

A statement of direction for improving issuer to investor communications for corporate actions – DTCC, SWIFT, and XBRL US

DTCC, SWIFT and XBRL US have joined forces to improve issuer to investor communications for corporate action announcements in the U.S. market:

- **XBRL will be implemented to enable issuers and offerors to identify (“tag”) key corporate actions data in offering documents;**
- **XBRL tags used by issuers and offerors will be kept fully aligned with the data dictionary used by the industry under the ISO 20022 global standard, and**
- **DTCC will adopt the ISO 20022 global standard for corporate action messages to U.S. market participants**

The goal is to promote straight-through processing (STP) of information from issuers through to investors and substantially reduce the market risks and costs associated with the corporate action announcement process.

Background

Corporate actions processing is fraught with problems. Many of these problems derive from the complexity in the process of delivering information from issuers or offerors on corporate actions to the ultimate investors. The current process does not rely on standard information generated electronically by issuers/offerors. Instead, the investors’ intermediaries are responsible for manually generating the electronic records of corporate actions details that investors need. As a consequence, intermediaries create multiple versions of the same information and pass these to subsequent intermediaries along the chain. The process of creating these versions inherently incorporates the possibility of inaccuracies, event misidentification and delays; these errors are worsened as information is keyed and rekeyed as it passes among the intermediaries.

With over 200,000 corporate action events (such as dividends, bond redemptions, rights offerings and mergers) announced by issuers or offerors in 2008 in the U.S., many requiring multiple documents issued over a period of time, there are substantial costs and risks arising from this manual conversion of issuer announcement documents into electronic versions for investors. These costs and risks, for many years, have been incurred by the owners of the securities and by the financial services industry, with a persistent negative impact on investors’ returns, investor satisfaction and market efficiency.

In the current economic climate, where the market is calling for greater transparency of issuer information, lack of a standardized way of generating corporate actions ‘data’ immediately at the time an issuer/offeror announces a corporate action effectively delays the communication of this information to investors, burdens their intermediaries, and maximizes the possibility for erroneous or inaccurate communication of the necessary details.

Direction

To address these issues, DTCC, SWIFT, and XBRL US are implementing a joint plan to tackle these risks and costs and to improve the industry's ability to achieve STP for U.S. corporate action announcements. The plan, supported by ISO and industry groups, has two components.

First, DTCC, SWIFT and XBRL US will support implementation of XBRL for corporate actions data:

- DTCC, SWIFT and XBRL US are building an XBRL corporate actions taxonomy based on, and aligned with, the ISO 20022 repository elements. This will enable issuers to electronically 'tag' data when preparing a prospectus or other form of announcement for a corporate action. The "tagged" data can then be readily transformed into the ISO format for consumption by intermediaries servicing investors in the market to close the gap on STP;
- DTCC, SWIFT and XBRL US will leverage the expanding adoption of XBRL in the U.S., a result of the SEC mandate for GAAP quarterly financial reporting starting with the largest 500 public companies in June 2009, to promote the implementation of the XBRL corporate actions taxonomy;
- DTCC will also create a 'unique ID' to be associated with each corporate action announcement upon its creation, thus facilitating the identification of an event between all parties and reducing ambiguity in the announcement process, and
- XBRL US will include corporate actions in its overall taxonomy maintenance and support function to promote integration within a unified dictionary, and a stable, sustainable process for change management and version release.

Second, DTCC and SWIFT will work together to implement the new ISO 20022 corporate action messages:

- DTCC, as an integral part of its wider 'Corporate Actions Re-engineering' project, will adopt ISO 20022 beginning with corporate actions announcement messages;
- DTCC will continue to contribute to the ISO 20022 standard process, working with SWIFT to facilitate inclusion of data elements that are needed for U.S. corporate actions. As part of this process, DTCC, SWIFT and XBRL US will work together to ensure the XBRL corporate actions taxonomy and the ISO 20022 corporate actions data repository remain fully synchronized with each other;
- All corporate action announcements published from DTCC will be made available in ISO 20022 format, starting in 2010. All existing legacy publication files will ultimately be decommissioned (anticipated not later than 2015), converting DTCC participants and clients to ISO 20022 for these communications, and
- SWIFT will leverage these efforts to roll out the new ISO 20022 corporate action messages on a global basis, with the intent to decommission the equivalent ISO 15022 messages at a future date yet to be determined.

Benefits to Market Participants

The benefits of this initiative will be significant improvements to the corporate actions process, by capturing data from the 'source' in a standard format, thereby enabling the distribution of the data directly to investors without further intervention.

- **Issuers/Offerors:** The intent and content of the issuer's/offeree's corporate action event will be communicated to the investor, without fear of misinterpretation due to manual intervention or misunderstanding of data. Event information will be conveyed effectively, thereby improving the transparency and reducing delays in issuer-investor communication. The impact of this change for issuers/offerees and their agents should be marginal due to numerous technology tools that can be used at the time the appropriate offering document or announcement is created.
- **Investors:** The plan allows investors to make timely decisions with increased confidence that the information is accurate, since the data comes directly from the issuing source without manual intervention or interpretation by third parties. By reducing the delays inherent in today's process of translating and rekeying data in the chain between the investor and issuer, the investor will have the opportunity to make an informed decision more quickly based on accurate information about an event.
- **Financial Services Industry:** The misinterpretations and exceptions due to manual intervention and re-keying will be significantly lessened. This reduces risk and cost, thus providing STP and efficiency to the marketplace.

By effecting a widespread reduction in risks and costs that are estimated at billions of dollars per year, significant savings and service improvement should be realized by the issuer/offeree, their investors, and the intermediaries involved.