

A woman with long, curly brown hair and glasses is sitting at a wooden desk in a modern office or cafe. She is wearing a white long-sleeved shirt and is looking down at a purple smartphone in her right hand. Her left hand is on the keyboard of a silver laptop. In front of her is a white mug filled with a latte. The background is blurred, showing other people working at desks.

**6 ways artificial
intelligence is
transforming
private banking**

Today's high net worth individuals (HNWI) are a different lot. They expect to be more involved in the process of how their wealth is managed and look up to wealth managers for strategic advice, rather than help with paperwork. Artificial Intelligence (AI) driven cognitive software platforms offer the potential to add value to advisory services, in private banking and wealth management (PBWM). Little wonder then, that the cognitive computing market size is expected to exceed USD 4 billion by 2025¹.

AI enabled systems provide real-time customized and personalized advisory services to HNWI. They successfully bring together all the data to predict positive financial outcomes with lowered risks. Accurate predictions are driven by combining large unstructured/structured data of

historical trends, current market information, client and company profiles, investment options and more.

The technology provides a balanced approach to service client requirements while complying with regulatory mandates and containing operating costs in highly volatile and competitive markets.

The paper explores how AI can augment wealth managers' capabilities, positively impacting six major aspects of PBWM.

AI in private banking: Reimagining the 'white glove' treatment

AI, when leveraged correctly, has a positive impact across all functions in the private banking domain (See Figure 1).

Private Banking						
Specialized Areas	Core functions	Product Portfolio	Advisory	Compliance & Security	Customer Management	Governance
		Intelligent product profiling and offerings; Product enhancements and categorization; Risk and review	Positive forecasting based on unstructured/structured data of past trends, current market information, client and company profiles, investment options	Cybersecurity; Complex regulations across geographies; Data Privacy and Management	Contextualized personalized services through emerging technologies based self-service modules; Fraud management	Stringent regulatory compliance, multi-lateral laws and governing bodies
Support functions	Audit	IT	HR	Finance/Legal	Analytics	
	High securitized operations; Internal compliance	Internal and external stakeholders with IDM, AM with MFA; Risk-free online operations and detection	Screening; Contract intelligence for internal & external stakeholders	Process automation for high value approvals; Law enforcement	Predictive and prescriptive analytics; Better recommendations across functions	

Figure 1: Impact of AI on private banking

Specialized relationship managers offer customized and personalized value-added services like product-specialist-investment, wealth protection, succession planning, philanthropy, family governance, wealth structuring along with access to alternative investment opportunities. But even as the world's wealth swells and size of the HNWI

segment expands, wealth managers are in short supply, further compounding the pressure to provide real time and individualized services to clients. However, AI, with its potential to augment wealth managers' capabilities, can help save the day. Here's how it positively impacts six major dimensions across PBWM:



AI driven cognitive software platforms offer the potential to add value to advisory services, in private banking and wealth management (PBWM) and the cognitive computing market size is expected to exceed USD 4 billion by 2025.

1. Customer experience

HNWI customers demand tailored and contextual services in the connected era, requiring businesses to keep pace. AI facilitates enriched, extended reality (AR/VR/MR) based self-service modules for hassle-free access to account details and related information, along with the current trends. AI-based extended reality services can enable real-time virtual trading by giving users better access to algorithms and trading tools. AI infused solutions not only provide a superior customer experience through hyper-personalization but also improve security, and reduce manual interventions and related errors.

2. Business enablement

AI facilitates intelligent customer engagement and management in today's highly complex investment environment. For instance, it suggests multiple investment solutions to HNWI customers with accuracy, speed and efficiency all while minimizing risks. The system also enables banks to engage with their HNWI customers 24x7 in their preferred language to address queries instantly, provide real-time updates and improve the quality of transactions as well as identify up-selling and cross-selling opportunities.

3. Automation and process re-engineering

Implementing cognitive computing applications, machine learning and AI in private banking

enables increased automation and reduced manual intervention in banking processes. The result: improved efficiency through optimized, cost effective service improvements such as enabling faster client-onboarding, transaction processing, submission of documents for bank authorization and verification, confirmation of funds availability, and other life cycle management processes. Robo advisors can help cut the cost of advisory services to reach a wider audience, enabling PBWM companies to reduce their commission rates on individual investments.

4. Analytics

AI-based predictive and prescriptive analytics offers proactive and accurate recommendations, enables faster decision-making, and improves governance. AI-based analytics solutions work with patterns in unstructured and structured data to predict and recommend the next best course of action, depending on individual HNWI's life moments, preferences, moods, and needs.

5. Operations

As the technology landscape becomes extremely complex, heterogeneous and dynamic, AI provides the systems and tools required to automate and optimize processes, enabling organizations to achieve zero touch operations. It also frees up human advisors' time to focus on value-adding processes and resolving escalated queries.

6. Compliance and governance

Private banking is governed by varying regulatory compliance requirements imposed by different jurisdictions across markets and geographies, making data management and governance key to success. Cybersecurity is also crucial for successful adoption of zero-touch banking. AI strengthens private banks' data management capabilities against growing vulnerabilities and enables periodic scrutiny of financial data and books of records, ensuring superior compliance. AI-based predictive systems can also predict financial risk and detect fraudulent/unusual transactions to improve fraud detection and proactive management.

AI: The next frontier in wealth management

AI is poised to have an all-pervading impact on banking and financial services. Machine

learning, artificial intelligence, and natural language processing are game changing technologies that facilitate real-time decision making through data-driven insights. This will enable banks to put customers, particularly HNWI, where they want to be: in the driver's seat. Implemented right, AI has the capability to complement how advisors connect with their customers and also support self-directed investors to derive more value. Clearly, AI must be a pivotal part of any wealth management firm looking to innovate in order to retain market relevance and drive profitability.

Reference

¹<https://www.grandviewresearch.com/press-release/global-cognitive-computing-market>

About the author

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