



# ANNUAL BUSINESS REPORT



# 2019





## Who Is ISITC?

Comprised of leading executives, ISITC brings together broker/dealers, custodians, investment managers, vendors/utilities and other industry professionals to develop standards that are designed to enhance efficiencies in trade processing and related communications.

Through collaboration, ISITC's volunteer members reduce inefficiencies, lower risk and build shareholder value while developing and promoting the global securities industry. ISITC provides members with the means to revolutionize the securities-trading process.

## Mission Statement

The mission of ISITC is to engage the collective expertise of its global community of securities operations and technology professionals to create a platform to collaborate on key initiatives in financial services operations. Through the work of its members, ISITC strives to develop, publish, and promote market practices and thought leadership that move the financial services industry forward, reducing capital markets risk and increasing operational efficiency.

## WE ARE:

- An independent non-profit financial services organization in North America
- Dedicated to solving inefficiencies across the transaction lifecycle
- A member-run association providing opportunities for financial services operations professionals to collaborate on pressing industry topics
- Comprised of investment managers, custodians, broker/dealers, and vendors/utilities

## WE STRIVE TO:

- Engage the collective expertise of our global community of securities operations and technology professionals
- Create a platform to collaborate on key initiatives in financial services operations, including APIs, distributed ledger technology (DLT), data normalization, and cybersecurity standardization
- Develop, publish, and promote market practices and thought leadership
- Drive the financial services industry forward by reducing capital markets risk and increasing operational efficiency

## GET INVOLVED:

- Join a working group to collaborate with other member firms and produce market practices
- Join a forum to connect with other ISITC members to discuss best practices and topics of interest
- Attend our Fall Forum, Winter Forum and our Annual Securities Operations Summit to stay up to date on the latest trends and bring valuable insights back to your firm

# Message

## from the Chair



It's hard to believe that 2019 is already coming to a close. It was a year filled with new leadership, fresh initiatives, and meaningful accomplishments, and I could not be more grateful to have been a part of ISITC's growth with all of you.

Perhaps the biggest highlight of our year was the creation of our Strategic Plan which shares our goals and tactics for 2019 through 2022. As outlined in the plan, our overarching goals for the near future are to expand ISITC's influence in the industry, become a coordinating body, utilize leadership more effectively, and ensure and strengthen long-term stability. The plan was solidified before our Fall Forum, and we've already seen great strides in making those goals a reality.

Another major highlight of the year has been the success of our 25th Annual Securities Operations Summit and Fall Forum. Although we hold these conferences every year, this year in particular included a lot of fresh content and engaging thought leadership that attendees will be able to take back to their firms to inform their own strategies. Some of the topics discussed included fintech driving business change, data management and data policies on a federal level, gender diversity in financial services, regulatory updates, ISO 20022, and shifting global dynamics in financial services, to name a few. If you didn't attend our most recent conference, I'd recommend giving our recap blog a read.

In terms of upcoming topics that are set to disrupt the securities operations industry, cybersecurity is certainly one that is top of mind. The digitization of the industry means that all of us need to be aware of the heightened vulnerability of our data – and that data only grows in volume day by day. It can be challenging to find a way forward when no one wants to compromise their firm's cybersecurity measures, but we all need to collaborate with each other if we're going to overcome the obstacles of data privacy and data protection.

Additionally, we've seen tangible growth in the digitization of securities with developments in crypto assets, blockchain, and distributed ledger technologies (DLT). Rather than just being a far-off concept, there have been real changes taking hold in the industry that are opening up a different realm of players. ISITC will be keeping a close tab on this, and it will be a focus area for our upcoming Winter Forum. The conference will be taking place in Palm Beach, FL on December 8-10, so be sure to register soon!

In this season of thanks, I would be remiss if I did not express the gratitude I feel for every single one of ISITC's members and conference attendees. You all are what keeps this industry progressing into the future, and I am so thankful to serve as Chair for such a meaningful mission. Let's end the year strong, and I look forward to another successful year to come!

Sincerely,  
Lisa Lagatta  
ISITC Chair

# Highlights from 2019



## A Year in Review in Numbers

- Settlements: Updated ISITC's US Market Practice V39.4 to incorporate recommendations for Single Security (UMBS) Exchange; following the partnership across a number of ISITC Forums and Working Groups, SIFMA, and Freddie Mac to achieve a universal recommendation
- Margin Collateral: In an effort to ensure streamlined and efficient Non-Cleared Margin implementation, coordinated subject matter expertise from industry and other trade associations, such as SIFMA AMG and ISDA, to engage ISITC members and provide ISITC voice back into implementation.
- Derivatives: Continued education and collaboration with other industry groups on industry initiatives such as Dodd-Frank, EMIR, and Central Clearing
- Custodian: Hosted industry experts to discuss key topics, such as DTCC – MTU and DXM platforms. Single Security Initiative, SWIFT's API and Securities 2020 Strategy, CLS Trade Monitor, and the operational aspects of un-cleared Margins
- Regulatory: Provided membership with insights from industry experts in partnership with other working groups: "Key Regulatory Challenges for 2019 and Beyond)", "ISO/TC 68 Financial Services International Standards: Development and Work Activities", "General Data Protection Regulation (GDPR) Enforcement Actions", "Central Securities Depositories (CSDR)" and "Shareholder Regulatory Directive (SRD) II"
- Reference Data & Standards: Engaged with Dr. Scott Kiesling from the University of Pittsburgh to present his thoughts around "Linguistic Communities and Unruly Language"
- Securities Lending: Created a business case to justify the creation of a Buy-In Market Practice



# Working Groups

## Corporate Actions

### Mission Statement

The mission of the Corporate Actions Working Group is to examine business processes throughout the lifecycle of a corporate action. Our goal is to define standards for the U.S. market and examine variances within global market practice for the purpose of harmonizing corporate action messaging standards, moving toward increasing automation and achieving greater STP throughout the industry. The Working Group recommends enhancements and modifications to the ISO corporate action message standards to ensure they meet the needs of the market. The Working Group is also the forum for discussing and recommending enhancements to business processes and collaborating with other industry groups to address new business processes within corporate actions.

### 2019 Highlights of Corporate Actions Accomplishments

- Represented US NMPG (National Market Practice Group) for Securities SMPG monthly conference calls and semi-annual meetings to assess the global impact of various issues
- Conducted a thorough review of the Global Market Practice, EIG (Event Interpretation Grid), for the US Market
- Supported our partnership with DTCC to assist in moving transformation efforts forward. The CA Working Group continues to be a contributor to the DTCC Transformation Project ensuring that the development is adhering to market standards and meeting the needs of both Investment Managers and Custodians. We regularly allot times on calls and quarterly conferences for DTCC to share recent milestones and upcoming developments. During 2019 we participated in discussions specific to the Reorg Instruction Phase
- Conducted a joint working group session with Settlements regarding the Claims process where CA events are impacted.
- Contributed to the SRD2 initiative from a US corporate actions perspective



**112**

Members in  
Corporate Actions  
Working Group



**2**

Change Requests  
Submitted



**2**

Roundtable  
Discussions at  
ISITC Conferences

### 2020 Goals for Corporate Actions Working Group

- Continue to lead the annual Change Request Process as the NMPG for the US
- Continue collaboration with trade associations and industry groups, such as SMPG, DTCC, SIFMA Corporate Actions Division and AMF
- Harmonize global corporate actions messaging standards by examining regulatory changes that impact corporate actions and collaborating with DTCC on ISO 20022 corporate actions business processes
- Review corporate actions events for evolving changes and determine how to best use ISO messages for announcements and payment allocations
- Increase Working Group participation by continuing round table discussions, as well as by encouraging members to invite subject matter experts from their firms to participate in sub-groups (e.g. Tax Sub-Group).
- Support the ISITC Strategic Initiatives by the creation of a CAWG section of ISITC common terms glossary



# Working Groups

## Derivatives

### Mission Statement

The mission of the Derivatives Working Group is to work in conjunction with the AMF and other industry groups to create market practice standards around derivatives processing, focusing on trade notification, reconciliation, collateral movements, and interest payments (resets).

### 2019 Highlights of Derivatives Accomplishments

- Continued education and collaboration with other industry groups on industry initiatives such as Dodd-Frank, EMIR, and Central Clearing
- Engaged in work being done around ISINs (International Securities Identification Number) for OTC derivatives and the ISDA MITOC (Market Infrastructure and Technology Oversight Committee) initiative
- Monitored for CCP's Clearing of non-mandated products for consideration into the Cleared OTC Market Practice
- Conducted educational session on alternative methods of bilateral cash settlements
- Began LIBOR retirement/replacement discussions
- Continued to engage with CPMI-IOSCO and the Financial Stability Board around the UPI (Unique Product Identifier) initiative
- Continued engagement in SIFMA and FIA initiatives



25

Members in  
Derivatives  
Working Group



2

Co-Chairs Added

### 2020 Goals for Derivatives Working Group

- Continue to build on the work and initiatives that were accomplished in 2019
- Educate members on LIBOR retirement/replacement implications and update market practices as needed
- Conduct formal survey to our membership to further refine the goals, mission, and focus of the Derivatives Working Group
- Collaborate on derivatives initiatives with other industry working groups, such as SIFMA and ISDA
- Revamp bilateral and Cleared OTC market practices into one document based on syntax-agnostic swap data elements work
- Drive engagement and input on syntax-agnostic swap data work



# Working Groups

## Margin & Collateral

### Mission Statement

The Margin & Collateral Working Group will serve to provide subject matter expertise and thought leadership to members, as well as regulatory jurisdiction rules and timelines. Key focus areas include:

- Operational best practices for collateral management processing
- Messaging standards covering collateral calls, dispute resolution, margining, and asset movement/segregation supporting all collateralized instruments

### 2019 Highlights of Margin & Collateral Accomplishments

- In an effort to ensure streamlined and efficient Non-Cleared Margin implementation, coordinated subject matter expertise from industry and other trade associations, such as SIFMA AMG and ISDA, to engage ISITC members and provide ISITC voice back into implementation
- Monitored and distributed Non-Cleared Margin and FINRA 4210 regulatory updates to ISITC membership
- Provided forum for Common Domain Model overview and discussion, highlighting potential use cases

**109**  
Members in  
Margin & Collateral  
Working Group

### 2020 Goals for Margin & Collateral Working Group

- Support industry through FINRA 4210 margin implementation
- Support industry through Non-Cleared Margin Sept 2020 and Sept 2021 implementation
- Work with other industry groups to ensure ISITC membership is a part of key industry discussions and initiatives
- Continue to support ISITC Seg Release Market Practice within ISITC and other industry groups
- Engage with ISDA and ISITC members to explore implementation of the Common Domain Model within collateral use cases



# Working Groups

## Reconciliation & Reporting

### Mission Statement

The mission of the Reconciliation Working Group is to encourage industry dialog that will help optimize operational efficiency, risk management, and regulatory compliance within reconciliation and related operations, and to influence changes to electronic messaging standards and market practices that will help enable such optimization.

### 2019 Highlights of Reconciliation & Reporting Accomplishments

- Facilitated conversation on Reconciliation Mutualization for the membership during the September forum



**87**

Members in  
Reconciliation & Reporting  
Working Group



**1**

Co-Chair Added

### 2020 Goals for Reconciliation & Reporting Working Group

- Partner with Regulatory Working Group to finalize required update to 537 message in support for CSDR
- Bolster dialogue across membership with respect to 20022 migration
- Monitor and influence discussions in other ISITC Forums on topics that impact Reconciliation & Reporting Working Group constituents, and promote feedback and prioritization of such topics
- Define the strategy for the Reconciliation Working Group to ensure it promotes alignment with the ISITC membership's priorities and is views as adding value



# Working Groups

## Reference Data & Standards

### Mission Statement

The mission of the Reference Data and Standards Working Group is to advance critical discussion on issues impacting financial instrument and market participant reference data within the trade lifecycle and works with other industry groups and participants in developing and promoting market practice standards.

### 2019 Highlights of Reference Data & Standards Accomplishments

- Introduced the concept of Linguistics and Common Language within the Reference Data & Standards space
- Engaged with Dr. Scott Kiesling from the University of Pittsburgh to present his thoughts around “Linguistic Communities and Unruly Language”
- MiFID II & Reference Data – Continuous review of ISO standards for MiFID II reporting: ISIN LEI, FISN, CFI
- Engaged with Tom Baldinger (Bloomberg) to speak about Industry Classification Data and its relationship to FRTB Regulations
- Named a new Co-Chair – Shereef Zedan, Vice President, Global Services Industry and Capability at Northern Trust

**100**  
Members in  
Reference Data & Standards  
Working Group

**2**  
Speakers Secured  
for ISITC Events

### 2020 Goals for Reference Data & Standards Working Group

- Continue to monitor Legal Entity Identifier (LEI) Regulatory Oversight Committee (ROC) actions and prepare/initiate community data integration plan and schedule
- Plan and organize vendor presentations and continue insight programs to educate ISITC member firms on new technology offerings while maintaining our vendor-agnostic principles
- Continue to engage membership through interactive “roundtable” sessions about linguistics in the RD&S workspace
- Continue to monitor Derivatives Service Bureau (DSB) actions / activity
- Identify RD&S workflow processes that may benefit from implementation of AI / Robotics
- ISO 20022 SSI Messages: tap into new Co-Chair’s to provide subject matter expertise in this area
- Classification of Financial Instruments (CFI): Continue to submit ISITC feedback to WG6 and X9D. Coordinate and support U.S. ratification of final document through X9
- ISITC File Transmission Guide: Initiate work on updating the ISITC File Transmission Guide to include ISO20022 and FpML messaging standards (ongoing from 2015)
- Introduce new and contemporary issues to the working group to promote useful and relevant activities, such as Linguistics, Digital Rights , Artificial Intelligence (AI), Blockchain, KYC, and File Transmission guide
- Encourage members to take a more active role in the RD&S WG (i.e. – monthly calls, roundtable sessions, presentations, etc.)



# Working Groups

## Securities Lending

### Mission Statement

The mission of the Settlements Working Group is to define best practices for the communication of settlement instructions and confirmation messages for all securities-related financial instrument types; third party and bank for foreign exchange transactions; collateral messaging and currency movements. This group works collaboratively with other industry and ISITC working groups.

### 2019 Highlights of Securities Lending Accomplishments

- Created a business case to justify the creation of a Buy-In Market Practice
- Continued working group sessions to discuss the impact of securities lending on market sales
- Working Group discussions surrounding FED ACAP and the impact to securities lending



**56**  
Members in  
Corporate Actions  
Working Group

### 2020 Goals for Securities Lending Working Group

- Coordinate a panel discussion discussing the link between securities lending and a market buy-in on a sale
- Continue working group sessions regarding the FED ACAP initiative
- Coordinate working group sessions to discuss the impact of CSDR on securities lending
- Attract attendees from Securities Lending departments within existing member firms or from new member firms



# Working Groups

## Settlements

### Mission Statement

The mission of the Settlements Working Group is to define best practices for the communication of settlement instructions and confirmation messages for all securities-related financial instrument types; third party and bank for foreign exchange transactions; collateral messaging and currency movements. This group works collaboratively with other industry and ISITC working groups.

### 2019 Highlights of Settlements Accomplishments

- Updated ISITC's US Market Practice V39.4 to incorporate recommendations for Single Security (UMBS) Exchange; following the partnership across a number of ISITC Forums and Working Groups, SIFMA, and Freddie Mac to achieve a universal recommendation
- Updated Third Party Foreign Exchange SMPG Market Practice VI.7 to incorporate SR2019 changes
- Submitted ISITC's input for SR 2020 (Standards MT Release 2020), reviewed global maintenance change request, and offered feedback to USNG (US National Group) for country vote
- Collaborated with SMPG to make recommendations around MyStandards usage
- Served as SnR (Settlements & Reconciliation) representative for USNG at SMPG Conference
- Participated and coordinated with SIFMA AMF working group on relevant overlapping topics
- Conducted calls on Global/CSD impacts to investment managers, such as T2S, and T+2
- Reviewed SPO Process in conjunction with the Securities Lending Working Group
- Updated TBA Market Practice (waiting on vote) and finalized Bi-Lateral Repo Market Practice

150

Members in  
Settlements  
Working Group

4

Market Practice Documents  
Finalized/Updated

### 2020 Goals for Settlements Working Group

- Collaborate with Regulatory Forum to update Market Practices for CSDR impact
- Join forces with Custodian and Investment Management Forum to update Best Practices for overdraft charges
- Partner with Corporate Actions, Investment Management Forum and Custodian Forum on FED ACAP and Income Claims adjustments
- Represent ISITC within various organizations, such as SMPG conferences, SWIFT Maintenance Working Groups, SIFMA AMF, ISO Securities SEG and SnR Evaluation Team, and PMPG ISO 20022 Payments Market Practice Working Group
- Submit, review, and offer feedback for SR2021
- Develop best practices or Market Practices for SPO Process and Interest Adjustment Process
- Track CSD Impacts to Investment Managers in collaboration with SMPG
- Update Market Practices for SR2020 changes



# Forums

## Custodian

### Mission Statement

The mission of the Custodian Industry Forum is to provide common approaches to identifying and resolving custodian bank issues, and to recommend and implement solutions with other ISITC and industry participants, with the ultimate goal of achieving STP. We interact with the other constituency forums to educate institutions on the issues impacting global custodians and to achieve the most effective solutions to commonly acknowledged goals.

### 2019 Highlights of Custodian Accomplishments

- Hosted industry experts to discuss key topics, such as DTCC – MTU and DXM platforms. Single Security Initiative, SWIFT’s API and Securities 2020 Strategy, CLS Trade Monitor, and the operational aspects of un-cleared Margins
- Held a conference call in June to discuss potential amendments to the Overdraft Business Case which would be expanded to cover the claims process for overdraft charges to client accounts
- Engagement with both the custodian and investment manager communities to review and extend proposed changes to the Overdraft Business Case with the goal of updating the Compensation Claims Guidelines and Best Practices document
- Engaged Investment Manager Forum to review and provide feedback on proposed changes to the Overdraft Business Case
- Held joint Forum with Investment Manager Forum to cover topics relevant to both custodians and investment managers

**103**  
Members in  
Custodian Forum

**3**  
Sessions Hosting  
Industry Experts to  
Discuss Pertinent Topics

### 2020 Goals for Custodian Forum

- Educate and prepare members for the central securities depository regulations (CSDR), the ISO 20022 payments migration, and the effect of the implementation of the automated claim adjustment process (ACAP) enhancements.
- Finalize revisions to the Overdraft Business Case and update the Compensation Claims Guidelines and Best Practices document.
- Collaborate with Investment Manager/Middle Office Forums on pain points in order to streamline or resolve.



# Forums

## Investment Manager

### Mission Statement

The Investment Manager Forum seeks to provide common approaches to identifying and resolving investment manager issues; to recommend and implement solutions with other ISITC participants with the ultimate goal of achieving straight through processing; and to interact with the other Forums to achieve the most effective solutions to commonly acknowledged goals.

### 2019 Highlights of Investment Manager Accomplishments

- Continued enhancing industry knowledge with regards to key emerging technologies, and assessed the importance of continuing to lead discussions going forward
- Drove information sessions with Freddie Mac on Single Security progression through June 2019 go-live. Held a post mortem to discuss successes with the conversion model
- Led discussions with key industry technologies to allow IMs to assess the impact of future strategic roadmaps. These were held with SWIFT and DTCC ITP
- Added Jeff Panarelli to bolster Co-Chair strength



### 2020 Goals for Investment Manager Forum

- Continue to drive industry education in key emerging technologies and market impacting events, such as LIBOR decommission
- Enhance Investment Manager participation in the investment Manager Forum calls and meetings by assessing meeting frequency and initiating and outreach effort



# Forums

## Middle Office

### Mission Statement

The mission of the Middle Office Forum is to advance the discussion on common issues, business process requirements and best practice initiatives impacting the post-execution/pre-settlement processes.

### 2019 Highlights of Middle Office Accomplishments

- Led the community in discussions surrounding the affirmation and cancellation processes within DTCC's TradeSuite process, with several monthly meetings and a presentation in March dedicated to the topic.
- Added one new co-chair to the forum, which increased buy-side representation



121

Members in  
Middle Office  
Forum



1

Co-Chair Added

### 2020 Goals for Middle Office Forum

- Continue to lead, educate and inform ISITC members regarding emerging technology and its applicability to operations functions
- Engage DTCC on the Oasis retirement project with the goal to continue straight through processing for the industry
- Showcase emerging technologies and vendors who provide additional value to the trade life-cycle
- Drive and deliver best practice documentation related to middle office processes
- Increase membership to ISITC by adding two new firms



# Forums

## Regulatory

### Mission Statement

The mission of the Regulatory Forum is to increase understanding of new regulations across our constituency and partner with regulators and industry standards organizations to define best practices.

### 2019 Highlights of Regulatory Accomplishments

- Provided membership with insights from industry experts in partnership with other working groups: “Key Regulatory Challenges for 2019 and Beyond”, “ISO/TC 68 Financial Services International Standards: Development and Work Activities”, “General Data Protection Regulation (GDPR) Enforcement Actions”, “Central Securities Depositories (CSDR)” and “Shareholder Regulatory Directive (SRD) II”
- Created a Regulatory Forum Inventory document outlining a number of US and global regulatory items, including potential changes, that will impact our ISITC constituents and the financial services industry as a whole

**107**  
Members in  
Regulatory Forum

**24**  
Regulatory  
Issues Examined

### 2020 Goals for Regulatory Forum

- Update the ISITC Regulatory Inventory document on a periodic basis, updating descriptions and impacts, and removing/adding items as necessary with a specific focus on the below:
  - CSDR
  - SRD2
  - CCPA
  - SFTR
- Monitor and advise on the regulatory impacts of significant market topics/events, such as:
  - Digital Assets and the Custody thereof
  - BREXIT
  - Data Privacy
- Present significant updates on monthly calls and/or seasonal conferences and solicit and respond to feedback from membership
- Continue to strengthen collaboration across other working groups, including Settlements and Reference Data and Standards, to partner on key initiatives and speakers to provide membership with insight on matters affecting the regulatory landscape



# Forums

## Vendor/Utility

### Mission Statement

The mission of the Vendor / Utility Forum is to deliver value to the Vendor / Utility constituents by facilitating collaboration within the industry and foster innovative solutions for the challenges faced by the community. The forum will help members establish meaningful and relevant business relationships, and will deliver education, communication, and information for the advancement of member firms.

### 2019 Highlights of Vendor/Utility Accomplishments

- Supported the Marketing Committee and looked for potential opportunities to collaborate with other industry working groups
- Advocated on behalf of vendor's best interests around the Securities Operations Summit and general ISITC brand awareness

  
67  
Members in  
Vendor/Utility Forum

### 2020 Goals for Vendor/Utility Forum

- Continue to drive vendor participation and increase vendor membership
- Actively partner with the Marketing Committee to drive attendance and increase vendor participation at the March Conference



# Committees

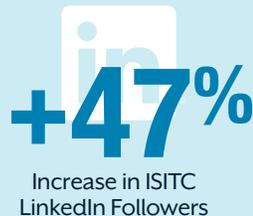
## Marketing

### Mission Statement

The mission of the Marketing Committee is to plan, promote and execute events that keep the ISITC membership informed and make an impact on the securities industry. This includes developing and organizing conferences, discussion forums, workshops, seminars and on-going public relations initiatives.

### 2019 Highlights of Marketing Accomplishments

- Organized and executed successful 25th Annual Securities Operations Summit
- Organized and conducted the Fall and Winter Forums
- Secured FTF News as an exclusive media partner, which generated 12 pieces of coverage
- Continued to survey ISITC members post events to ensure member satisfaction with meetings and respond to feedback collected
- Conducted Speaker Q&As with featured speakers ahead of the Securities Operations Summit to demonstrate the caliber of the speakers and generate interest around the event
- Initiated quarterly newsletters and ISITC member spotlights to share quarterly highlights with the members
- Secured 24 pieces of media coverage, a 26% increase from 2018
- Received about 2,300 clicks and 145,000 impressions on LinkedIn, a 42% increase from 2018



### 2020 Goals for Marketing Committee

- Enhance social media content and gain new followers
- Cross-promotion with like-minded organizations
- Produce thought leadership pieces throughout the year
- Execute on the 2020 ISITC PR Plan led by BackBay Communications in collaboration with PMA
- Plan and execute three regional events
- Increase vendors exhibiting/sponsoring, as well as paid attendees, at the 26th Annual Securities Operations Summit
- Increase vendors sponsoring, as well as paid attendees, at the 2020 Fall and Winter Forums

