

Case Study

Intraday liquidity management for regulatory compliance and increased operational efficiency

A forward thinking approach to combat the impact of regulations by implementing Corona Cash & Liquidity



Raiffeisen Bank International

Raiffeisen Bank International AG (RBI) is a leading corporate and investment bank in Austria whose subsidiary banks cover 14 Central and Eastern Europe (CEE) markets. In total, around 48,000 employees service 14.2 million customers through around 2,500 business outlets, the great majority of which are located in CEE.

Business situation

RBI needed to process intraday messages to meet the increasing requirements imposed by Basel III regulations. The bank required a solution that was customisable to their technical and operational needs, whilst delivering reliable data for regulatory reporting.

Solution

RBI made the strategic decision to select Corona Cash & Liquidity to obtain regulatory acceptance and create further efficiencies. The solution, built upon the bank's existing Corona Cash environment, harnesses its quality data to meet liquidity reporting requirements of both the regulators and internal management teams.

Key benefits

- ▶ Reporting based on high-quality reconciled data
- ▶ 100% recycling of previously available Corona Cash static data and items
- ▶ Real-time intraday data visibility
- ▶ Significantly reduced operational liquidity buffer
- ▶ Expansion of an existing system – no maintenance costs for additional systems
- ▶ One tool for use across different departments
- ▶ Client involvement in the development process

A Corona client for more than 20 years, RBI needed to implement new functionalities to process intraday data. The primary focus was to meet regulatory requirements as set out by the Basel Committee on Banking Supervision with its BCBS 144 principle 8 and BCBS 248 regulations.

Although liquidity reporting regulations according to BCBS 248 would not have come into effect until January 2017, RBI took a proactive approach when deciding to implement Corona Cash & Liquidity in 2014. The solution was selected for its ability to generate BCBS 248 reports based on reconciled data.

Having recognised the importance of intraday liquidity management at an early stage, RBI was able to contribute to the development of Corona Cash & Liquidity. Consequently, the solution is the result of a successful collaboration between SmartStream's development team and RBI's experts in the treasury domain.

The implementation of Corona Cash & Liquidity has not only allowed RBI to obtain approval from the Austrian regulators, but has benefitted the bank's nostro and collateral management processes, and has contributed to a lower Funds Transfer Price – greatly reducing its operational liquidity buffers.

SmartStream demonstrated that its data was accurate and supported the strategic goals of RBI. The Corona solution also provides real-time data from external sources.

Operational challenges

When facing regulatory changes, financial institutions will first and foremost aim to deploy a solution that meets regulatory approval. However, when compliance requires the acquisition of new systems and potentially substantial investments, banks will also look to leverage additional benefits such as ease of integration and lowering operational costs.

RBI needed to obtain supervisory acceptance for the Liquidity Supervisory Review and Evaluation Process (L-SREP) as well as the Internal Liquidity Adequacy Assessment Process (ILAAP). Additional challenges were posed by RBI's worldwide network of correspondent banks which called for a flexible solution.

Our solution

Corona Cash & Liquidity was selected by RBI because it excelled in the accuracy of its data, whilst providing a host of additional benefits.

Its main competitive advantage is the ability to use high-quality reconciled data as a solid foundation for liquidity reporting and management. Additionally, RBI was able to continue to use the existing Corona deployment, which was expanded with intraday monitoring and reporting capabilities. This means that no additional system had to be installed and maintained. In addition, static data and cash items already available in the system could be 100% recycled.

With Corona Cash & Liquidity, RBI has a strong foundation which can be adapted for future regulatory changes.

A flexible solution

Corona Cash & Liquidity enables RBI to define flexible rules for different correspondent banks that, for example, conduct business in different time zones and do not provide MT900/910s or send messages without timestamps. The solution makes it possible to handle such cases whilst ensuring supervisory approval.

Another important requirement was that internal message formats needed to be processed in addition to SWIFT messages. Although SWIFT messages cover most of the data concerning actual transactions, most of the projected data at RBI is contained in internal formats.

The support of different message formats allows liquidity managers at RBI to take into account expected payments and not just real-time account balances. This amount of visibility helps decision-makers to actively manage intraday liquidity and to ensure that funding decisions are always based on the truth.

In conclusion, Wolfgang Pollak, Senior Asset Liability Manager, RBI, reported that following the implementation of Corona Cash & Liquidity the amount of collateral required as an operational liquidity buffer could be significantly reduced. This translates into Lower Funding Costs and a lower Funds Transfer Price and, eventually, increased competitiveness.

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.

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