



Avox

DEUTSCHE BÖRSE  
GROUP

## Time for YouData?

By Ken Price, CEO of Avox

Time's person of the year in 2006 was "you". The individual has been empowered by the Internet which has served as a platform for immediate and universal sharing of all types of content. Can businesses leverage the same principle for the validation and upkeep of something as mundane yet elusive as timely, accurate and complete reference data? The challenge financial institutions have with the management of business entity information is not acquiring it, but keeping it up to date. Typically a new client or counterparty will be obliged to provide certified copies of original documentation confirming everything from their legal name to beneficial ownership before an FI can begin transacting with that entity.

Some of this documentation can be accessed freely by the FI directly on the Internet. The reliability and/or timeliness of that information however is not always certain. Are changes in business lines or updated financial statements for example, always reflected back to the business registry on a timely basis? What about documentation that is not available on-line? How can a firm reliably validate it and keep it up to date without going through a complete repapering exercise?

The standard approach to addressing this challenge is to subscribe to one or more of the many data vendors that consolidate much of this content. Several of these firms are able to provide a great deal of information about millions of business entities. Others specialize in specific types of data on a smaller number of entities such as credit ratings or settlement instructions. But these vendors face the same challenge as FI's; keeping the core business entity data up to date.

To prove this point, an FI we have experience with had a management consultancy firm conduct an

analysis of their data quality relative to that of a conventional vendor of business entity data. A large number of discrepancies were identified between the two datasets. Surprisingly however, upon further analysis, it was discovered that 90% of the inconsistencies occurred because the vendor was wrong and the financial institution was right. Consolidators of data, both vendors and FI's that perform the data maintenance task on their own rely on their original sources and the business entities themselves to transmit changes as they occur. Barring such notification, the data will typically be revalidated at least annually but sometimes only once every three years or, perhaps, not at all. The task of keeping everything up to date appears daunting if not impossible. Enter our "YouData" metaphor.

Online services such as YouTube, MySpace and Facebook serve simply as a platform for sharing raw content generated by individuals. One of their huge advantages is real time posting of information by a huge number of participants around the world. What if it were possible to tap into the shared knowledge of a global community of FI's and corporations about the latest changes happening to businesses around the world? What if all those changes were being validated by a central pool of experts who use not only the above mentioned authoritative sources, but also knowledge gleaned directly from the community members, collaborative data vendors and the business entities themselves?

FI's around the world are faced with in excess of 40 regulatory regimes that require timely and accurate business entity data. Moreover these firms have a real time requirement to accurately manage credit and operational risk which depends on correct (and therefore timely) business entity information such as counterparty hierarchies. They therefore put a lot of effort into centralising all the changes they are

made aware of which come from various divisions of their business including sales, trading, risk, finance and marketing. Collaborating with their peers via a validation hub provides a global and consolidated source for timely updates previously unavailable.

Timeliness is important but not at the expense of quality. Validating all inconsistencies against multiple authoritative sources is essential. Moreover, it would be ideal if the data records provided via this network had no proprietary licensing restrictions so that FI's and the rest of the world could freely exchange the information and ultimately make it a standard reference to business entities.

Such a model does not take the place of conventional data vendors or aggregators. These firms provide value by researching and consolidating information. For these suppliers, the hub simply serves as an additional distribution mechanism. The model does put pressure on them though to focus on their real value-add to their clients instead of trying to gain a commercial stranglehold on what should otherwise be publicly available information about a business entity.

Connecting to a true network of global financial institutions and collaborative vendors doesn't mean sharing your data, it means sharing the changes you see happening to your data – and getting a great deal more back than you contribute. After all – it's your data.

