



*The Depository Trust &  
Clearing Corporation*

*European Corporate Actions Market:  
A leap into the unknown - Issuer Standards for  
Corporate Actions*

**David Hands**  
**Director, Product Management**  
**DTCC Solutions**

*Inside Reference Data*  
**European Corporate Actions WebSeminar**  
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*Corporate Actions are complex, inefficient and complicated by event type/market differences...but you already knew that. What can you do!*

**Historical data** on actual costs incurred by firms as a result of corporate action failures is not available in the public domain. However, an Oxera<sup>1</sup> report estimated the actual losses to be **around \$10 billion, globally, per year**

- Per firm, the average actual loss is \$0.5M, with 'near misses' of \$5M, per year
- Also, larger Custodians will set aside a budget of at least \$5M per year, for corporate action processing losses

**Corporate action events don't often go wrong, but when they do, it can be big**

- **Do it yourself, manually**
  - **Throw people** at the problem. Whilst there are some tools, there's a lot of manual effort
  - The average corporate action team **size is currently<sup>2</sup> 21 FTEs**, up from 15, five years ago<sup>3</sup>
  - However, Custodians<sup>2</sup> have teams of 40 or more, whilst Investment Managers<sup>2</sup> may have less than 10
- **Outsource the effort**
  - Where some of the corporate actions lifecycle is outsourced to a specialist firm
  - For announcement capture, where 'golden copy' data is 'scrubbed' from numerous sources, e.g. **Fidelity ActionsXchange (FAX)** and **GCA Validation Service**

Note 1: Oxera "Corporate Actions: What are the Risks?", 2004. Extrapolation to USD by DTCC

Note 2: CityIQ "Global Study of the Corporate Action Marketplace", 2008

Note 3: CityIQ "North American Corporate Actions Automation", 2003



*But, manual cleansing only masks the underlying problem, and does not solve it*

## **Issuer dissemination - we're still in the Dark Ages**

- The ultimate source of all corporate action announcements is the issuer, or the issuer's agent
- The issuer has an obligation to disseminate the corporate action to the marketplace, typically by issuing either a press release, prospectus or filing
- Physical paper documents that describe in words the underlying details of the corporate action announcement
- Written in free text, without recourse to formal standards or market practice, and without the data elements being 'fielded'
- Evolved organically and is manual, inefficient, lacks scale and propagates errors

**This paper trail is the originating source of corporate actions risk, and this needs to be fixed**

**Solutions can cause other problems - more staff, more vendors and even more complex standards**



*But don't take our word for it! ...Source data dissemination of Corporate Actions from the Issuer has long been recognized as a core issue*

**Issuers of Securities have a responsibility to their investors to provide timely, complete and accurate Corporate Action Information** (e.g. Takeover, Rights Issues, Dividends, Bond Calls) BUT an inefficient process has long been recognized as a major stumbling block for Straight Through Processing.

### **'Group of 30'**

- “Issuer, providers or clearing and settlement services, and other relevant market participants **should advise investors of all details of corporate events that they require in an automated, timely manner and in compliance with accepted industry standards**, so that each investor can make a timely decision on the action to be taken with full knowledge of the facts.

Recommendation 8: 'Global Clearing and Settlement – A plan of Action' (January 2003)

### **The European Union - Giovannini Group (Barrier 3)**

- Communication from the issuers: “When there are legal obligations for issuers to communicate about corporate actions, **these communication requirements are often geared toward “old style” communication mechanisms**, such as publication in the press, paper letters to shareholders, ... These obligations may not be adequate in the current environment and even lead to reducing efficiency gains by sticking to paper format. **In effect, electronic communication is often not encouraged or even prohibited** in some cases.

ECSA–ECSDA/ECSA–ECSDA report (April 2007)



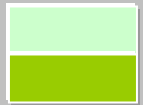
*Event information is unique to the party responsible. With the Issuer providing the key data elements why do we still rely upon paper?*

Data Level	AMF Data Element	ISO 15022
Event	Corporate Action Event Type	A:22F::CAEV//DRIP
Event	Corporate Action Event ID	A:20C::CORP
Event	Corporate Action Event Classification	A:22F::CAMV//CHOS
Event	Event Stage	A:25D::PROC
Event	Event Completeness	A:23G::
Event	Security Identifier	B:35B::
Event	Security Description	B:35B::
Event	Announcement Date	D:98a::ANOU
Event	Record Date	D:98a::RDTE
Event	Pay Date	D:98a::PAYD
Event	Ex Date	D:98a::XDTE
Terms	Terms	F:70F::ADTX
Option	Option Number	E:13a::CAON
Option	Option Code	E:22F::CAOP
Option	Option Description	E:70E::ADTX
Option	Default Indicator	E:17B::DFLT
Option	Response Deadline Date	E:98a::RDDT
Option	Response Deadline Time	E:98a::RDDT
Option	Response Deadline Time Zone	UTC offset will be available in 20022
Option	Expiration Date	E:98a::MKDT
Option	Expiration Time	E:98a::MKDT
Option	Expiration Time Zone	UTC offset will be available in 20022
Option	Price Calculation Start Date	E:69a::PRIC
Option	Price Calculation End Date	E:69a::PRIC
Payout	Rate	E2:92F::GRSS
Payout	Rate Currency	E2:92F::GRSS
Payout	Price Currency	E1:90B::PRPP
Payout	Price	E1:90B::PRPP
Payout	Ratio of Additional Shares	E1:92D::ADEX
Payout	Resultant Security Identifier	E1:35B::
Payout	Resultant Security Description	E1:35B::
Payout	Disposition of Fractions	E1:22F::DISF
Payout	Discount Rate	E1:92a::RDIS

## Dividend Reinvestment Template (data only) per the Asset Manager Forum (SIFMA)

### Issuer

- Key Event Details
- Most known upfront
- Others later in the lifecycle



### Exchange

- Limited Event Details
- Maybe known upfront



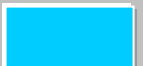
### Depository / Custodian

- Limited Event Details
- Mostly 'processing info'
- Usually known upfront



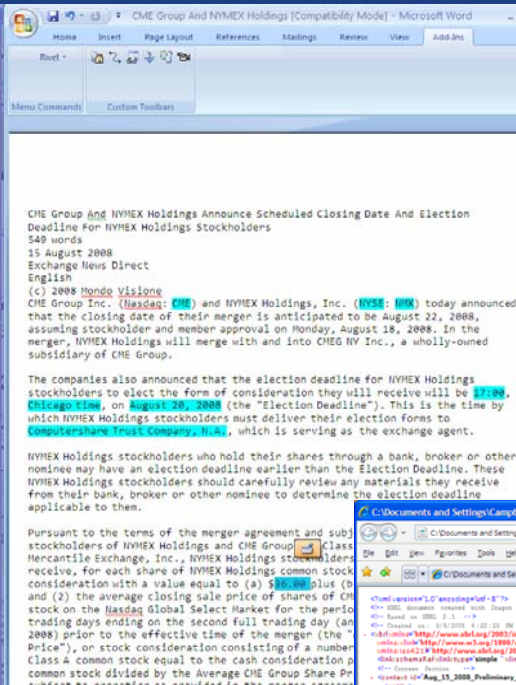
### Any/All

- Text Information

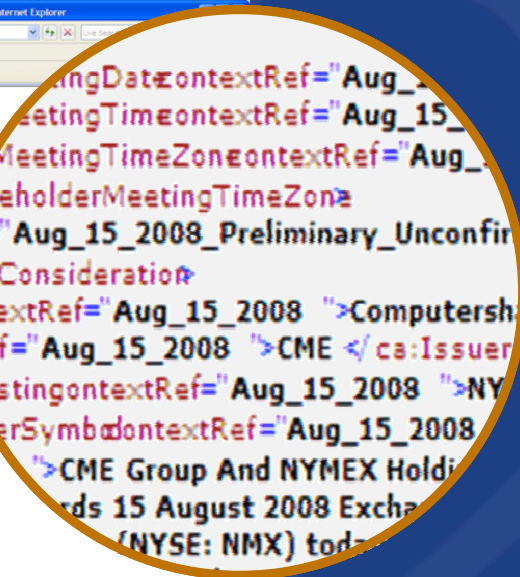
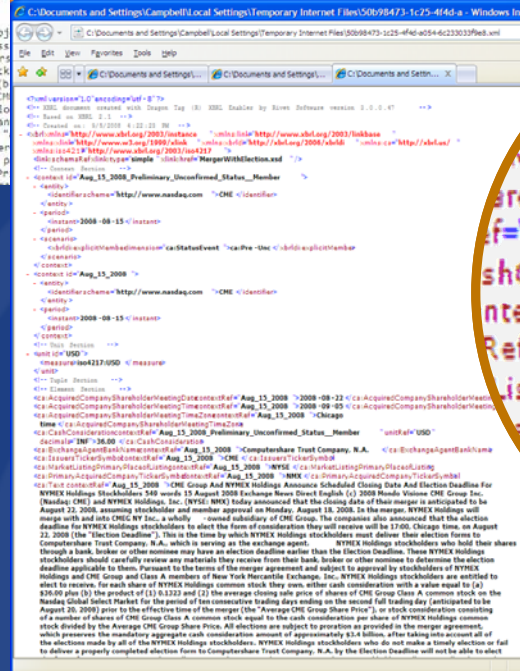




# Tagging Corporate Action data could become a reality by using a variant of XML – XBRL (Extensible Business Reporting Language)



- ## XBRL
- The issuer / agent / publisher will highlight and tag all relevant data elements within MS Word as they are writing the press release or prospectus
  - The electronically tagged data elements are stored as fields within the pdf document, and this fielded data is easily extracted when it is 'read'



- ## XBRL
- XBRL tagged documents can provide an electronic message for consumption by the Financial Services Industry



*We must ensure that any standards fall within the ISO framework, therefore, XBRL US and SWIFT Standards are working together for the same goal*

**Two major initiatives are underway that will bring XML to Corporate Action messaging.** Each addressing specific constituents but underpinned by a single Global Standard – ISO 20022

- Asset Servicer to Asset Manager – led by SWIFT Standards
- Issuer/Agent to Central Security Depository (CSD) – led by Euroclear (ICSD)

**XBRL can help bridge the gap of direct Issuer communication that can be used by all constituents** in the Corporate Action Announcement chain

- Issuer to Investor (US market) – Working with the US CSD (DTCC) and SWIFT Standards, XBRL can enable the direct flow of timely electronically tagged Corporate Action Announcement information to all parties

**XBRL US and SWIFT Standards have begun a dialogue** to address how XBRL can be integrated into the ISO 20022 architecture

**XBRL US will coordinate with XBRL International** and other jurisdictions to facilitate a global approach



*A number of organizations are working on Corporate Action Templates that we need to align and work under a single master*

The **SIFMA AMF Corporate Action Committee** has developed templates that include **ISO, SIFMA Corporate Action Division and DTCC Data elements**

- 8 Key Events chosen including Tenders, Mergers and Rights Distribution / Subscription
  - For more details see: <http://www.isitc.org/publish/showDoc.cfm?contentId=4662>

**SMPG** is developing templates for most **ISO 15022 Event Types** with various countries being responsible for a few each

**Market Data Providers User Group** has also created Announcement Templates for **26 Event Types**

**ISMAG** is creating detailed templates for **Eurobond Issuance and Corporate Actions**

We can use a consolidated template as the baseline to work with Issuers to clearly state the information required by the market



*To recap... Corporate Actions are complex and the process is inefficient, however, collectively we are working towards long term solutions*

## **Issuer Data**

- Collecting and disseminating Corporate Action Information from the source as **electronically tagged data** to supplement paper documentation which will address a common goal for accurate and timely information from the issuer

## **Standardization**

- Building a global data dictionary and business process models under ISO 20022 will ensure that the **ISO standard is truly global**

## **Market Practice**

- Agreeing how the global standard (ISO) should apply to all markets requires **input from all markets and participants**

## **Collaboration**

- We all have many objectives but to ensure we meet the challenges of the future we **need to work together** for the benefit of improving Corporate Action processing

## **Consolidation**

- Ideally, we should work with the 'sources' – Issuer, Exchange and Depository to create a warehouse for Corporate Action Information populated electronically under a unique event ID



**If you want to find out more about DTCC's GCA scrubbed CA service that aggregates, normalises and scrubs corporate actions data then contact.....**

### **Sales (Americas)**

**Patrice Lott  
1.212.855.4215**

**Jaspreet Randhawa  
1.212.855.4113**

### **Sales (EMEA)**

**Richard Bustard  
44.(0)20.7650.1501**

**Yogita Mehta  
44.(0)20.7650.1503**

**Or email inquiries: [gcainfo@dtcc.com](mailto:gcainfo@dtcc.com)**

**Or visit our website at: <http://www.dtcc.com/products/gca/>**