

Recommendations for Proposed Rulemaking for Transfer Agent Regulations

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160. What, if any, are the problems in the marketplace today with respect to the role of transfer agents and corporate actions? Should the Commission propose rules governing transfer agent services provided in connection with corporate actions? Why or why not? If so, which types of services provided in connection with corporate actions should the Commission consider regulating?

The problems in the market place today relate to the unstructured nature of corporate actions announcements and the need to engage the issuer in taking responsibility for their information and providing it as structured data to the markets so that agents and investors receive the information in a timely and accurate manner for them to act upon it. It is estimated that poor automation costs the industry circa \$10bn per annum. Transfer agents fill an important role in the initiation, processing and recording of the outcome of corporate actions, particularly for voluntary events that affect issuer rights and so could fulfil a role in requesting their clients to provide them information in a way that would satisfy this requirement, provided of course the technology or system for doing so were readily available.

In the past it was conceived that XBRL could address this issue however the initiative failed for three reasons;

1. Issuers were expected to purchase and understand expensive complex software and there was little attempt at engaging with them or creating a service utility to make it simple for them to provide the information in a standardised way
2. The processing industry already uses ISO messaging standards 15022 and to a much smaller extent 20022. A considerable amount of re-engineering has already been undertaken to accommodate these standards and banks and processors are unwilling to move to yet a new standard – some of those processing corporate actions do not yet even use ISO 15022
3. Without the provision of a direct data-entry facility that acts as a repository for all corporate actions and which guides the issuer through the publication announcement process, these initiatives rely on intermediaries or third parties to make filings on behalf of the issuer or extract and interpret the information from un-structured textual documents. This introduces the risk of error in converting data into the prescribed format and none of these initiatives deal with the intractable problem of information currency or status i.e. once the information has been published and is no longer under the control of the issuer, how can the relying party know whether there is a follow-on announcement or something more accurate or up to date available. Corporate actions are subject to multiple update messages – at a minimum 2 for a dividend announcement, rising sometimes to 50 or more for a take-over or merger.

161. Should the Commission propose rules requiring standardized corporate actions processing as a method to facilitate communications among market participants? Why or why not? If so, what are the primary market issues that such a standardization program is likely to address? Would there be any market issues that such a standardized program would not be able to address? Please explain.

Corporate actions are complex. Mandating a standardized approach would be restrictive, expensive and difficult to impose. However it has been seen that where it is possible to offer a sufficiently compelling commercial product or service, it is possible to achieve significant market uptake, there are many examples.

The technology for communicating and processing corporate actions has not kept pace with the shift to dematerialised stock. This detrimentally affects the relationship issuers have with their investors and their ability to interact with the capital markets. Issuers are only dimly aware of this and the beneficial affect that a new service that addresses these problems could have by removing barriers between the company and their shareholders.

Instant Actions (www.instant-actions.com) is a new global registry for company information, specifically for issuers to announce their corporate actions in structured form to the capital markets. Instant Actions provides an issuer interface that guides issuers through the announcement process, which captures the information within a central repository and which distributes this in ISO 15022, 20022 or XBRL -whichever is the desired format for the company processing the information – to multiple destinations, wire agencies, stock exchanges, banks, Twitter, Facebook etc.

Crucially, all data is Codelmarked (<http://www.codelmark.co.uk/home>), a more effective and scalable ‘Blockchain-type’ process that digitally notarises both structured and unstructured data to make it permanent and persistently verifiable. This separate, independent Codel service allows authors and publishers to update the status of their announcements so that a relying party can verify information before they use it. This is possible whether they receive the information direct or from a third party and if they do so they are informed if it has been withdrawn or superseded and the service points them to new information if available.

UK government cites Instant Actions as a Blockchain use case that could solve the problem of corporate actions on page 58 of their recent report;

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/492972/gs-16-1-distributed-ledger-technology.pdf

Instant Actions and Codel can be used by issuers direct, or by transfer agents who act on their behalf, providing issuers with a clean, verifiable, direct channel of information to the capital markets, with no interference from existing multi-layered market infrastructures.

Whether Instant Actions and Codel are the most appropriate technologies remains to be seen, however there is no doubt that custodian and investment banks are keen for a new service that provides information they can verify is both valid and direct from the issuer.