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# Going all out(sourced)

As institutions in the Asia Pacific region grapple with regulatory challenges and inefficiency, many are looking to outsourced solutions for the answer, says SmartStream’s Alan Jones



## What kinds of themes are you seeing in the Asia Pacific region?

Similar to other regions, the main theme we are seeing in the Asia Pacific (APAC) region is that financial institutions are still grappling with regulations, struggling to get budgets allocated to automation projects and continually working to reduce costs. Replacing legacy solutions is lengthy and expensive, so financial institutions are seeking ways to provide the extra functionality they require by filling the gaps where manual touch points and the lack of automation currently lie. Complementary solutions can be easily implemented in areas such as reconciliations, cash management and corporate actions processing.

Also, as regional regulators such as the Australian Prudential Regulation Authority (APRA), the Hong Kong Monetary Authority (HKMA) and the Monetary Authority of Singapore (MAS) begin to warm to the idea of outsourced models, financial institutions are exploring them as a way to reduce infrastructure costs. Often this involves moving traditional in-house applications to a software-as-a-service model.

## How can APAC firms benefit from the SmartStream model?

SmartStream clients benefit from many synergies—all our solutions are built on the same platform. Clients that use our Transaction Lifecycle Management (TLM) platform for nostro reconciliations, for example, have the in-house skills to be able to configure that platform to meet other reconciliation requirements such as cash, securities transactions and positions and exchange-traded derivatives, or even other business functions such as corporate actions processing. It becomes easy for clients to extend use of their platform by introducing additional modules or extending configuration, without having to invest in new technical infrastructures or hardware.

There is also the benefit of a single-vendor relationship. Firms operating in multiple markets across APAC must deal with different regulators and rules, which are complicated by the number of

validations and internal checks required to confirm compliance of any vendor they form a relationship with. Managing a single-vendor relationship for multiple business functions becomes a compelling prospect when those validations can be reduced or even eliminated.

SmartStream’s TLM OnDemand software-as-a-service model is designed to help clients reduce implementation project timescales. We are experienced in transforming manually-intensive tasks into automated exception management processes, allowing clients to quickly move into the user acceptance testing phase of the project. Solutions use packaged configuration based on industry best practice, used in many of our existing clients’ production environments. TLM OnDemand offers solutions to clients of all sizes, while reducing their overall total cost of ownership.

## Can this lead to improvements in harmonisation in the middle- and back-office?

Harmonisation is an interesting issue. Financial services firms operating in APAC are working towards the harmonisation of business processes and operational procedures, as well as data standards. Market practice working groups are helping drive those forward.

In the corporate actions space, for example, data standards are extremely mature—message standards have reached the point where the entire process can be truly automated. This automation, although hampered by some participants’ interpretation of the standards, provided financial services firms with the ability to transform their corporate action processing into a true exception management process. Business rules and workflows can prioritise high-value events to ensure they get the appropriate level of attention to effectively manage the risk associated with them.

This massively reduces the overheads associated with corporate actions processing, enhancing the flow of event details throughout the organisation.

## How much of a push is there to outsource data hosting and management in APAC?

SmartStream is talking to a number of the large and medium buy-side firms across the region about providing hosted, packaged data solutions. This isn’t limited to smaller organisations—some of the big investment banks are also considering outsourcing their operations.

Any bank that has headquarters in APAC, be that in Australia, Hong Kong, Singapore or elsewhere, will have a system or process in a hosted environment with outsourced data. Wherever they can, they’re moving more towards cheaper environments and trying to avoid hosting their own server racks.

That kind of infrastructure is not what those banks are about. There are cheaper ways to deliver the IT infrastructure they need to run their business. This is why there are so many different utilities—a hosting service provider offers the utility of computer power, and that can only strengthen the business. In the APAC market, there are a lot of driving

forces towards adopting that model, and there is a strong awareness among regulators that banking organisations and financial institutions are moving in this way. We are seeing an increase in adoption of this strategy throughout APAC and expect the trend to continue.

## Are the different regulators focusing on data protection and cyber security?

Yes, and it’s not just local regulation. If a financial institution has operations or entities outside the region it also has to cater for aspects such as EU Data Model clauses.

SmartStream clients have to consider the regulatory standpoint on having data hosted outside of the organisation. Most regulators have guidelines wholly dedicated to cloud-based solutions and software-as-a-service models.

Due to its local presence across APAC, SmartStream has the capability to help financial institutions achieve the necessary requirements for local regulators including APRA, HKMA, MAS and more. **AST**

*Clients have to consider the regulatory standpoint on having data hosted outside of the organisation*



Alan Jones, Business solutions director, SmartStream Technologies



# RDU

The SmartStream Reference Data Utility

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