

Recent trends in the CSD industry and their implications

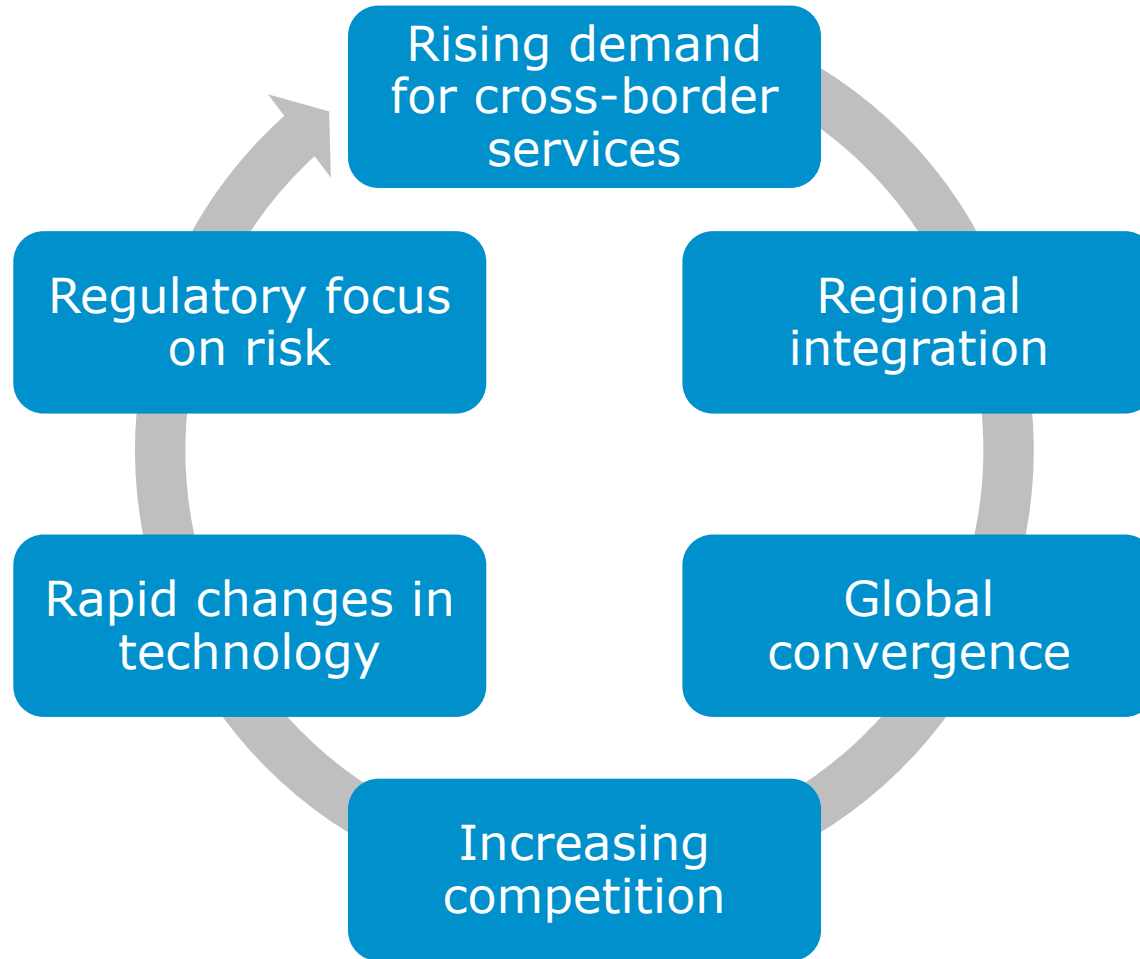


European Central Securities
Depositories Association

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Six major trends



1. Demand for cross-border services

Challenges

Costs & complexity of dealing with multiple markets

New types of risks

Potential for new revenues (expanding to new markets)

Development of cross-border partnerships

Opportunities

2. Regional integration

Challenges

Political rivalries

Imbalances between smaller and larger markets

Economies of scale

Attractiveness towards foreign investors

Opportunities

3. Global convergence



Challenges

Cost of harmonisation

Some national specificities will have to disappear

Efficiency savings & risk reduction (e.g. T+2)

Easier for infrastructures to “interoperate”



Opportunities

4. Increasing competition

Challenges

New level playing field (e.g. CSDR)

Threat of new entrants

Loss of revenues

Need for transparent & agile governance

Servicing new clients

Servicing new asset classes

Opportunities for consolidation

Opportunities

5. Rapid changes in technology



Challenges

High investment costs (importance of scale)

New threats: risk of over-reliance on technology, cyber-attacks...

Mutualisation of costs (e.g. outsourcing)

Development of new data capabilities & services



Opportunities

6. Regulatory focus on risk management

Challenges

Compliance costs
New capital buffers
Recovery & resolution plan
Training staff

Market demand for new services (e.g. trade repositories, collateral management, LEI)
Disintermediation?

Opportunities

Conclusion

- **CSDs will have to:**
 - ✓ diversify their activities;
 - ✓ regularly re-assess their strategic positioning vis-à-vis other market actors;
 - ✓ continue to constantly enhance their risk management processes.
- **No CSD can ignore the impact of global trends on its business.**

Thank you



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