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CXO Guide: Accelerating AI & Automation in BFS

Imagine this: it's 2028, and a once-dominant financial institution—celebrated for its century of leadership—is now a case study in failure. Despite its storied history, the bank resisted digital transformation, clinging to legacy systems and manual processes. Meanwhile, agile competitors embraced AI and automation, offering hyper-personalized services, instant processing, and advanced fraud detection. The once-mighty institution, unable to keep pace with innovation, collapsed under the weight of inefficiency.

This isn't fiction—it's a reflection of the reality that financial institutions face today. With mounting pressures from regulatory compliance, outdated user experiences, legacy infrastructures, and global economic challenges, the need for a shift beyond basic automation has never been more urgent.

Early adopters have already reported operational cost reductions of up to 40% and revenue growth of 20%, underscoring the profound impact of AI-driven transformation. Yet, many mid-market firms remain hesitant, hampered by fragmented automation strategies and limited expertise.

To navigate the rapid pace of evolution, the BFS sector needs to capitalize on the transformative potential of Gen AI and advanced automation to streamline operations, improve fraud detection, meet compliance standards, and drive superior business outcomes.

For today's CXOs, the choice is stark: either lead your institution into the future with AI-powered innovation, or risk being left behind. This guide offers a roadmap to leveraging AI and automation, not just to safeguard your organization, but to position it for growth and leadership in the digital age.

According to Gartner, 70% of customer interactions will involve AI by 2025, while IDC forecasts that the banking sector will lead global AI investments between 2024 and 2028.

THE 7-STAGE
ACTIONABLE ROADMAP
FOR AI AND
AUTOMATION IN BFS

This guide—built on Sutherland's industry-leading AI expertise and cutting-edge deployments across the BFS sector—provides an actionable blueprint for AI-driven transformation covering the seven stages of a successful transformation with AI and automation that can deliver measurable impact and lasting competitive advantage.

1 Define Strategic Objectives
Align AI/automation initiatives with strategic business goals, focusing on cost reduction, customer experience, and compliance.

2 Assess Readiness
Evaluate digital maturity, infrastructure, and data architecture to identify gaps and bottlenecks.

3 Prioritize Use Cases
Select high-impact, low-complexity use cases with measurable ROI (e.g., fraud detection, KYC automation).

4 Architecting the AI & Automation Framework
Establish a data foundation, select AI platforms, and design a scalable architecture that integrates with existing systems. Develop governance mechanisms to ensure data quality, security, and regulatory compliance. Set up clear automation workflows and process orchestration.

5 Choose Engagement Model
Decide between project-based, license-based, or outcome-based engagements depending on scale and flexibility.

6 Build & Scale
Implement modular or BPaaS approaches, focusing on scalability, integration, and continuous support.

7 Solve for the AI Value Realization Conundrum
Track both short-term and long-term value metrics such as cost reduction, process efficiency, customer satisfaction, and innovation. Ensure scalability and adaptability for continuous improvements and alignment with evolving business goals.

DEFINE STRATEGIC OBJECTIVES

For CXOs leading AI and automation initiatives, it's important to balance demonstrating tangible ROI with your organization's overall strategic goals, workforce requirements, and evolving technologies and regulations. There are several factors to consider when determining which AI and automation technologies to prioritize in line with your business objectives. These include:

Operational Resilience:
Automating routine processes improves speed and agility, while harnessing advanced AI capabilities facilitates risk identification, incident response, and recovery for business continuity.

Hyper-Personalized Customer Experience:
Harnessing intelligent insights to personalize offerings and treat every customer as a segment of one improves customer satisfaction and loyalty and creates opportunities to up- and cross-sell.

Data-Driven Decision Making:
Enabling better informed decision-making through insights and actionable intelligence drives pricing optimization, the introduction of innovative tailored products, and improved business strategies for measurable outcomes.

Risk and Compliance Management:
By identifying patterns that humans or traditional systems may miss, AI-powered fraud detection can improve risk management and compliance monitoring to create efficiencies and cost savings.

Innovation and Revenue Growth:
Leveraging advanced platforms and tools allows banks to accelerate innovation, open new revenue streams, capture market share, and drive sustained growth by providing faster prototyping and testing of new products and services such as robo-advisers.

Understanding AI and Automation Technologies

Intelligent Process Automation (IPA)

Unlike RPA, which focuses on automating repetitive, rule-based tasks, IPA enables systems to learn, adapt, and make decisions in real-time. IPA enhances efficiency by automating not only tasks like data entry and compliance checks but also more complex functions such as predictive analytics, decision-making, and dynamic process optimization.

Machine Learning (ML)

Analyzes vast datasets to identify patterns, predict trends, and optimize decision-making in areas such as fraud detection, credit scoring, and risk management.

Natural Language Processing (NLP)

Powers AI-driven chatbots and virtual assistants to provide personalized customer service and interpret unstructured data such as customer queries and market sentiment.

Cognitive Computing

Enhances decision-making by mimicking human thought processes, allowing AI systems to process complex data sets and improve the accuracy of tasks such as underwriting, loan processing, and fraud detection.

Predictive Analytics

Uses historical and real-time data to predict customer behavior, market trends, and risks. Predictive analytics help institutions optimize product offerings, manage risks, and make data-driven strategic decisions.

Gen AI

Supports the creation of personalized content, real-time financial reports, and dynamic customer interactions through advanced chatbots, virtual assistants, and financial advisors. With models like GPT-4, the potential to hyper-personalize customer journeys has never been greater.

2

ASSESS DIGITAL MATURITY— ARE YOU AI READY?

70% of AI-driven transformations in banking and financial services fail due to insufficient infrastructure planning. Not least because more than 35% of global banks still operate on Common Business Oriented Language (COBOL), hindering their ability to scale AI applications. So, how can you set your own organization up for success? Along with investing in scalable infrastructure before rolling out AI solutions, it's essential to assess your organization's digital maturity in three key areas:

Area	Current State	Required for AI/ Automation
TECHNOLOGY INFRASTRUCTURE Is your current infra ready for integrating AI and automation with your existing system?	Legacy systems with limited integration	Cloud-enabled, flexible for AI applications
DATA MANAGEMENT Does your organization have the data architecture to support & scale AI initiatives. Have you enabled robust collection, storage, and analysis capabilities?	Fragmented, incomplete datasets	Centralized, clean, and structured data
EMPLOYEE SKILLS Are your employees and stakeholders adequately prepared and ready to use AI & automation 2.0?	Limited AI/automation knowledge	Training programs on AI tools & workflows

3

PRIORITIZING HIGH-IMPACT USE CASES

Not every process is ripe for automation. CXOs must prioritize high-impact, low-complexity use cases that deliver quick wins. These areas should offer a measurable return on investment (ROI) and minimal disruption.

Sub-Vertical	Use Case	Potential Benefits	How AI & automation drives benefits
Retail Banking	KYC/AML Automation	70% reduction in compliance costs	Automates document validation and transaction monitoring for faster, error-free compliance.
	Fraud Detection and Prevention	60% faster and more accurate fraud detection	AI identifies suspicious patterns in real-time, reducing fraud losses.
Consumer Lending	Loan Underwriting Automation	50% faster loan approvals	AI automates credit assessment, speeding up approvals.
	Personalized Customer Experiences	Boosts customer engagement and satisfaction	AI offers tailored loan products and advice, improving customer satisfaction.
Cards & Payments	Dispute Management	60% improvement in TAT and compliance	Automates dispute handling, reducing resolution times and improving accuracy.
	Predictive Analytics for Chargebacks	30% reduction in chargebacks	AI predicts disputes by analyzing transaction data, reducing chargebacks.
Fintech	Customer Due Diligence	Automates background checks, reduces compliance risk by 40%	Automates customer background checks for faster, more accurate due diligence.
	Predictive Analytics for Chargebacks	30% reduction in chargebacks, proactive dispute identification	AI predicts and prevents chargebacks by analyzing transaction history.
Credit Union	Member Onboarding Automation	45% reduction in onboarding time, improves member experience	Automates member onboarding by validating documents, reducing delays.
	Fraud Detection and Prevention	60% improvement in fraud detection speed and accuracy	AI detects fraudulent transactions in real-time, reducing losses.
Commercial Banking	Loan Origination & Approval Automation	30% faster loan processing, enhanced decision-making accuracy	Automates loan approvals for quicker decision-making.
	Treasury Management Automation	25% improvement in cash management accuracy, faster reconciliation	Automates cash management and reconciliation, improving accuracy and speed.
Auto Finance	End-to-End Loan Processing Automation	40% reduction in processing time, improves customer satisfaction	AI automated loan processing from application to approval, speeding up the process.
	Vehicle Remarketing Automation	35% faster end-of-term processing, enhances asset recovery	Automates vehicle recovery and remarketing, reducing costs and time.

Consider these examples from across the industry:

Fraud Detection and Prevention

Citibank's AI-driven fraud management system saved them millions in fraudulent chargebacks last year.

Personalized Customer Experiences

Singaporean OCBC Bank used AI to deliver personalized retirement and investment advice, increasing customer engagement by 65% over traditional advisory services.

Regulatory Compliance and Reporting

The Deutsche Bank's use of AI for regulatory reporting reduced errors by 90%, leading to faster submissions and a 50% reduction in non-compliance penalties.

Automated Loan Processing

Wells Fargo recently rolled out an AI-based system that reduces loan processing from weeks to days, improving customer satisfaction and cutting costs by 30%.

Focusing on quick wins is often the best approach. This will help you build momentum for AI-driven transformation initiatives while also delivering immediate benefits for your organization.

ARCHITECTING THE AI & AUTOMATION FRAMEWORK

This starts with architecting the AI and Automation framework before you decide the engagement models.

AI and Automation framework

Your framework must be scalable and future-ready, ensuring smooth integration with legacy systems and supporting end-to-end automation. Below are key components of the framework:

Purpose   *Tools*

Automating repetitive tasks and decision-making ●————— **Automation Tools** —————● **IPA, AI bots, cognitive computing tools**

Process automation and workflow management ●————— **Orchestration Layer** —————● **UiPath, Automation Anywhere, Blue Prism**

Scalable AI infrastructure ●————— **Technology Stack** —————● **AWS, Azure, Google Cloud, AI platforms**

**Centralized data access for AI** ●————— **Data Foundation** —————● **Data lakes, cloud storage solutions**

CHOOSING THE RIGHT ENGAGEMENT MODEL: BUILD vs. BUY & BEYOND

It's time to think about implementation. After prioritizing use cases, CXOs must choose an engagement model that fits their institution's goals and resources. But before you get there institutions must carefully consider whether to build in-house capabilities or buy solutions from external vendors. Both approaches have unique advantages and trade-offs that CXOs need to evaluate based on their institution's resources, strategic objectives, and timelines.
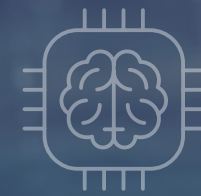
BUILD

Building an AI and automation solution internally allows for complete customization and control over the technology stack, ensuring that the solution is fully aligned with the organization's processes and goals. However, this also calls for significant upfront costs for development, infrastructure, and hiring technical talent and longer time to market.

BUY

Buying ready-made solutions from external vendors allows for quicker implementation and leveraging third-party expertise, making it an attractive option for institutions that need rapid results or lack internal resources. However, vendor solutions may not fully align with all business requirements or provide the flexibility needed.

HYBRID

In some cases, BFS institutions opt for a blended approach, where they build core proprietary AI capabilities in-house while leveraging external vendors for non-core functions. For example, an institution might develop proprietary fraud detection algorithms internally while using a third-party IPA platform for automating back-office tasks.

Below is a quick comparison:

Factor	Build	Buy
Timeline	Long development cycles, slower ROI	Quick implementation, faster ROI
Customization Needs	Fully customizable	Limited customization, pre-built
Upfront Investment	High initial cost for development	Lower initial cost, subscription-based
Data Ownership	Complete data control	Shared with third-party vendor
Long-Term Flexibility	Greater long-term flexibility	May depend on vendor's roadmap
Internal Expertise	Requires a skilled AI/IT team	Vendor expertise with minimal internal team needed

Engagement Model

Once you have decided on the approach and aligned on working with partners/vendors, you should consider evaluating the engagement model closely. This stage involves deciding between project-based, license-based, or outcome-based models, and evaluating the merits of BPaaS vs. modular approaches.

Project-based engagement

Project-based engagement is a one-off, focused approach to AI and automation implementation with clearly defined deliverables, budget, and timeline. This is often used for specific use cases such as automating loan processing or KYC/AML checks. This model helps with quick ROI. While the total cost is confined to the scope, however, additional projects add to future TCO.

EXAMPLE:

A mid-sized retail bank seeks to automate its loan underwriting process. The institution contracts with an AI vendor to implement an automation solution that will handle underwriting tasks over a 6-month period.

License-based model

In **a license-based model**, the financial institution pays a recurring fee for access to AI and automation tools. This approach is flexible, allowing the institution to use the technology as needed, without the heavy cost of developing or managing it in-house. Typically, licensing has a higher TCO over time due to recurring costs, though it allows flexibility.

EXAMPLE:

A credit union partners with an AI vendor on an outcome-based contract to reduce customer onboarding time by 50%. The vendor is paid based on the percentage reduction achieved.
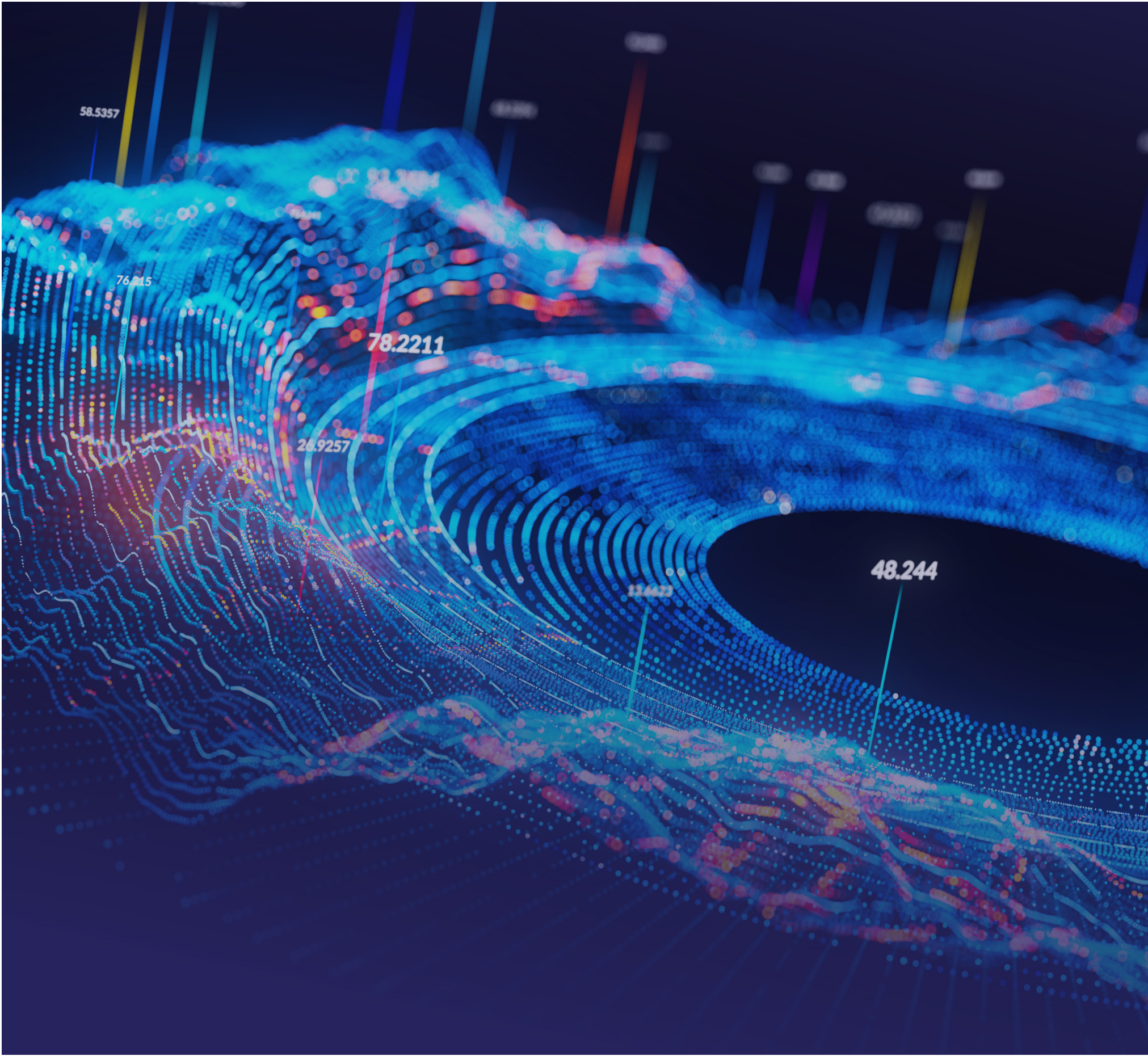
Outcome-based model

An **outcome-based model** ties vendor compensation to performance. The vendor shares the risk, delivering automation solutions that meet predefined KPIs. Payments are based on actual results achieved (e.g., reduced TAT or cost savings). Here the initial costs may be lower, but the vendor's premium for meeting outcomes can be significant.

EXAMPLE:

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Engagement Model Comparison:

Model	Description	Pros	Cons
Project-based	One-off projects with defined scope.	Fast execution, lower upfront cost.	Limited scalability, fixed outcomes.
License-based	Access to AI/automation tools via licenses.	Flexibility to scale.	Requires in-house expertise.
Outcome-based	Vendor compensated based on KPIs achieved.	Focused on measurable outcomes.	Higher cost, dependency on vendor.

BPaaS vs. Modular:

Approach	Pros	Cons
BPaaS	Scalable, low operational complexity.	Less customization, vendor dependency.
Modular	High flexibility, integrates with existing systems.	Requires strong internal management.

BPaaS offers a comprehensive solution where the vendor manages the entire business process—AI, automation, infrastructure, and support. It is a service model that includes ongoing operations, upgrades, and performance management. From a TCO perspective, while BPaaS is associated with higher initial and ongoing costs, but TCO is offset by reduced infrastructure and labor costs.

Modular approach allows the institution to implement specific, stand-alone AI and automation tools in targeted areas, such as compliance, customer service, or loan origination. In this case, the upfront costs for integration are pretty high, but TCO is controlled through selective automation.

EXAMPLE:

A large commercial bank outsources its entire loan origination and processing to a BPaaS provider, including automation, compliance, and reporting.

EXAMPLE:

A consumer lending company implements AI-driven underwriting automation but keeps other processes in-house.

Now that you understand the various scenarios, you can make an informed choice on the engagement model. Irrespective of your choice, this is a must evaluate before you move to implementation.
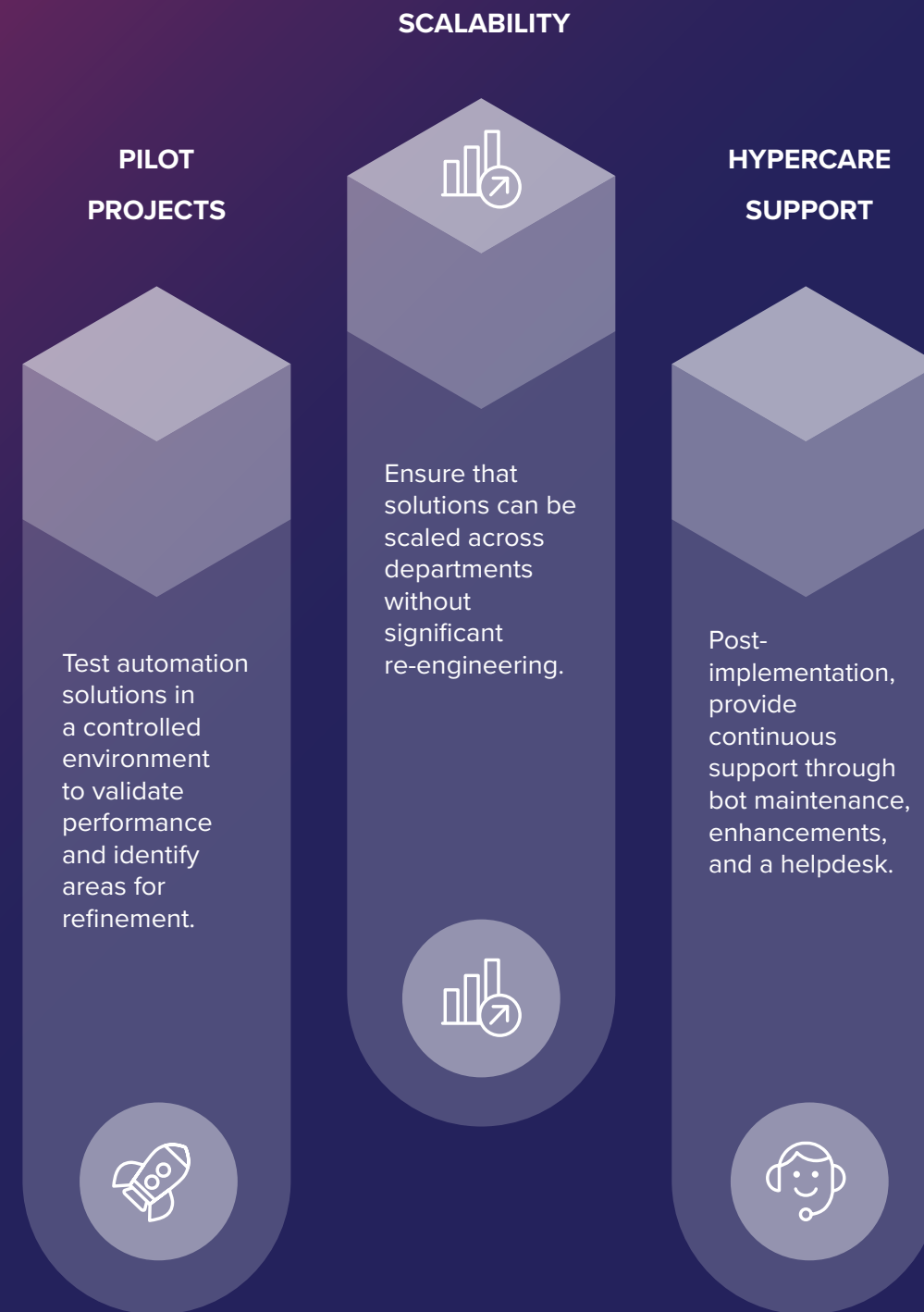
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IMPLEMENTING AND SCALING

With the right model in place, CXOs can begin the implementation phase. This stage focuses on scaling AI and automation solutions across the organization. Key to success is ensuring seamless integration with existing infrastructure and having a robust support system for continuous improvement.

Below are some key considerations:

SCALABILITY

Ensure that solutions can be scaled across departments without significant re-engineering.

PILOT PROJECTS

Test automation solutions in a controlled environment to validate performance and identify areas for refinement.

HYPERCARE SUPPORT

Post-implementation, provide continuous support through bot maintenance, enhancements, and a helpdesk.

A step-by-step checklist for engaging a strategic partner:

1. Define business needs
2. Evaluate expertise and track record
3. Assess customization and integration capabilities
4. Identify compliance and security capabilities
5. Identify the right partner engagement model for your needs
6. Define measurable outcomes

Role of Strategic Partners

The implementation of AI and automation across an organization often requires collaboration with technology providers, consulting firms, and cloud service vendors. Strategic partnerships can provide expertise, access to the latest innovations, and accelerate deployment to deliver measurable outcomes.

To find partners that are the best fit, and to get maximum value out of the relationship, focus on articulating your goals—whether that be creating efficiencies, reducing costs, or creating new revenue streams—from the outset.

You need a partner with the right expertise to achieve your specific business goals. This includes deep domain experience, and strong AI capabilities

in the areas you will be investing in, such as IPA, Gen AI, or machine learning. Reviewing case studies, testimonials, and past successes in similar projects will illustrate whether they can tailor solutions to your business needs, as well as scale with your growth.

In the complex regulatory environment of the banking and financial services sector, the partner you choose should not only understand and comply with regulations like GDPR, KYC, and AML, but also show that they prioritize data security.

Above all, they need to provide end-to-end service, including support and training. This should be backed up by an engagement model that ties success to your business outcomes with clear KPIs and ROI.

7

SOLVE FOR THE AI VALUE REALIZATION CONUNDRUM

Unlike traditional IT investments, AI demands significant upfront costs with longer payback periods, leading to hesitancy and slow scaling of AI pilots—so a major barrier to AI adoption in enterprises is demonstrating its value. Quantifying ROI can be complex since benefits like process optimization and decision-making improvements are often indirect and take time to materialize.

To overcome challenges associated with value realization, you should track both short-term metrics as well as long-term outcomes while ensuring your AI initiatives can adapt to evolving market needs and regulatory changes.

SHORT-TERM VALUE METRICS

- **Cost Reduction:** Automate repetitive tasks to reduce labor costs and optimize resources.
- **Process Efficiency:** Track faster and more accurate operations, such as loan processing or compliance checks.
- **Customer Satisfaction:** Use AI tools like chatbots to enhance customer service and measure improvements in satisfaction metrics such as NPS.

LONG-TERM STRATEGIC VALUE

- **Innovation and Revenue Streams:** Use AI to develop new, personalized products and explore opportunities in predictive analytics.
- **Enhanced Decision-Making:** Improve forecasts, risk management, and fraud detection for quicker, more informed decisions.
- **Scalability:** Ensure AI solutions can be scaled across the enterprise for broader adoption without major re-engineering, creating enterprise-wide transformation that compounds the benefits.

Charting the Way Ahead

Gen AI and advanced automation technologies are rapidly becoming a strategic imperative for sustained growth and future readiness in the banking and financial services sector. And those who embrace them will define the banking landscape of tomorrow.

AI-powered solutions offer unprecedented opportunities to enhance operational efficiency, improve risk management, deliver personalized customer experiences, and ensure regulatory compliance—all while reducing costs.

And in a market where customer expectations are continuously evolving, and the pressure to innovate is relentless, being an AI laggard could have serious implications on responding to global challenges such as cybersecurity threats, economic uncertainty, and increasingly complex regulations.

Unlocking Digital Performance. Delivering Measurable Results.

At Sutherland, we are a leading global business and digital transformation partner. We work with iconic brands worldwide in Healthcare, Insurance, Banking & Financial Services, Communications, Media & Entertainment, Technology, Travel & Hospitality, Logistics, Retail, Energy & Utilities industries. We bring our clients a unique value proposition through market-leading technology and business process excellence. Leveraging our advanced products and platforms, we drive digital transformation, optimize critical business operations, reinvent experiences, and pioneer new solutions, all provided through a seamless "as a service" model. For each company, we tailor proven and rapid formulas to fit their unique DNA. We bring together human expertise and artificial intelligence. In short, we do digital chemistry. It unlocks new possibilities, great client partnerships, and transformative outcomes.

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