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CRYPTO CALLING

How cryptocurrencies are shaping the US election

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Kaizen and LPA partner on transaction reporting assurance solutions

German capital market technology and advisory firm, Lucht Probst Associates (LPA), and Kaizen have partnered to offer a range of compliance solutions to international clients.

Through the partnership, the firms aim to provide their clients with independent transaction reporting assessments and regulatory reconciliations solutions.

Kaizen's ReportShield Accuracy Testing is an automated, managed solution that tests the quality of trade and transaction data.

In addition, the company offers an Advanced Regulatory Reconciliation service to provide clients with an assessment of the completeness of a firm's regulatory reporting to identify under and over-reporting.

LPA offers a range of consulting services for banks, asset managers, and exchanges, with a focus on capital markets.

Commenting on the announcement, Jean-Marie Mamodesen, managing director, head of European sales at Kaizen, says: "LPA has a strong reputation in Germany and we are delighted to be working with them. By bringing the skillset and expertise of the two companies together we are able to provide solutions that ensure that the data which firms are reporting to the regulators is of the highest quality."

Hans Joachim Lefeld, senior partner and head of transaction reporting at LPA, adds: "By joining forces with Kaizen we extend our ecosystem and will be able to better serve our clients and help them navigate the complexity of the global regulatory reporting landscape." ■

asset servicing times

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Eventus joins FIA Tech's Databank Network

Eventus has joined the FIA Tech Databank Network and will be integrating FIA Tech's cross reference symbology and core contract specifications data into its client offering.

The Databank Network is FIA Tech's initiative to bring together independent software vendors (ISVs), exchanges, clearing houses and other technology providers into an interoperable global network simplifying the use of reference data, analytics and software solutions from participating firms.

Andrew Castello, vice president, head of Client Operations at FIA Tech says: "Eventus' integration of our cross reference symbology and contract specifications is a testament to the value of our reference data offering."

Jeff Bell, COO at Eventus, adds: "By integrating FIA Tech's cross reference symbology and core contract specifications services into our Validus platform, we are not only expanding our data interoperability but also reinforcing our commitment to providing the most comprehensive and reliable surveillance solutions available." ■

J.P. Morgan achieves landmark straight-through processing

J.P. Morgan has achieved straight-through processing (STP) on Versana's centralised digital data platform.

This marks a first for the syndicated loan market and Versana argues it will "usher in a new era of streamlined digital workflows".

Cynthia Sachs, Versana's founding CEO, says: "J.P. Morgan's industry leading achievement of straight-through processing is clear evidence of the loan market's digital transformation, materially reducing friction for all participants." ■

Carlyle and Goldman Sachs commit over US$1.1bn into Apex Group

Apex Group has announced the global investment firm Carlyle's Global Credit business and Goldman Sachs Private Credit, have jointly committed in excess of US$1.1 billion into the global financial services provider's new Holdco PIK Notes.

The companies say this endorses Apex's sustainable growth strategy, following the successful integration of a number of previous acquisitions, continued strong organic growth, and technological innovations.

Peter Hughes, founder and CEO of Apex Group, says: "We are extremely pleased to further expand our relationship with Carlyle and Goldman Sachs. The new issuance validates Apex's strong business model but will also enable product and geographic expansion as well as further technology investment." ■

State Street partners with Galaxy Asset Management

State Street Global Advisors have partnered with Galaxy Asset Management, one of the world's largest digital assets and blockchain investment managers.

The collaboration aims to bring investors the next generation of digital asset based strategies that will offer exposure to companies involved in the digital asset space, going beyond cryptocurrencies and bitcoin.

The companies suggest that by combining their strengths, both businesses will provide investors access to the US$2.4 trillion digital asset ecosystem through manager-directed strategies.

Anna Paglia, chief business officer at State Street, comments: "We believe that the digital assets landscape is so much more than the single crypto components and that crypto native companies are best equipped to understand that ecosystem and its correlation with financial markets.

"We are pleased to be working with Galaxy to educate investors about the role digital assets can play in a diversified portfolio, and provide the opportunity to participate in the next level of growth and innovation for the digital asset ecosystem."

Steve Kurz, global head of Asset Management at Galaxy, says: "By partnering with State Street Global Advisors and utilising our combined expertise, we believe we are in a strong position to make digital assets more accessible to the broader investment community through the creation of new ETFs offering exposure to digital assets." ■

Administrator appointed for Goal Group Australia

The Australian Securities and Investments Commission (ASIC) has released a notice of appointment of an administrator to Goal Group Australia Pty on 28 June.

According to the official notice, this appointment has been made under Section 436A of the Corporations Act 2001, whereby a company may appoint an administrator if the board thinks it is or will become insolvent.

Andrew Spring, Trent Devine and Bradd Morelli of Jirsch Sutherland have been appointed as administrators.

Founded in 1989, Goal Group provides withholding tax reclaims and securities class actions recovery services.

Both Goal Group and Jirsch Sutherland have been approached for comment. ■

JTC acquires Hanway

JTC has acquired professional services firm Hanway Advisory, in a move it says will strengthen its position in the UK market.

Hanway will provide outsourced corporate governance and administrative services to UK listed investment companies.

Nigel Le Quesne, CEO of JTC, says: “The team at Hanway bring with them vast experience and understanding of listed fund services which enhances our existing team, enabling us to deliver an even more compelling service to our UK listed clients.”

Hanway will become part of JTC’s Institutional Client Services division and is JTC’s second UK fund services acquisition in 2024, after the purchase of Blackheath Capital Management. ■

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Zodia Custody partners with Metrika

Zodia Custody has collaborated with Metrika, a leading risk management platform for digital assets.

Metrika's platform will leverage automation to streamline risk assessments and compliance processes, necessitated, the company says, as the wider adoption of blockchain and digital assets brings with it an increased need to manage associated risks.

Anoosh Arevshatian, chief risk officer at Zodia Custody, says: "Collaborating with a like-minded partner such as Metrika is the natural next step for us. Together, our expertise in security, compliance, and risk management will deliver a powerful advantage for institutions entering the digital asset space." ■

ARTEX collaborates with Exactpro

ARTEX has collaborated with Exactpro to streamline its platform delivery and software testing practice.

The firms released a case study that focuses on the collaboration to ensure the required level of quality and operational resilience of ARTEX's art multilateral trading facility (MTF).

Iosif Itkin, co-CEO and co-founder of Exactpro, says: "Having invested in independent software testing at this early stage, ARTEX was able to avoid a lot of the common pitfalls, resolve defects early and at a lower cost, as well as significantly increase their overall delivery speed.

"The trading venue is now supported by an extensive test library that can be used regularly for regression testing and serve as a foundation for future growth."

Alexandre Reynaert, chief technology officer, ARTEX Global Markets, comments on the ARTEX–Exactpro collaboration: "We needed to ensure that our trading venue is robust, consistent and compliant with industry standards, and Exactpro's insights and experience were invaluable in achieving this goal.

"Through the use of AI, the size and execution time of the testing process has been reduced without compromising the quality of the testing."

ARTEX, the first stock exchange for artwork, aims to democratise art and turn it into a new asset class.

In a recent interview with Asset Servicing Times, Yassir Benjelloun-Touimi, co-founder and CEO of ARTEX, explained: "It's not easy for anyone to walk into a gallery in Mayfair and look at artwork worth £2 million, even if they like art, because they may feel it is inaccessible.

"We want to break those barriers. We want to democratise the investment opportunity and, in doing so, we are democratising art because more people will learn more about it." ■

Valverde appoints Northern Trust

Valverde Investment Partners (Valverde) has appointed Northern Trust to provide custody, fund administration, foreign exchange and cash management services for its newly formed Variable Capital Company (VCC) fund, along with its sub-fund, ASEAN+ Fund (VAPF).

The company says the VCC and its sub-fund represent Valverde's goal of achieving long-term absolute returns, primarily composed of public traded equities within ASEAN companies.

Commenting on the acquisition, Yen Leng Ong, country executive, Southeast Asia at Northern Trust, says: "We have seen VCC funds continue to grow in popularity since the scheme was first launched in 2020, and we are delighted to work with Valverde as they embark on their first VCC.

"This appointment helps underline our position as a premier provider of custody and fund services to asset managers in Singapore."

John Foo, founder and CEO at Valverde, adds: "Launching a VCC fund comes with inherent complexities, and we were seeking a partner that could help us manage these from both a custodial and fund administration perspective." ■

State Street mandated by Bahia

State Street has been selected by Bahia Asset Management to provide fund services.

The Rio de Janeiro-based hedge fund manager will gain access to services that cover fund accounting, fund administration, and investor servicing.

Marcia Rothschild, head of State Street for Latin America and the Caribbean, says: "We are honoured that Bahia has selected State Street to support their fund and investor servicing needs." ■

Emerging battlegrounds for the White House

President Joe Biden vetoed a bill to overturn SAB 121 and launched cryptocurrencies into the political arena. But how did we get here? And where do we go?

Jack McRae reports

As the race to become the next president of the United States picks up speed, or at least as fast a pace a 78-year-old and 81-year-old can muster, there is a growing industry that may play a key role in deciding who is sworn back into the White House on 20 January 2025.

On the one hand, Joe Biden's faltering speech and increasing tendency to appear worryingly unaware of his surroundings has done little to convince voters his mind and body can survive four further years in office.

A deer caught in a billion lights and cameras, the incumbent President's waning grip on power and lucidity has sparked clamour within his Democratic Party to replace him as their Presidential nominee.

On the other hand, Donald Trump, younger than Biden despite turning 80 when the next midterms roll around, wants to return to the White House — should he not land behind bars first.

In May, Trump became the first US President to be convicted of a felony after being found guilty of all 34 charges related to a 'hush-money' payment scheme to illegally influence his successful 2016 Presidential campaign.

But what do two men with 159 years of life between them know about cryptocurrencies?

SAB 121

"I am returning herewith without my approval H.J.Res. 109, a resolution that would disapprove of the Securities and Exchange Commission's (SEC) Staff Accounting Bulletin No. 121 (SAB 121)," Biden wrote to the House of Representatives.

The SEC's SAB 121 requires reporting entities that act as custodians for crypto assets to include safeguarding liabilities and the corresponding assets as footnotes to financial statements. The SEC says that the bulletin adds guidance for entities "to consider when they have obligations to safeguard crypto-assets held for their platform users".

The H.J.Res. 109 bill, a Congressional Review Act aimed at nullifying SAB 121, was first introduced in the House of Representatives, where it passed by a vote of 228-182, with 21 of the approving votes coming from the Democratic party. No Republican member of the House voted the bill down.

In the Senate, the bill was successfully passed with a vote of 60-38 and drew support from 11 members of the Democratic Party. Again, no Republican Senator voted against the bill's progression.

With the blessings of moderate bipartisan support in both the House and Senate, the resolution landed on the President's desk. Yet Biden decided to veto the motion and prevent it being passed into law.

Biden has vetoed just 12 bills in his current four-year tenure as President and this is his first relating to cryptocurrencies and financial services.

In his letter to the House of Representatives, Biden reasoned: "By virtue of invoking the Congressional Review Act, this Republican-led resolution would inappropriately constrain the SEC's ability to set forth appropriate guardrails and address future issues. This reversal of the considered judgement of SEC staff in this way risks undercutting the SEC's broader authorities regarding accounting practices.

"My Administration will not support measures that jeopardise the well-being of consumers and investors. Appropriate guardrails that protect consumers and investors are necessary to harness the potential benefits and opportunities of crypto-asset innovation.

"My Administration is eager to work with the Congress to ensure a comprehensive and balanced regulatory framework for digital assets, building on existing authorities, which will promote the responsible development of digital assets and payment innovation and help reinforce United States leadership in the global financial system."

Yet, the decision has sparked controversy throughout the industry and the US political system.

Letter of concern

The Blockchain Association, a group representing members of the cryptocurrency industry, immediately released a statement on X (formally Twitter) criticising the veto. The association's CEO Kristin Smith said that the Biden administration was "swimming against the tide of public opinion" and called on the government to work with members of the industry to address regulatory concerns.

Echoing their frustrations from within Congress is Republican Senator Cynthia Lummis. Prior to Biden's decision to veto the bill, Lummis, alongside Republican Representative Patrick McHenry, penned a letter to Biden urging him to reconsider his plans to veto the bill.

Her frustrations have only compounded since. She slams Biden's veto: "This administration has a well-documented history of using the most mundane, in-the-weeds rulemaking processes to force its overbearing regulations down Americans' throats."

She adds: "Its decision to use a staff accounting bulletin to threaten the foundation of essential custody services is deeply troubling but, unfortunately, not surprising."

The Senator explains that she introduced the legislation to allow Biden to take "the opportunity to correct this grave error and protect the American people's assets, and instead of taking this much-needed lifeline, he rejected it."

At the centre of both her letter and her comments, is the belief that the American people are being ignored by the current administration. Lummis believes that the American consumer is not being protected.

She argues: "This bulletin effectively denies millions of Americans access to a safe and secure custodial arrangement for digital assets. SAB 121 puts consumer assets at a greater risk of loss because if a custodian becomes insolvent or enters receivership, under this rule, a customer's digital assets are now vulnerable to claims by creditors of the custodian.

"This decision to veto a bill that had such overwhelming bipartisan support shows just how out of touch this administration continues to be with what people want. Americans work hard for their money and they need assurances their hard-earned financial assets are protected, especially in this economy."

Of course, this argument is also at the focus of Biden's reasoning for vetoing the bill. The President said he does not want to "jeopardise the well-being of consumers and investors" and will install "appropriate guardrails that protect consumers and investors".

Both parties claim to have the interests of the American people at heart. It is almost as if there is an incredibly knife-edge election around the corner.

Lummis continues to criticise the decision to not revise the SEC's bulletin, suggesting that: "Revising a staff accounting bulletin is very normal; in fact, for the last three decades, most bulletins have been revisions and recessions of prior guidance, but this administration broke from tradition in ignoring Congress and pushing ahead with its radical agenda."

The Senator is keen to emphasise that the bulletin will supposedly imperil custody services.

She warns: "SAB 121 threatens the foundation of essential custody services as we know it and drastically increases the risks of bankruptcy for consumers. Issuing a legally binding directive without soliciting invaluable feedback from the industry breaks from tradition. It is not just reckless; it is downright dangerous."

If Biden's policies are 'not just reckless, but downright dangerous', what would Trump's be?

With her support for the Republican Presidential candidate unwavering, Lummis claims: "If President Trump had been in office, I believe he would not have overextended his administration's authority to erode consumer protections in the form of a staff accounting bulletin."

Lummis says: "[Trump's] position on digital assets and bitcoin could not be more different than President Biden's — in the best way."

Lummis explains this difference lies in Trump's strong support for 'financial innovation' and desire to "ensure America remains in the driver's seat for the management of digital assets."

Yet, given the similarities in this argument with Biden's letter, you would be forgiven for thinking the candidates for the Presidency were running mates.

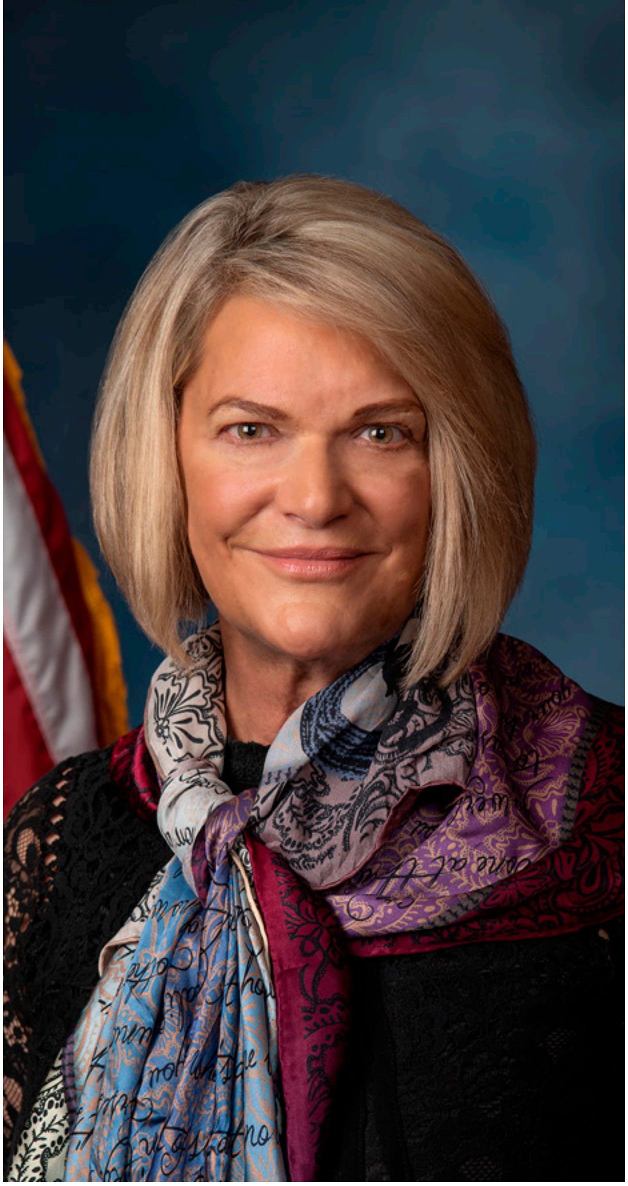
Just as Trump "supports financial innovation", Biden "promotes the responsible development of digital assets and payment innovation". Just as Trump wants to put America "in the driver's seat", Biden wants to "reinforce United States leadership".

The possibility of a second term in the Oval Office for Trump is distinctly possible, particularly following the conservative-dominated Supreme Court ruling in favour of broad presidential immunity recently, in a move that will likely further delay delay any verdict over his alleged attempts to overturn the 2020 election result until after November's election.

Juan Merchan, the judge overseeing Trump's criminal proceedings for the 'hush-money' trial, has postponed his sentencing until

"SAB 121 threatens the foundation of essential custody services as we know it and drastically increases the risks of bankruptcy for consumers"

Cynthia Lummis, US Senator (Rep.) for Wyoming



September to consider whether the immunity ruling could hinder his conviction.

As the possibility of Trump returning to the White House grows, Lummis looks ahead to what an administration under Trump for a second time will look like.

She says: "I think we will see a Trump administration that is committed to scaling back this oversized federal government President Biden created, and Trump will work hard to create an SEC that protects consumers and promotes financial advancement, not limit it."

On the counter

After being offered the chance to respond to Senator Lummis' criticism of the administration and SAB 121, the SEC wished to highlight that their guidance is developed with the interests of customers at the forefront.

An SEC spokesperson responded to Lummis' comments, saying: "SAB 121 is non-binding staff guidance that, if followed, enhances important disclosure to investors in firms that safeguard crypto assets for others.

"Time and again, we have seen crypto firms fail and watched as their customers lined up at the bankruptcy court in hopes of getting what they thought was legally theirs.

"We've also seen the risks to investors in firms that safeguard these assets when they are hidden off balance sheets.

"These disclosures provide investors an important line of sight into the level of risk taken by crypto custodians."

Now what?

Although the next President of the United States will not be decided solely on which geriatric candidate can best demonstrate to the American public that they understand and can deliver in developing a safe and reliable cryptocurrency market, it marks an important and growing discussion area.

Simon Forster, managing director, global co-head of Digital Assets at TP ICAP, believes that the rampant discourse surrounding SAB 121 is a landmark moment.

He says: "What has become very evident in recent months is that crypto is becoming an election matter in the US, and this has been punctuated with the attention SAB 121 is receiving."

The essence of this growing debate comes in the growing number of people using and owning cryptocurrencies. Forster suggests: "With a reported 50 million Americans owning crypto, there seems to be a shift in political sentiment in the US, and a growing realisation that the digital assets industry is too significant to dismiss and could flourish onshore with appropriate regulation."

The growing dichotomy between the two parties in US politics has eroded bipartisanship and increased hostilities in debates between branches of government and within those branches themselves — such fractious attitudes even led to two government shutdowns under Trump's presidency.

So, when a bill is passed through both the House and the Senate in the US Congress with bipartisan support, a Presidential veto is a significant demonstration of the executive and legislative bodies clashing.

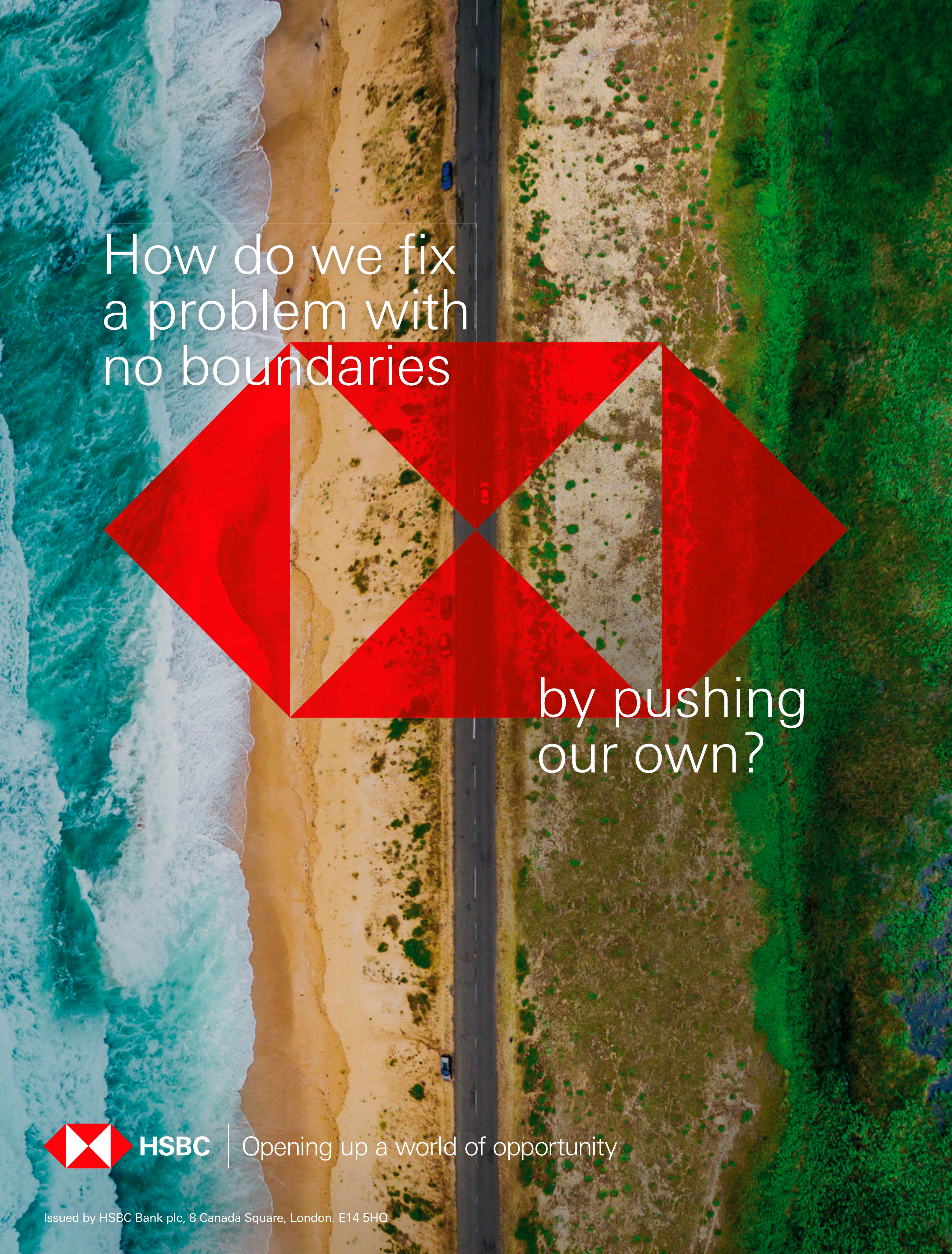
Despite the veto, Forster believes this is just the start of cryptocurrencies entering mainstream politics. He says: "Despite the SAB 121 veto, there was bipartisan support for the bill, which highlights the shift that is underway. Innovation and regulation must work together in a balanced and pragmatic manner, and allowing the world's most trusted and heavily regulated institutions to custody digital assets would seem like a sensible way to protect both consumers and investors and ensure the industry has a solid foundation in the US."

As the appetite for cryptocurrencies grows in the US, encouraged by the SEC's decision in January to approve bitcoin ETFs, it is likely that it will continue to seep slowly into mainstream political debate and shape policy.

While cryptocurrencies remain in relative infancy within the political arena, it may not be too long before it becomes a key battleground for politicians. Although, asking the current two Presidential candidates — who were already late into their sixties when Bitcoin was first launched in 2009 — to leap headfirst into the unchartered territory of digital assets may be slightly too soon.

What can be certain, however, is every decision is made with the interests of the American people at heart.

As they claim. ■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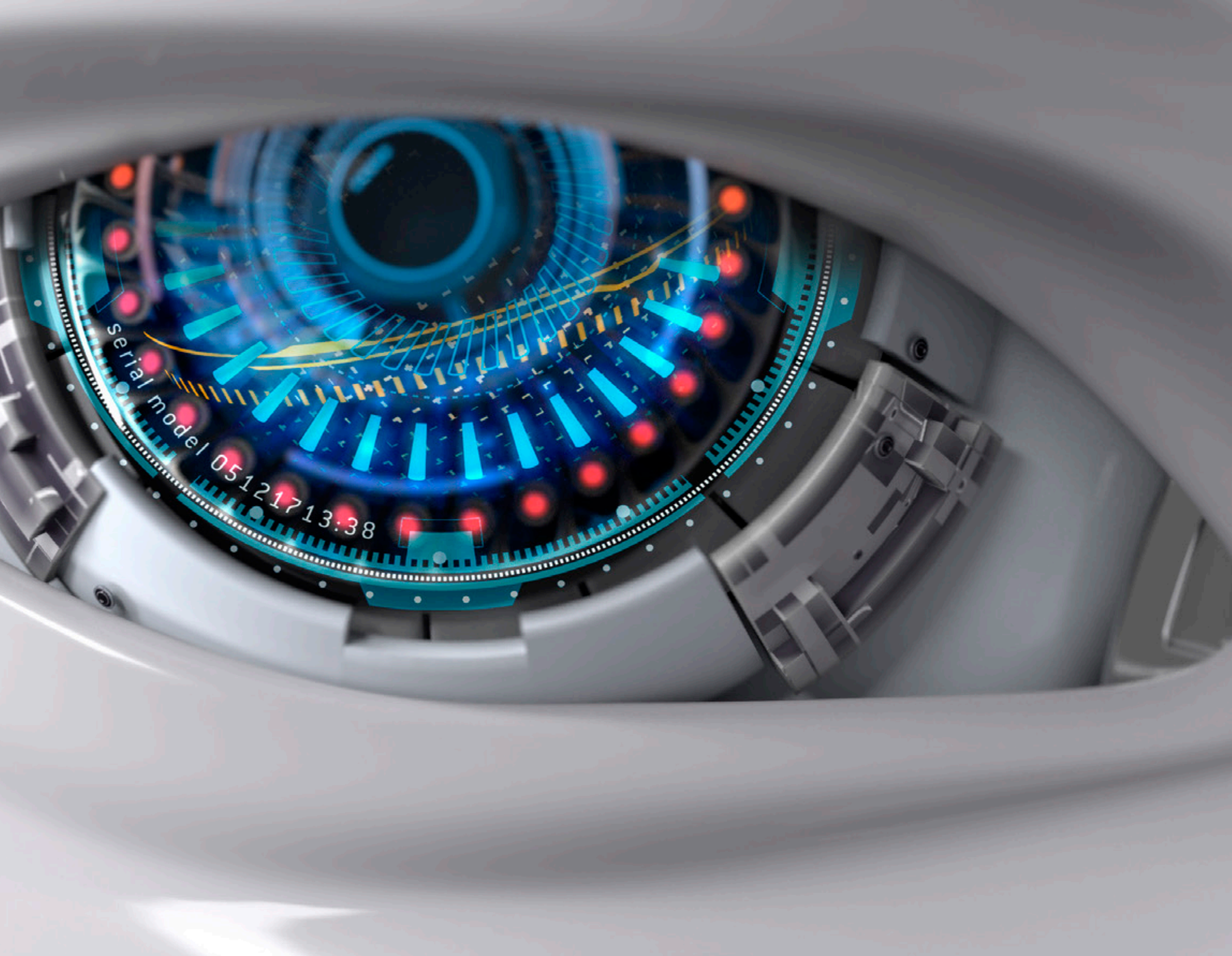

Different lenses

Klea Neza explores how AI is progressing, and the challenges facing its adoption in the asset servicing industry

In a fast-paced financial environment, the hunger for successful Artificial Intelligence (AI) methods is a continuous battle between the different businesses that compete in the asset servicing field.

With industry demands constantly changing, the methods used by asset servicers to manage their work must adapt to these transformations, but this may bring a query to light: why choose AI over traditional frameworks?

It can be argued that through traditional methods, companies have a higher chance of succeeding with less risk. These types of methods normally cost less and are considered safer to carry through.

Despite the risks, the merits of AI are slowly being recognised by many companies, allowing them to access more efficient and accurate systems in their strategies. Research from great.gov.uk shows that the number of AI companies in the UK has rapidly increased by over 600 per cent in the last decade.

The digital consulting and analytics company EXLsurveyed 64 senior figures in the UK and banking industry and reported that more than 90 per cent of leaders asserted that they were successfully using AI to better their decision-making and to enhance existing products and services. They also note AI would be used to increase revenue and moreover, reduce risk.

When specifically focusing on AI in risk management, AI is able to process large amounts of data quickly, as well as identify anomalies along with many other benefits that come with the 'robot version' of risk management. However, that is merely a glimpse into what AI is truly capable of.

But it seems as if some businesses may still feel hesitant towards the use of AI. According to Psychology Today, the fear of change is undoubtedly unavoidable in human nature as a result of our brains resisting uncertainty. This can even be seen through the adoption of AI.

So does the asset servicing world take a leap of faith by integrating modern AI into their process of work, or do they cling to traditional methods and stay within their comfort zone?

Blinkers off — gaining new perspectives

Through different perspectives, traditional methods in asset services can be seen as a way of maintaining stability, or as a safety net to fall upon for those who may not want to try more modern methods.

But if something already works, you may ask: why fix something that is not broken?

Of course it may not be a case of the item being 'broken', but rather of finding a version of the item that is more suited to the specific situation, and will benefit you further than the first.

Consider a vehicle with an old engine that carries out its main purpose which is to keep the vehicle running. In the short-term, you will be saving money by not buying a new one and you feel as if the engine you already have may be suited to your demands.

However, through investing in a new engine, you may find that it has more benefits than the first one, such as it being fuel-efficient and producing lower emissions. In the long term, you will be saving money on petrol and benefiting the environment.

Now let us apply this to AI and traditional methods.

In essence, although traditional methods in asset services may not necessarily be broken, AI has the capability to optimise and enhance processes that could lead to greater efficiency, innovation and accuracy.

Therefore, looking at this topic through a different lens shows the embrace of AI methods in asset management does not have to be defined as replacing traditional methods, but implementing better ways of work into new practices.

By removing the blinkers of conventional thinking, we are able to value the use of AI and learn more about how it can be integrated into different companies in order to maximise successes in the asset servicing realm.

Sell side

You may question, why, and how, do some sell side companies use AI?

Aaron Armstrong, partner and head of sales at Intellimation.AI, a fintech company that provides global market solutions, asset management solutions, and insurance solutions, highlights the importance of AI. He summarises that "AI is applied in many different ways", but focusing on risk management, which is of paramount importance to a bank, intellimation.ai's solutions "manage operational risk, financial risk and regulatory risk."

Through AI, the companies are able to make processes "further automated, auditable, consistent, secure, traceable and accurate", he adds.

Despite there being a variety of technological improvements in the way investment banks manage information, the combination of legacy systems, an ever-increasing demand for data, and the fact most data is unstructured, leads to many 'human in the loop' scenarios. So by definition "human error" is still a factor, highlights Armstrong.

Traditional vs AI

Though traditional techniques can perform the same act, AI can report back to regulators faster, more effectively and with a higher degree of accuracy. Importantly, they can also extend as the regulators and require more information. Domain focused AI can cut through inefficiencies in various workflows, with its ability to contextually interpret structured and unstructured data and align with convention. These solutions are able to target industry-wide problems, email itself being one common source, as Armstrong describes.

He comments: "A big bank will receive thousands of emails a day from customers, asking about whether they should be delivering or receiving collateral on the back of certain trades to offset the counterparty risk." He describes this process as 'non-standardised', involving human free text and multimodal communications. He continues: "The big banks will have teams of people watching inboxes, having to read all these emails, including all their attachments (CSV files, PDF's, spreadsheets and more). And then on the back of what's being requested, they have to check their own internal systems to make sure that the request itself, the type of, and amount of collateral, is appropriate before taking an action on the basis of agree, disagree or partially agree."

The process of manually checking these emails does not only take a long time, but can be tedious for employees, and therefore leading to even more human error. These errors may result in a loss of profits, as money is continuously put towards correcting them, in addition to the problem of customer satisfaction itself. Thus, in order to save time in the long run, AI is able to fully automate this process. With the use of vertical AI, Armstrong explains that 95 per cent of these emails will be processed to 100 per cent accuracy. That then leaves five per cent of emails to be checked by "humans in the loop to manage edge cases", he states. In doing so, employees may be able to have more time to focus on higher-valued tasks, which is better for both the bank, and the employees as well.

Regardless of AI already aiding financial institutions positively in such a short period of time, Armstrong brings to light that "It's just the start of this great journey."

He illustrated that where AI advances processes, traditional methods gradually slow them down. The challenge that 'old' technology brings, is that the technology is based on human rules, and what was initially written as human software. Armstrong describes this problem as running into a "glass ceiling". As the analogy suggests, old technology is an obstacle that a company is unable to see and thus, can pretend this systematic issue does not exist. As a result, instead of moving forward with innovation, some businesses choose to maintain old techniques.

Furthermore, traditional methods can include repetitive techniques such as robotic process automation. Armstrong questions: "if your process is all about repeating, then how does the system know right from wrong?" Which may leave us to ask, if the system does not know the difference between which is right and which is wrong, can it truly be accurate and thereby actually scale? Intellimation.ai prides itself in being change and volume agnostic.

AI limitations

Those who prefer traditional methods over AI rightly argue that AI has its weaknesses. As Armstrong previously mentioned, AI is at the start of its journey and there are many improvements to be made in the way companies in the financial industry carry out their work.

Armstrong notes that "not one size fits all", hinting at the idea that companies must know what type of AI is best suited to them in order to be effective. This can be seen through Intellimation's use of vertical AI which can be defined as a type of AI that is created to carry out tasks and adapted to its specific industry. Intellimation.ai's models have been "trained on banking financial services, data, and that inherently raises their accuracy", due to being task specific, which gives it a head start over both traditional methods and language models.

However, if the financial industry uses AI that is not specifically processed to carry out their tasks, they are at risk of using AI ineffectively, and therefore having a negative perception of these models that, if used correctly, would be much more efficient than traditional techniques.

Although Armstrong did not seem to mention many weaknesses to AI in the financial realm, he did hint at limitations lying towards generative AI in which he asks: "Would you use generative AI to automate?"

He continues: "Generative gives you that risk of hallucination, or at the very least their output is probabilistic, which is not ideal in the world of moving cash flows."

Armstrong highlights that the problem people may have is that "they're trying to apply large language models to every problem. But there's other aspects to AI that are a better fit for purpose", illustrating the reason why companies may be hesitant to use AI is because of their uncertainty on which type of AI is better suited for their needs and client demands.

If businesses were more educated on the different types of AI and models, there's a possibility that they could progress much quicker than those who continue to use older technologies.

Intellimation.ai's models and solutions only shed light on how effective AI can be in the financial industry, specifically sell side and buy sides. Armstrong considers the technology they have built highly "interoperable", to be the glue between old and new systems, "data fragmentation" also impacts risk management negatively. He says: "You can have the same data in different silos with different names. And when you try to reconcile all that data people find it very hard because even though it's the same data it's pulled by different names."

The process of Intellimation.ai's model enables them to sit on the legacy systems, enhancing and augmenting them into the new AI paradigm. Essentially through the use of their AI models, they remove the problem of data fragmentation, highlighting how AI more generally, can be more effective than traditional methods.

Final input

To the companies that are hesitant to use AI — don't be.

Armstrong mentions the idea that "you need to be cognizant of what's the right application of AI for the right problem statement", and if you succeed at this, then you have a much greater shot that your AI can be implemented smoothly into your current systems. He further advises companies to take 'baby steps' with AI, if not used in previous systems before. Working with someone who has expertise in this field and is able to advise you can "turn a leap of faith into something truly transformational," he adds.

Although it is easier said than done, it is clear that client demands in the financial sector are increasing rapidly and in today's age, old systems that only use traditional processes may slow a businesses growth and success rate. The comfort zone only exists as a result of a familiarity with certain processes a company is used to, however changing demands also means changing techniques to match these demands.

Implementing AI may seem like a risk, but the only risk a company may be taking is not trying something new, because if you do not at least attempt it, how will you know it will not succeed? ■

Holding the horses

As the race for technology and AI innovation continues to shroud the financial services industry, two industry players call for patience

Jack McRae reports

How the financial services industry will develop its technology and automation processes has long been the centre of many conference panel discussions, articles, and reports. The industry is gripped with innovative fervour, but maybe it is counting its chickens before they hatch.

Demetry Zilberg, chief information officer at Alter Domus, is keen to call for patience. He explains that, "the hype cycle for AI is quite intense and it is still early days."

For Zilberg, getting technology correct is more important than innovating quickly. "You have to get the technology approach right, otherwise we have a very bad stability outcome," he says. "There are a number of stories about large financials being compromised from a cyber perspective, because they messed up their implementation onto web services. It's better to be some percentage slower, than to have a bad outcome in a production live environment."

The hyperfocus on developing technology has stressed the fibres of the industry, Bill Conner, CEO of Jitterbit believes. He says: "Businesses are already grappling with complex IT landscapes, managing an average of nearly 1,000 applications with only a 28 per cent integration rate. The integration demands of AI systems further strain these overstretched teams. These challenges fall into three main areas: ensuring high-quality data, overcoming technical hurdles, and navigating significant operational changes."

On the grill

"The financial services industry has a wealth of information and holds immense potential for AI-powered advancements," Jitterbit's Conner begins. "But data quality, security, and integration pose significant roadblocks and related risks to initiate AI processes."

Ensuring firms have data that matches quality just as much as quantity, is central to ensuring technology can work for firms and their clients. Conner continues to explain that, "Ensuring clean and compliant information across disparate sources is crucial for accurate analysis, making data management a critical first step in unlocking the true power of AI in banking. This is a large undertaking that should be measured and paced with the company's best interests in mind."

Speaking to Alter Domus' Zilberg on the Fourth of July, he takes great pleasure in comparing his day's celebrations with technology. "I'm going to be grilling later. Data is like the ingredients for grilling. I went and bought a good brisket, I bought some pretty fancy pork ribs, and I hope I'll have a good outcome in a couple hours when it comes off my grill. It's the same with AI implementations, if your data is garbage, garbage is going to come out."

Turning his mind back to the industry and away from his grilled meats, Zilberg remains confident in his company's own ability to deal with data. He explains: "Data can be tuned to the specific use case of the output of your AI application or tool, but what is critical is data privacy and compliance. But I don't think it's a challenge for us, it's a strength."

Tech's got talent

So, what are the challenges?

"Finding talent is an all out competition," Zilberg exasperates.

"Finding people capable in the space is remarkably competitive and the salaries and the incentives are just insane, unlike anything I've seen in my career."

The lack of talent is not enough to keep pace with the accelerating levels of innovation, Zilberg explains: "There's not enough talent. There are more ideas in the backlog than we can implement, probably by a factor of 10. It goes back to how do you build teams, how much do you do in house, who do you partner with?"

With the biggest companies vying over the best and brightest talent in a limited pool, companies have to find ways to combat the issue of manpower should they not be able to attract and retain key staff.

Zilberg points to partnerships as one solution to escaping the challenges that come with the dearth of talent.

With smaller teams under greater pressure to deliver, and deliver quickly, mistakes can happen — with some of them could be fatal for companies.

Zilberg warns: “You cannot screw up on data privacy because the reputational loss is irreversible. It goes back to going a little slower and being deterministic, quite careful, and testing before releasing into production.”

Jitterbit’s Conner is slightly less pessimistic and argues that “by taking an AI-infused approach, financial institutions can safely and proactively adopt enterprise AI capabilities without jeopardising business operations or disrupting current financial systems.

“This delivers customer choice and can help accelerate AI adoption without forcing a one-size-fits-all approach. This is even more important in the highly sensitive financial space.”

Conner remains wary however and urges “every financial services company [to] deploy AI at its own pace, looking at the ways in which it can be utilised within the needs and constraints of their specific environment.”

The underlying message, however, remains as Conner puts it: “AI is about empowering an evolution, not a revolution.”

There should be care, not clamour. ■

Bill Conner
CEO
Jitterbit

Demetry Zilberg
CIO
Alter Domus

State Street welcomes Ferrarelli as COO

State Street has appointed James Ferrarelli as executive vice president and chief operating officer (COO).

Ferrarelli will report directly to State Street's CEO, Yie-Hsin Hung.

In his new role, Ferrarelli will be responsible for delivering new technology, systems and operational infrastructure that will support the business across all asset classes, client segments and geographies.

Prior to his new position, Ferrarelli most recently served as chief information officer of the wealth and asset management divisions at Charles Schwab.

In this role, he was responsible for technology strategy, application design and development, third-party product integration and production management of the technology platforms.

Commenting on his new role, Ferrarelli says: "I am excited to join the dynamic leadership team at State Street Global Advisors as chief operating officer.

"Leveraging my industry experience, I am eager to help boost efficiency, quality and scalability that will position the firm for continued success in the years to come."

Hung states: "We are thrilled to welcome James to State Street Global Advisors as our chief operating officer. I look forward to him joining our leadership team and working with him to implement a strategic vision aimed at building a top-tier operations and technology environment." ■

Citi Securities Services hire Miller

Citi Securities Services has appointed John Miller to the newly created role of global head of Fund Accounting and Administration.

Miller will be based in Boston and report to Mike Hughes, head of Fund Services.

In this role, he will be responsible for product strategy, client delivery and financial performance, and driving investments into new technologies.

In addition, the company says Miller will focus on the move to a global operating model for Fund Services, improving business efficiency across multiple geographies and asset classes.

Miller joins Citi from J.P. Morgan where he was global head of Accounting and Administration.

Kakwani joins PIVOT

Dilip Kakwani has joined PIVOT Management Consulting as consulting director to head the new Broking and Capital Markets Infrastructure division.

Kakwani brings over 30 years of capital markets senior management expertise in the clearing and settlement of listed derivatives and agency lending.

In his career, he has worked at Axis Bank, Indian Clearing Corporation, IL&FS Securities Services, and Dalal Street Journal Group within the capital market ecosystem.

Viraj Kulkarni, founder and CEO of PIVOT, says: "I have known Dilip for over two decades and value his deep expertise, ability to see the big picture while not losing sight of details, his commendable leadership qualities, as a guide to teams. He is an apt leadership fit in the growing and expanding footprints of team PIVOT."

In addition, PIVOT have also announced that they have entered into a strategic alliance with technology support firm Techstalwarts.

Kulkarni explains: “This will provide multi-dimensional benefits to clients as it will bring expertise, innovative solutions, faster TAT and high quality of delivery systems together.”

Shailesh Mehta, co-founder of Techstalwarts, adds: “With the collaboration with PIVOT, we intend to use our combined domain knowledge in building the large solutions for capital markets and deliver solutions globally.”

Clarke to leave Deutsche Bank

Mike Clarke has announced he will be leaving Deutsche Bank and the financial services industry in August.

The global head of Product Management in Securities Services at the bank will be moving to New Zealand as part of what he calls his ‘pre-retirement’.

Clarke has spent over three decades in the financial services industry and worked at ADP Wilco. Broadridge and Pershing before spending close to 17 years at Deutsche Bank.

Announcing the news on LinkedIn, Clarke said: “Firstly, the last nearly 17 years in Deutsche Bank. I can only thank them for the faith they have shown in me, the opportunities they have given me, and for allowing me the freedom for my own personal version of ‘growth within a controlled environment’.

“Secondly, I have had the great pleasure to have met and worked with some fantastic people over the years, and whether you have been a colleague, client, competitor or service provider, I consider many of you friends above all else.”

Chan leaves IQ-EQ

Edwin Chan has departed IQ-EQ after three years.

Chan has over two decades of experience in the financial industry and most recently served as chief commercial officer at the investor services company.

Previously, Chan worked at Intertrust Group, Northern Trust, SS&C, Wells Fargo and HSBC.

Posting on LinkedIn, Chan says: “A massive thank you to John Legrand, Mark Pesco and Kevin O’Connell for providing me the opportunity to lead the 16 strong commercial team in the UK; and for Legrand’s guidance and trust in allowing me the space to drive and exceed the challenging sales targets for the past consecutive years.

“I start my new role next week; and it will be a new chapter that I am thrilled to be embarking on.”

Chan has joined Charta as managing director, regional head for Europe and the UK. ■

Delta Capita name Frost as Global CFO

Delta Capita has appointed Nick Frost as its global chief financial officer.

Frost will be based in London and report directly to group CEO Joe Channer.

He will be responsible for developing the company's financial strategy and assisting existing growth plans.

Frost comments: "I look forward to collaborating with the team to ensure strong financial growth as Delta Capita continues its mission to reinvent the financial services value chain."

Frost has over two decades of experience in the financial services industry and held the position of chief financial officer at a number of other companies, including the London Stock Exchange Group.

Esterhuysen and Gilbert join FINBOURNE

FINBOURNE Technology has appointed Marius Esterhuysen and Sara Gilbert as sales directors. Esterhuysen joins from Deep Pool Financial Solutions where he was global head of sales. Throughout his career he has worked in various sales teams across the US, EMEA and APAC.

On his appointment, Esterhuysen posted on LinkedIn, saying: "Thank you to the amazing folk at FINBOURNE for the warm welcome. Exciting time to join the future of the Investment Management Industry."

Gilbert moves to FINBOURNE from SS&C where she was a private markets director. She was previously senior vice president of Alternatives at Northern Trust.

She posted on LinkedIn, commenting: "Very excited to be joining FINBOURNE Technology, a company which is solving some of the most pressing data challenges across global financial services."