# AI and cloud technology transform financial services compliance



In today's rapidly evolving business landscape, artificial intelligence (AI) is increasingly reshaping operations across various industries, particularly within financial services. As firms adapt to complex regulatory demands and operational challenges, the application of AI and cloud technology has transitioned from a peripheral concept to a crucial component in achieving strategic advantages.

Ed Probst, Senior Vice President of Regulatory Technology at Nasdaq, emphasised the transformative potential of these technologies. “The financial services industry is operating in an incredibly complex and dynamic environment, having to respond to ever more sophisticated regulatory requirements, financial crime, and operational challenges,” he noted. “Technologies like AI and cloud have the power to enhance strategic insights and dramatically improve efficiency but require a workforce able to understand, develop, and deploy the capability.” This sentiment highlights the necessity for companies to bolster their teams with data scientists and specialists in response to the demands of regulatory compliance.

Recent findings indicate that 35% of firms project AI technologies will drive significant changes in compliance processes over the next year, a substantial rise from just 9% last year and 0% the year before. This shift illustrates a movement from basic workflow tools to more advanced, data-driven approaches. Investment in areas such as improving data quality, integrating diverse data sources, and developing surveillance tools is anticipated to increase in the coming 12 to 24 months. Advanced data processing is expected to alleviate challenges such as false positives, which currently plague compliance teams; almost 90% of teams recognise the reduction of these alerts as particularly arduous.

Investment across the compliance and regulatory sector is also shifting, with a notable increase in hiring data scientists and additional support staff, reflecting the growing importance of data management and advanced technology in compliance systems. The December 2023 survey conducted by Treasury Today suggested that compliance teams are increasingly acknowledged as vital contributors to risk management and corporate governance, with respondents affirming that they maintain a decisive role in business decisions.

Alongside these trends in compliance, the integration of AI-generated data within financial decision-making processes has gained significant traction. Research from Taulia, part of the SAP Group, revealed that over half of global financial leaders (57%) are employing AI-derived insights for pivotal decisions, surpassing the reliance on internal or external data points. This trend underscores a shift in operational strategies where AI-generated data becomes not just an asset but a foundational element of decision-making.

Furthermore, 85% of finance leaders expect AI's influence in decision-making processes to escalate within the next year. By leveraging AI, financial functions report enhanced efficiency and improved processes, with key areas of implementation identified as inventory and supply chain management (48%) and overall process automation (46%). The findings also indicated a direct correlation between company size and the use of AI, with larger organisations showing a greater propensity to integrate these insights into their operations.

Cedric Bru, CEO of Taulia, commented on this transformation, stating, “Our findings highlight a significant shift in the way that successful finance functions run, with AI no longer an emerging technology, but a core component of strategic decision making.” As companies continue to recognise the valuable role AI plays, nearly half of finance functions are planning to onboard dedicated AI experts to bolster their capabilities.

In summary, the integration of AI and cloud technology across the financial sector is on the rise, particularly in the realms of compliance, risk management, and strategic decision-making. As organisations prioritise enhancing their data quality and workforce capabilities to effectively harness these advancements, they are positioned to navigate the challenges of an increasingly complex regulatory landscape while maintaining a competitive edge.

Source: [Noah Wire Services](https://www.noahwire.com)

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