



Nick's Corner



The New Physics of Financial Services – How artificial intelligence is transforming the financial ecosystem

Source - World Economic forum

Artificial intelligence is fundamentally changing the physics of financial services. It is weakening the bonds that have held together the component parts of incumbent financial institutions, opening the door to entirely new operating models and ushering in a new set of competitive dynamics that will reward institutions focused on the scale and sophistication of data much more than the scale or complexity of capital.

A clear vision of the future financial landscape will be critical to good strategic and governance decisions as financial institutions around the world face growing competitive pressure to make major strategic investments in AI and policy makers seek to navigate the challenging regulatory and social uncertainties emerging globally. Building on the World Economic Forum's past work on disruptive innovation in financial services, this report provides a comprehensive exploration of the impact of AI on financial services.

Key findings include:

- From cost centre to profit centre: Institutions will turn AI-enabled back-office operations into external services, both accelerating the rate at which these capabilities improve and necessitating others to become consumers of those capabilities to avoid falling behind.
- A new battlefield for customer loyalty: As past methods of differentiation erode, AI presents an opportunity for institutions to escape a "race to the bottom" in price competition by introducing new ways to distinguish themselves to customers.
- Self-driving finance: Future customer experiences will be centred around AI, which automates much of customers' financial lives and improves their financial outcomes.
- Collective solutions for shared problems: Collaborative solutions built on shared datasets will radically increase the accuracy, timeliness, and performance of non-competitive functions, creating mutual efficiencies in operations and improving the safety of the financial system.
- Bifurcation of market structure: As AI reduces search and comparison costs for customers, firm structures will be pushed to market extremes, amplifying the returns for large-scale players and creating new opportunities for niche and agile innovators.
- Uneasy data alliances: In an ecosystem where every institution is vying for diversity of data, managing partnerships with competitors and potential competitors will be critical but fraught with strategic and operational risks.

The power of data regulators: Regulations governing the privacy and portability of data will shape the relative ability of financial and non-financial institutions to deploy AI, thus becoming as important as traditional regulations to the competitive positioning of firms.

- Finding a balanced approach to talent: Talent transformation will be the most challenging speed limit on institutions' implementations of AI, putting at risk the competitive positioning of firms and geographies that fail to effectively transition talent alongside technology.

New ethical dilemmas: AI will necessitate a collaborative re-examination of principles and supervisory techniques to address the ethical grey areas and regulatory uncertainties that reduce institutions' willingness to adopt more transformative AI capabilities.

This report was prepared by the World Economic Forum in collaboration with Deloitte.

Client Services

Our annual LISP/Product Provider forum will take place next month on Tuesday, 16th July 2019. A detailed agenda will be circulated shortly, the high-level discussion points will be:

- Future enhancements
- Useful functionality/enhancements from previous release/s with specific benefits for Product Providers
- Automation
- General Issues

I would also like to highlight the communication that was addressed to all ManCo's on the 12 June 2019; holding balances for non-traded accounts in the confirms file will be a **mandatory requirement** on FinSwitch by the beginning of quarter 4 2019. Including all holding balances for non-traded accounts as well as a clean-up of all the standing data is a necessity before we go live with this requirement. The communication sent, included steps to action the clean-up of the standing data. Please action this request timeously.

The TLS v1.2 upgrade has taken place in our UAT environment, **please be sure to test your browsers and web services before we go live with the upgrade.** FinSwitch Live will be updated on Saturday, 06th July 2019 and will be live on Monday, 08th July 2019.

Best Wishes

Tasneem Gydien

Manager: Client Relations

Application Desk

My FinSwitch journey started in April in the Application & Development Manager role. I have worked for over fifteen years in the Cape Town Financial Services sector specialising in application management, business technical analyst and application support roles and look forward to the challenges that will no doubt present themselves.

I am pleased to announce that release 1 for 2019 went live on the 11th May. This was a landmark release and since going live has met with positive feedback from users who report that the application is noticeably faster on both the user interface and the file processing fronts.

In addition to upping the performance of the application the following functionality was also included:

- The uploading and downloading of Effective Annual Cost data
- Download of the corresponding error file by Web Services when uploading files using the "Process Valid Line Items" option
- Addition of "Submitted Date" (i.e. actual date of upload) as a Web Services parameter to download Confirmation files. This supplements the existing "Value Date" and "Cycle Date" file download parameters and will allow Bulk Investors to identify any corrections etc. which may have been uploaded by a Manco later than the accepted cut-off time for transaction confirmations
- A new notification informing of corrections present in files uploaded.

The next planned release for this year is currently underway and is scheduled for quarter 3. This release will introduce and focus on functionality that will allow Bulk Investors the ability to receive transaction requests as well as upload confirmations.

Best Wishes

Dawn Cooper

Manager: Application & Development

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