

Journal

The Capco Institute Journal of Financial Transformation

A new world order

Strategic pivots

AI and institutional intelligence in the new global order: re-architecting judgement in financial services

Mauro Confalone | Amit Kumal Goyal

Journal

Recipient of the Apex Award for Publication Excellence

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2026, Edition 62

Journal

Welcome to the 62nd edition of the Capco Journal of Financial Transformation, the second to be published in partnership with King's College London, a world-renowned leader in education and research.

This year marks the Journal's 25th anniversary and the beginning of **Capco30**, our strategic vision as we build towards Capco's landmark 30th anniversary.

At the heart of Capco30 is The Expert Advantage: our commitment to be the trusted partner clients turn to when the stakes are highest. We are proud to have built an exceptional business by obsessing about our deep expertise, our strong client relationships, our innovative culture and our reputation for impact.

The Journal has embodied that ambition since its launch in 2001. Over the past quarter century, it has brought together leading academics and industry practitioners – including Nobel laureates, international regulators and board members of major institutions – to examine the forces shaping financial services and the wider global economy. We are equally proud to see Capco experts sharing their perspectives alongside such distinguished contributors.

As Professor Crawford Spence, our editor from King's College, observes in his introduction, this edition might aptly have been titled 'how to survive and thrive in turbulent times'.

After decades of globalization, firms are both refocusing on local market shifts and new forms of cross-border collaboration. Technology is driving integration as trade barriers rise; financial innovation is accelerating amid monetary realignment and volatile geopolitics; and the green transition is redrawing both energy markets and fiscal priorities.

Edition 62 focuses on the **new world order** emerging from these shifts – and how leaders across financial services and energy are rethinking established assumptions, navigating new risks and identifying opportunities for growth.

The coming decade could bring one of the most consequential reconfigurations of global business and economic systems in generations.

This environment reinforces the importance of expertise, judgement and the ability to turn insight into action. At Capco, we help clients connect vision models and strengthening resilience to reimagining customer experiences and the future of work.

We bring together industry depth, technology and data capabilities, and disciplined execution to help clients navigate the moments that matter most with confidence.

The Journal is one expression of that Expert Advantage: convening leading perspectives, challenging established thinking and helping shape the agendas that will define the future of our industries.

I hope you will find the articles in this edition both thought-provoking and valuable for informing your organization's future vision and strategic decisions.

My sincere thanks and appreciation to our contributors, readers and clients.



Anne-Marie Rowland

Annie Rowland, Capco CEO

2026, Edition 62

Editor's note



**KING'S
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We could equally have labelled this volume of the Journal of Financial Transformation 'how to survive and thrive in turbulent times', given that each of the articles effectively attempts to tackle this issue in their own unique way. Times are indeed turbulent. Recent months and years have borne witness to increased military conflict, heightened economic shocks and the emergence of new political forces.

These disruptions are often captured in popular discourse by reference to, variously, the decline of the rules based international order, the rise of authoritarianism and the re-emergence of nationalism and protectionism as challenges to globalization. While putting clear conceptual parameters around what is a very unsettled geopolitical period is difficult, there is at the very least little doubt that the world is changing and that a new order is emerging. To paraphrase an old political aphorism: the old is dying and the new is struggling to be born.

This geopolitical reshuffling is the backdrop to the current issue of the Journal. Contributors were asked to think about how financial services and energy might respond to, and indeed themselves help reshape, the new global order that is emerging. What they have presented here can be grouped into four conceptual clusters, each of which makes up a distinct sub-theme in this issue of the journal: colliding worlds; monetary risks; strategic pivots; and private markets.

The first group of articles we refer to here as colliding worlds. The worlds that collide here specifically are

those of finance and energy. Each of these forces us to zoom out from financial transactions and investments and think about the wider environmental and material basis for these. For example, Ragland's fascinating look at the arms race for computing power shows how the rapid expansion of data centers is at odds with the way in which existing energy infrastructure is built. Those who will be successful in rolling out advanced computing power are those who will be able to finance and build out alternative energy infrastructure at the same time.

This has strong parallels with Xu and Preda's article looking at the infrastructure of bitcoin mining, which demonstrates in some detail how supposedly digital assets have heavy materiality in terms of both the physical infrastructure that supports them and the energy consumption that goes into their mining and processing. Finally, Savignon takes the energy transition head on by exploring the mechanics and possibilities of carbon credits in Brazil, a country which is characterised by a dominance of renewables in its energy mix. Showing real heterogeneity in how carbon credits are deployed in different sectors in Brazil, this article concludes by outlining how those who are able to integrate thinking around finance, data and energy will be able benefit from and contribute to the energy transition in the Brazilian market.

Monetary risks refer to the various ways in which currencies are embroiled with risk at both the national and transnational levels. As the fundamental means via which deals are transacted, it is perhaps no surprise that we find money, in its various guises, to

have so many political inflections. Cryptoassets are often heralded as some kind of safe haven ('digital gold') during times of economic and political turmoil and there are many central banks across the globe who are now pursuing digital currency projects of their own. These have significantly lagged the development of private crypto initiatives. One of the reasons for this might be the perceived financial crime risk that is associated with digital currencies in general, something which Tjeransen's article outlines in detail.

Fiat currencies are also deeply imbricated in geopolitical factors. This is the subject of Hou et al's article which draws attention to the ways in which currency risk premia are associated with trade imbalances between nations. Such factors are of increasing importance to, not only forex traders, but any organization engaging in currency hedging. Finally, nowhere is the importance of currency to geopolitics more evident than in Zayim's article looking at how central banks engage in currency swaps with other central banks. Focusing on both China and the US, Zayim shows how each has sought to build up spheres of influence with different counterparties as part of larger attempts to accrue power and minimize geopolitical risk for themselves.

Our third conceptual 'bucket' looks at how individual organizations respond to geopolitical shifts. In other words, these articles look at the various strategic pivots that organizations make in order to survive and thrive in turbulent times. These strategic pivots can take different forms depending on the geography and industry in question. For example, Schnyder shows how banks in East Central Europe can mitigate risk in response to rising anti-FDI policies in that region. In Scriven's article the author shows how software delivery needs to be reconfigured in order to overcome increasing regulatory divergence and export controls.

In times of geopolitical uncertainty, capital markets can become less efficient in allocating capital and so firms have to focus more on their internal

efficiencies, which is what Gkikopoulos and Stathopoulos illustrate in their article exploring the relationship between firms and banks; such relationships have implications for tax planning and productivity. Political turbulence also impacts hiring strategies, which Nguyen and Sila demonstrate in relation to corporate hiring practices during times of election uncertainty. Finally, Confalone makes a strong case for a strategic pivot towards developing 'enterprise intelligence' in the age of AI, a shift which has governance implications for financial services organizations.

The final sub-theme of the issue reflects an ongoing interest that we have had in private markets. The shift from public to private markets is one of the big secular shifts of modern finance, which was dealt with explicitly in issue 61. In this issue, we build on this with two further articles. One of these, by Phalippou, tackles the shift of private equity towards retail investors, outlining the potential risks in selling private equity products that were designed with institutional investors in mind to a less informed and less powerful constituency. Preda and Chen's article pursues another tack, showing how venture capital funding in Asia and elsewhere has to be cognisant of surrounding government policy imperatives if it is to be successful.

Taken together, these articles argue that financial services are not simply being buffeted by geopolitical change. They are becoming one of the arenas in which that change is negotiated. Through payment systems, liquidity backstops, energy and computing infrastructure, corporate strategy and the evolving boundary between public and private markets, we can see how geopolitical forces manifest themselves and adapt to existing institutional constraints and imperatives.



Professor Crawford Spence
King's College London

AI and institutional intelligence in the new global order:

re-architecting judgment in financial services

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Abstract

Financial services are entering a structurally fragmented era in which geopolitical tension, regulatory divergence, sanctions complexity, data localization pressures and technological realignment are reshaping the economics of decision making. The central constraint is no longer digitalization alone, but the rising cost of coherent judgment across heterogeneous regimes. This paper argues that contemporary artificial intelligence (AI) does not merely automate tasks but transforms the architecture through which institutional judgment is produced. It introduces the concept of enterprise intelligence: an organizational capability in which data, models, policies, and human oversight operate as an integrated, governed system of judgment.

The paper advances two related propositions. First, although financial institutions have long relied on distributed expertise, competitive advantage increasingly depends on how well organizations structure, connect and govern that expertise across data, models, and workflows. Second, leadership in AI-enabled financial institutions centers on stewardship of institutional judgment: overseeing the systems that shape, evidence, and adapt organizational decisions under contextual variability. Drawing on examples from financial services compliance and regulatory interpretation, the analysis outlines design principles and governance implications for financial services leaders, C-suites and boards.

1. Introduction: finance in a fragmented world

For much of the post-crisis decade, the strategic challenge in financial services (FS) could be summarized as digitalize faster: modernize legacy stacks, move to cloud, automate workflows and use data more aggressively. That agenda is still unfinished. But it is no longer the hardest problem.

The harder problem is that finance is now operating inside a 'new global order' defined less by linear global integration and more by

fragmentation and decentralization combined with global alignment on selected topics.

Fragmentation describes the weakening of shared rules and assumptions across jurisdictions whether in geopolitics, regulation, market access, sanctions enforcement, data governance or sustainability expectations. Decentralization reflects the shift from a single dominant center of coordination toward a multipolar arrangement, with multiple regulatory centers of gravity and regionally anchored financial infrastructures. At the same time, selective reintegration persists.

Initiatives such as the G20 cross-border payments program demonstrate cooperation around specific functional objectives even as broader convergence weakens.

For financial institutions, this is not abstract macroeconomics. It appears in everyday operational heterogeneity: differences in supervisory expectations, diverging sanctions regimes, variations in ESG disclosure frameworks, data residency requirements, and operational resilience standards such as the Digital Operational Resilience Act (DORA), which imposes specific system-level governance and resilience requirements not mirrored identically across jurisdictions. The same underlying transaction or client relationship may need to be evaluated differently depending on jurisdiction, booking location, data flows, or sectoral exposure.

The strategic consequence is frequently misdiagnosed. It is tempting to frame the moment as a renewed race toward digital acceleration; adopt AI sooner, automate more aggressively, modernize faster. Yet digitalization is not the bottleneck in a fragmented world. The bottleneck is coherent judgment: the ability to make decisions that remain consistent in intent, accountable in governance, and adaptive in execution when context is variable and changing.

Fragmentation increases the number of constraints per decision, the frequency of edge cases, and the speed at which assumptions expire. Getting decisions 'right' now requires not only analytical accuracy but contextual validity across regimes and defensibility after the fact. In other words, fragmentation raises the cost of correct judgment.

Competitive advantage therefore depends less on individual expertise and more on the institution's capacity to reliably know, reason, and act under contextual variability. This is the intuition behind enterprise intelligence: not artificial intelligence

as a collection of tools, but as an organizational capability for producing and governing judgment where data, models, policies, controls, and human decision makers operate as one integrated system.

2. Knowledge and expertise in financial services: from tacit expertise to institutional intelligence

Financial services have long been characterized by their reliance on expert judgment. Across risk management, compliance, trading, operations, and client-facing activities, value has historically been created not simply through the application of formal rules or models, but through the interpretation of context, the navigation of ambiguity, and the exercise of professional discretion.

Classic theories of knowledge help explain why this has been the case. Polanyi's distinction between tacit and explicit knowledge emphasizes that "we know more than we can tell," highlighting the limits of formalization in domains requiring judgment and experience [Polanyi (1966)]. Much of what matters in financial decision making, like interpreting the intent of regulation or sensing emerging risks, has traditionally fallen into this tacit category. Expertise has, therefore, been embedded in individuals, socialized through apprenticeship, and reinforced through communities of practice rather than encoded exhaustively in systems.

Nonaka's knowledge creation framework and subsequent work on communities of practice highlight that organizational knowledge emerges through interaction rather than documentation alone [Nonaka and Takeuchi (1995)]. In financial institutions, escalation committees, peer review processes, and informal networks have functioned as vehicles for collective sense-making.

Table 1: The evolving locus of knowledge and judgment in financial institutions

	Tacit expertise	Documented knowledge	Executable institutional intelligence
Locus of knowledge	Individuals	Documents and committees	Organizations
Mode of knowing	Experience, intuition, judgment	Codified rules and referential guidance	Contextual, system-mediated judgment
Limiting factors	Scale, turnover, fragmentation	Interpretation, inconsistency	Accountability, trust and drift

Digitalization improved access to information but did not fundamentally alter how judgment was produced. Policies proliferated; governance frameworks expanded; documentation improved. Yet responsibility for interpretation and application remained human. Knowledge was referential, not executable.

Under fragmentation, this model becomes strained. The same decision increasingly demands different answers depending on jurisdiction, sanctions exposure, sustainability taxonomy, or data constraints. Expertise does not scale easily across contexts, nor does it preserve institutional memory as environments shift. Bounded rationality, Herbert Simon's (1957) insight that humans cope with complexity by simplifying, becomes a limiting constraint when contextual variability accelerates.

The traditional model of expertise, deeply human, context-sensitive, but locally bounded, struggles to absorb the pace and heterogeneity of change now confronting financial institutions. Table 1 summarizes how knowledge and judgment have historically been organized in financial institutions, and the distinct pressures that have emerged as scale, fragmentation, and regulatory complexity have increased.

The emergence of executable institutional intelligence does not eliminate tacit expertise or documented knowledge; rather, it repositions them within an organizational capability designed to scale judgment consistently and accountably across fragmented contexts.

The shift required is, therefore, not from tacit to explicit knowledge alone, but from documented knowledge to institutional intelligence: the ability to retrieve, contextualize, and apply knowledge within decision workflows in a manner that is consistent, auditable, and adaptable. The shift is further intensified by geopolitical fragmentation and regulatory divergence, which multiply interpretive variance across jurisdictions and supervisory regimes. Under such conditions, organizational judgment cannot rely on stable precedent or uniform regulatory baselines. The problem becomes not simply how to access expertise, but how to coordinate and evidence context-sensitive interpretation at scale.

This does not dissolve the role of human expertise; rather, it repositions expertise from being the primary site of decision making to becoming a source of training, validation, and stewardship for organizational judgment.

3. From technical modernization to institutional cognition: AI and the architecture of judgment

Previous technology waves transformed infrastructure and processes. Automation industrialized repetitive work where rules were stable and inputs structured. Digitalization rendered documents searchable and workflows traceable. Cloud increased scalability and resilience. Event streaming enhanced responsiveness.

These were substantive improvements. They modernized the substrate of the institution. But they did not fundamentally redesign how judgment was formed.

Latest advances in AI through language models differ because they operate indeed on language, the medium through which institutions interpret rules, construct rationales, and justify decisions. It enables systems not only to execute tasks but to participate in interpretation, recommendation, and explanation. This is not the automation of judgment; it is its augmentation.

3.1 The key move: from task automation to judgment participation

The thesis of this paper is that AI changes the architecture of judgment. That claim rests on a specific move:

Task automation replaces human effort in repetitive procedures where the rule-set is pre-defined (and stable preferably).

Judgment participation inserts AI into the formation of decisions where interpretation, context, and justification matter.

This is not a semantic shift; it is an architectural one. When AI participates in judgment, three things change simultaneously:

“ *AI does not merely automate tasks but transforms the architecture through which institutional decisioning is produced. It shifts the authority from being primarily epistemic (‘I know’) to being architectural (‘I ensure we know consistently and accountably’).* ”

1. **The unit of design becomes the decision, not the task.** The question is no longer “How do we automate this workflow step?” but “How do we design a human-AI system that produces a coherent, accountable decision under variable context?”
2. **Governance shifts from model risk alone to judgment system governance.** Traditional controls (validation, testing, monitoring) remain necessary, but they are not sufficient. Institutions must govern how AI-generated interpretations are used, how rationales are constructed, how exceptions are handled, and how accountability is preserved when humans and machines jointly produce outcomes.
3. **Institutional memory becomes operational rather than archival.** Institutional memory must function operationally rather than archivally. Earlier knowledge management initiatives focused on preserving expertise in repositories for later retrieval. By contrast, AI-enabled enterprise intelligence integrates retrieval, synthesis, and explanation directly into decision workflows. Institutional knowledge becomes an active input into judgment formation, enabling contextualized, auditable reasoning and reducing reliance on informal ‘hero experts’ across teams and jurisdictions.

Table 2: Technical modernization versus institutional cognition (AI-enabled judgment systems)

Dimension	Technical modernization (automation/digitalization/ cloud/streaming)	Institutional cognition (GenAI/foundation models)
Primary objective	Increase speed, efficiency, resilience, connectivity	Improve coherence, defensibility and adaptability of judgment under contextual variability
Unit of design	Task/process step (workflow, hand-off, control point)	Decision/judgment loop (interpret, recommend, justify, escalate/act)
What gets encoded	Rules and workflows for stable, repeatable operations	Interpretation and rationale patterns grounded in policy, evidence, and context variables
Typical inputs	Structured data, known fields, deterministic triggers	Language and mixed evidence (policies, cases, correspondence, reports, incomplete signals)
Role of humans	Execute exceptions; interpret context; own reasoning	Own accountability, but AI can participate in interpretation, drafting, comparison, and justification
How 'knowledge' behaves	Mostly referential (documents exist; humans retrieve and apply)	Partly operational (retrieval + synthesis + explanation embedded in workflow)
Governance object	Systems, controls, model validation (where applicable)	Human-AI judgment systems: when/where AI is used, escalation boundaries, rationale standards, audit trails
Key risks / failure modes	Process brittleness, integration debt, outages, control gaps	Misinterpretation, plausible-but-wrong rationales, inconsistency across contexts, automation of weak practice
Auditability	Traceable steps; often weak capture of 'why'	Potentially stronger 'why' capture – if designed: cited evidence, logged assumptions, uncertainty, approvals
What 'good' looks like	Low cost-to-serve; fewer manual touches; faster cycle times	Lower cost of correct judgment; consistent decisions across regimes; faster adaptation to rule changes

This is precisely the capability gap that fragmentation exposes. What appears at macro level as regulatory asymmetry or data sovereignty constraints, for example, translates operationally into more exceptions, overlapping obligations and context-dependent decisions. Judgment

participation offers a way to scale contextual reasoning while keeping it governable.

The practical implications of this shift become clearer in the discussion and Figure 1 in Section 3.3.

3.2 Proposition 1 – AI introduces a new architectural domain: design and governance of institutional intelligence

This domain sits alongside (but is distinct from) application architecture, data architecture, and infrastructure architecture. It is concerned with questions such as:

- **Where should interpretation occur?**
At point of decision, upstream in policy codification, or via centralized advisory services?
- **What constitutes ‘situational validity’?**
Which context variables must be resolved – jurisdiction, product, client type, data location, sanctions exposure, ESG regime – before a recommendation is actionable?
- **How is rationale structured and preserved?**
What evidence is cited, how is policy referenced, how is uncertainty expressed, and what is logged for audit?
- **How are escalation boundaries defined?**
When can the system recommend and draft versus when must it route to humans, committees, or specialist review?
- **How is accountability maintained?**
Who owns the judgment, who approves it, and how is responsibility allocated when AI contributes?
- **How is drift managed?**
When rules change, guidance evolves, or geopolitical constraints shift, how does the judgment system stay aligned and defensible?

In other words, AI forces institutions to treat judgment as something that can be architected – designed, decomposed, instrumented, audited, and improved – not merely exercised.

This also reframes leadership attention. The strategic question becomes less “How quickly can we deploy AI tools?” and more “How do we

build an institutional capability that produces correct judgment reliably across fragmented regimes?” That capability is what we refer to as enterprise intelligence: an organizational system in which data, policies, models, controls, and decision makers operate as an integrated judgment apparatus.

3.3 Applied example: sanctions screening under fragmentation

Consider a European bank processing a cross-border payment instruction for a multinational corporate operating in the energy sector. The transaction touches a U.S. correspondent bank, a U.K. booking entity, and an E.U.-regulated subsidiary. It must be evaluated against U.S. OFAC guidance, U.K. OFSI interpretation, E.U. consolidated sanctions lists, internal risk appetite thresholds, and potentially divergent supervisory expectations.

The underlying exposure is not clearly prohibited in any single jurisdiction, but sectoral restrictions, ownership thresholds, and recent interpretive guidance create ambiguity. The same transaction may be defensible under one regime and contestable under another.

Under traditional models, this would require manual retrieval of policies, committee decisions, consultation across compliance teams in different jurisdictions, and drafting of a rationale for approval or rejection. The process is cognitively heavy, context-sensitive, and often repeated across similar cases.

Under an enterprise intelligence architecture, the judgment loop can be partially system-mediated while remaining governed and accountable (Figure 1).

In this architecture, AI retrieves relevant policy and prior decisions, highlights regime conflicts, drafts a structured rationale citing evidence, and proposes a recommendation aligned with

defined risk tolerances. Human decision makers validate, override, or escalate as appropriate. The rationale and evidence trail are logged for audit and supervisory defensibility.

The system does not replace judgment; it structures it. It reduces the cognitive burden of contextual retrieval and cross-regime reconciliation while preserving accountability, escalation boundaries, and ultimate human authority.

4. Enterprise intelligence as an organizational capability

The preceding sections establish two related claims. First, fragmentation in the new global order increases the cost and complexity of correct judgment in financial services. Second, traditional models of expertise – centered on individuals, documents, and committees – struggle to scale judgment consistently under conditions of contextual variability. Together, these claims raise a deeper organizational question: if judgment can no longer be reliably produced through people and artefacts alone, where does it reside?

Figure 1: Hybrid sanctions judgment workflow

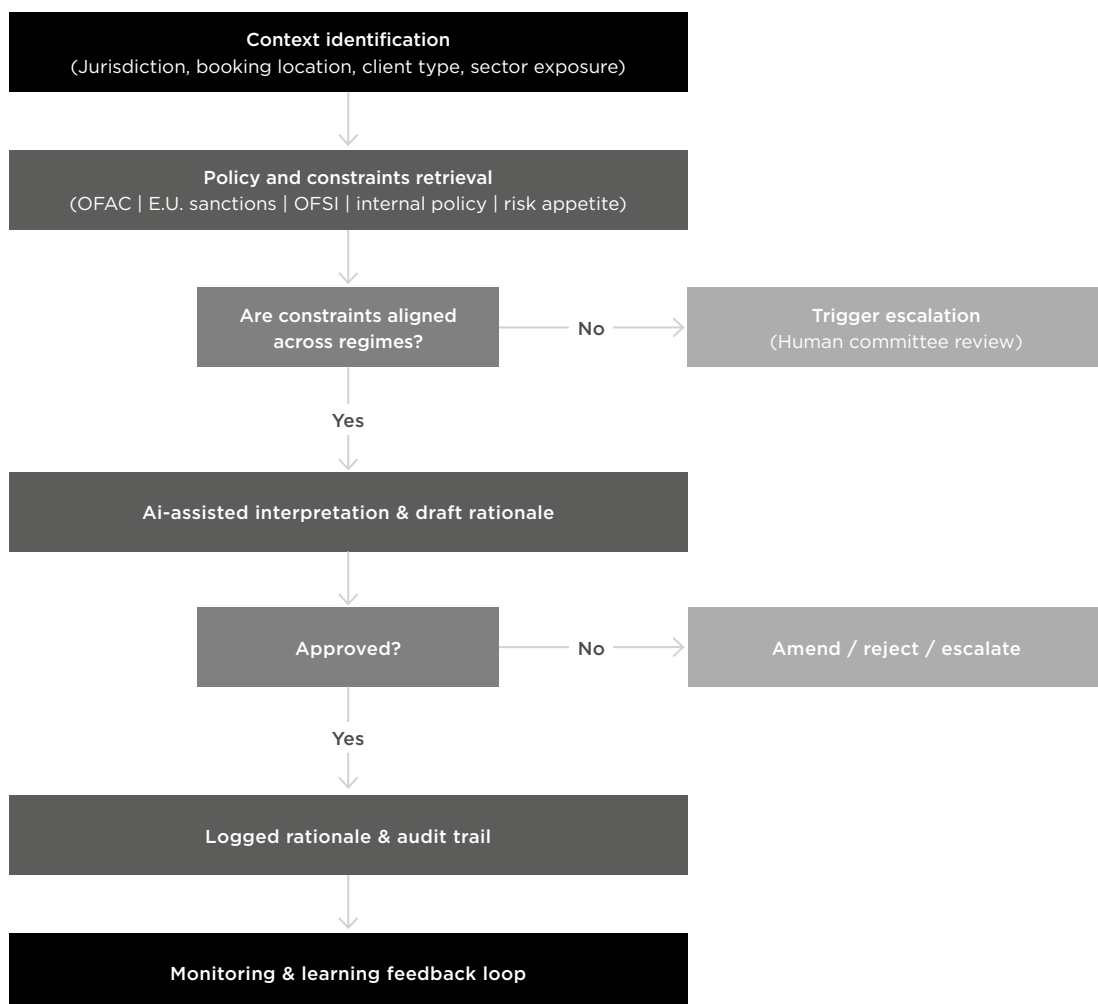
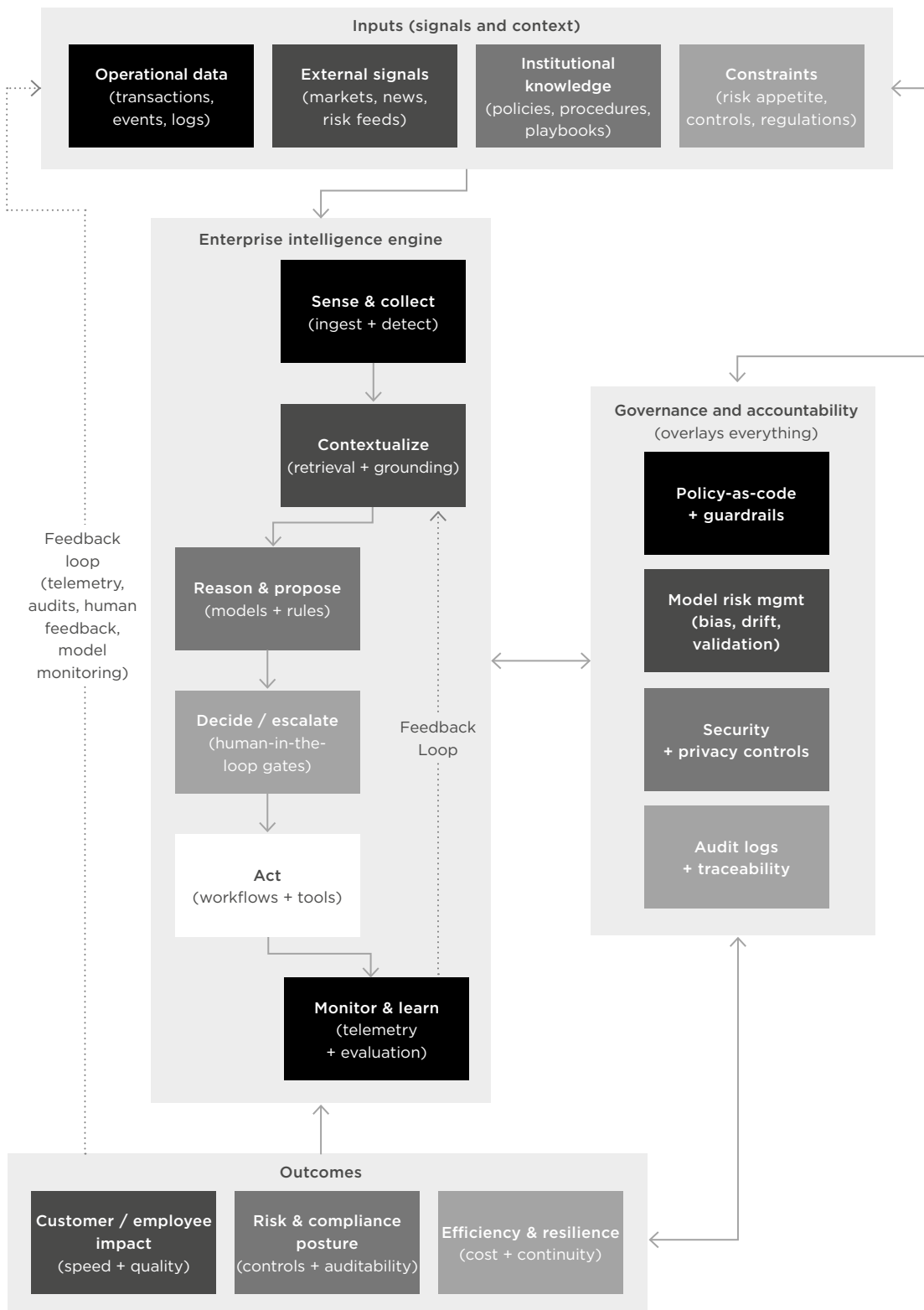


Figure 2: Enterprise intelligence as a governed judgment loop (conceptual)



This paper uses the term enterprise intelligence to describe an emerging organizational capability that addresses this question. Enterprise intelligence is not synonymous with analytics, automation, or the deployment of AI tools. Rather, it refers to the capacity of an organization to reliably know, reason, and act through integrated decision systems in which data, models, policies, controls, and human judgment are coherently aligned.

4.1 The enterprise intelligence judgment loop

Enterprise intelligence becomes concrete when we describe the unit of operation: the judgment loop. In most material decisions, institutions repeatedly move through the same sequence: interpreting a situation, forming options, justifying a recommended course of action, deciding (or escalating), acting, and learning from outcomes.

Traditional institutions execute this loop largely through people (and the artefacts they consult). Enterprise intelligence re-engineers the loop so that institutional knowledge participates directly in the decision process, while accountability stays human and governance stays explicit (Figure 2).

Returning to the sanctions example in Section 3.3, the judgment loop becomes visible in practice. The system first ingests operational signals such as transaction data, client identifiers, and booking information and retrieves relevant regulatory interpretations and internal policy constraints. It then constructs a structured recommendation, highlighting where jurisdictional rules align or diverge. Where constraints conflict, escalation pathways are triggered. If approved, the rationale is logged, not merely as documentation, but as structured institutional memory. Subsequent similar cases draw upon this recorded reasoning, while monitoring and audit processes evaluate whether patterns of exception, override, or

supervisory sensitivity are emerging. The loop therefore governs not only individual decisions, but the evolution of judgment standards over time.

4.2 What enterprise intelligence is made of

To make the judgment loop operational, enterprise intelligence requires four interlocking design elements:

- **A knowledge substrate:** curated institutional sources (policies, regulatory interpretations, controls, product rules, precedents, supervisory communications) that can be retrieved and cited at the point of decision.
- **A context model:** an explicit representation of the variables that change the meaning of a decision; jurisdiction, booking location, client type, data residency, sanctions nexus, outsourcing constraints, sustainability regime, and so on.
- **A decision workspace:** a governed environment where evidence is assembled, interpretations are drafted, uncertainty is expressed, and human decision makers can approve, amend, or escalate with full traceability.
- **A governance substrate:** controls that define where AI may participate, what must be reviewed by humans, how rationales must be structured, and what is logged for audit and defensibility.

4.3 From standardization to governed differentiation

A crucial implication is that enterprise intelligence is not simply a new route to standardization. Fragmentation makes full standardization unrealistic: a single 'global' answer often cannot exist.

Instead, enterprise intelligence enables governed differentiation: the institution can deliver different answers in different contexts, while keeping consistency in intent, accountability, and rationale standards.

This is why enterprise intelligence should be treated as an architectural capability rather than a collection of use cases. Once the judgment loop is designed, multiple business domains can be onboarded onto the same institutional machinery, reducing duplicated interpretation effort and improving consistency across the enterprise.

5. Leadership after expertise

Financial institutions have long operated as professional bureaucracies characterized by distributed expertise across specialist communities. Authority has rarely rested in a single individual alone; rather, judgment has been formed through committees, escalation structures, and layered review processes. Senior leaders, however, were ultimately accountable because they were presumed to possess broader experience and the capacity to arbitrate complex trade-offs under uncertainty.

This model aligned with an environment in which much of what mattered remained tacit, context-sensitive, and difficult to codify. When interpretation depended on experience accumulated over years, authority naturally concentrated in individuals who had survived cycles, crises, and regulatory change. Even where expertise was plural, judgment was embodied in people and coordinated through deliberative structures. Organizational control rested, ultimately, on who had the right to decide.

However, the conditions that sustained this model are now shifting. As argued in earlier sections, fragmentation has increased the contextual variability of decisions while AI has altered the economics of knowledge mobilization. The result

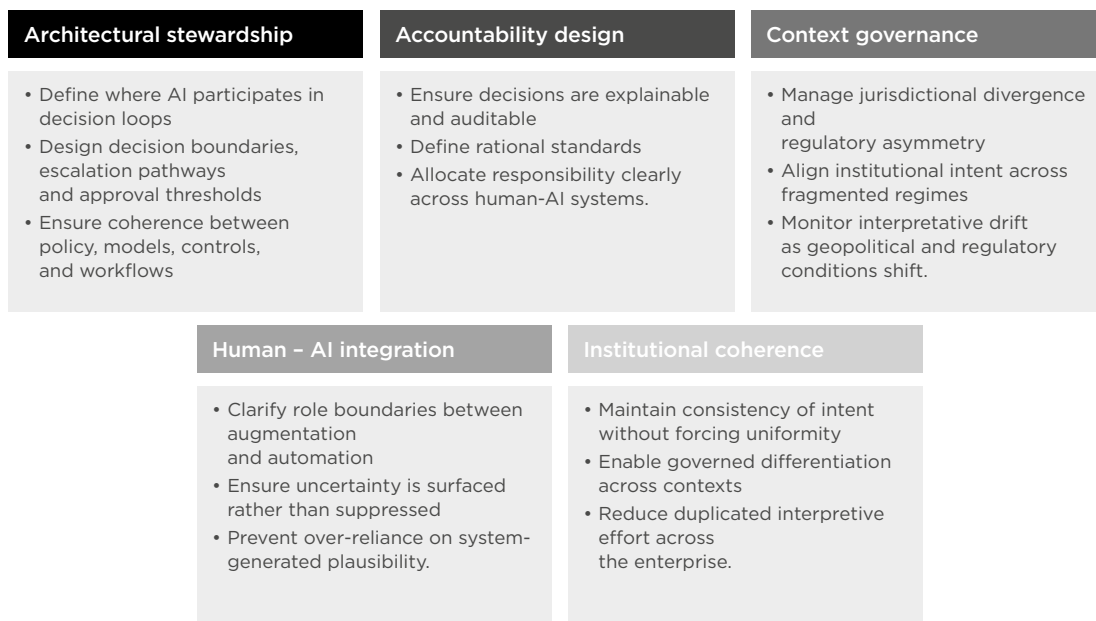
is not the disappearance of expertise, nor the sudden emergence of distributed leadership, but a reconfiguration of how institutional judgment is coordinated and evidenced, shifting leadership accountability toward stewardship of those judgment systems.

The leadership implications of contemporary AI differ fundamentally from those of traditional automation. Whereas classical task automation replaces human labor in stable, rule-based activities and primarily drives efficiency gains, modern AI, particularly language-based systems, engages directly in interpretive and reasoning processes. By analyzing policies, weighing trade-offs, comparing precedents, and drafting structured explanations, AI participates in the formation of judgment rather than simply executing predefined tasks. This shift reframes leadership: expertise no longer needs to reside solely in individuals, as judgment becomes partially system-mediated. What scales, therefore, is not the individual expert, but the institutional judgment system within which expertise operates.

5.1 Proposition 2 – leadership in AI-enabled financial institutions centers on stewardship of institutional judgment

If judgment increasingly resides within system-mediated architectures, leadership responsibility shifts accordingly. Leaders are now responsible not merely for decisions, but for the architecture through which decisions are formed. This includes defining where AI may participate, establishing rationale standards, setting escalation boundaries, and ensuring uncertainty is properly surfaced. Stewardship of institutional judgment requires specific capabilities that extend beyond technical literacy or traditional managerial authority.

Leaders in AI-enabled financial institutions must, therefore, develop and oversee five interlocking capabilities, summarized in Figure 3.

Figure 3: Leadership capabilities for stewardship of institutional judgment

The figure outlines the core capabilities required to steward institutional judgment under contextual variability. Leadership authority in this model rests not on exclusive possession of expertise, but on responsibility for the coherence, defensibility, and adaptability of the judgment systems themselves.

This shift has direct implications for boards and executive committees. Under emerging AI governance regimes, oversight bodies must ensure that AI-supported decisions are explainable, that accountability remains clear, and that systems are aligned with regulatory expectations. Fiduciary responsibility increasingly attaches to whether the judgment system itself is fit for purpose. Authority is no longer primarily epistemic ('I know'). It becomes architectural ('I ensure we know consistently and accountably').

In a fragmented environment, leadership legitimacy rests less on being the expert and more on ensuring that institutional intelligence remains coherent, defensible, and adaptive.

5.2 Accountability under hybrid, probabilistic, and distributed judgment

The most difficult implication of this shift concerns accountability. Traditional accountability models assume a clear chain from decision to decision maker. Hybrid judgment systems disrupt this assumption. Outcomes may reflect contributions from multiple humans, multiple models, evolving policies, and probabilistic inference rather than deterministic rules.

This does not eliminate accountability, but it changes its locus. Responsibility must attach not only to outcomes, but to the design and governance of the system that produced them. Leaders are accountable for:

- whether the system was appropriately scoped and controlled
- whether its use was aligned with stated intent and regulatory obligations

- whether decision rationales were explainable and auditable at the time they were made
- whether known limitations and uncertainties were responsibly managed.

In effect, accountability migrates from “Who decided?” to “Was this judgment system fit for purpose, and was it properly governed?”

This reframing aligns closely with emerging regulatory and supervisory expectations, which increasingly emphasize governance, explainability, and control over model-assisted decision making rather than prohibiting its use outright.

6. Conclusion: governing judgment in a fragmented world

Financial services are entering a structurally different era. Fragmentation across geopolitical, regulatory, and technological domains has raised the cost and complexity of correct judgment. The constraint is not simply data or processing power alone. It is coherence under contextual variability.

AI alters the architecture through which institutions can respond to this constraint. It enables institutional knowledge to participate directly in decision loops. Its value depends on how it is architected and governed.

Two propositions follow:

1. AI introduces a new architectural domain: the design and governance of institutional intelligence. Institutions must treat judgment as something that can be decomposed, structured, instrumented and improved, not merely exercised.
2. Leadership in AI-enabled institutions centers on stewardship of institutional judgment. Accountability increasingly attaches to the governance of human-AI systems rather than to isolated acts of decision.

The forward-looking implication is strategic. Institutions that treat AI as isolated productivity tools risk amplifying inconsistency inside already fragmented environments. Institutions that deliberately architect enterprise intelligence gain a different advantage: lower cost of correct judgment, stronger regulatory defensibility in supervisory dialog, and greater resilience under geopolitical volatility.

In the new global order, competitive strength may depend less on speed alone and more on the ability to remain coherent without being uniform, adaptive without being arbitrary, and accountable without relying on hero experts.

Enterprise intelligence is not a technology program. It is an organizational capability: a foundation of durable trust and strategic resilience. In a geopolitically fragmented environment, where sanctions regimes diverge, supervisory expectations vary, and digital sovereignty concerns intensify, the ability to produce consistent, defensible decisions across jurisdictions becomes a strategic asset. Institutions that cannot align judgment across regulatory blocs risk operational friction, supervisory tension, and reputational exposure.

In practical terms, this requires financial institutions to invest not only in AI tools, but in judgment governance infrastructure: explicit escalation design, rationale standards, drift monitoring mechanisms, and board-level oversight of human-AI decision systems. Without this, AI deployment risks amplifying inconsistency rather than reducing it.

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