Australian Custodial Services Association

Australian Custodial Services Association

Update

An ACSA Member “View on Demand” Event

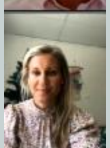
December 2020

Presenters

Australian Custodial Services Association

Andrew Gibson, Sponsor Operations Working Group, Citi

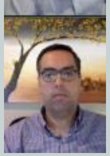
David Knights, Chair ACSA, National Australia Bank



Nichole Alexander, Deputy Chair Members & Services Working Group, HSBC

Robert Brown, Chief Executive Officer, Australian Custodial Services Association

Duncan Lyon, Chair Taxation Working Group, J.P. Morgan



Harpreet Ahuja, Sponsor Regulator Working Group, HSBC

Australian Custodial Services Association

Agenda

Australian Custodial Services Association

- Introduction
- Working Group Updates
- ACSA Strategy
- Close

Attestation

The Australian Custodial Services Association is committed to ensuring that ACSA and each of its Members comply with all aspects of the Competition and Consumer Act. This meeting will be conducted in accordance with ACSA's Competition Law Policy (Policy). Each of you have been provided with a copy of the Policy, and confirmed that you have read and understood it and agree to adhere to the Policy. You have also confirmed that you are not aware of any breaches of the Policy.

Members are reminded that they must comply with the Policy, and the Competition and Consumer Act generally, at all times in the conduct of ACSA's affairs.

Australian Custodial Services Association

Working Group Updates

Members & Services

Working Group Updates
Members & Services

Australian Custodial Services Association

- Communications
  - Events
  - Website
  - Newsletter
  - LinkedIn
- Media
  - Statistics

Working Group Updates
Members & Services

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Australian Custodial Services Association

Working Group Updates

Regulatory

Australian Custodial Services Association

Working Group Updates
Regulatory

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- APRA COVID-19 Pandemic Data Collection
- APRA Superannuation Data Transformation Project
- Derivative Trade Repository Reporting
- Takeover Panel Guidance Note 20 on Equity Derivatives
- Security of Critical Infrastructure Act (CIA) 2018 amendments
- Anti-Money Laundering and Counter-Terrorism Financing
- Portfolio holding disclosures for superannuation funds
- RG97 Disclosure of fees and costs in PDSs and periodic statements

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Working Group Updates
Regulatory

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- **APRA Superannuation Data Transformation Project**
  - A major expansion to the scope of data, including new APRA-specific classifications
  - Three formal submissions during the consultation period (ending mid November) plus informal discussions with the regulator and peer associations
  - Forward focus : advocacy for workshops and practical examples to allow standardised and efficient industry response

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13 November 2020

Confidential Communication

General Manager
Data Analytics & Insights
Risk and Data Analytics Division
Australian Prudential Regulation Authority
email: superdatatransformation@apra.gov.au

Australian Custodial Services Association response on Topic Paper 5 – Asset Allocation

Dear Sir/Madam

The Australian Custodial Services Association (ACSA) is the peak industry body representing members of Australia's custodial and investment administration sector. Our mission is to promote efficiency and international best practice for members, our clients and the market.

Collectively, the members of ACSA hold securities and investments in excess of AUD $3 trillion in value in custody and under administration. Members of ACSA include NAB Asset Servicing, J.P. Morgan, HSBC, State Street, BNP Paribas Securities Services, Citi and Northern Trust.

While members of ACSA are not the subject of the regulation, many ACSA members are currently engaged by RSE's to assist in meeting their regulatory reporting obligations.

ACSA welcomes engagement with APRA on the enhancement of comparability and consistency of reported data. The over-riding principles should be that the data is fit for purpose, practicable to produce, based on standard data and calculation definitions, and be harmonised across regulatory agencies (in terms of data dictionary and reporting timelines).

Working Group Updates

Taxation

Australian Custodial Services Association

Working Group Updates
Taxation – 2020 Achievements

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2020 Achievements

- **Keeping Tax Compliant**
  - ATO submission on practical guidance for Burton's decision
  - Joint ACSA-FSC submission to ATO on Swiss Tax Reclaims
- **Driving Industry Efficiency**
  - Standardising AMMA/Tax Statements and industry data exchange
  - Managing COVID-19 challenges with ATO over financial year-end
  - BAS and GST refunds processing
- **Strengthening Advocacy Initiatives**
  - Joint meetings and initiatives with FSC Tax Working Group
  - Strong working relationships with Treasury and ATO

Australian Government
Australian Taxation Office

Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

FSC FINANCIAL SERVICES COUNCIL

Australian Government
The Treasury

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Working Group Updates
Taxation – 2021 Goals

2021 Goals

- **Tax Governance**
    - Establishing a workable Tax Control Governance Framework with the ATO and industry
- **Tax Compliance**
    - Ongoing resolution of tax technical issues and practical guidelines with the ATO and Treasury, including Burton’s, Martin/Greensill’s case, calculation of deemed payments
- **Advocacy and Thought Leadership**
    - Push for adequate lead time (12-18 months) for proposed removal of CGT Discount for MITs and AMITs
    - Work with Treasury and the ATO on introduction of Corporate Collective Investment Vehicles (CCIV) regime
    - Simplification of MIT/AMIT withholding tax and deemed payment measures
- **Industry Standardisation and Efficiency**
    - Standardise MIT/AMIT tax component data exchange across the funds industry (AMMA/Tax Statements)

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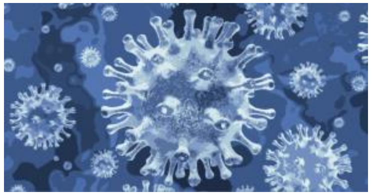
Working Group Updates

Operations

Working Group Updates
Operations

- **Covid-19 disruption - response from an operations perspective**
  - Identified immediate challenges (wet signatories/mailing of documents/cheques)
  - Extended industry forum with registries, ASX and ASIC
  - Post announcement deferred/cancelled dividends, change of terms



- **ASX CHESS Replacement**
  - Continued engagement
  - DRP and BSP included in functional scope, but automated payment process for corporate actions covering capital raisings has been omitted
  - The delay by 2 years to April 2023 wasn't the desired result by the custody industry, but extended focus on risk and capacity are positive outcomes

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Working Group Updates
Operations

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- **Proxy Voting**
  - A taskforce approach to long-standing inefficiencies and risks
  - Key finding : the lack of a formalised record date prior to the deadline for voting limits process efficiency and transparency
  - Advocating a Record Date 5 business days prior to the meeting be mandated via inclusion into the Corporations Act.


VOTING/PROXY FORM

- **REPO processing**
  - Industry challenges in dealing with linked repo settlements
  - In collaboration with AFMA and the ASX new market practice has been agreed
  - A key change will be that two legs will be required (opening and closing/unwinding) rather than the current single instruction format
  - The new repo functionality became available via the Austraclear release on 23 November 2020, although not mandatory for the market (with full benefits realised) until November 2021

Austraclear

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Working Group Updates
Operations

- **Finally ….. a sincere thank you to long standing Working Group Chair Scott Oakland who steps down this month**

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ACSA Chair & CEO Update

- The Board
- Our Members
- Strategy
- Focus

Australian Custodial Services Association

ACSA Board

Australian Custodial Services Association

Chair
David Knights - NAB Asset Servicing

Deputy Chair
Sally Surgeon - Northern Trust

Treasurer
Daryl Crich - BNP Paribas Securities Services

Harpreet Ahuja - HSBC Securities Services

Andrew Gibson - Citi Securities Services

Jennifer Saunders - State Street Global Services

Craig Twentyman - J.P. Morgan

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Members

Full members – the leading asset servicing firms

BNP PARIBAS SECURITIES SERVICES
BANK OF AMERICA
citi
HSBC
J.P.Morgan
MACQUARIE
nab
netwealth
NORTHERN TRUST
STATE STREET

Objectives:

- Continue to offer Members a voice in advocacy and opportunity to collaborate on positive systemic change
- Ensure member organisations have visibility of the value their teams make as ACSA volunteers, and ways that this contribution can be recognised

Associate members – key industry participants supportive of ACSA's mission

ashurst
BC GATEWAYS
Brookfield
Calastone
clearstream | DEUTSCHE BÖRSE GROUP
Computershare
DTCC
EY
Equity Trustees
FIIG
FIS
GBST Financial Services Technology
Implemented Portfolios
LINK Fund Solutions
MAINSTREAM
milestone group
onevue
sargon
SS&C
SWIFT
tcs TATA CONSULTANCY SERVICES
TEMENOS MULTIFONDS
BNY MELLON

International affiliation – like minded associations bringing global perspective

ISSA
International Securities Services Association

Australian Custodial Services Association

Strategy on a page

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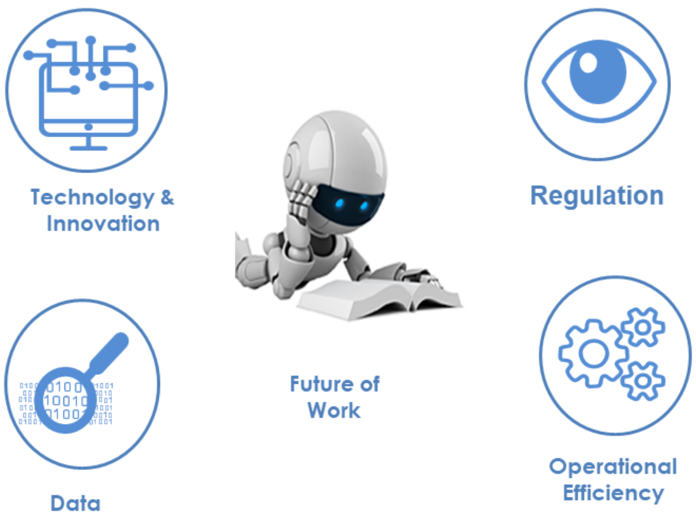

Settlement Transformation

- ASX and industry dialogue
- CHESS Replacement
  - ❖ Day 1 - function, industry readiness, robust migration
  - ❖ Day 2 and beyond - benefit alignment
- ACSA Principles for Competition in Settlement

Unlisted Assets

- Funds 2.0 Taskforce
  - ❖ Onboarding
  - ❖ Transactions
  - ❖ Fund data
  - ❖ Standards

Efficiency

- Data frameworks
- Regulatory implementation impact
- Standards

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Selected highlights and forward focus

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Theme / Initiative	Achievements	Forward Focus
ASX liaison	✓ Additional scope included in Day 1 of CHESS Replacement, focus on risk and system-wide testing recommendations accepted in re-set x Payments leg of Day 1 release omitted ✓ Corporate actions automation continues as a BAU activity by the ASX offering potential for systemic improvements ✓ Senior dialogue firmly established (MD and COO regular meetings, Business Committee representation) ✓ Listing rule changes to regulate deferred dividends (expect Q1 2021 release to the market following ASIC approval) ✓ Avoiding use of cheques supported via ASX market communications ✓ Repo circle trades – industry dialogue with AFMA and Austraclear improvements ✓ Preliminary discussion of institutional managed funds initiative	Ongoing focus on relationship with the ASX – practical operations focus via Operations Working Group, plus governance focus with ASX executive and key regulators (ASIC, RBA and ACCC) Continue requests for full functional roadmap for CHESS Replacement and transaction level pricing Understand systemic potential for non-CHESS capabilities of the DLT platform Maximise benefits from BAU activity, including Corporate Actions STP Phase 2
Proxy Voting	✓ A current initiative to address long-standing inefficiency and risk in proxy voting ✓ Submissions to Treasury and raising awareness with relevant Ministers ✓ Information sharing across practitioner base (subcommittee of Operations WG) on common market practice ✓ Comprehensive database established of submissions and commentary ✓ Awareness of global practice (including the EU SRD II roll out) and liaison with International Securities Services Association.	Further focus on advocacy for improvements to process, including market practice and standards for the full proxy lifecycle Encourage vendor solutions on a pre-competitive basis

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Selected highlights

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Theme / Initiative	**Achievements**	**Forward Focus**
Pandemic Response	✓ Regulatory acceptance of custody as an essential service ✓ Established emergency Registries Forum for rapid escalation of issues created by lock-down and solutions for physical documents, cheques and WFH protocols ✓ Regular (weekly) regulatory liaison and support for elimination of cheques for wholesale transactions	Lessons learned, and ongoing focus on elimination of manual processes
Regulatory Engagement	✓ Consistent engagement with regulators on key changes affecting custodians directly and our key client segments ✓ ACSA remains an advocacy body, not a political or policy lobbyist ✓ Valuable liaison established with other peak industry associations, including AFMA, FSC, AIST and ASFA	Continue to build relationships with key contact points to maximise opportunities for early engagement on potential change Continue to build a reputation with regulators and government as a source of practical insight Strong advocacy for practical implementation, clear definitions and non-duplication of regulatory data
Funds 2.0 Taskforce • Fund Data • Onboarding • Transactions • Standards	✓ Development of a Tax Data Standard enjoying wide industry support ✓ Market practice and data standards in support of improved reconciliation processes developed, but progress on adoption hindered by pandemic disruption ✓ Recognition by the wider funds community (including fund managers and tech vendors) that ACSA created a very valuable forum for dialogue and awareness x Improvements on a number of specific pain points, but no universal utility solution. Managed funds remain a problematic asset type with change requiring influence across all parties in the service chain	Finalise reconciliations market practice Finalise the Tax Data Standard, including cross-industry acceptance and ATO liaison for ongoing maintenance Continue to encourage vendor solutions on a pre-competitive basis

ACSA Awards 2021

Australian Custodial Services Association

- Nominations are now open
- The ACSA Awards recognise outstanding individual contribution to the Association, wider industry and key stakeholders
- Any person who makes a significant contribution to the industry and Association is eligible
- Details at www.acsa.com.au

Last year's winners receive their awards at the Investment Operations Conference

Important Note

This presentation has been prepared by ACSA as an update for Members.

The comments in this presentation do not comprise financial, legal or taxation advice and should not be regarded as the views of any particular member of ACSA.