

**AMERICAN BAR ASSOCIATION SECTION OF BUSINESS LAW  
TASK FORCE ON SECURITIES HOLDING INFRASTRUCTURE  
*OVERVIEW AND BACKGROUND***

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**Background:**

The Task Force (TF) was organized in 2020 within the ABA'S Section of Business Law and is sponsored by seven of the Section's Committees: Banking, Bankruptcy Court Structure and Insolvency Process, Business Bankruptcy, Commercial Finance, Federal Regulation of Securities, Trust Indentures and Indenture Trustees, and UCC. As explained in the [proposal for the TF made to the Section's leadership](#), the project involves an examination of the prevailing financial infrastructure for the post-settlement holding of securities in the United States. Although the work necessarily would consider prevailing systems for trading and settlement, the focus is on the post-settlement holding infrastructure—the so-called "intermediated" or "indirect" holding system.

The [Mission Statement](#) of the TF provides that the TF will:

- (i) examine the infrastructure for the intermediated holding of securities in the United States, (ii) identify, analyze, and assess the significance of any problems associated with the infrastructure, and (iii) identify and assess plausible means of addressing any problems.

The intermediated holding infrastructure has served well its primary function of facilitating trading and settlement in the public securities markets. That said, several problems internal to the securities markets have been identified. The exercise of investor rights, including shareholder voting, is a notable example. Other problems arising from the deeply intermediated, non-transparent, omnibus account-based holding infrastructure, some external to the securities markets, have been noted as well. Inspired in part by emerging technologies (including blockchain and other distributed ledger technologies), several academic commentators have called for consideration of infrastructure modifications that would provide increased transparency and more efficient approaches to direct holding of securities on the books of issuers.

The TF plans to issue a written report by September 2022. The report will summarize the activities undertaken by the Task Force and describe its findings. The report will describe and explain any conclusions reached and any recommendations. On significant matters as to which no consensus is reached it will reflect the various views of the participants.

Interested persons across a broad spectrum legal and financial market professionals have participated in the TF's meetings to date. The [current distribution list for the TF is here](#). However, additional participation and input would be welcome, particularly from the various investor communities, as the work of the TF continues.

### **Meetings:**

The TF held six virtual, online meetings in 2020 and four such meetings in 2021. [The Agendas and Notes of the meetings are available here](#). Six of the meetings involved formal panel discussions by experts on the relevant topics followed by open discussions.

**2020 Meetings:** The March 27 meeting involved a discussion of the organization and work to be undertaken by the TF and an open discussion of substantive issues. The meeting on June 24 addressed shareholder voting within the intermediated holding system. On August 11 the meeting considered a variety of litigation and enforcement issues with particular attention on the rights of bondholders. The September 15 meeting was devoted to issues associated with the operations and regulation of broker-dealers that maintain securities accounts for their customers. A meeting on September 25 was held as a part of the Section's (virtual) Annual Meeting and provided an open discussion of issues and plans for the TF. The October 27 meeting addressed the role and operations of bank custodians, primarily from the perspective of custodian banks.

### **2021 Meetings:**

The TF held meetings featuring open discussions on April 23 in connection with the Section's (virtual) Spring Meeting and on September 24 in connection with the Section's (virtual) Annual meeting. The TF meeting on May 26 featured a panel discussion on DTCC and DTC: Yesterday, Today and Tomorrow. The meeting on July 21 included a panel discussion on Anti-Money Laundering And Sanctions: Compliance Issues in the Intermediated Holding System. The TF will continue to hold meetings through 2022 as needed to develop and finalize its report.

Comments, suggestions, and expressions of interest in participating in the work of the TF should be directed to the co-chairs (contact information above).