

Corporate Actions 2015

A global survey of the corporate actions marketplace

CityIQ Ltd - Your Partner in the City

A report in association with SWIFT



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Introduction

CityIQ and SWIFT are pleased to announce the results of our latest in-depth survey of the Global Corporate Actions Marketplace. This is the fourth time over a period of twelve years that we have conducted a survey on this topic, which means we are uniquely placed to understand industry trends and how the market has developed over the years.

Our survey generated an excellent response, the number of participants increasing by over fifty percent. This time 149 individuals from across the industry

and around the world took part. The number of responses from Asia-Pacific increased in both absolute and relative terms, making this our most global survey yet.

In this survey we have given participants a greater opportunity to comment, and have summarised where there is a trend in similar comments received from survey respondents.

For more information on how we have presented this material see the relevant appendix.

Management Summary

The findings of this survey are quite positive. Volumes are up. Investment / activity levels are high. It's a busy time. The good news is that organisations are investing for the right reasons. They are investing to cope with volume growth and to meet client demands, not just to reduce cost as was the case in our last survey.

Corporate actions team sizes have also grown - with global custodians reporting the biggest increases. Finding skilled resources is an issue everywhere – but most acute in Asia Pacific.

Most organisations are working on corporate actions projects or about to start doing so. However the rationale for doing so varies across the globe. In Asia Pacific reducing costs is the most powerful business driver, whereas in the US its dealing with expected volume increases. All regions are focused on service quality, with regulation for once not seen as being the only driving force.

Activity levels are twice what they were three years ago with 63% of respondents reporting that they are busy with projects. Only those in asset / fund management are reporting noticeably lower activity levels.

Data quality continues to be an issue. However the identification of CSDs as the most reliable and highest quality source for corporate actions data is a major change from previous surveys.

As for standards – ISO messaging standards are widely seen as adding value – although the debate about the relative value of ISO 15022 and ISO 20022 continues. The importance of complying to global market practice is more widely recognised than ever, however, checking on conformance to market practice standards is still somewhat lacking, particularly in the US and UK.

And what of the future? Respondents are predicting a consolidation in the 3rd party vendor space and more regulation in the corporate actions market. What they are hoping for is structured data for corporate actions announcements directly from the issuer or agent to take away a lot of data problems.

Having started on a positive note we should also mention the negatives. Issues we have highlighted in previous surveys continue to challenge those involved in corporate actions. Data quality issues, the slow adoption of standards and a lack of consistency when they are applied, continue to make things harder than they

need to be.

Acknowledgements

CityIQ would like to thank all those who took part in the survey, particularly those who have contributed to our previous surveys on this topic.

We would also like to thank the various industry bodies and working groups who did much to publicise the survey.

Finally we would like to thank SWIFT for their help in framing the questions, encouraging individuals to respond and in the preparation of the final report.

About CityIQ Research

CityIQ conducts Internet-based surveys on topics relevant to the financial services community. Working closely with partner organisations we help our clients and the industry to understand what is happening in the market. See below for details of how to contact us.

Feedback

We welcome feedback on the survey findings. Please call us on 0207 0732925 or send your comments, questions and queries to updates@cityiq.com

Detailed Findings

Resourcing

How many FTEs

We started our survey by asking how many full time employees (FTEs) were currently employed to process corporate actions. The trend we noted in previous surveys has continued, with the number of small corporate actions teams slightly shrinking and the number of large teams increasing, reflecting the move to outsource middle- and back-office functions. Asset management firms can generally be found on the left in this graph, with most of the managers who completed the survey having a team of ten or less.

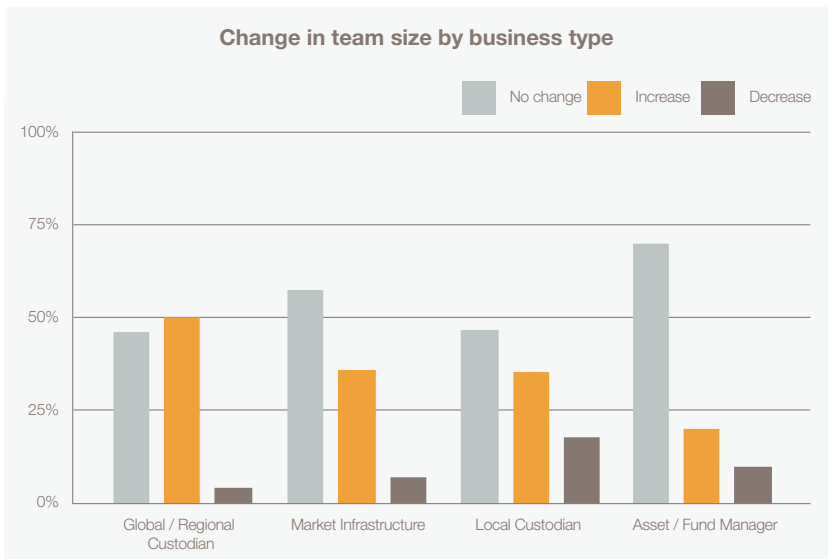
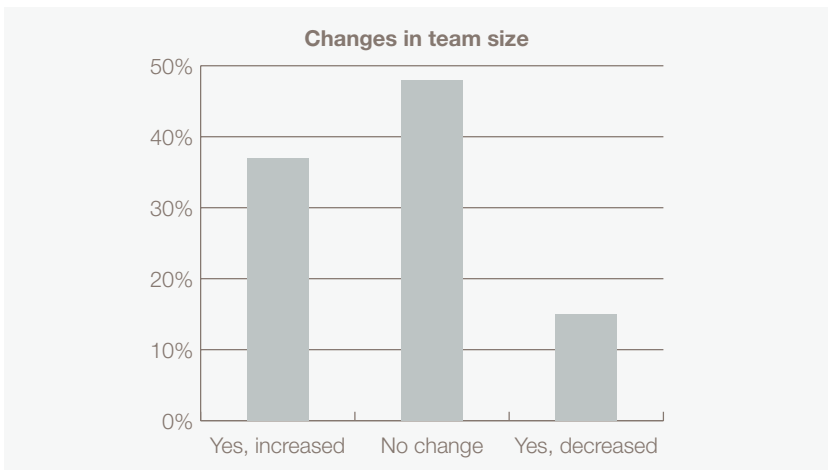
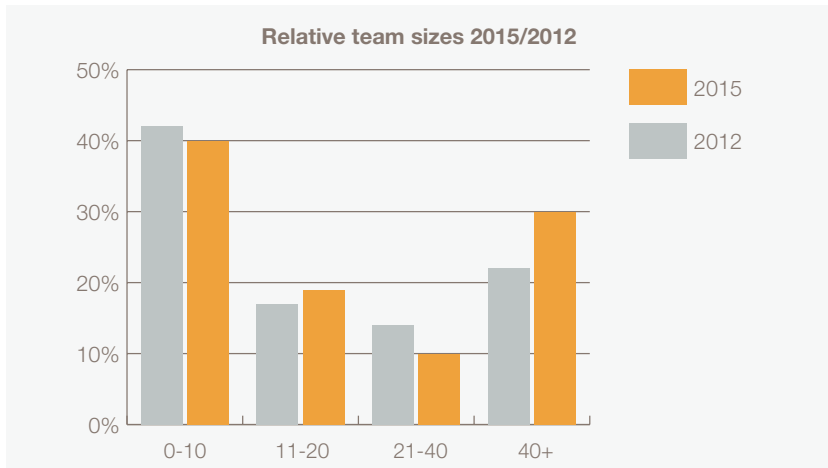
Changes to team size

A significant percentage of corporate actions teams reported an increase in staff numbers in recent years.

There were variations by business type with global custodians reporting the most increases and local custodians the most decreases in team size.

Where team sizes had changed we asked respondents to explain why that was the case.

Most attributed team size growth to increased volumes or complexity, and to a lesser extent business growth. Decreases were attributed to automation, downsizing and process improvements. Other factors mentioned included reorganisation, globalization, new product launch, T2S and increased regulation.



Hiring challenges

Anticipating these changes to team sizes we asked in the survey whether respondents were finding it more difficult to recruit suitably qualified corporate actions staff.

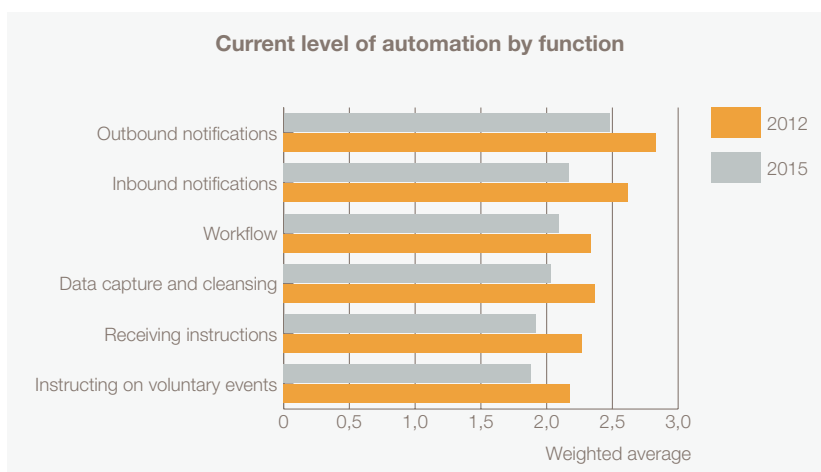
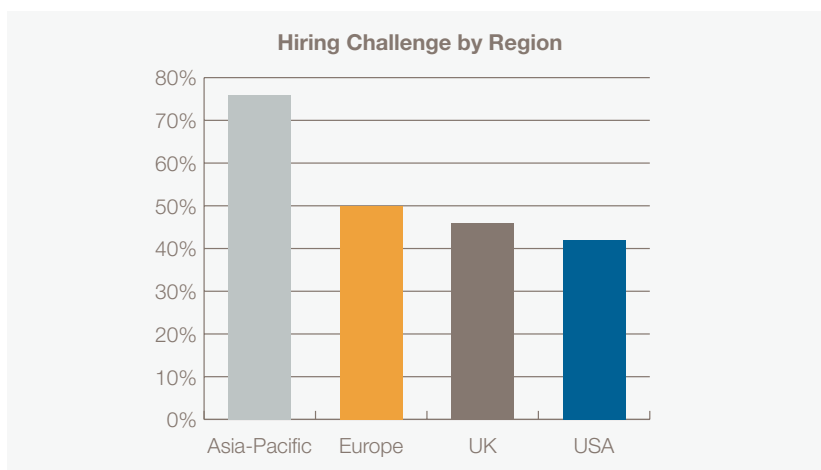
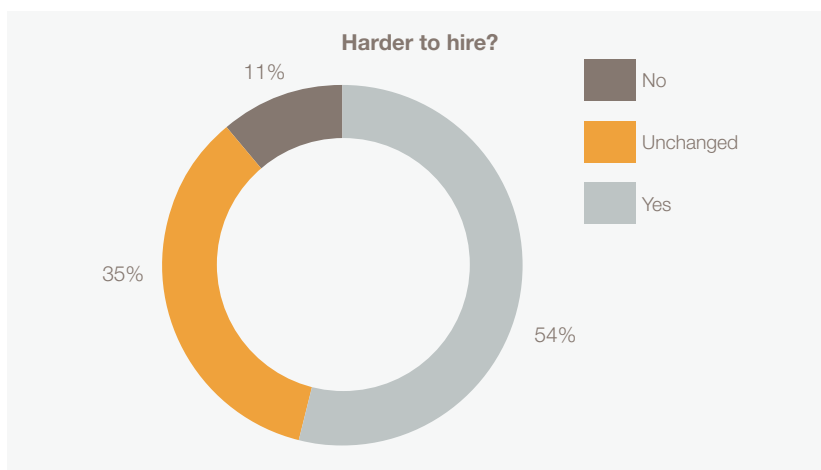
Clearly finding the right people is hard. The problem appears to be most acute in Asia-Pacific – where 76% of respondents reported that they were finding it more difficult to find staff.

Automation

Automation by Functional Area

The next area we looked at was automation by functional area. The overall profile is very similar to previous surveys although the actual scores are slightly lower than in 2012, reflecting a different sample population. Organisations that described a functional area as being fully automated were assigned a score of four. A score of zero indicated an area that was not automated at all. This graph shows the aggregate score for all organisations once we had applied our weighting algorithm.

Given the size of the survey population and the information available to us we have been able to carry out more detailed analysis of the extent of automation region by region and by function within regions. We have used the same weighting algorithm.



Using this mechanism, the region reporting the highest level of automation is the US. A breakdown of automation by functional area by region is shown in Appendix 1.

Recent Activity

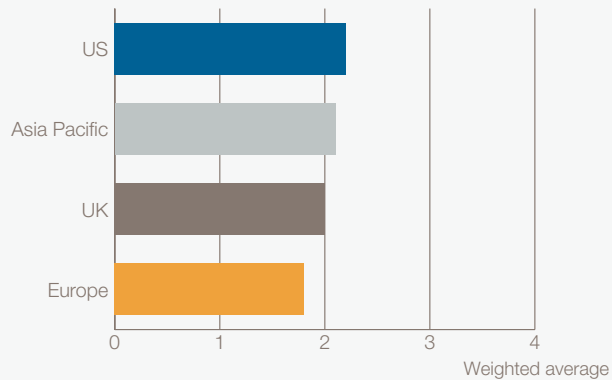
Next we asked participants if they had automated or extended automation of their corporate actions processing in recent years. Most organisations have been busy.

There were no obvious differences between business types. The findings reinforce the point made in recent surveys that automation of corporate actions processing tends to be an on-going activity. Having said that, it appears that the amount of activity to improve automation levels in the last few years is higher than at the time of our last survey.

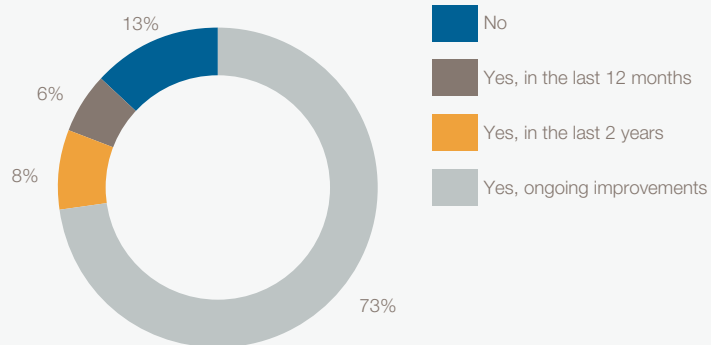
Drivers for automation

So what are the factors that are driving investment? In 2012 the strongest driver was the need to reduce operating costs. That imperative has fallen away and the key factor is the need to offer an improved level of client service. The second most important factor on our list was volume growth – again a marked contrast to 2012, when cost and risk reduction were key influencers.

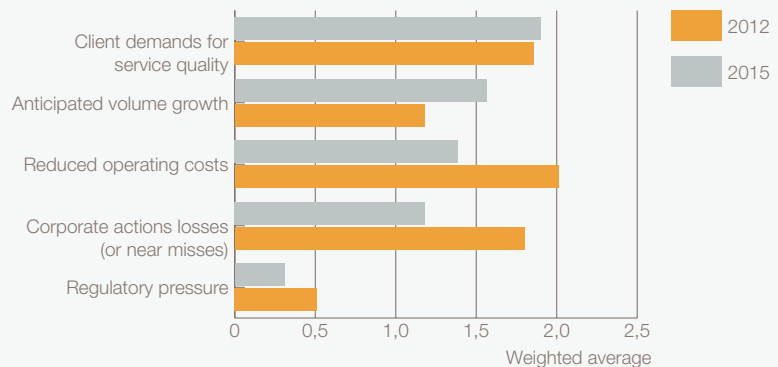
Current level of automation by region



Automation activity



Drivers for Automation 2015/2012

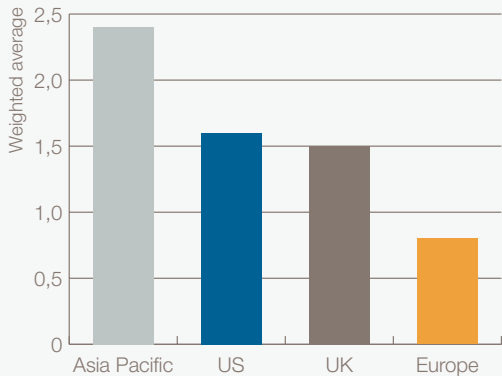


Given the size of the survey population we were able to compare drivers on a region by region basis. The results were illuminating and show marked differences by region. The main driver in Asia Pacific is most definitely cost reduction. It was much more important in that region than in any other.

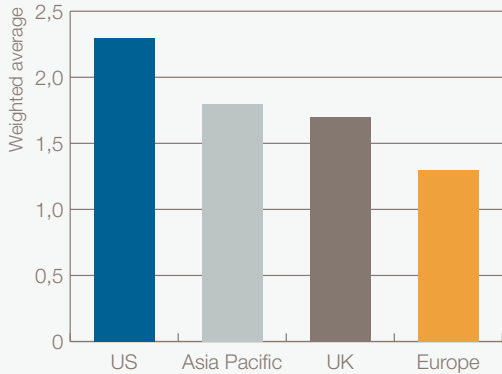
In the US the most pressing consideration was volume growth – again a very high score.

Although none of the regions scored the risk of corporate actions losses particularly highly the issue had most resonance in the UK.

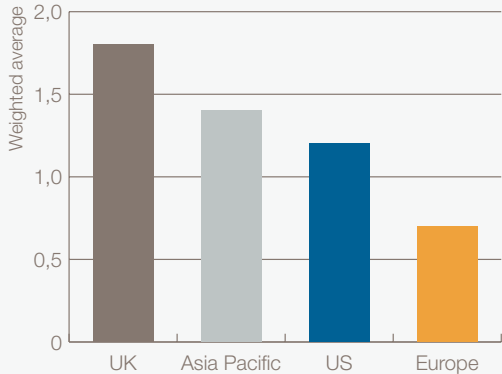
Drivers for Automation by Region
Reduced Costs



Drivers for Automation by Region
Anticipated Volume Growth



Drivers for Automation by Region
Corporate Actions Losses



Client demands for service quality scored highly for all regions, though again it was Asia Pacific and the US who scored this most highly.

The final area we looked at was regulatory pressure. This was not seen as being a major driver in any region – although it is worth noting that neither the UK nor US registered a positive score under our weighting mechanism – so for them regulation was clearly not a driver.

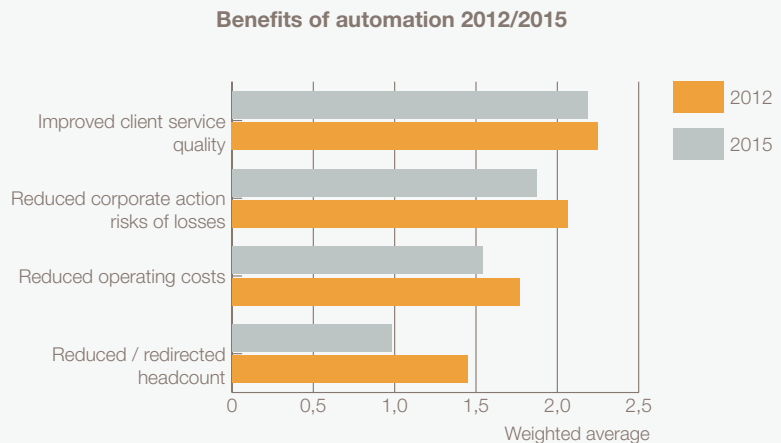
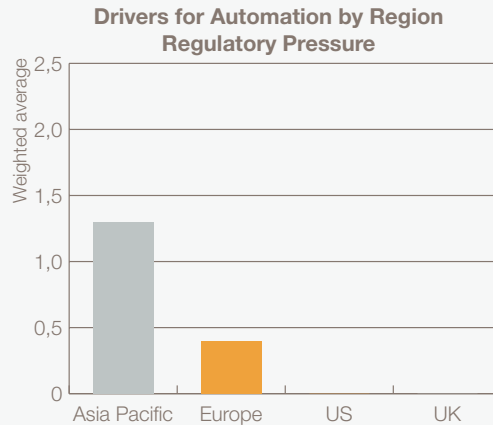
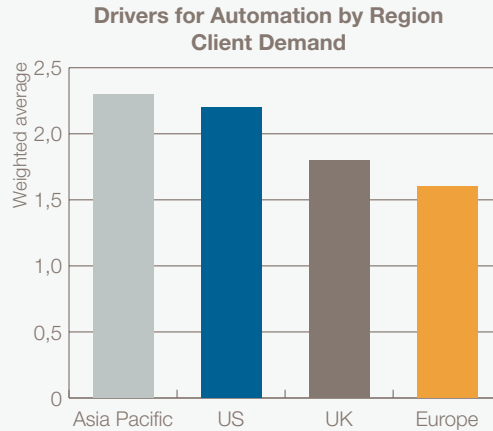
We asked those who took part what other factors were relevant. There were a multitude of factors cited. Most involved risk reduction and process improvement, underlying factors for the options we included in the survey. Other reasons given by respondents included standardization and globalization, whilst drivers such as strategic change, the need to improve workflow and reduce manual risk were mentioned in passing.

Benefits of automation

As previous CityIQ research has shown – regardless of the reasons for investing in corporate actions processing, the greatest benefits are reported as coming in the area of improved client servicing.

Other benefits cited by participants were improved compliance, having a more robust process and having more time to make investment decisions.

There were some regional differences – most noticeably between Europe and Asia Pacific. Whereas 44% of respondents from Asia Pacific saw headcount reductions as being a major benefit of automation, only 12% of those from Europe thought this to be the case. Similarly 50% of respondents from Asia Pacific reported reduced costs as being a major benefit, whereas the number from Europe was again 12%.



External Solutions

Fifty seven percent of respondents reported using at least one externally provided solution (up from 52% in 2012) as part of their corporate actions processing.

In all but one business type, the majority of respondents reported using third party systems. The exception was for local custodians where two thirds used in-house developed solutions.

Company and product names referenced by participants included a long list of suppliers, the most prominent being: BaNCS, Bloomberg, XSP, BBH InfoAction, IM Actions, Interactive Data.

In-house or migrate

Our next question asked: "In recent years, have you either changed vendors or moved to an in-house solution?" Just over 100 people responded to this question. Of those that did 18% said they had either switched suppliers or taken corporate actions processing back in house. This was consistent with 2012 when 17% said they were had changed their arrangements. Reasons for making a move where many and varied but included:

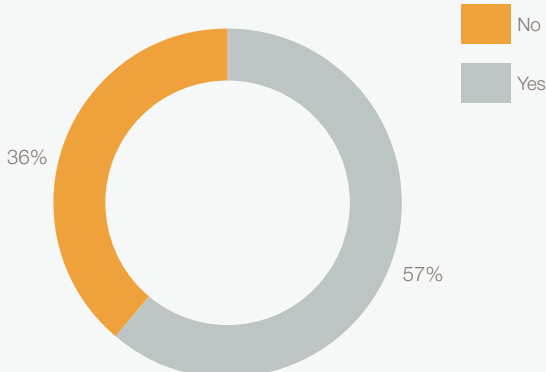
- The need to align with a global operating platform
- Supplier non-delivery – an external provider had not coped with the task
- The advantages of having an in-house team enabling development of functionality tailored to the organization
- The need to support new products

Impediments

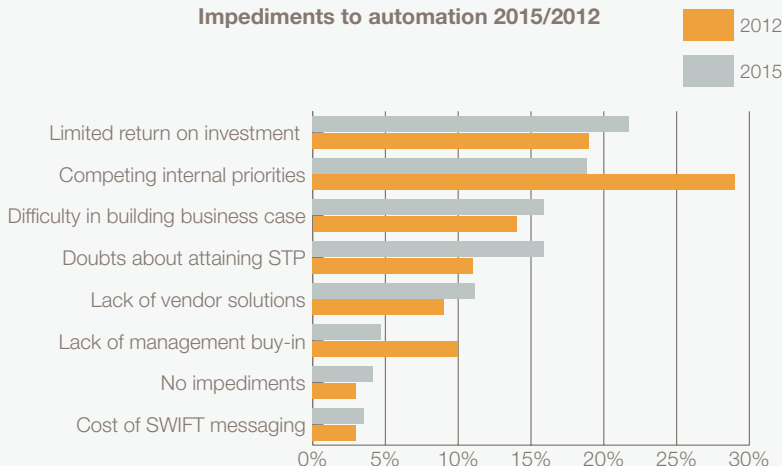
As in previous surveys we then asked about what was preventing organisations from fully achieving corporate actions automation?

Competing internal priorities, the main investment issue in 2012, is now less of an issue. The biggest impediment is now a "Limited return on investment - complexity and costs of remaining developments are too high compared to expected benefits". This links with concerns about the difficulty in building a business case and doubts about attaining STP – indicates that for many organisations there are no longer any "quick wins" to be had.

External software solution



Impediments to automation 2015/2012



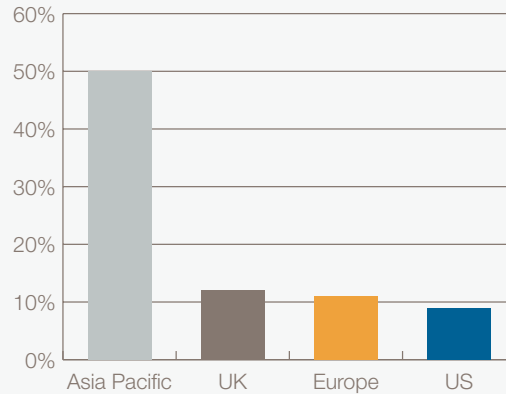
Analysing the results at a regional level there was one stand-out number – again from Asia Pacific. Whereas the adequacy of vendor solutions barely rates a mention in other markets, in Asia Pacific it is still apparently a real issue. Over 50% of participants from the region identified this as an issue compared to around 10% in other markets.

Plans

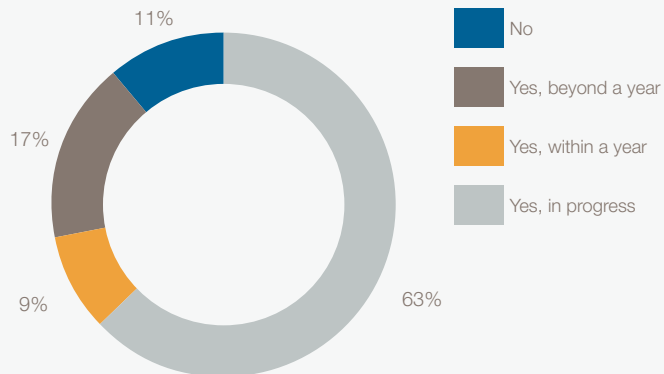
Notwithstanding the above we now looked at future intentions and asked if participants had any plans to automate or expand automation of corporate actions.

We were surprised by the number of respondents who said that there was automation work in progress. Although that ties in with previous question responses and the concept of continuous improvement – we noted how the “in progress” percentage was considerably higher than previous surveys.

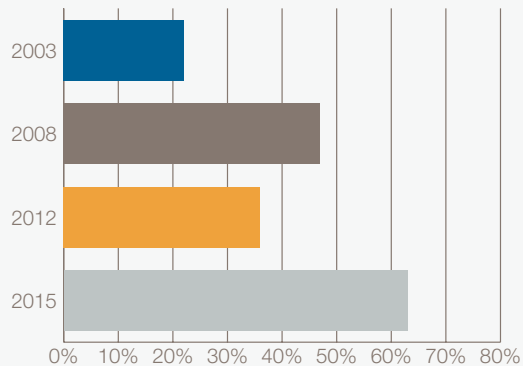
Inadequacy of Vendor Solutions



Plans to automate/ expand



Automation in Progress



Looking at business types, the grouping that had least corporate actions activity in progress was the asset / fund managers segment, by a considerable margin.

Data

The next section of our survey looked at data, its sources, quality and distribution. The level of detail in this section is unfortunately less than in previous years – due to an error in two of our survey questions. (Thanks to the many individuals who helped us to address this issue).

Data Sources

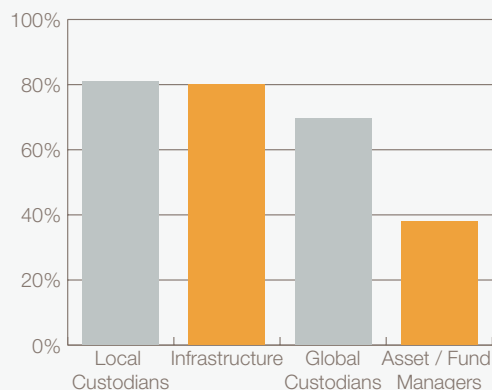
Firstly we asked about sources for corporate actions information.

As in previous surveys corporate actions data providers scored most highly. However, the number of people identifying CSDs as a corporate action information source has increased by about a quarter and the number of those identifying custodians has declined by a similar amount.

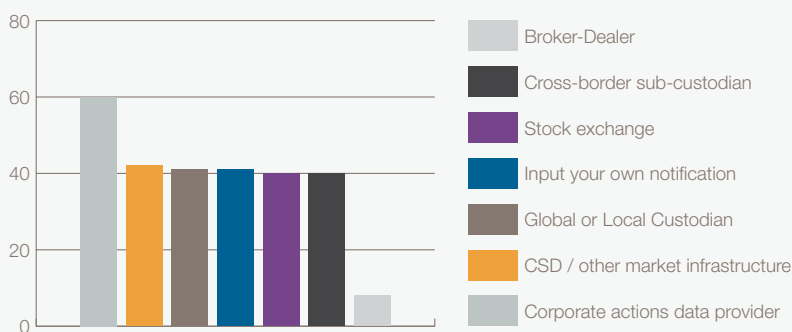
Best Sources

We then asked respondents to identify their most reliable and highest quality source for corporate actions data. Here we see changes from three years ago with CSDs winning the laurels and scoring more highly than in previous surveys.

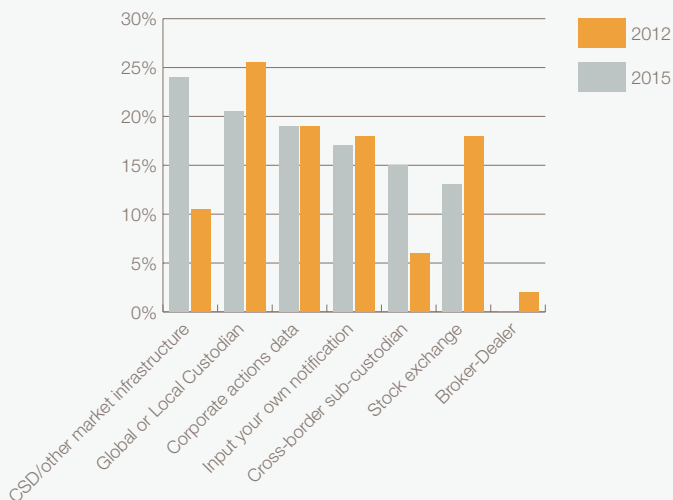
Automation Activities by Business Type



Corporate actions information sources



Best corporate actions data source 2015/2012



How many information sources?

We asked respondents how many sources they had for corporate actions data (on average, per market, for the same corporate action event). Overall the number of sources per event had reduced from 2012 as can be seen below.

For the subset of respondents in the asset / fund management segment, the number of information sources is typically higher with three to five data sources for a single corporate action being the norm.

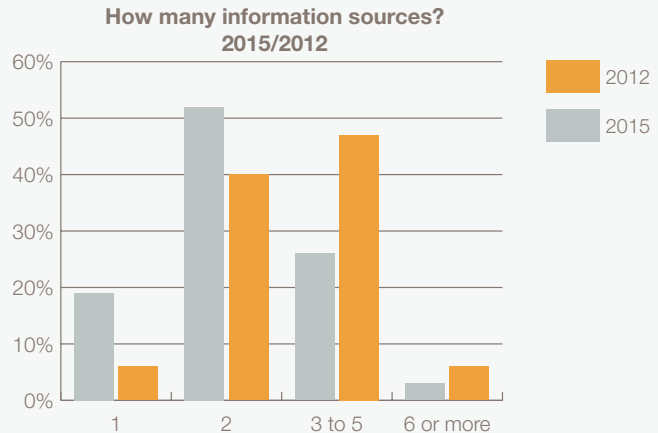
Standards

Impediments to straight-through processing (STP)

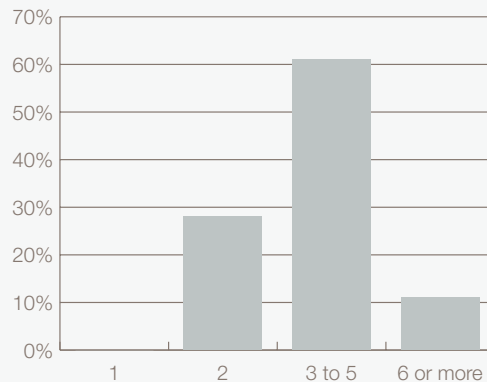
The next section of our survey concerned standards. We started by asking about the main impediments to straight-through processing, specifically with regards to standardisation and market practice compliance.

Usually when we repeat questions from previous surveys we get similar results. That's not the case this time with regards to impediments to STP. We can perhaps attribute this change to a greater understanding of and adherence to ISO standards and increased concerns about the lack of standardisation in the industry.

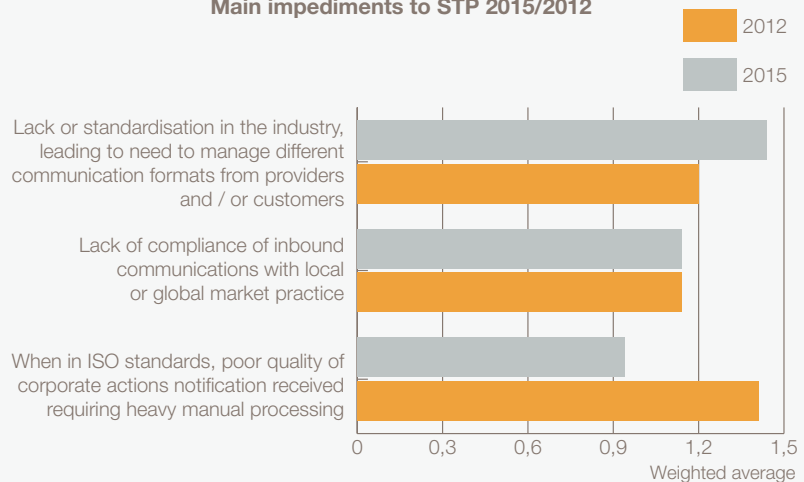
Comments on this question were varied – but the most mentioned concern was poor quality data. Other reasons given included poor ISO take up, lack of compliance with regulatory framework and poor automation.



Information sources asset/fund managers



Main impediments to STP 2015/2012



ISO Message Standards

Another question carried forward from previous surveys related to ISO standards and whether there was value in receiving ISO 15022 / ISO 20022 corporate actions messages.

The ratio between those answering yes and no is unchanged since 2012. However what has changed is the increased number of those willing to express an opinion, indicating that there was a greater understanding of the standards and their value. Surprisingly we had over forty comments on this question – far more than in previous surveys.

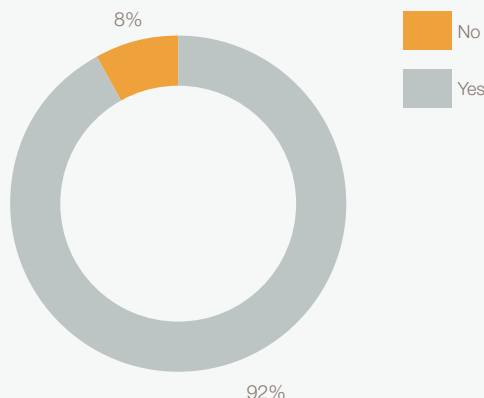
Most comments were very supportive of the ISO standards and highlight their importance in reaching better automation and STP. It is however noted in many comments that success is linked to a good usage of the message standards, as well as to adherence to market practices.

Messaging potential

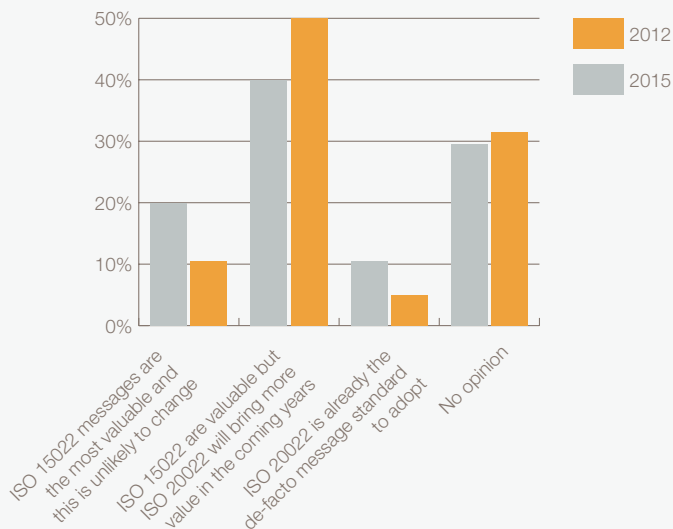
Having asked about the value of ISO standards, we next looked at the potential of ISO 20022 when compared to ISO 15022. Compared to 2012 a greater number of respondents see ISO 20022 as being the defacto standard.

However the number of people believing that ISO 20022 will bring more value in coming years had declined somewhat while the number believing that ISO 15022 messages are likely to continue to be most valuable has actually increased. The figures for the custodian population are somewhat different as can be seen from the next graph.

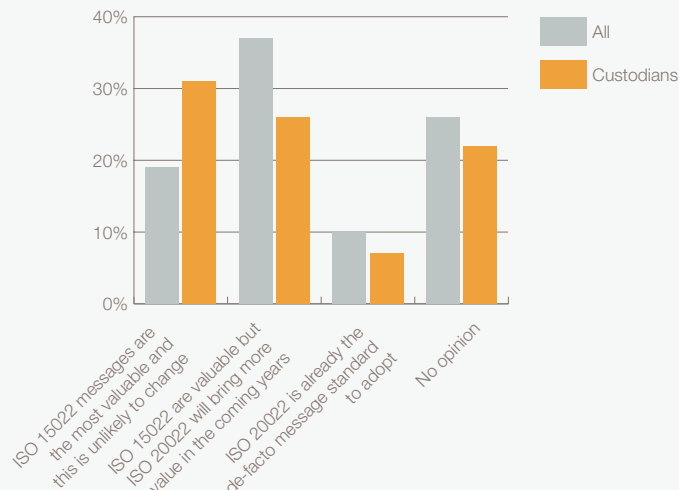
Value of ISO 15022/20022 messages



Message standard with most potential 2015/2012



Custodian View - Message standard with most potential



Importance of Complying with Market Practice

Continuing with standards and market practice our next question looked at compliance to corporate action global market practice and asked how important it was felt to be.

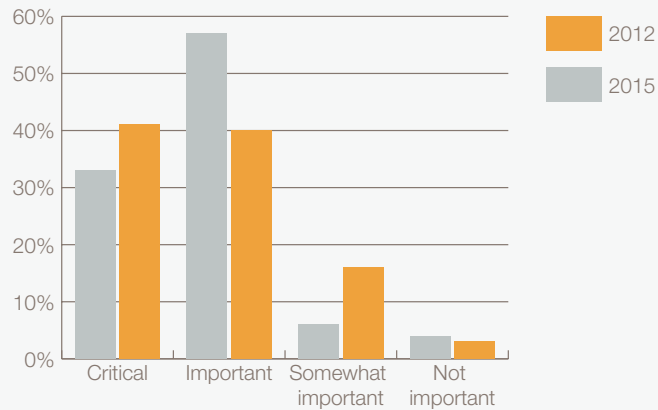
As might be expected the percentage rating compliance to global market practice as being either critical or important totalled nearly 90%. This was up from 2012, although the number seeing this as a critical issue declined by nearly a quarter.

Conformance to Market Practice

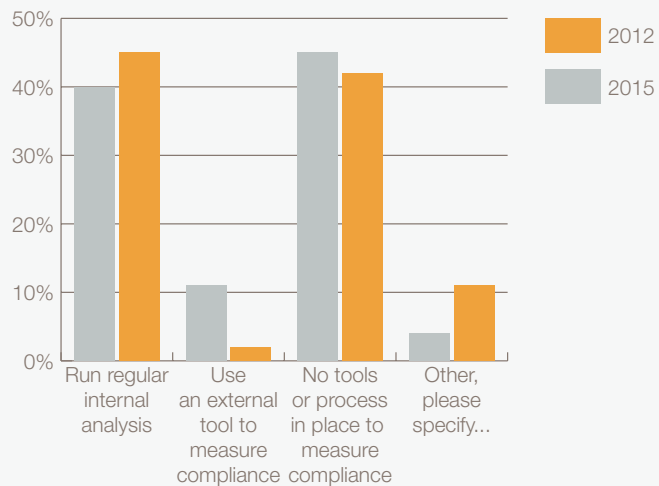
Having established the importance of compliance to our participants we then asked about how they went about measuring compliance. The results were broadly similar to three years ago, though more people reported the use of external tools.

Again there were regional variations. Both Asia Pacific and Europe typically run regular analyses – the opposite is the case for the US and UK.

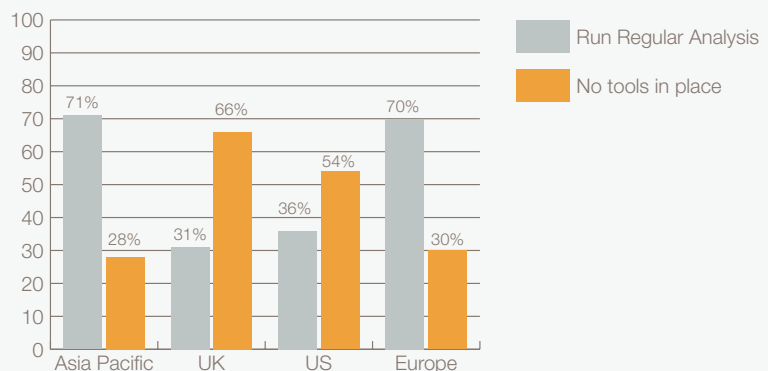
Compliance to global market practice 2015/2012



Measuring compliance to market practice 2015/2012



Measuring compliance to market practice - Regional view



Groups & Initiatives

Our list of Groups and Initiatives that could have an impact on corporate actions quality and STP has changed somewhat since 2012 to reflect developments in the market. However the top three groups and initiatives from three years ago are still ranked most highly, although their relative positions have changed. The Securities Market Practice Group, ISO and SWIFT are still seen as the groups or institutions likely to have the biggest impact on corporate actions quality and STP. The European CA JWG scored highly in Europe – but even there didn't match the scores for the top three.

Two other groups not on our list were cited by those who selected "Other"; XBRL international and the IMA both received a single mention.

Statements

Opinions

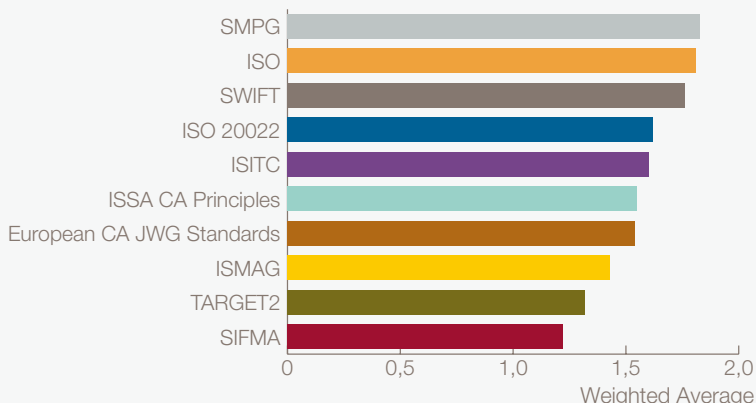
This section of the survey presented respondents with a series of statements and asked them how strongly they agreed with them. Our first set of statements have appeared in previous surveys and the results are shown below compared to responses in previous years.

As can be seen there is a remarkable consistency for responses over the last seven years.

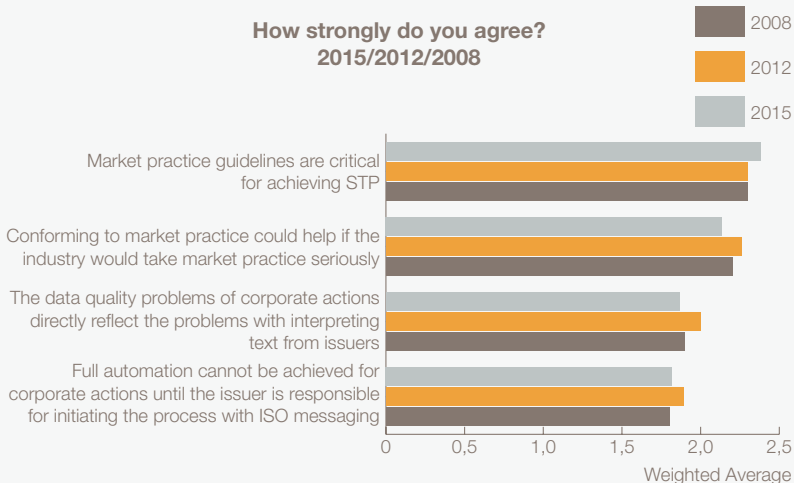
Data Quality Initiatives

Our next set of statements were focussed on data quality. We asked participants how they would rate the potential impact of a range of initiatives. The results are set out below.

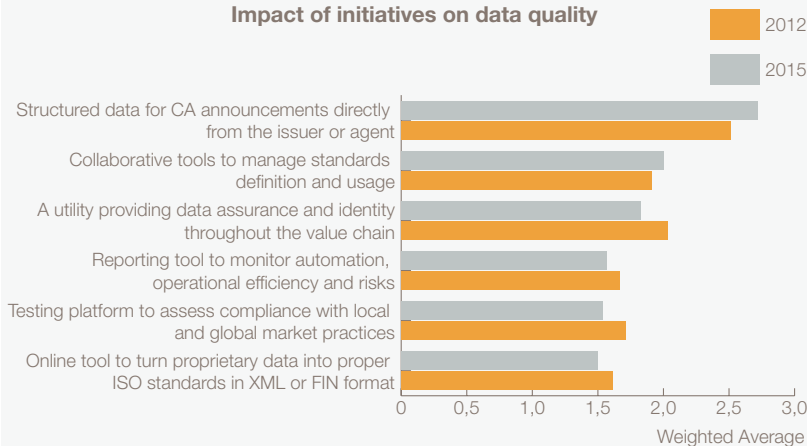
Impact of groups/initiatives on quality and STP



How strongly do you agree? 2015/2012/2008



Impact of initiatives on data quality



In our last survey we noted how strong the belief was that structured data from the issuer would have a major impact. Three years on and that belief has hardened. Now 83% of respondents report that it would have a high impact. The results for this one statement are shown below.

Predictions

We next asked those who took part to predict how the industry would change. There were two questions and respondents could write what they wanted.

3rd Party Solutions

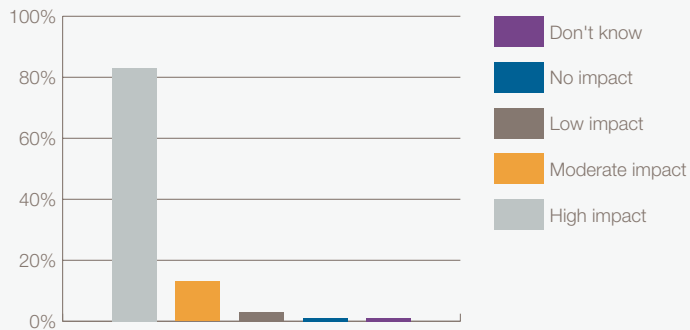
Our first question looked at third party solutions and we asked how the market for corporate actions solutions would change over the next three years. We had fifty one responses to this question from across the industry but there was one consistent theme – practically all those who answered the questions predicted a round of consolidation. Coupled with this, there was an expectation that we would continue to see new market entrants, offering solutions providing new functionality and based on new technologies.

Industry Trends

We then cast our net more widely and asked participants for their views on how the industry would change over the next three years.

Again we had over fifty responses to this question and as elsewhere the major themes are shown in our word cloud. Regulation in all its guises scored most highly with over 30% of those who answered this question referencing it. However alongside regulation, respondents also flagged tax changes, changes required by T2S and the changes driven by increased complexity in the market.

Structured data announcements directly from issuers /agents



Innovation

We concluded the main body of the survey with some questions looking specifically at innovation.

Cloud Solutions

We asked those who took part whether they had a preference for a cloud-based solution or one installed in-house. Whilst a small majority were still in favour of an on-site solution, a significant minority had no preference – supporting the view that cloud solutions are now seen as being just another element in the mix.

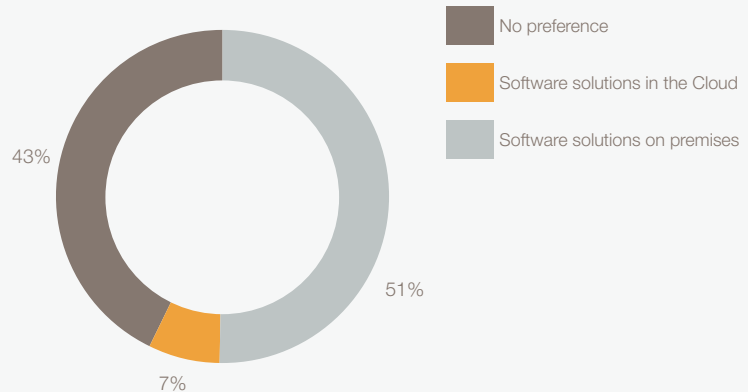
Blockchain

Thinking ahead we asked if participants thought that blockchain or distributed ledger technology change the way corporate actions were processed. There was a muted response with 84% having no opinion on the subject. This was probably a question that should have been saved for the 2018 survey...

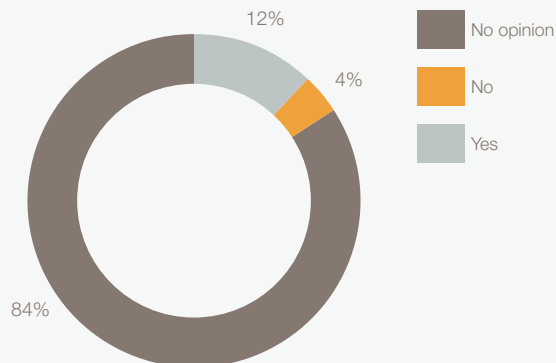
New Technologies

Continuing with innovation we asked if new technologies would allow new market entrants to provide innovative corporate actions processes and services. Eighty five percent of those who expressed an opinion said it would. Higher STP rates were the expected outcome. However, there was no consensus as to how this might be brought about with respondents citing web / cloud based solutions, mobile solutions, real time reporting and a focus on exception processing as the way ahead.

Preference for On Premises / Cloud Solutions



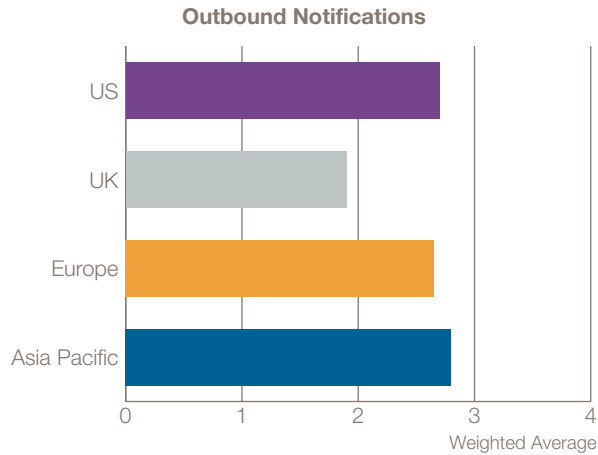
Potential for Blockchain/Distributed Ledger Technology in Corporate Actions



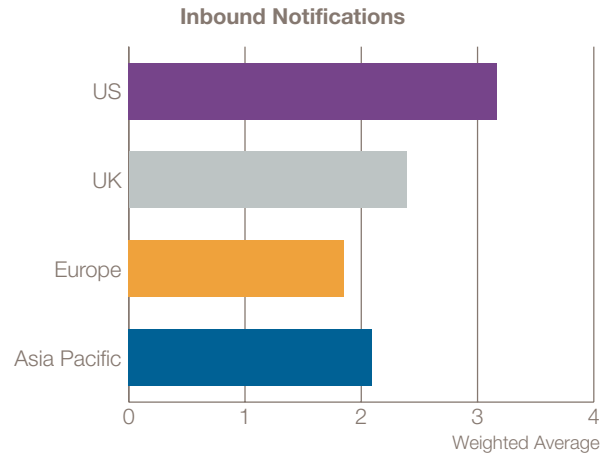
Appendices

Automation by Functional Area by Region

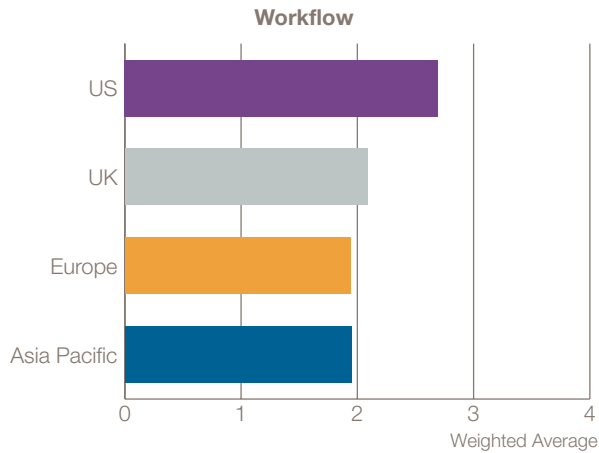
Outbound Notifications – Average all regions 2.37



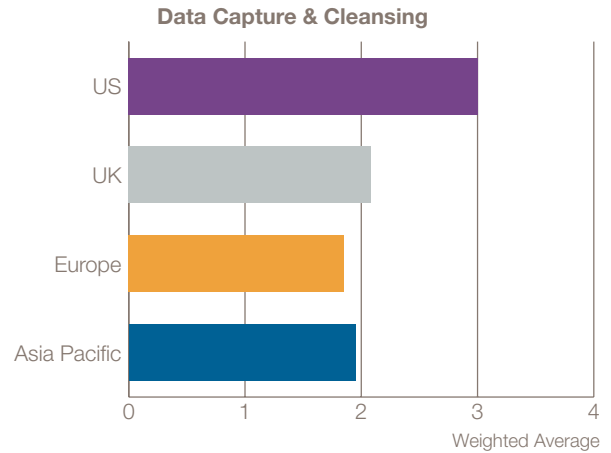
Inbound Notifications - Average all regions 2.17



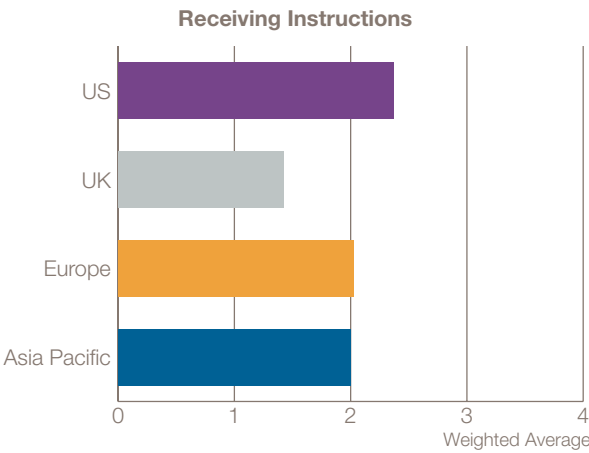
Workflow - Average all regions 2.1



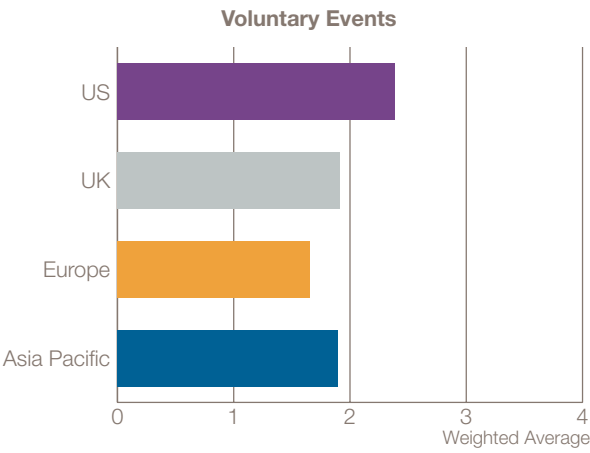
Data Capture - Average all regions 2.03



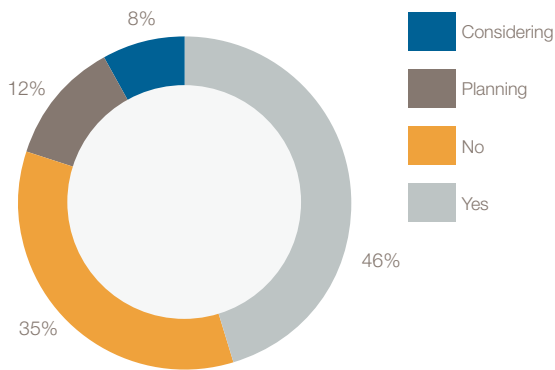
Receiving Instructions - Average all regions 1.95



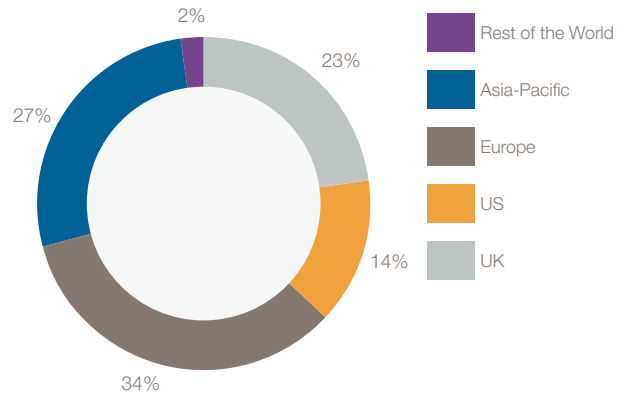
Voluntary Events - Average all regions 1.83



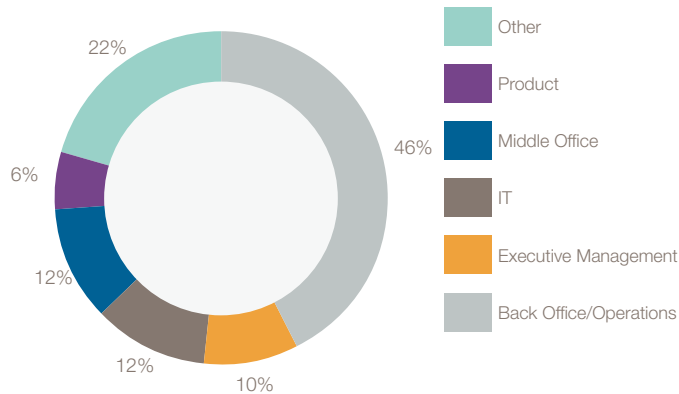
Custodians offering fully outsourced Corporate Actions services



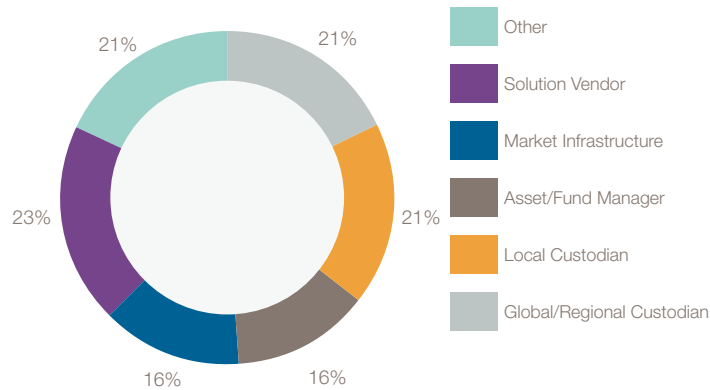
Respondents



Job Function



Business Type



Questions for Custodians

Just over half of those who responded reported that their organisation offered direct access to their corporate actions solution via a custodian portal.

None of them offered a cloud-based solution at this time.

Just under half offered support for creating, recording and enacting corporate action notifications, while another 20% reported that this was something that on their radar.

Thirty five percent of respondents reported that they offered a full outsourced corporate actions service and of these only one offered the service as a standalone solution.

Four organisations announced that they were able to extract the results of corporate actions as input to the clients' systems. All of these confirmed that the service included contractual responsibility for the accuracy and timeliness of the input and updating of corporate actions.

Questions for Solution Vendors

The number of responses to this set of questions was too small a sample to allow for any detailed analysis. However the following conclusions could be made from the information provided:

- Solutions providers are offering flexibility with ASP and on-site options available from most providers, cloud options from a third of them.
- Seven out of nine respondents claimed to offer administration support for creating, recording and enacting corporate action notifications.
- The majority of the respondents offered a standalone version of their solution.
- The majority of those who answered the question claimed to include contractual responsibility for the accuracy and timeliness of the input and updating of corporate actions.
- Typical client contact could either be in middle or back office.

Survey Population

Our survey generated an excellent response, the number of responses being up by over fifty percent on previous years. This time 149 individuals from across the industry and around the world took part. The number of responses from Asia-Pacific increasing in both absolute and relative terms, making this our most global survey yet.

One hundred and seventeen organisations took part in the survey.

Twenty six percent operated on a global basis, fifteen percent were in four geographies, eleven percent were in three and eight percent were present in two. The remaining forty percent operated in one region only.

The profile of survey respondents was very much in line with previous surveys, with just under half of those taking part coming from the back office.

The split of business types was also broad with a good spread from across the industry.

Survey Method

Survey questions were non-mandatory – so not all respondents answered all questions. Results shown as a percentage are based on the total number of responses to the question and not the total number of respondents to the survey.

Where respondents have been given the opportunity to make multiple choices the percentages shown may exceed 100%.

For certain questions percentages have been adjusted to remove “don’t know” from the equation and the results given reflect only those who expressed an opinion.

Where responses have been weighted a consistent formula has been applied, allowing for comparison between questions and with the same question in previous surveys.

Survey Questions

The wording of some survey questions has been cut down in the report in a small number of areas to improve readability. Those who are interested can download the full question set from the CityIQ web site knowledge centre.

Notes

[illegible]



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