



HACKERS **NEVER** SLEEP
AND NEITHER **DO WE!**

IMAGE**Q**UESTSM

Amid the AI Hype, What Should Your Bank Do?

 Kentucky Bankers Association

SC24 | NAVIGATING TOMORROW

KBA SPRING CONFERENCE 2024 | APRIL 21 - 23 | FRENCH LICK RESORT

**April 22, 2024
French Lick, Indiana**

Agenda

- Defining Artificial Intelligence (AI)
- Common AI Tools
- Evaluating Generative AI
- Evaluating Fintech Partners
- Identifying AI-Solvable Business Problems or Purposes for Use
- Setting Effective Boundaries
- Regulatory Guidance
- Conclusions

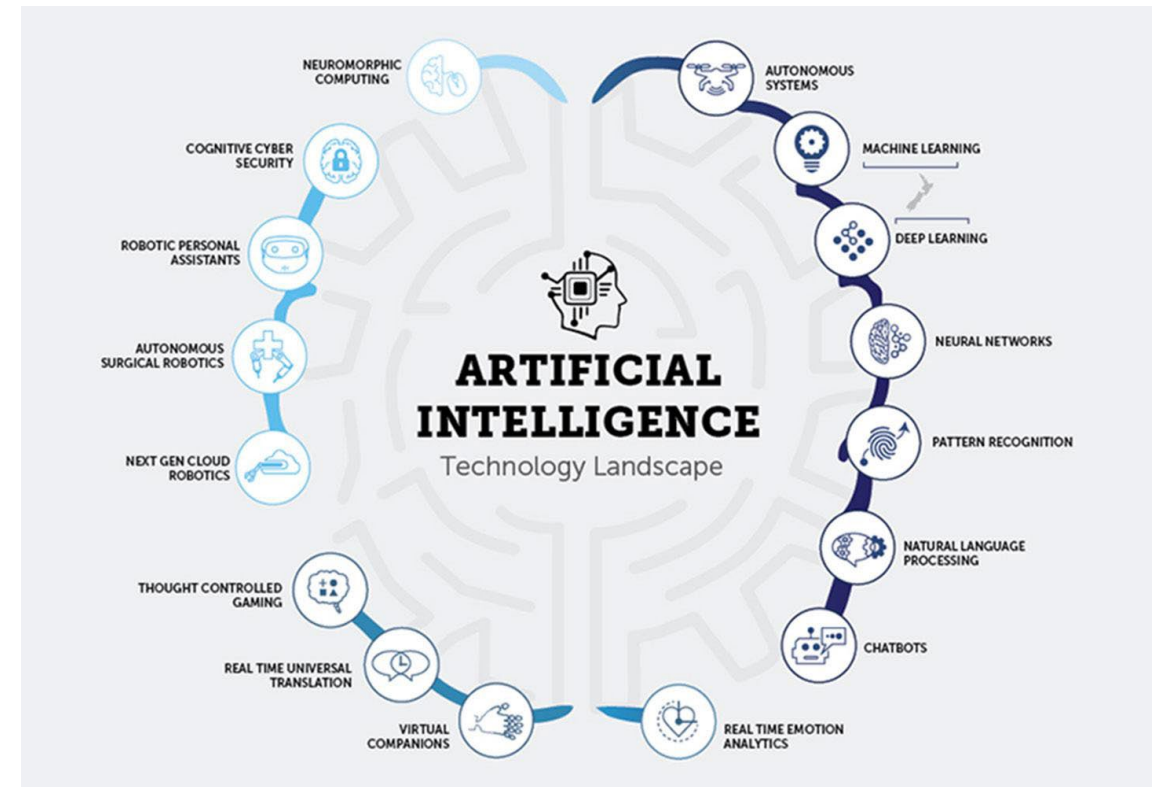


Baseline of Your AI Experience



Introduction to Artificial Intelligence (AI):

- **What is Artificial Intelligence (AI)?**
 - Computer systems capable of performing tasks that normally require human intelligence.
- **Generative AI (GAI)**
 - Uses data models to produce “original” content including text, imagery, audio, and data.
- **Large Language Model (LLM)**
 - Pre-trained dataset that produces human-like communication based on patterns



How Does AI Work?

1. Humans collect and input data to train LLMs and define parameters/outcomes.
2. AI processes data and continues to train itself and make predictions based on human input.
3. AI delivers output.
4. Humans routinely analyze output and adjust data sets that feed LLMs.



What is an AI Chatbot?

- A conversational AI application that interacts with users through text or voice.
- Simulates human-like dialogue by understanding and generating natural language responses.
- Capable of answering queries, providing support, and performing tasks in real-time.
- Uses machine learning to improve its conversational abilities from each interaction.
- Employs Natural Language Processing (NLP) to interpret context, sentiment, and intent within the conversation.



Commercially Available AI Tools



Google Assistant



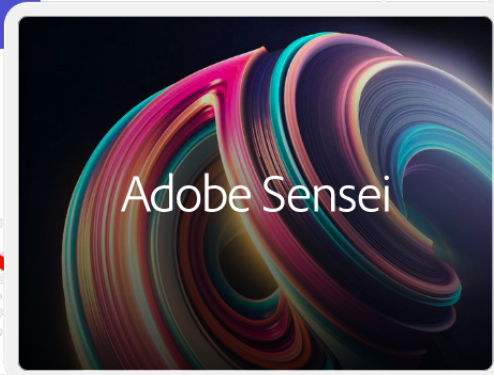
Bard



OpenAI



Microsoft 365
Copilot



IBM Watson

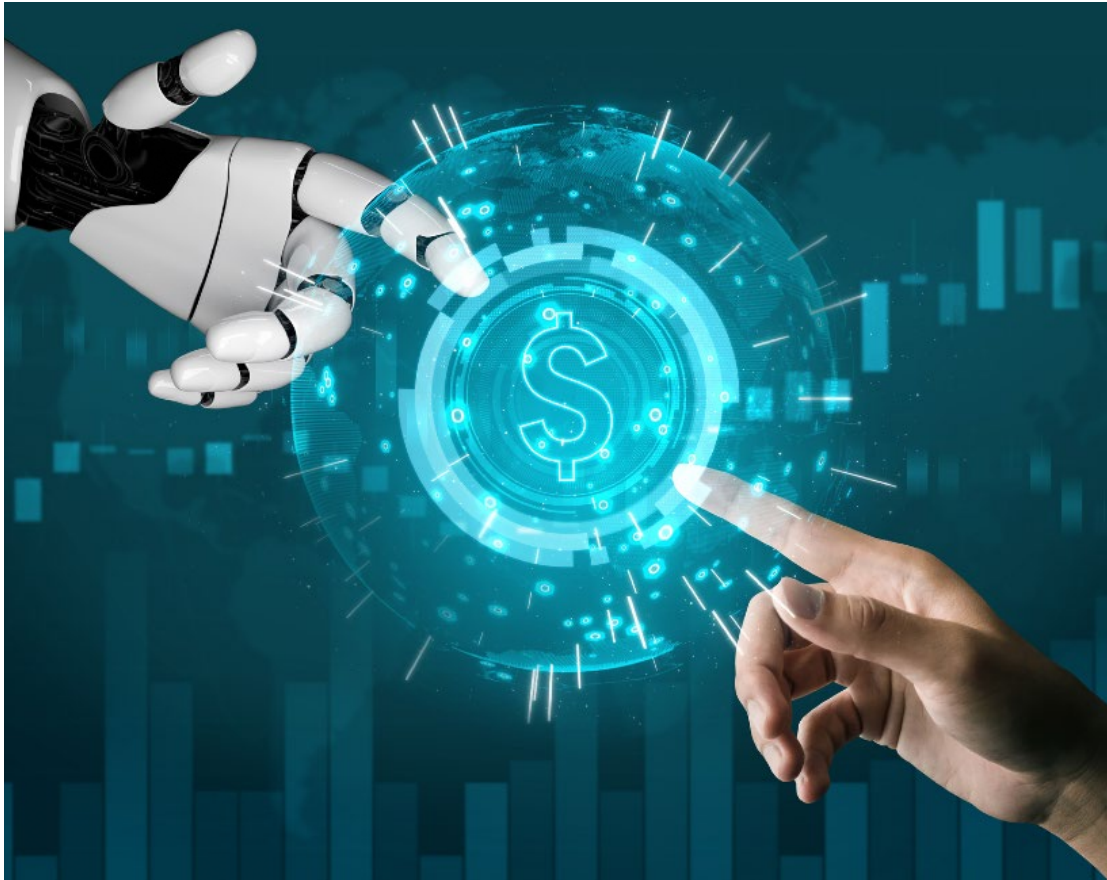


Considerations When Evaluating/Adopting AI:

- **Widespread Impact:** AI can be transformative by enhancing efficiency, automating routine tasks, and enabling data-driven decision-making.
- **Banking Focus:** AI can revolutionize customer service, risk assessment, fraud detection, and personalized banking experiences.
- **Opportunity:** AI offers significant opportunities for innovation and competitive advantage.
- **Caution:** AI usage requires careful consideration of ethical implications and data security.



AI in the Bank

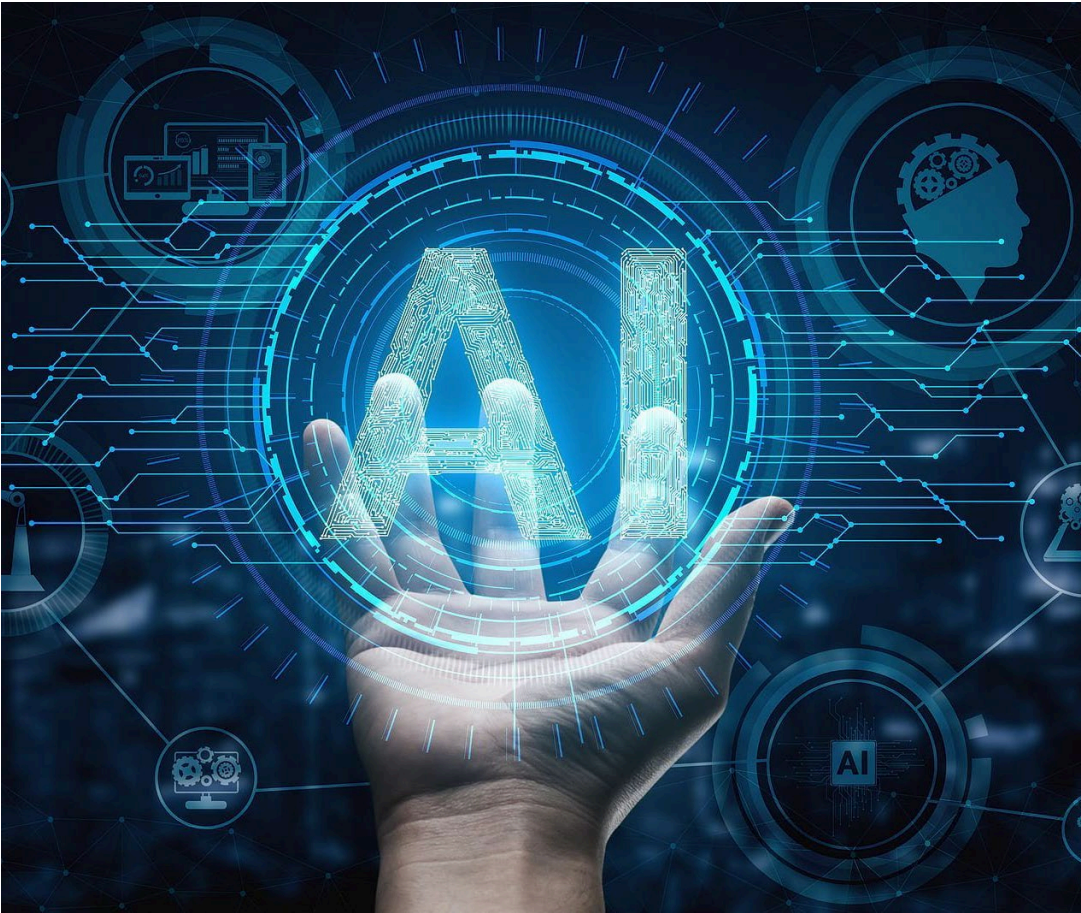


- **Risk Management**
 - Fraud detection and management
- **Personalized Customer Experience**
 - Automated customer support
 - Hyper-personalized marketing
 - Incident handling
- **Operational Efficiency**
 - Document Content Extraction
 - Credit decisions
- **Compliance and Regulation**
 - Regulatory mapping

FI Providers Using or Evaluating AI



Evaluating Potential Fintech Partners



- **Technology Assessment:** Evaluate the fintech's technological innovation and compatibility with your bank's existing systems. Look for robust, scalable solutions that can grow with your needs.
- **Security Standards:** Ensure the fintech adheres to the highest standards of data security and privacy.
- **Regulatory Compliance:** Verify that the fintech partner understands and complies with (or is willing to comply with) applicable banking regulations.
- **Cultural Fit:** Consider the fintech's corporate culture and values. Alignment can enhance collaboration and ensure a more seamless partnership.
- **Customer Success Track Record:** Investigate their history with clients, focusing on case studies or references that demonstrate successful implementations.
- **Innovation and Flexibility:** Assess the fintech's capacity for innovation and flexibility in adapting to new challenges and opportunities.

Identifying AI-Solvable Business Problems

- **Problem Discovery:** Identify repetitive, high-volume tasks or areas where data is underutilized and deriving insights from large datasets.
- **Customer Experience Enhancements:** Focus on problems impacting customer satisfaction, such as slow response times or limited personalization.
- **Risk and Compliance Monitoring:** Look for gaps in risk management and compliance monitoring where AI can provide real-time analysis and proactive risk mitigation.
- **Operational Efficiency:** Target operational bottlenecks that could benefit from automation (e.g., loan processing, account reconciliation, fraud detection).
- **** Strategic Alignment:** Ensure that the identified problems align with your bank's strategic goals.



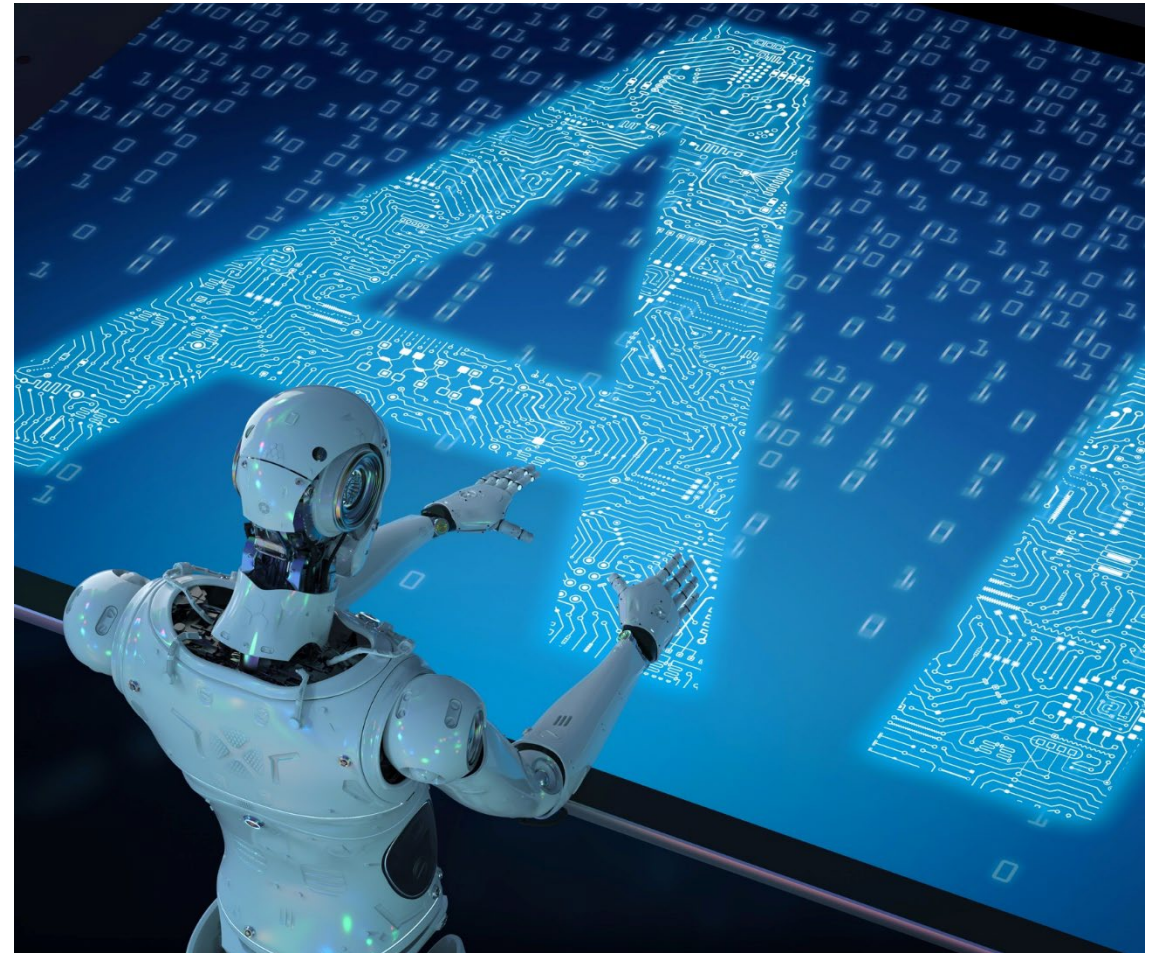
From Insights to Action

- **Data-Driven Decision Making:** AI tools can help you make informed decisions by processing vast amounts of data to uncover patterns and insights that are not evident to human analysts.
- **Automated Workflow Integration:** AI tools can be integrated into existing workflows or leveraged with Robotic Process Automation (RPA) tools to automate processes like customer data analysis, risk assessment, and transaction monitoring.
- **Real-Time Responses:** AI tools can provide real-time responses and adjustments, which is crucial in dynamic customer service environments.
- **Measuring Success:** Set clear metrics to evaluate the effectiveness of AI tools (e.g., improved customer satisfaction, faster response times, reduced operational costs, enhanced risk detection rates).



Potential Pitfalls

- Data quality/data poisoning
- Understanding/explaining decision models
- Automation bias/over-reliance
- Security & privacy concerns (including your IP)
 - AI literacy amongst employees
- Availability of expertise
- ****Regulatory compliance****



Security and Compliance

Cybersecurity and AI - PROs



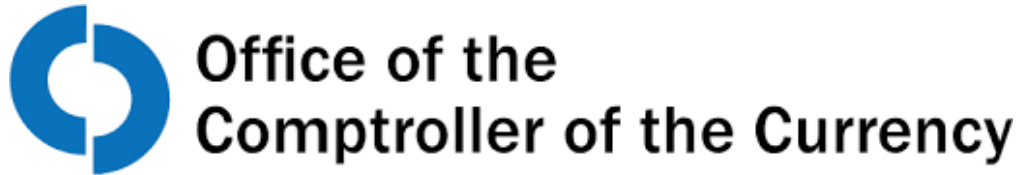
- Significantly enhance ability to detect and respond to cyber threats.
- Detect and stop phishing attempts more accurately than traditional spam filtering tools.
- Continuously monitor user behavior to identify unusual or suspicious activities that deviate from normal patterns.
- Data tagging and lifecycle mapping.
 - Enhanced Data Loss Prevention

Cybersecurity and AI - CONs

- Compromised AI could:
 - Launch sophisticated attacks
 - Expose sensitive data
 - Make incorrect decisions or predictions
 - Overcome fraud detection system
 - Impersonate a legitimate customer

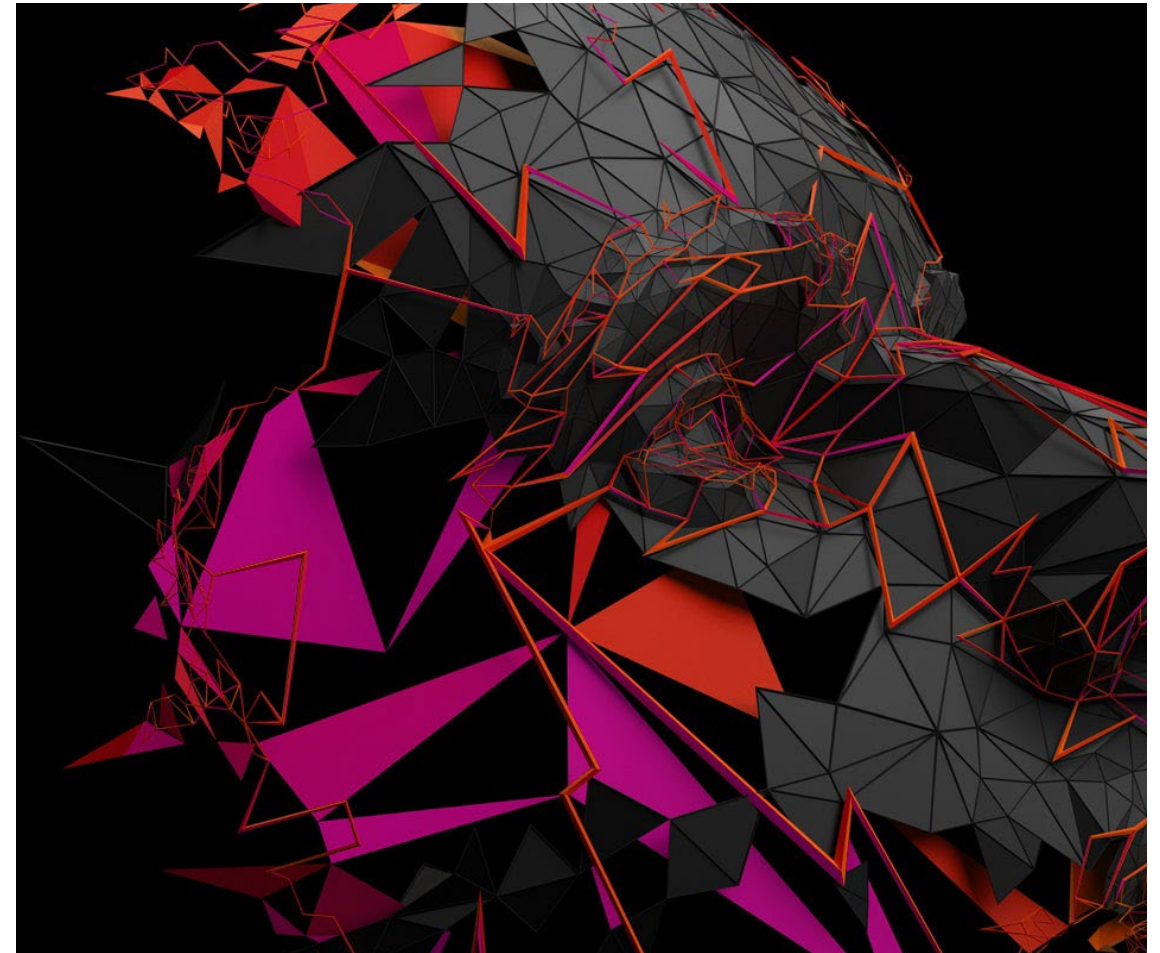


Regulatory Oversight



Navigating AI Adoption

- **Ensure Regulatory Compliance**
- Draft an AI Acceptable Use Policy or Guideline Document
- Create an AI Pilot Group
- Develop a Clear AI Strategy
 - Identify a purpose for use
 - Create a high-value opportunity
- Assess the Risks
- Select Vetted Third-Party Partners



Questions



Resources and Citations

- [Six AI Technologies Set To Define the Future of Banking | TELUS International](#)
- [Financial Services and AI: Regulatory Developments | Loeb & Loeb LLP](#)
- [Using AI to improve a bank's agent effectiveness | EY – US](#)
- [Using AI to augment pricing intelligence for banks | EY – US](#)
- [AI in Banking & Financial Industry | Globant Reports](#)
- [15 Examples of AI In Banking | Built In](#)
- [AI Risk Management Framework | NIST](#)
- [Best 10 Use Cases Of AI In The Banking Sector - USM \(usmsystems.com\)](#)
- [Blueprint for an AI Bill of Rights | OSTP | The White House](#)
- [Managing Artificial Intelligence-Specific Cybersecurity Risks in the Financial Services Sector \(treasury.gov\)](#)
- [FSISAC GenerativeAI-VendorEvaluation&QualitativeRiskAssessment.pdf](#)
- [Engaging with Artificial Intelligence \(AI\) \(cyber.gov.au\)](#)

ImageQuest By the Numbers

Founded in 2007 in Nashville, TN

51 People

99 Managed Clients in 12 States (HQ)

32 Financial Institution Clients

Annual SOC2 Type II Attestation

Inc 5000 in 2014, 2021, 2022, and 2023





Your Managed IT and Information Security Services Experts

Milton Bartley • President & CEO • (615) 499-7806 • mbartley@imagequest.com
Jay Mallory • EVP Sales and Marketing • (502) 400-3300 • jmallory@imagequest.com