



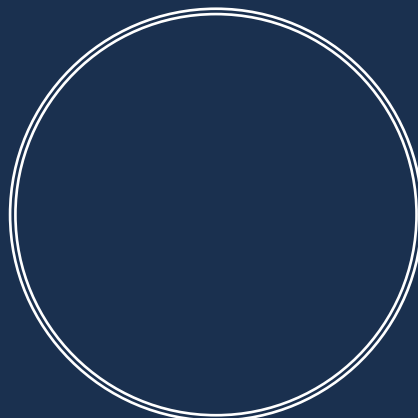
**THE
GLOBAL
CITY**

In association with



Financial & professional services:
**The future of AI
& the workforce**

City of London Corporation & KPMG
June 2024



Foreword

In recent months, the sudden and very public exposure of generative Artificial Intelligence (AI) has created immense debate about the broader good, and potential risks, that AI and Machine Learning can bring to society and the economy. From the overall questions of ethics and governance to sector-specific applications for innovative new use cases, the UK stands to be a global leader in this transformational new technology.

Yet, as we stand on the precipice of a Fourth Industrial Revolution, marked by the rapid integration of AI and automation into our businesses, it is imperative that we pause to assess the implications of these transformative technologies on our workforce.

It is always our shared aim to ensure that our Financial and Professional Services (FPS) sector be the best-in-class, driving UK plc, creating the wealth and jobs that support the economy and public services. That is why in our Vision for Economic Growth, the City of London Corporation highlighted the need to be a digital-first economy which leads on AI and machine learning. It is why we are doing lots of work on AI to understand the opportunities, wider economic and societal impacts, regulatory and ethical considerations.¹

Our UK financial and professional services industry is world-leading and globally respected. The UK tech ecosystem is widely considered one of the best in the world and this keeps global talent coming to innovative UK companies. The UK fintech sector attracts more than three times the investment in France, Germany, Hong Kong, Japan and Singapore combined, and globally ranking second only to the US². According to our recent report *AI - Accelerating Innovation*, the FPS sector is a leader in AI adoption and the UK is well-positioned to be a global leader in AI, with the third highest AI private capital behind the US and China³. However, there is a national tech skills gap.

The Financial Services Skills Commission's recent *Skills for the future of Financial Services 2024* notes

that machine learning/AI has the biggest supply-demand gap for its members⁴. At the same time, recent Government reports highlight high levels of exposure to the FPS sector – Finance and Insurance being the most exposed industries⁵. Jobs will change, and skillsets will need to adapt.

To date providing that granular understanding of how AI and automation will impact the FPS sector by subsectors, business functions and even tasks has been wanting. Without a better understanding of how it is already impacting the sector, we stand little chance of harnessing its great potential to improve our productivity, our innovation, and critically, our people.

That is why we are pleased to be publishing this report. With a more detailed look at current and potential future use cases for our sector specifically, we can begin to understand which tasks could increasingly be automated, and in turn spot where skillsets and opportunities for the years to come will be realised. By undertaking a comprehensive assessment of AI impacts on our workforce, we reaffirm our commitment to building a future where innovation serves as a catalyst for prosperity, equality, and inclusive growth.

I recommend this report to all those who share in our vision for a UK workforce that is not only prepared for the challenges of tomorrow but poised to seize the opportunities of today.



Chris Hayward

Policy Chairman of the City of London Corporation

The AI journey so far...

As a young Computer Science undergraduate in the '80s, the terms machine learning and AI, as well as robotics, were already in regular use, and we were taught the basic concepts. However, the actual application of these to anything affecting everyday life was still very much a part of the science fiction films enjoyed at the campus cinema. After all, this was still the time of 'bleepers', PCs with fixed keyboards and green screens, and the BBC computer – feels like light years away from today.

Behind the scenes, academics and research departments have continued to develop in the AI sphere, moving at pace, but without significant impact on the general public or workplace.

Generative AI has now exploded into our business sphere, promising substantial benefits to efficiency and cost, removing those administrative tasks we are regularly burdened with, and freeing us up to think innovatively and grow faster. It is an exciting opportunity and set to speed up the technology revolution.

Many CEOs have welcomed this new technology, encouraging organisations to embrace it and apply it wherever possible, and at speed – sometimes without fully understanding the full impact, or the associated risks.

Don't get me wrong – there is much to be gained by embracing AI, but we need to do so in a measured way, ensuring we are enabling employees to understand and exploit the new technology without introducing risk to our businesses.

30 years ago, outsourcing was the nirvana for processing efficiency and it seemed we would all work a 3 day week, retire at 50, and operate in a paperless environment. With a strategic approach to the adoption of AI, hopefully we can actually make some of these things a reality!

Mel Newton,
KPMG Partner, FS People Consulting

The evolution of AI...

1956

Artificial intelligence

The field of computer science that seeks to create intelligent machines that can replicate or exceed human intelligence

1997

Machine learning

Subset of AI that enables machines to learn from existing data and improve upon that data to make decisions or predications

2017

Deep learning

A machine learning technique in which layers of neural networks are used to process data and make decisions (these are called transformers)

2021

Generative AI

Create new written, visual, and auditory content given prompts or existing data. For example, Large Language Models like ChatGPT

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Introduction

AI has become an important element of the workforce transformation journey, creating endless possibilities to change the way business is conducted. Whilst it continues to be the headline topic for many, its impact on the workforce continues to be speculative.

The purpose of this report is to take a closer look at the expected impact of AI on the FPS as a whole, as well as sub-sectors inclusive of retail banking, fintech, challenger banks, investment banks, asset managers, insurance and legal services. With this in mind, we discuss what employers should consider to maximise the benefits of AI within their organisation.

Although AI is not new to the FPS sector, the recent explosion of generative AI has, for the first time, seen knowledge work (work requiring an element of thinking) automated. Until recently, this type of work was thought to reside exclusively in the human domain.



GenAI will transform nations, sectors, companies and individuals – at pace. This report by the City of London Corporation and KPMG is leading the debate. Considering how to capture the value of AI, manage its risks, partner for success and still hold trust with our people and our teams is the biggest challenge of the 2020s.”

David Rowlands
KPMG Partner,
Global Head of AI

There is, understandably, a degree of unease about the potential impact of generative AI. Yet in the course of the last thirty years, comparable levels of disruption have been wrought by technological advancements in computing power and – most importantly – the internet. While these changes have reduced the demand for some skillsets (such as bookkeeping and certain secretarial services) they have created vast and important efficiencies and new roles.

The impact of AI on the FPS sector is particularly exciting as it presents an opportunity to address many of the workforce challenges the growing sector is facing.

Research by the ONS shows that the number of unfilled vacancies in the FPS sector is growing⁶ and the demand for technical and behavioural competencies outstrips their supply to the tune of 20 percent and 25 percent, respectively.⁷

In addition, 64 percent of employees say they lack the energy needed to do their jobs⁸, and 70 percent agreed that they would delegate as much work as possible to AI to lessen their load.⁹

Overall, the FPS sector is struggling to attract and retain the talent needed to deliver, and colleagues within the industry report increasingly high workloads with long-term sickness and stress-leave at their highest rates ever¹⁰.

This points to two key considerations. The first is that the skills required by organisations are changing – the World Economic Forum (WEF) has projected that 44 percent of workers' core skills will change within five years¹¹ and FPS firms should be supporting colleague skill development in this vein.

The second is that the workforce is overstretched. Productivity in the sector may be on the rise, but there remains a significant opportunity to lighten the burden placed on colleagues and leverage new developments in AI to enhance the way work is done, freeing up time for higher-value activities and driving growth.

The advancements of AI create an exciting new stage in the digital revolution. It is here to be harnessed and will accelerate the pace of workforce transformation – bringing many benefits to employers, employees, and customers. While the specifics of this future workforce are unclear, the use of AI will be extensive, with workers focused more on collaboration and adding value.

Firms in the FPS sector should be focused on what they can and need to be doing in order to optimise the adoption of AI or the benefit of the workforce as well as shareholders.



Key findings

1

Adoption

Adoption of AI within the FPS sector in the UK has been in line with the maturity and caution of a highly regulated sector, with demand for AI skills increasing from a relatively low base. As organisations develop infrastructure & controls that can responsibly scale Generative AI solutions, and the regulatory landscape becomes clearer and better understood, adoption is set to increase substantially.

2

Risk

As Generative AI is data-driven with a degree of autonomy, it poses serious risk if not managed correctly. Complexity of legacy systems and data quality, cost-consciousness, ethical concerns such as data privacy and explainability, the regulatory environment, operational risks and hallucinations, and the potential impact on employee engagement and culture all contribute to a complex array of risks to be considered and managed.

3

Opportunities

Projections indicate that in the short term (one year), the FPS sector could experience a 12 percent uplift in productivity by adopting available and relatively easy-to-implement AI solutions. Over five years, provided AI is fully integrated and put to maximum advantage, the gains could be as high as 50 percent. The greatest long-term opportunity for AI powered growth in the sector resides in hyper-personalised products and expansion into new markets and demographics.

4

Skills

While overall the number of FPS job postings that include AI skills is relatively low, we are seeing rapid growth in the demand for certain skills (e.g. 150x for generative & conversational AI) as well as growth in demand for skills required to support AI work. The current supply of relevant skills in the UK workforce does not meet current demand levels, even less so the anticipated requirement of the near future. Research suggests that delivering training on using AI generates an immediate observable benefit on productivity; it's highly commercial and low risk for companies to mobilise quickly in AI training provision.

5

Talent

While AI may be able to augment and replace many tasks, it will also create new jobs for people requiring new skills. With the cost of recruitment in the FPS sector so high and the reality that many of the AI and AI-adjacent skills of the future are still relatively new and not yet prevalent in the labour market, employers should consider bridging the AI knowledge gap via training and development rather than by looking to recruit AI talent in the scarce and highly competitive marketplace.

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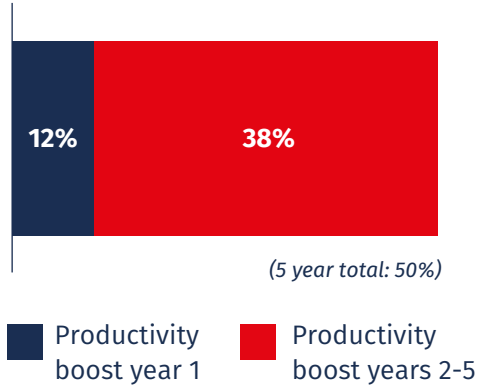
Policy

Whilst the regulatory landscape is developing, it's important for companies to show leadership in the development of AI governance and contribute to the dialogue. In relation to the national market for talent, the UK is adopting special visas in the short term to supply AI skills from abroad and investing in education provision and apprenticeships to meet longer term demand domestically. It is critical for public, private and educational institutions to work together so the UK workforce can capitalise on this historic opportunity.

Key findings: The numbers

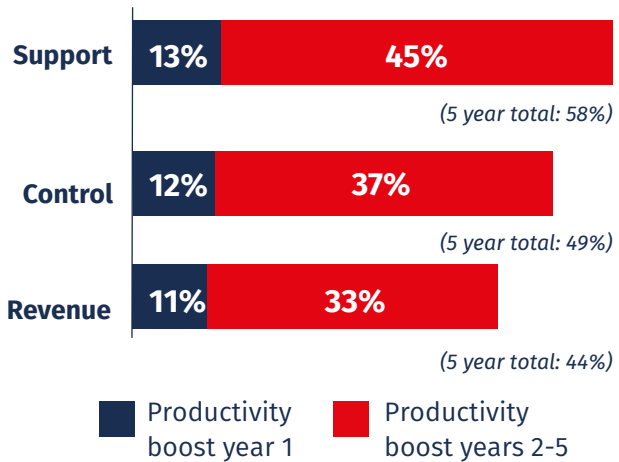
50% | Projected FPS sector productivity boost by 2030

Our research suggests the FPS sector could see an increase in productivity of 12 percent over the next year if firms implement and adopt “general augmentation” AI product firmwide, and 50 percent over the next five years if all opportunities for AI enhancement of current business operations are taken (see Appendix for methodology).



58% | Productivity boost for support functions over 5 years

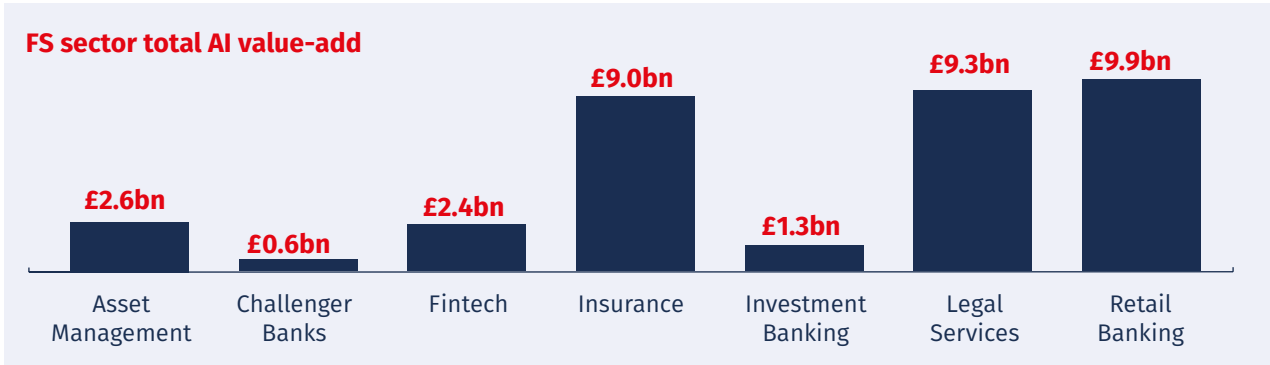
Support functions are projected to have the largest capacity to leverage AI to improve productivity. The ongoing importance of relationships and customer interaction in Revenue functions underpins lower projected levels of workforce impact by AI. Control functions productivity boost is limited by the need of draft, interpret, and enforce policies and controls.



£35bn | Projected AI driven value-add to FPS sector by 2030

Based on the size of the sector, AI adoption can add significant value through productivity gains, enabling growth in new markets, and product development.

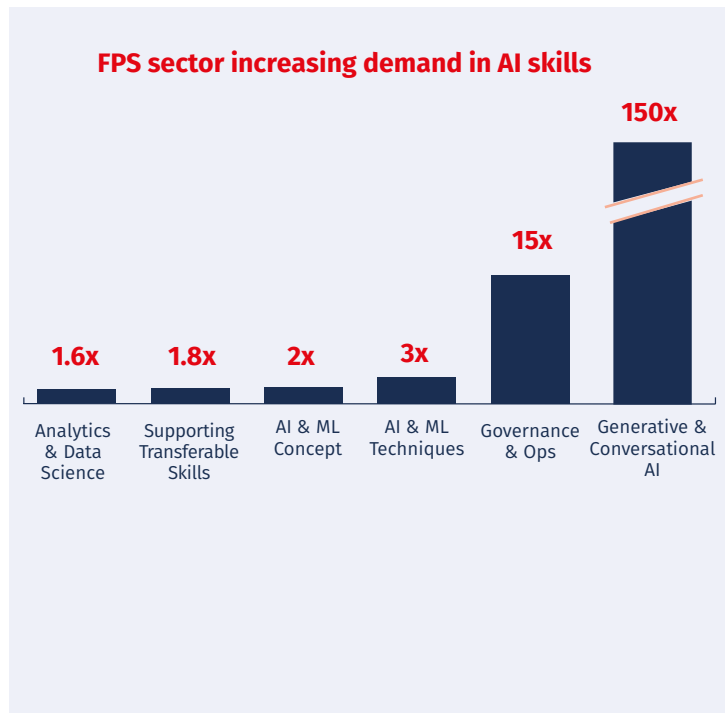
Value will be realised across the FPS sector, with retail banking, insurance and legal services benefitting the most based on projected AI adoption.



150x | Increase in demand for generative and conversational AI skills since 2021

While overall the number of job postings across the FPS sector that include AI skills is relatively low, we are seeing rapid growth in the demand for certain AI skills (e.g. 150x for generative & conversational AI) as well as growth in demand for skills required to support AI work.

Looking across FPS sectors, fintech and challenger banks have the highest demand for AI skills, whilst the demand for AI skills is growing the fastest within legal services and retail banking. Overall the demand is relatively low, ranging from 1.2 - 5.4 percent of job postings including AI skills in the last 12 months.

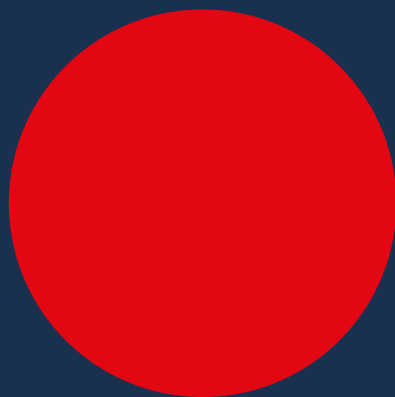
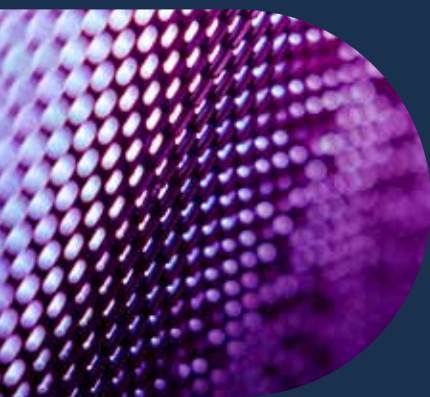


Metric	Insurance	Asset management	Fintech	Legal services	Challenger banks	Investment banking	Retail banking
% Job posts in the last 12 months include AI skills	2.6%	4.7%	5.4%	1.2%	4.9%	2.7%	4.5%
% Increase in demand for AI skills in the last three years	90%	52%	40%	345%	196%	76%	236%

FPS Sector increasing demand in AI skills

Section 2

The projected impact of AI on the UK's financial and professional services workforce





Approach

The FPS services sector incorporates a wide range of businesses and their activities which are crucial to the functioning of the modern economy.

For the purposes of this report, we have focused on the following areas:

FPS sectors reviewed

Asset management

Insurance

Retail banking

Fintech

Challenger banks

Investment banking

Legal services

FPS business areas reviewed:



Revenue functions

Functions responsible for generating income and driving business growth



Control functions

Functions that oversee business operations comply with legal and regulatory guidance, as well as the organisation's own risk appetite



Support functions

Roles within functions that furnish services to enable effective operations (e.g. IT, Operations, Human Resources, Finance)

Asset management: Impact of AI

Asset management has embarked on its AI journey; even so, greater opportunities exist to bolster performance and employee experience. Though many firms have reaped the fruits of using AI in positions such as those of data analyst, portfolio manager, and market research specialist, they have scarcely scratched the surface of what will come to be an all-embracing reinvention of job roles. Its application has thus far been characterised by the monitoring of market trends, the culling of information, and the generation of content.

AI skills across the asset management workforce

AI adoption is starting to grow but AI skills within the workforce are lagging.

+52%

increased demand for AI skills in the last three years

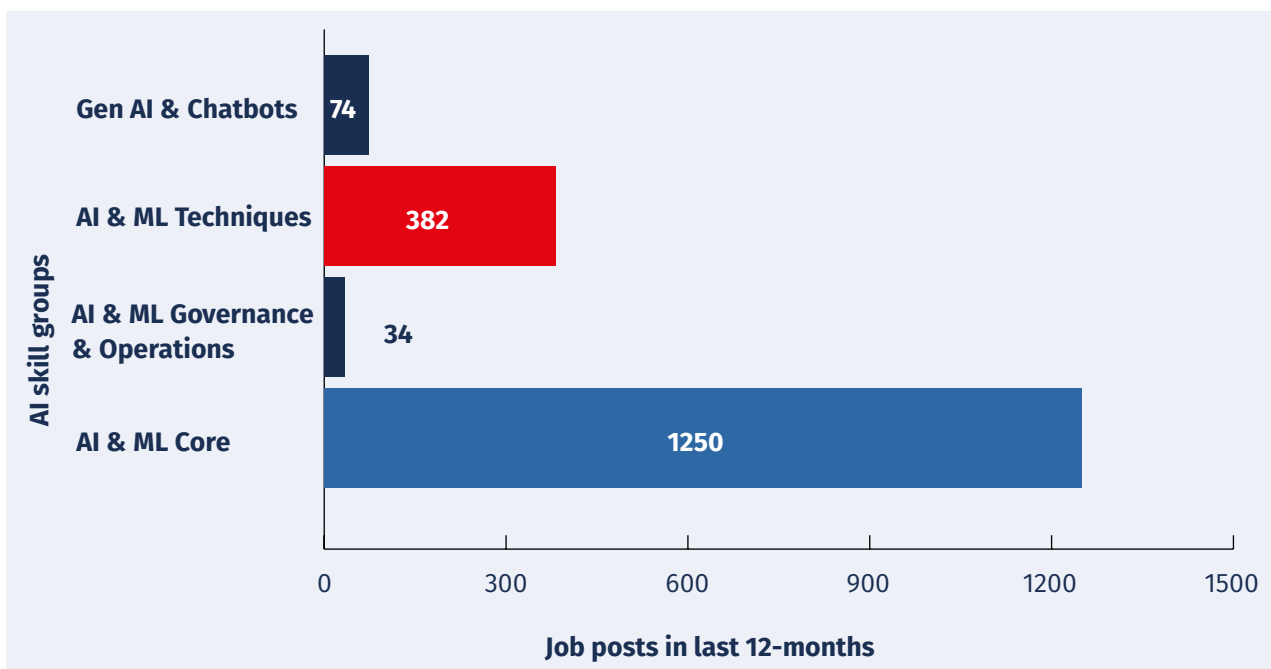
4.7%

of job posts in the last 12 months include AI skills

The figure below shows the spread of AI skills being seen in job posts in the last 12 months. Please see appendix for methodology.

Asset management

- Very fast growth. Either >150% OR any skill with a 0 baseline in 3YA data (i.e. 100% growth)
- Fast growth. Between 50% and 149.9% change
- Lower growth. Below 49.9% change



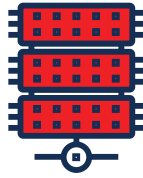
Graph 1: AI skills in asset management

Challenges



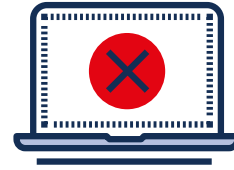
Skills

The shortage in today's asset management workforce of the skills needed to identify and effectively implement use cases for AI tools is inhibiting progress.



Data quality

Assuring data quality remains a challenge for asset managers. Many firms rely on third-party market data; their own must be improved before the benefits of AI can be unlocked.



Regulation

The uncertainty surrounding AI regulation is a concern for leaders in this space, as limitations on accessible guidance cast doubt over the longevity of AI investment cases.

Sector use cases

Customer-centric AI

- The implementation of a customer-focused AI solution such as Microsoft Copilot or Salesforce could allow for more personalised client experiences, meanwhile freeing the value-add capacity of client relationship managers in their every touchpoint.
- The deployment of AI to track the lineage of client conversations – alongside the ability of predictive and scenario analysis to scope trends and simulates various interactions – can help better prepare and equip relationship managers with necessary insights.
- AI-powered chatbots and virtual assistants are capable of providing service to clients autonomously, enhancing the latter's overall experience and easing the strain on relationship managers.

Productivity and advisory capacity

- AI is adept at automating routine tasks such as data entry, reconciliation, and report generation, freeing up time for asset managers to focus on more strategic activities.
- There will be a further movement towards using Large Language Models (LLMs) for the digestion of vast amounts of data from various sources to identify investment opportunities, conduct market research, and generate insights that will inform investment decisions more rapidly.



Insurance: Impact of AI

The implementation of AI in insurance represents a significant technological advancement in the industry's evolution. Traditionally, the insurance sector has been cautious in adopting major digital innovations. Key areas such as underwriting, actuarial work, and claims handling are experiencing notable changes, with clear applications for enhancing customer experience. Existing machine learning models, which have been developing within the industry for several years, stand to benefit from the integration of AI. Despite the considerable interest in AI, insurance companies typically evaluate investments individually, focusing on those that provide tangible value to customers.

AI skills across the insurance workforce

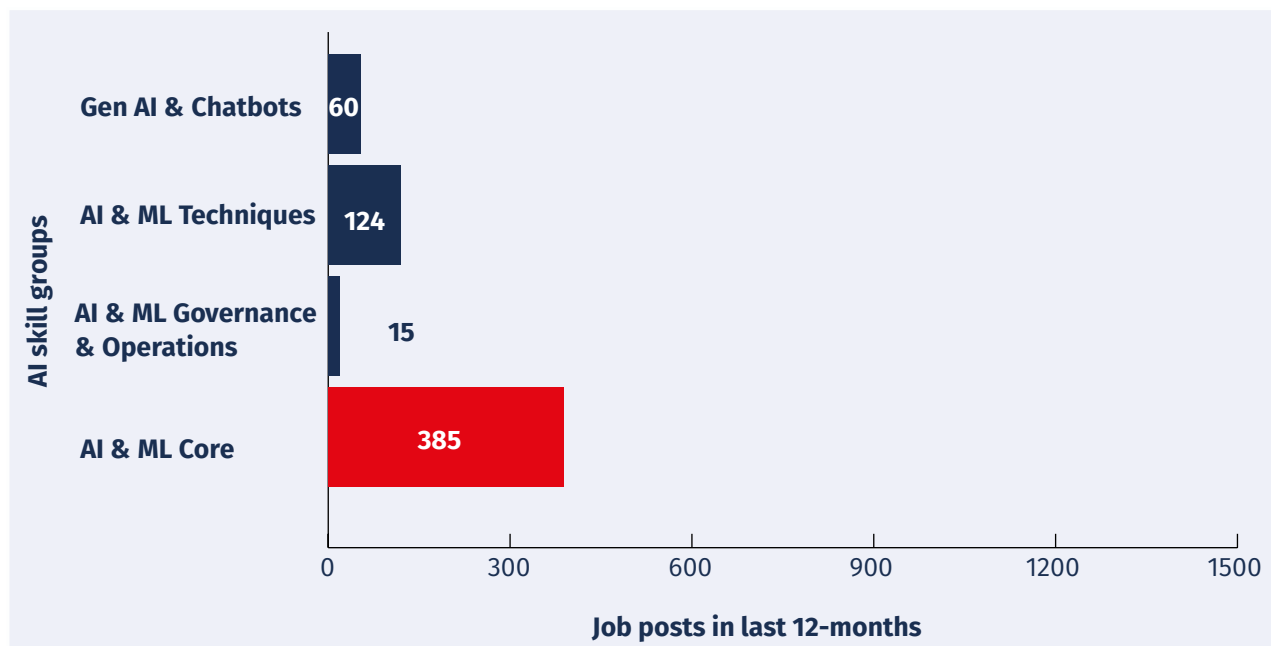
Insurance firms are some way from fully capitalising on the benefits of an AI-skilled workforce.



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Insurance

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Graph 2: AI skills in insurance

Challenges



Legacy systems

The data required to power AI is stored in many legacy systems, hamstrung implementation.



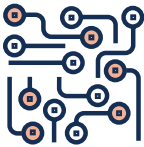
Employee engagement

Employees often require greater clarity on the strategic vision and purpose of AI transformation, expressing a desire for more involvement in understanding what it means for them.



Return On investment

In a cost conscious environment, return on investment and demonstration of use cases to be showcased in a compelling manner for C-suite to be on board.



Operational risk

Implementing AI creates operational risk in a highly regulated, risk adverse industry where operational resilience is highly scrutinised by regulators.

Sector use cases

Innovation leading to customer value

Innovative AI can bring value to customers both in service offerings and in speed of claim submission. For example, using AI to verify damage photos or claim documents can help screen claims for common mistakes before going to human review. Better quality chat bots help customers with questions about their insurance coverage create a more complex and sophisticated offering. Alternatively, innovation in customer-facing products – roadside accident assistance, for instance – could improve the customer experience by aligning customer need with customer service.

Geographical footprint

The insurance industry in the UK is geographically dispersed and acts as a local and regional employer. Adoption of back office AI technology will allow insurers to maintain and bolster their regional presence, embrace remote work, and reap the benefits of a wider talent pool and university cluster.

Productivity gain

The adoption of AI can augment revenue, control and support functions such as optimising pricing, better policy administration and claims management, higher quality data and reporting, and better risk controls.

Retail banking: Impact of AI

Retail banking is taking a more cautious approach to AI adoption compared to other sectors and is focusing on getting the fundamentals right in terms of data, infrastructure, and risk management before fully embracing AI-powered decision-making. With a large amount of customer data at risk and uncertainty over regulation, retail banks are integrating AI on a case-by-case basis with many fail-safes in place to prevent failure. Primarily use cases, such as “agent assist”, have proven beneficial to date.

AI skills across the retail banking workforce

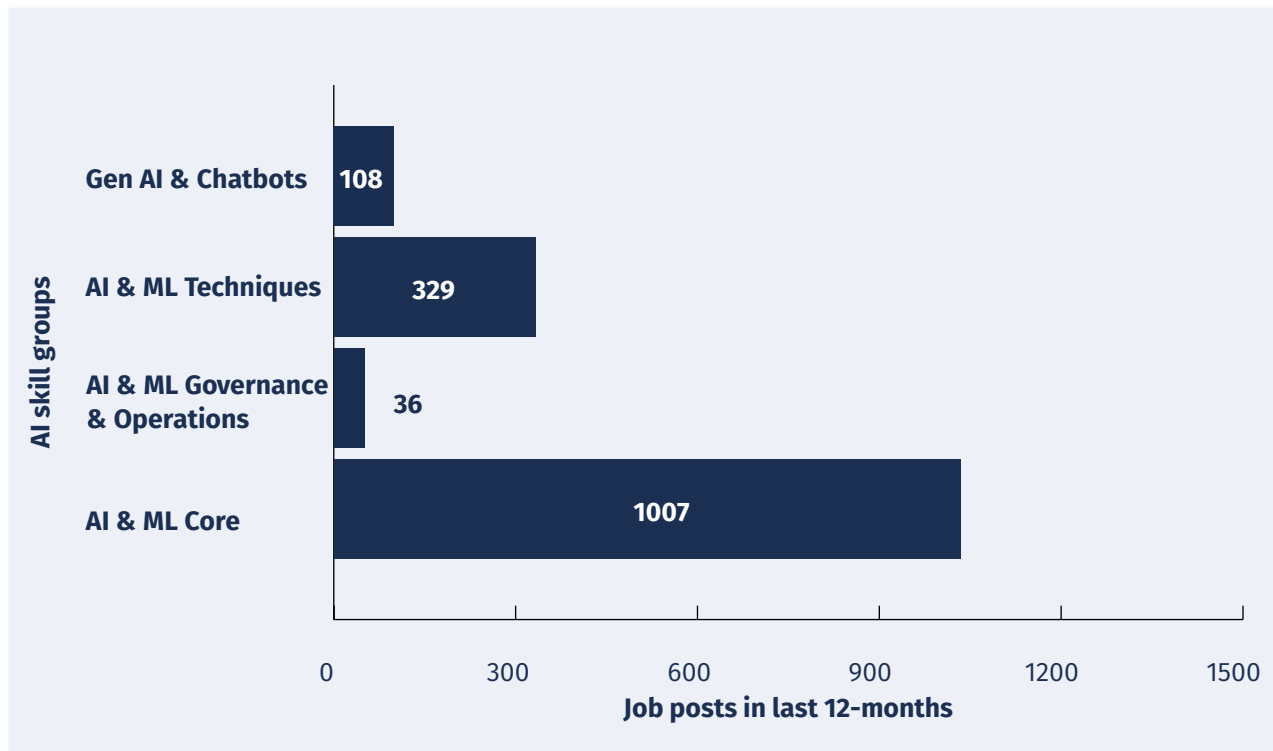
There is a significant growth in demand for AI skills across retail banking.



The figure below shows the spread of AI skills being seen in job posts in the last 12 months. Please see appendix for methodology.

Retail banking

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Graph 3: AI skills retail in banking

Challenges



Legacy systems

Many retail banks are still addressing legacy IT systems and dispersed data across different products and services, making it difficult to access high-quality, integrated data needed to effectively deploy AI.



Culture

Retail banks have focussed on building a culture of strong conduct, therefore being more risk adverse. When it comes to adopting new technologies like AI, by comparison with the “automation-first” mindset of more agile challenger banks, retail banks have been slower to see the benefits of AI adoption.



Controls

Many retail banks are starting to trust AI models in approving credit applications without a human in the loop process. Whilst this has benefits, robust controls and fail safes are required to protect the bank against errors in AI judgment.

Sector use cases

Retail banks are taking an incremental approach to AI integration, with the focus on enhancing human decision-making and operational efficacy. Albeit fully autonomous AI is far away, an approach that balances being in favour of AI advancement against intelligence concerning the risks is required. In the long run, when the robustness of the technology satisfies the industry’s risk appetite, we will likely see the role of AI increase, for example with fully/semi-automated investment decisions.

Client onboarding: Headway has been made in onboarding and Know Your Client (KYC). AI can automate document verification and KYC checks, streamlining the account opening process and ensuring compliance while allowing employees to focus on less admin-intensive activities.

Fraud detection: Progress with respect to controls has been made. For example, in counter-fraud, AI is now used to detect anomalous transactions and flag potentially fraudulent activities in real-time. Such controls are fast becoming more an expectation than a “nice-to-have” for retail banks.



Fintech: Impact of AI

AI is a priority on the Fintech corporate agenda. Given the nature of the sector, there is creative licence to experiment and build AI into products. Fintechs have more modern, flexible technology; while some may not have access to large amounts of data, what they have is high-quality and up to date, enabling them more easily to integrate and train AI for financial sector products.

AI skills across the fintech workforce

Fintechs ask for AI skills more than any other FPS sub-sector.

+40%

increased demand for AI skills in the last three years

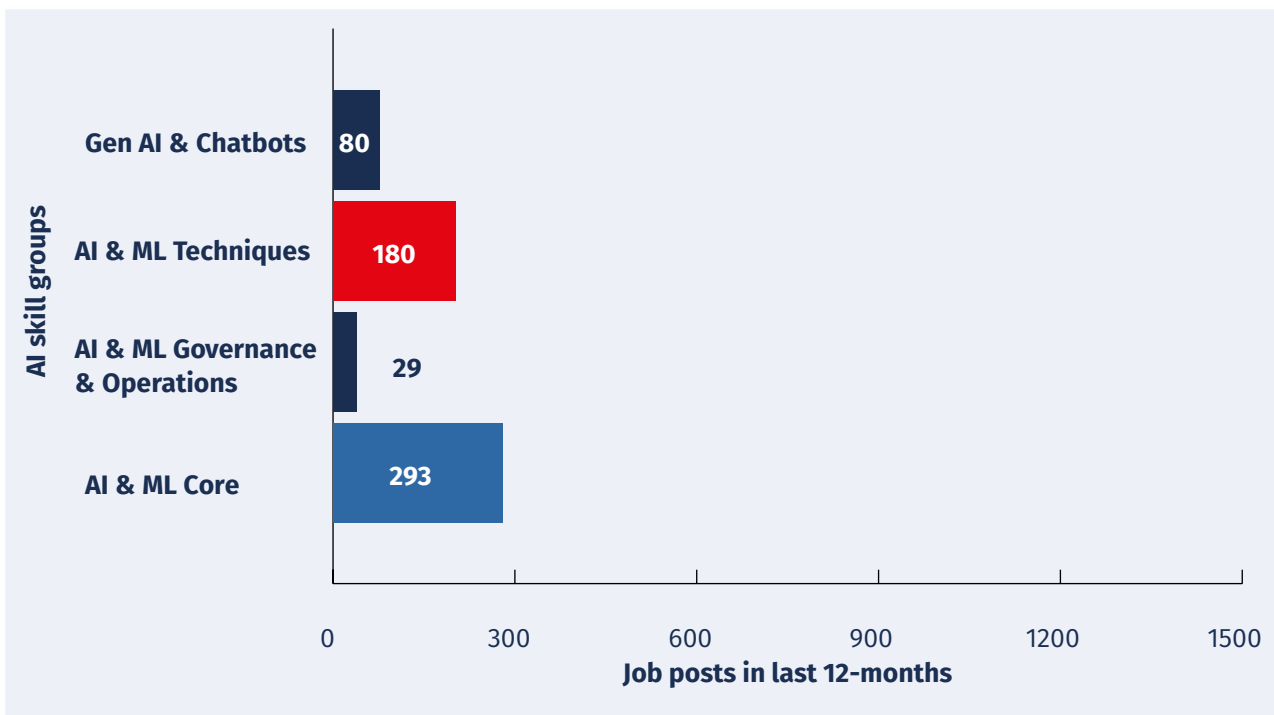
5.4%

of job posts in the last 12 months include AI skills

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Fintech

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Graph 4: AI skills in fintech



Challenges



Data accessibility

Fintechs often still face challenges in accessing and utilising vast volumes of data for AI implementation – also known as “Big Data”. Siloed data and reliance on partner infrastructure both restrict the availability of data, while regulatory and risk concerns limit the use of open-source AI for customer data processing and advice generation. Fintechs need access to larger data sets to enrich insights and power more intuitive AI, and will be developing strategies for improving access to large data pools.



First mover advantage

Some large players in the market already boast advanced AI capabilities, with the technology integrated throughout a range of products. Other fintechs must remain competitive by moving fast to foster rapid innovation.

Sector use cases

Product development and financial accessibility

AI has enabled the creation of more innovative and personalised financial products and services, driving growth and competitiveness in the fintech industry. However, as fintechs develop more AI-reliant products, there will be an increasing focus on building in safeguards against biases to support product effectiveness and accessibility across a variety of social and other characteristics, thereby bolstering diversity and inclusion.

Risk and control

AI will enhance various aspects of fintech control and support operations, including fraud detection, KYC processes, and regulatory compliance.

Challenger banks: Impact of AI

Challenger banks continue to embrace AI advances to drive their operations and customer experience. These digital-first banks are leveraging AI capabilities such as predictive analytics and personalisation to offer quicker, cheaper, and more tailored services to their primarily younger customer base. While large incumbent banks are also investing in AI, challenger banks' lean business models with modern data structures allow them to benefit from AI innovations at greater speed than traditional banks.

AI skills across the challenger banks workforce

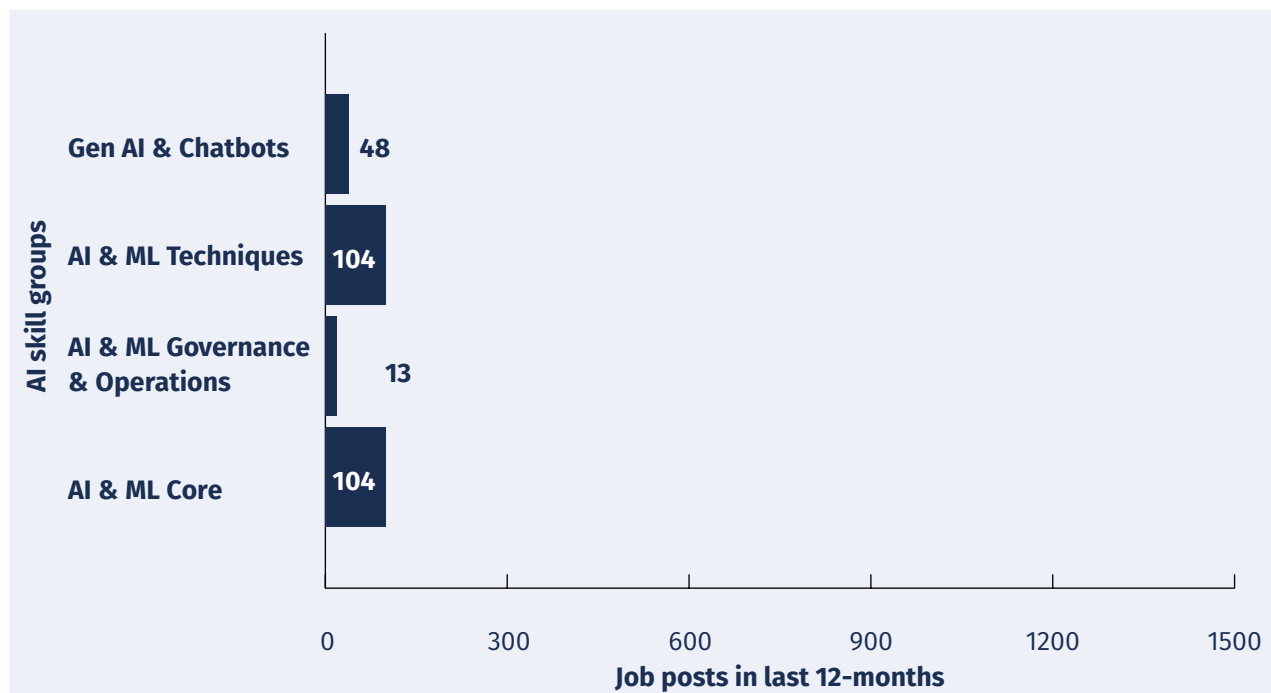
Challenger banks currently hire for fewer AI skills than fintechs, but this gap is quickly closing.



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Challenger banks

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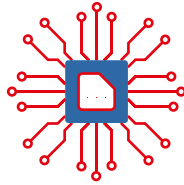
Graph 5: AI skills in challenger banks

Challenges



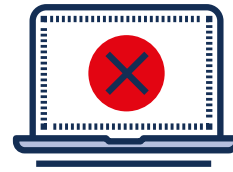
Ethical concerns

Credit scoring and assessments are ripe for transformation by AI, with applications and approvals for products bypassing human interaction. While this may make for an efficient service, it could simultaneously disadvantage individuals by failing to properly account for diversity or specific personal circumstances.



Big data

Large language models (LLMs), models that can achieve general-purpose language understanding and generation rely on large datasets to make tools intuitive and intelligent. In general, challenger banks, being smaller than their rivals, lack their access to copious data, making it relatively more difficult to pursue new opportunities for broader banking products.



Regulation

Although AI presents new opportunities in enhancing customer-facing processes, caution around data security and regulation, when already highly automated, remains a major factor leading to human input remaining in the process.

Sector use cases

Customer services

- Although fully-automated, AI-generated customer advice is not on the immediate horizon in view of regulatory concerns, structured AI with standard response capabilities is shortening customer service waiting times and triaging concerns more efficiently. Challenger banks are seeking to use these tools to ever greater effect while preserving a low risk appetite.

Customer onboarding and counter-fraud

- AI is employed to improve the customer onboarding process by authenticating images used in ID checks.
- In counter-fraud, AI models aid detection and prevention, with human agents alerted where intervention is required.

Productivity

- AI can summarise customer interactions, allowing agents – instead of writing reports – to concentrate on resolving issues, i.e. to work on value-add tasks.



Investment banking: Impact of AI

Investment banks have been using machine learning and data science-led algorithms for a long time to support trading. GenAI represents the next step in that evolution and can lead to a competitive edge. This is, indeed, a welcome development; though investment banks must adopt the technology at a pace which considers regulatory requirements and satisfies shareholder risk appetites. Therefore, many firms are experimenting with new technology in test environments (e.g. low complexity and low risk tasks) while at the same time turning to AI to automate processes across trading, risk, and legal. Human oversight is still required for complex products as risks around AI adoption must be managed.

AI skills across the Investment banking workforce

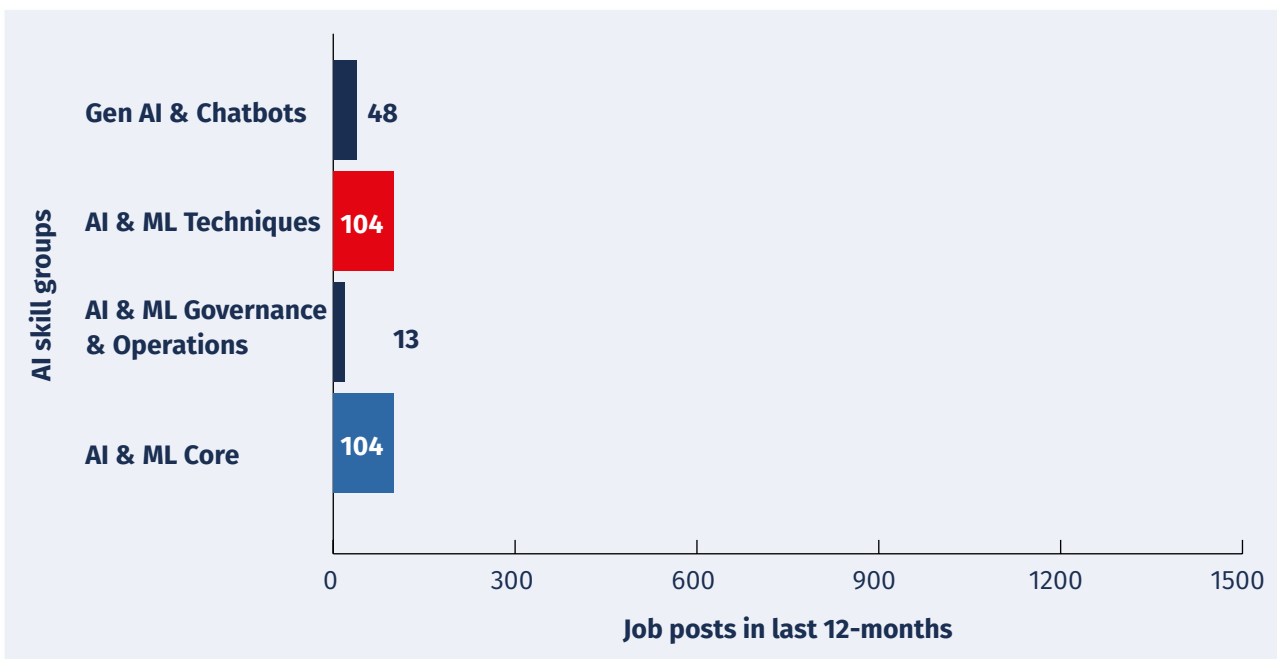
AI adoption is starting to grow but AI skills within the workforce are lagging.



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Investment banking

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Graph 6: AI skills in investment banking

Challenges



Regulatory environment

There is a cautious approach to AI adoption in larger institutions due to the regulatory environment. Upcoming regulations around fines and recalls have made banks more reserved in their AI ambitions.



Explainable AI

As investment banks increasingly automate decision-making to operate at a faster pace, there is a growing requirement to explain the rationale behind AI-driven investment decisions to stakeholders and regulators. Transparent and interpretable AI models in addition to technological guardrails are crucial.



Risk Appetite

Algorithmic trading (rules based computational formulas for executing trades) and taking automated positions are already within the investment strategy of investment banks but human validation and execution is still present. These institutions are aware of the effect on the broader market if AI automated trading is deployed incorrectly presenting a barrier to full scale automation of trading.”

Sector use cases

Automation and efficiency

AI and machine learning technologies are enabling investment banks to automate a wide range of routine tasks and processes, from trading and risk management to legal documentation to End-User-Computing. This permits investment banks to achieve higher levels of efficiency while freeing up human experts to focus on more complex, value-add activities such as building client relationship and innovating processes.

Enhanced insights and decision-making

AI-powered tools are providing investment bankers with advanced analytics and predictive capabilities, enabling them to extract valuable insights from large datasets and to make more

informed, data-driven decisions in areas including sentiment analysis, news-driven trading strategies, and personalised customer offerings.

AI-aided investments

In the future, when investment bankers have honed the ability to keep abreast of iterative improvements to AI, there could be scope for the technology to aid clients with investment decisions based on AI generated prompts, lowering the cost of investment advice and thereby rendering it more accessible.

Legal services: Impact of AI

The adoption of AI is fast becoming a field of expertise in its own right for lawyers, as advice sought by clients on the legalities of implementation rises markedly. Yet use of the technology within the profession has been held back by concerns relating to data and explainability. As such, adoption remains confined to relatively small, specific areas of the business while being kept in check by human-in-the-loop oversight. That being said, seeing as law is a language in/language out business, generative AI tools like ChatGPT can significantly enhance ways of working in the sector. Use cases around supporting volume-based tasks and admin-heavy processes such as contract writing are exciting for the legal practice.

AI skills across the Legal services workforce

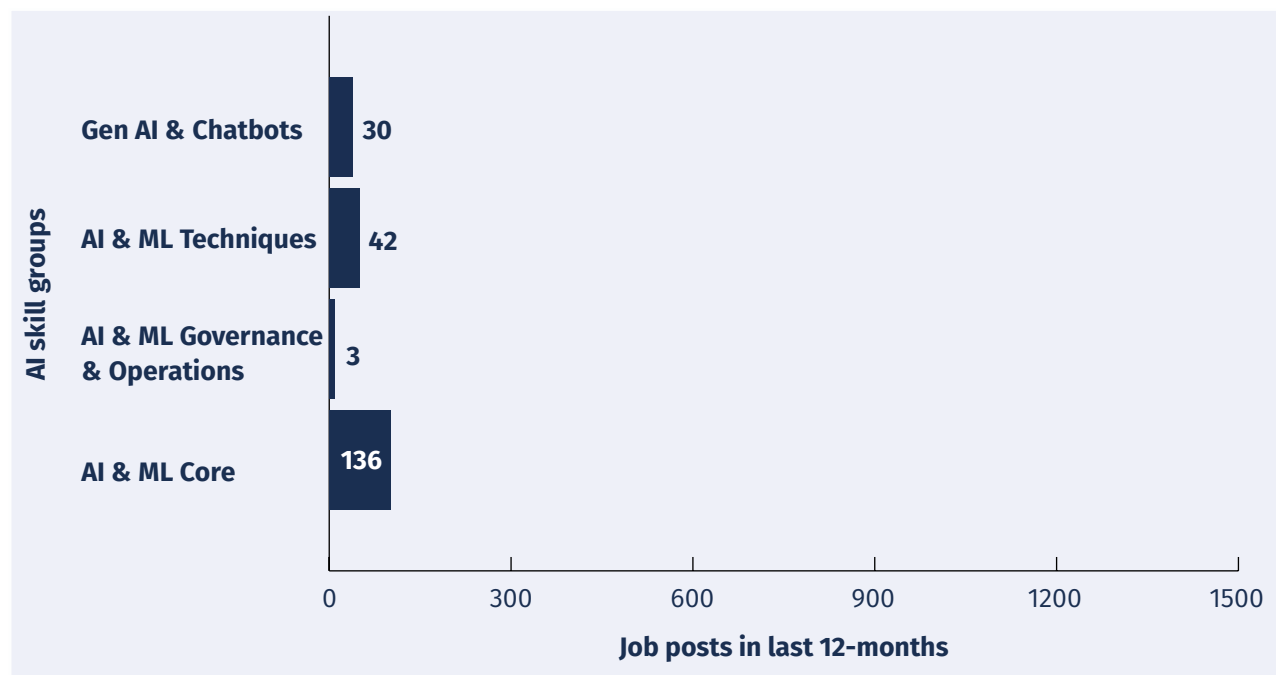
Legal services currently ask for the fewest AI skills, but this is changing.



The figure below shows the spread of AI skills being seen in job posts in the last 12 months. Please see appendix for methodology.

Legal services

- Very fast growth. Either >150% OR any skill with a 0 baseline in 3YA data (i.e. 100% growth)
- Fast growth. Between 50% and 149.9% change
- Lower growth. Below 49.9% change



Graph 7: AI skills in legal services

Challenges



Explainability

The essence of what a lawyer does is to interpret the law in the light of specific circumstances, and to cogently explain the thought process that led them there. It follows that AI tools in the profession must be capable of detailing how they arrive at their conclusions for the technology to pass muster.



Data Privacy

There is a risk of sensitive information being leaked and therefore lawyers are hesitant or even blocking the use of GenAI currently.



Lawyers of the future

A shift in skillsets will be mandated as the legal practice moves into the future, with technology and AI literacy soon becoming foundational. For all that automation will do, with the traditional analytical tasks of a lawyer, professionals will still be required to interpret the outputs of AI, review the thinking, and present to their clients. This will likely call for more interpersonal and strategic thinking competencies among junior staff members. Grassroots programmes (traineeships, graduate schemes, and apprenticeships) will all need updating to reflect the centrality of AI skills among trainees moving forward.



Sector use cases

Self-service legal products and tools

AI tools that are capable of interpreting the law to answer legal questions or completing such tasks as drafting contracts will help speed up and make less complex legal work more accessible. Tools like this will require closer monitoring from a risk perspective as well the recruitment of tech talent to be maintained.

Evolving business models

The traditional time-and-materials billing model in legal services will likely give way to more

outcome-based, value-driven pricing as AI drives efficiency. Law firms will need to redesign their cost structures and staffing models to do more with fewer lawyers as AI automates an increasing share of legal work. In instances of time and material cost structures, AI will carve out potential for law firms to seize new business opportunities where, historically, charge-out rates per lawyer had been unprofitable.

Revenue functions: Impact of AI

Whilst AI impact projections for revenue functions are below those for control and support by 10% and 20% respectively (driven by a greater proportion of revenue-generating work requiring personal interaction with customers), the opportunity to free up time spent on operational and administrative activity is substantial. The greatest potential gains are in heavily transactional areas such as Sales & Trading, as well as areas that involve summarising information, conducting research, and preparing content, such as Strategy & Insights and Project Management. Workers in revenue functions may need to upskill in attention to detail and quality assurance to ensure that generated content is fit-for-purpose. Workers in Tech Product in particular will rely on prompt engineering to create more sophisticated segments of code, and those engaged in trading activities should upskill in core AI concepts so they can critically understand trading recommendations and risk outputs.

It is also important to note that this analysis focuses on augmenting the sector as it is today. The opportunity to leverage AI to access new markets and offer new hyper-personalised products and services may offer even greater potential gains, but are still too immature to be quantified. Upskilling in continuous improvement, commercial acumen, and product will all contribute to the sector capitalising on new opportunities for AI and Gen AI powered products & services

■ Productivity boost year 1 ■ Productivity boost years 2-5

Task groups

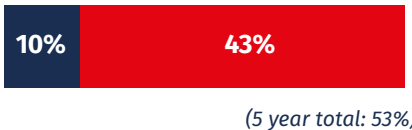
Commentary & use cases

Strategy & Insights



Strategy & insights boosts may come via acceleration of market research e.g. competitor analysis, simulation of potential outcomes, strategy ideation, processing of customer data, creating project plans, and automating tracking of KPIs.

Sales & Trading



Sales & trading activities will be most impacted across bulk program trading activities where code generation will boost quant/algorithmic developers, although traditional sales & trading activity can be accelerated via enhanced portfolio tracking, market analysis and recommendations.

Tech Product



Tech product could be accelerated in code generation, survey design, analysis of user feedback, requirements gathering, user story generation, and backlog management.

Project Management



AI-enhanced **project management** will augment tracking of project performance and outcomes, communicating project activities, project planning, and identifying and mitigating risks.

■ Productivity boost year 1 ■ Productivity boost years 2-5

Investment Management	<p>14% 34%</p> <p>(5 year total: 48%)</p>	<p>Investment management may see auto-compiled investment & market performance reporting, dynamic asset recommendations, and enhanced checks to ensure trades are within policy parameters.</p>
Customer Support	<p>14% 33%</p> <p>(5 year total: 47%)</p>	<p>Conversational AI designed to triage and resolve customer support requests, summarise content, work in multiple languages, and offer personalised support are likely to transform customer experience.</p>
Account Management	<p>9% 37%</p> <p>(5 year total: 46%)</p>	<p>Account management may be boosted as drafting communications, scheduling of interactions and auto-responses accelerates the account manager.</p>
Financial Products	<p>12% 32%</p> <p>(5 year total: 44%)</p>	<p>Financial products are likely to be boosted across training, marketing, development and compliance. Flexible pricing strategies and competitor analysis will also contribute.</p>
Sales	<p>10% 32%</p> <p>(5 year total: 42%)</p>	<p>AI can enhance sales activity by supporting minor tasks like preparing contact lists, helping prepare agreement drafts for review and nudging cross sales and up sales.</p>
Legal Advisory	<p>13% 25%</p> <p>(5 year total: 38%)</p>	<p>Legal advisory AI can assist with research activities, provide some suggestions for advice, and help make amendments and suggestions for legal documents. However, a legal professional must approve all final documents.</p>
Financial Advisory	<p>12% 26%</p> <p>(5 year total: 38%)</p>	<p>Financial advisory may see AI perform calculations and make better data-driven forecasts. Potential to provide more personalised recommendations and perform better quality holistic risk assessments.</p>
Relationship Management	<p>7% 20%</p> <p>(5 year total: 27%)</p>	<p>Relationship management is (unsurprisingly) the most insulated from AI, although it may support with addressing client queries, generating faster comms & client specific content, and scheduling/nudging for follow ups.</p>

Control functions: Impact of AI

Appropriate management of risk sits at the centre of FPS firms' ability to operate, ensuring customers and the wider public has sufficient trust in the sector for it to operate effectively. With the contemporary geopolitical, environmental, social and technological disruptors in the global economy, we are seeing the level and nature of enterprise risk grow in magnitude and complexity. FS firms can leverage AI to help meet this challenge, enhancing control functions to be more comprehensive, accurate and effective.

AI also presents its own risks as well as a new and evolving set of regulations to adhere to. We may see significant growth in some control areas as AI governance capacity expands to meet demand. More broadly, we are also likely to see work increasingly move into an 'approver/validator' space as operational tasks are automated but humans are accountable for a broader range of generative AI outputs that need checking and approving.

Skills in transformation and business process design will be important for the generative-AI transformational phase within control functions. Control function professionals will also need to upskill in core AI skills to help them spot hallucinations (a 'symptom' of the inherent creativity of large language models that sometimes causes them to give false information), and prompt engineering to help extract, summarise and compare policies, regulatory and legal documents in different contexts - all with substantial attention to detail. Control functions will increasingly need to upskill in data architecture, quality and concepts so that appropriate judgements can be made regarding the validity of automated data-driven outputs and recommendations and give appropriate recommendations about storing and processing sensitive customer data.

Hallucinations are a particular area of attention for senior leaders in control functions implementing generative AI solutions. An anti-money laundering check that falsely identifies an issue or a generative AI process incorrectly impacting a credit score could carry substantial reputational risk for firms. Leaders should consider multiple lines of defence to mitigate against this – both technological and human.

The importance of appropriate controls in the era of generative AI cannot be understated.

■ Productivity boost year 1 ■ Productivity boost years 2-5

Task groups

Information Security



(5 year total: 66%)

Commentary & use cases

FS firms have full access to real-time **IT security data** from across their estate, making it a perfect candidate for AI-enhancement.

The most valuable Information Security use cases involve identifying suspicious network patterns, automation of testing, extracting and summarising system data, regular reporting and even suggesting mitigation strategies.

■ Productivity boost year 1 ■ Productivity boost years 2-5



Risk management involves triangulation of data from multiple sources and comparison against organisational thresholds for risk, presenting good opportunities for AI.

Value-add use cases involve organising risk models and processing risk-related data, capturing risk data efficiently and triggering alerts for immediate attention. AI can also automate parts of data extraction and preliminary assessments, while aggregating and analysing strategic information to enhance proactive risk reporting.



Established and repeatable methodologies that tend to underpin **audit** operations offer good candidates for AI.

AI can accelerate completion of audit checklists, ensuring that certain requirements have been met in company documents & external disclosures.



Legal & compliance operations tend to involve the implementation of internal and external regulatory/compliance frameworks and the interpretation of legal documents – all great candidates for AI.

For legal and compliance tasks, AI can compare digital information against any company legal and compliance framework and escalate any issues found for human review.

Time consuming tasks such as legal consultation, regulatory liaison and litigation management will remain significantly human-led, driving overall lower impact scores for legal & compliance.

See page 9 for details of parameters of productivity boost figures.



Support functions: Impact of AI

Support functions in FPS stand to undergo an estimated 60% productivity boost over the next 5 years, driven by the automation of bulk operational processes, user support via conversational dialogues, and code generation in IT. Workers will have more time freed up to focus on strategic & business-partnering activities, as well as expanding the capacity and reach of their operations.

As Support Function services transform to embrace generative AI over the coming years, upskilling in continuous improvement and growth mindset will help workers thrive amidst a period of change. Knowledge of process engineering will give functional experts the opportunity to contribute to better business processes, while data architecture and prompt engineering will be the biggest upskilling area for IT as greater sophistication is built around enterprise data management, and the code creation process is increasingly automated via well-written prompts.

HR and Finance workers in particular might upskill in data security and privacy principles due to the sensitivity of employee and customer data in their domains, while Marketing and Communications can upskill in the content creation capabilities of generative AI across text, audio, image and video to revolutionise the productivity and reach of their work.

■ Productivity boost year 1 ■ Productivity boost years 2-5

Task groups



Commentary & use cases

Within **IT**, for Data Management, AI can catalogue data, automate data quality checking and complete integrity checks, and consolidate & reconcile data across multiple sources.

The most impact in IT is likely to come from code generation and translation capabilities, which may also substantially decrease barriers to entry for new IT professionals.

■ Productivity boost year 1 ■ Productivity boost years 2-5

Operations



(5 year total: 60%)

Operations rely on high level of data extraction (e.g. from customer documents), data entry (e.g. into company systems), validation checks (e.g. comparing data with frameworks and thresholds), and customer updates. All of these can be significantly accelerated using AI. Furthermore, language translation will give organisations more options around where to locate operational centres.

Finance



(5 year total: 58%)

Finance operations may soon involve AI-accelerated tasks such as accounts generation, P/L reporting, form filling, and report creation - including drafting of regulatory disclosures. AI can be used to accelerate processes, minimise errors. AI can aid budget management and financial forecasting through data processing and report generation.

Marketing & Communications



(5 year total: 54%)

For **marketing** campaigns and activities, AI can lend itself to drafting of content in multiple languages. AI digital marketing tools can enhance visual, video and audio-based content and also help with distribution using automation strategies across search and social media. AI can be used in the ideation phase all the way through to scheduling the release of content.

Communications channels can become more inclusive with AI technologies and large language models, including translating between languages and drafting internal and external communications in the tone of the reader.

HR



(5 year total: 46%)

HR can expand its reach into the businesses and focus more on business partnering by using AI to free up time in the recruitment process across candidate sourcing and selection, dissemination of better information during employee onboarding, dynamic talent mobility platforms, proactive distribution of strategic learning, and more dynamic ways to listen to employees and gather sentiment.

Section 3

What employers should consider to maximise the benefits of using AI in their organisations



A framework for maximising the benefits of AI

This methodology shows how AI integration should be navigated with actions which will support both a culture shift and training to aid employees in embracing this technology. By following a systematic or structured/strategic approach, organisations can navigate the complexities of AI adoption, address potential challenges, and maximize the benefits derived from AI applications.

<p>01</p>	<p>Communicate the vision Clearly communicate the company’s vision for adopting AI and how it aligns with the organization’s goals. Explain the potential benefits and how AI will enhance employees’ work.</p>	<p>Make it clear</p>
<p>02</p>	<p>Establish ethical guidelines and risk management Develop clear ethical guidelines for using AI in the workplace. Ensure that employees understand and adhere to these guidelines to maintain trust and transparency.</p>	
<p>03</p>	<p>Launch the AI tool Launch the AI tool with the message coming from the top of the company and with leadership role-modelling the change.</p>	<p>Make it known</p>
<p>04</p>	<p>Provide training and support Offer comprehensive training programs to help employees understand the AI tool, its capabilities, and how to use it effectively. Provide ongoing support to address any questions or concerns.</p>	
<p>05</p>	<p>Encourage collaboration and experimentation Foster a culture of collaboration between employees and the AI tool. Encourage employees to provide feedback, suggestions, and ideas for improving the tool’s functionality. Allow employees to experiment with the AI tool and explore its potential applications in their daily tasks. This encourages creativity and innovation.</p>	<p>Make it real</p>
<p>06</p>	<p>Showcase success stories Share real-life examples of how AI has successfully improved work processes, enhanced productivity, and achieved positive outcomes within the company.</p>	
<p>07</p>	<p>Address concerns Acknowledge and address employees’ concerns about job displacement, privacy, and ethical implications of AI. Provide transparent information and assure employees that AI is meant to augment their work, not replace them.</p>	<p>Make it happen</p>
<p>08</p>	<p>Measure and communicate results Regularly assess the impact of AI on productivity, efficiency, and overall business performance. Share these results with employees to demonstrate the positive outcomes of AI adoption.</p>	
<p>09</p>	<p>Foster a learning culture Encourage employees to continuously learn and adapt to the changing landscape of AI. Provide opportunities for professional development and upskilling related to AI.</p>	<p>Make it stick</p>
<p>10</p>	<p>Monitor and adjust Continuously monitor the implementation of AI and gather feedback from employees. Be open to making adjustments based on the experiences and suggestions of the workforce.</p>	

Employer considerations

While the implementation and adoption of new technologies is nothing new for FPS firms, as AI continues to grow in use, there are a number of considerations employers need to prioritise and for which they must put clear strategies in place.

1. Creating an AI strategy

AI is already being leveraged by firms for a multitude of purposes such as improving customer service, process automation, and augmenting personal productivity.

With this in mind, firms need to have a comprehensive AI strategy which takes into consideration workforce skill requirement, regulation, risk appetite, competitive edge, customer expectations, and profitability, whilst considering and curating organisational culture, habits, and work patterns.

Alongside this, firms need to consider the procurement of AI in a “buy and/or build” capacity – do we focus on developing internally, sourcing externally or an amalgamation of both.

Consider:

Purpose

AI adoption should focus on priority use cases and initiatives that deliver rapid and impactful return on investment (ROI) across the enterprise including both internal and external value. Identifying areas where AI can provide a competitive advantage and meet evolving customer expectations as well as the potential benefits and impact on workforce and process productivity. The strategy must include clear alignment on regulation and risk appetite with a robust evaluation process to monitor the effectiveness of the AI initiatives.

Protect

Having the right framework and risk metrics in place to protect the firm and its data. Firms should put in place a central governance body responsible for overseeing GenAI innovation and guiding employees through the AI transformation, thereby driving the development of new business and service delivery models powered by AI.

People

Identifying the workforce implications of AI adoption on role augmentation, and requirements for upskilling, reskilling and redeployment in growth areas for the business.

Prepare

Ensure your foundations are in place including establishing a robust data infrastructure and governance framework for ensuring data quality, security, and accessibility. In addition, plan and implement effective change management strategies with a clear communication strategy, driving employee buy-in and minimising a resistance to AI adoption.

Pace

Understand your pace of adoption and the factors which will determine this. This includes the rate of upskilling, regulatory expectations, technology development and your business risk appetite. Whilst AI isn't something that can be 'opted out', moving too fast could create unnecessary risk.

2. Three paths to deploying AI

The cross-functional nature of AI is creating some ambiguity within organisations with regard to who is responsible for AI and what the roadmap to AI transformation should be. Using these key paths will enable the sector to understand the stages of evolution and allow for easier adoption.

The tables below show the productivity increase, risk level, platform complexity, and change/time required for each path of AI.

1. General augmentation

Productivity increase	Risk Level	Platform complexity	Change/time required
LOW	MEDIUM	LOW	MEDIUM

General personal augmentation (GPA) is a suite of productivity tools that automate common tasks for knowledge workers. These tools are embedded in existing software and websites to help with document creation, email drafting, data summarization, and content generation. They are designed for ad-hoc use by individual workers rather than for enterprise processes.

GPA solutions are readily available “off the shelf” and easy to implement. However, their flexibility also increases their risk profile. Users have a high degree of freedom to use them but they also require significant behaviour change. While GPA solutions are the easiest to implement, they have lower productivity returns and require significant user adaptation.

2. Enhanced process automation

Productivity increase	Risk level	Platform complexity	Change/time required
MEDIUM	LOW	MEDIUM	LOW

Enhanced process automation (EPA) leverages moderately complex AI applications to streamline and transform existing processes. This includes automating tasks like tier 1 support and disseminating policy information.

In the future, EPA applications may handle more personal information and provide higher-value outputs, such as automated trading recommendations or suspicious pattern detection.

While EPA offers significant productivity gains and controlled risk through process controls, it requires a more sophisticated technical infrastructure, governance, and AI strategy, leading to higher platform complexity.

3. Enterprise augmentation

Productivity increase	Risk level	Platform complexity	Change/time required
HIGH	HIGH	HIGH	HIGH

Enterprise augmentation marks a shift from legacy human-centric processes to AI-enabled organizations with reimagined processes. Humans remain critical, directing, controlling, and curating AI outputs while applying expertise for strategic context.

Reaching this level of maturity requires years of development due to the complexity of supporting infrastructure and the significant change involved. However, it is necessary to fully realize the potential gains of generative AI across the value chain.

3. Workforce planning, reskilling, and mobility

There is no doubt that AI and generative AI in particular will continue to enhance the way work is done across FPS firms. It will fuel productivity gains and free up time for colleagues to focus on higher-value activities which drive growth. As FPS firms recognise the benefits of AI and see this translated into greater productivity, there will generally be four options to consider:

1. Re-allocation of saved time to high-value tasks within the scope of the role
2. Redeployment of talent into areas of the business with high need and growth
3. Maintaining the same structure, but with less stress/pressure due to time recouped through increased productivity
4. Redundancy and short-term cost savings for roles wherein the majority of tasks can be replaced by AI

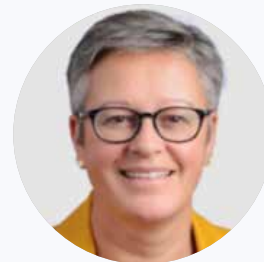
Naturally, the fourth option will appear an attractive proposition to cost-sensitive firms. The reality, however, is that while AI may be able to augment and replace many tasks, it will also create new jobs for employees requiring new skills. The Financial Services Skills Commission (FSSC) found that financial services firms could save up to £49,100 per employee when they reskill an employee, compared to hiring someone new with the relevant skills¹². Organisations channelling AI primarily through a cost-cutting prism may prove short-sighted and reactionary in doing so. Instead, proactively upskilling and reskilling colleagues in higher-value activities and growth areas of the business will lead to real and long-term cost savings and financial gains.

In line with expected workforce changes, organisations must build a data-led view of the skills they currently have, the skills they will need in future (with an eye to the implications of AI), and the gaps. This will enable targeted learning and development and sourcing of talent to offset critical shortages. The FSSC Future Skills Framework provides a good place to start for firms looking for common future skills which will be required within the financial services sector.

Many of the AI and AI-adjacent skills of the future are still relatively new and not yet prevalent in the labour market. Therefore, employers should consider bridging the AI knowledge gap via training and development rather than by looking to recruit AI talent in the scarce and highly competitive marketplace.

The Skills and Talent section of the UK Digital Strategy supports this with a focus on AI upskilling, addressing general digital skills gaps through initiatives such as the Digital Skills Council and Skills Bootcamps, as well as encouraging employer-led upskilling¹³. Greater emphasis on specialised training programmes for advanced AI skills would further enhance the development of a workforce capable of driving AI innovation, as would introducing substantive incentives for employers to invest specifically in AI training.

AI driven workforce planning should be dependent on the pace of adoption and the growth of the company. Most companies that have successfully come through AI implementations and, as a result, freed up capacity, are focusing additional time on improving their customer offering, whether that be through shorter waiting times for call centres or by working on new product ideas. Where AI is adopted more gradually, companies may opt for increasing volume per employee or for simply not plugging the gaps left by natural attrition, as opposed to realising short-term benefits by way of redeployment or redundancy programmes.



Leaders wishing to prime themselves for growth in the medium term should favour investment in reskilling over reflexive redundancies.”

Mel Newton,
KPMG People and
Change Partner



4. Regulation and operational resilience

As AI is data driven with a degree of autonomy, it has the potential to pose a high risk if not managed correctly. It is important firms have the correct infrastructure and governance set up before moving forward with AI applications.

Regulation

Regulation and legislation for AI is rapidly developing worldwide. The EU AI Act represents a significant step in establishing stringent regulations. In the UK, efforts are focused on promoting a pro-innovation response by adopting a risk-based approach and offering guidance based on responsible AI principles, while leveraging existing regulations. There is recognition of the need for a review to address any identified regulatory gaps and to enhance guidance, particularly in relation to specific legislative requirements such as explainability in the context of GenAI.

Operational resilience

Robust strategies should be enacted to ensure operational resilience in cases of AI systems failure. This includes drawing up contingency plans, installing backstops, and guaranteeing the ability to quickly detect and respond to AI errors.

Data governance and strategy

Establishing clear governance policies and strategies for safeguarding the quality, integrity, and security of data used in AI systems is critical. However, in addition, employers must also consider the growing importance of broader AI governance. This encompasses not only these foundational aspects of data management, such as defining data ownership, setting data quality standards, and implementing processes for data lineage and cataloguing, but also the need for AI Boards or Councils. These bodies bring together diverse perspectives to collaboratively oversee and challenge the ethical and safety implications of AI use, ensuring a comprehensive approach to governance.



In a world increasingly powered by AI, responsible development and deployment are not only ethical imperatives, it's the foundation for building trust and securing long-term business success."

Leanne Allen

KPMG Partner, Data, Data Science and AI Lead



What's important is that we are solving problems for business and focusing on where AI can improve the experience for our employees and customers"

Penny Jones
Zurich, Responsible AI Lead



5. Responsible AI

Harnessing this potential of AI requires a commitment to responsible, ethical, and trustworthy AI development and deployment.

Compliance with all applicable regulations should be rigorously adhered to, but beyond compliance, it's about embedding ethical principles like fairness, transparency, and accountability into the very fabric of AI initiatives. This is crucial as public trust will drive AI's adoption success.

A robust, responsible AI framework serves as a guidepost, helping mitigate risks across key principles: fairness, privacy, transparency, sustainability, explainability, data integrity, accountability, reliability, security, and safety.

Prioritising these principles can ensure that AI becomes a force for good, driving innovation, whilst protecting brand reputation, enhancing customer loyalty and building trust.

Tech guardrails and architecture

LLMs are powerful but complex tools. Their very nature makes them susceptible to the pitfalls of poor prompting. Even subtle variations in questions or data inputs can lead to wildly divergent and inaccurate outputs which poses significant risk, as evidenced by lawsuits such as one filed against Air Canada when its support chatbot gave inaccurate information to a grieving customer.

Implementing robust technical guardrails and architectures can effectively prevent the dissemination of incorrect or misleading responses.

These safeguards should encompass elements as evidenced by recent lawsuits such as:

- **Education on Prompt Engineering:** Developing guidelines for crafting clear, unambiguous prompts that can minimise ambiguity and bias.
- **Input Validation:** Introducing privacy and security mechanisms to validate and sanitise user inputs. It is vital that decision-making filters out potentially harmful, personal, sensitive or misleading information.



- **Output Monitoring:** Continuously monitoring LLM outputs for inconsistencies, factual errors, and potential biases.
- **Human-in-the-Loop:** Integrating human oversight into any critical decision-making processes to drive responsible and ethical AI responses.
- Regular monitoring and evaluation of AI models for signs of hallucination by comparing model outputs with ground truth data.
- Fine tuning GenAI models on trusted high-quality data to provide pointed relevant responses for your business needs.

AI hallucinations

Employers should be aware of the potential for AI systems to produce hallucinations (plausible sounding yet factually inaccurate results). There are a few mitigating measures that can minimise the risk including:

- Incorporating human-in-the-loop processes to ensure that AI outputs are reviewed and validated before being implemented.

Right to explainability

Firms must be clear how AI tools have come to the conclusions that feed into the choices made. It is the job of employers to ensure that AI systems are both transparent and explainable so as to be compliant with legislation such as GDPR.

6. Equality, diversity and Inclusion (EDI)

AI has the potential to both improve and hinder EDI in FPS services.

Customer

On the customer side, AI can enable more inclusive financial products and unlock new opportunities for data-driven financial tools to empower a broader range of people.

Workforce

On the workforce side, younger workers may be better able to exploit AI opportunities compared with an aged workforce which struggles to adapt. Low paid and unskilled workforces can benefit from AI enhancing their productivity more quickly, though, could be left behind if training is not available.

Accessibility

AI can be leveraged in various ways to enhance accessibility and create more inclusive digital experiences for neurodiverse individuals or those with disabilities. AI-driven hiring tools can mitigate biases, opening up opportunities for diverse candidates. On the flipside, AI risks perpetuating the same prejudices if fed a data pool or deployed in such a way that does not embody and enshrine inclusive practices.

Socio-economic Diversity

Policies to enhance labour mobility (the ability to move from one position to another), address skills mismatches, and provide robust social safety nets will be critical to ensuring AI improves socio-economic diversity rather than entrenching existing divides.

For financial services to promote EDI, AI strategy teams must be diverse and include inclusive mindset to ensure they partner in the evolution with all diverse groupings.

Organisations should nominate AI champions who bring out the training for AI but also bring together thought patterns, ideas and concerns of their diverse colleague cohort.

7. Culture & capability

While the prevalence of AI outside the workplace is high, and people are becoming increasingly accustomed to interacting with and using it, employers should still consider the cultural implications of introducing AI into their firms.

Most employees tend to fall into one of three categories in respect of their attitudes to AI:

1. Unaware of how to use AI;
2. Aware but averse to the change (change fatigue resulting from constant innovation in ways of working);
3. AI advocates who are both aware and unafraid.

Organisations should stress that AI can better the human experience at work. AI-powered tools like intelligent assistants and chatbots can enhance collaboration, knowledge sharing, and accessibility within the sector, promoting a more inclusive culture.

As AI gives a boost to employee productivity, self-efficacy, and job satisfaction by automating mundane tasks, the need arises for deeper strategic work which often requires collaboration. The Organisation for Economic Co-operation and Development (OECD) AI surveys found that more than half (63%) of AI users in finance and manufacturing reported that AI had improved their job satisfaction¹⁴. Placing a greater emphasis on specialised training programmes for advanced AI skills would further enhance the development of a workforce capable of driving AI innovation. Businesses will benefit from this new culture. For example, a career in the financial services sector may become a more attractive choice, opening the talent pipeline to a new type of candidate who would previously have disregarded the sector.

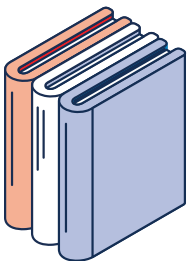
New entrants contribute cultural capital to the industry, which in turn becomes composed of a data-driven, tech-literate, and strategic yet inclusive workforce.

Appendix



Methodology

To produce this report, we conducted both primary and secondary research to explore the opportunity areas for AI in FPS sectors and a review of the skills and capabilities required for the future. We used public and KPMG internal literature, our network of industry leading subject matter experts and have access to task automation inference AI tooling to qualify and quantify the impact of AI on the FPS sector.



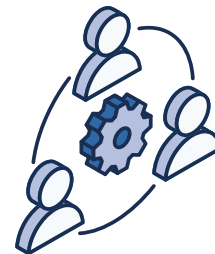
Literature review

There is more public interest in AI, and therefore related literature, than ever before. We therefore conducted a literature review of topical thought leadership on AI and its application within the sectors focused on in this report. This included reports published by KPMG and external trusted sources.



Subject matter expert (SME) interviews and validation

KPMG, Financial Services and Artificial Intelligence SMEs were interviewed for their insight into the application of AI in their respectful field of expertise. Our literature review and thought leadership has been validated by the SMEs and all information has been independently reviewed and verified by subject matter experts before publication.



Task automation inference AI tool

Using a KPMG task automation AI tool, we analysed over 400 tasks from across the FPS sector to assess the extent to which they could be augmented across 7 AI capabilities: content extraction, content creation, summarising information, data processing, conversational dialogues, calendar management & scheduling, code generation, and translation. The total opportunity was summarised by sector and functional area.

Productivity gain assumptions

We have projected expected productivity gains for the FPS sector as a whole, as well as for revenue generating functions, control functions and support functions using the following set of assumptions:

- **1-Year Projection** (e.g. by 2025) productivity gains are based on firms implementing and adopting 1 “general augmentation” AI product firmwide (phase 1 as defined on the graph below)
- **5-Year Projection** (e.g. by 2030) productivity gains are based on firms moving through phases 1, 2 and 3. This analyses as-is business operations and does not include projections for new products, services & markets as the technology is too new to make reliable quantitative estimates in this area.

Phase 1: General Augmentation (2024/25)

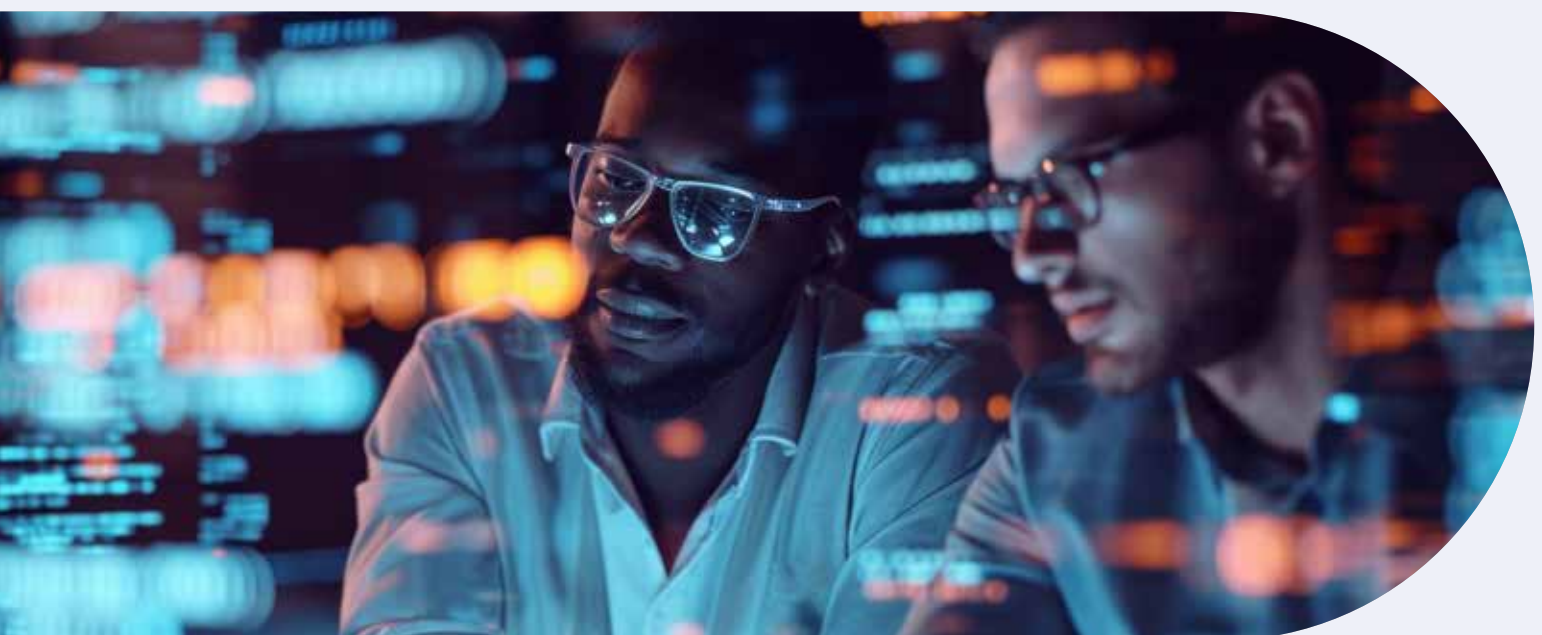
Workers can achieve a 10-20% productivity boost across a broad range of day-to-day tasks e.g. drafting documents and summarising spreadsheets.

Phase 2: Enhanced Process Automation (2026/27)

Increased automation of steps within existing volume enterprise processes e.g. customer onboarding, helpdesk triage/resolution, application processing & data entry.

Phase 3: Enterprise augmentation (2029/30)

In the longer term, organisations will transform end-to-end processes from human-centric to AI-centric. Mature AI infrastructure and governance could also support profitable new products, services and markets.



Please see 'Three Paths to Deploying AI' within Section 2 for more details on the stages outlined within the below graph.

Labour market analysis methodology

Data from job adverts has been used to understand the changing role and skill requirements across the UK FPS sector. The analysis was conducted by Simply Get Results (www.simplygetresults.com), a leading skills data analytics provider, using data from Lightcast (2024). The analysis covers 188k job adverts from nearly 7,000 employers in the UK. The primary focus was to analyse how demand for skills and roles has changed in relation to a range of AI technologies, methods and capabilities.

Job adverts were compared between two 12-month periods: April 2023 to March 2024 versus April 2020 to March 2021. This three-year span captures meaningful changes while maintaining relevance. All jobs tracked in the labour market data set were grouped into one of three business areas based on the primary focus of their role: 'Revenue-generating', 'Control functions' and 'Support'.

From a skills perspective, a group of 168 technical Artificial Intelligence and Generative AI skills were assessed. Examples include 'AI Operations', 'Machine Learning' and 'Large Language Models'. This list was supplemented with 17 supporting or enabling skills which commonly co-occur with the AI skills, such as 'Analytical Thinking', 'Decision Making' and 'Quick Learning'.

The percentage change calculations between the two time periods in this report are prepared based on total volume of demand in job postings in each period. See image for an example. This method was chosen due to the low volume of Generative AI skills in the labour market to date. The number of unique job postings containing one or more relevant skill were also calculated. One job post may contain multiple references to relevant skills.

Associated skills for AI skill groups listed in Section 1 are outlined here:

AI Skill Group	Associated Skills
Gen AI & Chatbox	Chatbot
	ChatGPT
	Cortana
	Generative Adversarial Networks
	Generative Artificial Intelligence
	Intelligent Agent
	Intelligent Virtual Assistant
	Language Model
	Large Language Modelling
	Multi-Agent Systems
	OpenAI Gym
	Prompt Engineering
	Transformer (Machine Learning Model)

AI Skill Group	Associated Skills
AI & ML Techniques (Top 10 skills from 137 identified)	Scikit-Learn (Python Package)
	Deep Learning
	TensorFlow
	PyTorch (Machine Learning Library)
	Random Forest Algorithm
	Machine Learning Algorithms
	Artificial Neural Networks
	Feature Engineering
	Gradient Boosting
	Reinforcement Learning
AI & ML Governance & Operations	AIOps (Artificial Intelligence For IT Operations)
	Applications Of Artificial Intelligence
	Explainable AI (XAI)
	Machine Learning Model Monitoring And Evaluation
	MLOps (Machine Learning Operations)
	ModelOps
	Ethical AI
AI & ML Core	Artificial Intelligence
	Machine Learning

Task analysis methodology

KPMG have an established approach to calculating the impact of generative AI on the workforce in different contexts. This involve deconstructing work into its constituent tasks and then estimating the parts of each task that can be automated versus those that will remain human. Below is a worked example for a sample of data underlying this report:

Step 1: Deconstruct work in different FPS business contexts (example below for asset management)

Task Group	Task	Task Definition	% Time	Rationale
Legal & compliance	Controls Testing	Testing the effectiveness of existing compliance controls within the company	10%	AI can scan systems for evidence of adherence or contraventions to active policies
	Policy Enforcement	Maintain and enforce the firm's internal policies regarding financial activities	23%	AI can assist in policy enforcement via real-time monitoring and discrepancy reporting
	Drafting Legal Documents	Creating necessary legal documents for the company's operations	20%	AI could assist in drafting, reviewing, and editing legal documents
	Regulatory Thematic Reviews	Performing in-depth reviews of specific areas of regulatory interest	10%	AI could perform analytics and generate insights for thematic reviews
	Regulatory Compliance	Ensuring adherence to financial regulations and laws	29%	AI can aid with summarisation or regulatory documents and and comparison of company data against regulatory thresholds
	Licensing and Registration	Ensuring the firm complies with necessary licensing and registration requirements	10%	AI can create & manage a licensing inventory, monitor licenses and registrations tracking and access changes in licensing requirements

Step 2: calculate intersection points between AI capabilities and as-is work profile of the sector

Legal & Compliance

Total AI impact by task

	1 year	5 years
Controls Testing	10%	60%
Policy Enforcement	20%	55%
Drafting Legal Documents	15%	55%
Regulatory Thematic Reviews	20%	50%
Regulatory Compliance	10%	40%
Licensing and Registration	10%	40%

AI Impact by AI capability (sums to 5 year AI impact)

	Data Processing	Summarising Information	Creating Content	Diary Mngt	Chatbots	Code Gen	Translation
Controls Testing	17%	17%	9%			17%	
Policy Enforcement	17%	17%	13%		8%		
Drafting Legal Documents		15%	26%		7%		7%
Regulatory Thematic Reviews	7%	21%	21%				
Regulatory Compliance	10%	20%	10%				
Licensing and Registration	7%	13%	13%	7%			

This analysis was run for 471 representative tasks across the FPS sector.

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