

Good for business, good for the planet:
A single solution to a shared problem



Mutual benefits

*Financial institutions, by and large, face the same challenges: talent, time, cost and, increasingly, pressure not to contribute to environment damage. **Haytham Kaddoura**, CEO of **SmartStream**, argues they're four good reasons to let it share the load*



ISO 20022 has become a preoccupation of the majority of players in the financial world, such is the transformative nature of the payment messaging standard imminently coming into play for many of them for the first time.

The protocol has already replaced existing domestic legacy payment standards in more than 70 countries and, says the UK's NatWest bank, within five years we can expect to see around 80 per

cent of high-value payments by volume and 90 per cent by value using ISO 20022.

The benefits of adoption are obvious: a new global standard for payments messaging between financial institutions, enabling faster processing and improved reconciliation. Richer and better data, increased transparency, and automation of digitisation of payments should help counter the malignancy of failed payments that currently cost the global economy \$118.5 billion in

fees labour and lost business a year, according to Acuity data.

So, by any reckoning, ISO 20022 represents a positive move in the payments space, connecting the financial world with less friction and much more efficiency. However, with all these growing and increasingly complex volumes of data – 10 times more data per ISO 20022 message, according to EY – there is a downside: the processing capacity needed to handle not just the nominal increase in information,

but the associated regulatory reporting, including ESG reporting, not to mention the environmental impact of all that additional processing.

"Regulation has been a wake-up call for banks" says Haytham Kaddoura, CEO of global financial software and managed services provider SmartStream. "They would be fooling themselves if they weren't expecting it, as everyone has seen the trend in greater transparency.

"But the financial ecosystem is coming together – regulators, individuals, clients – to really help address some of the gaps that were in the financial sector, and still persist in certain areas. I still think we have a long way to go to address all the challenges, but we continue to work very closely with some of the top institutions in the world, in helping them address these challenges, building their transparency, building the checkpoints in their business, to ensure that they are as compliant as possible."

In order to handle the huge volumes of information now at play, financial institutions require technology – chiefly Cloud-native solutions. Among them, SmartStream AIR is capable of processing millions, or even billions, of lines of data per second. This artificial intelligence (AI) reconciliation and exceptions management system learns from user behaviour, populating fields automatically, setting labels, and running out of office hours. It can provide suggestions to users, or fully automate the process, significantly improving straight-through processing (STP) rates. SmartStream AIR requires no training or configuration, and is easy to onboard. Users simply upload raw data to the application, in any structured format. The application then matches the information using unsupervised AI.

AIR is just one of the cost-efficient solutions to come out of SmartStream's innovation strategy to help data-rich, time-poor banks meet every-day challenges. In Kaddoura's view, banks save significantly when partnering with a fintech such as his own, in comparison with developing or building upon a product themselves.

"I think there should be a neutral, fundamental look by institutions on what they need to do internally, from a technology perspective," he says. "The

infrastructure costs for an institution today doing everything itself is going to be phenomenal, and I don't think, with the current economic challenges we are facing globally, it makes any business sense. I mean, it's defeating the purpose. Banks and institutions spend millions of dollars, only to realise, one or two years down the line, that they should have done it through somebody who does this for a living. There are many small and large companies like ourselves, that are profoundly proficient at what do. We are the experts."

The logic of using SmartStream AIR specifically is that it can be deployed within hours – not through the IT department, but by onboarding users directly to the Cloud-native platform, which picked up an award this year for its intuitive user interface (UI). The prestigious Red Dot Design Award was the first to be given for a financial reconciliation solution, beating off 20,000 entries submitted worldwide. Previous winners include the likes of Apple, IBM, Samsung, ING and BMW. In November,

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SmartStream also won a Fintech Finance 'Wow Moment' Award for Data Insights.

By combining human and artificial intelligence, organisations can better manage the workforce, says Kaddoura.

"People are increasingly work-from-home orientated, skills can leave an organisation with the churn of staff and there is a very real need to free-up the people you do have, to carry out higher value tasks. A more innovative approach is required."

Such a Cloud-based service comes with efficiencies built in. Not only do you no longer do you need a warehouse full of people in order to handle the huge volumes of information being generated

by data-rich payments that must be screened and reconciled, but delivery is streamlined, more accurate, cheaper and, importantly, achieved with less impact on the environment, according to Kaddoura.

"Environmental efficiencies within the industry are not a matter of 'if' anymore. I think we're all heading in that direction," he says. "Multi-tenanted centres, moving to the Cloud, all helps in conserving and reducing the impact we leave on the environment. By unifying clients' requirements, we are already moving towards greater, more efficient processing and some of the new processes and physical technology infrastructure changes will, I think, help us reduce our own footprint even further, and help our clients see the value, from an environmental impact perspective."

AIR is testament to the work conducted by SmartStream's Innovation Lab, which is based in Vienna and is staffed by a cadre of research and data scientists and technologists who work alongside clients to drill down on their evolving priorities and apply artificial intelligence to solve them.

"With the advances in digital payments, the volume is just exploding globally. Institutions in unconventional markets are demanding the ability to handle 100 million transactions a day," says Kaddoura.

"Our innovation team looks at enhancing our value proposition to clients, building that efficiency, the ability to handle masses of transactions. The focus going forward will be on reducing the cost of infrastructure for those institutions: the ability to upgrade, move quickly, lowering the cost of ownership for our clients; helping them with their regulatory compliance, as much as possible."

The SmartStream approach, he says, is a pragmatic response to a long-standing problem; a way to reduce costs through mutualisation, albeit it through an external supplier.

"Many of the clients we see seem to have a similar problem, yet the basic notion of cooperating together to solve it appears not to be feasible," says Kaddoura. "Therefore, it has to come through a third party like us. We look at our research offering in the reference data space and offer it to those that need it."

That's got to be good for business – and the environment. 