

Automation is Not a Magic Bullet for Corporate Actions, Says CityIQ

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Although areas such as data capture and notifications have been automated, there are still many areas to be tackled in the processing of corporate actions, according to the results of CityIQ's recent corporate actions survey. Moreover, automation is not the end state for efficiency in the space: adherence to market practices and greater standardisation are vital for the future, says Paul Wiltshire, managing director of CityIQ.

Commenting on the most important finding of the survey, Wiltshire says: "It provides proof, if proof were needed, that automation isn't a magic bullet and that the biggest benefits are going to come not from automation but from adherence to market practice."

The survey was carried out with 137 individuals from more than 100 buy side, sell side and custodian organisations in the US, Europe, Asia and Africa, says Wiltshire. "The survey identified three main drivers for automation: the reduction in operating costs, the avoidance of losses and volume growth. Of these, the influences that are gaining are loss avoidance and volume growth – reflecting the fact that corporate actions departments are having to deal with not only more events but more complex events."

The vast majority of respondents have automated at least part of the corporate actions process but this has been focused on areas such as data capture and notifications, he explains. Automation of other functionality such as workflow is still only enjoyed by a minority of respondents and these projects are still very much works in progress.

"I think just about everybody involved in the process recognises the need to improve the quality of corporate actions data – as evidenced by the raft of initiatives currently underway. The issues as always are about what needs to be done and who needs to do it," says Wiltshire.

Nearly half of those surveyed reported that they were either in the process of automation or were thinking about increasing the levels of corporate actions automation in the next 12 months. However, the increased automation of corporate actions processing is not a forgone conclusion, says Wiltshire, as many respondents cited competing priorities for investment as a contributing factor to the slowdown in the space. A minority of respondents believed that further automation of the process was being held back by the lack of appropriate functionality in vendor offerings.

"The survey was carried out before the worse of the current crisis became known. However, I think it likely that as part of a general budget squeeze a number of automation projects will be delayed or curtailed," he adds.

Most respondents called for tighter standards and validation of market practice as a way to improve market quality. Of the various initiatives currently underway the activities of Swift, SMPG and the ISO were seen as being most likely to have an impact on both data quality and straight through processing, according to CityIQ.

“These are industry issues and they need industry solutions. The challenge will be getting all parties engaged and involved and that is where organisations like Swift have such an important role to play,” says Wiltshire.

With regards to vendor offerings, the survey indicates the competition is heating up, he continues. “From the survey results it looks as if the green field sites for corporate actions processing are few and far between. Vendors therefore are going to be looking to maximise their revenues by extending functionality or by going for competitive knockouts. Clients will be faced with a choice – to stick with what they have or to migrate to a more functionally rich or financially secure vendor (or build something themselves). As a result we will end up in a market with fewer larger vendors.”