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ARTIFICIAL INTELLIGENCE

SARTHAK PATTANAİK

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Sarthak Pattanaik is an Engineering Leader at BNY, where he serves as Chief Data & Artificial Intelligence Officer. He has been with BNY since 2013, and he leads the engineering teams that are responsible for AI Hub, Conventional Trust, Credit Services, Data Solutions & Services, Depositary Receipts, Global Clearing, Global Payments and Trade, GSS Enablement, Loans Enablement, Payments Enablement and Structured Debt.

He is responsible for the strategy, buildout, adoption and scaling of AI capabilities across the firm. Sarthak is a trusted and innovative leader with over 20 years of experience with leading teams that are responsible for the buildout of scalable mission-critical platforms and innovative solutions that help our clients.

Prior to joining BNY, he spent 13 years at Nomura Securities in New York, where he served as the Global Head of Market Risk and Counterparty Risk Technology, responsible for value-at-risk, stress testing, economic capital, and regulatory capital models. Before this, he was a Quantitative Analyst responsible for pricing structured credit and securitized products.

Sarthak holds three patents related to the use of blockchain technology and is certified as a Chartered Financial Analyst (CFA[®]) and Financial Risk Manager (FRM[®]). He earned a Bachelor of Technology degree from the Indian Institute of Technology Kharagpur and a Master of Business Administration from the Indian Institute of Management Lucknow.

THE EVOLUTION OF ARTIFICIAL INTELLIGENCE

- Artificial intelligence (AI) is set to become the operating system of financial services organisations, emerging from years of technological development.
 - **We began with deterministic systems:** for example, a credit card or payment system has clear rules, regulations and logic built in. They are deterministic, meaning the same inputs always have the same outputs. They are rigid by nature, and while one might add rules, they remain rules-based systems.
 - **The next evolution is machine learning,** where machines look at inputs and outputs, and learn what was intended. Traditional machine learning gave us forecasting, time-series prediction, clustering and classification. An example is assessing whether an email is fraudulent or not, but the output was still a point estimate.
 - **The advent of generative AI created a new paradigm.** Point estimates are supplemented by dynamically generated outputs, such as text. At its simplest, a language model is a prediction of the next token or word – but given they are trained on vast amounts of text, these predictions become sentences, paragraphs, and coherent prose.
 - **The next and ultimate goal is artificial general intelligence.**

HOW BNY IS USING AND INNOVATING WITH AI

- From BNY's perspective, the journey into making the most of AI can be set out in five stages.
 1. **Extraction:** If you have a large amount of information, you can extract information easily. For example, a corporate bond indenture contains the maturity date or issuer, and that information can be extracted. That's a solved problem.
 2. **Reasoning:** A model captures information, understands context, and performs calculations. For example, from a bond indenture it can work out the next coupon payment date based on start date, frequency, and calendar conventions.
 3. **Autonomy:** Once a system can extract and reason, it can act on our behalf. Many companies are now using agentic frameworks and autonomous agents. At BNY, one use case is payment processing. Around 3-4% of payment instructions contain poor-quality data, but in repetitive ways. AI can infer what a client intended and process the transaction autonomously, with human supervision rather than human intervention.
 4. **Innovation:** Beyond improving processes and extracting insights, AI can be used to create new products. For example, historically, portfolio design has been grounded in experience and concepts like diversification and mean reversion. AI allows large-scale trial and error, simulating the real world and understanding decision-making, enabling portfolios highly tailored for the institution or individual.
 5. **Organisation:** AI can increasingly run entire organisational functions end-to-end. For example, reconciliation is time-consuming, complex and repetitive. AI can understand what a human does in this process and take on that drudgery.

- From BNY's perspective, this is transformational. These stages span how we deliver, what we deliver, and ultimately who we are as an organisation. We expect AI to be part of every product and service. Our approach has been to democratise AI: 99% of BNY employees have gone through AI training and have access to Eliza, BNY's enterprise AI platform.
- Examples of BNY's use of AI so far include the following:
 - On the client-facing side, fulfilling Know Your Customer (KYC) requirements is challenging, as it can involve unstructured data, multiple jurisdictions, different products and extensive due diligence. AI agents can support this process in performing research, synthesising information, and helping to identify risks in minutes rather than hours, with humans making the final decision.
 - In transaction processing, payment repairs are repetitive and mundane, and in our experience AI can handle them with a 97% success rate, flagging only the transactions that need review.
 - In reconciliation, AI can compare ledgers and statements across dates, understand corporate actions such as stock splits, and determine whether differences are anomalous.
 - In asset servicing, AI can help identify whether NAV anomalies are driven by market movements or data-quality issues.
 - In credit services, AI can analyse portfolio exposure to events like the Middle East crisis, assessing impacts at the individual issuer level rather than through broad macro shocks.
- In 2024, BNY focused on building the foundation by taking a platform-based approach and putting governance in place. In 2025, the focus was enablement and scaling, with nearly the entire organisation trained and actively using our AI platform. In 2026, the focus is rewiring BNY, with every process, every dataset, and every line of code benefiting from the application of AI. There are three key learnings from this journey:
 1. **Time is not neutral.** Delay compounds risk, and speed compounds advantage. Markets move fast, and event risk is increasingly important. AI enables us to translate real-world scenarios into specific portfolio impacts at the individual security level.
 2. **Data are only assets if they are organised, nurtured and connected.** AI allows structured and unstructured data, including alternative data, to be combined into intelligence, while also improving data quality.
 3. **Governance scales.** A strong governance framework enables faster innovation by providing a common control plane covering fairness, ethics, accountability, transparency, privacy, cost management and vendor independence. Over the last 18 months, we have seen 3,600 ideas generated, about 200 per month, which previously would never have been executable.
- AI innovation is not an event; it is continuous. With the right tools, education, and alignment to top-down strategy, people can execute incrementally and continuously.

CONTRIBUTOR



Sarthak Pattanaik
 Chief Data & Artificial Intelligence Officer
 BNY

FIND OUT MORE

Institutional Business Development

businessdevelopment@insightinvestment.com

European Business Development

europe@insightinvestment.com

Consultant Relationship Management

consultantrelations@insightinvestment.com

North America Business Development

inquiries@insightinvestment.com

Australia Business Development

insightau@insightinvestment.com

 [company/insight-investment](https://www.linkedin.com/company/insight-investment)

 www.insightinvestment.com

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