Shareholding Data Management Process Automation

Data & Technology Solution

Why Shareholding Data Information Management?

If you are an investment management entity with investments across multiple jurisdictions managed by multiple exchanges, then managing and tracking your beneficial interests as impacted by corporate action events in a timely manner could be a very tedious and challenging task.

Corporate action events will impact the company's total shares outstanding, value and total voting rights. This impacts financial calculations as well as regulatory and compliance disclosures parts. This is one of the several problems that an investment management entity would face with reference to shareholders disclosure rules triggered by change in shares outstanding.

Another problem is that the data is coming from various jurisdictions and exchanges in different forms and the changes are notified in different manners from different exchanges. This adds another level of complexity resulting in the need for the analyst to be very conversant with the form and the type of notifications being issued by various exchanges.

To further complicate the matter, the rules governing the voting rights for a certain set of corporate actions are different for multiple jurisdictions. These corporate actions could impact your beneficial interests because of an indirect investment. So, for all these problems, data must be collated and extracted. The rules governing that data for the particular jurisdiction has to be incorporated and their impact on the value of the shares outstanding, value, voting rights etc. has to be updated.

Magic FinServ helps in achieving all these objectives in timely manner starting with tracking the corporate action events, automatically accessing the sites for relevant notifications, reading and extracting the data to identify the key value pairs and transforming it in the investing company's data standards. Then the rules are applied, and the final outcome is fetched into the investment table and various other reporting forms.

Benefit of Shareholding Disclosure for Asset Management Firms

The benefit of shareholding disclosure is to make market more efficient & establish the market clearing security prices. For that, based on shareholding information, market can facilitate insights into ownership level and control the structure of listed issuers. Moreover, increased ownership transparency helps regulators control the market abuse, money laundering and other financial crimes.

What is Shareholding Disclosure Rule?

The disclosure requirements are based on the total shares outstanding (company issued shares) or the number of voting rights available. Sometimes even denominators use a class shares outstanding.

A disclosure notification is generally required for every transaction (in the securities of the offered and/or the target company) when the investor is above a certain ownership threshold as per applicable jurisdiction.

Generally, in many jurisdictions, issuers can request that shareholder disclose their shareholding directly to them, it is only feasible when there is an investor relation firm which have been authorize by the issuer to request shareholding information on their behalf.

1. Denominators

3. Takeover Disclosure

5. Issuer Request

2. Major Shareholding disclosure

It is related to a holding of certain shareholding percentage in a firm. It is consider based on total voting rights but also refers to the total shares outstanding, class shares outstanding or total issued capital. Threshold rule is commonly defined as per geography. Minimum it can be low as 1%.

4. Short selling

The short selling restriction (EU SSR) and disclosure rules apply in respect of shares admitted to trading on a UK regulated market / UK MTF and with a principal trading venue in the UK. The threshold for disclosure of net short position in shares are, if Net short position of 0.1% or more of issued share capital of an issuer, if net short position reaches or exceeds each 0.1% threshold thereafter (0.3%, 0.4% etc.) or even falling below the relevant threshold, also On reaching a net short position of 0.5% or more of issued share capital, on reaching, exceeding or falling below each 0.1% threshold thereafter and on falling below 0.5%, the net short position must also be reported to the market.

Challenges for Asset Managers

Gathering of shareholding information is not easy for investors & asset managers who carry international stock holdings because of different cross jurisdictions rules & compliances. For example, the company which issues stocks also known as Issuer, its issuer share capital varies as per different jurisdictions in different markets based on preference shares or unlisted shares or some other derivatives market trading.

Apart from cross jurisdictions complexities, there are other core challenges like no accurate or centralized data system with process automation which can access complete data from trusted sources in timely manner or keep track of up-to-date corporate event changes such as share buybacks. This information is required to update the changes in total share outstanding and voting rights so that company can report obligations if it crosses the set threshold of an investor percentage ownership.

"Lack of access to accurate data in a timely manner on company total shares outstanding and voting rights for cross jurisdiction becomes a challenge for institutional investors and asset managers."

Business Scenarios

Scenario 1: When the asset management or the investment management institute use their own platform/product through which they can process the compliance or regulatory filing as per set guidelines. Through this they can manage shareholder information by themselves and use the paid data services as per security request from data vendor.

Scenario 2: When the asset manager or investment management institute uses the third party platform (like any Reg-Tech & Compliance product) and firm request the that platform or product to use the shareholder information from other data provider based on securities part of their portfolio. In this case, third party organiztion will charge extra cost based on how many jurisdictions they cover as per agreement as these are on-demand services.

Scenario 3: When the asset management or investment management institute uses the managed service business and outsource the whole shareholder disclosure business to other BPM vendor, the cost of delivery or execution exponentially increases due to multiple vendors involve in the business.
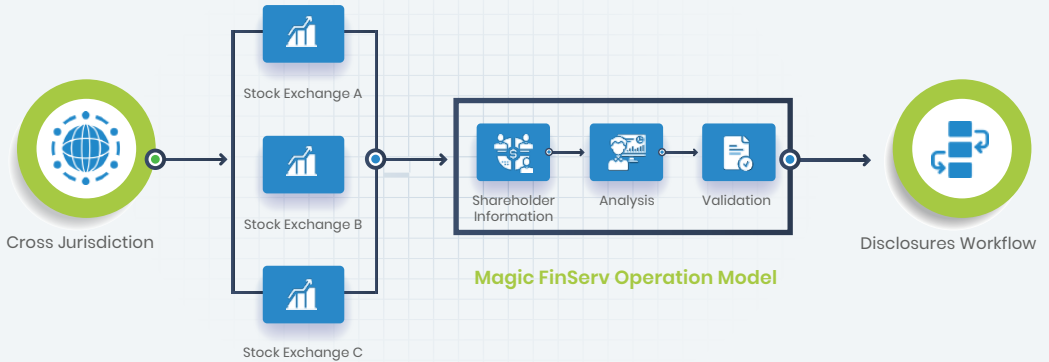
Current / As-Is Business Flow

Current & As-Is business flow for Shareholder disclosure & shareholder data management business :

1. Asset Management Company connect with Investment management or Fund house who manages the fund business.

2. Fund House/Investment management uses the Custodian business for all of custodian activity.

3. Fund house or investment management company will share the shareholder information with third party vendor by itself or by using third party data provider time to time.

4. Fund house or custodian uses the third party Reg-Tech vendor/product to accomplish the shareholder disclosure activities in timely manner if there is any violation in the disclosure threshold as per jurisdiction rule.

5. If the fund house or investment management/custodian do not provide such information then third party will take information from other vendor sources through on-demand requests based on premium & special requests for individual customer only.
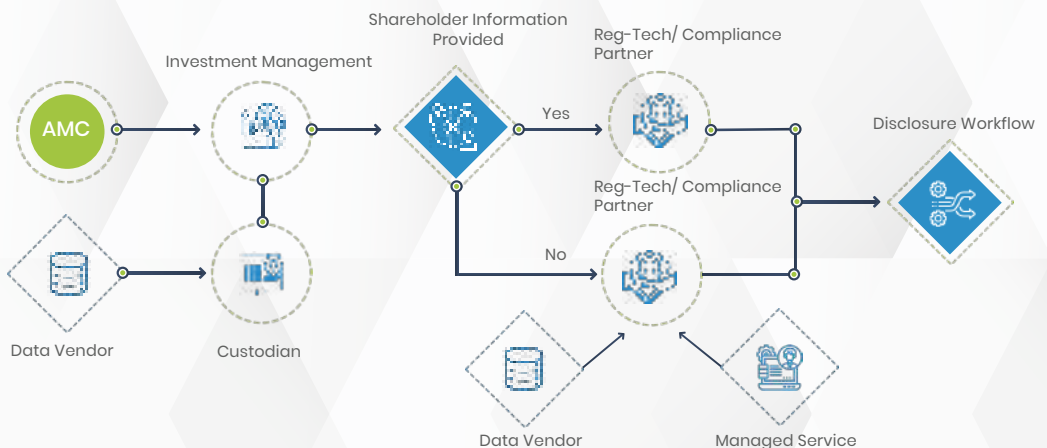
Our Solution

Magic FinServ helps the customer in defining and executing the business data operation process, which is the combination of technology & managed services. Magic FinServ team is driven by domain and technology experts. The overall solution is "Rule-Driven" where it supports different rules in different forms for different geographies easily.

Magic FinServ Operation Model

Cross Jurisdiction → Stock Exchange A / Stock Exchange B / Stock Exchange C → Shareholder Information → Analysis → Validation → Disclosures Workflow

Magic FinServ Solution Components

Data Management
All the instrument (stock) identifier data and other information which is required for extraction of the information from exchanges are managed.

Document Record Management
Manage all the documents and store it in the structured or PDF formats after conversion of unstructured data sources.

Rule Engine
Define & setup all the rules & method for extracting the information from documents

API Integration
Easily Integrate with any platform & system for Data consumption

Reporting & Dashboard
Demonstrate and generate reports based on set business criteria.

Solution Features

Cross Jurisdiction Rule Based Analysis

Analysis and management of all extracted information as per cross jurisdiction rule related to shares outstanding and voting right

Available in Managed Services and/or Technology enable Platform

Provide the operation model in the combination of both managed services & technology platform to improve the accuracy & also make the process work more efficiently

Achieve Corporate Governance

Ensure the correct information is executed properly with correct ownership structure through different stages of mapping, validating, approving, monitoring and improving.
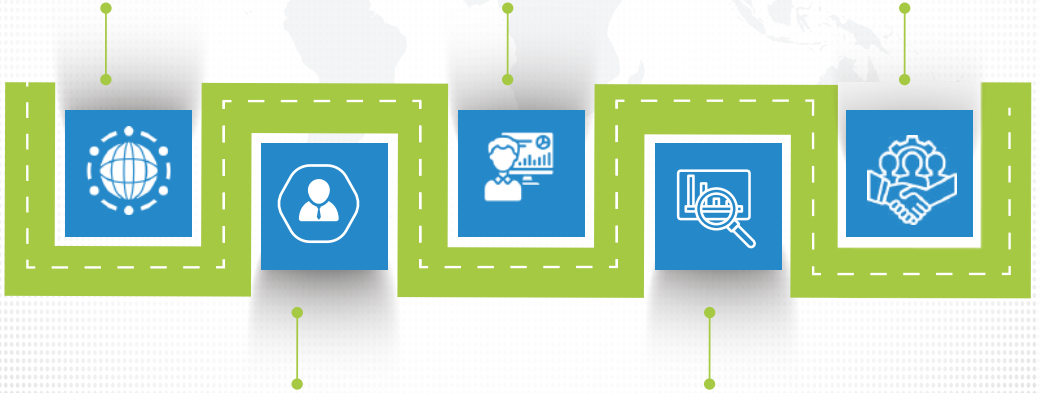
Comprehensive Coverage

Cover wide range of shares outstanding & voting rights information from multiple sources (100+) both at instrument and issuer level.

Data Lab & Business Operation

Team of experts comprising business and data analysts help to execute the process and manage the data accuracy in timely manner by using combination of deep dive technology & magic's domain expertise

Benefits

High Data Accuracy in timely manner

Reduced processing time and efforts

Reduction in operational costs

Data consolidation across multiple jurisdictions

Current Engagement & Use case

Company Total Share Outstanding (SO) and Total Voting rights (TVR) are voluntary data services provided by the customer to different financial Insititute. If financial Insititute/investment Management firm is not able to provide such information in the source master file, in this case financial Insititute can accommodate those service for the calculation of shareholder % disclosure and other function as well.

Magic FinServ support:

- Managed Service
- Reduce Time /Effort estimation
- Support Multiple jurisdiction (UK, Belgium, Sweden etc.) exchange
- High Accuracy & deliver of data in timely manner

Customer Engagement & Use case

Customer: Global Investment Management

California based Global investment management firm whose specialization in the emerging market equities need to disclose the substantial shareholder disclosure & Takeover bid disclosure after reaching the threshold limit as per respective jurisdiction disclosure rule for that customer need the company total shareholder & Total voting rights value on the timely that is can be integrate with disclosure workflow.

Magic FinServ support:

- Managed Service with Technology enabled Platform
- Support Multiple jurisdiction
- Data Management & maintain the sustainability
- Support by #CoE Business Analyst (BA) & Data Analyst team

Our Values

- Openness
- Human First
- Result Oriented
- Know Your Customer
- Cool, Clever & Creative
- Curious & Keep Learning

Get in Touch

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