

Ready for life after lockdown

As the world struggles to cope with a global pandemic, every industry is having to adapt quickly to unprecedented circumstances. How the financial services sector will look when the world reopens for business will depend on how efficiently it can respond to change. We speak to the CEO of SmartStream, **Haytham Kaddoura**, about how the company can help its clients remain resilient.

With Covid-19 having shut down large parts of the world, no one can predict what the new normal will look like a year from now. All anyone can say with confidence is that there will be at least some fundamental changes in how we live and do business.

The financial services industry, which for many years has been trying to move towards a seamless, digital future, has now seen roadblocks thrown into its path as economies close down to protect human life. The effect, however, has made delivering that digitalisation goal more important than ever.

Haytham Kaddoura, CEO of SmartStream, understands both the need to protect lives in the short term, and the importance of keeping the wheels of the global economy turning – minimising the hardship that could follow for businesses, and the individuals that rely on them as employees and customers.

“Covid-19 caught everyone by surprise, so now it is about how we can adapt to change,” he says. “Some financial institutions had in place business continuity planning [BCP], others less so.

“Some had not considered a scenario in which employees would be working from home, with all the logistics that involves. Now, everyone is sitting

at home. Covid-19 has given us all a sanity check on what we need in order to be prepared. No one envisaged this. Everyone was caught cold. Some banks had staff locked down outside their home country when the airports shut down. Then, banks found that they did not have the bandwidth to sustain such an off-site presence of staff. After this pandemic, the fallback plans of financial institutions – and all corporates – will change.”

A view to the world

SmartStream is a global software and managed services provider that knows the financial services industry well. Employing specialists in technology development, software engineering and business analytics, it also has key personnel with first-hand experience of the industry and its many challenges.

Currently, the company has more than 2,000 customers, among which are more than 70 of the world’s top 100 banks, as well as some of the leading asset managers, custodians and broker dealers. It has built up this base thanks to its commitment to innovation and an intense focus on clients’ needs, along with changes in market trends and regulation.

Its product suite includes a host of post-trade processing solutions and unique data management services, which combine to reduce the error rate in trades and accelerate trade processes through advanced automation. Kaddoura points out that financial institutions have historically underinvested in the middle and back office, focusing more on front-end functionality.

But often, the result is ineffective operational controls, inflexible systems and a lack of agility in responding to challenging market conditions.

Whether it is SmartStream’s Transaction Lifecycle Management platform – which tackles operational processing challenges by understanding the end-to-end transaction flow, or AIR, the



reconciliation system that uses AI to deliver rapid results from any data set in seconds – or cloud-native managed services, or any other of its products and services, the company is helping a growing number of prestigious clients tackle the inefficiencies that has cost the industry billions of dollars.

The flexibility and responsiveness that is a feature of its products and services is embodied in SmartStream's own response to the Covid-19 pandemic. Much like its clients, the company had to enable its international workforce to work seamlessly from home, and ensure its systems and services would perform effectively with no degradation in quality.

"We are set up to work very well in the current situation," Kaddoura remarks. "We have almost 1,000 employees globally, of which more than 50% are in the managed services part of the business. So we are very used to restructuring processes. The transition was easier than I expected. We adapted and overcame problems very quickly. We have been building our network capacity for people working from home, connecting our teams and making sure that everyone has the physical infrastructure they need."

The company has continued to meet all of its service-level agreements despite the transition to lockdown conditions in many countries. This is in addition to dealing with new enquiries from clients that need the flexibility, accuracy and scalability its systems provide – now more than ever.

Means tested

The challenging conditions in which all industries now find themselves are a real test for processes and contingency plans. Some providers or managed services, for example, are explaining to their customers that service levels may not be achieved due to the unprecedented nature of the current market. SmartStream, however, has maintained its standards throughout.

"This is a very competitive industry, and that is not a bad thing," says Kaddoura. "We all push each other. At SmartStream, we have hundreds of years of cumulative experience in financial services, technology and many other areas that are important to the development of solutions for the financial services industry. We also have very strong relationships with tier one financial institutions, which helps us to test and develop our solutions."

The fruits of that development process have proved that a commitment to the use of AI in areas where it delivers maximum benefit, along with its early move into cloud-based managed services, have prepared the company – and, by extension, its clients – for the new normal that will emerge post-pandemic.

"The new reality for financial services will drive interest in managed services," says Kaddoura. "Banks

were hesitating about moving services into the cloud, but now they will have no choice. They will plan so that if this type of situation happens again, they will not need to go on such a steep learning curve.

"Banks will need more cloud offerings – for example, AIR, digital payments and our collateral management solutions, which are very important right now. As businesses close, the value of collateral becomes a key issue. Our digital payments solution launched last year, and it is picking up a lot of interest. Our fees and expenses management system is also important, as the markets are seeing a spike in trading volumes. Then, of course, there is our managed services offering."

Necessity is the mother of invention

Even in challenging market conditions, SmartStream continues to invest more than 20% of revenue back into research and development. The physical manifestation of this commitment is the company's innovation lab in Vienna, Austria. Here, SmartStream looks at the future of the financial services industry, and how AI and other technological advances can help to reduce cost, improve efficiency and increase agility and responsiveness by addressing potential challenges before they arise.

"For us, innovation is more important than it has ever been," Kaddoura explains. "Clients are becoming much more proactive in fixing problems and adapting their business models. They are working more closely with us now in the development phase. For banks, this is because they are having to handle their usual volume of business under new circumstances. That pushes creativity and innovation. People are willing to explore workarounds and look at things from new angles. Clients are much more responsive now."

"For example, if we look at digital or contactless payments, we are seeing them used more than ever. So, financial institutions need more exceptions processing, and that is where AI comes in."

While no one, including Kaddoura, would downplay the potential suffering that Covid-19 could cause for individuals and communities, there is an urgent need to learn the lessons that such unprecedented circumstances offer. Lockdown is revealing where communities, industries, systems and processes are weak and where they are strong.

"In the current climate, our whole product portfolio will do well because we are well established, and have seen a lot of ups and downs in the industry," Kaddoura says. "So, we are well placed to help financial institutions get through such times."

"As a result of this pandemic, we could see another industrial revolution. It would be one that began with a real slap in the face, but it could nevertheless change the way this and many other industries do business." ●