

Everything in its place?

With the volume of daily payments information being circulated now off the scale, it's imperative that FIs find a way to organise it effectively, says **SmartStream** Product Manager **Roland Brandli**



The financial world is witnessing a data explosion – sparked by the soaraway success of contactless payments and the adoption of the ISO 20022 data standard.

But if banks were already struggling with the breadth of digital payment transaction levels, their pain will have been made worse by the depth of SWIFT's system for electronic data exchange. Overcoming these issues lies at the core of SmartStream's artificial intelligence (AI) and Cloud-enabled offer to financial institutions – especially ones held back by inefficient and therefore expensive legacy systems.

The potential to harness data for commercial advantage is huge, but only if a business is equipped with systems that can cope with the information onslaught. Continual innovation is key, and in October SmartStream launched TLM Aurora Advanced Account Control to meet the needs of ISO 20022 standards and replace its older Cash solution, which was used by clients in 81 countries.

It's a system that harnesses all the attributes that SmartStream is known for – it can be implemented on-premise or via a Cloud; it uses AI features to handle data and learn from manual processes; and, importantly for the staff who use it, Aurora aims to be intuitive and easy to use.

The opportunities SmartStream solutions provide mean clients need to 'learn to live the process', says the business' product lead, Roland Brandli.

"Contactless payment volumes have risen drastically because people aren't taking cash from ATMs anymore. Then, on top of that higher volume, we now have huge data formats," he says. "Getting up to speed on this is challenging for our customers. So what we aim for with our software is to include capabilities to manage complex processes but make it as simple as possible for people to use. We call this simplicity with depth.

"Unlike most other systems used by financial institutions, which tend to do one

thing, such as a trading system, or payments, or a portfolio system, our software takes data from all these areas and basically ties all the loose ends together. It's not a perfect analogy but I liken it to moving to 5G. It's one thing to connect to 5G but you need to learn what to do with it."

ONLY MACHINES WILL DO

The surge in digital payment transaction volumes since the pandemic means manual processing of reconciliation and exception management has become an impossible task. SmartStream software such as Aurora uses AI for the onboarding of data and to carry out the matching process. Meanwhile, its Affinity A-enabled software takes a big step further – it observes and analyses how human staff manually solve exception problems, then can take over, carrying out matching based on the learned patterns.

The first advantage of this is that staff can be released from manual matching and can focus on more fulfilling tasks of greater strategic value. Not only that, but Affinity embeds workers' experience within a company so that staff churn out of the business or into other roles within it presents a lower operational risk.

Brandli explains: "A lot of our clients have a huge amount of employee churn. They can have a situation where a staff member has a skillset that has taken a long time to acquire and the business depends on them.

"If that person leaves or moves to another department, the AI now available can retain their knowledge because it learned from them. This is an example of an AI use case which perhaps isn't obvious to senior management, but it can be a game-changer."

Is your head spinning?
FIs have more data to organise than ever



AT THE LEADING EDGE

Brandli hopes another one is SmartStream's approach to simplifying software for the user, a strategy that won the company a Red Dot design award for application design this year – an industry first. Business-to-business financial industry software for back-office functions is not known for its high-quality user experience, so SmartStream challenged this and has built tools aimed at meeting workers' needs and goals.

The firm recognised that users may be distrustful of AI, so the user interface presents information to help them.

"Companies that win Red Dot awards are firms like Samsung, Audi, Dyson, but we won it for our user-centric design principles," says Brandli. "We're aiming to keep the capabilities around managing complex processes but make it as simple as possible for people to use. But when designing software, we also have to jump into the future. We're building it for the next generation of users, who will have completely different expectations."

A recent SmartStream white paper, *Data Rich But Information Poor*, said AI was at the top of senior managers' agendas but practical issues like deploying AI with

old legacy systems, hinder adoption. Executives also have legal concerns over the security of sensitive data – where breaches can lead to huge fines.

So, to promote security, each SmartStream client has their own designated space, eliminating the risk of results or machine learning patterns being cross-contaminated. And the company's Managed Services arm operates

software on behalf of clients so that SmartStream learns first-hand where potential issues lie.

The white paper highlights a successful use case where a Tier 1 bank already had a 95 per cent reconciliations match rate but wanted to use AI to tackle its pool of complex cases that had to be dealt with manually. Integrating Affinity AI into the bank's existing SmartStream TLM Reconciliations Platform and removing the last few per cent of manual matching resulted in a potential cost reduction of several million dollars.

Brandli says many banks are yet to improve their level of control over digital payment reconciliation and have been caught out by the sudden surge in payment volumes.

"Because, in the past, digital payments weren't a large part of retail banking, banks could potentially write losses off. But can they afford to do that now volumes are 20-times higher?"

"Across the industry, we will be seeing work to improve resolution times because it is really important to guarantee quality of service. Central banks and regulators want people to move to digital payments but that will only happen if they have faith in them.

"The arrival of instant has made life difficult. Until now, a bank could do processes manually if volumes were low. But they are going up radically and, at the same time the customer's expectation is that it's solved faster. So, if there's a delay in a transaction, the customer instantly feels you've done something wrong."

Brandli adds that financial institutions need to be pragmatic and embrace technology where it has been proven to solve problems.

"The biggest issue we always have is around the promise of what technology can do in two, three or four years," he says. "But we should be looking at what it can do now."

"One issue is around the way the word AI is used – it's like AI is the answer to everything. We don't live in a Star Trek age, so it is not, but there are really good use cases where it can reduce effort and save money.

"And then there's the game-changer – where AI can learn from what staff do manually, which creates a far more sustainable business model." ■

“There's the game-changer – where AI can learn from what staff do manually, which gives an organisation a far more sustainable business model”