

Drivers and uncertainties

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Several drivers will shape the role of artificial intelligence in Basel's financial centre over the coming decade. The first is the pace of technical progress, which has repeatedly exceeded expectations since 2022 but may slow if the gains from larger models diminish. The second is the cost and availability of computing power and energy, which determine who can train and run large models. The third is regulation, where the European Union, the United States, China and Switzerland follow different paths. The fourth is the market structure of the AI industry, in which a few firms in the United States and China control the leading models, the cloud infrastructure and the chips.¹

Further drivers concern trust and adoption. Clients will accept AI-based services only if they trust them. A single major incident could undermine that trust quickly. Supervisors will allow institutions to rely on models only if they can understand and control them. The labour market and public opinion will influence how far institutions go in automating work. Geopolitics may restrict access to models and chips, as American export controls on advanced semiconductors since 2022 have shown.² The key uncertainties are therefore the speed of progress, the degree of concentration among providers and the occurrence or absence of a major failure. From combinations of these uncertainties, four scenarios for 2035 can be constructed.

1 Notes

1. On the market structure of the AI industry and the concentration of computing resources, see OECD, *Competition in Artificial Intelligence Infrastructure* (2024) and the reports of competition authorities on foundation models. Status to be verified. ↩

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2. United States Department of Commerce, Bureau of Industry and Security, export control rules on advanced computing and semiconductor manufacturing items of October 2022 and subsequent amendments. Status to be verified. ↩

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