A new lens

Although the COVID-19 pandemic saw the corporate actions industry face many challenges, it has provided a significant catalyst to change. Industry experts discuss the lack of standardisation, increasing external demands, the optimum vision for corporate actions space and more

Why does the management of corporate actions play an increasingly critical role in meeting increasing external demands?

Daniel Schaefer: The processing of corporate actions is becoming more commoditised. Clients expect low-touch processing and want it to work as smoothly as possible. But complex corporate actions are still lacking a degree of standardisation and harmonisation across markets, posing greater operating and financial risks, and, therefore, requiring service providers to be very close to the markets and issuers.

Regulators, especially in Europe, increasingly require intermediaries in the process chain to pass on information to shareholders (and instructions from shareholders back to the issuers), to enable investors to execute their shareholder rights. In Europe, the two Shareholder Rights Directives (SRD I and SRD II) have had a huge impact on how corporate actions are processed by intermediaries.We are seeing further initiatives to improve corporate actions processes, for example, by the European Central Bank, which is a key driver behind the newly created Corporate Events Group and the SCoRE standards for corporate actions.

George Harris: Corporate actions management has always been a dominant feature within the operational framework. Not only does it attract strong attention from the investor and ownership community but also carries a high risk quotient associated with the operational management of the lifecycle of the event. However, what appears to be emerging is a greater amount of scrutiny paid to the end to end process culminating in continuous reportable activities within the overall operational eco-structure whereby the investor and ownership community is just one interested party. Specifically, the need to capture the key economic detail of the corporate action event, the applicable decision points and the predicted and actual outcomes are key referential points required to be published to multiple information consumers.

These demands are required to be met either as a feature of any Service Level Agreement/ Description between parties or are considered as in-scope reporting points to meet any regulatory demand, including SRD II or theSecurities Financing Transactions Regulation (SFTR). This has given rise to having to warehouse this data within an enterprise data management solution thus allowing a managed control of content and distribution

Katie O'Connor: The increasing demand for self-servicing, real time information access and modern digital tools provide both challenges and opportunities in the corporate actions space. Given the complex nature of corporate actions, the need to ensure timeliness and accuracy in every step thereafter — dissemination of the corporate action information to investors, collection of elections and passing instructions to the street, and paying out correctly, further adds to these risks and operational costs and creates several potential points of failure. In addition to the above challenges, there has also been the introduction of several new regulations as regulators look to protect investors and maintain confidence in market integrity. We are seeing newer regulations such as SRD II increasing transparency around corporate governance and setting performance parameters by which intermediaries must pass on corporate event notifications to clients.

Market infrastructures around the world are also evolving. DTCC in the US is completing the reengineering of corporate actions processing by DTCC to move to the latest ISO 20022 standard. Various European market infrastructures, driven by T2S harmonisation efforts are following suit and the ones in Asia Pacific (APAC) are not far behind.

All of these changes require continuous product and technology change investments with the growing demand from clients to provide accurate data and information on a real-time basis through modern open platforms and application programming interfaces (APIs). 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. Coupled with an increased demand for portals which give asset owners increased transparency and control over their corporate actions.

Sharde McCorkle: There are numerous reasons why the management of corporate actions is so critical especially in today's financial climate but, my short answer is the customer and here's why: corporate actions are a pillar of the post-trade lifecycle support ecosystem and it's our service that produces and supports economic stability and business continuity within the broader operations support model. The role of corporate actions continues to become increasingly critical as the demands of the marketplace evolve and the expectations of client service collide. Over the years we've seen corporate actions progressively morph into a complex business that must keep up with the challenges of the clientele it serves. As such, the considerations that are on the radar of all lines of business lie within systemic risk, enhanced security instruments, time management combined with multi-market processing, trade activity, and the overall impact of the current events we face.

When it comes to processing and meeting the external demands of event management, it's crucial that financial bodies consider the big picture in order to attain the best results. How many times have we witnessed the consequences of failing to optimise performance and the downstream implications that include everything from regulatory penalties to financial loss (not just for the

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firm but also the customer), and of course reputational damage in the eye of the public and in the confidence of the client? The external demands for timeliness, speed, accuracy, transparency, and value are becoming increasingly more present and the days of leaving elections on the table, overlooking event complexities, and operating with a business as usual (BAU) state of mind are no more. So, when we think about the criticality of managing corporate actions in today's landscape, I think the consistent question we should ask is how the mismanagement of corporate actions will simultaneously influence external demands and what are the internal consequences of overlooking them. Ongoing dialogue to ask the right questions positions us to strategise and when we consider our strategy, we are met with the opportunity to develop the right answers to put our best efforts forth first for the customer and ultimately for the business.

Michael McPolin: The rationale behind effective management of corporate actions comes down to a variety of external factors centring around economic, environmental and regulatory demands. The industry has seen increasing corporate action volumes and event complexity in response to the demands of capital markets in a time when regulators have a diminishing tolerance for errors within financial institutions. This coincides with the industry experiencing a sustained period of price compression and reducing profit margins.

New regulation such as SRD II has introduced performance standards that require intermediaries to facilitate the distribution of corporate action announcements on the same business day, whilst the world is experiencing a global pandemic that has required all industry participants to apply business contingency solutions with staff working remotely from home and the industry seeking to adapt operating models to comply with global lockdown challenges.

Operations teams are under pressure to maintain operational integrity due to the risk and potential for financial losses associated with corporate actions whilst driving an efficiency agenda to include new technology, digital solutions, and managed services. Demand for increased returns on investments has also seen the front office seeking increased speed and accuracy of corporate actions data so they can optimise investment performance.

Matthew Ruoss: We look at corporate actions a little differently than our fellow panellists in that we analyse how our customers can achieve the best possible value from any given corporate action. Given that investors are pressing asset managers and others to secure every basis point they can and are more closely scrutinising the decision-making process as a result, firms must be very diligent in how they manage the process, beyond just operational efficiency.

The problem of value lost through sub-optimal decision making around corporate actions — namely voluntary acts like rights issues and scrip dividends — are substantial. Our data shows that each year, over one billion dollars is missed out on just on scrip dividends. Ensuring that funds capture this intrinsic value that's otherwise being left on the table is critical.

This pressure gets tighter when you consider the huge influx of assets into ESG-compliant funds. More than just environmentally-focused considerations, firms are having to demonstrate good governance — not just with their investment selection, but in how they manage these investments.

Good governance demands good stewardship of the assets, and we're seeing more pension funds casting a closer look at how their managers handle corporate actions.

What challenges does the lack of standardisation cause within corporate actions? And how should this be addressed?

McCorkle: Standardisation in the industry has grown to be quite subjective. Often, we look at it from the perspective of uniformity or maybe the use of best practices across various parts of the corporate action lifecycle but, I believe recent times have demonstrated that standardisation must be coupled with an assessment of the outcome. Are we achieving the desired results? The desired results are ultimately what sets market players apart and the key here comes down to how are we putting standardisation into practice. In corporate actions, the lack of standardisation from an information perspective alone can have severe impacts from missed opportunities to legal ramifications.

To address the challenge, we must first re-evaluate our current methodology for developing standards and then assess how they are being applied. As an industry, we frequently evolve by looking at what we can do better or differently based on our lessons learned and risk incidents, but those times are perhaps the most critical and often too late. The need for standardisation and corporate actions are relative. As the scope of processing grows the demand for consistency and control grows with it. In corporate actions our ability to be proactive struggles in part because there are many moving parts to the overall process, but the other stumbling block has been outdated practices. In the future, reliance on enhanced collaboration across the industry will be the driving force behind standardisation. It is the building block to sharing information from credible sources that can be leveraged across firms, ongoing conversations with governing bodies that publish standards and turn them into actionable duties, and agreement and insight to what the standards should be. Once inclusivity becomes a part of the process periodic reviews by those responsible for exercising them, and secure prompt transmission of data, currency, and communication will be a leap forward in tackling the controllable challenges that overshadow the industry.

Schaefer: Over the course of the last 15 to 20 years, corporate action processes have been improved significantly. After the introduction of the ISO15022 standard 20 years ago and its constant enhancement by groups such as the Securities Market Practice Group (SMPG), there have been significant achievements.

The focus was first on high volume corporate action events such as dividends, interest payments and redemptions, where the greatest impact could be achieved. This has resulted in a very high straight-through processing (STP) rate across the industry for these types of events. However, more complex events can still be challenging and these have been addressed, too. The banking industry has constantly worked on harmonising and standardising these events. At the same time, issuers and issuer agents have found themselves obliged by the legal framework — for example, requirement for physical documents — or by tax laws to process events in ways that sometimes run counter to previously agreed industry standards. Historically, banks have worked on standardising and harmonising corporate action processes. Going forward, issuers and their interest groups are likely to be much more involved in these discussions. When looking at attractive investments, standards in corporate action processes have not always been a primary focus. This is changing, however, since institutional investors are placing more emphasis in their investment decisions on additional factors that impact their returns, such as the cost of inefficient corporate processes and the risk of operational losses.

McPolin: The lack of standardisation within corporate actions usually references the messaging protocol in the investment chain. Issuers and issuer agents have traditionally not invested in messaging such as SWIFT and consequently intermediaries are required to capture event announcements issued in multiple formats and translate them into SWIFT messaging for onward distribution in the investment chain. This lack of standards in a chain that may contain multiple intermediaries, combined with a lack of automation, carries significant operational risk with potentially significant financial losses being incurred because of error.

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Other challenges due to lack of standardisation include the cost and effort in data validation to mitigate risk, delays in the distribution of corporate action notifications and a reduced deadline to the front office to make an investment decision.

To address these market challenges, issuers and issuer agents can introduce industry standards such as SWIFT, APIs to distribute a digitised golden source event, and intermediaries can invest in technology and enhance existing standards adoption to provide efficiency and reduce risk and cost in the industry.

The introduction of the SRD II is a good example of how regulation has started to drive automation and the adoption of standards by mandating the use of machine-readable and standardised formats which are interoperable between operators and which allow STP for event announcements.

O'Connor: Lack of standardisation and manual processes built around legacy technology architectures further exacerbate the risk of errors and financial losses. While progress has been achieved across the industry in tackling these challenges through the adoption of technology, the ability to fully optimise this investment is restrained due to other weaknesses in the investment chain that do not or cannot comply with industry reporting standards.

The lack of standardisation increases the risks associated with inconsistent information across markets and events, further exacerbated by the manual touchpoints and the deadlines driven nature of events. These errors can expose a financial institution to huge financial and reputational risks and losses. One of the major risks of errors occurs from the failure to collect, correctly interpret and validate corporate actions information in time, resulting in poor data quality or delay in the dissemination of information down the entire chain of intermediaries to the end investment manager.

To mitigate these risks, market participants and industry associations need to push towards harmonisation and standardisation of corporate actions across markets. The financial institutions need to invest in technology and services to ensure the corporate action data is validated through a precise process of mapping, normalising and consolidating announcement information from a variety of best-in-breed sources for

the relevant asset classes and markets and their agents and then resolving conflicting information to arrive at a single golden corporate action record. A cost-effective proposition is to utilise a managed corporate action data validation service, like Managed Corporate actions from IHS Markit, which delivers this validated information. Also leveraging modern technology for workflow automation to eliminate risks of errors and delays from manual processing is equally important to mitigate these processing risks.

Ruoss: Standardisation is important, but is it realistic? The markets themselves aren't standardised to the effect that would enable a fully automated, end-to-end corporate actions lifecycle.

Instead of chasing after a holy grail like the single 'golden record', a more realistic step towards operational harmony is a collaboration between market participants. More specifically, where asset managers, securities services providers and other stakeholders utilise and share more of their data in a way that enables faulty data to be much more easily recognised. A matching system built on this level of collaboration would have a similar effect on enhancing data quality than an all-encompassing, yet far-off 'golden record' would. It's also highly feasible, as it's what our clients rely on us to already do.

Harris: Particularly in the absence of a single record of truth published by the source, standardisation remains an important principle of corporate actions to defend against interpretive risk but I see the route of the problem is how we provide issuers with incentive and the necessary platform to broadcast their event to industry. ISO 15022 and ISO 20022 have their rightful place as standardisation enablers but burgeoning technologies/vehicles such as distributed ledger technologies and arguably APIs may provide legitimate alternatives providing added sophistication to the services that product owners/consumers may wish to avail themselves of. The business outcome remains active risk management whilst providing a product or service offering needed by clients and regulators alike.

Why is it important for organisations to recognise the difference between expense management and expense reduction?

Harris: This question does suggest that there remains a belief that expense management and expense reduction are synonymous, they are not. Managing the commitment of the issuer to the legal or beneficial owner community in terms of a corporate action event has an inherent complexity that needs to be tackled through a combination of people, platform or process.

Furthermore, identifying an organisation's risk appetite and business aspirations will allow the command of an appropriate business case to determine a short, medium or long term organisational goal. With this known and understood managing the expense base versus any growth, need will determine the appropriate return on investment which should include an expense management clause.

O'Connor: While closely related, the difference between expense management and expense reduction is critically different. While it is important to look for simple ways to reduce expenses, it is important to look at the entire cost of business.

For example, while implementing a new solution can be more costly upfront, the risk of continuing to rely on manual process and out of date technology can lead to financial losses in other areas, such as sub-par trading due to inaccurate or incomplete data, or the losses occurred due to mistakes made during processing due to the risky nature of manual processes.

McPolin: Expense management adopts a model which assumes that expenses can increase as long as the profit margin is maintained. In theory, this should facilitate strategic investments, supporting the business as well as its product roadmap. Expense reduction is normally focused on achieving efficiencies via cost reduction inclusive of automation. A revised operating model, such as through the adoption of a mutualised, shared services approach, is also a key enabler for transforming cost/income ratios.

McCorkle: Expense management and expense reduction are often used interchangeably, but I think, there is a co-dependent relationship between the two. It's important that firms recognise the difference to effectively manage them. One reveals the condition of the business and the other influences the condition of the business. The management of expenses is an indicator of stability and creates opportunities to reduce expenses that influence budgets and bottom-line performance. A firm's ability to manage its expenses ultimately produces a financial record and visibility into productivity. It is the gateway for decision making based on business conditions and controlling costs.

While expense management and expense reduction are fundamental responsibilities of any process owner, it must encompass a front to back comprehensive plan that incorporate both direct and indirect expenses. Cutting or underfunding investment in process improvement/automation can and often leads to additional cost through manual processing resulting in additional cost associated with people and subsequent operational errors which can far exceed the benefits of expenditure reductions. The savings can be wiped out by lost business opportunities, client dissatisfaction and reputational issues equating to lower revenue. Today's leaders need a balanced, forward-thinking approach to today's budgeting challenges that are both tactical and strategic.

The decision for expense reduction will often be taken in response to an expectation of lower or uncertain revenues against which to set future costs

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Schaefer: Expense management and expense reduction are separate concepts, but they are linked. Expense management is the day-to-day control of specific items or categories of expenditure to ensure that those expenditures remain within budgetary targets. Expense reduction is an organisation-wide policy arising from a specific management decision. The decision for expense reduction will often be taken in response to an expectation of lower or uncertain revenues against which to set future costs. An expense reduction policy can be implemented through measures including automation, headcount reduction, general efficiency, improved controls, and even cessation or disposal of underperforming activities.

Expense management will form part of the plan for expense reduction, but expense management will be practised in any well-run organisation, even in the absence of a specific expense reduction programme. It is clearly important for an organisation to understand the relation between these separate concepts in order to achieve effective control of its performance.

In line with these two concepts, banks should bear in mind that investing in the automation and standardisation of corporate action processes will lead to operational risk reduction and reduced costs for manual processes in the medium term.

Ruoss: There isn't a bank or asset manager that can say they've never lost money on a corporate action. The losses seem small, but added up, they are staggering. While no operating system is perfect, recouping many of these potential losses is far simpler than stakeholders. Yet, that requires an investment that still doesn't rank highly on most priority lists.

Corporate actions are often seen with the same lens that we use for compliance functions: the aim is to get things right to avoid losses. And that's an incorrect mindset. Corporate actions, when done right, can lend themselves to being a profit centre, rather than a cost centre. The missed value in voluntary event elections is large, yet the area is perfectly placed, with the right technology to recapture that and deliver it to clients. This is all possible with the correct technology in place and allows the corporate actions department to contribute to the performance of its firm, rather than simply focus on avoiding losses.

What factors are key to consider when deciding whether to develop a solution in-house or select an external technology partner?

O'Connor: Technology is a significant contributor to the simplification of corporate actions. In response to all the challenges in corporate actions processing, firms have focused upon 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. 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 resource to focus upon the identification and resolution of exceptions.

Building these tools and technologies is an important investment, however, requires expertise in both the corporate action space and software development. Finding the right team to lead your business though this is vital to a successful project.

The benefits of working with a technology partner can be substantial — from cost savings to efficiency gains. Technology partners should challenge ideas and provide innovative approaches to problem solving. Partners can also help by setting up processes, strategies and frameworks — as well as provide technical advice on how to configure a particular part of the resulting application.

Many technology partners are providing solutions in the cloud, which allows firms to lower the total cost of ownership (TCO) and simplify implementation and maintenance of solutions compared to the traditional model of on-premises deployment and upfront licensing costs. The compelling economics of cloud is especially very valuable to a firm that was earlier struggling to replace their legacy technology platforms that were hindering the digital transformation efforts as it is much easier for them to now implement modern technology solutions in the market.

Schaefer: From a corporate actions point of view, the flexibility of the processing system is of utmost importance. We are seeing new ways of processing corporate action events on a daily basis.

In addition, evolving standards and increasing harmonisation across markets lead to the need to be able to react to a changing environment. Participants involved in the corporate actions process are constantly developing new features that help reduce operational risks for those who adhere to the ever-evolving standards, for example in the annual SWIFT standards releases.

A system must also be flexible to cater for customisation based on individual client expectations. In order to serve clients well and enable seamless communication with them, it is vital to be able to adjust messages to comply with client requirements.

The same holds true for specific market requirements. Those who are connected to markets across the globe — comprising central securities depositories (CSDs), global custodians, sub-custodians, investors — will need to be able to adhere to diverse local market standards, which sometimes differ from global market practices.

Ruoss: Firms of every size will have their complexities. What it ultimately comes down to is cost and internal expertise.

Outsourcing is far more common in asset management than it was a decade ago. Stakeholders are more willing to collaborate with technology partners if they know that the provider has the technology and the expertise that would be difficult to replicate. They're also more willing to partner if they can clearly understand the value it brings in terms of revenue.

With the advent of newer protocols that enable implementation — such as cloud computing and API's — using an external technology partner delivers expertise and resource that may be otherwise out of reach for many firms.

Harris: There are several factors that should be considered when deciding a build versus buy solution but these must be the right fit for the organisation for the immediate and long term need. It is important not to be myopic when it comes to the platform solution that best fits the operation, why choose a platform that has limited connectivity to other platforms or one that does not comply with market standards. Increasingly organisations are focusing more upon the ability of technology platforms to assist with the complexity, volume scale and interoperability within their eco-structure; one that 'partners' well with the other applications through a rich, sophisticated and evolving product set.

One other major consideration is whether you can form a strong business relationship with the technology organisation throughout the overall relationship. People buy people whereby it is important that those you deal with are equally like-minded and ideally from a similar background as those choosing the product/platform for their business. This approach will forge an enduring partnership that will be adept in tacking opportunities from the implementation of the product through to any unforeseen activity deserved of resolution within the platform. Considering these factors will assist in the perpetual and often philosophical decision as to whether to grow organically or externally partner with a solutions provider.

McCorkle: Putting yourself in a position to make a sound judgement or decision is the very first step. We often begin this process with information gathering, understanding, solution analysis, and strategy development. The decision to build or to buy

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technology is a crucial one from an operational perspective, a time management perspective, and a cost efficiency perspective, the latter often being the component with the most focus — yet not always the most important factor.

The very first consideration is the business requirements. What are the current needs? What are the antiquated processes? What are current system limitations? Where do we see the future of business? And how will we get there? Once the requirements have been established, we can begin to have dialogue around the pros and cons of existing technology and the effort to enhance its functionality. When it comes to corporate action processing the critical considerations stem from the processing lifecycle and extend to risk reduction, centralisation, and increasing capacity.

As you undergo an in-depth vetting process, you'll begin to frame out the advantages and disadvantages taking into account the spans of control of each technical approach, the upfront costs, long term costs, the time to build and integrate with legacy technology, ongoing maintenance, compliance, and capability and customisation to name a few. Such considerations become the core components that endorse your decision and allow stakeholders to feel secure with the outcome. Many times, the need for new technology is so great and so urgent that we become overwhelmed by the task at hand but, the value of the screening processing is that it removes speculation and creates room to focus efforts on the next steps. This is the start of progress and the foundation that supports the heavy delivery lift to follow.

McPolin: While the development of in-house solutions has traditionally been an approach taken by the larger industry participants who feel they have the technology resources, capability and talent to execute, the cost to develop and maintain and more importantly keep current can be prohibitive.

The use of external specialist providers often offers compelling benefits that business owners, operations and compliance teams generally find hard to overlook.

External specialist partners offer a host of benefits as they are likely to have established best in class market solutions developed and enhanced over several years and built upon market leading technology. Some platforms are maintained via mutualised functionality developments mean-

ing that user groups drive change and shared development. This approach can deliver lower running costs and an enhanced time to market. Using an external technology partner also provides the flexibility to scale up and down development resources in response to business demands and market changes which are essential in a fast moving environment.

How has the COVID-19 pandemic affected the corporate actions space?

Harris: The pandemic has brought into sharp focus the agility of organisations to manage their operations, be that the volume peaks and troughs associated with deferred dividends or platforms being robust enough to defend from cyber attacks for home-workers. The last year has certainly challenged the toughest business continuity planning in a way no one would have imagined. Reliance upon the ability to deploy technology to those practitioners requiring access no matter where in the world they may reside was both a key and limiting factor that may be of interest to clients and regulators alike, particularly if there were any forms of service interruption. Furthermore and considering that corporate actions operations are often identified as offshore or outsource candidates to lower cost regions, this may have compounded the impact that the pandemic would have had on providing uninterrupted service to clients.

McPolin: COVID-19 has brought many challenges to the world of the corporate action, but it also has been a significant catalyst to change, most notably it has been a key driver in the awareness and adoption of digital solutions. This has been evident in many areas, from working from home and communicating with our teams and clients via digital communication applications, to influence the way we work on a daily basis by accelerating the removal of manual physical processes such as wet-signature requirements and medallion stamps, as well as the physical execution of some regulatory reporting and tax documentation procedures.

McCorkle: The pandemic has given us all new spectacles to view the world and a new way to define mobility. The shift in our personal and professional lives has given us a newfound appreciation for the value of preparation and expectancy. It also challenged us to develop our thought processes and our technical prowess. I think we can all agree that one of the most severe effects of the pandemic has been on people interaction. Limitations for contact did not translate into a reduction in communication. Instead, we have made a case for the value of remote working and the necessity of automation and technological advancements. We've even exposed the significance of bridging domestic and global networking gaps as our reliance on digital communication took on greater responsibility.

For years there has been a stigma in corporate actions that says the nature of the business is too risky not to have a physical presence for processing, however, in the face of adversity we found ways to effectively conduct business with minimal interruption yet an increased level of external risk. As a result of the pandemic, the reliance on people and technology have proven to be invaluable in this space and has set the tone for re-establishing our operational business models. I think COVID has heightened our awareness of immediate changes versus the long-term results. It is our responsibility and decisions that we make today that will determine how we navigate through external challenges and how rapidly we can adapt to change tomorrow.

O'Connor: The recent global market volatility, as a result of the pandemic, has continued over an elongated period with economic impacts still evolving and impacting investor confidence. After the WHO declared COVID-19 as a pandemic, several governments and regulators recommended to banks to refrain from making distributions during this period. We have seen thousands of dividend and meeting cancellations globally in the US, Europe, the Middles East and Africa (EMEA), and APAC across different industry sectors such as oil and gas, real estate, auto, construction, hotel and leisure. There are many event extensions across the globe with meetings accounting for the most volume and extending to the later part of the year. Apart from meetings and distributions, several subscriptions offer, rights distributions, stock splits, tender offers, and bonus issues have also seen an impact. With some panic created due to a few stock exchange closures, and companies not being clear about the cancellation of meeting and dividend, operations teams had to go the extra mile to track down the right data from multiple sources and closely monitor which companies are eliminating dividend payments or other events to notify client or address increasing number updates on corporate actions and a high number of client queries.

Additionally, the industry has had to operate under business continuity planning (BCP), with most offices closed and staff still working from home because of the global lockdown. After the initial teething problems, remote working has proven to be a relative success so much so that several major organisations are exploring revisiting their operating models to incorporate greater adoption to either a permanent or rotational basis. We can see more focus upon new technologies and tools that can enhance the robustness and efficiency of remote working. But beyond that COVID-19 and the associated remote working has also shone a spotlight on the need for financial institutions to accelerate their internal transformation programmes, such as replacing legacy platforms with market leading technology solutions or outsourcing non-core activities for specialist managed service providers. This would enable operations to have access to accurate data, real-time workflows,

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risk dashboards providing them with the transparency and capability to collaborate better in order to mitigate risk and maintain service delivery in this age of remote working

Ruoss: There have been immediate impacts, and there are longer-term ones to come. On the former, we've seen clients have to adapt to a new working future, where teams will interact in a much different manner. Decision making and resource allocation have been slower than pre-pandemic and we are only now beginning to see that return. When it comes to the longer term, there is still some lingering uncertainty about the financial health of many corporations. It may be that many companies will need to carry out some form of restructuring, whether this is raising capital, merging with other companies or potentially other, much more complex and innovative structures. And, of course, these restructurings lend themselves to increased corporate action volumes.

It's highly likely then that we are going to see an uptick in event activity in the next few years, just as we did after the financial crisis of 2007/2008. It is also likely that we are going to see these events being far more complex than normal. Unfortunately, the higher the complexity, the more likely it is for managers to not only miss value through sub-optimal elections and errors, but to miss out on more of it.

Schaefer: Fortunately, as part of many years of process optimisations, a lot had been done already that allowed the industry to manage the situation well for corporate actions.

The handling of physical paper documents for corporate actions has been reduced significantly over the course of the last few years. Therefore, banks were able to react quickly, with corporate actions employees able to work from home.

Some manual processes had to be adapted quickly to address the fact that different people working on a process were not physically present in the same office, such as maker/checker.

For some remaining paper-based processes, digital signatures have been introduced, where they were not already in place.

These changes are here to stay, with a hybrid model of working more flexibly, enabled by a higher degree of digitisation of the processes.

What influence has the asset-owning industry had on improving efficiency and reducing risk within the corporate actions process?

Ruoss: Asset owners are helping to lead the charge on governance, by looking more closely at how asset managers and securities services providers are managing processes such as corporate actions. In the past, these operational areas might have fallen down the pecking order. But now, because of the growth of low-cost funds, the push for fee reduction and other developments, asset owners are favouring fund managers that handle corporate actions and other potentially profitable operations in a responsible manner.

The knock-on effect of this has been that good managers are taking their fiduciary responsibilities far more seriously. Gone are the days when the industry would need to become down on by regulators before it adopted best practices. Custodians too have a role to play in facilitating these efficiencies because of the vital role they hold in the corporate actions processing lifecycle.

O'Connor: The influence that the asset-owning industry has on the corporate action space can not be understated. By driving and adopting standardisations, the corporate action space can continue to produce some innovative technology and grow with the increased regulations as well as the volume increase, we have seen in the last several years. Asset owners can continue to demand more timely, accurate information which can result in better decision making and more transparency across the industry.

McPolin: The adoption of new technology platforms and industry standards such as SWIFT and API connectivity have seen the asset owners contribute to efficiency and the reduction of risk in the investment lifecycle. As all elements of the investment industry seek to achieve efficiency, risk reduction and enhance returns on investment, the continued use of technology solutions should be seen as the path to green.

Harris: The asset owning industry has overall responsibility as a member of the intermediary chain than just alpha generating activity. Specifically, it is the interest of the industry to identify best practices and mechanisms that optimises the efficiency of the corporate actions process throughout the lifecycle of the event. One such opportunity is to tackle the challenge of disparate event notifications and the need for each recipient to normalise them before consuming them downstream to process the event. Having an issuer generated notification published on a common platform will remove all interpretative risk and the threat of associated operational losses if incorrectly assessed. So where does this influence occur, this may be through an IPO process whereby investors, underwriters or listing authorities ensure Issuers' commitment to such publication methods. This could also be through corporate engagement and governance particularly if an issuers track record of comprehensible announcements to the market may have historically caused intermediaries problems.

McCorkle: Efficiency and risk reduction are embedded in the fabric of the asset-owning industry and it's probably one of the biggest ongoing challenges of corporate actions. They coexist with a mutual purpose that translates to the downstream participants which can sometimes work for us but against others who play a role in the process. To say that we've achieved efficiency without concurrently reducing risk in my opinion is not efficiency at all, but it is an improvement. The biggest influence of asset owning relative to efficiency and risk is the attentiveness to value, reporting, governance, and controls. From a corporate action processing point of view, there is a long list of risks that we consistently try to mitigate such as accuracy, information flow, misinterpretation of key data elements, untimely responses, reconciliation errors, and the list continues. But the nature of the business is the reason why we have such a presence and influence over the improvements throughout the years.

As a by-product of efficiency, diminishing risk is always at the top of the corporate action to-do list. One of the biggest contributions is the use of streamlined data. Not only does this reduce the margin for inconsistency, but it also enables the use of information for multiple purposes. The advancements we've made in reducing manual touches/paper handling and producing electronic records/audit trails are also a testament to both efficiency and controls. The development of end-to-end processing engines that offer transparency to take more than just the event level risk into account but also creates the ability to manage the entire transaction surely supports our efforts to become less prone to risk and more effective. While we cannot solve for every risk or systematise the entire lifecycle, we have made headway since the times past. Leveraging the influences of our industry counterparts we're able to create risk profiles for events and assign risk values to its elements to better recognise, measure, and regulate risk. As a former analyst, I can say this essentially is the delicate balancing act that occurs between the complexities of the business and the sophistication of the tools and resources available to us.

Schaefer: Asset owners can directly influence issuers by asking them to adhere to generally accepted standards and can ultimately decide not to invest in their products. Issuers understand this, and that their decisions impact their investors. Accordingly, if election periods are short, or corporate actions are structured in unnecessarily complex ways, this can impact the investors' ability to make decisions and impact them financially. In order to be attractive to investors, issuers, therefore, have to bear in mind that large scale investors, who might sit in another country, speak a differ-

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Sionic

ent language and hold securities through chains of intermediaries for all kinds of reasons, must still have the possibility to exercise their rights.

Looking to the next 12 months, what do you think the optimum vision is for the corporate actions space?

Schaefer: We do currently have very good discussions with all actors involved in the corporate actions process. In Europe, SRD II has brought all parties closer together and new standards such as ISO 20022 messages are being implemented.

Especially in the space of general meetings and proxy voting, where proprietary standards and even fax messages have remained on the whole standard in most markets, the introduction of ISO 20022 messages will be a major leap forward. The use of ISO 20022 is particularly being driven by the implementation of SRD II across European markets, and is likely to spread to other markets once global actors start using the new messages. In general, ISO 20022 will probably see a push for adoption, with T2S, SRD II and the upcoming migration of payment messages being catalysts for market players to look into the new message formats.

General trends such as APIs will also have an important role in the space of corporate actions, but any such use must be underpinned by generally accepted data formats, where the only generally accepted standards are the ISO 15022 and 20022 formats.

Harris: With the backdrop of the pandemic, 12 months seems an eternity. However, in response to the question, I think the next 12 months are likely to be focused on organisational introspectives as to how they performed during the pandemic in the management of corporate actions.

This may accelerate initiatives that had not been previously considered or did not have a strong enough business case to justify advancement. Perpetuating technology solutions to support the business is likely to be considered foremost in dealing with some of the challenges that the pandemic threw up; in some cases, organisations are engaging fintech organisations for a quicker time to time to market where they traditionally may not have considered such partners. 2021/2022 is likely to be the year to "circle the wagons".

Ruoss: It's exciting to consider the impact of next-generation technologies like artificial intelligence (AI), but we're still a long way off from these advances really taking hold in corporate actions processing.

Instead, asset managers, custodians and other securities services providers must steel themselves for what could be a significant amount of voluntary corporate actions, which could have a sizable impact on revenues, depending on whether these parties understand what will deliver the most growth for the client.

We're squarely focused on doing just that, ensuring that our clients have the means to capture the full value hidden within these actions.

McPolin: I would say the increasing demand we are seeing from buy-side clients for real-time information access and best-in-breed digital tools looks set to continue and provides an opportunity for the industry to leverage technologies such as APIs and open platforms for its benefit.

API adoption, for example, is increasing at a rapid pace due to its ability to improve the efficiency of client communications and also provide real-time data straight to the front office. Real-time data can benefit clients by optimising return on investments and maximising the value of interactions with counterparties, market infrastructure, and solution providers, by streamlining operations, reducing risk and providing an enhanced client experience.

In the aftermath of the pandemic, I would expect to see the continued development and adoption of the digital solutions to market challenges which may be supported by further descriptive regulatory engagement such as SRD II to drive the use of technology, standards and automation, as the industry continues to drive towards efficiency throughout the investment life cycle.

McCorkle: Within the next 12 months I think the optimum vision for corporate actions will be to accelerate the path forward and that is for two reasons; to make up for lost time and we've got a second wind. In corporate actions, time is always of the essence and so over the next year market players will look back on lost opportunities and recuperate them where they can.

The second wind has refreshed us with a new mindset, new effort, and a glimpse of what we can do in unfavourable, unprecedented circumstances. For months we've all contemplated going back to normal, but I think now we are starting to embrace the new state of our environment and we're starting to customise our trails to continue moving in the right direction. My colleague Jim Monahan previously addressed what the path forward will entail post-pandemic and, I think he accurately confronted the top three areas firms will need to cultivate and refine over the next few months, and that's people, process, and technology.

The route, I believe to achieving the optimum vision requires a new lens. The new lens will still view corporate actions as one of the riskier aspects of asset servicing operations but, it will now also consider corporate actions as a steward of post-trade processing. In this capacity, firms will focus more on proactive efforts to prioritise risk management, strengthen controls and of course, delivering a client experience that is second to none.

The new vision is one of the accelerated settlement cycles and improved infrastructure transformation, coupled with enhanced cognitive functionality for continuous automation and streamlined STP experiences. With that comes rethinking about resources. Placing people in the right environments, re-establishing relationships, redefining roles, reassessing vendor/outsourced services, and even reengineering how we think about corporate actions.

In all, I think the next 12 months will call for the corporate action arena to do some investing into our business processes and capabilities using the hard lessons of the previous year. My foresight for corporate actions envisions the road to recovery as a new but familiar journey. Last year served as a rest stop that revealed our deficiencies. This year we're collecting fuel to remove and rebuild obsolete practices. And in the years to come, we'll continue to renovate and repair to keep building efficient people, processes, and technology to best serve clients and the industry.

O'Connor: Operating models will need to evolve in response to the pandemic with all financial institutions looking to introduce remote working on either a permanent or rotational basis. As part of this revised operating model, there will be greater use of communication channels including Zoom and Microsoft Teams by the industry to support client, team and industry engagement which should result in cost savings to the industry on travel and entertainment.

Focus upon achieving risk reduction, process efficiency and enhancing the client experience will be a key element of the operational model review with clients looking to technology and outsourcing for options for solutions.

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.