Asset Servicing Innovation:

Are we in the perfect storm?

Key Research Findings

Ready for Next

Overview

Who's in our survey?

Votes and insights from over 200 financial institutions globally during September/October 2020

Asia-Pacific, Europe, Africa and the Americas

Investors, brokers, banks, custodians and service providers

CEOs, COOs, compliance, product, technology, front, middle and back offices

Welcome to our "**Asset Servicing Innovation**" research Key Findings. Run by Broadridge and the ValueExchange in September and October in 2020 (in cooperation with ASIFMA, ISSA, The Network Forum and Global Custodian magazine), this survey is providing fresh, global insights on how the industry is dealing with a unique combination of market, customer and regulatory pressures today in the asset servicing space.

Our objective is to highlight key areas of difficulty and best practice in the industry: with a view to driving best practice amongst participants in every segment and region.

These Key Findings are an early, statistical snapshot of the outcomes of this *unique* market survey: designed to raise new questions and to drive industry discussion. We would welcome your views and comments on these insights ahead of the publication of our industry handbook in January 2021.

Key Findings

The corporate action problem

Corporate actions are a multi-million-dollar risk centre: more than anyone realises

Do we have a problem? It depends on who you ask

There is no single issue: mandatory, elective and voluntary events have their own challenges

…but 'garbage in' is a fundamental challenge

…whilst manual errors are costing us much more than we think

Capacity, flexibility and agility: the new principles of 2020

The corporate action solution

It's time to transform: we know we can't keep tinkering

Corporate actions are an investment priority in 2020

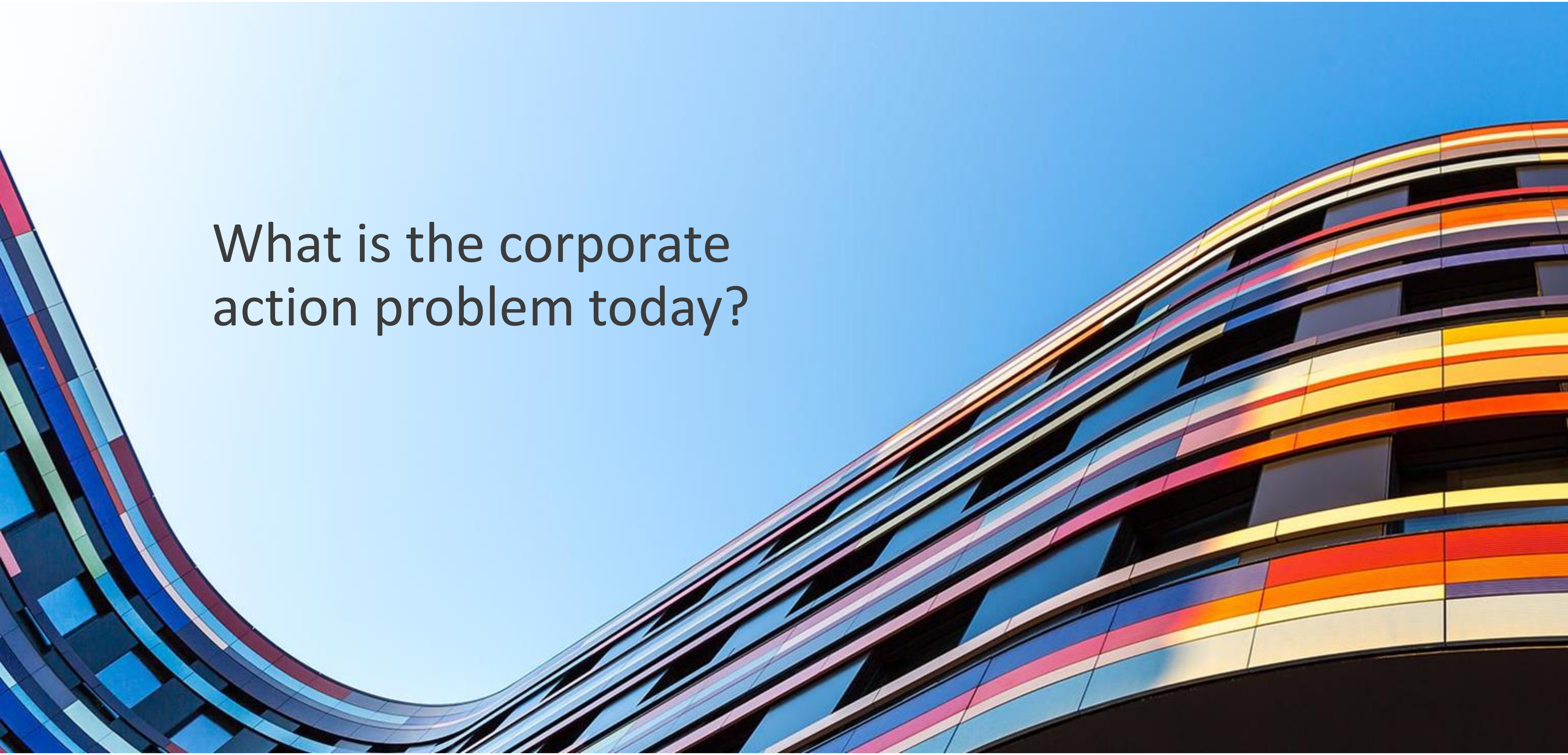
….ahead of almost every other activity

But it's not all about system transformation: beware the appeal of 'Robotics'

Transformation means working as an ecosystem

Capacity, flexibility and agility: the new case for corporate action transformation

What is the corporate action problem today?



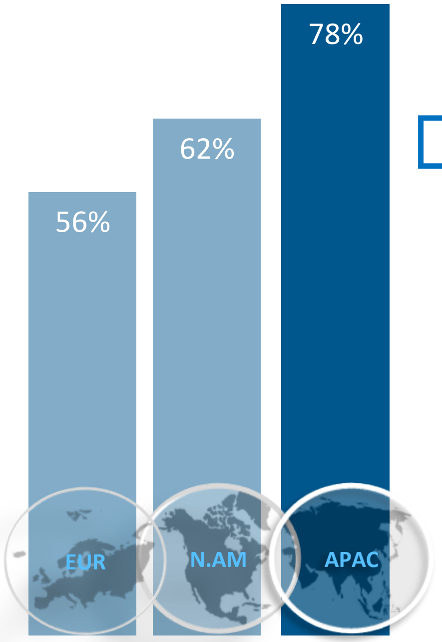
What is the problem?

Corporate actions are a multi-million-dollar risk centre

We are paying out over

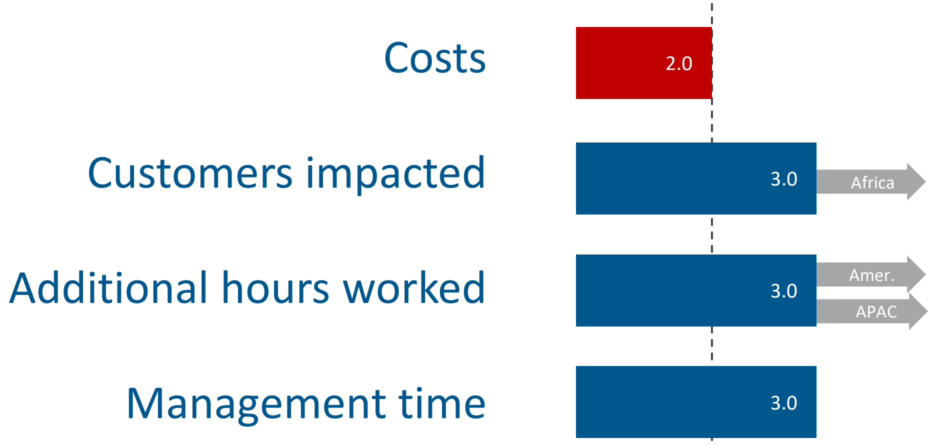
$2m

over 24 months



How much have you paid out in compensation for corporate action errors in the last 24 months?

…and costs aren't even the biggest problem



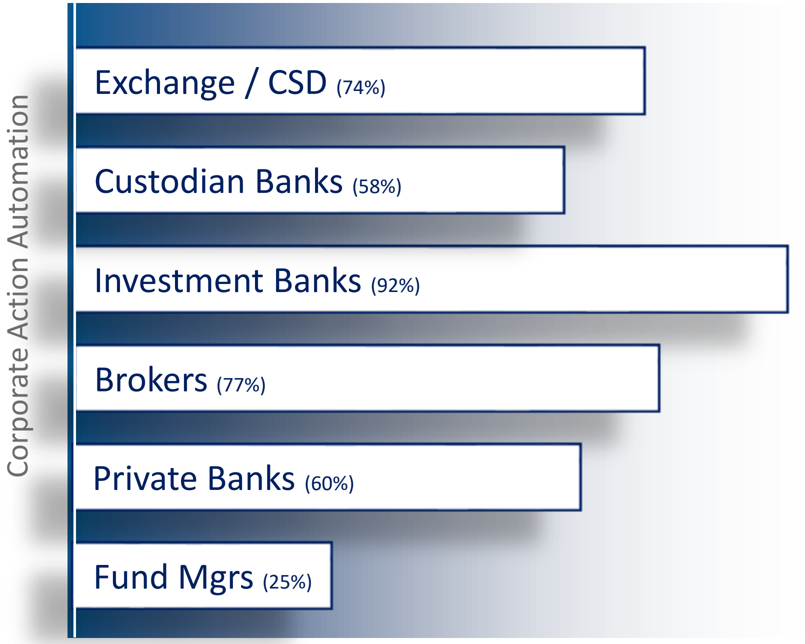
What other negative consequences have you experienced as a result of corporate action processing errors in the last 24 months?

"It takes 2-3 days of full organisational focus to try to undo these with 4-5 parties online and working on it"

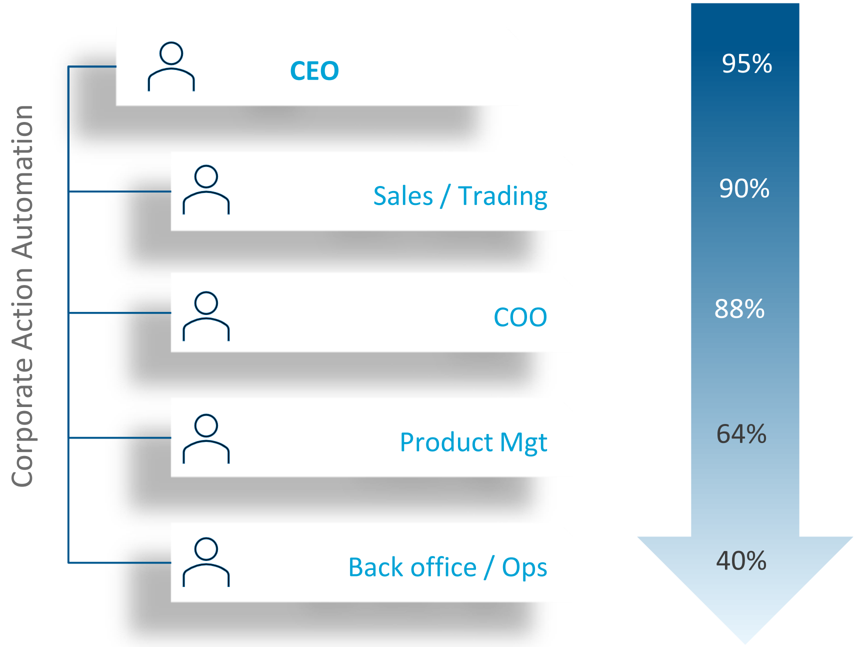
What is the problem?

Do we even have a problem?
It depends who you ask

We have very limited consistency across the industry

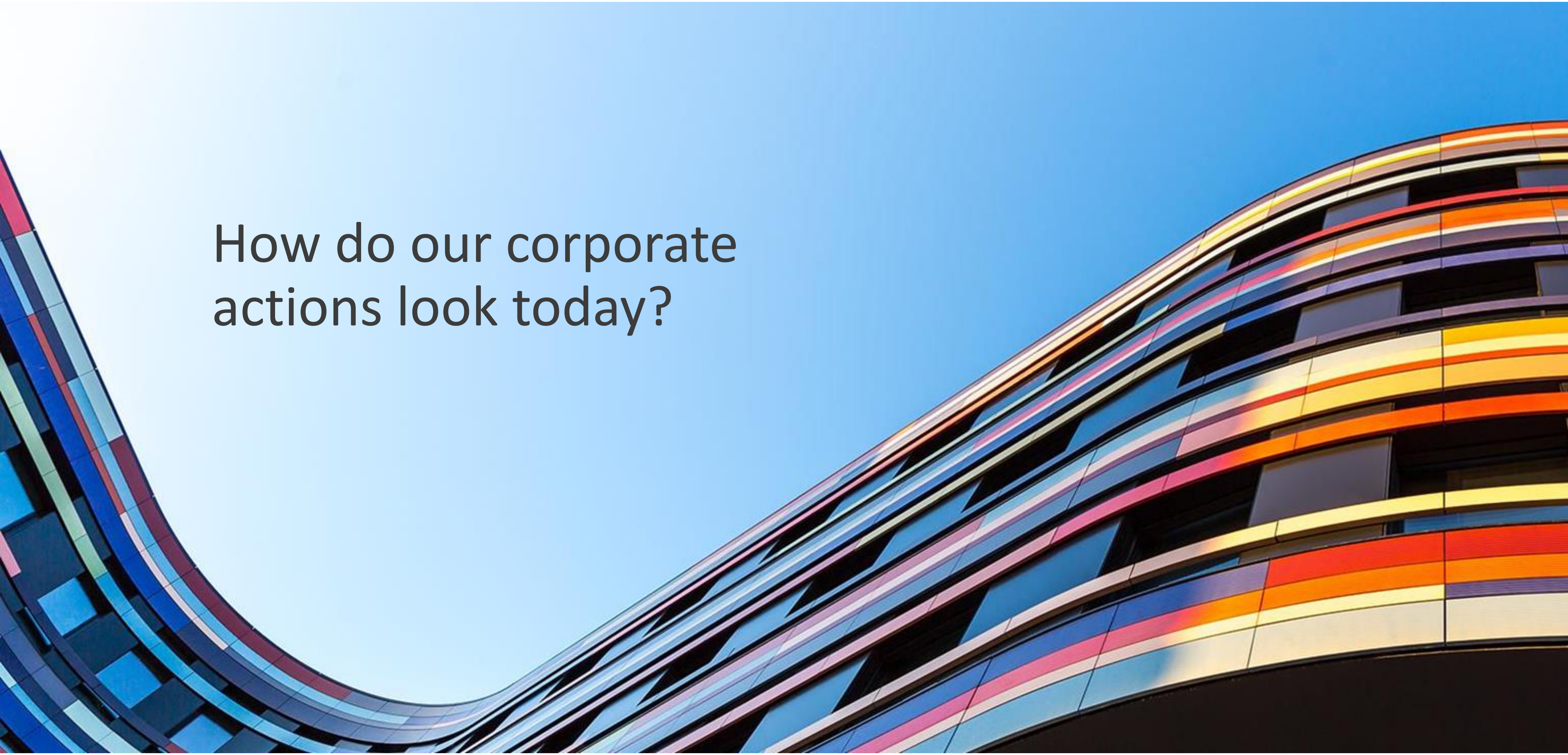


…and it's a long way from the front to the back office



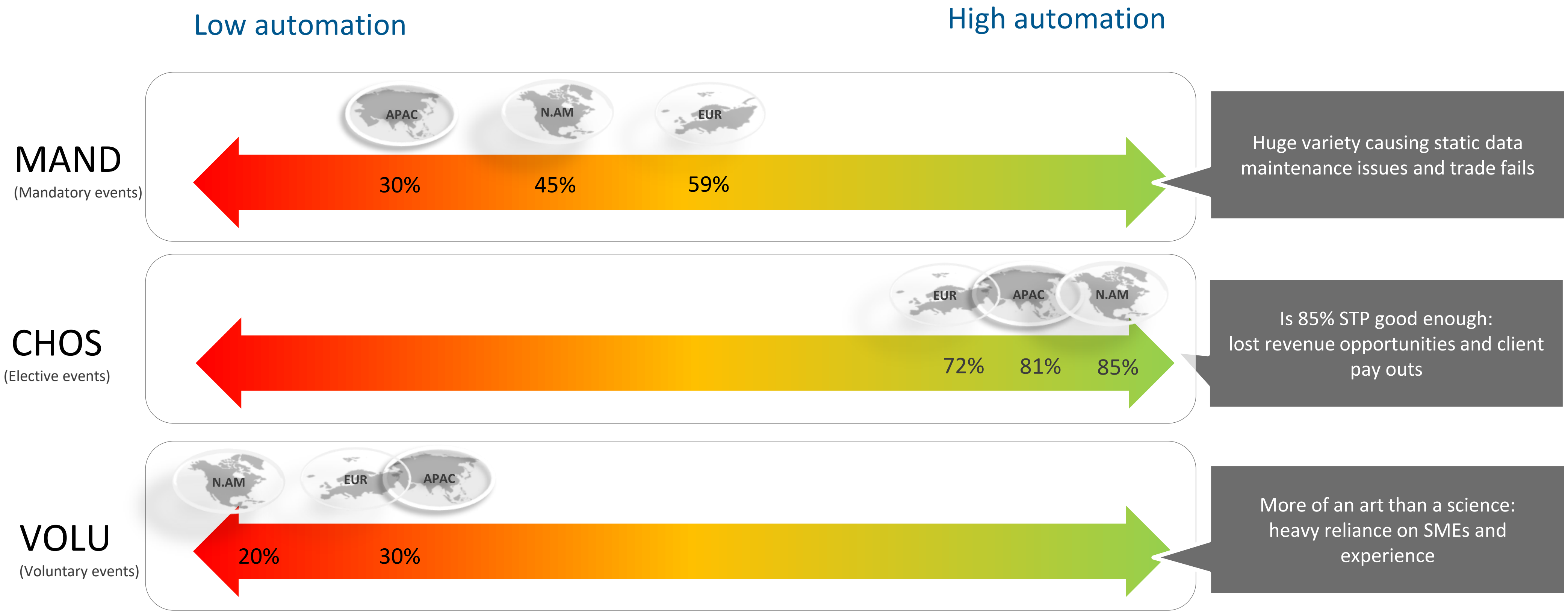
What percentage of your corporate action event information is received and processed automatically today?

How do our corporate actions look today?



What is the problem?

There are at least 3 types of corporate actions problem



What percentage of your corporate action event information is received and processed automatically today?

Where are the risk points?

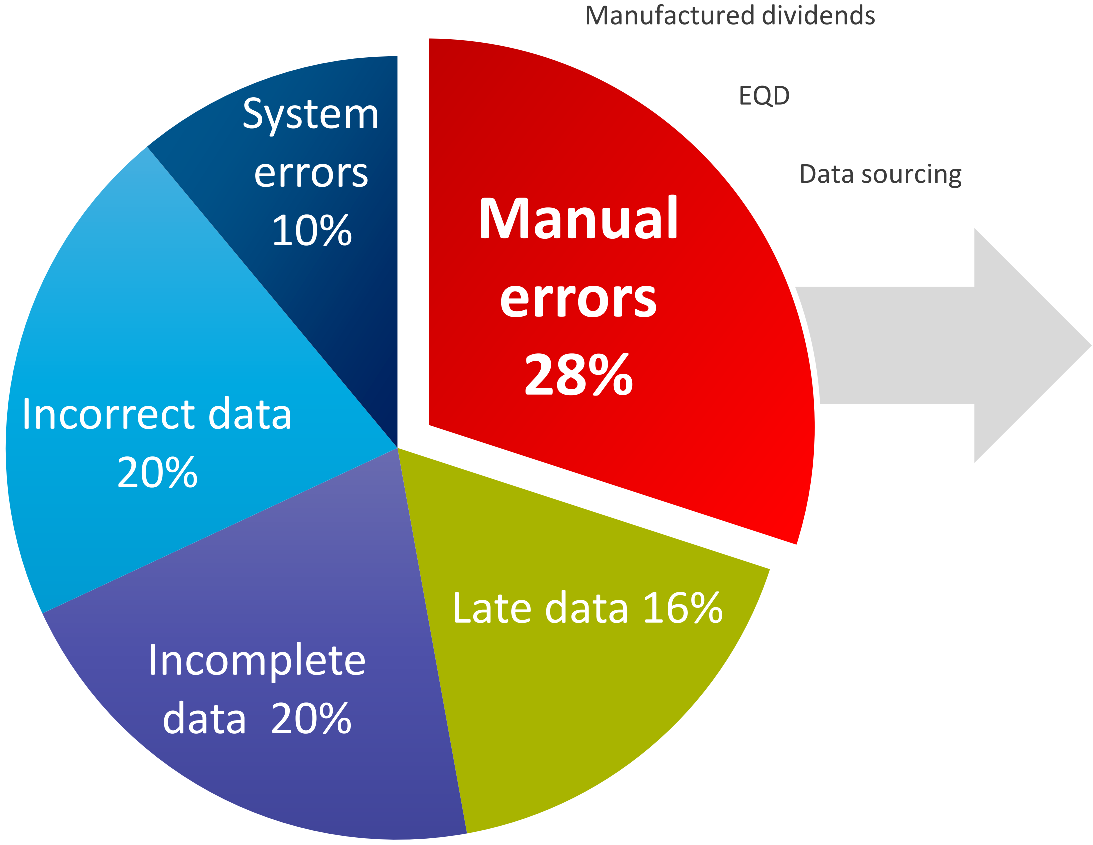
'Garbage in' is still the most pressing issue

	Investors	Brokers	Banks	Key Challenges
Sourcing	3.5	3	3	Automating with market infrastructures
Validation	3	2.5	3	Incomplete data
Entitlements	3	3.5	4	Regional variances (preventing automation)
Notifications	3.5	3	4	System capability limitations
Instruction processing	4	4	4	Automating with market infrastructures
Allocation / distribution	4.5	2.5	4	System capability limitations
Cash forecasting	5	4	3	System capability / regional variances
Tax claims	3.5	3	2	Regional variances (preventing automation)
Client servicing	3.5	2.5	3	System capability limitations

How optimal do you consider your current corporate action processing infrastructure to be? (Scores out of 5)

Where are the issues coming from?

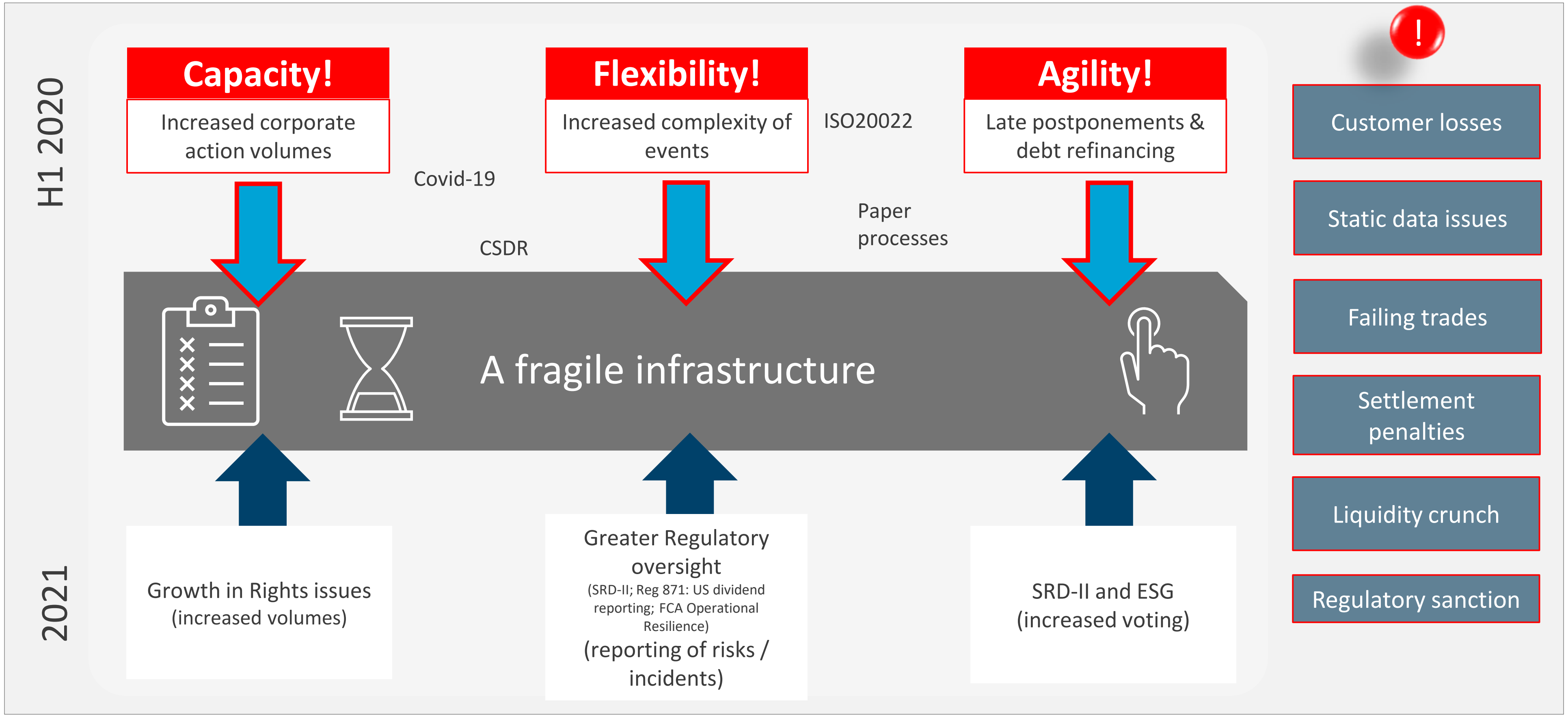
Manual errors are the root of the biggest issues and are far more harmful than we think



What factors have been identified as root causes driving these costs?

What lies ahead?

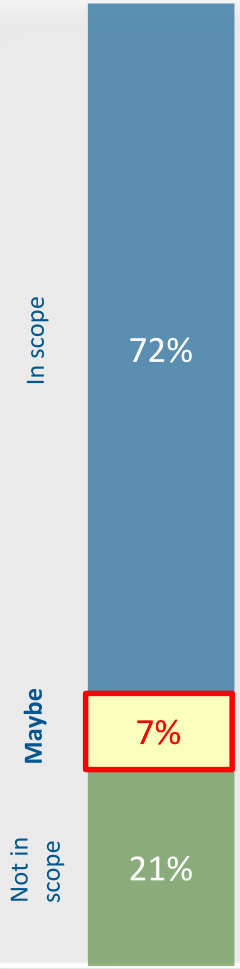
The problem is the changing shape of corporate actions



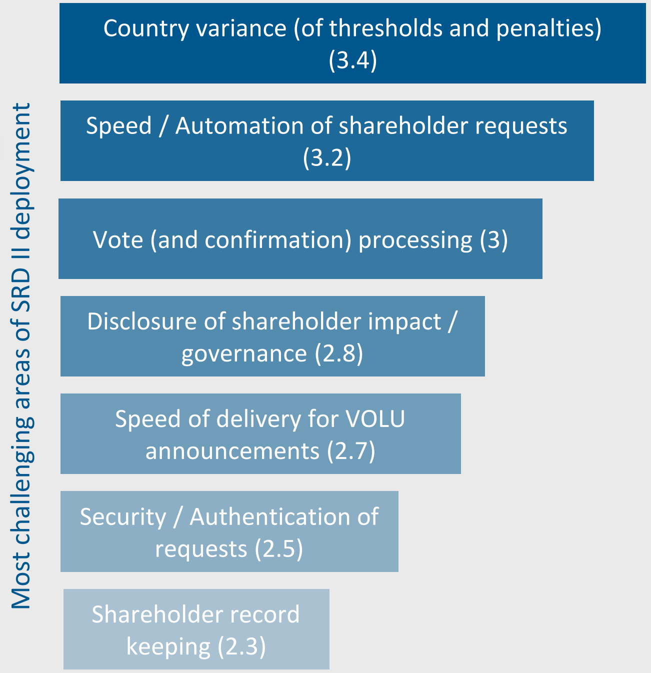
In H1 2020 (given Covid-19 and heightened market volatility), how big an impact have these drivers had on your corporate actions processing ?

SRD II today

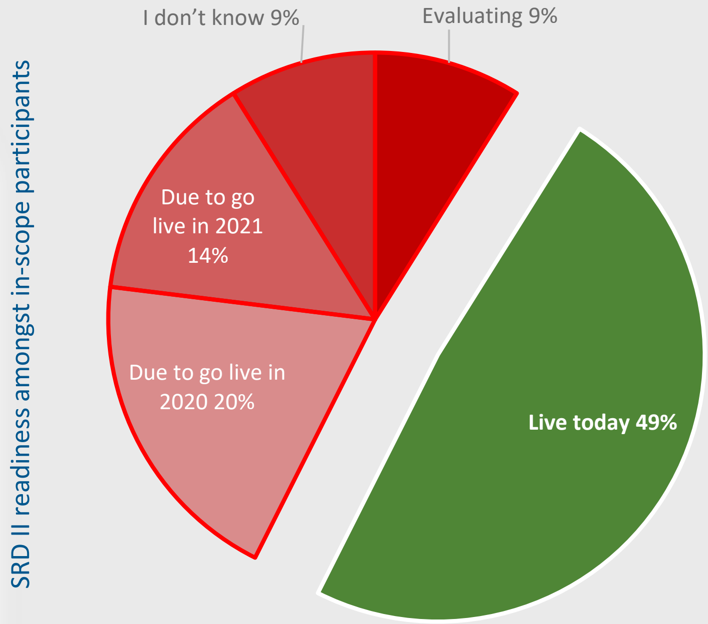
Capacity, Flexibility and Agility: Needed Yesterday



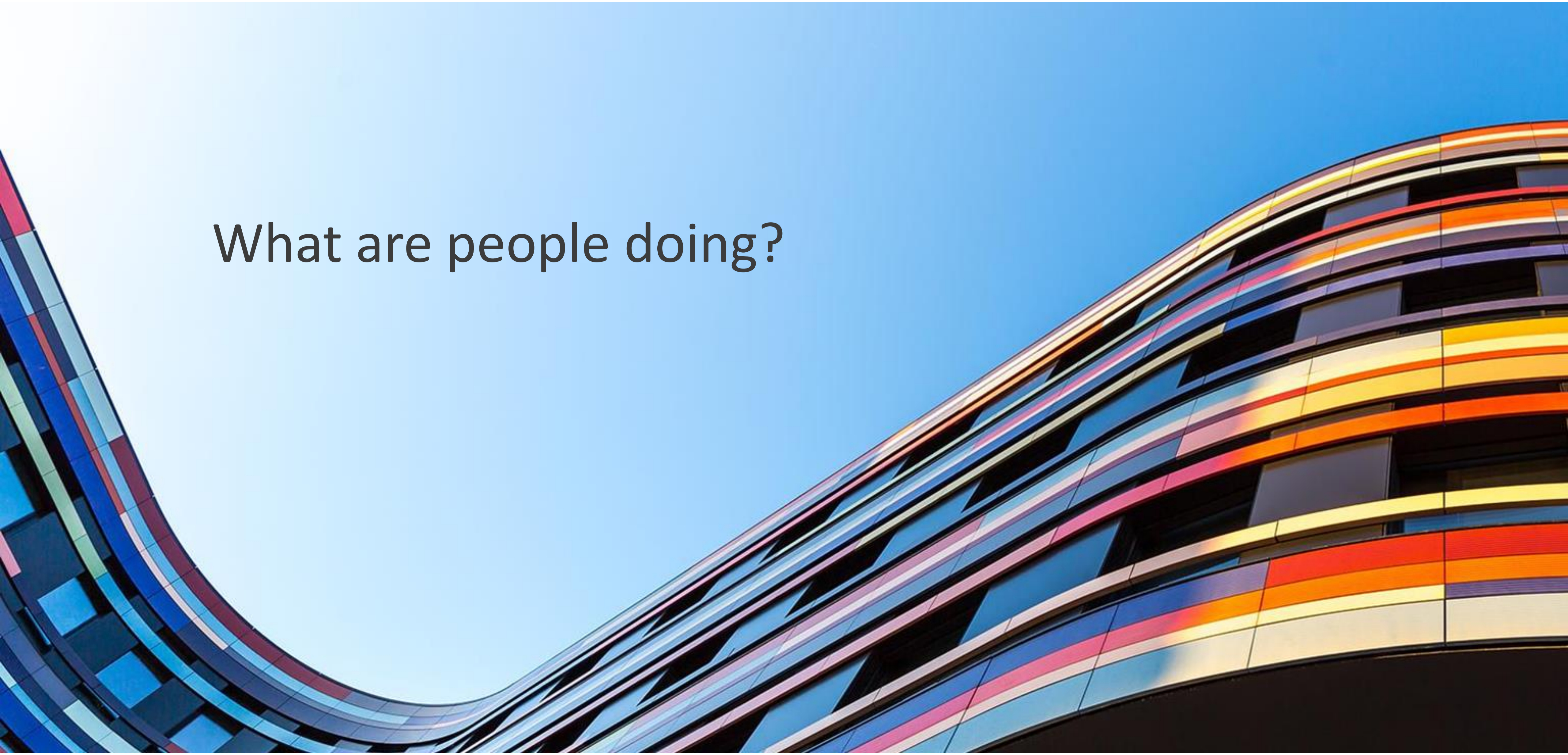
Capacity, Flexibility and Agility as core requirements…



…which only half of us are ready with



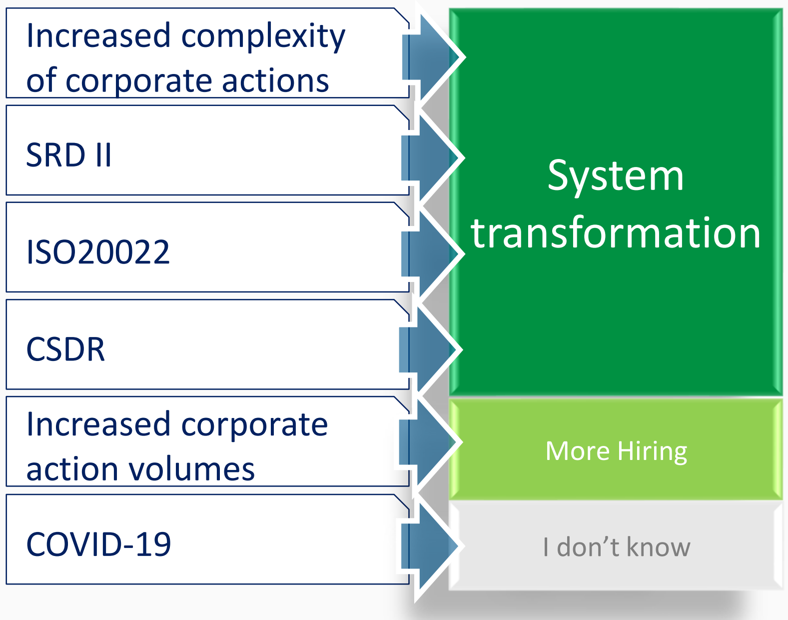
What are people doing?



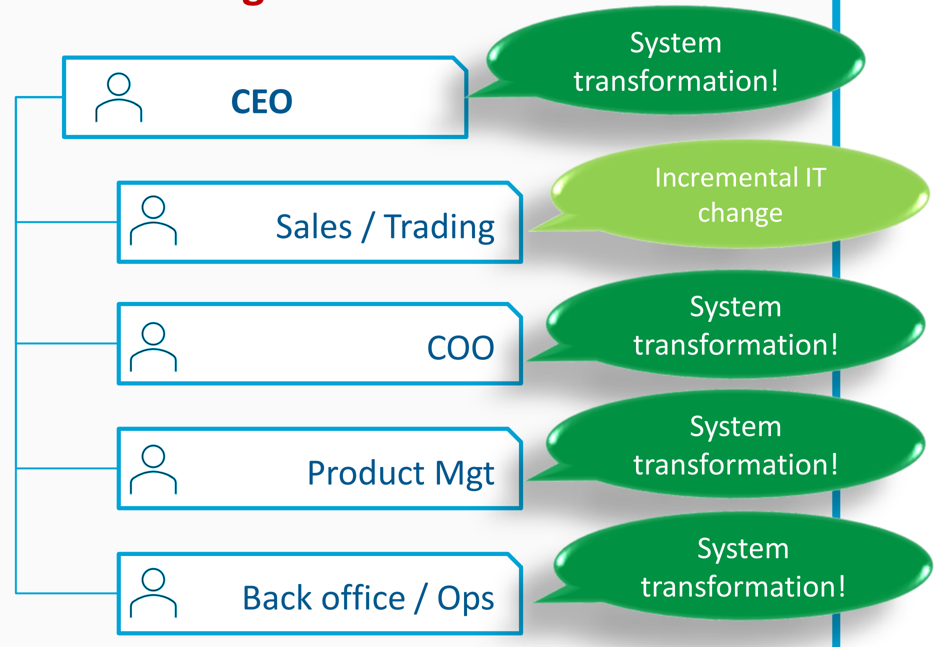
It’s time to transform

We know we can’t keep tinkering any more

A unique number of changes that can only be dealt with by system change….



…is creating a unique alignment in our industry: centred on change



From an investment perspective how are you managing your corporate actions transformation in 2020/2021?

Corporate actions are an investment priority today

…and it's not about cost cutting

How much?

+10%

YoY increase in corporate actions budgets

Trading

CEOs

Sales / RMs

What?

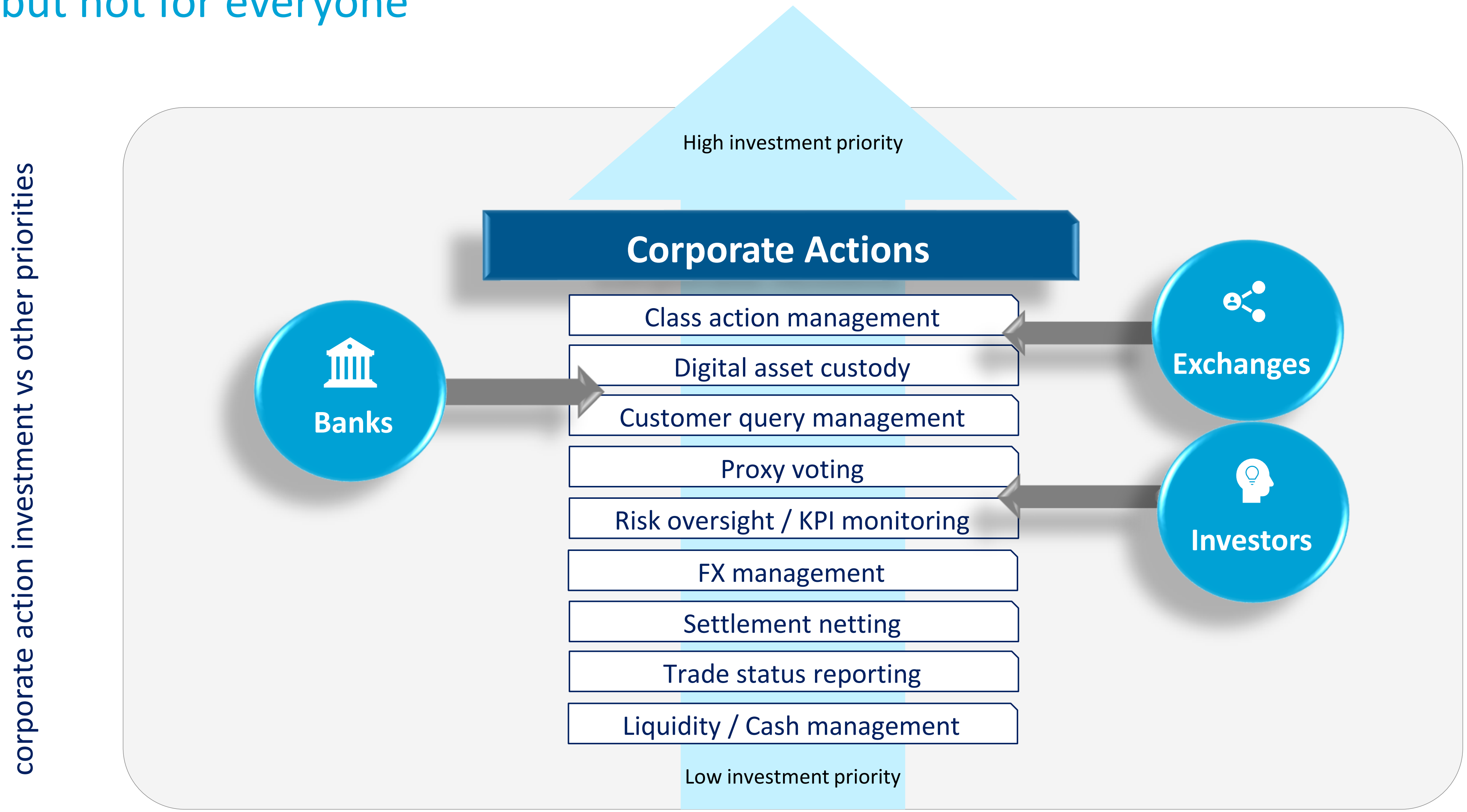
FTE Increase	Hiring (7%)
Incremental IT development	External Connectivity (8%) RPA (15%)
System transformation	System change (29%)

Why?

- ✓ **Future flexibility**
- ✓ **Risk**
- ✓ **Timeliness**
- ✓ Reduced reliance on FTE
- ✓ Regulatory compliance
- ✓ Cost reduction

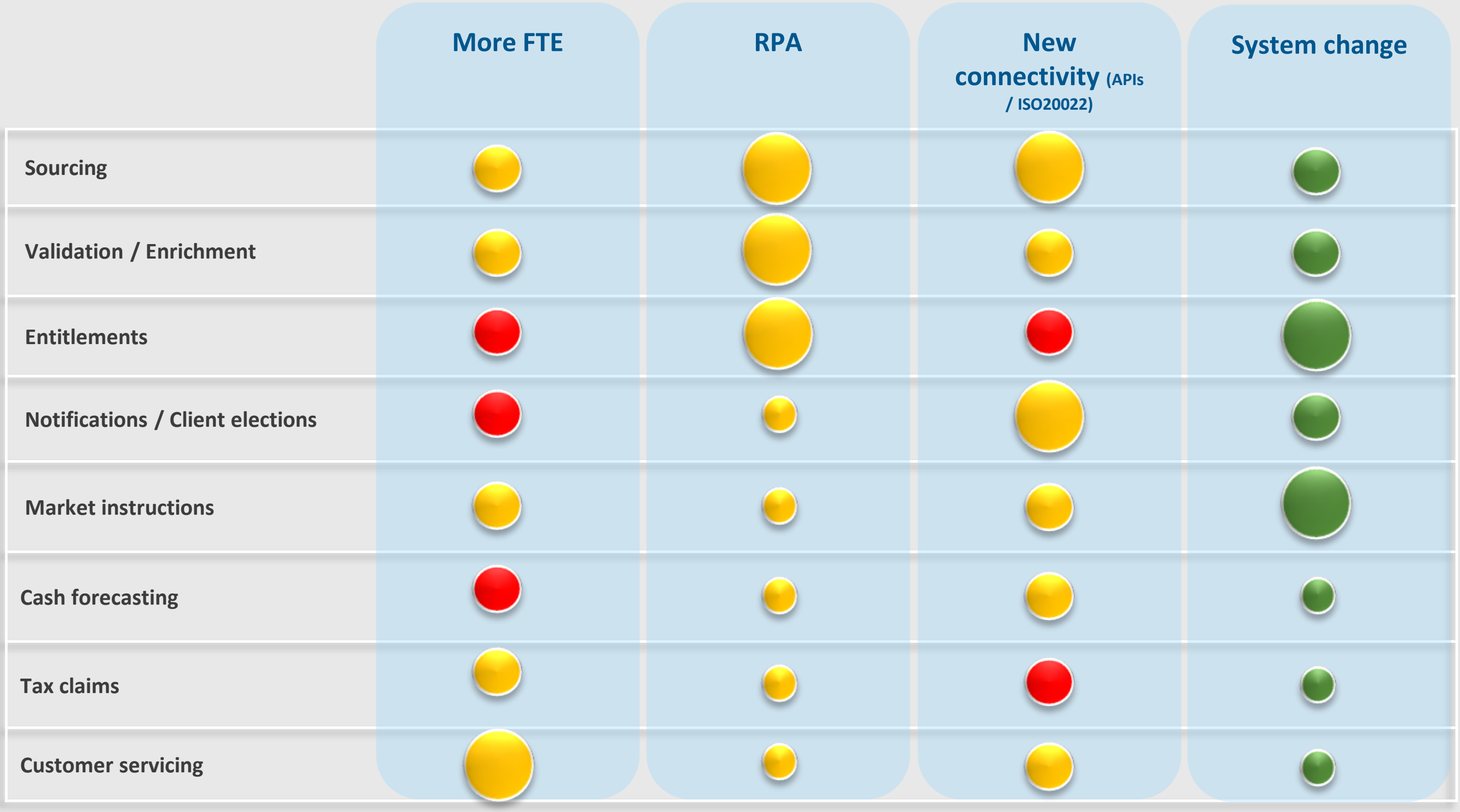
Corporate actions is the #1 investment priority

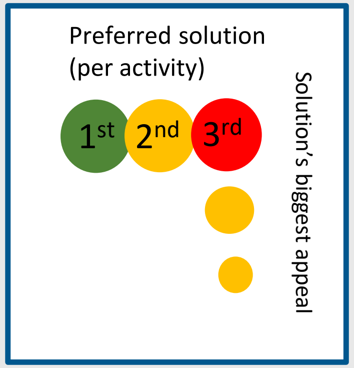
....but not for everyone



Where is the change?

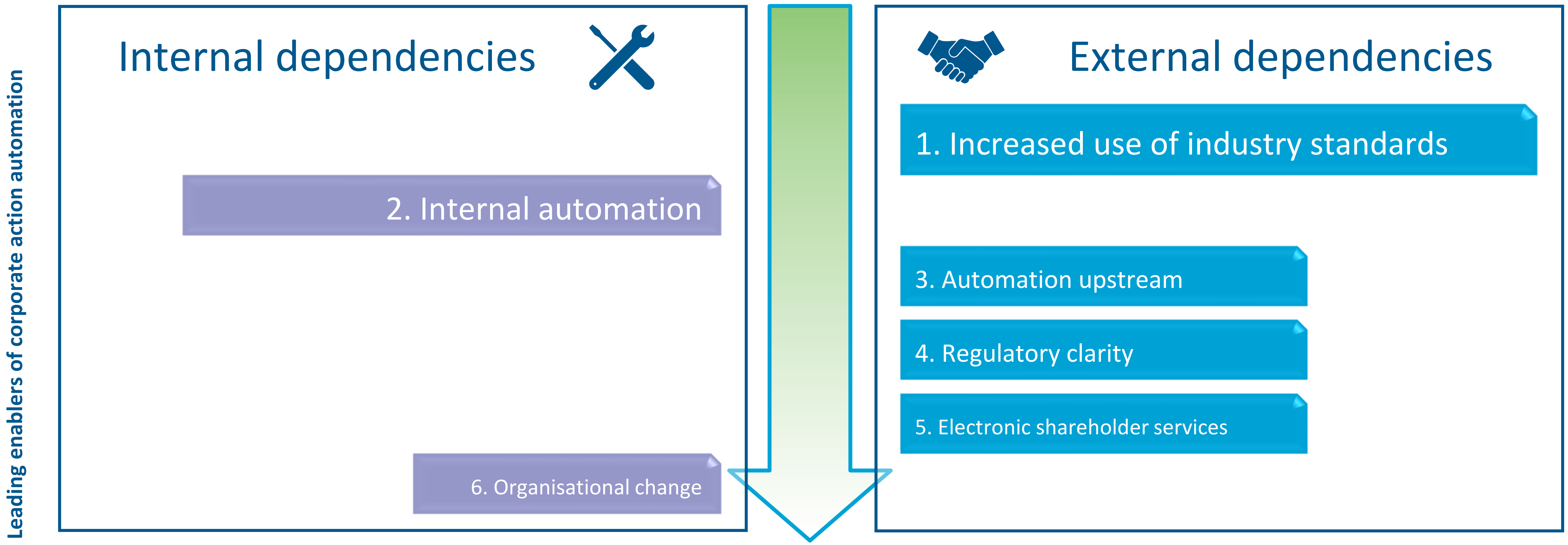
System change is happening everywhere: but beware of the appeal of RPA





But we can't achieve the change we need on our own

Cooperation across the entire ecosystem is key



Capacity, Flexibility and Agility

The new case for corporate actions in 2020

Yesterday's business case for change

Quantitative

FTE ($)

Qualitative

Risk

Corporate Action Transformation Today

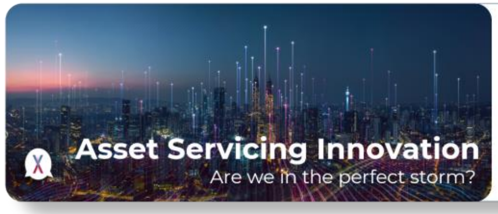
$

1. Reduced Payouts
2. Client revenue protection
3. Reduced internal costs (inc. management time)
4. Capacity: Volume spike management
5. Avoidance of regulatory fines and penalties
6. Income earnings from Elective events
7. New asset classes / New business activities (e.g. Wealth Mgt)
8. Liquidity management improvements
9. FTE savings

!

10. Future proofing

Key Findings



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- Transformation means working as an ecosystem
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ASSET SERVICING INNOVATION:

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Contact us:
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Ready for Next

Communications
Technology
Data and Analytics