



**Case Study:** Capital Markets

# Intelligent process automation helps revamp bond trade compliance

A global financial services company uses intelligent process automation (IPA) to comply with investor guidelines when executing private offering bond trades, thereby lowering risk.

Institutions investing in private bonds on behalf of pension funds and high net worth investors must comply with complex contractual agreements and parameters for approved types of issuances. Ensuring that the terms of these contracts are met is perhaps more difficult than staying abreast of changing financial services regulations. Mistakes are costly, and entail financial and legal risks.

Cognizant was retained by a global financial services client to improve its internal compliance process, to ensure that its purchases of a range of privately issued bonds for institutional and high net worth investors aligned with the contracts established by those clients.

## At a Glance

Cognizant helped a global financial institution reengineer its compliance process for investing in private bond issuances in line with its clients' guidelines.

## Outcomes:

- Formalized database of 700+ conditions in investing agreements for 40+ clients.
- Implemented intelligent robotic process automation of a manual process for faster, more accurate compliance screening of bond investments.
- Reduced compliance cycle for individual screens from weeks to a single day.

# Global financial institutions are leveraging IPA to optimize compliance

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**Private bond transactions** impose a completely different set of investment parameters—and intelligent process automation improves compliance.

## The word is the bond

There's a world of difference between the public bond market and the over-the-counter private one—with the latter available only to institutional and high-net-worth individual investors. Investments are a significant capital outlay, depending on the issuer's guidelines and stipulated minimums. The business case for each issuance is different, terms are more complex and investments are illiquid, since there is no public market for the bonds after they issue.

Clients set their own parameters, such as restricting purchases only to domestic issues, investment-grade bonds, bonds with shorter maturation and other criteria. Investments with longer lock-up terms are difficult to exit if a purchase is found to violate an agreed-on covenant.

## Addressing risk—financial and legal

After a bond purchase, investors are allocated a percentage of the total outlay or tranche; they in turn perform their own post-trade compliance audit.

Our client's executives worried that the company might in good faith place trades or invest in private

securities that violated one or more terms and conditions in a client contract, creating legal and financial liability after the purchase, as well as endangering its relationship with that client.

However, our client's system for recording and reconciling trades—in turn, the basis for compliance screens—did not readily accept trades for private bond issues, which are infrequent, high-value and unique in every instance. It was therefore not possible for the institution to run standard compliance pre-screens on private bond issues.

Instead, client account managers would seek to ensure that each purchase was compliant based on their understanding of investment agreements. To do this, the company developed a Microsoft Excel spreadsheet to capture the 700+ different investment parameters set by its clients, as well as a Microsoft Word "datasheet" into which bankers would manually import the terms of each new issue. The goal was to align this information with each client's appetite for investing and present it to them. The process was based on individual banker's knowledge of clients and was fraught with risk.

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## Merging data for accuracy

Cognizant's intelligent process automation team began the project by reviewing with our client how the terms and conditions of its multiple client investing agreements could be digitally indexed and cataloged in a single database. We then developed a formal process to scan and convert the characteristics of each individual bond issue into a similar set of parameters, eliminating that manual process.

Next, we used Blue Prism to develop and implement an automated process that could compare these datasets, determining which bonds best aligned with investor clients' parameters. Performed as a set of algorithms and executed in real time, our solution creates a simulated bond purchase in a segregated instance of the company's trade tracking and reconciliation program. The scripted automated agent screens issues

in advance, virtually eliminating the risk of non-compliance and greatly lessening financial risk and legal liability.

Our project complemented a number of internal initiatives to use intelligent process automation for back-office and middle-office business processes to lower costs. This project was completed in four months and showed immediate ROI. Our client can also now model different combinations and permutations of investments to better match bond investments to specific investors' needs.

### Learn more

For information on our intelligent process automation solutions for financial institutions, visit [www.cognizant.com/cognizant-digital-operations/industry-platform-solutions/capital-markets](http://www.cognizant.com/cognizant-digital-operations/industry-platform-solutions/capital-markets).

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## About Cognizant

Cognizant (Nasdaq-100: CTSH) is one of the world's leading professional services companies, transforming clients' business, operating and technology models for the digital era. Our unique industry-based, consultative approach helps clients envision, build and run more innovative and efficient businesses. Headquartered in the U.S., Cognizant is ranked 193 on the Fortune 500 and is consistently listed among the most admired companies in the world. Learn how Cognizant helps clients lead with digital at [www.cognizant.com](http://www.cognizant.com) or follow us [@Cognizant](https://twitter.com/Cognizant).

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