TaylorWessing

DIGITAL LEGAL ACADEMY 2025

Ready for AI – vom Hype zum Business

AI Compliance in the financial sector

Rukayyat Kolawole, Dr. David Klein, Dr. Verena Ritter-Döring | 10 April 2025

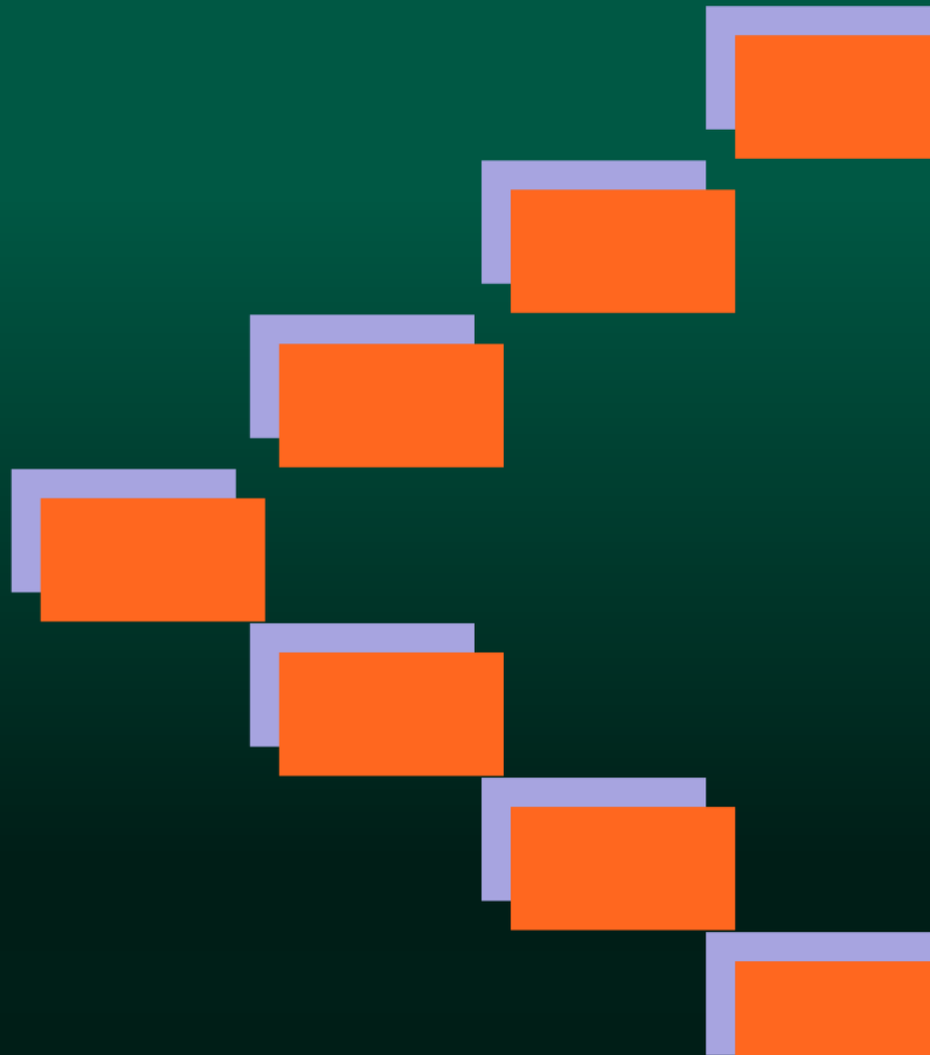
Sessions 2025

DIGITAL LEGAL ACADEMY 2025
by TaylorWessing

#1	**Worauf es bei der Nutzung von AI-Tools ankommt** Prof. Dr. Martin Ebers, Dr. Paul Voigt & Wiebke Reuter am 20. März 2025
#2	**Worauf es bei der Entwicklung von AI-Tools ankommt** Dorothea Gotthardt, Fritz-Ulli Pieper & Dr. Michael Kieffer am 27. März 2025
#3	**AI im Gesundheitswesen** Sina Braun, Dr. Carolin Monsees & Dr. Stefanie Greifeneder am 3. April 2025
#4	**AI Compliance im Finanzsektor** Rukayyat Kolawole, Dr. Verena Ritter-Döring & Dr. David Klein am 10. April 2025

Agenda

DIGITAL LEGAL ACADEMY 2025
by TaylorWessing



DIGITAL LEGAL ACADEMY 2025
by TaylorWessing

1 AI Basics Tech & Data

1. Risk based Approach of the AI Act

DIGITAL LEGAL ACADEMY 2025
by TaylorWessing

Unacceptable Risk

AI systems that pose a clear threat to safety or fundamental rights, such as social scoring by governments or real-time biometric identification in public spaces, are prohibited.

High Risk

AI systems used in critical sectors like **finance**, health, and infrastructure that can significantly impact individuals' rights or safety. These require strict compliance measures.

Limited Risk/Specific Transparency Risk

Certain AI applications with minimal potential harm, subject to transparency obligations.

Minimal Risk

AI systems with negligible or no risk, for which voluntary codes of conduct are encouraged.

DIGITAL LEGAL ACADEMY 2026
by TaylorWessing

2. General-Purpose AI Models

AI models designed for broad functionalities, adaptable across various tasks and industries.

Regulatory Focus:
The EU AI Act includes provisions to ensure these models adhere to safety and transparency standards, given their wide applicability (Systematic Risk).

3. Differences between AI Systems and General-Purpose AI Models

DIGITAL LEGAL ACADEMY 2026
by TaylorWessing

Scope of Use

- **AI Systems:**
  Typically designed for specific tasks within defined contexts.

- **General-Purpose AI Models:**
  Versatile, applicable across multiple domains without significant modifications

Regulatory Approach

- **AI Systems:**
  Assessed and regulated based on their specific application and associated risk level.

- **General-Purpose AI Models:**
  Subject to overarching requirements to ensure safety and transparency, considering their broad potential uses.

Data Usage and Legal Challenges in Germany

DIGITAL LEGAL ACADEMY 2025
by TaylorWessing

Data Privacy:
Align AI data practices with the General Data Protection Regulation (GDPR) to protect individual privacy rights. In particular: Strict separation of data sets & legal basis for processing.

Banking Secrecy:
Limit use of customer data subject to banking secrecy.

Data Security:
Implement robust cybersecurity measures to safeguard sensitive financial data against breaches and unauthorised access. Financial institutions are subject to the NIS2-Directive (no threshold needed!), applies also on AI Systems used

Bias and Fairness:
Address potential biases in AI algorithms to ensure equitable treatment of all individuals.

Transparency and Explainability:
Ensure AI-driven decisions are understandable to stakeholders, promoting trust and compliance.

Regulatory limitations:
Obey automated decision making processes of AI systems.

AI Governance Obligations for Financial Institutions

DIGITAL LEGAL ACADEMY 2026
by TaylorWessing

Risk Management:
Implement comprehensive risk assessment processes to identify and mitigate potential AI-related risks.

Data Quality:
Ensure the accuracy, relevance, and representativeness of data used in AI systems to prevent biases and inaccuracies.

Transparency:
Maintain clear documentation of AI system functionalities and decision-making processes to facilitate accountability.

Human Oversight:
Establish mechanisms for human intervention in AI operations to prevent unintended consequences.

Compliance:
Adhere to all relevant legal and regulatory standards governing AI use in the financial sector.

AI Governance Obligations for Financial Institutions

DIGITAL LEGAL ACADEMY 2025
by TaylorWessing

Risk Management:

Implement comprehensive risk assessment processes to identify and mitigate potential AI-related risks.

DORA

MaRisk

Data Quality:

Ensure the accuracy, relevance, and representativeness of data used in AI systems to prevent biases and inaccuracies.

01.08.2024 | Thema Banken, Versicherungen

KI bei Banken und Versicherern: Automatisch fair?

(BaFinJournal) Die Automatisierung der Finanzindustrie schreitet rasant voran. Künstliche Intelligenz und Maschinelles Lernen versprechen große wirtschaftliche Möglichkeiten. Ihr Einsatz wirft aber auch kritische Fragen auf.

Transparency:

Maintain clear documentation of AI system functionalities and decision-making processes to facilitate accountability.

Human Oversight:

Establish mechanisms for human intervention in AI operations to prevent unintended consequences.

Compliance: Adhere to all relevant legal and regulatory standards governing AI use in the financial sector.

06.03.2025 | Thema Versicherungen

KI in der Versicherungsbranche: „Die Verantwortung liegt bei den Unternehmen“

Was bedeutet der Einsatz Künstlicher Intelligenz aus Perspektive der Versicherungsaufsicht? Diese Frage stand im Mittelpunkt einer Rede von Julia Wiens, Exekutivdirektorin Versicherungs- und Pensionsfondsaufsicht, beim Vorlesungstag des Instituts für Versicherungswissenschaften an der Universität Leipzig.

DIGITAL LEGAL ACADEMY 2025
by TaylorWessing

2 Use Cases

AML/KYC – GenAI – Chat Bots

Use Case 1: AI in AML/KYC Processes

DIGITAL LEGAL ACADEMY 2025
by TaylorWessing

Utilising machine learning, AI identifies patterns indicative of fraud, money laundering, or terrorist financing in real-time, improving accuracy and reducing false positives.

AI also expedites client onboarding through biometric identification, document verification, and continuous risk monitoring, enabling financial institutions to comply efficiently with evolving regulatory standards and mitigate financial crimes proactively.

It analyses vast datasets, including customer behavior, historical transactions, and external databases, to ensure compliance and streamline due diligence.

AI enhances KYC/AML processes by automating identity verification, risk assessment, and monitoring transactions to quickly detect suspicious activity.

AML/KYC Processes

DIGITAL LEGAL ACADEMY 2025
by TaylorWessing

Legal Issues

High risk vs. not high risk AI system (Annex III 1a)

Data processing of biometric data (Art. 9 GDPR)

Liability for AI processed KYC processes

Regulatory compliance when outsourcing KYC process (limited outsourcing by AI based processes?)

DORA

Real Life Challenges

Data Privacy and Security: Handling sensitive personal data requires robust measures to ensure data privacy and security.

Regulatory Compliance: Ensuring that AI systems comply with various regulatory frameworks can be complex, especially as regulations evolve. Organisations must continuously monitor and update their AI systems to stay compliant.

Bias and Fairness: AI algorithms can inadvertently perpetuate biases present in the training data, leading to unfair outcomes. This necessitates ongoing efforts to identify and mitigate bias in AI models.

Transparency: The "black box" nature of some AI systems can make it difficult to understand how decisions are made, which poses challenges for accountability and transparency.

Integration with Existing Systems: Integrating AI solutions into existing legacy systems without disrupting operations can be a significant challenge, often requiring substantial investment in infrastructure.

Skill Requirements: Implementing and managing AI systems require specialized skills that may not be available within the current workforce. Training or hiring skilled personnel is essential but can be resource-intensive.

Cost: While AI can reduce long-term costs, the initial investment for technology, training, and integration is substantial.

Use Case 2: GenAI in Financial Institutions

DIGITAL LEGAL ACADEMY 2025
by TaylorWessing

Generative AI enables financial institutions to automate content creation, such as personalised marketing materials, tailored investment reports, and regulatory documentation.

GenAI supports scenario planning and simulations, improving predictive accuracy for financial forecasting and strategic decision-making. It assists in fraud detection by generating realistic synthetic transaction patterns to train robust anti-fraud models.

Generative AI can produce personalised financial advice, investment insights, and dynamic pricing strategies, helping institutions achieve targeted client engagement, accelerate innovation, optimise resources, and strengthen overall competitive advantage.

It generates synthetic datasets for model training, stress-testing, and enhancing risk management practices.

Gen AI in Financial institutions

DIGITAL LEGAL ACADEMY 2025
by TaylorWessing

Legal Issues

- Biased advice
- High risk systems when used for creditworthiness (Annex III 5b)
- Intransparent data processing
- Regulatory compliance
- Accountability of the directors

Real Life Challenges

Challenge: A private bank with 125 years legacy, sought to enhance its quarterly performance reporting for high-net-worth clients. While the reports provided a comprehensive overview of asset performance, the bank recognised a need to:

- **Increase Client Engagement:** Move beyond static reports to offer a more interactive and engaging experience.
- **Empower Client Understanding:** Enable clients to easily understand complex financial data and market developments.
- **Provide Instant Clarification:** Offer immediate answers to client questions regarding technical terms, transactions, and market dynamics.
- **Facilitate Proactive Advisory:** Identify potential advisory opportunities and seamlessly connect clients with their relationship managers.
- In context awareness and symbiosis with other key financial entities important to the user.

Use Case 3: Chat Bots and Agentic AI

DIGITAL LEGAL ACADEMY 2025
by TaylorWessing

AI-powered chatbots enable financial institutions to deliver instant, personalised customer support by handling queries related to account balances, transactions, loan applications, and investment advice.

AI chatbots analyse customer interactions to identify trends and improve service quality, streamline onboarding processes, and ensure compliance by answering regulatory questions accurately, ultimately leading to increased customer satisfaction, retention, and efficiency.

They enhance customer experience by providing 24/7 assistance, quick issue resolution, and proactive financial guidance.

Leveraging natural language processing (NLP), chatbots engage users through intuitive conversations, automate routine tasks, and reduce operational costs.

Chat Bot and Agentic AI

DIGITAL LEGAL ACADEMY 2026
by TaylorWessing

Legal Issues

- Regulatory compliance
- Ethical limitations
- Third Party Data Access
- Potential IP infringement

Real Life Challenges

Challenge: Enhancing Personalisation in Financial Planning. A leading European financial institution recognised the growing need for tailored financial planning and investment solutions and the need to enhance operational efficiency, customer satisfaction, and overall innovation

Key challenges included:

- Automating customer service for faster, more efficient responses.
- Realtime financial analysis/update of the clients' current financial situation based on the chat session context
- Delivering personalised product recommendations to drive engagement.
- Lower product adoption rates caused by unclear or misaligned financial advice.

DIGITAL LEGAL ACADEMY 2025
by TaylorWessing

Questions?

Speaker

DIGITAL LEGAL ACADEMY 2025
by TaylorWessing

Rukayyat Kolawole

PACEUPinvest® GmbH

Dr. Verena Ritter-Döring

Partner, Taylor Wessing

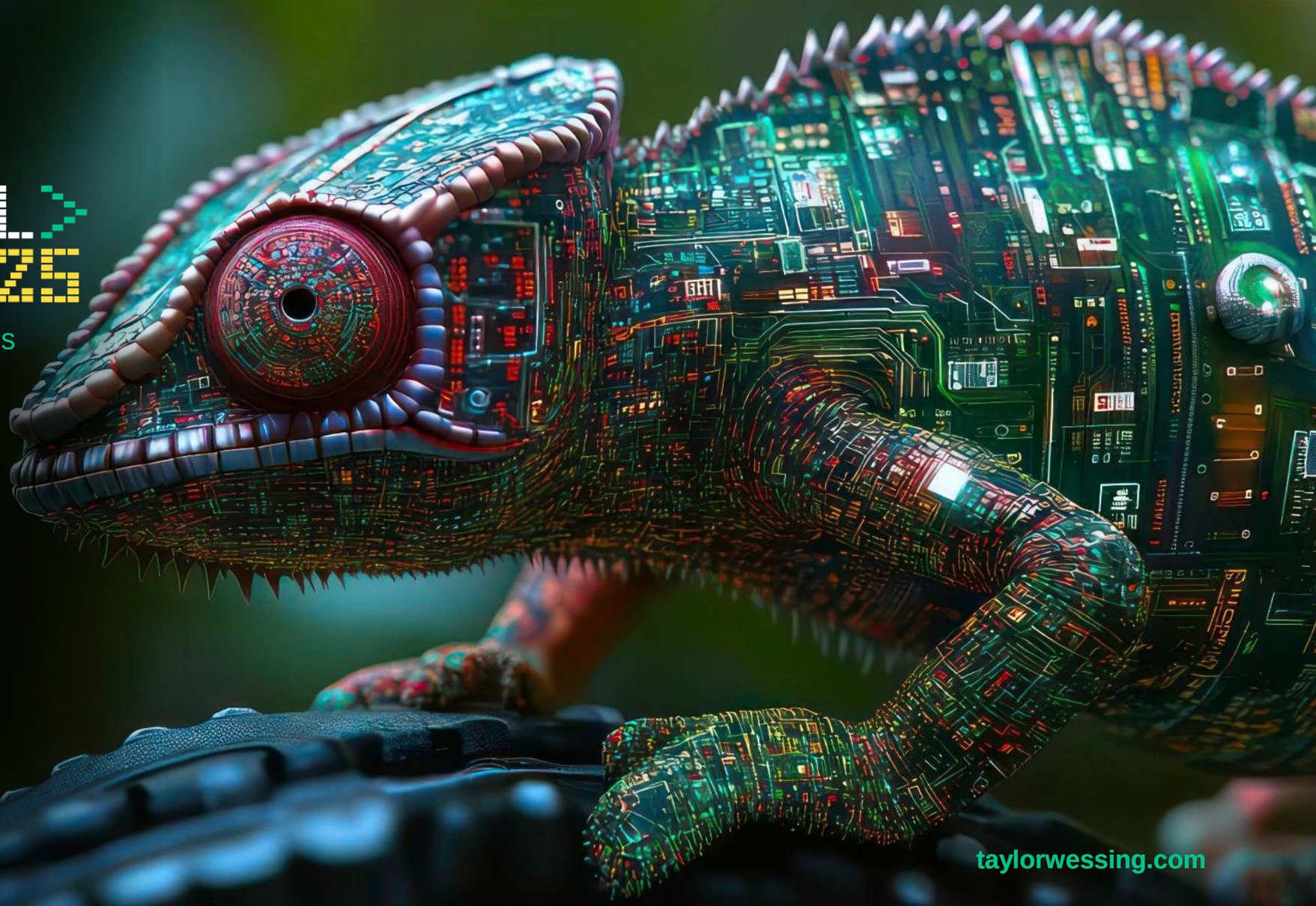
Dr. David Klein

Salary Partner, Taylor Wessing

TaylorWessing

DIGITAL LEGAL ACADEMY 2025

Ready for AI – vom Hype zum Business



taylorwessing.com

© Taylor Wessing 2025

This publication is not intended to constitute legal advice. Taylor Wessing entities operate under one brand but are legally distinct, either being or affiliated to a member of Taylor Wessing Verein. Taylor Wessing Verein does not itself provide services. Further information can be found on our regulatory page at taylorwessing.com/en/legal/regulatory-information.