

ADMINOVATE 2024: AI THE TALK OF THE TOWN AT ANNUAL IRISH FUNDS OPERATIONS GATHERING

OVERVIEW

The talk of the conference at this year's Adminovate was, not surprisingly, artificial intelligence. But 18 months on from the release of ChatGPT, the conversations have evolved beyond the possibilities of AI in principle to the real world impacts on administrators and their staff.

During a fascinating Business Leaders Panel discussion, the talk was of how AI and other automation tools could potentially allow fund administrators to service clients with a fraction of the staff they previously employed. If such a prognostication were to come to pass, or anywhere close to reality, it would radically reshape the costs, margins and profitability of the fund administration industry.

Who will be most affected by AI?

As AI development evolves, it may also make it harder for prospective employees to get a start in the industry, with huge implications for people's career development and companies' future health.

The entry-level tasks new recruits typically take on are the first ones being automated by the technology. With those roles disappearing, the experience gained from processing transactions, problem-solving, meeting deadlines, and interacting with clients and senior management that give recruits the skills, industry knowledge and relationships to build a career and become the leaders of tomorrow risk disappearing with them.

The skills fund administrators will need are changing in tandem. The onus increasingly is on people that can manage and process data, both from a technical and strategic point of view. Executives questioned though whether Ireland's education sector is providing the types of courses that produce graduates with the skills the market needs. . Closer industry collaboration with Ireland's education establishments to shape the courses they deliver could be the answer.

The AI discussions raised another panel talking point: are people working hard enough?

Questions of work/life balance and employees' physical and mental health have gained new prominence post-Covid. In a halcyon vision of the AI-enabled workplace, its collaborative potential would help employees become more efficient and ease their work burden. But if AI progressively eliminates jobs and streamlines other staffing needs, will employees actually have to work harder in order to stand out to their bosses and hold on to their jobs?



Keeping funds, and asset managers, viable

Issues of cost and efficiency also featured in the panel session "What's next for global operating models." The US auto industry offered a salutary lesson. Back in 1900, the country boasted 2,000 car manufacturers. Today only four major manufacturers are left (not including Tesla).

Consolidation is likewise coming for the funds industry. The minimum viable size for a fund two decades ago was \$20 million. Compliance demands, service provider costs, etc. have now pushed that up by a factor of 20. The average lifespan for a new manager has similarly shrunk, from five to 10 years (depending on the strategy) to 2.5 years. If fewer funds and asset management firms can afford to launch, and those that do have a shorter shelf life, consumers will pay the price in more limited choice.

Technology to the rescue

Whether and to what extent AI can mitigate those operating costs is yet to be seen. But there is an opportunity for fund administrators and vendors through their managed services and technology offerings to make it easier for more asset managers to get into and survive in the space.

Know your customer (KYC) technologies – which featured prominently among the vendors attending – are a case in point. Fund managers' KYC processes have become a compliance flashpoint as authorities in North America and Europe tighten rules and regulations in an effort to clamp down on money laundering, sanctions evasion and terrorism financing. With AI-generated deepfakes taking identity fraud to the next level, efficient ID verification and automated screening tools that can weed out bad actors will help ease managers' AML/KYC workloads and costs.

[1] [A Breakdown of the U.S. Auto Industry: History, Economics, & Investing Dynamics \(investopedia.com\)](https://www.investopedia.com/ask/answers/2019/05/01/breakdown-of-the-u-s-auto-industry-history-economics-investing-dynamics/)

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