Five weeks of certainty:

Converting to a new Transfer Agent

Q&A with Philip Iacono, PMP Senior Director, On-Boarding Corporate Issuer Solutions at Broadridge

Industry consolidation is continuing to drive an above-average number of conversions to new transfer agent relationships. Companies are also taking a fresh look at transfer agent services, to ensure they are delivering the right client experience — for instance, by improving and simplifying shareholder communications — in the most cost-effective way.

In this Q&A, Philip Iacono, who has led hundreds of successful conversions, addresses questions executives are asking about how to make the process smooth and client-focused.

Q. What is driving the high rate of transfer agent conversions?
A. The transfer agent industry has continued to consolidate as a result of acquisitions and regulatory actions. Also, changes in the industry are driving companies to take a fresh look at relationships. In the past, transfer agents used clients' anxieties over "conversion risk" as a means to retain clients. However, today, there is very little conversion risk and the right transfer agent can deliver value and helps companies meet business goals.

Q. How long does the conversion process typically take, from start to finish?
A. Typically, about five weeks. In the past, some companies have experienced far longer conversions, which have been stressful and uncertain experiences. But this doesn't need to be – especially when the transfer agent emphasizes open communication and transparency.

Q. Are there major differences in how transfer agents convert data?
A. Although all transfer agents must convert the same core data, what differentiates services is the consistency of their procedures, including the ability to validate data with analytics. We validate 140 data points to make sure all data – a full historical conversion, not just the last few years – flows into our system correctly. This protects clients, saving them time and money, and improves data quality. Also, we validate data five times during the conversion process, each time with a full reconciliation to ensure data integrity and avoid potential issues. After the implementation, it's a good idea to simulate an event, such as running a dividend or proxy record date, to make sure the process runs smoothly, as expected.

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Q. What are some ways companies can improve data quality as part of the conversion process?

A. It depends on what shape the data is in, as well as any issues uncovered during the conversion process. For example, there may be incorrect ownership codes, such as joint tenant accounts that have been converted to individual ownership, or un-cashed checks, which can indicate bad addresses or potential escheatment problems down the road. A transfer agent can help to find and correct negative share balances, which should never occur, and shares that should have been moved out of Dividend Reinvestment Plans but weren't. Another example is to identify name codes with salutations ("Mrs., Miss") and codes indicating shares currently in registration, both of which the SEC says should not happen.

Yet another safeguard is to conduct a full test file conversion with analytics several weeks before going live. By the time a company goes live, these issues should either be fixed or noted for follow-up, with all data in standard formats. This ensures that a company's data emerges in better condition than where it started.

Q. What are the biggest problems you face in bringing a client's data into standard formats?

A. Start by understanding that there are no agreed-upon standards for registered shareholder data files and formats. Standards vary across service providers and can even vary among files of a single issuer. For example, bank routing numbers on shareholder accounts can be entered as text fields or numeric fields, and the difference is significant.

A transfer agent can't control the formats clients supply, but it can control its own inputs – how data goes into the new system. Whether the conversion involves a file with 300 shareholders or 300,000, inputs should be in the same formats every time.

Q. What other issues should companies consider in choosing a new transfer agent and planning a conversion?

A. Ask whether the transfer agent is capable of keeping track of all shareholders on the beneficial side, as well as on the registered side. This supports the capability to give clients views and analyses of their entire shareholder base. Also, look at the bench-strength of the conversion team by identifying its members and their level of engagement. This includes key people in sales, operations and relationship management. They should have a history of working together on conversions.

Q. Is the conversion process costly?

A. It depends on the fee schedule and terms, which can vary widely among transfer agents. For example, some transfer agents charge to terminate relationships, while others don't. The best arrangement is to bundle all conversion services, including client welcome letters, into one quoted fee with minimal or no add-ons, and no extra fee for de-conversion services. Keep it simple.

Q. How much time should a company plan to spend on a transfer agent conversion process?

A. Most would say: "As little as possible." Realistically, our clients spend about 4-6 hours on average, and the difference can depend on how involved they want to be. In larger companies, corporate secretaries usually can delegate most conversion details, while staying abreast of progress through regular status updates.

Q. So, conversion doesn't have to be an ordeal?

A. A conversion should be a value-added experience. Broadridge identifies opportunities during each conversion to improve the client and shareholder experience after a conversion goes live. In fact, we think this upgrade opportunity is one reason so many companies are doing conversions now. They can extend their capacities in areas that are becoming increasingly important, without burdening the corporate secretary or general counsel.

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