



Center for Financial Services

# 2023 banking and capital markets outlook

## Retail banking



Envisioning new ways to serve and engage with customers

### Factors influencing the retail banking industry

Sources

- ▲ Macroeconomic
- ▨ Technology and talent
- Regulatory
- ▲ Customer and competitive forces
- Disruptive market dynamics

Directionality of impact

- Positive impact
- Negative impact
- Mixed impact



Source: Deloitte Center for Financial Services analysis.

### Key messages



As **macroeconomic uncertainties** intensify, retail banks are contending with deep, fundamental shifts. Consumers are clamoring for **guidance and support** during stressful economic times. This is critical to maintaining trust.



Globally, retail banking business performance should be favorable, but **housing market stress** and **regulatory scrutiny** on fees could prove challenging in some regions.



As customers access services across multiple channels, organizing around **end-to-end customer experiences** instead of narrow product lines should be a priority.



As banks become more forceful in advancing **environmental, social, and governance (ESG)** efforts, retail banks should be bold and inventive in solving pervasive problems, such as housing inequity.



**Operational risks and regulatory expectations** are evolving rapidly and require banks to adopt new methods of managing risks, such as transitioning from periodic reviews to continuous monitoring, and limiting the use of third-party data.

### 2023 banking and capital markets outlook

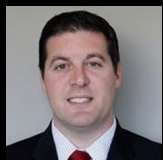
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# 2023 banking and capital markets outlook

## Consumer payments



Unlocking deeper financial relationships beyond transaction flows

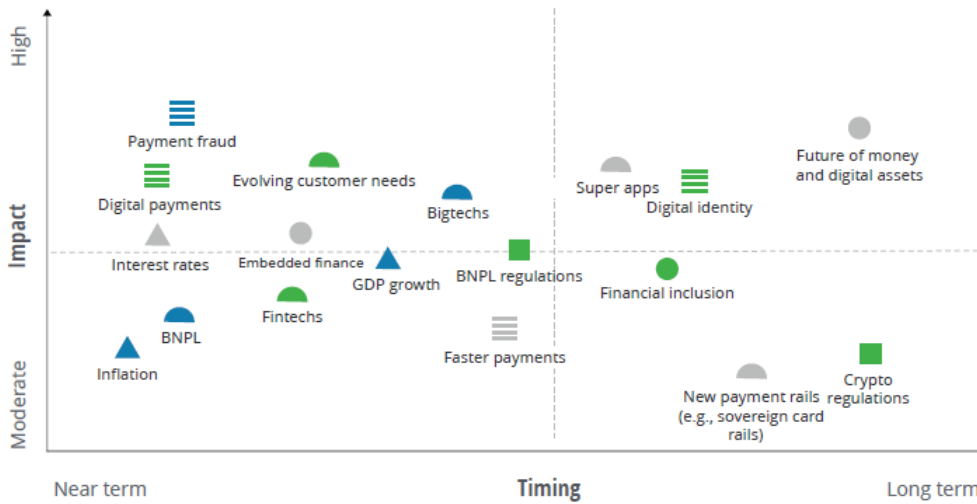
### Factors influencing the consumer payments industry

Sources

- ▲ Macroeconomic
- ▨ Technology and talent
- Regulatory
- ◐ Customer and competitive forces
- Disruptive market dynamics

Directionality of impact

- Positive impact
- Negative impact
- Mixed impact



Source: Deloitte Center for Financial Services analysis.

### Key messages

- Higher **interest rates**, **inflation**, and **low GDP growth** portend mixed fortunes for consumer payment firms.
- Despite the uncertainties stemming from the **macroeconomic environment**, there is one inevitability: the onward march of digital payments on multiple fronts.
- Institutions across the value chain should expand roles **beyond transactions** to unlock new value and deepen customer relationships.
- They should realign business models to capture new value from innovations, such as **digital assets** and **faster payments**.
- Payment fintechs could see a wave of **consolidation** and **rightsizing**, with the focus shifting from revenue to profitable growth.
- An active year in **payment regulations** worldwide is expected in the areas of consumer protection and digital assets, with a particular focus on clear and consistent standards to foster innovation.

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# 2023 banking and capital markets outlook

## Wealth management



Creating a new recipe for greater success

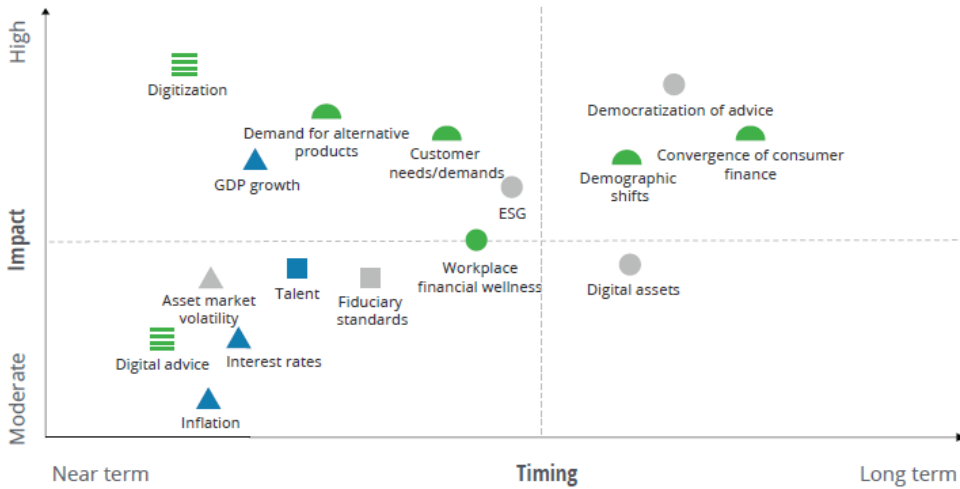
### Factors influencing the wealth-management industry

Sources

- ▲ Macroeconomic
- ▨ Technology and talent
- Regulatory
- ▲ Customer and competitive forces
- Disruptive market dynamics

Directionality of impact

- Positive impact
- Negative impact
- Mixed impact



Source: Deloitte Center for Financial Services analysis.

### Key messages



The wealth management industry is at an **inflection point**. The boundaries of investment advice are expanding, prompting a shift from product focus to client-centricity.



A confluence of forces are redefining how **financial advice** is generated, delivered, and consumed.



Democratization of advice and convergence across domains, within and outside consumer finance, should push wealth managers to offer **holistic solutions**.



**Front-to-back digitization** is paramount to achieve greater efficiency and superior customer experience.



In the US, Reg BI, the DOL's Fiduciary Rule, and a number of regulatory priorities across topics such as **cybersecurity** and **ESG** are driving big shifts across firms, requiring them to revisit products, processes, and workflows.



Wealth managers must be bold in reshaping business models and building a **defensible, scalable, and cost-efficient franchise**.

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# 2023 banking and capital markets outlook

## Commercial banking



Designing a new service model bolstered with insights and digital tools

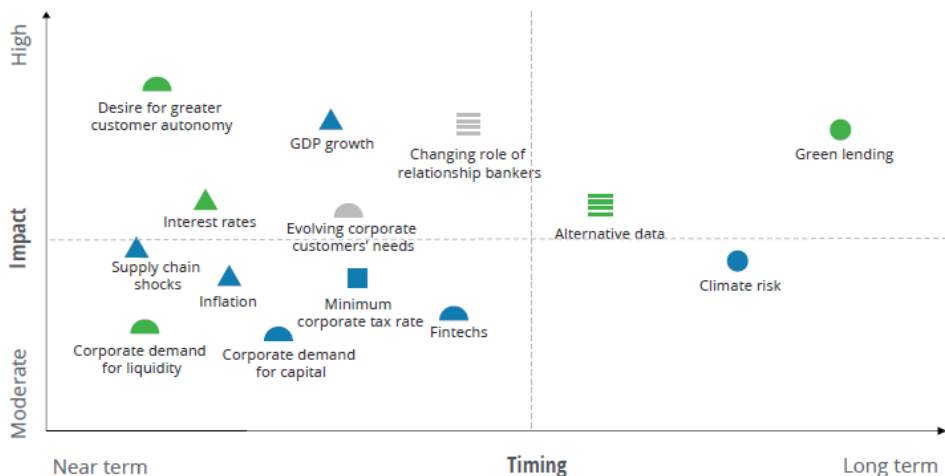
### Factors influencing the commercial banking industry

Sources

- ▲ Macroeconomic
- ≡ Technology and talent
- Regulatory
- ▲ Customer and competitive forces
- Disruptive market dynamics

Directionality of impact

- Positive impact
- Negative impact
- Mixed impact



Source: Deloitte Center for Financial Services analysis.

### Key messages



Despite a loyal client base, commercial banks will likely face fierce competition to win a greater share of **clients' wallets**.



High inflation, recessionary concerns, supply chain challenges, and the minimum corporate tax rate could decelerate corporate demand for **capital investments**, but demand for **working capital** could remain robust.



Relying solely on interest income may not be enough. Banks should expand their share of wallet with **nonlending, transaction banking** products to deepen relationships.



Corporate clients' demands for bespoke **digital solutions, data-rich solutions, and specialized advice** will likely require banks to excel at a new client service model.



The fight against **climate change** presents a massive opportunity for banks to mobilize finance to aid corporate clients' transition to net-zero carbon emissions.

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# 2023 banking and capital markets outlook

## Transaction banking



Shaping the future of global money flows

### Shifts influencing the transaction banking industry

Sources

- ▲ Macroeconomic
- ▨ Technology and talent
- Regulatory
- ◐ Customer and competitive forces
- Disruptive market dynamics

Directionality of impact

- Positive impact
- Negative impact
- Mixed impact



Source: Deloitte Center for Financial Services analysis.

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### Key messages



While **cash management** and **trade finance** should witness strong demand, the outlook for **treasury** is mixed and somewhat weak for **prime brokerage**. **Custody business** should remain steady.



The focus should be on building a modern, efficient, scalable **technology platform** to provide a holistic, real-time view of client transactions, and enable insights and innovation.



In corporate payments, SWIFT's move to ISO20022 should begin a new wave of payments modernization. However, emerging alternatives to SWIFT could risk fracturing the **international payments system**.



**Supply chain transformation** should create new opportunities for banks, in the form of greater advisory, analytical, and risk management support, in addition to new ways of financing.



Meanwhile, treasurers will have to juggle **multiple priorities** around risk management, liquidity and funding optimization, cost control, and recruiting and retaining quality talent.



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# 2023 banking and capital markets outlook

## Investment banking



Weathering the storms with patience and ingenuity

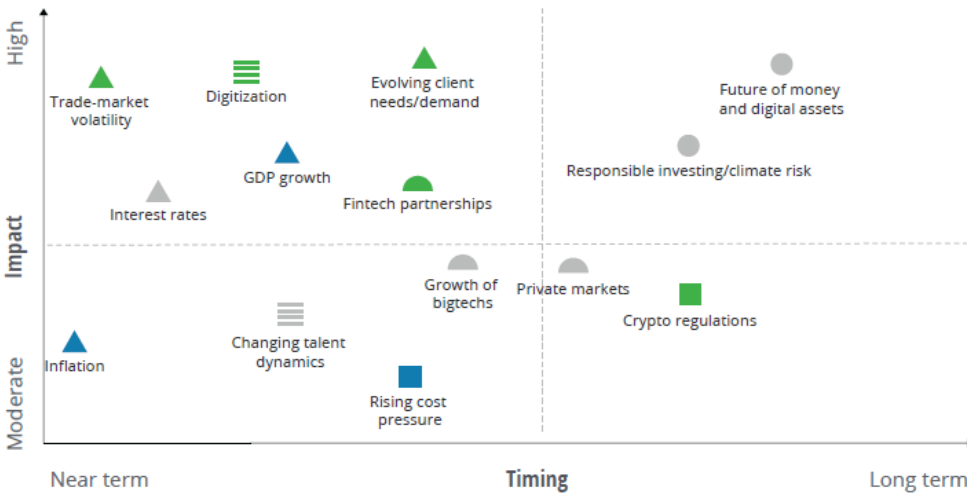
### Factors influencing the investment-banking industry

Sources

- ▲ Macroeconomic
- Technology and talent
- Regulatory
- ▲ Customer and competitive forces
- Disruptive market dynamics

Directionality of impact

- Positive impact
- Negative impact
- Mixed impact



Source: Deloitte Center for Financial Services analysis.

### Key messages

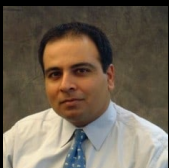
- Not every investment bank may have the **scale** and **capacity** to weather the unique and uncertain market dynamics at play.
- Market volatility** should offset the downward draft in advisory and underwriting businesses, as trading continues to be a reliable source of revenues.
- Investment banks should preserve their role as capital market intermediaries in the wake of **deglobalization**, the rush toward a **green economy**, and the rise of **private capital**.
- Cost controls** could become a higher priority given the macroeconomic environment, tight labor market, and rising talent costs.
- Accelerating digitization** will remain key to unlocking future sources of value.
- Investment banks should selectively seek out **startups/fintechs** that can bolster post-trade operations such as reconciliation and settlement

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# 2023 banking and capital markets outlook

## Market infrastructure



Carving a new identity by creating differentiated sources of value

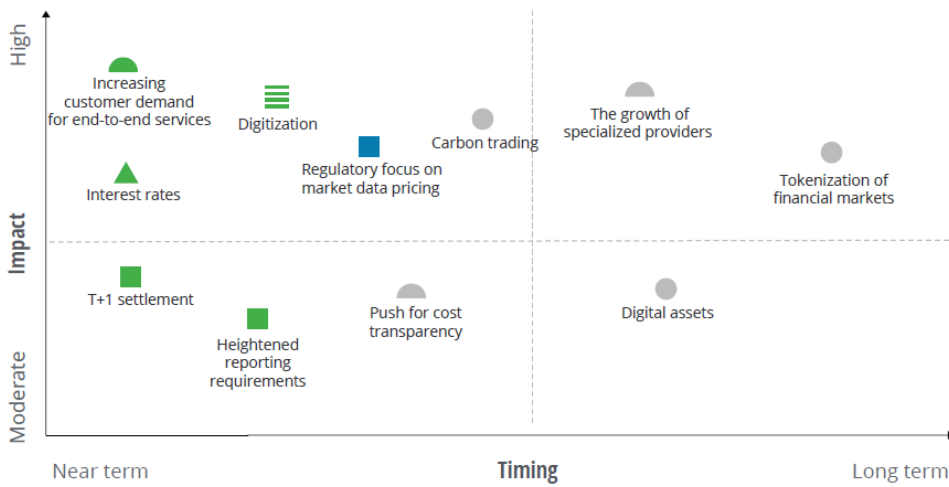
### Factors influencing the market infrastructure industry

Sources

- ▲ Macroeconomic
- ▨ Technology and talent
- Regulatory
- ◐ Customer and competitive forces
- Disruptive market dynamics

Directionality of impact

- Positive impact
- Negative impact
- Mixed impact



Source: Deloitte Center for Financial Services analysis.

### Key messages



Market infrastructure providers are reimagining the **services they provide** to buy- and sell-side institutions across the value chain.



Significant challenges lie ahead, including increasing **competition** and mounting pressures from **global regulators**.



Massive investments in **tech upgrades** could be necessary to accommodate rising **customer expectations**, including **cloud-enabled microservices**, flexible access and pricing for **real-time data feeds**, and **tools that automate** trading workflows.



The industry should continue to build out infrastructure that can usher in transformative forces, such as the transition to the **Net Zero economy** and **tokenization** of financial assets.



The proliferation of digital assets is leading to new exchanges and business models as operators race to provide clients with a full suite of products in **one frictionless experience**.

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