

June 2009 Edition



ANNA
NEWSLETTER
&
HIGHLIGHTS

ANNA Numbers The World





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ANNA NEWSLETTER

Dear ANNA members,

On behalf of the ANNA Board, I would like to welcome you to the next edition of our ANNA Newsletter. We are pleased to continue with this initiative as it is our belief this is a good communication channel to assist with keeping the ANNA membership informed on industry topics of mutual interest.

Within this edition, we have selected a number of topics that we believe are areas of interest to the entire ANNA membership. Throughout the global securities industry, we are seeing an increased focus on the importance of financial standards. Security identification becomes more and more important in all areas of financial market activities, from the level of trading, clearing and settlement, data distribution and regulatory reporting. The momentum we are seeing in areas of financial instrument standardisation continues to place ANNA in a unique and driving position to offer further contributions in the financial standards arena.

I would like to take use this opportunity to make mention of the pending retirement of Mr. Georg Eisel – the ANNA representative for Germany. On behalf of all the ANNA membership, our sincere thanks and best wishes to Georg for all his efforts and the significant contributions he has made to ANNA over the years of his involvement. We are very grateful for all that Georg has done to make ANNA a better association. On behalf of all of us, we wish you the very best.

In conclusion, we hope the content of this edition of the ANNA Newsletter continues to be of interest and useful to your further understanding of industry matters directly complimenting the activities of the National Numbering Agencies. The ANNA Board would greatly appreciate any comments or feedback on the content of current and past newsletters and on possible future topics we should consider including.

Many thanks in advance.

Sincerely,

Dan Kuhnel
ANNA Chairman

USE OF STANDARDS FOR A BETTER IMPLEMENTATION OF REGULATION

When in 1989 the CNMV, the Securities Commission of Spain, set up a system to supervise the trades completed in the four Spanish Stock Exchanges, the first problem it had to face was the identification of the securities. Each Stock Exchange used its own code to identify the same financial instrument. The CNMV was forced to create cross-reference tables to consolidate the transactions performed on the same instrument in different markets. The following year the CNMV decided to assume the responsibility of National Numbering Agency and to promote the use of standards in the Spanish securities industry.

Things have changed a lot since that date in the financial industry but the requirements for regulators of collecting, processing and disseminating information in an effective way have done anything other than increase. Regulators receive a lot of business information from supervised entities but they are not at the end of the business reporting supply chain. They are just a link in the chain. The majority of the data the regulators receive are forwarded to other national or supra-national bodies or reverted to the financial industry in order to increase the transparency of the financial markets. Investors, analysts, information aggregators, Government Agencies..., reuse the information published by the regulators and try to input this information into disparate computer systems. Multiple formats make data difficult to re-use. Therefore, the current tendency of regulators is to propose information standards that are workable for both, reporting entities and regulators' information recipients.

In addition, there is an increased public demand for regulators to control the cost of compliance and to improve the value of the information they collect. One tool to achieve these goals is the standards based reporting. For anyone responsible for preparing, collecting or analyzing large amount of data, standards based reporting offers substantial benefits by:

- Improving the quality, accuracy and reliability of information.
- Allowing the information recipients to carry out the analysis of the data on a routine basis, minimizing costs.
 - Facilitating the exchange of information and the cooperation among members of the regulator's information supply chain.
- Encouraging the software houses to develop tools for the users of the information.

The need of standardizing processes and information is exacerbated in the current financial regulation as could be seen in the following examples.

The Sarbanes-Oxley act (US Congress, 2002) gave an extraordinary importance to the

IT units within organizations. It required an exhaustive use of reporting tools, control of operational processes and financial accuracy along with real-time issuer related information disclosure. To fulfill these requirements the supervised entities are obliged to increase their IT spending, something that can be mitigated through standardization.

The international accounting standards (IAS) first and the International Financial Reporting Standard (IFRS) later, issued by the IASC and IASB respectively, were developed with the aim of creating understandable and enforceable global accounting standards that forces the companies to include transparent and comparable information in financial statements and other financial reporting.

The first and third pillar of BASEL II framework: “Minimum Capital Requirement” and “Market Discipline Requirements”, published by the Basel Committee on Banking Supervision’s in November 2005, imply a number of reporting obligations of public companies to financial regulators. Both reporting requirements derived from IAS/IFRS and Basel II has led the CEBS (Committee of European Banking Supervisors) to take two initiatives to promote, at a European level, a common reporting of the solvency ratio and a common reporting of financial data. The CEBS has opted for the XBRL international standard to harmonize the format and two XBRL taxonomies have been developed COREP (solvency) and FINREP (financial report).

The European Commission, with the help of some international Committees as CESR (European Committee of Securities Regulators), is currently carrying out the implementation of several Directives related to securities industry that require the use of international standards. This is the case of the Transparency Directive. Article 21 of the Directive obliges the issuers whose shares are admitted to trading on a regulated market to disclose regulated information (annual financial reports, half-yearly reports, major holdings, significant corporate events that could affect the market prices of the securities ...) “in a manner ensuring fast access to such information on a non-discriminatory basis” and to make this information available to an Officially Appointed Mechanism (OAM). In the detailed rules for the implementation (level 2 documents) of the Directive, it is clearly said: “When communicating information to the media, issuers or third parties should give priority to the use of electronic means and industry standard formats so as to facilitate and accelerate the processing of the information” and the same requirement is established for the data submitted by the issuers to the OAMs where the issuers’ information is stored.

The MiFID (Markets in Financial Instruments Directive) is much more explicit in the recommendation of using standards. To comply with the transaction reporting requirements of the Directive (Article 25) a list of 23 mandatory fields has been defined, of which 11

are recommended to be populated with ISO standards. When available, the ISO 6166 for instrument identification, ISO 10962 for instrument type, ISO 8601 for dates and times, ISO 10383 for market identification, ISO 4217 for price notation and ISO 9362 for firm identification have to be used.

Currently in the process of preparation is a new European regulation on Credit Rating Agencies that envisages the creation of a central repository with information on the historical performance data of the Agencies. This information will have to be accessible to the public with the aim of facilitating the understanding of the credit rating activity of each agency and the evaluation of ratings issued. There is a similar project of regulation in US and the SEC has already announced that they will use XBRL to collect information from the agencies. CESR could also consider the use of this international standard.

All of these are some examples of the interest of regulators in using and promoting the use of international standards rather than proprietary formats, classifications or protocols.

Sometimes the requirements of regulators regarding the use of standards have gone further than the reality of standards availability. On occasions, the limited coverage of a standard has hampered the implementation of a European Directive, and CESR has been forced to look for alternative solutions. This happened, for example, with the identification of financial instruments with the ISO 6166. The lack of ISINs for several groups of derivatives led to the creation of the AII (Alternative Instrument Identifier), an identifier just created for MiFID reporting purposes. Something similar occurred with the identification of entities. CESR was expecting to take advantage of the IBEI in the implementation of both, MiFID and the Transparency Directive, but the developing of that ISO standard was frozen and CESR has had to find another way of firm identification. It is currently recommended to identify the firms either with the BIC (ISO 9362), when this code is available, or with a local code when the firm to be identified does not have a BIC allocated.

It is not difficult to conclude that in this context of steadily increasing requirements of standardization in the financial industry, the task of ANNA and other bodies involved in the development and implementation of international standards is acquiring a crucial importance. It is not an exaggeration to say that regulators take into account the availability of international standards before developing second level rules for the implementation of regulations.

José M. Alonso
Comisión Nacional del Mercado de Valores
Spain

ISINS WITH EU-PREFIX

Probably ISINs with EU-prefix have come across your table and you could not find this as a country code in the ISO 3166 tables as an official prefix. Therefore we would like to give you some background information.

First of all EU is a prefix for the region “European Union” which has been reserved upon request by the European Union several years ago for financial instruments that were related not to specific country in Europe but to the whole region. First intention was by the European Central Bank (ECB) to issue debt instruments and have to these instruments ISINs assigned with EU prefix. Upon request by the ECB ANNA developed a rule and included it in the ISIN Guidelines. The German Numbering Agency was appointed by ANNA to act as Numbering Agency. But ECB finally never issued any debt instruments so no EU-ISINs were allocated for such instruments.

Upon extension of the scope of ISO 6166 to new financial instruments such as interest rates, indexes, currencies, cross rates etc. it was agreed to extend the use of the EU-prefixes also for such instruments relating to the European Union. Examples are the Euribor or cross-rates based on the Euro etc.

Recently some issuers have started issuing debt instruments are also related not only to a specific country but to the whole region. Consequently these instruments also receive the EU-prefix allocated by the German National Numbering Agency, Wertpapier-Mitteilungen. These ISINs are uploaded also to the ANNA Service Bureau database for the use by the NNAs and other users of the ASB

If you have any questions, please contact Mr. Uwe Meyer (email: u.meyer@wmdaten.com or phone: +49 69 2732-226)

Uwe Meyer
ANNA Secretariat

REGIONAL GROUP REPORTS

ANNA LATIN AMERICAN REGIONAL GROUP (ALARG)

Caja de Valores S.A., in its capacity as Regional Manager, has been constantly in touch with all the Regional NNAs, intensifying the communication channel between them and ANNA. The principal events that took place since the last General Meeting held in Hong Kong are listed below:

- Bolsa de Valores y Productos de Asunción was appointed by the correspondent Regulatory Authority as the NNA for Paraguay, and has submitted the Partnership Agreement to the ANNA Secretariat. A meeting was also held in Buenos Aires to coordinate the legal steps to become an ANNA Partner. Their incorporation to ANNA will be decided during the General Meeting to be held in Malta in June 2009.
- DECEVALE , the Central Securities Depository of Ecuador, was appointed as the NNA for this country. Caja offered to host a meeting with the representatives from DECEVALE in order to organize the following steps in the implementation of the Standards ISO 6166 and ISO 10962 within their market. The system for ISIN and CFI allocation is currently being developed. The Partnership Agreement has been executed and sent to the ANNA Secretariat, and the Members will have the opportunity to welcome this NNA as a new Partner in the Malta Meeting.
- On December 2008, the Supervisory Authority of Colombia issued a domestic regulation stating the new numbering system should be settled within the Colombian market during this year. DECEVAL, the Colombian NNA confirmed that the allocation systems are being developed, and they will start with the testing period in August 2009.
- CEVALDOM, The Dominican Republic NNA, that joined the Association in the Luxembourg Meeting as Partner, has already started allocating ISIN Codes, and feeding the ASB database. No problems were found during the hand-over process with the SNA (CUSIP S&P).
- Bolsa de Valores de São Paulo S.A. (BOVESPA), the Brazilian NNA, merged with the CSD (Companhia Brasileira de Liquidação e Custodia – CBLC) and the Derivatives Exchange (Bolsa de Mercadorias e Futuros BM&F S.A.). The new company from this merger is “BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros”, that will continue dealing with the responsibilities of the National Numbering Agency.

SUMMARY OF PRINCIPAL ITEMS ADDRESSED IN THE LAST BOARD MEETINGS (JANUARY AND APRIL 2009)

SLA with ISO for Registration Authority Function

Agreement with ISO has been reached in most of the clauses of the SLA.

There are still some open items regarding General Liability Insurance, and certain terms definitions, that still need further discussion.

A survey of NNA's ISIN assignment fees was completed and submitted to ISO, in order to comply with their requirement.

ANNA website

The FAQs section was reviewed and updated, and new abbreviations were added to the Abbreviations list.

A new website of the Association is being developed by WM Datenservice. A presentation of the draft version of the site was made, and the Board agreed on the principles of the new structure and the additional functional features presented. Some comments were made by the Board members which will be taken into account during the further development. The new content and format of the website is intended to offer a more effective tool for the ANNA members and external users.

ASB SSLA

There have been discussions at the Board level regarding next steps in relation to the review process that was assigned by the membership in the Hong Kong Meeting. This will be an agenda item in the next Board Meetings, and a presentation will be made in the November ANNA EGM

Standardization

Strategy towards adoption of new ISO standards was agreed, and guiding principles were established.

An action plan was also agreed regarding the implementation of FISN Standard (ISO 18774).

The ISIN Quality Management Criteria was reviewed, and the updated version has been posted in the ANNA website.

European Commission Request

The European Commission requested information from the ANNA Board regarding the investigation they are currently conducting related to the Licensing Fees charged by CUSIP Service Bureau within Europe. The reply was prepared by the Board and sent to the Commission.

The Board also prepared ANNA specific background material to assist those NNAs asked to provide details on local market activities.



MEETINGS AND EVENTS ATTENDED BY ANNA BOARD MEMBERS (NOV. 2008 / MAY 2009)

External Meetings and Events

- o ISO TC68/SC4 Working Group 8 – Feb. 2009 (T. Allison)
- o CESR meeting – May 2009 (D. Kuhnel)
- o ISO TC68/SC4 Working Group 1 (5 meetings through 2009) – (D. Kuhnel)
- o Inside Market Data/Securities Industry News interviews – (D. Kuhnel)

Internal Meetings and Events

- o ANNA Board and FISN Task Force meeting – January 2009
- o ANNA Board – April 2009
- o ANNA WG2 – March 2009 (D. Kuhnel / E. Sánchez)
- o ANNA Working Group 2 – May 2009 (conference call)

NEW ANNA MEMBERS

New ANNA Full Members:

- Bourse des Valeurs Mobilières de l'Afrique Centrale (Gabon and CEMAC countries)
- Central Securities Clearing System Ltd. (Nigeria)

New ANNA Partners:

- Damascus Securities Exchange (Syria)
- The Vietnam Securities Depository (Vietnam)

Potential New Partners / Members:

- Central Depository of Armenia (Armenia)
- Bahrain Stock Exchange (Bahrain)
- DECEVALE (Ecuador Central Securities Depository)
- Financial Supervision Agency - FSA (Georgia)
- Agency for Financial Supervision of the Republic of Kazakhstan
- Palestine Securities Exchange (Palestine)
- Bolsa de Valores y Productos de Asunción S.A. (Paraguay)
- Securities and Commodities Authority (SCA) (United Arab Emirates)

Hello ANNA friends,



It is with a mixture of sadness and excitement that I write this article. At our last General Meeting in Hong Kong on November 6 and 7, 2008, I announced that, due to my retirement as Managing Director of WM Datenservice, I would also step down from my various functions and from the ANNA Board. Now, as my farewell has become reality, I would like to say a few words on my departure. After a long time working with and for the financial industry, as well as for national and cross border standardization—especially in and for this organization named ANNA—I feel it is the right time to have a look back, and a bit of a look forward.

As this family has grown rapidly and constantly over the past years, many of our members are probably not fully aware of the history of our organization, nor of the driving forces behind its function, obligation, and challenges.

Fifty fast-paced years lie between the first objectives and the present challenges. After the first wave of financial globalization in the stock and bond markets, paper based securitization and physical delivery became a nightmare. The low rate of technical support, coupled with increasing volume, gave rise to the need for qualified concepts for the operation, sorting, safekeeping, and management of securities. A unique securities identifier with the qualification of an international product label emerged as an ultimate requirement, leading to the first draft of an ISO Standard for the securities business—ISO 6166—in 1977 (in Moscow, by the way). It came into being in November of 1981. A number of years later, in 1992, ANNA evolved as a maintenance agency for setting operational guidelines to ease the process between issuers and investors. The allocation competence of the existing NNAs and the substitution in emerging markets, along with conflict management in respect of protectionism, were the driving forces in increasing visibility and technical presence in the market. The electronic information database using web technology was developed and financed by the members and introduced as GIAM in 1994, followed by the ASB in 2001.

Today, the association has earned a great reputation among various organizations and is recognized by international regulators as the driving force and a substantial pillar of the global securities business. A great number of ISIN-linked standards managed by the NNAs contribute to the effectiveness and transparency of the global financial markets. Looking at the success story of ANNA, questions arise: Who is the driving force behind this? How can ANNA convince its members to stay over time; to be sufficiently attractive to keep its members happy?

In my opinion, the answer is in the unique inspiration, challenge and combination of tasks assembled within this organization. Specifically, this refers to daily operation and tension, new requirements to be resolved at short notice and under pressure, and the challenge of data and information management using new information technology for the documentation and education of members and market participants. All of this is closely linked to the relationship and friendship that we have established amongst ourselves, and the way we are able to communicate with each other to get things done. This has played a large part in the success story of ANNA and the ISIN.

The future developments within the financial industry will be supported by much larger logical, technical and operational standardization. The transformation into being and daily work requires and must therefore be supported by increased transparency in terms of not only technique, operational quality and ongoing development; the business and commercial factors associated with all of these costly undertakings need to be resolved. Intensive communication between market demanders, providers, and regulators is therefore a must, in order to guarantee high transparency in this multi-functional financial community.

I am sure that our organization will continue to make significant contributions, and can provide sustainable solutions to all of these developments based on its achievements till now.

I wish you all a great time and a prosperous future.

G. Eisel



SAVE THE DATE!

**Next ANNA Extraordinary General Meeting: Nov. 4-6, 2009
To be hosted by the Singapore Exchange Limited.**



CONTACT US:

**ANNA website
www.anna-web.com**

**Mr Uwe Meyer
ANNA Secretariat
u.meyer@wmdaten.com
Phone: (49) 69 27 32 226
Fax: (49) 69 27 32 7226**

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