

Generative AI in wealth and asset management

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Background and methodology

Interest and demand for GenAI* solutions is rising quickly. Wealth and asset managers are beginning to make significant movements and investments into the space.

To better understand how wealth and asset managers are exploring and/or implementing GenAI applications, EY-Parthenon teams conducted the following survey:

N=227

- ▶ Respondents included wealth managers (independent broker/dealers, wirehouses and RIAs), private banks, traditional asset managers, alternative asset managers and hedge funds.
- ▶ Decision-makers focused on client servicing, marketing, onboarding, product strategy, and other investment and technology representatives.
- ▶ Respondents had knowledge of the represented firm's GenAI initiatives or direct involvement in teams leading GenAI efforts, with specific expertise in GenAI applications, including ChatGPT, Dall-E, OpenAI and Microsoft Azure.
- ▶ Sample decision-maker titles included (but were not restricted to) chief strategy officers, chief technology officers, head of product development, head of marketing, relationship manager, chief risk officer and other positions in the firm directly related to client servicing, client investing, client onboarding and risk.

Conducted Oct-Nov 2023

*Generative AI or GenAI

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GenAI can unlock meaningful enhancements in profitability and efficiency for wealth and asset managers

Key takeaways

Supporting data

1	Wealth and asset managers are already investing, planning to invest or are highly interested in GenAI applications.	<ul style="list-style-type: none"> ▶ 98% of wealth and asset managers are already investing in GenAI, planning to invest or are highly interested in learning more; 48% of these respondents are investing today. ▶ 75% of respondents have mobilized a GenAI team; among those who have yet to establish a dedicated team, 79% plan to do so within the next one to two years.
2	Wealth and asset managers are focused on benefits that will yield client experience enhancements, service quality improvements and efficiency gains via task automation; this highlights a focus on utilizing GenAI to more efficiently serve clients.	<ul style="list-style-type: none"> ▶ 69% of wealth and asset managers ranked increased productivity as a top motivator; 62% ranked task automation as a top motivator. ▶ Smaller firms (<\$US1b in AUM) have ranked both client experience enhancement and cost reduction as primary drivers (73%).
3	Enhancements are expected to largely impact client-facing functions, with contact center, marketing and distribution, and client services rising to the top.	<ul style="list-style-type: none"> ▶ 68% of firms anticipate high impact on contact centers; 64% expect high impact on marketing and distribution. ▶ 89% of private banks ranked client interactions as a 4 or 5 compared with 59% of all wealth and asset manager respondents.
4	Wealth and asset managers have made tangible investments in GenAI, with hedge funds leading other segments.	<ul style="list-style-type: none"> ▶ 14% of wealth and asset managers are preparing to launch or have already rolled out GenAI technology/applications, the remaining 70% planning to launch in the next year. ▶ 33% of private banks and 52% of hedge funds have already rolled out GenAI, either internally or in a client-facing application, compared with 18% of all.
5	Wealth and asset managers are prioritizing a limited set of use cases, indicating a highly targeted approach to implementation.	<ul style="list-style-type: none"> ▶ 79% of all respondents have identified <10 use cases. ▶ 4% of traditional asset managers have identified 150+ use cases, compared with only 2% of all wealth managers.
6	Wealth and asset managers expect to prioritize investment across asset strategies, product analytics, client management and operations.	<ul style="list-style-type: none"> ▶ Front-office investment areas include asset strategies (63%) and product analytics (59%); 66% of wealth managers are considering partnerships to execute on these investment areas vs. 70% of asset managers. ▶ Middle- and back-office investment areas include client management (81%) and operations (78%); 71% of all wealth managers are considering partnerships to execute on these investment areas vs. 65% of all asset managers.
7	Wealth and asset managers are taking decisive steps to implement a governance framework to manage risk from GenAI.	<ul style="list-style-type: none"> ▶ 81% of the firms have established a governance/risk framework or are in the process of establishing one. ▶ Hedge funds report more activeness in establishing a framework with 61% respondents, compared to 19% of wealth managers.



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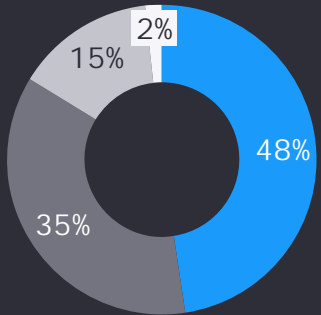
Priority use cases

Demographics overview

Wealth and asset managers demonstrate growing interest in GenAI solutions, anticipate enhanced client experiences and have begun deploying dedicated resources

Wealth and asset managers ...

1 Are actively exploring GenAI initiatives



■ Already investing ■ Want to learn more
■ Planning to invest ■ Waiting to see what happens in the market

98%

of respondents are already investing in GenAI, planning to invest or are highly interested in learning more

48%

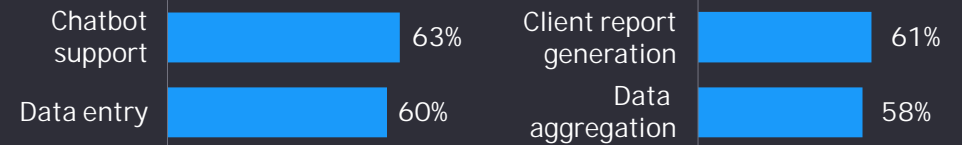
of these respondents are investing today

2 Anticipate numerous benefits following implementation

Respondents are motivated to invest in Generative AI due to the following drivers:

- 1 Productivity enhancements
- 2 Client experience enhancements
- 3 Cost savings
- 4 Service quality improvements

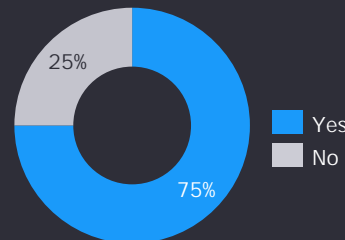
3 Expect to prioritize front-office investments in chatbot support and real-time data entry ...



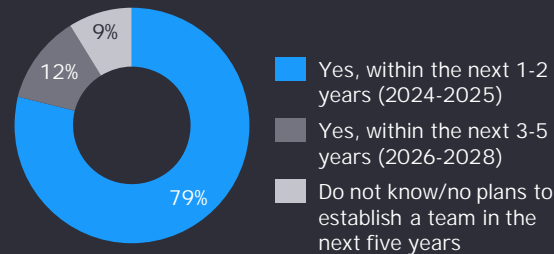
... and to prioritize middle and back-office investments in client report generation and automated data aggregation

4 And have begun making investments in dedicated Generative AI teams to realize these benefits

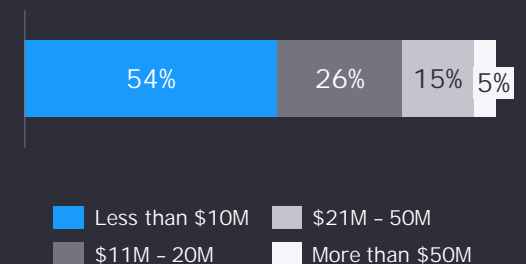
Generative AI team mobilization (n=227)



Plan to mobilize a Generative AI team in the future for firms who do not already have a team (n=57)



Funding amount for Generative AI teams (n=170)



Firms are motivated by enhancing client experience and automating tasks, as they view increasing resource efficiency and improving decision-making as major benefits

What are the primary drivers motivating your firm to implement Generative AI technologies? Please select all that apply. (n=227)



Primary motivators to implement Generative AI technologies include client experience enhancements and task automation

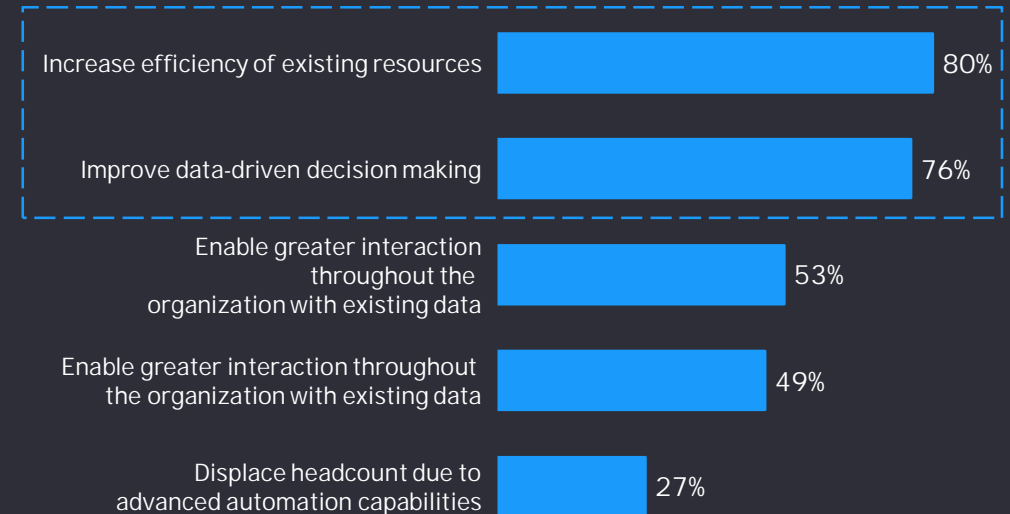


- ▶ Private banks are driven by client experience enhancement (86%) compared to wealth managers (64%).
- ▶ Hedge funds have ranked higher (87%) in client experience than the average respondents overall (69%).

How do you think Generative AI will change your firm's "ways of working"? Please select all that apply. (n=227)



80% of respondents believe that GenAI will increase efficiency of existing resources



- ▶ 89% of wirehouses believe that GenAI will both increase efficiency of existing resources and improve data-driven decision-making
- ▶ 87% of traditional asset managers believe that GenAI will improve data-driven decision-making, and 85% believe that implementation will increase efficiency of existing resources

Contact centers are projected to experience the greatest changes from GenAI implementation, with 68% of respondents anticipating significant impact

Impact of GenAI on different functions

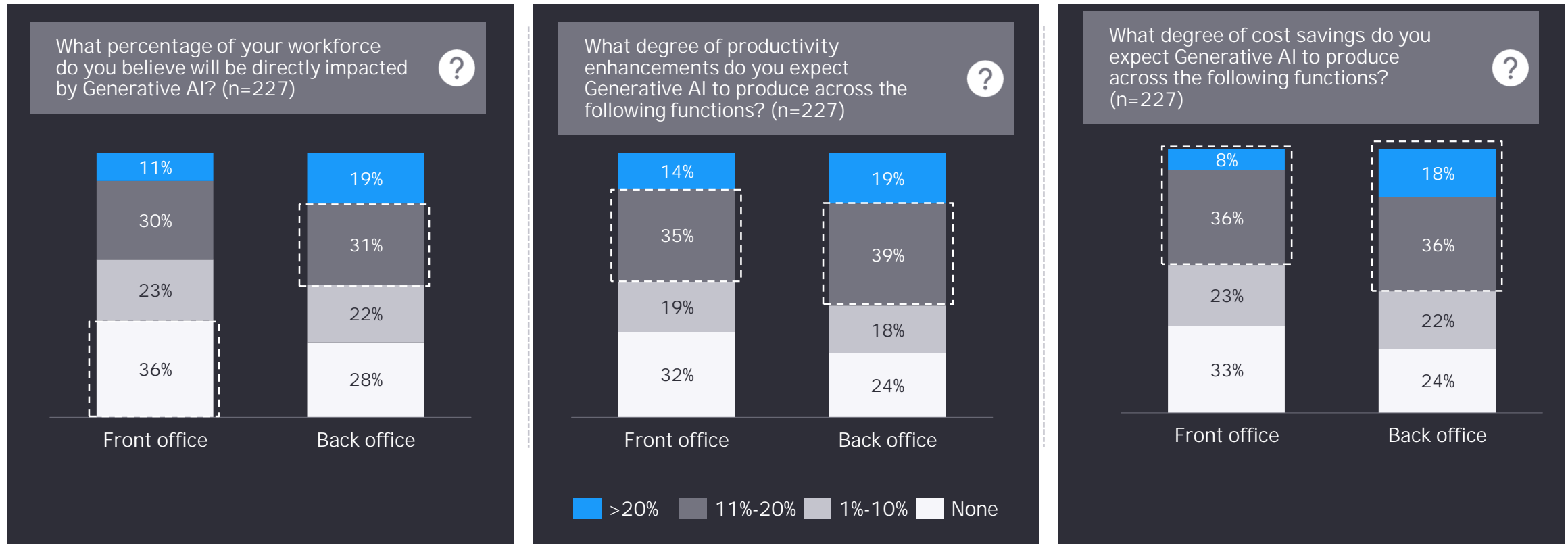
On a scale of 1-5 (1 being low impact and 5 being high impact), how will Generative AI impact the following functions? (n=227) ?



Commentary

- ▶ 87% of private banks ranked client interactions as a 4 or 5 compared to 59% of all wealth and asset manager respondents.
- ▶ 57% and 47% of alternative and traditional asset managers, respectively, anticipate high impact (as indicated by a rating of 4 or 5) of GenAI on client onboarding; in contrast, 84% of hedge funds anticipate equivalent impact on client onboarding.

Impacts to workforce, productivity enhancements and cost savings are expected to be larger across the back office



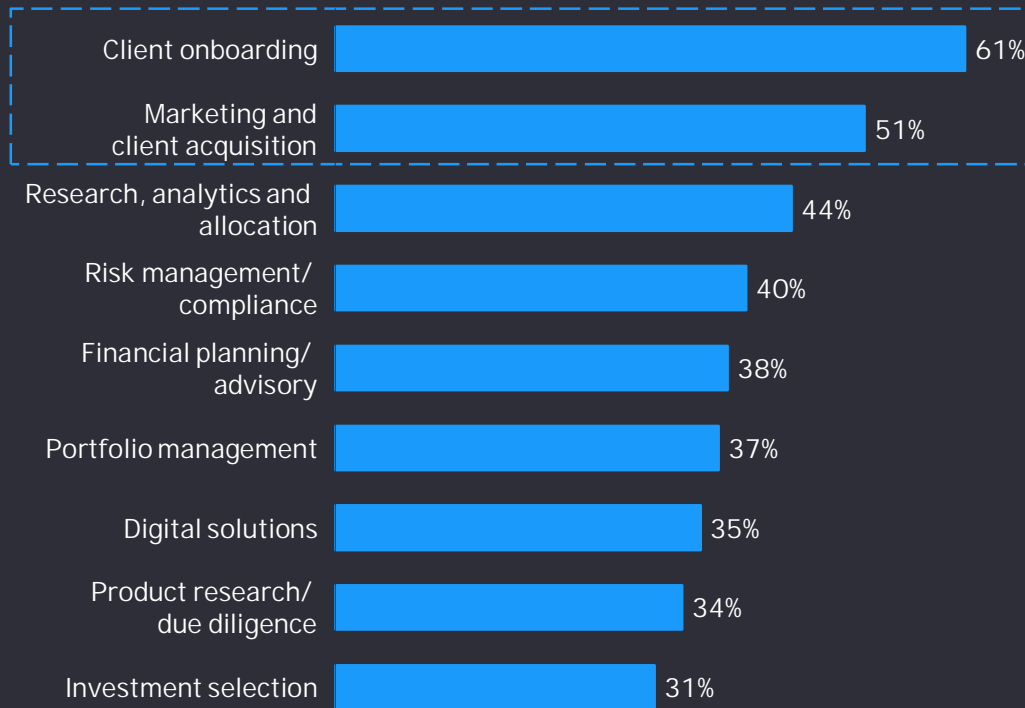
Additional details

- ▶ 53% of wealth managers anticipate between a 1%-20% impact to their front-office workforce, and 53% anticipate between 1%-20% impact to their back-office staff.
- ▶ 49% anticipate a >11% impact to front-office productivity, and 58% anticipate a >11% impact within their back office.
- ▶ 44% anticipate a >11% degree of front-office cost savings, and 54% anticipate a >11% impact within their back office.

Wealth Managers – Client onboarding, marketing, report generation, account set-up and real-time risk monitoring were identified as top impacted areas in terms of savings

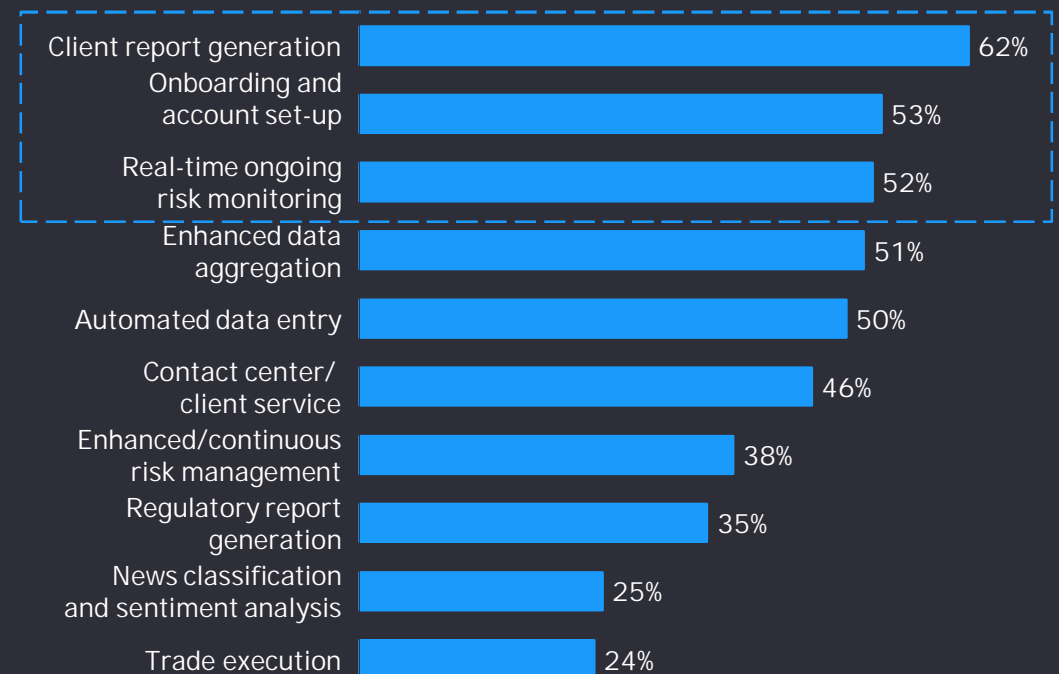
Client onboarding and marketing / client acquisition are expected to achieve the greatest time and cost savings from GenAI implementation

Which departments across your Front-Office do you expect will realize the greatest time and cost savings from implementation of Generative AI? Please select all that apply (n=113)



Client report generation, account-set up, and real-time ongoing risk monitoring are expected to achieve the greatest time and cost savings from GenAI implementation

Which departments across your Middle and Back Office do you expect will realize the greatest time and cost savings from implementation of Generative AI? Please select all that apply. (n=113)



Asset Managers – Onboarding, portfolio management, reporting, client servicing and risk management were identified as top impacted areas in terms of savings

Onboarding and portfolio management are expected to achieve the greatest time and cost savings from GenAI implementation

Which departments across your Front-Office do you expect will realize the greatest time and cost savings from implementation of Generative AI? Please select all that apply (n=114) ?

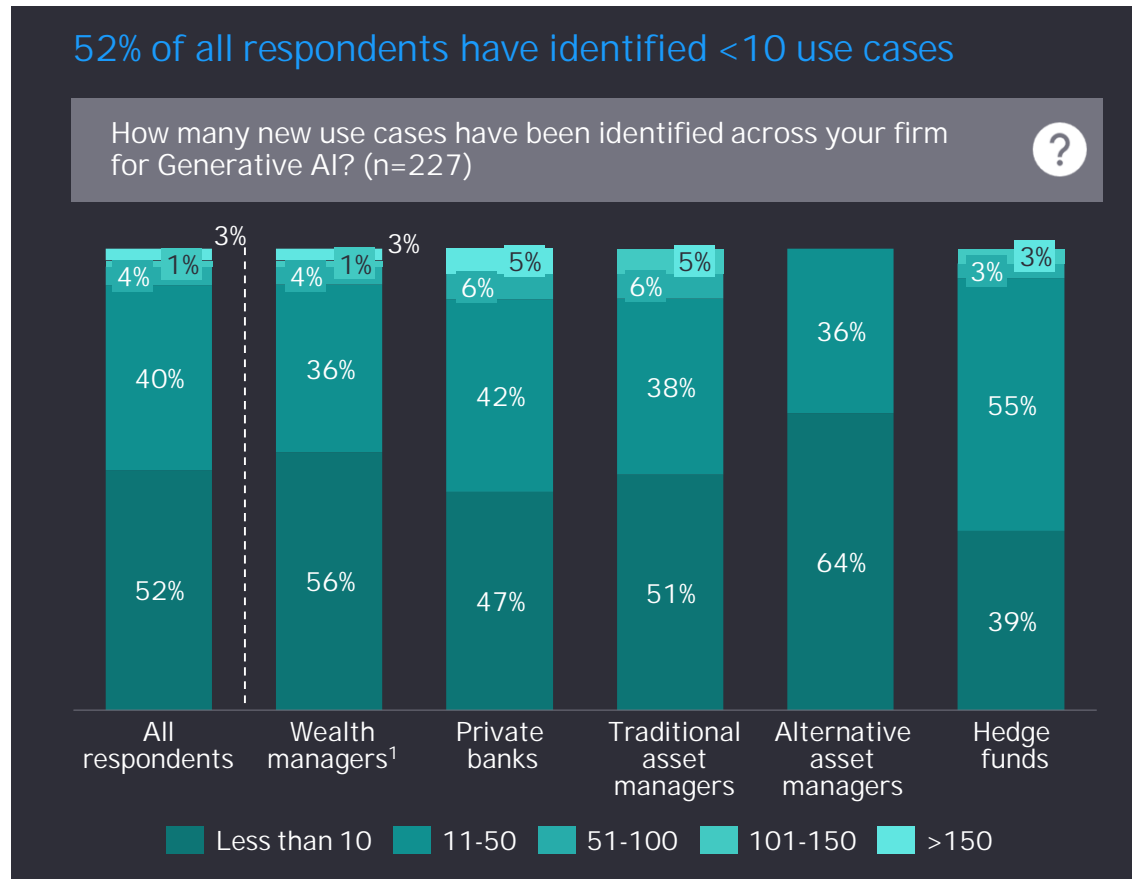


Reporting, client servicing and risk management / fraud are expected to achieve the greatest time and cost savings from GenAI implementation

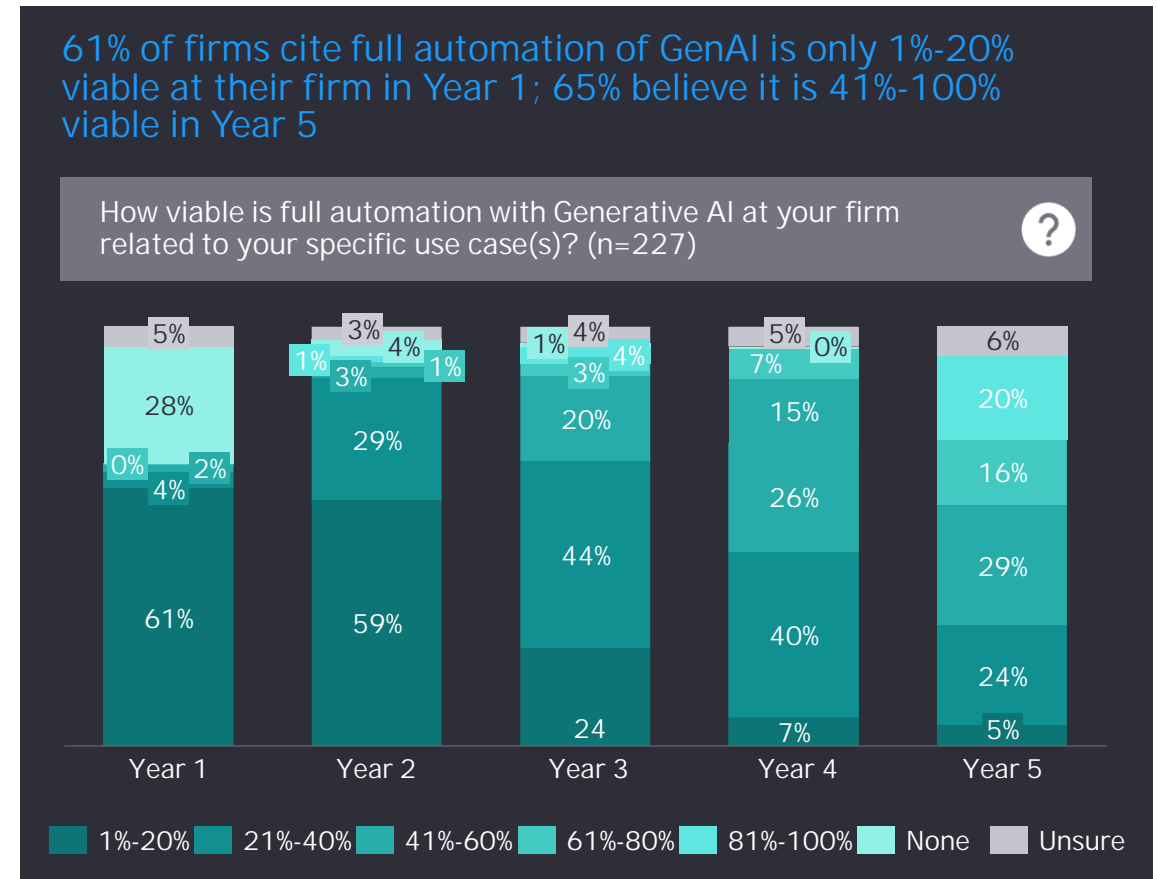
Which departments across your Middle and Back Office do you expect will realize the greatest time and cost savings from implementation of Generative AI? Please select all that apply. (n=114) ?



52% of respondents have identified <10 novel use cases, and 52% expect <4 to be viable for implementation, with majority viewing significant automation in year 5



- ▶ 47% of wealth managers and private banks have identified 10+ use cases
- ▶ 49% of asset managers have identified 10+ use cases
- ▶ 52% of firms state that one to four GenAI use cases are viable for implementation



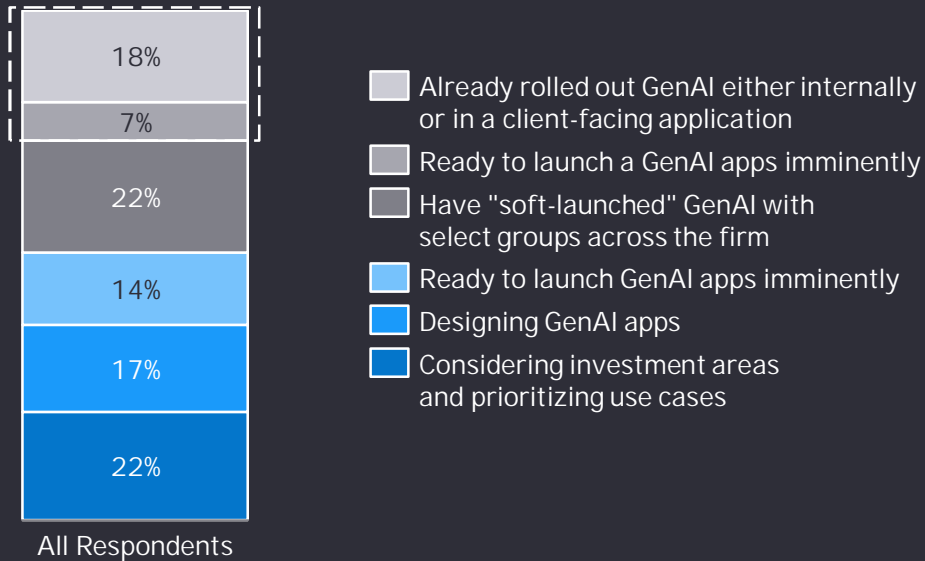
- ▶ 72% of private banks believe full automation is 1%-20% viable in Year 1 vs. 58% of all
- ▶ 90% of hedge funds believe full automation is 1%-20% viable in Year 1 vs. 64% overall

(1) Wealth managers include independent B/Ds, wirehouses and RIAs
 Source: EY-Parthenon Wealth and Asset Managers Generative AI Survey November 2023 (n=227).

25% of respondents have already launched or are preparing to launch Generative AI applications; of those who have not, 84% plan on launching within the next year

25% of respondents are preparing to launch or have already rolled out Generative AI technology/applications

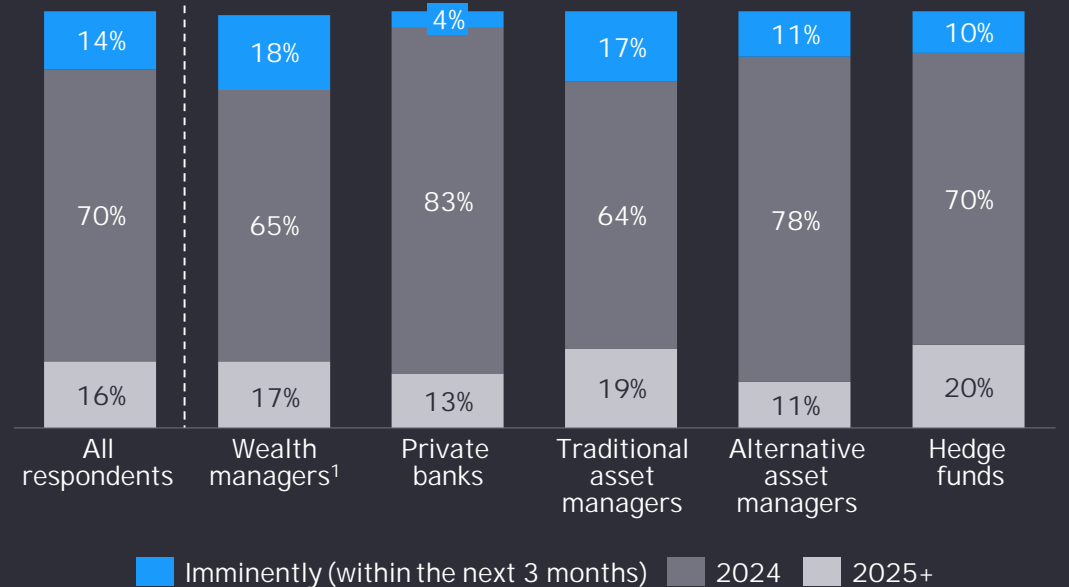
At what stage is your investment in Generative AI? (n=227) ?



- ▶ 33% of private banks and 52% of hedge funds have already rolled out GenAI, either internally or in a client-facing application, compared to 18% of all.
- ▶ Alternative asset managers are lagging, with 39% still considering investment areas and prioritizing use cases vs. only 21% of others.

Of the respondents that have not, 84% believe that they will launch prior to 2025

When do you expect to launch Generative AI applications? (n=186) ?



- ▶ 41% of wealth managers expect to launch GenAI applications in the first half of 2024.

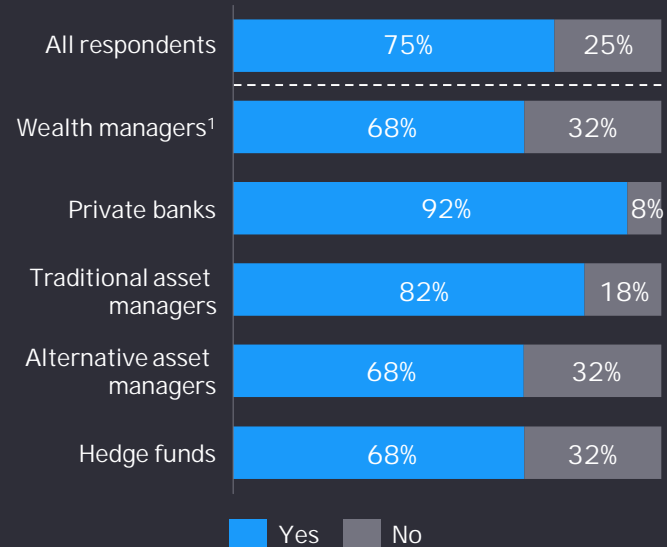
(1) Wealth managers include independent B/Ds, wirehouses and RIAs

Source: EY-Parthenon Wealth and Asset Managers Generative AI Survey November 2023 (n=227).

75% of respondents have mobilized a GenAI team; these teams are being funded from IT and corporate strategy budgets and are expected to receive \$US10m+ of budget

75% of respondents have already mobilized a team to advance GenAI initiatives

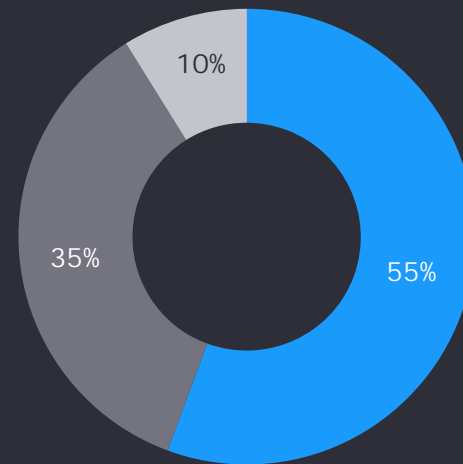
Has your firm mobilized a team and/or subunit dedicated to advancing Generative AI initiatives? (n=227)



- ▶ 61% of asset managers with \$US11b-\$US100b in AUM have mobilized a team compared to 85% of asset managers with \$US2t-\$US5t in AUM.
- ▶ Asian respondents have a lower rate of team mobilization, with 74% vs. 80% of US respondents.

Funding for the team will be sourced mainly from IT or business/corporate strategy budgets

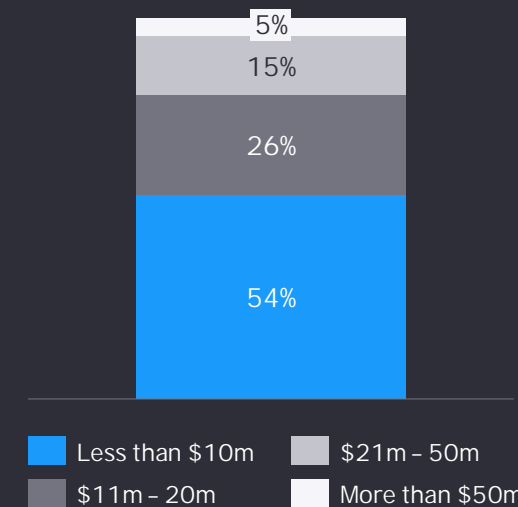
Where is funding/spend for dedicated Generative AI teams being sourced? (n=170)



- ▶ 55% of respondents report obtaining funding from IT budgets compared to operations budgets.

54% anticipate allocating more than \$US10m of budget to mobilizing this team

In dollar amounts, approximately how much budget do you expect to allocate to mobilizing the Generative AI team? (n=170)



- ▶ 47% of alternative asset managers expect to allocate less than \$US10m of budget.
- ▶ 52% of hedge funds anticipate allocating \$US11m-20m of budget.
- ▶ Only firms with >\$US11b in AUM anticipate allocating more than \$US50m in budget.

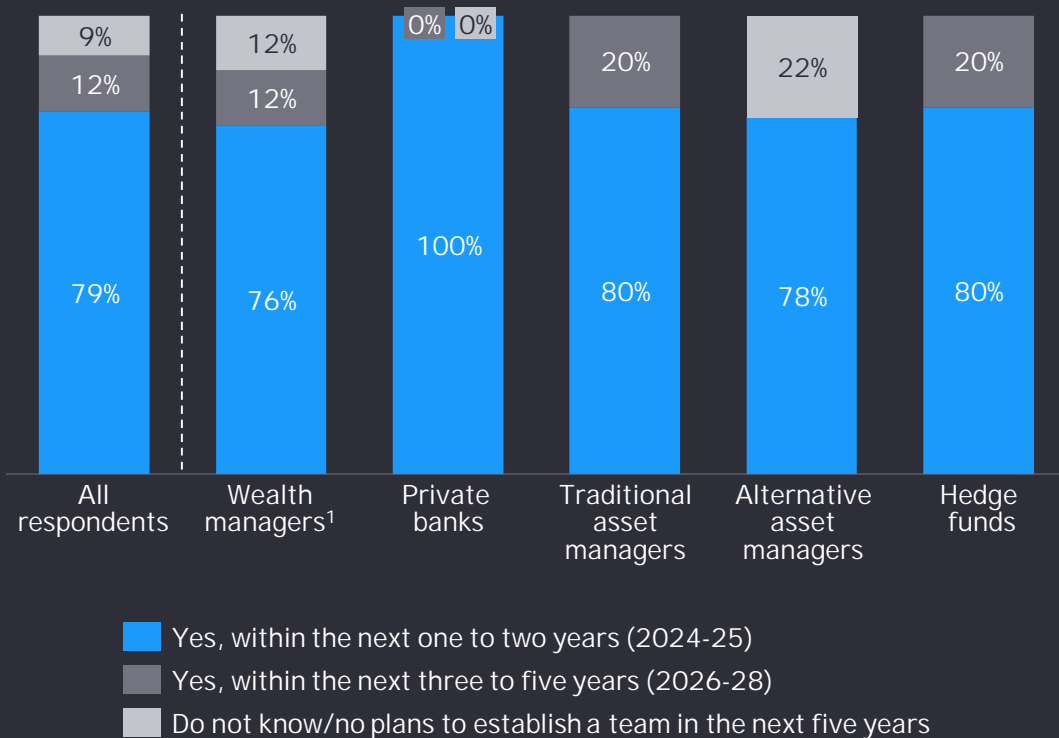
(1) Wealth managers include independent B/Ds, wirehouses and RIAs

Source: EY Parthenon Wealth and Asset Managers Generative AI Survey November 2023 (n=227).

Of firms that have not yet established a GenAI team, a majority plan to do so within the next one to two years

79% of firms who have not yet mobilized a GenAI team plan on doing so within the next one to two years

Does your firm have plans to establish a Generative AI team/subunit in the future? (n=57) ?



Barriers to establishing these teams include insufficient internal expertise and cost constraints

What barriers and/or challenges have deterred your firm from establishing a dedicated Generative AI team? (n=57) ?

- 1 Insufficient internal expertise on Generative AI
- 2 Cost/budget constraints
- 3 Regulatory ambiguity and volatility surrounding Generative AI
- 4 Perception of inadequate return on investment
- 5 Prioritization of lower-cost turnkey alternatives
- 6 Inadequacy of ancillary support
- 7 Low prioritization of Generative AI
- 8 Market/competitor latency in launching in-house Generative AI teams

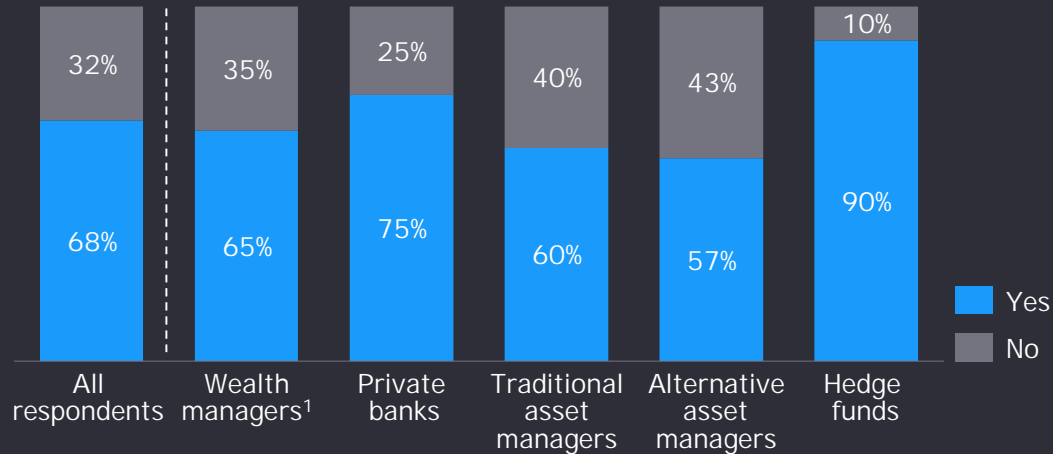
(1) Wealth managers include independent B/Ds, wirehouses and RIAs

Source: EY Parthenon Wealth and Asset Managers Generative AI Survey November 2023 (n=227).

More than two-thirds of firms believe they are equipped to implement GenAI, but are still concerned about the unknown regulatory environment and impact of use cases

Majority of respondents believe they are equipped to implement Generative AI solutions; hedge funds believe they are most equipped

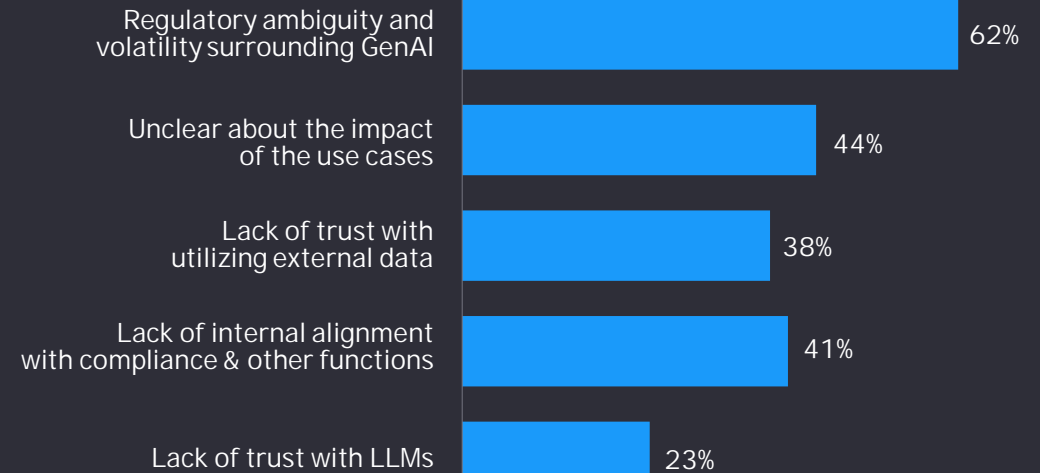
Do you believe that your firm is well-equipped with the correct technological infrastructure, internal controls, and internal talent to implement Generative AI use cases? (n=227)



- ▶ 70% of US wealth managers and private banks feel equipped, compared to 65% of European firms and 63% of Asian firms.
- ▶ 90% of hedge funds believe that their respective firms are well-equipped, compared to 57% of alternative asset managers.

Regulatory ambiguity and volatility concerns prioritized for implementation of Generative AI technologies

What issues, concerns or hesitations does your organization have around the adoption of Generative AI? Please select all that apply? (n=227)



- ▶ Respondents noted concerns regarding accuracy/reliability (68%) and data privacy (61%) as top challenges/barriers to implementation of Generative AI initiatives.

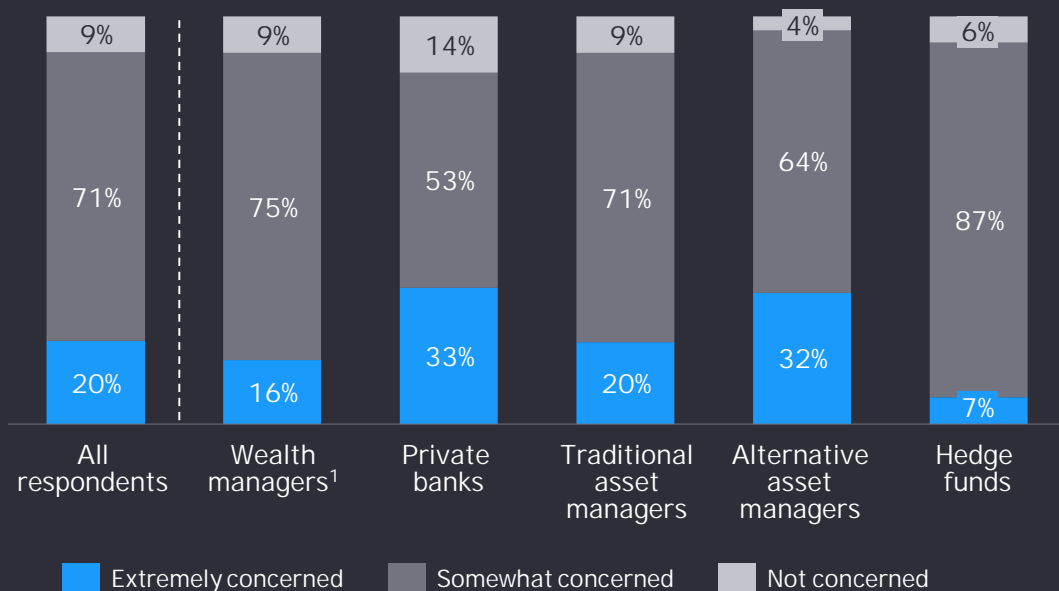
(1) Wealth managers include independent B/Ds, wirehouses and RIAs

Source: EY Parthenon Wealth and Asset Managers Generative AI Survey November 2023 (n=227).

Majority of respondents are concerned about governance/risk related to GenAI and either have a governance/risk framework or are creating one

91% of all respondents have expressed concerns about Generative AI governance

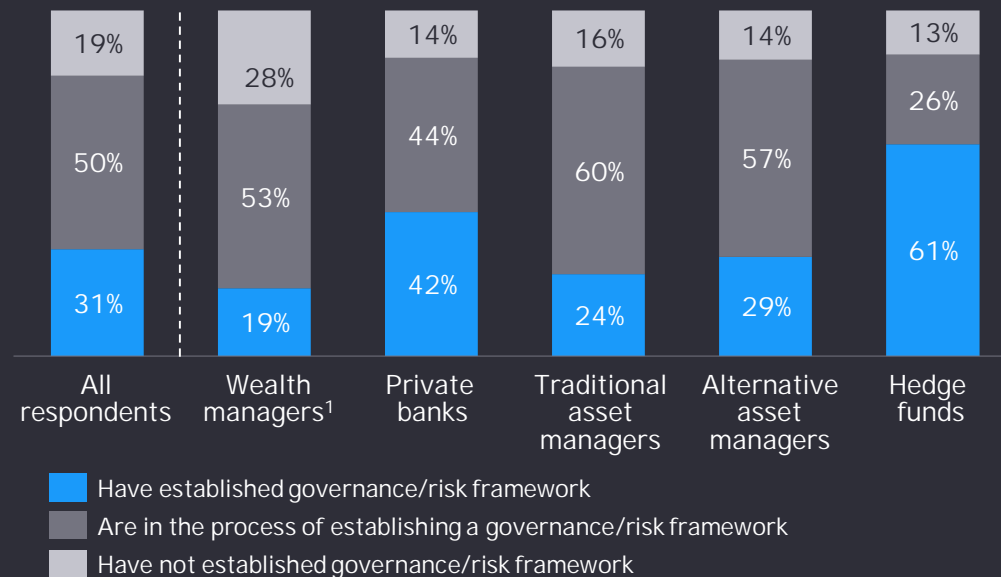
How concerned are you about governance/risk related to Generative AI? (n=227)



- ▶ 9% of small asset managers (<\$0.5b) feel extremely concerned vs. 27% of slightly larger asset managers (<\$0.5b-\$1b).
- ▶ 29% of all European respondents, report that they are extremely concerned, compared to 37% of Asian and 18% of US respondents.

More than 80% of firms have either established a governance/risk framework or are in the process of establishing one

Please describe any actions taken to address governance/risk of AI-related use cases? (n=227)



- ▶ Hedge funds state that their activeness in establishing a framework with 61% respondents compared to 19% of wealth managers.
- ▶ 18% of US respondents, have not established a framework vs. 29% of European respondents.

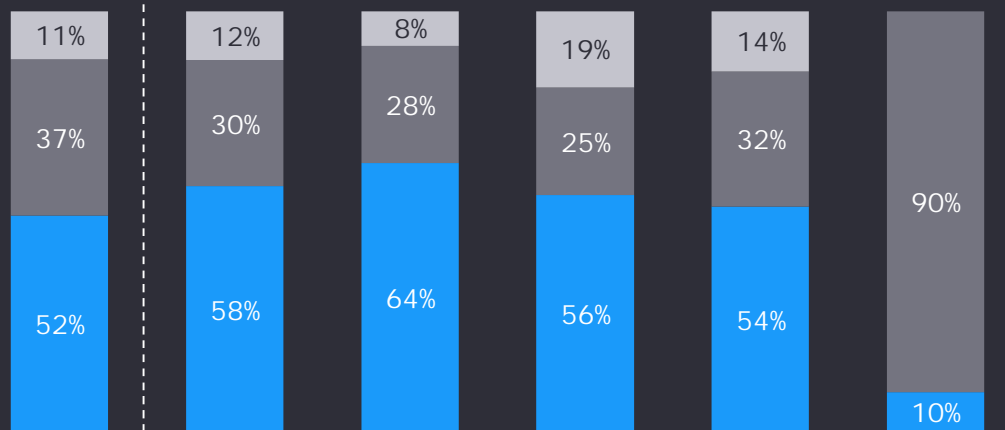
(1) Wealth managers include independent B/Ds, wirehouses and RIAs

Source: EY-Parthenon Wealth and Asset Managers Generative AI Survey November 2023 (n=227).

Wealth and asset managers are concerned about utilizing external data expressing specific worries with data accuracy, data quality and data privacy

Majority of respondent are concerned with using external data

Does your organization see any concerns with utilizing external data? (n=227)

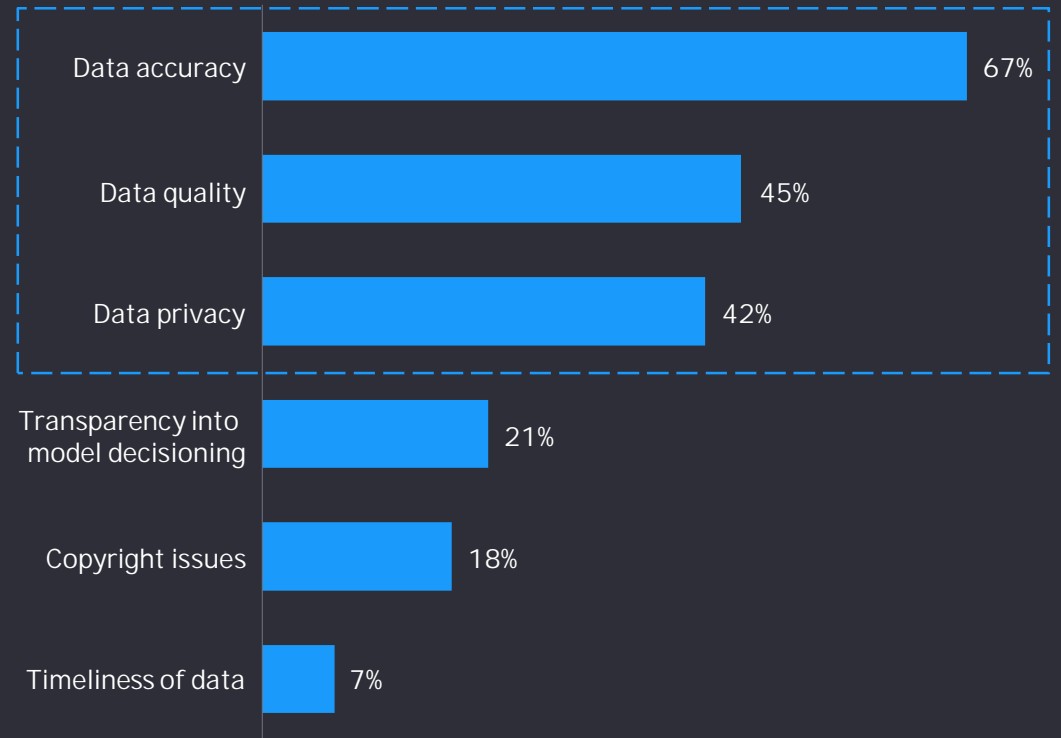


■ Yes ■ No ■ Not utilizing third-party data in our use cases/not applicable

- ▶ 64% of private banks state the concerns about utilizing external data vs. only 10% of hedge funds respondents.
- ▶ 82% of European respondents are concerned compared to 61% of US respondents and 53% Asian respondents.

Of the respondents that do utilize external data, data accuracy, data quality and data privacy are the top concerns

What concerns does your organization have with utilizing external data? Please select the top two concerns. (n=117)



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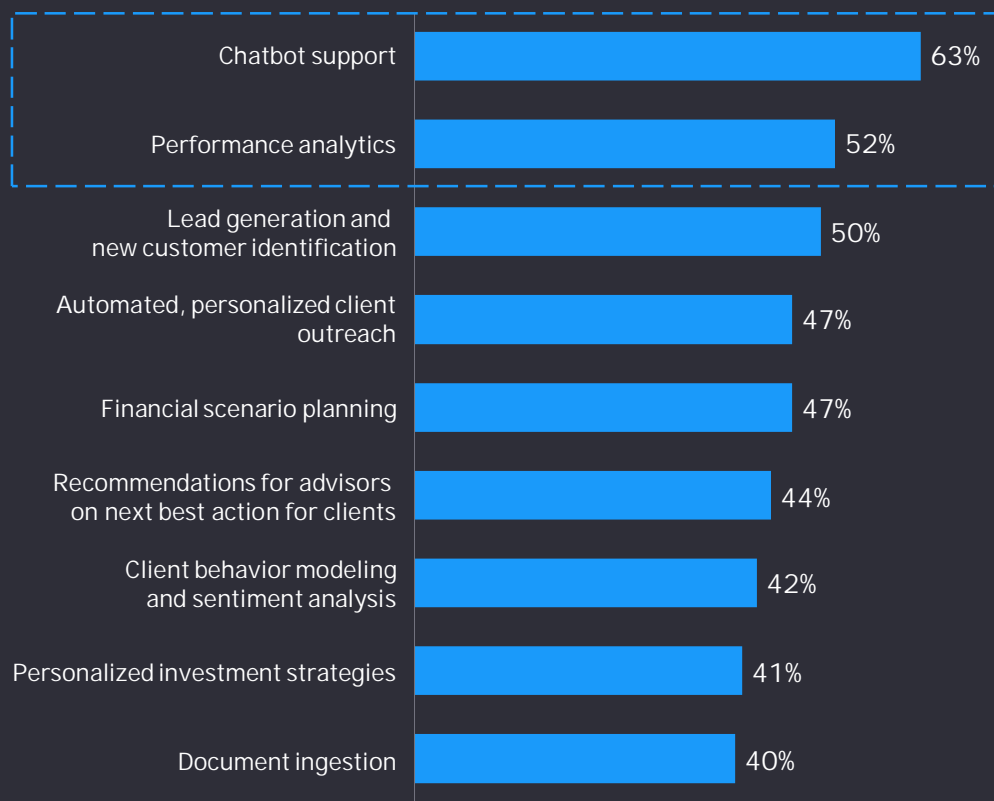
Priority use cases

Demographics overview

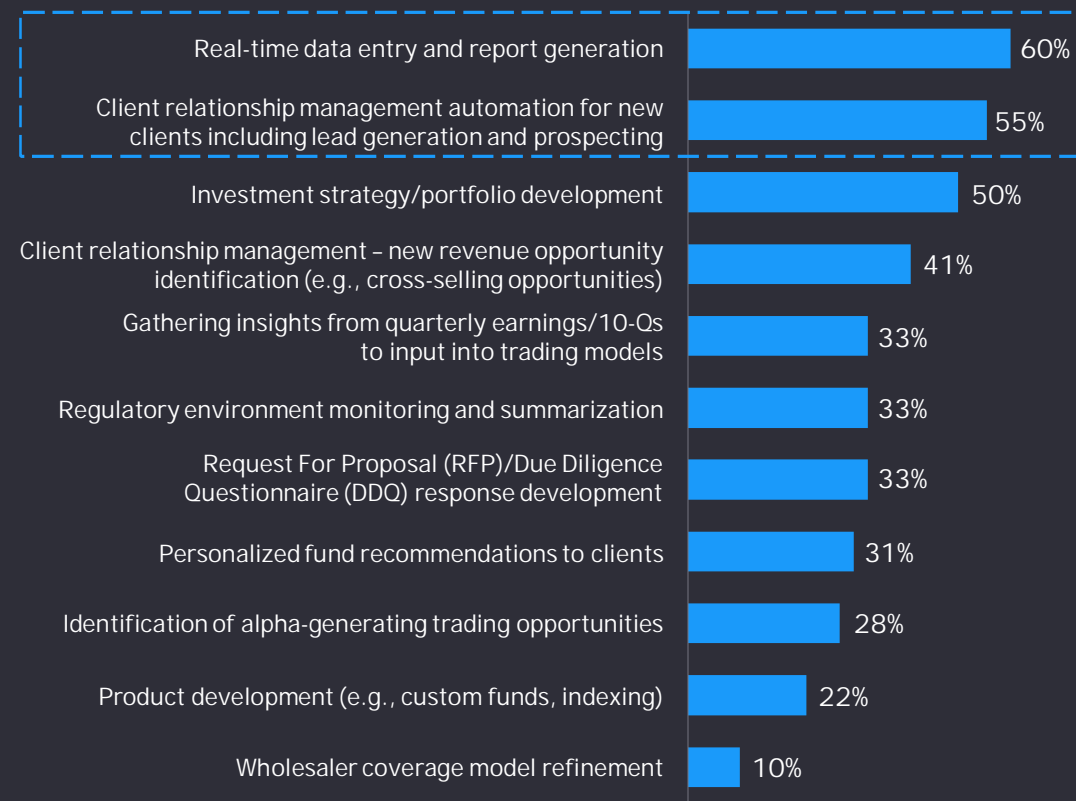
Top front-office use cases for wealth and asset managers

Where do you expect to prioritize investment across front-office functions? Select all that apply ?

Wealth managers and private banks (n=113)



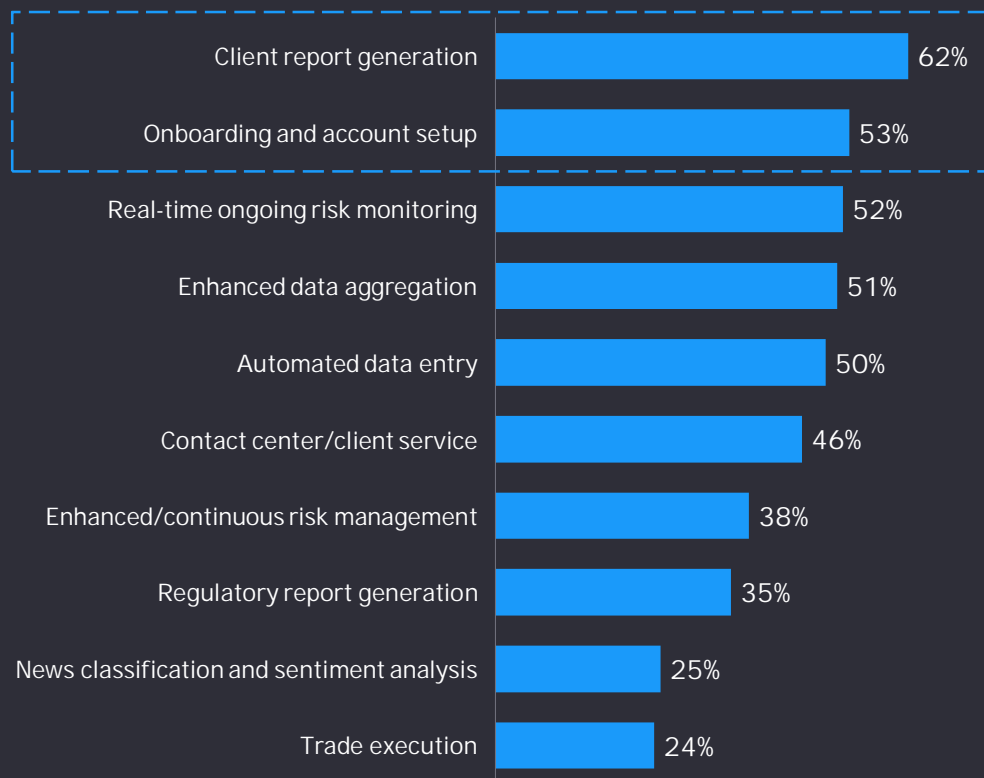
Asset managers (n=114)



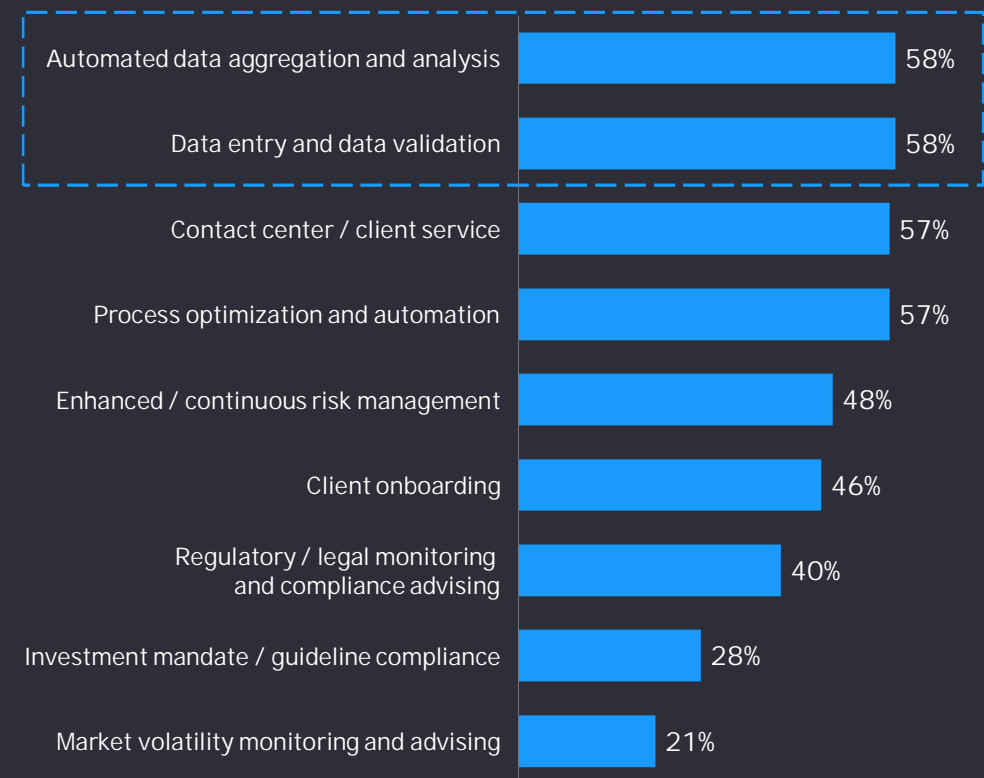
Top back-office use cases for wealth and asset managers

Where do you expect to prioritize investment across back-office functions? Select all that apply ?

Wealth managers and private banks (n=113)



Asset managers (n=114)





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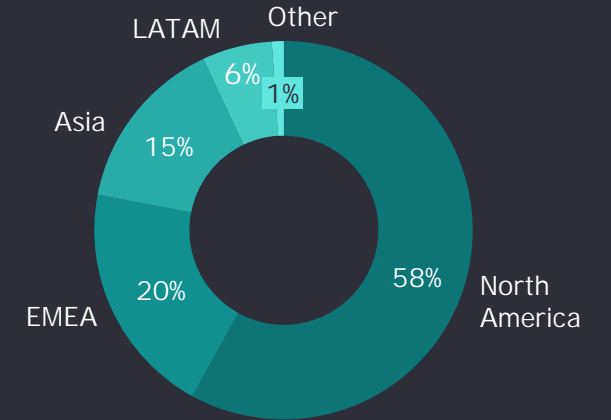
Surveyed wealth and asset manager demographics

Wealth and asset managers are segmented into various organization types (n=227)

"What category most accurately describes your organization?"

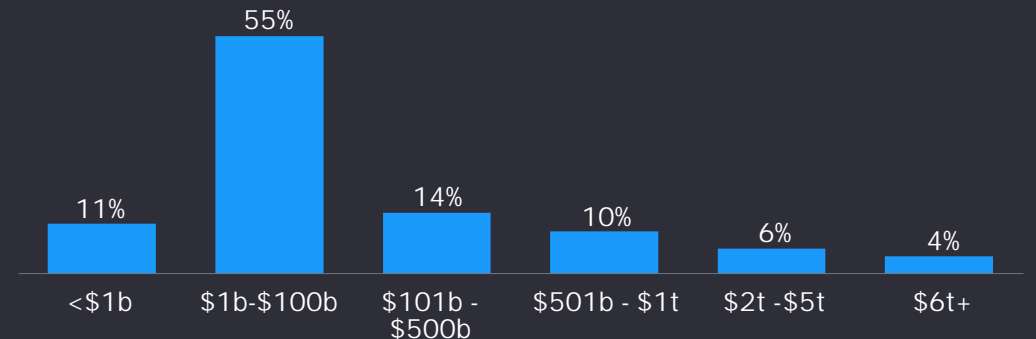


Surveyed wealth and asset managers represented various geographic regions globally (n=227)



Wealth and asset managers surveyed covered a wide range of AUM size (n=227)

"What is the size of your institution's AUM base (in USD)?"



(1) Wealth managers include independent B/Ds, wirehouses and RIAs

Source: EY Parthenon Wealth and Asset Managers Generative AI Survey November 2023 (n=227).

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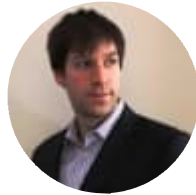
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