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Europe's Premier Corporate Actions Event



Hervé Valentin, Head of Asset Servicing, SWIFT



WELCOME TO CORPACTIONS 2012. SWIFT is delighted to continue its association with this important annual corporate actions event, as our industry continues its journey towards achieving higher levels of STP for this vital asset servicing activity.

This year, a packed conference agenda and busy exhibition promise once again to provide a highly stimulating environment in which to debate the key issues affecting the corporate actions business - to foster real progress towards addressing those issues and achieving our corporate actions efficiency goals.

We will explore how the asset servicing landscape is changing, and what is driving that change. We will examine the proxy voting and regulatory changes impacting corporate governance on a global basis, and ask how market participants are – and should be – responding. We will look at how the financial crisis has changed the type of corporate actions we need to manage – and debate how best to accommodate these new market realities.

Through a sneak preview of the results of the latest survey of the corporate actions marketplace run by CityIQ and SWIFT, we will try to establish precisely how far the process of implementing STP for corporate actions has progressed, discussing the market's latest achievements in this area and trying to predict the trends for the next two to three years.

We will look at the impact of innovation on asset servicing, and at the way in which T2S and the flood of new regulation are bringing about change in the world of corporate actions. We will also chart the latest developments in taxation and reporting, explore how to build a business case for implementing corporate actions STP, and examine the added complexities of global operations in the corporate actions context.

All in all, a packed day. I look forward to meeting you at CorpActions 2012, and I wish you an informative and productive conference.



Simply the Cloud

By Daniel E. Retzer
Managing Director
Chief Technology Officer
XSP

Peel away the marketing hype and the Cloud may appear to be a simple concept that has been around for decades in the computing world – that is, a model of providing software from a remote location, over a network, where the organisation using the software does not have to be involved in the day to day running of it.

So why the buzz about all things Cloud? The Cloud is about much more than just hosting an application. It's transforming the way that software is provided and consumed. The Cloud frees people and organisations from being tied to the desk or expensive, tedious software deployment and support models. The Cloud removes the artificial barriers that technologists have placed around software and solutions so that people can interact with information in a more natural, intuitive manner. The Cloud removes fear and uncertainty; it falls more into line with what we, as consumers, have come to expect with other ubiquitous forms of technology, like the Television or the microwave oven. Push a button and it works. We, as consumers, do not need an understanding of nuclear engineering to warm a cup of tea. Why should we then be expected to care about TCP/IP, HTTPS, and other fundamentals of network engineering and software engineering if all we want to do is share a picture with friends or access reference data from different parts of the world?

The concept of the Cloud is deceptively simple. It's important to understand that the Cloud

encompasses several concepts that, until the advent of ubiquitous, high-speed access to data networks (e.g. Broadband Internet, Wi-Fi and 3-or-4G), were not really economically or technically feasible. These concepts include Virtualisation, Multi-Tenancy and Software as a Service.

Virtualisation is an important ingredient in the Cloud because it removes the physical constraints on the hardware systems that support applications in the Cloud. The ability to virtualise servers or simulating multiple machines on a single physical machine is a crucial step in defining the Cloud because it makes hosting of software applications more cost effective and simpler to manage. Virtualisation also paves the way for multi-tenancy, which is where a single instance of software runs on a server and available to multiple client organisations (tenants).

Multi-Tenancy allows applications to host different client organisations without requiring additional hardware components. In a Multi-Tenant environment, multiple customers share the same application code, running on the same operating system and hardware with the same data-storage mechanism. The distinction between the customers is achieved during application design, thus customers do not share or see each other's data or configurations.

Software as a Service (SaaS) is a model of software delivery in which software users only pay for what they consume. It is built upon the underlying concepts of multi-tenancy

and, in many cases, virtualisation, and is the predominant business and operations model in the Cloud.

At XSP, the Cloud and SaaS are the realisation of the Product and Technology vision that began with a clean sheet of paper and the re-architecture of the XSP® v5 Corporate Actions platform. XSP offers various flavours of Cloud Computing. In a Private Cloud environment, we 'lift and shift' the XSP v5 software from your local environment into the Cloud and offer managed hosting services to help you manage and maintain software and servers remotely.

With our new XSPrisa™ Corporate Actions SaaS solution, this lighter, more agile version of the XSP platform in the Cloud allows clients to sign onto the service simply by accessing a portal and selecting the options and extras that they wish to pay for (e.g. vendor data sources, additional widgets beyond the basic Corporate Action response management, etc.) and access all of their required features via the XSP GO!™ portal. It's all delivered seamlessly and securely to each user's customised dashboard via the Web, whilst the monitoring and management of the systems is managed by XSP professionals in a state-of-the-art Cloud data centre.

In short – the Cloud is an enablement platform for business. Users of business applications simply expect things to just, well...work. They should not be experts in the underlying complexity. Software's complexity should be reduced to the simplicity of a button. ☁️

08:50 CorpActions 2012: welcome by SWIFT
Herve Valentin, Head of Asset Servicing, Securities Markets, SWIFT

09:00 Chairman's Introduction: The changing landscape of asset servicing
John van Verre, Head of Global Custody, HSBC Securities Services, HSBC Bank PLC

09:30 Proxy Voting & Corporate Governance in a Global Marketplace

- What are the proxy voting and regulatory changes impacting corporate governance on a global basis?
- How are market participants responding?
- What will be the likely impact of the Securities Law Directive and the Stewardship Code
- How is the advent of electronic voting (to replace manual voting) affecting market participants?

Moderator & Contributor

Justin Chapman, Senior Vice President, Global Head of Industry Management, Operations and Technology, Northern Trust

Panellists

Dean Little, Asset Servicing Product Development Manager, EMEA Citi

Robert G. Hardy, Executive Director, Head of Corporate Governance, JP Morgan Asset Management

Edwin De Pauw, Director, Product Management, Euroclear

Naz Sarkar, CEO, Computershare Investor Services PLC

Bruce A. Babcock, President, ICS International Broadridge Financial Solutions

10:15 Working with the New Market Realities to Service Investors Effectively

- How the financial crisis has changed the type of corporate actions we need to manage
- Understanding the new service requirements from investors and their custodians
- What the intermediaries are doing to meet the challenges of addressing these needs
- Focusing on diversifying service portfolios and improving the quality of service delivery
- Where new technology and/or third-party providers can add value and in what ways

Moderator & Contributor

Edwin De Pauw, Director, Product Management, Euroclear

Panellists

Paul J. Matthews, Vice President, Equities Trading, Credit Suisse Securities (Europe)

Jean-Marc Belaich, Senior Consultant, Sterci

Naz Sarkar, CEO, Computershare Investor Services PLC

Michael Collier, Market Advocacy, Event Management Asset Services, Private & Institutional Client Services - Operations, Deutsche Bank AG

Michelle Fitzpatrick, Vice President, Global Securities, Corporate Actions, Bank of America Merrill Lynch

11:00 Networking Break & Vendor Demonstrations
Meet the exhibitors, including a product demonstration by Sterci at 11:10

11:30 STP in Corporate Actions – It is moving! Latest progress and the way forward!

Building on the results from the latest survey of the corporate actions marketplace run by CityIQ and SWIFT, this session will review the market situation related to automation, and discuss the latest achievements and the trends for the next two-three years.

- Where are we today? How has the situation evolved since the last SWIFT-CityIQ survey in 2008?
- Major industry achievements and initiatives since 2011?
- Are there striking trends in terms of automation?
- Are there best-in-class markets; what remains to be done; and where should the focus be put in the next few years?
- An overview of 'My Standards', STaQs and other initiatives from SWIFT
- A focus on implementation.

Moderator & Contributor

Paul Wiltshire, Director, CityIQ

Panellists

Herve Valentin, Head of Asset Servicing, Securities Markets, SWIFT

Devesh Gupta, Global Product Head - Corporate Actions, Tata Consultancy Services

Annette Brandt, Head of Asset Servicing, Product Management, Euroclear SA/NV

Werner Frey, Managing Director - Post Trade, Association for Financial Markets in Europe (AFME)

12:15 Innovation & Technological Developments within Corporate Actions

Harry Rana, Senior Business Analyst, XSP

13:00 Networking Lunch

Meet the exhibitors, including a product demonstration by Smartstream at 13:10 & XSP at 13:40

14:00 Policy & Regulation Developments: T2S and a flood of new regulations

T2S has progressed significantly with the signing of the Framework Agreement by a strong majority of European CSDs. But market participants face an unprecedented amount of new regulation in the same time frame as their T2S adaptation.

- What does T2S and its lean model mean for the future of Corporate Actions processing?
- How will the market respond to the impacts of CSDR, AIFMD, UCITS V, MIFID II, PD II and other potential regulations?

Moderator & Contributor

Virginie O'Shea, Analyst, Aite Group

Panellists

Robert Somogyi Vice President, Business Strategy, Clearstream

Britta Woernle, GTB/ DSS Product Management - Market Advocacy & Business Strategy, Deutsche Bank AG, Frankfurt & member, T2S Task Force

Benjamin Weatherley, Vice President, ISG Operations, Morgan Stanley and member, Corporate Actions Sub-Group, T2S Advisory Group

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14:45 Taxation & Reporting

- FACTA
- Swiss Final Withholding Tax Agreements with the UK, Germany and Austria
- The EU Savings Directive

Moderator & Contributor

Stephen Pinner, Managing Director, Goodacre and Secretary, Securities Industry Management Association

Panellists

Dominique Tanner, Head of Business Development at SIX Financial Information

Mariano Giralt, Managing Director, Head of Tax, Bank of New York Mellon Asset Servicing

Anthony Calabrese, Senior Manager, US Tax Specialist and member of FATCA Leadership team, Ernst & Young

Stuart Lindsay, VP Vendor Management, JP Morgan

How to successfully implement an STP solution

- Documentation, documentation, documentation
- Project risk and resourcing vs Operational risk control
- Common barriers to achieving full STP
- Working with 3rd party vendors
- Implementation strategies

Adam Stern, Managing Director, Ibacas Consultancy Ltd

16:30 Global implications of Corporate Actions

- Offshoring vs Outsourcing : what, when and how
- Cross Border Voting
- Foreign Ownership Restrictions
- Emerging markets
- Corporate Actions within the wider landscape

Moderator & Contributor

Eddie Heaton, Managing Editor, International Securities Services Magazine

Panellists

John Byrne, CEO and founder, Information Mosaic Buyside Representative TBC

John van Verre, Head of Global Custody, HSBC Securities Services, HSBC Bank PLC

John Kernan, Senior Vice President, Clearstream Banking

15:30 Networking Break & Vendor Demonstrations

Meet the exhibitors including a product demonstration by TCS at 15:40

16:00 Successfully Managing Change to Realise STP Building a business case

- Identifying the business drivers for change
- Defining the future state
- Technology solution vs Target Operating Model
- In-house build vs buy
- Short term fix vs long term strategy

17:15 Chairman's Closing Remarks

John van Verre, Head of Global Custody, HSBC Securities Services, HSBC Bank PLC

Speakers



Virginie O'Shea, Analyst, Aite Group

Virginie is an analyst with Aite Group covering data management and post-trade technology. She brings more than nine years of experience in tracking financial technology developments in the capital markets sector, with a particular focus on regulatory developments and standards.



Werner Frey, Managing Director - Post Trade, Association for Financial Markets in Europe (AFME)

Werner Frey is the M D of the Post Trade Division of AFME, Association for Financial Markets in Europe, set up as of 1 November 2009 through a merger of SIFMA Europe and LIBA. From 2002 to 2008 Werner Frey was the CEO of the European Securities Forum, ESF.



Michelle Fitzpatrick, VP, Global Securities, Corporate Actions, Bank of America Merrill Lynch

Michelle is responsible for the oversight of Voluntary & Mandatory Corporate actions for EMEA Equity products. Michelle is currently part of the T2S Corporate Action Sub Group and participates in the ISLA Corporate Actions Group forum on behalf of Bank of America Merrill Lynch.



Mariano Giralt, MD, Head of EMEA Tax Services BNY Mellon Asset Servicing

Mariano is also a member of the Tax Committees of the British Bankers Association International Custody Tax Liaison Group (BBA – ICTLG), the Association of Global Custodians (AGC), the International Swaps and Derivatives Association (ISDA).



Bruce A. Babcock, President, ICS International, Broadridge Financial Solutions, Ltd

Bruce joined ADP/Broadridge in March 2003, and is currently working on introducing electronic voting systems for retail and institutional shareholders in several European countries through an alliance with Euroclear. He is a founding and still active member of the International Corporate Governance Network.



Dean Little, VP, Global Transaction Services, Custody Global Product Development, Citi

Dean joined the Citi regional Direct Custody product management and development team within EMEA in April 2010 and has specific responsibility for the asset servicing product across the 34 markets within the EMEA region.



Paul Wiltshire, Director, CityIQ

Paul is a director of CityIQ, the specialist consultancy that works with many of the leading organisations in Financial Services. He leads the CityIQ research team, which since 2003 has carried out numerous capital markets surveys, including three targetting corporate actions



John Kernan, SVP, Clearstream

John works in Clearstream Banking's Product Management Department and is responsible for corporate actions, income and tax. As well as the maintenance of these core products, John works on a number of business development initiatives, including most recently Clearstream's enhanced proxy voting service offering in conjunction with ISS.



Robert Somogyi, VP, Business Strategy, Clearstream Banking

Based in Luxembourg, Robert is focussed on strategic projects in Clearstream's regulatory and competitive environment as part of the Business Management department. Rob joined Clearstream in 2006 and has since provided strategic, financial and economic analysis on multiple topics including T2S.



Naz Sarkar, ACIS, CEO, UCIA Computershare Investor Services PLC

Naz has responsibility for all business lines across the UK, Channel Islands, Irish and African regions, as well as the European proxy solicitation operations of Georgeson. Prior to joining Computershare, Naz was with Lloyds Registrars for more than 15 years.

DTCC

Major corporate actions users go live with DTCC's ISO 20022 messaging



Dan Thieke, Managing Director, DTCC

Three leading financial institutions have gone live with DTCC's new global ISO 20022 corporate actions messaging in the last four months fostering reduced risk, increased automation and transparency for U.S. corporate actions announcements.

The institutions, which were part of an eight-month pilot program beginning in April 2011, are BNY Mellon, Brown Brothers Harriman and JPMorgan Chase. The pilot tested all event types for corporate action announcements, including dividends, principal and interest, redemptions and reorganization events such as tender offers, exchange offers, mergers and warrants.

DTCC developed the new messaging documentation in collaboration with SWIFT, a global provider of secure financial messaging services and the ISO 20022 (International Organization for Standardization) Registration Authority.

The launch of ISO 20022 processing is an integral part of DTCC's overall reengineering initiative. The multi-year initiative will replace multiple legacy systems with a single new platform that allows users to manage their entire corporate actions process from announcements through instructions to payments.

"This represents a milestone for both DTCC and these institutions," said Daniel Thieke, DTCC Managing Director, Asset Services. "BNY Mellon, Brown Brothers Harriman and JPMorgan Chase have been involved with DTCC's ISO 20022 program from the start. As leading global custodians, these companies understand the benefits that

DTCC's reengineering initiative brings to corporate actions announcements processing – including moving the industry closer to straight-through processing and further reducing risk."

"We continually focus on providing global custody clients with a uniform experience across all markets," said Stephanie Keppenne, BNY Mellon Managing Director and Head of Core Custody Product Management. "The new messages will allow for more transparency and standardization, reducing time to market and giving clients more time to make informed investment decisions."

"The level of granularity and standardization in the new messages enhances transparency and adherence to market practice. This give asset managers more time to make the investment decisions required for these event types," said Sonda Pimental, Vice President, Brown Brothers Harriman and Co-chair of the ISITC Corporate Actions Working Group.

"This is a significant event for JPMorgan Chase and for our clients," said Mark Trivedi, Product Head for Global Custody Americas at J.P. Morgan Worldwide Securities Services. "ISO 20022 brings major new efficiencies to corporate actions processing, helping to reduce risk, foster transparency and streamline the delivery of corporate actions information."

"Partnering with DTCC on their corporate actions messaging solution is another example of how we are working with the industry to answer shared industry challenges through a common set of standards," Chris Church, Chief Executive

Americas and Global Head of Securities, SWIFT said.

DTCC will continue to onboard new clients for ISO 20022 announcements throughout 2012 and into next year. The company will also launch the pilot in Q3 2012 for distribution events covering the entire corporate actions lifecycle, including entitlements, settlements and election processing for events eligible for its Elective Dividend Service (EDS).



Paul J. Matthews , VP , Equities Trading Credit Suisse Securities (Europe) Ltd

Paul has been in the industry for 20 years, at Fund Management Houses, Custodians and for the last 7 years in Investment Banking at Credit Suisse. He has always been associated with Corporate Actions, initially processing, then Client Service for event driven Hedge Funds and trading Delta one strategies.



Robert G. Hardy, Executive Director, Head of Corporate Governance, JP Morgan Asset Management

Robert is responsible for implementing the firm's corporate governance policy and for engaging with companies on governance and sustainability issues. He is also responsible for advising analysts and portfolio managers on the governance profiles of the companies in which we invest and co-ordinating proxy voting activity.



Michael Collier, Market Advocacy, Event Management Asset Services, Private & Institutional Client Services - Operations, Deutsche Bank AG

With a substantial background at several Corporate Action specific organizations, including Euroclear, Cantor Fitzgerald and UBS, Michael Collier brings with him a wealth of Asset Services experience, specifically in the Voluntary Event space.



Stuart Lindsay, VP Vendor Management, JP Morgan

Stuart has worked in the financial services industry for over 20 years, which has taken him from London to Athens, New York and Bournemouth. In the last few months, Stuart has moved into a full time Vendor Manager role responsible for market data vendors across multiple lines of business.



Britta Woernle, GTB/ DSS Product Management - Market Advocacy & Business Strategy, Deutsche Bank AG, Frankfurt

Britta is part of GTB's Market Advocacy & Business Strategy team. In this role she is monitoring several EU legislations regarding the financial market infrastructure and T2S comprising also impact analysis of the regulations/ directives on DSS's business.



Adam Stern, MD, Ibacas Consultancy Ltd

Adam Stern has been involved in Asset Services since processing his first dividend payment in 1988. Prior to founding Ibacas in 2002, Adam performed a number of Asset Services related roles. Since forming Ibacas, Adam has focused on market level initiatives such as ISO standards, Proxy Voting initiative and issuer standardisation.



Anthony Calabrese, Senior Manager, US Tax Specialist and member of FATCA Leadership team, Ernst & Young

Anthony is responsible for US and local tax related matters, supporting the Ernst & Young financial services activities in London. He brings more than 14 years of experience working with US and non-US-based financial services clients.



Benjamin Weatherley, VP, ISG Operations, Morgan Stanley

Ben has many years experience within Corporate Actions and has been active in the area since 1997. He is presently responsible for both the EMEA Deadlines processing and Client Service teams. He is also a member of the Corporate Actions Sub-Group of the T2S Advisory Group.



Annette Brandt, Head of Asset Servicing, Product Management, Euroclear SA/NV

Annette is the Product Manager heading up Euroclear Group Services team. She is involved with the harmonisation and standardisation of market practices across Euroclear's markets. In particular, she was an active contributor to the International Securities Market Advisory Group.



Justin Chapman, SVP, Global Head of Industry Management, Operations and Technology, Northern Trust

Justin manages engagement and industry strategy across all disciplines giving him a holistic view across all industry and strategic change from local, regional and global perspectives.



Edwin De Pauw, Director, Head of Product Management, Euroclear

Edwin De Pauw, Director, is Head of Product Management for the Euroclear central securities depositories (CSDs) and for Euroclear group services. He is responsible for the strategic positioning of Euroclear in a T2S environment, as well as ensuring Euroclear's technical readiness for T2S.



Dominique Tanner, Head of Business Development, SIX Financial Information

Dominique Tanner, born in 1965, is Head of Business Development at SIX Financial Information Dominique Tanner has more than 15 years of industry experience working for SIX Telekurs. Dominique has been instrumental in the design and development process of new products and services.



Stephen Pinner, MD, Goodacre Secretary, Securities Industry Management Association

Stephen is the Managing Director at Goodacre UK, a leading consultancy for the Securities Industry. Prior to establishing Goodacre UK, Stephen held board positions at Extel, Hoare Govett, Societe Generale Security Settlements and Cater Allen.



Jean-Marc Belaich, Senior Consultant, Sterci

Jean-Marc Belaich has been working as a business analyst in the banking industry for the past 15 years. He has been involved in diverse projects for Swiss wealth management banks such as the centralisation of security master files in a multi entity and multi application context, instrument data feed integration and corporate actions straight through processing.



John van Verre, Head of Global Custody, HSBC Securities Services, HSBC Bank PLC

Based in London, John is responsible for the management and development of the global product proposition. John joined HSBC in June 2008 as head of HSBC Securities Services in Singapore and was acting MD of HSBC Security Services Ireland from August 2010 to January 2011 when he took up his current position.



Herve Valentin, Head of Asset Servicing, Securities Markets, SWIFT

Hervé Valentin is Head of Asset Servicing- Securities Markets in the Marketing division of SWIFT. Previously, he held various positions within the company, including roles within partner management and products and services supporting reference data initiatives.



John Byrne, CEO and founder, Information Mosaic

John has driven the company vision from inception to provide a breakless and innovative platform for the automation of post-trade processes. Having worked closely with custodians, asset managers and wealth managers across the globe, John provides a deep insight into the transformation of post-trade operations.



Devesh Gupta, Global Product Head - Corporate Actions, Tata Consultancy Services

Devesh is a seasoned technology leader with strong expertise in Capital Markets segment of Financial Service. He has 20 years of IT Industry experience with top IT Organizations. He is currently "Global Solutions Head" for Corporate Actions Product of TCS.



Eddie Heaton, Managing Editor, International Securities Services Magazine

Eddie is the founder and owner of ISS Magazine, a print and online news portal for the Post-trade Securities Services industry. He has 25 years of senior experience working in financial publishing, including Straight Through Processing, Global Custody Review, Capital Markets, Global Securities Financing and Equity Markets.



Harry Rana, Senior Business Analyst, XSP

Harry is Senior Business Analyst at XSP and is responsible for supporting the EMEA sales programme for the XSP® v5 Corporate Actions software solution in a pre-sales and business analysis capacity. His prior first-hand experience and knowledge of our flagship solution provides invaluable benefits and insights to our current and future clients.

It's a passing game



In the Corporate Actions game, the key to success is passing the right information to the right player at the right time. This is a challenge we know something about at Trace Financial - as leading experts in financial messaging, we have the specialist skills and the technology to interpret, transform and present complex information. That's why our CAMS corporate actions management system is able to pass on event information in exactly the structure and format the next player needs, whether this be a SWIFT message or a web-based decision screen. Which helps your team to win.

Trace Financial can help you raise your Corporate Actions game.

Why pass up the opportunity?

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fluent in financial messaging



The Corporate Actions Challenge

Hervé Valentin, Head of Asset Servicing, SWIFT



Corporate actions processing remains one of the last bastions of risk in financial services. It is a horror show of paper and the related misinterpretation about what is on the paper, accompanied by manual processing and near zero STP rates. Why? The current approach inserts risk deep into the system at a mammoth operational cost, which is driven by the need to multi-source, scrub, reconcile, and often manually re-enter data.

Worldwide, there are close to 1 million complex corporate actions announced every year coupled with another 10 million corporate actions announcements with approximately \$1 billion lost to error and inefficiency during the processing of these actions. That is because the lack of a standardized way to generate corporate actions "data" immediately at the time of an issuer's announcement effectively delays the communication of this information to investors, burdens their intermediaries, and maximizes the possibility for erroneous or inaccurate communication of the necessary details. In a global interconnected world the problem is especially acute, as remedies are hindered by time zones, language barriers and jurisdictional differences.

Up to now the process by which corporate actions are filed and processed has been largely manual and lacking a standard for communication. This is surprising. We live and work in an age of asset class automation. Straight through processing (STP) initiatives have taken hold in other asset classes and operations, but corporate actions processing seems almost consigned to a life in the shadows of the arcane, lurking in a system of paper-based regulatory filings and newspaper-to-custodian notifications.

It's not all bad news: we've made some great progress...

- **Financial messaging standards** – created as a way to standardize communications between counterparties, both ISO15022 and the newer ISO 20022, are moving the automation of corporate actions forward. ISO 15022 got us part of the way there,

but ISO 20022 is more flexible and has the ability to link messages to business processes. SWIFT remains committed to working with the industry to roll out ISO 20022 as per the needs of the different communities, and intends to build on the efficiencies gained through the adoption of ISO 15022. (Note: ISO 20022 messages for core corporate actions have been developed in such a way to make them backward compatible with the ISO 15022 messages, which means for those not ready to move to ISO 20022, those messages will continue to be supported by SWIFT).

- **Market practice guidelines** – Industry collaboration to agree and define different interpretations of standards usage rules and market practices. Market practice guidelines for corporate actions were updated by the Securities Market Practice Group in 2011. Also, a specific market practice group for proxy voting is being set-up.

- **Market practice assessment tools** - central applications that enable industry participants to test the compliance and efficiency of IT systems with published standards and market practice are being used more regularly by market participants across the corporate actions lifecycle. We have seen an increased interest from a number of large players to test their levels of compliance.

- **Industry collaboration** – No one organization is going to solve the corporate actions problem alone. Market infrastructures have an important role to play in helping to solve the issues. DTCC in the US market is paving the way with the ongoing roll-out of ISO 20022 standard for corporate actions to replace its proprietary format. We are also observing developments around ISO 20022 in Asia, led by market infrastructures, for example in Japan and China.

... But we still have some work to do

- **Educating the investors** - Investors are not to be forgotten and as shareholders are in a great position to help educate the issuer community. Investors can help

their investor relations people better understand how the many manual steps have created an error-prone process with the potential for heavy losses at all levels.

- **Capturing data at the source** - For years, we've believed the only way to completely solve this problem is by capturing information directly from the source of the corporate actions announcement: the issuer. We have said the only way to do that is to turn free form text – as the corporate actions announcements are issued today – into computer readable and easily consumed information. By standardizing the information at the source, it is believed that the industry can realize reduced errors, cost and risk as well as increased transparency. Now, although the idea of a global standard in this issuer space is appealing, is it realistic? What alternatives are there, that are maybe easier to implement and not fully automated but nonetheless bring tangible improvements? Are we asking too much of the issuer community?

- **Making CA automation projects a true priority** - In the current environment, in which regulatory related projects are absorbing most of the available resources, we need to advocate properly towards senior management the benefits of CA automation.

What should we do now?

Creating a seamless process for corporate actions that goes untouched by human hands and passes directly from the issuer to an investor looking to make timely and well informed investment decisions should be a top priority. By looking beyond the qualitative measurements of harmonization guidelines and quantifying the progress of STP in corporate actions, we can benchmark best practices and identify the true pain points across the process. We at SWIFT are committed to looking more closely at a better quantification of progresses towards automation, and are exploring the possibility of a specific initiative in this area going forward.



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Achieving Alpha through Corporate Actions



Eddie Deevy, Account Manager, Information Mosaic

During this elongated cycle of heightened market volatility, Asset Managers are turning toward corporate actions as a strategy to contribute to their portfolio's alpha performance. Rights Issues, Tender Offers, Warrant Exercises, Repurchase Offers and Dividend Stock Options are examples of corporate action events that provide the portfolio strategist with upside potential.

Furthermore, as these events are on the rise, their impact on performance can be substantial. A recent report produced jointly by the DTCC and SWIFT stated that as a result of the growth of financial markets, as evidenced by the number of new companies that list on stock exchanges (up 41% globally to around 45,000 in the last decade*), the volume of corporate actions events will grow in direct proportion. In the US alone, there are more than 350,000 announced corporate actions events on equities and bonds initiated each year by publicly traded companies and other issuers.

This figure represents about 50% of the corporate actions announced globally. Intermediaries surveyed in the report claimed that they handle over 4.5 million separate messages per year; 1.3 million of which being choice/voluntary events. By all accounts, the volume of global corporate actions is estimated to grow. The predicted rise in volume will create an increase in the opportunities for investor profitability.

Although the ability for the Asset Manager to take advantage of these opportunities is aided by improved market practices and messaging standards, as well as better market participation in these events, the current playing field is not level. Managers who

have access to better quality and more timely corporate action announcement notices, and who also have the facility to continuously compare election options to the market price in real-time, and who have the capability to elect on the closest date to the market deadline, have a distinct advantage in leveraging corporate actions decisions to deliver portfolio alpha performance.

Considerable investment by asset servicing providers in the provision of a timely and complete corporate action "golden record" continues to be seen in the market, spurred by the continuing march towards market standardisation in corporate actions messaging. The availability of this up-to-the-minute, quality-assured information is enabling the Asset Manager to make portfolio allocation decisions based on a complete information matrix. Quicker access to issuer announcements and updates on corporate actions terms, such as early consent premiums, can present investment opportunities.

Additionally, Asset Managers with the ability to elect nearest the market deadline can have a considerable advantage over other decision makers. For example, the Asset Manager can evaluate market price versus repurchase offer right up to event market deadline.

Modelling out "What if" election decision scenarios, including "In/Out of the Money" indicators are enabling Asset Managers to make instantaneous evaluations of the corporate action terms, as well as the prevailing market price of the impacted security, to make the best investment decision. For example, the Asset Manager can be prompted to sell tradable rights entitlement or exercise the rights to new

shares.

When developing an internal business case for a corporate actions automation project, the benefits to the front-office through optimal trading conditions can now be included in the Return on Investment (ROI) calculation alongside risk mitigation, increased operational efficiencies, and cost reduction.

Market conditions will continue to present Asset Managers with opportunities to leverage their corporate action portfolio decisions. Market standardisation in corporate action messaging, improving asset servicing STP rates, and new technologies available to the Asset Manger should further enhance the prospects for corporate action decision-based alpha strategies.

** Source: A Business Case to Improve Corporate Actions*



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Operational Risk Exposure: The missing piece of the puzzle

Adam Stern, Managing Director, Ibcas Consultancy Ltd

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THE INSIDE TRACK

Considerable progress has been made across the market to produce a framework in which significant rates of STP can be achieved within Asset Services processing.

We have seen the introduction of ISO15022, improved data quality from the data vendors and a range of sophisticated solutions from the software vendors. These factors should provide an environment for institutions to start reaping the rewards of this groundwork and achieving high levels of operational efficiency. However, Corporate Action and Income processing is still a largely manual or semi-automated operational function, across all sectors of the market.

How can this be the case?

I believe that the main reason for this is that Operations Managers are not able to determine a monetary value for the amount of operational risk exposure associated with their Asset Services process.

It is well documented that Corporate Actions and Income processing have a high inherent operational risk attached, yet there is no agreed market standard for individual firms to measure the monetary value of that risk. Accordingly, when business cases are submitted, it becomes very difficult to show a return on investment that reflects the true benefit of any Asset Services projects that have a risk reduction element included.

In a world of increasing regulation and a justified focus on risk management, it seems incredible that an area such as Asset Services is not able to provide details of the value of risk associated with this complex process.

So how do you measure this risk in monetary terms?

There are two types of factors that need to be taken into account when measuring the value of risk exposure- internal and external.

External factors include event type, country of issue and the number / type of options. Internal factors include levels of automation, experience levels of the processing team and the number of eligible positions in an event.

Clearly, there are many contributing factors that need to be included in any calculation of operational risk - some of which are fairly constant, whilst others are very fluid. Some of the factors are considered subjective, such as levels of automation. This goes a long way to explaining why a market standard methodology for calculating Asset Services risk has not been developed.

Ibcas has recently started working with one of the leading global financial institutions to address this critical issue. The goal is to develop an Asset Services risk calculation model that can be adopted and applied across different markets and different institution types. This is not a straightforward task and requires close co-ordination and partnership with many different institutions and industry bodies.

It is unlikely that there is a "one size fits all" model. Sufficient flexibility will be required to allow adopters to configure the model, within defined parameters, in order to more accurately calculate the monetary value of their Asset Services processing risk.

This model does not restrict measuring changes in risk resulting from the introduction of technology solutions. Any "event" that impacts one of the factors used in the calculation will have a corresponding impact on the value of the operational risk. This allows Operations Managers to predict the impact on risk of moving a function to an alternative location, or an increase in event / trading volumes, allowing firms to plan more effectively and to make fully informed decisions.

The development and adoption of a standard model would finally allow Operations Managers to include the missing piece of the puzzle, when preparing business cases to secure funding for Asset Services projects. Using a standard model to compare current state risk exposure vs. future state risk exposure, will finally make it possible to include the monetary value of the reduction in operational risk exposure that will be achieved by a particular project. This will improve the return on investment values and should lead to an increase in the incidence of funding being approved.

As an industry, we will finally be in a position to reap the benefits of many hard years of work, to provide the framework to allow high levels of automation and risk control to be achieved in Corporate Actions and Income processing.

If you are interested in finding out more about this model, or how the development is progressing, please email info@ibacas.com and we will send you the latest details

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A woman with dark hair, wearing a black dress, is holding a large black umbrella. She is looking off to the side with a serious expression. The background is a textured grey.

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