Opinion

Best Starting Place for AI in Ops: E-Mail Clutter

May 30, 2019

Despite grand predictions for AI's impact on the industry, most operations professionals see little difference in their day-to-day from five or even 10 years ago. The sticking point for many is that their organization doesn't know where to begin. But the best place is literally staring them in the face for most of the working day: e-mail.

Whitfield Athey is CEO of Delta Data.

The "operations@" inboxes that many asset managers maintain is the most obvious case for putting artificial intelligence to work. These are created as an easy catchall for communications between funds and their counterparties. While they work well in pooling communications in one place, after a while they become cluttered. I liken it to the clutter that inevitably builds up in your basement — you know everything that's down there, but finding something specific can be a tall task. On top of that, a sea of clutter makes maintaining accountability difficult.

AI's capabilities to categorize information received and identify specific changes within both structured and unstructured documents can automate many of the manual tasks that are part of every business process in the back office, much of which is driven by e-mail.

AI today works best when there's a finite data set you can train a program to run on. In this case, Outlook is the data storage house. You want to organize and funnel everything from counterparties to the proper contact, addressing the task automatically, if possible.

Broker-dealer anti–money laundering documentation represents a perfect example. It's a process still heavily reliant on e-mail and requires manual cross-checking of documents to make sure they're still in the good graces of the fund company's compliance and risk department.

Applying AI to the process of sending, receiving and processing these documents is a straightforward exercise:

• If the process is to review the anti–money laundering document supplied by the broker-dealer, and no material change is noted by the AI, then no human processing should be brought to bear.

• Alternatively, if there are changes, the system will highlight exactly what was changed year-over-year and alert the operations team quickly.

The goal of AI is not to replace human review but to allow the human to spend time on material items.

AI processes can, likewise, be trained to assist any other business processes involving information commonly shared among counterparties, such as position and transaction information, invoicing/payments and product event information, such as mergers and liquidations. As previously mentioned, all of these processes are likely funneled through the same "operations@" e-mail address serving as a deep data lake for which to train different AI functions.

AI and the 'last mile' to solving for operational alpha

A recent article in *Harvard Business Review* noted that some companies have begun banning e-mail altogether as a way to recoup the productivity losses (estimated to equal nearly a quarter of the average employee's workday). This obviously isn't an alternative for an industry as regulated and interconnected as the mutual fund space. But the philosophy behind these initiatives is what makes e-mail such a compelling target for AI, as mutual fund companies look to use this technology in a material way.

After mastering efficiencies in ordering, fulfillment and supply chain management, Amazon is now doubling down on optimizing the "last mile" of delivery by developing its own network of delivery trucks and airplanes. In the same way, addressing the communication bottleneck between asset managers and counterparties is the last mile toward achieving operational alpha.

Despite the very real challenges facing AI's acceptance, ultimately there's enough momentum — money, plus people — committed to its success that the industry will come out better in the near and long term. While the near-term impact will be in the back office in non-client-facing communications (the part you don't see), it will lead to a far more efficient back office and end-client alpha. The key to getting there is in near-term projects where CIOs can show the value and keep momentum going.