

Top 5 trends in asset servicing in 2025

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To compete against new market entrants and fintechs, asset servicers must adapt just as quickly as – if not faster than – the wealth and asset management industry. This need to transform is driven by globalization, digitalization, regulatory change, evolving client expectations, and not least, rising cost pressures particularly from private equity investors. Asset servicers’ customers, i.e., the asset managers, are demanding more value, seamless digital experiences and operational resilience, requiring a delicate balance of managing cost pressures and the need to innovate. The challenge lies in delivering superior services at competitive prices without compromising the customer experience, which is at risk as firms implement cost-cutting measures to stay afloat.

Luxembourg, as a global finance hub and the number two investment funds industry in the world, is home to a high concentration of asset servicers which act as the backbone of investment operations.

What are the top trends shaping their strategies in 2025?

What are asset servicers?

Asset servicers are specialized financial institutions that support the administration and operational management of investment assets. They perform essential functions such as custody, fund accounting, transfer agency, regulatory reporting, and settlement of transactions. By ensuring that these processes run smoothly and efficiently, asset servicers help maintain the integrity and stability of the investment ecosystem.

A portrait of Brice Lecoustey, a man with short dark hair, wearing a dark blue suit, white shirt, and dark tie. He is standing with his hands clasped in front of him, looking directly at the camera. The background is a blurred office setting with other people.

Brice Lecoustey
EY Luxembourg
Consulting Partner
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How EY can help



1 Globalization 2.0

Scale, speed, and seamless cross-border operations

As investors diversify internationally, cross-border fund structures, parallel funds (investment funds set up as separate legal entities to the main fund, to serve different investors) and distribution networks continue to expand. To illustrate, assets under management (AUM) in Luxembourg reached €5,950 billion as at August 2025, a 10%+ increase from year-end 2023, surpassing the record high of €5,859.6 billion in 2021 (as per CSSF data).

Asset managers are clearly expanding their reach to attract capital from investors in different locations and with different needs and wants. Asset servicers too need to establish a global footprint and scale up to serve their growing customer base. The need for “follow-the-sun” operating models and round-the-clock coverage is therefore also now standard to serve large players.

Further, there is also a need to offshore or nearshore as a result of cost considerations. As investors and asset managers evaluate costs more carefully, more and more asset servicers consider setting up global cost centers or capability centers (GCCs), to centralize operations and reduce costs across multinational businesses.

Recommendations

Expanding global reference data management and strengthening multi-jurisdictional oversight and operational continuity frameworks are key recommendations to ensure scalability and consistent service delivery.

Luxembourg Assets under Management



€5,950 billion
August 2025

€5,859.6 billion
2021

CSSF data



2 What's driving investments? Private markets and retailization

Historically, alternative investments have been designed for institutional investors and ultra-high-net-worth individuals (UHNWIs) rather than the mass and retail market. But, in search of higher yields and diversification, investor appetite is shifting toward private equity, private credit, infrastructure and real assets. Institutional and increasingly retail investors are seeking exposure to semi-liquid funds that blend illiquid and liquid assets. Asset managers face the complex task of structuring semi-liquid investment vehicles while simultaneously allocating capital to inherently illiquid assets.

The industry's response includes the emergence of evergreen and semi-liquid structures such as ELTIF 2.0 and open-ended private credit vehicles. These require new fund accounting models, investor portals for commitment tracking, operating models for liquidity management and advanced data aggregation from underlying assets. For asset servicers, this means adapting transfer agency, dealing, and reporting processes to retail-grade standards. Investor onboarding must be intuitive and compliant with AML/KYC rules, while servicing models must handle higher transaction volumes and more frequent NAV strikes.

Recommendations

- Build expertise in illiquid asset servicing, valuation controls, and look-through reporting
- Strengthen data connectivity with general partners and underlying asset systems
- Scale transfer agency and client onboarding systems for high-volume retail flows.
- Strengthen investor communication tools and complaint management processes
- Deliver accurate and timely retail reporting, including PRIIPs KIDs and MiFID disclosures



[Read more here: Is the market *really* ready for semi-liquid products?](#)

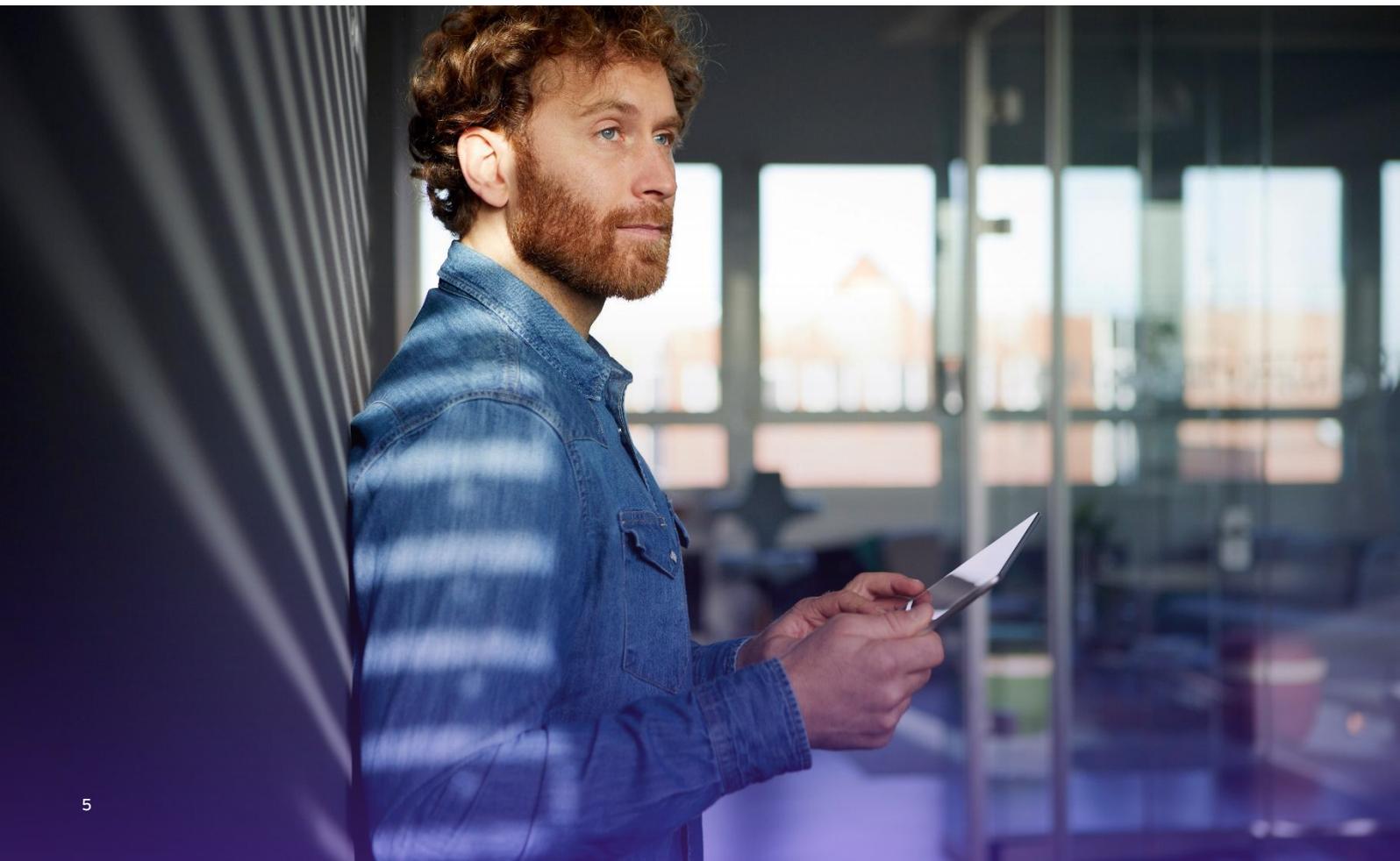
3 The expanding compliance agenda

AIFMD II

The compliance agenda for asset servicers is undergoing a significant transformation as AIFMD II introduces a harmonized framework for loan origination across the European Union. Under the revised Directive, which applies as from April 2026, asset managers operating loan-originating AIFs must adhere to stricter rules around leverage, risk retention, borrower concentration, and liquidity management. These changes directly impact asset servicing functions, which now need to support more complex operational and regulatory requirements. To meet these evolving regulatory demands and to benefit from the expected higher demand for loan administration services, asset servicers must enhance their infrastructure to support the full lifecycle of loan origination - gg from structuring to reporting. Those that invest in scalable, regulation-ready platforms and develop expertise in loan origination servicing will be well-positioned to support asset managers navigating the new landscape and to capture emerging opportunities in private credit and alternative lending.

Recommendations

- Develop integrated loan lifecycle servicing capabilities
- Invest into the right technology stack to support private credit related services
- Enhance data governance frameworks to support granular reporting at the level of borrowers/exposures
- Collaborate with AIFMs to implement robust loan origination processes



4 Emerging technologies

Tokenization and artificial intelligence

Keeping pace with the digital evolution

To support growth in the fund industry, asset managers are adopting technologies like AI, advanced analytics, and real-time data platforms to enhance decision-making, transparency and client engagement. The effectiveness of these advancements relies on asset servicers - custodians, fund administrators, and transfer agents etc. - keeping pace with digital evolution. Delays from servicing partners can lead to operational friction, slower product launches, and gaps in client experience.

For three consecutive years, EY Luxembourg has conducted a study on the digitalization maturity of asset servicers. The 2025 study shows us that asset servicers recognize the importance of digitalization, deliberately investing in transformation, albeit with somewhat limited budgets. Despite investment prioritization, firms continue to face operational challenges due to manual processes and lack of standardized procedures which are seemingly more pronounced in 2025 than prior years.

Technological advancements could alleviate current hurdles. Tokenization, for example, is moving from concept to reality, although adoption is foreseen to only take off in the next three to five years. Luxembourg, specifically, has advanced in this area. The Blockchain Law IV of 19 December 2024 (see [ALFI's recent technical analysis](#) available to members) updates the framework for DLT, a key aspect of which is the role of the "control agent" which proposes a more efficient and flexible issuance of securities and funds by offering an alternative to traditional custodians.

Servicers are starting to explore funds that combine traditional and tokenized units, requiring secure digital wallets, smart contract oversight, and on-chain reconciliations. The first generation of tokenized money market and bond funds has proven the viability of blockchain-based fund administration.

AI and machine learning are now practical tools for operational efficiency and data management. Servicers are deploying generative AI for client communications and documentation, and machine learning for reconciliation, exceptions handling, and fraud detection.

Regulators are demanding transparency, explainability, and governance for all AI applications. The EU AI Act (expected to come into force by 2026) will require documentation, testing, and risk classification of AI systems used in financial services.



[Read more: Impact of Digital Technologies on Asset Servicers: Luxembourg Industry Benchmark](#)

Leveraging tax incentives to accelerate digital projects

The need to modernize operations is urgent, yet only 33% of asset servicers fully fund digital initiatives, and just 21% have digitalized most workflows. Luxembourg offers a powerful incentive: an 18% investment tax credit (ITC) for qualifying digital transformation projects.

This credit applies to both capital expenditures (capex) and operating expenses (opex) tied to digital innovation, which may include automation, AI, data platforms, and cybersecurity infrastructure. Eligible costs include software, patents, consulting fees, and employee training. The ITC can be carried forward for up to 10 years (except for software), making it a strategic tool to ease budget constraints and accelerate transformation.



[Read more: Crucial tax perspectives: key highlights from EY Luxembourg's February 2025 Asset servicers roundtable](#)

[Brochure: Can asset servicers afford not to digitalize?](#)

Recommendations

- Accelerate digital transformation with scalable investment
- Embrace tokenization and prepare for fund models
- Identify “low-risk, high-volume” processes for early AI automation
- Establish data governance and model risk frameworks to meet regulatory standards
- Use AI to enhance and not replace human oversight, ensuring control and accountability
- Leverage the tax incentive for digital investments to accelerate digitalization



of asset servicers fully fund digital initiatives



of asset servicers have digitalized most workflows

Luxembourg offers a powerful incentive:
an 18% investment tax credit (ITC) for qualifying digital transformation projects.

5 Client experience

Digital transparency as a competitive advantage

As asset managers become more demanding, client experience (CX) has become a key differentiator. In 2024, EY Luxembourg conducted a study on the customer experience in the asset servicing industry. The research uncovered a significant gap between asset servicers' self-perception and asset managers' actual satisfaction. In fact, when asked the likelihood to remain with their current asset servicers, the majority of asset managers indicated they were only somewhat likely to remain. Moreover, only 22% of multi-asset managers, 29% of managers with banking captives, and 20% of pure play managers would recommend their asset servicers to others. Most asset managers are ambivalent about their providers, consider switching, and cite poor customer service, weak digital capabilities, and lack of transparency as major impediments to loyalty.

In this environment, delivering a superior client experience is essential to build trust, reduce churn, and foster long-term loyalty. Firms that invest in client-centric models, supported by modern technology and proactive communication methods, are better positioned to retain clients, attract new mandates, and grow sustainably in a crowded market.

Recommendations

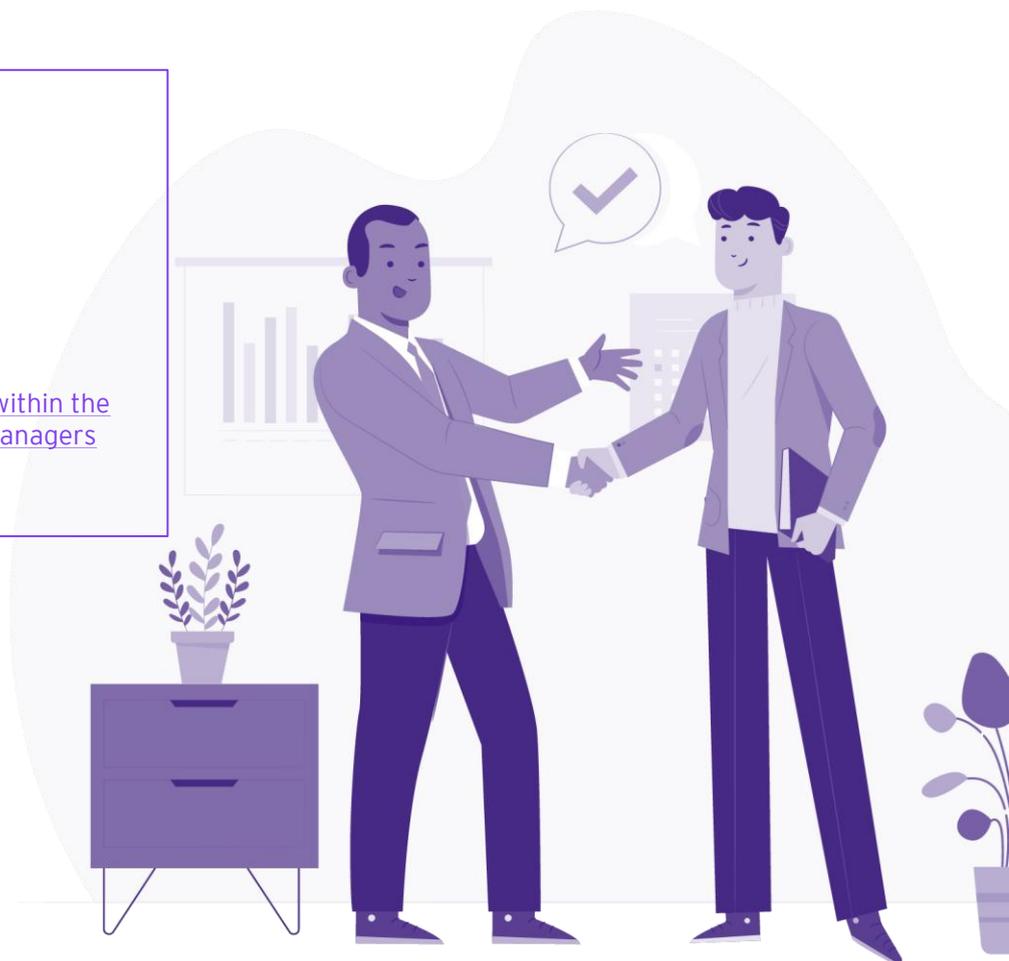
To remain competitive, asset servicers must invest in technology, improve operational efficiency, and prioritize client-centric strategies over pure cost-cutting. Our research urges providers to proactively address service quality gaps, enhance digital offerings, and align more closely with asset managers' evolving expectations.



would recommend their asset servicers to others



[Read more: The Customer Experience within the Asset Servicing Industry: What Asset Managers Expect](#)



How EY can help

Our EY Luxembourg Asset Servicing core team has a dedicated sector focus which offers a broad selection of services delivered by agile, forward-looking and insightful EY people to support the priorities of asset servicers.

Visit our dedicated asset servicing webpage:
[EY Luxembourg Asset Servicing](#)



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