

The Great Lakes

Head of Cloud and Cyber Security, at SmartStream, Peter Hainz, tells MEA Finance that banks are looking to partner with fintech to provide a competitive edge and that making use of data lakes will provide them with unique advantages.

By **MEA Finance** - February 16, 2022



Peter Hainz, Global Head of Product Management, Cloud and Cyber Security

As a regional leader in banking technology, what has been at the top of your mind in the past year?

Just few years back, banks were very shy to move their applications outside on-premises environments. In the past, banks moved only non-critical infrastructure to the cloud to benefit from cost reduction. However, in the last year, there was a huge uptake for cloud migration related to any service like Infrastructure, Platform or Software as a Service.

Last year, some financial institutions were migrating practically the entire IT infrastructure, from the back-office to the front-office, to the cloud. Banks not only migrated non-critical infrastructure but also real-time components. This illustrated how banks now believe that cloud computing will be of strategic importance to their organisations.

Banks realised that data storage is much less expensive when using a cloud-based infrastructure. Banks are awash with data, and data lakes provide fertile ground for Artificial Intelligence (AI) supported, predictive and analytical models. These models support not only innovation but also tailor-made solutions for clients. Data lakes may utilize AI to generate forecasts for back-office and front-office applications. Moreover, data lakes are used to overcome siloed infrastructures, which is often found in financial institutions.

SmartStream has worked with many financial institutions during the past year to develop real-world solution that take advantage of what these data lakes can uniquely provide. Working with these customers we have developed and deployed data lake APIs that represent a real step change in compliance and enterprise resource management saving the client money and manhours as well as providing clearer more concise data.

We have also been responsive to the recent need for cloud security consulting with individualized help as well as blog posts like this one, <https://www.linkedin.com/in/peter-hainz-17756718/?originalSubdomain=at> that summarized encryption techniques.

Managed services, automation and digitization have also been important themes. Managed Services and Business Process Outsourcing, provided by Fintech providers like SmartStream, enable saving costs, automation, and highly efficient AI workflows.

Banks have stated that “approximately one-third of all IT spending is cloud-infrastructure related. Increasingly, this spending includes Platform as a Service testing environments, since cloud environments can be constructed much faster than on-premises”.

As a result, on top of my mind last year was how to combine the power of datalakes, AI, and security workflows in the cloud.

Describe how your experience of the past year has influenced the role you are in today?

During my career I have held various cyber security roles in the finance industry. In the past, there was always a perception that on-premises solutions were the most secure ones.

This has now changed, and banks often see the cloud as more secure with state-of-the art monitoring, logging, encryption solutions, business continuity and disaster recovery workflows and all this is audited. SmartStream is the perfect example with PCI-DSS, ISO 27001, SOC 1-3 and C5 certification.

Additionally, SmartStream is at the forefront, working very closely with AWS to develop innovative solutions. As mentioned earlier, we worked with them to construct a state-of-the-art data lake to better mine large swaths of data.

We also co-operated with AWS to develop different encryption and data masking workflows in the cloud, as many of our banking clients have regulatory needs along sensitive data. It was very important to increase employee's knowledge level with fast upcoming technologies. As a result, we have AWS professional architecture and vendor independent security speciality certified employees, who provide consulting to our banking clients.

Banking clients also seek regulatory advice due to different local guidelines of data transfer to the cloud and storage requirements. SmartStream is closely working with AWS to provide state-of-the-art regulatory compliant solutions. We have multiple clients in Singapore, where the Monetary Authority has one of the most stringent regulatory regimes in the world.

Which sectors or aspects of the regional financial markets will see the greatest advancements in technology this year?

Those financial institutions that can leverage their data into business intelligence and innovative customer driven services will see great technological advancements. Banks will increasingly partner with Fintechs to provide innovative services competitors can't offer.

Cloud-based Managed Services provided by Fintechs will increase as banks are largely unable to construct these without experience. We received feedback from our banking clients, that they wanted to engage with a trusted, experienced Fintech provider to create solutions that focused on the automation of workflows based on AI technology. SmartStream conducts this workflow automation with state-of-the-art security features which is often much easier to implement in the cloud, due to a variety of factors including the availability of a trained security team 24/7.

The head of IT of one bank told to me, 'We start with moving back- and front-office applications to the cloud as it is much more secure and there are no silos'. In the cloud you can more easily tag resources and implement software defined networking, which limits the blast radius of any attacks. Therefore, in the cloud you have much more granular security control of your environment.

AI and cloud are perfect due to scalability and automation. We experienced that AI in combination with data lakes is a very powerful tool.

We believe that openness and APIs will be very important in the coming days. In an increasingly interconnected world, APIs will play a critical role connecting various environments within the cloud, as well as hybrid workflows.

In the light of the past year, what are your plans for 2022?

SmartStream's managed services will bring more market-leading solutions to its banking customers in a scalable, reliable, secure, and cost-effective way. For example, cash management will now be in the managed services SaaS portfolio.

Another key element of that portfolio is SmartStream AIR, the company's AI-enabled reconciliations platform, which can match any structured or unstructured data in seconds rather than weeks.

A relatively new feature to join the managed services cloud family is Affinity, an observational learning solution driven by machine learning, which can improve operational data management and data quality by learning how individual users work within the portfolio of solutions and automate the optimisation of their workflow.

Alongside powerful, cloud-enabled tools for reconciliations, corporate actions processing, collateral management, cash and liquidity management, fees and expense management, and reference data, clients can also access the data lake functionality. Data lakes act as centralised repositories in which clients can store their structured and unstructured data. Once the data has been gathered, banks can mine it to aid in enhanced regulatory reporting and to gain a deeper understanding of the data. Having these data lakes as part of the managed services portfolio allows clients to ramp up the use of the company's comprehensive suite of cloud-based solutions enabling any kind of query or reporting requirement without any additional configuration.