In a business environment where ever-increasing volumes of data are sourced, the questions buy-side firms are asking are how do you keep data quality high and total costs manageable, while still conforming to ever-tightening regulatory controls?

To explore the issues around these questions, benchmark data expert RIMES hosted a Data Governance Conference with specialist investment management consultancy, Investit.

Tackling the business case for data governance, regulatory issues, best practice and the market data management challenges, the conference gave delegates an insight into the complexities of data governance and offered solutions to ensure firms improve their efficiency and profitability while staying on the right side of the industry regulators.

The conference also served as a launch for the RIMES Data Governance Best Practice Handbook, a step-by-step guide detailing how firms can improve their benchmark management capabilities by building a robust structure for data governance.

**What’s the big deal?**

- **72%**
  - 72% of asset managers expect an increase in the use of index data

- **90%**
  - 90% of asset managers expect an increase in the use of customized or blended benchmarks

- **15%–20%**
  - 15–20% of a fund manager’s time is spent ensuring data consistency

Sources: White papers from Deloitte, Investit and Cutter Associates
What is data governance and why is it important?

Data governance covers understanding the details of all index and benchmark data usage within a firm. Essentially this means who uses what data, why and where, and for what purpose.

The concept sounds straightforward enough. But as independent and RIMES-commissioned surveys anticipate a continuing escalation in the use and complexity of index and benchmark data – with an associated increase in the accompanying licensing and administrative costs – it’s clear how important it is to monitor and control your data as well as those using it.

Putting these challenges together with the ever-increasing regulatory burdens on the industry and more demanding stakeholder reporting requirements, the case for instituting best practice in data governance is clear.

Yet despite recognizing the need for good data governance practice, survey respondents report a general lack of control over the acquisition, usage and retention of benchmark data as well as an absence of robust processes, resulting in disproportionately high costs.

Data Governance Best Practice Handbook

In response to these trends, RIMES has introduced a Data Governance Best Practice Handbook (in association with Investit). The handbook provides investment management firms with an in-depth guide to improving and strengthening governance strategies, based on RIMES’ considerable buy-side experience.

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Data governance The business case

‘On average, between 15-20% of a fund manager’s time is spent ensuring data consistency. Therefore, best practice data governance will impact on the efficiency and profitability of your firm…’

Investit

Data Management Capability Maturity Model

<table>
<thead>
<tr>
<th>Stage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial</td>
<td>Quality is variable. Success relies on individuals. Limited processes. Limited IT support.</td>
</tr>
<tr>
<td>Repeatable</td>
<td>Recognition by senior management. Basic processes. IT implements tools. Quality more predictable.</td>
</tr>
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</table>

Data governance best Practice Handbook

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Creating an effective data governance model

Creating a framework for effective data governance demands a coherent, corporate approach that is embedded within the culture of your firm whilst minimizing any additional bureaucratic burden.

When you’re setting out to implement best practice in data governance, a good starting point is for your firm to agree some basic principles on how best to manage data. Investit has put together its own 10 guiding principles from working with various clients, which focus on ownership and responsibility, appropriate operational management, sustainability and control, and cost efficiency. Technology, as a component of this architecture, is an enabler responding to the requirements of governance and data management, but not a driver.

Case study
Building excellence in data governance

A leading international investment management company found itself facing many challenges when trying to build a data governance structure.

Anticipating the need for a single data storage hub, the firm decided early on to institute a central data storage area under the control of the IT team. But, as the firm expanded to its present size and the business became more complex, system specific databases were increasingly created outside of the data storage hub, effectively bypassing the master data record. Soon the need for a governance protocol became all too evident.

To address the problems, the firm put together a unique solution concentrated through people, processes and systems. First, the firm recognized the need for a ‘data czar’ with business-wide powers, technical ability as well as leadership credibility to effect a culture change in the way data was managed. With respect to process, a set of guiding principles has been instituted to govern the source, communication and ownership of data with the operation overseen by senior managers and data stewards. Recognizing that ownership of data is a sensitive concept because of the responsibilities it implies, the firm instituted a new system. Under this structure, the CRM system became the repository for the master product list and performance data as well as containing elements of data governance.

With these elements in place, business and technical functionality was standardized within a controlled, transparent data structure with data recognized as a core asset, which is managed in a cost effective and scalable way.

Rising to the governance challenges
Governance must be a component of all data-related activity. Under a governance office or responsible head, the profile of the data management function is raised, embedded and is
focused on improving all aspects of its day-to-day operations. Engagement at the top is essential, not least because those at the operational level are unlikely to represent themselves at council level but need to trust and defer to senior management representing them.

**NEED TO KNOW**
1. Understand the benefits of good data governance, such as increased revenue, cost control and reduced risk.
2. Recognize your firm's data governance maturity level and look to improve it.
3. Put together some basic guiding principles and implement a data governance framework.
4. Make data governance a component of all data-related activity.

**Data governance – the regulatory time-bomb**

Putting best practice in data governance into effect isn’t just about making costs efficiencies and making firms more effective, the regulatory requirement also needs to be fulfilled.

Well-publicized market failures have prompted a catalog of regulation in recent years. As a result of the enforcement of these regulations, fines, sanctions and legal awards have reached $billions worldwide. Yet despite efforts to increase transparency and promote integrity, firms continue to ignore the need for co-ordinated, board-led action on data governance. Firms are still failing to see that acting in anticipation of regulation minimizes risk and disruption in the long run.

'The Five Elements of Data Processing'

The Five Elements of Data Processing

- **Data collection**
- **Data validation**
- **Data transformation**
- **Data storage**
- **Data distribution**

Tackling the regulatory requirements inevitably starts with a fit-for-purpose IT architecture to ensure that data reporting is accurate, complete and appropriate. This is fundamental to fulfilling the various regulatory and data retention requirements now in effect around the globe. A fit-for-purpose IT architecture is not just about data storage but also the retrieval of information as shown in the figure below showing the five elements of data processing.

**What are the challenges?**

In the face of worldwide regulatory requirements, firms need guidance in order to embed a governance framework. They need to do this in order to identify the entities they do business with – whether an issuer of a security, a customer or a trading counterparty. Then firms need to understand the corporate structure and nature of these entities to be able to assess and disclose aggregate exposure to risk. Firms not only need to keep an accurate record of the entities’ identifiers, they will also need to retain a more complex spread of data for a longer period of time.

**Going forward**

Firms need to plan strategically rather than tactically, be ready for a common framework and rise to the challenge of data governance. As Andrew Knowles, Head of Compliance at RIMES, advises: “Engage in the consultation process and plan projects from the draft regulations. Don’t wait for the final legislation to appear or it will squeeze the timelines and lead to a lack of co-ordination. With all this regulation, it’s a case of when, not if, you must comply.”

**NEED TO KNOW**
1. Compliance is mandatory not optional
2. Look to implement a fit-for-purpose IT architecture
3. Understand the regulatory requirements and themes
4. Be ready to rise to the challenge – further regulation will follow!
The challenges in managing market data

A panel of experts in data management and data usage discussed the challenges in managing market data, focusing on efforts to centralize data management from both an IT and business perspective.

Achieving best practice in managing market data

Best practice emerges as a product of processes and procedures and a more responsible attitude to data as a rented commodity, which is subject to licensing constraints, rather than an owned one. Where data governance councils exist, it’s evident that their composition makes a difference to the scope of control they exercise and the data for which they have responsibility. Without senior management sponsorship, it is difficult to get real commitment from all functions and teams. It is also the case that governance can’t function if its remit is cost control as opposed to data management. Nonetheless, cost can be a driver for governance inasmuch as it encourages better and wiser data usage.

Diverting the focus on cost away from expense and onto investment, changes the perception of governance and compliance from that of a threat to one of opportunity. Redrafting contracts and allowing for a more considered use of the data creates opportunities for increasing revenue and makes firms more aware that it is not the volume of data they consume, it is the quality and appropriateness that matters more.

In turn, firms need to be more aware and have more immediate control over data that is either redundant or that adds little or no value.

The allocation of costs presents challenges because these are often hidden. If people don’t take ownership of the data, they will not understand how the distribution and use of data impact on licensing costs. However, where costs are allocated, more responsible use is encouraged and greater consideration is given to the data itself. Where costs are simply bundled together centrally, people tend not to care, and management and compliance issues are widespread.

It’s clear from the conference delegates that managing data and costs present many challenges because of the number of variables that come into play. These include the size, structure and geography of an organization, the conditions and fees applied by different vendors, the way organizations have evolved, and the prevailing company culture. Nonetheless, it is evident that leadership from the top is crucial in effecting and managing change, responding to compliance issues and regulation, and embedding a culture of governance.

NEED TO KNOW

1. Understand the issues of cost, compliance and ownership.
2. Firms need to appreciate that data is rented, and subject to constraints, and not owned. However, once in use, responsibility for its use needs to be taken within the organization.
3. Individual firms struggle with issues specific to their respective companies in managing market data that evolve around such factors as the size of the company, the conditions and fees applied by different vendors and the prevailing company culture.
4. Ultimately, leadership from the top is vital in effecting a culture of good data governance that responds to compliance and regulation issues.

Data Management: Governance + Processing

Data Governance

<table>
<thead>
<tr>
<th>Acquisition</th>
<th>Purchasing Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitoring and control</td>
<td>Ensuring that needs are well covered and identifying data that is no longer used in order to stop the feed</td>
</tr>
<tr>
<td>Compliance management</td>
<td>Ensuring that data is used in line with guidelines and restrictions</td>
</tr>
</tbody>
</table>

Data Processing

<table>
<thead>
<tr>
<th>Collection</th>
<th>Collecting data from vendors through automatic feeds or manual integrations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remediation</td>
<td>Validating the sufficiency and the quality of data (coherence and freshness) and issue resolution with data owner</td>
</tr>
<tr>
<td>Transformation</td>
<td>Transforming collected data in order to match final users’ needs (format, customized or blended benchmarks...)</td>
</tr>
<tr>
<td>Storage</td>
<td>Storing transformed data in order to allow a good access to a complete set of data</td>
</tr>
<tr>
<td>Distribution</td>
<td>Delivering a consistent data set to all business functions in the required format and by the required deadlines</td>
</tr>
</tbody>
</table>

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Best practice in data governance for benchmark data

It is clear from the observations made throughout the conference that the problems with benchmark data lay in its fragmentation, lack of ownership and the disconnect between the business users and those concerned with compliance and contracts. In addition to this, there are also the different approaches taken by those processing the data and those using it at the business end.

Case study
Implementing benchmark data governance

How a leading international asset management firm is dealing with the practicalities of implementing data governance.

The firm has data teams in three regional hubs around the world with one regional team to oversee the introduction of new benchmarks and co-ordinate the benchmark process across all regions.

How the team works
This global data team is in charge of considering all benchmark requests and any issues accompanying their launch. When considering benchmark requests, the team starts internally by reviewing all the licensing implications, whether a similar benchmark already exists (to avoid duplication), who will be using the information and all the costs involved. The team liaises with the index providers on customization, delivery and costs. A life cycle team is then assigned to manage the new mandate, track costs, monitor changes and initiate the decommissioning process when the benchmark has served its purpose.

Once the benchmark is in use, the regional data teams oversee the day-to-day processes.

The benefits and challenges
On the plus side, there is a transparent co-ordinated global approach where one team has responsibility and this has created a reliable internal expertise. This allows them to be more responsive to client demands for benchmarks and anticipate any problems that may arise in sourcing new indexes. It also allows for better benchmark data integration into the firm’s overall data processes. Most importantly, it has given the firm control of its index data, which comes with cost benefits.

The firm faces a few challenges with its approach, particularly around sourcing indexes. These include providers not being able or willing to apply the required index customization. In addition, the need to use indexes in multiple locations often requires multiple licenses, leading to higher costs. And, as the team is a data team, there can be issues around not having the final say on which indexes are used as the client makes these decisions.

What our surveys tell us
Research by Investit, Cutter Associates and Deloitte, as well as RIMES’ own research and the feedback from its global forums, all agree that there is a need for a framework where data processing and data governance are seen as two distinct elements of data management. Processing refers to the technical and operational aspects incorporating collection, validation, transformation, storage and distribution of data. Governance refers to the acquisition of data, its monitoring and control and the compliance issues with data owners and the regulators.

Findings from both Investit and Deloitte suggest that while the majority of firms are strong on processing, they are weak on governance. Deloitte further notes that the full-time employees engaged in processing outnumber those engaged in governance by two to one.

What is Benchmark Data Governance?

Management Information
- Monitoring the use of data

Procurement
- Controlling the purchase of data

Usage Management
- Controlling the use of data as needs change
- Decommissioning
- Ensuring that data is not used after it is no longer required

Compliance Management
- Ensuring data is used in-line with guidelines and restrictions

↑ Data Governance Framework detail
Finding better solutions
Based on its findings, Investit has developed a framework with five key areas to cover the life cycle around benchmarks from procurement to decommissioning. This framework then breaks down into 12 detailed factors underpinning good governance. The elements of this framework have formed the basis for the RIMES Data Governance Best Practice Handbook.

For the handbook, RIMES and Investit identified 16 organizations that demonstrated good governance in certain areas were identified. The best examples were drawn upon and their characteristics mapped for each of the five key areas.

Conclusions from The Best Practice Handbook reflect the key messages presented at this conference:

1. Placing the responsibility for benchmark data governance at the center and supporting it with appropriate executive authority
2. Defining the actions and responsibilities in managing process and monitoring benchmarks
3. The importance of maintaining a directory of data usage for benchmarks
4. Processes and procedures to monitor and control benchmark usage

How RIMES can help
The RIMES Data Governance Service allows for the creation of a directory of data fed from both RIMES’ and the client’s systems. This directory will enable reports to be generated in support of the governance process. While governance is a journey each firm has to make in large part by its own efforts, there is now a framework upon which firms can build and out of which they can generate their master report as well as control, usage and fund usage reports.

1. Data governance and data processing are the two distinct elements of data management.
2. Firms need to understand the five elements of benchmark data governance: controlling the purchase of data; controlling the use of data as needs change; monitoring the use of data; ensuring data is used in line with restrictions; and ensuring data is not processed after it is no longer required.
3. The RIMES Data Governance Best Practice Handbook offers insight into problems and solutions.
4. The RIMES Data Governance Service allows for the creation of a directory of data fed from both RIMES’ and the client’s systems that enables management information reports to be generated in support of the governance process.

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About RIMES

RIMES Technologies Corporation was founded in 1996 in New York City specifically to meet the specialist data needs of the buy-side. The company was a pioneer provider of managed data services, using cloud-based technology to deliver highly customized financial data over the internet. Providing world-class data, supported by first-class service remains a prime focus of RIMES today.

The success of RIMES reflects a unique practical approach that combines the right technology with the best people. Our suite of services are designed, delivered, and supported by an expert team recruited from the heart of the industry. As a global company, RIMES serves over 200 institutions in 36 countries.

RIMES offers several solutions ranging from data processing to data governance. RIMES Benchmark Data Service® provides index and benchmark data in a format that is ready for use in third-party or proprietary client applications. RIMES Reference Data Service helps buy-side firms optimize data services to cut costs and boost efficiency. And RIMES Data Governance Service enables firms to monitor data use, tighten control and maintain compliance.

All our solutions are fully managed and deliver more than 500 data sources from over 100 data vendors in one single, fit-for-purpose feed. We currently feed data into more than 30 third-party data warehousing, risk, performance and compliance solutions, and many in-house systems. We enable buy-side firms to benefit from a world-class data operating platform without a major investment in people or technology. Firms that choose RIMES can achieve more with less.

RIMES has earned several industry awards over the years: the Inside Reference Data Award for Best EDM Initiative, the Banking & Finance Award for Innovation, the Best Product Implementation at a Buy-Side firm and Best Data Provider to the Buy-Side – the latter for the 7th consecutive year – at the Waters Buy-Side Technology Awards.

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