

Robotic Process Automation

The Application of RPA to the Commodities Industry

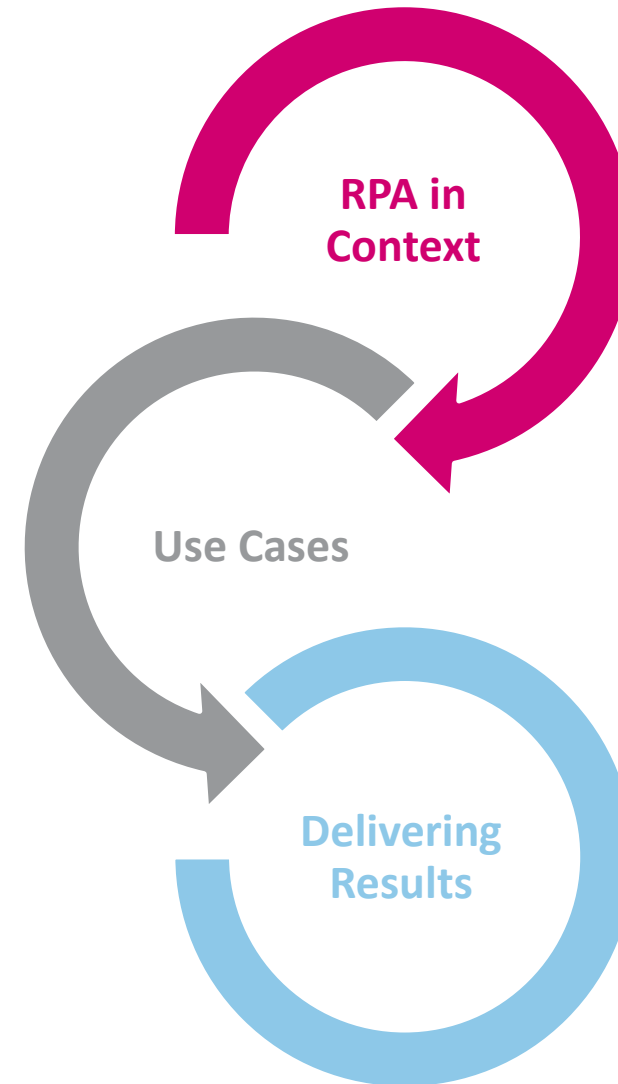


21 May 2019



Key Question:

How can Robotics Process Automation (“RPA”) solutions help support the Risk & Compliance agenda across the Commodities Industry?



Introduction

Nick Tallantyre



- ▲ Partner in Baringa's Energy & Resources Practice
- ▲ Lead the Global Energy & Commodities Trading business



About Baringa Partners



Market-leading consulting company with a focus on energy, commodities and financial services

Market turnover of approx. £150m, circa 700 professionals

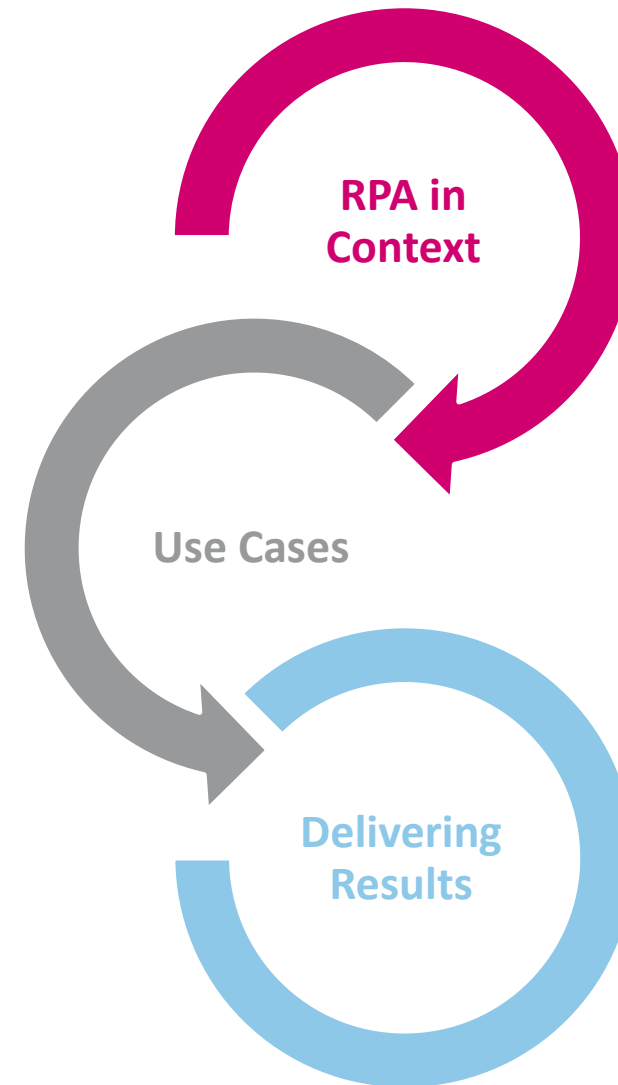
Strong track record across Trading & Trading IT Strategy, Risk Advisory and Transformation Delivery

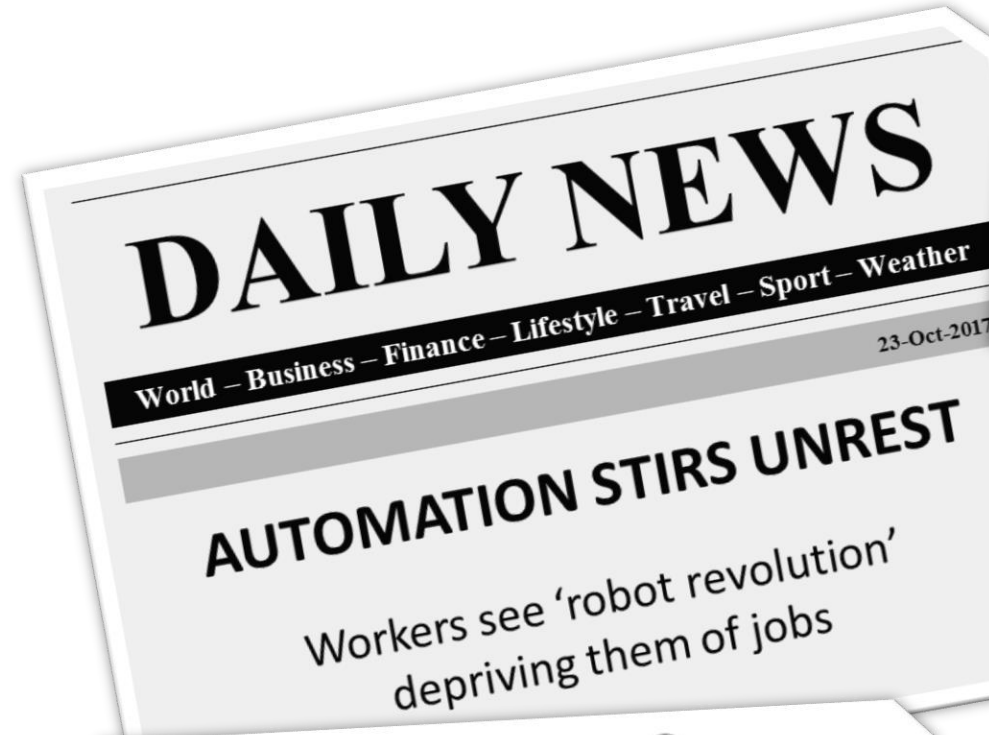
Reputation-driven business, with over 80% of our work coming from repeat business

Baringa works across the commodities value chain from Producers, Traders and Consumers

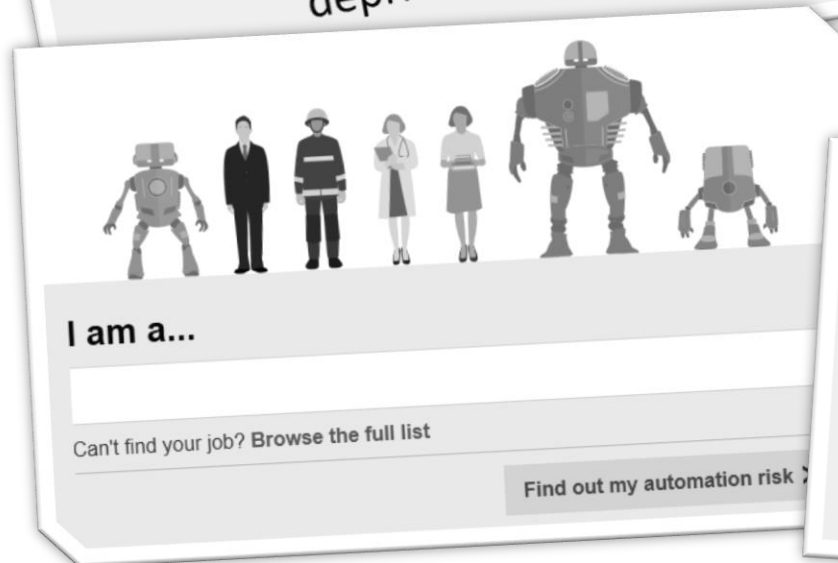


RPA is playing an ever increasing role in our markets but some pre-conceptions still exist





WHITE PAPER:
THE FUTURE OF EMPLOYMENT: HOW SUSCEPTIBLE ARE JOBS TO AUTOMATION?
 According to estimates, about 47% of total US employment is at risk



LESSONS FROM OFFSHORING:
 The big concern in the UK is about job losses.....This is largely based on the media coverage.....job losses from sourcing business services abroad seem to be pretty small for the UK compared to total job creation in business services....."
 ---- Advanced Institute Of Management Research ----

What is Robotic Process Automation (RPA) ?

The application of software that mimics human users to perform repeatable processes and tasks that previously required a human to perform



What?

- RPA is non-invasive software which mimics humans activity (there are no robots!)
- RPA can also sit across multiple systems and platforms
- RPA software interacts with systems from the front-end like a human would do, without interfering with system integration
- It can perform repetitive tasks more quickly, accurately and tirelessly than humans



Where?

- Standardised, repeatable, rules-based, high volume processes (eg. Processes traditionally offshored)
- Processes which lack the business case for inclusion in large system implementation, or require rapid improvement
- Short term regulatory requirements



Why?

- RPA is quick to deploy - benefits realisation possible within weeks or months
- Broad range of benefits beyond cost reduction including improved efficiency and customer experience, increased control, reduction in errors and scalability

Demo – MIFID2 reconciliation process



Video demo removed – available from nick.tallantyre@baringa.com

- Shows a BluePrism robot driving a MIFID2 data file reconciliation process automatically between a client file and a web resource

Question for the Audience?



Do you have Robotics Process Automation (RPA) solutions deployed within your organisation today?

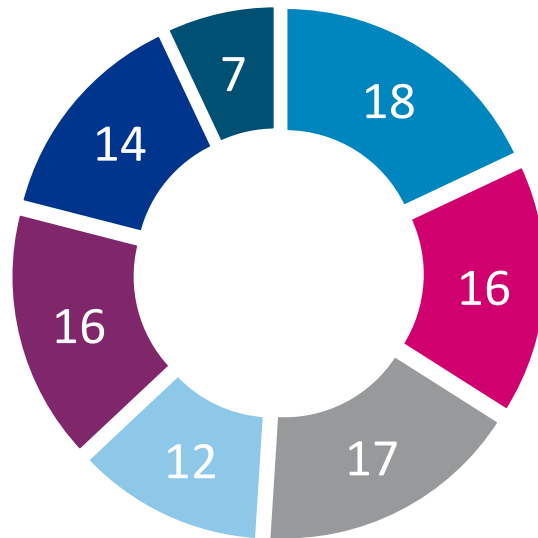
- A. Yes, fully operational
- B. We have experimented – perhaps a proof of concept
- C. No

What benefits can RPA deliver?

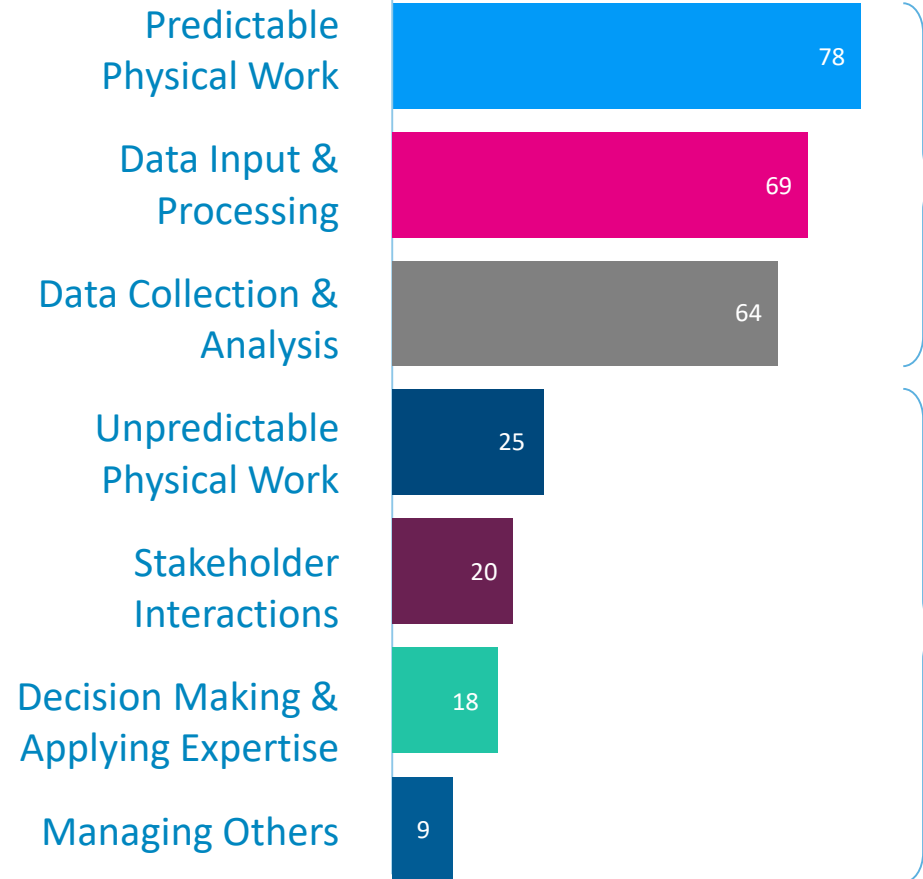


Analysing activity-type is the most accurate way to examine the technical feasibility of automation

% TIME SPENT ACROSS ALL OCCUPATIONS*



% Time Spent On Activities That Can Be Automated*



Future Direction



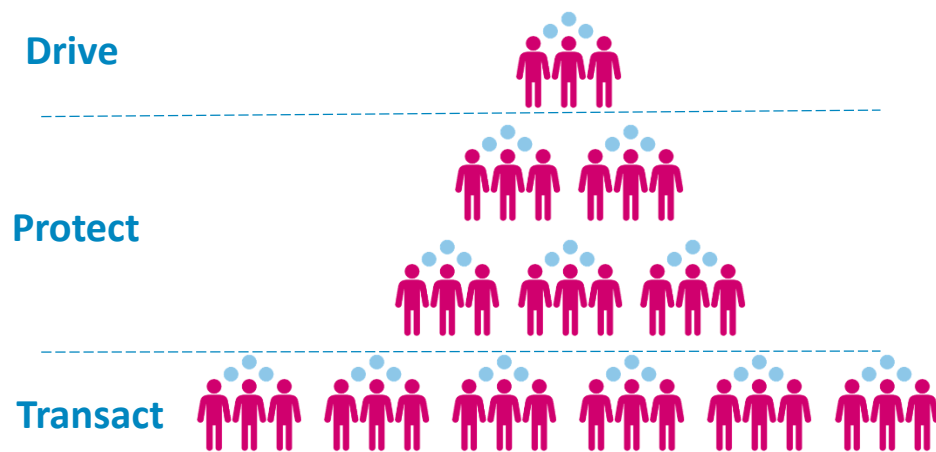
(More Repetitive & Formulaic Tasks)



(More Cognitive & Creative Activities)

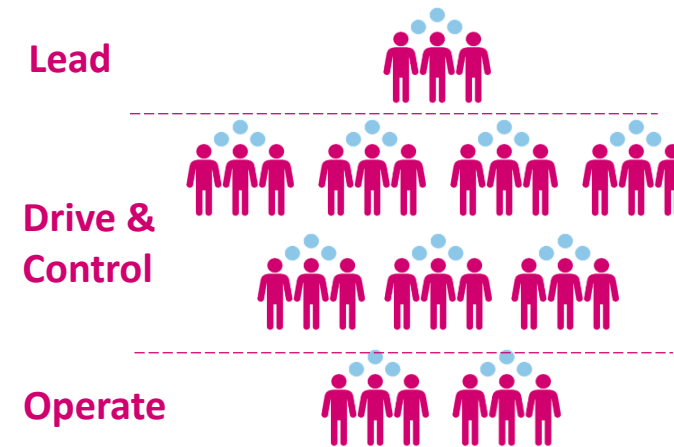
* US based cross industry client research

How can organisations shift their focus?



Characterised by

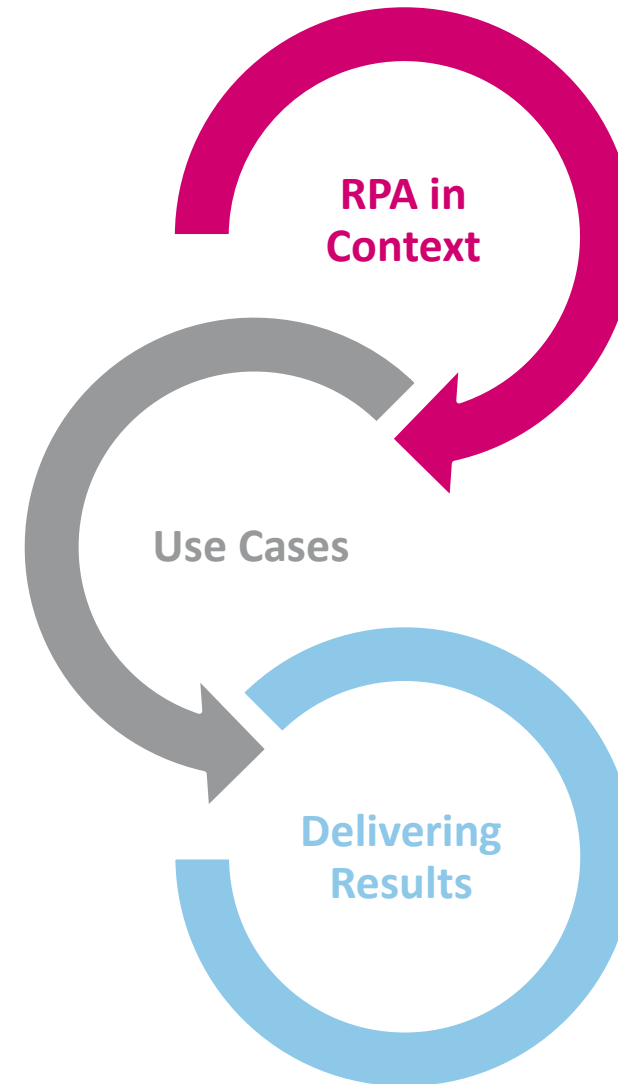
- Cyclical outputs
- Focus on transaction control
- Large data reconciliation effort
- Human Computing



Characterised by

- Effort shifted from cyclical to responsive reporting
- Data driven Business Partnering
- Increased business focus in support teams
- Data stewardship

Within the Risk & Compliance space, what use cases can we see for RPA?



Where do we see most value in Risk & Compliance for RPA?



Partnering & Relationship Management



- Requires inter-personal action and human intelligence

Management of Change



- Requires human judgement ; “hearts and minds”

Risk Reporting



- Certain tasks are repetitive; data processing that can be mechanised

Risk Planning & Analysis



- Certain mechanical aspects exist; analysis requires human interpretation

Compliance and Monitoring



- Substantial data processing requirement; human interpretation
- Heavy workflow in on-boarding processes

Business Operations



- Operational processes around cash, margin and collateral

Use Case: Compliance and Monitoring

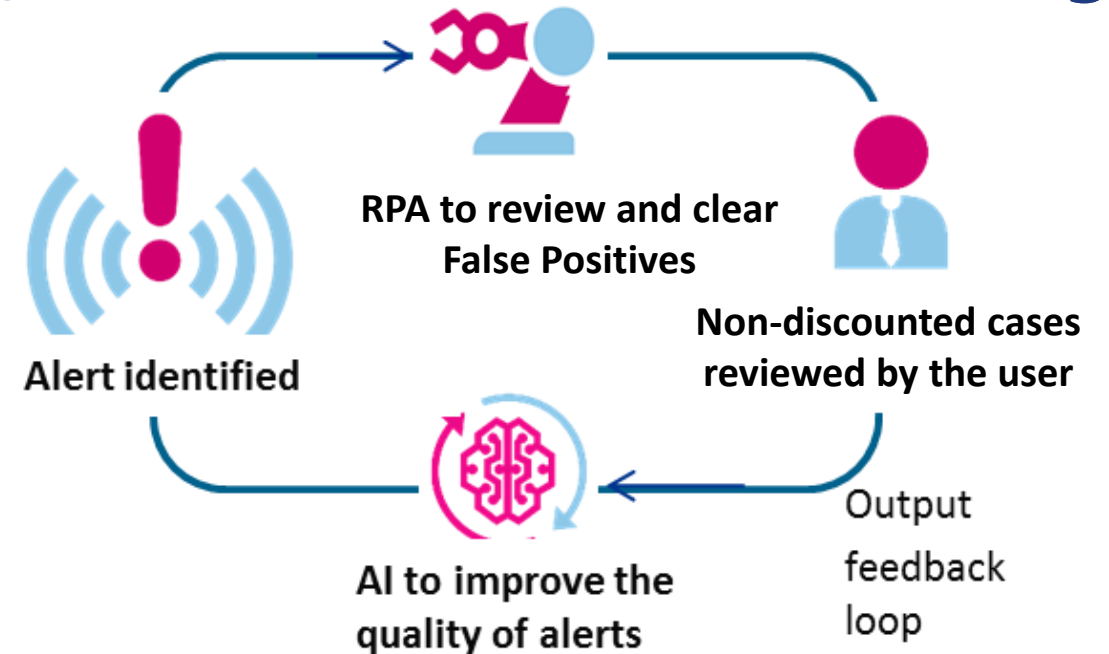
e.g. Market Abuse surveillance of traders
e.g. Anti-Money Laundering alerts

Key Challenges

- **Accuracy:** 95% of alerts are **false positives**
- **Cost:** High cost in maintaining due to high volume
- **Sustainability:** Ability of organisations to sustain the process and deal with the volume

(*) An AML analyst spends:

- 75% of time on data collection
- 15% of time on data organisation and entry
- Only 10% of time on analysis



RPA and “Intelligent Automation”

- Ability to interact and draw from multiple systems
- Perform a **first triage** of all alerts.
- A significant number of **false positives can be discounted by the automation tool**.
- User reviews residual cases, a **feedback loop** is created to learn over time and reduce false positives

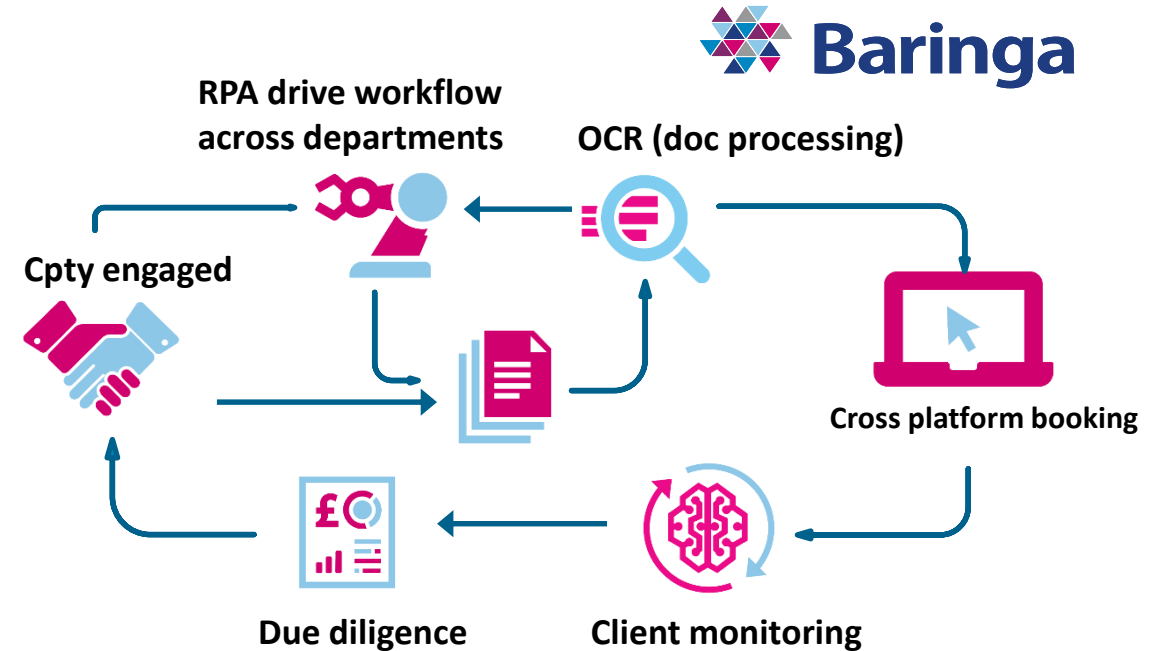
* Booz Allen report (Apr 2016)

Use Case: Know Your Customer (KYC)

Client on-boarding and Due Diligence process

Key Challenges

- **Process Complexity:** Many departments (legal, credit, operations, tax) are involved in a complex workflow
- **Manual Data Entry:** Multiple entries of data across systems including paper documentation
- **Repeat DD:** Hard to sustain a repetitive and mechanised due diligence process on active clients



RPA and “Intelligent Automation”

- Ability to automate and direct a **complex workflow** across multiple departments, entering data into multiple systems
- Automate paper handling processes through augmented capabilities including **Optical Character Recognition**
- RPA solutions can automatically scan news feeds or client reports / websites for information around financial status change for repeat **Due Diligence**

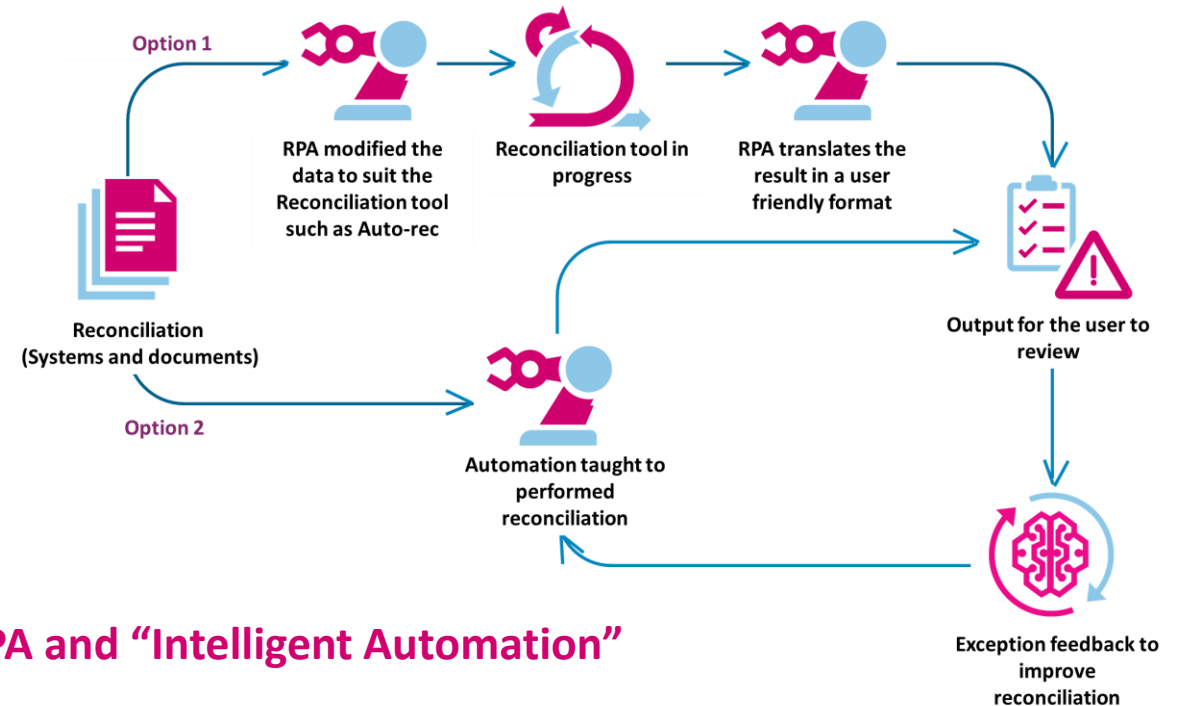
Use Case: Middle Office Reconciliations

e.g. Margin account reconciliations

e.g. EMIR Portfolio reconciliations

Key Challenges

- **Manual Data Processing:** Collation of information from a range of disparate sources and files
- **Speed to reconcile:** Regulatory requirements (e.g. EMIR) can stipulate daily process depending on portfolio composition
- **Margin optimisation:** Cash or collateral can be tied up unnecessarily unless process is streamlined



RPA and “Intelligent Automation”

- RPA tool runs **non-invasively** and **accurately** across **multiple systems**
- For Organisation who own a reconciliation tool/ engine, **RPA can support data standardization and modification** of inputs and outputs to the rec tool reducing the manual effort.
- For cases when there is no reconciliation tool available, RPA can act as a **Reconciliation engine**
- A further AI engine can receive feedback from the output received and **improve the quality** of the reconciliation tool and breaks identified

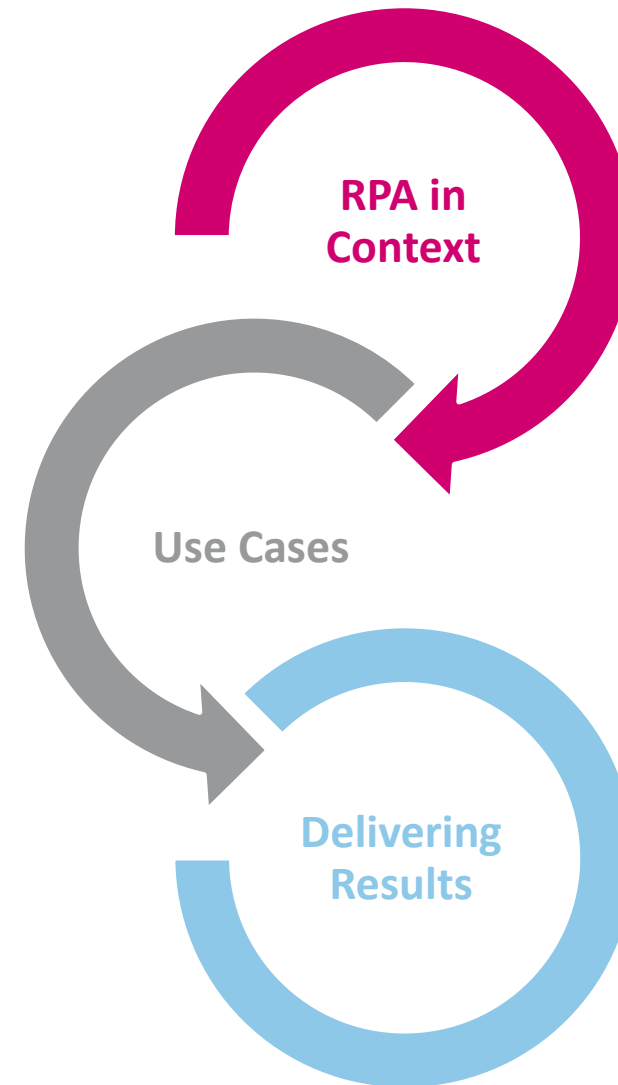
Question for the Audience?



What do you see as the primary motivation to use RPA in your enterprise?

- A. Reducing effort and overhead on manual tasks
- B. Better control and hence lower operational risk
- C. Allowing our business to scale faster

How can we **Deliver Results**
and setup our initiatives for
success?

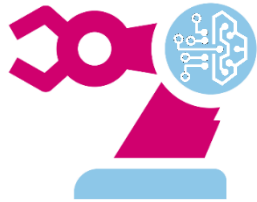


The tools alone don't guarantee success

Automation

OE

People



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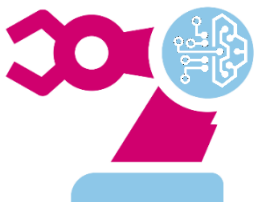


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Automated
Waste



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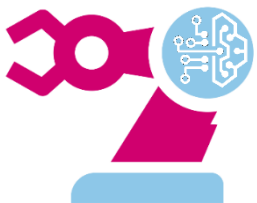


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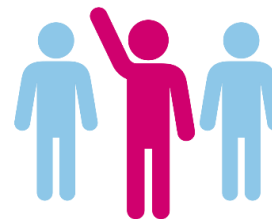
Not
Sustained



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Effective,
Embedded And
Sustainable

Delivering Results

What are the different viewpoints within the organisation?



Question for the Audience?



What would hold you back from deploying RPA? What are the biggest limitations or concerns?

- A. Lack of skills and knowledge
- B. Hard to get IT and business aligned on approach
- C. Don't trust the robots to perform – risk of error
- D. People are worried about their jobs

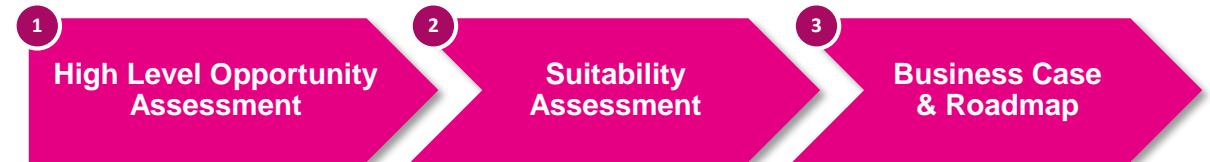
Where to start

Finding the right use cases for a Proof of Concept

Assessment Criteria	PoC Requirement	
Replicable Process	Low	High
High FTE?	Low	High
Operational Risk?	Low	High
Rules Based?	Low	High
Digital Data?	Low	High
No Changes?	Low	High
Technical Simplicity?	Low	High
Impact To Customer Capacity	Low	High
Standard Process?	Low	High
Non-Physical Processing?	Low	High
High frequency?	Low	High

Baringa Process Selection Approach

- Balance benefit levers against costs and technical feasibility
- Drive business case definition and prioritisation and focus on organisational buy-in



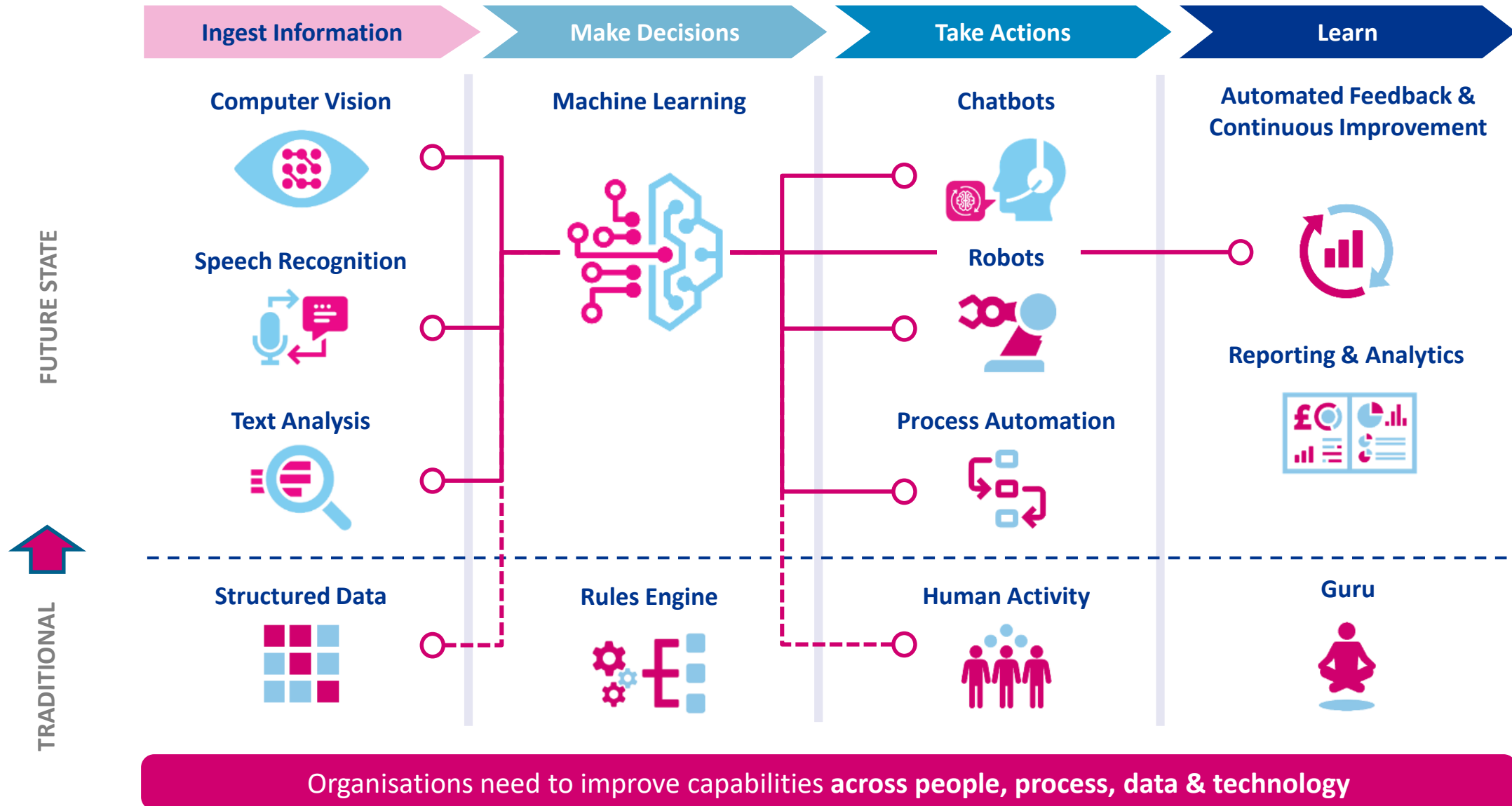
Identify processes that have the greatest potential for automation to further assess

Determine process suitability with SMEs for automation against key criteria

Create business case aligned to Labour Cost Model for deployment and delivery



How will the future look?



How will the future look? – Regulatory Text Analysis



Video demo removed – available from nick.tallantyre@baringa.com

- Shows a robot connecting to regulatory news websites, downloading raw text data, condensing and cleaning through a Python script then running a neural (learning) network to analyse key contents to come up with a relevance score and filter for the compliance team of a banking client

THANK YOU

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