

The changing future of operations and custody

Australia's custodians are no longer just safeguarding assets. They are becoming critical connectors in a market being reshaped by AI, digital assets, regulation and the push for richer real-time data.



CUSTODY

Custody is no longer just about safekeeping. As artificial intelligence reshapes back-office operations and digital assets challenge legacy infrastructure, Australia's custodians are being pulled into a fast-moving transformation, being forced to evolve from passive record-keepers into much more active participants.

Leon Stavrou, Head of Asset Servicing, Australia and New Zealand at Northern Trust, frames it plainly: "The conversation is no longer just about safeguarding assets. Custody is increasingly becoming an enabling layer for how assets are issued, distributed, settled and serviced across a rapidly changing market structure."

Stavrou argues the fundamentals haven't changed – control, safekeeping, liability and investor protection remain non-negotiable. "These requirements do not disappear in a digital environment; in many cases, they become even more critical."

Custodians, he forecasts, will play a key bridging role, ensuring new digital asset models align with regulatory expectations and long-standing principles of asset protection.

AI and data-driven custody

AI is also reshaping what clients expect from custodians, particularly around data. As portfolios grow more complex, spanning listed and unlisted assets, clients now demand real-time data, seamless cross-asset integration and actionable insights – not static reports.

"AI has the potential to enhance operational efficiency, improve risk oversight and support more informed decision-making," says Stavrou, "but its value ultimately depends on strong data foundations and robust controls."

Tokenisation and market infrastructure

Tokenisation is another front reshaping custody and post-trade services. Stavrou points to growing global momentum, particularly in asset classes like fixed income, private assets and alternatives – operationally complex, fragmented and slow to settle. "Tokenisation has the potential to improve settlement speed, transparency and operational efficiency, while leaving the fundamental economics of the asset unchanged."

In Australia and across APAC, regulators are taking a pragmatic approach. Initiatives such as Project Acacia are exploring how tokenised assets can integrate with existing payment, custody and settlement frameworks.

"Custodians will increasingly act as connectors between traditional infrastructure and digital platforms, between regulators and innovators, and between asset owners and new forms of market access," says Stavrou.

Strategic partners, not just service providers

Daniel Cheever, Head of Securities Services Australia & New Zealand at BNP Paribas Securities Services, echoes these shifts. "Custodians are evolving from service providers to strategic partners," he says, with roles now encompassing AI, real-time data, cross-border solutions and ESG reporting.

Client expectations have moved sharply: faster settlement (T+1/T+0), personalised insights and automated risk management are now baseline demands. BNP Paribas is responding by integrating AI and generative models to automate processes and improve client interactions – using AI for anomaly detection, unstructured data processing and client request handling. Its NOA (NextGen Online Assistant) virtual agent on the NeoLink portal is one example of this shift in practice.

Data has become foundational. “Actionable data enhances decision-making and operational resilience,” says Cheever, “without altering the fundamental custodian-client dynamic of instruction-based service.”

Resilience, private markets and data richness

Tim Helyar, Country Head for Australia at State Street, sees opportunity in operational resilience and third-party oversight – areas sharpened by APRA’s Prudential Standard CPS 230 Operational Risk Management. “Given the changing nature of threats, particularly geopolitical events and increasing cyber risks, it is critical for custodians to continuously assess the resilience of their operations.”

Private markets are another growth area. Increasing allocations to non-listed assets are driving regulatory scrutiny and demand for data transparency. “Private markets are unstructured by their very nature,” says Helyar. “Clients are looking for a data platform where they can see-through into the data, run risk and exposure calculations at a portfolio level, and access secondary valuation reviews. The richness of that data is incredibly valuable.”

Nick Wheeler, Head of Markets and Securities Services at HSBC Australia and New Zealand, sees custodians moving firmly up the value chain – expected to deliver fund administration, operational efficiency, data integration, cyber-security and risk management. “This demand is only going to become more prevalent over the next decade.”

Wheeler also highlights yield enhancement services such as securities lending, collateral management and liquidity management, as areas requiring high automation and seamless data integration. Looking further ahead, he expects post-CHESS replacement industry attention to shift toward T+1 settlement, especially as Europe and the UK move in that direction from 2027.

The future workforce and client partnerships

BNP Paribas’ Cheever points to workforce evolution as inseparable from the technology shift. “We expect increasing requirements for proficiency in AI, data analytics and digital tools, alongside client engagement, adaptability and cross-cultural collaboration.” Specialised, agile talent able to translate technology into client value will be at a premium.

“The future of custody lies in broader and in-depth client partnerships,” he adds, “harnessing technology leadership, expanding into private assets and digital solutions, and providing seamless global-local connectivity.”

Australian Custodial Services Association CEO David Travers reinforces the industry’s priorities “ACSA and its members remain focused on responding to regulatory changes and evolving market frameworks – including the ASX CHESS replacement program and implementation of operational resiliency measures. Innovation, regulatory change and best-practice remain critical to driving efficiency across custody and investment administration.”

Australian assets under custody reached a record high of \$6.2 trillion by the end of December 2025, with the amount managed by asset servicing providers up 7.2 percent to \$7.2 trillion – with them settling more than 115,000 trades a day.

Total assets under custody for Australian investors end June – December 2025

Rank	Provider	June 2025	Dec 2025	Change
1	JP Morgan	1,389 (\$AUD bn)	1,495	7.6%
2	State Street	1,021	1,081	5.9
3	Citigroup	881	1,055	19.7
4	Northern Trust	931	995	6.9
5	BNP Paribas	567	824	45.4
6	Perpetual	269	299	11.1
7	Clearstream	123	133	8.0
8	Netwealth	119	124	11.2
9	HSBC Bank	107	120	12.0
10	Apex Group	41	41	1.8

Source ACSA 2026 (<https://acsa.com.au/page/IndustryStatistics>)