



Boosting Intelligence Through AI & Automation

by [Steve Brown](#)

IQ Research reports the top rated countries with the highest IQ are: Hong Kong (108), Singapore (108), South Korea (106), Japan (105) and China (105). The US ranks 9th at 98, tied with a bunch of other countries. We bring this up because intelligence is interesting, particularly when you consider the impact of the artificial variety on the banking industry.

Automation, AI and robotics all seem to be familiar terms these days. Due to these innovations, the workforce landscape is changing and if not embraced, organizations could see a decline in productivity and lose out to the competition. Although specific jobs will most certainly be affected, understanding the effect on the employee skillset will help you plan for this change.

In Harvard Business Review's article, "The 3 Ways Work Can Be Automated" from October of this year, the authors discuss three types of work automation - robotic process automation, cognitive automation and social robotics.

Each of these will eventually find its way into the workforce. However, factors such as task type, cost to implement and application type affect how long that will take. As expected, automation for low complexity tasks with a low implementation cost and wide application will be the first ones on the scene.

You are seeing these already in software streamlining, where data from one application is processed by certain criteria or rules and then sent to an Enterprise Resource Planning (ERP) or Customer Relationship Management (CRM) program. Many of these tasks are fairly basic and routine. This automation increases efficiency and cost-effectiveness.

The other types of work automation - social robotics and cognitive automation - will take a little longer to fully develop. Social robotics involves drones and robots that are programmed to do a specific task, such as surveying for construction projects or order fulfillment. Amazon started using robots for the latter, which allowed its employees to take on higher level job duties. This automation increased efficiency at Amazon by 20%, while increasing the size of its inventory by 50%, due to the smaller aisle configuration in the warehouse for robots gathering the packages. Cognitive automation has given rise to developments such as Google Glass, which provides relevant data to anyone at any time - anywhere they are.

So, how does this all affect you? As these technologies progress, you will need to rethink and possibly reengineer the jobs in your bank. High level, knowledge-based jobs will be the norm and automated systems will be complementing your staff's work product. Job redirection and training will be important, as milestones are made in automation.

The good news is that with automation comes a quicker response time to customers, greater efficiency overall for a higher volume of business, and a more robust workforce able to make important decisions and add more value to the bank's business. In a 2016 report, Accenture polled

bankers and found 79% of bank executives expect to use machine learning and 80% plan on using AI solutions in their business. As you start to see the results in the use of such things, you can decide how best to use them in your bank environment for your own competitive advantage. It should also improve the intelligence you gather.

BANK NEWS

M&A Factors

Analysts say a number of factors may increase M&A activity in the coming quarters, driven by such things as: low interest rates, high cash levels, a slowdown in corporate share repurchases, and record prices due to rising stock markets.

M&A Activity

1) Safra National Bank of New York (\$7.9B, NY) will acquire the Miami private banking business of Bank Hapoalim B.M. (\$7.2B, NY) for \$16.5mm. The business focuses on high net worth clients in Latin America. 2) NexTier Bank (\$1.2B, PA) will acquire Manor Bank (\$40mm, PA) for about \$2.3mm in cash.

Uniform MBS

The FHFA indicates work on the Common Securitization Platform has now reached a point where FNMA and FHLMC should be able to issue a uniform mortgage backed security in 2018.

Marketplace Lending

The SEC is reportedly urging LendingClub to disclose more information about its lending operations and funding sources, as it adds pressure for the company to discontinue use of tailored non-GAAP financial measures.

Core Services

Research by Bank Director finds: 75% of bank executives surveyed say they rely on their core provider for bill pay and 71% use its mobile banking platform.

Net Worth

The Fed reports US household net worth soared to a record \$90.2T in Q3, as the stock market jumped and housing prices increased.

Card Features

Research by TSYS of consumers finds the most useful features people seek on their primary credit card are: cash back on purchases (54%), a computer chip that allows it to be used in payment terminals (50%), discount on purchases with name brand merchants (46%), discount on purchases with local merchants (46%) and discount on purchases from the merchant who issued the card (44%).

Fines

The European Union has fined a trio of large banks for colluding to rig the euro interbank offered rate (Euribor). Fines by bank are JPMorgan (\$362mm), Credit Agricole (\$123mm), and HSBC (\$36mm).

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