

Reimagining the Corporate Actions Operating model



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Reimagining the Corporate Actions Operating Model

Key survey findings

Reimagining the Corporate Actions Operating Model

Overview



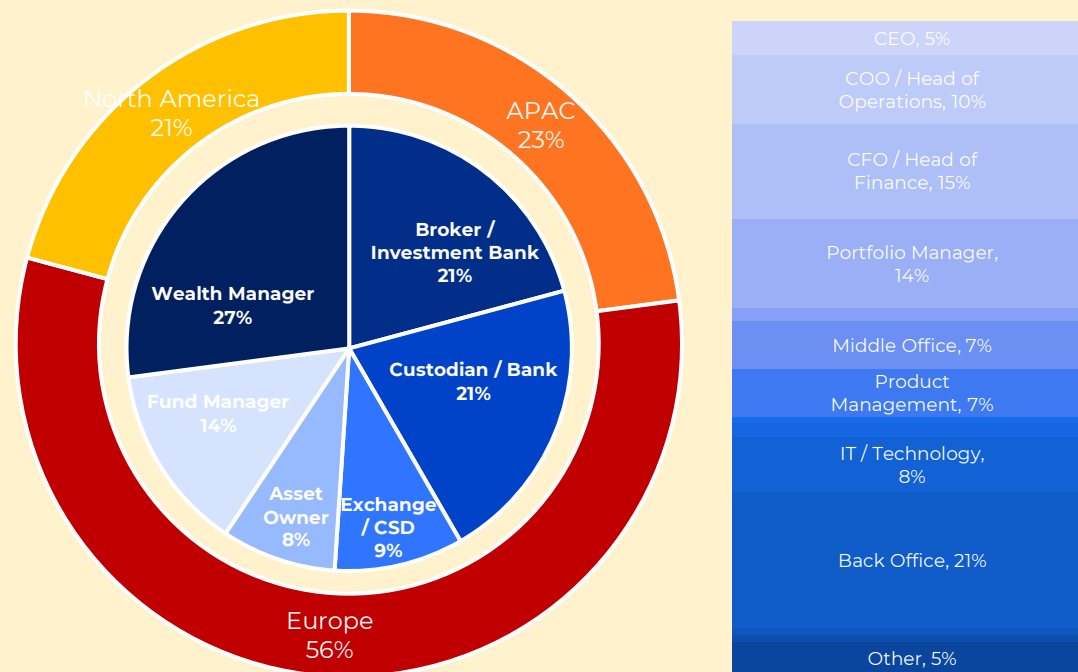
In May / June 2022, the ValueExchange launched an industry-wide benchmarking campaign to map out how the corporate action operating model is evolving in 2022 - with the support of **S&P Global Market Intelligence** and **ISSA** (the International Securities Services Association)

This document summarises the key statistical findings of our campaign so far. All of the data in this Key Findings document is drawn from our interactive data dashboard. Please contact us if you would like to explore this data yourself.

We would love to hear your reactions to these findings and so please reach out if you have any comments or questions (to info@thevalueexchange.co)

Who participated in our campaign?

As a truly industry-wide survey, we have benefited from the insights of over **114 organisations across the corporate action lifecycle globally**. These respondents are broken down as follows:



Reimagining the Corporate Actions Operating Model: Key Findings



Today's operating model

\$5m

The average cost of running a regional corporate action unit

17%

Average expected cost growth in corporate actions

45%

Brokers experiencing errors of >USD1m in 2021/2022

Why are we struggling to scale?

70%

Of us are manually validating custodian feeds

7

Corporate action data sources kept and validated by hand

50%

Of manual intervention is for voluntary events

Driving scale in corporate actions

30%

Improvements in STP from ISO2022

40%

Improvement in volume/cost efficiency from outsourcing

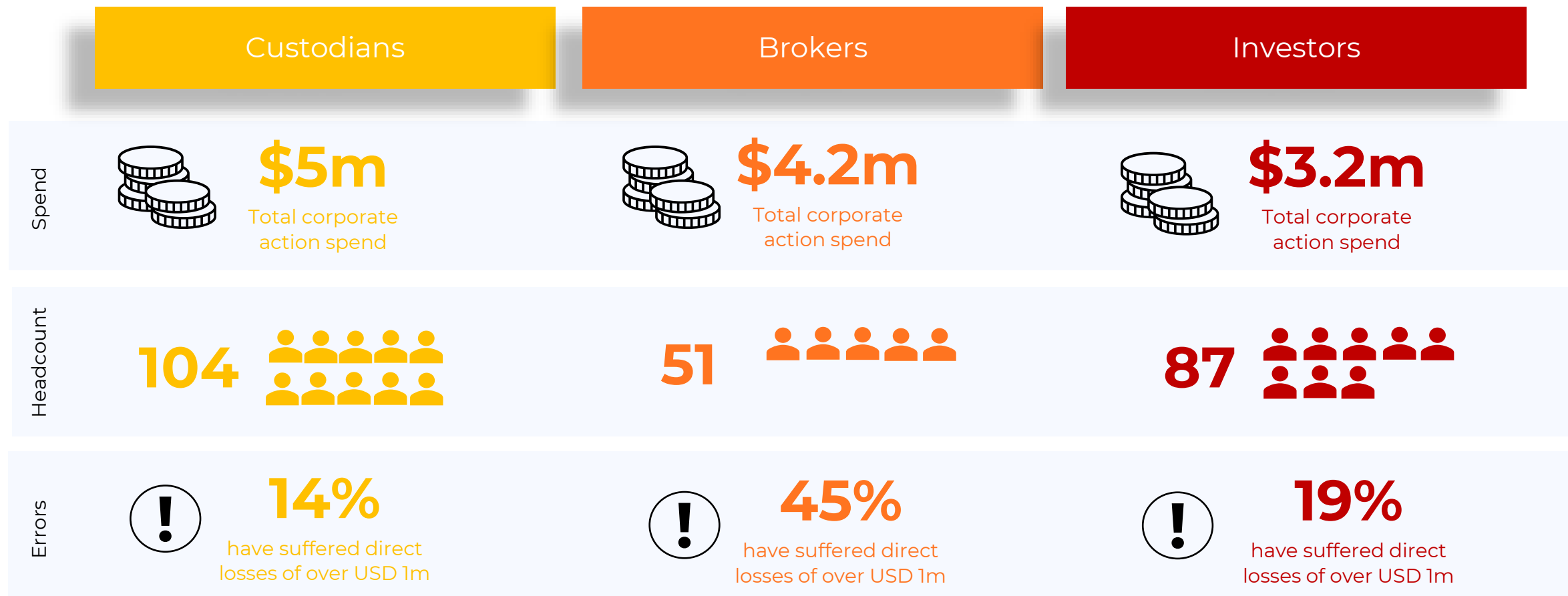
0%

Errors over USD5m, for those outsourcing their event data



How much do corporate actions cost us?

Corporate actions are a USD3-5m business for each of us

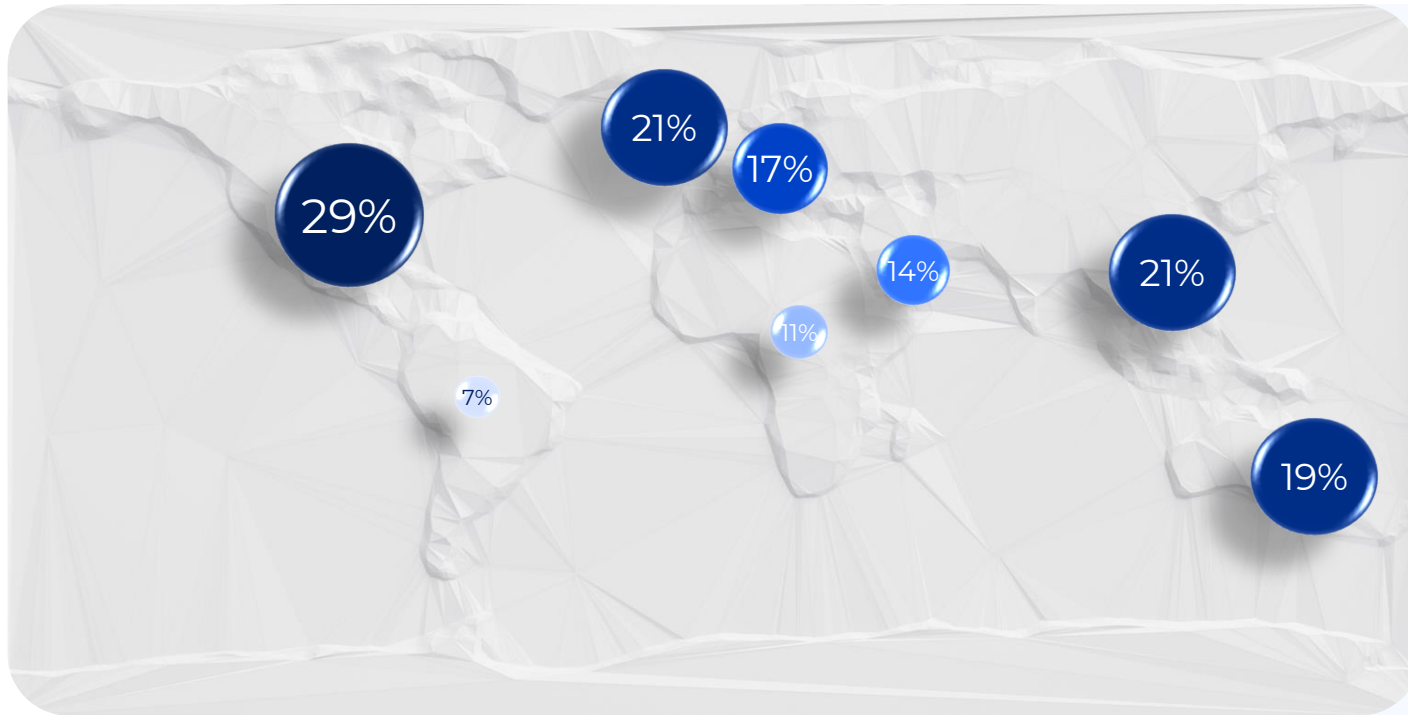


All figures given are for a **regional** corporate actions department (e.g. North America, EMEA or Asia-Pacific)

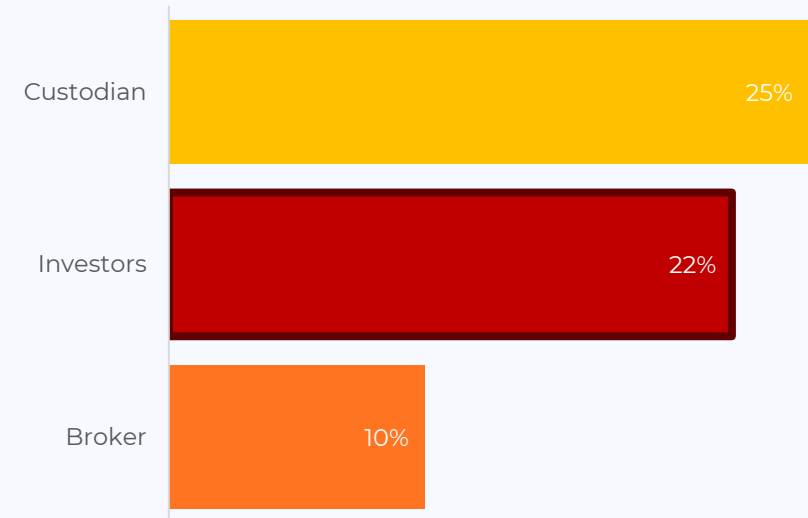
Who is seeing the growth?

Investor-led expansion is hitting all of our key markets

Average volume growth (of securities) by region



Average volume growth (of securities) by segment

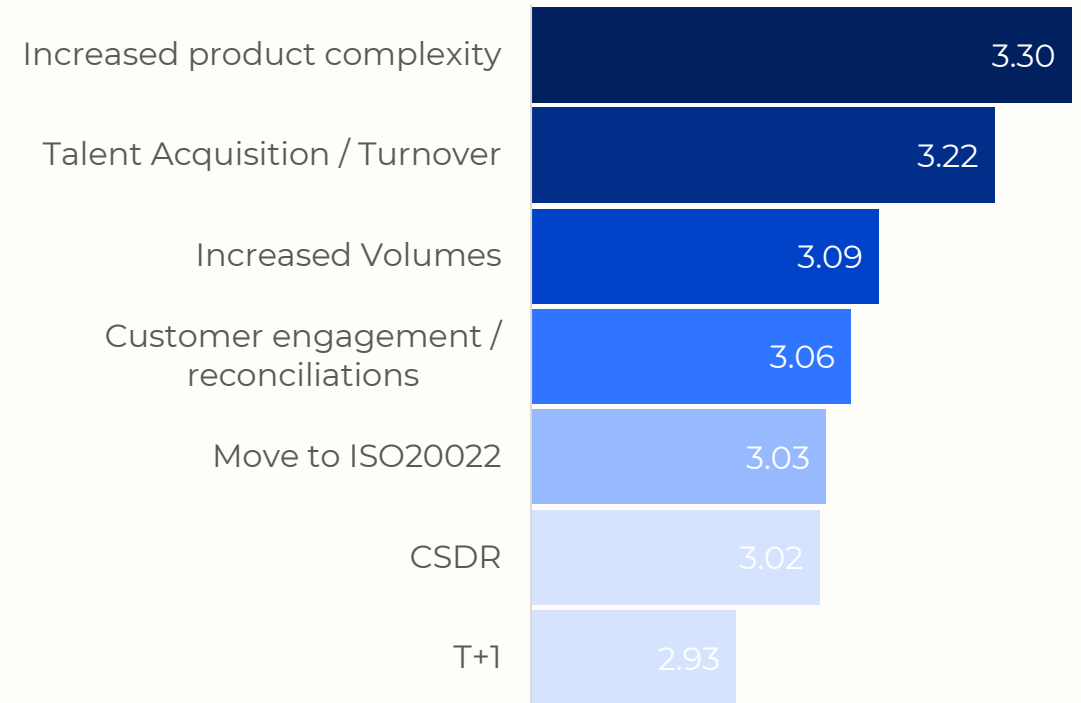


How are we scaling today?

Complexity, talent and volumes as the hotspots



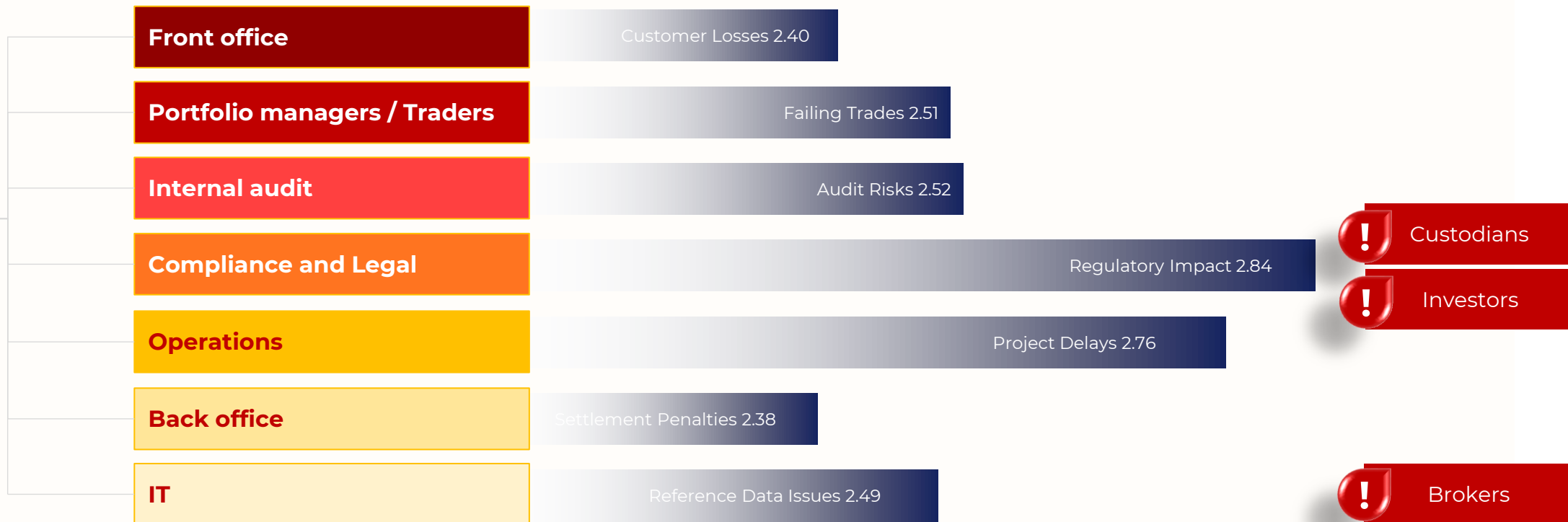
Key Challenges in driving corporate actions scale in 2022 (Out of 5)



How are we scaling today?

Issues are being felt across the organisation

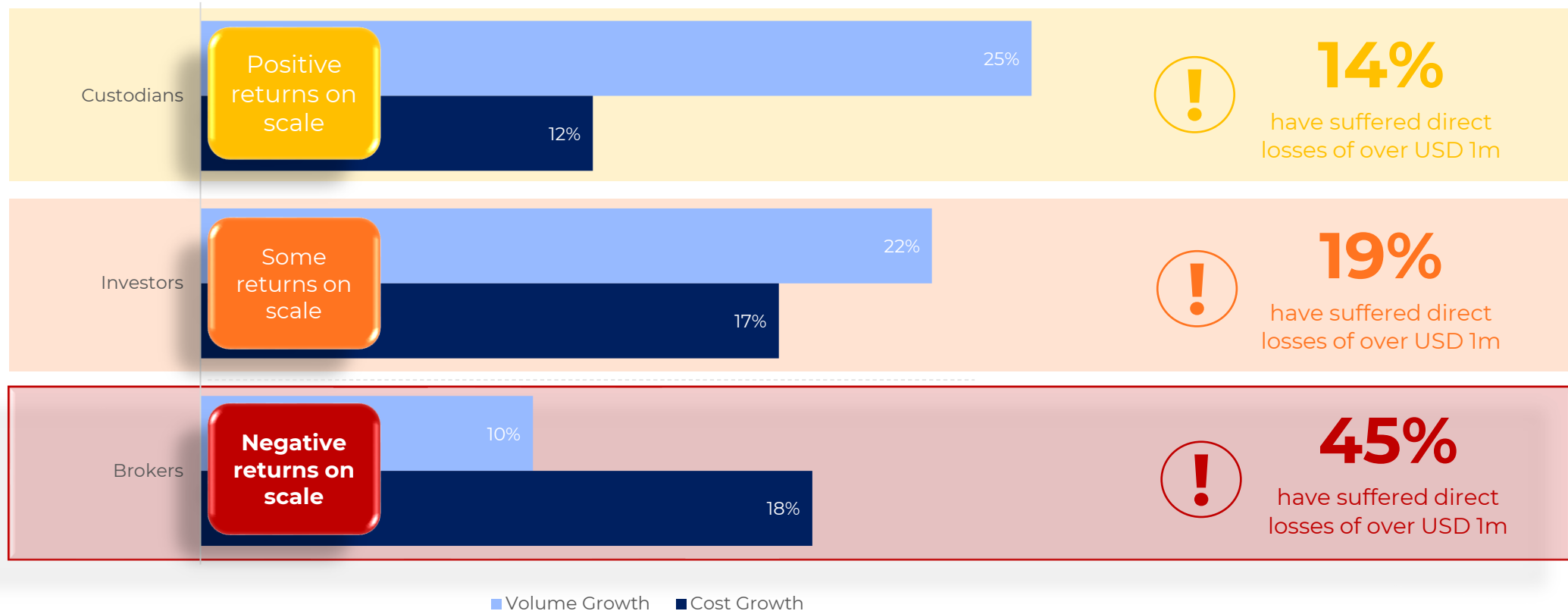
Impact of corporate action data errors over the past 24 months (out of 5)



How are we scaling today?

...brokers are struggling to scale most of all

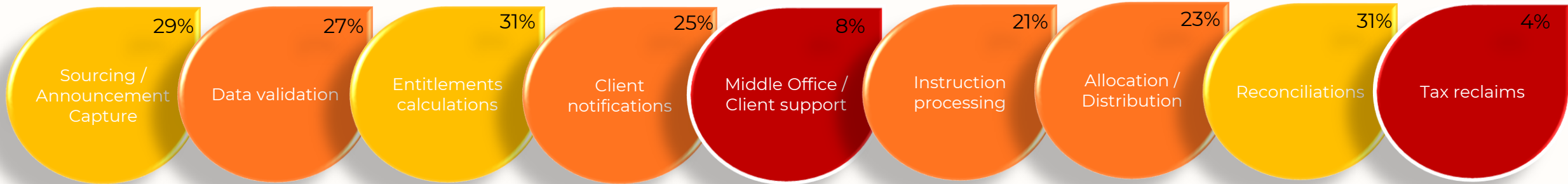
Volume vs Cost Growth (by segment)



Why are we struggling to scale?

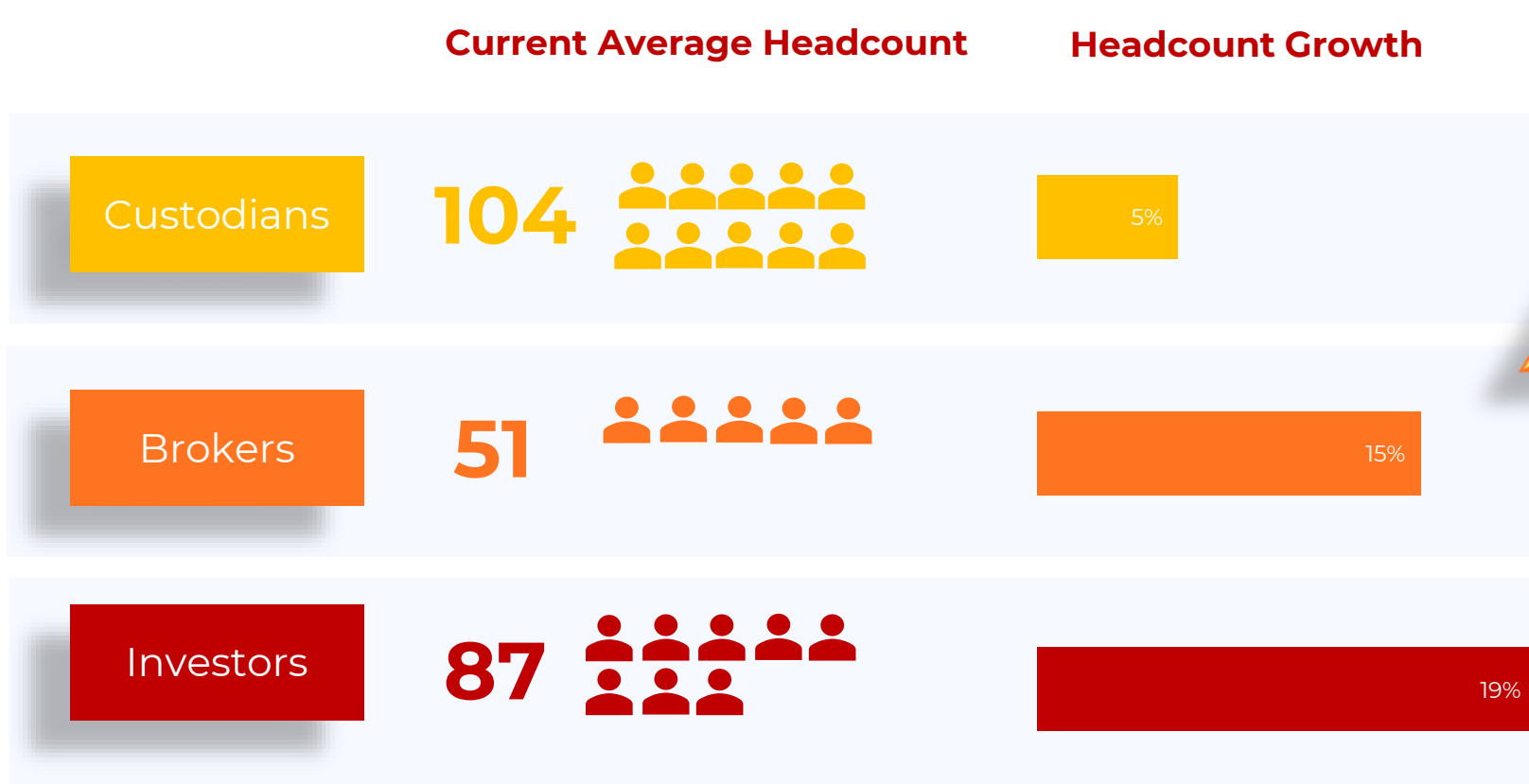
We're not ready to scale: Key weak spots persist across the event lifecycle

% of respondents running at >80% STP for each activity



Why are we struggling to scale?

A huge hiring challenge – but is it achievable?



Key people-based risk factors in corporate action processing (out of 5)

Hiring / Retaining experienced corporate actions specialists (i.e. 10+ years experience)

4.0

Scaling up FTE during peak event periods

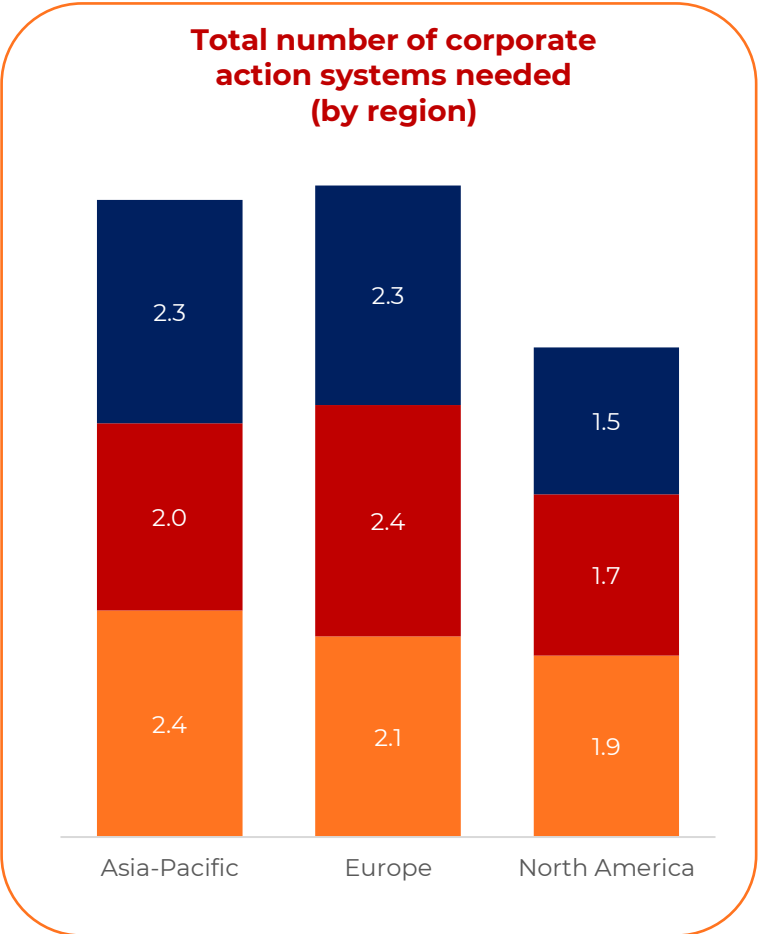
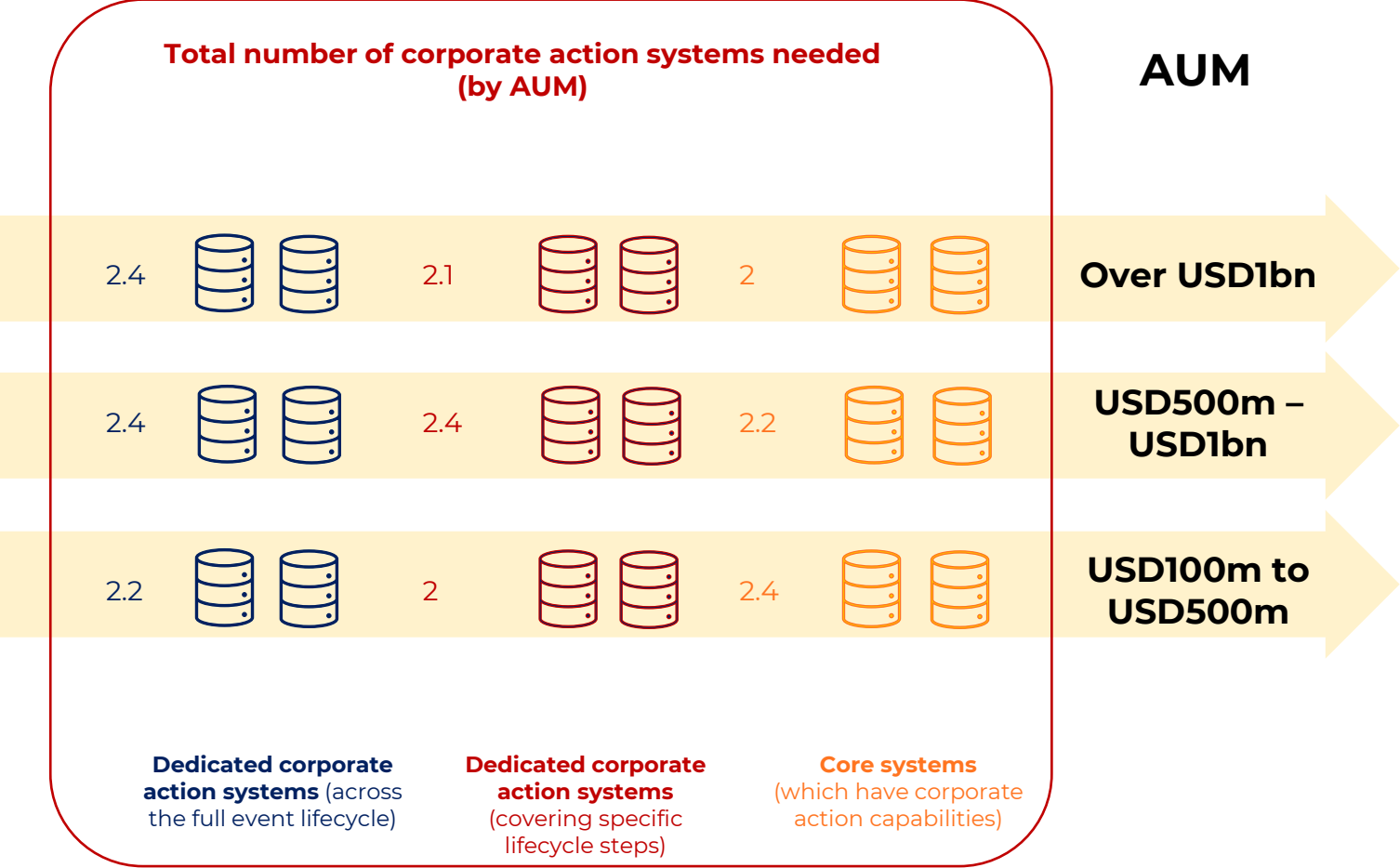
2.9

Hiring / Retaining local language staff in key markets

2.5

Why are we struggling to scale?

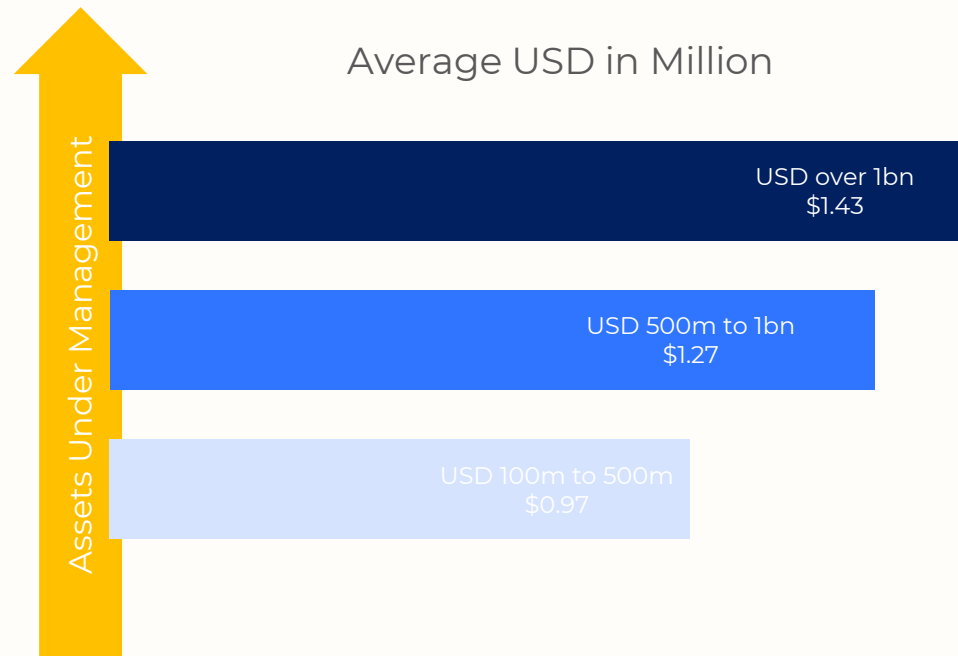
Highly factionalised infrastructures for all – and a hidden cost of localised market practices



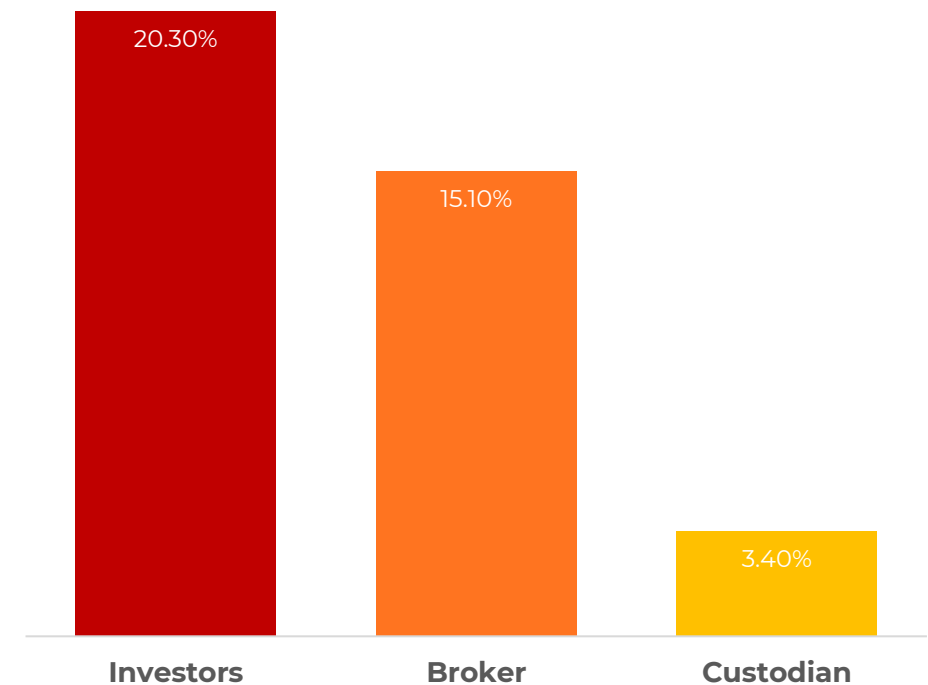
Why are we struggling to scale?

Data costs are a core variable - and are rising fastest

Total data spend on corporate actions
(USD million; by AUM)



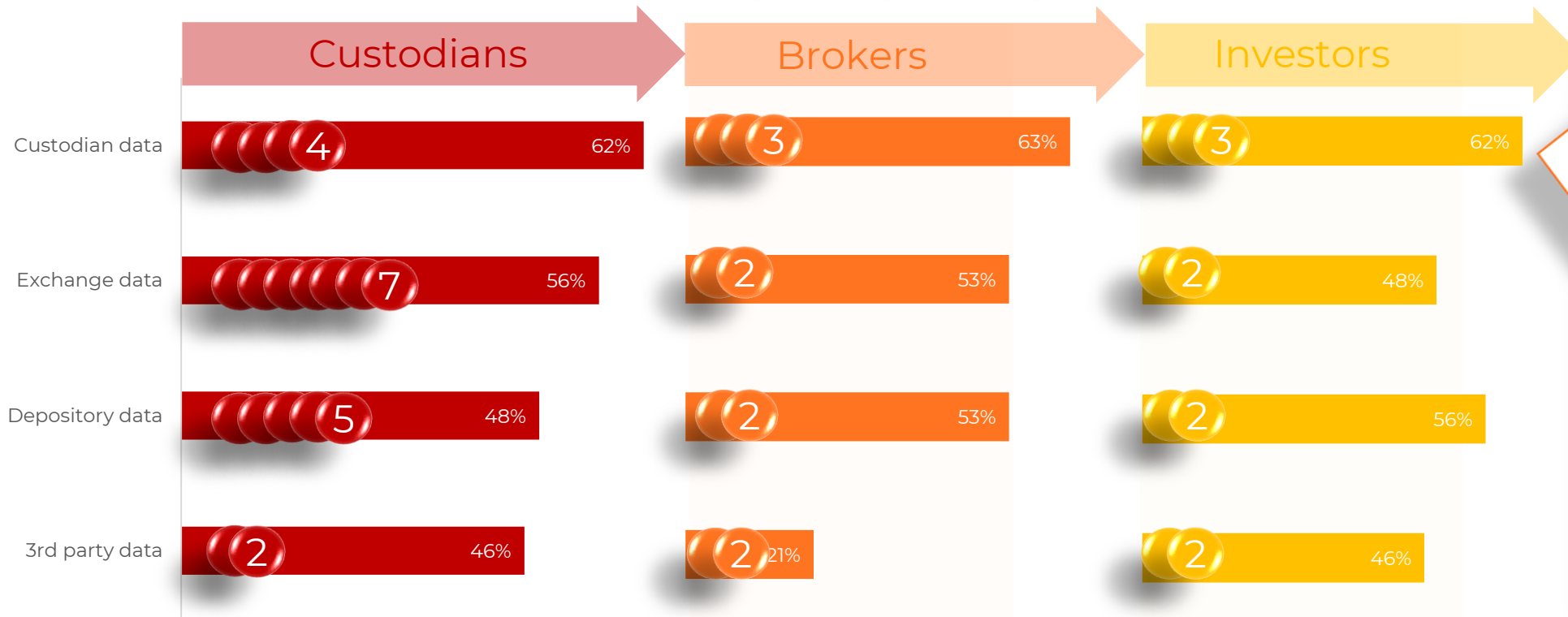
Average growth in corporate action data costs (by region)



Why are we struggling to scale?

So much data yet 75% of us are re-validating it manually

Which data sources do you currently validate and handle manually?
(% of respondents)



What manual validation are we running?



Standardisation

Integrating different feeds (SWIFT vs non-SWIFT)



Verification

Correcting differences between feeds



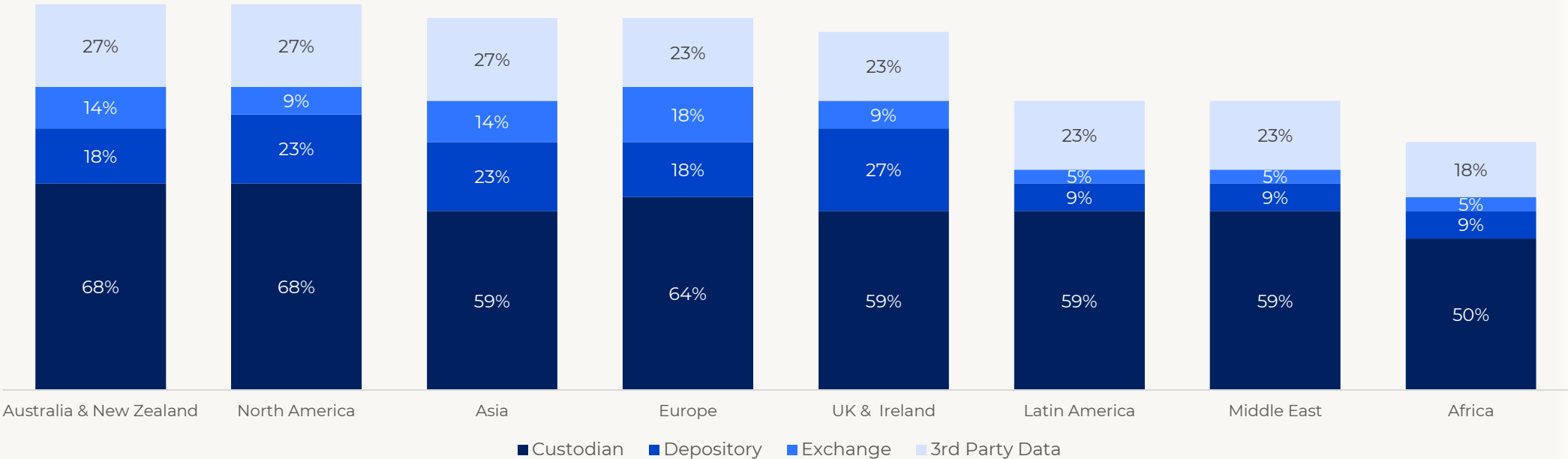
Enrichment

Sourcing additional information on notifications

Why are we struggling to scale?

...and the manual validation is highest in our growth markets

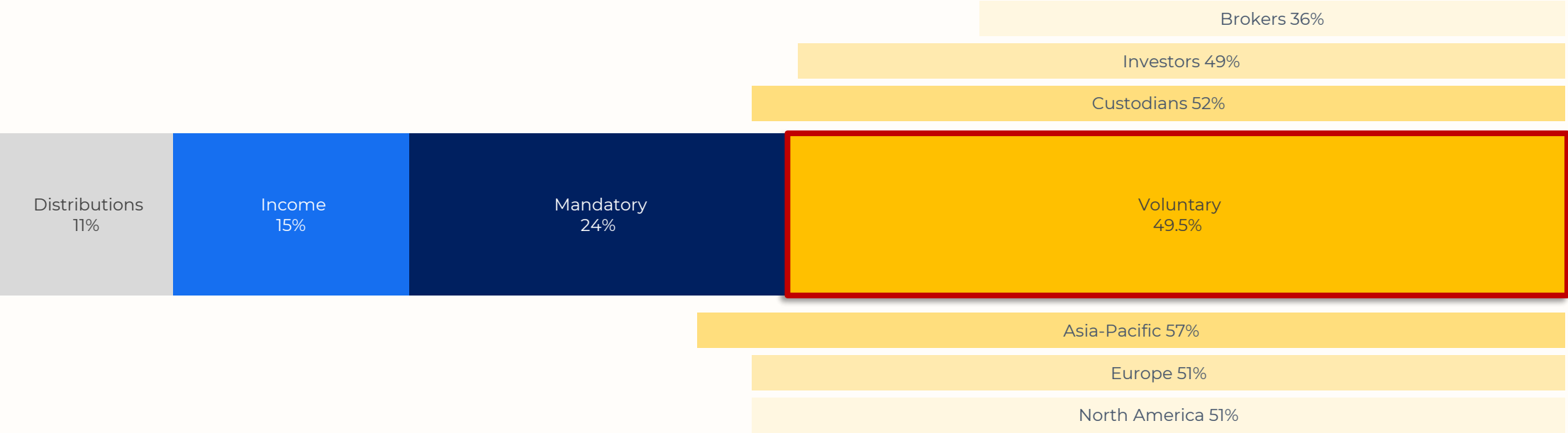
Which corporate action data sources do you validate manually today (by region)



Why are we struggling to scale?

Voluntary events are the core of our manual burden

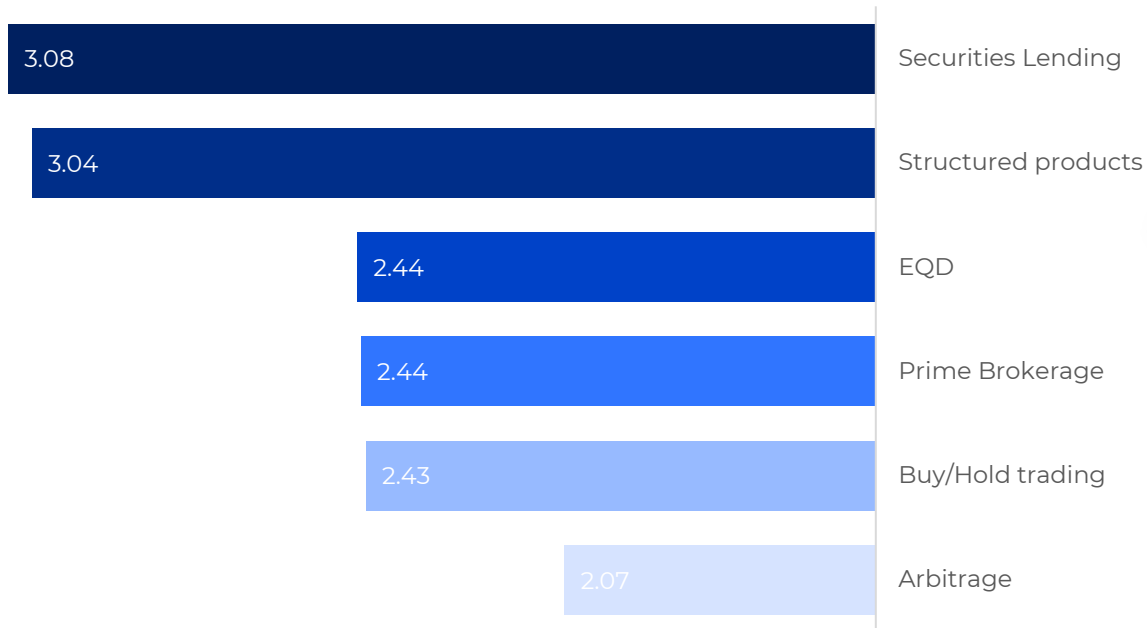
How is your (manual) data sourcing and validation effort distributed across different event types?



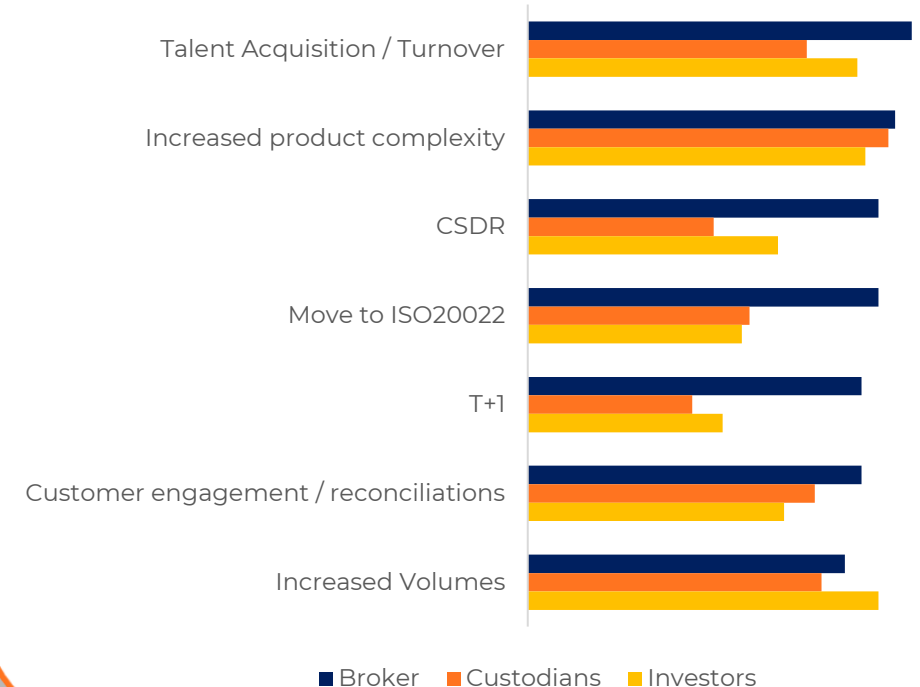
Why are we struggling to scale?

Brokers are in the eye of the storm

Brokers' key investment activities are where they also face the heaviest corporate actions issues (out of 5)



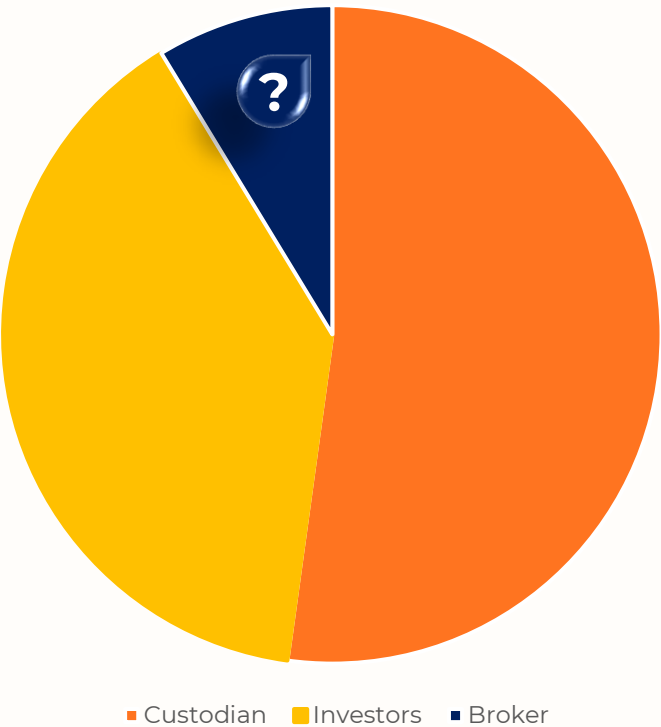
...and current market trends are acutely impacting brokers



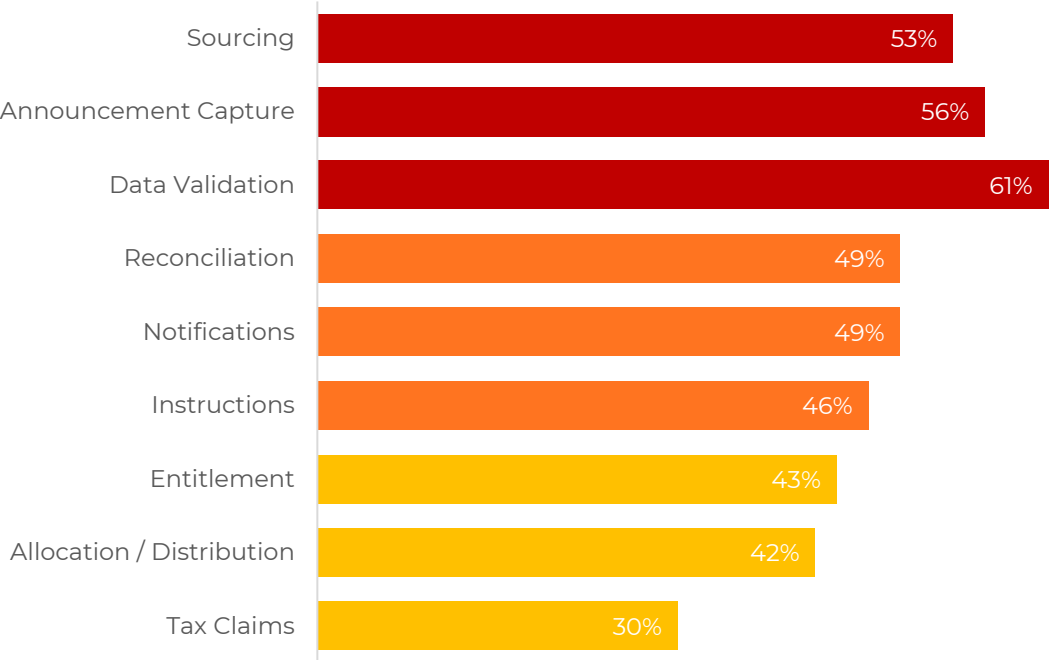
How are we building scale today?

Custodians and Investors continue to focus on data processing. Where are the brokers?

Who is building scale today?
(% of respondents with projects ongoing)



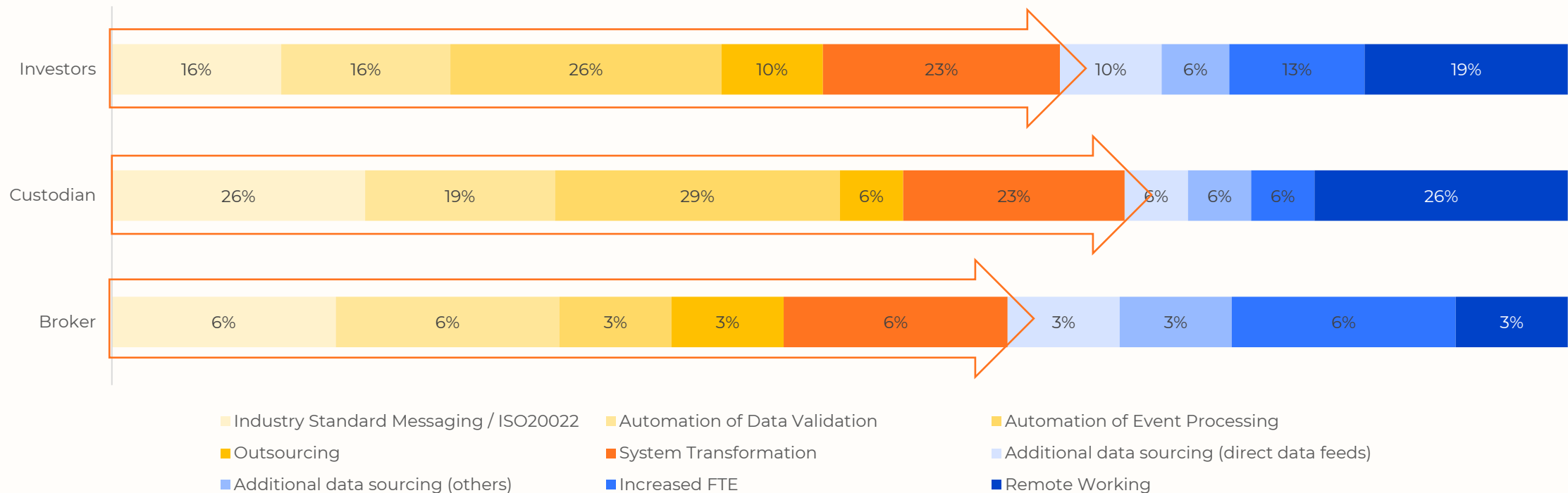
Where is the industry building scale today?
(% of respondents with projects ongoing)



How are we building scale today?

Are we transforming or surviving?

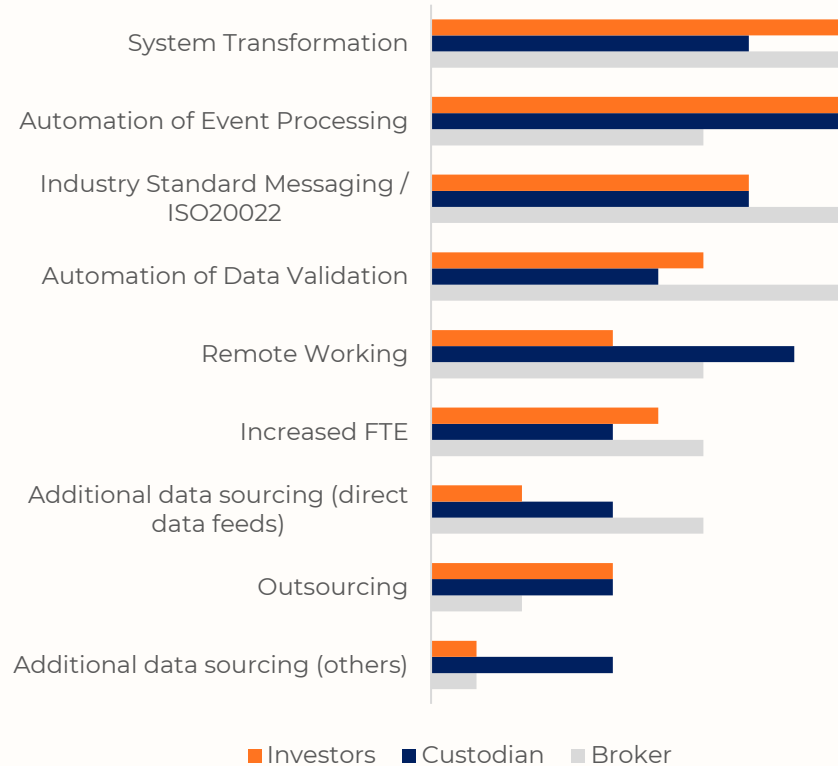
Transformational projects underway by each segment (% of respondents)



How are we building scale today?

Automation and technology in data management

Where are we focusing our projects (Ranking of projects per segment)

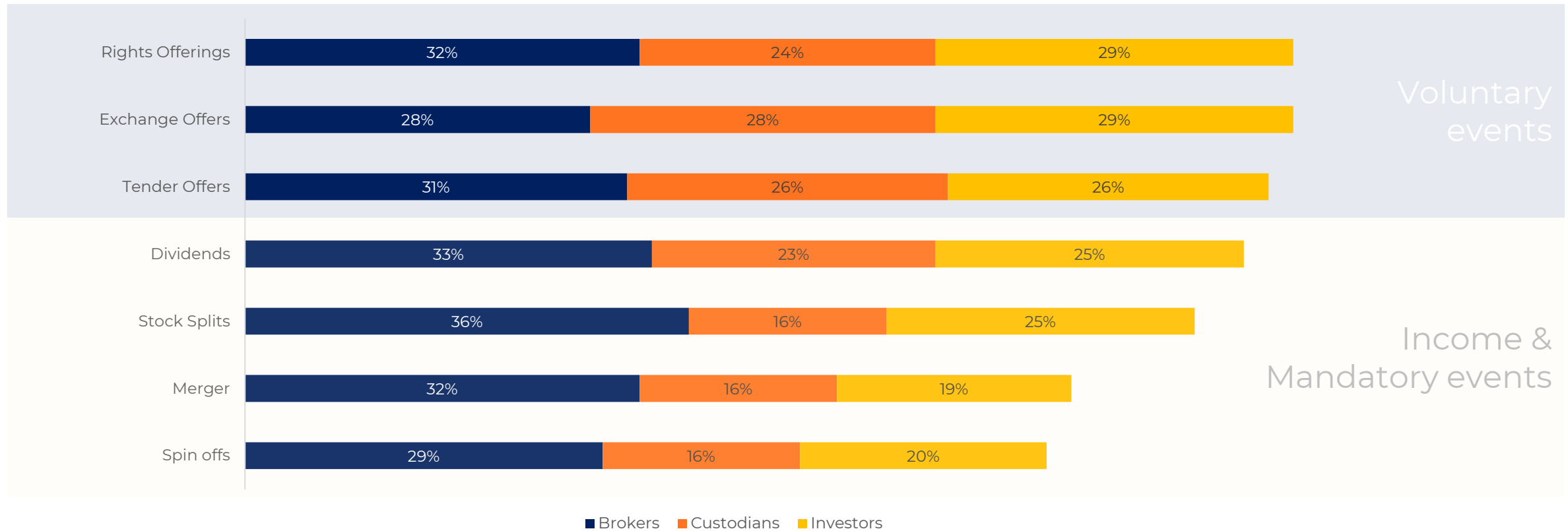


Row Labels	Automation of Data Validation	Automation of Event Processing	Industry Standard Messaging / ISO20022	Outsourcing	System Transformation	Additional data sourcing (direct data feeds)	Additional data sourcing (others)	Increased FTE	Remote Working
Sourcing	18%	19%	15%	9%	12%	13%	12%	14%	19%
Announcement Capture	18%	25%	21%	10%	17%	14%	10%	9%	13%
Data Validation	21%	27%	19%	15%	17%	19%	11%	10%	14%
Entitlement	7%	19%	12%	5%	7%	7%	4%	9%	8%
Notifications	12%	20%	14%	11%	11%	8%	4%	12%	10%
Instructions	9%	16%	14%	11%	9%	10%	8%	6%	12%
Allocation / Distribution	10%	17%	11%	5%	12%	6%	2%	9%	9%
Reconciliation	8%	17%	12%	12%	12%	14%	8%	12%	10%
Tax Claims	9%	4%	7%	9%	8%	3%	2%	4%	5%

How else to build scale?

ISO20022 as a key STP enabler for voluntary events

How would the use of ISO20022 change your STP rates in the following areas over the next 3 years?



Outsourcing as a driver of scale?

Outsourcing data sourcing is a core first step to driving efficiencies

Outsourcing data is the most proven path today

Sourcing / Announcement Capture

Data Validation

Entitlement

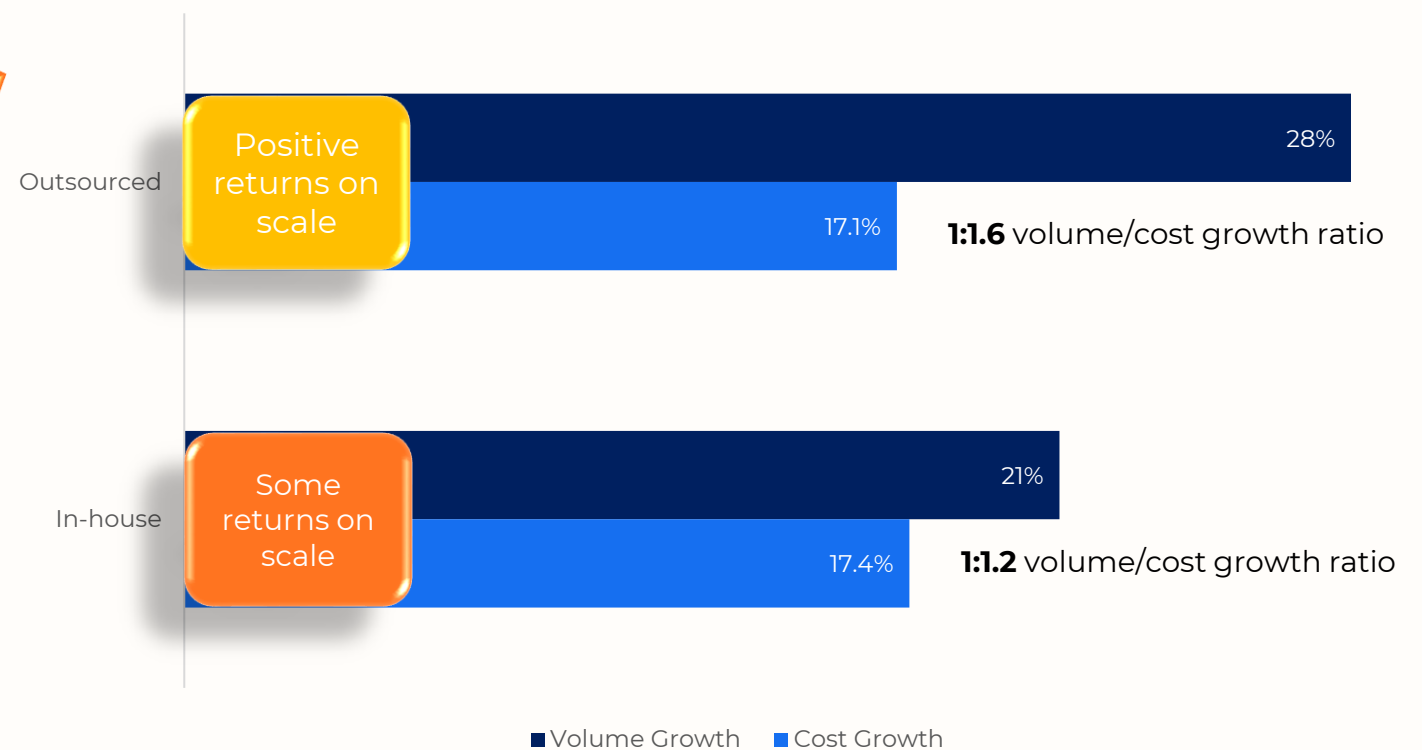
Notifications

Instructions

Reconciliation

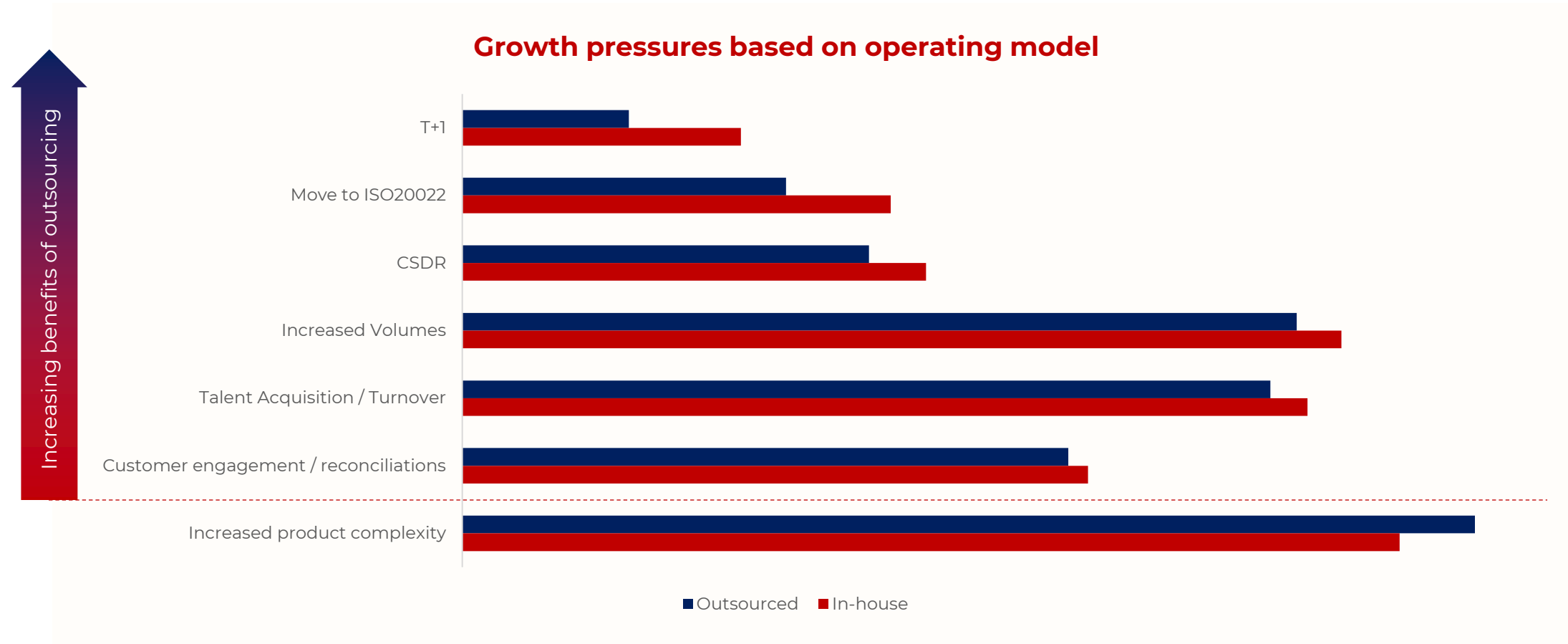
■ Outsourced ■ Partially Outsourced

Volume vs Cost Growth



Outsourcing as a driver of scale?

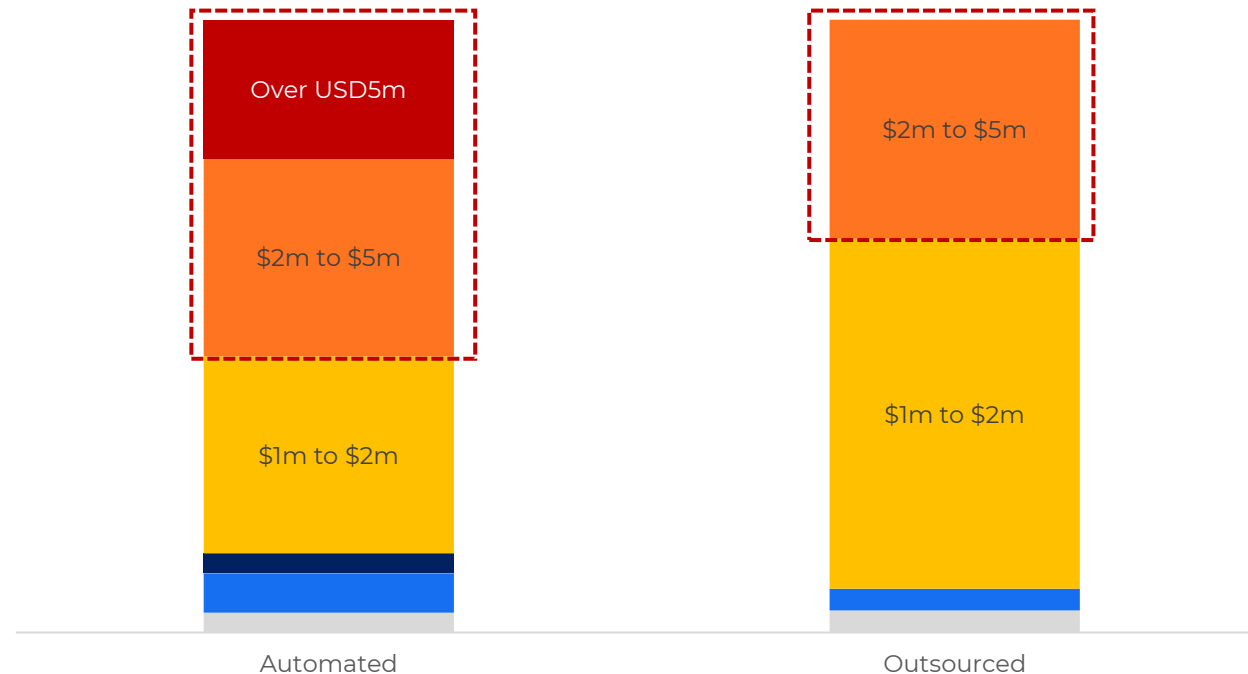
Outsourcing data: protection against key growth pressures



Outsourcing as a driver of scale?

Outsourcing data: reducing errors rates for brokers

**Corporate Action Error costs for brokers
(by operating model)**



Reimagining Corporate Actions: What next?



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