

TLM[®] Cash & Liquidity Management

Delivering confidence, compliance and control over short-term liquidity with automated real-time visibility, monitoring and management

Executive summary

TLM[®] Cash & Liquidity Management delivers real-time cash and liquidity management. The solution, which consolidates existing siloed infrastructures, captures transactions from any internal or external source to create a single, global view of balances across all currencies and accounts.

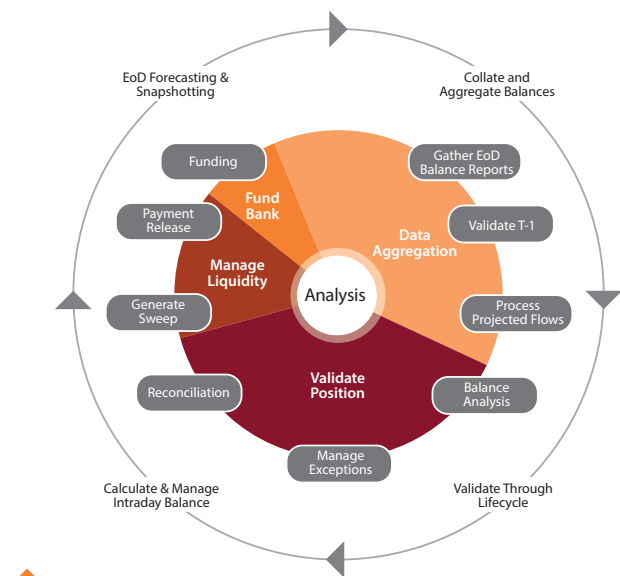
This view of liquidity allows financial institutions to understand funding, borrowing and lending requirements in real-time, from the highest level down to the individual transaction. Real-time updated positions and monitoring deliver up-to-date information, enabling firms to optimise their use of all available liquidity. As a result the treasurer has greater confidence in making funding decisions.

TLM Cash & Liquidity Management supports banks to comply with BCBS 248 intraday liquidity management regulation, delivering reporting within the BCBS 248 framework. It also facilitates the active management of intraday liquidity, enabling banks to better meet recent European Central Bank (ECB) guidelines relating to internal capital and liquidity assessment processes.

The business challenge

SmartStream's research indicates that many financial institutions still rely on a combination of spreadsheets, emails and phone calls, as well as manual gathering of information needed from various accounting software and core banking applications, to manage cash and liquidity. Re-engineering systems to achieve a clearer picture of liquidity can, however, be complex and time-consuming.

Where financial institutions lack an accurate, timely view of their liquidity it can result in added overheads and missed opportunities. Take the bank, for example, that failed to



TLM Cash & Liquidity Management lifecycle

spot a late deposit of \$10bn and had to pay overnight interest of nearly \$1m, or the firm that spent \$15m per year on duplicate trade executions, or the financial institution that incurred \$9m a year in avoidable interest expenses.

Pressure from regulators is also forcing firms to rethink the way to monitor and manage liquidity. Following the financial crisis, regulators turned their attention to banks' management of intraday liquidity risk. They focused, initially, on the monitoring of intraday liquidity risk but November 2018 saw the European Central Bank publish guidelines calling on financial institutions to strengthen internal capital and liquidity assessment processes: regulators wanted banks not simply to track intraday liquidity but manage it actively.

Proactive management of liquidity is not just a question of meeting regulatory requirements but is becoming a necessity and business imperative in today's increasingly challenging economic environment. Interest rates are

rising, global FX volatility is having an impact, and capital is more scarce. As such, banks must keep down funding and liquidity overheads, and reduce regulatory costs. Proactive management of intraday liquidity means firms are less likely to have the need to maintain high liquidity buffers, incur unarranged overdrafts or make unnecessary use of collateral.

Today's risk landscape is changing, too: counterparty and operational risk is on the rise, exacerbated by the use of largely untested new technologies such as blockchain, while cyber threats are also multiplying. Being able to react quickly and provide real-time information on the status of payments and use of credit lines is essential to containing these threats.

Having a clear, timely picture of liquidity usage across business lines, customers and products permits better understanding of a customer's profitability. This gives banks the opportunity to incentivise certain customer behaviours and, potentially, allows them to create new revenue streams, e.g. through charging intraday credit line usage back to clients.



TLM Cash & Liquidity Management summary screen

Solution overview

TLM Cash & Liquidity Management is a single, integrated solution for enterprise-wide cash and liquidity management.

An accurate & timely insight into liquidity

TLM Cash & Liquidity Management captures transactions from any internal or external source to create a single, global view of balances across all currencies and accounts. It enables users to see real-time positions based on opening balances and settlements confirmations, as well as forecasted positions generated from opening balances and projected cash flows. Balances can be studied from a variety of perspectives, e.g. currency, legal entity, account, book, product line, product.

Manually capturing cash positions from multiple sources is time-consuming and prevents prompt discovery of errors. TLM Cash & Liquidity Management automatically reconciles actual and projected messages, confirming and identifying failed and unexpected cash items. This delivered from 'Once a Day' to 'real-time' reporting.

TLM Cash & Liquidity Management tracks cash flows and settlements through their lifecycle while avoiding double accounting. In addition, it displays cash valuation of non-cash assets of liquidity e.g. unencumbered assets, pledged collateral.

Flexible and configurable

Users can manually adjust balances and create cash flows within a controlled process. Specific users can configure new balance types to provide different perspectives of cash and liquidity.

Automated sweeping

TLM Cash & Liquidity Management provides automated sweeping to manage the transfer of funds between accounts, at specific times determined by the user. The automated processes are initiated before currency and account cut-off times, but users retain the control to verify proposed transactions or initiate manual processing.

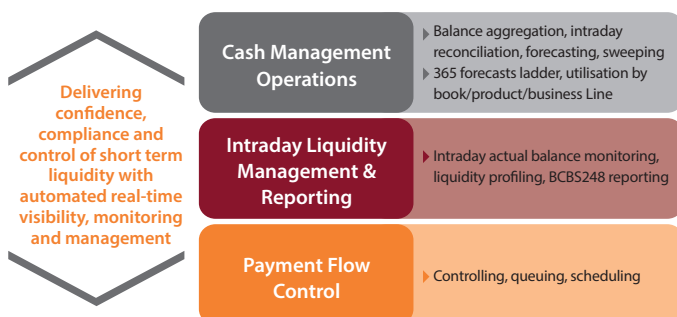
Auditability and control

TLM Cash & Liquidity Management improves control over liquidity, issuing alerts when actual balances fall outside intraday long and short limits. RAG statuses indicate when forecast balances exceed minimum and maximum thresholds.

Discrepancies can be identified and investigated easily. Users can justify positions through snapshots and analyse unexpected deviations. The system also creates exceptions which highlight data or configuration issues.

Reduced Credit Risk

The solution allows financial institutions to calculate their total exposure to specified counterparties by offsetting payables and receivables. Using a common reference field, the system can show netted cash flows from a variety of data feeds.



TLM Cash & Liquidity Management modules

Compliance with intraday liquidity management requirements

BCBS 248 reporting

TLM Cash & Liquidity Management provides regulatory reporting within the BCBS 248 framework and its equivalent local implementations by national financial authorities e.g. the HKMA or the PRA.

Liquidity profiling capabilities

Advanced analytical tools allow users to profile the timeline of actual account positions to the minute, based on booking or messaging timestamps. Balance behaviour can also be compared with typical behaviour.

Payment Flow Control

TLM Cash & Liquidity Management's payment flow control tool promotes the active management of liquidity, giving financial institutions the ability to route payments at the time of their choosing, as well as to block payments, based on configurable parameters.

A model client solution

TLM Cash & Liquidity Management is a Model Client solution. The model client approach combines mutualised knowledge from SmartStream's extensive client base and industry best practice to create a standardised template. Clients can pick the elements they require, speeding up implementation, but can also tailor the solution to their individual requirements by deploying the Model Client.

Operational dashboards

TLM View is an attractive, highly flexible user interface. It offers a series of customisable dashboards, which can be easily configured at runtime by business users with no IT support, enabling end users to view and interrogate all real-time and historic data. Full analytics are available, so trend analysis can be carried out in order to improve operational outcomes.

Benefits

Reduced overdraft fees and increased opportunity costs

TLM Cash & Liquidity Management's enhanced forecasting capabilities enables users to reduce overdraft fees and increase opportunity costs.

Lowered intraday liquidity costs

Real-time visibility and greater control over intraday balances assist organisations to lower intraday liquidity costs.

Curbed intraday liquidity exposure

Real-time visibility, improved control over intraday balances, plus the ability to manage payment flow, enables firms to reduce intraday liquidity exposure.

Enhanced funding accuracy

Automated late trade flagging, combined with TLM Cash & Liquidity Management's market-leading reconciliations capability, lead to greater funding accuracy.

Regulatory compliance

The solution supports financial institutions to meet intraday liquidity monitoring and reporting obligations through its BCBS 248, HKMA and PRA reporting templates.

Evidence based business case to reduce liquidity buffers

Firms using the solution can, by demonstrating the visibility of their balance sheets, and by being able to show that they have the necessary tools to control risk, strengthen their business case for the removal of liquidity buffer add-ons.

Creates synergies between front, middle and back office

The front, middle and back offices have access to cash and liquidity information via one platform, thereby avoiding data manipulation. This becomes a single source of truth, creating synergies between the various areas of a bank.

Improved customer service

Shorter funding cut-offs and better error identification lead to superior customer service.

EOD nostro reconciliation

TLM Cash & Liquidity Management reduces reliance on end-of-day nostro reconciliation.

Scalable & with a global operating model

TLM Cash & Liquidity Management is scalable, can handle high volumes of transactions, and uses a multi-entity, multi-region, multi-time zone business model. This global operating model makes it possible to manage funds around the clock and maximise investments as soon as funds become available rather than waiting for local offices open.

Cloud deployment

The solution is available via the Cloud. This option provides a more rapid and cost-effective route to adoption, also enabling a quicker return on investment to be achieved. Firms have the ability to scale their operations more efficiently and it's a faster route for adopting new data strategies.

Model Client: accelerated delivery, flexibility & lower costs

The Model Client approach accelerates delivery of the solution while giving clients the flexibility to tailor the solution to their individual requirements. It keeps costs down and facilitates quicker ROI.

Return on investment

TLM Cash & Liquidity Management has created proven financial benefits for its users. For example, a Tier 1 bank saved \$350k per year as a result of decommissioning old systems, a Tier 1 bank reduced a \$3.4bn liquidity buffer add-on due, in part, to its implementation of the solution's front office module, and a Tier 2 universal bank saved over \$20m annually, only one year after installing the solution in a single hub.

About SmartStream

SmartStream provides Transaction Lifecycle Management (TLM®) solutions and Managed Services to dramatically transform the middle and back-office operations of financial institutions. Over 1,500 clients, including more than 70 of the World's top 100 banks, 8 of the top 10 asset managers, and 8 of the top 10 custodians rely on SmartStream's solutions.

SmartStream delivers greater efficiency, automation and control to critical post trade operations including: Reference Data Operations, Trade Process Management, Confirmations and

Reconciliation Management, Corporate Actions Processing, Fees and Expense Management, Collateral Management, Cash & Liquidity Management and Compliance Solutions. Used independently or as a suite of solutions and services, clients gain a lower cost-per-transaction whilst reducing operational risk, aiding compliance and improving customer service levels.

For more information about SmartStream visit:
smartstream-stp.com