Industry experts have emphasised that corporate actions are extremely important because they represent the governance and capital return relationship between share-issuing companies – issuers – and end investors.

While technology may not necessarily be the solution for the complexity of corporate actions, they can help simplify how they are processed.

Phillip Taliaferro, general manager of asset servicing at Broadridge, explains that the industry has traditionally processed corporate actions on existing back-office systems which were separated by region, line of business or asset class.

Exacerbating these challenges, those systems were not integrated with one another and often operated on a batch cycle without any real-time capabilities, according to Taliaferro.

"In many cases, exception handling (resulting from securities lending or sale during the event lifecycle) is handled on spreadsheets and elections are captured manually; resulting in operational risk and significant labour expense," he continues.

However, more modern solutions are available. Already, institutions are deploying technology to help navigate the complexities of corporate actions.

But is there still some way to go.
Implementing Technology

Corporate actions have remained a largely manual, costly and financially risky activity even as other parts of the trade and asset lifecycle have moved to straight-through processing (STP), according to Taliaferro.

One silver lining is that the industry is starting to turn to technology to help navigate the complexities. Taliaferro observes that the industry has finally reached a turning point in which the client demands, regulatory requirements and cost pressures demand action. “Fortunately, the technology is now available to meet these challenges,” he adds.

However, Adam Cottingham, product manager corporate actions, SmartStream, highlights that people often underestimate the complexity associated with corporate actions and suggesting that it is hard to automate. Technology is critical to be able to automate and control it.

Cottingham says: “There is a data flow obtaining information across multiple participants in a time-critical way; throwing more people at this cannot help reduce risk against it – you need a system in place. Technology is crucial to be able to enable a better client service relationship as beneficial owners under Shareholder Rights Directive II are being asked to come into the process of making electronic decisions.”

He continues: “There is also the technology chain making corporate actions processing and proper integration fundamental for running an accurate book of record. The adoption of artificial intelligence (AI) to support narrative cleansing and predictive matching is also important.”

Echoing the importance of applying technology, Ankush Zutshi, head of product management, securities processing and corporate actions at IHS Markit, comments: “Technology is a significant contributor to the simplification of corporate actions.”

“In response to all the challenges in corporate actions processing custodians have focused on the need to continuously improve efficiency and reduce risk by investing in rules-based workflow automation technology and digitalisation tools, either building or buying market-leading asset servicing solutions,” Zutshi says.

According to Zutshi, these solutions facilitate increased efficiency and risk reduction by automating the end-to-end-workflow with the aim to increase STP rates. This creates time and resources to focus upon the identification and resolution of exceptions.

At the Depository Trust & Clearing Corporation (DTCC), an American post-trade financial services company providing clearing and settlement services to the financial markets, the belief is also that technology is critical for increasing automation in the corporate actions space.

DTCC says that automation such as the use of APIs and real-time messaging can have a positive impact on the entire industry, from central security depository to custodian/broker-dealer, to asset manager to the beneficial holder and even to the various agents that aid in facilitating processing.

Additionally, DTCC believes that the use of standardised, modernised, real-time technology can provide the industry with accuracy and efficiencies that will allow firms and individuals to make sound investment decisions and maximise their investment returns.

Elsewhere at Broadridge, there has been substantial investments in a new corporate actions solution that is designed to span all lines of business, operate in real-time, and is built on a modern technology platform, hosted in AWS and integrated via a modern application programming interface (APIs).

Broadridge’s Taliaferro says: “Over time we are building out intelligent automation capabilities that will harmonise events and further reduce operational exceptions.”
Fabian Nelissen, head of global asset services at Clearstream reinforces the point that technology and automation are the cornerstone for successful processing of corporate actions, and if it does not always directly simplify the corporate actions in itself, it simplifies the operational processes through the chain of stakeholders while guaranteeing better quality and time to market.

“The ultimate goal is always to offer the best level of service to our customers while reducing burdens on their side as much as possible”, Nelissen highlights.

While it can be agreed that technology can help with corporate actions processes, there is a variety of tech to choose from, and each can be used in different ways.

Some of these technologies include:

- **API**, a computing interface which defines interactions between multiple software intermediaries
- **Cloud computing**, on-demand availability of computer system resources, especially data storage and computing power, without direct active management by the user
- **Robotic process automation**, a form of business process automation technology based on metaphorical software robots or on AI/digital workers

While DTCC has invested in providing clients with modernised graphical user interface, a form of user interface that allows users to interact with electronic devices through graphical icons and audio indicator, with export and advanced search functionality, as well as real-time ISO 20022 messaging, it will be focusing on building a suite of API services over the next several years.

These services will allow clients to access DTCC data in real time and “on demand”, using simplified computer-to-computer communication and modernised programming languages like JSON.

Gerard Bermingham, managing director, sales/business development, financial markets, IHS Markit, observes that custodians are increasingly leveraging cloud to lower total cost of ownership and simplify implementation and maintenance of solutions compared to the traditional model of on-premise deployment and upfront licensing costs.

“The compelling economics of cloud is especially very valuable to custodians who were earlier struggling to replace their legacy technology platforms that were hindering the digital transformation efforts as it is much easier for them to now implementing modern technology solutions in the market,” Bermingham says.

Meanwhile, Bermingham notes that the increasing demand from buy-side clients on self-servicing, real-time information access and modern digital tools provide opportunities for custodians to leverage technologies such as APIs and open platforms.

“The API adoption is increasing at a rapid pace and their adoption can improve the efficiency not only around client communication but also interactions with the street including counterparties, market infrastructures and solution providers,” he adds.

IHS Markit’s Zutshi also weighs in on this saying that given the reliance on manual touchpoints and processes, developments in new technologies such as robotic process automation can help increase operational efficiencies by automating the basic repetitive tasks without impacting the technology infrastructure.

“Using robotics, web scraping and AI techniques to source corporate action data directly from newswires, the web, vendors and other providers and then analyse the unstructured data in disparate formats
using AI and machine learning, to normalise can help reduce the manual validation efforts and timeliness issue for corporate actions,” he comments.

Additionally, intelligent automation can also be used to analyse reconciliation breaks and patterns at different steps in the CA lifecycle around to help operations in faster resolution of such breaks. According to Zutshi, modern tools like NLP based chatbots can assist in client servicing for basic CA information queries and also assist in the decision-making process with additional information.

Clearstream’s Nelissen summarises: “The rise of new technologies brings a new dimension in automation possibilities and even if the treatment of corporate actions is constantly evolving, the fact remains that the opportunities exist in order to reduce the inherent risks and increase efficiency and quality.”

These opportunities come in different shapes and in recent years Clearstream has been working towards:

- Reducing manual intervention by automating data input and certain tasks by robotisation
- Optimising exceptions distribution and leveraging the use of workflow management tools with the goal to achieve advanced capacity management
- Eliminating paper processing by digitising the necessary information
- Shifting from hardcoded rules towards the flexibility AI and machine learning offers

Nelissen cautions: “But before designing a lot of solutions it is important to revisit the way it works. Robotising processes that legacy system changes can handle would also not be recommended.”

Finally, the back-office is an important part of the value chain and no technology, even AI, will ever entirely replace the human experience, according to Nelissen.

He concludes: “The rat race between innovative corporate bankers who want to maximise the benefit of the issuer and the industry who wants to mould the event in a smooth process is far from over. It is therefore important to correctly reuse the resources that result from the efficiencies created by automation in order to improve the customer experience.”