

## Goldman Sachs, J.P. Morgan, Morgan Stanley form consortium for reference data: private banks targeted

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Two weeks after global American banks Goldman Sachs, J.P. Morgan and Morgan Stanley launched a company with SmartStream Technologies to clean reams of reference data at a lower cost, the external vendor outlines the importance for private banks to outsource its data utilities.

“International Tier 1 private banks such as Credit Suisse, Standard Chartered Bank and Barclays will have many transaction processing systems in place,” says Joseph Kubeyka, regional director, Asia Pacific at SmartStream. “The challenge is to have many security masterfiles in place so that trade breaks and cross matching issues do not occur which can have a significant impact on the bottom line,” he says, explaining the efficiency of automation.

Currently, private banks invest up to 40% of their technology budgets on core operating platforms as it serves as the foundation of the banks’ operations. The electronic document management (EDM) processes are all done manually in the middle to back-office. Typically, market data from vendors is gleaned from public sources, run through internal banking systems and then “scrubbed” to produce “golden copies”.

Global banks including private and investment banks too, have spent millions on verifying data sources. “Banks spend up to US\$50 million to US\$100 million a year on cleaning data internally,” explains Philippe Chambadal, CEO of SmartStream. He says the private banks in Asia will see the benefits of outsourcing this function this year or the next.

“Private banks are at a stage where they have either not invested in EDM systems or are realising that their internal teams can’t solve the problem, making them the perfect targets for joining a consortium for reference data utility,” says Kubeyka. EDM systems work on the management of different kinds of enterprises using computer programmes and storage. Consistent data can help save the bank on transaction and operation costs across the organisation, particularly the private banks. “With high operating costs and thin profit margins, private banks can benefit from a system that can handle more than one data source,” he says.

SmartStream are also looking to partner with other external vendors like Avaloq about connectivity to private banks for their cloud-based solution.

The new reference data utility, known as Securities Product Reference Data or “SPReD”, will create a stream of consistent data that banks use to help determine pricing and transaction costs. The initiative aims to consolidate efforts to clean and store vast amounts of data and centralise a function that many banks do individually. Each founding bank is touted to invest “seven figures” for the entity, according to media reports. The utility charges those that sign onto the consortium on a subscription and consumption basis and require a 5-10 year commitment.