

Demystifying Corporate Actions Administration Challenges



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To mitigate the risks of delivering incorrect and untimely information, securities firms continue to invest in corporate actions information capture and processing solutions. But due to a lack of global standards, error prone manual processes, diverse communication protocols and increasing volumes, it has always been arduous for market players. On one side of the value chain, depositories, depository participants and custodians have direct liability for accurately disseminating information. On the other side, asset managers, broker-dealers, investment banks and hedge funds use corporate actions as a service level differentiator. On both sides, the corporate actions requirements point to straight-through processing (STP).

Financial institutions and vendors alike have long pursued a vision of industry-wide STP in corporate actions through automation. Yet because markets have not settled on a single framework or standard for corporate action types and structures, this vision has not been truly achieved. For automation in corporate actions to become a reality, the industry will have to promote the adoption of improved data formats on a global scale.

Industry-wide and local initiatives have succeeded in bringing about a higher level of standardisation and automation, and developments in this direction have already delivered enormous benefits in cost reduction, risk mitigation and efficiency improvements. Yet these benefits have been withered by peculiarities stemming from local market practises and differences in the regulatory environment. Also, while the standardisation challenge has been borne by the distributors of corporate actions data, much progress remains in standardising output from the information originator side – the issuers and agents.

The financial services industry has taken significant steps towards bridging these

geographical and market structure gaps. ISO-based Swift messaging standards play a crucial role in providing an electronic mechanism and a standard template for data transfer. These continually maturing standards include a growing range of data elements and event types from all markets. Specifically, the Swift-sponsored Securities Market Practice Group (SMPG) and National Market Practice Groups (NMPGs) in over 35 countries have a big role in creating and coming up with standardised processing practices across markets. These groups have taken steps to reduce the differences between major market practices and global market practices through such actions as creating Event Interpretation Grids (EIGs) and Sequence D versus Sequence E (DvE) validations.

However, the mere availability of new standards and message types doesn't guarantee operational and cost efficiencies. To gain the maximum benefit, financial services firms have to take a '3M Triad' approach: minimal development time, market ready flexible features and a mature functional and technical platform. These elements of the '3M Triad' depend upon top quality execution of data migration, implementation of proven change management processes and the selection of a committed partner with impeccable credentials and a solid track record. With a corporate actions processing product based on global benchmarks and supported by deep understanding of industry processes, financial institutions can meet the unified objective of 'de-risking corporate actions administration'.

We believe in innovation as an idea. Innovation makes a material difference to an organisation's current capabilities, enables future capabilities and drives steady incremental upgrades in technology platforms, operating processes and business models. Over the years, TCS Financial Solutions has

tracked various industry initiatives to develop a state of the art corporate actions processing system that meets the current needs of the industry as well as foreseeable future transitions. Our solutions are backed by proven experience handling large volumes of corporate actions across both mature and emerging markets.

TCS BaNCS Corporate Actions supports multiple vendor feeds across a full range of formats, providing a single platform for data scrubbing and a clean 'golden copy' that powers complete downstream corporate actions processing. Business users gain the ability to better manage corporate actions processing through intuitive dashboards and metrics. Clients, portfolio managers, and financial advisors gain a web-based view of corporate actions with elections capture to bolster the value added services that a firm can offer its custody clients. Finally, TCS BaNCS Enterprise Wide Integrator helps TCS BaNCS Corporate Actions fit into the client's operational environment as well as support any future transitions.

Global standards ensure that the best ideas generated in one market are disseminated across all markets with widespread institutional support. With standards comes the possibility for the development of global benchmarks for corporate actions. By measuring the STP rate on a consistent, standardised basis, not only will market participants increase their STP rates for corporate action processing platforms, but also drive performance enhancement and risk monitoring.

Given the complexity of the marketplace, innovative thinking and continuous focus in this direction is the need of the hour. By incorporating the continually evolving standards into TCS BaNCS Corporate Actions and preparing to achieve the highest benchmarks possible, TCS Financial Solutions is completely committed to meet the needs of the marketplace.