State of AI in UK Wealth & Asset Management

Survey results

KPMG. Make the Difference.

2026

Foreword

> The firms that push ahead in the next phase of AI adoption will not be those running the most pilots. They will be those that build the operating models, governance and data foundations required to turn experimentation into enterprise value.

Dean Brown

Global and UK Head of Asset Management Consulting

AI adoption is no longer the differentiator. Enterprise scale is.

Over the past few years, the conversation around artificial intelligence within wealth and asset management has changed dramatically. The question is no longer whether AI will reshape the industry. That debate has largely been settled. The more pressing question for executive teams is whether their organisations can convert widespread experimentation into sustainable enterprise value.

Across the firms we work with, we see a common pattern emerging. Investment is accelerating, use cases are multiplying and enthusiasm remains high. Yet the leaders are beginning to distinguish themselves for a different reason. They are moving beyond productivity tools and isolated pilots, embedding AI into operating models, investment processes and client journeys. In doing so, they are fundamentally redesigning how their organisations generate insight, serve clients and scale operations.

At the same time, a new challenge is emerging. As AI becomes increasingly embedded in investment decision-making, client servicing and core operational workflows, the importance of governance, data quality and measurable value creation has never been greater. The firms creating the greatest advantage are not necessarily those investing the most. They are the ones building the foundations required to scale responsibly and consistently across the enterprise.

This study brings together the perspectives of senior leaders from across the industry to examine where firms are investing, where they are seeing value and where barriers remain. More importantly, it highlights how the industry's most forward-looking organisations are beginning to transition from experimentation to enterprise transformation.

I would like to personally thank the senior leaders across the UK Wealth and Asset Management industry who contributed to this research. While organisations may differ in size, business model and AI maturity, the findings reveal a striking degree of consistency. The industry has largely moved beyond the question of whether AI matters. The challenge now is how firms scale it effectively, govern it responsibly and translate investment into sustainable enterprise value. I hope the findings in this report help inform that journey.

01

Executive summary & Key findings

Key findings

01. AI adoption

The most common use cases are focused on productivity gains, investment research and decision support.

83% of managers say they use AI for research summarisation.

67% rank Middle & Back Office automation, product innovation & time to market as top transformative AI opportunities.

94% say that operational efficiency is their primary AI investment objective.

93% of alternatives firms prioritise AI use cases focusing on investment research/DDQ automation.

AI adoption is moving from productivity tooling into the Front Office with use cases for investment research, portfolio intelligence and client servicing.

02. AI look forward

The next wave of AI value & differentiation will come from operating model transformation, product innovation and client experience.

75% expect Product & Distribution to become the next focus area.

63% plan to dedicate their AI investments to client experience and distribution.

1 in 3 wealth firms see hyper-personalised advice as one of the most transformative future AI capabilities.

51% say enhancements to controls and risk management are key AI investment objectives.

Most respondents expect the next wave of transformative AI capabilities to come from automating the Middle and Back Office, alongside product innovation, improvements to time to market and the enablement of hyper personalised portfolios.

03. AI enablement mode

The majority of firms have adopted a hybrid model, leveraging third-party solutions alongside in-house capabilities.

81% say they use hybrid AI models combining in-house and vendor capabilities.

44% primarily rely on AI embedded in existing enterprise platforms.

38% cite interoperability with existing tech stack as a key technology differentiator.

77% say speed to value is their primary AI technology selection driver.

Firms prioritise native AI capabilities from existing technology partners, hybrid delivery models and interoperable architectures over fragmented standalone tooling.

Key findings

04. AI investment

AI investment is accelerating – but firms are now under pressure to prove scalable value.

61% report they allocate >3% of their IT/change budgets to AI.

44% say they expect ROI of 10-30%.

1 in 3 are unsure about their AI spend or their ROI.

62% say they expect AI budget to grow in the next 12-24 months.

AI investment is accelerating across Wealth & Asset Management, with many expecting to achieve significant returns.

05. AI governance

Firms are embedding AI into critical decisions faster than they can govern them.

Only 11% believe they are fully aligned with emerging AI regulation.

50% say they opt for centralised governance with de-centralised business-level execution.

33% admit being unprepared or having taken no action for the EU AI Act.

Model hallucinations are ranked as the #1 AI risk limiting AI adoption, followed by data quality & explainability.

As AI moves close to regulated investment and servicing processes, governance maturity is struggling to keep pace, with increasing concerns around explainability, auditability and hallucinations.

06. Barriers to adoption

Data readiness coupled with execution capability gaps continue to inhibit AI adoption.

83% say that data readiness issues are the key lesson learned from AI adoption.

65% note the gap between AI vendor offerings and the production reality.

75% cite skills shortages and a lack of relevant expertise as the key barrier to AI adoption.

66% suggest the top-level engagement and AI funding are insufficient.

Where data and talent foundations are in place, a lack of confidence in AI outputs amplified by the pace of AI evolution continues to inhibit adoption. This reinforces cultural resistance and limits the ability of organisations to operationalise AI at scale.

02

Detailed findings & Strategic takeaway

Wealth & Asset managers are embracing AI

AI leaders are moving beyond productivity-led AI by scaling investment into revenue generation, client engagement and investment outcomes.

Observing
- Monitoring AI relevance
- Limited business alignment

Experimenting
- Ad-hoc experimentation with limited live use cases
- Limited governance and business integration

Established
- Firmwide AI strategy in place with a number of use cases deployed into production
- Defined approach to scale with formal governance and control mechanisms

Embedded
- Fully embedded AI capabilities integrated into core workflows
- ROI and governance embedded

56% have a firmwide AI strategy, but only 11% have embedded AI operating models

The competitive divide is no longer experimentation vs adoption – it is embedded operating models vs fragmented AI deployment

Functional maturity

AI investment is shifting from a productivity-led deployment toward revenue generation, client servicing and operational redesign.

	AI investment today	Next wave	Trend
Research & FO			Stable
Product, Client & Distribution			Increasing
Middle & Back Office			Stable
Data Management & Governance			Increasing
Risk & Compliance			Increasing
Enterprise Functions			Declining

89%

Research & Front Office remains the most mature AI deployment area.

67%

of firms cite Middle & Back office to be the most transformative capability in the next 3 years.

Trends we are seeing

The challenge lies in scaling, not ideation. The 44% of firms currently in the experimentation stage note operational barriers to moving PoCs into productions – including funding, governance, data readiness and risk sign-offs.

The majority have already adopted AI in enterprise functions. Differentiation now comes from embedding AI into client, investment and operational workflows.

Middle & Back Office is emerging as the next frontier of AI adoption. Firms are moving beyond task automation to embed agentic workflows while asset servicers are deploying AI internally – thereby reshaping outsourcing economics.

Product, data and client & distribution, are emerging as key priorities: Wealth firms are increasingly focusing on client servicing, while data management is moving up the agenda as firms recognise that AI value is fundamentally dependent on strong data foundations.

The competitive divide is no longer experimentation vs adoption – it is embedded operating models vs fragmented AI deployment.

AI is being used in investment decision making

83% use AI for research summarisation – the single most universally deployed use case.

83% use AI for legal contract review – another popular AI use case amongst firms.

78% say RFP & DDQ automation has become a leading AI distribution use case.

67% view AI powered reconciliation as a key use case in the Middle and Back Office.

Value chain	Top AI use cases			
Research & Front Office	Research summarisation	83%	Drafting investment memos	56%
	Signal generation	61%	Portfolio data extraction & analysis	44%
Product & Distribution	RFP, DDQ using AI	78%	Product development	39%
	Client onboarding, KYC, AML	50%	Automated client reporting	39%
Middle & Back Office	Reconciliation using AI	67%	NAV validation	33%
	AI generated reports	56%	Trade break resolution	28%
Risk & Compliance	Regulatory & policy summarisation	56%	Surveillance	39%
	Investment guideline monitoring	44%	Investment Guideline Coding	33%
Enterprise Functions	Legal contract review	83%	Vibe coding	50%
	Knowledge management & search	78%	HR self service	39%
Data Management & Governance	Dashboard & predictive analytics	61%	AI data profiler	44%
	Data quality & anomaly detection	56%	AI data models	17%

Trends we are seeing

Efficiency plays have already been harvested. Competitive differentiation is now shifting toward AI-enabled investment intelligence, signal generation, investment memo drafting, portfolio analytics, automated onboarding and AI-enabled workflow orchestration across investment lifecycle.

AI is moving deeper into core operational & control functions. Focus is now shifting to more strategic value drivers such as reconciliation, reporting, investment guideline monitoring, product development and client onboarding (KYC/AML).

More mature firms are moving from isolated use cases to connected, agentic workflows. Leading firms are beginning to link AI across research, onboarding, reporting and servicing – moving beyond task automation to self-executing workflows integrated across operating models.

Leading firms increasingly see middle & back-office automaton as the fastest path to scalable margin improvement, particularly across servicing, reporting and reconciliation workflows.

KPMG view

The industry is entering a new phase of AI adoption – moving beyond isolated experimentation towards enterprise-scale deployment.

The firms moving up the maturity curve are not the ones running more pilots; they are the ones building the programme infrastructure and prioritising scalable operating models, disciplined governance and data foundations to convert pilots into production.

The strategic takeaway

Competitive advantage will increasingly be captured by those firms able to evolve from isolated AI use cases to integrated, agentic workflows operating across the enterprise.

Research & Front Office: Leading firms are embedding AI into their investment judgement by applying the technology to the autonomous drafting of investment theses, scenario analysis and decision support embedded into investment committee workflows.

The Middle & Back Office: Early movers are already exploring agentic AI to create end-to-end self executing workflows. Simultaneously, asset servicers are deploying AI themselves – creating an opportunity for firms to reassess outsourcing models, benchmark service delivery, and renegotiate pricing to reflect AI-driven operational efficiencies.

Data Management & Governance: Leading firms are prioritising AI-ready data architecture, federated data ownership models and interoperable governance frameworks to support enterprise-scale deployment.

Expert corner

Ankita Kankani

Senior Manager

Wealth & Asset Management Consulting

KPMG in the UK

Q. What will separate firms scaling AI successfully from those stuck in experimentation?

AI does not scale on top of legacy processes and fragmented data.

Competitive advantage will come from firms prioritising tasks such as data quality, governance and workflow integration. We are seeing cases of firms who invested heavily into AI as a catalyst now investing into data foundations.

Q. What does AI mean for the future economics of asset servicing?

As providers use AI and automation to reduce the manual effort behind servicing and investment operations, firms should be asking whether those efficiencies are reflected in their sourcing models and commercial arrangements – and whether activities that were historically economical to outsource still make sense in the same way.

Expectations for long-term strategic value is high

Firms continue to prioritise operational efficiency and expect the greatest long-term impact from transforming operating models and accelerating product innovation.

Long term outlook on AI

94%

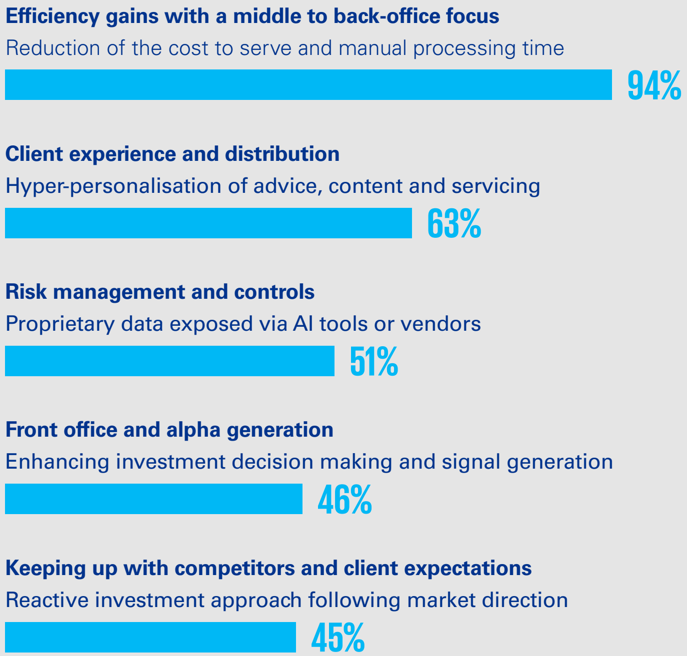
cite operational efficiency as the primary objective for AI investment.

67%

expect the biggest AI driven transformation in middle & back-office and product innovation & time to market.

Operational efficiency is the #1 objective for AI investments

Primary objective of AI investments in the near future



Trends we are seeing

Operational transformation is becoming the dominant AI battleground: Leading firms increasingly see middle & back-office automaton as the fastest path to scalable margin improvement, particularly across servicing, reporting and reconciliation workflows.

Asset managers are also increasingly prioritising AI-enabled product manufacturing, personalised portfolio construction and faster launch cycles as competitive differentiation intensifies.

Although operational efficiency remains the dominant investment objective, 63% of firms also expect AI to drive improvements in client experience and distribution signally a shift towards growth and differentiation via client service.

KPMG view

AI investment across the wealth and asset management sectors remains strong as firms anchor their adoption in operational efficiency. However, expectations for future value are broadening beyond cost reduction alone.

Respondents increasingly expect AI to reshape both operating models and client propositions, with middle and back-office transformation, product innovation and distribution capabilities emerging as key areas of future impact. This suggests firms are beginning to view AI not only as a productivity lever, but as a strategic enabler for growth, differentiation and scalability.

The strategic takeaway

Efficiency funds the journey, but transformation creates the value.

Leading firms are using AI to improve servicing economics today while positioning for long term differentiation through operating model redesign, product innovation and enhanced client experiences.

Implications for firms:

Treat efficiency as a funding source, not the end goal: used productivity gains to fund transformation in client, product and operating model capabilities.

Prioritise connected value chains: move from point solutions to AI-enabled journeys across product, distribution, onboarding, servicing and reporting.

Track value by outcome: measure AI by cost-to-serve, time-to-market, advisor capacity, client experience and control effectiveness, not just use case deployment.

Build reusable foundations: invest in data, governance and integration once, then scale across multiple value pools.

Expert corner

Neil Connor

Partner

UK Head of Wealth & Asset Management

KPMG in the UK

Q. If operational efficiency is the primary AI investment objective today, what will separate leaders from the followers over the next 3 years?

Firms that create lasting differentiation will be those that successfully connect AI across product lifecycle, distribution channels and servicing models.

Efficiency does remain the entry point, but long-term advantage will come from transforming operating models, accelerating innovation and improving how firms engage and serve clients.

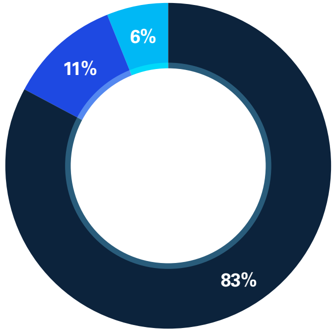
The top firms will be those that use efficiency gains to fund the next wave of transformation, moving beyond isolated automation of tasks and using AI to redesign end-to-end journeys across product development, advice, onboarding, servicing and reporting.

The opportunity is not to simply do today's work faster, but to create more scalable ways to deliver personalised propositions, accelerate product launch cycles and improve the economics of client servicing.

Firms are combining vendor solutions with in-house capabilities

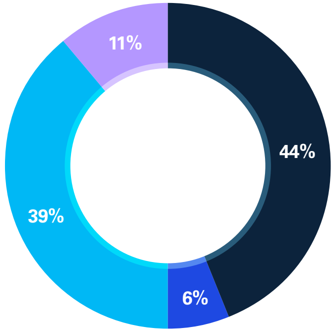
AI buy vs build: Firms are converging on a hybrid model, blending in-house AI capabilities with third-party solutions – driven by use case requirements, speed to value and costs considerations.

83% combine in-house AI capabilities with external solutions



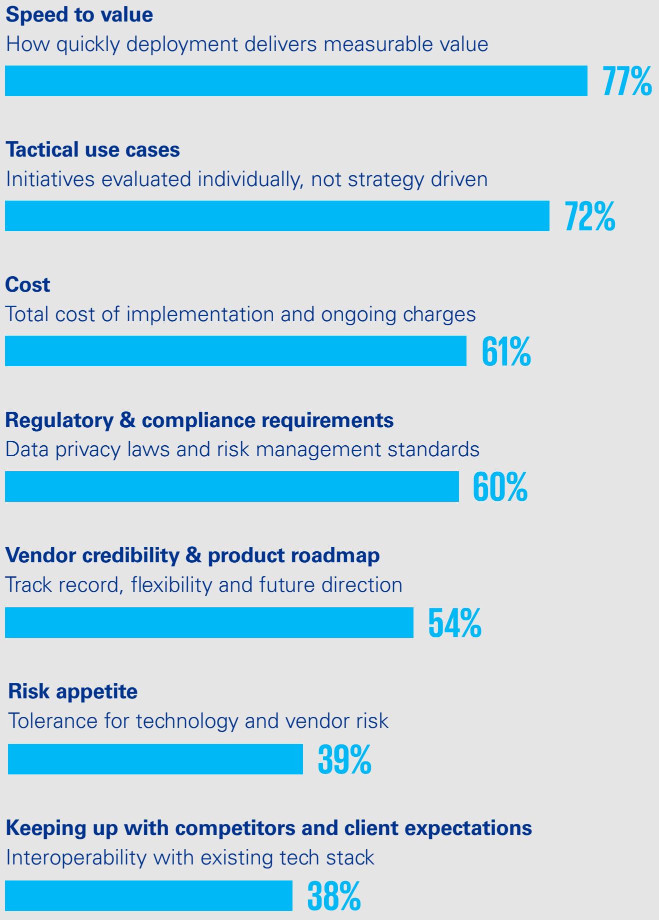
- Hybrid: in-house and vendor
- Primarily rely on third party vendor solutions
- Fully in-house

44% rely on AI embedded in core enterprise platforms



- Rely on AI embedded in core business platforms: BBG, Aladdin, Snowflake etc
- Leveraging foundation AI models: Open AI, Anthropic etc
- Mix of both
- Not yet decided

Key factors in AI technology choices



Trends we are seeing

The incumbent vendor advantage is compounding. As vendors such as Bloomberg, Microsoft, Aladdin, Snowflake, StateStreet Alpha and FNZ deepen their AI capabilities, switching costs for firms embedded in the ecosystem rise.

Most the Wealth and Asset Managers are converging on a hybrid CoE model. They are combining central oversight with business-level autonomy, while Alternative firms lean towards fully centralised models.

Technology choices are largely driven by execution speed and use case delivery. Risk considerations and tech stack integration sit lower on the priority list, raising questions around long-term operational and strategic alignment.

KPMG view

The survey finding that 44% of firms are defaulting to AI embedded in platforms they already own is not a short-term tactical choice – it is the beginning of a structural shift.

Firms are increasingly consuming AI through the systems already embedded across investment, servicing and operational workflows rather than pursuing large standalone AI build programmes for cost, governance and speed to value reasons.

The strategic risk is no longer whether firms adopt AI, but whether widespread reliance on the same embedded ecosystems will lead to converging investment behaviours and reduced differentiation across the industry.

In this environment, competitive advantage will increasingly depend on how firms layer proprietary workflows, portfolio construction logic and human judgement on top of commoditised AI capabilities.

The strategic takeaway

As AI capabilities become increasingly embedded within enterprise and investment platforms, competitive advantage will shift away from access to technology and towards the quality of human judgement, proprietary workflows and governance disciplines applied around it.

The most successful firms will use AI to accelerate analysis and decision-making while preserving the differentiated intellectual capital that ultimately drives investment performance.

At the same time though, the greatest risk for investment managers may not be failing to adopt AI but adopting the same AI in the same way as everybody else.

Expert corner

Dean Brown

Global and UK Head of Asset Management Consulting

KPMG in the UK

Q. As AI becomes increasingly embedded within core investment platforms, how can firms scale AI adoption without losing differentiated investment judgement and competitive advantage?

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The firms that will extract the greatest value from AI in investment management are unlikely to be those that build the most sophisticated standalone models or commission the most ambitious internal development programmes. They will be those that most effectively harness AI as it is surfaced through the platforms already embedded in their operations, interrogating its outputs critically, calibrating its limitations carefully and using it to augment rather than displace the judgment that remains (for now) the industry's core and irreplaceable product.

As firms increasingly rely on the same models, data ecosystems and embedded platforms, the risk of analytical homogenisation becomes real. Differentiation will depend less on access to AI itself, and more on how firms govern, challenge and apply AI outputs within their investment process.

Planning for moderate to significant budget increases

AI investment across Wealth & Asset Management is gathering momentum – but for many firms, spend is accelerating faster than the governance and measurement frameworks needed to sustain it.

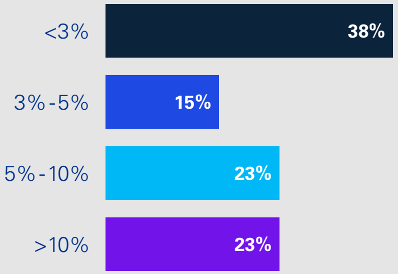
33% say they are unsure of their AI budget allocation – operating without a dedicated AI spend line.

61% of firms with a defined budget say they are allocating at least 3% of their IT/change budgets towards AI.

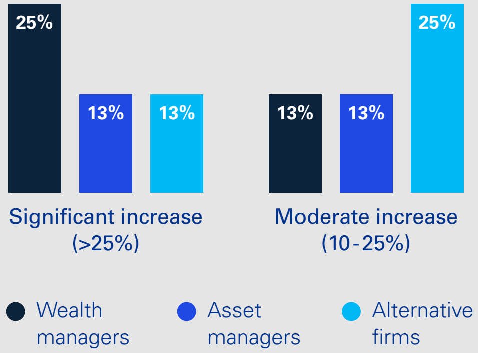
62% say they expect their AI investment to grow over the next 12-24 months.

72% say they expect payback within 24 months. But 1 in 3 are unsure about their ROI.

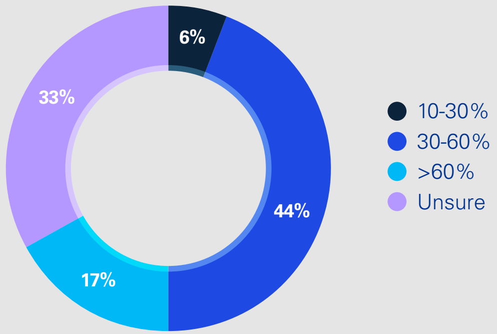
How much are firms with defined budgets spending?



By how much will budgets increase?



What is the anticipated ROI on AI investment?



Trends we are seeing

Smaller firms are accelerating AI investment fastest. Wealth managers and firms with AUM below £100m are investing aggressively, while larger firms face structural complexity from fragmented budgets and limited centralised visibility over spend.

ROI is increasingly measured through productivity gains and cost avoidance. Where measurement frameworks exist, AI is absorbing the manual work that would otherwise require incremental headcount increases, while other firms are realising value through vendor licence cost avoidance by leveraging in-house AI capabilities or embedded platform AI.

AI investment remains reactive rather than strategic. Six in ten firms say they are continuing to prioritise tactical use cases ahead of foundational investment in governance, data infrastructure and operating model transformation.

KPMG view

The wealth and asset management sectors are transitioning from exploratory to strategic investment – but our data suggests that governance, funding discipline and ROI frameworks are not maturing at the same pace.

Current investment patterns remain largely use-case led rather than strategy-led, creating a growing risk that AI spend outpaces the data, integration and control environments required to scale effectively.

The firms pulling ahead are treating AI investment as an operating model transformation – not a collection of tactical initiatives.

The strategic takeaway

Competitive advantage will increasingly come from firms that industrialise AI through investment in:

- Structured governance
- Integrated data foundations
- Enterprise operating models
- Measurable value tracking

The big question for wealth and asset managers is how they can prioritise their AI spend to compound enterprise value – rather than create fragmented AI estates and duplicated spend.

Expert corner

Duncan Ng'enda

Director

Wealth & Asset Management Consulting

KPMG in the UK

Q. How are the leading firms moving beyond short-term productivity gains?

"Leading firms are not treating AI as a collection of tactical deployments. They are embedding AI across end-to-end processes (e.g., client lifecycle, investment workflows), enabling value to compound rather than remain isolated.

While many firms are increasing spend (with 62% planning further investment), the leaders are defining upfront how value will be realised – whether through productivity gains, cost avoidance, or revenue uplift – and systematically tracking outcomes.

Enterprise value is unlocked where firms invest in data integration, governance and platform capabilities, allowing AI to move beyond pilots into scaled deployment. In contrast, fragmented budgets and unclear ownership continue to constrain impact for others.

Significant barriers remain

The biggest barrier to AI scale is not the technology – it is data, operating model and execution capability gaps.

Top barriers to AI adoption

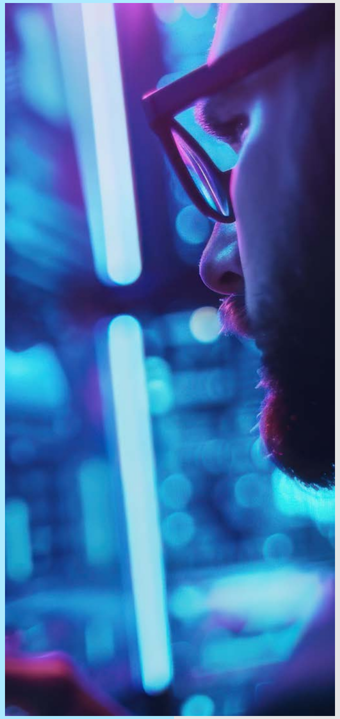
1. **AI & data talent gaps**
   AI/ML expertise and AI hybrid roles are deemed as the hardest to fill.

2. **Low funding or weak executive engagement**
   Many say they lack board sponsorship, budget-approval, top-level mandate.

3. **Unsure how to scale pilots to production**
   Firms struggle to convert PoCs into funded, governed, scalable deployments.

4. **Lack of confidence and fear of false outputs**
   AI requires an iterative deployment approach with continuous monitoring to manage output variability.

5. **Fragmented architecture & interoperability gaps**
   Tools requiring bespoke connection layers slow deployment and inflate costs while creating a fragmented ecosystem.



Lessons learned

Data readiness is key
Wealth and asset managers recognise that data readiness is a fundamental prerequisite to capturing long-term value from AI investment.

Vendor limitations
Respondents note a frequent gap between demo performance and production reality – particularly on integration with legacy systems.

Lack of internal AI, ML expertise
Effective AI integration requires specialised capabilities across business and technology functions.

Cultural resistance and change management
AI adoption is a challenge on the people and operational front as much as it is on the technology side, characterised by business resistance to new workflows and fear of role displacements.

Trends we are seeing

Data emerges as the top barrier and lesson learned. Poor data quality, fragmentation across legacy systems and inadequate infrastructure consistently undermine AI output quality and programme delivery.

Skills gaps are creating a capability mismatch. Firms lack the talent needed to translate AI use cases into production deployment. As a result, successful pilots fail to convert into scalable value.

Where data and talent foundations are in place, lack of confidence in AI outputs amplified by the pace of AI evolution continues to inhibit adoption. This reinforces cultural resistance and limits the ability to operationalise AI at scale.

KPMG view

The firms industrialising AI fastest treat it as an operating model transformation, not a technology programme.

That means funding data infrastructure, governance and change management separately from individual use cases right up front with Risk and Compliance engaged at the design table from day one.

Data readiness is the non-negotiable foundation. Firms cannot scale AI on fragmented, poor-quality data. Yet it remains one of the most underinvested functions in the survey. Investing in use cases without fixing the underlying data is like building houses on sand.

The barriers firms face are structural, not technical. Skills shortage, low executive engagement, scaling pilots and legacy interoperability cannot be solved by running more pilots or changing vendors. Indeed, they require deliberate programme design decisions made at the outset.

The strategic takeaway

Firms are beginning to redeploy investment toward foundational capabilities – with executive support shifting from headline AI use cases to the data infrastructure, process redesign and operational readiness required to scale AI sustainably.

Expert corner

Carlos Torres Costales

Partner

EMA Wealth & Asset Management AI Leader

KPMG in the UK

Q. What will separate firms scaling AI successfully from those stuck in experimentation?

Scaling firms aren't running more pilots – they're fixing the operating model. They invest in data, governance and integration to embed AI into core workflows, while others remain stuck with fragmented use cases that never reach production.

Jon Munday

Director

Wealth & Asset Management Consulting

KPMG in the UK

Q. How will agentic AI reshape operating models across Wealth & Asset Management?

Agentic AI will shift operating models from fragmented, task-based processes to connected, end-to-end workflows. Instead of isolated automation, firms will link AI across research, onboarding, servicing and operations – enabling workflows that operate with minimal manual intervention.

This fundamentally changes how work gets done. Value will come from orchestrating AI across the lifecycle, rather than deploying it in silos – driving both operational efficiency and new sources of competitive advantage.

Firms are embedding AI in critical decisions faster than they can govern it

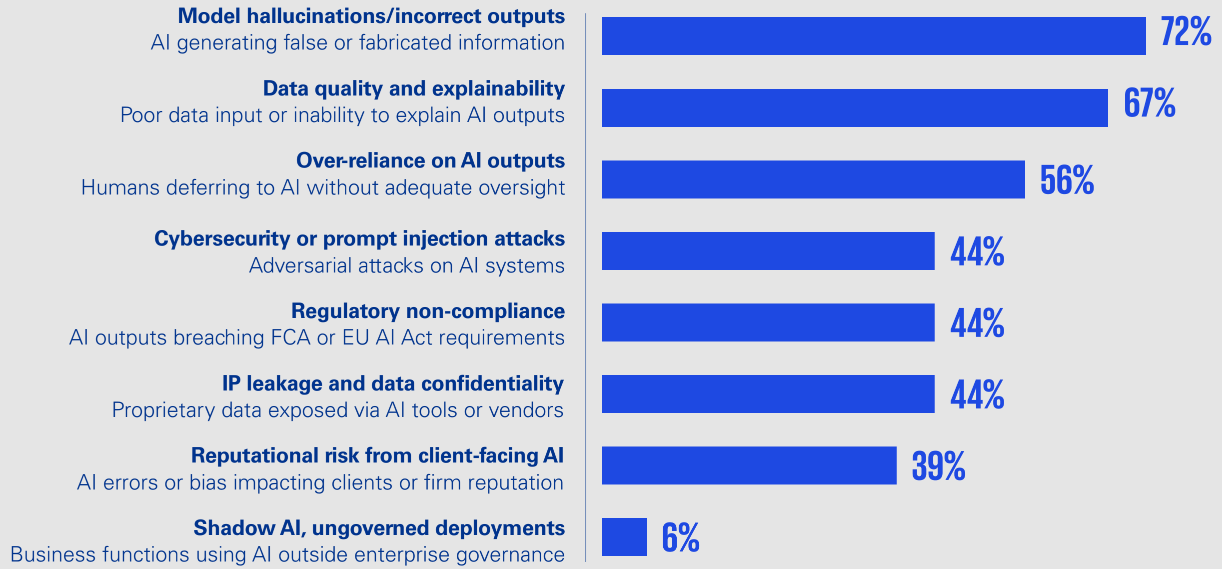
While internal AI governance frameworks are maturing, regulatory alignment and risk awareness are not keeping pace, creating operational, regulatory and reputational exposure.

50% of firms say they have enterprise AI governance with risk, legal, compliance and audit oversight mechanisms in place.

33% admit they are unprepared or have taken no action on emerging AI regulation.

11% say they believe they are fully aligned with EU AI action and FCA expectations.

Top enterprise AI risks limiting scale adoption



Trends we are seeing

Governance maturity is lagging deployment speed. While half of firms say they have established AI governance structures, only 11% are fully aligned with upcoming AI regulation.

This is corroborated by KPMG's Risk and Compliance survey citing that **only 3% of firms are highly confident that their AI governance is fully embedded and actively monitored.**

Risk profiles diverge sharply by segment. Wealth and asset managers fear model hallucinations most while pure alternatives firms rank data quality and explainability as their top AI risk.

KPMG view

While internal AI governance frameworks are maturing, the evidence suggests many are being built around operational risk management rather than the specific requirements of incoming regulation.

The problem is that the EU AI Act and FCA expectations include precise obligations around explainability, human oversight, bias testing and audit trails that most current frameworks do not address. Having an AI governance framework is a necessary but insufficient condition for regulatory readiness.

Interestingly, the Risk & Compliance (R&C) function is both the most underinvested when it comes to AI deployment and the most exposed to AI-related regulatory risk. KPMG's Risk & Compliance Survey shows 100% of R&C respondents expect AI to improve efficiency – yet 42% are still managing regulatory change manually. Firms need to close this gap deliberately, not wait for regulatory enforcement to force the issue.

The firms that will navigate the incoming regulatory landscape most effectively are those that treat AI governance as a programme requirement from day one. That means R&C at the design table, regulatory gap assessments run against external requirements not internal frameworks, and audit trails built into AI systems from the outset rather than retrofitted later.

The strategic takeaway

Governance is becoming a competitive enabler – not just a compliance requirement – with the leading firms embedding explainability, surveillance, auditability and human oversight directly into AI-enabled workflows.

Firms that operationalise trusted AI earliest will be best positioned to scale client-facing, investment-led and agentic AI safely across the enterprise.

Expert corner

Daniel Barry

Partner, Wealth & Asset Management Consulting

KPMG in the UK

Q: What will differentiate firms that scale trusted AI successfully as AI becomes embedded into client-facing and investment decision workflows?

As AI moves closer to investment and client facing decisions, trusted governance, explainability and human oversight become critical. Firms that embed these capabilities into their operating model early will be best positions to accelerate adoption, unlock-value and maintain stakeholder confidence.

Michael Johnson

Director, Wealth & Asset Management Consulting

KPMG in the UK

Q: How do Risk and Compliance capabilities need to adapt as firms scale AI?

Risk and Compliance functions will need to evolve in two directions. First, they must apply AI to their own core processes, from regulatory change and monitoring to surveillance and risk assessment. Second, they must develop new capabilities to oversee AI-related risks and respond to emerging regulatory requirements.

That means building expertise and controls around explainability, data quality, human oversight, model outputs and third-party risk, while engaging early in the design of AI-enabled processes rather than reviewing them after deployment.

03

Industry spotlights

Alternatives spotlight

Alternatives focused firms are deploying AI with a greater emphasis on the investment process than other segments – looking to support alpha generation and investment intelligence.

85% employ a hybrid approach to AI capability development by investing in-house as well as by relying on their existing enterprise-core providers and standalone vendors.

71% view automation in regulatory and compliance alongside fully automated Middle and Back Office functions as the most transformative potential AI capabilities.

86% expect Research & Front Office as well as Risk & Compliance functions to change the most due to impact of AI.

Where Alternative firms prioritise AI deployment

Research & front office	
Research summarisation	93%
Deal origination	78%
Drafting investment memos	71%
Signal generation	68%

Enterprise functions	
Knowledge management	86%
Legal contract review	83%
Vibe coding, real-time coding partners	71%

Middle & back office	
Reconciliation automation	85%
Report generation	63%
Asset level operations	57%

Product & distribution	
RFP, DDQ automation	93%
Client onboarding, KYC, AML	71%
Client reporting	68%

Risk & compliance	
KYC & AML screening	71%
Investment guidelines coding & monitoring	67%
Covenant monitoring & breach tracking	46%

Data management & governance	
Dashboards & predictive analytics	71%
Data profiling, cataloguing & data model creation	57%
Data quality checks, anomaly detection	43%

Trends we are seeing

Pure Alternatives firms prioritise AI use cases focusing on the front office and operations. Firms are embedding AI into deal origination, investment research and portfolio workflows while developing use cases in client servicing and reconciliation.

Data quality and explainability issues are the dominant AI risk concerns. 86% rank them as their top 3 perceived risk.

Regulatory readiness for the EU AI Act sit at varying stages of progress across alternative firms. While some firms are actively remediating gaps, most firms are either unprepared/unaware or have yet to take action.

KPMG view

Unlike traditional segments, pure Alternatives firms are increasingly deploying AI across both the front office and operational backbone, reflecting the alpha-driven nature of the business and the operational complexity of private markets.

AI leaders are entering a second phase of maturity, moving beyond isolated use cases toward AI-enabled workflows across deal origination, investment research, onboarding, servicing and reporting. However, most of the market continues to operate a mix of partially embedded capabilities and standalone tools. Governance maturity and regulatory readiness also remain uneven, creating execution risk as deployment scales.

The strategic takeaway

Alternatives managers typically operate across fragmented technology estates spanning platforms for different asset classes, fund accounting, portfolio monitoring and investor servicing. Without a coordinated AI architecture and governance model, firms risk creating disconnected AI solutions that increase operational complexity rather than reduce it. As such, interoperability, governance and architectural discipline have become strategic priorities.

Simultaneously, AI is beginning to reshape the economics of outsourced servicing and operations, creating room for firms to proactively reassess operating models, benchmarking and commercial arrangements with asset servicers.

Expert corner

Zeynep Meric-Smith

Partner

Wealth and Asset Management Consulting

KPMG in the UK

Q. How can Alternatives firms rethink operating models, servicing economics and platform interoperability as AI deployment scales across the investment lifecycle?

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Alternatives firms should treat AI as a catalyst for end-to-end operating model redesign rather than incremental efficiency gains. As AI becomes embedded across the investment lifecycle, operating models need to shift toward integrated, workflow-centric execution, where businesses are increasingly connected across front-to-back through shared data and orchestration layers. This requires prioritising interoperable platforms and AI-ready data foundations over isolated solutions, enabling consistent execution across asset classes and functions. Many of our clients are still in the early stages of this journey.

AI can transform the economics of servicing by automating core activities such as reconciliations, fund set-up and investor reporting. This compresses traditional cost-to-serve advantages and requires firms to rebalance internal vs outsourced capabilities. Leading firms will move toward more flexible, outcome-based service models, leveraging both internal AI capabilities and external providers, while retaining control over data, workflows and governance to preserve differentiation and scalability.

Wealth spotlight

Wealth firms are moving AI beyond productivity tooling into adviser workflows, portfolio intelligence and servicing operations – with competitive advantage shifting toward scalable personalised advice.

75%

expect AI budgets to increase by 10-25%+ over the next 12-24 months – the strongest investment momentum across all segments.

1 in 3

wealth firms say they see hyper-personalised advice as one of the most transformative future AI capabilities.

Model hallucinations

is the dominant #1 AI risk concern – particularly for regulated client advice, suitability and portfolio recommendations.

Client & Distribution > Fastest growing AI investment area

Firms are scaling AI across onboarding, adviser servicing and personalised client engagement.

Now Scaling:

- AI powered client onboarding/KYC/AML
- AI-generated meeting preparation & suitability documentation/reports
- Chatbot support/assisted servicing for client queries

Where leaders are moving next:

- Hyper personalised advice and next best action recommendations
- Connected adviser workflows linking onboarding, portfolio insights, suitability and servicing
- End-to-end proposal generation integrated into adviser workflows

Research & Front Office > Most active AI deployment area

Firms are embedding AI closer to investment decision-making through signal generation, portfolio intelligence and adviser workflow integration.

- Research summarisation
- Signal generation and portfolio insights
- Meeting preparation & investment insight generation

- Natural language portfolio analytics & exposure queries (risk, exposure, performance)
- AI-driven portfolio rebalancing suggestions
- Integrated investment intelligent workflows

Middle & Back Office > Largest operational leverage opportunity

AI is beginning to reshape servicing economics across reconciliation, reporting and exception management.

- Reconciliation automation (cash, positions, transactions)
- Trade break identification & assisted resolution
- AI assisted NAV validation

- Agentic AI is the emerging frontier – early movers are beginning to connect reconciliation, exception management and reporting into end-to-end automated workflows that operate without intervention at each step
- AI adoption within asset servicers reducing cost-to-serve

Trends we are seeing

Wealth firms are moving AI closer to the client relationship and investment decision. Early movers are integrating AI across onboarding, meeting preparation, suitability reporting, portfolio insights and servicing processes.

Competitive differentiation is shifting to connected workflows. Leading firms are building integrated adviser, servicing and investment AI workflows spanning the full client lifecycle.

AI is beginning to reshape the economics of advice delivery. AI is absorbing the paraplanning and compliance documentation workload that would otherwise require additional resource as AUM scales.

Governance maturity remains uneven. As AI moves closer to regulated advice and suitability decisions, firms are facing increasing pressure around explainability, auditability and human oversight obligations.

KPMG view

Wealth management is approaching a structural bifurcation with some firms redesigning workflows end-to-end around AI while others layering it tactically on existing processes.

AI in Wealth is increasingly being positioned as adviser augmentation rather than adviser replacement. Firms are using AI to scale coverage, responsiveness and personalised servicing while retaining human relationship ownership, investment judgement and suitability accountability.

In a consolidating market, AI-driven improvements on cost-to-serve, onboarding efficiency and servicing scale are becoming valuation differentiators. Firms demonstrating operational leverage through AI are increasingly viewed as the most scalable and resilient operators.

At the same, regulatory expectations are intensifying. Between the EU AI Act, consumer duty and suitability obligations, regulation is moving AI governance from a technology issue to a front-office risk and compliance priority.

The strategic takeaway

Leading firms are shifting toward integrated agentic workflows spanning onboarding, portfolio analytics, servicing and reporting to scale personalised advice while improving operating leverage. The next phase of differentiation will come from:

- Proprietary client and portfolio data
- AI workflow orchestration
- Adviser judgement and human oversight
- Governance embedded directly into client-facing processes.

At the same time, AI is reshaping servicing economics. As reconciliation, reporting and exception management become increasingly available across asset services or platform providers, firms will need to reassess outsourcing models, operational dependencies and commercial structures.

Expert corner

Bruce Davies

Partner

KPMG in the UK

Q. How can wealth firms scale AI-embedded personalised advice and servicing while maintaining human oversight, governance and differentiated client relationships?

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Wealth firms can scale AI-embedded personalised advice by adopting a hybrid operating model where AI can handle data analysis, portfolio construction and real-time personalisation at scale, while human advisors retain accountability for judgement, validation and client relationships. This is reinforced through a unified platform that integrates client data and AI insights into advisor workflows, combined with built-in governance.

Differentiation is preserved by repositioning advisors toward high-value relationship and behavioural roles, segmenting service models by client complexity, and using AI as an enabler to deepen – not replace – trusted client interactions.

Molly Doran

Director

KPMG in the UK

Q. Where is AI creating the biggest opportunity across wealth management today?

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The greatest value is emerging where AI connects client servicing, portfolio intelligence and operational workflows. Rather than replacing advisers, AI is removing administrative effort, accelerating insight generation and enabling more consistent, personalised client experiences across the full client lifecycle.

Five priorities for Wealth and Asset Managers to effectively scale AI and realise measurable outcomes

01

AI strategy

To avoid inefficient use of resources and reduce the failure rate of AI initiatives beyond isolated use cases, implementations should be approached as enterprise programmes with strategy at the core.

AI strategy requires clear prioritisation, funding discipline and alignment to business objectives, enabling investments to compound across the organisation.

02

Governance

With AI use case deployment shifting to core business functions, governance and regulatory alignment must be prioritised from the outset.

As AI is increasingly embedded into client and investment workflows, explainability, auditability and oversight are critical – and should be enforced consistently across the organisation.

03

Data foundations

Data readiness remains the primary barrier to scaling AI adoption.

Sustainable value delivery depends on strong, well-governed data foundations. Without early remediation of data quality issues and fragmented architectures, costs will compound over time and increasingly constrain programme delivery and AI deployment at scale.

04

Operating model

Fragmented AI ownership, unclear execution models and disconnected workflows limit the ability to move beyond pilots.

Effective AI scaling across the organisation requires defined ownership, integrated processes and connected workflows, enabling use cases to operate as part of the firms' end-to-end processes rather than as standalone solutions.

05

Measurable value tracking

Firms continue to dedicate more of their budget into AI, with limited clarity on quantifiable outcomes.

Clear benefit definitions and consistent tracking mechanisms enable outcomes to be measured, validated and scaled, ensuring investments align to business objectives and deliver demonstrable ROI to support more informed strategic decisions.

Methodology

- This first edition of the UK WAM State of AI report is based on interviews with a diverse range of global asset managers, wealth managers, and specialist alternative investment firms.
- Together, participating firms represent significant breadth across the sector, with assets under management ranging from £30 billion to in excess of £6 trillion.

Contact us/About the authors

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Global and UK Head of Asset Management Consulting

Dean has over 30 years of industry experience and has led some of the largest transformation programmes in the UK, Europe and globally, advising leading asset managers, asset servicing firms, private equity houses and wealth managers. He combines deep expertise in operating model transformation, platform implementation, cost reduction and outsourcing.

Jon Munday

Director – Wealth & Asset Management Consulting

Jon is an experienced Wealth & Asset Management professional with over 11 years of experience across the wealth, investment and asset management industries. He also has private banking experience in both banking and lending. He has a proven track record of leading and delivering large scale transformation programmes, technology integrations, target operating model redesigns, strategy reviews, strategic and innovation delivery and business unit performance initiatives.

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Ankita has over 12 years of Wealth and Asset Management experience delivering complex industry transformations.
She specialises in enterprise system transformation, post-merger integration, target operating model design, business case development, process improvement, and cost optimisation. She combines expertise in business analysis, programme delivery, and stakeholder engagement, combined with a strong interest in data analytics and its application to strategic decision-making.

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Manager – Wealth & Asset Management Consulting

Kaja has over 9 years of Financial Services experience, gained through managing large-scale operating model transformation programmes and coordinating strategic initiatives across front-to-back operations. She has a broad range of change management skills having delivered global business and technology initiatives for global banks, asset managers, and wealth and asset servicing firms across public and private markets.

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