

# Inside Market Data

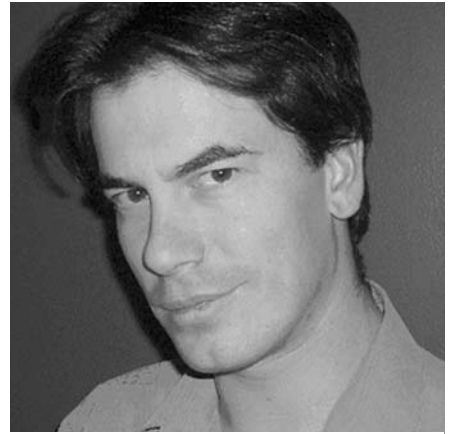
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## Data Is the Glue

Unless the financial industry coordinates its efforts to resolve the problems caused by poor quality data, STP will remain out of reach.

By Richard Robinson, assistant vice president/senior business analyst, Deutsche Bank.



Data is what binds us: information is king, queen and sometimes court jester in the financial industry. But all too often, we remain separated by any number of factors—geography, focus (ie, front, middle, back office) and function (risk, trading, reconciliation, lending, etc.) being the most significant.

In the past, data equalled power—it was something to covet and protect, not to share. But it was not viewed as the driver of our processes.

With the advent of STP, the pitfalls of this way of thinking began to emerge. With shrinking margins, lower processing costs will be critical to a firm's survival. And with the added complexity of regulations such as the Patriot Act, the inability to comply could potentially close down a firm.

Today we understand that data *is* power—in being able to bridge the gap between systems and institutions, not as something to hide away and make proprietary. Counterparty data, for example, is key to satisfying the requirements of the Patriot Act and will end up driving anti-money laundering activities.

But in the financial industry, we have no agreed standard to identify entities in a transaction. Data issues are not fully understood or being addressed in a coordinated manner. Until such time, the success of STP will remain out of reach.

### First Strike

Too often, in the rush to accomplish a goal—whether it is T+1 or regulatory compliance—we latch onto a solution without understanding or exploring the question. Companies tend to be myopic, insular and hubristic—believing they can come up with the *best* solution. Even when the industry does come together,

coordination is, at best, difficult. On many occasions buy-in is never solid, resulting in failure—witness GSTPA.

And when market conditions change, we as an industry are loath to change or question our decisions. The problems with ISIN and the inability to identify multi-listed securities is one example. Before the “multi-listed problem” came to light over the past year, ISIN, as an ISO standard, was looked upon as the security number solution that was needed before the depth of the problem was defined.

Another hurdle: problems needing solutions have tended to appear in one sector first. Therefore, sector-specific groups have tackled the problems and come up with solutions specific to their own needs.

XML solutions have exploded, but many tend to serve one master, with disparate data definitions and schemas.

### Learning to Share

But as the industry consolidates, it is becoming more obvious that problems once thought to be limited to one area are shared and require a unified solution.

For example, groups such as FIX and Swift traditionally pursued different paths in messaging solutions, as each was tailored to the needs of their constituents. As the front and back offices begin to come closer together, or even merge systematically, both organizations have realized that some level of interoperability must be achieved.

In the same way, data must also be shared. Transparent interchangeability of data is key to solving interoperability issues between systems as well as messaging solutions like FIX and Swift.

There is light at the end of the tunnel. There are examples of successful industry coordination. Groups such as the SMPG,

Financial Information Services Division (FISD), Bond Markets Association (BMA), Industry Standardisation for Institutional Trade Communication-International Operations Association (ISITC-IOA) and Securities Industry Association (SIA) are beginning to look at each other across the table and ask how they can work together better.

Market Data Definition Language (MDDL) initially took on the task of unifying XML standards, creating a “liaison committee” and focusing on bringing emerging XML standards in line with ISO 15022. Now, on the security identification end, the FISD, Reuters' Tony Kirby (through its Reference Data User Group), ISITC-IOA's Steve Kelly and the SIA are working towards unifying their disparate efforts to address the problem from an industry-wide perspective through a new body, the Reference Data Coalition (REDAC).

Companies, including vendors, need to realize that there are competitive advantages in many areas. But core data is an area where competitive advantage is born out of being involved, supporting employees to add their expertise to these initiatives and working towards a point where core data is interchangeable. This enables interoperability within institutions as well as between institutions throughout the life of a trade. At that point, data will not longer be a court jester in the industry's goal to attain STP and all of its benefits.

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