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Current Market Conditions Causing Increased Corporate Actions Complexity, Says FISD Panel

Corporate actions models and processes are being 'pushed' by the current financial market activity, and the increasing focus on risk and regulations is having an immediate and clear impact on the business of managing corporate actions information, according to a panel of specialists at Wednesday's FISD Issue Brief event in London.

According to Dean Hogan from JPMorgan Chase's Global Asset Servicing group, the last three months have seen significant volatility and volumes as well as an increasing complexity in the events the firm is now dealing with. "There's a move from generic events to more 'funky' events, and the volumes keep going up so we have to adapt," he explained.

This sentiment was echoed by Interactive Data's European business lines director Bob Cumberbatch, who said: "Corporate actions have typically been dominated by income payments data delivered to our clients at custodians and asset managers. But now we are being approached by front and middle office functions that are looking for the more M&A focused corporate actions data to help them to understand their level of risk. Knowing who owns what is essential to understanding your exposure to other banks (and now governments!)."

While there is an acceptance that getting corporate actions wrong can prove costly, according to Erik Eklund,

head of analytics for global data products at Nasdaq OMX, there are still no real metrics to point to. That said, panellists agreed that senior management at financial institutions do understand the risk associated with corporate actions. The question, said Hogan, is whether corporate actions will receive the right level of budget in this climate. "There are no longer big pools of money available, which means that we have to be smarter and focus more on the business case in order to get our priorities right. It's not all doom and gloom, there are budgets, it's just a matter of priorities," he said.

Cumberbatch added: "We've not yet seen an impact of cut budgets on corporate actions data spend, and in fact we're seeing an increased interest from new user types wanting to invest in corporate actions information, though how long that remains the case is yet to be seen."

Given the current landscape, Hogan suggested: "There is now a risk element that will stay with us for some time and more regulations will come; we have to expect that and figure out how to handle it."

There was a difference of opinion, however, across the panel, which was moderated by A-Team Group's editor Virginie O'Shea, about the level of regulatory intervention that is required to help the industry move corporate actions processing and auto-

mation forwards.

The industry has to some extent helped itself move forward with various industry standards initiatives, such as the ISO 15022, the moves towards adoption of the XML reporting standard XBRL and Swift's efforts such as its Simulation Testing and Qualification Service (STaQs), which was launched earlier this year. Cumberbatch also said that the initiative by CSDs such as Euroclear and Clearstream in the issuer agent messaging space would be a significant help. But he argued that this is not the final step to be taken: "A good idea like this is just not enough. I do feel that regulators need to intervene in order to move this forward."

Hogan disagreed, however, contending that: "Yes regulators can be a catalyst for helping us to move forward, but the industry can do more by itself. At JPMorgan Chase, we use ISO 15022 and have invested real effort with all parties for them to provide data in the right format. The user community can push this harder and can make progress. We are also using STaQs, which could have a significant impact if we use it properly. It can give us a benchmark of how we are performing compared with others and can help lead us to improvements in our processes. Without it, we're taking a stab in the dark."