W O R K I N G P A P E R

Measuring International Finance · Part III

Artificial Intelligence and Financial Centers

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Abstract

Artificial intelligence is transforming financial services at a pace that exceeds the capacity of existing frameworks for measuring financial center performance. This paper, the third in the working paper series on measuring international finance, analyzes the intersection of AI ecosystems with the functional and enabling dimensions of financial center performance. It further proposes a dedicated AI ecosystem measurement framework and evaluates strategic approaches for financial center leadership regarding the AI agenda.

Drawing on the WAIFC AI Report 2026, the FSB and WEF's thought leadership on AI in financial services, and a global survey of flagship AI initiatives, this paper contends that AI influences every aspect of the International Financial Center (IFC) performance framework, extending beyond innovation capacity. AI governance quality is emerging as a component of regulatory quality, while AI infrastructure is becoming integral to connectivity. Additionally, AI-specific risks, such as third-party concentration and market correlation, necessitate explicit inclusion in resilience measurement. The paper proposes a seven-dimensional indicator framework for AI ecosystem performance to be incorporated into the IFC diagnostic dashboard.

The paper then examines four strategic choices that financial center leadership faces: whether to pursue AI-native positioning or a more measured AI-positioned approach; how to navigate the infrastructure ownership and stack sovereignty dimensions using a 2x2 control-versus-dependency matrix; when to move as a regulatory first-mover versus a fast-follower; and how to balance AI investment against a broader technology agenda encompassing digital assets, open finance, and quantum infrastructure. In each case, the paper presents the arguments on both sides before offering a recommended position. The overarching strategic conclusion is that AI is best positioned not as a new identity that supersedes the strengths of existing financial centers, but as an integration layer that multiplies the value of all other activities — for experienced professionals and new entrants alike.

Foreword

Alongside tokenization, AI is a key driver of technological change in the financial industry. When examining the performance of financial centers, I was wondering how they are addressing AI, adapting their ecosystems, and building the foundation to ensure that local financial service providers can make the best possible use of AI—for the benefit of all. And how that would fit into the performance framework developed in my second paper in this series.

This implies that financial centers can be actively managed, which is often the case in emerging markets, where governments have deliberately created them to serve the national economy. Furthermore, many financial centers in Europe and Asia are managed by government agencies or public-private partnerships with the goal of developing their financial ecosystems and promoting them internationally. However, there are also financial centers that lack any central coordination. The most prominent example is New York City, which is the largest financial center globally in many categories. Most likely, its ecosystem is too complex and too diverse to manage centrally, but nobody has tried it either.

In this paper, I will focus on those that are managed properly and examine the impact of AI as well as strategic choices.

1. Introduction

This analysis explores the relationship between an Artificial Intelligence (AI) ecosystem within a financial center and the framework for measuring International Financial Center (IFC) performance, as developed in this working paper series and summarized in Figure 1.

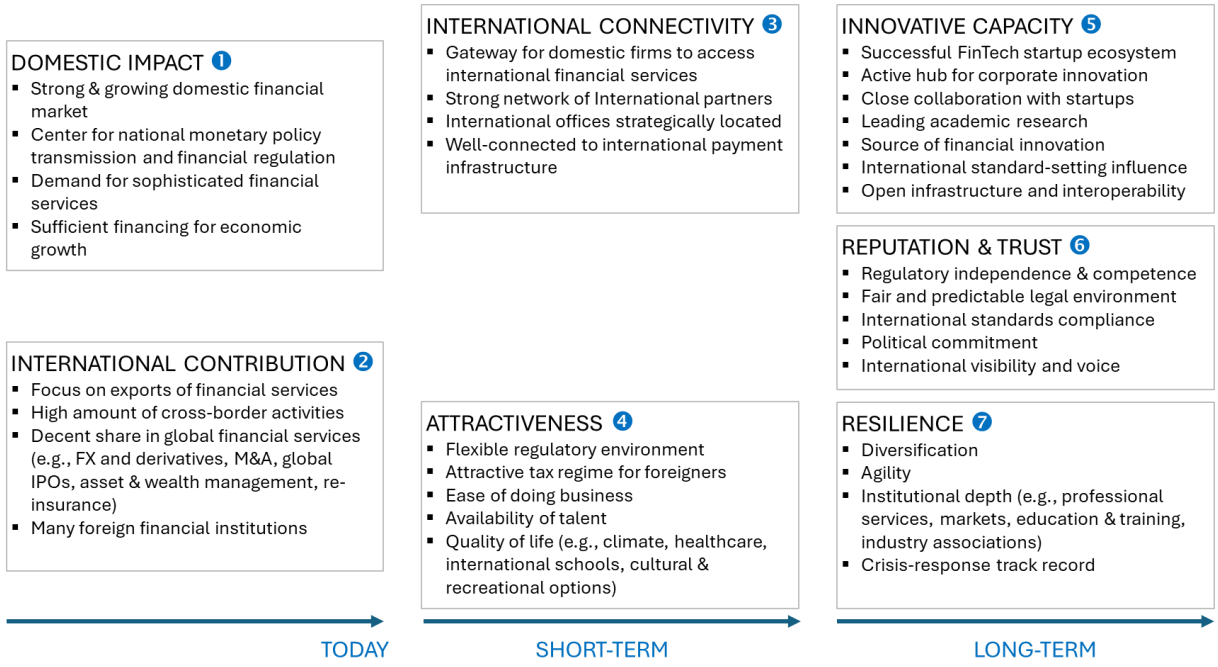


Figure 1: Framework for measuring the performance of a financial center (Biedermann, 2026)

Drawing on the WAIFC AI Report 2026, a benchmarking study of AI activities across thirteen major financial centers (WAIFC; ADGM, 2026), World Economic Forum (WEF) and Financial Stability Board (FSB) research, and the broader thought leadership landscape, it addresses three questions:

1. Where does an AI ecosystem sit in the IFC performance framework?
2. How can the performance of an individual financial center's AI ecosystem be measured?
3. How should a financial center approach the AI agenda strategically, including the choice between AI-native and positioned orientations, the control-versus-dependency question, regulatory posture, and the balance between AI and other forward-looking technologies?

The timing is significant. The DIFC announcement of 21 April 2026, the world's first declared AI-native financial center (DIFC, 2026), marks a transition from AI experimentation to AI as a strategic organizing principle. The FSB has identified AI adoption monitoring as a systemic priority.

The WEF, in collaboration with Accenture, projects that AI investment in financial services will reach USD 97 billion by 2027. (WEF; Accenture, 2025)

The question for financial center leadership is no longer whether to engage with AI, but how to do so strategically and in a way that is resilient to uncertainty.

1.1. Report Structure

The report is organized as follows. Section 2 outlines key sources of thought leadership on this topic. Section 3 presents flagship AI initiatives in leading financial centers by continent. Section 4 discusses best practices in developing AI ecosystems. Sections 5 and 6 examine the implications for the performance measurement framework of financial centers. Section 7 analyzes strategic choices for financial centers, and Section 8 provides the conclusion.

2. Key Sources of Thought Leadership

The following sources represent the most relevant current thought leadership on AI in financial services and financial center strategy.

2.1 International Regulatory Bodies

The Financial Stability Board has published four successive reports on AI in finance, culminating in its October 2025 report on monitoring AI adoption and related vulnerabilities. The FSB identifies third-party concentration (a small number of cloud and model providers), market correlation risk from uniform AI-driven decision-making, and data gaps as the primary systemic concerns. Its recommendations call for enhanced monitoring, review of regulatory frameworks, and cross-border cooperation on taxonomies and indicators. (FSB, 2024), (FSB, 2025)

The Bank for International Settlements published a complementary analysis in 2025 examining the use of AI by central banks and supervisory authorities, the AI supply chain, and governance frameworks. (BIS, 2025)

The IOSCO report of March 2025, Artificial Intelligence in Capital Markets: Use Cases, Risks, and Challenges, addresses the specific implications for market intermediaries and asset managers. (IOSCO, 2025)

The IMF Working Paper of 2025 on AI Projects in Financial Supervisory Authorities provides a detailed framework for supervisory governance, including four overarching principles: organizational accountability, human-in-the-loop design, non-discrimination, and operational risk management. It identifies talent and IT infrastructure as binding constraints for many financial authorities. (IMF, 2025)

2.2 World Economic Forum

The WEF white paper, Artificial Intelligence in Financial Services (January 2025), produced in collaboration with Accenture, synthesizes insights from over 100 financial services executives. It argues that financial institutions are uniquely positioned to capitalize on AI, given their data-rich, language-heavy operations. The paper devotes considerable focus to the three Rs — risk, responsibility, and regulation — and projects transformational impact across retail banking, insurance, and capital markets. (WEF; Accenture, 2025)

2.3 Cambridge Center of Alternative Finance

The Cambridge Center of Alternative Finance at the University of Cambridge, in partnership with Financial Innovation for Impact (Fii), the BIS, IMF, WEF, the Inter-American Development Bank (IDB), the CGAP, and the Arab Monetary Fund (AMF), conducted a survey in 2025/26 on the “current adoption of AI in financial services from industry, technology, and vendor perspectives. It also assesses the impact of AI on the financial services industry, including fintechs and traditional financial institutions, across efficiency, productivity, and profitability, as well as persistent challenges in organizational adoption and scaling. The study then analyses the emerging risks associated with AI adoption in finance and discusses a range of the correlated governance issues.”

The 2026 Global AI in Financial Services Report summarizes responses from 628 participants across 151 countries. (Cambridge Centre for Alternative Finance, 2026)

The most significant findings were:

- An execution gap between early-stage experimentation and institution-wide AI integration.
- An economic divide. Advanced economies are nearly twice as likely to have reached the transforming stage as their developing economy peers, reflecting structural gaps in data infrastructure, talent, and resourcing.
- FinTechs are moving faster than traditional financial institutions.
- Regulators, particularly in developing economies, are lagging behind.
- While classical machine learning is widely adopted, newer technologies like GenAI are rapidly scaling, giving lower technical barriers to adoption.

Financial centers need to navigate their ecosystems of actors, with widely varying rates of AI adoption and literacy.

3. Flagship Initiatives at the Leading Financial Centers

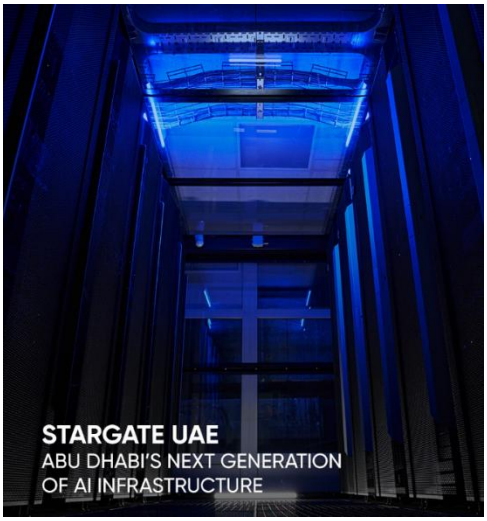
3.1. Asia

Hong Kong's GenA.I. Sandbox++ (a cross-regulator initiative involving the HKMA, SFC, Insurance Authority, and MPFA, in collaboration with Cyberport) and the HKD 3 billion AI Subsidy Scheme represent the most coordinated multi-regulator approach to AI governance testing among established Asia-Pacific centers.

> The Hong Kong Monetary Authority (HKMA), the Securities and Futures Commission (SFC), the Insurance Authority (IA), and the Mandatory Provident Fund Schemes Authority (MPFA), in collaboration with the Hong Kong Cyberport Management Company Limited (Cyberport), announced on 5 March 2026 the launch of the **Generative Artificial Intelligence (GenA.I.) Sandbox++ initiative**.
>
> Building on the success of the GenA.I. Sandbox initiative launched in 2024, regulators jointly expand the GenA.I. Sandbox++ to cover multiple financial sectors, including banking, securities and capital markets, asset and wealth management, insurance, mandatory provident fund (MPF), and stored value facilities.
>
> The initiative maintains its focus on three high-impact areas — risk management, anti-fraud, and customer experience — while continuing to advance "A.I. vs. A.I." strategies by leveraging A.I. to manage the risks associated with A.I. adoption. Participating financial institutions will receive targeted supervisory guidance, technical support, and complimentary access to graphics processing unit (GPU) computing resources at Cyberport's A.I. Supercomputing Center, enabling them to develop, pilot, and refine their use cases in a risk-controlled environment, thereby accelerating responsible A.I. adoption across Hong Kong's financial ecosystem.
>
> By fostering collaboration among regulators, financial institutions, and technology firms, the initiative aims to spark new ideas and cultivate deeper cross-sector and cross-boundary partnerships. The initiative encourages the development of both sector-specific and cross-sector A.I. applications, including A.I.-driven insurance underwriting and claims processing, compliance assessment of suitability requirements during the distribution of investment products, A.I.-powered tools for handling MPF, and industry-wide use cases such as intelligent customer chatbots and advanced fraud detection systems.
>
> Source: HKMA

The Monetary Authority of Singapore's Veritas Framework (FEAT principles: Fairness, Ethics, Accountability, Transparency) (MAS, Accenture, BNY Mellon, DBS, HSBC, OCBC, 2023), its PathFin.ai initiative, launched in July 2025, and its 2024 Model Risk Management paper constitute a comprehensive body of regulatory guidance that other centers actively reference. Singapore had more than 30 financial institutions with established AI functions as of late 2025, several of which served as global AI competency centers.

Stargate UAE, announced in Abu Dhabi on 22 May 2025, is a 1 Gigawatt (GW) cluster at the 5 GW UAE–U.S. AI Campus in Abu Dhabi, with the first 200 megawatts expected to come online in 2026. For financial services, capability at scale strengthens decisioning, controls, risk intelligence, and productivity as adoption matures—supporting competitiveness in the AI economy.



The Stargate Project is an American AI company founded by OpenAI, SoftBank, Oracle, and MGX. The company plans to invest up to $500 billion in AI infrastructure in the United States by 2029. It was announced on January 21, 2025, by US President Donald Trump.

Stargate UAE, a 1 GW cluster at the 5 GW UAE–U.S. AI Campus in Abu Dhabi, will be the first international installation under the Stargate Project.

G42 will build Stargate UAE, and OpenAI and Oracle will operate it. NVIDIA will provide its latest Grace Blackwell GB300 systems. 200MW is expected to go live as early as 2026.

In return, the UAE has agreed to invest $1.4 trillion in the United States as part of the US-UAE AI Acceleration Partnership.

Source: ADGM

DIFC's AI-Native declaration of April 2026, projecting USD 3.5 billion in economic value and the creation of 25,000 jobs, introduces the concept of AI embedded at the foundational level of legal regimes, not layered on top of existing structures. This is qualitatively different from sandbox-based approaches and raises the stakes for other centers. (DIFC, 2026)

➔ Asia presents the widest internal divergence of any region: Singapore has built the most coherent and internationally influential financial center AI governance model, Hong Kong the most coordinated multi-regulator testing infrastructure, and DIFC the most ambitious foundational declaration through its AI-Native positioning, while China's domestic AI ecosystem is vast but largely decoupled from international financial center competition.

The region's strongest collective advantage is speed of regulatory adaptation combined with genuine government commitment to financial center AI strategy as a national priority, producing sandboxes, talent programs, compute investment, and governance frameworks in parallel rather than sequentially.

3.2. Europe

The FCA AI Innovation Lab in London, with its Supercharged Sandbox (in partnership with NVIDIA, operational from October 2025), AI Live Testing, and AI Sprint components, represents likely the most developed public sandbox infrastructure among established financial centers. The Lab explicitly frames regulation not as a constraint on innovation but as an enabler.

The **AI Lab** offers the FCA, businesses, and other stakeholders the opportunity to engage with AI-related insights, discussions, and case studies.

"Our AI Lab complements our innovation services with a new focus on artificial intelligence (AI) and supports innovators in developing new AI models and solutions.

We want to enable the safe and responsible use of AI in UK financial markets, thereby promoting growth, competitiveness, and innovation in this sector.

The AI Lab will help us deepen our understanding of the risks and opportunities of AI for UK consumers and markets and support our regulatory approach in a practical and collaborative way."

The initial components of the AI Lab include:

- Supercharged Sandbox
- AI Live Testing
- AI Spotlight
- AI Sprint
- AI Input Zone

Supercharged Sandbox: "As part of our commitment to promoting AI innovation, we are collaborating with NVIDIA to enhance our digital sandbox by providing companies with access to greater computing power, expanded data sets, and more advanced tools. Starting in October 2025, companies will be able to test early-stage PoCs in the Supercharged Sandbox."

Source: FCA

Responsible AI UK is an international ecosystem for responsible AI research and innovation.

RAi UK brings together researchers from all four UK nations to understand how we should shape AI development for the benefit of people, communities, and society.

It is an open, multidisciplinary network that draws on a wide range of academic disciplines. Funded by the Technology Missions Fund, it brings together researchers, industry professionals, policymakers, and civil society organizations.

RAi UK conducts and funds research on responsible AI. It has developed a skills program for those who develop, purchase, and use AI. And it works with policymakers to explain the opportunities and risks associated with AI.

To date, RAi UK has invested more than £15 million in a range of research projects led by multidisciplinary researchers from over 30 universities across the UK, and conducted in collaboration with higher education institutions and non-academic partner organizations at the national and international level.

The projects vary in their objectives, size, scope, and duration, but are united by their contribution to fulfilling RAi UK's mission to develop world-leading best practices for the development, evaluation, regulation, and operation of AI systems, benefiting people, society, and the nation.

Source: RAi UK

Frankfurt is building up an AI factory specifically for European banks, financial institutions, and other regulated industries. It is built on NVIDIA's accelerated computing platform with full regulatory compliance and data sovereignty.

AI for the Frankfurt Rhine-Main region

Development of a local AI Factory

- ✓ Start small and smart – but fast! Pilot launch in November 2025
- ✓ Scaling with the latest NVIDIA DGX SuperPODs
- ✓ Offers for companies, the public sector, and startups
- ✓ Partnerships and participation
- ✓ Workshops and industry-specific offers for rapid AI adaptation in local organizations

AI Excellence Center

- ✓ Discover the possibilities of diving deep into the application of sovereign AI.

GenAI Studio Platform "Drive“

- ✓ Customize and use the best LLMs and use cases with just a few clicks.

Source: Sovereign AI Factory

Luxembourg’s MeluXina supercomputer (18 petaflops, ranked 36th globally) and Luxembourg AI Factory provide a shared compute infrastructure accessible to financial institutions and startups, a model distinct from regulatory sandbox approaches.

“In June 2021, LuxProvide launched **MeluXina**, the EuroHPC supercomputer hosted in Luxembourg on the EVIDEN BullSequana XH2000 platform with a computing power of 18 petaFlops and 20 petaBytes of memory.

Thanks to its scalable architecture and GPU AI accelerators, it integrates simulation, modeling, data analysis, and AI.

MeluXina ranked 36th worldwide and was the most environmentally friendly system in the EU in the Top500 ranking.

Named after the Luxembourg legend of the mermaid Melusina, it highlights Luxembourg's digital innovation and uses water cooling to reflect its namesake.”

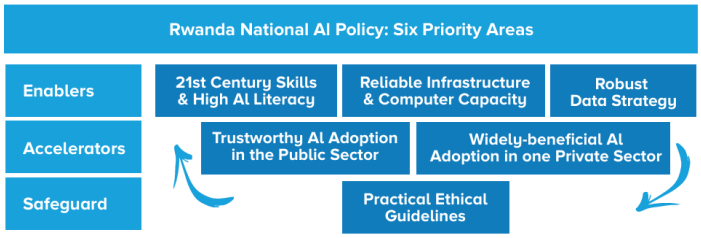
Source: LuxProvide

➔ Europe has the world's most comprehensive AI regulatory framework in the EU AI Act, which provides legal certainty and is already being adopted as a reference point by other jurisdictions, but the compliance burden and precautionary design are slowing deployment relative to the US and parts of Asia. Except for London, no European financial center has matched the depth of Singapore's full-stack AI ecosystem.

The continent's genuine competitive advantage lies in governance credibility and influence over regulatory standard-setting rather than AI adoption speed.

3.3. Africa

Rwanda's National AI Policy identifies banking and digital payments as one of its flagship sectors for AI adoption, intending to improve financial inclusion, improve risk management, and strengthen cybersecurity. The government plans to establish regulatory sandboxes for AI solutions in financial services, develop sector-specific ethical guidelines, and incentivize private-sector investment through co-investment funds and tax-relief programs. (MINICT, 2022)



"AI has the potential to dramatically improve lives and livelihoods across the Republic of Rwanda, as well as make remarkable progress towards the achievement of national development and economic objectives and sustainable development goals.

However, while the development and economic opportunities of AI are huge, they are inextricably connected with risks that require ethical principles and precautions.

The National AI Policy has been developed by MINICT and RURA, with support from GIZ FAIR Forward, the Center for the 4th Industrial Revolution Rwanda (C4IR), and The Future Society (TFS). The National AI Policy, which promotes and fosters Rwanda's inclusive and sustainable socio-economic transformations' mission is to leverage AI to power economic growth, improve quality of life, and position Rwanda as a global innovator for responsible and inclusive AI."

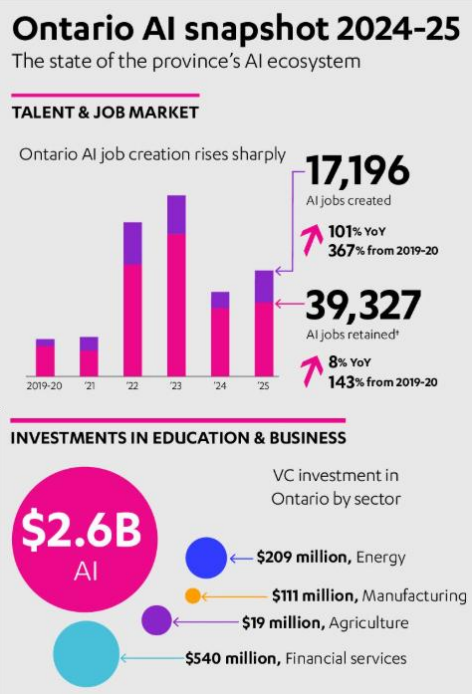
Source: MINICT

➔ African financial centers are pursuing a fundamentally different AI agenda from their peers in Asia or Europe. The primary AI use case is financial inclusion, e.g., AI-based credit scoring enabling uncollateralized credit for MSMEs, rather than capital market efficiency or the export of regulatory innovation. The binding constraints are infrastructure (power, compute, connectivity), talent (Africa holds only a tiny fraction of the global AI talent pool), and fragmented regulation rather than strategy or ambition.

The most promising model for African financial centers may be to leapfrog in specific niches rather than attempt to replicate the full-stack approach of London, Singapore, or Dubai.

3.4. North America

The Vector Institute for AI in Toronto, co-founded by Geoffrey Hinton and Yoshua Bengio, provides a world-class research anchor. It is the deep learning research center whose alumni populate AI teams at virtually every major North American financial institution.



Vector Institute drives substantial economic transformation across Canada through strategic AI research, talent development, and industry partnerships. Its comprehensive economic impact data demonstrates how AI innovation translates into measurable GDP growth, job creation, and investment returns.

Its AI Snapshot is published in partnership with Deloitte Canada, based on market research that includes a survey of executives and readily available data. These reports track 10 key metrics focused on jobs, investment, applications, and commercialization to measure the collective progress toward strengthening Ontario's AI ecosystem.

Source: Vector Institute

Chicago's AI-in-finance story is older and more embedded than that of any other financial center, but it's almost entirely invisible in the conventional conversation about AI in financial centers because it predates the current generative AI moment by decades. Chicago functions as the epicenter of algorithmic trading in America. Chicago's trading firms operate quantum units for complex optimization, FPGA arrays for ultra-low-latency processing, and GPU nodes for machine-learning models, representing years of development by teams of PhDs in mathematics, physics, and computer science.

The University of Chicago's Data Science Institute and its close integration with the CME and CBOE talent pipelines constitute the knowledge-generation dimension. Citadel, Jane Street, Jump Trading, and DRW operate in Chicago some of the most AI-intensive trading operations anywhere, though they publish very little publicly. This is probably the world's deepest concentration of applied AI talent in derivatives trading, without any corresponding financial center governance or public-positioning infrastructure.

The flagship projects in New York are at the bank level. JPMorgan operates over 300 AI use cases in production and employs more than 2,000 AI experts and data scientists, more than the next seven largest banks combined. Goldman Sachs has built its One Goldman Sachs 3.0 AI operating model, rolling out the GS AI Assistant firmwide. Morgan Stanley's DevGen.AI coding agent has rewritten and updated legacy code, while Bank of America's employees use the AI assistant Erica.

The regulatory environment is in deliberate contrast to Europe. The SEC, CFTC, and FINRA have not issued new regulations expressly addressing the use of AI. This regulatory posture is both a competitive advantage and a structural gap. It allows US financial institutions to deploy AI faster and at greater scale than their counterparts in jurisdictions with more prescriptive frameworks. But it means that New York as a financial center is not building the kind of governance infrastructure (AI sandboxes, testbeds, principles frameworks, standard-setting influence) that creates reputational and connectivity value in the IFC performance framework.

➔ North America illustrates a fundamental alternative model: AI leadership in financial services achieved through institutional competition and market incentives, without center-level governance coordination, regulatory sandbox infrastructure, or deliberate international positioning. This model produces the deepest commercial AI deployment in the world, but does not produce the governance credibility, international standard-setting influence, or reputational positioning that the IFC performance framework's complementary factors dimension values. The US is winning on adoption and diffusion; it is largely absent from the regulatory innovation and international standard-setting dimensions where Asian or European financial centers are active.

3.5. South America

Brazil has built something that most financial-center discussions in the AI context overlook: a publicly owned, central bank-operated data infrastructure that provides the richest possible training environment for AI in financial services. Pix, launched by the Banco Central do Brasil (BCB) in 2020, now processes about 7 billion transactions per month with more than 180 million users (Pix Statistics). Brazil has simultaneously built one of the world's most advanced open finance ecosystems, regulated by the BCB, with over 800 participating institutions and 60 million active data-sharing consents. This is not AI per se, but it is the data substrate on which AI applications in financial services are built. Every AI credit-scoring model, fraud-detection system, and personalized product recommendation running in Brazil has access to richer, more current, and more standardized transaction data than its counterparts in most other jurisdictions.

The BCB has demonstrated a willingness to use its own regulatory architecture as an active competitive tool, designing Pix and Open Finance explicitly to break the oligopoly of Brazil's five largest banks, which historically controlled approximately 80% of the credit market. This regulatory philosophy differs from both the US (hands-off) and the EU (precautionary), and it has produced measurably superior outcomes for AI-in-finance deployment at scale.

The AI applications built on this infrastructure are substantial. Nubank, PicPay, and traditional banks are investing heavily in AI-driven credit scoring, fraud detection, and personalized product recommendations. Nubank's AI strategy is the most developed among Latin American financial institutions: it creates connections across broad contexts, generates useful insights, and supports decision-making for its 100 million customers in Brazil, Mexico, and Colombia.

➔ The South American picture resembles the North American one in a critical respect: there is no financial center authority performing the ecosystem orchestration function. The BCB is the closest equivalent — its role in designing Pix, mandating Open Finance, and operating the regulatory sandbox gives it more center-shaping authority than any other comparable central bank globally. But the BCB is a monetary and financial stability authority, not a body for financial center development, and it does not engage in international narrative-building, standard-setting advocacy, or competitive positioning work that characterizes the leading AI-in-finance centers.

This gap is consequential for the IFC performance framework. São Paulo scores very high on domestic impact, increasingly well on international contribution through Nubank's expansion, and reasonably well on innovation capacity. It scores poorly on the reputation and narrative dimension — very few financial center practitioners outside Latin America would identify São Paulo as a global leader in AI in financial services, despite the underlying evidence suggesting it should be. The communication gap identified in the

working paper as a diagnostic pattern — strong substance, weak narrative — is almost nowhere more pronounced than in Brazil's case.

4. Best Practices of Financial Centers in Developing AI Ecosystems

Analysis across the surveyed centers reveals five practice clusters that distinguish leaders from followers.

4.1. Regulatory Architecture as Competitive Infrastructure

The most consequential differentiator is not the availability of AI tools but the design of the regulatory environment in which they can be deployed. Leading centers have moved from general FinTech sandboxes to AI-specific governance frameworks. Singapore's risk-based approach, encoded in the FEAT principles and operationalized in the Veritas framework, provides a standards-based foundation for financial institutions to demonstrate compliance rather than seeking individual regulatory clearances. The FCA's AI Lab provides a structured pathway from early proof of concept to live testing and full deployment. Jersey's multi-stakeholder AI Council and AI Playbook represent a coordinated governance model suited to smaller financial centers.

Best practice: Develop AI-specific regulatory structures that address not only the tools themselves but also the actors (human operators, AI agents, third-party providers), data flows, and accountability structures. Frame regulation as competitive infrastructure, not compliance burden.

4.2. Full-Stack AI Infrastructure

Centers with the most developed AI ecosystems offer multiple layers of infrastructure simultaneously: compute access (supercomputers, AI factories, cloud partnerships), testing environments (sandboxes, innovation hubs), data-sharing frameworks (open banking APIs, data trusts), physical clustering (AI campuses), and talent pipelines (university programs, professional certification, immigration pathways). No single layer is sufficient alone.

Best practice: Map infrastructure gaps across all five layers and address them sequentially or in parallel, depending on existing strengths. Centers that offer only sandboxes without compute access, or compute without data-sharing frameworks, will see innovation remain at the prototype stage.

4.3. Talent Strategy Integrated with AI

All financial centers surveyed in the WAIFC AI Report identified an acute shortage of professionals combining financial domain knowledge with technical AI competence. Responses fall into three categories: build (university programs, bootcamps, professional certification), buy (immigration fast-track schemes for AI specialists), and borrow (platform-based AI solutions that reduce the need for in-house AI engineers). The most effective centers combine all three.

Best practice: AI talent strategy must be integrated into the broader financial center talent framework, not treated as a separate technology initiative. The immigration and talent mobility regime is particularly consequential for AI talent, given the global scarcity of specialists.

4.4. Public-Private Collaboration Architecture

The centers making the fastest progress operate dense networks connecting regulators, financial institutions, FinTechs, universities, and technology providers. Jersey's AI Council and Singapore's AI Trailblazers Initiative demonstrate structured collaboration mechanisms that move faster than either public or private actors could on their own.

Best practice: Establish a standing, multi-stakeholder AI council or working group with a clear mandate, a dedicated secretariat, and a reporting line to senior leadership. Align the financial center's AI strategy explicitly with the national AI strategy to secure broader government support and avoid regulatory fragmentation.

4.5. International Positioning and Narrative

Leading centers invest heavily in international visibility as AI leaders. Paris hosts the AI Action Summit and the RAISE Summit. Singapore AI Week encompasses more than 100 events. Dubai AI Week attracted 10,000 delegates from over 100 countries in its inaugural edition. These events serve dual purposes: attracting companies and talent, and establishing narrative leadership in the global AI governance conversation.

Best practice: Develop a clear, differentiated AI narrative for the financial center — not a generic claim to be an AI hub, but a specific value proposition that maps to genuine comparative advantages and is communicated consistently across all stakeholder channels.

5. AI in the IFC Performance Framework

The IFC performance framework defines seven components: four enabling conditions clusters, four functional dimensions, and three complementary factors (innovation capacity, reputation and trust, resilience). The first instinct to locate AI primarily under innovation capacity is understandable but analytically incomplete. A well-developed AI ecosystem touches every element of the framework.

5.1. Enabling Conditions

Institutional Framework

AI governance is becoming a dimension of regulatory quality. A financial center's rule of law and judicial effectiveness increasingly encompass whether its legal system can adjudicate AI-related disputes, enforce AI agent liability, and provide predictable outcomes in matters concerning autonomous systems. Centers without a clear AI governance framework will face growing uncertainty among international counterparties, which is a drag on institutional trustworthiness.

Infrastructure and Connectivity

AI is computationally intensive. Data center capacity, GPU access, latency to major model providers, and high-performance computing availability are becoming as important as physical transport connectivity for AI-intensive financial services. Data governance frameworks — data localization rules, cross-border data flow regimes, digital identity infrastructure — directly shape what AI applications are legally deployable in a given center. Centers with restrictive data localization requirements face structural disadvantages in developing AI ecosystems.

Talent Environment

The AI talent shortage identified in every surveyed center is primarily a constraint on the talent ecosystem rather than an issue of innovation capacity. The AI talent dimension is sufficiently distinct from general financial talent to warrant separate measurement and dedicated policy interventions, including targeted immigration pathways and specialized educational infrastructure.

5.2. Functional Dimensions

Domestic Impact

AI is reshaping the delivery of domestic financial services across all sub-sectors. In compliance, generative AI is reducing costs and improving the accuracy of KYC/AML processes. In insurance, AI-based claims processing is reducing operating costs and improving customer responsiveness. In lending, AI credit-scoring models are expanding financial access to previously underserved segments. A financial center whose domestic institutions lag in AI adoption will see its competitiveness in domestic financial services delivery decline, which forms the foundational layer on which international functions are built.

International Contribution

AI is generating new categories of financial services with cross-border reach. AI-powered wealth management platforms, robo-advisory services with global client bases, and AI-based risk modeling services exported by financial institutions constitute an international contribution. Singapore explicitly tracks the number of institutions that use it as their global AI competency center — a direct measure of its international contribution through AI-enabled services.

International Connectivity

The correspondent banking trajectory is increasingly influenced by AI-driven risk assessments. Centers with poor AI governance frameworks risk being flagged as higher-risk counterparties by AI-assisted de-risking models. Conversely, centers with recognized, internationally aligned AI governance frameworks benefit from a connectivity premium.

Attractiveness

AI ecosystem quality is becoming a determinant of attractiveness, alongside the regulatory environment, taxes, talent, and quality of life. The presence of global AI research laboratories, as in London (Google DeepMind, Alan Turing Institute), Zurich (OpenAI, Anthropic, Google, IBM, Microsoft), Paris (OpenAI, Google DeepMind, Mistral AI), or Toronto (Vector Institute), is a powerful attractiveness signal for financial institutions seeking proximity to frontier AI capabilities.

5.3. Complementary Factors

Innovation Capacity

AI is the primary driver of financial innovation today, operating across all four sub-dimensions of innovation capacity: knowledge generation, entrepreneurial ecosystem, regulatory innovation, and adoption and diffusion. The diagnostic patterns identified in the working paper are directly applicable: a center with many AI startups but few that scale, or one with strong regulatory frameworks that the market has not yet responded to, faces different strategic challenges that require different interventions.

Reputation and Trust

AI introduces new reputation risks for financial centers. High-profile AI-related failures — algorithmic bias in credit decisions, AI-enabled fraud, model risk events — will damage institutional trustworthiness. Centers that establish recognized governance frameworks and demonstrate effective enforcement of AI accountability will accumulate reputational capital. AI governance credibility is becoming a component of the broader institutional trustworthiness that underpins financial center reputation.

Resilience

AI introduces new resilience risks that require explicit measurement. The FSB identifies three primary vulnerabilities: third-party concentration (over-reliance on a small number of AI models and cloud providers), market correlation (synchronized AI-driven decision-making that amplifies shocks), and cyber risks (AI-enabled attacks, model poisoning, and prompt injection). (FSB, 2025)

A financial center's resilience profile must now incorporate these AI-specific dimensions alongside conventional metrics for diversification, agility, and institutional depth.

6. Measuring AI Ecosystem Performance in a Financial Center

Building on the IFC performance framework's diagnostic dashboard approach, the following indicator framework is proposed for measuring a financial center's AI ecosystem. The indicators are organized by the four innovation capacity sub-dimensions, with explicit links to the other framework dimensions where AI generates cross-dimensional effects. The purpose is diagnostic, not ranking.

Sub-dimension	Indicators	Cross-dimensional impact
Knowledge generation	Financial AI research publications and citation impact; FinTech/AI patent registrations; presence of AI research centers with financial applications; AI-specialized academic programs (MSc, PhD)	Attractiveness (proximity to research); talent environment (specialized human capital production)
Entrepreneurial ecosystem	AI FinTech startup formation rate; AI unicorn count and valuation; VC and growth equity investment in AI-enabled financial services; corporate AI R&D expenditure; AI innovation laboratory activity	International contribution (AI-enabled services exports); domestic impact (AI adoption in incumbents); innovation capacity
Regulatory innovation	AI-specific licensing regimes; regulatory sandbox utilization (AI-specific); time from regulatory need identification to framework implementation; participation in FSB/IOSCO AI standard-setting; international adoption of the center's AI regulatory models	Reputation and trust (international standards compliance); international connectivity (regulatory equivalence); innovation capacity
Adoption and diffusion	Share of financial institutions using AI tools; penetration of AI in compliance, credit, and customer service; domestic AI adoption rate vs. peer centers; export of AI governance software/frameworks; AI regulatory model adoption by other jurisdictions	Domestic impact; resilience (correlated risk from uniform AI adoption)
Infrastructure (enabling)	Available GPU/HPC compute capacity; AI data center quality and redundancy; data governance framework compatibility with cross-border AI flows; AI-specific data-sharing infrastructure	Infrastructure enabling conditions; international connectivity

Sub-dimension	Indicators	Cross-dimensional impact
Talent (enabling)	AI specialists per 1,000 financial sector employees; AI-specific immigration fast-track availability; financial AI graduate programs; AI skills certification uptake	Talent environment enabling conditions; attractiveness; innovation capacity
Governance and resilience	AI governance framework coverage (tools, agents, third parties); third-party AI provider concentration index; AI incident reporting framework alignment (FSB FIRE); AI-specific crisis response protocols	Resilience; institutional framework; reputation and trust

In the diagnostic dashboard, these indicators should be presented alongside the center's development-stage typology. A Stage 1 National Service Center should focus on foundational indicators. A Stage 3 International Specialist will find the adoption, diffusion, and governance indicators to be the most diagnostic. A Stage 4 Global Hub will need the full set, with particular attention regarding resilience indicators, as systemic significance creates systemic responsibilities.

7. The AI Agenda: Strategic Choices

Defining an AI strategy for a financial center involves a series of genuine strategic choices, each with arguments on both sides and consequences that extend across the IFC performance framework.

This section examines four such choices: whether to pursue AI-native positioning or a more integrated approach; how to balance AI investment against other forward-looking technologies; how to position on the control-versus-dependency spectrum for AI infrastructure and models; and what regulatory posture to adopt. Each choice involves real trade-offs, and the right answer varies by development stage, existing strengths, and risk appetite.

At the financial center, various actors are involved in those choices. The first is about strategy and marketing – this decision is usually made by the entity (or entities) responsible for the financial center's strategy and promotion. The second one is again about strategy.
The third one, about AI infrastructure and models, is first and foremost decided by each financial institution individually. However, financial centers regularly influence this decision by setting standards, choosing global partners, offering or subsidizing infrastructure, or even by direct regulatory interventions. Therefore, we have included this question in our list.

7.1. AI-Native or AI-Positioned?

DIFC's declaration of April 2026 — the world's first AI-native financial center — introduces a new category of competitive positioning. Rather than treating AI as a tool deployed within existing structures, DIFC proposes to embed AI at the foundational level of its legal regime, regulatory systems, physical infrastructure, and business operations.

For other financial centers, the question is whether to follow this bold move or avoid the associated risks by adopting a more cautious approach to AI.

The case for AI-native positioning

DIFC's strongest argument rests on a structural advantage that established centers cannot easily replicate: freedom from legacy architecture. London cannot rewrite its regulatory foundations for AI without dismantling decades-old frameworks. DIFC can, because it has fewer decades of accumulated precedent to work around. Writing AI governance into the foundations, rather than retrofitting it later, is faster, cheaper, and yields more coherent regulation. The speed-to-implementation advantage is genuine.

There is also a narrative logic that is partly independent of whether AI itself delivers on every dimension. If AI-native becomes the benchmark against which financial centers are evaluated, DIFC has shaped the competitive conversation in its favor regardless of the outcome. Singapore achieved something similar with responsible AI governance through Veritas: it did not achieve perfect AI governance, but it became the international reference point for what that conversation looks like. First-mover advantage in framing matters in financial center competition.

The projected economic impact — USD 3.5 billion in value and 25,000 jobs — is relatively modest against DIFC's existing footprint. This is not a bet-the-center strategy; it is adding an AI layer to an already substantial ecosystem, framed ambitiously for positioning purposes.

The case for a more measured, positioned approach

The concerns about AI-native positioning are substantial and deserve equal weight. AI has a history of disappointment: previous cycles of enthusiasm have ended in winters where the technology failed to deliver on its promise, and investment dried up. The current cycle is qualitatively different in scale and breadth, but that does not make it immune to disruption — regulatory backlash in major markets, a high-profile model failure with systemic consequences, or a successor architecture that makes current large language model infrastructure obsolete are all plausible scenarios. A financial center that has embedded AI into its foundational legal and regulatory architecture faces a costly unwinding if any of these scenarios materialize. Centers that treated AI as a layer on top of existing structures retain more optionality.

From a resilience perspective, the IFC performance framework's diversification dimension directly applies. Revenue model diversification — the reasons for a center's attractiveness being multiple and independent — matters as much as activity diversification. A center whose attractiveness proposition is predominantly AI-native risks exactly the single-pillar vulnerability that the framework identifies as structurally fragile. DIFC's existing depth in Islamic finance, regional capital market infrastructure, and trade finance is real; the AI-Native framing may obscure these foundations in stakeholders' minds rather than build on them.

The talent dimension is perhaps the sharpest challenge. Senior financial professionals — private bankers, structured finance specialists, fund managers, trade lawyers — whose value lies in relationship management, market judgment, client trust, and institutional knowledge are not made redundant by AI; they are augmented by it. These professionals remain decisive in wholesale banking, private wealth, and complex structured transactions. If a center's culture and external communications signal that these professionals represent a legacy to be replaced rather than a foundation to be enhanced, it will lose talent it cannot afford to lose. The WAIFC AI Report consensus — that role transformation is more likely than job displacement — depends entirely on retaining experienced professionals long enough to reskill and integrate, not on announcing their obsolescence. An AI-native framing risks sending exactly the wrong signal to exactly the wrong audience.

The more defensible formulation

The strategic formulation that preserves DIFC's genuine advantages while addressing these concerns is to treat AI as the integration layer for all financial services, not as a replacement for any of them. This positions AI governance and infrastructure as a productivity and connectivity multiplier for the full range of activities — Islamic finance, regional capital markets, trade finance, private wealth — rather than as a new identity that supersedes existing ones. It resolves the talent problem: senior professionals with decades of market expertise are essential inputs to the AI-enabled financial system, not residues of the pre-AI era. Their judgment, networks, and domain knowledge are precisely what make AI tools valuable in financial services rather than in generic applications.

For other financial centers, the practical recommendation is to be explicit about diversification even while pursuing AI ambitions: a center that communicates clearly that AI enhances rather than replaces its existing capabilities is more credible to incoming firms, more attractive to experienced professionals, and more resilient to AI-specific risks than one that frames AI as a totalizing transformation.

7.2. AI vs. the Broader Technology Agenda

The second strategic choice concerns the scope of a financial center's technology agenda. The principal competing question is whether to concentrate resources and positioning on AI or to maintain a portfolio encompassing blockchain/DLT, digital assets, stablecoins, tokenized deposits, central bank digital currencies (CBDCs), quantum computing, and open finance infrastructure.

Developing a leading AI ecosystem can be costly. Full-Stack AI infrastructure investments can easily go into billions of USD. Attracting and retaining world-class talent further increases those costs. This leaves less room for spending on other technologies. On the other hand, diversification is crucial.

The case for AI focus

The scale of AI investment and adoption is unprecedented. Financial services AI investment reached USD 35 billion in 2023 and is projected to reach USD 97 billion by 2027. The McKinsey Global Institute estimates AI could unlock USD 1 trillion of incremental value for banks annually. (Biswas, Carson, Chung, Singh, & Thomas, 2020)

AI is pervasive — it enhances compliance, risk modeling, customer service, fraud detection, and operational efficiency simultaneously — whereas most other technologies address narrower use cases. A center that establishes early credibility in AI governance and ecosystem development captures a compounding advantage: talent follows innovation, innovation follows talent, and both follow regulatory clarity.

The case for technology diversification

The IFC performance framework's resilience dimension directly supports diversification. A financial center whose technology strategy rests on a single competitive advantage, including AI, is exposed to policy convergence risk, third-party concentration risk, and technology shift risk. Revenue model diversification is explicitly identified in the working paper as a resilience dimension.

The technology landscape also rewards sequencing over simultaneity. DLT and digital asset infrastructure create the data and transaction rails on which AI models will operate. Open finance frameworks generate the structured data that AI requires for meaningful analysis. Quantum computing will eventually require upgrades to cryptographic infrastructure that affect all digital financial systems. A center that ignores these adjacent technologies in favor of an AI-only focus may find its AI ecosystem built on foundations that are technically or legally obsolete within a decade.

A recommended framework: AI as an integration layer

The strategically coherent position is treating AI as the integration layer that multiplies the value of other technology investments. Tokenized assets require AI for pricing, risk management, and compliance monitoring. CBDCs require AI for fraud detection and monetary policy analysis. Quantum computing requires AI for cryptographic optimization. Open finance data requires AI for meaningful analysis. DLT smart contracts can be generated, audited, and monitored by AI tools.

This framing has practical implications. Rather than choosing between AI and digital assets, the question becomes: how does our AI ecosystem enable our digital asset ecosystem to generate more value, and vice versa? For financial centers at different stages of development, the emphasis differs. A Stage 1 center should establish AI governance foundations that are forward-compatible with digital assets and open

finance. A Stage 2 Regional Gateway should use AI to enhance its cross-border function. A Stage 3 International Specialist should deepen AI capabilities within their specialist domain while ensuring that expertise translates into influence in international standard-setting. A Stage 4 Global Hub must maintain leadership across all technology domains simultaneously.

The risk of technology fragmentation

The worst strategic outcome is technology fragmentation: a separate AI strategy, a separate DLT strategy, a separate quantum strategy, each with its own governance body and budget, but no coherent integration. This produces organizational complexity without ecosystem depth, dissipates stakeholder attention, and sends confused signals to incoming firms. Singapore's avoidance of this trap (its AI, quantum, and open finance initiatives are explicitly integrated within the broader Smart Nation framework) is a model worth studying.

7.3. Control vs. Dependency: Infrastructure Ownership and Stack Sovereignty

First and foremost, financial institutions and other actors in the financial center ecosystem decide on their AI sourcing strategies individually. However, financial centers often influence this decision by setting standards, choosing global partners, offering or subsidizing infrastructure, or even by direct regulatory interventions. Therefore, we need to examine AI sourcing strategies.

Two questions that are often treated separately — whether to build or buy AI infrastructure, and whether to develop sovereign or open AI capabilities — are in practice dimensions of a single strategic choice: how much control does a financial center want over its AI capabilities, and at what cost? Framing them jointly produces a cleaner analytical structure and more actionable guidance.

The two dimensions of the choice are infrastructure ownership (whether compute, data centers, and model training capacity are domestically controlled or sourced from global vendors) and stack sovereignty (whether the AI models, algorithms, data governance, and deployment frameworks are domestically developed and controlled, or whether globally developed models and platforms are used, regardless of where the infrastructure sits). These dimensions are related but distinct: a center can own a data center while running OpenAI on it, or rely on foreign cloud infrastructure while deploying domestically developed models. The combination of the two dimensions produces a 2x2 matrix of strategic positions.

Table 1: AI Control vs. Dependency — Strategic Position Matrix

	LOW STACK SOVEREIGNTY (Global models/platforms)	HIGH STACK SOVEREIGNTY (Domestic/sovereign models)
HIGH INFRA-STRUCTURE OWNERSHIP (Domestic compute)	**Quadrant B: Controlled Infrastructure, Open Stack** Own the hardware, run global models on it. Infrastructure control without model sovereignty. Advantages: infrastructure resilience, data residency compliance. Risk: still dependent on model providers for core AI capability.	**Quadrant A: Full Sovereignty** Own the compute and develop or mandate domestic models—maximum strategic independence. Advantage: full independence from foreign providers. Risks: the highest cost, the largest capability gap relative to frontier global models, and requires sustained political commitment.
LOW INFRA-STRUCTURE OWNERSHIP (Vendor/cloud compute)	**Quadrant D: Full Dependency** Source both compute and models from global hyperscalers. The default position of most financial centers and their financial institutions today. Advantages: immediate access to frontier capability, lowest upfront cost, fastest deployment. Risks: maximum geopolitical and commercial dependency; most exposed to export controls, provider pricing, and service withdrawal.	**Quadrant C: Sovereign Stack, Vendor Infrastructure** Develop or mandate domestic AI models, but run them on vendor cloud or shared regional infrastructure. Pursuing sovereignty without infrastructure investment. Advantages: model sovereignty, language/legal optimization, lower cost than full sovereignty. Risks: infrastructure dependency remains; shared infrastructure governance adds complexity.

Quadrant A: Full Sovereignty — High Ownership, High Sovereignty

This position offers maximum strategic independence from foreign providers. The UAE's combination of G42/Stargate infrastructure with the TII-developed Falcon model is the closest current example; France's ambition to pair domestic AI factories with Mistral AI is another.

The advantages are genuine: full control over data residency, protection against export controls and geopolitical disruption, and a domestically circulating AI value chain. The risks are equally real: the capability gap between sovereign models and frontier global models (e.g., OpenAI GPT, Anthropic Claude, Google Gemini) is currently large and expensive to close; sustained political commitment and public investment are required; and centers that over-invest in sovereign AI infrastructure relative to their market size may find the return insufficient to justify the cost.

This quadrant is realistically available only to financial centers embedded in large economies with existing technology sectors and credible AI research institutions.

Quadrant B: Controlled Infrastructure, Open Stack — High Ownership, Low Sovereignty

This position buys infrastructure resilience without model sovereignty. Luxembourg's MeluXina supercomputer, built with EU backing and available to financial institutions and startups, exemplifies the approach: EU-governed compute that runs globally developed models. The FCA's Supercharged Sandbox,

which uses NVIDIA compute infrastructure and does not require domestic model deployment, is a regulatory variant of the same position.

The advantage is data residency compliance and infrastructure continuity without sacrificing the capabilities of full sovereignty. The risk is that the core intelligence — the model weights — remains under foreign control, so provider decisions still affect the center's AI ecosystem.

This quadrant suits centers with the capacity for infrastructure investment and strong data governance requirements, particularly in the EU, where GDPR and DORA create genuine incentives for domestic data processing.

Quadrant C: Sovereign Stack, Vendor Infrastructure — Low Ownership, High Sovereignty

This is the most common position among mid-sized financial centers pursuing sovereignty at manageable cost. Domestically developed or mandated AI models run on vendor cloud or shared regional infrastructure, capturing the benefits of local language, legal, and regulatory optimization without the capital investment of domestic data centers.

South Korea's finance-specific generative AI sandbox, in which 10 designated services run on a combination of commercial and government infrastructure using Korean-language models, illustrates the approach. Poland's Bielik and PLLuM models, trained on Polish financial and legal data and deployed on EU cloud infrastructure, are another example.

The advantage is model sovereignty at an infrastructure cost that is manageable for most financial centers. The risk is that shared EU or regional infrastructure governance adds complexity, and vendor dependency at the infrastructure layer remains.

Quadrant D: Full Dependency — Low Ownership, Low Sovereignty

This is the default position of most financial centers and their financial institutions today: sourcing both compute and models from global hyperscalers (e.g., Amazon Web Services, Microsoft Azure, Google Cloud, Alibaba Cloud, Huawei Cloud) running globally developed AI models.

The advantages are immediate access to frontier capability, the lowest upfront cost, and the fastest deployment. Most of the AI adoption documented in the WAIFC AI Report — KYC/AML automation, fraud detection, compliance monitoring, customer service chatbots — is occurring in this quadrant. The risk is maximum geopolitical and commercial dependency: provider pricing changes, export control measures (the January 2025 US AI export control measures restricting chip exports to certain jurisdictions being a recent example), service withdrawal, or foreign surveillance access to financial data are all unmitigated risks. The FSB's systemic concern about third-party concentration applies most acutely here: a financial system in which all institutions across all centers run the same models from the same providers faces correlated failure risk that no individual resilience measure can address. (FSB, 2025)

The recommended trajectory

For most financial centers, the optimal position is not a fixed quadrant but a deliberate trajectory: begin in Quadrant D for general-purpose AI tools and productivity applications, where frontier model access is the priority; build toward Quadrant C for the domains where sovereignty matters most (regulatory compliance tooling, systemic risk monitoring, language-specific financial services, crisis response infrastructure); and consider Quadrant B investments where EU or national infrastructure programs make domestic compute economically viable. Quadrant A is the right ambition only for centers embedded in

large economies with existing technology sectors, credible AI research institutions, and sustained political commitment.

The domains where sovereignty genuinely matters — and where the cost of dependency is highest — are narrow but important: the AI models that regulators use to supervise financial institutions cannot be hosted by the institutions they supervise; the models used for national systemic risk monitoring cannot depend on the goodwill of foreign platform providers; and the compliance tooling that interprets a center's own legal and regulatory framework is best developed domestically, where the legal context is embedded in the training data rather than approximated from global training sets.

The practical governance implication is that financial centers should map their current AI deployments against this matrix, identify where they sit in each functional domain, and make deliberate choices about where to move — rather than drifting into full dependency by default or over-investing in sovereignty for applications where the benefits do not justify the cost.

7.4. Regulatory Posture: First-Mover or Fast-Follower?

A fourth strategic choice concerns when and how aggressively to establish AI regulatory frameworks. The spectrum runs from first-mover — establishing comprehensive frameworks before the market is fully developed, accepting the risk of getting it wrong — to fast-follower — learning from others' regulatory experiences before committing, but ceding the standard-setting advantage.

The first-mover argument

First-mover regulatory positioning offers the opportunity to export frameworks to other jurisdictions, establish the center as the international reference point for AI governance, and attract firms seeking regulatory clarity rather than uncertainty. Singapore's Veritas Framework achieved exactly this: by publishing a detailed, principled AI governance framework early, MAS became the benchmark that other centers referenced in developing their own approaches. The international standard-setting influence dimension of the IFC performance framework captures this effect directly. Centers that export regulatory models exercise soft power that reinforces attractiveness and connectivity.

First-mover positioning also reduces regulatory uncertainty for firms operating in the center, which directly enhances their attractiveness. Firms choosing where to base AI-related financial services operations prefer jurisdictions with clear rules over those with regulatory ambiguity, even if the clear rules are somewhat restrictive. The FCA's AI Lab, by providing a structured pathway from experimentation to deployment, reduces the uncertainty premium that would otherwise deter early-stage AI innovation.

The fast-follower argument

The working paper on IFC performance explicitly notes that it is not always advisable to be the regulatory pioneer: following others and adjusting for what worked and what went wrong that others had to pay for can be a more efficient strategy. The EU AI Act, the world's most comprehensive AI regulatory framework, is already generating lessons — about the compliance burden of ex ante risk classification, the difficulties of applying rules to rapidly evolving technology, and the tension between precautionary governance and innovation enablement — that fast-followers can incorporate at lower cost. Centers that wait for the EU, US, and UK approaches to mature before committing to detailed frameworks avoid the regulatory investment required by pioneers while benefiting from accumulated learning.

The fast-follower approach also preserves flexibility. AI capabilities are evolving faster than regulatory frameworks. Principles-based frameworks that avoid prescriptive technical requirements are more durable than detailed rules that may be obsolete within years. The UK's decision to rely on existing consumer and data protection regulation rather than developing AI-specific legislation reflects a conscious fast-follower judgment: wait until the technology and its risks are better understood before committing to structural regulation.

The recommended position: principled early, prescriptive later

The optimal regulatory posture for most financial centers is to establish principles-based AI governance frameworks early — covering accountability, transparency, fairness, and human oversight — while deferring prescriptive technical rules until the market has matured and international standards have converged. This allows first-mover positioning on governance culture and regulatory philosophy without the cost of getting detailed technical rules wrong. Regulatory sandboxes and innovation hubs serve as learning mechanisms that generate the evidence base for eventual prescriptive frameworks, rather than as permanent substitutes for them. International standard-setting participation — in FSB, IOSCO, and FATF processes — should be pursued aggressively regardless of domestic posture, as it provides influence over the rules that will eventually apply to the center's institutions, whether it leads or follows domestically.

8. Conclusions

Drawing directly on the evidence and arguments presented in the precedent analysis, five principal conclusions can be identified for financial center leadership and for advancing the development of the performance measurement framework.

Conclusion 1: AI impacts the entire IFC performance framework, not only innovation capacity.

AI governance quality is becoming a dimension of regulatory quality. AI infrastructure is joining digital infrastructure as a core enabler of connectivity. AI talent strategy requires distinct policy instruments within the talent environment framework. Domestically, AI is reshaping the cost and quality of financial service delivery. Internationally, AI-enabled services are a new category of financial center output. In attractiveness, AI ecosystem quality is a competitive differentiator. In the realm of reputation, AI governance credibility is a new dimension of institutional trustworthiness. In the context of resilience, AI-specific risks require explicit measurement.

Conclusion 2: A dedicated AI ecosystem measurement framework is needed and should be integrated into the IFC diagnostic dashboard.

The seven-dimensional indicator table in Section 5 provides a starting point. The FSB's work on AI monitoring indicators for financial authorities provides a complementary dataset that could be adapted for use in financial centers.

Conclusion 3: AI-native is a legitimate but high-risk strategic posture; an AI-positioned approach better serves most financial centers.

DIFC's AI-Native declaration is coherent given its structural advantages — freedom from legacy architecture, speed-to-implementation, and the need for a differentiating narrative. For most financial centers, however, a more measured AI-positioned approach is more defensible: treating AI as the integration layer that enhances existing capabilities rather than redefining the center's identity around a single technology. This approach is more resilient to AI-specific risks, better at retaining experienced financial professionals, and more credible to the full range of stakeholders a financial center must serve.

Conclusion 4: The control-versus-dependency choice requires deliberate positioning across a 2x2 matrix, not a single answer.

The infrastructure ownership and stack sovereignty dimensions are related but distinct, and the optimal position varies by functional domain. Full dependency (Quadrant D) is appropriate for general-purpose productivity tools; sovereign stack on vendor infrastructure (Quadrant C) suits compliance tooling and language-specific applications; controlled infrastructure (Quadrant B) suits centers with EU data residency requirements and infrastructure investment capacity; full sovereignty (Quadrant A) is appropriate only for large economies with existing AI research sectors and sustained political commitment. Financial centers should map their deployments against the matrix and move deliberately rather than drifting into dependency by default. Furthermore, they need to convince players in the financial center ecosystem, e.g., financial institutions, to follow their lead, through nudging or targeted regulatory interventions.

Conclusion 5: AI should be positioned as the integration layer across a diversified technology agenda, not as a standalone priority.

Financial centers that treat AI as just one FinTech topic among many will underinvest in it. Financial centers that sacrifice all other technology priorities in favor of AI will build on fragile foundations. The correct framing is AI as the productivity and integration layer that multiplies the value of investments in digital assets, open finance, and quantum infrastructure. This framing provides strategic coherence, communicates a more sophisticated value proposition to incoming firms, and is more resilient to individual technology risks.

These conclusions collectively underscore the imperative for financial center leadership to evolve both strategy and performance measurement practices in response to AI's transformative impact.

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