



## Make a US\$100 Million Bet on AI With This Canadian Bank!

### Description

A US\$100 million investment is massive to most of Canada's banks, but it amounts to merely a drop in the bucket when considering the billions of dollars' worth of assets held on the balance sheet of **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)). That said, the more than US\$100 million investment TD recently announced in an upstart Canadian artificial intelligence (AI) company Layer 6 Inc. amounts to what can be considered a huge win for the firm in its bid to become a leader in this space, or, depending on one's viewpoint, a costly acquisition of talent that may not provide much in the way of anything long term.

As with most acquisitions, the long-term benefits are hard to quantify, and the returns equally elusive. How good is the 17-person team which was acquired, and what will the future hold for an AI-focused financial firm as opposed to one with a lack of a material investment in said space?

TD's announcement of an agreement to buy the one-year-old firm has certainly bolstered its position in the AI space, a key factor for investors to consider as each of the "Big Five" Canadian banks race to become the largest purveyors of AI-centred services both domestically and globally.

Three of the often-cited reasons that AI should be a necessary component of any major financial institution's operations are security, cryptocurrency-related threats, and big-data cost-cutting and efficiency-improving capabilities.

It is true that in a day and age where seemingly any large company, even companies in charge of keeping consumers' data safe, can be hacked, having the AI-based security know-how to provide better encryption and innovative solutions to keep customer financial information safe from hackers cannot be underestimated.

Accordingly, long-term risks from blockchain technology and cryptocurrencies pose a question to financial institutions: just how innovative are Canada's large, legacy-system financial institutions really? Can these institutions compete with the security and anonymity blockchain technology can provide?

But perhaps most interesting to TD's management team is the machine-learning-based, cost-cutting, and efficiency-related advantages which come on a first-innovate, first-served basis.

### Bottom line

While this deal may seem rich to many investors (a one-year-old company pots more than US\$100 million in one year — that's a pretty decent return), it should be noted that the going rate for machine-learning specialists globally has increased dramatically of late. As such, a long-term investment in some great Canadian talent appears to be a great deal, at least on the surface, for investors hoping for more innovation and improved operational excellence from companies like TD.

TD is predicting AI will be the wave of the future: check out this prediction as well!

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

### TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:TD (The Toronto-Dominion Bank)

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