The transformation imperative: generative AI in wealth and asset management

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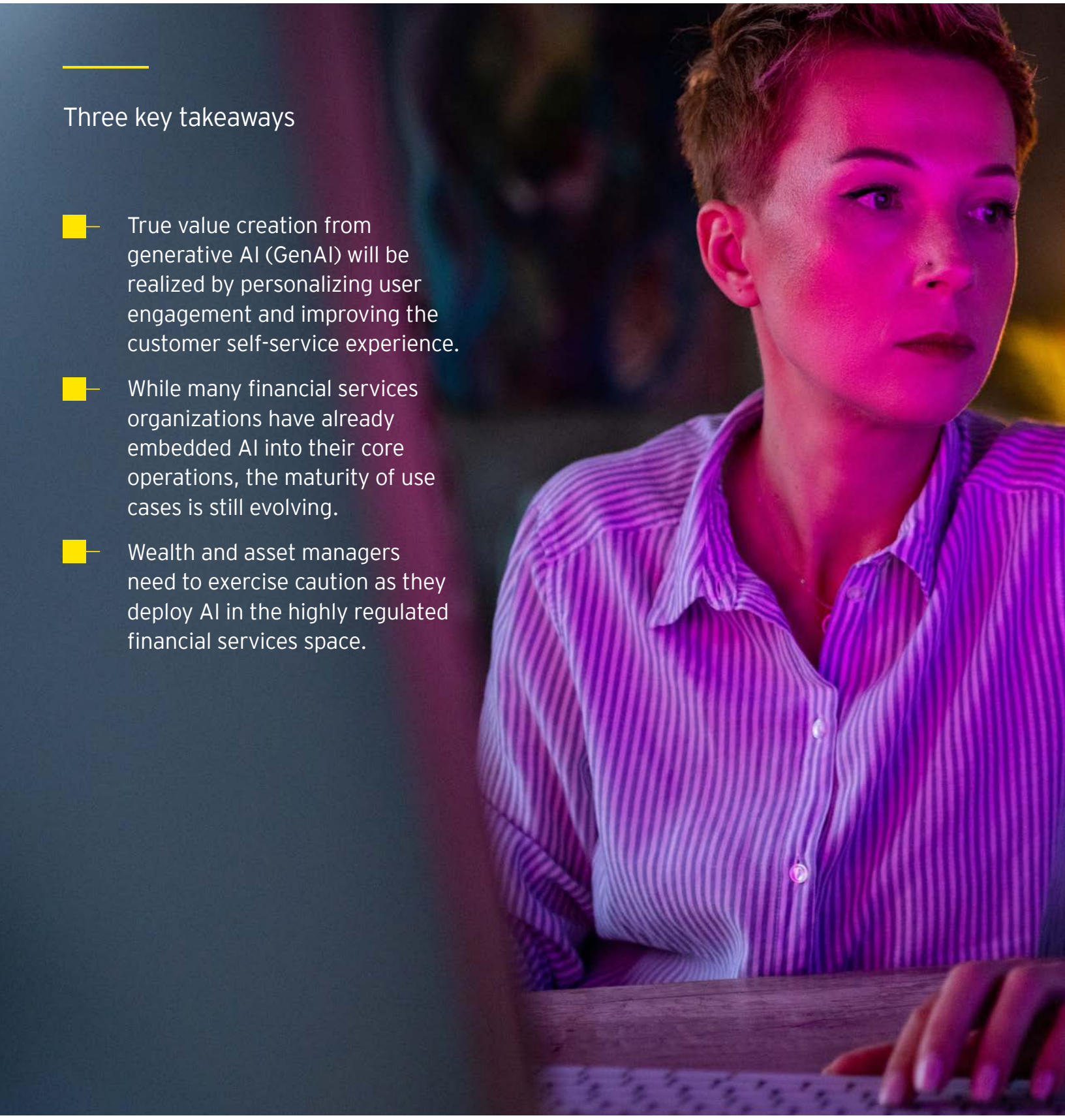
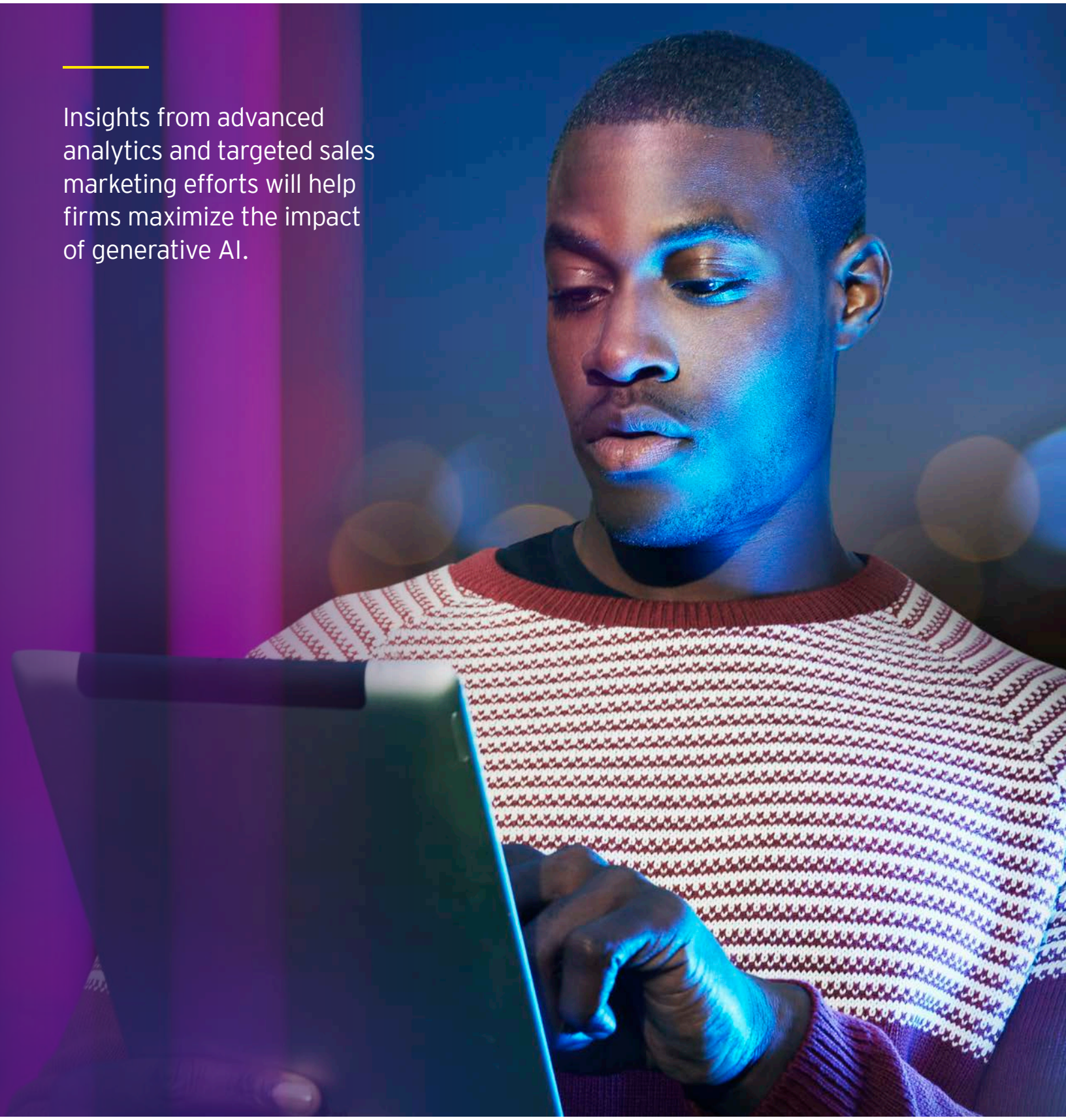
Three key takeaways

- True value creation from generative AI (GenAI) will be realized by personalizing user engagement and improving the customer self-service experience.
- While many financial services organizations have already embedded AI into their core operations, the maturity of use cases is still evolving.
- Wealth and asset managers need to exercise caution as they deploy AI in the highly regulated financial services space.



Insights from advanced analytics and targeted sales marketing efforts will help firms maximize the impact of generative AI.



Wealth and Assessment Management institutions have been at the forefront of adopting innovative technologies, and many have already embedded artificial intelligence (AI) in their core business operations. However, many organizations are still finding that the maturity of use cases for leveraging large and complex unstructured information is still evolving.

Generative AI (GenAI), the new poster child of AI applications, promises to deliver superior performance while executing information search, retrieval and synthesis tasks on unstructured content, along with content (e.g., text, image, code) generation capabilities. This ability to process large amounts of information, synthesize within context and generate human-friendly responses on its own has inspired C-suite officers to imagine how it will disrupt business value chains and position the enterprise for the future, creating value for all stakeholders (e.g., clients, employees, shareholders) and have a long-standing impact on society.

We have already seen the impacts of GenAI across various industries. Contact centers, sales and marketing, and software development represent the main areas that will be affected by emerging technology. While firms can realize early payoffs by optimizing use cases that focus on operational process and efficiency improvements (including software development), significant additional value creation will come from personalizing user engagement and improving the customer self-service experience.

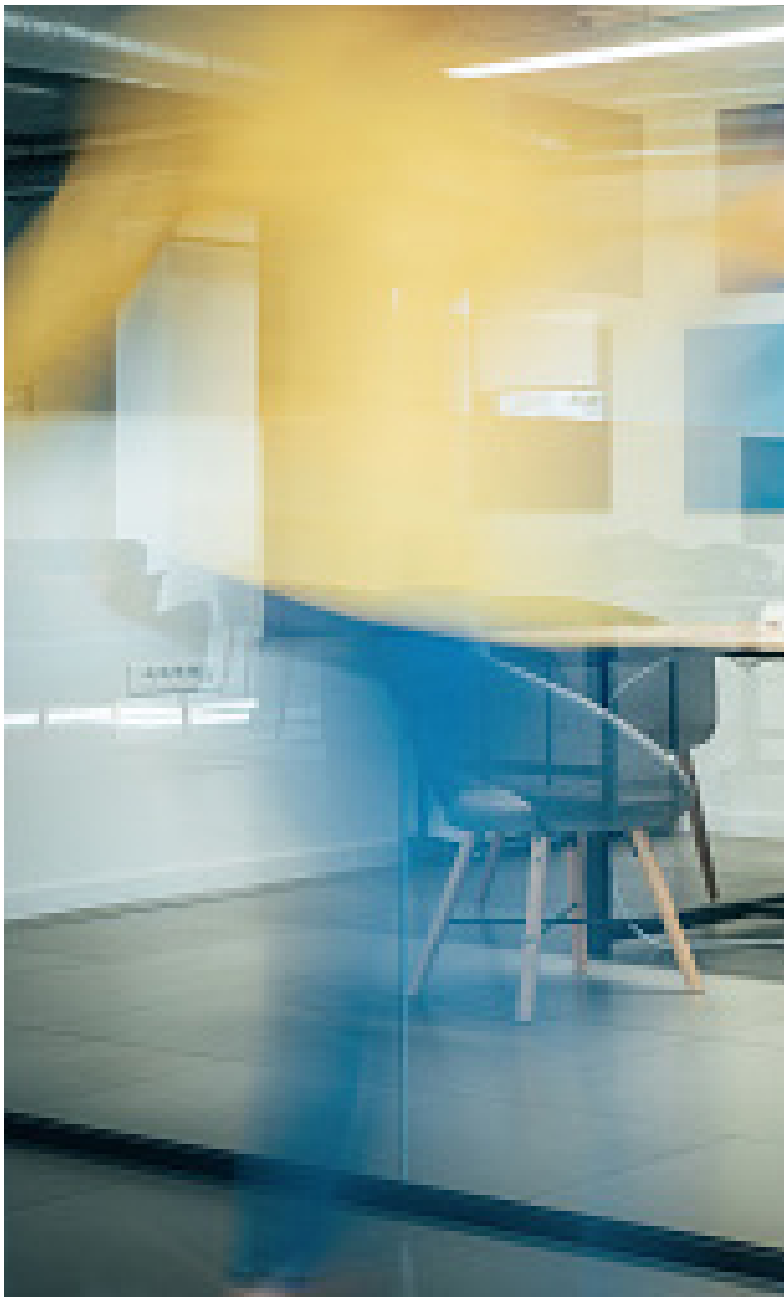
In a survey conducted by the EY financial services practice in August 2023, executive or managing directors for wealth and asset management firms with more than $2 billion in revenue were asked to rank the top three areas where generative AI could have the greatest impact on their organization. Data ingestion topped the list, followed by investment operations and financial advice, while middle-office operations ranked third.

Data ingestion to drive alpha generating strategies	21%
Investment operations, financial advice	19%
Middle-office operations	16%
Client onboarding	15%
Marketing and client acquisition	15%
Back-office operations	14%

While the possibilities are limitless, GenAI can deliver significant value to wealth and asset management organizations in the following areas:

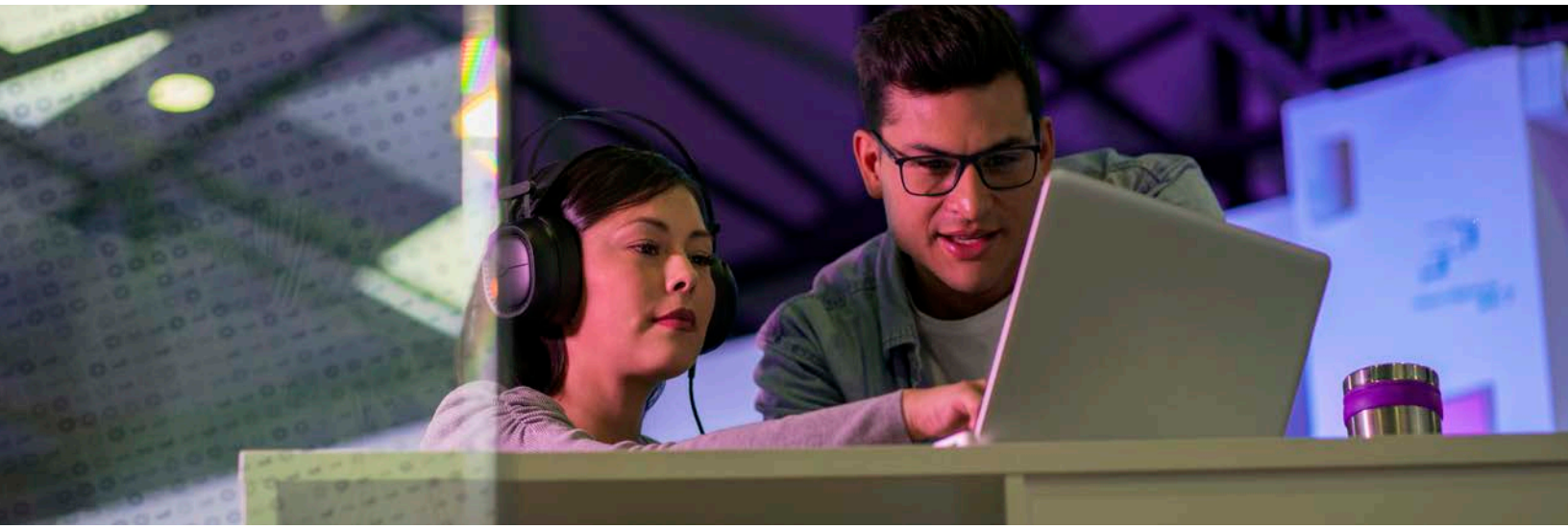
Asset managers can look to advance these gains with GenAI, which can process large amounts of unstructured information, delivering curated insights and market intelligence to portfolio managers in real-time to assist investment research and help them make informed and data-driven investment decisions.

- Within wealth management, clients are reimagining advisor desktops in ways that aim to deliver intelligent client insights, enhanced productivity and experience to financial advisors (FA). Compelling market forces are already gathering that will push firms to rethink their GenAI strategy.
- Deploying GenAI-powered solutions to support FAs will lead to more meaningful client interactions and positively impact business growth through new clients and the wallet share of existing clients. Integrating customer relationship management (CRM) platforms, for example, to deliver next-best-action recommendations will not only help improve lead generation and support meeting preparation but also deliver productivity enhancements. Such improvements will result from GenAI's ability to automate manual administrative tasks, such as pre- and post-meeting paperwork, dynamic agendas, or tracking life events and milestones for clients in real-time.
- Asset management is also undergoing transformative change by adopting AI, from using advanced analytics for portfolio optimization, asset allocation and algorithmic trading to enhancing risk management processes.



- GenAI can allow asset managers to proactively manage risks by continuously monitoring market conditions, news, and analysis sentiments and providing early signals. There could be significant opportunities in back- and middle-office functions to reduce costs or improve client engagement with dynamic electronic know your customer (e-KYC) on a self-service channel or bot-assisted client onboarding.

Sales, marketing and distribution (SMD) functions for both asset management and wealth management stand to benefit from GenAI's ability to generate a custom product or custom content. This can include Request for Proposal (RFP) responses, multilingual marketing material



or legal documentation. Risk and compliance is a major cost category within SMD, and automating the compliance review of various documents and advisor-generated content could create a material upside for organizations. Additionally, GenAI models can be integrated with market attribution models and open-source data to generate personalized client insights for targeted marketing and tailored meeting preparation.

- Retirement is another industry ripe for major disruption from GenAI adoption. To support retirement clients, organizations maintain large contact centers to handle customer queries related to retirement plans, such as eligibility, vesting, separation, etc., or to execute complex transactions, such as loan underwriting, hardship withdrawals and enrollments. Furthermore, the complexity of the retirement business is compounded by (1) the range of plans and investment options, each governed by complex jurisdictional regulations and rules that vary by client situations and, (2) the prevalence of legacy systems, which are connected through disjointed channels that rely on manual and non-digital processes.

All these factors elevate the cost of service, which is often significantly higher than the service fees. In the near term, GenAI carries the potential to augment service operations through knowledge support or by digitizing downstream processes. In the medium term, the technology will assist operations with virtual assistants and screen aids that help advisors during these complex interactions. Finally, GenAI will enable self-driving operations that can handle the majority of transactions and fulfillment requests digitally.

The fundamental questions that the C-suite is grappling with right now with respect to GenAI adoption are: how do we scale securely, at speed, and safely into the fabric of the organization? While the impact will be manifold, ranging from an organization's business strategy and brand to policy and procedures, risk and governance, data, technology and human capital, organizations will need to embrace an integrated enterprise-wide approach to operationalize and adopt GenAI.

Enterprise requirements for generative AI

Business Enablement and Ops Strategy

- Align the enterprise's existing AI strategy to include GenAI
- Collaborate across business units to define and prioritize use cases, define KPIs and quantify ROI
- Develop operating model, frameworks and playbooks to manage use case progression from ideation to enterprise deployments

Technology

- Invest in infrastructure and technology patterns to scale capabilities, from development to production, along with ability to connect with enterprise data lake to access structured/unstructured data
- Establish adaptable architecture to accommodate fit-for-purpose LLM models
- LLM Ops: Enhance the AI ModelOps process and frameworks to deploy/monitor LLMs for the enterprise

Risk and Governance

- Establish and update firmwide AI-focused policies and disclosures and risk governance framework to address heightened risk posed by GenAI
- Reevaluate contracts, legal and compliance policies for protected IP usage, copyright infringements for potentially derived content and amplification of existing model bias/discrimination (AI ethics)
- Develop robust testing and monitoring frameworks to measure model risks and performance

Data

- Redefine current data lake architectures to improve data risk controls (copyright, accuracy, privacy)
- Scale design for processed data (e.g., tokens, vectors) and metadata required for GenAI models
- Dedicate time for data cleansing and governance (e.g., aligning on the right definitions of key data features)
- Establish data standards for protected PII use and new IP data creation while adhering to existing AI data governance requirements

Center of Excellence (COE)/AI Lab

- Build or enhance scope of COEs to include research for GenAI–run experiments on closed/open source LLM models for performance and field of use
- Develop and experiment with prompt engineering and fine-tuning techniques and the orchestration framework
- Examine existing vendor portfolio for LLM solution offerings and impact to current and future deployments

People and training

- Train employees on leading practices and business and security risks with usage of LLMs usage
- Upskill business users with focused training on using generative AI enterprise applications
- Develop talent with technical experience (e.g., fine-tuning, chunking, prompt chaining/ classification) to develop enterprise GenAI applications

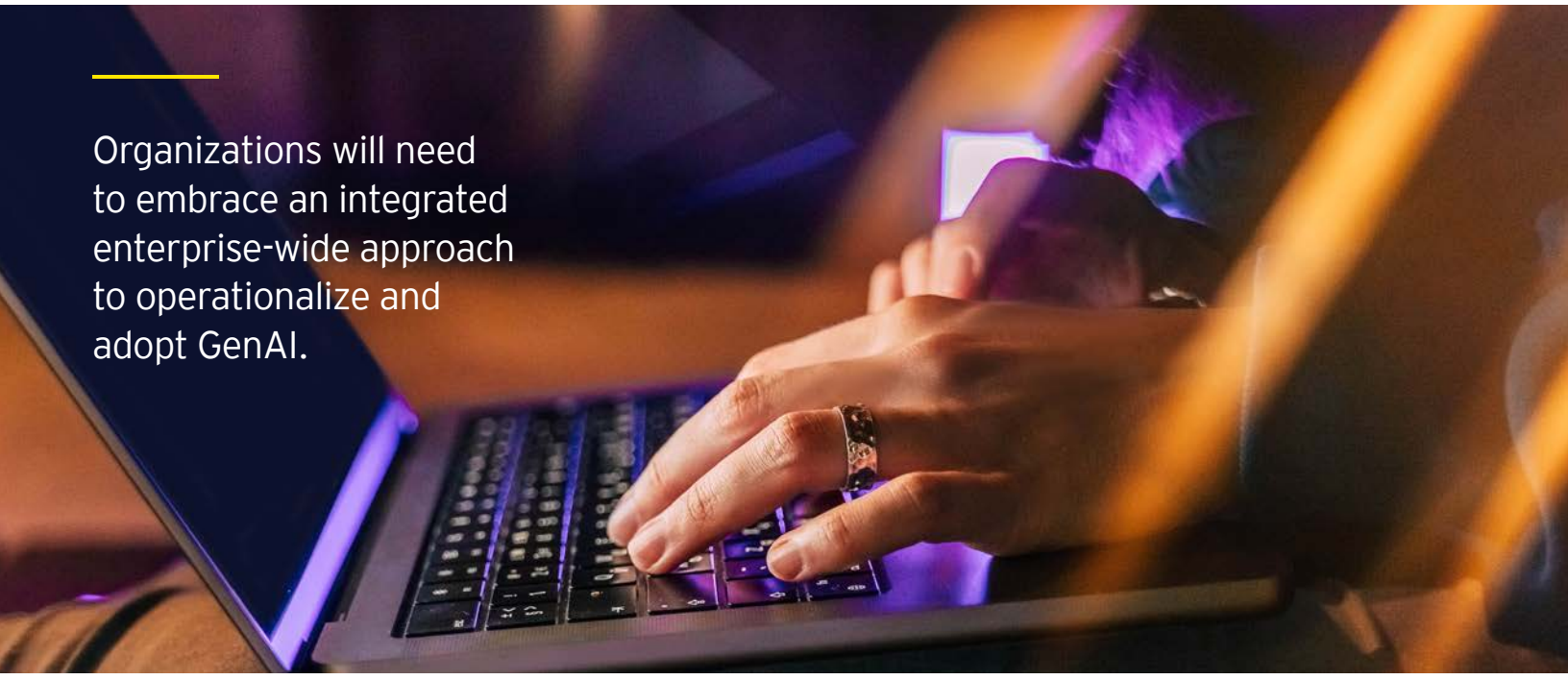
This technology is evolving rapidly and to take full advantage of its benefits and manage its inherent risks, financial institutions need to move forward in several key foundational areas.

- Harmonizing the enterprise AI strategy with GenAI is a critical step. Organizations need to further cross-team collaboration across lines of business to define and prioritize use cases, along with quantifying KPIs and the ROI impact. Additionally, establishing robust operating model playbooks and frameworks, inclusive of appropriate governance and controls for different risk tiers and technology patterns, will help organizations fast-track the deployment of GenAI models.
- Organizations should also invest in the infrastructure to scale capabilities, such as cloud-based platforms, computing resources, software frameworks or vendor partnerships. Most financial services firms have made substantial investments in these areas, but they need to be scaled further to deploy GenAI enterprise applications. Establishing scalable technology patterns with the ability to run on both structured and unstructured data within enterprise data infrastructure, along with the adaptable architecture to support multiple large language model options, remains a key step forward. In addition, developing a robust large language model operations process with an enhanced monitoring capability will be critical to operationalizing these models.
- Risk and governance should be among the key initiatives that firms target for investing resources as they embark on their GenAI journey. Given the risks posed by GenAI, such as hallucination in some cases, inherent bias and lack of explainability, organizations need to refresh their enterprise legal, risk and compliance (LRC) policy and framework. While no formal regulatory guidance on GenAI exists, firms should consider benchmarking against existing AI guidance, such as the Federal Reserve SR 11-7 (Guidance on Model Risk Management) standards for now, while accounting for heightened risks from large language model usage, along with the potential to create data or outcomes that could expose the enterprise to legal, reputational, and financial risks.
- To that end, financial institutions also need to embark on a major effort to update data standards and upgrade existing data assets to ensure sustainable access to data inputs necessary to effectively run GenAI models. These models are data-hungry, and organizations that seek to deploy AI responsibly need to invest in accurate, reliable and sustainable data that is free from noise or bias that may impair the final model outcomes. The current enterprise data management strategy needs to evolve to account for emerging risks (e.g., copyright infringement) with input and the generated data.

- As the capability matures, firms will continue to look for purpose-built GenAI models trained on domain or use case–specific data that delivers better model performance. Firms can choose from a wide variety of closed or open-source large language model options, along with large language model–based vendor products. Firms should explore and define fit-for-use patterns while optimizing for operating costs, risks and performance. Firms will benefit from establishing centers of excellence or AI labs to continuously experiment with different technologies to stay ahead of the curve.
- Workforce readiness is another critical step in the adoption of any transformation technology. To unlock its full potential and maximize the ROI of the GenAI investment, firms can expect to see performance improvements in GenAI solutions by enhancing the quality of prompts. They will benefit by upskilling end users on GenAI with focused training on engineering optimal prompts, as well as building technical capacities to deploy GenAI-enabled applications.

In conclusion, wealth and asset managers need to exercise caution while deploying this new technology as they operate in a highly regulated sector. Many of the issues they need to consider hinge on the potential risk to the organization, including applying GenAI too broadly and too soon, in addition to the cost of building and operating these solutions.

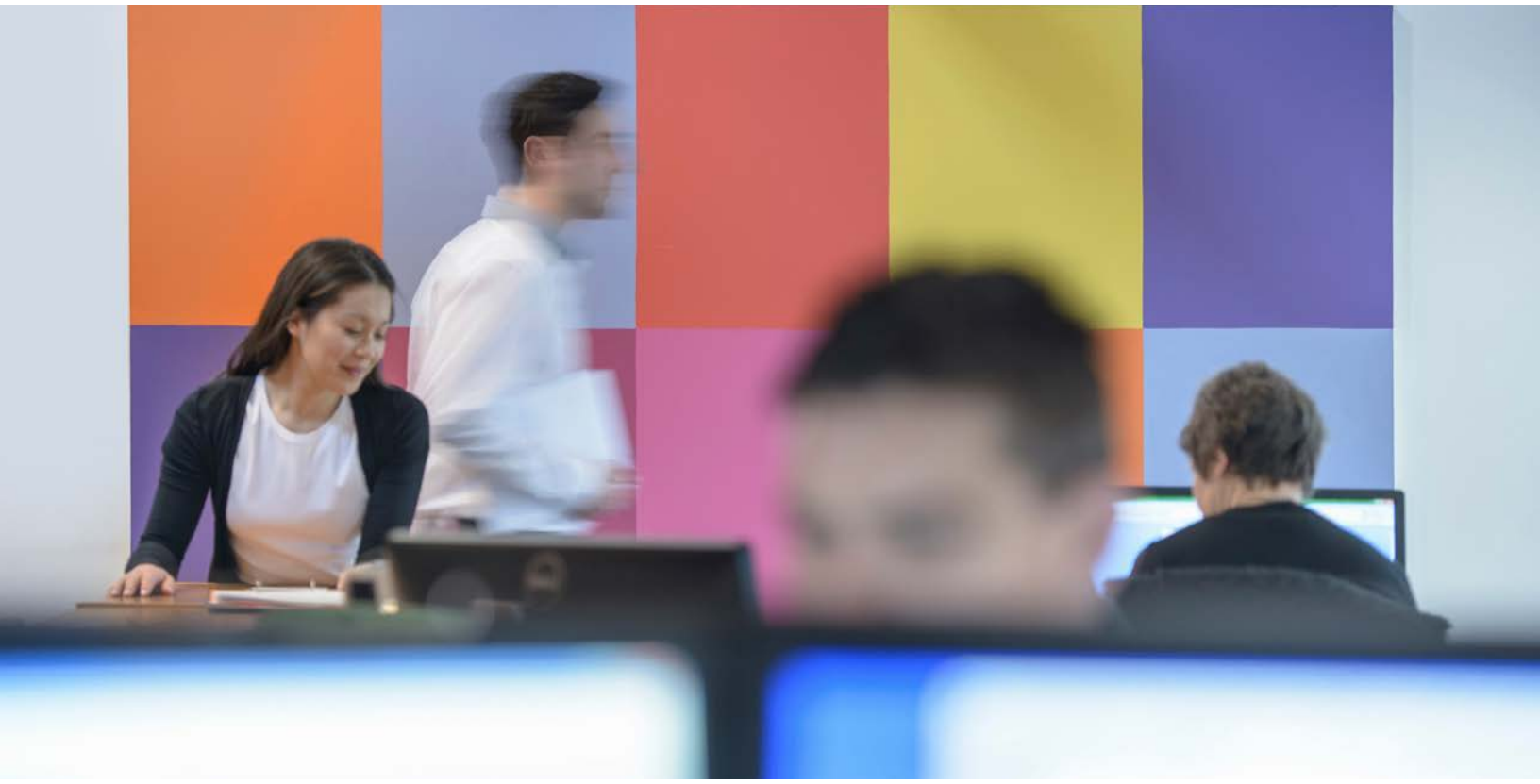
To that end, financial institutions should take a pragmatic approach to implementation and gain experience with no-regrets use cases using a well-defined solution design and performance testing framework, as well as established technology components and architecture patterns. Importantly, firms should consider reputational, privacy and legal risks and develop a robust Risk and Governance framework before embarking on a full-scale rollout.



Authors

Gurdeep Batra
Principal, Wealth & Asset Management
Consulting Leader
Ernst & Young LLP
gurdeep.batra@ey.com

Abhinav Goel
Senior Manager, Data and Analytics
Ernst & Young LLP
abhinav.goel@ey.com



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