BNY

In collaboration with

The ValueExchange

THE CUSTODY EDGE: CONNECTING MARKETS, ASSETS & INTELLIGENCE

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FOREWORD

The Evolving Role of Custody

"Custody is no longer all about safekeeping assets. It's about providing simpler ways to operate across increasingly complex portfolios and markets and creating better intelligence to inform faster, smarter decisions – so clients get more from every asset."

Emily Schlosser
Head of Global Custody Business, BNY

Custody has always provided the operational foundation on which investors depend. As portfolios become more global and time-sensitive, and investable asset classes continue to broaden across traditional, digital, private and others, that foundation is becoming more consequential. Each new market or asset class introduces dependencies across accounts, currencies, funding, settlement, servicing and data.

Where those elements remain fragmented, value can be eroded through excess prefunding, idle cash, higher foreign-exchange and funding costs, delayed tax recovery, underutilized collateral and missed investment opportunities. Access to growth therefore depends on operational readiness as much as investment strategy.

The custodian is increasingly the connective layer across these dependencies. By combining asset safety, scale, resilience and balance-sheet resources with connected data, interoperable infrastructure and operational intelligence, custodians can help investors extend consistent controls across an expanding range of investable assets, improve the use of capital and make better-informed decisions across the investment lifecycle.

"Custody isn't commoditized anymore. It's moved beyond simply safekeeping assets and settling trades."

Josh Lavender
Global Head of Consultant Relations, BNY

Traditional custody measures, including asset safety, processing accuracy, service levels and transaction costs, remain essential. However, today's definition of custody must also be based on the speed of market entry, the level and duration of prefunding, the performance of collateral and securities-lending utilization, settlement-failure mitigation and the timeliness and intelligence of portfolio data.

Drawing on interviews with leading market specialists and The ValueExchange data, we wanted to examine three ways in which the role of custody is evolving:

1. **Operational excellence within an expanding investment universe:** Extending rigorous standards of asset safety, processing and oversight and the increasing importance of interoperability across traditional, emerging-market, private-market and digital assets.
2. **Turning portfolio visibility into financial value:** Connecting data across assets, cash, collateral and obligations to reduce costs, improve mobility and make more capital available for investment.
3. **Turning data into operational intelligence:** Using connected data, specialist insight and AI to identify risks, inefficiencies and opportunities proactively.

In short, custody is now a holistic solution across the investment lifecycle, with clear value for investment performance.

OPERATIONAL EXCELLENCE WITHIN AN EXPANDING INVESTMENT UNIVERSE

"Our scale, connectivity, breadth, and innovation allow BNY to handle the complexities that arise as markets evolve. That means our clients can focus their energy on generating alpha while BNY takes care of the rest."

Emily Schlosser
Head of Global Custody Business, BNY

Every investment decision creates operational dependencies that can introduce points of friction throughout the investment lifecycle, from delayed trade matching and settlement to idle cash, collateral committed earlier than necessary, slow tax reclaims, and subscription or redemption processes that tie up liquidity longer than expected. If an investor's operating model fails to identify and address these inefficiencies, value can be silently eroded through higher costs, constrained liquidity, missed investment opportunities and increased risk.

These frictions are not new, but their potential impact is increasing as investors allocate more capital across emerging and frontier markets, digital assets, private markets and ETFs.

Each introduces distinct infrastructure, liquidity, regulatory and servicing requirements, meaning that operational complexity can grow faster than the portfolio itself, increasing the importance of connected data, automation and AI in achieving consistent and high-quality oversight.

For investors, the challenge is to access these new market opportunities without allowing added operational complexity to reduce the time available for investment decisions, increase costs or weaken asset protection. Emerging and frontier markets and digital assets provide two contrasting examples of how this challenge is reshaping the role of custody.

"Great custody means seamless, consolidated, global access. To make India look like Brazil. Equities like Mutual funds. Minimizing the frictions in every case."

Matthew Bax
Head of Commercial, Asset Servicing, BNY

EMERGING MARKET INVESTMENTS	DIGITAL ASSETS	PRIVATE MARKETS	ETFS
+33.6%	**$3.6T**	**$15T**	**$23.11T**
Average performance growth of emerging markets in 2025, outpacing the US for the first time since 2017.[1]	Projected market cap of stablecoins, digital money market funds and tokenized deposits by 2030.[2]	Total AUM invested into private markets today (doubling in size over the last five years).[3]	Record global ETF AUM, with net YTD inflows reaching a record $1.71T in July 2026.[4]

1.1 Unlocking Emerging and Frontier Markets

Market friction is the cost, delay or risk created when local rules, infrastructure and operating practices differ from an investor's standard operating model. In emerging and frontier markets, it can arise from account-opening requirements, foreign-exchange controls, settlement structures, tax processes, asset-servicing practices and regulatory change.

As allocations to some of the world's fastest-developing regions grow, these individual challenges can multiply across the portfolio. The result can be higher operating and funding costs, constrained access to cash and assets, delayed investment decisions and additional risk.

From Africa to Asia Pacific or from Latin America to the Middle East, specific market practices create a daily opportunity for investment performance to be eliminated by one false move. An incomplete account opening form in beneficial owner markets, a poorly effected FX transaction in a restricted currency or an unexpected regulatory change can mean added costs or lost returns that far outweigh hard-earned portfolio returns for the quarter. Across an emerging market or frontier market portfolio, these issues can multiply to create a cumulatively negative performance on the fund, based on the following factors:

Areas of Operational Complexity	How Friction Erodes Value	How the Custodian Can Help
Market Entry & Account Structures	Delayed market access and missed investment opportunities, inadequate asset segregation or recoverability, tax-inefficient account structures	Accelerates market entry and establishes account structures that support asset protection, recoverability, netting and tacurrencx efficiency
Cash & Currency Requirements	Excessive prefunding, idle cash, suboptimal FX execution and slow repatriation reduce liquidity and investment returns	Aligns local funding and FX execution with market requirements to improve cash utilization, reduce avoidable costs and increase the time capital remains invested
Settlement Infrastructure & Cut-Off Times	Early cut-offs reduce the time available for investment decisions, while gross settlement can increase transaction and funding costs	Provides market-aligned deadlines and settlement arrangements that give investors more time to act and reduce unnecessary funding requirements
Tax & Regulatory Obligations	Excess withholding tax and delayed or unsuccessful tax reclaims reduce net investment returns	Supports tax-efficient account structures, complete documentation, timely recovery and connectivity with local authorities
Corporate Actions & Income Processing	Missed deadlines, delayed information or incomplete income collection can result in lost value, foregone entitlements or poorly informed election decisions	Provides timely event information and processing, supporting informed elections, accurate entitlement management and complete income collection

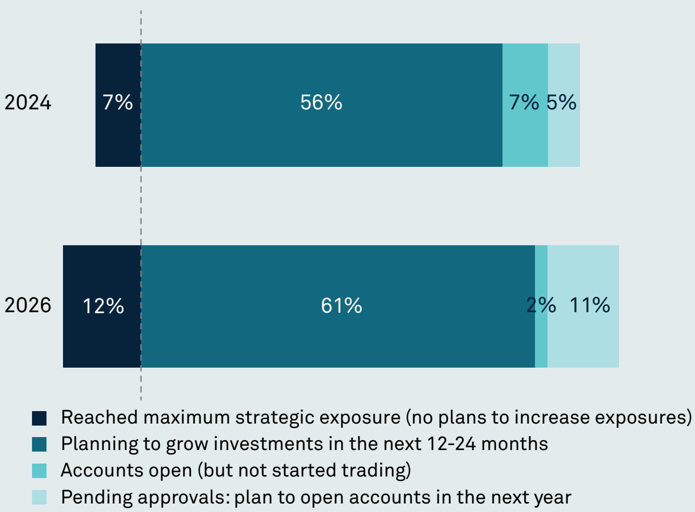
Areas of Operational Complexity	How Friction Erodes Value	How the Custodian Can Help
Data, Reporting & Oversight	Incomplete visibility can leave assets idle, unnecessarily encumbered or unavailable for investment or financing	Provides a consolidated view of assets, cash and obligations, helping investors identify risk, inefficiency and opportunities for greater utilization
Local Market Connectivity	Regulatory and market-practice changes can increase costs, interrupt existing processes or require operating models to be revised	Monitors local developments, adapts operating models and communicates investor requirements to market authorities and infrastructure providers

An effective custodian can help investors navigate the operational complexities of emerging and frontier markets by improving access to assets, cash and timely information. In doing so, they can mitigate the costs and risks associated with market friction and help investors make the most of the opportunities these markets present.

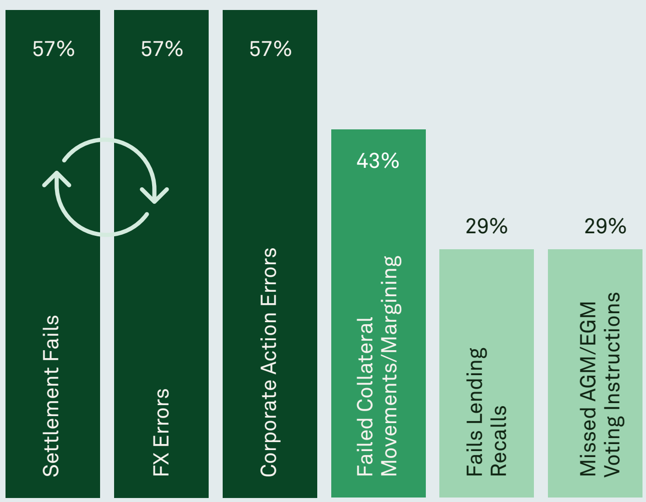
How Market Frictions Impact African Investment Flows

In 2026, 61% of surveyed global investors with plans to invest in Africa expected to increase their exposure. Previous data showed that 57% of respondents identified foreign-exchange errors and settlement fails as areas in which error rates remained unnecessarily high.[5] These constraints can lead investors to impose investment caps or additional risk allowances, limiting their ability to expand in otherwise attractive markets.

61% of investors want to grow their African investments...



...but 57% are facing critical frictions in FX & settlements



1.2 Unlocking Digital Assets

"We're here to help insulate our clients from complexity. A custodian's job is to help ensure that we can unify, standardize and transform a client's data to give them a seamless service – giving them that single point of entry and a harmonized service across traditional and digital assets."

James O'Sullivan
Global Head of Custody Product and Strategy, BNY

With more than 7% of the world's population now holding digital wallets,[6] investors today are confronted with a complex profitability analysis: unparalleled levels of CAGR and investment returns from a growing array of digital asset classes, offset against a new generation of costly, yield-reducing challenges that are evolving at a rapid pace.

Digital assets illustrate how the role of the custodian is evolving. Safekeeping and asset protection remain fundamental, but new networks, counterparties and settlement models require custodians to extend consistent controls and oversight beyond traditional market infrastructure. Investors also need a consolidated view of their holdings across traditional and digital ecosystems.

The operating model cannot simply duplicate existing inventory, reconciliation, funding and control processes for every new digital asset or network. By connecting traditional and digital infrastructure, an effective custodian can reduce duplication, support activity outside traditional market hours and improve the mobility of assets and cash across the portfolio.

In practice, this extends the custody model in three directions:

1. Traditional standards of safekeeping and asset protection must be applied across digital networks, counterparties and settlement models
2. Record-keeping and reconciliation must provide a consistent, holistic view of traditional and digital holdings
3. Processing and funding capabilities must support greater mobility between assets, cash and liquidity pools outside conventional market windows.

"Everything starts with custody. The opportunity is not simply to store digital assets, but to give them mobility and connect the traditional ecosystem with the new digital one."

Ralf Roth
Global Head of Digital Asset Custody and Future of Trading, BNY

Digital Assets: Safekeeping & Scale

SAFETY & OVERSIGHT

Investors require bank-grade safekeeping and consistent oversight across digital networks, counterparties and traditional assets.

BNY provides custody capabilities for selected cryptocurrencies, including USD Coin (USDC), Solana, Bitcoin and Ethereum, and acts as reserve custodian for USDC.

SCALE: A UNIFIED EXPERIENCE

A unified operating and data framework can give investors a more consistent experience across cryptocurrencies, tokenized funds, stablecoins, deposit tokens and traditional securities.

BNY is connecting digital custody with transfer agency, stablecoin enablement, payments and traditional asset-servicing capabilities.

1.3 Interoperability Across Traditional, Private and Digital Asset Ecosystems

The future of global settlement will not be defined by one market structure or one technology stack, but by the ability to connect across them with resilience and control. Interoperability is the defining structural challenge in custody; today's infrastructure is disjointed because it has had to accommodate not just rapid change in traditional ecosystems, but also, alongside it, the transformation required for private and tokenized assets, and digital cash and collateral.

Interoperability is the key to scaling innovation across these asset types, allowing traditional, private, tokenized and digitally-native assets to coexist without multiplying operational complexity or forcing clients to maintain separate oversight and control frameworks.

This is not simply a technology issue. A strong custody model should provide a consistent framework across traditional markets and emerging digital ecosystems alike, linking existing and new infrastructures in a practical way and applying a common, robust risk and control framework across them. Within that framework, AI can help institutions manage growing operational complexity by improving exception handling, pattern detection and responsiveness across fragmented processes. This is how tokenization, shorter settlement cycles and AI-enabled processes can create real value rather than simply introducing new silos.

Custody can play a distinctive role, enabling access and asset safety, alongside consistent servicing, lending, liquidity and actionable information. When done well, such connective custody can translate into real value informing investment outcomes, helping to generate operational alpha, and supporting scalable innovation and resilience.

As allocations to emerging markets and digital assets grow, the operational challenge is not simply gaining access. It is extending consistent standards of safety, data and liquidity management without creating parallel infrastructure or allowing additional complexity to erode returns. This is where the custodian's traditional foundation and evolving connective role come together.

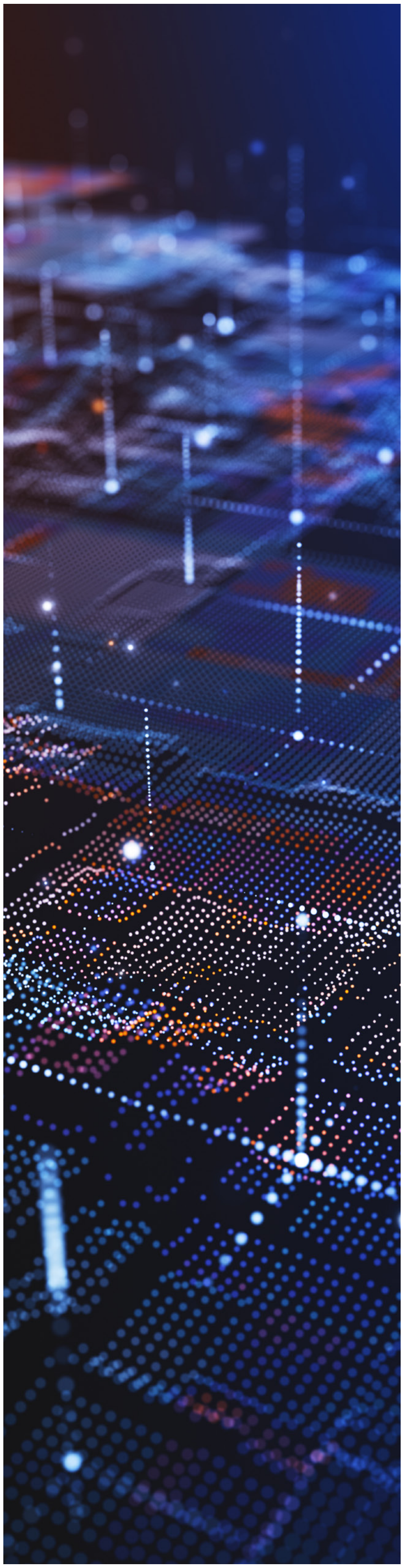
Accelerating Towards a Global Future

BNY's Digital Assets Custody platform is an extension of our leading traditional custody infrastructure. Our robust platform is built with institutional-grade guardrails around risk management, safety and security. Custody is the cornerstone of our digital asset strategy, enabling innovation across tokenized collateral, digital payments and more.

These capabilities combine strategic collaborations and regulated infrastructure to help clients move forward without compromising on trust, controls, efficiency or resilience.

- Provides the secure custody of digital assets and currently supports Bitcoin, Ethereum, USD Coin and Solana for U.S.-domiciled institutional clients, with plans to expand to other jurisdictions.
- The first and only U.S. global systemically important bank (G-SIB) to offer Digital Asset Custody.*
- The platform in Europe is operated within the Markets in Crypto-Assets Regulation (MiCA) framework.
- Recently announced a strategic collaboration with Galaxy, a global leader in digital assets and data center infrastructure, to further advance digital asset infrastructure for institutional markets. This includes support for staking, a process that allows eligible digital assets to earn rewards. This collaboration brings together Digital Asset Custody and staking within a single institutional servicing model.
- Announced in May 2026 a strategic collaboration with Finstreet Limited (a digital market infrastructure group) and ADI Foundation (an Abu Dhabi-based sovereign-grade blockchain infrastructure organization) to support the offer of regulated, scalable, institutional-grade digital asset custody anchored in the Abu Dhabi Global Market, marking a significant step in the region's digital finance advancement.

*Until the launch of a crypto assets custody offering in the U.S. by another G-SIB or global systemically important financial institution (G-SIFI).



TURNING PORTFOLIO VISIBILITY INTO FINANCIAL VALUE

"BNY views custody as more than a traditional function; it is a data transformation hub that unifies clients, markets and post-trade services through real-time, canonicalized information."

Ryan Cuthbertson
Head of Global Enterprise Custody Services, BNY

As portfolios expand across more markets, asset classes and providers, investors must connect a growing number of counterparties, platforms and data flows. Where those connections rely on different formats, definitions and operating timetables, the result can be delayed decisions, duplicated infrastructure, additional reconciliation, and an incomplete view of portfolio assets and obligations.

A connected view of positions, cash, collateral, settlements and servicing obligations can reduce unnecessary prefunding, reveal deployable assets, support earlier exception management and improve the allocation of capital across the portfolio.

The financial value of data connectivity therefore comes through four principal outcomes:

1. Lower operating and funding costs
2. Greater utilization of assets and cash
3. Additional revenue opportunities
4. Reduced exposure to operational disruption

2.1 Creating a Connected Portfolio View

Every additional market, asset class, network or service provider can introduce another data feed, reconciliation process and set of operating deadlines. When definitions and update times differ, investors may be forced to maintain multiple connections, and reconcile several different records and base decisions on the slowest or least complete source of information.

Greater visibility has value only when it changes an investor's ability to act.

> "The problem with bad custody is that you have to set your infrastructure around the weakest link, not the best. This means building around the worst or slowest cut offs and standards – and there is a cost to that."
>
> Matthew Bax
> Head of Commercial, Asset Servicing, BNY

A connected custody model can harmonize those inputs into a consistent view of assets, cash and obligations. However, this does not create value simply by making information easier to see. It creates value because earlier and more complete information allows the investor or custodian to change how capital is funded, protected, mobilized or reinvested.

Yet these benefits depend on both data quality and network design. A global custodian may provide the consolidated view, but the underlying information still originates across brokers, market infrastructures, local custodians and other providers. The speed, consistency and resilience of those connections therefore affect the financial value that the investor can derive from the data.

Source of Fragmentation	What Connected Visibility Changes	Potential Financial Value
Connectivity & Reconciliation	Creates consistent definitions and a consolidated view across counterparties, markets and asset classes	Reduces duplicated interfaces, manual reconciliation, exception handling and associated operating costs
Cash, FX & Settlement Funding	Provides earlier and more complete visibility into cash obligations, currency requirements and settlement timing	Reduces unnecessary prefunding, idle cash, emergency borrowing and avoidable FX costs
Collateral & Securities Inventory	Identifies eligible and available assets across accounts, providers and locations	Improves netting, substitution and asset utilization while expanding securities-lending and financing opportunities
Settlement & Asset Servicing	Identifies exceptions, deadlines, election points, income and tax obligations before they become failures, missed events or delayed entitlements	Reduces settlement penalties, failed-trade costs, missed income, delayed tax recovery and manual remediation
Operational Risk & Resilience	Makes dependencies, concentrations and alternative providers more visible across the network	Reduces the potential cost and duration of disruption, emergency transitions and loss of market access

> "Our platforms gross settlement value every day is about $3.3 trillion... roughly 20% of the world's investable assets run through BNY infrastructure. Operational decisions made at that scale are investment decisions."

Ryan Cuthbertson
Head of Global Enterprise Custody Services, BNY

Connecting Local-Market Data Across the Custody Network

Since Q1 2024, BNY has worked with local-market providers to supplement traditional communication channels, such as SWIFT, with more timely and detailed information on trades and accounts. The objective of this program, named Information Architecture, is to improve data consistency, reduce latency and give clients earlier visibility into activity and exceptions across the custody network.

The program also makes digital connectivity and investment capacity part of BNY's network-selection and oversight criteria. By reducing manual consolidation and reliance on the slowest provider, stronger integration can lower oversight costs and allow operational issues to be identified earlier.

> "It's all about sources and uses. Knowing where your securities are and what you can do with them. Every investment manager needs to have solid data on their assets before they can put them to work."

Nehal Udeshi
Global Head of Securities Finance, BNY

2.2 Using the Data to Put Assets and Cash to Work

Investment performance depends not only on which assets an investor holds, but also on how effectively portfolio cash, collateral and securities can be deployed. An asset that is out of view, held in the wrong account or unavailable at the required time may be economically idle even though it remains safely held.

BNY's CollateralONE helps address this challenge by providing a connected view across custody and non-custody positions, giving investors greater visibility into available inventory and a stronger foundation for financing, collateral and securities lending decisions. When that visibility is linked to execution and funding capabilities, the custodian can help the investor move from identifying an asset to selecting the most effective use for it:

Expanding usable supply: A broader view of holdings can reveal assets that would otherwise remain unavailable because they sit with another provider, in a separate account or outside a traditional lending program. This can increase the inventory available for netting, collateral substitution, securities lending and financing.

Improving deployment: Connected information allows investors to compare potential uses of an asset across lending, margin, repo and other financing requirements. This can reduce unnecessary funding and help direct assets toward the activity with the greatest portfolio value.

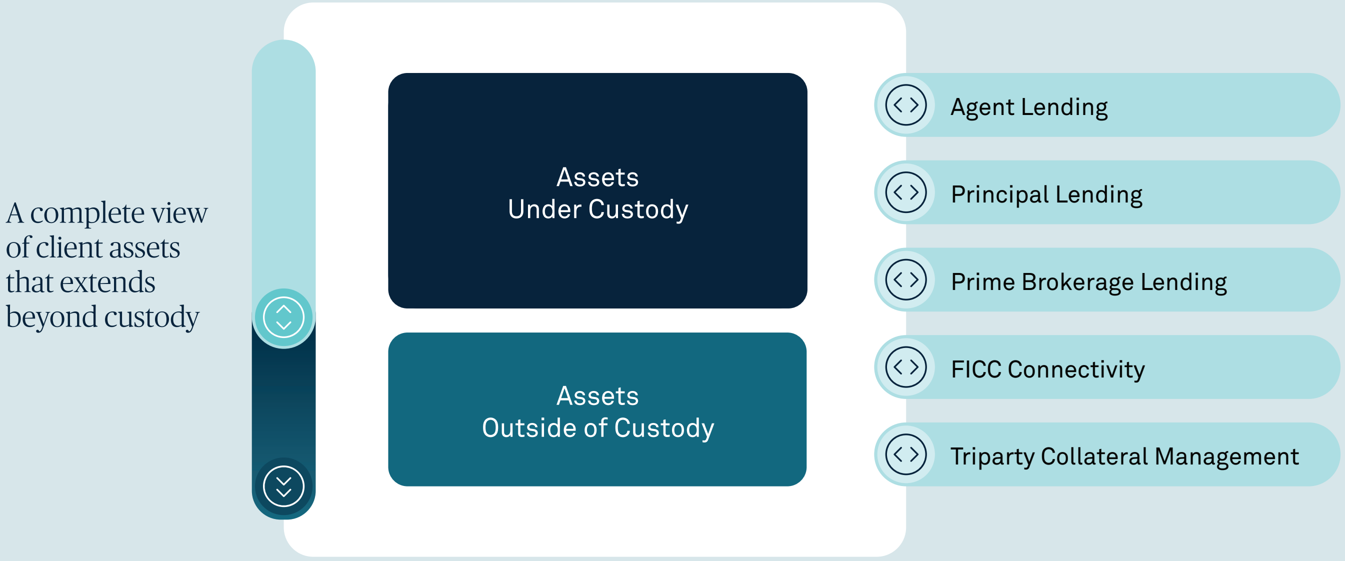
Increasing speed: More timely data can reduce the period for which cash or securities remain idle. It can also allow assets to be mobilized closer to the point of need, supporting intraday opportunities and activity outside traditional market windows.

"In today's market environment, collateral is no longer just a risk and funding consideration but now is increasingly a source of strategic advantage. As firms navigate greater complexity across liquidity, margin and operational demands, the ability to mobilize collateral efficiently and with transparency is becoming critical to resilience and performance."

Nick Kuzel
Head of CollateralONE, BNY

In matching "sources and uses" in real time, an integrated custodian today can match global data visibility with a diverse range of investment solutions to deliver unmatched levels of performance returns. In practice, this means increased investment returns by leveraging the widest possible view of assets, deploying them across the widest possible range of funding opportunities, and doing so as close to real-time as possible.

A complete, real-time perspective that maximizes liquidity & performance



"Finding more mobile versions of cash equivalents so they can generate more yield is a big deal."

Emily Schlosser
Head of Global Custody Business, BNY

OPTIMIZING SUPPLY	OPTIMIZING DEPLOYMENT	OPTIMIZING SPEED
BNY's CollateralONE offers visibility across a client's entire holdings (beyond any custody account) and complements custody data, enabling clients to connect the dots. $8T+ liquidity pool[7] and $100B+ in balances[8]	Funding options across: • Agency Lending • Prime/Principal Lending • FICC connectivity (Direct Secured lending and equity-for-equity transactions) • Triparty collateral management An integrated BNY-wide platform supports complex workflows without forcing clients into fragmented entity structures	Real-time visibility and reporting on holdings (across integrated data and CollateralONE platform) 23/5 mobility of critical assets (e.g., U.S. Treasuries) Digital asset initiatives (including Tokenized Money Market Money funds) for real-time delivery and intraday interest earnings Optimized decision-making (securities finance, collateral and repo teams under a single business unit)

2.3 The Importance of a Flexible, Rounded View

"BNY's integrated service approach uses custody as a foundation to connect clients to collateral, securities lending and digital assets. Through our OneBNY approach, we can help clients to reduce their operating costs, while expanding their business scope."

Fiona McNally
Global Head of Network Management, BNY

The value of asset mobility is increasing as portfolios allocate more capital to less-liquid private assets. As liquidity declines on one side of the portfolio, investors have a greater incentive to make cash and publicly traded assets work harder through lending, collateral and short-term financing.

This is not a single conversation. Client needs vary and so these solutions must be flexible and modular to accommodate different liquidity and lending strategies. While some clients start with specific needs (such as derivative posting or agency lending) before expanding more broadly, and others demand maximum investment returns as a starting point, the common steps are the desire for maximum visibility, connectivity and actionability in order to maximize the value of every dollar in the portfolio.

Looking ahead, this more integrated perspective can also begin an entirely new dialogue. What if a big corporate action election is due, the client hasn't elected, but they are short cash, and their broker always fails to deliver? Or what if a major index rebalancing event is looming but one counterparty is historically slow to return securities on loan and the client is short cash? Historically, such situations would have been up to the asset manager to handle alone. Today, the role of the custodian is evolving to be able to guide the client, "Here is how to optimize this scenario," by combining real-time custody data with collateral management, funding, FX, lending and prime brokerage into a single and holistic action plan.

From tracking settlements to predicting settlement-failure risk, the future direction of custody is in providing asset managers with comprehensive solutions for their everyday liquidity and trading needs: from lending yesterday to maximized returns today, to forecasted and holistic corporate event management tomorrow.

2.4 Visibility Becomes More Valuable as Markets Accelerate

"The speed and immediacy of processing and data availability have become critical business drivers. This shift demands continuous adaptation in operations to handle complexity at scale, while strengthening resilience and never compromising asset safety."

Beatriz Molina
Global Head of Custody Product Safety and Resilience, BNY

The transition to T+1 settlement in North America demonstrated why connected visibility has financial value. In 2024, 45% of North American asset managers shortened their fund-dealing cycles by one day, while the time available to settle approximately $57 trillion in securities was reduced by 83%.[9] According to The ValueExchange research, this compression increased the importance of trade-date information, timely FX execution and accurate forecasting of settlement-funding requirements.

Shorter settlement windows shift financial decisions earlier in the investment lifecycle. Where cash, FX and settlement information remain fragmented, investors may compensate through earlier prefunding, larger liquidity buffers, additional foreign-exchange transactions or more manual intervention. A connected view allows obligations and exceptions to be identified earlier, reducing the likelihood that settlement certainty is achieved by holding more cash than is genuinely required.

The planned October 2027 transitions in the U.K. and Europe will intensify these pressures across currencies and time zones. The expansion of extended-hours trading will do the same by increasing the period during which investors require current information on positions, funding and settlement status. In this environment, portfolio visibility is no longer simply a reporting benefit; it determines how quickly and efficiently capital can be moved when markets are open.

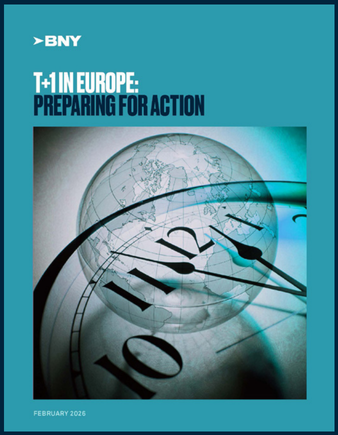
"The shift to real-time asset use and efficiency is a top client priority, driven by market trends compressing settlement cycles from T+2 to T0, increasing demands for extended trading hours and maximum cash utilization."

Andy Smith
Head of Product, Enterprise Custody Services, BNY

Preparing for U.K. and European T+1

The move to T+1 will require investors to complete more allocation, confirmation, FX and funding activity on the trade date. Earlier exception identification and reliable cash forecasting will be particularly important for investors operating across time zones.

Read more:
T+1 in Europe: Preparing for Action



2.5 Reducing the Financial Cost of Disruption

Resilience has direct financial value. A service disruption or provider exit can generate transition costs, settlement delays, manual remediation and periods during which assets or cash are less readily available. Recent requirements, including the European Union's Digital Operational Resilience Act and Australia's Prudential Standard CPS 230, have also increased the level of due diligence, testing and continuity planning expected across custody networks.

The economic question is therefore not how to eliminate the cost of resilience, but how to balance ongoing preparedness against the potentially much greater cost of disruption. Active secondary arrangements may require more investment than passive contingency plans, but they can reduce the time and risk involved in moving activity when a provider or market route becomes unavailable.

> "Resiliency is evolving from a compliance requirement to a competitive advantage that enables clients to pursue new markets and strategies confidently."
>
> Beatriz Molina
> Global Head of Custody Product Safety and Resilience, BNY

BNY's Active Sub-Custody Contingency Model

BNY uses active secondary sub-custodians in a large number of markets, in line with internal risk-based criteria, rather than relying solely on passive backup arrangements. Maintaining active securities and cash accounts, system connectivity and operating processes can allow activity and assets to be moved more quickly if the primary provider or route is disrupted.

At times the model may create a relatively minimal ongoing operating cost for BNY, but this can be justified when considering the potential financial and operational impact of an emergency transition, prolonged market disruption or loss of access to assets.

TURNING DATA INTO OPERATIONAL INTELLIGENCE

"The most important part of what we do is the intelligence: operational intelligence and relationship insight. It allows us to see an emerging risk and tell the client immediately."

Carol Andrews
Head of Client Service, Asset Servicing, BNY

Having explained how connected data from across the custody ecosystem can improve the use of cash, collateral and securities, operational intelligence takes this a step further: using connected data not only to respond to current obligations, but also to anticipate where cash, securities or operational processes may create future risk. By linking custody data with funding, FX, collateral and securities-lending capabilities, custodians can help investors identify issues earlier, understand their potential financial impact and assess the available response. This creates the foundation for the operational-intelligence model.

Combining data with context, analytics and specialist expertise creates the ability to explain why an issue is occurring, assess its potential impact and identify where action may be required.

The custodian has a distinctive perspective because it observes activity across settlements, cash, foreign exchange, asset servicing, collateral and securities lending. When information from those activities is connected, patterns can emerge that may not be visible within an individual process, team or monthly service report.

The objective is not for the custodian to make investment or operating decisions on the client's behalf. It is to identify meaningful signals earlier, explain their operational and financial implications and connect the client with the data and expertise needed to respond.

"Custody is a people business where consultative relationships add value well beyond efficient processing. Proactive client engagement helps prevent operational risks and unlocks new value areas like securities lending and smarter liquidity management."

James O'Sullivan
Global Head of Custody Product and Strategy, BNY

> "Clients increasingly evaluate custody providers on their ability to advance strategic priorities and create value across the relationship – not simply on price and operational performance."
>
> **Andy Smith**
> Head of Product, Enterprise Custody Services, BNY

3.1 From Reporting to Proactive Insight

"How efficiently am I running my operations?"

Historically, the response to this question might have centered on straight-through-processing rates, settlement performance or corporate-action instruction times, often presented through a monthly service report. These measures remain important, but they usually describe what has already happened and may not reveal the underlying cause or financial consequence.

A more intelligence-led model changes the timing and focus of the conversation. Instead of waiting for the client to identify an issue, the custodian can use current operational data to highlight a recurring pattern, explain where it originates and assess whether it is creating additional cost, risk or delay.

For example, repeated trade repairs may point to a static-data or training problem; consistent late deliveries by a counterparty may be increasing cash requirements; or delayed corporate-action elections may be reducing the time available for an informed decision. The value lies not in generating another alert, but in identifying which patterns warrant attention and connecting them to a practical response.

This requires more than technology. Data may identify the pattern, but operational expertise is needed to interpret its significance, understand the client's circumstances and determine whether intervention is appropriate.

> "The role of the custodian today extends beyond safekeeping to include responsible stewardship of client data and proactive advisory."
>
> **Carol Andrews**
> Head of Client Service, Asset Servicing, BNY

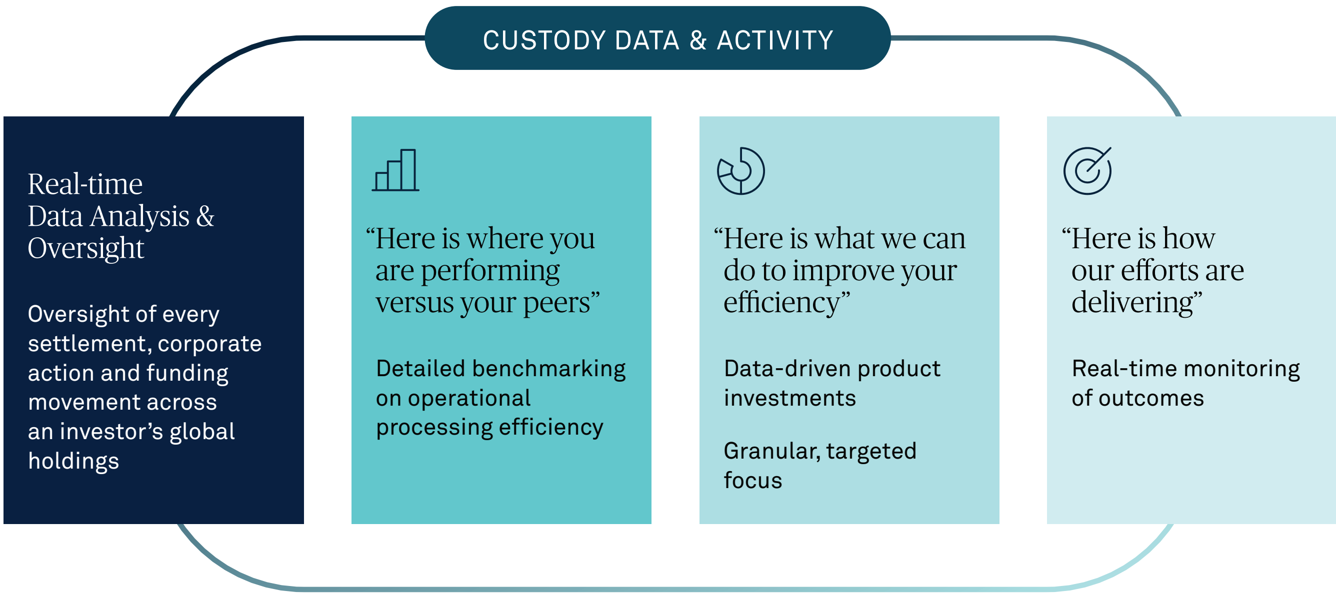
3.2 Redefining Client Service Around Intelligence

Operational intelligence changes client service from the delivery of information to the interpretation of what that information means. The client-service team can move beyond tracking issues raised by the client and become translators of complex operational data, helping clients understand implications, coordinate specialist expertise and drive action across a diverse custody ecosystem.

This does not transfer decision-making responsibility to the custodian. The client retains control of its operating model and investment decisions. The custodian's role is to provide timely evidence, relevant context and access to specialists across areas such as settlement, tax, collateral, foreign exchange and asset servicing.

Human judgment remains essential. A pattern that appears inefficient for one client may reflect a deliberate risk decision or operating constraint for another. Effective intelligence must therefore be contextual, explainable and discussed with the client rather than presented as an automated instruction.

Turning Custody Data into Client Insight



In practice, operational intelligence can turn recurring activity into specific, evidence-based client conversations:

Operational Signal	What the Intelligence May Reveal	Potential Response & Value
FX & Funding Timing	Repeated late FX execution, inefficient funding, excess prefunding or cash held idle before settlement	Review funding timetables, FX execution arrangements or internal cut-offs to reduce cost and keep cash invested for longer
Instruction & Repair Patterns	Recurring trade repairs, rejected instructions or errors associated with a particular team, process or data field	Correct static data, redesign the process or provide targeted training to reduce errors and manual intervention
Counterparty Behavior	A broker or counterparty consistently delivers late, creates settlement exceptions or leaves the investor short of cash or securities	Engage the counterparty, adjust funding assumptions or use lending and financing tools to reduce the resulting exposure
Asset Servicing & Tax Deadlines	Elections, documentation or tax reclaims are consistently submitted late or remain outstanding	Introduce earlier alerts, improve documentation and prioritize high-value events or recoveries
Capacity & Operating-Model Pressure	Rising inquiry volumes, repeated manual workarounds or growing exception queues point to an underlying process constraint	Redesign or automate the process and direct specialist staff toward the exceptions requiring judgment

The potential value is not limited to the largest investors. Smaller firms may have fewer transactions, but they can still experience similar challenges with errors, inefficient funding or slow servicing. A custodian with a broad client and market perspective may be able to identify these dynamics more quickly than an individual firm viewing its own activity in isolation.

Indeed, a unique advantage of a global custodian is its ability to observe patterns and phenomena across clients, markets, client segments and operating models. Benchmarking can add further context by showing whether a client's experience differs materially from comparable firms. However, comparisons must use relevant peer groups, consistent definitions and appropriately controlled data. The objective is not to rank clients, but to distinguish an isolated event from a persistent or industry-wide issue.

This model changes how custody performance is discussed. Service reviews can continue to monitor accuracy, timeliness and cost, but they can also examine what is driving exceptions, where operational behavior is consuming liquidity or capacity, and which interventions have produced a measurable improvement.

> "BNY is focused on incrementally strengthening every element of the custody ecosystem while collaborating with clients on larger, step-change opportunities – particularly in the whitespace areas where innovation and new value can be unlocked."

Ryan Cuthbertson
Head of Global Enterprise Custody Services, BNY

The result is a more collaborative and evidence-based relationship. Core processing remains fundamental, but the data generated through that processing can also help the investor improve its wider operating model.

Delivering this intelligence consistently and at scale requires a strong data foundation, targeted use of AI and clear governance. Technology can identify patterns and accelerate investigation, but trust depends on data quality, explainability, controlled implementation and human oversight.

3.3 From Data Foundations to AI-Enabled Transformation

BNY's use of AI has developed through a progression from establishing the right data foundation to applying AI within core operational processes and scaling it under appropriate governance. The progression is measurable: first in the quality and accessibility of underlying data, then in targeted operational use cases, and increasingly in the speed and consistency with which teams can resolve exceptions and support clients.

> "AI-driven agents are already helping our teams automate exception handling and enhance client service. Looking ahead, we see the potential for those agents to work with one another across workflows, creating an even more connected and efficient operating environment."

Emily Schlosser
Head of Global Custody Business, BNY

AI: FROM THE RIGHT DATA TO RESPONSIBLE GOVERNANCE

01.
ESTABLISHING THE DATA FOUNDATION

AI is only as effective as the data that powers it: high-quality, well-governed data enables more accurate, reliable and explainable outcomes. By defining a common information architecture across the custody lifecycle, BNY has transformed fragmented operational data into a connected enterprise asset expressed as canonical data models. The architecture improves transparency across processes and handoffs, enables reliable AI adoption and allows custody data and capabilities to be reused across accounting and fund services, the middle office and the broader BNY ecosystem.

02.
APPLYING AI TO TARGETED PROCESSES

BNY is using AI as a strategic capability to reshape how work is performed across high-volume, data-intensive processes, including reconciliation, data repair, exception resolution and client inquiries. Approximately 300 AI-enabled solutions are now in production, supported by around 150 digital employees,[10] improving speed, accuracy and scalability while enabling operations teams to focus their expertise on the most complex decisions. Eliza, BNY's enterprise AI platform, provides the secure, governed foundation for scaling approved AI use cases across the firm. These include:

Digital Employees:

Agentic AI solutions that perform complex, rule-based and cognitive tasks autonomously alongside human colleagues. They each have a distinct persona, scoped role, unique ID, supervised access and a direct human manager. They support with a variety of custody-related tasks including:

- **DISC (Digital Inquiry Service Companion):** This digital employee responds to client inquiries across corporate actions, cash and trade settlements. It produces responses in seconds, offering clients faster and more consistent answers at scale. DISC is able to generate responses to inquiries in under 90 seconds on average.[11]
- **Trade repair:** Reduces manual intervention and errors in instruction processing. In July and August 2026, it processed over 38,000 custody instructions, with an average repair time of 25 seconds.[12]

Tax relief at source:

Integrated agent and workflow continuously monitors client tax documents, extracts key details for market-specific review and tracks each item end-to-end through closure. In July and August 2026 it processed over 3,800 documents.[13]

03.
REIMAGINING PRODUCT DEVELOPMENT & DELIVERY

With data at the core, BNY is using AI to redesign the full product development and operating model, including identifying client needs and defining solutions through engineering, testing, deployment and continuous improvement. This fundamentally compresses the journey from insight to working software, enabling teams to validate ideas earlier, accelerate delivery and achieve meaningful outcomes in a fraction of traditional timescales.

04.
SCALING AI RESPONSIBLY

BNY combines centralized standards and governance with implementation by the operational teams closest to its clients and processes. As AI moves into new areas, controlled environments, human oversight and employee upskilling remain central to balancing innovation with client and regulatory expectations.

> "Data is the foundation of transformation; AI is how we turn it into action at scale. Together, they allow us to reduce friction and errors, accelerate client service and free our people to focus on the high-judgment work that matters most."

Nellie Ding
Global Head of Operations, Digital Transformation and Data Ops, BNY

This approach is already producing practical applications across the investment lifecycle:

Area	Application & Outcome
Development	AI tools have reduced selected development cycles from three months to one month.
Trading & Product Development	AI supports securities-lending decisions by identifying pricing and available inventory, while data insights inform investment priorities.
Processing	AI supports reconciliation, data repair and exception handling, with human oversight, and is being tested for aspects of corporate-action processing.
Client Servicing	AI agents support trade repair and instruction correction, while a digital employee responds to certain custody inquiries in minutes rather than hours.
Communications	AI supports the distribution of market information to internal teams and clients.

Operational intelligence is not a substitute for asset safety, processing accuracy or human expertise. It is the additional value created when those foundations produce connected data that can be interpreted and acted on. This is how custody moves from reporting what has happened to helping investors prepare for what may happen next.

> "AI is front and center in client conversations. Firms want to understand how we are using it, where it is delivering value and how that value can be translated into better services and new products."

James O'Sullivan
Global Head of Custody Product and Strategy, BNY

The Next Standard for Custody

"Historically, custody was more retrospective; we looked backwards. Now we can be much more forward-looking, helping clients make faster, better-informed decisions. The question across every process is: Where is the white space, what comes next and how can we make it better?"

Carol Andrews
Head of Client Service, Asset Servicing, BNY

The next phase of custody will not be defined by how many additional services are attached to the traditional model. It will be defined by whether investors can enter new markets, hold new asset types and operate at greater speed through interoperable infrastructure without creating a corresponding increase in cost, fragmentation and risk. Integrating digital and traditional infrastructure will be key to supporting expanded market activity, while ensuring that standards of asset safety in traditional custody are applied to digital assets too.

Asset safety and resilience therefore remain the minimum standard. Beyond them, value will increasingly come from how effectively a custodian connects the chain of assets, cash, data and decision-making across the investment lifecycle. This creates a more meaningful measure of custody value than service performance alone. As this model matures, AI will accelerate the ability to identify patterns, prioritize exceptions and deliver timely operational insight, but its value will depend on the strength of the data, controls and human judgment behind it.

The immediate priority is to bring together data currently fragmented across custody, cash, FX, collateral and financing, and make that intelligence available at the point decisions are made. As markets move closer to continuous operation, investors that achieve this will be able to act faster and deploy capital more effectively without weakening control. Access to new opportunities will depend increasingly on operational readiness as much as investment strategy. Where connectivity, account structures, liquidity, servicing, data and controls are managed in isolation, growth is constrained. Custody, as the connective layer across them, becomes a strategic growth enabler: not simply infrastructure that supports an investment strategy, but part of what makes that strategy executable.

"Global custody is about giving the front office unrestricted access to any asset, any pool of liquidity, anywhere in the world. With no limits."

Matthew Bax
Head of Commercial, Asset Servicing, BNY

Endnotes

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Important information

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