

BAI Newsletter V/2024 – October 2024

Editorial article from Frank Dornseifer, Managing Director, BAI e.V.

Dear members, ladies and gentlemen,

Technological change in the financial sector is in full swing, yet many stakeholders are still unfamiliar with topics such as blockchain, DLT, crypto assets, tokenization, the digital euro, WEB3, ChatGPT, artificial intelligence, etc. And even in the supposedly innovative asset management sector?

This year's BAI InnovationsDay was once again a high-caliber event in terms of topics and speakers and was, therefore, well attended. However, it was noticeable that a not inconsiderable number of member companies were not yet represented; instead, there was a large audience of experts from the technology sector, start-ups, etc. Participants consistently said that InnovationsDay is one of the few events where they listened to almost all of the presentations and panel discussions. Even if, for example, the digital euro (keynote speech by Bundesbank board member Burkhard Balz) still seems to be a dream of the future for some and was also discussed quite controversially, it should be remembered that it is not a question of if it will come, but when! The electronic fund share is even more specific, as it already exists after a BAI member company had the first issued last year; now the mass application is imminent.

Blockchain not only enables smart contracts but also smart - i.e., programmable - funds (units), which can lead to fundamental changes in the fund business, particularly with regard to the so-called investment triangle. Securities can be placed digitally on a large scale and across all asset classes, and the first successful business models are already in place. The use of artificial intelligence is also the rule rather than the exception in the financial sector and - as dedicated presentations and a panel discussion at the InnovationsDay showed - the value chain in the fund industry is also affected by this, as the added value is huge. You just have to be able to release it.

If this is a bit too much or too technical for you, you would probably be better off coming to the InnovationsDay or at least taking a look at the various presentations at the event. In addition to the various practical application and implementation issues, there is a wide range of regulatory aspects relating to MICAR, eWpG, DLT pilot regimes, digital operational resilience, crypto-DueDiligence and risk management, ECSP-VO compliance, and more. If you are not familiar with these terms either, we would like to once again recommend the InnovationDay documents and our BAI member platform, where we will, of course, also provide you with information on the respective topics and where regular dialogue takes place in the form of working group meetings, etc. The thoughts and assessments of Prof Isabell Welpé from TUM on the 'most innovative trends in asset management' are also more than inspiring, they are a wake-up call!

To put it bluntly: it is time to actively engage with the wealth of these topics and internalise how these innovations are also changing the asset management industry. In some areas this will be

disruptive, in others more evolutionary. But one thing is certain: not only sustainable change but also technological change is irreversible! You don't have to set off into the metaverse with VR goggles. However, the blockchain-based further development of the World Wide Web towards a decentralized and token-based economy will not stop at our industry.

As you can see, the topic of digitalization and technologisation is also a matter close to our hearts, which is why we are once again dedicating a separate newsletter to these topics.

I wish you an informative and entertaining read. Many thanks to all the authors and sponsors for their contributions.

Frank Dornseifer

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