hundreds of corporate issuers have relied on the Dashboard to access and monitor ratings of Taiwanese corporate issuers.

*Source: [TDCC, 2021/5/19](#)

Korea Securities Depository to launch 'open venture platform'

Korea Securities Depository (KSD) plans to open a new investment support platform for startups in the latter half of this year, seeking to help unlisted firms streamline their securities-related works.

The KSD expects the platform, called Venturenet, to start offering services as early as October, to facilitate small companies in carrying out work related to their shareholders.

Startups or small firms using the platform can easily manage their shareholders in real time by issuing a share certificate or replacing it with a new one in case there are any changes in investors' stakes in the companies.

"There have been mounting calls for the need to establish such a platform, as small, unlisted companies have realistically faced difficulties in using the existing electronic securities system," a KSDI official said. "Most of those companies handle stock-related work on their own, but this comes with a legal risk in terms of managing their account books."

The state-run organization also expected the new platform to help enhance credibility between startups and venture capital firms, as the KSD-operated platform removes any possible security risks for small companies.

KSD is in the final stage of developing the software system for the online platform and will soon start a trial run before launching the service sometime in October.

Lee Myung-ho, president of the state-run organization, said in a New Year's address that the successful launch of Venturenet is one of his top priorities in 2021.

"We are going to reduce any possible securities-related risks and increase efficiency in the local venture capital market by successfully opening the platform," he said.

The KSD was scheduled to begin offering Venturenet's pilot service last year, but delayed the plan to the latter half of this year due to the COVID-19 pandemic.

Zait Solution, a Seoul-based system integration service provider, is developing Venturenet for KSD after winning the project early this year. The company has teamed

up with a group of the nation's big financial firms in the areas of securities, banking and credit cards.

*Source: [The Korea Times, 2021/5/30](#)

SGX RegCo, NUS Business School, KPMG in Singapore study shows ESG, particularly climate, important in key financial institutions' asset allocation, lending and underwriting

Financial institutions (FIs) in Singapore place significant importance on Environmental, Social and Governance (ESG) performance, with a heavy focus on climate considerations. Majority of them said they evaluate clients' sustainability disclosures, especially in the environmental factors of energy, water, waste and effluents, as part of their decision-making process. This is among findings from a joint study by Singapore Exchange Regulation (SGX RegCo), the National University of Singapore (NUS) Business School's Centre for Governance and Sustainability (CGS) and KPMG in Singapore on "Perspectives of Financial institutions on Sustainability Disclosures".

FIs interviewed said the motivation for greater emphasis on clients' sustainability reporting stemmed from rising stakeholder expectations especially from investors and regulators, increased government and tax incentives, the regulatory framework and Singapore's sustainable business-friendly environment[1]. All of the FIs interviewed said they are evolving their processes to fully integrate sustainability into their investment strategy by 2030, in recognition of the critical role they play in moving the sustainability agenda through their allocation of capital. This includes the importance placed on governance of sustainability, such as their Boards having oversight on sustainability-related matters in their organizations. Almost all of these FIs also evaluate and monitor non-financial risks.

Participants in the study wanted the current quality and quantity of ESG disclosures to be strengthened, with consistency across and within industries for easy comparison. In particular, FIs interviewed also highlighted the need for capacity building, recommending that corporates and FIs deepen their understanding and disclosures of climate-related risks and opportunities.

Participants were members of the Green Finance Industry Taskforce. Findings from the study were gathered via a survey and focus group discussions[2] .

The study also suggested that governments and regulators could facilitate better disclosures, including providing guidance on the right kind of data to report, as well as providing capacity building support on top of financial incentives.

"This study is important in shaping the work-plan for SGX RegCo as our listed companies become more accustomed to sustainability reporting. We see our role as guiding the distillation of key information so that challenges in ESG reporting – namely, quantification, comparability and harmonization - can be addressed. Our next step will be to review how companies are doing on the sustainability reporting front three years

since it was mandated. We intend thereafter to enhance our sustainability reporting rules to help listed companies better address increasing and more immediate interest around climate-related information,” said Tan Boon Gin, CEO of SGX RegCo.

Associate Professor Lawrence Loh, Director, Centre for Governance and Sustainability at NUS Business School, said, “Financial institutions are the vanguards in moving the entire business ecosystem. This report is a pre-cursor for the Singapore Green Plan 2030, particularly the Green Economy pillar. In disclosing ESG aspects, listed companies need to emphasize capacity building at the company level, including improving systems and structure, as well as capability development at the professional level, including honing skills and mindsets.”

“Connecting Environmental, Social and Governance (ESG) data points with financial information can provide unexpectedly powerful insights into the current state of an organization, while challenging us to ask hard questions of its future state. The study validates that financial institutions in Singapore are using ESG indicators as proxies to assess credit worthiness and determine asset value. Corporates should capitalise on this, prioritising the need to build internal capabilities and working with advisors where apt, to drive deeper sustainability agendas that can position themselves strategically for growth. Reporting efforts should be aimed at building trust and credibility, holding up well against SGX’s guidelines and global standards, industry best practices, and in alignment with the expectations of stakeholders,” said Cherine Fok, Director, Sustainability Services and KPMG Impact, at KPMG in Singapore.

[1] Rising stakeholder expectations (92.9%), government and tax incentives (78.6%), regulatory framework (64.3%) and sustainable business-friendly ecosystem (64.3%).

[2] As part of this qualitative study, 14 key financial institutions in Singapore were surveyed, while 52 senior representatives participated in focus group discussions. Participants include banks, asset managers, institutional investors and insurers

*Source: [SGX, 2021/4/23](#)

Euroclear rolls out new shareholder identification service, InvestorInsight™

ESES CSDs (namely Euroclear France, Euroclear Belgium and Euroclear Nederland) have launched a new shareholder identification service called InvestorInsight™.

InvestorInsight™, a cloud based service is designed for issuers and intermediaries. It allows issuers through a user friendly web solution to manage their disclosure requests and receive a complete view of all their shareholders in respect of new standards defined by the new Shareholder Rights Directive II.

This new level of transparency which includes full monitoring of shareholder responses and producing data reports on collected information, will create new opportunities for issuers to improve their corporate governance and engagement with their investor base.

During the pilot phase, which was done in close collaboration with issuers and intermediaries, the platform identified shareholders from over 130 countries; 600 intermediaries connected to InvestorInsight; more than 300,000 shareholders were identified and shareholder coverage consisted of 95% of the total number of shares for certain companies.

Franck Brunet, Securities Department Manager at Gecina said: “As a member of the pilot group on the InvestorInsight shareholder identification project, we benefited from the professionalism and engagement of the Euroclear teams during each step of this challenging initiative until its completion.”

Isabelle Delorme, Chief Business Officer of ESES commented: “We are extremely pleased to announce that InvestorInsight is now live. The launch represents an important milestone in fostering direct communication between issuers and their shareholders while bringing increased efficiencies to the market.”

*Source: [Euroclear, 2021/04/21](#)