Future of Finance 2024/25

An Insight into the Minds of Senior Executives in the Financial Industry around the Globe Regarding Growth, Technology, Data, and Capital Markets

October 2024

Foreword

Financial markets are characterized by change, with each annual *Future of Finance* report serving as evidence for this. Senior executives will inevitably have different views on the opportunities for growth and major challenges of the time, based on their unique assessments of the economic climate. They will always identify a multitude of growth drivers, differing technologies they are prioritizing, and distinct data types they expect to invest in more heavily. One thing remains constant though – their recognition that by embracing innovation, their organizations are better placed to succeed.

Technology has the power to be truly transformative, and the diverse ways financial institutions are implementing artificial intelligence, cloud, and distributed ledger technology demonstrate how evolution is at the heart of finance. The integration of these technologies within the traditional financial system provides the degree of choice that enables progress. Caution around emerging technology appears to be giving way to excitement about its potential.

Positivity is returning to the primary markets, and the European capital markets have been a significant contributor to this restoration of confidence in 2024. Headline listings on our exchanges, such as Galderma in Switzerland and Puig in Spain, are reflective of a broader sense of optimism sweeping through boardrooms.

As financial institutions look for ways to capitalize on this positive sentiment and realize their potential for growth, financial market infrastructure providers like SIX have a vital role to play. Addressing the needs of capital markets companies is something we must take the lead on, to support organizations in their desire to be globally competitive, and to help them grasp the future of finance now.

Jos Dijsselhof
CEO SIX

EXECUTIVE SUMMARY

Welcome to the third annual study in the *Future of Finance* series by SIX – our unique gauge for the expectations of senior executives leading across the global financial markets. It reveals considered optimism, with widespread recognition that by embracing a variety of growth drivers, financial institutions are more likely to enhance competitiveness.

1 — Moderate Growth
The majority of senior executives are expecting material improvements in the economic environment over the next year, with a recognition from many that further efforts will be required by their businesses in order to realize the opportunities for growth on offer. The top three areas identified to drive this progression are expansion into alternative asset classes, adoption of solutions based on distributed ledger technology (DLT), and embedded finance. Geopolitical uncertainties rank as the biggest expected external challenge.

2 — Transformative Technology
Senior executives identify artificial intelligence (AI), cloud, and data analytics as the key technologies over the next few years, with AI being marked for implementation across cost-saving areas such as automated compliance and regulatory reporting. Significantly, 99% of financial institutions anticipate using DLT to trade at least one type of digital asset in the next three years.

3 — ESG Data as an Investment Focus
Consistent with the previous two studies, optimizing data capabilities is a core focus for senior executives. ESG data is expected to be the type that financial institutions boost their expenditure towards the most. However, the challenges in implementing ESG investment strategies remain varied and heavily dependent on high-quality data.

4 — Different Paths for Capital Markets
Senior executives have varied takes on how their local capital markets can help local companies increase global competitiveness, with a geographic divide evident in the results. In Europe, senior executives favor an emphasis on the distinct advantages of their local listing venues, those in the US prefer creating incentives for long-term investments, with those in Asia looking for increased regulatory harmonization (Hong Kong) or promotion of a broad product universe (Singapore).

5 — Future-Proofing Financial Market Infrastructures
Confidence is tangible in the results of this survey, tempered with a recognition that further work is required to take advantage of the growth potential that most believe is possible. The role of financial market infrastructure providers in supplying financial institutions with choice, support, and dynamic solutions to their challenges is ratified by the majority of respondents. They feel their local financial infrastructures support them to be globally competitive. Senior executives acknowledge that innovation enables progress. Moreover, they feel ready to collaborate with global partners to ensure they can take advantage of the fact that the future of finance is now.

Survey Framework

For the annual *Future of Finance* study, Censuswide on behalf of SIX surveyed senior executives across 293 international financial institutions spanning asset management, wealth management, asset servicing, and investment banking in Germany, Hong Kong, Singapore, Spain, Switzerland, the UK, and the US. The survey was carried out between July 19 and August 2, 2024, comprising questions across four key topics: growth, technology, data, and capital markets. The findings expressed in this report are therefore reflective of the attitudes held by respondents during the period in which they were surveyed.

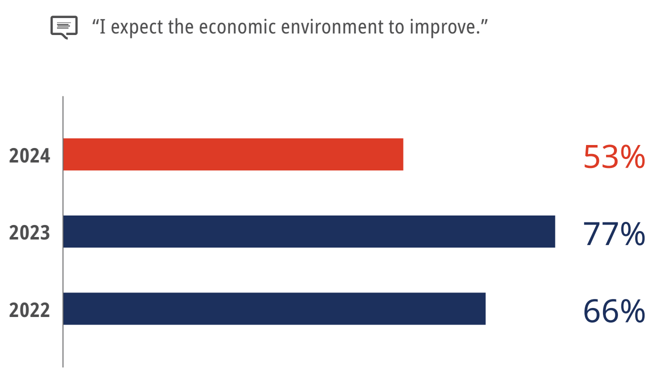
Moderate Growth Expected

Senior executives in the financial industry around the globe are displaying cautious positivity towards the future economic outlook and confidence around their own prospects for growth, with a recognition from many that further efforts are required to realize this potential. Discover the key enablers for growth, the challenges senior executives anticipate, and how they plan to capitalize on opportunities.

In a year where some major economies, such as the UK, Germany, and Switzerland, have begun to see a gradual reduction in interest rates, similar levels of tempered optimism are being touted by senior executives across global financial institutions. The majority of organizations are predicting material improvements in the economic environment over the next 12 months (53%). 40% expect a continuation of current conditions, and only a very small minority see conditions declining (7%). The very strong feeling that conditions would improve, demonstrated in last year's *Future of Finance* study (see graphic 1), has been replaced by a more modest level of overall optimism. The notable exception to this view are financial institutions based in Spain, where 77% expect improvements and positive market conditions.

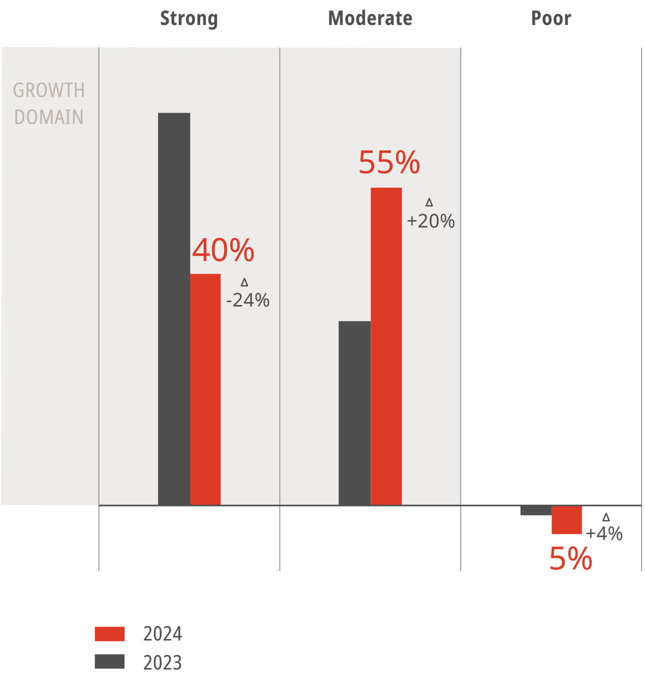
This measured confidence is observed when senior executives are asked to assess their own organization's position for growth over the next three years. There is a 24% decrease from last year in those that see their own position as strong, dropping to 40%. This correlates with a similar rise in those that view themselves as moderately positioned. The recognition that further adjustments and efforts

1. HOW DO YOU ANTICIPATE THE ECONOMIC ENVIRONMENT FOR YOUR COMPANY TO CHANGE OVER THE NEXT 12 MONTHS?



2. HOW WOULD YOU ASSESS YOUR ORGANIZATION'S POSITION FOR GROWTH OVER THE NEXT THREE YEARS?

Changes compared to last year



will be required to fully realize opportunities rises from 35% in 2023 to 55% in 2024 (see graphic 2).

Repeating a trend seen in 2023, Singaporean (53%) and Swiss (53%) financial institutions feel the most positively about their own position for growth. Asset managers (60%) and investment banks (62%) are the ones that most decisively placed themselves in the moderate camp. They state that they would require further adjustments to achieve the growth potential that they see being possible over the next three years.

Enablers to Growth

Recognizing that many financial institutions see the need for additional efforts to fully capitalize on opportunities, senior executives were asked what they see as the biggest enablers to drive growth over the next three years. Globally, there is one result that ranked in the top three in consecutive years, climbing from third in 2023 to first in 2024 – the expansion into alternative asset classes. This replaced the implementation of artificial intelligence (AI), which fell to fourth in the overall rankings, after a boom in interest at the time of last year's survey (see graphic 3). Rounding out the top three identified by senior executives is distributed ledger technology (DLT), which moves up two places since last year, and embedded finance, rising by three.

Regionally, however, there are clear differences in the areas senior executives identify as key to stimulating progress, which was particularly evident when comparing the results for UK- and US-based financial institutions. Sustainable finance and ESG integration have gone from bottom ranked last year to top ranked this year in the UK, whereas the exact reverse is seen in the US. The advances in regulations, such as the Sustainable Disclosure Rules in the UK, are seeking to create an environment where investors will have more confidence in the verifiability of sustainability-linked investing, due to increased regulatory oversight and a more structured, data-driven approach to the labeling of investment funds.

For Singaporean senior executives, adoption of solutions based on DLT ranks as the biggest enabler for growth, while German respondents are looking to the middle and back offices, with the automation of post-trade operations/processes scoring first this year.

For senior executives in asset management, there is a continuation of last year's recognition in the value of expanding into alternative asset classes, which rose from second to first in the

"Healthy capital markets have a vital role to play in facilitating the growth many financial institutions are expecting over the next year, providing crucial platforms to effectively raise capital, create new jobs, and support local markets. The displays of optimism are reflective of the positive signs we have witnessed in areas such as our primary markets since our last survey, with major successful listings like Galderma in Switzerland and Puig in Spain."

Bjørn Sibbern
Global Head Exchanges, SIX

rankings. This is set against a backdrop of widespread diversification and consolidation in the industry, with a desire from many clients for more "one-stop shops" when it comes to managing their money. Meanwhile, investment banks still have a clear requirement for greater data advancement. Embedding high-quality data and analytics capabilities also has risen from second to top for that group this year.

Changing Challenges
When it came to the external challenges facing financial institutions, only one answer from last year's top three remains in 2024 – with geopolitical uncertainties rising from third to first. In a year of political elections in the UK, France, and the US, as well as continuing conflicts, this view is roundly shared. Two thirds of the countries surveyed list this as the top external challenge that could slow down growth.

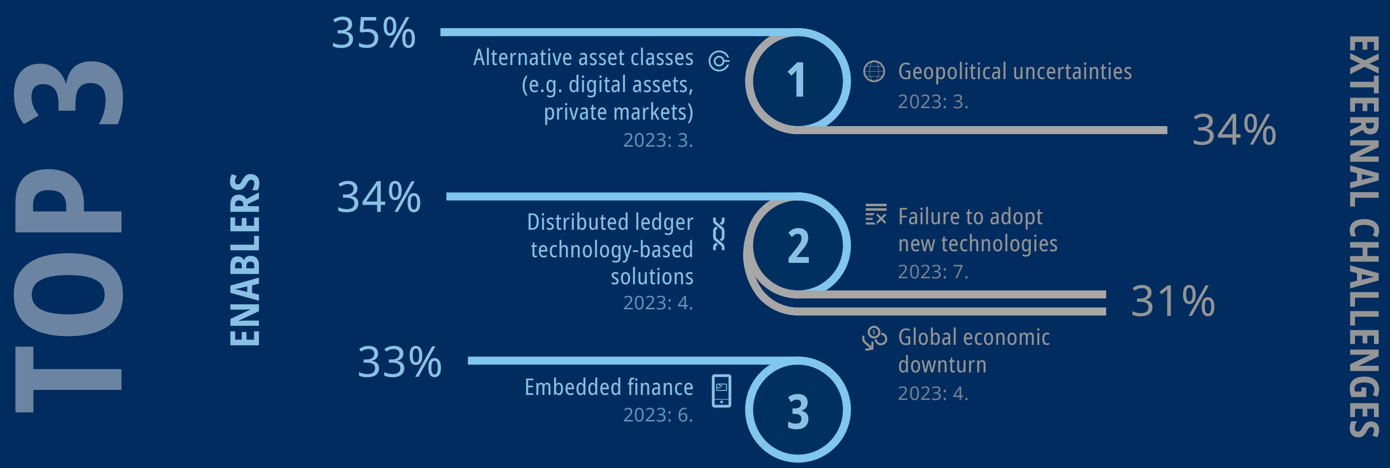
Rounding out the top three challenges cited by senior executives are failure to adopt new technologies, and global economic downturn, while other factors mentioned to a lesser extent include talent shortages, tight credit conditions, and climate risk (see graphic 3).

While regulatory changes rank as the top concern for senior executives in last year's survey, it is seventh this year, dropping from a key worry to one on the fringes for many. Similarly, for those based in the UK, tighter credit conditions have gone from the top external challenge in 2023 to the bottom one cited by respondents in 2024.

Looking to the different types of financial institutions, those in the investment banking sector rank climate risk as their top challenge, while it comes bottom for all other sectors. Combined with the belief emanating from those leading investment banks that advanced data and analytics capabilities hold the key to driving growth, this could suggest a desire from investment banks for more advanced climate data to manage this risk.

For wealth managers, there is a recognition that failure to adopt new technologies could hold them back – this scores as the top-ranked concern this year, whereas asset servicers are increasingly concerned with their ability to attract talent. The top-ranked answer for asset managers is a three-way tie between geopolitical uncertainties, systemic global financial risk, and the prospect of a global economic downturn.

3. WHAT ARE THE BIGGEST ENABLERS / EXTERNAL CHALLENGES FOR YOUR ORGANIZATION WHEN IT COMES TO GROWTH?
Pick up to three answers

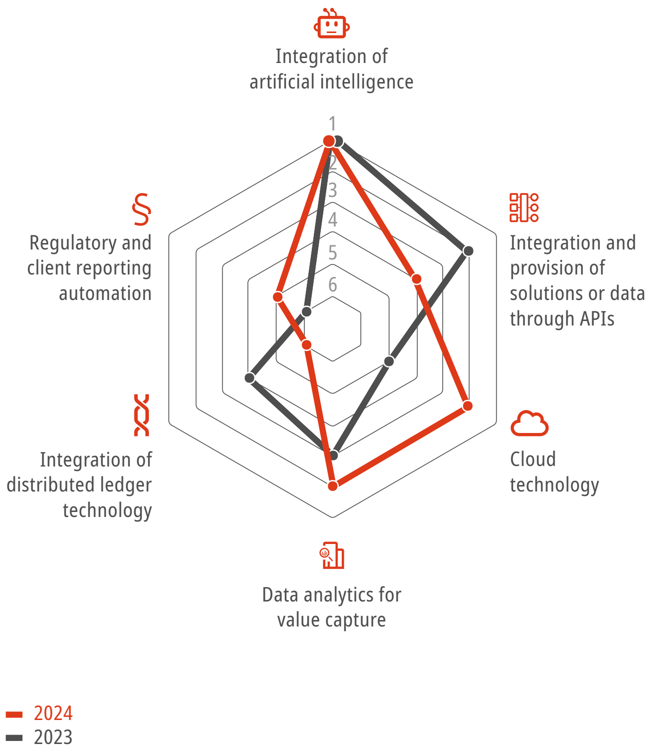


Transformative Tech: Artificial Intelligence Set to Dominate Agendas

Artificial intelligence, cloud, and distributed ledger technology represent opportunities to modernize existing processes and gain competitive advantages. Read how senior executives prioritize different technologies, and where they feel they will make the most difference.

4. WHAT TECHNOLOGY DOES YOUR ORGANIZATION PLAN TO FOCUS ON IN THE NEXT THREE YEARS?

Pick up to three answers



The appeal of artificial intelligence (AI) compared to other technologies is undeniable, ranking as the top technology priority for the second consecutive year (see graphic 4). This is despite a fall in the number of senior executives who believe it will prove to be the overall primary driver of growth over the next few years, as seen in the last chapter. Data analytics for value capture retained its place within the top three, moving up to joint second in 2024. Cloud technology has moved from fifth in last year's ranking to joint second this year, demonstrating the importance that data, and the way that it is managed, distributed and consumed, holds to financial institutions.

For asset managers, data continues to dominate the technology targets, though in a different form. Last year, it was data analytics for value capture, compared to the integration and provision of data through APIs that takes the top spot in this year's survey. Similarly, wealth managers have turned their attention to data analytics, which moved from fifth to first. It is closely followed by the integration of AI remaining in their top three priorities. For investment banks, the technologies that have dominated the headlines over the past year remain top of their priority lists, with AI and the integration of distributed ledger technology (DLT) in joint first place. This recognition of the potential that AI holds is echoed by those based in Singapore, Switzerland, and the UK, identified as the main technology focus.

Artificial Intelligence's Role in Reporting

Although the implementation of AI ranks as the top technology priority for consecutive years, the ways in which senior executives anticipate it delivering the most client value have changed. Where last year we saw a clear preference for deploying AI in the value domain, this year, it has firmly shifted to a efficiency- and cost-led mindset. Automated compliance and regulatory reporting are identified as the key areas for this technology to provide client value (see graphic 5). Senior executives are showing optimism for the role that AI can play in the middle and back office to make core operational tasks more efficient and reliable.

There is agreement among asset managers, wealth managers, and investment banks that compliance and regulatory reporting represent the areas where AI can deliver the most client value, rising from third to first, one year after our last survey. With the global drive for increased transparency over the past decade resulting in more regulatory reporting requirements for all financial institutions, it is possible they are recognizing the potential that AI holds to support this. When fed with high-quality data to process, AI can provide an opportunity to automate large portions of the reporting process for both regulatory and client reports.

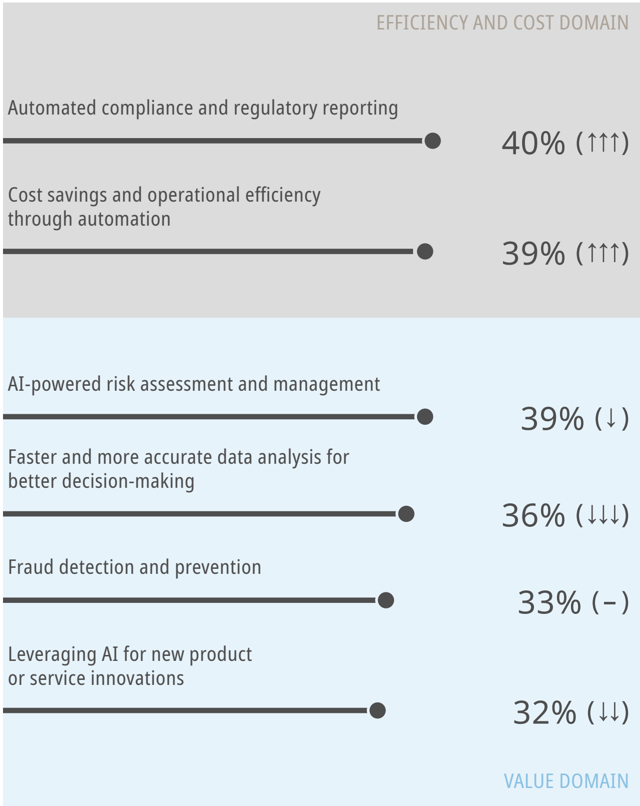
Uptake of Distributed Ledger Technology on the Rise

Another technology that has the potential to optimize existing processes is distributed ledger technology (DLT). Senior executives are demonstrating a very strong appetite to utilize this for a range of digital assets. A staggering 99% of those surveyed anticipate using DLT to trade at least one type of digital asset in the next three years. The range of assets mentioned is vast, with digitally native securities, private markets (tokenized real assets), and new digital native asset classes all scoring between 42% and 43%.

This is reflected in different priorities across the spectrum of financial institutions. Wealth managers look to tokenized traditional securities (44%), investment banks favor private market assets (44%), and asset managers rank digital native securities first in their expectations for engagement (46%). This overwhelming positivity from financial institutions is a sign that DLT's role in the financial system alongside traditional market infrastructure will continue to grow. ■

5. WHERE DO YOU ANTICIPATE DELIVERING THE MOST CLIENT VALUE THROUGH AI ADOPTION IN YOUR ORGANIZATION OVER THE NEXT THREE YEARS?

Pick up to three answers



(↓↑) Change in comparison to 2023

"As use cases of artificial intelligence are progressively implemented in the financial industry, financial institutions will increasingly rely on financial market infrastructures to provide them with new offerings, leading to enhanced efficiency, better decision-making capabilities, and improved risk management."

Dave Brupbacher
CIO, SIX

ESG Data as an Investment and an Opportunity

Data remains a key area of focus, both for the value it provides across the front, middle, and back offices, and for its role as the key input in ensuring the effective deployment of artificial intelligence, as outlined in the Technology chapter. However, the type of data different senior executives are looking to invest in has changed.

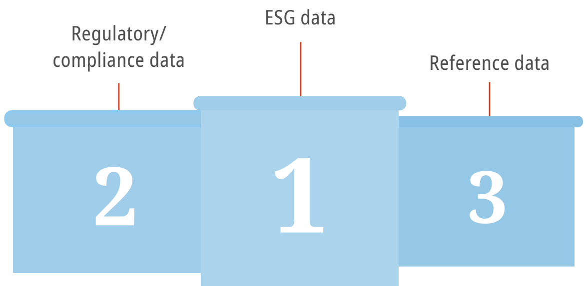
When it comes to the type of data that senior executives expect to increase their expenditure towards, ESG data has shot up in the rankings compared to last year, moving from fifth to first overall. Regulatory/compliance data ranked second for a successive year, with reference data making up the third spot for 2024 (see graphic 6).

Investment banks' demand for data, as covered in the Growth chapter, appears to be geared towards historical data, which ranked as their number one area for increased investment in this year's survey (41%). This is likely to enhance their pre-trade analysis and be used in stress testing scenarios, to ensure greater resilience to the types of market shocks that have occurred multiple times over the last four years. Echoing the previous findings that asset managers are looking to artificial intelligence to support regulatory reporting automation, 38% expect their expenditure towards regulatory/compliance data to rise, whereas wealth managers are prioritizing ESG data (44%).

While investment in ESG data takes the highest priority overall, certain differences can be observed between markets. German, Spanish, and Hong Kong-based senior executives are ranking it top, but those in the US favor reference data; UK-based financial organizations could not split

6. WHERE DO YOU SEE THE BIGGEST INCREASE OF SPENDINGS FOR DATA AND ANALYTICS? (Top Three Mentions)

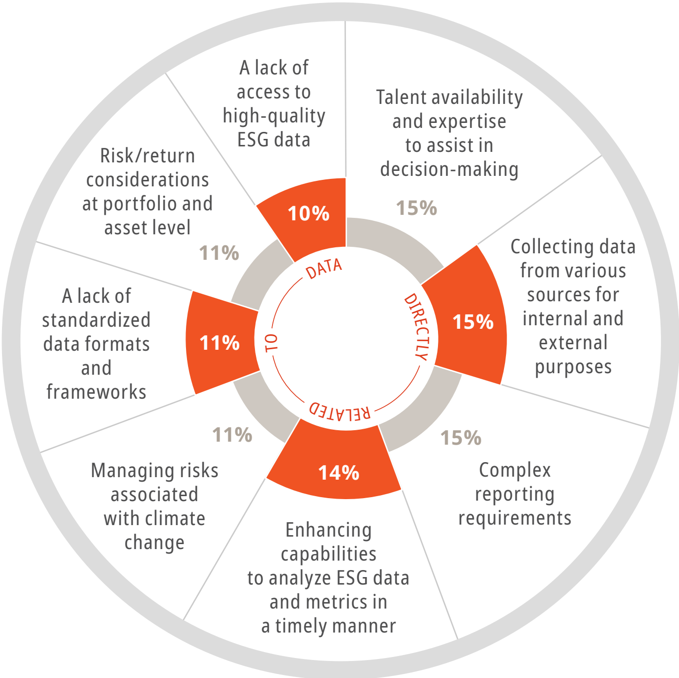
Pick up to three answers



"Data has always played a critical role for financial institutions, and this is proving to be the case when it comes to ESG. Improvements in ESG data and the developments in ESG regulation have enabled greater transparency, increased market confidence, and – as a consequence – investment growth."

Marion Leslie
Head Financial Information, SIX

7. WHAT DO YOU FEEL REPRESENTS THE BIGGEST CHALLENGE TO IMPLEMENTING AN EFFECTIVE ESG INVESTMENT STRATEGY?



regulatory/compliance data and historical data as their most expected type for increased expenditure, seeming to acknowledge that diverging approaches from UK regulators could lead to a heightened requirement to invest in the type of data that feeds into this kind of reporting.

How Data Complexities Can Hamper ESG Investing

With financial institutions broadly prioritizing increased investment in ESG data, senior executives were asked about the biggest challenge to implementing an effective ESG investment strategy. The results reveal factors that contribute to the expectations of increased expenditure – half of the challenges cited are directly related to data concerns (see graphic 7). These include collecting data from various sources for internal and external purposes (15%), enhancing capabilities to analyze ESG data and metrics in a timely manner (14%), a lack of standardized data formats and frameworks (11%), and a lack of access to high-quality ESG data (10%).

Despite the expectations on the comparative financial returns attached to ESG and sustainable investing, risk/return considerations at a portfolio and asset level are not seen as the biggest challenge. Only 11% of senior executives mention this in connection with implementing these strategies. In fact, the consistent response is that it is the operational aspects of running these strategies that create the most significant challenges.

One fifth of asset managers cite complex reporting requirements as the biggest challenge. This is likely linked to the significant changes to the regulatory environment governing sustainable investments over the past year, particularly in the EU and the UK. For almost a quarter (24%) of investment banks, collecting data from various sources is the key challenge, reflecting the more fragmented and specialized marketplace compared to other types of data.

Data as a Driver to Investment

However, data's role within this space should not be understood as simply a challenge to overcome – it is a significant enabler, too. Nearly a fifth (19%) of senior executives cite greater availability/higher quality of ESG data as the key driver for growth in the ESG investing space, joint first with increased regulatory consensus (19%). These two responses are inherently linked, as supporting regulatory goals to increase transparency and minimize the risk of greenwashing is only possible if the reporting on these products is underpinned by the consumption of high-quality, reliable datasets.

By contrast, better prospects on positive returns and client demand/investor preferences both ranked outside of the top three drivers, fourth and sixth, respectively. This demonstrates that it is the data capabilities and regulatory environment that are primarily driving growth at this stage of the development cycle for ESG investing, not the financial performance in the first place. ■

Different Paths, One Goal: Fostering Progress in Capital Markets

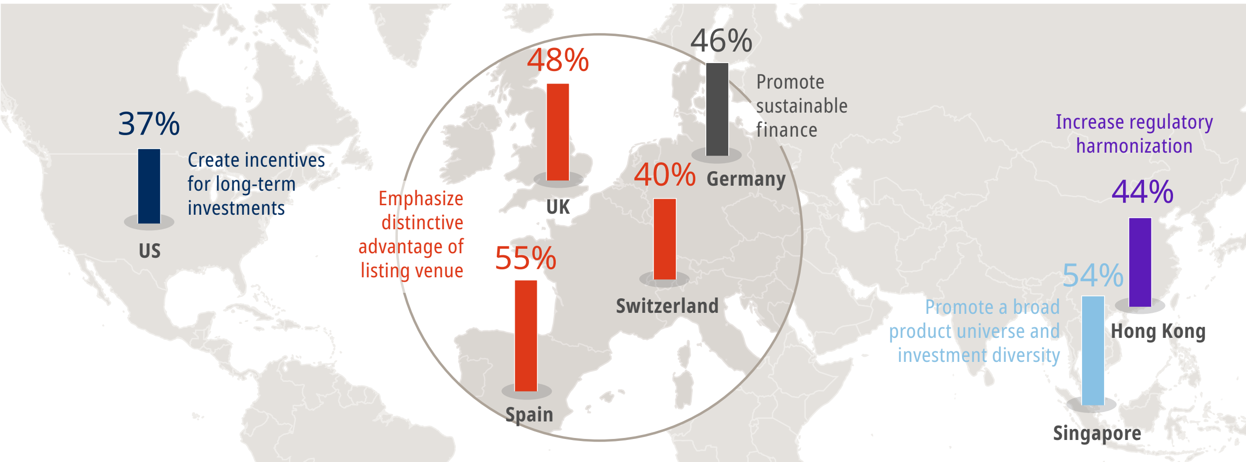
What local capital markets should prioritize to increase global competitiveness depends on where they are based, according to senior executives. European financial organizations also identify a range of different drivers motivating companies to list on European exchanges. Discover the outlook on global capital markets, and the level of progress expected towards a European Capital Markets Union.

For financial institutions, the health of their local capital markets is intrinsically tied to the growth potential of their own organizations, which is why the performance of the capital markets is often viewed as a barometer for a region's ability to foster globally competitive companies.

The differing ways that senior executives feel their local markets can improve competitiveness displays a clear geographical divide (see graphic 8). The preference for financial institutions based in Europe is towards emphasizing the distinct advantages of local listing venues, ranking first for those in Spain (55%), the UK (48%), and Switzerland (40%), and third for German executives (40%). This contrasts with US-based senior executives, who prioritize creating incentives for long-term investment (37%), whereas increased regulatory harmonization

8. HOW CAN THE CAPITAL MARKETS IN YOUR JURISDICTION BEST IMPROVE COMPETITIVENESS COMPARED TO OTHER REGIONS OF THE WORLD?
(Top Mention)

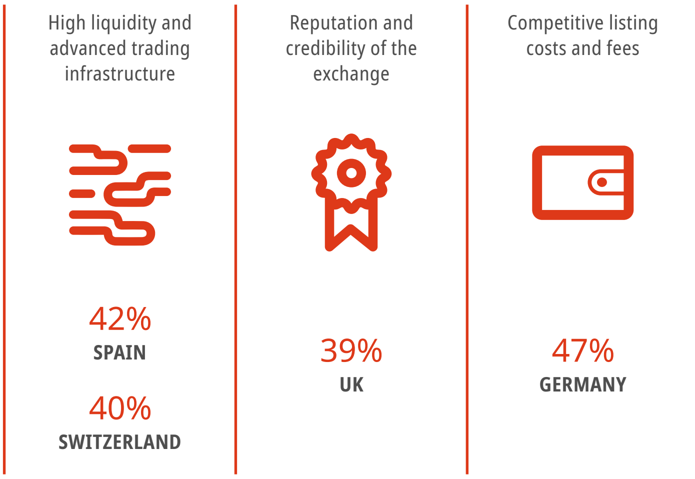
Pick up to three answers



scored top for those in Hong Kong (44%), with Singaporean senior executives wanting their capital markets to promote a broad product universe (55%).

Asset managers, who typically look to invest with a longer time horizon, want their domestic capital markets to create incentives for long-term investments (40%), while investment banks believe emphasizing the unique advantages of local listing venues should be the top priority (44%). Given that many investment banks rely on healthy primary markets to support their capital markets divisions, it comes as no surprise that they see the benefits of promoting the strengths of the listing venues that their clients engage with. Wealth managers echo this sentiment, along with promoting a broad product universe, possibly so that their customers can more easily diversify portfolios, scoring joint first (39%).

9. WHAT FACTORS DO YOU BELIEVE ARE CURRENTLY THE MOST SIGNIFICANT DRIVERS FOR COMPANIES CHOOSING TO LIST ON EUROPEAN EXCHANGES?
(Top Mention)



The Attraction of European Exchanges

While there is broad agreement among European senior executives that differentiation is key for their local capital markets to increase global competitiveness, their views on what are the most significant drivers for companies choosing to list on European exchanges differ significantly across geographies.

For UK-based senior executives, the reputation of European exchanges is the top driver (39%), differing with German senior executives who cite competitiveness of listing costs and fees (47%). Spanish and Swiss respondents point to the liquidity available on secondary markets and the trading infrastructure, scoring 42% and 40%, respectively (see graphic 9).

The European capital markets have experienced a surge in confidence in 2024, demonstrated by a significant increase in activity over the course of the last year. Overall, PwC recently reported that European IPO proceeds across the region have more than quadrupled from 2.5 billion euro in H1 2023 to 11.4 billion euro in H1 2024. This includes the two largest IPOs globally, with Puig listing in Spain and Galderma in Switzerland.

European Capital Markets Union

There is broad agreement between senior executives that progress will continue towards a European Capital Markets Union (recently rebranded by the European Commission as the Savings and Investments Union) over the next five years, with only 3% not expecting to see any progress. However, optimism for a significant acceleration in efforts is more limited outside of Germany (50%), with no clear consensus on how quickly the transition will occur. Globally, 29% see significant acceleration, 32% expect a steady gain of momentum, and 37% predict a continuation of the current pace, directed by limited initiatives from public and private institutions. ■

Javier Hernani
Head Securities Services, SIX

"The ultimate goal is to establish an efficient and reliable capital market in Europe, and there is broad consensus that steps will be taken to increase alignment in both trade and post-trade. As a pivotal market infrastructure in Europe, SIX has an important contribution to make, which is why we actively develop solutions that enable greater connectivity between markets in a range of areas, including trading, clearing, settlement, and custody."

Future-Proofing and the Role of Financial Market Infrastructure Providers

Local market infrastructures are vital to accompany financial institutions in their quest for competitiveness in a globalized economy. Senior executives reveal where the digital can complement the traditional, and how financial market infrastructures can play an active role in crystallizing positive expectations into success.

Senior executives have a firm conviction that their local market infrastructures support them to be globally competitive. Over two thirds (67%) believe their local infrastructures put them in a position to succeed on the world stage. This is felt most strongly by those in Spain (81%), Switzerland (80%), and the UK (74%).

Additionally, nearly every financial institution surveyed recognizes themselves as being part of a global financial system. Only 4% don't see global competitiveness as relevant to their organization. This signals intent from financial executives to grow their businesses in a globalized economy by engaging with the various drivers outlined in this report.

Greater Choice with Digital Finance

A vast 89% of senior executives see distributed ledger technology (DLT) as being meaningful to their organization over the next three years. Nearly a quarter (24%) believe that it will be most meaningful when applied to post-trade, settlement, or clearing processes. 17% recognize the benefits of DLT in providing better data transparency and its usage in payments and cash services. A similar number (16%) recognize DLT as a strong innovation channel for new native digital asset classes and products, as well as the improvements it can provide for trading, liquidity, and price discovery.

Incorporating advanced technologies, such as DLT, into the traditional financial system to give market participants greater choice is an important way financial market infrastructure providers (FMIs) can help their clients to future-proof their business.

Turning Expectations into Reality

In our third annual *Future of Finance* report, we see optimism for growth, measured with a recognition from many that adjustments and advancements will need to be pursued to realize these positive expectations.

As the industry continues to evolve at a rapid pace, the role of FMIs in shaping the future of global markets has never been more critical. To help financial institutions thrive in this competitive environment, FMIs must not merely keep pace with change, they must lead it. This means embracing digital transformation, fostering new asset classes, and implementing cutting-edge technologies like Artificial Intelligence and DLT. By providing a diversified set of tools and services, FMIs can empower financial institutions to anticipate and capitalize on emerging opportunities.

FMIs have many integral functions in a healthy and robust financial system. These include offering avenues to raise capital, enhancing market transparency and operational resilience, equipping financial institutions with advanced data and analytics capabilities, and modernizing financial markets. Underpinning these responsibilities is the constant provision of choice to market participants. By exercising this choice, financial institutions ensure that they can play a key role in the future of finance – now. ■

SIX Group Ltd
Hardturmstrasse 201
P.O. Box
CH–8021 Zurich

T +41 58 399 21 11
six-group.com/future-finance-study