THE REVIEW OF
BANKING & FINANCIAL SERVICES
A PERIODIC REVIEW OF SPECIAL LEGAL DEVELOPMENTS AFFECTING LENDING AND OTHER FINANCIAL INSTITUTIONS

Vol. 42 No. 7 July 2026

THE USE OF ARTIFICIAL INTELLIGENCE IN FINANCIAL SERVICES: NAVIGATING INNOVATION, OPPORTUNITY, AND RISK

Generative artificial intelligence ("GenAI") is transforming the financial services industry at an unprecedented pace. What began as experimental pilot programs involving discrete back-office use cases has evolved into enterprise-wide deployments, with firms now actively encouraging the adoption of multiple sophisticated platforms. This article examines the rapid evolution and current state of AI adoption in financial services.

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EVOLVING AI BUSINESS-USE CASES AND APPLICATIONS

Financial services firms are deploying GenAI across multiple business functions. Key areas of adoption include real-time fraud detection, financial crime monitoring, coding assistance, research tools, trading functions, communications supervision, compliance monitoring, investment research, and data analysis. GenAI is significantly enhancing human capabilities, and with the rise of agentic AI, in some cases, partially replacing them. The challenge firms face is how to implement appropriate oversight mechanisms that can ensure that efficiency gains from AI adoption do not come at the expense of regulatory compliance or client protection.

Fraud Prevention and Financial Crime Detection

Among the most mature AI applications in financial services is fraud prevention. Financial institutions are deploying GenAI models on both the consumer and institutional sides of the business to identify fraudulent transactions in real time.[1] These models have improved significantly. A decade ago, using a credit card in an unfamiliar location might trigger an immediate decline. Today, GenAI pattern recognition has advanced to the point where the system can identify legitimate transactions with high levels of accuracy, even when consumers travel abroad, resulting in fewer false positives and a better customer experience.

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[1] *See, e.g.*, Experian, "How GenAI is Reshaping Fraud Prevention Strategies - the Experian Insight Report" (2025), https://www.experianplc.com/newsroom/press-releases/2025/how-genai-is-reshaping-fraud-prevention-strategies---the-experia; Ramzi Bou Hamdan, et al., "Navigating the dual nature of generative AI: enhancing fraud detection while mitigating risks," Ernst & Young (Apr. 1, 2024), https://www.ey.com/en_ca/industries/financial-services/navigating-the-dual-nature-of-generative-ai.

INSIDE THIS ISSUE