



ICSA

INTERNATIONAL COUNCIL of SECURITIES ASSOCIATIONS

MEMBER SURVEY: PRIORITIES

November 2020



ICSA is the global organization of securities industry associations representing securities firms operating in domestic and cross-border markets across the globe, including East and West Asia, Latin America, North America, and Europe.

ICSA advocates appropriate regulatory policies and regulations, policy approaches and techniques across jurisdictions, and public policy initiatives to promote efficient and well-functioning securities markets, and the efficient flow of cross-border capital in global capital markets. Appropriate regulatory initiatives should assist in leading to increased confidence and efficiency in the markets. These initiatives should also assist in increased economic growth, benefitting markets participants and the general health of global capital markets.

ICSA provides a forum for member associations to understand market and industry developments across indigenous and cross-border markets, exchange views on the conduct of regulatory and public policy in domestic markets, and collaborate for more efficient capital markets. ICSA assists regulators and government authorities in understanding the global, consolidated and non-biased position of industry as it relates to proposed policy and regulatory reform initiatives in global capital markets.



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I. SURVEY PARTICIPANTS

17 Responses – 94% of Membership





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II. PURPOSE

1. Introduction

ICSA is operating in a changing environment due to:

- Most recently, the impact of COVID-19 on the global securities industry and also on the priorities and operations of industry associations;
- Global reforms that increase the complexity and cross-border application of regulation; and
- Changes in securities markets due to technology, regulation, and economic developments.

Given the significance of COVID-19 in particular, it has been timely to consider the priorities ICSA should adopt in its own operations over the next nine months to best help members to fulfil their missions.

The output provides information to the Board in framing our work program until the AGM next year.

2. Survey approach

The survey obtained insights into three broad areas of financial markets activity:

- i. Business and operational development,
- ii. Regulation, and
- iii. Association operations.

The survey concluded with a “catch-all” question which invites additional comments.



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III. OVERVIEW

The leading issue responses to the five survey categories within the Business and Operational Developments and Regulation sections are set out below. As respondents sometimes listed the same issue in different sections, exact categorisation is not possible. Each association's full response is included in the appendix.

It is evident that all member associations have a significant agenda of policy and regulatory matters to deal with. Most of these are unrelated to COVID-19, though many are complicated by the impact of the pandemic. The survey responses give considerable food for thought, but also provide helpful direction on matters that are of common concern to ICSA members.

As you read the survey responses, please bear in mind that member associations were asked to identify their priority issues, so many would share an interest in matters that were cited by others but not by them (market data costs and operational resilience are examples).

The two most common priorities identified by member associations were sustainable finance and IBOR transition, with half of respondents citing these issues. Moreover, interest in both areas was evenly spread across ICSA regional groupings. While the specific nature of comments varied somewhat, it is clear (and not surprising) that these are global issues. Fragmentation was another item that received significant mention, though the origin of the concern varied and reflected specific issues (like Brexit) that affected particular jurisdictions.

Securities market development, both equities and corporate bonds, is an area of activity for many members associations, with the specific focus of this work reflecting jurisdictional needs. Some members also cited specific matters, like financial research and pension systems, that are connected with the performance and development of securities markets. The cost of market data is a concern for a significant group of member associations and will indirectly affect market development.

In terms of COVID-19, the two most prominent items were work-from-home, which is operational and a more general class concerning market functionality and unconventional monetary policy.

With respect to member operations, there is a spectrum of coverage from exclusively retail to wholesale only. Associations with higher retail coverage typically have a greater focus on equities and have less involvement of buy side participants.

1. BUSINESS AND OPERATIONAL DEVELOPMENTS

Covid-19 Industry Impacts

1) Market Functioning

- Liquidity: primary, secondary, short term, and repo markets
 - Market making capacity: dealer capital and liquidity constraints
 - Transparency: timely reporting of trades and prices
- SMEs: ability to obtain financing
- Investor protection: scams, inexperienced investors attracted by volatility

2) Regulatory Responses

- Regulatory relief for fundraising
- Short selling restrictions
- Shift in emphasis to support/recovery
- Identify and advocate for COVID-19-related measures requiring either an extension of existing regulatory relief, regulatory modification, and/or additional clarity. Guidelines for firms as reference on best practices for preventive measures against COVID-19

3) Monetary Policy / QE

- Low interest rates / government buying
 - Artificial market valuation and price signalling
 - Processing and contractual issues with negative rates
 - No demand for inflation linked product
 - Negative effect on low-risk cash savers
- How reverse?

4) Work From Home

- Network connections
- Supervision and compliance

- Operations and recordkeeping
- Essential worker status for key traders
- Issues for smaller firms
- BCP revisions

Market Operations

Members focused on:

1) Data

- Rising costs
 - Dominant pricing power of exchanges
 - Harmful effects to market functioning
- Growing reporting requirement demands
- Promoting freedom of data transfer, storage, and management by financial institutions, pushing back on policy initiatives that would force the localization of data.
- Data protection and privacy

2) Operational Resilience

- Harnessing technology to mitigate the next pandemic: E-delivery; Wet Signatures; Clearing/settlement issues; Dematerialization
- Need for global standards and risk-based principles (FSB, BCBS)
- Cybersecurity
- Technical failures

3) Settlements

- Encourage digitalisation
- Infrastructure overhauls (e.g. ASX: Distributed Ledger Technology, RBNZ, Europe: T2S)
- Post-trade efficiency
- Settlement discipline (e.g. CSDR)
- Syndicate closing practice

4) New Account Opening

- Streamlined procedures, single forms, and electronification
- KYC utilities
- Written contracts vs. terms of business

5) Executive Accountability

- Senior Manager regimes

Market Development

1) Market Expansion

- Improve
 - Liquidity and transparency
 - Proper calibration of prudential rules impacting capital markets, including capital, liquidity resolution, and stress testing rules
 - New issue, prospectus, and listing procedures
- Expand retail bond markets
- Increased use of unlisted stocks to facilitate smoother supply of risk money into venture companies, while paying due attention to investor protection.
- More best practices
- EU Capital Markets Union
- Long-term finance
- Securitisation framework
- Research coverage of SMEs
- Consolidated Tape

2) Fintech

- Digital currencies (including stablecoins)
- Regulation of on-line platforms (including crypto-exchanges)
- Regulatory sandboxes
- "Same activity/risk = same regulation"

3) Sustainable Finance

- Taxonomy
 - Standards
 - Disclosure
 - Regulation of asset managers
- “Greenwashing”

2. REGULATION OF FINANCIAL MARKETS

Domestic Regulation of Financial Entities and Market

Responses have been re-characterised into the broader themes and incorporated in the other sections.

International Regulation of Financial Entities and Markets

1) Fragmentation

- FSB impact and cost evaluation of fragmentation
- Delegation
- Brexit

2) Benchmarks

- Transition
- Legacy trades
- Fallbacks
- Legacy trades
- Contracts
- Term rates
- Provider licensing

3) Investors

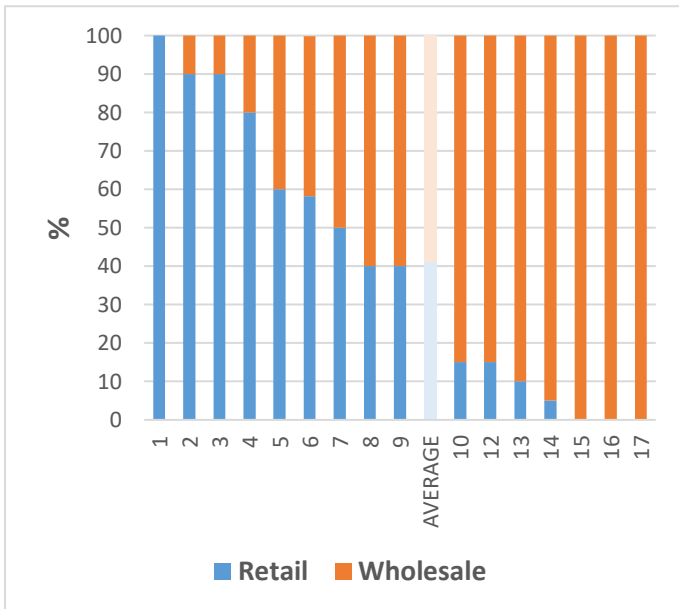
- Financial inclusion
- Best interest
- Advice
- Prudential regulation of asset managers



IV. ASSOCIATION OPERATIONS

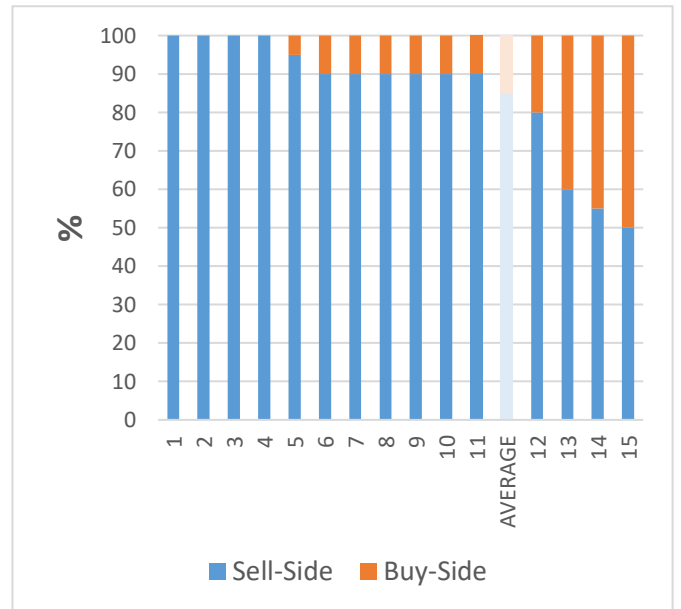
RETAIL / WHOLESALE MIX

Mix by association varies greatly, with the average 59% wholesale



SELL-SIDE / BUY-SIDE MIX

Associations are largely geared overwhelmingly to the sell-side (85%)



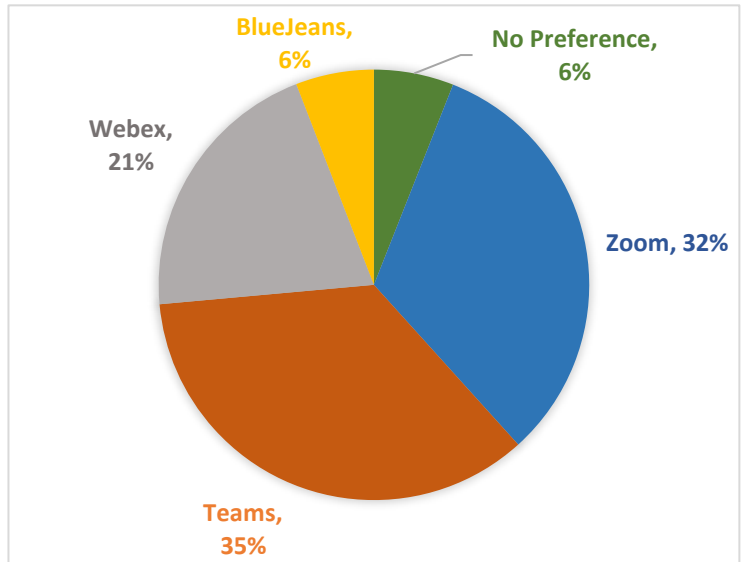
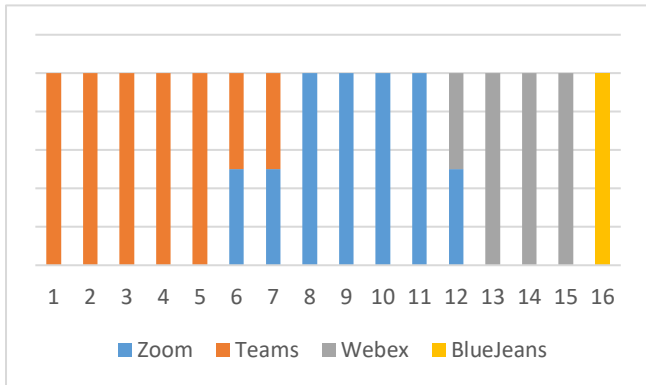
EQUITIES / FIXED INCOME-OTHER MIX

While mix by association varies greatly, the average is almost 50/50



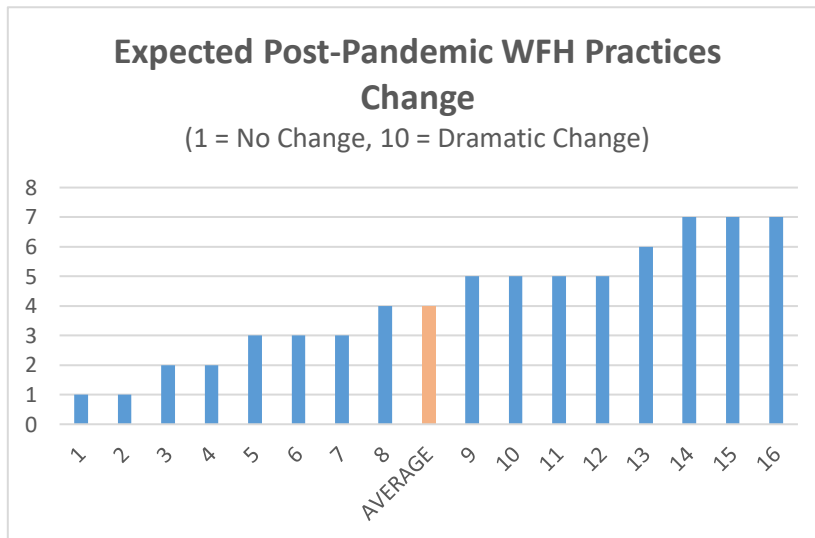
PREFERRED VIRTUAL PLATFORM

Preferences vary, with most associations able to access multiple platforms



HOW MUCH DO YOU EXPECT YOUR ASSOCIATION'S PRE-PANDEMIC WORK-FROM-HOME PRACTICES TO HAVE CHANGED AFTER THE PANDEMIC IS UNDER CONTROL?

Expectations vary, with the average association looking for significant but not radical change



WHEN (MONTH/YEAR) DO YOU ESTIMATE YOUR BUSINESS TRAVEL AND PHYSICAL EVENTS PROGRAMS WILL RESUME?

Again, expectations vary with average response July/August 2021

2021												2022	
J	F	M	A	M	J	J	A	S	O	N	D	J	J
		1	3	1	3	2		4			1		2



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V. ADDITIONAL COMMENTS

a) Policy or other matters not mentioned above that may be of interest to other ICSA members

“We have an objective to increase buy-side membership and involvement in its market related activities, especially in setting market conventions/standards.”

“We are implementing a program to enhance professionalism in the wholesale financial markets, which includes the setting of conduct standards and upgrading the industry accreditation conditions for the individuals who work in the markets. One of the areas under consideration is the greater influence of global industry standards on local practices and how to best take account of global practices and standards in similar products developed for our market.”

“We welcome this survey and hope it will contribute to sharpen ICSA’s collective focus on specific issues when meeting with IOSCO/FSB representatives. Similarly, to the great work undertaken on the cost of market data, we hope this will help find common concerns so ICSA can weigh more into the reflexions and work of international standard setters.”

“We are engaged on the question of diversity, and not least to find ways to attract more women into financial/securities markets -- a priority for us. Besides arranging a series of webinars, we will look at the UK Women in Finance Charter for our region.”

b) Specific items that might be incorporated into ICSA’s work program

“We are sharing information and ideas on what it means to be a professional in modern wholesale financial markets, including the setting of competency standards and development guides to good practice by firms and individuals in the wholesale financial markets. This could incorporate consideration of how regulators take account of professionalism requirements, and notably of industry standards, in their application of executive accountability (i.e. senior manager) regimes.”

“We suggest Short Selling (evaluation of international rules) and SME research.”

“We note that ICSA is a wonderful platform to understand capital market developments in various jurisdiction across the globe. However, in the current mechanism, we interact twice a year on call meetings and get some insights through once a year survey. We believe we should increase interaction/collaboration through informal groups amongst members to understand changing regulatory environment on a comparatively real time basis.”

“We suggest

- Sustainable finance including green, social sustainable kinked bonds
- Digitalization of securities business including Fintech
- Utilization of AI and ML into securities business”