



# > transforming bank treasury with tlm



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Treasury operations renovation at banks is being driven by the inability of current systems and process to manage today's transaction volumes. In its last Triennial Survey, in 2007, the Bank for International Settlements (BIS) found that the overall market for FX products had grown nearly 70% since its previous review.

Moreover, volumes originated by hedge funds, mutual funds, pension funds and insurance companies have more than doubled over the same period as these participants have looked to hold more internationally diversified portfolios.

The second element to this volumes increase is the increased trading of more complex instruments such as OTC derivatives. The BIS survey revealed increases of more than 70% for FX and interest rate derivatives classes. These instruments necessitate distinct processing requirements and their operational risk profile is significantly higher.

Until recently the automation of the reconciliation process in the back office was low on the priority list for most securities firms where front office operations took the lion share of investment. However faced with a heady combination of rising volumes, increased volatility, the need to reduce cost-per-trade and increasingly complex trades, back office operations are feeling the pressure.

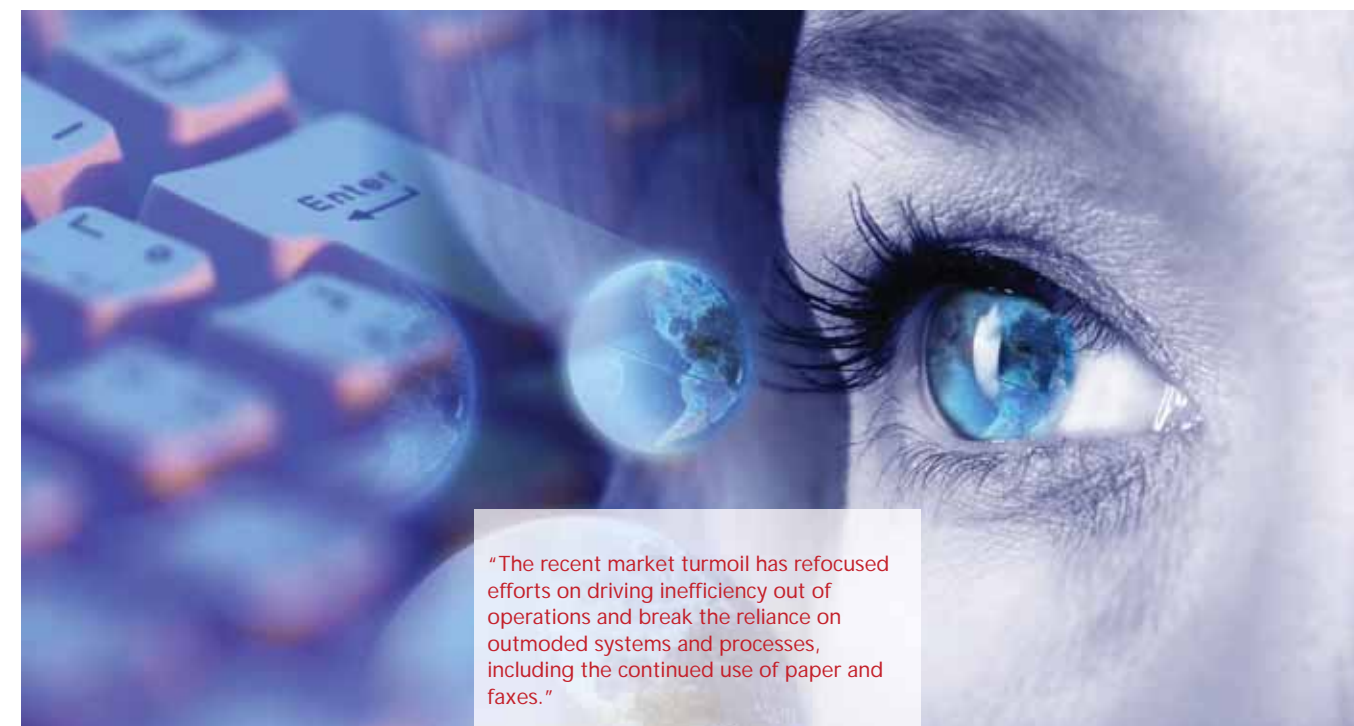
The recent market turmoil has refocused efforts on driving inefficiency out of operations and break the reliance on outmoded systems and processes, including the continued use of paper and faxes. This approach is unreliable and error prone, increasing operational risk, impacting client

service, damaging reputations and potentially leading to substantial losses. Crucially, manual processing is also much more expensive, which impacts directly on profitability.

While some moves have been made at an industry level to automate processes, this has only made a small impact on the issue, as highlighted by the rising number of outstanding confirmations firms faced during the early stages of the credit crunch. As the front office is chomping at the bit to trade new instruments, organisations cannot process them because the middle and back office are struggling to cope.

Scalability to handle volume spikes during volatile markets and the ability to process new OTC products are paramount concerns. It's here that lessons from the past – buying point solutions on a business line or geographical basis – have been learnt. While firms may desire a single end-to-end solution, the immediate need is for software to alleviate the most pressing areas for concern, such as confirmations, that fits the existing architecture and can adapt over time.

As volumes grow, hard-coded and proprietary systems struggle to provide the control and visibility that firms need to process transactions efficiently. While systems have delivered a high throughput of



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trades, pure volume capability is only a small element of the transaction process. Without intelligent business rules, they create large volumes of exceptions that overwhelm even the largest back office teams.

Renovating treasury operations presents some distinct challenges. Treasury instruments already represent the biggest traded market, with turnover in excess of \$3.2 trillion daily. Add on to that the projected levels of growth and the additional demands placed by complex derivatives products, and it is easy to see why treasury operations directors are re-evaluating their supporting systems.

Renovating treasury operations requires focusing on a number of goals:

- Building a sustainable operations environment that will carry the firm through growth in transaction volumes in coming years.
- Ensuring the technology can handle the complex processing demanded by OTC derivatives.
- Taking advantage of the new tools available to understand the end-to-end operational processes and provide management information to improve the operation over time.

TLM Treasury Confirmations delivers comprehensive real-time, enterprise wide

matching and management of financial instruments including FX and Money Markets, Derivatives and Precious Metals. Its wide range of both instrument and source coverage supports treasury renovation projects for all types of institution.

A critical characteristic of the treasury operation is extreme high-volume processing. The goals must therefore be to provide scale for the future and reduce manual intervention to an absolute minimum. TLM Treasury Confirmations delivers a highly scalable solution with the highest automatch rates in the industry. Its combination of multiple match passes, the ability to both reconcile confirmation messages in real-time and alert users to outstanding confirmations as they occur, drastically reduces the need for costly manual intervention.

Continual process improvement must be built into the new treasury platform. The system must also be configurable – from the data schema and match rules through to the workflow and dashboard – providing a basis for operations over the coming years.

TLM Treasury Confirmations is designed to be a dynamic solution, constantly learning to further boost auto match rates and avoid exception storms. It enables firms to define

and refine their match rules and display confirmation and exception data through a flexible thin client user interface.

Introducing an exceptions-based process enables firms to create more proactive treasury operations. When the initial error is investigated and fixed manually, TLM then finds all transactions with the associated error and fixes them automatically. This removes the need to investigate and manually fix every single transaction, further reducing effort and cost. Where a naming convention is involved, TLM Treasury Confirmations learns the alias, improving data loading the next time and matching it to the correct transaction and counterparty information, further improving processing efficiency.

As FX, MM and derivatives volumes continue to rise, successful automated confirmation matching is a critical step in the fast and efficient execution of deal settlement. Further, with margins under pressure, firms require an intelligent, enterprise-wide solution that can automatically match as many transactions as possible. TLM Treasury Confirmations places treasury operations directors in the strongest position to renovate and remove both risk and cost from their organisation. <