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KEY QUESTIONS ABOUT CHATBOTS FOR BANKING ANSWERED: Q&A GUIDE FROM YALANTIS

To help you get the gist of AI chatbots for banks, we've gathered the most common questions our customers and partners ask on this topic and are ready to share the answers.

WHAT'S IN THIS Q&A GUIDE?

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1. WHAT EXACTLY ARE AI BANKING CHATBOTS?

Banking chatbots are virtual assistants that use artificial intelligence technologies to have conversational interactions with bank employees and customers. Most often, they leverage generative AI (GenAI) techniques to generate new responses for each query rather than relying on predefined scripts.

2. WHAT MAKES AI-POWERED CHATBOTS STAND OUT?

AI technology elevates chatbots with:

- **natural language processing** for better understanding of user inputs and questions

- **machine learning (ML)** for improved accuracy in intent recognition and response ranking

- **large language models** like OpenAI's GPT for strong language capabilities while maintaining the conversational flow

- **contextual awareness** for personalized and relevant responses to ongoing dialogue and the user profile

The result is an intelligent, nuanced, and human-like conversational experience.

3. WHY ARE CHATBOTS A VALUABLE AI APPLICATION?

The following aspects shape AI chatbots' value:

- **Generative AI foundation**

  Powerful AI chatbots are typically built on large language models (LLMs) like OpenAI's GPT or Google's PaLM — key technology powering many generative AI systems. Trained on massive text data, LLMs are designed to generate text that is coherent, nuanced, and often indistinguishable from human writing.

- **Text generation capability**

  The ability of LLMs to process abundant text data and generate human-like language makes text generation a valuable application in generative AI. Chatbots are a prime example of how this capability can be effectively implemented.

- **Investment focus**

  As text-based AI applications, chatbots can process, analyze, and generate text for a wide range of business applications (which we'll cover later). This capability of text-based applications puts them at the forefront of investments in generative AI according to McKinsey.

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4. WHAT TASKS CAN AI CHATBOTS TACKLE?
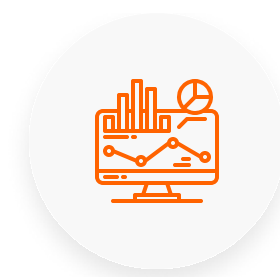
AI chatbots are great at:

| Classifying data | Editing | Generating new content like text or images | Summarizing | Answering questions |

Using a large language model, AI chatbots transform text from bank documents into natural language for bank employees working with customers.

5. WHY THE WIDESPREAD ADOPTION OF AI CHATBOTS IN FINANCE?

The financial industry has been using AI for quite some time, but the **buzz around AI, especially generative AI, skyrocketed** with the convenience of tools like OpenAI's ChatGPT. Now, banks are rolling out AI for wider use.

For example, **Morgan Stanley's** virtual assistant, powered by GPT-4, marked the start of the generative AI era on Wall Street. It saves time for advisors and customer service staff by answering questions about markets, recommendations, and internal processes, allowing Morgan Stanley employees to focus more on engaging with clients.

6. WHAT BENEFITS DO BANKS GAIN FROM AI CHATBOTS?

Generative AI technologies that fuel chatbots can help banks:

- **increase revenues** by personalizing services for both employees and customers
- **reduce operational costs** through higher automation, lower error rates, and more efficient resource use
- **identify new revenue opportunities** by more effectively processing and generating insights from vast amounts of data

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7. WHERE SHOULD BANKS START USING CHATBOTS?

While some banks already offer chatbots to customers, **many are initially focusing on internal applications**, like maintaining regulatory compliance and onboarding employees.

Why so?

One reason is that many banks worry about confidential data leaking out through public systems.

On the other hand, **internal chatbot applications, like employee support, have less public exposure and lower sensitivity**. For example, if a chatbot makes a mistake during employee onboarding, the impact is usually less severe than in a customer-facing scenario.

Starting with chatbots for internal applications allows banks to:

- experiment and refine chatbot technology in a more forgiving environment
- achieve immediate efficiency and cost savings
- pave the way for more complex customer service use cases in the future

8. WHAT ARE THE MAIN USE CASES OF AI CHATBOTS IN BANKING?

AI banking chatbots can be used for specific purposes, including:

- maintaining consistent policy and procedure guidance
- streamlining global team communication
- enhancing employee knowledge and retention
- improving resolution speed of customer queries
- assisting in code development

Learn about each use case in our in-depth article on the top applications of banking chatbots and the value they bring to businesses.

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