



Taking A Comprehensive View Of Strategy

by [Steve Brown](#)

Have you heard there are now inexpensive cameras that provide a 360 degree view? That's right - you can now pan around an image from the sky to the ground and all points around. Imagine the possibilities - monitoring construction sites to track completion in real time, viewing all areas of the vault, training, product marketing and a host of other applications. The cost of these cameras has come down to only \$500 bucks, so look for more amazing videos coming soon with a 360 degree viewpoint.

Technology keeps advancing and according to Accenture's "Banking Technology Vision 2017" report, the majority of bank executives believe that artificial intelligence (AI) will become the main way that banks communicate with their customers within the next 3Ys. In fact, many experts in the banking industry believe that AI, coupled with blockchain technology, will completely change the way that the banking industry does business over the next few years. IDC reiterates this massive evolution by projecting the AI market will grow 490% from 2016 to 2020.

Although we have reported on AI before, clearly AI development has progressed rapidly, bringing it to the forefront of strategic planning discussions among many bankers.

Jumping on the AI wagon and joining USAA, RBS, Citigroup and Bank of America, Capital One Financial recently incorporated AI into the services it provides customers. Using a virtual assistant named Eno (one spelled backwards), Capital One customers can now check the balance of their accounts and even pay their credit card bills through voice commands. They can also confirm payments and check their balance using emojis.

Fortunately for community banks, AI tools are not only available to the biggest banks. As AI technologies have become increasingly sophisticated and have been embraced by companies on a wider scale, many low cost and even open source programs have sprung up. Knowing this, you should continue to keep a close eye on the ways the industry's biggest players are incorporating AI into their offerings to stay ahead.

One popular AI function is the ability to mine multiple sources of information about individual customers to better focus on needs and personalize communications. By utilizing such technologies, banks can hone in on the products and services that individual customers are most likely to want or need - based on a combination of everything from their past bank account usage, to interactions with customer service personnel, payment history and even social media preferences.

Another area where these predictive analytics can come in handy is fraud detection. By taking advantage of text-mining algorithms that can simultaneously monitor data from text, to voice, social media and various other sources, banks can potentially identify suspicious activity. Similarly, AI can

be used internally by banks to ensure that employees -from mortgage brokers, to financial advisors, adhere to internal policies as well as ever changing rules and regulations.

Then, there is the simple fact that utilizing AI can mean cost savings for banks. According to Accenture's findings, 67% of bankers in the US see the potential for long-term cost savings as one of the biggest reasons for investing in AI. Another 80% of bankers believe that AI will allow them to speed up technology implementation in their institutions and to simplify their digital interactions with customers by making them more humanlike.

There is still a long way to go with AI, so having a complete 360 degree view of it all remains important. One way to start is to at least think about ways AI tools might be helpful for your customers, employees and bottom line as the biggest banks roll out features.

BANK NEWS

Libor Update

The London Interbank Offered Rate (Libor) is a global index with nearly \$40T of derivatives tied to it, along with hundreds of trillions of floating rate securities and loans. It is also used by the largest US banks as an index baseline upon which they then set trillions of dollars of deposit rates every day. That is why banks were keenly interested when they heard a top UK regulator say it plans to phase out Libor by the end of 2021 and transition it to alternate benchmarks. Of note, just last month the largest US banks endorsed a shift to a rate derived from a broad set of borrowing transactions secured by US Treasuries, but the Fed is still writing a report on this and it then still has to go through a round of public comment (so it won't be published until later this year or early next year probably). No matter what, given the huge size of this issue it will be done slowly and carefully so community bankers needn't worry but should stay informed along the way.

M&A Activity

1) TBK Bank (\$2.6B, TX) will acquire Valley Bank & Trust (\$321mm, CO) for an undisclosed sum.

Board Training

A Navex Global survey of ethics and compliance professionals finds only 44% of companies' say they give ethics and compliance training to board members vs. 58% last year. Further, only 25% of new directors received training for cybersecurity or data privacy.

Expenses

Certify research of 10mm receipts filed in Q2 by business travelers finds ground travel expenses were spent as follows: Uber (55%), rental cars (29%), taxis (8%) and Lyft (8%).

SAVE \$100 ON CHICAGO ROAD TOUR REGISTRATION THROUGH 7/31!

Need to know more on CECL? Or cybersecurity? Join us for our Executive Management Road Tour in Chicago from September 25-26. Register by July 31st & save \$100!

Copyright 2018 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.