Single event processing in corporate actions

The below diagram depicts the overall flow of the corporate actions data between events of different entities using a Hub and Spoke model.

Agent/Depot CBL- Germany

Payments | Election Instructions | Event Announcement

Position Keeping System- DE

Processing Event 1 - CBL, Legal Entity: DE			
Entity	**Depot/Location**	**S/K Name**	**Position**
DE	Depot Account 1	Bank Client 1	200
DE	Depot Account 1	Bank Client 2	100
DE	Depot Account 1	Bank Client 4	350
DE	Depot Account 1	Bank Client 5	275
DE	Depot Account 2	Bank Omnibus GB 1	500
DE	Depot Account 4	Bank Omnibus HK 1	700

Event Announcement | Election Instructions | Payments

Payments | Election Instructions | Event Announcement

Client Elections

Processing Event 2 - CBL, Legal Entity: GB			
Entity	**Depot/Location**	**S/K Name**	**Position**
GB	Bank Omnibus GB 1	GBGC Client1	200
GB	Bank Omnibus GB 1	GBGC Client2	200
GB	Bank Omnibus GB 1	GBGC Client3	100

Processing Event 3 - CBL, Legal Entity: HK			
Entity	**Depot/Location**	**S/K Name**	**Position**
HK	Bank Omnibus HK 1	HKGC Client 1	100
HK	Bank Omnibus HK 1	HKGC Client 2	200
HK	Bank Omnibus HK 1	HKGC Client 3	300
HK	Bank Omnibus HK 1	HKGC Client 4	100

Client Elections

Position Keeping System- GB

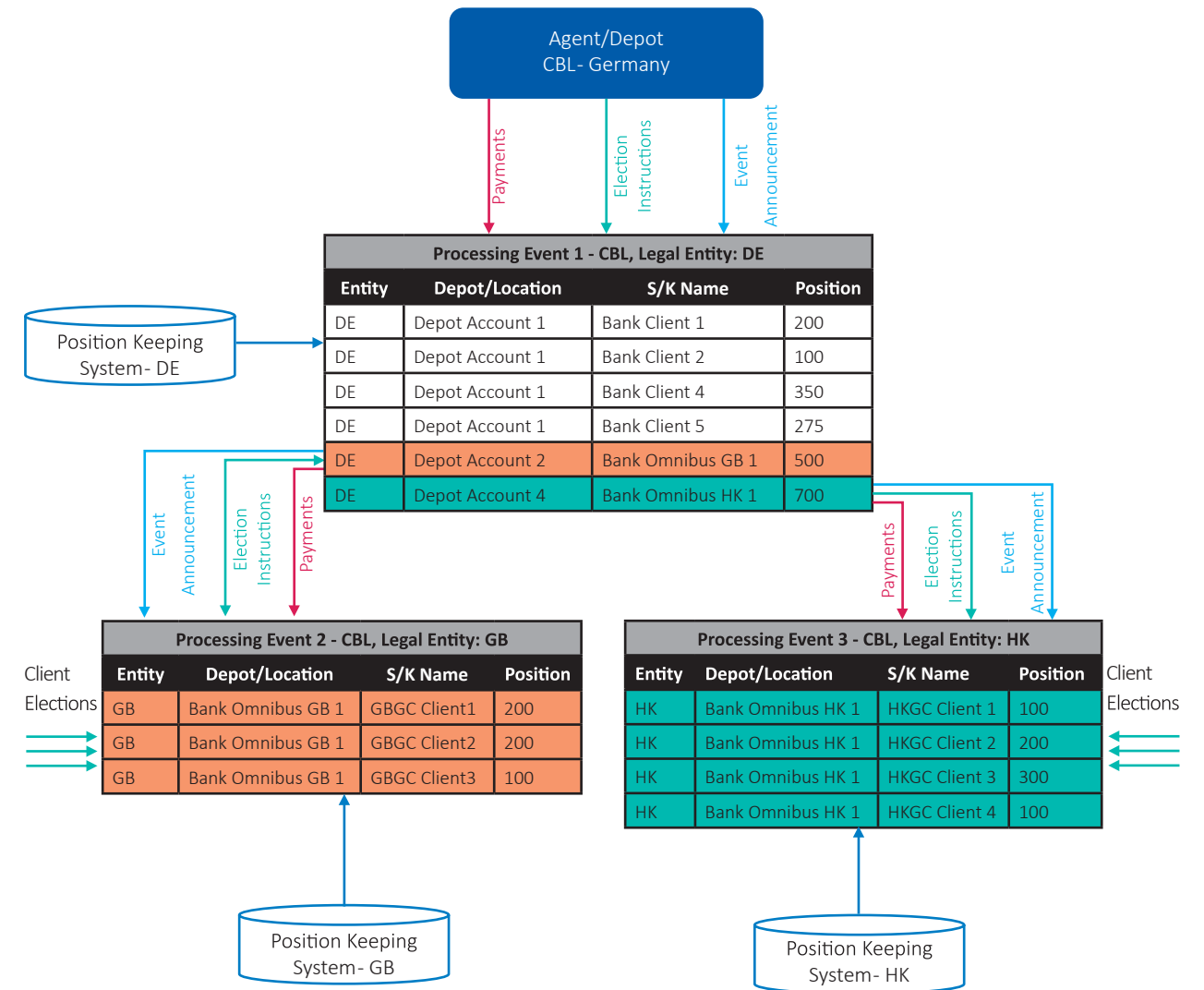**Position Keeping System- HK**

Traditional way of Processing Corporate Action Events in Large Custodian Banks

Traditionally, large custodian banks had multiple position keeping systems and asset servicing systems that were servicing their different entities. In some cases not only were the systems different, but they were also using multiple technologies and were specifically sourced or developed for a specific market. The biggest drawback of this decentralization model was that the same event is being processed multiple times across all the different entities of the same bank. This leads to processing inefficiencies and duplication in the asset servicing value chain which also increases the number of FTE's, reduces the controls and increases the risk. The nature of this process has resulted in the end client receiving a late announcement of an event, and an (inferior) early election deadline, and losing investment opportunities.

From a corporate actions processing perspective there are multiple 'to and from' flows between the Global Custody (GC) Client accounts and the Intermediate accounts at Local Custody (LC) entity. These flows include

a. Sending of CA announcement from the LC entity "DE" to the GC entity "GB" and "HK" – "DE" receives event from source, creates an event and sends event notifications to all its clients including "HK" and "GB" omnibus accounts.

b. Deadline setting is based on the location of the LC entity plus own processing requirement; for instance, if market deadline is 5pm CET, and "DE" entity needs four hours to process, it would be midday GMT. Also if "GB" entity needs another four hours to process, it would be 5pm GMT (End of day time the day before). On similar lines for the HK entity, adding four hours processing, it will be 8pm HKT, but this will need to be adjusted to say 5pm HKT. However, if the underlying client of each entity may be further located in a different time zone, this deadline could be even earlier.

c. Sending of election instructions from GC to LC.

d. Management of acknowledgements of instructions at GC.

f. Sending of payments from LC to GC.

In the above illustration, there are three separate events created, and each are processed independently. The application ecosystem around these three events as well as the operations teams can be different. There is significant duplication of efforts in managing event data. The operational processes/tasks/controls are also separate owing to different processing systems and operations teams. The inter entity flows are typically managed through ISO 15022 standard messages. Any break in STP leads to a considerable lag for the end client to receive the announcement as well as inferior deadlines (In this case the HK and GB Clients) being set.

In summary, this model is not efficient and creates far too many duplicated processes, needing increased operational control and management oversight which leads to a potential increase in operational and reputational risks.

What is Single Event Processing?

Single event processing ensures that a corporate actions event affecting different positions, businesses and

entities is processed only once. A single event per a street facing agent enables a global custodian or bank to manage all entitled positions across all branches. The entire "Hub & Spoke Position" stock record model is merged into a set of positions under a single event.

In a solution like TCS BaNCS, all the accounts including the intermediate/linked/omnibus accounts of a typical hub & spoke will be replicated under one legal entity "G" – representing global. The office Id would represent the branch/legal entity that the bank has in its account structure. There will be internal routing (within TCS BaNCS) for the announcement, election and payment messages affecting the intermediate accounts maintained in different branches or entities (In the diagram above Intermediate/Linked/ omnibus accounts are shown in Blue). TCS BaNCS will send/receive the messages to/from the final client and street agents. The necessary BIC transformation is performed in the system to send the messages to end clients, reflecting the actual BIC of the Entity to which the client belongs.

Single event processing:

a. Enables central operations/ center of excellence for managing asset servicing operations at scale globally

b. Achieves lower processing costs / per event of corporate actions – by reducing the number of operations' FTE

c. Provides near to market deadlines for end clients – by removing the processing time required by each entity

d. Provides better client servicing by informing the corporate actions event to clients at the earliest possible time

e. Enables a 'Follow the Sun' processing model

Key Dependencies

While it's possible to establish an operating model for single event processing using TCS BaNCS, there are some upstream and downstream dependencies that need to be considered, which are summarized below:

1. Ability of the custodian bank to consolidate the positions from different position keeping systems across its entities for the security on which the corporate actions event is processed.

2. Single security and client reference data feed.

3. Outcome Booking: While there are different options to send outcomes to the downstream system, the bank should have a uniform booking process across the different entities.

4. User Access: There will not be any data access requirements to restrict users to view client data of a particular Hub/Spoke entity.

While more global custodian banks are trying to innovate with newer business/technology models to provide better client servicing and reduce operational costs, TCS' unique proposition of single event processing leveraging TCS BaNCS for Corporate Actions can help achieve these objectives easily.
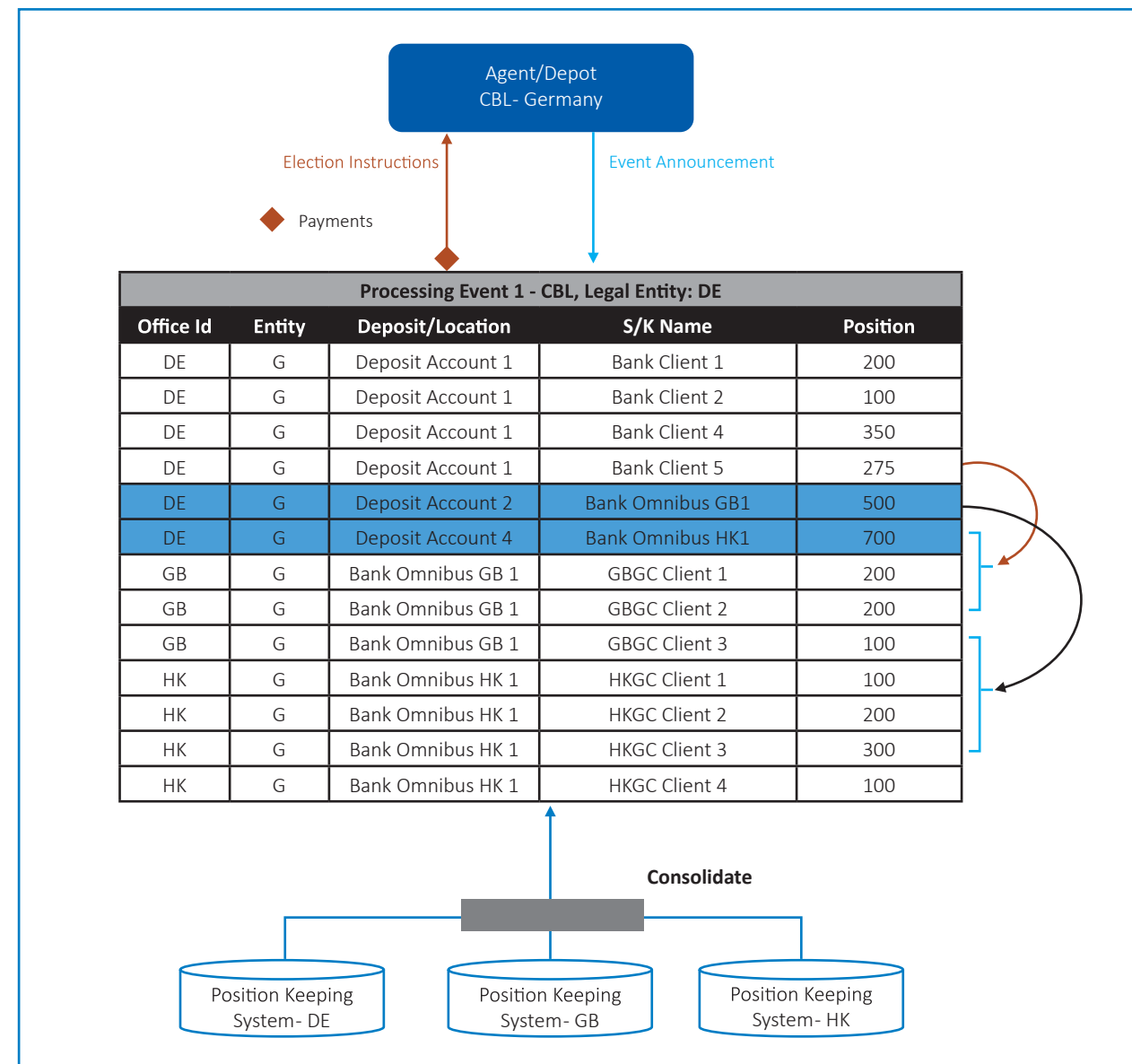
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Product Manager,
TCS Financial Solutions (TCS BaNCS)

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DE	G	Deposit Account 4	Bank Omnibus HK1	700
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GB	G	Bank Omnibus GB 1	GBGC Client 2	200
GB	G	Bank Omnibus GB 1	GBGC Client 3	100
HK	G	Bank Omnibus HK 1	HKGC Client 1	100
HK	G	Bank Omnibus HK 1	HKGC Client 2	200
HK	G	Bank Omnibus HK 1	HKGC Client 3	300
HK	G	Bank Omnibus HK 1	HKGC Client 4	100

Agent/Depot CBL- Germany

Election Instructions — Event Announcement — Payments

Consolidate

Position Keeping System- DE | Position Keeping System- GB | Position Keeping System- HK