

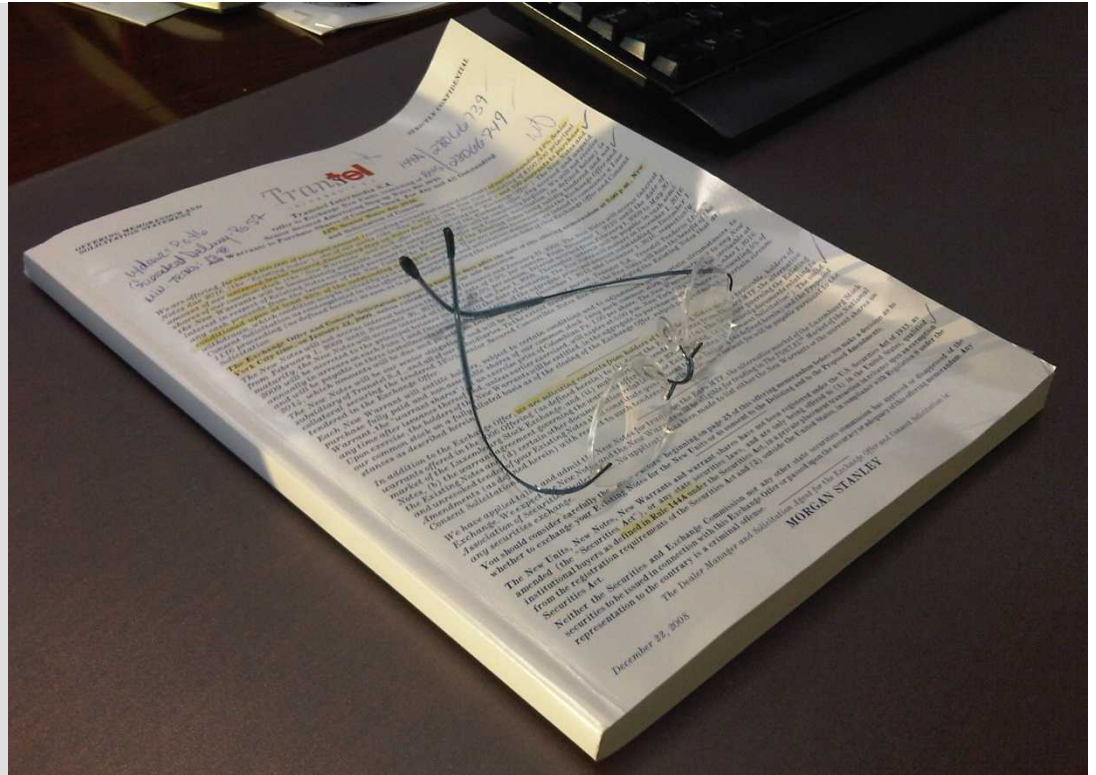


XBRL and Corporate Actions

The paper-based nightmare of corporate actions

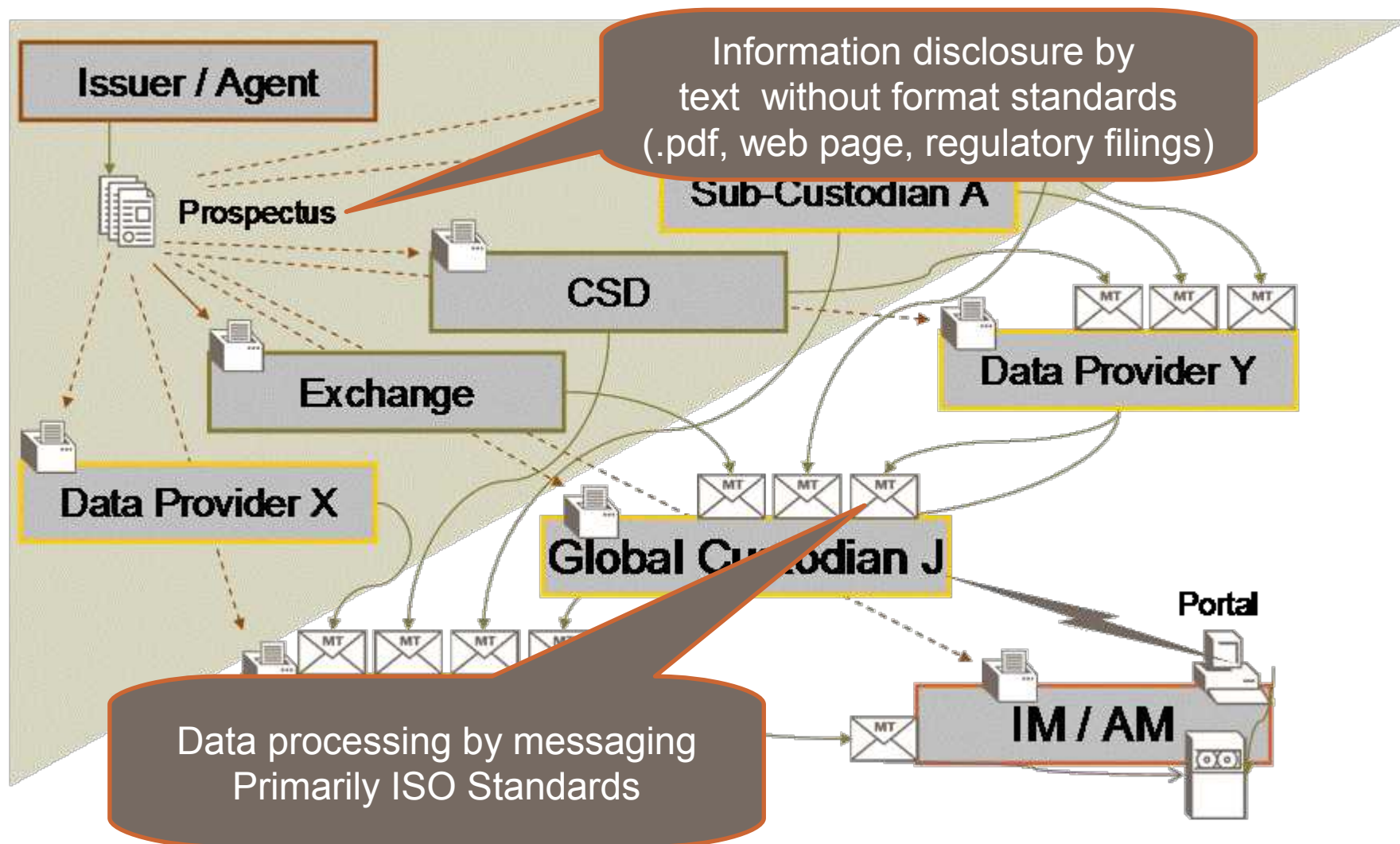
One Horrific Example

- 300+ pages to describe an 'Exchange Offer'
- 38 separate updates were published from Dec 08 to May 09, as new information was made available
- Validation took 12 separate sources of data
- Five resources worked on it extracting 63 data elements, amassing 44 pages of audit trail changes

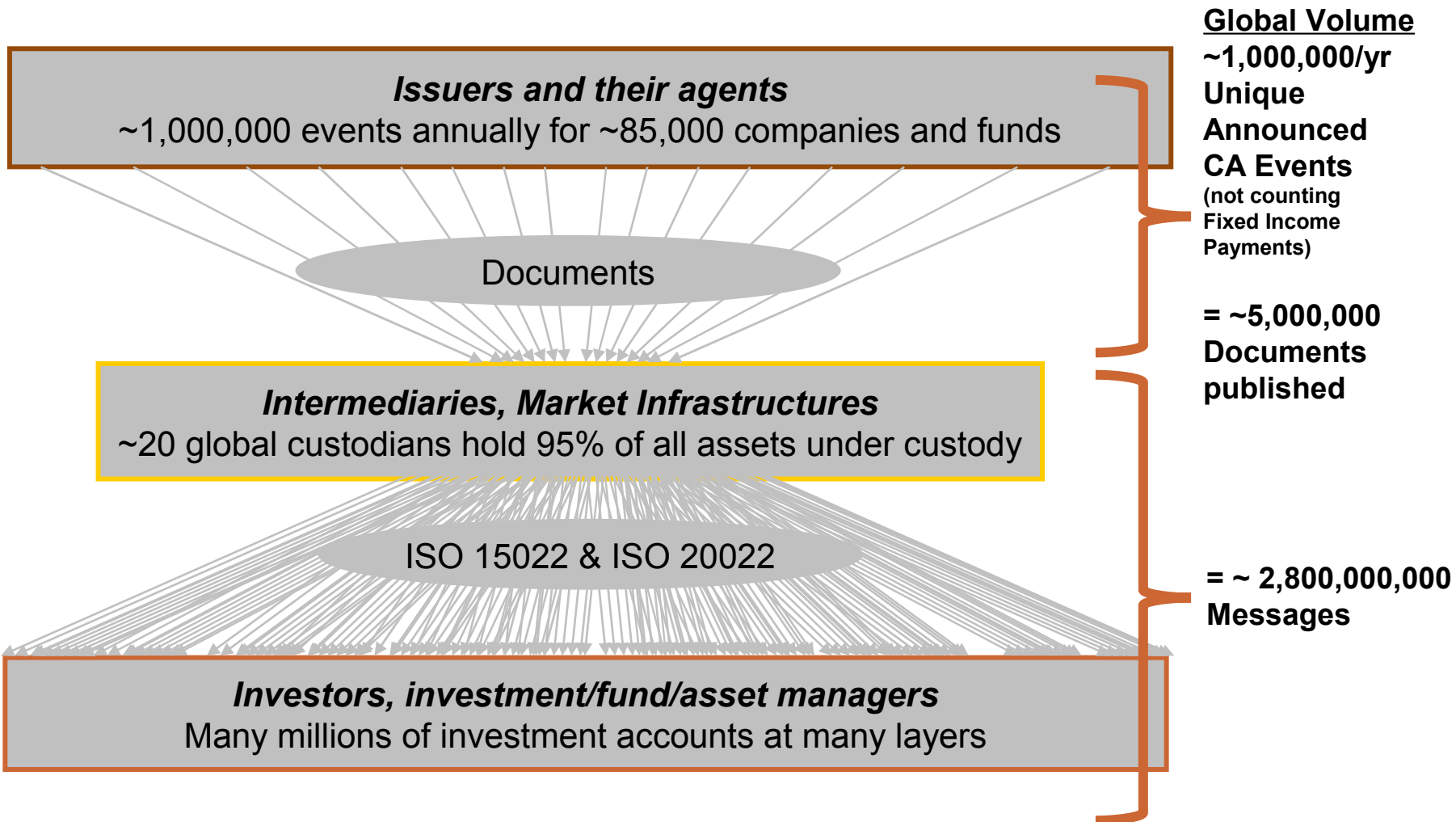


The challenge is to find the right data, in the right pages, buried alive somewhere in the free-text document

Multiple versions, of what should be the same information, passes between multiple parties



Multiple CAs produce multiple Documents leading to further multiples of messages downstream



This complexity affects Investors

- **Investors must have accurate and timely information on corporate actions to reach time-critical investment decisions**
 - Lack of electronic dissemination slows this down
 - Lack of standardization slows this down and creates possibility of error
- **Institutional investors often use multiple custodians with the potential for conflict in the custodians' descriptions of the corporate action**
- **Errors in information flow impact investors' ability to make investment decisions, cause conflicts and potential for loss**

This complexity affects Asset Servicers

- **Investors' demands for timely and accurate information continue to impose substantial burdens on asset servicers**
 - The need to translate issuers' paper Corporate Action announcements to standard communications to investors consumes considerable resources (manual/technology) with high risk due to uncertainty of information received from various sources and the inherent possibility of misinterpretation and error
- **Asset servicers communicate electronically with a growing use of a global ISO standards, but the consistent and complete, end-to-end, use of corporate action standards has not yet been achieved**
 - The definitive source is the Issuer but information is provided in non-standardized, non-electronic, paper manner. We need to close the Straight Through Processing gap by working with the "true" information source, the Issuer
- **The cost of potential error is considerable**
 - Oxera Consulting noted:
 - "Available data on the European fund management industry indicates that firms in Europe incur total actual costs in the region of € 65m - € 140m per year. This would imply an annual cost of € 300m - € 700m to the fund management industry worldwide"*

* Oxera Consulting study, sponsored by DTCC, "Corporate action processing: what are the risks?" May 2004
See: http://www.dtcc.com/downloads/leadership/whitepapers/2004_oxera.pdf

This complexity affects Issuers

- **Are Issuers certain that Investors clearly understand their intent?**
 - Custodians’ “translation” of issuer Corporate Action descriptions introduces the possibility of miscommunication, potential error, and necessitates delays in the communication of information
- **Are Issuers concerned the market is reacting reasonably?**
 - Share trading is materially impacted by Corporate Action announcements according to a study by Oxera Consulting:
 - “There is strong evidence that announcement dates of corporate actions often result in significant and systematic share price movements”*
- **Are Issuers concerned that market conditions may impact success?**
 - The UK Regulator (FSA) Issued a modification to the ‘Listing Rules Sourcebook’ that permitted shorter subscription periods for Rights Issues to reduce Issuer risk although shorter cycles can only be accommodated by efficient communication.
 - “The current three week period takes longer than other capital raising methods and arose from the need to deliver document by hand or post. Since that time communication channels between issuers and shareholders have improved significantly. **A shorter subscription period reduces market risk for issuers seeking to raise capital in difficult markets and therefore increase the prospects of successful capital raisings.**”**

* Oxera Consulting study, sponsored by DTCC, “Share process and trading activity over the corporate action processing cycle” May 06. See: http://www.dtcc.com/downloads/leadership/whitepapers/2006_oxera.pdf

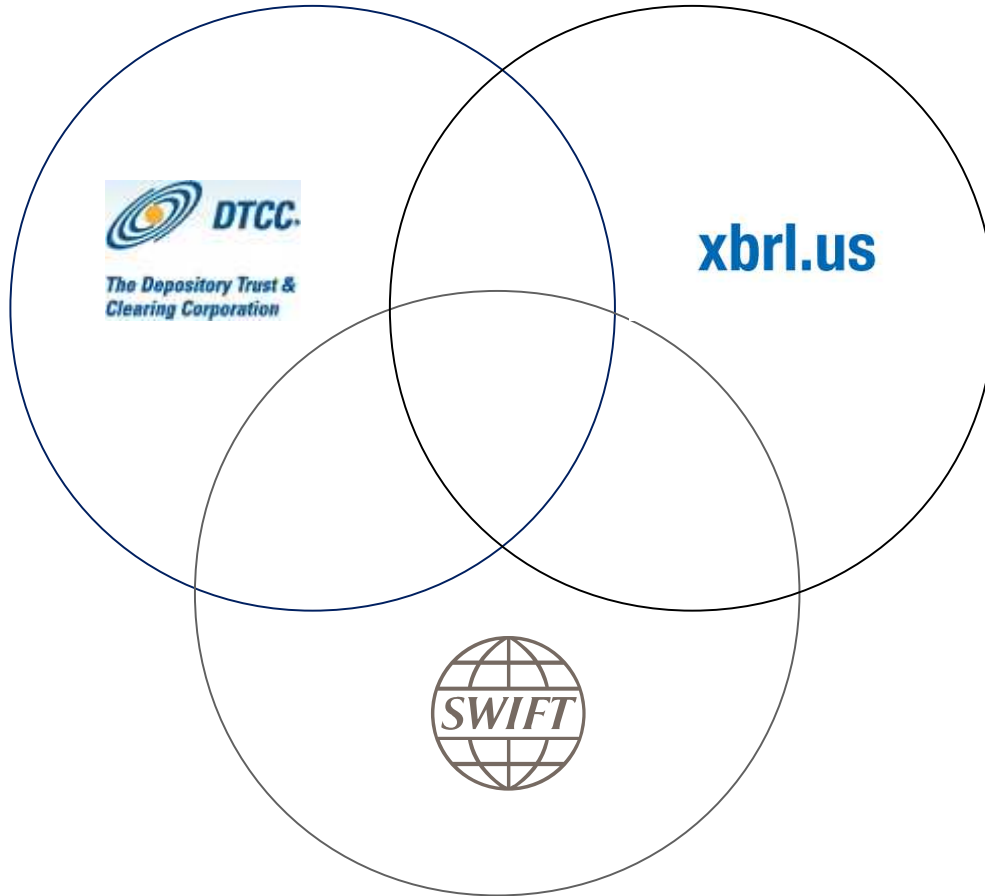
** Financial Services Authority – “Rights issue subscription periods Feedback on CP09/4 and final rules” see: http://www.fsa.gov.uk/pubs/policy/ps09_02.pdf

However, a perfect storm is brewing. It presents a unique opportunity to (finally) solve the problem



XBRL has been institutionalized with the SEC mandate for the GAAP quarterly financial reporting, and with the replacement of EDGAR with XBRL-based IDEA system. XBRL for CAs, based upon ISO20022, is a solution for issuers to electronically tag data within reports directly at the source. Enforcement may be garnered via regulatory mandate

Intersecting opportunities



The joint project in the US (I2I:CA)

- DTCC, SWIFT and XBRL US have joined forces to improve issuer to investor communications for corporate action announcements in the US market:
 - XBRL will be implemented to enable issuer-based data tagging
 - DTCC will adopt the ISO 20022 global standard for corporate action messages
- The goal is to promote straight-through-processing (STP) and substantially reduce the market risks and costs associated with the corporate action announcement process

***From the “Statement of direction for improving issuer to investor communications for corporate actions – DTCC, SWIFT, and XBRL US.”
Announced on 28 May 2009***



I2I: CA

Stakeholder Groups

- Stakeholder Group formed to engage the whole community
 - Issuers / Agents
 - Corporate issuers of equities and bonds, and agents including publishing agents, transfer agents, exchanges and wire service
 - Associations also joined to observe and to provide an investor relations perspective
 - Intermediaries
 - Broker/Dealers, Custodians, DTCC
 - Investment Managers
 - Several investment managers from top and mid-tier
 - Asset Managers Forum (AMF) of SIFMA

Current environment being base-lined and discussions ongoing on areas for improvement; communication programme in place

The ‘Perfect Storm’ is not just related to the U.S.

- **‘Group of 30’**

- “Issuer, providers or clearing and settlement services, and other relevant market participants **should advise investors of all details of corporate events that they require in an automated, timely manner and in compliance with accepted industry standards**, so that each investor can make a timely decision on the action to be taken with full knowledge of the facts.”

Recommendation 8: ‘Global Clearing and Settlement – A plan of Action’ (January 2003)

- **The European Union - Giovannini Group (Barrier 3)**

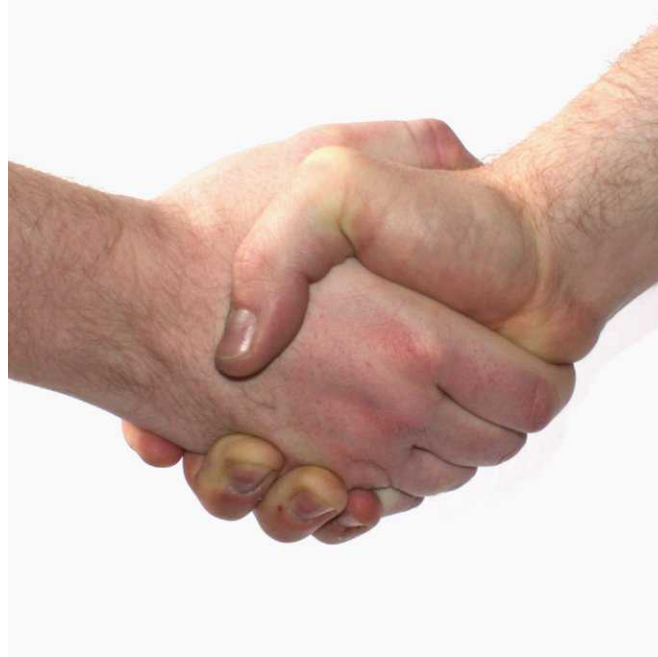
- Communication from the issuers: “When there are legal obligations for issuers to communicate about corporate actions, **these communication requirements are often geared toward “old style” communication mechanisms**, such as publication in the press, paper letters to shareholders, ... These obligations may not be adequate in the current environment and even lead to reducing efficiency gains by sticking to paper format. **In effect, electronic communication is often not encouraged or even prohibited in some cases.**”

ECSA-ECSDA-ECSA-ECSDA report (April 2007)

SWIFT and XBRL ideas for next steps

- SWIFT can transport XBRL instances – global reach

- SWIFT and XBRL can leverage each other's communities



- SWIFT and XBRL can create new, ISO-inspired taxonomies for the financial world

- SWIFT can map or translate between XBRL instances and ISO 20022 messages

- and more !