Financial Instrument Reference Database (FIRD) Viewpoint Working Group

1. Suggestions on engaging the industry in a public-private partnership
2. Recommendations on best practices for a governance framework

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The Ask, Goal, Assumptions, and Caveat

**Ask:** The OFR asked the FRAC’s Data and Technology Subcommittee to advise on suggestions/recommendations on

1. how to engage the industry through public-private partnerships
2. what are best practices for an effective governance framework.

These are in view of proposals to be made in the forthcoming FIRD Viewpoint paper

**Goal:** provide recommendations, perspectives and non-biased industry views

**Assumptions:**
- Per the OFR, the FIRD Viewpoint paper focuses on:
  - Use of non-proprietary data (non-commercially value added)
  - Concept of a data lifecycle model with producers, consumers, data stewards
  - Focus is on instrument data (~20 core attributes)
  - Intent is to clarify these and other viewpoints with industry participants

**Caveat:** the draft FIRD Viewpoint paper remains under review, and, therefore, was not made available to the working group. These recommendations reflect data-technology best practices. Based on conversations with OFR staff, all agree that these practices are relevant to success of the FIRD Viewpoint paper
Financial Instrument Reference Database (FIRD) Viewpoint Working Group

**Topic 1:** Engaging the industry through public-private partnerships
Building the FIRD: Critical elements

• OFR is preparing a paper to describe how it plans to fulfill its obligation to publish a “financial instrument reference database” (FIRD)

• We expect the FIRD paper to lay out the following requirements
  – The key elements of the FIRD:
    o Model: definitions and a conceptual structure for the characteristics of contracts (data dictionary/ontology)
    o Identifiers and other reference data
    o Example use cases for how the FIRD will provide value
  – This data needs to be maintained in an efficient machine readable form
  – They need to be made available to the public
  – A robust governance structure is needed to ensure credibility of the information
Building the FIRD: What’s the role of existing systems?

- Of course many of the critical elements that are needed for the FIRD already exist, in one form or another, primarily in the private sector
  - There are a range of existing systems that provide reference data for financial instruments
    - This includes systems developed and maintained by data vendors such as Bloomberg, Reuters, SmartStream, and IHS Markit
    - Data standards designed to facilitate information exchange across existing markets such as FpML
    - Ontologies exist, example is the Financial Industry Business Ontology (FIBO)
      - FIBO is the outcome of a collaborative effort among industry practitioners and information scientists to develop an ontology conditions, and characteristics of financial instruments
  - The OFR has to assess the degree to which these existing systems either meet the needs of the FIRD or can be the foundation for the FIRD
Building the FIRD: Crucial issues for private sector engagement

• What sort of feedback and input does the OFR want (need) from the private sector outreach?
  – Are the FIRD components we have proposed the best way to respond to the public’s needs? How do you expect the components to interact?
  – What communities in the general public should we look to for guidance about which uses of FIRD are the most important, both for inclusion and for prioritization?
  – What should be the initial scope and eventual goal for the coverage and quality of the components?
  – What are the most important considerations to develop acceptance criteria for each component?
  – How will existing elements, such as FIBO and various instrument identifiers, be incorporated into FIRD? How should the OFR engage with the owners of these elements?
Types of parties to engage with (examples noted):

- Financial institutions -- Large banks (SIFI’s), asset managers, etc
- Trade groups -- SIFMA, Clearing House, ABA, etc
- Market utilities – DTCC, GLEIF (LEI), etc
- Vendors – Bloomberg, Reuters, etc
- Industry groups – EDMC, etc
- Standards setting bodies – ISO, etc
- International entities
- Other regulators
  - Our strategy has to be informed by how OFR is working with these agencies
  - We can demonstrate efficient reporting based on data, e.g. regulatory reform (Dodd-Frank, MiFID II, etc), working with vendors to move toward standard formats
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**Topic 2:** Best practices for an effective governance framework
Recommendations on best practices for a governance framework:

Considerations for the OFR

- Determine objective of the governance framework: directing, guiding, informing, etc.

- Determine engagement level of OFR: owning, accountable, facilitating, administering, etc.

- Consider developing a governance framework standard that can be adopted by other agencies/authorities...common lineage and transferability

- Consider creating a policy that defines:
  - Purpose/scope, Roles/responsibilities
  - Requirements, Exceptions
  - Compliance breaches, Escalations
  - Revisions, Etc.

- Consider, promote and recommend opportunities: treat data as an asset, improve commercial value, analysis with impact, risk reduction, regulatory compliance, aim for zero touch whenever possible
Why is Governance Key?

**Governance** (Peter Weill, Jeanne W. Ross, MIT CISR):

“[S]pecifying the decision rights and accountability framework to encourage desirable behavior...”

Rooted in keeping these five questions continuously answered:

<table>
<thead>
<tr>
<th>Fundamental Question</th>
<th>What it means</th>
</tr>
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<tbody>
<tr>
<td>What is mandated?</td>
<td>Directives that the organization is required to follow. These requirements usually come from outside of the IT organization.</td>
</tr>
<tr>
<td>What decisions need to be made?</td>
<td>The set of decisions that must be made to accomplish the organization’s business objectives</td>
</tr>
<tr>
<td>Who makes each decision?</td>
<td>The assignment of decision-making authority, which establishes the relationship between Operations and Technology</td>
</tr>
<tr>
<td>Who implements each decision?</td>
<td>The designation of responsibility for following through on decisions that are made</td>
</tr>
<tr>
<td>How is each decision implemented?</td>
<td>The set of activities required to follow through on decisions, including governing bodies and feedback mechanisms</td>
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A good set of guiding principles is critical and foundational to governance
## Recommendations on best practices for a governance framework

### Suggested Guiding Principles

<table>
<thead>
<tr>
<th>Category</th>
<th>Guiding Principles</th>
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<tbody>
<tr>
<td><strong>Data Governance</strong></td>
<td>1. Data shall be treated as an asset</td>
</tr>
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<td></td>
<td>2. All data shall have identified owners, with data elements owned by applicable groups</td>
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<td></td>
<td>3. Data shall be audited on an on-going basis</td>
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<td></td>
<td>4. All groups shall participate in information management decisions</td>
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<td><strong>Data Standards</strong></td>
<td>5. Data shall be complete, shared, accurate, fit for a purpose and not duplicated</td>
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<td>6. Data and data domains shall be standardized</td>
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<td></td>
<td>7. Data shall have a common vocabulary and data definition and meet quality standards</td>
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<tr>
<td><strong>Data Management</strong></td>
<td>8. Data shall be secure, controlled and timely</td>
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<td></td>
<td>9. Retention policies with appropriate granularity shall be established</td>
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<td></td>
<td>10. Decisions shall maximize the benefit of data</td>
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<td><strong>Data Integration</strong></td>
<td>11. Internal data shall adhere to industry standards</td>
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<td></td>
<td>12. Data shall be made available only through mechanisms that ensure integrity and timeliness</td>
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</table>
The goal is to create a sustainable data governance model that will allow the OFR to immediately and consistently make sound long-term decisions for the good of the industry.

Governance approach is cyclical, repeating when business needs change.

Governance, including the resulting policies and procedures, will need to consider the management of the OFR’s complex data structure (e.g., global, regional and local reference data).
Recommendations on best practices for a governance framework

Structure

There are three tiers of data management in a governance office, with a strategic data governance council providing the guidance and willingness to test the status quo

Data Governance Council Strategic

- Executive Data Stewards
- Sanction and approve data governance policies and procedures; focus on concepts and structures
- Resolve < 5% of the issues
- Meet monthly or quarterly

Data Stewardship – Steering Group Tactical

- Coordinating Data Stewards
- Determine responsibilities, priorities and tasks
- Report to the Data Governance Council on implementation progress and issue resolution
- Resolve < 20% of the issues
- Meet weekly

Data Stewardship Teams Operational

- Business Data Stewards
- Responsible functional groups forming governance business units, risks managers, finance, compliance, reporting; focus on attributes/values of reference data
- Report to the Data Stewardship – Steering Committee on improvements, changes, issues
- Resolve 75% of the issues
- Ongoing
Recommendations on best practices for a governance framework:

Future State Solution

Long-term success depends on:
- Anticipating the rapidly changing needs of constituents and developing new services to meet those needs
- Aggressively seeking to expand stakeholder relationships

**Process**
- Establish a formal governance process and decision making guidelines
- Create appropriate instrumentation to enforce governance and meet service levels
- Manage change for successful data implementation and maintenance. Major changes include:
  - Functional process change
  - Organizational roles
  - Data ownership
- Manage data programs to achieve objectives with optimal time and cost constraints

**Organization**
- Identify owners for data assets
- Identify owners for each domain across business functions
- Develop data stewardship program to enforce consistency and reusability for data delivery and consumption
- Define roles and responsibilities to be performed by data architecture team to ensure adherence to standards across the enterprise over time
- Identify and remediate gaps in skillsets
- Develop checks and balances

**Technology**
- Establish a single version of data across the OFR with uniquely identified records within each domain
- Develop a market participant integration platform to support the movement of data between operational systems and consumers of the data
- Ensure appropriate instrumentation to enforce governance

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