the ValueExchange

Why and how corporate actions are changing

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Contents

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1. Introduction

Welcome back to the second part of our series on the post-trade transformation. Having explored the evolution of settlement cycles in Part 1, we now shift focus to corporate actions—a rapidly changing area driven by increasing volumes, regulatory pressures, and shareholder activism. This section unpacks the challenges firms face and highlights emerging strategies and technologies that promise to redefine corporate action workflows.

2. Rising volumes, complexity, and shareholder engagement

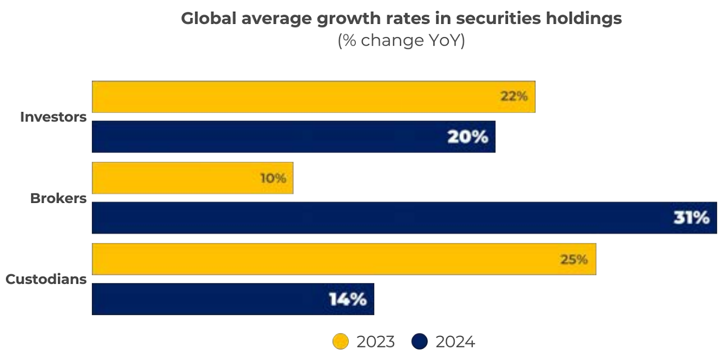
The growing complexity of corporate actions.

Corporate actions are becoming more frequent and complex, with new assets and new event types like manufactured dividends for equity derivatives joining dividends, stock splits, rights offerings and tender offers. This creates strain in a system that remains fragmented, unstandardized and highly manual. More than one in every two voluntary events requires manual handling, but even proxy voting demands a level of resourcing that is surprising given these are known, annual events with clearly defined timeframes and actions.

The rising corporate action burden is also linked to accelerating volume growth in major markets. Securities holdings are growing fastest in the world's largest investment markets, notably in North America and Europe (up 48% and 25%, respectively, year on year).

Since developed markets make up the largest part of institutional investors' portfolios, the inability to scale current processes means that growth has a disproportionate impact on overall volumes and costs. **Investors' asset servicing costs are growing by 23% per annum, resulting in a direct cost of USD14m for corporate actions, and indirect pass-through costs multiple times that value.**

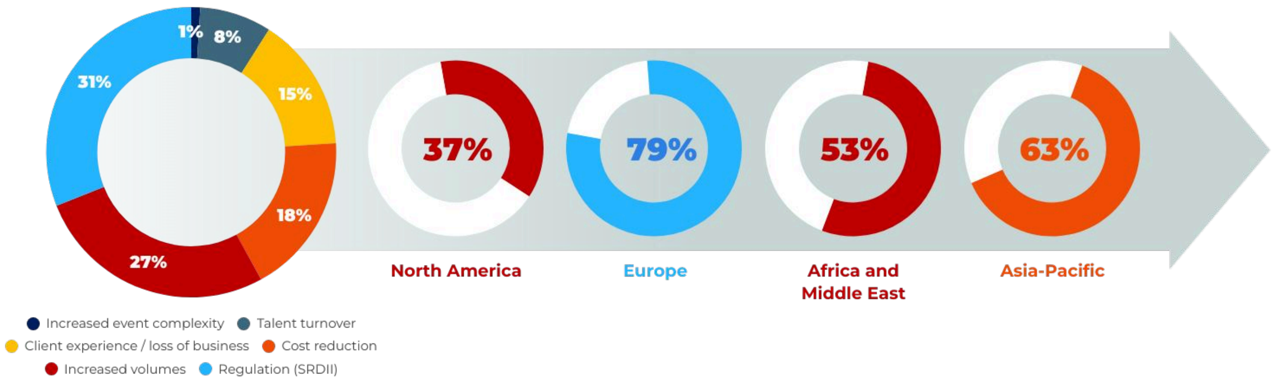
Despite the essential nature of corporate actions, many firms still rely on fragmented, manual systems. More than half of voluntary corporate actions require manual handling, and even routine tasks like proxy voting demand substantial resourcing. Operational inefficiencies are no longer sustainable, particularly as missteps can result in financial losses, reputational damage, and regulatory scrutiny.



3. The shift towards greater shareholder engagement

Over the last decade, multiple waves of regulation have come into force to increase transparency and accountability and strengthen shareholders' ability to participate in corporate governance (SFDR, TCFD, SRD II, to name just a few). **As shareholders take their ownership responsibility more seriously and focus on ESG issues from governance to climate change, institutional and investors are increasingly engaging in voluntary events and proxy voting.** In Europe, new compliance obligations under SRD II have driven proxy voting automation, while outside of Europe, rising voting volumes is a key driver.The rise of shareholder activism, coupled with new regulations, has transformed corporate actions into a focal point for investor engagement. **Frameworks like SFDR, TCFD, and SRD II have made transparency and governance central to investor expectations. ESG considerations, in particular, are driving higher participation in proxy voting and voluntary events.**

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



Despite these efforts, neither investors nor issuers have enough time to evaluate corporate actions, make decisions, and take action. Approximately 90% of the time spent on a corporate action is taken up by manual processes, deadline buffers and other inefficiencies, from the issuer through the TA, custodian, vendors, investors, etc. As a result, investors are getting multiple versions of the corporate action, and need to rationalize them in order to make a short-turn decision. Instructions are rarely standardized and generally only aggregated at the custodian, leaving issuers with little time to optimize shareholder engagement.

4. A single source of truth - the Australian model

Starting in 2014, the Australian Securities Exchange (ASX) undertook a standardization initiative to transition from manual processes to straight-through-processing (STP) by connecting individual systems or platforms to automate processing and eliminate manual intervention. **The ASX modernization efforts essentially created a single source for Corporate Action announcements in a centralized location, which can be accessible to all investors simultaneously.** By presenting validated, uniform, and structured data in a single source, ASX improves the disclosure of Corporate Actions from issuers that make these announcements to the market and its participants that view and interpret these notices, including transfer agents, financial services organizations, and institutional and retail investors.

5. ISO 20022: A catalyst for standardisation and scalability

The ISO 20022 messaging format marks the next step in corporate action standardization and automation. Regulatory requirements and evolving market infrastructures are driving its adoption. Since the implementation of SRD II in 2022, **over 71% of European AGM and EGM announcements are now distributed in ISO 20022 or ISO 15022 formats.** This level of automation supports more cost-efficient and effective shareholder participation. However, inbound communications remain largely manual, with investors sending individual instructions to custodians. Depending on the market, custodians may aggregate and automate these into a single ISO message. With initiatives like T2S, the Eurosystem Collateral Management System (ECMS), and ScORE tied to ISO 20022, further automation and adoption seem inevitable.

Unlike ISO 15022, which is rigid in format and usage, ISO 20022 is better suited to the non-standardized nature of corporate actions, offering greater flexibility. Yet, this flexibility also poses challenges for recipients. While ISO 15022 messages are fully standardized and straightforward for downstream processing systems, **ISO 20022 messages can be more complex, containing non-standard data. Although this initially complicates processing, the added flexibility enables richer information to be transmitted. Over time, this adjustment will improve the quality and efficiency of information sharing across the market.**

6. AI and automation can redefine corporate actions processing

Advanced technologies like AI and machine learning are transforming how firms manage corporate actions. These tools are increasingly used for:

- **Announcement Capture:** AI can be used to scrub multiple sources, including unstructured data, to create a 'golden copy' of announcements.
- **Event prioritisation:** Machine learning analyses historical data to flag high-value or high-risk events, allowing teams to focus on critical tasks.
- **Decision support:** Predictive analytics provide insights into likely outcomes, improving decision-making and operational efficiency.

> **"AI is transforming corporate actions from a reactive process to a strategic advantage. It's not about replacing people - it's about amplifying them."**
>
> (Senior product manager - global custodian)

However, technology is not a panacea. AI-driven processes are only as effective as the data they receive and require careful monitoring to ensure accuracy. Additionally, firms must balance technological investment with robust risk management practices to safeguard operational integrity.

7. Moving toward a unified corporate action ecosystem

Despite the progress being made with ISO 20022 on the messaging front, true corporate action automation will only be achieved if we can fully standardize announcement messages across markets. Given the variations in standards and requirements of different markets, that remains an elusive objective. A core set of globally agreed standards for announcement messages would reduce the inconsistencies that currently plague the ecosystem.

Collaboration between issuers, custodians, technology vendors, and fintech firms will be crucial to aligning data flows and improving transparency. By strengthening partnerships and adopting innovative solutions, firms can transform corporate actions from a procedural task to a strategic advantage in the post-trade landscape.

Organizations that embrace advanced technology, prioritize standardization, and foster industry collaboration are not only mitigating risk—they are positioning corporate actions as a driver of strategic growth in a highly regulated environment.

8. Closing

The growing complexity of corporate actions underscores the need for streamlined processes and innovative technologies. As we move forward, Part 3 will explore the reimagining of the post-trade operating model, with a focus on new workflows, data integration, and the transformative potential of predictive analytics. Join us as we continue this journey into the future of post-trade.