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VIDEO TRANSCRIPT
Some observers think, ten years on from the financial crisis, the capital markets industry will now “normalize” and look much as it did a decade ago. But our outlook is very different. Why?

We see three digitally inspired trends reshaping capital markets significantly in the years ahead. First, the core of the financial market system—the activity of discovering price and providing liquidity—is being transformed. Here we’re shifting from a capital to a more technology intensive model. And hence the balance between sell-side, buy-side and market infrastructure players will also shift.

More efficient digital market structures are challenging incumbents’ interests and forcing them to rethink the paradigm of “lucrative inefficiency” which has been prevalent for so long.

Second, advances in cutting-edge technologies are ushering in an era of dramatic change. We can already see the influence of artificial intelligence in areas like alpha generation and signal mining. And as technology evolves, its impact will be much greater. Just consider the possibilities in fields like research, deal-structuring, and client targeting and management.

And distributed ledger technology might end up being even more significant. Although it’s still early days, there are many potential applications in capital markets—from issuance to asset management. And most importantly creating digital assets and revolutionizing asset servicing and settlement.

This brings us to the third significant trend we foresee: A true end-to-end and top-to-bottom digitalization of value chains. Despite two decades of electronic trading, there’s still a lot of ground to cover - both in sales and in post-trade. On the latter, we think there could be as much as $150 billion dollars of costs which digital transformation could reduce—or close to fully eliminate.

The strategic implications of these changes are profound. Especially when you add the end of quantitative easing into the mix.

It means the years ahead are set to be highly disruptive. Every industry player, however successful they are today, needs to take a fresh and clear view of how their market segment is developing. To find out more about how this impacts your organization, please take a look at our Capital Markets 2022 white paper and feel free to get in touch with us should you have any questions.