



# Benchmark Index Data Management

*An exploration of  
Governance and Best Practices*

“I need this benchmark next week” .....

CUST BM CAP FI COR BOND MG



# Benchmark Index Data Management (BIDM)

- Introduction
  - Trends in Benchmark Index Data Management
  - What issues are User Organizations facing
- Case Study
  - Analysis (Governance, Cost Structure)
  - Options
  - Decision
  - Implementation and Evaluation
- Summary & Conclusions



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# Trends in Benchmark Index Data Mgmt (1)

- Increased complexity of benchmark indices used
  - Growing families of Standard Indices;
  - Increased creation and proliferation of Customized and “Blended” indices;
  - Ethical, Environmental/Sustainability, Social indices, etc.
- More processes requiring benchmark index data
  - Product management & development
  - Portfolio performance measurement & attribution
  - Risk management
- Daily data instead of monthly data
- Next to index data now more and more constituent data
  - Originator pricing or generic pricing?
  - Originator classifications or generic classifications?

# Trends in Benchmark Index Data Mgmt (2)

- Portfolio Managers need/want personal analysis tools
  - More data to the desktop (terminals and/or internal applications)
- Risk processes require benchmark index data
  - Driven by AIFMD\*
- Vendors seizing the opportunity to diversify products and increase fees

*And:*

- Internal organization at user firms not ready!

*\*Alternative Investment Fund Managers Directive*

# What issues are User Organizations facing

- Processes and systems in place
  - Often point-to-point SFTP
  - Data taken from terminal solutions
  - Few quality checks
  - Little internal reconciliation
  - Ad-hoc interface management
- New benchmarks
  - Increasingly complex
    - Investment categories
    - Environmental and social restrictions
    - Many stakeholders
    - Mandates, sub-mandates
  - BIDM vendor pricing becoming equally complex
- Growing demands on (improved) Governance
  - Data sourcing, on-boarding, maintenance, decommissioning
  - Administrative management, cost control, transparency creation



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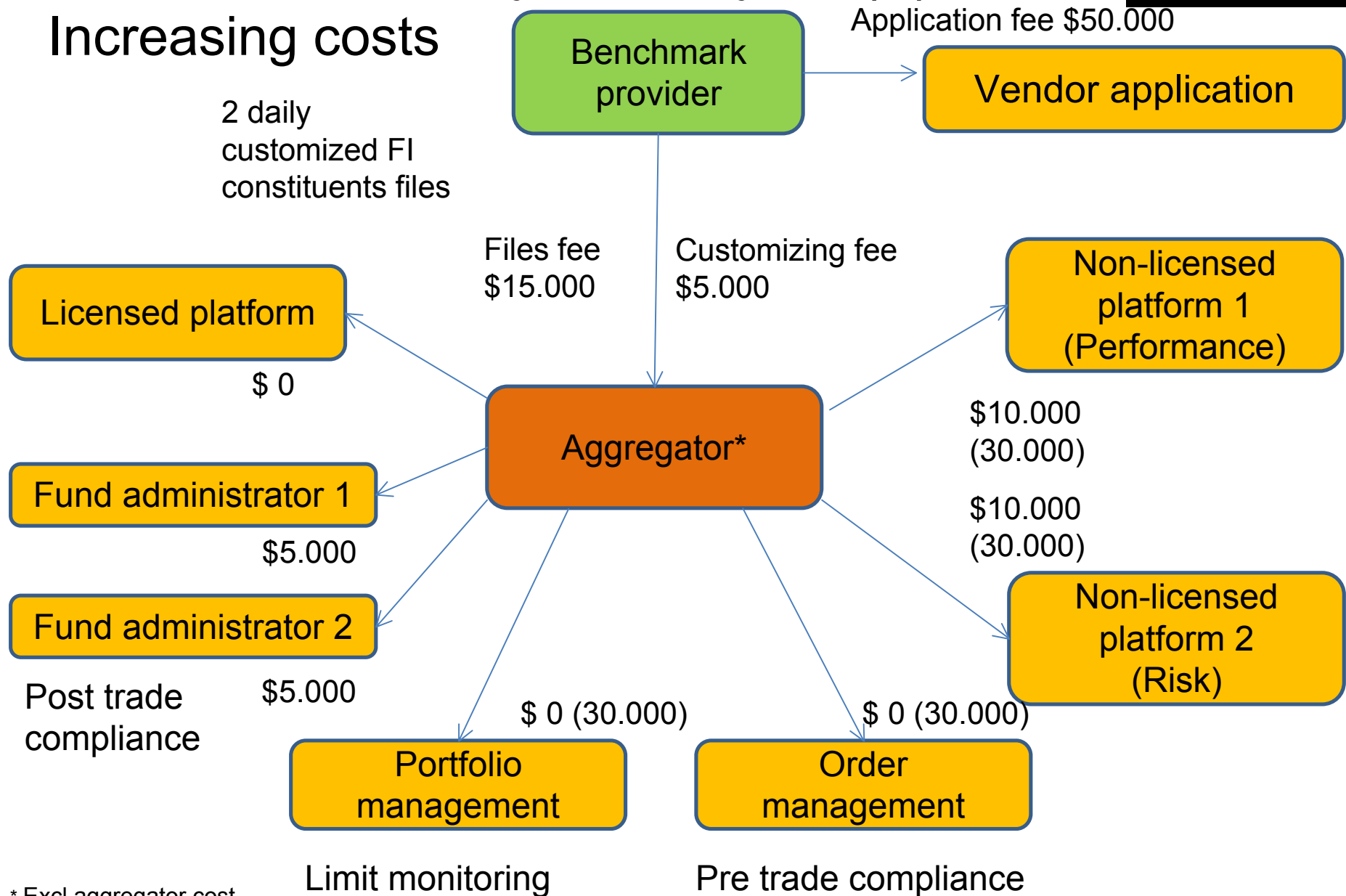
# BIDM Case Study – Analysis (1)

- Increased cost of benchmark index data
  - Multiple files
  - Multiple locations
  - Multiple types of file: customized, blended, calculated
  - Multiple receiving applications; licensed AND non-licensed
- Increased cost of governance
  - Awareness of (growing) license cost
  - Complications in cost allocation
  - Opaque process management
  - Opportunistic demand management
  - Sub-optimal vendor compliance reporting
  - Undocumented functional- and application management
- Pressure on management fees
  - Products based on (standard) benchmark indices are cheaper
  - Less opportunity to off-set costs



# BIDM Case Study – Analysis (2)

Increasing costs



\* Excl aggregator cost

# BIDM Case Study – Governance (1)

- Drivers for increased cost of governance
  - Index data was retrieved from many different sources
    - Vendor applications, preferably the same index from different vendors
    - FTP
    - Websites
  - Index data was retrieved by different departments
    - Performance measurement
    - Risk Management
    - Asset management; 3 departments
    - Research
    - Account management
  - Cost consciousness
    - Non-compliant use of data from index originators
    - Costs not allocated nor known. Scattered invoice sign-off procedures

# BIDM Case Study – Governance (2)

- Shortfalls in governance
  - Process management
    - No centralized data processing
    - Time consuming production process; low STP rate
    - Prices from various data sources for same business process
    - No benchmark constituent data, hence no internal pre- and post trade compliance process
  - Demand management
    - Ad hoc, reactive, event-driven
    - Decentralized, uncoordinated
  - Administrative management
    - Suboptimal contract management system
    - Little awareness of contract or benchmark index cost developments

# BIDM Case Study – Options

- Processing
  - Outsource Benchmark Index Data production process, or continue current decentralized processes
- Market data Infrastructure
  - Centralized supply of benchmark indices: single point of truth
  - Data Hub
  - Data Warehouse
- Governance
  - Ownership structure; RACI\* Model
- Administration
  - Professional Market & Data Contract Management system

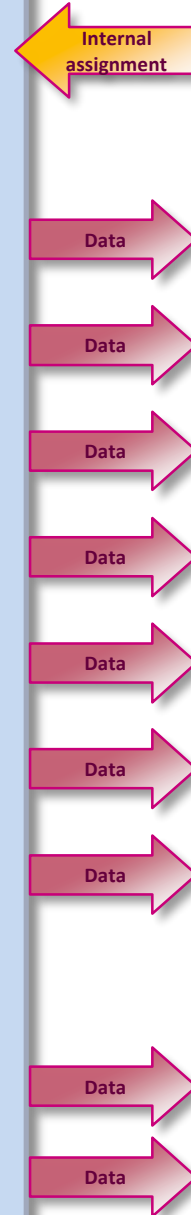
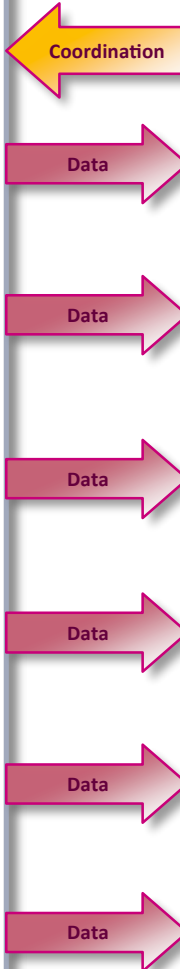
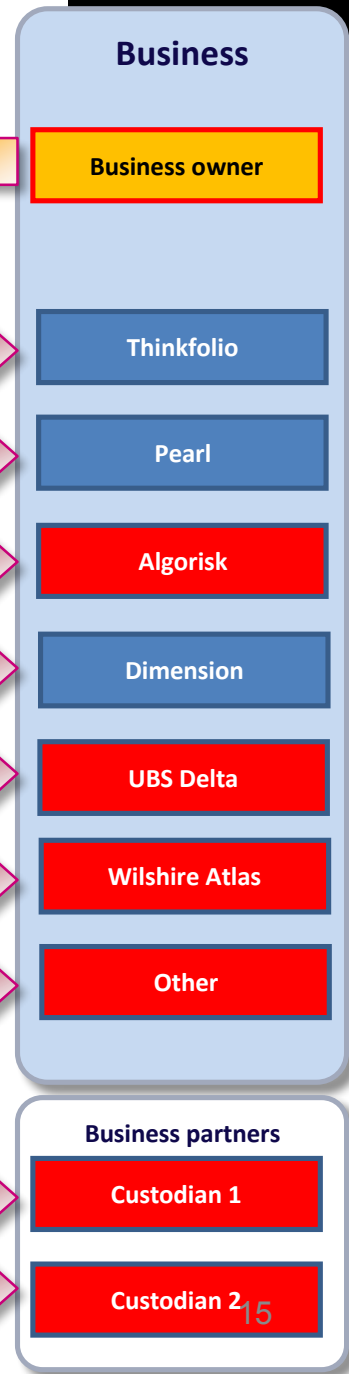
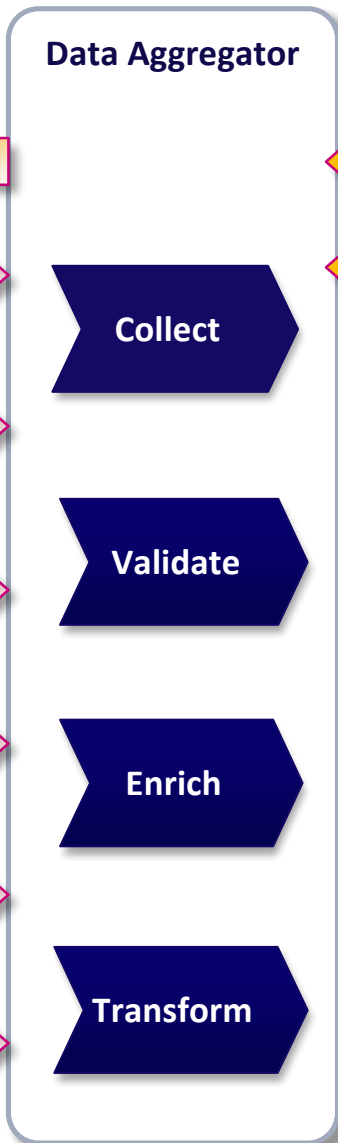
\**Responsible, Accountable, Consulted, Informed*

# BIDM Case Study – Decision

- Processing
  - Outsource Benchmark Index Data production process ✓
- Architecture/Infrastructural
  - Centralized supply of benchmarks: single point of truth ✓
  - Data Hub ✗
  - Data Warehouse ✗
- Governance: ownership structure; RACI Model ✓
- Centralized Market Data Administration ✓

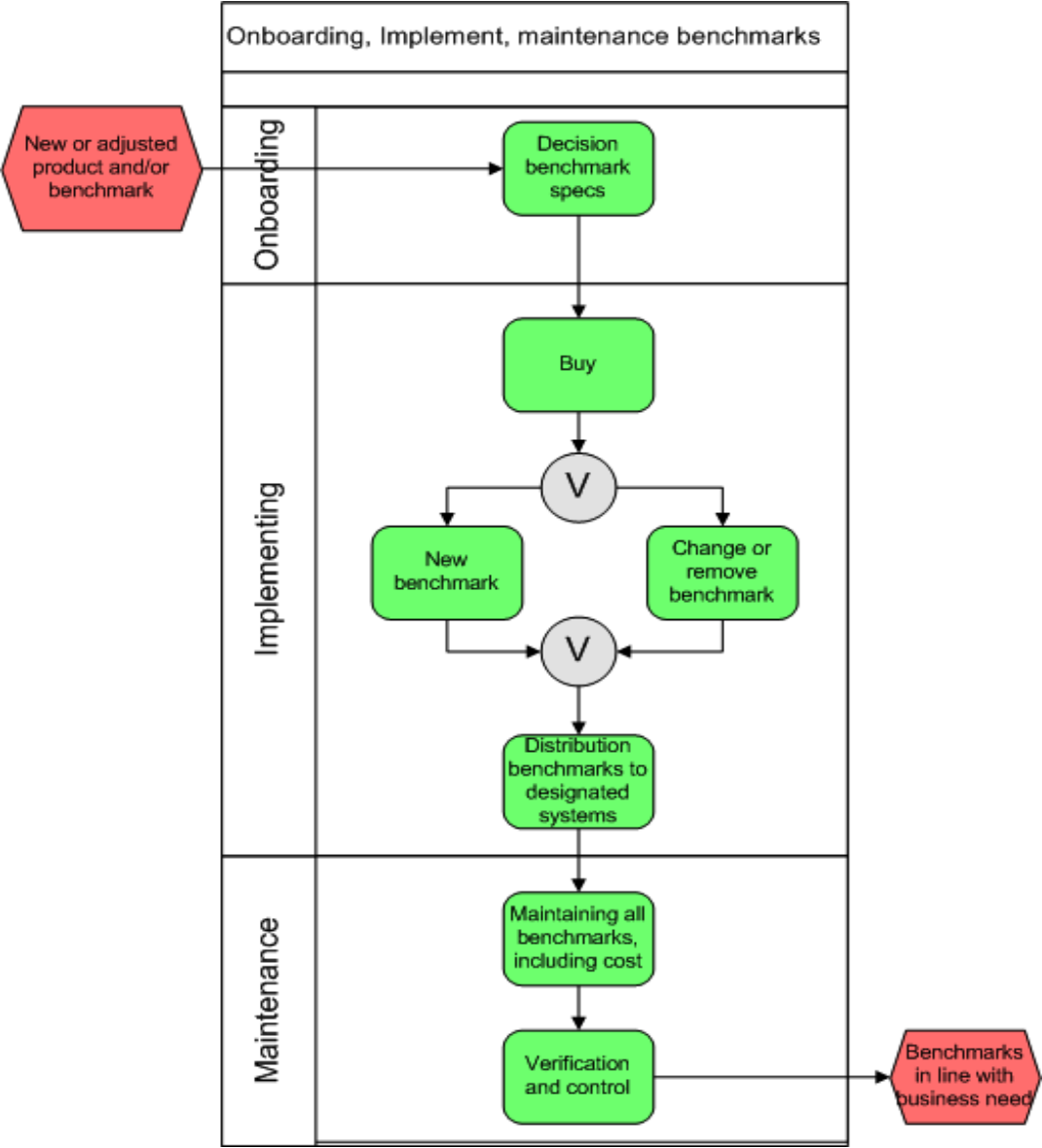
# BIDM Case Study – Implementation

- Processing
  - Outsource Benchmark Index Data production process
    - Building one single point of truth
    - Fewer FTE involved in benchmark index data production process
- Architecture/Infrastructural
  - Minor change; concentration on core systems results in abandoning the idea of a data hub
- Governance: ownership structure; RACI Model
  - Realistic internal process changes
- Administration
  - Professional Market Data Contract Management system



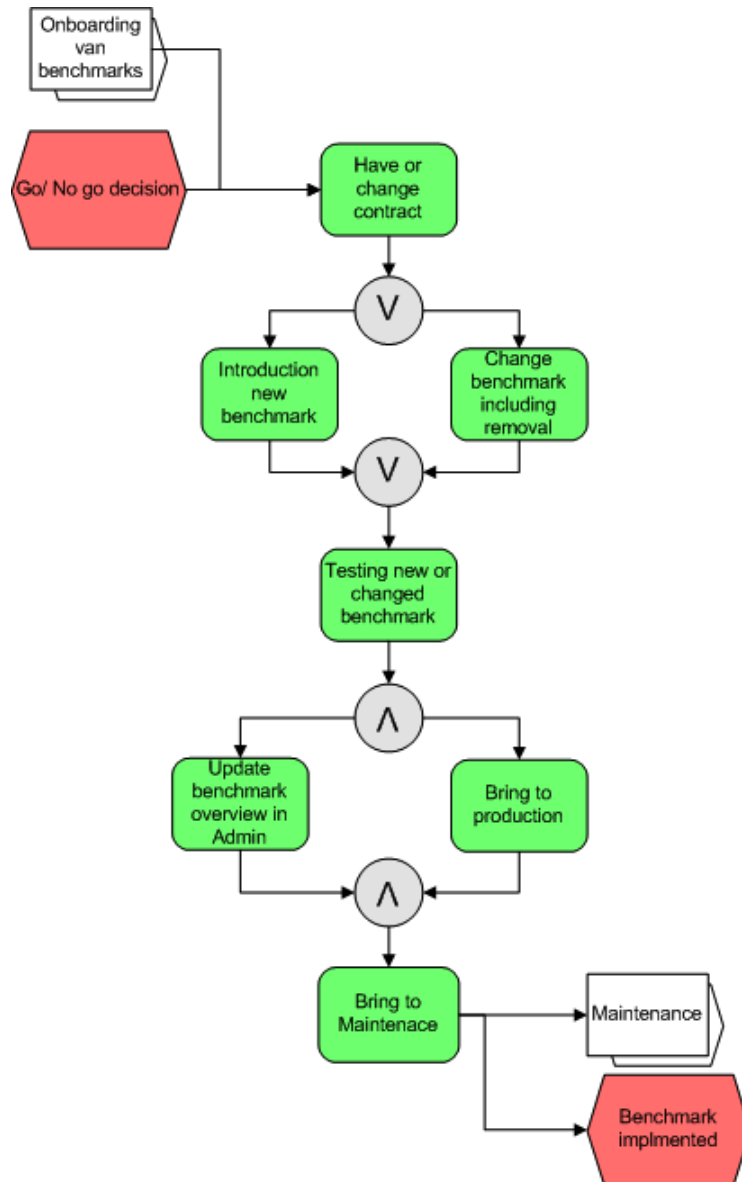
**BIDM Case Study - Process: Operational model**

# BIDM Case Study – Benchmark Index *Data Governance*





# BIDM Case Study – Benchmark Index *Process Management*



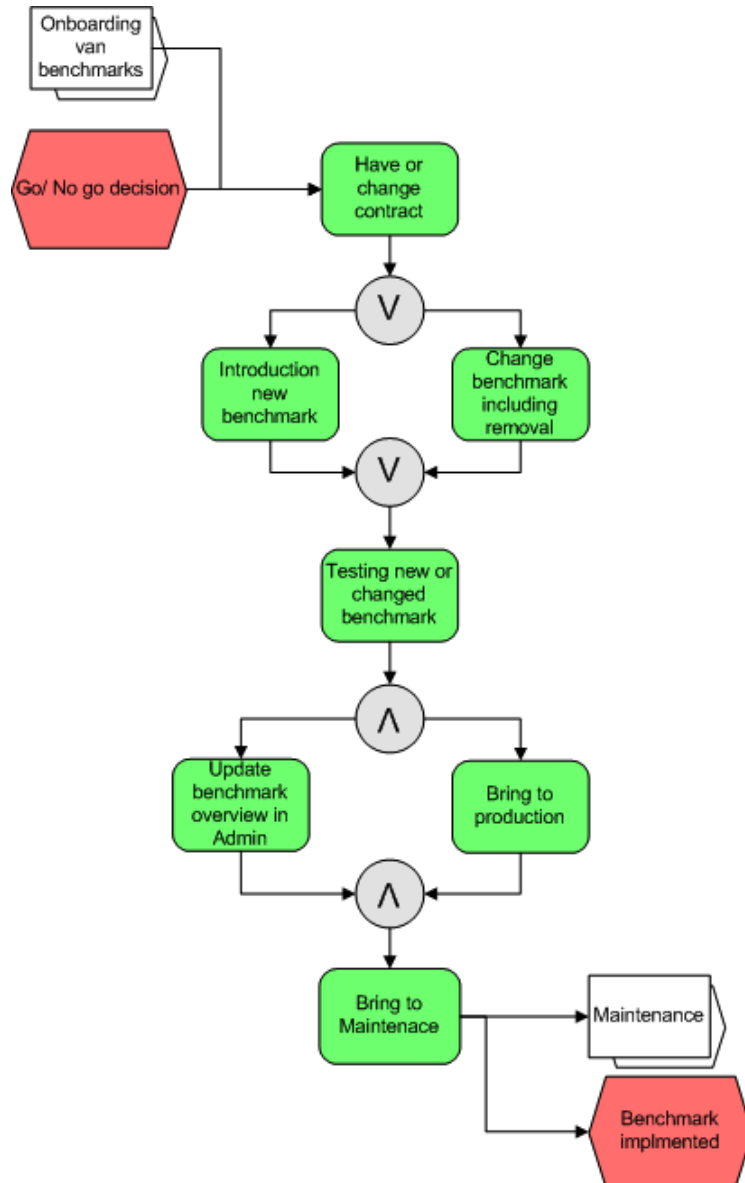
Responsible unit: **Product Management**

Focus:

Specifications, Feasibility and Cost

Input from official documentation resulting from the mandate- and product approval process

# BIDM Case Study – Benchmark Index *Process Implementation*



Responsible unit: **Information Management**

Focus:

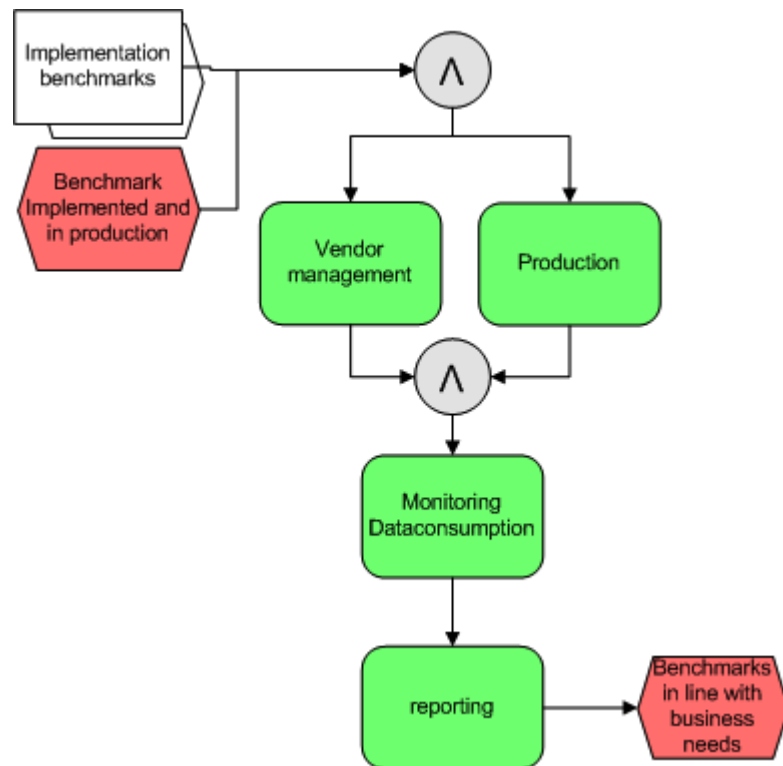
Availability of benchmarks in systems

Manage IT delivery

Functional management

Testing, Data management

# BIDM Case Study – Benchmark Index *Data Management*



Responsible: **Data Management**

Focus:

Daily monitoring timely, complete and correct.

Signal errors and follow up

Quality and cost reporting

# BIDM Case Study – RACI Model

**Product Management is accountable for benchmark index process.**

(On-boarding, Implementation and Operational)

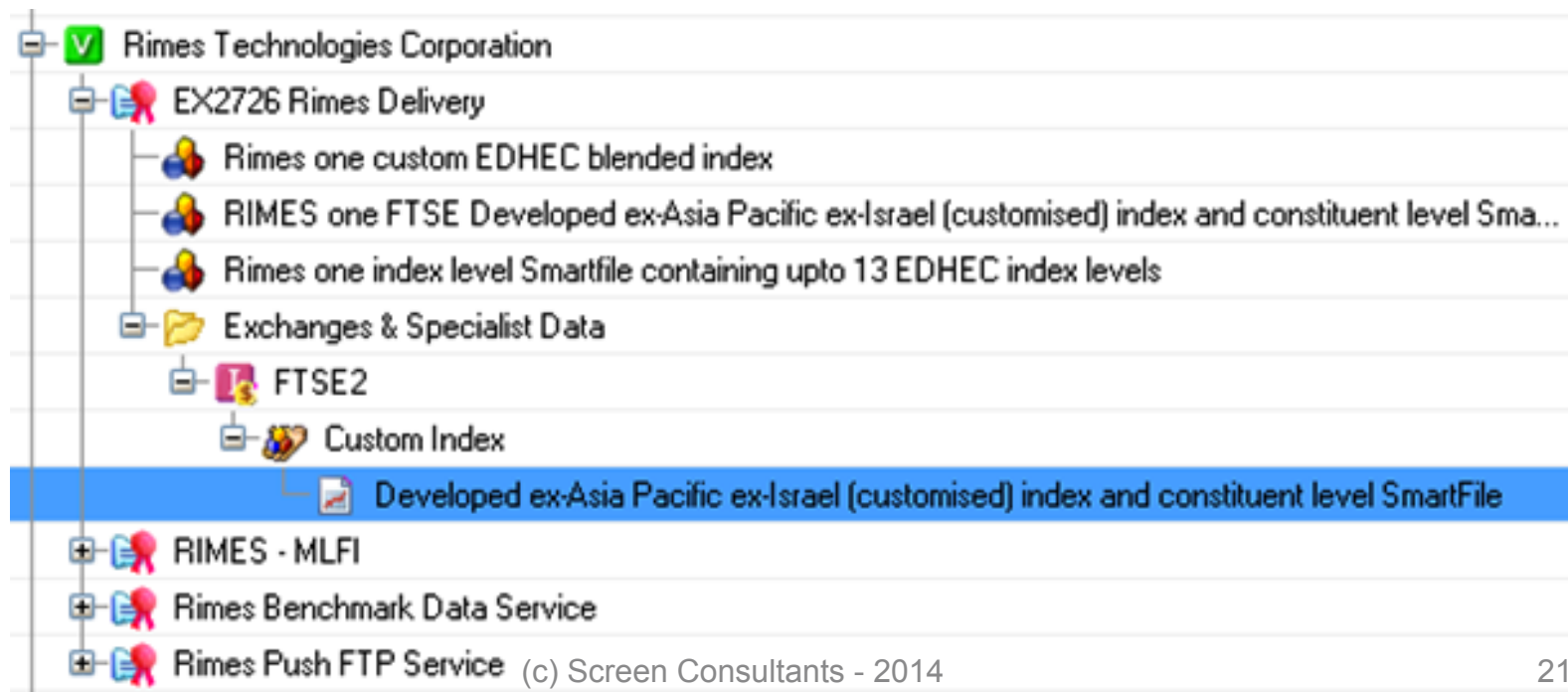
Scope process: only benchmark indices directly related to products.

Onboarding process starts after budget approval.

<b>RACI</b>	<b>1. Onboarding</b>	<b>2. Implementation</b>	<b>3. Daily operations</b>
<b>Responsible</b>	Product Management	Information Management	Data Management
<b>Accountable</b>	Product Management	Product Management	Product Management
<b>Consulted</b>	Procurement Client Portfolio Management, Data Management, Information Management	Data Management, Client Portfolio management	Product Management Asset Management, Client Portfolio Management, Performance Measurement
<b>Informed</b>	Performance Measurement Asset Management, Client Portfolio Management	Product Management, Asset Management, Client Portfolio Management, Performance Measurement	Information Management

# BIDM Case Study – Benchmark Index Data *Contract Administration*

- Licenses for users/uses
- Invoice reconciliation
- Reporting and budget control
- Commissioning and de-commissioning



# BIDM Case Study – Conclusion

- **Costs**
  - Improved Governance causes Benchmark Index licence costs to rise
  - In addition there are the annual costs for the Aggregator
  - One-off project cost
- **Benefits**
  - Benchmark index data production process automated
  - Onboarding time on average reduced from 6 to 2 weeks
  - 3 FTE reduction in various operations departments
  - Consistent benchmark index data for analysis and client reporting
- **Managing Risk**
  - Reduced Operational Risks
  - Improved Vendor License Compliance
  - Data meeting AIFMD compliance requirements



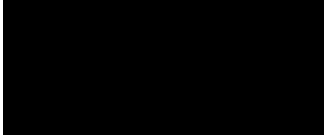
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# BIDM – Summary & Conclusions

- Managing Benchmark Index Data has become increasingly complex
  - Growing data points and variety
  - Increasing costs (esp. of customization)
  - Increasing non-compliance risks
- A centralized approach to improve governance is needed
  - Analyze the current processes, procedures and systems
  - Identify (operational) weaknesses, define mitigating actions
  - Implement efficient and transparent solutions
- There is the potential for attractive rewards
  - Improved on-boarding times (better Time-to-Market of benchmark indices)
  - More automation, less potential for human error
  - Reduced FTE requirements





Thank you!  
*Herzlichen Dank!*

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