



AI

From Caution to Action: How Advisory Firms are Integrating AI in Compliance

Commissioned by:



saifr[®]

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1. Introduction

Introduction

Two years after ChatGPT introduced the concept of Generative AI to a mainstream audience, financial institutions continue to grapple with the opportunities and risks posed by artificial intelligence (AI).

As with other business functions, compliance teams are working to understand how this latest generation of AI can add value within their areas of activity. It's already clear, however, that AI has the potential to boost productivity and reduce the time it takes to perform repetitive tasks, making it imperative for teams to evaluate how best to deploy AI models.

This survey – commissioned by Saifr® and conducted by A-Team Group – sets out to explore current attitudes toward AI adoption in the compliance area. It draws on interviews with senior compliance operations and technology executives at 17 firms in the wealth management and investment advisory segments. The resulting report offers insight into how compliance teams are managing their AI transformation, what steps they have taken, and what they hope to achieve from it.

Interviews focused on participants' experiences using GenAI and large language models (LLMs), but also included discussion of their use of more established forms of AI, including machine learning (ML) and natural language processing (NLP).

This report explores practitioners' appetite and expectations around AI, and the perceived practicalities of adding these technologies to existing workflows and processes. It also identifies key obstacles and how firms are seeking to address them.



2. Executive Summary

Executive Summary

- **AI is transforming compliance, but adoption is cautious:**

Compliance functions are beginning to explore AI, particularly in areas like AML, KYC, and regulatory research. However, most firms are in the early stages, with full adoption expected to take several years.

- **Phased approach:** While firms recognize AI's potential, they are proceeding carefully, particularly in sensitive areas like compliance. A cautious, phased adoption strategy is favored, with more complex use cases expected to take three to five years for full integration.

- **Efficiency gains are already evident:** Early AI deployments are showing value in enhancing consistency, speed, and accuracy in performing routine tasks. However, AI's role remains limited to summarization and initial insights, not critical decision-making.

- **Vendor solutions dominate early AI implementations:** Due to resource constraints, most firms rely on vendor-supplied AI tools and specialized RegTech solutions. Internal development is rare, except in cases where business needs demand customized capabilities.

- **Key concerns include data security and explainability:** Firms are wary of fully embracing AI due to concerns over explainability, reliability, and data security. There is broad agreement that human oversight will remain essential, particularly in areas like compliance and AML.

- **Need for immediate action:** With the timeline for AI adoption stretching out, firms should act now to begin testing, piloting, and evaluating AI tools. This cautious approach should not delay action—firms need to start laying the groundwork for AI integration today.

- **Prepare for a skill shift in compliance:** As AI becomes more integrated, compliance teams will require new skills, particularly in data science and AI oversight. Now is the time to invest in training and governance to ensure teams are ready for the AI-driven future.

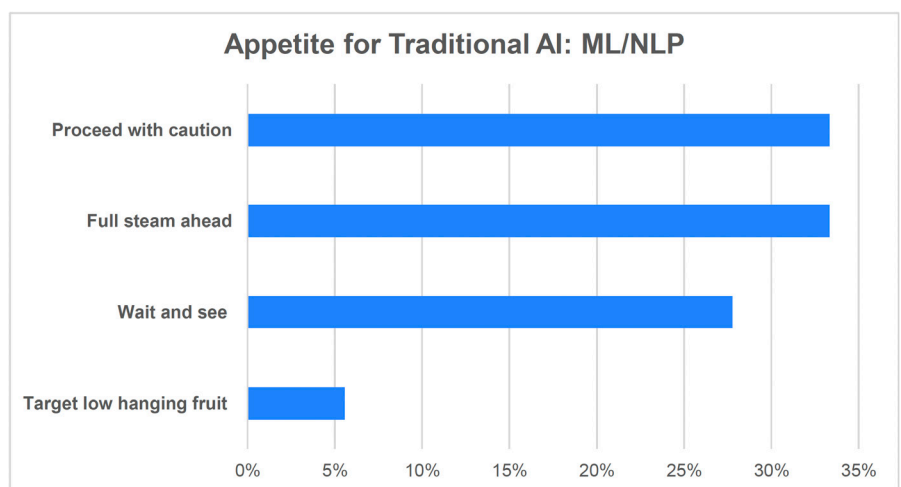
- **The future is proactive compliance:** AI has the potential to transform compliance from a reactive to a proactive function, continuously analyzing data and pre-emptively flagging risks. Firms that move early will likely be better positioned to capitalize on these advancements and streamline compliance processes.

3. Current State of AI Adoption in Compliance

Current State of AI Adoption in Compliance

Current Appetite for AI Within Compliance Functions

From the survey, it's evident that firms are demonstrating a wide range of engagement with generic AI technologies—such as ML, robotic process automation (RPA), and NLP—within their compliance teams. While some have fully integrated these technologies into their operations, others are taking a 'wait and see' approach due to concerns over regulatory compliance, cost, and data privacy.



ATG Survey, Aug-Sep 2024, 17 Respondents

Proceed with Caution

For compliance in general, adoption remains more cautious given its risk-averse nature as an independent control function. Many firms recognize the potential benefits of AI but are carefully evaluating its integration into their compliance processes.

Concerns about cost, business value, and maintaining control over data and technology are prevalent. These firms are conducting trials and pilots to assess feasibility before making significant investments. Data security and privacy concerns, especially in sensitive areas like AML, contribute to the cautious stance. While firms recognize AI's potential, they remain mindful of the risks and high costs involved in deploying these technologies in compliance processes.

When it comes to GenAI and LLMs, firms overall are taking a more cautious approach. There is strong interest in exploring these advanced AI technologies, but many firms are focusing on understanding their potential use cases while ensuring regulatory adherence and data security.



Many firms recognize the potential benefits of AI but are carefully evaluating its integration into their compliance processes.

One respondent said: "We're testing a couple of things now... but it's more [about] trying to work out whether there is a business case because we're testing an AI agent, which is incredibly expensive. It's not the usefulness of it that's in question, it's more of a cost that I think is the bit we're trying to work out, and to make sure there are business cases." Another respondent shared a similar case: "I've got one business case, which I think is very, very strong. But again, it's trying to look at it in terms of whether it is as strong as employing a skilled person."

The majority of firms surveyed are intrigued by the potential of GenAI and LLMs but are moving carefully due to concerns about data privacy, regulatory compliance, business case justification, and the need for human oversight. These organizations are exploring specific use cases, conducting pilots, and establishing working groups to assess how best to integrate these technologies into their compliance operations.

According to one respondent: "Within compliance, specifically, I found one area around financial promotions, which I think is a really strong case. We're slowly working through that. We're not doing anything at rapid speed, but we see an opportunity within legal and compliance. It's just, as I say, the business case is going to be the key bit."

Full Steam Ahead

For many respondents, these established forms of AI are already being used in front office and revenue generating areas. In compliance, anti-money laundering (AML), know your customer (KYC), and electronic communications surveillance are also well-established AI use cases.

A segment of the firms surveyed is aggressively integrating AI into their business and control functions, driven by a strong belief in its value and necessity for staying competitive. These organizations often have experience with AI in other, typically revenue-producing parts of their business, and are extending its use to compliance.

A few firms are aggressively pursuing the deployment of GenAI and LLMs in compliance, driven by a strong conviction in the transformative potential of these technologies. These organizations are adopting an AI-first approach, integrating AI across various compliance activities and beyond to gain a competitive edge. As one enthusiastic respondent stated, "We are deploying AI within everything that we are doing. We have an AI-first stance."

We will be using it for funds, marketing, reporting—across the spectrum of our activities.”

Wait and See

Some firms are interested in AI but remain hesitant to implement it immediately due to concerns about data privacy, regulatory compliance, and the need for human oversight. These organizations prefer to observe industry trends and learn from the experiences of early adopters before committing any resources.

As one respondent said: “We’re not at an advanced stage of choosing which applications, which method of AI models we want to implement, certainly within our compliance division. Vendors have given us some demonstrations.”

A smaller group of firms is adopting a conservative stance, preferring to observe how GenAI and LLM technologies evolve and how other organizations implement them before committing significant resources. These firms are highly risk-averse and express substantial concerns about data security and regulatory compliance.

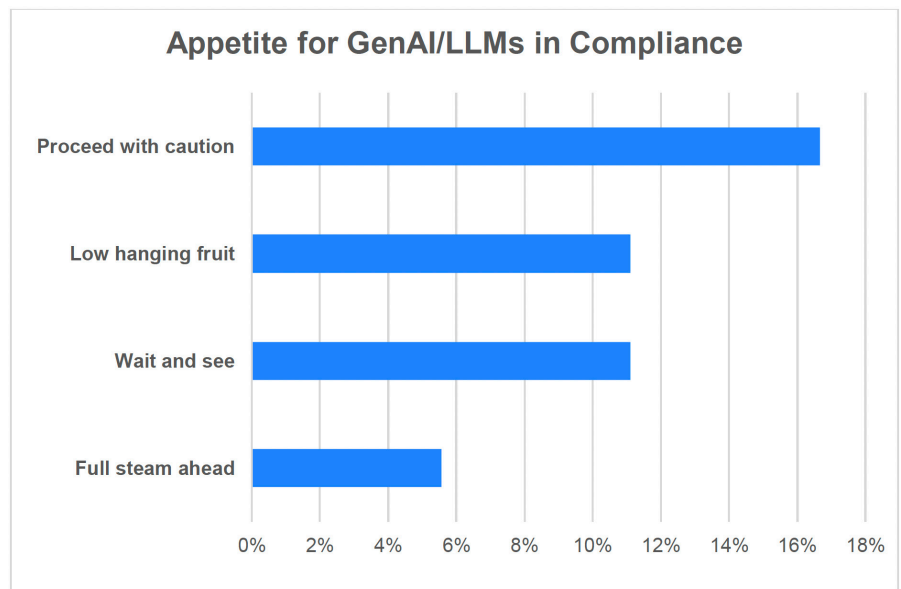
As one respondent explained: “We are highly risk averse. There is some experimentation going on in Comms and Trade surveillance and risk.”

Target Low-Hanging Fruit

A strategic middle ground for some firms is to apply AI to specific areas where immediate benefits are clear, and risks are manageable. By focusing on functions like KYC processes and e-Comms surveillance, these firms aim to enhance efficiency and effectiveness of their existing compliance teams.

Some firms are strategically focusing on specific, well-defined use cases where they believe GenAI and LLMs can deliver immediate value with manageable risks. By targeting these areas, organizations aim to leverage AI benefits and demonstrate value in manageable steps, for example, parsing and understanding regulations and policies. As one respondent observed, “Understanding regulations and policies seems like a real opportunity for GenAI.”

Others are focusing on other low-risk applications, such as text scanning, summarization and chatbot compliance controls. Overall, firms are exploring these technologies with cautious optimism, keen to harness the benefits without compromising on compliance and data integrity.



ATG Survey, Aug-Sep 2024, 17 Respondents

Drivers and Rationale

Financial firms are exploring the application of GenAI and LLMs within their compliance areas for a variety of reasons. The primary motivations can be categorized into four main areas: potential efficiency gains, regulatory issues, accuracy improvements, and directives from C-suite or board leadership. Each of these motivations reflects the firm's strategic priorities and operational needs.



Many firms are motivated by the promise of increased efficiency and productivity that GenAI and LLMs can offer.

Potential Efficiency Gains

Many firms are motivated by the promise of increased efficiency and productivity that GenAI and LLMs can offer. By automating routine tasks and analyzing large unstructured datasets more effectively, these technologies can help compliance teams streamline processes and allocate resources more effectively.

One respondent noted that they are exploring how to use AI to analyze large datasets of client information accumulated over the last 10–20 years, considering whether they can leverage language models to gain insights rather than relying on traditional methods.

Regulatory Risk

Some firms are driven by the need to stay compliant with evolving regulations and to avoid potential fines. Regulatory enforcement actions are at an all-time high and regulators show no inclination to slow down. GenAI and LLMs can assist in better understanding and interpreting regulatory requirements, helping to ensure that compliance measures are up to date and effectively implemented.

Accuracy Improvements

Improving the accuracy of compliance processes is another cited motivator. Traditional lexicon-based systems fall short of today's complex requirements and frequently generate false positives or require extensive manual oversight. GenAI and LLMs can significantly enhance the precision of surveillance tasks in market abuse detection and communications compliance. A respondent highlighted that their current system is "a pain point for false positives and cumbersome to maintain."

Directives from C-Suite/Board

In some cases, the push to adopt GenAI and LLMs comes directly from senior leadership, who recognize the strategic importance of these technologies for staying competitive, driving innovation, and reducing fear of missing out (FOMO). These directives often result in the establishment of dedicated teams or centers of excellence to explore and support AI implementation across the organization.

One respondent described how, following major AI announcements, there was "a big drive from senior executive team, board and down," leading to increased enthusiasm and formal reviews due to FOMO and competitive positioning.

Types of AI Being Used

According to the survey, firms generally prefer vendor-supplied AI solutions, especially those lacking the resources to develop tools internally. Many are leveraging general-purpose tools, along with specialized compliance-focused applications for voice and e-communications surveillance, audio translation, and regulatory horizon scanning.. As one respondent pointed out: "We're not big enough to build in-house AI solutions; vendor solutions are our best option."

AI-powered tools from third parties were most frequently cited for the following use cases:

- General productivity tools for initial AI exploration
- Compliance-focused tools for voice and e-communications surveillance, audio translation/transcription, and regulatory horizon scanning
- Specialized platforms for AML, KYC, and trade surveillance

Firms with substantial resources are also exploring internal development, particularly when vendor solutions don't meet specific needs or when handling sensitive data that requires greater control.

Attitude Toward Vendor-Supplied AI Tools

Firms generally have a positive view of vendor-supplied AI tools, seeing them as practical solutions that can enhance efficiency without requiring significant internal investment. There is a trend toward exploring technology partnerships and integrating niche compliance tools into existing systems.

As one respondent said: "We are looking at what's in the marketplace. We don't want to reinvent the wheel if the big firms are already working on solutions."

Appetite and Rationale for Internal Solutions

While vendor solutions are popular, some firms see value in developing internal AI tools, particularly when off-the-shelf products fall short or when handling highly sensitive data. Internal development allows firms to tailor applications to their specific needs while maintaining greater control over data and compliance processes.

One respondent highlighted the limitations of existing systems: "Many of today's compliance systems are 20 or more years old. These rule-based systems are no longer effective for today's needs."

The rationale for internal development includes:

- Building customized solutions for unique challenges
- Ensuring data privacy and IP security
- Gaining a competitive advantage with proprietary tools, such as those that streamline customer onboarding

Firms pursuing internal development often rely on open-source platforms and libraries, which allow for cost-effective innovation closely aligned with their strategic objectives.



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4. Expectations of Impact of AI



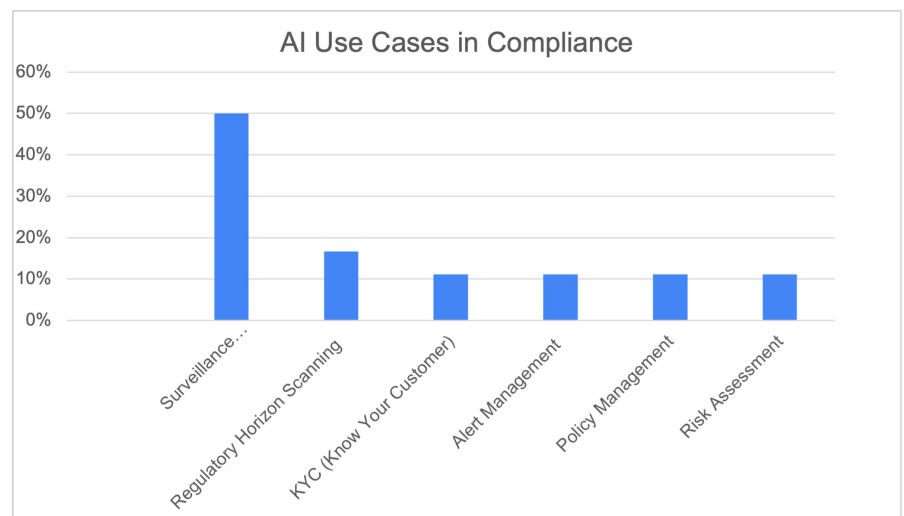
Expectations of Impact of AI

Improved Business Outcomes

AI technologies are poised to significantly enhance efficiency, accuracy, and depth of analysis within compliance functions across financial firms. Organizations recognize that AI can streamline processes, reduce manual workload, and provide deeper insights into complex regulatory requirements.

One of the primary areas where firms see the greatest potential for AI is in improving operational efficiency and processing improvements. For example, a respondent highlighted, "Consistency and efficiency is what I've seen so far. I don't think it's going to be revolutionary yet. It allows us to do a lot of simple tasks much quicker and probably much more effectively; and, I would say, in a much more consistent manner."

Leading use cases for GenAI compliance solutions focus on trade surveillance, voice and e-comms monitoring, regulatory horizon scanning, and risk assessments.



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AI tools are also being used to process large volumes of unstructured data and extract relevant information for compliance teams. For instance, one respondent cited: "I've got a 600-page SEC document on new regulation, and I'm using an AI agent to analyze and summarize it rather than going through it manually." This enables compliance professionals to allocate more time to interpretive and strategic activities that require human expertise.

Improved Operational Efficiency

Organizations are increasingly leveraging AI to streamline operations and enhance efficiency. By applying a structured framework to evaluate potential AI initiatives, one team managed to narrow down “hundreds of use cases into a few handful,” focusing on those that promise significant cost reductions and risk mitigation. This targeted approach helps ensure resources are invested in areas with the highest operational impact.

Reducing the manual overhead involved in conducting risk assessments across various markets, businesses, and asset classes leads to faster and more efficient implementation of new controls in response to changes in business priorities and the latest from the regulators.

Marketing departments are also identifying repetitive tasks suitable for automation. “We see a lot of repetitive tasks and can identify a rationalization play,” said one respondent. By automating these tasks, staff can redirect their focus to strategic initiatives that drive growth.

Data discoverability is another critical area where AI contributes to operational efficiency. Many organizations struggle with data silos, but as one expert pointed out, “Discoverability will be a major benefit from this.” Utilizing AI for data categorization and retrieval not only breaks down these silos but also empowers teams with quicker access to the information they need.

In the realm of alert management and surveillance, AI is seen as a game-changer. As one professional noted, if AI can handle “workflow-related case management elements, that will save operational time.”

Faster ‘Time to Resolution’

Improving the ability to predict and respond to unexpected external events is a crucial objective for many companies embracing AI. For compliance practitioners, the ability to detect, self-report, and respond to a regulatory event in a streamlined and fully transparent manner can mean the difference between a consent order and/or a small fine and a serious enforcement action costing the firm tens or hundreds of millions of dollars.

But self-reporting puts the firm ‘on the clock’ with the regulator, and firms need confidence in their regulatory framework and

case management processes to take advantage of the reduced regulatory risk.

Better Client Service

Enhancing client service is at the forefront of AI implementation strategies. Companies are exploring AI solutions like client lifecycle management (CLM), help desk automation, and intelligent knowledge databases to empower clients. One executive envisioned using AI to “help clients solve problems for themselves,” which not only improves the customer experience but also frees up support staff to handle more complex inquiries.

Automating alert management also allows organizations to respond more swiftly to client needs. “By reducing investigation times and providing comprehensive, 24/7, real-time coverage, businesses can offer more proactive and responsive services,” noted another executive. This immediacy helps ensure that both individual and institutional clients receive timely assistance, strengthening client relationships.

Functional Areas Likely to Adopt GenAI First

Technology, research, and marketing appeared high on respondents’ lists of where they expect AI to take hold first. According to one respondent, “It’ll be IT to start with, then research, then it’ll be data science and analytics...” Marketing teams, meanwhile, are embracing AI for its powerful information-gathering capabilities.



Suggested another respondent: "Compliance & Legal do a lot of reading – GenAI can make big improvements here if it can meet accuracy and explainability for scanning and analyzing regulatory and legal text."

And another: "Front, middle, and back office equally. The decision to deploy AI as part of a solution is driven by business requirements. Deciding what models, if any, are most appropriate is done by the central AI group."

Functional Areas Likely to Adopt AI Later

Some respondents suggested that compliance departments may be slower to adopt GenAI due to the necessity for human judgment in their critical work. One respondent pointed out, "Compliance will probably be one of the last."

While AI offers significant benefits, some functions may never fully embrace it due to the critical nature of their responsibilities. There's particular concern about using AI for tasks requiring absolute accuracy, such as regulatory reporting, although respondents recognized the value AI can bring to data discovery and creating a first draft to be reviewed by human analysts before final delivery.

And another: "For compliance it's about operational efficiency and effectiveness. Compliance is viewed as a cost center, and there's been a lot of reorg and consolidation recently."

And: "AI will never replace human-in-the-loop. For example, automatically scoring a compliance case, generating the regulatory explanations, and routing to the appropriate regulator will not happen without human input."

And finally: "It first must overcome some serious limitations around explainability, reliability, consistency," if it's to be embraced by compliance teams.

Potential Areas of Deployment

Survey respondents didn't lack ideas for broader deployment of AI within their firms. Key areas of potential interest identified by interviewees included client services, surveillance, sustainability assessment and compliance, and productivity/efficiency.

In terms of client services, survey respondents suggested KYC document processing and broader customer onboarding as functions that could benefit from the application of AI models:

- “Focusing on GenAI specifically, our immediate areas of focus are: client services to get access to client onboarding/refresh processes and specific steps, AML/KYC doc processing, and news and alerts processing for client screening. As we are moving to GenAI with caution, these solutions will be carefully assessed prior to extending to further use cases.”

Respondents also suggested that the ability to identify client behaviors could help analysts better understand client needs and develop meaningful recommendations to improve customer satisfaction, while at the same time reducing onboarding times and costs.

- “The ability to pick up on certain client behaviors, like increased use of an app, more frequent viewing of their valuation statements, etc. This allows the manager to get a view of their actions and come up with some smart recommendations. In one case, I've seen people cut onboarding to 2.5 days for a new client from 13 days, using GenAI and with humans still involved.”

One respondent saw an opportunity to improve help desk facilities, adding personalization and again boosting client satisfaction while reducing costs:

- “I could see it used for help desk activities: customer-facing knowledge databases that help clients solve problems for themselves.”

Help with surveillance activities was also a common theme. Survey respondents said AI could help reduce the manual resources needed to monitor alerts, as well as cut the volume of false positives, thereby minimizing the cost of complying with onerous market abuse and insider trading regulations:

“A lot of our surveillance alerting can be improved, can be optimized so that we could have fewer people reviewing alerts and saving time to process alerts.”

- “The alert management side of things. That's been a key focus area for a lot of firms. The pressing concern, or the problem, for a lot of firms is there's a ton of alerts generated; how do you triage and investigate them? I've worked in many banks, and the large teams to support investigation processes have been quite taxing. Reducing false positive alerting becomes a key aspiration for the players in this space. AI can help with alert closures too.”

The ability to monitor and understand sustainability was also a target use case for respondents. In particular, interviewees suggested AI could help firms understand which regulation applied to them and assess the implications for the business:

- "Sustainability regulation is a hot spot for us. What regulations apply to clients and what does that mean for their investment strategy? Article 8/9 fund: How do I know I'm compliant? Some interpretation may be necessary to see if you meet the regulatory requirements."

Finally, general productivity and efficiency gains were seen as a compelling driver of AI initiatives. Firms saw the possibility of more rapidly processing documents and communications channels to extract key points while minimizing human error. These efficiency benefits extended into categorization of internal documents or intelligence, thereby reducing the time and cost of searching for and processing this information.

- "Ability to process documents and communication channels (e.g. emails, chats), extract information, and improve overall end-to-end process thus reducing human errors nevertheless ensuring human validation, bringing efficiencies (e.g. auto-triage)."
- "We all have data silos, so discoverability will be a major benefit from this. What data should I use? I'm sure it could be deployed as a categorization play at some point."



- “We’re seeing a big uptake in our kind of corporate secretary legal aspects mainly because of the notetaking functionality around that. Other than that, I wouldn’t be surprised if it’s probably some of our marketing and research type teams because the tools are quite powerful at gathering information. But there’s a lot more controls we’ve got to put in with how they use the information around it.”

Summing up, one respondent suggested the rate and scope of deployment will depend on each firm’s situation: “I don’t think there are areas that will never use AI. I think it’s just making sure it’s controlled. I don’t think it’s probably as big a benefit case as a lot of people think it’s going to be. Where you’ve got specific tasks that are probably going across multiple different vendor systems like a trade settlement, I’m not sure there’s a massive benefit case there from a large language model, and you’re better off using an existing RPA-type piece of functionality.”

The respondent continued: “The intriguing bit we found as we’ve been testing, is we’ve noticed there’s probably a lot more benefit from using some of the Teams collaboration and some of the wider Excel-like, Power BI-type tools. We found it’s probably expanded our existing knowledge more than discovered opportunities to use AI.”

Overall, the outlook was optimistic: “There is a whole new set of activities and capabilities that this will open up, and of course there will be governance and safety issues. But it’s early days in terms of what those are and how we deal with them.”



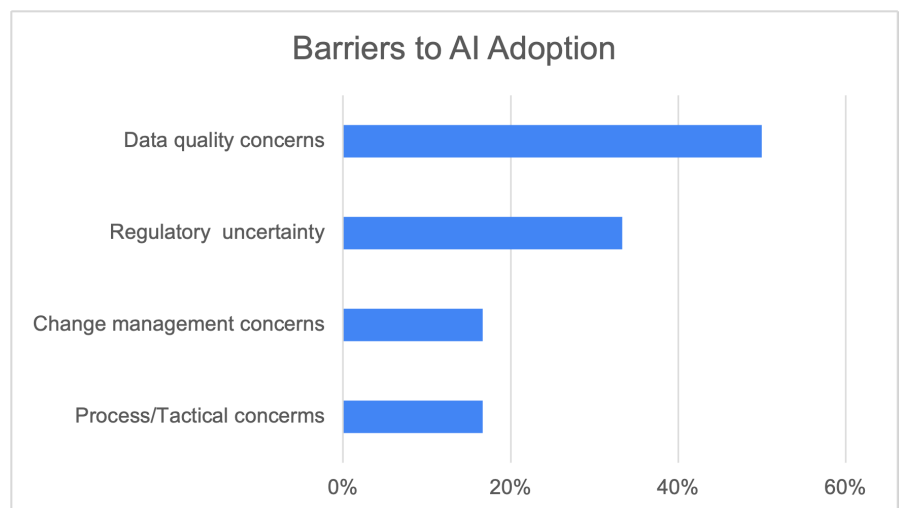
There is a whole new set of activities and capabilities that this will open up, and of course there will be governance and safety issues.

5. Organizational Challenges and AI Governance

Organizational Challenges and AI Governance

Key Concerns Over AI Adoption

While there is significant potential for AI in compliance, the control function's natural risk-averse posture and concerns around data quality, and regulatory uncertainty are among the main barriers to adoption. Data quality, plus regulatory uncertainty is a primary concern, with firms questioning whether their data is sufficient to support AI initiatives.



ATG Survey, Aug-Sep 2024, 17 Respondents

Data Quality Concerns

Survey respondents were vocal about their concerns around data quality of inputs (and outputs) in the AI process. The following were typical remarks:

- "Data Quality is the #1 challenge. Do we have the right data? Is it of sufficient quality? What limitations does it carry? Are our original assumptions about the data correct?"
- "Data sits on client systems. Is it ethical to use this client data to suggest products? Who owns the data? What if there's an acquisition? Who manages it? Who corrects errors?"
- "Validity of data, copyright, general best practices. We understand that it's all about getting validity of data right, and a real horror show if you get it wrong. The challenge here is figuring out how to test these models. We are identifying examples manually, creating scenario test cases where we don't know how to test using humans. So, it's about sifting through and identifying unknown unknowns."

To address data quality and regulatory compliance challenges, organizations are implementing strict validation processes, as one respondent described: "We're interrogating the data and finding weaknesses. We need to be clear on its usage."

Regulatory Uncertainty

Respondents were unclear about the regulatory implications of adopting AI. Regulatory concerns, particularly around explainability and data privacy, present obstacles to advanced AI and GenAI adoption for some respondents.

As one participant pointed out: "Regulatory concerns are number one, with data privacy a close second, especially with GenAI." Human oversight remains crucial, especially in sensitive areas like AML. Personally identifiable information (PII) leakage is a major concern, particularly during the AML onboarding process.

Another respondent stated: "We need clarity from regulators. What will the likes of the FCA, BoE, or the EU AI Act require?"

"Regulatory concerns are number one with data quality a close second," said one. "There are regulatory guardrails missing. Explainability is an issue," said another.

But again, the outlook was optimistic: "Organically, this will happen over time. There's regular interaction with the regulators. We're getting constant feedback around our current surveillance operations, and we also attended a tech sprint forum arranged by the regulators to focus on AI. The appetite from the regulators is clear, certainly on the Europe side, that they are trying to advance on AI."

Change Management Concerns

More broadly, respondents were concerned about how to bring AI on board in a streamlined way, helping to ensure the firm has adequate resources and skills in place to best exploit the opportunities AI offers.

One respondent described it thus: "The challenge is how to upscale and skill up people. We are trying to put in place training and education, how to implement it and use it. There are some technology challenges in that the information we need for this doesn't exist, nor does the level of understanding needed beyond basic stuff. How do you prompt the queries/models? How do you go about building a GenAI model as an engine?"

Another respondent said: "The change management element is more internal, something to manage between the users of the application, our IT teams, internal governance, and finance teams."

Another was concerned about lack of progress within compliance itself: "Compliance along with Legal and HR have lagged in the automation story. Compliance hasn't changed much in the last 20 years compared to operations and front-office and other areas of the business. So, there are organizational impediments and also a lack of operational standardization across the firm. Every compliance department has evolved a largely manual and unique way of implementing controls."

There were also concerns around understanding. "Knowledge has been the big one and people don't understand how it can be used. I don't think we've really explained to people the power of the collaboration tools in terms of using them. It's amazing how scared people are when you first give it to them that they're worried about getting something wrong around it. So I think the knowledge and the training aspects are probably the biggest barrier, then I'd say it's going to be the commingling of internal and external data – you've got to get your data really, really clean for it to be effective."

Organizations are establishing policies to manage AI usage, balancing innovation with risk management. Training and upskilling are prioritized to empower staff in effectively utilizing AI technologies. One participant emphasized: "The challenge is how to upskill people. We are focusing on training and education to ensure effective AI implementation."



Education and understanding of AI capabilities are seen as critical to making progress with AI adoption.

Said another: "We need to figure out how to do much wider training activities. We're also thinking about how we deal with a task that needs to be replicated. One of the bits we've been thinking about is it looks useful in putting together minutes and actions from very long meetings. The problem is you've got to ask it a certain number of questions to get useful information out, and there's no way to replicate it unless I write down all the questions I've asked and then feed that in again."

Process/Tactical Concerns

Aside from fears about data leakage, firms were concerned about technology within their organizations. Said one: "Cloud-based technologies and models (OpenAI et al.) are considered immature vs. the firm's big on-prem data centers. We also see cost issues around training the models and maintaining them at scale."

Said another: "Technology and cost, and demonstrating cost/benefit. How to build the business case without known, definable, positive outcomes. Some are taking a leap of faith, but we are really tinkering. My organization is not a risk taker. There is too much going on day to day for people to spend any time on this, so we are taking a wait-and-see approach. We are certainly not a pioneer. We would most likely start using AI if some of our major suppliers were to provide these kinds of tools."

Others found specific process issues – in particular, effective prompt management – were proving a challenge to address:

- "It's almost starting from scratch every time so we're trying to figure out where are people finding the useful prompts and the messages and how do you then keep those around?"
- "It's trying to figure out what level would you need to go to. I had to ask it 17 questions to get something useful from that, which if I write new prompts that have all 17 questions combined, it might work, but you must test it and try it to do that. And the big thing is having time and confidence to do it."

Education and understanding of AI capabilities are seen as critical to making progress with AI adoption.

- "There needs to be more industry education around prompts and prompt management, because I think that's going to be the key bit going forward. But I think there's also probably going to be a competitive advantage there."
- "Knowledge is the biggest barrier. People need to understand how AI can be used."

Integration of AI into the Wider Organization

The jury is still out on where AI as a function should reside within the firm's organization, with some respondents considering it a special case that should be handled as such and others arguing that it should be treated like any other piece of important technology.

Broadly, respondents suggested AI should be embedded within the data and/or IT functions, or completely integrated within the organization on an as-needed basis:

- "It's probably going to be a mix of the IT and data function as well as probably functional individuals. Something like the usage of an AI agent will be driven centrally. But where people have got specific specialist tools that will be function driven, I think with some IT support."
- "And then the controlling and monitoring of it will probably be a combination of data and the cyber teams and risk, and probably compliance as well because I think it probably goes across a lot of functions."
- "I don't see it long term being any different than managing any other system you've got. It's just getting people in that headspace because everybody thinks it's this black box they don't understand. It doesn't rewrite itself every day, which I think is what people think. They think it's constantly learning and changing its code. It's not."
- "I think it's getting people to realize that the fundamentals of it aren't that different from probably 80% of the systems we've been using for the last 10 years because this type of learning knowledge and large language has been in systems for years, it's just the ability to process the data at such high volumes is the big difference."
- "AI skills will be embedded within the compliance function but there will be a central policy-making process. We have an AI-devoted division. We'll be training our compliance staff in the new skills."

AI is expected to transform compliance, although the timeline for full integration varies. Many respondents foresee AI being embedded within compliance teams, while others anticipate its being managed by IT or data science specialists. One respondent noted: "It will likely be a mix of IT, data functions, and compliance specialists."

Specialized skills, particularly in data science, are becoming essential for compliance teams. This shift is changing the traditional makeup of these departments. As one respondent highlighted: "You'll see more data science people implementing compliance functions."

However, human oversight will remain key in ensuring AI adheres to regulatory standards, particularly in complex environments.

Outlook for AI in Compliance

The potential for AI to transform compliance is balanced by regulatory risks and implementation challenges. Regulatory scrutiny is increasing, with elevated expectations for internal controls and

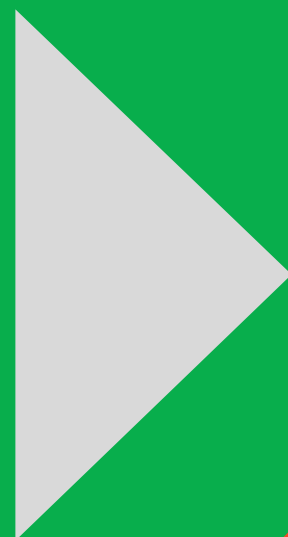
alignment between policies and behaviors. This is particularly true in areas like AML and KYC where the required deliverable is starting to stretch human capabilities and AI is seen as a way of alleviating the strain.

While AI has the potential to autonomously manage compliance and reduce manual work, challenges such as data quality, model explainability, and governance remain. One respondent cautioned: "Governance processes aren't robust enough yet. We need stronger oversight, especially with LLMs."

In short, AI is poised to significantly transform compliance functions. Said one respondent: "AI will impact compliance significantly. However, the larger the organization the bigger the challenge as it's a transformation and we all know larger = harder. Training, processes, technology. But it can be done."

However, organizations are approaching adoption with a balance of enthusiasm and caution, mindful of regulatory expectations and the need for human oversight.

6. Broader Impact and Future Outlook



Broader Impact and Future Outlook

Most respondents, irrespective of the current status of their AI adoption, believed the technology would be transformative in terms of productivity and unleashing new opportunities, both for compliance/surveillance teams and within the wider enterprise for functions like marketing and change management.

Within compliance itself, survey respondents saw a number of ways in which AI could boost success rates while reducing costs:

- "There's no way you could just go 'here's one solution for all of compliance'. I think it's going to be seven or eight solutions. I think there's probably a better business case in the legal side of things particularly with large language models because you're looking at large amounts of words. And that is the perfect case for a large language model."
- "AI will help reduce time spent analyzing data whilst focusing attention and opening opportunities into new means by which to assess the outcomes delivered."
- "The impact has the potential to reverse the 80/20 rule freeing up experienced compliance practitioners from repetitive tasks to focus on high-impact cases."
- "We see an opportunity in surveillance, but we have to weed out data inconsistencies. For GenAI, the potential value may be in KYC. But we haven't seen the business case as yet, haven't reached a level of comfort that this can work."
- "Ability to process new regulations and provide insights as what differs and what needs to be implemented as new requirements. Ability to have better controls to monitor data and processes and identify outliers requiring attention."

Beyond compliance, survey respondents saw opportunities in client communications and marketing, as well as new requirements to deal with AI-driven exceptions and other outputs that may require action:

- "It's going to be dependent on the size of your organization and the volumes you're processing. I look at it in terms of high-volume areas. Ours is probably financial promotions where we're spending manual resources to do repetitive tasks. There is a place for it there."



The ideal would be multiple models working in concert, continuously self-learning and scanning for external events and alerting in time to prevent or mitigate a regulatory event.

- “People’s jobs will change, focusing more on exceptions. I mean, there will be, obviously, each individual group, and that will be their job managing the exceptions that AI comes up with. And think of new capabilities (e.g. monitoring), how the regulator is comfortable with the issues we’ve got. There will be new tasks for compliance to do in both the organization of oversight and governance of AI in the space. And then there’ll be the managing the outputs from the AI, but a lot of the tasks that were done previously no longer need lots of bodies to do it all.”

The Blue Sky View

Asked to provide a more ‘blue sky’ view, some respondents were optimistic that the adoption of GenAI and LLMs at their firms would change the way they work and the way their firms operated. Within the compliance space, possible applications of AI ranged from enhanced monitoring capabilities, to client screening, to regulatory horizon scanning.

- “My dream state would be something that does my monitoring processes. From a monitoring perspective, we look at the 50-odd tasks we do from a regulatory perspective, per entity. Being able to almost replicate some of those and pull the results together and then analyze some of those results over time would be my Nirvana. I’m just not sure how that’s possible because I need to pull data from six different processes to start with – you’d almost need an AI to basically read the other AIs and understand those.”
- “To be able to type in some prospective client data and get back a fully formatted screening report with minimal data input.”
- “How do I know a regulation has been published? And what does that regulation mean? And does it affect me, if yes then how? And that is where I think GenAI can make a huge difference - horizon scanning. There are a few applications out there today, but quite frankly, they are terrible.”
- “One that generates maximum true positives and zero false positives. But better tech can lead to more work in some cases – the more true-positives we find, the more work operations needs to do to investigate!”
- “The ideal would be multiple models working in concert, continuously self-learning and scanning for external events and alerting in time to prevent or mitigate a regulatory event.”

More broadly, once again efficiency rated highly among use cases cited by survey respondents. The ability to minimize menial tasks and switch valuable human resource to more cerebral activities had broad appeal, especially in areas like marketing, research and analysis, where AI could be used to boost anomaly detection, for instance:

- "I'm probably less blue sky and a bit more pragmatist. The financial promotions is the big one because that's where I know I spend a lot of time and a lot of repetitiveness. And that's where I think the opportunities are. If you get rid of the boring part of people's jobs – and there's a lot in legal and compliance that are boring jobs – I think you'll get a real benefit from it. Whereas trying to overlay it in something that's probably a highly technical type of task, I don't think you're going to see a massive need for that."
- "I see this technology as a transformative for us. One area I highlighted in regulatory, would be going through thousands and thousands of papers and documents. So that part is pretty manual. So everything that the form creates ... we have to oversee all that data. AI can play a major role going through that and finding anomalies and then explaining that in a simple language for the analyst to review those exceptions and then reach out to business. That's a pretty expensive process with a lot of different people in the loop, particularly the larger firms, and particularly where we are, given that our breadth and width is pretty wide: multiple countries, pretty much every country that we have here with business and multiple currencies, multiple languages."

But for some, the true potential hasn't yet become apparent:

- "Honest truth, I couldn't say any. I couldn't tell you at this point. I think the only thing we need to do is work out a way to continue streamlining for efficiency. Where can you get efficiency gains that help to refine your monitoring, surveillance, and day-to-day reviews to give you the best opportunity to really look into the true matters which need the highest levels of attention?"

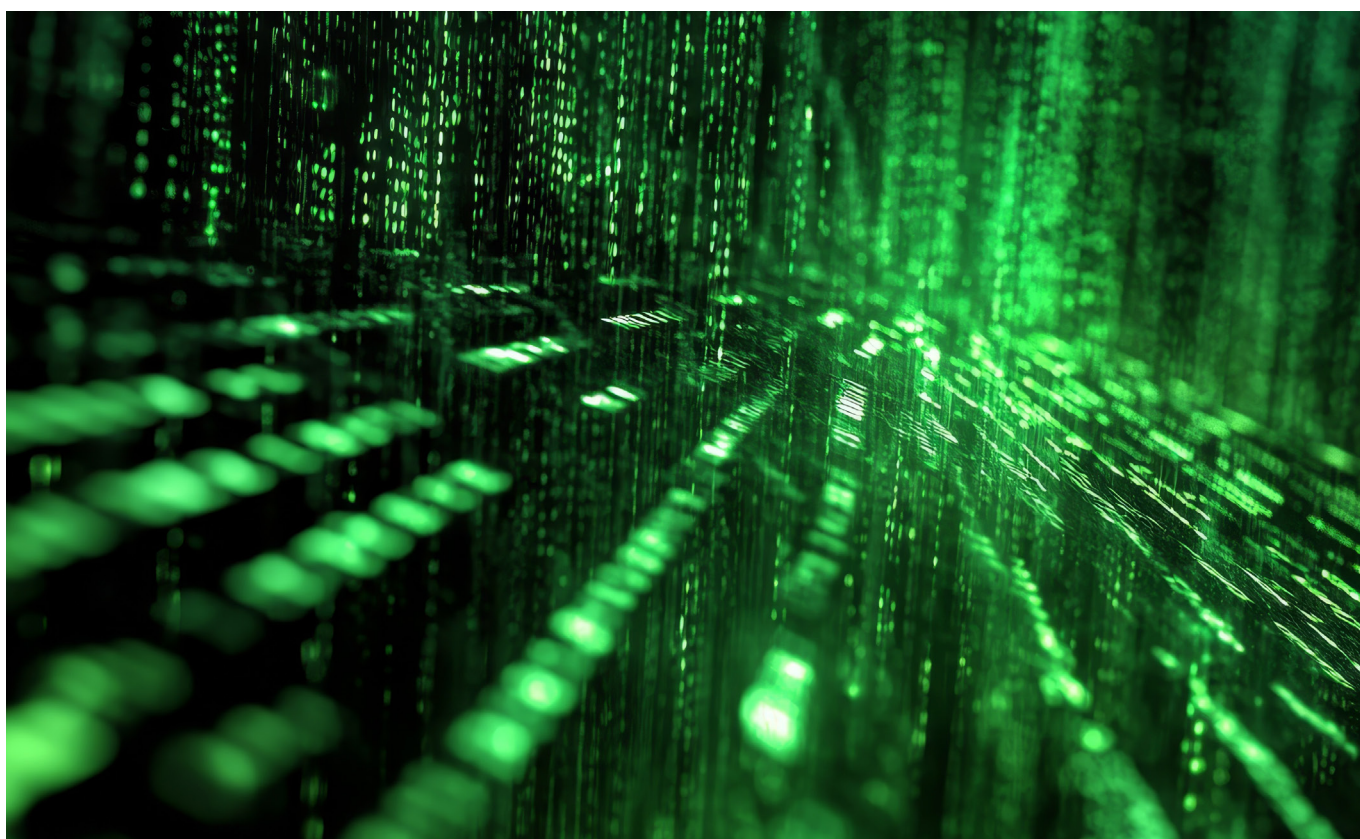
Conclusion

Integrating AI into compliance processes has shown potential to streamline workflows, reduce manual tasks, and enhance accuracy in AML, KYC, and regulatory research. However, adoption requires a careful balance of innovation, data security, regulatory compliance, and human oversight.

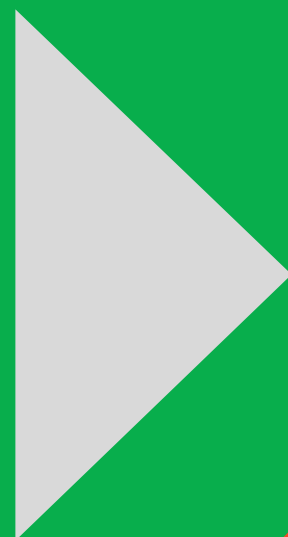
Early AI adopters are seeing productivity gains, but challenges persist, especially around data quality, governance, and explainability. Strategic investment in training and governance will be needed, with many firms relying on vendor solutions to support cost-effective scaling.

A proactive yet cautious approach reflects firms' commitment to refining AI applications before full deployment. Gradual adoption allows compliance teams to take measured steps toward proactive risk management in an increasingly complex regulatory landscape.

AI's role will continue to grow, becoming integral to strategic decision-making and laying the foundations for the next generation of compliance solutions.



7. How Saifr Can Help



How Saifr Can Help

Compliance is a Constantly Evolving Challenge

The complexity and volume of regulatory requirements continue to grow, presenting new challenges for compliance teams. Effective tools must not only keep pace but anticipate and adapt to these changes. At Saifr, we harness the power of AI to address the limitations and inefficiencies within traditional compliance frameworks. By combining advanced AI technology, the right data, and deep industry expertise, we deliver solutions that redefine how compliance operates, particularly in areas like marketing compliance review, adverse media screening for AML/KYC, and eComms surveillance.

Smart Tools for Smarter Compliance

SaifrReview® and **SaifrScan®**: These solutions empower marketing, legal, and compliance teams in the financial services industry to mitigate risk throughout the content lifecycle—from creation to approval and filing. By understanding content contextually, Saifr's AI flags potential risks in text, images, videos, and audio. It provides explanations for flagged content, suggests alternatives, and can offer guidance on necessary disclosures. With AI capable of identifying as much as 90% of what a human reviewer would, Saifr can dramatically improve both efficiency and accuracy.

SaifrScreenSM: This solution for AML/KYC programs allows firms to comprehensively and continuously screen customer and vendor populations for potential bad actors. Leveraging machine learning (ML) and natural language processing (NLP), SaifrScreen scours over 230,000 global sources around the clock, detecting potential threats in both structured and unstructured data. The result: 47% fewer false positives and an up to sevenfold increase in detected risks, helping to enhance operational precision.

Saifr eCommsTM: In an era of diverse communication channels, Saifr eComms provides robust oversight, allowing firms to monitor electronic communications at scale. Utilizing advanced large language models (LLMs), this tool can scan messages across multiple formats to identify potential legal and regulatory risks—such as insider trading, channel-switching, bribery, and customer complaints—reducing false positives while managing increasing data volumes with exceptional accuracy.



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