



US Banks Dominate AI Development

🔍 industry update artificial intelligence

Summary: AI has become a major component of the banking industry and may well be a determinant for which banks succeed or fail. So far, US banks lead the way in the utilization and development of AI, driven primarily by a deep commitment to recruiting technology expertise and significant resources into research.

In 1940, brothers Dick and Mac McDonald opened McDonald's Bar-B-Q restaurant in San Bernardino, California, a typical drive-in of the time, then incorporated a menu built around 15-cent hamburgers a few years later. By 1955, the brothers began franchising their business and expanded it across the country. In 1967, McDonald's went international with its first location abroad in British Columbia.

While some European countries eschewed the idea of American fast food, the convenience and low prices of McDonald's ultimately won out. Today, the restaurant chain has more than 36K locations in over 100 nations. In the same way that Americans were quicker to embrace fast food than their European counterparts, it appears that US banks have also been quicker to adopt and implement artificial intelligence (AI) platforms.

A Strong Start

Roughly **\$433B was spent on AI** in 2022 on a global basis, with industry experts predicting such programs will yield an additional \$15.7T in GDP by 2030, according to "The Evident AI Index Key Finding Report" from benchmarking company Evident Insight. The report summarizes the findings of Evident Insight's inaugural AI index, which ranks North American and European financial institutions based on their AI proficiency in four major areas: talent, innovation, leadership, and transparency.

According to the index's findings, North American financial institutions — particularly those in the US — are leagues ahead of their European counterparts. US banks landed four of the top five spots, with JPMorgan Chase leading the ranks, followed by Royal Bank of Canada (RBC), Citigroup, UBS Group, and Wells Fargo.

Evident Insight attributes JPMorgan Chase's dominance to the commitment of the bank's leadership to AI, which has been bolstered by its substantial and continuous investments in technology expertise and research. One way that JPMorgan Chase has maintained an edge in this area is through its approach to attracting technology talent. Similar to many fintechs, the bank has combined attractive compensation packages with the ability for tech experts to continue publishing academic research — a benefit that has helped them successfully attract top-notch technology expertise at a time when an overall dearth of candidates has had many financial institutions struggling to keep their tech departments adequately staffed.

Recruiting and innovation are key to North American banks' dominance of the index. US banks are a major force among AI patents, with the top five US banks owning 85% of the roughly 6K AI patents held by the 23 banks in the index. Though there is no shortage of technology talent in Europe, Evident Insight notes that European banks have been far less aggressive than their US counterparts and have not made the same deep financial commitment to recruitment.

Watching and Learning

Since AI research is a costly endeavor that most community financial institutions (CFIs) cannot pursue in the way that industry giants such as JPMorgan Chase can, CFIs would do well to pay close attention to how these larger banks are innovating in the AI space. Leveraging their research is a way that CFIs can work smarter, not harder, so that the upfront investment is minimal.

This allows CFIs to focus on what AI capabilities to incorporate once the tech is available for practical application. It also ensures that the solutions and technology you put into place have already been vetted and determined to be useful, so your future AI investments will involve less risk. AI will have a significant impact on the financial industry, and if your CFI is unable to fund and perform in-house research, utilizing insights from competitors who can is the way to go.

Taking a Page from the Big Banks

While CFIs don’t have the same deep pockets to devote to talent recruitment as larger financial institutions do, they can still pursue similar recruiting tactics. Here are a few ways you can attract strong talent to help you take full advantage of AI when the time comes:

- **Offer scholarships or internships.** Just as major technology companies have aggressively recruited from universities, financial institutions have also promised candidates scholarships, internships, AI apprenticeships, and roles in data analytics and data science.
- **Recruit locally.** Even if your organization can’t offer the same compensation or scale of opportunities as major banks, recruiting from local universities with deep technology programs is a good way to attract talent.
- **Offer ongoing learning opportunities.** Providing an opportunity where college graduates can help develop your organization’s AI capabilities and work on enhancing your overall technological offerings can be an extremely appealing foray into the work world. You can also offer to help candidates develop AI skills through trainings and certifications.

As AI accounts for a continually larger portion of daily activities, financial institutions around the world are focusing on their own AI initiatives. For institutions that aren’t able to develop their own AI solutions and research, a little creativity and patience can go a long way. They can benefit from existing research that larger competitors are doing and aggressively recruit technology expertise that will give them the advantages they need before AI becomes a mainstay in the financial world.

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ECONOMY & RATES

Rates As Of: 07/26/2023 05:39AM (GMT-0700)			
Treasury	Yields	MTD Chg	YTD Chg
3M	5.51	0.08	1.09
6M	5.57	0.10	0.81
1Y	5.37	-0.03	0.66
2Y	4.88	-0.02	0.45

5Y	4.14	-0.01	0.14
10Y	3.88	0.04	0.00
30Y	3.93	0.07	-0.04
FF Market		FF Disc	LOBB
5.08		5.25	5.15
SOFR		Prime	QBFR
5.06		8.25	5.07

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