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Impact AI

THE STATE OF AI-POWERED BUSINESS TRANSFORMATION IN BANKING

A guide to value today and roadmap for tomorrow

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EXECUTIVE SUMMARY

The banking industry is at an inflection point. A confluence of forces—from rapid technological advances and demographic shifts to mounting regulations, heightened competition, and higher expectations for digital experiences—is reshaping the industry.

Most bank executives think that digital technologies, especially AI and modern cloud-based platforms, will reinvent how banks operate while simultaneously ushering in heightened cyber, operational, and compliance risks.

While past digital transformation initiatives have unlocked considerable value for banks, our research shows that they often have failed to fully deliver on expectations for lower costs, higher profits, and greater competitiveness. Tellingly, less than one-third of surveyed bank executives believe that their current transformation initiatives are keeping pace with changing customer digital expectations or are improving risk and compliance management.

From digital to business transformation

To succeed in the next banking era, banks will need to progress from digital to business transformation—a process drawing on AI and the latest technologies to adapt to market change and propel growth and continuous cost savings.

To do this, banks will need to harness end-to-end IT platforms with digitized workflows that unite the business horizontally—with AI, low-code facilities, and automation built into an experience that connects current and future technologies, data, and people.

Our study

ServiceNow and ThoughtLab surveyed 1,125 executives from around the world to find out how much progress banks made driving AI-powered business transformation across their enterprises.

We evaluated banks across seven key transformation drivers: customer experience, optimized technology infrastructure, enhanced governance and compliance, use of resilient and secure systems, scaled business processes, productive employee experiences, and alignment of digital and business strategies.

This research examines what the most successful banks are doing differently and provides actionable insights on how to future-proof operations.

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Section 1:

THE BUSINESS TRANSFORMATION IMPERATIVE

The speed of digital change has shifted into hyperdrive, and the banking industry is on the threshold of unprecedented disruption and reinvention.

MEGATRENDS RESHAPING BANKING

Vidya Balakrishnan

VP/GM Financial Services - Industry Vertical Products ServiceNow

Banks are striving for the same things: top-line growth, cost reduction, and regulatory compliance.

Piling on more technologies isn't the answer. One AI platform is.

Our research revealed eight future trends working in lockstep to reinvent the industry

Most bankers believe that digital technologies will transform how banks operate. In the years ahead, banks will move steadily away from patchwork digital systems to seamless, end-to-end IT platforms connecting people, data, and processes through AI and other technologies.

Far-reaching impact of all things digital

Digital innovation will raise the stakes even higher for banks. To stay competitive, banks will need to offer frictionless services, often integrated into non-financial platforms and apps, to provide frictionless experiences for users.

At the same time, cyber and technology risks will eclipse other banking risks as financial markets and systems become hyperconnected. To counter heightened competition from digitally empowered rivals, cost control will remain an ongoing imperative.

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End-to-end IT platforms will enable banks to compete

74% say that to compete, banks will require end-to-end technology platforms that connect people, data, and processes

AI will be a major game-changer

68% say AI will dramatically change how banks operate

Heightened competition from outside the industry

52% say banks will have to significantly adjust their strategy due to competition from new entrants and disruptors from outside the sector

The future of work will be digital

77%

77% say how work gets done enterprise wide in banks will be entirely reshaped by digital workflows and automation

Customers will demand frictionless experiences

71% say bank customers will expect the same digital experiences offered by online retailers and Big Tech

Technology will also pose the biggest risks

48% say technical and cybersecurity risks will be the biggest risks their bank faces

Cost control will remain a constant

57% say extensive innovation will drive cost savings

56% say their bank will need to drive down costs to stay competitive

Banking will become seamless

47% say that embedded finance—integration of financial services into non-financial platforms and businesses—will become commonplace

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BANKS AREN'T GETTING TOP RETURNS ON DIGITAL TRANSFORMATION

To future-proof operations and meet the challenges of tomorrow, banks will need to go beyond digital transformation to full-scale business transformation. While digital transformation initiatives have unlocked considerable value, they often have not delivered their full desired results.

For example, many banks surveyed have failed to see key benefits they were expecting, such as reduced costs, higher profitability, fewer silos, greater resilience, and competitive gains. A minority of banks reported that their efforts have enabled them to keep pace with changing customer expectations or to improve risk and compliance.

Top benefits that banks expected to achieve but failed to achieve from earlier transformation efforts

1 Reduced costs

2 Higher profitability

3 Reduced silos

Speeding time to value on business transformation is critical for outpacing competitors and meeting fast-changing customer needs. Unfortunately, banks face a maze of external and internal hurdles preventing them from delivering fast results.

The top external hurdle is simply finding the right vendors and ecosystem partners, a particular pain point for banks given their strict security, regulatory, integration, and scalability requirements. Other related external challenges include data privacy, security, and technical risks, as well as ongoing regulatory change. Internally, organizational and departmental silos continue to hold many banks back from driving time to value.

Top challenges banks face in achieving rapid time to value

1. Finding the right vendors and partners (60%)
2. Data privacy, security, and technical risks (46%)
3. Ongoing regulatory change (42%)
4. Organizational silos (40%)

only 30%

of banks say their current transformation programs have enabled them to keep pace with customers' changing digital expectations

only 32%

of banks say their current transformation programs have enabled them to keep pace with customers' changing digital expectations

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Section 2:

THE DIGITAL PATH TO BUSINESS TRANSFORMATION

Every bank needs to transform. The question is how. We identified best practices from banks successfully driving business transformation with AI-driven digital workflows that connect people, data, and processes.

PACESETTERS LEAD THE WAY

Our research shows that a group of banks (21%) is well ahead of others in driving business transformation across operational areas of the enterprise. These banks are Pacesetters.

What sets Pacesetters apart?

Pacesetters see greater dividends than other banks from digitally driven business transformation. Reduced costs, better products and services, more effective decision-making, and increased revenue are just some of the benefits that Pacesetters more often achieve.

Pacesetters are not only gaining more benefits from their business transformation efforts; they are also delivering quicker results. Half of Pacesetters are achieving time to value (the amount of time to realize value from an internal digital transformation initiative) faster than expected, compared to only one-third of other banks. That is a distinct competitive advantage in a high-speed marketplace.

1.5x

Pacesetters are realizing 1.5x faster time to value compared to others (50% vs. 33%)

Pacesetters are reaping benefits

Financial

- Reduced costs (59% vs. 48% others)
- Increased revenue (46% vs. 39% others)

Operational

- Greater productivity (39% vs. 29% others)
- Better products and services (49% vs. 35% others)

Strategic

- Improved decision-making (47% vs. 36% others)
- Stronger competitive advantages (42% vs. 34% others)

Laurén Robbins To

VP Financial Services - Industry Go-To-Market ServiceNow

“Transformation requires business and IT to work hand in hand. Banks need to think about how they are future-proofing operations holistically by bringing together all parts of their organization: risk, compliance, automation, AI, and beyond. A unified, end-to-end platform helps break down the silos that exist, paving the way for faster innovation, lower costs, and better experiences.

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WHAT DO PACESETTERS DO DIFFERENTLY?

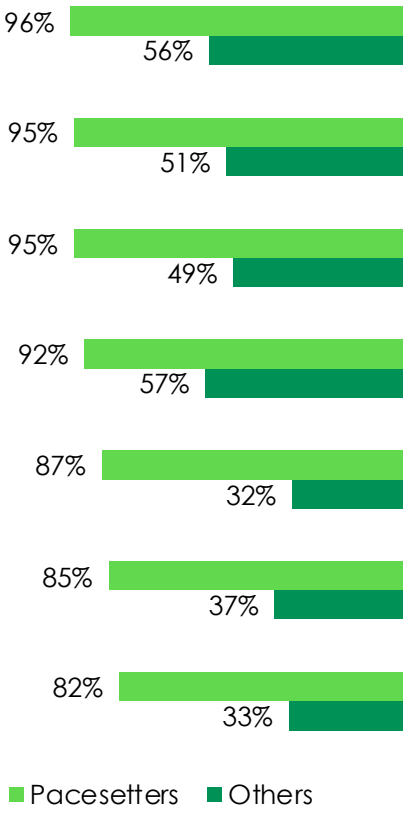
Pacesetters scale transformation

The path Pacesetters have taken can provide a guiding light to other banks. It's not just about a few big technology investments or advancing in one area. Business transformation results from making progress across seven key pillars in line with strategic goals and business targets.

Pacesetters are breaking down silos by leveraging AI-powered workflows to connect people, data, and processes. They are reshaping the way that work gets done at scale to improve efficiency, address risk and compliance challenges, and create frictionless customer experiences. And they are aligning digital and business strategies to provide a new IT foundation for continuous innovation and growth.

Pacesetters drive transformation holistically

Percentage of those in mid implementation or advanced in key areas of business transformation



Alignment of digital and business strategy: Using digital innovation to deliver on business goals, remove departmental silos, and drive business transformation

Productive employee experience: Using digitized and automated workflows, talent management, and training to deliver intuitive, self-service, collaborative, and productive employee experiences

Engaging customer experience: Connecting services across systems, processes, people, and departments to deliver personalized, intuitive, and frictionless experiences that build customer trust and emotional connections

Optimized tech infrastructure: Optimizing or replacing a patchwork legacy IT system with an end-to-end platform that interconnects workflows and functions through data, automation, and AI

Resilient, secure systems: Using secure, resilient IT systems to monitor, detect, protect against, respond to, and recover from unexpected events in real time

Enhanced governance and compliance: Leveraging digital technologies and data analytics to identify anomalies, enhance transparency, and monitor and manage regulatory requirements

Scaled business processes: Harnessing cloud, SaaS, and other digital solutions to scale business processes and foster cross-functional collaboration and feedback

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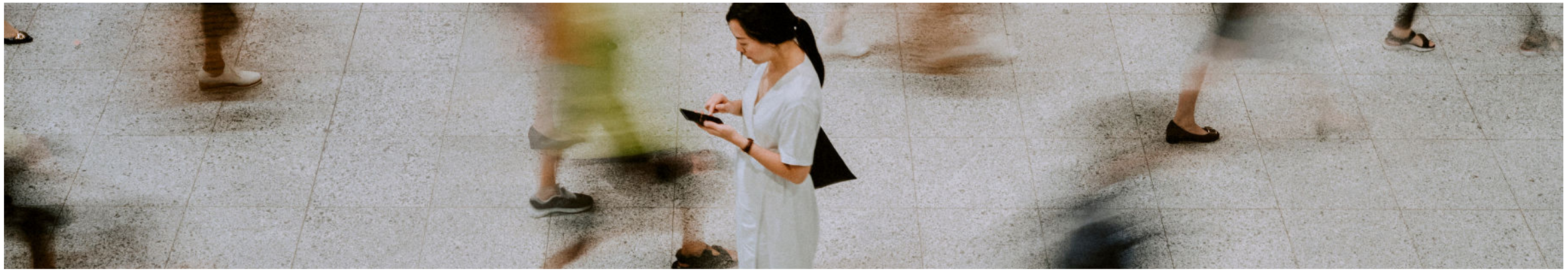
THREE IMPERATIVES FOR BANKING TRANSFORMATION

To gain the best results from digital transformation, banks should focus on three strategic imperatives.



01

Drive transformation through AI and intelligent end-to-end workflows

02

Build human experiences and trust

03

Prepare for an evolving risk and regulatory landscape

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Section 3:

DRIVING TRANSFORMATION THROUGH AI AND SCALABLE IT PLATFORMS

Optimizing back- and middle-office operations is about connecting an end-to-end technology stack to benefit the customer and the bottom line.

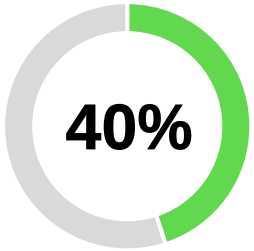
THE AI-POWERED PLATFORM ADVANTAGE

Pacesetters spur transformation at scale by harnessing end-to-end platforms and integrated AI-enabled workflows

Today, Pacesetters are almost twice as likely as others to have an end-to-end technology platform across the enterprise that is already driving performance.

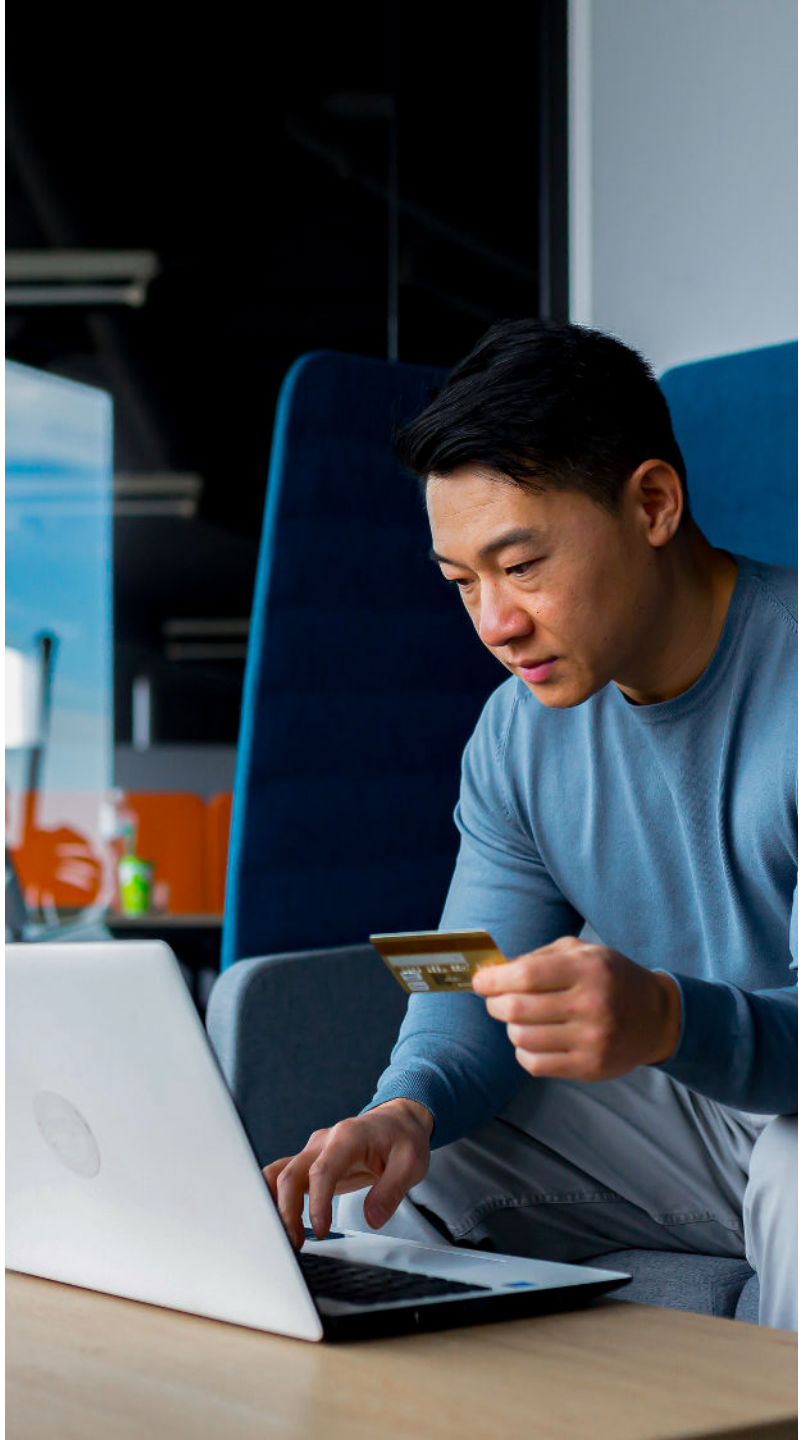
By relegating routine tasks and big data analysis to machines and providing staff with seamless platforms for collaboration, Pacesetters enable humans to do what they do best: make critical decisions, foster innovation, build relationships, and solve complex problems.

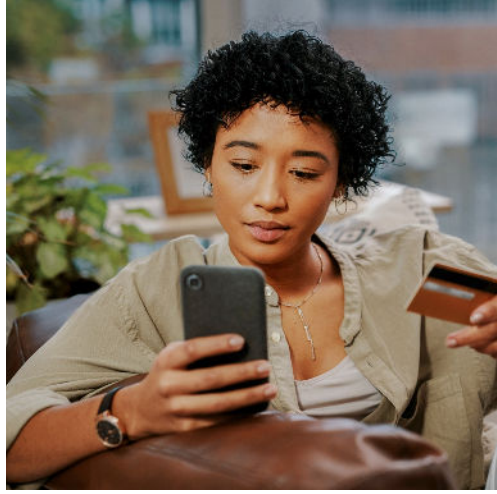
To generate the highest value from end-to-end platforms, Pacesetters are leveraging digital workflows to improve how work gets done at scale.



of Pacesetters have invented new workflows across functions to gain additional efficiencies through human and AI collaboration

Compared to only 17% of others





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WAYS END-TO-END PLATFORMS DRIVE VALUE

Customer engagement

“

With our end-to-end technology platform, we can swiftly adapt to the ever-changing needs of our customers and dynamic market trends. This range and flexibility empower us to drive innovation and stay one step ahead of our competitors, ensuring our continued success in the industry.

— CTO, commercial bank, U.S.

Process efficiency and labor reduction

“We successfully streamlined the integration of various systems in the bank by implementing an end-to-end technology solution. This has significantly reduced complexity and time-consuming processes, offering standardized interfaces and protocols for seamless operations.”

— Office of Chief Risk Officer executive, retail bank, India

Ecosystem integration

“With the help of an end-to-end platform, we can seamlessly integrate with third-party applications and services. This allowed us to take advantage of external innovations and partnerships, ultimately improving what we have to offer.”

— Office of COO executive, commercial bank, Hong Kong

Data security and privacy

“With the help of end-to-end technology, we guarantee the safety of our customer-sensitive data by using cutting-edge security measures, encryption methods, and continuous monitoring systems.”

— CHRO, universal bank, UK

Regulatory compliance

“With our inherent regulatory compliance functionalities, we effectively address a range of regulatory demands. This effectively lessens the workload on internal IT teams, who would otherwise be required to dedicate significant resources to manually maintaining compliance across multiple systems.”

— CTO, universal bank, U.S.

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PACESETTERS EMBRACE TRADITIONAL AND GENAI

Pacesetters see AI as a game-changer for the industry. Most believe that AI will dramatically alter how banks operate—and are leaping ahead to make it happen.

Pacesetters are outspending other banks on AI. For example, 83% of Pacesetters have made large investments in traditional AI, such as machine learning and natural language processing, to optimize their tech infrastructure, compared with 59% of others. Pacesetters are also ahead in GenAI: 61% have made large investments in this latest AI solution, compared with 41% of others.

Over the next three years, Pacesetters will continue to make larger investments than others on different forms of AI. But other banks will follow their lead, closing the investment gap.

One reason Pacesetters realize greater digital dividends than other banks is their active use of AI and focus on pragmatic use cases that can be deployed today.

For example, about half use algorithms to create robust fraud detection systems that flag anomalies in transaction data. A similar share use AI to streamline onerous customer onboarding procedures and to manage financial planning activities, such as portfolio management and predictive analysis.

Key AI use cases for Pacesetters

01 Fraud detection

02 Customer onboarding

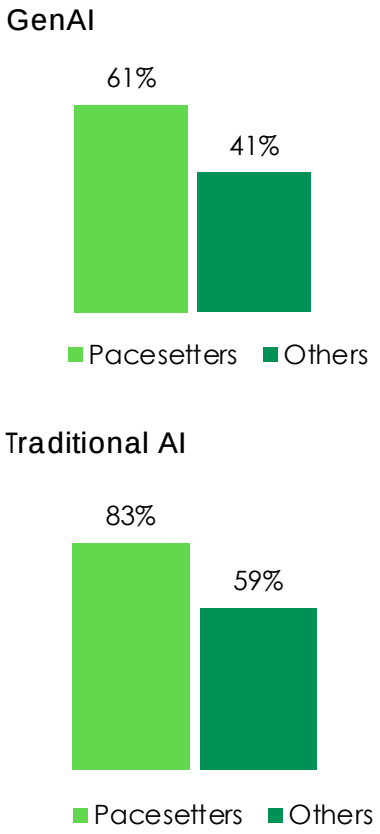
03 Compliance/regulatory

04 IT Management

05 Risk management/cybersecurity

Pacesetters are maximizing investments in AI.

Percent making large investments to optimize tech infrastructure



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PACESETTERS EMBRACE TRADITIONAL AND GENAI

IT management

“

Using AI assistance, we identify areas for improvement by delving into the root causes of IT incidents, strengthening our risk management framework.

— Chief Information Officer, Irish federal justice agency

Fraud detection

“By analyzing transaction patterns and historical data, generative AI models can detect anomalies indicative of fraudulent activities.”

— Office of CTO executive, commercial bank, U.S

Trade execution

“Generative AI models use advanced algorithms to analyze market data and create effective trading strategies, leading to more efficient trade execution.”

— COO, retail bank, Japan

Financial planning

“Financial planning is easier with Gen AI-driven optimization tools, which helps in maintaining better client relationships.”

— Office of CDO executive, universal bank, Germany

Compliance/regulatory

“GenAI keeps an eye on changes in regulations to help streamline compliance procedures.”

— CTO, universal bank, UK

Customer onboarding

“We are using generative AI for client onboarding and data verification processes.”

— Vice President, universal bank, U.S.

Risk management/cybersecurity

“[We are] using GenAI to streamline regulatory compliance processes and enhance risk management practices.”

— CTO, commercial bank, U.S.

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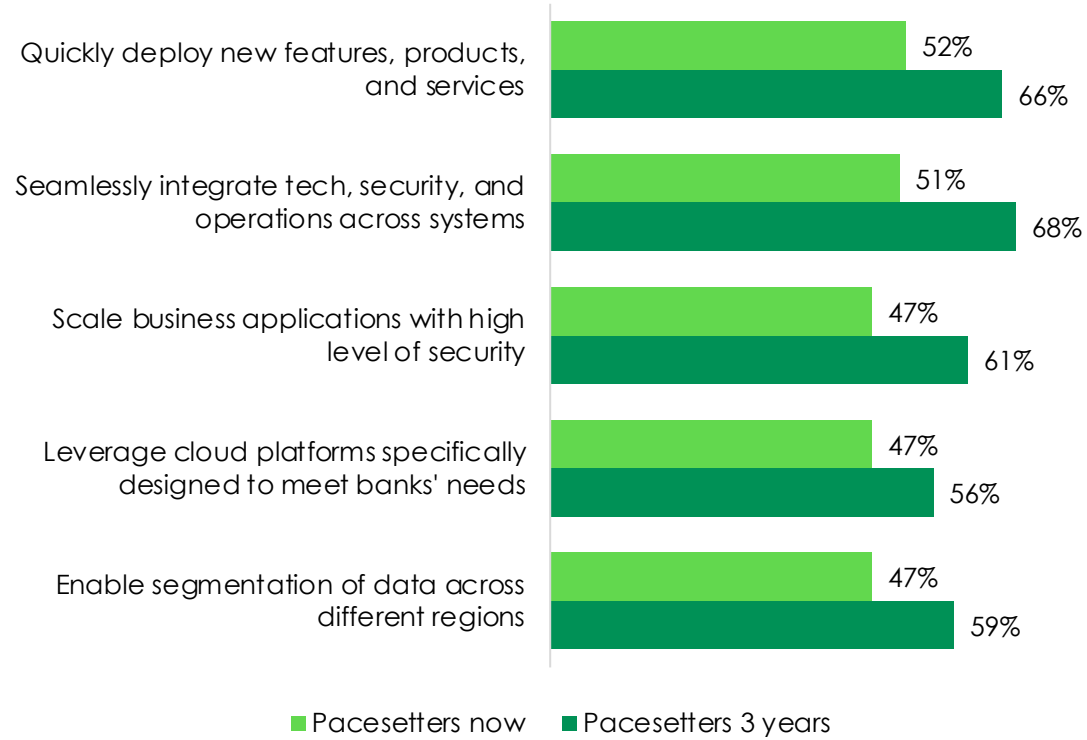
PACESETTERS ARE BECOMING CLOUD-FIRST

For Pacesetters, the cloud is the digital foundation for scaling various elements of business transformation. Most Pacesetters use the cloud to drive innovation by quickly deploying new features, products, and services, or to improve resilience by integrating technology, security, and operations.

Almost as many use the cloud for maintaining security when scaling across their enterprises, complying with local regulations requiring the regional segmentation of data, and fast-tracking transformation by leveraging cloud platforms specifically designed for banks. The cloud also gives Pacesetters the ability to share data across their organizations, enhance product uptime, and support collaboration and remote interactions.

How Pacesetters use the cloud



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PACESETTERS ARE BECOMING CLOUD-FIRST

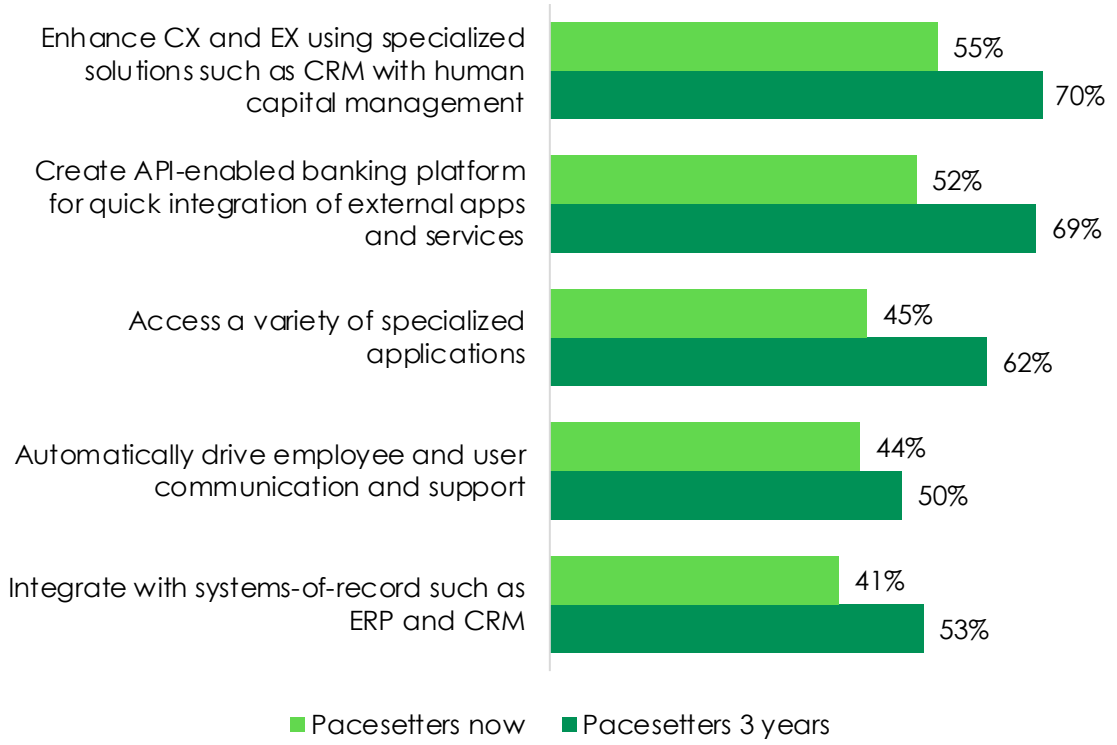
Over the next three years, more Pacesetters will draw on the cloud to drive strategic transformation—embracing a cloud-first mindset that all banks will want to emulate.

Software as a service (SaaS) empowers Pacesetters to scale business activities, capabilities, and resources both efficiently and quickly in the cloud.

Pacesetters make prolific use of SaaS. Most use SaaS to scale customer and employee experiences and tools, as well as to integrate external apps and services through API solutions. Many more use SaaS to provide staff with a variety of specialized applications, drive employee and user communication, and integrate systems of record.

Over the next three years, Pacesetters will make pervasive use of SaaS to gain the agility to win in a fast-evolving marketplace.

How Pacesetters use the SaaS



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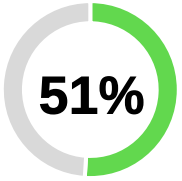
PACESETTERS SPEED TRANSFORMATION WITH PEOPLE AND PROCESSES

Improving organizational capacity

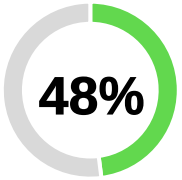
Most Pacesetters break down silos by fostering communication and collaboration between business and IT teams. Nearly half regularly track IT performance against business plans, as well as work with technology, consulting, and academic partners to nurture digital innovation—a key differentiator between Pacesetters (48%) and others (34%). For many, API-enabled banking platforms are a prerequisite, as is communicating goals top down and providing incentives to achieve them.

Over the next three years, Pacesetters will expand their organizational capacity for business change. They will turn to agile methodologies for quick iterations and fast project delivery, run ongoing change management programs to build a culture of collaboration, implement product-aligned operating models that structure operations around products and services rather than functions, and provide staff with low-code/no-code tools to build their own solutions.

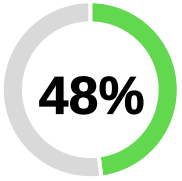
Top three organizational actions for Pacesetters



Foster collaboration between business and IT teams



Monitor IT performance against business plans



Work with technology, consulting, and academic partners

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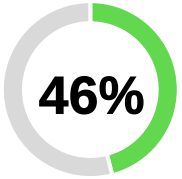
PACESETTERS SPEED TRANSFORMATION WITH PEOPLE AND PROCESSES

Ensuring employees have the experiences, tools, and motivation to transform the business

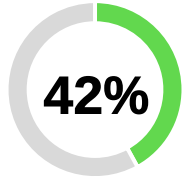
Over the next three years, Pacesetters will amplify their use of all digital solutions covered in our study. The greatest increases will be in digital tools for learning and development, digital tools for gathering staff feedback, and unified platforms for sharing data and integrating employee and customer systems.

Top employee experience actions for Pacesetters	Now	3 years
Mobile apps to provide easier access to resources	62%	66%
Digitized employee and HR work processes	56%	58%
Unified platforms facilitating data sharing	49%	64%
Digital tools for learning and development	47%	63%
Digital tools to gather/respond to staff feedback	46%	61%
AI tools to handle routine HR requests	44%	50%
Digitized systems for setting goals/tracking results	43%	54%
Digital tools for recruitment and other HR activities	43%	50%
AI tools to simplify and personalize experiences	41%	51%

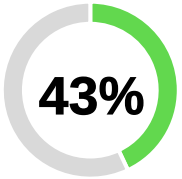
Top benefits Pacesetters achieve from digitizing employee experience



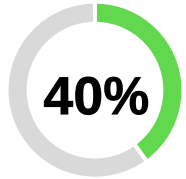
Greater employee productivity



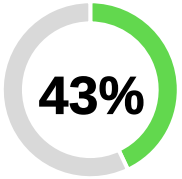
Faster employee up/re skilling



Better customer service



Improved collaboration and teamwork



Higher employee engagement

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Section 4:

BUILDING HUMAN EXPERIENCES AND TRUST

Trust is evolving from solely focusing on if your money is safe. Customer intolerance to failures, such as response in times of disruption, after a cyberattack, or to new regulation, is driving defection.

THE ROAD TO FRICTIONLESS BANKING EXPERIENCES IS PAVED WITH OPPORTUNITIES

The top challenge for banks globally is compliance with data privacy regulations and cybersecurity risks, a rising concern for Pacesetters as they prioritize digital experiences and transactions—and one that Pacesetters hope to solve by drawing on digitized compliance management and regulatory technology.

Pacesetters are better positioned to drive customer service maturity by implementing connectivity of services across systems, processes, people, and departments to deliver personalized, intuitive, and frictionless experiences. Ninety-five percent are in the mid or advanced implementation stage, compared to 48% of others.

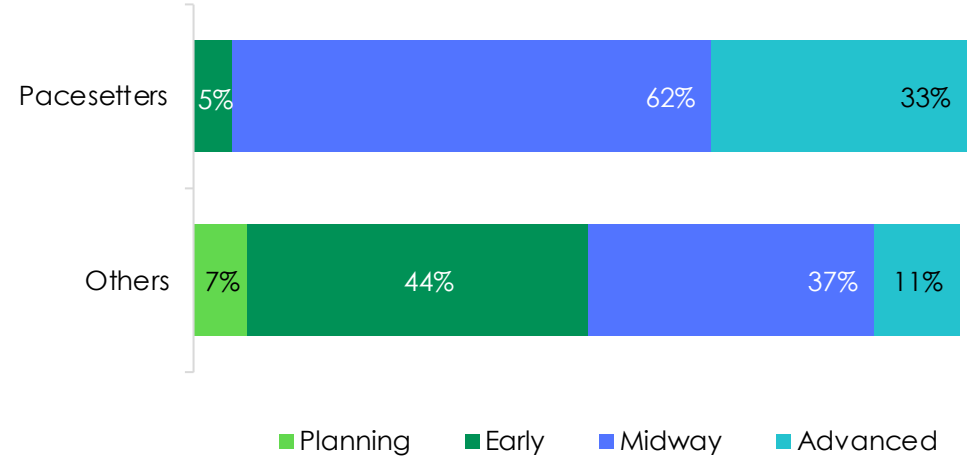
Top CX challenges for Pacesetters

01 Compliance with data privacy regulations

02 High cost of customer service

03 Keep software development current with changes

Customer service maturity



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PACESETTERS MAKE CUSTOMERS THE CENTER OF EVERYTHING

Half or more of Pacesetters rely heavily on digital solutions to protect customer data and simplify customers onboarding. Many others draw on technology to analyze customer needs and behaviors, personalize marketing and customer communication, automate common account service requests, and provide seamless omnichannel experiences.

Pacesetters are investing heavily in digital technology to improve experiences and trust. These are the areas of significant use of customer experience technology:

- Improve customer data privacy and security (54% vs. 44%)
- Simplify customer onboarding (50% vs. 41%)
- Personalize marketing and customer interaction (44% vs. 33%)
- Analyze customer needs and behaviors (44% vs. 40%)
- Provide seamless omnichannel interactions (41% vs. 34%)

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PACESETTERS MAKE CUSTOMERS THE CENTER OF EVERYTHING

Over the next three years, Pacesetters will shift their attention to other critical customer areas, such as integrating risk and compliance controls into customer experience, using GenAI to further personalize experiences, and building intuitive self-service interfaces on mobile devices, websites, and portals.

Where Pacesetters are accelerating investments in the future.

Percentage growth in investment in three years:

Integrate risk and compliance controls into CX
52% growth (from 25% to 38%)

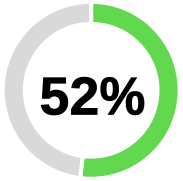
Use GenAI for personalized, frictionless CX
94% growth (from 16% to 31%)

Build intuitive self-service interfaces
44% growth (from 27% to 39%)

Pacesetters' technological capabilities will help them deliver on their customer growth plans over the next three years. Their sophisticated digital platforms and data-driven insights will enable them to go wider to reach new customers across borders and wealth levels, as well as deeper into main client segments and customer niches to build business.

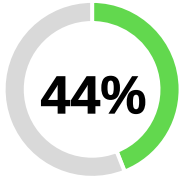
How Pacesetters plan to drive business over the next three years

Find new business opportunities



Expand in geographic markets

Deepen customer relationships



Monitor IT performance against business plans

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PACESETTERS CREATE AI-INFUSED CUSTOMER EXPERIENCES

Nearly half of Pacesetters use AI for customer onboarding today, and in three years, close to six out of 10 will do so—making it the top AI use case overall for Pacesetters.

About a third now use AI for customer service and experience; in three years, this percentage will grow sharply. Its usage for sales and business development, marketing and channel engagement, and client administration will expand over the next three years.

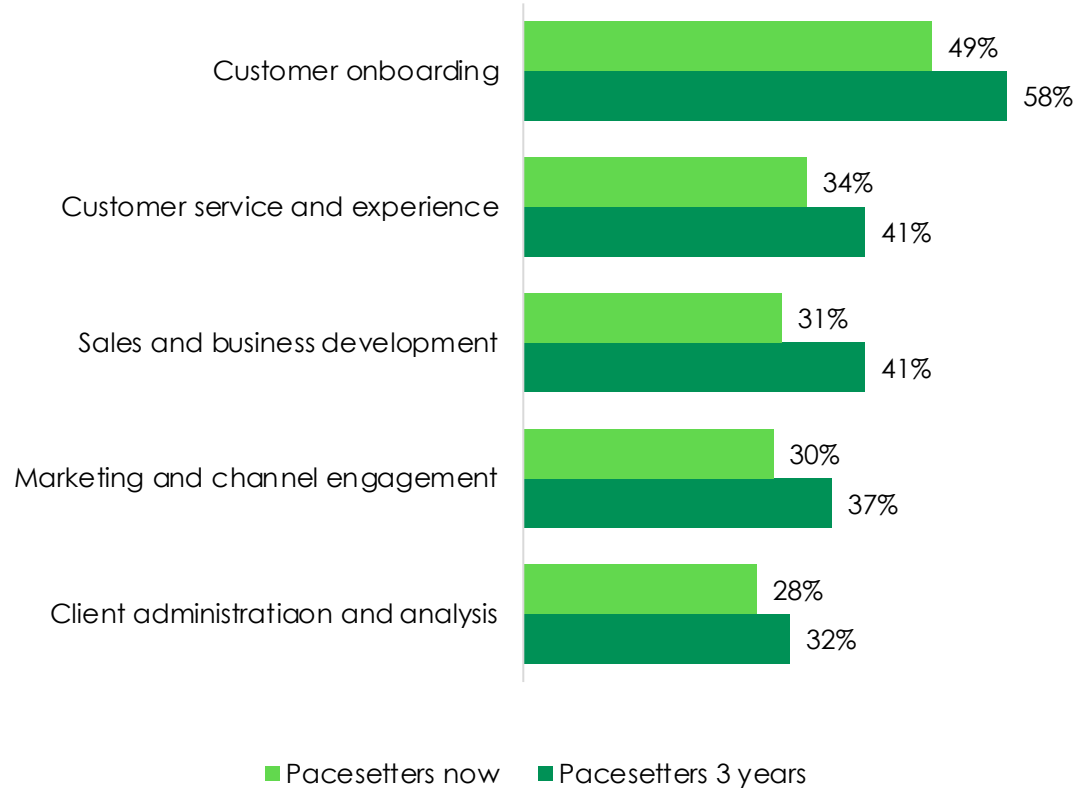
Top GenAI use cases for Pacesetters today

01 Customer onboarding

02 Customer service

03 Marketing and channel engagement

Over the next three years, Pacesetters are increasingly turning to AI to address CX



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PACESETTERS CREATE AI-INFUSED CUSTOMER EXPERIENCES

Sales and business development

“In our marketing and sales, traditional AI categorizes customers to identify valuable segments and predict actions, while generative AI creates customized marketing materials and product descriptions.

— CTO, commercial bank, U.S.

Customer onboarding

“We use traditional AI to simplify new customer account openings. In the future, generative AI may help customize onboarding experiences based on financial history and needs, creating a more welcoming banking environment.”

— Office of CEO executive, universal bank, Netherlands

Customer service and experience

“We utilize Generative AI in NLP applications. For example, generative AI models are employed to automate customer service interactions using chatbots that can comprehend and reply to customer inquiries in a conversational style.”

— CIO, universal bank, U.S.

Marketing and channel engagement

“Our cutting-edge generative AI algorithms enable us to produce highly customized marketing content, including personalized product recommendations and enticing promotional offers, designed specifically to cater to the individual preferences of each customer.”

— Office of Chief Risk Officer executive, retail bank, India

Client administration and analysis

“The analysis of extensive transaction data in real time to uncover potential fraudulent behavior is carried out using traditional AI algorithms. By incorporating advanced machine learning models, we have strengthened our ability to detect fraud and mitigate financial losses.”

— Office of CFO executive, commercial bank, Japan

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THE PACESETTERS' APPROACH PAYS DIVIDENDS

Not only are Pacesetters doing more than other banks to digitize CX; they are also generating greater business benefits—ones that will continue to multiply over the next three years.

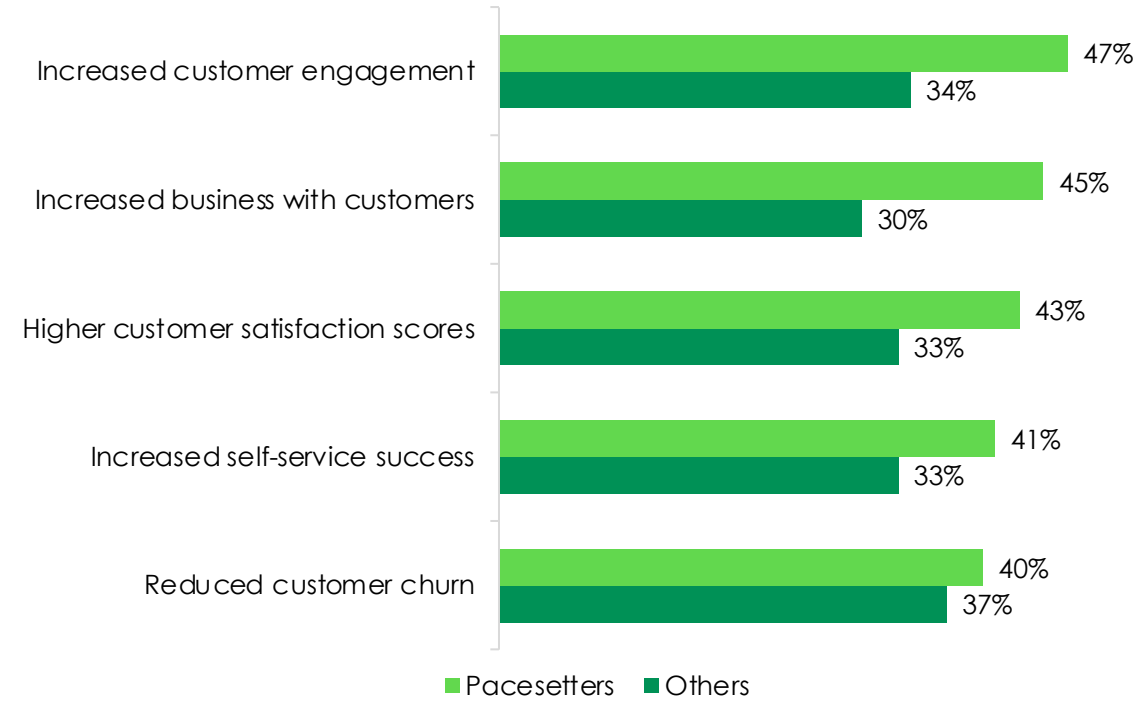
Pacesetters are considerably more likely to see benefits around increased customer engagement, greater business, and higher customer satisfaction. Over the next three years, larger numbers expect to see increased self-service success, higher customer satisfaction, and reduced customer churn.

Pacesetters are well ahead in these areas, and will remain out in front, although other banks will see more benefits as they follow the lead of Pacesetters.

> **Significant investments have improved customer service through advanced CRM systems, feedback surveys, and personalized interactions, resulting in increased customer engagement and satisfaction.**

— Office of CTO executive, universal bank, France

Customer experience KPIs where Pacesetters really shine



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Section 5:

PREPARING FOR AN EVOLVING RISK AND REGULATORY LANDSCAPE

Adapting to changing regulations is difficult. Banks struggle with ineffective controls, processes, and analysis, resulting in hefty fines for regulatory noncompliance.

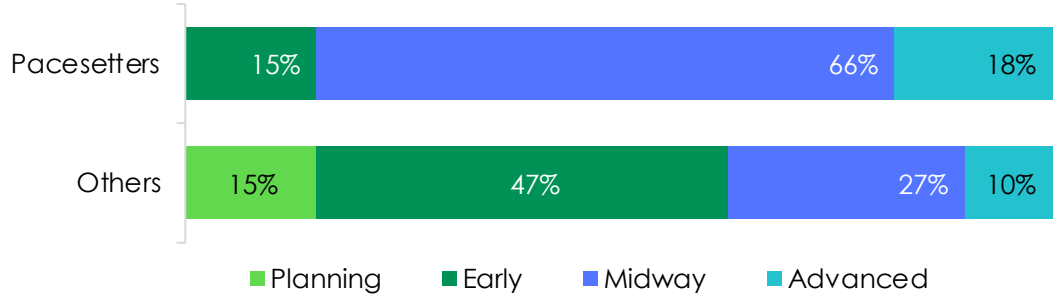
TODAY'S RISK LANDSCAPE DEMANDS A NEW PLAYBOOK

As banks digitize their operations, their potential exposure to cyberattacks increases. For example, 69% of Pacesetters say technical and cybersecurity risks will be the biggest risk they face over the next three to five years, compared to 43% of banks earlier in their digital journeys.

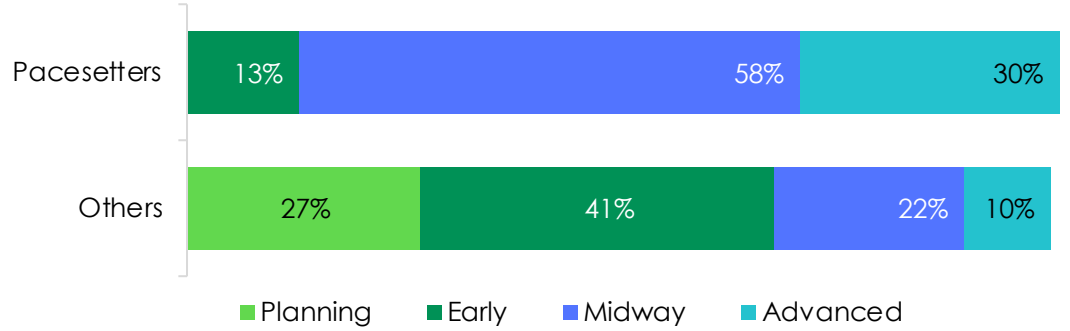
With the potential for heavy financial losses—and even a catastrophic shock to the financial system—regulators are moving aggressively to improve cybersecurity controls. Such action is critical, since many banks face deficiencies in operational resilience related to IT security and cyber risks, according to a report from the European Central Bank. Our research supports this: 56% of banks surveyed are just in the planning or early stages of building resilient and secure systems, and 53% in digitizing governance and compliance.

With regulatory pressures growing and cyber risks mounting, banks will want to follow the path of Pacesetters, which have already taken their cybersecurity and compliance to the next level. Indeed, 84% of Pacesetters are midway or advanced in digitizing governance and compliance, and 88% have made similar progress in building resilient and secure systems.

Progress in digitizing governance and compliance



Progress in building resilient and secure systems



Note: Due to rounding the numbers do not add to 100%.

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AI: BOTH A REGULATORY TARGET AND A SOLUTION

Over the next three years, banks will need to comply with an evolving web of regulations as policymakers take steps to protect the market from digital innovation's downside. Banks expect regulations on AI will require their greatest attention over the next three years. Banks in Europe (39%) are especially on the alert, given the European Parliament's recent adoption of the Artificial Intelligence Act.

Data security and privacy regulations—from the GDPR in Europe to a potential federal privacy bill in the U.S.—will also be a prime focus for banks in the years ahead. Other regulations on banks' radar include those involving fintech and digital payments, anticorruption, and regulatory reporting.

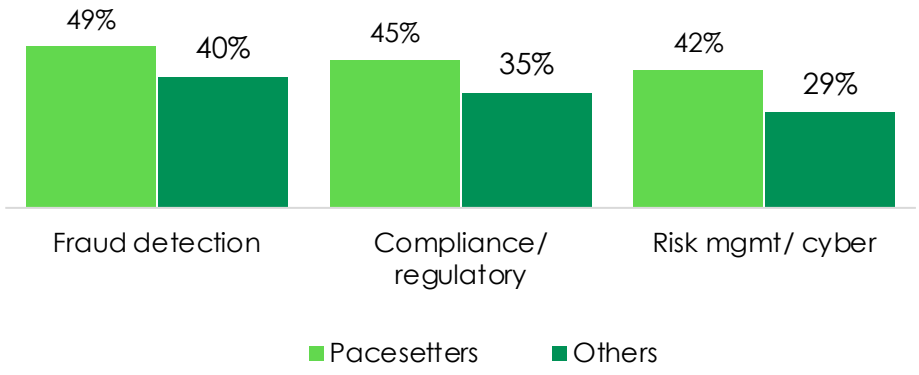
#1

Regulatory concern over the next three to five years is the use of AI and other innovative technologies

While AI is a focus of new regulations, Pacesetters also see it as a solution for compliance and risk management. For example, a senior executive in a major UK bank told us that "AI is incredibly useful in managing compliance." He added that GenAI has the potential to automate compliance reporting.

Almost half of Pacesetters now use AI for fraud detection, and more than four in 10 use it to manage compliance and cyber risks. Even regulators are getting into the act: The U.S. SEC now uses AI to detect securities law violations, while the European Central Bank relies on AI to analyze data to make informed policy decisions.

Pacesetters ahead of others in using AI for risk and compliance



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PACESETTERS DIGITIZE COMPLIANCE AND SET A HIGH BAR FOR GOVERNANCE AND CONTROL

Pacesetters proactively monitor and manage regulatory requirements. Almost half have taken steps to improve data security controls and third-party risk management, areas of growing scrutiny. The Fed, for instance, issued new third-party risk guidelines for community banks in May 2024. Many Pacesetters have also re-engineered client onboarding to include digital identity verification and automated anti-money laundering checks.

Over the next three years, Pacesetters will expand their repertoire of measures. Respondents say one of the higher priorities will be to use GenAI to demonstrate compliance to auditors—which will more than double to 30% in the future. But that is just one of the many GenAI uses planned: Pacesetters in our study cited other GenAI uses, including automated compliance and transaction monitoring, risk prediction, and summarization of compliance documentation.

Staying on top of compliance requires a proactive strategy

Top compliance actions for Pacesetters

1. Improve data security and controls
2. Enhance third-party risk management
3. Re-engineer client onboarding
4. Harness AI to find anomalies
5. Digitize KYC/AML checks

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PACESETTERS DIGITIZE COMPLIANCE AND SET A HIGH BAR FOR GOVERNANCE AND CONTROL

Pacesetters take many actions to ensure their governance and control systems are future-ready. At the top of their list is creating a comprehensive security measurement program that will improve decision-making and benchmarking and demonstrate results to top management. Not far behind is installing an integrated risk management system to help risk executives assess and manage interdependencies between credit, market, operational, technical, and compliance risks.

But Pacesetters go much further. They create non-financial frameworks, build tech risks into risk appetite statements, provide the board with compliance data, employ continuous auditing, and take many more steps.

Pacesetters will not rest on their laurels over the next three years. Forty-four percent more will implement robust AI governance, 39% more will digitize and integrate compliance controls, and 31% more will install an integrated risk management program.

Actions Pacesetters take to improve governance

		% growth in 3 years
Create or update reporting on tech and cyber risk metrics	51%	25%
Install an integrated risk management program	48%	31%
Create a clear non-financial framework	45%	24%
Build technology risks into bank's risk appetite statement	43%	16%
Ensure board and top management have compliance data	41%	24%
Move to a more proactive, continuous auditing approach	36%	28%
Transform operating model across the 3 lines of defense	35%	31%
Expand compliance staff headcount	33%	21%
Expand first line of defense monitoring	32%	28%
Implement robust AI governance	32%	44%
Digitize, automate, and integrate compliance controls	28%	39%
Conduct more frequent and targeted third-party tests	26%	31%
Monitor privacy and data loss to maintain compliance	21%	33%

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PACESETTERS COUPLE PEOPLE AND TECHNOLOGY TO BUILD RESILIENCE

Digitizing risk management and resilience requires making large investments in the right digital solutions. For Pacesetters, these commonly include data management systems for sharing risk data to support integrated risk management approaches, predictive analytics to forecast risks and impacts, and cybersecurity technologies, such as security information and event management (SIEM) solutions, endpoint security, multifactor authentication, and zero-trust platforms.

Over the next three years, Pacesetters will triple their investments in RegTech, from 9% today to 27% in the future. These new solutions will allow Pacesetters to automate compliance checks, simplify reporting, and track regulatory change.

Pacesetters are also boosting investment in AI, including fraud detection tools that draw on AI and generative AI to automate risk activities.

Building resilient security IT requires investment in the right digital solutions. Top risk solutions for Pacesetters:

01 Data management systems for sharing risk data

02 Predictive analytics

03 Cybersecurity technologies for risk detection

04 A modernized, cloud-based IT platform

05 Business continuity tools

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PACESETTERS COUPLE PEOPLE AND TECHNOLOGY TO BUILD RESILIENCE

Pacesetters understand that people are crucial for reducing risks and driving resilience. They have taken a range of actions to ensure that people across the enterprise work together to deliver results.

Close to half of Pacesetters have garnered support from suppliers and partners—which is essential as banking ecosystems continue to grow. Pacesetters also build risk-aware cultures where all staff, from top management to front-line employees, recognize the importance of managing risks. As part of their efforts to integrate risk management, 41% of Pacesetters appoint a senior executive to manage IT, risks, and cybersecurity together.

Over the next three years, Pacesetters will do much more to bolster teamwork, including establishing a risk appetite statement, governance structure, common risk lexicon, and incentives to promote cross-functional collaboration.

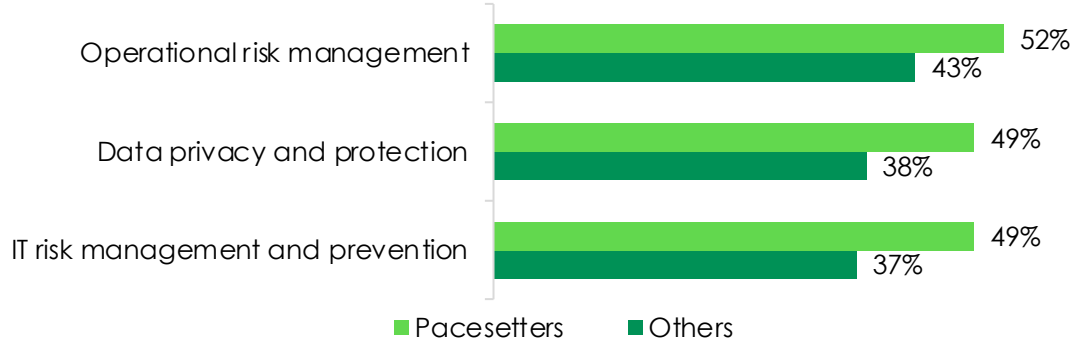
Top organizational actions for Pacesetters

1. Ensure partners support risk management strategies
2. Build a risk-aware culture
3. Appoint a senior executive to manage IT, risk, and cyber
4. Provide risk and resilience awareness training
5. Ensure IT, risk, and cyber work together

Digitizing risk management and resilience gives Pacesetters three key advantages: It enables them to identify and respond to risk faster, build customer trust by protecting data, and comply with stricter regulations.

More than half of Pacesetters have largely digitized operational risk management and resilience—one of the fastest-growing risks for banks and the subject of the EU's new Digital Operational Resilience Act for financial services firms. Over the next three years, Pacesetters will set their digital sights on a broader range of risks: from capital, liquidity, and credit risks to those involving market shifts, fraud, and ESG. The greater use of integrated risk management systems, AI solutions, and end-to-end IT platforms will enable Pacesetters to deliver on their plans, showing the way for other banks that would like to follow in their footsteps.

Risk areas largely digitized by Pacesetters



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Conclusion

BUILDING A ROADMAP FOR THE FUTURE

Simon Cox

Chief Transformation Officer
ServiceNow

In my experience as a former bank CIO, I've seen the success of when digital investments are an integral part of delivering overall outcomes, and the pitfalls of misalignment and departmental silos. What's clear to me is that business and technology can't be separated.

Technology is a critical part of every corner of your bank.

And that's why leveraging an AI platform for business transformation is a true game-changer. It combines data, intelligence, and experience to do previously unimaginable things. But banks can't rely on technology in a vacuum. What's needed is a human-centered approach for the whole ecosystem that blends high tech and high touch for employees, customers, vendors, and regulators.

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BUILDING A ROADMAP FOR THE FUTURE

Follow the leaders: What others can learn from Pacesetters

01 Reinvent their business with AI. Pacesetters are already making large investments in traditional AI and generative AI, and they plan to continue to do so over the next three years. They use AI as a multipurpose tool: to detect fraud, onboard customers, generate new content, conduct real-time analysis, comply with regulations, and much more.

02 Drive business transformation at scale by making pervasive use of the cloud and SaaS and drive rapid innovation through API solutions. To ensure success, they also take organizational steps, such as fostering collaboration between teams, setting top-down directives, and offering incentives.

03 Supply employees with the digital tools and experiences. These include mobile apps providing easy access to resources, digitized employee and HR work processes, data-sharing platforms, and learning tools. This step enables Pacesetters to improve productivity, morale, teamwork, and customer service.

04 Provide frictionless customer experiences that simplify customer onboarding, personalize interactions, and deliver omnichannel engagement. To build customer loyalty and trust, they also provide responsive support, real-time communication, and high levels of data security and privacy.

05 Build resilient, secure systems. Pacesetters are investing in risk solutions that manage data, provide predictive analytics, and use cybersecurity for risk detection. To have the most impact, they are coupling those technologies with changes to their organization, such as garnering support for risk activities from partners and suppliers.

06 Enhance governance and compliance. Pacesetters are better prepared to comply with growing regulations. Many have already improved data security controls and third-party risk management while digitizing KYC/AML checks and building such checks into client onboarding.

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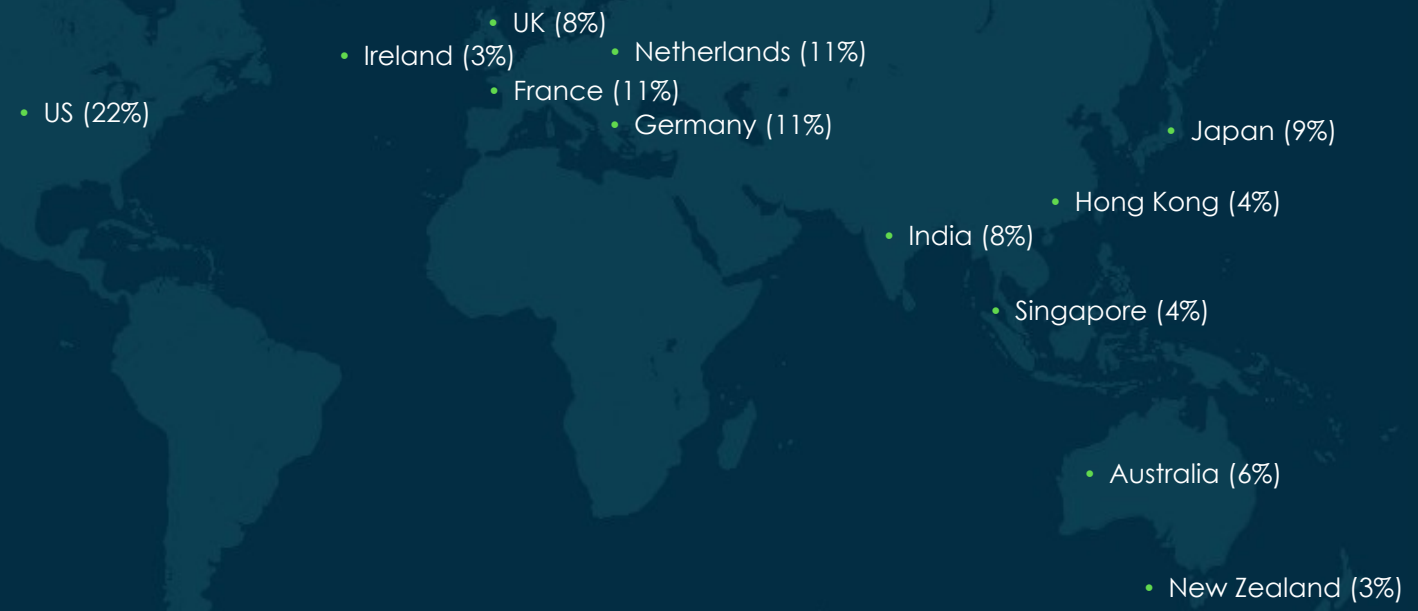
RESEARCH BACKGROUND

By title

COO and direct reports	15%
CFO and direct reports	14%
Chief Risk Officer and direct reports	13%
CEO and direct reports	13%
CIO and direct reports	13%
CTO and direct reports	12%
CDO and direct reports	11%
CHRO and direct reports	10%



By type of bank

By total estimated assets (USD)

1,125
Respondents

12
Countries

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MATURITY SCORING METHODOLOGY

We scored every respondent on each of the seven areas of transformation. By summing the scores for each area, we calculated an overall maturity score for each respondent. We then grouped respondents into three maturity categories. We classified those in the bottom 25th percentile of scores as "starters," those in the top 25th percentile as "Pacesetters," and those in between as "advancers."

01	02	03	04
Planning: Exploring options, developing plans, and building support (1 point)	Early implementation: Starting to implement plans (2 points)	Mid-intermediate: Midway through implementation of plans and starting to see results (3 points)	Advanced: Implemented most plans across the enterprise and showing results (4 points)

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Thank you to the ServiceNow leaders who helped shape this research with ThoughtLab analysts and provided insights related to the key government themes in this transformation study.

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Lauren Spruiell Director Financial Services - Industry Product and Solution Marketing	**Jia Guo** Publishing and Operations - Research
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