Global contacts

Bob Contri
Global Leader, Financial Services
Deloitte Touche Tohmatsu Limited
bcontri@deloitte.com

Rob Galaski
Deloitte Leader for the Forum Future of FSI Project
Deloitte Canada
rgalaski@deloitte.ca

Anna Celner
Global Banking & Securities Leader
Deloitte Touche Tohmatsu Limited
acelner@deloitte.ch

View the full report

www.deloitte.com/beyondfintech.

Deloitte.

Beyond Fintech

Disruptive innovation in market infrastructure

Background

A 2017 report from Deloitte and the World Economic Forum, *"Beyond Fintech: A pragmatic assessment of disruptive potential in financial services,"* examines disruptive innovation in financial services.

The report identifies **8** key forces impacting all aspects of financial services:

Cost Commoditization: Financial institutions will accelerate the commoditization of their cost bases, removing them as points of competition and creating new grounds for differentiation

Experience Ownership: Power will transfer to the owner of the customer interface; pure manufacturers must therefore become hyper-scaled or hyper-focused

Data Monetization: Data will become increasingly important for differentiation, but static data sets will be enriched by flows of data from multiple sources combined and used in real time

Systemically Important Techs: Financial institutions increasingly resemble, and are dependent on, large tech firms to acquire critical infrastructure and differentiating technologies

Profit Redistribution: Technology and new partnerships will enable organizations to bypass traditional value chains, thereby redistributing profit pools

Platforms Rising: Platforms that offer the ability to engage with different financial institutions from a single channel will become the dominant model for the delivery of financial services

Bionic Workforce: As the ability of machines to replicate the behaviors of humans continues to evolve, financial institutions will need to manage labor and capital as a single set of capabilities

Financial Regionalization: Diverging regulatory priorities and customer needs will lead financial services in different regions of the world down distinct paths

To learn more, visit www.deloitte.com/beyondfintech. Here are some of the key findings for the market infrastructure segment.

Trends

Where disruption has occurred	Traditional over-the-counter products continue their journey toward electronification, prompted by regulation and the promise of improved economies of scale.
	Electronic trading platforms' attempts to scale up are complicated by an uncertain regulatory environment and political instability in various regions.
	Market infrastructure providers are transforming themselves in order to stay relevant and earn new revenue.
Where it hasn't	New market platforms have rarely challenged incumbents. Instead, they see joint ventures and partnerships as the most successful way to grow.

Open questions

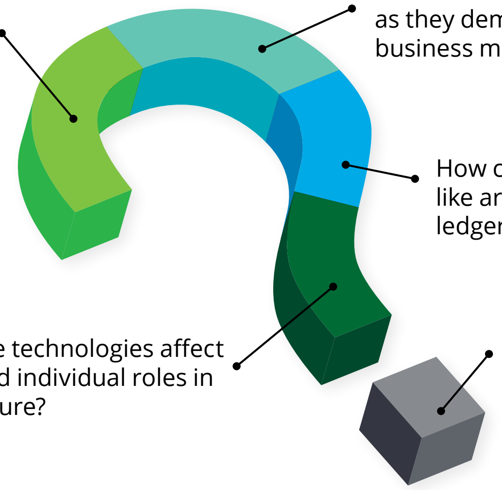
How can platforms cooperate to improve access tools and standardize "market language"?

What effect will buy-side investors have as they demand innovation and new business models?

How close to production are technologies like artificial intelligence and distributed ledger technology?

How will disruptive technologies affect the value chain and individual roles in market infrastructure?

What will make industry players work together to establish new business models?



Possible futures

Platform proliferation	New platform capabilities, including pre- and post-trade processes, become more common across asset classes.	Additional platforms to facilitate trading will force incumbents to continue to improve, benefiting the buy side.
Data-infrastructure collision	As infrastructure and data providers encroach on one another, customers must choose between them.	Customers may have a greater choice of partnerships – leading to lower costs – and will likely work with fewer partners.
New post-trade value chains	As incumbents improve the market infrastructure, providers consolidate and change roles.	Buy-side investors will realize considerable savings as the cost of cash flow and risk management decline.

Key takeaways

Insufficiency of technology alone: New technology will not be enough to create new market infrastructure or change existing infrastructure. As a result, "minimum viable ecosystems" of cooperating stakeholders will become critical. Leading players from both public and private spheres will try to influence these stakeholder groups.

Navigating regulatory uncertainty: Differing regulations around the world will likely lead to regionalization and uncertainty in the short and medium terms. Financial institutions will have to quickly adapt to major regulatory changes as well as different regulatory treatments of emerging-market infrastructure technologies.

New value chain pressures and opportunities: Regulation and technological advancements are ntroducing efficiencies, which will force incumbents to consolidate their positions and thus shorten the value chain. Forward-looking firms will look for ways to add value, including expanding into areas that other firms currently occupy.