Thinking small

In the wake of Lehman's collapse, banks see the need for enhanced data management, although these projects are likely to be implemented with less resources. Institutions may vary in their approach, but taking incremental steps and co-investing are just two effective measures, says David Longworth.

The financial services industry bemoaned the loss of Wall Street investment bank Lehman Brothers late last year and many have blamed its failure for the downward spiral that has gripped the banking sector ever since. But as devastating as the Lehman's collapse may have been for financial services as a whole, it may have had one positive outcome: a wake-up call to banks and other institutions about the need to sort out their data. Many are still trying to work out their exposure to Lehman's mortgage-backed investments, and the very realisation of how difficult these complex instruments are to untangle has pushed the case for clearer, more transparent data management and stronger risk-based regulation further up the agenda.

"Clearly the need has been established in a way it never had been at CEO, CFO and head of risk level," says Phil Lynch, CEO of Asset Control. "That is the good thing that has come out of this. We couldn't have a better advocate to increase awareness." But will the increased awareness lead to changes in the way companies source, distribute and manage data? Will this filter through into actual projects? And what data management strategies can firms adopt to get more return for their buck? In a better position than some, thanks to the establishment three years ago of a customer data group, is Citi. Julia Sutton, global

head, customer accounts, Citi, says if it had not spent time building core customer data, matching it to systems and understanding those systems, it would have taken longer to determine the bank's exposure to Lehman. Sutton was brought in from a successful customer data role at Barclays Capital in 2005 to give Citi a consistent view of the customer across different data silos. "One of the first things I did when I got to Citi was establish a team to handle customer data – so for any customer data projects or issues, be they regulatory or supporting individual systems, there is a central team that should be available to all."

Sutton's team initially focused on the data management side of things, building on work that had already been done on the credit side. "We brought in a maintenance programme and started cleaning data and linking it. We built this 'golden copy' and focused all our energies on getting it to a point where we could go out and start to distribute it. Initially, although many used the identifier attached to the records, only credit was taking a direct feed from that system. You can't go in and say you're going to feed this data if you're not fairly confident that it's going to improve their lot."

Sutton is now focusing on data distribution and plugging data sources into product or front-office systems and she is in the enviable position of being able to prove her group's ROI with each incremental project. She is doing this by reducing cancellations

and rebookings, or improving the amount of accurate settlement instructions – thereby reducing breaks and fails. While she stresses that to a certain extent her team has been doing this all along, it is tempting to ask whether such a project would get the green light today? Mike Atkin, managing director, Enterprise Data Management (EDM) Council, says the global economic meltdown is not good for any IT project in financial institutions. "Every activity is under scrutiny and getting cut to some degree," he says. "Combine that with realignment and integration, and you do see some duplication out there that has to be eliminated."

Prioritising is key

Atkin says the worst thing at the moment is the uncertainty about what the economic crisis means for companies. "There's a little bit of uncertainty as what to do, which means nobody can drive any activity forward. That leads to gridlock." However, he adds that "we've not seen a wholesale elimination of EDM-related tasks. If it's an important initiative then it's still on the priority list. It's just that you might have to do it with less resources, and focus on upgrading legacy systems, or do more shared spending or even focus on data content rather than EDM infrastructure."

Atkin agrees that as a primary concern, "cost-based ROI is not there in data management" – it is more about trust and confidence in data, capability enhancement and automation, he says. Asset Control's Lynch says it is the enterprise-wide big-ticket projects that gave data management a bad name. "We've never thought a successful approach

Top tips for pragmatic data management

● Use productised integration of data sources and pre-integrated middleware from the major middleware vendors.

● Put the tools for defining business rules in the hands of business users. Vendors have put more business-level understanding and terminology into their products, so there is a level of data abstraction, which means it is no longer necessary to call in the 'techies'.

● Bring together multiple business lines in risk, finance and operations to co-invest in a new piece of infrastructure. Or even better, club together with other firms to take a request for a new piece of functionality from a data vendor. Citi's Julia Sutton says: "We don't have the money to spend with the vendors that we had in the good times. So if we are going to ask a vendor to do something, it makes sense that as industry working groups we get together and discuss what problems we are trying to fix. Then we can go to the vendor with a joint voice."

was to build an all-encompassing solution, because firstly, it's very high risk, and secondly, you have multiple business owners, all of whom have different objectives. Our approach is more pragmatic. We tackle a specific high-priority problem, and progress from there."

However, Gert Raeves, senior vice president, strategy development, GoldenSource, bristles at the suggestion that EDM projects are unwieldy. "There isn't such a big before and after change. The reality is that even before we were not integrating every data set and every data source, but focusing on a new data source or destination application. Projects were carried out in multiple phases with

> We've not seen a wholesale elimination of EDM-related tasks. If it's an important initiative then it's still on the priority list. It's just that you might have to do it with less resources.
>
> **Mike Atkin, EDM Council**

boundaries in relation to what they were doing." To limit project risk, Raeves says the first step is to establish a 'golden copy', and the second is to invoke the end-to-end integration of it. "It's not just getting in the golden copy," explains Raeves, "but getting it out to the application." Alongside increased

exposure of EDM projects to top management, the current economic climate will reinforce the importance of taking a practical view on data management by starting small and taking incremental steps. With those twin improvements everyone involved in data management can only benefit. //

The EDM Council's Maturity Model

The maturity model, released in January, first of all defines the four major categories of data management – data governance and strategy, operations, quality management and the data platform. It then looks at the business processes within each category, which companies have to effectively manage as an asset.

The model then defines five levels of maturity and a way of measuring a firm's maturity against each of the business process steps. "As the process improves, so your data is more accurate, trusted, available, consistent, comparable, and it feeds your applications, your STP and good decision making," says the EDM Council's Mike Atkin. But while the model is designed to take you on a journey, it is not

a way of proving the business case, says Atkin. "One use of it is to enable comparison of progress, so we're all working towards the right objective." Is your data correctly positioned, prioritised, appropriately funded and resourced?

"There are a lot of things to get firms aligned on," says Atkin, "but we all generally understand that data is the core priority if we want to do business correctly across the organisation. It's more about what you can do to get there."

Nor does it give you a technical roadmap of what to do when. That, says Atkin, is down to the individual firm. "Nobody does EDM as project management. EDM is the end goal. In reality,

everybody does incremental projects to get to that goal. And you do that in relationship to the priorities of the business."

Of more practical use, perhaps, is the EDM Council's Semantic Repository, a vast sprawling document of terms and context that defines where anything fits in a reference data nomenclature from an instrument to a business entity. Atkin says firms are "flocking to it" because it helps ensure data is consistent. It also provides a common language for data vendors and regulators. Whether these semantics will actually make it onto electronic data sheets supplied by vendors and legally required by regulators, we will have to wait and see.