



Call to action

Processing corporate actions can be complex and risky, yet many firms, especially smaller ones, continue to carry out this task manually. Fears over high levels of cost and effort have tended to discourage all but the largest organisations from undertaking corporate actions automation projects. Adam Cottingham, product manager at SmartStream, says that with sophisticated corporate actions technology now available in the cloud, the time has come for all firms – irrespective of size – to take advantage of the benefits of digitisation.

Corporate actions processing is a time-sensitive, event-driven activity. It is also highly complex: obtaining the necessary data in a timely fashion entails communication with a multi-stranded web of participants across the corporate action lifecycle. The existence of multiple messaging standards, e.g. ISO 15022, ISO 20022 and proprietary formats, further complicates matters.

Naturally, with so much complexity involved, errors are a constant danger. Corporate actions processing is fraught with risk – it is all too easy for mistakes to be made or for events to be missed. This risk becomes even more acute where manual processes are in use.

It is essential that errors are avoided: where an event is missed a company must make good the losses its clients experience as a result of the oversight. This can be particularly painful if the market moves against the firm that has committed the error or where many clients are affected.

Mitigating event risk is undoubtedly one of the most persuasive arguments in support of introducing higher levels of automation, for a specialist IT solution is far better suited to coping with the subtleties of corporate actions processing than manual methods.

The link between operational failures and reputational damage is a particularly critical point. If operational failures mount up, they can have an impact on whether investors choose to keep money with a fund, or not. Typically, an exceptions report is generated against a mandate and can lead to its review if prudent processes aren't adhered to.

“Fears over cost, long implementation times, disruption to business, and project failure are the factors typically causing firms to hesitate. Of these, cost tends to pose the greatest worry.”

Adam Cottingham, SmartStream

Innovation in the field of wealth management is driving the need to automate corporate actions processing, too. Investment products are growing in number and complexity, while investors, e.g. HNW clients at private banks, are interested in increasingly sophisticated investment strategies. In addition, clients want greater control, for example, to make election decisions. In a competitive market, wealth managers are under more pressure than ever to improve service levels in order to retain clients. Manual processes and creaking legacy systems simply cannot facilitate the degree of flexibility and excellent customer service that investors now require.

While there is clearly a strong business case for introducing greater levels of automation into corporate actions processing, firms are still often very cautious about doing so. Fears over cost, long implementation times, disruption to business, and project failure are the factors typically causing firms to hesitate. Of these, cost tends to pose the greatest worry. Perhaps somewhat surprisingly, even asset managers which are household names may consider large systems with long implementation times too expensive to install.

Responding to market participants' feedback, SmartStream had made its own corporate actions processing technology available in the cloud. TLM Corporate Actions OnDemand is readily accessible, without the need for a lengthy implementation phase, making it easy to adopt. The necessity for burdensome infrastructure costs is also removed, thereby providing financial institutions with a very cost-effective route to taking up the new technology.

Drawing on past experience, we have mutualised knowledge from our extensive client base, combining it with industry standards and best practice, to create the “model client”. The model client allows the creation of a template, from which clients can pick the elements of the solution they require. This accelerates delivery, as well as promoting industry standards and best practice. In addition, the model client enables financial institutions to tailor the solution to their individual requirements. The solution has been designed with flexibility in mind.

Considerable investment has been made by SmartStream in its corporate actions processing technology. The high level of investment is reflected in the design of a number of new features, including the solution's user interface (UI). The UI offers an attractive user experience, it is easy to navigate and presents data clearly whilst supporting flexible reporting.

Another newly introduced feature is the client portal, which allows elections to be made and their outcomes reviewed, by a variety of different roles, for example: clients, portfolio managers, the front office. The success of our approach is reflected in the significant number of new sales in the last twelve months, of our TLM Corporate Actions OnDemand solution. A recent example is that of Coronation Fund Managers, one of the largest independent fund managers in South Africa, which went live in 2018 with the solution - automating the complete corporate actions lifecycle.

The words of Llewellyn Smith, COO at Coronation, neatly sum up the advantages offered by our solution: “We continue to make investments in our business, specifically in technology that enhances our clients' service experience, and which allows us to achieve greater operational efficiencies. Through SmartStream's tailored solution, we achieve automation of our corporate actions operational processes. Given that this project ran in parallel with a number of strategic initiatives, its successful implementation was essential. We value SmartStream's corporate actions expertise which guided us through the procedure in less than four months.” ■