OP FinReg Agent – Proof of Concept

Executive summary + PoC demo

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Why? – Synthetic Business Challenge

- The volume and complexity of ESG regulatory requirements are **rising** at an **unprecedented pace**.

- OP Financial Group's Compliance & Regulatory Affairs Team's ability to absorb and process incoming documentation is constrained, which **slows decision-making** and **heightens** the **risk of errors**.

- By leveraging **AI-enabled automation**, we can allocate our compliance resources more intelligently and **accelerate** the entire review process.

What? – Solution

- **OP FinReg Agent**

  1. Ingest Reports

     - Automatically receives incoming supervisory documents (e.g., interim reports)

  2. Analyze & Benchmark

     - Parses the report's ESG-related sections
     - Compares findings against Fin-FSA ESG regulations and the EBA's ESG guidelines

  3. Generate Actionable Feedback

     - Lists any ambiguities or conflicts found in the report
     - Proposes recommendations grounded in current regulatory requirements and best-practice guidelines

     -> Demo!

How?

- You can find the detailed process flow diagram in our project's GitHub repository:
- https://github.com/RaudelWeb/OP-FinReg-Agent

Projected Annual Impact – Production

- **Time savings:** ~2 000 hours/year → ~1.12 FTE (based on 1 789 h annual work time in Finland)

- **Salary cost reduction:** ≈ €110 000 saved (1.12 FTE at €99 282/year)

- **Error-rework avoided:** ~48 h saved (5 % manual error rate; AI cuts rework by 60 %)

- **Regulatory fine prevention:** Avoid one average ESG penalty (~€3 M / $3.29 M)

- **Non-compliance cost avoidance:** Up to $14.82 M per year

- **Cycle acceleration:** Review time halved (8 → 4 weeks), speeding decision-making

Core Assumptions

- **Report volume:** 200 ESG-related reports annually (4 quarterly + 16 ad-hoc)
- **Manual review time:** 20 h/report → with AI: 10 h/report
- **Working hours:** 1 789 h per FTE per year in Finland
- **Salary basis:** €99 282 / year gross (€48/h) for a Compliance Officer
- **Error rate & rework:** 5 % manual error → 10 reports × 8 h rework; AI delivers 60 % error reduction
- **Regulatory penalty benchmark:** Global average fine of $3.29 M per ESG non-compliance incident (80 fines totalling $263 M H1 2024)
- **Non-compliance cost:** Average $14.82 M annual cost of non-compliance (Ponemon and Globalscape, 2017)

Investment

- **Basic (GPT-3.5-Turbo)**: ≈$1 008 /yr (288 M tokens @ $0.002/1 K)
- **Advanced (o3-mini)**: ≈$1 584 /yr (288 M tokens @ $1.10 input + $4.40 output per 1 M)
- **Azure AI Search (Std S1)**: $245.28 /mo → ≈$2 943 /yr
- **Azure Blob Storage (100 GB Hot LRS)**: $0.018 /GB·mo → ≈$22 /yr; other Azure services negligible
- **Total Annual Run Cost**:
- Basic: ≈$3 973 /yr
- Advanced: ≈$4 549 /yr
- **Technical Investment**: €20 K–€60 K for PoC/MVP; €50 K–€500 K+ for full production
- **Key Assumptions**: 10 compliance users; 200 reports/yr; ~5 analyses/user·hr; ~3 000 tokens/analysis; 20 days/mo

PoC Development Focus Areas

- **Web Interface**
  - Build a user-friendly web UI for submitting reports, reviewing AI analyses, and managing workflows.

- **Expanded Indexing**
  - Ingest and index additional document types (e.g. regulatory filings, policy documents, historical reports).

- **Prompt Engineering & Validation**
  - Work closely with compliance stakeholders to iterate on prompt design and validate AI outputs against business requirements.

- **Finer-Grained Chunking**
  - Split documents into smaller units (e.g. by legal clause) and implement custom Azure Cognitive Search skills for precise retrieval.

- **Fine-Tuned Model Evaluation**
  - Assess the viability of a task-specific, fine-tuned LLM—particularly for large, stable corpora—to reduce inference costs.

- **Next Steps & Metrics**
  - Define PoC success criteria (accuracy, throughput, user satisfaction) and establish a roadmap for scaling to production.

Thank you!

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