

## Written evidence submitted by Softcat PLC

Softcat PLC is a UK headquartered FTSE listed IT infrastructure and services business. A significant proportion of our customers, and multi million GBP turnover, is derived from financial services businesses, whom we support innovation and transformation. We assist our customers in sourcing, optimising and modernising their technology, enabling them to navigate a complex market place.

We are proud to work with over 2500 firms across the spectrum of the industry, including regulators, central banks, tier one banks, hedge funds, asset managers, retail financial services, insurance providers, venture capital, private equity, fintech, challenger banks and building societies.

Artificial intelligence, and associated technologies, are a once in a generation opportunity to embrace a revolution in how we conceptualise and process data. The potential consequences can be transformative for the industry in terms of efficiency, security and customer experience, ultimately making UK firms more competitive globally, and providing greater choice and value to consumers.

Across our client base we see an appetite and enthusiasm for embracing AI, focusing on productivity, automation of administrative tasks and extracting the greatest possible data insights. Whilst many projects are in a “proof of concept” phase, rather than full production, we see great progress being made particularly in insurance firms and algorithmic trading. We see great potential use cases across a huge variety of activities including fraud detection and prevention, cyber security and threat detection, genuinely tailored personalisation for customers, and back office processes.

However, there are significant brakes on the speed of adoption of, and investment in, AI that pose a significant threat to the UK’s ability to innovate, and to continue to be the world leader in financial services. Firms remain concerned there is no significant regulatory clarity in terms of AI, particularly in safeguarding its ethical and safe deployment, in a way which safeguards systemic risk. The UK cannot be left behind in embracing new technology, as has previously been the case with digital assets and cryptographic technology, due to regulation not keeping pace with the speed of innovation. Indeed, Europe is already well ahead in terms of announcing the EU AI Act, with many firms already complying with these standards, as they are caught in the regulatory perimeter by interacting with European entities.

Great progress is being made in financial services in terms of the ESG agenda. We support numerous customers in reducing carbon emissions in their IT supply chain. Care must be taken that the significant compute required by artificial intelligence does not cause environmental harm. Again, regulatory clarity that supports this end should be prioritised.

As with all significant technological advances, a balance must be struck between fostering innovation and protecting the consumer. It is only through the collaboration of firms, technology providers, regulators and government, that the UK will be able to ensure it is not left behind in the race to innovate and adopt AI technologies.

Softcat PLC remains committed to supporting all members of this ecosystem to ensure the UK retains its rightful place as both the global centre of finance, and a world leader in innovation in financial markets.

***March 2025***