



Key Trends in Core Banking This Week

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AI Infrastructure Becomes a Financing Asset. Nvidia announced partnerships with Apollo, BlackRock, Blackstone, Brookfield, Goldman Sachs, and KKR to develop compute-financing platforms targeting more than \$500 billion in third-party capital for AI infrastructure. Nvidia may backstop up to \$125 billion of potential transactions. The structures are intended to attract banks, insurers, asset managers, and private-credit investors into financing backed increasingly by computing infrastructure itself. This follows the financial-stability concern we raised in FARO S32, when Federal Reserve officials questioned whether the scale and interconnectedness of AI investment could create a systemic problem.

The Nvidia platforms make that concern concrete: chips and data-center capacity are moving from corporate capital expenditure toward collateral supporting structured and private-market financing. For banks, the underwriting question becomes more complex: residual technology value, utilization rates, counterparty dependence, energy availability, and refinancing assumptions may eventually matter as much as conventional borrower credit metrics.

Banks Position Themselves as Infrastructure Capital Platforms. Bank of America committed to deploying \$250 billion by July 2027 through its Critical Infrastructure Finance Initiative, covering digital infrastructure, data centers, computing, energy, transportation, and other strategic assets. The program combines lending, investment, capital-markets activity, and advisory services rather than relying on traditional balance-sheet credit alone. Morgan Stanley and JPMorgan have announced similarly large, longer-term infrastructure initiatives.

The change is important because major banks increasingly compete not simply by providing credit but by assembling capital across public and private markets. AI infrastructure reinforces that model because projects require construction finance, project-level debt, institutional capital, and eventual long-term refinancing. Origination capacity may therefore become less important than the ability to structure and distribute increasingly complex capital stacks.

AI Borrowing Begins to Compete for Global Capital. Heavy borrowing by technology companies is starting to affect the broader cost of capital. Alphabet, Amazon, and Meta have issued almost \$220 billion of bonds in 2026, already more than twice their combined issuance for all of 2025. At the same time, U.S. 30-year real yields are near 18-year highs at approximately 3%, with analysts identifying AI-related borrowing, alongside government deficits and stronger growth expectations, as one contributor to rising capital scarcity. AI financing therefore has a second-order effect that extends beyond technology borrowers. If hyperscalers and infrastructure vehicles absorb increasingly large pools of long-duration capital, funding costs can rise for unrelated corporations, households, and governments. Banks must assess AI not only as an industry exposure but also as a potential influence on the benchmark cost of money against which every other credit decision is priced.

“AI may become systemically important not because banks use it, but because the financial system must fund it.”

MY TAKE

The financial-stability concern identified in FARO S32 is now acquiring a financial architecture. Compute-backed structures, bank-led capital mobilization, and record technology bond issuance represent different stages of the same transformation: the AI buildout increasingly depends on continuous access to external capital. That creates opportunity for banks, but also concentration, collateral, refinancing, and maturity risks that conventional sector analysis may not capture. The critical question is shifting from who benefits from AI to who ultimately carries the financing risk if expected utilization or monetization fails to materialize.

TECH TERM OF THE WEEK: “Compute-Backed Financing”

A financing structure in which computing infrastructure, such as AI chips, servers, data-center capacity, or related contractual cash flows, supports debt or other external capital. The structure can convert technology assets traditionally funded through corporate capital expenditure into financeable collateral. Its risk depends not only on borrower solvency but also on asset utilization, technological obsolescence, residual value, contractual demand, and the ability to refinance the asset over its economic life.



Key Trends in Insurance This Week

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AI Oversight Moves from Principles to Examination Tools. At its Summer National Meeting, the NAIC advanced the development of an AI Risk Evaluation Supplement through a 12-state pilot program while continuing work on a regulatory framework for third-party data and model vendors. The Big Data and Artificial Intelligence Working Group also examined transparency, effective human-in-the-loop practices, model bias, explainability, and how AI governance should integrate with ORSA and enterprise risk management.

This shows that insurance AI regulation is moving beyond principles and model bulletins toward tools regulators can use to evaluate actual insurer systems. That transition raises the standard of evidence insurers may need to produce: not merely a governance policy, but documentation showing how models are validated, monitored, challenged, and incorporated into existing risk-management structures.

Private Equity Reprices the Insurance Marketplace. Thoma Bravo agreed to acquire specialty insurance marketplace Accelerant for more than \$4 billion, offering \$20.25 per share, a 49% premium to the previous closing price. Accelerant connects specialist underwriters with institutional capital through a data-driven platform while also operating insurers and retaining portions of underwritten risk before transferring much of it onward.

The transaction is strategically interesting because Accelerant sits at the intersection of insurance technology, institutional capital, and underwriting risk. Its valuation had been pressured both by concerns over affiliated relationships and by fears that AI could disrupt insurance intermediaries and technology providers. The acquisition suggests private capital sees value where public markets have struggled to price structural complexity and technological disruption simultaneously.

Scale Becomes a Defense against Softer Pricing. Aviva reported a first-half operating profit of £1.33 billion, up 24%, as its combination with Direct Line and strong wealth-management inflows lifted earnings. General insurance gross written premiums increased 29% to £8.1 billion. The company is using the Direct Line acquisition to expand scale in the UK while insurance pricing conditions become more competitive.

The result highlights a broader strategic response to a softening insurance cycle. When pricing power declines, scale can spread technology, distribution, claims, capital, and compliance costs across a larger premium base. But scale only creates durable value if integration produces operating leverage without weakening underwriting discipline. Consolidation therefore becomes less a question of premium growth than of whether larger platforms can preserve risk selection as market conditions normalize.

“The next phase of insurance AI regulation will test not whether governance exists, but whether insurers can demonstrate that it works.”

MY TAKE

Insurance is entering a more demanding phase of technology governance while industry economics favor larger and more integrated platforms. The NAIC is moving toward operational evaluation of AI systems; private capital is betting on technology-enabled insurance marketplaces; and consolidation is becoming a response to softer pricing. These developments converge around one issue: control. Whether the asset is an AI model, an underwriting platform, or an acquired insurer, competitive advantage increasingly depends on proving that scale and technology remain subject to independent risk judgment.

TECH TERM OF THE WEEK: “Third-Party Model Risk”

The risk arising when an insurer relies on external vendors for AI models, data, algorithms, infrastructure, or analytical services used in underwriting, pricing, claims, fraud detection, customer interaction, or other material operations. The insurer may remain accountable for outcomes even when it does not design or directly control the underlying system. Effective management therefore requires due diligence, contractual access, validation rights, performance monitoring, data controls, and credible procedures for challenging or discontinuing the vendor's model.