

Reference Data Review

ALL THE CORPORATE ACTIONS YOU NEED TO KNOW IN THE SECURITIES ADMINISTRATION DATA BUSINESS

Azimuth Financial's Azdex Offers Counterparty Benchmarking Data

Azimuth Financial has lifted the lid on its Azimuth Data Exchange (Azdex) initiative to offer financial institutions analysis of the quality of their counterparty data, based on comparisons with that of their peers. Azdex recently signed up Dresdner Bank and Standard Bank of South Africa to participate in the benchmarking project.

According to Ken Price, co-founder and CEO, Azdex is a counterparty data exchange in which institutions contribute their core counterparty data on a regular basis to a central data pool. Here, the data is collated and exception reports are generated on a per-contributor basis. From this, each contributor is able to see where their data is consistent or inconsistent with that from a group of their peers.

As such, Azdex is designed to show participating banks how their data differs from other participants', based on analysis by Azdex. For Azdex, the focus is identifying where there are issues with the client's data, and building up authoritative source options for filling the gaps. The aim is to strive to create a level of consistency across the data sets.

As a result, data analysis efforts can be focused on inconsistent data and consistent data records can be audited at a lower frequency. Azimuth believes the result is greatly improved efficiency in validating and enriching counterparty data.

Azimuth reckons that by the time

Azdex contributors receive their daily counterparty data updates, the data will have passed through thousands of experts in other contributing partners' operations, including traders, sales people, brokers, accountants, research analysts, risk management personnel and data analysts.

At the moment, the focus is on counterparty data. Azdex's reports currently contain several fields: the legal name, 'also known as' and 'formerly known as' names, industry codes/descriptions, registered address, physical address, immediate parent and ultimate parent. They also contain a variety of publicly available identifiers, including tax IDs, business registry IDs and the Azdex ID, assigned during the data-matching process.

Prices stresses that anonymity is key. The participating banks don't know whose data comparisons are being made against.

With Dresdner and Standard Bank having joined in the last few weeks, Price expects to have added between nine and 10 banks this year, and has high hopes for wider acceptance in 2005, particularly as the model is proved and begins to bear fruit for participants.

The returns can be significant. Price cites one large U.S. investment bank that offered up what it considered to be its most accurate counterparty records for assessment. Azdex identified errors in 25% of the records.

Azdex is in the process of building the required infrastructure to manage multiple data feeds. The company maintains an office in Wrexham, Wales, where the data analysis is handled. Technology work is conducted from its offices in the City of London.

Azimuth Financial, based in London, was founded by Price, formerly of Cicada, Algorithmics and others, and Steve French, formerly of Reuters, Bloomberg and Credit Suisse First Boston, in the 2000 to 2001 timeframe. The company officially started operations in April 2002, with a firm focus on data management services.

The key premise was using the principals' experience in enterprise risk using data management to solve the many problems associated with data rather than the risk systems themselves. Because of the lack of good data, problems with risk system implementations had in effect become a data problem. Azimuth saw this as an opportunity to address data issues.

The company's first product, Recon, represented its first attempt to validate



reference data. Price says sales were difficult in the first year, in part because many of the banks targeted had no central data group. Data was managed by a group of fiefdoms, and this led to control issues. So, while it was relatively easy to get in front of people, it was less easy to move things forward.

At a meeting with Barclays two

years ago, Azimuth learned that the bank had already regrouped its data operations five years previously and so didn't need data cleansing. What it did need, however, was a way to compare its activities in this area with its peers, to effectively benchmark its data management processes. Barclays offered to share its data for comparison purposes and for

exception-reporting.

This became Azdex, the Azimuth Data Exchange. Azdex was channeled into a new, separate company, separate from Azimuth but owned by the same directors. Today, it facilitates data-sharing between Citigroup, the London Stock Exchange, as well as with Dresdner, Barclays and Standard Bank.

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