



ChatGPT: an opportunity to transform banking operations and improve customer experience

Written by Nicole Maitre from the Retail and Commercial Banking segment of Be | Shaping the Future UK.

ChatGPT, short for Generative Pre-Trained Transformer, is an advanced AI (Artificial Intelligence) language model developed by OpenAI.

It is a powerful tool capable of understanding and generating human-like text responses to various prompts. ChatGPT operates as a chatbot, allowing users to interact with it through text-based inputs.

ChatGPT is trained on a massive dataset of over 45 terabytes of text data, including books, articles, and other written material. This training data was selected to provide a diverse range of language and topics, which allows it to understand language patterns and relationships between words and phrases.

When given a prompt, the model generates a response by sampling from a probabilistic distribution of possible next words and refining the response through an algorithm called Beam search. This process enables ChatGPT to generate responses that are coherent, accurate, and relevant to the prompt.

What makes ChatGPT stand out from other AI chatbots?

ChatGPT stands out from other AI chatbots due to the sheer scale of pre-training on large text datasets, its state-of-the-art transformer architecture and generative approach, as well as OpenAI's focus on continuous improvement.

This has resulted in more accurate and human-like responses. The capabilities of ChatGPT are vast, ranging from answering simple questions to generating complex paragraphs and articles. General examples of ChatGPT's capabilities include:

- **Question answering:** Answering a wide range of questions on several topics, such as history, science, technology, and more.
- **Language translation:** Translating text from one language to another, (supporting multiple languages), making it useful for cross-lingual communication.



- **Text generation:** Generating text based on a given prompt or topic. It can create coherent and fluent articles, summaries, and even poems, making it a powerful tool for content creation.
- **Conversational AI:** Engaging in human-like conversations on assorted topics. It can handle multiple turns in a conversation, understand context, and generate relevant responses, making it a valuable tool for conversational AI applications.
- **Sentiment analysis:** Analysing the sentiment of text and categorising it as positive, negative, or neutral. It can be used for a wide range of applications, such as social media monitoring and customer feedback analysis.

How can ChatGPT be used by banking organisations?

The model's ability to understand and generate human-like text, and process and analyse copious amounts of data, make it a valuable tool for various industries and applications, especially for the banking industry.

Going forward, we see enormous potential for banks to use ChatGPT to improve their banking operations and service to customers.

This includes:

- **Improved customer experience:** ChatGPT can be integrated into banking platforms to provide 24/7 customer support, handle customer inquiries, and resolve issues quickly and efficiently.

This can help banks to substantially improve current automated customer interactions, with expanding range and sophistication of interaction, resolving problems and sharing technical information with customers.

- **Enhanced fraud detection:** ChatGPT can be trained on substantial amounts of financial data to detect and prevent fraudulent activities, such as identity theft, money laundering, and credit card fraud.

This will help banks reduce their exposure to financial losses and improve the security of customers' financial information.

- **Streamlined loan approval process:** It can be used to automate parts of the loan approval process, allowing banks to assess the creditworthiness of loan applicants quickly and accurately.



This can help banks to make more informed decisions, reduce the time required to approve loans, and minimise the risk of loan defaults.

- **Improved investment management:** ChatGPT can be integrated into investment management platforms to analyse enormous amounts of financial data and make investment recommendations to clients.

This could help investment managers to make more informed investment decisions and provide better investment services to their clients.

This has the potential to open the wealth management / private banking market to retail banking by directly using ChatGPT as a wealth adviser / private banker.

- **Automation of back-office operations:** It can be used to automate various back-office operations, such as data entry, document processing, and reconciliation. This will help reduce operational costs, increase efficiency, and improve accuracy.
- **Personalisation:** ChatGPT can be used to analyse large amounts of customer data and provide personalised financial recommendations and services to customers, helping to provide a better customer experience and potentially increasing customer loyalty.

It is clear that ChatGPT and comparable technologies could have a significant impact on the banking industry, from automating and streamlining processes resulting in reduced operating costs, to improving customer experience by increasing response turnaround times and personalisation.

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What are the risks of using ChatGPT ?

Whilst there are huge benefits to be realised from using ChatGPT, there are also potential risks that will need to be considered before mass market adoption in the financial services industry.



In the words of ChatGPT there are a number of risks associated with its use in this sector, such as:

- **Security risks:** ChatGPT could be vulnerable to hacking or cyber-attacks, which could lead to a data breach or compromise sensitive customer information.
- **Misinterpretation of language:** ChatGPT relies on natural language processing to understand and respond to customer inquiries, but there is a risk that it may misinterpret certain words or phrases, leading to incorrect responses or actions.
- **Legal and regulatory risks:** The use of AI in banking may be subject to various legal and regulatory requirements, such as data privacy laws and consumer protection regulations. Failure to comply with these requirements could result in legal and financial penalties.
- **Bias:** ChatGPT may also exhibit bias in its responses, based on the data it has been trained on, which could lead to discriminatory outcomes for certain groups of customers.

To mitigate these risks, banks should implement robust security measures, regularly review and audit ChatGPT's responses, and ensure that the AI system is regularly updated and trained on diverse datasets to reduce bias.

It is also essential to maintain transparency with customers about the use of AI and its limitations, as well as provide alternative channels for customer support when needed.

Whilst these risks need to be addressed, there is no doubt that generative AI is a powerful tool that is here to stay, with potential for a transformative impact on the banking sector.

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About us

Be | Shaping the Future is a leading pan-European financial services management consultancy, operating in 13 countries across Europe.

We are a disrupter to the top-tier consultancy brands, trusted by five out of ten of Europe's leading banks (alongside other leading financial institutions and FinTechs).

We are one of the fastest growing consultancies with dedicated specialist teams in:

- Finance & CFO advisory
- Cards and payments
- Retail and commercial banking
- ESG
- Risk, regulatory and compliance

We work in partnership with our clients to deliver transformational change and strategic advice, powered by a unique culture, attaining a new quality and price standard.

The Retail and Commercial Banking team at Be | Shaping the Future UK is composed of innovative thinkers, strategic advisors and transformation specialists.

Our key service areas include:

- Digital and business transformation
- Data analytics and innovation
- Operational excellence

Utilising our broad experience from across the banking sector, we ensure our clients take advantage of market disruption to achieve lasting value.

Bringing deep industry expertise and expert consulting capabilities, we support our clients to tackle their biggest opportunities and challenges to deliver fundamental and enduring change to their businesses.

Contact

For more information on how we can help with your retail and commercial banking transformation initiatives, please get in touch.



David Royle

Partner - Retail & Commercial Banking

David has over 25 years of banking and consultancy experience, having worked with global banks, building societies and dynamic challenger brands.

He specialises in digital transformation and data analytics to drive business innovation and change. Studying changing customer behaviour for many years, he has supported the sector to innovate and change, leading many industry firsts. He previously founded a FinTech start up to bring new insight and innovation to Personal Financial Management.

E: d.royle@beshapingthefuture.co.uk

T: +44(0) 7769 222877

W: www.beshapingthefuture.co.uk



Nicole Maitre

Senior Consultant - Retail & Commercial Banking

Nicole has over five years of consulting experience, having predominately worked in the financial services industry with a focus on business, process and change analysis, helping deliver solutions and projects on technology and regulatory change. Nicole has a Bachelor of Economics degree and postgraduate Honours degree in Economics.

E: n.maitre@beshapingthefuture.co.uk

W: www.beshapingthefuture.co.uk