

How AI Technology is Supercharging Reconciliations and Other Back Office Processing effectively

Massive data volumes and inflexible legacy systems make reconciliations prime for AI disruption.

When capital market firms in Asia-Pacific are asked what their key focus area will be in the coming years, chances are that shorter processing times will bubble up near, if not at, the top of their lists. The evolution of the trade life cycle has only intensified the need not only for quicker post-trade processing, while also keeping errors and expenses down to a minimum. This dual demand to improve performance and prune costs has put firms firmly at a crossroads: Do we start to embrace AI technology to keep these business pressures at bay?

Two of the biggest challenges organisations in the region face when adopting AI technology across the back office is a lack of knowledge about the technology and its business use-cases, and also insufficient internal competence in AI technology.

These hurdles have emerged as financial institutions see a strong potential for AI to bolster back-office performance. According to a SmartStream survey, nearly 44% of respondents either already have AI live in their operations or are currently trialing AI at a proof-of-concept stage. For now, these same companies valued AI less for its ability to improve straight-through processing, and more for increasing the accuracy, transparency and speed of processing.

Given these prevailing views on AI technology, it was not surprising that three-

fourths of financial institutions identified reconciliations as the business function that could benefit most from AI technology, edging out accounting, cost and expense management, and corporate actions. The popularity of reconciliations as a target for AI technology initiatives stems from its inherent challenges: it handles a large volume of data and is hobbled by inflexible legacy systems. For capital market firms, AI technology represents a significant leap towards executing previously impossible tasks in the reconciliations process.

Due to their lack of internal expertise, financial firms are partnering with global technology firms like SmartStream Technologies to develop AI-driven solutions that optimise their workflows not only in reconciliations, but also in cash management and fees and expenses management. SmartStream, for one, has focused on evaluating optimal AI modelling, running tests and implementations, and analysing how AI processes best work with the current production environment by monitoring achievements and optimisation of processes.

In Sibos in September, SmartStream launched SmartStream Air, its dedicated AI solution for reconciliations. "SmartStream Air is a complete game changer for reconciliation and transaction control. Our innovative machine learning models incorporate over 20

years of experience and have been optimised to auto-configure complex scenarios. Secure and globally accessible, the new cloud product requires no installation or configuration," said Radha Pillay, head of sales for APAC at SmartStream Technologies. "This AI-enabled, standalone application is infinitely scalable, multi-tenanted, and allows you to carry out reconciliations in an instant."

At its most optimal implementation, SmartStream Air eliminates a significant amount of time and effort, as well as contains costs by reducing the reliance of business users on operations and IT support, according to Pillay. "The use cases focused on ad hoc reconciliations demands as opposed to the long cash domains that needed to be computed for two weeks. SmartStream looked at simple reconciliations needs, with two sets of rather complex data and in different formats, for example, that needed to be reconciled within minutes and find out if there are any disputes within those files," he said.

"Just to put things in perspective, for a similar task on a non-AI enabled reconciliations platform, it would typically take two or three working days to sometimes even a week. And it has to be done by the IT department"

By using AI algorithms to auto-configure reconciliations, SmartStream Air uncovers the reconciliation matches almost instantaneously, producing a robust battery of results, statistics and disputes within seconds.

"With this new technology, financial firms in APAC and globally can instantly see where the exceptions are, releasing them from a lengthy iterative process of trying to work out where the data mismatches lie," said Pillay.

To cut down the set-up time and complexity, SmartStream Air employs a simple user interface with drag- and-drop capabilities, onboarding or training. Existing users of the SmartStream's market-leading reconciliations solution, TLM® Reconciliations Premium, can implement the same AI technology that underpins Air to set up a powerful and stable day-to-day reconciliation system, Pillay noted. "SmartStream Air ultimately empowers business users to look after the own reconciliations needs. It also frees up IT departments and operations people to focus on more strategic tasks."

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Radha Pillay