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APPLIED AI IN FINANCIAL SERVICES

A new era in banking and finance

The financial sector is increasingly migrating to AI-enabled solutions. From hyper-personalization to fraud detection, AI is changing the paradigm in the financial services industry.

As in any innovation process, challenges, changes, and rewards exist. This report delves into the financial sector's journey to use AI innovatively and efficiently.

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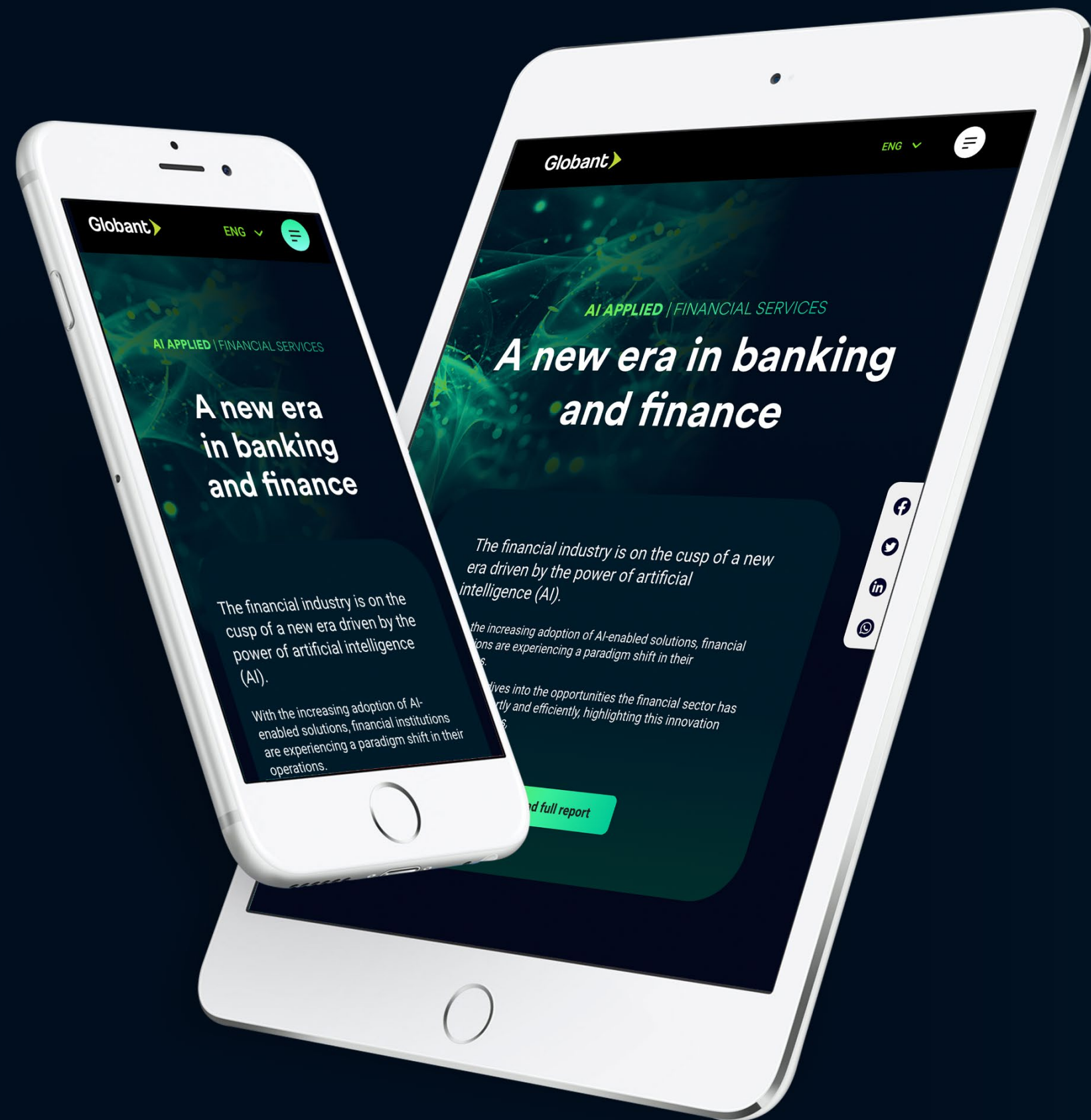
What's in it for
financial organizations?

Lander Gamboa Sanz, Director of the Future Finance Studio at Globant, highlights three main benefits for companies adopting AI: quality, cost-efficiency, and speed.

AI enables financial organizations to improve the quality of their offerings and customer experiences. Omnichannel strategies and hyper-personalization increase customer trust and open up new ways for customers to get control and visibility of their finances. AI can also handle heavy workflows, reducing costs and automating repetitive tasks, leaving space for people to focus on building a solid strategy to navigate digitalization.

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Although quality and cost-effectiveness are crucial, for Gamboa Sanz, the top benefit of AI in financial services is **speed.** AI can be an ally to get more visionary and ahead of the competition. Intelligent systems enable banks, for example, to adapt and communicate faster and more effectively. It can centralize data, improve decision-making, and quickly adjust to financial scenario changes. In short, AI allows companies to be more flexible and resilient.

> " Banks typically carry out all processes within the institution. However, to reap the fruits of AI, they must be open to working with external organizations."

Mariano Andividria
VP of Technology
at Globant

Here is where open banking plays a vital role in the financial landscape, allowing banks to know which products are best suited to their customers.

A distributor of financial data and news provider recently shared information on their new **artificial intelligence (AI)** model. It**'s a large-scale generative AI, extensively trained on financial data to assist in various natural language processing (NLP) tasks for the financial sector, and it's the first one of its kind for the financial industry.** Use cases of the tool include enhanced financial analysis, advanced risk assessment, streamlined financial reporting, and customized financial advising.

According to **Shawn Edwards, Bloomberg's Chief Technology Officer,** using the tool will enable organizations "to tackle many new types of applications, while it delivers much higher performance out-of-the-box than custom models for each application, at a faster time-to-market."

The model will assist in NLP tasks like sentiment analysis, named entity recognition, news classification, and question answering. The tool represents the path to leverage the large quantities of data available on the distributor's terminal to help the firm's customers better, taking advantage of the use of AI in the financial world.

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Use cases of

AI in financial services

Risk management.
One of the milestones that AI is driving is related to the behavior of individuals. AI, through information analysis, detects patterns in customer behavior that may reveal anomalies or fraud, for example, by detecting banking transactions in unusual geographical areas or far away from the places frequented by the user. An **EIU survey** of IT executives in the banking sector shows that fraud detection is the top application of AI in banking.

Level up customer experience.
AI enables organizations to leverage customer data to provide hyper-personalization and understand customer behavior. AI allows financial institutions to adapt their channels to their product offering and determine at which exact moment and channel to approach each type of customer.

Document content extraction.
Extract relevant information from large document sets such as contracts.

Regulatory mapping action.
Understanding the impact of new regulations on products, existing contracts, and terms and conditions of products.

Incident handling.
Suggest the best next response to agents managing conversational channels or email responses based on customers' contextual information, incident categorization, and standard runbooks.

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Document parsing and classification.

Many financial institutions still manage physical paperwork or faxes that must be digitized, categorized, and sent to the appropriate teams for review.
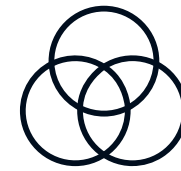
Virtual financial advisor.

Customers interact with a virtual assistant through natural language processing, allowing them to ask questions, receive advice, and perform financial transactions more conveniently and intuitively. The virtual financial advisor also analyzes customer data and public information to recommend investment strategies.

Synthetic data to improve financial models.

Financial institutions can use synthetic data to test the robustness of established financial models by subjecting them to various scenarios and stress tests, identifying potential weaknesses in the model. Analysts can make improvements to ensure the model remains reliable and effective under different conditions.

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Are companies ready to
implement and leverage AI?

The concept of readiness is crucial for financial organizations embracing AI. Data quality and availability are vital to uncovering patterns in customer behavior, increasing efficiency, and reacting to potential issues. However, organizations need help to modernize their IT systems.

When financial organizations have a foundation of data, they can build different types of machine-learning models on top of it. In other words, banks need transactional data to achieve optimal results. To enable transactions using AI, banks need to create a seamless integration. The models must be trained to read different data sets to facilitate a particular transaction.

Analysts predict the global data sphere will grow to **163 zettabytes by 2025**

About 80% **will be unstructured.** Financial organizations can leverage LLMs (Large Language Models) to help them process unstructured data, get insights and make predictions.

Prasant Narain
Technical Director
at Globant

" **The corpus for financial organizations is data from various kinds and sources that enable business capabilities.**"

Narain notes that financial organizations wanting to embrace AI must build their corpus and ask themselves, what is my readiness concerning data management and discovery?

Another crucial point for financial companies starting their AI journey is to **embrace cloud solutions.** Transferring a bank's digital system to the cloud is a significant transformation; this is still unexplored for many banks. Financial organizations adopting the cloud must shift gradually, become aware of the benefits of cloud-based solutions, partner with cloud providers, and create cross-functional teams to involve both IT and business areas.

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A great extent of AI innovation comes from **cloud computing platforms.**

Executing large AI models such as LLM requires tremendous computing power, which can be hard to achieve in financial organizations' data centers. Right now, they are made readily available through the different cloud providers. Also, training models can be a resource-intensive operation in which cloud infrastructure can significantly boost having custom models up and running. Overall, the cloud can give financial institutions the flexibility needed to improve their digital capabilities without investing in owning and operating their own infrastructure.

Finally, organizations need to ask themselves what they want to achieve. **Organizations can look for two things when adopting AI. Find a problem to solve or create a high-value opportunity.** Depending on that, they must establish an AI strategy focusing on the required data, models, and technologies to enable those specific use cases.

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Ethical decision-making and AI

Financial institutions must ensure unbiased AI systems and transparent use of customer data. **The power of AI is a significant advantage and a big responsibility, and using it ethically will become an essential consideration for all businesses.**

For the financial industry to leverage AI and incorporate it responsibly, they must accompany the initiative with principles that lay the foundation for how financial organizations use AI to improve their data understanding, comply with regulations, and build users' trust. Financial institutions must look for partners with a clear stand in AI ethics, establish relationships that share their considerations, and start with an **AI Manifesto.**

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The future of AI in financial services and banking

AI will continue to increase its presence in the financial services industry and banking as it is a transformative technology that offers much-needed advantages and desired benefits for the financial world.

According to the **WEF**, financial institutions will only find differentiation through assembly, execution, and relationships. These elements will impact the competitive standard through financial pillars such as operational efficiency, product development, connectivity, data access, and customer convenience.

AI will no longer be optional to remain competitive, differentiated, and innovative in an overwhelmed market. **AI will make up the architecture for financial institutions in the near future, enabling them to become cross-industry, exchange data, and accelerate productivity.** This will also create interdependence and interoperability between institutions, businesses, and organizations. However, the new technological capabilities and possibilities of the reinvention of the financial industry will come with significant ethical, social, and environmental challenges.

A survey of IT executives in the banking sector found that

85% have a "clear strategy" for adopting AI to develop new products and services. However, they must balance emerging technology with strict regulations while maintaining customer trust.

68% of the banks agree that the complexity and risks associated with handling personal data for AI projects often outweigh the benefits to customer experience.

Despite the challenges, the appetite for acceptance is high, and organizations are embracing a new way to use AI. **Artificial intelligence will go from being a technology used by the IT department to spreading across the organization.** For instance, the changes in interest rates represent loads of work to adapt the interest charts to different customers depending on the risk. AI makes this process much more effective and will become critical for commercial and risk departments in the coming years.

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Globant's role in transforming
financial services through AI

The scenario for AI in financial services is both exciting and complex. Decentralized databases, behavioral analytics, and identity recognition are some elements that make up this emerging ecosystem.

At Globant, we offer a holistic approach, helping companies in the financial sector understand the importance of including AI in their roadmap and implementing it to benefit their interests and needs. Our **Finance Studio** tackles the most pressing issues of financial institutions, such as payment solutions, open banking, commercial effectiveness, and regulation. On the other hand, our **Data and AI Studio** combines top industry knowledge with technological mastery, helping organizations unleash their full potential with cutting-edge solutions, carefully designed AI products, and data-based strategies that meet their needs.

We accompany clients in their journey with a complete life cycle and methodology that allows us to analyze the general context of the industry, understand the problem, design a solution, and use technology accelerators to generate a business impact. Genexus, Augoor, and FluentLab are part of Globant X, a suite that introduces AI as a mindset and the foundation of the next business reinvention era.

AI will impact every area, industry, and business for the better in the coming years and will change how things are developed and delivered. Through these AI-powered solutions, we help clients transform their business models and reinforce their place in the financial sector.

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Globant has used AI in different areas and has had relationships with financial companies for years, driving reinvention and efficiency. For example, we used an algorithm to help a leading bank detect the irregular behavior of beneficiaries and anticipate improper uses.

As a result, the bank reduced its spending by

40% **In the first three months of the algorithm implementation.**

Although many strategies can improve financial services, Globant has the experience and expertise to recommend the best AI application to meet our client's business needs. **Visit our Finance Studio** and learn more about the new era of AI in financial services and banking.

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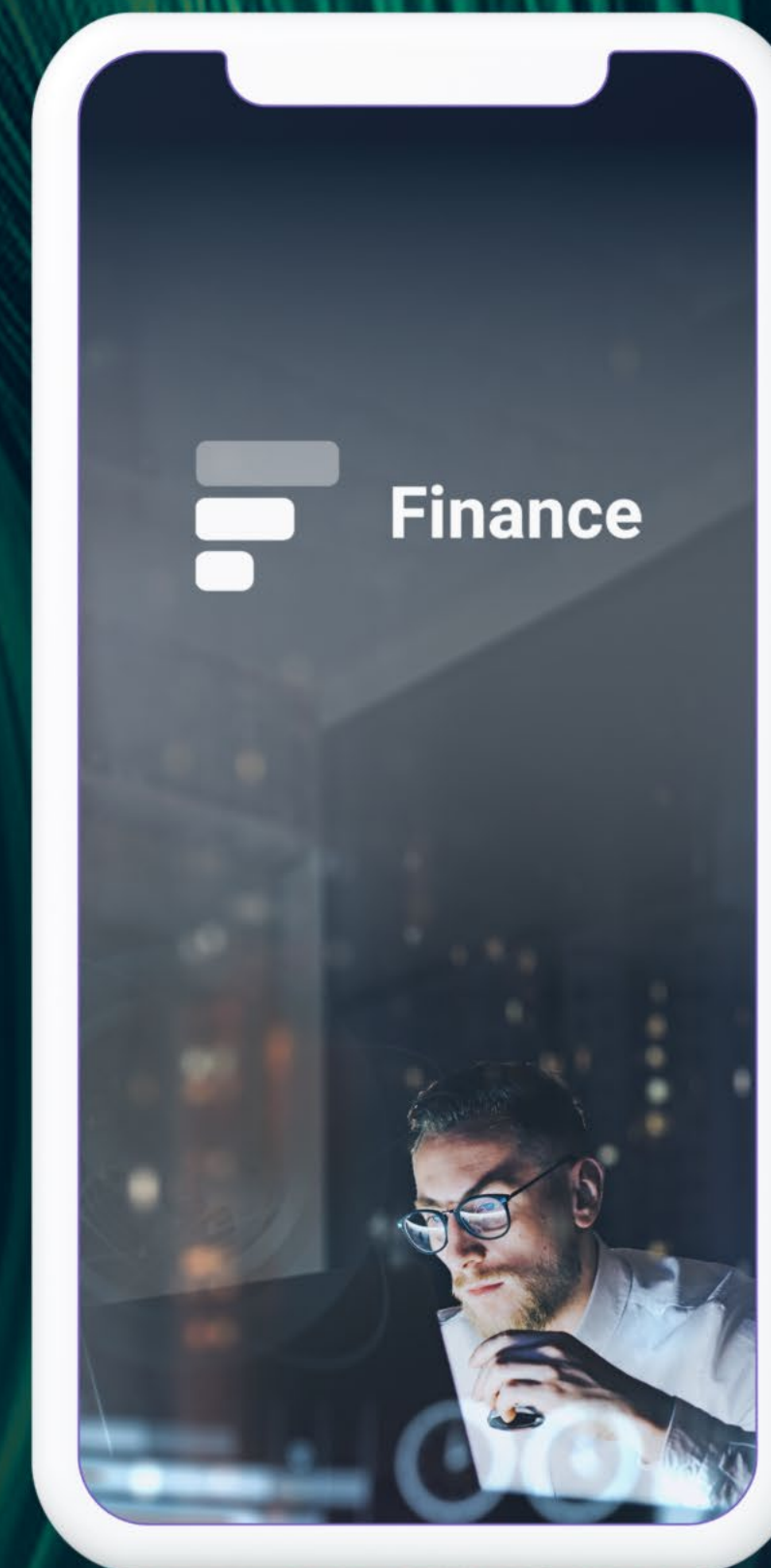
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About **Globant:**

We are a digitally native company that helps organizations reinvent themselves and unleash their potential. We are the place where innovation, design and engineering meet scale.

- We are more than 27,000 Globers present in 25 countries in 5 continents working for companies like Google, Electronic Arts and Santander, among others.

- We were named a Worldwide Leader in CX Improvement Services by IDC MarketScape report.

- We were also featured as a business case study at Harvard, MIT, and Stanford.

- We are a member of The Green Software Foundation (GSF) and the Cybersecurity Tech Accord.

For more information, visit   **www.globant.com**

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