

Getting Practical About Entity Data



What are the key elements of a practical framework to improve entity data initiatives?

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If you are reading this article, you are most likely in either the planning or the execution stage of an entity data initiative. At Kingland Systems, we have more than 15 years of experience solving data-related problems, including significant experience with global entity data and global customers. We take an engineering approach in creating solutions. Below you will find elements of our engineering approach that provide a practical framework to improve your entity data initiatives, evaluate entity data products, and utilize outsourcing as appropriate.

What is entity data?

Entity data is not new. It exists and has existed for years, across business units, regions, or departments within every firm in the world. Firms commonly think about entity data from a counterparty, client, or issuer perspective. Generally, entity data describes the data used to identify companies, governments, municipalities, banks, partnerships, people, and everything else participating in the global markets.

Practical Tips

- An entity does not trade on an exchange. A security trades on an exchange; an entity issues a security. Though firms love to identify entities with popular security identifiers, these identifiers are not fit for entity data.

- Analyze how your firm uses entity data. One of the most effective means for managing high quality entity data is to focus on the entities themselves and manage the relationships surrounding the entities. Key entity relationships include issuance of securities, ownership of entities, relationships to people, and relationships to other entities such as ven-

dors or customers.

- Seek out proven entity data experts. While the concept of entity data is not new, production of reliable entity data is relatively new. We see a number of similarities between data and manufacturing. It is quite difficult to take a manufacturing line that is producing a product at an 85% quality rate, wake up one morning, and decide to turn the line into a six-sigma operation. It just does not work.

How do you successfully manage entity data?

The simple answer is process. Four major components are required for the processes to support entity data. Use these components when evaluating available data products as well as your own entity data initiatives.

1. **Global data inputs** – Multiple inputs are required to develop a high-quality data set. We use the framework below to engineer quality into entity data systems. To address all of these components of quality and maintain long-term flexibility, it is necessary to view all sources as “opinions” of data, building a process to manage the use of those opinions.

- a. **Accurate** – Is the data reliable? Identify sources that provide the right data, not just better data.

- b. **Timely** – How frequently is the required data updated? Name changes, mergers, acquisitions, partnerships, and other changes affect entity data quality.

- c. **Comprehensive** – Does the data cover all of the regions and types of entities required? Entity data must be approached comprehensively for it to be used throughout your firm.

- d. **Complete** – Does the data have the attributes required? Entity data is useful only if the attributes exist to enable its use.

2. **Software and technology** – Your systems must be designed to optimize data integration, management, quality scanning, researching, and provide tooling and interfaces for end users.

3. **Human research** – Data and information demand grows daily, often making human research inevitable. However, human research is only as reliable as the research process followed and the people conducting the research.

4. **Data contribution** – Do areas exist in which your firm has reliable entity data? Consider how this data can be contributed as another opinion. Consider how other business units, or even other firms, can contribute.

Practical Tips

- Be wary of data products that use the “duct tape approach” of bundling legacy data products together as “entity data”. The needs of the financial industry have outpaced current data providers’ ability to produce high quality entity data. Look for data providers that manage entity data using a proven four-component model like the one described above.

- There is “safety in numbers.” Entity data problems faced by one firm are the same as another. Firms are increasingly looking to companies that have solved these problems, managed entity data, leveraged software and technology, and have a proven track record of running research operations. At least one industry consortium is even working collaboratively to contribute, collect and share data that is not available in the market.

- Stop allowing your organization to deploy department fixes. Creating and managing your own entity data provides little to no competitive advantage.