

## Message from Paris

Now in its tenth year, The Network Forum (TNF) continues to go from strength to strength.

Having held events in Athens, Warsaw, Vienna, London and Madrid, it was now the turn of Paris to host this year's Annual Meeting. Set against unprecedented geopolitical and market volatility, rising concerns about Artificial Intelligence (AI) risks, and fast-paced post-trade transformation, experts from leading global banks, FMIs, consultancies, tech companies, and industry associations gathered at TNF to share their perspectives.

### Choppy Politics, Choppy Markets

TNF's existence has been punctuated by some milestone events: from The Hong Kong demonstrations, Covid lockdowns, through to the Wars in Ukraine and Iran, Trump 2.0, and the meteoric rise of AI.

Sixteen months into Trump 2.0, his second Presidential stint has been full of headline grabbing milestones, marked by Liberation Day tariffs, the ousting of Venezuela's president, threats to occupy Greenland and turn Canada into the 51<sup>st</sup> state, and, most recently, starting a war with Iran.

Trying to understand President Trump's foreign policy doctrine is not easy, but one speaker at TNF gave some possible insight. Just as the *Financial Times* coined 'TACO' or "Trump Always Chickens Out", a pejorative term used to describe the President's tendency to make threats only to renege or forget about them, the speaker said "SWING" captures the US government's current foreign policy quite well too. The Trump SWING works as follows, he said. The President makes a **S**hocking statement, only for it be followed by **W**avering, **I**nflation, **N**egotiation, before it all **G**oes silent.

It is not just geopolitics which are behaving erratically, so too are markets. Speaking privately, one attendee said you did not need Margot Robbie sitting in a bathtub to explain that something is awry in equity markets. After all, TNF ended just a few days before SpaceX's record-breaking IPO, a company whose \$2 trillion + valuation depends on it one day delivering a fully reusable Starship capable of reaching Mars, as well as orbital AI data centres and asteroid mining.

A speaker warned that the US economy is both heavily correlated and reliant on a very small cohort of big tech companies. They added that AI infrastructure and data centre capacity spending is accounting for roughly half of US GDP growth, and given the scale of circular investment in AI, a hard landing looks increasingly likely.

### Post-Trade turns to AI

AI may be a bubble on the cusp of bursting, but post-trade is still embracing the technology.

By accelerating AI adoption across previously inefficient or archaic processes, financial institutions are looking to obtain productivity enhancements and cost benefits. A TNF straw poll found 34% of firms said AI and automation will replace manual operations in their businesses over the next five years, whilst another audience survey revealed 54% of organisations are currently using AI in client servicing and operations, 40% in risk management, compliance and fraud/AML /anomaly detection, and 27% for reconciliation and exceptions management.

Despite AI's potential, the technology is not without its challenges.

Cost is perhaps the biggest barrier to AI adoption. AI may unlock all sorts of productivity benefits, but tokens are not free. In fact, a speaker said some of the agentic AI models are eye-wateringly expensive, as the Uber CFO recently discovered after engineers at the ride-hailing app exhausted the company's AI budget in just four months. This raises questions as to whether post-trade providers should be using expensive agentic AI for rudimentary tasks when basic AI models or automation can do the job just as well.

As custodians of highly sensitive data and assets, TNF participants raised concerns about AI-related cyber risks, particularly after Anthropic's Claude Mythos recently identified vulnerabilities across multiple operating systems and web browsers. Fears about client-facing AI-enabled chatbots are also running high, especially following the news that hackers cajoled Instagram's AI support tool into giving them unauthorised access to other users' accounts.

On a cheerier, albeit slightly contrarian note, The Value Exchange, in its recent survey, has revealed that most people in the industry do not view AI as being a risk to their careers. In fact, 71% of people see AI as a motivating factor (unlike hot-desking) and not a threat.

Adoption of AI in the workplace could have some adverse long-term consequences, however. One speaker cautioned that the temptation to farm out tasks or critical thinking to AI is exacerbating knowledge drain across the industry. And just as people failed to grasp the negative impact of excessive social media use until it was too late, another panellist warned the industry (and society) against falling into a similar trap with AI.

### **Digital Assets - still a Hot Topic**

Digital assets continue to be a recurrent theme at TNF.

While some in the industry see digital assets, such as crypto-currencies, as an additional return stream or diversification tool, speakers at TNF believe tokenisation will be where the real value lies. Through real-time collateral mobility, experts argued financial institutions will benefit from lower balance sheet capital requirements, reduced liquidity buffers and quicker settlements.

Many panellists also said trad-fi and de-fi will continue to co-exist for some time to come, but the market does need to become more standardised if the growth is to be assured. Given the potential revenue upside, it should not come as a surprise that many of the industry leaders at TNF are ramping up their crypto-custody and digital asset servicing capabilities.

### **European Market Reforms : An Update**

Efforts to achieve closer market integration in the EU are ongoing, albeit with mixed success.

Despite its new name, the EU's Savings and Investments Union (SIU), formerly the Capital Markets Union (CMU), appears no closer than its predecessor to encouraging EU household savers to invest or reducing market fragmentation. Attendees at TNF are certainly sceptical about SIU. Just 12% of people told a TNF poll that SIU will force real change, whereas 69% reckon it will only have partial success, due to the prevailing national interests among member states. Nineteen percent meanwhile described SIU as nothing more than a PR rebrand.

T+1, due to take effect in Europe on October 11, 2027, is creeping up on the industry.

Here, the news is a little bit more encouraging. Although not a single person said they are fully prepared for T+1, 61% of those surveyed by TNF noted their firms are making steady progress. Buy-siders appear to be lagging behind the rest of the industry with some institutions wrongly believing T+1 is a problem for custodians and brokers only. When fines start accumulating and counterparties stop trading with them, attitudes may begin to change.

Despite the industry constantly banging the drum about automation, just 15% of firms said legacy technology is their biggest obstacle to T+1, with 52% blaming the lack of readiness at their intermediaries or vendors.

Although T+1 is still more than 16 months away, the industry is already looking ahead to T+0, with 69% of TNF poll respondents expecting Europe to transition again in the next five to seven years.

### **Getting the Next Generation into Custody**

According to a BBC careers survey conducted in 2025, UK teenagers want to become doctors, engineers, teachers, vets and police officers, and they want to work for organisations like the NHS, Google, Apple, NASA and Tesla. Financial services, let-alone custody, did not make the cut.

Winning over the next generation of talent will require firms to make some adjustments. At a minimum, the custody industry must do more to engage undergraduates and explain its role, whilst some of TNF's rising stars called for better on the job training and flexible home working.

Convincing prospective graduate recruits to work in post-trade may be a tough sell if any of them happen to chance upon a copy of The Value Exchange's latest report.

In a presentation, The Value Exchange highlighted a number of challenges in the workplace. Whilst 75% of people on the buy-side are happy with their career, 67% of individuals at FMIs said the last 12 months has been worse than expected.

The Value Exchange's presentation added that 1/5 people are struggling with their current functional role, two-fifths are trying to come to terms with why the work, and one in five people is demotivated by their manager. This apathy seems to disproportionately impact women and those in the middle of their careers, namely everyone aged between 31-50.

A further 30% said this is because they do not have the right tools to do their job, whilst a lack of promotion opportunities is also a factor.

***After a brief summer interlude, TNF will return for its autumn roadshow of regional meetings, starting in New York for the TNF Americas Meeting on October 22, before heading to Muscat on November 2-3 for the Middle East Meeting, and concluding the year in Singapore for the Asia Meeting on November 16-17.***

