NEWS

Investment banks to choose artificial intelligence over humans

Artificial intelligence could replace humans at the heart of the way capital markets work

By Samuel Agini
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Under constant pressure to slash costs and boost returns, investment banks are set to replace humans with artificial intelligence.

Stamford, Connecticut-based research firm Greenwich Associates thinks investment banks will seek to deploy artificial intelligence across research, sales, trading, and compliance.

Already used to detect fraud, deliver credit ratings and provide robotic financial advice in the retail sectors, artificial intelligence could be set to overhaul the way wholesale markets work.

Richard Johnson, vice president of market structure and technology at Greenwich, said: "In today's environment of continued cost pressure and low margins in many businesses, investment banks are even more incentivized to reduce costs through automation."

"AI and robotic process automation promise to provide just the solution they are looking for," he added in the March 7 statement.

The research found that the next generation of algorithms will make use of machine learning to figure out the best strategy for executing orders for securities.

FN reported on March 8 that computer trading hedge funds are attracting greater attention from investors, based on a survey by Deutsche Bank. Paris-based Walnut Algorithms is one of the hedge funds to make use of artificial intelligence to come up with investment ideas.

Artificial intelligence is drawing further attention in financial markets. Consultancy Opimas predicted in a March report that artificial intelligence technologies could cut 230,000 jobs across the capital markets, with employees in the asset management industry to be hardest hit - 90,000 of the total.

Opimas managing director Axel Pierron said financial firms will spend more than US$1.5 billion this year on AI-related technologies and US$2.8 billion by 2021. Those sums do not include additional investments in AI start-ups and acquisitions.

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