



## Press Release

11 May 2023

# Generative AI: an opportunity rather than a threat

With questions mounting about the challenges and opportunities of generative artificial intelligence (AI) with such an example as ChatGPT, the FinTech and Innovation Forum of the Luxembourg Bankers' Association (ABBL) is shedding more light on the stance of banking professionals on the adoption of this technology thanks to a recent survey conducted with its members. Overall, 42 respondents representing credit institutions, FinTech firms, consulting companies, payment institutions, electronic money institutions, support PFSs, law firms, and software vendors took part in the survey conducted with the support of Societe Generale Luxembourg's innovation team. 76% of respondents are optimistic about the benefits and opportunities offered by ChatGPT, and most are allowed by their institution to use it respecting data protection guidelines.

### A new era for business

*"The release of ChatGPT marked the beginning of a new era for business",* says Laurent Marochini, Chair of ABBL's FinTech and Innovation Forum and Head of Innovation at Societe Generale Securities Services Luxembourg. *"Language model implementation is already passed the point of no return. It will impact the functioning of society through its implementation in business processes. Although changes will not be as revolutionary for all, some will be affected, and the first movers will be rewarded with lower costs, increased speed, and greater accuracy."*

Thus, the impact of AI implementation in businesses will soon reduce the need for basic intellectual task performing labor. This will leave more time to focus on creative and complex tasks. *"Chat GPT and the like will have a positive impact on efficiency and could be part of the answer to growing pressure on banks' profitability"* Ananda Kautz, Head of Innovation, Digital Banking & Payments at the ABBL confirms.

It is key to keep in mind that the potential of generative AI is of course not limited to basic tasks. *"Respondents of the survey highlight opportunities offered to improve customer services. Examples could include more personalized banking experiences thanks to enhanced customer analytics, investment advice based on larger and new sources of data or customer service chatbots available 24/7",* says Ananda Kautz. *"Finally, ChatGPT can support financial institutions in detecting fraud by analysing transactional data in real-time, and provide support to the Tech team. In a context of scarce Compliance and IT resources, ChatGPT could be part of the solution".*

### Inaccuracies, data privacy and delegating the core business seen as current limitations

There are downsides related to some forms of generative AI. Among the most threatening is inaccuracy (or "hallucination"). *"Language models can sometimes completely invent the answer to a question phrased by the user"* warns Ananda Kautz. This phenomenon can be difficult to identify due to the persuasive arguments used. The only way to counter it is to systematically check the sources on which the models base their argumentation. It implies that one cannot completely rely on this technology for learning purposes.

Another concerning issue for companies is data privacy. Every input sent into a language model goes through the servers of its creator: Open AI in the case of ChatGPT. This means the model cannot be used to process confidential data, especially ones protected by GDPR.

A common fear among businesses is to lose their proximity with the core of their work by delegating it to a machine. Nowadays still, apprentices learn by mastering basic intellectual tasks before moving to more complex and creative activities. According to Laurent Marochini: *"We must ask ourselves how to train or sustain the quality of tomorrow's experts "*.



However, due to efficiency gains these AI tools could bring, commercial entities are inherently incentivised to continue developing and implementing solutions by making them compliant to existing regulatory frameworks and standards. The survey also shows that 51% of respondents are currently allowed to use ChatGPT, respecting personal and professional data security guidelines, while only 28% of senior managers appear to be very familiar with ChatGPT.

*“Familiarity of senior management with ChatGPT is an important factor in the technology adoption”, states Laurent Marochini. The study unveils that only 7% of senior managers of financial institutions are very familiar with ChatGPT, 53% - somewhat familiar, and 40% not at all. This entails that more education and dedicated training should be conducted internally. “It is key to educate both employees and executives on opportunities and risks related to ChatGPT”, concludes Ananda Kautz. According to the study, less than half of bank respondents (47%) stated that their institutions considered risks and opportunities of using ChatGPT, whereas for all respondents it equals to 78%. “This entails that for a large part of banks it is yet to complete the learning journey for the technology and translate this into internal assessment and a specific framework afterwards”, adds Ananda Kautz.*

#### Optimism in the banking community

*“The results show that 76% of respondents consider tools such as ChatGPT an opportunity for their organisations” reveals Ananda Kautz.*

The survey shows that majority of respondents has planned to implement ChatGPT or other AI-powered chatbots for specific use cases (57%). This figure becomes more striking for credit institutions – 88%. *“This is an indication of a strong credit of trust given by banks towards the Generative AI technology, and we expect that the adoption journey is likely to accelerate in the coming years”,* points out Andrey Martovoy, Innovation & Digital Adviser at the ABBL.

#### Usage limitations may reduce the pace and scope of adoption

Current policy towards the usage of ChatGPT is the following: for 51% of respondents, the tool is free to be used by all staff members, 24% - partial use by certain categories of staff members, 25% - blocked for all staff members. For banks, the situation with the usage of ChatGPT is characterised obviously with a higher level of restrictions: 41% free to use, 19% partial use, and 38% blocked.

*“We observe that the adoption of the generative AI technology in the banking sector is held in a more regulated context. This could be reflected in a relatively higher level of internal restrictions and hence could lead to the limited scope and pace of adoption”,* states Laurent Marochini. In this regard, more clarity from data protection and financial services authorities would be useful on the usage of generative AI in the banking sector. This will be an important signal to credit institutions to proceed with more enhanced experimentation with the technology.

From the obstacle point of view, the study reveals that a significant part of banks (44%) are not equipped with necessary data and infrastructure in place to effectively implement ChatGPT or other AI-powered chatbots. Only 6% of surveyed credit institutions have all needed resources in place. *“This rate is rather low, however the situation creates good groundings for justifications for accelerating in-house innovation and development by banks and also for embarking on cooperation projects with AI-driven FinTech firms. The latter approach could be even more suitable to speed-up innovation initiatives and shorten time-to-market for generative AI use-cases in banking”,* outlines Andrey Martovoy.



Association des Banques et Banquiers, Luxembourg  
The Luxembourg Bankers' Association  
Luxemburger Bankenvereinigung

## A regulatory perspective

*“In the European Union, AI has been attracting attention of policy makers from a regulatory point of view”*, points out Andrey Martovoy. In 2021, the European Commission presented a reviewed Coordinated Plan on AI and a Proposal for a Regulation laying down harmonised rules on artificial intelligence (AI Act). The AI Act sets a framework for the trustworthy usage of specific AI use-cases in many sectors including financial services. In parallel with the uptake of generative AI, EU policy makers are currently discussing updates into the AI Act proposal to regulate the usage of generative AI tools such as ChatGPT.

In Luxembourg, CSSF published a White Paper “Artificial Intelligence: Opportunities, risks and recommendations for the financial sector” and more recently released a joint thematic review with the Central Bank of Luxembourg on the use of Artificial Intelligence in the Luxembourg Financial sector.

All these regulatory and policy measures are called to enable lawful, ethical, and robust usage of AI, and the ABBL is very supportive in this regard.

## About the ABBL

The ABBL's mission is to promote the sustainable development of regulated, innovative, and responsible banking services. The ABBL is the largest and oldest professional association in the financial sector. It represents the banking sector in the broadest sense, i.e. the majority of banks established in Luxembourg, as well as regulated financial intermediaries and others in the sector including law firms, consultancies, auditors, market infrastructures, e-money and payment institutions.

The ABBL provides its members with the information, resources, and services they need to operate in a dynamic financial market and an increasingly complex regulatory environment. It is an open platform for discussing key industry issues and developing common positions across the sector.

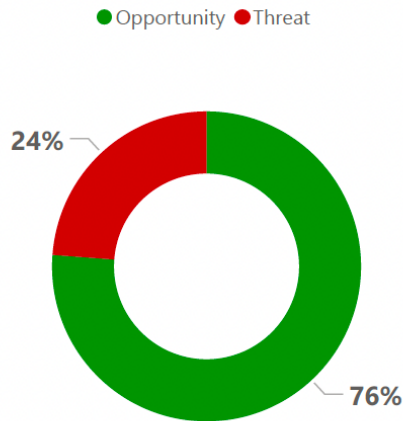
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## USAGE OF GENERATIVE AI IN LUXEMBOURG

### Survey Outcomes

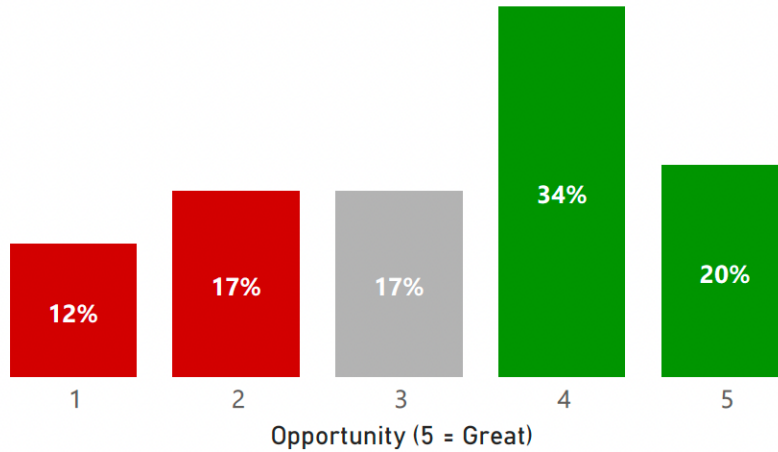
ABBL's FinTech and Innovation Forum, supported by Société Générale, conducted a survey in April 2023 to assess the adoption of generative AI by members of the association. Overall, 42 respondents representing credit institutions, consulting companies, payment institutions, electronic money institutions, support PFSs, law firms, software vendors, and FinTech firms took part in the survey. This survey does not pretend to be representative of the entire national financial ecosystem, but nevertheless it provides interesting insights about the adoption of ChatGPT in Luxembourg.

What is the overall perception towards ChatGPT?



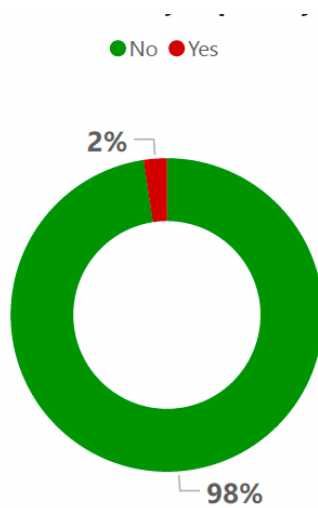
76% of respondents consider such tool as ChatGPT an opportunity for their entities rather than a threat. Credit institutions are also supportive of this statement though with a bit less confidence - 71%. According to respondents, potential benefits of ChatGPT are cost and time efficiency, processing power, higher productivity, and better client service.

What is the ability of ChatGPT or other AI-powered chatbots to overcome current challenges faced by firms?



Majority of respondents (54%) are confident that ChatGPT and other AI-powered chatbots can help firms to overcome their current challenges, while 29% of surveyed institutions are sceptical about this. Credit institutions are characterised with a relatively higher level of restraint regarding the ability of ChatGPT with about 38% of optimists and 32% pessimists. Potential use-cases cited by respondents are customer and technical support, internal efficiency, business development, compliance, and digital work assistants.

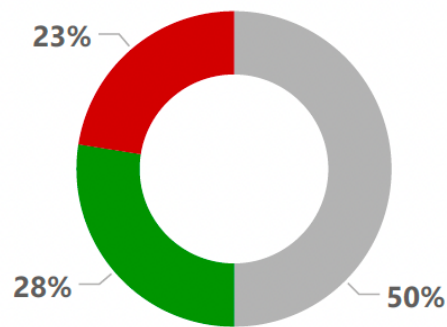
Is ChatGPT likely to replace current workforce in Luxembourg?



In fact, only one respondent representing a consulting company believes that ChatGPT may replace her/his job place in the future. For the rest, respondents are confident that their workplaces are safe.

### How familiar is senior management with ChatGPT?

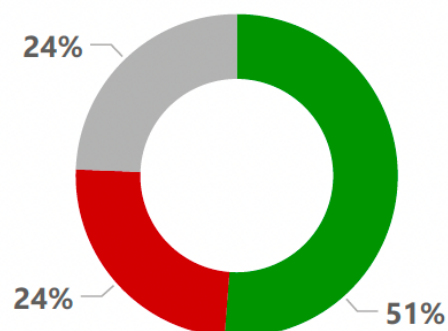
● Somewhat familiar ● Very familiar ● Not at all



The level of familiarity of senior management about ChatGPT is the following: 28% of senior managers are very familiar with ChatGPT, 50% - somewhat familiar, and 23% - not at all. Regarding respondents representing credit institutions, the showings are noticeably lower: 7%, 53%, and 40% accordingly.

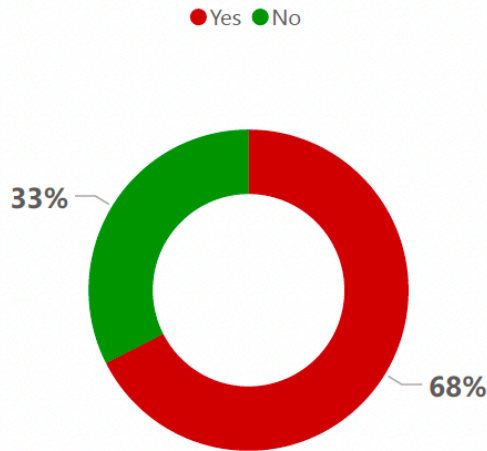
### What are current internal policies regarding the usage of ChatGPT?

● Free ● Blocked ● Partial



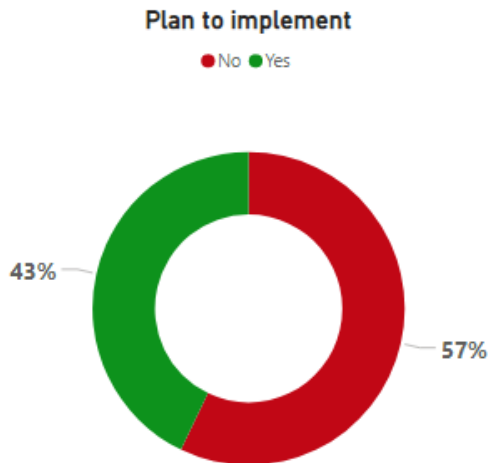
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### Are there any internal restrictions for data inputs to ChatGPT?



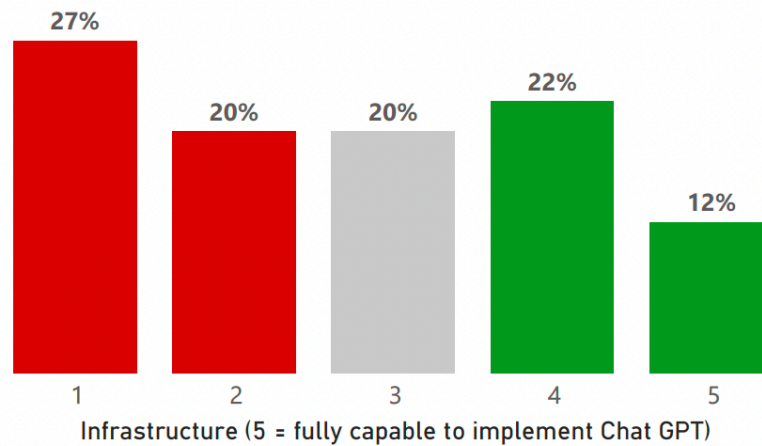
The study shows that 68% of respondents currently enable restrictions on data to be provided to ChatGPT, for the remaining 33% there are no specific limitations in place. According to the survey, the types of data that are not allowed to be fed to ChatGPT are any data that are confidential by nature, personal data, and company-related data. Some respondents have rules in place that do not allow any data to be inputted to ChatGPT. What concerns credit institutions, 60% of respondents currently have no restrictions on data that can be used for ChatGPT.

### Are there plans to implement ChatGPT or other AI-powered chatbots?



More than half of respondents (57%) plan to implement ChatGPT or other AI-powered chatbots for specific use cases. For credit institutions, expectations for technology implementation plans are even higher (88%).

Is there necessary data and infrastructure in place to effectively implement ChatGPT or other AI-powered chatbots?



A majority of respondents (47%) indicate a relative lack of necessary data and infrastructure in place to effectively implement ChatGPT or other AI-powered chatbots, while about 34% of surveyed entities appear to be equipped with necessary resources. Concerning credit institutions, the showing unveils lower levels of necessary data and infrastructure availability: 63% and 12% accordingly. In addition, respondents suggest that ChatGPT could be further developed and improved to better meet firms' needs specifically in such areas as integration and its simplification, customisation, security, compliance, sourcing, and legal skills.

*Nb. Percentages may not always add up to 100% due to rounding*