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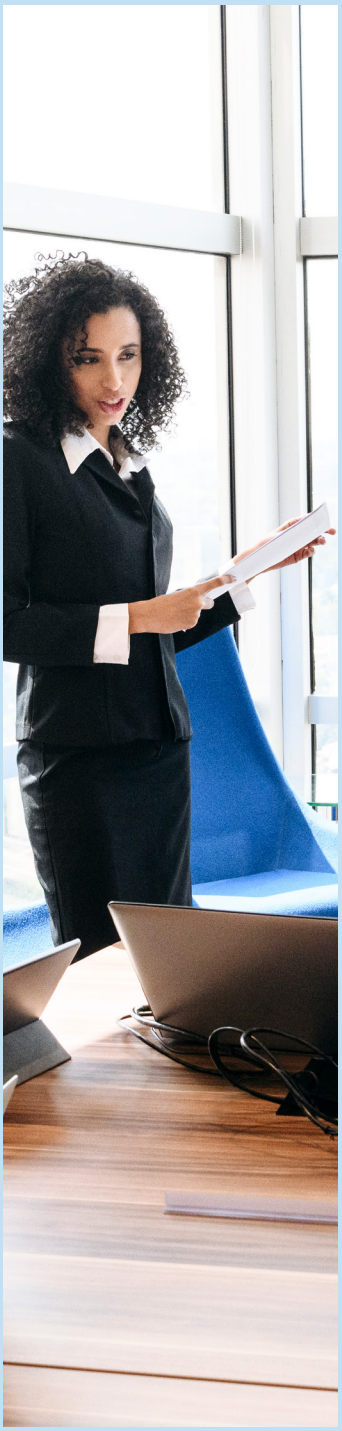


AI PLAYBOOK FOR ASSET MANAGERS TO OPTIMIZE OPERATIONS

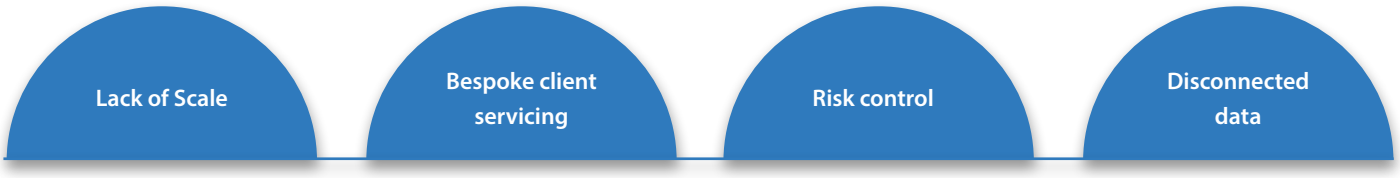
Foreword (Amitabh Nangia, Associate Partner, Infosys Consulting)

There has been much excitement about how AI will transform the workplace of the future. In financial services, that future has started becoming reality—for e.g. in investment operations, where large language models and agentic AI systems are poised to drive unprecedented efficiency. We are reminded of the early days of Excel, when accounting associates would verify excel outputs with adding machines, unsure whether to trust the new technology. Today, we face a similar inflection point: one where operations professionals evolve into experts at exception handling, supported by intelligent systems. The challenge for leaders is not just to understand the potential, but to chart a course for the next one, three, and five years. This point of view shares how AI can be leveraged by Investment Operations function of Asset Management firms. It highlights the key challenges being faced by the Operations Leaders and teams, and outlines how AI can be used to reimagine operations through some key examples. Infosys has helped leading Global Asset Managers to solve complex business challenges leveraging an AI playbook containing tools, accelerators and our AI platform (TOPAZ[1]).

Business Drivers for AI-led transformation

Current Challenges for Automation in Investment Operations

Investment Operations (IO) is a business function within asset management firms with a primary focus on middle and back office functions[2] such as trade compliance, core operations, reporting etc. While much progress has been made in automating these processes over the previous decades to achieve STP. SaaS platforms such as State Street's Charles River and Blackrock's Aladdin help firms manage investment transactions both in the front and middle office space but progress has reached a plateau as these platforms become more complex with each enhancement. Customers have to bring together a suite of tools to achieve automation for processes that are non-core platform processes and their number keeps climbing. This 'non-core process' space presents operational risk & debt that hinders these firms from accelerating their growth and to meet long term strategic targets. We feel there are four core drivers that make automation challenging in this space.



[1] Infosys Topaz: An AI-first offering to accelerate business value

[2] https://www.investopedia.com/terms/m/middleoffice.asp

1. Lack of scale

IO in many firms consists of numerous disparate teams and processes, with many being low volume. Large scale business processes like insurance claim adjustments or mortgage processing, where the same task is repeated frequently across numerous accounts, provide standardization and scale. Processes that are bespoke or infrequent, however, are often considered easier to resolve manually; it becomes difficult to justify a substantial investment in a technology solution. Examples include handling a variety of global corporate actions, and valuation of private or illiquid securities.

2. Bespoke client servicing

In other finance businesses such as insurance or mortgage processing, these kinds of automation challenges are solved by vendors as scale can be achieved industry-wide; however, that leads to the second challenge for IO: the need for bespoke processing. Many asset managers work with clients who expect and pay for white-glove service. They want custom investment restrictions, special reporting, and other custom needs, and firms often will gladly accommodate to ensure they continue to maintain their share of AUM. Vendor products offer some flexibility but ultimately can't solve for the unique business needs of each firm with different assets, different clients, and different strategies involved.

3. Culture of risk control

The third hurdle is the role of IO as a risk control function. Traders, investment managers, and sales associates are driven by positive performance, and any automation or tech that helps them generate alpha or close deals can be seen as an opportunity worth funding. IO functions exist to control risk, ensure regulatory compliance, and prevent liability. There's an emphasis in many IO teams and functions on accountability, that an individual person is "responsible" for their assigned controls. Automation is generally deployed to get tasks done, but if the "task" is making sure a report is accurate or a rule is being followed, it can be challenging to balance the culture of risk avoidance with a desire for efficiency.

4. Disconnected Data

Data in many firms, especially larger players, is distributed, and IO operates between trading, investment analysis, investment performance measurement, and other systems without necessarily being the primary customer of those tools, it can be a challenge to build automation for IO as the necessity for tight controls, governance, and oversight combined with the challenges of getting data from numerous systems.

The Need for Innovation

While in the moment it's often quicker and easier to handle processes manually, especially given that it can be difficult to build a business case for specific automation projects, in the long term a pragmatic approach often leads to 'Ops Debt' and a need to streamline and improve.

AI offers two unique value propositions in building automation logic that can help solve the challenges IO faces:

1. A challenge in any automation program was the need to explicitly map out every permutation a process could take, and any data point a process could need. If there were exceptions or unusual circumstances, they had to be accounted for in the code or processed manually. We know our industry professionals don't operate this way, they're able to see a situation and determine a likely successful course of action based on similar cases and the general broad goals of the process. When done correctly, AI offers the chance to bridge this gap because it becomes possible to build automation logic without necessarily knowing every possibility, leveraging the fact that AI is non-deterministic and can learn by experience. It can handle ambiguity, for example, in working with tender offer documents that can vary in form and format, and can be trained to mimic understanding to extract relevant details which would be extremely difficult with pattern-matching or other automation approaches. Of course, there is the well-known risk of illogical results, what we term "hallucinations" for generative AI, but many techniques exist and will evolve to address this challenge, such as having multiple AI agents solve the same problem and looking at how their results compare (random, illogical results generally should not cause agreement). For now, human-in-the-loop (HITL) review is the main controller of AI risk in the industry.

2. The non-determinism of AI in the first bullet, however, is not suitable to applications where we need certainty, and even mitigation techniques may be inadequate in many risk-sensitive IO processes. The second benefit AI will provide is in dramatically lowering the cost of traditional automation projects. Currently, to automate a process requires advanced skillsets and/or tools, and the need for proper governance of solutions adds significant overhead. This means that even simple automation tasks involve numerous professionals and significant cost. AI allows us to potentially automate many of those steps. It simplifies development, making automation tools directly accessible to business users. For example, presently a lot of effort is spent in the back office reporting processes to extract data for ad-hoc requests from front and middle office. It requires technical skillsets (like SQL etc.) to write complex queries. However, with AI capability such as Text to SQL use case, even the operations associates can perform the tasks themselves without relying on the technical associates.

How can we re-imagine Investment Operations

A key question for all investment operations leaders has been what type of solution can be used to solve certain business challenge – *"Should we use Platform / Off-the-shelf products or workflow-based solution or AI solution?"*

The following questions can help us to arrive at an appropriate solution:

Question 1: Is it a core process or non-core process?

- If it's a core function, then we should explore fitment with available commercial products / platform

Question 2: If it's a non-core process, is the process mature?

- If the process is not mature, then we should explore workflow automation or process re-engineering etc.
- If the process is mature, then we should explore fitment with AI / Gen AI solutions

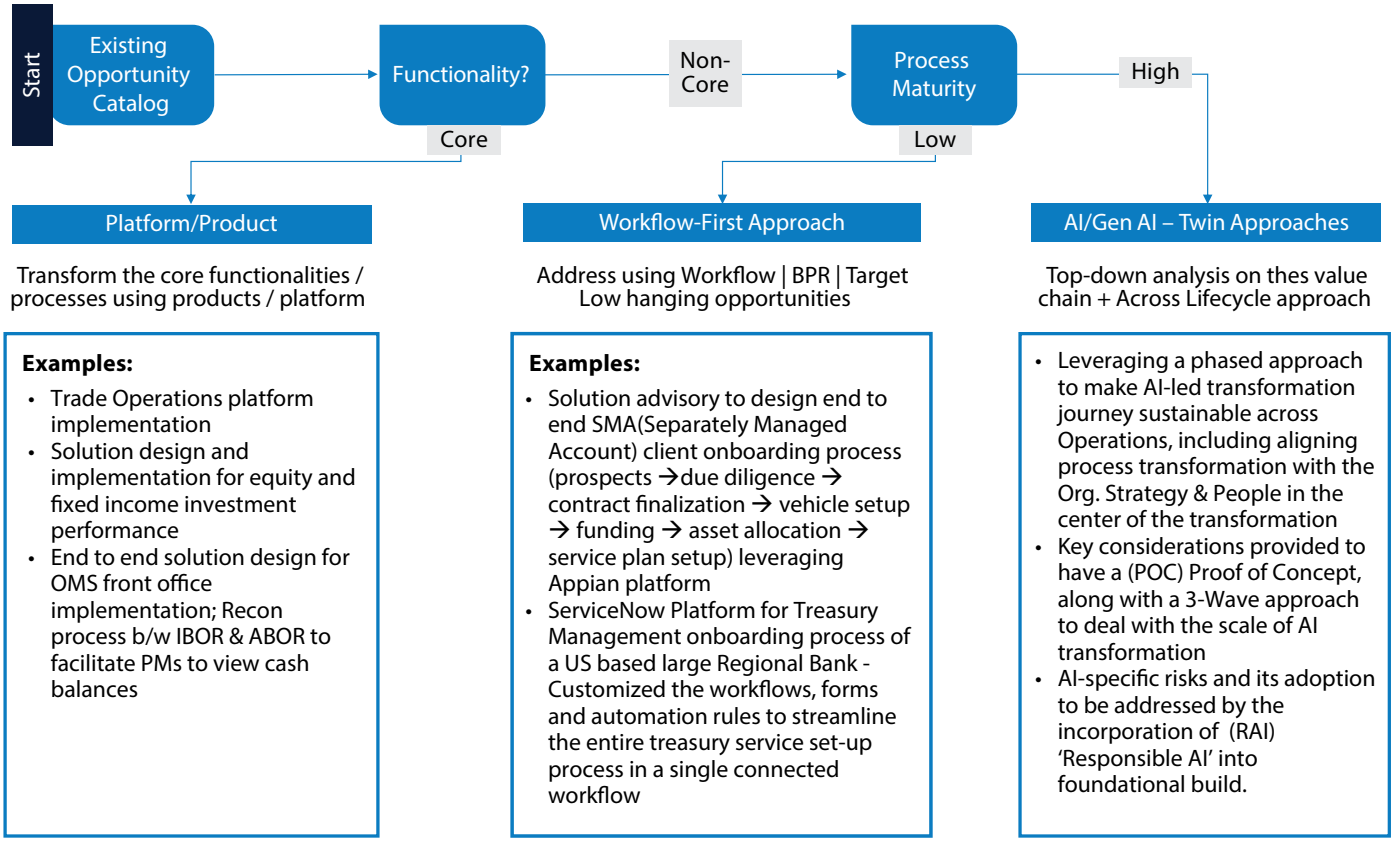


Fig 1– 2-step approach to identify transformation approach

Deep dive into AI-First approach – functional i.e. top-down v/s lifecycle i.e. horizontal

To identify suitable candidates for AI transformation, we leverage two-pronged approach –

Top-down analysis on the IO value chain to indicate amenability to AI. Such analysis will leverage Infosys proprietary AI amenability framework to evaluate opportunities.

Horizontal patterns which can cut across several processes and a bit agnostic in nature. These patterns typically are scalable and can be deployed across different functions.

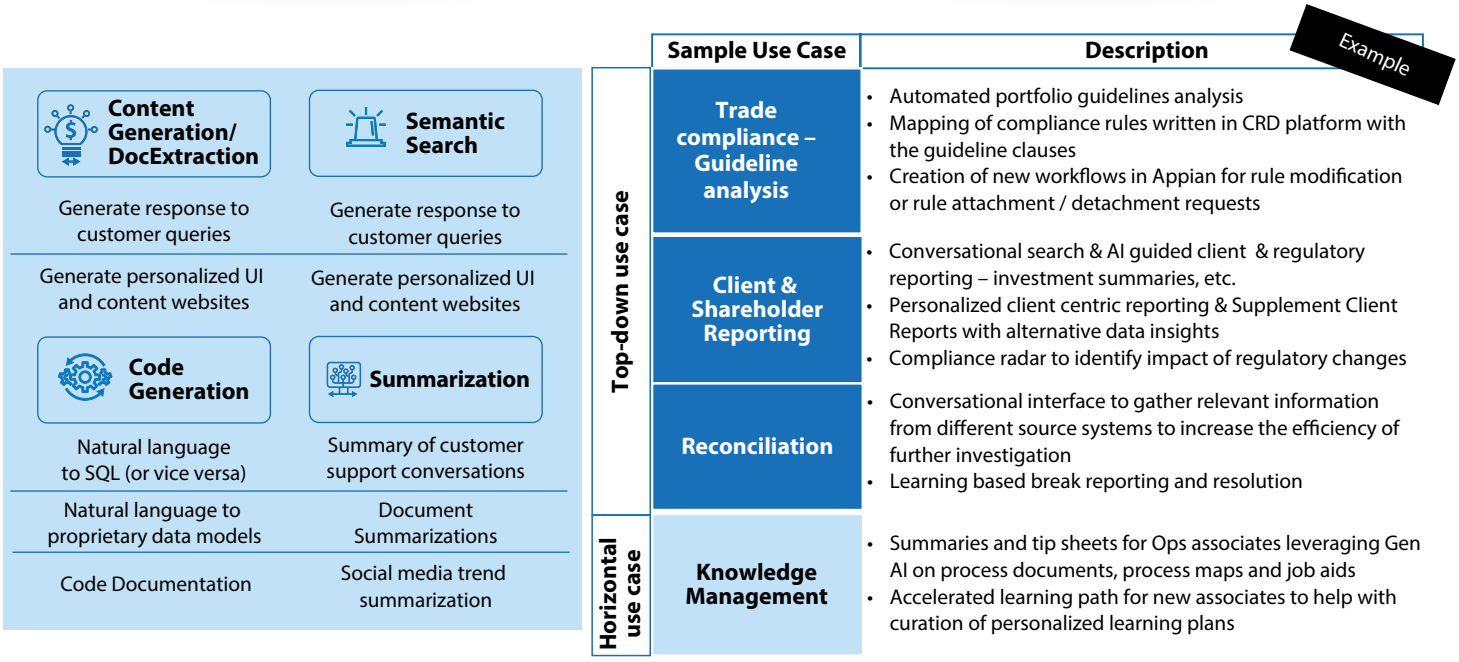


Fig 2– Sample Gen AI Use Cases for Investment Operations

Example of top-down use case:

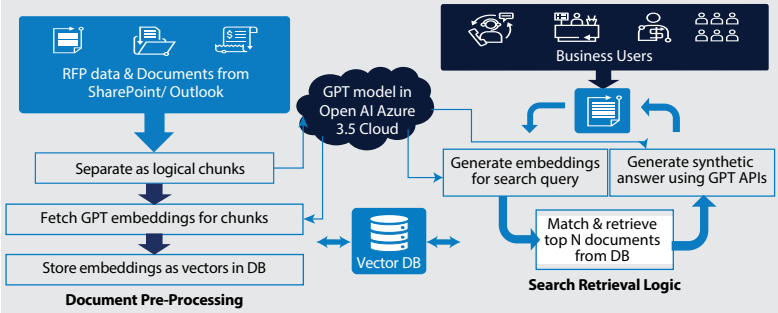
Infosys has helped a global asset manager to automate their RFI / RFP process for their client services team.

Client objectives

- Client wanted to initiate the Gen AI journey with a use case for responding to RFPs
- Current RFP system had keyword-based search on the content and users would need to search, identify information and **create answers from the same manually**
- Client objective was to **complement the RFP system with responses** as per latest documents and generate letters and **summaries** for executive review

Infosys Solution

Implemented semantic search model and integrated with MS Word / PowerPoint to embed the results



Building Gen AI foundational capabilities

Partnering with client's Gen AI core team to develop key capabilities like:

- Implementing **Azure AI environment for Use case**
- Chatbot integrations & Exploration of Gen AI capabilities for cases such as **text to SQL (complement data pulls)**

Benefits for client

- **Document search accuracy improved by 50-60% using Semantic search**
- **RFI response time reduced by 20-25% with auto-generated content**

Fig 3 – Success Story – Applying AI in RFI/RFP process

Example of horizontal use case:

Infosys has helped global asset managers to reimagine end-to-end Investment Compliance lifecycle.

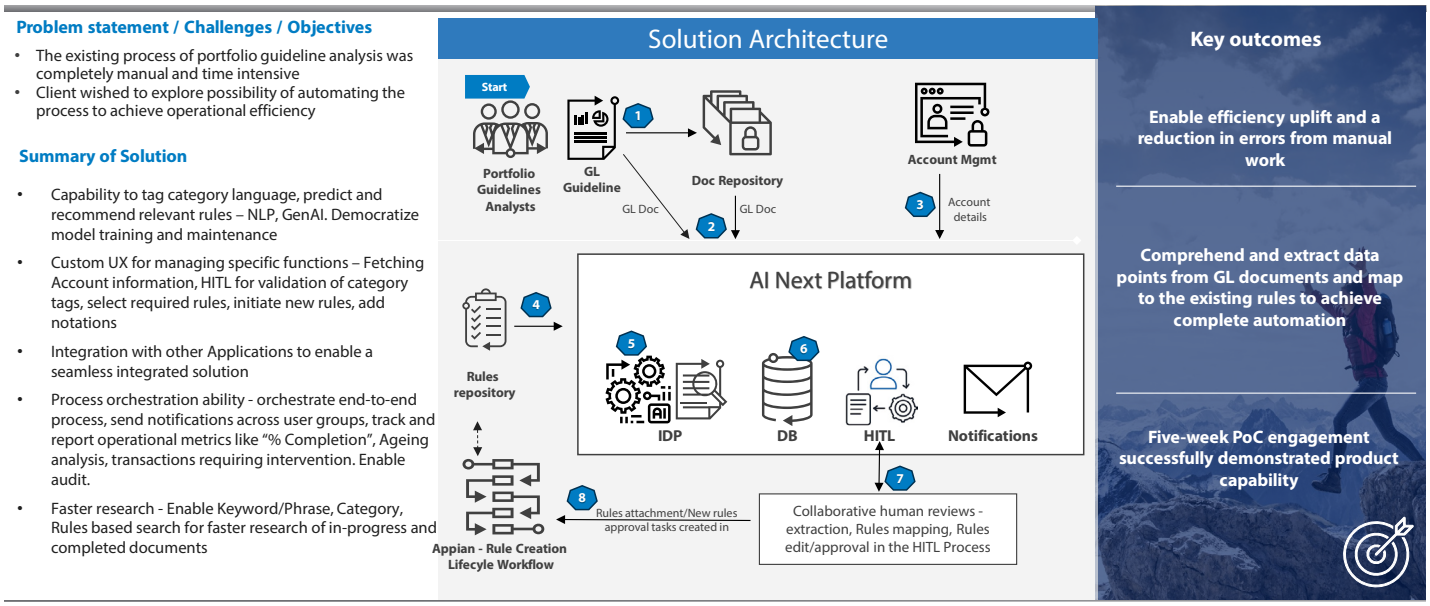


Fig 4 – Automation of Investment compliance process

How Do We Evaluate and Qualify Opportunities?

Given the challenges in IO processes, how do we identify the best ways to move forward?

We advocate an approach that focuses on building capabilities first, build standardized patterns before solving specific use cases. As many IO automation opportunities lack massive scale and need robust risk controls, it's important to figure out generally how we can solve common problems, especially how to connect AI agents to sensitive data in a secure way.

knowledge management

- storing and searching through policies and procedures
- creating and managing knowledge graphs to link data and speed access to questions

chat interfaces

- providing an easy to use chat based interface where associates can interact with AI agents
- Ideally should go beyond basic chat by interfacing with data and knowledge in the organization

document extraction

- working with unstructured or plain text data from documents
- reading content from PDFs (client forms, contracts, agreements, orders, corporate actions, etc.)
- Working with complex documents that have legal language, tables, and inconsistency

data automation

- allow AI agents to interface with data accross the organization
- build robust and secure patterns for AI to ensure it knows who the user / requestor is, and what they're authorized to ask
- build secure patterns connect AI interfaces to APIs of different tools and systems

A typical approach our clients take is to start by mapping out potential use cases, using that to drive the decisions on investment in tools and capabilities.

Conduct an internal roadshow of what AI can theoretically do	Ask staff to submit ideas	Collaborate with leaders to identify broader, value chain opportunities	Groom use cases to remove any that don't need AI or don't align with org strategy at this time	Classify use cases by capabilities needed to solve	Rank which capabilities enable the most use cases or highest priority use cases, and start there

Beyond ROI and hours saved, it can be important to consider additional factors when evaluating the priority of use cases:

Broad impact: will the use case affect many staff in a noticeable way? It's often useful to prioritize getting all staff to see a positive impact to their daily work, to help drive excitement and adoption.

Risk control: even if the use case does not save much time, does it enable more robust risk controls that reduce the likelihood of breaches or provide additional checks?

Growth enablement: there may be tasks, such as KYC/AML, that have a limited time savings today, but are bottlenecks to growth. Saving time in these processes may unlock growth without the need to scale headcount.

Key staff reliance: One of the great benefits of modern AI tools is democratizing access to information, allowing knowledge that previously required experience to become more accessible, so tasks that required senior / experienced staff can be performed by more junior staff to the same level of competency. Linking a chat interface available to all associates to a well managed knowledge repository is a great example of how to enable this benefit.

AI Implementation

For many firms, applying AI in practice is still an emerging area with some barriers to seamless implementation. Common challenges are data access, and proper governance of tooling.

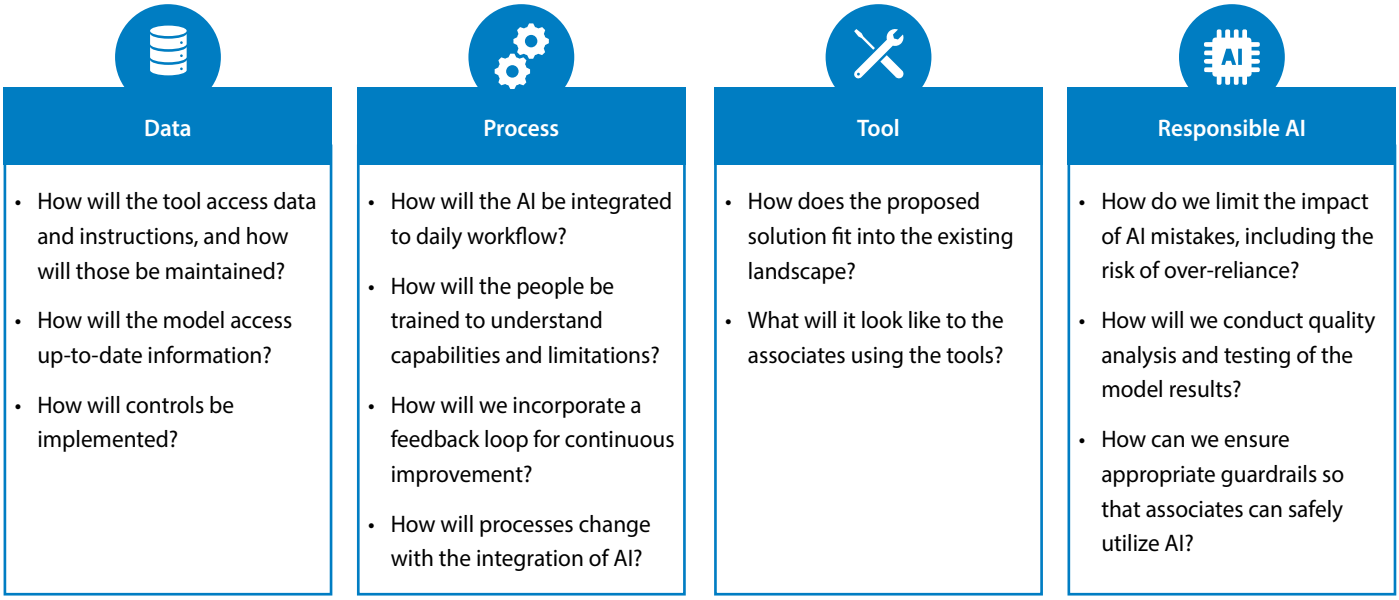


Figure 5 – Key Considerations in AI Implementation

A key question for Investment Operations leaders is how to adopt AI in the near term. While the long-term vision includes fully automated workflows and AI-assisted associates focused on design and exceptions, this paper emphasizes what's achievable in the next few years.

Today, AI (especially generative LLMs) offers practical capabilities in handling unstructured text, reasoning, and insight extraction. These strengths enable use cases like document parsing, knowledge management, and summarization.

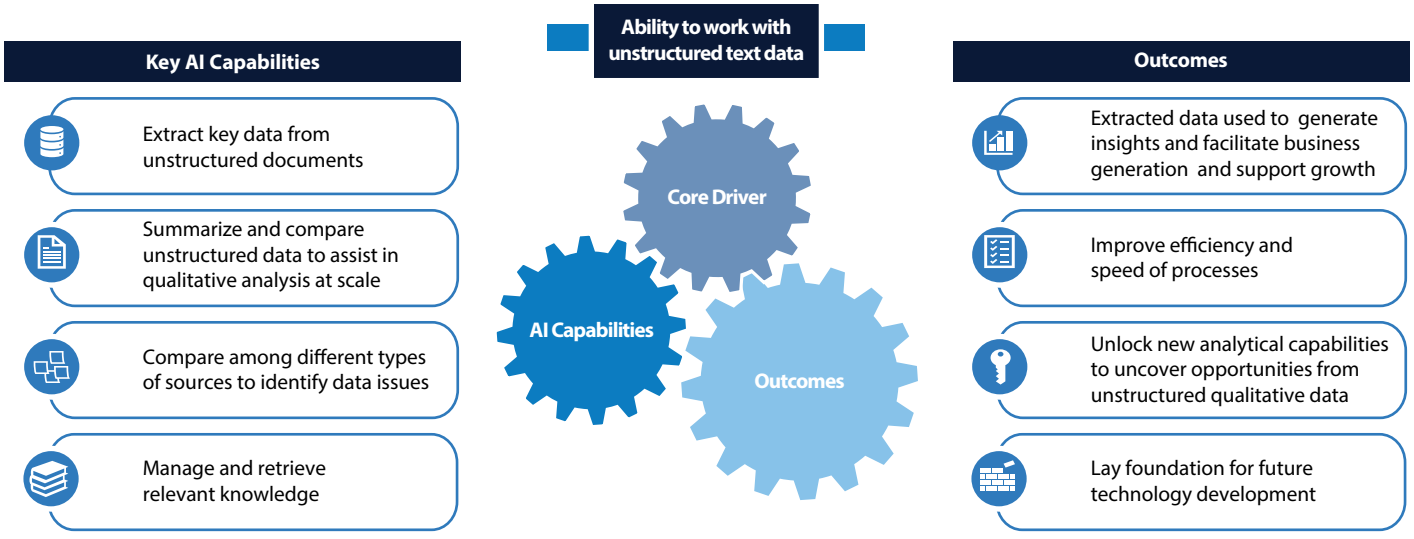


Figure 6 – Key AI Capabilities We Can Leverage Near-Term

Very often, discussions around AI focus on the farther future, or on the most exciting, cutting-edge capabilities. While it is important for leaders to keep abreast of the latest developments and look ahead, the tried and true solutions are the most likely to provide value in the short term, and be reasonable to implement without excessive overhead.

Infosys has helped a Global Asset Manager to develop AI strategy and capability for a global Asset Manager

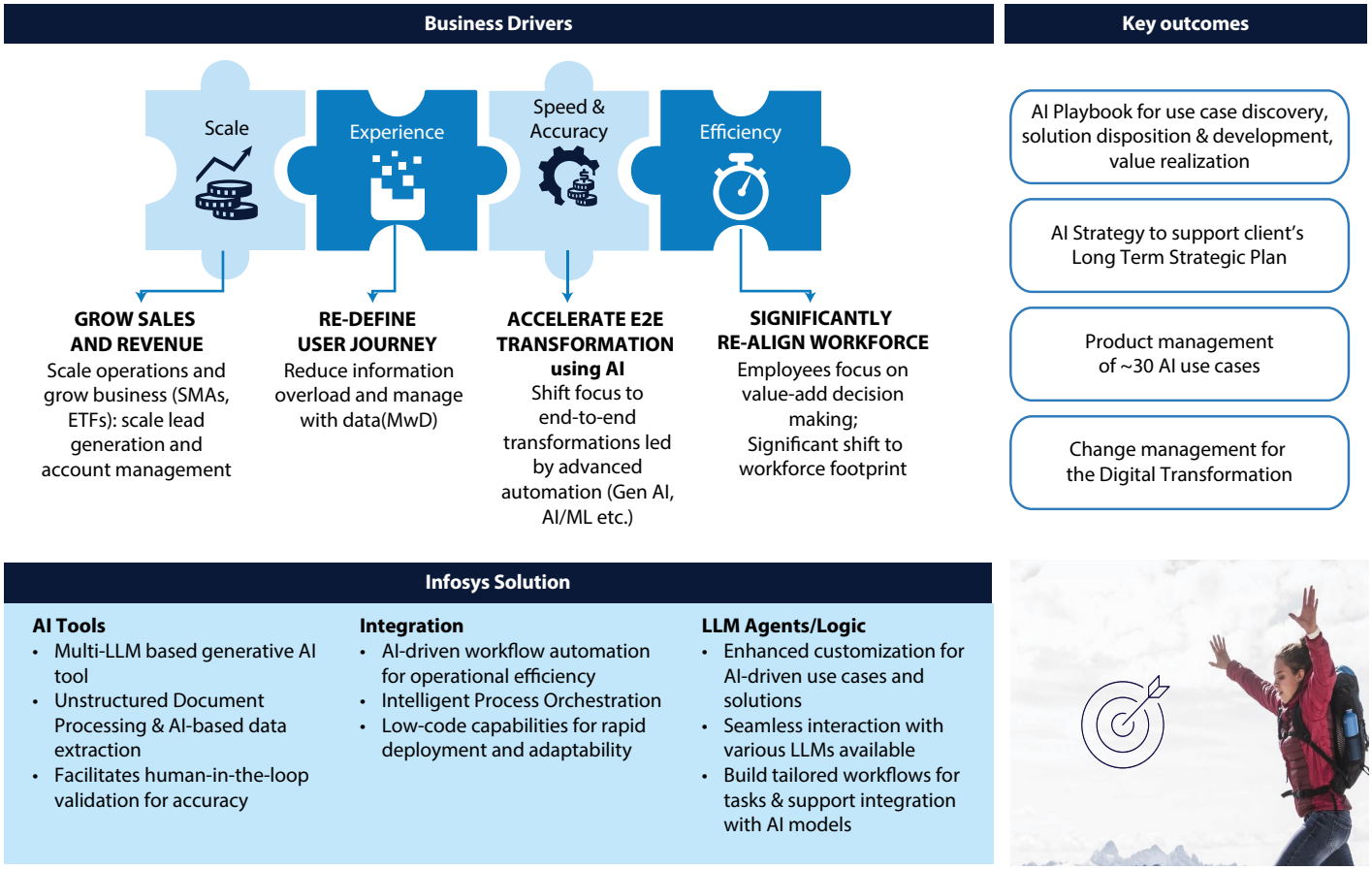


Figure 7 – Success Story - Applying AI in Investment Operations

Conclusion

AI is rapidly being experimented with by Financial Services firms across the globe. While some players are at the forefront of the transformation journey, others are still at the experimentation stage, carefully evaluating the benefits against the intrinsic risks. Infosys has harnessed technology to drive transformative change for clients worldwide. Across industries, we have identified and successfully implemented AI-driven solutions, enhancing business efficiency and innovation. In the asset management sector, we have deployed a range of AI-powered use cases tailored to optimize operations. To explore, define, and implement these opportunities, please reach out to the authors listed below.

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