

SmartStream: Bringing efficiency and next-level technology to financial regulatory compliance

Banks seek to answer the question, “How do you achieve operational efficiency in a leaner model?”

When scanning the trends driving regulatory compliance of banks operating in multiple jurisdictions, including in Asia, the increasingly diminishing divide between organisational silos can be seen as a defining one. “Banks are trying to break down barriers of the siloed parts of the organisation. Whereas before they may have been siloed in wealth or transaction banking or financial markets, we’ve seen financial institutions put horizontal structures in place to help address bank-wide issues,” such as regulatory compliance, said Mark Taylor, regional director, Asia Pacific at SmartStream Technologies.

“Take MiFID II; it mandates, single-sided pre-trade and post-trade reporting. You cannot sufficiently meet that mandate without quality reference data supporting the reporting function. You need accurate instrument, liquidity, counterparty, transaction and eligibility data to fulfill your reporting obligations,” Taylor added. “Factors like these mean the growing incidence and responsibilities of the CDO, or chief data officer in banks are no coincidence. The chief risk officer is not just looking at specific operational lines, it is bank-wide.”

Taylor reckoned financial institutions have formed a horizontal line that go across its vertical reporting lines, and these programmes cost “significant” dollars per annum. These developments, he said, have boosted demand for SmartStream services as firms seek to increase their operational efficiency amid the tighter and diversified regulatory regimes globally. Taylor added, “Due to the significant increase in demand from existing and new customers, the Asia Pacific region has grown in the last 12 months with a number of new headcount especially in project delivery, to accommodate that demand growth”.

Regulatory demands

The ramping up of regulations in various parts of the world, from MiFID II in Europe to local conventions in APAC (including Australia, Hong Kong, and Singapore), and the need to properly interpret them in various jurisdictions, has made achieving regulatory compliance complex—as well as essential. The prospect of fines

and reputational risk for failing to meet regulations and their deadlines is real and recent headlines highlight the “massive” impact these can have on banks and financial institutions.

Again, MiFID II is an obvious example of huge change and time-frame challenges that large financial institutions had to comply with—and are continuing to deal with 3 months on. Citing as an example the shortened time frame that large financial institutions had to comply with MiFID II requirements, Taylor said most responded by putting in place systems to meet the onrush of regulatory demands, almost at any cost. Now these same financial institutions are focusing on achieving operational efficiency in the next five years. “How do you do that in a leaner, more efficient model?” is a question that banks are looking to answer, said Taylor.

Banks are grappling with improving operational efficiency in their regulatory compliance, which Taylor said SmartStream is addressing through strategies such as intra-day liquidity monitoring that allow financial institutions to track their liquidity within seconds. Specifically for MiFID II, the firm provides reference data to facilitate financial reporting for pre- and post-trade; reconciliation that enables financial institutions to monitor under- or over-reporting; and a fees and expense

management services portfolio that identifies fees for decoupling commissions.

Taylor said the reason leading financial institutions, including eight of the top 10 asset managers and eight of the top 10 custodians in the world, have partnered with SmartStream is its dedication to deep customer engagement and satisfaction as opposed to a transaction-focused relationship.

“Customer satisfaction is one of the primary key focuses of any engagement we have with financial institutions. Customer satisfaction means that you understand their requirements and what they need to achieve, you actually deliver against those requirements in a timely and efficient manner, and within budget,” said Taylor.

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.

For more information about SmartStream visit: www.smartstream-stp.com.

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