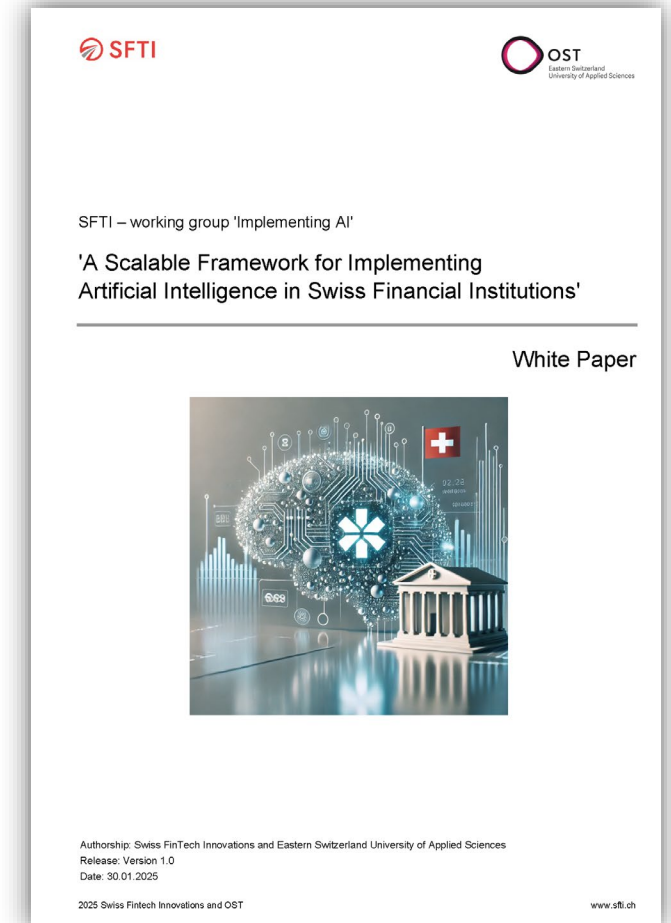


White Paper “A Scalable Framework for Implementing Artificial Intelligence in Swiss Financial Institutions”

SFTI working group “Implementing AI”

Zurich

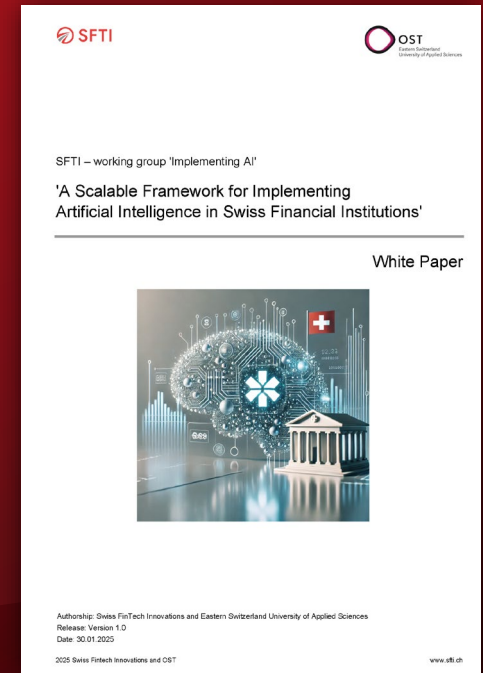
January 30, 2025



Agenda.

- 1. The white paper – background, structure and key findings**
- 2. The survey – key results and observations**
- 3. Panel discussion – perspectives on key results**

The white paper



Background, structure and key findings

Objectives.

Provide Swiss financial institutions with a **structured framework for implementing AI technologies** effectively and sustainably, in specific to ensure:

1. Regulatory Alignment

Ensure that AI implementations comply with applicable Swiss regulations relevant for financial institutions, such as AML (Anti-Money Laundering), KYC (Know Your Customer), GDPR (General Data Protection Regulation), the Federal Data Protection Act (FADP), and FINMA Guidance 08/2024.

2. Organizational Integration

Align AI strategies with organizational goals to enhance operational efficiencies while fostering cultural readiness for technological transformation.

3. Scalability

Develop strategies for scaling AI implementations across various functions, ensuring that the framework remains adaptable as institutions expand their use of AI.

4. Practical Application

Provide actionable insights into decision-making approaches, implementation models, success factors, and challenges encountered during AI adoption.

Key Findings.

1. Decision-Making Approaches

Institutions employ structured frameworks for identifying high-value use cases, often starting with proof-of-concept (PoC) validations to assess feasibility and potential ROI: **37.5% of institutions use AI-specific decision-making approaches, the majority treats AI projects like other IT or business initiatives.**

2. Implementation Models

A phased approach is common, involving stages from discovery to full deployment. Agile methodologies are frequently used to ensure flexibility and adaptability: **The majority of institutions (87.5%) implements AI projects like other IT or business initiatives, relying on existing implementation models.**

3. Success Factors

Strategic alignment with business goals and robust internal capabilities are critical. Governance frameworks ensure compliance with regulatory standards: **Key success factors are Strategic Alignment (67%), Invest in Internal Capabilities (67%) and Implement Robust Governance Frameworks (50%).**

4. Challenges



Knowledge gaps remain a significant barrier, alongside privacy concerns and regulatory complexities. Cultural resistance and integration with legacy systems also pose challenges: **Key challenges are “Knowledge & Expertise” (50%), “Privacy, Security & Data Usage Issues” (33%), “Regulatory & Compliance Issues” (33%) and “Cultural & Organizational Challenges” (33%).**

We Developed A **Framework** for Implementing AI in Swiss Financial Institutions.



- The framework offers Swiss financial institutions a **detailed roadmap to effectively navigate the complexities of AI implementation**, ensuring both maximized business value and adherence to regulatory requirements.
- It is structured into **six key elements with 33 logical components** – the "**what**" – each accompanied by a **total of 105 clear, step-by-step instructions** – the "**how**" – outlining the necessary actions, pertinent questions, and desired outcomes.
- While certain steps may appear repetitive across different elements and components of the framework, this repetition underscores their significance.
- Some steps might be optional in one context but mandatory in another, highlighting their critical role in the overall implementation process.

The survey

Development of a Scalable AI Framework for Swiss Financial Institutions

Thank you for your participation as a sounding board member for the AI Framework Development Project.

Your insights are invaluable in shaping a comprehensive and scalable AI framework tailored to Swiss financial institutions. This survey seeks input on AI applications within compliance and other functions (including client advisory) and aims to understand decision-making approaches, implementation models, success factors, and challenges encountered. Your responses will directly inform Phases 2 and 3 of the project.

This short survey contains the following sections:

1. Details of up to three examples for AI Implementation in Compliance Functions
2. Details of up to three examples for AI Implementation in Non-Compliance Functions
3. Decision Making Approach and Implementation Model
4. Key Success Factors and Key Challenges

Your input will be treated **highly confidential** and used in aggregated and anonymized format only.

AI Applications in Compliance Functions

For AI applications in compliance, please provide up to three cases / examples.

1. Do you have any AI application in Compliance Functions?

yes

no

2. A brief description of the AI application (compliance case 1)

Please describe what the application is doing and how. Typical elements include: name of the application, functional area within Compliance, problem solved / improved, processes replaced / improved, input needed and output created, user groups, internal or external use, application solution being replaced, etc.

Please Answer optionally

3. What type of AI and product is being used? (compliance case 1)

Please describe the type of AI that is being used, e.g. Generative AI, LLM, DLN, DPT, RAG, including the name of the software/tool. If relevant, pls. also indicate the level of customization.

Please Answer optionally

4. What are the intended or achieved benefits of the above mentioned AI application in Compliance? (compliance case 1)

Operational Efficiency

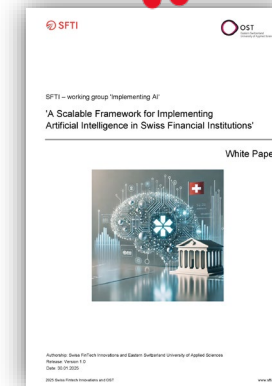
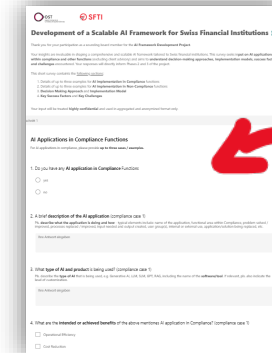
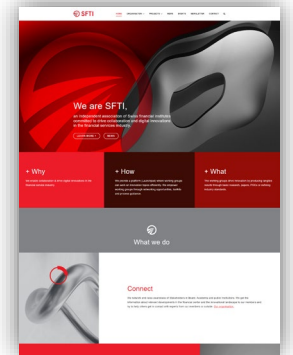
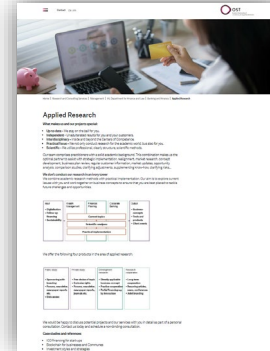
Cost Reduction

Key results and observations

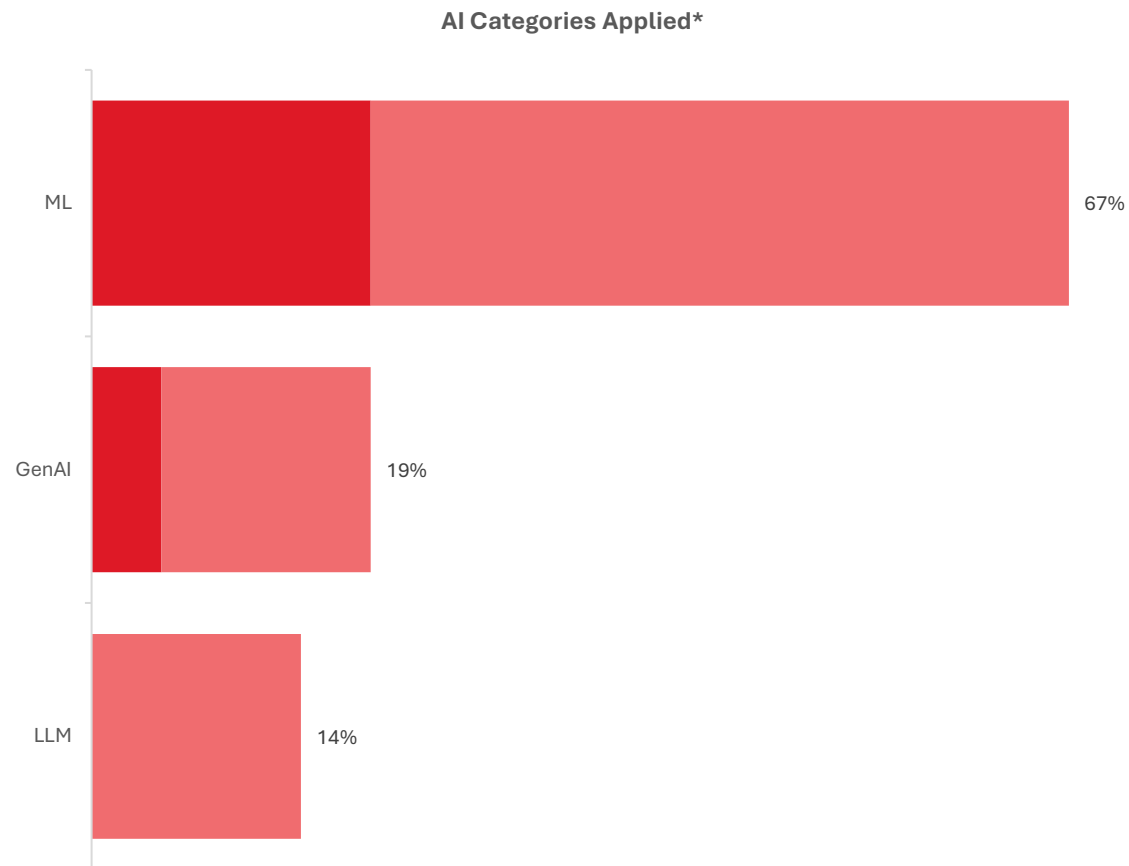
Mixed-Methods Approach.

- **Academic expertise**
... of the Competence Center of Banking & Finance at the Institute of Finance and Law of the Eastern Switzerland University of Applied Sciences OST in the field of application of AI in Banking and Finance.
- **Practical experience**
... of SFTI member organizations in the application of AI Use Cases collected through a survey conducted among SFTI members.
- **Comprehensive online survey (Nov 2024)**
 - Gathered **details of 21 practical AI use cases** within compliance and other operational functions* (excluding client advisory),
 - Provided details of **Decision-Making Approaches, Implementation Models,** and relevant different **Life-Cycle Models,**
 - Provided insights into **Key Success Factors** and **Key Challenges** encountered during the implementation and application of AI Use Cases.

* Notably, 24% of the AI use cases were related to compliance areas; however, this differentiation is not deemed critical for the framework's application across various functions.



AI uses cases are dominated by Machine Learning (ML), followed by Generative AI (GenAI) and Large Language Models (LLMs).

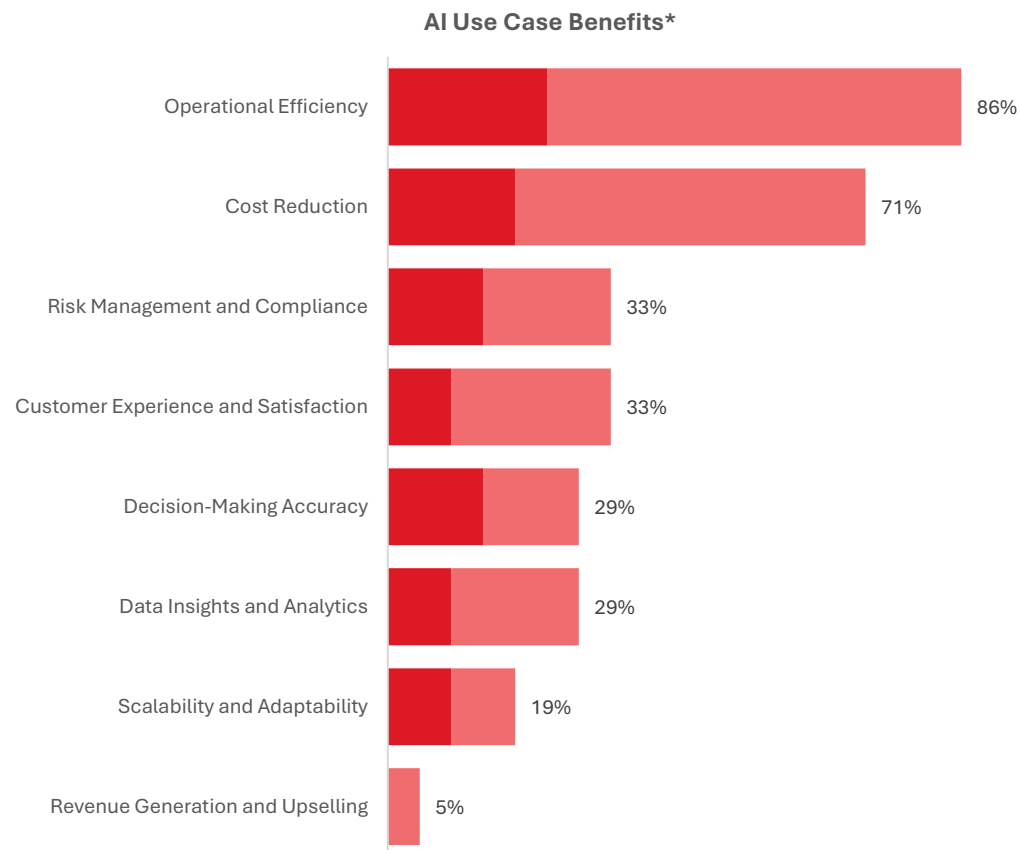


* Bars in dark red refer to AI uses cases with a Compliance focus.

- More than 2/3 of use cases are applying **Machine Learning (ML)**, which dominates tasks requiring structured data analysis, classification, regression, or anomaly detection (e.g., fraud detection, marketing segmentation).
- **Generative AI (GenAI)** is applied in almost 20% of the use cases, using **interactive** language models for **conversational AI**, chatbots, and text-based automation.**
- **Large Language Models (LLMs)** are being used by 14% of the use cases, with AI models processing and generating **non-interactive** text, such as document analysis and sentiment classification.

** In this study **GenAI** refers to AI applications with interactive capabilities, such as chatbots, which rely on **LLMs but in the background**. In contrast, the **LLM** category includes non-interactive text processing tasks like document analysis etc.

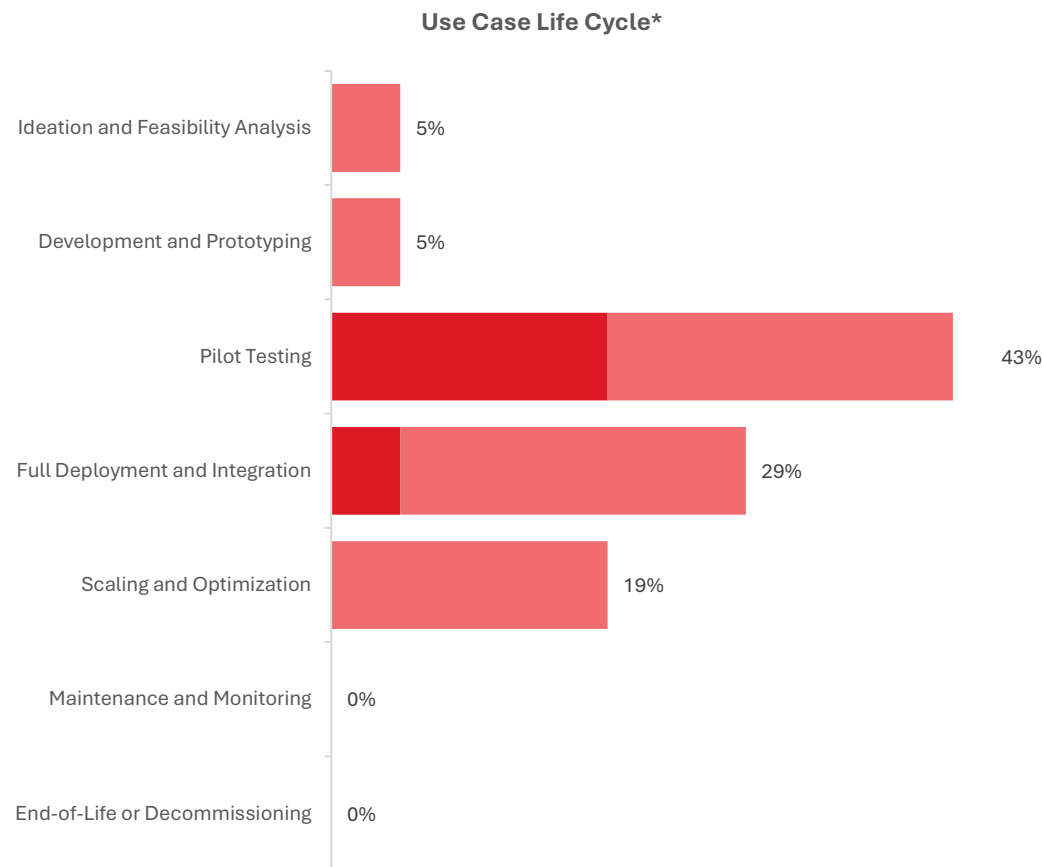
The distribution of **benefit categories** reflects a clear prioritization of operational efficiency and cost reduction across financial institutions.



* Bars in dark red refer to AI uses cases with a Compliance focus.

- **“Operational Efficiency”** and **“Cost Reduction”** benefits dominate because they directly address core business objectives such as reducing overheads and improving productivity.
- **Secondary benefits** like risk management, customer satisfaction, decision-making accuracy, and data insights demonstrate how AI is also being used strategically to enhance service quality and mitigate risks.
- The reported benefits underscore the **transformative potential of AI in finance**. This distribution also suggests that as organizations mature in their AI adoption journey, they may increasingly focus on advanced benefits like revenue generation and scalability to maintain competitive advantages in dynamic markets.

The distribution of **AI use case life cycles** highlights that most organizations are still in exploratory or early implementation stages, with a strong focus on pilot testing.

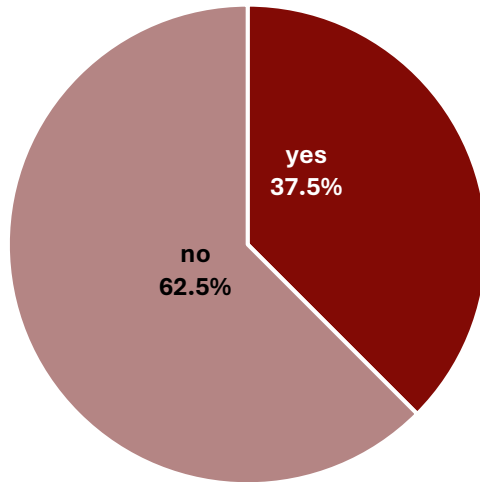


* Bars in dark red refer to AI uses cases with a Compliance focus.

- The distribution reflects a **cautious approach to adopting AI technologies in finance**, prioritizing validation before large-scale investments.
- The relatively small proportion of use cases in scaling or optimization stages suggests that **AI adoption is still maturing** within many institutions.
- The life cycle distribution underscores **a measured approach to AI adoption** in financial institutions.
- As institutions gain experience with AI technologies, future trends may show increased activity in maintenance and optimization phases as solutions mature and deliver sustained value over time.

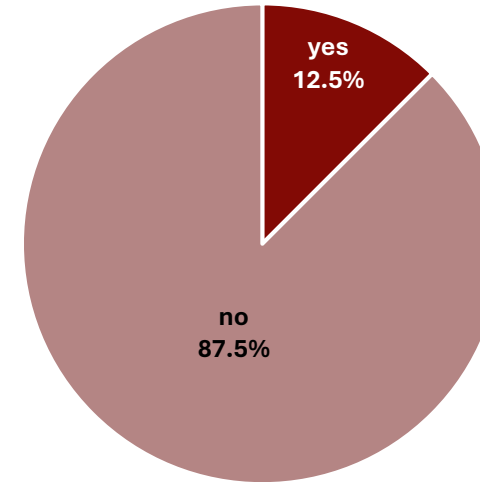
AI-specific **decision-making** approaches and **implementation** models.

AI-Specific Decision-Making Model



- 37.5% of financial institutions use AI-specific **decision-making** approaches related to the internal process of identifying and approving AI applications; the majority treats AI projects like other IT or business initiatives.

AI-Specific Implementation Approach



- 87.5% of financial institutions **implement** AI projects like other IT or business initiatives, relying on existing implementation models.

Key Success Factors that contribute to the effective implementation of AI applications in financial institutions.



1. Strategic Alignment:

Ensure that all AI initiatives align with overarching business goals and deliver measurable value through PoCs or pilots.

2. Invest in Internal Capabilities:

Develop internal expertise through targeted training programs while fostering collaboration across departments.

3. Implement Robust Governance Frameworks:

Establish clear guidelines for data protection, regulatory compliance, and ethical considerations to build trust.

4. Focus on Data Quality

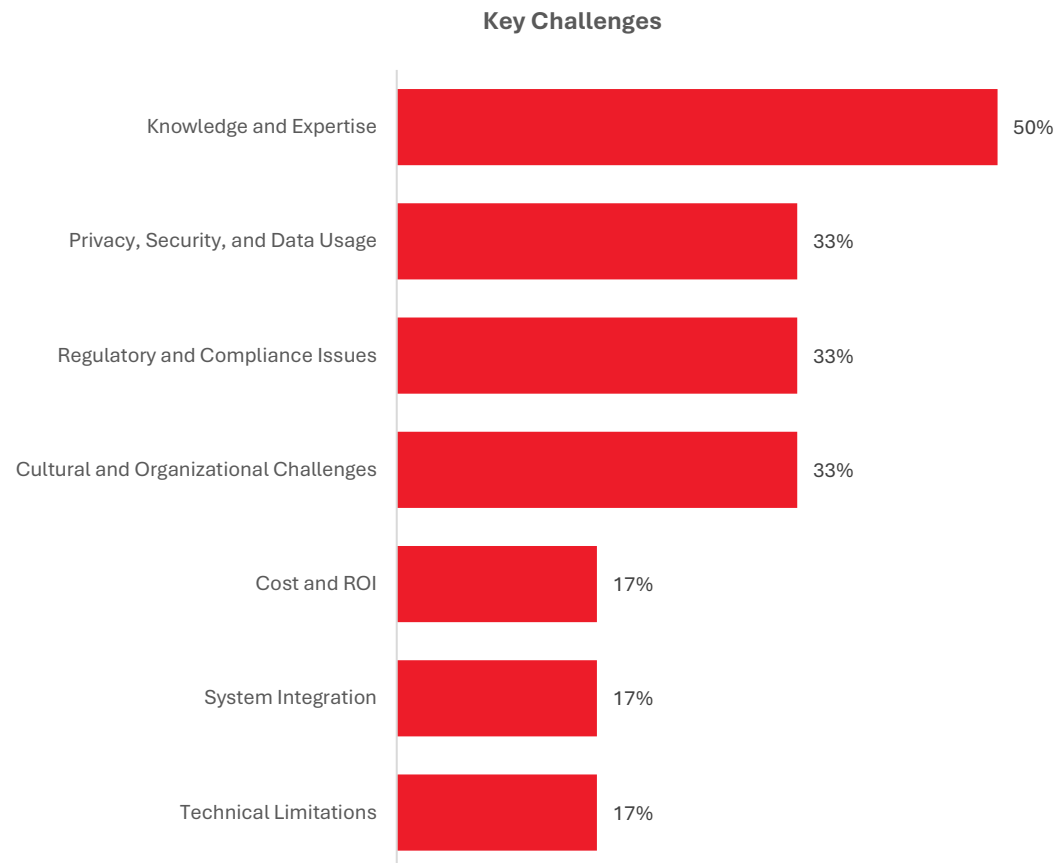
5. Engage Stakeholders Early

6. Proactive Change Management

7. Ensure Technology Readiness

8. Monitor Continuously

Key Challenges encountered during the implementation of AI applications in financial institutions and **successful strategies for overcoming these.**



1. **Building Knowledge and Expertise:**

Targeted hiring to recruit AI professionals with AI expertise in AI, training programs to upskill employees; external partnerships to collaborate with academia and/or technology providers

2. **Enhancing Privacy, Security, and Data Governance:**

Develop robust data governance frameworks and establish clear policies

3. **Navigating Regulatory Complexity:**

Engage with regulators, implement compliance-by-design principles, do audits

4. **Addressing Cultural Resistance:**

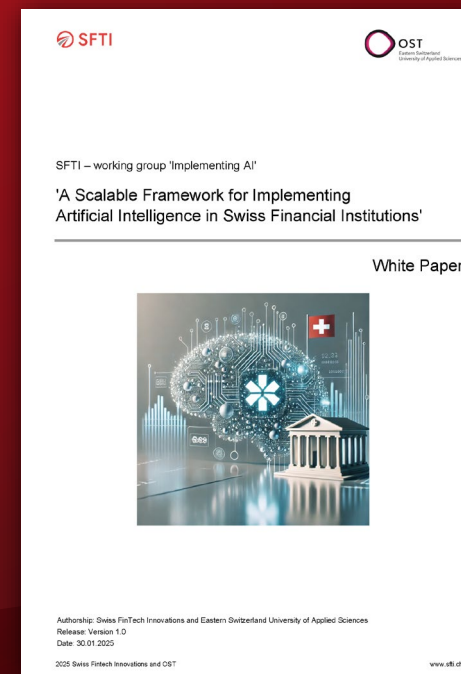
Culture of innovation, tailored training programs, communicate the benefits of AI

5. **Managing Costs and Demonstrating ROI**

6. **Simplifying System Integration**

7. **Overcoming Technical Limitations**

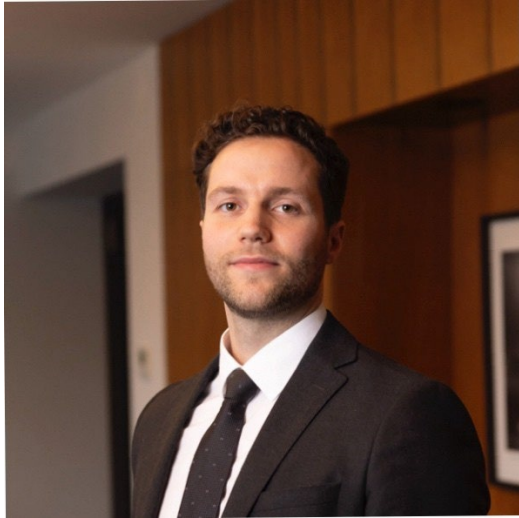
Panel discussion



Perspectives on key results

The Panel

Perspectives on Key Results.



Jonas Tresch

- Attorney at Law, Advising New Technologies & FinTech
- Kellerhals Carrard
- [linkedin.com/in/jonas-tresch](https://www.linkedin.com/in/jonas-tresch)



Remo Brechbühl

- Business Development Data & AI
- PostFinance AG
- [linkedin.com/in/remo-brechbuehl-b907a572](https://www.linkedin.com/in/remo-brechbuehl-b907a572)



Tiphonie Bent

- IT Governance Officer - IT Duties & AI Standards Lead
- SIX Group
- [linkedin.com/in/tiphonie-b-057633127](https://www.linkedin.com/in/tiphonie-b-057633127)



Thank you.

[swissfintechinnovations.ch](https://www.swissfintechinnovations.ch)

office@swissfintechinnovations.ch

Swiss Fintech Innovations (SFTI) | Rämistrasse 5 | P.O. Box | 8024 Zurich

