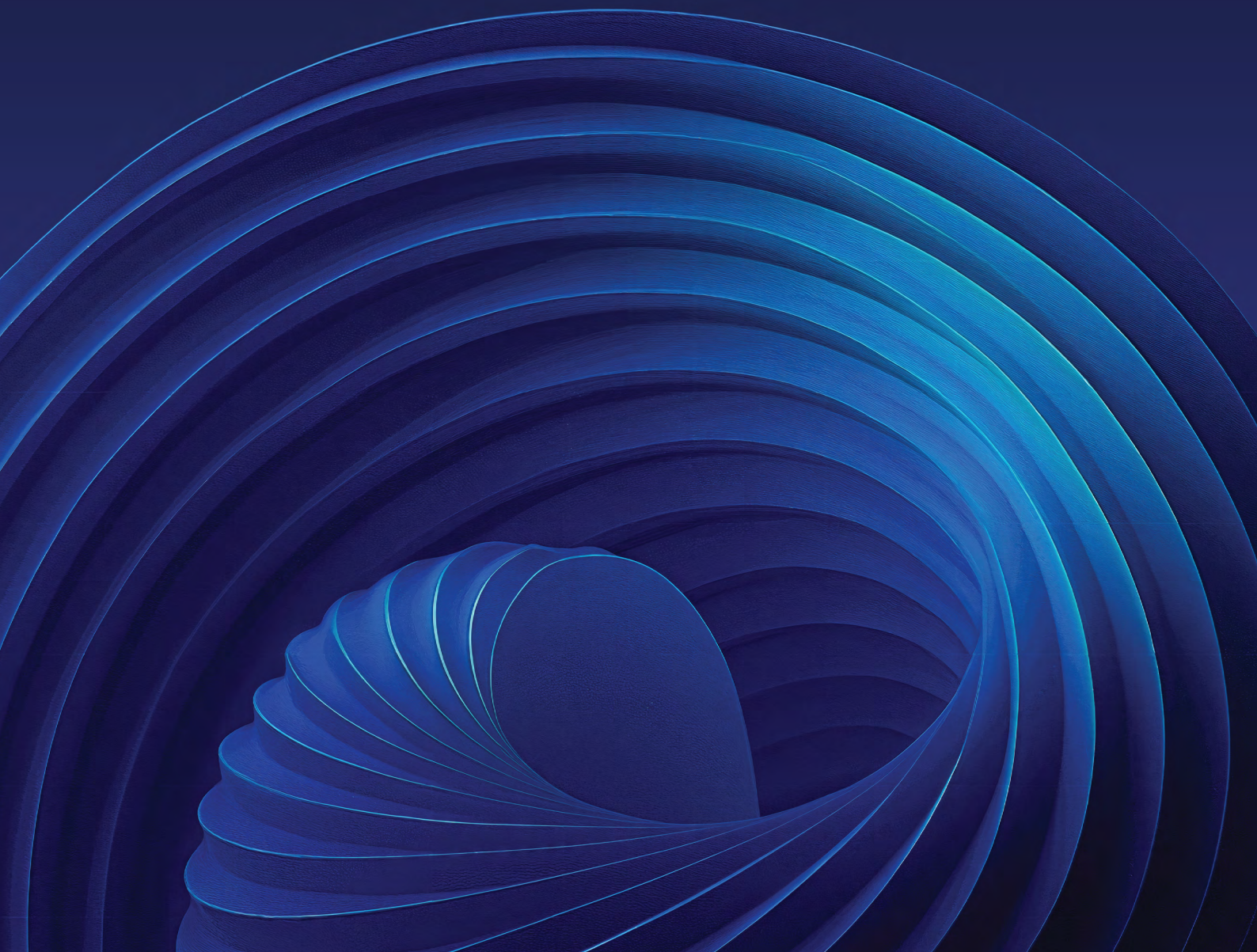


The future in focus: Trends that are shaping what banking becomes



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Strategies for resilience and growth in a dynamic industry

The banking sector has experienced relative stability in recent years, but now faces increasing challenges.

These include economic uncertainties, political shifts, new regulations, and rising competition from nontraditional players.

While banks have heavily invested in digital transformation, some have not yet reaped the benefits. The rise of artificial intelligence (both traditional and generative) in banking offers new transformative possibilities, albeit with regulatory, ethical and security challenges that must be carefully addressed. **The industry's ability to adapt to these technological advancements will be crucial for its future success.**

One of the primary goals in banking is improving performance and operational efficiency.

The differentiating factor for successful banks may lie in their "management quotient" — the ability of management teams to answer critical operational questions and drive growth.

While the sector remains resilient, having withstood external shocks in recent years, **mergers and acquisitions (M&A) activity signals a potential shift in competitive dynamics** and will play an increasingly important role in the industry. M&A activity in financial services is expected to intensify this year, driven by favorable macroeconomic conditions such as rising interest rates and capital surpluses within banks. Analysts predict that, particularly in Europe and the U.S., banks will increasingly seek acquisitions to diversify their revenue streams and strengthen their positions ahead of potential interest rate cuts.¹

In light of these pressures and developments, banking leaders must navigate the change with caution, focusing on key trends that could define the sector's future. To this end, we present the trends that we believe will be pivotal for the upcoming year, along with some ideas that may assist in managing them.

¹ El Economista. 9 December 2024. [Los bancos centrales y Trump abren la puerta a un 'tsunami de fusiones': los expertos anticipan un 2025 récord](#) [Central banks and Trump open the door to a 'tsunami of mergers': experts anticipate a record-breaking 2025].

<https://www.reuters.com/business/finance/unicredit-ceo-says-105-billion-banco-bpm-bid-is-fair-offer-becomes-binding-2024-12-13/>

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<https://www.bloomberg.com/news/articles/2024-09-19/unicredit-should-move-soon-on-commerzbank-jpmorgan-analysts-say?embedded-checkout=true>



Banking for all and purpose-led finance

Purpose-led finance is and will continue to be a key trend for the sector. The need to serve all segments of the population equally, including the most disadvantaged, requires ongoing focus.

According to World Bank figures, there are still more than 1.4 billion unbanked people worldwide. A growing aging population is demanding financial services tailored to their needs. There is now a greater demand for personalization as society, institutions and regulators place pressure on the banking sector to address inequality and make the sector more inclusive by simplifying access to financial services for everyone.

There are no magical solutions here, but there are examples in the market of approaches that are well oriented toward these objectives:

- Adapting the range of products and services to the needs of the most disadvantaged groups
- Creating new, tailored financial products and solutions
- Simplifying learning and training to foster new habits
- Providing personalized guidance and advice
- Simplifying risk assessment associated with lending to those with limited credit history.

A focus on inclusion and sustainability

Directly connected with financial inclusion, and part of an organization's environmental, social and governance (ESG) objectives, purpose-led finance and sustainable finance are now pivotal across all business lines.

This makes perfect sense: as the risks associated with environmentally damaging products and services escalate, we can expect purchasing and investing in green alternatives to become standard practice.

In response to this trend, banks need to develop new business models and change internal practices so they can expand their product and service portfolios with a focus on inclusion and sustainability.

Increasing information and transparency (with regulations such as the Corporate Sustainability Reporting Directive (CSRD) in the EU driving this shift) and forging agreements with companies focused on ESG objectives will also assist in advancing purpose-led and sustainable finance.

Younger generations are advocating for solutions

An important aspect to consider here is the pressure exerted by younger generations — the customers and leaders of the future. Generation Z, in particular, demonstrates a strong concern for environmental issues and demands solutions from society. This generation is increasingly influencing global dynamics, as it is the most connected generation and the one most vocal in various social forums.

“A person's age, cultural background or economic status should not be a barrier to accessing financial services.”

The return to human relationships

The future of banking lies not in abandoning human interaction, but in leveraging technology to enhance it in ways previously unimagined.

In recent years, the banking sector has undergone a profound transformation, driven largely by the rise of digital channels and the increasing closure of physical branches, particularly in the retail and small and medium-sized enterprises (SME) segments.

This shift has undeniably altered the nature of the customer-bank relationship, diminishing the human interaction that once characterized banking services.

As face-to-face engagements become less frequent, there is an undeniable sense of detachment, leading to a perceived loss of the personalized service that once cultivated trust and loyalty. However, the evolution of cutting-edge technologies offers a potential remedy to this disconnect.

Using technology to reconnect

Artificial intelligence (AI), machine learning and advanced analytics now enable financial institutions to offer tailored experiences without the heavy reliance on costly human resources. In doing so, these technologies facilitate a resurgence of meaningful customer interactions, albeit in a more technologically sophisticated form.

One of the most significant advances in this regard is the ability of modern technologies to instantly simplify and personalize access to vast amounts of data. By leveraging natural language processing (NLP) and AI-driven analytics, banks can interact with customers in a more intuitive and human-like manner. Customers are no longer burdened with navigating complex systems or jargon; instead, they can communicate naturally, asking questions and receiving responses in real time, making the experience far more efficient and effective. This also reduces the cognitive load on employees, allowing them to focus on high-level tasks while technology takes care of the routine aspects of customer engagement.

Moreover, new technologies are simplifying processes that were once highly complex, such as asset allocation. In the past, customers had to sift through hundreds of thousands of financial products to assemble a portfolio that suited their needs. Today, with the aid of advanced algorithms and predictive analytics, banks can offer highly personalized investment portfolios with ease, streamlining the decision-making process and presenting customers with the most relevant options in real time.

By embracing these innovations, banks have an opportunity to reconnect with their customers in a way that merges the best of both worlds: the efficiency and convenience of digital technology with the personalized, human touch that establishes trust and contributes to customer satisfaction. While the physical branch may be less central to the customer experience, the application of advanced technologies can ensure that the relationship remains dynamic, responsive, and deeply attuned to the evolving needs of the modern consumer.

“Contrary to popular belief, technology innovations can be harnessed to reinforce human relationships in banking by addressing the cost-efficiency challenges that have long been barriers to providing personalized service.”

Reimagining marketing: new AI-powered strategies

Banks must craft campaigns that resonate with diverse customer segments while maintaining the agility to adapt messaging at scale. By leveraging technology, banks can strengthen their connections with customers by creating tailored experiences at scale.

The marketing landscape is increasingly defined by the need for greater efficiency, mass personalization and cost reduction, while retaining the ability to scale campaigns and adapt seamlessly across multiple channels.

In our report, Trends in Finance for 2024 ², we discussed the rise of customer data platforms (CDPs) — the technological leap that would enable marketing departments to evolve from traditional campaign models to customer-specific journeys in which actions are triggered by customer behaviors. This represents a significant shift in the marketing model and offers the potential for deeper personalization.

This year, the spotlight falls on generative AI (GenAI) and its potential in several areas of banking.

Groundbreaking, game-changing GenAI

In terms of improving efficiency and reducing costs, GenAI could transform the production and adaptation of digital content. This task currently requires large teams focused solely on modifying marketing materials to suit various customer segments and specific marketing campaigns. By eliminating repetitive workflows, marketing teams in banking can redirect their efforts toward innovation, developing strategies that address deeper customer needs and align with broader business objectives.

Perhaps the most groundbreaking application of AI in banking marketing is the rise of synthetic personas. These AI-driven digital representations of customer archetypes simulate behaviors, preferences and interactions. By analyzing vast datasets, synthetic personas provide predictive insights into customer needs, enabling banks to design campaigns that feel hyperpersonalized while adhering to stringent data privacy and ethical standards.

For example, a bank launching a new savings product could use synthetic personas to simulate how different customer segments — young professionals, small business owners or retirees — might respond to its features and promotional messaging. This enables refined targeting and optimized campaigns for launching the product.

By leveraging these technologies, banks can forge stronger connections with customers, create tailored experiences at scale, and not only enhance efficiency but also stay ahead in an increasingly competitive landscape.

“New and interesting opportunities have emerged with the rise of GenAI around marketing ecosystem.”

² NTT DATA. [Trends in Finance for 2024](#).

Augmented workforce

The augmented workforce will be key to a shift that, in the short term, will transform the operational and IT development models banking relies on.

The future of humanity has long been the subject of science-fiction novels, and many of the scenarios described in the works of renowned writers such as Gibson, Asimov and Clarke feature artificial intelligence as a form of life as vibrant as that of humans themselves. Although we have some way to go for the science-fiction version of the future to become our lived experience, we are a little closer to some of those scenarios becoming a part of our world.

Concepts like transhumanism, which seeks to enhance human capabilities through symbiosis with technology, are increasingly becoming a reality through projects such as Elon Musk's Neuralink (pursuing the idea of exploring the human brain beyond its current uses) and the integration of artificial intelligence into our daily lives.

In applying these ideas to the banking industry, we distinguish three levels of maturity:

- 1. Complementarity:** Artificial intelligences serve and support human activities (there is a leader-follower relationship between them).
- 2. Cooperation:** Both intelligences, organized by levels of specialization, cooperate, acting autonomously in the completion of tasks.
- 3. AI autonomy:** Leadership and decision-making are no longer exclusively human.

Adopting AI — with caution

Of course, maturity levels are not the same across all industries and activities. Games like chess already have unbeatable AIs, and there are algorithms in industries such as the automotive sector that can make decisions based on prior training. However, **banking is a complex and highly regulated industry that involves handling people's money, which makes it reasonable to expect that the industry's adoption of AI will be more cautious and gradual.**

There is no doubt that AI is accelerating the transformation of the traditional workforce into an "augmented" one that is more efficient and less costly. Knowledge barriers, creative capacity and decision-making are increasingly being affected by this new paradigm.

The concept of the augmented workforce is transforming banking by empowering human employees.

The seamless integration of advanced technologies such as AI, automation tools and data-driven assistants enhances employees' capabilities, enabling them to focus on higher-value tasks while technology handles routine and repetitive operations.

From onboarding and loan approvals to reducing cross-departmental collaboration bottlenecks, productivity is significantly increasing. This, in turn, reduces time to market and positively impacts the customer. Thus, the augmented workforce ensures that financial institutions remain agile, innovative, and competitive in a rapidly evolving landscape, driving both operational excellence and improved employee experiences.

“AI is accelerating the transformation of the traditional workforce breaking knowledge barriers, boosting creative capacity and simplifying decision-making.”

An extended view of managing resilience, trust, risk and security

As the global banking industry advances toward a more digital and cashless ecosystem, robust security systems and unwavering trust in transactions become increasingly critical.

The transition to digital banking offers undeniable efficiencies, convenience and cost reductions, but it also presents new challenges, particularly in the realm of cybersecurity. Despite the numerous benefits of this digital ecosystem, cyberthreats remain a significant concern. Recent developments, such as Sweden and Norway halting their moves toward eliminating cash, underscore the complexities of ensuring secure and reliable digital payments.

As back-office processes such as loan approvals and compliance checks move toward near-real-time models in order to increase efficiency and reduce costs, control mechanisms must evolve in parallel, with every interaction, transaction and data flow reinforced to prevent breaches.

Balancing innovation and protection

This challenge is now compounded by the emergence of GenAI, which has introduced new risks that banks must address.

While AI offers significant opportunities for operational efficiency and customer service enhancement, it also poses risks related to privacy, data integrity and the potential for malicious use. In this rapidly evolving financial landscape, there is a very delicate balance between innovation and protection.

The growing reliance on AI for fraud prevention, for instance, underscores its dual role as both a powerful tool for defense and a potential vector for attacks.

Cybercriminals are already using AI to enhance their own attacks, making it essential for financial institutions to deploy AI-driven security solutions that can adapt and respond in real time in an increasingly sophisticated and dynamic threat environment.

Gartner notes that “A comprehensive AI trust, risk, security management (TRiSM) program helps you integrate much-needed governance upfront, and proactively ensure AI systems are compliant, fair, reliable and protect data privacy.”³

An AI TRiSM program can address the new complexities arising from the intersection of AI and financial services.

Trust, risk, and security have always been foundational pillars in the banking sector. Trust is essential for fostering relationships between banks and their customers, ensuring confidence in the safety of their assets and personal information.

As the banking sector continues its digital transformation, it must prioritize security, risk management, and resilience in equal measure.

Resilience in the face of cyberthreats is becoming a key focus for regulators.

In Europe, the **Digital Operational Resilience Act (DORA)** mandates that financial institutions bolster their IT security measures to ensure that the sector remains resilient in the event of severe operational disruptions, whether due to cyberattacks or other crises. **This regulation reinforces the need for financial institutions to adopt a comprehensive and proactive approach to managing operational risks and securing digital infrastructures.**

In the U.K., the groundbreaking **Authorised Push Payment (APP) fraud reimbursement protections**, which took effect from 7 October 2024, mandate banks to reimburse customers within five days in cases of unauthorized transactions. This innovative measure aims to bolster consumer confidence and address concerns related to fraud and digital crime. Notably, it enforces a fifty-fifty split between the sender's responsibility and the receiving bank's responsibility, a first-of-its-kind regulation globally. **This regulation not only enhances consumer protection but also reflects the growing recognition that effective fraud prevention requires collaboration across the banking ecosystem.**

“The risk of potential cyberattacks looms large, serving as a reminder that a fully digital financial system may be further off than anticipated.”

³ Lori Perri, Gartner. 5 September 2023. [6 reasons you need to build AI TRiSM into AI models.](#)

Data exploitation and new data privacy laws

This data explosion is fundamentally transforming the industry, reshaping how banks operate and interact with their customers.

The banking sector is facing an unprecedented surge in data growth, a trend that shows no signs of slowing down as we approach 2025. What was once manageable in kilobytes and terabytes has now exploded into zettabytes and is growing exponentially, creating both immense opportunities and formidable challenges for financial institutions.

One of the most promising opportunities lies in the ability to leverage data for enhanced customer experiences and greater operational efficiency. In capital markets, for instance, there are firms managing tens of thousands of financial products. In these circumstances, is it feasible for a banker to offer tailored advice to each customer without technological assistance? The answer is, unequivocally, “no”.

Advanced technologies such as cloud computing, big data analytics, and 5G are becoming indispensable tools for handling such volumes of data. GenAI, in particular, stands out as a game changer. By enabling hyperpersonalized services, enhancing predictive analytics and automating intricate processes, this technology can help banks create value on an unprecedented scale.

However, the benefits of this data-driven revolution must be balanced with a strong commitment to regulatory compliance.

A new era of accountability

The global adoption of data protection laws, such as the European Union’s General Data Protection Regulation (GDPR), has introduced a new era of accountability.

These regulations aim to safeguard individual privacy and empower customers with greater control over their personal data. For financial institutions, compliance is not optional — it is a critical requirement. Banks must navigate a fine line between innovation and adherence to these regulations, especially when integrating transformative technologies like GenAI. The challenge lies in leveraging advanced tools without compromising data security or breaching privacy standards.

Noncompliance with data privacy laws poses significant risks. Beyond the financial penalties, which can be substantial, banks face the erosion of customer trust, and reputational harm. Trust is a cornerstone of the banking industry, and any failure to protect client information can have long-term consequences. To mitigate these risks, banks must implement robust data governance frameworks that ensure transparency, accountability, and security.

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As the volume and complexity of data continue to grow, the financial institutions that succeed will be those that embrace change while prioritizing privacy and security.”

This involves not only adhering to regulations but proactively adopting best practices in data protection.

An important point of discussion related to data management and regulation is the handling of biases and ensuring the ethical use of technologies in the banking sector. Regulations relating to data and AI will certainly be an ongoing talking point in the coming years.

By seamlessly integrating advanced technologies with stringent governance protocols, banks can stay ahead of regulatory demands and build stronger customer relationships. In an increasingly complex and data-driven world, the ability to balance innovation with compliance will define the leaders of tomorrow’s financial industry.

From global to local players

The notion of globalization as a one-size-fits-all approach to unlocking new markets and driving growth for banks is being challenged by a countertrend that sees local and market-specific approaches gaining momentum.

In an age marked by extraordinary technological progress and global interconnectedness, we face a deepening crisis of trust, and there is now a widespread decline in confidence in global institutions.

This is particularly pronounced in developed countries.

This distrust comes from the realization that the banking sector is not as homogeneously global as previously assumed. Rather, diverse regulatory frameworks, important cultural nuances and different customer preferences across regions underscore the need for tailored, locally focused strategies.

Local strategies build loyalty

Against this backdrop, banks are increasingly recognizing the value of embracing local-market approaches that cater to the unique needs and dynamics of specific geographies.

By adopting a more localized approach, banks can deepen their understanding of customer preferences, enhance regulatory compliance, and cultivate stronger relationships within communities. Moreover, the regulatory landscape is increasingly favoring these smaller, local banks, fostering a growing sentiment of nationalistic protectionism.

This shift toward localization enables banks to deliver more personalized and relevant products and services, encouraging greater customer satisfaction and loyalty. As the banking industry embraces this shift toward a more nuanced understanding of global and local dynamics, institutions have the opportunity to strike a balance between global connectivity and local relevance, driving innovation and sustainable growth in a rapidly evolving financial landscape.

We must closely monitor how this trend evolves, as it seems to run counter to the natural direction of the market. However, there is no doubt that clear factors justify its emergence.

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Financial institutions must strike a balance between global connectivity and local relevance.”

The rise of central bank digital currencies

The rise of central bank digital currencies (CBDCs) marks a transformative moment in the evolution of global finance. These currencies have the potential to reshape the very foundations of monetary systems.

While fiat money has dominated for centuries, the emergence of digital currencies issued by central banks signals the beginning of a complementary — and perhaps, in the medium term, a substitutive — system. A key catalyst for this is the growing need to address the massive adoption of private monetary alternatives, such as cryptocurrencies, stablecoins and other fintech innovations, which have gained considerable traction because of their decentralized nature and perceived efficiency.

CBDCs offer a powerful response to these developments, with benefits that are both practical and strategic. One of the most compelling advantages is the ability to implement stricter controls over monetary systems.

The ability to ensure financial stability, coupled with unparalleled tracking and monitoring capabilities, would allow central banks to detect and mitigate risks in real time, enhancing the resilience of financial systems. Additionally, CBDCs enable central banks to deploy monetary policy measures swiftly and precisely, responding to economic fluctuations with greater agility.

CBDC exploration is expanding

At a global level, the momentum behind CBDC exploration is undeniable. In September 2024, data from the Atlantic Council's Central Bank Digital Currency Tracker ⁴ showed that 134 countries and currency unions — representing a staggering 98% of global GDP — are actively exploring the development of CBDCs. This marks a sharp increase from just 35 countries in May 2020. Notably, 66 countries are now in the advanced phases of CBDC exploration, including 19 G20 nations, with many either piloting, developing or launching their digital currencies. The rapid pace of adoption underscores the urgency for governments and central banks to modernize their monetary systems in the face of growing challenges posed by private digital currencies.

Even the wholesale world is not exempt from this trend. The Bank for International Settlements (BIS), in collaboration with major central banks like the Federal Reserve, the Bank of England and the Bank of Japan, has initiated a project called Agora. This project, currently in its launch phase, seeks to explore the tokenization of cross-border payments, involving over 40 Tier 1 financial institutions. The wholesale CBDC initiative reflects a broader vision for using digital currencies to streamline international transactions and counter the rising influence of fintechs and other nontraditional financial entities.

Ultimately, the rise of CBDCs is not just a response to the proliferation of private monetary alternatives but a strategic effort to maintain central banks' influence and control over the global financial system. In this rapidly changing landscape, digital currencies issued by central banks will likely play a pivotal role in shaping the future of money, banking and monetary policy.

“In an era of increasing digital transactions, the security and efficiency of payments are paramount, and CBDCs promise a higher level of both.”

⁴ Atlantic Council. September 2024. [Central Bank Digital Currency Tracker](#).

Banking modernization and the cloud

This is not a new trend, nor is it a surprise to anyone reading this, but it is undoubtedly one of the key focus areas to which major banks are directing a significant portion of their budgets.

The current landscape is characterized by high competitiveness and the emergence of new players. Having agile, modern and integrated platforms is a critical factor for adapting to this context.

Investment levels and the scope of initiatives related to modernization continue to grow.

Tailored solutions involve a range of cloud configurations

One of the major challenges banks face is addressing the monolithic legacy applications entrenched in mainframe systems. These systems present high maintenance costs, integration challenges, scalability issues, security vulnerabilities and barriers to innovation, among other problems.

Several transformation pathways can lead these initiatives. In some cases, they are business-driven, while in others, they are IT-driven or mainframe-driven.

Tailored cloud environments using a variety of cloud configurations — mainly hybrid, multicloud and polycLOUD approaches (skipping monocLOUD for systemic reasons) — are on the roadmap for most of these transformations.



Modernization beyond the mainframe

It is important to note that when we talk about modernization, we are not referring exclusively to core and back-end platforms. While it is true that the mainframe environment remains the most contentious area, front-end architectures and platforms are also undergoing review (the obsolescence rate here is significantly different from that of back-end platforms).

Transforming banking operations

Another key focus area currently on the rise is the transformation and improvement of operational back-office functions.

The time it takes to execute certain processes and the difficulty in tracking their status remain a pain point in customer relations. In mass-market segments, such as retail banking, work factorization should be maximized and manual interventions limited to only those that add value.

This may be an ideal moment to revisit processes and dust off Lean methodologies, which we've heard little about lately but which have proven useful in focusing on value creation and the elimination of inefficiencies.

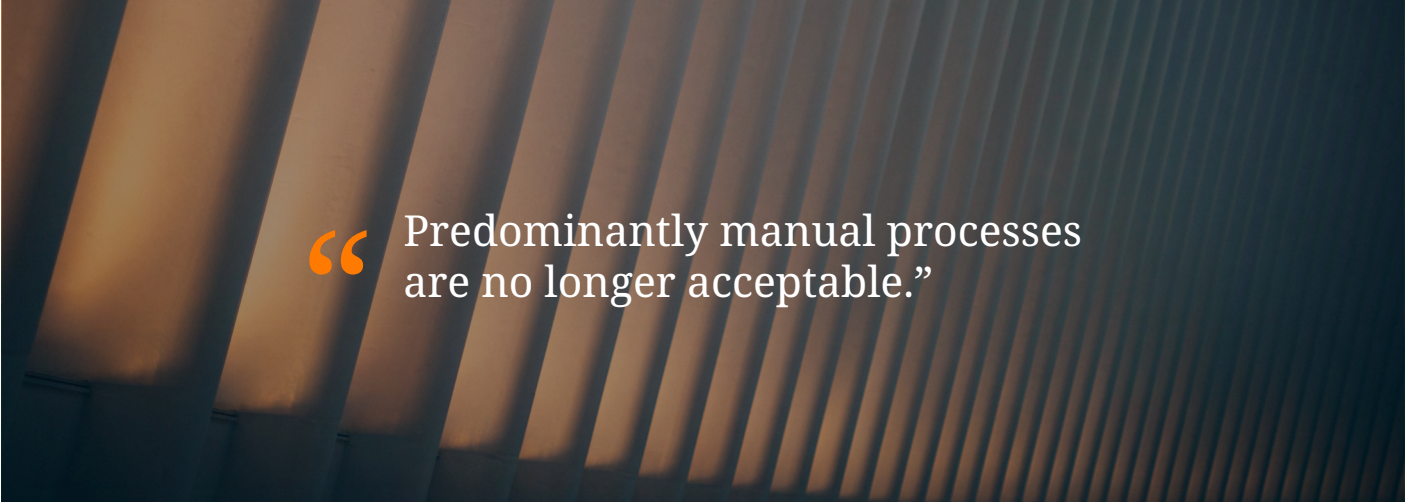
Technology for the task

Today, we have access to technologies that can significantly enhance automation levels, decision-making and document handling, and even streamline email flows and other data sources.

Artificial intelligence will continue to transform various aspects of banking operations, including customer service, risk management, fraud detection and overall process automation.

Intelligent document processing, predictive analytics and even autonomous intelligent agents will play a pivotal role in enhancing efficiency and accelerating time to market.

It is certainly time to rethink banking operations with a forward-looking perspective, aiming for a future where nearly all actions are carried out in near-real time. In some cases, we may not be far from achieving this goal.



“Predominantly manual processes are no longer acceptable.”

Embracing embedded finance

Embedded finance is set to become a stronger mainstream trend.

In December 2024, the European Central Bank reduced key interest rates by 25 basis points (marking the fourth cut that year), after inflation in the eurozone was at 2.2%⁵ in November, according to Eurostat's final data.⁶ While this is cause for celebration for mortgage-holders and other borrowers, it raises concerns in the banking sector, as it will affect their financial margins. There is no option to an increase in the complementary margin, as the option to raise fees is virtually exhausted.

In light of this scenario, banks have been motivated to diversify through new sources of revenue through convergence with the nonfinancial industry — digital wallets, vertical marketplaces and banking as a service are some examples.

Focus areas for embedded finance

The **payments ecosystem** offers multiple opportunities for both banks and third parties to create a new ecosystem of solutions for customers. Digital wallets have become an alternative to cater to both banked and unbanked individuals, bridging the gap in remittances and providing a secure and efficient method for international money transfers.

Corporates in different industries are also launching **fintech ventures** as a way of better serving their customers. SMEs are seeing a bank as a partner to help them build a tailored value proposition to target different customer segments

SAP-based services are not falling behind. For banks, the integration of SAP with embedded finance presents an opportunity to enhance their service offerings by providing them with tailored solutions that streamline finance operations, improve cash flow management and optimize financial decision-making processes. This is particularly relevant in use cases such as an SAP Payments reconciliation via a settlement API or the simplification of bank statement reconciliation (MT940).

The fusion of IoT and embedded finance holds immense potential.

Banks can leverage IoT-enabled embedded finance solutions to offer personalized loan products based on real-time data that provides insights into a customer's creditworthiness for more informed lending decisions and a better overall customer experience. These solutions intersect with ESG considerations to form a powerful framework that combines real-time data insights, financial innovation and sustainability principles to drive responsible business practices and create value for stakeholders.

At a time when the demand for highly personalized customer service is exceptionally high, proposing strategies in which banking services integrate seamlessly into people's lifestyles seems like a smart approach to delivering value where it is most needed.

“Although embedded finance has traditionally been a trend in the retail-customer segment, corporates and SMEs are now hot targets as banks make this a key driver in their strategy.”

⁵ Reuters. 7 January 2025. [Morning Bid: Inflation runs hot in the euro zone.](#)

⁶ Reuters. 6 January 2025. [Euro zone economy ended 2024 in precarious state, PMI shows.](#)

Subscription-based models for banking

The subscription economy was on the rise even before the pandemic and has revolutionized the economy, with platforms like Netflix, Amazon and Spotify paving the way for a new era of access over ownership.

The rise of subscription-based models has significantly transformed the way customers consume and pay for media and services, mostly through direct debit options and generating customer profiles that can be analyzed and optimized using accessible data. This is not restricted to streaming platforms but extends to health and online-forum memberships, business and productivity, travel and accommodation subscription programs and vehicle subscription models (which car manufacturers like BMW, Tesla and Toyota have already embraced).

For financial institutions, understanding customer needs and meeting customer expectations are crucial to enhancing their offerings so they can attract and, more importantly, retain customers.

By offering banking services through a subscription model, banks have an opportunity to build a hub around consumer payments.

This hub can generate interchange revenue for banks when using an automated clearing house (ACH), the Single Euro Payments Area (SEPA), card payments and other payment methods. It also allows them to host a tremendous database from which to gain insights into customers' spending and other behaviors, enabling them gain a competitive advantage by offering a more tailored service to customers, reaching their most profitable customers through loyalty programs and making their customers more aware of their consumption patterns

Overcoming subscription fatigue

Since the subscription model has been in place, there has been a growing debate about "subscription fatigue". This has shifted the conversation from customer attraction to customer retention.

Subscription fatigue is linked to how different generations perceive and manage the services they access. Younger generations, who favor customization, personalization and a "right here, right now" approach, are more accepting of paying for access to products and services on an ongoing basis. Older generations tend to prefer more traditional banking methods and are therefore less likely to engage with subscription-based services.

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The more a bank shows its customers they know them, the less likely they [customers] are to want to go through the process of trying to find another institution who has to know them again.”⁷

This presents a significant opportunity for financial institutions.

Companies are prioritizing retention-driven approaches to improve the subscriber experience.

This involves utilizing sophisticated toolkits that offer loyalty rewards, competitive pricing, flexible plans, pause options, hybrid models and bundled streaming services to build customer loyalty.

Creating value to retain customers has become a critical strategy, especially as consumers look for personalized subscriptions that cater to their changing preferences.

Leaders in companies with subscription-based business models anticipate higher churn rates in 2025, which means banks will need to focus on retaining customers by delivering value at every stage of the customer journey. To achieve this, they will need a comprehensive understanding of subscriber needs, and the flexibility and technology to meet these needs promptly and navigate customer expectations effectively. Leveraging AI will help banks to understand customer behavior better and draft forecast scenarios that allow them to anticipate and respond to their customers' wishes.

“Harvard Business Review has been involved in a months-long integration of a new Customer Data Platform (CDP) and eMail Service Platform (ESP) with the goals of more flexibility to optimize journeys for registered readers and subscribers, increasing efficiency in customizing messages, and engaging customers in the content that is specifically relevant to them. — Nini Diana, Director Consumer Marketing | Harvard Business School.”⁸

⁷ Banking Transformed with Jim Marous (podcast). May 2022. [How Banking Can Win Big in the Subscription Economy.](#)

⁸ Recurly. [The 2024 State of Subscriptions: Benchmarks and trends to drive profitable growth](#)

The financial industry is witnessing significant changes driven by increasing remittance flows, the expansion of global supply chains and the desire of online merchants to tap into new markets.

While real-time networks have revolutionized instant payments in domestic transactions, global transfers have been relatively slow to adapt. Challenges such as archaic core systems in banks and intricate international regulations have impeded the seamless execution of cross-border payments, resulting in delays of several days and exorbitant costs that can be up to 10 times higher than those of domestic transfers.

Cross-border payments are a cornerstone of global trade and economic integration, enabling businesses and individuals to transact across international borders. With global payments expected to reach \$290 trillion by 2030⁹, efficient and secure cross-border transactions are more important than ever.

Regulatory changes are playing a pivotal role in transforming cross-border payments. Initiatives such as open banking (including the upcoming Payment Services Directive, PSD3, evolving from PSD2) and the newly introduced Payment Services Regulation (PSR) are setting the stage for innovation. PSD3 will take the industry a step further, aiming to further reduce reliance on credit cards by promoting account-to-account payments and integrating “buy now, pay later” solutions. This enables the creation of virtual credit cards directly linked to a user’s bank account.

Moreover, the adoption of ISO 20022 standards and the exploration of dynamic applications like smart contracts and real-time liquidity management are emerging trends that hold promise for reshaping the financial ecosystem.

The agenda of the G20 Roadmap for Enhancing Cross-border Payments is also in place to address issues relating to excessive cost, slow speed and lack of transparency for cross-border payments. The quantitative targets for costs, speed, access and transparency developed by the Financial Stability Board (FSB) are still on track to be achieved by 2027 and are seen as a foundational step to drive collaboration and innovation in the area of international payment systems.

International payments: avenues for innovation

There are several areas of innovation in cross-border payments. The adoption of modern technologies such as blockchain, artificial intelligence and digital currencies can streamline processes, reduce costs and enhance security. Account-to-account (A2A) payments leverage open banking technologies to provide faster and more efficient cross-border transactions, providing all the security of a bank transfer but without the high fees and lag time.

Digital wallets play a pivotal role in cross-border payments by offering a seamless and efficient means of conducting international transactions. These digital payment platforms eliminate the barriers associated with traditional banking systems and currency exchanges, enabling businesses to send and receive payments in real time, reducing transaction times and lowering processing fees. They are particularly useful for organizations with a global presence, as they offer a convenient and cost-effective method of transferring funds across borders. The integration of these wallets with multiple currencies and instant currency-conversion functionalities further enhances the convenience and accessibility of cross-border payments, fostering greater financial inclusivity and driving the evolution of global payment ecosystems.

By encouraging a culture of experimentation, learning and adaptation, stakeholders can explore novel ideas, pilot projects and proofs of concept that have the potential to revolutionize cross-border payments.

⁹ The Paypers. 9 February 2024. [The Global Payments and Fintech Trends Report 2024](#).

Navigating the future of wealth management

Wealthy individuals are increasingly turning to personalized and sophisticated investment options to grow and protect their assets.

Digital platforms and advanced data analytics have empowered wealth managers with powerful tools for conducting precise risk assessments, optimizing portfolios and strategically allocating assets. This technological revolution has enabled wealth-management firms to offer tailored solutions that cater to the unique financial goals and risk profiles of high-net-worth clients.

More than half of the highest 1% of wealth globally is located in the U.S. and Canada, with Western Europe making up a significant portion.¹⁰ And while the U.S. hosts the highest number of millionaires in the world, the Asia-Pacific region is poised to witness substantial growth in the wealth-management sector — notably in India, China, Singapore, Hong Kong and Japan.¹¹

As economic landscapes continue to evolve, market volatility persists and uncertainties prevail, demand for professional wealth-management services is expected to surge.

This presents opportunities for industry professionals to leverage innovative technologies, industry expertise and market insights to advance their service offerings and meet the evolving needs of affluent clientele. Skilled financial advisers who can navigate complex financial markets, provide strategic guidance and deliver value-added insights that align with customers' individual preferences and aspirations will be in high demand.

Personalization, automation and regulation

Clients are seeking increasingly sophisticated services, prompting wealth managers to focus on delivering tailored solutions and value-added services.

The integration of AI enables wealth managers to personalize investment strategies and automate processes, while digitization meets their clients' demands for convenience and transparency.

Wealth managers are exploring alternative investment strategies to diversify portfolios and adapt to market dynamics. The younger generation, particularly millennials and Generation Z, are changing the landscape of investing and banking. These groups are more tech-savvy, socially conscious and interested in nontraditional forms of investment such as ESG investments and cryptocurrency.

Regulatory compliance relating to sustainable finance, market risk and liquidity risk, and greater investor protection enforced by the U.K. Financial Conduct Authority (FCA) Consumer Duty policies, the U.S. Securities and Exchange Commission (SEC) and Financial Industry Regulatory Authority (FINRA) regulations, are pushing wealth managers to enhance operational efficiency and client communication strategies to stay ahead.

By staying informed of market trends, regulatory developments and changing investor preferences, wealth managers can enhance their capabilities, build stronger client relationships and drive sustainable growth in this competitive sector.

¹⁰ Marcus Lu, Visual Capitalist. 19 August 2024. [Mapped: Global Wealth by Region \(2023-2028F\)](#).

¹¹ Brett Arends, Market Watch. 10 June 2024. [Opinion: Every 15 minutes, there's a new millionaire in this Asian country.](#)

With SMEs often falling between the retail and corporate banking segments, there is a growing focus on developing more holistic banking services that better cater to the diverse needs of businesses of all sizes.

With a traditional banking approach, commercial banking serves a more extensive client base than corporate banking. While corporate banking deals primarily with larger loans, often exceeding hundreds of millions, for corporate institutions, commercial banking caters to individuals and small businesses that may not meet the requirements for corporate banking services. Commercial banking handles loans for smaller businesses and provides additional services like check processing and credit cards that are not typically available through corporate banking channels.

Despite these distinctions, we are seeing initiatives from global banks to create new organizational structures that merge their commercial, corporate and even investment banking franchises under a global banking unit. Such structures, it is argued, will be better aligned to a bank's coverage of clients as these clients grow in size and complexity.

The benefits of a combined approach

This strategic move can yield benefits such as improved operational efficiency, better client offerings and a more streamlined approach to financial services. By bringing these divisions together, banks can capitalize on synergies, optimize resources, reduce costs and deliver tailored solutions to a diverse clientele.

Through constructive collaboration, banks can give clients access to a more extensive network of resources, expertise and support.

For example, a merged division could provide tailored lending products to SMEs while also offering sophisticated cash-management and treasury services to larger corporate clients. This leads to improved customer satisfaction and loyalty, benefiting both banks and their clients.

In addition, this business consolidation can lead to better risk management. By pooling data and insights from a wider customer base, the merged business can improve its credit risk assessment processes and better mitigate potential financial risks associated with lending to businesses — resulting in a more robust and resilient banking operation.

It can also create cross-selling opportunities by offering SMEs access to corporate banking services as they grow and expand their operations, fostering long-term relationships and loyalty among clients.

Different banking players in the market have recently enabled relationship managers and consumer bankers to gain a comprehensive understanding of their clients and business portfolios through proactive alerts and analytics, fostering enhanced customer engagement and personalized service delivery.

By moving away from the traditional approach of having separate divisions serving different customers, banks can streamline operations and reduce expenses through greater cost efficiencies and economies of scale. This can result in improved financial performance and profitability for the merged entity.

Next-generation infrastructures (quantum and more)

Driven by the tremendous demand for next-generation financial services, banks are exploring how to integrate evolving services and infrastructure such as quantum computing and the Innovative Optical and Wireless Network (IOWN).

Quantum computing, quality outputs

In the financial sector, quantum computing offers innovative solutions in the areas of portfolio optimization, risk analysis and market forecasting. Advanced quantum algorithms can revolutionize the way financial data is managed, enabling faster and more accurate decisions and reducing the risk of costly errors.

Option pricing

Applications like pricing tools are a significant component of the financial products and services landscape. The main challenge associated with options is determining their value, mainly because of their dependence on different underlying assets. The conventional approach to calculating their value involves Monte Carlo algorithms, which are based on random processes and can be time-consuming. To address this challenge, a solution is usually developed to quickly and deterministically calculate option values.

The use of quantum-inspired and quantum algorithms represents a significant leap forward in the field of financial option calculations, offering a combination of faster processing and greater accuracy across a wide range of financial options, while significantly reducing computation times.

Portfolio optimization

Portfolio optimization is a challenging task that requires finding the most favorable combination of assets to create the ideal portfolio for a given bank's clients. Through access to a significantly expanded asset selection and exceptional portfolios, a quantum approach allows for faster results than current, classic methodologies.

Advanced quantum algorithms enable portfolio optimization to increase profitability while simultaneously mitigating risks, accelerating time to results, and facilitating comprehensive and forward-looking market analysis

Fraud detection

Fraud detection in banks consists of identifying and preventing unauthorized activities, such as identity theft or credit card fraud. The challenge is to distinguish legitimate transactions from fraudulent ones in real time, as fraudsters constantly evolve their tactics to evade detection measures.

Effective fraud-detection systems leverage advanced technologies such as AI to continuously adapt and improve their ability to recognize and prevent fraudulent activity. Quantum machine learning can improve fraud detection by leveraging the parallel processing capabilities of quantum computers. This enables a deeper analysis of large amounts of data and better pattern recognition for complex fraud patterns, and improves the performance of classic machine learning models.

Innovation in infrastructure: IOWN

The financial services sector is at the forefront of digital transformation, facing unique challenges such as performance limitations, regulatory compliance and the need for reliable and resilient service delivery. As financial institutions worldwide strive to navigate these obstacles, new opportunities arise to innovate infrastructure and service models.

High reliability, disaster resilience, advanced performance and security are required to provide stable financial services to customers under any circumstances. One potential strategy for future financial-systems configurations is to use geographically dispersed data centers to maintain overall system resilience.

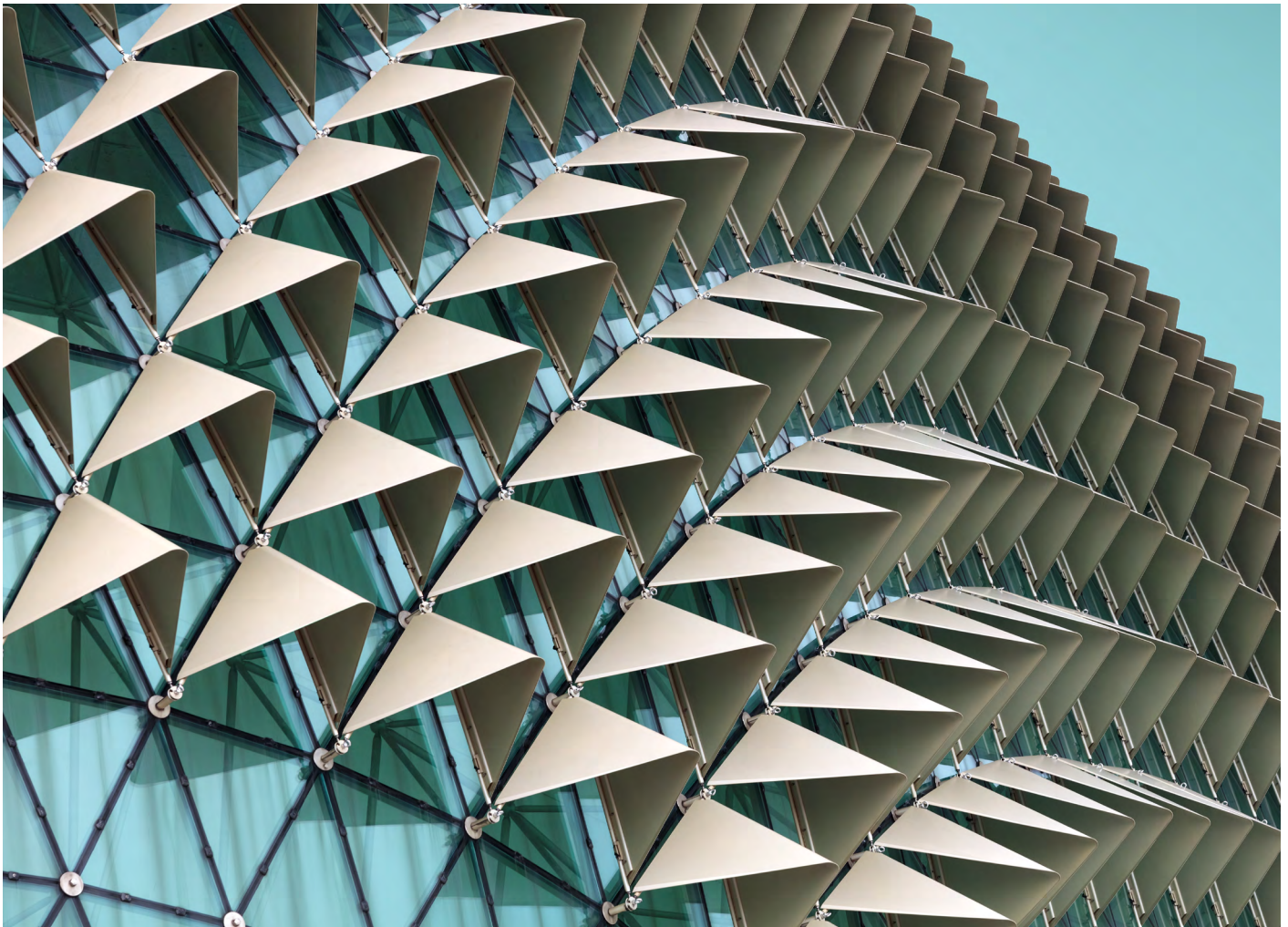
The Innovative Optical and Wireless Network (IOWN) collective expertise drives this initiative, leveraging advanced technologies such as the Open All-Photonic Network (Open APN) for superior energy efficiency, performance and network management.

The IOWN accelerates innovation and the adoption of a new communication infrastructure to meet future data and computing requirements through the development of new technologies, frameworks, specifications and reference designs in areas such as photonics and distributed computing.

Moving forward

There are numerous ideas presented here, though not all may hold the same level of priority for every financial institution. The next step should be to identify the optimal alignment of these trends with each organization's strategic priorities.

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NTT DATA is a global innovator of digital business and technology services, helping clients innovate, optimize and transform for success. As a Global Top Employer, we have experts in more than 50 countries and a robust partner ecosystem. NTT DATA is part of NTT Group.



List of abbreviations

ACH	Automated clearing house
AI	Artificial intelligence
APP	Authorised Push Payment
BIS	Bank for International Settlements
CBDC	Central bank digital currency
DORA	Digital Operational Resilience Act
ESG	Environmental, social and governance
FCA	Financial Conduct Authority
FINRA	Financial Industry Regulatory Authority
FSB	Financial Stability Board
GDPR	General Data Protection Regulation
GDPR	General Data Protection Regulation
GenAI	Generative artificial intelligence
IOWN	Innovative Optical and Wireless Network
M&A	Mergers and acquisitions
NLP	Natural language processing
PSR	Payment Services Regulation
SEC	Securities Exchange Commissions
SEPA	Single Euro Payments Area
SME	Small and medium-sized enterprises
TRiSM	Trust, risk and security management