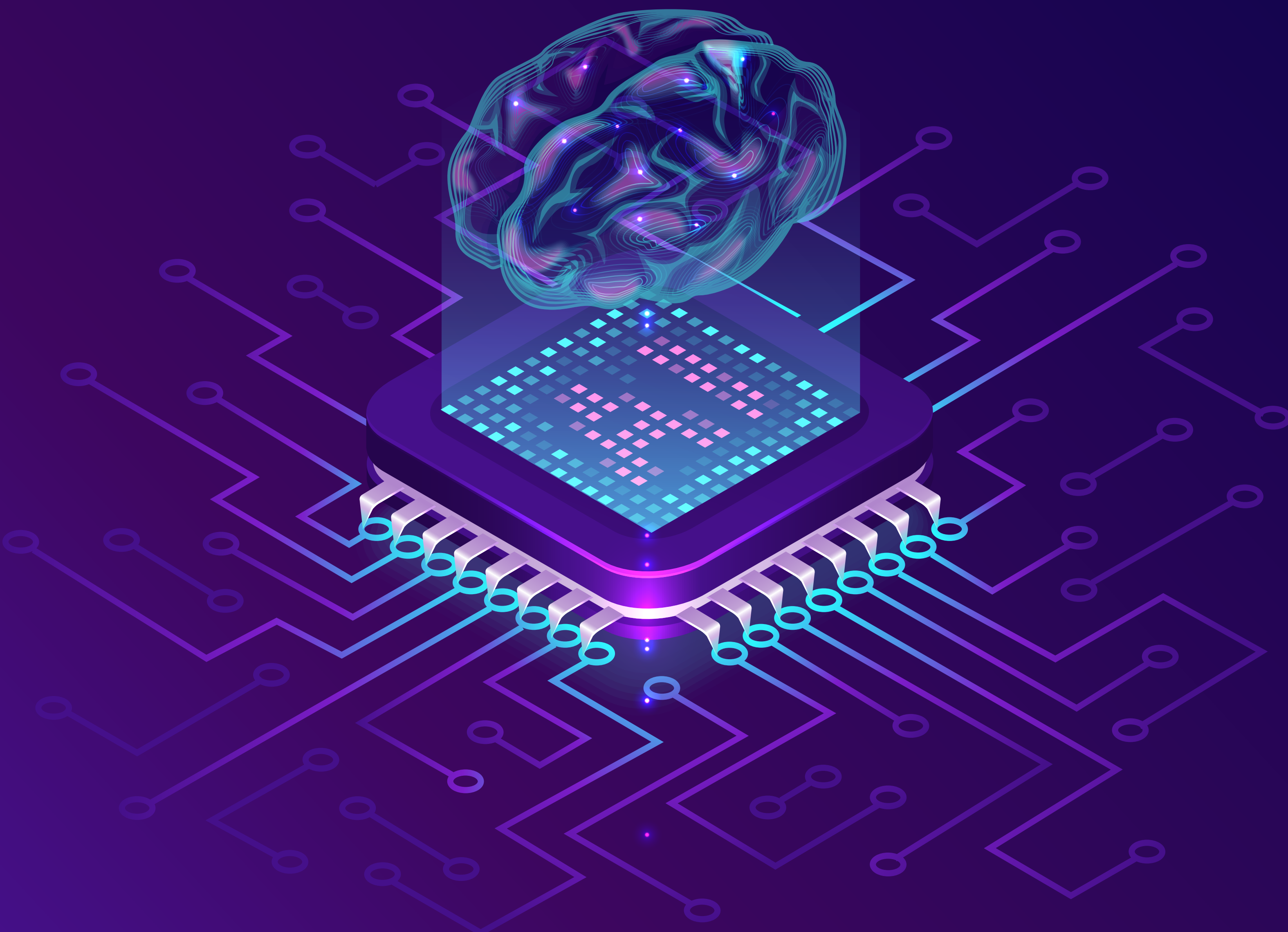
ASIAN BANKING SCHOOL



Let's Talk Digital Series #12

Incorporating Ethical AI into Banking Innovations

Incorporating Ethical AI into Banking Innovations

Artificial intelligence (AI) is redefining financial institutions. Along with preventing payment fraud, enhancing the scope of anti-money laundering (AML) and offering 24/7 chatbot assistance to clients, AI is improving customer service standards and security, and is estimated to help banks save nearly $447 billion by 2023.

However, the endless possibilities offered by AI come with substantial risks. Only recently did Google apologise for the racist results produced by Vision AI, an automated image labelling software. The service labelled an image of a dark-skinned individual who was holding a thermometer as a “gun”. And a picture of a light-skinned person was classified as an “electronic device”.

Similarly, in 2016 Microsoft released a chatbot named Tay as an experiment in “conversational understanding”. Although the company designed Tay to be friendly and engaging, within a few hours of its release, it posted highly derogatory tweets, influenced by the interactions it had online.

Such incidents highlight that AI can be deceived in numerous ways and can be manipulated by biased data. As a result, when banks decide to adopt AI into their system, they need to establish precise guidelines to maintain their usage as both ethical and explainable. Here are some of the critical standards that banks must deliberate over.

CUSTOMER DATA AND PRIVACY PROTECTION

Customers have the right to safeguard their personal data, and it is the responsibility of the banks to enforce this protection against any forms of data thefts or misuse.

The European Commission implemented the GDPR standards, which established seven principles to grant more control to individuals over how their data is collected, in addition to regulations to maintain its integrity and confidentiality by businesses.

For surviving in a highly competitive environment, it is tempting for financial institutions to sell user data to maximise profits. Not only is this practice unethical, but it can also have severe implications on the privacy and security of their customers.

Banks must ensure that customer data does not end up in the hands of other businesses or data brokers. Otherwise, these entities will exploit the data to identify prospective customers and tailor their acquisition strategies for financial gains.

Customers must also be able to inspect the type of personal data used by their banks. They must have full liberty to revise or revoke any data exchange agreements with the financial institution.

TRANSPARENCY IN THE USAGE OF AI

Many consumers do not realise that they are dealing with AI when they receive certain financial services. For instance, in the case of chatbots, a bank must inform its customers they are talking to a conversational AI and not a real representative. It will help the patron understand the limitations of such technology.

Customers are more likely to trust their bank when it is transparent with the type of technology it uses. Banks must also inform users about the kind of data the AI algorithm ingests and operates on to eliminate unjustified fear, such as the invasion of privacy.

AI systems must also be regulated only to collect the essential data it requires to perform the job efficiently. In the chatbot example, it will only need information such as the customer's name, phone number, and account details, to display their account balance on request. Collecting other data, such as the location history of the customer, is unnecessary and should not be done.

AI EXPLAINABILITY AND ACCOUNTABILITY

When employing AI for decision-making processes, banks must ensure they are fully aware of how the system works and how the algorithm forms a particular result. For instance, banks are starting to use alternative data for credit scoring with the help of AI to gain a three-dimensional overview of a customer's creditworthiness.

In such a situation, financial institutions must be competent enough to explain the data and assumptions applied. It will help customers improve aspects of their lives, such as prompt utility and rental payments, which are some of the alternative data used for credit scoring.

Banks need to have employees who are well-informed about how the AI system works, and they must be capable of explaining it to the customers. Otherwise, customers who are not tech-savvy will be perplexed by the system.

Similarly, clearly defined guidelines about the accountability of decisions made by AI need to be drafted out. Who will be responsible for the consequences of the algorithm's incorrect outcomes? Who has the decision-making authority, higher than the AI algorithm? We need to answer such queries before deploying AI.

EQUAL TREATMENT OF DIFFERENCES

One of the most debated ethical concerns of AI in banking is the racial discriminations it can cause due to thoughtlessly developed data sets used to train AI. Any forms of prejudices the system creates can be traced back to the creators who developed and taught it. AI systems must be free of any sorts of racial or economic preferences while making decisions.

While designing algorithms for AI, organisations need to have onboard stakeholders with varying skills and backgrounds. These people will help expose the AI to more diversity and improve its effectiveness in solving real-world issues.

POSITIVE IMPACT ON WORKFORCE

Many repetitive tasks can be automated with the help of AI. But AI automation can adversely impact the jobs of specific segments of employees, making their skills look irrelevant to the bank.

Rather than replacing humans with AI, banks should focus on creating an alternative plan of action that utilises AI to add more precision to the task or reduce the burden placed on employees. Banks must also upskill employees to work alongside AI.

AI chatbots, for instance, can reduce employee workload by answering frequently asked questions and directing the more complex queries to human workers. AI can also very quickly calculate the risks associated with a customer accompanied by human oversight.

IN CONCLUSION

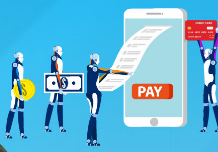
AI changes the way financial institutions operate. But there is a need to scrutinise the usage of AI in banks for its reliability and safety. We can neutralise most ethical issues caused by AI by establishing a framework that validates their decision-making process and protects customer data. Moreover, by training AI systems with data that is free of human biases, they significantly complement and augment human capabilities.

5 Ethical Considerations When Implementing AI in Banks

Although artificial intelligence (AI) is reshaping how financial institutions operate, it comes with substantial risks. There are various methods to deceive AI, and one of them is through data that is biased. When banks choose to implement AI into their system, they need to establish strict guidelines to maintain its ethical usage.

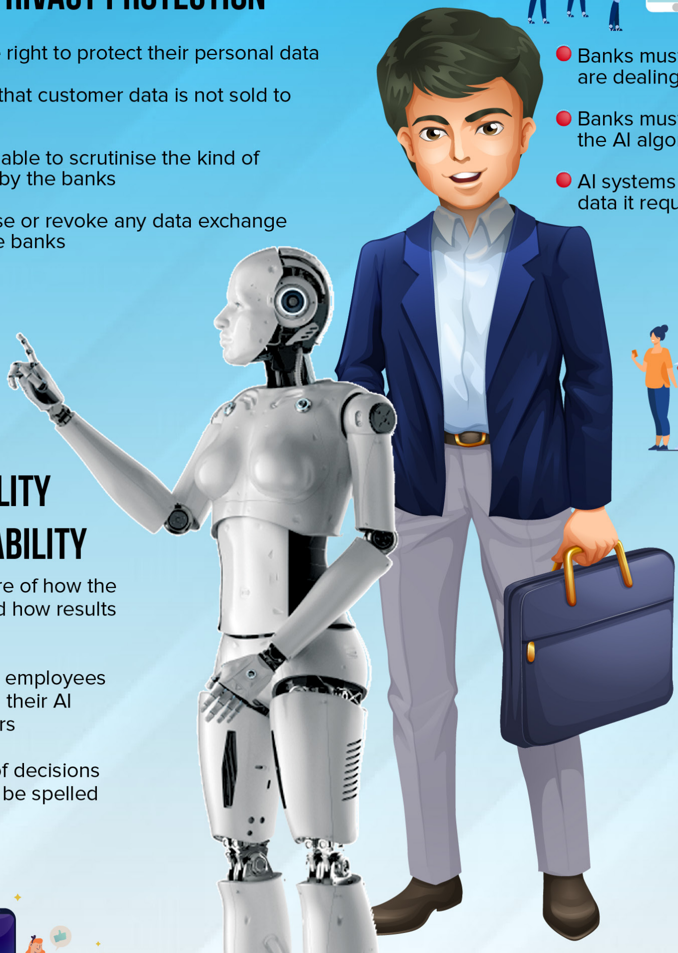
CUSTOMER DATA AND PRIVACY PROTECTION

- Customers have the right to protect their personal data
- Banks must ensure that customer data is not sold to third parties
- Customers must be able to scrutinise the kind of personal data used by the banks
- Customers can revise or revoke any data exchange agreements with the banks



TRANSPARENCY IN THE USAGE OF AI

- Banks must inform their customers when they are dealing with AI
- Banks must notify users on the type of data the AI algorithm works on
- AI systems must only collect the necessary data it requires to perform the job



AI EXPLAINABILITY AND ACCOUNTABILITY

- Banks must be aware of how the AI system works and how results are produced
- Banks need to have employees who are can explain their AI systems to customers
- The accountability of decisions made by AI need to be spelled out by banks

EQUAL TREATMENT OF DIFFERENCES

- AI systems must be free of racial or economic biasness when making decisions
- Banks need to involve stake-holders with different skills and backgrounds who will subject the AI to diversity and enhance its effectiveness in solving real-world issues

POSITIVE IMPACT ON WORKFORCE

- AI automation can render some human roles irrelevant to the bank
- Rather than replacing humans with AI, banks should exploit AI to add more precision to the task or lessen the burden placed on personnel
- Banks must upskill its workers to work alongside AI and to provide human oversight

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This article is part of the Digital Banking Learning Series, 'Let's Talk Digital', an initiative by the ABS Center for Digital Banking. It is written by industry practitioners and are aimed at educating the general public on the intricacies of digital applications in banking and other related industries, including the latest insights and trends of Digital Banking.

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