Providing corporate actions solutions is a challenging business. The market is full of fragmented systems; there is the complexity of announcements to deal with, risk factors, and lack of scalability.

Achieving standardisation is still an issue as well. Providers have their work cut out for them. According to 2010 research conducted by SmartStream, risk reduction has replaced lowering operational costs as the critical driver for automation projects post the financial crisis.

Fidelity ActionsXchange, the global corporate actions solutions provider, though believes it is addressing all of these issues.

Laura Pollard, executive vice president and head of ActionsXchange, says that the firm’s challenge is to stay ahead of what is happening in the regulatory landscape, to be flexible and modify products based on customer’s needs, to be proactive and to manage risk. “We are fortunate enough to have a parent company which relies on our products and services. It brings out the best in us. Fidelity understands how complex this business is,” she adds, saying that some of her firm’s business comes from other organisations that compete with Fidelity in some areas, but find value in ActionsXchange’s product range.

Fidelity ActionsXchange was set up in 1997 as a wholly owned subsidiary of Fidelity Investments. It supports many types of financial services firms, including asset managers, hedge funds, and broker dealers and has completed more than 50 implementations.

In December, the firm added a new Web-based notification and response product to its product suite. ActionNResponse is a customised work flow platform that supports a fully automated end-to-end solution for the processing and delivery of corporate actions information. For Pollard, it is a major development. “We provide a holistic, integrated solution. In this business there are a lot of fragmented systems and offerings which handle one piece of the corporate action life cycle within one system and process and there is a hand off to another system and process. Having an integrated approach provides a seamless solution against the life cycle [of the corporate action],” she explains.

Risk Business

In a post financial crisis world though, customers are focusing more on risk. “Our clients are challenged by an increasing risk environment. There’s growing market complexity coupled with an active regulatory agenda. Along with these structural risks and complexities is often a corporate mandate to deliver increased levels of operational efficiency. Clearly, risk is a big focus, although it isn’t the only focus of our clients,” says Deb Culhane, chief operating officer. She says that while clients are focused on understanding and managing risks, they also have to stay competitive and deliver value for their clients. “So it’s a broader review of the processes that delivers both risk management and competitive value in the evaluation of the full life cycle support of corporate actions.”

Pollard points out that the financial crisis has put increasing pressure on organisations to do more with less, manage their risk, their processes, and their customer services, and do so without the big spend.

An issue that the industry still faces is that it is a manually-intensive world.

“We see our biggest competitor as the manual, in-house solution,” she says. “There are a lot of organisations that have built teams of specialists and individuals who are manually enriching information. In order to support the full lifecycle of the corporate action, they use spread sheets for reconciliation and communication with portfolio managers, for instance. What we bring to the table is a managed service provided by a team of highly skilled analysts, coupled with sophisticated technology, providing an integrated solution,” she says.

Culhane adds that clients need to be forward thinking. “There are a lot of new risks that this process needs to be able to handle. When you go through an evaluation of solutions which are oriented to driving the return on any significant process, you’ve got to take a detailed look at what is driving the levers of risk, the levers of cost and the levers of client value. Often times risks, costs, and the quality of services to clients are frequently rooted in the more manual or fragmented processes.”

Issues of standardisation

Another development is the Depository Trust and Clearing Corporation’s (DTCC) Corporate Actions Re-engineering project, which is being implemented in phases over the course of the next several years with the aim of retiring all legacy systems in 2015.

“We are supporting two clients who are involved in DTCC’s re-engineering pilot. We are actively engaged in discussions and ready to implement the changes. Re-engineering has been a big effort,” says Pollard. She says ActionsXchange is a big supporter of industry initiatives to address the issue of market data standards, and automating corporate actions (such as the Financial Reform and Legislation Proposed Office of Financial Research in the US and the Network of National Financial Supervisors and an Omnibus Directive in Europe), but that a lot of work needs to be done. “We also recognise that there are many complex corporate actions with unique presentation requirements. But it doesn’t mean that there aren’t opportunities there,” she says.

The DTCC has said that it has identified close to 100 different types of corporate actions, and Pollard says it means that experience is key. “One of the things we are proud to recognise is the tenured experience of our analysts. They do understand the breadth of the different types of corporate action events and we’ve been able to establish relationships with transfer agents and issuers so we can properly enrich the information and better support downstream processing. It’s a niche area in our industry, it’s very complex, and it takes people a long time to understand the complexity of the announcement and recognise what is needed,” she says.

Participating in the Market

Both Culhane and Pollard believe it is important to have an industry voice and represent their clients. “We support 40% of the top 20 asset managers in this particular space and have insight into the breadth and depth of complex corporate actions and the interpretations; we see a lot of what is going on and some of the difficulty in processing some of the more complicated corporate actions. Bringing these issues to industry forums and discussions is important so we can create better standards in the market,” says Pollard.

Laura Pollard, executive vice-president and head of ActionsXchange

Deborah Culhane, Chief Operating Officer