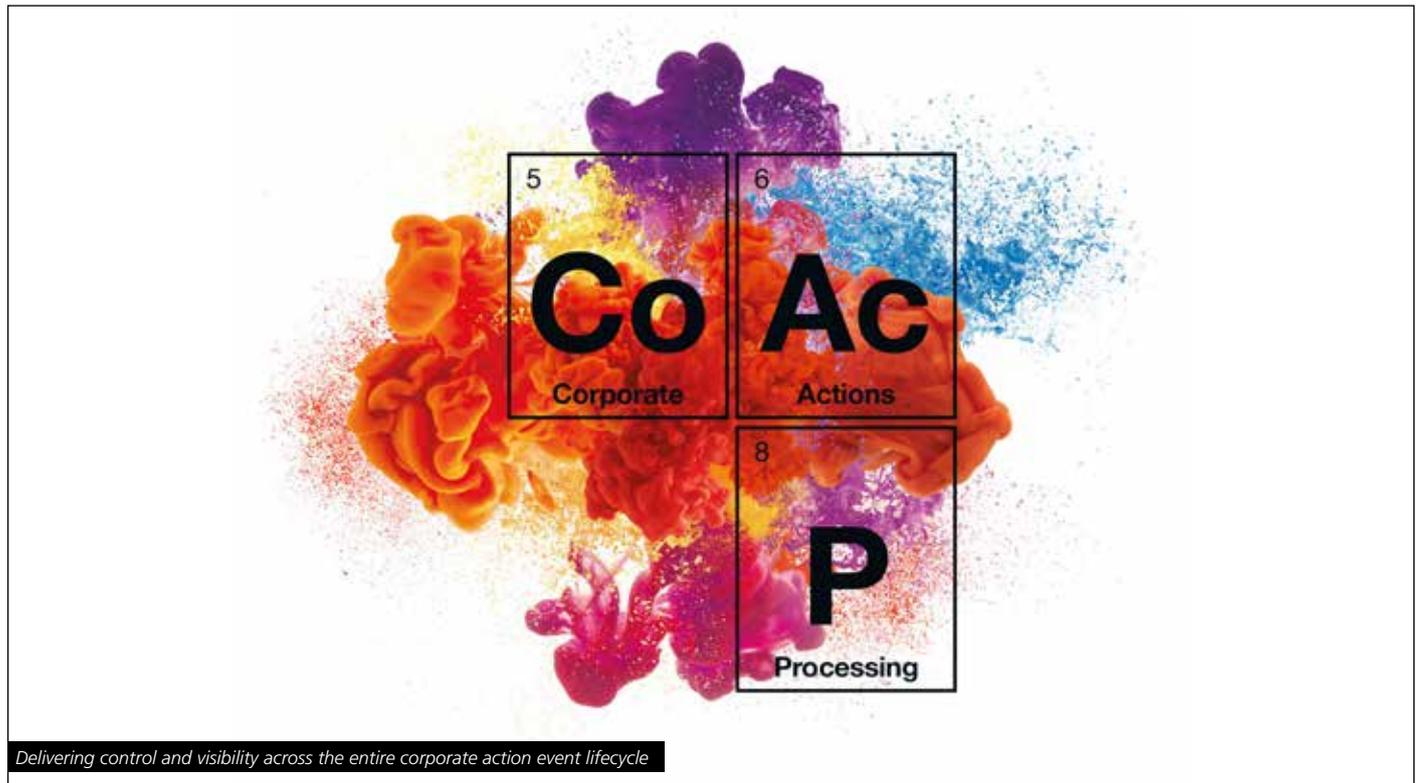# Corporate actions: How can financial institutions adopt the industry's best practices as standard ?

Task-driven automation and active alerting enable effective governance of corporate actions processing.

Delivering control and visibility across the entire corporate action event lifecycle

Certainty is critical when processing corporate actions. This principal instils a cautious approach to changing incumbents' manual processes, even as the volume and complexity of corporate actions increase. Financial services firms are weighing up how advances in technology, cloud based computing, maturing industry standards, and proactive controls of the event lifecycle can facilitate effective governance over all event types. Today, firms view business process redesign of corporate action as a step forward, not just to mitigate the risk of a missed event, but to step ahead of the market by adding business insight into the investment ecosystem these events impact.

The risk associated with dropping the ball—from missing a dividend payment to failing to elect on time—is that a considerable cost will be inflicted on a firm. From a buy-side firm holding a large position within multiple funds and running event strategies, to a custodian bank servicing the same asset for many different clients, and an investment bank processing high volumes against a book's P&L and the back office managing the outturn against the full stock record, all firms need to prudently mitigate the risk of processing corporate actions.

"HIGH LEVELS OF AUTOMATION HAVE BECOME ACCESSIBLE IN THE CORPORATE ACTIONS ARENA CREATING SMARTER WAYS TO MITIGATE RISK PROCESS."

Industry standards

The manual effort required to administer corporate actions in open Universal Data Access tools (UDAs) is both cumbersome and inefficient. Vendor options have not always been adopted by the industry due to their inability to process all event types and assets along with their expensive technology footprint and limited automation capabilities.

Today, SmartStream views corporate actions initiatives, by financial services firms, as looking to standardise the next step in their evolution and accommodating market practices in a systematic way across the complete event lifecycle including: standardising event definitions from announcement to entitlement, managing the communication across market participants, and diminishing proprietary discrepancies upon processes.

Automating corporate action processing against industry standards and market practices can take away the manual overheads so that operators can apportion effort through an event diary towards high risk events, decision-making activities, and management of exceptions. The success of each firm's corporate actions initiatives will be dictated by keeping abreast of these standards by both sharing in a positive network effect through their application, and reaping the efficiency gains of selecting compliant solutions to handle their process.

High levels of automation have become accessible in the corporate actions arena creating smarter ways to mitigate risk process. Creation of the golden record on the fly through trusted source hierarchy

which is enriched with market information and client options initiates a firm's ability to automate. The diary view provides transparency into events details and schedules which position holders require to choose whether to take cash or staying invested in a security and supports analysis to find arbitrage opportunities.

Meanwhile, timely management of positions for determining eligibility, processing elections, and calculation entitlements realise many efficiency gains through its automation. Proactive reconciliation of positions, elections and confirmations in the event lifecycle adds integrity into the process of managing both interparty and intersystem communications. For market participants the key decision in determining the best model for technology provision has become applying industry standards to gain efficiency without risk.

Efficient corporate actions model

SmartStream's TLM® Corporate Actions service offers an industry standard systematic process to offset operational risk, and is a compelling solution for all those who are looking to automate corporate action processes without losing sight of critical risk events and without the need to add more headcount. The solution presents a solid service for any business wishing to automate, process, and execute corporate actions.

SmartStream provides automation and proactive controls when processing all mandatory, mandatory with choice, and voluntary event types. On a daily basis the market will see thousands of events being communicated via the different distribution channels. In consequence, we

Deployment models	
On-Premise	TLM Corporate Actions enterprise grade software is made available to be managed within a firm's IT environment. All upgrades and the Annual SWIFT release are included in maintenance terms as standard. Enterprise, Premium, and Standard support packages are available to meet your needs.
OnDemand	This delivery model offers TLM Corporate Actions hosted in a Dedicated Private Cloud environment governed by SOC3 Certification and 99.5% uptime guaranteed. The solution is configured to each client's specific processing and workflow requirements upon delivery. SmartStream's OnDemand team will support the technical day-to-day running of the system, application upgrades, and SWIFT updates to achieve a 'zero' technical footprint for the client.

Source: SmartStream Technologies

are confronted with a demanding context to validate, timely process, and not least reach all stakeholders impacted from such events. This presents a complex and hard-to-automate context. Corporate actions at large are deadline-driven events. The operational pressures to update, reconcile, and be efficient and accurate are paramount.

Therefore, when one talks about efficient corporate actions management, this task goes beyond the company's capacity to manage such workload. It looks at realising cost savings by automating the bulk of the data workflow whilst freeing up staff's time to focus on the exceptional and risk critical events. It eliminates time wasted with manual tasks and being operationally ready to handle a much higher volume of corporate actions events.

"THE OPERATIONAL PRESSURES TO UPDATE, RECONCILE, AND BE EFFICIENT AND ACCURATE ARE PARAMOUNT."
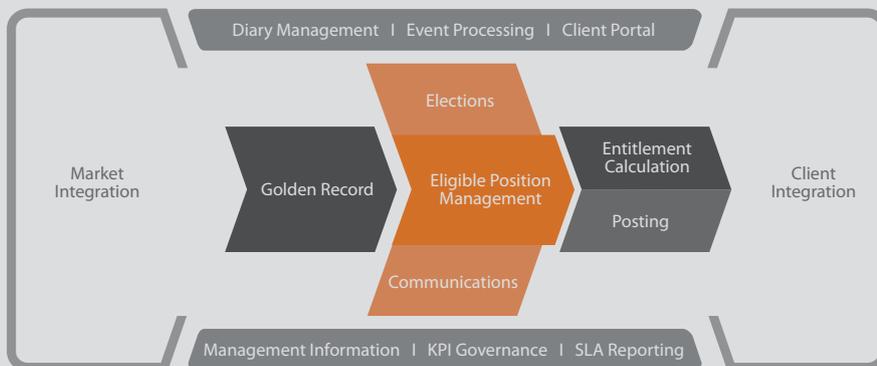
Only with SmartStream's solution will you be able to efficiently automate your corporate action process and thereby substantially improve your service levels and quality to your end-customer. In the same way, measuring the service received from market participants that you interact with and more importantly paying for the service rendered are the only viable ways to monitor that service level agreements are being met, to track trends, and to introduce continuous improvement.

The speed of implementing the TLM® OnDemand for Corporate Actions allows for swift activation and realisation of service benefits. In fact, in some cases user acceptance testing can be performed within a few weeks following project commencement. The service is offered in a modular format so that financial institutions can address each phase of the event lifecycle aligned to their operational & automation goals. This enables them to automate individual components, or the entire corporate action process, delivering automation, control, and flexibility to the entire event lifecycle.

SmartStream's TLM® service is the best practice standard for all institutions wishing to dramatically improve their corporate actions lifecycle management processes and reduce cost. Some of the key benefits include: end-to-end event lifecycle automation, task oriented processing via a prioritised event diary, early sight & escalation of exceptions, universal position management, event broadcast and lifecycle communications, calculation & posting of entitlement benefits.

TLM Corporate Actions overview

Source: SmartStream Technologies