The next frontier for capital markets

Building a client-centric and collaborative future with data and AI

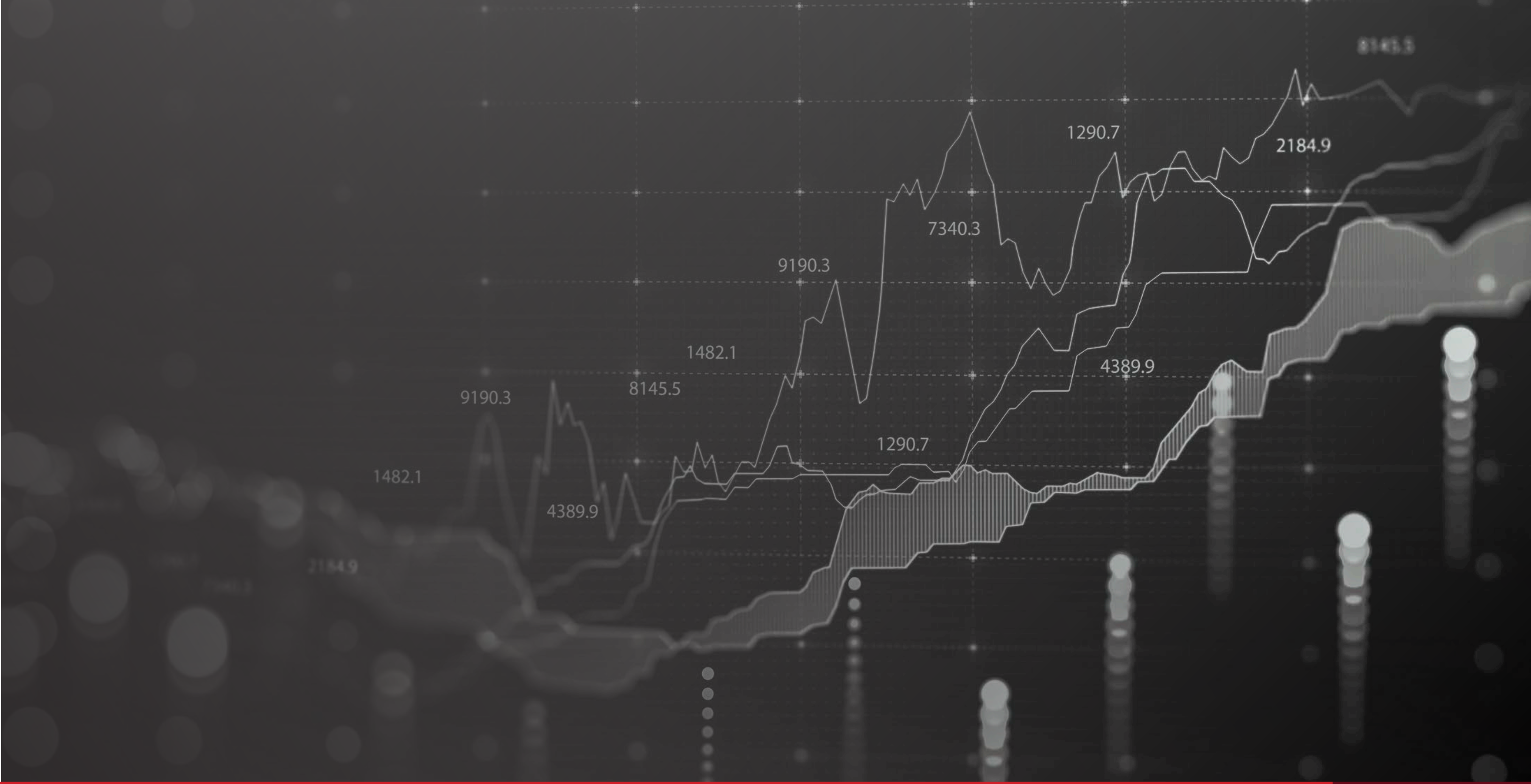


Table of contents

Executive summary

Unprecedented market forces combined with increased regulation, geopolitical uncertainties and rapid technological evolution are redefining how value is created in the capital markets industry. There is growing recognition that incremental improvements are no longer enough. To remain competitive and deliver new value-added services and enter digital markets to scale for complexity, firms must engage in cross-industry collaboration in several key areas. Euroclear's and Microsoft's joint analysis focuses on three primary themes: unlocking the value of data across silos, reimagining the client experience and enabling ecosystem collaboration.

Unlocking the value of data across silos

- **Data is increasingly viewed as a strategic asset on par with capital.** Data and analytics represent one of the key areas of growth for capital markets. However, up to 90% of enterprise data remains unstructured and underutilised.[1] Historically, firms have focused on data sales and internal analytics use cases, but the next frontier lies in combining data across the value chain to deliver richer analytics and AI services for clients.
- **Economic models need to evolve to promote collaboration.** Firms would, understandably, like to be fairly remunerated for their data contributions to a partnership and be able to maintain control and ownership over their data. Traditional data aggregation approaches

are increasingly viewed by some in the industry as economically imbalanced. However, new economic models such as the sharing of end-service revenues or co-ownership models need to mature. This could solve industry silo challenges and build trust around data sharing. Neutral infrastructures such as central securities depositories (CSDs) can provide the governance and operational trust needed to scale these efforts.

- **Technology can enable secure, permissioned collaboration.** Data technologies that provide a single access point for the business to key data assets without relocating the storage of these assets, such as cloud-based data lakes or data meshes, can help firms to collaborate more effectively. Confidential computing and privacy-preserving analytics techniques can enable multiple parties to contribute data, while preserving the privacy and security of this information. For example, Euroclear's partnership with Transcend enables real-time collateral optimisation across a wide range of market participants. Clients retain full control and privacy of their sensitive data, while leveraging a shared algorithm in a segregated cloud environment that allows them to optimise collateral, regardless of where it is custodied.

Reimagining the client experience

- **Unifying the client experience can bring efficiency and reduce friction for clients.** Fragmented interfaces, manual workflows and disconnected support channels are undermining the industry adoption of digital services and creating operational risk. Rather than pushing clients to adapt to new tools or interfaces, firms should embed services into platforms, interfaces and channels that are familiar to clients. This reduces client adoption friction and supports a more integrated future for client communication. For example, Taskize's chat-based 'bubbles' enable secure, real-time collaboration between counterparties. Its Smart Directory is designed to integrate with other tools and directories, so that it can route queries intelligently to counterparties or clients using other tools such as Microsoft Teams or Symphony.
- **Building the foundations for agentic deployment in client-facing functions.** Tomorrow's frontier firms will differentiate themselves by delivering intuitive, collaborative experiences that blends human expertise with agentic AI. These new autonomous digital colleagues, which can make decisions, plan and perform multi-step tasks independently,

will increasingly support or even execute client-facing tasks under human supervision for real-time service delivery. However, for this new hybrid model to succeed, firms must rethink how clients interact with systems, data and support teams. Firms will also need to evolve their governance, risk, control and oversight frameworks and upskill their workforce to operationalise this new model. Agentic processes demand transparency, trust and a seamless integration, which can only be achieved by redesigning the client experience from the ground up.

Enabling ecosystem collaboration

- **Designing for a more collaborative, platform-driven future.** The future of capital markets is highly collaborative and platform oriented. Firms, and potentially regulators, could co-create solutions on shared ecosystems. Common standards, interoperability and regulatory alignment are essential foundations to enable the successful deployment of such new platforms. Ultimately, firms will need to move to a model of strategic 'coopetition,' where they standardise and share underlying mutually beneficial processes and infrastructure, while still competing on differentiated services and client relationships.
- **Know your customer (KYC) and identity management are prime areas for mutualisation.** By decoupling documentation and data sharing from the liability of KYC assessments, firms can collaborate to reduce burdensome and duplicative data gathering processes. Euroclear, with industry partners, is developing a global KYC utility where legal entities can exchange standardised KYC data digitally and avoid these burdensome processes. It uses generative AI to pre-populate client data and uses verifiable credentials for secure, reusable data exchange.
- **Technology and regulation are enabling interoperability and standards adoption.** Generative AI can help to bridge between legacy formats and new data taxonomies to allow for the easier and cheaper adoption of data standards. Regulators are increasingly supportive of harmonisation efforts and sandbox experimentation to drive innovation and competitiveness. Firms should actively feed into consultations, support regulators in harmonisation efforts, such as the Savings and Investments Union (SIU) in the EU, and collaborate with the rest of the industry on innovation sandboxes to foster the development of new standards.

Adapting to a new reality in capital markets

The capital markets industry is currently grappling with how to identify, develop and scale new digital and data-enabled services in the face of significant structural and technological changes. Over the past decade there has been a gradual increase in fintech offerings on the market alongside industry efforts to address the key issues of inefficiency, lack of data access, risk management and data monetisation. The industry is also keen to benefit from the significant recent advancements in technology and experimentation that is ongoing with generative artificial intelligence (gen AI) and distributed ledger technology (DLT) platforms.

The regulatory community has also been supportive of data openness and innovation. This is highlighted by developments such as the EU's planned European Single Access Point (ESAP), which aims to provide an EU-wide single data access portal about companies and investment products by 2027, and the Digital Securities Sandbox in UK, which aims to provide a safe haven for experimenting with the issuance, trading and settlement of digital securities using DLT technology.

However, the industrialisation of data and digital services provision by both industry participants and regulators has thus far been relatively nascent and limited from an end-outcomes perspective. New data or digital services have been limited to specific functional areas and sell-side, custodian and market infrastructure services have remained largely focused on growing their firms' traditional remit such as asset servicing or custody.

The industry is under pressure from structural change

Market forces are compelling firms to transform. Accelerated settlement cycles, moving from T+2 to T+1 and toward instant settlement and 24/7 trading, expansion into private and fractionalised assets, the convergence of decentralised finance (DeFi) with traditional finance and rising client demand for personalised, real-time service are all challenging traditional business and operating models. By staying on the same incremental path based on ageing technology, firms are also exposed to significant talent attraction and retention challenges.

Fast-maturing technologies are opening new possibilities for improved efficiency, revenue generation and industry collaboration. Clients are increasingly aware of the potential for new technology to radically simplify their operations and support their business, which means their expectations around service-provider value is also getting redefined.

The imperative to change is compelling

There is increasing industry recognition that building incrementally on existing processes isn't enough to allow firms to remain competitive. It also doesn't allow them to develop new value-added services, enter new digitally-focused markets and scale their operations to meet the increasingly complex and volume-intensive requirements of the market. Bold reinvention by firms of their own services and capabilities needs to involve an even bolder approach to cross-industry collaboration.

Early examples of this collaboration can already be seen, from Euroclear's InvestorInsight[2] platform, which enables industry-wide shareholder transparency under SRD II in collaboration with custodians, and the industry's digital asset interoperability efforts as part of the Digital Asset's Canton Network,[3] which mobilises collateral across distributed networks. The industry's experiments with Chainlink and SWIFT in 2024[4] to connect blockchains using SWIFT standards is another example of this collaboration for the benefit of the industry. These efforts hint at a full re-evaluation of the data and services supply chain and a future where firms operate not as isolated entities, but as interconnected platforms within a broader ecosystem.

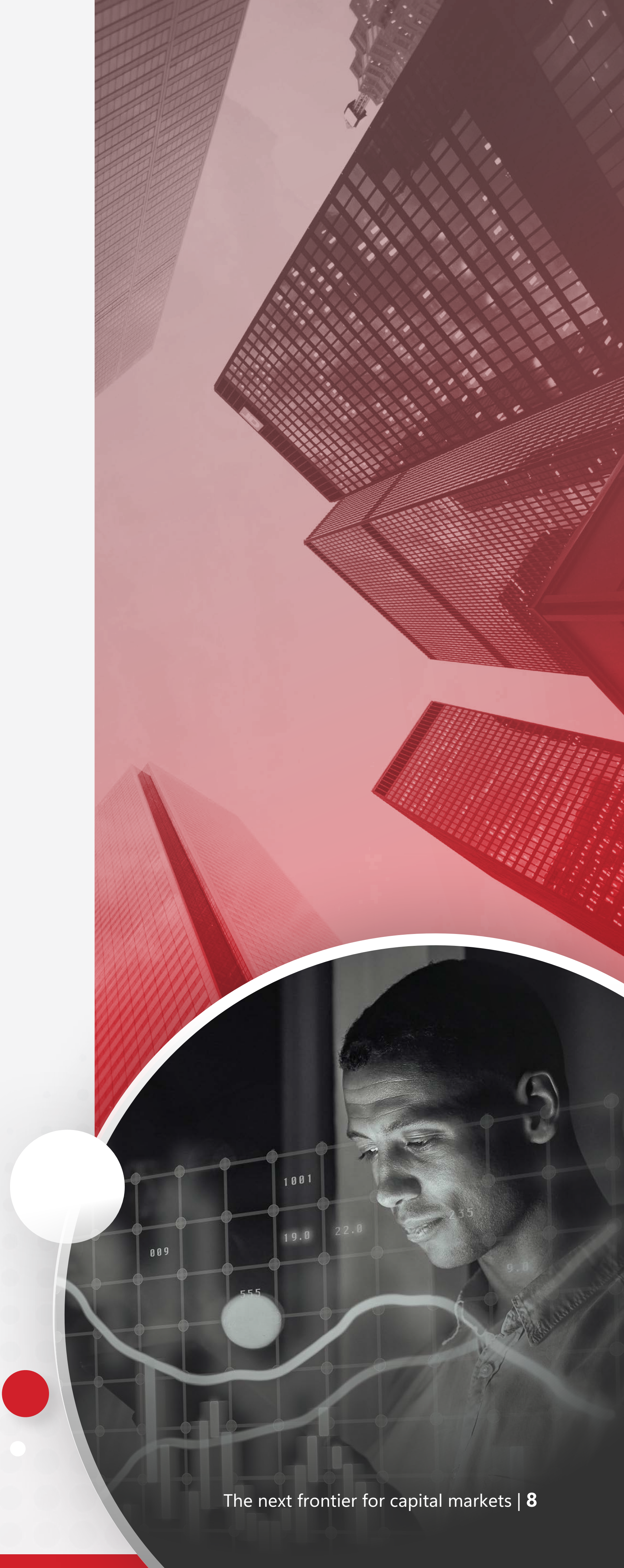
The revenue opportunities of adopting a new approach to data and digital services are sizeable, especially for an industry that has faced decades of regulatory-driven project costs and thinning margins. According to the World Bank's 2024 Global Economic Report,[5] institutions that prioritise data monetisation achieve 1.5x faster revenue growth and greater efficiency than their peers, highlighting the value of a data-driven organisational focus.

We see a future in which AI will enable a new hybrid operating paradigm where firms organise around on-demand intelligence, delivered by hybrid teams of humans and AI-powered digital colleagues. These are what Microsoft calls 'frontier firms'. In these organisations, AI agents can reason, plan and autonomously execute tasks or even entire workflows under human oversight. This blueprint for the future firm offers a path to handle today's pressures: unlocking the majority of enterprise data that is unstructured and untapped, scaling operations with minimal latency and continuously innovating services. The journey to become a frontier firm involves several stages, starting with introducing AI co-pilots to assist employees, progressing to AI agents handling specific tasks and culminating in multi-agent systems, where human experts supervise a fleet of digital workers.

Capturing these new business opportunities in digital, data and AI, as well as evolving operating models in line with changing market realities and client expectations, will require the creation of strong foundations. Microsoft and Euroclear believe three key areas will be critical for industry participants to build these foundations:

- **Unlock the value of data across silos.** How to work across the industry data silos, improve data access and enable the democratisation of service development across the business, especially for the benefit of issuers and investors.
- **Re-imagine client experience.** Make it more intuitive and human-centred, meeting clients where they already are and delivering services built for the agentic future.
- **Enable an ecosystem for industry collaboration.** How to adapt and co-create shared capabilities and collaborative solutions that solve longstanding industry challenges at scale.

This paper highlights a practical path for how firms can transform from where they are today to where they need to be in the future.



Unlock the value of data across silos

The opportunity: Harnessing the value of data across the value chain

The value of data has never been clearer within the capital markets industry. Creating value-added services based on trusted data sets and next generation technology such as AI is increasingly viewed by the industry as a path to drive future revenue and growth. The rising profile of data management in capital markets can be tracked back several decades. Today, 61% of the largest globally-active banks and brokers and 56% of the largest global asset managers have a chief data officer in place, according to Firebrand Research.[6] Up until now, much of the focus has been inward-looking on leveraging data across silos within a firm's four walls, selling or reporting raw data and on rationalising internal data structures, systems and processes. Now, an even more important opportunity lies in generating insights from data across different firms to create the next generation of services.

Today's most valuable use cases, from shareholder transparency to settlement efficiency and collateral optimisation, demand that data be combined across multiple interlinked firms in order to drive necessary insights or feed into more complex AI models. No one firm can do this alone, and this means partnering with other industry firms to better serve issuers, investors and market participants.

The challenge: Ageing tech, data silos, trust barriers and outdated economic models

Most capital markets firms are still wrestling with legacy technology and fragmented data architectures built up over decades. Critical information is spread across product-aligned databases, legacy on-premises systems and newer cloud solutions, each with its own formats and 'truths.' Huge effort goes into producing a consolidated view of legal contracts, trades, positions, collateral or client activity internally, before even considering external data sources. Furthermore, up to 90% of a firm's data is unstructured, in emails, documents or chat transcripts and thus largely untapped.[1]

Without a concerted strategy, valuable insights remain buried. All of this hampers the deployment of AI and analytics because models are only as good as the data fed into them and AI agents are only as good as the data they reason over. It also impacts a firm's ability to partner with others on services such as predictive analytics that depend on such data, resulting in missed opportunities.

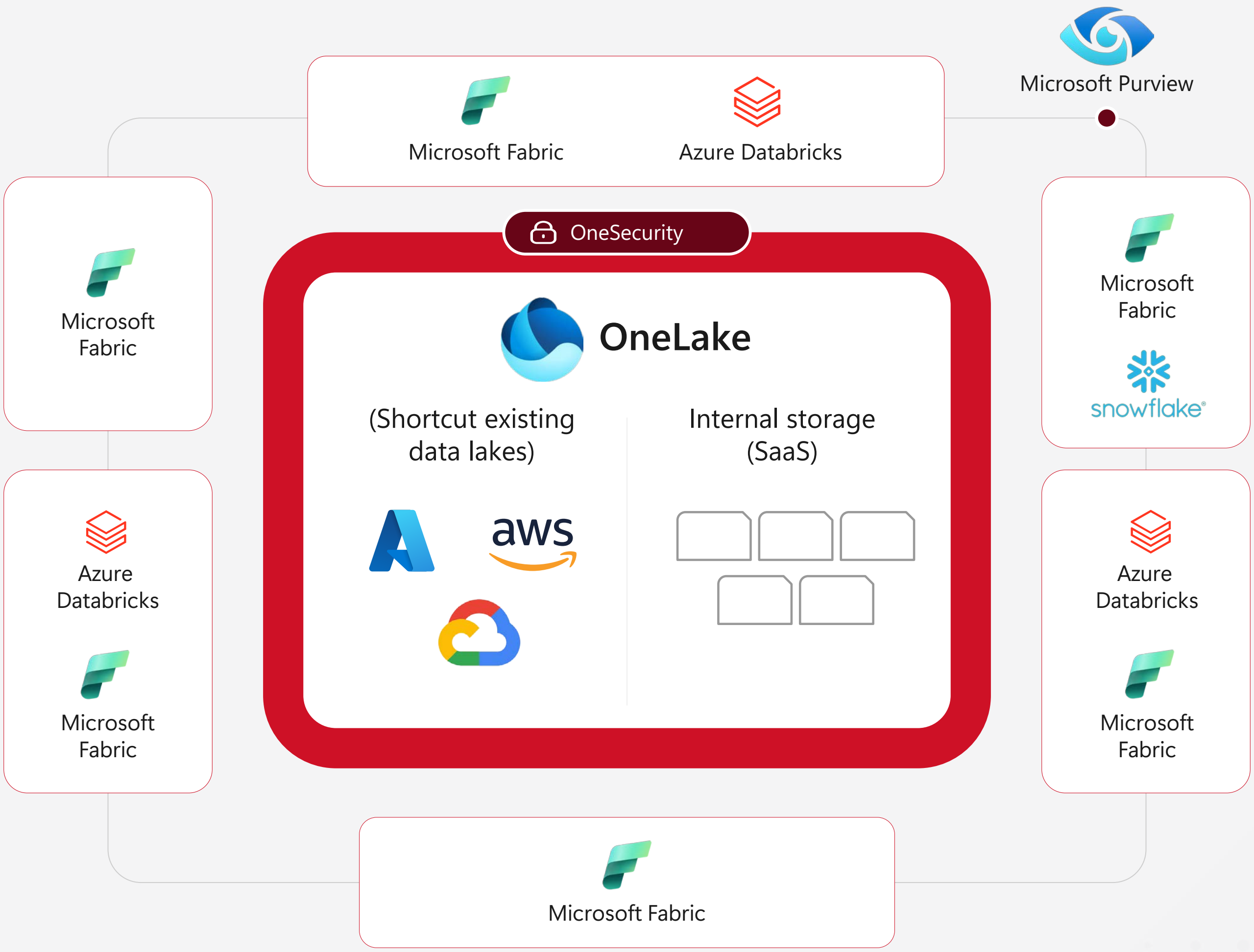
The concept of a golden source of data has been in the market for several decades and though it is aspirational, the reality is that most firms and their lines of business are faced with multiple versions of the 'truth,' which makes it difficult to build consensus. Moreover, because data is increasingly seen as a strategic asset, firms are careful about how and which data is externally shared with potential competitors. Firms only want to share data for specific purposes without relinquishing control or ownership of that data and purely contractual mechanisms often don't build sufficient trust to engage in such arrangements.

Understandably, firms would also like to be fairly remunerated while engaging in such partnerships. The well-established 'aggregator' model, where firms simply sell their raw data to an aggregator third party that creates services using the input data, is no longer seen as fair and sustainable by all. However, the industry has still to establish reliable, balanced and repeatable economic models for data partnerships. These models can come in a variety of forms including revenue-sharing partnerships based on data contribution, co-investments and consortia. Furthermore, as firms navigate whether to collaborate or compete with emerging fintech players and new value chain actors, they are often faced with taking a 'coopetitive' stance. Collaboration with competitors is becoming a strategic norm.

The outlook: Evolving technology and market infrastructures can help develop trust

Technology has evolved significantly to allow industry collaboration in a secure, permissioned and controlled manner. Firms are now adopting cloud-based data lakes or data meshes to achieve a unified yet distributed data environment. For instance, OneLake in Microsoft Fabric federates data from multiple clouds and on-premises sources into a unified logical view, allowing users and AI agents to interact with data without concern for its physical location. This vastly simplifies collaboration. The data remains securely stored and governed at source, but compute (i.e., programs) can be brought to the data instead of moving the data to where the program is run.

This architecture ensures control over data sharing with users, partners or clients that have permissions for specific purposes. It also enables real-time analytics by combining intelligence across previously siloed datasets. Similarly, confidential computing and privacy-preserving analytics techniques, such as federated learning, can enable multiple parties to contribute data to a joint analysis in encrypted form. This could involve computing a mutualised risk metric so that each party only sees the outcomes relevant to them, not the raw data of others.



Beyond technology, there will be an industry need to establish infrastructure that enforces legal governance requirements, manages liabilities, convenes operations and provides compliance and regulatory conformity in a neutral manner, especially where multilateral collaboration is needed. Central securities depositories (CSDs) and international CSDs with their strict regulatory oversight, strong risk management and legal frameworks are trusted safekeepers for trillions worth of securities assets for the industry and would be reliable infrastructures to support such industry efforts.

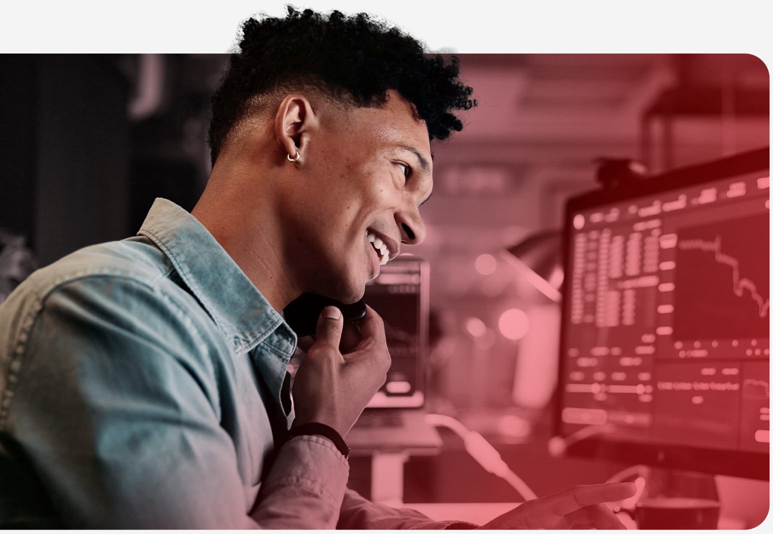
Collateral optimisation: A new form of partnership supporting the paradigm shift

Collateral optimisation is only as good as the data used to achieve it. It is therefore an area where a collaborative data approach can help firms to draw economic benefits from the plethora of post-global financial crisis regulatory requirements that have impacted capital, liquidity and collateral management, as well as enable firms to gain a competitive edge over their peers. It requires that consistent and easily-consumable data is gathered on demand from a host of different sources. This is a challenging endeavour as market structure changes have fragmented data sources across a wider range of market participants, including central clearing counterparties (CCPs), triparty agents, custodians and market infrastructures. Moreover, firms are sensitive about the confidentiality of competitively sensitive data and respecting regulatory restrictions related to data access.

To address these challenges, Euroclear has entered into a partnership with Transcend to deliver a new, industry-leading collaborative model for collateral optimisation. Data sets, including client data and Euroclear data such as securities positions and reference data, are now fed in real-time directly into a fully segregated and secure cloud environment outside of Euroclear. The solution allows clients to input and manage their own data and optimisation parameters specific to their needs directly in this segregated environment, ensuring data protection and neutrality. As a consequence, clients can now optimise collateral regardless of whether they have custody assets with Euroclear Bank or elsewhere. Once the results of collateral optimisation are calculated based on specific client data and parameters, the necessary instructions are routed directly to the appropriate collateral or custody providers.

Euroclear as a financial market infrastructure provides a contractual and operational wrapper, which significantly simplifies the onboarding process for clients by avoiding the complexity of dealing with multiple asset locations and collateral service providers. It also ensures that clients benefit from Euroclear's established trust and its solid governance, legal and operational framework.

Ultimately, this collaboration between Euroclear and Transcend represents a new paradigm in collateral optimisation. The service not only unlocks the value of data but also sets a new benchmark for how financial institutions can deliver innovation, while respecting client confidentiality. It is a tangible example of how industry partnerships can solve complex challenges and deliver meaningful transformation in capital markets, while establishing an economic model that works and brings value to all parties involved.



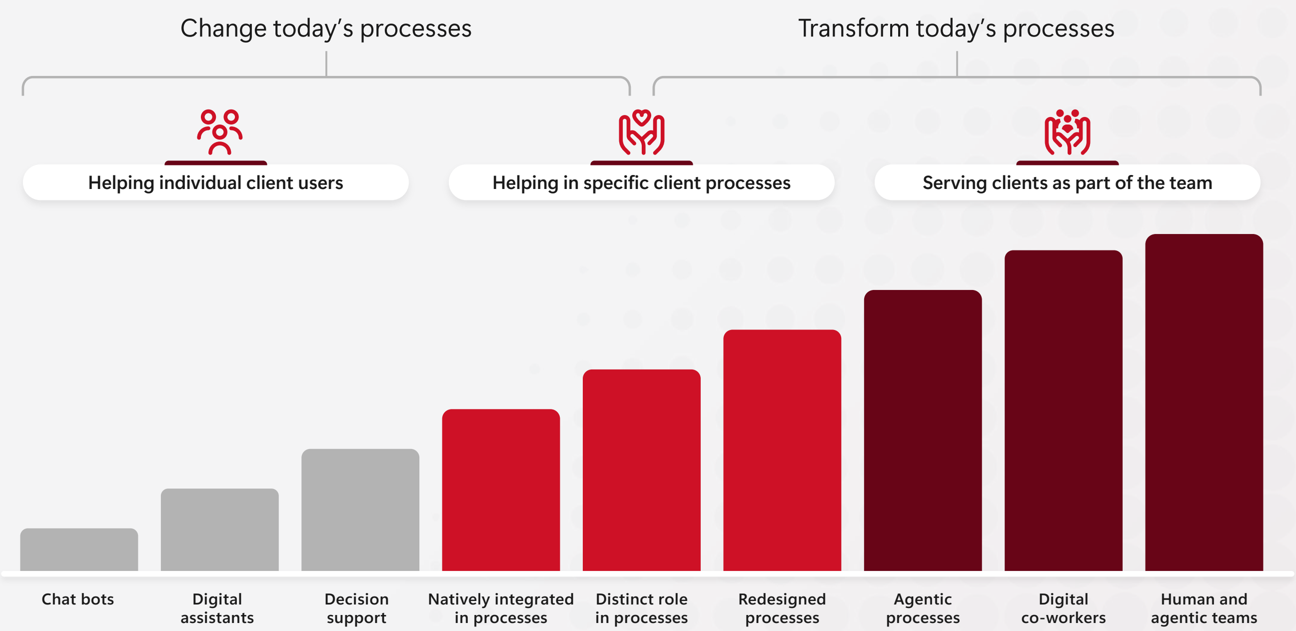
Re-imagine the client experience

The opportunity: Evolve client experience in line with expectations

As capital markets firms begin to develop more data-driven and AI-enabled services, client experience is no longer a secondary concern. It has become a top priority to ensure those services are actually adopted by clients and scaled across the industry's increasingly complex ecosystem. However, fragmented interfaces, manual workflows and disconnected support channels are the current reality being faced by client's trade and post-trade middle-office and back-office teams. Without a reimagined approach to digital client engagement that is user-centred and intuitive, new technology implementations risk being underused.

We believe that tomorrow's frontier firms will differentiate themselves by delivering intuitive, collaborative experiences that rival consumer tech. This shift becomes essential as firms begin to deploy AI agents. These new digital colleagues will increasingly support or even execute client-facing tasks. However, for this model to succeed, firms must rethink how clients interact with systems, data and support teams. Agentic processes

Moving from design by analogy to zero-based design



SOURCE: Martin Moeller, Microsoft

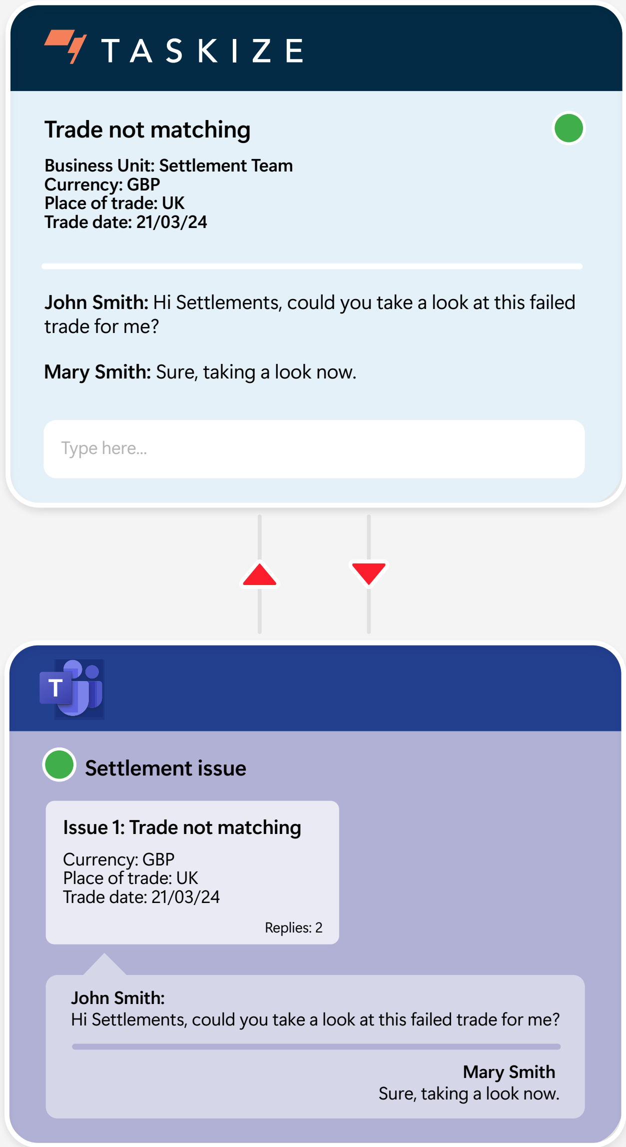
demand transparency, trust and seamless integration, which can only be achieved by redesigning the client experience.

The challenge: Moving from here to there with minimal client friction

When it comes to client experience, the corporate and institutional world has lagged the retail banking world significantly over the last decade in terms of automation and support. Client experience improvement becoming a priority in the retail realm has been dictated by decreased client stickiness, cost pressures, increasing competition from non-bank players and higher consumer expectations around the application of technology. In the institutional realm, the primary mode of client interaction remains manual in nature and many post-trade operations related functions depend on email exchanges between clients and counterparties. Using email as a quasi-workflow tool not only creates bottlenecks to support increasing business volumes but also fails to provide robust audit trails. It is also prone to miscommunication, which poses reputational hazards and increases the potential for fails, issue and liability claims.

The industry's development of new tools and services over time has added to client friction, as users now must navigate a plethora of platforms and portals to access data and communicate with their service providers. According to Microsoft's internal research, the average user contends with around 30 applications from various independent software vendors, which often undermines productivity due to its complexity and the costs of integration. This growing operational and IT burden is hindering clients from adopting the very new digital and data services the industry is looking to develop to create value for them.

How a user 'gets to done'



This challenge is compounded by a generational divide in technology adoption. A material portion of the existing workforce remains anchored to familiar but ageing technologies. Yet, emerging generations entering the industry show a markedly different preference. They expect dynamic and integrated digital solutions that mirror the immediacy and connectivity they experience outside of work. Without a decisive change in approach, the industry's ability to attract the best talent will become even more challenging.

The outlook: Meeting clients where they are now, converging toward a unified interface

The industry must go from a product-centric approach to a client-centric approach. This begins by meeting clients where they already are, within the platforms, workflows and communication channels they use every day. Rather than pushing clients to adopt new tools or interfaces, firms should embed services into platforms, interfaces and channels that are familiar to their clients. This would enable clients to integrate such services with their operations and systems much more effectively and drive adoption of such innovative services.

Early examples of this principle in action already exist. A compelling one is Taskize, a secure inter- and intra-company collaboration platform available independently as well as being integrated into Euroclear Bank's client and service ecosystem. At the heart of Taskize are its 'bubbles': secure, micro-workspaces where counterparties can collaborate in real time to resolve issues. These bubbles replace long, fragmented email chains with structured, auditable conversations that considerably reduce resolution times. Each bubble clearly assigns responsibility, supports escalation and can be passed across teams globally, ensuring continuity and accountability. What powers this counterparty collaboration is its Smart Directory, which uses a learning algorithm to route queries quickly and accurately across clients, colleagues and counterparties.

Operating model transformation

Towards a programmable enterprise

PHASE 1	PHASE 2	PHASE 3
Human with assistant	Human-led agents	Human-led, agent-operated
Every employee has an AI assistant that helps them work better and faster	Agents join teams as "digital colleagues," taking on specific tasks at human direction	Humans set direction and agents run entire business processes and workflows, checking in as needed

This could be taken further forward in the future. If, for example, Taskize integrated its Smart Directory with Microsoft Active Directory, even if one party isn't a Taskize user, their platform could still route queries from a counterparty into Microsoft Outlook or Teams and then integrate responses back into a Taskize bubble. This would allow both sides to work in their preferred environments with Taskize orchestrating interactions in the background.

Taskize illustrates how firms can meet clients where they are by embedding intelligent workflow and collaboration into tools they already use, such as Symphony, Microsoft Outlook and Teams, without forcing them to switch systems or learn new interfaces. Looking ahead, this model could expand further where multiple industry applications integrate into broader enterprise platforms, whether Microsoft Teams, Aladdin or other multi-app platforms that clients already widely use, creating unified workspaces where collaboration, processing and data access are brought together.

Embracing the opportunity of AI as a game-changer for CX

Building on these integrated environments, firms can now begin to layer in AI capabilities that further unify how services and support are delivered to clients.

The first step is adding an AI assistant, such as Microsoft 365 Copilot, to support the existing process and bring efficiency to the human support process. To this end, Copilot allows users to type requests or queries in natural language and receive an answer immediately. For example: "Copilot, show me the settlement exceptions that occur most frequently with this counterparty and the email data behind it." What this illustrates is not only the power of AI, but also the concept of a single point of interaction. Instead of navigating across multiple systems or running separate reports, the user interacts through one intelligent AI interface. Behind the scenes, AI agents fetch the data, interoperate across systems and even initiate actions, surfacing them back into the unified workspace.

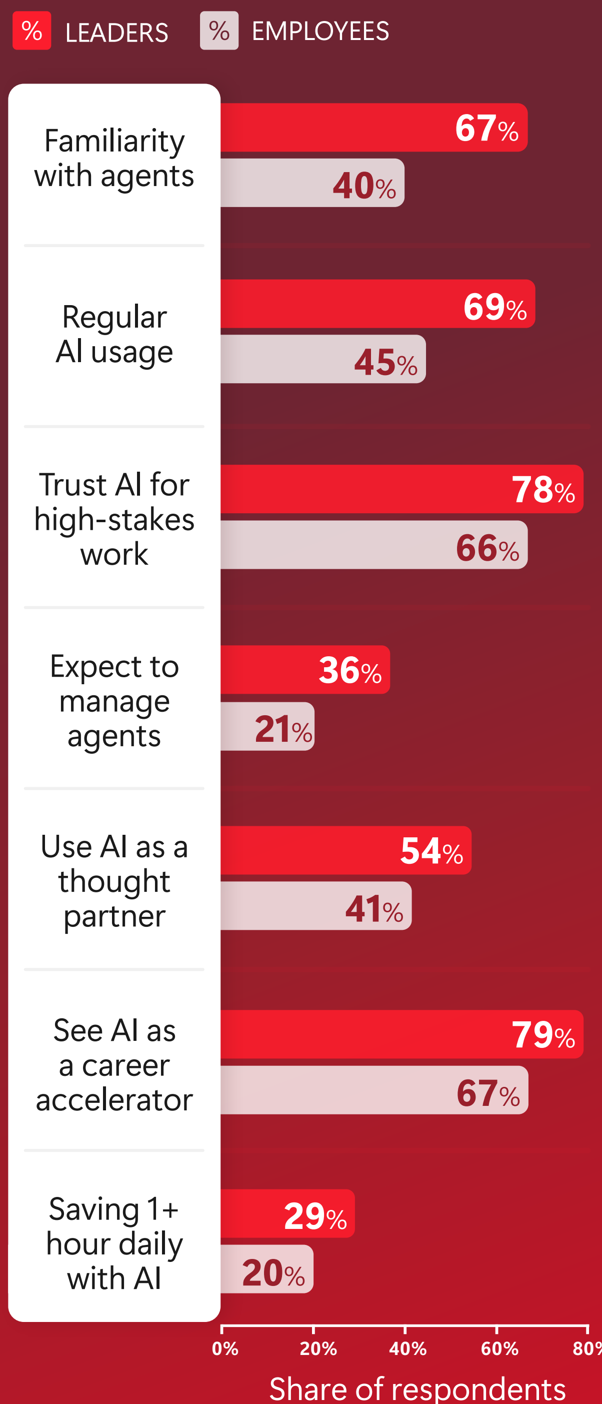
In a multi-agent environment, one request might launch a suite of behind-the-scenes actions to resolve those exceptions automatically based on the data, with the user approving in a single click. All the 'plumbing' is handled by AI agents, not humans, creating scale and efficiency. This reinforces the vision of the unified interface: AI agents and digital colleagues embedded in familiar platforms, orchestrating complex operations in the background, while clients and staff interact through one intuitive front end.

We are entering a new reality, one in which AI can reason and solve problems in remarkable ways. Firms must navigate the challenge of preparing for an AI-enhanced future, where agents will gain increasing levels of capability that humans will need to harness as they redesign their businesses. Preparation for this new reality where agents become digital workers under human oversight, necessitates the upskilling of existing staff and new controls and governance frameworks, to assess and address risks arising during day-to-day operations. It isn't a simple operational replacement of one process with another and therefore requires a rethink of a firm's overall client support operations, from the ground up.

As agents increasingly join the workforce, we'll see the rise of the agent boss—someone who builds, delegates to and manages agents to amplify their impact. Working smarter, scaling faster and taking control of their career in the age of AI. However, the data shows that leaders are ahead of employees. Bridging the gap will take more than access; it will require training, oversight and a new way of working.

The race to be an agent boss

We used seven indicators to identify who has an agent boss mindset. Leaders are ahead on every measure.



SOURCE: Microsoft 2025 annual Work Trend Index

Enable an ecosystem for industry collaboration

The challenge: Supporting greater industry collaboration

The 'platformification' of the market necessitates the development of an ecosystem that can support increased industry collaboration to address the opportunities and challenges of today and tomorrow. Several building blocks are required to deliver on this goal, including the fostering of greater interoperability, the harmonisation of certain standards and regulatory frameworks and a culture of collaboration.

The ambition of regulators, financial institutions and market infrastructures has long been to reduce the friction between processes and data flows across the industry, to improve access, efficiency and mitigate systemic risks. However, moving from concept to reality has often been challenging, especially at the cross-industry level. The cost of inaction is staggering. In 2024, global KYC compliance costs reached $4.6 billion in enforcement actions alone.[7] Meanwhile, 67% of banks report losing clients due to slow and inefficient onboarding processes, and 74% of asset managers have lost investors for the same reason.[7]

Much more effort is needed in a wide variety of other foundational areas. The first step, as previously noted, is providing secure access to data, which is dependent on common standards and taxonomies. Similarly, there are other key areas where common standards and market practices are urgently needed to help deliver scalability and drive growth such as identity and KYC. Akin to how a Google, Microsoft or Meta account has made it easy for users to access multiple online apps without the hassle of yet another registration, digital identity and automated KYC can help reduce adoption friction.

No firm can solve these industry-wide challenges alone. So how do we drive collective action?

The outlook: A concerted industry push for interoperability and standards

The future of capital markets is highly collaborative and platform-driven, where firms and potentially regulators co-create solutions on shared ecosystems. Industry standards will be supported via the adoption of mutualised utilities or greater interoperability across multiple organisations. Ultimately, the industry will move toward an integrated, end-to-end infrastructure for markets, where firms still compete on value-add services and client relationships, but wherever possible they standardise and share underlying processes.

What this means in practice is prioritising the adoption of key business and industry standards such as the bond data taxonomy or legal entity identifiers (LEIs). For instance, if all participants in a trade lifecycle reference the same LEI in a corporate action announcement or a settlement instruction, they can propagate through the chain without manual intervention. Moreover, the same LEI can be referenced in digital securities tokens to enable interoperability across DeFi and traditional ecosystems.

Technology itself can be an enabler in helping firms to cope with the multitude of different standards and market practices across the industry. The industry is at a unique point in time where gen AI and the availability of data can be combined to remove some of the pain points in adopting standard data taxonomies while dealing with unstructured data like legal documents. For instance, an industry-wide shared large language model or machine learning model could be used to derive key asset data from prospectuses. Similarly, technology standards can be used as the foundation to build up industry standards. Many of us use some form of technology identification mechanism, whether Microsoft Entra ID, or others for personal identification and logins. Could some of these established mechanisms be evolved to enable the faster adoption of LEIs in the industry?

The regulatory community is also focused on harmonisation efforts in order to drive competitiveness and scale in their economies. One example is the EU Savings and Investments Union (SIU), which broadly aims at getting money and investment flowing across Europe to drive growth, entrepreneurship and ultimately global competitiveness. A route to achieving this is through leveraging the existing infrastructure backbone and connectivity, which is built on industry standards and driving further legal and regulatory convergence as indicated in Euroclear's latest policy paper.[8] The regulatory community has set up several sandboxes in key jurisdictions across the globe over recent years, which highlights their support for collaborative innovation and technology experimentation and these could also be used as the test beds for evolving standards.

To accelerate the achievement of these common benefits, the industry with the help of industry associations should identify key areas that are not considered by market participants to be competitively differentiating and consider mutualising them to industry utilities. One area of significant industry interest when it comes to the potential for a collaborative solution is the KYC space.

Undoubtedly, there have been numerous attempts to establish a KYC utility over the last 15 years and many have been unsuccessful for a range of reasons. Instead, the focus should be on the least competitively sensitive, yet very painful client touchpoint: data and documentation gathering. This would allow each firm to conduct its own risk assessment on that shared baseline.

GlobalWatch: Meeting the KYC collaboration challenge

The lack of a widely-adopted standard approach to KYC means that clients are faced with a lot of duplication of effort, even when interacting with the same counterparty during the onboarding and data refresh processes. This is exacerbated by the current regulatory environment, where sanctions regimes may change rapidly and compliance requirements are more onerous than ever. As a result, the length and complexity of due diligence processes have expanded significantly over time.

A huge number of data points and documents must be provided by clients to their providers on an ongoing basis. Moreover, risk mitigation and investor transparency requirements also entail the application of classifications to legal entity data on a country-by-country and asset-by-asset basis. This could be prompted suddenly by a regulatory event or on a regular basis. Understandably, in the current volatile geopolitical environment, a client classification may change significantly from one day to the next. This is why firms need to move toward a model of perpetual KYC, where refresh processes are triggered in real time by relevant events or material changes to client risk profiles, which is dependent on up-to-date data.

Euroclear is actively championing a collaborative approach to developing global KYC utility powered by advanced technology and open across asset classes. This builds on Euroclear's network and its experience with the Euroclear GlobalWatch platform that already serves the funds industry effectively. The new initiative aims to create a global centralised, standardised and secure framework where legal entities can exchange KYC data digitally, cut out manual repetitive processes and enhance transparency for all for financial institutions worldwide.

The utility builds on collaboration with key industry actors to expand the coverage of asset classes and jurisdictions. At its core, it is designed to:

- Leverage standardised documentation where possible, yet allow the flexibility of customised bilateral exchanges in a digital manner where needed.
- Use generative AI to pre-populate client data, reduce manual input and improve the efficiency of client input and data freshness, leading to a better client experience.

- Enable secure, reusable data exchange, across institutions by leveraging verifiable credentials and decentralised identity solutions.
- Respect the diverse compliance requirements and risk appetites in different jurisdictions. To do this, the utility decouples data sharing from liability, focusing on establishing a shared repository for standardised documentation. Institutions access the data they need without inheriting the risk assessments of others, making industry-wide collaboration practical and scalable.

The initiative also recognises that though 80% of KYC documentation and data requirements are common, the rest can vary significantly across jurisdictions and regulatory harmonisation is the key to unlocking true industry-wide standardisation. However, there is growing momentum toward regulatory alignment, driven by the work of industry bodies such as the International Securities Services Association and the Financial Markets Standards Board. There efforts should enable a more consistent framework for KYC documentation and data exchange.

This global KYC utility stands as a call to action for cross-industry partnership, regulatory alignment and technological innovation, enabling perpetual KYC and resilient compliance in a rapidly evolving market.

An industry call to action

The financial industry is undergoing a shift toward 'platformification', where shared platforms and data enable organisations to collaborate more effectively, accelerate innovation and drive value for end beneficiaries of the markets, namely issuers and investors. No single firm can tackle every challenge alone. Strategic partnerships such as Euroclear's collaboration with Microsoft, demonstrate how combining deep market expertise with cutting-edge technology can help enable the industry tackle such a challenge.

To drive this model forward, the industry must work on three core areas:

1. Unlock the value of data by collaborating across silos

There is increasing industry recognition of the greater value of insights that can be derived for clients by combining data across the value chain. Data is becoming a strategic asset on par with capital. Leading firms treat data as a single, enterprise-wide resource and realise that the true value of data can be captured by making it accessible across silos to drive valuable insights and decision-making for clients.

- **Modernise data and digital foundations.** Future-proof infrastructure to innovate with new products and services, engage more effectively in market initiatives and drive strategic partnerships on digital platforms. Special attention needs to be given to reviewing and upgrading data foundations. Practically, this means establishing robust data governance and investing in a modern data architecture that breaks down silos to fuel innovation and decision-making enabled by analytics and AI. Strong governance not only boosts internal and client confidence in data-driven decisions but is also vital for regulatory compliance and for feeding reliable data into AI and analytics engines.
- **Establish trust and resilience in data collaboration.** This can be done via the combination of technology solutions such as cloud data lakes, confidential computing and fair and transparent governance and controls around data access, permissioning and usage. In the era of ecosystems and 'coopetition,' firms should prepare to collaborate on the development of data-enabled services that securely share and combine data sets across clients, counterparties and even competitors. CSDs, ICSDs and other financial market

infrastructures can help partner with the industry to develop next generation data platforms built on such trusted governance, regulatory compliance and stable operations.

- **Rethink traditional economic models around data.** Move from the traditional data aggregator model to a more collaborative approach that also respects firms' intellectual property rights and assets. These should be reliable, balanced and repeatable economic models for data partnerships such as revenue-sharing partnerships based on data contribution, co-investments or consortia.

2. Unify client experience and prepare for the agentic future

To truly deliver on the value of new digital, data and AI services, firms must move towards a unified, intelligent and user-centric model.

- **Unify the client experience and meet clients where they are today.** Clients should no longer be expected to navigate dozens of disconnected tools or adopt yet another tool. Firms must combine the multiple client tools, UIs and channels of today into a single access point that enables the client to engage with processes more seamlessly and efficiently. This can be done by embedding new solutions within platforms familiar to clients, so that their adoption can happen with minimal costs and operational burdens.

- **Empower human teams with AI agents.** Routine tasks like data gathering, exception tracking and initial resolution can be delegated to AI assistants, allowing firms and their clients to empower their workforce to focus on strategic, high-value work. Acting as digital colleagues, these agents can surface insights, suggest actions and execute tasks under human oversight, which creates a more responsive, scalable support model and simplifies client operations.

- **Establish governance and controls for a multi-agent environment.** Adapt to an environment where operational staff can supervise the various tasks being conducted by agents with the right level of oversight and control. Clear policies, role definitions and audit trails are essential to ensure AI agents operate transparently and only within defined boundaries of a robust oversight framework. Risk and compliance should be involved in designing these controls and frameworks. Ensuring transparency and reliability in AI decisions will be critical to building client trust in new workflows.

- **Prepare the workforce for hybrid human-machine collaboration.** The shift to agentic workflows requires a new skillset to support an environment where humans and machines share the workload. Firms must invest in upskilling staff, to use

AI, supervise digital agents, interpret AI-driven insights and manage new governance models. Cybersecurity and operational resilience must remain central as firms evolve toward this future.

3. Drive standards and interoperability to enable industry collaboration

Ever-thinning margins, increased competition and the wider push toward digitalisation are creating the perfect storm for the industry to collaborate especially around data and AI. To ensure they can capture this opportunity, firms should focus on adopting foundational standards and interoperability:

- **Treat interoperability and standards as a strategic imperative.** Standards are necessary to be able to meaningfully scale innovative products and services, especially those that leverage data and AI. Without these crucial foundations, the development of new digital, data and AI services will require heavy investment by every industry actor and a longer time to enable the change, which will negatively impact clients. Key initial focus areas include KYC and identity, where existing standards such as the LEI can be further adopted.
- **Collaborate on shared utilities and mutualised platforms.** Identify areas that are non-differentiating and consider industry-wide or mutual solutions for them. KYC is a prime example: rather than each institution individually collecting and re-verifying the same client documents, shared KYC utilities or data hubs can greatly streamline the process. By mutualising certain processes through joint platforms, firms share costs, reduce duplicative work and improve consistency.
- **Support regulatory efforts around harmonisation and developing competitiveness.** Many regulators are currently focused on improving market competitiveness at a national or regional level by delivering greater harmonisation and access with the aim to create a domestic environment for innovation at scale. Feeding into consultations, supporting harmonisation efforts and collaborating with industry and regulators in efforts such as the SIU in the EU or innovation sandboxes will pay dividends in the long term.

In today's rapidly evolving capital markets industry, only those firms willing to boldly reinvent themselves—embracing data collaboration, unified client experiences and industry-wide standards—will emerge as true frontier firms. By harnessing the power of AI, breaking down silos and forging new models of partnership, these organisations will not just adapt to change, but actively shape the future of financial services. The journey to becoming a frontier firm is both a challenge and an imperative—one that demands vision, collaboration and a relentless commitment to innovation. Those who lead this transformation will define the next era of value creation for clients and the industry as a whole.

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Contributing organisations

The next frontier for capital markets is a joint publication by Euroclear and Microsoft, supported by Firebrand Research.

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