

Ensuring



In the face of increasing business and operational risks, many organisations are recognising the need to invest in the development of a central reference database with one primary business unit being the owner. Front office support is an ever-evolving environment, especially around credit and market risk.

The need continues to grow for source validation, storage, indexing and business process rules to assure compliance requirements are being met by organisations across the world. It is obvious that there is a growing need to drive a search for better strategies in order to track, consolidate and cleanse the data as well as to cross-reference the security identifiers.

The Siloed Approach

The costs associated with managing market and reference data have increased over the past several years. There is little consensus across the industry about how best to control these increases. Many firms have managed their data by having one or more employees dedicated to each type of data that is stored and distributed. This isolated point of data ownership could be labelled the vertical silo approach.

Inaccurate or inconsistent data can hinder a company's ability to understand its current and future business problems. Invalid data can lead to lost profits, operational delays and customer dissatisfaction. Changes in technology have dramatically increased the speed of getting data to the end users. There are

so many stakeholders within the organisation who are dependent on the quick delivery of data. In fact, data forms the foundation of most of their businesses.

The Centralised Approach

A centralised reference data solution has many advantages. The normalised data can easily be customised to be compatible with any application. The staff dedicated to the management of data takes on a commitment to both negotiate with data vendors as well as take responsibility to meet both internal and external client deliverables. There is a central voice to disseminate and communicate information. The redundant reference data processes that result from a siloed approach are eliminated. In addition, the

Speed **with** Quality

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wealth of reference data and account assets allows leverage across the risk management and investment research functions as well as traditional back office processing.

Firms should recognise situations in which reference data processes are redundant and vertically siloed. A plan should be mapped to move toward a more centralised function for reference data management. Some front office-oriented data elements, e.g. research data, issuer information and pricing, should be best left in the front office.

Quality Matters

Reference data quality must be considered at the design stage. Taking preventive measures to ensure data quality at the front of a

process is far more cost effective than expensive and time consuming cleansing of data at the back end. The need for data management never goes away as quality takes constant vigilance. Success requires teamwork between the data producers, downstream workers and process owners.

If an organisation creates a centralised reference database with a "golden copy," special attention must be given to ensuring that business units utilising the data are in compliance with data licenses. Expenses can be moved from a lower value function of data management to a higher value function related to investment decisions. The number of staff maintaining the numerous "golden copies" of the data can be reduced while keep-

ing the vendor costs constant.

After reference data systems are established, it is critical that the data be leveraged from the central management point. The systems architecture should enable the data to be interfaced seamlessly to other systems and facilitate "plug and play" access for users as long as the firm is in compliance with all data licenses.

Creation of reference data systems will better position data managers to handle the sheer volume of incoming data. The types of instruments being traded continue to grow in complexity, depth and volume. System designs should anticipate increasing challenges as new types of instruments are created and must ensure that data is accurate, up to date and distributed consistently.

Data should be of high quality when it is created. If time, money and resources are invested in less-than-high-quality data, the efforts are pointless. Poor quality data must be recognised immediately before it compromises an organisation's reference data.

As the complexities of reference data and the need for skilled and highly knowledgeable reference data specialists continue to increase, the best party to assume responsibility is the custodian. It should be noted that reference data can never be fully outsourced, as the organisation must retain, at a minimum, a handful of key individuals to oversee and manage the reference data for the organisation.

The notion of data as a corporate asset is increasingly being recognised by senior management. Strategies must be proactively implemented to improve processes that collect, maintain and deliver accurate data. □