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Robotic Process Automation

In Risk and Compliance for Banking and Finance

2018

Risk Advisory

Introduction

Robotic Process Automation refers to a software application (or BOTs) that replicates the actions of a human user with the user interface of a computer system

Computer Coded Software

Programs that replace humans performing Repetitive, rules-based tasks

Cross-functional and cross application scripts

Walking, talking auto-bots

Physically existing Machines processing paper

Artificial Intelligence or Voice Recognition and reply software

Higher levels of regulation and more challenging regulatory expectations in recent years have resulted in significant costs to financial institutions. This coupled with a greater demand for transparency and rigor has brought the role of technology to the forefront.

The application of Robotic Process Automation (RPA) to risk management and regulatory compliance, has the potential to disrupt the Financial Services world. Already, RPA is helping firms to support components of compliance processes in a cost-effective, flexible and timely manner.

Over the last couple of years, we have established our credentials in the Innovation and RPA ecosystems with financial institutions, industry bodies and FinTech/RegTech startups.

Our initiatives span across development of client strategy, world class research, and accelerator and incubator programs. We believe that the first-hand knowledge and experience gained from our initiatives, together with our existing expertise in risk and regulatory matters, our global presence and connection with leading financial institutions, enables us to provide unparalleled services to help business leaders assess and realize the opportunities created by RPA.

The subsequent pages detail our offerings applying RPA in the areas of risk management and regulatory compliance.

Regulatory Reporting

Suited to: CCO, C-suite

Problem Statement

Regulators require a wide array of regulatory submissions from banks at varying frequencies and across the functional areas – financials, asset quality etc.

Historical Process

Banks are at different stages of implementation of ADF (Automated Data Flow) systems. However, regulatory returns involve significant manual process of transforming source data

RPA Enabled Process

Disparate Golden Sources Data

Data Collation and Preparation

Return Compilation

Realized/ Potential Benefits

Accuracy of information submitted to the regulator

Full audit, review, approval and workflow functionality and avoiding any regulatory penalties and reputation impact

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Banks require to adhere to a large volume of regulatory requirements and perform post trade compliance checks for the trades executed

Problem Statement

Trade Surveillance

The checks are performed by testing compliance through a manual process using compliance checklist

Historical Process

Compliance Checklists

Data Preparation

Bots per product performing compliance tests

RPA Enabled Process

Achieve continuous testing for compliance for 100% of the trades for compliance with regulatory requirements and internal limits

Realized/ Potential Benefits

Suited to: C-suite, CCO, IA, FO, BO

Compliance Testing

Suited to: CCO

Problem Statement

Chief Compliance Offficers are required to perform independent testing of compliance to key regulations to be able to certify business units

Historical Process

The checks are performed by testing compliance through a manual process using compliance checklists

RPA Enabled Process

Compliance Checklists → **Data Preparation** → **Bots for Compliance Testing**

Realized/ Potential Benefits

Achieve continuous testing for compliance with regulatory requirements and internal policies

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Banks collect an array of documents from their corporate customer to undertake post-sanction monitoring and computation of key financial and risk indicators

Problem Statement

Credit Monitoring/Collateral

Client data is submitted in disparate formats and computation of ratios is a manual process

Historical Process

Customer Documents → **OCR, Data Collation** → **Bots for computation of ratios** → **Data in LMS**

RPA Enabled Process

Achieve automation of computation of risk and financial indicators for 100% of the clients

Improved data collection for future risk analysis and model development

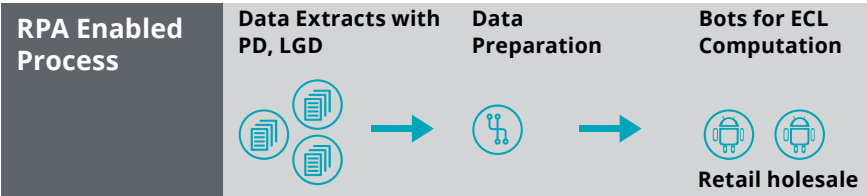**Realized/ Potential Benefits**

Suited to: C-Suite, Business Head, CRO

Expected Credit Loss Computation

Suited to: CFO, CRO

Problem Statement	The new accounting standard IndAS will require banks to compute ECL every quarter to compute the provisions for the financial statements

| Historical Process	Manual computation through excel sheets using data dumps from the risk functions

RPA Enabled Process

Data Extracts with PD, LGD → **Data Preparation** → **Bots for ECL Computation**

Retail holesale

Realized/ Potential Benefits	Seamless quarterly computation of ECL for reporting of financial statements

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Model Performance

Suited to: CRO

Banks need a large number of models for risk quantification and capital computation across risk categories and products	Problem Statement

Annual validation of models. Due to large number of models, not all models get validated every year	Historical Process

Model Outputs and Actual Outcomes → **Data Preparation** → **Bots for running statistical tests**
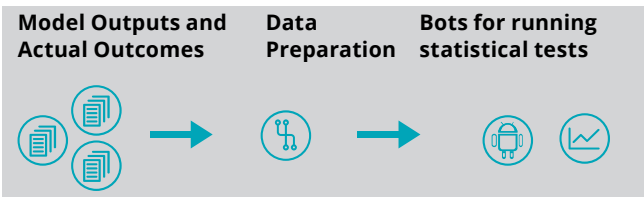
RPA Enabled Process

Continuous validation of model outputs, its impact and model performance	Realized/ Potential Benefits

Demos and Point of Views

Demo - Regulatory Reporting

Connectors: Robotic Process Automation
A quick-reference guide to how RCA plays out in global business services, shared services, and outsourcing
Deloitte POV, 2016
Peter Lowes, Frank Cannata, Jason Barkham, Subodh Chitre

Cognitive Technologies: The Real Opportunities for Business
Examines the evolution of cognitive technologies and how it is being used in organizations today
Deloitte Review, 2015
David Schatsky, Craig Muraskin, Ragu Gurumurthy

Redesigning Work in an Era of Cognitive Technologies
Analyzes the impact of disruptive technologies and how new possibilities for work redesign can provide greater value to business and customers
DU Press, 2015
David Schatsky, Jeff Schwartz

Demo – Trade Surveillance

The Robots are Coming
Examines the increasing appetite for robotics leadership and discusses how implementing robotics can improve the Finance functions
Deloitte UK POV, 2015
Richard Horton, Nick Prangnell, David Wright, Dupe Witherick

Show me the Money: Autonomics in Business Process Outsourcing
Examines how autonomics has
the potential to be a disruptor in the outsourcing industry
Deloitte, 2015
Marc Mancher, Simon Tarsh,
Dan Kinsella, Richard Sarkissian

Demo – Compliance Aggregation

Automate This: The Business Leader's Guide to Robotic Process Automation and Intelligent Automation
Explains the basics of enterprise automation using RPA and introduces the capabilities behind Intelligent Automation Deloitte POV
2015
Peter Lowes, Frank Cannata, Subodh Chitre, Jason Barkham

Beyond Automation: Strategies for remaining gainfully employed in the era of very smart machines
Reviews current thinking around automation and suggests businesses look at automation as a form of augmentation Harvard Business
Review, 2015
Thomas Davenport, Julia Kirby

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