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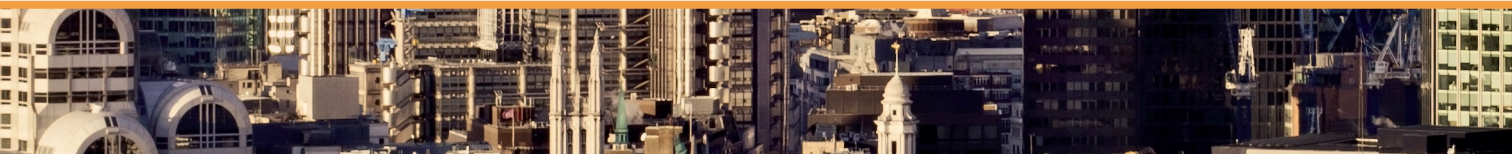
In association with



# Corporate Actions 2012

*A global survey of the corporate  
actions marketplace*

**CityIQ Ltd – Your Partner in the City**



# Corporate actions 2012

## *A global survey of the corporate actions marketplace*

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# Corporate actions 2012

## *A global survey of the corporate actions marketplace*

CityIQ, in association with SWIFT, has once again carried out an in depth survey of the Global Corporate Actions Marketplace. Covering similar ground to our surveys in 2003 and 2008, the results, as presented in this report, give not only a snapshot of the market today but also identify how it has evolved since the time of our last survey.

### **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 SWIFT for their help in framing the questions, encouraging individuals to respond and in reviewing the final report (though it should be noted that the interpretation of the results is attributable to and the responsibility of CityIQ).

### **Survey Highlights**

It is four years since our last survey and it is striking to see how much has changed but at the same to note how much has stayed the same.

Organisations that have invested in corporate actions automation continue to spend, with 90% reporting additional investment since our last survey and 85% of survey respondents either doing something now or planning to do something in the near future.

Over 25% of those who took part in the survey reported that no part of their corporate actions were automated whilst for those that have automated there were notable variations by functional area, most progress having been made in the area of outbound notifications.

External vendors now have a larger share of the market (just over half of the survey population), but it's not all one-way traffic, as several organisations report having taken corporate actions processing back in-house in the last few years.

Yet despite all the activity around automation and a reduction in volumes, team sizes remain constant. This may well be a reflection of the increasing complexity of corporate action events. This is reflected by the results of our questions on the drivers and benefits of automation.

The desire for cost savings continues to be the biggest driver for automating corporate actions processing but when we come to considering benefits obtained, it is service quality improvements and reduced risk that score most highly.

Having considered automation we also looked at standardisation. Unsurprisingly SWIFT continued to have pride of place as the organisation most likely to have an impact on improving corporate actions processing and hence STP.

As for the initiative that would have the biggest impact, there was near unanimity; structured data for corporate actions directly from issuer or agent source in all markets is, according to 92% of those who took part, what will make the biggest difference when it comes to improving data quality.

The value of receiving ISO standards compared to other communication formats scored very highly with close to 70% of respondents acknowledging the value of ISO standards.

Compliance to market practice is seen as being either critical or important by over 80%, but when it comes to looking at how compliance is measured in practice just over 40% had no formal mechanism in place.

### **Feedback**

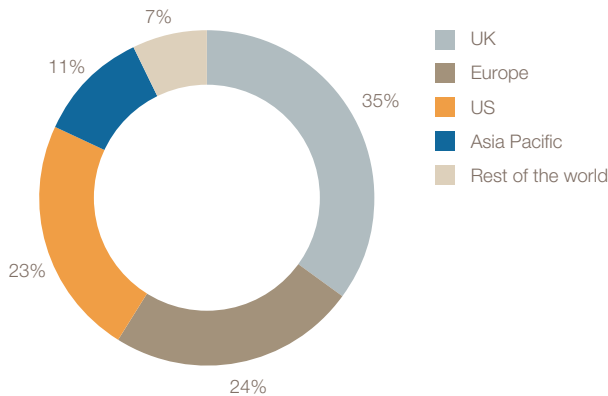
If you have any questions or queries about the survey results or would like to know more about the services CityIQ offer please contact:

*Paul Wiltshire on:*  
+44 (0) 207 073 2925  
or by mailing enquiries@cityiq.com

# Detailed findings

## Survey population

### Geography



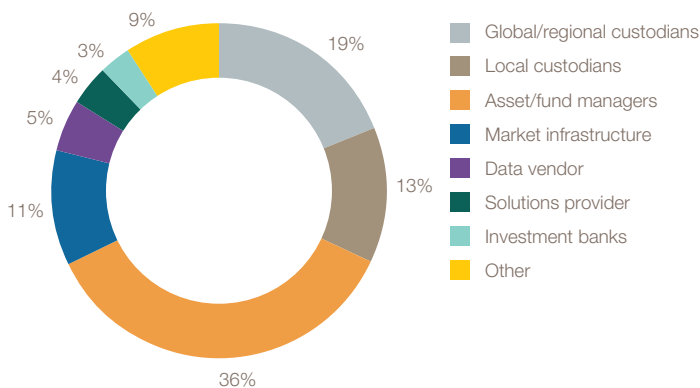
As in previous years we had a good response, with 95 individual responses from across the industry and from all geographical areas.

Survey responses came from around the globe as shown in the graph to the left.

The response from the UK was higher in percentage terms than in previous years while that from continental Europe was lower.

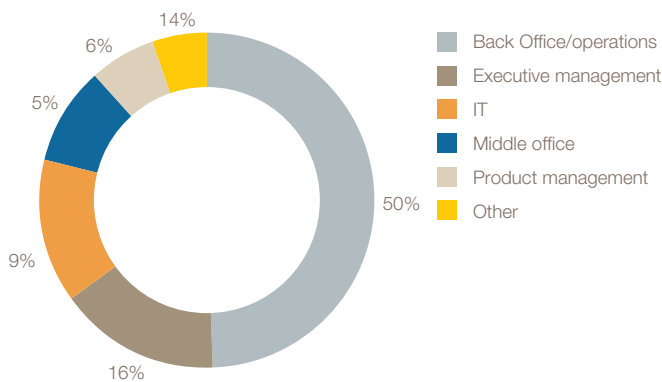
However the aggregate of the two remained constant at just under 60%.

### Business type



Regarding business types, responses came from across the financial services spectrum. Roughly a third of responses came from custodians, a third from asset /fund managers and a third “other,” allowing us to do comparative analysis on specific questions.

### Job function

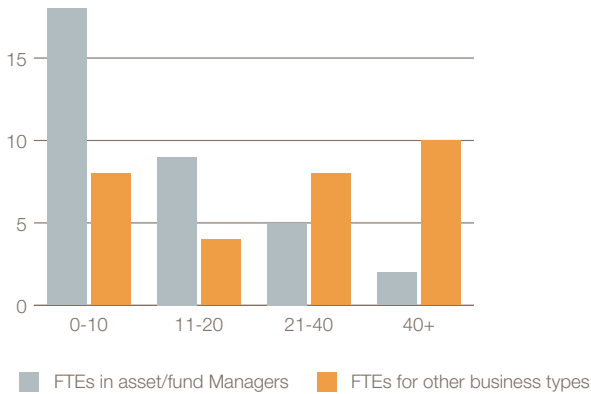


As for job function, 50% of respondents were from the back office /operations, slightly down on previous years. However, the percentage of respondents at executive management level showed a sizeable increase.

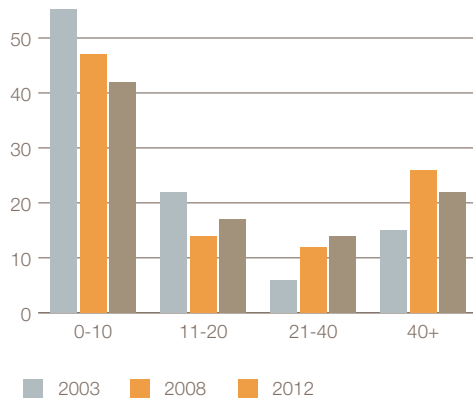
Overall the profile of respondents, by industry type, geography and job function were all remarkably similar to our 2008 survey.

## Size of corporate actions teams

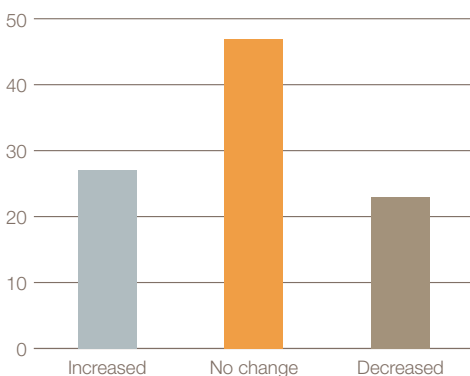
### Relative team sizes



### Relative team sizes since 2003



### Changes in team size



The size of corporate actions teams varies considerably depending on the business type, as shown in the graph to the left.

Approximately 50% of asset /fund managers have a corporate actions team of ten or less. Only two managers had 40+ FTEs.

However over half of the custodians had teams of 20+.

Overall, looking at all responses, the team size profile has changed little in the last ten years.

We also asked specifically if the team size for corporate actions processing had changed in recent years.

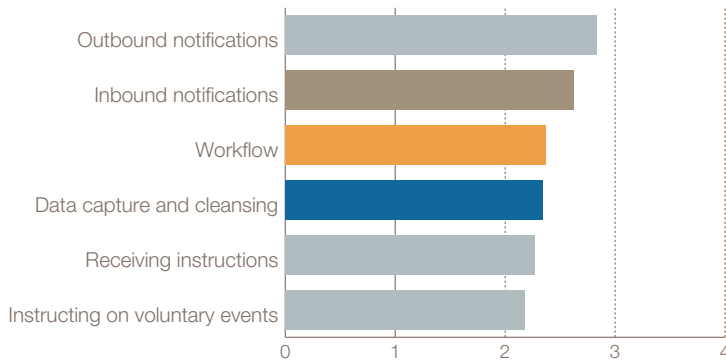
Overall the results were neutral, with just over a quarter reporting increases and a quarter reporting decreases. This was broadly similar across all business types.

However although there was no trend by business type there was one department size, large corporate actions departments were more likely to have increased in size whilst small ones were more likely to have stayed constant or decreased. This reflects we believe a consolidation in the market, with corporate actions activity becoming more concentrated.

We speculate that reductions in volumes have been offset in part by the demands of increased complexity – resulting in team size remaining constant.

## Automation overview

### Current level of automation by function



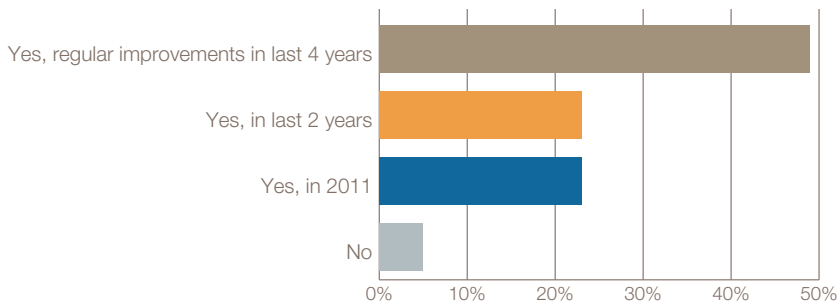
\*A score of 4 would represent full automation by all organisations.

A surprising twenty seven percent of respondents who answered the question reported that they had not automated any part of their corporate actions processing, a slightly higher figure than for our survey in 2008 and reflecting the fact that there are still sales to be made in this functional area.

Of those that had automated we asked them to break down what they had achieved by functional area. The summary data is shown to the left.

The way we worded the question in 2012 does not allow a direct comparison with our findings for the same question in 2008. However, the same general conclusions can be drawn, in that inbound and outbound notifications, together with data capture are the areas where most work has been done.

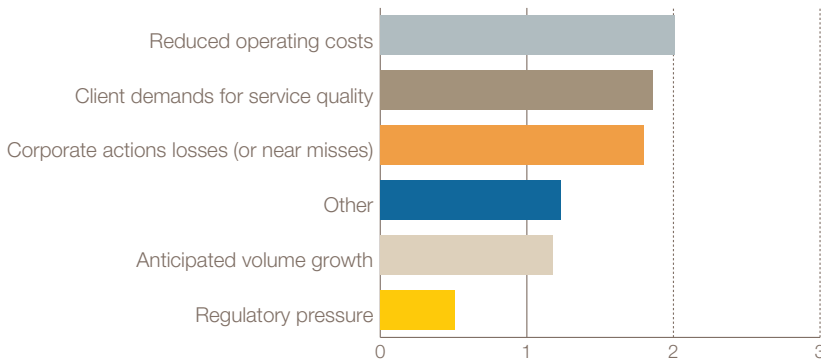
### Automation activity



And even though the overall profile hasn't changed automation activity has proceeded apace, with 95% of those who had automated reporting that they had automated or expended automation of corporate actions activity since our last survey.

## Automation influences & benefits

### Factors influencing decision to automate



For the third survey in a row the need to reduce operating costs was the biggest factor influencing the decision to automate, closely followed by the need to avoid corporate actions losses (or near misses).

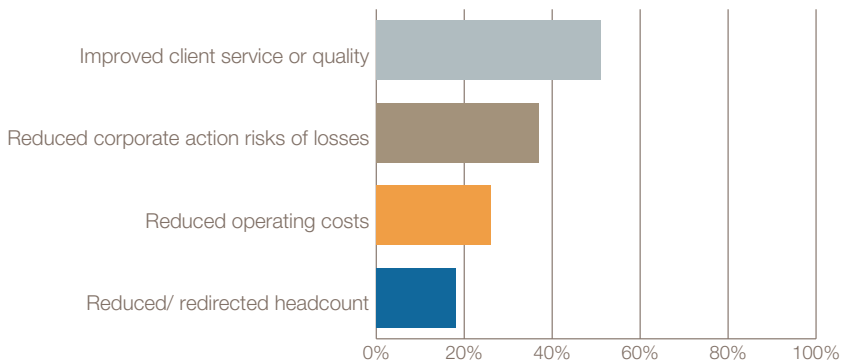
Client demands for service quality (a new choice for 2012) also scored highly.

“Other” scored more highly this time round than in previous years with risk mitigation being cited as the influence by over half of those who selected this option.

Volume growth, which had been a big influence in previous surveys, has fallen away in the current market.

Our final category, regulatory pressure also fails to resonate, surprisingly perhaps, given all that is happening in the market.

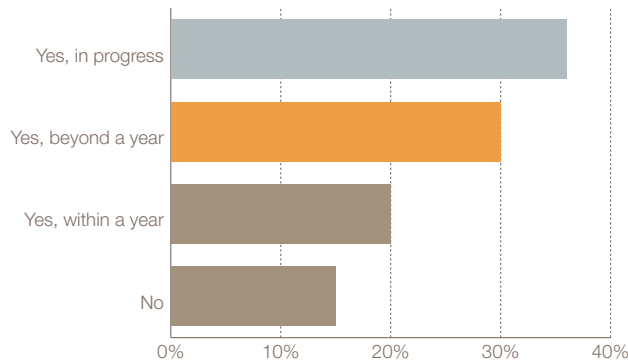
### Benefits of automation



Interestingly, although cost reduction was seen as the biggest driver for automation, the biggest perceived benefit by a considerable margin was improved service quality, with over 50% of respondents identifying this as a major benefit.

## Plans & impediments

### Plans to automate/ expand



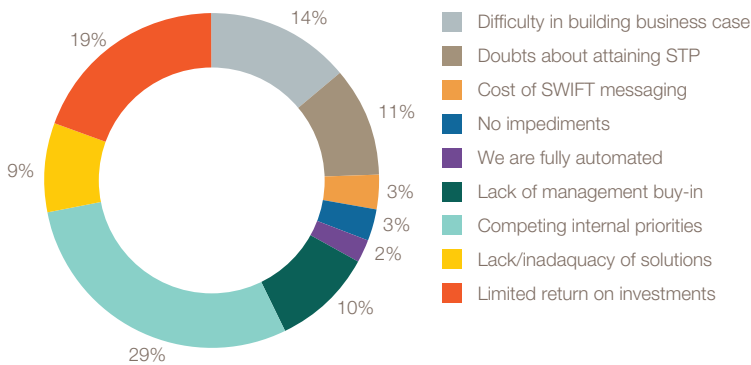
The level of automation activity that was identified above as having taken place over the last four years shows no sign of abating.

Over a third of answers were from organisations that had projects in progress, while a further fifty percent were looking to do something in the near future.

The figures were almost identical to those from the same question when it was asked back in 2008, reflecting the fact that this is no sudden surge but an ongoing programme of investment across the industry.

But it's not all spend, spend, spend. Some organisations have done little or nothing while others find it hard to get the sign-offs they need.

### Impediments to automation



The reasons for this are shown in the chart to the left. Once the noise of "competing priorities" is removed we are left with these top three impediments:

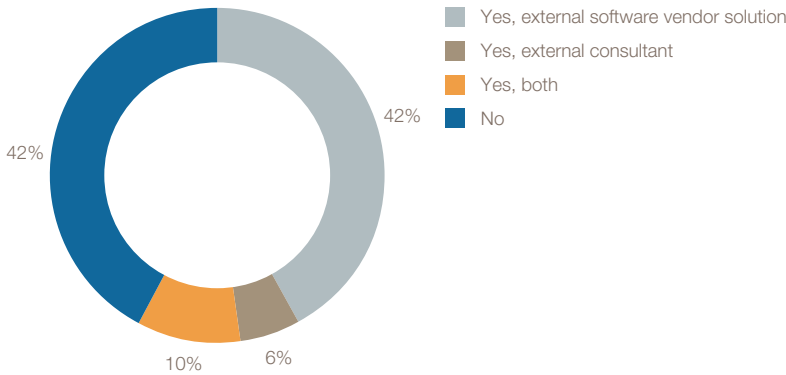
- Difficulty in building a business case
- Limited ROI
- Doubts about attaining STP

Recognition perhaps that some parts of the corporate actions process aren't going to be automated any time soon!



## External solutions

### External software solution/consultant

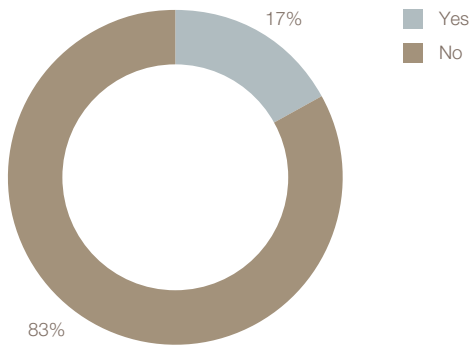


The split we saw four years ago between organisations that were self sufficient and those that made use of external consultants still exists, although the number of organisations using 3rd party software had increased by about a third.

Excluding responses from interested parties, the software solutions mentioned by those who used an external supplier were as follows: TCS, XSP, Vermeg, FiServ, Brokerway, Milvus, Trace

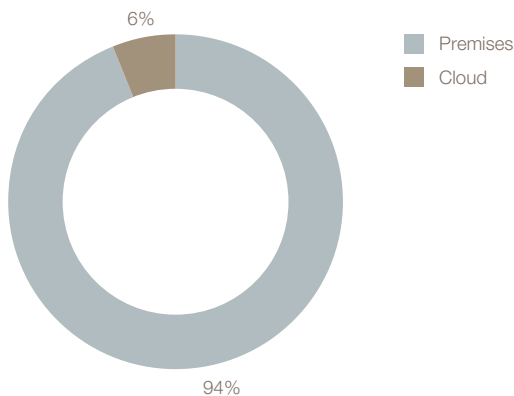
TCS, (TATA) had the largest number of mentions by a considerable extent.

### Recent move from external solution to in-house



A significant percentage of those surveyed reported that they had recently moved from an external software solution to an in-house one, with cost and functional issues highlighted most widely (or a combination of factors).

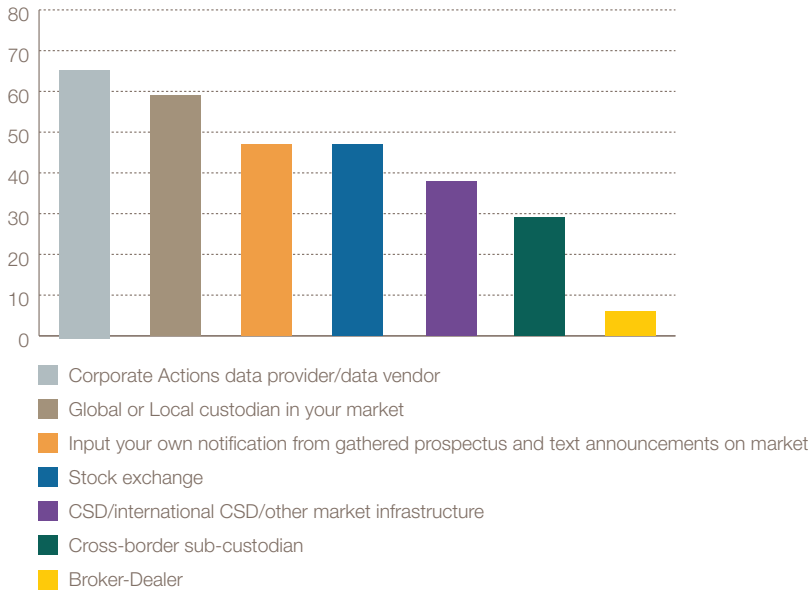
### Preference on location of solutions



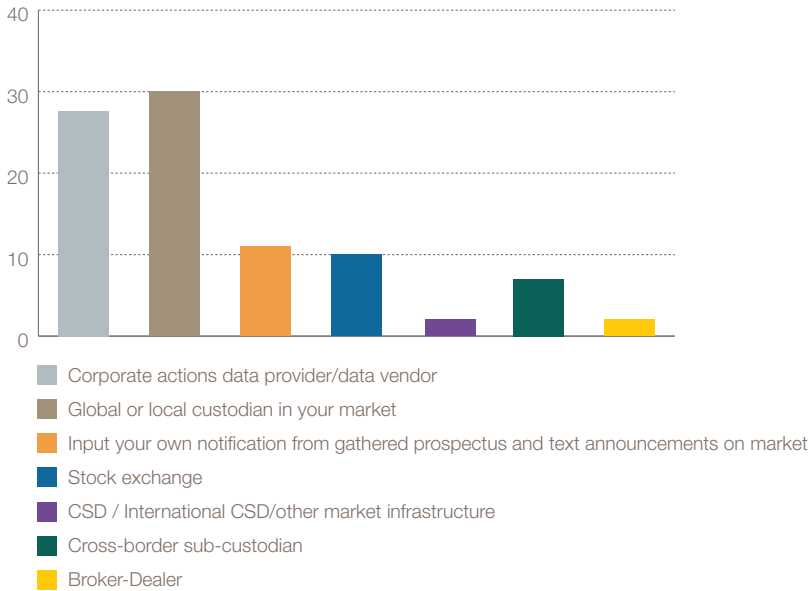
And regarding the preferred location of solutions, only two respondents expressed a preference for the cloud.

## Information sources

### Corporate actions information sources



### Corporate actions information sources asset/fund managers

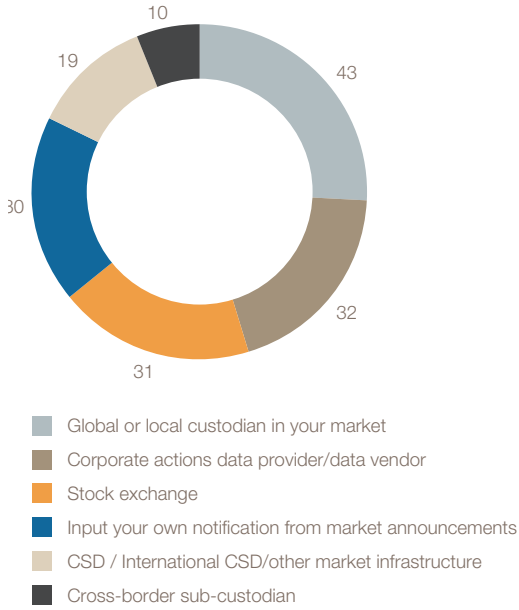


Whereas four years ago custodians were cited as the most frequently used source of corporate actions information that is no longer the case – data providers having taken the top spot.

Obviously information sources will differ depending on where you are in the process.

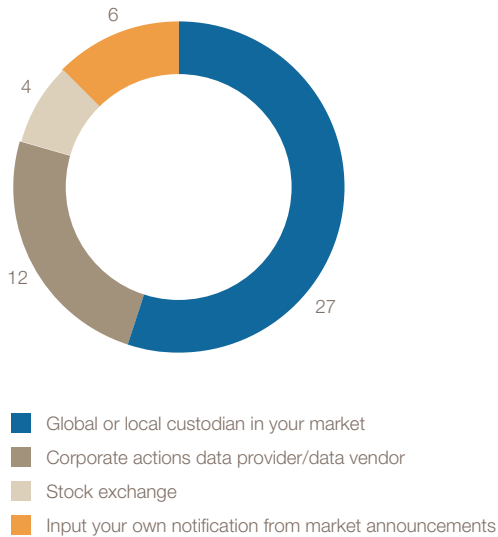
For asset managers the sources of data are more clear cut; the two prime sources are custodians and data vendors.

### Best corporate actions data source



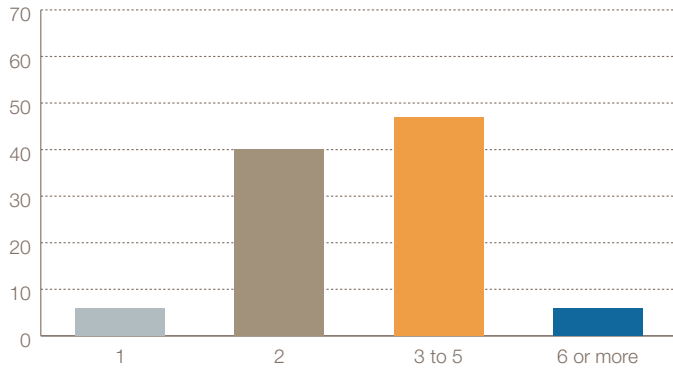
A similar story can be told when it comes to identifying the best source for corporate actions data. For the total population the findings are mixed.

### Best corporate actions data source asset/fund managers



However when we look again at the asset /fund management constituency a different story emerges with the custodians seen by the majority of this group as being the providers of the best quality data.

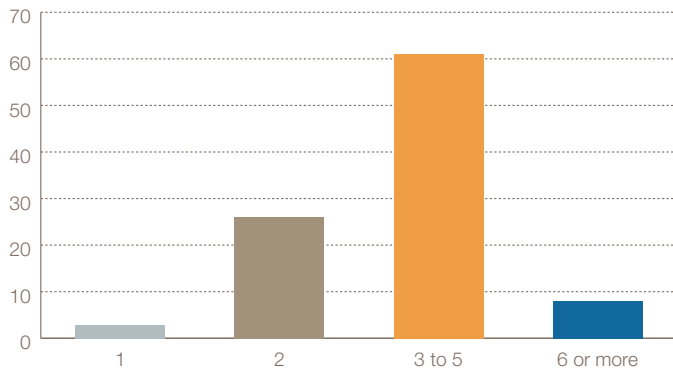
### How many information sources?



Our final question on data sources looked at the number of data sources per market for a particular event.

For the total survey population the number of sources was either two or more usually three to five.

### Information sources asset/fund managers



However, for the asset /fund management community, the situation was even more pronounced.

Over 60% of them were taking data from three to five sources.

And single sourcing is practically unknown.

# STP

## Main impediments to STP



We were keen to understand what people thought were the main impediments to straight through processing and offered them three possible causes.

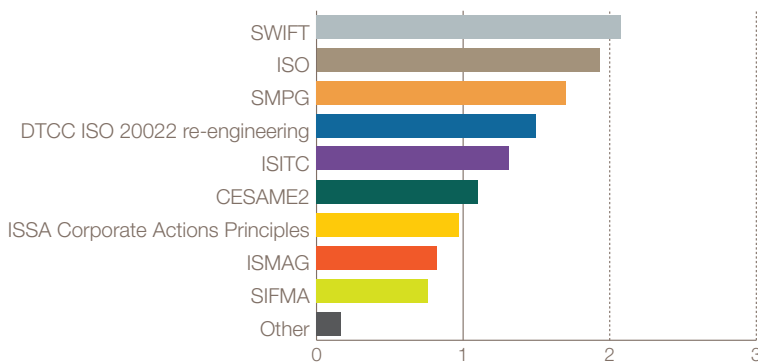
All three suggestions were supported by our survey population but for each there was a small but significant minority who scored low and as a result none of the areas identified gained a consensus, reflected by the relatively low weightings.

## Other impediments

Differing accounting standards for items such as stock dividends or capital repayments
Variety of events and system interpretation of as well as tax treatment
As a data provider, our key impediment is with the more complex events and being able to interpret and correctly output the event in a standardised way, for our users.
Co-existence between 15022 and 20022

We had a number of other impediments suggested by respondents and these are listed in the table on the left.

## Impact of groups/initiatives on quality and STP

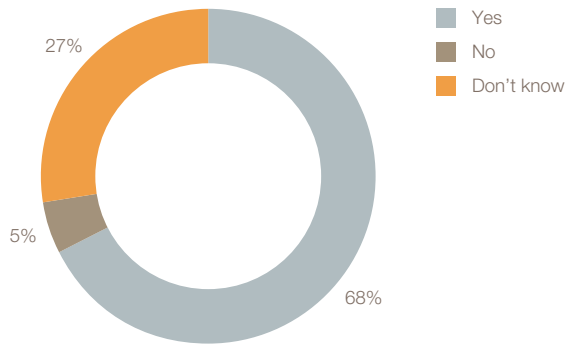


Turning to the positives, we asked about the likely impact of various groups and initiatives on corporate actions quality and STP.

Little has changed since 2008, with SWIFT, the International Standards Organisation and the Securities Market Practice Group (SMPG) group retaining the top three slots.

# ISO 15022/20022

## Value of ISO 15022/20022 messages

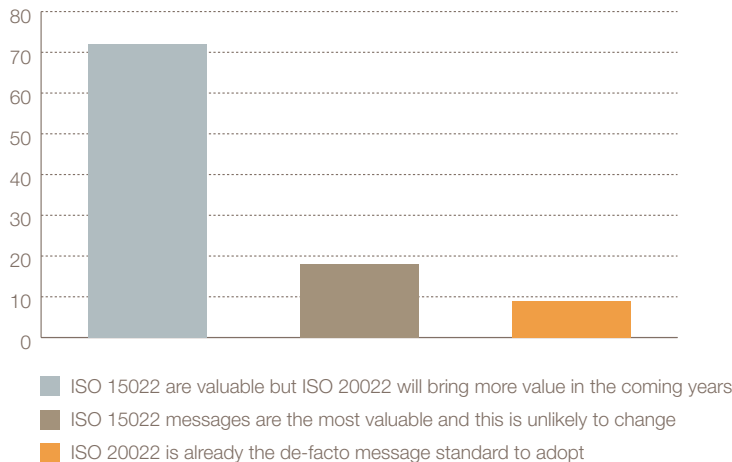


The comment on ISO 15022/20022 messages in the last section (as a potential impediment to achieving STP) serves as a usual introduction to this section:

First we asked about the value of receiving these message standards as compared to other communications formats when it came to facilitating automation.

The response was a very strong positive, with those recognizing value outnumbering those who didn't by a factor of 14.

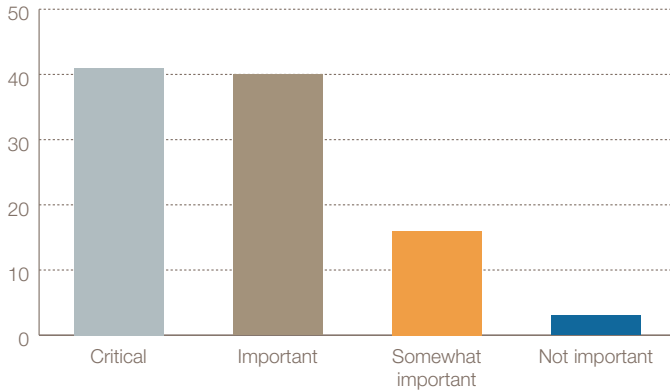
## Message standard with most potential



Our follow up looked at which standard had the greatest potential. Having excluded the "Don't knows," the graph to the left gives the views of those who expressed an opinion and shows that the future appears most likely to rest with ISO 20022.

# Compliance

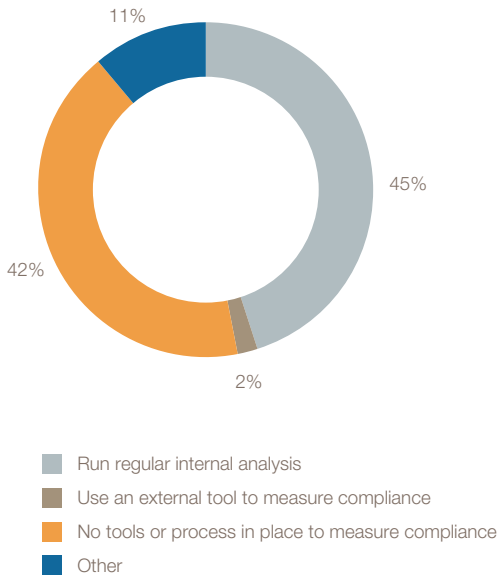
## Compliance to global market practice



The next area we investigated was compliance to global market practice and how important it was to organisations involved in the survey:

As can be seen nearly 80% saw compliance as important or critical; a very strong score.

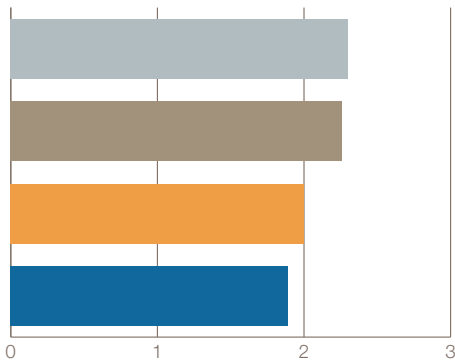
## Measuring compliance to market practice



However our next question which looked at specifics found a slightly different situation, for whereas 80% saw this as an important area just under 60% seemed to be doing anything to ensure what they receive or send is in compliance with market practices.

## Statements

How strongly do you agree?

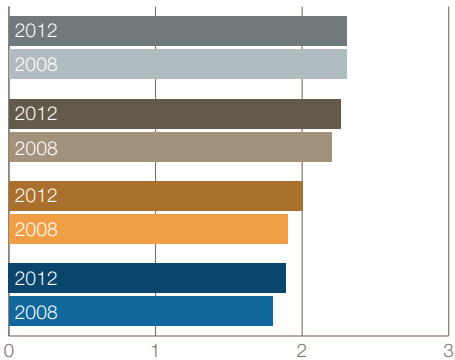


- Market practice guidelines are critical for achieving STP
- Conforming to market practice could help if the industry would take market practice seriously
- The data quality problems of corporate actions directly reflect the problems with interpreting text from issuers
- Full automation cannot be achieved for corporate actions until the issuer initiates the process with ISO messaging

As we have done since 2003 we included a set of statements design to gauge strength of feeling with regard to matters relevant to STP.

A score over two indicates strong support and the four statements that gained a positive response (nobody agreed that automation was of limited value) all had strong support.

How strongly do you agree?



- Market practice guidelines are critical for achieving STP
- Conforming to market practice could help if the industry would take market practice seriously
- The data quality problems of corporate actions directly reflect the problems with interpreting text from issuers
- Full automation cannot be achieved for corporate actions until the issuer initiates the process with ISO messaging

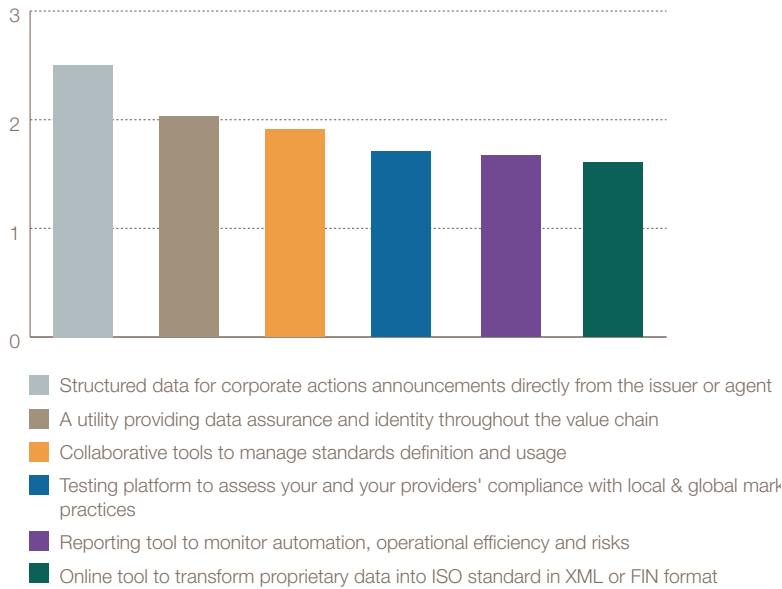
However this is not new. Looking back to 2008 we see the same statements generating practically identical support!

An analysis of each question is included as an appendix to this report.



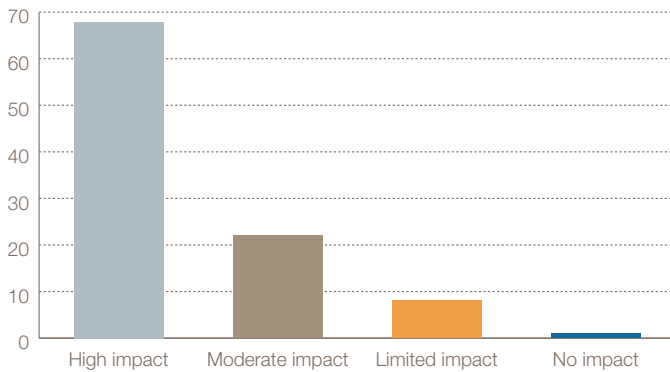
## Data quality

### Impact of initiatives on data quality



Looking at the impact of industry initiatives to improve data quality, we found something approaching consensus.

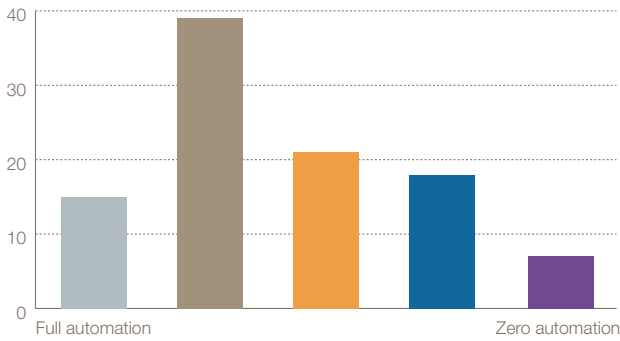
### Structured data announcements directly from issuers /agents



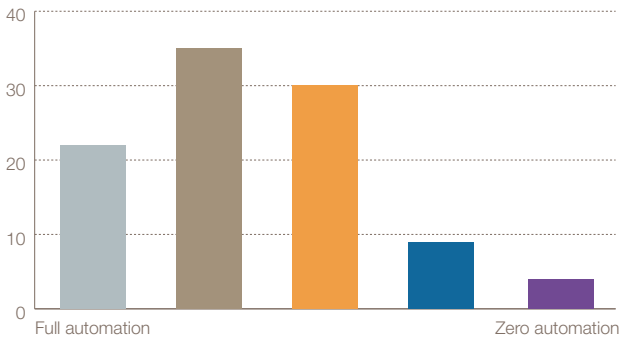
There was one stand out score, with strong support for the goal of receiving structured data for announcements directly from the issuer or agent.

## Automation by functional area

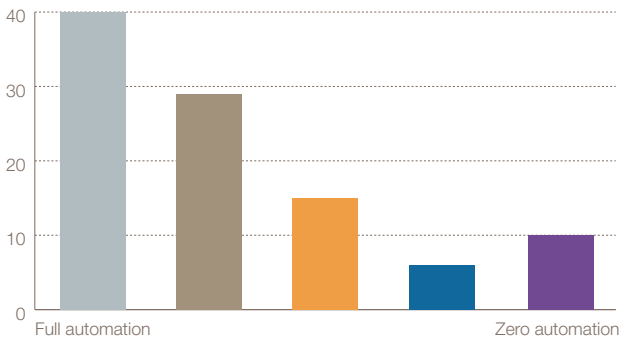
### Data capture & cleansing



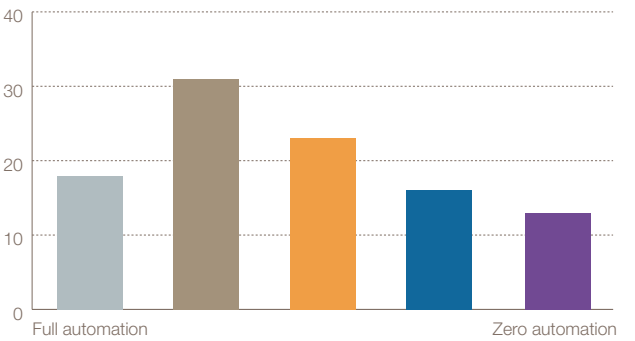
### Inbound notifications



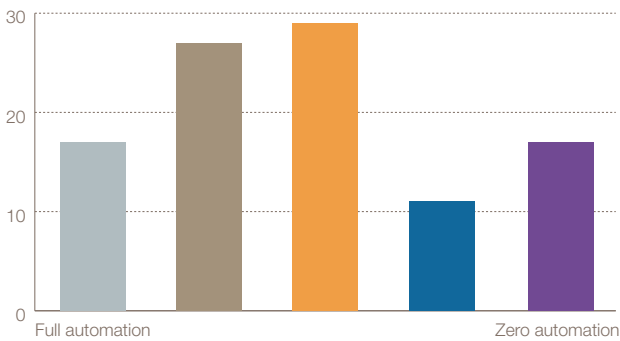
### Outbound notifications



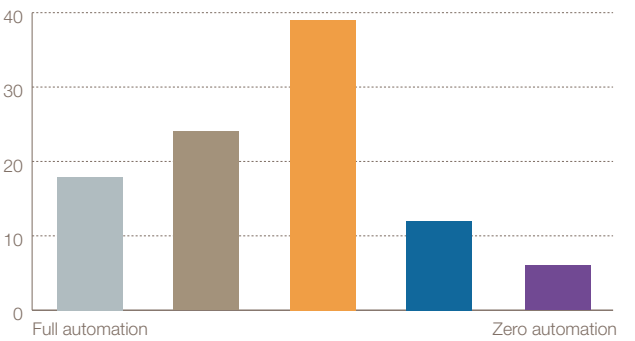
### Receiving instructions



### Instructing on voluntary events

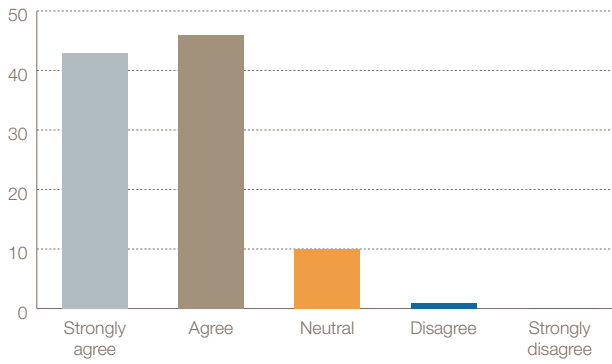


### Workflow

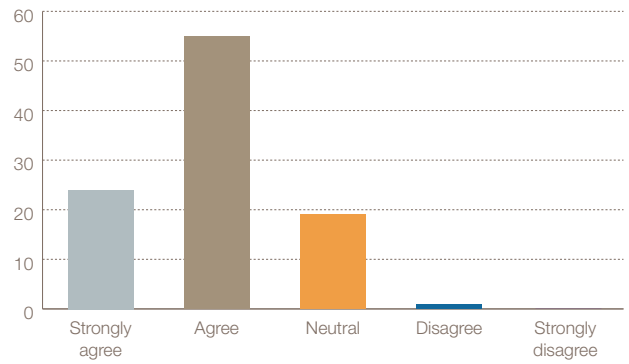


## Statements

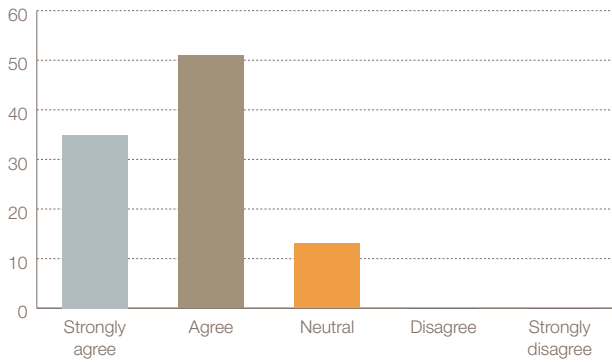
Market practice guidelines are critical for achieving STP



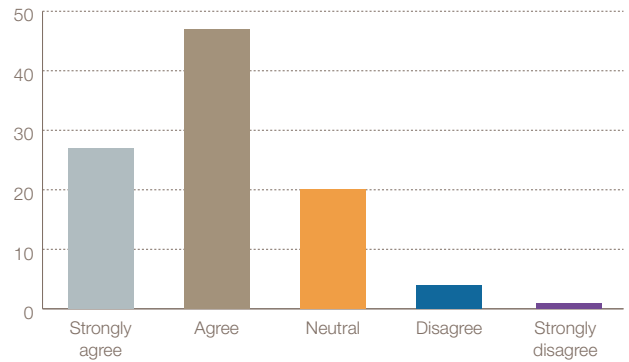
The data quality problems of corporate actions directly reflect the problems with interpreting text from issuers



Conforming to market practice could help if the industry would take market practice seriously



Full automation cannot be achieved for corporate actions until the issuer initiates the process with ISO messaging



### Survey Method

Most survey questions were non-mandatory – as such not all respondents answered all questions. Results shown as a percentage reflect the total number of responses to the question and not the total number of respondents.

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

Percentages shown reflect the number of responses to that question and not to the survey population as a whole.

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.

Weighted questions have been calculated using the formula:

$$(Ax3) + (Bx2) + (Cx1) = \text{result}$$

Where:

A = strongly agree

B = somewhat agree

C = neutral

### 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 library.

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