



COMP7407

SECURITIES TRANSACTION BANKING

2020/21 – ASSIGNMENT: INVESTMENT PRODUCTS, PROCESSING AND THE BLOCK CHAIN

Dr. Juergen Rahmel

HSBC Germany / Hong Kong

IETC Information Engineering – Teaching and Coaching Inc.



Assignment

Submit before Nov 15, 23:59pm

Questions - Please answer all questions

Familiarize yourself with the concept of the Blockchain and how it can apply to servicing of Securities.

Use the materials given so far on Moodle and read other materials (self-researched) if you need to solidify your understanding of the principles behind processing of securities and blockchain / Distributed Ledger Technology (DLT).

Task:

Imagine that you are the product owner for Securities Services in a major multinational transaction bank which offers proper securities backoffice processing for their client banks. Those client banks now start to request the inclusion of (DLT)-based services. This will lead to systems that need to combine current and DLT-based functionality.

Please answer the following questions in this context:

- 1) (50%) Compare and Contrast the (a) current Delivery Versus Payment (DVP) securities settlement (based on T+2) and basic corporate action processes (Dividends, Coupon payments) with the opportunities promised by (b) a Blockchain-based settlement and corporate action process. To answer these questions please
 - first briefly describe the working principle and involved parties for both settlement/Corporate action options(a) and (b) separately and then
 - explain similarities and differences between the two optionsPlease make sure you consider the securities movement as well as the payment movement in your answers.
- 2) (30%) Please propose a functional description of the modules required in an architecture that offers for a consumer (=customer of a client bank) a joint view on their assets (i.e. demonstrate how to obtain a joint account statement for the consumer holdings).
- 3) (20%) What are the regulatory considerations that Banks and Markets need to solve when attempting to adopt a Blockchain solution for settlement of securities and payment? What are the additional complexities arising from your solution in Question 2?

Assignment

Some good ideas

- Create a nice piece of text
 - should look nice when printed - give it a title, page numbers, subheadings
 - should be complete with Name and Student ID on the pages
 - should have an academic tone to it (= no colloquial terms, use some “official” language)
- Consult students, books, internet
 - do some reading, to get more context
 - do your ‘own reading’ – do not rely on given texts
- Think about what you want to write
 - give it a structure
 - explain the structure
 - make your statements / write your answers
 - strip away everything that does not help to support your main idea
- Some words attributed to Blaise Pascal:
 - **“I would have written you a shorter letter, but I did not have the time”**

nicest look and feel
(totally subjective!!):

L^AT_EX



Assignment

Some bad ideas

- Don't write all you know about a subject
 - being selective in your answer shows that you know what is important
 - writing all kind of facts unrelated to the question shows that you have difficulties in separating the important from the unimportant facts
- Beware of Wikipedia, Investopedia, ...
 - For our purposes, Wikipedia can be a valid source of initial/general knowledge
 - For later uses (your thesis, academic texts), Wikipedia is an invalid source
- DO NOT COPY TEXT FROM ANYWHERE !!!!
 - verbose “borrowings” must be labeled as such (nothing wrong with referring to or citing small portions of other writers' text, that is part of academic writing)
 - However, copying of text without giving the source of it is PLAGIARISM !!
 - copying 7 pages of text from internet is not a valid answer to a University assignment (don't laugh ... it happened ... here at HKU....)

Assignment

Some bad ideas - Plagiarism

- which cash flow the investor receives/anticipates, and when?
- on which factors the overall value of the investment depends?

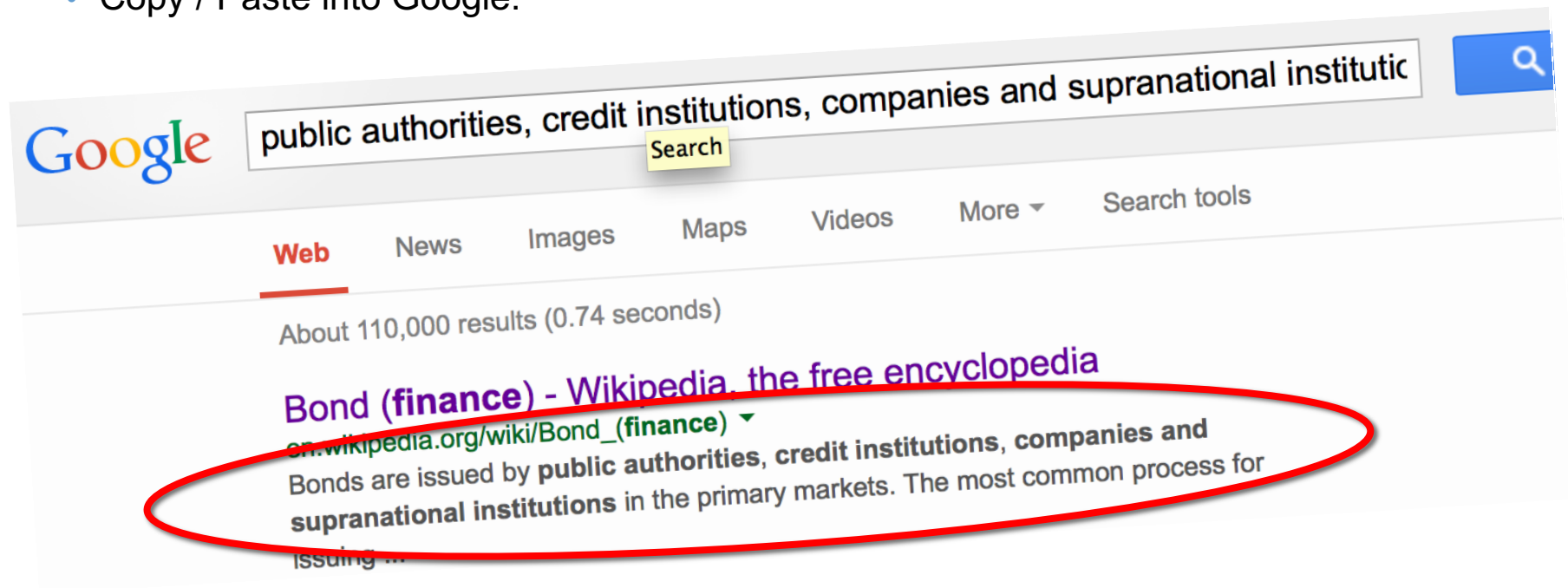
Bond is an instrument of indebtedness of the bond issuer to the holders. It is issued by public authorities, credit institutions, companies and supranational institutions in the primary markets. These instruments' purpose is to borrow funds. The issuer will repay the principle and yield to investors on the maturity date. So the term of investment is

- Wonderfully written:
 - Bond is an instrument of indebtedness of the bond issuer to the holders. It is issued by public authorities, credit institutions, companies and supranational institutions in the primary markets.

Assignment

Some bad ideas - Plagiarism

- Copy / Paste into Google:



- Wonderfully written?
 - Bond is an instrument of indebtedness of the bond issuer to the holders. It is issued by public authorities, credit institutions, companies and supranational institutions in the primary markets.

Assignment

Some bad ideas - Plagiarism

- Visit Wikipedia page:

Bond (finance)

From Wikipedia, the free encyclopedia

This article is about the financial instrument. For other uses, see [Bond \(disambiguation\)](#).

In [finance](#), a **bond** is an instrument of indebtedness of the bond issuer to the holders. It is a debt security, under which the issuer owes the holders a debt and, depending on the terms of the bond, is

- Wonderfully written ???:

- Bond is an instrument of indebtedness of the bond issuer to the holders, issued by public authorities, credit institutions, companies and supranational entities in the primary markets.





Assignment

Some bad ideas - Plagiarism

- Handling for this assignment:
 - when found within a sub-answer, then the **assignment** is marked '0'.
 - when found multiple times within a question, then the **assignment** is marked '0'.
 - when found in multiple questions, then the **assignment** is marked '0'.

...you get the pattern ...

thus: 40% of your course marks are at risk.



Assignment

How to cite properly

- What to cite:
 - direct quotations
 - Ideas that are not your own
 - facts taken from other texts when they are not 'common sense' or 'common knowledge'
 - all direct 'paraphrasings' of other texts
- What to ask yourself
 - have I marked all direct usage of other texts as such?
 - can the reader distinguish between my own writing and the ideas and texts of others?

Assignment

How to cite properly

- How to cite:

Womack and Jones have analyzed companies, production processes and have subsequently developed the ideas they termed *Lean Thinking* (Womack, Jones & Roos 1990). Underlying theme is to focus on value creation and eliminate unnecessary work, the so-called *waste* or *muda*.

Womack & Jones (2003) summarize the 5 principles behind lean thinking as the following:

Specify Value Mostly, value is assigned to a product, product line or service by management and financial officers through the revenue stream this product or service

Taiichi Ohno, the creator of the Toyota production system, attributed to it that it absolutely eliminates waste. Reason behind this is in most simplistic terms summarized by his statement “All we are doing is looking at the timeline from the moment a customer gives us an order to the point when we collect the cash. And we are reducing that timeline by removing the nonvalue-added wastes” (Ohno 1988). This is clear expression of the intention to combine customer pull and reduced production times in order to match the objectives of both parties, customer and corporations.

The principles above are well researched and valid, however they are rather mechanistic in their approach and leave out one important aspect: human nature and especially

Assignment

How to cite properly

- Have a list of references at the end of your text:

Bibliography

- Altehed, T. & Ingmarsson, R. (2011), Identifying friction between large-scale agile software development and plan-based business processes, Master's thesis, Chalmers University of Technology, University of Gothenburg.
- Bensemhoun, D., Chartrin, C. & Kropf, M. (2011), 'Tackling the roots of underperformance in banks' IT', *McKinsey on Business Technology* (24).
- Besanko, D., Dranove, D., Shanley, M. & Schaefer, S. (2010), *Economics of Strategy*, 5th edn, Wiley.
- Boehm, B. (1986), 'A spiral model of software development and enhancement', *ACM SIGSOFT Software Engineering Notes* **11**(4), 14–24.
- Boehm, B. & Turner, R. (2005), 'Management challenges to implement agile processes in traditional development organizations', *IEEE Software* **22**(5), 30–39.
- Child, J. (2002a), Theorizing about organization cross-nationally: Part 1—an introduction. in M. Warner & P. Jovnt. eds. 'Managing across cultures: Issues and perspec-