

Helping to SPReD the good news

Brian Bollen in conversation with SmartStream CEO, Philippe Chambadal about the creation of their new entity.

The creation of an industry-backed reference data utility in the international financial services industry is a cause for celebration. Especially when it has the explicit backing of three of the world's best known names: Goldman Sachs, Morgan Stanley and JP Morgan.

That explicit backing takes the form of shared minority ownership of Reference Data Services Inc, the entity created by SmartStream as the culmination of five years of effort to build the world's first reference data utility. Working under the code name SPReD (a mash-up of the phrase security product reference data), SmartStream and its partners have now delivered a utility which occupies a unique place in the industry. The work involved has seen SmartStream arguably do more than anyone else has done anywhere in the world, to standardise, streamline, cleanse, consolidate and enrich financial data.

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Financial Institutions have been looking for a new approach to managing their data, says chief executive officer Philippe Chambadal. Poor quality data has contaminated the transaction chain; and the trend for ever-increasing regulatory obligations has put current processes under stress and budget constraints demand that firms do more with less.

Individually, firms have been looking to efficiently execute on their data governance policies and are not willing to start again from scratch or persist with the practice of buying more data, knitting it together and adding new systems without any guarantee of results. This is why SmartStream created the Reference Data Utility (RDU) in the first

instance, creating an operation that delivers multiple benefits to multiple industry players.

The creation of the new vehicle in partnership with Goldman Sachs, Morgan Stanley and JP Morgan opens up multiple new opportunities. “For this trio of names to recognise us - and we won the mandate in competition with several other vendors - is exciting to say the least. It goes without saying that they are the best in class. We need major channels; they are major channels and prime brokers providing a conduit to the buy-side.

Philippe Chambadal describes SmartStream as a solutions provider in the post-trade space in the world's capital markets, offering an operational risk control framework. Its RDU's core principles are neatly summarised as follows:

One, it is a data solution not just a technology or people approach. The utility proactively mutualises the solutions to industry-wide problems through the application of best practice rules and processes. This delivers data of an assured quality, integrity and timeliness at a lower

cost than any other solution and runs this process in accordance with customer standards.

Two, results are guaranteed and outputs are defined by the customer, which cover requirements from a technical and operational perspective that measure against quality, timelines and integration standards. These outputs are specified and protected by a client defined service level agreements (SLAs) incorporating not just utility processes but client-driven controls.

Three, flexibility is assured through the governance of SLAs, supported by the dynamic design of the utility-enabled technology and applied through a client focused operational framework. This allows



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our customers to mitigate against the ever increasing cost of change.

The other driving forces behind the need for and creation of the RDU are well rehearsed. Regulation, as might be expected, plays a significant role. “The regulatory framework has changed everything, as regulators have become better informed about what caused the global financial crisis, and this has had a clear impact on a range of practices and processes,” observes Philippe Chambadal. In the realm of data governance, for example, regulators today insist on having controls on how data will be sourced, documented and controlled. In particular, no one can modify data without appropriate authorisation. “If data are modified, we can see what has changed,” he says.

Alongside regulatory compliance sits the familiar rubric of cost-cutting as a factor affecting the industry. “Doing more with less has been a persistent challenge for several years,” says Philippe Chambadal.

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“We help manage direct reduction of data management costs, supplying top quality trade data to the street at a lower cost, using quality processes to help eliminate or at least reduce trade risks.”

Firms need one single version of the data truth, and SPReD has been developed in response to that need, he says, driving up performance to such an extent that those who insist on standing still will of course quickly go backwards. “If you trade with someone who has an inefficient system, it is as if you too have an inefficient system,” he argues. “We sit in the chain between our clients and 50 or more data feeds from 50 or more sources. We clean up the data, matching, cross-referencing and enhancing it. We offer the only true RDU in the world, a single engine and a single data set for all clients.”

The RDU’s unique methodology refines the data management workflow. It increases the overall quality of data by mutualising common processes whilst accommodating individual client standards and controls.

Firms can leverage or replace their existing data infrastructure and adopt industry-led best practices, policies and procedures to guarantee results and enable efficiency gains.

Gaining control of data underpins every operational challenge faced by financial institutions today, as problems with core reference data spread throughout the enterprise. The challenge of achieving accurate, complete and linked data – whether pricing, reference, corporate actions or counterparty – is fundamental to removing risk and cost from operations. It also affects every performance metric including: cost-per-transaction, operational

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- Data governance
- Secure master in Cloud
- Cost reductions
- Increased efficiencies
- Operational risk control
- Reducing the impact of broken trades

change projects rather than imposing a high risk technology or headcount reduction approach without results being guaranteed.

The RDU’s data management services offer a valuable approach for all data management needs. It focuses on a blend of services to complement existing infrastructures, operations and processes and not just to replace it. These blends of services run on three levels, utility level, variable and custom.

One, utility. Mutualised best practices and processing evolving processing capability to stay ahead of new regulations, market changes, client-defined sourcing, RDU integrated technology, logic and operations. Quality and timeliness are guaranteed.

Two, variable. Individual flows supported by its customisable architecture and global operations team. Client-defined subscription rules, logic and hierarchies, on-demand processes, histories, reporting and integrations. Client standards and timeliness are guaranteed

Three, custom. Lift-out and transition to the RDU. SmartStream offers managed services options and provides the necessary resources to support on-site activities and infrastructure.

Asked to summarise the new-look RDU, Philippe Chambadal concludes by saying: “Reference data management costs firms huge sums of money and offers no business differentiation, but it is essential to the smooth running of a firm. Support for multiple silos of data, where data cannot effectively be handed around the firm or consistently reported on, diminishes a firm’s ability to increase operational efficiency at the level of direct data processing and remediating data. Furthermore, as already noted but its impact is potentially so great that it is worth repeating, the cost of bad data is huge; where data can easily become out of date, incorrect, or out of sync, broken trades are the inevitable result.”

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“If you get data wrong, trades will break, and that costs unnecessary time and effort to rectify. It goes against logic for the data management function to be within a company’s firewalls; it does not make sense for every firm in the world to be reinventing the wheel for every trade when a single utility can do it for everyone. We can guarantee reductions of 30-40 percent in direct data management costs and users throughout the industry will benefit further through saving the indirect costs that flow from broken trades.”

This industry-revolutionising approach cuts through the complexities of sourcing, managing, controlling and distributing data.

risk measurement, customer service levels, brand reputation, compliance and growth strategies.

All firms are looking for a way to initiate effective data governance. This is especially true in the light of failed Golden Copy projects that focus on getting data inside a firm rather than managing quality, integrity and timeliness across data and effectively integrating it.

With the regulatory environment set to become ever more stringent, the cost of maintaining reference data will only continue to rise rather than fall unless a new approach is adopted. This approach needs to support the way individual firms run their

