

Julia: Hello and welcome to a DerivSource podcast.

I'm Julia Schieffer, the founder and editor of DerivSource.com

Big data is one of those industry buzzwords that fills column spaces, blogs and the airwaves, however, broken down it includes the raft of information buy and sell-side firms need in order to comply with the flood of regulation washing over them.

The list is long and ranges from Europe's EMIR, MiFID II and the Market Abuse Directive to the US' Dodd Frank and global rules such as Basel III.

Extracting the correct information from the different corners of the organisation and presenting a holistic view in as a real time as possible is of course not an easy task.

Firms across the spectrum are at different stages of success and those at the smaller end are weighing up the costs with the benefits of investments particularly if trading volumes are low.

The challenge is not only breaking down the carefully constructed silos but also effecting cultural change, which places data officers at the top of the management pyramid.

In this DerivSource podcast, we speak to Matt Gibbs, product manager at Linedata who looks at how firms are splitting data into smaller chunks of scalable pieces to comply with the different rules as well as tap into new opportunities.

Here is DerivSource reporter Lynn Strongin Dodds speaking to Matt Gibbs.

Lynn: Hi, we're here with Matt Gibbs, product manager of Linedata, talking about big data. I'd like to thank you for joining us. The first question I have here is how would you define the term 'big data'?

Matt: Hi Lynn, thanks very much for talking with me today.

Big data, how do you define it, is a big question. It very much depends on the type of organisation and your current usage, so I don't really look at big data as a number of rows or a number of particular data items in a table, what I look at is very much how you're currently using it and what's going to change.

So, to give an example for us when we recently released 'As-of' compliance, we started storing a lot more data than we've ever had to store before. We're still a relatively small database in comparison to sort of like tick databases around on the sell side, but it was an increased use on positional data and market data, so we had to think about how we're storing that, how we're retrieving it, and very importantly how we're going to visualise that to the end users.

Lynn: It's a big topic, a lot discussed. How does it apply to the derivatives markets?

Matt: For derivatives there's a lot more data required, so we've seen it with AIFMD and we're expecting it with UCITS V, but a lot of the data that's going to be required is not always easily stored in a single system currently. So that requires the consolidation of lots of different systems, usually into a single point for reporting purposes, and that whole consolidation process is going to require a big data project in order to make that go through.

Lynn: What are some of the biggest challenges in terms of data and new business opportunities including long-term efficiency and cost reduction?

Matt: Again we're looking at consolidation of data, so not from just multiple systems as we were looking at before, but this time from multiple sources. So the real consolidation here is knowing what you're using data for and ensuring that you're only paying for it once.

It sounds very simple, but in practice understanding your primary and secondary sources and ensuring that you know that data usage where it's originating from will result in huge

cost efficiencies, and many of our clients are going through that process, or have been going through that process, over the last year or so.

Lynn: Just wondering in terms of opportunities though, what type of opportunities do you think firms will have? Will it improve their businesses; will they be allowed to look for new products, how do you see that unfolding?

Matt: More than just the cost. Knowing exactly where that data is coming in from will make you more agile. So we're seeing already the regulatory landscape changing so quickly and so deeply within the organisations over a period of time.

Having that knowledge of exactly what data you have and how you can use it is really a driving force behind staying ahead of all these changes.

Lynn: Is it just the big firms that are looking at the data or are you seeing that across the board?

Matt: For big firms, obviously the cost efficiencies are more; they're paying for a lot more data, they tend to have more data points, and also more regions that they're looking for.

Smaller...well, I'd say mid-tier, clients will also get benefit but of course it will be slightly less, and there is a cost in going through this process that you have to off-weigh with what you're getting back on the data costs.

So the bigger clients, absolutely, it's one of the top things they're looking at. They're paying seven-figure numbers for data and obviously therefore the savings are equally as large.

Lynn: There are so many different regulations, how can firms ensure they are meeting all the different requirements of the various regulations?

Matt: It's absolutely critical that firms now have a regulatory roadmap in place. How they can do that is: a lot of our clients will use the user group forums, so that they can discuss with their peers what's coming up, what they should be concentrating on, and also what they don't need to be concentrating on (which is just as big a point sometimes).

Once you have that regulatory roadmap in place, the next part is ensuring that there's named responsibilities on that roadmap. There's either a department or an individual within your organisation that's responsible for keeping track of that.

Lynn: You talked about a consolidated view, but there's a lot of talk about the silos. How easy is it for firms to break down the silos and create that 360-degree data view?

Matt: It's not easy at all. There's so much scattered data around, different organisations. One way to make it easier is to set up a master data management function with an overview across the whole organisation. That function then will be able to look at across all those silos and that function should also be empowered at senior level.

Lynn: Finally, data governance, another hot topic. How can firms improve their data governance?

Matt: The data governance function is becoming more and more important. Again, similar to what we were talking about a second ago, it must be a high level within the organisation. The data governor must be able to put business rules, data definitions around the data items that are available, and they must be empowered to make corrective actions.

The corrective actions they need to take, and again this comes down to structure, should be to the data stewards and to the data custodians. The structure needs to be in place for the governor to be able to inform the stewards and the custodians of where the content or where the technical side of things are lacking in order for them to take those corrective actions.

Lynn: In terms of the data governor, when you say high up what would be his reporting line, would it be Board level, would it be senior management, where would he fit in the executive structure?

Matt: The data governor should report directly into the Board. It needs to be at the same level as the other senior managers, just purely because it has to be across all of those business lines.

Lynn: Thank you very much for your time, it was much appreciated.

Matt: Thank you for yours, Lynn.

Julia: Thank you to Matt Gibbs for sharing his views with us on this DerivSource podcast.

If you would like to see the transcript of this podcast please see our podcasts notes page on DerivSource.com

Thank you for listening. Join us next time.