Finding the **Next Watson** Use Case

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IBM.WATSON

MITSloan MANAGEMENT

IBM

Our Charge

"Find new, viable use cases for Watson, which leverage its unique analytical capabilities."

Proposal

Use **Watson** to disrupt the process of complying with regulations at Banks and Financial Institutions.

Problem at hand

The volume of unstructured information to handle.

The collapse of Enron

Sarbanes-Oxley 66 p.

The financial crisis of 2007-08

Dodd-Frank (2010)
849 p.

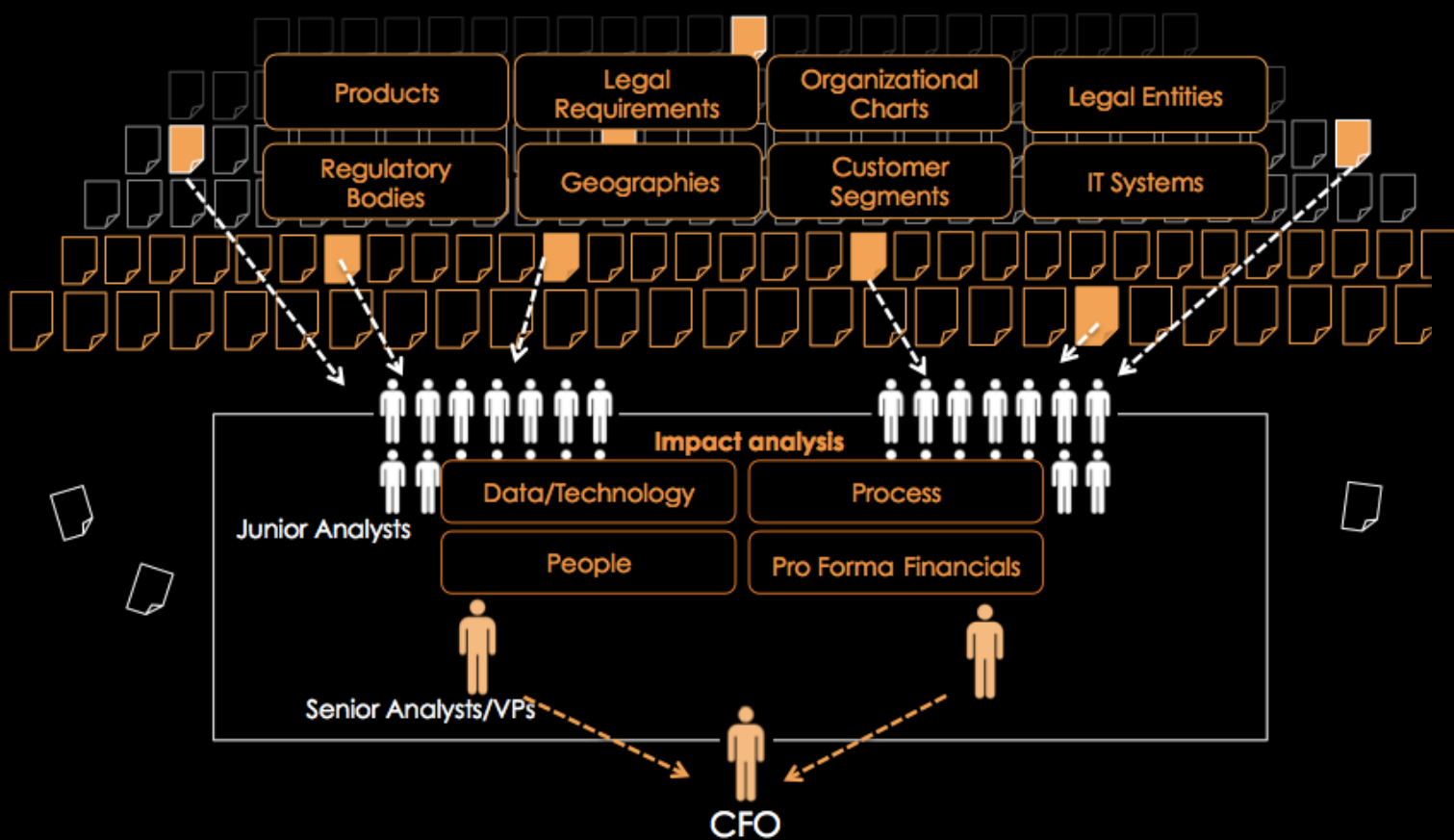Volcker Rule (2014)
900 p.

Millions of internal/ external documents

Staggering cost of compliance with the Dodd-Frank Act is estimated at $70B for large Banks.

The Volcker rule alone may result in the hiring of 3000 FTEs, and compliance costs of $350M.
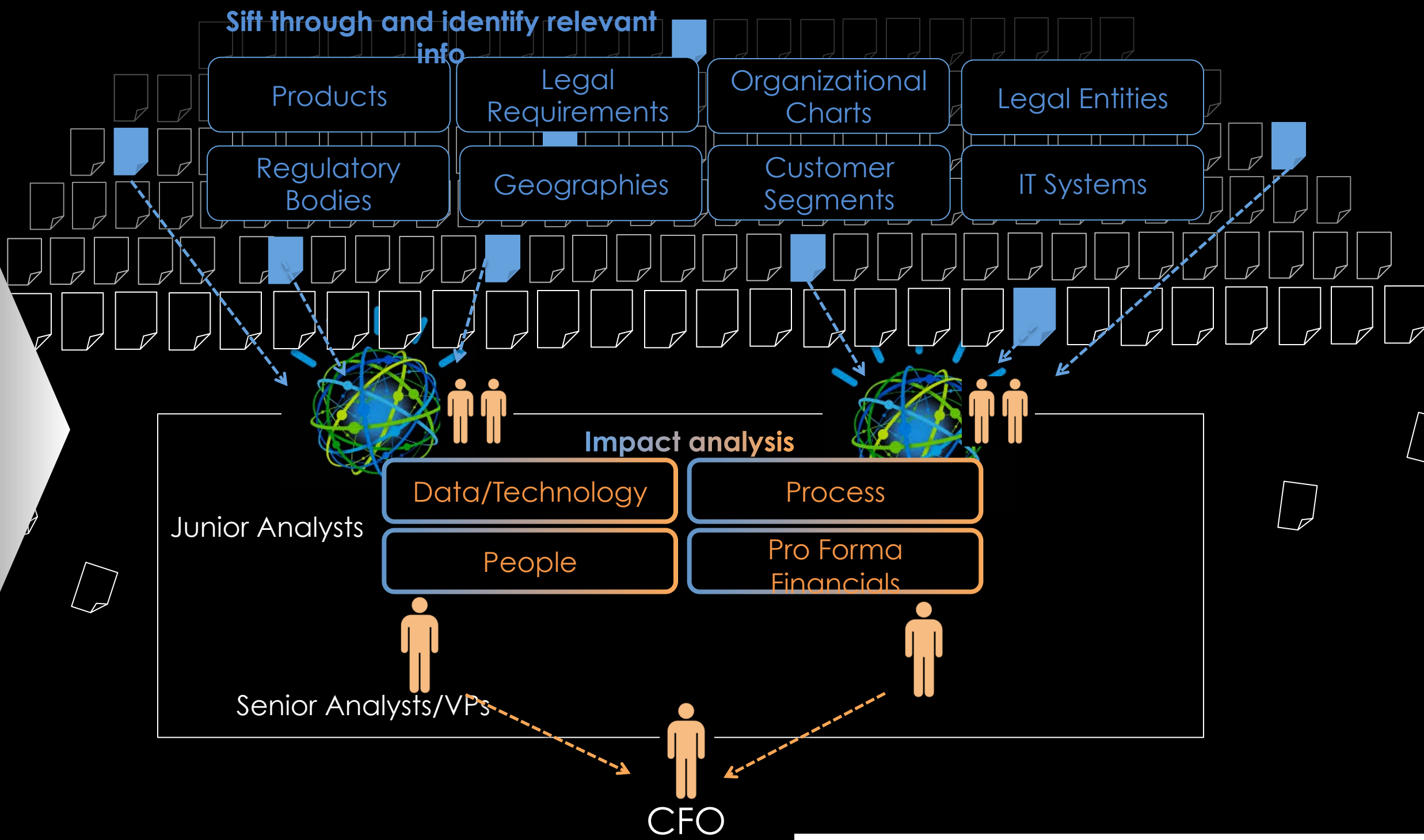
Use Case

As is:

Rule creation **in progress**; Cases accumulate **daily**. Bank Analysts **sift through** all the information, **identify and connect** relative info, then **conduct** impact analyses. CFO/Treasurers **make decisions** on suggested processes/products changes.

Products
Legal Requirements
Organizational Charts
Legal Entities
Regulatory Bodies
Geographies
Customer Segments
IT Systems

Impact analysis
Data/Technology
Process
People
Pro Forma Financials

Junior Analysts

Senior Analysts/VPs

CFO

Can be:

Regulatory Analyst **Watson** can help combining textual analytics of unstructured data, cognitive reasoning powers, machine learning using strong memory and closed feedback loop.

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KPIs

Improved EBITDA:

Competitive advantage, higher market share, higher revenue and lower operating costs

Revenue enhancement: Watson enables faster decision making compliance with regulatory requirements, allowing financial institutions to introduce "compliant" products before competitors and hence capture market share.

Improved efficiency ratios:
Compliance cost reduction. Watson reduces the need for lower-level personnel and allows analysts to focus on higher level tasks.

Streamlined processes and reduced duplication. Watson can allow financial institutions to reduce the amount of duplicative or misdirected work that could come from hiring vast numbers of compliance experts to interpret and map the impact of changing regulations.

Future Plans

Watson transforms regulations/governance: *not meant to burden industries with paperwork, meant to promote fair competition and best practices.*

Financial Regulatory Analyst

Better regulations/ governance

Compliance

Tax, Environmental
Safety, Governance
Health Care
Pharmaceuticals
Permitting, Insurance

Assist the regulator to make maximally efficient regulation

Regulator Assistant

Promote Best Practices

Audit prevention
Minimize pollution
Minimize accidents
Top-class oversight
Efficient coverage
Efficient permitting
Compliant insurance

Government Grants/Awards

Defense, Energy, EPA, State Department,
Dept. of Transport, FDA, State grants, Local grants
Gov't awards Energy Star Recognition