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Corporate Governance in the Age of Gen AI– A Sectoral Analysis of Financial Services

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***Abstract*— Corporate governance is crucial for the Indian financial services sector because it ensures transparency, accountability, and ethical conduct, leading to increased investor confidence, financial stability, and sustainable growth. It boosts investor confidence, financial stability, and sustainable growth. GEN AI is transforming corporate governance by reshaping the industry by enhancing customer service, decision-making, and risk management, ultimately enhancing corporate success. This study aims to fill a gap in the literature on corporate governance in the age of GEN AI in the financial services sector. The objective of the study is to examine the role of GEN AI in enhancing corporate governance and the challenges faced by financial sector professionals i.e., portfolio managers, credit analysts, fintech product managers, and risk analysts while using GEN AI platforms in the financial services sector. The study uses descriptive statistical tools and techniques, including simple percentages, charts, graphs, frequencies, and one-sample T-tests, to analyse the hypotheses. A total number of 36 respondents were selected, and a questionnaire was used as an instrument. The study reveals that GEN AI impacts Corporate Governance in the Financial Services Sector by offering benefits like transparency, explainability, user-focused governance, fraud detection, and identity security. However, challenges faced by financial sector professionals like data quality, privacy, security, bias, fairness, explainability, and security. Additionally, challenges include infrastructure, cost, and technical complexity. These technological challenges also pose a significant threat to the financial sector's corporate governance.**

***Keywords*— Corporate Governance, GEN AI, Financial Services Sector, Financial Services Professionals**

I. Introduction: Artificial Intelligence

Artificial Intelligence (AI's) transformation in various sectors and innovation drive, it introduces various risks that require identification, assessment, and mitigation (Directors Institute.,2025). However, the growing dependence on AI raises concerns about accountability, fairness, and unintended consequences. As AI takes on more responsibilities, the potential for errors, biases, and security risks increases, necessitating robust governance frameworks (Kaur, D., & et.al., 2021).

The ethical implications of AI decision-making are also significant, especially in high-stakes areas like healthcare, finance, and criminal justice (Ness, S., & et.al., 2023). The absence of human intervention can lead to ethical dilemmas, such as limited recourse for affected individuals. Policymakers and industry leaders must establish clear regulations to ensure AI remains an aid rather than a sole decision-maker (Van Zetten, W., & et.al., 2022). The goal is to create a symbiotic relationship where AI augments human capabilities while preserving human control and ethical integrity. Organizations must invest in AI literacy, transparency, and governance mechanisms to achieve a sustainable and responsible AI ecosystem (Khinvasara, T., & et.al., 2023).

Ethical and Responsible AI are two distinct concepts that aim to develop and implement AI systems in line with principles of fairness, accountability, transparency, and inclusivity (Dickinson, H., & et.al., 2021). Responsible AI aims to minimize potential risks and negative consequences, such as bias, discrimination, and lack of transparency (Pierson, J., & et. al., 2023). Both concepts aim to build trust with users and stakeholders, ensuring the fair and lasting progress of AI technology (Couture, V., Roy, M.C., & et. al., (2023).

A. Inception Of Artificial Intelligence On Financial Services Sector:

AI has significantly transformed the financial services sector, transforming algorithmic trading, credit scoring, and fraud detection, reshaping the industry over the past few decades. Banks and financial institutions have achieved new milestone in the performance due to the technology intervention in general and AI in particular. The growth of technology in financial services can be traced in different faces.

B. The Rise Of Machine Learning And Data Science:

Evolution of AI has led to a more comprehensive understanding of financial markets and their dynamics. The new millennium saw the rise of machine learning in finance, with banks using AI for predictive risk management and customer segmentation.

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The rise of online banking and mobile applications has also increased the use of AI for personal finance tools.

After 2000, AI has gained prominence in financial services, particularly in high-frequency trading and robot-advisors. It significantly improved fraud detection and compliance, identifying complex patterns in real-time. AI models were also used to predict loan defaults, improving financial transaction security and borrowers' creditworthiness.

Deep learning and FinTech are revolutionizing financial services, with firms like Alpha sense and Kensho using AI for portfolio optimization, market trend prediction, and personalized banking services. FinTech startups are disrupting traditional banking by offering efficient, affordable, and personalized services (LoanWorks..2023).

C. Corporate Governance – An Overview

Corporate governance is a crucial aspect of business management, focusing on accountability, integrity, and risk management. It involves relationships between a company's board of management, stakeholders, and the structure through which objectives are set and performance is determined (Stijn Claessens and Burcin Yurtoglu,2016). Corporate governance promotes fairness, transparency, and accountability. The global financial crisis in 1998 and growing corporate scandals in the United States and Europe have emphasized the importance of corporate governance (Kartikey Koti., 2016). In India, the Satyam fraud prompted businessmen to focus on efficient, transparent, and impeccable corporate governance for better stability, profitability, and growth. The rapid pace of globalization and liberalization has also compelled companies to adopt improved standards of corporate governance to minimize fraud, malpractices, and financial instability. The Organization for Economic Co-operation and Development (OECD) and World Bank have continuously worked on improving corporate governance and adopting principles to strengthen company structures (OECD Corporate Governance Principles., 2004). In India, reforms have been taken through the Security and Exchange Board of India (SEBI) and the Ministry of Corporate Affairs (MCA) to improve corporate governance. The recent Companies Act, 2013 is one of the steps to improve corporate governance in India. Understanding corporate governance and its development is essential for success in today's business landscape (AfraAfsharipour., 2016).

D. Significance Of Ai In Corporate Governance:

Artificial Intelligence (AI) is revolutionizing corporate governance by improving oversight, transparency, compliance, and decision-making processes.

AI enables real-time data analysis, scenario modelling, and predictive analytics, enabling informed, data-driven decisions and identifying emerging risks. AI-driven platforms facilitate continuous monitoring of corporate activities, ensuring consistency and alignment with actual practices. AI automates compliance monitoring by scanning vast legal and regulatory texts, reducing human error and improving audit readiness. AI systems, particularly those based on machine learning, are highly effective at detecting fraud, financial irregularities, and cybersecurity threats, strengthening internal controls and reducing the likelihood of corporate misconduct or reputational harm. AI can assess the effectiveness and independence of board members using structured and unstructured data, improving diversity, independence, and accountability. AI can also guide stakeholder engagement and ESG integration by analysing stakeholder sentiment across various communication channels, tracking performance and reporting sustainability metrics accurately. Ethical oversight and bias mitigation are essential for AI to support ethical governance by identifying systemic bias or discriminatory patterns in HR, procurement, and financial decisions. However, AI introduces new ethical considerations, such as algorithmic transparency, accountability, and fairness, which corporate governance mechanisms must now address (Ustahaliloglu, Mustafa Kenan., 2025).

II. Literature Review

A. Understanding the Corporate Governance in the Age of Gen AI – A Sectoral Analysis of Financial Services has been a significant research topic for two decades. Numerous studies have documented the significance of Corporate Governance in the Age of Gen AI in Financial Services Sector. Summary of the few reviews are presented below;

B. Mgbemena et al. (2025), in their study, investigates the impact of AI on corporate governance in Nigerian enterprises. Using the efficient market hypothesis and diffusion of innovation theory, the study found a 5% significant effect of AI implementation on information asymmetry in publicly listed firms. This could aid firms in adopting AI, inform policy, and contribute to the literature on AI-based solutions.

C. Amit Shivpuja (2025), explores the concept of human-AI collaboration to tackle data and AI governance challenges.

It suggests a symbiotic relationship where AI systems and human experts work together, with AI providing processing power and pattern recognition, and humans providing contextual understanding and ethical judgment. The article explores theoretical foundations, practical applications, and implementation considerations. It demonstrates how collaborative governance approaches reduce backlogs and improve quality. The article also discusses ethical considerations, accountability frameworks, and future research directions, highlighting the potential of this approach to transform governance from a compliance burden into a strategic capability for responsible innovation.

E. N Balaji Ganesh (2025) the study reviewed on the rise of Artificial Intelligence (AI) in business operations has revolutionized corporate governance, necessitating robust ethical oversight and accountability frameworks. This paper explores the intersection of AI technologies and corporate governance principles, highlighting both opportunities and challenges. AI can enhance transparency, streamline regulatory compliance, and improve decision accuracy, but also raises ethical concerns about bias, accountability, data privacy, and control. The paper evaluates existing ethical AI governance frameworks and proposes a dynamic governance model that integrates ethical AI practices within the corporate governance structure. The review emphasizes the role of board leadership, interdisciplinary ethics committees, and regulatory collaboration in AI governance.

F. Ustahaliloglu, Mustafa Kenan (2025), study highlights Artificial intelligence (AI) has significantly impacted corporate governance, offering efficiency and decision-making opportunities but also raising complex legal questions. This article delves into the use of AI in corporate governance, addressing ethical and legal issues, liability and accountability, intellectual property considerations, and data privacy concerns. The research highlights the importance of this topic due to the growing adoption of AI in the corporate sector and identifies the legal grey areas surrounding AI. The study aims to clarify how organizations can navigate the complex web of AI-related issues in corporate governance, using a thorough method that integrates legal analysis with business practices knowledge. The main takeaway is to provide readers with an understanding of AI's main issues and practical advice for businesses operating in this area.

G. Joel Frenette's (2024) paper presents structured frameworks for effective Human-AI collaboration in business processes. It identifies optimal task divisions where humans contribute oversight, creativity, and strategic judgment, while AI provides computational power, automation, and analytical insights. The study explores role-based division, process integration, and task adaptability, demonstrating their efficacy in improving productivity, decision-making, and innovation. Key frameworks include Augmented Creativity, Hybrid Decision Systems, and Oversight-Driven Automation.

H. Akoh Atadoga, et al. (2024), the study examines the impact of Artificial Intelligence (AI) on the US banking sector. It highlights how AI has improved operational efficiencies by automating routine tasks and enhancing decision-making processes. AI applications in customer service, such as chatbots and virtual assistants, have transformed customer interactions. AI algorithms have proven effective in detecting fraudulent activities and managing credit risks, outperforming traditional methods. AI also helps banks comply with regulatory requirements by automating compliance processes and conducting real-time transaction monitoring. The review concludes that AI offers significant opportunities for innovation and efficiency in the US banking sector, but also highlights challenges such as ethical issues, data privacy concerns, and workforce up-skilling.

I. Joel Frenette's (2023), In his paper discusses the importance of human oversight in AI systems, highlighting the need for a balance between autonomy and human oversight. The paper examines case studies of AI's superior performance, risks of over-reliance, and proposes governance strategies to ensure AI remains a tool for augmentation rather than replacement.

Few studies reviewed on the domain and done in different countries and context have attempted to expose the use of AI in corporate governance in general and kind of impact it can create in bringing transparent and responsible governance system. But, adequate knowledge is not available in Indian context on the area. Hence, the present study is conducted to fill those knowledge gaps in Indian context.

III. Significance Of The Study

The convergence of corporate governance and generative artificial intelligence (Gen AI) is a crucial transforming indicator for the financial services industry.

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As GenAI technologies are used progressively in decision-making, risk management, compliance, and customer-facing operations, they create both potential for new ideas and significant issues with governance. This study looks at the ways new technologies are changing the way financial institution's function, including their rules, governance structures, and oversight strategies.

IV. Scope Of The Study

The study examines the importance of corporate governance and Generative AI in the Financial Services sector operating in the Maland Region, i.e., Shivamogga, Chikamagalur, and Hassan of Karnataka

V. Objectives Of The Study

The main objective of this study is to examine the significance of GEN AI in corporate governance in the financial services sector. Keeping this goal in view, the following specific objectives have been set for the study.

A. To analyse the role of GEN AI in enhancing corporate governance in the financial services sector.

B. To determine the challenges encountered and technological drawbacks faced by Portfolio managers, credit analysts, fintech product managers, and risk analysts while using GEN AI platforms.

VI. Hypotheses Of The Study

HO: There is no significant impact of GEN AI on Corporate Governance in the Financial Services Sector.

H1: There is significant impact of GEN AI on Corporate Governance in the Financial Services Sector.

HO: The impact of GEN AI is insignificant across Financial Sector Professionals of GEN AI platforms.

H1: The impact of GEN AI is significant across Financial Sector Professionals of GEN AI platforms.

VII. Methodology

Primary data has been collected through a well-structured questionnaire and interview with financial sector professionals, i.e., portfolio managers, credit analysts, fintech product managers, and risk analysts. Secondary data has been collected from library records, books, newspapers, journals, magazines, and websites. Secondary data provides a detailed view of the problem statement. The study is descriptive and analytical in nature. For the analysis purpose, simple statistical tools like simple percentages, charts, graphs, frequencies, and one sample T tests are used.

A. Sampling Method

A sample of 36 financial sector professionals, i.e., portfolio managers, credit analysts, fintech product managers, and risk analysts, is chosen by cluster & snowball sampling, as a sample of respondents is drawn from a part of the population that is close at hand.

B. Statistical Tools Used

SPSS software version 21, is used to analyse the data. To analyse the data, descriptive tools are used, such as simple percentages, charts, graphs, frequencies, and one-sample T tests for analysing hypotheses

VIII. Results & Discussion

TABLE 1
GENERAL INFORMATION OF RESPONDENTS

Variables	Characteristics	No. of Respondents	Percentage
Gender	Male	26	72.22%
	Female	10	27.78%
Age Group	Below 30	2	5.55%
	31 to 35	12	33.33%
	36 to 40	18	50%
	Above 41	4	11.11%
Education	Graduation	12	33.33%
	Post-Graduation	24	66.67%
Monthly Income	Less than Rs.50,000	6	16.67%
	Rs.50,001 to 100,000	15	41.67%
	Rs.100,001 to 150,000	10	27.78%
	More than Rs.150,001	5	13.89%
District Wise	Shivamogga	12	33.33%
	Chikmagalur	10	27.78%

International Journal of Recent Development in Engineering and Technology
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	Hassan	14	38.89%
Types of Financial Institutes	Commercial Banks	16	44.44%
	Investment Banks	6	16.67%
	Credit Unions	8	22.22%
	Brokerage Firms	6	16.67%
Financial Sector Professionals of AI	Portfolio Managers	10	27.78%
	Credit Analysts	8	22.22%
	Fintech Product Managers	12	33.33%
	Risk Analysts	6	16.67%

Source: The data collected from the field survey.

Table 2
Do You Agree Gen Ai Is Important In Corporate Governance In Financial Services Sector

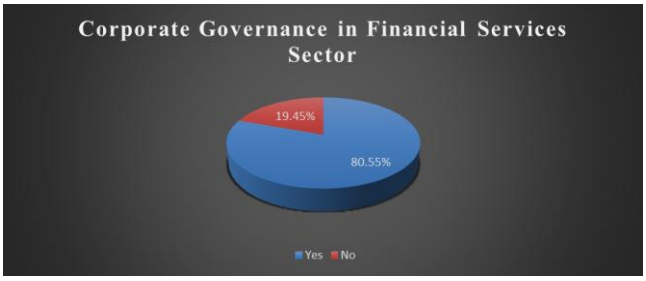
GEN AI is important Corporate Governance in Financial Services Sector	Response	No. of Respondents	Percentage
	Yes	29	80.55%
	No	7	19.45%

Source: The data collected from the field survey.

		Responses		Percent of Cases
		N	Percent	
GEN AI platforms	GenPF	23	16.2%	63.9%
	Zest AI,	28	19.7%	77.8%
	BuildBetter	22	15.5%	61.1%
	JPM Smart Monitor	26	18.3%	72.2%
	Xapien	20	14.1%	55.6%
	Others	23	16.2%	63.9%
Total		142	100.0%	394.4%

a. Dichotomy group tabulated at value 1.

Source: The data collected from the field survey.



Source: The data collected from the field survey.

Table 3
Which genai platforms are most preferable in financial services sector by financial sector professionals?

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
GEN AI platforms	36	100.0%	0	.0%	36	100.0%

Case Summary

a. Dichotomy group tabulated at value 1.

Source: The data collected from the field survey.

HYPOTHESIS 01:

HO: There is no significant impact of GEN AI on Corporate Governance in the Financial Services Sector.

H1: There is significant impact of GEN AI on Corporate Governance in the Financial Services Sector.

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Transparency & Explainability	36	3.9444	.75383	.12564
User-Focused Governance Response	36	3.8056	.78629	.13105
Fraud & Identity Security	36	4.0556	.89265	.14878
Service Quality & Chatbots	36	3.9444	.79082	.13180
Accuracy Checks	36	3.8056	.74907	.12485
Personalized Advice	36	4.0000	.89443	.14907
Fraud Detection And Compliance Monitoring	36	3.9167	.80623	.13437
End-User Confidence	36	3.7500	.73193	.12199

Plot Area

Source: The data collected from the field survey.

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One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference Lower	Upper
Transparency & Explainability	31.395	35	.000	3.94444	3.6894	4.1995
User-Focused Governance Response	29.039	35	.000	3.80556	3.5395	4.0716
Fraud & Identity Security	27.260	35	.000	4.05556	3.7535	4.3576
Service Quality & Chatbots	29.927	35	.000	3.94444	3.6769	4.2120
Accuracy Checks	30.482	35	.000	3.80556	3.5521	4.0590
Personalized Advice	26.833	35	.000	4.00000	3.6974	4.3026
Fraud Detection And Compliance Monitoring	29.148	35	.000	3.91667	3.6439	4.1895
End-User Confidence	30.741	35	.000	3.75000	3.5024	3.9976

Source: The data collected from the field survey.

Interpretation

The above table shows that all factors are significant and less than .05. Hence, it is observed that the GEN AI has a significant impact on corporate governance in the Financial Services Sector. The alternative hypothesis is thus accepted, and the null hypothesis is rejected. This finding suggests that organisations in the financial services sector may benefit from integrating GenAI technologies to enhance their corporate governance practices.

HYPOTHESIS 02

HO: The impact of GEN AI is insignificant across Financial Sector End-users of GEN AI platforms.

H1: The impact of GEN AI is significant across Financial Sector End-users of GEN AI platforms.

	N	Mean	Std. Deviation	Std. Error Mean
Data Quality, Privacy & Security	36	3.9444	.75383	.12564
Bias, Fairness & Discrimination	36	3.9444	.67377	.11230
Explainability & Transparency Limitations	36	3.7500	.76997	.12833
Hallucination & Unpredictable Behaviour	36	3.9444	.75383	.12564
Fraud, Adversarial Threats & Identity Risks	36	3.9444	.67377	.11230
Over-reliance & Algorithm Aversion	36	3.7500	.84092	.14015
Infrastructure, Cost & Technical Complexity	36	3.8611	.79831	.13305
Regulatory Uncertainty & Speed of Evolution	36	4.0000	.92582	.15430

Source: The data collected from the field survey

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference Lower	Upper
Data Quality, Privacy & Security	31.395	35	.000	3.94444	3.6894	4.1995
Bias, Fairness & Discrimination	35.126	35	.000	3.94444	3.7165	4.1724
Explainability & Transparency Limitations	29.222	35	.000	3.75000	3.4895	4.0105
Hallucination & Unpredictable Behaviour	31.395	35	.000	3.94444	3.6894	4.1995
Fraud, Adversarial Threats & Identity Risks	35.126	35	.000	3.94444	3.7165	4.1724
Over-reliance & Algorithm Aversion	26.756	35	.000	3.75000	3.4655	4.0345
Infrastructure, Cost & Technical Complexity	29.020	35	.000	3.86111	3.5910	4.1312
Regulatory Uncertainty & Speed of Evolution	25.923	35	.000	4.00000	3.6867	4.3133

Source: The data collected from the field survey.

Interpretation

The table above indicates that all factors are significant, with p-values less than .05. It can be observed that the impact of GenAI presents considerable challenges and technological drawbacks for financial sector professionals, including portfolio managers, credit analysts, fintech product managers, and risk analysts, while utilising GenAI platforms. Further exploration is necessary to identify specific areas where GenAI could potentially hinder efficiency or accuracy. Hence, it is observed that the alternative hypothesis is accepted, while the null hypothesis is rejected.

IX. FINDINGS

Study has given many insights on the two set objectives. They are highlighted below

1. The majority, i.e., 72.22% of respondents, are male and involved in the financial services sector, slightly outnumbering the females, who constitute the remaining 27.78%.
2. The majority, i.e., 66.67% of respondents, are postgraduates working as Portfolio Managers, Credit Analysts, Fintech Product Managers, and Risk Analysts, while the remaining 33.33% of respondents are graduates.
3. The majority, i.e., 38.89% of respondents, are named Hassan, while the remaining respondents include 33.33% from Shivamogga and 27.78% from Chikmagalur district.

4. The majority, i.e., 44.44% of respondents, belong to Commercial Banks, 22.22% of respondents are from Credit Unions, and the remaining 16.67% belong to Investment Banks and Brokerage Firms respectively.
5. The majority, i.e., 33.33% of respondents, are working as Fintech Product Managers; 27.78% of respondents are working as Portfolio Managers; 22.22% of respondents are Credit Analysts; and the remaining 16.67% of respondents are working as Risk Analysts.
6. The majority, i.e., 80.55% respondents felt the implementation of GEN AI is important in corporate governance in the financial services sector.
7. As per the data collected, the study has revealed that more than 77.8% and 72.2% of respondents prefer the GenAI platforms, i.e., Zest AI and JPM Smart Monitor, in the financial services sector to financial services end users, respectively.
8. The majority of respondents agreed that GEN AI is impacting corporate governance by enhancing efficiency, decision-making, and risk management.
9. The study observed that various factors influence how GEN AI affects Corporate Governance in the Financial Services Sector by providing numerous advantages for Financial Sector Professionals, including Transparency & Explainability, User-Focused Governance Response, Fraud & Identity Security, Service Quality & Chatbots, Accuracy Checks, Personalised Advice, Fraud Detection and Compliance Monitoring, and End-User Confidence. These advantages suggest a significant potential for GEN AI to enhance decision-making processes and operational efficiency within the sector. As institutions increasingly adopt these technologies, they will need to navigate the accompanying ethical considerations and regulatory challenges to fully realise the benefits.
10. Among the challenges highlighted in this study, Financial Sector Professionals i.e., portfolio managers, credit analysts, fintech product managers, and risk analysts, may encounter difficulties while using GenAI platforms. These challenges include issues related to data quality, privacy and security, bias, fairness and discrimination, limitations in explainability and transparency, hallucination and unpredictable behaviour, fraud, adversarial threats and identity risks, as well as infrastructure, cost, and technical complexity. Additionally, there are various technological drawbacks faced by Financial Sector Professionals in relation to corporate governance.

X. Suggestion

Analyses, interpretations, and findings revealed that the study suggests that organisations in the financial services sector should focus on integrating GenAI technologies to enhance their corporate governance practices. This could lead to improved decision-making processes, increased transparency, and more effective risk management strategies. The implementation of GenAI technologies could foster a culture of accountability and innovation, enabling firms to adapt swiftly to regulatory changes and market demands. This transformation may contribute to a more resilient financial ecosystem, where stakeholders can place greater trust in the governance frameworks of these organisations. Companies should provide transparency and disclosure when using GenAI in chatbots, robo-advisors, or customer service tools, explaining how AI is used and its limitations, including the risk of "hallucinations." Ethical use and fairness are essential, with governance frameworks addressing bias mitigation, data privacy, equality of treatment, and non-discrimination. Corporate governance, which includes dashboards, audit trails, and feedback systems, expects risk monitoring and continuous improvement. The financial services sector should educate their customers so they are informed about data collection reasons and storage with GenAI vendors and have clear processes for contesting or reviewing AI-generated decisions. Providers should proactively educate customers about AI's capabilities and limitations using FAQs or user guides.

XI. Conclusion

Corporate governance, in the age of GenAI, is revolutionising the financial services sector by improving customer interactions, streamlining operations, and enhancing risk management. However, it also introduces challenges like data bias, algorithmic opacity, and regulatory compliance. Financial institutions need to develop comprehensive governance frameworks to address these issues proactively, ensuring responsible and sustainable use of AI. GenAI's impact is multifaceted, fostering trust, promoting responsible innovation, and ensuring compliance with evolving regulations. Ethics guidelines and transparency are essential for AI development and deployment; they emphasise transparency, accountability, and fairness.

Collaboration and continuous monitoring are crucial for effective AI governance, aligning with corporate objectives and societal values. Non-financial risks, such as reputational and operational risk, need careful consideration and proactive management. The financial sector must adapt to evolving AI regulations, such as the EU's AI Act, and develop robust governance frameworks to address potential compliance challenges. In conclusion, the integration of GenAI into financial services presents both opportunities and challenges. By adopting a proactive and comprehensive approach to AI governance, financial institutions can harness the revolutionary effects of GenAI while mitigating risks and building a more sustainable and trustworthy financial ecosystem. A robust corporate governance framework, characterised by dashboards, audit trails, and feedback systems, is essential for transparency and accountability in AI applications. In addition, providers play a significant role in demystifying AI's capabilities and limitations through accessible resources like FAQs or user guides. By integrating these elements into a comprehensive strategy, stakeholders can foster an environment where AI technologies are not only innovative but also equitable and trustworthy.

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