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# Post-trade solutions for a post-pandemic world

## How SmartStream is revolutionising banking through data

The world has changed in many ways since the start of the pandemic. Back then, the big question hanging in the air was how banks and businesses would respond to a zero-interest rate environment. Now, we are looking at the prospect of a recession with both inflation and interest rates rising at rates not seen in decades.

The war in Ukraine has brought further challenges, including the freezing of Russian assets. Additionally, banks are adjusting to the continuous waves of new regulations governing payments, all while settlement times are contracting and expectations from customers are for execution times to be reduced from days to hours and minutes.

This is happening while competition among the big banks continues to increase and new competition from challenger banks and fintechs has arisen. Data is the new currency and data management solutions are the new weapons.

All parties, from Tier 1 banks to the more agile fintechs, need access to high-quality data and lightning-fast reconciliation systems and streamlined exceptions management solutions.

Every single one of these challenges is firmly on the radar for SmartStream Technologies. SmartStream offers purpose-built solutions specifically designed for the challenges businesses are now facing as well as those they will face in the future.

Whether its their AI-enabled data reconciliation module SmartStream Air, the new Lightning product that automatically generates matching rules to speed the onboarding of data sources, the newly launched exceptions management system or the company's cash and liquidity management platform that helps banks maximise revenues in a world of rising interest rates. They have listened to what their customers asked for and delivered.

In an ever-changing world, innovation must be constant, and innovation is in SmartStream's DNA.

# Putting clients in control of digital payments

The digital payments arena is evolving all the time, with new standards coming into force and regulators constantly changing the landscape. Roland Brandli, strategic product manager **TLM Aurora**, tells Jim Banks how one of the company's flagship solutions is helping clients to adapt to the changes and thrive in a highly dynamic part of the financial services world.

**T**he digital world with which we are now so familiar has a big impact on our expectations. We want everything to be at our fingertips – and we want it instantly. In the banking world, clients want services to be handled better, more efficiently and quicker than ever. Nowhere is this truer than in the area of payments.

“Payments standards are changing all the time,” says Roland Brandli, strategic product manager TLM Aurora. “The whole world has changed. The fact is that two years ago people were used to payments taking two or three days, and maybe another two days if there was a problem. Now, payments go through in five or ten minutes.”

“That means that you can't wait days for something to be fixed if there is a problem,” Brandli continues. “Today, customers won't change their bank to save on a small amount of extra cost, but if they have a bad experience, or an app feels bad to use, then they are much more likely to change. That fundamentally changes how banks will work in the future.”

To compete, banks now have to focus on service and execution. Any poor experience can lead to a loss of business, as can any inefficiency in an area such as payments processing. What's more, if the big banks do make mistakes then there are smaller, more agile and more focused predators, waiting to come in for the kill.

“If banks don't fix these problems – then fintechs will,” says Brandli. “They're looking for a problem to solve, while banks are looking for profitable products that they can sell that will capture the trust and attention of a customer. They are creating opportunities, not trying to solve specific problems.”

## Building on success

Brandli is in charge of SmartStream TLM Aurora, which is the evolution of its flagship, enterprise-wide

exception management and reconciliation solution and is now available with the latest technology from the Innovations Lab with enhanced capabilities, including the award winning, artificial intelligence-pioneered by SmartStream Air, a cloud-native AI data reconciliation engine that has raised the bar across the industry. Equipped with self-supervised learning, it can match vast datasets in seconds, auto-generating matching rules on the go.

In a highly competitive environment where revenue per transaction is declining but complexity is growing thanks to a changing set of rules from regulators and growing pressure from card schemes, consumer protection bodies and fraud prevention agencies, control of digital payments has become vital for success. TLM Aurora utilises new technology to eliminate manual processes, then provides pre-configured workflows to manage exceptions. TLM Aurora has adopted a task-driven user experience that guides users towards any necessary tasks and an intuitive analytics layer, all of which has been designed by the same UI/UX team that this year won the Red Dot design award for their work on SmartStream Air.

“We are in such a creative mode,” says Brandli. “We've launched two modules this year, including TLM Aurora Advanced Account Control (AAC), which replaces the Cash Reconciliation module.”

“All of it is new, but one of our biggest ambitions is to stay true to our pedigree, so our existing clients can uplift to AAC without losing any data, any configuration or any work they've done over the past 20 years,” he adds. “The brand-new platform not only has our pedigree but also our DNA because it is very innovative.”

## Tackling TCO with AAC

Our flagship cash solution is the most widely-used solution of its kind in the world, with users in more than 80 countries. The upgrade to AAC will happen for all existing customers, offering major benefits with no complex integration process.

“Firstly, the technologies have addressed the total cost of ownership (TCO),” says Brandli. “We have deployed the newest web technology, so no specialist web service technology is needed, and there is no database. Usually, database licences account for 30% of TCO. The solution is on a streaming platform, so it operates in real-time and has API connectivity to pull in the data.

“AAC is also fully containerised and has self-healing and high-volume capability. It can be deployed in the public or private cloud, or on-premises, and it has an unsupervised AI-matching engine, as well as our user-trained AI, Affinity, which learns from what users manually do with the software.

“The implications are that there are fewer manual touchpoints and less effort to set up rules,” Brandli adds. “However, I think the biggest impact is that it ensures that a bank can have a sustainable operating model. The biggest issue with manual actions is that they are based on an acquired skill set, and from a C-level perspective that poses a risk if the people with those skills get sick, retire or leave.

“It takes time to reacquire those skills, but Affinity can retain a lot of that knowledge, which creates a sustainable operating model,” he adds. “The cash solution was built on best-practice matching, extensive exception management capability and enterprise-wide reconciliation, but AAC now adds a fourth element by making all of the data available.”

Availability means that, as well as having high-quality, verified and reconciled data from a vast array of data inputs, that data can easily be passed on to other systems for processing. Clients can use APIs not only for loading and saving data, but also for interacting with it at any point through the lifecycle of any given event.

“It becomes a fundamental addition to our value proposition,” notes Brandli. “It is interesting for C-level executives because all data is verified and brought into relation with other pieces of data, so they can view the status of an operation or an organisation’s executive and how any action affects other activities. A bigger set of data than ever is available, it can be trusted, and we put everything in context.”

## Beyond reconciliation

Many people think of SmartStream as being predominantly a provider of reconciliation solutions, but Brandli is keen to reframe the company’s image.

“I talk about control rather than reconciliation,” he says. “Our job is to understand the details and we have a unique approach. Everyone knows data is the new gold but, at some point, you have to get down to the level where you can use that gold, so it doesn’t just sit there. Data is a commodity, but you have to understand how it can help you.”

“People are just starting to pick up on the idea that reconciliation is about control, not just matching and verifying data,” Brandli adds. “It can help you see how transactions are succeeding or failing and how much they cost. In actual fact this should be the main tool of reference for any COO to understand how efficient his operation is. Instead of trying to figure out how the different reports from business owners and departments fit together, this layer of operational control will consolidate that information with the unique capability of providing context, by bringing these operations into relation with each other based on reconciled, verified data and the true state of the exceptions across their transaction base.” In his opinion, every value proposition a bank sells to its customers ultimately results in a transaction, therefore the actual product is the transaction, which should be measured in terms of quality, success, failure, resolution and cost. Much in the same way that any organisation does when it is producing a physical product. The only difference is that a transaction today is a digital product.

SmartStream is already looking to innovate further. A pre-packaged Payment Exceptions Management solution covering both SWIFT MT and ISO20022 payments including CBPR+, Target 2, SEPA and in the near future FedNow, FedWire and CHAPS is already being rolled out to complement AAC and SmartStream Air, and the company is hard at work enabling control processes that move banks towards real-time payments capability, as well as adding cross silo trade process control for securities, and treasury confirmations.

AAC is all about making digital payments solutions configurable, sustainable and affordable, as well as speeding up trade processes. This will be vital in the future, as nearly every exchange and central bank sees that processes are too slow. Furthermore, the industry-wide rate of trade failures is still at around 4.7%, which is far too high. SmartStream aims to change that.

“If you were to find a product on Amazon but, when you order it, it tells you that you will have to wait three or four days to find out when it will be delivered, then you would not use Amazon any more,” says Brandli. “That is how banks work – but it must change.”

“We are only at the start of seeing what value the data can deliver,” adds Brandli, stressing that he and his team are only getting started. Given everything they’ve achieved so far, you surely have to take them at their word. ●