

# Finance

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*Six Predictions for Financial Services In 2023  
Adapting to continuous change in the industry*

*Financial services (BFSI) trends in 2023 will be shaped largely by the confluence of customer needs, technological innovation and policy decisions. Below are six pivotal areas that I believe will set the stage for and impact the now rapidly evolving sector.*

## *1. Balancing Digitization with Evolving Risks and Sustainability*

*The pandemic—with restrictions on physical banking and insurance services—propelled the adoption of digital tools, and incumbents responded by ramping up their technology transformation efforts to revitalize digital channels. This phenomenon of digitization is now being viewed through the lens of security, stability and sustainability as it is deeply embedded in the societal context.*

*Risk management will be at the core of every activity at banking and insurance firms—focusing on accountability and responsibility as well as a revamped risk strategy with greater investment in data, infrastructure, reporting capabilities and compliance.*

*BFSI firms have begun benchmarking their digital transformation with sustainability goals. Sustainability is gradually becoming a KPI of the degree of digital transformation. The BFSI sector has been emphasizing the adoption of ESG targets in their products, operational processes and corporate strategy to drive a purpose by integrating ESG factors.*

## *2. New Levers for Operational Efficiencies*

*With a possibility of an economic downturn, most firms in the BFSI space have shifted their focus to cost transformation. We believe there are nine levers for cost transformation such as product rationalization, IT modernization and the hybrid workforce that can be measured through business outcomes other than just cost savings. These levers are not mutually exclusive but are applied based on the complexity of implementation in view of the organization's culture. Emerging technologies can play a huge role in cost transformation, particularly in the areas of hyper-automation, remote working collaboration and advanced analytics for customer service, to name a few.*

### *3. Shaping the Future of Regulated Markets*

*Decentralization powered by digital assets and tokens is on the verge of transforming the financial ecosystem. In 2023, I believe we will see all major players in BFSI investing in bridging the gaps between decentralized finance and traditional finance to unlock business value. With nine out of 10 central banks experimenting with central bank digital currencies (CBDCs), we will also see an uptake in the adoption of new currencies and tokens in the regulated market. One of the major drivers for digital assets adoption will also be to cut the settlement times with a seamless 24/7 cross-border transaction and an automated FX currency conversion. Technologies like block chain will underpin the finance market infrastructure transformation.*

### *4. From Open Banking to Open Finance*

*Regulators across the world have been endorsing open banking initiatives that could build healthy competition in the market, benefiting end customers. With the transparency that open banking provides, banks are encouraged to offer digital services, fair pricing and increased security. Open finance is the next step in the evolution of open banking. Open finance should open up data sharing for new cross-industry business models beyond just banking products and services. Bancassurance with banking and insurance is a case in point. In 2023, I believe we will see the emergence of many open finance ecosystem partnerships such as BFSI and automotive for the future of mobility, banks and energy companies toward sustainability and sports and banks to finance the creator economy.*

### *5. Instant, Frictionless and Interoperable Cross-Border Payments*

*As more silos of token networks emerge, opportunities for interoperability are growing through country-specific CBDCs, stablecoin and digital assets. For example, we've partnered with SWIFT to extend the ISO messaging layer as well as provide gateways and trusted nodes (smart contracts) to capture the token interoperability market.*

### *6. The Expansion Of The Regulatory Compliance And Reporting Solutions Market*

*As financial crimes and money laundering methodologies keep pace with advances in technology, financial institutions will need dedicated solutions to ensure they are aligned with their regulatory environments and are able to stop the misuse of their services. As a response to increasing threats, the number of reporting standards and guidelines has risen manifold but often lacks compatibility and consistency. In addition, the complex data demands of the financial*

*industry require firms to look out for suitable financial crime technology and software solutions to detect the threats they face and to adapt to evolving regulations. There will be a rise in the number and growth of regtech firms that offer technological solutions suitable for financial firms to achieve regulatory compliance.*

*In summary: Digitization, decentralization and decarbonization will remain the top three themes of innovation in 2023. While digitization will continue to enhance efficiency, reduce costs and increase revenue streams through diversification into new products and services, decentralization (in particular, enterprise decentralized finance) will open up entirely new business models in the capital markets space. Decarbonization, coupled with ambitious net-zero goals, will remain a top priority for the industry, having a profound impact on the strategic thinking and future investment decisions of companies.*

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