

Why Low-Code is a No-Brainer for Client Lifecycle Management





Why Low-Code is a No-Brainer for Client Lifecycle Management

By Virginie O'Shea, Founder and CEO of Firebrand Research, TabbFORUM Editor at Large
Published January 26, 2022 on TabbForum

Due to the never-ending regulatory change, IT departments at financial firms are stretched, as they need to adapt their systems to keep up. But it is not easy, and add in the expectation of more programming work to accommodate ESG and digital assets, and the bottleneck will only get worse. In this article, Firebrand Research's CEO Founder Virginie O'Shea discusses how a move to low-code could be the answer and allow greater automation of the whole workflow and help firms keep pace with regulatory change and client requirements.

The challenges and opportunities for capital markets firms.

Current challenges.

The burden of regulatory change management has never been heavier for capital markets, and the impact is evident across all types of firms: from small asset managers to large global banks. Entire teams have been created to cope with the operational changes resulting from constant regulatory tweaks to existing compliance regimes and new regulations that restrict how, when, and for what purpose client data can be stored and accessed.

In addition to regulatory pressure, volatile market conditions, thinning margins, and increased competition have coalesced to compel firms to better manage their client data, KYC practices, and client lifecycles and re-evaluate how they automate.

The traditional cycle of gathering requirements for the IT team to review and iterate upon before building isn't quick or efficient enough to keep up with the current pace of market change. This approach also doesn't give teams a holistic view of current performance to thereby identify any areas of potential improvement with process mining.

Overloaded IT teams have limited bandwidth to cope with the high number of changes that must be made to key systems resulting from these regulatory and client requirements. This has created significant bottlenecks for firms from a change management perspective and as a result this represents a reputational risk for firms that fall behind on the implementation of mandatory projects. Moreover, from a client service perspective, business can be lost to competitors if firms fail to meet their client obligations.

Regulatory scrutiny of systems and controls continues to increase over time and financial penalties related to anti-money laundering (AML) and know you customer (KYC) failings at financial institutions across the globe totalled more than \$1.97 billion in 2021. The stakes are high for financial institutions that fail to meet their regulatory obligations, as the financial penalties tend to have a wide impact on reputation and client trust. Taking into account the popularity of environmental, social and governance (ESG) investing, share prices can be directly impacted by compliance-related governance failures, too.

The regulatory outlook is also set to become much more complex, as the push for greater transparency and ESG data continues. Just some of the incoming client data-related regulatory changes include:

- Updates to AML and KYC regulations around the world, including incoming new regimes in India and Taiwan and regulatory revision of existing regimes to account for developments such as digital assets.
- Continued implementation of derivatives reform, including the final phase of the uncleared margin rules (UMR), which require firms to keep a close handle on clients' clearing and margining arrangements with frequent reviews and updates.
- Taxation reforms in key markets that entail firms monitoring their clients' jurisdictional parameters and related requirements.
- Ongoing sanctions activity, by the United States in particular, which have increased in frequency over the last few years and necessitate offboarding certain clients, depending on their location or type of business.
- Basel III's ongoing implementation means firms must more frequently evaluate their client risk in order to bring down capital requirements.
- Revisions to existing data privacy requirements such as those under the General Data Protection Regulation (GDPR), which has already resulted in fines for Caixabank and BBVA of US\$7.2 million and US\$6 million, respectively.
- Updates to the second Markets in Financial Instruments Directive (MiFID II) as part of the EU-level review of the regulation due in 2022, which will mean tweaks to client data requirements from an investment suitability and reporting perspective.
- Incoming but yet-to-be-fully-drafted operational resilience requirements stemming from the current global crisis that will compel firms to prove their processes, systems, and controls are regularly reviewed and updated.

There is a huge amount of regulatory and market change and firms are coping with increased competition and regulatory burdens. Client stickiness has reduced, increasing firms' focus on improving client service. A faster pace of change is needed to beat competitors to market with new functionality and support.

— Michael Heffner, Vice President, Solutions and Industry Go-To-Market, Appian

Capital markets have taken much longer than other areas of financial services to move from a product-centric approach to market to a client-centric approach. One of the greatest challenges these firms have faced to this end is the aggregation of client-related data across operational silos. This can result in a painful experience for institutional clients with multiple touchpoints and duplicative requests and processes from an onboarding and compliance and lifecycle management viewpoint.

As regulations have compelled firms to increase the portability of their client accounts, client stickiness has reduced and competition has increased within the institutional sector. This means that poor client experiences can translate into lost revenue as these clients move to work with firms' competitors.

The current industry focus on digital transformation reflects this competitive dynamic as firms seek to modernize and bring efficiencies to their client-facing activities in particular. These firms need to better understand their clients' activities from a single viewpoint, while maintaining compliance with data privacy and storage restrictions, in order to better target their offerings and tailor services to client requirements at the right point in time. If firms are to adapt in a more proactive manner and respond to market and client changes, a new approach to development is necessary.

Why low-code makes sense for CLM.

The retail and manufacturing industries have been talking low-code for some time. But financial services firms, and especially those in capital markets, are just now starting to wake up to the benefits of greater workflow automation and avoiding the IT bottleneck associated with changing core client systems. Since low-code environments don't require specialist knowledge of the proprietary code base to make minor changes, they enable IT and business to more effectively and efficiently collaborate.

Trained business users can make changes such as adding a new field to a report or adding an extra validation step to a process as market, client, or regulatory requirements dictate. This enables IT to focus on more value-additive tasks rather than spending hours on development for minor tweaks. Low-code lets IT more rapidly prototype and test new functionality with the business user community as well as identify opportunities for improvement via process mining.

Low-code environments therefore allow greater automation of the whole workflow and help firms keep pace with regulatory change and client requirements.

Low-code environments therefore allow greater automation of the whole workflow and help firms keep pace with regulatory change and client requirements. Organizations gain a competitive edge from this accelerated time to market for new functionality, such as support for new asset class requirements or investment activities.

This is especially important in an industry where nascent investment trends such as digital assets and ESG are rapidly evolving. C-suite executives can take comfort in the knowledge that they are maximizing their internal resources and meeting their client and regulatory obligations in a timely fashion, reducing the potential of reputational risk incidents.

In an era when governance and transparency are front and centre from an entity and business standpoint, proving systems and controls are adaptive and regularly reviewed is of paramount importance when a regulator or prospective client comes knocking. Low-code environments make sense for firms seeking to:

- **Keep better pace with market and regulatory requirements** via IT and business user collaboration.
- **Beat the competition** by increasing agility and responsiveness to client and prospect requirements.
- **Prove operational resilience** via rigorous systems and controls around key client data assets.
- **Reduce operational, client, and reputational risks** by increasing automation of client lifecycle processes.
- **Improve client service and satisfaction** to gain a competitive edge in the long term and reduce client churn.
- **Maximise the efficiency of the IT development process** by making better use of the resources at hand for cost and time savings.

About the author.

Virginie O'Shea is CEO and Founder of Firebrand Research. As an analyst and consultant, Ms. O'Shea specializes in capital markets technology, covering asset management, international banking systems, securities services and global financial IT.

TabbFORUM is an open community that provides a platform for capital markets professionals to share their ideas and thought leadership with their peers. The views and opinions expressed are solely those of the author(s). They do not necessarily reflect the opinions of TABB Group, its analysts, TabbFORUM and its editors, or their employees, affiliates and partners.

Learn more at appian.com/clm
Contact us at info@appian.com



Appian is the unified platform for change. We accelerate customers' businesses by discovering, designing, and automating their most important processes. The Appian Low-Code Platform combines the key capabilities needed to get work done faster, Process Mining + Workflow + Automation, in a unified low-code platform. Appian is open, enterprise-grade, and trusted by industry leaders. For more information, visit appian.com.