

# An EDM Reality Check for the Buy Side

## bobs guide

The leading web resource for financial technology

Enterprise Data Management (EDM) is increasingly viewed as a strategic differentiator for buy-side firms. Properly implemented, an EDM solution underpins a firm's ability to offer differentiated products, centralise firm-wide data, manage complex fixed income and derivative instruments, and

maintain real-time visibility into risk factors and counterparty exposures. It can also help firms identify and eliminate costly redundant data feeds and leverage their existing data more effectively. MiFID II and Dodd-Frank might even make EDM imperative for investment managers by significantly increasing the amount of data needed for regulatory reporting.

### The Reality

Many firms have pursued EDM systems in an attempt to better manage their securities data. But conventional EDM systems require a significant implementation effort due to a lack of standardisation and pre-configuration. Most importantly, these systems are unable to readily or adequately support the large number of data elements required by complex instruments and risk models – leaving much of the setup to clients. This results in insufficient data, compromised decision support and burdens the front office with manual workarounds. Firms considering EDM should focus on six key areas to understand how well a given solution will support their investment management platform and what level of effort will be needed for it to integrate with their overall front- and middle-office ecosystem.

### Standardised Interfaces

Bespoke interface development is expensive and time consuming, especially to the degree of completeness and accuracy required by investment management platforms. Significant work is required to build and maintain data input interfaces, especially for security/issuer reference data and industry benchmarks. This work requires highly skilled and knowledgeable staff and continues as interfaces change over time. Established relationships with data vendors are also critical to success. Additionally, separate output interfaces must be developed for exporting securities data to each front and middle office system. EDM solutions that offer standardised interfaces “out of the box” provide firms with a clear advantage by reducing implementation effort and ensuring that interfaces are always current with the latest vendor data definitions.

### Support for Complex Instruments & Risk Models

Increasingly sophisticated investment strategies and differentiated products require immensely detailed data from a number of disparate sources. These include performance, analytics, risk, weights, classifications, and benchmarks. Accurate derivatives descriptions (including underlying relationships) and valuations are needed to understand risk exposure, and historical pricing data is required for Value at Risk (VaR) calculations. Proper risk and performance attribution computations require not only core position and security master data, but also historical returns, benchmark and curve data.

Even a moderately sized portfolio of fixed income and derivative instruments places significant demands on an EDM solution, requiring reference and analytics data interfaces that map, translate and validate over 1000 data elements. Genericised and incomplete mappings lead to incorrect calculations for analytics and risk metrics, rendering the data unusable for the front office. For example, when stress testing a portfolio to analyse the impact of an interest rate hike, risk systems need to accurately and quickly calculate the series of analytics required to assess the scenario. If complete and up-to-date curves and bond characteristics aren't accurately delivered and mapped into the solution, the resulting analysis could point the portfolio manager in the wrong direction.

## Configuration vs. Customisation

Many EDM systems offer an abundance of features and functionality, providing firms with the promise of unlimited customisation. In reality, 'feature-bloat' saddles firms with onerous licensing fees, even for unused functionality, and creates unnecessary complexity that can result in multi-year implementation timelines requiring armies of expensive consultants. Open-architecture EDM solutions that strike a reasonable balance between turnkey and configurable functionality can significantly expedite implementation and help firms adapt their data management workflows without relying on consultants.

## A Comprehensive and Flexible Security Master

A comprehensive and flexible security master provides the foundation for an effective buy-side EDM solution. Out-of-box, the security master needs to support core security reference data for hundreds of security types, and enable storage and comparison of multiple reference, analytics, and pricing suppliers and sources. Flexibility is also important. Firms need the ability to add bespoke data columns, modify metadata and set up new securities and analytics with minimal effort.

## Leveraging Multiple Data Sources

Most firms rely on more than one data vendor to provide the reference, issuer, benchmark, pricing and analytic data required to support their front and middle office systems. In part, this complexity can be linked to legacy system fragmentation in the front office, where each best-of-breed system consumes data independently of other systems. Also, no single data vendor can offer all of the data required by firms managing multiple asset classes, investment strategies, and product offerings. Without an overarching data management strategy, firms end up paying for redundant data and making investment decisions based on contradictory data.

By centralising data management on a single platform, an EDM solution can provide much needed visibility into data costs and help identify potential redundancies across the organisation. By supporting multi-source data blending and rule-driven gold copy creation, an unlimited number of golden copies can be created and stored, with each copy defined by its own set of rules. This lets front office applications subscribe to specific golden copies purposely created for them. For example, a performance measurement application might require a specific vendor's reference data overlaid with analytics from other sources. This flexibility allows firms to leverage the best features of each data source and provide their investment management systems with exactly the data they require.

## Maintainability & Scalability

In addition to paying close attention to data management capabilities, firms must choose between hosted and on-premises deployment. The cloud is now a viable option for most investment management platforms, and its benefits are particularly suited to data management. SaaS-based EDM deployment ensures firms are always current on the latest product enhancements, cybersecurity protocols, and data interfaces. As firms expand into new geographies and broaden their product and asset class mix, SaaS enables frictionless scalability to support the expanded operational requirements. Firms can also elect to have the EDM vendor manage data validation, ETL, and other processes on their behalf. By leveraging the provider's expertise and experience to ensure maximum benefit from the capabilities outlined above, buy-side firms can focus exclusively on their core mission and minimise support overhead.

[Download our fact sheet to learn more about Charles River's buy-side EDM solution.](#)

*The material presented is for informational purposes only. The views expressed in this material are the views of the author, and are subject to change based on market and other conditions and factors, moreover, they do not necessarily represent the official views of Charles River Development and/or State Street Corporation and its affiliates.*



A State Street Company

### CHARLES RIVER DEVELOPMENT, A STATE STREET COMPANY

Charles River enables sound and efficient investing across all asset classes. Investment firms in more than 40 countries use Charles River IMS to manage more than US\$25 Trillion in assets in the institutional investment, wealth management and hedge fund industries. Our Software as a Service-based solution (SaaS) is designed to automate and simplify investment management on a single platform – from portfolio management and risk analytics through trading and post-trade settlement, with integrated compliance and managed data throughout. Headquartered in Burlington, Massachusetts, we support clients globally with more than 750 employees in 11 regional offices. [CRD.COM](http://CRD.COM)