

An Exceptional Performer

Peter Webb, Senior Vice President, Product Management, SmartStream

Trade exceptions are a huge headache for the financial industry. Large firms deal with hundreds on a daily basis, entailing considerable effort and expense. But can the industry find a smarter, faster and more cost-effective way of resolving exceptions?

Peter Webb, Senior Vice President, Product Management, SmartStream, believes that SmartStream's innovative new TLM® Exception Management tool offers financial institutions a highly effective means of driving cost, risk and delay out of the resolution process.

Financial institutions are under pressure as never before to cut overheads. Companies are looking to reduce between thirty and fifty per cent of their back and middle office costs and so are constantly reviewing their operations, searching for ways of introducing greater efficiency. One area under scrutiny is exception management: resolution times are still too long, exposing organisations to unnecessary risk and expense.

The current exception management process

So why hasn't the industry already made greater progress streamlining the exception resolution process? One problem has been underinvestment in the back and middle office – a result of the financial crisis, this has created many operational inefficiencies which organisations are now having to tackle. To make matters even more difficult, firms are facing rising volumes of increasingly complex transactions, piling added pressure on creaking systems and processes.

More specifically, financial institutions rarely have a single, consistent view of the exception management process. This makes it difficult for companies to see why an exception has occurred, monitor its resolution, and get a trade back on track promptly.

Companies are hampered by other drawbacks, too. Firms struggle to prioritise exceptions and so the most time-critical cases are not always identified and handled first. Standardised processes are often lacking, meaning that personnel may resolve issues in

different ways. Some organisations are unable to capture all the information relating to each exception, making it difficult to provide evidence to the regulators that decisions have been taken in an appropriate way.

TLM® Exception Management

At SmartStream we are keen that our customers achieve the very best performance. We go to great lengths to understand the challenges our clients face and to create solutions and services that will enable them to improve their balance sheet, reduce expenses and comply with regulations. In order to support our clients effectively, we continually look for ways to evolve our technology. Research and development are of fundamental importance to us and a strong culture of innovation underpins all we do. SmartStream's new TLM® Exception Management application reflects our commitment to understanding and fulfilling our clients' requirements, as well as to innovation and development.

Built on the latest SmartStream architecture, and equipped with a sophisticated, newly

designed, single user interface, the application allows financial institutions to replace inefficient manual resolution processing with automated, proactive exception management. It detects exceptions as far up the workflow process as possible, monitoring and managing them through to resolution. This capability enables institutions to predict and control exceptions far more effectively than they have been able to do in the past.

A single consistent view of the resolution process

The lack of a single, consistent view of the resolution process creates many headaches for practitioners in the middle and back office. At present, in order to close an exception quickly, a number of personnel usually work on it in different parts of the business. This means that effort is duplicated while there is also a danger that important repair processes are overlooked. Clearly, it would be preferable to have one staff member resolve the discrepancy and then update any areas of the business that have an interest in it.

TLM® Exception Management puts an end to these difficulties, delivering exception management information through a single user interface, accessible by multiple participants. It provides a consistent view

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of the entire resolution process and so staff across the organisation, from managers through to exceptions clerks, can clearly see the progress being made on each exception. Importantly, the application enables one individual to take on the investigation of an exception as all the information relating to that case can be viewed and managed in a single place. This removes the need for other staff to work on the same exception, allowing them to be deployed elsewhere. Once the issue has been resolved, the data owner can then distribute the information to any systems and processes with an interest in it.

Where an exception cannot be handled automatically, and straight through processing fails, TLM® Exception Management guides users towards resolution through a series of straightforward steps. These can be pre-determined, ensuring that any manual intervention is carried out in a standard manner. The application is highly flexible and so can be configured easily to suit an organisation's unique business requirements.

We have designed the new TLM® Exception Management to provide connectivity to communication platforms, using XMPP

A common exception layer across multiple systems and lines of business

Designed to connect seamlessly with SmartStream's suite of solutions, TLM® Exception Management also integrates with third party applications (where the necessary APIs or web services can be exposed).

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It is therefore able to extend into other systems, for example, payments or trading applications, and to process exceptions that arise from these.

On a day-to-day basis, TLM® Exception Management's ability to integrate with other systems makes carrying out investigations much more straightforward. Rather than logging on to different applications, searching records and re-keying data, connection is automatic. This reduces the time spent on investigations, potentially cutting administrative costs, as well as lessening the risk that errors occur.

In the longer term, the solution provides an organisation with the potential to link up numerous applications and to create a common exception layer which extends across multiple systems and lines of business. The ability to extend into legacy systems also means that firms can continue making use of them and so derive further benefit from their investment in existing technology.

A systematic, proactive approach to managing exceptions

TLM® Exception Management enables financial institutions to process exceptions in a systematic way. They can be assigned to a single user, group of users, department or even company-wide. A case can be routed to an alternative member of staff if the individual originally designated to deal with it is absent. The innate flexibility of the application means escalation procedures can be configured with ease, for example, organisations can define the amount of time an exception remains open before it is escalated to a manager or stipulate which

types of decision require approval from a manager.

The application facilitates a proactive approach towards exception management. Its prioritisation feature ranks exceptions according to urgency – using pre-defined business rules – and guides staff to deal with these first. Resources are therefore directed to handle the most pressing issues first and precious time is not wasted on minor discrepancies which can be tackled at a later point. The system's Active Alerting also fosters a proactive approach, flagging up potential glitches and prompting business users to take preventive action to stop exceptions occurring.

Maintaining obligations: managing SLAs

Financial institutions often have a large number of service level agreements in place. Making sure these obligations are managed properly is essential and TLM® Exception Management provides vital support in this area. It alerts managers to fluctuations in service quality, for example, warning when match rates in reconciliations have fallen below a certain percentage or flagging up where data quality has dropped below a particular level.

Tighter control over risk

TLM® Exception Management enables financial institutions to exercise close control over risk. An executive summary function provides managers with a detailed overview of the business, in real time, highlighting points of concern and drawing their attention to potential risks. The system also categorises exceptions making it easier for firms to

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identify weak processes. These can then be re-engineered to weed out inefficiencies.

Every action relating to an exception, however minor, is fully documented by the system. It creates a complete audit trail and so, should regulators demand to know why particular decisions have been taken, a financial institution is in a position to provide detailed evidence in support of its answers.

In conclusion: our own experience of TLM® Exception Management

SmartStream's TLM® Exception Management is result of considerable research, investment and development effort. The application provides financial institutions with a highly effective tool in the drive to remove inefficiency, risk and excessive cost from the resolution process. It also promotes a systematic, proactive approach towards exception management. At SmartStream we are strongly convinced of the system's benefits: TLM® Exception Management is installed at our Reference Data Unit (RDU) – the utility is responsible for processing, normalising and enriching reference data for the financial industry – and has already introduced significant efficiencies to the way we manage exceptions there.

“ *Resolution times are still too long, exposing organisations to unnecessary risk and expense.* ”



PETER WEBB