

# Welcome to the 1<sup>st</sup> ISITC Europe General Meeting of 2017

***Robots, Regulation and T2S – Can they  
work together?***

# Welcome

Nigel D Solkhon, CEO ISITC Europe

# ISITC Europe - Delivering



- ***Industry Dialogue***

- **Twenty working group** meetings held in 2016, with **Blockchain DLT** and **Regulations** meeting the most
- Presented to the SMPG Global group in Dublin

- ***Exciting Partnerships***

- **Oasis-Open** – Working on an MOU to advance technical DLT standards
- **BSI** – As above

- ***General Meetings and AGM***

- Two **General Meetings** successfully delivered in 2016
- **25<sup>th</sup> Anniversary AGM** successfully delivered in January 2017

- ***Governance***

- Prof John Gavin replaces Dr Hermann Rapp as lead for the IEAF workgroup
- Rob Scott joins IELG
- Sub leaders in place / being elected for each workgroup

- ***Membership***

- Over **40 members**, an increase on 2016 of which **60%** are new members
- Representation across **Asset Management, Custody, FinTech, Standards bodies and Infrastructures**

# 2017 Members – Thank You!



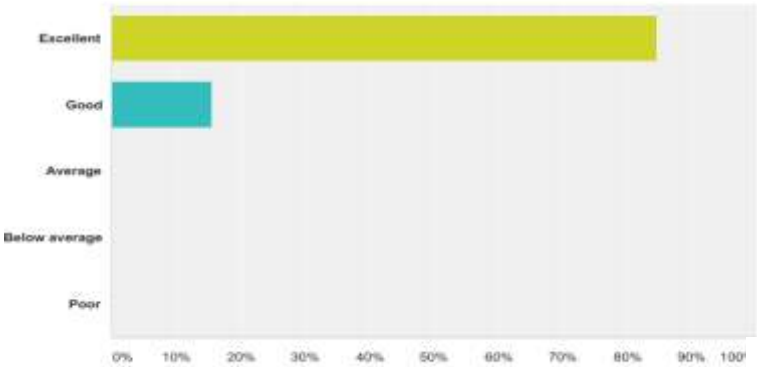
# ISITC Europe AGM 2017



ISITC Europe AGM & Conference Feedback - 26th January 2017

Q2 How did you rate the meeting overall?

Answered: 13 Skipped: 0



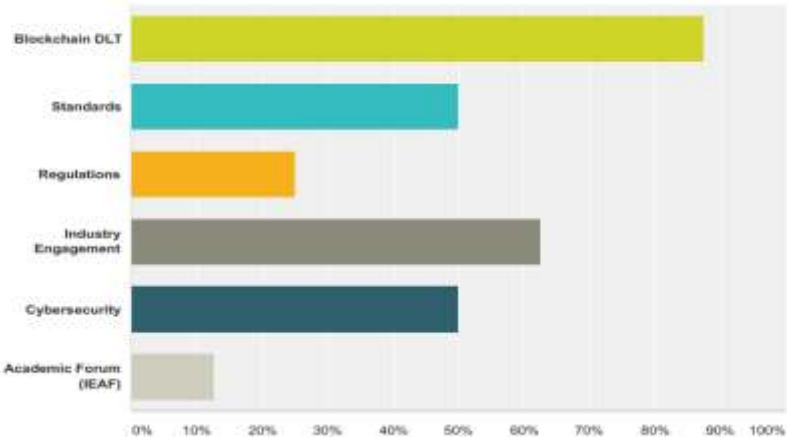
“Outstanding”, “Best conference I have been to for years”, “Fantastic well informed speakers” –

Our workgroups are fully supported

ISITC Europe AGM & Conference Feedback - 26th January 2017

Q4 Please indicate which working groups you would be interested in participating in:

Answered: 8 Skipped: 5

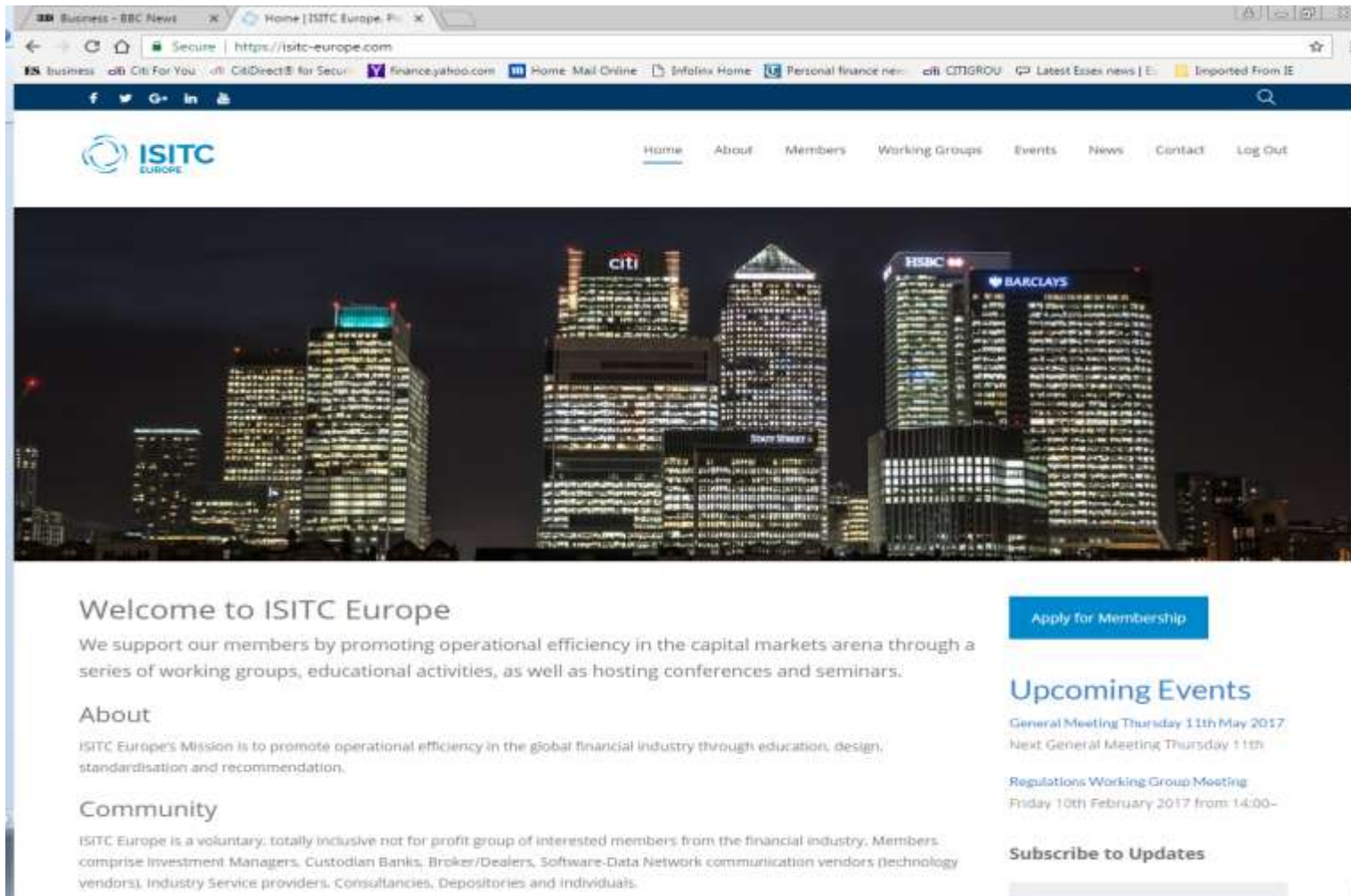


# AGM - Support



- The 2017 AGM was a success with great attendance and very senior presenters
- The event was free to all attendees and incorporated refreshments and a cocktail event with Apple 7 raffle prize
- The cost of the event was underwritten by ISITC Europe with sponsorship from Volante and DTCC (Huge thanks!) net expense of around GBP 8k
- The agenda for 2018 AGM is now in planning and we need everyone's help!
  - **Funding** – We are looking at funding models so that the ISITC Europe funds are not depleted
  - **Topics** and format of the event – We have secured the same location for January 2018
  - **Rob Scott** – Is leading a think-tank on how we move ISITC Europe to a digital marketing ideal
- The date is set for January 25<sup>th</sup> 2018 at the Hilton Tower Bridge

# New Web Presence



Modern Social Media

Auto registration

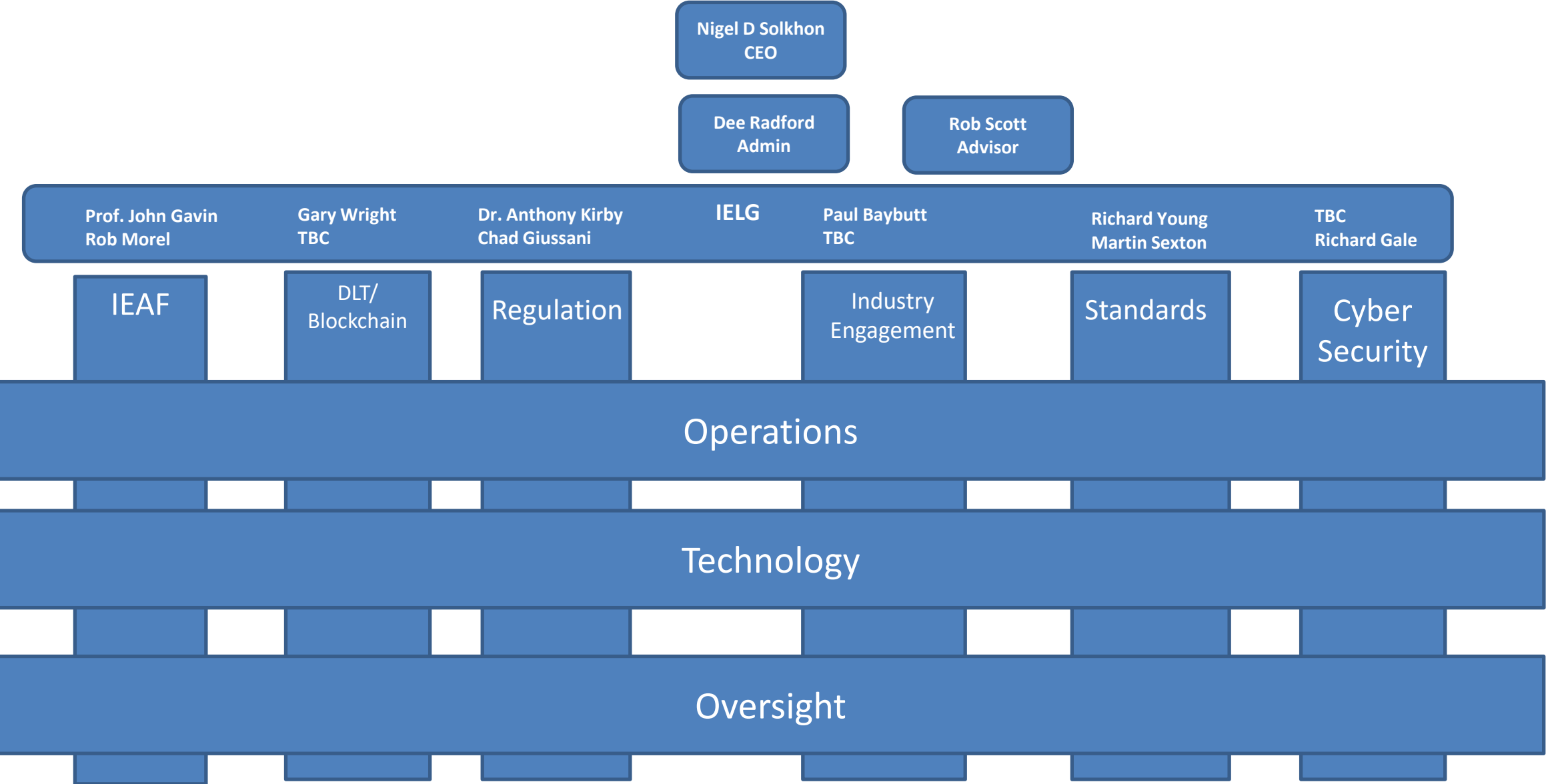
Enhanced media support

Fully supported



# Governance

*Members have access to all workgroups or can partner with colleagues*  
*Leaders will look to partner ISITC NAM colleagues to share intelligence*





# 25<sup>th</sup> May 2017 General Meeting Agenda

## *Robots, Regulation and T2S – Can they work together?*



08:30-09:00	<b>Registration with tea &amp; coffee</b>	12:10-12:20	<b>Industry Engagement Working Group Update</b> Paul Baybutt, Senior Product Manager, HSBC
09:00-09:10	<b>Welcome and Introduction</b> Nigel D Solkhon, Citi and CEO of ISITC Europe	12:20-12:30	<b>Standards Working Group Update</b> Richard Young, Industry and Regulatory Affairs, Bloomberg
09:10-09:50	<b>Keynote – Fintech Trends</b> Keith Saxton, Independent Advisor, Innovate Finance Ambassador and Chairman techUK Financial Services Programme	12:30-12:40	<b>IEAF Working Group Update</b> Professor John Gavin, Executive Chairman, G4h Ltd
09:50-10:30	<b>Robotics Panel</b> Facilitated by Paul Baybutt, Senior Product Manager, HSBC	12:40-12:50	<b>Blockchain DLT Working Group Update</b> Gary Wright, Founder & MD, Block Asset Technologies
10:30-10:45	<b>Coffee and networking</b>	12:50-12:55	<b>AGM 2018</b> Rob Scott, Head of Custody & Clearing, Commerzbank
10:45-11:25	<b>Panel – MIFID II for Dummies</b> Facilitated by Chad Giussani, Standard Chartered Bank	12:55-13:00	<b>Wrap up &amp; close</b> Nigel D Solkhon, Citi and CEO of ISITC Europe
11:25-12:10	<b>Panel - T2S Lessons Learned and hopes for the future</b> Facilitated by Rob Scott, Commerzbank		

# Fintech Trends

Keith Saxton, Independent Advisor,  
Innovate Finance Ambassador and  
Chairman techUK Financial Services  
Programme



# FINTECH TRENDS

## Accelerating Change

Keith Saxton May 25<sup>th</sup> 2017

INNOVATE | FINANCE

# Perspective:

## E&Y report for UKTI – Landscaping UK Fintech October 2014

UK Fintech Market worth around \$20bn annual revenue and growing

Traditional Fintech covers the majority – ‘Facilitators’

Emergent Fintech accounts for approximately 18% - ‘Disruptors’

### Key Themes

Disintermediation of current models

Disintermediation of current infrastructure

Monetisation of data

Security, fraud, identification needs

Highest growth areas – representing c. 60% of the market

Peer to Peer

Online Payments

Data and Analytics – credit, reference, capital markets, insurance

UK could build leadership in Risk/Fraud/Compliance software and Online Payments

**White space open for disruptive and innovative models especially in Middle/Back office of Insurers and Banks**

# **Perspective: Govt. Office of Science Blackett Review**

## **– Future of Fintech March 2015**

### **UK Fintech Futures assessed**

Technology

Work, People and Policy

Business Models

Globalisation and UK Fintech

RegTech: The Future of Financial Regulation

### **Technology**

Machine Learning and Cognitive Computing

Digital Currencies and Blockchain

Big Data Analytics, Optimisation and Fusion

Distributed Systems (Cloud), Mobile Payments and Peer-to-Peer Applications

### **Regtech - Fintech and Big Data Applied to Regulation**

Data-Driven Regulation and Compliance

Regulatory Infrastructure

Bringing Regulators, Businesses and Academia Together

The background of the slide is a faded, grayscale image of the London skyline, featuring prominent buildings like The Shard and the Gherkin. Overlaid on the right side of the image are several thick, parallel green diagonal stripes that run from the top right towards the bottom left.

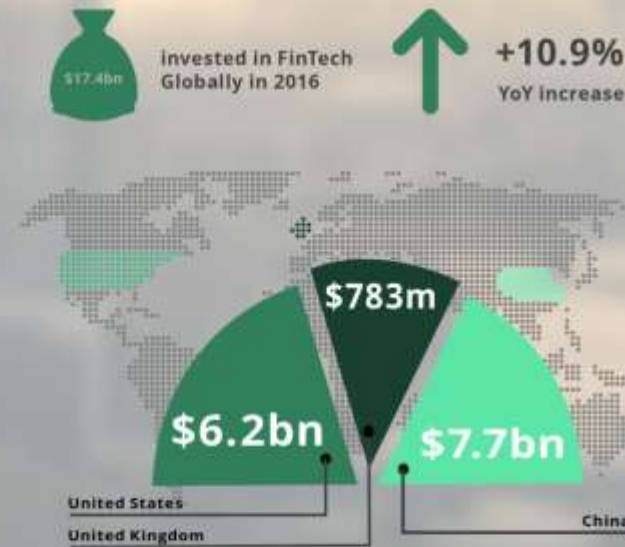
# THE 2016 VC FINTECH INVESTMENT LANDSCAPE

February 2017

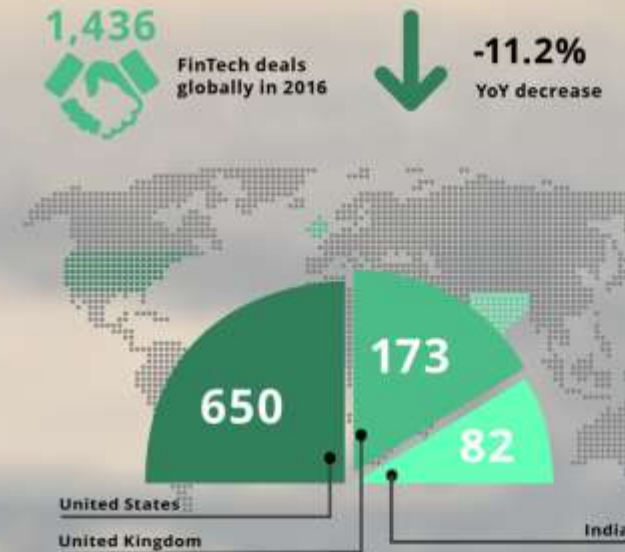
INNOVATE | FINANCE

# THE 2016 FINTECH INVESTMENT LANDSCAPE

## Global Investment



## Global Deals



## UK Investment



## UK Deals

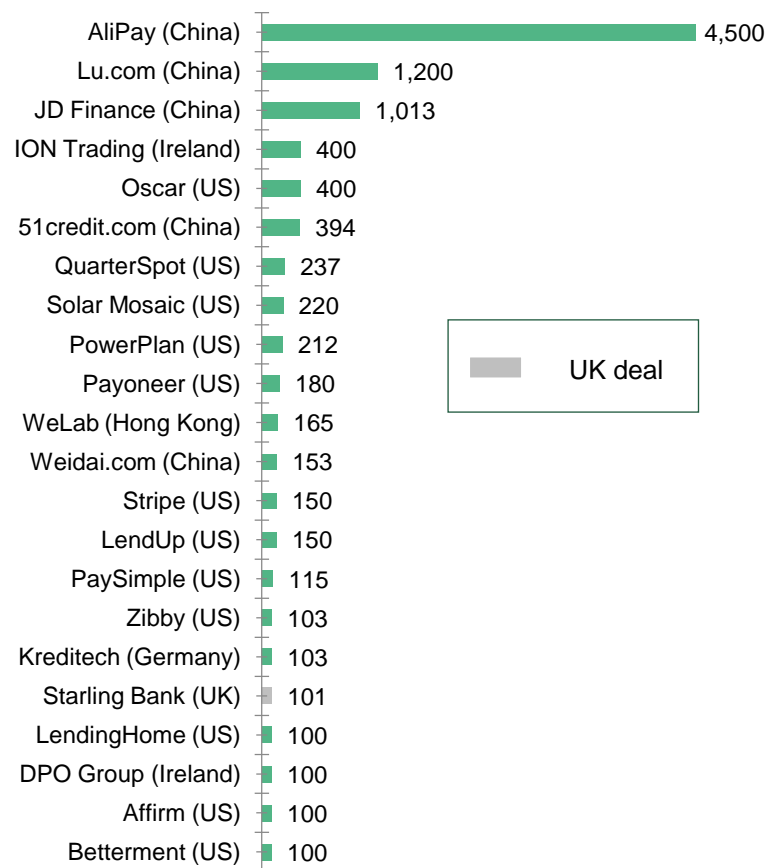




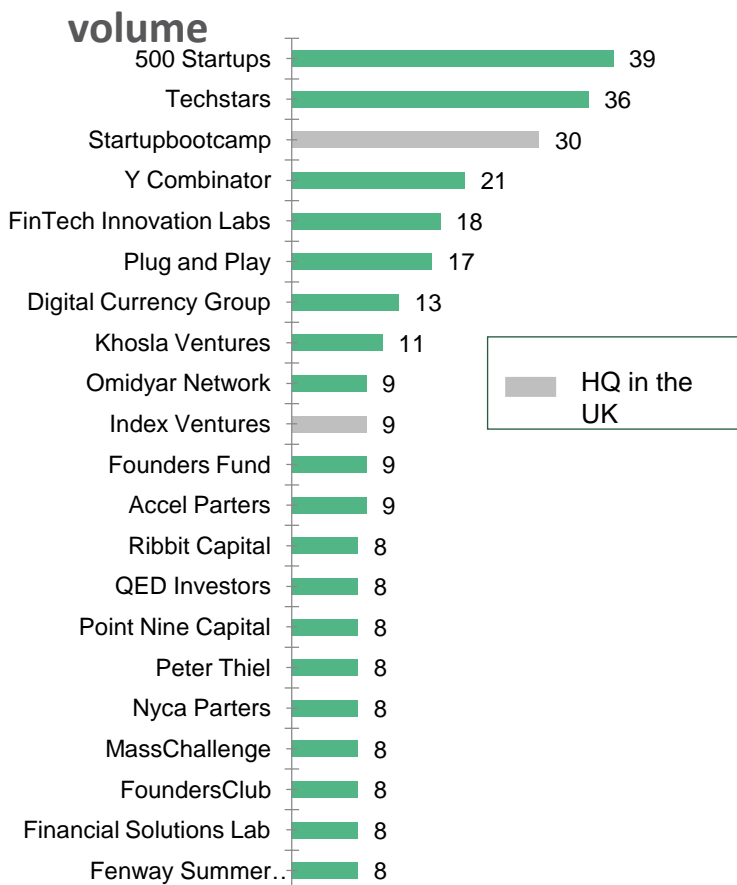
# GLOBAL FINTECH INVESTMENT RANKING 2016

Starling Bank was the only UK deal in the top 20 global deals. 500 startups was the most active global investor by number of investments

Top global deals by deal value (\$M)



Most active global investors by deal

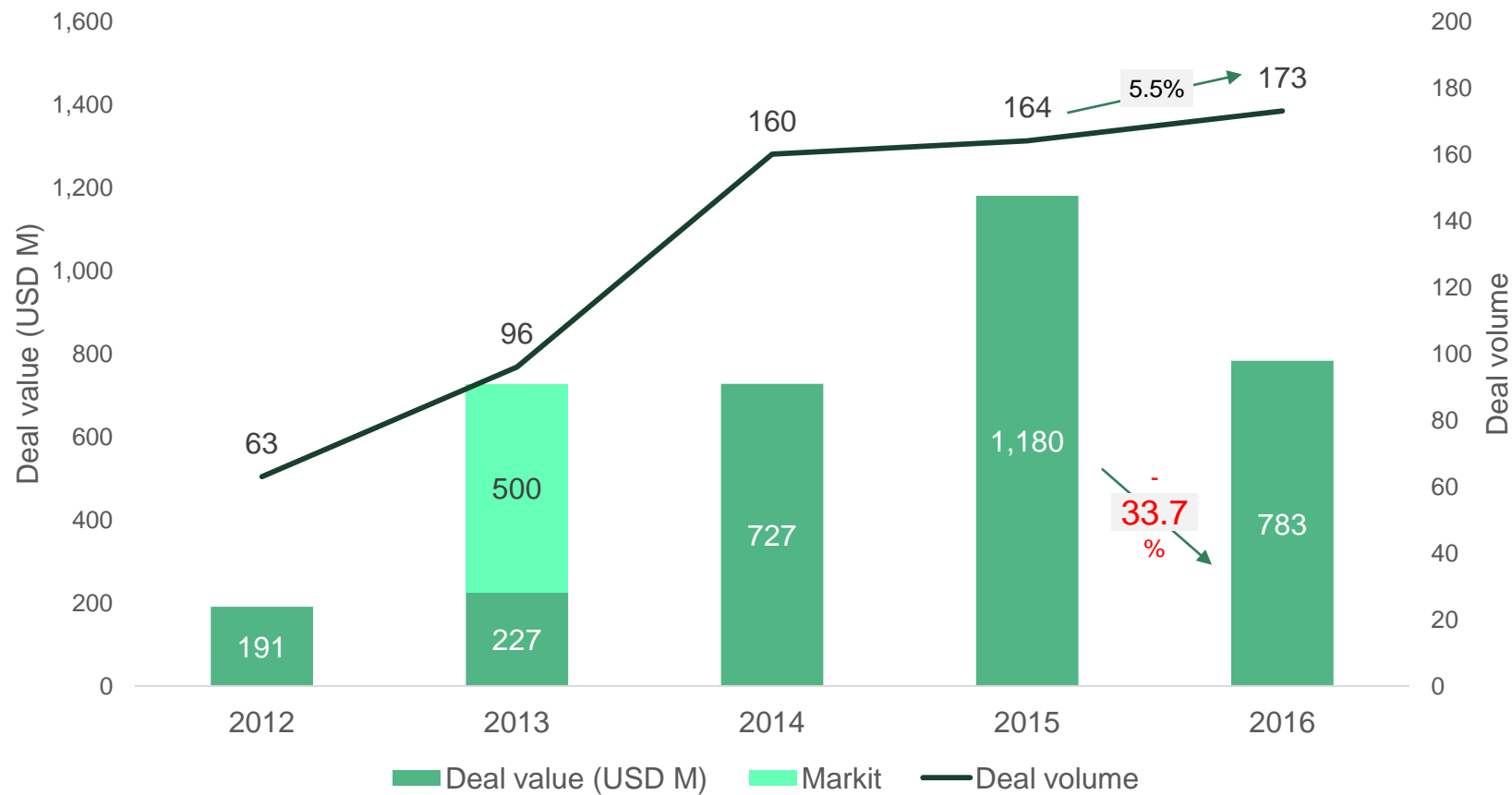


**UK**

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# UK FINTECH VC INVESTMENT - 5 YEAR TREND

2016 UK VC investment by deal value was down 33.7% at \$783m vs \$1.2bn in 2015



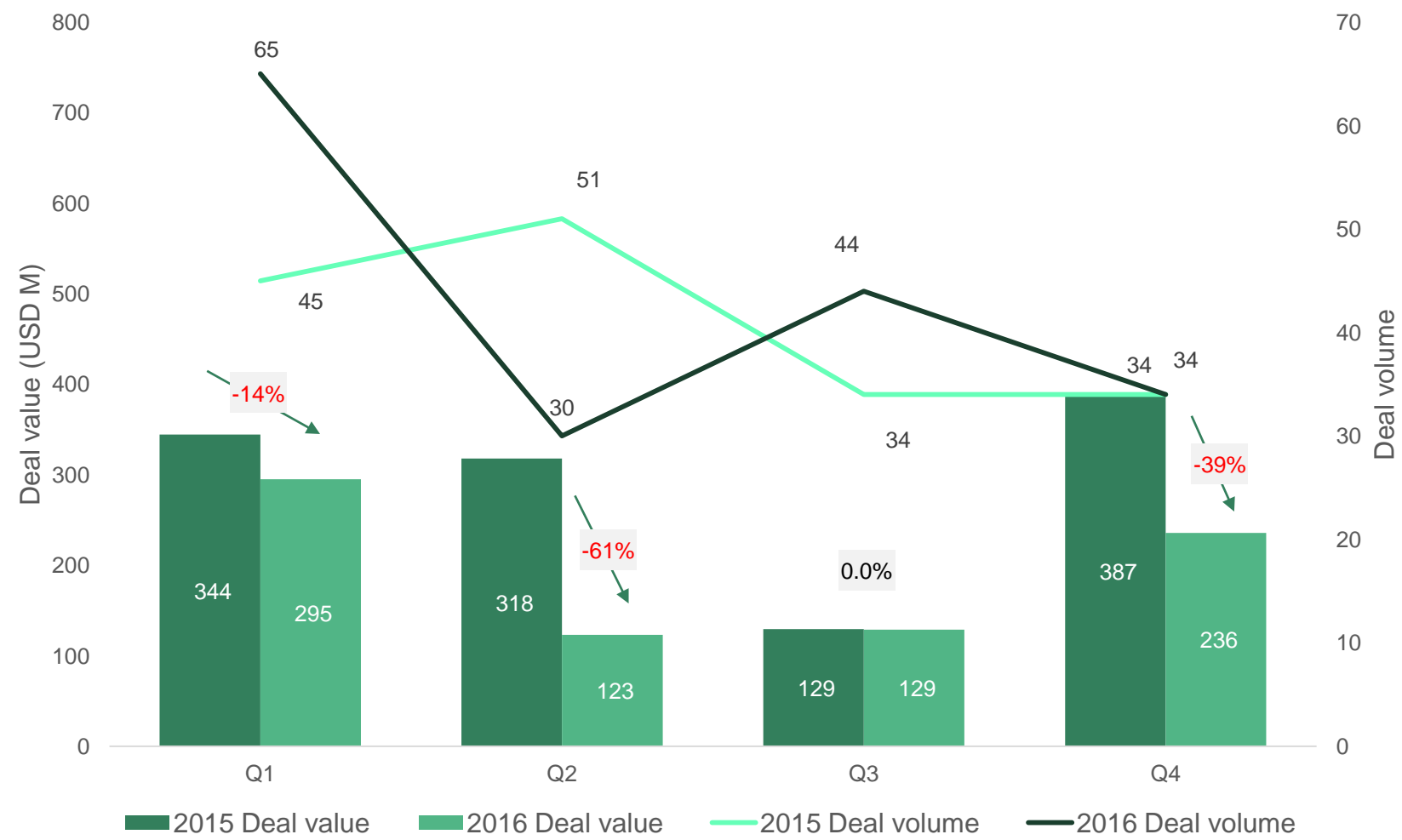
Deal value 5 year CAGR:  
32.6%

Deal volume 5 year: CAGR:  
22.4%

Source: Pitchbook (as at 30/01/17)

# QUATERLY UK FINTECH VC INVESTMENT (Q1 15 – Q4 16)

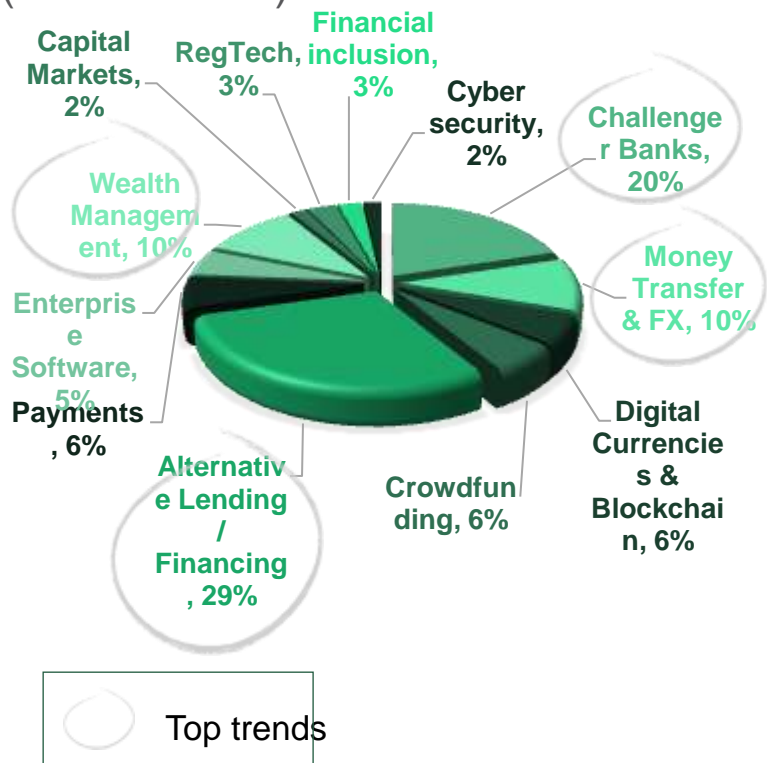
In 2016, UK investment decreased YoY in every quarter except Q3



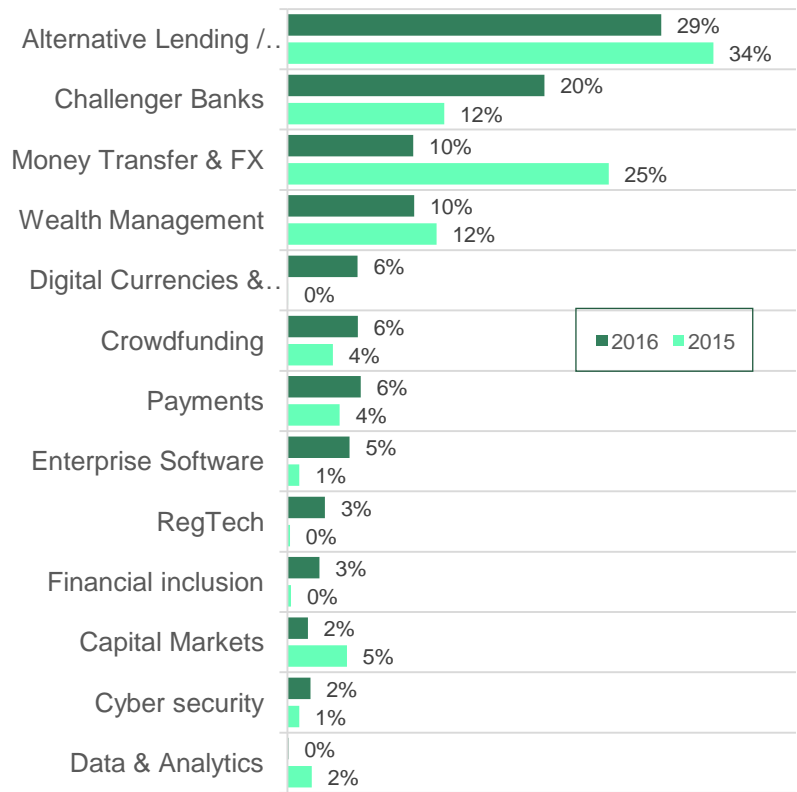
# UK FINTECH VC DEALS BY VERTICAL - (2015 vs 2016)

Alternative Lending / Financing remains the top trend in 2016

2016 UK VC investment by vertical  
(% deal value)



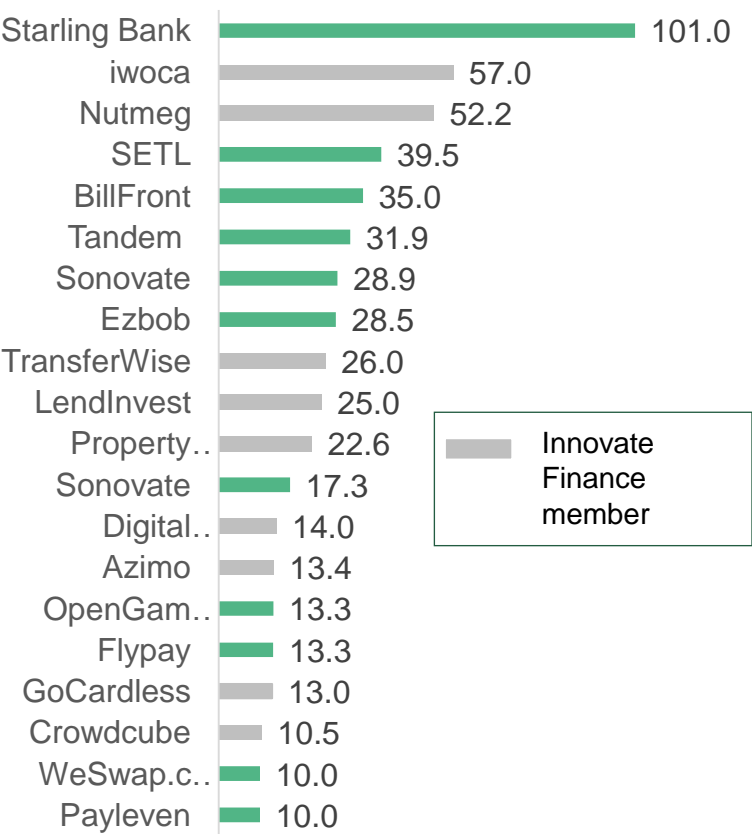
UK VC investment by vertical - 2015 vs 2016



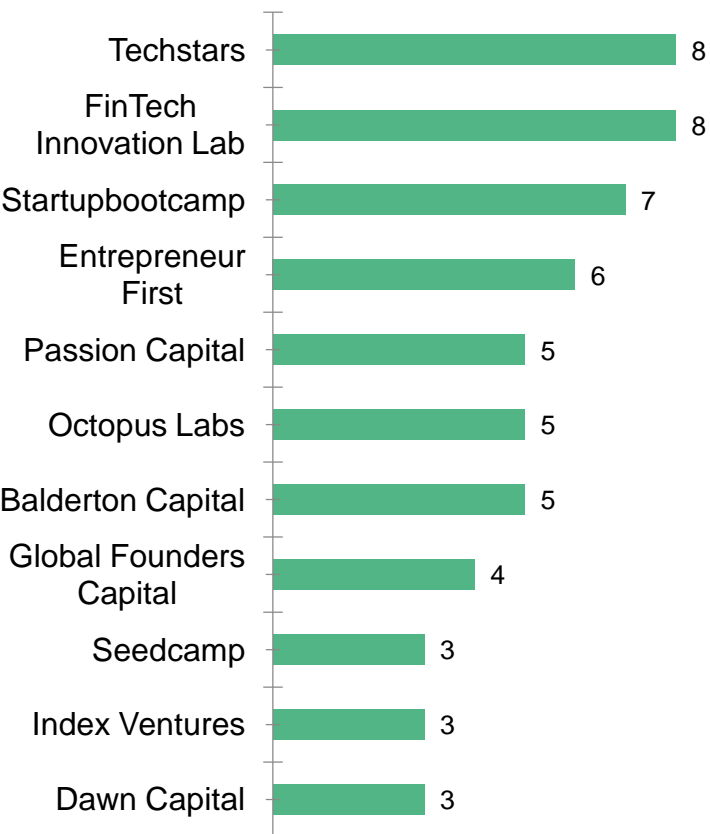
# UK FINTECH INVESTMENT RANKING - 2016

There were 9 Innovate Finance members within the top 20 UK deals. Techstars & FinTech Innovation Lab were the UK's top investors

Top UK deals by deal value (\$M)

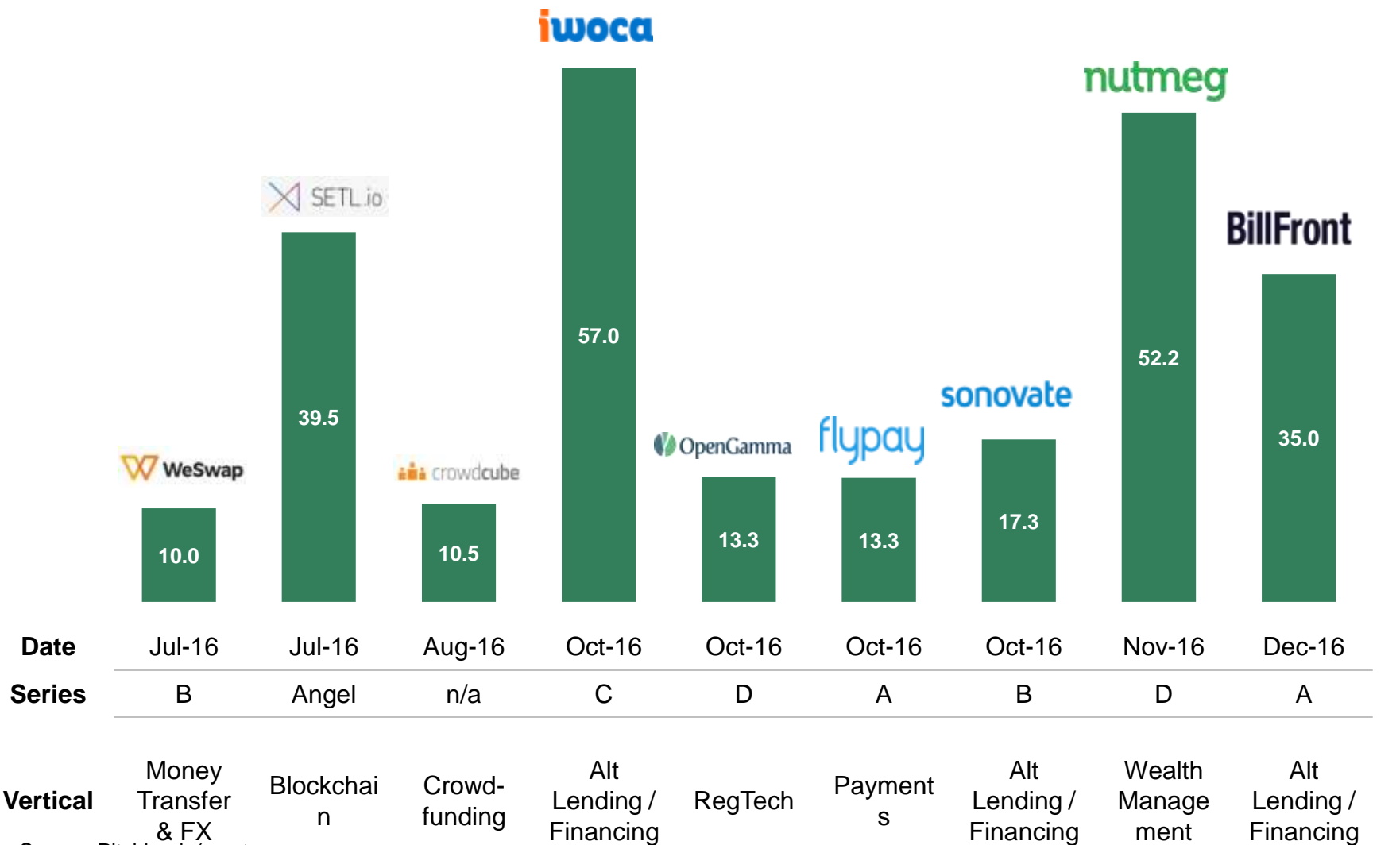


Most active UK investors by deal number



# UK FINTECH VC INVESTMENT - POST BREXIT ROUNDS

9 of the Top 20 UK deals closed post Brexit, with total post Brexit investment of \$368m



Source: Pitchbook (as at 30/01/17)

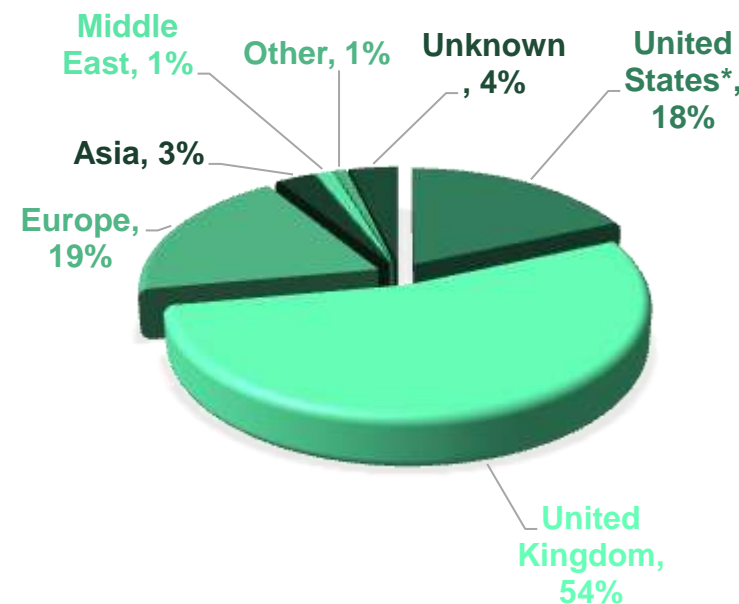
Note: The Brexit vote was on the 23<sup>rd</sup> June 2016



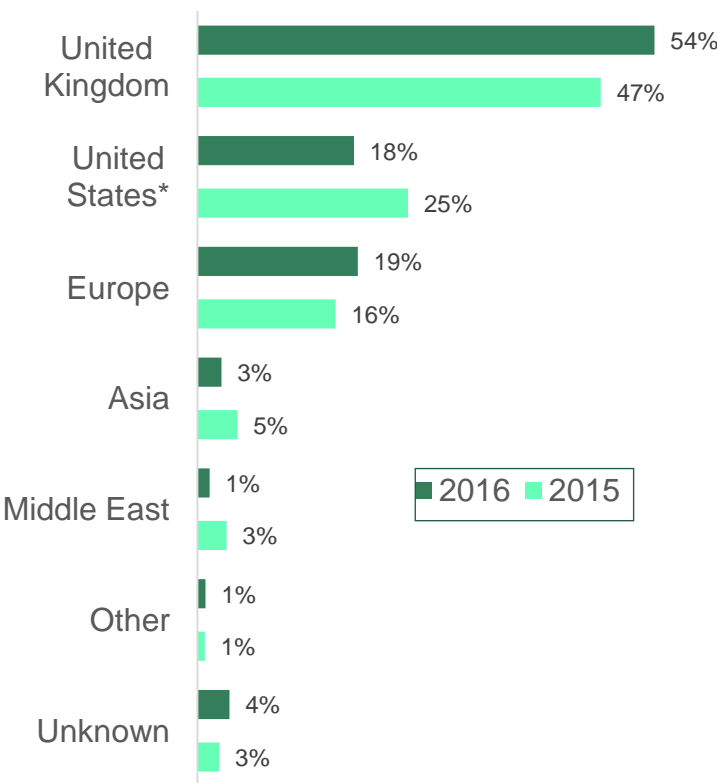
# UK FINTECH INVESTOR HQ LOCATIONS (2015 & 2016)

46% of investment into the UK was from non domiciled VCs, down from 53% in 2015. 2016 investment outside of the UK was largely from Europe (19%) and US (18%)

2016 UK FinTech Investor HQ Locations

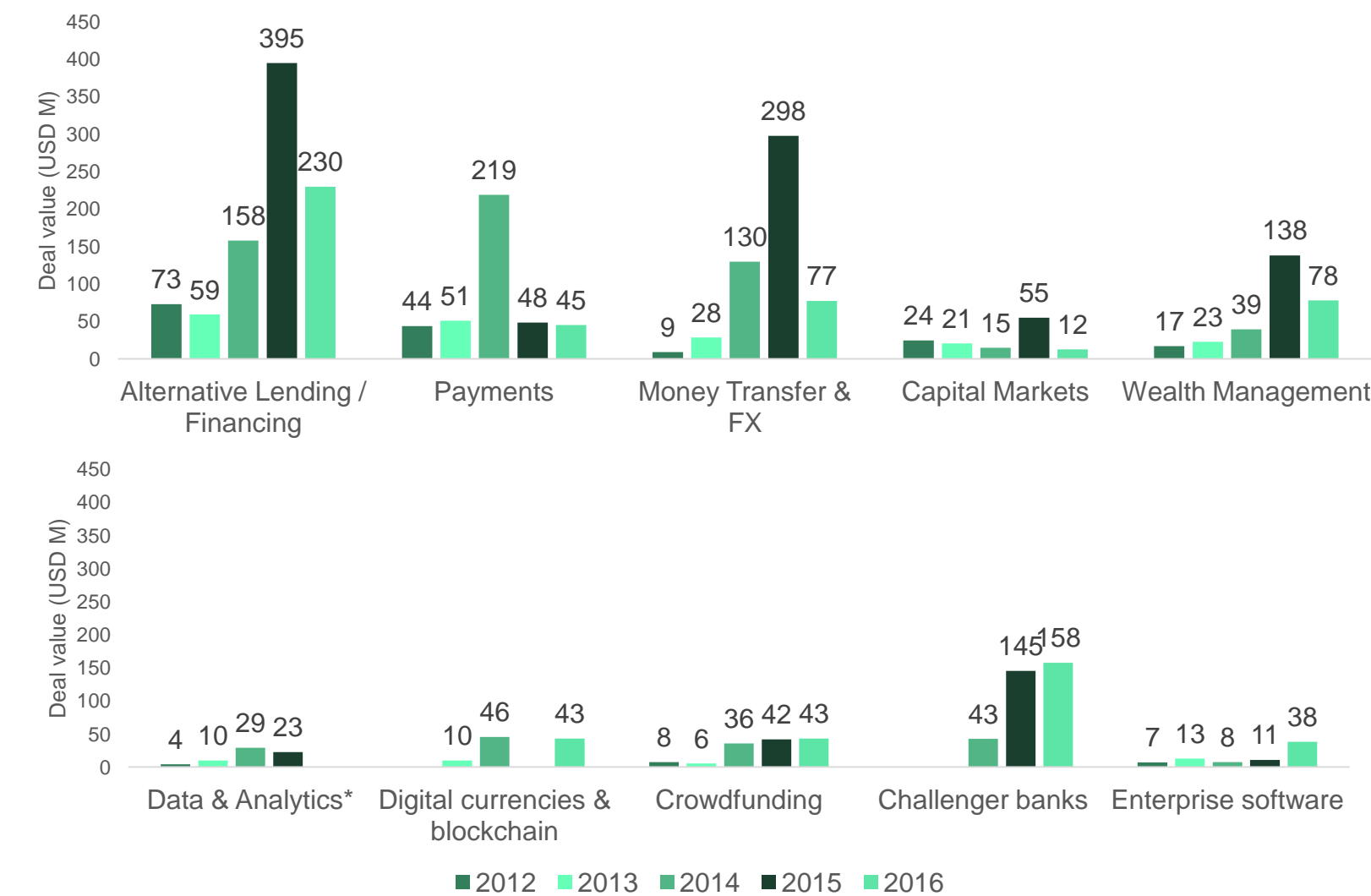


UK FinTech Investor HQ Locations - 2015 vs 2016



# UK FINTECH VERTICAL ANALYSIS - 5 YEAR TREND

The top five verticals in the UK have seen reduced deal size in 2016 in comparison with 2015

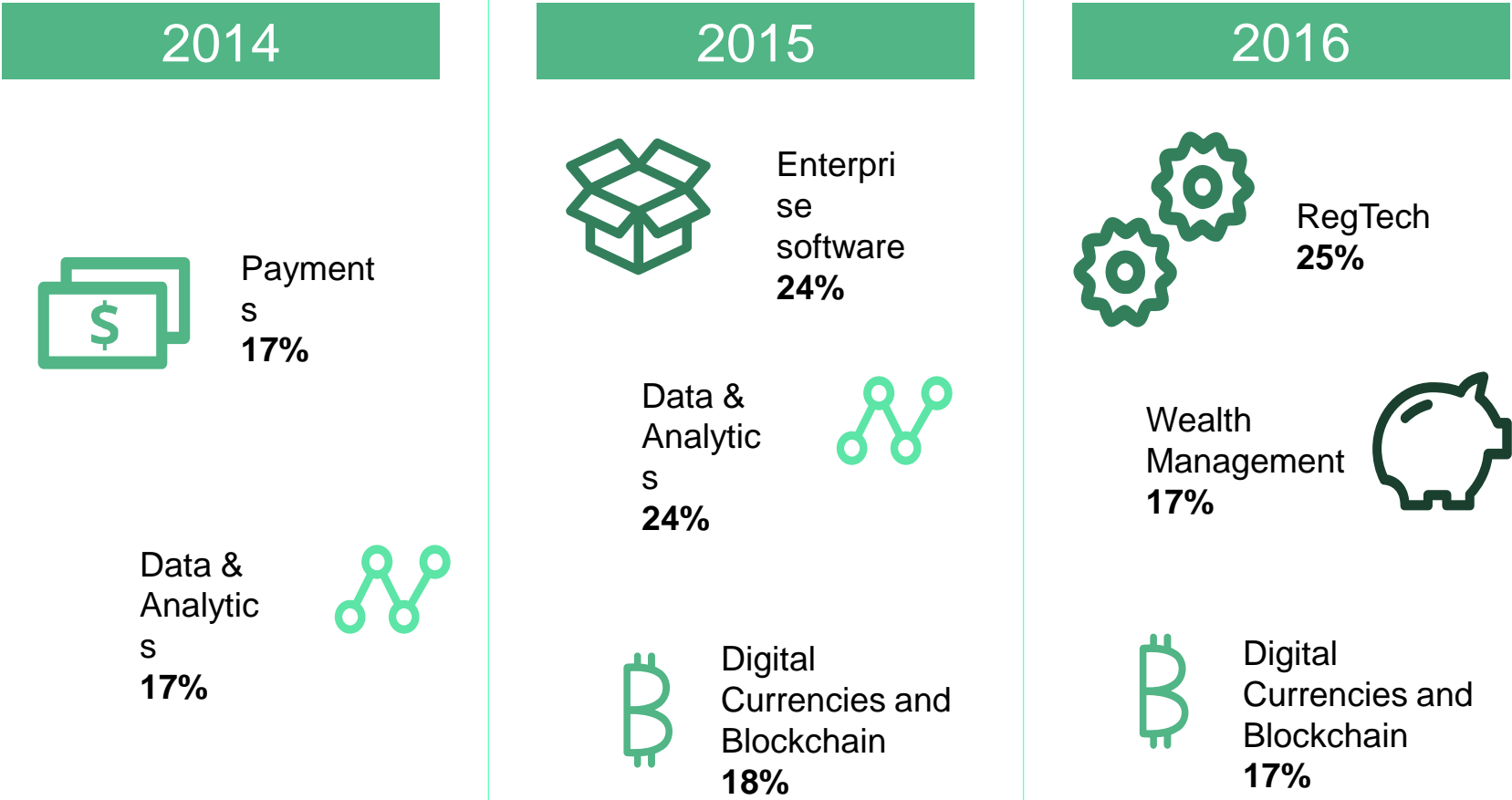


Source: Pitchbook (as at 30/01/17)

\*Data & Analytics figures exclude Markit VC round of \$500m in 2013

# UK ACCELERATOR FINTECH COHORT - TREND ANALYSIS (2014 – 2016)

RegTech was the most common vertical in 2016, with Digital Currencies and Blockchain the top verticals in both 2015 and 2016



Notes:  
1) Includes Barclays / Techstars, Startupbootcamp and FinTech Innovation Lab  
2) % represent number of cohort companies in a vertical compared with the total cohort companies in that year

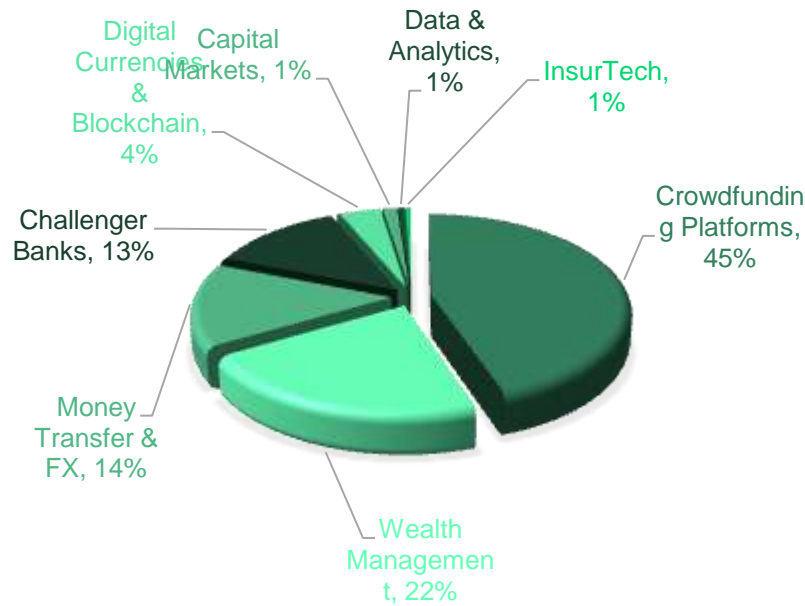
# UK EQUITY CROWDFUNDING FINTECH INVESTMENT 2016

UK equity crowdfunding investment into FinTechs totaled \$37.9M in 2016, with 45% invested into crowdfunding platforms

Key statistics

FinTech deal value	\$37.9M
FinTech deal volume	18
Average % raised vs goals (FinTech Companies)	140%

Equity crowdfunding investment by FinTech vertical



# THE START-UP VIEW: A YEAR IN FINTECH

How a maturing industry is moving towards collaboration to create value for customers and society



**startupbootcamp**  
FinTech



**pwc**

# Categories set by the World Economic Forum

**Cloud solutions and improved processes** - new technologies are helping financial services companies to improve processes and make efficiencies by outsourcing them to FinTech providers, often using the cloud

**Cashless world** - existing payment systems are being adapted to enable new payment methods and customer behaviours

**Smarter, faster machines** - blockchain, machine learning and artificial intelligence have been enabled by the increasing power and decreasing cost of computing

**Shifting customer preferences** - upcoming companies are creating new ways for customers to interact with financial services, driving change throughout the industry

**Empowered investors** - new technologies are transforming the way institutional and retail investors make investments

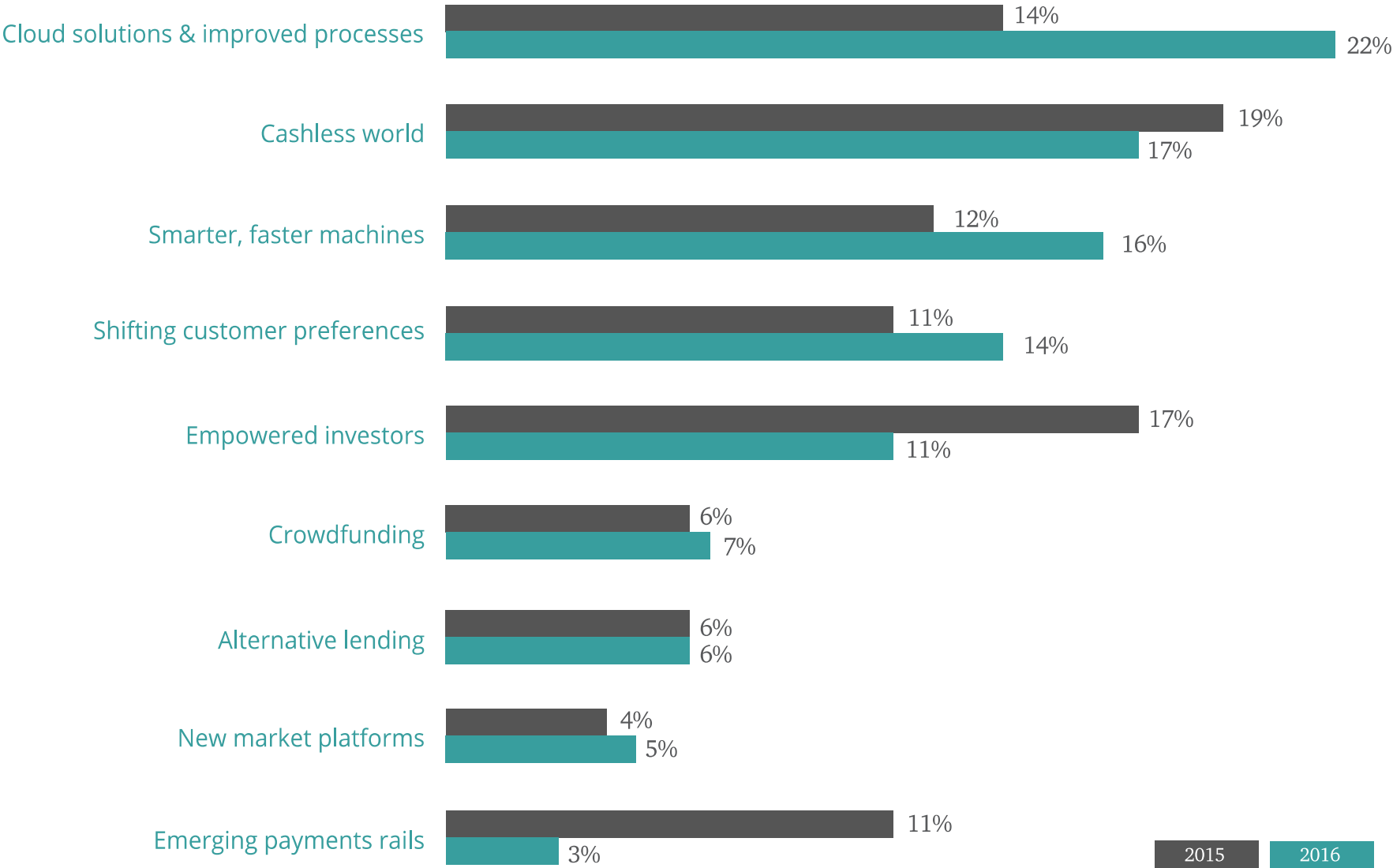
**Crowdfunding** - new ways of raising and investing capital are changing the landscape of capital markets

**Alternative lending** - new ways of assessing creditworthiness and issuing credit are transforming lending markets

**New market platforms** - regulation and technological advances in capital markets have resulted in several new trading platforms emerging

**Emerging payment rails** - cryptocurrencies and other new technologies are transforming the way individuals and companies make payments

# STARTUPBOOTCAMP ACCELORATOR APPLICATIONS







# Industry Sandbox Consultation The Findings

BrightTALK™



INNOVATE/FINANCE

# Sandboxes Landscape

## INDUSTRY SANDBOX

An Industry Sandbox is an industry-led collaborative environment which firstly, enables the validation of innovative product by giving developers access to relevant data, technologies and services and secondly, allows industry to come together and resolved shared challenges.

## LIVE MARKET

◊ off-market ◊ on-market

## ACCELERATOR / INCUBATOR

Open innovation solutions enable startups to develop business models and prototypes. A common success metric for accelerators is how many cohort members exist with a proof-of-concept agreed with a potential client.

## REGULATORY SANDBOX

### 16 Regulatory Sandboxes

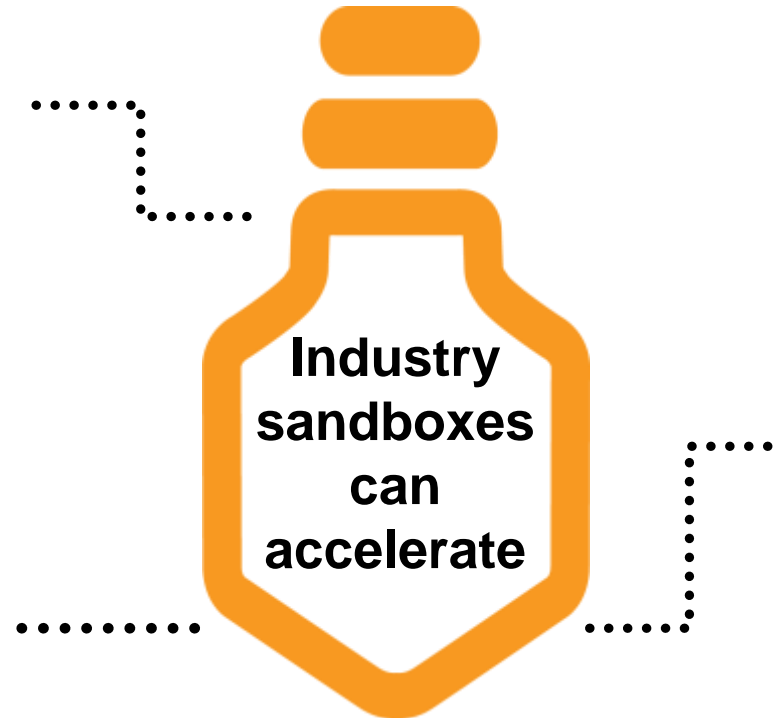
A Regulatory Sandbox is a regulator-led environment that aims to create a “safe space” for FinTechs and a limited number of real consumers to engage in an “on-market” trial.

## **SOLUTION DEVELOPMENT**

Access to resources such as data, APIs, or reference architectures enable entrepreneurs to create solutions readily integrated with the existing technology stack


## **COMPLEX PROBLEM SOLVING**

Facilitate industry collaboration on identifying and addressing complex shared consumer, technological and regulatory challenges



## **REGULATORY EFFICIENCY**

Encourage regulators to engage as observers where industry can share knowledge early in the life cycle of solution development



# Design Principles

High level Industry Sandbox design requirements have been developed by reviewing global practices and community requirements

## Industry Sandboxes should be:

- ◆ Open
- ◆ Connected
- ◆ Accessible

## Regulators could engage to:

- ◆ Share knowledge
- ◆ Test RegTech
- ◆ Inform policy

## Industry Sandbox's participants can be:

- ◆ Users
- ◆ Contributors
- ◆ Sponsors
- ◆ Observers





## INDUSTRY SANDBOX CONSULTATION



### CONSULTATION OVERVIEW



APRIL - MAY '16  
**STAGE 1**  
CONSULTATION  
SCOPE

- The UK FCA invites Innovate Finance to chair an Industry Sandbox Consultation
- Consultation Steering Committee formed



JULY '16 - MARCH '17  
**STAGE 2**  
INDUSTRY  
INPUT

- Industry - wide survey
- 2 Design sessions
- Stakeholder mapping
- Global best practices review
- Formal Call for Input issued



MAY '17  
**STAGE 3**  
CONSULTATION  
REPORT

**32** Contributors  
**15** Use Cases  
**170+** Participants



Scribes and Design Sessions: **InnovationArts**

## CONSULTATION FINDINGS INDUSTRY SANDBOXES...

### ...CAN ACCELERATE



SOLUTION  
DEVELOPMENT



INDUSTRY - WIDE  
PROBLEM SOLVING



REGULATORY  
EFFICIENCY

### ...SHOULD BE



OPEN



CONNECTED



ACCESSIBLE

### ...CAN ENGAGE REGULATORS TO



SHARE KNOWLEDGE



OBSERVE  
OUTPUT



TEST  
REGTECH



INFORM  
POLICY



### ROLES & STAKEHOLDERS

	USER	CONTRIBUTOR	SPONSOR	OBSERVER
FINANCIAL INSTITUTIONS	×	×	×	×
TECH & DATA VENDORS	×	×	×	
STARTUPS	×	×		
VCS				×
PROFESSIONAL SERVICES		×	×	
REGULATORS				×

# What's next?

## Open Questions remain:

What are the strategic implications for financial services with regard to

Business models

Products and Services

Organisations

Processes and Systems

## Technology

What are the 'breakthrough' technologies?

How do these impact the industry's value chain?

Consider political, economic, legal and regulatory impacts

Can we learn from adoption in other industries?

## Macro and Micro implications

Lines between industry sectors are blurring

What future organisational forms of banks support this new order?

What standards are needed to provide higher degrees of specialisation?

What innovation components support a distributed financial infrastructure?



An aerial photograph of the London skyline, featuring prominent skyscrapers like The Shard, the Gherkin, and the Walkie-Talkie. The image is overlaid with a semi-transparent green filter. The word "END" is written in large, white, sans-serif capital letters in the center-right of the image.

END



# Interactive Voting



- Use your individual Wi-Fi code distributed during registration
- Go to [www.menti.com](https://www.menti.com)
- Use code **29 57 83**
- Vote!

# Robotics Panel

**Facilitated by Paul Baybutt, Senior Product Manager, HSBC**

- **Keith Saxton**, Independent Advisor, Innovate Finance  
Ambassador and Chairman techUK Financial Services Programme
- **Terry Walby**, Chief Executive at Thoughtonomy
- **Keith Bear**, Vice President, Financial Markets at IBM

# Coffee And Networking

Please be back for 10:45

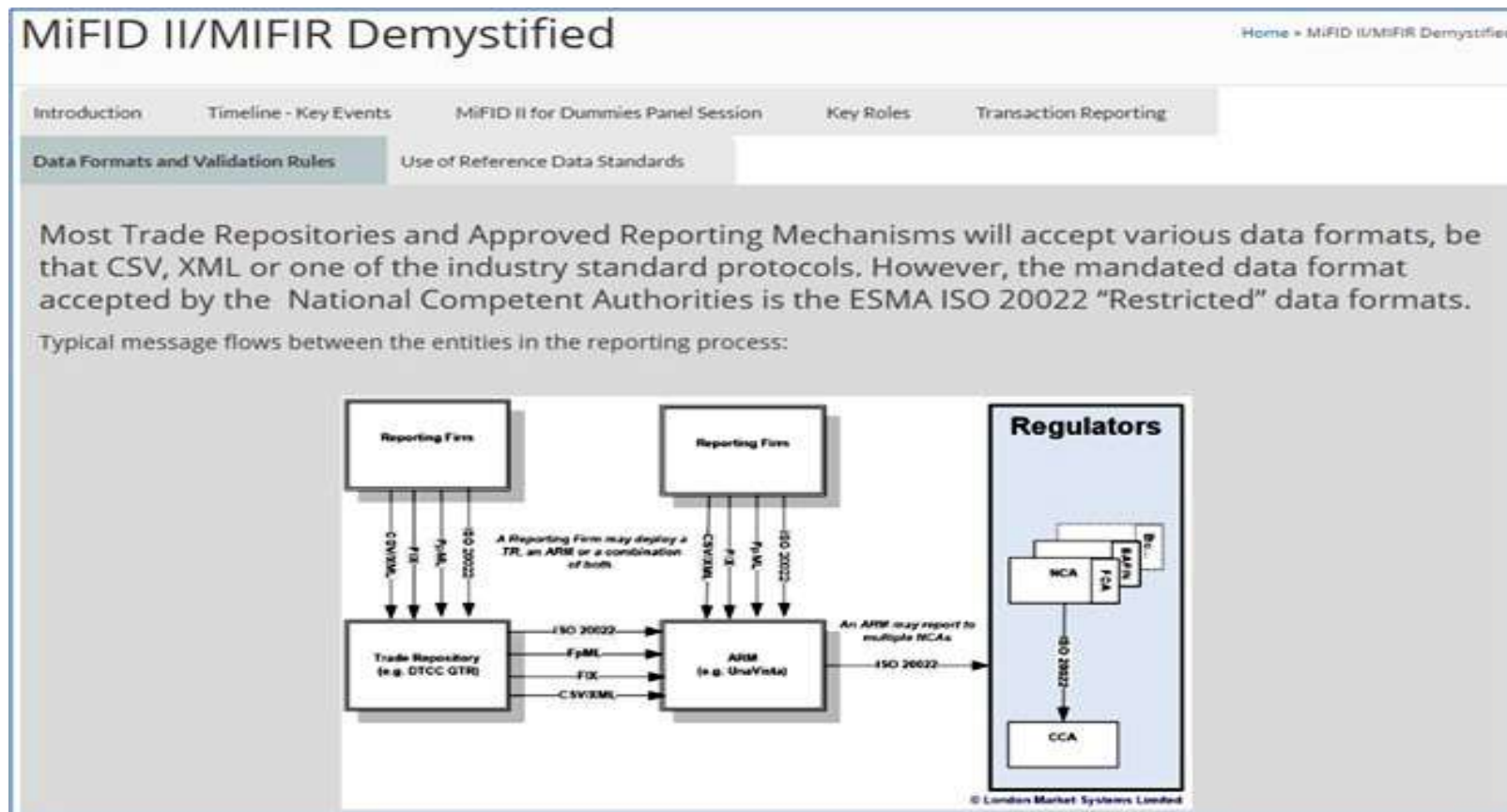
# MiFID II/MiFIR Resources

[www.mifid.com](http://www.mifid.com)



- Proposals, contributions and ideas welcomed.
- MiFID II/MiFIR Demystified:

<https://isitc-europe.com/mifid-ii-mifir-demystified/>



# Panel – MIFID II for Dummies



**Facilitated by Chad Giussani, Head of Transaction Reporting Compliance, Standard Chartered Bank**

- **Arjun Singh-Muchelle**, Global Head of Regulatory Affairs at TP ICAP
- **Simon Andrews**, Executive Director, Compliance, Regulatory Affairs, Standard Chartered Bank
- **Martin Sexton**, Principal Consultant, London Market Systems
- **James Baugh**, Director, Head of European Market Structure Equities, Citigroup Global Markets Limited
- **Dr Anthony Kirby**, Head of Regulatory Reform Capital Markets/Asset Management, Ernst & Young

# Panel - T2S Lessons Learned and hopes for the future

**Facilitated by Rob Scott, Commerzbank**

- **Guido Wille**, UK General Manager Head of Customer Relations Americas, UK, Ireland and Nordics, Clearstream Banking
- **Michael Buzza**, SVP Market Advocacy & Innovation Research, Northern Trust
- **Julien Kasparian**, Head of Sales & RM, BNP Paribas Securities

# **Industry Engagement Working Group Update**

Paul Baybutt, Senior Product  
Manager, HSBC

# **Standards Working Group Update**

Richard Young, Industry and  
Regulatory Affairs, Bloomberg



# Standards Working Group



## Initial Focus:

Standards Related to EU Regulation – MIFID II etc.

## Initial Deliverable:

Up-to-date Regulatory Standards Matrix including formats and reference data standards.

# Standards Working Group

## Example: MifID II / MIFIR Reporting challenge



### Main Reporting Flows:

RTS 1 and 2 – Pre and Post Trade Transparency Reporting  
RTS 3 Transparency and volume cap data  
RTS 22 – Transaction Reporting  
RTS 23 – Reference Data Reporting

### Industry Standards:

#### Messaging

- ISO 20022 (MiFIR “Restricted” views covering, transaction, transparency & reference data)
- FpML (Version 5.10)
- FIX (various extension packs)

#### Content

- ISO 10962 Classification of Financial Instruments Code
- ISO 18774 Financial Instruments Short Name
- ISO 6166 ISIN
- ISO 17442 LEI
- ISO 4217 Currency Codes
- ISO 3166 Country Codes
- ISO 10383 Market Identifier Code
- ISO 8601 Date and Time Format
- Controlled Vocabulary
- BenchmarkCurveNameCode (“LIBO, LIBI”....)

# Standards Working Group

## Regulatory Matrix - Example



Standard	Regulations Applicable	Implementation	Known issues / Comments
<b>ISO 20022</b>	MiFID II/MiFIR EMIR Review ECB Money Market Rpt Bank of England Money Market Rpt. SFTR	Jan 2018 Nov 2017 Live  Live Late 2018	<ul style="list-style-type: none"> <li>Finalised formats for MiFID II and EMIR unlikely by live date, so initial implementation will be on non-final message versions.</li> </ul>
<b>ISIN (ISO 6166)</b>	MiFID II/MiFIR EMIR Review ECB Money Market Rpt Bank of England Money Market Rpt. Market Abuse Reg SFTR	Jan 2018 Nov 2017 Live  Live Partly Live Late 2018	<ul style="list-style-type: none"> <li>ISINs awkward fit for OTC derivatives.</li> <li>Uncertainty about granularity and structure of ISINs.</li> <li>Unclear how many ISINs likely to be required.</li> <li>Service levels and costs for DSB not finalised.</li> </ul>
<b>Classification of Financial Instruments (CFI) code (ISO 10962)</b>	MiFID II/MiFIR EMIR Review Market Abuse Reg	Jan 2018 Nov 2017 Partly Live	<ul style="list-style-type: none"> <li>Initial usage in MiFID based on 2015 CFI which does not fully cover OTC Derivatives. A revised version is in the works but not ready until 2018.</li> </ul>
<b>LEI (ISO 17442)</b>	MiFID II/MiFIR EMIR Review ECB Money Market Rpt Bank of England Money Market Rpt. Market Abuse Reg	Jan 2018 Nov 2017 Live  Live Partly Live	<ul style="list-style-type: none"> <li>LEIs must be obtained for MiFID II reporting for all counterparties and clients eligible for one. This includes counterparties and clients outside the EU. No LEI = No trade.</li> </ul>
<b>Financial Instruments Short Name (FISN) (ISO 18774)</b>	MiFID II/MiFIR Market Abuse Reg	Jan 2018          <b>ETC....</b>	<ul style="list-style-type: none"> <li>New standard required for reference data under these regulations, typically issued along with ISINs.</li> </ul>

# Standards Working Group



We envisage, and encourage, cross pollination with other groups – especially the Regulations WG, but:

**WE NEED VOLUNTEERS!**

# Thank You

Co-Chairs

Richard B. Young

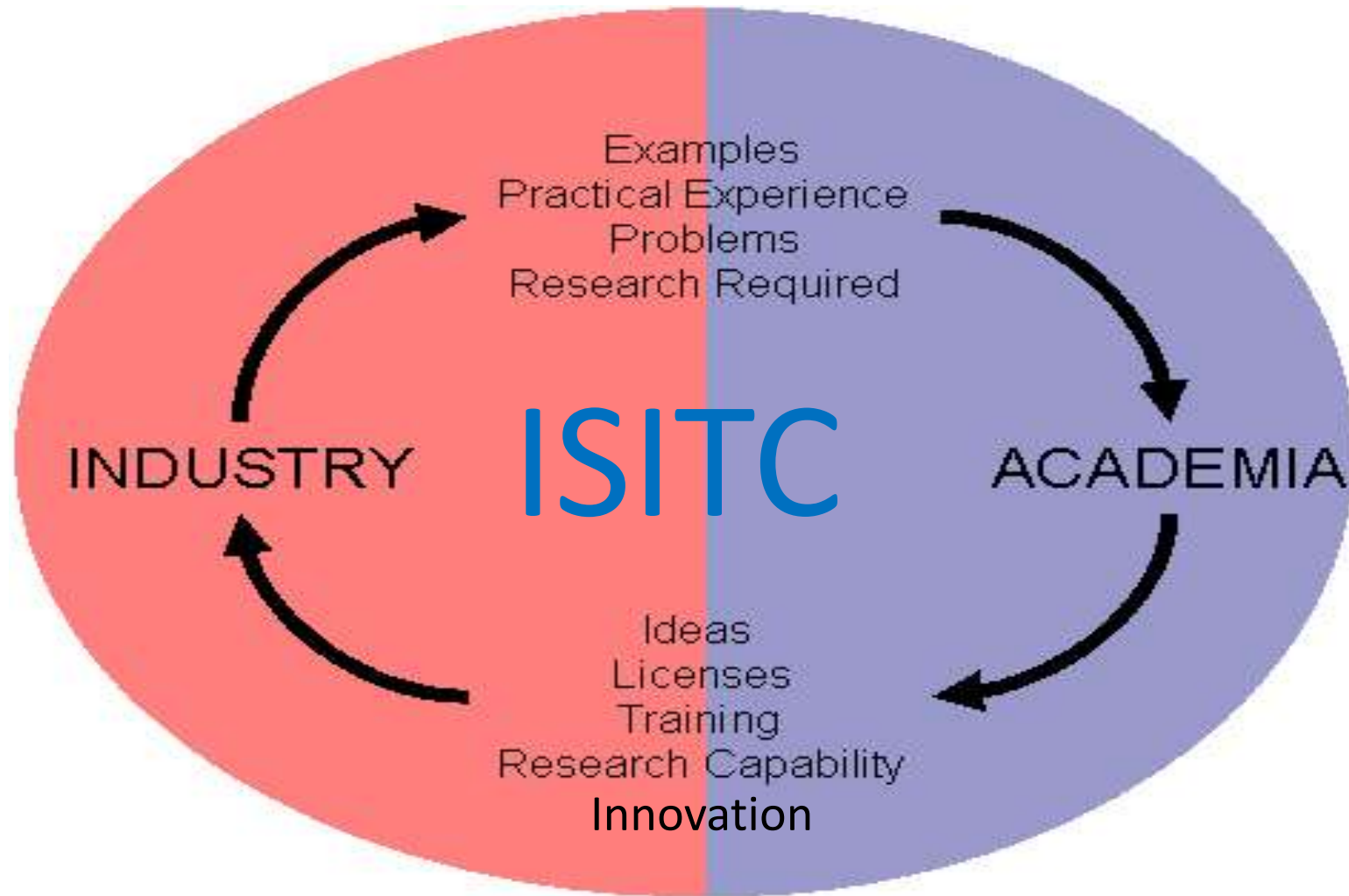
[RYOUNg94@bloomberg.net](mailto:RYOUNg94@bloomberg.net)

Martin Sexton

[msexton@londonmarketsystems.com](mailto:msexton@londonmarketsystems.com)

# **IEAF Working Group Update**

Professor John Gavin, Executive  
Chairman, G4h Ltd



# Academic Collaborations



Phase 1 – build and activate the relationships that we have in place:

- Joint events with Guildhall School of Business and Law
- Support the work and focus of the other groups

Phase 2 – Target and reach out to appropriate Universities who can add value:

- Look to establish a series of relationships, gold, silver, bronze academic partnerships.
- Facilitate one or two industry / academic forum exchange events a year
- Distribute outputs to our membership

Beyond phase 2 - In the future

- Research?
- Placements?
- Etc.

Set up an ISITC academic board

Obtain member feedback, suggestions and contacts





# **Blockchain DLT Working Group Update**

Gary Wright, Founder & MD, Block Asset  
Technologies

# **AGM 2018**

Rob Scott, Head of Custody & Clearing,  
Commerzbank

**Close**

Nigel D Solkhon, CEO ISITC Europe

**Contact us:**

**[admin@isitc-europe.com](mailto:admin@isitc-europe.com)**

**<https://isitc-europe.com/>**