

White paper

The Cost of Complacency: Why Capital Markets Must Modernize Back-Office Operations Now



In the past decade, capital markets firms have invested heavily in front-office transformation.

Digital trading platforms, data-driven investment strategies, and advanced risk analytics have reshaped how business gets done.

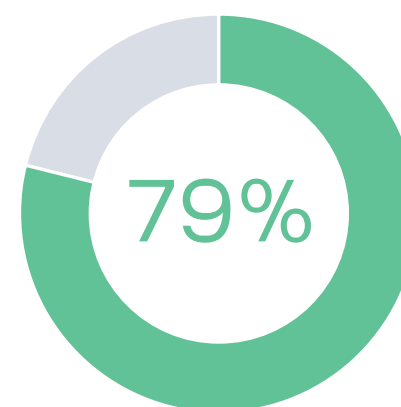
But while the front office has surged ahead, the back office has too often been left behind relying on outdated systems and manual processes that are buckling under rising volumes, regulatory pressures, and client expectations.

New research underscores the risks of this operational complacency. AutoRek's 2025 survey of 250 senior managers in US asset management and capital markets firms found that 79% of reconciliation processes already struggle with data volumes, or expect to if transaction volumes continue to rise.

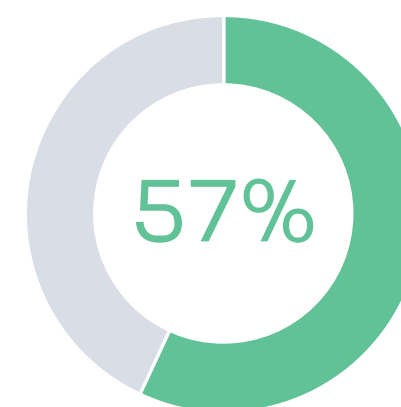
At the same time, 57% of firms still rely on spreadsheets, often in combination with in-house or legacy systems, to manage critical reconciliation processes. This is a staggering disconnect at a time when efficiency, accuracy, and scalability have never been more important.

With daily cash and trading activity expected to grow by nearly 40% in the next two years, the industry is approaching a tipping point. Firms that continue to delay transformation face spiralling costs, regulatory risks, and competitive disadvantages.

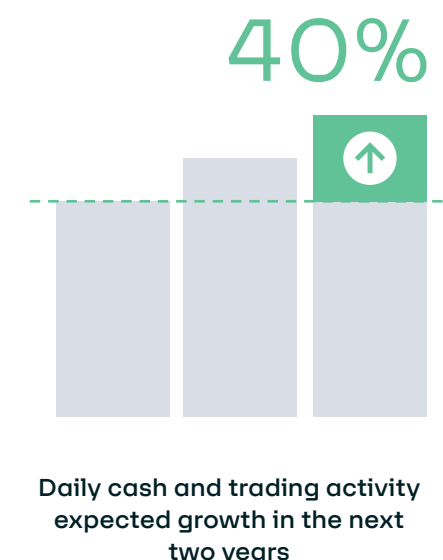
AutoRek's 2025 survey of 250 senior managers in US asset management and capital markets firms



Reconciliation processes that already struggle with data volumes



Firms that still rely on spreadsheets & in-house or legacy systems



The Back-Office Bottleneck

Capital markets firms process staggering transaction volumes each day. AutoRek's survey found that many respondents already handle close to half a million daily cash and trading transactions. Managing this volume with manual processes is inefficient and unsustainable.

Manual reconciliations carry three core risks:



Rising costs:

Throwing more people at the problem creates diseconomies of scale, driving up per-transaction costs.



Operational errors:

Human intervention introduces the potential for missed trades, data mismatches, or inaccurate reporting.



Compliance failures:

Regulators are sharpening their scrutiny, and firms stuck with fragmented spreadsheets face greater risk of errors, audit failures, and fines.

These scenarios are not hypothetical. In recent years, regulators have imposed multimillion-dollar penalties on firms for failures tied to inaccurate reconciliations and poor reporting controls. As supervisory priorities evolve with shifting US rules for Form PF and Europe's digital operational resilience framework (DORA) coming into effect back-office gaps are increasingly becoming regulatory flashpoints.

Digital Assets Add Fuel to the Fire

The operational cracks are widening as new asset classes enter the mix. According to AutoRek's research, 88% of firms say they already invest in digital assets or plan to in the near future. While these products create opportunities for growth, they also multiply reconciliation complexity.

Crypto and tokenized assets require precision handling of decimal places, new data integrations, and continuous oversight across multiple venues. With the rise of central bank digital currencies (CBDCs) and real-time payment rails, the reconciliation challenge expands exponentially.

Firms that continue to rely on spreadsheets and legacy software will struggle to keep up. Digital assets demand flexible, automated systems that can ingest diverse data sources, handle high-volume transaction flows, and maintain real-time oversight.

Skills Gaps Meet System Gaps

Technology is just part of the story. AutoRek's survey highlights another major pressure point: 44% of firms say the availability of skilled people is their biggest barrier to delivering operational efficiency.

The reality is that talent pools for manual reconciliation work are shrinking, while demand for specialists in automation, AI, and data management is rising. Firms caught between outdated systems and insufficient talent are being squeezed from both sides.

This skills crunch reinforces the urgency of upgrading their operational infrastructure. By automating high-volume, low-value processes, firms can reduce reliance on scarce reconciliation headcount and redeploy people into higher-value, strategic roles.

Automation as a Strategic Imperative

Most encouragingly, firms recognize the need for change. Nearly half (48%) of survey respondents said operational efficiency through automation will be a top strategic priority in the next two years. A further 96% expect automation budgets to hold steady or grow, even as broader cost pressures mount.

The benefits of automation are clear:

- ✓ **Productivity gains cited by 36% of firms**
- ✓ **Reduced human error, 29%**
- ✓ **Enhanced ability to scale with data volumes, 28%**

Automated reconciliation platforms can transform efficiency by:

- ✓ **Streamlining data ingestion, preparation, and validation**
- ✓ **Automating matching across multiple accounts, asset classes, and currencies**
- ✓ **Embedding audit trails, workflows, and approval processes**
- ✓ **Generating real-time management information (MI) and compliance reports**

In the survey, a Tier 1 asset manager reported that by automating reconciliation, they reduced operational errors, scaled with growing transaction volumes, and strengthened compliance all while lightening the burden on staff.

The Strategic Risk of Inaction

For capital markets firms, modernization is no longer optional; it is a strategic necessity. **Firms that delay** action could expose themselves to **higher costs**, **compliance risk**, and **competitive disadvantage**.

As peers adopt AI and machine learning for reconciliations, exceptions handling, and predictive analytics, laggards will find themselves left behind. Automation is no longer marginal; it helps ensure the business can grow, comply, and compete.

Sometimes, firms allow competing priorities to delay investment. But as AutoRek's survey shows, delays are already costing firms dearly. Manual processes and legacy systems are dragging down efficiency, consuming talent resources, and undermining the ability to scale.

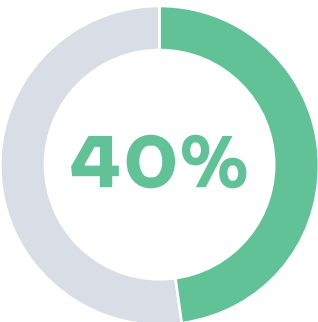
A Call to Action

Capital markets are at a turning point. Transaction volumes are rising, digital assets are gaining traction, and regulators are turning up the heat. Yet many firms still rely on decades-old systems to perform one of the most fundamental control processes in finance: reconciliation.

This is the definition of operational complacency, and the costs are rising.

Firms that adapt their reconciliation and data management processes can turn a pain point into a competitive advantage. By automating reconciliations, they can unlock **efficiency**, **strengthen compliance**, and **redeploy talent** into strategic growth initiatives. Those that do not, however, risk being buried by rising volumes, regulatory demands, and operational risk.

The choice is stark: adapt or fall behind. In 2025 and beyond, the firms that succeed will be those that stop treating the back office as an afterthought, and instead, make operational excellence a cornerstone of their strategy.



Said operational efficiency through automation will be a top strategic priority



Expect automation budgets to hold steady or grow



AutoRek

To find out more, request a demo today

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