AST

INDUSTRY STUDY
•TECHNOLOGY•
2018

AST Corporate Issuer Technology Needs Study 2018

WHAT CORPORATE ISSUERS WANT FROM THEIR SERVICE PROVIDERS

The AST Industry Study is a program of research, which has the over-arching goal of providing an independent look at the current and future needs of issuers and shareholders, and to identify ways to best address those needs. This next-step Industry Study project provides an in-depth look at what corporate issuers need and want in technology including their ideas, industry trends and solutions. The date of this study is April 2018.

In a new study, AST has found that corporate issuers are embracing new technologies as never before and view them as the key to providing better service to their shareholders.

The study involved personal interviews and surveys with industry leaders, AST clients, non-clients and members of AST's Executive Advisory Council. All the executives who participated in the study are actively involved in providing services to their companies' shareholders and have responsibility for the selection of their companies' various service providers. Overall, the survey revealed a high degree of concurrence among the participants.

AST designed this new technology study to **capture corporate issuer thoughts** on technologies that improve the shareholder and issuer experiences, addressing areas such as data analytics and data safety and security, as well as to provide a platform to discuss ideas on current trends in technological innovation.
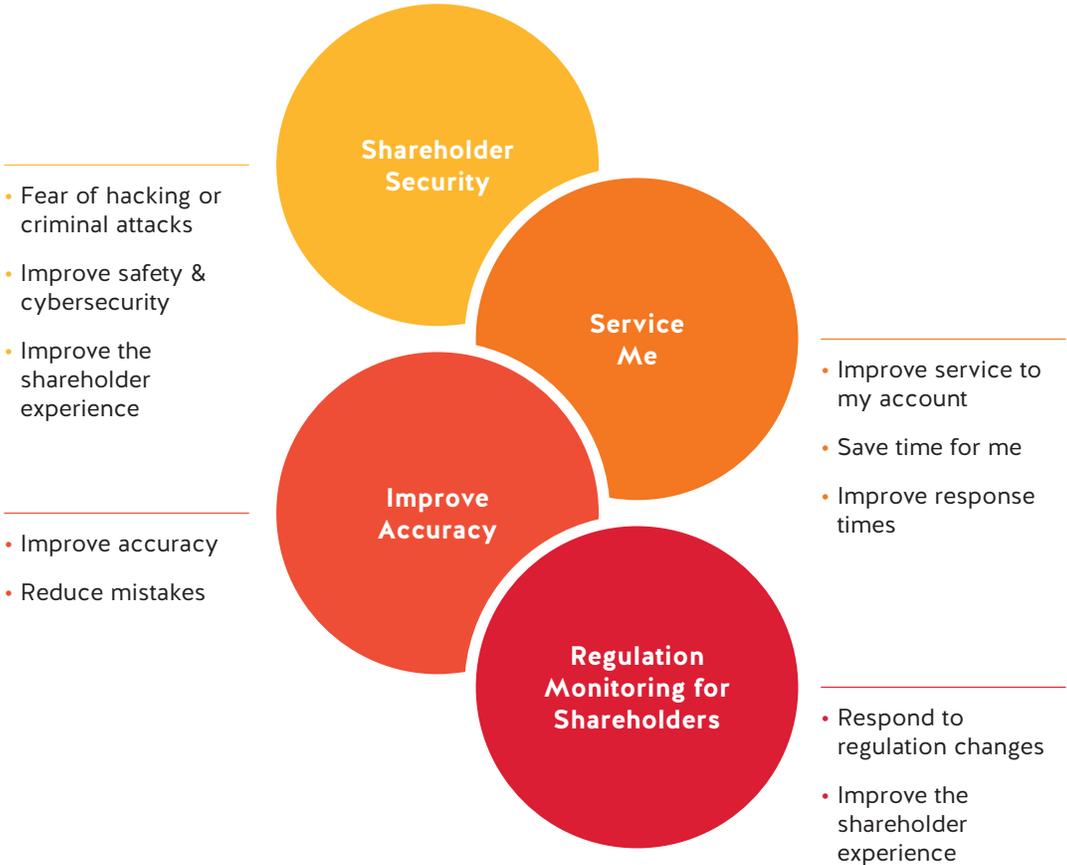
Below are some of the key findings from AST's study.

Technology & the Shareholders' Experience

When asked about technology in regard to **shareholders**, respondents expressed concerns about shareholder experience. For the majority of respondents, shareholder interfaces came to mind first. Respondents fantasized about tech-enabled customer service that could offer seamless connection between shareholders and themselves, because they want to understand a shareholder's situation as accurately as possible. Others envisioned interconnected computing power removing all obstacles blocking the flow of information from one system to another. In addition to demanding a more open and easy-to-use web or Internet presence from their providers, respondents also asked for greater robustness, speed and ease, increased self-administration and a better human interface.

The study honed in on pain points in technological applications' ability to adequately service shareholders. One specific priority was the need for shareholders to be able to manage their accounts independently.

CLIENT NEEDS FOR TECHNOLOGICAL SOLUTIONS

Shareholder Security

- Fear of hacking or criminal attacks
- Improve safety & cybersecurity
- Improve the shareholder experience

Service Me

- Improve service to my account
- Save time for me
- Improve response times

Improve Accuracy

- Improve accuracy
- Reduce mistakes

Regulation Monitoring for Shareholders

- Respond to regulation changes
- Improve the shareholder experience

"The Interface should be easy to navigate and options should be clear and succinct. Also, one of the biggest frustration that we frequently hear from our shareholders when calling in is that they have to press too many buttons to get to a live representative," one respondent noted.

Respondents also believed that technology should be able to avoid unnecessary escheatment of funds, communicate with the service provider, and provide email notification to the shareholder when there is activity on the account.

Corporate Issuers' Needs

When asked about technological solutions for **corporate issuers themselves**, the respondents emphasized the need to improve accuracy, accounting for the human element at every level. They sought technology that could provide a better experience and greater protection for shareholders. Across the board, respondents agree that the speed and ease of providing information needs to be improved, and they see technology as the obvious answer. Internally, they desired smoother information flow between systems and people for greater self-service and information discovery. Most importantly, issuers wanted technology to help them stay abreast of regulatory changes.

AREAS OF STUDY

The technology study included seven major areas of study as follows:

1

Top-of-Mind Uses
Respondents were asked, "What comes to mind first as an area that would benefit from the use of technology?"

2

Reasons for Technology
Respondents were asked to rate the importance of a list of reasons for developing technological solutions. The list of reasons used in the survey was developed in the Phase 1 or personal interview aspect of the project.

3

Technology Beliefs
Respondents were asked to agree or disagree with a series of statements on the adoption and/or need for technology. The list of reasons used in the survey was developed in the Phase 1 or personal interview aspect of the project.

4

Shareholder Experience
Respondents were asked, "What technologies should service providers be developing to improve the shareholder experience?" They also evaluated a list of thoughts developed in Phase 1 and provided ideas on communications.

5

Data Safety & Security
Respondents were asked, "What aspects of data safety and cybersecurity concern you most?" They also evaluated a variety of thoughts developed in Phase 1 and provided ideas on communications.

6

Corporate Experience
Respondents were asked, "What technologies should service providers be developing to improve service to you?" They also evaluated a variety of thoughts developed in Phase 1 and provided ideas on communications.

7

Data Analytics
Respondents were asked, "What do you think services providers should be doing in this area to support you?" They also evaluated a variety of thoughts developed in Phase 1 and provided ideas on communications.

With respect to issuers' own experiences managing their accounts with technology, speed and accuracy were rated paramount.

Specific requests included greater self-service capability for common requests, the ability to call up reports directly on the computer, greater direct access to information for Relationship Managers and better-streamlined communications processes, possibly by reducing "stovepipe systems" (an example of the latter would be connecting an issuer's call center history file with its account file).
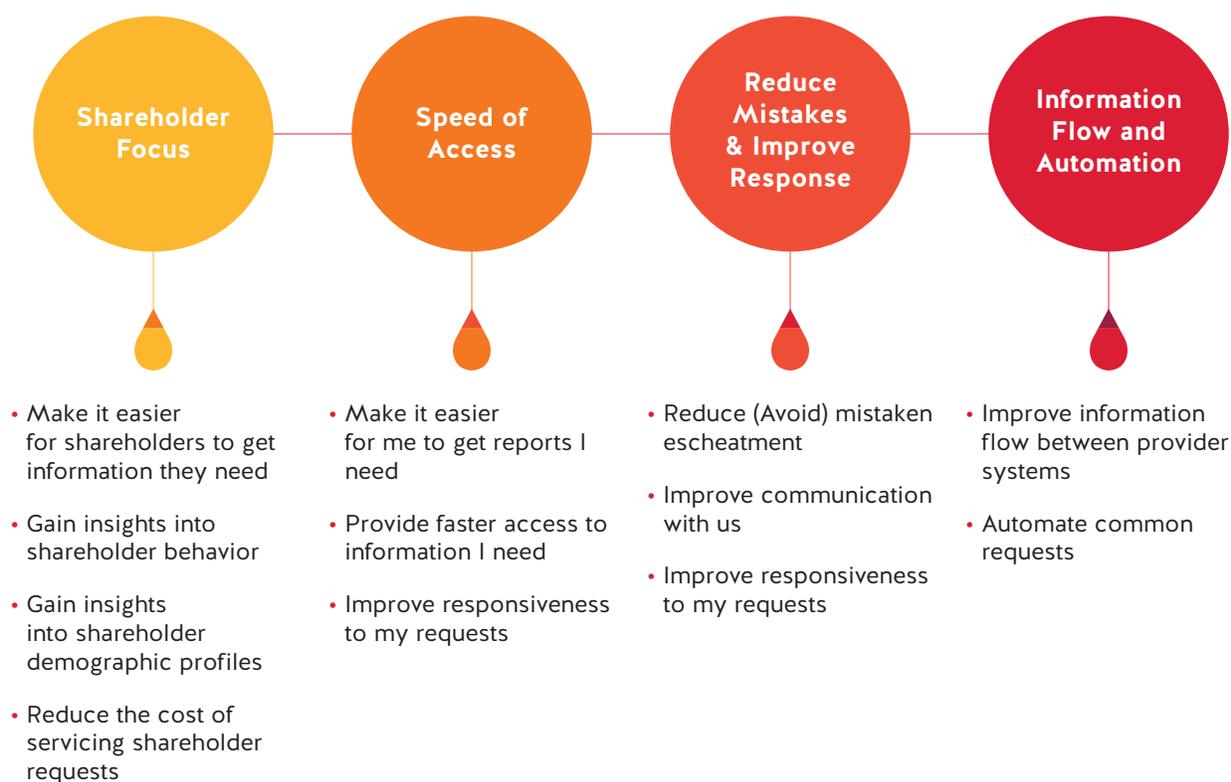
Email was deemed the most effective way to communicate with issuers, although respondents also said they expected a phone call from their Relationship Managers around significant changes or improvements. They want to feel confident in the work that their providers are doing for them, and documentation of all the providers' activities is desirable for that goal.
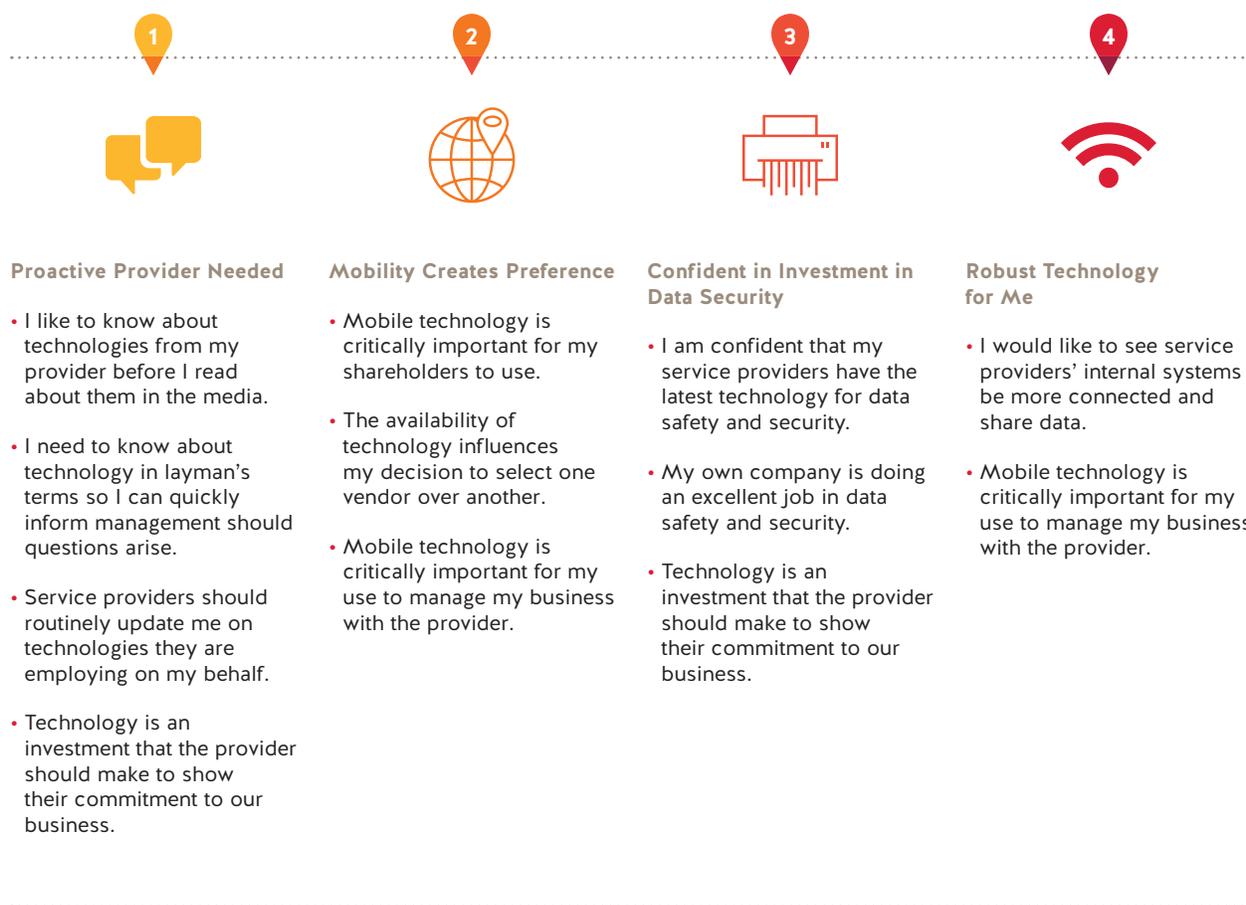
Technology and Data & Analytics

The vast majority of respondents said that **technology** is a complex discipline that requires a different skill set from those that they personally possess. The highest-scoring belief among executives was that they needed to understand technology in layman's terms. This conviction stems from their shared experience of needing to answer technological questions regularly and sometimes under pressure, even when the technology will be many years in development. Respondents also believed that technology is an investment that providers should make to show their commitment to the executives' businesses.

WHY CLIENTS SEEK ENHANCED TECHNOLOGY

Shareholder Focus

Speed of Access

Reduce Mistakes & Improve Response

Information Flow and Automation

- Make it easier for shareholders to get information they need
- Gain insights into shareholder behavior
- Gain insights into shareholder demographic profiles
- Reduce the cost of servicing shareholder requests

- Make it easier for me to get reports I need
- Provide faster access to information I need
- Improve responsiveness to my requests

- Reduce (Avoid) mistaken escheatment
- Improve communication with us
- Improve responsiveness to my requests

- Improve information flow between provider systems
- Automate common requests

IMPROVING THE CLIENT AND SHAREHOLDER EXPERIENCE

1

Proactive Provider Needed

• I like to know about technologies from my provider before I read about them in the media.

• I need to know about technology in layman's terms so I can quickly inform management should questions arise.

• Service providers should routinely update me on technologies they are employing on my behalf.

• Technology is an investment that the provider should make to show their commitment to our business.

2

Mobility Creates Preference

• Mobile technology is critically important for my shareholders to use.

• The availability of technology influences my decision to select one vendor over another.

• Mobile technology is critically important for my use to manage my business with the provider.

3

Confident in Investment in Data Security

• I am confident that my service providers have the latest technology for data safety and security.

• My own company is doing an excellent job in data safety and security.

• Technology is an investment that the provider should make to show their commitment to our business.

4

Robust Technology for Me

• I would like to see service providers' internal systems be more connected and share data.

• Mobile technology is critically important for my use to manage my business with the provider.

The study showed that executives desire to be kept more up to date with new developments in regard to data and analytics. Most believed that sharing data is imperative, but they want providers to work out the details and regulations of data sharing first. When evaluating a list of potential data applications, respondents expressed interest in historical analysis of data, peer and trend analysis, predictive analytics and shareholder demographic analysis.

Because of the limited understanding of how many of these services can be used, however, service providers will need to educate users as to the benefits they can provide. Among the most prominent themes to emerge from the study was issuers' shared belief that technology is extremely complex. They rely on providers to teach them in layman's terms and to keep them up

to date with high-tech advancements, even if those advancements are not yet in the field.

Data Safety and Security

While **data safety and security** were high-interest topics, many respondents believed that between their own in-house efforts and those of their providers, the technology protecting shareholders from hackers and criminals was in good shape.

Others, however, professed more uncertainty on the topic, citing particular worries about possible identity theft, especially in light of recent, highly-publicized releases of information and privacy concerns surrounding consumer-centered businesses. Many issuers cited worries as to whether current technology can provide the necessary security for their shareholders.

Respondents were most in support of service providers' protections such as firewalls, encryptions, and any technology that would protect shareholders' information. Service provider secure storage solutions were also rated highly. While not rated as highly, there was moderate interest in shareholder education, webinars and newsletters. Most felt that emails would be a sufficient means to communicate changes to shareholders.

In summary, AST's new study shows that industry participants see many areas where technology can help them leverage readily available benefits. They are hungry for new ways to streamline and better integrate technology into their shareholder and data security. This desire for proactive technological innovation represents an opportunity for providers to demonstrate their value as partners in forging the future of the industry.

LEARN MORE

To read the full report, visit the AST website and go to the "About US" section at www.astfinancial.com/about-us/eac.

Please also call or email your Relationship Manager with any questions or comments.

Study Administrator:
Vincent McCabe, Inc.

Contact Jean Vincent at:

Phone: 315.685.7227
Email: jean@vincentmccabe.com