

**June 2008 Edition**

**ANNA  
NEWSLETTER  
&  
HIGHLIGHTS**





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## ANNA NEWSLETTER

Dear ANNA members,

I would like to welcome you to the first edition of the ANNA Newsletter.

There have been a lot of recent developments and changes in the scope of financial instrument standardisation, such as industry efforts related to ISIN assignment for Futures & Options, on-going discussions with the ISO Central Secretariat regarding the creation and agreement of a Service Level Agreement as the Registration Authority for ISO 6166 and recent regulatory changes in the Russian Federation related to CFI assignment, to name but a few.

I believe that the creation of a newsletter, created by National Numbering Agencies to share new initiatives, market developments and future changes with all ANNA members, is a very good initiative to launch.

On behalf of the ANNA Board, we hope that the information included in the first edition is of interest and useful to your further understanding of the industry matters impacting ANNA. We would appreciate any comments or feedback on the content of this newsletter and on future topics that we should consider including.

Dan Kuhnel  
ANNA Chairman



## EFFICIENCY WITHOUT STANDARDS?

By Georg Eisel, Managing Director, WM Datenservice, Germany

As markets coalesce across systems and nations, the financial industry is faced with a new challenge. Thanks to new information technology, products and services are more integrated than ever. EU legislation, such as Basel II, the Transparency Directive and MiFID, is on the increase. It is now incumbent upon the financial industry to come to terms with technological and structural change, and to consistently guarantee legally stipulated transparency. The usual methods of implementation will, however, not suffice.

Valid and coherent arrangements must be made in the form of standards to facilitate the integrity of data exchange and information processing. In this scenario, the availability of suitable information has become a deciding factor in competition. In contrast to the predominantly favorable national framework, the international environment is still characterised by high inefficiency. The latest reports on the implementation of the recommendations of the Group of 30 state that these are primarily: insufficient regulation by the authorities at EU and international levels; inadequate standards in respect of data content and in respect of procedure; and the insufficient application of proven standards through protectionism. The financial industry is nonetheless constantly confronted by new parameters, searching for innovative ways of guiding the change process, while dealing with national and EU regulations related to financial services globalisation.

To facilitate global STP despite the increasing complexity and internationalisation of financial services, standards are needed to structure and format the multitude of international financial instruments. Information service providers are advancing this process by participating in committees such as DIN (Deutsches Institut für Normung), ISO (International Organization for Standardization), ANNA (Association of National Numbering Agencies) and ISSA (International Securities Services Association), thus making a vital contribution to international market harmonization.

Important outcomes of the standardisation process are being integrated into services, especially in respect of financial instrument identification (ISIN – International Securities Identification Number) and characterization (CFI - Classification of Financial Instruments). Standards are available to clearly define markets and trading systems (MIC – ISO 10383) as well as legal entities (IBEI – ISO 16372), and to allow for the unequivocal depiction of the codes needed for trading, settlement and reporting. These standards are supplemented by arrangements between counterparties as to the form and content of their communication



(eg. messages as per ISO 15022/20022). Given the integration of the international financial markets and the enormous exchange of information and data, efficient IT applications can only be developed on the basis of consistently applied standardized content.

In this context, the Association of National Numbering Agencies (ANNA) has been striving to achieve the efficient transformation of content into reality by way of standards.





## ISO NEXT STEPS

By Terry Allison, Head of SEDOL Masterfile, London Stock Exchange

At the last ANNA Extraordinary General Meeting held in Johannesburg; the membership mandated the ANNA Board to re-contact ISO and request a meeting to discuss the ISO 6166 Registration Authority issue. This meeting took place at ISO's headquarters in Geneva on the 26<sup>th</sup> November 2007 attended by the Chairman and Vice Chairman of ANNA and Kevin McKinley Deputy Secretary General of ISO, together with a number of other ISO representatives.

Both sides were able to clarify various issues and we believe reach an understanding of each others positions. ISO requires ANNA to sign a Service Level Agreement (SLA) in order to meet the requirement to continue as the ISO 6166 Registration Authority.

From ANNA's side, we have prepared and submitted a revised draft SLA (based upon the template SLA ISO provided the Board to work with). Conceptually, the ANNA Board are trying to keep the intent of the SLA from an ISO perspective while using language that is acceptable to all NNAs.

Currently the ANNA Board is awaiting a response from ISO on our suggested wording. Depending on the response from ISO, we would hope that the next stage would be to forward a draft SLA to all members for review and ultimately a vote.





# INTERNATIONAL SECURITIES ON THE RUSSIAN STOCK MARKET

By Denis Solovyev - NDC (Russia), Deputy CEO

On 1 February, 2008 came into effect an order of the Federal Financial Markets Service (hereinafter referred to as FFMS) No. 07-105/pz-n of October 23, 2007 “On the approval of the regulations for the qualification of foreign financial instruments as securities”, which became an important step on the road to direct listing of foreign securities on Russian exchanges.

FFMS acts to protect investors in Russia from the risks associated with investment in the foreign financial instruments and provides general rules on how to qualify those instruments. It also works on the project of the law on foreign securities to organize the market for foreign securities in Russia and regulate it. Accepting the globalization of securities markets as a fact, we realize that expanding the list of foreign securities admitted for circulation in the Russian Federation will increase the attractiveness of domestic infrastructure. And this consequently will lead to increased market liquidity in Russia. Clarity of the procedure for the qualification of securities in accordance with Russian legislation is a necessary precondition for securities' circulation and recording in the stock market. Such a procedure has been provided in a timely manner by the regulator.

To date NDC has received and processed requests for qualification as securities more than 8 000 financial instruments issued by foreign issuers. Out of these, around 4,500 instruments correspond with FFMS requirements. Approximately 1,285 instruments do not correspond with the requirements; most of these (1,035) are represented by depositary receipts. More than 2,000 instruments do not have a CFI code as it is a new standard in the world.

The numbering agencies do not provide a 100% coverage of CFI codes. Many of them did not implement ISO 10962 yet. Knowing that dealing in a FI without providing evidence of an official CFI is prohibited, the consequences for the banks are huge. One of them is associated with taxation. If the securities are dealt with are not qualified as eligible foreign securities the taxation regime for those is different. For example expenses of the borrower making REPO or securities lending with those instruments should be subject for taxation which is normally not the case with the securities. VAT could also be a topic. Numerous regulations on proper accounting of the securities for those that are not qualified could also be a problem. Unfortunately the most affected in this situation occur the biggest investment institutions and custodians having a lot of foreign liquidity in their portfolios.



We are actively cooperating with our foreign colleagues in order to speed up the procedure of code assignment for such instruments. Once we understand the statistics and needs of market participants we can all jointly work on improving operational processes and circulation and recording procedures with foreign issuers' securities. NDC as a participant in the Association of National Numerating Agencies can help banks, brokers and managing companies to interact with national numbering agencies of other countries in the course of qualification of foreign issuers' financial instruments as securities. We have already received a number of requests for such services. One of the replies is the service on our web-site [www.isin.ru](http://www.isin.ru) where we published data on all the securities qualified with our participation. It is also possible to search through the list. NDC also produces written confirmations for the market participants and to FFMS on all the securities requested. If ASB database does not have the code we do as intermediary if requested by the market participant to assign it with the according NNA.

For the last months NDC worked hard to organize communications and operations between all stakeholders in the optimal way. We are sure that if supported by ANNA members and by management of the association we'll achieve improvements not only in Russia but also with the standard ISO 10962 implementation and maintenance. We would like to thank every colleague of the NNAs we were dealing with for the last months and management of ANNA and ASB in particular for their kind support and active participation in accommodating to the new regulation.

The regulations referred to are:

Decision of the Federal Commission for the Securities Market No. 03-48/ps dated December 24, 2003 on the Procedure for the Securities Qualification

Order of the Federal Financial Markets Service No. 07-105/pz-n of October 23, 2007 of the Approval of the Regulations for the Qualification of Foreign Financial Instruments as Securities

Order of the Federal Financial Markets Service No. 08-2/03-n, dated 22 January 2008, On Amendment of FFMS Order No. 07-105/pz-n, dated 23 October 2007, On Approval of the Regulations on Qualification of Foreign Financial Instruments as Securities



## NEW ANNA MEMBERS:

- Central Securities Depository (Lithuania)
- Central Securities Depository AD Skopje (Macedonia)
- Saudi Financial Market (Saudi Arabia)
- Central Depository Agency (CDA) (Montenegro)
- Libyan Stock Market (Libya)

## NEW ANNA PARTNERS:

- National Depository Center (Azerbaijan)

## POTENTIAL NEW PARTNERS / MEMBERS:

- Bahrain Stock Exchange (Bahrain)
- The Republican Central Securities Depository (Belarus)
- Entidad de Depósito de Valores (Bolivia)
- CEVALDOM (Dominican Republic)
- Securities and Exchange Organization (Iran)
- Agency for Financial Supervision of the Republic of Kazakhstan
- Capital Market Development Authority (Maldives)
- Muscat Depository & Securities Registration Co. (Oman)
- Securities and Commodities Authority (SCA) (United Arab Emirates)



## MEETINGS AND EVENTS ATTENDED BY ANNA BOARD MEMBERS - SINCE JUNE 2007

### External Meetings and Events

- o AECSD Conference - Bishkek - October 2007 (DK)
- o TC68/SC4 meeting - Johannesburg – November 2007 (DK)
- o ISO Central Secretariat - Geneva – November 2007(DK/TA)
- o UK Technical Standards meetings representing ANNA / once a month 2007 (TA)
- o Follow up meeting with EU Commission on ISIN licensing matters - January 2008 (DK)
- o UK Technical Standards Group meetings representing ANNA - January 2008, March 2008 and May 2008 (TA)
- o Euroclear Issuance Harmonisation Meeting - February 2008 (TA)
- o Visit to Moscow - FFMS and NDC meetings - March/April 2008 (DK)
- o DIN (German Institute for Standardization) NA 43 03 02 02 Wertpapiere (= national counterpart of TC68/SC4) - March 2008 (GE)
- o European Central Bank - April 2008 (GE)
- o Meeting with representatives of the National Bank of the Central African Countries - April 2008 (GE)
- o Workshop “ISIN” versus “alternative instrument identifier” for options and futures for use in connection with Mifid - May 2008. (GE)

### Internal Meetings and Events

- o ANNA OGM – Vienna – June 2007
- o ANNA Board meeting – Berlin - July 2007
- o ANNA Service Bureau Advisory Board meeting – Berlin – July 2007
- o ANNA Board meeting – Buenos Aires - September 2007
- o ANNA WG2 meeting – Oslo – September 2007



- o ANNA EGM - Johannesburg – November 2007
- o ANNA Board meeting – London - January 08
- o ANNA WG2 meeting - Zurich - February 08
- o ANNA Board meeting – Rome - April 08
- o ANNA Service Bureau Advisory Board meeting – London - April 08
- o ANNA WG2 meeting – London - May 08
- o ANNA OGM – Luxembourg – June 2008

### **Next ANNA Meetings already scheduled**

- o ANNA Board Meeting – Budapest – July 2008
- o ANNA Board Meeting – Buenos Aires – September 2008
- o ANNA EGM – Hong Kong – November 2008
- o ANNA OGM – Malta – June 2009





# **ANNA NEWSLETTER & HIGHLIGHTS**

## **ANNA Numbers The World**



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