

SmartStream is a recognised leader in financial transaction management solutions that enables firms to improve operational control, reduce costs, build new revenue streams, mitigate risk and comply accurately with regulations. By helping its customers through their transformative digital strategies, SmartStream provides a range of solutions for the transaction lifecycle with artificial intelligence and machine-learning technologies embedded, which can also be deployed in the cloud or as managed services. As a result, more than 2,000 clients – including 70 of the world's top 100 banks – rely on SmartStream Transaction Lifecycle Management solutions to deliver greater efficiency to their operations. For more information about SmartStream, visit www.smartstream-stp.com

Disruptive technology: AI for hedge funds

SmartStream focuses on how AI can help throughout the coronavirus pandemic.

It is no secret that, from a business and technology perspective, the rate of change across the capital markets and the pressure it continues to exert on buy and sell-side firms is showing no signs of slowing down. In fact, many would argue that, if anything, it is accelerating. This is due to a variety of drivers – the increase in complex and costly regulations, the emergence of new technologies and services specifically developed to address those challenges, and management of their day-to-day operations. Resolving these challenges with increased levels of automation across the business results in increased transparency and scalability, so staff members can be redeployed across the business in higher-value roles. The operational effectiveness of a hedge fund business and technology strategies going forward are reliant on a number of factors, including the complexity of their incumbent business operations and the technology stacks that are supporting them.

In September 2019, SmartStream launched SmartStream Air. A new revolutionary approach for performing simple reconciliations, it allows business users to reconcile complex

sets of data in a matter of seconds. The solution is immediately accessible and uses transformative AI algorithmics to auto-configure reconciliations of any data structure – unlike other solutions on the market today, which can often lead to long implementation times. SmartStream Air provides a true AI platform which has been built for the cloud.

According to SmartStream's chief innovation officer Andreas Burner, "SmartStream Air opens up a number of new opportunities for organisations, and it is rich with advanced features that deliver better operational efficiencies, particularly around data optimisation."

It is not surprising that many of the all-in adopters of AI are small to large-shop hedge funds, while the story for banks and investment managers with far larger back-office operations is more mixed. According to a recent survey ran with WatersTechnology, industry respondents were neatly split when answering questions about their AI adoption strategies in the back-office: just over one-quarter (26.3%) said AI is live in their operations, and a slightly higher number (27.6%) said they are trialling AI at a proof-of-concept (POC) stage. Another one in five

(19.7%) are considering a POC, while the final 26.3% said they have no plans to use AI at all. Hedge funds are incentivised to use AI for various back-office operations and regulatory compliance reasons. Proper use of AI can reduce costs, improve risk management and revenues, augment decision-making and comply with regulations, including those pertaining to data reporting.

The advanced technology optimises processes at many levels, from reconciliation, to stress testing and payments. Financial institutions around the world are rapidly developing their own AI tools to aid their operations as part of their digitalisation strategies to provide them more efficient operations in providing competitor advantage and higher service levels to their customers. SmartStream is leveraging its own Innovation Lab, which is focused on developing tools and case studies in the deployment of new technologies in its middle and back-office solutions suite, financial institutions will experience even higher levels of automation and efficiencies from their investments, which will provide more capital and cost savings across the organisation.

Last year, SmartStream also launched AI deployments for its exist-



ing managed service offering, which covers reconciliations, corporate actions, cash management and reference data. SmartStream has worked closely with its tier-one clients to further reduce operating costs and pricing, as well as improving operational efficiency and reporting. Nick Smith, SVP for managed services, recently stated: "It is a very exciting times for our clients; the new AI function is taking the stress out of data reporting, a significant improvement to back-office efficiency, whilst helping to lower costs. In addition, it enables firms to maintain a control team to monitor performance and results on a daily basis. Small and large hedge funds do not have the same in-house IT capabilities as the larger institutions, and many hedge funds rely on the expertise of their outsourced technology teams. Typically, they outsource their back-office to run their day-to-day operations and seek out areas in which AI could be a good complement."

Leveraging AI

The adoption in AI goes hand in hand with the advancement in new technologies. Super-fast chips, when combined with data, give algorithms a massive boost, so for firms managing large

amounts of data, this is particularly important when the data is being used for important functions and being reported on. For the middle office, AI-powered tools and technologies can aid in stress testing activities as well as in supervision. For front office, AI can be leveraged for payment scheduling and payment throttling. Some of the use cases include digital fingerprint, invoice extraction, and looking at anomalies on balances and other financial statements.

SmartStream, for its part, has been deploying AI-based solutions to financial institutions due to its talent acquisition; Andreas Burner explains: "The Innovation Lab in Vienna is a collaboration that is made up of highly skilled members, including; mathematicians, applied data scientists and computer scientists. The lab is tasked to evaluate and deploy AI, machine learning, and blockchain models with financial institutions with cost efficiency and workflow enhancements as the main objectives. Some of the benefits that financial institutions experience include lower operational risk or the ability to spot anomalies in transactions; enhanced profit efficiency given that routine reduction in repeatable tasks; and faster response time due

to machine learning. Further, financial institutions stand to benefit from AI by coming into the possession of more informed business insights, and less exposure to processing failures, which will ultimately help any organisation's decision-making process."

When it comes to weathering the storm caused by the global Covid-19 pandemic, the financial institutions who have already invested in robust, enhanced systems, such as SmartStream's TLM suite of solutions, have experienced uninterrupted services during this time. By achieving greater levels of automation, it reduces the reliance on human intervention, making companies less dependent on staff who mostly are working from home during this period. In addition, new advancements in technology and cloud deployments permit firms to move away from their old IT systems, which are costly to maintain, and instead can easily scale their businesses during heightened levels of unpredictability. While we are all working through this pandemic, it is important that hedge funds explore ways in which they can improve resilience, control and efficiency in the face of other potentially similar situations.