

Case Study

Automating bank reconciliations to support business growth

Prudential Singapore needed a solution to new methods of payment, enabling its finance department to turn a business challenge into a competitive advantage



Prudential Singapore is a leading life insurance company with an 88-year history of operating in the market. With one of Singapore's largest agency forces and important

bancassurance relationships, Prudential serves over 900,000 Singapore customers with protection, savings and investment products.

Business situation

Prudential staff must compare thousands of transactions each month to ensure all client payments through various channels are received, and that all client claims compensation and other expenses are always paid on time. This involves comparing bank statements against internal ledgers to identify and resolve mismatches. This reconciliation is highly manual, repetitive work that is neither scalable nor rewarding for staff.

Solution

SmartStream TLM® Reconciliations platform provided Prudential with a daily, automated matching of money transfers, in and out, complete with an audit trail.

Key benefits:

- ▶ Transformed monthly reconciliation batch into a daily one
- ▶ Cut out errors from manual handling
- ▶ Improved transparency and control with audit trail
- ▶ Enabled staff to focus on a handful of mismatches and other value-added tasks
- ▶ Improved staff morale and work/life balance
- ▶ Scalable solution with volume increase
- ▶ Set the stage to drive automated reconciliation across finance

Prudential Singapore faced the challenge of meeting customer demand to pay for policies through a variety of new channels.

Traditionally, consumers paid for protection, savings and investment products through their banks. This already involved numerous options, from ATM transfers to online banking, to credit cards. Singapore has also witnessed an explosion in electronic payment forms and e-wallets, many made easy to use through the use of QR codes and mobile apps.

This has given customers new choices – but this dynamic also poses challenges to companies that want to service these new channels.

Moreover, it highlights a broader challenge for many companies to manage all of their transactions, of which payments is just one part.

There is no standardisation among banks for how they communicate payments information: for example, some payments might include the bank's transaction fee, so the amount paid didn't match the product's invoice.

Therefore, Prudential's finance team had to cross-reference every cheque or wire transfer against bank reference numbers and customer identities, as well as product invoices.

Prudential operates several accounts, so the volume of work is substantial. Adding new payment channels made a difficult situation untenable.

Costly and cumbersome manual work

Relying on manual processing tracked on Excel spreadsheets was a time-intensive effort for the finance team.

Manual processing also inevitably leads to human error, but it also restricted the finance team's capabilities in a number of ways:

- ▶ The team had no capacity to handle an increase in volume;
- ▶ Processing was done in batches to meet monthly deadlines, so the finance team had no visibility on payment status at any given moment;

Prudential sought a technology solution that could achieve the primary goal of automating bank reconciliations, while also setting the stage to meet other goals.

After reviewing the vendor marketplace, Prudential selected SmartStream's TLM Reconciliations Premium, based on SmartStream's track record, its flexibility, its ready adaptability to Singapore's local conditions, and the experience and enthusiasm of SmartStream's client service team.

Onboarding TLM Reconciliations Premium

SmartStream's Premium on Demand is agnostic to the payment channel. Once all payments are accepted or delivered, TLM Reconciliations Premium gets to work, by reviewing all transactions in both directions that are registered on Prudential's ledger and bank statements. TLM reviews all of these statements and matches them, so there is a clear record connecting actions to the movements of money. Then it flags anything that doesn't match so the Prudential finance team can follow up.

SmartStream hosts the software and oversees the loading and matching of bank or internal ledger data. Prudential's finance team just needs a web browser to review the system's performance and to look up the handful of daily transactions that don't match.

About 85% of transactions can now be identified and verified by machine overnight, and therefore get automatically processed and accounted for. This means a big change to Prudential's workflow. The operations team is no longer engaged in manually matching all transactions. That job involved comparing data on a spreadsheet, a process that in reality meant eyeballing thousands of transactions per month, one at a time, to make sure that dates, reference information and amounts all added up.

Matching all of these money movements is not straightforward. TLM Reconciliations Premium built a rulebook involving over 260 matching patterns to determine what constitutes a match, and the rule book is constantly reviewed and refined. These rules are applied immediately after data loading to identify and match transactions from across the spectrum of customer preferences.

For the finance team, instead of spending the day comparing spreadsheets, they start the day with a view of all the transactions that were successfully matched, the opening and closing balances of each account, and the remaining "breaks" (where information doesn't add up) to investigate.

Now they focus only on exceptions processing, addressing breaks right away, usually with a quick phone call to the bank in question to chase the missing information.

Furthermore, this provides Prudential with a number of other benefits:

- ▶ **Integrity.** The integrity of the data is now assured: the finance team knows exactly the source of all inputs.
- ▶ **Daily insight.** By resolving breaks within a day or so, the finance team now has an accurate, daily view of the firm's account balances. That enables it to predict payment flows and fees generated every day, rather than be forced to wait for a monthly report.
- ▶ **Audit.** Prudential has a complete audit of activity. It has a record to show each transaction, the match rules TLM used, whether the match was confirmed or rejected, and if a break was then fixed manually. None of this was available on operations based on spreadsheets.
- ▶ **Scalability.** The system can handle increased volumes and new payment channels, and it can extend to other forms of reconciliation within the firm.
- ▶ **Innovation.** For Prudential, onboarding TLM Reconciliations Premium was part of a firm-wide push for digital transformation. In this case, it was the finance department being transformed. But automating the most labourious parts of the job mean the team can now spend time on supporting new payment channels, or finding other ways to improve the customer experience.

Automating bank reconciliations is a great example of how fintech is creating opportunities for consumers, and for financial institutions – but also how it creates customer demands that have to be met, no matter how difficult that makes things behind the scene. It also illustrates how one problem – managing new payment channels – leads to solutions that can handle a broad range of transaction needs.

SmartStream's TLM Reconciliations Premium has enabled Prudential in Singapore to re-imagine its business and reinforce its drive for digital transformation.

About SmartStream

SmartStream provides Transaction Lifecycle Management (TLM®) solutions and Managed Services to dramatically transform the middle and back-office operations of financial institutions. Over 1,500 clients, including more than 70 of the World's top 100 banks, 8 of the top 10 asset managers, and 8 of the top 10 custodians rely on SmartStream's solutions.

SmartStream delivers greater efficiency, automation and control to critical post trade operations including: Reference Data Operations, Trade Process Management, Confirmations and

Reconciliation Management, Corporate Actions Processing, Fees and Expense Management, Collateral Management, Cash & Liquidity Management and Compliance Solutions. Used independently or as a suite of solutions and services, clients gain a lower cost-per-transaction whilst reducing operational risk, aiding compliance and improving customer service levels.

For more information about SmartStream visit:
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