



Broadening horizons

Drew Nicol reports : Avinash Parmar, senior product manager at Pirum Systems, discusses his first year with the service provider and the recent launch of its corporate action service CoacsConnect

Avinash, you are approaching a year with Pirum, how have you found the move to a service provider?

It has been a very exciting journey developing a product from initial concept through to design, build, implementation, and launch. Pirum's approach has really opened my eyes to exactly what it takes to successfully build and launch an entirely new service. When I joined Pirum, the corporate actions service was being discussed as a concept. Fast forward to today and we have clients live and realising the benefits of automation in the corporate actions space.

One of the key drivers behind me making the move to Pirum was the opportunity to develop a best-in-class solution with and for our clients in the corporate actions space.

Pirum appears to be broadening their product suite, what has been the driver(s) for this?

In essence, all of Pirum's new product developments are driven by our FutureTech initiative. This encompasses both internal and external technologies. Through FutureTech and, more broadly, over the past 20 years, Pirum have established a strong reputation for building automation solutions for the securities finance industry.

It is also notable that client demand and advances in technology have acted as a catalyst for this evolution and you will be hearing much more on our exciting roadmap throughout 2021.

From a corporate action's perspective, it has long been an area that has lacked harmonisation, standardisation, and automation. Despite various industry initiatives being set in motion to address some of these challenges, and raise awareness, there is still no market standard when it comes to the systematic processing of an event between counterparties. This is where Pirum, working with its cornerstone clients, are driving the agenda to reduce risk, and increase straight-through processing (STP) rates for all corporate action processing.

Additionally, the industry has seen the need to amend its operating model due to regulatory related developments, including: SFTR, CSDR, SFDR, UMR and SRD II

Pirum has now launched its corporate action service, CoacsConnect. How did this come to fruition?

Corporate actions have been an area of inefficiency for our clients for a long time. Recent regulatory changes and the desire for improvement, meant that this became a far higher priority for our clients.

In developing CoacsConnect we were helped greatly by our clients acting as design partners. Given my role as an ex-market practitioner, I worked closely with those clients to ensure that what we developed was exactly “fit for purpose”. Thereafter, we hired a team of subject matter experts to design an operating model that would provide both automation and connectivity between counterparties to efficiently process corporate actions in a timely manner, reducing the friction and inefficiencies that exist today. It is also true to say that, in developing the CoacsConnect model, our aim was always to leverage Pirum’s unique position whereby we can offer connectivity to a significant majority of the market given the overall number of firms who already use our services.

Given your vast experience in the corporate actions space, what do you feel Pirum can bring to the market that is missing?

The first things that immediately spring to mind are network, connectivity, and automation. For me these are the most important considerations that are missing from existing Corporate Action solutions.

Financial institutions have been investing considerably in recent years, in both vendor-based and in-house asset servicing solutions that process corporate actions. However, it is the connectivity between around 100 institutions that is missing, and this is where Pirum completes the circle.

Pirum’s solution connects our clients and provides them with a centralised service where they can automatically issue notifications, agree, query, and pay corporate actions events while tracking all communication, without the reliance on emails or other time-consuming processes.

In addition, the onboarding effort for clients joining CoacsConnect

is minimal because our solution has been built in a way that works in harmony with any in-house or vendor corporate actions system.

In summary, the ability to automate the event life cycle, from notification distribution through to facilitating payments in a fully STP manner is a real game-changer. More broadly it shows how the Pirum FutureTech initiative is really making a difference.

Many companies withheld dividend payments in 2020, do you expect that to change in 2021 and should we expect to see more corporate action activity?

The events that unfolded during 2020 certainly impacted markets considerably across many regions with European dividends falling by almost 30 per cent during 2020 accounting for nearly \$170 billion worth of dividends being withheld or cancelled.

However, with the lifting of COVID-19 restrictions and the successful roll-out of the vaccine during 2021, leading financial institutions forecast a rebound by as much as 6 per cent this year with much of the rebound being driven by the banking sector paying special dividends and utilising strong cash positions to make up for some of the decline in distributions in 2020. An increase in corporate actions activity is a near certainty in the financial markets as they deal with the coronavirus crisis. That growth will likely be seen in a rise of events such as takeovers, mergers, and stock splits, as companies in a variety of industries must restructure due to the impact of the virus during 2020.

Can you summarise the key benefits to adopting the Pirum corporate actions services

Of course. Pirum’s corporate actions service provides an automated, centralised solution for managing all corporate actions. The service will enable both lenders and borrowers to be better positioned to improve operational risk, meet regulatory demands, and provide improved controls and management for all types of corporate actions.

CoacsConnect will provide connectivity between counterparties and enable reconciliations for corporate actions in real-time, allowing for events to be paid and closed on a fully automated basis reducing capital impacts to lenders and borrowers. The removal of manual emails and faxes will lead to more efficiency and enable beneficial owners to offer better deadlines for voluntary events.