Dimensions of collaboration

Taking data to the next level
Post pandemic business and economic recovery
Shift to social and green investing
Regulatory pressures on data governance and use
Transition from LIBOR to new benchmark rates

Data governance
Data integration in the workflows
Internal data culture
For financial services firms, data is everything.

Developing a robust data ecosystem today for tomorrow’s markets

For financial services firms, data is everything. Companies working in the wider asset management sector, including the full spectrum of the fixed income asset class, are constantly increasing the level of automation and interconnectedness of data sets across their organisation. While these firms prioritise data management, they increasingly need to address a much wider range of external pressures and their implications for a broader data ecosystem.

Today, with the Covid-19 pandemic continuing to be hugely challenging, economies are trying to bounce back and financial services firms are racing to innovate their business and leverage automation to streamline their operations. Yet, as the Covid recovery progresses, multiple other disruptive factors and ongoing challenges, such as trade reporting, are shaping the industry and the broader global economy. Alongside a monumental shift towards sustainability, growing interest in green and social bonds and environmental, social, and governance (ESG) investments, other ongoing processes, namely the replacement of the LIBOR benchmark with new, risk-free rates such as SONIA by the end of 2021, are compounding market complexity and impacting portfolio performance.

Effectively tackling all those moving parts requires investing in a holistic data ecosystem capable of creating new dimensions of data analysis and reacting quickly to a volatile environment. WIRED, in partnership with FTSE Russell and Refinitiv\(^1\), has developed this e-book in order to explore the challenges asset managers need to overcome to achieve a holistic data approach – and to set out how cutting-edge data management solutions can help them overcome hurdles and gain competitive advantage.

\(^1\) Both FTSE Russell and Refinitiv are part of the LSEG – London Stock Exchange Group
New approaches for new data and new regulatory demands

Financial firms face a major challenge with the data demands around ESG investing. In the first nine months of 2021, the overall issuance of green, social, and sustainability bonds hit $777.6 billion – an all-time high, evidencing real appetite for this kind of financing. As a result, the rate of new data entering the market in this area will only increase and much of it will be raw, undigested, quantitative data.

Despite this growth, one of the current obstacles to fixed income and multi-asset management firms’ widespread adoption of new trends, such as ESG investing, is the lack of reliable data processes to measure, verify and monitor how (and whether) those investments really live up to their sustainability promises. Even then, once a data-centric approach is established internally, asset managers will have to find ways to effectively report data on their ESG investments and activities in order to meet their own regulatory disclosure requirements.

It’s not just the requirement to effectively process increasing volumes of raw data that presents challenges. Due to a vast array of factors – from new asset classes to shifting bank rates, to post-trade processes, to collateral management, to trade reporting and settlement – the sector is undergoing a dramatic increase in the need for broad-scale data assimilation and transformation. It is clear that for those who work in this sphere, superior data enablement and enhanced collaboration across every part of the business is vital.

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Critical success factors for data innovation

New regulations and compliance requirements, including the Fundamental Review of the Trading Book (FRTB) and the LIBOR transition to new reference rates, are creating new pressures for buy-side firms and forcing them to reevaluate and innovate their process, resources and operating systems.

To address these pressures and to stay ahead, most fixed income and multi-asset management firms have long realised that they need to scale up their capabilities for comprehensive data assimilation and transformation.
Firms know that in order to act, over the next decade they will have to overhaul their internal relationship with data-driven decision making. They will also need to foster a data-driven culture and ensure that all changes are uniformly implemented across the organisation.

But what should this involve and what are the broader success factors that firms need to consider?

Of course, utilising and accessing vast quantities of data sets will be essential, but this won’t be enough for buy-side firms to create a competitive and viable and cross-organisational data strategy. Additional success factors will need to be tackled head on.

For John Mason, Group Head of Pricing and Reference Services at Refinitiv, the first is that buy-side firms need to prioritise tailored processes specific to their data needs. “Today’s data client is looking for the financial equivalent of a playlist – a logical, curated, high-quality collection of data, customised to their changing needs and readily accessible,” he says. This means understanding where organisations are on their innovation journey – something that will influence the support, data and processes they need. As Scott Harman, Managing Director and Head of Fixed Income Multi-Asset Indices at FTSE Russell, says: “For one firm, integrated, cloud-based data solutions might be the place to start, while for another, the ability to analyse existing legacy proprietary data is a must-have.”

Accessing the specific services that match a firm’s unique context can be achieved by selecting the right data partner. In Mason’s experience “clients will pick the organisations and the data partners they deal with based on what the data partner can do for them as well as the quality of the raw content available.”
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Refinitiv
The forecast for fixed income

Over the past decade, fixed-income investors have faced low nominal yields, low real yields and a low-inflation (or even disinflationary) environment. Whether it is government bonds or credit instruments, these influential trends in yields and inflation have significantly influenced the return outcomes of considerable numbers of financial instruments.

When firms do not have access to the right market and reference data, nor to the tools - such as indices that support data management, they fall short of their potential in terms of both revenue and efficiency. This equates to trillions of dollars in lost opportunities.

Well aware of the strong returns on investment in data and supporting tools, most firms have invested substantially in their data strategies and continue to increase their spending on data – including real-time and tick history and pricing and reference data. Still, they face challenges in unlocking even more value moving forward.

“Richness of quantitative content, ease of use, degree of automation, scalability, model portability and cloud enablement are essential to assimilating internal processes”

Marina Mets
Managing Director
FTSE Russell
Asset managers need a 360-degree vision to understand what is possible: analysing a problem through an end-to-end process rather than siloed functional lenses. A firm gains a holistic view by making sure it looks at its data from a client- and process-driven perspective. For example, what factors contribute to the process, its use and opportunities to scale existing data capabilities.

The LSEG (London Stock Exchange Group) acquisition of Refinitiv in early 2021 has resulted in Refinitiv’s deep expertise in data innovation and breadth of data sets – from pricing and reference data through to ESG – strengthened by LSEG businesses FTSE Russell’s high-quality benchmarks and Yield Book’s analytic capabilities. As a result, the combined organisation offers firms an enterprise-wide data ecosystem that enables them to perform the analytics that deliver high-quality insights. As Harman points out, this gives firms that much-needed 360-degree vision, helping them to “successfully navigate this end-to-end approach, drive better performance of data solutions and generate more organisational value”.

FTSE Russell and Refinitiv enable clients to create holistic, competitive and future-ready data strategies

The road to future-state data ecosystems

Transforming data solutions to cover the entire territory from back to front office is a powerful promise. But an asset manager’s ultimate success depends on being able to masterfully blend data and drivers – and on cultivating a data culture that puts data at the heart of their competitive strategy.

Those firms that can think ahead, and create and build in new processes to match the available data quality will lead the way. C-suite executives know that piecemeal efforts rarely work; on the other hand, the risks – and costs – of a total reset can be daunting. Not all companies have the internal resources to undertake such a radical data transformation by themselves.

Confronted with a bewildering number of options, both fixed income and multi-asset managers face data transformation challenges they have never dealt with before. Thus, most would benefit from working with end-to-end data providers that can meet them where they are, help them adapt to regulatory requirements and travel with them from vision to reality.

Data transformation is not just about helping fixed income and multi-asset managers succeed here and now – it’s about being equipped with the right tools and data to decide – and act – with a future-orientated mindset.

A trusted partner is required – one that can understand a company’s data ecosystem including dimensional data needs and provide proven data solutions.
In this context, Refinitiv and FTSE Russell are leading the way, operating as trusted, end-to-end solutions partners that help their clients to scale up their data capabilities, data ingestion, assimilation and analytics from the front to the middle and back offices. With a 360-degree approach, and solutions tailored to individual client needs and contexts, unparalleled data sets and deep expertise, FTSE Russell and Refinitiv enable clients to create holistic, competitive and future-ready data strategies that reduce risk and could ultimately help firms to deliver more alpha.

To find out more about Refinitiv’s fixed income data services please visit www.refinitiv.com/fixed-income-data-services

About Refinitiv
an LSEG business

Refinitiv, an LSEG (London Stock Exchange Group) business, is one of the world’s largest providers of financial markets data and infrastructure. With $6.25 billion in revenue, over 40,000 customers and 400,000 end users across 190 countries, Refinitiv is powering participants across the global financial marketplace. We provide information, insights and technology that enable customers to execute critical investing, trading and risk decisions with confidence. By combining a unique open platform with best-in-class data and expertise, we connect people to choice and opportunity – driving performance, innovation and growth for our customers and partners.

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