

DATA MANAGEMENT: GETTING IT RIGHT WITH VISION

On 27 September 2007, Telekurs UK hosted its Excellence in Data Management conference at the London Stock Exchange. Delegates joined Telekurs UK and its partners to explore the subject of STP and data management in the current climate.

Elizabeth Coleman (Head of Management Services, Telekurs UK)

The event was supported by ten of Telekurs UK's partners and included main sponsors Finsoft Financial Systems Ltd and Fidelity ActionsXchange as well as exhibiting sponsors Asset Control, Corero Systems, DTCC, GoldenSource Corporation, Odyssey Asset Management, Sungard, Trace Financial and Summerson Goodacre.

The conference was split into two streams: Reference Data and Corporate Actions. Both streams saw presentations by all sponsors on their work with Telekurs UK and were completed by respective panel discussions. On the Reference Data panel (facilitated by Stephen Pinner, Managing Director of Summerson Goodacre) were Chris Walker (Finsoft Financial Systems Ltd), Richard Newbury (Head of Product Management, Telekurs UK), Nourredine Yous (Telekurs Financial's representative at ANNA and Chairman of ISO TC68, SC4 WG8), Chris Johnson (HSBC Securities Services) and Simon Leighton-Porter (Director, Rapid Addition). On the Corporate Actions panel (facilitated by Thea George of A-team Consulting), we were joined by Chris Madigan (Fidelity ActionsXchange), Dominique Tanner (Head of Business Development, Telekurs Financial), Laura Fuller (Data Consultant, Telekurs UK), Naomi Clarke (Head of Data Management at a leading Euro-

pean Hedge Fund) and finally Adam Stern (Managing Director, Ibacas Consultancy Limited).

The conference focused on the radically changing data management landscape: the criteria for choosing data requirements have shifted significantly in recent times. The global market is no longer dominated by the traditional data and trade areas. Additionally, the need for portfolio diversification combined with the rise of ever more complex structured products and higher general trading volumes has led to a re-examination of existing data models, along with a drive towards much greater automation. A focus on emerging markets means that the net has been thrown open to a wider spread of venues and other sources providing instrument data.

The latest EU directive, MiFID, to be implemented in November 2007, has been yet another cause for companies to assess their data requirements and, more specifically, the flexibility of their existing systems. Richard Newbury joined delegates in exploring the wide impact of this regulation – from Operations to general reporting and through to the front office. There was a particular focus on transaction reporting. It will be interesting to see how the current vogue for report-

ing everything will be treated by the regulator going forward. Regulators will continue to receive transaction reports locally but these may now be passed on to a Relevant Competent Authority whose location would be on foreign territory (dependent on the eligibility of the instrument). Simple enough? No. Companies will need to know *who* is the Relevant Competent Authority for *each* instrument. It is a myth that this directive has no impact on fund managers. The fact is that whilst there is no MiFID requirement for fund managers, fund managers will have their own post-MiFID reporting issues. If vendors want to stay ahead of the competition, they will need to maintain this granularity and depth of data to enable their clients to perform these obligations post-MiFID. A natural corollary of this is that they will have to connect to more and more venues. Also, their own infrastructure will have to incorporate the relevant architectural improvements to guarantee low latency and flexible processing services.

Reporting requirements, instrument identification, venue identification and appropriateness tests will all require more reference data, and that reference data will need to be MiFID compliant. These days companies are elevating the topic of reference

data to their C level management. This is simply because the high costs involved require this level of intervention. Companies are not only investing a significant amount of their budget into their choice of systems but are also exposing their ability to move flexibly with the data trend. Ultimately, if they cannot meet the reference data challenge, the P&L will speak for their decisions.

The regulatory landscape shows little sign of slowing down or becoming any less complex for financial institutions to handle. It is clear that systems are no longer expected to simply process and deliver data to the user: they are expected to demonstrate resilience in the face of industry compliance. Flexibility is no longer just a nice-to-have but a must-have. “Legacy system” is a term we hear every day now, and it is not synonymous with scalability or cost effectiveness. As our clients tell us, this is something that weighs very heavily on the P&L. Many companies have faced this reference data challenge with systems that were simply not equipped for the scale of the job. The pressure to act fast can leave some companies finding solutions that answer the questions in the short term but do not solve the problems in the long term. So what exactly can companies *do* to ensure that their systems are sustainable across the rough

ride of regulation and globalisation?

Sustainability can only be achieved by having a vision of your data management strategy from the outset. We are no longer talking about data processing. The world has moved on; data management is what it is all about. Interestingly, Sungard showed the delegates at the conference a data management survey that they had carried out amongst senior managers in the securities industry with the research, publishing and consulting company A-team (specialising in information technology for financial markets). They found that whilst senior managers considered outsourcing *whole* projects of data management unrealistic, they were nevertheless open to outsourcing *some components* of the overall solution. The survey revealed unsurprising statistics about where the data management spend was to go. In preferential order, 83% of the respondents opted for complex instruments, 77% for regulation and 76% for internal data management solutions. What, according to the survey results, were the two top principal drivers for change? First, regulation; and second, data quality. These statistics reaffirm to us that yes, the reference data landscape is shifting.

Can Telekurs Financial offer any real value-add to this? One survey re-

spondent defined what was of primordial importance to their company in choosing a data vendor: “**global**” closely followed by “**in a niche where no one else can provide the same scope, quality, breadth and excellent job on this type of data**”. At a time when Telekurs Financial is strengthening its international presence, it is safe to say that we are well placed in this market space. The current structural changes that Telekurs Financial is going through speaks volumes for its sense of responsibility in seeking to be an active participant in this global scene. It is a demonstrable and tangible exercise that can only capitalise on its already firm beliefs in progressive data enhancement. Telekurs Financial’s successful history in this specialist field, which goes a very long way, makes our company a leading authority with a credible voice in the reference data landscape.

If there was ever a heyday for reference data, then this could certainly be said to be the present day. Our advice is to act now so you don’t pay later. Put your reference data strategy in place, get a vision and understand the drivers: regulation, quality and all the other intangibles that lurk beneath the surface. Get those right, and your reference data will be head-and-shoulders above the rest. ■



The Reference Data Panel - from left to right: Chris Walker (Finsoft Financial Systems Ltd.), Nourredine Yous (Telekurs Financial), Chris Johnson (HSBC Securities Services), Richard Newbury (Telekurs UK) and Simon Leighton-Porter (Rapid Addition).