

Spurred by regulations, data management and integration remains top buy-side concern

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Despite the hype around mobile computing and big data, the issues of data integration appear to take higher priorities for buy-side firms. Perhaps in part due to regulatory pressure, the trends for 2014 seem to point to asset managers stepping up their emphasis on longstanding issues like integrating disparate data silos, say members of the financial services team at custom software development firm DataArt.

"Big data has been a huge buzz word over the past couple years but my personal statement is that asset managers and mid-size firms in financial services really don't deal with big data solutions. They mostly have small data issues of data quality and validation," says Oleg Komissarov, senior vice president with DataArt. While there are some examples--usually from the sell side--of financial services firms experimenting with big data for project like social media data mining, those exceptions are particularly rare among buy-side firms, adds Alexey Utkin, DataArt's financial services practice leader.

A current push to improve the quality and management of data may be fueled in part by regulations. The wording of regulations, such as Basel 3 and the U.S. Foreign Account Tax Compliance Act (FATCA), seem to imply that regulators expect firms to not only increase their regulatory reporting, but have auditable data management processes that back up their regulatory filings.

Late last year DataArt released compliance solutions for managing Form PF (portfolio fund) and AIFMD (alternative investment fund manager's directive) filings by U.S. and European firms respectively, but the company found that for many buy-side firms the actual regulatory reporting was the less cumbersome part of the regulations.

"The biggest challenge is not the reporting itself. The bigger challenge is the data gathering and aggregation. Many firms still do a lot of the required data gathering manually," Komissarov said. As a result, when DataArt designed the two reporting solutions it crafted them with a unified data model that could serve the compliance needs of both applications and be further leveraged to offer firms data integration solutions on top of the regulatory solutions.

"Some firms just want to file a compliance report but some see this as an opportunity to build a whole new layer of aggregation of data within the company," says Utkin. "We can provide internal reports so that the firm can see where it is in terms of risk. Many fund managers don't have a daily picture of risk at the moment."

As firms continue to wrestle with what seems like an age-old issue, there are some signs of progress. Utkin and Komissarov say they see more firms assigning data management a higher level of importance within the firm's reporting structure.

"Even if firms don't have a chief data officer title we see more firms assigning someone to that type of role," Utkin said.