GFT unveils 2016 trends shaping capital markets and Alternative Investments

Ever-evolving regulatory landscape, Big Data challenges and adapting cloud solutions continue to shape priorities for financial services companies

New York, January 2016 – GFT, the leading business, design and technology consultancy working with the top 10 global investment banks, today announced the trends that will impact the global technology and business landscape among financial services and institutions in 2016. These trends outline how the industry continues to be shaped by shifting regulations, Big Data, the need for increased transparency, and the emergence of distributed ledger concepts and new FinTech firms that may disrupt established markets.

Shifting regulatory landscape

Looking to the year ahead, we will continue to witness a shifting regulatory landscape. Alan Morley, Regulatory, Risk and Compliance Practice Lead at GFT in the US said "The inclusion of Basel III and conversations around EMIR and the evolving Dodd Frank act have shifted the regulatory landscape and brought to light some larger political issues shaping the market. As we begin to accelerate programmes of work for 2016, businesses are experiencing regulatory synchronisation across markets. These corresponding regulations are driving business rationalisation (e.g. the MetLife proposed life insurance selloff), plus process and platform rationalisation within global banks, and we will continue to see it affecting other financial markets as well."

The burden of regulation across the market is constant and increasing in complexity, a situation GFT has previously described as 'The New Normal'. The multitude of overlapping regulations affecting global organisations that are operating across multiple regulatory jurisdictions, requires a high level global overview of firm-wide progress and compliance. Those firms who are likely to succeed in this environment will be those who can oversee the impacts, manage their change programme, and track detailed progress to ensure efficient regulatory compliance.

In the US Alternative Investment (AI) space, the hybridisation of investment strategies is also causing an increase in regulatory impact. As companies begin to offer a combination of Hedge Fund, Private Equity, Real Estate, and traditional investment offerings, Alternative Investments firms become subject to increasingly numerous and complex regulations. As such, there is a strengthened emphasis on process optimisation and risk visualisation.

Benefits outweigh fears over transitioning non-core data to the cloud

As the regulatory landscape becomes more demanding, so too will the necessary resources to remain compliant with the growing number of global standards. To account for such costs, many financial institutions are already re-examining how cloud services can further streamline operations and save on operating costs. Yet this remains a polarising topic among industry professionals, and there is tremendous apprehension in moving certain banking data to popular cloud solution providers.

Banks and other financial institutions will start to overcome these fears (largely data security concerns), and begin storing some financial data in third party cloud providers like Amazon Web Services or Google

Cloud. Controlling costs associated with compliance related data is increasingly catching the attention of senior management and institutional stakeholders. To optimise existing IT investment, new and bold thinking in financial technology must be applied to regulatory change management solutions. By encrypting non-core data (e.g. wire deposit information) and moving this coded information to the cloud, banks will benefit greatly from a cost, service and analytical perspective. Through the cloud, banks can access, de-code and utilise cloud-based Big Data analytics at a significantly reduced cost compared to storing replicated ancillary data in-house. Such monumental cost-savings will enable banks of all sizes to conserve resources and reinvest in their core competencies of customer service and loan management, and in the strategic growth of their financial practice.

Increased need for transparency and disclosure to third parties

Regulations are demanding far higher levels of disclosure to many third parties. The ever-evolving capital markets landscape continues to experience a greater emphasis on transparency as investors are looking to make more informed decisions. In 2016, we will see this trend continue as clients begin to have multiple investment services through one institution and come to expect a standardised view across their accounts.

FinTech vendors assist with Big Data management

In 2016, the utilisation and governance of data will continue to permeate and benefit the industry. As the market becomes increasingly saturated by Big Data technologies, buyside and sellside firms will continue to turn to FinTech vendors to help their businesses effectively induce change, manage risk and plan for the future. According to IDC Research, the global spend in FinTech companies continues to grow, with the market expected to reach $48.6 Billion in 2019.

The management, acquisition, storage, analysis, and reporting of data is set to become increasingly important over the next throughout 2016 and beyond. The greatest challenge today is managing data across the innumerable legacy silos within global banks, and remaining transparent and regulatory compliant in the process.

Herman Weintraub, Executive Director, GFT Alternative Investment Practice in the US says "We will continue to see more focus on data management in the AI space. There is a need to integrate traditionally separate platforms and to ensure that data reconciliation is occurring at an enterprise scale. With the right analysis, data can help firms make more lucrative, informed decisions, especially in the volatile, rising-rate environment that we are currently experiencing."

The rise of distributed ledger technology

Already this year we are seeing the potential for distributed ledger technology to transform how people do business and cooperate with one another. Such improvements cannot be made with technology alone and the current 'Blockchain' phenomenon is now encouraging traditional industries with rigid and established legacy processes to look at how they can do business differently, while promoting disruptive thinking. In the future it is likely to underpin a large range of operational processes, where the underlying Blockchain platform is largely irrelevant (much like TCP/IP and HTML is no longer referred to in internet parlance). GFT's Project Jupiter incubator is currently helping the rapid prototyping of potential Blockchain solutions.

Global regulatory synchronisation shifts bank cost structure

To date, bank efficiency ratios vary widely across and within countries. In 2016, the synchronisation of regulations will begin to create a shifting cost structure that will push banks to respond aggressively. As a

result, banking services will become far less customised. This lack of customisation comes on the heels of the continued stress being placed on the banking sector. With these combined challenges, it is highly likely that global regulators will begin to subject large banks to higher minimum capital levels as part of their annual stress tests. For banking organisations, this will be higher than the capital requirements that have resulted from past tests and institutions will need to account for such changes by seeking out new efficiencies. Given the market volatility already experienced in 2016, it is highly likely that many of these regulations are going to be tested for real, one way or another.

Finally, since the 2008 financial crisis, incoming regulations have tasked financial institutions with aggregating their risk exposures and identifying concentrations of risk. This trend is likely to continue to define how new investment ties risk management with business performance.

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About GFT Group

GFT Group is a business change and technology consultancy trusted by the world's leading financial services institutions to solve their most critical challenges. Specifically defining answers to the current constant of regulatory change - whilst innovating to meet the demands of the digital revolution.

GFT Group brings together advisory, creative and technology capabilities with innovation culture and specialist knowledge of the finance sector, to transform the client's businesses.

Utilising the CODE_n innovation platform, GFT is able to provide international start-ups, technology pioneers and established companies access to a global network, which enables them to tap into the disruptive trends in financial services markets and harness them for their out of the box thinking.

Headquartered in Germany, the GFT Technologies SE achieved consolidated revenue of around EUR 365 million in 2014 (including emagine business division which was sold on 30.09.2015). GFT is represented in twelve countries with a global team spanning 4,000 employees. The GFT share is listed on the Frankfurt Stock Exchange in the TecDAX (ISIN: DE0005800601).

For more information visit: www.gft.com**.**

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