

BAI Newsletter V/2025 – October 2025

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

Dear Ladies and Gentlemen,
Dear Members,

Blockchain and artificial intelligence as drivers of change in asset management

At this year's BAI InnovationsDay, which took place on September 30 at the House of Finance and Tech in Berlin, it became abundantly clear that technological transformation in the asset management industry is advancing at a rapid pace. What was considered a vision of the future just a few years ago is now a strategic reality: blockchain and artificial intelligence (AI) are changing the way funds are designed, managed, and distributed. Both technologies stand for greater transparency, automation, and data intelligence—and thus for a fundamental transformation of the fund industry. The BAI is not only accompanying this change, we have also been providing important impetus for years to enable this change to take place, such as with the introduction of electronic and crypto securities into German law with the eWpG, or the introduction of the so-called crypto quota for (special) AIFs, or at European level with MiCAR, DLT Pilot & Co. And that is precisely why we have the BAI InnovationsDay, to bring these topics to our members and our community.

Blockchain technology, originally developed as the basis for cryptocurrencies such as Bitcoin, is increasingly becoming the foundation of digital capital markets and the infrastructure required by the entire financial industry. Its principle—a tamper-proof, decentralized ledger—promises trust without a central authority. For the fund industry, this represents a paradigm shift: processes that previously relied on manual reconciliation and intermediaries can now be digitized, automated, and audited in real time. The recent approval of stablecoins has given this development further momentum, and the digitization of the fund business is now unstoppable. This was also evident in the presentations and panel discussions at InnovationsDay. And the interesting thing is that regulation can even act as a catalyst for the digitization of capital markets and the fund industry. Prof. Dr. Philipp Maume, Professor of Law at the TUM School of Management, gave an impressive explanation of why this is the case.

Prominent examples include emission and processing. Fund shares can also be issued in the form of digital tokens. Subscription, trading, and redemption take place directly via the blockchain. As is well known, the first fund subscription in Luxembourg was completed entirely via a blockchain in 2020, with Germany following suit last year. Another example is custody and compliance. Various banks use blockchain-based registers to document fund shares in an audit-proof manner and to meet regulatory requirements more efficiently. Another example is automation through smart contracts.

These enable the automatic distribution of income or redemptions. This reduces operational risks and significantly shortens settlement times. The advantages are obvious: lower transaction costs, faster processing, greater transparency – and thus also greater attractiveness for institutional investors.

At the same time, new forms of investment are emerging. Bitcoin and other cryptocurrencies can be purchased not only directly, but also via ETPs, as indices, or via relevant crypto funds. In addition, the tokenization of fund shares, bonds, real estate, or infrastructure projects creates digital assets or investment vehicles that improve or increase access, tradability, and liquidity. And this is not only happening across the Atlantic, but also directly here in Germany. Although our recently published BAI InvestorSurvey shows that crypto assets and tokenized assets have not yet found their way into institutional portfolios, family offices are already adding them to their portfolios. And looking at the US, I believe that investors in Europe and Germany will also slowly open up to this topic. In any case, it is important that funds, asset managers, and investors address this issue decisively today, because, as mentioned at the outset, the technology at least will be used in many areas in the future. But from a diversification perspective, it also makes sense to consider digital assets as an asset class.

While blockchain structures and secures processes, artificial intelligence generates new insights from data—the most important raw material of modern capital markets. AI-supported systems analyze huge amounts of data in seconds and support fund managers in decision-making, risk assessment, and market forecasts. Key areas of application include portfolio management: AI models identify patterns, trends, and correlations that human analysts overlook. In Germany, too, fund companies are already using machine learning, for example, to incorporate alternative data sources—such as news or ESG data—into their portfolio decisions, or AI-based factor strategies to quantify market sentiment more accurately.

In risk management, AI algorithms enable automated stress tests that simulate market distortions and identify potential cluster risks at an early stage. Natural language processing is used for early risk detection to systematically evaluate news and research reports. In the area of research and due diligence, artificial intelligence supports analysts in evaluating company reports, ESG scores, and geopolitical developments, thereby making qualitative information quantitatively measurable. Last but not least, AI-powered chatbots in customer service personalize investment recommendations and improve interaction with advisors and investors. AI does not replace the fund manager—it expands their toolbox. Human experience remains indispensable, but is complemented by data-driven analytics. In short, AI-based data management is becoming a strategic competitive advantage.

And when blockchain meets AI, entirely new synergies are unleashed. While blockchain ensures data integrity, AI enables this data to be used intelligently. Here, too, I have a specific application scenario: AI models could evaluate transaction data from blockchain-based fund structures in real time to automatically detect performance deviations, liquidity risks, or unusual trading patterns. Based on these analyses, smart contracts could independently trigger rebalancing processes or generate

compliance warnings – a largely autonomous fund ecosystem. Relevant technology companies are already developing platform solutions that combine blockchain-based booking systems with AI-supported risk analysis. The vision: a fully digital, audit-proof, and adaptive fund management system.

Blockchain and artificial intelligence have long been more than just buzzwords. They are real, usable tools that are fundamentally changing the asset management value chain—from fund structure and portfolio management to customer communication. Investing in blockchain and AI expertise today means investing in the foundations of tomorrow's asset management. After all, the future of the fund industry will be defined not only by returns, but also by technological expertise, regulatory understanding, and innovative capability.

Speaking of innovation, one of the highlights of this year's Innovation Day was the keynote speech by Prof. Dr. Andreas Zaby, Innovation Manager at the Federal Agency for Breakthrough Innovation (SPRIND), who not only presented this unique federal agency and relevant projects, but above all showed how funds and investors can participate in this financing. Anyone interested in forward-looking investments should take a closer look at SPRIND. A detailed overview of the InnovationsDay is available on page 10 ff.

Real Assets & Wealth Management Symposium and ESG Workshop

I would like to take this opportunity to remind you once again of various BAI events taking place in the near future. The BAI Real Assets & Wealth Management Symposium (November 13) and the BAI Workshop Sustainable Finance & ESG (November 27) will be held shortly. You can expect a very informative and practice-oriented event at each of these. Please take a look at the agenda and we look forward to welcoming you there soon.

BAI Investor Survey

One highlight of the annual BAI publications is the Investor Survey, the 2025 edition of which we published a few days ago. Once again, the Investor Survey provides exciting insights into the portfolios of institutional investors in Germany. Many thanks to the well over 100 investors who participated. But I do not want to give away any more at this point—feel free to take a look for yourself.

About the articles in this newsletter

As usual, this newsletter focusing on digitization and new technologies once again presents a wide range of highly readable specialist articles. Many thanks to all the authors who contributed to this newsletter.

I hope you find the BAI newsletter informative and entertaining.