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AFIA URGES GOVERNMENT TO ADOPT SUPPORTIVE AI FRAMEWORKS TO UNLOCK BILLIONS IN ECONOMIC GROWTH

The Australian Finance Industry Association (AFIA) has today called for a balanced approach to regulation of artificial intelligence (AI), warning that overly restrictive rules could undermine the innovation and productivity needed for the finance industry to unlock up to \$60 billion in economic growth by 2035.

A new report commissioned by AFIA and conducted by King & Wood Mallesons and Sapere highlights the transformative potential of Generative AI, with adoption across the finance industry expected to double in the next three years. The technology is expected to drive significant productivity gains, optimise operations, and improve customer experiences through applications such as streamlined document processing, personalised communications and automated quality assurance.

The report shows that while AI adoption is not new to the finance industry, Generative AI represents a step change in capability. However, AFIA warns that premature or overly restrictive regulation could constrain these benefits and urges policymakers to avoid blanket regulatory approaches that risk stifling investment and innovation.

“AI has the power to significantly enhance the Australian finance industry, driving efficiency, better experiences for customers and giving local finance firms a competitive edge globally,” AFIA CEO Diane Tate said.

“We must harness the power of AI to unlock productivity gains across the economy, particularly as we look to boost innovation, lift economic growth and strengthen Australia’s position in the global finance industry landscape.

“Heavy-handed or premature regulation will stifle efficiency, deter investment, put a handbrake on growth and productivity, and undermine our global competitiveness.

“AI doesn’t just have advantages for financial firms, but also for customers. People increasingly expect efficiency, simplicity, and speed from their financial providers – they want less complexity and more clarity, and AI can help deliver that.”

AFIA is calling on government and regulators to partner with industry to co-develop practical, adaptive frameworks that support responsible AI use without curbing the economic and operational benefits.

“AFIA has a proven track record of successfully working with policymakers to positively shape the finance regulatory environment, and we’re ready to do the same with AI,” Ms Tate said.

As part of the research, King & Wood Mallesons and Sapere surveyed participants in the Australian finance industry, including banks, finance companies, fintechs, providers of vehicle and equipment finance, car rental and fleet providers, and other service providers.

Key findings from the report include:

- **AI adoption and impact:** The Australian finance industry has used Narrow AI for decades, and its adoption of Generative AI is set to double over the next three years. This is expected to bring significant productivity gains to the Australian economy, particularly in areas like employee productivity and process automation.
- **Economic impact:** AI leaders (being those willing to invest in the opportunities presented by Generative AI) will reap most of these productivity savings and will find Generative AI to be a source of competitive advantage. The benefits will also cascade into other industries – in particular, government, trade, business services and manufacturing. In a low adoption scenario, the finance industry’s adoption of Generative AI is projected to add \$37.2 billion to Australian GDP by 2035. In a high adoption scenario, it will add \$59.5 billion. This would be a significant increase to GDP arising from the industry-led adoption of a particular technology in one sector, and which (subject to the below) does not necessarily require structural regulatory reform by the Australian Government.
- **Generative AI's role:** Generative AI is expected to enhance operations such as information collation and document review, personalised marketing, and quality assurance. While its adoption is not yet widespread, it holds great potential for revolutionising the finance industry.
- **Governance and risk management:** A robust AI governance framework is essential for managing the risks associated with AI. This includes creating an AI strategy, risk assessments, and reporting processes to ensure responsible AI deployment.
- **Regulatory considerations:** The report emphasises that AI regulation should address specific gaps in existing laws, rather than impose blanket regulations, noting that the finance industry is highly regulated with existing laws, regulations and standards applying to AI deployment.

A copy of the report can be downloaded [here](#).

ENDS

Note to editor:

- **‘Narrow AI’** - that being AI that typically provides a ‘point’ solution for a particular use case, such as decision-making based on predetermined algorithms and rules.
- **‘Generative AI’** - that being AI that generates new content based on training data in response to prompts.

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ABOUT AFIA

AFIA is the only peak body representing the entire finance industry in Australia.

We represent over 150 members, including bank and non-bank lenders, finance companies, fintechs, providers of vehicle and equipment finance, car rental and fleet providers, and service providers in the finance industry. We are the voice for advancing a world-class finance industry and our members are at the forefront of innovation in consumer and business finance in Australia. Our members finance Australia’s future.

We collaborate with our members, governments, regulators, and customer representatives to promote competition and innovation, deliver better customer outcomes and create a resilient, inclusive and sustainable future. We provide new policy, data and insights to support our advocacy in building a more prosperous Australia.