



## Selecting a Data Aggregation Vendor? Here Are 5 Questions You Should Ask

### SUMMARY

Numerous vendors provide data aggregation services, and choosing the right one for your business requires asking the right questions. You may be tempted to select a solution based on the broadest coverage of sources, such as custodians and banks, or product pricing. Those criteria work well if your goal is to provide a snapshot view for your front-office advisors and clients who require a holistic financial picture. On the other hand, if your objective is to create an accounting book of record (ABOR), providing key inputs for critical investment management and reporting activities, you need to ask vendors about their processes. Here are five questions that will help you narrow your search and find the best fit.

### QUESTION #1: HOW IS THE DATA COLLECTED?

Look for a vendor with direct connections to various custodians and ensure that these connections run daily and are continuously monitored. Does the vendor provide alerts if files are delayed or corrupt? If the objective is to create an ABOR, beware of vendors that leverage existing client portals rather than building out direct connections. This approach to data aggregation can provide access to a broad set of sources at a low cost but simply provides alerts if data is stale. **Furthermore, website connections can easily break due to password changes, whereas direct connections rarely have connectivity issues.**

### QUESTION #2: WHAT ARE THE QUALITY CONTROL (QC) PROCEDURES?

Ask how the data is reviewed for accuracy and completeness to meet your firm's data governance standards. Ask if they can normalize the data to fit your firm's specific needs. There are vendors that range from simply providing integration services, and then there are those that are more "white glove" and perform full-service connection, data normalization and data management. It is also important to confirm the timing of control checks align with your internal service-level agreements. Ideally, these occur daily with transparency into any anomalies that have not yet been investigated. Without transparency and quality, firms face additional financial and reputation risk when data is used for critical business functions. The white-glove type of service is costly but gives significantly more confidence in the data quality, benefiting both the firm and the client. **Any firm aggregating for an ABOR must understand the quality control checks done by the vendor and augment this service in-house, as necessary.**

### QUESTION #3: WHAT IS THE PROCESS FOR ONBOARDING CLIENT ACCOUNTS?

In today's world of instant online access to data, your users may assume that setup is easy and completed in minutes. That is a reasonable expectation if the vendor uses financial institutions' client portals and relies on client logins. Vendors supporting this approach have made it easier for clients to securely and quickly add accounts via user-friendly apps. But, as noted earlier, these types of connections can break. When creating an ABOR and, thus, working with a vendor who is utilizing a direct connection, the process is more complex. Each institution defines its authorization process for the distribution of client data. This creates an enormous burden for operations to know which authorization process to use for a given source. Ask the vendor about their role in this process. Ideally, they should share the burden of administrative tasks.

**Understanding the client onboarding procedures and vendor's role upfront allows you to find the best fit for your firm.**

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## QUESTION #4: WHAT IS THE PROCESS FOR ONBOARDING A NEW SOURCE?

Onboarding a source for an ABOR requires building a reliable connection and procedures. Each source could bring a new challenge, especially with transaction mappings, and requires revisiting the QC procedures. Expect more issues early on as some transaction mapping issues don't manifest until a specific event happens, like a complex corporate action. **When selecting a vendor, consider their process for adding new sources and adjusting their QC procedures as this can be a differentiator.**

## QUESTION #5: DOES THE VENDOR SUPPORT DIFFERENT LEVELS OF SERVICE FOR MULTIPLE SCENARIOS?

It is feasible for you to have two different needs: an ABOR for held-away accounts where your firm has investment management responsibility, and a snapshot view on other accounts needed for financial planning. Alternative investments, such as private equity, can be especially hard to aggregate given the lack of standardization and delays. These typically cannot, nor is it expected, be done daily based on the nature of those instruments' contract (manual construction) and valuation (infrequent) attributes. Other investment accounts are much easier to collect electronically, such as bank accounts, credit cards, loans, insurance products, retirement accounts, and directed brokerage accounts. Even though you could technically collect this information daily and scrub it for performance, should you? The answer is most likely "no." **If your requirement is limited to snapshots on specific dates, there is no reason for excessive processing fees for daily feeds with quality control procedures.**

## FINAL SELECTION CONSIDERATIONS

When selecting a data aggregation vendor, a fit-for-purpose solution should align to your business needs in balance with overall cost of ownership considerations. If quality data is required for investment management operations, you should expect to pay more and spend more time evaluating each vendors' processes. Develop a clear understanding of your data and operational needs to ensure that the selected vendor can deliver accurate data, and continue to onboard new sources and clients. Should you need an ABOR for some business segments and snapshot views for others, evaluate if a single vendor can provide a flexible model.

## HOW MERADIA CAN HELP

Meradia has extensive experience in data management and operating models for the front, middle, and back offices. We've helped firms transform their legacy operating models to target models, enabling growth, lowering costs and decreasing risk associated with temporary workarounds. We can identify your firm's specific needs for automated data aggregation, evaluate potential providers and implement a solution that suits your business needs.



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