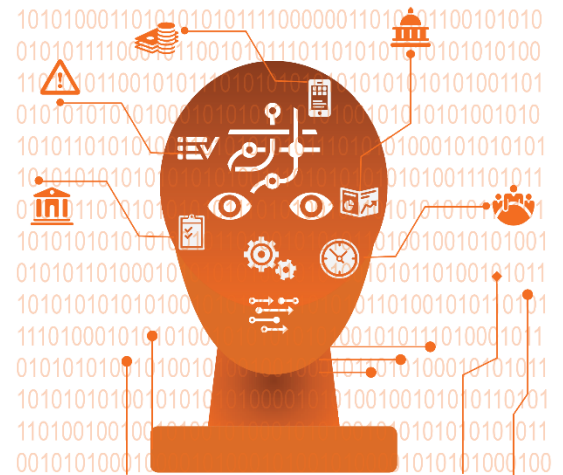


# Q&A

## How can RPA and other digital labor help financial institutions?

*Digital labor may offer real help to financial institutions as they look to adapt their operating models to the current market climate. Financial institutions are looking to new tools, made possible by advances in robotic process automation (RPA) and related technologies, to automate a wide range of activity without the need for complex programming.*

Digital labor is evolving quickly. It can be applied to a wide range of tasks, with less effort to program than ever. This opens new ways of thinking about which work functions need to be done by people in a traditional sense. We've moved far beyond using macros on a spreadsheet. Technology now allows financial institutions to automate many computer-based operational tasks like searching, matching, comparing, filing, and more. This frees up staff to do much higher value work. We expect financial institutions will begin wide adoption of digital labor in late 2016 and early 2017. To get a better understanding of what this technology can mean for financial institutions, we sat down with PwC's Grainne McNamara and Chuck Centrelli.



# Questions and answers

**Q. Let's start with a basic definition. By robotics, do you mean a physical appliance handling physical tasks?**

No, but that's a fair question. Robotics may be a misnomer, but it's rapidly becoming the term of art used by people in the industry. We're really talking about small, lightweight, easy-to-program software tools that can automate a range of digital activity.

**Q. We've heard terms like RPA and IPA. What exactly are they, and what's the difference between them?**

Robotic process automation describes logic-driven robots that execute pre-programmed rules on mostly structured and some unstructured data. RPA is a feature of intelligent process automation (IPA). IPA describes a range of automated processing, from RPA all the way to cognitive technology and machine learning systems. At digital labor's highest end, robots can learn from prior decisions and data patterns to make decisions by themselves. More sophisticated tools take more effort to deploy and maintain, though, so you should choose the method that's the best fit for what you're trying to do.

**Q. Have financial institutions started to use the technology yet?**

The concepts have been around for nearly a decade, and they've advanced quickly. In financial services, insurance carriers have used RPA in claims processing for quite a while. Others in the industry are now turning to RPA and IPA to reduce costs, provide better service, and even make complex regulatory implementations work more efficiently. We're now seeing lots of interest from shared services, finance, and operations teams at banking and capital markets (BCM) firms.

**Q. What does the provider landscape look like? Are there standards yet?**

It's still pretty early. There are outsourcers, tech shops, and small contractors. These tend to stress implementation and cost savings. There are advisory firms that see this as a way to solve a technology problem. There are others that approach RPA and IPA as a way to rethink processes—to consider what work really needs to be done and then figure out the most efficient way to do it. At this point, the software and consulting services can vary widely in function, price, and capability.

**Q. How hard is it for financial institutions to adopt these systems?**

Actually, IT isn't typically doing the heavy lifting. That's a key advantage of RPA (and IPA to some extent). The software is installed directly on an end user's laptop, so you don't need developers for configuration. It can be done by "power users" and business analysts, once they've been trained on the vendor's platform. The software's actions can then be managed by a central server. You'll still need to do some testing and quality assurance. But traditional systems integration usually isn't required, and this can really speed up deployment in an enterprise environment.

**Q. Does that mean faster payback?**

Pretty much. Both implementation and payback can be much faster than you'd see with business process management or other systems integration software. In this investment climate, that matters a lot to financial institutions. Still, digital labor is drawing a lot of hype, and we've seen some unrealistic estimates of cost and time savings, so prepare to use due diligence. RPA and IPA have broad applications, but it's not a cure-all.

**Q. How do RPA and IPA options stack up against offshore resources?**

Digital labor licenses are much less costly than employing an offshore staff member. Robots can work 24/7 and are “no-shore,” meaning they can operate from anywhere in the world. They can really help financial institutions that are trying to provide around-the-clock support for high priority activities like product control, because onshore and near-shore teams aren’t cost competitive. By using RPA and IPA, financial institutions are finding they can get the real-time support they need, and they can use staff more strategically. Now, we’re seeing moves toward consolidated near-shore centers and more streamlined, “manage by exception” onshore teams.

**Q. Where do you see the “low hanging fruit” for applying these technologies? Are there use cases that stand out?**

Some activities are ideal candidates for digital labor: work that is repeatable and logic-driven, used to manually bridge between legacy systems. For instance, at BCM firms this includes product control such as trade mismatches; management reports; regulatory information such as CCAR stress tests; client reporting; asset servicing; account opening processes, such as AML and KYC; reconciliation; and data remediation initiatives. RPA can also scale up quickly when extra support is needed and scale down quickly when volume decreases, such as with business restructuring or market events.

**Q. On what scale should financial institutions think about adopting these technologies?**

Digital labor can definitely be used as a point solution, to fix a specific problem. However, given what we see in financial services, you’ll see the greatest benefits by thinking about deployment at the enterprise level. This means evaluating processes top to bottom,

and thinking about which make the most sense as candidates for automation. To get adoption right, you’ll want to:

- Prioritize areas of investment.
- Set up a center of excellence to drive vendor management, education, implementation, and support of programs on an enterprise-wide basis.
- Make sure control groups are properly engaged in roll outs, such as internal audit and operational risk.

**Q. Are there things that you *shouldn’t* automate with digital labor?**

RPA and IPA can be used widely, but some uses are more sensible than others. For example, it’s usually a bad idea to automate processes that are “in flux,” such as a technology application that’s set to undergo a significant change. And some activities may be too technically complex or costly to automate without other foundational changes such as data standardization. In general, it makes sense to start with activities that are more rule-based and more repeatable.

But you need to start with understanding the processes, because doing the wrong things more efficiently doesn’t benefit anyone. The technology is an enabler; it’s not an end in itself. Digital labor is one tool among many in getting to operational excellence. So, you define the right work, you do it more efficiently, and you work on changing a team’s behaviors. *That’s* how you get to high performing teams that add real value.

It’s clear financial institutions can get a lot out of RPA and IPA as they look to evolve their operating models. We should see a quick shift from education toward implementation as the investment cases become clear. This should start in shared service operations then move rapidly across the enterprise. That’s why there’s so much interest in the technology: business and operations leaders see this as a chance to “upskill” their teams without a huge re-engineering effort.

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We would like to acknowledge the contributions of Bill Pappas and Kevin Kroen to this publication.

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