



PAYMENTS DISRUPTION

WHAT NEEDS TO BE BALANCED AGAINST WHAT?

Digitalisation and the development of new payments services continue to be an area of disruption and opportunity. The reshaping of the landscape towards instant payments and digital payments emphasises the need to balance customer convenience and speed with security and new levels of operational risk and control. Payments capabilities are the fuel of the economy and enable individuals, companies and financial services to transact both in the commercial and personal worlds.

The regulators continue to require superior business controls, and the changes in volumes and risk mean it is appropriate that controls such as reconciliations of inter systems transactions, intercompany transactions and associated fees and billing are in place. Banks need to strike a balance between the need for speed and scale over the need to manage operational risks including revenue leakage. The regulators have an ever-increasing number of requirements, although challenging, they provide real opportunities for new digital payments players.

The use of business controls using the primary tool of reconciliations can readily be justified from both a cost point of view, a revenue protection point of view or for reputational risk and regulatory exposure.

Payment controls offer:

- Banks – issuers and acquirers alike – the ability to manage considerable operational risk as transaction levels and associated values are growing so fast
- Fintechs may set aside controls for a future date as they grow their business, however the cost of incorporating them increases enormously as their business accelerate; so putting them in place early is preferable – both to investors, customers and regulators
- Exceptions based operations of card payments means lower costs through highly efficient automation where processes can be more closely examined and controlled – especially during service disruptions
- Leakage of cash through incorrect charges can be identified and brought under control
- Compliance for managing the complexities of cross-border payments

Payments and credit cards also continue to represent a profitable segment for banks. But, faced with increased regulation and

competition from smaller, nimbler fintech firms, banks have had to innovate to develop new revenue streams in their customer-facing businesses. Banks globally, will need to ensure greater control over their data and its reconciliation as digital payments and open banking makes this aspect much more volume-heavy. The large volumes of data require greater automation, especially from a regulatory point of view, as banks are increasingly required to run their systems with a higher level of supervision and management over transactions.

SmartStream's TLM Aurora is a next generation digital transition platform, helping banks move from legacy platforms into the digital marketplace for financial services, while incorporating new operational capabilities in the process. The platform demonstrates the new generation of integrated operational control, enabling businesses to monitor and track real-time developments and challenges instead of just end of day targets. TLM Aurora builds on SmartStream's industry leading reconciliation platform. It is the first new module that incorporates the latest industry standards in digital payments, including SWIFT GPI, RTGS (real time gross settlement), and blockchain-based networks. The platform supports organisations in performing operations like SWIFT and SEPA transfers, mobile, cash and card payments, digital currencies, settlements and reconciliations. TLM Aurora helps banks assert real-time operational control, proactive exception management and a low total cost of ownership in advancing their digital service offerings. It supports organisations at every stage of growth and can scale to grow with businesses of any size.

According to Roland Brandli, TLM Aurora product manager at SmartStream, regulators will place greater scrutiny on the transaction fees involved in digital payments given the number of intermediaries involved. The payments business has historically not been very transparent. However, as central banks attempt to encourage a shift from a cash-based to a digital economy, there is a need to foster greater trust in digital payments among the general populace, which means greater transparency and fairness for customers. "Importantly, given the large volumes involved, it becomes more challenging for banks to have robust controls over transactions and transaction data, even as the regulatory scrutiny in this area goes up," says Brandli. Most regulators have turned their focus on integrity in terms of data processing, accuracy and timeliness in a bid to identify fraudulent activity or sanctions violations, he adds.



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Strategic Product Management

Roland Brandli has worked for SmartStream for over fifteen years. Roland began his career at SmartStream as Professional Services Consultant in Europe, moving on to become the Head of Consulting, Emerging Markets. During this time, Roland was an integral part of a variety of successful project implementations across Europe and the Middle East. In his current role as Sales Director for the Europe, Middle East & Africa, he introduced SmartStream's brand and solutions across the entire region. As a result of the success he had in this region, Roland has recently taken over the Strategic Product Management for SmartStream's TLM Aurora Solution Suite. Roland has vast experience of the Financial Services industry and before working for SmartStream he held a number of leading positions in the back office and operations departments of banks in France and Switzerland.