



Reader ROI

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- Enterprise data consolidation involves evaluating both the enterprise business and technology components.
- To be successful, the enterprise-wide data consolidation implementation should be given priority as a key organizational initiative.

Data consolidation: key to investment management

Data is the lifeline of the investment management industry—the common thread across the major phases of the investment management lifecycle—portfolio research, trading, accounting, and execution. But when enterprise data is spread and maintained across “islands of technology,” duplication of effort, data discrepancies, and a fragmented enterprise view of information take place, underscoring the need for data consolidation within the industry.

While the factors influencing the urgency of data consolidation vary from organization to organization, there are some common threads:

- **Merger and Acquisitions.** The investment management industry is in a constant state of flux with a new merger and acquisition being announced every day. Each new merger adds additional portfolio accounting, compliance, trading systems, and other elements to the new enterprise. This increases the islands of data and the complexity of maintaining a common repository of information across the enterprise
- **Straight Through Processing.** Regulatory requirements for external straight through processing compliance have been put on hold. But much discussion about this topic over the last couple of years has made organizations realize the need for a tighter alignment of their internal systems and processes to satisfy the external straight through processing requirement. Moreover, investment managers have come to realize that straight-through processing environments drive clearance and settlement efficiencies. In essence, for an industry-wide straight through processing implementation, each organization has to have a strategy for internal straight through processing. One of the tenets of internal straight through processing is maintaining data across the enterprise with a common definition and a consolidated view
- **Consolidated Enterprise-wide Risk and Compliance.** With the increased regulatory requirements and closer scrutiny of the industry by investors and the media, enterprise-wide risk management and compliance have become common themes across organizations. To satisfy this requirement, each organization must have a common definition of data and develop infrastructure to consolidate data on a regular basis with minimal manual effort (e.g., having consolidated holdings across the enterprise with the same prices and corporate actions applied to all holdings and having an issuer across all asset classes).
- **Regulatory Requirements.** Increased regulatory requirements like Sarbanes-Oxley and anti-money laundering are putting increased pressure on maintaining enterprise-wide consolidated data.
- **Drive for Better Customer Knowledge and Deeper Relationships.** Developing more comprehensive knowledge of customers, increasing cross-sell (share of wallet), and creating customer loyalty through better-tailored products and services are on every organization’s radar. The foundation for improved customer management and customer relationship is based on the ability to slice and dice consolidated customer enterprise-wide data within a reasonable time period

Data consolidation approaches

Because each organization has its own unique requirements and unique business and system processes, there is no cookie-cutter approach to data consolidation. But there are some common approaches for data consolidation across the investment management industry.

- **Trading and Portfolio Accounting System Consolidation.** Organizations maintain one common platform for trading, portfolio accounting, and performance measurement systems across the enterprise. In this approach, customizations or workarounds may need to be developed to account for any unique asset class or regional requirements that are not satisfied by the common application platform. This approach also limits the organization to reporting and data extraction toolsets available with the common application platform.
- **Reporting Data Consolidation Approach.** Organizations maintain a repository to consolidate data on a daily basis from all the downstream systems (e.g., end-of-day feed from all portfolio accounting systems). In this approach, all the systems maintain their own data definitions, but there is one common reporting system that consolidates the enterprise-wide data.

- **Data Hub Approach.** A data hub, or centralized data repository, serves as the core of your enterprise and controls all data flow to and from all types of data providers, investment management systems, and business applications. As the data hub receives various types of information, it applies business rules that translate, validate, and enrich the data, and then delivers it to downstream systems throughout. This data hub can be a message bus and/or a data repository.
- **Centralization of Reference Data.** Reference data such as the security master, account master, broker, and pricing files, is the common data thread across the enterprise. In this approach, use one existing application (e.g., one of the portfolio accounting systems) and/or create separate reference data systems that maintain and feed the reference data to all the enterprise applications.
- **Realtime Data Consolidation Approach.** With a requirement to have enhanced risk and compliance management, organizations supporting trading desks across the globe are implementing repositories that consolidate holdings and trades on a near-realtime basis and apply market data (e.g., price, corporate action) at the close of each market to support a realtime data repository.

The enterprise data consolidation involves evaluating both the enterprise business and technology components. The technology components can be a combination of homegrown applications, investment management-specific data consolidation packages (e.g., DST, Eagle, Netik, Cicadia, Asset Control), and generic data consolidation tool sets (e.g., IBM MQ, RogueWave). As part of this initiative, organizations should determine whether there is a requirement for an enterprise-wide data stewardship and data control procedure.

To be successful, the enterprise-wide data consolidation implementation should be given priority as a key organizational initiative; it should also have high-level business and IT executive sponsorship, and should be justified from an ROI perspective. Moreover, depending on the size of the environment, it should be implemented over a period of time in small, manageable portions that yield definable business benefits.



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