# Perspectives Podcast

# “AI Is Rewriting Risk — Are You Ready?”

### Transcript, 12 March, 2026

Adam Bass (00:03):
This is MSCI Perspectives. I'm your host, Adam Bass, and today is March 12th, 2026. Artificial intelligence is literally everywhere right now, but what does it actually mean for investors? Not in theory, not in headlines, but what does it mean for the day-to-day work of risk and portfolio teams? In today's episode, we're digging into how AI is reshaping investment workflows, decision-making, and even the cost of intelligence itself. More to come on that. To help explain it all, I'm joined by two colleagues who are right at the center of this shift. Hitendra Varsani, he's head of equity index investment research and development, and Andy DeMond, head of analytics research platform and governance.
(00:54):
Together, we'll explore how AI is changing the way investors respond to real world events from tariffs to the latest geopolitical shocks, and what it means for CIOs and CROs, navigating an increasingly complex market environment. Andy, Hitendra, welcome back to the program to both of you, though I believe this is the first time we've had you on together, so really looking forward to this.

Hitendra Varsani (01:21):
It's great to be back, Adam.

Andrew DeMond (01:23):
Yeah, thanks very much. Great to be here.

Adam Bass (01:25):
Let's start out as simply as we can in terms of AI. For a little more than three years now, ever since ChatGPT was introduced, feels like every conversation's been about AI. So let's define for our listeners really quickly, if we can, what feels different today and how does that compare to either one, two, or even three years ago? Hitendra, let's start with you.

Hitendra Varsani (01:51):
Yeah, so when we think about the investment landscape and AI, we think that we've evolved into a well-defined structure. While ChatGPT represented the model providers, now we think that's expanding into a complete vertical stack. And if we put it simply, we think of it in three layers, all with the different risk profiles and revenue models and different exposures that span public and private markets. So the way we think about the three layers is a physical infrastructure. So that spans like data centers or power systems, semiconductors. When we think about the second layer, it's digital, so covering cloud platforms and model providers. So Adam, you mentioned ChatGPT, run by OpenAI. Anthropics runs Claude. There's also XAI, now part of SpaceX, that runs Grok, there's Mistral.
(02:45):
And these are all private companies. And so gaining exposure to them is more challenging than it is in public markets. And then the third layer we think of is in terms of applications, and this is probably one of the most exciting areas going forward. While ChatGPT was a consumer-driven application, within the enterprise space, we see applications spanning multiple sectors in almost every industry. This is

where the market is focused now, in terms of who are the winners and losers and how AI can be integrated more vertically into these firms.

Adam Bass (03:18):
And Andy, let's dive in a little bit more perhaps on that third piece and how investors are putting AI to use in terms of their process.

Andrew DeMond (03:31):
The biggest shift that I would highlight here is the rise of agents. AI systems that don't just answer questions, but can actually execute multi-step workflows. A year or two ago, you'd prompt a model and you get text back. Now what you can do is you can use agentic systems to, for example, pull data, run calculations, generate code or visualizations, and iterate on tasks autonomously. And this is an area of huge impact already in the world of software development and coding, but we see that as a rich and developing field that will impact other kinds of knowledge work. And this is going to impact the way that investors run their operations, from portfolio construction, to risk analysis, to reporting, to governance.
(04:27):
This kind of automated agentic workflow approach will become widespread and it's going to have big impacts on the way that the industry works. The other thing that I would note here in terms of AI impact is just the amount of data that's accessible to models. Unstructured data, things that used to be somewhat outside of the models and analytics that clients and investors would use is now accessible at scale thanks to these large language model systems. And so really, we're seeing what we think of as a huge transformation of the way that people work in the industry coming in the next few years.

Adam Bass (05:08):
So both of you work in the industry, the three of us do for that matter. Can you talk a little bit about how the rise of AI and all of the issues that come with it that you've both talked about, how has that affected your day-to-day?

Andrew DeMond (05:25):
The way that it's impacted our team primarily is, as I said, through the rise of an agentic workflow. The broader approach that our clients will take to running their analysis starts with an agent. Rather than pulling the data down yourself or looking at a dashboard in the morning, you are working with an agent to automate more of those manual steps and then using your judgment and experience to validate and reason about the output of the agent.
(06:00):
So it's a much more high velocity workflow that emphasizes interpreting the results of that agentic output. So this is a major change. I think it's going to really expand the horizons of what's possible, what's achievable with small teams in terms of data processing, in terms of staying on top of large numbers of portfolios. And that's what we see as the future, is this agent-first type of workflow.

Hitendra Varsani (06:28):
When AI first emerged, it was seen as a knowledge base. People would ask questions, get a response, and sometimes it was useful, sometimes it was not, given the hallucinations of the earlier models. But now within our workflow, we don't see it as a knowledge base, but we see it as part of the infrastructure. So within the operations of building the indexes for clients, it's fully embedded in our workflow. The moment a client shares their ideas instantaneously, AI reviews that, expands on it, makes

suggestions, refines it, formulates it to a point where we can then simulate the index through our engines and then interpret the results using AI.
(07:14):
And so we've effectively collapsed the time it takes to process a client index request from a few weeks to a few days, and the inspiration is to then collapse that to the same day. AI in our workflow is essentially orchestrating many tasks, each one that used to require subject matter expert and is essentially automating the workflow, which benefits not only our research analysts to move up the value chain, but also benefits our clients and then being able to release products to the market much faster.

Adam Bass (07:48):
That reminds me, when we were meeting prior to this recording, the concept of the cost of intelligence coming down came up. How would you define that? What does that really mean in practice, let's say, for a portfolio team or a risk team for that matter? Andy, let's start with you on this one.

Andrew DeMond (08:10):
Yeah, I think there's a couple different ways to think about that. One is that the cost of running more and more intelligent models is always falling. So we see this in the economics of tokens, how much it costs to run a model of equal power falling dramatically over time. But the other way to think about it is just the cost of achieving technical and analytical outcomes is falling. So one very important element that we've already touched on here is the cost of software. So coding agents can build code and ship code at a price that is much lower and speed that's much faster than what it used to be a few years ago. It's really impacting demand and supply.
(08:59):
Supply is going up, but the question in my mind is, is the demand for customized software going to be going up too? We see, in some sense, if everybody is getting smarter, then you still have to differentiate yourself from a much higher baseline. And we still see investment in competitive advantage and custom analysis and private data, in other sources of edge still being a front and center in our client's workflow and our client's strategy. It's really about rising tide, lifting up the baseline and making the bar that everyone has to clear to have a competitive advantage higher.

Adam Bass (09:41):
So would it be fair to say that, despite concerns or maybe riding alongside those concerns, depending on your point of view, that the human factor, human judgment almost becomes more important than it was before?

Andrew DeMond (09:56):
Yeah. I mean, that's how we think about it, at least that's how I think about it. It doesn't mean you need less expertise. It means that you need your experts more because you're making decisions faster and judgment and taste are paramount in interpreting and acting on the outcomes or the results from these LLMs.

Adam Bass (10:15):
Okay. Let's move on to something concrete. Now, I should say for our listeners, we are recording this on Tuesday, March 10th, for an episode that will come out two days later. And the reason I bring that up is because with the rapidly evolving situation in the Middle East, in a situation like this or with the tariffs last year and all the uncertainty that generated, what are the differences between how a risk team, for

example, might've worked through these issues a few years ago and how do they approach it now? Hitendra?

Hitendra Varsani (10:51):
So when we look at the workflow prior to AI, you'd have a macro team that flags tariff risks and the portfolio manager will be asking, "What's my exposure? What's my sector exposures? What's my country exposures? What's my supply chain exposures?" And it may take a few days to come back, to pull all of that information, comprehend it, and then be able to communicate that.
(11:19):
In the current setup, in the new workflow, a portfolio manager can directly ask an AI interface to show their [inaudible 00:11:30] exposures to the most tariff sensitive sectors, flag any concentration risks related to supply chain issues, compare that with their benchmarks, and they're getting a response in minutes, not days. And so again, the time to complete that workflow has collapsed. What still requires human judgment is decision making. AI can give you a view of your portfolio mapped to these exposures, but the human still needs to interpret those results and decide the best course of action going forward. So we've essentially shifted from what if questions to more, how do I respond to the information I have?

Andrew DeMond (12:15):
Yeah. I think that there's also a a new reality here where if, as Hitendra said, if all of the, say, CROs are going to the same foundation models and asking similar questions at the same time, are they all going to be getting back variations on a similar answer? So that judgment quality, how do I differentiate my own thinking from the baseline provided by these LLMs, is really important. And then the other side of it, of course, is that you have a model governance problem that you didn't have before. A concentration of analytical use of the same model by many, many folks across the market might lead to, for example, an amplification of the response, of a particular response or a herd mentality. These are issues that I think CROs and CIOs probably want to consider as they think about the best uses for these new tools is how do we avoid crowding, herd behavior and the uniformity of thought that can result from not very cautious use of this new technology?

Hitendra Varsani (13:29):
A lot of what we spoke about is on the application side, from an end user's perspective, but both Andy and I have spent a lot of time testing these models on our own data sets. And when it's tied to our data sets, we ensure that we can get repeatable responses that are consistent. And so the risk of hallucination is almost not there because what we relay to the investor is purely factual information based on MSCI datasets, but connecting the model to our datasets is what provides the insight to the end client in a consistent and repeatable way.

Adam Bass (14:05):
And so Hitendra, is that a response in part to what Andy was talking about in terms of the herding or the concentration or is that a separate point?

Hitendra Varsani (14:16):
I would say you can view the output in the same way across multiple users and then that provides a consistency, but what's different is how the end user reacts to that information because that requires judgment. And so on the one hand, you can say it could be crowded if they all have the same herding

mentality, but the reality is we're not providing any information that's different to today in terms of outcome. We're just supplying it in a much shorter timeframe.

Adam Bass (14:45):
What are some of the other risks that get introduced, say, for a chief risk officer with the expansion of the use of these tools?

Andrew DeMond (14:55):
In addition to the model risk that I talked about and the speed risk, I think there's also a governance and explainability risk. So you can think of this as if you're a CRO, you can't basically say, "Well, this is what we should do because ChatGPT told me that that was the right answer." You need to have an explainable, justifiable, maybe referenced set of reasons for your actions and recommendations. So autonomous automated systems that execute workflows have the potential drawback of being black boxes and that, particularly in the investment world, just doesn't wash.
(15:37):
So the accountability question that we've been touching on quite a bit so far, who's responsible for the recommendation, that comes up, but also why do they believe the outcome here? How do we provide, and particularly for regulatory use cases, how do we provide governance, explainability, and auditability? All that stuff comes back, I think, really strongly. These are all important components of successfully using the AI to react faster, but in a way that is still sound and justifiable to both internal clients and to regulators.

Adam Bass (16:15):
And Hitendra, when it comes to tools like IndexAI Insights or AI portfolio insights or others being developed across the industry, why are they emerging now in terms of helping clients respond to this new way of working? I mean, clearly they are AI based, but beyond that, what problem are they solving?

Hitendra Varsani (16:39):
So in the traditional setup, a client has a question, they would submit to MSCI, they would wait to a report or an analyst to come back to them, and maybe that takes a few hours in some cases. It could take days, right? And the latency was acceptable in the absence of AI. But now what's changed is, given buyers can get instant response from these tools, the expectations is much higher. So it's not so much of let's schedule a call with MSCI. It might be more about, this is what I've learned from the MSCI toolkit, IndexAI Insights, and how do we bring solutions to the market? So it's less about ideation, say, and more about actionable items that require a human element. And when we look at IndexAI Insights, and that's a conversational interface to our index data, spans over 60,000 indexes, it covers thousands of methodology books.
(17:37):
If a omentum investor, they may be thinking about, "Well, how's my exposure to momentum change given the reshuffle of stocks?" Before, they may need to wait a few days. Now they can get an answer in seconds. And if they can get an answer in seconds, then the question is, how do they respond to that? Now, what's facilitated this technology, if you call it that, is the API connectivity throughout the firm. Obviously, APIs have been around for a very long time, but if you put what's called a Model Context Protocol on top of the API, it allows your data to become interoperable across many, many different datasets. And that's where the real intelligence becomes scalable. It uncovers insights that were very challenging to see when they were siloed [inaudible 00:18:23].

Adam Bass (18:23):
Hitendra, I'm sorry to interrupt, but you threw out a couple of terms there at the start of that. Can you define that a little bit? API and yeah.

Hitendra Varsani (18:35):
So API, which is an Application Programming Interface, allows the user to connect to data through programming languages. And so that's the conventional way of technologists consuming data that provides to the end user. And the Model Context Protocol is a docking station for all of your applications and all of your data sets. So effectively by connecting it to one central hub, you then have access to all of your apps and all of your data sets through one interface. And from an MSCI perspective, that's shifting us from a data provider to an intelligence layer because we're not just applying the data, but we're allowing clients to reason with the data in real-time so that they can make decisions.

Adam Bass (19:23):
Thank you for that. Very, very clear. And Andy, in your conversations with clients, how are they reacting, not just to these specific products that we mentioned, but just the integration of AI in general? Clearly they know they have to do it. I'm sure they're getting pushed and they're seeing the value, but on the ground, what does that look like? What does that sound like? What are the questions you're getting?

Andrew DeMond (19:49):
I think a lot of what we are getting questions about comes back to the intelligence layer that Hitendra just described. So what people are asking for is just more and more the ability to combine different data sets, to combine different pieces of functionality into a more automated workflow that lets them get the answers they want more quickly. So this looks like, for example, "Hey, can you add this dataset? I'd like to be able to use this functionality in the AI system that I'm building. We have our own internal data sets. Can we put those together with your data to build an explanatory system that helps me connect the dots between portfolio manager decisions and return and risk outcomes?" And so at the end of the day, what this looks like is just automating more and more and more of the data gathering and cleaning and collation type of activity that the clients are spending so much time on to be able to make that decision.
(21:01):
One way that I would characterize this looking forward for CIOs and CROs, ultimately AI is not just a technology initiative, right? It's really an operating model shift. So the firms that will win within this new AI world are not necessarily the ones that have the same teams, the same processes, and then they have AI tools to help those teams and processes work. It's more about the ones that reshape how their teams look, how their processes work and how decisions get made and how information flows to be more automated. It also means a redeployment of people toward more judgment-intensive work. So these are real changes in the world that are made possible with AI, and I think that's going to be a huge differentiator in the future in terms of just the way that the investment industry operates.

Adam Bass (21:58):
And Hitendra, I'll give you the last word here. For all those who may work on investment teams, risk teams, anywhere in the industry, what do you see as the important mindset shift that they need to adopt or just how they go about their day-to-day?

Hitendra Varsani (22:19):

I think everyone has a unique position in this new world. We're all subject matter experts in our respective fields, but when you combine that subject matter expertise with the AI tools available today and you integrate that into your workflow and potentially orchestrate that workflow, then that allows you to deliver what you used to do in a much shorter amount of time and opens up the possibilities of scaling that to our clients and also potentially deploying it on our client's desktop so that they get the access that we've had the privilege of building that skill over many, many years.

Adam Bass (23:03):
Today's conversation highlighted something very important. Basically, AI is not just about speed or automation, it's about how investment teams actually work. From analyzing tariff impacts to understand the latest geopolitical exposure, the ability to move from data to insight in minutes rather than weeks is reshaping workflows. But as we discussed with Hitendra and Andy, it also raises new questions around model risk, concentration, and the continued importance of human judgment. Yes, it does still matter.
(23:41):
My thanks again to Hitendra Varsani and Andy DeMond for sharing their insights. In our next episode, we'll take a different lens, looking back to look forward. We'll explore how market history can help inform today's investment decisions, particularly in the context of factor investing, market cap indexing, as well as the structural shifts we're seeing across global markets. We'll ask what's truly changing and what might simply be cyclical. Until then, I'm your host, Adam Bass, and this is MSCI Perspectives. Thanks for listening.

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