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Multiple Systems & Processes Complicate Data Consolidation: Q&A

In an FTF News Q&A, Matthew Bergerman, director of product management at DTCC Data Services, discusses why the DTCC won the Best Compliance Solution award for the Liquidity Coverage Ratio (LCR) Data Service, He also dives into the transaction data consolidation challenges facing most firms.

by Eugene Grygo

The DTCC Data Services team at the FTF Awards 2018.

(Matthew Bergerman, the director of product management at DTCC Data Services, oversees the development of data solutions for the equity, fixed income and reference data markets. An industry veteran with more than 20 years of experience in the financial information industry, Bergerman joined the DTCC in 2015 after leading market data and reference data efforts at AllianceBernstein, Fortress Investment Group and Deutsche Bank. He has also worked on the vendor side of the aisle, overseeing data offerings and the development of data applications at Thomson Financial and Pershing. He took time out of his full schedule to answer our questions about the DTCC's Best Compliance Solution award via the FTF News *Technology Innovation Awards, and related issues.)*

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"LCR's coverage-ratio updates can allow firms to allocate capital more efficiently backing short term credit facilities."

Q: What would you say was DTCC's biggest achievement in 2017 as far as the market's embrace of the Liquidity Coverage Ratio (LCR) Data service?

A: The greatest achievement for LCR has been the positive feedback we have received from clients that have signed on for the service. That positive feedback has continued as adoption has increased in the marketplace.

Q: What is the biggest client need that the LCR Data service is targeting?

A: LCR gives firms a powerful tool for Basel III compliance that analyzes subscribers' daily corporate credit portfolios. The service is a fast and cost-efficient way for firms to enhance visibility into the obligations for which they have commitments.

Q: How does the LCR service help with collateral management challenges across the trading enterprise?

A: The commercial paper (CP) issuance and obligation data that is sourced through DTCC's depository subsidiary, Depository Trust Company (DTC), gives LCR access to aggregate data with outstanding depth and breadth.

Each business day CP issuers and paying agents send to DTC data on approximately $100 billion in new issuances and maturities; more than $1 trillion in CP is on deposit at DTC.

The service utilizes the DTC-sourced data on new CP issuances and maturities in conjunction with a subscriber's credit portfolio data to calculate and provide overnight delivery of customized information that can help firms optimize their current liquidity requirement.

LCR's coverage-ratio updates can allow firms to allocate capital more efficiently backing short term credit facilities.

Users of the service can potentially save substantial sums of bank capital by implementing this service and can redeploy capital for other business needs.

Q: Will the DTCC be working with any third-party providers to further the acceptance of the LCR service?

A: We are not currently, but we are open to a discussion if there is demand and benefits to our end-users, as we have done with other DTCC Data Services.

It's important to note that DTCC's primary concern is safeguarding our clients' data and anonymity and, as a result, all potential third-party partnerships are extensively vetted.

Q: What technology trends excite you and how will they impact the LCR Data service?

A: Big data tools have made LCR and other solutions from DTCC Data Services possible. We plan to continue to use these tools in conjunction with technologies like artificial intelligence to bring greater value to our clients.

Given DTCC's unique position as a regulated, industry-owned market infrastructure with access to an incredible depth and breadth of data, we are always looking for innovative ways to help the industry meet their data needs.

Q: On another data front, in response to 9/11, U.S. financial services regulators have been urging firms to gather post-trade transaction settlement data that is intended to spur sound business practices that will make financial markets more resilient in a crisis. Why is it important for firms to gather this type of data?

A: By having this data available, firms can readily respond to inquiries from internal or external parties, including regulators, as they work to assess the risk a single firm can pose to the overall market.

Q: How challenging is it for firms to gather this post-trade data from so many disparate sources?

A: This varies by the size and complexity of the organization. However, whether the firm is a global, mega-institution with multiple businesses or a smaller,

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single business line or anywhere in-between, most firms have multiple systems and processes in place, making the effort of consolidation across asset classes challenging.

Additionally, they do not necessarily have a clear, mathematical perspective on the overall market size to know if they are above a specific market share threshold.

This is why DTCC Data Services creates offerings to provide clients with consolidated transaction data, saving them the time and expense of gathering settlement records across multiple trading desks, business units, legal entities, clearing agencies, divergent systems or technologies, and provides perspective on your firm's activity compared to the entire market.

One such product, Post-Trade Critical Markets Report, can help firms determine whether they meet the market share thresholds articulated in the Interagency Paper on Sound Practices to Strengthen the Resilience of the U.S. Financial System (Interagency Paper) by providing firm-specific and market-aggregate transactions data for transactions cleared and settled through DTCC's clearing agency and depository subsidiaries.

The Interagency Paper was issued by the Federal Reserve Board, Office of the Comptroller of the Currency (OCC) and Securities and Exchange Commission (SEC) in an effort to improve the resilience of the private-sector clearing and settlement infrastructure after September 11. [The paper can be found here http://bit.ly/2PMLFoO.]

Q: How does gathering and then analyzing this post-trade information help financial services firms improve their business practices and thus overall resiliency?

A: By knowing the impact a single firm's activity may have on the market in case of disruption of access, risk teams, auditors (internal or external), and regulatory teams can better access the overall impact a loss of a single firm's liquidity may have on the stability of a specific portion of the financial markets. This is not necessarily meant to help 'business practice.'

However, our Post-Trade Critical Markets Report does provide the recipient with a better sense of their overall impact on financial markets at a single asset class level.

We have found that many firms have working internal assumptions regarding market share across an asset class. The service helps confirm or refute such assumptions with actual data points. Having this data available allows a firm to be better informed on their impact upon the entire market. FTF

Matthew Bergerman, director of product management, DTCC Data Services