

# Transfer Agency Services in India- Emerging Trends



**V. Ganesh**  
Chief Executive Officer  
Karvy Computershare Pvt. Ltd.

## 1. Preamble:

The Registrar & Transfer Agency function has undergone a complete metamorphosis over the last few years. The name (Transfer Agent) itself is a misnomer as they are no more responsible for Transfer of Securities, in a dematerialized world.

On the contrary, the TA function requires a womb to tomb competence, as against isolated efficiencies in its traditional avatar. The TA function has moved away from “Settling” the past to “Creating” the future. Today the expectations are to demonstrate thought leadership, market advocacy and have the ability to provide convergence and divergence. The Transfer agent lies at the center of the market place aggregating a multitude of channels for onboarding investors and managing the entire customer life cycle.

So much so, the upstream functions cover disparate entities like KYC agencies, PAN interfaces, Aadhaar interfaces, Tax interfaces, distributor interfaces which then culminates into book keeping and transaction management. This then is followed by downstream interfaces, again, with a disparate set of stakeholders ranging from money laundering to distributor / investor fulfilment to business reporting and the works.

The capital markets and investment management industry is getting increasingly complex by the day. Factors contributing to this growing complexity are new investor regulations, changes in the regulatory framework, legal constraints and risks associated with the technology. At the same time, crunched time lines in process cycles, new transactions and data flows, diverse cash and security settlement modes, different transaction cycles and the emergence of new and more sophisticated products, particularly in the alternate space, have created additional complexities in managing TA services.

## 1. Opportunities & Challenges:

### i. Single Source of process for entities:

**The position of TA in the value chain will continue to change, and the TA service providers have an opportunity to move further forward to support the other entities** including MCA, IEPF authority,

regulators (capital market & financial markets), fund managers and distributors. With the convergence of administrative needs across funds, alternative products, unit-linked products and many others, administrators are facing a clear and critical necessity to review their current IT strategy & platforms to **provide a single source of service provider embracing all TA capabilities from current diverse platforms.**

Cost is important for both TA, issuer companies and Fund Managers. TA's are seeking gains through productivity, removing redundancy, and also building on operational efficiency in related operations.

### ii. Demand for Customized Solutions

As the financial services industry becomes more complex, the ability to offer more customized solutions becomes more critical. Flexible data elements, customized reporting, web reporting, packaging various bundle of products that has linkages to customer delight are all surfacing on top of the list as indispensable functionalities to be offered to clients and distributors.

### iii. Eradication of Manual Processes

In an attempt to address the complex operational efficiency, eradicating manual processes is often cited as a means of increasing efficiency, while at the same time, eliminating costly human errors. One aspect of automation lies on the communication front where, in the TA space are improvement of workflow automation both with in TAs and among other intermediaries, robotic process and machine learning for automated and customized responses.

### iv. Business Growth Enabler

Key business drivers like providing a platform which enables wider product coverage and business scalability, better quality in service and reduced “time to market” continue to be distinct areas of opportunities for TA. To date, there has been little efficiency in copying “best practices” between different geographical markets and in delivering true capability to service the full suite of complex products e.g. retail, institutional, traditional and alternative.

### v. Customer Reporting/Services:

1. Single view of holding and corporate benefits
2. Self-service tools and instant messaging
3. Report on demand and access through Issuer company/Fund managers application or a device

#### **vi. Regulatory Challenges**

The plethora of regulatory changes is something that the TA is expected to deliver on. Regulatory changes across regulators ranging from SEBI to Tax to KYC to RBI etc need to be absorbed by the TA to deliver superior compliance

### **2. Technology Platforms**

Facing the opportunities and challenges in India described above, the TA technology and operating platform must be able to satisfactorily address the majority of, if not all of the areas currently encountered by various stakeholders/issuers/fund administrators:

#### **a. Business**

1. Diverse business model and product structures having delivery with speed & accurate.
2. Support multi-tiered distributor and intermediary compensation modeling with rules
3. Refocus of management time on growing business and infrastructure platform that supports this
4. Fees and intermediary management
5. Facilitate business growth for clients

#### **b. Operations:**

1. Enabled to be truly multi / product /country / currency / languages
2. Support convergence and consolidation of services
3. Time zone management
4. Interfacing with upstream and downstream systems

#### **c. Technology**

1. Omni channel service
2. Better insight with analytical capability.
3. Controls embedded: integrated workflow & imaging
4. Cyber security framework
5. Enabling Investor/client self-service

### **3. Transfer Agency Services- The road ahead**

#### **I. Increased Efficiency**

A greater focus to eliminate manual processes in order to increase productivity & efficiency and reduce risk

#### **II. Higher Standards of Customer Service**

As the demands from clients are increasing, and becoming more complex, TA operators will face the pressure to improve their service standards to allow 24\*7 accessibility and, more importantly, being available anytime, anywhere and in any form. Channels and devices are going to play a huge role in servicing customers, distributors and fund managers.

#### **III. Scale Management – Physical & digital scale up**

Three tier architecture, multi channel processing, smaller ticket size with exponential throughput would be the need of tomorrow.

#### **IV. Supporting Multiple Business Models**

The availability and/or appropriateness of solutions that support multiple business models within a single instance/configuration, or separate instances by product, geography and/or organizational unit would be a critical feature of a future-proof TA platform.

#### **V. Ability to Support Multi-Regional Capabilities**

TA platforms must satisfy multi-lingual, multi-currency, multi-time zone, multi-entity, multi-product and multi structure servicing requirements.

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