

Take5

for business

Volume 13 Issue 7 - 9 September 2024

Survey: GenAI
adoption in financial
institutions

EY

Building a better
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The rise of GenAI in transforming financial services

Generative AI's (GenAI) ability to process and analyze large datasets, generate predictive insights, and automate complex tasks is catalyzing financial institutions (FIs) to offer more personalized services, manage risks effectively, and adapt quickly to changing market conditions.

A recent EY survey of FIs in Malaysia highlights that the majority or 85% of senior management, opined that GenAI will be the industry norm within a year, with 74% in the exploration stage of experimenting with GenAI applications. One-third of FIs have successfully deployed GenAI for internal processes, and a quarter (25%) of FIs are already advancing the use of GenAI for their client acquisition and onboarding actions.

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Adopting Generative AI goes beyond technological progress; it's turning into a key strategy for companies looking to stay ahead in their sectors.

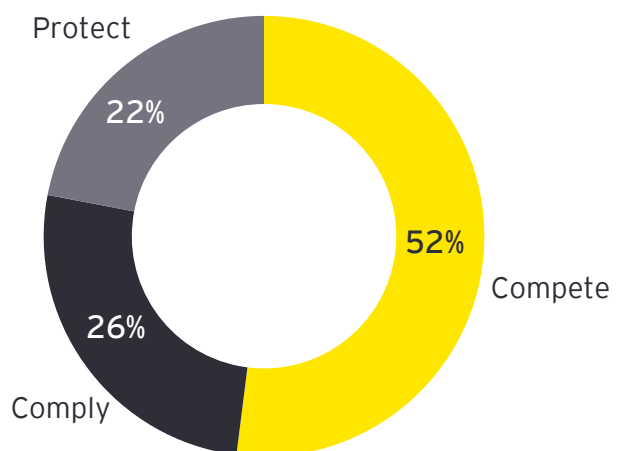


Shankar Kanabiran
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Malaysian FIs: Key focus of Gen AI adoption

Financial institutions in Malaysia are leveraging GenAI for a leading market position.

Over half (52%) of the survey participants indicate that their main focus areas of AI and Gen AI is to gain a competitive advantage.



Source: *GenAI Adoption in Financial Institutions Survey*, EY, 2024

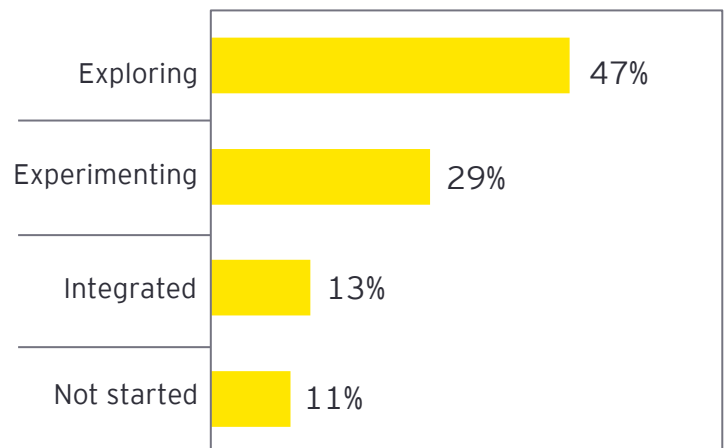
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Clear strategy is key towards successful GenAI implementation

Our survey indicates that Malaysian FIs are ready to adopt GenAI :

- ▶ Nearly half (47%) of FIs are exploring potential GenAI initiatives, while over a quarter (29%) are in the experimentation stage of GenAI-related initiatives.
- ▶ Over half of the respondents indicate that AI and GenAI strategies will need to shift from defensive to offensive.

Maturity level in adoption of GenAI for Malaysian financial institutions



GenAI strategy for FIs: Expected outcomes

“Gen AI has the ability to expand our knowledge and experience and heighten our innovation mindset.”

“We need our organization to shift from a traditional mindset to using innovative business models.”

“Embracing GenAI in our strategic planning will enable us to anticipate market shifts and changes.”

“GenAI can reshape customer service from a cost center into a revenue stream.”

Source: *GenAI Adoption in Financial Institutions Survey, EY, 2024*

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Regulatory clarity on GenAI risks and governance is integral

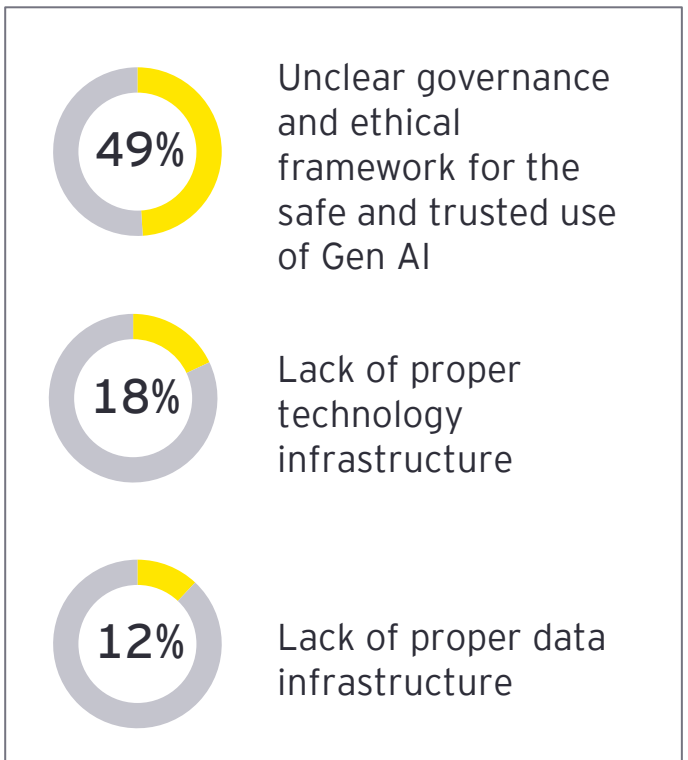
As GenAI advances, Malaysian FIs are actively looking at key risks and governance frameworks and policies to work on managing the potential risks associated with new technologies.

Among the key risk perceptions highlighted by the survey results are the following:

- ▶ Nearly half (49%) of FI leaders indicate that their top challenge in adopting GenAI is an “unclear governance ethical framework for the safe and trusted use of AI”.
- ▶ Additionally, “insufficient investment in technology infrastructure” and “limited platforms to facilitate innovation with GenAI”, are identified as the top barriers to GenAI adoption.

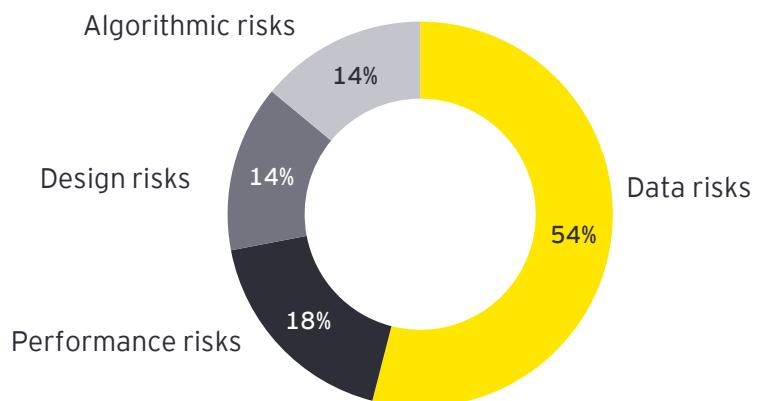
GenAI adoption for FIs:

Top three challenges



FI Gen AI adoption: Key risk factors

Over half (54%) of FIs highlight that data risk is the most important risk factor to manage.



Source: GenAI Adoption in Financial Institutions Survey, EY, 2024

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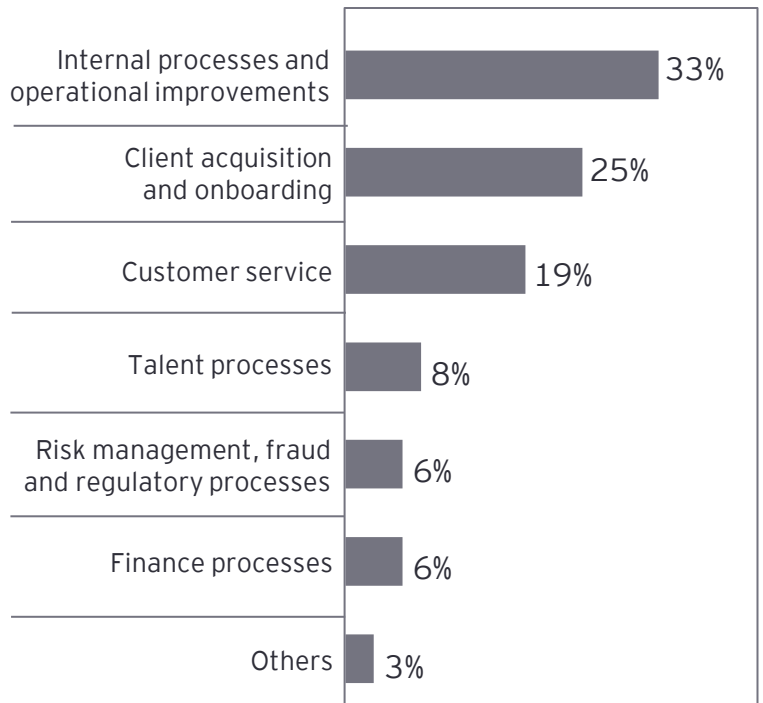
Adopting GenAI accelerates efficiency gains

Malaysian FIs are generally optimistic about adopting GenAI.

Areas where GenAI technology has been successfully deployed or is being planned for implementation by FIs include:

- ▶ Improving internal processes and operational efficiency (33%)
- ▶ Enhancing client acquisition and onboarding (25%)
- ▶ Implementing GenAI in customer service (19%)

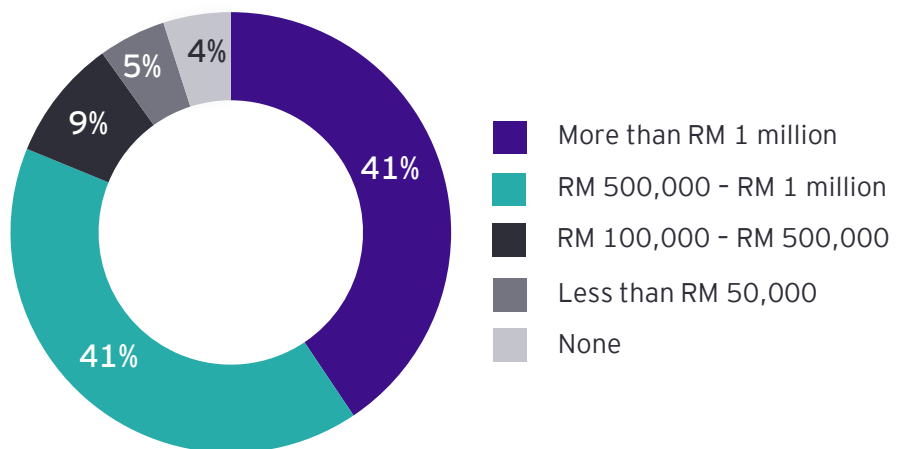
Areas for GenAI deployment:



How much are institutions planning to invest in GenAI in the next 12 months?

Over the next 12 months, the estimated size of FIs planned investment budgets for GenAI adoption include:

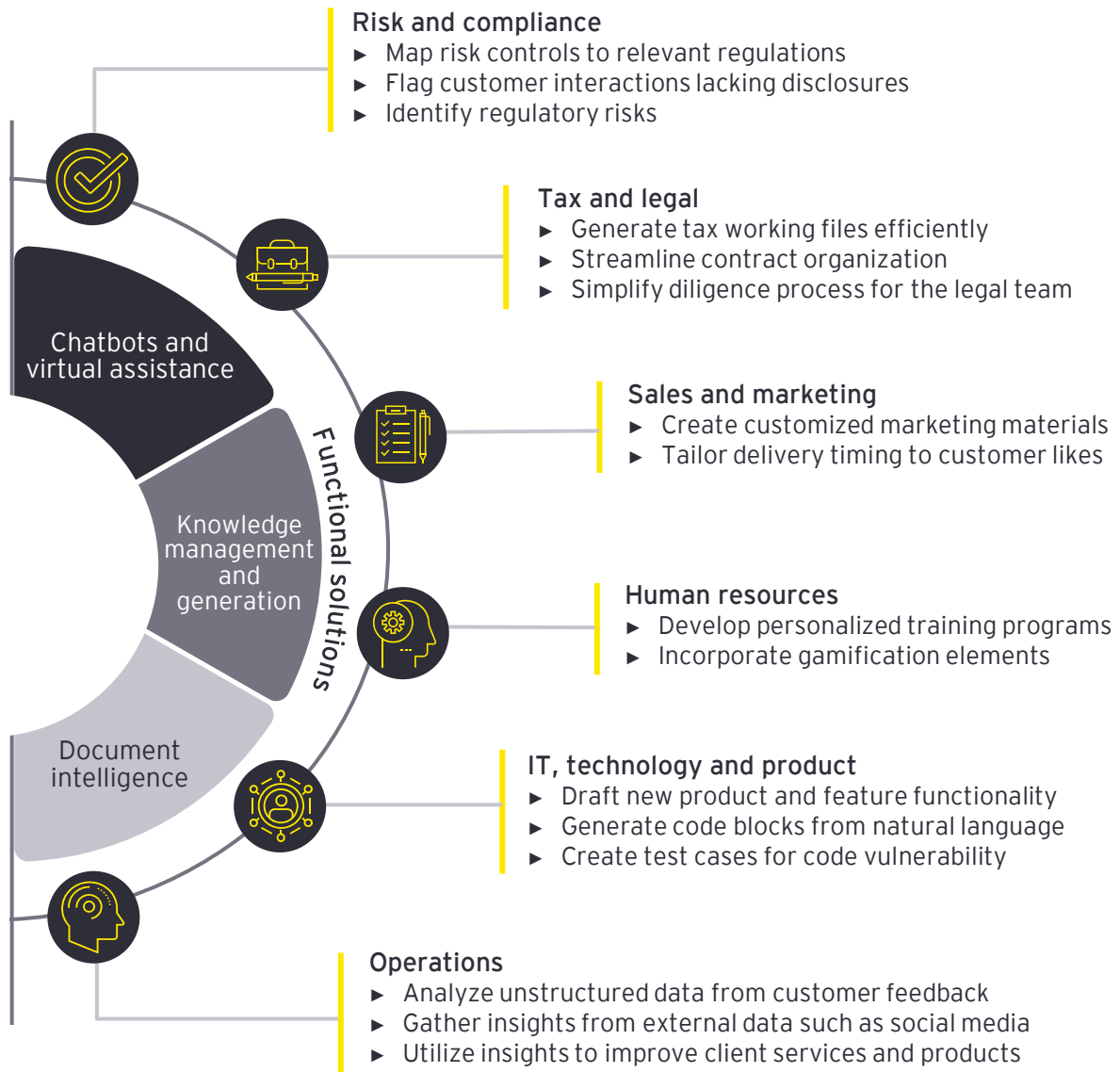
- ▶ 41% planning to invest more than RM1m
- ▶ 41% planning to invest between RM500,000 and RM1million



Source: GenAI Adoption in Financial Institutions Survey, EY, 2024

Applications of GenAI in financial services

While financial institutions have been deploying AI applications across a variety of use cases for several years, including managing credit risk and fraud, GenAI adoption represents a step change and holds the potential to transform and enhance a wider array of business functions.



Source: *How can financial services firms derive value from generative AI?*, EY, 2023

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With its broad range of applications, GenAI has become the pivot of transformative change, redefining the operational and strategic horizons of the financial services sector.



Ling Kay Yeow
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GenAI initiatives in financial services

Today's widespread and accelerated adoption of GenAI in financial services is in use cases where predictive and prescriptive AI can yield the best action or outcome for business and technology processes. Some areas where leading FIs are leveraging GenAI include:

Banking and capital markets

- ▶ Beta-testing OpenAI-enabled chatbots
- ▶ Sourcing responses from 100,000 pre-vetted financial and operations documents to help advisors navigate large data repositories
- ▶ Developing own Large language Model to support sentiment analysis, named entity recognition, news classification, and, question and answer
- ▶ Creating virtual financial assistant that enables hyper-personalization
- ▶ Delivering real-time financial advice, personal finance insights, and portfolio performance

Wealth and asset management

- ▶ The conversational AI assistant automates the equity investment process for portfolio managers and quantitative analysts
- ▶ The AI assistant is equipped with speech capabilities and is trained using differing scenarios
- ▶ A cobalt-powered, cloud-native record maintenance platform
- ▶ Enables real-time data solutions and customization for retirement planning; leverages VR and conversational AI
- ▶ A digital human-like assistant designed to field complex questions from registered investment advisors and clients

Payments and fintech

- ▶ Utilization of generative adversarial networks (GANs) for risk and fraud readiness
- ▶ Generation of virtual fraudsters to test existing anti-fraud tools and identify gaps in fraud detection models
- ▶ A proprietary generative AI virtual assistant with ChatGPT-like capabilities
- ▶ Training of own Large Language Model (LLMs) on its codebase
- ▶ NLP-based customer service automation
- ▶ Enabling of voice-to-text transcription, travel booking processing, classification of emails for delivery, and automation of customer service chat

Insurance

- ▶ Single-click, fully-automated end-to-end (E2E) processing for stage 3 injury claims
- ▶ Leverages the first true AI lawyer for insurance, and natural language processing
- ▶ ChatGPT-driven automated code generation for statistical models, information extraction (e.g., claims), and analysis of claims data to identify causes of loss
- ▶ Personalized financial and retirement planning based on Gen AI mortality predictions accurate within 88-90%
- ▶ Innovation-focused, independent client-backed and funded startups now offering doctor-less Underwriting-as-a-Service

Source: *AI and Generative AI in WAM*, EY, 2024

Next steps

To deploy GenAI successfully, financial institutions should consider the following areas of development:

- 1** Formulate adaptable risk frameworks and policies that are thoroughly documented and easily interpretable by GenAI models.
- 2** Implement GenAI enablement platforms designed to safeguard sensitive customer and institutional data.
- 3** Establish adaptive product management platforms that incorporate cloud-native, lean, and modular core banking solutions.
- 4** Develop synthetic data generation capabilities to produce complete, clean, and consistent data sets for training GenAI models
- 5** Begin building robust signals intelligence capability that can effectively extract client and market insights.
- 6** Empower the GenAI system with enhanced data overlay and analytical capabilities to dynamically extract insights tailored to client needs.

Source: *The fourth age of banking, powered by generative AI*, EY, 2024

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FIs should resist legacy thinking when identifying opportunities with GenAI. Existential risks posed by disrupters and new market forces demand the re-imagining of business models.



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