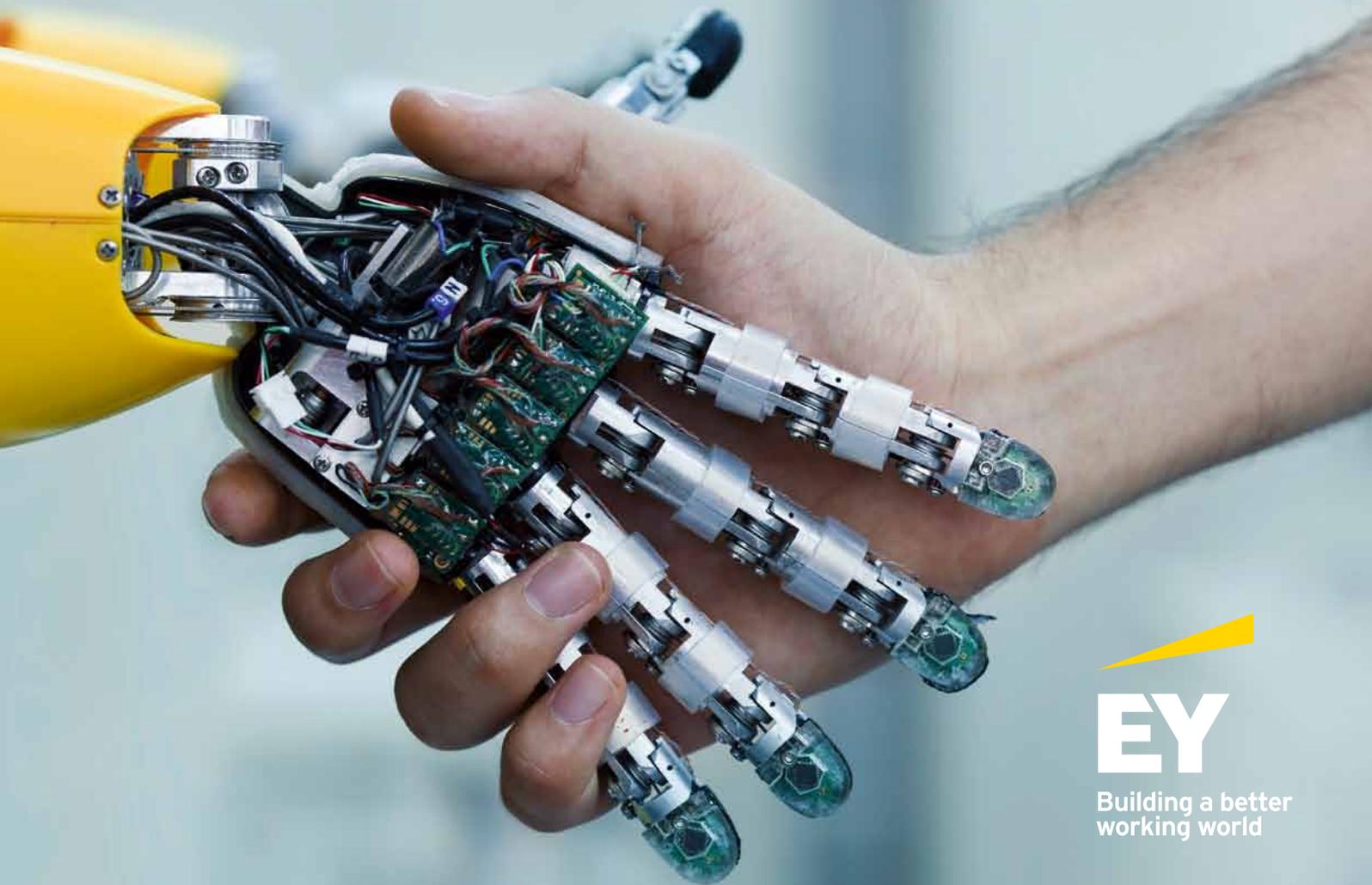


Robotic process automation in the Finance function of the future





What is Robotic process automation?
 Robotic process automation is a software, that operates as a virtual workforce controlled by the business operations teams. A software or robot emulates human execution of tasks via existing user interfaces: it captures and interprets existing applications, manipulates data, triggers responses and communicates with other systems, it can be applied to existing applications (without changing the current IT landscape).

Robotic process automation is the Future, and Finance function needs to prepare for it

Finance functions are under significant pressure across all industries but specifically in Financial services sector. Some of the major challenges are to shrink costs and support decreasing margins, to improve speed, volumes and quality of information provided, to focus on delivery of value adding insights to the business.

The RPA implementation burdens (costs and timelines) are relatively insignificant, compared to major IT platform updates. And therefore it is likely that RPA will quite quickly convert from a differentiator delivering a competitive advantage to a standard practice, that needs to be followed for survival.

Robotic process automation (RPA) is quickly evolving to a new hot topic in the Finance world. Its significant potential to become a differentiator also in Finance functions has become evident. And most of large players in the Financial services sector are either assessing possibilities to benefit from this new solution or even proceeding with the first implementations.

25 years ago

Internet was considered as something new, trendy and extremely innovative - the world nowadays is unthinkable and almost impossible without it

(developments of cloud applications set a clear trend to further extension of Internet use in business)

10 years ago

the Social Networking revolution came into the picture - every business and in every sector Social Media (such as LinkedIn, Twitter, Facebook, Google+) are inseparable part of both personal and professional development

Next phase
of the innovation trend is

Robotic Process Automation

Why is Robotic process automation going to be the Future?



Robotic process automation provides a competitive advantage by helping to meet the key challenges today's of Finance:

- ▶ It radically improves cost efficiency under growing pressure on costs
- ▶ It helps to remain in control in the constantly changing environment
- ▶ It allows to focus skilled resources on driving value creation for the business

Cost efficiency

RPA realizes cost saving by replacing human workforce in high-frequency tasks and at the same time reduces processing time of those tasks - the cost reduction can reach 50%-70% for some of the automated activities. Moreover, it contributes to the optimization of finance processes by moving the processing of the robotized tasks from the critical path

to the low operations time (e.g. overnight or weekend).

The RPA software offers a relatively short implementation timeline and low implementation costs, because it can be applied to existing applications (i.e. without changing the current IT landscape) and emulates human execution of tasks via existing user interfaces.

Being a business project rather than an IT project, RPA implementation is less dependent on IT function and its timelines, and gives more flexibility and control over the implementation and adaptation process to Finance.

Remain in Control

RPA serves as an alternative to further outsourcing and offshoring of Finance operations. Some of the benefits include:

- ▶ data doesn't leave the country
- ▶ no time lag between the head-office and the off-shore team
- ▶ less coordination between teams needed
- ▶ higher degree of compliance with internal controls frameworks / COSO

With these benefits RPA can even provide a business case to reclaim certain Finance activities from off-shore location and re-implement them on-shore. Regulatory pressure is an inevitable part of the financial institutions' life cycle and it will remain in the foreseeable future. RPA supports regulatory change as a cost efficient tactical solution,

that reduces pressure on roadmaps for strategic IT platform upgrades to cater for new regulatory requirements. It provides an alternative to inefficient and error-sensitive manual workarounds as well as to immediate IT platform customization, and therefore reduces deployment and upgrade cost.

RPA can support business environment and response to the market challenges: it can accelerate innovation by 9 - 12 months with tactical integration. This allows both product and service innovations to be rapidly created and piloted, without expensive legacy system upgrade or integration dependencies.

It stimulates agility of Finance. Operational processes change regularly with short lead-times; this is generally why they have not been automated using traditional methods.

Furthermore, an agile approach allows rapid benefit delivery, incremental improvement, and rapid response to change.

Finally RPA can increase the overall quality and customer satisfaction and reduce exception cost, e.g. real-time processing improves service, reduces dependent process exceptions; batch processing out-of-hours windows reduces legacy platform load at peak.

Drive value creation

RPA can significantly enhance capabilities of Finance in providing analysis and insights to the business. For instance, it can substantially increase scope of data available to the organization. Cognitive RPA can extract and combine data from various sources, including external data providers, social networks, shared drives, recognize text and graphic information. It can also provide initial analysis and conclusions.

Finance RPA Proof-of-concept by an International General & Life Insurer

- ▶ Implementation of robotics software reduced time to run a report from **90 to 12 minutes**
- ▶ Robotics made the reporting process deliverables **free from errors** associated with mistyping and formatting
- ▶ RPA software was **installed locally**, close to the end-user, making it flexible and easily manageable by users

How can a Finance function prepare for RPA?

Implementation of RPA will impact several elements of the Finance operating model

Processes: Rethink Finance processes

RPA can automate a process as it is, which is a clear advantage of this solution. However there is a good chance that all existing inefficiencies, inconsistencies and duplications in the process will be repeated by RPA, limiting potential benefits of its application. For standardized processes RPA can deliver outputs across functions, business units and/or locations, servicing as a virtual shared service centre.

The critical path of the Finance processes may need to be reassessed. Automation of some tasks with RPA can result in a 'bottleneck' on tasks, that were not on the critical path before. A clear process documentation will help to manage this change.

RPA can be most effectively utilized in such Finance processes as:

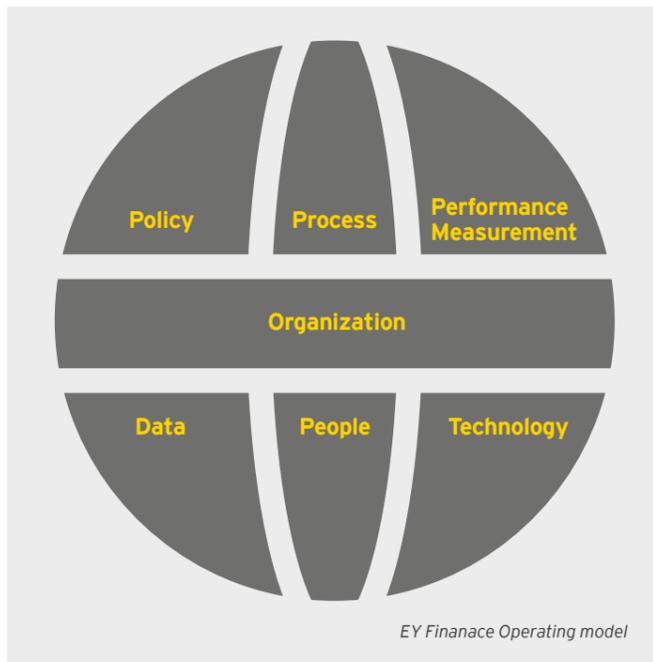
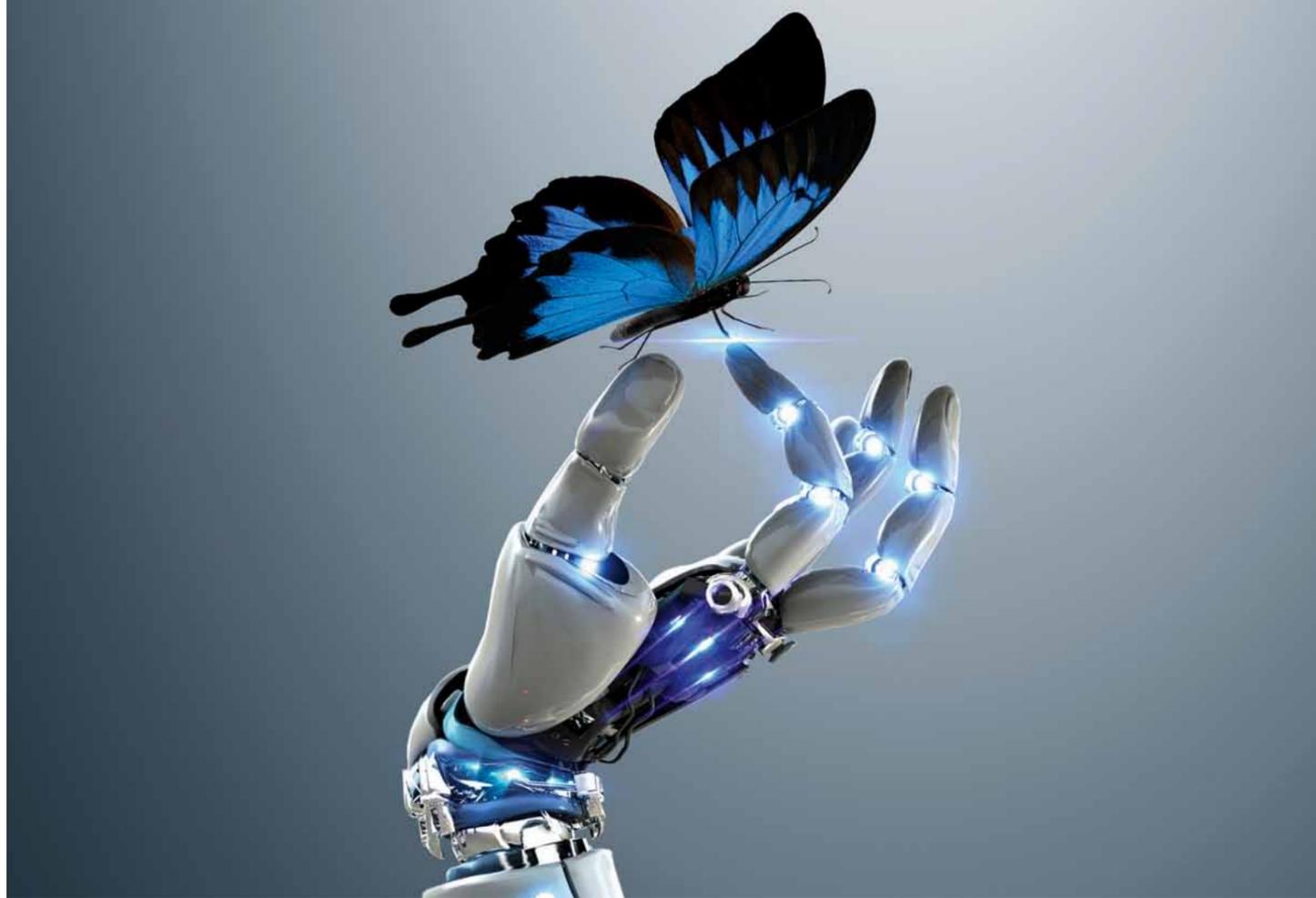
- ▶ Operational accounting (billing and collections, accounts receivable)
- ▶ General accounting (allocations and adjustments, journal entry processing, reconciliations, intercompany transactions and close)
- ▶ Financial and external reporting
- ▶ Planning, budgeting and forecasting
- ▶ Treasury processes

Organization: Shared Services concept is not dead

It is not an 'or-or' situation. RPA can be successfully implemented in shared service center (SSC) environment to replace inefficiently used human workforce and minimize risk of human errors. SSCs can still deliver benefits from standardization of the processes for high-frequency tasks and maximize productivity of RPA.

RPA challenges however the concept of shared services off-shoring. It's relatively short implementation timelines and low maintenance costs (1/3 of the cost of offshore FTE) are likely to beat the benefits of a SSC in a low cost location.

Centers of Excellence can be supported by RPA also to deliver information and basic analysis for further assessment by experts. However further developments in the area of artificial intelligence suggest that such programs can be used in specific (financial) analysis and modelling in the near future.



Technology: Leverage legacy systems

RPA extends the functionality of the existing legacy systems. It mitigates drawbacks related to inefficient, manual intensive interfaces of those systems.

People: Refocus human workforce

Human workforce will keep an important role in a robotized process. Training and operational management of a robot is done by human specialists. A robot will further proactively involve humans for analysis and decision making at certain steps, where insights and subjective assessment should be used.

Finance personnel will face a change in required skillset. Core finance skillset changes, as more capacity will be used in tasks requiring more intelligence like advanced analysis and interpretation, review and approval, decision making. In addition new technical skills are needed to manage a robotized process.

It will be a challenge to apply this change and retain accumulated finance technical knowledge and practical knowledge of organization.

Finally organizations will need to pay attention to psychological acceptance of cooperation with robots by personnel. This is triggered by robots 'taking the human jobs' but also by the effects like 'uncanny valley', where robots become more and more interactive.

Conclusion

RPA can be a quick win, bringing immediate benefit also in Finance functions. It is likely to stay for longer time and become an integral part of Finance processes. It triggers also broader changes in Finance function, its processes and people, that can maximize value of RPA and bring Finance to the next level.

Contacts:



Rianne Vedder
Partner
EY Financial Services Advisory
Mobile: +31 6 21 25 28 94
Email: rianne.vedder@nl.ey.com



Marc Welters
Partner
EY Financial Services Advisory
Mobile: +31 6 21 25 22 23
Email: marc.welters@nl.ey.com



Alexander Mints
Manager
EY Financial Services Advisory
Mobile: +31 6 29 08 39 66
Email: alexander.mints@nl.ey.com



Avinash Ramkhelawan
Manager
EY Financial Services Advisory
Mobile: +31 6 29 08 32 91
Email: avinash.ramkhelawan@nl.ey.com

Finance RPA Virtual Handling project in a Global Bank

- ▶ Process automation for **Daily Profit and Loss reconciliation** for Securities Lending and **Independent Price Verification** for Bonds
- ▶ **Zero handling defect** and improved exception management with **audit trail**
- ▶ **50% - 70% cost reduction** for high-frequency repeated tasks
- ▶ 1/3 of the cost of offshore FTE; 1/10 of the costs onshore FTE

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

Ernst & Young Accountants LLP is a client-serving member firm of Ernst & Young Global Limited operating in the Netherlands.

© 2016 Ernst & Young Accountants LLP.
All Rights Reserved.

ED 0417
155010166

This publication contains information in summary form and is therefore intended for general guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgment. Neither EYGM Limited nor any other member of the global EY organization can accept any responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication. On any specific matter, reference should be made to the appropriate advisor.

ey.com