

Asset and Investment Manager :: AIM

# THE VALUE OF TRUSTED DATA

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How Asset Managers Use Technology  
To Turn Data Into Actionable Insight

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**Bloomberg**  
TRADING SOLUTIONS

**THE VALUE OF TRUSTED DATA**  
HOW ASSET MANAGERS USE  
TECHNOLOGY TO TURN DATA  
INTO ACTIONABLE INSIGHT

Faced with greater challenges and an expectation to do more with less, buy-side firms are evaluating how to create competitive advantages with trusted, reliable data.

**WHAT MAKES DATA VALUABLE?**

For thriving investment management firms, growth brings unexpected challenges: trading in new regions and asset classes, more regulatory guidelines to follow, greater demand for transparency and more pressure to operate efficiently. Of course, firms are expected to do all of this with less resources and lower costs.

In this situation, consistent and accurate data becomes increasingly valuable—and the key to managing growth in an efficient, cost-effective way.

**WHEN DATA MEETS WORKFLOW**

Inconsistencies and discrepancies infiltrate buy-side workflows because of the inherent process complexity and the number of participants across the portfolio management, trading and operations. Workflows involve four pairs of data, all of which operate according to different rules and schedules:

- » Real-time vs Historical data
- » Firm/Client vs Market data
- » Static vs Derived data
- » Internal vs External data

Real-time and historical data typically come from different sources, as do data from the firm and data from the market. Static data performs differently than derived data such as portfolio and risk analytics. Firms must also manage data that originates internally and externally.

**51%**

Trading system vs. accounting system data

**28%**

Internal vs. external system data

**6%**

Systems for different lines of business and/or locations

**15%**

Systems for different asset classes

**WHERE DO YOU FIND THE MOST SOURCES OF DATA INCONSISTENCY?**

Source: Bloomberg buy-side survey (+100 participants)

**Firms that are handling these challenges successfully have figured out how to turn data into a competitive advantage.**

### ENTERPRISE-WIDE IMPACT

Data issues affect the whole enterprise. To survive, firms need to keep regulators and investors informed with better transparency. Firms are dealing with risk across asset classes and portfolios in ways that change how counterparties are evaluated. Portfolio managers demand better data to make decisions, while traders need better data to improve outcomes. And virtually all firms want to bolster client service and sales. Data is not necessarily the only solution, but it is a unifying theme for these issues. Firms that succeed are turning data into a competitive advantage through superior governance, foundational consistency and close alignment of data with the firm's business goals.

#### Three key points

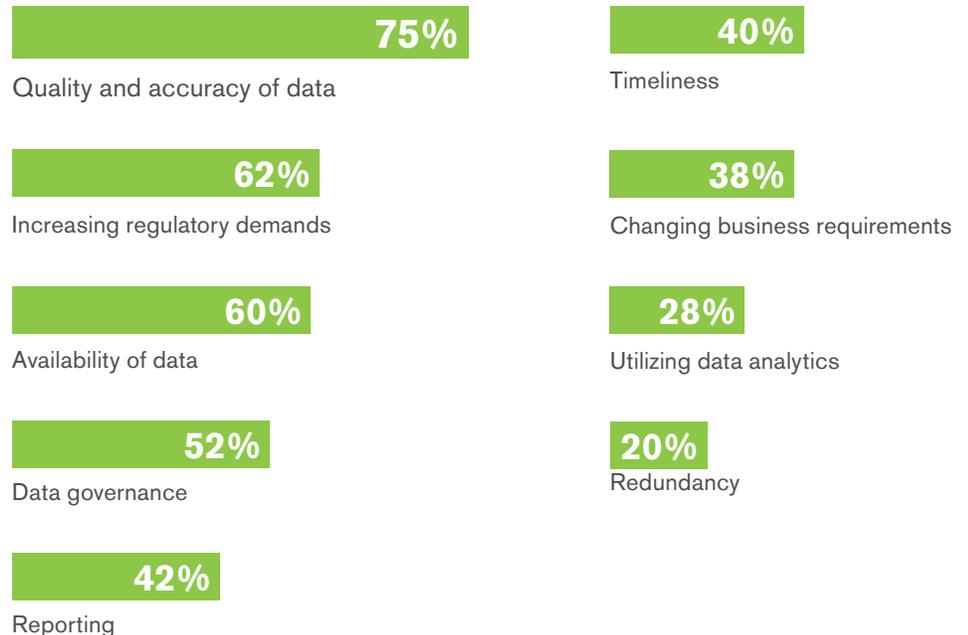
- » Data affects the entire enterprise
- » Let strategy inform technology
- » Trusted data is a huge advantage

### THE IMPACT OF INCONSISTENCY

The direct costs of inconsistent data include multiple feeds and sources as well as the systems used to manage them. Indirect costs are higher and include all of the labor required to connect these systems to each other. The largest costs are unquantifiable. In other words, firms that establish data consistency across the enterprise tend to make faster, better decisions and simplify supporting infrastructure.

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### WHAT ARE THE TOP CHALLENGES RELATED TO DATA & DATA MANAGEMENT?



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Source: EY Managing complexity and change in a new landscape. Global survey on asset management investment operations.

## ESSENTIALS OF EDM

Concerns about data quality have gained traction among C-level audiences as firms emphasize at all levels that technology platforms are not very useful unless they are nourished with good data. (This trend can be seen in how CIOs now vastly outnumber CTOs.) Offloading data management tasks to an Enterprise Data Management (EDM) provider is a proven way to improve time to market for new sources of data and gain transparency into how vendor data gets cleansed and validated. As a managed service, EDM gives firms a way to stop worrying about complex integrations and focus instead on using trusted data in portfolio and risk management applications. Bloomberg PolarLake delivers enterprise data management solutions worldwide, improving data quality and data governance for both buy-side and sell-side firms across operations, risk and regulatory environments.

## COMPLIANCE CONCERNS

What keeps CCOs up at night is the prospect of missing a violation of a regulatory rule because the proper data was not available. Poor-quality data could also result in misevaluating a client mandate and, in a worst-case scenario, losing the client's business. With these two simple examples, it is clear that validated data is vital for a firm's profitability and reputation.

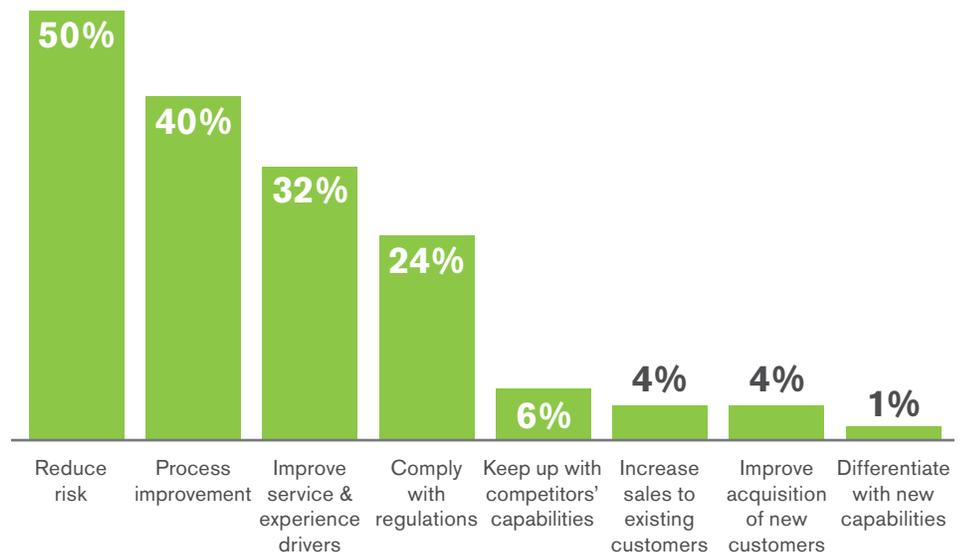
## THE IMPORTANCE OF RECONCILIATION

Having sound market data is only half the battle. Firms must ensure they have a stable internal concept of truth when reconciling positions, transactions, and cash. Managing external data coupled with internal information can be quite challenging, and the appropriate tools are required to ensure efficiency while effectively managing risk. Bloomberg's reconciliation suite (REC) empowers firms to take positions, market value, and transactions for both securities and cash and reconcile them to a second system in an automated fashion.

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## VALUE DRIVERS FOR INVESTMENT IN RECONCILIATION APPLICATIONS

Percentage of Capital Markets Respondents



Source: CEB 2014-2015 Adoption and Investment Survey

## ULTIMATE OBJECTIVES

Asked to distill trusted data down into a few critical goals, buy-side survey respondents named three: consistency, transparency and timely delivery. Illustrating the importance of all three, one client shared an anecdote about a large asset manager that kept its private equity, real estate, equities and fixed income businesses separate but wanted to understand risk in a more holistic way. This led to closer discussions with the firm's counterparties, followed by requests for detailed exposure assessments. Because each line of business defined counterparties differently, retrieving the data took up to three weeks of manual work, by which time the assessment was out of date. Accuracy is not enough. Efficiency counts.

## BEST PRACTICES

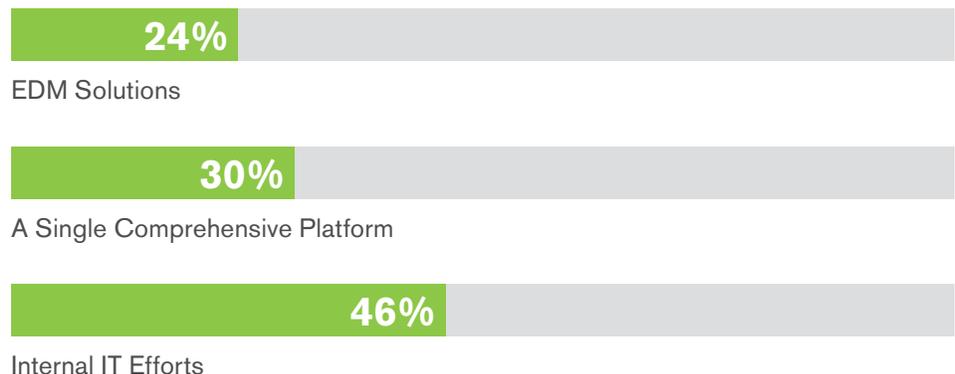
Although internal work-arounds remain a popular way to solve data issues, firms that are enjoying the most success tend to follow two best practices. First, they are using the objectives of the business to drive technology decisions. With a clear view of strategy, firms can more easily determine which data tools to invest in, how much work to take on internally and how much help to enlist from third-party providers. Second, firms are focusing on getting governance right. They are solidifying data definitions and building a consistent view of counterparties.

## COMPREHENSIVE ADVANTAGES

Firms that invest in trusted data should expect a corresponding return. According to buy-side survey respondents, these advantages can be extensive. Superior data brings peace of mind while it helps reduce costs and improve efficiency. From a compliance perspective, trusted data streamlines troubleshooting. A reliable data foundation speeds time to market for new asset classes and geographies. Managed solutions do this too, making it easier to fulfill client requests, such as using a specific price provider for a given asset type. And overall, trusted data allows the management team to make better, faster decisions about investments, risk, IT and resource allocation—so it can pursue and realize new opportunities faster.

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## HOW ARE FIRMS ADDRESSING DATA ISSUES TODAY?



Source: Bloomberg buy-side survey (+100 participants)

## THE BOTTOM LINE

### 1. DATA AFFECTS THE ENTIRE ENTERPRISE

The effects of inconsistencies, discrepancies and other data issues in buy-side workflow can be felt across the entire life-cycle and will affect decisions made by portfolio managers, risk teams, compliance officers, executives and many others.

### 2. LET STRATEGY INFORM TECHNOLOGY

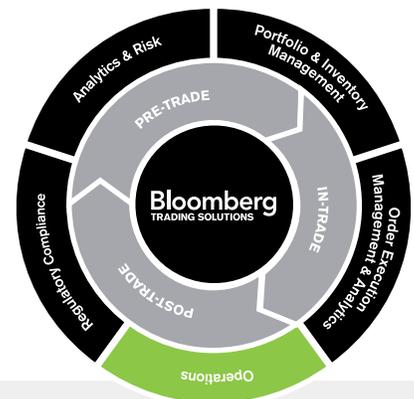
Firms that are experiencing growth will be better able to manage data by starting with the business strategy. Technology should align with the strategy and support key objectives, not the other way around.

### 3. TRUSTED DATA IS A HUGE ADVANTAGE

Because data affects the entire enterprise, solutions that deliver trusted, reliable data have similarly wide-reaching benefits. Firms that figure out how to improve data quality will be better able to deploy new strategies, reduce costs and improve performance.

**BLOOMBERG TRADING SOLUTIONS** provides multi-asset order and execution management solutions and investment cycle analytics that enable buy-side and sell-side firms to turn their trade and order data into a competitive advantage. As a result, firms can create more efficient workflows, connect to the global capital markets, drive regulatory compliance and lower their total cost of ownership.

To learn more, email our AIM team at [bbaim@bloomberg.net](mailto:bbaim@bloomberg.net)



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