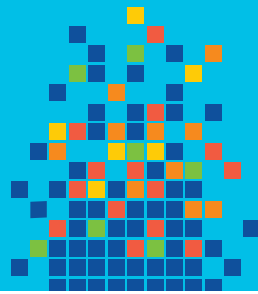


The RIMES 2017 Buy-side Survey



130 respondents
23 countries
56 financial centers
**A global view of data
management trends
and challenges**

2016 in perspective



RIMES continued its buy-side industry thought leadership and outreach program throughout 2016. As well as hosting regular industry forums, in September we chaired our first Client and Insights Conference in New York.

This event, which celebrated 20 years of RIMES Technologies, brought together over 100 senior individuals from the buy-side as well as many industry experts. Numerous pertinent ideas were raised, discussed and progressed, particularly around governance, regulation and client demands. Together, these changes are transforming data management requirements throughout the buy-side.

During the year, we commissioned Forrester Consulting to use their proprietary 'data management readiness' framework to explore current data priorities and buy-side challenges as well as assessing the data management capabilities of 100 buy-side firms worldwide. This study stimulated great interest and conversation at our forums and industry events. We are encouraged that firms are keen to participate in an open discussion about data maturity and willing to share ideas.

Throughout the buy-side, data is increasingly valued as a business asset that must be preserved and accounted for. A recent Cutter Associates survey revealed that 67% of buy-side firms regard data as a strategic asset, when none did so only five years ago.

In December 2016 we conducted our fifth annual buy-side survey. The aim of our research was to understand what had changed since last year, identify and quantify major data management challenges, and determine priorities for 2017.

Methodology

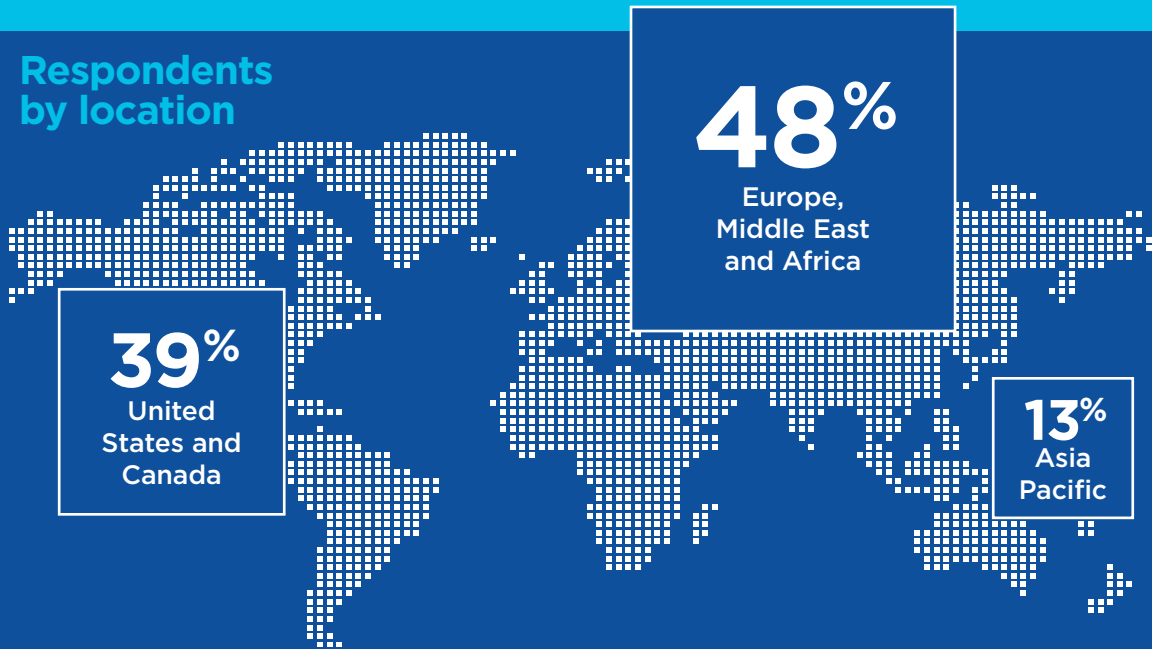
To facilitate comparison, our 2017 survey employed a similar methodology to previous annual RIMES Buy-side Surveys. The overall number of respondents was 128 across 56 global financial centers in 25 countries.

An online questionnaire was completed by heads of departments and senior professionals within some of the world's foremost asset management firms, custodian banks, hedge funds, pension funds, insurance companies, private banks and wealth management firms. Respondents represented a good cross-section of business functions, including compliance, risk, data management, front office, IT, operations and performance measurement.

Respondents came from 56 global financial centers

- | | | | | | | |
|--------------|------------|--------------|-------------|---------------|-----------|-----------------|
| Aberdeen | Chicago | Geneva | Los Angeles | Munich | Princeton | Sydney |
| Amsterdam | Cleveland | Hartford | Luxembourg | New York | San Diego | Tokyo |
| Birmingham | Cologne | Helsinki | Madrid | Newark | Seattle | Toronto |
| Boston | Copenhagen | Jersey City | Melbourne | Newport Beach | Singapore | Utrecht |
| Brussels | Denver | Kansas City | Milan | Oslo | St. Paul | Vienna |
| Cape Town | Dublin | Karachi | Milwaukee | Paris | Stavanger | Washington |
| Cedar Rapids | Edinburgh | Kuala Lumpur | Minneapolis | Pasadena | Stockholm | West Palm Beach |
| Charlotte | Frankfurt | London | Montreal | Philadelphia | Stuttgart | Zurich |

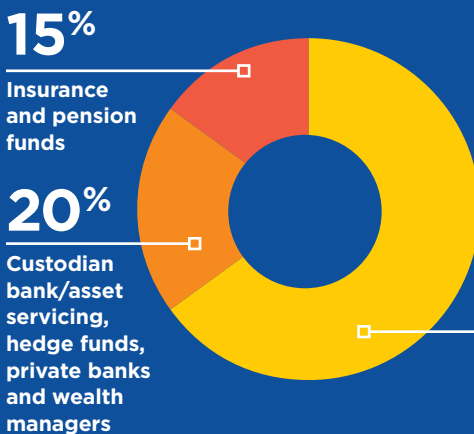
Respondents by location



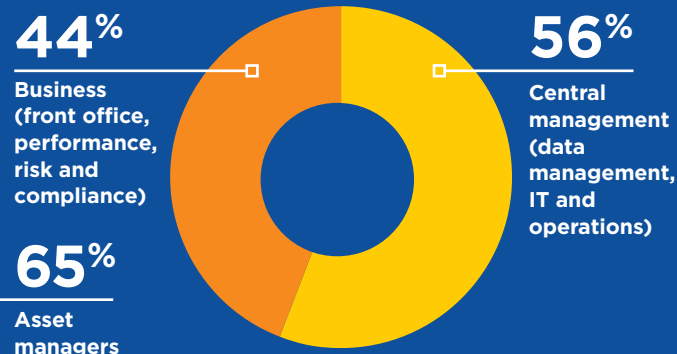
Respondents by role



Respondents by type of firm



Respondents by department



Respondents by size of firm



State of the industry

Despite political uncertainty and upheaval in the UK, Europe and the USA, global markets remained buoyant throughout 2016. Big contributors to the strong markets include the economies where growth and employment are improving. Although total global growth remained modest at around 3% in 2016, the IMF predicts* that economic activity will pick up pace in 2017 and 2018, especially in emerging and developing economies.

Against this background of optimism, economic growth is likely to be fragmented and the prospect of increased restrictions on global trade may hurt productivity. Throughout the buy-side, the hunt for margins continues. Index investment is growing in popularity as investors consider the trade-off between lower fees and investment performance. Consequently, the number of indexes continues to expand and index complexity increases.

All asset management firms must source, manage, process and report on an increasing volume of data that is also growing in complexity. Although the future path of regulation in the US is uncertain, regulators remain active. All firms need to implement strong data governance to increase transparency, tighten control and align data costs with business success.

Most firms acknowledge that data management has become a strategic concern and a major determiner of business success. Many firms have evaluated alternative data operating platforms to enable business change and facilitate responsiveness.

* <http://www.imf.org/external/pubs/ft/weo/2017/update/01>

State of the data

This year, implementing a data governance program has moved to the highest priority among respondents, relegating data quality improvement to second place and leaving cost control in third place.

- 65% of respondents see data governance as a primary data management priority in 2017 (62% in 2016)
- 58% of respondents see data quality improvement as a primary data management priority in 2017 (67% in 2016)
- 48% of respondents see cost control as a primary data management priority in 2017 (50% in 2016)

When asked about the key benefits of a data governance program, 80% (the same as last year) stated data quality. This was followed by efficiency (68%), costs (40%) and regulatory compliance (34%). These figures show that good data governance is an enabler of many strategic goals, including better data quality, higher efficiency, lower costs and easier regulatory compliance.

As we saw last year, data governance success does not come easily, with only 9% of respondents confident enough to claim they had a mature data governance program. Feedback from our forums shows that good data governance requires perseverance – firms periodically outgrow their governance processes and need to renew these to meet emerging challenges: *“We had a mature data governance process, but the organization ‘outgrew’ the effectiveness of the process that was in place. Now, we’re trying to re-build to a point where we have global, secure, multi-level data governance in place around it.”*

2016 forum participant



We had a mature data governance process, but the organization ‘outgrew’ the effectiveness of the process that was in place. Now, we’re trying to re-build to a point where we have global, secure, multi-level data governance in place around it.



78% of respondents in US and Canada support data governance to promote business efficiency

78%

65% of respondents see data governance as a primary data management priority in 2017

65%

57%

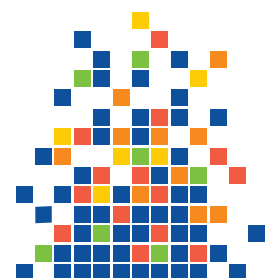
57% of respondents in Asia Pacific support data governance to promote business efficiency

Cost reduction, which had been the top priority in 2014, continues to fall as a priority. Many firms that are already lean are seeking to boost efficiency to achieve more with existing resources. This is true across our survey population but most noticeable in the US.

- 78% of respondents in US and Canada support data governance to promote business efficiency
- 58% of respondents in Europe, Middle East and Africa support data governance to promote business efficiency
- 57% of respondents in Asia Pacific support data governance to promote business efficiency

The perceived benefits of good data governance are fairly consistent across all user types but end users are more concerned about reputation than other groups. Those in client-facing or reporting roles are very aware that a firm’s reputation is highly dependent on the quality of its data, particularly that which is distributed to external stakeholders.

- 37% of end users cite reputation management as a principal benefit of best practice data governance



State of the players

Firms face data management challenges across many areas. For the first time, we asked respondents to prioritize the greatest data management challenges across technology and architecture, operational management and organizational alignment.

Responses under technology and architecture show that senior management mentions legacy system replacement as the greatest data management challenge, probably because of the associated high costs and risks of unforeseen consequences. But for end users, the main challenges were de-risking new implementations where the cost of failure is inherently high, and increasing automation, which promises to remove the risk of error from repetitive daily tasks.

Among the operational management challenges, sourcing and implementing data to meet emerging client requirements is the main challenge across all groups. This reflects the challenge posed by an increasing volume of data that is also growing in complexity, because in a low-return environment firms are forced to broaden asset and market exposures, and pursue more complex investment strategies.

Data management centralization and a lack of expertise are cited as major inhibitors to data management success. End users, central data management and IT feel this most strongly. However, senior management view data silos across departments as the greatest challenge, reflecting the difficulty of attaining a holistic view of data and data management processes.

When asked to choose from a set of attributes that best describe their governance program,

respondents consistently report their data governance to be more mature than it is. This is reflected in the number of respondents who report a 'mature' or 'work-in-progress' governance program but rely on their data management teams to implement it on an ad-hoc basis. A mature or work-in-progress data governance program is one that is sanctioned by senior management, with an executive data governance team comprised of the business and data management, continuously focused on data policies and compliance.

- **59% report that data management teams lead data governance efforts or attempt to implement best practice, but only during strategic projects or on an ad-hoc basis**

We know that all firms invest heavily in data management. Given the numerous challenges faced by all firms, we asked whether the benefits of data management projects were quantified.

- **16% of respondents have formal cost/benefit models based on audited time and effort metrics gathered before and after the project**
- **36% of respondents have informal cost/benefit models to build a business case**
- **50% adopt an ad-hoc approach or do not quantify the potential benefits**

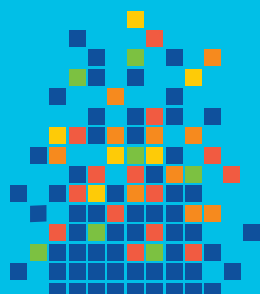
Our results suggest that few firms have the skills or capacity to quantify the potential benefits of data management projects. This can explain why many firms are experiencing escalating data management costs, especially those costs that are 'hidden,' for example within Front Office and other functions. In our experience, good data governance requires total enterprise-wide

59%

59% report that data management teams lead data governance efforts or attempt to implement best practice, but only during strategic projects or on an ad-hoc basis

88% of front office respondents cite data completeness as a top priority

88%



data management costs to be quantified and visible across the firm.

All organizations need to provide comprehensive information on data sources, including data lineage, validation rules, vendor licensing costs and terms, data delivery attributes and destination systems. It is much more efficient and empowering for end users to be able to self-serve such information. But in practice this can be difficult to implement across data silos and legacy IT.

- **47% of respondents have to route information requests through data management teams**
- **20% of respondents have access to reports or dashboards for such information**

Different functions have specific and varying requirements for reference, benchmark and security data. In the interest of efficiency, end users should be able to self-serve but data use must be monitored as part of good governance. There is too much dependency on central data teams, which impairs efficiency.

Our survey showed priorities by function.

- **88% of front office respondents cite data completeness as a top priority**
- **59% of middle office respondents put accuracy first, followed by completeness (30%) then timeliness (11%)**
- **54% of central IT and data management teams put accuracy first, followed by completeness (33%) then timeliness (13%)**

The above results illustrate the challenge of implementing a data management strategy that meets the needs of all users, all the time.

Conclusion

Good data governance fulfills many business goals, particularly as regulations demand greater transparency. However, many firms are struggling to track which data is coming into the firm, how it is transformed, and where it is ultimately used. This is a critical data governance issue that demonstrates the ongoing nature of the challenge. Firms must do more than implement good data governance - they must maintain it.

Across our survey population, firms employ a range of data operating models, comprising in-house and partnerships. As many as 61% of respondents envisage the future of data management to involve service providers managing all their third-party data, or a mixture of in-house and third-party solutions. This is in line with our own experience - managed data services are the accepted way to overcome several of the challenges highlighted in our survey, including data silos, legacy technology and automation. Just as importantly, managed data services enable a firm to manage a growing volume of complex data cost effectively and to align data consumption closely with business needs

We hope you enjoyed reading the results of the RIMES 2017 Buy-side Survey and that you are encouraged to discuss your data governance plans with us.



If you have any questions about this survey, email info@rimes.com

About RIMES

RIMES is a specialist provider of data management services to asset managers, owners and servicers worldwide. For over 20 years, we have helped our clients reduce the cost of managing data, mitigate operational risk, and comply with a growing array of financial regulation. In 1996, we were a pioneer provider of managed data services using cloud technology; today our clients include 60 of the top 100 global investment managers by TAUM and 9 of the world's top 10 asset servicers.

With the RIMES Managed Data Service (MDS) our clients are able to improve the quality of their data, transform their data management capabilities, and boost their business responsiveness. By choosing a managed data service, they remove the burden of data management without surrendering control. RIMES MDS eases the regulatory compliance burden by improving data governance and transparency.

To complement MDS, RIMES RegFocus was built to respond to the growing burden of regulatory compliance — including market manipulation and insider dealing surveillance — faced by asset managers. RegFocus builds on the proven methods and technology of RIMES MDS but addresses the specific needs of compliance officers who must comply with the ever increasing regulatory challenge.



North America

New York
(Headquarters)
84 Wooster Street
New York NY 10012
USA
+1 212 381 9000

Boston
31 St James Avenue
Boston MA 02116
USA
+1 617 342 3689

Seattle
1420 Fifth Avenue
Seattle, WA 98101

Toronto
161 Bay Street
Toronto, ON M5J 2S1
Canada
+1 416 572 2523

EMEA

London
No. 1 Cornhill
London, EC3V 3ND,
UK
+44 (0)20 7743
6040

Paris
13 avenue de l'Opéra
75001 Paris
France
+33 (0)1 78 09 70 70

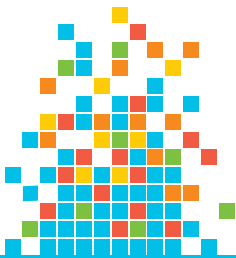
Nicosia
Gerasimou
Markora 3
Nicosia 1075
Cyprus
+357 22 028 045

Asia Pacific

Sydney
88 Phillip Street
Sydney, NSW 2000
Australia
+61 (0)2 9258 1189

Shanghai
1105 China Insurance
Building
166 East Lujiazui
Road
Shanghai, 200120
China
+86 21 5888 6108

Singapore
North Tower
1 Raffles Quay,
Singapore 048583,
Singapore
+65 6622 5930



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Get in touch

info@rimes.com

rimes.com

