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AI Europe Trending

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*Financial firms are increasingly changing how their organisations manage and process reference data for trade data management, according to a new study by **SmartStream**, the financial transaction lifecycle management (TLM) solutions provider.*

Conducted in collaboration with **Acuity Management Intelligence**, SmartStream's new report, titled '*The Future of Reference Data: From Compliance to Alpha*', highlights the growing importance of reference data investments for financial firms and the strides being made in data standardisation and automation.

Participants were surveyed from across the derivatives market, including: hedge funds, proprietary trading firms, energy traders, bank and non-bank FCMs, and brokerages. The results reveal that in the last five years, firms have made significant investments or changes in how their organisations manage and process reference data for trade data management, with automation emerging as the primary driver.

In fact, as much as 71 per cent of firms have invested in this data during the last five years. Meanwhile, 56 per cent of respondents reported significant reductions in manual processes through automation, with notable improvements in reconciliations and trade workflows.

“Reference data today has applications far outside the traditional use case of post-trade reconciliation,” explained **Ross Lancaster**, head of research at Acuiti. “In today’s fast-moving market, firms are finding an edge and increasing the use cases for reference data to generate alpha and improve efficiency across the trade lifecycle.”

Nearly a quarter (24 per cent) of firms have fully automated their reconciliations systems. However, challenges remain – as 46 per cent of respondents cite standardising external data as a significant challenge.

## **Embracing AI automation**

Unsurprisingly, **AI adoption** is also on the rise, with 25 per cent of firms already leveraging AI or machine learning for data management, with 30 per cent planning to integrate these technologies soon

**Linda Coffman**, EVP of SmartStream RDS, commented: “Despite progress, challenges do persist, with fragmentation and complexity – when it comes to integrating data from multiple vendors and addressing the inconsistencies of external counterparties and exchanges. That said, the adoption of AI is transforming how reference data is utilised, driving more sophisticated applications across the trade lifecycle. This reflects a shift toward continuous investment in reference data, moving away from one-off major upgrades.”

The report highlights an increasing trend towards AI and machine learning, with a quarter of firms actively leveraging these technologies for reference data management. While just under a third are planning to do so.

While AI adoption is still in its early stages, momentum is building for innovative applications of reference data. Although initial costs and cautious approaches remain barriers, these are expected to diminish as adoption scales, unlocking broader use cases and efficiencies across the financial sector.

The findings point to an industry steadily advancing toward automation and AI-driven innovation, with firms recognising the critical role of data management in achieving operational excellence and mitigating risk.