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A R T I F I C I A L I N T E L L I G E N C E

Security and data protection in an AI-enabled fund administrator

A series on AI and fund administration, part four: why the data question comes before the efficiency question, not after it.

Every benefit described elsewhere in this series depends on one condition holding: that the tools used to speed up fund administration do not loosen the handling of the personal and financial data those tools work with. For a fund administrator, that is not a secondary concern to be addressed once a tool proves useful — it is the first question, and the one that should rule a tool in or out before its efficiency is even considered.

01 What is actually at stake

Fund administrators hold investor personal information — identity documents, bank details, tax residency, beneficial ownership — often across more than one jurisdiction and often for investors who are themselves individuals rather than institutions. Many AI tools, particularly the most capable general-purpose ones, process data on infrastructure outside the administrator's own environment, sometimes outside the jurisdiction entirely. Using such a tool on investor data, without first establishing exactly where that data goes and who can see it, converts a routine efficiency decision into a data protection exposure.

This is not a hypothetical concern. Both of the jurisdictions in which Berkley Fund Services is regulated have their own data protection regimes with teeth: South Africa's Protection of Personal Information Act (POPIA) and the British Virgin Islands' Data Protection Act, 2021. Each imposes obligations that apply regardless of which tool is doing the processing.

02 What the regulatory frameworks actually require

Under POPIA, an organisation that decides why and how personal information is processed — the responsible party — remains liable for that processing even where a third-party operator, such as a software vendor, does the actual processing work. Engaging such an operator is meant to be governed by a written mandate covering confidentiality, security safeguards and breach notification, and transfers of personal information to a country without adequate data protection law require either the data subject's consent or an equivalent safeguard — not a default assumption that it is permitted.

The BVI's Data Protection Act, 2021 imposes a parallel discipline: an entity remains responsible for personal information that a third party processes on its behalf, and must be transparent with individuals about what their data is used for and who uses it. For a BVI-domiciled fund, that responsibility sits with whichever party controls the data — typically the fund and its administrator — regardless of which service provider's software is actually doing the work downstream.



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Read together, the practical implication for any AI tool is straightforward: before it is used on investor data, an administrator needs to know, specifically, where that data will be processed, under what agreement, and what happens to it afterwards. A tool that cannot answer those questions clearly should not be processing investor data, however useful it might otherwise be.

03 The standard this implies

In practice, this means treating every AI tool as a vendor whose data handling is assessed before its capability is. That assessment asks where the data is processed and stored, whether it is used to train the vendor's own models, what contractual protections exist, and whether the tool can be used without investor personal data leaving the administrator's own environment at all — which, for much of the document review and reconciliation work described elsewhere in this series, is achievable without sending identifiable investor data to an external system in the first place.

Under no circumstances should investor personal data leave a regulated environment without express permission. That is not a policy adopted because of AI; it is a pre-existing discipline that AI simply makes more consequential, because the volume and routineness of the work being automated makes it easier to lose sight of the assessment step amid the appeal of a faster process.

04 How Berkley applies this

Berkley Fund Services treats data protection as a condition of its fund administration mandate, not a feature layered on top of it, and applies that standard to its own use of AI tools: any such tool is assessed on where investor data goes and under what agreement before it is assessed on what it can do. Promoters and managers are welcome to ask Berkley's team directly how a particular task is handled and what, if anything, leaves the firm's own environment in the process.

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