



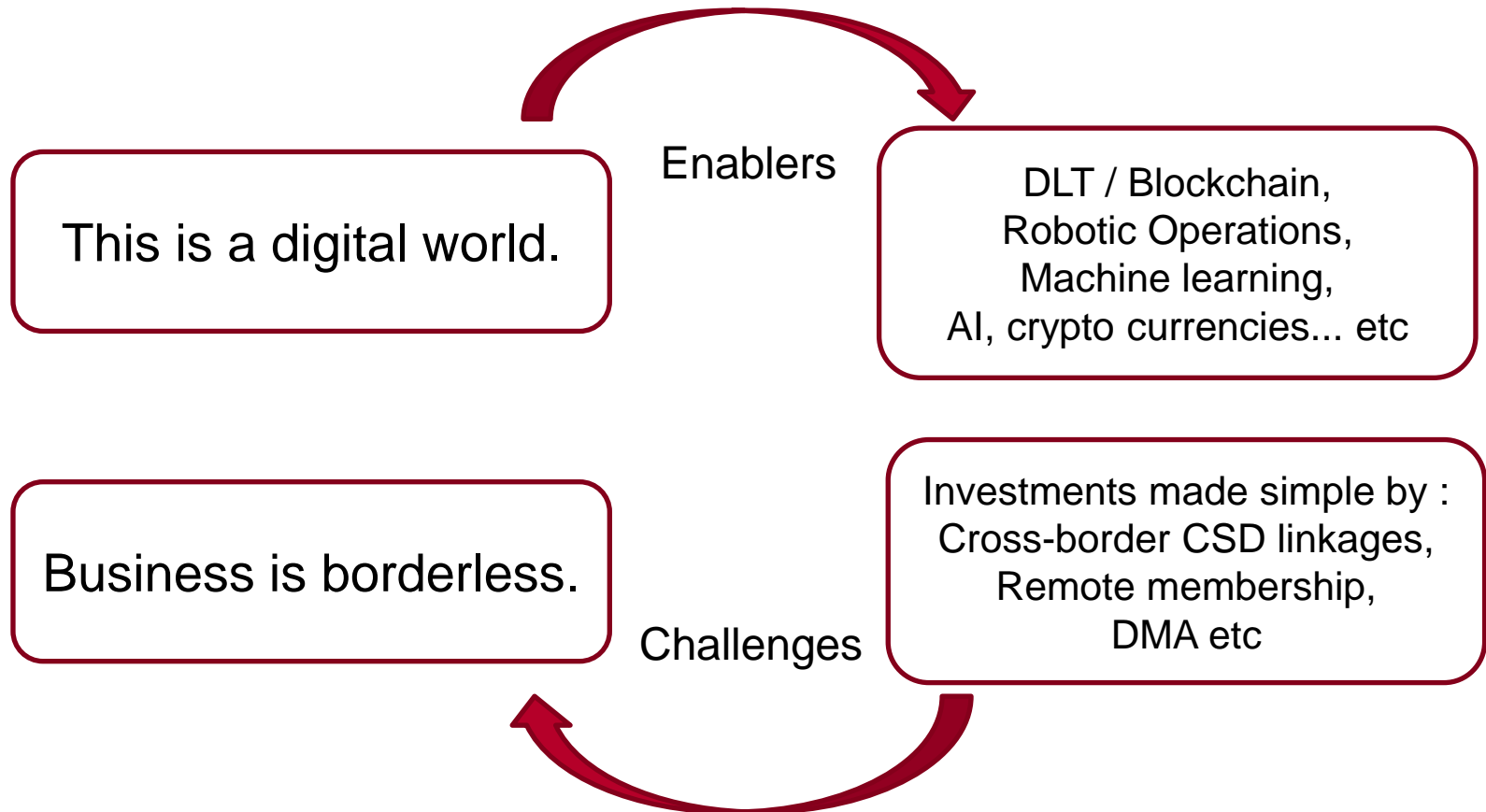
Global Conference of Central Securities Depositories

Cross Border CSD Linkages

17 Nov 2017 (Day Three)



A heavy topic made simple





CSD linkages revisited



- ▶ Not a new concept for CSDs to expand global reach
- ▶ Dates back to early 1990's

Fixed Incomes	<ul style="list-style-type: none"> ✓ “Bridge” functions between ICSDs ✓ CMU bilateral linkages with ICSDs, AustraClear, and a few other Asian markets ✓ Bond Connect between China and HK
Equities	<ul style="list-style-type: none"> ✓ T2S in the EU ✓ CCP.CEE led by Austria ✓ DTCC-Canadian Link ✓ Stock Connect between China and HK
Cash Clearing	<ul style="list-style-type: none"> ✓ HK has links with namely Mainland China, a no. of Asian countries, the CLS system etc to have enabled : <ul style="list-style-type: none"> • RTGS payments and cheque clearing in various currencies • PVP settlement on cross-border basis
Funds	<ul style="list-style-type: none"> ✓ Mutual Recognition of Funds programs between HK and China / France / Switzerland respectively ✓ Other fund passporting schemes <p><i>(Strictly speaking not CSD linkages but CSDs may act as facilitators)</i></p>

Wish List of a CSD Participant



Key Success Factors (1)

▶ Harmonization

- Rules and regulations
- Post-trade processing
- Alignment of time lines, market norms and practices, languages, terminologies, communication means etc

▶ Operability

- Ease of access and also exit
- System & manpower requirements
- Straight-through or not
- Transparency of information flows and transaction status

Key Success Factors (2)

▶ Overall Efficiency

- DVP & finality
- Efficiency of money flows, investment flows and information flows
- Improved collateral management
- Time to market
- Overall cost considerations

▶ Containment of Risks

- Investor and asset protection, participant obligations, conflict of law, increased intermediation
- Window of risk exposure
- Resilience and reliability of market infrastructure
- Proven contingency plans and claim processes
- Adoption of CPSS-IOSCO Recommendations or other standards

Key Success Factors (3)

▶ Consistency

- Across different markets
- Across different CSDs in the same market
- Level playing field for all

▶ Promotion of Best Practices and International Standards

- Opportunity for market improvement, convergence or integration

▶ Sustainability

- A long-term game
- A two-way street
- Withstand the test of time and market volatility

▶ Synergy

- Win-win scenario for all stakeholders

Challenges for CSDs

- Market Expectation & Perception
 - Worthwhile attempts
 - Client experience and user
 - Ongoing engagement of the industry
- Tact and thoughts
 - Tax implications
 - Capital polices and/or currency measures
- Disruptive new technologies
- Holistic views
 - Reciprocal mind-set
 - You gain some, you lose some

What's next?

- * Which ways to go?
- * What forms to take?
- * What are the role of CSDs going forward?
 - * As a gateway / facilitator / propeller / buffer?



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