



# Report: Financial Services sector calling out for clear line of sight on AI, ESG regulatory horizon



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New survey data from DLA Piper has shown that the Financial Services (FS) sector is calling out for clearer and proportionate regulations surrounding AI and ESG to help them realise the benefits these trends offer.

The global report - *Financial Futures: Disruption in global financial services*, found that eight in ten respondents are optimistic about future industry growth prospects for the financial services industry, with UK and US organisations reporting the highest confidence (93% and 90% respectively).

Amongst organisation types, the research finds that banks are the most optimistic (88%), with optimism being driven by digitalisation and advancements in technology. Respondents from global FinTechs however, are feeling the least positive (72%).

The high levels of optimism are being attributed to advancements in technology (71%), the launch of new products and services to drive growth (55%) and changing consumer and investor behaviours (38%).

However, clarity and a proportionate approach is key as 58% of respondents cite regulation complexity around technology as a key challenge globally, and nearly three quarters (73%) go on to say that current regulations stifle innovation efforts.

For those looking at other locations for optimal conditions for growth, the US is seen as the most attractive market (35%), followed by the EU (24%). South African and Middle Eastern respondents are the most optimistic for the positive impact AI will bring (72%, and 64% respectively), highlighting an appetite for investment, despite apparent lower levels of confidence in the local market.

## AI and Digitalisation will transform the financial services sector, but businesses need a plan

Whilst the majority of respondents (86%) believe that AI will transform the sector, half (53%) see AI as one of their main challenges - even so, only four in ten (both 39%) are committed to hiring experts in the field of AI and imposing governance /oversight structures to maximise the related opportunities; and half of the companies surveyed lack in-house specialists and are opting to work with specialist subcontractors.

Without this internal talent, businesses risk falling behind the curve in the future.

Ethical AI concerns are highly documented, yet only 56% of the organisations surveyed are developing ethical frameworks to guide their efforts. Without an ethical framework in place, businesses put themselves at risk of not meeting stakeholder, customer and board demands around AI deployments. It is vital for businesses to have a clear plan and direction in place before they start their AI journey.

Despite not having frameworks to use, businesses report a clear understanding of the benefits AI can offer, such as managing regulatory compliance (63%); followed by fraud detection and prevention (62%). A fifth (21%) of businesses are worried about compliance issues as they look to manage the cyber security and data protection risks associated with AI.

## The importance of ESG cannot be understated

As businesses grapple with changing ESG regulations across multiple jurisdictions, nearly (46%) half of businesses globally have ambitions to position themselves as a leader and innovator on sustainability and ESG.

The appetite to drive ESG agendas forward is clear, but businesses report concerns on achieving their goals - over half of respondents (56%) would like to see more ESG regulation to support them in meeting their objectives, and 43% want to understand the current regulations better.

Businesses seem clear on the ESG challenges they need to navigate, with half stating that the reputational risk of ESG positioning is their biggest challenge, followed by integration of ESG throughout the business (47%). Businesses also ranked accurate reporting as a challenge which they are struggling to address.

The negative external reputational risk of not complying with and need to comply with regulations are the biggest drivers for firms to engage in ESG activities (70% and 52% respectively). However, pressure from

shareholders and senior management ranked lowest at 36% and 34% respectively.

As the sector engages with ESG activities, almost 6 in ten (57%) plan to develop new ESG-focused products and services, and half are developing new technologies, yet staff development and training to optimise ESG efforts remains low on the agenda (17%).

Almost half of the sector has ambitions to position their business as an ESG leader, whilst a third (34%) plan to replicate successful approaches by their peers. Not all organisations are so proactive - A fifth (19%) will wait until stakeholders and customers demand an approach, before making any decision.

[Download the full report.](#)

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