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### AI Innovation: Vast technical revolution with huge human responsibility

The integration of Artificial Intelligence (AI) in capital markets is revolutionizing the financial sector, offering a myriad of opportunities and challenges. This transformation is driven by the need for increased efficiency, better risk management and enhanced customer service. Here are some key aspects that could shape the future of capital markets:

In the search for relevant use cases that offer added value, we see process efficiency as one focus area. AI technologies are streamlining back-office operations by automating routine tasks such as data entry, reconciliation, and compliance checks. This automation reduces manual effort, minimizes errors, and increases operational efficiency. For example, AI-powered systems can process vast amounts of transaction data in real time, ensuring accuracy and compliance with regulatory requirements.

Risk management is also important. AI can improve risk assessment and risk management by identifying potential risks and predicting market volatility. This enables more informed decision-making and helps financial institutions to better manage their risk exposures. For example, AI models can simulate

stress scenarios and assess or help to predict intraday liquidity flows their impact on the portfolio.

In terms of regulatory compliance, AI can automate compliance processes, monitor transactions for regulatory compliance and generate reports, reducing the burden on compliance teams. This is particularly important in an increasingly complex regulatory environment.

In addition, AI can play a crucial role in fraud detection. AI systems can detect unusual patterns and anomalies in transactions, helping to prevent fraud and ensure regulatory compliance. By using deep learning, these systems can also detect new and unknown fraud patterns that may be missed by traditional methods.

As part of market sentiment analysis, AI can analyze news, social media and other sources to measure market sentiment and predict market movements. This enables investors to make informed decisions and benefit from market trends.

AI can uncover hidden patterns and insights from large datasets, providing a deeper understanding of market dynamics. This helps financial institutions develop better strategies and gain competitive advantages by offering better services and generating higher revenues. This can lead to a stronger market position and a higher market share.

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In terms of customer service, AI-powered chatbots and virtual assistants can provide instant support and information to customers, improving the customer experience. These systems can answer frequently asked questions, supports the execution of orders and provide personalized recommendations.

Last but not least the automation of various processes through AI can lead to significant cost savings for financial institutions. This applies to both operating costs and costs associated with regulatory compliance.

AI Act and Financial Regulation impacts demand also to leverage the huge responsibility, responsible AI and data is required.

The European Union's AI Act and financial regulations play a crucial role in ensuring the responsible and effective use of AI in the capital markets. These regulations address ethical considerations, such as data privacy, transparency, and accountability. They provide clear guidelines for the use of AI and ensure that AI systems are fair, unbiased, and do not discriminate against any group.

The AI regulation proposal affects almost all economic and industrial sectors. It is particularly important to ensure consistency with existing regulations and supervisory structures. Double regulation in an inconsistent legal framework must be prevented in order to avoid legal uncertainty and barriers to innovation.

AI systems in capital markets must comply with data privacy regulations such as GDPR, ensuring that personal data is handled securely and ethically. This includes implementing data protection measures and respecting individuals' rights.

Moreover financial institutions have to address and mitigate biases in AI algorithms to ensure fair treatment of all clients. This involves regularly reviewing and adjusting algorithms to avoid discrimination.

The adoption of AI may lead to changes in the workforce, with some roles becoming automated and new roles emerging that require AI expertise. This necessitates retraining and upskilling employees to meet new demands.

In summary, AI innovation in capital markets presents a promising future, with the potential to revolutionize the industry and drive significant improvements in efficiency, risk management, and customer service. As the financial sector continues to embrace AI, it is essential to navigate the regulatory landscape and uphold ethical standards to ensure a sustainable and inclusive transformation.