



# Cognitive contract management for financial institutions

## A LIBOR repapering solution from KPMG and Appian

Financial services institutions face an environment of political and regulatory uncertainty. The retirement of LIBOR in 2021, changes associated with Brexit, and regulations around initial margin are forcing companies to repaper and renegotiate existing client and trade contracts.

The process of scrutinizing these contracts is time consuming, highly manual, and difficult to manage on a global scale. Transitioning away from the LIBOR benchmark alone entails reviewing all existing credit agreements and contracts and determining the right transition path. When done manually, this task places a heavy burden on finance, legal, and operations teams that must find, assess, and remediate all LIBOR instances.

To address these challenges, KPMG LLP (KPMG) professionals with deep experience in financial contracts and banking practices bring together two technologies:

- Ignite is KPMG's proprietary, global AI platform. It enables financial institutions to rapidly parse and analyze large volumes of contracts and other types of unstructured data using state-of-the-art machine learning and natural language processing.
- Appian is a leading low-code development platform and a leader in Intelligent Business Process Management and Dynamic Case Management. With Appian, IT and business leaders work together to create solutions tailored to their unique needs with customizable business rules and workflow, real-time reporting, and document sharing. This combination of speed and simplicity enables financial institutions to quickly deliver transformational business applications that leverage systems and data in place for unified, actionable views.

The combination of Ignite and Appian enables KPMG professionals to deliver custom-fit solutions that help automate contract analysis and remediation, including LIBOR repapering.

### **Ignite and Appian: An AI-enabled contract management and process platform**

Leading financial institutions choose KPMG and Appian for cognitive contract management because their offerings exemplify digital transformation. By harnessing machine learning to analyze structured and unstructured data and intelligently automating manual, high-cost processes, KPMG and Appian help banks save time and money while improving client and employee experiences.

KPMG Ignite is an integrated ecosystem of leading-class components, progressive technologies, and open-source proprietary and alliance partner tools. Using state-of-the-art machine learning and natural language processing, Ignite rapidly ingests, processes, and interprets large volumes of contracts and other types of unstructured data. To date, Ignite has securely processed more than five million contracts.

Appian's low-code development and intelligent automation platform enables financial institutions to utilize KPMG Ignite's AI and machine learning into the application that runs essential business processes. Appian has the ability to pull bank data about contracts and customers from Ignite and existing systems into a single record. Custom, complex processes can be quickly built and connected with

the records. These processes enable document sharing, customizable business rules, and tailored workflow services. The graphical, low-code app development interface reduces coding and testing, which accelerates application delivery. In addition, every application incorporates Appian's native analytics, reporting document management, and collaboration capability.

In over 25 projects delivered to the financial services industry, Ignite consistently achieves high accuracy, regularly out-performing subject matter expert teams on complex banking challenges. On a recent LIBOR transition project, KPMG achieved accuracy rates of 96 percent for a large global bank's wholesale credit division—an improvement of 16 percent over manual, human processes.

#### Eight pillars of KPMG Ignite-based cognitive contract management solution



**Transition strategy**



**Document ingestion and detection**



**Completeness checking and error handling**



**Contract assessment and amendment generation**



**Contract language amendment execution and approval workflow**



**Contract negotiation process tracking**



**System of record updates**



**Dashboards, reporting, and controls**  
Tableau dashboards providing insight and analytics to enable management oversight and control

#### Cognitive contract management for LIBOR transitions

When applied to contract management and LIBOR repapering, Ignite:

- Reads and ingests contracts at scale, regardless of file format
- Extracts information and captures it into structured files
- Assesses results against client-provided custom rules, documentation standards, client policies, and objectives
- Answers questions, produces insights, and identifies patterns and anomalies.

KPMG Ignite invokes machine learning analysis to isolate and interpret subtle terms and context unique to your business. Having identified relevant contracts, Ignite can then reason over these results, applying business rules to provide a recommended decision path for each loan. For example, Ignite can identify the type of transition for a contract based on language in the document and sort the contract based on client-defined rules for whether renegotiation or client notification is required. KPMG AI technology keeps humans in the loop, so all automated decisions can be reviewed and audited.

Appian's configurable workflow tailors these decision paths—client notification, negotiation tracking, authority given to the bank, or no action required—to the bank's specific needs. Contracts can be directly sent to employee inboxes for approval or action, or automated emails can be sent directly to clients. Appian integrates with CRM systems, such as Salesforce, to preserve accurate contact data and help minimize bounce-back emails for when client communication is required. Appian's real-time, robust reports and configurable dashboards facilitate high-quality, fast decisions. Data from these reports can be easily reported to internal and external stakeholders.

## Training Ignite by example

The quality of the annotations and sample documents that “train” Ignite ultimately impacts accuracy. KPMG professionals carefully annotate a training set of documents against a targeted set of business and legal questions including:



Identification if a deal is bilateral or syndicate



Primary and secondary rate determination mechanisms



Terms and conditions that may impact the transition path



Language that provides for temporary cessation of LIBOR



Language establishing a successor rate for LIBOR



Identification of governing documents and link amendments.

These training documents enable Ignite to find contracts that meet business definitions. Appian-based workflows then route the contracts for appropriate remediation.

## KPMG and Appian: Credentials for successful projects

One of KPMG’s leading practices derives from an audit heritage, advanced technology capabilities, and experience delivering large-scale regulatory transformations. We bring a cross-functional team of industry, operational data scientists and regulatory risk specialists to support your bank during the transformation. In addition, a consistent change management vision drives positive employee and customer experiences. Acknowledging KPMG’s capabilities in intelligent automation, data and analytics, and AI, Forrester recognized KPMG as a Wave Leader for 2018 in the Enterprise Insights Service Provider category<sup>1</sup>.

Appian’s low-code development platform is built for extreme speed and simplicity. Appian is a recognized leader in Intelligent Business Process Management Suites<sup>2</sup> by Gartner for the ninth consecutive time, a recognized leader in Deep Digital Process Automation<sup>3</sup>, and Dynamic Case Management<sup>4</sup> by Forrester. It’s no surprise that many of the world’s largest financial institutions use Appian applications to improve customer experience, achieve operational excellence, and simplify global risk management and compliance.

## Intelligently automate your LIBOR transition

By automating repetitive, rule-driven processes with KPMG’s AI-based, Cognitive Contract Management solution and Appian’s low-code platform, you can realize significantly lower costs, greater accuracy, rapid deployment, and higher customer satisfaction. With established and tested capabilities, KPMG and Appian are the right choice to deliver AI and workflow for contract management.

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<sup>1</sup> The Forrester Wave™: Enterprise Insights Service Providers, Q3 2018, “The 11 Providers That Matter Most And How They Stack Up,” September 19, 2018

<sup>2</sup> Gartner, Inc. “Magic Quadrant for Intelligent Business Process Management Suites” by Rob Dunie, et al., January 30, 2019

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<sup>3</sup> The Forrester Wave™: Software for Digital Process Automation for Deep Deployments, Q2 2019: The 10 Providers That Matter Most and How They Stack Up by Rob Koplowitz, et al., June 19, 2019

<sup>4</sup> The Forrester Wave™: Cloud-Based Dynamic Case Management, Q1 2018: The 11 Providers That Matter Most And How They Stack Up by Craig Le Clair, et al., March 8, 2018

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