

# Clear vision keeps SmartStream on the front foot in challenging times

As the boss at financial technology provider **SmartStream**, Haytham Kaddoura has been instrumental in turning around the company's fortunes and realigning its focus on teamwork, innovation and client-centricity. CEO asks him how that approach has helped the company to meet the challenges of the last two years and positioned it to anticipate the big issues that are coming over the horizon.

**B**ack in 2016, SmartStream was a well-established business with a strong suite of post-trade financial products. With an impressive client base that included Tier 1 global banks, it had a strong market presence, particularly in the reconciliations space. Despite being in a position that many technology providers would envy, there was a sense that there was unrealised potential in the business.

One firm believer that the company could push on to much greater heights was Haytham Kaddoura, who had been a member of the board of directors since 2007. In 2016, he took on the role of CEO and, since then, SmartStream has undergone an extensive reorganisation, refocusing on constant innovation, greater internal collaboration, and the paramount importance of addressing client problems rather than pursuing technology for its own sake.

*"Since [Kaddoura] became CEO, the company is at least 80% fresher in terms of its technology and its coverage, and we are now structured in a way that puts innovation first."*

The results have been impressive, and SmartStream is now firmly established as a leader in financial transaction management solutions, enabling firms to improve operational control, reduce costs, build new revenue streams, mitigate risk, and comply accurately with an ever-changing suite of regulations. The company has more than 2,000 clients –

including many of the world's top 100 banks – that rely on its middle and back office solutions to drive greater efficiency throughout their operations. What's more, that client base is consistently expanding.

"We have a huge amount of knowledge that Tier 1 and Tier 2 banks can tap into, and many of our largest strategic clients have been with us for more than 20 years. But challenger banks and fintechs are now becoming more significant in the SmartStream client base," Kaddoura explains.

"And we are making inroads into the insurance industry as these firms shift more towards a banking model," he continues. "They have more multilateral actions and need to identify where the failures are. Also, corporates are facing similar issues, though maybe not at the same level as a Tier 1 bank. Our range of no-code, cloud-ready solutions are exactly what they need."

## Comprehensive coverage

The SmartStream product portfolio is extensive and, since Kaddoura took the reins of the company, is more streamlined and integrated than ever. "Since I became CEO, the company is at least 80% fresher in terms of its technology and its coverage, and we are now structured in a way that puts innovation first," he says. "Most of our

solutions have been reengineered, and we have formed stronger partnerships with our clients."

An example of the technology revamp is the launch of TLM Aurora Advanced Account Control (AAC), which replaces the Corona Cash Reconciliation module, used in 81 countries across the globe. Corona was built on best-practice matching, extensive exception management capability, and enterprise-wide reconciliation, but AAC adds a fourth element – the ability to seamlessly integrate feeds of high-quality data from a host of other systems.

"You can feel it every day in the dynamics of the team," Kaddoura continues. "We now focus on our clients' needs first and foremost, and we have a much flatter organisation in which everyone can contribute ideas. Also, we have a more global mindset, which has resulted in us becoming much more actively engaged in dynamic markets like Asia."

Individual product development teams now work in a much more integrated fashion, and there is a governance board overseeing all the company's technology decisions. This combination of knowledge, whether grounded in the business world or in technological expertise, enables the company to pre-empt new challenges in the financial services industry, particularly with the impact of the ever-changing regulatory landscape. "We are always looking ahead to see what our clients will need, and everyone in the company is involved in the business globally," Kaddoura adds.

SmartStream has become a trusted provider of solutions that address many

critical processes with which the financial services industry must prioritise. It has standout solutions for cash and liquidity management, collateral management, corporate actions processing, digital payments and investigations, fees and expense management, and post-trade processing.

Underpinning its solutions is a comprehensive Reference Data Utility (RDU), which ensures that clients have the most comprehensive, highest quality and most accurate data set from which to run their operations. Its listed derivatives service and its equities service, for example, allow organisations to build their businesses on high-quality reference data to improve customer experience, boost trading effectiveness, and lift operational efficiency. It also provides comprehensive support for regulatory reporting.

The company is perhaps best known for its reconciliations solutions, which demonstrates SmartStream's constant desire to innovate. The most significant move was with the launch of its artificial intelligence solution called SmartStream Air, and its impact has been felt in the industry since its launch at Sibos in 2019. This no-code, cloud-native, AI technology has the ability to match almost any set of structured or unstructured data in a matter of seconds rather than days. SmartStream has continued to invest in its innovations and, at this year's SWIFT community conference, it announced the launch of its AI exceptions management module to automate the process of clearing up any loose ends in the reconciliation process. It uses the latest AI and machine learning technology to remove the labour-intensive and time-consuming elements of managing, categorising and resolving exceptions in the reconciliation process.

### Intent on innovation

These solutions are among the many fruits of the company's dedicated Innovations Lab – another of Kaddoura's initiatives – that exists to explore the integration of AI, ML and blockchain across the product portfolio, albeit only if there is a clear outcome that addresses a specific problem that clients are facing.

The innovations team partners with SmartStream's Tier 1 banking customers in this endeavour. Together, they explore



Haytham Kaddoura has been CEO of SmartStream Technologies Group since May 2016.

how these technologies can be used to re-engineer traditional processes to make them more efficient and less costly by detecting patterns in data, creating sharper business insights and delivering faster response times. A key focus is on freeing up operations staff from repetitive manual tasks so that they can focus on higher-value activities.

"Our Innovations Lab in Vienna is constantly developing new technology and applying AI in areas such as exceptions and cash management," says Kaddoura. "That team is now much more versatile in terms of the connections it has with key institutional clients, and that is a significant change."

One area of the business that is growing rapidly is with its managed services deployments, which is designed to meet the expanding demand for outsourcing. Outsourcing has long been prevalent across the financial services industry, with IT services and back office functions the most commonly outsourced activities. And, in the last two years, the demand for managed services has been significant as organisations have seen the operational benefits in volatile times

Indeed, the outsourcing of mission-critical business processes, together with other non-competitive and often labour-intensive activities, is now a more prominent feature of the capital markets than at any time in the last three decades, having been spurred on by the challenges of the global financial

crisis of 2008 and, more recently, the pandemic and the 'work from home' rules that came into effect for large portions of the international workforce. Such catalysts for change are the bread and butter for SmartStream's solution teams, and the company relishes the challenges they bring.

### Fit to face today's challenges

One of the major changes to occur in the financial services industry in recent years, once again accelerated by the pandemic, is attrition in the workforce. Finding and retaining essential talent is harder than ever, and in many key processes financial institutions are vulnerable to the risk of key individuals leaving and taking their expertise with them. SmartStream's managed services offering, which has positioned the company as a trusted partner for cloud-based, outsourced solutions, is a powerful tool in addressing this risk.

"One of the core values that we have is our knowledge of the industry – not only in terms of the technology, but also in the way that financial institutions work," Kaddoura explains. "There is a lot of attrition in the industry, so my team is able to educate institutions on best practices as well as which technologies are having the biggest impact."

"In particular, our technology has taken away the risk of the loss of expertise through attrition," he adds. "So have our learning systems, such as our Affinity solution, which institutionalises valuable knowledge and keeps it in-house."

Affinity's cloud-based AI observes the users' actions and establishes its own understanding of how records correlate, and it will assist the user to significantly reduce the time it takes for matching complex data sets. Once the neuronal network is trained, Affinity acts as a virtual user to support businesses' workflows – the more it observes, the more efficient it becomes, boosting matching rates – delivered to the end-user with high-quality results.

"A single person can really impact the team," says Kaddoura. "Take Neymar in the Brazilian football team, for instance. If he does not play well or is injured, then the team does not play well. It is the same in technology. Pre-Covid, there was a lot of dependency on key individuals, and that is a risk. If they move on, then their expertise is



SmartStream's Affinity technology can free up staff from mundane jobs to focus on different, more business-critical activities.

lost and that is a sticking point often for many institutions."

"The search for greater efficiency is also leading to a lot of job cuts, so automation is increasingly important," Kaddoura adds. "More than ever, banks need to remove people from the mundane jobs that no one wants. Affinity can bring vital knowledge into the system so that it cannot be lost, and so that people can be freed up to focus on different activities."

This drive for efficiency has been accelerated by the pandemic, which Kaddoura believes has changed the approach that financial institutions are taking when it comes to technology investment.

"For us, it has been a particularly busy time and we have been able to meet with our customers face to face to discuss their challenges," Kaddoura adds. "I've been part of the company since 2007 and I have never seen a year like it. Clients are emerging from Covid more engaged, and at Sibos this year we saw an impeccable calibre of attendees with T1 institutions wanting to talk openly about the operational challenges. I think there is an atmosphere of change embraced at a very senior level which has been spurred on by the regulators."

### Reworking the regulatory landscape

The fundamental key regulatory shift that

has brought changes to SmartStream's product suite is the introduction of ISO 20022, which introduces a new standard for electronic data interchange between financial institutions. It describes a metadata repository containing descriptions of messages and business processes, and a maintenance process for the repository content. It represents a new era for banks and financial institutions globally, as they must transition their payment systems from using the SWIFT messages network – known as ISO 15022 – to a new, highly structured and data-rich financial messaging standard. SmartStream's TLM Aurora AAC module already adheres to ISO 20022 standards, as do all of the company's solutions.

"If you look at the challenges that ISO 20022 brings to the table, it affects every single institution," Kaddoura says. "There has been some postponing of implementation, but it is a massive undertaking for any institution because the volumes of data that organisations are able to process will take many of them into unfamiliar terrain."

For financial institutions that are tied to legacy infrastructure, the transition could represent a huge challenge as these systems may not be able to handle the necessary volume of financial data as efficiently as they should. "To have those legacy systems digest such a huge amount of data will require a big

technology shift for most, as there is such a wealth of information coming in," Kaddoura notes. "The volume of data is multiple times bigger than they are used to, which is a gold mine for financial institutions, but they have to be ready."

"As a company, we are well versed in adapting to the changes in our industry, and its why we continue to service our clients," he adds. "Over the last 6 months ISO 20022 has been keeping my teams super busy, and it will continue to do so in the months ahead. It is a priority globally and it is one of the biggest operational changes that organisations have ever seen."

Despite presenting a monumental challenge to many of its clients, the regulatory change does have an upside. If financial institutions can take on board and understand the data generated by the new messaging protocol and build some intelligence around it, then it could provide unprecedented insight into their operations.

"If we enable AI to learn from the data messaging exchange and leverage that data then it is a gold mine in terms of understanding the value that is contained within the data," Kaddoura explains. "It could give a clearer view than ever of what the organisation is doing. It is the next level of transparency, as the size of the knowledge base they have is now much bigger. Handling that volume of data is our business."

## Change is the only constant

As the world emerges from the pandemic, it has a chance to re-evaluate old patterns, habits and systems. SmartStream has anticipated this and is ready to embrace the renewed level of engagement between financial institutions and technology services companies.

“That engagement is at a much higher level than before,” Kaddoura believes. “There is less delegation to juniors, so the CEO or the CIO is more frequently involved in the discussions that we are having. Everyone has a prerogative to increase efficiency across global operations, so technology buying decisions are becoming much more global.”

*“Rather than operating in silos we now have development and service teams all over the world. We are much better at sharing knowledge internally and conveying that to our client base globally.”*

“For us, the changes we have made in the company reflect that,” he continues. “We have a more global role in supporting our customers, and we are increasingly seen as a strategic vendor, rather than a newcomer, and we are also recognised for being innovative and forward-looking. We are a reliable partner for the long term.”

That change in how the company is perceived is in no small part due to the changes that Kaddoura has made since becoming CEO. He has got senior executives and their solution teams on board with the concept of creating a more flexible

organisation that shares its knowledge throughout the organisation to ensure that solutions work in an integrated way and that any innovation is put to work across the entire solution suite.

“The organisation is much more fluid, and teams can come together more rapidly to address clients’ needs,” he says. “Rather than operating in silos we now have development and service teams all over the world. We are much better at sharing knowledge internally and conveying that to our client base globally. That all stems from having a flatter, more dynamic and more fluid structure.”

The fundamental change he made was to reorient the company to focus on its clients’

needs rather than pursuing the development of technological capability for its own sake. In an age when financial institutions are being challenged by fintechs and challenger banks, SmartStream must focus on the pain points that arise for its core clients, the big institutions that have relied on us for many years, while also understanding the needs of new market entrants.

“There has never been such a need to change as in the last three or four years,” Kaddoura says. “There is massive change still happening in the industry, economically, and some could become existential threats

for some financial institutions. So, clients are asking ‘what is next?’ and we have to be able to give them the answers.”

So far, SmartStream has been able to do just that. Take, for example, its new AI exceptions management solution – a project that was ready for the market before clients realised that they needed it. “We can’t just keep doing what we have been doing,” argues Kaddoura. “We must continue to adapt and expand our go-to-market capabilities and leverage the experience that financial institutions are sharing, bringing them on board with the process of innovation.”

“I really see this as an amazing opportunity to keep injecting change into the organisation,” he adds. “Personally, I am always looking for new challenges. I love the company and I love what I do”.

Working in a highly regulated and challenging industry, where financial institutions need to be more agile and responsive than ever before, SmartStream has had to keep its foot on the accelerator of the innovation process, look beyond the horizon to anticipate the next wave of change, and simultaneously maintain its suite of existing products. To do so successfully requires a clear vision and a determination to execute.

It is those qualities that Kaddoura, as CEO, has instilled throughout the company, and it is those values of client-centricity and constant innovation that will continue to keep the company one step ahead of the competition. ●

[www.smartstream-stp.com](http://www.smartstream-stp.com)



SmartStream's approach has helped its clients navigate an ever-changing digital and regulatory landscape.