

Fi-Tek Wealth Technology

The Impact of Artificial Intelligence and Digital Assets on Wealth Management



Technology Innovations to Address Wealth Convergence
Trust – Wealth – Brokerage

What do these firms have in common?

OpenAI



ANTHROPIC



Transformation is expected

- Organizations need to use these emerging technologies to define the benefit to their company versus waiting to define how their business will use the technology
 - Artificial Intelligence (AI) – Reducing the effort to analyze and process data to rive efficiency, Improve the client experience
 - Digital Currency – Becoming more effective and efficient in the movement of money (e.g., stablecoins)
 - Tokenized Securities – Expanding trading hours and reducing settlement risk
- The regulatory landscape has changed and become more certain for digital currencies and tokenized securities, with still some work to do especially around AI
- You need to do something in these areas to remain competitive in the long-term



What has changed in a year?

The challenges remain the same

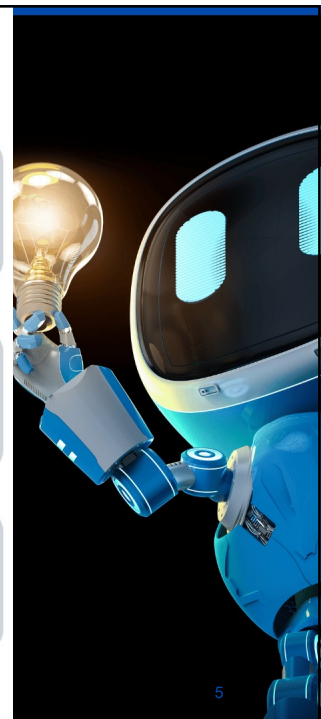
- Data privacy
- Hallucinations cause by gaps in the training of your model
- Data access
- Misrepresentation of results
- Immature regulatory framework

Pace of change is faster than anything that has come before

- The number of Large Language Models (LLMs) has increased, and their influence has become greater causing greater disruption
- This requires a fluid strategy
- We are seeing increased pressure on the vendor review process

Vendor market is becoming fragmented

- Point solutions are dominating the market
- Firms need to figure a way to focus on a 'single chat' for your employees
- There isn't one vendor who will meet all your needs



What to look for in a secure solution

- ✓ Start with the standard security questions
 - ✓ What data is stored?
 - ✓ Where is it maintained?
 - ✓ What level of encryption is done?
- ✓ Get AI specific
 - ✓ What LLM is being used?
 - ✓ What is shared with the LLM?
 - ✓ What controls have been developed? Is there a formal governance process?
 - ✓ How are the models trained?
 - ✓ How is data segregated across installations?
 - ✓ Is data shared for training across installations?
 - ✓ Is any information shared with third parties?

Once it is shared in an unsecured environment, it is gone forever



The current landscape for AI in Wealth Management

The number of firms providing AI solutions for wealth management is increasing at a rapid pace

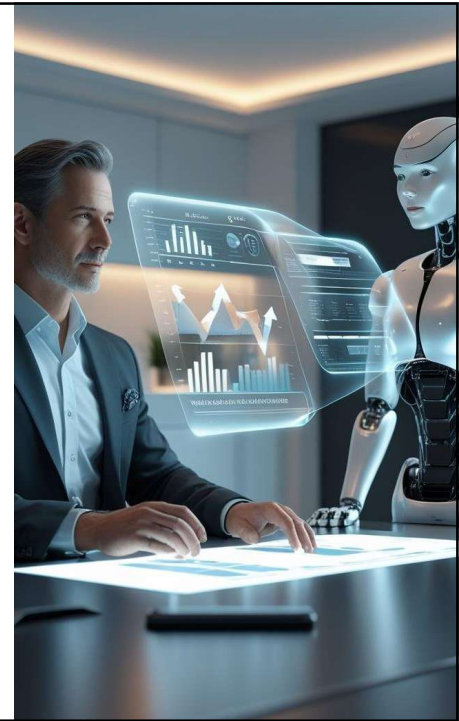
- At the recent Future Proof Conference, there were 86 firms in attendance looking to demo AI on the main stage
- The Oasis Group matrix of solution is currently tracking these solutions focused on the front office
 - Client engagement and Business Development – 21 tools
 - Personalized Client Engagement – 8 tools
 - Advisor Productivity and Workflow Automation – 31 tools
 - Advice and Planning – 14 tools
 - Investments and Portfolio Management – 16 tools
 - Compliance and Risk – 7 tools
 - Advisor, firm research and data aggregation – 3
- Developing an understanding for the market can feel overwhelming
- Back-office solutions are going to be dependent on your providers



Start by narrowing down your use cases

Use within Wealth Management	Overview
Document Intelligence	<ul style="list-style-type: none">• Reading of client documents to allow for 'chatting' to more easily understand the contents of unstructured data
Intelligent Automation	<ul style="list-style-type: none">• Gathering data from either structured or unstructured data and 'taking action' by posting transactions
Virtual Assistant	<ul style="list-style-type: none">• Connecting structured and unstructured data to deliver an actionable next step
Advanced Analytics	<ul style="list-style-type: none">• Leveraging past behaviors to identify trends and estimate future results – predictive analytics and machine learning

Identify your problem then search for the solution



What does an AI strategy look like?

- Educating your organization
 - Understand what we are talking about – it is more than ChatGPT and Claude
 - Learn how to deploy a solution securely and safely – public vs enterprise, cloud
- Creation of a policy
 - Move away from this cannot be 'we do not allow for the use of AI'
 - Define the governance process – approval product usage
- Understand the plan for your key partners
 - Determine if their strategy will support your business
 - Review how they are keeping your data safe
- Document the journey
 - State your objectives –priority projects
 - Identify the steps to get there – needs to be prescriptive
 - Deploy solutions that fit within your value chain



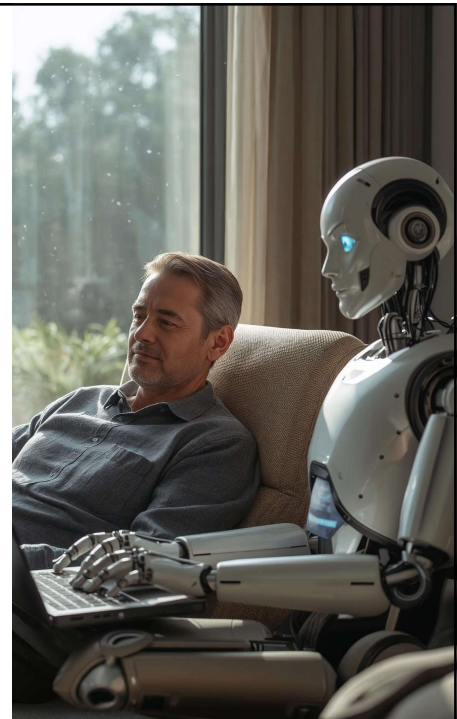
What are digital assets?



- **Cryptocurrency** - Digital form of money that exists only electronically, using blockchain technology to verify and record transactions operating on decentralized networks without control from a government or bank
- **Stablecoin** - Type of cryptocurrency designed to keep a steady value by tying its price to a basket of collateral such as the cash, treasuries, or a basket of assets.
- **Tokenized Security** – A traditional financial asset — like a stock, bond, real estate, or fund — that has been digitally represented on a blockchain.

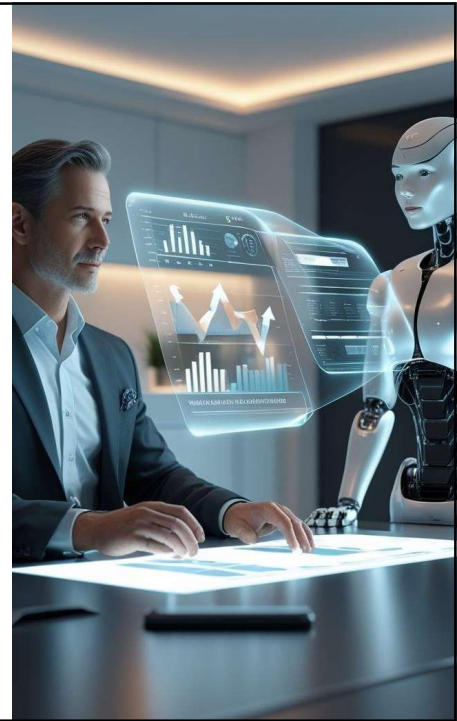
What has changed to drive adoption?

- According to Gallup, 14% of adults in the US own cryptocurrency today
 - The number is higher, 19% for those with a household income of over \$90K
- The need to move 'value' quicker, provide greater liquidity
- Desire to shorten the settlement process to T-0
- Acceptance by the OCC and State Regulators of qualified crypto custodians
- Advancements in technology, mostly with the infrastructure (e.g., wallets, transfer technology)



The regulatory landscape is becoming clearer

- The GENIUS (Guiding and Establishing National Innovation for U.S. Stablecoins Act)
 - Set the framework for future of stablecoins
 - Change in direction on the creation of a Central Bank Digital Currency (CBDC) The Trump Administration sees stablecoins as a more favorable option for the market
- Changes in sentiment from the DOL on cryptocurrency
- Cooperation between the Fed, SEC and CFTC on boundaries for rule making, including consistency
- We are also seeing activity with tokenized securities with significant activity happening at DTCC and large banks who have begun to tokenize deposits



Most recent regulatory news

OCC Proposed Rules for Stablecoins (2/25)	SEC and CFTC Memorandum of Understanding (3/11)	Joint SEC-CFTC Statement Clarified Oversight (3/23)	SEC No Action Letter to DTC allowing tokenization pilot (12/11)
<ul style="list-style-type: none"> • The rules are intended to cover most activities (e.g., Reserve Assets, Risk, Audit, Custody) • They do not cover BSA, AML, and OFAC Sanctions • Clarifies what entities can legally issue stablecoins in the U.S. • Imposes bank-like oversight on stablecoin issuers, even nonbanks. • The rules explicitly prohibit firms from paying any form of interest or yield, solely for holding or using a payment stablecoin. 	<ul style="list-style-type: none"> • Intent is to guide coordination and collaboration between the two agencies to support lawful innovation, uphold market integrity, and ensure investor and customer protection • Clarifying product definitions through joint interpretations and rulemakings • Reducing frictions for dually registered exchanges, trading venues, and intermediaries. • Providing a fit-for-purpose regulatory framework for crypto assets and other emerging technologies. 	<ul style="list-style-type: none"> • Most cryptocurrencies are not considered securities under the SEC-CFTC joint interpretation issued on March 17, 2026. • Only "digital securities"—tokens that function like stocks, bonds, or investment contract, fall under securities law • Derivatives on crypto assets fall squarely under CFTC jurisdiction. 	<ul style="list-style-type: none"> • Three-year pilot for tokenizing securities, including ETFs and T-bills, set to launch in late 2026 • Tokenized assets will hold identical entitlements, ownership rights, and protections as traditional counterparties • Participants can transfer tokens to whitelisted wallets and utilize them for financing transactions



How do we prepare?

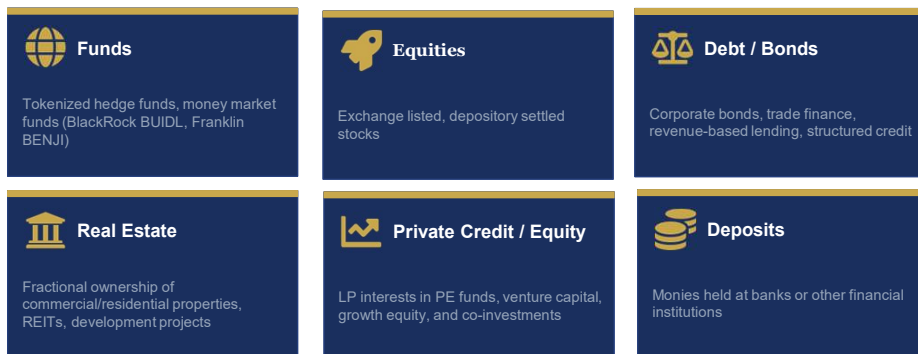
- Educate ourselves on what they are and how they will impact us
 - Understand the differences between coins – within cryptocurrency, stablecoins
 - Identify your internal use cases and role within portfolios for both types of coins
- Understand regulation and compliance
 - Monitor the approval of the proposed regulations
 - Document policies, procedures and oversight model
 - Determine how you will handle AML
 - Define internal policies and procedures
- Partner review and selection
 - Review your platform for readiness
 - Contract with a qualified custodian
- Determine the transactional model
 - Determine how the transactions will be generated
 - Defining the settlement process



What is a tokenized security?

A security token is a blockchain-based digital representation of ownership rights in a real-world asset — such as equity, debt, real estate, or funds — that complies with securities regulations.

Asset Classes for Tokenization



Key Benefits of Tokenized Securities



Enhanced Liquidity

24/7 secondary markets on digital exchanges. Fractional ownership lowers minimum investment thresholds, broadening the investor base for illiquid assets.



Automated Compliance

Smart contracts enforce transfer restrictions, accreditation checks, and holding periods automatically — reducing manual compliance overhead.



Transparency & Security

Immutable on-chain ownership records eliminate reconciliation errors. All transactions are auditable in real-time by issuers, investors, and regulators.



Operational Efficiency

Settlement in minutes vs. T+1, automated dividend distributions, and programmable corporate actions reduce intermediary costs



Risks and Considerations

Regulatory Risk

Frameworks are still evolving. A token classified as a security in one jurisdiction may be treated differently elsewhere, complicating cross-border distribution.

Smart Contract Risk

Bugs or exploits in the underlying code can result in loss of funds or erroneous transfers. Third-party audits are essential but not foolproof.

Liquidity Risk

Secondary markets for security tokens remain thin. While 24/7 trading is theoretically possible, actual liquidity can be lower than traditional markets.

Custody Risk

Digital asset custody requires robust key management. Loss of private keys is irreversible. Qualified custodians (Fireblocks, Anchorage) mitigate but do not eliminate this risk.

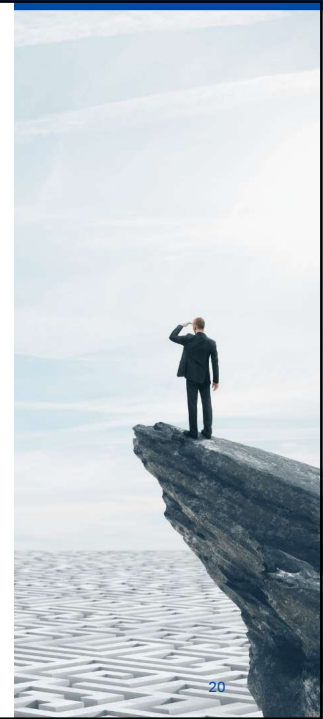
Technology Risk

Blockchain protocol upgrades, hard forks, or network failures can disrupt token operations. Issuer platform risk (vendor lock-in, insolvency) also applies.



What do you need to know?

- Security tokens are digitized, blockchain-native representations of regulated financial instruments — not crypto speculation
- Tokenization can unlock liquidity and reduce settlement costs
- Equities, treasuries, MMFs, real estate, private equity, private credit, deposits and funds are the most active categories today
- While there is a POC by DTCC being executed, this is a longer-term item compared to crypto
- You need to figure out how you support 24 X 7 X 365 trading to provide greater liquidity and be able to trade on market news



What to learn more?

- Email me at mtropeano@fi-tek.com
 - You can be added to my 'Article of the Week' highlighting a trend or event impacting our industry
- Connect with me on LinkedIn
 - <https://www.linkedin.com/in/mike-tropeano-cfa-aif-34865b7/>

