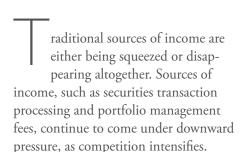# Corporate actions automation

The financial services sector is straining under the weight of a continuous stream of regulatory requirements, intended to reduce risks and losses, which demand significant investment. But there are treasures out there.

OLYMPIC
BANKING SYSTEM
by — eRI

Contributed by Alan Goodrich, ERI

Traditional sources of income are either being squeezed or disappearing altogether. Sources of income, such as securities transaction processing and portfolio management fees, continue to come under downward pressure, as competition intensifies.

In order to remain competitive and grow their business, institutions need to find new ways to increase productivity and offer customers high-quality fee generating services, while managing costs and risks.

The Hidden Gem

There is a great deal of buzz in the market around Fintech solutions, digitalisation and changes to operating models, such as SaaS models, which aim to provide the answers to these challenges.

No doubt, such innovations and initiatives offer interesting and exciting opportunities. But there are also hidden gems, with paths of potentially much lower friction and cost, which have the capacity to make a positive impact.

Corporate actions automation is one of these hidden gems, which should not be underestimated in importance, when it comes to initiatives that address the industry challenges and create business benefits.

Cutting the Gem

Efficient corporate actions automation relies on two fundamental components:

• A system with powerful, automated corporate action processing capability
• High quality, timely data in a standardised, readable format

The availability of high-quality corporate events information in a structured data format provides the oil to lubricate full processing automation. However, the availability of reliable, structured data and its automated injection into the process is not yet a given.

Institutions need to implement a powerful and dynamic corporate actions processing engine to administer to their custodian activities. They need to streamline and automate workflows in order to optimise how corporate actions are managed and provide advanced functions specific to the business, for example:

• The exchange of SWIFT messages with counterparties in full-STP mode;
• Management of default instructions for non-mandatory events;
• Automated management of over-subscriptions;
• Timely alerts when actions need to be taken;
• Management of any specific accounting requirements or restrictions with fully automated booking.

Polishing the Gem

Systems should automatically create corporate action events according to the criteria and conditions defined by the institution, as well as allowing the institution to easily navigate from the event administration to the corporate action itself.

– the hidden gem

Systems should offer flexibility when managing instructions, which could be client specific in the case of elective events. Indeed, it should be possible for default instructions to be defined for each type of voluntary event should instructions not be received by a given deadline.

Straight-Through-Processing should be customisable for every event:

• Allowing definition of the relevant data sources required for each type of event. These should then be associated automatically with the appropriate products and events;

• Generating the "golden" record used for the processing of a corporate event can be a resource-heavy manual task, which introduces the risk of errors and creates excessive costs. Data from the different sources needs to be automatically matched, with alerts and notifications of any discrepancies or incomplete data, so that exceptions can be handled in a timely manner;

• Allowing definition of the desired level of automation. For example, more straightforward events could be defined as being highly automated. While, for more complex events, the institution may require some form of human intervention or oversight;

• Equally, alerts should be generated to notify the appropriate managers, either when instructions are missing for an event, or when a deadline is approaching for processing, so that appropriate actions can be taken.

Efficiency may also be increased significantly when communications with global and sub-custodians are fully automated, not only for events notification, but also for the management of instructions as well as the reconciliation of holdings.

Valuing the Gem

Corporate actions automation, if done efficiently, can play an important role in addressing the industry challenges and creating business benefits:

• Reducing operational risks / processing errors / losses

• Enhancing staff productivity

• Reducing operating costs

• Improving customer service and satisfaction levels

When structured corporate action data is fed into a system with a powerful and dynamic corporate actions processing engine – the results can be truly impressive. ∎

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