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Welcome to this BearingPoint podcast on Data Convergence.

Chances are you've heard a lot about data convergence in the last few years, though the term can mean different things to different people. Typically the term refers to data convergence within IT application domains. But we've found there is a higher order, macro form of data convergence. It brings together data across domains such as customer relationship management, risk management, financial management and IT security. This higher order convergence, which we consider a more holistic approach, is driven by competitive pressures and the new regulatory framework companies now face.

In this podcast, we'll take a look at this macro trend in convergence. We'll describe the business and regulatory drivers, discuss how some financial services firms have put this new approach to work, and suggest ways other organizations can implement this approach to improve performance in a complex regulatory environment.

To learn more about Data Convergence please visit: www.bearingpoint.com/dataconverge

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Let's start by looking at what's driving a higher level of data convergence.

Over the past decade, waves of mergers and acquisitions in the financial services industry have created unmanageable levels of data complexity. With the economy on the move again, another wave is about to hit. Added to this are regulatory pressures from a head-spinning array of new laws, including Sarbanes-Oxley, Basel II, the USA PATRIOT Act, Gramm-Leach-Bliley Act, the EU Data Privacy Directive, and others. Throw in shareholders' demands for financial reporting transparency and you have a data problem of mammoth proportions.

Happily, recent changes have created opportunities as well. Financial services companies now see that creating a business growth platform is essential. The intense regulatory pressure has raised the issue of data convergence to the executive level. New technologies — such as data services layer, enterprise information integration and high-performance analytics engines — offer opportunities that did not exist even five years ago.

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A more holistic approach to data convergence can help companies meet these challenges and leverage the opportunities. To understand how, let's start with some definitions. Holistic data convergence combines

- *Integration,* which focuses on connectivity at the edge of the application, and
- *Convergence,* which combines data, process and technology at the application core.

Seeing convergence and integration as two aspects of holistic data convergence will help you use this approach effectively not only in "green field" development situations but also in the existing legacy environments. Moreover, this holistic view of convergence means that you can phase in data convergence, taking a step by step approach to enterprise-scale data problems.

The holistic approach includes not only the reuse of existing data across different applications, but also the development of new, converged data models — models that now include attributes, such as identity credentials and entitlements, that older data systems did not capture. These models also have new data transformations, such as security protection through encryption and integrity validation through digital signature.

Moreover, the holistic approach can be achieved only by applying best practices and techniques from previously disconnected disciplines of data management, risk management and information security. It involves virtually all executives in a financial services organization — CIOs, CFOs, chief risk officers, and chief marketing officers.

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But does this new approach to data convergence work?

A number of companies have found it does, especially for meeting the need to comply with complex regulations while maintaining their CRM strategies. For example, several companies have discovered that the dizzying array of new regulations they have to deal with are in fact interconnected. They can be leveraged to change the way financial institutions view and deal with their enterprise data.

Let's get more specific. Work we recently did with two major financial institutions shows that, by implementing a holistic approach, firms can achieve investment synergies, slash their costs dramatically and use those savings to invest in next-generation capabilities.

For example, working with the CIO and CFO of one major financial institution, we reviewed areas of the organization in which there were 150 projects representing approximately $125 million in spending. We approached the project from a data warehouse consolidation perspective and then linked it to the company's CRM, finance and Basel II initiatives.

We were able to help the company define an end-state vision and show the executives how to get there in intervals of three and four months. Through data convergence, we showed them how to reduce their spending from $125 to only $70 million, reduce the number of people needed to implement the project, and eliminate data consistency problems. At the same time, the approach helped the company meet all of its regulatory compliance requirements.

Furthermore, out of the $55 million in cost reductions that we identified — funding, which by the way, was already approved — we suggested that the company spend approximately $16 million to build some of the core next-generation capabilities that it would need for future requirements. In short, by taking advantage of synergies created by interconnectedness of needs, this company was able to free up significant dollars that could be used for other innovations, while still significantly reducing its overall IT spending.

We had similar results working with another major financial institution. We started by looking at its need for data warehouses, data marts and analytics related to its CRM programs. Then we suggested that it was important for the company to recognize its most immediate need — making the connection between its CRM-related data and data needed for Basel II credit risk compliance.

Once that connection was made, then it was logical to build the links needed to leverage the solution into the company's PeopleSoft systems, Sarbanes compliance initiatives and enterprise performance polling system in finance.

In the next phase, we suggested that the company build its next-generation customer experience management capability and, at the same time, weave in compliance solutions for the Gramm-Leach-Bliley Act.

As a result of the phased, iterative approach, the company was able to reduce its spending on these initiatives from $60 million to only $25 million. And, again, we recommended that it apply some of the $35 million in savings to other innovative, forward-looking projects.

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BearingPoint is confident that other financial institutions can achieve similar results by taking a new approach to data convergence. Here's how to get started:

- Develop an end-state vision that encompasses your entire enterprise.
- Determine what data you need for regulatory compliance and customer experience management activities.
- Assess the current quality of your data.
- Rationalize your existing IT project portfolios.
- Strategically consolidate and decommission data marts.

Our experience shows that by following this approach, you can effectively comply with new regulatory requirements while simultaneously reducing your overall operating costs and generating more accurate and more actionable data.

We hope this podcast has given you a new way to think about data convergence and useful information about the tremendous potential of a holistic approach. To learn more, visit our Web site, www.bearingpoint.com/dataconverge . Thanks for listening.