AI offers a rich cornucopia of opportunities for banking organizations and employees alike, but banks may not be taking full advantage of this trend, says Cristian Carstoiu.

The latest KPMG UAE CEO Outlook survey found that over nine in ten chief executives in the UAE are considering how to integrate basic automation with Artificial Intelligence (AI) and cognitive processes. Four fifths believed that digital means in general were not being used as effectively as they could be, to connect with customers.

The banking sector has often been in the forefront of adopting new technologies and AI is no different. Investment banking, and trading in particular, has advocated as far back as 2011 for technology and advanced mathematical models to automate investment transaction execution.

We have recently seen automation and intelligence gaining traction in deal-making areas. JP Morgan launched Emerging Opportunities Engine, a predictive platform to help clients identify whether they should issue or sell equity; Goldman Sachs also published a plan in early 2017 to automate 146 steps of an Initial Public Offering process (IPO).

Automated portfolio management (or robo-advisors) - a combination of mathematical algorithms and machine learning aimed to calibrate the financial portfolio to the desired goals and acceptable risk thresholds - has come to the fore since 2013.

Earlier versions of AI and machine learning were employed to help detect fraud and security risk by using a complex set of rules. The newer algorithms involve active risk and security protection, adjusting in real time to potential and real threats by continuously analyzing streams of transaction data, internally and from outside sources. Lending and underwriting have also been areas with a predilection for machine-learning algorithms in an effort to improve the accuracy of defaults and reduce the insurance risk on particular products like health insurance.

Lately, AI is being employed to increase customer engagement, drive greater loyalty, provide pervasive security protection and reduce operational cost.

Intelligence quotient
At the same time, the fear that AI will displace jobs is, in our perspective, a fallacy. A more likely scenario is that AI will transform jobs, not eliminate them. Take the example of customer call centers: employing chat-bots to answer typical FAQs on new products reduces the need for staff. But at the same time it requires manpower to structure and classify the existing knowledge base, and also to ‘train’ the algorithms to provide adequate answers. Smart technology, after all, still needs smart people.

Specialist chat-bots companies have the chance to be life savers for many banks, by providing better service to their customers, without the need to invest in developing complex AI technology. We foresee this trend reaching the UAE this year, with many banks looking to further differentiate in customer engagement, while continuing with cost-optimization schemes.

The increased quality and efficiency obtained through the introduction of robotic process automation (RPA) is further enhanced by combining it with AI. For example, some banks are exploring automated decision-making based on sentiment analysis (using AI/machine learning), through extracting data from millions of emails and other data sources.

Security will continue to be a hot topic with the advancement of both AI-powered counter-threat solutions. As the world moves more towards voice-interaction, we will likely see greater integration of banks’ mobile apps and wearables with voice-powered robotic applications. The imperative to provide users with the platform they want to interact with must be matched at the same time with the privacy and security legal and ethical compliance.

To effectively use AI and machine learning as a competitive differentiator, banks will first need to identify the business use cases and understand what and where the relevant data are available; then cleanse, classify and augment it with outside, potentially unstructured data. Once the use cases are implemented, monitor the performance improvement and continue to train the models for greater accuracy.

We believe driving early AI adoption by focusing on clear, achievable outcomes and taking incremental steps will provide a good and safe platform for the banks to drive innovation and achieve short and long term success.
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Cristian specializes in mobility, omni-channel transformations, analytics, process consulting and the project management of large and complex implementations. He has worked extensively on strategy and digital transformation engagements, having worked across Europe and the Middle East with blue-chip clients. Cristian has also led multiple mobility and omni-channel strategy and delivery engagements for banking and government clients across the GCC and North Africa.

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