

In the spotlight



Shelly Liposky

Managing Director & Global
Head of Business Risk and
Solutions, Bank of Montreal

Interview by Gwen Wilcox, COO

OLI - The AI Powered Operational Loss Intelligence Solution



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AI phenomenon and brainchild of OLI, BMO's Operational Loss Intelligence Solution, talks about innovation, her passion for product development and what enriches her life beyond work

As global head of Business Risk & Solutions at BMO, can you tell us about your journey to reach where you are now?

My career path has moved through investment banking, business and infrastructure COO roles and risk where I'm lucky enough to integrate what I've learned to lead a team that is transforming how we manage risk.

I frequently ask, "how would you do it if it was your own company?" My answer regarding risk was, "I'd use AI to analyse data to tell me when something bad was going to happen, so I could do something to prevent it."

Having sketched out the design, I went through a loop of refining and designing the capability, with a diverse set of trusted partners, and then created a prototype. That was the birth of our AI based Operational Loss Intelligence (OLI) tool.

Challenges included finding and accessing data, old infrastructure, politics, internal processes, and convincing key people that my vision, strategy, and plan could be executed aligned within economic and operational targets.

What does OLI do and how does it predict and help prevent operational loss?

OLI's machine learning models ingest terabytes of internal and external data to determine the percent likelihood (signal) of an operational loss on a given day, in a group of people, or in an end-to-end process. If the signal is above a threshold, we take action to change human behaviour that leads to the operational loss.

What led you to make this seismic shift to prevent rather than react to operational events?

Across the industry managing operational risk has been backward looking. An event happens, someone writes it down, enters it into a system and it ends up on another piece of paper in a committee meeting. That's not managing risk and it's just not good enough.

Do you see OLI or similar AI based risk-management tools as a luxury or a necessity to businesses?

Definitely a necessity. Our industry has never been more fast paced, interconnected and digital. An input error can cause a flash crash. News can swing markets before humans see it coming. Bad actors can commit fraud and disrupt markets. And an operational event at one bank can impact us all. OLI is helping us prevent loss and now we are offering it to other financial institutions, so it can help them too.

In terms of reducing losses, what are some use cases where OLI could help?

Trading, Operations, Payments: predicting when losses are likely, we can prompt behavioural changes to avoid fat-finger errors, missed transactions, and miscommunication.

Process: predicting when a process or element of a process is likely to fail enables leaders to alert actors in a process so they can take action to help prevent the process failure.

Fraud: predicting when clients are at a higher risk of fraud and prompting them to change their behaviour to help prevent it.

OLI helps to prevent loss, target investment, and increase efficiency. What results are you seeing?

Since we implemented OLI a couple years ago, we've seen an impact in four areas.

First, wider event/volume spread: As transaction volume has increased, the number of errors/events has either increased at a slower rate or been flat to down.

Shelly is not only a powerhouse, she also loves fly fishing in the mountains, playing guitar, inventing, and is passionate about literacy, veterans, and the elderly.

Second, early warning: Before market open, OLI predicted at 62% chance of an event in European equities on the day of a fat-finger error that led to a flash crash. We alerted our European equities teams to change their behaviour that day.

Third, using meta-data from processes to predict when a process is likely to fail, making data-driven decision about investment priorities.

Fourth, increased innovation: Our journey with OLI has created energy and validated that as leaders, WE can awaken our innovative mindset, WE can have a radically different vision for the future, and WE are in a position to design and execute strategies to get us there!

For more information about OLI:
www.bmo-oli.com

Contact

Gwen Wilcox

COO, Armstrong Wolfe

g.wilcox@armstrongwolfe.com

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