How new technology is driving a fundamental rethink of reconciliation

Survey data collated by Financial Technologies Forum (FTF).
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Executive summary

We have reached an inflection point in reconciliation automation. Firms are looking to seize the opportunities presented by new technology to reduce risk, improve their operational data quality, and cut costs.

While automated reconciliation and exception management systems exist, we found that manual processes still play a large role in reconciliation. Even where some degree of automation has been introduced, the pain points of error-prone manual processes remain.

A better way is on the horizon. Concerns over operational risks, inefficiencies, and data integrity are compelling firms to look beyond the status quo. Our new survey, conducted in partnership with FTF, shows that firms are planning to invest in a new approach to reconciliations over the next three years.

Financial services firms intend to leave the pain points of their current processes behind and unlock a raft of business benefits with the help of a new suite of flexible, intelligent data integrity tools.

The key findings of our survey:

- Only 22% of firms can boast that their reconciliations are mostly automated
- Mistakes from manual processes is the top pain point for nearly a third of firms
- Over 60% of firms believe that change would be too expensive or time consuming
- But new tech is providing new opportunities, and 66% of firms expect new solutions to automate manual processes will be one of their top three greatest areas of investment in the coming three years
- The future looks bright - nearly 70% of firms expect full automation within five years

Survey participants

For this survey we spoke to senior figures across many functions within the global financial services industry about their current reconciliation processes and pain points.

By firm

Buy side	**26%**
Sell side	**18%**
Service providers	**33%**
Consultants	**14%**
Other	**9%**

By job title

Manager	**36%**
Director	**19%**
VP	**17%**
C-Level, President, Owner	**12%**
Consultants	**17%**

By role

Business	**21%**
Compliance	**2%**
IT	**18%**
Operations	**42%**
President or CEO	**2%**
Owner	**2%**
Other	**11%**

* Percentages may not add up to 100% due to rounding

SECTION ONE

The journey to full automation

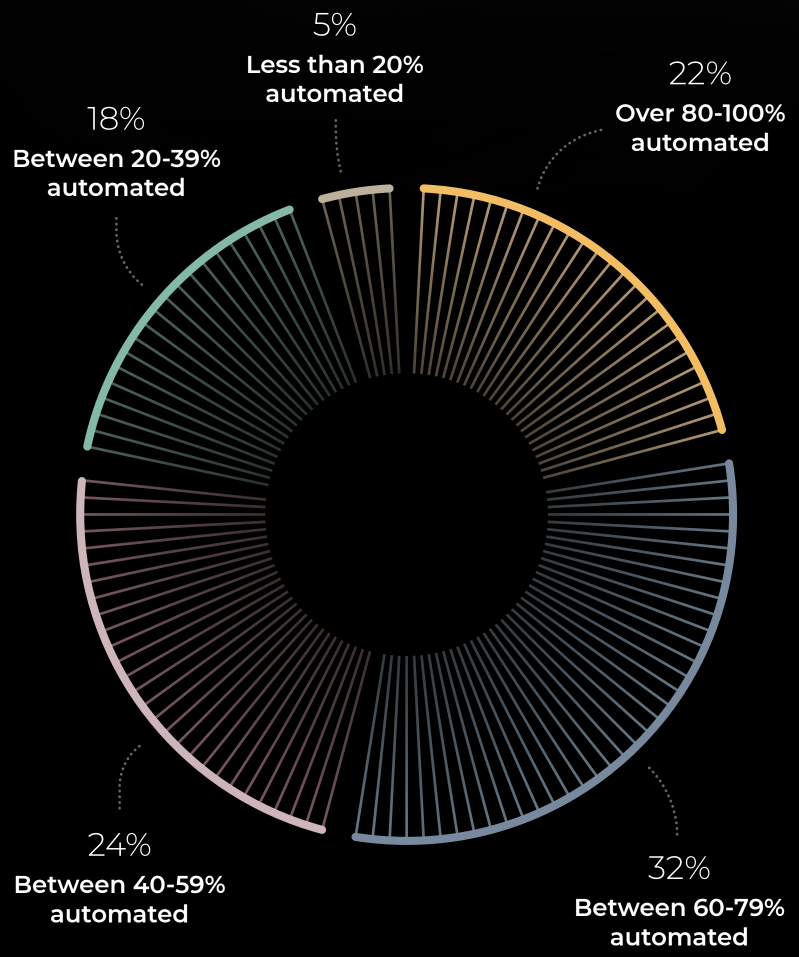
Automation allows companies to streamline their workflow, ditching error-prone manual processes to improve efficiency, reduce risk, and cut costs. But how well are financial services companies utilising the power of automation for their reconciliation processes?

Our survey shows that automation has a lot more to offer than is currently being realised by firms. Just one fifth of our survey respondents can boast strong levels of reconciliation automation.

On the other hand, approximately half have under 60% of their processes automated.

QUESTION

What percentage of your reconciliation process is automated?



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SECTION TWO

Why firms deserve better than manual processes

When it comes to reconciliation, manual processes continue to cause firms headaches. These processes are often implemented due to the need for a quick solution. Legacy technology can be too expensive or inflexible, while in-house solutions can have long development times.

Manual processes - which often means reconciling via spreadsheet - are used to plug the gap. Over time, rather than being replaced with a more efficient solution, these spreadsheets grow into business-critical functions.

And yet our survey shows that mistakes from manual processes is the top pain point for reconciliation teams. Because these processes require high levels of human involvement, the risk of error is greater. From errors in trade reconciliations to regulatory noncompliance, the potential cost of mistakes can be enormous.

Operational data quality issues were the second most pressing concern for survey participants.

Firms are clearly struggling with the quality and availability of their data. These are both problems exacerbated by a reliance on sluggish and error-prone manual processes.

QUESTION

What is the top pain point for your team?

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SECTION THREE

The challenges of bringing change to reconciliation

Firms recognise the need to improve the accuracy and efficiency of their reconciliations. Improving operational data quality and improving operational efficiency were the two main areas of focus for survey participants.

Top areas focus

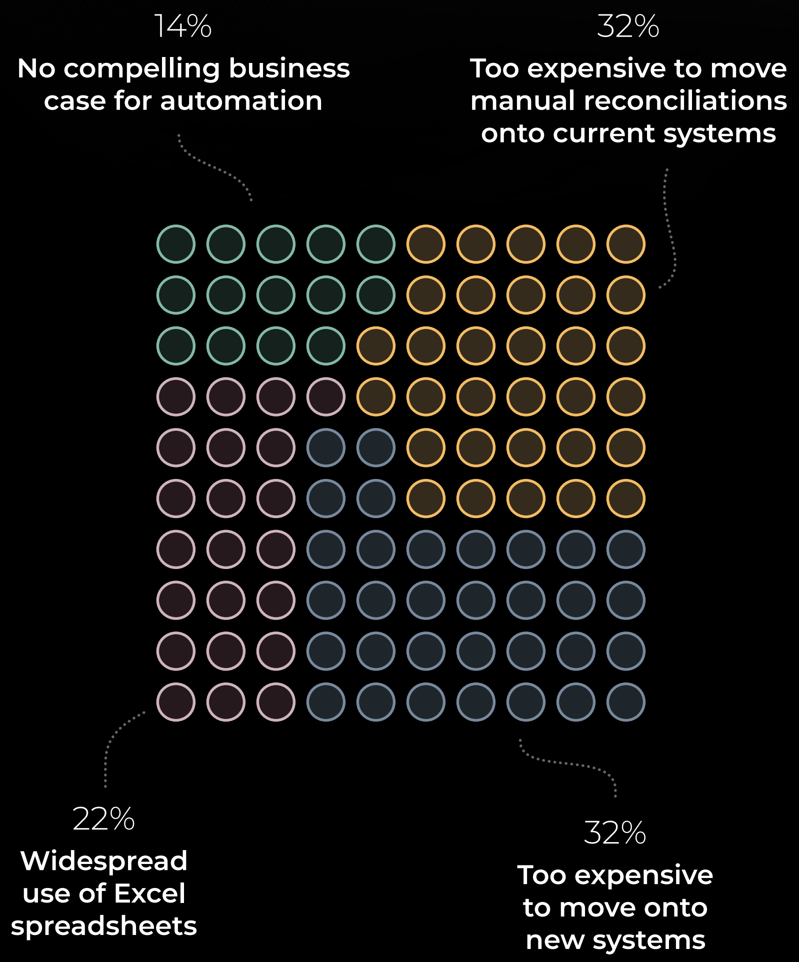
- Improve operational data quality (30%)
- Improve operational efficiency (29%)
- Manage and reduce costs (22%)
- Mitigate and reduce risk (10%)

And yet, while firms recognise the drawbacks of their manual processes, historically there have been significant obstacles to making change. Cost and time were the biggest barriers. Participants rated equally highly the cost of moving manual processes to new or existing systems.

The ubiquity of spreadsheets has also heightened the challenge. Over a fifth of respondents noted widespread use of Excel throughout their organisation.

QUESTION

What is causing your firm to still use manual systems?



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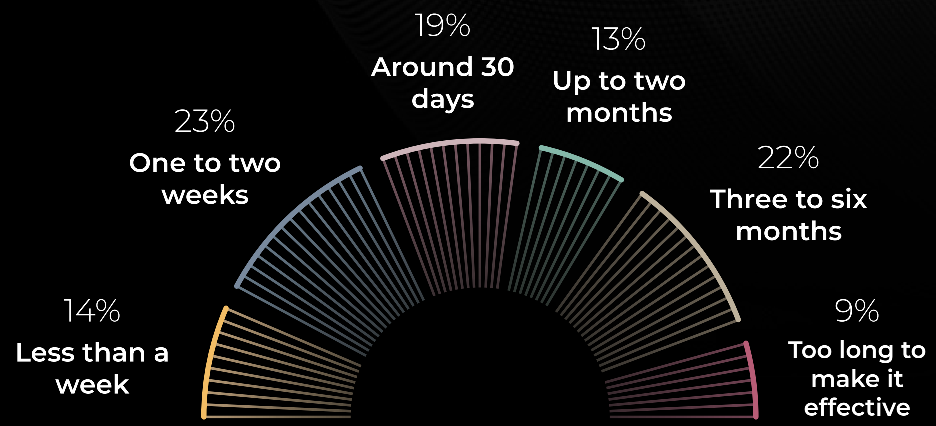
Firms are losing time and money to inefficient reconciliation processes

It's clear that firms need a better way of handling their reconciliations. Current processes are slow and inflexible. Firms are unable to react quickly to change due to the time it takes to set up new reconciliations.

Only 56% of firms are able to onboard a new reconciliation in under 30 days. In fact, well over a fifth stated that it took between three and six months.

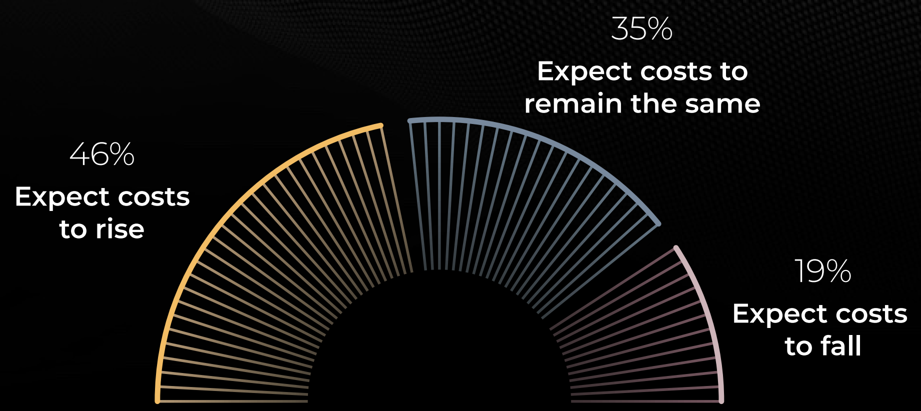
QUESTION

How long does it take your firm to onboard a new reconciliation?



QUESTION

Do you expect your reconciliation costs to rise, remain the same, or decrease in the coming year?



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SECTION FOUR

Firms turn to automation to overcome their manual pain points

Whatever the challenges firms have struggled with in the past, there is hope. New technology makes it possible to significantly improve speed and efficiency of reconciliations, while simultaneously cutting costs.

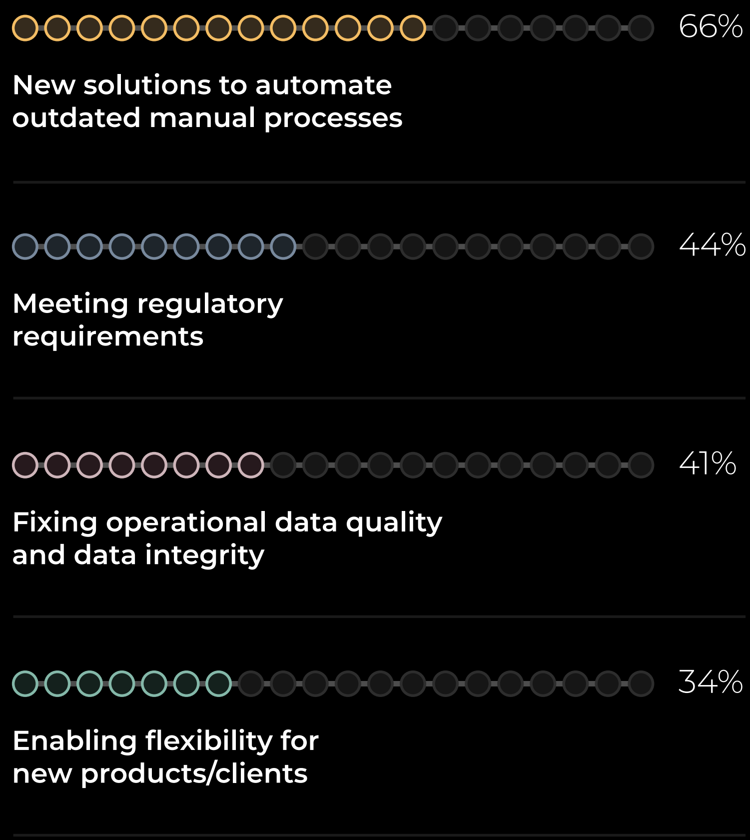
Firms are recognising the many benefits of a new wave of intelligent tools that harness technology such as the cloud and machine learning. They expect to embrace them over the coming months and years to move closer to the holy grail of full automation.

Firms plan to invest heavily in new technology over the next three years. New solutions to automate outdated manual processes was rated one of the top three areas likely to see the greatest investment by 66% of respondents.

QUESTION

Which area is most likely to see the greatest investment over the next three years?

Percentages show the proportion of respondents who rated each of the areas below in their top three.

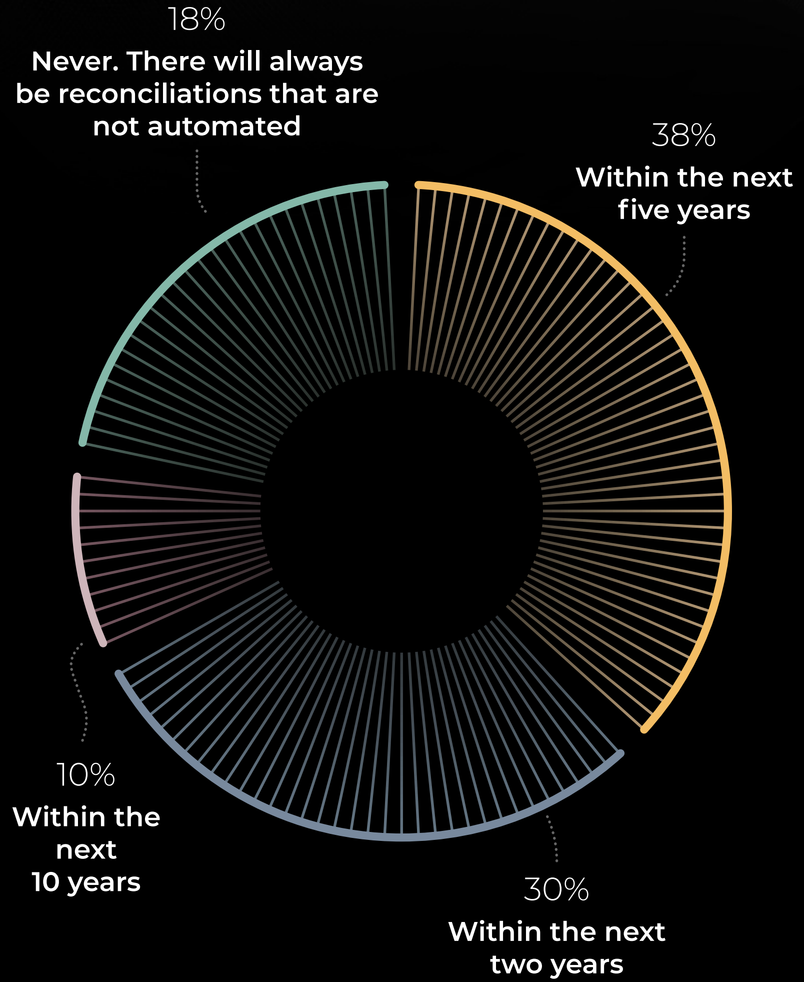


Firms aim to bring about a new era of automation

Increased investment is expected to have a significant pay off. 30% of our survey respondents expect their reconciliation processes will be fully automated within the next two years. A further 38% think it will take five years.

QUESTION

When do you think reconciliation will be fully automated?



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Conclusion

Firms are ready to ditch outdated, expensive, and time consuming manual processes and embrace new technology to achieve full automation.

Our survey shows that firms aren't happy with the current state of their reconciliation processes. It highlights a lack of speed and accuracy with which they can obtain and process data. Their current systems still rely to a great extent on manual processes, heightening the risk of operational errors.

But full automation is not a pipe dream, and firms are turning to a new wave of intelligent tools to realise this goal and unlock its many benefits.

A new breed of data integrity solution has radically changed the way firms can approach reconciliation. This is paving the way for greater speed and accuracy, as well as lower costs and risks.

With full automation, firms can be more agile and efficient, have greater visibility of their operations, and respond quickly to challenges.