

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

Members: Lewis Alexander, John Bottega, Tom Dunlap, Rosemary Marcuss

Discussion Document Feb. 23, 2017

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:
 - Model: definitions and a conceptual structure for the characteristics of contracts (data dictionary/ontology)
 - Identifiers and other reference data
 - 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?

Building the FIRD: A broad range of parties need to be engaged

- 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

Financial Instrument Reference Database (FIRD) Viewpoint Working Group

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

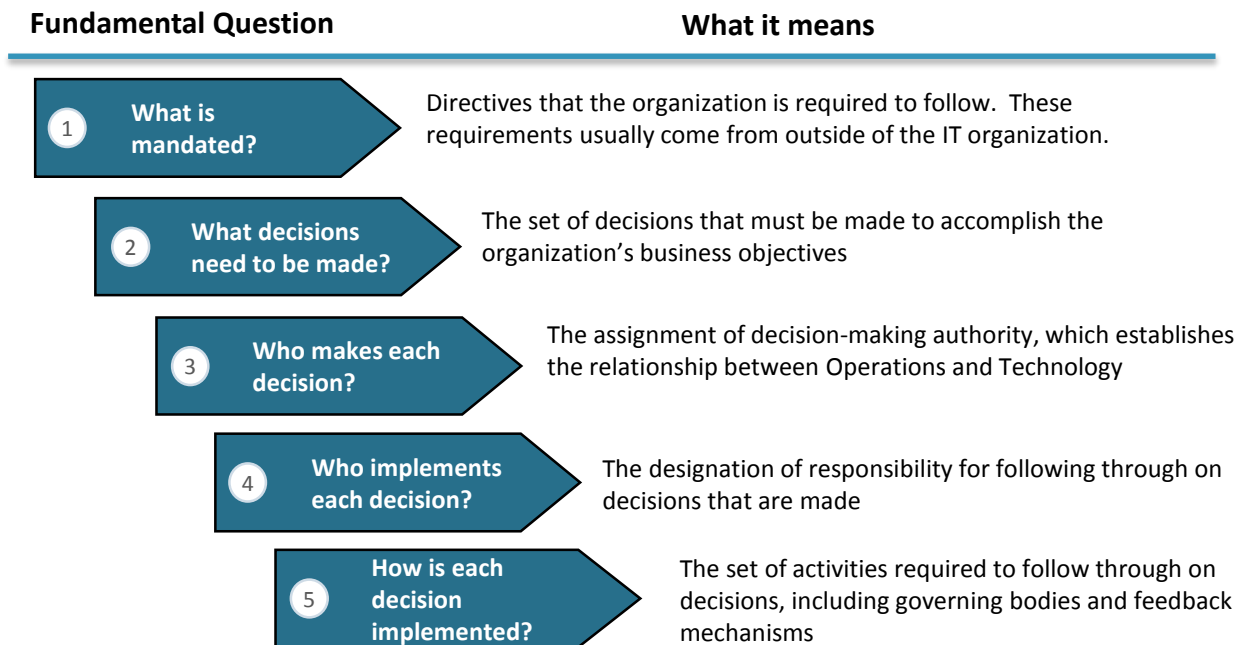
Recommendations on best practices for a governance framework

Why is Governance Key?

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

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

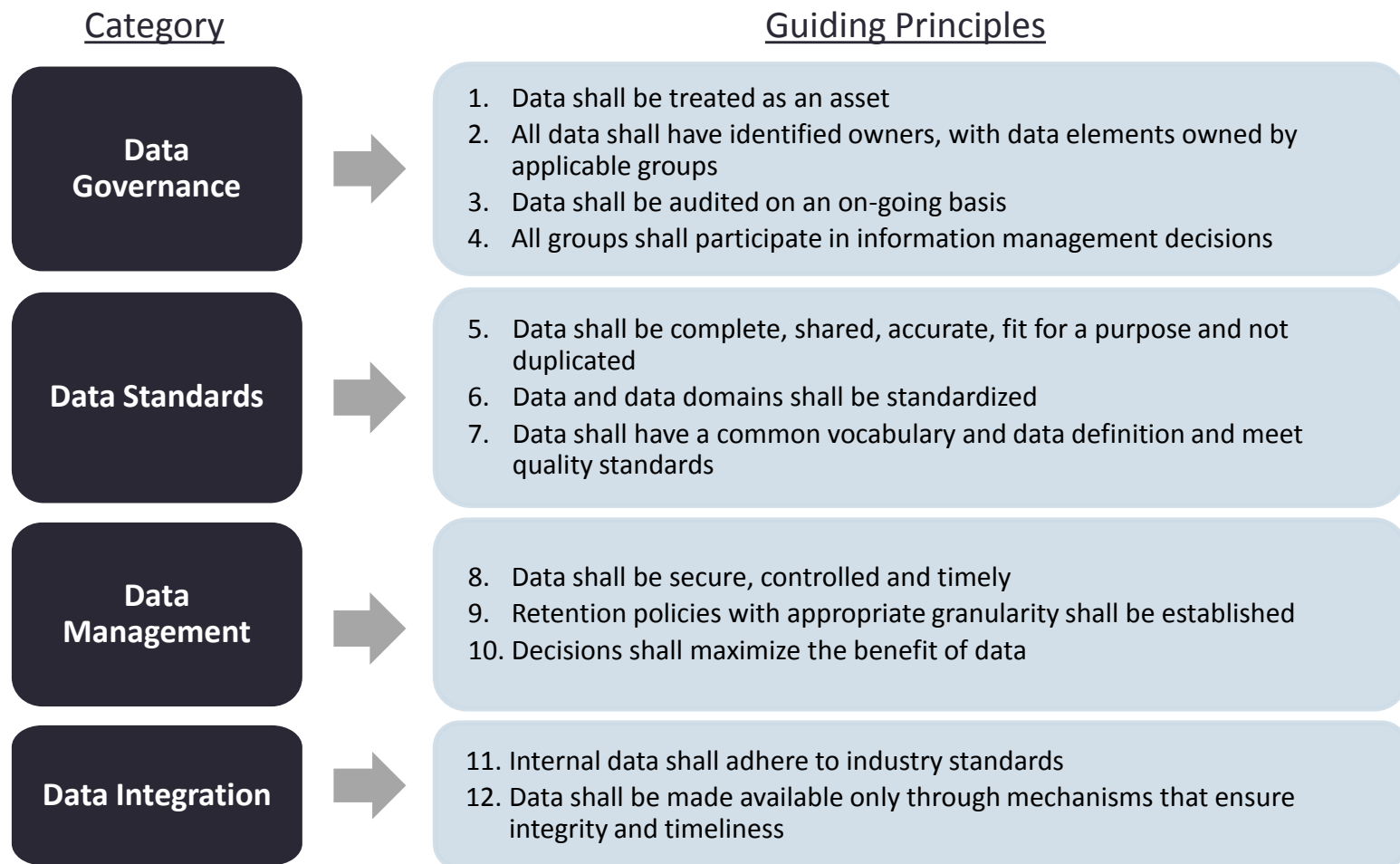
Rooted in keeping these five questions continuously answered:



A good set of guiding principles is critical and foundational to governance

Recommendations on best practices for a governance framework

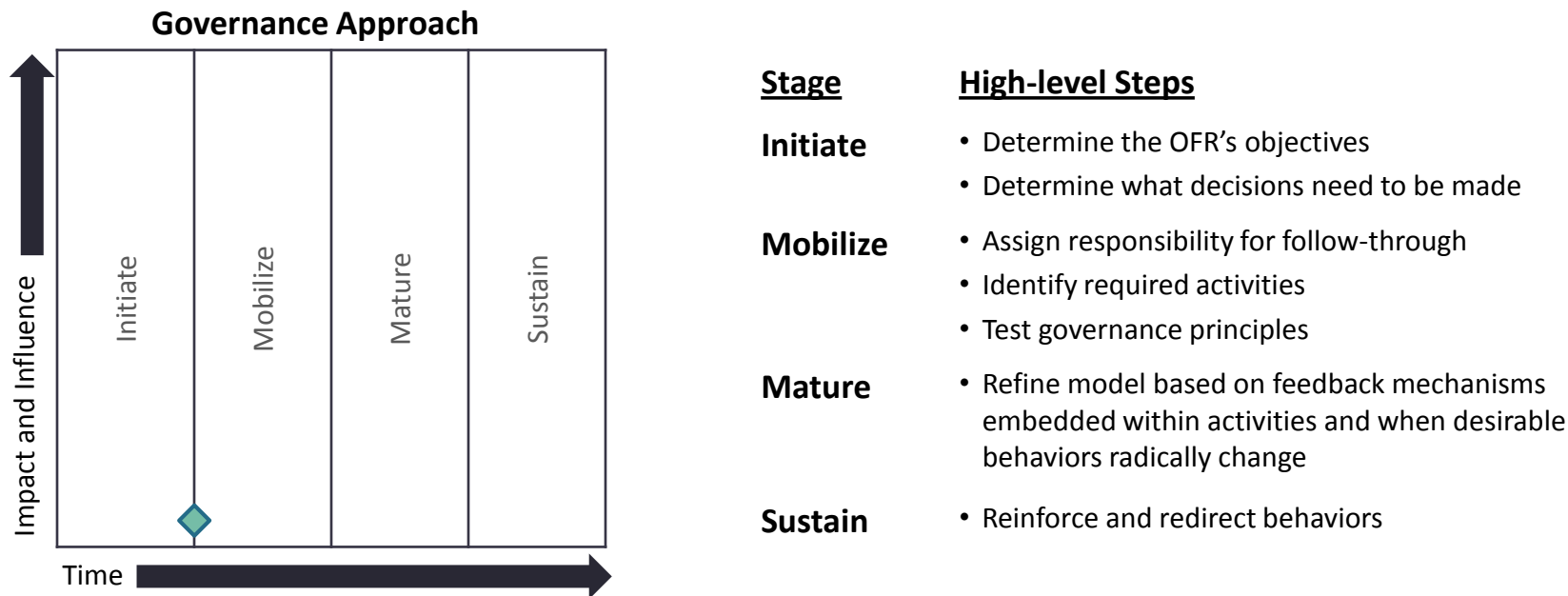
Suggested Guiding Principles



Recommendations on best practices for a governance framework

Approach and Consideration

- 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



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