

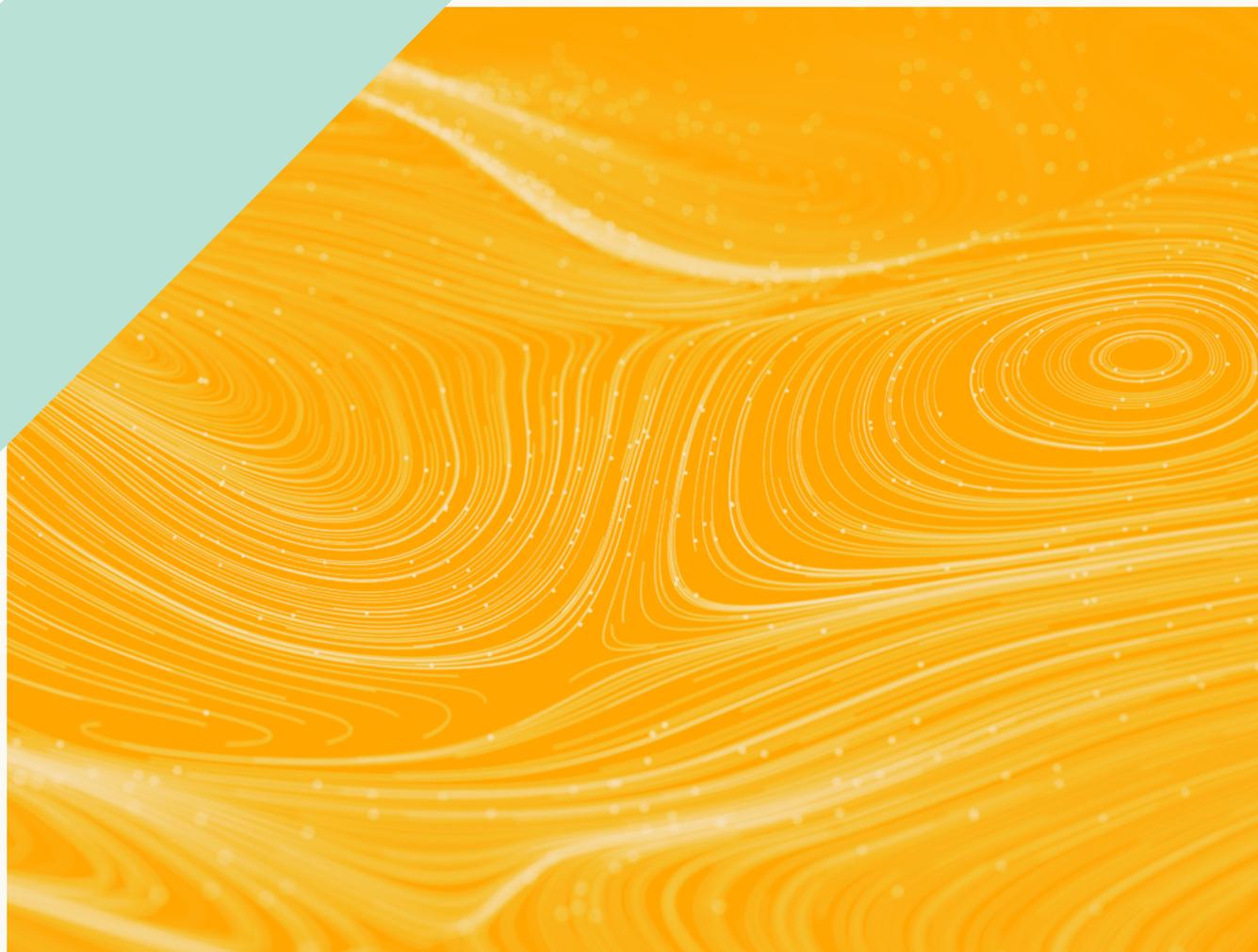
**DTCC**

NOVEMBER 2023

# Automating the Sourcing of Corporate Actions Announcements from Agents and Issuers

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A DTCC POSITION PAPER TO THE INDUSTRY



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# Dear Colleagues,

At DTCC, our mission is to lead the advancement of the financial markets as an influential and strategic partner and we continuously strive to find ways to reinvent and improve upon the services we provide to our clients and the industry. With DTCC driving several large-scale modernization programs across the enterprise, our Asset Services business is building out a platform that will enhance and automate processes at every touchpoint in the securities lifecycle, across the entire end-to-end industry flow.

**As part of that journey, we are looking closely at our interactions with Agents and their Issuers to determine if there are operational opportunities for improvement that can positively impact every party in the asset servicing value chain.**

A critical process is the sourcing of Corporate Actions announcements from Issuers and Agents, which is currently manual in nature and can delay the dissemination of important data to clients and, ultimately, the beneficial owner. In fact, in a paper developed earlier this year by SIFMA's Operations & Technology Committee and Ernst & Young LLP, "[U.S. Corporate Actions Standardization Position Paper](#)," it was estimated 46% of global event data is still published and received manually. SIFMA's paper delivered a call to modernize and standardize Corporate Actions event processing for industry members and investors, and at DTCC, we also believe a more efficient and streamlined interaction with the Agent community could be a game changer. This issue has also been outlined in the 2023 ISSA paper, "[Corporate Actions Data Sourcing – The Case for a Standardized, Automated Single Source Model](#)," which focused on the challenges from a global perspective.

We see tremendous opportunity for automation improvements that can benefit all stakeholders. While the SIFMA and ISSA papers highlight the need for greater standardization, DTCC is looking for specific ways this can be achieved within a more collaborative and efficient Corporate Actions structure. With the support of the industry and our clients, we are looking to achieve several process improvements to the announcement notification process, including the dissemination of announcement information to market participants in a more expedited manner, a reduction of manual touchpoints, improved operational efficiency, increased accuracy through fielded data for all parties in the value chain (custodian, broker, asset or wealth manager, beneficial owners, agents), and automated checks and balances.

DTCC recently highlighted the value in automating and standardizing security information dissemination with the LIBOR Replacement Index Communication Tool. Approximately 130,000 rate replacement submissions have now been placed through the tool, which fields critical fallback rate information directly to Market Data Providers and DTCC clients in a standardized format, a feature we are looking to leverage for future capabilities. In every business, we are looking to transform processes by using updated, modern, scalable technology to reduce cost and risk. We look forward to working collectively with our partners and engaging the support and participation of the industry to truly transform and modernize asset servicing.



**Ann Marie Bria**  
DTCC Managing Director  
General Manager, Asset Services

# Introduction

As the global financial industry has evolved in complexity, it is critical to investors that the dissemination of Corporate Actions announcements to the market are accurate, timely, and trustworthy. Initiatives such as the move to a T+1 Settlement cycle have only increased this need, as financial services organizations will have less time to perform vital reconciliation, calculation, and remediation activities.

The process of announcing and allocating Corporate Actions events involves a significant amount of back-and-forth communication and coordination between DTC and external parties. All events – whether they are Distributions, Redemptions, or Reorganizations – present challenges. Much of this has to do with a lack of automation and standardization, which leads to delays in timeliness and challenges finalizing announcements with complete and accurate data.

DTC is in position to help improve these inefficiencies and is proposing the development of two new platforms that can change the way in which interactions with Agents and Issuers take place to deliver even more timely and accurate Corporate Actions announcements:

1. **A modernized GUI interface/portal** that provides templates for each Corporate Actions event type that Agents and Issuers can use when transmitting event information to DTC
2. **Standardized automation via API/messaging** which will use the same templates as the portal and allow for two-way accessibility for Issuers and Agents to confirm missing event data

DTC has spent the last 13+ years adopting global market standards and creating widespread adoption to the ISO 20022 standard. Given that the U.S. market is communicating Corporate Actions information using this standard, DTC believes this model should also be used to receive this information directly from the Agent entity source.

In this paper, DTC hopes to contribute to creating a better understanding within the Agent/Issuer community of how these proposed changes will support Agent interactions for Corporate Actions events and address existing challenges faced by the industry.

**“In the U.S. market, a vast number of Corporate Actions processing for nearly 1.4 million active securities is facilitated through The Depository Trust Company (DTC), a subsidiary of The Depository Trust and Clearing Corporation (DTCC). DTC is a centralized securities depository which continues to play a critical role working with Agents and Issuers to bring these events to the market in a timely manner.”**

# Industry Challenges with Sourcing Corporate Actions Announcements

The workflows currently embedded within Corporate Actions result in over **3.7 million event announcements** in the U.S. every year. The U.S. Market faces challenges because it is horizontal in nature, with data being passed from entity to entity throughout the value chain, on its way to the end investor.

DTC has supported certain Corporate Actions processes for almost 50 years, but even as the complexity of events and the data contained in announcements have evolved, the processes themselves have not changed considerably. Many of the current challenges embedded within these processes can be traced all the way back to manual practices using legacy platforms. Modernized technology offers the ability to proactively address these challenges, streamlining interactions with the Issuer and Agent community and across the industry while also providing cost savings, reducing processing lead time, and mitigating transactional risk. For example, offering Agents and Issuers standardized templates and automated messaging platforms can reduce the manual back and forth between these parties and DTC. While these benefits will be passed onto the industry in the form of more accurate and timely information, the Agents and Issuers themselves also stand to gain efficiencies.

This requires the Issuers and their Agents to adhere to widely accepted global standardization practices that are part of the downstream value chain.

In 2022, DTC partnered with Broadridge Financial Solutions and S&P Global Market Intelligence, in its capacity as Transfer Agent to Issuers, to analyze the challenges associated with announcement sourcing. Together, the following issues were identified:

- 1. No Centralization:** There is no single, centralized point to collaborate and agree on Corporate Actions announcements.
- 2. No Standardization:** DTC and the U.S. market have adopted the ISO 20022 standard for outbound Corporate Actions announcements, but there is no industry-level standard for how this information is sourced from the Issuer/Issuer Agent.
- 3. Lack of Clarity:** Due to the way in which information is passed from party-to-party in the value chain, clarity on the source and prior history of the data can be lacking, resulting in the need for duplicative scrubbing by intermediaries. Investor information is available in event prospectus or offering documents which contain no structured data and lead to the manual intervention and review of complicated free text. Given DTC's position in the value chain, its announcement is most closely aligned to the source document that is made available to investors.

**“Through working with its clients in the U.S. and globally, Broadridge has an in-depth knowledge of the challenges associated with Corporate Actions sourcing and welcomed the opportunity to present this solution to DTC and subsequently work with them on a Proof of Concept as we understand the benefits its implementation will bring to the industry and U.S. market”**

*– Cathy Conlon, VP-General Manager, Broadridge*

- 4. **Highly Manual:** Many of the processes within Asset Services are highly manual, labor intensive and costly.
- 5. **Delay in Announcement (missing information):** DTC must coordinate with Agents regarding pertinent event information. Being dependent on Agents to receive that information in a timely manner or having to confirm specific details that match what DTC is expecting can often lead to delays in announcing events.
- 6. **High Risk:** Events with investor elections, such as Voluntary Reorganizations, have tight instructions deadlines and delays in announcing that can adversely impact the window within which these elections must be made. While this is a significant challenge for U.S. investors, the problem is also amplified to foreign data recipients in different time zones and jurisdictions who also need to make timely and informed investment decisions.

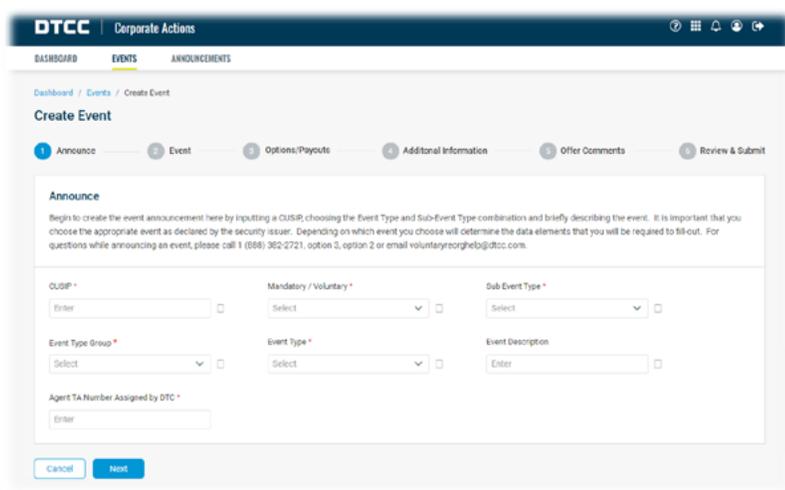
## Solution: A New Way of Interacting with Agents and Issuers

Building upon the findings from partnerships with Broadridge and S&P Global Market Intelligence, DTC has identified two solutions that will help create automation and transparency in the announcements sourcing space.

### 1. New Agent/Issuer Interface

DTC envisions future interactions with Agents and Issuers will be primarily held through the standardized human-to-machine GUI interface template, which will also offer them the flexibility of machine-to-machine through the portal. This data becomes the basis for announcement creation and transmission to the industry using the same standardized data model in which it was received.

Below is an example of the GUI template prototype:



The portal will help reduce delays in processing due to missing, erroneous or unclear information because it will provide direct access to event

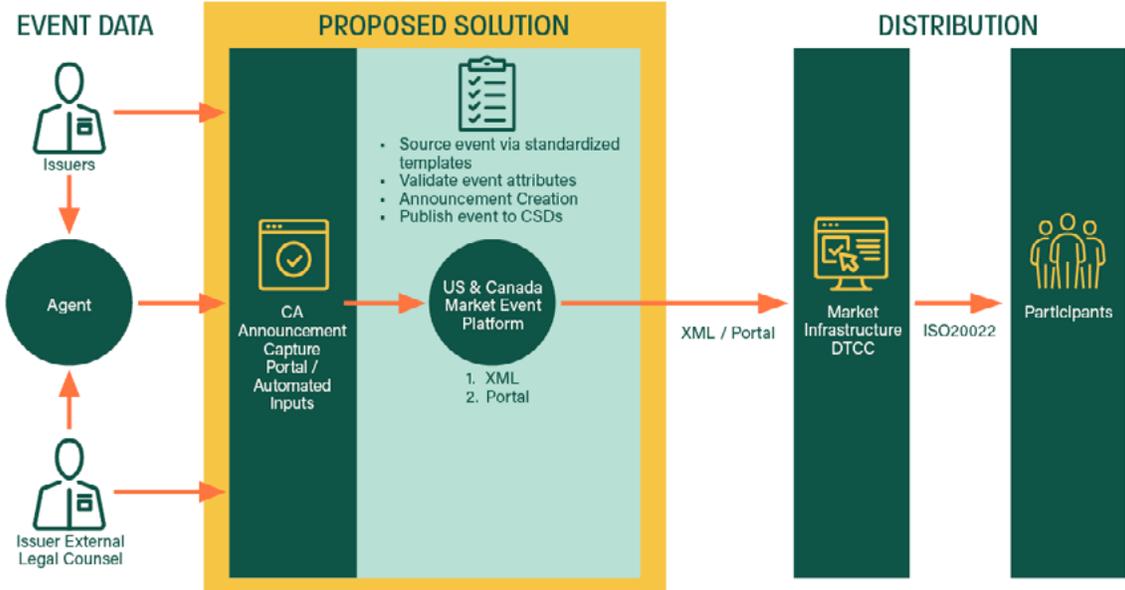
**“We welcome DTC’s kick off of this initiative. As a primary data, service, and solution provider on Corporate Actions, we have extensive knowledge of the existing bottlenecks in the announcement process and understand the importance of information dissemination to beneficial owners on time.**

**In addition, S&P Global Market Intelligence’s expertise in data and technology on Corporate Actions can help our industry reach new levels of efficiency by promoting straight-through processing and real-time dissemination of Corporate Actions information, thus creating efficiencies and reducing risk.”**

*- Jatan Patak, Executive Director, S&P Global Market Intelligence*

information needed for announcements in DTC's systems. The portal also builds on current file transfer capabilities such as BMA and REDCAL that have allowed Agents to deliver data in a straight-through manner. This will reduce any inefficient back-and-forth e-mail and phone communications between Agents and DTC, as well as eliminating the need to manually input large amounts of fielded data into its processing systems. This portal is also being built to be adaptable to current and future technologies through the use of microservices.

The following diagram depicts the proposed future state:



This model is not without precedent: Looking at Japan as a national-level example, Broadridge has successfully enhanced the corporate governance processes through standardization and digital automation, leading to improvements for both Issuers and Investors. The Broadridge solution digitally supports over 1,700 issuers and has significantly increased the speed to market of event announcements and the competitiveness of voting deadlines, thereby expanding the election window for investors. With these advancements, Broadridge has effectively de-risked and streamlined the corporate governance landscape in Japan, making it more efficient, accessible, and investor friendly.

S&P Global Market Intelligence has previously worked in the Singapore market implementing a comprehensive Issuer portal for Corporate Actions and company announcements, one of the first markets to do so. The solution enables Issuers and their Agents to submit Corporate Actions and other announcements online and in real-time. The investor community has significantly benefited from a more timely, accurate, seamless, and transparent communication flow resulting in improved service quality and cost efficiency throughout the chain, while significantly mitigating operational risk in downstream systems and applications. DTC hopes to implement similar capabilities through its new client portal and leverage collaboration with our partners at S&P Global Market Intelligence, Broadridge, and others in the community. In order for this to be successful in the U.S. Market, and given the challenges of the aforementioned horizontal market structure, participation from the Agent/Issuer community is essential.

## 2. Messaging and/or API-based Automation

For Issuers and Issuer-Agents seeking to automate this process, DTC will be providing messaging and/or API capabilities built on the ISO 20022 standard. The messaging solution will cater to agents with large event volumes or those looking to send events with large numbers of assets or event notifications.

ISO 20022 is utilized across the U.S. market as an engine for automation and standardization. The taxonomy, which has been heavily influenced by DTC's long-standing partnership with the industry, and which undergoes a yearly maintenance cycle, can provide the data modeling framework the industry needs for standardizing the sourcing of announcements.

When coupled with real time MQ messaging or APIs, this modeling framework allows data to be sent to DTC using the same taxonomy, which would then be used to create the announcement that is sent outbound to participants or any impacted entities.

DTC's partnership with Broadridge and S&P Global Market Intelligence, as well as any other interested firms in the Agent/Issuer communication space, will help identify key data elements to be captured at the source and transmitted via standard protocols (e.g., XML-based messaging and/or API) to DTC for automated processing. The goal of this proposal is to eliminate manual touchpoints and create automation using common standards.

As DTC develops this newly modernized messaging platform for Agents, there are plans underway to address ongoing challenges by presenting solutions that will:

- **Increase efficiency** by providing streamlined and enhanced internal and external experience
- **Reduce risk** by replacing manual touchpoints with automated capabilities at source
- **Increase the speed-to-market** of announcements data, allowing investors more time to make critical investment decisions
- **Provide a full audit trail** from the initial announcement, capturing all subsequent updates
- **Enhanced and automated** Letter of Authorization (LOA) process and validation of the announcement from the Agent
- **Provide ease of access**, to offer documents with digitization and clear linking to the event announcement
- **Provide a full end-to-end workflow** of an event announcement from inception to completion

The engagement with Broadridge and S&P Global Market Intelligence has supported the DTC position that a call to action for centrally mandated standardization – driven by the market infrastructure with support from market participants – is needed.

# Next Steps and a Goal for Modernization

An automated solution for sourcing Corporate Actions announcements should be adopted across the Agent/Issuer community.

DTC's development plans will be brought to market in Q4 2023 with an isolated testing environment that enables users to submit announcements without affecting the production application via an MQ messaging test interface. Ultimately, the objective is to revamp the processing structure to provide a more reliable, sustainable, and secure foundation for the future processing landscape.

Both the messaging solution and the GUI, or Agent Portal, will exist in a test environment at DTC with the goal of making it functional in 2024, pending test results and feedback. Testing for the messaging solution will take place initially in Q4 2023 with partnering Agent firms, S&P Global Market Intelligence and Broadridge, as well as any others that would like to participate. As testing progresses, DTC, Broadridge, and S&P Global Market Intelligence hope to prove the concept that automating Corporate Actions announcement information is technically feasible and can deliver efficiency, reduce risk, provide accuracy through standardization, and disseminate announcements data to market participants in a timelier manner. In 2024, DTC will be offering testing via a newly developed GUI/ Portal, with a focus on Redemptions event types.

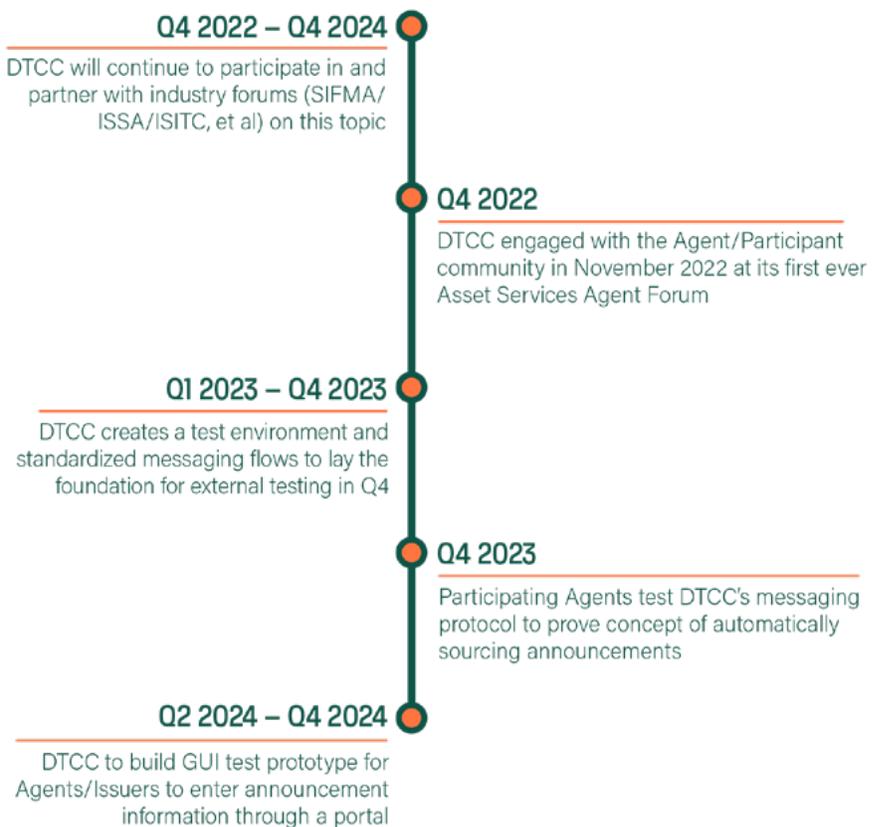
With the new proposed event notification and creation processes in place, DTC will be able to offer a modernized means of facilitating Corporate Actions transactions, enabling a more efficient and simplified platform to collaborate between DTC and external Agents and Issuers.

The timeline on the right depicts this journey through 2024:

**The solution must be easy to adopt, with minimal effort and process.**

**DTC welcomes input from across the industry, to help shape how these automated functions could work, and to coalesce agreement around the data points.**

*To join these conversations, please contact: [camodernization@dtcc.com](mailto:camodernization@dtcc.com).*



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