

2024 trends

What does the future hold for the banking industry?



70x

Introduction

We spoke to senior figures from the likes of AWS, Ozone API, Paymentology, Wise, and 10x Banking to get their take on how the financial services industry has adapted in 2023, and what this means for the future.

They told us that ongoing pandemic recovery was just one challenge among many sources of disruption last year. The industry also had to deal with concerns around inflation, high interest rates, and geopolitical tensions.

Increased interest rates have had a mixed impact. They have helped exacerbate a cost-of-living crisis that has stretched customers globally – but have also increased profits for major banks and other lenders. This will help them invest in transformation, which will continue to be a major priority in 2024.

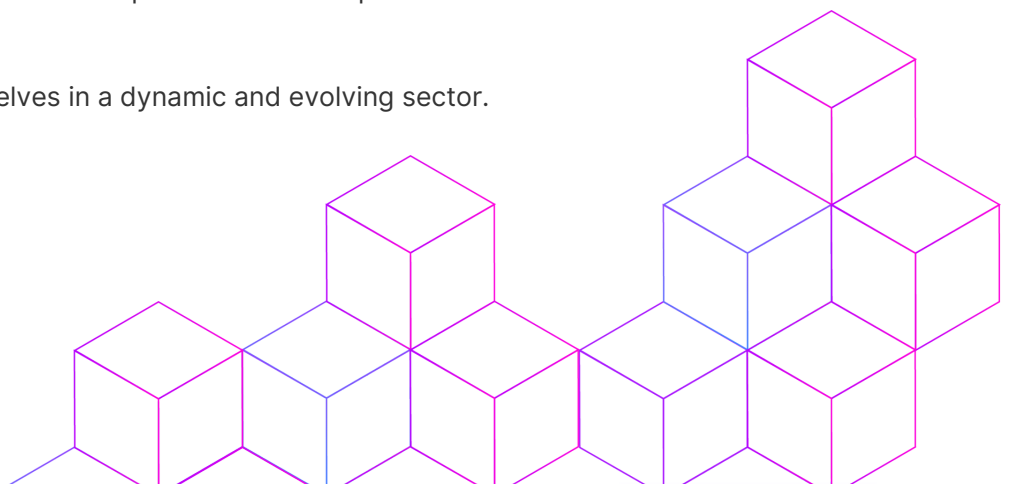
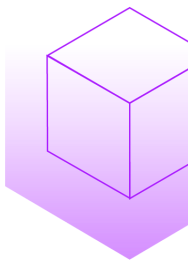
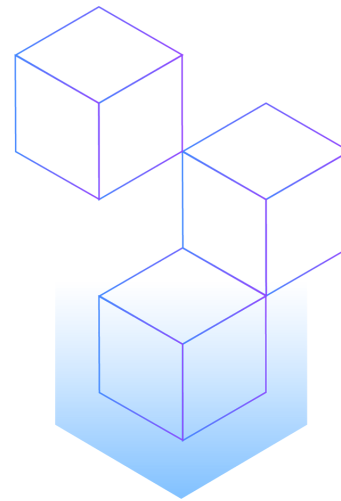
Generative Artificial Intelligence (AI) was the most high-profile technology of 2023, so it will be no surprise to readers to see it identified as a major influence in the future – although not without warning.

Regulatory changes are another key theme, with a heightened focus on compliance, particularly in cybersecurity and fraud prevention. The introduction of new consumer duty regulations and the emphasis on data and analytics to ensure good customer outcomes indicate a shift towards more stringent governance.

Environmental, Social, and Governance (ESG) initiatives are also continue gaining momentum. Financial institutions are increasingly integrating sustainability into their business strategies, aligning with global efforts to minimize carbon emissions and transition to sustainable business practices.

Despite a turbulent 2023, the people we spoke to are optimistic about the opportunities ahead. New market entrants will continue to challenge the sector, but incumbent banks are better positioned to compete than ever before.

More than ever, we find ourselves in a dynamic and evolving sector.





It feels like things really did start to get back to normal in 2023. In some ways, lots was new. In others, it was same old, same old.



Huw Davies
Co-founder and CEO
Ozone API



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Karen Mae Ching
Global Financial Services ISV Sales
Lead, Banking and Payments



2023 in review

As we rebounded from the impact of the pandemic, the current operating business environment, there are significant concerns around inflation which leads to higher interest rates, making it hard for banks to both borrow and provide credit.

There are also few headwinds seen on both treasury bonds and government securities. Coupled with geopolitical tensions, there is a ripple effect across industries and disrupts the flywheel (i.e. supply chain disruptions) that have added into the mix, and looked like a perfect storm that banks need to weather. However, not to be bogged down as we have seen over time how resilient the industry can be, with a bounce back is expected in the later part of 2024.

It's foreseen that inflation might see reduction and provide banks relief on interest rates, which in turn impacts credit quality over time. Another topic which is seen to develop is the increase in fraud and exposure of banks to vulnerabilities (i.e. proliferation of cybercrime). Hence, governments may strengthen regulatory requirements (even more).

In return, banks would be seen to strengthen their balance sheets and we could see more M&A activity to achieve scale, stability and meet regulatory thresholds. On technology, the breadth of innovation such as Artificial Intelligence (AI), Metaverse, Blockchain, and crypto finance have drawn interest from banks. However, challenges remain, and transformation requirements would need to be resolved to fully embrace such technologies.

What are your predictions for 2024 and beyond?

To be able to drive a transformative journey, financial institutions would focus on driving scale and growth which will be centered on customer, innovation, and industry consortiums. This would be enabled by three key levers:

- **Purpose-led and lifetime-value customer experience** – as we move to a more digital approach, customers are becoming more demanding on real time access to products, services and experiences. Hyper-personalization is in demand and will be tailored towards the customer rather than segments.
- **Consortiums are key for banks** to further unlock the power of data to prevent fraud, financial crimes, and combat cybercrime through optimization of models and real-time identification making these mechanisms more proactive and provide more value to SMBs and enterprise.
- **Banking for ALL and banking the unbanked** by reaching out to those who do not have access to financing. For example, rural start-ups are some of the most underserved when it comes to financial inclusion, and would be back again as key discussions as financial institutions get this agenda aligned into their ESG and Sustainability topics.



Huw Davies
Co-founder and CEO



2023 in review

The world is still somewhat getting back to normal after the pandemic, alongside economic and political shocks. But it feels like it really did start to get back to normal in 2023. The banking industry saw the relentless march towards real digitalization continue, with open banking and open finance being a catalyst in more and more markets around the world. As ever, more new entrants come (and some go) whilst the bigger players continue to modernize their technology estate in order to remain big. In some ways, lots was new, in others it was same old, same old.

What will be the defining trends of 2024?

As we go into 2024, we are seeing open banking and open finance continue to pick up pace as a global phenomenon. In markets where it's established, usage continues to grow. In many other parts of the world, it's on its way quickly.

We're now seeing banks truly recognize the potential for this to transform how they distribute products, reach new customers, and genuinely embed what they do in digital journeys. Early days for most, but we're seeing the more innovative of the big banks really start to move in the right direction. I believe the defining trends will be the increasing momentum of open banking (globally) and banks starting to explore more commercial embedded finance use cases.



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What are your predictions for the medium to long-term?

One thing is for certain, the trend for financial experiences to be embedded in digital experiences will only continue. Banks must continue to develop the tools to enable their products and services to be securely, yet seamlessly present, or risk being left behind. Whilst historically the banks 'owned' channels have been their dominant way of interacting with customers, this will not be the case in the medium to long term.

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Rowan Platt
Head of Compliance and
Regulatory Affairs

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What will be the defining trends of 2024 and how will the industry adapt?

The biggest current regulatory development directly affecting the industry has been the emergence of critical service provider regulations, focused on raising security and operational resilience standards - like DORA in the EU, NIS in the UK, and CPS230 in Australia. Each of these have 2025 implementation timelines, which will likely see compliance activity for all our regulated clients gain momentum in 2024.

I think the industry for unregulated third-party cloud service providers will be forced to develop more consistent approaches to security and operational resilience standards including, for example, the standardization of incident reporting standards.

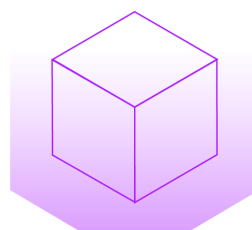
Going forward it will be interesting to see the extent to which banks seek to utilize customer data and analytics to demonstrate good customer outcomes, and how providers like 10x may be asked to support.

What are your predictions for the medium to long-term?

The regulatory landscape affecting financial institutions and their relationships with critical third-party service providers will become much more scrutinized than it has been to date. For financial institutions, this will require more organization and thoughtfulness in the management and oversight of their third and fourth parties, especially in the context of complex cloud-based supply chains. Although firms like 10x will remain unregulated, it may mean that we will have to effectively think more like regulated firms in certain areas like incident reporting.



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David Oppenheim
Global Head of Ecosystem
Partnerships



2023 in review

2023 was the year marked by unprecedented and abrupt global interest rate rises, which creates winners and losers.

The winners in this environment are (mostly) traditional, universal banks, characterized by a sticky deposit base and robust loan portfolios. Conversely, venture-funded attackers will have to be more disciplined on customer acquisition and the path to profitability.

What will be the defining trends of 2024 and how will the industry adapt?

The 'winner' FIs referenced in the first question, have a 2nd mover advantage. This strategic positioning allows them to learn from the experiences of earlier entrants and build digital-first offerings, with superior UX and design, enabling them to claw back market share. Learnings and best practices from the neobanks will transfer up via partnerships, direct investments, and poaching talent.

Risk management will be a 2024 theme. Expect lenders and their regulators to scrutinize loan books more closely, actively seeking early signals of borrower distress. Management focus on risk will be correlated to a renewed focus and increased investments in IT.

As banks scale back from non-core market segments, I expect specialists will enter to fill the void. This shift will result in the emergence of niche players who can cater to specific market segments with tailored propositions.



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Financial institutions with the right IT architecture in place will operate with a sustained competitive advantage throughout economic cycles. Specifically, they can experiment faster, at a lower cost, and reduced risk.

Using an example from Paymentology's world, rich transactional data, surfable across business units, can be leveraged to identify upsell opportunities and managing underwriting risks. IT modernisation should therefore be seen as existential - not a small project for an innovation team.

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Roisin Levine
Head of UK&I,
Wise Platform



2023 in review

2023 has been the year of constant change and a turbulent economic landscape. With this has come increased demand for innovation in financial services. We saw more partnerships across the industry to solve customer pain points, such as the need for faster, transparent, and more convenient international payments.

Given this, there are significant opportunities in the financial industry as we enter 2024. We expect to see greater demand for speed and transparency in international payments from consumers and businesses. This, in turn, will impact banks and big financial institutions, who have an opportunity to collaborate with fintechs to bolster these offerings and drive innovation across the industry.

What will be the defining trends of 2024?

In 2024, consumers and businesses expect the same speed and convenience from international payments as they have with domestic payments. We also know transparency is important as well; consumers and businesses want to know pricing upfront and expect that the amount being sent will not change en route to its destination.

This expectation on speed and transparency opens the opportunity to drive even more industry collaboration next year, as banks seek a solution to faster international payments and fintechs are able to provide the existing infrastructure needed.

These collaborations between banks and fintechs work really effectively because international payments are often one of many priorities for banks that need to be balanced as they focus on a core product to serve all their customer use cases.

Fintechs, on the other hand, can focus on specific customer problems and build solutions for these at speed. By leveraging these solutions, banks can gain agility in non-core focus areas and deliver faster, more convenient, and transparent international payments to their customers.



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Therefore, they will continue to move to providers they can trust to provide these services. As a result, financial institutions will need to focus on transparency and offering services that meet the evolving consumer needs. They can achieve that by collaborating with companies that have already built the infrastructure that provides that for them.

What does 2024 hold for Wise?

We've spent the last 12 years building a product that allows money to move around the world transparently, quickly (60% of transfers from Wise are instant), conveniently, and at a low-cost.

Through the Wise Platform, we are able to offer the benefits and strength of our infrastructure to banks and financial institutions globally. Heading into 2024, we're excited to continue expanding these partnerships.

Wise Platform currently works with over 70 partners and heading into the new year we look forward to welcoming additional partners to bring seamless and transparent international payments to more consumers and businesses around the world.



Harry Thumwood
EMEA Go-to-Market
Banking Lead



What will be the defining trends of 2024?

Increased digitalization of customer experience

Customer experience has been undergoing digitalization for many years in the retail and SME banking space. I expect this to continue as we are now seeing hyper-personalization through AI/ML, launching and adapting products quicker to match changes in the economy, and providing services to help consumers remain financially stable.

Lending Transformation

from origination through servicing, and including collections and arrears, lending will be key as we interest rates continue to fluctuate. Banks will need to make quicker and more informed decisions on who to lend to while remaining within their risk appetite, and banks will need to transform collections and arrears processes to spot patterns and proactively engage consumers that are likely to enter arrears. Thus, providing consumers with services to support them in managing debt.

Composable Banking

The rise of fintechs and third-party providers available for partnerships and integrations encourage banks to move from monolithic to modular architecture. As a result, we're seeing the rise of composable banking. Composable banking is more than just technology and architecture. Composable banking is an approach to technology and transformation that promotes agility, innovation, and continuous change with minimal disruption to consumers, operations and budget.

Artificial Intelligence and Machine Learning

I expect we've all seen the developments in Generative AI throughout 2023 and are excited for what's next. As developments progress it's important that we are educating the industry on the best AI/ML for their needs. Generative AI is not always the answer. We often see that Machine Learning can be best for spotting patterns in Fraud for example. We will need to apply the right technology to the right use case.



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Frederico Venturieri
VP and Global Head of GTM
and Partnerships

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2023 in review

It's all about AI now, and every bank needs an AI strategy. But the issue is defining use cases and dealing with the poor quality of the underpinning data.

Tech firms going into banking hasn't become 'a thing' – for example, Apple and Goldman Sachs unravelling their credit card partnership at the end of last year.

Some digital-only banks have done well, but not all. In some markets the model worked, but not everywhere. The perfect conditions for digital-only banks to succeed are in markets where traditional banks offer sub-par or costly services, the unbanked population is high, and where the smartphone penetration is also high. This has proven a good indicator in 2023 and I expect it won't change in 2024.

Higher interest rates and Net Interest Margins (NIM) mean that banks now have the means to undertake the transformative projects they need to complete: core banking, cloud, tech stack rationalization, etc.

It'll be tempting for banks to rest on laurels and do things like share buybacks or issue bigger dividends, but those who don't seize this opportunity to transform will suffer in the future.

At 10x, we're seeing a lot of banks coming back to the table to look at core banking migration. 2024 will separate those who will go through with their projects, and those who would rather than shelve them and sit on their hands

Traditional banks have proven more resilient due to the trust they enjoy from the general public (reinforced by SVB-type market shocks) - trust is now back to the fore, and is a big contributor to the lasting relevance of traditional banks.



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What will be the defining trends of 2024?

One year isn't a long time in our industry, as things change relatively slowly. I expect AI-driven innovation to continue unabated. We could see significant change in our personal and professional lives within 2024 that are driven by AI.

As I mentioned previously, I expect many banks to take advantage of the current positive environment from a NIM perspective to undertake much-needed transformations in their foundational systems.

I expect (and hope!) that, with inflation coming down and interest rates starting to normalise in H2, we'll get a soft landing for the economy that will start a new growth cycle.

What are your predictions for the medium to long-term?

In the longer term, one trend I see is a move towards flexible application of credit lines, lower fees within banking in general due to competition, a move away from traditional credit bureaus/centralised credit assessment, and instead a move to transaction based / open banking-based data aggregation and possibly even an AI approach that would more reliably predict delinquency in borrowers. Above all, the ability to move money to the best place for it, be it savings or lending, any steps towards portability would leave the consumer in a stronger position, and more able to respond to challenges in their lives

Another one is an evolution of every aspect of the banking experience (engagement, servicing, transacting, advisory, etc.) driven by AI. Every part of our banking experience will be enhanced through automation, personalisation and predictiveness.



I expect many banks to take advantage of the current positive environment, from a NIM perspective, to undertake much-needed transformations in their foundational systems. I expect (and hope!) that with inflation coming down and interest rates starting to normalise in H2, we'll get a soft landing for the economy that will start a new growth cycle.

Conclusion

The financial services sector is still navigating an era of transformation defined by strategic innovation and an emphasis on customer needs.

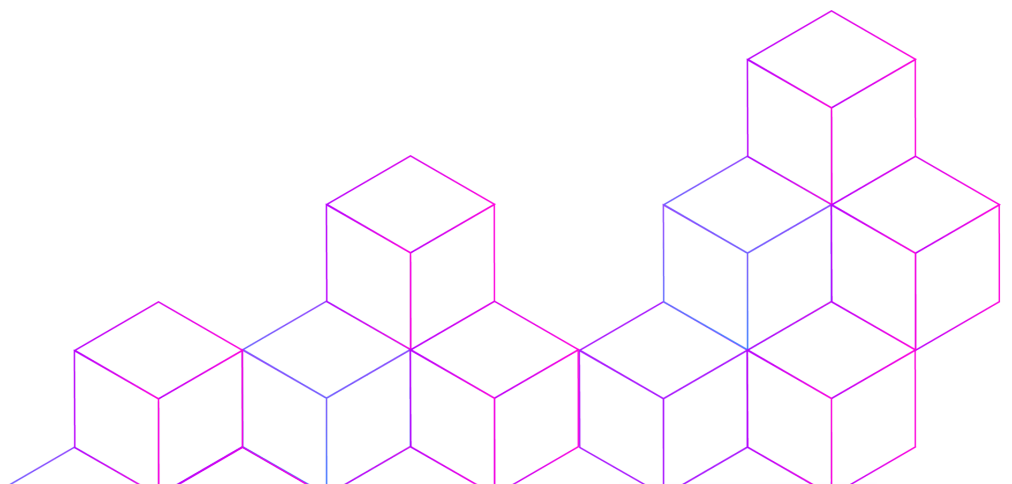
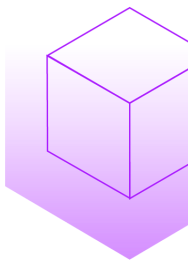
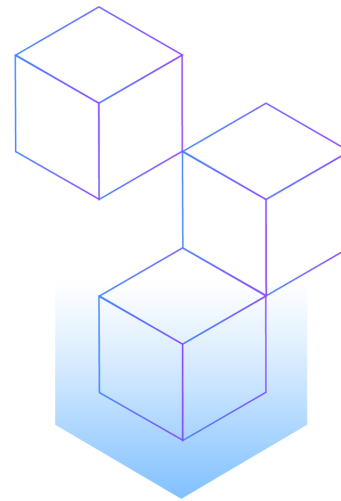
The experts we talked to point to an exciting, albeit challenging, road ahead. The resilience shown in the face of recent economic and geopolitical uncertainties has prepared the sector for continuing technological integration and enhanced regulatory frameworks, regardless of the background challenges.

It's unsurprising that artificial intelligence comes out as a hot topic for the year ahead. Alongside machine learning, AI likely to be used for increasingly sophisticated risk management, fraud detection, and greater customer experience personalization.

Alongside this, we can expect to see increased emphasis on cybersecurity and data protection, which will help maintain consumer trust.

A string of new regulatory frameworks across the world are due to take effect in 2025, making this year a race to put the necessary systems in place. The banking sector must manage that while also showing commitment to environmental stewardship and social responsibility.

Over the year ahead, the financial services sector will not only adapt to change, but proactively shape it.



About 10x

10x's mission is to make banking 10x better for customers, banks, and society.

Founded in 2016, the company's next-generation core banking platform, SuperCore®, enables banks to launch products and customer experiences faster and more cost-effectively, powered by real-time data.

The platform supports retail, SME, and corporate banking across current and savings accounts, credit cards, lending, and mortgages.

Available as a SaaS platform hosted in the public cloud, SuperCore is fully managed by 10x to ensure local and regional compliance, robust security, always-on performance, and operational resilience. Today, 10x powers some of the world's leading banks, supporting greenfield projects, core migrations, and banking as a service partnerships.

Key facts



Founded by
Antony Jenkins
CBE – Former CEO
of Barclays



400+ staff with
decades of deep
banking and big
tech expertise



Serving global
markets, with hubs
in the UK and
Australia

Contact us

- ✓ Request a demo to explore SuperCore capabilities
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- ✓ Chat with us about how to make banking 10x better

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