

# 1 Bank That's Future-Proofing With AI and Blockchain Technology

## Description

We live in an age where technological innovation is causing immense disruption to many industries that were previously thought of as low-tech and immune from such advances in technology. These days, it's tough to find an [economic moat that's truly wide and durable](#) for decades; however, as an investor, one must instead focus their efforts on the adaptability of management and efforts to "future-proof" their business from technological disruption. In some cases, an embracing of technology will not just serve to preserve market share but may also allow a particular company to gain the leg-up over its less-adaptive competitors.

What's the disruptive tech that's going to profoundly change many industries?

Many pundits would agree that blockchain technology and artificial intelligence (AI) are game-changing technologies that will gradually become must-haves, not just for tech firms, but for financial institutions like the banks. If the Canadian banks, like those in the Big Six, fail to embrace these technologies, a competitor will, and the market-darling bank stocks may be victimized due to an inability to embrace tech.

You've probably seen many sci-fi films where AI has the remarkable ability to profoundly improve the lives of people, regardless of which industry it's applied in. But you probably aren't very familiar with blockchain. *Blockchain* and *cryptocurrencies* are two buzzwords that often go together; however, there's a difference between cryptocurrencies, a speculative asset that many pundits believe is "worthless," and the underlying technology that's used to power such decentralized currencies like Bitcoin.

When many want to invest in blockchain, they often buy cryptocurrencies. Sadly, that's not the way to go, as Bitcoin is just one of the potential applications of blockchain technology. There are many reasons why cryptocurrencies like Bitcoin are "noxious poison," as Charlie Munger once said, but instead of going into further detail on what you should be avoiding, I'm going to note a safe blockchain play that's hiding in plain sight.

Coincidentally, the same business is also investing a great deal into AI, augmented reality (AR), and other technologies to become a more robust firm that'll thrive in the new age of emerging technologies.

Enter **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)), Canada's most American bank, which has typically traded at a premium to its peers in the Big Six basket.

Not only does TD Bank offer investors peace of mind with its lower-volatility revenue stream from its retail focus or its promising outlet into the U.S., but TD Bank also has a management team that knows how to adapt. And they've been making remarkable moves on the tech front to future-proof the business from what could be the biggest industry-wide disruption in recent memory.

TD Bank isn't typically a firm that you'd expect would be filing a large number of software-related

patents. In recent years, however, the bank has filed up to 50 patent applications per year, with many high-tech filings, including applications relating to blockchain and AR.

Furthermore, TD Bank opened its wallet to beef up its AI talent with the acquisition of [Layer 6 AI](#) for US\$100 million. While such a move may be steep for a startup, it's clear that management has a commitment to future-proofing its business by placing huge bets on next-gen financial technology.

So, is TD Bank turning into the bank of the future?

Given the large number of tech-related patent filings, acquisitions, and commentary from management, it certainly sounds like TD Bank has a front-row seat to becoming one of the quickest of Canadian embracers of next-gen tech. Should a number of patents become approved, TD Bank may have a competitive edge over peers attempting to follow in its footsteps.

**Accenture Plc** noted that the banks could be in trouble "if they don't update technology to be more flexible and capable of supporting rapid innovation."

When it comes to TD Bank, it's taken steps to future-proof itself. As such, investors should be more than willing to pay up for TD Bank, not only a premium bank, but one that I believe is the most future-proof, not just in Canada, but potentially North America.

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