Giles Turner takes cocktails with some key speakers at this years FIMA conference.

Fee-Fi-Fo-Fima

One of the striking factors of the FIMA conferences was the array of titles on display, from Chief Data Officer to Global Head of Reference Data to the Imperial majesty of Data Tsar. Srikant Sharma of Interwoven explains that since the turn of the millennium more or less Data Management Officers have been rising up the ranks; "there are two factors for this rise, one is the explosion and the complexity of products within the financial market place. The second is that there is a much higher degree of globalisation now, and what we are seeing is that there is a lot of complexity coming in from the fact that you have multi-currency trades happening, that you have a lot of funding coming from different pools of capital globally; for instance HSBC has operations in New York in Tokyo in Hong Kong in London so there is a real need to manage data as a core asset of an enterprise." Compare this to ten years ago when data was managed much more loosely. A Chief Information Officer would be in charge of the company's data, a somewhat hefty task for one man. Now you have a whole team dealing with data management, a Chief Information Officer, a Chief Data Officer and a Chief Risk Officer, a veritable army of acronyms who are coordinating this new wealth of data information knowledge. Kevin Bradshaw, Global head of Enterprise Information, Reuters, certainly agrees that Data Management is higher on the agenda. "I think the Data Management role is one that is being increasingly seen as important and more significantly its remit is starting to become enterprise wide which is perhaps the biggest change. People have operated very much in their own silos and there is a recognition that you need someone with an enterprise viewpoint to be able to tie all those silos together and get data management to work effectively across an organization."

Now that data management officers have climbed up the greasy pole they are having to compete with the mentality that exists at the top of these financial institutions

> "The financial industry is defiantly short term."

where short term gain is key. Mike Atkin, Managing Director of the EDM Council, and a keynote speaker at this year's conference describes this phenomenon. "The financial industry is short term orientated by design, that's how they evaluate companies and investment strategies and that is how they are cultured to operate, as a fast paced, Type-A personality within the industry. However the problem of data management is not one you can solve in a quarter, you have to have some patience. Unfortunately this has not been the financial industry's forte. They expect an immediate result because these guys are all 'make it happen, get it done, get in the game, make some money, take a risk! The other side of that is long term change is risky and potentially career risky. If you are trying to sell something that doesn't have an immediate ROI within an organisation that evaluates performance via a quarterly balance sheet, you are taking a risk. Financial information professionals are cautious about absorbing a long-term risk in an environment with a short-term orientation. Overcoming the 'curse of the short view' is one of the core challenges for EDM success."

Mr Bradshaw continues "In terms of a time dimension a lot of the data management projects are very long term initiatives. I think the challenge is that if you look two or three years ago there was a real focus on looking for the return on investment for any given project. As the issue around effective data management started to surface people recognised it as a problem and realised it was driving operational inefficiency and high costs. Institutions realised that trying to achieve the nirvana of one single source of reference data driving all applications and all process across the company was just too big and long term a project to get to, so people focused on short term projects that would take them one step along they way. The ROI was looked at for each of those short term steps and this is still in vogue, people are asking what is the return on incremental investment here to try and move towards the point where all data is managed across the firm."

Yet changes may be afoot in the industry regarding the pressures of the quarterly model as Mr Sharma explains; "We are seeing a lot of strategic focus on managing data, some of the largest customers come and tell us that we are looking at a more strategic model, looking at 2007, 18 months ahead. The fact of the matter is none of these problems can be solved in a matter of three months so we are looking at more strategic 12 to 18 month cycles. For example, a major new initiative is our peer-to-peer (P2P) infrastructure. This connectivity strategy represents a paradigm shift to the Data Management space in the capital markets which obviously took Interwoven well over a quarter to focus on. Certainly there are some MBO's (Manage by Objective rewards) and performance metrics that have to be examined on a quarterly basis but we do see a big push towards longer cycles. Every officer does have quarterly goals, there is no escaping that in any business, but this does not need to eradicate any form of strategic focus."

"Data is worth nothing unless you have a trusted and attributed sources underpinning each data item."

The difficulties discussed at FIMA encompassed a wide and interesting spectrum, for example there are various constraints why the market has not evolved towards straight through processing in the middle and back office. Firstly, everyone is constrained by the notion that you have to have an existing or evolving market standard for data market communication which is something of a limiting factor. The other is what Mr Sharma called the three P's of the market place "The Products, the Participants and the Processes. These are increasingly intricate and the regulatory agencies simply can't cope with this increasing rate of complexity. So as a result we almost have to have individual global players such as Goldman Sachs and Citigroup and UBS and Credit Suisse and HSBC, these kinds of players have to take the lead in trying to solve their own problems and eventually coalesce towards a common de facto standard." What is most encouraging is the change in topics at this years FIMA conference. This change in focus highlights the progressive nature of Data Management at this time, as Mr Bradshaw explains, 'the focus has shifted from instrument data towards counter party data. So whereas four years ago if you came to FIMA or similar conferences the agenda would have been geared around straight through processing and instrument data, today the focus has shifted because a lot of the problems concerning instrument data has been solved. Instead counterparty data is now where instrument data was four years ago in that it is of increasing importance to companies both from a regulatory perspective but also from a risk management perspective."

There are still many challenges ahead as Mr Sharma explains, "if you ask any derivatives professionals what are your three biggest challenges in Data Management in capital markets one of them will definitely be that we have to clean up the whole middle and back office operations space, it is just complete chaos, the manual processes and inefficiencies in communications within the industry are becoming a serious drag on the productivity." Interwoven's new P2P system hopes to overcome such difficulties.

Mr Bradshaw agrees with the area of difficulty; "I think there is no doubt that settlement in the back office is getting harder because trading is increasingly cross asset, and there has been a step-change in the mix of trading over the last three years from cash instruments into derivatives. If you look at the growth of the CDS market for example, this year the outstanding CDS contracts are something over $17 trillion, the downstream processing of CDS transactions is notoriously difficult because of the lack of industry wide reference data associated with those transactions. CDS deals are largely bespoke deals between just a couple of counterparties so it's not the same as trading a cash bond where you can look up the terms and conditions easily. The bespoke nature of CDS trading makes it a challenging and complex."

However when one set of challenges are dealt with, another soon arises and it is important that people in the industry keep track of the changes. Mr Bradshaw explains the possible pitfalls. "You hear a lot of people worrying about counterparty data, and there is a push and a scramble to ensure that the organisations have the right counterparty data in place. It's not just the data that matters, there are a number of other factors that are equally important that are geared around satisfying the regulators by having trusted and attributed sources underpinning each data item. Data is worth nothing unless you have a trusted and attributed source behind it. So very often people worry about the data, but they focus less on the ability to integrate that data, and take a rolled up view to their exposure of any given legal entity, so the meta-data that comes with the counterparty data is critical. This meta-data is linking instruments to entities and linking entities to their parents and subsidiaries, without this meta-data the counterparty is fairly worthless." ISJ