Reconciliations and Robotic Process Automation... A perfect match?

From their heavily manual origins in financial accounts and balance checks to the critical business-to-business, trade and position data and system-to-system controls, reconciliations have proliferated in the financial industry. With the ever-growing volume, velocity and variety of data and the increasingly complex landscape of legacy and modern technologies (10,000+ systems in some banks), it seems they are here to stay.

Reconciliation technology has improved dramatically over the years and the latest cloud based, user configurable and self-tuning tools are faster-to-market and deliver a better outcome. Good control however, is only as good as the processes that deal with a quality reconciliation output – effective exception management tools, and business process management are also essential.

This is where reconciliation, as it is commonly implemented and operated today, starts to struggle to deliver what is actually needed. Here's a few common issues: False breaks blind the users to the real problems. Issues that have already been identified in upstream validation or reconciliations controls waste users time. The break actually clears automatically, but remains as an exception until manually closed. Producing meaningful MI that tells the business about the actual risk ends up a fiddly manual process.

But there's a helping hand at the ready... Robots.

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What is the Opportunity?

With the recent advances and ease-of-use available in Robotic Process Automation tools, there is an opportunity to bring reconciliation and RPA together to produce a better outcome, that allows the business users to focus on the meaningful breaks. Here's a few examples of how a robotic process might help:

Clearing false breaks

False breaks can occur for many reasons, but most often, it is because a critical piece of data, not available to the reconciliation is missing. Cue RPA, to pick up this break, query the source system to extract this data, update the rec with the necessary commentary and close the break.

Upstream issues already identified

Again these can occur for many reasons. Lets say an error in the affirmation/confirmation process has identified a trade booking issue. This could impact settlement, financial and transaction reporting reconciliations. Cue RPA to query the affirmation reconciliation output, and mark these breaks as already identified.

Timing breaks

Recs are usually run at a particular time, and often data that is relevant to the rec arrives afterwards, causing 'timing breaks', often affecting the same handful of fields. Cue RPA again, to quickly query the source system(s) to see if the offending fields have now been correctly populated, and clear the break if so.

Management Information

With the noise that is common in reconciliation output, senior control owners can't understand the real risk that is actually hidden amongst the rec output. Cue RPA once more, to run the quick break clearing bots (as per points above), identify the real breaks, calculate the risk, produce and distribute the report. This may also come as a final manually triggered step after remaining breaks have been processed by the users.

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Conclusion

Coupling reconciliations tools, which are often quite closed brute force tools for matching and comparing data, with RPA, can help orchestrate the processing of reconciliation output and bring substantial additional value, as well as a cost saving.

However, technology should warn about taking this too far. This is not a silver bullet for recs that are poorly built in the first place, nor a replacement for appropriate exception management tools on top of the rec. It should be used to augment the rec, reduce the manual intervention required and ensure the actual business risk is the only thing the rec exposes. This after all is the goal of the control.

If you have any questions, or would like to discuss how RPA could help your reconciliation strategy, please visit us at RCloud or contact me at gaurav.bansal@rcloudconsulting.com. At RCloud we have partnered with Automation Anywhere to offer RPA solutions to financial services in the UK. Automation Anywhere are a leading provider of RPA software and have deployed over a million bots globally. In 2018, they raised $550 million in Series A funding.