Industry Trends & Regulatory Developments in Financial Services

A Global Survey from RDC – Executive Summary

Demographic Overview

In September 2014, RDC conducted a survey of banking executives to determine their views on the main trends and regulatory developments facing the industry. The results incorporate an even spread of responses from every region of the world and a range of financial services - predominantly Commercial (39%), Retail (18%) and Investment (16%) banks. Compliance Officer/Risk Manager was the most highly represented job function (59%).

Survey results

Financial Services professionals believe Digital Natives will trust their social media platforms over their local bank.

As the FinTech sector gathers momentum and social media and technology companies such as Apple, Google and Facebook, announce initiatives to provide financial services, we asked whether banking executives felt that these companies would be more trusted than traditional banks by Digital Natives[1]. Surprisingly, nearly two-thirds (59%) of respondents *who are all employed by financial services firms* believed social media and technology companies would be more trusted (Chart 1).

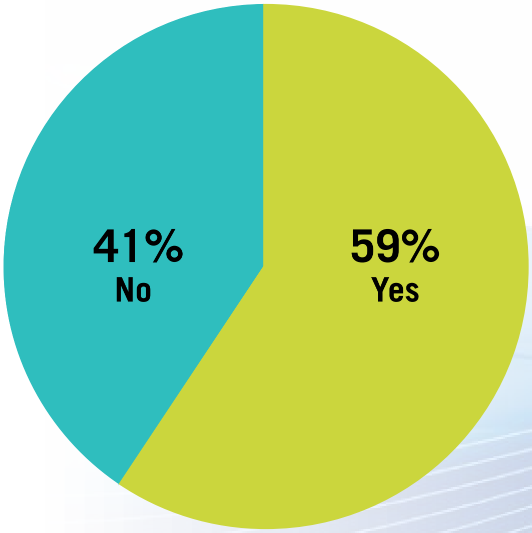

Chart 1

Do you think people born after the year 2000 (Digital Natives) will trust their social media platform more than their local bank?

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1. A person born or brought up during the age of digital technology and so familiar with computers and the Internet from an early age.

Regulatory pressure is having a noteworthy impact on profitability and business activities

- 62% of banking executives felt that a harsh regulatory environment was negatively impacting the profitability of their financial institution.
- An overwhelming majority (96%) of respondents agreed with the statement 'Regulatory pressure in recent years has led to some financial institutions ceasing to provide services in certain higher risk jurisdictions' (Chart 2). This reticence is already seen to be damaging to some emerging economies.
- Over one-third (38%) of financial institutions are opting not to expand their risk appetites over the next 12 months, and will not be entering new markets or providing new products. This is a surprisingly high number given the recent advances by non-financial companies into the financial services space.
- Of the financial institutions who had no plans to expand their risk appetite, regulatory risk was the overwhelming reason given for this decision (62%).

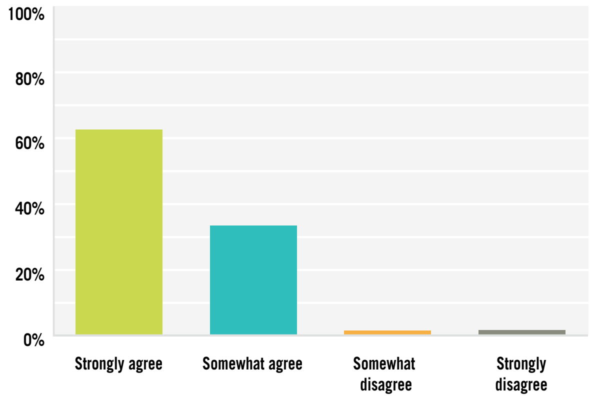

Chart 2
To what extent do you agree with the following statement: 'Regulatory pressure in recent years has led to some financial institutions ceasing to provide services in certain higher risk jurisdictions.'

Shared Services for Anti-Money Laundering (AML) and Know Your Customer (KYC) Compliance

With regulatory pressure continuing to drive up the cost of compliance, shared services is becoming a more viable, and trusted, option for financial institutions. Nearly three quarters (71%) of respondents would feel confident in relying on a shared AML or KYC compliance (Chart 3).

Also in the last 12 months institutions such as SWIFT & DTCC have announced initiatives to build KYC utilities to deliver a central repository for KYC information required by banks as part of their due diligence process. Appetite for a single industry-wide utility was low, however, with only 12% believing their institution would rely on a single vendor in the next three years (Chart 4).

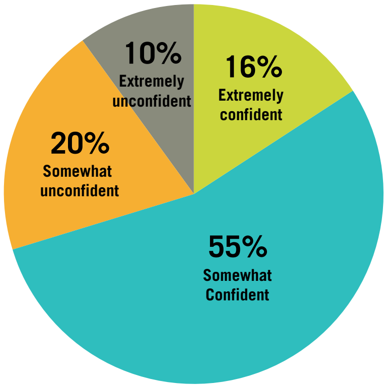

Chart 3
How confident would you be in relying on a shared AML or KYC platform over which you had direct control and oversight?

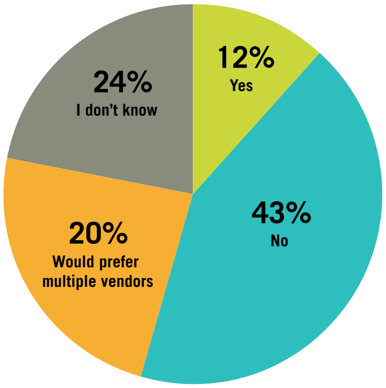

Chart 4
Within the next three years do you see your institution relying exclusively on a single industry-wide utility, for example, a Know Your Customer registry?

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