



AI Summary

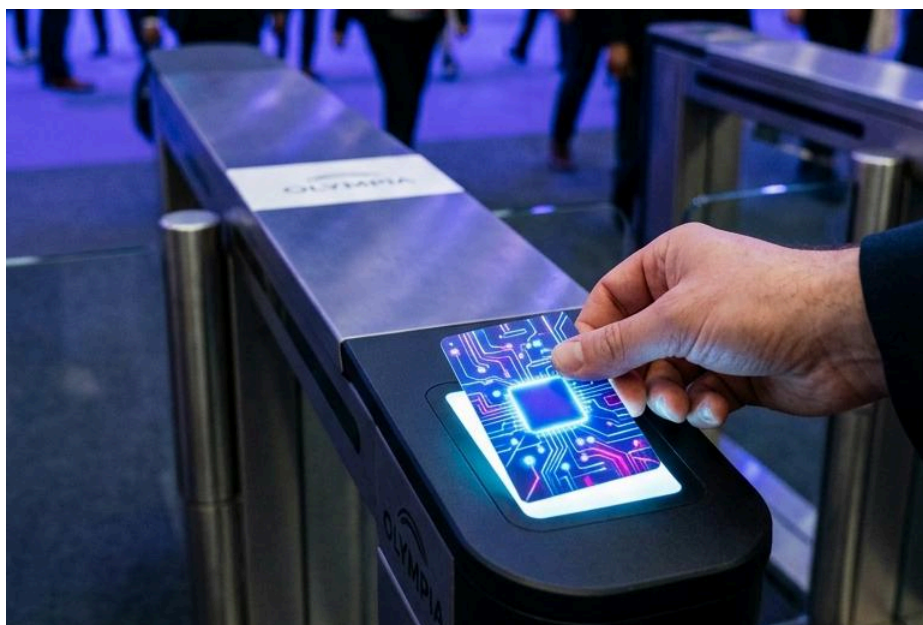
Ensuring Compliance in the Age of AI

**LONDON
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Summary

The session explored the evolving role of artificial intelligence (AI) in ensuring compliance within financial services, focusing on regulatory engagement, technological adoption, and operational challenges. One participant outlined their dual responsibilities at Deutsche Bank: overseeing AI deployment across the organisation and directly implementing AI in compliance and financial crime. Regulators were described as increasingly supportive, with examples highlighting proactive approaches in the UK, Europe, and the US. The UK's Financial Conduct Authority was noted for fostering innovation through sandboxes, while European authorities were more cautious, emphasising governance. In the US, model risk regulations were identified as a guiding framework, though recent updates excluded generative AI, requiring alternative governance approaches.



The discussion highlighted current AI applications in compliance, including anomaly detection in financial crime, horizon scanning for regulatory risks, and communication surveillance. Large language models (LLMs) were deemed transformative for analysing vast volumes of data, such as staff communications, improving both efficiency and insight. However, operational challenges, such as cost scalability and token usage, necessitated hybrid approaches combining traditional data science and LLMs. Furthermore, the integration of AI was seen to shift roles from menial tasks to more critical thinking, requiring cultural adaptation. AI's role in augmenting human oversight was emphasised, with regulators favouring hybrid systems where humans remain integral to decision-making.

Looking ahead, the session addressed the broader challenges of scaling AI safely, including the development of governance frameworks suited for interconnected systems. The need to supervise agentic processes, alongside humans, was highlighted as a key policy evolution. Participants also noted the importance of real-time monitoring, telemetry, and institutional-level oversight to ensure operational soundness as AI adoption expands. Recommendations included deeper pre-deployment testing, preparation for rapid response mechanisms like kill switches, and ongoing regulator engagement. While AI's current use cases remained largely internal and efficiency-driven, future applications, such as generative AI in public-facing contexts, were expected to necessitate even greater scrutiny and regulatory adaptation.

Takeaways

Regulatory Landscape for AI in Financial Compliance

Regulators have shown surprising openness and adaptability towards AI in financial compliance, with regions like the US and UK leading the way in proactive governance. However, approaches vary globally, with European regulators prioritising caution and responsible implementation while the US focuses on structured frameworks like model risk regulations.

Practical Applications of AI in Banking Compliance

AI is increasingly deployed across banking functions, such as financial crime prevention, regulatory monitoring, and communication surveillance, with large language models (LLMs) proving transformative in tasks like analysing communications for misconduct. However, scalability is constrained by challenges such as cost, token efficiency, and the necessity for a hybrid approach combining traditional data science techniques with advanced AI models.

Human Oversight in AI Governance

Maintaining human oversight remains a critical regulatory requirement, particularly in sensitive areas like financial crime and market abuse. Regulators expect robust governance frameworks, metadata monitoring, and transparency to ensure human analysts remain integral to decision-making, even as AI automates menial tasks.

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