Capgemini Financial Services Top Trends 2025

Capital Markets

January 2025

Explore
Top Trends 2025

Capgemini RESEARCH INSTITUTE

Capgemini Financial Services Top Trends span three broad themes

Customer First

Transforming **customer experience** focusing on **omnichannel interactions** and the value of **products and services**

Enterprise Management

Revamping processes, teams, solutions, and operations to run enterprises with greater **agility and operational efficiency** to optimize the **cost of doing business**

Intelligent Industry

Leveraging the **most modern solutions** to deliver an **end-to-end digital experience** that transforms the value chain – from design to delivery of **intelligent products and services**

The Capgemini FS Top Trends in the Banking sector by sub-domain (1/2)

Wealth Management	Retail Banking	Payments
Seamless digital experience: Wealth firms power up digital platforms to consolidate services and create seamless CX	**Omnichannel experience**: Omnichannel customer journeys boost experiences across digital platforms, contact centers, and branches	**Open finance**: Open-finance-based use cases will grow as regulators improve financial data access
Hyper-personalized advisory: Artificial intelligence can enable made-to-order investment advice strategies	**Financial literacy**: Financial literacy and personal budget apps boost customer confidence and promote financial inclusion	**Instant payment adoption**: Instant payment rails are cannibalizing checks and debit cards, while mobile wallets maintain their dominance
Bridging generation gaps: With younger entrepreneurs on the rise, wealth firms shape advice to resonate with HNWIs of all ages	**Next-gen banking**: Retail banks set their sights on youth, the prime target of new age players, to secure long-term customer lifecycle growth	**POS innovations**: POS payment innovations can help banks enhance merchant acquisition capabilities and increase consumers' credit options
Inorganic growth strategies: Wealth firms seek external expansion to broaden services and boost revenues	**Operational resilience**: Digital operational resilience will remain crucial for regulatory compliance	**Cross-border payments**: Multi-territory instant payment corridors are revolutionizing cross-border payments, empowering businesses with speed and efficiency
Regulations drive ESG traceability: Wealth firms implement ESG asset transparency metrics as regulators standardize sustainability reporting	**RegTech for compliance**: Intelligent RegTech solutions will reduce compliance costs and timelines, as retail banks face escalating risks	**Cloud-based payment hubs**: Cloud-based payment hubs offers unified and consolidated multi-rail payment processing capabilities at scale
Digital onboarding: Digital onboarding boosts revenue for wealth firms through white-labeling, while accelerating client acquisition and improving compliance	**Deposit growth**: Deposit growth continues to be a retail bank priority along with lowering funding costs	**Multi-rail payment strategy**: Multi-rail strategy will enhance payment flexibility and offer different payment methods in a single interface
Unified operating models: Wealth firms unify operating models to deliver a consistent experience for HNWIs across geographies	**Onboarding efficiency**: Onboarding efficiency remains critical as retail banks embrace digital identity management for seamless onboarding	**Operational resilience**: Regulators are prioritizing operational resilience to foster trust in the cashless future of markets and economies
Gen AI for relationship manager efficiency: Gen AI-powered copilots can boost relationship manager productivity	**AI for efficiency gains**: Artificial intelligence will drive productivity by reimagining customer and employee journeys	**Decentralized identity**: Decentralized digital identity management combats fraud and grants customers greater control over their personal data
Real-world asset tokenization: Real-world asset tokens powered by robust blockchain networks improve liquidity and access	**ESG product strategy**: Banks will implement intelligent ESG product strategies and solutions	**Remittance transformation**: Remittance transformation is reshaping the global financial landscape, characterized by plummeting costs and lightning-fast transfer times
Cloud-native wealth management platforms: Cloud-native platforms scale workflows and enable cost-efficient wealth management processes	**Leveraging open finance**: Open finance regulations clear a path for retail banks to develop a 360-degree customer footprint	**Data monetization**: Payments data is driving innovation and leading to the creation of new revenue streams

Customer First | Enterprise Management | Intelligent Industry

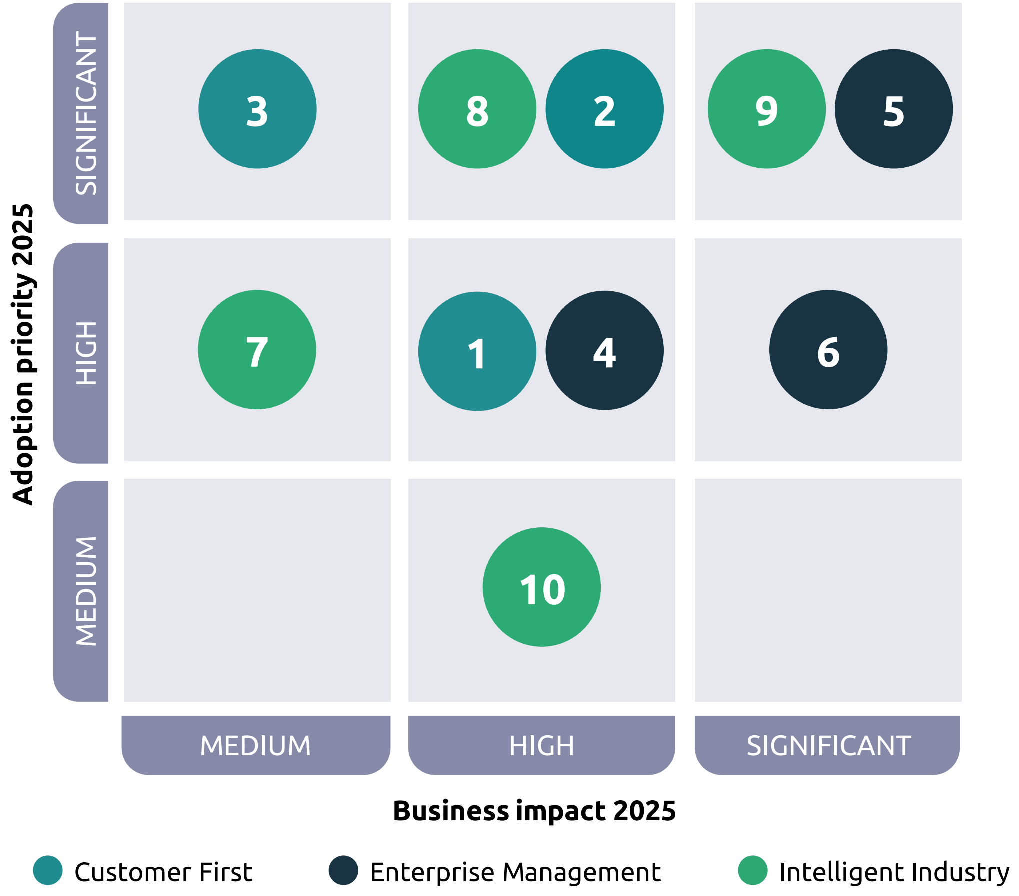
The Capgemini FS Top Trends in the Banking sector by sub-domain (2/2)

Capital Markets	Lending & Leasing	Sustainability
Perpetual KYC revolution: Organizations are digitizing and automating KYC processes to reduce the cost of compliance and enhance customer experience	**Frictionless Enterprise:** Providing a one stop shop for equipment delivered through a seamless omnichannel digital experience	**Sustainable product opportunities:** Growth in innovative and eco-friendly debt instruments and insurance products
Accelerating sustainable lending: Banks are augmenting to accelerate green lending and leverage sustainable finance as a growth engine	**Moving towards Equipment-as-a-Service:** Redefining equipment financing with growth of an as-a-service model	**Sustainability service opportunities:** Financial institutions support their end-clients beyond financing to accelerate their net zero transition and resiliency
Changing investment landscape: The market landscape is shifting as organizations adapt to passive investing, retail investor growth and geopolitical forces	**Embedded finance**: Transforming equipment leasing with seamless integration of financing solutions	**ESG risk criteria:** Financial institutions increasingly incorporate ESG risk factors into their investment strategies and risk management processes
Efficiencies through collaboration: The industry is moving towards mutualization and strategic outsourcing to reduce the cost of post-trade processing	**Expanding B2C channels**: Leveraging digital platforms for scalable growth and enhanced customer engagement	**Increased regulation:** Enhanced regulatory frameworks and reporting reshapes corporate accountability through rigorous ESG standards by 2025
Capital efficiency: Global uncertainty and regulatory shifts are driving organizations to focus on mastering their capital strategy	**Bespoke Solutions:** Offering customized solutions in an efficient and cost-effective manner	**Industrialized climate risk modeling:** Financial institutions are intensifying efforts to assess, manage, and disclose climate related risks to stakeholders
Modernized resilient platforms: Limitations in legacy systems are driving capital markets organizations to modernize their core systems	**Green asset financing**: Need for sustainability reshaping the investment landscape	**Greenwashing and greenhushing:** Financial Institutions face scrutiny from customers and activists and possible penalties from regulators, consumers and activists
DLT & tokenization: The increased integration of DLT and tokenization into mainstream finance is digitally transforming the financial services industry	**Navigating the regulatory landscape**: Shift towards sustainable and transparent lending	**Decarbonization of portfolios:** Stakeholders increasingly prioritize low-carbon investments to reduce carbon footprints and align with climate goals
Leveraging Generative AI: Capital Markets organisations are seeking competitive advantages using Gen AI to create actionable insights, efficiencies and differentiation	**Ushering digital transformation:** Leveraging data driven management and decision making	**Sustainability as corporate DNA:** Enterprise-wide sustainability with integration into operations, products and services and supply chain
Global accelerated settlement: The drive for a global T+1 settlement cycle continues, with the UK and EU pushing forward with plans	**Simplifying and standardizing process:** Essential steps for leveraging Artificial Intelligence and Machine Learning technologies across geographies and business lines	**Gen AI aiding sustainability:** The advent of Gen AI has made financial services look at more innovative ways of implementing Sustainability
Transaction reporting optimisation: Following the recent regulatory rewrites, firms are shifting focus to efficiency and control	**Balancing automation with human expertise:** Integration of Artificial Intelligence and Machine Learning for efficiency while preserving human judgment and creativity	**Going beyond carbon emissions:** Financial services broaden focus beyond carbon emissions to include social and biodiversity factors in ESG strategies

Customer First | Enterprise Management | Intelligent Industry

Capital Markets Top Trends 2025 – Priority Matrix

1. **Perpetual KYC revolution:** Organizations are **digitizing and automating KYC processes** to reduce **the cost of compliance** and enhance **customer experience**
2. **Accelerating sustainable lending:** Banks are augmenting to accelerate **green lending** and leverage **sustainable finance** as a growth engine
3. **Changing investment landscape:** The market landscape is shifting as organizations adapt to **passive investing, retail investor growth** and **geopolitical forces**
4. **Efficiencies through collaboration:** The industry is moving towards **mutualization and strategic outsourcing** to reduce the cost of **post-trade processing**
5. **Capital efficiency: Global uncertainty and regulatory shifts** are driving organizations to focus on **mastering their capital strategy**
6. **Modernized resilient platforms: Limitations in legacy systems** are driving capital markets organizations to **modernize their core systems**
7. **DLT & tokenization:** The increased **integration of DLT and tokenization into mainstream finance** is digitally transforming the financial services industry
8. **Leveraging Generative AI:** Capital markets organizations are seeking competitive advantages using Gen AI to create **actionable insights, efficiencies, and differentiation**
9. **Global accelerated settlement:** The drive for a **global T+1 settlement cycle** continues, with the UK and EU pushing forward with plans
10. **Transaction reporting optimization:** Following the recent regulatory rewrites, firms are **shifting focus to efficiency and control**



Capgemini's **Priority Matrix** outlines our assessment of the impact of 2025 trends on operating environments facing:

- Softening inflation and high interest rates, coupled with stagflation trends
- Geopolitical instability
- Dynamic regulatory activity
- Intense competition and increased focus on customer centricity due to the impact of new-age players
- Operational cost overruns and high capital lock-in

- **Adoption priority**: The criticality of a 2025 trend to value creation because of its sector importance.
- **Business impact**: Each trend's effect on 2025 sector business as it relates to customer experience (CX), operational excellence, regulatory compliance, or profitability. Circumstances will vary for each firm depending on business priorities, geographic location, and other factors. For more information, contact us at banking@capgemini.com.

Trend 1

Perpetual KYC revolution

Organizations are digitizing and automating KYC processes to reduce the cost of compliance and enhance customer experience

Background

- Perpetual Know Your Customer (pKYC) stems from traditional KYC but evolves with **modern technology** to provide a more dynamic and efficient approach to **managing client profiles** and **mitigating risks.**[1]
- The trend of pKYC is gaining momentum as **technology advancements in AI** and **data analytics** now allow for real-time, continuous **customer monitoring** and **accurate escalations.**
- By 2025, most large financial institutions will use some form of pKYC to **streamline client onboarding** and **compliance**, reducing delays caused by traditional periodic KYC checks while meeting regulators' push for ongoing risk management.

Impact

- Digital onboarding and pKYC minimize the time and effort clients spend on compliance procedures, leading to a more **streamlined** and **user-friendly experience.**
- By digitizing and automating KYC processes, banks can significantly **reduce onboarding times**, improving first impressions and customer satisfaction.
- The use of generative AI for pKYC allows for **real-time monitoring** and **proactive risk assessment**, ensuring that any potential risks are identified and managed promptly, providing peace of mind to clients.

Source: 1. Bloomberg; Capgemini Research Institute for Financial Services analysis, 2024

Trend 1

Perpetual KYC revolution

Organizations are digitizing and automating KYC processes to reduce the cost of compliance and enhance customer experience

Figure 1: Integrating perpetual KYC (pKYC) for optimized client onboarding

Automated compliance checks	Utilizes AI to automate the verification of client information and documentation, significantly **reducing manual effort and speeding up the onboarding process**.
Continuous data updates	Ensures client profiles are constantly updated with real-time information, **improving accuracy and compliance with regulatory standards.**
Enhanced risk assessment	Leverages advanced analytics to dynamically evaluate and adjust client risk profiles, allowing for **more precise risk management and tailored client interactions**.
Improved client experience	Streamlines the onboarding journey, reducing delays and friction for clients, which leads to **faster account setup and increased satisfaction.**

JPMorgan Chase & Co.

JPMorgan Chase has **enhanced its KYC operations through AI deployment.** The bank processed 155,000 KYC files in 2022 with 3,000 employees. By 2025, they aim to process 230,000 files with 20% fewer staff, **boosting productivity to between 80% to 90%.**[1]

UBS

Swiss banking giant UBS has partnered with Latvian ID verification firm Regula as it looks **to streamline customer onboarding.** The enrolment process is **now fully automated.**[2]

Source: 1. Bank Automation News ; 2. FinTech Futures; Capgemini Research Institute for Financial Services analysis, 2024

Trend 2

Accelerating sustainable lending

Banks are augmenting to accelerate green lending and leverage sustainable finance as a growth engine

Background

- A **gap exists in the current global level of clean energy technology investment**: an average of USD 4.8 trillion per annum in energy transition investment from 2024 to 2030 would be required to align with net zero goals in 2030.[1]
- Spending in energy transition investment will need to grow more than 170% to get on track for net zero goals.[1]
- 75% of financial institutions have committed to a **40% increase in sustainable finance products and services investment**; the global green bond market reached USD 1 trillion in 2023.[2]

Impact

- Firms should prepare as companies and governments plan to **invest more into energy transition over the next few years** as they work towards net zero 2030 goals.
- With a compound annual growth rate (CAGR) of over 22% in the next 10 years, banks that leverage the **USD 25 trillion+ opportunity** can profit from improved **intermediation spreads** and **better risk-adjusted returns.**[3]
- Unlock a new customer segment of environmentally conscious consumers: **70%** of global consumers are **willing to switch** to banks that put purpose over profit, and **58% agree to pay more** for sustainable finance products and services.[4]

Source: 1. BloombergNEF; 2. IFC-Amundi Joint Report; 3. fsgjournal; 4. The financial tribe, Mambu; Capgemini Research Institute for Financial Services analysis, 2024

Trend 2

Accelerating sustainable lending

Banks are augmenting to accelerate green lending and leverage sustainable finance as a growth engine

Figure 2: A strategy for green lending

Build an environmental, social, and governance (ESG) data foundation

Create a central, **scalable ESG data platform** to enhance sustainable lending risk models, address current ESG data complexities, and future demands.

Augment the workforce

Use the power of **modern technologies like Gen AI** to simplify incentives, taxes, and grants for green lending to enhance employee efficiency and understanding.

Revamp the lending model

Implement **updated credit processes** to include trade-offs between traditional and low-carbon alternatives, ESG credit policies, ESG portfolio stress testing, energy efficient lending operations, etc.

Innovating products and services

Launch **new sustainable products and services** like sustainable bonds, cards, M&A services, and funds to cater to the increasingly changing customer demands.

Barclays

Barclays set a goal of **financing USD 1 trillion** of sustainable financing **by 2030**. The bank has launched a sustainable finance framework, established a climate change advisory group and developed a green bond platform.[1]

BNP Paribas

BNP Paribas aims to allocate EUR 1 trillion for low-carbon transition. They have developed a green bond framework and announced a **new green mortgage solution – "Mutuo Green" –** dedicated to the purchase of property with A and B energy ratings in 2023.[2]

Source: 1. Barclays; 2.BNP Paribas; Capgemini Research Institute for Financial Services analysis, 2024

Trend 3

Changing investment landscape

The market landscape is shifting as organizations adapt to passive investing, retail investor growth and geopolitical forces

Background

- Passive investing has seen significant growth in the past decade as investors seek **lower fees**, **consistent market returns, and reduced risk.**[1]
- **Democratization** of investing platforms, **zero-commission** trading, and **increasing access** to financial education has increased the participation of retail investors in the market.[2]
- Recent geo-political turmoil has created **skepticism in the market** and led to increasing demand from investors for **alternative investment vehicles**.[3]

Impact

These trends are pushing firms to adapt through innovation, consolidation, and a shift in focus toward scalable, low-cost, and diversified investment products.

- Active fund managers are facing **increased pressure to reduce fees** to match the costs of passive funds, with lower expense ratios leading to a **rise in blended strategies.**
- Zero-commission trading platforms like Robinhood and Webull have **lowered market entry barriers** and pushed incumbents to do the same.[4,5]
- High-net-worth Investors are increasing demand for **safe-haven, portfolio diversification** and **sector-specific investing** to offset the exposure from geo-political volatility.

Source: 1. Morningstar; 2. Forbes; 3. Natixis Investment Managers; 4. CNBC; 5. Webull; Capgemini Research Institute for Financial Services analysis, 2024

Trend 3

Changing investment landscape

The market landscape is shifting as organizations adapt to passive investing, retail investor growth and geopolitical forces

Figure 3: Transformation in the industry due to the changing landscape

Fee compression

- Rapid growth in **passive strategies** like exchange traded funds (ETFs) and index funds
- Rise of **zero-commission trading platforms**

Innovation

- Increased focus on **self-serve tools and educational capabilities**
- Rise of **thematic ETFs** to overcome market volatility

Consolidation

- Rise of low-cost investing needs is pushing for **scalable cost-efficient products**
- Smaller asset managers are forced to **merge or exit** the market

Robinhood

Robinhood pioneered commission-free trading and focused on revenue from interest, margins, and upgraded services, leading to **significant increases in the user base** during the pandemic in US.[1]

Invesco

In 2024, Invesco **launched three thematic ETFs** on **major European exchanges** providing exposure to next-generation trends of AI, cybersecurity, and defense. Invesco believes these thematic ETFs can be leveraged to capture targeted **long-term growth opportunities at lower fees.**[2]

Source: 1.CNBC; 2. Invesco; Capgemini Research Institute for Financial Services analysis, 2024

Trend 4

Efficiencies through collaboration

The industry is moving towards mutualization and strategic outsourcing to reduce the cost of post-trade processing

Background

- With a challenging post-trade ecosystem, financial institutions have struggled with optimizing costs and efficiencies as the **cost of processing trades is distributed across the trade lifecycle.**[1]
- Little has changed since 2020, when **more than USD 20 billion** was spent yearly on trade processing, representing the **scale of cost inefficiencies** and highlighting the need for a holistic solution.[2]
- While historically offshoring and automation projects have provided some efficiencies for firms, there remains an industry dependence on costly legacy systems, and bespoke, fragmented processes. A **fundamental shift towards industry collaboration** will enable benefits more broadly across the ecosystem.[3,4]

Impact

- Investment in industry-wide solutions will help **reduce costs**, **avoid duplication** across common services, leverage an extended set of **industry expertise**, adoption of **common industry standards,** and enhance **efficiency.**[2]
- A move towards **widespread market adoption of standards** and **automation best practices** to mutualize costs can be driven by financial market infrastructure (FMI) providers, who are uniquely positioned to offer this industry coordination.[2]
- This will be complemented by increased **business process outsourcing (BPO) for financial services globally**, which includes post-trade, and was estimated to be worth over USD 108.6 billion in 2023, and expected to grow over the coming decade.[5]

Source: 1. Capgemini Insights ; 2. Bank of England; 3. LSEG; 4. Nasdaq; 5. Strait Research; Capgemini Research Institute for Financial Services analysis, 2024

Trend 4

Efficiencies through collaboration

The industry is moving towards mutualization and strategic outsourcing to reduce the cost of post-trade processing

Figure 4: Post-trade processing benefits of mutualisation and outsourcing

Risk reduction

Risk reduction through **"mutualization" of operational risk** between partner firms. Increased resiliency through use of FMIs[1]

Scale and automation

Economies of scale through **heightened levels of automation, improving productivity and reducing costs**[2]

IT costs

Reduced requirement to develop and maintain technology architecture in house

Collaboration

Leveraging of industry expertise through mutualization. Reduce friction through **use of shared, standardized data sets**

State Street

Pressure to maximize **value for clients** is pushing firms to **outsource new functions**, allowing them to focus on their core products. State Street was one of the first to offer **outsourced trading.**[3]

European Central Bank

Over **EUR 25 billion** was spent on critical external service providers according to the European Central Bank's annual Outsourcing Register for 2023, with around 50% of that budget allocated to the **top 20 third-party providers** only.[4]

Source: 1. Grand View Research; 2. Swift; 3. State Street; 4. European Central Bank; Capgemini Research Institute for Financial Services analysis, 2024

Trend 5

Capital efficiency

Global uncertainty and regulatory shifts are driving organizations to focus on mastering their capital strategy

Background

- **Geopolitical conflicts**, **inflation**, and a projected **2% rise in European central bank rates** elevate **funding costs**, pushing FS firms to adjust capital strategies for better **ROI** and **ROCE.**[1,2]
- Ongoing **Basel capital rule changes** and evolving requirements from the **EU's Single Resolution Board** and **CRD6** force firms to **revise booking models** and **strengthen resolution plans**.[3]
- **Major economies are experiencing corporate tax hikes up to 5%,** and **cross-border transaction levies** require firms to restructure **capital frameworks** to **minimize tax liabilities.**[4,5]

Impact

- Firms are **enhancing capital buffers** and **restructuring booking models** to comply with regulatory changes, improving resilience and operational efficiency.[6]
- Companies are focusing on developing **tax-efficient structures** and **offshore strategies** to leverage **tax arbitrage** and optimize capital costs.[7]
- Firms are shifting to **less capital-intensive products** and **divesting non-core assets** to increase **liquidity** and improve **capital efficiency.**[8]

Source: 1. S&P Global; 2. European Central Bank; 3. European Central Bank; 4. IMF; 5. European Central Bank; 6. Markets Insider; 7. SRB; 8. Morgan Stanley; Capgemini Research Institute for Financial Services analysis, 2024

Trend 5

Capital efficiency

Global uncertainty and regulatory shifts are driving organizations to focus on mastering their capital strategy

Figure 5: Capital efficiency Initiatives

Balance sheet optimization	Tax optimization	Compliance and Regulatory adjustments	Cost efficiency measures
▪ Netting benefits ▪ Capital buffer enhancement ▪ Securities optimization	▪ Offshore structuring ▪ Advanced tax solutions ▪ Jurisdictional booking models	▪ Basel compliance ▪ Regulatory reporting enhancements ▪ Local resolution planning	▪ Operational efficiency ▪ Technology integration ▪ Process automation

JPMorgan Chase & Co.

JPMorgan Chase reported a USD 626 million increase in net interest income (year-on-year) through **balance sheet optimization**. **Netting strategies and higher interest rates** enhanced their capital efficiency.[1]

Deutsche Bank

DB achieved EUR 2 billion in risk-weighted assets (RWA) reductions via **securitization and efficiency improvements**, aligning with regulatory goals and improving capital allocation.[2]

Source: 1 JPM; 2 Deutsche Bank; Capgemini Research Institute for Financial Services analysis, 2024

Trend 6

Modernized resilient platforms

Limitations in legacy systems are driving capital markets organizations to modernize their core systems

Background

- A recent study reported **92% of UK financial services companies still rely on costly legacy technology,** which is at risk of reaching end-of-support and life (EOS and EOL).[1]
- **Regulatory pressures** and resiliency requirements continue to increase. An EU mandate requires financial entities implement the **Digital Operations Resilience Act (DORA) by January 2025** to mitigate operational and IT risk.[2,3]
- **Cyberattacks** have **more than doubled** since the pandemic, with nearly a fifth of all attacks being on financial firms: banks are most exposed given the sensitive transactions they handle.[4]
- An increasing number of **capital markets firms** are taking on the challenge of **replacing legacy systems** that are at the heart of many trading, clearing, and settlement processes.

Figure 6: Key drivers for modernized resilient platforms

Legacy maintenance costs	Rising expenses for maintaining outdated systems drive organizations to **modernise their platforms for cost efficiency**.
Risk of EOL	The impending obsolescence of older technologies necessitates **timely upgrades to ensure continuity and competitiveness**.
Resiliency requirements	**Enhanced resiliency and scalability** are crucial to withstand cyberattacks and minimize downtime, safeguarding operational integrity and meeting regulatory requirements.
Growth constraints	Aging legacy platforms **lack flexibility, agility, and scalability** to respond effectively to market demands and support diverse transactions.

Source: 1. LSEG; 2. Broadridge; 3. ESMA; 4. International Monetary Fund; Capgemini Research Institute for Financial Services analysis, 2024

Trend 6

Modernized resilient platforms

Limitations in legacy systems are driving capital markets organizations to modernize their core systems

Impact

- Firms are looking to leverage the capabilities of technologies such as **Gen AI** and **cloud** computing, to facilitate modernization efforts that harness enhanced capabilities and maintain their competitive edge.
- Firms will need to **balance optimization and replacement** in their modernization programs, often aiming to **enhance existing tech stacks and functionality** to integrate emerging technologies and expedite the modernization process.[1]
- Given the increase in cyberattacks in recent years, digital transformation leaders are **increasing spend** over the next two years and **prioritizing cybersecurity.**[2]

Euroclear

Euroclear is undergoing a **multi-year transformation program** to move to a **new modular technology platform** for their settlement system, CREST. The aims of this transformation are to enhance operational and financial resilience, client value, business agility, operational efficiency, and remove technology debt.[3]

Citi

Citi continues to ramp up its **transformation efforts to modernize infrastructure**, boosting investments in **cloud technology** and **AI** to streamline operations, enhance efficiency, improve security, and enable data analytics. As part of this initiative, the bank has formed a multi-year strategic partnership with Google Cloud to harness its cloud and AI solutions.[4]

Source: 1. LSEG; 2. Broadridge; 3. Euroclear; 4. Citi; Capgemini Research Institute for Financial Services analysis, 2024

Trend 7

DLT & tokenization

The increased integration of DLT and tokenization into mainstream finance is digitally transforming the financial services industry

Background

- Distributed ledger technology (DLT) gained prominence with the rise of blockchain and **cryptocurrencies** and has evolved to include a wider range of **digital assets**, including **smart contracts** and **tokenization,** and processes.[1]
- While there have been many **DLT initiatives** across the industry, **widespread adoption** has been **less rapid** than many hoped, and core trade lifecycle processes, such as settlement and clearing, have remained mostly **off-chain.**[1]
- Developments in **regulatory** frameworks, **interoperability,** and digital currencies can **stimulate growth** in digital assets.[2,3]
- Firms are focusing on **specific asset classes and processes** where DLT **benefits** can be realized – e.g., digital fund and bond issuance, private markets, securities finance, and collateral.[1,4]

Impact

- DLT has the potential to **transform** financial market processes, increase **efficiency** by reducing reconciliations and exceptions, enable **real-time** settlement, and reduce risk.
- New blockchain **interoperability** platforms (e.g., SWIFT, Chainlink) will help enable **financial institutions** to **transact across blockchains** while leveraging existing infrastructure.[3]
- New **regulations** (e.g., Markets in Crypto-Assets Regulation (MiCA) in Europe) aim to provide greater investor protection and increase **confidence** in digital assets.[2]
- Developments in central bank digital currencies (**CDBCs**) and stablecoins can also drive growth in digital securities.[5]

Source: 1. ION; 2. ESMA 3. Chainlink; 4. ION; 5. EDPS; Capgemini Research Institute for Financial Services analysis, 2024

Trend 7

DLT & tokenization

The increased integration of DLT and tokenization into mainstream finance is digitally transforming the financial services industry

3 8 2 9 5
7 1 4 6
10

Figure 7: Digital asset initiatives supported by DLT and tokenization

Tokenized Securities

Tokenized securities enable **fractional ownership, accelerated trading, and increased liquidity**

- Buy side firms launching digital funds
- Issuance of digital bonds with increased focus on secondary market anticipated for 2025
- FMIs launching digital asset initiatives

Digital Currencies

CBDCs and stablecoins are **starting to enter the mainstream**

- Bank of England consulting on the digital Pound[1]
- JPMorgan using the U.S Dollar backed JPM Coin[2]

Digital Processes

Firms are leveraging DLT to **increase efficiency of processes along the trade lifecycle**

- Collateral
- Asset servicing
- Fund accounting

Citi

Citi has launched its Citi Token Services for Cash as a live payments and liquidity solution after a successful pilot program, part of its commitment to real-time, always-on, next generation transaction banking. The platform uses **DLT** and **smart contracts** to **reduce costs and streamline processes.**[3]

Euroclear

Euroclear's Digital Financial Market Infrastructure (D-FMI) platform utilizes **DLT to streamline securities settlement** and **post-trade processes** for **faster, more secure transactions**. It supports digital assets and tokenized securities, enhancing efficiency and reducing risks in financial markets.[4]

Source: 1. Bank of England; 2. JPMorgan; 3. Citi; 4. Euroclear; Capgemini Research Institute for Financial Services analysis, 2024

Trend 8

Leveraging Generative AI

Capital markets organizations are seeking competitive advantages using Gen AI to create actionable insights, efficiencies, and differentiation

Background

- **Global spending on artificial intelligence** is expected to reach around **USD 450 billion by 2027.**[1]
- Within the global banking sector, **Gen AI could add USD 200 to 340 billion in value annually,** largely through augmentation and amplification of productivity.[1]
- Capital Market firms have seen significant benefits from Gen AI in **software engineering** and are increasingly starting to leverage Gen AI to drive **improvements in operational efficiency and customer experience.**[2]
- Firms are implementing **Gen AI strategies** and operating models to manage the process from experimentation through to **implementation at scale**, with the appropriate **controls**, to deliver **business value.**

Figure 8: Key dimensions of a Gen AI-driven enterprise

Organizational enablement

- Clear Gen AI **vision and strategy**
- **Awareness and upskilling** of people on Gen AI
- **Active change management** of Gen AI impact

Technology foundation

- **Scalable data platforms** and **data management**
- Leverage of **technology partners** (e.g. hyperscalers)
- Incorporation of **green computing** and **efficient models**

AI operating model

- Management of Gen AI portfolio with **intrinsic business value measurement**
- Diverse teams with end-to-end **use case responsibility**
- Gen AI **center of excellence** to support efficient delivery

Responsible and explainable

- **Ethical and legal** AI usage guidelines
- **Continuous monitoring** of AI-generated content
- **Auditability and explainability** of Gen AI solutions

Source: 1. S&P Global; 2. Capgemini; Capgemini Research Institute for Financial Services analysis, 2024

Trend 8

Leveraging Generative AI

Capital markets organizations are seeking competitive advantages using Gen AI to create actionable insights, efficiencies, and differentiation

Impact

- The increased use of advanced Gen AI analytics to support research, investment decisions, and portfolio management will help **enhance revenue generation**.
- **Client interactions and operational efficiencies will be optimized** through the automation of client queries, reporting, and the conversion of unstructured data into structured insights, reducing email volumes and improving exception management processes.
- Leveraging Gen AI will enhance financial crime detection, risk monitoring, real-time regulatory and legal documentation support, and ESG oversight, thereby **optimizing risk management, compliance, and controls**.
- **More legacy systems will be modernized** with Gen AI-driven documentation, code conversion, platform updates, and **Gen AI-assisted software engineering**, including code generation and testing.

Société Generale

Société Generale group's portfolio has more than 170 AI-based use cases, including an intelligent filtering tool for anti-fraud measures and an automatic prospectus reading tool, all **to help execute its AI strategy with an expected value creation of EUR 500 million by 2025.**[1]

JPMorgan Chase & Co.

JPMorgan has launched a new set of stock indices for institutional investors — called Quest IndexGPT — that uses **OpenAI's GPT-4 large language model (LLM) to generate keywords related to a specific theme**. The keywords are then used to identify news articles written about companies with mentions of those keywords.[2]

Source: 1. Société Generale; 2. JPM Insights; Capgemini Research Institute for Financial Services analysis, 2024

Trend 9

Global accelerated settlement

The drive for a global T+1 settlement cycle continues, with the UK and EU pushing forward with plans

Background

- North America **successfully implemented a T+1 settlement cycle** in May 2024, with US **affirmation rates reaching >98%** while **failed trade rates remained flat at <4%** in the post-implementation period.[1]
- **55% of global equity markets are now trading on a T+1** (or faster) cycle, including India, China, and the US. The UK and EU are setting timelines to mandate post-trade processes in 2025, with a **potential 2027 implementation date.**[2,3,4]
- The SEC highlighted that the US **benefited from having an announced implementation date** as well as a **carefully planned timeline and schedule.**[5]

Source: 1. DTCC; 2.Reuters; 3. UK GOV; 4. ESMA; 5.SEC ; 6. DTCC; 7. Euroclear; Capgemini Research Institute for Financial Services analysis, 2024

DTCC

DTCC is the major CSD in North America and drove the **successful implementation of the US T+1**. This success was demonstrated through the **industry adoption** of the new timeframe and **accelerated processes**.[6]

Euroclear

Euroclear noted some critical elements for a successful T+1 implementation for the UK and Europe:

1. The benefits of a **coordinated move** to T1, so firms invest in improvement across markets
2. European markets are **challenging and fragmented**, and not as unified as in the US
3. Upgrades to **existing BO infrastructure** is imperative for **efficiency improvements.**[7]

Trend 9

Global accelerated settlement

The drive for a global T+1 settlement cycle continues, with the UK and EU pushing forward with plans

Impact

- A shorter settlement cycle **reduces firms' exposure to liquidity, credit, and settlement risk** and can optimize balance sheet usage by **lowering margin and funding requirements.**
- With the right implementation, firms can **streamline the settlement process, reducing manual tasks** and enhancing **overall operational efficiency.**
- The EU and UK's shift to T+1 settlement heightens challenges due to the **FMI landscape's fragmentation and complexity.** However, aligning global settlement cycles can enhance liquidity and **lower risk in various trading areas including FX, ETFs, and mutual funds.**[1,2]

Figure 9: Challenges and lessons learned applicable to the UK and European market

Recalibrating operating models

Firms will need to **adapt processes and resource / location models**, as well as enhance controls to mitigate operational risk.

Modernizing legacy technology

Many firms operate on ageing systems that require **significant enhancements to meet T+1 requirements**.

Enhancing data management

Firms will need to **standardize and automate** provision of reference data (client, counterparty, product, SSIs).

Client performance

Critical to the success of migration to T+1 is the ability for brokers and custodians **to identify areas of improvement and perform outreach** with their clients.

Source: 1. EU CSDs List; 2. EU CCP List; Capgemini Research Institute for Financial Services analysis, 2024

Trend 10

Transaction reporting optimization

Following the recent regulatory rewrites, firms are shifting focus to efficiency and control

Background

- The past few years have seen an unprecedented amount of change in **trade and transaction reporting** ("T&TR") because of the wave of **regulatory rewrites.**[1]
- Firms have been managing these changes while trying to keep on top of **legacy reporting issues**, moving from one rewrite to the next and handing over "day 2" items to business as usual (BAU) teams.
- Many of the rewrite go-lives have now passed, creating a more **harmonized global reporting** approach, with firms prioritizing **evaluating their operating model, efficiency, and controls.**

Impact

- Increased **regulatory scrutiny is** placed on **data quality** and **controls** under recent rewrites (e.g., CFTC's error correction and swap data verification, and ESMA's data quality notifications).[2,3]
- Firms have the opportunity to **standardize and align operational processes** which have historically been implemented tactically for each reporting jurisdiction.
- Clear **data lineage** is required as a **control** and an **enabler** for operational teams when investigating reporting issues.

Source: 1. ISDA - OTC Derivatives Compliance Calendar; 2. Electronic Code of Federal Regulations - CFTC Part 45.14; 3. ESMA's EMIR Refit Guidelines; Capgemini Research Institute for Financial Services analysis, 2024

Trend 10

Transaction reporting optimization

Following the recent regulatory rewrites, firms are shifting focus to efficiency and control

Figure 10: T&TR Strategic Considerations

Managed services	Challenges in hiring and retaining skilled staff are leading firms to consider **managed services and selective offshoring** of BAU processes, such as exception management and remediation.
Process automation	**Automation of key operational processes** (e.g., auto-assigning exceptions to action owners), with machine learning and AI beginning to be investigated.
Vendor solutions	There is a growing list of firms **outsourcing their entire reporting architecture** or **components** of it, such as eligibility, reconciliations, and validations.
Data quality	A large focus will be placed on **enforcing data quality on data producers** and implementing data lakes and data lineage solutions to track objects from creation to submission.

Source: 1. Electronic Code of Federal Regulations; 2. ESMA; 3. ISDA Webinar; Capgemini Research Institute for Financial Services analysis, 2024

CFTC and ESMA

CFTC introduced **swap data verification** and **DMO notification** requirements for reporting issues unresolved within seven days, and ESMA enhanced their reconciliation requirements (commonly referred to as **pairing and matching**) and introduced **NCA notification** requirements for material reporting issues.[1,2]

JPMorgan Chase & Co.

In Q4 2024, JPMorgan implemented ISDA's **Common Domain Model** for **Digital Regulatory Reporting,** standardizing data formats, objects, and processes, lowering technology and operational costs, improving data lineage and back reporting capabilities, enhancing controls through increased stability and decreased BAU overhead, and leading to faster discovery of/recovery from reporting issues.[3]

Partner with Capgemini

Process Efficiency and Automation

Optimizing capital markets operating models as the industry continues to drive towards greater efficiency and meeting regulatory demands:

Leverage end-to-end capabilities including FMI relationships, post-trade expertise, and technology partnerships, enabling firms to meet their processing and regulatory compliance challenges in a complex capital markets environment. Drive the implementation of latest generation technologies (Gen AI, DLT, tokens) to deliver efficiency, controls, and client reputational benefits.

Technology Transformation

Capital markets technology expertise to support end-to-end technology design, build, test, and operate capabilities:

Assist clients from solution architecture, implementation, testing and deployment, through to operation. Enhanced by Capgemini's global delivery capability and expertise in innovative technologies. Advisory and system implementation services, version and upgrade testing, and support in moving to cloud-based technology, across a range of leading third-party capital markets technology platforms.

Transforming Capital Markets with Data and AI

Leveraging data and AI for enhancing efficiency, improving decision-making, managing risk, and driving innovation in key areas:

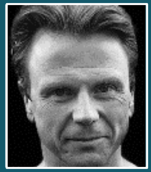
Gen AI helps analysts quickly generate insights, improving the speed and quality of decisions as well as enhancing customer experience and managing risk with innovative products and hyper-personalized services. Examples include Capgemini's LENS, that provides comprehensive, efficient, and transparent ESG reporting for financial services; and our operational accelerator RAISE, that supports the industrialization at scale of your custom Gen AI projects with appropriate guardrails, giving you more reliable and tangible results at a controlled cost.

Operational and Technology Services

Optimized end-to-end reporting, with a blend of onshore and offshore resources:

Expert support and assistance providing ongoing execution services for capital markets institutions, including middle and back-office support functions, trade reporting remediation and back reporting programs, exception management processes, application management services as well as reference data maintenance and support.

Ask the experts



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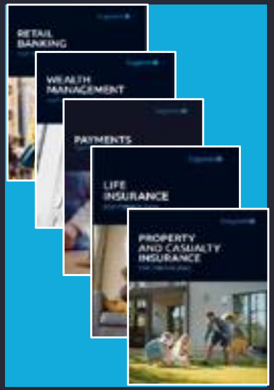

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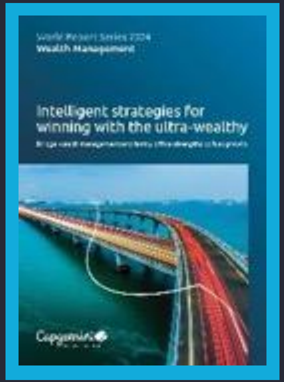

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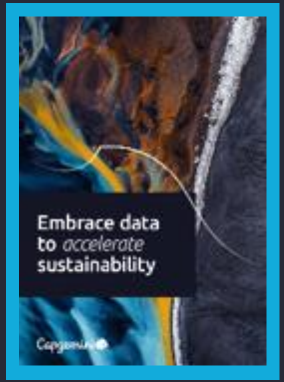

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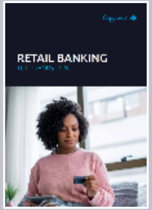

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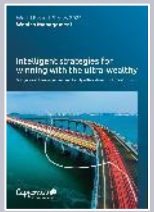

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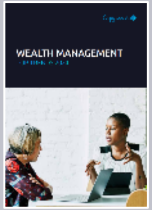

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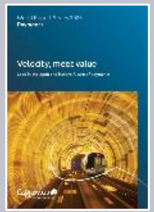

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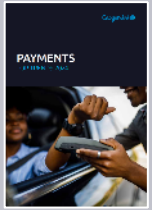

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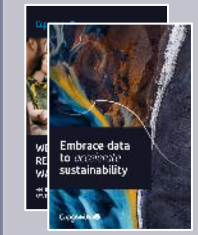

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