



MOODY'S

From reactive to proactive

How AI is transforming
risk and compliance

moodys.com/kyc/ai-study

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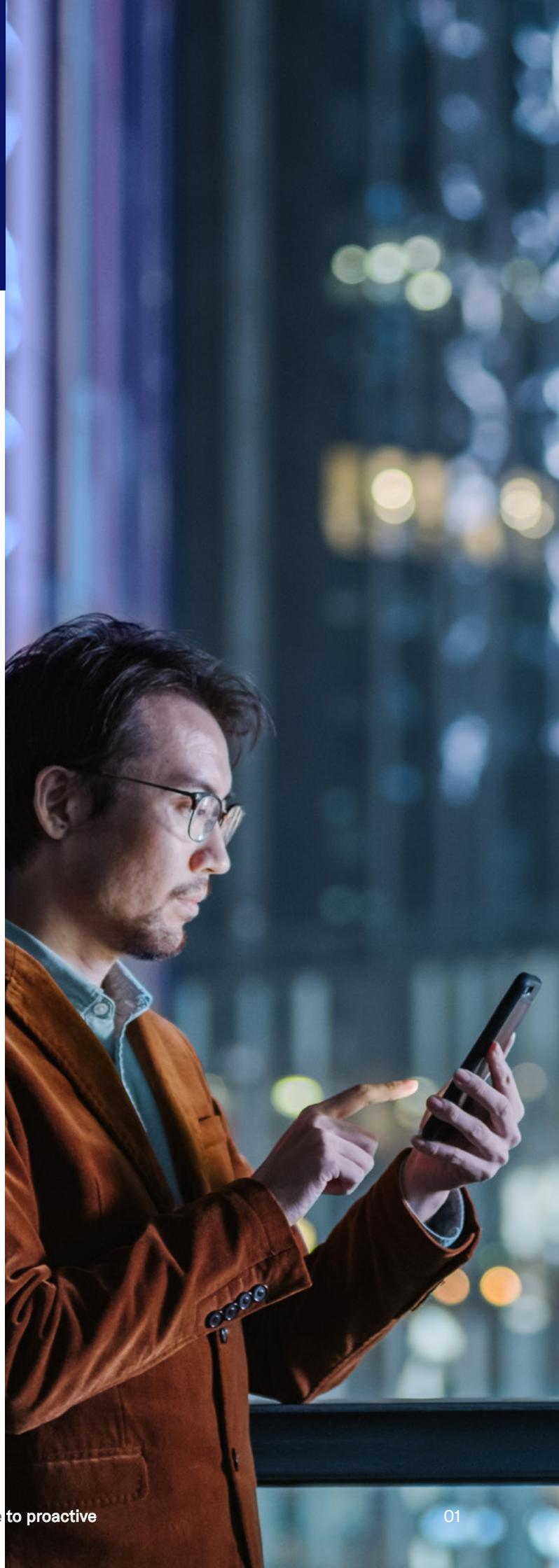
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Executive summary

The findings from this updated study, conducted with We Live Context, are compelling and timely. What stands out most is how far we've come since our 2023 study into AI in compliance. Of the 600 professionals who participated, spanning sectors, geographies, and company sizes, nearly everyone is on a journey to better understand, evaluate, and implement AI in risk and compliance.

Whether actively using AI technologies or still exploring their potential, the momentum is undeniable, and the industry is evolving fast.

AI ADOPTION AND DATA READINESS

Today, 91% of respondents are aware of AI's role in risk and compliance, and 53% are actively using or trialing it, the latter being a significant jump from 30% in 2023. Fintech, asset and wealth management, and professional services are leading the way; government and corporate sectors appear more cautious.

Actively using or trialing AI

30% in 2023
53% in 2025

One of the seemingly most consequential insights is the correlation between data maturity and AI effectiveness. Through the data in the study, we have seen that organizations with high-quality data are significantly more likely to deploy AI successfully, and large language models (LLMs), capable of processing unstructured data, are proving instrumental in bridging data gaps and driving adoption at scale.

WHERE AI HAS THE GREATEST IMPACT

AI technology continues to evolve rapidly, and the specialists interviewed for this study highlighted its many facets, from machine learning and robotics to LLMs and agentic AI. LLMs are the most widely adopted, followed by machine learning and emerging agentic AI systems that can act autonomously.

Based on the survey findings, these technologies are having the greatest impact on three different areas

1.

Fraud detection, transaction monitoring, and risk identification: these three practices comprise the top areas of perceived impact. AI is helping teams detect anomalies, flag suspicious activity, and strengthen fraud prevention efforts.

2.

Screening and Know Your Customer (KYC): AI helps streamline customer due diligence, promote faster and more accurate assessments and reduce manual workload.

3.

Automation of manual tasks and operational efficiency: AI is being used more for formulaic tasks and processes, accelerating analysis and improving overall productivity.



STRIKING A BALANCE BETWEEN INNOVATION AND OVERSIGHT

Despite the enthusiasm, AI's impact has been moderate for most respondents. While 84% agree AI offers significant advantages, only 30% report seeing those benefits clearly.

Concerns remain, with overreliance on AI, data privacy, errors, and lack of transparency being top of mind. Most of the respondents believe human oversight is essential and are implementing safeguards like training, governance frameworks, and internal software tools to mitigate risks.

Regulation is another key area. Awareness has grown to 59%, with 79% of respondents supporting new legislation to ensure AI is used ethically and securely. The regulatory landscape is fragmented, with the EU leading with its AI Act while the US and Asia-Pacific regions take more decentralized approaches.

A LOOK AHEAD

62% of respondents expect widespread AI adoption within three years.

And respondents were mindful that barriers to progress like lack of internal expertise, regulatory uncertainty, and integration challenges remain. As AI becomes more embedded, 96% of respondents believe risk and compliance roles will change, becoming more strategic, focused on oversight, and requiring deeper understanding of AI systems.

AI offers us the chance to streamline processes, reduce costs, and improve accuracy. However, it also demands that we stay informed, engaged, and proactive. Doing nothing is not an option. As risk and compliance professionals, we must lead the way in shaping how AI is used — safely, ethically, and effectively.

Keith Berry
General Manager



About the study

CONTEXT AND OBJECTIVES

FORWARD-THINKING

You can no longer go a day without hearing how a new development in artificial intelligence is set to reshape how the world works. Things are moving quickly, and the field of risk and compliance is no exception. But with all the excitement, it can be hard to differentiate hyperbole from what is truly significant.

AI presents a growing area of focus for risk and compliance professionals, offering opportunities to automate, accelerate, and optimize work while also exposing significant new threats – for example, in the form of AI-assisted fraud or mistakes arising from reliance on flawed systems.

In 2023, Moody’s published a paper examining the role of AI in risk and compliance. As technological change accelerates, we’re revisiting our findings to understand how much the situation has evolved.

In this update, we explore the perceived benefits, drivers, barriers, and concerns associated with AI in risk and compliance and raise further awareness of its potential. Like the 2023 report, this paper covers banking and financial institutions, but it also provides greater depth on corporate and government sectors, as well as exploring the developing role of generative AI (GenAI).

We take a closer look at how risk management and compliance professionals perceive and use AI, addressing questions such as:

- **What are the levels of AI adoption today?**
- **How is AI currently being used?**
- **What are the intended future uses of AI?**
- **How do people perceive the benefits and downsides of AI?**
- **What are people’s perspectives on regulation?**
- **What is the expected impact of AI on risk and compliance?**

METHOD

We commissioned an independent consultancy, We Live Context, to design and conduct our study. The team undertook a quantitative and qualitative approach to gain a comprehensive understanding

of AI’s role in risk and compliance today, surveying and speaking to a broad range of professionals in different sectors, company sizes, job roles, geographical locations, and at different stages of AI adoption. The study included multiple phases to arrive at a balanced and extensive set of learnings and capture a diverse set of opinions.

Phase 1 involved group discussions with stakeholders across Moody’s to develop a set of hypotheses and understand how to build on our 2023 review.

Phase 2 featured an online survey completed by 600 risk and compliance professionals across different regions and sectors.

Phase 3 followed up with in-depth interviews with 20 survey participants to add nuance and clarity to our results.

SAMPLE

Our project was global in its scope, including 600 risk and compliance professionals from across a wide range of sectors, sizes, regions, and roles (the breakdown of which is shown below).

Role	
Policy, regulatory, and legal	69%
Operations and oversight	63%
Customer and transaction risk	52%
Analytics and AI	50%
Data and infrastructure	49%
Other	8%
Region	
Europe, the Middle East, and Africa	48%
North America	31%
Asia-Pacific	21%
Sector	
Banking	27%
Professional services	17%
Fintech	16%
Corporates	9%
Insurance	8%
Asset and wealth management	7%
Government	4%
Other	12%
Company size	
Less than 100	15%
101-500	23%
501-1,000	18%
1,001-5,000	21%
5,001-10,000	8%
10,000+	15%

All statistics quoted in this paper are based on this sample of 600 risk and compliance professionals.

SECTION 3

AI awareness and usage

Exploring AI use cases in compliance and risk management

ACCELERATING INTELLIGENCE

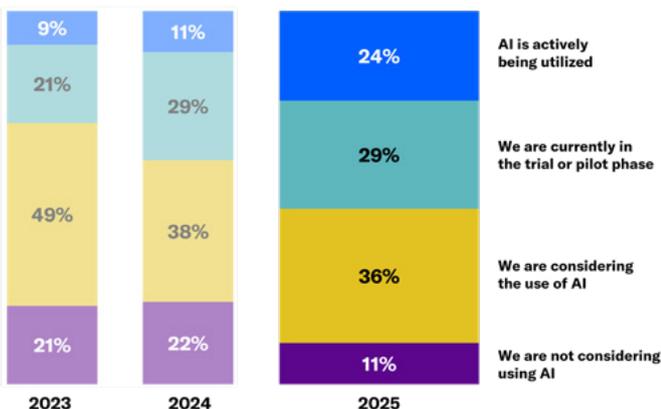
There is high awareness of AI being used in compliance but with some notable differences between sectors. While on average 91% of those polled are aware of AI being used in a risk management context, that reaches as high as 99% of respondents in financial technology (fintech). Respondents within insurance and professional service sectors saw 94% and 93% awareness, respectively. Only 72% of people in government roles were aware of AI use in compliance.

When it comes to using AI, over half of those polled are actively using or trialing AI for risk and compliance.

53% of those polled are currently using AI for risk and compliance

This compares with 40% of those polled in 2024 and only 30% in 2023, showing that the use of AI is accelerating rapidly as awareness grows, technology develops, and its new use cases become clearer.

AI implementation between 2023 and 2025



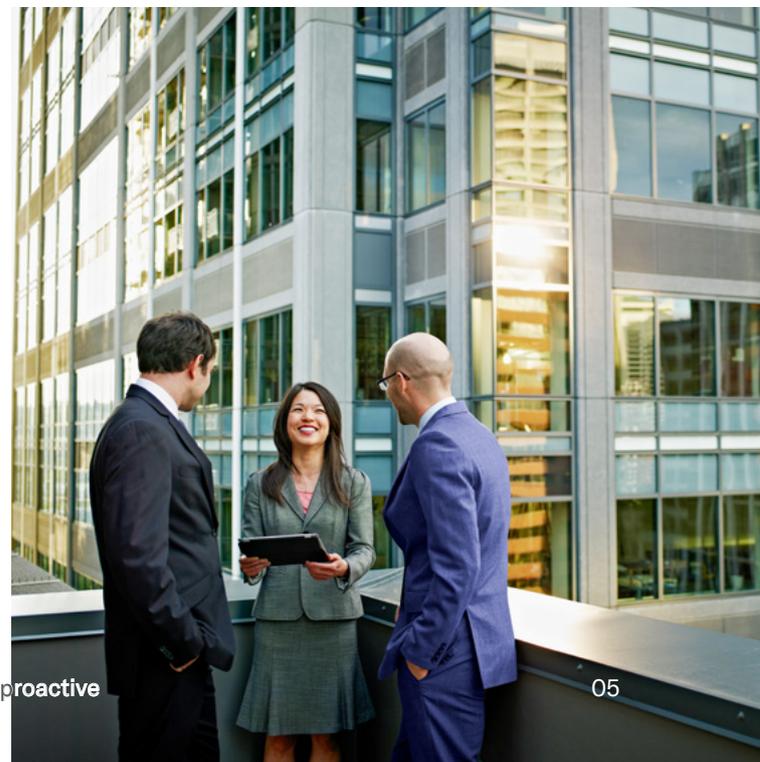
Fintech leads the charge with 74% of respondents in this sector using or trialing AI compared with 73% of asset and wealth managers and 60% of professional services. Only 35% of corporates, 45% of insurers, and 50% of banks are currently using or trialing AI.

“Fintechs and younger, smaller companies can move quickly.”
 — Product Head, Professional Services in North America

SIZE MATTERS

So how does a company’s size impact its AI adoption? Larger companies with more resources and looking to cut extensive overheads are among the biggest adopters of AI. Approximately 65% of companies polled with 5,001-10,000 employees and 62% of companies polled with more than 10,000 employees are trialing or already using AI. This compares with 36% of those with fewer than 100 employees.

A company’s location also plays a part in how readily it will consider using AI. Europe, the Middle East, and Africa see just 46% of companies polled trialing or using AI, compared with 59% in the United States and 60% of companies in the Asia-Pacific region. Tighter regulations and a more cautious approach in the European Union may explain some of the differences. Proximity to tech and AI companies, market maturity, and a general culture of innovation may also play their part.



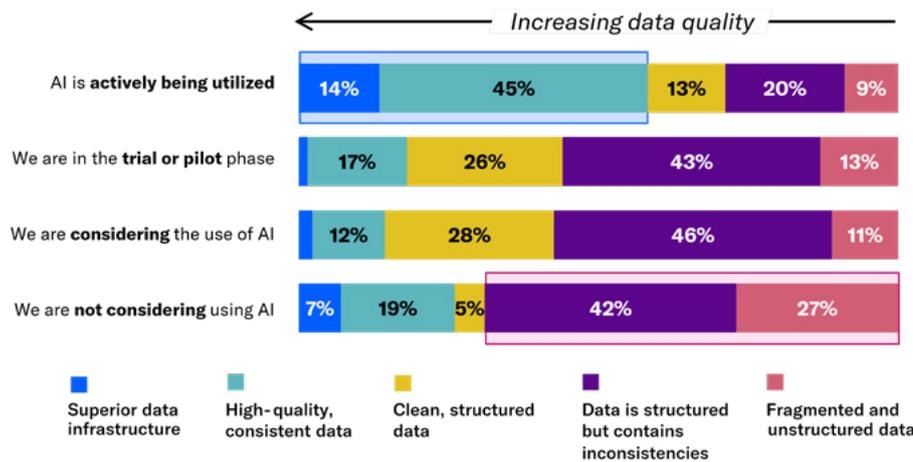
THE DEVIL IS IN THE DATA

One of the most striking findings from our 2023 study was the correlation between [data maturity and the level of AI adoption](#), which showed organizations with higher-quality data often correlated with a higher likelihood of adopting AI.

In 2023, only 14% of respondents rated their data maturity as superior or high quality. Today, that figure is 27%.

In 2025, 59% of those actively using AI said their data was of either superior or high quality. This compares with 69% of those not considering using AI who report their data as inconsistent, fragmented, or unstructured. The correlation between data maturity and AI uptake remains strong, but it's still unclear whether better data promotes AI use or whether AI use drives better data.

AI implementation x data maturity



As new types of AI emerge and grow more sophisticated, their ability to sift through poor quality data will improve. This may explain why large language models (LLMs) are seeing more uptake compared with other forms of AI.



“Data quality is determinate in AI effectiveness, but the power of LLMs is that they can handle unstructured information in a way that wasn’t possible before, so the structure might not still be necessary, but the quality is.”

— Director, Professional Services in Europe, the Middle East, and Africa

TRACKING AI TYPES AND USE CASES

While it is a catch-all term, not all AI technologies are created equal. The nature of different AI and how they can handle different types and qualities of data impacts how quickly they can be adopted

LLMs are a form of GenAI that can process vast amounts of text-based information and create responses based on a series of prompts or predefined parameters. LLMs’ adoption is widespread, with 72% of those polled aware of their use within risk and compliance and 47% actively using them.

Awareness and usage of AI in compliance

	AWARE (percent of total)	USING (percent of total)
Generative AI/LLMs	72%	47%
Machine learning	54%	36%
Natural language processing	42%	32%
Agentic AI	40%	26%

Other areas like machine learning (ML) focus on developing algorithms and models that learn from data and improve performance over time. These can help in areas like exception reporting and fraud detection. ML is also more complex, expensive, and needs tailored algorithms built around specific tasks. Consequently, only 54% of people in our study are aware of their use and 36% are actively using them.

THE RISE OF AGENTIC AI

[Agentic AI](#) is relatively early on in its development but quickly gaining traction. These autonomous systems, or “agents,” can independently set goals, plan, make decisions, and execute actions with minimal human oversight. [The rise of agentic AI](#) is one of the most remarkable changes since our 2023 report, with 40% aware of it and 26% currently trialing.

This is likely to accelerate as people understand its capabilities and are prepared to invest. Agentic AI presents the opportunity to potentially automate repetitive tasks more effectively, freeing time for teams to focus on important decisions that require human judgment.

TO AUTOMATE OR AUGMENT?

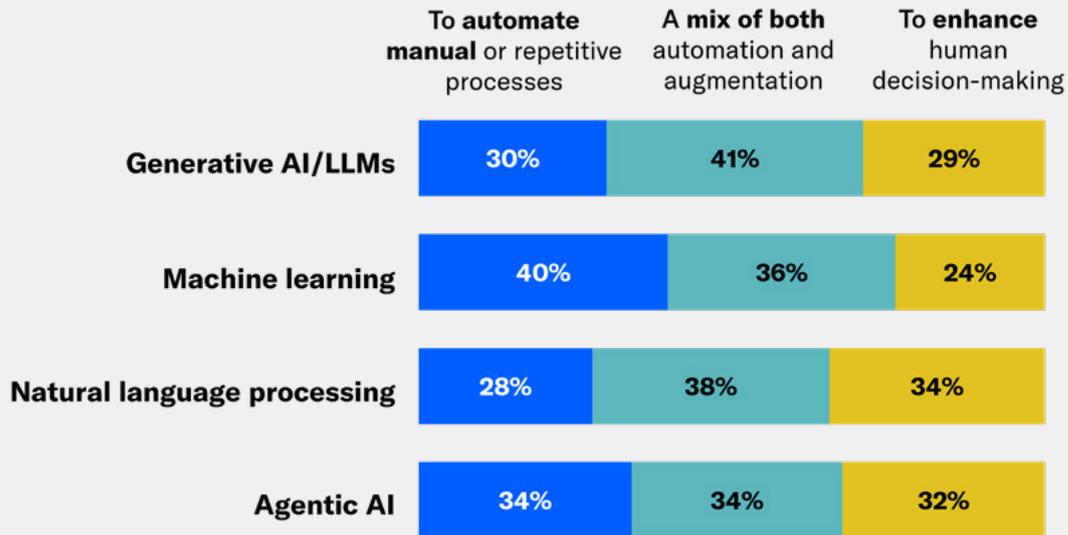
Automation has increased since our 2023 report and seems set to continue to grow as AI develops, agentic capabilities improve, and people become more comfortable allowing AI to do more formulaic tasks and processes. But while automation is often the initial aim, people can quickly realize AI’s shortcomings or need to adapt their approach to realities on the ground.



“It’s typical to start with the business case to automate something and then quickly realize we need to also bring in other information and human decision-making, so we quickly move to a mix.”

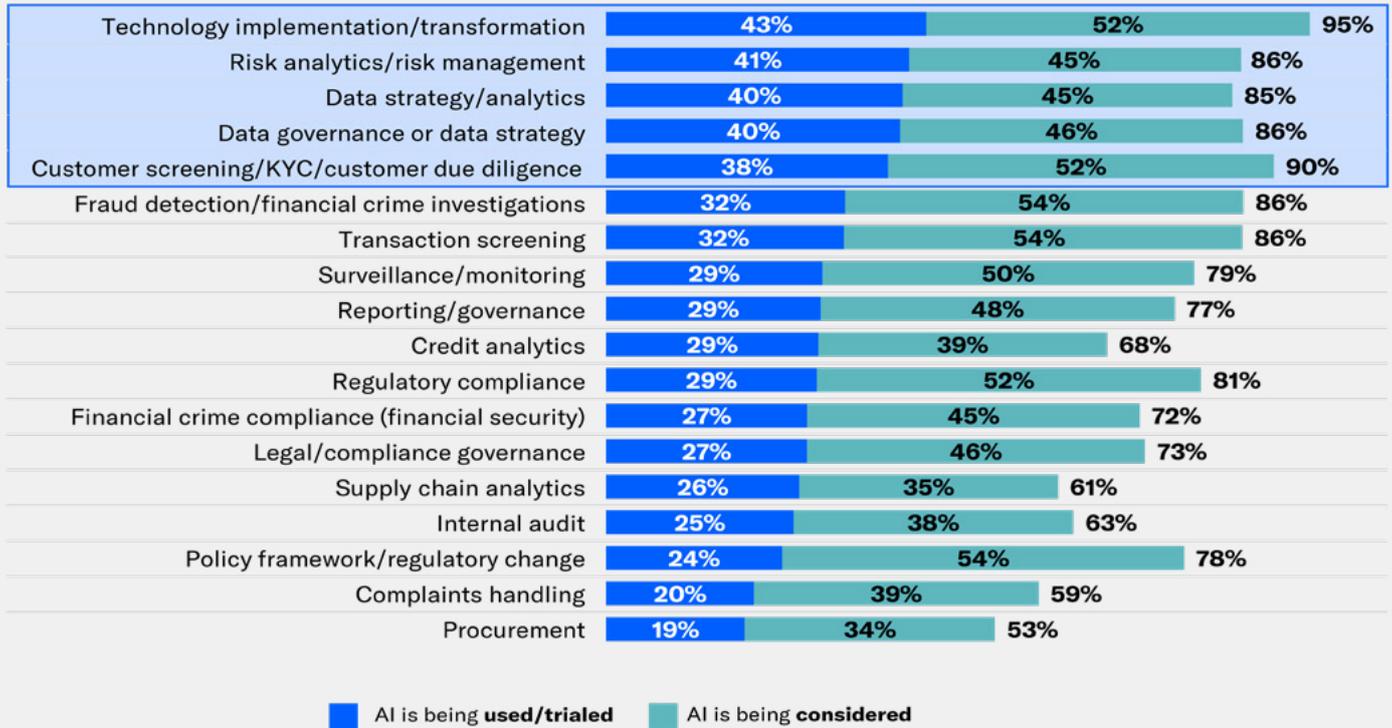
— Director, Professional Services in Europe, the Middle East, and Africa

AI model use intent



At present, people use AI to both automate routine processes where possible and augment human decision-making where human judgment is required to root out biases and errors. As AI continues evolving, people consider its utility across a growing range of tasks.

Areas of AI use and consideration



“[Know Your Customer] (KYC) and compliance are treated as a cost center. We should be using the data to figure out how to sell to other clients and make money. Automation, risk management, customer screening, KYC, due diligence... those are about how to use AI to do them as cheaply as possible.”

— Product Head, Professional Services in North America

More engaged sectors like fintech, professional services, and asset and wealth management are implementing AI more broadly as they find more ways to innovate. Similarly, mid-to-large-scale organizations with larger budgets looking to drive efficiency are exploring more ways to innovate through AI as well.

Traditionally cautious or more regulated sectors like insurance, banking, and government are taking a more measured approach and are currently considering the use of AI on a narrower set of identified added-value areas.

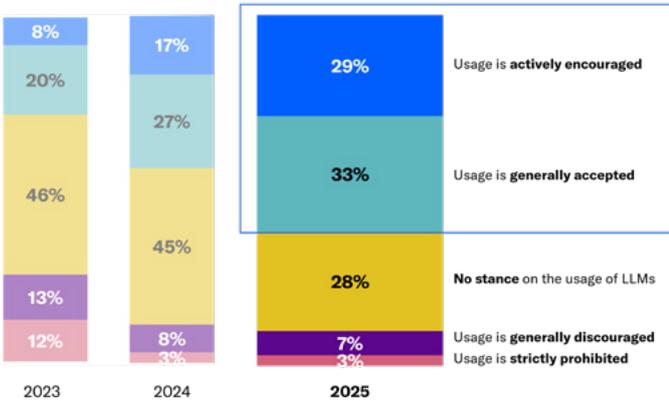
IF YOU CAN'T BEAT 'EM...

LLMs have become widespread since our 2023 report. However, while they offer benefits in areas like drafting reports and analyzing large volumes of information, they also create the potential for sensitive information being leaked or unduly accessed through external LLM systems like ChatGPT. Risk teams are considering how best to approach this new technology. Many have opted to build “walled garden” systems that aren’t as functional as external LLMs but offer productivity tools to their teams as a compromise. By adopting LLMs that are available within their existing technology stack, such as Microsoft Copilot, teams may be able to mitigate the risk of data leaks, errors, and biases arising from third-party programs.

62% of companies now accept or encourage the use of LLMs

This compares with just 28% in 2023 and 44% in 2024, showing how quickly the field is developing and evolving. In 2023, most of the companies polled hadn't taken a stance on AI. Now they have — and the approach for many is to be proactive and introduce LLMs that they have more control over and that firms can use safely.

Adoption of LLMs



“You have to be very selective when strictly prohibiting things. Looking at ChatGPT, we clearly say you’re not allowed to use company or business partner data in an external large language model. That’s our basic rule. However, that only works because we offer them an alternative — because if you don’t offer them an alternative, it’s likely to fail from the start, as there is a high likelihood that people will just use it anyway. LLMs from vendors don’t use your data to train the program, so your data will not be incorporated in the large language model. So there are ways of safely using LLMs.”

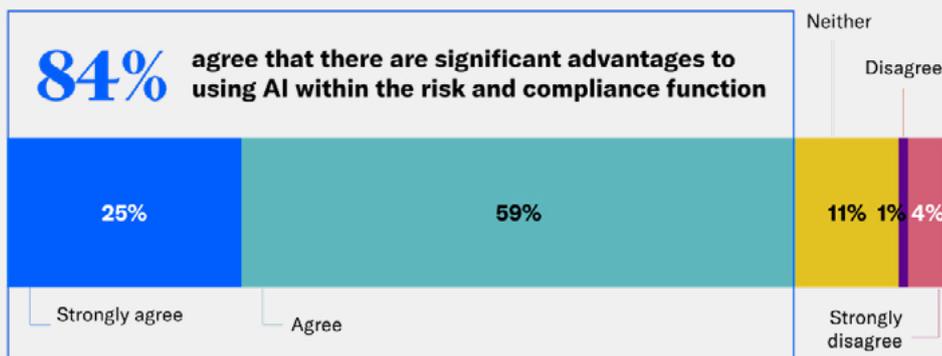
— Chief Compliance Officer, Corporates in Europe, the Middle East, and Africa

Those polled from fintechs and asset and wealth managers are leading the adoption of LLMs, with 80% accepting or actively encouraging their use. Traditional corporates appear more cautious, with only 36% accepting or encouraging them and 41% prohibiting or discouraging their use.

THE HUMAN ELEMENT

Despite AI’s promise to automate risk and compliance processes, people remain wary of giving it full control. As a naturally risk-averse function where the price of getting things wrong can be high, it’s understandable that firms adopt new technologies cautiously and are keen to maintain a level of human oversight and control.

AI autonomy





“Ultimately, it is the human beings who have to be accountable. You can’t outsource accountability. That’s a principle in regulation that will always stay, so I think human involvement has to be mandatory.”

— Head of Compliance, Professional Services in Europe, the Middle East, and Africa

So while AI adoption continues apace, it’s clear that some level of human oversight is still necessary to sense-check recommendations and make sure organizations aren’t opening themselves to unforeseen risks.

As companies familiarize themselves with the advantages and concerns surrounding AI, it offers the chance to reap the best of both worlds. Automation (with human oversight) will take over tasks in some areas while augmenting decision-making in others where strategic direction or a considered judgment is required to root out biases and errors.



There needs to be a human component because while AI is great, sometimes nothing can beat good old common sense and intuition.”

— Chief Financial Officer, Corporates in North America



“I think later on there will be a move towards semi-autonomous systems where we allow, in certain instances, the models or the workflows to make decisions.”

— Risk and Governance Director, Banking in Europe, the Middle East, and Africa

Key findings:



- Awareness of AI in risk and compliance is high at 91%; 53% are using or trialing AI.
- Bigger companies and those in Europe, the Middle East, Africa, and North America are more likely to adopt.
- LLMs are most prevalent, with agentic AI growing rapidly.
- Top uses include automation, risk management, data analytics, and KYC.
- Despite aims to automate, people recognize the need for human oversight.

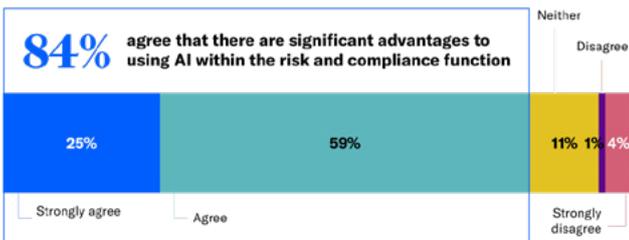
Perceptions of AI

Exploring advantages and concerns surrounding AI

A DOUBLE-EDGED SWORD

An overwhelming majority of people polled — 84% — agree or strongly agree that there are significant advantages to using AI, automating processes, simplifying workloads, and augmenting decisions. That number rises to 96% for asset and wealth management.

Perception of AI advantage



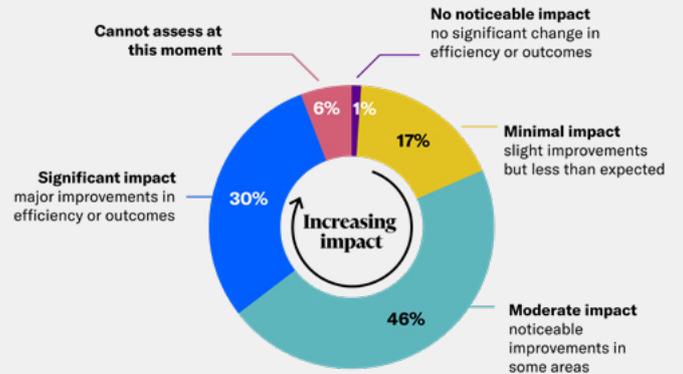
“We need to work as smart and as quickly as possible, and with AI, we can get scalability in effective compliance programs while also being efficient.”

— Head of Compliance, Professional Services in Europe, the Middle East, and Africa

But even though people see potential benefits in AI across risk and compliance, its impact to date feels more muted, with nearly half of those polled describing the current impact of AI as moderate.

46% are seeing a moderate impact from AI

Impact of adoption



As many as 23% of larger companies are currently struggling to assess AI’s impact. Structural complexity and large geographical footprints can explain some of this difficulty, and as larger companies standardize their approach to AI and actively track outcomes, the benefits should become clearer.

“We have some clients who have seen an 80% or greater efficiency gain in certain tasks, but those are the ones at the forefront. Many haven’t been able to incorporate this into their day-to-day enough yet to reach significant impact, but they are moving in that direction.”

— Director, Professional Services in Europe, the Middle East, and Africa

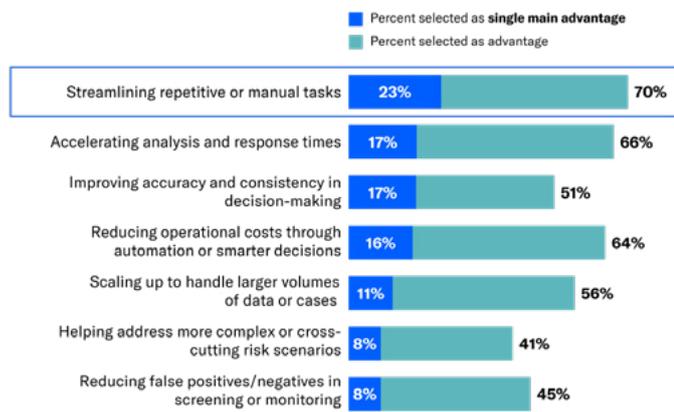
In our 2023 survey, 7% of respondents felt AI had a minimal impact. With a wider uptake and new use-cases compared with 2023, that figure is now 17%. Again, that figure may be expected to decrease as use cases become more defined, measurement improves, and AI technology develops.

SEEKING STREAMLINED EFFICIENCY

About 23% of those polled believe streamlining repetitive or manual tasks is the main advantage of AI within risk and compliance; in addition, 70% of all participants cite it as a key advantage.

Accelerating analysis (66%), reducing costs (64%), handling larger volumes of data (56%), and improving accuracy (51%) were all also cited as key advantages for more than half of those surveyed.

Advantages of AI



“Utilizing AI to create efficiencies within our risk division would also create greater bandwidth for our teams to focus on the more customized and individualized analyses.”

— Director of Portfolio and Risk Analytics, Government in North America

When we look at how the perceived primary advantage varies across sectors, improving accuracy was most important for asset and wealth management firms, fintechs, and professional services.

Generally, larger companies and those in Europe, the Middle East, and Africa seek to reduce costs while corporates want to handle larger volumes of data. Clearly, the different operational challenges companies face on the ground impact where they want to focus AI.

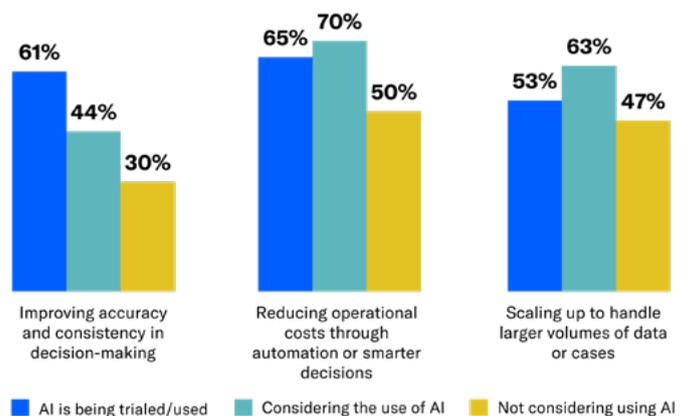
“I think a lot of people are going to say streamline repetitive tasks, but for us it’s helped a lot in terms of cost cutting, reducing false positives and negatives in screening, and then increasing accuracy in decision-making.”

— Risk and Governance Director, Banking in Europe, the Middle East, and Africa

A REALITY CHECK

AI’s perceived benefits also differ between people using, considering, and not considering AI. Considerers perceive greater advantage overall, indicating that some who are using AI have had their expectations tempered by experience. Understandably, those not considering AI don’t recognize the benefits as clearly.

The biggest gaps in perceived advantages between those using, considering, and not considering AI focus on accuracy, scale, and cost savings. We can see that expectations don’t always meet reality, and full automation remains in a distant future.



YOU MANAGE WHAT YOU MEASURE

Risk and compliance teams are striving to accurately measure AI's success to gain insights into what features are worth pursuing.

Approximately 31% of respondents pointed to cost and efficiency gains, while another 31% highlighted time savings or increased speed, showing organizations are seeking a competitive edge.

Productivity (29%), risk mitigation (22%), and accuracy (22%) also feature as important measures.

However, as many as 34% of those polled aren't measuring performance, making it hard to gauge success, understand AI's value, and know whether expectations are being met. This figure rises to 57% in the government sector, 49% among corporates, and 41% in banking.

As the saying goes, you can't manage what you don't measure. Understanding which AI uses are worth investing in then refining and rolling them out may require greater measurement to drive valid business cases.



“I’ve seen about a 60% reduction in risk since I’ve used AI. We’ve been measuring it for the last 2.5 years proactively with reports. This has also led incidents and accidents to reduce by 60%, so we’ve become totally more efficient.”

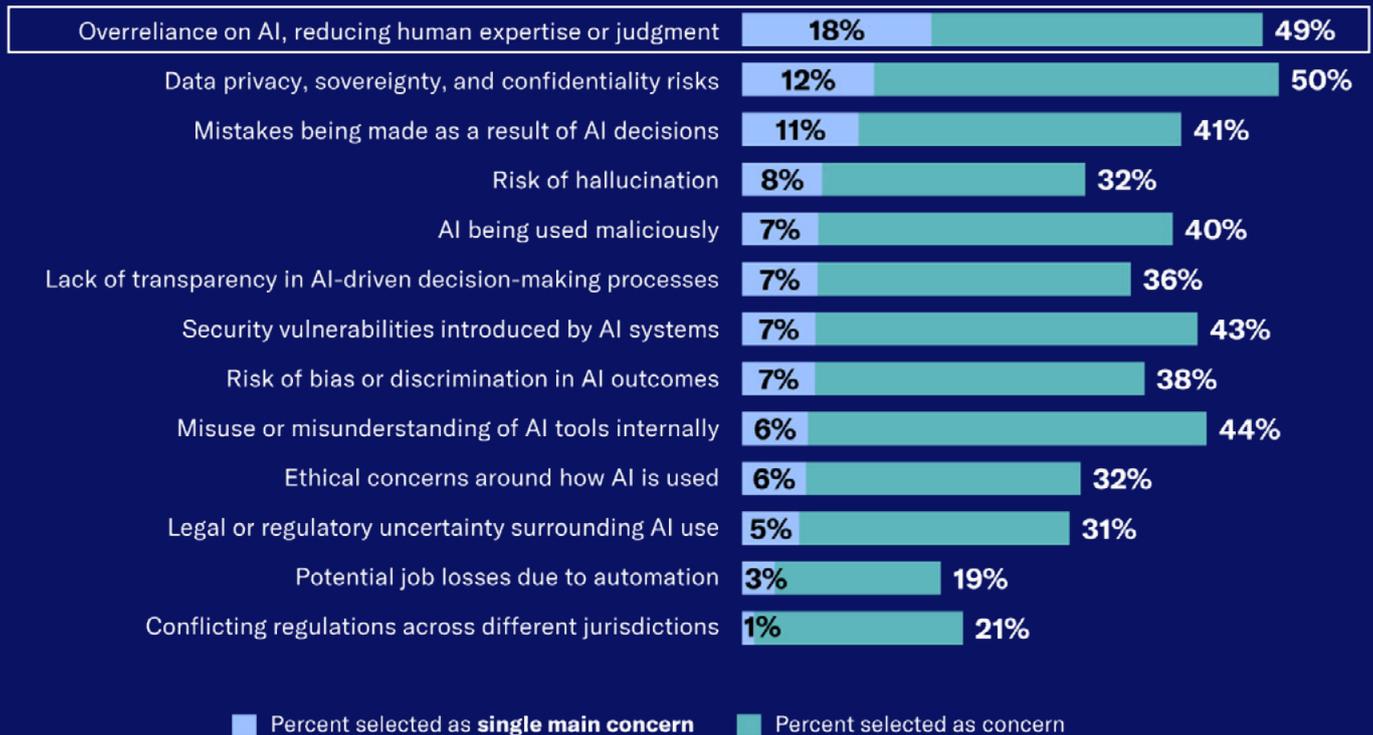
— Safety Manager, Corporate in Europe, the Middle East, and Africa

CONFIDENTIALITY CONCERNS

Most in compliance appear to take a risk-averse (or at least a risk-aware) approach to changing their core processes. AI adoption comes with potential pitfalls that risk and compliance teams would seek to mitigate before committing to untested technologies.

Chief among these is the concern that teams become overreliant on AI, losing critical human expertise and judgment, although data privacy and mistakes stemming from AI are also prominent areas of concern.

Concerns around AI





“I think it is a small step from misunderstanding what AI is doing - or how it works - to overreliance on AI in a way that reduces or ignores human expertise or judgment. AI should not be used as a substitute for human subject matter expertise.”

— Enterprise Risk Management and Corporate Governance Officer, Professional Services in North America



“I like building my protégés and having relationships with people I want to help bring up in the world. If people are going towards AI for help rather than a person, how much expertise is passed on?”

— Product Head, Professional Services in North America



“The biggest risk that I see is that we’re building a black box and that’s where we lose control. As long as we keep the human in the loop to apply critical thinking, then it will be very useful.”

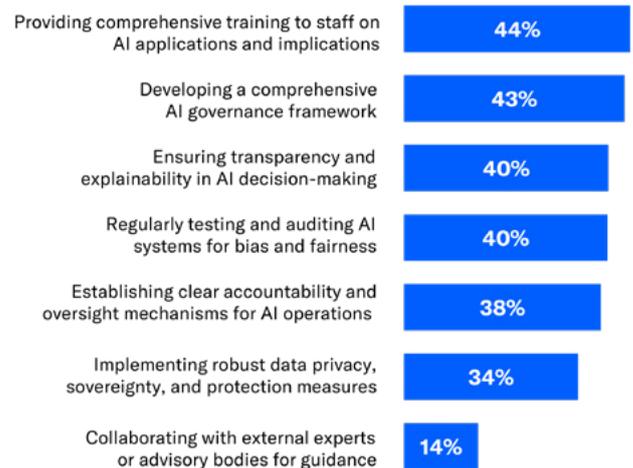
— Director, Professional Services in Europe, the Middle East, and Africa

When we look at these factors by sector, asset and wealth managers — which tend to have high-value clients and reputations at stake — see data privacy as their primary concern. Larger companies appear more likely to be concerned about the risk of bias or discrimination, which could also cause significant reputational and regulatory risk if deemed systematic or repeated across high volumes of customers or demographics.

SAFETY FIRST

What safeguards can win over cautious risk professionals? Approximately 44% of respondents cited better training as their top-priority safeguard for AI, with 43% wanting comprehensive AI governance frameworks. For those considering using AI, the numbers rise to 53% and 47%, respectively, demonstrating that this group needs more guidance and protective measures to make the leap.

AI safeguards



Of those not currently using or considering using AI, 49% want better testing and auditing to reduce the concern of mistakes and biases. There is still some way to go before people are comfortable adopting AI more widely. Respondents cited “shadow AI” — in which AI becomes a ubiquitous and unmonitored feature on devices like smartphones and consequently more difficult to control — as a challenge. This perhaps explains why many are seeking to build AI capabilities and build walled garden systems to try to mitigate this risk.



“Currently, the biggest risk is what we call ‘shadow AI.’ Everyone has AI on their phone and they’re just using it invisibly and we can’t control that. So the only way to address that is by training and awareness.”

— Director, Professional Services in Europe, the Middle East, and Africa



A lack of training, a lack of consistency and a lack of transparency also raise concerns.



“I want to know that I’m going to get the same answer every single time. If I pass the same information through some sort of AI process, am I going to always get the same answer out of it? I might get asked ‘Why did this client get a pass the first time and then a fail the next year?’ I’d want to know the repeatability of it.”

— Product Head, Professional Services in North America

Those companies not using AI also have concerns around regulations, which are being developed and differ from region to region.

So how aware are compliance professionals of current regulations?

Key findings:



- **Approximately 84% of respondents agree AI will have significant benefits.**
- **The impact doesn’t meet expectations, with 46% stating it is moderate and those considering AI perceiving better outcomes than current users.**
- **Advantages of AI include streamlining repetitive tasks, accelerating analysis, improving accuracy, and cutting costs.**
- **Concerns include overreliance, data privacy, errors, security breaches, and a lack of transparency.**
- **Safeguards like training, governance frameworks, transparency, and regular audits are needed.**

AI regulation

Exploring awareness and perceptions of AI regulations

A FRAGMENTED PLAYING FIELD

Ensuring that AI is reliable, consistent, transparent, and auditable requires the right balance of regulation that can stimulate innovation while also providing guardrails for the technology’s safe development.



“AI regulation is important. But it’s equally important that we don’t overregulate — there’s the risk that the innovation will be halted.”

— Director, Professional Services in Europe, the Middle East, and Africa

Risk and compliance professionals need to remain up to speed on rapidly shifting regulations to make sure they’re using AI in a responsible way that respects privacy, mitigates biases and errors, and prevents their business from falling afoul of regulators.

Regulations differ widely from region to region. The [2024 European Union AI Act](#) created the world’s first comprehensive legal framework for artificial intelligence, designed to ensure AI systems are safe, transparent, auditable, non-discriminatory, and environmentally friendly.

In the United States, however, the current administration has signaled its intent to supercharge AI development by promoting innovation and has no plans to introduce federal-level regulations on AI, but the AI regulatory framework is emerging at the state level, with laws varying from state to state. Those polled in the United States prefer a less involved approach that supports tech companies’ AI development without significant government oversight.

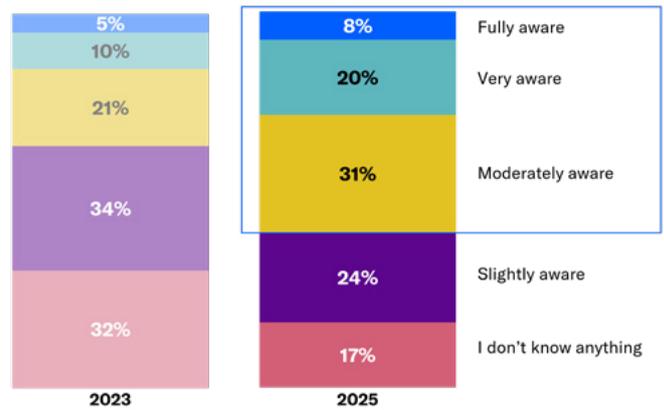
The Asia-Pacific region is similarly fragmented, with each country developing its own approach. This can make it more difficult for risk and compliance professionals to understand the current regulatory

playing field, particularly when they are operating in multiple jurisdictions.

But despite fragmentation, awareness of regulations is growing.

59% are at least moderately aware of AI regulations versus 36% in 2023

AI regulation awareness



Percentages may not sum to 100% due to rounding.



“We are very aware of it and actively participating in regulation. I think that’s important for any of the players within the industry to have those engagements with the regulators.”

— Risk and Governance Director, Banking in Europe, the Middle East, and Africa

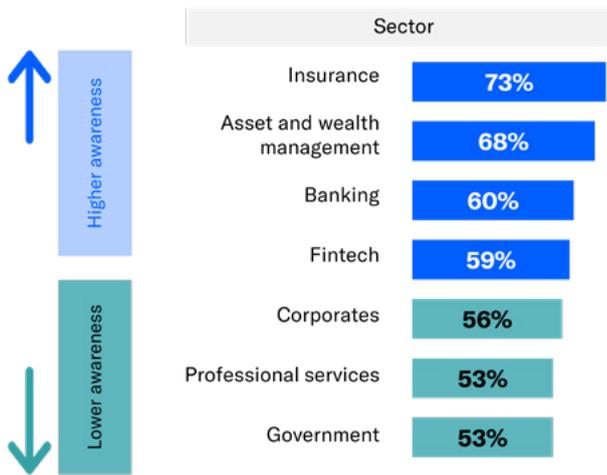
STRIKING THE RIGHT BALANCE

Those polled agree a reasonable and stable regulatory environment facilitates the smooth adoption of AI. If it’s too loose, it may create the potential for misuse, bias, and unforeseen risks. If it’s too rigid, it may stifle innovation. Regulation would ideally strike the right balance, creating an attractive environment for tech companies while seeking to ensure any AI innovation is safe, transparent, and effective for compliance professionals.

At present, awareness varies across organizations and regions. Asia-Pacific reported the best awareness of regulations at 64%; followed by Europe, the Middle East, and Africa at 58%; and North America at 55%.

There are notable differences between sectors too, with more heavily regulated areas such as those involving financial services being more aware of regulations in their sectors.

AI regulation awareness



Whatever their level of awareness, the majority of those polled support effective regulation and recognize its importance.

79% believe it is important that new legislation is implemented to regulate the use of AI in compliance

But while people recognize the need for regulation, they don't want it to impede innovation that could create productivity gains in an area where teams are being asked to achieve more with fewer resources.

“There has to be some regulation, but I don't believe in heavy regulation because sometimes we need to just do self-regulation. But it's very important.”
 — Risk and Governance Director, Banking in Europe, the Middle East, and Africa

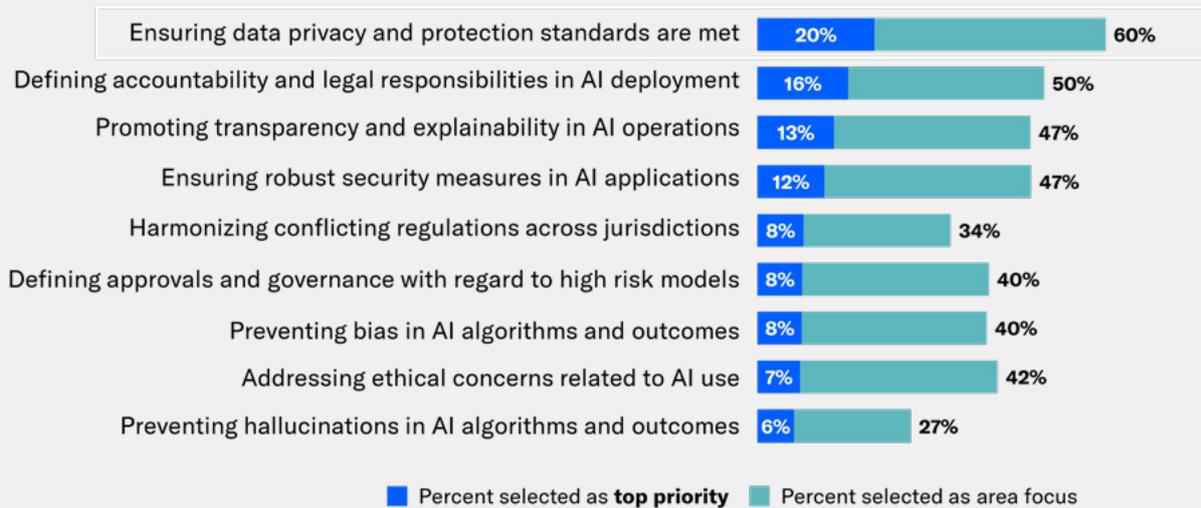
“Yes, of course. AI regulation is important. But I also think it's equally important that we don't overregulate. I wouldn't want to see a completely Wild West environment either, so striking the balance is the most important.”
 — Director, Professional Services in Europe, the Middle East, and Africa

Regulation should focus on areas like privacy, transparency, and explainability, mirroring risk and compliance professionals' top concerns about AI.

“Regulation is critically important. Proper regulation ensures that AI systems operate transparently, ethically, and securely, minimizing risks such as biased decision-making, privacy violations, or misuse of sensitive data.”
 — Director, Banking in North America

“I think that the most important part is promoting transparency because that will mitigate the risk of the black box scenario, and that's the key risk.”
 — Director, Professional Services in Europe, the Middle East, and Africa

Regulatory focus

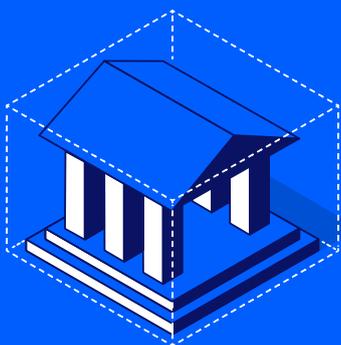


“Without clear rules, it’s too easy for companies to use AI in ways that might slip up on privacy or fairness, especially since AI can move faster than old-school regulations.”

— Director, Asset and Wealth Management in Asia-Pacific



Key findings:



- Regulation is fragmented across regions, from the European Union AI Act to state-level legislation in the United States to different countries in the Asia-Pacific region.
- Awareness of regulations is improving at 59% versus 36% in 2023.
- Regulation is critically important to protect privacy and improve security, accountability, and governance.
- It is important not to overregulate, which risks stifling innovation.

The future of AI

Exploring anticipated changes in the wake of AI

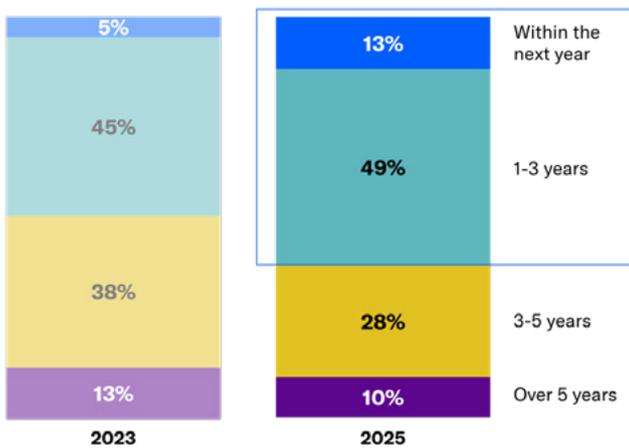
FORWARD FASTER

While opinions on regulation differ between sectors and companies, one thing most people surveyed agree on is the widespread adoption of AI within the next three years.

62% expect widespread AI adoption within three years

This compares with just 50% in our 2023 survey, showing a growing understanding of the role AI can play in risk and compliance. Approximately 22% of those polled in asset and wealth management and 20% of those polled in professional services expect the widespread adoption of AI within the next 12 months, painting a more bullish picture for these sectors.

AI timeline for widespread adoption



Percentages may not sum to 100% due to rounding.



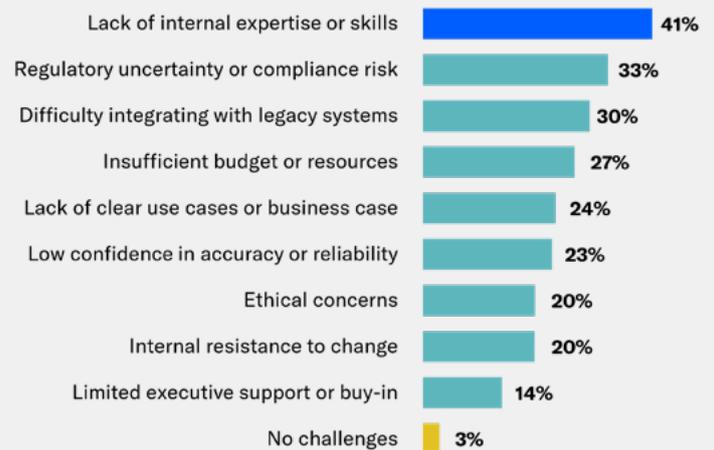
I don't think we'll see that many who are on the edges, because it's not the nature of [governance, risk, and compliance] (GRC) to be really early adopters, but then I think we will see a lot of usage happening in the one-three-year span because most are waiting for the features to become mainstream."

— Director, Professional Services in Europe, the Middle East, and Africa

WILLING BUT IN NEED OF UPSKILLING

What's standing in the way of faster adoption? Regulatory concerns, opening new risks, lack of budget, integrating with existing systems, and ethical concerns are just a few of the potential challenges that risk and compliance professionals face. Chief among them is a lack of internal expertise or skills, with 41% of respondents seeing this as the primary barrier to adopting AI at scale.

Challenges to adopting AI at scale





“Lack of internal expertise hinders AI development and deployment, integrating with legacy systems is complex and costly, and regulatory uncertainty creates compliance risks, all impeding scaled AI adoption.”

— Chief Technology Officer, Corporates in the Europe, the Middle East, and Africa

“We have the intention, will, desire, and the appetite, but until the business decides we desperately need this for scalability as we grow, we won’t get full executive commitment.”

— Head of Compliance, Professional Services in Europe, the Middle East, and Africa

PREPARE FOR IMPACT

From analytics to compliance, to customer monitoring to internal audits, AI seems set to transform a broad range of tasks in risk and compliance. About 49% believe fraud detection is the area most likely to be impacted by the adoption of AI, followed by screening and KYC at 45%.

Anticipated areas of impact for AI



“Going forward is where compliance can become even more impactful. So fraud detection, for example, is like you’re trying to cure something or find something and then fix it. But what you can do before is compliance. And with proper compliance, it can become circular feedback, making fraud detection easier or less of a need.”

— Compliance Director, Financial Services in North America

Transaction monitoring, risk management, and technological transformation are other notable areas of perceived impact, showing how broadly AI could augment and simplify risk and compliance professionals’ day-to-day work.

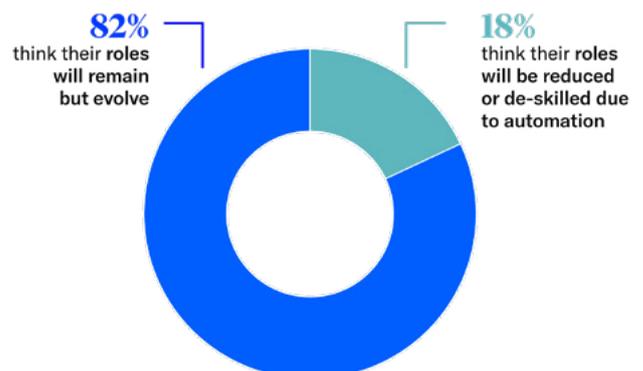
AI’s impact is likely to differ between sectors too, with banking anticipating a higher impact across more areas and asset and wealth managers anticipating less influence across the board.

And while Europe, the Middle East, and Africa have been the slowest regions to implement AI so far, people in these regions anticipate a larger impact across risk and compliance than their counterparts in North America or Asia-Pacific.

REWRITING THE RULES OF RISK

Whether it’s an evolution or a wholesale change to their job, almost all respondents think their roles will remain but in a changed form because of AI.

96% think their role will be impacted as AI becomes more embedded in day-to-day operations; that number falls to 82% for people in government roles



As AI reshapes risk and compliance professionals' roles, opinions reflect that their focus will become increasingly strategic, determining the types of deals they want to support, businesses they want to work with, and setting the direction their organization will take.

But across all sectors, people feel that the role of risk professionals will shift to see more human oversight of AI as its use increases.

61% think they will take on more strategic or advisory responsibilities

54% think they will coordinate with tech teams to help develop and fine-tune AI tools

“It will impact the structure of tech teams with a tech person coming into the business side and businesspeople getting into tech development, with more fusion in teams.”

— Compliance Director, Financial Services in North America

There’s always a value judgment or a mitigating circumstance that AI can’t do. I think it will be more strategic and advisory. I don’t believe it’s just merely supervisors of AI systems because AI itself becomes a risk that you can’t blindly accept.”

— Risk and Governance Director, Banking in Europe, the Middle East, and Africa

“GRC professionals will need to look more critically at what goes into the AI systems that are being applied.”

— Director, Professional Services in Europe, the Middle East, and Africa

54% think they will focus more on exception handling and oversight

47% think they will act more as supervisors of AI systems

Adopting new AI technology more broadly demands that teams become more tech-savvy. Risk and compliance professionals need to develop understanding of how AI models work and why and how they generate their outputs. Those polled believe their roles will evolve to focus more on oversight, interpreting AI-driven data, and making recommendations based on this output. Teams also need to become better at identifying and mitigating errors and biases within AI systems and to make judgments from a position of understanding with more accountability and fairness and lower risk. Their role seems to be about providing a layer of human involvement to ensure their organization doesn’t become overreliant on AI, de-skill its teams, or open itself to unknown risks.

Approximately 71% of people in fintech think their roles will become more supervisory, potentially illustrating that this sector is more comfortable being reliant on AI than other sectors.

With more time freed up in areas like fraud detection, analysis, and repetitive account-monitoring tasks, teams should be in a position to streamline processes and reduce costs, respond to requests faster, and handle larger volumes of data more accurately and consistently. Ultimately, the right AI models used together in the right way have the potential to open a new era of progress in the field, potentially mitigating risks and improving compliance while helping drive profitability and delivering value in a safe, sustainable way.

Key findings:



- About 62% of respondents expect widespread adoption of AI within three years.
- A lack of internal skills, regulatory uncertainty, legacy systems, and budgets are key barriers to adoption.
- People expect the biggest impact to be in fraud detection, KYC, transaction monitoring, risk management, and automation.
- About 96% expect their role to change, becoming more strategic and one of oversight of AIs; adding human expertise; interpreting recommendations; and rooting out biases, strategic missteps, and errors.



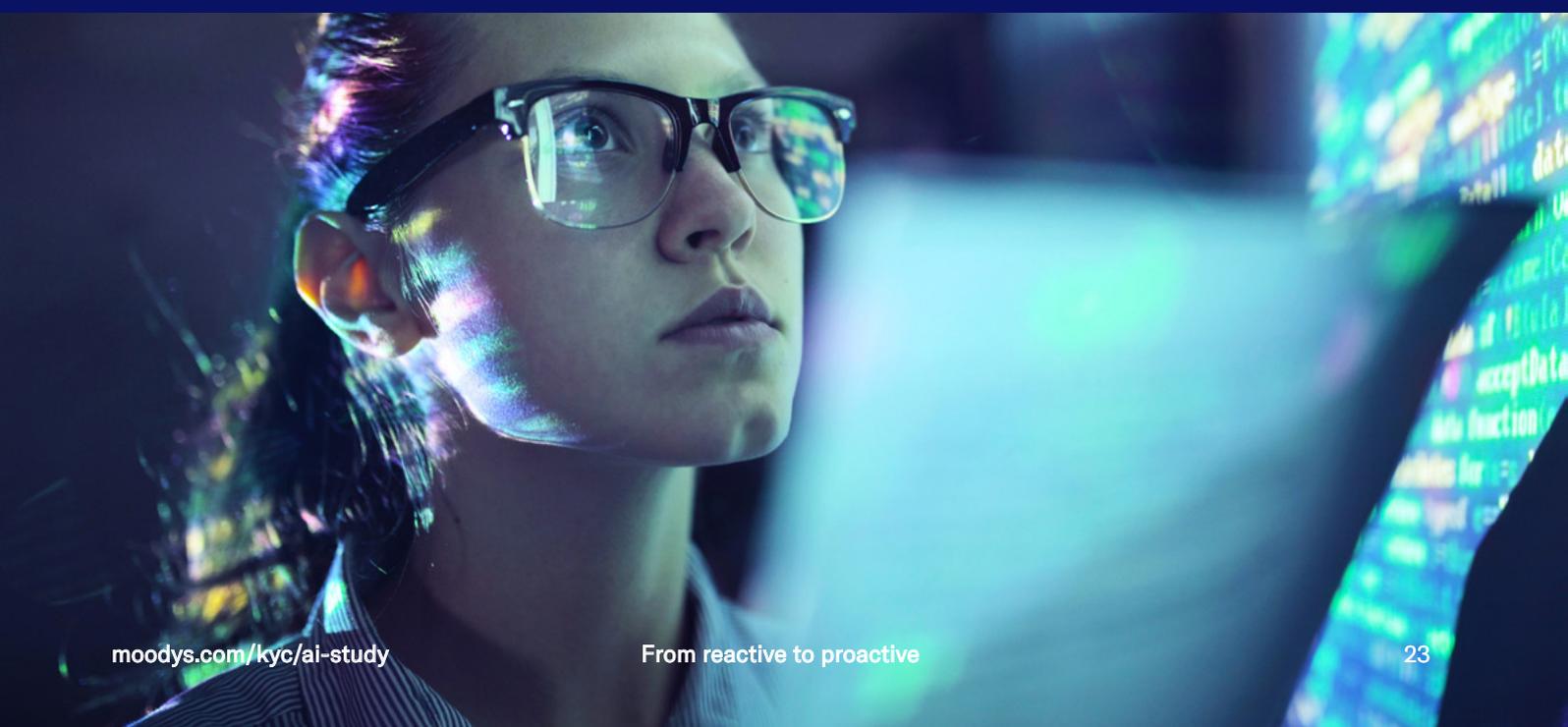
Conclusion

Key findings and implications

The awareness and use of LLMs has grown significantly since our 2023 report. Many companies now recognize the need to be proactive with LLMs, striving to create internal systems that are safe and secure and mitigate risks associated with people using external LLMs.

The adoption of more bespoke AI models and tools that utilize machine learning, natural language processing, and agentic AI has increased too, offering targeted and tailored ways to undertake many of the tasks risk and compliance teams perform. Agentic AI in particular is an area we expect to continue to grow as technology becomes more sophisticated and more repetitive processes in risk and compliance can be automated.

The outlook for AI within risk and compliance remains largely positive. Awareness is high, adoption has increased, and most are seeing a moderate impact. But as engagement increases, some people are not necessarily seeing the expected benefits. For many who have already adopted AI, the reality hasn't yet met expectations. However, this situation could improve as teams upskill, businesses identify and measure effective uses of AI, and AI technologies themselves become more sophisticated.



Six key takeaways

Our study uncovered these six key takeaways, which are essential for risk and compliance professionals to understand this rapidly evolving world:

01



AI is becoming more commonplace in risk and compliance, with high awareness and increased usage since 2023.

02



Fintechs and midsize-to-large organizations are at the forefront of adoption, government and corporates are further behind in the consideration phase.

03



Usage spans all areas of risk — particularly analytics and strategy — with AI models used for a mix of automation and augmentation. LLMs dominate and acceptance of them has increased since 2023.

04



While most of those polled are feeling a moderate-to-significant impact from their use of AI — driven by cost and time efficiencies — there is an increase in those feeling only minimal impact since 2023, suggesting some disappointment as usage has increased.

05



Primary concerns hindering further adoption revolve around overreliance on AI; most people feel human involvement is still essential. Those on the fence are even more concerned about the potential for mistakes and biases.

06



Most respondents expect AI to be widely adopted within three years, with roles becoming more strategic and advisory. But, to build trust and overcome adoption hurdles, education, regulation, and auditing will be essential.

Organizations need to focus on education so people understand AI's benefits, limitations, and effective use cases. This needs to be developed alongside training, regulation, and regular auditing: they are essential to mitigating AI's potential risks, reassuring people, and alleviating concerns around mistakes and biases that can emerge from becoming overreliant on this still-developing technology.

One thing is clear, however — doing nothing is not an option. As AI development and adoption accelerates, risk and compliance professionals need to continue to engage to better understand its uses, benefits, and risks. It's only through an informed, experienced position that organizations can understand the full picture, decide on the right level of engagement and adoption of AI in their organization, and move forward into this brave new world with confidence.

GET IN TOUCH

Contact information

To find out how Moody's can help you unlock the potential of AI in your world of compliance and risk management, please visit moodys.com/kyc/ai-study or get in touch.

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