

## Excerpt: Questions and Responses from “Corporate actions standards: Would industry cooperation make the difference?”

### Responses by:

Charles Price  
Senior Director, Entity Data Products  
Interactive Data Pricing and Reference Data, Inc.

Published in *Inside Reference Data – August 2008*

---

### **Article focus:**

Corporate actions standards: Would industry cooperation make the difference? Different industry associations are currently focusing on similar issues related to standards. The consensus in the industry appears to be that collaboration should occur. But is this cooperation to reach the same goal a viable option in the industry? Would this be possible and accepted by the different industry groups? To what extent are disagreements within the industry having a negative impact on standards development?

### **Questions:**

#### **Do you think that cooperation between the different associations involved in standards is a viable option?**

A: Cooperation on standards could well be a viable option, especially where there is a common problem to be addressed or an opportunity to be grasped. The various industry associations represent different sections of our industry and often different perspectives.

But, of course, a general consensus would need to be achieved among industry associations at the outset of the standard’s launch as to which body would serve as the overall “owner” of that standard. One industry association usually emerges as the expert for the new standard, and then additional groups step in to supplement the progress made. For example, the Securities Market Practice Group (SMPG) played a significant role in defining how ISO 15022 messages should be used given regional diversity. The Market Data Provider User Group (MDPUG) advanced this cause by publishing a set of principles.

Collaboration between different associations could provide the opportunity for any resultant standard to be more widely adopted.

#### **How and why do you think cooperation between industry groups and associations would benefit the development of standards?**

A: Various industry groups reflect different segments of our industry. Through cooperation between these groups, a wider understanding of the needs and prospective solutions can be established, allowing a resulting standard to be of wider use to industry participants and, hopefully, encouraging wider adoption.

Several groups are currently working on standards, including the SMPG, MDPUG the International Securities Association for Institutional Trade Communication (ISITC), the Reference Data User Group (RDUG), the Asset Manager Forum's Corporate Actions Committee, the Association of Global Custodians Corporate Action Task Force, the SIFMA Corporate Actions Division, the MiFID Joint Working Group, and XBRL International. Collaboration among these groups could help to shape the development of a standard at the outset and better enable product and service providers to map their services to these standards.

**Do you think those involved would be willing to collaborate?**

A: We are already seeing a certain level of cooperation between the various associations. This continued sharing of ideas in the corporate actions space has made significant progress in identifying event-level attributes for a limited number of actions. However, this cooperation may become more complex as the number of associations involved increases. I believe that industry associations would generally prefer not to overlap in their work to avoid establishing 'competitive' solutions. That said, leaving the establishment of a standard to one association may deprive it of the valuable contributions that other industry association members could make.

**Why do you think those involved opt for a more siloed way of tackling the standards issues?**

A: To the contrary, we've observed a significant level of cooperation among the various organizations with which we work. Although no one organization works entirely in its own silo, each represents its own constituents and seeks to meet the needs of its member companies.

A 'siloed' approach could result if one particular industry group feels the impact of a problem more than another. In this situation, there may be no alternative, as there are different problems and opportunities to be addressed.

**To what an extent do industry disagreements have a negative impact on standards development - for example the sometimes lack of numbering agency?**

A: Speedy resolutions can help continue to keep standardization on track. Debates and disagreements among firms in the industry tend to undermine initiatives and can significantly extend the amount of time it takes to implement and finalize standards. Prolonged disagreements on issues such as field descriptions and data attributes could lead to a delayed standardization process. One example in which the industry is having difficulty agreeing on a standard is the recent vote against the International Business Entity Identifier (IBEI) standard. The lack of support for, and confidence in, the IBEI resulted in a delay that could last years, even though the need for the IBEI remains in order to help streamline the risk management processes within our industry.

Disagreements among firms in the industry on a standard can also pave the way for proprietary and competing solutions to emerge during the time it takes for the industry to sort through the development of the standard.

**Do you think cooperation would lead to a less complex standardization process at a global level?**

A: Possibly, but manual intervention and differences in interpretation still exist and will become more complex with the additional burden of cross-association coordination. However, such cooperation could result in an even more robust standard that can be adopted by a wider community.

Right now, there is a growing sense of ‘standards fatigue.’ This is unfortunate because innovations such as the development of the new ISO 20022 messages are aimed at further defining and simplifying corporate actions standardization.

**What could be the downsides of wider industry cooperation in the standards field?**

A: There could be a number of downsides, including the time it takes to establish a standard, which could be longer given wider participation. For example, approval of and funding for forward-thinking projects that strive to achieve greater straight through processing (STP) may be halted or delayed by peers in the industry simply because they may involve the creation of a brand new industry standard. The time and resources involved to achieve 100 percent collaboration on standards could mean that by the time a standard is implemented, it may already be outdated.

Many initiatives are progressed through volunteers who allocate their time to help improve our industry, so if there were initiatives that are not of direct interest to certain participants, we could lose access to these individuals.

**Could standards collaboration increase time frames of adoption?**

A: It is likely that establishing a standard will take longer if differing segments of our industry want to collectively define the standard. However, once established, the chances and speed of wider adoption of the standard could be significantly reduced for the differing segments of our industry. Recent market events have highlighted just how 'connected' and interdependent our industry really is. The need to automate data and process flows is more important now than ever.

Using ISO 15022 as an example, it is critical for financial institutions to have access to high-quality corporate actions data delivered in a format that can be seamlessly integrated into their financial systems and applications. Collaboration could more rapidly close the remaining gap that exists with the acceptance of the standardization of corporate actions messages.

**How do you see this space evolving- do you foresee greater cooperation or do you think firms and groups will continue to work in this field “individually”?**

A: I believe the market supports the need to achieve a certain level of standards in corporate actions and that we will see continued cooperation among the various firms and associations involved. The key challenge will be how to manage this continually expanding collection of concerned and active parties, along with their differing agendas.

Many industry associations have different agendas. Perhaps our industry would benefit from fewer associations. During the period of time prior to the implementation of MiFID, there was a healthy debate as to whether or not Europe needed a single market regulator.

Interactive Data Corporation (NYSE: IDC) is a leading global provider of financial market data, analytics and related services to financial institutions, active traders and individual investors. The Company's businesses supply real-time market data, time-sensitive pricing, evaluations and reference data for millions of securities traded around the world, including hard-to-value instruments.

[www.interactivedata.com](http://www.interactivedata.com)

These responses are provided for information purposes only. Nothing herein should be construed as legal or other professional advice or be relied upon as such.

---

Interactive Data<sup>SM</sup> and the Interactive Data logo are service marks of Interactive Data Corporation.

