Ogier

Boardroom Briefings. How is AI shaping fund services?

Insights - 26/06/2024

AI in fund services

Artificial intelligence is transforming the financial services industry and providing new opportunities in the way investors and fund managers do business.

From back-office automation and enhanced decision making to managing risk and portfolio optimisation, fund service providers are increasingly looking at the potential for sophisticated artificial intelligence tools (AI) tools to help maximise returns and achieve investor goals.

While the development and implementation of AI within fund administration is still in its early stages, it will undoubtedly become an indispensable tool. Despite its enormous potential, however, AI, needs to be deployed properly and used correctly, with a rigorous framework of checks and balances.

How is AI shaping fund services?

AI is a broad field concerned with the development of systems that can imitate human intelligence and problem-solving skills. Machine learning, a subset of AI, can access and process mass datasets to build an understanding of past behaviours in order to improve future outcome, while generative AI can be used to create new content including text imagery and audio.

Despite the recent increase of public interest, AI is not a new concept. The idea of a machine functioning on its own is ancient, however it wasn't until the 1950s and the publication of Alan Turing's work "Computer Machinery and Intelligence" that the birth of AI occurred.

Recent developments in AI are being applied within sectors that benefit from the automation of repetitive tasks usually carried out by humans. The theoretical benefits of this automation

include a decrease in the risk of human error in data input, cost reduction, and increased productivity. Overall, businesses can gain greater efficiencies through the use of AI.

In the financial sector, AI's ability to mine big data is changing the way that service providers operate. AI's ability to work quickly on huge volumes of information can allow services providers to tackle workload backlogs, completing tasks which provide low added value. This allows professionals to focus on more subjective tasks which provide higher added value.

AI can also be used to improve fraud detection, assess and decrease risks and can be used for compliance.

Generative AI, such as ChatGPT, has become a day-to-day companion in the professional lives of many. Its development has accelerated with the rise of other leading platforms such as CoPilot and Gemini. An increasing number of companies have developed their own generative AI tools to improve employee productivity and personal development. One common use case is providing employees with access to a secured AI powered assistant that can provide answers to almost all work-related questions, while using the best practices for keeping a company's sensitive data safe.

What is the potential of AI in funds services?

Asset management companies can use AI for their portfolio and risk management, using it to take a closer look at clients' portfolios. The high level of predictive analysis AI offers through the forecast of market trends, identifying trading opportunities and risk management can lead to higher returns with decreased risk.

AI might also be valuable tool for Transfer Agents (TA), where many processes are data entry-heavy, especially the investor onboarding process. In addition, screening for hits and continuous checking of Anti-Money Laundering (AML) and Know Your Client (KYC) processes could benefit from the speed and scale of AI and its attention to detail and monitoring capabilities. Humans can intervene and decide, based on the outcome, whether additional manual action is required.

As the technology continues to develop, we expect to see AI managing more fund administration tasks including client and investor queries, generating and delivering regular performance data and analysis, directly automating and submitting regulatory reporting, and the use of voice to text AI assistance for taking minutes of meetings and summarising key takeaways.

Combining AI with the human touch

At Ogier, we anticipate that AI will enhance efficiency and productivity by undertaking more routine work and assisting with tasks like research. This will free up fund administration teams to

focus on the more complex work higher up the value chain. It will also give professionals more time to focus on human endeavours like developing relationships and client interaction; by their very nature these can't be replicated or replaced by AI.

As a firm, we are undertaking research and development to assess how we can maximise the benefit of AI in our business and the services we provide our clients. However, AI is something we see as becoming supplementary to, rather than replacing, the skills of our fund administration team. If anything, AI has the potential to free-up our teams, allowing them to be even more client focused than they already are.

What are the pitfalls of AI?

AI does not bear only gifts, it also brings threats and challenges. Firstly, there are data privacy and security risks. Since large amounts of sensitive financial data is handled by AI there is an increased risk of data breach incidents. Therefore, increased cybersecurity measures and enhanced data protection regulations are required.

AI algorithms lack human intuition and subjective judgment. It lacks emotional intelligence, which is crucial to building trust with clients. Focusing too much on AI and its outcomes might cause the handler to overlook unique situations in the market and unanticipated events, which do not follow predetermined patterns. Currently, these instances can only be prevented by human intervention. AI systems also need to be updated and to be compliant with new regulation criteria every time a regulation changes.

The future of funds and AI

All in all, AI is here to stay and change our lives immeasurably. However, it will not fully replace humans, as many fear or suggest. The most likely scenario is a hybrid approach, a symbiotic relationship between automation systems and humans where each party will complement the strength and weaknesses of the other.

By handling repetitive tasks, AI allows humans to focus more on complex tasks that require critical thinking and decision making. The more developed AI becomes, the deeper this relationship will be. The way we decide to manage, use and live with it will shape our future in business and in life.

About Ogier

Ogier is a professional services firm with the knowledge and expertise to handle the most demanding and complex transactions and provide expert, efficient and cost-effective services to all our clients. We regularly win awards for the quality of our client service, our work and our people.

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