

# Asian banks to adopt cloud-based managed services for efficient back-office operations

By outsourcing applications that fall outside their core strengths, banks are able to maximise value.

Managing back-office trading processes are becoming more complex with the twin pressures of increasing regulation and reduced headcount, which requires banks to reexamine their operations, according to SmartStream's global product manager of managed services Peter Hainz. "The cost per trade is increasing due to regulation and reduced margins. This is further aggravated by the fact that budget restrictions have kept IT headcount flat. The question besetting banks is how to implement fast and efficient new services. Banks are looking at things from a cost perspective and applications which do not fall within their core strengths are outsourced to vendors that in turn manage applications in the cloud," said Hainz.

With many top financial institutions on TLM onDemand, SmartStream's cloud solution, that count clients like banks, asset managers, hedge funds, exchanges, back office clearing providers and insurance companies, SmartStream has accumulated the experience to help financial institutions with their back-office programmes.

"A top asset management company, which has just taken over a smaller firm, approached us. Their existing technology could not handle the transactions volumes which increased heavily. As a result, we

deployed a hybrid model, reconciling a part of their transactions with a cloud-based managed services team. Once they experienced the benefits of SmartStream's managed services approach in the cloud, the asset manager shifted their entire processing to SmartStream," Hainz said.

As an example, SmartStream runs the bank from an IT perspective through its Bronze Cloud offering. As a next step, customers often ask for hosted IT Change Management, which is included in the Silver package. The Gold package provides the client with full Business Process Outsourcing, including technology and operations, like end-to-end processing, management oversight, risk control and analytics.

SmartStream clients' go live within weeks, whilst dependence on in-house staff for hardware set-up, software installation, training, configuration and maintenance is reduced or even eliminated. SmartStream has developed MI dashboards as part of its TLM onDemand offering which can be used to analyse trades, e.g. to compare manual and automated matching rates and STP rates.

Asian banks want to upgrade their technology, like reconciliation platforms, but are keen to avoid long-lasting and expensive implementations. "The cloud is important in the reconciliation process - where you

load data, transform data and then match the data. When you match the data, you encounter exceptions, or anomalies. Once the exception is identified, there is still a big manual task that involves investigating what caused the exception," he said.

In Business Process Outsourcing with SmartStream's TLM onDemand platform, a specialised team works on auto allocated exceptions. "Exception management, as we know, can be done by machines effectively, with the right rules in place. So it actually frees up people from what they were originally hired them to do in order to make more strategic decisions. It is important for banks to move fast from various back-office legacy infrastructures to a cloud environment, where automated exception and analytics management is conducted with the support of AI" he said.

As the front office increasingly asks for a cash ladder forecast, cash & liquidity forecast per currency for hedging are all the more important. Accurate predictions have to be based on high quality real-time data, based on automated processes with machine learning. AI learns from historical data, identifies current patterns, and conducts cash ladder recommendations.

Of course, security and regulations are a key factor for CTO's and SmartStream has to comply with the highest standards of information security management, including ISO 27001 and SOC2. Regulators demand that cloud's data protection and security practices are regularly certified by auditors to verify that the solution is fully compliant. "SmartStream has multiple clients in Singapore, where the Monetary Authority has one of the most stringent regulatory regimes in the world," Hainz mentions.

A big benefit of fully outsourcing back office operations to SmartStream is that it lowers the total cost of ownership because no hardware is required and no software licenses need to be purchased. "And when it comes to staffing, who can better operate and maintain an application than the people who have to build it? Another point is protecting yourself against brain drain. If some employees are retiring and some are moving to another, they don't need to worry," said Hainz.

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