HFS Highlight: Xceptor drives industry-specific automation for BFSI firms fresh out of low-hanging fruit

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There's a lack of industry-specific solutions in the automation space, and we've discussed it in our [previous research](), explaining that countless vendors prefer to develop general-purpose solutions. It's easy to see why this is often the preferred route; it allows for a broader client portfolio and doesn't require deep domain expertise. But as the world contemplates its increasingly digital, post-pandemic reality, enterprises across all sectors are determining what will really help them move the needle towards native automation. For tech-forward sectors like BFSI, the focus is increasingly on industry-specific solutions that are designed for specific domains and offer a powerful mix of fit for purpose and speed to results.

One vendor embracing an industry-specific approach, and reaping the rewards, is Xceptor, a no-code data automation provider specializing in banking, financial services, and insurance markets. To understand why Xceptor chose this route, we connected with their management, and one of their clients, to understand their motivations and the focus on industry-specific automation.

Xceptor believes that deep domain expertise pays dividends, and its trade validation offering is a great example of industry-specific automation in action

Xceptor is not a green start-up. It was founded in 2003 by industry practitioners who were frustrated with overly manual data-driven processes within BFSI sectors. Its focus in BFSI from inception helped it build enterprise-grade tech that would withstand regulatory and security scrutiny. The firm surfed the pre-RPA era, growing at a steady double digit clip in its niche. In fact, the advent of RPA actually gave Xceptor a further boost, as all things automation elevated to panacea tech status, and BFSI sectors were among the early adopters, going deep with general purpose automation.

Despite the hype, vendors like Xceptor stayed the course driving industry-specific automation supported with years of deep-domain expertise needed to help their clients navigate these difficult markets. A great example is its trade validation solution – a financial services focused offering that helps clients identify contractual issues on trades in real-time. As the low hanging automation opportunities addressed by general purpose tools runs its course, the post-pandemic digital era will be dominated by industry-specific solutions like Xceptor's trade finance reconciliation offering.

Incumbent banks can't validate all of their trades in real-time, but Xceptor's trade validation solution is set to change that

Banks can make tens of thousands of trades a year, and each one has to be manually processed, often on paper, making it time-consuming and creating countless small errors, as well as a lack of transparency. While this may not seem like a major issue in some industries, as slight inaccuracies of information can often be overlooked, in financial services the stakes are much

higher. These trades are often high value, which means errors might cost a bank significantly, and they could even lead to a regulatory breach - exposing banks to financial penalties. Xceptor recognized this and developed an automation-fueled solution which helps clients validate trades in real-time, as well as scouring their trade backlog for any errors.

One of Xceptor's clients who leveraged this solution is a leading European-based investment bank, who explained that they struggled with their trade records not matching other documentation, including what they submitted to the regulator. They recognized that any errors could cost them significantly, for example, if they incorrectly recorded an option expiring in 2022 that expires in 2023, so they began the search for a vendor to help tackle the problem. It's important to note that they were unwilling to deploy an untested solution on their live trades, for risk of it not working effectively and increasing their risk exposure, so set to using Xceptor's solution to validate their legacy trades. The bank successfully reconciled tens of thousands of trades from the last decade and identified and corrected countless errors which could have cost them considerably. In their own words, it was a successful project, and they are in discussions to leverage the solution further, as they explained themselves:

> *We originally started this as a one-off project, but we quickly realized; if this is successfully reconciling documents from 15 years ago, why wouldn't we reconcile a document from today?*
>
> **- Global Head of Trade Validation at a Leading European Investment Bank**

The Bottom Line: As the low hanging automation opportunities addressed by general purpose tools runs its course, the post-pandemic digital era will be dominated by industry-specific solutions

Xceptor's industry-specific capabilities have been tried and tested by some of the biggest financial services firms globally, as well as the DTCC, where Xceptor underpins its Reporting Hub supporting trade reporting and regulatory compliance. As the demand grows for industry-specific automation, particularly around complex industries like financial services, there are very few vendors with the expertise needed to satisfy demand. Thanks to their experience, Xceptor have found themselves in a unique position, and their deep-domain expertise is poised to drive last mile value to clients in the post-pandemic digital economy.

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Sam Duncan, is an Associate Director, Research at HFS. He developed a fascination with how the evolution of technology accelerated globalization while completing a degree in economics at Bournemouth University. At HFS he gets excited by blockchain and other cutting-edge technologies as they impact business. He maintains a focus on banking and financial services.

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