Navigating the AI landscape
INSIGHTS FROM COMPLIANCE AND RISK MANAGEMENT LEADERS
SUMMARY REPORT
SECTION ONE

Key takeaways

These six takeaways should help anyone working in risk and compliance get a better understanding of the AI landscape today, and how it could change tomorrow:

1. 9 in 10 early adopters of AI report that it is having a positive impact on risk and compliance, delivering an impressive range of benefits.

2. Outside of the early adopters, most firms have yet to embrace use of LLMs, but there is broad agreement: AI technologies, including GenAI, will deliver advantages for risk and compliance.

3. With two thirds of respondents describing their data as fragmented or containing inconsistencies, the poor quality of internal data could be a barrier to AI implementation if firms can’t get a firmer handle on it.

4. There is a stark gap between the lack of awareness of AI-related regulation and the common agreement that new legislation is needed; therefore, those in the industry need to engage in dialogue with regulators.

5. As the clamor for AI-augmented solutions grows, vendors need to communicate how they ensure data security, explainability, and quality of outputs.

6. Widespread adoption of AI is predicted in the medium term, though perhaps less quickly than in other business areas, so risk and compliance leaders who perceive there to be speed and efficiency gains to be had from use of AI need to build their business case based on evidence from early adopters.

EXECUTIVE COMMENTARY

Keith Berry, General Manager, KYC Solutions at Moody’s Analytics

Compliance professionals are convinced that AI will be transformative for their industry, but obstacles remain that could hinder risk management and compliance functions from capitalizing on its potential. The benefits of AI are currently viewed in easy-to-measure quantitative terms. Process efficiencies are a good start to AI adoption, but they are only scratching the surface of the technology’s capabilities. Advanced data analytics, accurate predictions, and the scalability of data are all features compliance teams will not want to miss out on.

With many of the professionals we spoke to expecting the widespread adoption of AI in the next one to five years, steps need to be taken for it to meet its transformative potential across risk management and compliance. For example, when based on high quality data, AI is able to drastically reduce the number of false positives in a KYC screening process at scale, and can result in up to 80% of level one investigation and triage happening instantly and accurately. The overall outlook for AI is strong if compliance teams acquire the right expertise and data to fully capitalize on the opportunity.
SECTION TWO
Selected findings

Our study reveals that while there is an overwhelming desire for AI adoption in compliance, significant barriers hinder progress including poor internal data quality, a lack of clarity around regulation, and a specialist knowledge gap.

ADOPTION LEVELS:
It is still early days, with nearly a third (30%) of those surveyed actively using or trialing AI, while 49% are considering adopting the technology.

What is the current level of implementation of AI within your company for the purpose of compliance or risk management?

- 9%: AI is actively being utilized
- 21%: AI is in a trial or pilot phase
- 49%: We are considering the use of AI
- 21%: AI is not being considered

USE CASES:
Among these early adopters, the top three areas in which AI is being applied are data analysis and interpretation (63%), risk management (53%), and fraud detection (51%).

Areas in which AI is being used (existing users / trialists only)

- Data analysis and interpretation: 63%
- Risk management: 53%
- Fraud detection: 51%
- Process automation: 46%
- Customer screening: 45%
- Predictive analysis: 40%
- Regulatory compliance: 34%

However, the study found that challenges remain, including:

INTERNAL DATA QUALITY: Only 14% of those surveyed rated their own data as high quality. Resolving data issues is critical to reducing LLM hallucinations and improving the accuracy of AI outputs.

Superior
Superior data infrastructure with real-time refinement. Seamlessly integrates into decision-making. Unparalleled breadth and depth.

2%

High quality
Clean, structured data. Occasional quality checks in place. Moderate breadth and depth.

12%

Clean
Clean, structured data. Occasional quality checks in place. Moderate breadth and depth.

19%

Inconsistent
Data is structured but contains inconsistencies. Manual cleansing often necessary. Limited breadth and depth.

44%

Fragmented
Fragmented and unstructured data. Significant cleansing required for meaningful use.

23%

Base: Total (n=550)
Early adopters of different types of AI are more likely to rate their data quality as high (36%), compared to 9% who are not considering the use of AI. There is a clear data maturity gap, with 75% who are not contemplating the adoption of AI considering their data quality to be poor.

**Which of the following statements best describes your organization’s data maturity in the context of compliance?**

| Using AI | 5% | 31% | 19% | 36% | 10% |
| Training AI | 3% | 13% | 21% | 41% | 22% |
| Considering AI | 2% | 8% | 20% | 49% | 22% |
| Not considering AI | 2% | 7% | 16% | 39% | 36% |

Base: Total (n=550), Using AI (n=42), Trialing AI (n=95), Considering AI (n=225), Not Considering AI (n=83)

**KNOWLEDGE LEVELS:**
Only a quarter (26%) rated their overall understanding of AI’s relevance to risk management and compliance as high.

**What is your understanding of the relevance and application of AI in risk management and compliance?**

- Very low: 9%
- Quite low: 20%
- Moderate: 44%
- Quite high: 19%
- Very high: 7%

Base: Total (n=550)

**REGULATION:**
The study found that while 79% of professionals feel new legislation to regulate the use of AI in compliance is important, the majority lack awareness of existing AI-related regulations.

**How important do you feel it is that new legislation is implemented to regulate the use of AI within compliance?**

- Not at all important: 1%
- Fairly unimportant: 6%
- Neither: 13%
- Fairly important: 39%
- Very important: 40%

**How aware are you of the current AI-regulated regulations in your sector?**

- I am fully aware: 5%
- I am well aware with some gaps: 10%
- I am somewhat familiar: 21%
- I know a little: 34%
- I don’t know anything: 32%

Base: Total (n=550)
Despite the rapid growth of LLMs, caution remains in risk and compliance. Only 28% take a positive stance on these models, 25% are actively discouraging or prohibiting their use and 46% have yet to adopt an LLM policy. Just 41% associate LLM terminology with risk and compliance.

However, the overall outlook for the adoption of AI within risk and compliance is positive.

PERCEIVED BENEFITS:
Compliance professionals are most likely to identify improved efficiency in processes (72%), increased speed of data processing and analysis (72%), and cost savings due to automation or improved decision-making (66%). Fewer currently recognize the potential for more advanced, transformative benefits, such as improved accuracy of results and predictions (51%) and the reduction of false positives (49%).
**AI IMPACT TO DATE:**
Early adopters are already realizing the benefits of AI. Nine out of 10 early AI adopters report it is having a positive impact on risk and compliance.

- **Significant impact**: 32%
  - Major improvements in efficiency or outcomes
- **Moderate impact**: 59%
  - Noticeable improvements in some areas
- **Minimal impact**: 7%
  - Slight improvements but less than expected
- **No impact**: 2%
  - No significant change in efficiency or outcomes

*Base: Using AI (n=43)*

**FUTURE IMPACT OF AI:**
In the market overall, almost 70% of respondents believe AI will have a transformative or major impact on their work.

- **Transformative**: 47%
- **Major**: 28%
- **Moderate**: 22%
- **Minimal**: 5%
- **None**: 3%

*Base: Total (n=550)*

**ADOPTION TIMEFRAME:**
83% of all surveyed respondents expect widespread adoption of AI in risk and compliance in the next one to five years.

- **Within the next year**: 5%
- **1-3 years**: 45%
- **3-5 years**: 38%
- **Over 5 years**: 13%

*Base: Total (n=550)*
OBJECTIVES

We conducted primary research with a view to finding out more and exploring attitudes towards AI within a range of target audiences and regions, covering the following topics:

- Is AI a passing trend in risk and compliance, or here to stay?
- Where will its impact be felt most across risk management and compliance?
- How do risk and compliance professionals view its potential?
- What are the risks and benefits, barriers and opportunities involved in adopting AI in these fields?
- What effect is AI having on risk management and compliance practices across different industries today?
- What are the regulatory challenges?
- When is AI expected to go mainstream in risk and compliance, if at all?

METHOD

We partnered with an independent research consultancy, Context Consulting, to design and conduct the research. The study included multiple phases to arrive at a balanced and robust set of learnings.

In phase 1, we conducted one-to-one interviews with experts from the worlds of academia, consultancy, and technology to build hypotheses and inform survey development. Phase 2 involved an online survey which was completed by 550 risk and compliance professionals from a range of sectors across 67 countries. And phase 3 saw in-depth follow-up interviews with 10 survey participants in Europe, the Americas and APAC to discuss findings of the survey and provide additional insight.

SAMPLE

Our research was broad, deep, and global in its scope — including people from a wide range of sectors and roles to get a full picture of how AI is impacting risk and compliance today.

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| TOTAL | 550 |
To find out how Moody’s can help you unlock the potential of AI in your world of compliance and risk management, please visit [moodys.com/kyc/ai-study](http://moodys.com/kyc/ai-study) or get in touch.

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