HOW WILL THE CDO AGENDA EVOLVE IN A POST COVID-19 WORLD?

As the focus shifts to the longer-term impacts of COVID-19 on financial services, data organizations have a critical role to play in the sector's future success.

Now more than ever, banks and other financial institutions need to review their data strategies to ensure they remain relevant, notably in terms of re-evaluating and if necessary adapting their Chief Data Office (CDO) strategy to deliver fresh benefits and new working paradigms. The importance of cloud adoption and standards in the 'new normal' cannot be understated, nor the benefits of optimizing regulatory reporting through the adoption of ontologies.

Last month we organized a virtual panel and Q&A session led by Capco Partner and Data Practice Lead Chris Probert, Oli Bage, Global Head of Business and Data Architecture at financial market data and infrastructure provider Refinitiv, and Mike Meriton, Co-Founder and COO at the EDM Council.

In his introductory remarks, Chris noted that he expected a traditional 'V-shaped' response to COVID-19. The first phase has been a rapid response that focused on ensuring customers are digitally enabled and accessible. The second phase - 'adapt and enhance' - sees firms ensuring that processes are scalable and digitally oriented, and transforming their operational model as required to support digital processes. The third and final phase, and the destination of this journey, is a 'new normal' where changes to operational models are supported by data, whether in respect of digitalization, cost control or KYC programs.

Oli Bage and Mike Meriton then provided an overview of cloud enablement and knowledge management in the context of the EDM's Data Management Capability Assessment Model (DCAM). Offering a structured evaluation of a firm's data management program, DCAM comprises a set of best practice principles encompassing seven components, 31 capabilities, 106 sub-capabilities and no less than 358 objectives. It provides an assurance checklist to allow firms to ensure they are meeting best practices via a quantitative assessment tool, a training facility and a capability to benchmark performance against the wider industry.

The EDM Council has formed the Cloud Data Management Capabilities (CDMC) Work Group that brings together leaders from both the cloud and financial services sectors to create a common cloud data management framework. A clear set of requirements will allow cloud providers to engineer the precise solutions required by the industry, and to automate around those requirements.

The Work Group has established "what good cloud data management looks like" in the financial service space and beyond, focusing on six specific areas:

- Data Catalogue and Classification: identifying what data is important to the organization;

- Data Accountability and Governance: identifying where data comes from and confirming that has the equivalent data quality of source systems;

- Data Accessibility and Usage: identifying the purpose of the data and its ethical use;

- Data Lifecycle Management: best practices around timelines and purging data;

- Data Protection and Privacy: encryption requirements and which solutions should be in place when the best-case-solution doesn't exist;

- Commercial practice: assessing the most commercially viable architectural designs.

Chris then handed over to Tej Patel, Partner and Regulatory Practice Lead at Capco, for an overview of the current regulatory landscape and related future considerations. As Tej noted, while there has been a brief hiatus around the regulatory considerations due to COVID, certain realities – and challenges – persist. On the one hand, no precise alignment across regulatory bodies in respect of their specific requirements; on the other, a lack of homogeny when it comes to how individual institutions tackle regulatory reporting due to a combination of siloed views and fragmented reporting.

At the same time, firms cannot expect any slowdown in the velocity of regulatory agenda going forward. And the regulatory burden is shifting, away from pure transactional data to a broader array of data types including qualitative data, for instance on the internal audit function. This change will increase the burden on the CDO as they look to define and manage these data flows.

Tej then turned his attention to the ontologies at the heart of regulatory reporting. While typically the same data sets are being transformed, recut and remade in various ways, Tej argued in favour of adopting an ontological approach, already used widely in data science. In short, dictionaries or thesauri are used to map multiple regulatory requirements via a common translation language into applications as an abstraction layer.

By mapping regulations to a common ontology, which in turn is mapped to each system (instead of remapping each regulation itself to each system), a firm's compliance burden is reduced - with benefits in terms of both operational overhead and costs. This ontological approach is tied to the cloud, with data ingestion into the cloud managed systematically using tagging to aid data management. As Tej noted, rather than creating a 'data swamp', "the ontological approach unlocks data value from the cloud", as the ingested data is at once understandable and contextualized.

A Q&A session then followed, with data architecture and resilience being the first topic raised. It was noted that an opportunity exists for value to be cascaded across different functions within an organization via collaboration between operational risk, data architecture, technology infrastructure and business continuity planning teams. With each team looking at the same pool of metadata and transforming it in different ways,

knowledge graphs can be used to bridge any gaps between teams, enabling integration to provide a real view of operations through the formation of a digital twin.

The key roles of process and cultural change in achieving cloud-oriented goals was the next discussion point. The first phase of the CDMC Work Group's mission centres on establishing the requisite technological building blocks to ensure individuals have the tools need to be data literate; while the second phase will leverage the DCAM and its approach to data program management to ensure that data is driven onto the cloud with the clear intent of achieving defined business objectives. Technological building blocks give people the tools to be data literate.

The increased threat from cyber and phishing was next on the agenda. Remote activities carry an enhanced level of risk – indeed, a 50 per cent spike in bad-actor activity was referenced in the event of major societal or market crises. That risk can be mitigated through the use of fraud ontologies to more clearly understand motivations behind fraud and of knowledge graphs to infer the "paths of bad actors". Data risk arising from WFH scenarios was also raised: here, it is key to understand precisely what data is being used and to put the appropriate controls around it. The reporting capabilities within Office365 relating to where data is stored – whether on an individual's hard drive or in the cloud – was cited as an example of such a control point.

The final topic discussed was the optimal focus for CDOs in the future. Oli Bage flagged data quality which, he noted, is seen as an accountability issue and solved through increased transparency: "tracking the use of data through systems tracks its value". CDOs should be treating data as an asset that provides both revenue and control opportunities, he added.

For his part, Mark Meriton stressed the importance of identifying where data assets are held and whether/how they have business context, which depends on robust metadata management, searching and cataloguing. Remuneration is also a key consideration, with higher compensation a way to encourage data management improvements – and here the precursor is a firm's ability to evaluate the state of data, processes and technology within the organization.

Speaking after the event, Chris Probert said: "COVID-19 has clearly had extremely negative impacts on our professional and personal lives, but the strength and adaptability we've seen - from individuals and organisations alike - has been remarkable. From a CDO perspective, the pandemic has seen firms face up to and start to push past what for a long time have been viewed as immoveable obstacles. Remote or home working, for instance, was typically viewed as impractical and undesirable within financial services, but it currently the status quo.

"Similarly, there are huge opportunities to reassess how we engage with, manage, distribute and leverage data. That work has already begun, and if we can tackle those challenges like we have the sudden shift to home working, we can make great strides in some very exciting directions. I'd add that the work of the EDM Council in particular also demonstrates the huge value of collaboration as we look to transform the role of data across the industry."

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