

Toronto-Dominion Bank Invests in Artificial Intelligence

Description

We don't often hear about Canada's big banks buying anything other than financial firms, but **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) announced an interesting purchase yesterday. TD is spending US\$100 million to buy an artificial intelligence firm. Let's look at the deal and why TD made the purchase.

The deal

TD is buying Layer 6 Inc., a Toronto-based start-up. Layer 6 operates a platform that analyzes data with the goal of anticipating and responding to customers' individual needs. (Layer 6 will still operate under its own name in its own offices, but it will only do work for TD.) The company is only a year old and boasts merely 17 employees. This makes the \$100 million price tag seem high.

However, TD has stated it's been looking to shore up its AI for a while, which is a good idea in our ever-changing technology environment. Smaller companies can be more nimble when it comes to making quick changes, and the banks don't want to lose competitive ground. For example, Bitcoin and the cryptocurrency market (which may turn out to be a flash in the pan) currently bypasses all major financial firms. New forms of artificial intelligence could help banks remain competitive and lower costs.

TD's CEO discussed why he thinks this purchase is so important at an industry conference this week. He stated, "We've talked a lot in the past about disruption and what would happen to banks and 'Are your business models broken?' and I say, this acquisition is a great example of how TD's adapting to this new reality and new expectation, and how we are remaining on the leading edge with our customers."

Investor takeaway

TD is not the only bank with its eye on AI. **Royal Bank of Canada** and **Bank of Nova Scotia** have also pledged substantial sums of money to artificial intelligence. TD has the funds to invest, and it bodes well that the bank isn't waiting to be left in the technological dust by smaller competitors. We've talked about other good news for the bank in these recent articles about [higher interest rates](#) and [U.S. tax reform](#).

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