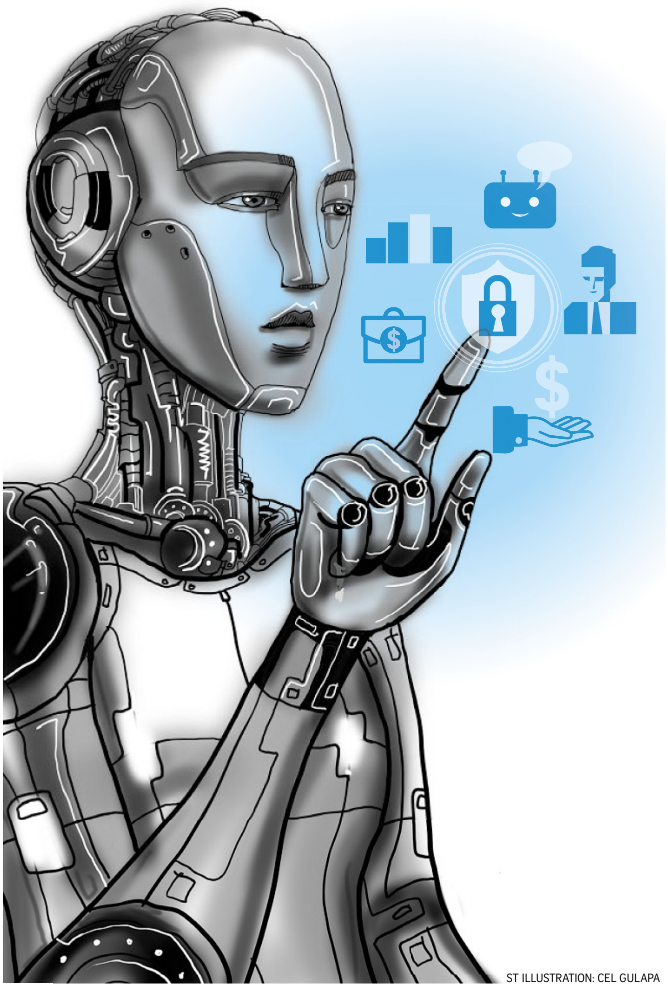
What S'pore banks are doing in the AI race
By Angela Tan Senior Correspondent angelat@sph.com.sg

The Straits Times
Monday 12th June 2023
917 words
Page 22 | Section: BUSINESS
924cm on the page

What S'pore banks are doing in the AI race



ST ILLUSTRATION: CEL GULAPA

They are tapping tech to boost efficiencies, analyse risks and personalise interactions

Angela Tan
Senior Correspondent

Banks here and abroad are turning to artificial intelligence (AI) and machine learning as a game changer as they compete to win new customers, improve efficiencies, analyse complex risks and personalise interactions with clients and staff.

This means integrating analytical AI systems across more operations, moving beyond just chatbots deployed 24/7 in the front office, or even anti-payment fraud and know-your-customer (KYC) regulatory checks in the middle office.

Old operating systems are being replaced by more advanced AI and machine learning systems, a form of AI that enables computers to learn without being explicitly programmed.

According to Jones Lang LaSalle's 2023 Banking And Finance Outlook, an additional US$31 billion (S$41.6 billion) will be spent worldwide by 2025 on AI, led by the banking and financial services industry.

This digitalisation is being driven by a confluence of headwinds, including the Covid-19 pandemic's impact on hybrid work preferences, cost pressures in a rising-rates environment, evolving customer expectations, geopolitical shifts and increasing regulatory requirements, the study said.

This digitalisation is being driven by a confluence of headwinds, including the Covid-19 pandemic's impact on hybrid work preferences, cost pressures in a rising-rates environment, evolving customer expectations, geopolitical shifts and increasing regulatory requirements, the study said.

At DBS Bank, the digital transformation journey started almost a decade ago. In 2022, AI and machine learning helped the bank make $150 million in additional revenue and $25 million from productivity gains.

The bank has more than 300 use cases spanning customer-facing businesses such as consumer as well as small and medium-sized enterprise (SME) banking. The latest AI technology also supports functions such as legal and compliance, and human resources.

For example, DBS sends 45 million hyper-personalised "nudges" each month to customers across the region with suggestions on how to make their money work harder.

DBS uses AI and machine learning to provide businesses with early warning signals to pre-emptively nip potential credit issues in the bud.

The bank also has an AI and machine learning-powered career development platform, iGrow, which provides employees with personalised career advisory services.

Mr Paul Ho, senior director of Asia-Pacific equities at UOB Asset Management, said AI and machine learning models are helping in the analysis of about 25,000 stocks, using fundamentals as well as macro and technical data.

Mr Ho said the model then ranks the stocks according to their expected return and the top stocks are shortlisted for further due diligence by analysts.

He said: "This helps us to effectively cover every single stock within our universe and helps us to overcome cognitive biases and blind spots by human analysts. We have applied this approach to all our flagship Asia equity funds for the past three years."

The approach has helped the UOB unit achieve industry-leading performance, such as the recent Lipper Award for Best Performing Greater China Fund over three years.

OCBC Bank, Singapore's second-biggest lender after DBS, told The Straits Times that it employs AI and analytics across many areas to improve existing processes.

To enhance the user experience of its iOCBC application, OCBC Securities plans to incorporate AI technology that will provide users with personalised market content and help them make informed trading decisions.

On the operations front, the bank has tapped AI to manage credit scoring, financial crime, fraud detection and data centre optimisation. For instance, the team built an AI model to help with its anti-money laundering efforts by sorting and prioritising the alerts.

Previously, the process was manually done. With AI, the top 30 per cent of alerts are actively investigated, wasting little time on false alerts. The remaining alerts are either closed or hibernated for further monitoring.

Mr Michael Demissie, global head of innovation and advanced solutions at BNY Mellon, said the pace of change had accelerated with digital capabilities, and there is a need for banks to innovate and adapt faster than they did in the past.

"I think innovation should be core to the business strategy and not a sideshow," he said. "It should be purpose-driven, anchored in understanding client needs, how to meet that effectively, efficiently and in a risk-managed way."

On the securities services front, BNY Mellon is using machine learning to give its clients real-time indication of how likely a trade is going to settle on time or not. They can use that insight to take any necessary action and mitigate late settlements.

BNY Mellon is also using AI to forecast its cash balances for "more informed liquidity management decisions". This capability can be extended to clients as well, Mr Demissie said.

He added that AI is helping the bank identify anomalies faster than it could otherwise, thus improving its risk management. It has also freed up experts to focus more on value-added areas as well.

JPMorgan Chase, one of the early adopters of AI on Wall Street, said it has "more than 300 AI use cases in production today for risk, prospecting, marketing, customer experience and fraud prevention, and AI runs throughout our payments processing and money movement systems across the globe".

In his letter to shareholders this year, chairman and chief executive officer Jamie Dimon said AI had significantly cut the risk in its retail business by reducing fraud and illicit activity.

It has also improved trading and portfolio construction by providing optimal execution strategies, automating forecasting and analytics, and improving client intelligence.

angelat@sph.com.sg