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Gleanings . . .

Chip Kispert



The Bad Data Train

Data: Who really cares about data? In my opinion data and the information gleaned from such is the single most important infrastructure obsession a broker dealer can have.

You might ask why I used the word obsession given the utterance of the word can have a strong connotation. But for today's broker dealer, having an obsession with gathering and maintaining good data will deliver marked improvements in four key areas.

The first of those areas is productivity. The second is in surpassing regulatory demands. The third is in managing expenses. And the final piece is marketing / customer service.

Yesterday's broker dealer was focused primarily on paying commissions. Today's broker dealer should be focused on the new strategy of their business.

When I played football in college as a quarterback I guarded against throwing the "heads-up" pass. The "heads up" pass delivers to someone a result out of their control. Bad, missing, or incomplete data is like the "heads-up" pass. The bad data train starts with having bad, missing, or incomplete data. This poor data will serve as a foundation for what we call negative impact events. Negative impact events are events that harmfully build on one another over time.

An example of this might be an incomplete account form that is submitted (incomplete data). The next phase is a home office person trying to gather the missing data (decreased productivity). The next phase, assuming that only a portion of the data is capture, say missing suitability, is a searching for data when the regulators show up (increased "in office" regulatory demands). The next phase is working with the client and needing to constantly ask for information time and again or an inability to determine broad based opportunities for clients (decrease in customer service). And finally based on the above snowball of events the advisor and broker dealer have lost productivity, increased their exposure to regulatory penalty, spent more resources, and provided poor customer service. That is negative impact.

In this issue of *The Beacon* we will be focused on data. Providers such as **Albridge, ByAllAccounts, Broadridge - Investigo, Quodron** and **ResiliEnt Business Solutions** will provide some insight into their perception of the marketplace and some differentiation points on what separates their solution from the other providers. I hope that you enjoy this edition and as always we welcome your thoughts.

All the best,

Chip Kispert, *Editor*

[Link to The Leading Industry Strategy Group for Broker-Dealers](#)

The Foundation of Wealth Management Platforms

Jake Rohn,
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Today, as the economic and investing environments struggle to recover from an almost unprecedented downturn, financial institutions and advisors are looking for tools that provides transparency of valuable information to the investor and make doing business easier for the advisor. The result-platforms are evolving into the centralized hub for accessing and integrating the data and tools.

Albridge's technology was developed and is rooted in a client data-centric approach that powers leading third-party and proprietary technology platforms. A true wealth management platform has three critical components: enterprise data management (EDM), a portfolio management system and a virtual network. At the foundation of the wealth management platform is an EDM component that requires scalability to report across potentially tens of millions of client accounts and proven processes for ensuring data quality. This high quality client account data is used to power the portfolio management system, which is the cornerstone application within the wealth management platform's suite of applications, and uses the data for portfolio accounting and performance reporting. The virtual network is the infrastructure of the wealth management platform that connects the portfolio management system and data with other third-party (e.g., compliance, financial planning, CRM, document management) and legacy applications, providing the needed interoperability for the wealth management platform. In this regard Albridge supports access to real-time data and two-way user integration; access to replicated data for enterprise data movement; a file delivery solution for enterprise batch reporting and a solution that provides clients with access to their own open database to query data and from which they can build to meet their data mining needs.

Wealth management platforms centered on an EDM approach benefit from the use of direct data feeds. The ability to ensure data integrity with proven reconciliation processes and data quality metrics is essential for accurate portfolio performance reporting. An internal Albridge study found that wealth management platforms using direct feeds typically encounter errors in roughly 1% to 5% of the positions to be reconciled. Additionally, the analysis showed that solutions that extend further to include dedicated data quality experts and mature operational processes and controls achieve reconciliation rates of less than 0.2%. Within financial institutions and advisory practices, the improved efficiency that results translates into less time managing and addressing data issues and more time spent addressing client needs and concentrating on business development.

With most high- and ultra-high-net-worth investors having accounts across multiple firms, the challenge of gathering, normalizing and reconciling this information can seem insurmountable, especially for those who have historically tried to accomplish this manually. Lending further credence to the challenge this presents, the Moss Adams study, Best Managed Firms: It's About Time, found that some of the functions most commonly outsourced by select advisory firms are performance reporting, and in certain instances, investment management. Identifying a provider that specializes in enterprise data consolidation services with a focus on data quality and a track record of success logically becomes the critical first step in capitalizing on the growing trend toward delivering Unified Managed Household (UMH) services

Adding to the benefits of the open architecture environment that Albridge supports, the data management and reporting engine that comprises Albridge Wealth Reporting provides financial institutions and advisors with the ability to reconcile and report on data from a wide range of third-party and in-house solutions, including managed account platforms. Leveraging this capability, Albridge Wealth Reporting can serve as the reporting engine for a managed accounts program that, when coupled with the ability to report on an institution's or advisor's book of business, results in the ability to

deliver UMH reporting and removes the "duplicity" challenge of sustaining both an enterprise performance reporting system with stand alone managed account reporting systems. Then, financial advisors have access to a technology solution that is not only a competitive differentiator, but transforms their business by bringing wealth management services to the doorstep of clients representing virtually every investing segment

[Link to Albridge](#)

Why Should I Care About the Quality of My Data?

Scott
Fergusson,
Vice
President,
Broadridge



What is the key to data aggregation? - - Data Quality!

Data quality is the key. Data quality encompasses more than finding and fixing missing or inaccurate data. It means delivering comprehensive, consistent, relevant, fit-for-purpose, and timely data. Poor data quality costs financial organizations vast amounts of money, leading to poor decisions and inferior customer relationship management. Defective data also hampers efforts to meet regulatory compliance responsibilities.

A Compliance scenario: Has this happened to you? You have just finished an audit of a newer branch. You've signed off; you've reviewed the customers of this branch and it looks good. But then you get a call from a client you've never heard of, but with accounts at custodians you definitely work with - somehow this clients accounts never appeared on your audit reports.

What else is out there that you've missed?

A Marketing scenario: You are preparing an annual review with a branch manager. You've got a complete list of accounts per fund company with a total AUM. However, when the branch manager looks at it, she says "That's way too low - I don't even see my X fund family business.

"Should you be worried about the commissions on that business if you don't show it?"

Never before has information been so important to broker dealers. With consistently clean, well-formatted and accurate data, you will not only save time and money, but provide a better level of service to your clients

You must be able to trust your data. - Most broker dealers are focused on three key areas: growing revenue, lowering costs and establishing a robust compliance framework. All three require that data be clean, consistent, accurate and integrated across the enterprise to provide a holistic view.

Growing Revenue - For many broker dealers, the best way to grow revenue is to manage more assets for existing clients. This growth often depends on having a single view of customer data that gives clear insight into patterns and segmentation. The inability to create a single view of the client leads to several problems. Broker dealers need access to data that is accurate, reusable and productive, so that they can create a holistic, real-time view of their clients.

Lowering Costs: Making Data Flexible and Productive - In a rapidly changing and highly competitive environment, broker dealers must be flexible and react quickly to change. To reduce complexity and lower costs, broker dealers need a flexible data management solution that allows them to access, reconcile, and transform data into a strategic, reusable asset.

Compliance - Driven by regulatory, market and competitive pressures, broker dealers have intensified their focus on compliance in recent years. Firms must find a way to provide consistent, reliable and auditable information to simplify regulatory compliance and provide accurate reports. To produce accurate reports, accurate data is critical.

The Solution - The Investigo Data Module provides the broker dealer with data cleansing, matching, and reporting capabilities in a single solution.

Benefits of the Investigo Data Module:

The Investigo Data Model represents a powerful way for firms in the financial services industry to understand and use their information. The IDM provides firms with the ability to analyze their information and execute on the results of their research, not struggle with getting the information in the first place.

- Increase confidence that the data used to make strategic decisions is complete, consistent and accurate
- Increase customer retention
- Increase cross-sell/up-sell rates
- Improve product profitability
- Improve efficiency
- Allow broad access to data regardless of type, structure or source
- Gain powerful data cleansing, matching, and reporting capabilities in a single solution

[Link to Broadridge Broker-Dealer Solutions...](#)

The Sum is Greater than its Parts.

James
Carney, CEO
ByAllAccounts



A Complete Picture

Advisors that are focused on High Net Worth and Ultra High Net Worth clients offer "holistic" reporting or complete net worth statements. To achieve this goal, manual collection and consolidation processes had been put in place. The only way advisors could justify the expense was to increase asset volumes. Three critical questions then arise:

- How can I deliver this same experience to clients with less assets volume?
- How can I continue to provide complete reporting without increasing expenses?
- How can I add to my revenue stream while maintaining my customer's loyalty?

The enlightened advisor requires having a complete report of their client's holdings and performance to provide direction, communication, and strategy. Some advisors can do this with excel, some with planning packages and some use a portfolio management application. Regardless, accurate account data is critical to every one of them and this is particularly true for wealth managers. Another concern arises when tools are offered to advisors to "ease their pain". Often these tools do not interface (or do it poorly) with each other and do not work off the same data. It's hard enough for advisors to focus on their core competency and what their clients actually pay them for, never mind hire the staff, or in the worst cases, handle all of the applications themselves, hence the rise of outsourcing.

Clients expect the information they want when they want it in a format that fits their needs. At the same time, advisors face the challenges of meeting client demands and growing assets under management. The ability to report on the totality of a client's wealth is a critical differentiator for growing an advisory business.

A "Different" Kind of Advisor

Advisors strive to set themselves apart from others. To do so you must actually deliver on a higher level of promised service. Offering consolidated and complete reporting will help you accomplish this. By reporting on the assets you manage along with the rest of your client's assets, you will see the complete picture and be able to make better decisions on behalf of your client. This view, and this decision making ability will help you to achieve the status of "trusted advisor," which should lead to more assets under management as you gain discretion over accounts, or your client brings more of their family's assets to you for advice. Bear in mind that attempting a holistic wealth management strategy without the necessary technology and forethought can be a risky proposition and lead to increased costs. Take your own advice - Think long.

It's Really a Question of Trust

Account Data Aggregation, Portfolio Management Systems, Planning Systems are all similar to an advisors practice in that referrals and reputation go a long way. A vendor that has a reputation as "easy to do business with and high quality", mean a lot in this volatile market as you know they are working with you - not for the quick sale but for the long term. Vendors with internally developed and proven integrations can provide solid references as the systems have been working well for the long term. Why would you trust anyone else with such critical components?

Advisors have a lot of moving parts to deal with and a simple declaration by vendors that they work together isn't enough. Vendors should provide the names and contacts within the firms with whom they have relationships. If they cannot, be careful. By doing the necessary reference checks, and ensuring the vendor combination you select is one that has been proven effective with similar users of your portfolio accounting system, you can be confident in your selections.

Account aggregation works well for all advisors that are focused on providing the complete holistic picture of their client's worth and can be used as a clear differentiator. The good news is that there solutions focused on the segment of the market that wants quality, complete, reconciled data suitable for performance measurement.

James Carney, ByAllAccounts James Carney is the chief executive officer and cofounder of ByAllAccounts, which provides account data for reconciliation, performance analysis and consolidated reporting systems.

[Link to ByAllAccounts](#)

Aggregate Data, Not Costs

Scott
Gillespie -
Quadron Data
Solutions,
formerly
known as
Fetter Logic,
Inc.



Data Aggregation or Data Portfolio?

Data aggregation used to be the simple notion of collecting data from multiple custodians for the purpose of providing clients consolidated reports of their accounts. However, business requirements for aggregated data have expanded to encompass many back-office functions including compliance, commission processing and management reporting, to name a few. The current approach to managing data is expensive, burdensome, error prone and insufficient. A less expensive and more reliable approach is at-hand.

Your data is a strategic and operational asset that should be shared and used across your enterprise in a seamless manner. Historically, data has been viewed as the raw material or raw content feeding your high-quality applications. We suggest you flip this view and begin considering pristine quality, comprehensive data as the intelligent nutrients feeding your business applications. Data viewed as an invaluable asset in this way can be considered your "Data Portfolio," and it will allow you to aggregate data, not costs.

Load once; use many - Why do firms load the same data from multiple custodians multiple times into multiple databases and then perform data maintenance multiple times? It is the condition the industry finds itself as vendor proliferation produced numerous applications from multiple providers, each separately loaded with the raw material needed, creating hard-to-manage data silos.

We've all heard the phrase write-once-read-many ("WORM"). Why not load once; use many? The Data Portfolio approach calls for loading the raw material one time into a central warehouse. Thereafter, scrub, reconcile, and otherwise amend the data one-time, producing a clean and pristine data set. And following this step, transform and load the remediated data into a unified and normalized data store that can serve as your "data mart" and single source to feed your other applications with scrubbed, uniform data.

Utilizing this Data Portfolio approach will yield the following benefits:

--Ensures a complete and accurate data set

- A particular flaw with the current approach of extending data aggregation beyond client reporting is that there are gaps in required data elements limiting the usefulness to additional applications.
- Create a data store of valuable information that can be mined for operational and strategic decision support purposes
- Proper database architecture supports maintenance of required customer books and records

-Provides one place to make changes

- Eliminates the duplication and expense of performing scrubbing and maintenance multiple times.
- As data sources change their schemas or code definitions, you only need to make changes in one place rather than within each application.

-Delivers uniform output across all your applications

- Avoids different applications treating the same data element differently, yielding inconsistent output requiring manual troubleshooting.

"It's all about the data" - Our firm has a motto that "it's all about the data." If you get the data right, thereby turning data into intelligence, you have a clean shot at getting the output right and regaining control of your business. If the data's lacking or inaccurate, there is no chance of success.

Getting-the-data-right includes:

-Capturing all data sources

- Open architecture operating models are conducted on a variety of custodial platforms and with a variety of products. Data collection has not kept up, and firms are exposed without coverage for much of their business. For example, firms are not capturing annuity information for ongoing surveillance.

-Networking your directly held mutual fund business

- Rep, branch and other code values are a mess on directly held business. Bad codes lead to bad reporting output. Network your directly held mutual fund business and leverage the scrubbing opportunities provided by the NSCC.

-Standardizing and unifying your data as discussed in the preceding Load once; use many section

-Updating your data loaders as data sources change their schemas

- Using the Data Portfolio ensures you do this only once to subsequently feed all of your back-office applications.

The Data Portfolio approach yields cost savings, improves data quality and integrity, and produces consistent output across your applications. In turn, it serves as a strategic and operational asset, safekeeping the information you need for informed business decisions.

[Link to Quadron](#)

Spotlight on Data Quality

Roger Panfil:
ResiliEnt
Business
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President &
Managing
Principal



It's typical for Broker Dealer organizations to rely heavily on data from outside the organization to fuel key sales, account management and customer service operations. These data feeds are often purchased from one or more suppliers, brought in-house, and then processed each night, where the data is "prepared" for consumption downstream in essential business functions like daily reporting (data typically loaded into a data warehouse), Compliance, Commission Processing, Sales (data typically loaded into CRM), etc.

Surprisingly, despite the fact that many organizations actually pay for the data they consume on a reoccurring basis, "preparation" of the data for use downstream consists of little more than staging the data for a series of load processes. The inherent problem in the entire chain of events is that often even the most elemental data quality checks are NOT applied to the incoming data. Some common data problems encountered, include missing transactions, detail records that don't balance with a total record, missing fields, values out of range, data out of format, non conforming codes, etc.

The absence of a data quality step anywhere in the process means that compromised data is being loaded into critical systems, and intern, the value of all processing around that data is compromised. A survey of our client's estimate that up to 40% of a typical feed contains problematic data. That's a staggering number!

The issue of basing critical daily operations and making key decisions from a base of information with a high percentage of unreliability defines a problem with a clear incentive to fix. The impact of poor data quality is wide, affecting many aspects of the business including back office efficiency (it is not uncommon for over 60% of the paperwork processed internally to require additional resources to manually enter either client or account information into the books and records system), and accuracy in reporting. Even Rep turnover and Rep recruiting can be improved if the data in the systems the Reps are working from can be trusted. Client oversight (e.g. ensuring an address is true and verifiable) is a major issue, and generally speaking proactively managing and addressing data quality issues prior to loading data in back office systems can drive a significant reduction in processing time . . . that's something that directly affects and organization's ability to compete in the open market.

Achieving a high level of data quality is a mission that needs to be undertaken, but until now the costs have been prohibitive. Either because the fix was a major "rip-and-replace of existing systems" undertaking or it necessarily demanded the purchase of a bundle of other technologies from one of the large data feed providers or aggregators, or it necessitated the purchase of new infrastructure (such as ETL or Extract Transform or Load) tools. Also too, focus has been an issue. Simply put, other pressing matters have pushed data quality to the back burner.

The concept of implementing a custom data quality process is not new. Some organizations with deep pockets have undertaken the mission and have been successful in their quest. What is new however, is an affordable approach that is repeatable, yet customizable for each client's needs. Rethinking how to cleanse data is based on a technology that is baked into the process, rather than a technology that must be procured (read "owned"), implemented, and maintained. Just like a manufactured product, a repeatable process tends to much cheaper than a one-off or one-of-a-kind product. Further, the installment of process dictates a a low-entry cost with a reoccurring fee, but that is quite preferable to a custom project demanding new infrastructure and with comparatively high purchase and implementation costs. A repeatable process also defeats the other aforementioned objection to taking on data quality - that being the issue of focus. It's time to put a spotlight on data quality and derive the benefits which shedding that light will bring.

[Link to ResiliEnt Business Solutions...](#)

Editorial Calendar

Our monthly calendar and the subject matter we will cover in 2009:

- **February** - Forms Management & Account On-Boarding
- **March** - Imaging Systems
- **April** - Compliance
- **May** - Data Aggregation
- **June** - Marketing Tools
- **July** - Client Relationship Management
- **August** - Commission Processing
- **September** - Email Surveillance
- **October** - Financial Planning
- **November** - RIA Reporting
- **December** - Training
- **December II** - Best of . . .



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