

Automating the Financial Services Industry

*Opportunities Abound, and APAC Firms
Are Leading the Way*



Introduction

Across major industries, robotic process automation, or RPA, is being used as part of an organisation's digital transformation strategy to automate burdensome, high-volume and time-consuming business processes. Best suited for rule-based transactional and repetitive tasks involving structured and/or semi-structured data, logic-driven robots, or "bots," are used to capture and interpret information from existing user interfaces to process data, communicate with other systems, and execute tasks without affecting the organisation's existing IT infrastructure.

For the financial services industry, the need to enhance the customer experience, achieve greater operating efficiencies to remain competitive, and comply with more stringent regulatory and compliance requirements have been key drivers of the increased interest in digital transformation in recent years. In Singapore, and the Asia-Pacific (APAC) region as a whole, leading local and international financial institutions have been quick adopters of RPA initiatives and have seen early success with the technology. A study by IDC of 10 financial services companies in Asia (including ANZ Bank, DBS Bank, OCBC Bank, UOB and Prudential Life Assurance) revealed that these organisations have realised cost savings and improved turnaround time.¹

With regulators across APAC encouraging innovation, including the use of regulatory sandboxes for piloting emerging technology, the trend toward digital transformation is expected to continue. Research firms predict that revenue from banking RPA software and services will grow more than four-fold, from an estimated US\$214 million in 2018 to almost US\$900 million by 2022,² and that 40 percent of banking and insurance companies in the APAC region will be using RPA by 2020.³ Globally, the RPA market is expected to grow to nearly US\$6.9 billion by 2025 at a compounded annual growth rate of 55.5 percent between 2018 and 2025.⁴

¹ Robotic Process Automation: Ten Early Adopters in Asia Pacific Realize Hefty Cost Savings, According to Study, CFO Innovation, April 18, 2018, www.cfoinnovation.com/story/14309/robotic-process-automation-ten-early-adopters-asia-pacific-realize-hefty-cost-savings.

² Robotic Process Automation in Banking to Generate \$900M Revenues [press release], Juniper Research, February 6, 2018, www.juniperresearch.com/press/press-releases/robotic-process-automation-in-banking.






³ Robotic Process Automation in Asia/Pacific Financial Services: Key Learnings from 10 Early Adopters, by Michael Araneta and Sneha Kapoor, IDC, February 2018, www.idc.com/getdoc.jsp?containerId=AP43545718.

⁴ Robotic Process Automation Market to 2025 - Global Analysis and Forecasts, The Insight Partners, June 2018, www.theinsightpartners.com/reports/robotic-process-automation-market#utm_source=SAT&utm_medium=MD.

Why Automate?

In addition to delivering faster processing speeds and reducing incidences of human error, automated processes produce a complete audit trail aligned with compliance, enhanced data-processing accuracy, cost savings and an increase in employee productivity. Another significant benefit is the ability to monitor and test a larger amount of data than traditionally possible, i.e., the entire population as opposed to a sample. See Figure 1.

• • • **Figure 1. Benefits of RPA**

 HIGHER QUALITY	Human error reduction to a minimum	Complete audit trail and aligned with compliance
 PRODUCTIVITY INCREASE	Faster processes and availability	Employees can focus on value-adding activities
 COST REDUCTION	Lower process costs and easily scalable	Rapid return on investment
 EASE OF IMPLEMENTATION	Initial results possible within 30 working days	No significant IT support needed
 GREATER LEVEL OF ASSURANCE	Ability to test an entire population	Reduced risk and improved compliance






Common Applications of RPA

Examples of Day-to-Day Manual Tasks Suitable for RPA

- Reading documents (scanning for key words)
- Opening and reading email
- Screen scraping and tabulating of data
- Applying formulas
- Toggling between systems
- Orchestrating processes
- Preparing documents using templates
- Storing and retrieving data
- Applying business rules
- Drafting and sending email
- Recording keystrokes
- Downloading files



Below are some of the more common functions suitable for automation within different business areas of financial services institutions.⁵

 SALES	 COMPLIANCE	 OPERATIONS	 IT	 FINANCE
<ul style="list-style-type: none"> • Trade order threshold monitoring • Client onboarding, including know your customer (KYC), legal and background checks • Post-trade allocation requests • Loan title document analysis • Policy/contract signing and renewal 	<ul style="list-style-type: none"> • Customer due diligence (CDD) • Transaction monitoring and investigation • Screening • Trade surveillance • Risk-based audit planning • Audit testing • Risk, compliance and audit analysis, reporting and variance tracking 	<ul style="list-style-type: none"> • Client account management • Trade reconciliation • Valuation and reporting • Client statement generation and distribution • Handling elements of complaints • Vendor management 	<ul style="list-style-type: none"> • User profile set-up, management and termination • Identity access management • Management report creation and distribution • Software installation • Server application monitoring • Security and event management and reporting 	<ul style="list-style-type: none"> • Standardised journal entry • Data entry and payment preparation • Validation analytics, allocation and posting to ERP • Accounts receivable and payable • Reconciliations • Financial planning and analysis • Operational finance and accounting

⁵ For examples of how internal audit departments in other industries are using digital technologies, including RPA, see Protiviti's publication Internal Auditing Around the World, Volume XIV, www.protiviti.com/iaworld.

Implementing RPA in Financial Institutions

The best way to begin an RPA programme is to select a process that is manually intensive, structured, repetitive, requires minimal judgment, involves fewer systems and is located in a single geography end-to-end. The selected processes should be ranked in descending order of priority, based on the benefits and returns on investment that are expected to be gained by the business, and not just because they can be automated.

There are three main phases of implementation, illustrated below.



RPA SOFTWARE SELECTION

Selecting RPA software is part of the implementation process. Selection should take into account the objectives of the RPA strategy (e.g., effort saved, accuracy improved) and whether the software can accomplish these goals. It is also important to understand and compare features in the different software options to determine suitability for the selected process (e.g., the software's ability to read documents of different formats and cater to variability of a process, such as invoices received in multiple layouts). Another consideration is the ability of the software to deliver on strategy objectives in the long term, such as the ability to scale up quickly to meet the demands of the business, as well as capabilities involving cognitive technology and AI.









Measuring Success

To assess the effectiveness of the RPA implementation, qualitative and quantitative measurements (key performance indicators, or KPIs) should be established by the implementation team and agreed upon by senior management. KPIs can include the length of time between submission and output, output accuracy, and number of cases closed within a predetermined time frame when compared to a human full-time employee. Processes that are switched to RPA should be measured against these KPIs to gauge success and reveal any shortcomings of the automation. Finally, as with any change programme, the essential elements for success include effective and robust project management, contingency planning, risk and change management, and communication.

How Protiviti Can Help

Most business leaders would agree that digital transformations, which often include an RPA component, are important in helping organisations stay ahead of competitors and keep pace with ever-growing customer demands. Like any transformation, it is important to view RPA as an evolving and expanding process that is integrated with the long-term goals and growth strategy of the business, not as a one-time event serving a single, limited purpose.

Protiviti helps organisations implement effective RPA programmes that meet their long-term strategic goals. Our services include:

 RPA STRATEGY	Develop RPA strategy, taking into consideration specific objectives, governance, IT infrastructure, security, culture and change management protocols.
 INFRASTRUCTURE EVALUATION	Assess and evaluate readiness of IT infrastructure and data structure; evaluate suitability of automation software options.
 PROCESS EVALUATION	Evaluate and identify processes suitable for automation; support the standardisation of identified processes.
 PROOF OF CONCEPT	Perform pilot execution of RPA offerings and develop the business case necessary to obtain stakeholder buy-in and support.
 CENTRE OF EXCELLENCE (COE) DESIGN	Develop the design of an effective COE structure and related governance model to enable a stable and governed RPA function.
 BOT DEVELOPMENT	Configure a sustainable RPA environment and develop, test and implement bots to achieve targeted benefits.
 OPERATION AND MAINTENANCE	Provide ongoing support of RPA activities and execution of the COE; provide ongoing maintenance and exception management of production bots, including monitoring and testing the effectiveness of the automated processes.
 TRAINING AND CHANGE MANAGEMENT	Develop and deliver training to support end users and administrators; provide change management expertise and support to address the operational and organisational impacts of automation.

ABOUT PROTIVITI

Protiviti is a global consulting firm that delivers deep expertise, objective insights, a tailored approach and unparalleled collaboration to help leaders confidently face the future. Protiviti and our independently owned Member Firms provide consulting solutions in finance, technology, operations, data, analytics, governance, risk and internal audit to our clients through our network of more than 70 offices in over 20 countries.

We have served more than 60 percent of *Fortune* 1000® and 35 percent of *Fortune* Global 500® companies. We also work with smaller, growing companies, including those looking to go public, as well as with government agencies. Protiviti is a wholly owned subsidiary of Robert Half (NYSE: RHI). Founded in 1948, Robert Half is a member of the S&P 500 index.

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