

Firms must embrace digitisation to remain relevant

Vincent Kilcoyne of SmartStream reveals his technology predictions and why no one within the fintech industry can afford to stand still where innovation is concerned

What technology trends are you seeing in the asset servicing space at the moment?

There's greater uptake in cloud-hosting capability. Because there is an increasing focus on cost ownership, people in the service capability sphere are increasingly wanting to develop relationships with organisations, such as SmartStream, that not only specialise in software but also software services.

Previously, organisations would go through lengthy decision making, with a lot of concern around implementation timeframes, footprint and budget, but now the main concern is supplying faster services. Many firms have cloud strategies in place as there is more of a willingness to look at the direct benefit to the business.

There are also regulatory initiatives, but they'll never change. However, there's also operational excellence, and an interest in taking industry best practice approaches—not only across the buy-side but across the sell-side too.

How is the digital payment space evolving?

Extremely quickly. We recently announced a new initiative called TLM Aurora, to provide new standards in digital payments control. Financial institutions are at an evolutionary point. The industry itself is changing radically. There's also an incredible growth of the disintermediation community who are predominantly looking at payments and transfers.

The banks need to evolve to be able to compete with them, even though they're providing services to those services providers. As a bank, it's possible that my services are being provided to you by an intermediary and they are getting all of the margin, and I'm having to do the operational part.

So what are the concerns or challenges of this?

The concerns are margin erosion and a recognition that the only way in which organisations can survive in this new emerging economy, is for them to have high levels of automation and extreme agility, with the ability to onboard a new service provider, a new payment gateway and new formats with extremely high levels of service.

A fintech or intermediary doesn't have the same loyalty challenges as customers—they measure the relationship between themselves and a bank who are increasingly seen as utility providers, from the quality of service, the speed of turnaround and service level agreements. They are much more quantitative in their assessment of the relationship. The banks have to be able to meet that level of demand.

There's also the challenge of different speeds of evolution and innovation geographically. East Asia and China, versus what's happening in Europe for example. In Europe we have multi-speed and this is being embraced by one demographic, but you have another part that won't embrace it.

Banks have to be able to operate in a multi-regulatory jurisdiction in a multi-speed customer environment and a multi-demand disintermediation environment. That's a lot of pressure. That's very much why SmartStream released TLM Aurora. We thought we would be well suited to help organisations embrace this change, service it profitably and protect the growth of the bank.

What else are you currently working on?

TLM Aurora is very systematic of what we're seeing. We talk to a lot of organisations and industry experts who say, even themselves, that it's complicated. In reality, it is. But SmartStream is utilising TLM Aurora to create a best practice implementation. You're now able to get organisations into a return and investment model very quickly. To get them back into business as usual, rather than business as unusual—getting them up to speed quickly.

Being the global head of products I'm looking at how we can help organisations understand technology changes from a practitioner and operational perspective. We're engineering our solutions now to come with a best practice approach, whether that is corporate actions, cash and liquidity or other solutions. This is very much where we're going. A lot of organisations are tired, weary and wary of multi-year implementation programmes that go live with a solution to a specified two years beforehand. They don't want to get into a massive change control programme that may never go live. They want to get operational quickly and start to gain real benefit from everything that they do.

How is SmartStream adhering to development in AI?

I spent five years working with a fintech innovator. A lot of fintechs are coming to market with credible ideas. And sadly some don't pass the relevance test. Whereas, what we do is set down with product managers for every single one of our products and discuss problems and challenges within their business line that we can use our technology to solve.

When we speak to financial institutions, they see this as being an operationally relevant implementation of the technology. We ask "what is the benefit of using this technology in reconciliations, corporate actions or cash and liquidity?". We make use cases relevant and communicate them, and position them as the value they deliver to the business. It's an incredible technology stack, that has become more relevant recently because of the sheer volume of data and the computational capability. Artificial intelligence (AI) techniques are incredibly computationally extensive. Previously, you could run an AI model that would tell you what was going to happen within an hour, the problem was, it would take you two days to do it.

Technology is so fast now, we're able to deliver the decisions, advice and guidance from an AI model in an actionable timeframe—that's the difference. The technology is making it possible to deliver within actionable time. We make sure that advice and guidance are right and relevant.

What are you working for the year ahead?

We can't stand still. One of the things that I focus heavily on is BSC248—the cash and liquidity requirement for intraday liquidity, a global requirement with local regulatory elements. We have a solution that has been approved across financial institutions. We're seeing an uptake and huge interest in that. There's also a focus on integration, this is something that we're finding a lot of senior people who traditionally used point solutions are interested in. There's been a move toward a more holistic view to see how we can leverage the capabilities of those multiple

assets and multiple business lines operationally, to deliver real balance sheet benefit to the business by reusing the information within those systems. This is the combination of reconciliations, cash under liquidity and collateral to drive collateral optimisation in the front office. If you do it right, you'll lower your operational overhead because you'll have fewer margin calls—you'll reduce the margin erosion.

So fundamentally, if we're not optimising, and helping organisations optimise elements of their business, then we're not focusing on the right thing. Everything must fundamentally be an optimisation.

Do you have any predictions for this year? Are there indications concerning what way the market will go?

Digital will be one of the main elements, and there will be real growth in the volume of that business. Traditionally, people have looked at new programmes as being the risk assessment. Very few people are concerned with it all going wrong, but what if it all goes right?

People are pessimistic and wary of what might go wrong, but they don't prepare themselves for what is typically seen in the fintech community as a scale-up problem. What happens if they're very successful? Can they cater for the growth, volume, variety and the geographical and regulatory diversity? This is a real problem that the banks are encountering. I don't necessarily think they are approaching it in the right way. Increasingly they're looking at the technology providers because the speed at which they themselves can respond is not quite optimal, or sufficient.

When you engage with an institution like SmartStream, you're seeing it through the eyes of somebody who has worked with over 2,000 institutions.

That's a very different perspective. We're able to give geographical diversity. This is the change I see—the way in which banks realise they need to be able to pivot to address the geographical disconnects.

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Vincent Kilcoyne
Executive vice president of
product management
SmartStream



Combining the elements for highly responsive solutions



At SmartStream we believe that starting with a solid foundation of elements is vital when creating new operating models. As a result, it's never been easier for firms to access highly responsive, tailored solutions which can be deployed at speed and with immediate impact.

Our innovative technology delivers an unparalleled range of reconciliation and exception management options to monitor and manage all transaction types; lowering cost, reducing risk and creating more agile operations.

So, whether you are looking to replace legacy systems, build an internal processing utility, utilise the cloud or outsource your entire operation, partnering with SmartStream is the perfect chemistry.