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MARKET IMPACT REPORT

Why, what, and how financial services firms can be AI-First

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Contents

Executive summary

Thank you GenAI for kicking the door open to help banking and financial services (BFS) enterprises bring AI out of back-office oblivion. GenAI served as the catalyst to get AI back in the boardroom, and not a moment too soon, as the advance of AI technologies such as agentic AI is far exceeding the ability of established BFS firms to meaningfully assess, adopt, and apply AI in strategically meaningful ways. And by "strategically meaningful," we mean doing more than hitting the low-hanging fruit lever of productivity with a side of potential cost savings. There is a massive opportunity for BFS enterprises to become AI-First leading with AI and automation to gain efficiencies, create new value, and drive competitive advantage rather than continuing to lead with people and manual processes.

HFS Research, in partnership with Infosys, set out to better understand how financial institutions around the globe are addressing the burgeoning AI opportunity. We surveyed 505 BFS leaders across major geographies to better understand why, what, and how BFS firms can be AI-First:

- **The WHY**–why are BFS firms investing in AI?
- **The WHAT**–what's being invested in and executed to make AI strategies real?
- **The HOW**–how can BFS firms overcome roadblocks to unlock value?

The sample included an intentional mix of IT and business leaders across banks and capital markets firms. We complemented the survey with detailed drill-down interviews with BFS leaders to road-test our analysis and develop pointed recommendations for AI success across the C-Suite–the "so what." The report includes a case study on Citizens Bank's AI journey to showcase a tangible example of BFS progress towards being AI-First.

The study reveals that BFS enterprises are all in on a formalized and funded embrace of AI. However, they risk failure if they don't drive global, enterprise-wide AI strategies that contemplate more than people-centric bottom-line gains. To unlock the AI-First opportunity, BFS firms must recognize that their AI strategy IS their business strategy, with C-suite leadership driving clarity of purpose.

Key findings

1 The Why — AI is the new transformation lever for BFS enterprises, but be careful of over-rotating on productivity

AI is garnering dedicated budgets and leadership to usher in critical foundational modernization to enable this powerful category of change agent. However, BFS enterprises risk lackluster results if they don't align their AI strategies with their business strategies. The AI revolution surely can't just be saving a few bucks in operations.

Facts:

- GenAI revitalized AI, with 66% of BFS enterprises indicating it drove them to update and refine their AI strategies.
- Just 12% of BFS enterprises have global, enterprise-wide AI strategies. The other 88% are defined by silos across regions, functions, or lines-of-business (LOBs).
- AI strategy definition is owned by IT in 79% of BFS enterprises.
- 65% of BFS enterprises indicated their top objective for AI is driving bottom-line impact through productivity.

2

The What — 2025 is the year BFS enterprises make AI real

The pilot-palooza that dominated 2024 is giving way to substantiated business cases and funding pointed at critical foundational data and technology modernization initiatives.

Facts:

- BFS firm's AI budgets are expected to increase 25% in 2025, commanding 16% of total tech budgets. ROI expectations are set at two years.
- The top AI investments are in data modernization (58%) and GenAI software (53%).
- The leading AI use cases showcase the proven classics of data analysis and process automation complemented by emerging stars around marketing and software development and testing powered by GenAI.

3

The How — Remove roadblocks to AI value with effective AI governance and talent strategies

The path to being AI-First is paved with various challenges. Many foundational needs are being addressed in the current funding and investment cycle. However, BFS firms must also consider and solve for AI governance and AI talent to enable true scale.

Facts:

- The top three challenges barring the way to AI success are data quality and access, security and privacy, and talent.
- Just 23% of BFS enterprises have mature AI governance and risk management practices, which impacts the ability to tackle key data quality and security and privacy challenges.
- 45% of all AI talent utilized by BFS firms is external, with 70% of it residing in nearshore or offshore locations underscoring the critical role of third-party service partners.

4

The Bottom Line: Your AI strategy is your business strategy

The AI-First leaders in financial services must align their AI strategies with their business strategies, establishing clear purpose and executing with effective governance and the elevation of humans.

The Why: AI is the new transformation lever for BFS enterprises, but be careful of over-rotating on productivity

The advent of GenAI sparked a mass formalization of AI programs in BFS firms

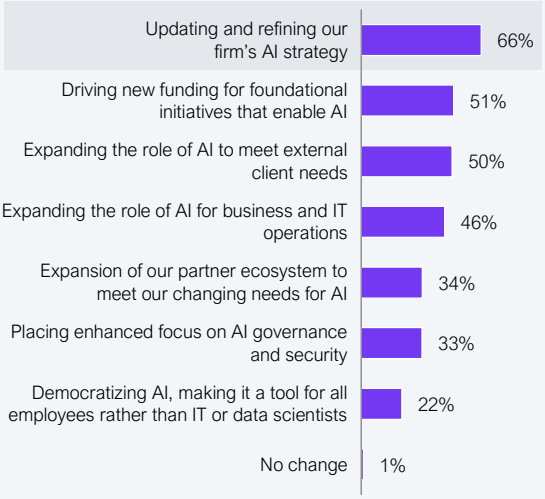
Thank you GenAI for kicking the door open to help BFS enterprises bring AI out of back-office oblivion. In the global BFS market, AI has been in use since the 1970s in various forms, spanning uses such as algorithmic trading, fraud detection, robo-advisory, risk management, underwriting, customer service, and more. Despite this entrenched AI baseline, there were few formal, sustained AI programs with dedicated leadership and budgets. AI was instead part of applied operations at the function, region, or LOB level.

ChatGPT3 was launched in November 2022. Its swift proliferation in the consumer world forced the business world to take rapid action. For the first time since the mobile phone revolution, a technology was being proactively adopted by users. For BFS firms, this meant they needed to rapidly assess, opine, and manage this new technology because employees around the globe were using it at work and no one was sure of the implications, safety, or value.

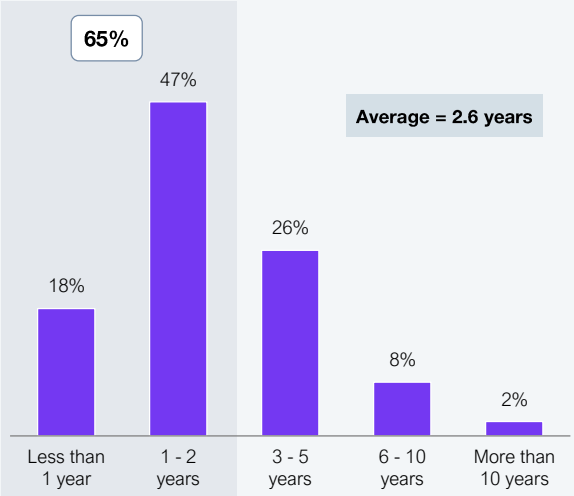
We asked 505 financial services leaders from around the globe to weigh in on this trend. As depicted in Exhibit 1, 66% of respondents indicated the biggest impact GenAI had on their firms' approach to AI was mass updating and refinement of their AI strategies. We see the impact of this mass formalization when we asked BFS respondents how long they have had formal AI programs complete with dedicated budget and leadership. 65% of BFS firms' AI programs are less than two years old. Take that in for a moment.

Exhibit 1: The advent of GenAI sparked a mass formalization of AI programs in BFS firms

What impact has GenAI had on your firm's approach to AI?



How long has your firm had a formal AI program including dedicated budget and leadership?



Sample: 505 global banking and financial services leaders
Source: HFS Research in partnership with Infosys, 2025

The longevity of AI in BFS firms is not at all the same as having formal and funded AI programs. For most firms, it took the advent of GenAI to elevate AI to something more than a category of tools used as part of processes. AI has evolved into a critical change agent relevant across most facets of BFS enterprises. Given the staggering rate AI is moving at, these formal programs are more important than ever.

Dhiraj Rattan, CIO – Consumer Banking and Enterprise Product Engineering, Citizens Bank, agreed with this trend but offered some thoughts on why this is more than just the ChaptGPT effect:

> "We already had well-established AI capabilities, especially in ML and supervised learning, that pointed at areas such as fraud, underwriting, and personalized communications. Over the past 18 months, the bank has been exploring the value of GenAI. But not just because it's a fad. We've escalated our focus because all the work and investment we've been doing in adopting modern architectures and the cloud for all our platform and data workloads have enabled us to adopt new ways of bringing and using intelligence. You can't go from no intelligence to full intelligence in one step. You need an interim step. But we are ready to adopt newer concepts and do more with AI."
>
> — Dhiraj Rattan, CIO – Consumer Banking and Enterprise Product Engineering, Citizens Bank

The case for global, enterprise–wide AI strategies

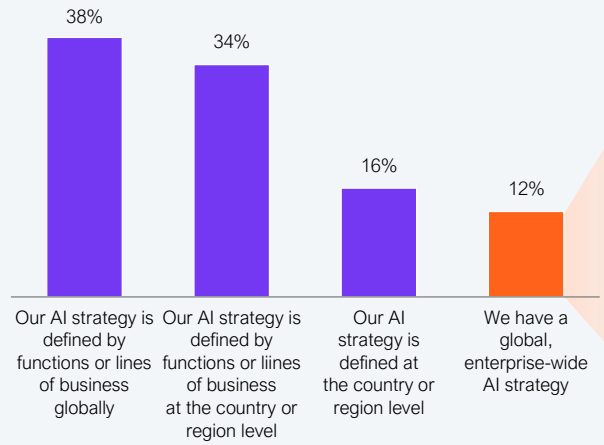
BFS enterprises are getting real about AI, but they need to get their approach right or risk lackluster, unintegrated results. We asked BFS respondents to tell us how their AI strategies are organized. As illustrated in Exhibit 2, just 12% of BFS enterprises have global, enterprise-wide strategies. The other 88% are defined by region, function, or LOB, which tends to yield silos of unintegrated use cases that do a poor job of achieving enterprise-wide business objectives. Those with global, enterprise-wide AI strategies are large firms with more than $300 billion in assets based in North America, the UK, and Europe.

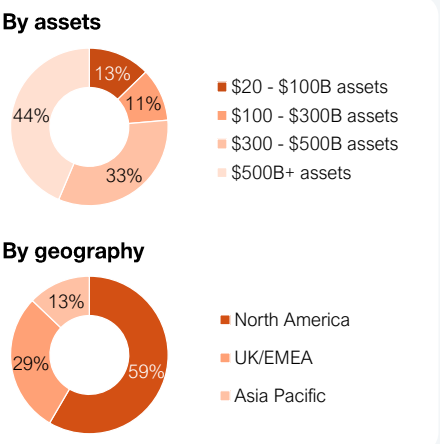
The creation of global, enterprise-wise AI strategies is critical because they align AI strategy with business strategy, providing guidance to the entire global business about how AI supports business priorities tied to the topline, bottom line, and stakeholder value. BFS enterprises that lack global, enterprise-wide AI strategies are essentially allowing functions, divisions, LOBs all the piecemeal functional and geographic silos to define what works for them without any clear alignment with overarching business priorities. BFS enterprises need top-down AI strategy guidance and bottoms-up AI strategy execution by the functions and LOBs that know their domains better than anyone. Defining AI strategy in silos risks minimizing value for the broader enterprise. Those enterprises that think small get small results. Ashok Panduranga, AI and Automation Lead Executive, American multinational financial services firm shared his views on this top-down, bottoms-up dichotomy:

> "Our firm has an enterprise-wide AI strategy. This is essential to help us bring together and manage AI and drive economies of scale. Strategy is defined at an enterprise-level, executed at a federated level and tracked and managed centrally. This gives us great visibility and helps us centralize resources, talent, skills, models, tools, etc. and prioritize use cases and investments. Without an enterprise-wide AI strategy, we would have no way to manage the competing agendas of different functions and silos."
>
> — Ashok Panduranga, AI and Automation Lead Executive, American multinational financial services firm

Exhibit 2: Just 12% of BFS firms have global, enterprise-wide AI strategies—those that do are larger firms in North America and Europe

Which of the following statements best reflects your firm's AI strategy?





Sample: 505 global banking and financial services leaders
Source: HFS Research in partnership with Infosys, 2025

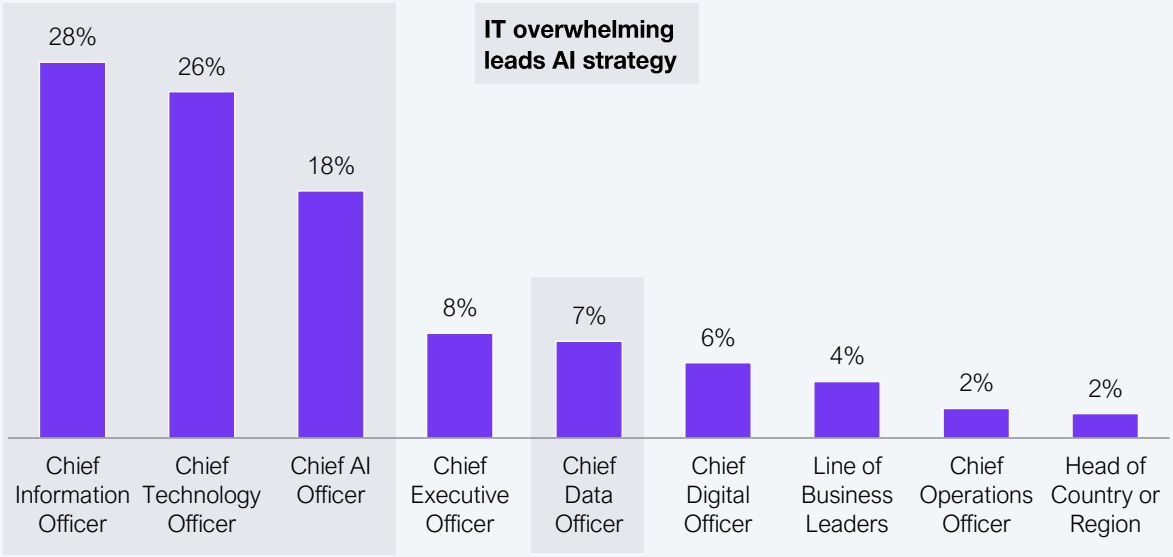
Enterprise AI strategy is a team sport that must involve more than IT

When we asked respondents who is defining their AI strategies, the overwhelming majority of 79% across various tech roles specified that IT sets the AI strategy (see Exhibit 3). While this makes sense from a technology and architecture definition standpoint, enterprise AI strategies must be defined by the core C-Suite, including the CEO, CFO, COO, CIO, and chief risk officer (CRO), to ensure alignment with overarching business objectives. AI strategy is not IT strategy. This data helps explain why so few firms have enterprise-wide AI strategies as IT leadership is highly aligned to regions, LOBs, and functions.

We note the rise of the chief AI officer, a new role cropping up in enterprises tasked with owning the subtle specifics of AI strategy, execution, and governance. They are also increasingly serving as the chief unifiers—working to drive cohesive AI programs.

Exhibit 3: AI strategy is overwhelmingly led by IT in financial services

Who has primary responsibility for defining your firm's AI strategy?



Sample: 505 global banking and financial services leaders
Source: HFS Research in partnership with Infosys, 2025

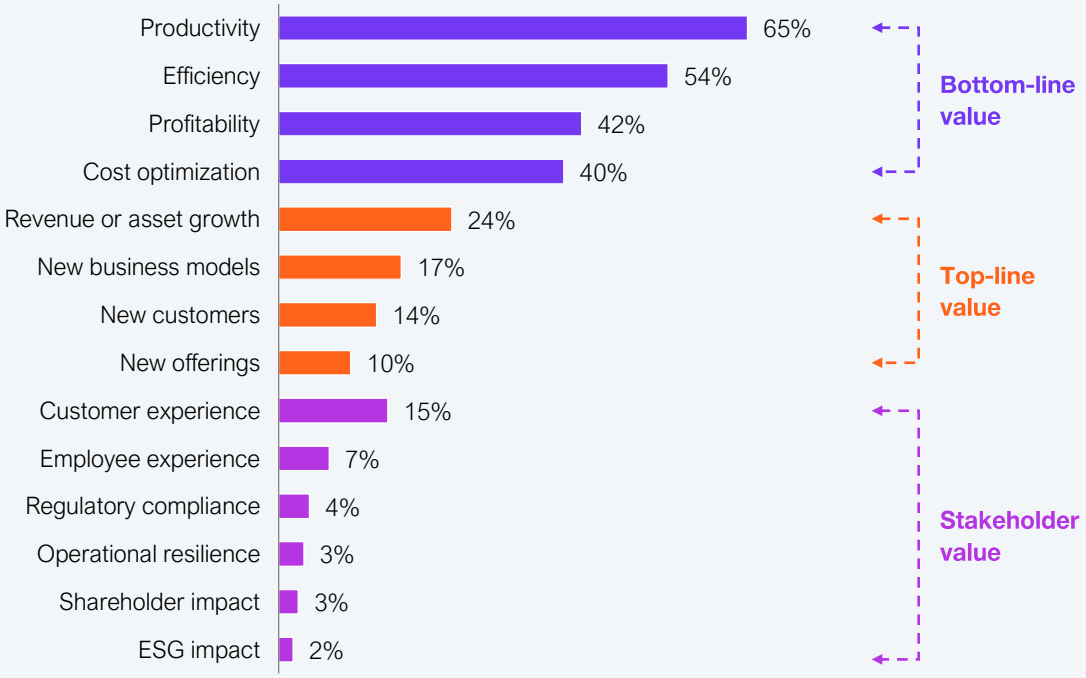
BFS enterprises must think bigger than productivity for AI impact

The impact of allowing AI strategies to be defined in silos and led by IT is already visible in the value and benefit being realized in BFS enterprises. HFS queried BFS leaders on their top objectives for their AI investments related to generating topline, bottom line, and stakeholder value. The results are overwhelmingly focused on bottom-line value, with productivity at the top of the stack (65%). As shown in Exhibit 4, the realization of topline value, such as revenue or asset growth or stakeholder value such as customer experience, barely registered.

When AI strategies are managed in silos, it pushes the responsibility for defining focus and purpose down to the lowest common denominator. This yields a focus on low-hanging fruit use cases and problem statements with LOBs, functions, and domains tending to showcase quick results and viability that meet their respective needs but likely have limited intentional alignment to corporate business strategy. The focus on productivity is not accidental. It's the easiest thing to measure. BFS firms are riddled with manual processes screaming for tech interventions. Productivity gains offer quick wins and fundable use cases.

Exhibit 4: Bottom-line impact dominates BFS value for AI

Investments are generally made to deliver outcomes related to bottom line, topline, or stakeholder value. Please specify the top three objectives for your firm's investments in AI.



Sample: 505 global banking and financial services leaders
Source: HFS Research in partnership with Infosys, 2025

The Head of AI Platforms for a major ANZ bank agreed with this assertion but also underscored how smart banks will ensure that productivity impact translates into growth potential:

> "As a firm, we are very metric-driven and want to get our cost-to-income ratio in better shape compared to peers. Productivity and cost are our top priorities for AI initiatives at this time. We believe that if we get the bottom-line impacts right, it creates the opportunity to focus more on top-line value and stakeholder value. We have to drive enhanced productivity, efficiency, and cost to help us free up capital and resources to drive growth in revenue and asset expansion."
>
> — Head of AI Platforms for a major ANZ bank

When there is no enterprise-wide AI strategy to align to, business silos make their own choices, which may be valid and viable but rob the broader enterprises of focus, best practices, and economies of scale. The value of enterprise-wide AI strategies is alignment with the enterprise business strategy. Last time we checked, the strategies powering the world's top financial services brands are not built on bottom-line impact alone. AI can and should also drive topline and stakeholder value; otherwise, you're just treading water.

The "So What" recommendation for the C-Suite

AI is the new transformation lever. Don't squander this opportunity with a siloed, overly IT-centric approach. Treat your AI strategy as an extension of your business strategy that ensures appropriate alignment with topline, bottom-line, and stakeholder value objectives. AI is not a hammer looking for a nail. It should complement your business strategy. Involve the core C-Suite leadership team in AI strategy definition to ensure a comprehensive centralized strategy and well-communicated federated execution.

The What: 2025 is the year BFS firms make AI real with significant investments across lines of business and functions

In late 2022, the world welcomed ChatGPT3. 2023 became the year of "what is it?" with lots of cautious experimentation and absolutely no planned budgets. 2024 was the year of "death by 1,000 pilots," where BFS enterprises experimented with use cases with very limited discretionary spend but were able to build some decent business cases to justify spending in 2025. As inflationary and interest rate pressures start to recede globally, BFS enterprises are poised to drive AI progress in 2025. This AI progress will be enabled by a mix of foundational investments to address data, technology, and process debt with a side of bet-hedging GenAI assistants with some decent IT and business collaboration across functions and LOBs. Get ready to sprint.

AI investments in 2025 will cover far more than GenAI software

We asked BFS leaders how they plan to spend their AI budgets in 2025 across four major categories—data, technology, process, and skills. Data came up big (see Exhibit 5). This is not surprising as data powers AI. Data modernization to support AI topped the list (58%), with AI model development and management securing the third position (40%). Data investments encompass data access and quality of data to feed AI models and enhance data infrastructure, management, and analytics to support advanced AI applications. While banks have been investing in data modernization for what feels like decades, the Head of AI Platforms for a major ANZ bank helped contextualize why GenAI is driving new requirements:

> "So much of the data modernization in banks has been focused on structured data. In many generative AI use cases, we're grappling with unstructured data, which is creating some challenges. Trying to synchronize unstructured data into chunking methods and keeping vector stores up to date is proving to be complicated."
>
> — Head of AI Platforms for a major ANZ bank

About a third of the sample cited process reinvention as a critical investment focused on revising or creating new processes and workflows to integrate AI. Changing how work is done internally and how partners and customers interact with your firm across various facets of BFS processes requires focused change management to appropriately refine existing processes and ensure that adjacent processes are duly updated.

Tech infrastructure modernization to help scale AI rounded out the top five investments. This includes elements such as storage for AI training data sets, compute resources to power training and inference, hybrid cloud capabilities to enable dynamic resource allocation, edge computing to optimize performance, security including encryption and data anonymization to protect customer financial data and personal information and, of course, middleware and APIs to help enable integration with legacy systems.

HFS characterizes these investments as **foundational investments**. They largely represent modernization and transformation initiatives BFS firms must undertake to enable progress with AI. BFS firms are also investing in the happy path—out-of-the-box GenAI assistants such as Microsoft CoPilot and ChatGPT—to drive sanctioned GenAI into the hands of its workforce. Licensing GenAI software is rated as the number two AI investment (53%). While GenAI tools are driving strong license revenue, adoption rates continue to be lukewarm—serving as a reminder that tools without clear problems to solve don't fare well.

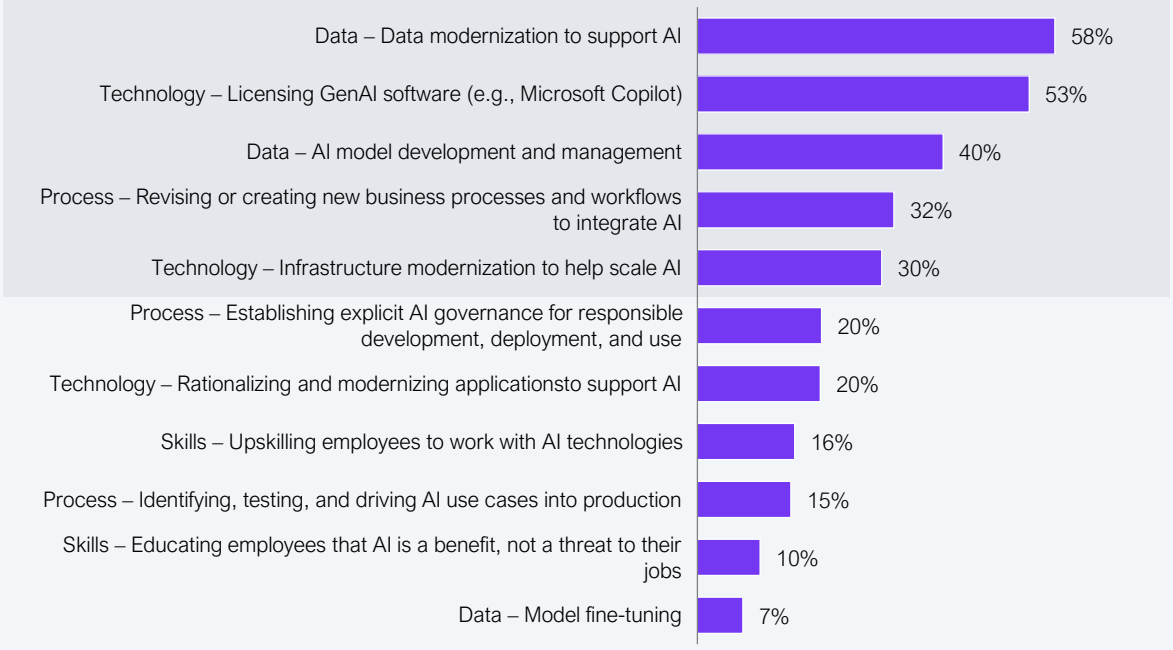
Sudhakar Gopal, EVP & CIO, Head of Engineering and Operations – Enterprise Data, Advanced Analytics, API Middleware and Integration Platforms, Citizens Bank, articulated his views on the importance of foundational investment in AI enablement:

> "Over the past three years, we have revamped our data strategy with C-Suite support across six key pillars: 1. driving data centralization, 2. data democratization, 3. real-time data, 4. infrastructure modernization, 5. data sources, and 6. advanced analytics and AI. These initiatives are all about enabling the enterprise, and we have made phenomenal progress. While all of this work and investment were not solely to activate AI, it is a piece of the approach and has really put us in a position to tackle AI at scale."
>
> — Sudhakar Gopal, EVP & CIO, Head of Engineering and Operations – Enterprise Data, Advanced Analytics, API Middleware and Integration Platforms, Citizens Bank

A final thought on investments: it's always critical to look at what is not being funded. Our data shows governance and skills are lower links in the priority chain. While everything can't be a priority, appropriate AI guardrails and employee skills enablement are essential to progress.

Exhibit 5: BFS enterprises' top AI investments prioritize foundational needs in data modernization and AI models with a side of GenAI software

What are the top three initiatives included in your current AI budget?



Sample: 505 global banking and financial services leaders
Source: HFS Research in partnership with Infosys, 2025

We've captured more detail on the AI journey of Citizens Bank in this case study:

Citizens Bank – Driving AI readiness through next-gen technology foundational investments

Why – Leveraging foundations to drive more value with AI.

Five years ago, Citizens Bank embarked on its next-generation technology (NGT) strategy with four key objectives: speed-to-market, operational efficiency, innovation, and stability. It's worked to enable these objectives through adopting agile ways of working in a DevSecOps model, implementing platform-as-a-service across key platforms using data and APIs, enhancing engineering talent and tools, and moving to be cloud-first while protecting core operations.

Its journey of enablement and transformation has yielded a firm that is technologically nimble, data-led, and largely cloud-first. Roughly 70% of its assets are in the cloud. More than twenty key domain platforms have been modernized and are all connected via APIs. It developed an enterprise-wide data strategy underpinned by infrastructure modernization, governance, and democratization. Its NGT foundational investments have helped the firm achieve its original business objectives and more such as enhancing its ability to integrate acquisitions. Citizens Bank has expanded into new markets as well as its geographic footprint by establishing its private banking business and is growing its wealth business. Its foundational investments in cloud, data, and platforms have also set the firm up for AI success at scale.

What – An enterprise-wide data strategy just in time for GenAI.

Three years ago, Citizens Bank further refined its approach to data, developing an enterprise-wide data strategy to better meet the increasingly real-time data needs of its myriad LOBs. The data strategy was built on six pillars: 1. driving data centralization, 2. data democratization, 3. real-time data, 4. infrastructure modernization, 5. data sources, and 6. advanced analytics and AI. This significantly helped the firm scale its existing AI and ML capabilities. The timing was such that as ChatGPT3 and GenAI emerged, heralding the next wave of AI, Citizens Bank was well positioned to react and define an enterprise-wide approach, including enhanced AI governance.

As it stands today, Citizens Bank is using GenAI in three primary ways:

1. **Colleague productivity:** It's cutting through troves of data to analyze, synthesize, and deliver real-time, contextual insights to frontline teams, financial advisors, and bankers.
2. **Work optimization:** GenAI-powered agents and agentic AI workflows are picking up where RPA and automation left off to handle repetitive tasks and reasoning-driven processes in engineering, business operations, and customer service.
3. **TechOps core engineering support:** GenAI is accelerating code generation, automating testing and security scans, enforcing governance, and streamlining deployment.

Michael Ruttledge, Chief Information Officer and Head of Enterprise Technology & Security at Citizens Bank, remarked: "AI, GenAI, and agentic technologies are demonstrating immense potential to transform the customer experience, drive operational excellence, and accelerate our transformation journey."

How – Embracing GenAI as a catalyst for broader AI utilization and benefits.

GenAI was the catalyst that re-opened the door for enterprise-wide AI at Citizens Bank. AI, especially ML, was used for years in areas such as underwriting, fraud detection, and personalization. AI has moved beyond the back office at the bank, directly driving top-line growth through cross-sell and upsell opportunities while enabling productivity across sales and servicing teams. By scaling throughput without increasing headcount, Citizens Bank is already seeing measurable bottom-line gains. With 1,000 AI use cases in the pipeline and over $10 million in financial impact already realized in contact centers, the bank is now doubling down on attribution models to quantify AI's direct impact on revenue and business outcomes. This will only help surface more tangible results across the topline, bottom line, and stakeholder value—building on the momentum that is already in motion, with appropriate responsible AI and governance protocols in place and a cloud-based data pipeline.

AI is set to command a significant chunk of BFS tech budgets with swift ROI expectations

BFS leaders, great job building fundable AI business cases in 2024 to power the 2025 budget cycle. As shown in Exhibit 6, BFS respondents are dedicating an average of 16% of their tech budget to AI in 2025. This sounds like a significant chunk of change, but when you consider the foundational investments, showcased in Exhibit 5, it makes sense. BFS respondents estimate they will increase their AI budgets by 25% this year, underscoring the return of discretionary spend.

Gone are the days of 5–7 year transformation cycles. BFS firms expect ROI from their AI investments within two years on average. While many foundational investments may not be complete in this time frame, many AI business cases are built with value realization starting in year one and then building from there. A lot depends on data and technology readiness.

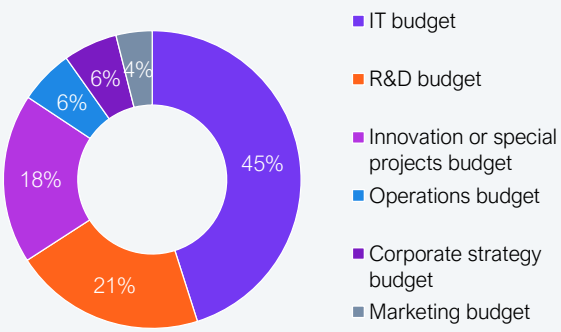
We also explored the primary sources of funding for AI. Unsurprisingly, IT is the top source for AI budgets (45%), given the focus on foundational investments. R&D budget places a distant second (21%), followed by innovation or special projects (18%)—signifying we are moving out of the experimental stage with AI. Dennis Gada, Executive Vice President and Global Head of Banking & Financial Services at Infosys, shared his views on aligning AI investment with impact:

> "Financial institutions worldwide are actively climbing the value chain, leveraging AI to move beyond cost reduction and drive efficiency, modernization, revenue growth, and stakeholder value creation. The HFS-Infosys study reinforces this shift, proving that AI is exponentially becoming a strategic priority, with BFS firms expected to increase AI budgets significantly. However, AI success is not just about investment—it requires a well-orchestrated strategy that aligns technology with business objectives to maximize the impact. At Infosys Financial Services, we observed emerging patterns where AI adoption is accelerating for high-impact business processes alongside broader technology modernization efforts, as well as the evolution of the software engineering model. The latest Infosys Bank Tech Index also highlights how banks are aligning their tech spend and prioritizing AI for business value, with a focus on responsible AI."
>
> — Dennis Gada, Executive Vice President and Global Head of Banking & Financial Services at Infosys

Exhibit 6: BFS AI budgets are booming with IT as the primary funding source and rapid ROI expectations

16%	What percentage of your organization's overall technology budget is dedicated to AI initiatives?
+25%	Estimate the expected percentage change in your organization's investments in AI over the next 12 months.
2 Years	For your investments in AI, how long will it take to achieve ROI?

What is the primary source of funding for your AI initiatives?



Sample: 505 global banking and financial services leaders
Source: HFS Research in partnership with Infosys, 2025

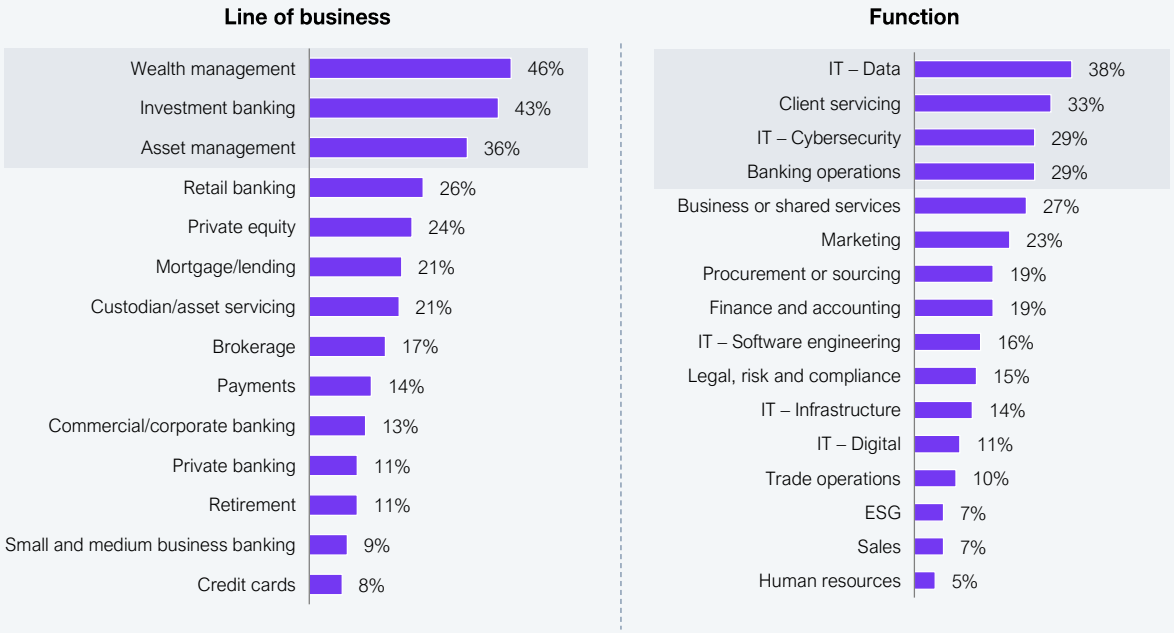
The AI action in BFS firms spans lines of business and functions

LOB leaders and functional leaders will typically have different goals and objectives for their areas of responsibility. LOB leaders are generally laser-focused on revenue and growth parameters, while functional leaders are operations and cost-focused. What they have in common is they are all domain experts in their respective areas of responsibility. This domain expertise brings a keen awareness of what works, what doesn't, and informed opinions on what must change. Great AI use cases are spawned within domains by leaders and their teams who want to solve problems and impact key metrics.

HFS asked survey respondents to comment on which LOBs and functions they plan to use AI over the next couple of years to drive business value (see Exhibit 7). From the LOB perspective, there is a decided focus on capital markets domains across wealth management (46%), investment banking (43%), and asset management (36%). Retail banking is a distant fourth (26%), which is relevant as it reminds us that these responses likely represent the next wave of AI initiative focus. LOBs such as retail banking have been leveraging forms of AI for years to drive self-service with customers, mitigate fraud, and hasten loan processing and underwriting. Data-heavy businesses such as these capital markets domains are ripe for AI-led initiatives that can drive growth and expand offerings in areas such as data monetization, portfolio optimization, and deal structuring and contracting. While our study covers the full canon of AI technologies, these responses likely lean toward the use of GenAI as the newest AI technology.

Exhibit 7: Capital markets LOBs lead in planned AI use—while IT and ops lead for AI use by function

In the next two years, please specify the top three areas where your organization will use AI the most to drive business value



Sample: 505 global banking and financial services leaders
Source: HFS Research in partnership with Infosys, 2025

From the function standpoint, there is a balanced prioritization between IT and business functions. The top IT functions prioritized for AI initiatives include data (38%) and cybersecurity (29%). This likely represents both enablement investments aligned to Exhibit 5 as well as the use of AI to improve functions such as real-time data processing, automated data cleansing, and threat detection. The top business functions prioritized for AI initiatives include client servicing, including contact center (33%) and banking operations 29%. Global business services (shared services) is just a hair behind banking operations. These functions continue to be ripe for productivity and cost optimization.

As noted by Darrell White, Head of Technology Transformation & Enablement, Customer Success Platforms at PayPal:

> "Financial services firms spend a ton of money supporting IT and servicing clients. It's a fundamental cost of doing business. So when firms are assessing potential use cases for various forms of AI, the cost centers are always top of the list. These are not necessarily the best use cases from an innovation standpoint, but they are the low-hanging fruit with distinct volume potential to drive cost savings."
>
> — Darrell White, Head of Technology Transformation & Enablement, Customer Success Platforms at PayPal

The top AI use cases in BFS showcase the proven classics of data analysis and process automation complemented by some emerging stars

When we asked BFS leaders about their top pattern-based uses for AI (see Exhibit 8), data analytics topped the list (60%). It's the ultimate low-hanging fruit that comes bearing its own training data and clear computational superiority over humans for depth, speed, and quality. This category covers many of the classic, effective applied AI use cases in BFS firms—fraud detection, credit risk assessments, anti-money laundering transaction monitoring, algorithmic trading, sentiment analysis, and others.

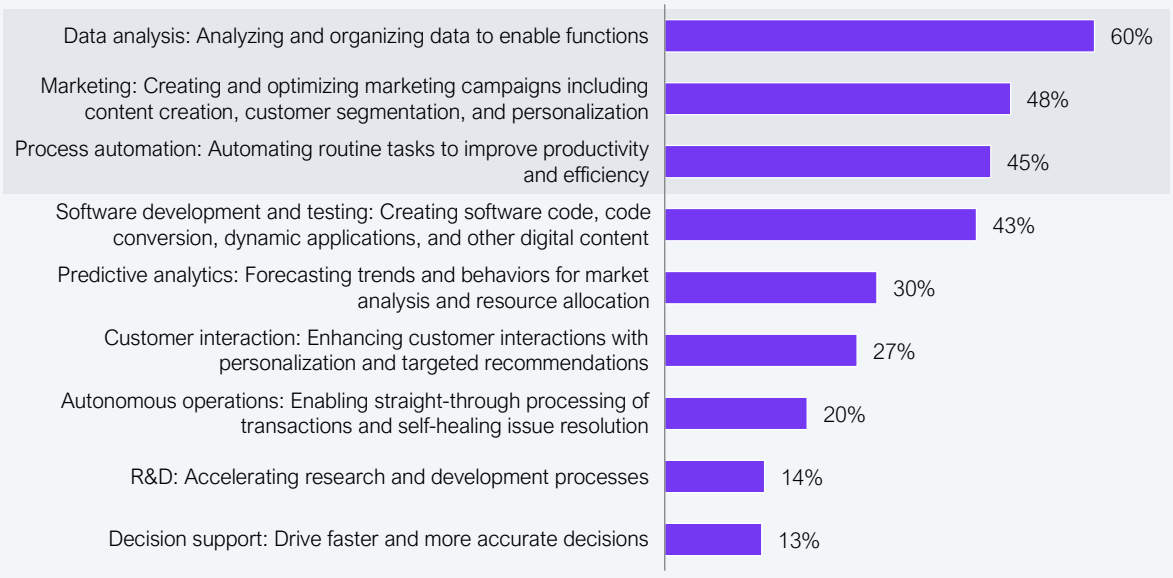
Another proven classic clocked in at number three—process automation (45%). While much of the history of process automation is tied to deterministic technologies such as RPA and business process management tools, AI excels at adding cognitive capabilities to automation, thus the terminology "intelligent automation." If there is data to be consumed in processes such as transaction data, invoices or statements, onboarding materials or loan application content, AI models can be built to add cognitive capabilities.

A couple of emerging stars also rated well, enabled by the advent of large language learning models (LLM) powering GenAI. GenAI's superpower is generating content from data. Marketing secured the number two position with 48% of respondents indicating it is a top AI use case. GenAI has revolutionized the segmentation, personalization, and generation of tailored content.

Software development and testing, with 43% of BFS respondents indicating this as a top AI use case, is the top performer. LLMs are being trained on large code bases, which is helping to drive code conversion, legacy code modernization and improvements, code refactoring, containerization, documentation, and quality assurance. This use case offers massive speed and quality benefits for legacy modernization, especially in an era of declining COBOL engineers.

Exhibit 8: Data analysis tops the list of current AI use cases for BFS firms

What are the top three ways your organization is utilizing AI today?



Sample: 505 global banking and financial services leaders
Source: HFS Research in partnership with Infosys, 2025

Ben Rayner, Head of Analytics and Process Optimization, Citi Chief Operating Office, commented on Citi's foray into GenAI:

> "Citi has rolled out two initial tools across the firm. It took just a few months from ideation to production. Citi Assist searches internal bank documentation to help navigate commonly used policies and procedures across HR, risk, compliance, and finance. Citi Stylus is able to summarize or search multiple documents at the same time. We launched in December 2024 and have about 100K people using them across various geographies. This is a very intentional top-down approach where we are perhaps under-utilizing the capabilities of GenAI but it is helping to build the culture of AI use. We are getting people familiar with the tools, while supporting change and governance. This will ultimately help us go fast, but we are purposeful and steady at the moment. Failing fast is not the right approach for GenAI."
>
> — Ben Rayner, Head of Analytics and Process Optimization, Citi Chief Operating Office

We note that autonomous operations rated near the bottom of current use cases. Given the escalating hype around agentic AI—AI with autonomous decision-making abilities that can execute complex tasks without human intervention based on data and defined objectives, we expect significant experimentation with autonomous agents in 2025.

The "So What" recommendation for the C-Suite

2025 is the year BFS enterprises make AI real. Foundational investments in data and tech modernization are essential to enable AI progress, while licensing GenAI tech can drive sanctioned AI into the hands of users. Beware over-rotation on tech investment without clarity of vision on how AI supports the broader business strategy. Your AI strategy is your business strategy NOT your IT strategy. Guidance from senior leadership to LOBs and functions will help ensure they consider AI use cases beyond productivity and cost savings.

The How: Remove roadblocks to AI value with effective AI governance and talent strategies

BFS enterprises on the journey to being AI-First are faced with three key challenges to unlocking value from their AI strategies and investments—data quality and access, security and privacy concerns, and talent (see Exhibit 9). This is consistent across geographies, business versus IT, and size of firms.

The data quality and access challenge align with the top area of planned investment in AI—data modernization (see Exhibit 5). This is not accidental as AI is powered by data. The heart of the data access issue is availability across silos and divisions—an area banks have been working on for years. This is compounded by the growing need for real-time data, multi-format data, and vast quantities of data to power AI models. While approaches such as integration platforms, data lakes, API-based data access, and data virtualization have driven vast data access improvements, silos persist and data quality is often not fit for purpose. Inaccurate, incomplete, imbalanced, noisy, poorly labeled, metadata issues, biases and more all lead to data quality issues that drive significant risk into AI models and results. While this roadblock can be partially addressed by data modernization, it additionally points to the need for associated AI governance.

Ashwin Roongta, Head of Technology – Business Applications, Infrastructure & Services at Wedbush, shared his views on tackling data challenges:

> "We've got a chicken or egg situation going on right now with AI data investments. Many say wait until you understand your use cases and then invest and build. We decided to let tech lead instead of the use cases. We built an integrated data lake with AI fabric with smart, integrated design that is meeting our needs. We tackled centralized data and reporting first, which helped massively with data quality. This, in turn, helped with our glide path to AI. Data quality is always an ongoing issue, but we were able to start with relatively clean data."
>
> — Ashwin Roongta, Head of Technology – Business Applications, Infrastructure & Services at Wedbush

Security and privacy is the second biggest challenge to AI progress. Given the vast array of sensitive personal and financial data handled by BFS firms, maintaining data privacy, and ensuring robust cybersecurity measures including encryption, access controls and threat detection systems are essential practices. Given the strict regulations around data use, access as well as location and sovereignty, most banks have functional programs. The shortfall often comes down yet again to immature governance programs.

Talent took third place, with BFS firms lamenting how hard it is to find, train, and retain AI talent. While AI technical talent is critical to cultivate, BFS firms should take their employees on the AI journey by upskilling them to use and benefit from AI investments. In the future, all talent must be AI talent. Ben Rayner, Head of Analytics and Process Optimization, Citi Chief Operating Office, agreed with this perspective, commenting on the importance of process expertise in designing effective AI:

> "AI is not a technology discipline. It is a process discipline. Unless you know the process to educate the AI, it will not work. We've underestimated the need for process talent when designing AI."
>
> — Ben Rayner, Head of Analytics and Process Optimization, Citi Chief Operating Office

Exhibit 9: The biggest AI challenges reveal weaknesses in governance and talent approaches

Based on your progress to date, what is your firm's biggest challenge in realizing value from your AI strategy and investments?

Sample: 505 global banking and financial services leaders
Source: HFS Research in partnership with Infosys, 2025

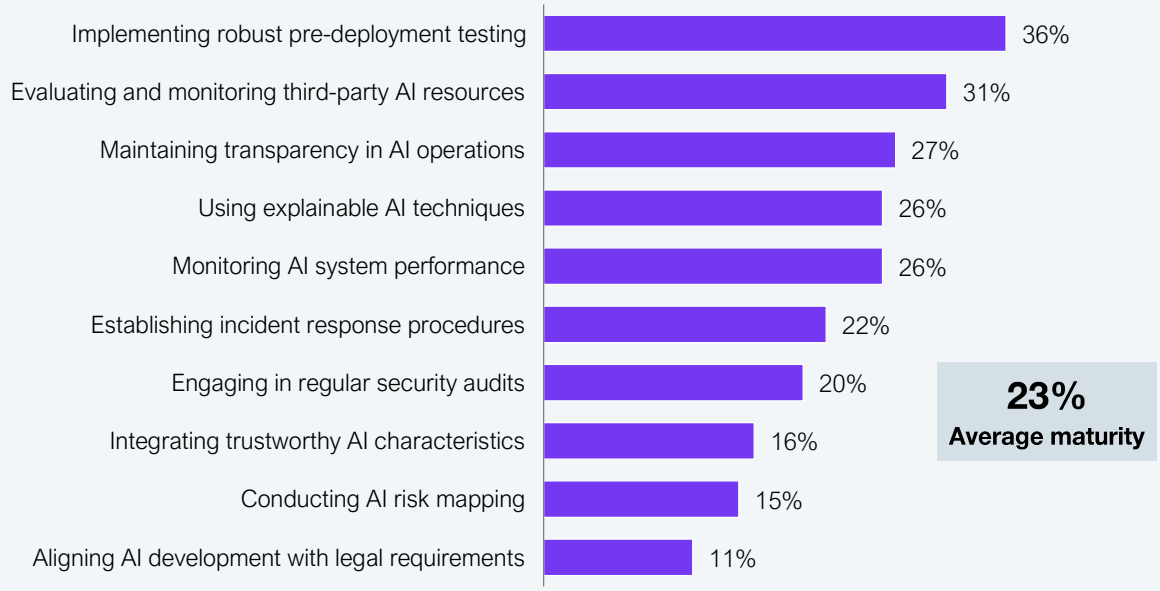
AI governance needs formalization to safely drive AI forward at scale

Over a decade ago, the Basel III framework in BCBS 239 laid out principles for risk data aggregation and reporting for large banks and financial institutions that directly impact AI governance today. GDPR and regional regulations such as the California Consumer Privacy Act have added various personal data protections over the years with provisions around responsible AI governance. The EU AI Act was adopted and entered into force in August 2024. It is the most comprehensive set of AI laws in the world, taking a risk-based approach to regulating AI systems. Obligations will come into play over the ensuing 24 months. Meanwhile, in the US, the new Trump administration swiftly eliminated the Biden-era AI Act. Love or hate regulations, they drive programmatic response—something that is sorely needed for AI to safely and systematically progress.

AI governance programs in banks address strategy, compliance, data quality, model management, security, ethics, and accountability. We asked respondents to comment on their maturity across a range of AI governance and risk management elements. Exhibit 10 reveals that, on average, just 23% of BFS firms have fully matured processes, revealing an alarmingly immature set of practices. The most mature practice is pre-deployment testing to ensure nothing goes haywire when new AI systems are launched (36%). The second is third-party monitoring—ensuring that partners leveraging AI align to bank risk principles and don't introduce new vulnerabilities (31%). Maintaining transparency in AI operations through documentation, using explainable AI techniques, and ongoing monitoring of AI systems post-deployment all clocked in at just above the 25% mark. As there are so many facets to AI governance, it is largely impossible for one role of function to manage all of these elements, which further complicates scale and maturity.

Exhibit 10: Most BFS enterprises lack fully matured AI risk management and governance practices

How would you rate the maturity of AI governance and risk management practices in your organization in the following areas? % of "Fully Matured" responses



Sample: 505 global banking and financial services leaders
Source: HFS Research in partnership with Infosys, 2025

The implications of poor AI governance in financial services are always impactful but even more so when AI directly impacts customers. We've already seen various gender and race bias scandals related to AI credit scoring, AML transaction monitoring issues yielding fines, missed fraud transactions incurring losses, incorrect investment advice yielding losses, and everyone's favorite (not) the annoyingly ineffective chatbot. Crappy chatbots alone are responsible for massive customer cynicism with AI. With or without regulatory compulsion, effective AI governance is essential for the growth and adoption of AI in banking and financial services.

Sudhakar Gopal, EVP & CIO – Head of Engineering & Operations, Enterprise Data, Advanced Analytics, API Middleware and Integration Platforms, Citizens Bank, shared some insights into how his firm is grappling with the multi-faceted nature of AI governance:

> "Our AI governance process is layered. We have developed a steering committee that includes the C-Suite to decide at a macro level on business benefit alignment and fundability of AI initiatives. If approved, the layers kick in with representation from key stakeholders such as IT, data, architecture, experience, as well as HR and risk. This is where solutioning and certification happen, with various levels of approval such as model certification before something can go live. We are erring on the side of caution as when regulators inevitably bring up AI explainability or governance, we have clear answers."
>
> — Sudhakar Gopal, EVP & CIO – Head of Engineering & Operations, Enterprise Data, Advanced Analytics, API Middleware and Integration Platforms, Citizens Bank

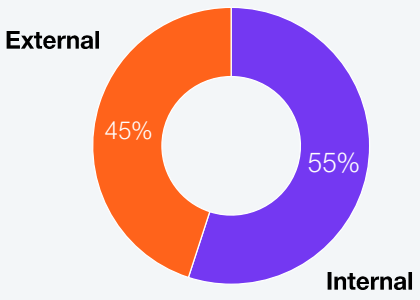
Third-party service partners play an essential role in solving the AI talent crunch in BFS firms

BFS enterprises have an AI talent problem. They lack the resources they need to execute their AI initiatives. This is not just technical talent. One of the great fallacies of the AI talent conundrum is that AI execution only requires technical or data science experience. Nope—the required talent mix covers strategy, technology, engineering, data science, business process, and risk and compliance and more. AI talent necessarily must cover strategy, design, build, run, comply, and consume.

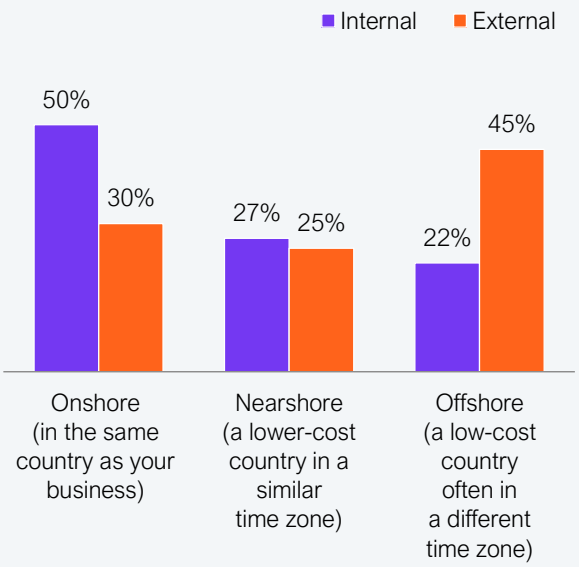
One of the key approaches BFS firms are taking to address their AI talent challenges is the use of third-party partners. Exhibit 11 shows that a whopping 45% of the AI resources supporting current AI initiatives are external resources—those employed by another company, such as a staffing agency or third-party professional services firm. We additionally queried respondents about where these resources are located. Internal resources are largely located onshore (50%), with the other 50% in captive operations in nearshore or offshore locations. External AI resources are the opposite, with the majority (70%) of these resources based in nearshore or offshore locations—offering cost-effective capabilities.

Exhibit 11: BFS enterprises make hefty use of external AI resources to help them execute their AI strategies

For your company's AI initiatives today, what percentage of resources supporting and executing these initiatives are internal versus external?



Where are the resources supporting and executing your AI initiatives located?



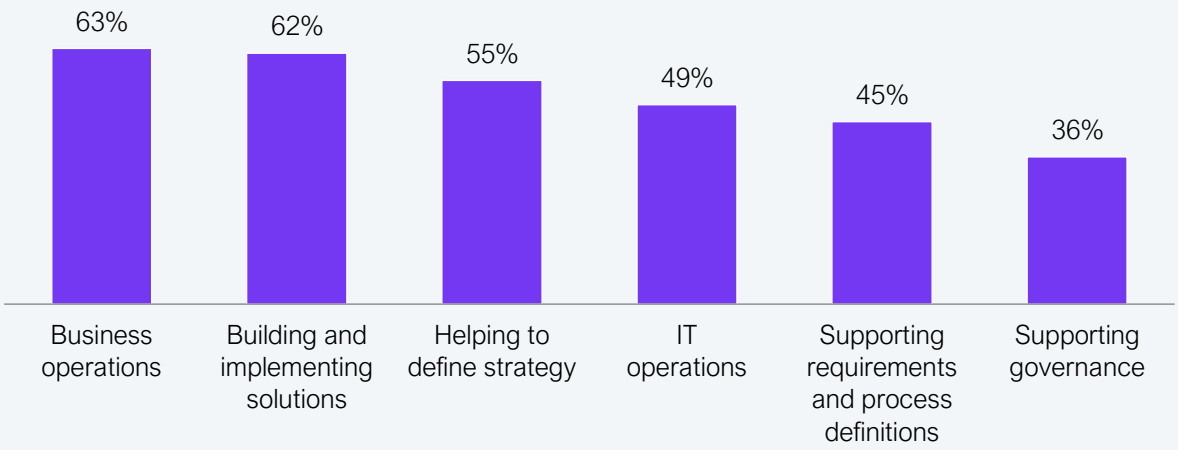
Sample: 505 global banking and financial services leaders
Source: HFS Research in partnership with Infosys, 2025

As for the scope of work delivered by these external resources, BFS firms indicated in Exhibit 12 that the top use cases are business operations (63%), building and implementing solutions (62%) and strategy (55%). The strong use of business operations services is a reminder that AI has been baked into many BFS processes for years especially in analytics-driven functions. Notably, supporting governance is dead last with just a bit more than a third of respondents leveraging external support for this critical function. This is likely due to BFS firms leading governance with internal resources combined with the lack of mature AI governance and risk processes outlined in Exhibit 10.

While third-party services firms have a critical role in enabling the AI journeys of BFS enterprises globally, BFS firms should think in the longer term about how they ensure they have the right resources internally. These service partners can increasingly play a role in educating and upskilling internal resources and cultivating a culture of AI-First through the democratization of AI—which is just a fancy way of saying AI pervades and increasingly leads how work is executed. Humans are not going away, so ensure your approach to AI clearly contemplates how to bring them on the journey.

Exhibit 12: Third-party services firms are doing more than building AI models—they play a pivotal role in strategy and operations

What role do third-party services firms play in your organization's approach to AI?



Sample: 505 global banking and financial services leaders
Source: HFS Research in partnership with Infosys, 2025

The "So What" recommendation for the C-Suite

Remove roadblocks to AI value with effective AI governance and talent strategies. The path to being AI-First is paved with various challenges. Many foundational needs are being addressed in the current funding and investment cycle. However, BFS leaders must also consider and solve for AI governance and AI talent to enable true scale. AI governance should be defined as part of enterprise-wide AI strategy and supported across its myriad functions. The particulars will naturally vary based on region, country, or LOB requirements, but the fundamentals must be defined holistically. Similarly, the mission for AI talent is to make all talent AI talent. This is the future of work.

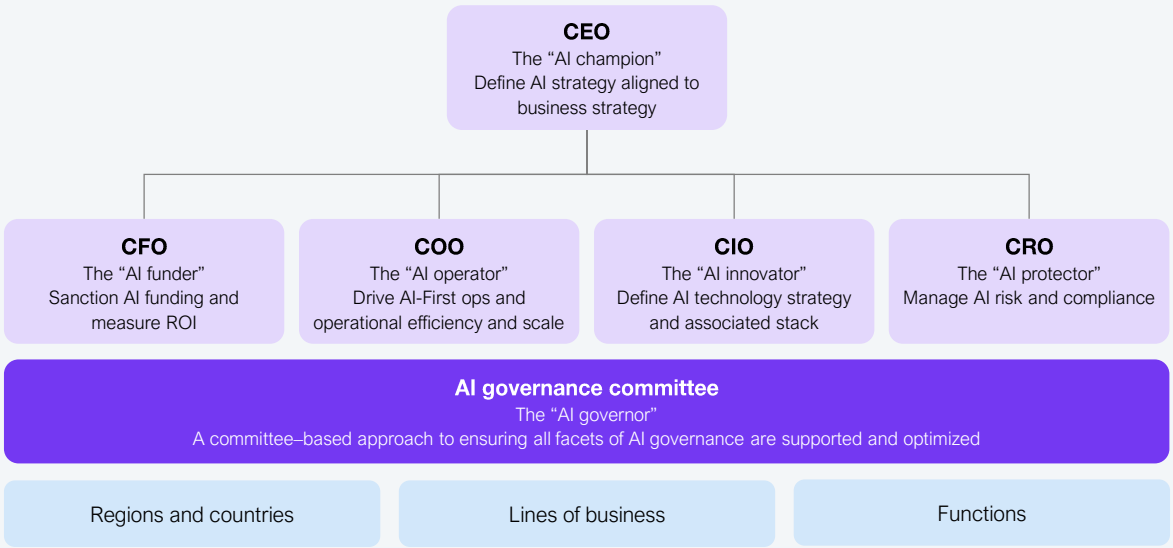
The Bottom Line: Your AI strategy is your business strategy. The AI–First leaders in financial services must align their AI strategies with their business strategies, establishing clear purpose and executing with effective governance and the elevation of humans.

Thank you GenAI for kicking the door open to help BFS enterprises bring AI out of back-office oblivion. GenAI served as the catalyst to get AI back in the boardroom, and not a moment too soon, as the advance of AI technologies such as agentic AI are far exceeding the ability of established BFS firms to meaningfully assess, adopt, and apply AI in strategically meaningful ways. And by "strategically meaningful," we mean doing more than hitting the low-hanging fruit lever of productivity with a side of potential cost-savings. There is a massive opportunity for BFS enterprises to become AI-First—leading with AI and automation to gain efficiencies, create new value, and drive competitive advantage rather than continuing to lead with people and manual processes.

The study reveals that BFS enterprises are all in on a formalized and funded embrace of AI. However, they risk failure if they don't drive global, enterprise-wide AI strategies that contemplate more than people-centric bottom-line gains. To unlock the AI-First opportunity, BFS firms must recognize that their AI strategy IS their business strategy, with C-Suite leadership driving clarity of purpose to the rest of the company. This yields AI strategy that is top-down and AI execution that is bottoms-up.

BFS C-Suite leadership must work together to define, oversee, and ensure success of their AI strategies. Exhibit 13 outlines the recommended roles for the BFS C-Suite in AI-First enterprises.

Exhibit 13: AI strategy and execution is a team sport in AI-First BFS firms



Sample: 505 global banking and financial services leaders
Source: HFS Research in partnership with Infosys, 2025

The CEO needs to be “AI champion”—defining how AI strategy aligns with business strategy and ensuring the team delivers on the mission. The CFO is the “AI funder”—determining what can and should get funding and overseeing ROI analyses to best understand impact. The COO is the “AI operator”—leading the AI-First charge by embedding AI into operations at scale. The CIO is the “AI innovator”—defining and implementing the AI tech stack and driving ongoing innovation. The CRO is the “AI protector”—helping to understand and manage risk and compliance so AI can safely flourish. Note the elevation of governance as a committee supported across key C-Suite functions. Depending on how your firm is structured, other roles may join this essential team, such as the chief data officer or chief human resources officer.

"So What" recommendations for the C-Suite

1. **The Why:** AI is the new transformation lever. Don’t squander this opportunity with a siloed, overly IT-centric approach. Treat your AI strategy as an extension of your business strategy, ensuring appropriate alignment with topline, bottom-line, and stakeholder value objectives. Involve the core C-Suite leadership team in AI strategy definition to ensure comprehensive centralized strategy and well-communicated federated execution across regions, countries, lines of business, and functions.

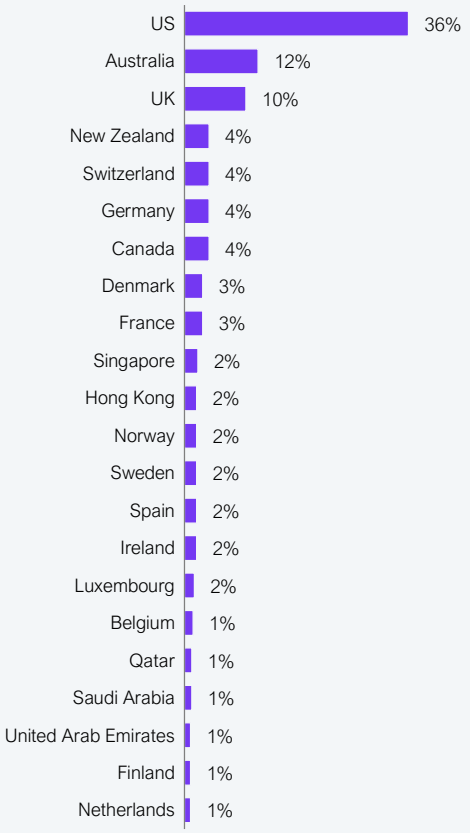
2. **The What:** 2025 is the year BFS enterprises make AI real. Foundational investments in data and tech modernization are essential for enabling AI progress, while licensing GenAI tech can drive sanctioned AI into the hands of users. Beware of over-rotation on tech investment without clarity on how AI supports the broader business strategy. Your AI strategy is your business strategy—not your IT strategy. Guidance from senior leadership to LOBs and functions is essential to ensure they consider AI use cases beyond productivity and cost savings.

3. **The How:** Remove roadblocks to AI value with effective AI governance and talent strategies. The path to being AI-First is paved with various challenges. Many foundational needs are being addressed in the current funding and investment cycle. However, BFS leaders must also consider and solve for AI governance and AI talent to enable true scale. AI governance should be defined as part of enterprise-wide AI strategy and be supported across its myriad functions. The particulars will naturally vary based on region, country, or LOB requirements, but the fundamentals must be defined holistically. Similarly, the mission for AI talent is to make all talent AI talent. This is the future of work.

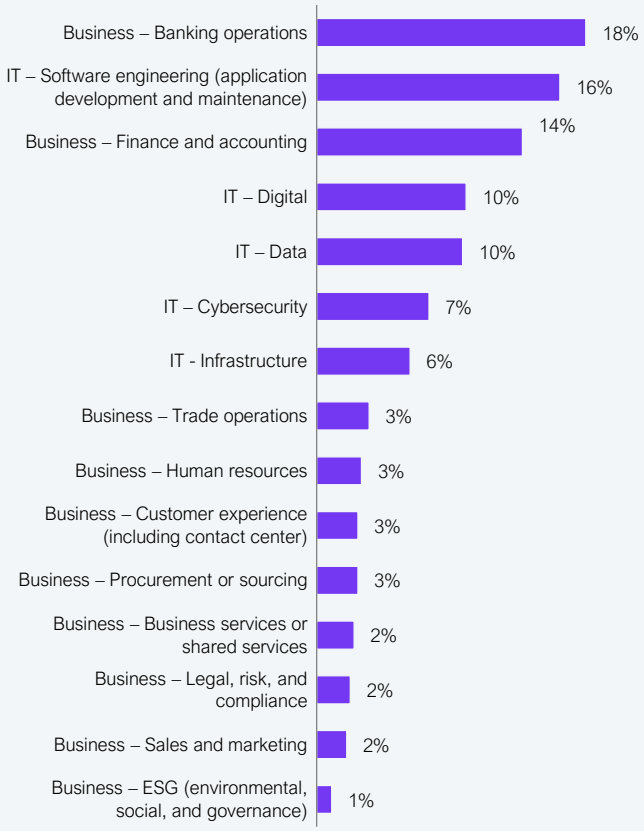
Demographics (1 of 2)

HFS surveyed 505 BFS leaders across major geographies. The sample included an intentional mix of IT and business leaders across banks and capital markets firms, ranging from mid-tiers to the largest global firms.

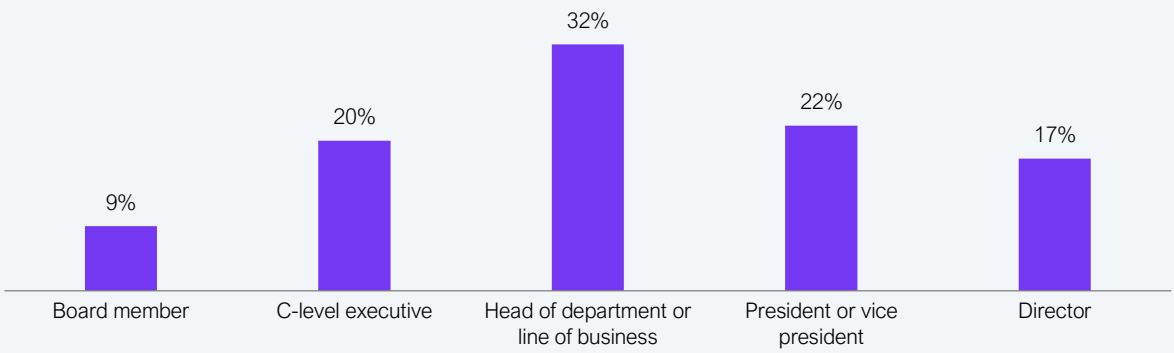
By country



By primary focus of current role



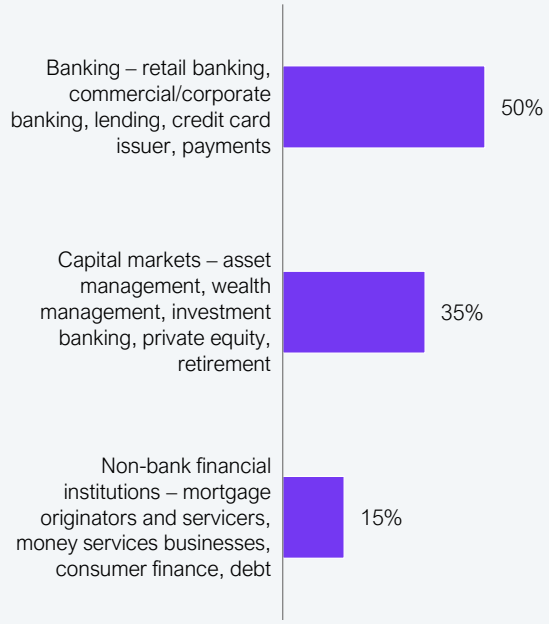
By primary role



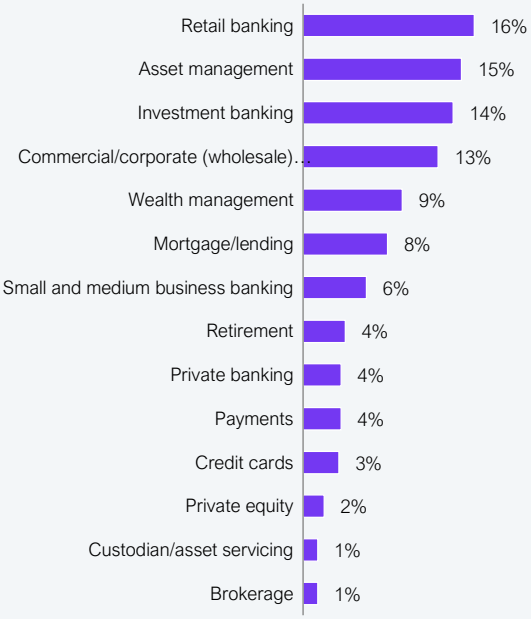
Sample: 505 global banking and financial services leaders
Source: HFS Research in partnership with Infosys, 2025

Demographics (2 of 2)

By industry

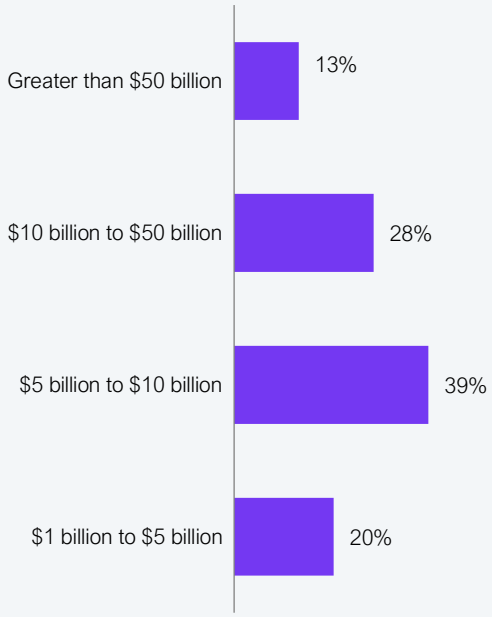


By line of business



By total assets

By revenue



Sample: 505 global banking and financial services leaders
Source: HFS Research in partnership with Infosys, 2025

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Elena Christopher is chief strategy officer for HFS Research. She sets the strategic research focus and agenda for the firm, understanding and predicting the needs of the industry and ensuring HFS's unique "analyst advisory" capabilities drive thought-provoking impact across enterprises and their associated emerging technology and services ecosystems. Elena also leads the firm's industry research coverage, with a specialization in banking and financial services.

Divya Iyer

Practice Leader

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