

**To the Members of the Academy of Finance and Readers of the Special Issue on AI in finance in the Journal of Finance Issues,**

Welcome to the special issue on Artificial Intelligence in finance of the *Journal of Finance Issues* (Volume 23, Number 2). We are excited to present a collection of timely and impactful research that addresses various facets of the impact of artificial intelligence (AI) on finance issues. Our commitment remains to publish high-quality work that advances both academic understanding and practical application in the finance discipline.

This issue features four insightful papers:

First, **“The Role of AI in Fraud Detection: Are financial institutions using the most effective systems?”** by **Hoje Jo, Hien Bui & Damon Moreland**, examines the implementation of AI in fraud detection and prevention. While AI enhances fraud-fighting capabilities and offers significant cost savings, it also presents challenges—such as model interpretability, ethical concerns, and regulatory compliance. A flaw in these systems can result in severe penalties, underscoring the need for human oversight. Compliance officers, fraud analysts, and auditors play a crucial role in reviewing flagged anomalies, validating AI decisions, and handling complex or ambiguous cases. The paper stresses the importance of integrating AI with human oversight to ensure transparent, effective, and compliant fraud prevention within the U.S. financial system.

Second, **“Strategic Reinsurance and Explainable AI,”** by **Sampan Nettayanun and Eric R. Brisker**, empirically investigates the strategic factors influencing reinsurance purchase decisions in the property and casualty (P&C) insurance industry using the Shapley Additive exPlanations (SHAP) framework—an explainable AI (XAI) tool. Key determinants, including financial metrics, competitive dynamics, and industry demand, are analyzed to assess their impact on varying levels of reinsurance ceding. The SHAP analysis ranks these factors by their relative influence, uncovering both straightforward and complex relationships between determinant values and ceding behavior. For example, increased underwriting in a specific product line may reduce the incentive to hedge further within that line. The study also incorporates a machine learning–based significance test to evaluate the impact of each determinant on reinsurance decisions, offering a robust and interpretable framework for understanding insurer behavior.

Third, **“The Effect of AI on CSR and ESG Ethics,”** by **Hoje Jo**, examines how the integration of Artificial Intelligence (AI) into business operations is transforming industries and improving efficiency, while simultaneously introducing complex ethical challenges—particularly in the context of Environmental, Social, and Governance (ESG) principles. As AI adoption accelerates, businesses must carefully balance technological innovation with ethical responsibility. The paper examines how AI can contribute to sustainability, social equity, and governance improvements, while also addressing potential risks, including algorithmic bias, data privacy concerns, and the environmental impact of AI infrastructure. It emphasizes the need for ethical AI design, transparent governance, and adherence to ESG standards. Ultimately, the study advocates for robust frameworks to ensure AI contributes positively to societal well-being and aligns with the core values of corporate responsibility and sustainable development.

Fourth, the last, but not the least, **“AI Mistakes in the Classroom,”** by Jaime E. Peters and Tara L. Gerstner, offers a unique perspective on AI's role in education by examining cases where its integration into academic assignments has failed to meet expectations. The paper discusses how these shortcomings conflict with the principles of Connectivism, highlighting the importance of providing clear instructional guidance, ensuring equitable access to technology, and providing adequate training for students. It highlights the crucial role educators play in enabling students to engage effectively and meaningfully with AI tools in academic contexts.

I extend my sincere gratitude to all the anonymous reviewers whose rigorous and insightful feedback is indispensable to maintaining the quality of our publications. Their dedication ensures the scholarly integrity and relevance of each article.

I would also like to express my most profound appreciation to our main editor, Olgun, and Associate Editors, Larry, David, and Won. Their tireless efforts, expertise, and commitment to the peer review process are crucial to the journal's smooth and effective operation. Their contributions are invaluable in bringing high-quality AI research to our readership.

We hope you find this special issue of the AI usage in finance informative and thought-provoking.

Sincerely,

Hoje Jo

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