

Company

A leading Asian-based investment bank with a broad range of innovative solutions tailored to the specific requirements clients through an international network in over 30 countries. A unique understanding of Asia enables the company to support clients through three business divisions: retail, asset management and wholesale.

Business situation

In 2012 the bank was looking to reposition its Listed Derivatives offering as well as extend product lines to enable cross asset class products and related derivatives to institutional investors globally. In order to support the repositioning of Listed Derivatives, the bank needed to implement a full reconciliation process for fixed income and equities within a single solution.

Solution

With an established working relationship the bank was confident SmartStream could deliver on their requirements and meet an aggressive go live deadline. TLM Reconciliations Premium was selected as it offered pre-configured best practice reconciliation models and enhanced processing scalability while processing a wide variety of instruments including Exchange Traded Derivatives. Additionally greater flexibility in matching logic enabled reduced batch rates, with an overall improvement in process capacity and risk controls.

Key benefits

- More efficient operations with enhanced processing scalability
- Higher levels of STP through the industry's leading automated match rates
- Cost effective operations with the ability to manage higher transaction volumes
- Pre-configured rules-based matching engine providing greater visibility into outstanding positions
- Pre-emptive approach to managing exceptions

Adopting a full reconciliation process for fixed income and equities on a single platform

With a strategy focused on innovation, a leading Asian Investment Bank implemented TLM® Reconciliations Premium as part of a project to reposition its Listed Derivatives offerings. The project represents a step forward for the industry as a whole.

The firm is a leading financial services group and the preeminent Asian-based investment bank with worldwide reach. The bank provides a broad range of innovative solutions tailored to the specific requirements of individual, institutional, corporate and government clients through an international network in more than 30 countries.

Based in London, the bank was looking to reposition its Listed Derivatives offering within the market, as well as extend its product lines to enable cross-asset class products and related derivatives to institutional investors globally. The bank's clients are based in Asia, the Middle East, Europe, America and include affluent investors, public-sector agencies, government agencies, financial institutions and corporates.

In order to support the repositioning of Listed Derivatives, the bank needed a full reconciliation process for fixed income and equities within a single solution. However, they faced a number of challenges, firstly the existing reconciliation platform offered minimal standardisation – the reconciliation processes for each exchange feed were proprietary built solutions. As a result this meant there was a real risk in ad-hoc updates and upgrades, which were the consequence of an increasing number of mergers among exchanges.

Secondly, the exclusion of cash components from the bank's reconciliation solution made it difficult to monitor and control processes. Both of which are capabilities that are becoming increasingly important as regulatory changes are geared towards greater control and oversight. Finally, the reconciliation process lacked granularity, preventing the bank the ability to drill down into underlying processes.

"On our previous platform the cash element was completed in spreadsheets, which was a significant drain on our resources as we had to manually collate and link back cash to trade and position breaks," says the Executive Director, Equities Middle Office Operations. "From a risk standpoint, it was difficult for the firm to maintain oversight and control. The bank was not alone in facing this problem; this was an industry challenge and was the reason we partnered with a market leading vendor."

Whilst SmartStream's enterprise-wide, real-time Transaction Lifecycle Management (TLM®) is currently the bank's strategic platform, the solution is still working to establish itself within the futures space. A spokesperson from the bank explains "going into the selection process, we were aware that there were other vendors in the fixed income space with more visibility than that of SmartStream." However the bank continued with a detailed evaluation of vendors across the market, before finally selecting TLM

Reconciliations Premium. The solution offers pre-configured best practice reconciliation models and enhanced processing scalability while processing a wide variety of instruments including Exchange Traded Derivatives.

"We have a good working relationship with SmartStream and our previous experience has been very positive. We were comfortable they could deliver to our requirements, which included an aggressive time frame in which to go live," says the bank.

Following an internal business case, proof of concept work and the formation of IT and business workshops, a detailed project definition were formed. The Banks Change Management Team assigned an overall project manager to lead the project. A steering committee was also created comprising of an IT manager and personnel from both SmartStream and Syntel – a global IT and business services outsourcing firm and a strategic partner of SmartStream. The SmartStream and Syntel relationship worked seamlessly, with Syntel staff in Mumbai working on the development of the feeds.

Another important factor in the successful implementation was the high level of corporate governance onshore. "When undertaking a project that involves offshore development, it is important to have strong onshore governance," says the bank. "We needed members of the project management team to be able to get around a table fast. SmartStream was willing to apply a large amount of resource to the project in order to meet our deadlines and all three parties worked well together, jointly driving the project forward."

As the bank was already familiar with SmartStream's TLM, integration of the new solution was extremely straightforward. The Bank understood the basics of the platform and once the core TLM Reconciliations Premium solution was installed, Syntel took over, building the feeds and integrating them into the core platform."

The first phase of the project was implemented within five months with the initial roll out covering the Eurex market, the bank's largest market in terms of volume. The project was both delivered on time and on budget. Following the implementation, batch times have been reduced owing to the greater flexibility in matching logic that TLM Reconciliations Premium can deliver. Before the solution was built, reconciliations for the Eurex market took close to three quarters of a day to complete; since implementation of the new platform the process now takes 1.5 hours. Matching rates have also climbed from 93% to 98%, including the cash elements.

Following the go-live date the Bank has saved 25% on its reconciliations head count while increasing volume on reconciliations by 30%. In addition, overall process capacity and risk controls have widely improved.

"TLM Reconciliations Premium has significantly reduced the time it takes to complete reconciliations globally in our four largest markets," says the spokesperson. "The improved automation and drill down has resulted in us spending less time per reconciliation. All information is now in one place, along with the cash components."

The bank's largest markets were targeted first for the project, with 60% of the operations team now using SmartStream's TLM Reconciliations Premium. The next phase will encompass almost 85% of the team, followed by the full team in the final stage.

The project has not only benefitted the Bank, "everyone in the industry struggles with reconciliations in the Listed Derivatives arena. Previously there was no standardisation for exchange feeds and this has now been built with the help of SmartStream. Being able to improve internal reconciliations will be significant for all players in the fixed income space."

About SmartStream

SmartStream is a recognised leader in financial transaction management solutions that enables firms to overcome their post trade processing issues through increased automation.

SmartStream's industry-leading automated match rates create more proactive, exceptions-based processes, lowering the cost-per-transaction while enabling firms to reduce operational risk, aid compliance and

improve customer service levels. As a result, more than 1,500 clients, including over 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 Transaction Lifecycle Management (TLM®) solutions to deliver greater efficiency to their middle and back office operations.

For more information please visit:
www.smartstream-stp.com