

samlink

A Kyndryl Company

Samlink Advisory Services

Generative AI in Banking

3.9.2024



Samlink Advisory Services Accelerators

Digital Innovation & Customer Engagement

Embedded Finance & Open Banking: Seamlessly integrating financial services into everyday experiences to attract and engage customers.

Banking as a Service & Platform: Offering customizable and scalable banking solutions for modern customer needs, including our own Banking as a Service platform.

Generative AI in Banking: Utilizing artificial intelligence to enhance customer experience and drive efficient banking operations.

Payment Modernization: Innovating payment systems for faster, more secure transactions, leveraging modern technology.

Operational Transformation & Resilience

Digital Transformation: Tailoring banking experiences to meet the digital demands of today's customers.

Operational Resilience: Strengthening banking operations for business continuity and risk mitigation.

Progressive Modernization: Implementing gradual modernization strategies of legacy systems and processes to keep pace with technological advancements.

Ecosystem Enabled Banking: Creating a collaborative banking ecosystem to foster innovation and expand services and build a new bank in as little as six months.

Technological Advancement & Future-Ready Solutions

Modernize Your Core & Update Tech: Revamping legacy systems and adopting new technologies for scalable, efficient banking based on an ecosystem of partners.

Harness the Cloud: Utilizing cloud technology and a hybrid cloud strategy for agility and innovative banking solutions.

CBDC (Central Bank Digital Currency): Pioneering in the implementation of digital currencies to lead the future of banking.

Generative AI in Banking – A Must for Compliance and Growth

Banks are facing many challenges:

- Banking regulations significantly impact capital, productivity, and growth.
- Banks are currently grappling with a complex regulatory equation alongside a radical transformation of the entire banking ecosystem in Europe.
- They also face heightened competition from non-banks and neobanks from both domestically and internationally

The level of adaptation needed to face these challenges from both a human resource and technological perspective is unprecedented.

What technology is disruptive enough to help the banks and its staff face and tackle these challenges? **Generative AI.**



The Opportunities

Expanding the Playing Field: Including non-banks and PSPs will help deploy distribution channels, foster partnerships, and increase licensing opportunities. This can reduce or avoid IT investments for banks.

Open Banking and Competition: European regulations, particularly through open banking and finance, will intensify direct competition among European banks, allowing access to new markets via a more standardized and secure data network.

Evolving Compliance: Compliance is evolving from a checklist approach to a comprehensive risk management strategy. As experts in risk management, banks are well-prepared for integrating Generative AI.

Shared Liability and Risks: Banks, PSPs, and FISPs will need to share more information about fraud, payments, and financial data due to shared liability and risks.

Pressure on Capital and Liquidity: Capital and liquidity pressures affect all banks. Large banks must embrace the open economy, while smaller banks need to develop partnerships.

Enhancing Productivity: Banks will enhance productivity by reshaping back-office operations, support, and defense teams. IT expenditures will shift towards implementation and running costs associated with Generative AI.

Samlink's role

We assist bank executives in recognizing and seizing opportunities. We guide them through complex decisions to strategize and implement their Generative AI initiatives.

We assist banks by providing a specific and tailored accelerator designed to advise, help build, and scale up Generative AI applications, among other solutions.

LOW RISK
MODEL

Type of Banking GenAI	Application/service examples			
Engineering GenAI	Generating code	Code line replacement from legacy	Migration towards low code	Documenting legacy code
Enterprise GenAI -no customer data	Internal projects, risks and assessments	Comparing and producing procurement agreements	Comparing financial statements	Assisting with financial audits, re-audits
Enterprise GenAI -customer data -internal source	Instant payment fraud detection	KYC, screening (internal)	GDPR, subject access request	Internal compliance, reporting, monitoring
Enterprise GenAI -customer data -internal and external sources	Fraud detection, screening (3rd party Regtech)	Loans, mortgage help to decisioning (external credit assessment)	Underwriting by a 3rd party Insurance agent	Bank's Wealth Management
Customer facing GenAI-internal data source	Bank app; smart Bot for customer support	Bank app; robo investment advisor	Bank app; non collateral loan, automated decisioning	Bank app; non life insurance, automated decisioning
Customer facing GenAI - internal and external data sources	Merchant; tailored finance on checkout	Car manufacturer: tailored insurance	3rd party mobile wallet; tailored BNPL	3rd party Wealth Management

HIGH RISK
MODEL

The Risks with Generative AI Applications

Samlink proposes a framework that categorizes Generative AI applications based on various risk models.

The models evaluate whether the data is customer-related, which entity processes the data (the bank or a third party), and the origin of the customer data (internally owned by the bank or external).

The categories are as follows: Engineering Generative AI, enterprise Generative AI and Customer-facing Generative AI.

Additionally, there are risks associated with the bank relying on public, external Large Language Models (LLMs) hosted on external platforms, as opposed to developing their own private Language Model (LM) or using a pre-trained LLM on-premises.

How Regulation Will De-risk Generative AI

Samlink’s vision is to leverage key enablers, particularly those arising from future regulations, to significantly reduce banks' concerns.

We aim to facilitate the faster adoption and deployment of more complex Generative AI applications, focusing on productivity, growth, or both.

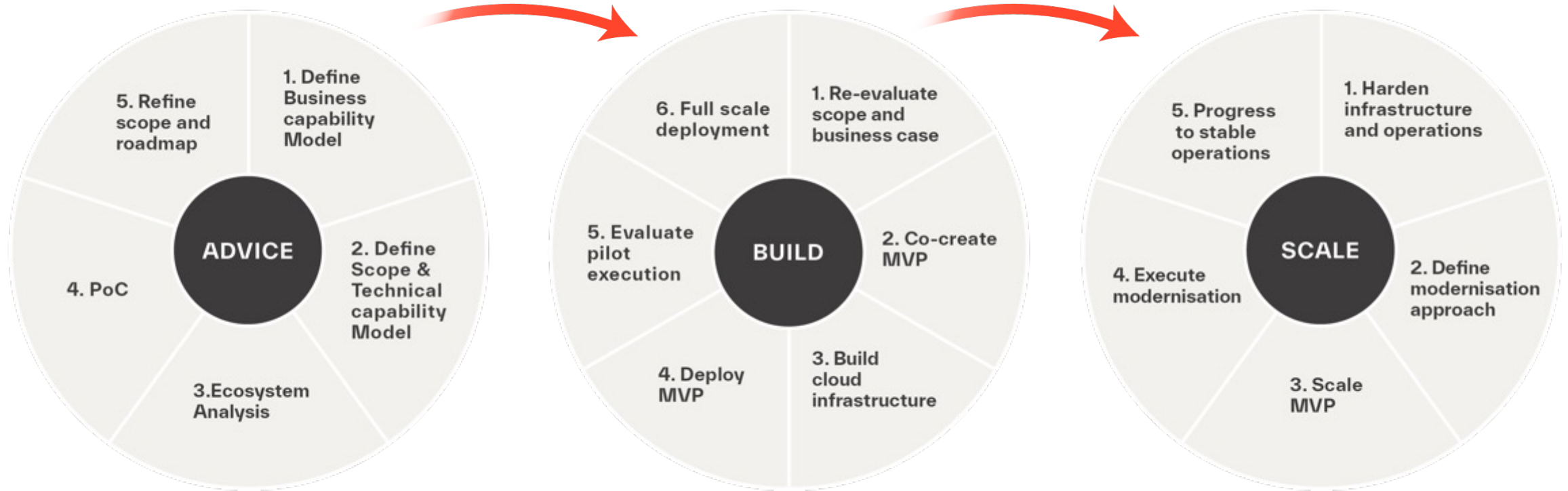
Type of Banking GenAI	Application/ service examples	Transparency for accountability, ethics	Data source, quality, volume, security	Algorithms and models maturity	Results accuracy	Financial liability	IPR infringement
Engineering GenAI	Code line replacement						
Enterprise GenAI -no customer data	Assisting with financial statements	AI Act		Public MML maturity, Industry specific	Volumes		IPRED
Enterprise GenAI -customer data-internal source	Detecting, blocking A2A Instant Payment fraud	AI Act	Data Act, DORA	Performance /accuracy ratio outperforms manual. More private LLMs	Volumes	PSR	
Enterprise GenAI -customer data-internal and external sources	Automated assessment of credit risk, BNPL	AI Act	Data Act, DORA	More private LLMs	Volumes	PSR	
Customer facing GenAI-Internal data source	Bank app; non collateral loan, automated decisioning	AI Act	Data Act, DORA, EUDI, PSD3	More private LLMs	Volumes	FIDA	
Customer facing GenAI-Internal and external data sources	Market place hyper-tailored client offering, smart bot	AI Act	Data Act, DORA, EUDI	Hybrid public and private LLMs	Volumes	PSR FIDA	IPRED

Levels of concerns:

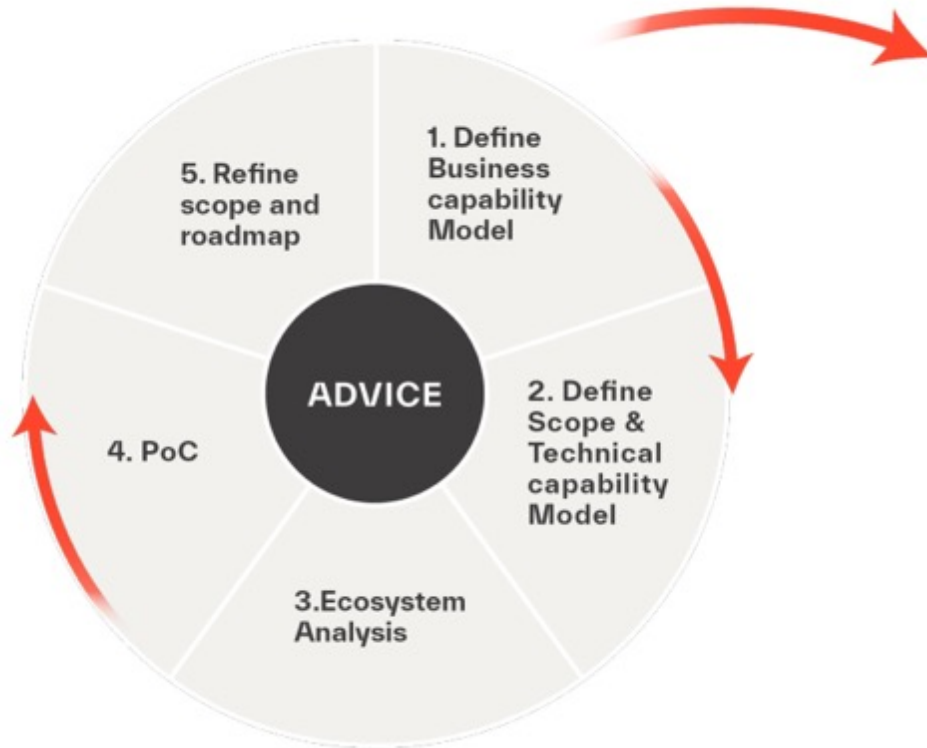


Samlink's Ecosystem Enabled Banking

Samlink's advisory framework



Strategic Advice in AI



In the initial phase, Samlink collaborates with banks to assess their **business goals and needs**. Together, we address key priorities such as productivity, compliance, competitiveness, and business sustainability through AI, whether it is Predictive AI or Generative AI.

The advice phase **helps identify the business and technical capability model and scope**, what is required to fulfill the business needs, and what to buy, build, configure, or engineer. Furthermore, we undertake partner discovery and analysis to determine what solutions and components are necessary to trigger a POC.

At this point, primary elements are taken into consideration, such as Data & Data sources, Compliance & risk, and technology providers/ISVs.

We also challenge the findings and choices made with quality metrics to address concerns and **de-risk the AI application** that will be piloted and deployed.

The Quality Metrics Give Banks Confidence From The Start

Samlink's advisory quality metrics are assessed throughout the entire cycle of the advisory offering: advice, build, and scale.

01 **Transparency for Accountability and Ethics**

Ensuring that data processing adheres to established ethical standards and is transparent enough to explain the decision-making process and outcomes.

04 **Results Accuracy**

Determining the accuracy and reliability of the results produced by the algorithms.

02 **Data Source, Quality, volume, security**

Assessing the data's source, accessibility, sufficiency for training machine learning models, completeness, and overall quality. Ensuring data security at any stage of the process.

05 **Financial Liability**

Understanding the bank's liability when using Generative AI and identifying other potential liabilities beyond financial ones.

03 **Algorithm Maturity**

Assessing the data's source, accessibility, sufficiency for training machine learning models, completeness, and overall quality. Ensuring data security at any stage of the process.

06 **IPR Infringement**

Considering whether the use of Generative AI in a particular application could risk infringing intellectual property rights related to algorithms, models, data, content, code, or other proprietary assets.

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Thank You

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