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Recons blind spot: the four costs the C-suite don't see

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INTERVIEW | Smartstream research says financial institutions spend around US$ 50 billion a year cleaning and reconciling broken data. We asked Robin Hasson, its global head of reconciliations, why the bill stays hidden, and what the firms getting it right do differently.

Reconciliation rarely makes the executive committee agenda. Yet Smartstream's new paper, Solving the $50 Billion Reconciliation Problem, estimates that financial institutions spend $50 billion a year cleaning and reconciling broken data: one of the largest controllable expense lines in financial services, and one that has grown because it is concealed inside a dozen others.

PwC puts 30–40% of back-office costs inside the reconciliation envelope. DTCC estimates a failed trade costs 100 to 1,000 times more than a clean one. Since 2020, the FCA and CFTC have levied more than £200 million in reporting fines, most traceable to data that didn't agree.

When firms cost reconciliation, usually only labour is counted. Fails, penalties, capital tied up in unmatched positions and technology debt land in other budgets. Beneath those sit four costs no ledger captures: waiting on late third-party feeds, weeks spent building reconciliations for new mandates, the same break investigated twice on different desks, and reconciliation as the queue behind every close.

The paper is written for COOs, CFOs and senior operations leaders, who run across all the desks rather than one of them. Each team sees only its own slice of the cost. The COO sees them all and can act on the whole. Desk heads and back-office teams will recognise the problems the paper describes, but the decision it argues for, a single owner and a single investment across teams, sits at executive level.

With T+1 arriving in Europe, the UK and Switzerland on 11 October 2027, richer ISO 20022 data and AI moving into production, the paper argues that the conditions to fix this are finally in place. PostTrade 360° asked Robin Hasson what that means in practice.

Your research puts reconciliation at 30–40% of back-office costs. What does a COO or CFO actually see?

Robin Hasson: *They see the numbers: break counts, ageing reports, risk. What is not always visible is the breakdown of cost behind this because it's spread across so many lines: people, fails and penalties, the capital cost of running the business and tech debt. More and more, as firms start using tokens to solve problems, there's another, growing line on top of that. Each department shows its own metrics, so they get a feel for the problem. What they don't get is a total dollar value for the sunk cost across the whole business.*

Seen through a capital and valuation lens, that hidden bill matters more: banks delivered a 30% total shareholder return in 2025 yet still trade on the lowest price/earnings multiple of any major industry, the paper notes, because markets now pay for demonstrable operating leverage.

So how does that all break down as a trade moves from entry through matching, confirmation, clearing and settlement, and where does the P&L opportunity sit?

Robin Hasson: *The most valuable point to fix a problem is always the earliest moment, closest to trade capture and the front office. Costs rise dramatically the more you need to enrich and clean data: reference data, SSIs and so on. Multiply that across departments and it balloons. You need more time, or people, or tokens, and it's because the data quality is low.*

Disputes are the same. The longer you take, the worse it gets, and with T+1 you're eating into the window to solve the problem. Operational problems do have a dollar value, and if you resolve them, you can dramatically improve your bottom line.

The paper describes building a new reconciliation for a changed client requirement or a new mandate as an 'agility tax'. When does it become a competitive factor instead?

Robin Hasson: *It comes down to how quickly you can bring the business on. If it takes three, six or nine months to onboard, you're not realising the value, and meanwhile you're carrying project and implementation costs. Revenue is driven by an accelerated time to market.*

The way to do that is to deal with the client's data as it is. If the client has to make heavy process changes to fit your model, that slows onboarding down. Take the data as it comes in, put it into a consistent model and render it back to them according to best practice. Some of our large partner clients that service smaller firms have done exactly that, and it works very quickly and very well. Frictionless integration is crucial.

The paper says leading firms are giving AI agents ownership of the long-tail exception queue. Is AI the answer?

Robin Hasson: *Data is everywhere, and with everyone playing with AI there's a tendency to think we can just throw Claude, ChatGPT or Gemini at the problem. That's not really the answer. The problem is solved by a robust way of working, a good process that works well with client data, with AI coming in to solve particular parts of it. The full potential of AI is realised within a strong process, not when used as a rapid fix.*

Those same firms amortise reconciliation spend against an operating-model improvement rather than a transformation programme. Why does that matter?

Robin Hasson: *This is really fundamental. By nature, a programme has a time window. You invest, you commit an outcome to your shareholders and board, and quite often that's where it ends. Unless it turns into an operating model that continues, you don't get the benefit. The risk is you go from one transformation programme to another, to another.*

What you need is a way of working that fits with your customers, the counterparties and brokers you deal with, and your internal departments. Then your cost per integration is lower, your cost per new report is lower, and operations become simpler. If a transformation doesn't turn into a best-practice operating model, for me it hasn't achieved its goal.

So it's integration along the way, rather than large-scale transformation?

Robin Hasson: *Exactly. Dealing with data at scale is a living process that needs to regularly evolve to keep up. The outcome of any programme should be to set you up for the future: do not need another one for 15 or 20 years, until something fundamental changes.*

That chimes with the paper's conclusion. The firms making most progress have inventoried every reconciliation they run, given the function a single executive owner and moved at least one product line onto continuous processing. The US$50 billion problem, Smartstream argues, is an executive framing problem, not a technology one, and firms that fail to reframe it will pay for the same breaks twice: first in operations, then in their valuation multiple.