



FUND INTELLIGENCE



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Q&A: Susan Gault-Brown joins Morrison & Foerster as financial services partner

Gault-Brown sheds a compliance light on fintech trends

Emily Sakamoto Wednesday 28th Feb, 2018 4:42 PM ET



Susan Gault-Brown joined **Morrison & Foerster's** financial services division from **Wilson Sonsini Goodrich & Rosati** on Feb. 22, where she will advise investment management and fintech clients. As she begins at MoFo, Gault-Brown notes a number of growing fintech trends in the industry, centering around distributed ledger technology (DLT) and oversight. When it comes to DLT and smart contracts, attorneys may begin work alongside coders going forward, she predicted.

Fund Operations: What fintech trends are you seeing with your fund clients?

Susan Gault-Brown: For registered funds, I'm not seeing a whole lot of actual funds where they're already implementing some of these fintech solutions. But we're starting to see more and more funds interested in learning more. It covers all aspects, back office like transfer agents and record keeping with tools like distributed ledger technology (DLT) and robotics. Certainly, with respect to robotics, I think

funds are using robotic tech for certain functions. You have robo-adviser technology, as well as artificial intelligence (AI), and how funds are thinking of using these technologies. More recently, with the advent of crypto asset classes, you're starting to see how funds think about if this [is] an asset class they want to enter, and how to deal with the uncertainty of the regulatory status of the assets. How do you think about derivatives around those assets?

FO: When it comes to DLT, how are funds looking at smart contracts?

SGB: With distributed ledgers, I think one of the interesting things for fund professionals and legal and compliance is the fact that in order to understand the technology, and to understand the contracts, it requires a level of technology sophistication that may not be needed in other areas. You almost need someone who is both a coder and a lawyer, or both to get together and really review what the smart contracts are doing. I know there are some fund companies that really do have coders and lawyers working closely with respect to DLT and smart contracts, especially in the compliance function you'd need to have that working relationship.

I think there are a lot of compliance challenges. My sense is that the evolution of the technology is moving very quickly, and you have technologies (such as DLT) that are not all the same. They differ, and smart contracts differ in how they operate. From a compliance standpoint, in order to take advantage of these technologies, you have to think through and understand what the risks are, and how it fits into your compliance program.

FO: What are the compliance concerns surrounding the rise of robotics, especially robotic process automation (RPA) in the industry?

SGB: It's similar to the concerns the [Securities and Exchange Commission] picked up when they were talking about robo-advisers. You have an automated process making decisions about things and you don't have, or may not have, the human oversight that a regulator would expect. So, when you're designing compliance – your way of monitoring what is going on – you have to think about how much of this needs human oversight, and how much we can feel comfortable leaving to the computer program. I would think there will be a human component for the foreseeable future.

FO: Are funds looking at the complexities that come with AI currently, or is there a greater focus around RPA?

SGB: I don't have much sense of a trend there, other than I've talked to people who are considering robotics and AI, and obviously gradations in between. I think folks are more comfortable right now with robotics. In terms of what people are thinking about, they're thinking about AI and what could happen in the future.

FO: When it comes to security concerns, what are your clients saying?

SGB: Thinking about this in the fintech space, certainly what's attractive about DLT is that certain variations may provide better security than what is currently available. I think a lot of the people working on DLT now are working [on] how can we provide additional security for assets? I don't think people have figured it out yet, but that's part of what might be attractive about it in the future.

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