Attachment 1: Summary of FSC Survey Results on AI Applications by Financial Institutions and Peripheral Institutions

Section 1: AI Applications

I. AI usage across the financial industry sectors:

1. Approximately 44% of banking institutions, 23% of securities and futures firms, and 46% of insurance companies are currently using AI. The figures for 2024 were 41%, 18%, and 43%, respectively. This shows that there was a modest increase in AI use across all sectors in 2025.
2. Overall, about 43% of peripheral institutions were using AI, a decrease from 53% in 2024. This decline is attributed to the inclusion of four new organizations in this year's survey—the Trust Association of the R.O.C., the R.O.C. Bills Finance Association, the Non-Life Insurance Association of the R.O.C., and the Life Insurance Association of the R.O.C. —none of which was using AI. This brought the overall percentage down.
3. **Among the sub-sectors of the financial industry, banks had the highest AI adoption rate at approximately 87%, followed by life insurance companies at 67% and property insurance companies at 45%. The rates for 2024 were 74%, 62%, and 50%, respectively.**

II. Top three objectives for AI adoption by institutions:

1. Enhance operational efficiency and productivity: 30%
2. Reduce manpower costs: 18%
3. Improve customer experience: 15%

III. Top three areas where AI is being primarily deployed:

1. Internal administrative operations: 27%
2. Intelligent customer service: 19%
3. Know-your-customer (KYC) and financial crime prevention: 14%

IV. Top three AI technologies primarily utilized by institutions:

1. Natural Language Processing (NLP)/Large Language Models (LLM): 31%
2. Machine Learning: 28%
3. Robotic Process Automation (RPA): 23%

V. Level of automated decision-making by AI systems (top three ranges):

1. no automated decision-making: 43%
2. ~25% automated decision-making: 40%
3. 25%~50% automated decision-making: 12 %

VI. Risk management frameworks adopted to govern AI:

1. A majority of institutions (53%) reported that they continued to operate under existing risk management frameworks without establishing new ones.
2. 18% of institutions indicated that they were planning to establish or adjust existing risk management frameworks.
3. 16% of institutions stated that they had specifically developed new risk management frameworks for AI.
4. 13% of institutions stated that they had incorporated AI risk management mechanisms into existing risk management frameworks.

VII. Has a senior executive, committee, or other appropriate means been designated to oversee and manage AI system usage?

1. Yes, by designating senior executives or establishing committees: 75%
2. No: 25%

VIII. Are regular or ad-hoc tests applied to test AI systems for model drift?

1. Yes: 84%. The vast majority of institutions reported that the frequency of such checks depends on the type and risk level of the task for which AI has been deployed.
2. No: 16%

IX. Have common principles been drafted to ensure the transparency and interpretability of AI systems at each stage of their lifecycle?

1. Yes: 46%
2. No: 54%

X. Was the AI system developed in-house or by a third party:

1. Mostly developed by a third party: 39%
2. Mostly developed in-house: 31%
3. Both (nearly equally): 30%

XI. If developed by a third party, which services were primarily involved? (top three responses)

1. Models: 48%
2. Cloud: 27%
3. Other: 16%, with services commissioned based on individual company needs

XII. Major factors for evaluating collaboration with external AI systems vendors (top three responses)

1. Vendor stability and operational capabilities: 29%
2. Compliance risk: 26%
3. Information security and data privacy: 26%

XIII. What AI solutions are most needed from external AI system vendors? (top three responses)

1. Risk control (e.g., fraud detection): 27%
2. Customer service and marketing (e.g., AI chatbots and intelligent recommendations): 27%
3. Compliance monitoring: 22%

XIV. Have expected benefits been achieved from AI usage?

Approximately 55% of institutions stated that the situation is improving. A further 34% indicated that AI applications have achieved their expected benefits. A minority of institutions (11%) stated that it was currently difficult to assess.

XV. Attachment 2 provides a summary of AI applications that financial institutions are willing to disclose externally.

Section 2: Generative AI Applications

I. Usage Rate: Among 126 institutions currently using AI, 61 or approximately 48%, are using generative AI technology (The figure for 2024 was 27%.).

II. Areas where generative AI is primarily used: (top three responses)

1. Internal administrative operations: 39%
2. Intelligent customer service: 15%
3. Other: 14%, mostly for M365 Copilot or training purposes.

III. Major challenges faced when utilizing generative AI to provide financial services: (top three responses)

1. Instability, inaccuracy, or output errors: 32%
2. Data security and privacy issues: 21%
3. Compliance issues: 18%

Section 3: Future plans

I. Are there future plans to introduce AI applications? (If AI is already in use, are there plans to expand its application to other areas?)

The survey showed that 179 institutions, or 47% of all 383 surveyed financial institutions, indicated that they had plans to introduce or expand the use of AI.

II. Areas where financial institutions plan to further introduce AI in the future: (top three responses)

1. Internal administrative operations: 23%
2. Intelligent customer service: 20%
3. KYC and financial crime prevention (including fraud

prevention, identity verification): 9%

III. Areas where industry collaboration can drive development: (top three responses)

1. AI technology application for fraud prevention: 31%
2. Localized Large Language Models for the financial industry: 26%
3. Risk management: 16%

IV. Reasons cited by institutions for not currently considering AI adoption: (top three responses)

1. No immediate business necessity: 30%
2. Cost considerations: 19%
3. Lack of technology or specialized personnel: 18%