AI and the Future of the U.S. Investment Banking Industry

Aashna Shah

RESECON 490A

Fall 2025

What is Investment Banking?

Investment banking is a specialised segment of finance providing services to corporations, governments, and institutions. Its primary role involves helping clients raise capital by underwriting and issuing securities, and acting as an intermediary in mergers, acquisitions, and divestitures. Additionally, investment banks offer financial advisory services, restructuring, and market-making. They are crucial for facilitating large, complex financial transactions that drive economic growth and corporate strategy.

> 🗨 The North American Industry Classification System (NAICS) code for Investment Banking and Securities Dealing is **523110**.

History of the U.S. Investment Banking Industry

The investment banking sector has navigated significant transformations over the past two decades, driven by crises, regulation, and evolving market dynamics

Post–2008 Crisis: Collapse & Reform — 1

The industry faced massive disruption. Iconic banks vanished, and survivors adopted sweeping reforms restricting proprietary trading.

2 — **Mid–2010s: Stabilization & Recovery**

Markets stabilized, leading to a gradual improvement in investment banking revenues. Firms adapted to the new regulatory environment.

Late 2010s: Economic Expansion — 3

Strong economic conditions, low interest rates, and abundant liquidity fueled surging M&A, IPO activity, and private equity deals. Investment banks entered 2020 on a strong footing, before the brief shock of COVID-19.

4 — **2020–2021: Historic Deal Boom**

Following a short freeze, massive monetary and fiscal stimulus ignited a rapid market rebound. 2021 became the biggest year in IB history, with fees reaching ~$70B.

2022–2023: Sharp Downturn — 5

Surging inflation led the Federal Reserve to aggressively raise interest rates. Higher borrowing costs crushed M&A, IPOs, and leveraged buyouts. Dealmaking fell sharply, with fees shrinking from $70B to $32.5B, leading to job cuts.

6 — **2024–2025: Recovery & Maturity**

With rates stabilizing, deal activity began to rebound, recovering fees to $44.8B in 2024. The industry is now highly consolidated, characterised by stable but slower growth.

Why This Industry Matters to Me

1

Early Exposure to Markets

Growing up, I was constantly surrounded by discussions about financial markets, investment strategies, and detailed financial analysis. This early immersion naturally steered me towards a long-term career ambition in Investment Banking.

2

Recognising Repetitive Work

My internships in equity research and investment banking consistently highlighted the significant amount of time spent on highly repetitive, often manual tasks like data entry, screening, and formatting. This observation sparked a critical question about efficiency and innovation within the industry.

3

The AI Transformation Question

Witnessing the transformative power of AI in various sectors made me ponder its specific impact on investment banking. I began asking: "Which IB tasks will survive, evolve, or disappear entirely - and crucially, where do I fit into this evolving landscape?"

4

Industry's Economic Significance

Investment banking plays a pivotal role in enabling capital flow, supporting business expansion, and fuelling innovation across the economy. Beyond dealmaking, banks connect investors with companies, help firms raise growth capital, and stabilize markets during periods of uncertainty. Understanding this industry is essential because its decisions shape job creation, technological progress, and overall economic resilience.

The Large and Cyclical IB Industry Today

The U.S. investment banking sector is a powerful economic engine, characterised by significant financial activity, market fluctuations, and a concentrated competitive landscape.

$641B
Total Revenue
Generated in 2024 by the investment banking and broker-dealer sector

41%
Pre-Tax Income Growth
Robust YoY growth experienced within this vital sector

1.13M
Employees
People employed across the industry, contributing significantly to the economy

$362B
GDP Contribution
Contribution to the U.S. Gross Domestic Product from the broader securities sector
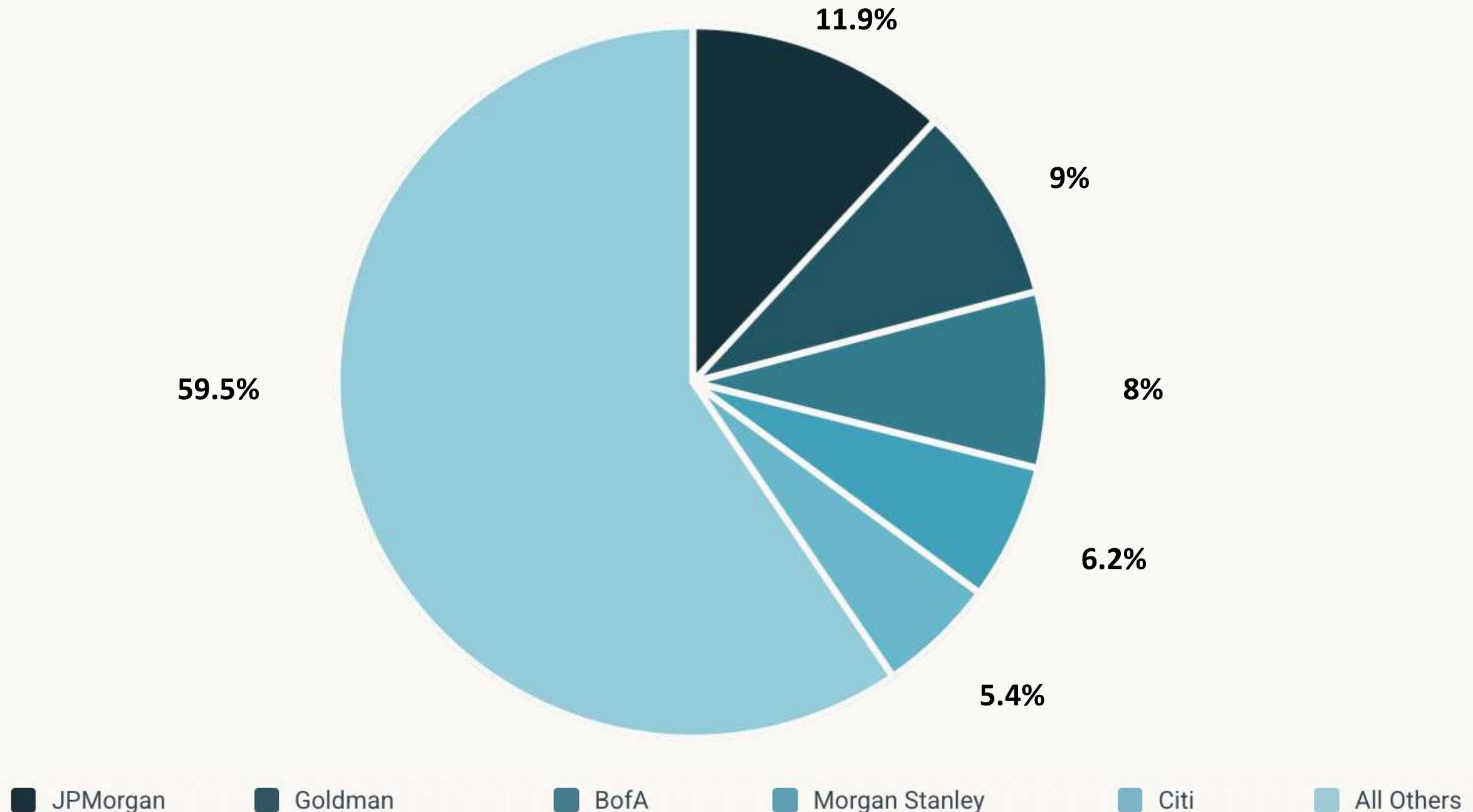
Cyclical Nature
Investment banking fees are inherently cyclical, peaking at $70 billion in 2021, declining to $32.5 billion in 2023, and projected to recover to $44.8 billion in 2024.

Market Concentration
Despite its size, the industry is highly concentrated, with the top 5 banks controlling over 40% of all investment banking fees.

2024 U.S. Investment Banking Fee Market Share

11.9%

9%

8%

59.5%

6.2%

5.4%

■ JPMorgan   ■ Goldman   ■ BofA   ■ Morgan Stanley   ■ Citi   ■ All Others

AI's Impact on Workers and Tasks in IB

Automation of Repetitive Tasks

AI is rapidly automating routine analyst tasks, including comparable company analysis (comps), market screening, key performance indicator (KPI) extraction, and the meticulous formatting of pitchbooks. These are roles O*NET classifies as highly repetitive and prone to automation.

Enhanced Data Processing

Natural Language Processing (NLP) tools are becoming instrumental in flagging potential M&A targets, summarising extensive financial filings, and accurately extracting critical financial data. This significantly reduces the manual effort and time.

Redefining Entry-Level Roles

By reducing the hours typically spent on financial modelling and due diligence, AI is fundamentally altering the scope and requirements of "entry-level" positions in investment banking. New entrants will need a different skill set focused on higher-value analysis.

Increased Demand for AI Skills

The market reflects this shift: finance job postings explicitly requiring AI skills increased by 29% YoY, rising from 1.4% to 1.8% of all postings, according to recent Lightcast data. This highlights the growing importance of AI proficiency for career progression.

AI Reinforces Scale Advantages for the Industry

Streamlining Operations

Large financial institutions leverage AI to significantly streamline complex processes such as financial modelling, regulatory compliance, and due diligence. This results in substantial cost efficiencies and quicker execution.

Unmatched Investment

Organisations like JPMorgan demonstrate this commitment by investing an astounding $12 billion annually in technological infrastructure, including advanced AI capabilities. This level of investment is virtually unmatched by smaller boutique firms.

Enhanced M&A Origination

AI improves M&A deal origination through sophisticated predictive analytics and the generation of crucial insights into optimal deal timing. This allows firms to identify and act on opportunities with greater precision and speed.

Higher Barriers to Entry

The intensive adoption of AI by large players creates greater market concentration and erects significantly higher barriers to entry for smaller or new firms. This further solidifies the competitive advantage of established institutions.

Where I Fit in an AI-Transformed IB

1

Leveraging Core Strengths

My academic background and practical experience in financial modelling, valuation techniques, and data analytics, coupled with specific academic exposure to AI concepts, form a robust foundation for navigating this evolving industry.

2

Beyond Automation

While AI excels at automating repetitive tasks, it does not replace the critical human elements of strategic thinking, nuanced client judgment, or sophisticated economic reasoning. These higher-order skills remain indispensable.

3

Targeting Key Roles

I am particularly well-suited for roles such as an Investment Banking Analyst, hybrid Financial/Data Analyst positions, and emerging AI-enabled strategic advisory roles that demand both financial expertise and a grasp of technological innovation.

4

Complementary Background

The investment banking industry's strategic shift towards tech-driven workflows aligns perfectly with my dual background in Finance and Managerial Economics, enabling me to contribute effectively to its future.

Upskilling Plan & Next Steps

To thrive in an AI-transformed investment banking landscape, I've outlined a comprehensive plan focusing on developing key technical, analytical, and soft skills, alongside strategic career preparation

Technical & Analytical Skills

- Strengthen coding proficiency (Python, basic SQL) for data cleaning and automation
- Continue improving Excel skills, including advanced formulas and automation tools
- Build comfort with technical analysis tools and financial datasets
- Complete financial modelling and valuation courses (DCF, comps, transactions)

AI & Data Skills

- Practice using AI tools for screening, KPI extraction, and summarizing filings
- Build 1–2 small portfolio projects combining finance + AI workflows

Industry Focused Preparation

- Complete investment banking simulations through Forage (JPMorgan, Goldman Sachs)
- Practice pitchbook formatting and deal workflows
- Start early prep for CFA Level I

Career & Networking Steps

- Begin targeted networking with analysts in finance and IB roles
- Update resume + LinkedIn to highlight AI and data skills developed this semester

Reflections on My Learning Journey

This academic experience has profoundly shaped my skills, perspective, and career aspirations, directly preparing me for the future of investment banking

What I Learned in This Class

- Strengthened coding skills and data comfort
- Leveraged AI for research, analysis, and workflow efficiency
- Gained confidence navigating unfamiliar tools and technical outputs

How It Changed My Perspective

- Made AI feel practical, integrable into daily work
- Understood the rapid evolution of finance roles
- Recognised the strategic advantage of combining AI and coding

What Now Feels Possible

- Building a website using AI for the purpose of building a career in finance
- Using AI and code to enhance internships and IB roles (in general)
- Pursuing career paths blending finance, analytics, and technology

THANK YOU