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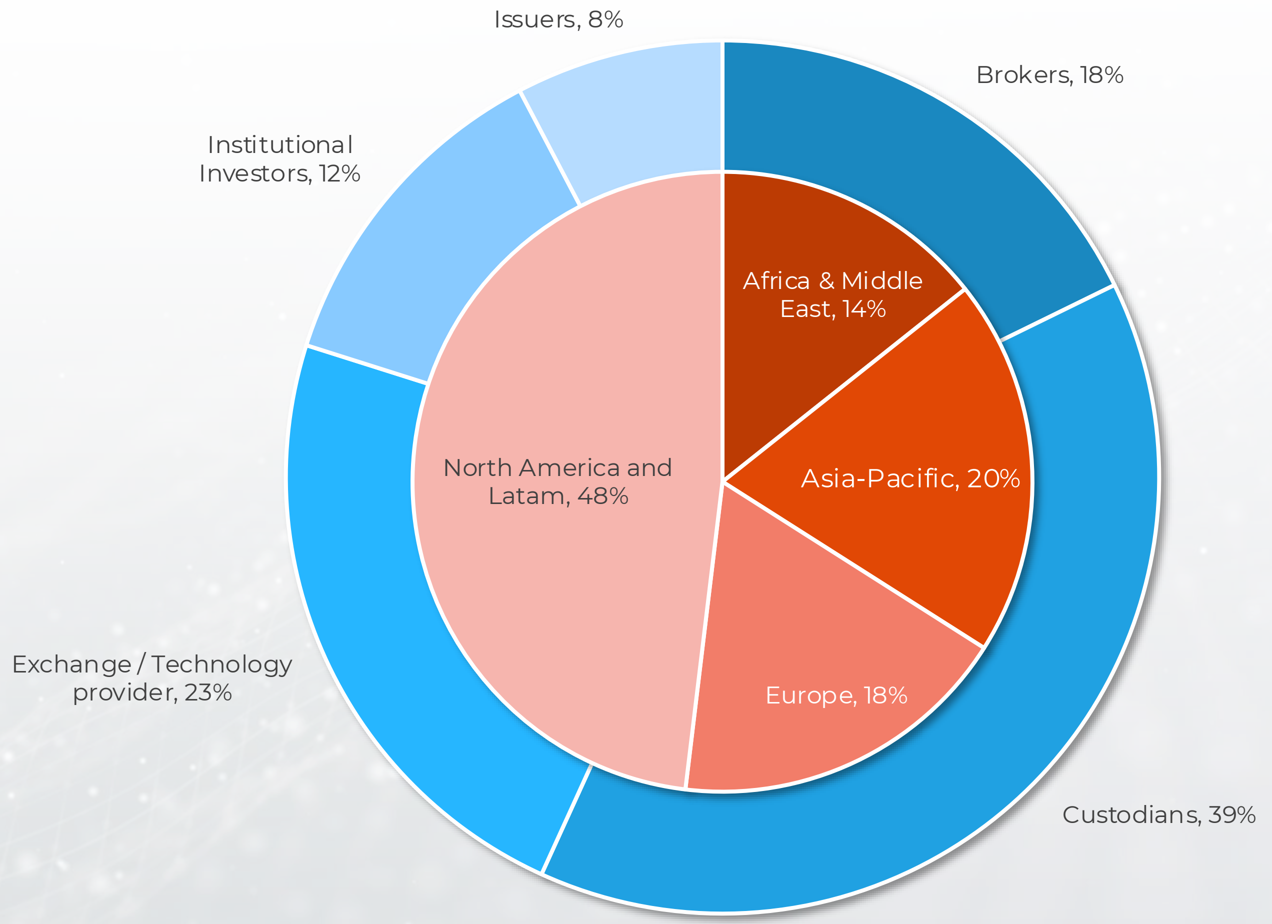
Asset Servicing Automation

Key survey findings

Asset Servicing Automation

Overview



Since 2020, the ValueExchange and ISSA have been partnering to help make the case for transformation in asset servicing.

In this latest global survey, led by ISSA with the support of Broadridge and DTCC, our aim was to provide an industry update on 4 key themes:

- **How much are corporate actions costing us in 2024?**
- **What root causes are we seeing trigger issues across the market?**
- **What steps are firms taking to minimise cost and risk?**
- **What is the longer-term case for industry standardisation from issuer to investor?**

These Key Findings summarise the statistical insights gained from our market survey in Q2 2024, sourcing detailed views from 278 respondents globally (with a similar distribution to 2023's respondents).

This is a discussion document and we look forward to discussing the results of this research with you – to help you make the case for digital transformation in your organisation.

Asset Servicing Automation 2024

Key findings

Do we have a problem in 2024?	What is the core issue?	What is the change?	What is the case for standardisation?
Investors are carrying a direct cost of USD14m for corporate actions – with indirect pass-through costs multiple times that value	**Processing errors and data gaps** are causing problems for financial institutions – which causes frustrating delays for issuers	**75% of issuers** plan to automate their corporate action notifications in the next 3 years	**30% of issuers believe their costs would be halved** through automated notifications
Up to 453 people are touching a corporate action across its lifecycle: most of whom are at local market level	**Our STP rates for voluntary events are less than 40%** for investors – and declining	**Volumes, costs and clients** are the drivers of 70% of automation projects: not people, complexity or errors	**Automation would drive an 87% reduction** in the number of errors
Corporate action errors are costing up to 10% of our running costs – most often due to local market errors	**Hidden risks permeate the corporate action lifecycle:** with 75% of investors manually validating their event information in high growth markets	**100% of investors** are spending to automate their voluntary event processing today	**Investors would realise annual savings of USD680k** from automation
Investors' asset servicing costs are growing by 23% per annum – although there are signs of efficiencies at local market level	**Lack of clarity is a big-ticket problem:** the #1 cause of high value errors today	**Change is big:** System change and new data sourcing are the preferred options for automation	**Regulation works:** SRD is driving significant automation in Europe
Accelerating volume growth in major markets is a core driver of corporate action pressures: especially in North America	**Data consistency across custodians** is the #1 problem for 75% of investors	**Issuers systems are a core blockage to automation** – although no one is chasing them	**57% of issuers believe that their transfer agents should be responsible for automation**: as a point of concentration
Only 20% of funds are seeing corporate action costs directly impact their performance today	**Instructions are where the manual risk is most acute:** with 72% of messages processed manually	**Current solutions are struggling:** they are too complex and costly to implement	**Over 75% of issuers and investors agree that there is minimal downside to inaction**

01

Do we have a problem in 2024?

How much is asset servicing costing us?

Asset Servicing Automation 2024

Fund managers and beneficial owners are carrying a direct cost of USD14m per annum – with indirect, pass-through costs multiple times that value

Total Costs of Asset Servicing (Average in USD million per annum, by segment)

Assumes 3 regional teams and 20 investment markets

How much is asset servicing costing us?

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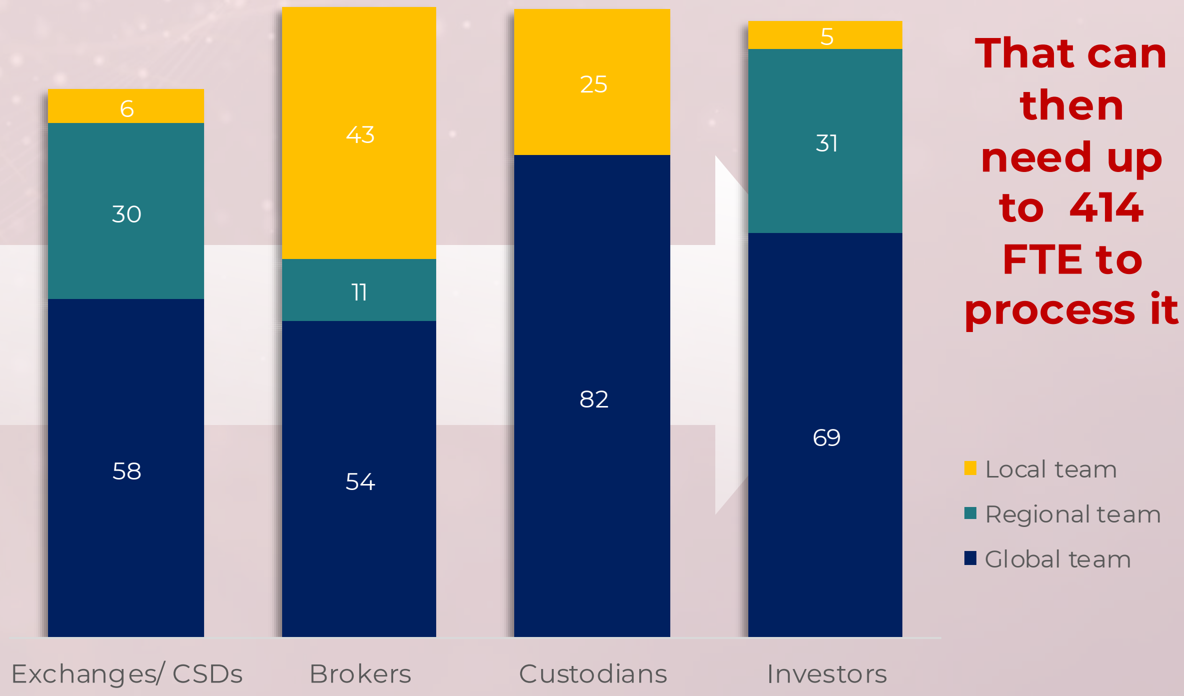
Average issuer headcount per asset servicing event

Up to 39 FTE needed for issuers to manage a corporate event

Average Asset Servicing Headcount by Scope and Segment (2024)



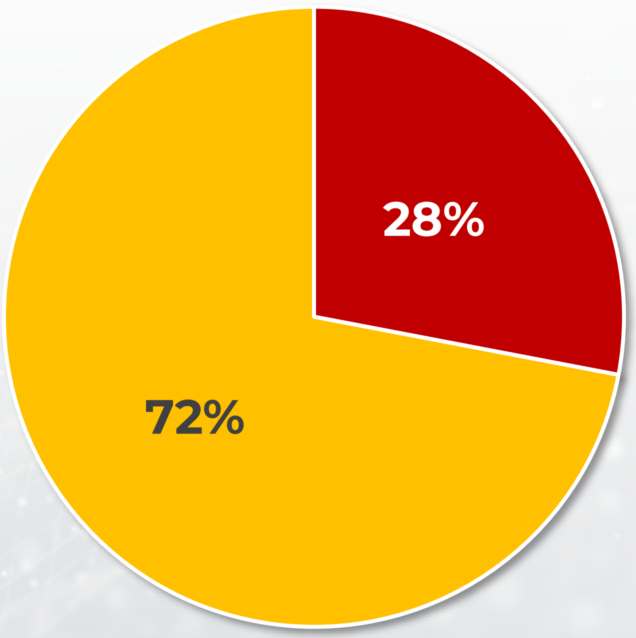
That can then need up to 414 FTE to process it

Up to 453 people are taking one event from issuer to investor

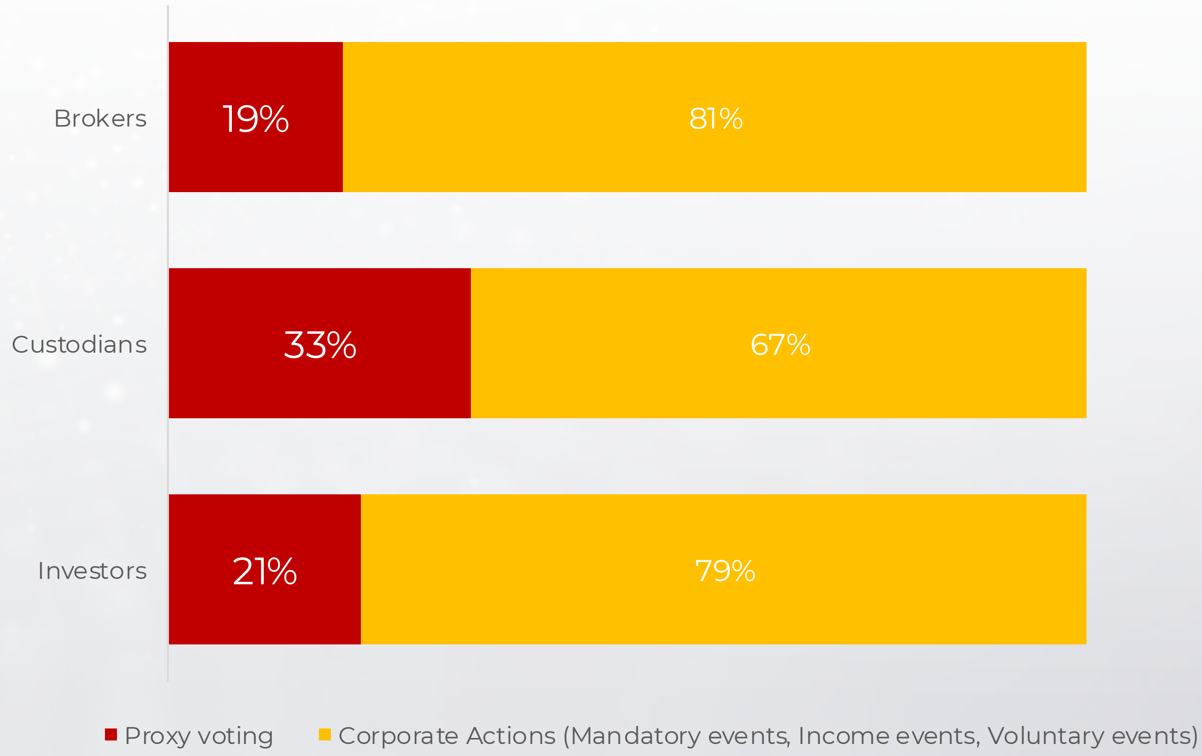
How much is asset servicing costing us?

Custodians are carrying the heaviest resourcing weight for proxy voting

Total distribution of headcount by activity



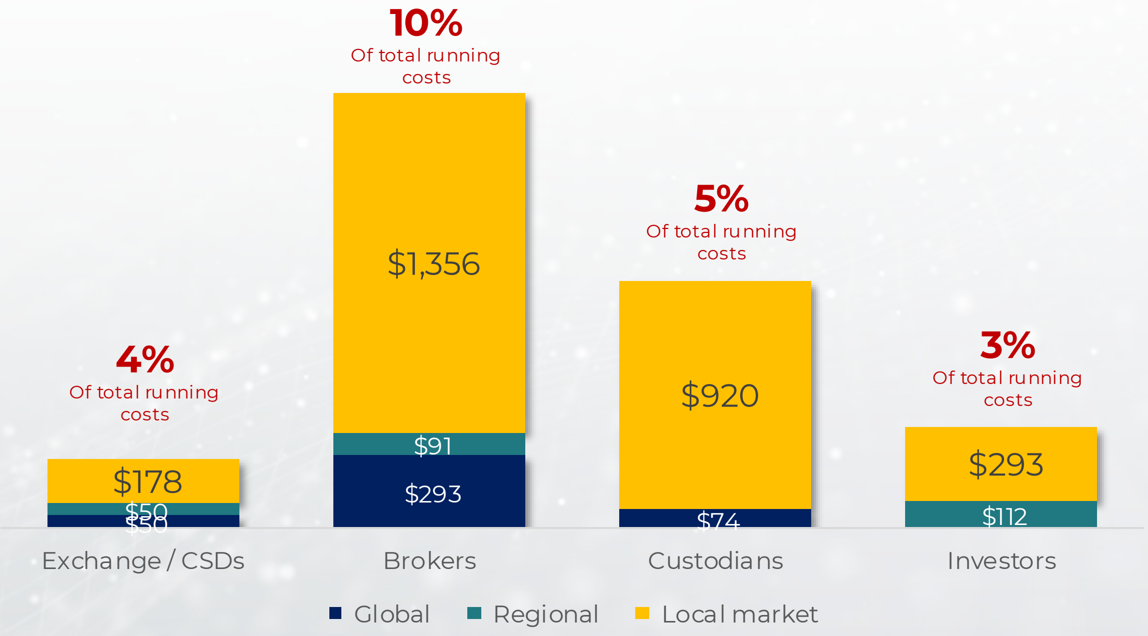
Average Headcount by Scope & Activity (2024)



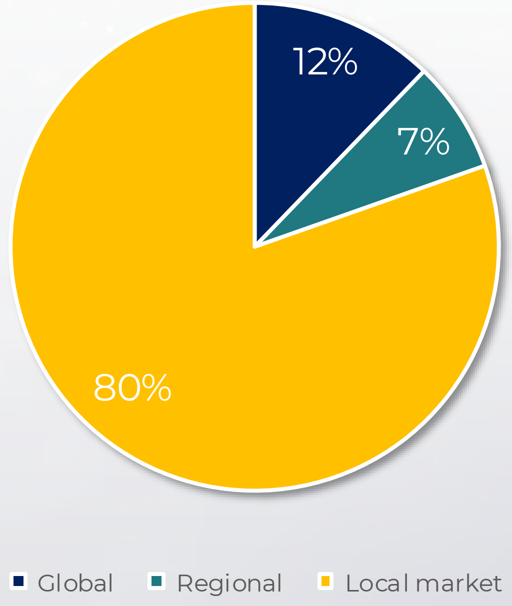
How much are asset servicing errors costing us?

Up to 10% of our running costs – with the majority due to local market errors

Average cost of errors per firm
(USD thousand per annum)

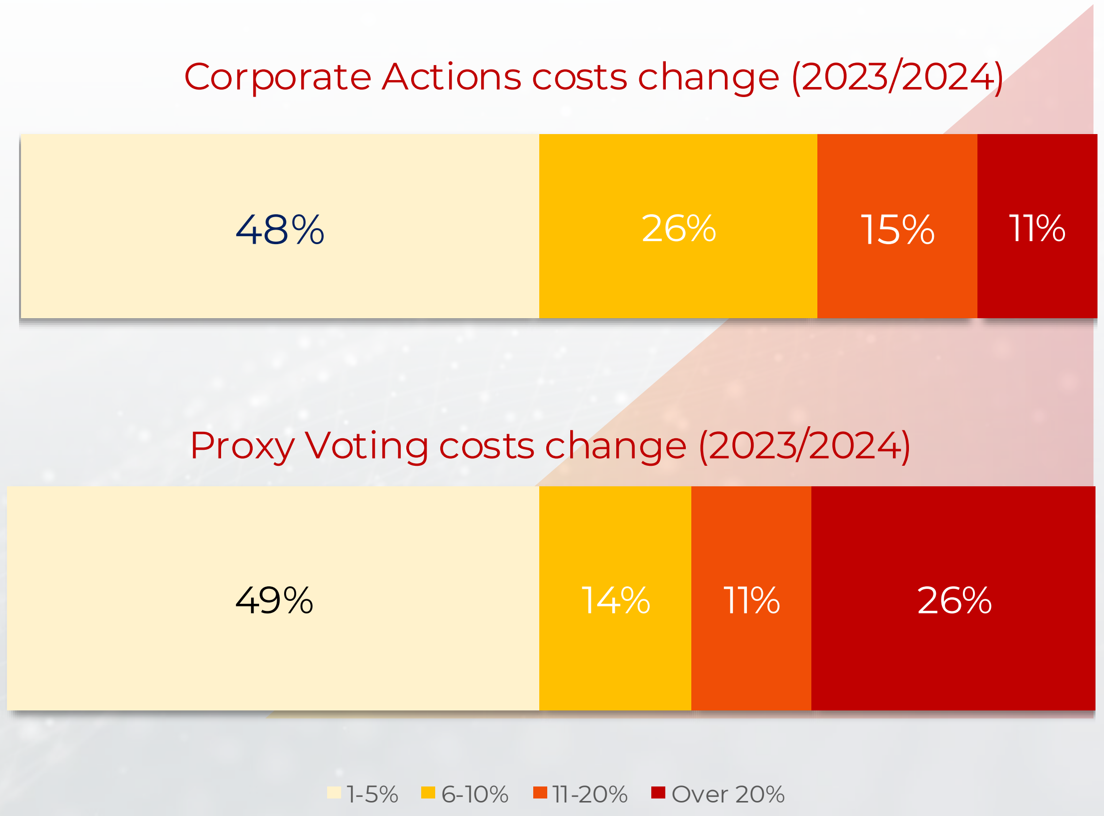


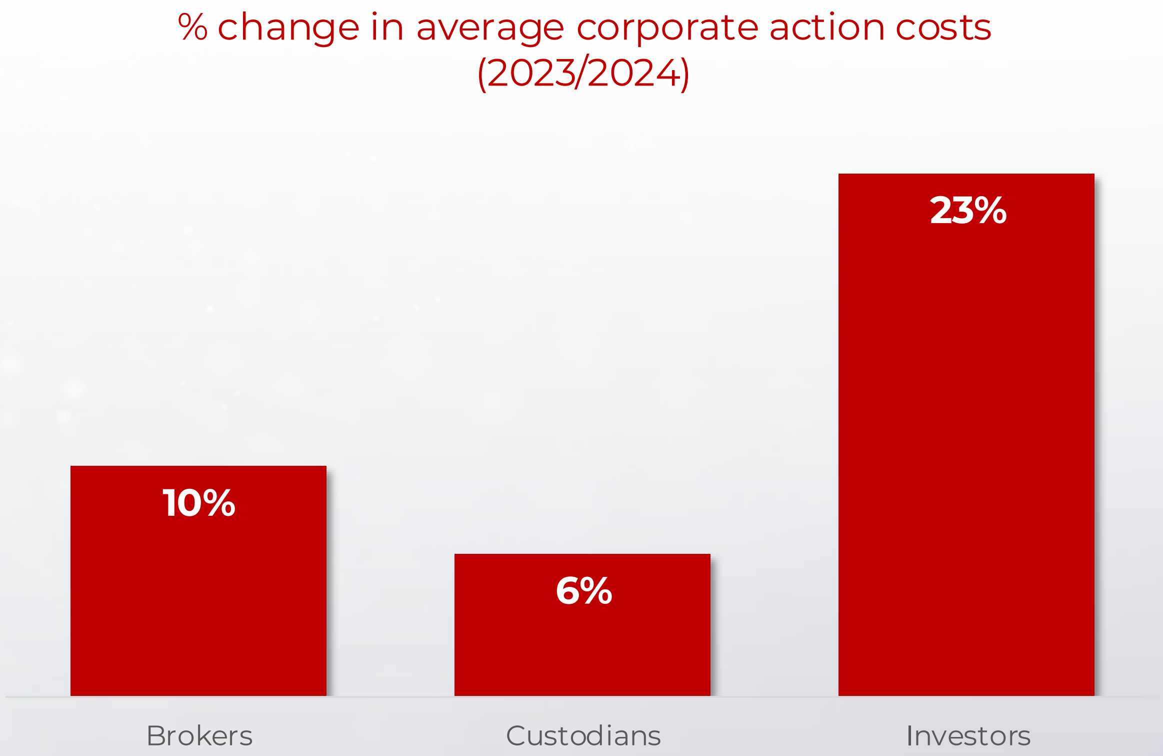
Distribution of error costs by team level
(% of total costs)



How much is asset servicing costing us?

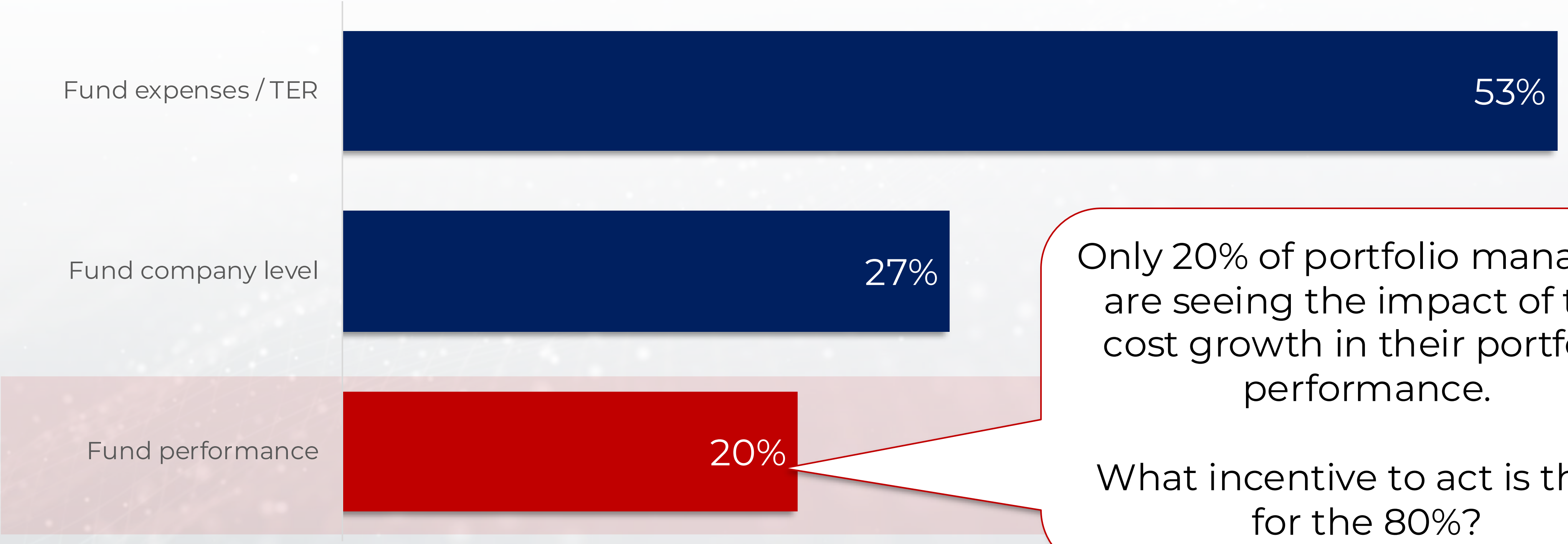
A quarter of respondents are seeing their asset servicing costs grow by 10% per annum – with investors' costs escalating rapidly





How visible is this to the investor?

Where are corporate action costs allocated by fund managers? (% of respondents per level)



Only 20% of portfolio managers are seeing the impact of this cost growth in their portfolio performance.

What incentive to act is there for the 80%?

02

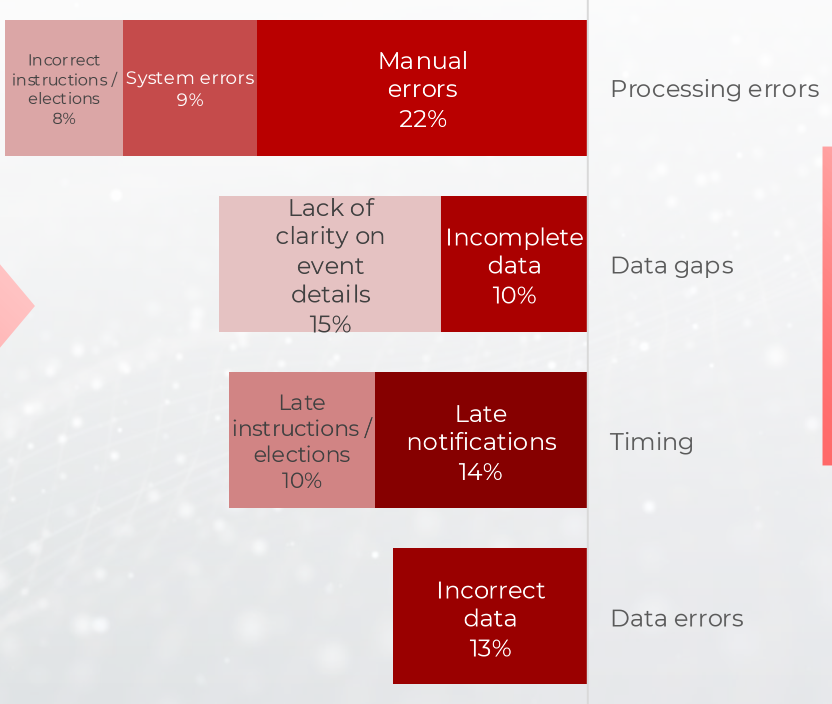
What is the core issue?

What are the core issues that we need to address?

Poor automation of data is creating meaningful issues for issuers

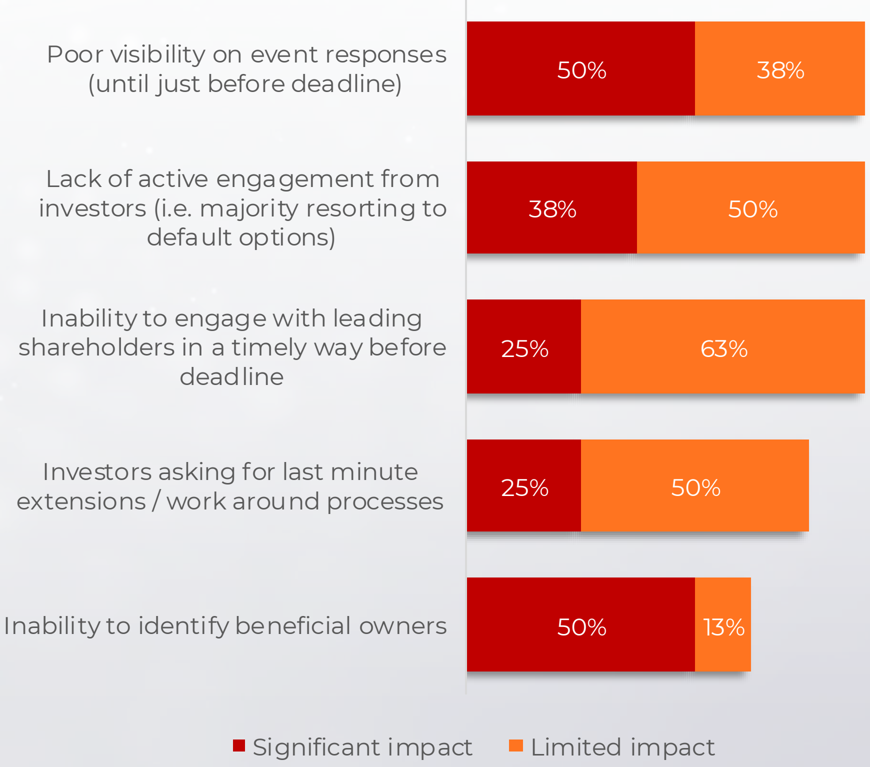
Manual data processing is creating a range of issues…

Issues faced by financial institutions in 2024 (% struggling with each issue, multi-choice)



…each of which costs valuable **time** for issuers

Issues faced by issuers and transfer agents in 2024



What are the core issues that we need to address?

Our STP rates are low and declining

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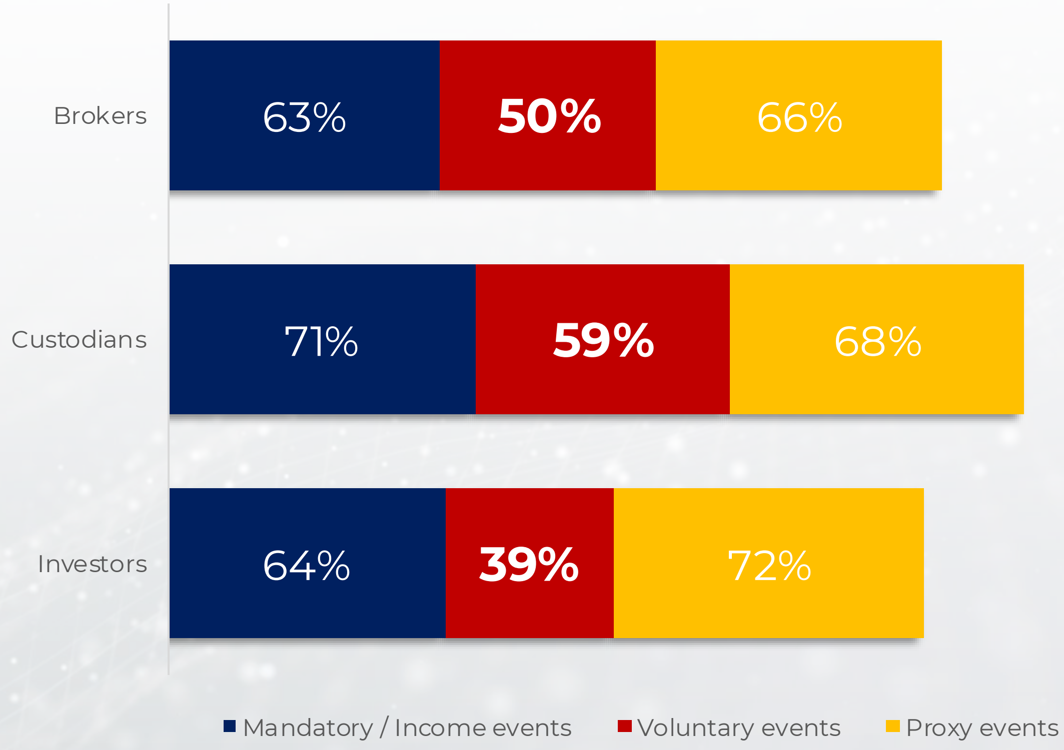
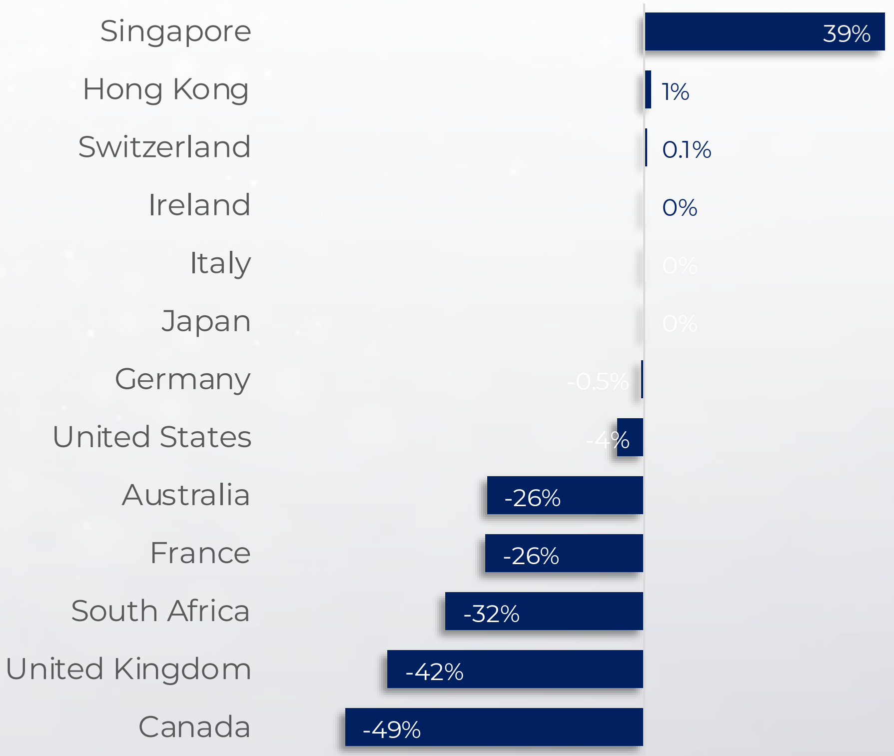
Average STP rates event segment (and by event type)

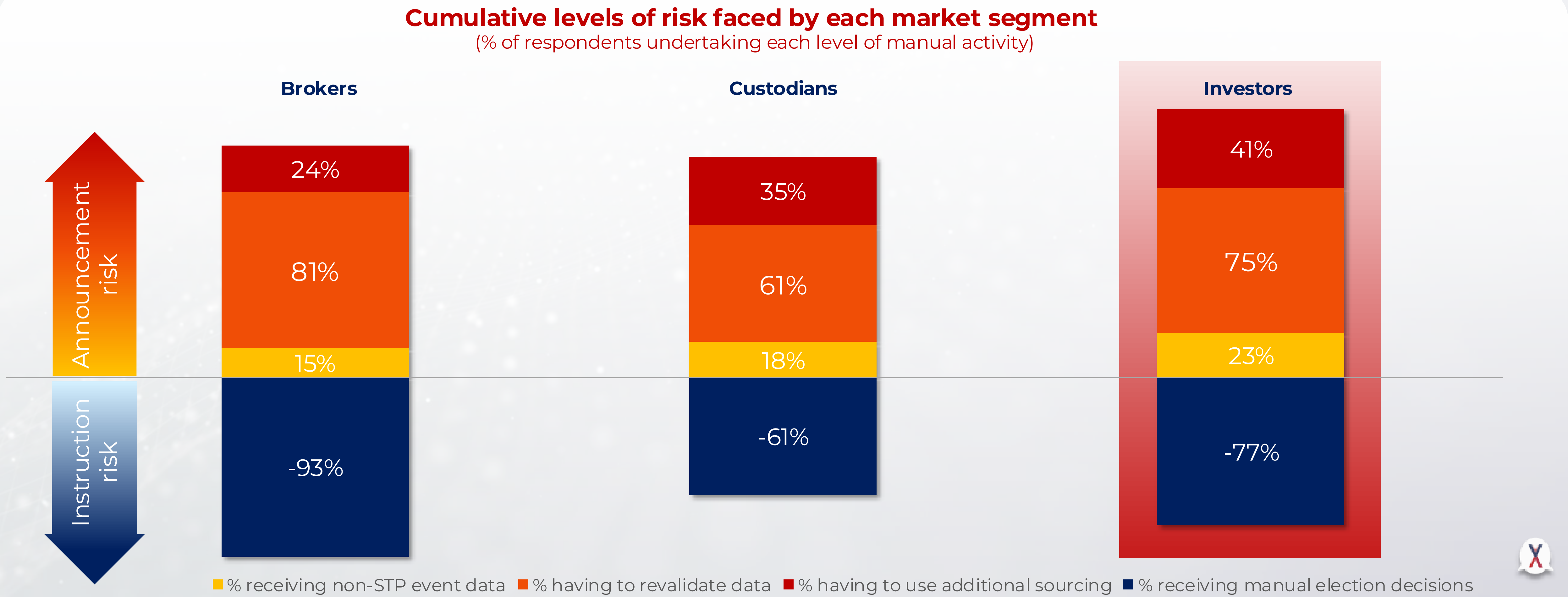


Change in Automation Rates Per Market (2023/2024)



What are the core issues that we need to address?

Investors face multiple layers of hidden manual risk – especially in event validation



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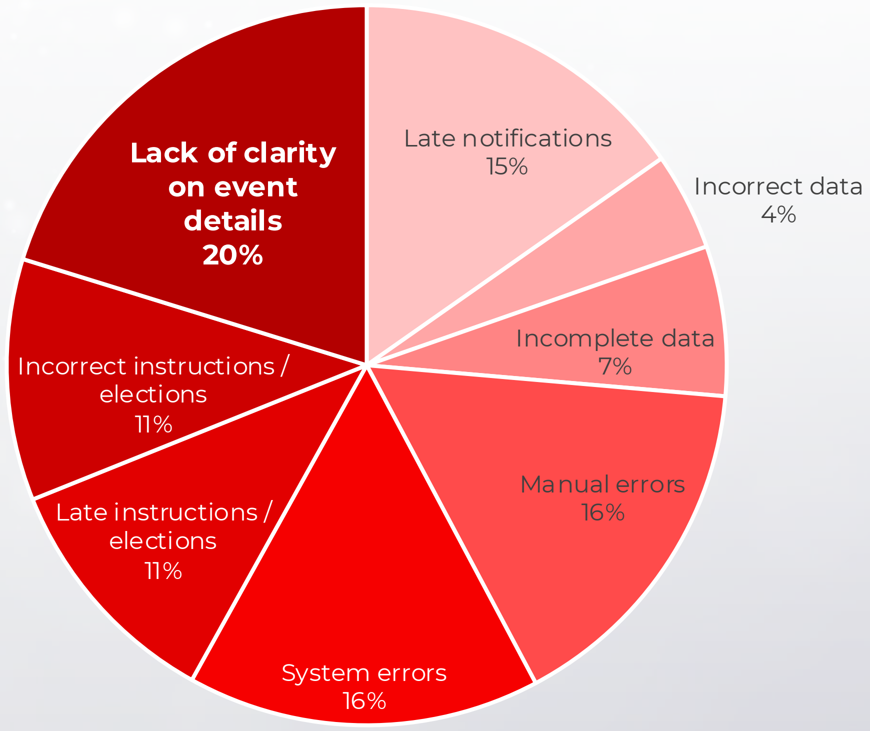
What are the core issues that we need to address?

Highly manual additional sourcing is the #1 driver of high-value errors

Average cost of errors
(USD per annum, by root cause)

Root causes of high value errors
(over USD1m, average distribution)



What are the core issues that we need to address?

Election risk for custodians, data risk for investors

Asset Servicing Automation 2024

Issues causing a meaningful P&L impact in asset servicing
(% of respondents citing each issue, per segment)

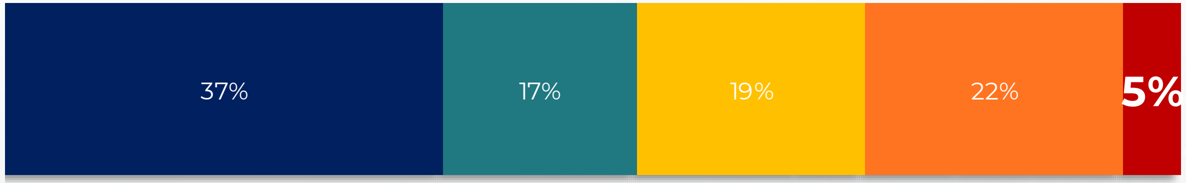
	Custodians
Challenges in managing elections (with clients and counterparties)	70%
Issues in managing and tracking claims	61%
Lack of automated connectivity to registrars, tax authorities, etc.	61%
Manual / PDF-based submissions from issuers	57%
Issues and errors in tax calculation and reporting	48%

	Investors
Inconsistent interpretations of events across different market sources / custodians	65%
Issues in managing and tracking claims	66%
Lack of automated connectivity to registrars, tax authorities, etc.	72%
Manual / PDF-based submissions from issuers	73%
Differences in treatment of events across different markets	75%

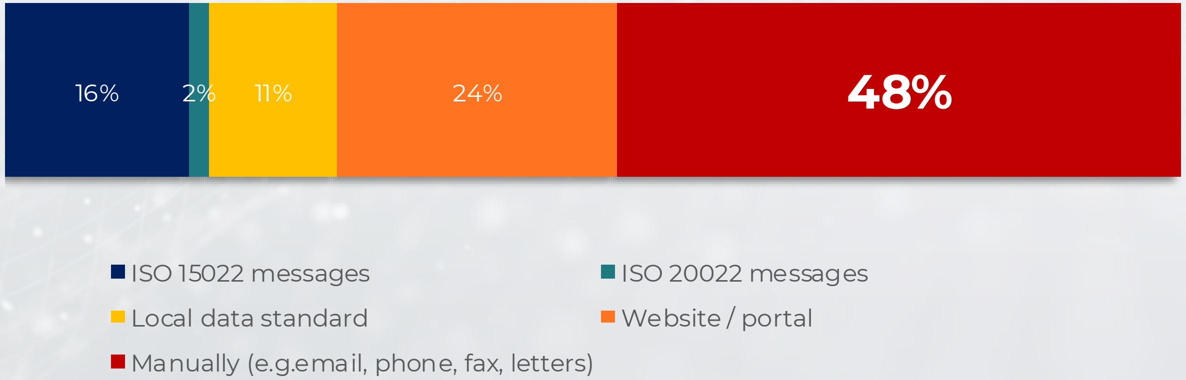
What are the core issues that we need to address?

Manual risk is much higher for instructions than for announcements

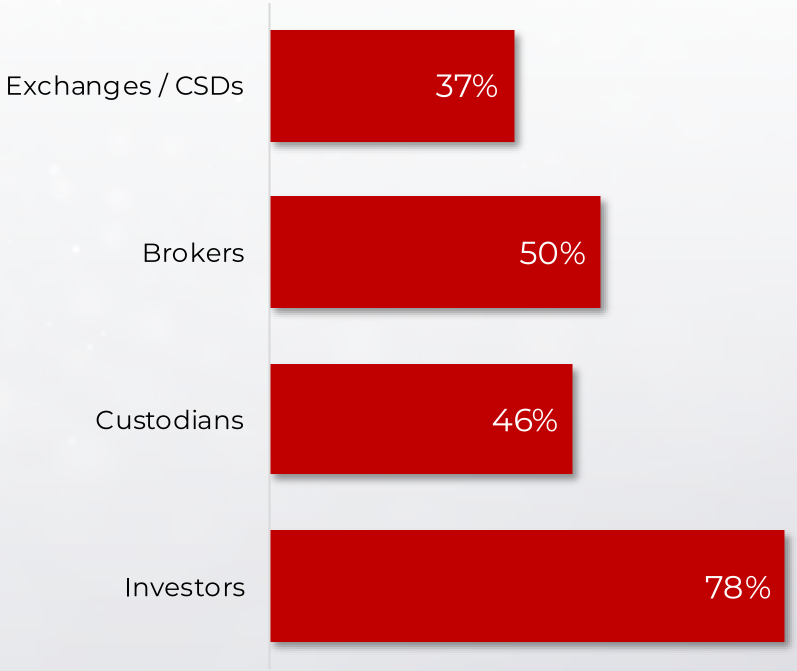
How are we receiving event notifications
(% distribution, globally)



How are we receiving event elections / instructions
(% distribution, globally)

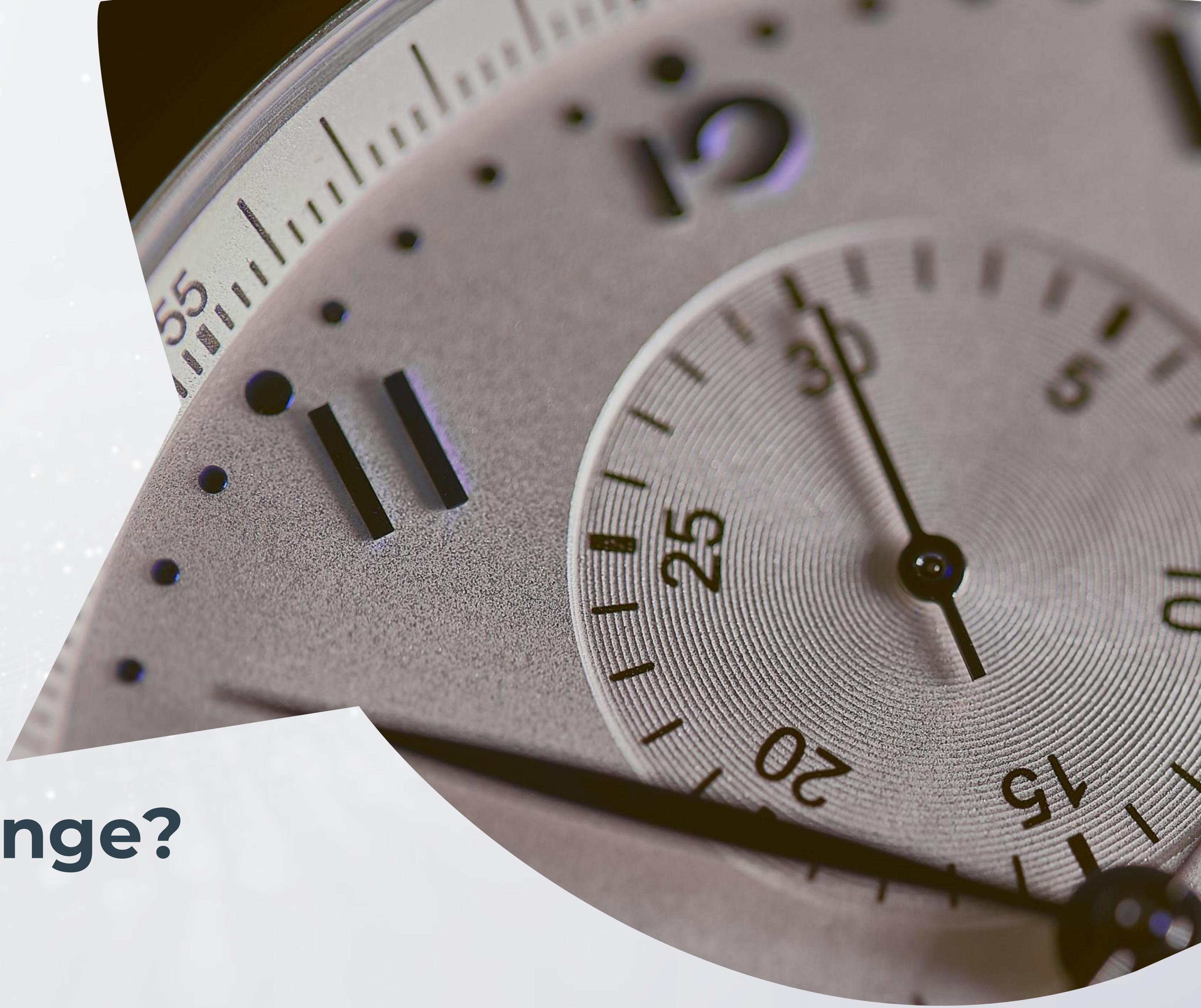


How are we receiving event elections (% receiving manual event instructions, per segment)



03

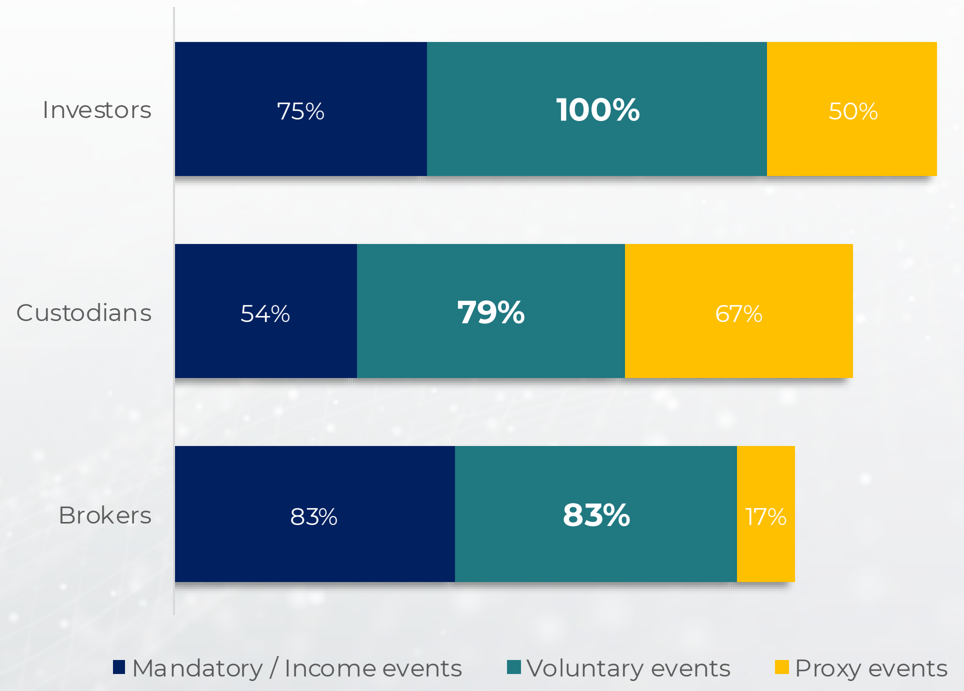
Where is the change?



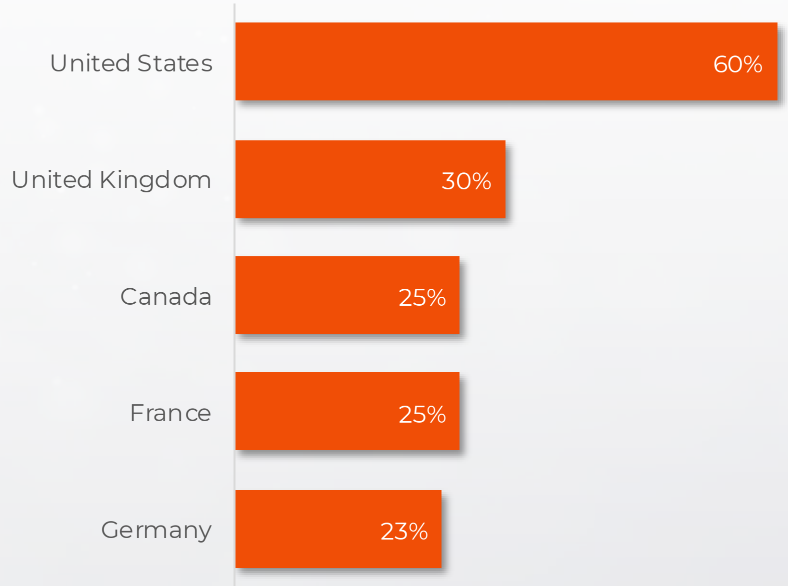
Where are we driving change?

We are spending a lot of money trying to fix voluntary events today

% of respondents in each segment with change plans in each event type



Top 5 markets for asset servicing change (% of respondents by market with change projects planned)



We’re spending on instructions

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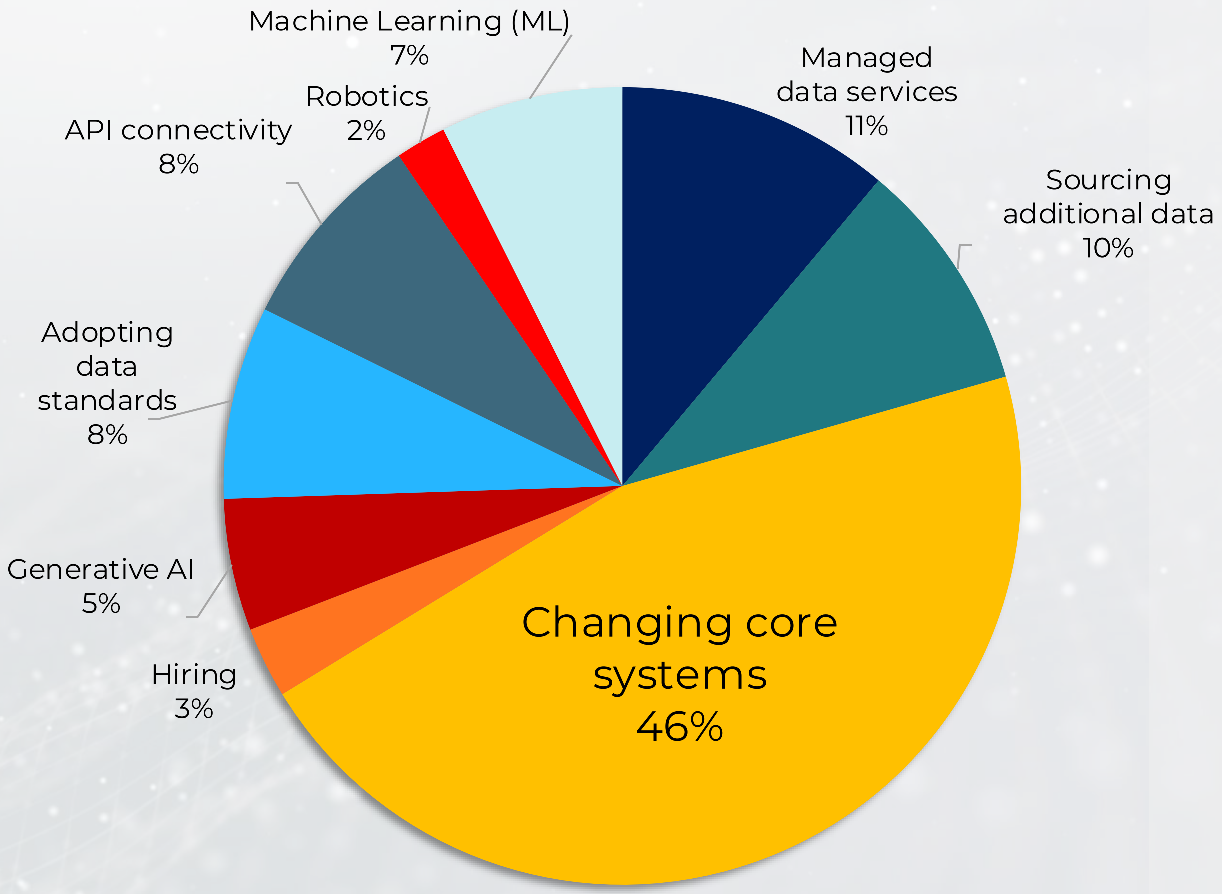
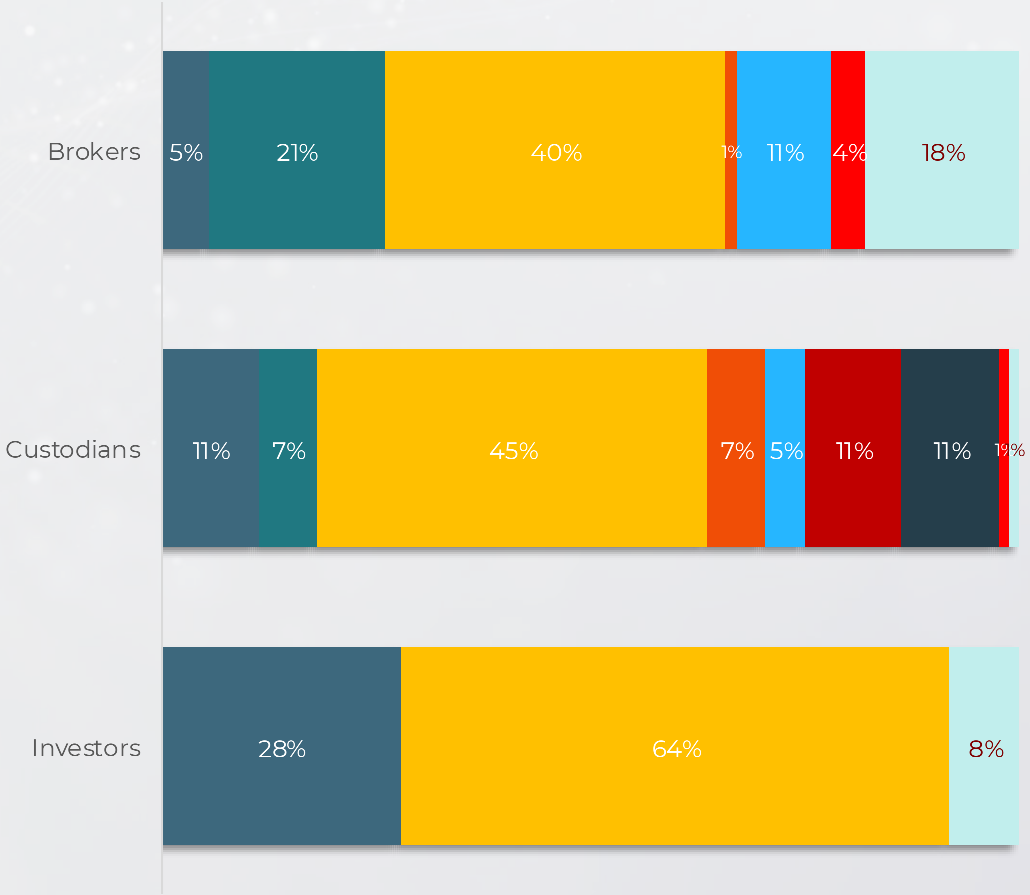
How are we driving automation?

System change and data are our core answers



Main solutions for corporate action automation



What are the challenges for financial institutions in automating?

Current solutions are being set up to fail: they have to work too hard, at too much cost and with implementation times that are too long.

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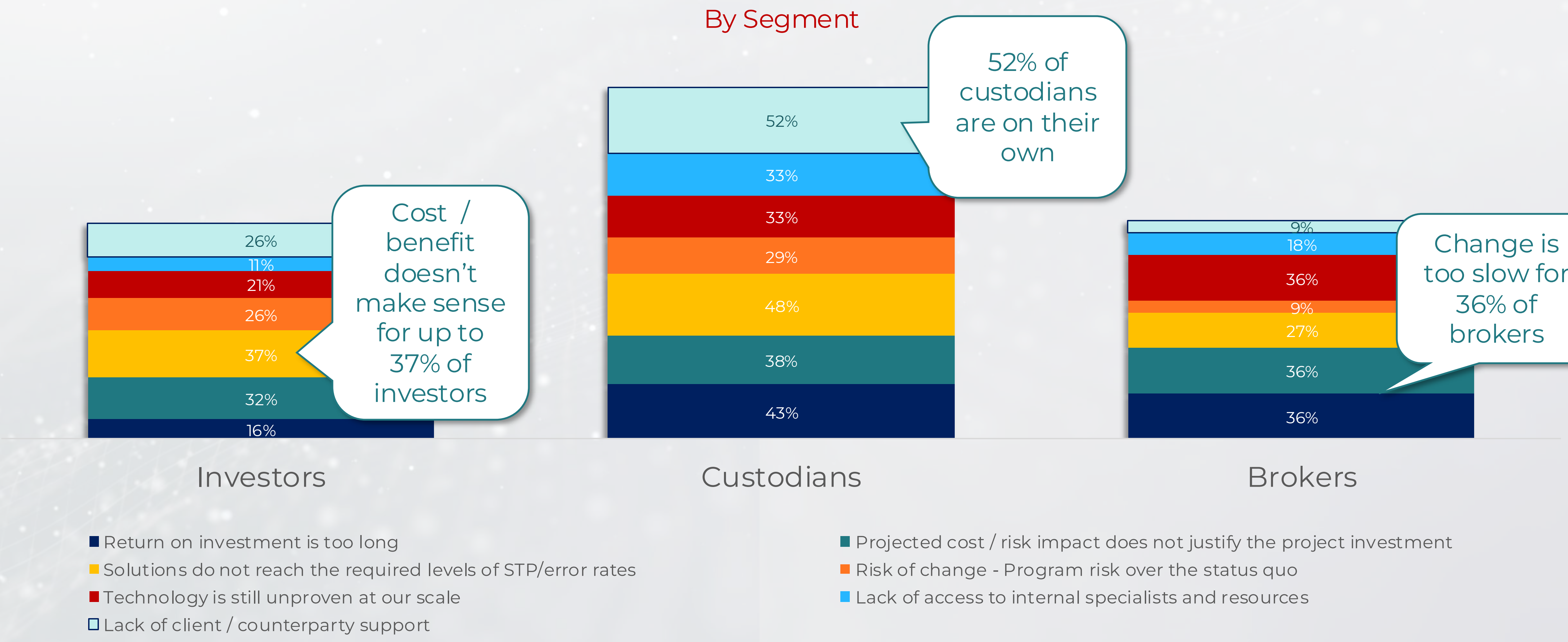
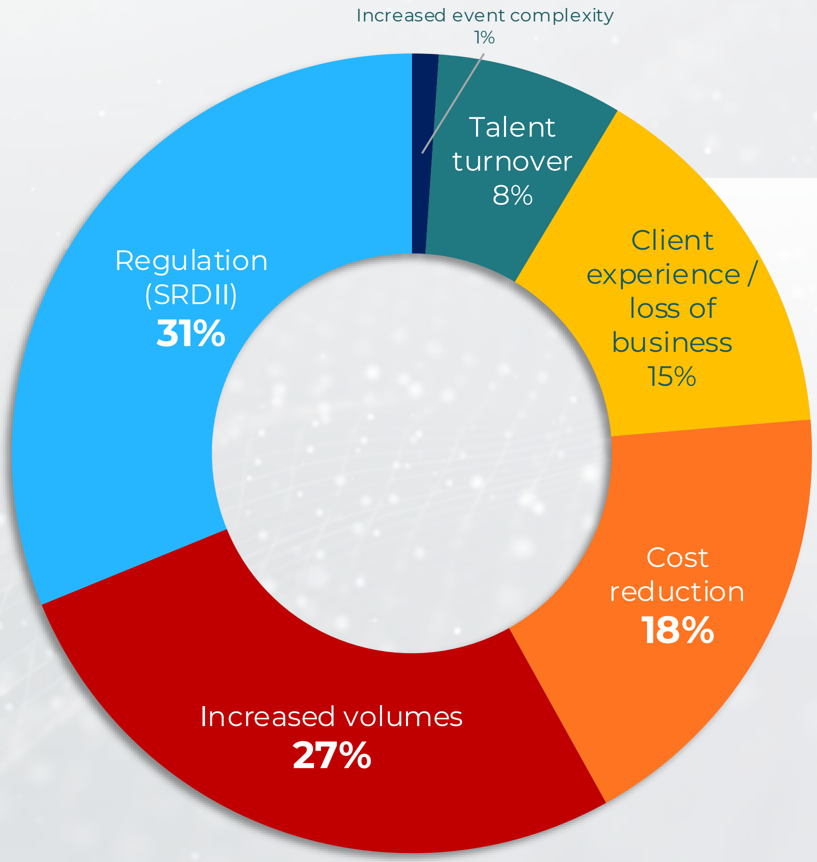
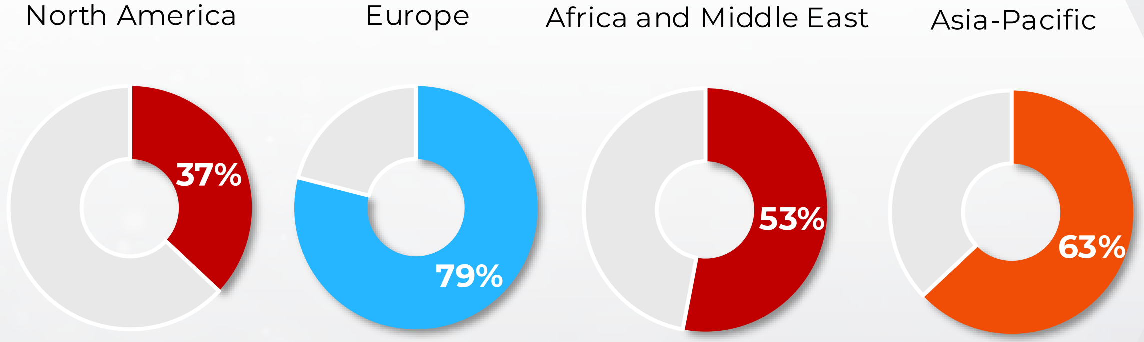


Proxy voting: are we still implementing SRDII?

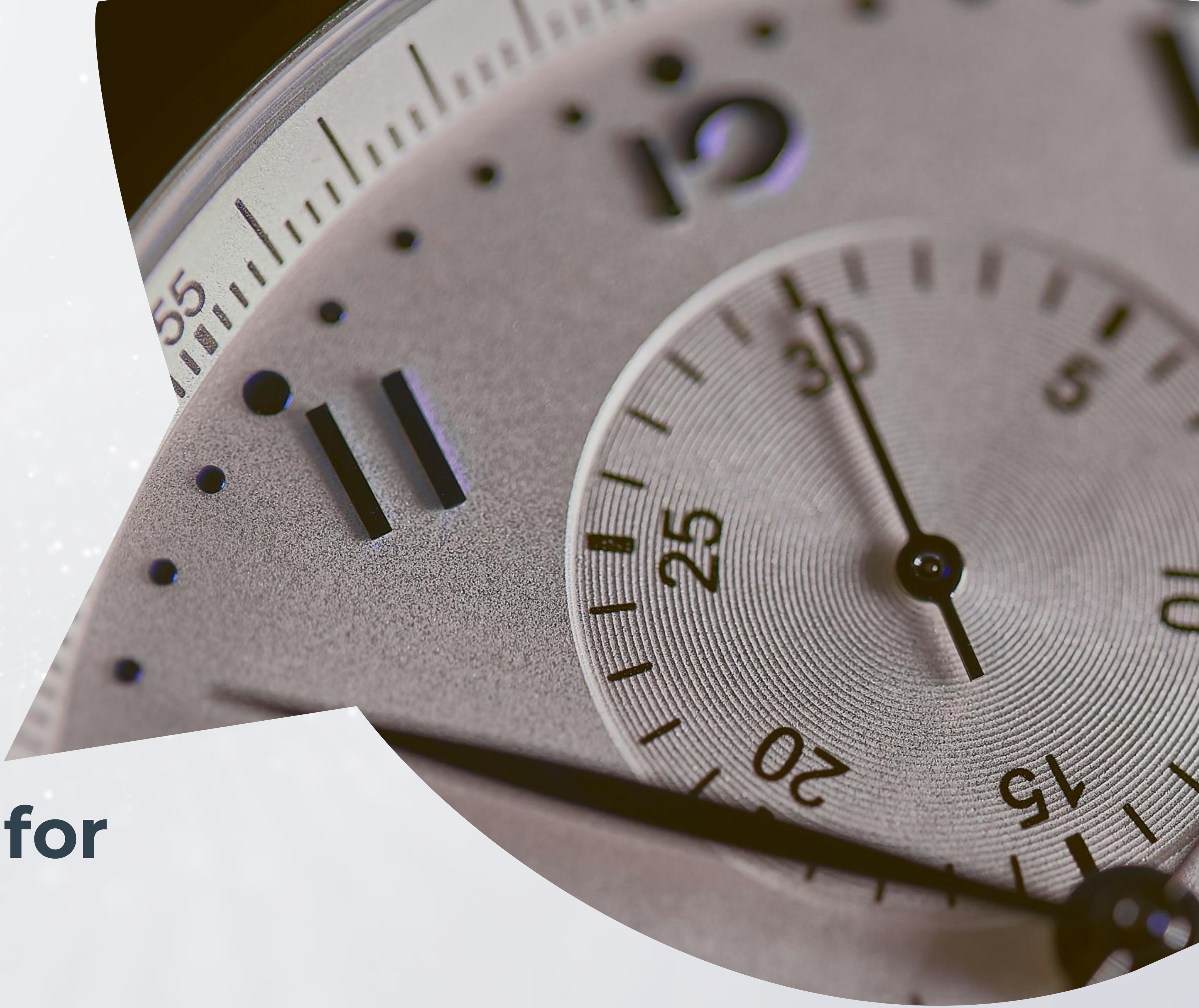


Key drivers of investment into proxy voting automation (% of respondents)

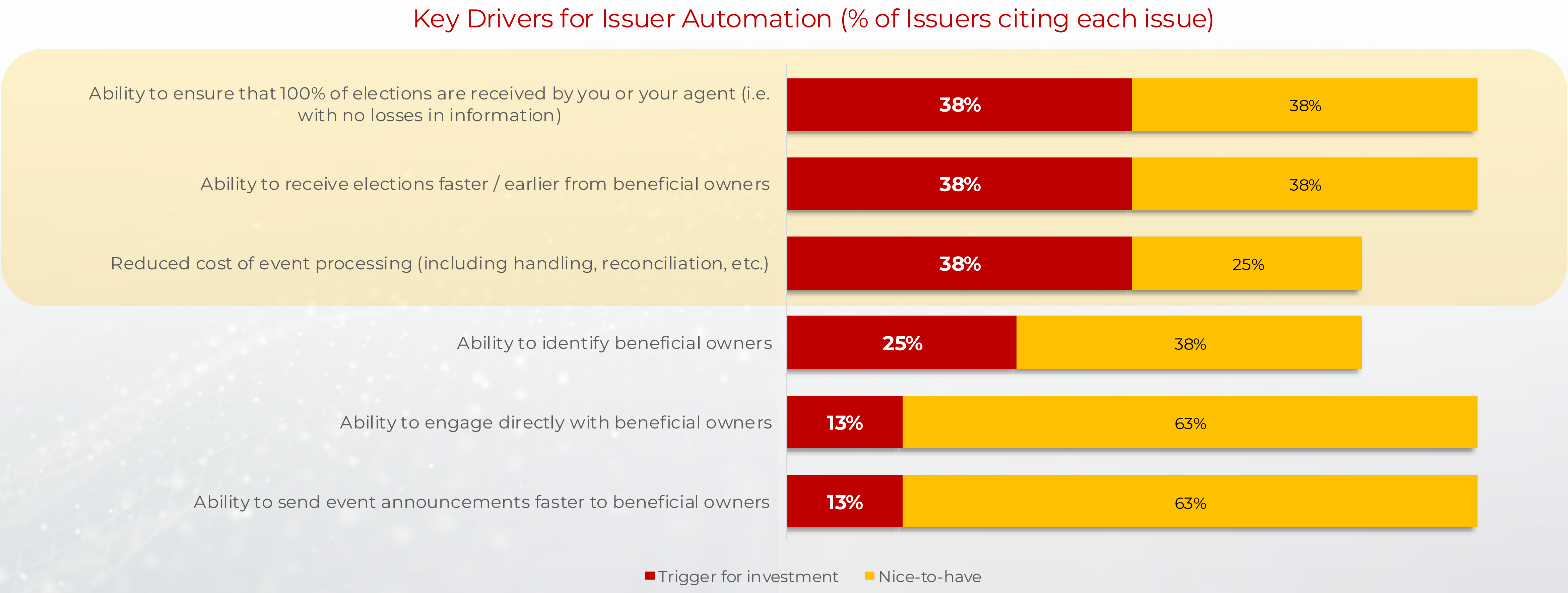


04

What is the case for standardisation



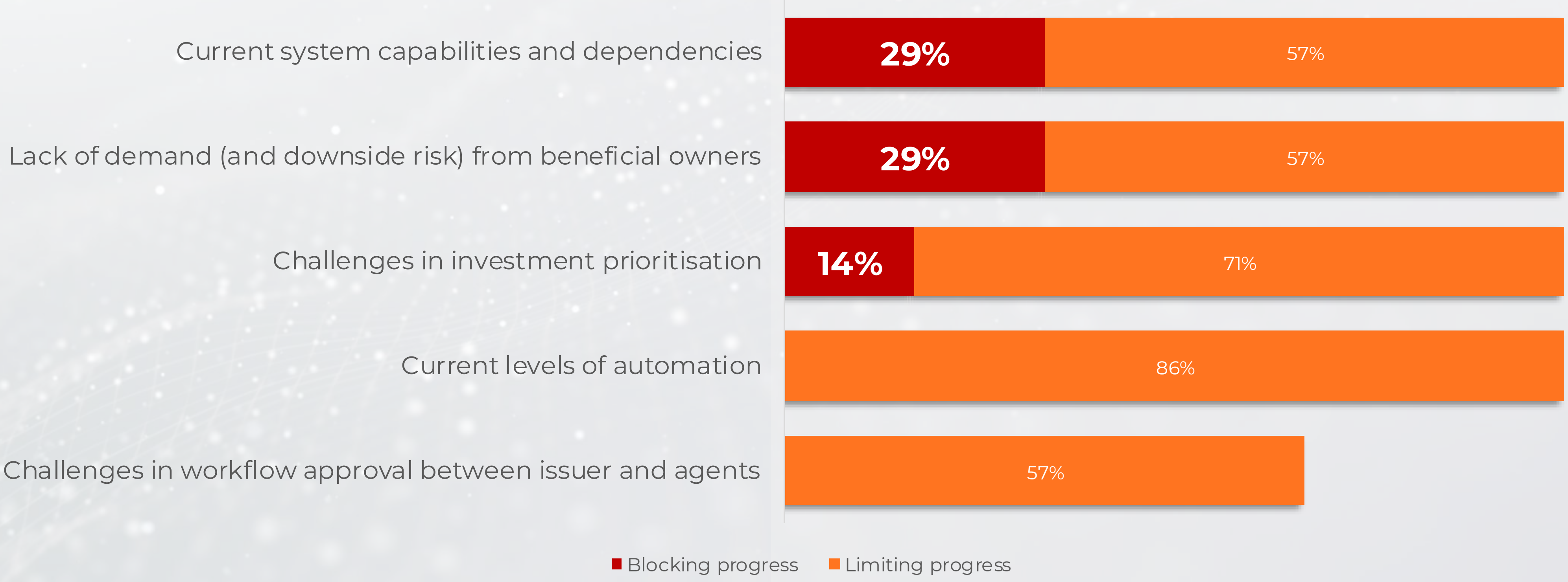
Why are issuers investing in automated, logical data distribution?



What are the challenges for issuers in automating?

Current infrastructure is creating inertia – which there is little need to overcome

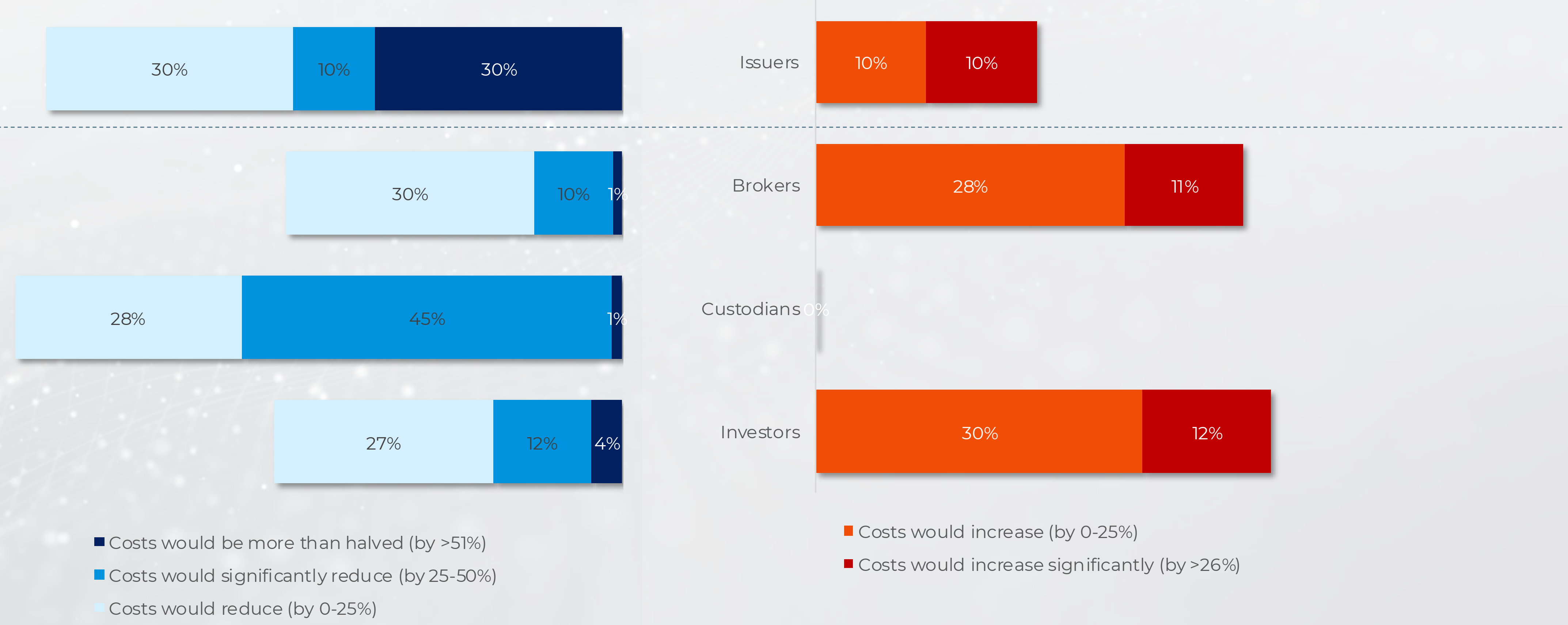
Issuers' biggest obstacles in driving automation (% of issuers citing each issue)



What would standardisation do?

Are issuers more bullish on the potential cost savings than FIs?

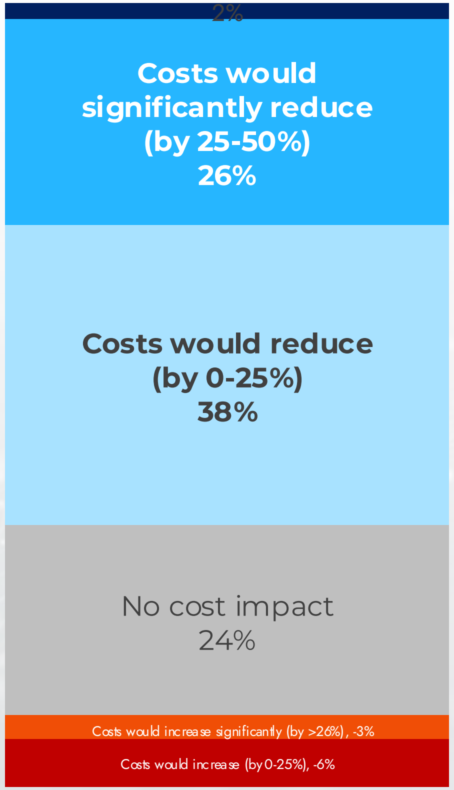
Expected P&L impact of real time, golden copy, standardised event notifications (% of respondents per segment citing level of change, excl 'no change')



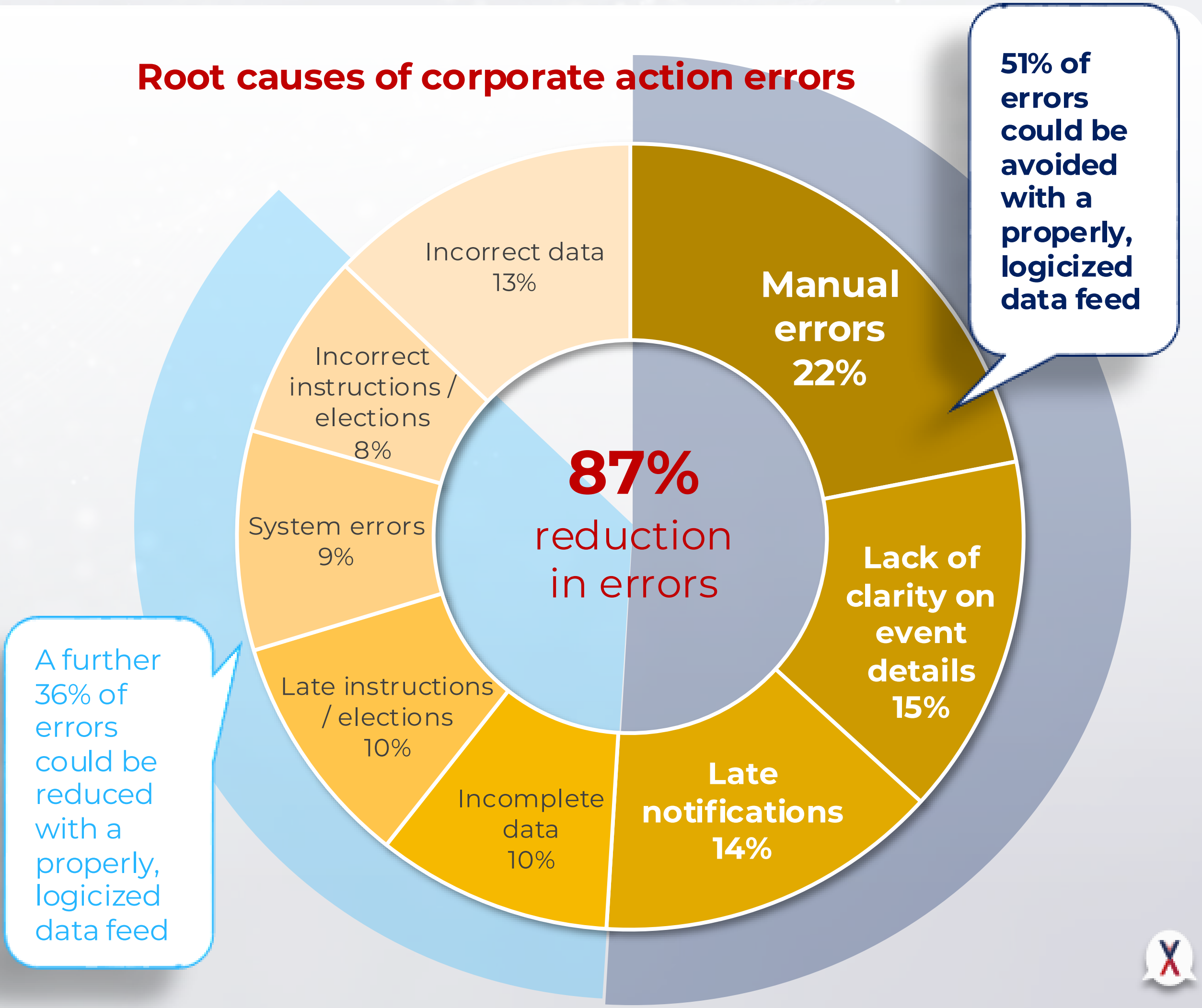
What is the case for logicized event data?

Savings for 66% of respondents and up to 87% reduction in the cost of errors

Expected P&L savings from standardisation

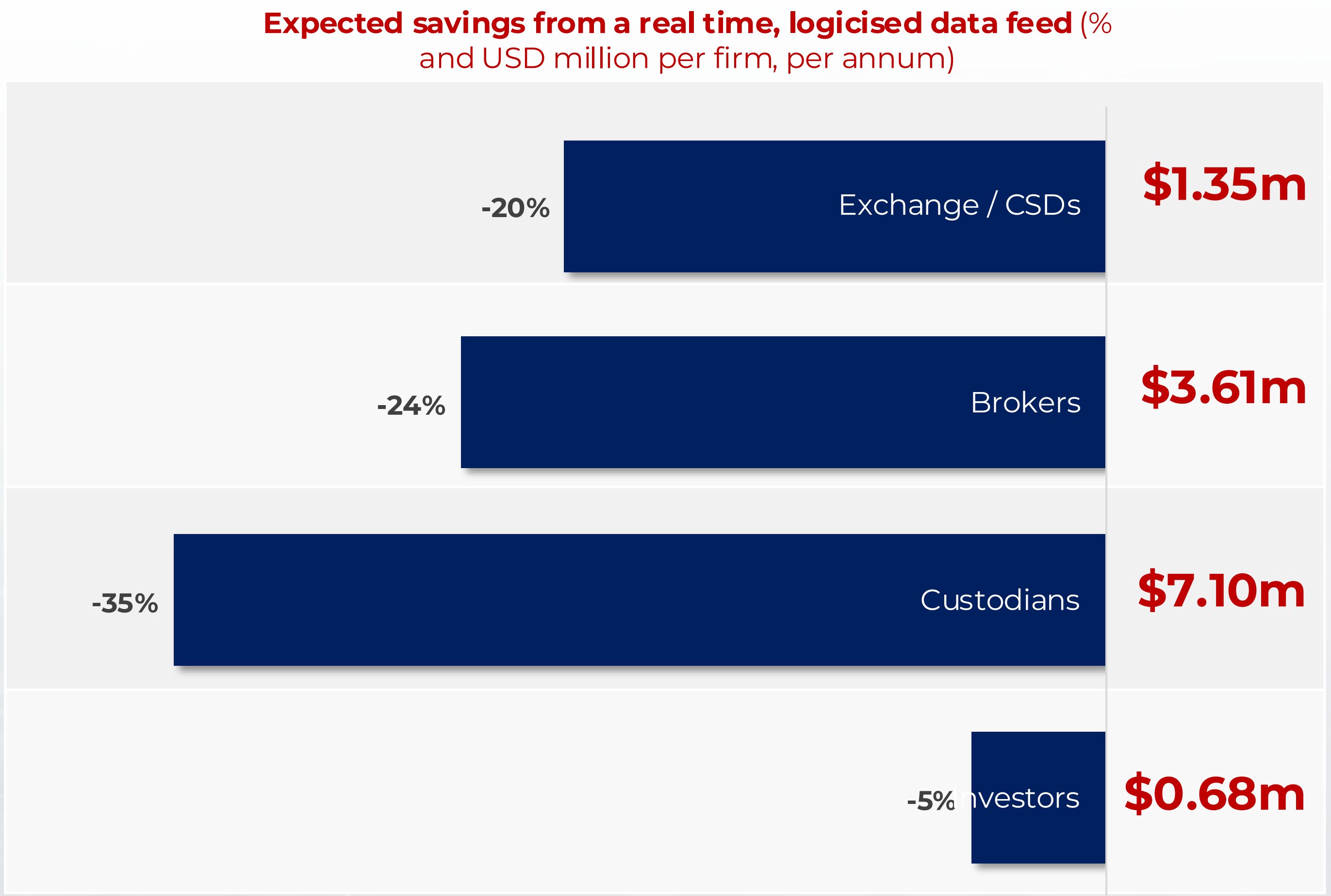


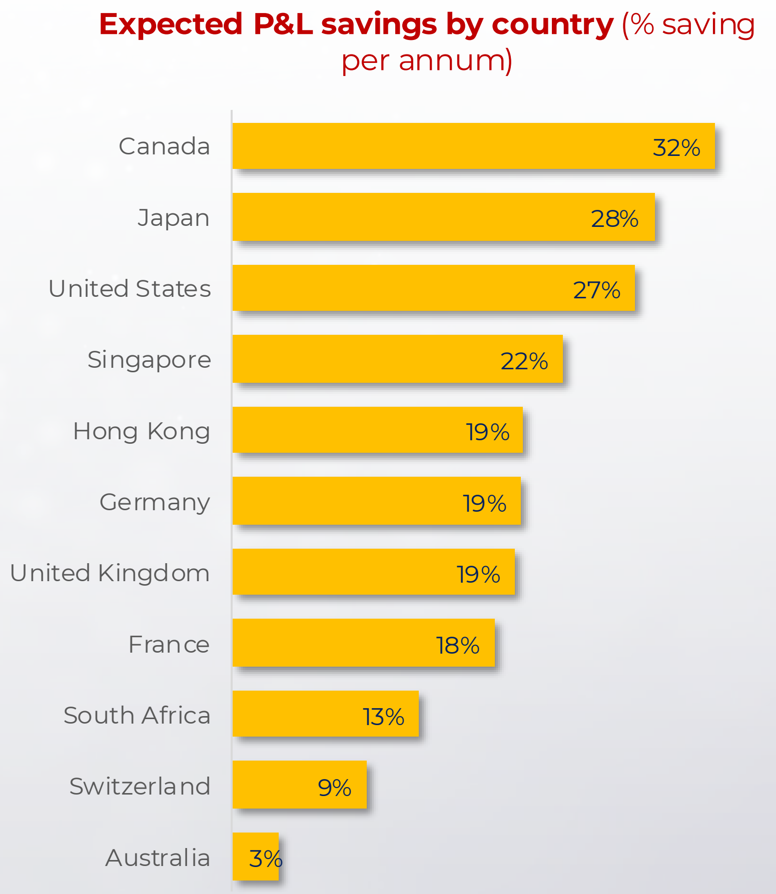
Root causes of corporate action errors



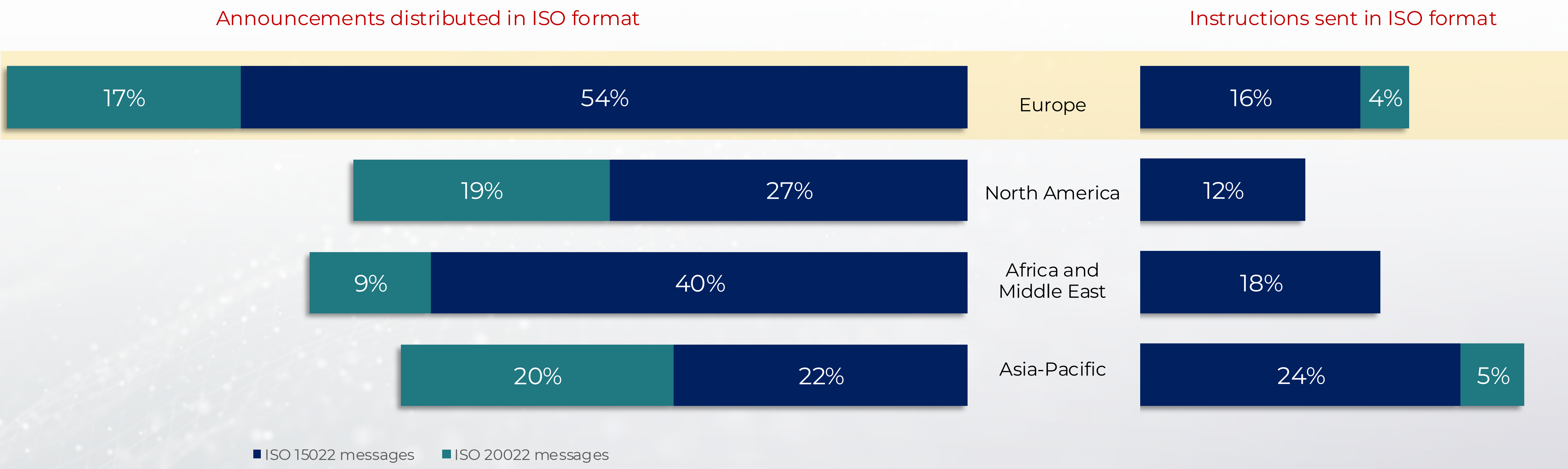
What is the case for logicized event data?

USD680,000 per annum removed from investors' direct costs – with several times that in indirect costs eliminated





Does regulation work?
SRDII case study



Who do we rely on to automate?

Are transfer agents a key point of concentration?

Issuers' expectations of who should be responsible for transmitting automated event data (% of issuers citing each partner)

Where does the industry need to come together?

Where does the industry need to come together? (average score out of 5)

What if we do nothing?

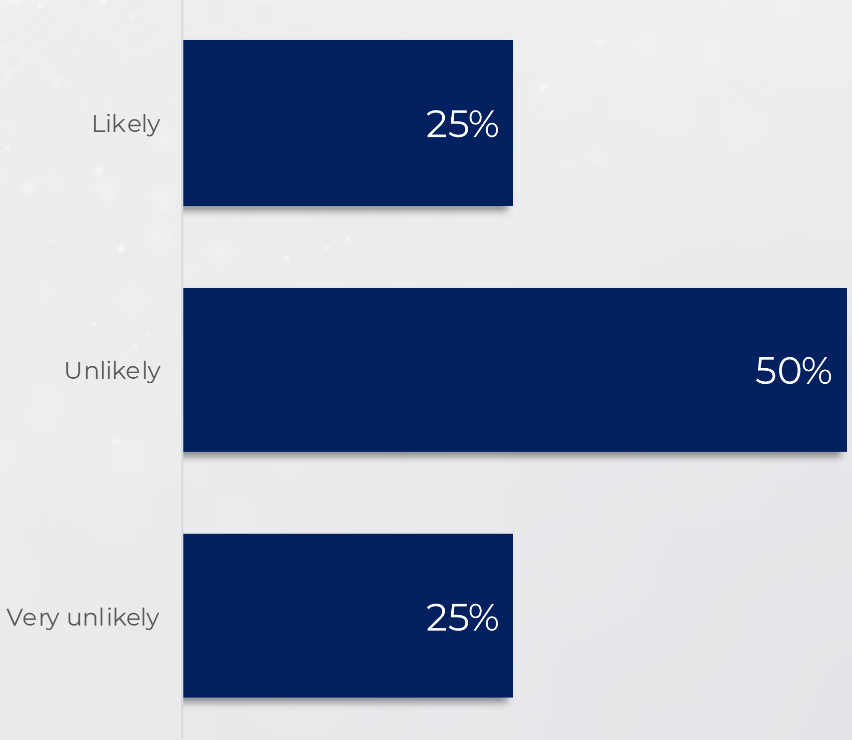
Over 75% of issuers and investors agree that there is minimal downside to inaction

Issuers perceptions of downside risk of taking no action (% of issuers)

Maximum downside

Minimum downside

Likelihood of investors removing stocks from a portfolio based on poor event data



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Empowering change-makers in the capital markets with expert-backed, statistical insights on the case for transformation

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Over 25 years of practitioner experience in securities and capital markets

Expert community
An active and engaged community of industry leaders and changemakers across the globe

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Over five years of in-depth data on how and where the world is transforming its investment operations

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Specialist benchmarking insights to track the economic impact of your transformation in dollars and cents

Industry advocacy
Collaborative, industry-wide campaigns to make the case for transformation

Thought leadership
Tailored whitepapers, factsheets and webinars to help you make your case for transformation

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Thank you!

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