WFC Breakaway 2
Report Back
Challenges of running a future that is unknown

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Subjects for Breakaway session 2: Challenges of running a future that is unknown

1) What is the potential use of technology for Market infrastructure firms? How can new technology help in modernizing current business practices

2) Should CSDs partner with Fintechs or develop their own solutions? In which areas of a CSD’s core business will fintech led innovation have the most impact?

3) What is the impact of advanced analytics on CSDs? CSDs are a vast source of critical capital markets data - how can analytics enable the monetization of this data?

4) What is the impact of AI, Robotics and Automation on CSD back offices, and in improving STP?

5) What are the areas where DLT/blockchain will deliver the highest efficiencies. In your view, what is the timeframe when this will happen?

6) Will CSDs adopt Cloud? What are the challenges you see with this - for eg. security, privacy requirements?

7) How can CSDs protect their core business from erosion and disintermediation? How can new business opportunities be identified to help do this?
1. Technology in Market Infrastructure

What is the potential use of technology for Market infrastructure firms? How can new technology help in modernizing current business practices?

- Mobile apps, Financial Inclusion, Marketing/Price information, electronic wallet
- Increase Efficiency by reducing settlement time, giving investors access to capital
- Help improve volumes for Cross Border Listing/ Cross Border Transactions
- Effective, quicker KYC processing can reduce costs.
- Potential to deliver economies of scale by decreasing costs
- Re-use the time and cost efficiencies gained from leveraging new technology for the right areas

New Technology adoption should provide better services at lower costs for end clients.
2. Fintech Collaboration

Should CSDs partner with Fintechs or develop their own solutions? In which areas of a CSD’s core business will fintech led innovation have the most impact?

- CSDs should develop inhouse expertise but to be agile, cost-effective Fintech Partners are needed - Hybrid model of Build & Buy

- CSDs should compare vendors and select the best partner, rather than have shareholding in fintech company.

- Evolve in line with developments such as mobile, blockchain for core impact areas such as payments, as enormous competitive pressures exist though they are protected by regulations regulations

- Cost will be key to drive business choices - many CSDs are expected to eventually move to Cloud

- CSDs can use AI/ML on data to predict investor behavior that can bring new sources of revenue

- Innovation needs new thinking
3. Analytics for Monetization of Data

What is the impact of advanced analytics on CSDs? CSDs are a vast source of critical capital markets data - how can analytics enable the monetization of this data?

- LEI/ISINs etc. are clearly areas for data monetization.
- CSDs can price illiquid stock/ explore revenue from providing pricing services
- Can CSDs become a Data vendor? Or take ownership of one data vendor and provide data to others
- Can CSDs share information? If Data privacy issues can be overcome, this can be a revenue source
- CSDs have a Cross market view, Patterns which can be monetized
- WFC has a factbook - can this be monetized in some form? Individual CSDs should be challenged to set up working groups/WFC to discuss data monetization
- Regulators have been setting up sandboxes - can be another area to explore
4. AI, Robotics and Automation

What is the impact of AI, Robotics and Automation on CSD back offices, and in improving STP?

- Existing Settlement processes are well automated though there is still considerable amount of paperwork.
- Explore Automation for Issuance of securities, KYC, CA processing, AGM etc. Provide portals for the Issuer to push data, upload forms etc. APIs for CSDs to minimize Turn Around Time.
- CSDs access Government databases for validation of identity/address etc.
- Foreign ownership, future ownership prediction etc. can be areas of automation. Robotics may not be relevant to CSDs.
- AI can help improve efficiency by extracting data from massive databases and analyze data faster, predictive analytics. CSDs can use Bots for query handling.

Accountability is something only Humans will have!
What are the areas where DLT/blockchain will deliver the highest efficiencies. In your view, what is the timeframe when this will happen?

Panel Point of View

- CSDs are well protected by the existing regulations. However it is good to embrace disrupting technology.

- Custody, Issuance, Settlement are the key areas in Core CSD business. Only Non core CSD functions can be moved to blockchain, will be a gradual adoption.

- Focus will be to enable real time settlement and increase efficiencies in issuer services, trade life cycle etc. Regulators can also be part of blockchain.

- Needs change of mindset from CSDs to identify competitive advantages and create avenues for new disruptive services like ICOs, STOs etc.

- Timeframe of adoption will complement changes to the core business.
Will CSDs adopt Cloud? What are the challenges you see with this – for eg. security, privacy requirements?

- Cloud adoption depends on the region. In some regions regulators are against the usage of cloud.
- Cloud represents a great opportunity - more awareness about the technology should be created.
- CSDs are accountable to the Regulator for delivering IT services. Regulation is the key driver.
- CSDs need to guarantee that the cloud solution developed is a secure solution and abides to all regulations (GDPR etc.).
- Cloud infrastructure may increase OPEX in the short term due to coexistence of cloud and traditional system. Costs may reduce in medium to long term.
- Each and every instance has to be assessed before widespread adoption of cloud solution.
7. Identifying New Business Opportunities

How can CSDs protect their core business from erosion and disintermediation? How can new business opportunities be identified to help do this?

Panel Point of View

- Group reflected on the stage of their business - What is Core and Non Core?
- General view was that while regulation protects CSDs, CSDs should also be watchful about developments
- Focus will be to enable real time settlement, increase efficiencies in issuer services and trade life cycle etc.
- Needs change of mindset from CSDs to identify competitive advantages, create avenues for new disruptive services like ICOs, STOs etc. Diversification is key
- CSDS should leverage and monetize the abundant data available with them

CSDs should find ways to disrupt rather than get disrupted
Thank you