

2015 Capital Markets Outlook: Preparing for takeoff

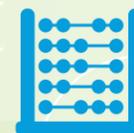
Capital markets firms are trying to move on from painful restructuring to a more sustainable and profitable future. In short, they are preparing for takeoff. But this does not mean that their flight path will be smooth. Check out six key areas that capital markets firms will likely have to prioritize in 2015.

Revenue streams



- FICC trading may be uncertain — cost of funding could put pressure on trading yields
- Continued transition to models relying on capital-light, expertise-driven businesses
- Exchanges further broaden revenue streams through vertical integration

Balance sheet efficiency



- SLR may drive CFOs to reexamine assets to determine if returns warrant required capital
- Reassessment of capital-consuming business lines and shift toward asset-light businesses
- Funding quality may become a competitive differentiator as short-term rates rise
- LCR may spur a focus on wealth management businesses

Regulation and transparency



- Regulatory compliance demands could spur shifts in trading algorithms and technology controls
- Surveillance platforms draw increased attention
- Efficiency in regulatory compliance and operational competence
- Focus on operationalizing derivatives reforms and standardized centrally cleared derivatives
- Progress with securitization and potential implementation of key risk retention rules

Risk management and culture



- Integration of risk management systems and automated processes may solve data aggregation challenges and reduce operational vulnerabilities
- Cyber risk efforts will focus on forward-looking assessments and scenario testing
- Business ethics and risk culture will be driven by “tone at the top” that instills responsibility across the organization

Technology and data



- Trading infrastructure across trade life cycle will be modernized and empower traders with better tools
- Superior customer experience and efficiency in the front and back office will get closer to reality through automation and simplification
- Regulatory requirements (e.g., CAT) will be leveraged as an advantage to create “smart data” and replace fragmented structure

Client value optimization



- Data will be leveraged to refine the approach to client segmentation — with knock-off benefits in client experience and pricing
- Incentive structures revamped based on client profitability and risk

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