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# Welcome to CorpActions 2010

## Europe's Premier Corporate Actions Event

*SWIFT – in association with Clearstream, DTCC and Euroclear - is pleased to welcome you to the 2010 Corporate Actions conference*



**WITH THE GLOBAL** financial retrenchment came a renewed pressure on financial institutions to cut operational costs. Streamlining the corporate actions process has gone from being a nice-to-have to a must-have. Tolerance for risk of any kind has evaporated and in the financial services world activities don't come much riskier than corporate actions processing. In addition, now is the time for the industry to embrace the new way to announce corporate actions. No other action touches the entire financial supply chain like corporate actions.

We have an exciting programme planned for this year's conference. Dean Hogan, Executive Director, J.P. Morgan is Chairman of this year's event. He will be joined by more than thirty industry thought-leaders who will provide an insight into the latest asset servicing topics.

The rich conference programme offers much that is of interest to the asset servicing community, with sessions focusing on corporate actions, proxy voting, securities reference data and last but not least the Issuer to Investor initiative that was launched by DTCC, SWIFT and XBRL US to engage issuers in the corporate actions process.

### Other highlights of the programme include:

- Corporate action harmonisation and initiatives: what's next?
- What is the business case for ISO 20022?
- XBRL: what, why, when and how?
- What is in it for European issuers?
- Is competition good for reference data quality?
- Proxy voting: how to create a more effective process?

CorpActions 2010 is the forum to discuss and debate the industry progress towards corporate actions STP, as well as discover how your firm can further streamline its corporate actions processing by keeping up to speed with adoption of the tools and standards available in the marketplace to help.

We also promise an excellent networking opportunity along with the chance to get a good overview of the product offerings of the leading industry vendors and service providers.

On behalf of SWIFT and our co-sponsors, Clearstream, DTCC and Euroclear, we thank you for participating at CorpActions 2010 and hope you enjoy the conference.

**Sophie Bertin**

Head of Asset Servicing and Custodians, SWIFT

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## 8.30 - 9.00 REGISTRATION AND REFRESHMENTS IN THE LIVERY HALL

**9.00 - 9.05 Welcome and opening remarks from SWIFT**  
**Sophie Bertin**, Head of Asset Servicing and Custodians, SWIFT

**9.05 - 9.15 Chairman's welcome and programme outline**  
**Dean Hogan**, Executive Director, Worldwide Securities Services, Asset Servicing, Transaction Processing Head at J.P. Morgan Chase Bank N.A.

**9.15 - 10.00 Harmonising corporate action standards: implementation time!**

What are the next steps and timelines for market standards as defined by the CAJWG.

How will they be implemented?

Who will monitor?

Is there a liaison with other groups such as T2S CASG and SMPG?

**Panel**

**Paul Bodart**, Executive Vice President, Head of EMEA Global Operations, BNY Mellon Asset Servicing

**Christine Strandberg**, Global Product Manager, Asset Servicing, SEB

**Justin Chapman**, Global Head of Strategic Implementation Asset servicing, Northern Trust

**Dean Hogan**, Executive Director, Worldwide Securities Services, Asset Servicing, Transaction Processing Head at J.P. Morgan Chase Bank N.A.

**Paola Deantoni**, Head of Network Management Societe Generale Securities Services

**Moderator: Sophie Bertin**, Head of Asset Servicing and Custodians, SWIFT

**10.00 - 10.45 What is the 21st century business case for using ISO 20022 for corporate actions?**

Why ISO 20022 is the way forward for corporate actions communication.

Who will be the driving forces behind ISO 20022?

What is the business case?

What are the benefits?

When is the right time to migrate?

How long will it take and what is needed to get there?

**Panel**

**Irene Mermigidis**, Senior Vice President Product Management - Core Products, Clearstream Banking

**Frank Slagmolen**, Director Product Manager, Euroclear

**Axelle Wurmser**, Securities Services Head of SWIFT Coordination, BNP Paribas

**Harry S. Rana**, Senior Business Analyst, XSP

**Moderator: Karin De Ridder**, Global Market Manager, Asset Servicing, SWIFT

**10.45 - 11.15 REFRESHMENT AND NETWORKING BREAK IN THE LIVERY HALL WITH EXHIBITORS**

**11.15 - 12.15 Is XBRL the route to the golden copy? Presentations, Case Study and Expert panel**

What exactly is XBRL?

How does it relate to ISO standards?

What are the business benefits to be gained by bringing them together?

What initiatives do you need to know about?

**Panel**

**Mark C. Bolgiano**, President and CEO, XBRL US

**Max Mansur**, Global Market Manager Asset Servicing, SWIFT

**David Hands**, Director, Asset Services Product Management, DTCC Solutions

**12.15 - 13.00 What's in it for European Issuers?**

How to involve issuers in the move towards XBRL & ISO 20022

How will the issuer community in Europe engage in the corporate actions debate?

How can issuers help to improve transparency and communication with stakeholders?

**Panel**

**Russell Callaway**, Senior Vice President, Network Management - International Markets, Clearstream Banking

**Michael Kempe**, Chief Development Officer, Capita Registrars

**Dr Markus Kaum**, In-house counsel, Munich Re

**Mark Jones**, Issuer Services Product Head, EMEA at Citi

**Moderator: Luke Jeffs**, Trading and Technology Editor at Dow Jones Financial News

**13.00 - 14.00 LUNCH AND NETWORKING BREAK IN THE LIVERY HALL WITH EXHIBITORS**

**14.00 - 14.15 Chairman's welcome back**

**Dean Hogan**, Executive Director, Worldwide Securities Services, Asset Servicing, Transaction Processing Head, J.P. Morgan Chase Bank N.A.

**14.15 - 15.15 Is competition good for reference data quality?**

What steps are needed to make the process of obtaining reference data more effective and efficient?

Does the industry really need a utility to hold essential reference data or are there alternative ways?

**Panel**

**Francis Gross**, Head of Division External Statistics, European Central Bank

**PJ Di Giammarino**, CEO JWG

**Speaker TBC**, Thomson Reuters

**Ivo Bieri**, Head of Marketing, Six Group

**Moderator: Virginie O'Shea**, Editor, A-Team Group

**15.15 - 15.45 REFRESHMENTS AND NETWORKING BREAK IN THE LIVERY HALL WITH EXHIBITORS**

**15.45 - 16.30 Proxy voting: Improving shareholders' rights - making every vote count**

A focused look at communication and processing

How can companies protect the interests of shareholders while respecting the duty of boards and managers?

What options are there to make the voting process become the most efficient?

**Panel**

**Nicholas Bone**, Director - Transaction Banking Sales, Investors & Intermediaries, Standard Chartered

**Naz Sarkar**, Director, Computershare Investor Services

**Les Turner**, Head of Operations, Global Proxy Distribution, at Risk-metrics

**Paul Philips**, Senior Business Development Consultant, Smartstream

**Moderator: Adam Stern**, Managing Director, Ibacas Consultancy Ltd

**16.30 Chairman's Closing Remarks**



**Sophie Bertin, Head of Asset Servicing and Custodians, SWIFT**

Sophie Bertin Hadjiveltcheva heads the Asset Servicing and the Custodians group within SWIFT. Her role includes developing and executing SWIFT's global Asset Servicing strategy and defining Custodians' value proposition, in accordance with clients' needs and with latest market developments. Prior to working for SWIFT, Sophie worked for The Bank of New York, where she held different management roles.



**Karin De Ridder, Global Market Manager, Asset Servicing, SWIFT**

Karin De Ridder is a senior manager responsible for SWIFT's portfolio of securities asset servicing solutions and products. Her primary role is to ensure that solutions for the full chain of Corporate Actions support the needs of custodians and securities market infrastructures as well as broker/dealers, investment managers, exchanges and issuer agents. Previously she headed up the Securities Standards team in SWIFT



**Ivo Bieri, Head of Marketing, Six Group**

Ivo Bieri has been the Head of Marketing at SIX Telekurs Ltd, a division of SIX Group Ltd, since October 2008. Ivo Bieri has worked in a variety of management positions within the data and product management areas at SIX Telekurs. Prior to joining SIX Telekurs in October 2001, he worked as a Sales Specialist at UBS (1992-1999). From November 1999 to September 2001, Ivo Bieri was active in partner integration at PayNet AG.



**PJ Di Giammarino, CEO at JWG**

PJ Di Giammarino is the founder and CEO of JWG and was formerly COO IT at Barclays Capital. Prior to setting up the independent think-tank, he co-chaired the IT Subject Group of the MiFID Joint Working Group. In this capacity he collaborated with banks, the European Commission, CESR, FSA, HM Treasury and their counterparts across Europe. He spent 14 years providing IT strategy and implementation services with McKinsey, Booz Allen & Hamilton and AT Kearney



**Paul Bodart, Head of EMEA Operations at Bank of New York Mellon**

Paul is responsible for the EMEA Operations of the Assets servicing division of the Bank. The division offers a large variety of services in global custody, fund administration and transfer agency. He is also a member of the EMEA Executive Committee of the Bank which supervise the developments of the Bank in the EMEA region.



**Paola Deantoni Head of Network Management Societe Generale Securities Services**

Paola Deantoni is a highly experience product manager with comprehensive strategic planning and implementation skills, with a focus on profit improvement. Results oriented leader with proven success in managing multi-million dollar product. Critical thinker and adept negotiator who can apply extensive industry knowledge to profitable vendor partnerships and revenue enhancing opportunities.



**Mark C. Bolgiano, President and CEO XBRL US**

Mark Bolgiano joined XBRL US as President and CEO in December of 2006. Previously, he led the technology and online communications teams at the Council on Foundations as Vice President and Chief Information Officer. Mr. Bolgiano's 20-year career is based on undergraduate and graduate studies in statistics and analysis, and 10 years at the Washington Board of Trade focused on applications development, operations, accounting, finance and strategic planning.



**Francis Gross, Head of Division, External Statistics at the European Central Bank**

Francis is currently Head of the External Statistics Division (ETS) within the Directorate General Statistics of the European Central Bank (ECB). ETS is responsible for the external statistics of the euro area (balance of payments, international investment position, foreign direct investment, etc.) and coordinates their harmonisation across the EU.



**Nicholas Bone, Director - Transaction Banking Sales, Investors & Intermediaries**

Nick is primarily responsible for European securities services clients at Standard Chartered Bank. Nick joined Standard Chartered in August 2008 from BNY Mellon, where he was Implementation Manager for the consolidation of the two legacy agent bank networks. Prior to this, Nick was Vice President and Global Relationship Manager within Mellon Bank's Network Management team.



**David Hands, Director, Asset Services Product Management at DTCC Solutions**

In 2003 David joined the DTCC's new Global Corporate Action Validation Service as the Operations Manager. Currently David's focus at DTCC is on Corporate Action Data Sourcing and Standards. He is a member of the ISITC US Board of Directors (April 2008 to date) and ACSDA Corporate Action Working Group Co-Chair (2006 to date).



**Russell Callaway, Senior Vice President, Primary Market Relationship Manager, Network Management - International Markets at Clearstream Banking S.A.**

Russell Callaway heads the Project Management Office for the International Securities Market Advisory Group (ISMAG). He moved to his current position in 2007, having previously been Head of International Market Corporate Actions for 5 years. He joined the company in 2000



**Dean Hogan, Executive Director, Worldwide Securities Services - Asset Servicing, Transaction Processing Head at J.P. Morgan Chase Bank N.A.**

Dean currently has responsibility for Global Asset Servicing Operations within the Securities Servicing division of JP Morgan. Since joining JP Morgan in 1998, he has held a variety of senior roles within both the Investment Bank and Securities Servicing divisions in support of the firms client and proprietary activities.



**Justin Chapman, SVP, Global Head of Strategic Implementation Asset Servicing at the Northern Trust**

Justin heads up the team responsible for strategic implementation and change management across Northern Trust's core custody operations. Justin has over 20 years experience in the securities industry and during his career has held positions at; Mondas as Head of Industry Marketing, Broker Focus as Head of Product development, Anderson Consulting as Senior Outsource associate, and JP Morgan Chase.



**Luke Jeffs, Trading and Technology Editor at Dow Jones Financial News**

Luke Jeffs has been the trading and technology editor at Dow Jones Financial News since May 2006, having previously worked for publisher Global Business Information on a range of financial technology titles. Luke covers trading, clearing and settlement issues in a range of asset classes with a particular focus on equities.



**Mark Jones, Issuer Services Product Head, EMEA, Citi**

Mark has worked for over 15 years in the Issuer Services industry and has experience of a number of asset classes. Mark has been with Citibank N.A. for six years and is currently the Issuer Services Product Head, EMEA. Mark is also a member of the board of International Capital Markets Securities Association and a member of the International Securities Markets Association Group.



**Harry S. Rana, Senior Business Analyst, XSP**

Harry is responsible for supporting the EMEA sales programme for the XSP™ v5 Corporate Actions software solution in a pre-sales and business analysis capacity. Before joining XSP, Harry was Business Analyst at Citi Global Transaction Services responsible for Project Implementation within the areas of Corporate Actions and trade processing.



**Dr. Markus Kaum, In-House Counsel at Munich Re**

Dr. Markus Kaum, LL.M. (Cantab) is Head of Department for Capital Markets and Finance Law, Corporate Law, Share register and Retail Investor Relations at Munich Re, with more than 15 years experience in these areas. He has been a member of both the Joint Working Group on General Meetings and the Corporate Action Joint Working Group and has also been an active participant in other legal and market infrastructure projects.



**Naz Sarkar, Director at Computershare Investor Services**

Naz Sarkar's experience has made him a trusted and respected figure within the industry. Recently, he has been heavily involved in the implementation of the Companies Act 2006. He heads up the Computershare registry and employee share plan businesses, where he ensures clients are up to date on shareholder services, market developments and best practice.



**Michael Kempe, Chief Development Officer at Capita Registrars**

Michael Kempe joined Capita Registrars as Deputy Operations Director in January 2007 after having spent 11 years with the Euroclear Group. His current role as Chief Development Officer incorporates responsibility for all product development, projects and industry issues as well as operational responsibility for corporate actions and corporate reconciliations.



**Frank Slagmolen, Director, Product Management at Euroclear**

Frank is responsible for the delivery of a harmonised asset-servicing platform for the Euroclear group's Single Platform. He is also a member of the external corporate actions working group charged with bringing corporate-action market-practice harmonisation to the Belgian, Dutch, French, Irish and UK markets.



**Max Mansur, Global Market Manager, Custodians & Asset Servicing at SWIFT**

Max Mansur is a senior manager developing SWIFT business opportunities in asset servicing solutions and products. He has been the driving force behind the Simulation Testing and Qualification Service (STaQS) for Corporate Actions and the XBRL initiative for corporate event disclosure. Together with DTCC and XBRL US, he led SWIFT's representation on the Issuers to Investors: Corporate Actions project.



**Adam Stern, Managing Director at Ibacas Consultancy**

Since setting up Ibacas, Adam has specialised in following market initiatives and the Asset Services software vendor market and he has conducted numerous vendor selection processes for some of the leading firms on the market. His most recent engagement has involved defining the Operational architecture for a cross business unit Asset Services Utility, including the Utility based processing of Proxy Voting event types using both ISO 15022 and 20022.



**Irene Mermigidis, Senior Vice President, Product Management - Core Products at Clearstream Banking**

Irene Mermigidis is responsible for Clearstream's Connectivity product offering, managing the strategic planning of information provision and connectivity products, developing the connectivity products roadmap, pricing model and product innovation process. Prior to this role, she has worked in the Product Development area as Senior Project Manager.



**Christine Strandberg, Global Product Manager, Skandinaviska Enskilda Banken**

Christine is a product manager at SEB. She is responsible for SEB's Sub-Custody Asset Servicing offer, as well as SEB's custody-related SWIFT messaging. Christine is a member of the Corporate Actions Joint Working Group and the T2S Corporate Actions Sub-Group, and is the national coordinator of the Swedish Market Implementation group for Giovannini Barrier 3.



**Virginie O'Shea, Editor at A-Team Group**

Prior to A-Team, Virginie was group editor of Investor Services Journal and Alternatives magazine and before that, she was editor of STP Magazine and online service stpzone.com. Virginie has covered a wide range of subjects and written across a number of titles in a freelance capacity, including FT Mandate, Global Custodian and Professional Wealth Management. Virginie has also edited several international banking newsletters for Informa.



**Les Turner, Head of Operations, Global Proxy Distribution at Riskmetrics**

Les Turner has spent the last 5 years running Operations for Riskmetrics Global Proxy Distribution business unit. Prior to this he has run Corporate Actions teams at Mellon Bank and Deutsche Bank.



**Paul Phillips, Senior Business Development Consultant, Smartstream**

Paul joined SmartStream Technologies in August 2002 as Business Analyst focusing on SmartStream's Corporate Actions business. Prior to this Paul has worked at ABN Amro, Schroder Salomon Smith Barney where he was Corporate Actions Manager and Chemical Bank. Paul has been instrumental in reorganising and streamlining Corporate Actions departments.



**Axelle Wurmser, Securities Services Head of SWIFT Coordination at BNP Paribas**

Axelle has held this role since 2006 and is a specialist in coordinating transversal operational projects internationally. She is involved in international mandates as a member of the SMPG (Securities Market Practices Group). She is also a member of the ISO 20022 RMG (Registration Market Group), an international body focused on the development and maintenance of ISO20022

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## What's next for Data Standardization Initiatives?

By Yogesh Sharma, Senior Solution Analyst and Pradeep S Rao, Senior Solution Analyst for TCS BaNCS Corporate Actions Solution

**THE AUTOMATION OF** corporate actions processing has traditionally posed a serious challenge, remaining an elusive goal within the industry. ISO standardization initiatives, over the past few years, have led to a fair amount of automation. However, due to slow adoption of standards and lack of harmonization across markets, data quality issues are hindering Straight-Through Processing (STP) within Corporate Actions.

Specifically, the lack of standards at the issuer level, and varying interpretations of event data can lead to operational inefficiencies. Standards and market practice guidelines do not cover all corporate action event types, data elements, or apply consistently across all countries, and hence, its usage continues to remain inconsistent across the value chain--from announcements to payments.

### Initiatives with a larger reach have more impact

While there could be a geographical focus for the following initiatives, the three major industry initiatives which have the potential to have maximum impact in streamlining corporate actions include the SWIFT / ISO 15022- 20022 adoption, the DTCC, XBRL - US and SWIFT led XBRL initiative, and SMPG created Event Interpretation Grid and STaQS framework. While these are currently running as parallel initiatives, being standards based, there is a tremendous potential for the convergence of the underlying concepts driving them.

ISO 15022 was initiated with the objective of standardizing message formats, including those in corporate actions processing. This has helped accelerate the level of standardization and automation while eliminating costs and turnaround times associated with proprietary message formats in Europe and certain other parts of the world. A large market like the USA is yet to pick up speed in adopting the ISO standard – this should change in the near future. The migration to ISO20022 would also plug the gaps on issuer/agent side of communication and provide enhanced coverage of event types and data elements in the standardization process. On the technical front of ISO 20022, the XML format for messaging eases the integration cycle.

The second initiative tackles one of the most complex tasks in CA processing: the creation of a golden copy of event announcement capture processing. This is set to be simplified in the US markets if all goes well with the XBRL initiative to improve communications from issuer to investor. Initiatives such as unique identifier program would promote Straight-Through Processing (STP) by enabling consistent identification of events across market participants. Beyond the USA, the development of issuer/agent messages by Euroclear also addresses the data issues at the source level.

SMPG's effort of clearing national level differences through its initiatives has achieved some success. The Event Interpretation Grid and D vs E guidelines, which focus on harmonizing the differences in corporate actions messages and clarifying and defining all event types, has been one of SMPG's key dimensions in moving forward. On the similar lines, the STaQS framework, which enables testing the compliance of IT systems with ISO specifications, market practice rules and regulatory requirements, would also benefit the participants immensely.

### Some bottlenecks still remain...

While focused initiatives are being rolled out in specific geographies, there is a need to replicate them on a global basis depending on the rates of successes and the learning obtained. However questions remain both around the acceptance and the time for adoption at the local market levels, as the execution of event continues to be governed by local market conventions and regulations. The absence of global market standards and lack of uniformity in the regulatory environment will continue to be a greater challenge in terms of standardizing notifications and distributions at the local market level. Local custodians/sub-custodians and CSDs, especially in emerging markets, will take time in adopting the global standards and could continue to be driven by proprietary formats, basically from an ROI perspective with respect to investments in global standards. The adoption of the 15022/20022 in the USA also needs to be watched closely.

Further, there could be reluctance on part of institutions that have recently invested in and completed integration and migration of ISO 15022 to ISO20022 on an immediate basis due to the resultant mapping efforts and constraints required on investments.

One of the key dimensions to look forward to would be the convergence of various industry initiatives based on their success. One of them is the interoperability of XBRL syntax with ISO standards across markets. As the template gets developed in the US market, it could be adopted by issuers across global markets for communication with the CSDs, investors and other interested parties. The regulatory bodies at the local level will play a crucial role in enforcing the adoption of the global standards. China's adoption of XBRL for certain event types is a case in point.

Lastly, for the various initiatives to be effective there is a need on the part of all the stakeholders in the CA community to focus on increasing the market efficiency and risk mitigation of the CA eco-system as a whole rather than focusing on the return on short-term investments.



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# Corporate Actions take a back seat?

By Richard Newbury, Market Development Manager, SIX Telekurs



**IN 2007** I confidently wrote an article entitled "Time for a MiFID for Corporate Actions?" and announced that "corporate actions were taking centre stage". I talked about the efforts being made to overcome the Giovannini barriers and the take-up of ISO 15022. Since then, the financial services world has changed dramatically so how has the world of corporate action processing evolved against a backdrop of bank

failures, nationalisation and rebuilding of capital bases?

The surprising news is that, although there is less prominence, work has been going on apace on many fronts in trying to increase the automation of corporate actions.

Work has indeed carried on overcoming the Giovannini barriers. France now has a record date and changes are being made to law to overcome those barriers which required national legal harmonisation in the European Union. ISO 15022 continues to develop. Uptake is now estimated at 25% of the market and rising. Indeed development of ISO 20022 has continued in development.

## Complexity in issuance

Even a relatively simple corporate action can be complex to processing because a company issuing a corporate action does not focus on the onward processing of the corporate action, but rather in getting the best value for the company and its shareholders. This involves the announcement of the corporate action itself of course, but generally also includes statements designed to protect the company from legal issues which might arise as a result of the corporate action. This leads to announcements which are hundreds of pages in length. Of course, for processing, this additional information is unnecessary. Custodians and data vendors though have to wade through these additional pages to make sure that the salient processing elements are extracted from the announcement. This involves interpretation and can obviously lead to differences depending on who interprets them.

These differences have led to two developments. The first, and longer standing solution has been to "scrub" different sources together and produce a "golden copy". The second has been to try to eliminate the need for interpretation by encoding the relevant processing elements within a text announcement.

The first kind of service is one as provided by Fidelity Actions Xchange, Valuelink or DTCC. These companies receive information from numerous different sources, apply rules their customers give to the relevant corporate actions exceptions and then deliver files to those customers which need no further cleansing or interpretation. Financial data vendors such as SIX Telekurs work closely with such services as well as delivering data directly to those companies who prefer to process their own corporate actions.

A newer development, eXtensible Business Reporting Language (XBRL) is already used in a number of business reporting functions, including financial accounting reporting in the US. A new use under development is the use of XBRL for corporate actions announcements from companies. This allows an announcing company to include processing information which is encapsulated in its lengthy announcement. The beauty of this is that the existing lawyers and issuing banks can continue to assemble the same documentation, whilst in the background they are additionally supplying the information that is needed to process the corporate action. For years, the financial services industry has been talking about a way to push the issue of interpretation and clarity higher up the value chain. Could this be a way forward?

## Complexity in processing

There is a further issue surrounding the increasing complexity of corporate actions. A dividend may appear simple, but payment dates can be affected by the nationality of the paying agent and of the investor. The recent Easter Holiday has produced a bank holiday on a Friday and a Monday in the UK. In France, the Bank Holiday falls only on an Easter Monday. This means that the dividend for a company listed on both NYSE Euronext Paris and the London Stock Exchange with a dividend pay date on the Friday actually would have paid on different dates in the two countries. The complexity increases with dividend payments in different currencies and different tax regimes. When you look at mergers and takeovers, the complexity of the corporate action is magnified by many, many times.

Can systems deal with the complexity? Can XBRL cater for the complexity? Again, work has been ongoing in this area.

In October 2009, the International Securities Association for Institutional Trade Communication (ISITC) issued a Corporate Actions Market Practice Guidelines document, in which it states that "institutions providing the information recommended...will benefit from the efficiencies inherent in a more automated transaction process"

The Securities Market Practice Group has been working on a similar idea called the Event Interpretation Grid which helps programmers decide how to treat information delivered in ISO 15022 (MT564 and MT565 messages).

Some custodians and asset managers may find it more reassuring to process corporate actions directly from the announcements or by developing their own scrubbing service. Indeed, one major, global asset manager has recently decided to return to manual processing, despite the increased cost in headcount.

The challenges remain in the world of corporate actions processing. The ongoing actions to address the challenges may not be as apparent as they once were, but it seems that would be wrong to say that corporate actions are taking a back-seat now.

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# Power to the people

## the need for transparency and scale to support increasing shareholder activism

By Manmohan Singh, Head of Product Leadership, Information Mosaic



### 'KNOW YOUR INVESTMENTS'

was the strongest message sent across the shareholder community by the global financial crisis over the last two years. Each file of bankruptcy, each request for delisting, every minuscule index drop at exchanges around the world made many shareholders stop and question: What was wrong with that company? Was my vote on the proposals registered? Was it counted and tallied?

Did we receive a vote execution confirmation? What went wrong?

The scramble for causes has exposed the fact that investors were so obsessed with reaping the benefits of their investments in a thriving economy that they forgot their role as owners and showed little interest in the businesses in which they were investing. For the faulting companies, the board accountability, management policies, strategic goals, past performances et al were well-covered under the prevalent compliant verdicts from the shareholders.

The non-votes and the lax tick marks from institutional investors, as well as fund managers, during the voting process could primarily be attributed to the fact it is a time-consuming, expensive process that is basically unpaid for. Moreover the clients of these institutions tend to delegate their responsibility to vote, believing in the expertise of these institutions to safeguard the assets under management and, in-turn, their investments. Under certain jurisdictions this means the necessity of submitting multiple copies of Power of Attorney (PoA) signed by the beneficial owners.

The difficulties in executing and monitoring these complex, burdensome manual processes as well as the expansion of investment horizons to international boundaries makes the whole procedure even more demanding. The inefficiencies in the system are also open to abuse by companies that do not want shareholders to vote. The resulting regulatory pressures for more transparency in corporate governance were inevitable, but, until now, the solution has been out of reach.

### The move to automation

Automation has always been the key to meeting complex processing requirements while simultaneously complying with regulatory needs. ISO's XML-based 20022 standard for proxy voting provides a robust framework to harmonize the processes involved

in proxy voting. ISO20022 standardizes and smoothes the processing of proxy voting messages throughout the processing chain, from issuers to the end-clients. It addresses the needs of meetings and proxy voting communication for intermediaries like custodians, central securities depositories (CSDs), stock exchanges and institutional investors with their respective clients.

With a flexible standard in place, the time is now ripe to implement a sophisticated and breakless automation solution for proxy voting and related stakeholder communication. Such a solution should support the entire communication chain to provide notifications by email regarding meeting announcements, updates, internet availability of proxy material, reminders to vote and meeting results directly to every level of shareholder and Non Objecting Beneficial Owners (NOBOs). It should also provide shareholders with 24 x 7 access to register their votes with respective intermediaries.

In addition to providing transparent direct notification of voting rights to the end shareholders or their designated authorities, the automation of proxy voting helps intermediaries to minimize risks associated with manual compilation of votes, reduce costs linked with paper-based communication and improve upon deadlines made available to the voting entities.

### No room for error

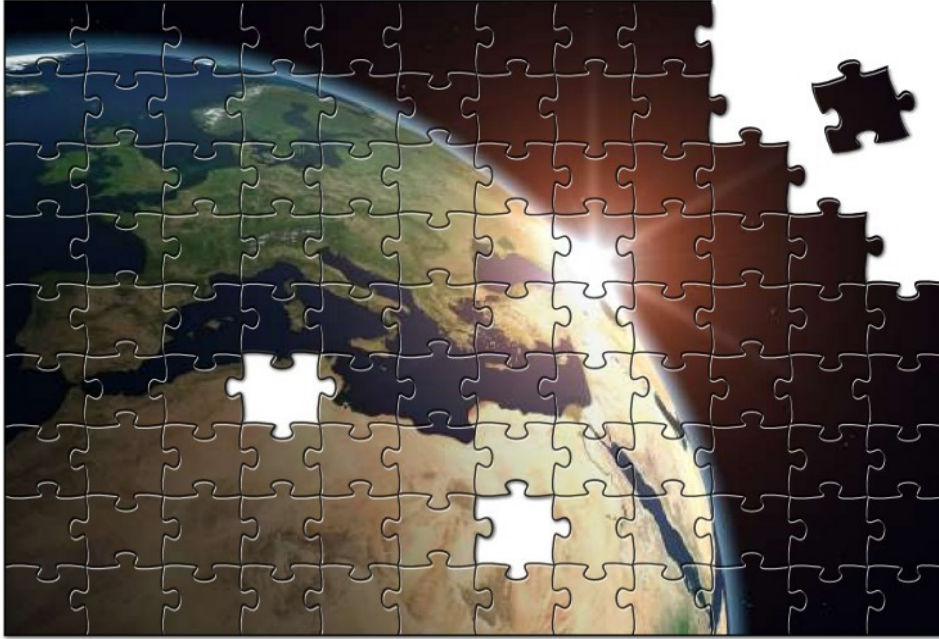
The powerful combination of automation for information dissemination with e-voting allows for transparency to be embedded across the entire proxy voting process. The integration of internet technologies and email communication mean that shareholders and their nominated voting rights holders can access voter information and register their voting instructions through a convenient channel that can be accessed anytime-anywhere via mobile devices. This transparency continues through the automatic compilation of votes, electronic submission of votes upwards in the proxy processing chain and receipt of vote execution confirmation. The full process is then well audited to present a crystal clear picture at any stage in the entire course of the voting cycle.

Post the trauma of the global financial crisis, there is now a shift in priorities which sees shareholders willing to look into their roles as company owners and to take action to get efficiencies in the companies they invest in. Opting for standardized electronic voting provides an inexpensive and effective mechanism to register and ensure their votes are counted.

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## Qualified Intermediaries feeling the weight of increased US regulation

By Richard Ryndak, Senior Product Manager, Wolters Kluwer Financial Services



**CHANGES IN US** tax law are increasing the burden on qualified intermediaries (QIs), expanding their reporting and withholding requirements, forcing them to correctly interpret complex legal rules under Section 302, and requiring accurate cost basis records for securities they manage. According to Section 1.1441-1(e)(5)(ii) of Internal Revenue

Service (IRS) regulations, a QI is any non-US intermediary (or foreign branch of a US intermediary) that has entered into a withholding agreement with the IRS.

The most recent change comes from the Hiring Incentives to Restore Employment Act signed into law Mar. 18, 2010. The Act imposes new US reporting and tax withholding obligations on non-US financial institutions, including QIs, beginning in 2013. For example, it imposes a 30% withholding tax on dividends and other payments, including gross proceeds from the sale of certain property, to non-US financial institutions, unless such institutions agree to disclose details of their US account holders, and report the balance and transactions within such accounts every year.

The IRS has yet to issue regulations implementing this Act; however, proposed regulations have been issued in two other areas of concern for QIs: redemption payments to non-US residents and cost basis reporting.

On Oct. 17, 2007, the IRS issued proposed regulations creating an escrow procedure for redemption payments subject to Section 302 of the Internal Revenue Code. Section 302 provides tests under which such a payment may be treated as subject to capital gain or loss. If the payment fails to meet any of these tests it is treated as a dividend, subject to US withholding tax if paid to a nonresident.

### Problems with 302

Section 302 has always been problematic in that the tests generally must be applied at the individual shareholder level, and are highly fact-dependent. The proposed regulations offer an escrow procedure for US withholding agents, allowing them to pass responsibility for determining the proper treatment of redemption payments to the recipient. Although the applicable regulations are merely proposed, US agents that follow them today still benefit from their protection.

Unfortunately, QIs cannot avail themselves of this procedure. Instead, they must certify that the redemption payment meets one of

the tests of Section 302 or accept dividend treatment, and the corresponding withholding tax. Furthermore, QIs that successfully establish capital gain treatment may soon have new cost basis reporting obligations under proposed regulations issued on Dec. 17, 2009.

These regulations amend the definition of a broker to modify the exception for non-US payors and non-US middlemen. Under the revised rule, a non-US payor or non-US middleman would be a broker to the extent provided in a withholding agreement between a QI and the IRS or similar agreement with the IRS. Such agreements are generally expected to provide that the contracting broker will be subject to the broker reporting requirements under Section 6045 to the same extent as US payors and US middlemen.

### Filing with the IRS from 01-01-11

Beginning January 1, 2011, QIs that are subject to the broker reporting requirements must file information returns with the IRS for every sale the QI effects on behalf of its customer as part of the ordinary course of its business. As noted above, this should include redemption payments that qualify for capital gains treatment.

The QI will be required to report on Form 1099-B the adjusted basis of a covered security sold and whether any gain or loss is long term or short term. In reporting adjusted basis, the QI will have to take into account information received on a transfer statement in connection with the transfer of a covered security, as well as information received from issuers of stock about the quantitative effect on basis of corporate actions. The proposed regulations also require QIs to provide a written statement, reporting the adjusted basis, on any transfer of custody of a covered security to another broker.

The full implications of these changes are not examined here, but this much is clear: QIs are facing more stringent demands under US tax law. Aside from increased reporting and withholding requirements, and the need to understand how to apply the tests of Section 302 to redemption payments, they must also consider implementing a system for establishing and tracking US cost basis. This will be no mean feat. Among the many challenges they face are how to account for wash sales, and how to adjust for corporate actions, especially complex events and those for which tax information is incomplete or wholly lacking. Their counterparts in the United States are already struggling with these issues as Jan. 1, 2011, approaches.

PowerPoint presentations will be made available after the event, along with a series of videos of key sessions and presentations.

See [www.CapitalMarketsEvents.com](http://www.CapitalMarketsEvents.com) for updates on CorpActions2010 and other forthcoming events





Your Notes

2010  
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