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Research report

How AI is Transforming the Financial Services Industry in Latin America

Foundry survey shows most Latin American financial companies are well into their **AI journey** and are now preparing for the **infrastructure upgrades** that will drive **success in a hypercompetitive landscape**.

CIO

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Research report

Financial firms in Latin America are no strangers to artificial intelligence, deploying an array of technologies from customer-facing chatbots to algorithms that detect fraud. Success with these applications has spurred them to achieve higher goals, using advanced solutions to improve customer service, supercharge efficiency, and proactively remove cyberthreats.

These are some of the findings of a new Foundry MarketPulse survey, which gathered insights from senior decision-makers at 106 financial organizations in Brazil, Mexico, and Chile, including business and IT leaders at banks, credit unions, private equity firms, hedge funds, insurance companies, payment companies, and asset management firms.

Figure 1 | Primary Reasons for AI Investments

SOURCE: FOUNDRY, LATIN AMERICA STUDY, 2024

The survey shows that despite lingering uncertainties about data privacy and security, the vast majority of Latin American financial services organizations plan to extend their AI capabilities, and most expect to see transformative AI-powered products and services enter the industry within the next three years.

Why Latin American Financial Firms Are Investing in AI

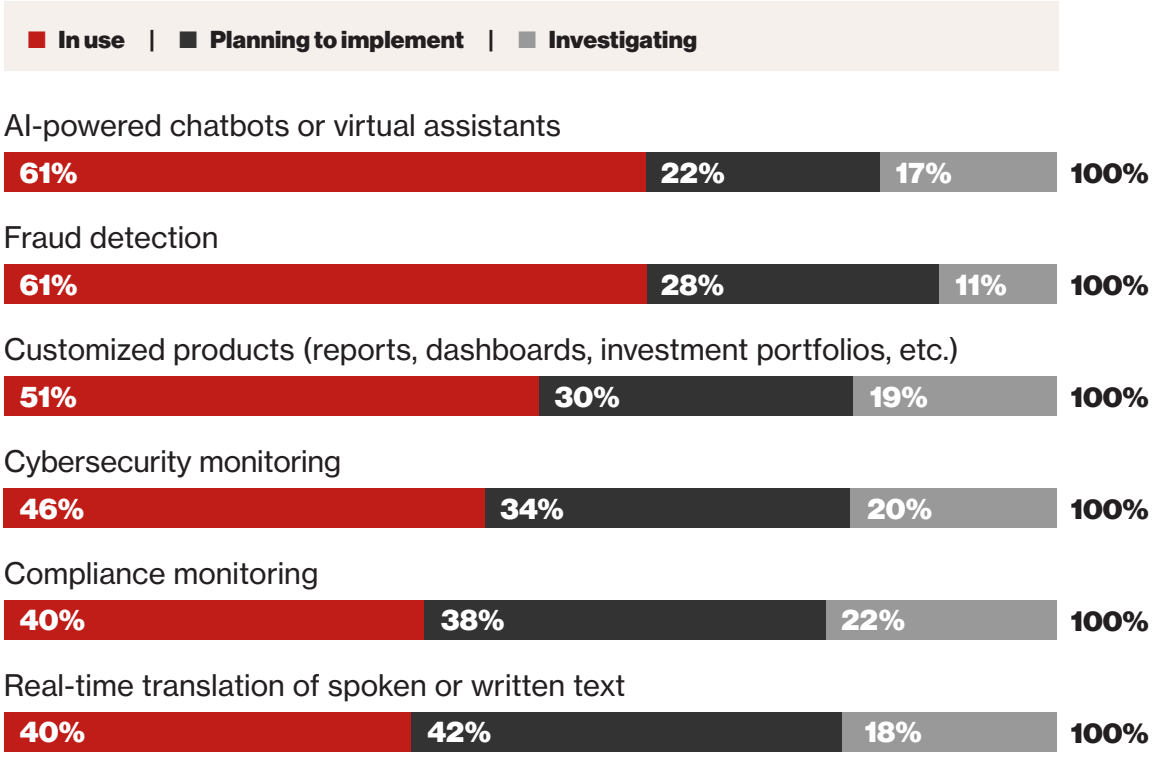
Enhancing the customer experience is the top motivating factor driving today's AI investments in Latin America (see Figure 1).

AI can give customers a more streamlined, unified, and personalized experience as they shift among channels and services. It can also provide easier access to banking, which is especially important in the region's rural areas. Customers can obtain personalized guidance and free resources designed to further their financial education. These capabilities could draw customers from across the financial spectrum, paving the way to greater financial inclusion throughout Latin America.[1]

Operational improvements, including boosting efficiency and cost savings (47%) and improving risk management and fraud detection (42%), also ranked high as factors propelling AI investments.

The Foundry study confirmed that many financial firms are already deploying AI applications, with chatbots and fraud detection (both 61%) among the most popular use cases (Figure 2).

Figure 2 | Current and Planned AI Deployments



SOURCE: FOUNDRY, LATIN AMERICA STUDY, 2024

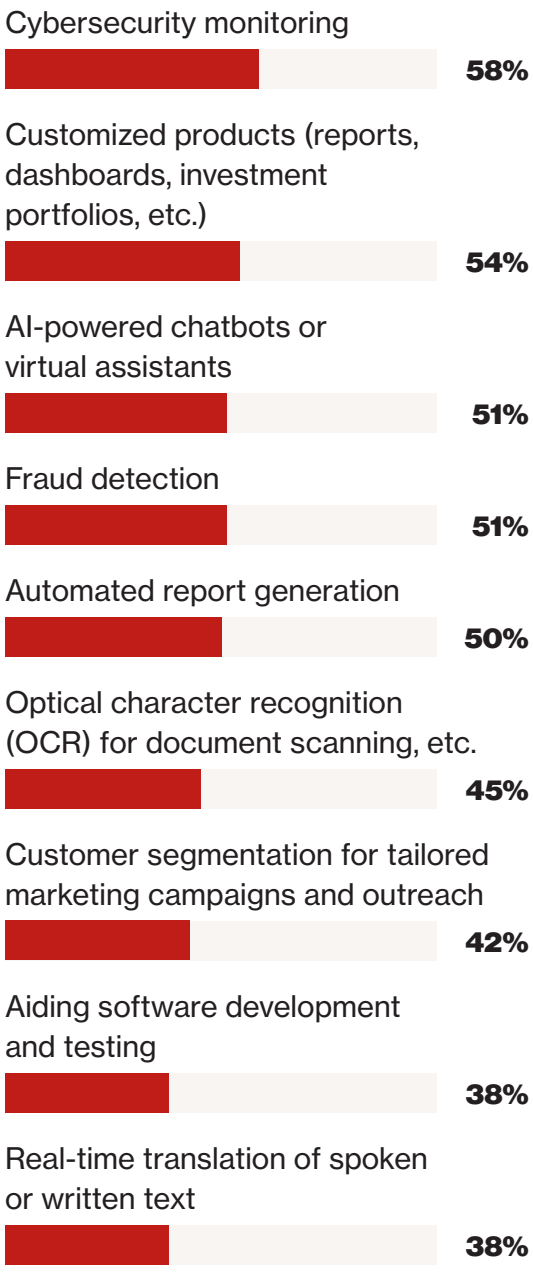
Over half (51%) are using AI to customize reports and dashboards, with another 30% planning to do so within the next 12 months. Nearly half use AI to monitor cybersecurity (46%) or compliance (40%), and approximately 35% have plans to do so in the near future.

Where AI Makes a Difference

How, specifically, can AI help financial companies achieve their goals? The applications they find most appealing fall roughly into four categories: improving customer service, strengthening risk management, optimizing efficiency, and personalizing services (see Figure 3).

Nearly all organizations (94%) desire at least one AI application for improving customer service. One of the most appealing is chatbots or virtual assistants, cited by 51%. Today's chatbots are much smarter than previous iterations, which often simply displayed links to internal content. Newer versions quickly gather relevant customer information across databases and answer questions in conversational language, thanks to real-time translation of

Figure 3 | Most Desired AI Use Cases



SOURCE: FOUNDRY, LATIN AMERICA STUDY, 2024

written or spoken text (a capability selected by 38%) and natural language processing, a desirable use case for 31% of respondents.

Over a third of financial leaders (34%) are intrigued by interactive digital signs and displays, which can capture the attention of customers as they wait for a representative, perhaps sparking discussions about the need for new services.

Risk management is never far from financial leaders' minds, and applications to strengthen it were chosen by 94% of respondents, with cybersecurity monitoring (58%) and fraud detection (51%) noted as top use cases. Firms also want to reduce business risks, deploying AI for compliance monitoring (38%) and customer credit scoring (22%).

Companies everywhere are turning to AI to optimize their business processes and improve efficiency, and Latin American financial firms are no exception. Ninety-three percent cited efficiency-promoting capabilities as desired use cases. These include automated report generation, (50%), assistance with software development and testing (38%), and optical character recognition for document scanning (45%).

"By enabling enterprise users to work faster and more efficiently, AI helps financial firms reduce their costs," says Parviz Peiravi, global CTO, Financial Services Industry Solutions Architecture and Design Industry Solutions Group at Intel.

Indeed, a recent global study by IDC and Microsoft quantified some of AI's financial benefits, finding that most organizations are making or saving money through their AI deployments within 14 months, with average returns equal to 3.5 times the cost of investments.[2]

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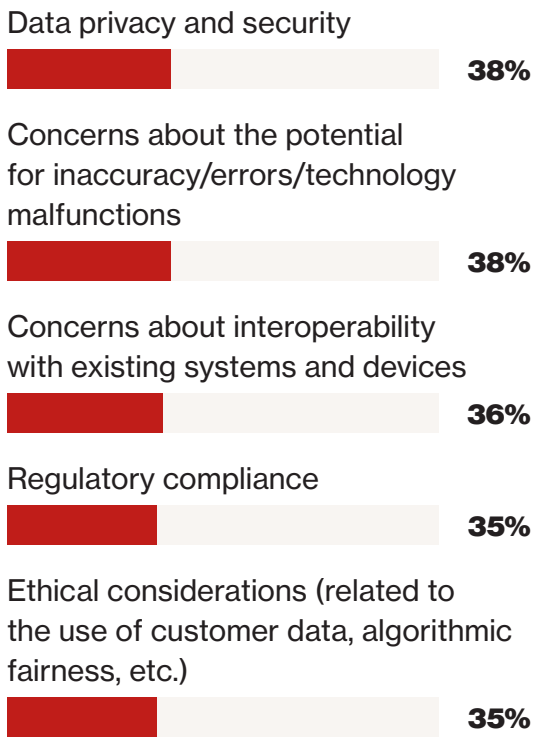
>
> – **Parviz Peiravi**, Global CTO, Financial Services Industry Solutions Architecture and Design Industry Solutions Group, Intel

Challenges and Expectations

Though financial companies are highly positive about AI overall, some have concerns that could hold them back from extending deployments (see Figure 4). Chief among them are worries about data privacy, security, and potential inaccuracies or technology malfunctions (38%).

Firms also worry about how to incorporate AI into their existing technology (36%). A quarter (25%) are concerned about its complexity and are uncertain of what to do or how to get started. Working with the right tools and partners could resolve many of these concerns and pave the way to AI success.

Figure 4 | Financial Firms' Top Challenges with AI



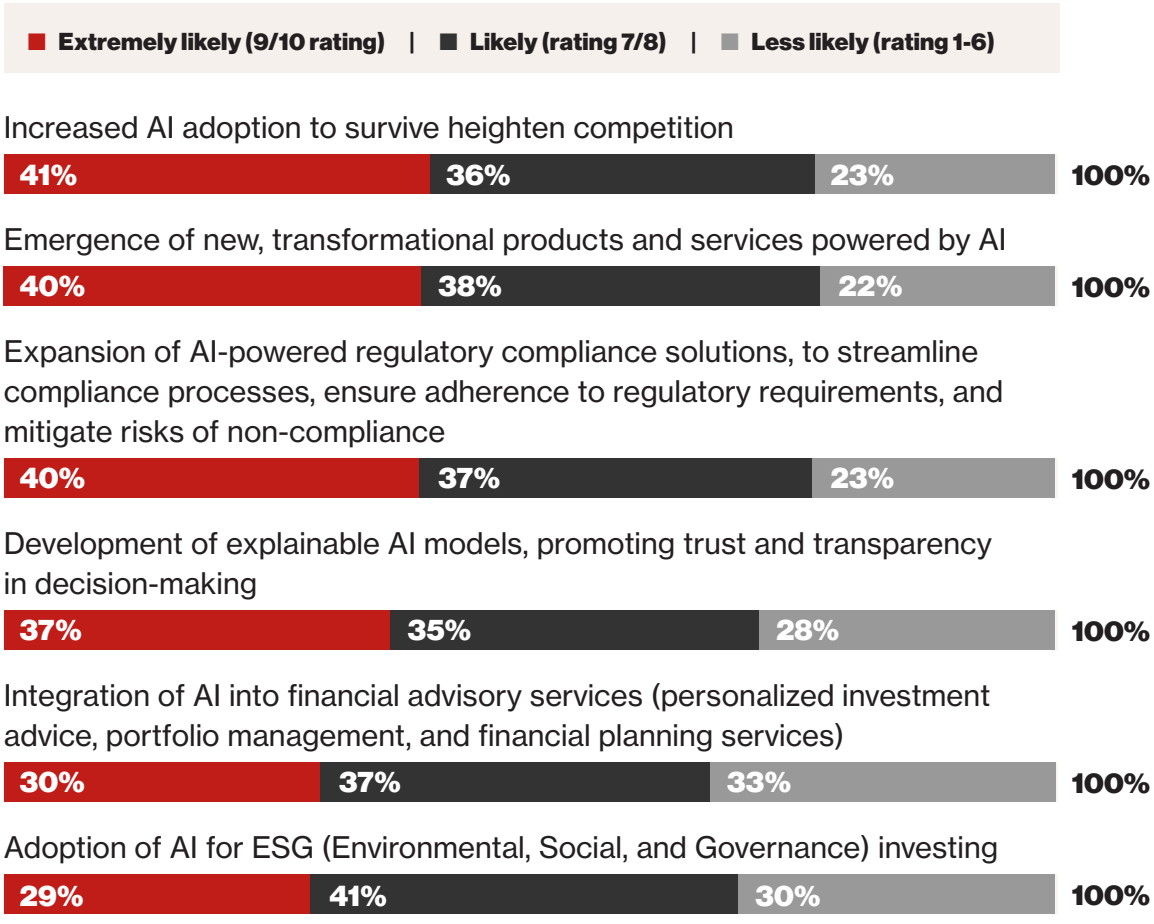
SOURCE: FOUNDRY, LATIN AMERICA STUDY, 2024

Despite their concerns, 78% of Latin American firms think it's likely that transformative new products and services will emerge to change the industry – not over the next decade or two, but within the next three years (see Figure 5).

Assembling an AI-Ready Toolkit

More than three-fourths of firms (77%) believe they will need to increase their AI adoption to survive the coming competition. To do that, they must have the

Figure 5 | Expectations regarding the impact of AI on the financial services industry over the next 3 years



SOURCE: FOUNDRY, LATIN AMERICA STUDY, 2024

right hardware and software in place (see Figure 6).

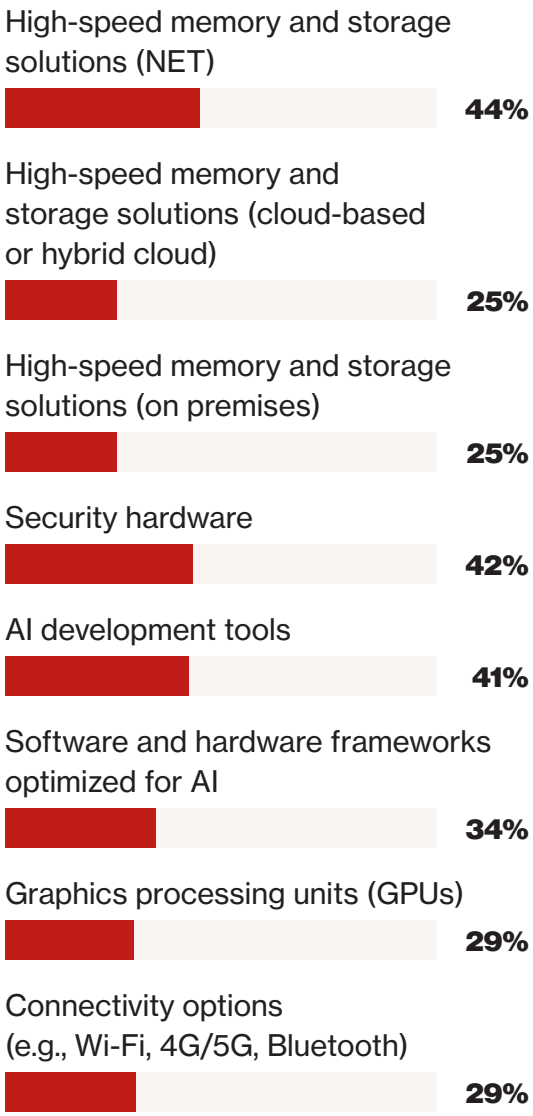
Tools leaders consider most critical for supporting AI include high-speed memory and storage (44%), security hardware (42%), AI development tools (41%), and optimized software and hardware frameworks (34%).

Companies need these tools for different reasons, as explained below:

- **High-performance storage –** State-of-the-art storage enables AI to deliver results with the speed necessary for applications such as chatbots. "A financial organization may be responding to 5,000 concurrent customers, using multiple servers and databases. For that, you need ultra-low latency, high-performance storage," Peiravi notes.

- **AI development tools and optimized software and hardware –** To build low-latency, highly efficient AI solutions, developers need a toolkit that includes applications for the operating system, the virtualization layer, the data optimization framework, and the AI optimization framework. Though these tools are not available in a single package, a hardware vendor with deep AI expertise can help development teams make selections that enable AI to work in concert with the company's existing technology.

Figure 6 | Critical AI Tools



SOURCE: FOUNDRY, LATIN AMERICA STUDY, 2024

- **Security hardware –** Maintaining security and data privacy are top concerns for financial institutions, which must be able to prove to auditors that their portals are secure and they are following all applicable regional protocols for sensitive information at rest, in transit, and in storage. Though the data is encrypted in storage and during transit, it must be decrypted for AI models to analyze it. If a cybercriminal hacks the system during that time, they can steal both the data and the company's AI model, Peiravi says.

To prevent such a catastrophe, Intel has developed technology that creates a secure enclave—which can be set up in the company's data center or in the cloud—that surrounds and protects sensitive data while the model is working with it.

Another critical security element is device hardware with built-in, AI-powered threat detection and remote management capability, which enables security teams to respond to incidents before they cause a breach.

Emerging AI Technology: AI Accelerators and AI PCs

Nearly three-fourths of finance leaders (77%) said their company is using AI software, and 38% are using AI hardware.

To operate rapidly and effectively, AI software requires the use of AI accelerators, which are specialized hardware capabilities built into computer chips. They work with AI software to improve the processing speed and efficiency of specific workloads, such as natural language processing for chatbots, transaction monitoring to detect potential fraud, or inferencing and model training for new AI development.

> With **AI PCs**, you are future-proofing your workplace, enabling employees to **work more efficiently** and thus, **reducing costs**.
>
> – **Parviz Peiravi**

"A general-purpose CPU may be able to run two AI functions per second, but an AI accelerator can run 200 functions and do it 10 times faster," Peiravi says.

AI PCs – computers with a specialized chip set designed to run high-performance AI tasks locally – are a new development, but 38% of companies in the survey are already using them, and another 20% are investigating them.

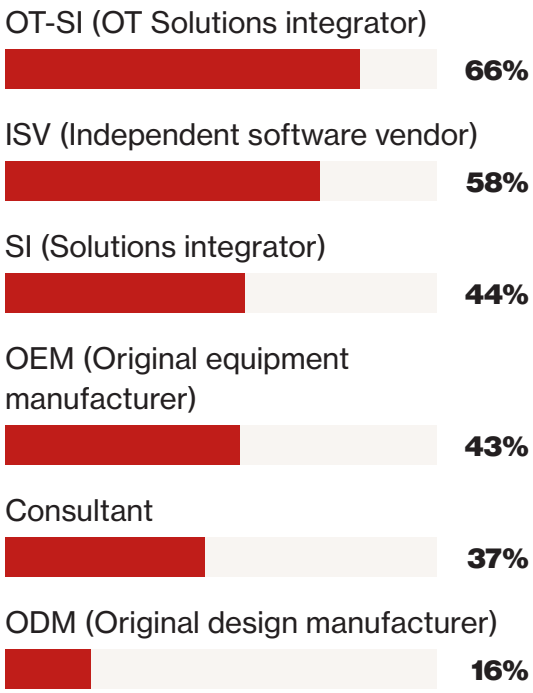
AI PCs use three types of processors: traditional CPUs, graphic processing units, or neural processing units, used for AI tasks such as natural language processing. They enable enterprise users to run AI models directly from their own machines instead of sending data to the cloud, providing both improved performance and a simple way for financial companies to control access to sensitive information. The machines are catching on quickly. IDC expects 167 million AI PCs will be sold worldwide by 2027 – accounting for nearly 60% of all PC shipments worldwide.[3]

"With AI PCs, you are future-proofing your workplace, enabling employees to work more efficiently and thus, reducing costs," Peiravi says.

The Key to Success: Building a Future-Proof AI Ecosystem

Working with the right partners, financial organizations can create an AI strategy that suits their individual needs and ensures smooth integration of AI technology for years to come. Most Latin American firms (73%) plan to purchase third-party technology solutions, relying on several types of partners (see Figure 7).

Figure 7 | Financial Firms' Planned AI Partners



SOURCE: FOUNDRY, LATIN AMERICA STUDY, 2024

In the near future, AI and GenAI will likely be embedded in daily workflows for nearly all financial operations, and adopting them will become a competitive imperative. As new applications flood the market, companies will have tough decisions to make about deployments, but trusted partners can ensure smooth integration and scaling as products and solutions evolve.

"At Intel, we have a massive ecosystem of partners who can help you find relevant use cases and customize solutions to meet your business and technical requirements for every step of your AI journey, from exploration and proof-of-concept to enterprise deployment" Peiravi says.

[1] World Economic Forum, "How Artificial General Intelligence will drive an inclusive financial sector in Latin America," January 11, 2024, https://www.weforum.org/agenda/2024/01/ai-is-driving-the-evolution-of-a-more-inclusive-financial-sector-in-latin-america-here-is-how/

[2] Microsoft Blog, "New study validates the business value and opportunity of AI," Nov. 2, 2023, https://blogs.microsoft.com/blog/2023/11/02/new-study-validates-the-business-value-and-opportunity-of-ai/

[3] IDC, "IDC Forecasts Artificial Intelligence PCs to Account for Nearly 60% of All PC Shipments by 2027," Feb. 7, 2024, https://www.idc.com/getdoc.jsp?containerId=prUS51851424

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