Online Forum Summary

Financial Markets
Artificial Intelligence
Where are we now?

ARMSTRONG WOLFE™

iCOOC Online Forum

Summary of COO Tabletop exercise held on Wednesday, 22nd November 2023

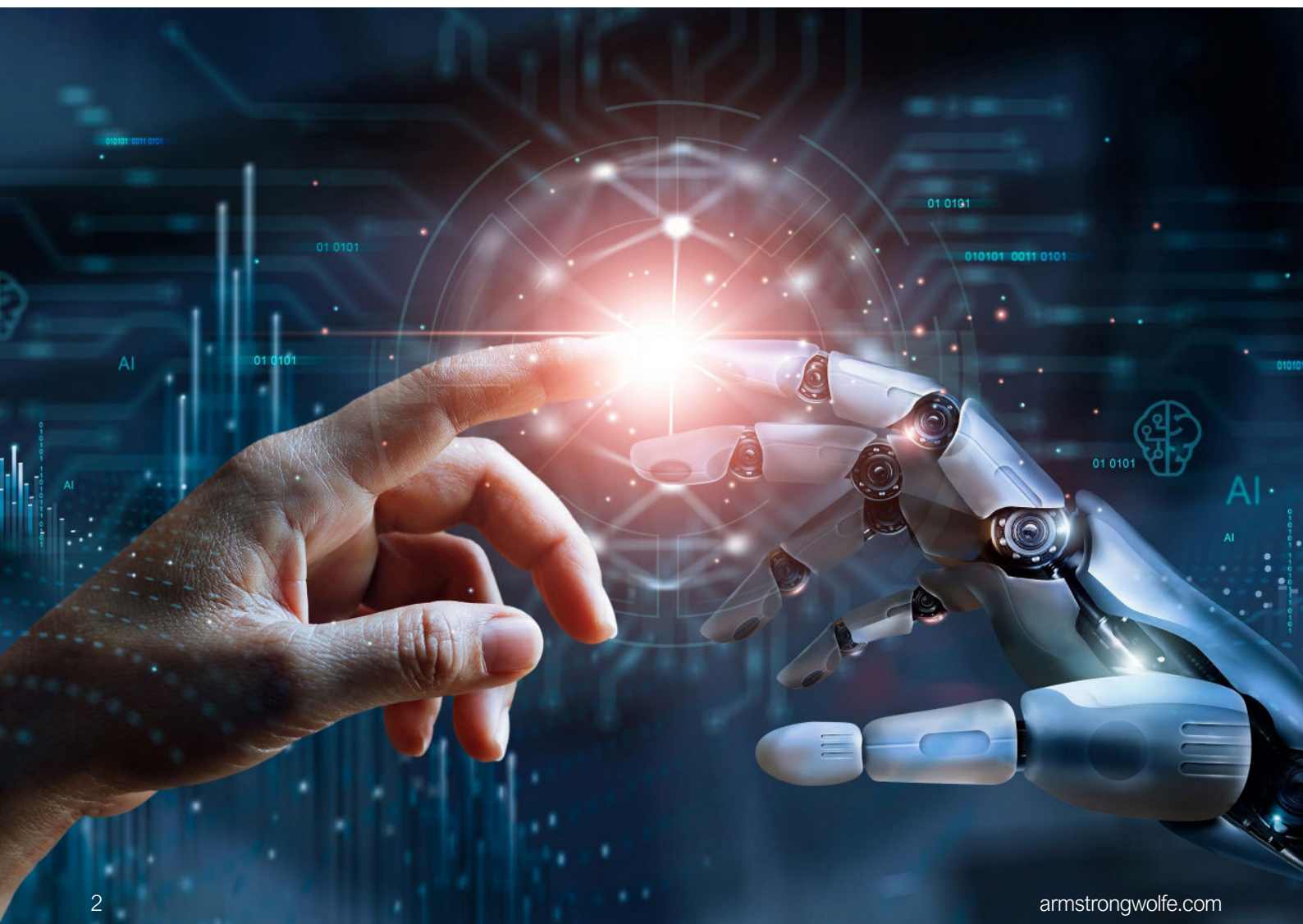Moderator:
Maurice Evlyn-Bufton
CEO
Armstrong Wolfe

Co-Host:
Nabeel Ebrahim
Chief Revenue Officer
Behavox

Co-Host:
Harry Toukalas
Co-Founder & CEO
Swarm Dynamics

Co-Host:
Dara L. Sosulski
Head of Artificial Intelligence &
Model Management, Markets &
Securities Services
HSBC

Agenda:

The evolution of artificial intelligence (AI) has been a journey of transformative technological advancements.

Once it was big data that dominated the tech scene; now, AI is at the forefront. AI encompasses a wide spectrum of technologies, which require contextual understanding, a vastly broad spectrum varying in type, design, capability, and function.

The last two decades have seen much of this evolution: from machine learning in the early 2000s, focusing on data analysis by computers, to the integration of neural networks for understanding behaviour, and now to the era of generative AI, where large language models (LLMs) are becoming ubiquitously known in society, and frequently used in business.

Even the most technologically advanced organisations, like OpenAI, cannot fully detach their AI offerings from the effects of human nature and human error, as evidenced by the recent controversy over the firm's leadership.

This highlights the continued importance of human behaviour and culture in driving both organisations and AI programmes, even as we step towards Artificial General Intelligence (AGI), where machine culture might emerge.

The current hype around AI is substantial, however, with business owners contemplating shifting various functions to AI to reduce costs, even considering AI as a potential avenue to replace roles traditionally thought of as typically human, like those in sales.

However, the reality of using and implementing AI in the business sector is far more nuanced. It requires adaptation and fine-tuning for specific purposes, but when trained for specific tasks with reliable and extensive data, it can yield impressive results.

It is not, however, a general solution to all problems associated with financial services. It must be selectively and strategically deployed if it is to yield effective results. For generative AI to be effectively integrated into core solutions, a carefully curated dataset is crucial. AI models, particularly in regulated industries, require rigorous and ongoing supervision.

Currently, there are three main areas where AI is either making an impact, or where there is considerable potential for it to do so.

» Operational simplification – using generative AI to automate procedures. This has seen considerable recent investment in numerous organisations, and is likely to have the greatest short term impact.

» Using generative AI to optimise client offerings – streamlining relationship management or providing more tailored products.

» Using AI based techniques to optimise specific areas like staff training, risk management, surveillance etc.

The journey towards these applications involves navigating issues like data privacy, security, and over-reliance on third-party providers.

The increased use of AI by staff raises questions about the delineation between employee and AI-generated work, especially in regulated industries like banking. The difficulty lies not only in discerning the authenticity of AI-produced documents, which are often designed to appear convincing rather than being legitimate and accurate, but also in ethical considerations arising from the use of AI as a substitute for human input.

If an employee has generated a piece of work using a programme like Chat GPT, is this a form of plagiarism, or is this simply the use of another tool in the same vein as using a spell-checking function on a word processing programme? If LLMs are to become ubiquitous in the finance sector, then challenges such as these will come to the fore in the management of human capital.

AI governance remains a critical aspect for the financial services industry and remains as yet in its infancy. The impending EU AI regulation, the first of its type set to be introduced in 2024 will likely influence heavily how its use will be governed going forward, with other regulatory bodies following suit. In terms of governance structure, most banks already have frameworks in place that could incorporate AI governance.

There's a need for dedicated committees or bodies to address these ethical and governance issues and facilitate communication between banks and regulators.

The greater the degree of dialogue between the banks and the regulators at the early stages of AI regulation, the more the regulators will be able to understand the specific applications and opportunities that the use of AI may bring to organisations, and the more they learn in this way the better suited to banking applications will be the regulatory framework they devise.
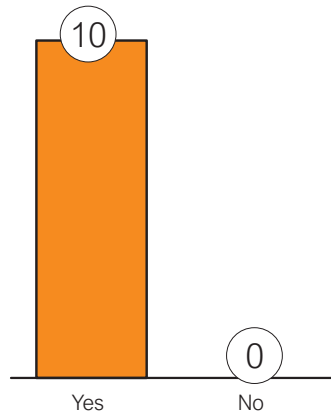
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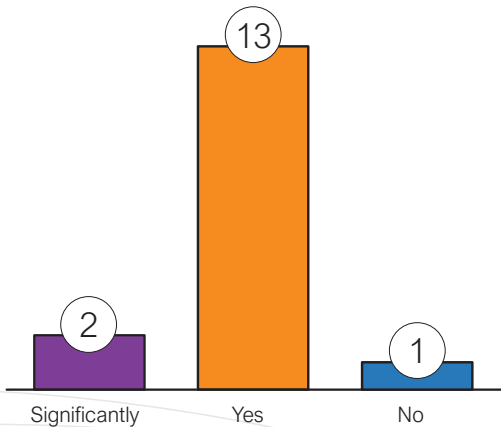
Agenda questions:

Are you comfortable with the application and definition of AI?

16	**4**
Yes	No
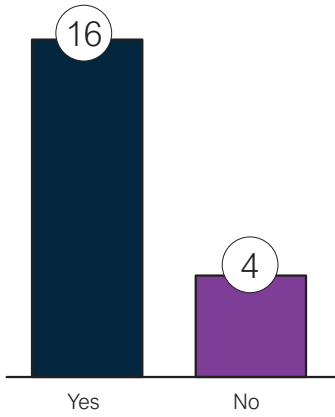
Did today's session enhance your understanding of AI?

10	**0**
Yes	No

Could you see benefit in having this 'Where are we now' session every quarter for iCOOC members?

2	**13**	**1**
Significantly	Yes	No

Amongst undoubted many AI related questions what is 'the' question that heads your list?

» Regulatory landscape

» Use cases

» AI models out of control

» Use cases and associated governance framework

» How can we adapt existing frameworks for risk and control to ensure proactive risk mgmt of AI/ML?

Contact

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