



RIMES hosted its fourth **London** forum on 7 March 2013. The overall aim of the forum was to develop themes around best practice methods for the management of index data and benchmarks. Many of these were raised at the 25 RIMES forums held during 2012. A good cross section of firms and functions attended the meeting, entitled:

Benchmark Data Governance: Understanding the Costs and Risks

SUMMARY

The RIMES London forum also discussed the specific findings of some independent research conducted by Deloitte towards the end of 2012. A specialist team of Deloitte asset management professionals, who felt that index data and benchmarks within buy-side firms were under-researched, conducted the study. It considers the cost structure of data management within asset management firms with a focus on non-license fee costs.

The Deloitte research examines the role of index data and benchmarks within the wider context of financial data. The survey entailed in-depth onsite engagements with a representative sample of 13 major asset management firms, managing about 5% of global AUM.

The study reveals that buy-side firms recognize the importance of financial data and are addressing index data and benchmark management as a corporate governance issue. Index data management is receiving widespread attention at executive level. However, the study also shows that few firms have dedicated index data and benchmark management resource; individuals typically spend only part of their time managing the data. All findings in the study were therefore measured and reported as Full-Time Equivalents (FTE) or percentages of FTE.

Attendees

Aviva Investors
Global Services

DIAM International

F&C

Invesco AM

Investec AM

Legal & General IM

M&G

Northern Trust
Global Advisors

Railways Pensions
Investment

Smith & Williamson IM

KEY FINDINGS OF THE DELOITTE STUDY

- Firms are keen to rationalize data sources and the number of benchmarks – the more complex firms have an average of 7 FTE working on benchmark data management
- 53% of data processing activity involves data collection and validation – many firms are therefore evaluating alternative processing models to reduce costs and improve efficiency
- 42% of study participants in firms managing over \$200B in assets do not have regular processes and procedures to control data usage, so there is scope for rationalization and cost control.

The London forum confirms a growing awareness of the importance of strong data management for index data and benchmarks. Many firms are taking a more strategic approach to data governance, and some are adopting a holistic view of their data to gain firm-wide efficiencies. Several participants are realizing the sustainable benefits of building a strategic data operating platform and some are using managed services to boost efficiency.

Best practice methods are evolving for the management of index data and benchmarks. Feedback from the London forums shows that time invested in data governance is well rewarded. Forum participants note that the development of best practice also requires firms to invest in education and communication. Data users are often unaware of either the costs or licensing implications of using specific data sources or the availability of cheaper alternatives.

We are encouraged by the contributions of London forum participants. Good progress has been made along the road to best practice. Many firms recognize the benefits of good data governance in terms of cost control, increased business agility and improved service quality.



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RIMES London forum participant

42%

of study participants in firms managing over \$200B in assets do not have regular processes and procedures to control data usage

DATA PROCESSING

- Data processing includes all the activities surrounding data handling, including collection, validation, transformation, storage and distribution.

The Deloitte study shows that data processing is a major concern within many asset management firms. Most firms source data from a combination of data vendors and integrators. Firms with more than 20 sources of benchmarks have an average of seven FTE working in data management, the majority of whom are involved in collecting, checking and validating data before its use in business applications. Deloitte defined a source as a data delivery mechanism, which could be a single vendor feed or a data integrator with multiple vendor feeds. Data processing is a significant and growing cost that is generally unquantified throughout the industry.

A further finding of the Deloitte research is that the number people involved in data management is more closely correlated to the number of data sources than total AUM. This demonstrates that the number of staff required to manage data is proportional to the complexity of the business, rather than its overall size. Firms invest a lot more in data processing than data governance, with 53% of data processing resource concentrated on data validation and transformation.

The London forum confirms that firms spend a lot of time and effort on data processing. Index data and benchmarks are inherently complex and costly to manage. The volume and complexity of index data and benchmarks will continue its inexorable rise in future. Rationalizing can be difficult because benchmarks are often specified in mandates:

"I think it's difficult to rationalize the number of benchmarks, because obviously they're mandate-driven, so you can't just wipe out the benchmark because you don't want to keep it."

However, several forum participants noted that data requirements were increasingly included in client discussions. Clients are being made aware of data costs and their impact. This is a development that was virtually unheard of until quite recently:

“By virtue of pushing back and telling [the front office] how much this is genuinely going to cost them to take in every year, they do start thinking twice about [adding a new benchmark].”

Forum participants agreed that firms needed to take a snapshot of their current data position before they could consider source rationalization:

“I don’t think you can rationalize anything in a firm until you know exactly what you use, exactly what funds use those benchmarks.”

The forum confirmed a growing awareness of data processing costs among firms throughout the industry. Key stakeholders in many firms are engaged in a constructive dialog about data processing costs and how to reduce these.

DATA GOVERNANCE

● **Data governance includes data acquisition, monitoring and controlling usage, and compliance management.**

The Deloitte study examines processes and procedures to monitor and control data use throughout the firm and to ensure compliance with the appropriate license agreement. The analysis shows that firms spend two-thirds of the FTE on data processing and only one-third on governance. Moreover, 42% of participants, with AUM of over \$200B do not have regular processes and procedures to control data usage.



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RIMES London forum participant

These findings show that many firms are struggling with the challenge of data control. Over time, this increases costs and operational risk, and potentially leads to reputational risk. Low levels of control frequently reflect the state of the data. Index data and benchmarks are characteristically different from all other data types: they have many different uses and users.

Many of the London forum participants have a growing awareness of the importance of data governance and its pivotal role in aligning data acquisition with business needs. It was agreed that most data management challenges relate in some way to governance. In many firms data governance has moved to the top of the corporate agenda:

“We take governance really seriously now. We’ve noticed it can potentially save you lots and lots of money to know exactly what you’re using.”

Several forum participants have embarked on data governance projects to reduce costs but also to comply with licences. As index data and benchmarks have an expanding number of uses and users, it becomes even more essential to monitor and control usage to ensure compliance with license agreements:

“I think license compliance and governance is probably at the top of our agenda. It’s taken very seriously, because of the potential fines and reputational damage”

Participants discussed how best to achieve good governance. Most agreed that this was more akin to a journey than a destination. Good governance requires firms to take a holistic view of their data, so they can benefit from firm-wide efficiencies and controls. A centralized data management function can help develop a strategic data operating platform but this should not be pursued at the cost of impaired business agility. Participants agreed that every technical project had legal implications:

“Knowing your legal terms, your jargon, the market data, knowing what you want to do with that data...it’s governance and it’s difficult to manage.”

The discussion concluded that the road to good governance is as much about education and communication as anything else. Data users need to be aware of data licensing



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agreements, and what is permitted within these:

“End-users generally may not be actually seeing the agreements and understanding ...it’s about educating end-users I think.”

Data storage also causes universal concerns. Participants noted great inconsistency in license agreements regarding what data may be stored and for how long. There is variability between vendors and sources.

The forum concluded that data governance touches almost every part of an asset management firm. Successful data governance requires perseverance and commitment.



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RIMES London forum participant

CONCLUSION

Best practice methods are evolving

The London forum confirms that many firms are making good progress with data management initiatives. Several participant firms have embarked on data management improvement programs and best practice methods are evolving. Participants show a good understanding of the importance of strong data governance and some are enlisting expert help or using managed services to improve control.

Both the Deloitte research and London forum confirm that many firms wish to rationalize sources and the number of benchmarks.

However, success requires firms to:

- Take an enterprise view of the data, to ensure firm-wide efficiencies and controls, and to address governance and processing
- Build a strategic operating platform to include all the processes, data stores, business applications and IT
- Establish clear sightlines and responsibilities from data acquisition through to utilization and decommissioning.

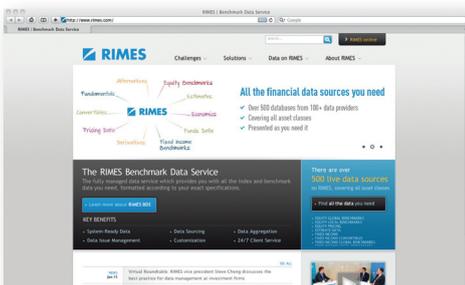
Firms have limited scope to control license costs at source but they can reduce costs by increasing operational efficiency and improving data governance. By implementing the above measures, firms will be able to rationalize sources and build a strategic operation platform to handle the data. This enables data acquisition to be aligned with business needs so firms use only the data they need.

RIMES is committed to helping the industry achieve a best practice methodology for the management of index data and benchmarks. This will be developed further at future RIMES forums.

We would like to thank all participants for their enthusiastic contributions so far and look forward to further discussion.



You can download more RIMES Forum synopses from our website www.rimes.com/news



About RIMES

Founded in 1996 specifically to serve the complex data needs of the buy-side, RIMES Technologies Corporation is a specialist provider of managed data services and one of the pioneering adopters of cloud-based technology to deliver highly customized financial data over the internet. Delivering world-class data, supported by first-class service remains a focus of RIMES today. RIMES is a unique global company, combining the best people with the most forward-thinking technology. The RIMES team of experts has unparalleled practical experience, gained at the heart of the industry, enabling them to deliver this service to over 200 institutions in 36 countries across the globe.

The RIMES Benchmark Data Service® (RIMES BDS®) provides data in a format that is ready for use in third party or proprietary client applications. All data supplied by RIMES is validated and thoroughly checked for accuracy. This frees clients to focus on their core business issues and enables them to become more agile and streamlined. RIMES BDS is used by a cross-section of buy-side firms. Customers include investment managers, pension funds and custodians. RIMES BDS manages their entire benchmarks data workflow and contains all the data they need to operate efficiently.

RIMES has earned several industry awards over the years: the Inside Reference Data Award for Best EDM Initiative, the Banking & Finance Award for Innovation and the Best Product Implementation at a Buy-Side Firm and Best Data Provider to the Buy-Side—the latter for the 6th consecutive year—at the Waters Buy-Side Technology Awards.



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