

Top Use Cases for Intelligent Automation in Financial Services

Abstract

Intelligent automation leverages AI/ML to make automated processes more adaptive and capable of handling complex scenarios. This is imperative for the financial services sector, given its reliance on iterative tasks and manual or spreadsheet-based processes. In fact, intelligent automation could add \$512 billion to financial service revenues, with a 60% + improvement in customer satisfaction. Read this eBook to discover the ten use cases with the highest automation readiness in financial services, and how intelligent automation aided by <ABC>s could make a difference.

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The financial services sector is sitting on massive untapped gains

When we think about automation in financial services (or any other industry for that matter), the conversation typically revolves around robotic process automation or RPA. RPA is a form of automation technology where software robots or bots replace human workers at crucial junctures of a business process flow, completing tasks according to pre-configured rules. While RPA adoption is relatively high, it comes with a few critical limitations. Due to its rule-based nature, RPA is incapable of handling high-variability, complex processes such as invoice processing or advanced documents management – stumped by repeated, multiple exceptions.

Intelligent automation seeks to address this inflexibility by applying artificial intelligence (AI) and machine learning (ML).

Intelligent automation transforms processes in a manner that bots can learn from previous exceptions and decision flowcharts to adapt to unfamiliar scenarios. This makes automation *truly* automated, removing the need for human intervention whenever faced with an exception.

Hyperautomation – popularized by Gartner as the no.1 technology trend of 2021 – is a version of this, adding a process mining element to the intelligent automation matrix. Hyperautomation would allow you to perform process discovery, find the prime automation candidates, and use a combination of RPA, AI, and ML to address your business problem. While end-to-end hyperautomation remains our goal, the industry is currently at the intelligent automation stage, which, in itself, remains underutilized.

Consider the following facts about the state of intelligent automation today:

- RPA continues the de-facto standard for automation, expected to reach 90% adoption by 2022¹. However, challenges in integration and adapting to a heterogenous business environment persists.
- Intelligent automation has the potential to add \$512 billion to the global revenues of financial service providers. More than 30% of firms across insurance, retail/commercial banking, and capital markets have seen a 2-5% increase in revenues by implementing intelligent automation.²
- Across industries, 73% of companies have stated on the intelligent automation journey, up from just 53% in 2019³.

However, despite signs of progress, **there is immense potential still to be unlocked through intelligent automation in the financial services sector.** According to recent reports, just 10% of firms have successfully completed a full-scale implementation. 4% are stuck at the ideation and proof of concept

¹ <https://www.gartner.com/en/newsroom/press-releases/2020-09-21-gartner-says-worldwide-robotic-process-automation-software-revenue-to-reach-nearly-2-billion-in-2021>

² https://www.capgemini.com/wp-content/uploads/2018/07/Automation-in-FS_Infographics_final.pdf

³ <https://www2.deloitte.com/bg/en/pages/about-deloitte/articles/Intelligent-Automation-Survey-2021.html>

stage and 17% are currently piloting standalone tools. The lion's share – 69% – are going through their first deployment in one or multiple geographies⁴.

Organizations that adopt intelligent automation and scale fast in the next few quarters will stand to gain a significant competitive advantage over the rest, given that the market still has only a handful of leaders and are mostly populated by what one could consider as laggards.

10 financial service use cases that are prime candidates for intelligent automation

Financial services are typically associated with iterative tasks that have a high cognitive load. While there are routine exceptions and variances, several of these processes can be successfully automated using a judicious combination of RPA, AI/ML, and GUI-based management (what we call <ABC>s). Here are ten important areas of impacts across the entire spectrum of financial services that could gain significantly from intelligent automation.

1. Remote and hassle-free account opening

Account opening and customer interaction management is one of the key activities in any retail banking or asset management institution. Streamlining these processes could significantly improve profitability for banks, lenders, insurance providers, and asset managers alike. Intelligent automation would use optical character recognition (OCR) to extract structured information from snapshots of customer documents shared remotely. Facial recognition technology could ratify this further by verifying customer identity through a simple video call. As a result of this convenience factor, existing customers would receive a better CX and new customer acquisition costs would reduce significantly.

2. Data migration when modernizing legacy systems

This is among the key applications of automation for any financial services provider going digital. Firms typically rely on massive volumes of customer data housed in legacy systems that require backward compatibility. Manually transforming data when moving to a modern system (like a core banking platform), requires at least 6 stakeholders – a business user, a data custodian, a systems specialist, a database specialist, an ETL specialist, and a product specialist. This makes modernization an expensive and time-consuming endeavor. Intelligent automation could dramatically improve data migration processes, by reading the legacy source and automatically loading data as per the new schema.

⁴ https://www.capgemini.com/wp-content/uploads/2018/07/Automation-in-FS_Infographics_final.pdf

3. Credit risk assessment when screening borrowers

This is one of the more sophisticated applications of intelligent automation in financial services, one that actually augments human efforts instead of merely replacing it. Intelligent automation bots can study the multiple variables making up a customer or intended borrower's credit risk score, aiding a human employee's decision. It would automatically enrich the application with the necessary data (e.g., information from credit bureau reports), fetch analytics insights from an integrated scorecard tool, recommend the next best action, and automate application management. This would allow lenders to process a larger number of customers within the same time.

4. Transaction analysis and fraud detection

Automated fraud detection uses data from ERP, BI systems, and third-party intelligence databases to monitor the transaction workflow. It would check every transaction against signals like PO-invoice match, customer address format, transactions made on weekends or holidays, split transactions, etc., to identify fraud possibilities. Using intelligent automation, firms can not only be alerted to fraud on time, but they can also automate their redressal – for instance, blocking suspect transactions beyond a threshold. AI/ML would help keep the number of false positives in check, an improvement over RPA.

5. Loan application processing and validation

Automated loan origination could help to significantly cut down the turnaround time for loan approval processes, increasing customer satisfaction, and the lender's productivity. Unfortunately, spreadsheets continue to be a staple among underwriters, despite being cumbersome and multiplying the risk of data inconsistency. Intelligent automation could help extract the necessary information from loan applications, transforming it into a modernized format for machine consumption. This prevents record duplication and ensures integrity from a lineage and ease of retrieval standpoint. Using the sophisticated tools available today, this could even be extended to large, complex, commercial loans.

6. Know Your Customer (KYC) and Re-KYC

This is among the lowest hanging fruits for automation in financial services and is fast being adopted as an industry standard. However, with RPA, glitches still remain – like the inability to reconcile minor exceptions and discrepancies such as incorrect capitalization in name and address. Intelligent automation would be able to correct this by specifying adaptive workflows for common exceptions. Scenarios where a customer's last name changed after marriage or there was a routine change in work address can be processed easily, without requiring the customer or a bank employee to intervene.

7. Automated card blocking/activation

As digital payments and online transactions become par for course, retail banks must take concrete measures for card security without compromising on user experience. Automated card blocking would use AI to analyze the surrounding conditions related to a transaction and estimate fraud risk. Depending on the risk score, it would ask for the customer's approval before blocking the card or trigger the process automatically. Similarly, activating a new card or reactivating an old one could become as simple as sending an email or clicking on a button on the website, improving banking CX and encouraging greater transaction volumes in the long term. This also increases upselling/cross-selling rates for payment cards.

8. Quality assurance and audits

Quality assurance and regular audits consume a large portion of any financial service provider's resources, given the highly regulated nature of the industry. Automation could help to generate audit reports in a fraction of the time and cost required by a human employee or a team of workers. Further, automated tools ensure there is a standardized audit trail with better version control on documents, timestamps for access accountability, and role-based security. At scale, firms could deploy an end-to-end audit lifecycle automation landscape, from scheduling audits to developing templates, collecting field data, reviewing reports, and implementing recommendations.

9. Customer query handling and engagement

Customer engagement is one of the more prominent areas of automation implementation in financial services. It has already resulted in a 60%+ increase in customer satisfaction for most insurance providers, retail/commercial banks, and capital market firms that have deployed it⁵. One way to go about this is by building chatbots (mobile or web-based) that use natural language processing or NLP to understand, process, and respond to customer queries. It would make it much easier to collect customer feedback and reduce the load on banks' contact centers.

10. Reconciliation of securities in wealth management

Reconciling positions and trades within internal records and the market is essential for any wealth management provider, and this is a process that could gain massively from automation. Firms still relying on manual reconciliation run the risk of errors, particularly for more complex trade orders. Intelligent automation can play an important role here – for example, using AI to measure actual

⁵ https://www.capgemini.com/wp-content/uploads/2018/07/Automation-in-FS_Infographics_final.pdf

receivables and to generate daily cash balance reports. In the mid-office, it can analyze pre- and post-settlement data to identify discrepancies, if any, and perform confirmation matching at the backend as per ISDA rules.

RPA vs. Intelligent Automation vs. <ABC>s – Which one should you choose?

As discussed, RPA comes with a set of inherent constraints that make it unsuitable for complex processes. Intelligent automation is more flexible and adaptive, capable of handling exceptions, and compatible with a more diverse range of datasets. From unstructured data via OCR to multi-format industry data through third-party/government sources, intelligent automation is more suited to the financial service sector's needs.

<ABC>s further improve on this, by enabling GUI-based, codeless configurations and business-user readiness. A <ABC> is essentially a low code app that can enable end-to-end business process automation, even for tasks with a high degree of complexity. It also preserves room for a human in the loop, ensuring minimal effort to complete most jobs.

In the financial services sector, <ABC>s can:

- Empower business users with their unique expertise and years of industry experience to set up workflows, with little to no intervention from IT
- Connect with existing systems like ERP, enterprise content management, and the core banking platform to fetch data and enable bi-directional process flows
- Automate validation through pre-configured rules, while allowing business users to toggle rules on/off based on the specific scenario at hand
- Drive reusability through a modular architecture, applying the same components to multiple scenarios, thereby bringing down the total cost of owning automations
- Enable continuous learning through ML, making bots more accurate and adaptive with every process lifecycle and decision
- Address a huge variety of use cases from simple activities based on custodian data to more complex report generation, customer interaction handling, etc.

One key factor that should determine your decision is the question of sustainability.

Currently, automation visionaries that have successfully scaled their deployments comprise a meager 11% of the financial service landscape⁶. This is because RPA and point solutions are difficult to scale beyond the initially-intended business problem, and every new deployment adds to your total cost of

⁶ https://www.capgemini.com/wp-content/uploads/2018/07/Automation-in-FS_Infographics_final.pdf

ownership. <ABC>s offer a smarter alternative by reducing dependence on IT, implementation timelines, and configuration and setup efforts, while also enabling greater flexibility.

<ABC>s are proven to unlock tangible benefits from financial services, starting from the very short term. **A US-based financial services and solutions provider was able to save 2000 hours of person-efforts annually using just two bots**, automating crucial tasks like redemption request processing, and monthly statement creation. With so many quick wins to be had by automating financial service processes, along with a strong potential for scalability, firms must urgently revisit their existing processes. These ten use cases serve as an effective starting line for a journey that could truly prove revolutionary in terms of functional capability, resource utilization, and end-customer experience.

To know more, please email us at <<email ID>>.