

SmartStream at forefront of reconciliations evolution

SmartStream's TLM Reconciliations Premium is a vanguard in the changing role of reconciliations.

Reconciling data between internal systems and with external counterparties was historically a fairly staid process and therefore underfunded compared with other processes in the transaction lifecycle.

Yet the profile of reconciliations has changed in recent years as the sheer volume of data that needs to be reconciled has increased exponentially.

This is partly due to regulation, as tough new reforms such as Europe's Mifid II have dramatically increased the data handling and reporting responsibilities faced by trading firms.

The increasing complexity of trading houses linked to greater product and regional diversification has also led to a proliferation of internal systems and increased the need for reconciliation between these diverse sources of information.

The focus of reconciliation services has changed over time also.

Reconciliations managers and systems were previously preoccupied with resolving exceptions between data sources, now systems like SmartStream TLM Reconciliations Premium are tasked with enabling managers to change proactively established processes to lower the volume of exceptions.

Steve Moss, solution director at SmartStream TLM Reconciliations Premium, said: "Historically reconciliations vendors were focused on getting reconciliations rates up but our focus is now on more about getting to a known hit rate and supplying the analytics necessary to deal with the exceptions."

The SmartStream flagship reconciliations platform now supports sophisticated analytics functionality that gives firms access to more information for

process improvement. This empowers firms to be more proactive in their approach to reconciliations whereas historically they would have had to wait for an internal report, which can take time.

The solution provides an integrated function that reduces the reliance on IT support, allowing for greater flexibility and faster time to market.

Moss continued: "We take the approach that if a human can see patterns in the data to reconcile exceptions, this can be automated. So where there are exceptions that are being consistently resolved by a human, that can be replicated in our technology, enabling the reconciliation rates to move closer again to 100%. And this can be done without requiring IT development."

The SmartStream technology also allows firms to match exceptions based on different attributes such as trade identifiers or amounts, which will reduce further the number of outstanding exceptions. By analysing breaks at the attribute level, firms can focus on where to improve processes or where the problem originates from.

SmartStream is also different to many of its peers in that it has a single version that handles all data types, according to Moss.

"Some reconciliation vendors think they need to have separate physical code bases for cash or assets, exchange-traded versus over-the-counter, but we have a single version that can accommodate all reconciliations. We are a one-size-fits-all with many industry best practice packages out of the box."

The reconciliations process looks, on paper at least, as a perfect test case for the implementation of nascent distributed ledger technologies.

Moss said: "A key part of what we do is working with future technologies focused on issues such as scalabil-

ity and cost of ownership. Reconciliations tends to be a sticky area but the clients still like us to be ready with the latest technologies. There are many more choices out there in terms of what customers are looking for. When we think about something like the blockchain initiatives, our clients want to know they have bought a solution that is aware of these new initiatives and is ready to integrate to them."

SmartStream said it also sees an opportunity to partner more closely with other specialist technology firms to offer more comprehensive technology solutions.

Moss said: "Being a market leader is a great position to be in because we get to work with so many diverse organisations. Rather than fighting to win market share, we have firms coming to us because we have unparalleled experience. I expect to see us working more and more with third parties where reconciliations is not their core strength."

Recently SmartStream announced a partnership with RegTek.Solutions, a leader in regulatory compliance technology, to deliver a managed service that provides independent, turnkey reconciliations that directly address regulators' demands for the proactive oversight of trade and transaction reporting.

Moss concluded that the future of the product is to use analytics to promote further process automation.

He said: "The entire experience of the solution has to be intuitive from on-boarding to daily maintenance to the acquisition of analytics in support of process change. Therefore the 'self service' mantra is key to the design of all user interactions in combination with automation where applicable." ■

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