



# AI AND THE FUTURE OF FINANCIAL SERVICES

**John “JP” Patrick Ong** 00:09

All right. Well, good morning everybody, and welcome again to the Milken Summit, and thank you for having us here to conduct the next panel on AI and its role in financial service. I'm expecting a very robust discussion with my esteemed panelists to my left. It's been almost four years since November 2022, when ChatGPT first was commercially launched and was also entered the zeitgeist really, and became a driver for the discussion and debate around artificial intelligence that's intensified over the last couple of years, and what it means for various industries in the form of transformation, enrichment, and also that of disruption. And financial service is another area that has seen the impact of artificial intelligence firsthand. What does this mean for various players and operators in this industry? What kind of opportunities and what kind of risks will they have to assess? And what will this mean for regulators who are trying to grapple with the fast-changing and fast-evolving nature of artificial intelligence? That's something we'd like to discuss on this panel this morning. I'm pleased to be joined by an esteemed group of speakers and panelists today. First and foremost, we're joined by Chia Der Jiun, who's the managing director for the Monetary Authority of Singapore, to talk to us about what some of the implications are as they try to manage risks in this fast-evolving technology, and how this is impacting financial services and their attempt to try and at least foster a sustainable and secure financial sector here in the country of Singapore. We're also joined by Sandra Peterson, who is an operating partner at CD&R and also a lead independent director at Microsoft, to talk to us about how they're seeing the impact and how they're seeing the technology evolve, and how that's being implemented across many of the portfolio companies that they are handling. We're also joined by Scott Kapnick, who's the CEO and founding partner at HPS Investment Partners. And he's also a member of BlackRock's Global Management Committee. And last but not least, of course, we're also joined by Kevin Sneader from Goldman Sachs. He's the president for Asia ex-Japan at Goldman Sachs, to chime in with his thoughts as well on this very important topic. Welcome, lady and gentlemen, to the panel. Kevin, I guess I'd like to start with you since you're at the other end of the stage. As we mentioned, almost four years since ChatGPT was actually launched, and a lot of developments, a lot of different events have actually impacted the broad landscape of financial services. I do want to ask you about where we're seeing the most measurable impacts and benefits in financial services, given the fact that it's so broad, it's so diverse, and you've got many different varied operators. What are you seeing at Goldman Sachs as to how it's impacting and changing the way financial services is actually being conducted right now?

**Kevin Sneader** 02:59

Well, I think, first of all, thank you for having me. It's a pleasure to be here and back at Milken. I would just make one initial observation. We're still in the early stages of this story, and I think sometimes we get a bit carried away. And we also have a tendency to really get too excited at the beginning of things and think about progress on a basis when we're really talking about what I believe is a fundamental shift, but it takes time. And so, we always overestimate what happens in the early years and underestimate what happens in the latter years. And the question is, "where are we on that journey?" Because to answer your question, I think it's important to ground the conversation in a recognition we're still in the early stages. In many regards, this year, 2026, perhaps marks the year where we're moving from a lot of experimentation, and places of impact, I'll get to that in a moment, to perhaps expectations that in '27 and '28 we'll start to see more tangible evidence of the return. And I think that is coming, but we're still in that first phase. With that said, you can begin to see the contours of where there is tangible impact. And I think as we have said publicly before, for us, we've got at least six areas where we've been moving and I think making great progress in terms of ensuring that we can measure and see progress. So, for example, I think when it comes to the very important, but in many ways onerous, but also quite time-consuming task of bringing a new client on board at Goldman Sachs, we see a lot of progress in terms of being able to apply AI there. How you manage your vendors, we see progress there. We see progress in how you report to Der Jiun and others in the regulatory world. We see progress in how you put together lending. There's a lot of documentation, a lot of effort that goes into that. The list goes on. And of course, you also see the power users on the trading desks increasingly applying AI to many aspects of what they do. So, the story is still being written. I think there are many who will continue to poke and prod and say, "Where can we see the tangible return?" But let's just remember where we are in this journey. It's still the early stages.

**John "JP" Patrick Ong** 05:11

But, I guess from an operational standpoint, given the fact that we're still in the exploratory phase, if I may call it that, the first four years of this AI story, have there been notable efficiencies that have been generated and tangible improvements, at least in terms of operating as Goldman Sachs does?

**Kevin Sneader** 05:28

I certainly think there's been a lot of opportunity, and there has indeed been efficiency. I do think if you're trying to go down the path of measuring that efficiency in head count, again, I think that's a dangerous first place to start. Because I think at the moment, you could say there are visible examples of that impact, but they're quite narrow. Actually, they're quite narrow. And we're still at the point where for many reasons, across every industry, there's still a lot of heads being devoted to figuring out how to apply and use this technology. And so, whilst, of course, there are moments where you can see head count being a measurable evidence of progress, I actually think there are other metrics to use. And what's more important is just to look at how pervasive is it becoming and which key processes are really changing. Not being automated, because automation has been around for a long time. Just taking what you're doing and making it work faster isn't the same as reconceiving what you do and applying this technology to enable you to do it differently, and in that context, be more efficient. That's the prize. That's what people are really striving for. And I think that, because it's a process re-engineering, as opposed to just lifting what you've got, that takes longer, and that's why I think some of the careless talk around heads gets in the way of really looking at the real progress, which is being made.

**John "JP" Patrick Ong** 06:46

Exploratory phase at the moment. We're seeing the promise and the potential of it at the moment. Scott, I do want to direct this question to you about how this might be reshaping operational models at the moment, and especially

if we're at a point where we might start to see it reshaping operational models at a tangible scale that could transform certain parts of the financial services industry.

**Scott Kapnick** 07:06

Well, I think I might take a little bit of, we're a little bit more than at the beginning of this. This is a massive CapEx cycle, the biggest in history, I think, that we're living through, and the amount of spend that needs to be financed is enormous. We were talking in the green room, our estimates are \$4 to \$6 trillion to be financed in the next three years. Some banker I talked to this morning was more \$10 to \$20 trillion. We have a pipeline of \$500 billion right now. So, this is happening, and for any young people in the room, we're living through this right now, and it's going to be very interesting to see. I definitely think it will impact operating models, as all of technology has. And we have people better suited to really get into that. But the financial implications are enormous for capital markets, how this is all going to get financed. That's out there. We can talk about the cost of financing and how that's going to work its way through the system. I've been in finance 40 years. I continually am amazed at the ability of Western capital markets to have the sort of ingenuity and ability to remake themselves to finance this. And right now, you're sort of at a moment where you're trying to figure out what's the optimal way to do that for people, but I'm confident that that will get through. And then the key thing is getting through to productivity for the people that are spending the money and showing that, and then the operators. For us in credit, we have a massive portfolio of private credit, so it's really getting into the data, making sure the data is structured. We now have spent a lot of time getting private company data so that we can recreate with technology financials. And if you can get that to a 97 percent, 100 percent accuracy, then you can really start to see how that's going to evolve in terms of utilizing it and making investments and predicting for credit, the holy grail is to figure out predictability of default rates or where companies are going to go bad, and how you can make better decisions. So, yeah, I think it is.

**John "JP" Patrick Ong** 09:13

How do you manage the risks around that? Because as we mentioned, it's still in the exploratory phase. There's still a lot we have to understand, and perhaps before we can even figure out if the returns are actually going to be tangible or predictable as well. How do you approach that, I guess, in terms of financing right now? Because there's so much that's unknown, and also so much that's changing, whether it be from the risks of it or even the potential of the capital returns later on.

**Scott Kapnick** 09:40

Now look, I think it's more than the early phases. We are working with firms like Microsoft, firms like Google and others to get the data structured. And if you can get it structured in a way that is easily accessible by technology, this is going to significantly change the way people work. And then, the bigger topic for finance, I think, on that sort of tokenization theme that technology will bring, and I think part of AI is behind that as well, that will fundamentally change the US brokerage system and what can happen around the world, and how assets can be moved around the world. That is, we're at the early innings of that, but that's a massive change that you'll be talking about here at this conference for the next 20 years.

**John "JP" Patrick Ong** 10:28

That's going to be very fascinating as well. Sandra, I want to bring you into the conversation as well and talk about whether or not it's becoming crucial now for portfolio companies that CD&R handles in terms of rolling out and make sure that the adoption of AI is something that they're thinking about. Because there is this question as to

whether or not you should adopt AI, or get left behind, or get disrupted at the moment. Is this a conversation you're having with a lot of the firms and companies that CD&R deals with and works with on a daily basis?

**Sandra E. Peterson** 10:57

So, if I can just step back for a minute. The last time, and this one is different, this technology shift, partly because of the data part, and I want to just make a comment about that in a moment. But, if you think about it, when the office productivity tools showed up, whether it was Excel, Word, PowerPoint, it completely changed how people did work, but people didn't lose their jobs. And so they did different work, and it was enabler. And just one of the things I think is important is there has been this misunderstanding that AI and better data will change tasks, a very large amount of tasks, but it's not going to wipe out lots of jobs. And I think there was a misunderstanding under the hype over the last couple of years about half the employees in any of these financial service firms or any of the portfolio companies that we are responsible for, half those people are going to be gone. And that's not what's probably going to happen here. Maybe 5 percent will change and maybe those roles will change. So, I think that's one of the things that's important to think about. The second thing is people spend most of their time thinking about AI in the context of language models. But, one of the most important things that's happened that enable those language models is how people are able to manage data. Because at the end of the day, if you can't get access to your own data, whether you're Goldman Sachs, who's got a problem that I can't understand my own data estate fully, there are tools now that exist that have been enabled by some degree by AI software that now you can get much better access to your own data and use it in a way that enables you to figure out where's the best place to deploy technology to improve performance. And at the end of the day, at CD&R—and other firms, but we've been on this journey for six or seven years now—how do we make sure that our portfolio companies are using technology in a way that drives outsized performance? And that is not just cutting heads in finance or HR. It's about, how do we actually understand the data better? How do we, then, get into markets and serve customers in a completely different way than we would've been able to do in a different era? So, it is a very large part of how we think about performance over the next handful of years in all of our portfolio companies. And when we due diligence potential companies, it's a big part of our thesis. Our investment thesis is where is technology going to be an enabler here, and how can we sort of get a leg up and make this business sustainably perform much better than it would have otherwise? So, it's a big part of what we do. The other thing I would just say is, as a firm, we use technology as an enabler to make people more efficient and effective. Does not have anything to do with judgment. At the end of the day, we better understand these businesses and the categories extremely well, and that's why we have an operating partner model at CD&R. But also, you need judgment about investing. And you can't just, you know, ask five prompts of whether it's Copilot or Chat or Claude and get an answer that's going to be valid. It's just not. So, we're using the tools, but we're not using them in such a way that people can't think. It's actually, they're an enabler and a lot of judgment is required to actually make these decisions, that are just enabled with some technology.

**John “JP” Patrick Ong** 14:37

So, in some ways enriching rather than replacing the way people operate—

**Sandra E. Peterson** 14:41

Absolutely.

**John “JP” Patrick Ong** 14:41

They make that business decision.

**Sandra E. Peterson** 14:43

Yeah.

**Scott Kapnick** 14:43

Making better decisions.

**Sandra E. Peterson** 14:44

Yeah.

**Scott Kapnick** 14:45

And helping make better decisions. I think the interesting thing in the future is, will they be able to take all of your experience and put it into the system to be able to replicate some of the more senior people? As that happens, that, also, is just going to enhance what that experience base that is human now comes into play. But, there'll continue to be a need for human experience in this.

**Kevin Sneader** 15:08

And that's where the prize is. I mean, adoption levels are still very modest at the moment. That's why I think it's in the early stages. I mean, if you just look at adoption, most surveys would say if you look at corporate America, and we'll usually use this number, maybe a quarter of companies are actively using AI on a daily basis. If you go to large companies, it's almost half. If you go to professional services, the world of banking, it's half. But if you go outside of that and you go to accommodation, the business here, it's less than 10 percent. So, the numbers are still quite—but the prize is to get to really informed day-to-day decision making. And that will come. It will come. It's just a question of when, but it will come. And I think that's why this is revolutionary.

**Sandra E. Peterson** 15:48

But, I think the important thing is that's not, yes, this is a big wave and the whole tech stack is changing.

**John "JP" Patrick Ong** 15:54

Absolutely.

**Sandra E. Peterson** 15:55

But it's no different than the last time that corporations, large or small, started adopting technology in a bigger way. It takes years. Because you've got an existing data estate. You've got to figure out how, you don't want to lose control of that because it's the most important thing a company has. So, how do you own that, but add this on top of it and figure out where it's going to make the best decision?

**Kevin Sneader** 16:19

So, for an economic issue, the issue we've all got is this deployment moving at once, you've got the investment dollars flowing in, you've got the deployment coming, and the application as the prize, and we're still on that journey.

**Sandra E. Peterson** 16:32

Yep. Very much so.

**John “JP” Patrick Ong** 16:33

Very fascinating, and I'd like to get deeper into that as we get deeper into this panel as well. I do want to bring in Chia Der Jiun from MAS in, because we've heard from these various companies, Der Jiun, with regards to where they're seeing AI transforming the financial service sector in Singapore, which prizes the financial service sector as a key pillar. How do you see the future of AI-enabled financial systems in Singapore, and how has it evolved in the last four years since we've seen the advent of artificial intelligence, and thus also influenced how you go about your job in ensuring that there is a stable and evolving financial system here that keeps up with the times of the technologies?

**Chia Der Jiun** 17:13

Great. How much time do we have?

**John “JP” Patrick Ong** 17:15

As much as you want, sir.

**Chia Der Jiun** 17:16

Well, maybe I'll start with what we're seeing in terms of adoption. I don't want to get into whether this is early phase or it's getting into a little bit more of a mature phase, but certainly the adoption is spreading, and there's a lot of interest in building out competencies here to develop solutions. So, for instance, just a couple of examples. We see a number of private banks implementing AI to do the preparation work before an advisor meets a customer. So, anything from portfolio analysis to the due diligence work, to the meeting preparation work, and then the advisor gets to spend much more face time with a customer without doing all that prep work, and then they can meet more customers a day as well. So, that increases the productivity for an advisor, and it goes very much along the lines of what Sandra and others have spoken about, about just how this augments the existing workforce. Other examples include a major bank and a major global payments company using AI to forecast cash flows in multiple currencies. They've increased their predictive accuracy, and they've lowered cash management costs, and that was quite clear. We've seen a number of insurance companies implement this across their processes from claims management down to other operations so that it's much more efficient end to end. So, all that is happening, and we've seen financial institutions set up competency centers here. So, we have 30+ and growing, and they've built out teams here to develop solutions, not just for the local market, but for the regional markets, and also global in some cases. So, we've had a major global bank, for instance, site a new competency center here, a rather large one, and they're going to develop solutions across wealth management, digital payments, and treasury. So, these are some things we're seeing. So, I think the interest is strong. It's certainly broadening out, and financial institutions are seeing benefits across these specific use cases as they implement them. So, I think that's what we're seeing now. Coming to the point of how we're thinking about how to shepherd the whole process of this and how we're interacting with the financial industry, a couple points there. One, I think that we can see a good outcome to this, and there's certainly some bad scenarios to this. A good outcome is that this is implemented safely, responsibly, well, and it delivers good outcomes to customers, to the financial institutions, and the regulators are happy with it. And also, they take the trouble to re-engineer processes, so it's deeply embedded, so the productivity gains are real and deep. And they take the trouble also to upskill their

workers so that they can match with these re-engineered processes. So, it's not about displacement of workers, it's about, you know, pushing the workforce up the skills ladder so that everyone gets more productive. I think that's a great outcome. Some of the bad outcomes, if this is not well controlled, if the rollout is rushed, is that you get bad information out of this, bad decisions out of this. You have agents that are not fully controlled. There's misaligned action that's not in interest of the customer or the financial institution, and you have data leakage and so on. And potentially, if you take the simplistic way of just automating processes without fundamentally transforming them, then you could potentially displace workers, right?

**Chia Der Jiun** 21:01

So, these are some of the bad scenarios that can happen. Of course, as a regulator, we would prefer to steer our financial institutions towards the good outcomes, and that's where we think we should work in collaboration, right? So, we don't think it's possible for us to be prescriptive in saying, "You have to do this and that." That's not our approach. So, just yesterday, we have issued a set of guidelines for AI risk management. These are principles-based. They set out governance responsibilities, right citing where the responsibility should lie. They call on financial institutions to have clear line of sight to all material users of AI in the organization, so nothing hidden, don't lose track of it. Have a clear understanding of the risks when you use them in these specific use cases and applications, and have commensurate controls, and review them frequently, right? So, these are high level, but we complement them. So, what we hear from the financial industry is they do want more specificity. How do we go about doing this? How do we satisfy those requirements? And that's where we work, again, in collaboration, in consortia with the financial industry, and we set up a whole series of these. We come up with good practice guides together with the industry. The latest we've published is on the use of agents we call SAFR, Safeguards for Agentic use in Finance at Runtime. And through this, the idea is that it's a process, and we continue to refine the granularity of this. But, the basic ideas are very important ones, which is agents, you've got to tag them, have clear identification, clear authorization limits, and controls around them. Two, you've got to have controls around agent actions. So, before agent actions are executed, they have to be checked against mandates, controls, authorization. If everything checks off, execution takes place. Three, an audit trail, absolutely essential. Know exactly what the agent has done at every point in time so that this can be checked back to monitor agent performance, right? So, these are the things, it's not that we said it, it's what collaboratively we have sat down with the financial industry, major firms, and we've come together with these are some baseline requirements, and we're promoting these through guidelines. So, maybe I'll stop there. There's lots more to say about risk, but maybe I'll stop there. Pick it up in a second.

**Scott Kapnick** 23:31

I'm curious, one thing that BlackRock has done, it's not only the financial services and tech, but it's also the skilled trades that need to build this. And one thing BlackRock's done in the US is partner with regions to spend money, \$100 million, to help those skilled trade transitions. I'd be curious, are you doing that here as well? And I do think you're seeing a real shortage of some of the skilled trades that we don't talk about enough as well, so.

**John "JP" Patrick Ong** 24:02

Yeah.

**Chia Der Jiun** 24:02

No, we're working to promote that. I think for talent coming into that, we're very welcoming to talent coming in to supplement the local workforce. We're also developing the local workforce to do this. So, interestingly, we're

looking at how jobs transform by AI. We've got a huge effort doing this. There are a couple of planks. One of the planks is that we're rolling out training for everyone in the financial workforce. There are 200,000 people in the financial sector workforce. We're getting training ready for every single one of them. And we've gotten commitments from a large number of major financial institutions to train the entire workforce to be AI skilled and to work with AI. And that accounts for about 80,000, 40 percent of the entire workforce. They're halfway through, about 40,000, and we're growing. We're going to get there in 2028, 80,000. And we're continuing to recruit participation in this program so that we want to reach all 200,000 eventually. So, that's the aim. But, in-depth, we've looked at specific job roles that will be transformed by AI. Leaders is interestingly one of them, that industry has told us they want to work with us to think through how the job of leaders will transform with AI because we won't work in the same way as well, or the decisioning will be AI supported. And that's one of the things we are working through, how that job will be transformed, how leaders need to be upskilled to take that on in the future. We've also identified operations roles and roles in wealth management because we're a major wealth management hub, and that's critically important for them to do well and deliver productivity gains. So, taking each of these job roles, and there are many sub ones within there. Peeling it apart, work through how they'll change at a task level and therefore what new skills are needed. So, that's some of the things we're doing.

**John "JP" Patrick Ong** 25:56

Yeah, you touched on that as well. We won't be working in the same way we used to, and I think this also goes back to something that Sandra brought up a while ago about how this won't be necessarily replacing jobs, but there might be a temporary dislocation because, again, how we do things might require different skill sets, might require temporary new things that we'll have to learn as well, and thus maybe a temporary dislocation. How would regulators, governments, and private enterprises manage that dislocation? Because the longer that dislocation stays, the more opportunities might be missed and the more disruptions actually might arise. How do you manage those and make sure that skills and skills dislocations don't last too long as this technology evolves and influences the financial service sector? Any of you.

**Sandra E. Peterson** 26:39

Well, the first thing I would say is recognizing that where the bottleneck is, is usually, using, I hate the term, but middle managers, or leaders of teams, because they grew up learning a skill and how to do the job a certain way. And we even find at CD&R that cohort of individuals, which are principals, they manage and oversee the more junior people, and they learn their job when these tools didn't exist. And so, the first people you need to recognize that need retraining and how to get—is that group of people. And I think most organizations, it took them a while to figure that out, that that's actually where you need to put most of the energy of retraining is there because a lot of these younger people come in somewhat AI native. They're not scared of the tools. They're happy to work with them. But if their quote-unquote "manager boss" is telling them how to do a task, they're telling them how to do it in the way they learned, which didn't have these capabilities in place. So, I think that's one of the most important things that ends up needing to happen, is how you retrain that cohort of people first and foremost to—and it's not clear that it causes massive dislocation. It's just a recognition. And there are some people who will say, "I'm afraid of the technology. I don't want to go do this. I'll go find something else to do."

**Scott Kapnick** 28:04

You're not going to be replaced by AI. You're going to be replaced by somebody who knows how to use it better.

**Sandra E. Peterson** 28:08

Yes, that's right.

**Kevin Sneader** 28:09

But the other side of that coin is a lot of our, when I look at the skills that we were all quote, "taught" to learn to be managers. We didn't become managers for a period of time. Officially or unofficially, you felt you were a manager, but you didn't actually get to manage very much until you'd been around three, four, or five years. Pick a number. Actually, what's going to happen is when our young folk now start work, they're managing agents. They actually are. They have a managerial task. They have to make the most of this virtual army that they've now got and they've been recruited to oversee. So, I think the art of management actually gets pushed down to the point then what do you do with the middle layer? We don't quite know what's going to happen to that group. But that management task no longer sits with the middle manager. It sits with the front line. The early joiners will be doing a lot of managing. And the question, I think is, will it be a diamond shape that organizations look like, and will the pyramid be blown up? Because actually, you no longer have this model that hinges on having that linkage between what, quote, "senior leadership wants and the frontline wants." How that group and how fast that happens, we don't know. But it is, I think, increasingly becoming the case that redeploying that middle cohort will be the generational challenge for many, many segments. But we're also a little fortunate. In many ways, the bigger disruption is actually going to come to the blue-collar workers in the manufacturing facilities. We started thinking this would be more of a white-collar impact. I don't like the term, but if you think of it another way, the people who take a shower before they go to work may not be as hardly impacted as the people who take a shower after they've done a day's work. Because just go and look at Chinese factories and look how few people there are, and look at the way they're already applying AI, whether it's in logistics or infrastructure. There's many places you can see it happening. So, in professional services, we may be able to learn from how they've tackled this problem.

**John "JP" Patrick Ong** 30:01

Yeah. Could this mean also flatter organizations where it's not as hierarchical and where in terms of operating and also decision-making?

**Sandra E. Peterson** 30:08

I think it's unclear, and it probably will be dependent on the group of people in the organization or the organization totally. I think Kevin's point about there's this debate, it used to be that professional service firms were pyramids. You'd show up and you'd march your way through, and if you survived, you got to the next level, the next level, the next level. It's not clear that you may need as many young, quote-unquote, people doing the grunt work because you can get the technology to do a lot of that grunt work. So, I think it's very unclear how that is going to change over time. It may be independent on the particular kind of work that's being done. But I want to go back to the manufacturing point because the flip side of what you just said about the automation inside the four walls of very sophisticated manufacturing sites, I think most people, if you had told them four years ago, there was going to be a massive need for people who actually understood how to build four walls of factories, the old-fashioned gray skills of building a plant, wiring a plant, putting the racks in a plant, and optimizing that, the plumbing, the registrations, all of that. The amount of money that is going into building token factories—because they are factories—it's your point. It's phenomenal. The re—, quote-unquote,—industrialization, in some ways it's a very different industry, but you can't train enough people, and you can't get enough people literally out of retirement who know how to do these things in many parts of the world. I think this part of the world is they still have a lot of experience in building factories because that's been a core. But Western Europe and North America have lost a ton

of that capability, and figuring out how to rebuild that is a huge bottleneck to fully deploying a lot of this technology.

**Scott Kapnick** 32:03

And I don't think, certainly in the West, maybe in Singapore, which does a great job—

**Sandra E. Peterson** 32:07

Very different.

**Scott Kapnick** 32:07

—that you can rely more on the government. I think in the West, you cannot rely only on the government to do this. That's why BlackRock decided to do this Future Builders. And many companies, we've been shocked at how many companies have now said, "Hey, let's figure this out." There's got to be a snowball effect, and it's not just government or local municipalities training people. But I think in Singapore, we were one of the first here to do private credit, and as you've developed markets back 50 years and more, I'm confident and very appreciative of the way you guys are going to do it here, and I'm sure it'll be top-notch.

**Chia Der Jiun** 32:43

Yeah. We're a little bit proactive on every single issue.

**John "JP" Patrick Ong** 32:47

Have to be.

**Chia Der Jiun** 32:49

Just to comment a little bit on the diamond-shape organization. I think we hear that a lot, and there's certainly a path that may lead to that. We're trying to lean a little bit against that. So, I think if you talk to a lot of people in the industry, I think they do identify two sectors, two areas that will be greatly transformed. Operations. That's an area that AI will probably fundamentally transform quite a lot of those processes, especially with the use of agents. So that's a critical area of our focus, how that will be transformed. So, you probably have to move the operations staff towards being a manager of agents, a supervisor of agents, and checking on the agents' work. Right? So, we have to do that shift, and we have to reskill the person to be able to do that shift. The bottom of the pyramid, I think, is the other issue, that you don't need as many fresh, new entrants to the workforce to do some of the analysis work and the preparatory work that has been done in the past 10 years or so. That will get transformed. But again, we don't want to take the easy way out of this. It's not that AI means that that layer is not needed. So, we want to work again with the industry and with the universities to, again, reskill and re-profile the people coming out, graduating out of university so that they are job-ready. So, we're taking pointers from the industry. They want graduates who are business context-ready and AI-ready. And we're working with the universities to develop the program so that they have both. So, that comprises increasingly not just curriculum time but also internship and industry exposure time. And so, again, we're working with the industry to provide that exposure so that it becomes part of the structure that even as they gain credits in the course and they take on the right credits, which includes AI and data, but also gains industry experience, so by the time they graduate, they acquire both contexts, AI context and business context.

**Kevin Sneader** 34:56

And this is where we should be more positive about the future for young people. There's never been a better time to be an entrepreneur, to create something. And in reality, there's also a flow of capital that's looking for opportunities to deploy. The tools that you now have at your disposal to start something and to dream big are much better than they were previously. And I think in this conversation, we talk about retraining people, and I absolutely endorse all of that, but we're also going to have a raft of new enterprises appear in areas that we're still beginning to scope and frame. And what I'm struck by when I go to campus for recruiting and other activities is just the energy that now is in these entrepreneurship clubs and different gatherings and the venues, and they all want sponsorship. Delighted to provide some of it. But in reality, that is an unknown that we should be embracing and getting excited about and try and encourage folks to really think hard about what they choose to do because you really can start a business with a lot less resource than you needed before, and with the flow of capital being unlocked to that. That's quite an exciting part of the future when we're all spending too much time perhaps worrying about the old world. This is part of what we need to frame up, and there's a long historical precedent where we underestimate the job creation in new areas. And I think the winning societies will also make it easier for those corporations of the future to come to life, and not overly think that it's about channeling people differently into existing opportunities. That's going to be the challenge.

**John "JP" Patrick Ong** 36:25

There is a theory that with new technology, instead of freeing up more time for people, it actually means that there's more time to actually do things and you find yourself busier than ever. They said that about the advent of email and the internet, and this time also with artificial intelligence. I do wonder, Kevin, about what some of the key considerations are for firms as they add onto AI. We've talked about the ability to responsibly implement AI and observe AI and how it transforms your firm. So, what do you think are some of the key considerations that you're thinking about as you see AI continually being explored by you folks at Goldman Sachs?

**Kevin Sneader** 37:03

Well, first of all, I have an optimistic view of the future, and I think in general, we do, that we actually see this will create opportunities. I don't think there are less ideas because of AI. I think there are more. So, what I'm very struck, chatting to our bankers, they have more ideas. They don't have less ideas to take to clients. And so, I do think as you think about how you shift around the nature of work and how things get done, you do have an opportunity to deploy it into the client and deploy it into the idea generation and delivery. The second thing, though, that is critical is, of course, the cornerstone of any professional firm is trust. And so, we do have to invest in making sure that the data is clean, that there is accuracy in what we report back, that we do have a human in the loop, at least while we're working this through, so that we can ensure that the cornerstone of what we do trust is safeguarded. So, there's a safeguarding responsibility. And the third part of all of this, which I think must always be kept in mind, is efficiency is indeed an obligation in a way. And so, we should always be looking for ways to be more efficient, but it's the combination of the ideas that we can translate into actions for our clients. It's the ability to do this in a way that reinforces trust, not undermine it, and then be efficient in that context and keep that cycle going. So, I'm very optimistic that when all is said and done, the jobs apocalypse will not happen. There will be a successful transition, and we will end up with more opportunities, not less, for our younger people. How we get that journey to work is the art of leadership, and collectively, we're going to have to figure that out, and it's not going to be a straight line. It's going to ebb and flow. There will be corrections. There will be bumps. It's how we ride through those and manage them appropriately. Some will do it through societies, and they'll organize, reinforce. Others will do it through entrepreneurship. That's a choice. But the one thing I think we should be

careful about is over-indexing on whether this line goes straight and up and to the right, or whether through the ebbs and flows, societies transform. I'm pretty confident it'll be the latter, but there will be bumps.

**Sandra E. Peterson** 39:06

I think the most important thing, if you think about the role of a professional service firm, is trust and judgment. Both of those things is why people come to you and want to work with you is, are you trustworthy, to Kevin's point. But also, do you have judgment based on years of experience that I can trust your judgment and it's not just something that's printed out from some chat bot. So, I think those two things, you need to make sure those are sustained over a long period of time, irrespective of whatever technology gets deployed. And if you don't sustain that, you're not going to be a successful professional service firm. It's just not going to happen. And that at the end of the day is all about personal interactions with human beings, quite honestly, is what makes that work. And so, these things become tools to allow you to have these personal interactions that are maybe more efficient, maybe more thoughtful, but it's all about trust and experience and judgment that drives all of that.

**Scott Kapnick** 40:02

I think you have to add performance to that.

**Sandra E. Peterson** 40:04

Well, absolutely. Yeah.

**Scott Kapnick** 40:05

If you're not using AI to perform all of that you're not going to have the trust and the judgment.

**John "JP" Patrick Ong** 40:11

Agreed.

**Scott Kapnick** 40:11

And you better figure it out, or somebody else will.

**Sandra E. Peterson** 40:15

Yeah. Yeah.

**Chia Der Jiun** 40:16

I don't want to end on a bad note, but I think it would be remiss of me not to talk about some potential derailers. And then maybe we'll round back with some optimism. Number one, if autonomy runs ahead of safeguards and guardrails. So, I think we have to pace this carefully. Right? In recent weeks, we've been hearing a chorus from the founders of frontier AI firms talking about how the release of new AI models will have to keep pace with alignment work and safeguard work. Right? That they have to be confident that alignment and safeguards are keeping up before they release ever more powerful models. Now, that's an important principle, especially for financial sector adoption of AI. As we roll this out, the controls have to be commensurate. If it's not commensurate, again, we know that bad things will happen. Right? So, data leakages, misaligned actions by agents, and this will have

financial consequences on financial institutions. They will lose the trust of customers, and they can be impacted across the financial system because what happens in one financial institution can shake confidence in others that are adopting similar solutions. So, this is something critically important to get right. And it's not just a responsibility for the regulators, right? It's a joint responsibility because I think we're all in this industry that we want to maintain confidence, and we have to grow the business sustainably. So, it's a joint interest. The second thing, of course, is dependencies. Just remember September 3, right? So, I don't think that triggers many people on that date, but on that day we had a simultaneous outage of ChatGPT, and Claude, and Grok, and Gemini. Simultaneous outage. So, this underscores the importance of understanding dependencies, including third-party software with embedded AI. So, you've got AI over your processes and your decisions embedded, plus third-party software with embedded AI. Know where the dependencies are, manage that carefully. We don't want outages to be causing disruption and stoppage of key services that you're providing to your customers, to the economy. Right? And third, cybersecurity. We didn't spend enough time talking about this, but this is critically important. I think we've just been reminded this week. News of successful cyber breaches of seven Korean banks, potentially with the use of AI. And so this is, again, critically important to get right. And the multilayered cyber defense strategies that financial institutions know and understand well, double down on that. Still critically important to have strong authentication, to have segmentation of your architecture, to have good monitoring of your systems to detect suspicious activity. Critically important. Increasingly important, use AI as well in cyber defense. Use it to discover vulnerabilities before adversaries do. Do red teaming with AI. Do your patching, and your testing, and your secure coding with AI. And, of course, use AI to detect even weak signals of unusual activity. So, these are things we'll have to get right if we are going to progress on this path well. But okay, that said, coming back to the optimism, I think we are optimistic. This is great promise. We'll see widening adoption, and financial institutions are telling us in those use cases they applied to, they're quite optimistic. So again, you know, we see that broadening out in Singapore, as I said earlier on, lots of things happening, competency centers happening, being built up. We are upskilling our workforce to really work with AI.

**John "JP" Patrick Ong** 44:22

Yeah, we've got about 40 seconds left for this interesting panel. So, I'd like to give you the last word, actually, on artificial intelligence, as we've all agreed on in consensus that these are the early innings as the Americans would say. What's top of mind for you as you observe how artificial intelligence is transforming this very vast and diverse industry?

**Sandra E. Peterson** 44:47

You're asking me first? Oh. So, I'll just go back to what I said before. The reason why this is more impactful than many other technology transitions in the last 40 years is because it's a complete redoing of the tech stack. The fact that hardware matters as much as software now is a big deal. But I think the good news in my mind is people are actually having these conversations. Historically, when new technology showed up, everybody said, "This is wonderful," and didn't actually have this conversation about how do we deploy it in the most effective way, but also understand where we need to put guardrails on it. And so, I am quite optimistic about our ability to manage this technology because we are having these kinds of conversations.

**John "JP" Patrick Ong** 45:31

Yeah. Kevin, Scott, Sandra, Der Jiun, thank you so much for joining us today. Thank you, everybody, as well for taking a part and having us today at the Milken Institute to talk about AI and its ability to transform and maybe even disrupt the financial service sector. As they mentioned, we are in the early innings of how AI is transforming

this very key sector, and we'll have to stay tuned and continue to discuss how this might transform things in the years to come. Again, appreciate the time, and thank you so much. Have a good morning.

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