

# E X P E R T Q & A

*How can private markets firms deploy the latest technology to optimise their operations? **Guillaume Doinet**, global product strategy and innovation lead, Securities Services, BNP Paribas, provides insights*



## Driving digital success: How fund administrators accelerate adoption

### **Q** Where are you seeing the use of artificial intelligence in the private capital industry?

We currently see a surge of interest in how new technologies can be used by the industry. The conversation around AI and digital solutions is clearly a top priority for managers as the industry is increasingly leveraging data and recognise its significant potential.

We see the strongest demand for AI from the asset owners and secondary funds of funds that are managing huge volumes of data. They turn to AI to automate both the data collection and

integration into their own reporting systems, and to crunch the data efficiently for teams to perform more value-added analysis. As the secondaries market continues to grow, so will the need for these technologies for these players.

General partners that manage direct funds and primary funds of funds are also beginning to experiment with AI. They have lots of use cases, particularly focused on their core investment

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activities, for example sourcing, due diligence and risk management.

There are also services providers like us in the market exploring how to best leverage AI, as we manage similarly large volumes of data. These technologies will definitely help us to scale and be more efficient in servicing our clients as GPs and asset owners.

### **Q** What can service providers do to help managers cope with the increased need for technological integration?

Managers are keen to retain control



### **Q What are the challenges when it comes to fully leveraging automation and AI in private capital?**

The private capital industry is still heavily reliant on unstructured and fragmented data sources. In order to capitalise on the power of AI, an efficient, robust data architecture is crucial.

The effective management of data and the high quality of that data has to be a prerequisite, and most firms are still at the stage of addressing that.

Even when the data becomes sufficiently qualified, you still need the technology, the business experts, and the IT teams to work together and turn it into meaningful, structured data that can be used by AI to

produce insights. There is an industry-wide challenge around getting that data to begin with.

Since many GPs and asset owners do not have the in-house capability to work on that data, the industry is turning to service providers to deliver that capacity.

They are seeking to outsource data structuring inherent to the asset servicing activities and leverage on service providers like us for advanced data analysis, while still maintaining overall control.

Ultimately, GPs see automation and AI as the enabler for them to respond to investors' changing requirements and to deliver timelier reporting and much more in-depth analysis.

over their data and have oversight to ensure data quality. They are turning to service providers for support with integration across their technological architecture.

At BNP Paribas' Securities Services business, we invest heavily in both technology and human expertise. This enables us to accommodate and address complicated client requests, while building an automated processing to help us respond more quickly and effectively.

We have invested in building our own single, fully integrated platform. Our core platform enables us to manage a wide range of private capital

*“The need for AI that we see today really comes from the asset owners and secondary funds of funds that are managing huge volumes of data”*

investment fund administration tasks, including fund accounting and reporting. We have one of the most advanced systems available for middle-back-office activities. It allows us to use a globally integrated platform to harness all the satellites of the bank and ensure we are delivering a cohesive service across the business.

### **Q How can service providers ensure top-notch data quality in service delivery?**

As we are building out this globally integrated platform, we ensure top-notch data quality through the right systems and the right expertise within

our teams. Our core platform is one of the key differentiators for us – it enables a single point of data entry that then feeds all the services that we provide, from NAV calculations to reporting. This eliminates the risk of duplication or reconciliation errors. Users only need to enter the data once, and the system does the rest.

Built into these systems, you have automated controls that manage each step of the data journey with real-time monitoring of everything. When everything is automated and everything is monitored, the result is high data quality.

Delivering this level of precision also requires the right expertise. Service providers must bring in the right mix of talent – whether from audit firms, middle office functions, or candidates with strong quantitative backgrounds – to handle the complexity and volume of client data with confidence.

The key here is building globally integrated platforms and operating models, alongside the pre-eminent expertise to rise to the challenge of data quality. Only then can automation deliver on its promise: improving efficiencies, enabling more timely reporting, and raising the bar for service delivery.

### **Q How can new technologies be integrated to generate operational efficiencies?**

It is important to distinguish between the range of technologies available in the market. Typically, for managers or service providers that deal with huge data volumes, the first step is to embrace tools related to robotics. We are using robotic process automation to collect data automatically from external stakeholders, which can be then used to implement automated controls into systems and for automated financial reporting.

Once the robotics are in place, you can start to overlay AI on top of that, which involves many other types of technology, to drive efficiency. For

*“GPs see automation and AI as the enabler for them to respond to investors’ changing requirements and to deliver timelier reporting”*

example, optical character recognition allows users to extract printed or handwritten text from images. That means once you have the data, you can convert those PDFs into a structured, usable data set. We can then identify and extract the most relevant data points through machine learning, enabling more intelligent and accurate processing.

Generative AI is another more recent technology used by our industry. Using that structured data set, it delivers deeper insights, powering a broad range of use cases that go beyond automation – from predictive analytics to more meaningful decision support.

So, there are a lot of opportunities to integrate these new technologies and deliver results. That said, adoption rates really differ, with some businesses at a much more mature level of integration than others.

### **Q How will the industry cope with the increased need for digitalisation?**

More and more GPs will have to develop investor portals to communicate information to their investors, and services providers will need to develop interfaces to support them. So far, most of the interfaces only address one or two aspects of client need, rather than tackling the full range of challenges that they face.

The first step of digitalisation

usually involves data consolidation for reporting and then data visualisation. This allows users access to real-time information through advanced visualisations and secure document management platforms. For example, we use our own BNP Paribas CapLink Private platform, powered by AssetMetrix, to combine digital reporting functionality and data management for clients. This gives clients real-time visibility and full control over their data, while making it easy to track performance across portfolios and funds.

These types of platforms are also changing the way service providers communicate with their clients, at a time of heightened cyber security concerns. These portals replace traditional email exchanges with secured documents uploading, offering end-to-end digital access and significantly improving information security.

Most importantly, we are in a position to fully digitalise our interactions with our clients to produce and validate fund operations with a full end-to-end integrated digital workflow from client instructions to documents dissemination to investors such as notices and capital account statements.

Clients can therefore access instant investor positions across funds, detailed look-throughs on portfolios and advanced data analytics in an entirely secured ecosystem. They can also validate the data and then publish statements to investors in real-time – all within a single, secure platform.

We are now at the point where AI is no longer optional. Every asset manager needs to be technically savvy and innovative as the ability to design end-to-end digital solutions is becoming a defining factor in private markets.

There is lots of buzz across the industry about this but, the reality is that many firms are still in the early stages of adoption. The key to progress is getting data in shape, integrating it and then creating a successful partnership between technology and human skillsets to deliver insights and efficiencies. ■