Banking & Financial Services

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GLOBAL AI ADOPTION REPORT 2021

Accelerate | Accentuate | Augment

Volume 1

There is a trend towards AI mass adoption, with half of all AI Leaders having simultaneously implemented AI in several key areas such as generating new revenue potential, process automation, etc. All AI leaders expect to be mass adopters within two years, solidifying the hypothesis that there are significant economies of scale in the application of AI in Banking & Financial Services.

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Industry Background

AI is moving beyond experimentation to become a competitive differentiator in banking & financial services — delivering a hyper-personalized customer experience, improving decision making and boosting operational efficiency. Decision makers believe that the AI is the business advantage of the future.

AI is moving beyond experimentation to become a competitive dierentiator in banking & financial services — delivering a hyper-personalized customer experience, improving decision-making and boosting operational efficiency.

AI is becoming important for all businesses that rely heavily on making meaning of data. The banking & financial services industry has been getting transformed through the integration of AI. The banking & financial services industry is making huge investments towards AI. Deep learning is a crucial fixture in the banking industry giving way to infinite possibilities and transforming traditional banking.

Banks and Financial services companies are entering the intelligence age. They're doing so while already under intense pressure on multiple fronts. Rapid advances in AI are coming at a time of widespread technological and digital disruption. Competition is fierce. More than half of Fortune 500 companies have gone out of business since 2000.

Yet, many banks and financial services companies will need to accelerate their eorts to infuse AI across the value chain while preparing for the next generation of evolutionary neural network technologies to keep pace with more forward-thinking players.

Pandemic has propelled the adoption of digital and AI across and is fast changing to out pace the changing consumer behaviours and demands.

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Business Value Chain: AI Adoption Areas

1. Customer Service
2. Customer Analysis & Segmentation
3. Process Automation
4. Governance, Risk and Compliance
5. Portfolio and Wealth Management
6. E-cost Optimization

7. Information Technology
8. Finance and Accounting
9. Smart ATMs
10. Marketing
11. Sales

1. Customer Service

HDFC's AI-powered bank agent, Eva, is an example of next-generation customer service and is a key application of AI in banking. Benefits of these automated customer service platforms include faster response times, better customer satisfaction and reduced costs associated with customer service. In addition to facilitating better customer interactions, other benefits in this domain include more efficient data acquisition and better analysis of customer needs.

AI enabled chatbots for customer service - Chat agents like Eva will ultimately become the default platform for banks globally and will drive efficiency in resolving customer inquiries.

2. Customer Analysis & Segmentation

AI tools allow retail banks to micro-segment customers into granular segments to offer highly personalized products and services to customers, thereby increasing overall stickiness and increasing overall customer lifetime value. The technology underpinning Robo advisors to help customers invest eectively is also being widely adopted. It can be described as:

    a) Product Personalization - Offering personalized financial services and product bundles for each customer to the level of N=1 personalization

    b) Robo Advisory Services - AI enabled advisors to suggest optimal product mix and bundles for maximizing investor returns

    c) New Product Launches – Aggregate customer preferences and analyzes via AI to determine what new products customers are looking for

    d) Differential Pricing – AI-powered analysis can help offer preferred pricing to customers based on total relationship or product mix

    e) Lending Offerings – Machine learning can help offer tailored rates to customers based on their total financial picture

3. Process Automation

a) Procurement Process Automation - A range of procurement processes across the banking enterprise is being automated using AI and RPA

b) Order management - Order management and processing at banks increasingly rely upon RPA and AI-based automation. Specifically, AI enabled smart OCR solutions are transforming paper form processing into digital formats.

c) KYC Processes - Different AI based process improvements and automation are currently underway across KYC processes in Banks.

d) HR processes - Several internal and external HR processes at banks have taken to using AI to automate processes like resume screening.

4. Governance, Risk and Compliance

Compliance related processes are incorporated into everything banks do. Technologies like AI, NLP and Vision form a spectrum of compliance technologies currently in action at banks. Some of the key areas in this domain include:

a) Contract Management - Use of technologies like OCR, computer vision and machine learning can help automate the process of reading contracts, identifying key compliance needs and ultimately improve contract processing times.

b) AML - Processes related to Anti Money Laundering can make smart use of AI and machine learning to flag abnormalities.

c) Fraud Detection – Several aspects of fraud monitoring and detection will be ooaded to machine learning and AI technologies.

d) Risk Management - AI enabled risk management processes will be mainstream thereby automating or intelligently augmenting risk processes

5. Portfolio and Wealth Management

Wealth and portfolio management can be done more powerfully with artificial intelligence. AI helps those users who cannot visit the banks frequently. This innovative AI technology can manage banking services and strengthen mobile banking operations.

6. E-cost Optimization

AI can analyze data associated with various cost centers and help drive efficiencies by identifying overlaps and opportunities for streamlining. Cost optimization via use of AI to enable smart savings is another application of AI in this domain.

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7. Information Technology

In IT, AI is used for the following: -
  a) To detect and deter security intrusions.
  b) To troubleshoot their internal users' technology problems.
  c) To automate production management tasks.
  d) To determine whether employees are using the technologies of approved tech vendors, and
  e) To do run-book automation.

8. Finance and Accounting

Around 80% banks and financial services firms are using AI in their finance and accounting departments. In Finance and Accounting, AI is used for the following: -
  a) Financial trading (for example, for high-frequency trading enabled by AI). For example, Goldman Sachs invested in Kensho, a start-up that uses AI to decipher unstructured data — such as online articles — to spot trends.
  b) To identify potential customer financial problems that might force the bank to withdraw credit.

9. Smart ATMs

The use of face recognition and iris recognition systems are making ATMs more efficient and secure. Use of face recognition is transforming the ATM platforms.

10. Marketing

Around 33% banks and financial services firms are using AI in marketing and customer service. For example, UK-based Barclays PLC was developing an AI system similar to Apple's iPhone personal assistant, Siri, to let people talk to a device and get information.

### 11. Sales

Around 25% banks and financial services firms are using AI in the sales function, where cognitive tools can help them decide who to extend loans to, or where to invest. For example, Venture capital firm CircleUp (which focuses on consumer product-related companies, including food, restaurant, and cosmetics start-ups) uses AI and machine learning to determine which companies to fund.

Sample-wide adoption statistics of AI in main business domains within this industry is given as follows:
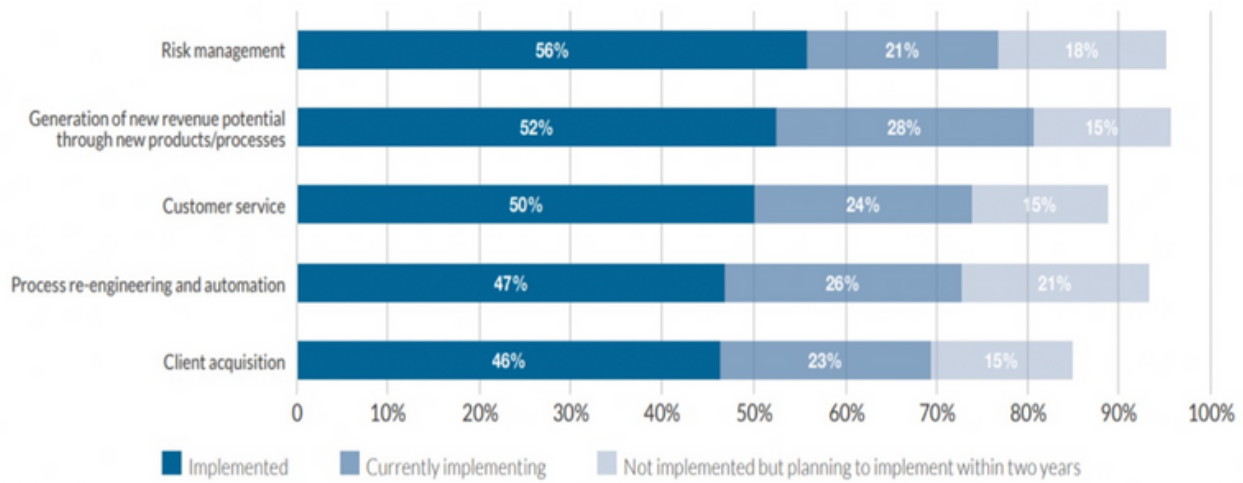
Source: World Economic Forum

- Risk management currently represents the leading AI implementation area, followed by the generation of revenue potential through new products and processes.
- However, according to implementation plans and current implementation statistics, within two years AI will be most widely used for revenue generation.

Spending on AI

The banking sector has become massive consumer of artificial intelligence—exploring and implementing it in new ways. The penetration of artificial intelligence in the banking sector has opened up new vistas for this segment.

By 2022, banks will be spending as much as $12.3 billion on AI and cognitive technologies with the race underway to integrate the latest capabilities into financial services.

A few examples of spending & application by Banks & Financial Services companies on AI are given as follows:
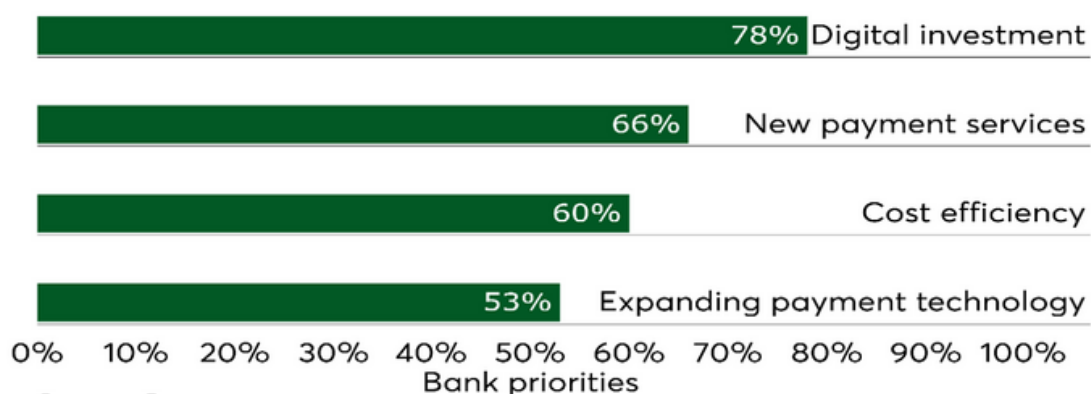
- One of the first steps was taken in 2015 by Ally Bank (USA)—introducing Ally Assist—a chatbot that could respond to voice and text, make payments on behalf of the customer, give an account summary, monitor savings, spending patterns, and use natural language processing to understand and address customer queries.

- Banks all over the world followed up with their best versions of chatbots: Erica to iPAL, Eva and the most famous one—SBI's SIA. According to Payjo (the start-up which developed SIA), SIA can handle up to ten thousand inquiries per second.

- The Bank of America's Erica, a voicebot, investigates customers' withdrawal history to measure their spending scenario and inform the current status of the account if the balance is low. It also suggests solutions such as sending notification and transferring funds.

- The Commonwealth Bank of Australia's Bot executes 200+ banking tasks for customers, such as paying bills, activating cards, sending bank statements, etc. In 2018, the Commonwealth Bank provided service to 6.2 million NetBank and CommBank app users. Thus, creating new opportunities in AI in BFSI sector for real time consumer services.

- MasterCard implemented FB Messenger's chatbot to provide account balance, purchase history, and spending habits of customers.

- CapitalOne uses voicebot ENO's skill to Amazon's Alexa, allowing customers to use the service on their Alexa app and interact with it regarding their credit card bills, account balance, etc. ENO is also accessible over smartphone-based chat.

The AI in fintech market is expected to reach USD 35.40 billion by 2025. The market is expected to witness a CAGR of 31.5% over the forecast period 2020-2025.

Banks spending on fintech, payments

Financial institutions say investments in technology and payments are major parts of their strategy

78%	Digital investment
66%	New payment services
60%	Cost efficiency
53%	Expanding payment technology

Bank priorities

- The investment and consulting firm JP Morgan Chase's COIN bot (Contract Intelligence) implements machine learning techniques to assist the bank's lawyers in filtering and analysing around 12,000 contracts for commercial loan agreements per year. COIN has improved loan-servicing, and it can work consistently and efficiently.

- Process automation is one of the key drivers of AI in financial organizations. Moreover, it is also evolving into cognitive process automation, where AI systems can perform even more complex automation processes.

- Robotic process automation and machine learning are beginning to play an increasingly significant role in the fintech industry by reducing costs and increasing productivity. With the increase in fraud losses, process automation and machine learning are expected to witness increased adoption.

- Companies like Kasisto, for example, built a new conversational AI that is specialized in answering customer questions about their current balance, past expenses, and personal savings.

- In 2017, Alibaba's Ant Financial's chatbot system reported to exceed human performance in customer satisfaction. Alipay's AI-based customer service handles 2 million to 3 million user queries per day. As of 2018, the system completed five rounds of queries in one second.

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- Other companies, such as Tryg, use conversational AI techs such as boost.ai to provide the right resolutive answer to 97% of all internal chat queries. Tryg's own conversational AI, Rosa, works as an incredibly efficient virtual agent that substitutes inexperienced employees with her expert advice.

- Virtual agents can streamline internal operations by amplifying the capacity and quality of traditional outbound customer support. For example, LogMeIn's Bold360 was instrumental in reducing the burden of the Royal Bank of Scotland's over 30,000 customer service agents customer service who had to ask between 650,000 and 700,000 questions every month.

- Thus, integration of AI in Banking & Financial Services ecosystem with currently adopted processes will enhance bank's overall business decision making.

In this era of technological revolution, the banking sector has also witnessed a paradigm shift in its approach from brick and mortar branches to digital banks. Banks are increasingly spending on artificial intelligence and ML in data analytics for personalized and faster customer experiences to garner the interests of the tech-savvy and the millennial class.

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Global AI Adoption Report 2021
Banking & Financial Services

AI Adoption across regions

The busines value for the world market for AI in banking by region
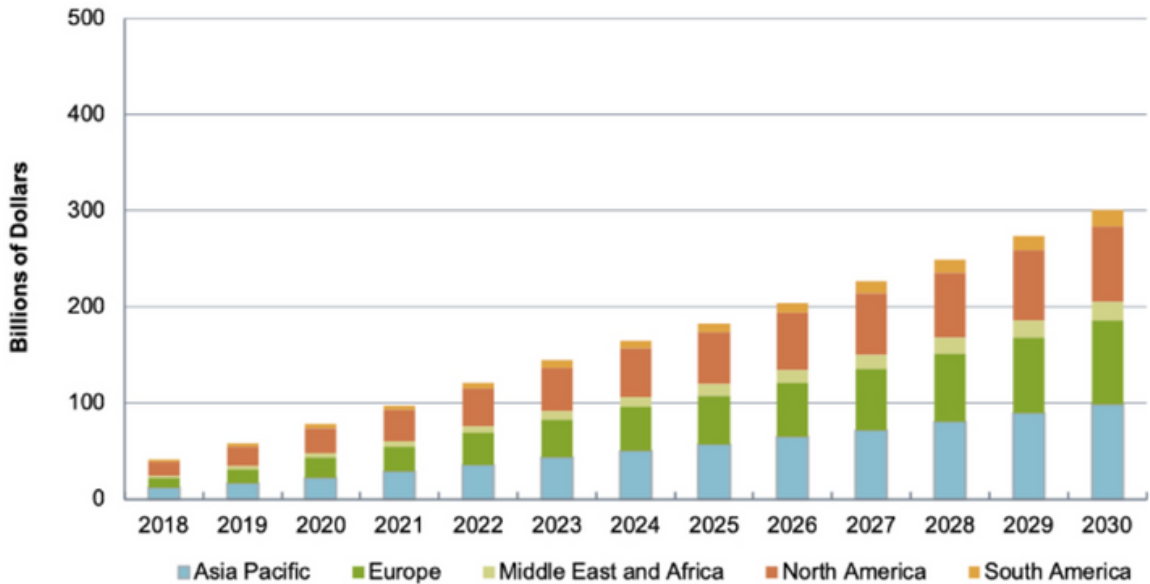
JP Morgan Chase and BBVA use ML based technique for card fraud, and for targeted customer offers

CapOne uses ML based solution for payment spend analytics and personalized coupons / alerts

Goldman Sachs uses ML in its AppBank to automate corporate system management

DBS is using Natural Language Processing to review customer chat logs to enhance the quality of customer interactions

Santander is using speech recognition to secure app based transactions

State Street is piloting the use of natural language based technique in its custodian tools

HSBC is using AI Virtual Assistant to help business customers navigate product details

RBS uses chatbot 'Luvo' to help mortgage customers choose the most suitable loan

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The view in the global technology community states that Chinese banks and fintechs are leading the way when it comes to machine learning and building a AI workforce. At the same time, many European and US banks are slightly ahead in terms of deployment — but Asia is moving fast and expected to overtake the West in the coming years.

AI Adoption across US

1. JPMorgan Chase

- **Internal Document Search – Contract Intelligence (COiN)**
  JPMorgan Chase upped its technology budget to $11.4 billion in 2019. JPMorgan Chase invested in technology and introduced a Contract Intelligence (COiN) "chatbot" designed to analyse legal documents and extract important data points and clauses in 2017. COiN has widespread potential and the company is exploring additional ways to implement this powerful tool, although further information on the rollout is sparse.

- **Predictive Analytics – Emerging Opportunities Engine**
  The Emerging Opportunities Engine introduced in 2015 uses machine learning and NLP to help identify clients best positioned for follow-on equity offerings. The technology has proven successful in Equity Capital Markets and the company stated their intentions to expand it to other areas, including Debt Capital Markets.

2. Wells Fargo

- **Chatbot**
  The chatbot was piloted on Facebook Messenger and made available to 5,000 customers and employees. AI vendor Kasisto built the chatbot; the company was among the conversational interface vendors that did well in terms of relatively high funding, robust AI talent on its leadership team, and a history of success with its clients.

- **Predictive Analytics - Predictive Banking**
  Customers have access to Wells Fargo's artificial intelligence-based Predictive Banking application via smartphones. Predictive Banking includes features such as Alerting customers of higher-than-average recurring billing payments, reminding a customer to transfer money into their savings account if they have more money than average in their checking account, prompting customers to set up a travel plan for their account after they've purchased a plane ticket, etc. Wells Fargo claims Predictive Banking can provide mobile app users with over 50 different prompts for various scenarios.

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3. Citibank

- **Fraud and Anti-Money Laundering**
  Citibank has publicized its interest in artificial intelligence more than any other bank. Through its investment and acquisitions wing, Citi Ventures, the bank boasts a global network of tech companies that participate in its six Citi Global Innovation Labs. It has made numerous investments in AI firms, including Feedzai, a fraud & anti-money laundering vendor, in 2016. In its portfolio of start-up investments, attention has been given to eCommerce and cybersecurity.

4. US Bank

- **Predictive Analytics – Expense Wizard**
  US Bank recently launched Expense Wizard in collaboration with vendor Chrome River. Expense Wizard is an artificial intelligence-based expense management mobile app that allows users to charge businesses for travel expenses without having to pay up-front themselves first.

AI Adoption across Europe

1. ATOS

- **Customer Service**
  Atos is a company that offers a platform called Atos Codex AI Suite, which can help banks build AI products with applications such as predictive analytics, video analytics, cybersecurity, and more using machine learning. Atos claims banks can use their platform to create AI systems for improving customer service. According to Atos, banks with historical CRM data can generate personalized customer profiles that can be accessed from a web portal by a bank's customer service team members. Atos claims to have helped Ulster Bank improve customer experience.

2. ING

- **Predictive Analytics**
  ING is a Dutch banking services provider founded in Amsterdam in 1991. The company claims to have developed an internal AI tool called Katana, which they claim can help bond-traders make better buying and selling pricing decisions using predictive analytics.

3. CogniCor

CogniCor is a Barcelona-based company. The company offers chatbot services which they claim can help banks improve customer experience and generate leads using NLP. CogniCor claims banks can integrate their chatbot with websites or apps to help improve customer experience and ease. The chatbots are trained on enterprise data from the bank and even unstructured documents such as PDFs or internal portals.

AI Adoption across China

1. China CITIC Bank

Leading the way is China CITIC Bank, which developed its 'brain platform' in conjunction with Tsinghua University. The project has some 15 machine learning models applied in different parts of the bank, marketing, automation, AML and anti-fraud businesses. The project includes construction of an artificial intelligence platform and a blockchain-based trade finance business model in partnership with Bank of China and China Minsheng Bank. It is easy to use and tailored to fit the specific needs of banking business, provides real-time interfaces and batch processing interfaces.

With CITIC's AI operations firmly in place, it is turning its attention to aiBank, its digital banking joint venture with Baidu. aiBank will reportedly focus on smart risk control and big data applications, as well as finding solutions in more traditional fields such as consumer finance, credit payments, escrow operations and fintech.

2. ICBC Bank

ICBC Bank, on the other hand, has its smart banking construction scheme focused on improving services for its more than one billion retail customers. The bank is concentrating on intelligent customer service and building an operation support system that integrates all channels and prioritises customer experience, using tools such as voice bots, seamless connection across AI and manual platforms, and scenario-embedded smart Q&A.

> **China is leading the way in AI in finance due to an early appetite to merge tech and finance, such as Tencent-led WeBank and Ant Financial's Alipay, which dominate China's third-party mobile payments sector, estimated to be worth around $7.17 trillion (RMB 50 trillion). The two firms specialise in building full psychographic profiles of customers through personal, social, financial and commercial data.**

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AI Adoption across the rest of Asia:
Taking the advantage of late arrival

Other Asian nations, which are not yet as advanced as China, are starting to pick up on robotic process automation, chatbots and machine learning in credit analytics.

1. YOMA Bank

Some firms, such as Myanmar's Yoma Bank, have showed that there are advantages from entering late into the market and leaping ahead, taking decision analytics platform with Experion and building a leading credit analysis by jumping on the latest advances in machine learning.

2. Kotak Bank

India's Kotak Bank began its AI journey two years ago. The brief is to reduce cost and improve efficiency, not simply in man hours but through reducing error rate and decreasing turn-around time. Kotak can be viewed as a fast follower of international trends, looking at productivity, personalisation, and fraud detection like most leading banks. But they are also tackling unique challenges, such as the diversity of languages in India.

Kotak is the first Indian bank to do voicebot on interactive voice response and in two languages, so far, that cover 70-80% of the population, with answers in real time. They have a couple of million customers communicating via WhatsApp, and they are building full integration into that.

3. Other Banks

State Bank of India, the largest bank in India conducted "Code for Bank" hackathon to encourage developers to build solutions leveraging futuristic technologies such as AI and Blockchain into the banking sector. Private banks like **HDFC Bank** and **ICICI Bank** have already introduced chat-bots for customers service. Some have even gone ahead with placing robots for customers service. **Canara Bank** installed Mitra and Candi robots at some of its offices.

Talent in the field of AI and machine learning is still at a premium, but banks in India have been successful in attracting and retaining top talent in the AI field, second only to the big tech firms. This is due to their large and rich data sets which are getting used in relevant and impactful use cases. The challenges in keeping pace are modernisation of infrastructure and maintaining the skills and knowledge to put together the tools for the future.

The next generation of AI will be looking at things including roboadvisory, overall customer engagement level, hyper personalisation, both direct to customer and employees who serve customers in real time.

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Impact on Revenue and Cost

If deployed to its fullest, AI will benefit the bottom line of banking & financial services companies around the globe by around $140 billion in revenue by 2025.

The AI in Banking & Financial Services Ecosystem is expected to grow at a CAGR of 23.5% by 2027. The Integration of AI in Banking & Financial Services is providing an edge to the early adopters and is strengthening their core competencies.

There are a number of ways that AI benefits the financial sector in terms of revenue:

- It aids financial advisors in making real-time stock picks. It also enables banks to offer customised products based on an individual's personal finance habits.

- There's a new era ahead for financial firms that see the value of combining human ingenuity and personal touch with technology efficiency and precision to create new sources of growth. This isn't about cutting costs to improve the bottom line; it's about embracing technology to transform the workforce.

- At the same time, the technology could be used to address a shortage of skilled labour in the financial sector. By automating some job functions, current employees can be redirected to focus on high-value work, including the building customer relationships or the production of innovative new products or services.

- Most banks are highly aware of the potential benefits presented by AI.
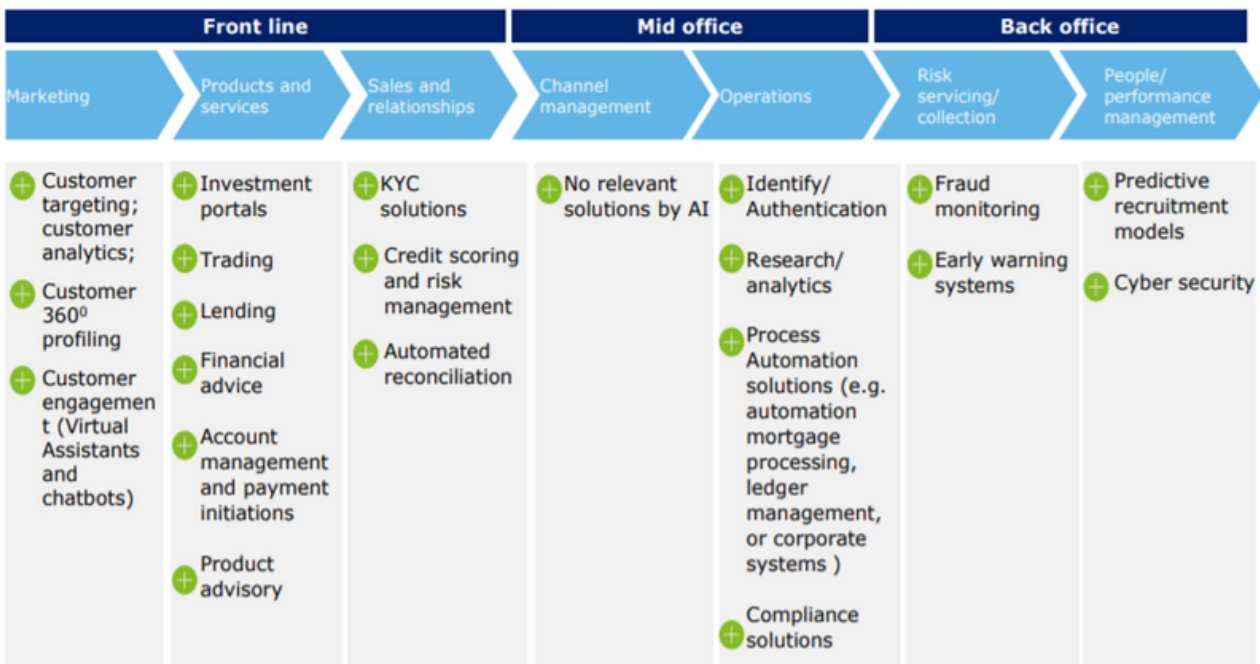
The aggregate potential cost savings for banks from AI applications is estimated at $447 billion by 2023, with the front and middle oce accounting for $416 billion of that total.

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- In fact, many banks are planning to deploy solutions enabled by AI: 75% of banks with over $100 billion in assets are currently implementing AI strategies, compared with 46% banks with less than $100 billion in assets.

- Certain AI use cases have already gained prominence across banks' operations, with chatbots in the front office and anti-payments fraud in the middle office the most mature.

- Banks can use AI to transform the customer experience by enabling frictionless, 24/7 customer interactions - but AI in banking applications isn't just limited to retail banking services.

- The back and middle offices of investment banking and all other financial services for that matter could also benefit from AI.

AI Use Cases

Front line			Mid office		Back office	
Marketing	Products and services	Sales and relationships	Channel management	Operations	Risk servicing/ collection	People/ performance management
Customer targeting; customer analytics; Customer 360° profiling Customer engagement (Virtual Assistants and chatbots)	Investment portals Trading Lending Financial advice Account management and payment initiations Product advisory	KYC solutions Credit scoring and risk management Automated reconciliation	No relevant solutions by AI	Identify/ Authentication Research/ analytics Process Automation solutions (e.g. automation mortgage processing, ledger management, or corporate systems) Compliance solutions	Fraud monitoring Early warning systems	Predictive recruitment models Cyber security

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Few examples of salient AI use cases in industry:

1. HDFC Bank

USE CASE – EVA: AI/ML powered intelligent virtual assistant

a) PROBLEM
Need to enhance customer assistance
- Customer required to navigate multiple pages on the website or call phone banking for any product related queries
- Huge cost incurred for answering routine queries

b) SOLUTION
EVA, an automated customer engagement online chat platform was created
- EVA to be first point of contact for all customer queries.
- Answers routine customer queries in conversational manner
- AI & NLP was used for the first time within the bank
- EVA skills were extended to Amazon Alexa, Google Assistant, Humanoid Robot

c) IMPACT
Enhanced user experience and customer delight
- EVA to be first point of contact for all customer queries.
- EVA answering 0.5 million queries monthly with 89% accuracy level
- Generic queries from other channels reduced
- Enhanced user experience

2. Kotak Mahindra Bank

USE CASE – Keya: Bilingual voice BOT redefining customers' phone-banking experience

a) PROBLEM
Making IVR relevant and reach the masses
- Need to reach out to semi urban, rural and semi-literate callers.
- Reduce customer's time spent on the IVR.
- Method to reduce lengthy phone menus.
- A quick & easy self-navigation tool for queries/request/transactions on IVR.

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b) SOLUTION

Deployed an AI-led voice bot to provide enhanced customer experience to customers

- Shortened call time by routing callers faster.
- Reduced misroutes to minimize incremental costs.
- Improved automation rates by limited hang ups.
- Adapted self-service applications, identified new ones.

c) IMPACT

AI-led voice bot scored better across relevant parameters

- Covered 65 use cases and 40% of total calls.
- 83% customer razzzzted positively to KEYA's ability to steer them correctly.
- Reduction in time spent on IVR by 60 to 120 seconds per use case.
- KEYA recognizes 80% intents accurately.
- Self Service on the IVR has improved by 10% over 2 months.

2. AXIS Bank

USE CASE – Financial crime management and risk governance

a) PROBLEM

Ways to control financial crime management and eective risk governance

- A robust infrastructure for automated fraud case management
- Fraud risk governance to timely and accurately control fraud risks
- Standard storage of news & retrieval system for future references & analysis.

b) SOLUTION

AI solution implemented using NLP, similarity analysis, named entity recognition

- Capturing secondary information in the form of unstructured data (news), pertaining to financial crime, AML & correspondent banking to compliment the current STR (Suspicious Transaction Reporting) filing process and disseminating as threat Alerts to Business Units
- Specific targeted threat alerts with minimal spams (Spam ratio - 0.4%)
- Standard storage of news & retrieval system for future references & analysis

c) IMPACT

Acts as a ready reckoner for regulatory submissions

- Increment in trigger reviews of up to 50% with critical nature of AML violations recorded in Q4 FY 2017-18.
- Robust Infrastructure for storage & retrieval leads to better analysis & due diligence.
- Automatic quality alerts are generated which helped FCMD-CB.

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Challenges

A massive deployment of AI in banks would come with its share of risks and opportunities. Banks increase their investment in AI every year, often at the risk of becoming obsolete. But what we also need to understand is the risks to the system that AI can pose.
Some of the key challenges faced by the global banking & financial services leaders in AI adoption are explained as follows: -

1. The Opacity of Processes

While deep learning models and neural networks in AI have proven over time to be perfect than human decision-making, they are often not transparent in terms of revealing how they generated such conclusions. It then becomes a challenge for bankers to explain that to the regulators.

2. Reduced Customer Loyalty

There is also a fear of reduced customer loyalty due to less customer contact and the lack of essence of "human touch." Banks, especially in India, have an emotional value as they help many in cherishing their long-standing dreams—be it a beautiful house or a good education for students. All this could be lost due to AI and automation. The socio-economically backward groups would be the biggest losers and most aected in such a scenario due to low levels of education and the digital divide.

3. Regulatory Compliance

Banks with upscaling use of artificial intelligence need to keep up with the regulatory standards of government. The increasing services like net-banking and online transactions come under the ambit of privacy regulation policies as well, which necessitates compliance from the bank's end.

4. Data Inadequacy

With the lack of supporting data to implement operational changes, the banking sector is facing a disconnect between the need and response from customers. The banks adapt to a switch that fails to comply with the actual requirement of the masses.

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5. Lack of Training

There is also an evident lack of training witnessed in the existing workforce associating with the advanced tools and applications of the use of AI in banking. With the increasing use of artificial intelligence, there is an apparent demand for a skilled workforce. Proficient and experienced engineers in streams like data science and machine learning are needed to provide credibility to the data in hand.

6. Loss of Jobs

Banks face the risk of backlash from their employees due to the potential automation of tasks, which can lead to job loss and job reassignments. AI, in the garb of increasing enterprise productivity, will reshape the way the employees perform their jobs. This could lead to possible dissatisfaction among employees, resulting in resignations or employees being fired due to inefficiency. AI can replace a teller, customer service executive, loan processing officer, compliance officer, and even finance managers.

The Way Forward

AI is now delivering business value across Banks & Financial services from customer experiences to investment strategy to back-office operations. Once a futuristic concept, it has now become a competitive differentiator.

Given this reality, Banks & FS firms need to adopt overall AI strategies in order to fast-track deployment and prioritize their efforts. With their ability to learn and adapt from new data, the latest AI systems are fundamentally different from the traditional rules-based approaches of the past, which run the same logic continuously.

These leading-edge AI applications revise their algorithms considering new data to quickly generate a multiplicity of predictions, make a judgment on each of them and then recommend potential actions.

Banks will need to carefully monitor and vet AI judgments and recommendations as these systems evolve over time. Understanding the human dimension and designing responsible AI applications need to be essential elements of the strategy.

Success will also require that Banks & FIs have professionals with AI expertise, and this will be challenging given the fierce competition for AI talent. Banks & FIs need to identify the skills and experience that are most important and oer competitive compensation packages, as well as considering partnering with fintech start-ups.

As AI applications increasingly assume tasks that had previously been carried out by humans, this will have broad impacts on employees and a focus on change management will be essential. Employees will increasingly be freed from repetitive tasks to concentrate on more complex responsibilities. FIs will need to provide retraining to allow employees to be redeployed to these more sophisticated activities that provide greater value to the organization and its customers.

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In the new world that is rapidly emerging, it won't make sense to ask whether a task is handled by a human or by a machine. Robots will handle routine tasks, while flagging exceptional cases for review and resolution by employees.

Banks must develop an understanding of the effects of digitization and develop an expansive foresight into the prospects of AI—so that we as humans have control over AI and not the reverse. In short, humans and AI robots will be working side by side, delivering more value in combination than either could on its own.

> **AI is rapidly transforming Banking & financial services as we know it. Those companies that move quickly to embed these technologies throughout their organizations today, while investing in the next generation of AI that is already available, will be positioned to prosper in the new world that is quickly emerging. Artificial intelligence will soon become the sole determinant of the competitive position of banks and a key element enhancing their competitive advantage.**

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AIQRATE works closely with Boards, CXOs and Senior leaders advising them on navigating their Analytics to AI journey with the art of possible or making them jumpstart to AI culture with AI@scale approach followed by consulting them on embedding AI as core to business strategy within business functions and augmenting the decision-making process with AI. We have proven bespoke AI advisory services to enable CXO's and Senior Leaders to curate & design building blocks of AI strategy, embed AI@scale interventions and create AI powered organizations.

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