Inside Market Data

September 2017: There's No Machine Learning Without Learning

As the responsibilities of data professionals become more complex and wide-ranging, training will play an increasingly important role in ensuring efficiency, compliance and consistency.

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With the responsibilities of market and reference data professionals constantly growing—from managing data costs and entitlements to seeking out strategic datasets to generate alpha, and further to finding and making available data to support the reporting requirements of new regulations—working in data in today's financial markets is a continuous learning process.

In this month's issue, we cover topics ranging from the murky waters of commodity swaps data reporting to different uses of new machine-learning and artificial intelligence applications to automate processes, tag data, create personalized client experiences, calculate liquidity risk, and better inform trading strategies. In the past, sources say, learning the ropes of market and reference data was typically an on-the-job process—learning by osmosis, as some call it: immerse yourself in something deep enough for long enough, and eventually you absorb sufficient experience to call yourself an expert.

In recent years, the issue of data licensing—specifically, making sure data consumers are appropriately licensed for the data they use, and neither under- or overpay for it—has been a priority for data managers, especially since many new structured investments are linked to indexes, and require customers to not

only license the rights to use the indexes and their public headline values, but also the underlying component data and weightings.

Hence the industry has recently developed several training and certification initiatives—the most prominent being industry association FISD's Financial Information Associate program—to validate the experience of data professionals and to broadly educate others whose roles depend on an understanding of data.

The second generation of the FIA program, initially covering data licensing, has the potential to change the way people think about data at several levels: First, it will reduce the risk of non-compliance with license agreements by developers and others with the potential to unintentionally misuse data and incur fines for breaching license agreements; but it will also make business users more aware of the costs associated with data—which, let's not forget, remains a financial firm's third-highest cost, behind building and personnel costs. This could mean simply making those in the front office more aware of the costs they incur and their responsibilities, but it could also mean that firms become better about budgeting the cost of data into business decisions. In some cases, this could even mean that they decide not to enter a specific business area if the potential gains don't support the costs involved. After all, why learn from your own mistakes if you can learn from others who came before you?