

CAPCO

INTELLIGENT AUTOMATION

DRIVING FRONTLINE EFFECTIVENESS IN CAPITAL MARKETS



a wipro company

SPEED READ

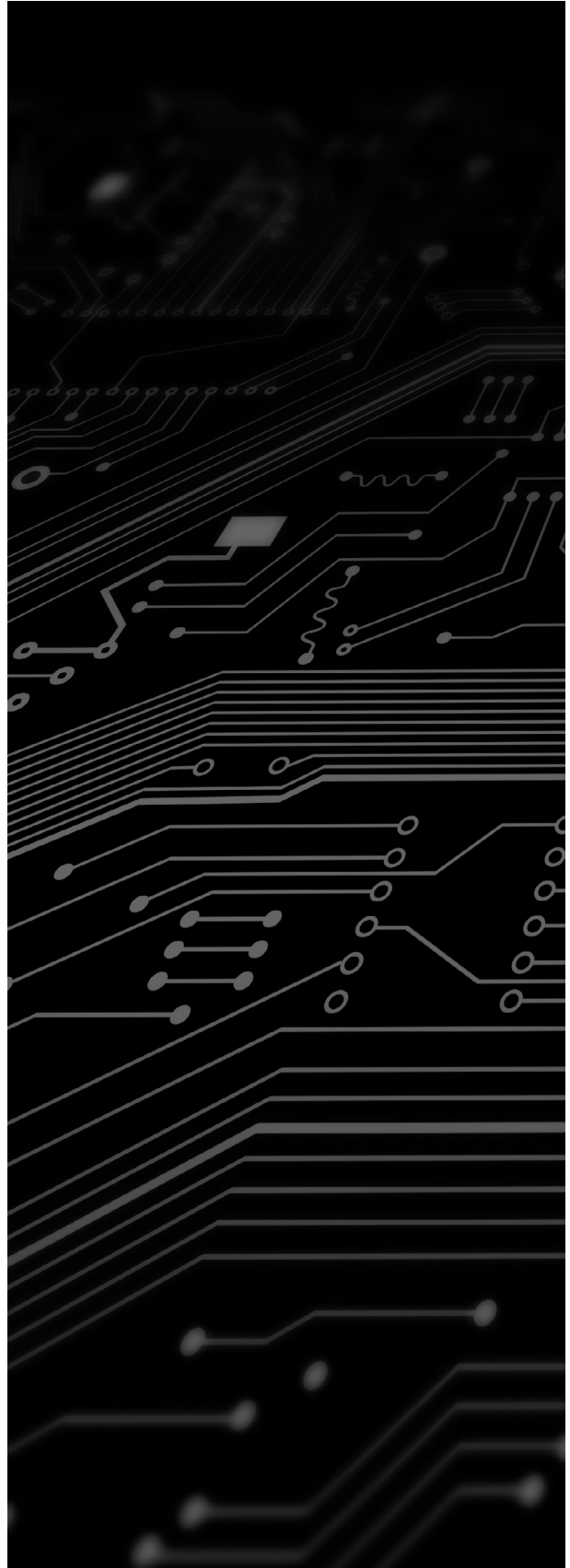
- By using a tailored range of optimized solutions, Intelligent Automation is an effective way to address age-old problems that have obstructed capital markets businesses of global financial services firms from achieving their goals.
- Some global institutions have raced ahead of rivals in planning and deployment of Intelligent Automation strategies to transform their frontline banking operations.
- There are significant opportunities and long-term benefits that organizations can realize by investing in Intelligent Automation to enhance frontline effectiveness, including enhancing employee and client experience; improving operational efficiency; and strengthening risk management and regulatory compliance.
- Capital markets¹ divisions of firms should be carefully considering their Intelligent Automation strategy today, focusing first and foremost on likely return on investment benefits, ease of delivery (including delivery partnerships), and engagement models.

THE INTELLIGENT AUTOMATION RACE

When it comes to driving transformational change on the capital markets frontline, a discussion about technology is unavoidable. Despite the ubiquity of digitalization initiatives, many financial institutions continue to rely on legacy technologies and approaches rather than rethinking operating models.² However, this inaction has the potential to hold back those institutions in the future, putting businesses at risk by handing the initiative to competitors who are willing to modernize their infrastructure, their workforce, and the ways in which their staff interact with clients. Deployed in the right way, technological innovation can aid financial institutions to make incremental improvements in the short term but, more importantly, help them achieve sustainable, longer-term success.

A growing and still evolving stream within technological innovation is Intelligent Automation, which has helped capital markets firms empower the frontline to achieve their collective goals. This field encompasses well-established solutions, such as robotic process automation (RPA), as well as more advanced, next-gen technologies including natural language processing (NLP), optical character recognition (OCR), artificial intelligence (AI) and machine learning (ML).³

Given the ever-expanding universe of Intelligent Automation techniques and solutions, this paper explores how to make the right choices and explains how to embed such solutions and measure their success. These are critical factors to ensure firms are not left behind in the transformation race.



GETTING AHEAD OF THE COMPETITION

“

The measure of intelligence is the ability to change.

Albert Einstein ”

Whilst sectors such as the consumer goods industries have been strategically investing in automation for decades, the capital markets divisions of financial firms have only relatively recently become more focused on leveraging Intelligent Automation⁴. Electronic trading may have first transformed the way firms execute trades as far back as the 1980s, yet the underlying, rigid technology infrastructures have failed to keep pace,⁵ hindering end-to-end process journeys.

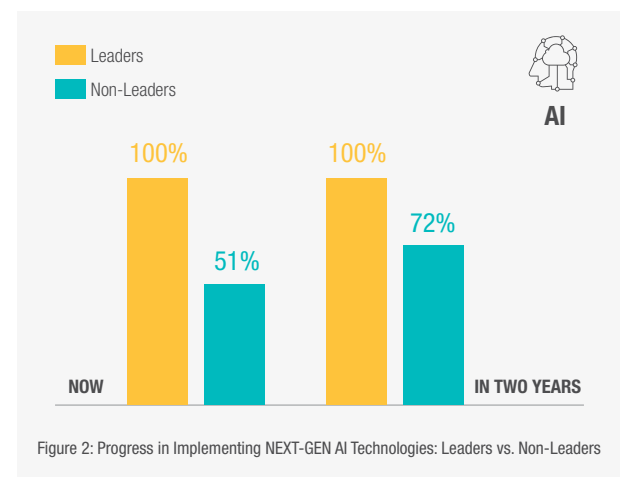
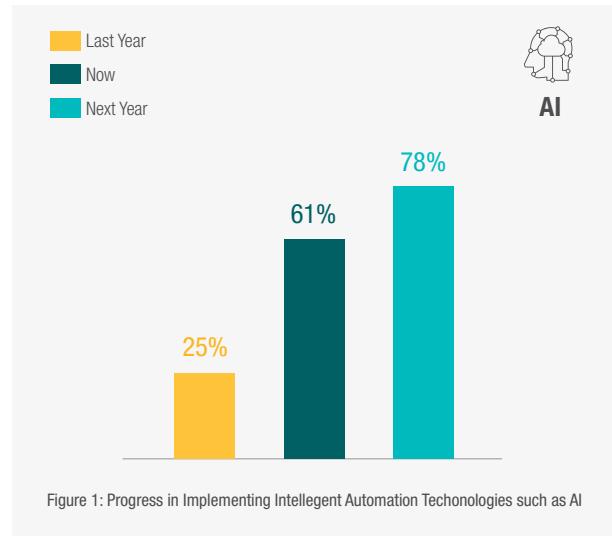
NOT LONG AGO...

In 2020, 64 percent of sell-side firms⁶ were considering automation to achieve long-term goals, indicating that, industry-wide, capital markets players were (in part at least) beginning to adopt automation in their strategies. The figures were starker for smaller institutions, however, where 48 percent⁷ were still considering how to deploy automation, to some extent due to a lower level of funding available for strategic initiatives and a smaller resource pool to implement any changes.

MORE RECENT TIMES...

Change is never straightforward but is often necessary in competitive environments like the global capital markets industry, and with the right implementation strategy is likely to be achievable in line with targeted financial goals and at acceptable levels of risk. However, for those firms reconsidering their automation adoption strategies now, the goal is to remain competitive in a changing and uncertain market, making investment decisions and strategies altogether harder. Recent research shows that within two years more than two thirds of firms expect to achieve mid to advanced implementation of automation strategies involving next-gen AI technologies.⁸

Figure 1 signifies a major leap forward amidst recent unprecedented events, a period where firms had to prioritize change in order to reshape their value propositions that deliver automation efficiencies. The pace of this change is only going to increase. Advances in AI are leading to a new generation of more powerful solutions but, despite a general awareness of these technologies, the difference between leading and non-leading firms is still quite noticeable. We see this in the same study which established that leaders have all reached the later stages of implementation for AI technologies. However, most non-leaders have not reached these later stages—and don't expect to within the next two years.



Herein lies the opportunity for non-leaders to leapfrog their counterparts by expediting their own implementations. Coupled with the emergence of fintech companies and start-ups, such firms are under significant pressure to transform and pivot their business models without losing focus on existing priorities, such as cost efficiencies, maintaining customer service, and adhering to evolving regulatory commitments.⁹ Firms must embrace a culture that encourages rapid adoption of Intelligent Automation strategies and those that are the quickest will be in prime position to maintain and enhance their frontline offering in the market.

WHERE CAN INTELLIGENT AUTOMATION OPTIMIZE FRONTLINE EFFECTIVENESS?

Firms should determine where and why they wish to invest in Intelligent Automation, which in turn helps define the optimal solutions. Intelligent Automation technologies have been typically implemented in recent past deployments to reduce costs and create efficiencies. Although this is a sensible approach, at Capco we believe that Intelligent Automation can be expanded further to transform frontline effectiveness and enhance the client and employee experience. Below we outline significant use cases as well as the key outcomes for firms to consider.

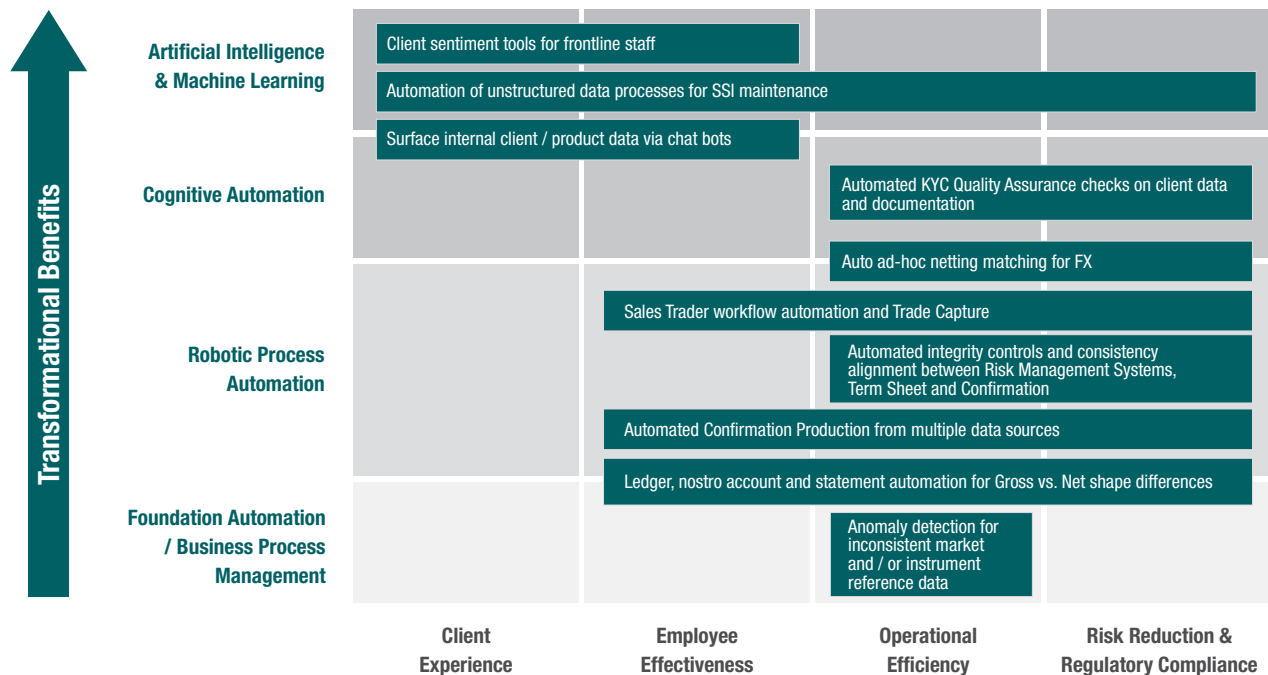


Figure 3: Capital Markets Use Cases & Outcomes

KEY OUTCOMES	SIGNIFICANCE TO THE FRONTLINE
ENHANCED EMPLOYEE EXPERIENCE	Bankers are still hindered by burdensome, administrative tasks, as well as inconsistent access to accurate, real-time, and insightful data analytics. These inefficiencies negatively affect the working culture and morale within the frontline. Intelligent Automation can empower frontline staff to perform more value-add, decision-making activities with the aid of automated tooling such as chat bots.
AUGMENTED CLIENT EXPERIENCE	In an ever-competitive environment for capital markets players, where service and products offered are relatively comparable, one differentiator is providing clients with a seamless customer experience. In turn, this has increased clients' expectations of service offerings. ¹⁰ Advanced Intelligent Automation solutions, particularly machine learning and artificial intelligence, can be highly effective in anticipating and executing actions based on client behaviors.
OPERATIONAL EFFICIENCY	The pursuit of eradicating costs and streamlining internal processes is well-established in the capital markets industry. However, firms could utilize Intelligent Automation technologies, in addition to traditional process re-engineering techniques, to further reduce operational costs.
RISK REDUCTION & REGULATORY COMPLIANCE	The growth of RegTech companies and offerings in financial services has enabled many capital markets firms to address challenges arising from specific regulations. ¹¹ RegTech solutions that use Intelligent Automation have particularly transformed financial crime surveillance processes and compliance.

HOW TO PREPARE FOR SUCCESS TODAY

We believe any Intelligent Automation roadmap requires a reflective assessment of the success of the implementation. In our opinion, there are four critical factors to consider when evaluating your own strategy:

THEME	CRITICAL SUCCESS FACTORS	RECOMMENDATIONS
1. ROI	Return on Investment – cost or time reduction in the end-to-end process. ¹² Other indicators, depending on the use case, include processing volumes and adoption rates within the business which will often be a defining factor in determining how well the solution has addressed the objective.	<ul style="list-style-type: none"> • Improving decision making processes – Product owners, process and operational leads should be empowered with management information generated from the solutions launched to enhance their business areas. This enables them to make decisions on future enhancements, how to drive better adoption, or indeed identify further solutions to progress the automation strategy.
2. PARTNERSHIPS	Key Solution Partnerships – Capital markets firms should be mindful of their commercial relationships with vendors. The effect should be continually validated meaning that developing a nuanced approach for adoption is vital. Firms should consider Intelligent Automation as a virtual toolbox, where one tool or multiple tools should be used to solve the problem rather than relying on one solution in isolation or relying on one vendor.	<ul style="list-style-type: none"> • Evolving with the changing market – Technical expertise in designing, developing, deploying, and maintaining solutions is an important factor to consider when embarking on any project.¹³ There are continuous technological advances in the Intelligent Automation space, and it is important to keep up with the state-of-the-art technologies. RPA, artificial intelligence and machine learning development and management often require specialist skillsets. Financial institutions therefore need a clear strategy on how to source these skills and expertise to execute.
3. IMPLEMENTATION	Well-defined Implementation Approach – The most successful rollouts have used an implementation approach where the business retains ownership of both the underlying processes as well as their automation, while technology provides the tooling and implementation framework.	<ul style="list-style-type: none"> • Embracing Best Practices – In large organizations, where process and technology ecosystems are often convoluted and disparate, automation practices should consider how best they can re-use existing or developing solutions to address nuanced variations to generate maximum benefit. Having a repository of off-the-shelf code components, e.g. APIs or robotic code, can help accelerate replication of automation solutions for these diverse processes where needed. Additionally, adopting an agile development approach can help capital markets personnel to progress automation and encourage regular collaboration to enhance and refine the solutions.
4. ENGAGEMENT	Winning Hearts & Minds – Engagement is significant to the implementation and promotion of Intelligent Automation solutions, especially when it affects frontline bankers. As with all technology implementations, control frameworks in the organization need to be adhered to. Companies should consider the effect of automation on governance, controls, and policy; thus, engaging with compliance and risk stakeholders perpetually in the automation strategy will instill much-needed focus to ensure that automation solutions meet regulatory and auditable criteria.	<ul style="list-style-type: none"> • Adoption is critical – Organizations invest significant energy and resource into implementation yet underestimate the importance of generating maximum value out of the solutions. Success stories, therefore, should be communicated to the firm to demonstrate the return on investment, promote greater adoption and galvanize a culture within the organization that is more acutely aware of automation opportunities. • Eulogizing Wins – These achievements should be highlighted when employee satisfaction has been increased, i.e. due to the removal of repetitive, menial tasks, which has consequently enabled frontline staff to focus more on customer-facing activities.¹⁴

KEY RISKS TO CONSIDER

When looking at how some early adopters of Intelligent Automation have weathered the past few years, it is clear there is an opportunity to pinpoint some avoidable risks – and some hard lessons from which we can learn. At Capco, we have observed particular common risk themes where institutions have encountered pitfalls in the adoption of Intelligent Automation in their transformation, such as:

1. STRATEGIC RISK

Regarding Intelligent Automation as a tactical, rather than a strategic, enabler

- Instances where senior management deploy automation as a cost-cutting or process-fixing solution often generate limited benefits, particularly when built in silo. Intelligent Automation should be incorporated into the wider technology strategy, in harmony with data and digital objectives.

2. CONDUCT RISK

Unwillingness of sales teams to ask their clients to change

- A key challenge to managing conduct hinges on cultural challenges – such as the unwillingness to change – and this can be prevalent in firms faced with the adoption of new technologies. In some instances, frontline teams are reluctant to ask their clients to change, which can be counterproductive to the requirement of maintaining full transparency, when effectively managing conduct.

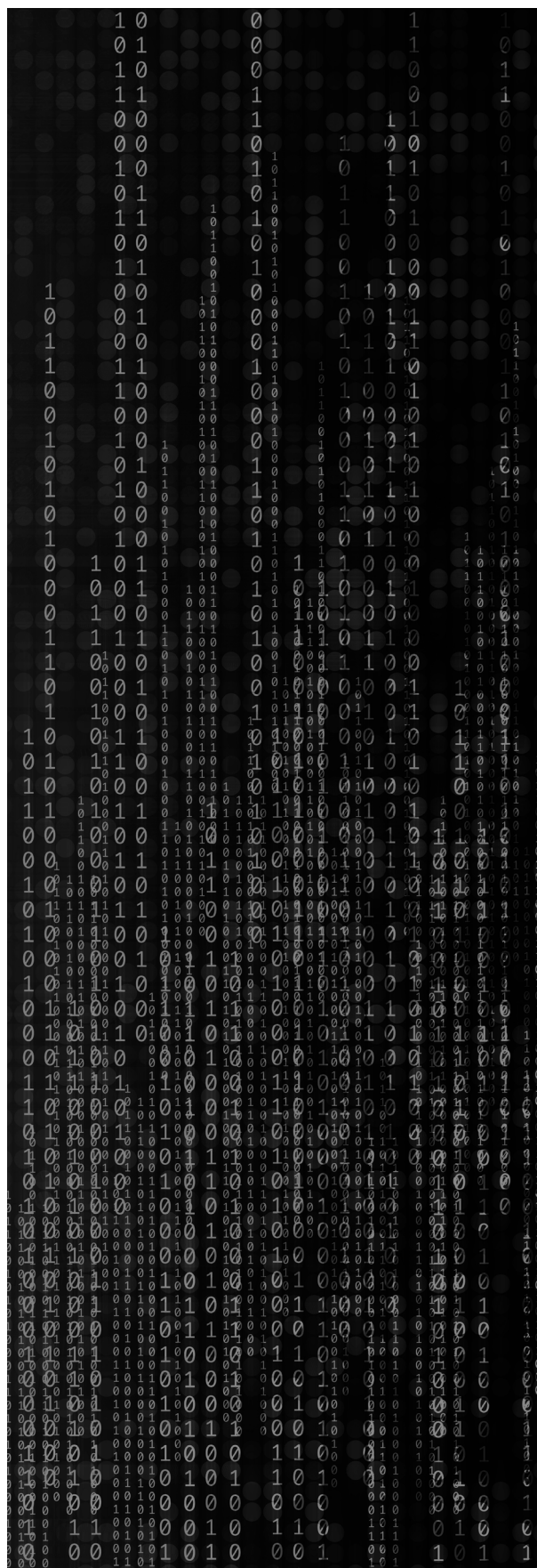
3. TECHNOLOGY RISK

Inadequate assessment of the future technology ecosystem

- Before embarking on automation implementations, business and technology should be continually considering the future state architecture. Specific attention should be paid to outdated legacy systems that are no longer fit for purpose; if these are due to be overhauled in the near-term, management needs to evaluate the benefits of enhancing dependent processes connected with these systems.

Adding complexity to the technology estate

- Automation solutions can create layers of software when not properly documented, managed, and governed. This coupled with the relative gaps in understanding of IT staff makes legacy system changes high risk, creating complexity which can make future improvements more difficult to achieve. Without proper oversight, organizations can create a cumbersome collection of bots to solve specific problems which can become more costly and difficult to manage over time.



CLOSING THOUGHTS

The Intelligent Automation race in capital markets is well underway and innovation is advancing at pace. To maintain a competitive edge in today's markets, firms should be carefully considering how Intelligent Automation can progress their frontline effectiveness strategies.

Our view is that a meticulous approach to partnerships, implementation, and engagements will increase the odds of successfully achieving transformation goals and enable firms to advance ahead of their competitors. Acting in haste to attain efficiencies or fix broken processes, however, can lead to problems for organizations later on, impacting the original return of investment. Institutions should therefore continually contemplate where and why they wish to pursue automation. A carefully planned automation strategy can produce 'quick wins', with lasting benefits, as well as meet longer-term transformational objectives. Firms should consider the roadmap below which summarizes our approach to Intelligent Automation implementations.¹⁵

Capco's industry knowledge and capabilities in Intelligent Automation have helped a wide range of investment banking and capital markets clients progress their automation agendas.

Our approach to Intelligent Automation has been predicated on augmenting the experiences and relationships between bankers and their clients. Here are some examples where we have recently partnered with organizations to successfully implement Intelligent Automation:

- A client offboarding process utilizing robotic process automation (RPA)
- A training programme for an operations division to accelerate the application of 'low-code/no-code' self-service tooling
- An automation strategy for a Fixed Income division
- A KYC QA automation solution using optical character recognition (OCR) and machine learning technologies
- Non-client counterparty (NCC) & KYC screening solutions using RPA and AI technologies

These solutions have focused on empowering employees through the creation of more rewarding, high-value roles as well as enhancing client experiences. In the end, through coherent Intelligent Automation strategies, we have enabled leading capital markets firms to succeed in generating growth, profitability, and sustainability in equal measure.

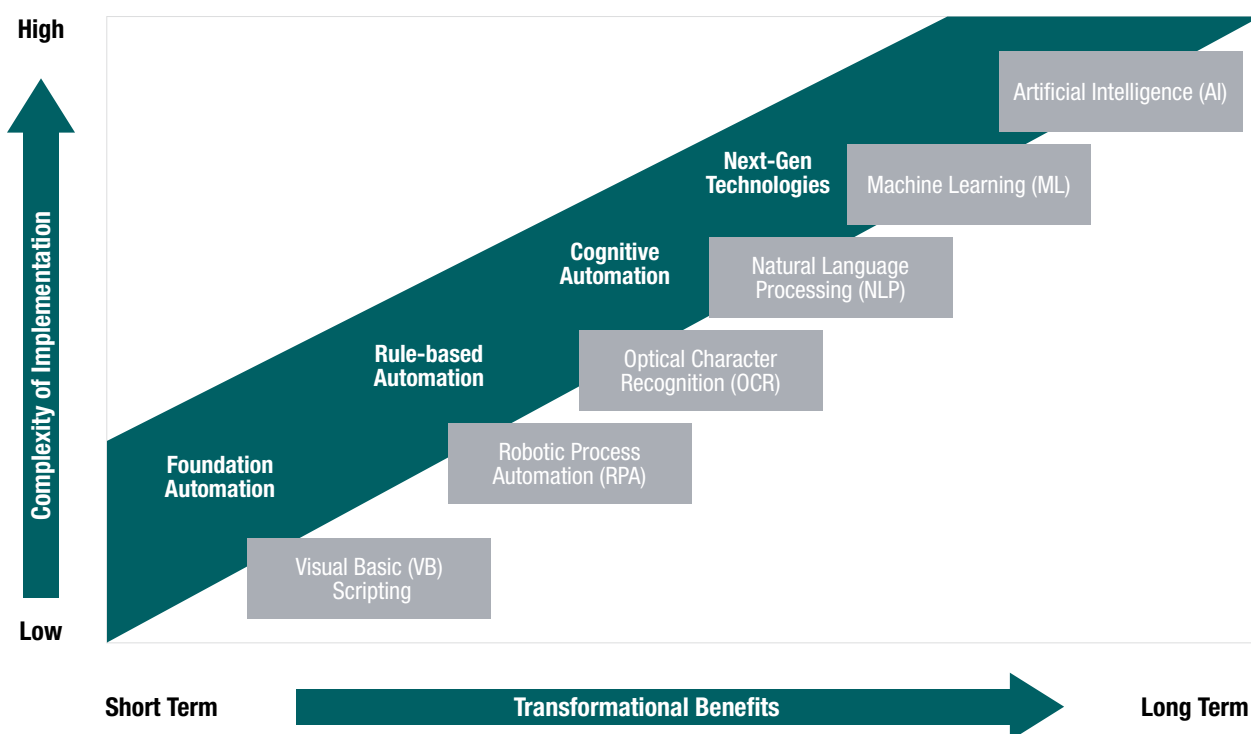


Figure 4: Summary of our Intelligent Automation Approach Considering Complexity & Benefits

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ABOUT CAPCO

Capco, a Wipro company, is a global technology and management consultancy specializing in driving digital transformation in the financial services industry. With a growing client portfolio comprising of over 100 global organizations, Capco operates at the intersection of business and technology by combining innovative thinking with unrivalled industry knowledge to deliver end-to-end data-driven solutions and fast-track digital initiatives for banking and payments, capital markets, wealth and asset management, insurance, and the energy sector. Capco's cutting-edge ingenuity is brought to life through its Innovation Labs and award-winning Be Yourself At Work culture and diverse talent.

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