

Inside Reference Data



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Regulators are increasingly embracing the use of extensible business reporting language (XBRL), which means a growing amount of financial data will be tagged and easily accessible. Carla Mangado explores how widespread use of data tagging could affect the reference data industry

In the reference data industry, it is all about speaking the same language. Market participants typically agree that unique and precise identification of instruments, business entities, data attributes and classification schemes is the foundation of effective data management. Extensible Business Reporting Language (XBRL), the XML-based standard for electronic business reporting, is now becoming a key part of this debate. The technology was at the heart of discussions at the Swift-organized conference Sibos held in Vienna in September, as industry groups push for regulators to use XBRL for corporate actions in the same way as it is increasingly being used for company filings.

Regulators worldwide are now starting to introduce either voluntary or mandatory filing of company accounts in XBRL format, which improves access to financial information. Olivier Servais, XBRL team leader at the International Accounting Standards Committee Foundation, speaking at an XBRL event in London, said more and more global XBRL initiatives are taking off, and it is now the de facto standard for electronic business reporting.

But what does XBRL mean to the reference data industry? It is the technology behind data tagging, and it standardizes information. It removes the need to re-key, reduces data errors and speeds up data processing.

Data tagging itself may not be seen as complex, but it can resolve recurrent issues in the data management process. Brian Sentance, chief executive at London-based data and analytics management provider Xenomorph, says: "Data tagging is essential to enhance traceability and know what data goes where." He says systems would benefit if data was more self-describing - it would enable cleaner architectures.

If the tag attached to the data remains constant enterprise-wide, this will enable firms to associate all the data with that same tag to the same purpose. Having the data identified with precision enables users to compare it across multiple sources, feed models, generate reports and pass it along the transactions chain without a lot of transformation, miscommunications and inconsistencies.

"Data tagging is defining the factors and components of data models in a consistent way, so regardless of what physical data model you use you are still comparing apples to apples," says Mike Atkin, managing director of the EDM Council. "It is all about precisely identifying all the components of data management into business processes," he adds.

Enhancing and facilitating data traceability enables communication with precision between applications and users. Data tagging allows you to work with data the way you need to and in the same way our financial markets operate, says Atkin.

This is one of the areas the EDM Council is working on to help the industry with. The new semantic repository, which will be available industry-wide via the Council's website, aims to identify and bring together a common set of business terms, definitions and relationships for internal mapping within financial institutions (Inside Reference Data, September 2008).

This project has already received positive feedback in the community. After an initial evaluation with 15 financial institutions, Atkin says the reaction was excellent. "We are very pleased with the willingness in the industry to finally engage, and their recognition of the importance of data precision. It was the absolute confirmation of the importance of data attribute precision," he says.

New York-based Allan Grody, president of Financial Intergroup Advisors, emeritus adjunct professor, risk management systems, Leonard N Stern Graduate School of Business NYU, says many firms are currently experimenting with data tagging.

Regulators are also participating in the debate. US regulator the Securities and Exchange Commission (SEC) is emphasizing the need for change with its newly released interactive data electronic applications database (Idea) for company information, requiring companies to file information using XBRL technology (Inside Reference Data, September 2008)

The new database, which will eventually replace Edgar, the 1980s electronic data gathering, analysis and retrieval system, will give investors faster and easier access to financial information about public companies and mutual funds because the data will be tagged and searchable - like products with barcodes in the retail industry.

Washington DC-based David Blaszowski, director, office of interactive disclosure at the SEC says: "Interactive data using XBRL is about tagging data at the source of the provider of information then having it provided to the regulator, in this case the SEC." The computer-consumable data is ready immediately; it does not have to be re-entered or scrubbed nearly as much for accuracy and errors. The intermediaries, data gatherers or aggregators can then normalize that information or make it fit the needs of their own business models and users, adds Blaszowski.

Speed will also no longer be an issue. In fact, the information of a company, regardless of its size, will be available in near real-time upon it being provided. There will no longer be a waiting period until it is converted into something consumable by an investor. Levelling the playing field for customers, small companies will be available just as quickly as large companies, says Blaszowski.

However, although the industry is increasingly aware of the benefits of data tagging, doubts remain about whether the development of

different data tags for the same data entities will evolve into yet another standardization issue the industry will have to solve.

"It would be a shame to proceed into our future with this new technology but everyone having their proprietary data tags," says Grody. A common language is therefore required. "We do not have a universal product code for our product. We might get a universal data tag that says this is the product code, but we don't have the Universal Product Code as the retail industry has," he adds.

Even though the data tag attached to the data does remain consistent throughout processes, not all data tags the industry uses will be the same. The challenge the industry faces is whether data tagging can be carried out consistently throughout the industry.

Grody says this remains the key issue to overcome. "The main effort in the user and vendor community is to try and create a common language of data tags. Once that is accomplished then all miracles evolve from that," he says.

But data tagging is already facing other industry issues. If the data quality is not good enough, the tagging system will not be as useful as intended. Grody says: "If you could find it all over the world with the same data tag but if the data itself is not standard, what have you got? You made it faster to find out that you have a problem."

However, the SEC's Blaszowsky says, "This is about providing what they provide in HTML or another document form in XBRL, a data format."

This is not changing what they are providing, so there are no new requirements in terms of identification and information, but that is something the industry will have an opportunity to think about, he adds.

The timing might just be right. Although data tagging is not a new concept, as the information industry has been using it since the late 1960s, the financial services sector now has the right tools and knowledge to move forward. "Our industry has tended to operate fairly siloed, but now the objective of data management is gaining a lot of traction. It has been a difficult concept to understand, but most firms absolutely get it and are now struggling with the challenge of turning the concept of data management into the reality of data management," says Atkin.

This is not the first time the industry has tried to make the most of data tagging, however. "Each time we have tried to do it in the past, we have become diverted due to the misunderstanding between the technological format and the semantic structure," says Atkin.

Yet, the focus has now changed. The industry is eager to understand the entire data management process rather than only fixing immediate short-term-based issues. It is now up to the industry to explore opportunities that have arisen following the increased international use of data tagging technology.

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