

ARTICLE



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New opportunities for automation in the management and delivery of corporate actions

Corporate actions has traditionally been challenged with overly manual processes and has for many years lagged behind other areas of the pre- and post-trade world in terms of automation and straight-through processing (STP).

Lack of standardization across jurisdictions and markets as well as a lack of technology investment have been traditional hurdles. There has also been only limited appetite to tackle automation in areas seen as too complex, too risky and non-differentiating.

For the processing teams of a corporate actions operations group, messaging standards changes including ISO 15022 and ISO 20022 as well as recommendations from Securities Market Practice Groups (SMPG) have helped to gradually chip away at the problem, but this has been a process of gradual improvement over many years as opposed to a real automation breakthrough. In addition, with technology investment often lacking, improvements in standards or demands from clients have simply resulted in additional manual processes which exacerbate the issues faced.

While full end-to-end automation is in many cases unachievable, or even undesirable, there are major areas of the corporate actions process where technology advancement and different ways of thinking can now play significant roles and may drive the next generation of change at a far greater pace.



ABOUT THE AUTHOR

Michael Wood is responsible for the strategic direction and delivery of asset servicing solutions across Asia Pacific and Europe and works closely with colleagues in North America to deliver a market-leading global product. Michael joined Broadridge in 2016 and has over 25 years' experience. Prior to this, Michael was the Global Head of Asset Servicing Technology for Barclays. Since joining Broadridge, Michael has been instrumental in the strategic direction of the asset servicing product.

Digital delivery is one such area of advancement, presenting an opportunity that can enable an enhanced client experience. The notification and elections process between investment managers and end clients is now becoming far more digitalized as 'sophisticated' investors increasingly bring technology to bear and retail investors demand a move away from traditional communication methods.

Technology plays a significant role here in allowing an organization to deliver notifications via digital channels and capture elections in real time in return. The most advanced organizations are now able to meet client demands to differentiate in this space, using technology to their advantage to offer the most competitive election deadlines. However without investment in automation, this is simply too manual and prone to risk.

With tight margins and pressure on firms to create new revenue streams, it is increasingly important for corporate actions technology to play a greater role in enabling business opportunities. Traditionally seen as an operational 'cost of doing business', forward-thinking organizations are now using the information in the corporate actions process to their advantage. Having a single application used globally across a firm's multiple business lines throughout the lifecycle of a corporate action event is crucial in order to maximize business benefits here. The opportunities this can present are numerous, and include:

- Real-time digital feeds of a single golden record, available for use across an organization, alerting traders, investment managers and decision makers, enabling them to act on the latest information at the earliest opportunity
- Arbitrage opportunities can be identified and presented to the front office, enabling traders maximum opportunities when managing long/short or synthetic/hedge inventory
- Through a real-time business-wide view, global inventory can be optimized between depositaries or legal entities to take advantage of trading strategies for different currency options or deadlines
- Elections can be captured once and passed through all legs of financing transactions, with risk mitigation through a centralized cross-region view and seamless multi-leg automation



As well as the direct opportunities that exist, client service differentiation can also be achieved, for example by having an application identify elections that may be 'in or out of the money' rather than just acted upon regardless.

Of course the traditional operation also gains huge benefit from the single global application. One single place to manage an event across regions and often multiple books and records allows an operation to centralize and standardize controls and processes, reduce risk and remove manual, duplicative processes.

All of this is possible today with currently available digital and cloud technology. But the pace of change varies significantly between firms, with the leading adopters better able to transform service provision to both internal front-office clients as well as externally through a more dynamic client service experience, while also mitigating risk through an operationally efficient framework.

In the future however, we may see an even greater pace of change, in part driven by emerging disruptive technologies, enabling yet further differentiation between the leading adopters and those lagging behind. This is most likely in two places.

Firstly, the industry has always struggled with the process of sourcing corporate action announcements. The lack of automation and lack of central bodies from which to source the data means that the entire industry spends substantial amounts in this area – both in sourcing the data and in building technology to interpret it.

Encouragingly we are seeing an increasing willingness from industry participants to look at collaborative ways to finally break this data impasse. In many cases the industry sees trusted service providers as being in a position to play a role in transforming this space, helping to bring organizations together through a shared service model. Technology such as blockchain is also seen as likely to play a role here in order to drive efficiency and service quality, and while pilots so far have mostly focused on proxy vote processing, extending beyond this into other types of corporate action is a realistic goal.

Secondly, in operations in particular, the technology focus is shifting significantly towards the use of machine learning/ artificial intelligence (AI) to replace currently manual processes. Again however, the opportunities to use AI to an organization's advantage can often suffer from traditional issues such as a lack of data standardization. Here firms are again increasingly willing to look beyond their own walls and partner with fintech innovation leaders to create solutions across a network of firms and capitalize on synergies and efficiencies that cannot be realised alone – for example in the area of claims management.

By taking a fresh look at the place of corporate actions in an organization, opportunities exist today to generate real line-of-business value and to drive efficiency in the back office. Firms can take their organization forward by capitalizing on the latest innovations for global, single-solution corporate actions technology, while readying for the next phase of disruptive technology and machine learning.

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