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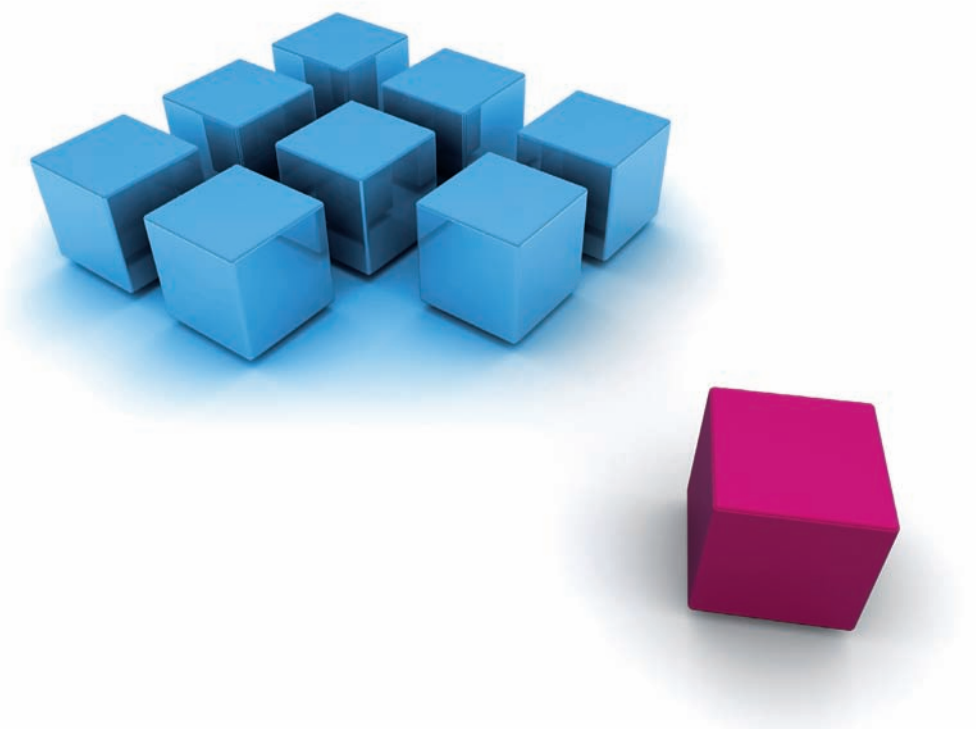
Enterprise Data Management

Special Report



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Editor's Letter

Back in the Limelight

In the past year, some have suggested that the market has seen the end of an enterprise data management (EDM) era. There was a general feeling that big bang EDM projects had seen their heyday. And that might be true.

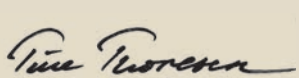
But this does not mean that EDM has lost its importance. The financial crisis simply changed the approach to EDM. EDM continues to be important, but projects are being reassessed. Firms are taking a small-step approach, ensuring that project risk is minimal and opportunities for immediate return on investment are significant.

If EDM was ever pushed off the agenda, it is certainly now back in the limelight. The political and regulatory spotlight on the importance of data has resulted in a growing understanding of the need for integrated data management strategies.

I recently attended a presentation on a study of the trading technology market, and the research concluded that data is king. More people than ever are talking about data issues, and C-level executives list data management among their top priorities. It might not be clear who is responsible for the data challenge within an institution, but the fact that it is being talked about should be a clear sign that improving EDM strategies continues to be a vital project for many financial institutions.

With this report, which includes comments from industry experts and a news review, we hope to help you keep up to date with the latest happenings in EDM. And if you find this interesting, we also hope you will want to register for our webcast on integrated data management on October 14.

Yours sincerely,



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NEWS

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WSI Data Tool Addition Pays Off for Citi

LONDON—Operations groups within Citi have benefited from increased automation and improved data standardization around its customer data, after going live with a reconciliation hub from software vendor Web Services Integration (WSI), officials tell *Inside Reference Data*.

Citi implemented the Xceptor Product Suite Reconciliation Hub in 2008. The data handling and manipulation product takes data from various sources, validates and enriches it, allows users to configure matching and reconciliation rules, and provides data in a standardized format to improve integration and STP.

Citi says the implementation has given it greater control over its data and increased the time available for data analysis by automating its retrieval. The product has enabled it to handle various vendor feeds and compare data, and helped with regulatory compliance by adding controls around data remediation efforts for Basel II.

London-based Julia Sutton, then global head of customer accounts at Citi, whose team is using the reconciliation tool, said: "Before, we would react to the queries and pass the data on to whoever needed it in the form of a spreadsheet or whatever format was required." Using the WSI tool has enabled her team to make the data look more professional, she said. "We are getting some positive feedback from those using it."

The full version of this story appeared in *Inside Reference Data*, June 2009.

Carla Mangado

Fed's Bottega: Be Pragmatic, Be Understood

NEW YORK—Data managers need to be pragmatic, demonstrate value and be seen as indispensable, John Bottega, chief data officer, markets, at the Federal Reserve Bank of New York, advised conference-goers in a speech at the North American Financial Information Summit in New York in May.

"Amid all the turmoil and confusion, I would encourage you to think about being pragmatic," Bottega told attendees. "As data managers, we have to be pragmatic in the way we approach and solve problems, how we describe our strategies and vision, and how we bring benefits to our institutions."

Being pragmatic means relating to matters of factual and practical affairs, which is important to data professionals as data management is not always fully understood, he explained. "We have to demystify" data management and communicate in words that others understand.

The full version of this story appeared in *Inside Reference Data*, June 2009.

Max Bowie and Tine Thoresen

Ref Data is Building Block for Collateral Management Program at JP Morgan

LONDON—Data has emerged as a foundational component of a JP Morgan global collateral engine initiative, a multi-year, multi-million dollar program designed to enhance business infrastructure, officials tell *Inside Reference Data*.

The new engine is set to maximize and optimize clients' use of collateral while mitigating risk and minimizing their financing costs. One of the benefits with the new system is that clients will have enhanced ability to manage inventory across different business lines and regions.

To support that, substantial data is required —including all reference data, instrument identification and pricing, client data and account data. London-based Emma Mangan, global head of product development for clearance and collateral management and executive director at JP Morgan, says: "Our systems have grown up over time, and this gives us the opportunity to normalize data across them to feed into one common platform."

JP Morgan is integrating the platforms in ways that will help better mitigate risk. The integrated data model will also improve reporting and exception management processes, which will be monitored via an online dashboard and command centre.

One example of the model's capabilities is that it will alllow clients to review an eligibility schedule online, with the relevant underlying reference data readily available on screen.

The full version of this story appeared in *Inside Reference Data*, July 2009.

Tine Thoresen

SIX Telekurs Opens California Office

SIX Telekurs has opened an office in San Francisco, enabling it to better serve its growing customer base on the West coast of the US. The move will eliminate time-zone difficulties and is part of the firm's strategy to serve local markets with local staff.

EDM Council to Raise Data Awareness in Systemic Risk Reporting Arena

Industry association the EDM Council is pushing for raised awareness of the importance of data in systemic risk reporting. It is arranging meetings with 12 heads of risk at large financial institutions to discuss systemic reporting and the related data requirements.

Asset Control Releases AC Plus Desktop 3.1

Asset Control has enhanced its AC Plus Desktop data cleansing and enrichment product to enhance market valuation construction transparency for both liquid and illiquid instruments. AC Plus Desktop provides real-time reporting on accurate reference and pricing data and support at every stage of data cleansing, facilitating reference and time-series data validation.

Virtual Roundtable

EDM: The Key Enabler

Inside Reference Data gathers leading industry professionals to discuss the importance of integrated data management in the current market

How important is EDM in the current climate?

Norman Brower, executive director, reference data solutions, Morgan Stanley: EDM continues to have an ever-increasing level of importance in industry operations. It is a key enabler for the proper execution of functions like clearance and settlement, risk management and regulatory reporting.

Rick Enfield, product business owner, Asset Control: Effective data management continues to be relevant in these difficult times. Firms are operating under very strict budgetary guidelines. At the same time, they need to address ever-expanding requests for compliance and operating transparency. An effective data management process can meet these needs by enabling firms to:

- Utilize existing internal control processes to generate required transparency without the need to add new systems or staff
- Rapidly distribute cleansed data to different places, including clients and internal systems
- Leverage existing system investment by cleansing the inbound data supply and maximizing the usage of functionality that has been acquired
- Analyze sources of data to avoid paying for the same data multiple times by different departments
- Reduce duplicative, manual internal control processes around the same data elements while ensuring consistency of data supply throughout the organization
- Capture niche, expensive data sources that either are not needed, or can be attributed only to the specific departments or systems that require them.

Ranko Batljan, vice-president, BNY Mellon Asset Servicing: We know data is the asset that provides competitive advantage to companies who manage it properly. A lot of resources are spent on collecting, storing, processing, distributing and presenting data. It is important to insure this process is the repeatable and measurable one. The metrics that get created as one of the outputs can be used for further improvements of the data management process. Improved process will produce better output. The quality of data management process is a tangible component of the business process that can be presented to clients and regulators.

In general, periods following turmoil tend to be a mix of caution, uncertainty and hope. In these times it is more important than usual to know how we are doing. Accordingly, the information that can reliably and accurately convey this tends to be at a premium.

Similarly in the current climate, these are the times when good quality and timely information that is a result of a good quality data management process is an important asset.

Tony Brownlee, principal, Kingland Systems Corporation: EDM is very important in the current climate, primarily driven from a change of perspective. Challenging times, like those of the last number of months and years, force firms to look at their problems differently and one of the big problems felt by everyone was a lack of information. If the goal is to provide the right kinds of information to the right decision-makers throughout the enterprise, one of the critical stepping stones to get there is EDM.

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Ivo Bieri, head of marketing, SIX Telekurs: The current market and regulatory conditions have certainly increased focus on EDM. All around us, we see clients are looking to increase efficiencies, to mitigate risk, cut costs and comply with regulations, all of which EDM promises to achieve. However, the cost of achieving EDM is high, so we are seeing the conflict between the need for effective EDM solutions to cut costs in the medium and long term, but the high short-term expenditure necessary to make it happen. In recent months, we have witnessed some projects being dismissed prematurely because of the current belt-tightening climate.

Jason Du Preez, global head, Thomson Reuters Data Management Platform,

Virtual Roundtable

Tony Brownlee, principal,
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Thomson Reuters: EDM is concerned with the creation of, and transparency of, accurate and consistent information. This has never been more important than in today's climate.

The industry is bracing itself for regulatory changes, and as firms reconstitute after M&A activity, or re-engineer their internal processes in a drive towards reducing risk or increasing efficiency, data plays a part in almost all of it.

The ultimate driver is reduction of risk, but the industry has very clearly acknowledged that underpinning all effective risk strategies is robust data management. Even so, many firms still lack the tools to provide the necessary level of transparency over their organizations, so we see EDM projects remaining on a shortened list of high-priority projects.

The financial crisis has resulted in data managers experiencing a growing number of 'last-minute' and *ad hoc* data requests. How can reference data teams optimize data accessibility to better meet the new demands?

Brower: Having centralized reference data solutions and common identifiers used to identify products, accounts, legal entities, etc, will enable a firm's data to be readily leveraged to respond to *ad hoc* requests from a wide spectrum of interested parties, including business heads, clients, counterparties, and regulators.

Enfield: While the number and frequency of the demands has grown, the underlying data requirements are not that profoundly different. What is different is the increasing demand for distributed transparency of the underlying sources of reported figures.

Over the years there have been many different theories and approaches to data management, distribution and accessibility. Firms have tried to implement these approaches in an attempt to standardize methods of acquiring and disseminating data. Most requests boil down to enabling the right data to be easily accessed in a consumable manner. While this concept sounds simple, there are many complications such as:

- Permissioning controls over data access
- Getting multiple correct answers to the same question
- Differing quality controls over pieces of data.

Additionally, if the consumers of the data don't like what they are getting, they will put other processes in place to obtain what they need. Likewise, control procedures

over data "not of interest" to the controlling party will not be rigorously enforced. However, there are ways to segregate control over individual data elements such that appropriate groups control the data upon which they have interest. Once that data is cleansed, it needs to be organized in a way that is accessible, and where different needs of groups can control what they require—without the need to enforce a single view to be thrust upon the business. Data management groups can greatly facilitate this process by ensuring:

- The proper sourcing of common data requirements
- Effective internal control processes over data performed by groups that understand the data itself and are part of the data consumption process
- The need for multiple right answers can be catered to within the control environment
- Cleansed data is made available in a manner that can be easily accessed on a timely basis
- Specific functional needs can still be catered to in the event that they fall outside the central data management purview.

Batljan: Without going into details of individual requests such as identifying all assets issued by a given company in a given portfolio or checking the prices of particular asset classes, all these requests had at least one thing in common—they were all needed yesterday. In "peaceful" times, enough time is usually allocated, and a schedule is followed to create an IT product (for example to produce a report). It is possible these things got compressed a little during the peak of financial crisis. The ingenuity of data management staff and a lot of thinking "out of the box" probably made a lot of difference in those moments. It was an investment in people with a good knowledge of office-automation software, open source tools, databases, various data mining tools and knowledge of company data that paid its dividends for successful players.

As these ad-hoc requests repeated, data managers were able to recognize the pattern and build permanent reports. In cases where the current data structure was not conducive to reporting, we might have seen some temporary data structures and data extracts built as well. When it comes to presenting and accessing data, web services and XML provided the necessary flexibility. Some of those solutions have probably been made production-ready in the meantime, and been added to the portfolio of tools for data management professionals.

The bottom line is that people with a good mix of business and data management knowledge have made a difference. It is hard to predict the next crisis. What can be done is to continue investing in the centralized data management process and the talented folks that manage it.

Brownlee: Reference data teams should do many things, but they can start by taking a hard look at their data supply chain and answering some critical questions. Where

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does data originate internally? Which vendors are being used? Where are the current problems? Is technology an enabler or an inhibitor? Any reference data team that can answer these questions definitively is well positioned to proactively versus reactively respond to changing demands.

Bieri: With a properly structured data repository, *ad hoc* requests should not present a major hurdle. For example, at SIX Telekurs, we have structured our database to be fully extensible, and we can achieve that largely through design, as well as complete encoding. The way we describe securities (or any other information in our database) is in the smallest possible discrete chunks, which can be linked together in a variety of ways to achieve new results. This means we can accommodate virtually any securities structure.

Once the data is well organized and structured, meeting regular or *ad hoc* delivery requests becomes much easier. For example, SIX Telekurs' Valordata Feed allows clients to request data on an *ad hoc* basis at any time of the day, and customers are also able to download information from the Telekurs iD browser application at any time. Designing an effective data structure and delivery mechanism isn't a simple process, but when properly implemented can yield fabulous results.

However, special situations require speedy action. If specific data sets do not fit into the designed structures, and if there is no time to carefully lay out new ones and to implement them in an orderly release cycle, then simple lists that are frequently updated and made available through web access can still support processes that are mostly manually performed. We used such auxiliary measures in the Lehman case, and our customers appreciated the fast and simple approach, as there was no time to invent, communicate and implement specific structures first. That should not be a permanent solution, and instead well-thought amendments to the encoded data set and/or data model should be implemented when the immediate crisis is over.

Du Preez: Reference data teams should move away from the old world, where *ad hoc* data requests need to be serviced by costly services projects, often outsourced to vendors.

By assuming a holistic view of data management and implementing a solution that incorporates the acquisition, storage and distribution of data, these teams can

provide a consistent and controlled access mechanism to the information that enables users to service their own *ad hoc* requests through well-defined interfaces. Analytics and reporting services can be layered over these interfaces to provide higher-level business intelligence and consolidated metrics.

Some caution needs to be exercised when architecting these solutions, as gathering together disparate technology to create this underlying platform can also cause projects to fail through indeterminate implementation costs and timescales.

Firms can easily spend many times more on data integration compared with the actual EDM platform. What is the best strategy for ensuring data integration projects are completed on time and on budget?

Brower: This is a question for which there is no quick answer and we as an industry would do well to collaborate on. That said, there are some "must haves" for any data integration project to be successful. They are:

A. Executive sponsorship
B. Strong data governance and stewardship
C. Involvement of the business
D. Tools for data profiling, mapping and ETL
E. Well-defined methodology
F. Talented dedicated team.

Enfield: The systems that rely on data have different requirements with respect to the timing of data delivery, formatting, updating, completeness and transaction state monitoring. The biggest mistake is not fully understanding these differences in the context of the recipient system's needs, especially in complex 24/7 global operating environments. These requirements then need to be mapped into the capabilities of the data delivery platform. The delivery platform does, of course, need to support various types of distribution—full batch refresh, difference files, publish/subscribe, and request response. The platform also may need to monitor data "states" since some systems need information in different ways. For example, do I need data that is "good enough" on an immediate basis for a trading system, or do I need "more correct" information on a less time-sensitive basis for shareholder reporting? Firms need to understand transaction flows as well. For example, a new instrument creation process may result in inefficient workflow processes or duplicate (and forever different) instruments within various systems.

A deeper understanding of these requirements will lead to a more efficient and effective integration path, with fewer false starts or sub-optimal integration implementations.

Batljan: When it comes to integration, the strategy would be to start small. Not in the sense of thinking, or in regards to the overall project, but rather, the project should be structured in such a way that tangible results are visible early in the project's life whenever possible. A hypothetical example

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would be to consolidate vendor licenses and achieve savings early. Or to define data mapping rules and implement something that still requires manual intervention. Integration projects tend to be expensive, and that makes it more important to structure them in a way where we can see tangible benefit at every stage, rather than waiting for the big bang at the end.

Another benefit of staging would be flexibility. We could also realize after completing two stages, for example, that further integration levels would not be cost-effective. In cases where the staging does not work, I would recommend spending more time in analysis and working through scenarios. Inability to phase the integration project automatically raises the level of risk. Higher risk warrants more due diligence and more work on scenario analysis. One thing that frequently gets neglected in the early stages of planning is a transition and roll-out plan. Not having those worked out at the beginning tends to make a project much more expensive at the end.

Brownlee: Success can be driven through people and process. Projects are successful only with the right team, using reliable project management and data management processes. For EDM data integration projects, the team must consist of individuals that can reach out and get the attention of stakeholders from throughout the departments that will be impacted. The team must be familiar with best practices in data management, and understand enterprise technology. This does not mean you need to find a team of database architects, but rather a team of people that have integrated data, used data, and have architected, developed and supported enterprise applications—they've eaten their own cooking on an enterprise level, so to speak. Additionally, you need reliable project management skills and processes that allow you to effectively monitor and control both time and budget. Lastly, to put this team together, it's highly unlikely you can be successful solely with internal resources; look to the outside to qualified individuals and companies that have the specific expertise and skill sets you're missing.

Bieri: The starting point for an effective integration is the enterprise data management plan—the platform is only a piece of that. To be effective, the overall plan must be thorough and well thought through. It

must take into account the implementation steps, as well as provide a plan for how the enterprise will collect, maintain and access data. From SIX Telekurs' long-standing, close collaboration with software partners during client projects, we know there are two fundamental aspects to a successful implementation. The first is a detailed knowledge and deep understanding of all the data needs across the firm, and the second is that the integration team must have extensive experience with the data in question. At SIX Telekurs, we have recognized this experience is often lacking in the implementation process, so we are planning to offer such integration services for both pricing and reference data.

Du Preez: Firms need to accept that data management solutions extend beyond the boundaries of the traditional EDM platform (the master data system or securities master) and architect a solution that contemplates distribution and integration from the outset of the project.

Today's EDM platform should include a distribution and integration layer that comes integrated with the master data system. The platform should provide and control the contiguous flow of information from source, through the EDM platform, to the point at which it is consumed by downstream applications or users.

There is also a growing requirement around the convergence of non real-time and real-time data. This further complicates the solution as we contemplate how to introduce elements of streaming information onto the EDM platform.

Outside of the technical challenges associated with data integration projects, we should also be sensible in terms of how these projects are scoped. Creating projects around tangible milestones with clear business benefits allows teams to focus more easily on timely and controlled project delivery, creating the foundation for future projects.

Is it possible to balance the need for more comprehensive, easily accessible and timely data with the need to spend smarter?

Brower: Absolutely, the availability of third-party tools and an increase in experienced data management professionals means we are better positioned than ever to get better leverage out of investments we make in data management.

"Firms need to accept that data management solutions extend beyond the boundaries of the traditional EDM platform and architect a solution that contemplates distribution and integration from the outset of the project"

Jason Du Preez, Thomson Reuters

Ranko Batljan, BNY Mellon Asset Servicing

Enfield: Like any environment, there is a need to balance cost with capability. However, there are numerous ways to deliver solid, reliable data at a reasonable cost. The place to start is with an analysis of business drivers. It is likely that many elements of a data management process will contribute to a firm's ability to attract and on-board new business, for example, while also mitigating associated risks. At the same time, cost savings from more efficient data acquisition and process management can result in a "smarter" spend while increasing data quality and accessibility.

Batljan: Various approaches can be taken to balance the cost of data management versus financial efficiency. The important factor is knowledge of the company's data and its intended use. In the same way that one data model does not fit all, sometimes one data model is not sufficient within the same organization. Build versus buy and flexibility versus control are some of the questions that need to be asked and answered to control costs efficiently.

It is undoubtedly the case that enterprise data is the proprietary asset and companies should have control over it. That does not necessarily mean every piece of data infrastructure needs to be proprietary. There are various service providers in the data management space, and some of them offer real value and expertise that companies can leverage. A good mix of proprietary data infrastructure and external providers managed by knowledgeable company staff should offer the appropriate balance between cost and quality.

Brownlee: Yes, this is possible. To address comprehensiveness, accessibility, and timeliness in an EDM initiative, you need to look pragmatically at the sources and technology you're using today, but realize that improvements such as these cost money to be done well. In the short run, you may be able to re-assign some people by using more reliable data or better technology, but most of the time the "smarter spend" will be realized through a longer-term view, perhaps over two to three years.

Bieri: Yes, it is. At SIX Telekurs we have pursued an advanced EDM strategy for many years, ensuring our data is fully structured, inter-linked, and presented in such a way that it supports seamless processing and automation. This allows our customers to draw precisely what they need from our delivery platforms at the time they need it, and are charged only for the data they extract. And in the longer term, the financial advantages of an effective data strategy are manifold when it comes to managing the risk of a busi-

ness. With solid data models in place, businesses can maintain flexibility and adapt successfully to market and regulatory changes, without the need to invest heavily in so doing.

Du Preez: There has clearly never been a stronger demand for transparency across data management processes and the delivery of accurate, high-quality data. Unfortunately, this does come at a time where budgets are tight and firms need to make sure they get great mileage out of every dollar spent. However, project teams and vendors can work together to bring these two seemingly opposing forces together for mutual benefit.

Firms need to clearly identify their data management requirements and the associated benefits that can be gained by servicing these efficiently. Vendors need to provide their clients with solutions that can solve problems in phases over time, but in a consistent way. This allows both parties to benefit as clear milestones are accomplished, while at the same time keeping risk to a minimum.

There have been many industry efforts to create data models that would help facilitate EDM initiatives. But is there a one-size fits all data model? How can firms implement the ultimate data model without re-inventing the wheel?

Brower: It is unlikely we will ever be able to define a universal data model that will fit the needs of every organization. Data models take a lot of time to create and are not agile enough to keep up with the rate at which the business changes. Even if we could, the cost for a firm to replace existing data management infrastructure with a new one would be very prohibitive.

Enfield: There is no one-size-fits-all data model, nor is there a need for one. What is needed is a data structure that meets the needs of each individual organization while taking into account that the needs could be different even within that organization. This does not mean there is no data model correlation, as many of the industry efforts have identified a large number of these correlations.

The modelling of the data should make organizational consumption efficient. At the same time it must account for different data consumption requirements. An effort that forces everyone down one path, where good and valid reasons for differences exist, is not

> "What is needed is a data structure that meets the needs of each individual organization while taking into account that the needs could be different even within that organization"
>
> *Rick Enfield, Asset Control*

Norman Brower, Morgan Stanley

going to succeed. Organizations can cater to this by providing a:

- Consistent and transparent view of the common elements
- Understanding that there are valid reasons why there may be multiple right answers, with the ability to cater to those needs
- Ability to deliver the right data to the right place at the right time in a consumable format
- Capability to enable targeted data management where such a need exists.

Batljan: It is certainly great that there are industry-wide initiatives going on. Among other benefits, it will certainly be educational for some data professionals to read about financial data concepts and terms they did not come across in their careers. Using standard terminology should also facilitate communication.

How much those initiatives will really change the data management business also depends on the financial considerations and cost-benefit analysis. There are legacy systems out there that work and generate revenue. It is unlikely they will drastically change driven only by the impetus of standardization. Data management systems have evolved to their current stage and they will continue to evolve. There is no, and will be no, one-size fits all data model.

Data professionals should continue to deal with issues of the day that are specific to every organization while always keeping strategic principles on their mind. Since standardization and open communication is certainly an important strategic goal, it would be reasonable to expect data management systems to evolve in that direction as well.

The above would formulate my answer to this question. Firms will implement the ultimate data model gradually, in the evolutionary way. Constant communication between data professionals will get us to think similarly and our systems and models should follow.

Brownlee: No, there is not a one-size-fits-all data model out there today, and I think that's OK. EDM is much more about the processes used by the enterprise than it is about a data model sitting somewhere out there. Data models are a piece of the puzzle, but institutionalized processes for maintaining, distributing, using, and evaluating data, effective master data management (MDM) technology, and accurate and reliable source data are more important in the grand EDM picture.

Bieri: If a single data model that fits all needs existed in the world today, we would know about it. Besides I think it is important to remember that this is a very ambitious aim, as client needs and customer

groups vary so dramatically. But this does not mean it is not worth trying for, of course. SIX Telekurs is active in many committees and works conscientiously to help develop industry-wide standards, because we believe standards are one pillar of effective EDM.

In the current market environment, it is important to focus on the end game, which is the ability to turn data into information. At SIX Telekurs, we believe that until data is structured and organized in such a way that it links dependent data sets together, it will never become information. The ability to identify dependencies and linkages within a portfolio is paramount to gain a clear and panoramic view of positions and exposures, which in turn are essential for effective enterprise management, as well as to effectively meet internally imposed guidelines or externally imposed regulatory limits.

We talk about this a lot, but at SIX Telekurs we know the linking of data is crucial, as it guarantees accuracy, gives the complete picture as well as the easy extraction and aggregation of the information needed, as we can see in many solutions that are consuming our data feeds.

Du Preez: There is no one-size-fits-all data model. Data models are like languages, each with their own characteristics.

As we strive towards the ultimate data model, the way we translate between models has been a long-standing concern. Initiatives, such as the EDM Council's semantics repository, is going some way to begin to address this problem by likening aspects of a data model to language (by promoting the adoption of common semantics), reinforcing the point that data models are not static —they are living creatures that evolve with time and innovation.

However, as our world speeds up, and automation and automated collaboration drive this acceleration, certain elements of the ultimate data model become essential. Models also need to be flexible and transparent and consistently implemented within a given architecture.

The challenge of bringing it all together —hosting a flexible and extensible data model, mapping the model to common semantics and providing feedback by way of standardized quality and service metrics is no easy undertaking. Technology innovation plays a major part in this and certainly makes the task less daunting, but wholesale adoption of the lingua franca is much more about broad collaboration and support by the industry for EDM initiatives.

"At SIX Telekurs, we believe that until data is structured and organized in such a way that it links dependent data sets together, it will never become information"

Ivo Bieri, SIX Telekurs

Q&A

A Driving Force

Data governance is becoming a vital part of enterprise data management projects. Inside Reference Data *speaks to Colin Rickard about development in this space*

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What are the downsides or penalties for organizations failing to comply with the raft of data regulations?

Colin Rickard, managing director for DataFlux, West and North Europe: This area is driving our business at the moment. Many organizations have approached us this year because of the global downturn and the fact that the compliance and regulatory drivers are forcing them to say: "It's about time I really look at my data and understand it, because I don't want to be caught unprepared due to problems with it." So, the term data governance, and how you come to trust that data across your enterprise is correct, is an area where we do a lot of work. Today, organizations need to monitor standards and be proactive about data quality, as opposed to five years ago, when it was a very reactive situation. It was very much a batch thing that you did offline. These days, most of my conversations are around proactively ensuring data is correct and needing to know it is correct before the regulator asks about it.

How important is it to have data governance and data integration in place?

Rickard: The days of it being optional are gone. Data is an asset, and one of the things you do with an asset is invest money and people into it to maintain and improve its value. For instance, you wouldn't dream of not having your fleet of trucks serviced year on year, yet data is allowed to degrade instead of being maintained. Companies spend a lot of money acquiring data but very little on maintaining it. It's an area of the business that used to fall on deaf ears, but executives are beginning to understand that investing in data is extremely important.

How is DataFlux helping organizations better manage their data?

Rickard: You need an environment where you can store business rules about pieces of data and where those rules can effectively monitor what is going on in your enterprise. It needs to be able to flag up when things go wrong and allow you to fix them without an

impact on the business. To do that, you need a server you can effectively police in real-time. This was difficult five or six years ago but these days we use web services and service-orientated architecture (SOA) to enable us to link lots of different systems. This has helped DataFlux technology become more pervasive within the IT architecture and enabled organizations to enforce business rules in real time across the enterprise.

How far is the data management world from metrics that will thoroughly measure the effectiveness and quality of EDM?

Rickard: The technology exists today to monitor and report on the accuracy of data over time. Financial services organizations should be asking themselves if they are treating data like other important corporate assets and reporting on it at the board-level. Two types of metrics can be used to measure this—direct return on investment (ROI) and the lesser-used "is my data quality improving over time?" question. It's through ongoing data monitoring that organizations can see whether a data quality implementation is aiding their business; for example, can they see their customer address database contains 30% less inaccuracies than a month ago? It's important to remember that there is no 'once and done' formula for an EDM program—the system needs to be constantly measured to help prevent bad data sneaking back in and see that your business rules are operating efficiently. Business rules can always be modified to fit changing priorities—they can be aligned against regulatory requirements, for example—but you'll never know how to fit your data to your requirements unless you look at the metrics.

What compliance is coming down the line and is it possible to comply while making cost reductions?

Rickard: Banks should plan a two-pronged approach to their IT finances, looking first at their compliance needs then taking into account an emerging trend for more regulation in the financial sector. The FSA, for example, recently announced proposals to require that banks are able to provide up-to-date information both on their customers and to their customers in respect of the FSCS (Financial Services Compensation Scheme). The thinking behind this move is that in the event of a bank failing, the high accuracy of its data would enable rapid payment of compensation to savers, which in turn will drive confidence in the banks. Existing issues such as international watch lists must also be considered. Compliant organizations are those with trustworthy, accurate data. The second 'prong' is to examine how you can cut back-office costs—a good example is call resolution in the customer call centre. A customer query answered in one call not only makes the customer happy, it also optimizes the operator's time and saves the organization money. This kind of lateral thinking is one way banks can instigate successful and shrewd data governance programs.

Sponsor's Statement

Scaling the Hurdles of

EDM has earned its place in the spotlight due to the market turmoil, leading to increased focus on risk and counterparty exposure, pricing and valuation, regulatory mandates and client reporting. As evidenced by the call for multinational data utilities and renewed discussions on standards for identifying and processing information on securities, corporate actions and entities, the financial information supply chain is inefficiently organized.

The term "enterprise data management" categorizes the activity of streamlining and optimizing the information supply chain by centralizing as much as possible the tasks of sourcing, integrating, verifying and distributing required financial data. However, this process still mirrors the disparity of business applications; and rather than centralizing the process, it is replicated numerous times across many different functional silos.

Firms must be realistic about the causes of risk and the approaches taken in streamlining data flows. In times of crisis, we all look for a panacea. Poor data did not cause the financial crisis, however, poorly managed data delayed awareness and complicated reporting around risk. The complex, inconsistent way of sourcing, processing and distributing disparate data streams also imposes enormous ongoing costs, which are becoming increasingly difficult to defend.

The Cost of Multiple Data Streams

A financial institution's processing environment relies on the complete and accurate rendering of data on securities, pricing, corporate events, counterparties and legal hierarchies, and so on. Somewhere between the source and the usage of this data often lies a convoluted jungle of information streams as various departments try to satisfy their own needs independently by sourcing data through different channels.

Clearly, this inconsistent approach introduces greater operational risk and higher costs. The use of separate data sourcing and verification processes is prevalent. This creates a very costly and redundant infrastructure. It also requires an endless series of reconciliation and introduces complications.

Meeting Disparate Business Needs

Data management solutions sit between data sources on the one hand, and the data consumers—heterogeneous business users and applications that reflect the unique attributes of the organization—on the other. Data sources tend to be either generic or designed for a specific asset, exchange or geography. On the user side, data consumption needs are geared towards functional business uses, such as research, settlement, trading, compliance, risk, finance and portfolio management.

AssetControl

Disparate Data Silos

A data management solution should help firms make that translation from generic data streams into business use-specific, actionable information. It must combine the robustness and standardization of sourcing and processing data with the flexibility of catering to a wide range of often unpredictable downstream uses. These can include bespoke development, end-user reports and standardized, enterprise-wide data services.

Scaling the Hurdle

Technical and data management issues are often symptoms of organizational issues. Funding and prioritization pose a difficulty in successfully executing projects across business lines. Unless there is a separate, centrally-funded department with the authority to impose sources and standards, funding typically comes from an overhead charge to each business line. Not surprisingly, the parties footing the bill for a data project want more of a say on decisions pertaining to prioritization and deliverables.

The best first step for a firm to improve its data management is to establish clarity around data ownership and the ways a data management platform can service different departments or business areas. Successfully providing trusted information to the business relies on the data management solution's ability to source and process the widest range of data possible, tie together different sets of data, quickly bring on new data sources, and easily add new rules to process and transform data.

Institutions are exposed to many different types of risk, not all of which are manageable via Basel-type, quantitative models. The right data management infrastructure combined with business knowledge and judgment, soundly chosen operational key performance indicators, and solid governance and procedures are the risk models at the disposal of management. Also needed are tools providing complete transparency into how data is sourced and produced, helping data management groups to cost-effectively and optimally provide quality data across the institution.

Market volatility and regulatory scrutiny are driving financial institutions to take a close look at the data driving their business decisions. By ensuring the data used by different business applications and users is consistent, comprehensive, transparent and accurate, firms can reduce their costs and risks.

Martijn Groot is director of market strategy, Asset Control
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Sponsor's Statement

Making the Case for

When the Financial Services Authority (FSA) recently released a consultation outlining that banks should spend nearly £1 billion on IT upgrades as part of an extensive overhaul of the Financial Services Compensation Scheme (FSCS), it proposed a £200 million chunk of this investment should focus on obtaining a single customer view. Banks were tasked with reducing duplicate entries for the same customer within databases as well as integrating data from disparate systems and data warehouses. With a single customer view, a bank can reach customers quickly and simply, while more fully complying with FSCS regulations.

To adhere to such proposals, most banks are considering, or have already implemented, a data governance strategy—the corporate initiative built around data quality, data integration and data management. This helps them maintain up-to-date information and create a single, consistent set of policies and processes for monitoring and managing data. As banks have more confidence in their data, consumers will, in turn, show more confidence in the UK banking system. A recent research study commissioned by DataFlux asked large UK financial services firms with more than 500 employees about views on data regulation and data management practices. The results showed 86% of organizations surveyed viewed data as an extremely important strategic asset, and that the sector is already looking at data governance projects. One-third of respondents have already implemented in this area, and 32% are considering implementation in the near-term.

Risk Mitigation

Mitigating risk is a foundation of good banking practice. When respondents were asked to identify the driving force behind data governance investment, 73% cited compliance ahead of operational efficiency (52%). By bringing together a cross-company team, assigning responsibilities and defining both processes and policies for how data is managed, a plethora of risks can be understood and managed. For example, data governance can aid in compliance to regulatory reporting related to the Basel II, helping banks trust the accuracy of calculations provided to the FSA. By integrating data, financial institutions can know more about its customer base and more effectively spot bad loans before they are made.

If financial institutions are prepared to invest time and money bringing IT systems in line with FSA proposals, they can gain a significant competitive edge over those whose approach remains stilted. The survey results show it's clear that maintaining both the security of data and the quality of data

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are challenges firms want to address.

"[A challenge in 2009/2010] is going to be ID fraud mainly and continued maintenance to keep data as accurate as possible," a data quality manager said in a survey interview. "Also making sure [a] customer's information is as up-to-date and accurate as possible in order for [them] to have confidence in what we hold is correct." On the challenge relating to security of data, another data quality manager said: "If you can hold data securely you'll be trusted by clients. Otherwise you'll lose clients on the basis of trust."

Results from the research also demonstrate the industry takes an inconsistent approach to assigning responsibility for data management. Six out of 10 organizations report that responsibility for maintaining data quality remains scattered across departments, and 16% of institutions surveyed claimed "no one has specific responsibility" for managing corporate data. For corporate data to be used to its maximum advantage and provide useful commercial information, it must be managed at an enterprise-wide level.

An Unprecedented Era

The financial services sector is going through an unprecedented state of flux. In such circumstances organizations have the opportunity to look again at how they do business, how processes work and what can be done to make things better. One advantage of bringing compliance reporting in line with best practice is the realization of savings in other areas. A FTSE-listed bank we recently helped complete a Basel II compliance initiative achieved a return on investment in just six months. The ROI was made possible by saving £500,000 in annual IT development costs, increasing productivity, improving automation in data migration processes and improving cross-sales rates for financial products. In today's challenging times, it has never been more appropriate for data to be firmly on the boardroom agenda.

Colin Rickard is managing director for DataFlux, West & North Europe
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About the Research Study

The research was conducted by BDRC, an independent market research company specializing in the financial services sector. BDRC achieved a 28% penetration rate into the total universe of UK financial services firms with over 500 employees. The release was completed during Q1 2009, collecting both quantitative and qualitative findings.

Q&A

Boosted by Crisis

Inside Reference Data *speaks to Dayle Scher, senior analyst at TowerGroup about the development of EDM in 2009, and what we should expect in 2010*

Dayle Scher

How has the credit crunch hit the long-term vision of EDM projects?

Firms' immediate, short-term strategic response to the upheaval and economic downturn was to cut expenses and reduce redundancies. However, in the longer term, financial services institutions have undertaken strict risk management measures so they can quickly and easily assess their market and credit exposure, and liquidity and operational risk. Related to this response, firms will reassess all their counterparty relationships to minimize exposure to counterparty risk. Data management projects will get a huge boost from the greater focus on risk and on properly valuing structured products and derivatives held on the books.

How has the focus on EDM developed in the past year?

Financial services institutions have been shoring up both their internal risk reporting and their reporting out to regulatory agencies as required in the new environment. Over the past year, many institutions shifted gears to concentrate on building up their entity data acquisition, integration and reporting.

From an enterprise standpoint, firms needed to get a handle on their internal operations to find not only areas for streamlining their processes but monitor their operational risk exposure. Also, the looming specter of increased regulatory scrutiny combined with demands from investors put even more pressure on institutions to be able to extract, organize and report on data and metrics.

What lessons have been learnt?

The lesson is: don't wait for a crisis to get your house in order. Data quality, measuring operational and system performance, and managing counterparty risk exposure should always be an on-going priority.

What are you seeing in terms of 2010 budget expectations for EDM projects?

TowerGroup expects to see global spending on projects in 2010 to increase modestly, on average, from 2009 levels. Going forward, although spending levels will not approach the levels we saw prior to the credit crisis until 2011–2012, levels will continue to grow incrementally until then.

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Governments and authorities continue to impose even more complex rules and regulations on the financial industry. SIX Telekurs has worked with auditors, research analysts and practitioners to explain the background of new regulations and the impact that they will have on your business. Register for one of our events this autumn, and come along to find out what you have to do to stay on course.

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Vienna	10-01-2009	Basel	10-27-2009
Brussels	10-07-2009	Paris	10-29-2009
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