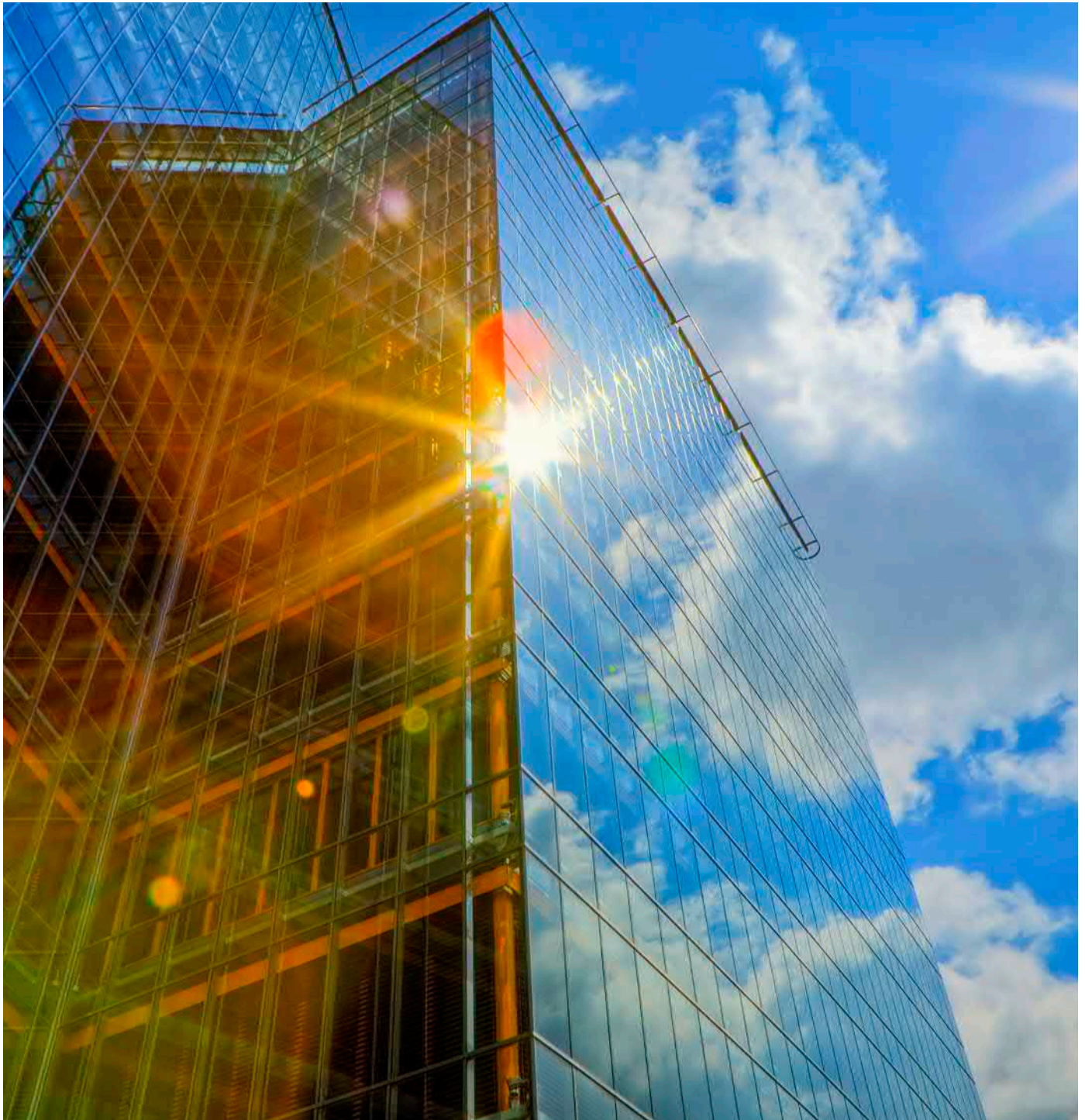


# Rising to the Intraday Challenge



New requirements for intraday cash and liquidity management reporting introduced by Basel III have resulted in a growing number of firms revamping existing treasury systems, and SmartStream's Corona Cash & Liquidity solution is on the crest of the wave of change.

**A**fter treasurers in Europe have finished their workday, dollar transactions are in full flow and payment positions in other currencies continue to change. In reality, liquidity may run low at any time. The global financial services industry never sleeps, and for regulators the financial crisis of 2007–2008 was the wake-up call.

Since then, one of the areas that has been under close scrutiny by regulators is the movement of cash and flawed liquidity management processes. Although payments normally run smoothly, the financial crisis highlighted how quickly liquidity can dry up and the potential liquidity risk introduced by stressed market conditions. For regulators the focus has therefore been on ensuring banks manage liquidity risk and meet capital adequacy requirements, which have been set out by the Basel Committee on Banking Supervision (BCBS).

As early as 2008, BCBS mentioned the importance of banks to “actively manage intraday liquidity positions and risks” in *Principles for Sound Liquidity Risk Management and Supervision*. In 2010 BCBS included a footnote in its *Basel III: International Framework for Liquidity Risk Measurement, Standards and Monitoring*, stating that BCBS was “reviewing if and how intraday liquidity risk should be addressed.” The details on how banks should handle management of intraday liquidity risk followed three years later in the *Monitoring Tools for Intraday Liquidity Management* (BCBS 248), which set out the expectations and example templates for intraday reporting on liquidity positions.

The new reporting requirements were initially scheduled to be introduced in January 2017, but deadlines have been pushed back to 2018 and 2019 in many countries. From a technology perspective, however, and, on the basis of events in pioneering countries, the trend firms are seeing is Basel III driving change in treasury departments. The new regulation has resulted in firms being able to justify a complete overhaul of cash and liquidity management systems, improving capabilities for both reporting and monitoring.

Software vendor SmartStream, one of the firms helping banks comply with the new regulation, has developed a new offering—an addition to its existing reconciliation system Corona. SmartStream's well-established reconciliation system has a rich exception management system on top of it, and because of the data requirements for the reconciliation system it covers a wide range of instruments. With the Basel III-relevant cash and liquidity data already in the system, Christian Schiebl, executive vice president of the Corona Business Unit at SmartStream, says it became clear it was the right time to enhance Corona's assisting customers' compliance with the new regulation—and Corona Cash & Liquidity is the result.

Raiffeisen Bank International has taken a proactive approach to Basel III, going live with SmartStream Corona Cash & Liquidity reporting solution throughout Raiffeisen Banking Group Austria last year, following a close collaboration between SmartStream's product development team in Vienna and the bank's treasury domain experts.

The Corona Cash & Liquidity reporting offering is designed to enable efficient regulatory reporting as defined in the BCBS 248 specifications and help banks monitor and manage cash positions on an intraday basis. The comprehensive system delivers one central tool to monitor and control all aspects of cash and liquidity management, and can be used to generate complete Basel III reports, incorporating, for example, central bank reserves, total credit lines available, balances with other banks and data on intraday throughput. The system provides real-time data from external sources and can help firms feed data into reports, enabling banks to comply with the regulation.

For Raiffeisen, the access to external data was a key selling point. The bank had previously built intraday cash and liquidity management tools internally, as intraday management has been an ongoing priority, but Basel III introduced the need to source external data and gain enhanced visibility into cash positions. “The driver to get something new was that we needed to produce Basel reporting with external data,” says Wolfgang Pollak, senior asset liability manager at Raiffeisen.

The external data that firms now need for Basel III includes timestamps and credit and debit information from counterparties, and the addition of this data means a bank can be certain they are looking at the same data as the counterparty sees on its screen. “With Corona Cash & Liquidity Management we have data we can trust, and we're no longer relying on what we think the counterparty sees,” says Pollak.

### Riding the Basel III Wave

Other banks have taken the same approach as Raiffeisen, and SmartStream's Schiebl says Basel III and cash and liquidity monitoring have become the most important market drivers for SmartStream's Corona business. As firms gear up to meet Basel III deadlines, the vendor has started seeing increased traction for product upgrades and implementations of Corona Cash & Liquidity. After releasing news on the Raiffeisen project, SmartStream also announced that Banque Saudi Fransi—a leading provider of banking products and services headquartered in Saudi Arabia—had selected its Corona Cash & Liquidity solution, as had Bank Mendes Gans in the Netherlands, part of the ING Group.

“The top benefit of Corona Cash & Liquidity is the potential for firms to improve the quality of their decision-making” Christian Schiebl, SmartStream

The roll-out of the regulation this year and next is driving firms to assess how to best meet the new reporting requirements. The overall goal is to not only produce the reports, but also gain an improved overview of intraday liquidity. Commenting on the Bank Mendes Gans implementation, Edzer Dirksen, manager client services, executive vice president at the bank, says: “We will be able to manage our risk on an intraday liquidity basis, which enables us to react faster and with more flexibility.”

There are three aspects to the Corona Cash & Liquidity system: reporting, monitoring and management. “The Basel III reporting function is the most compelling reason for clients to take Corona Cash & Liquidity right now, as they have to make sure they’re compliant with the regulation, but firms that take the full solution have full cash and liquidity management,” says Schiebl, who explains that efficient intraday reporting alone, which is needed under Basel III, is not sufficient to solve liquidity problems. Setting up for intraday reporting means looking back in time—collecting data on what has already occurred. However, the aim, explains Schiebl, is to deploy systems and processes for cash and liquidity management to predict future cashflow, inputting data on contracts that are already in place and future transaction dates that have been agreed with counterparties.

The Corona Cash & Liquidity system acts as a central depository for this information, which in smaller firms might have been collated in spreadsheets. With the aid of the new system, firms can take an overview at the push of a button and identify areas that need to be looked into. Schiebl says this could, for example, be a need to move capital from one account to another to prepare for a significant payment. To streamline this whole process, Corona Cash & Liquidity enables users to trigger a payment, further improving automation in cash and liquidity management.

### A Winning Game

Efficient liquidity management can enhance performance of the treasury function, with firms continuously striving to hold the right amount of liquidity at any point in time. “The top benefit of Corona Cash & Liquidity is the potential for firms to improve the quality of their decision-making,” says Schiebl, explaining that, unless the bank has a complete picture of funds available for investment, the funds are sitting there and not generating returns for the business.

Raiffeisen’s Pollak says one of the main benefits of going live with Corona Cash & Liquidity has been better knowledge of the intraday liquidity profile, which puts treasury in a good position to draw the right conclusions and possibly reduce the bank’s liquidity buffers to improve returns.

For Raiffeisen, the most important areas to cover have been nostro accounts—the accounts used by banks for maintaining cash in markets operated in to avoid currency risk on transactions—including USD accounts. Pollak says the bank now has real-time data on external account bookings in nostro accounts, and treasury can monitor what is already executed, what is in the pipeline and what is going to be paid out today. “This overview and the data quality was not available to us previously,” he says.

Another benefit to Raiffeisen has been the improved manage-

ment of USD accounts. Pollak explains that, although EUR is the bank’s main currency, EUR accounts were easier to track due to Target2 in Europe. With Corona Cash & Liquidity, however, he says it has been particularly useful to improve monitoring of USD accounts because it is the second most important currency for the bank and the time difference means many transactions are happening late in the day.



**Christian Schiebl**

### The Finishing Line

The next step after implementing the software is to ensure good communication with counterparties to get the data quality right. “We’re dependent on our external counterparty for data quality. It needs to deliver the data we deliver to the regulator,” Pollak says. “I need to get all credit and debit information from the banks that run our nostro accounts, for example.”

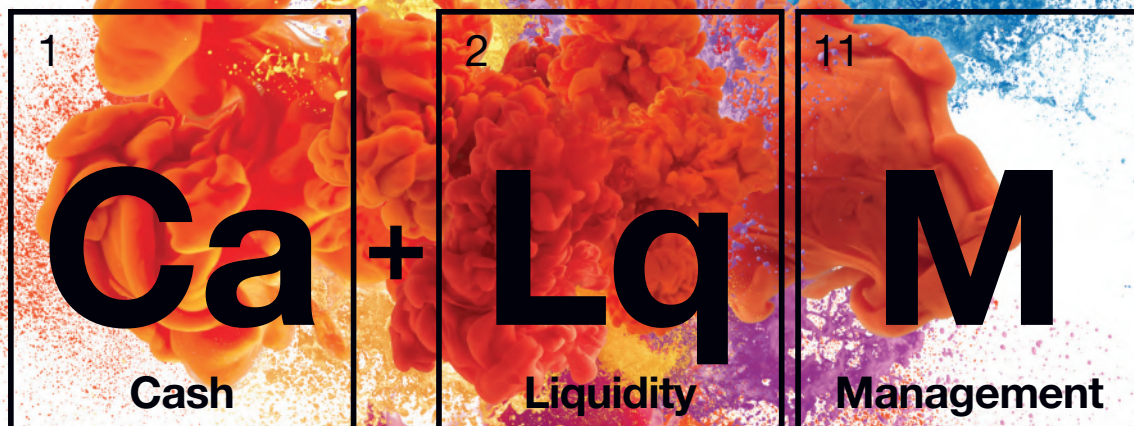
Data quality may still be a question of communication with counterparties, but the key for banks gearing up for Basel III is to get their houses in order to compile the information coming in and make sense of the data collected. By establishing a central data repository and implementing tools for monitoring intraday liquidity, banks can create the much-needed foundation for complying with the new requirements and ensure they are in a good position before potentially moving on to the next challenge of ensuring partner firms also step up and deliver quality data to feed the Basel III reports.

Considering the complexity of monitoring intraday liquidity and the looming Basel III deadlines, speed of implementation is now at the forefront for firms. From existing Corona users, the new Cash & Liquidity system has received praise for its short go-live times. Bank Mendes, which has a very high straight-through processing rate of at least 95%, took only five days to implement the IT, and the fast time to market was equally important to Raiffeisen Bank, which had also previously installed Corona in its live environment. “It seems that for clients who use Corona already it’s relatively smooth to add the cash and liquidity monitor on top of the existing installation,” says SmartStream’s Schiebl.

With the new software in place, banks are not only ready to fulfill the requirements of Basel III—such as filling in time-specific data on payment positions—but will also have a full overview of the intraday payment profile and be in a good position to manage intraday liquidity risk and settle transactions on time. “Being completely compliant is also important for ensuring the bank has a good reputation in the market,” says Pollak.

The reporting needs may be driving the transformation right now, but the monitoring and improved data on intraday payment profiles is the real benefit – the benefit that can result in a banking sector more prepared for stressed market conditions. **W**

# Combining the elements for highly responsive solutions



At SmartStream we believe that starting with a solid foundation of elements is vital when creating new operating models. As a result, it's never been easier for firms to access highly responsive, tailored solutions which can be deployed at speed and with immediate impact.

Our innovative technology delivers a single real-time view of global cash and liquidity positions; cash is forecast, reconciled and consolidated to provide optimal funding and lending opportunities, whilst intraday monitoring and reporting satisfies the regulators.

So, whether you are looking to replace legacy systems, build an internal processing utility, utilise the cloud or outsource your entire operation, partnering with SmartStream is the perfect chemistry.