

# Cracking the conundrum

*SmartStream's Andreas Burner explains how its client-based R&D is helping the financial transaction management solutions provider solve the transaction data puzzle*



**THE PAYTECH MAGAZINE:** Why do you think systems at traditional financial institutions are not being efficient when it comes to their data usage?

**ANDREAS BURNER:** As CIO, responsible for running innovations for SmartStream, I would say it starts with how organisations run their technology projects. They typically run a project, finish the project and put the system live. And after a year or two, everything changes, right? Data changes, the counterparties change; but the system is still the old system.

How organisations experience that is that they see a decrease in efficiency. But what is actually happening is that the system is not following the market, because it has stayed as it was put in place at the beginning.

An increase in the volume of payments, such as our clients are experiencing, means that the type of payment is also changing: attributes are changing, the amounts are getting smaller, or they are going into new markets.

And that's a problem if the system isn't capable of change.

**TPM:** So, how would the use of AI and machine learning capabilities help financial institutions to manage this ever-changing transaction data – particularly in the complex area of exceptions management?

**AB:** First, you need a data-centric culture, which means that you're not just talking about software, but also how you want to incorporate data, and the change of data, into your daily business.

AI and machine learning adapts, so it's the best technology to keep up with any market changes, such as an increase in volume. But its use in exceptions

management is particularly interesting and it is one of the main research areas at the moment in the SmartStream Innovation Lab.

Every exception is unique, in a way; every customer has a different problem, so it's very hard to solve. The way big financial organisations currently handle exceptions is by having hundreds or thousands of people handling them.

When an exception comes in, a member of staff known as a dispatcher looks at it and assigns it to a certain colleague or adds data. And that's a highly inefficient process, because that dispatcher can only

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handle one exception at a time. So, we're using AI and machine learning to learn how a dispatcher is adding data to that exception, and then we can automatically assign it, populate fields, or add labels or tags.

The huge efficiency gain here is that the dispatcher only starts when they come into the office at the start of the day, whereas our AI has already been running by then.

So the exceptions are not only dispatched, but all the automatic

workflows are already run before the staff arrive, and that is a huge efficiency gain for banks.

**TPM:** Where else should financial institutions be focussing to improve their efficiency?

**AB:** Wherever they are looking to improve efficiency within the organisation, the key is that they start by getting their data correct.

Studies show that when you correct your data at the time it's generated, it's much cheaper than when you have to do it later – be that a year later or even when that noisy data hits the customer.

So, the main advice I would give is, really understand and make use of correct data.

**TPM:** So, what is SmartStream's Innovation Lab doing in terms of R&D in this space – how else are you supporting FIs in better managing their reconciliation process?

**AB:** We work with a number of clients within our Innovation Lab, because we believe innovation should never be done in isolation. And it should always have a target.

In our Lab, we have mathematicians, data scientists and software engineers, using cutting-edge technology to tackle specific problems that financial institutions need to solve. But the key is that we are working alongside those clients, so we never lose focus in terms of what we are trying to achieve.

We not only know what the end customer needs and wants, but our clients are also verifying our results. And that's important, because we believe innovation has to have a business case, and it needs to show a return on investment. **FF**



**Intelligent connections:**  
AI and machine learning can  
drive inefficiencies out of the  
reconciliations system