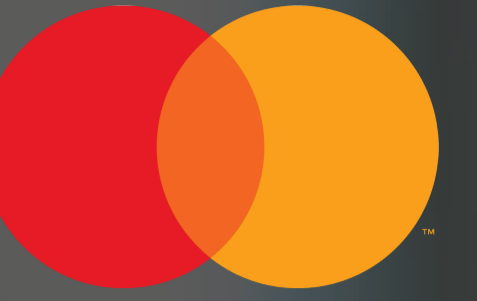


Financial Services: AI opportunities and challenges



Tancho Fingarov
Senior Vice President,
Mastercard Services

We are now entering The Age of AI 2.0. To be successful in it, banks need to rethink their approach



Digitalization (AI 1.0)

Banks/corporates were **the utility** (product manufacturers) and the digital natives through AI models were **driving the engagement**

Winners:
Google, Meta, Amazon, etc.

Similar Success Principles Apply

Better understand your
CUSTOMERS



For each of your customers,
OPTIMIZE EXPERIENCE & VALUE

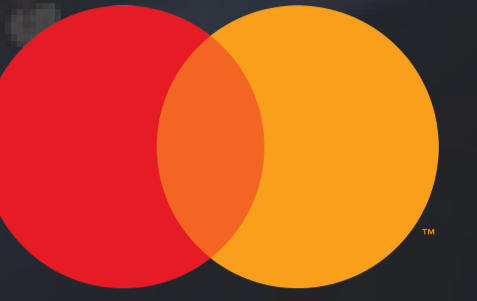


Generative AI (AI 2.0)

Foundational Gen AI models will be the utility and the **companies that have the most data** will be driving the engagement

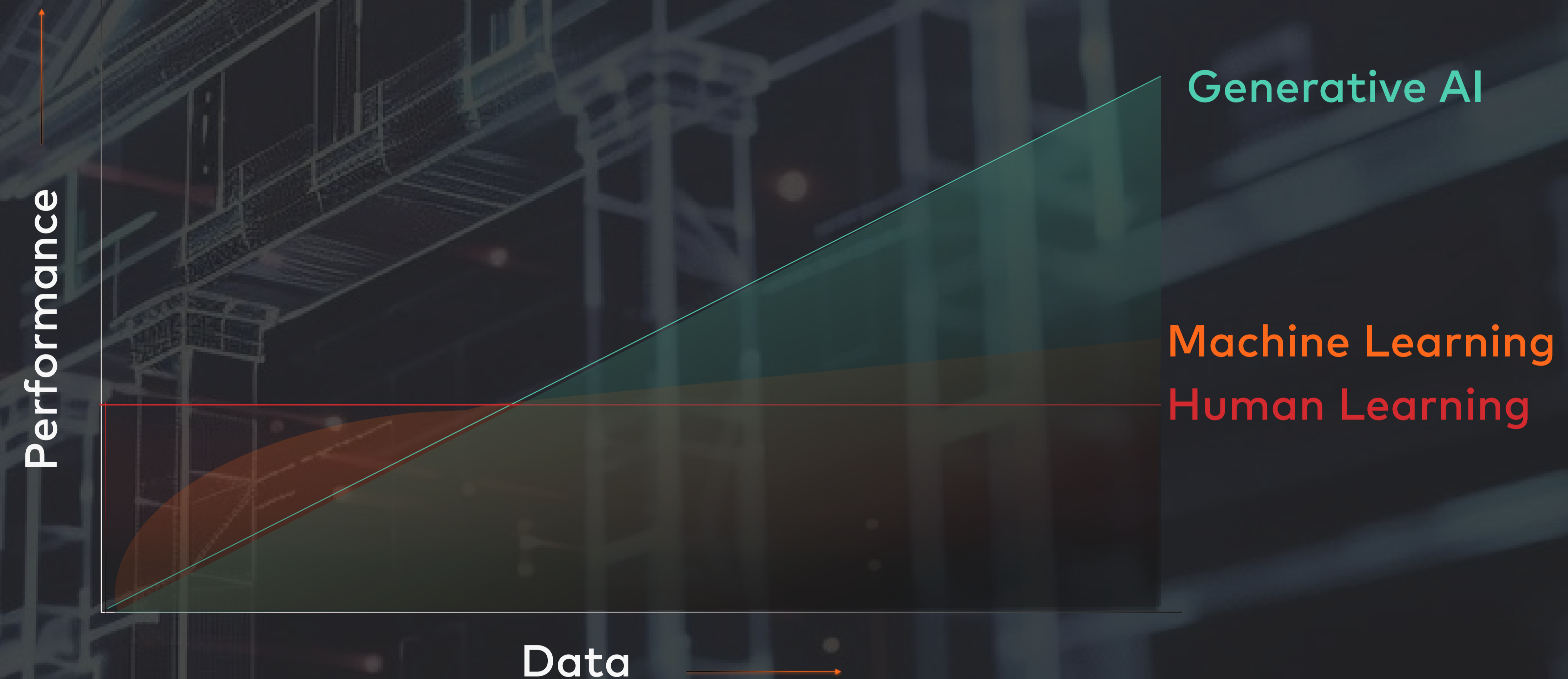
Winners:
Banks have a unique opportunity to become the **leading engagement channel** for clients

In the new world powered by Gen AI, banks have a data & trust edge



Data is the only source of sustained competitive advantage

- With foundational models reaching the limits of public data training, access to private **data becomes the biggest differentiator**, while the base line models are becoming more of a commodity
- Customers are **much more careful with how their data is shared...** and critically trust banks more



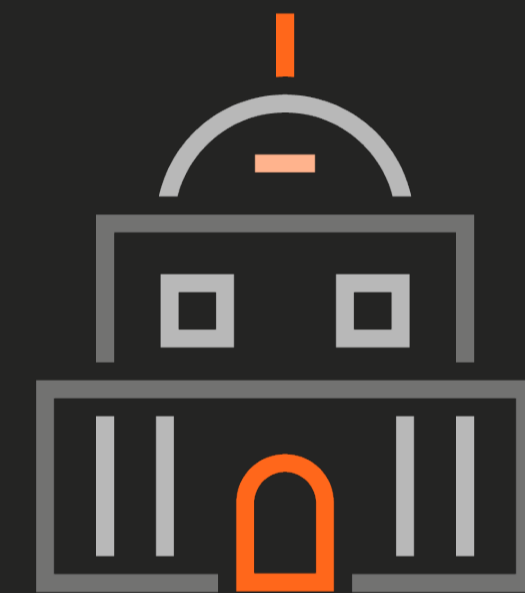
....How can banks leverage all this?

...But first they need to organize their data



47%
of CXOs say
data readiness is
the top
challenge with
applying
generative AI.

<https://www.accenture.com/us-en/insights/what-is-data>



Organizing your Data

- **Organized & scalable data environment:** Companies with a clear data strategy are 2.3x more likely to succeed in AI (Accenture)
- **Modernized environment leveraging Cloud.** Offers the scalable infrastructure needed to handle large data volumes and run AI models effectively
- **Right Workbench Tools:** Examples include TensorFlow, PyTorch, Cloud platforms (AWS, Google Cloud, Azure), enablers (Databricks)

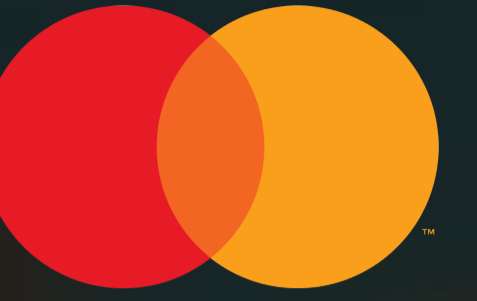
Responsible Data & AI Governance

- **Ensure Regulatory Understanding.** Adhering to laws, regulations and ethical standards will be critical to building a sound AI foundation
- **Data Governance & Responsibility as Enabling Function:** 92% of AI leaders invest in AI ethics & data responsibility (Deloitte)

Leverage Existing Data and Expand Data Sets

- **Leverage open banking** to allow customers to share and safekeep data
- **Build strong governance rules and consent frameworks** around uses of data. Trust matters most but you also need to have a safe way of monetizing the data... less than 10% have operationalized privacy by design

Banks should then start with practical use cases with proven operational benefits



- Easier **ROI justification**
- **Less risk** - less regulatory scrutiny
- **Higher technology and data readiness** so typically have better control over "internal data" vs customer data
- Need to **build expertise** and focus on **relevant use cases**
- GenAI models likely **need more domain specialization** (Walk before run approach)

More Commonly Referenced Use Cases

Document Processing & Analysis
Automated analysis, Information synthesis, Compliance reviews

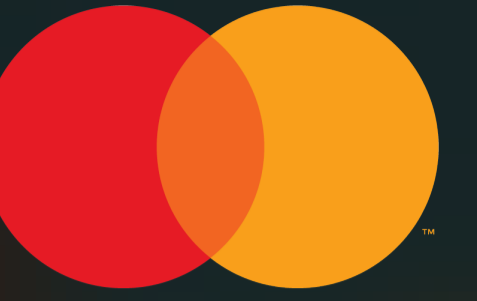
Customer Service enhancement
Intelligent CS resources and co-pilots, real time translations, etc.

Process Automation
streamlined account opening, automated reconciliation, automatic reporting/analytics

Risk Management
Credit risk, fraud, scams, KYC support

Software Development
Legacy system integration, Compliance code, code generation for complex products and trading systems, general software development benefits

And build on those experiences to develop AI tools that will enable deep contextualized engagement with their clients in the future.



Selected Use Cases

- However, the most interesting use case for AI isn't automation, **it's the ability to leverage context and create personalization**
- Once this is done you can **easily push personalized products**
- **Experience will be everything**
- **Technical skillset for building user experiences less relevant** than the data underpinning those experiences

Hyper – Personalization

Advanced Investment / Trading Solutions

New Product Innovation

Retail / Wealth Banking Enhancements

Cross-Selling Optimization

Marketing Optimization

Need for a New Approach

Some banks have made early progressed on use cases, primarily internal and productivity related...
Limited external application with most not releasing applications "in the wild"



Internal productivity-focused tools

Customer-facing tools

Code generation, review



Marketing content creation



Market insights for product development



Call center/ financial advisor AI assistants



Loyalty & Engagement via personalization



Productivity assistants & knowledge repositories



Streamline onboarding & KYC processes



Risk, compliance and fraud management

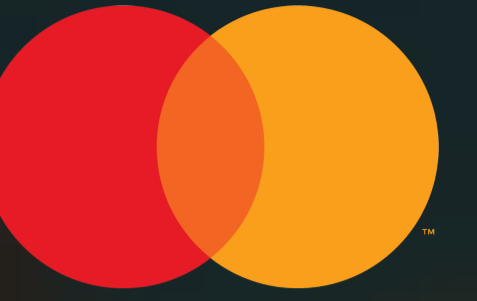


Credit assessment & issuance



Customer self-service virtual assistants





For AI to live up to its full potential a lot of the risks need to be resolved

① Data Accuracy & Veracity

- "Hallucinations", as Generative AI can make up facts, repeat falsehoods, and present them with confidence and competence
- Generative AI can rebroadcast misinformation in its training data

② IP Rights

- Breach of intellectual property rights, as model outputs can infringe the copyright of works used to train the model

③ Privacy Rights

- Breach of privacy rights, as personal information can be included in training data and model output, without people's knowledge and consent

④ Transparency & Explainability

- Lack of transparency and explainability, as Generative AI can be opaque, sources of information may not be known and its output cannot be readily explained

⑤ Bias

- Amplified bias, as Generative AI consumes large amounts of data that are not vetted for bias and can perpetuate or amplify this bias

⑥ Confidentiality

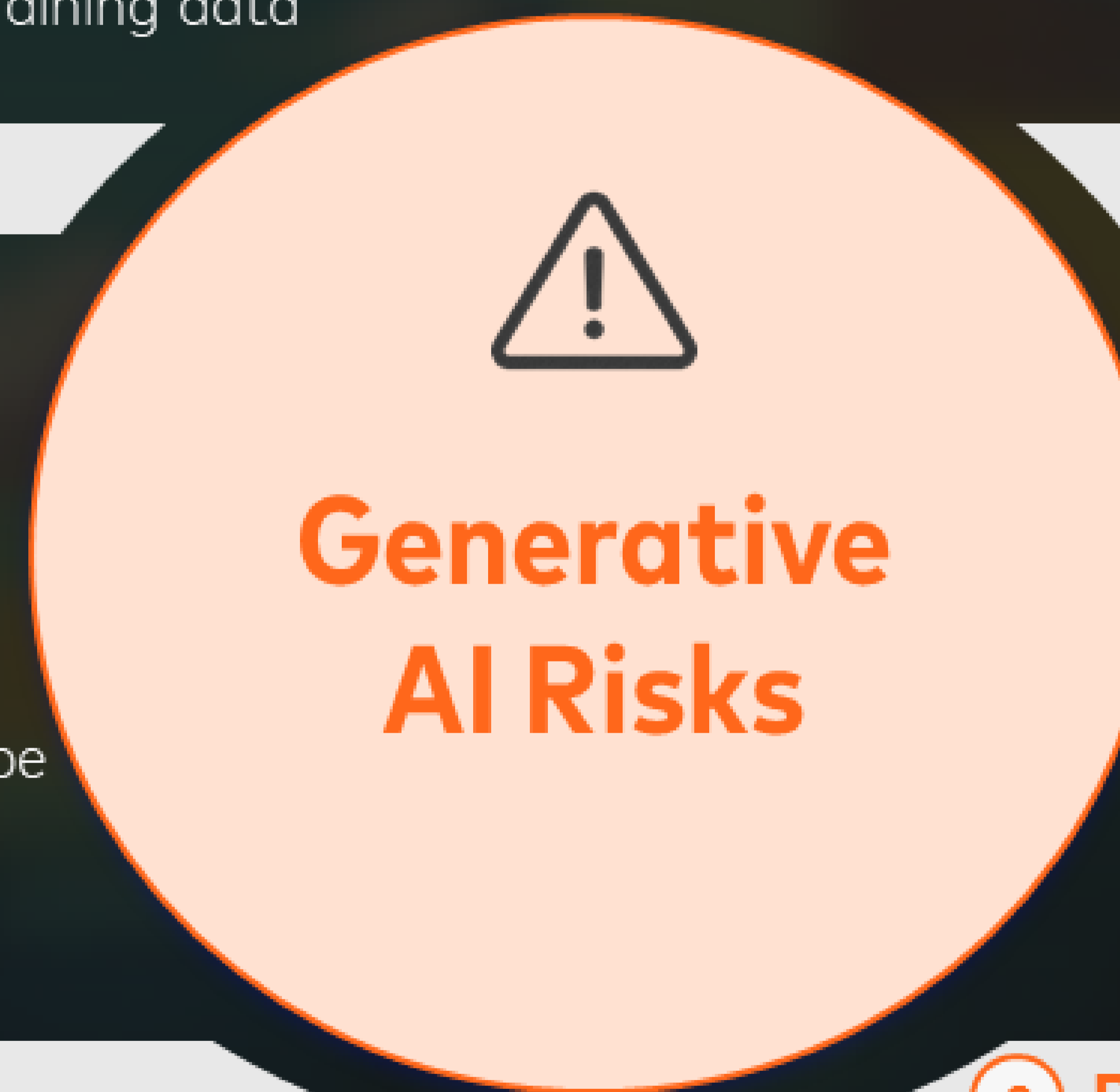
- Loss of confidentiality, as prompts can become part of the model and are disclosed to other users of the model

⑦ Regulatory Compliance

- Heightened regulatory scrutiny as Generative AI is increasingly being regulated and investigated
- Undefined and fragmented standards creates complexity and legal uncertainty

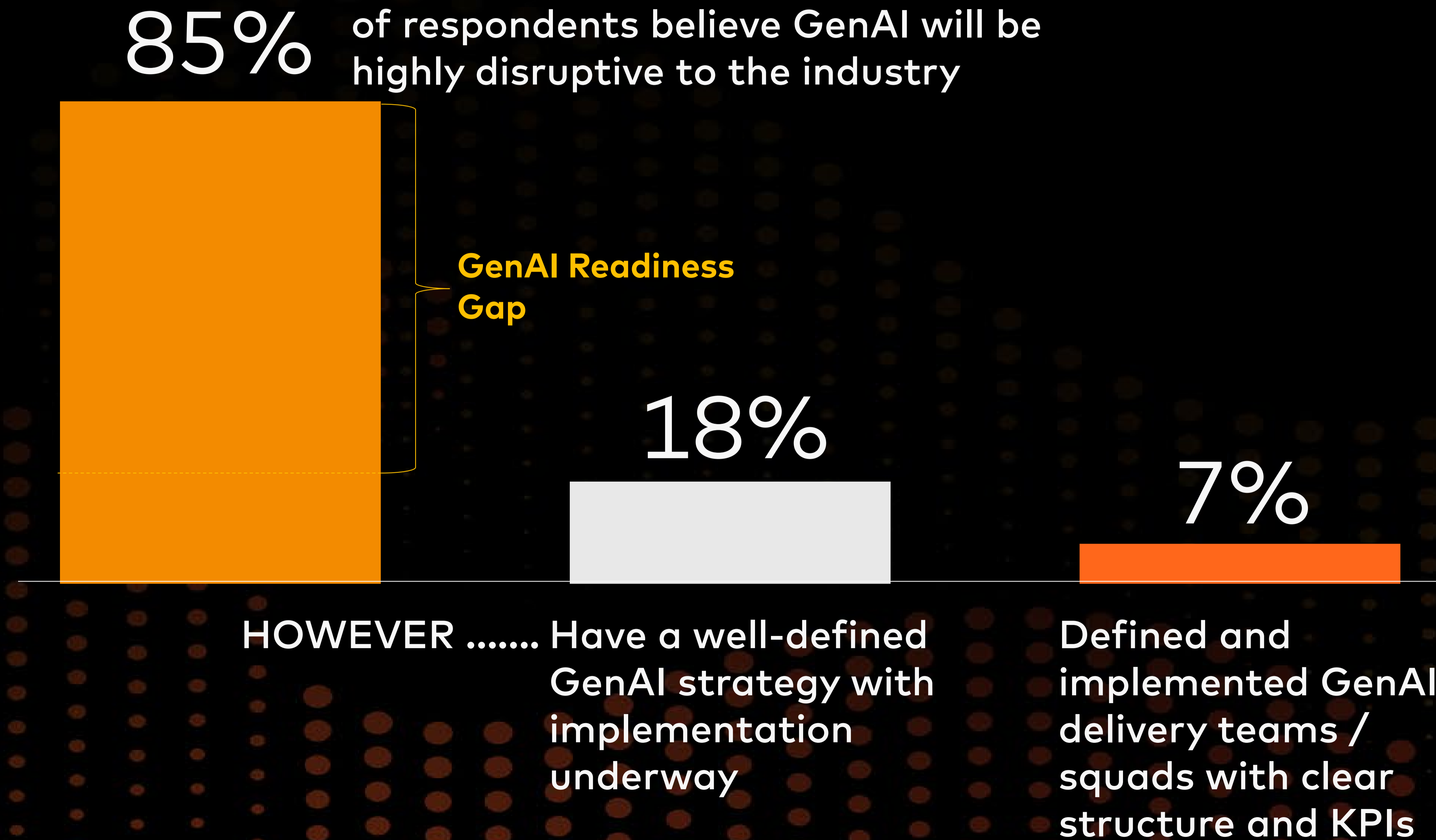
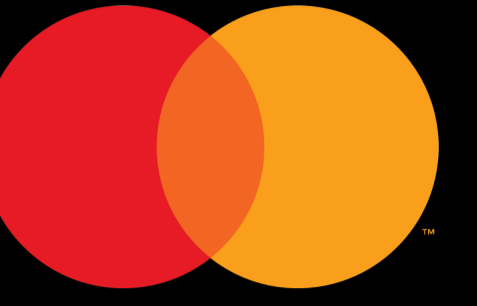
⑧ Reputation

- Potential brand damage as Generative AI is under huge scrutiny from media, consumers, investors, policymakers and beyond



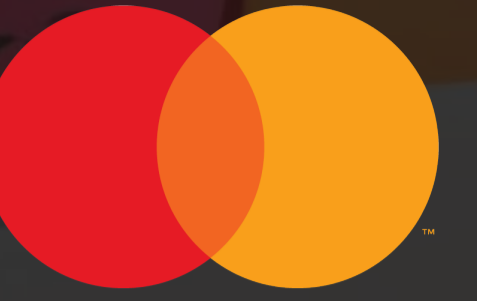
A Readiness Gap Remains

However, many banks face a significant readiness gap which prevent them from moving from PoC to Production. Only 2 of the top 50 banks publish a realized ROI from their AI efforts



Source: BCG GenAI in FI Benchmarking Survey; 2024 n=62. (Americas, EMEA, Latin America, and Asia Pacific)
<https://evidentinsights.com/reports/key-findings-report-2024>

Recap: What is really required to get moving ?



Data Management

Ensure the right data environment, available on demand in the cloud, with right workbench tools and operating models to capture data advantages with AI

Leadership

Important to have alignment with business goals; top down commitment to ensure resource allocation, impact measurement and prioritisation

Talent

Focus on recruiting, education and training as well as on the right incentives and recognition. Technical research skills and subject matter expertise matters

Innovation

Build an innovation-friendly culture, encourage experimentation and cross-functional collaboration

Transparency

Clearly communicate AI intent and purpose and build strong governance around model / data transparency and interpretability

Start with operational efficiency focus

Learn from the execution of these processes to drive hyper-personalization

Thank you