

Optimising processing efficiency

for the servicing of
international securities

The International Securities Market Advisory Group



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GROUP

The International Central Securities Depositories (ICSDs) Euroclear Bank and Clearstream Banking Luxembourg, together with a number of major market players, have launched a change programme to set processing standards for the servicing of international securities primarily deposited in the ICSDs.

The main aims of the programme are to:

- increase operational efficiency and reduce operational risk by more clearly defining roles and responsibilities throughout the servicing chain;
- provide the highest quality of asset servicing to investors; and
- achieve a high level of Straight-Through Processing (STP) in the interactions between market players, from the issuing community through to investors.

The initiative is under the guidance of the International Securities Market Advisory Group (ISMAG), a new senior market committee formed for this purpose in June 2007.

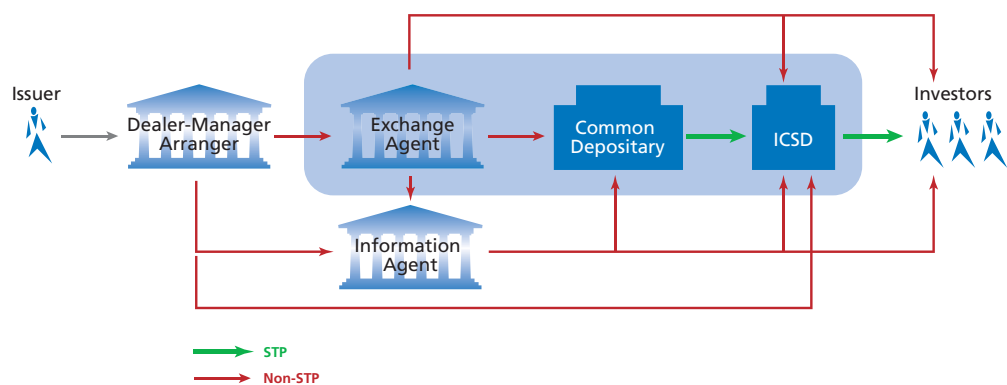
The international securities market today

The international securities market today remains flexible and diverse, making it successful and very attractive to both issuers and investors. Driven by increasing globalisation, the market has experienced significant growth in recent years. With more than 8,000 issuers from over 70 countries, securities are issued in multiple jurisdictions and in a global range of currencies.

This success has led to processing challenges in three main areas. These relate primarily to the continuing growth in volumes and the increasing complexity of international instruments.

- **Issuance and asset servicing**, such as acceptance of securities and processing of income payments and corporate actions. This can be hindered by unclear or incomplete information provision.
- **Standardisation**. Complex or insufficiently standardised information increases the risk of misinterpretation, which can lead to errors or processing delays.
- **Straight-Through Processing**. STP between involved parties remains limited. This results in manual processes and duplication of efforts, combined with high risks and costs.

Example: Limited STP for corporate action information provision in the international securities market today



Did you know?

- 90% of corporate action information is sent to ICSDs through non-STP channels
- Currently, more than 70% of securities issued can be considered as 'complex'

Optimising processing efficiency - the mission

The change programme will achieve a high level of efficiency in the processing and servicing of international securities through harmonisation, standardisation and automation. At the same time, it will ensure that the market remains as competitive and innovative as it is today.

The programme will focus on securities issuance and asset servicing processes, such as corporate actions and income information provision and instruction processing.

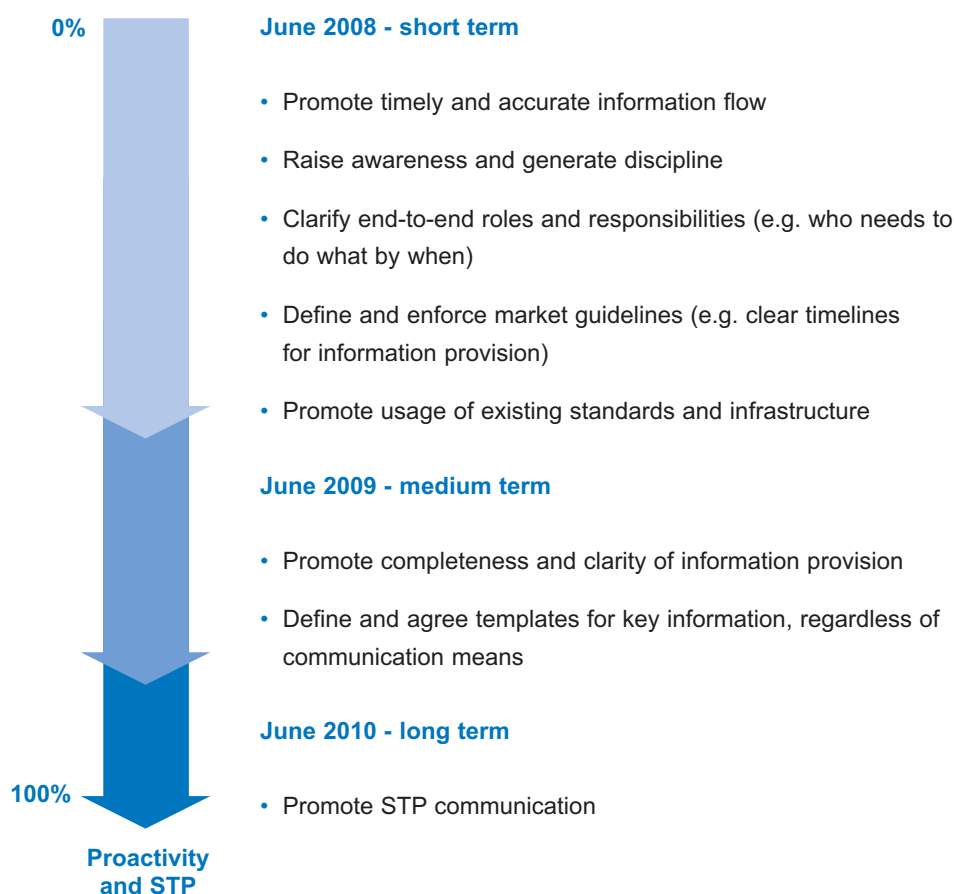
The initiative will seek to reuse existing standards as proposed and implemented by other market initiatives and associations where possible, and help to develop standards in areas where they do not currently exist.

Programme scope

The programme has been set up for an initial period of three years. It is anticipated that a market protocol for the international securities market, detailing the agreed standards across processes and including STP, will be finalised in 2010.

Objectives will be established and solutions implemented gradually, with 'quick wins' planned for implementation in mid-2008, and further standards to be established during 2009.

Phased objectives and priorities - proposal for new issues and corporate actions information provision



A market-wide approach

To ensure a full and comprehensive review of operational processes, it is vital that all market players in the value chain, from issuers through to investors, are involved. The programme will therefore consider standards applicable to all parties actively involved in these operational processes, i.e. issuers and their agents, investment banks, ICSDs and their agents.

Key benefits of the programme

...for investors

- Improved service levels in asset servicing, such as timeliness and accuracy of information for corporate actions and income events, in an environment that enables costs and risks to be managed more efficiently

...for issuers

- Increased investor satisfaction
- Attractive and competitive issuance and settlement model to expand investor base and support a continuously growing market
- Better servicing and increased operational efficiency through standardisation and STP, leading to reduced cost and risk

...for intermediaries

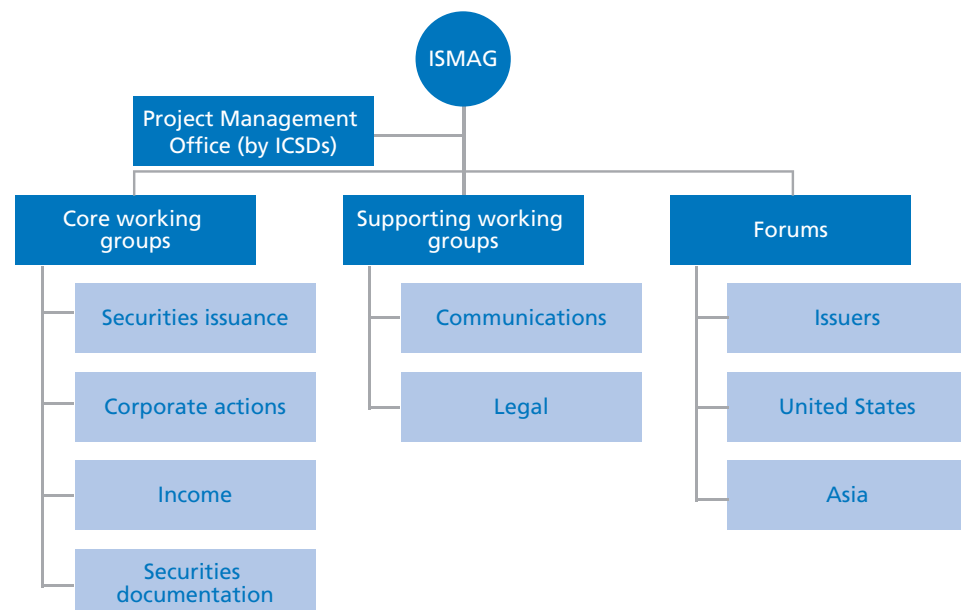
- Improved service level towards investors and issuers, i.e. increased coverage and timeliness of information
- Better cost control in a volume increasing and complex environment
- Attractive issuance and settlement model to expand investor base and support a continuously growing market
- Better risk controls through increased efficiency, standardisation and STP

About the International Securities Market Advisory Group

The ISMAG was established to define the objectives and to guide and monitor the implementation of the change programme. It comprises players from across the industry:

- a cross-section of senior representatives from different industry communities, such as lead managers, issuers and their agents, investors and ICSDs; and
- trade associations such as the International Capital Market Services Association (ICMSA), the International Capital Market Association (ICMA), and the Association of Global Custodians.

A number of working groups formed of senior operational experts from the market will set specific objectives in the different service areas. The working groups will identify inefficiencies in current operational processes and agree upon short and long-term solutions to increase efficiency and STP between market players. More groups will be set up when required, in line with the needs of the market.



Further information

The latest information on the programme will be available on the websites of Clearstream Banking Luxembourg (www.clearstream.com) and Euroclear Bank (www.euroclear.com).

If you have any questions or would like to get involved, please contact the following:

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