SmartStream CEO: "I've never seen the industry refreshing itself more"

By Paul Hindle, editor, FinTech Futures

The Covid-19 pandemic has seen banks and financial institutions accelerate their digital transformation efforts to meet ever-evolving requirements, with the need to refresh strategies and ensure technological resilience, efficiency and sustainability now more important than ever before. We spoke to SmartStream CEO Haytham Kaddoura about the most prevalent technology trends and opportunities as finance moves into the future.

Banks and financial institutions have no doubt had to move quickly to deliver results over the last 18 months, and the speed of change shows no signs of slowing down.

With the number of new digital alternatives and technological developments rising along with the tsunami of data being collected by banks in need of reconciliation, it seems finance will be in a state of continuous evolution for many years to come, and digital transformation should be a key part of any business's strategy.

"I do believe digital transformations are probably the largest initiative for any institution today," says Haytham.

"It's no longer enough to say we've got some great results and this is my digital programme and I've ticked all the boxes. Institutions need to continuously upgrade and enhance their service offering."

With more than 40 years' experience in the sector, SmartStream is well placed to understand the shifting requirements facing financial institutions. Even prior to the pandemic, the global software and managed services provider was looking at what the future might bring to give it a competitive advantage and stay ahead of the curve.

The company's Innovation Lab has been running since 2016 and has partnered with a number of SmartStream's Tier 1 banking customers to run pilots and investigate the use of artificial intelligence (AI), machine learning (ML) and blockchain in their operations.

These partnerships assess how advanced technology can be used to re-engineer traditional processes to boost efficiencies, cut costs and enhance business plans.

This forward-thinking attitude meant the firm was able to effectively respond to the increasing demands of its clients as the pandemic unfolded. The company was able to take on more backend operations and work with clients to adapt to their evolving needs.

Key areas of focus for the firm during this time have been the use of AI and ML for data reconciliation and cloud migration of backend services.

"AI in particular" Haytham says, "will only grow in importance moving forward".

"I think the adoption of these newer technologies like AI and distributed ledger technology in banks and other institutions will mushroom. We've only seen the tip of the iceberg, but now institutions are really starting to look at how to leverage data, how to better understand clients, and how to better assess and manage risks."

It's well known that banks have huge amounts of data, and the use of AI to manage reconciliation functions has helped institutions derive more useful and applicable information from their data about customers, business behaviours and trends to make large strides in efficiency and better serve clients.

"One of the issues we've seen with some of our clients is that there's no shortage of data. The issue is, what's accurate? How do you enrich it? What's your master copy or golden copy? And this is where the trend is heading," says Haytham.

SmartStream's own cloud-native AI data reconciliation tool, SmartStream Air, is now in its fifth iteration. Powered by the firm's 'Affinity' AI module, SmartStream Air analyses data and observes user actions to establish its own

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understanding of how records correlate. Auto-generated rules and comparison AI modules then produce a set of results within minutes, reducing the time it takes to match complex data sets.

Affinity acts as a virtual user to support businesses dealing with large amounts of data – the more it observes, the more accurate it becomes, boosting matching rates.

Users are provided with information about the matching, including the AI confidence rate and graphical explanations of how the predictions are made.

"Air, I think, today is one of the most capable AI engines focused on data reconciliation," says Haytham.

"It can take any file and compare it to any other file quickly, whether you're looking at transactions, record signing,

or consolidating bank accounts from all over the world.

"The applicability of these technologies is just increasing. AI is attainable and easier to utilise than a full stack front office system, and today you can effectively implement an AI platform in minutes."

Boosted by the increased drive and interest from financial institutions around digital transformation strategies, the company aims to continue its AI and ML development efforts to unearth new applications of the technology and create innovative solutions.

"As we continue to work with our clients, we will enhance our AI use cases. It's a very exciting time because there's a willingness from institutions to start testing and experimenting in different areas," says Haytham.

"The message coming from the top is you need to consolidate and work with more strategic vendors and really expand into areas that the institution can benefit from.

"It allows institutions to build around our platform, and we can help them build it out and work together to see where we could expand, and it really strengthens the partnership we have with a lot of clients."

The mindset of financial institutions has changed, and the traditional barriers to innovation have been brushed aside in favour of optimism and enthusiasm to embrace technological advancements and push the boundaries of what can be achieved.

"They want to try something new, so we need to do something innovative. I've never seen the industry refreshing itself more."