

Wave goodbye to the risks

In an exclusive interview with Peter Hainz, global presales programme manager – cash and liquidity at SmartStream, he explains how it helps banks deal with intraday liquidity risk challenges and how machine learning is making a major difference.

You could see Hainz's role as a doctor of fintech as he, and SmartStream of course, take all the pain away for banks when it comes to intraday liquidity risk. With 1,500 clients the firm has provided a lot of comfort.

Hainz's background displays a strong understanding of Basel III as he is professionally certified. Hainz shares his expertise as he has lectured at three universities in Vienna on treasury and liquidity management. He is also often asked by regulatory bodies to provide opinions about this subject matter.

With these kinds of skills, he can explain how SmartStream helps banks deal with intraday liquidity risk challenges.

"I have visited many banks in Europe, US, Middle East and Africa. Banks are coming to us as we provide thought leadership in intraday liquidity monitoring and management. The feedback I receive is that they often need guidance on how to apply intraday liquidity regulation along stress-testing.

"Currently many banks only have end of day (EOD) visibility in cash and liquidity. One bank contacted me and said, 'if I have only EOD data available, I have issues with big payments in the afternoon – as I do not exactly know what my actual position is.' So in order to avoid too large liquidity buffers or not enough liquidity, accurate real-time cash and liquidity data is necessary.

"A big challenge for our clients is highest data quality, which is required for excellent real-time intraday cash and liquidity monitoring. We have a very experienced team supporting our clients with these needs."

SmartStream also provides regulatory insight. For example, in specific regions in the Middle East Smartstream was working closely with the regulator and they discussed the best intraday liquidity risk solutions for the banks. There are also different flavours to consider – such as local regulatory specifics.



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Peter Hainz, SmartStream

"As a global company we have local management centres with regional knowledge. Our people know the local regulations. Basel gives their recommendations and we have local authorities that implement these solutions. Our aim is to talk with local authorities, like the UK's Prudential Regulation Authority (PRA) or the European Banking Authority (EBA) and provide solutions."

This is not limited to Europe of course. SmartStream does the same across the rest of the world, such as in Singapore, Hong Kong, India and the US.

Along with this global savoir-faire, SmartStream has been doing this kind

of work for ten years with "many tier 1 customers across all regions". Clients include JP Morgan, Morgan Stanley, Goldman Sachs and Deutsche Bank.

RISE OF THE MACHINE

In the artificial intelligence (AI) and machine learning (ML) space SmartStream is up to some smart stuff.

"We have an innovation lab in Vienna, led by Andreas Burner. It is a highly functioning team working on AI, with a focus on ML. ML fits nicely into this because we are in the reconciliation space, so you have incoming and outgoing data which needs to be reconciled and ML is a perfect scenario for this.

"And then you have unsupervised and supervised ML, which is especially useful for regulators who receive tonnes of data and they have to evaluate this, especially in the liquidity space.

"Regulators have to assess anomalies. ML especially detects anomalies and learns from them, where for example the user then receives alerts.

"Given a set of data as input sample, ML can learn and detect anomalies and report them accordingly. This is certainly applicable for banks in the area of stress testing.

"We aim to help regulators, which have limited resources, with AI to detect anomalies which human resources, for example, cannot solve in a timely manner."

When it comes to future ambitions, Hainz is happy to explain.

"We are engaging with different markets which haven't fully integrated the reporting regime. We can help customers produce reports.

"We are also building out richer and more functional stress testing capabilities. We will offer more proactive monitoring, so banks can control what goes on."

It seems SmartStream's desire to remove pain in this part of the fintech world is looking healthy, wealthy and wise. **bt**



People are important to us

Since 2000, our business has been steadily growing. Our approach to technology has succeeded because we understand the financial industry. We always listen to it. Listening is part of our DNA.

Technology is the life force of our business. But we also know that while AI and robots are pretty exciting – well, we find them pretty exciting – human beings are even more important. When it comes to understanding the challenges financial institutions face, and to deciding how technology can best serve those organisations, we realise that people are paramount.

We want to know where you need to get to and how we can help you get there. That is why talking to you face-to-face is important to us, and why getting to know you at Sibos is our top priority.

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