

The rise of the chief data officer: The silver lining of the financial crisis

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Four years after the collapse of Lehman Brothers, financial institutions are still wrestling with data to gain a holistic 360 degree view of their business and exposures. The new market reality brings with it a deluge of regulatory changes and operational challenges that requires someone to take the lead – to treat data as a strategic enterprise asset. As firms strive to achieve effective data governance and address shifting requirements, the emergence of enterprise level data stewardship led by the chief data officer is crucial to success.

Competitive advantage driven by data is after all an executive-level business issue, enabled by technology. Essential to risk management, regulatory requirements, and operational efficiency, effective data management should be viewed as a business function, whose quality, control and governance apply across the enterprise. Managing data is no longer viewed as the siloed preserve of IT alone. Deriving meaning from data and maximising impact for business functions requires maintaining adequate oversight of data and is increasingly becoming a centralised operational function, particularly where a risk or compliance business driver is involved. This applies equally to firms addressing capital adequacy standards in the form of Basel III and Solvency II, new standards of legal identifiers via the CFTC, reporting requirements from the Office of Financial Research, pricing transparency requirements and most recently, IRS tax withholding requirements under FATCA.

Beyond deciding where the executive responsibility for data lies, it is critical for firms to review the organisational, policy, and behavioural realities in which their data control framework operates. Here the chief data officer plays a leading role as



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the ultimate steward and vocal champion of enterprise information management. However, appointing data stewards and chief data officers to galvanise governance as a shared service across these firms will also be vital for success.

In many complex global institutions, data remains siloed in different business units, asset classes, and distributed across geographies. A lack of transparency adversely impacts the quality of enterprise level reporting and speed of decision making that is needed for compliance and navigating volatile markets. In addition, much of the data required by the risk or compliance functions is not consistently aggregated or readily available with the proper granularity when needed. The role of the chief data officer is crucial to consolidating, rationalising, and gaining timely access to an enterprise wide view of data for regulatory reporting purposes.

Final requirements are being defined and developed for impending regulations, making it close to impossible to deal with each individually on a tactical level. However, firms that are implementing flexible reporting, increasing access to granular data, and maintaining an accurate eye on optimal capital levels to ensure solvency are prepared to come out ahead.

More than 60 percent of firms recently surveyed by GoldenSource are actively working towards creating specialised data stewards, and eventually chief data officers for their enterprise. As institutions are now starting to understand what needs to be done to cope with regulatory overload, the rise of the chief data officer could be the silver lining.