

## CUSTODY

### Deutsche Bank moves reconciliation services to SmartStream

## Deutsche Bank moves reconciliation services to SmartStream to further improve processing and reduce costs.

By Jonathan Watkins June 20, 2018 10:02 AM GMT

---

Deutsche Bank has selected SmartStream's Centre of Excellence (CoE) to provide services to simplify and reduce the costs of reconciliation.

SmartStream will provide an off-site operations platform, which will include reconciliations onboarding, production support and operational reconciliation services.

With the growth in volume of reconciliations, the processing of large quantities of data has become complex.

SmartStream said efficiencies will be gained by reducing the complexity of systems, processes and technology, while creating a governance structure to define best practices for all reconciliations at the bank.

"This step is part of our journey to reduce the complexity of our IT environment. Modernising our reconciliation processing is critical to increasing productivity, reducing costs, as well as meeting regulatory requirements," said Bobby Handa, head of the global reconciliations group at Deutsche Bank.

"Our aim with the CoE is to apply continuous process improvement across our business lines, as well as minimising and eliminating any likely risks".

The integration of the overall service will be done in a phased approach, where Deutsche Bank will increase productivity and reduce costs through mutualisation.

Speaking to Global Custodian earlier this month, Darryl Twiggs, head of strategy at SmartStream, said he sees a major restructuring on the horizon for reconciliation with new technologies coming to the fore.

Efficiencies and cost reductions in reconciliation are one of the major proposed benefits of blockchain technology, according to many pilots and proof of concepts.

According to Twiggs however, reconciliations will not disappear, but more likely be thought of under the new name of 'assurance'.

"The banking industry needs reconciliations because there are errors when the data is entered by the trader, there are errors in the reference data, securities information, the FX rates, the fees and expenses," said Twiggs. "Those errors will not be eliminated by blockchain technology, they will occur.

"Reconciliations and the whole cleaning-up of the process will move from what is now post-settlement – where most of it happens today – to post-trade, so before they publish and broadcast that trade they would have to do validation.

"There will have to be more projects to clean up data. Reconciliations could move to a different part of the chain, but then there's an assurance, perhaps the word could change from reconciliation to 'assurance'."

It is estimated that some investment banks have as many as 3,000 people doing reconciliation, a process primed for automation through new technologies.

Part of the revamp of the Australian Securities Exchange (ASX) is a new equity post-trade system based on blockchain technology, also aimed at reduced reconciliation.

Around 18 months ago, blockchain specialists SETL and Cobalt DL also teamed up to produce a post-trade tool for foreign exchange, with 15 leading institutional FX participants already signed up. At the time, SETL said the immutable record would obviate reconciliation problems.

Twiggs said the use of blockchain for reconciliation would bring a question of whether the new technology would warrant putting out errors onto a distributed ledger.

"Banks now have to ask themselves, do I just continue and put the bad transaction out so everyone sees it? That could bring reputational risk problems."