

Artificial Intelligence & Big Data Analytics - their Impact on Wealth Management

Panellists at a panel discussion during the Hubbis Digital Wealth Management Forum agreed that we are on the brink of an artificial intelligence (AI) revolution, with the fast-advancing algorithms enabling machine learning at speeds and with relevance like never before. The assembled experts were optimistic that AI will enhance value propositions in the wealth management industry, although there was somewhat divided opinion as to whether the visions will be realised within a few years or nearer to 20 years.

These were the topics discussed:

- *What's the changing face of the customer?*
- *What innovations could boost value propositions?*
- *How can AI and Data save money or drive revenue?*
- *How do you use data in a useful way?*
- *From raw data to insights: how can banks make the leap?*
- *Financial modelling, portfolio management and asset allocation: What's the role of AI in the future?*

PANEL SPEAKERS

- **Nakul Kurup**, Vice President, E-Business - Global Consumer Financial Services, OCBC Bank
- **Michael Gerber**, Chief Executive Officer, 360F
- **Tatiana Collins**, Director, Head of Digital Wealth Consulting, AAPAC, Accenture
- **Mark Wightman**, Asia-Pacific Wealth & Asset Management Advisory Leader, EY
- **Ayla Kremb**, Ecosystem Manager – Applied Innovation Asia, Refinitiv Labs, Refinitiv



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THE KEY TAKEAWAYS

The advent of AI is within reach

Within the next decade, possibly longer, especially with the advent of quantum computing, we will be at a point where enough data will have been generated for AI to accurately understand any question in the context of the situation, as well as give information and advice, through machine learning. AI will then have developed to a point where it is fully integrated into the wealth management industry, playing an important role in the overall proposition.

Holistic AI

When fully integrated and fully powered, AI will offer a holistic understanding of each client, their situation and preferences will be possible. We are clearly a long way from this but moving in the right direction.

But, for now, AI is still not fully trusted

With security and privacy concerns as well as anxieties surrounding job security and information accuracy, AI has, understandably, not yet gained the full support of all in the financial sector. In short, there is more work to be done by both the data scientists and the wealth management firms to find the optimal.

The endless quest for more data

The only way for AI to live up to our expectations is through machine learning, the process by which algorithms digest and synthesise information to become more intelligent. This needs a vast quantity of data, and some in the wealth management have found creative ways to feed the appetite of AI.

Remember the positives

When employed correctly, AI can improve personalisation, speed up processes and improve the lifetime value of customers.

When things go wrong

Panellists agreed that it is important to not keep "flogging a dead horse" - when an innovation fails to catch on or misses the mark, it is better to learn from mistakes and move on.

Big changes in the not-too-distant future

Experts are predicting that if we can lay solid foundations and collect the right data, AI will be coming on in leaps and bounds over the next two years, as investors have seen the potential and private equity is throwing ever more money its way. If everybody pulls together, AI will be earning its keep within the decade, say panellists. And the implications for wealth management are both many and very positive.





PANELLISTS BEGAN BY DEFINING AI AND BIG DATA in practical terms. “Big Data can be defined as the analytic back-end driving an ever-faster, cheaper, more personalised service, invaluable in risk assessment and security,” said one guest. “AI then takes that data to the next level, making the data useable and accessible, thus improving customer experience.”

While personal AI assistant devices have yet to prove their worth beyond turning on the lights at home, experts predict that within the next decade or possibly two, especially with the advent of quantum computing, we will be at a point where enough data will have been generated for AI to accurately understand any question in the context of the situation, as well as give information and advice, through machine learning.

For the wealth management industry, this means that a holistic understanding of each client, their situation and preferences will be possible. “Perhaps the client is soon to be divorced, perhaps he is deciding whether to move to a different country,” a guest elucidated. “AI will be able to translate this information into an investment strategy. We are clearly a long way from this, but every step takes us closer to it.”

Is it time for the rise of the robots?

Delegates then moved to discuss what progress has been made so far. “There are four main areas of progress,” answered an attendee, “anti-money laundering, work-flow automation and simplicity,



TATIANA COLLINS
Accenture

supporting the relationship manager (RM) and finally generating the alpha segment.”

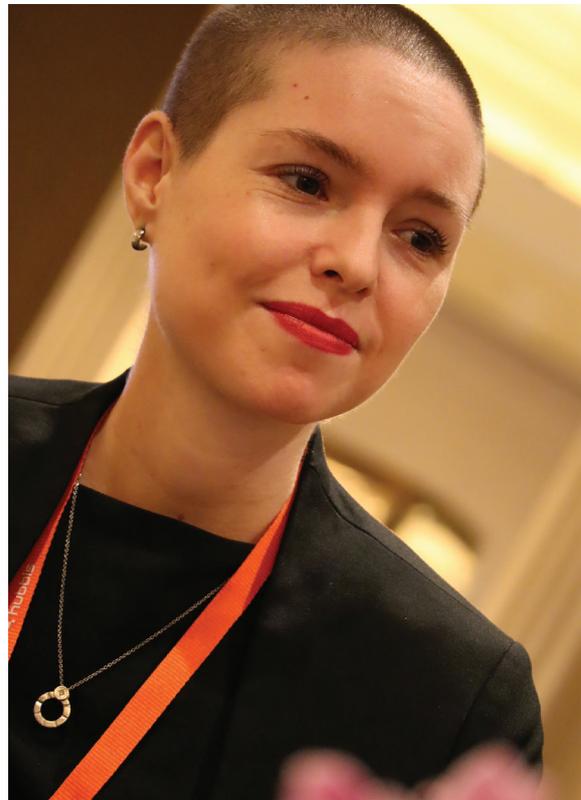
Panelists agreed that for now, at least, data analytics are most useful for aggregation and information provision as opposed to generating reliable advice. “Everybody is becoming used to using search engines to find information, but in the next couple of years, we will be pulling together information sources and drawing relationships between data points,” a guest explained.

An expert then stated that, we are closer to a full integration with AI than we think, as chat tools become ubiquitous and artificial assistant technologies take the strain of everyday commands and requests. “There are literally terabytes of information already,” they expounded, “and an ecosystem is rapidly developing through which AI can connect all of it together. We are within a few years of this, certainly not 20 years away.”

Indeed, the thought of AI becoming capable of synthesising all the data we are producing each day, without yet having a clear purpose or direction, terrifies some and excites others.

Security concerns slow acceptance of AI

But what can be done today with these emergent tools? “Clients want to use predictive analytics and AI, but if we cannot get our data into a useable state, we will be in trouble,” a guest warned. “AI is being used with great success in cyber security and in highlighting suspicious activity, but there still needs to be a great deal of human supervision and interpretation.”

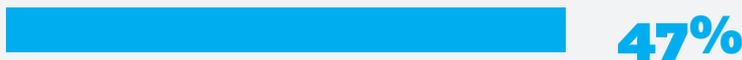


AYLA KREMB
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Another area where panellists are seeing a lot of interest is in using AI to drive alpha. There are still concerns about leveraging AI for direct execution however, so using a combination of AI and human judgement is considered safer at this point.

DO YOU FIND AI A BIT TOO FRIGHTENING AND INTRUSIVE?

Yes



No



Source: Digital Wealth Asia Forum 2019 - Singapore

“There is always a worry that private data will be uncovered and traded upon, which leads to data-security, privacy and insider-trading concerns,” an expert revealed.

This lack of trust in AI is a common theme, as an audience poll revealed that AI is still thought of as frightening by some. “We can compare it with when the microwave was introduced,” an attendee explained. “There was a lot of resistance and it took at least five years for the technology to be accepted.”

“We can, however, see incremental acceptance of AI in the wealth management industry,” a panel member said, “for example it is now common to buy a mortgage via a chatbot, or use a mobile app to do banking while a few years ago people would have preferred to speak with a human.” Attendees acknowledged that customers are not yet ready to receive wealth management advice directly from AI, so relationship managers (RMs) currently benefit from the analytics provided by their AI assistants and provide an augmented service to their clients.

Bringing the focus outside the financial industry, a speaker pointed out that the technologies being introduced in the wealth management sector often mirror well-established practices in the retail, media,



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WHO DO YOU REALLY WANT TO TALK?

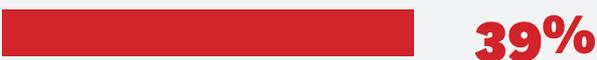
A female advisor



A male advisor



A swiss-german like Michael !



A robot



Source: Digital Wealth Asia Forum 2019 - Singapore

social, sporting and gaming sectors. “Interacting with AI is generally well-accepted in those industries where the stakes are lower,” they quipped.

Having addressed the issue of fear and resistance, panellists explored how revenue could be created and costs saved by the judicious use of AI. “If we can supply consistently accurate, compliant advice using AI, we will save money,” a guest asserted.

“The moment you can increase personalisation,” a delegate explained, “customer engagement, click-throughs, responses and product purchases increase exponentially. This then increases the lifetime value of the client.”

If at first, you do not succeed...

But what about when things do not go to plan? “We deliver intelligent banking in two regions, with differing results,” a guest reported. “One area accepts the technology and our channel has become highly respected, while the other culturally different area did not trust it. We could not get the volume or sponsorship we needed, and we had to re-think.”

This failure is an important issue, as panellists agree there is not a bottomless pot of gold for trying out new ideas. At some point they must start making money or be scrapped. “You have to know when to walk away,” a speaker admitted. “It may be worth trying again in a few years when the market has caught up.”

Additionally, a delegate advised that it may not always be a question of quitting. Instead, a partnership with experts in the field, or a pivot in a different direction can salvage a project instead.



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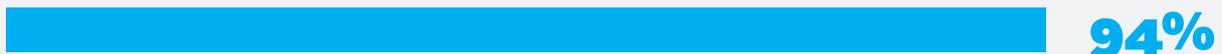
“IT MAY BE WORTH TRYING AGAIN IN A FEW YEARS WHEN THE MARKET HAS CAUGHT UP.”

Feeding the beast - the endless quest for more data

Panellists then moved on to the subject of data-gathering. “When we began with machine learning, we struggled with data quality and quantity,” an attendee admitted. “With insufficient data, predictions and answers will always be inaccurate.” One solution to this is the amalgamation of data between several partners, an idea gaining increasing traction in the financial industry.

WOULD YOU PREFER TO TALK TO A PERSON OR A ROBOT?

A person



A robot



Source: Digital Wealth Asia Forum 2019 - Singapore

Data generation can also get quite creative, as a speaker explained. “When trying to teach a chatbot how to interact accurately with customers, our staff were instructed to converse with it daily for months,” they divulged.

Another guest spoke of inputting hundreds of thousands of news articles through their AI algorithm. “Our staff must consume these current affairs articles in order to accurately advise on market predictions. By feeding them through AI then using it to inform their advice, they can cut their work-load in half!” he joked.

Humour aside, the attention to the underlying structure of AI is critical, say panellists. “We must stop focussing on the shiny parts and concentrate instead on the infrastructure we are building on, then layer on the intelligence. This will be invaluable when it comes to operationalising the analytics,” a guest advised.

The future is AI, and that future is now

Panellists then put their heads together to come up with some predictions for the next 12 months in AI and Big Data.

“Right now, we are building the data foundations and infrastructure which we will need in the near future,” a guest suggested. “We expect a big leap when these structures are in place.”

Attendees also explained that training their staff how to use AI effectively is also going to be



MARK WIGHTMAN
EY

important in the next year, as many are fearful of losing their job and approach it from a distrustful, blinkered perspective. “We need them to understand that AI is here to enhance their skills and take their value to the next level,” an expert elucidated.

To wrap up the discussion, attendees predicted that there will be a lot of money thrown at AI solutions from private equity and venture capitalists, which will in turn speed up the developmental process. “In two years, we will be sitting back and working out what has succeeded in this innovation cycle,” a guest concluded. ■

