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Technology

AI: The next tech disrupter

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If you thought the pandemic was a major accelerator on the road to digital transformation, it will soon look like a blip compared to artificial intelligence.

By now, you’ve undoubtedly been inundated with news about AI. Even though the technology has existed for years, the world’s attention on everyday use was piqued with the release of ChatGPT in December. Since then, new AI products (or AI enhancements to existing products) have been announced at breathtaking speed.

Tech companies have quickly realized that AI will become the differentiator and, eventually, a necessity.

I have worked in financial technology for more than 15 years. The “old way” of coding software was for software engineers to think of every possible scenario and write it into the software. If something new arose, it required new code and an update to the product.

The new way will be built on AI models for specific functions. AI (combined with machine learning) will adapt to new use cases — the thousands of scenarios our human minds can’t possibly think through.

A few examples:

Fraud and cybersecurity: AI can detect unusual patterns in financial transactions or account activity, identifying potential threats in real time. AI can also monitor network traffic for suspicious activity, which can help banks prevent data breaches and other security incidents.

Portfolio and risk management: AI can look for patterns in historical data to predict the probability of loan default or late payment, helping banks make more informed decisions. Banks can use AI to analyze data and identify potential compliance violations.

Personalized experiences: Spending patterns, transaction history, and other customer data can be used to provide personalized recommendations and marketing to customers. Conversational AI can power chatbots to provide support and answer questions quickly and efficiently.

Automation: New customer account openings can be automated by using AI and automation to fulfill KYC requirements. Automation can reduce redundant tasks so employees can focus more on customer interactions and meaningful work.

What comes next

AI has been developing at such a breakneck speed that it teeters between exciting and alarming. In March, the Future of Life Institute released an open letter calling for a pause on the training of AI systems for at least six months. Signers of the letter included heavyweight data scientists, people in academia, founders of major tech companies, and tens of thousands of others. “Powerful AI systems should be developed only once we are confident that their effects will be positive and their risks will be manageable,” the letter stated.

The legality of some AI models remains murky and ranges from copyright infringement to privacy issues to outright discrimination. The Civil Rights Division of the Department of Justice, the CFPB, the FTC, and the Equal Employment Opportunity Commission released a joint statement that any systems using AI and automated systems are not exempt from following consumer protection laws. CFPB director Rohit Chopra said, “Technology marketed as AI has spread to every corner of the economy, and regulators need to stay ahead of its growth to prevent discriminatory outcomes that threaten families’ financial stability.”

Still, there’s no question that AI will continue to permeate technology and community banks need to be aware of the implications as they partner with potential vendors. Ask vendors about their use of or future plans for AI in their products. Since AI will quickly become the norm, if a vendor isn’t at least thinking about AI, it’s possible that the product will become outdated.

And ask vendors how they are training their AI models. “Responsible AI” is an emerging term but one that will garner real power as AI continues to develop. The vendor should be able to answer how they ensure their algorithms comply with federal laws.

Has Pandora’s box been opened? Or have we reached the next giant leap forward in technology? Time will tell, as the saying goes, but one thing is for certain: AI isn’t going away. Technology that doesn’t incorporate some form of AI may soon feel as clunky as dial-up internet.

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