



Benchmark/Index data  
management and related costs  
January 2013



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# Summary

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- Deloitte believes that **managing data** is **one of the main challenges** for asset managers . Following the conference held in Paris on this subject, Deloitte wants to go further in the understanding of these topic related challenges.
- Since the financial crisis, asset managers and asset servicers have had to develop a better understanding of the data they use. Therefore one of the post crisis new challenges has been to implement **an efficient data management regime** which deals with :
  - **Transparency** of overall costs (acquisition, governance, processing)
  - **Speed** and **automation** of production
  - **Customization** of data distribution
  - Implementation of **data governance** covering the entire data life cycle by ensuring data quality as early in the life cycle as possible
  - Reliability, transparency, comprehensiveness of market and portfolio data traceability
  - Selectivity of data production frequencies
- **In order to cover the whole data topic, each player in the value chain** (data providers, asset managers, asset servicers...) **needs to be involved and all regulatory evolutions** (Solvency II, Basle III, AIFMD, FATCA...), **which can impact its characteristics** (sufficiency, quality...), **need to be considered.**
- **Financial data** is not only an IT/back-office matter but also a **corporate governance issue, requiring global vision**. Only a broad corporate outlook will help achieve **cost reduction, overall risk reduction, bring coherence** in financial and managerial decisions and **improve the quality of service**.
- Understanding the data cost structures and more specifically, any non-license fee costs is one of the key principles to master. This is one of the reasons why Deloitte has conducted the study. The focus is on the cost structure faced by asset managers for benchmark/index data, which necessitates an analysis of the organizations dedicated to managing data.

→ **Asset managers are keen to rationalize data sources and number of benchmarks.**

The number of **FTE (Full Time Equivalent headcount)** working on **benchmark/index data** is **positively correlated to the number of data sources**.

→ **42% of big (tier 1) participants do not monitor or control the use of data : stronger controls are required in order to minimize costs.**

→ **53% of FTE dedicated to data processing is concentrated on validation and transformation.**

**Some participants are considering outsourcing the validation and the transformation of data to an integrator specialized in benchmark/index data.**

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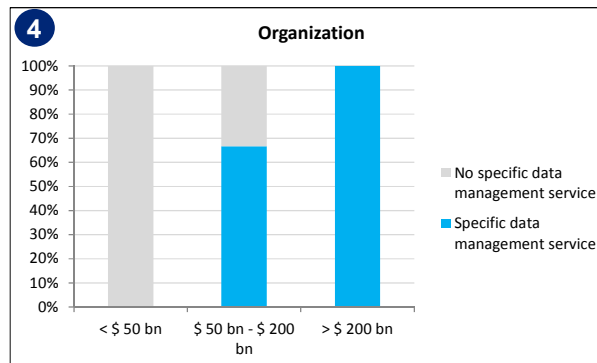
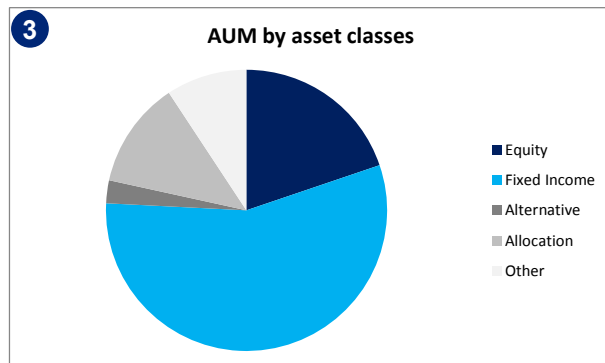
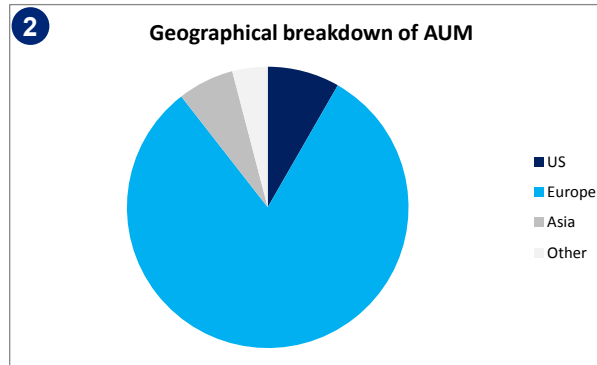
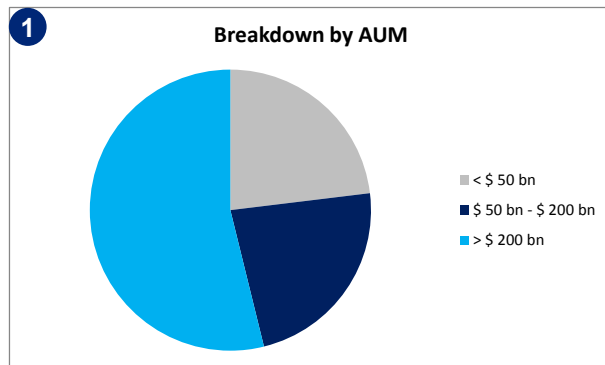
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# Overview of participants

## *A representative panel of European asset managers*

- 13 major global players
- They have been chosen in order to build a **representative panel** in terms of:
  1. Size
  2. Geographical implantation (Repartition of clients)
  3. Asset classes managed : Equity, fixed income, alternative, allocation...
  4. Organization
- ➔ **Total AUM : \$ 5.135 B**
- ➔ AUM range : \$ 3 B - \$965 B
- ➔ **90% of tier 1 and tier 2 participants have a dedicated department for managing data.**



1USD = 0.7562 Euros; 05/02/2013

*Specific data management services are departments whose only purpose is to manage data for the whole company. Data management is concentrated in these departments.*

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# Asset managers have a clear vision on license fee costs but some difficulties in estimating global costs for data treatment

## Observations

- Financial data and its treatment stands as an important cost center for financial institutions. **Having an efficient data management dispositive became a critical challenge.** As the information is the raw material of financial institutions, the quality of the data used is key to ensuring the quality of their provided services.
- Yet we observed that whilst participants could easily comment on license fees, most of them had **difficulties when it came to estimating the global costs related to the governance and processing of data.**
- Several treatment costs can be distinguished: software costs, hardware costs, human resources responsible for data management. As it is very difficult to isolate information system costs related to benchmark/index data, we have focused on human resources.

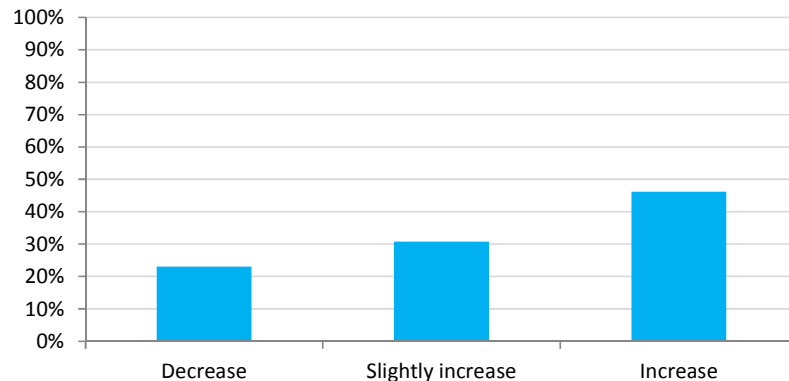
## Trends

- The **treatment cost of data is not well known in its globality** as the costs are made up of license fee costs as well as non-license fee costs (Human resources, IS...).
- **The risks of not mastering global costs are a:**
  - **Inefficient cost management**
  - **Non-optimized rationalization plan (benchmarks, data sources...)**

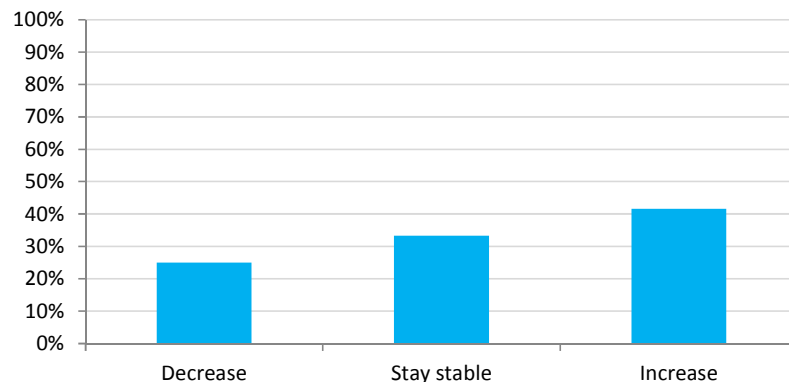


# Big players are planning to rationalize the number of benchmarks as well as their sources but the cost of benchmark/index data is still expected to increase

Is the number of Benchmark/Index data expected to increase?



Is the number of data providers/integrators expected to increase?



## Observations

- We expected the number of benchmarks used to increase with the growing complexity of management styles and specification of clients' needs.
- But we can see that a **non-negligible number of participants are expecting the number of benchmark and data sources to decrease.**

## Trends

- These expectations of a decreasing number of benchmark and data sources come from participants who manage a lot of indexes from a lot of different sources and who **aim to rationalize their sources and range of funds.**
- Some of them are considering dealing with only one integrator and **outsourcing the data validation and data transformation** process.
- However, the majority of the survey participants are expecting **the cost of benchmark/index data to increase for 2 reasons:**
  - The need is getting more complex. **90% of participants are expecting an increased need for customized or blended benchmarks** as the clients' needs are getting more and more specific.
  - **Some providers are currently providing data for free but some survey participants are expecting them to charge for this service in the future.**



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# Business processes

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*In this study framework, we identified two families of business processes; governance and processing, as presented below:*

## Governance

### Acquisition

*Purchasing Data*

### Monitoring and controlling the use of data

*Ensuring that needs are well covered and identifying data that is no longer used in order to stop the feed*

### Compliance management

*Ensuring that data is used in line with guidelines and restrictions*

## Processing

### Data Collection

*Collecting data from vendors through automatic feeds or manual integrations*

### Data Validation

*Validating the sufficiency and the quality of data (coherence and freshness)*

### Data Transformation

*Transforming collected data in order to match final users' needs (format, customized or blended benchmarks...)*

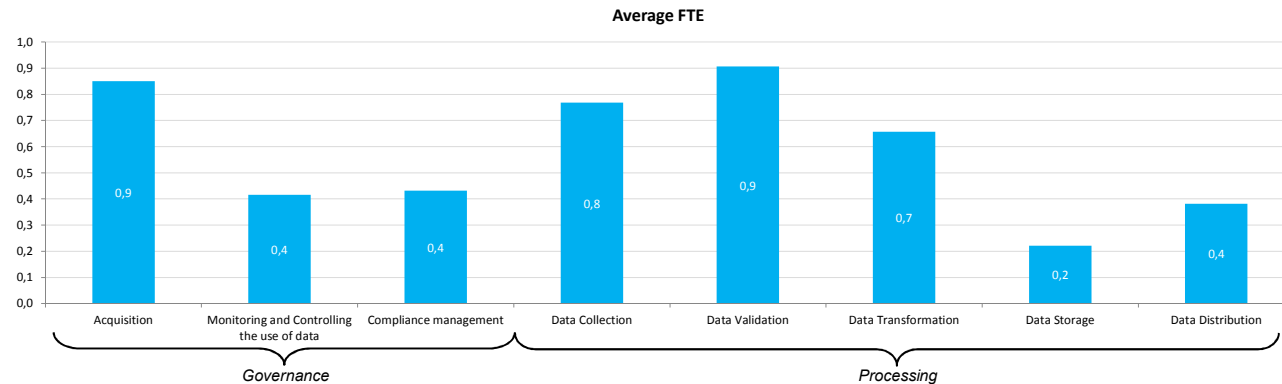
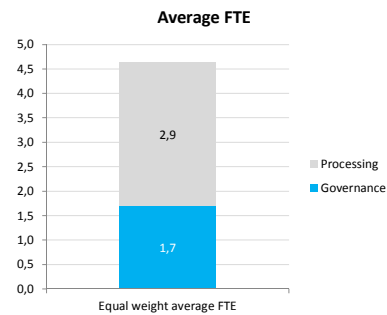
### Data Storage

*Storing transformed data in order to allow a good access to a complete set of data*

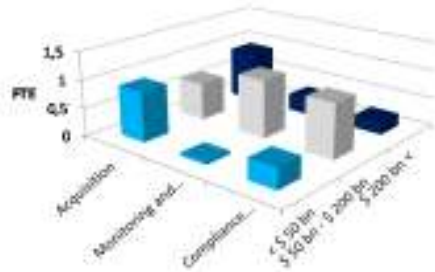
### Data Distribution

*Delivering a consistent data set to all business functions in the required format and by the required deadlines*

# Governance & Processing: Synthetic view

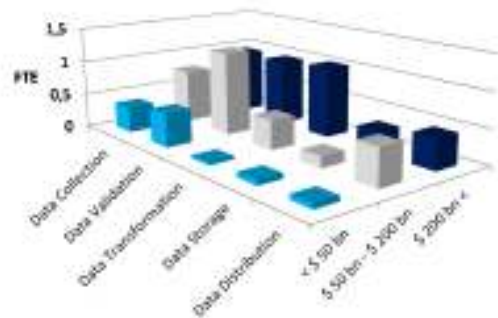


Average FTE by "Governance" business process and participants size



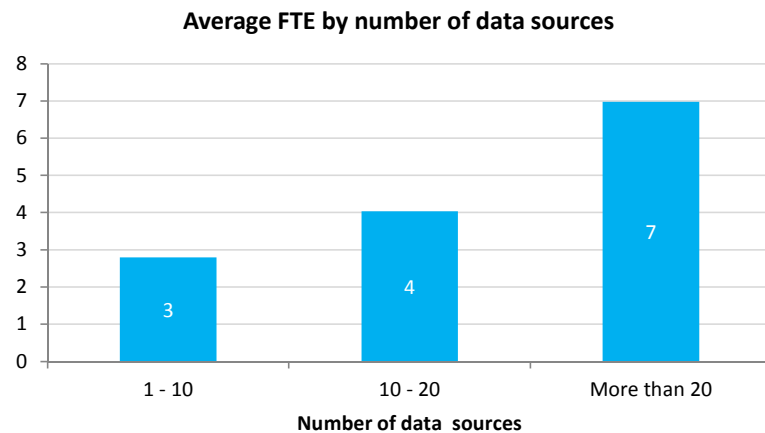
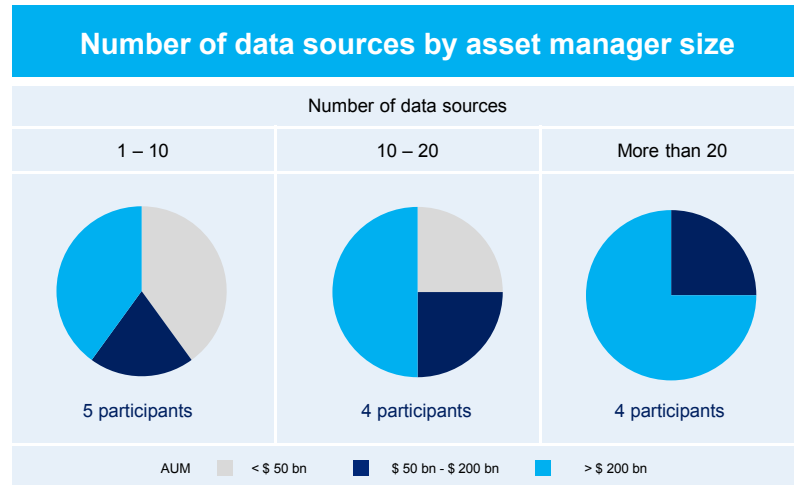
- **50 % of FTE on governance is concentrated on acquisition**  
Data acquisition is time consuming because it brings into play different services at the same time.
- **42% of the largest participants do not monitor or control the use of data. Stronger controls are required in order to minimize costs.**
- **Compliance management is very weak for big players. This implies a significant risk factor on the use of data.**

Average FTE by "Processing" business process and participants size



- 24% of FTE on processing for mid and big players is concentrated on collecting the data. **Most of the data collection is automatic so most of the related FTE is concentrated on minor manual integration.**
- **53% of FTE on processing is concentrated on validation and transformation of data. Some participants are considering outsourcing the validation and the transformation of data to an integrator specialized in benchmark/index data.**
- We noticed that big players always store benchmark/index data in specific databases. **Smaller players, often store this data in performance or reporting databases.**

# The average number of FTE is positively correlated to the number of data sources



## Observations

- FTE range : 0,5 – 10
- Number of sources range : 1 – 26  
*The number of data sources corresponds to delivery sources that actually feed asset managers.*
- There is not necessarily a correlation between the number of data sources and the size of participants.
- There is a **balanced number of small, mid and big players in each category.**
- **The number of FTE is positively correlated to the number of benchmark/index data sources.**

## Trends

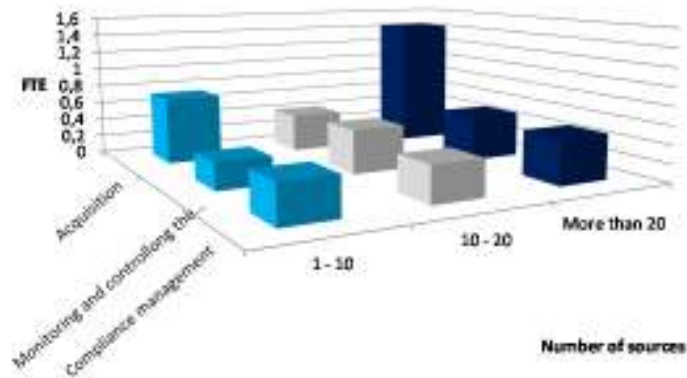
- We have received feedback on the use of services provided by integrators in order to rationalize sources and automate processes.
  - **Very negative feedback** on the collaboration with generalist market data **integrators because of the poor quality of delivered data.** A lot of internal controls and corrections are necessary to guarantee the data quality.
  - However some participants **exclusively collaborate** or envisage an exclusive collaboration **with service providers specialized in supplying benchmark/index data.** Therefore, the **validation and transformation of the data could be outsourced** to an integrator.

# Governance & Processing: Analysis by number of data sources

## Trends

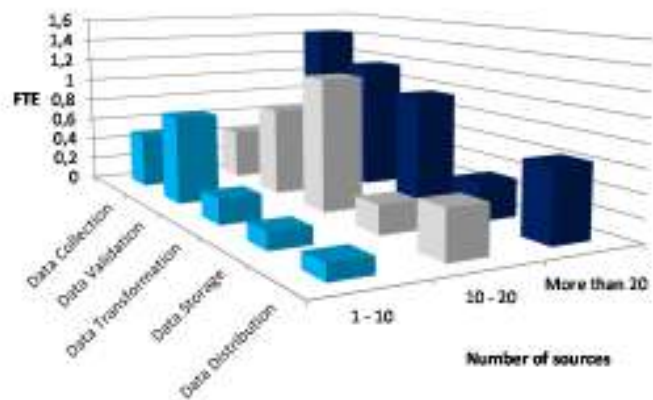
- The average numbers of FTE on acquisition, data collection and data validation are correlated to the number of data sources.
- This observation confirms the benefit that rationalizing the number of sources brings.

Average FTE by "Governance" business process and number of sources



- **FTE on acquisition is significantly higher for asset managers who have more than 20 sources.**
- Monitoring and controlling the use of data and compliance management is not really impacted by the number of sources.

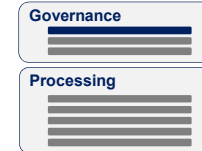
Average FTE by "Processing" business process and number of sources



- **The number of FTE for data collection and data validation is positively correlated with the number of sources.**
- The number of FTE for data transformation is significantly lower when the number of sources is below 10. However FTE is similar when the number of sources is above 10.
- The number of FTE for data storage and data distribution is not related to the number of sources.

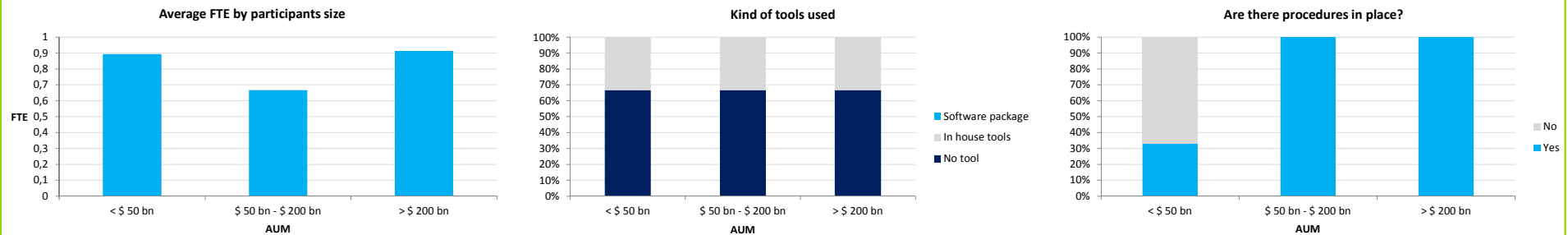
*The number of data sources corresponds to delivery sources that actually feed asset managers.*

# Governance Acquisition

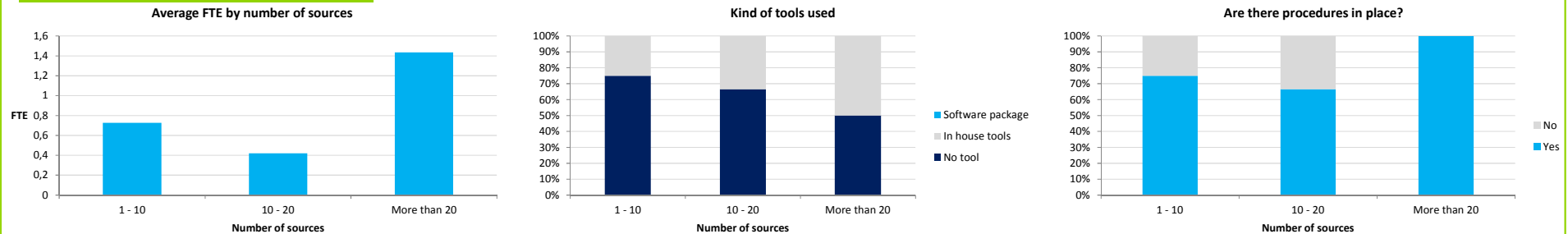


- **Services involved:**
  - Purchase department
  - IT
  - Data management
- 50% of FTE in the governance function is focused on acquisition
- 0,85 FTE on average
- 33% of in house tools – 67% with no tool
- 78% of participants have procedures on that action
- Data acquisition is time consuming because it brings into play different services at the same time.
- **FTE on acquisition is significantly higher for asset managers who have more than 20 sources.**

## Analysis by participant size

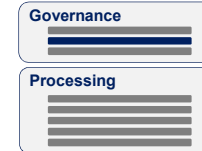


## Analysis by number of sources



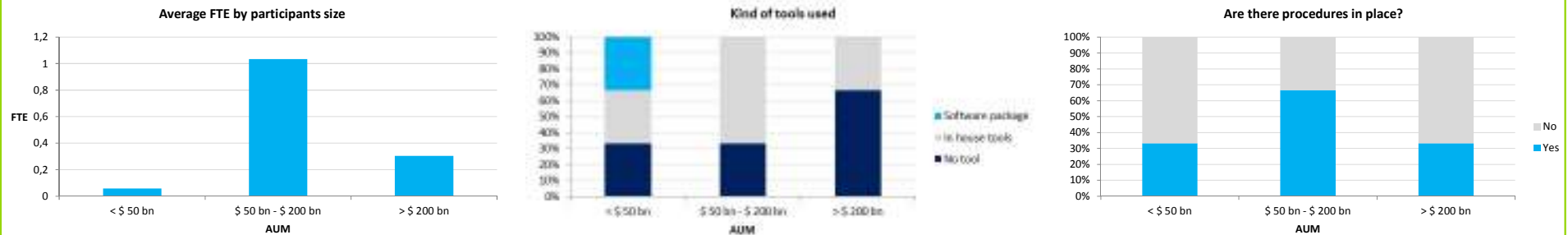
# Governance

## Monitoring and controlling the use of data

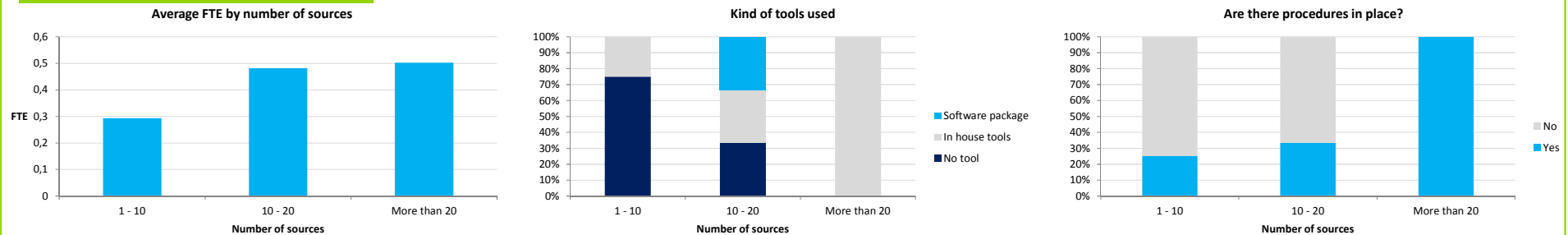


- Services involved:**
  - Data management service
  - Reporting
  - Change management
  - IT
- 24,5% of FTE in the governance function is focused on monitoring and controlling the use of data
- 0,41 FTE on average
- 44,5% of in house tools – 44,5% with no tool – 11% with a software package
- 44% of participants have procedures on that action
- We noticed that even big players managing a lot of benchmarks do not necessarily monitor and control the use of data.
- FTE on monitoring and controlling the use is not really correlated to the number of data sources.

### Analysis by participant size

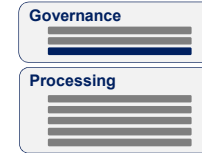


### Analysis by number of sources



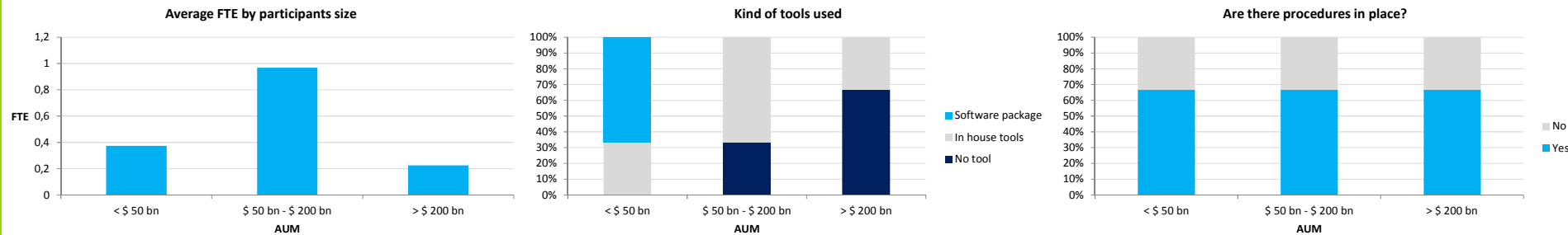
# Governance

## Compliance management

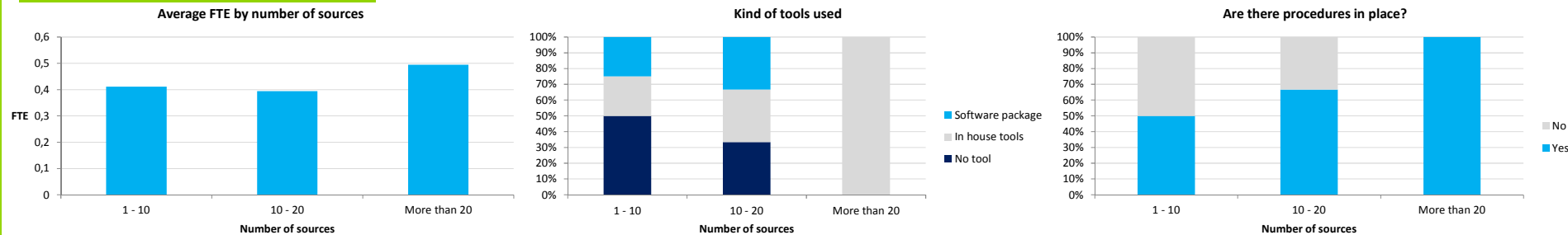


- **Services involved:**
  - Reporting
  - Purchase department
  - Compliance
  - Data management
- 25,5% of FTE in the governance function is focused on compliance management
- 0,43 FTE on average
- 22% of software packages – 44,5% of in house tools – 33,5% with no tool
- 67% of participants have procedures on that action
- **Compliance management is very weak for big players. This implies a strong risk on the use of data.**
- FTE on compliance management is not really correlated to the number of data sources.

### Analysis by participant size



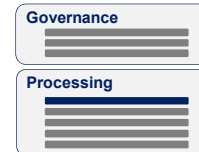
### Analysis by number of sources





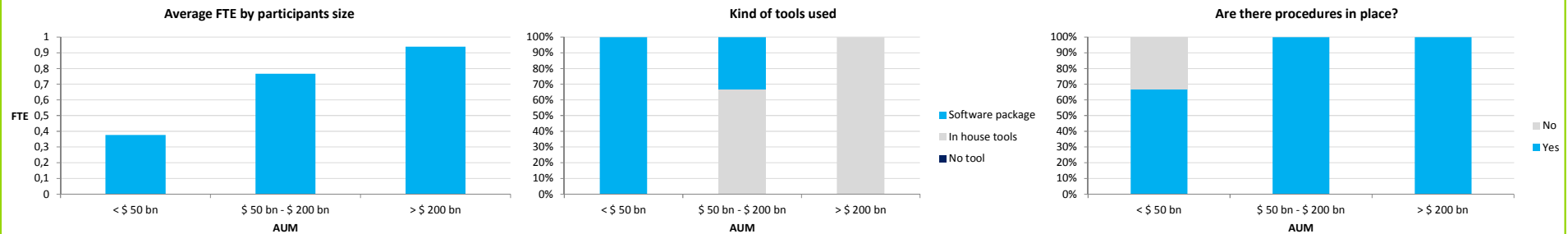
# Processing

## Data Collection

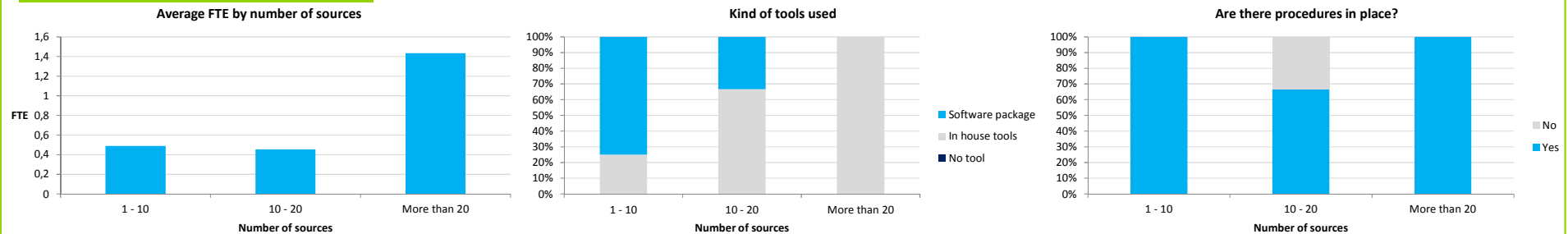


- Services involved:**
  - Data management
  - Reporting
  - Performance team
  - Fund management
  - Change management
- 26% of FTE in the processing function is focused on data collection
- 0,77 FTE on average
- 44% of software packages - 56% of in house tools
- 89% of participants have procedures on that action
- For mid and big players, most of the data collection is automatic so most of this FTE is concentrated on minor manual integration.**
- The number of FTE for data collection is positively correlated with the number of sources.**

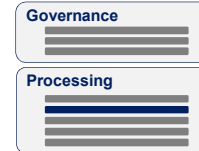
### Analysis by participant size



### Analysis by number of sources

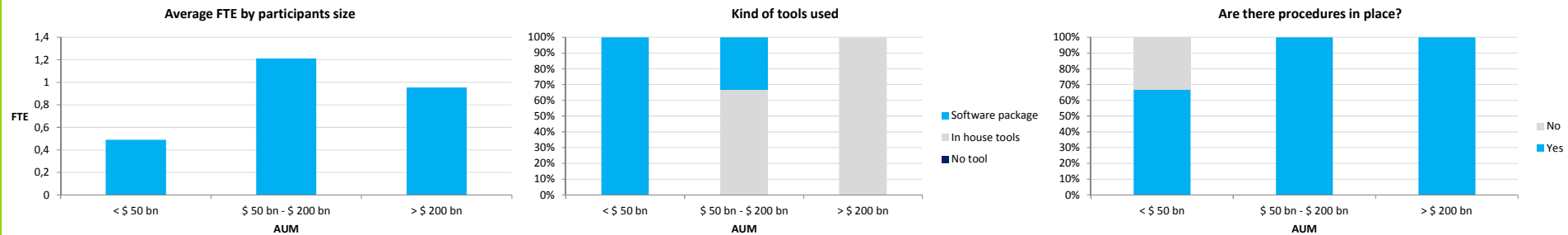


# Processing Data Validation

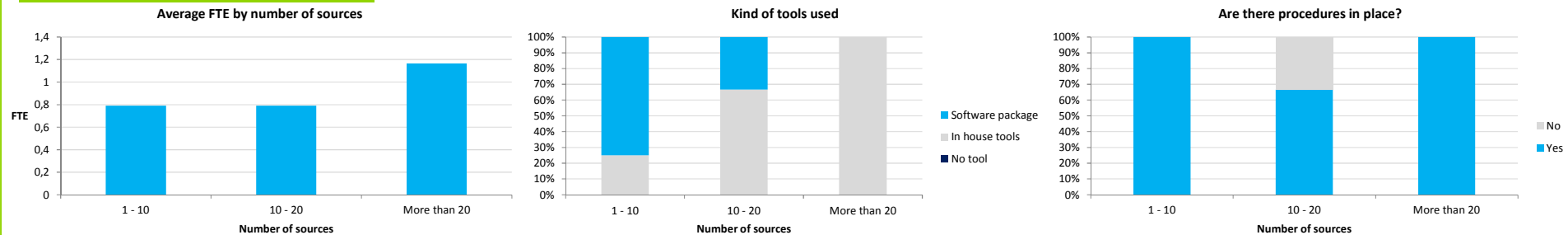


- Services involved:**
  - Data management
  - Reporting
  - Performance team
  - Fund management
  - Change management
- 31% of FTE on the processing function are focused on data validation
- 0,9 FTE on average
- 44% of software packages - 56% of in house tools
- 89% of participants have procedures on that action
- Some participants are considering outsourcing the validation and the transformation of data to an integrator specialized in benchmark/index data.**
- The number of FTE for data validation is positively correlated with the number of sources.**

## Analysis by participant size

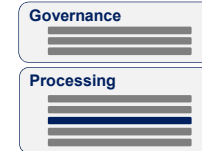


## Analysis by number of sources



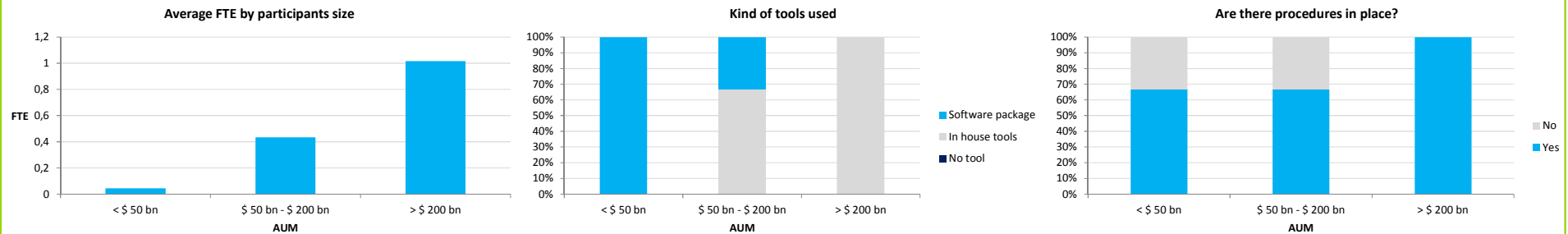
# Processing

## Data Transformation

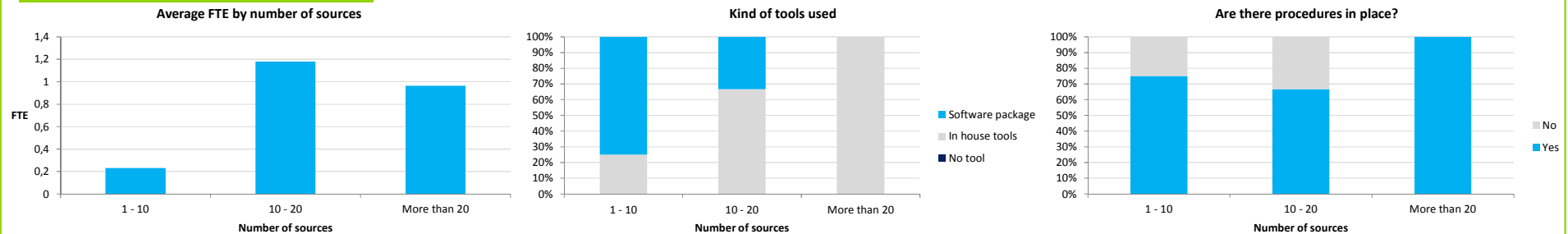


- Services involved:**
  - Data management
  - Reporting
  - Performance team
  - Fund management
  - Change Management
- 22% of FTE in the processing function is focused on data transformation
- 0,66 FTE on average
- 45% of software packages – 55% of in house tools
- 78% of participants have procedures on that action
- Some participants are considering outsourcing the validation and the transformation of data to an integrator specialized in benchmark/index data.**
- The number of FTE for data transformation is significantly lower when the number of sources is below 10. However the number of FTE is similar when the number of sources is above 10.

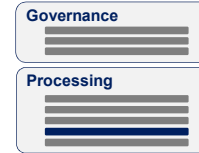
### Analysis by participant size



### Analysis by number of sources

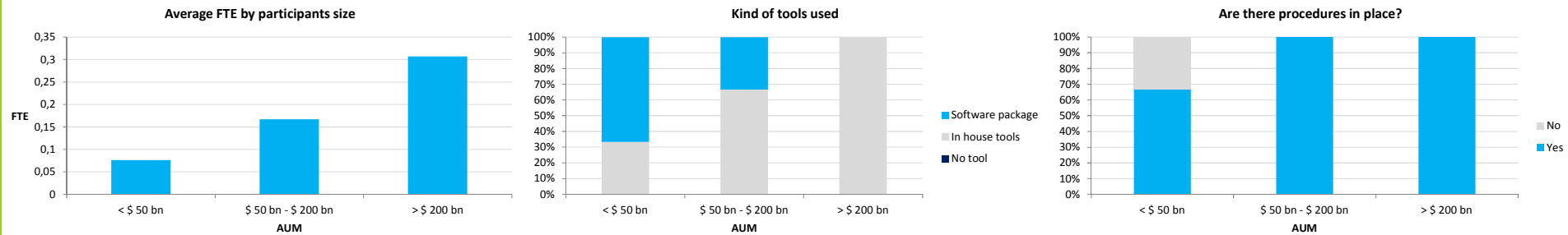


# Processing Data Storage

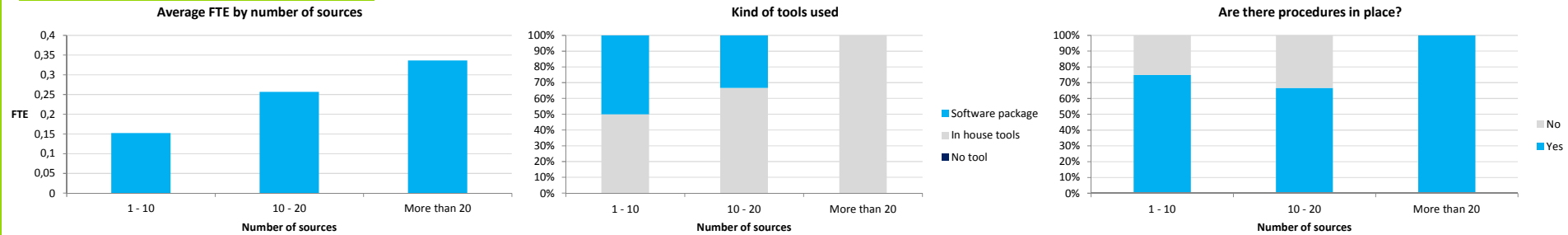


- Services involved:**
  - Data management
  - Reporting
  - Performance team
  - Fund management
  - Change Management
  - IT
- 8% of FTE in the processing function is focused on data storage
- 0,22 FTE on average
- 33% of software packages - 67% of in house tools
- 89% of participants have procedures on that action
- We noticed that only big players store benchmark/index data in specific databases.** Smaller players, often store this data in **performance or reporting databases.**

## Analysis by participant size

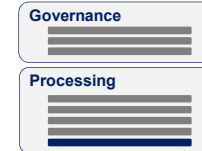


## Analysis by number of sources



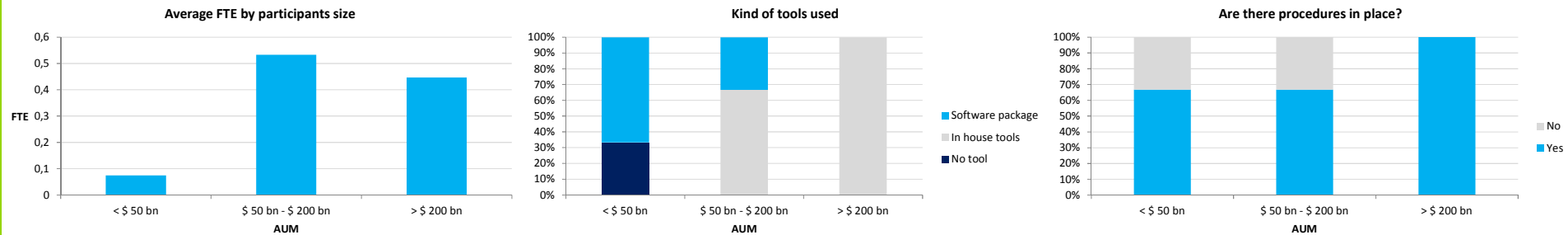
# Processing

## Data Distribution

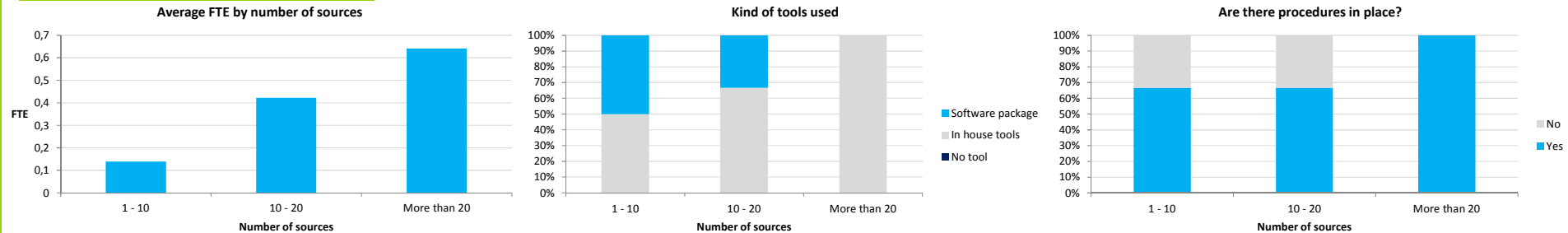


- **Services involved:**
  - Data management
  - Reporting
  - Performance team
  - Fund management
  - Change Management
  - IT
- 13% of FTE in the processing function is focused on data distribution
- 0,38 FTE on average
- 33% of software packages - 56% of in house tools- 11% no tools
- 78% of participants have procedures on that action

### Analysis by participant size



### Analysis by number of sources





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