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October 2014

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Data Governance

Special Report



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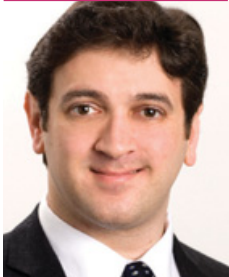
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Editor's Letter



Shoring Up Governance

Data governance efforts can backslide into becoming more about documentation and cost savings, but to be effective, they must be firmly anchored in communication between the business and technology departments of firms trying to implement them, as participants in the Virtual Roundtable and Q&A features in this report make clear.

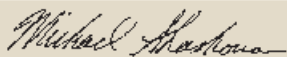
While tensions between business and IT are often present, as Aratinga Consulting's Justin York says in the Roundtable, a governance forum to facilitate discussion between the two can make progress on policies and processes. Eagle Investment Systems' Paul McInnis suggests data governance is a "shared responsibility" for business and IT, and Infogix's Bobby Koritala concludes that successful data governance, in turn, helps both sides.

So, how can firms achieve success with data governance? York, McInnis and Koritala all point to senior management – supporting governance discussions and a governance framework, becoming enlightened about the value of data and how it can be obtained through good governance, and evangelizing for governance efforts instead of seeing them as a waste of resources.

As Aite Group's Virginie O'Shea points out in the Q&A (*page 14*), data governance cannot be completely outsourced. Internal business users have to take responsibility for establishing data governance that produces higher quality data and getting management to support governance efforts, she says.

Progress on data governance is a mixed bag in the industry, as these experts indicate. The increasing appearance of the chief data officer role is making management more receptive to data governance concerns. The risk benefits that data governance can bring are helping to sell managements on making the efforts.

Yours sincerely,



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Data governance plans should aggregate information from all available resources and manage this data for consistency, Aite Group's Virginie O'Shea tells *Inside Reference Data*



An incisive media publication



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News Review

Collibra Offers Data Stewardship Automation

Data management automation provider Collibra has launched its Financial Services Suite, which supports its Data Governance Center platform and makes it possible to automate data stewardship processes, according to company officials.

With the Financial Services Suite, Collibra has set out to address data stewardship by assigning roles and responsibilities for data to different business units and establish workflows for defining data elements or approving new reference data elements, says Benny Verhaeghe, vice president of sales and marketing at Collibra.

Along with data stewardship, Collibra's Data Governance Center includes a Critical Data Elements framework to define data for business and regulatory requirements, and uses a federated organizational model to drive data governance programs in disparate units including sales, marketing and finance throughout large enterprises.

Users of Collibra's Data Governance Center and Financial Services Suite are applying these services to Solvency II and BCBS 239 compliance requirements, according to Verhaeghe.

Michael Shashoua

Fenergo and BMO Continue Compliance Deal

In June, BMO chose Fenergo to manage its compliance with the US Foreign Account Tax Compliance Act (Fatca).

Marc Murphy, Fenergo's Dublin-based CEO, says the firms successfully implemented phase one, which went live on July 1—the day that Fatca came into force. This involved implementing the workflows and rules for all new client requests, and phase two will extend that to comply with regulations such as the Dodd-Frank Act, the European Market Infrastructure

Regulation and the Markets in Financial Instruments Directive, according to Murphy.

Phase two will also add operational efficiencies to the end-to-end account-opening process. “The solution uses straight-through processing and allows for these accounts to be created automatically in those downstream systems,” says Murphy. He adds that BMO chose Fenergo's solution because of the power of its integrated approach.

Joanna Wright

Industry Addresses Solvency II Readiness

With a firm deadline of January 2016 for compliance with Solvency II, the European Union directive on capital adequacy and risk management for insurers, the financial services industry is now addressing the data management demands of the regulation.

Although implementing a change in data operations such as that needed for Solvency II can take as long as two years, which would extend past the compliance deadline, some firms will operate by taking advantage of all the time available, says Paul McPhater, chief operating officer of enterprise software at data services provider Markit.

Solvency II affects asset management firms as the insurance industry generates a lot of their funds, so they can benefit by being prepared for compliance, according to John Randles, Dublin-based chief executive officer of Bloomberg PolarLake, the enterprise data management services unit of the data provider.

The time required to implement Solvency II compliance measures depends on the size and structure of the firm, notes Andrew Melville, senior vice president and head of EMEA insurance product and strategy at Northern Trust. "The message really is 'start now,'" he says.

Michael Shashoua

Wipro Makes Impact with Collective Knowledge Tool

After four months in operation, the Impacting Accelerated Client Transformation (ImpACT) program, developed by Bangalore-based Wipro Technologies to leverage industry knowledge for data management and trading operations work, has yielded roughly \$15 million in cost savings for its users and 220 ideas for improving back-office processing or data management, according to company officials

Fédérés Chooses SimCorp Management Platform

Paris-based asset manager Fédérés Gestion d'Actifs has chosen the SimCorp Dimension investment management platform to support all its front-office activities and manage new regulatory demands. SimCorp Dimension will be used for pre- and post-trade compliance, an investment book of record, net asset value control, collateral management, performance measurement and risk management. It replaces the firm's current heterogeneous infrastructure, which uses technology from four different providers as well as internally built solutions.

Data Governance: Securing the Benefits

Inside Reference Data gathers together leading data management professionals to discuss the advantages that strong data governance can bring to an organization and the hurdles that still exist before its importance is recognized throughout the firm

How should data governance align IT and business-side interests and desires for data operations?

Justin York, director, Aratinga Consulting Limited: Data governance should be the 'glue' that ties the two sides together. Often there are tensions between the business and IT, particularly around the difficulties that each other face. By providing a centralized point through a governance forum that is driven by policy and process, the issues can be presented and agreed by all sides. This approach allows dialogue, in person, between the parties and therefore a better understanding of the

issues. I've found this type of communication the best method for breaking down the barriers.

Paul McInnis, director of product strategy, data management, Eagle Investment Systems: Data governance should be a shared responsibility between business and IT functions. This often involves a significant cultural shift. Firms naturally assume that data, as something technical, should be under the ownership of IT. In fact, data is owned by the business and IT is solely responsible for its stewardship. IT and business interests should align

so that IT provides the platform—supporting data governance from a technology perspective and validating the data—and when there are exceptions, it is the business that directs how those exceptions are resolved.

Bobby Koritala, chief product officer, Infogix: The bottom line is that good data governance helps both IT and business achieve their objectives. Data operations without data governance is like a hospital without cleanliness. The chief benefit accruing from data governance to the business is that it can rest assured the results of its systems are reliable and can effectively support its objectives. For IT, the key benefit is their ability to deliver results for the business. Data governance needs to be built into business processes and systems through automated, end-to-end controls. Too often, governance has come to mean documentation and,

“Firms naturally assume that data, as something technical, should be under the ownership of IT. In fact, data is owned by the business and IT is solely responsible for its stewardship”

Paul McInnis, Eagle Investment Systems



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while that may satisfy the requirement, it does not deliver the desired results. These controls need to span process, balancing, reconciliation and content/quality of data. Associated with these controls is effective, real-time visualization, because monitoring these metrics is essential. Layering on analytics is also highly desirable.

How does management culture affect data governance and how should it influence data governance?

York: In my experience, management culture sees initiatives such as data governance as an unnecessary overhead, taking time and effort away from operations activities unnecessarily. This type of culture means that the bare minimum is often done to satisfy regulators and the board. The culture

Virtual Roundtable

should influence data governance by embracing its principles and extracting its benefits. By becoming evangelists for the activity, through first understanding it and then seeing the benefits, management can significantly influence not only the data ownership but also the quality and relevance of the data.

McInnis: A firm's senior management team will be absolutely critical to the success or failure of a data governance policy. It is entirely unsustainable to create a data governance framework from the grass roots. It has to be bought into and sponsored by those at the top of the organization.

The reason for this is simple. At some stage, someone relatively senior will want to do something that contravenes the data management policy. Let's say a senior trader or quant wants to source their own data directly from a vendor,

which would mean decisions are then being made based on a data set that has not been validated and is not controlled by the firm. In an instance like this, a firm needs its senior management team to direct the front- and middle-offices to follow the data governance policy.

At a slightly higher level, when senior management actively participates in data governance initiatives, it sends a message across the business that this is an organization that cares about the quality of its data.

Koritala: Management culture needs to be enlightened enough to realize the value of good data. The realization that data governance—through automated, end-to-end data integrity controls and analytics—will lead to better IT and business results takes vision. The results achieved could be transformative, but it takes a visionary leadership to act on this.

"The data governance arena is not presenting the benefits case sufficiently well to get the traction needed, and the main reason for that is the lack of a champion who has the ear of the board"

Justin York, Aratinga Consulting Limited

Are firms making adequate progress on improving data governance?

York: It is my experience that firms are doing only 'what is necessary' to improve the governance of data, in line with what is expected by regulators. This approach ignores the fact that data governance is a good thing to do because it provides better protection for the company by having robust prin-

ciples and processes in place. The main issue here is that the data governance arena is not presenting the benefits case sufficiently well to get the traction needed, and the main reason for lack of traction is the lack of a champion who has the ear of the board.

McInnis: It has taken longer than I had expected, but firms are making progress in achieving data governance frameworks. The 2008 crisis played its role in this, as it forced firms to take a harder look at the quality of their data and how it is aggregated, stored and managed.

Similarly, the subsequent onset of regulation has made firms question how agile their data is and how quickly they can adapt to market changes, as well as who is responsible for decision-making.

Advances in available technology have facilitated closer collaboration between business and technology interests—between the owner of the data and the steward—and in turn the implementation of a data governance framework has been made a little easier.

Koritala: The short answer is no. Data governance is not seen as a priority by many organizations because they see this as IT's responsibility, and most likely don't even understand what is meant by data governance. IT, on the other hand, is busy enough with other, more press-



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ing operational priorities, so data governance takes a back seat. The result is that there is very little progress on improving it. A staged approach to gradually introduce data integrity controls is the right way to make progress on this front.

What innovations are emerging in data governance planning?

York: The main innovation is the provision of chief data officer (CDO) positions within companies. Provided the CDO is at the right level, then the data governance policy and processes can be driven from the top down. In my experience, explicit support shown by the board, followed by action where parts of the business decide not to follow the directives, has the greatest impact. While having such a 'stick' is useful, there also needs to be a 'carrot' and that needs evangelists in the organization

Virtual Roundtable



*Justin York,
Aratinga
Consulting
Limited*

to make the cultural changes necessary.

McInnis: For our part, we can enable clients to define a business glossary that is managed through metadata and shared across the entire enterprise. For

example, if a user looks at a report or requests a data set, the whole firm is looking at the same data, as opposed to disparate data sets across the organization. Data lineage is not necessarily a new innovation, but with the advances in mobility and business intelligence reporting packages, it is something that the business user now may access.

Koritala: The innovations are primarily around the move away from a documentation-centric governance model

"The main drivers behind implementing a data governance framework are data quality, risk management and the desire for operational efficiency"

Paul McInnis, Eagle Investment Systems

to a more automated controls-centric governance model. The convergence of various data related initiatives such as master data management, enterprise data management and other such efforts into a data integrity controls-and-monitoring approach is key to this. Increasingly, organizations are also realizing that by tying analytics and data science initiatives with data governance driven by automated controls, they are likely to see more reliable business insights.

How should data governance address data sourcing issues?

York: Data governance has a part to play, particularly where many departments are sourcing the same data. In this instance, I believe that the data owners, who have accountability for that data item within a business, should inform the business that only their controlled variant of the data is considered to be accurate for use in the business. This will inevitably produce a whole range of different arguments. But once they are known, they can be addressed.

McInnis: Data should always be validated and repaired at the source whenever possible. Not all of it is sourced internally, however. For this reason, firms need to be able to trap bad third-party data before it makes it into their production

environment. Our tools not only allow firms the ability to validate data, but they also have several options to permanently or temporarily override it. Of course, all of this requires the preservation of data integrity with robust audit controls, which in turn goes back to the importance of data lineage and the understanding of any data transformations or enrichments that may have taken place.

Koritala: Data governance should be built into data sourcing. What this means is that whenever data is sourced—whether for operational processes, data warehouses, big data repositories or data lakes—automated data integrity controls need to be included to ensure that the data is clean, trustworthy and truly actionable.

Are cost savings a factor in data governance?

York: I don't believe that cost savings are a factor for undertaking data governance. In reality, it is simply a good practice, which can provide additional protection to the business. However, as there are no free rides in business, there are always concerns about return on investment. Good control and ownership of the data should reduce costs, and regimes such as data governance will pay for themselves if allowed the opportunity to prove their worth.

"Whenever data is sourced, automated data integrity controls need to be included to ensure that the data is clean, trustworthy and truly actionable"

Bobby Koritala, Infogix

McInnis: Cost savings are always high on clients' agendas, but they are not the driving force behind implementing a data governance framework. The main drivers are data quality, risk management and the desire for operational efficiency. These obviously have cost-saving implications in their own right, but data governance in and of itself should not be viewed as a direct cost-saving exercise.

Koritala: To the extent that good data governance effectively manages risk and avoids rework due to erroneous information, there is a definite benefit in terms of the cost savings associated with it. But this is not a direct correlation and organizations therefore have a harder time with return-on-investment and business-case justifications. Often, this lack of vision means data governance activities are seen more as an expense than a benefit.

Access All Areas

Data governance plans should aggregate information from all available resources and manage this data for consistency, says Aite Group's Virginie O'Shea



*Virginie O'Shea,
Aite Group*

How do you see the role of managed services in supporting data governance planning?

Data governance is not something you can fully outsource—it is about internal business users taking responsibility for determining and policing data quality within their communities and making sure the data management team is able to support these requirements. Managed services providers can help to establish a technology framework for this kind of feedback and workflow support between data managers and the data stewards within an organization.

How can good data governance address know-your-customer data issues?

Provided it is properly implemented, data governance can help to improve many data quality issues and KYC is no exception. Client data is often stored disparately, and the lack of a single, consistent global identifier—the legal

entity identifier is a long way off this yet owing to lack of adoption—means it can be a cross-referencing nightmare for those engaged in onboarding, risk management and data management. A governance framework can help to address this lack of consistency across an organization and support a centralization program for this data by identifying inaccuracies and eliminating them.

Does consistency between internal and external data systems play a part in planning or implementing data governance plans?

A firm needs to consider all of its data assets when looking at a data governance program—after all, if the data is poor quality when it comes into the organization, then that will cause a whole range of problems downstream. Making sure that even if the data is not consistent, there are cross-references in place to enable it to be aggregated, is essential to keeping a handle on data quality overall.

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