



Harnessing AI for the Future of BFSI

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In 2023, the global financial services industry invested an estimated US\$35 billion into artificial intelligence, with banking alone accounting for approximately US\$21 billion. But that may be just a drop in the ocean compared to what lies ahead, with many banking and financial services organisations still only at the start of their AI journeys.

The potential of AI in banking and financial services was the subject of two recent discussions among senior industry leaders organised by 6 Degrees Media and Dynatrace, led by industry commentator Brad Howarth along with Dynatrace's Chief Technical Officer and VP of Solution Engineering for APJ Rafi Katanasho and Australian Payments Plus' Chief Information Officer May Lam. The groups discussed how AI was positively impacting banking and financial services organisations today, and speculated on exactly what the future might hold.



The Era of Accelerated AI

Banking and financial services have long been at the forefront of the adoption of artificial intelligence and machine learning technologies, but the rapid emergence of generative AI in late 2022 demonstrated just how quickly the game can change.

GenAI has stimulated massive growth in awareness of AI, and placed immense pressure on technology executives to ensure their organisations are getting the most out of these emerging technologies – even when general understanding is far from certain.

The rapid emergence of generative AI has created a tension between the demand to quickly embrace the technology for competitive advantage versus the need to exercise caution in a world where the overall security and efficacy of many AI tools has barely been tested.

But despite the many unknowns that surround the potential for AI in banking and financial services, there are signs that clarity is beginning to form around specific use cases.



Harnessing AI for Intelligent IT

According to Australian Payments Plus' (AP+) Chief Information Officer May Lam, one of the areas where leaders have identified early potential benefits for the adoption of AI is in the IT function itself.

Lam described AI as reshaping conversations about technology due to the efficiencies it can bring to processes such as managing compliance reporting and monitoring IT costs.

"For the big banks, circa 70 per cent of IT spending is 'keeping the lights on' and managing the regulatory hurdles, and then maybe half of the remaining 30 per cent is for some of the exciting use cases," Lam said. "If we can use AI to bring those use cases to life, to show some of the benefits, then we elevate the technology voice at the table."

By using AI to take on business-as-usual and compliance work, Lam said IT leaders would gain the freedom to invest in AI-based projects that might deliver greater benefits into other areas of their business.

One IT-focused AI use case that generated significant interest among attendees was using AI to automate and augment IT processes, including software development.

"This will probably go mainstream in the next five years," said Dynatrace's Chief Technical Officer and VP of Solution Engineering for APJ, Rafi Katanasho. "You can leverage AI to ensure that code is secure, compliant, performant, and has the right data associated with it, so when you're releasing it, it's got all of those guardrails associated with that."

"There's a lot of hype around it at the moment, but it's got huge potential, and it can open up development to a much broader segment of users to get things to market quicker or to innovate a lot quicker."

Interest in AI-based coding was discussed as a solution to both the shortage of software development skills in Australia, and for meeting the increasing demands being placed upon them by the rest of their organisations.

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However, attendees expressed caution, and the need to ensure that such systems were introduced in a managed manner.

According to one senior executive: "It will absolutely revolutionise what we're doing, but within appropriate guardrails and compliance controls. You have to configure correctly or otherwise you can fall foul."

The role of AI within the IT function could also extend to helping organisations manage the cost of their cloud environments, such as by augmenting their finops capabilities, or assisting them with compliance activities.

Broadening AI Use Cases

Another area where Katanasho saw significant near-term potential for the uptake of AI in banking and financial services was in helping organisations meet their environmental, social, and governance (ESG) commitments.

He described the potential for AI to help leaders understand and forecast environmental emissions and other metrics, while also providing insights that would help leaders improve their overall performance.

Katanasho said a further opportunity existing in using AI to assist in disaster planning. Specifically, he said AI could play a valuable role

in responses to the CPS 230 standard, which required APRA-regulated entities to maintain a business continuity plan that set out how they would maintain critical operations through periods of disruption.

"I'm already starting to see some financial institutions wanting to apply AI to automate a lot of that process and ensure more just in time, real time reporting back to the regulators," he said.

Lam also saw significant promise in using AI to help banking and financial services organisations get ahead of some of the thornier problems they faced today.

"Payment data is getting richer," Lam said. "Using that payment data to catch fraud and scams really excites me, when we are continuously running the AI in a near-real-time manner."

Another area where Katanasho believed AI held great potential was in customer engagement to deliver personalised and real-time recommendations and experiences, with AI also able to use behavioural data generated to inform the development of new products and services.

The opportunity to apply AI for the benefit of customers was one that generated strong interest among attendees, particularly when applied in the form of chatbots.

However, Katanasho cautioned that any customer

facing applications would require greater levels of governance and security, especially when working with customers' personal data.

It was here however that the tension between utilising AI and maintaining a cautious approach came to the fore. In the words of one senior executive: "We've taken a guarded approach, so we have guard rails like we do for any data use, and we've taken an approach of 'let's test it internally' first and then release it."



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Seamless, Secure

One of the key reasons that many organisations were cautious regarding the uptake of AI was their fear of negative outcomes such as data leakages or generating incorrect or inappropriate responses.

Lam said it was concerns such as these that meant one of her first acts when implementing the AI strategy at AP+ was to create a supporting policy and governance framework.

"That's the first thing – to get confidence from the board and from the executive team that it is the direction we have to go in," Lam said. "The second thing is to get people together in a working group, to see what the use cases are that we want to do and find the things where we believe AI can help."

Lam said AP+ had developed a large language model (LLM) which was trained using the organisation's own data. This gave AP+ a high degree of certainty regarding the performance of the AI as well as the security of the data used to train it.

According to one attendee, such actions were essential for creating buy-in from key stakeholders, including those who might shut down seemingly risky projects.

"I was talking to one of the Big Four consulting companies and they said last year they worked through a number of proof-of-concepts using generative AI, and none of them made it through to production because they got killed by either the Chief Risk Officer or the board," he said. "They didn't consult them early enough in the project, and there was a lack of education and knowledge at the board level."

Lam said her team had countered such outcomes by setting a standing monthly agenda item with the AP+ board to ensure members were updated on what's happening.

"It's become a proper forum for the executives to come together," Lam said. "We are also really open and collaborative, so our people know why it can be dangerous, and what the steps are that we need to take."



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Building Awareness Early

Attendees also emphasised that education is essential to creating a strong AI program and deterring staff from engaging in rogue behaviour.

According to one attendee: "It's about the responsible use of AI and what it means, the risk aspects, et cetera. You're not going to stop people experimenting, you're not going to stop people trying to find back doors, so how can you drive them down a path that meets the standards and gets everyone on that journey?"

Another attendee spoke of how their organisation's AI program used an education process to both spread knowledge and uncover potential AI use cases.

"Any colleague can submit a use case. We've set up a clear template which is about the outcome they are trying to drive and the business opportunity. It's less technical and more about the opportunities.

That feeds up into a dedicated group who review these, and if it's a great opportunity, we'll take it up. The people feel engaged, and therefore they're less likely to feel like they have to experiment themselves."

Unified security and governance were not the only considerations to be managed in pursuing

an AI agenda, as attendees also spoke of the practical restrictions of AI adoption, including high costs and the scarcity of skilled resources.

However, security was described as posing the most immediate concern – a factor that was magnified by SaaS vendors that rapidly introduced AI capabilities into their platforms.

As one attendee noted: "SaaS is really interesting, in the sense of trying to get visibility of what the third parties are doing, where they're embedding AI, and how we demonstrate that we've got governance at that level."

According to Katanasho, it was important that any organisation that was loading personal data into an AI application applied the same protocols that they used for any SaaS application, and maintain end-to-end observability of that data.

"It's no different with AI," he said. "You just need to have the same set of rules. If you are at risk of sharing personally identifiable data, then you need to have a certain set of controls.

Unified observability is about seeing in real time all the data coming through and being able to make decisions on the performance aspect of it, the resilience aspect of it, and the security aspect of it.

"A lot of financial institutions want to differentiate on resilience and by delivering a highly secure

and optimised customer experience. Unified observability can be used to help with that."



Rafi Katanasho, Chief Technical Officer and VP of Solution Engineering, APJ, Dynatrace



About Dynatrace

Dynatrace exists to make software work perfectly. Our platform combines broad and deep observability and continuous runtime application security with advanced AIOps to provide answers and intelligent automation from data. This enables innovators to modernize and automate cloud operations, deliver software faster and more securely, and ensure flawless digital experiences.



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