

10 Operational Risks Being Mitigated by AI in Banking

Artificial intelligence is slowly changing our world. From self-driving cars to online search, industries are being transformed with AI. The banking industry is no different. The banking industry is one of the oldest industries in the world, and it has gone through many changes. The latest changes have been happening as executives slowly realize that a lot of operational risks can be mitigated with AI.

In the fast-paced world of global finance, Banks are looking for ways to improve operations, and many banks are finding a place for AI. Here are 10 ways that Operational Risks are being mitigated with the use of Artificial Intelligence.

AI in Banking Infrastructure

As the banking world moves towards technology-driven infrastructure, it's becoming more critical than ever to keep that infrastructure up and running. Many threats could bring down your technical infrastructure. Hardware faults, malware or even human error could cause millions or even billions of damage if a problem arises at an inconvenient time.

Cyber-attacks are also increasingly common from foreign actors and even competitors. With all these risks, AI is playing a crucial role in minimizing these risks. New malware scanning tools with embedded Machine Learning and Artificial Intelligence engines help detect and stop an ever increasing number of malware threats.

Network analysis tools are quickly stopping hackers looking to shake down banks by DDOS their services and demanding payment with packet filtering performed by AI engines. These tools enable companies to detect threats by using machine learning algorithms to understand how network traffic flows and finding potential threats. In this area, AI is making Banking infrastructure safer and creating fewer problems for a banks network.

Data Protection

Data security is an ever-increasing problem for companies that are connected to the internet. With recent data breaches, consumers and the general public are more aware of the importance of their data. Artificial intelligence is helping keep data secure through various methods. Virus scanning engines are now being powered by AI engines that can analyze and detect malware without having a signature. This helps keep Virus scanning ahead of the curve and helps protect data.

When it comes to looking for data breaches, AI is also helping companies analyze their servers faster. As AI technology matures, Banks will have an ever-increasing arsenal of tools to stop data breaches and protect customers.

Meeting Regulations

Regulation is continually evolving and not being compliant can cost a bank dearly. The subfield of Artificial intelligence called Natural language processing is helping reduce regulatory risk. There are now tools able to understand natural language and go through regulations automatically. This saves hundreds of thousands of man-hours and reduces the time needed to analyze and interpret current regulations. Artificial Intelligence is a crucial part of reducing the regulatory risk for banks. The technology is saving thousands of hours and helping banks reduce costs.

Protection from Theft and Fraud

Theft and Fraud are rampant in the industry. Companies are finding out that they can use technology to reduce theft and fraud. Artificial intelligence places a huge rule because of the ability to spot patterns. New technology enabled by Artificial Intelligence and Machine Learning, Allows banks to analyze transactions and quickly detect patterns that could potentially be fraud. These technologies also allow banks to spot potential theft. Artificially Intelligence is saving banks a lot of money and time when it comes to fraud and Theft.

The other benefit of AI in terms of theft and fraud is that by letting an AI algorithm deal with theft and fraud, you can save operational resources and also minimize errors. That's a big win for banks who can dedicate fewer resources to fighting against theft and fraud and more resources towards actually running the bank and growing.

As the sophistication of AI systems increases, we will see AI deployed to stop Theft and Fraud and will enable huge savings for banks.

Outsourcing

Outsourcing holds enormous operational risks for banks. Many things that banks need depend on outside vendors and this carries risk. There are many ways that Artificial Intelligence is helping to minimize the risk associated with outsourcing. AI is leading to smarter software for managing the many vendors that must come together to provide services that banks need. This enables smoother operations and minimizes problems that arise with outsourcing.

Mis-Selling

Human error can play a part in problems that arise for banks. By moving certain selling tasks from human workers to AI controlled software, you can minimize human error and have fewer problems associated with Mis-selling. Technology for doing this is slowly being developed and maturing and as time goes on banks will be able to rely on these programs to reduce errors.

Talent Loss

A big selling point of Artificial intelligence in banking is that it simplifies the work. This means that you can achieve the same results with less training. You spend less time worrying about retaining staff and more time on getting results. It can be difficult in a competitive industry like banking. By using Artificial

Intelligence and Machine Learning, Banks can have workers get the same amount of work done with less training. AI truly levels the playing field in the war for talent.

Organizational Change

Change is something that is implicit in the banking world. As the world evolves and technology evolves, so too will banking. Using artificial intelligence enables banks to keep up and even stay ahead of the changes. AI gives you the tools needed to reach the next level and win against the competition. By minimizing risk, AI helps organizations keep up with change.

Unauthorized Trading

There can be many reasons for an unauthorized trade. AI helps keep things in line and helps businesses achieve the results they want. Rogue traders can pose a significant risk to a bank and even having hackers make trades without authorization. By utilizing artificial intelligence Banks can stop Rogue traders and hackers. This allows for more control and less risk.

Model Risk

Sometimes there can be many problems stemming from the wrong model. This can cause a bank millions or even billions of dollars. Artificial Intelligence is helping mitigate some of this model risk. Artificial Intelligence algorithms can help identify patterns, and through machine learning, a bank can understand a model more clearly. As time goes on, it will become more critical for banks to improve Artificial Intelligence for model risk.

Artificial Intelligence is changing our world, and the banking sector is no different. As time goes on, we will see what else artificial intelligence holds.

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