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How Robotics Can Drive Compliance Modernization in Financial Services

For years, robots (bots) have been used by financial services institutions to mimic rules-based processes, such as document gathering and data retrieval and workflow and decision-making automation in activities ranging from loan origination to collections. More recently, however, robotic process automation (RPA) has been implemented in a broader set of higher-value functions, including compliance monitoring, testing and analysis, helping to drive efficiency and accelerate corporate performance.

“By understanding the opportunities for compliance automation, taking important preparatory steps, and addressing key implementation considerations, including performing appropriate cost/benefit analyses,



Thomas Nicolosi

financial services institutions can be better prepared to tap into RPA's potential," says **Thomas Nicolosi**, principal with Deloitte Risk and Financial Advisory, and compliance modernization leader, Deloitte & Touche LLP. "Leveraging RPA in compliance processes can lead to a number of

benefits, including expanded resource capacity, improved outcomes through greater quality and consistency, and expanded scope of coverage in—for example—breadth of transactions sample size and product coverage," says Mr. Nicolosi. In addition, costs can be reduced through the use of a 24-hour work model.

Following are some insights on how RPA can enable compliance modernization in financial services:

RPA can contribute to more effective and efficient compliance processes. Several aspects of compliance oversight operations can be enhanced through RPA implementation. Monitoring and testing is an especially promising automation candidate, but RPA's capability to pull and aggregate data from multiple sources could also enhance the efficiency of regulatory, non-financial, and risk reporting as it can help reduce or possibly eliminate the time-consuming processes of collecting, compiling and summarizing large amounts of information. Other potential automation candidates include the risk assessment process, complaints management and investigative/root-cause analysis processes.

Monitoring and testing highlights RPA's compliance potential. Monitoring and testing provides a powerful example of RPA's potential to transform compliance operations. For example, financial service institutions execute a portfolio of individual tests to determine if their various operations are compliant with specific laws, rules, regulations, and—as appropriate—internal policy directives, collectively known as regulatory requirements. Applying RPA to repetitive, manually intensive monitoring and testing activities allows institutions to refocus employee activities on higher value areas such

as high complexity, judgment-based monitoring and testing activities, quality assurance reviews of results, and root-cause analysis of exceptions.



Dilip Krishna

RPA also can streamline sampling by both efficiently extracting information from disparate systems with varying data formats across the enterprise and selecting sample populations using predefined sampling criteria. “RPA in test execution may improve efficiency by significantly reducing time to execute the test,” says Dilip Krishna, chief technology officer for Deloitte Risk and Financial Advisory, Deloitte & Touche LLP.

“RPA can help institutions expand their sample size or move to full-population monitoring and testing without significantly increasing total execution time,” Mr. Krishna adds. This capability would let institutions learn more about their monitoring and testing populations and potentially move to a ‘reliance model’ by leveraging results in other monitoring and testing areas, thereby reducing total monitoring and testing required across the enterprise.

RPA readiness can enhance and accelerate implementation. An important element of RPA planning is assessing the readiness of existing processes, data systems and the overall governance structure for the introduction of automation. Processes should be evaluated to determine if they are stable or require remediation before automating.



Elizabeth Jordan

“RPA’s heavy reliance on data to automate compliance processes makes data quality paramount. It’s also critical to determine whether technology infrastructure has the capacity to accommodate RPA, and that existing systems are compatible with the new automation tools and system security can be maintained in the automated environment,” says Liz Jordan, managing director with Deloitte Risk and Financial Advisory, Deloitte & Touche LLP.

Readiness preparation also extends to the enterprise systems from which data and information used for automation will be drawn. If migrations, sun-setting, or conversions of such systems are imminent, any automation undertaken could be premature and ultimately might need to be repeated.



Ash Raghavan

“For many financial services institutions, enhancements to their existing governance infrastructure will likely be required prior to the automation of compliance monitoring and testing,” says Ash Raghavan, a principal with Deloitte Risk and Financial Advisory, Deloitte & Touche LLP, and leader of the Center for Intelligent Automation and Advanced Analytics. “Infrastructure components needed to operationalize RPA include enhanced governance and operating models; issue management, risk management and reporting; and change management along with capabilities development and training,” Mr. Raghavan adds.

Three Challenges to Consider Before Implementation. Many questions remain regarding the technical implementation of RPA. For example, what happens when there are dependencies among automated activities, such as activities performed by bot 1 that trigger those performed by bot 2? “In some instances, implementations are requiring more resources and time than expected, especially in large institutions,” adds Ms. Jordan.

Who will own RPA implementation? Depending on the financial services institution, an automation initiative may live in the information technology (IT) department or the group that owns the process being automated. “Regardless of who technically owns the effort, the success of RPA implementation will hinge on seamless integration between IT and the business function, and the consistent involvement of those two groups,” says Mr. Krishna.

Finally, once RPA is implemented, ongoing bot management requires clear definition of how issues will be handled to achieve timely, effective resolution. Also, a defined set of performance metrics, such as key performance indicators, is critical for measuring the

ongoing effectiveness and efficiency of RPA.

More RPA Efficiencies to Come. While RPA is demonstrating its capacity to improve process effectiveness and efficiency, expand capacity, boost quality and consistency of outcomes, enable greater scope of coverage, and potentially reduce costs, it's also a harbinger of more to come. Breakthroughs are occurring in cognitive automation, artificial intelligence and other tools which promise to automate tasks that are ever more judgment-based.

For example, cognitive automation's ability to enable analysis and interpretation of unstructured data can further expand the coverage for more complex compliance monitoring and testing efforts. Opportunities are also emerging to use RPA in conjunction with cognitive tools and other emerging technologies.

When exploring its potential use in compliance, executives should keep in mind that RPA is not a panacea; however, it can be a highly effective tool for enhancing process efficiency. It's also impractical and unwise to try and automate everything. "Institutions will want to perform a cost-benefit analysis to determine whether undertaking an RPA effort makes business sense," says Mr. Nicolosi. "Other levers, such as people and process initiatives, can also deliver big returns," he adds.

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