



**Capital
Markets:
building the
investment
bank of the
future**

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Executive summary

We believe there is a bright future for the capital markets industry. The long-term market fundamentals are positive, even if the recent financial performance of many global investment banks is disappointing. While aggregate revenues for the largest investment banks in FY15 were in line with pre-crisis revenues a decade earlier, some businesses (such as parts of fixed income, currencies and commodities (FICC)) seem to be in terminal decline.¹ Moreover, operating costs and capital requirements have significantly increased. This means long-term success will demand that banks fundamentally reshape their business.

Ever since the global financial crisis, the viability of the investment banking business model has been under scrutiny and banks have been struggling to redefine their roles. They've been faced with a litany of challenges: sluggish economic growth, low interest rates, scandals, fines, legal settlements, demands for greater tax transparency and new regulations. Additionally, they have had to contend with the rise of upstart competitors that are unburdened by large overheads and legacy IT systems and can take advantage of regulatory arbitrage. Banks have retrenched and restructured in what has so far been a mostly unsuccessful effort to recapture the double-digit returns on equity of a decade ago. The task is unfinished.

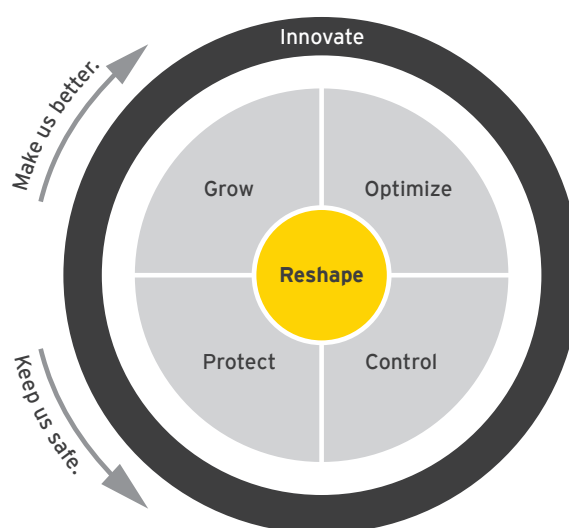
However, the world still needs a wide array of investment banking services. Even in an age of slow growth, businesses continue to need help raising capital, managing risk and facilitating trade. We believe the winners in this environment will be firms that restructure successfully, develop a sharp focus on the things they do best and embrace innovation. In short, investment banks need to fundamentally rethink the way they are structured and operate.

The time has come for banks to focus not on what they don't want to do, but on what they want to become. Investment banking leaders should be bold and innovative in developing a new vision and strategic direction for their organizations. Then the leaders must radically transform their business models to align with the new vision. We believe banks should concentrate on five goals:

1 Reshape the business: Banks will need to restructure operations to be more mindful of legal entity structure and transfer pricing. They will need to make capital allocation decisions and associated footprint decisions regarding products, clients, geographies and counterparties that fit into that new structure. But having a robust decision-making framework and obtaining relevant data to inform strategic decisions will be challenging while markets remain unsettled. Those that seize the initiative and reshape their business will likely do so through disposals, wind-downs, acquisitions and new strategic alliances.

- 2 Grow the business:** To regain profitable growth, investment banks should clearly define their risk appetite, the clients they want to serve, the products they want to offer and how they want to distribute those products, as well as the geographic footprint of the organization. In addition, they should harness the power of analytics to better serve the clients they already have.
- 3 Optimize the business:** New operating models should be developed that take advantage of technology, partnerships and industry utilities to improve service and reduce cost. In addition, banks will need to optimize their balance sheet in the face of multiple market and regulatory constraints.
- 4 Protect the business:** In the wake of the London Interbank Offered Rate (Libor) and foreign exchange scandals, banks must rebuild trust. The right organizational culture will be a key differentiator for leading investment banks. In addition, given the ongoing threat of cybercrime, banks must take steps to ensure that their systems are secure, that they use technology where possible to maximize the coverage of internal protections, and that their people are adequately trained and supervised.
- 5 Control the business:** Compliance and risk management must be a priority; in addition to using technology and training, management tone, transparency and the importance of controls-based reporting should be promoted.

Figure 1



¹Revenues earned by the largest 14 investment banks or investment bank divisions of universal banks through FICC trading, equities trading, debt and equity issuance, and M&A advisory services

What does the future hold for your investment bank?

The investment banking industry continues to face an uphill struggle to deliver sustainable returns to investors. Investment banks have been in reactive mode, making incremental and tactical changes, often in response to the urgent demands of regulators. The short-term focus of the regulatory agenda has constrained their ability to make discretionary strategic choices, and their long-term vision has been impaired.

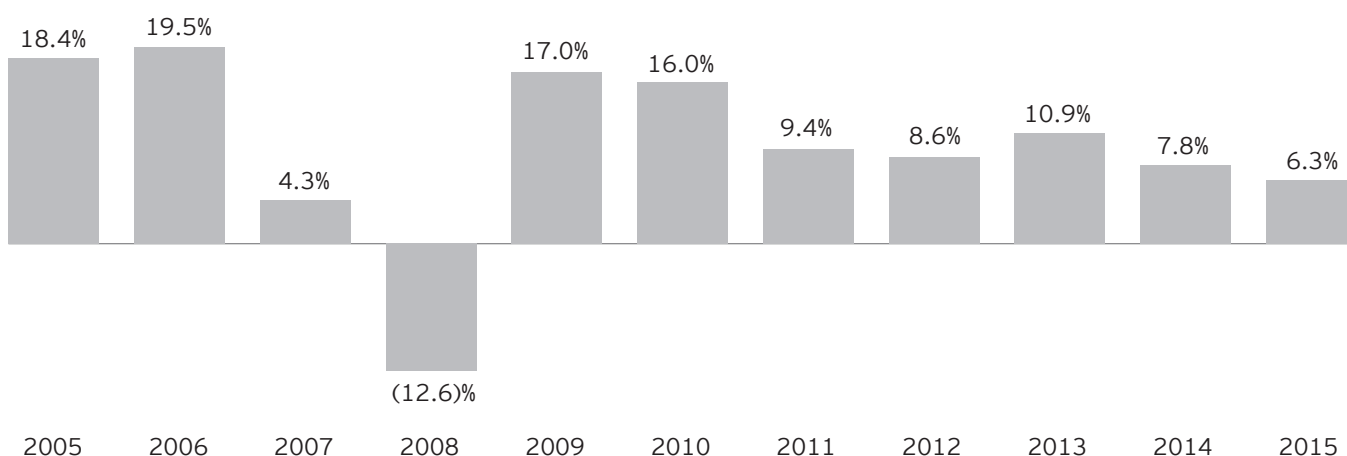
Since the crisis, most banks have been through multiple strategy reviews. They've been preoccupied with scaling back their business; withdrawing from geographies, asset classes and customer segments; and reducing their workforce. Despite this downsizing, the average return on equity (ROE) for the top 14 global investment banks was just 6.3% in 2015 (see figure 2). And although a handful of these banks managed to post ROEs greater than 10%, performance across the industry may decline further, with regulatory pressures continuing to drive up costs and prudential rules driving up risk-weighted assets (RWAs). In particular, banks are challenged by the fundamental review of the trading book (FRTB), rules around counterparty credit risk (CCR), credit valuation adjustment (CVA) and capital requirements (especially as a result of total loss-absorbing capacity (TLAC) and leverage ratio proposals). As a result, we believe that, without any cost restructuring or capital optimization, industry ROE could fall below 5%.

To meet the complex array of challenges they face, banks must become more strategic and more sharply focused on transforming their businesses.

Many banks are pulling back from once-lucrative businesses that are now too capital-intensive, such as fixed income trading, or that have an adverse impact on their funding and liquidity requirements, such as prime brokerage. Meanwhile, competition is intensifying. As regulators have forced major global investment banks to hold more capital and liquidity and curb some of their activities, new competitors have emerged that are either unencumbered by legacy infrastructure or more able to exploit regulatory arbitrage opportunities. In many cases, regional banks and asset managers have picked up the slack (figures 3 and 4).

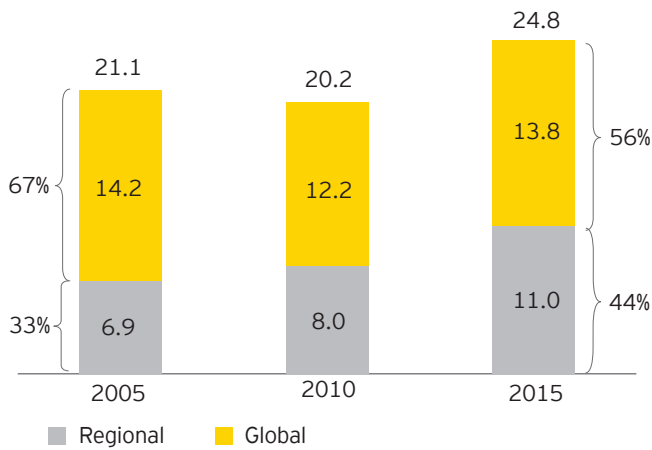
The good news is that demand for many investment banking services remains strong (even if the revenue pool for certain businesses, such as FICC, has shrunk significantly and perhaps permanently). However, the market share of major investment banks in certain businesses is diminishing. Banks are struggling to counter this threat, as they remain saddled with legacy operations, cultures and IT systems. As a result of over-investment in piecemeal, proprietary IT systems and ambitious inorganic growth, disparate systems have not been integrated into single platforms at many investment banks. If global players cannot address these challenges, they will struggle to win back market share, even if the overall capital markets sector recovers as we expect.

Figure 2: Average return on equity for leading investment banks



Sources: Company accounts, EY analysis

Figure 3
Debt and equity issuance (number of issues in thousands)



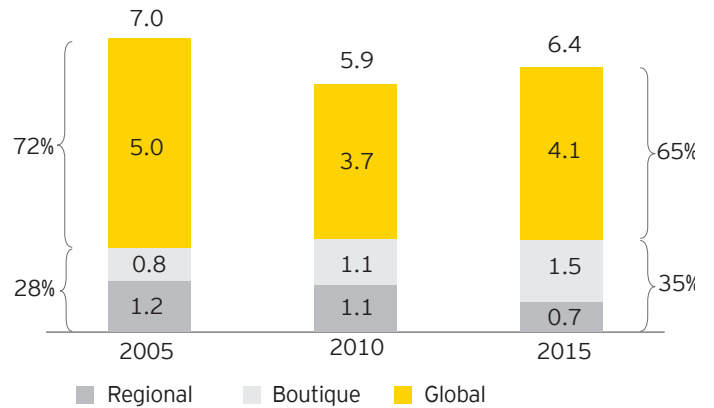
Sources: Thomson One, EY analysis

Considering this backdrop, what is the best route to recovery for investment banks? Many banks have tried to make the changes necessary to compete in the future while simultaneously maintaining their existing operations. But that approach can be complex, risky and expensive. We believe the time has come to consider building the investment bank of the future from scratch, or from as close to scratch as possible.

In the future, the global investment banking industry can no longer compete while relying on traditional organizational structures and business models.

Most global investment banks are at a critical point in their journey to the future (figure 5). They've examined, and sometimes replaced, top management; shed noncore

Figure 4
Top 50 M&A deals – value split (US\$b)

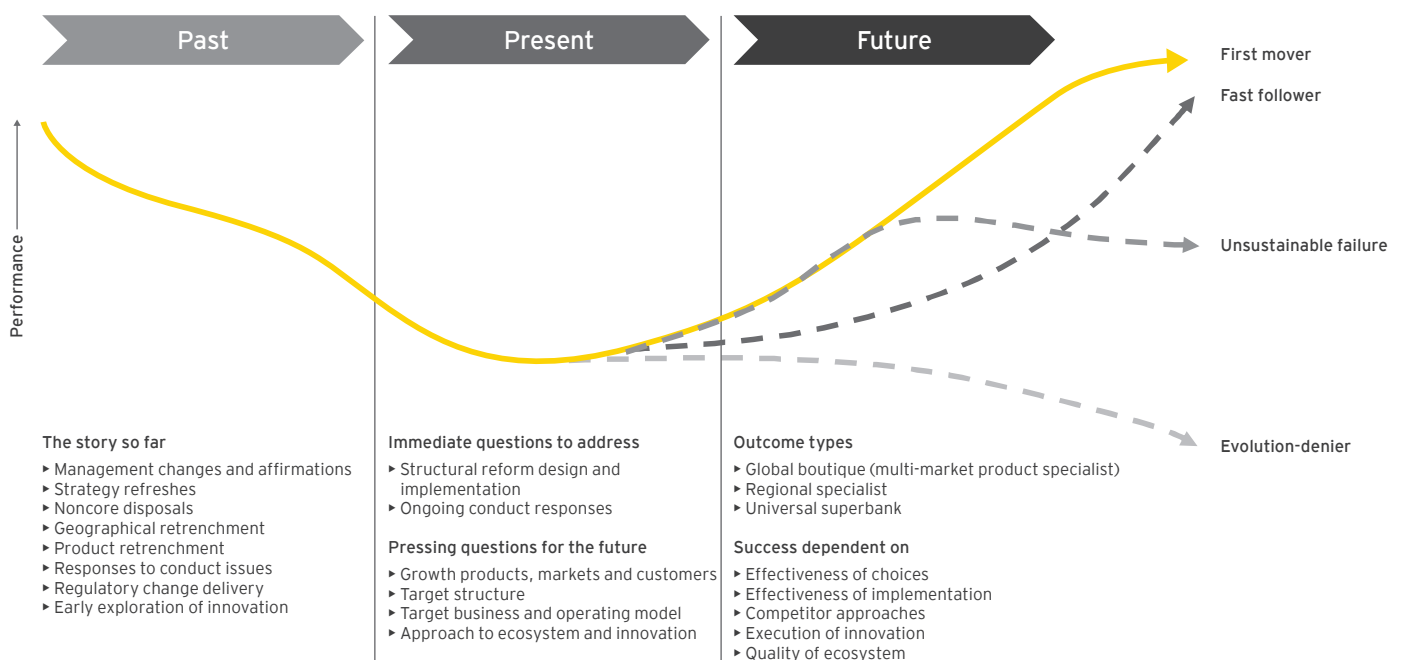


Sources: Thomson One, EY analysis

businesses; pulled back from unprofitable geographies; rationalized their product offerings; sorted out regulatory and legal issues; and begun to think about innovation. However, the most successful banks will completely reassess what they want to be and how they operate. Traditional organization structures and business models are things of the past.

Banks now need to return to first principles and ask what their purpose is, who they want to serve, what services they want to offer and how they want to provide them. How they innovate will be central to their survival. And most important of all will be their ability to execute change in a challenged environment. The choices they make now will determine whether they lead, follow, fail or sink into oblivion.

Figure 5: What does the future hold for your investment bank?



Source: EY

1 Reshape the business

As investment banks start to redefine who they are and what they want to be, the first task for top management will be to create a legal structure that makes sense in a world where domestic regulators are taking a super equivalent approach to implementing global regulations on capital and liquidity and where recovery and resolution planning requires banks to simplify operations and entities to limit systemic risk.

New leaders face a steep learning curve as they attempt to understand a rapidly changing landscape.

In the wake of the financial crisis and subsequent market scandals, leading investment banks, particularly in Europe, have had little choice but to replace top management. These new leaders face a steep learning curve as they attempt to understand a rapidly changing landscape. As they begin to reshape their banks, they'll be under intense regulatory scrutiny. In the UK, the Bank of England's Senior Managers Regime, which took effect in March, requires that top managers be regularly declared "fit" to do their jobs and says they can be held individually liable for work carried out at their banks.

We believe that most banks will ultimately opt for a global holding company structure that oversees discretely regulated business. These newly structured global banks won't be able to move capital, funding and liquidity as freely across jurisdictional borders, making it harder, if not impossible, to fund an equity underwriting deal in Singapore, for example, with money raised in New York. Each regulated entity will require its own credit rating to facilitate trading. Access to funding and adequate capital levels will greatly influence ratings and will restrict choices when it comes to selecting profitable clients, products and services and safe counterparties.

These restrictions on deploying capital, funding and liquidity will put new pressures on ROE, prompting banks to make a series of complicated iterative choices about which businesses and geographies they want to be in, how they want to staff them, how they want to operate them, and how they want to work with and/or rely on the holding company.

In making those decisions, banks may be stymied by insufficient data. They have plenty of information, but it has been organized around operating models aligned to historical matrix reporting rather than the future legal entity driven model. Figure 6 outlines how we think banks must reshape their legal entity structures and what it means for capital, ratings and operating models.

Already, global banks have begun to withdraw from capital-intensive activities like fixed income trading. While this may lead to market share gains for banks that remain committed to these activities, until banks are clear on the markets and clients they want to serve, it will be difficult for them to set reasonable expectations and targets for ROE.

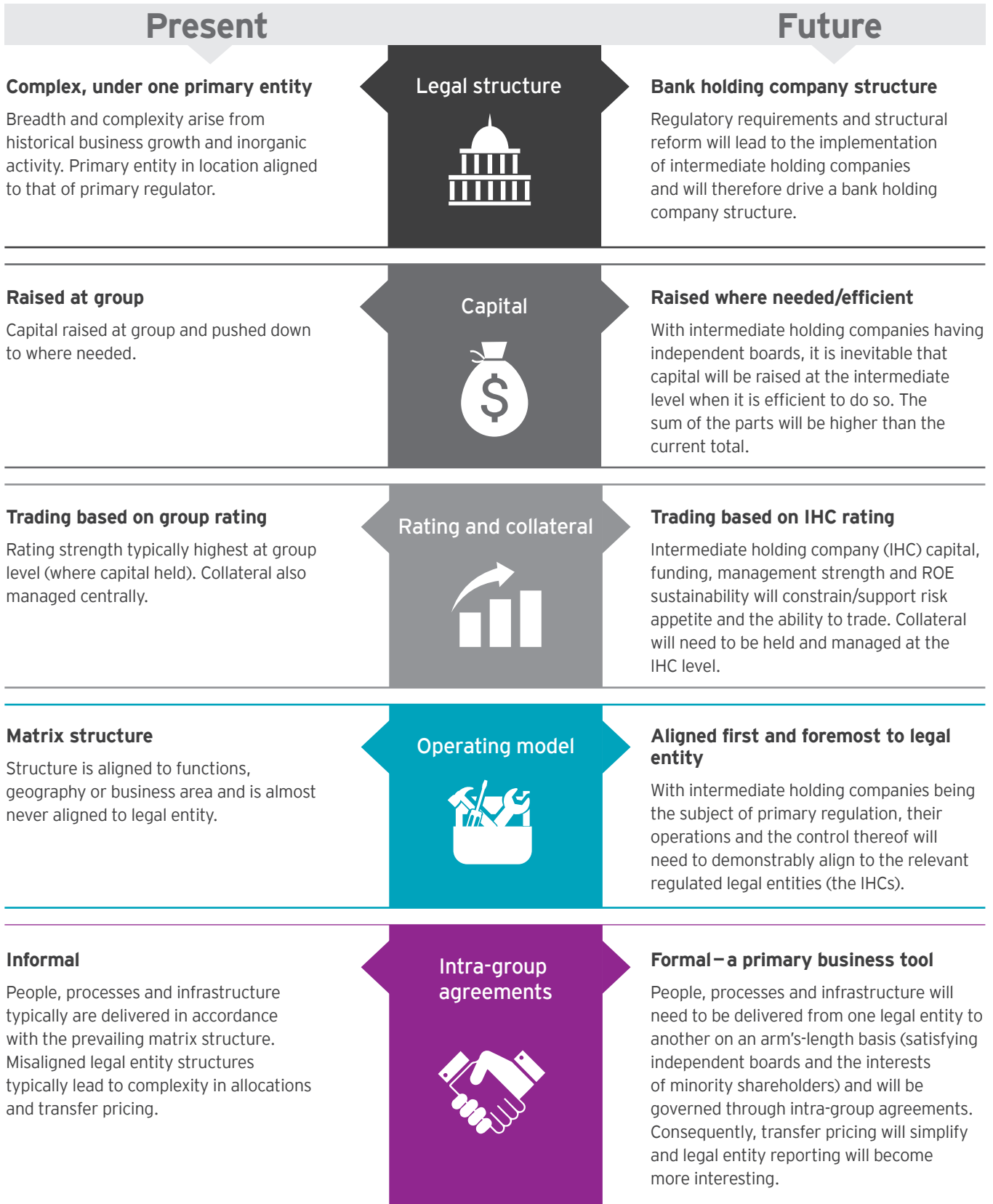
In this imperfect environment, armed with the most granular data they can muster, banks will need to determine what they want to become. We see three broad models:

- ▶ **Global boutiques** that provide selected services to clients around the world (e.g., leading M&A advisory internationally)
- ▶ **Regional champions** that are built on local expertise and a targeted customer base
- ▶ **Universal superbanks** that provide a full range of services to a global customer base

Once a bank defines what it wants to be – global boutique, regional champion or universal superbank – it can focus on those activities that fit the model. A global boutique, for example, can offer services that don't require large balance sheet risk, such as M&A advice. A regional champion, bound by local capital requirements, might choose to engage in trading in specific markets. Only the universal superbanks, or "flow monsters," will be able to offer a full array of services across products and geographies, but even they will need to pick and choose as the investment required to deliver this model is considerable.

To achieve the right legal, geographic, business and operational footprint to deliver their preferred business model, investment banks should consider how they will use disposals, wind-downs, acquisitions and strategic alliances.

Figure 6: The reshaped investment bank



2 Grow the business

To prosper, banks need to grow, something they've been struggling with in recent years. Investment banking revenues have been essentially flat since 2011, reflecting the impact of increased regulation, sustained low interest rates and slow economic growth in many developed countries (Figure 7). While economic growth in some emerging countries has been stronger, many banks have misaligned footprints. Their infrastructure and people are concentrated in developed countries, yet their best new opportunities are often in emerging markets. At the same time, global investment banks face new competition, not just from regionals and boutiques but also from asset management firms and retail commercial banks that are starting to offer their wholesale clients a broader range of services, such as foreign exchange.

Once banks have determined the broad business model they favor—global boutique, regional champion or universal superbank—and taken action to adjust their footprint accordingly, they must focus on driving revenue growth. We believe there are clear steps investment banks can take to achieve this:

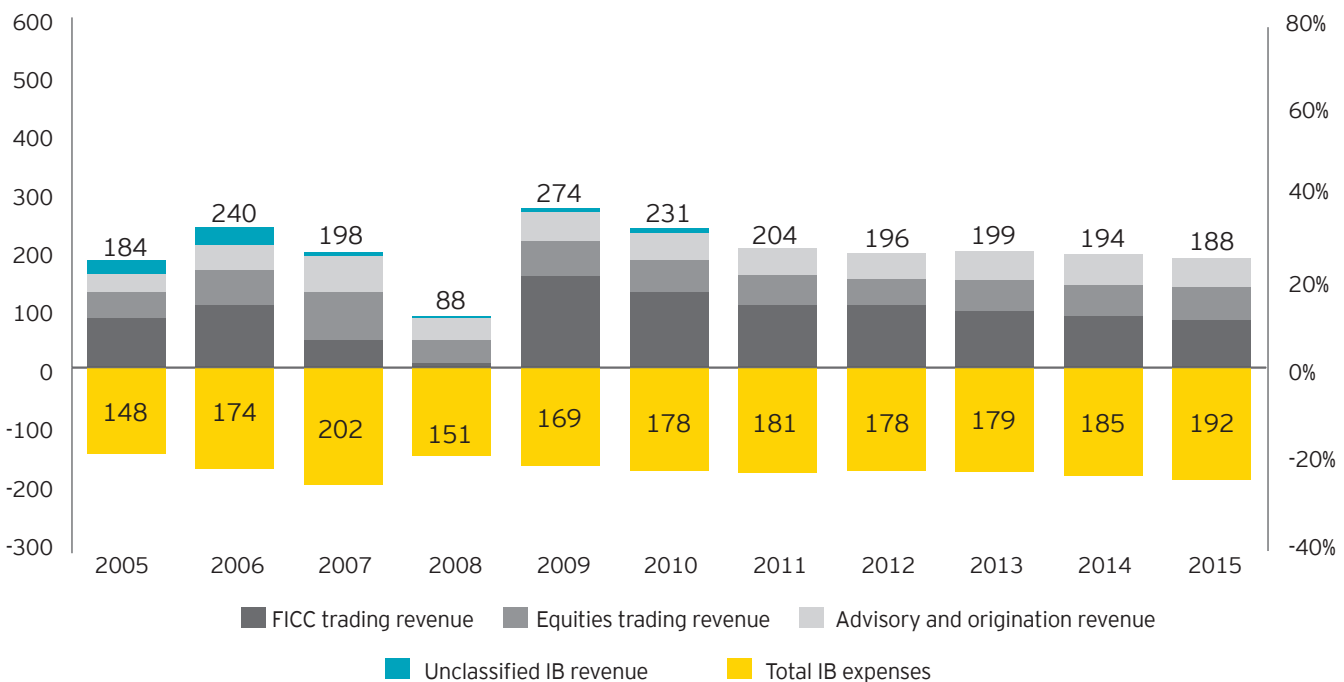
- **Understand your customers.** Investment banks will need to decide who they want to serve. Because of technology, clients now have different, and often higher, expectations. Digital natives are taking up positions of responsibility at client companies. Raised on social media, they want

services that are available anywhere and at any time. Clients and counterparties have new personas. No longer mostly middle-aged men wearing pinstripes and ties, customers are increasingly young and diverse. And they may not even be human. Algorithm-driven computers are making trading and investment decisions previously made by people.

Banks will need to carve out and maintain a space in an increasingly complex ecosystem.

- **Pick your products and channels.** Once a bank knows which customers it wants to serve, it can focus on which products it wants to offer and how it wants to distribute them. These choices aren't always clear-cut. Which is more important? Selling only those products that will generate high ROEs, or maintaining a relationship with a major customer? Sometimes, a bank may opt to provide a less profitable product to a major customer if, by doing so, it will be able to cross sell other more lucrative products to that client. Or in a world awash with liquidity, banks may choose not to accept nonoperating deposits from major customers such as hedge funds or other financial services institutions to avoid an adverse impact on profitability.

Figure 7
Investment banks operating performance (in US\$b)

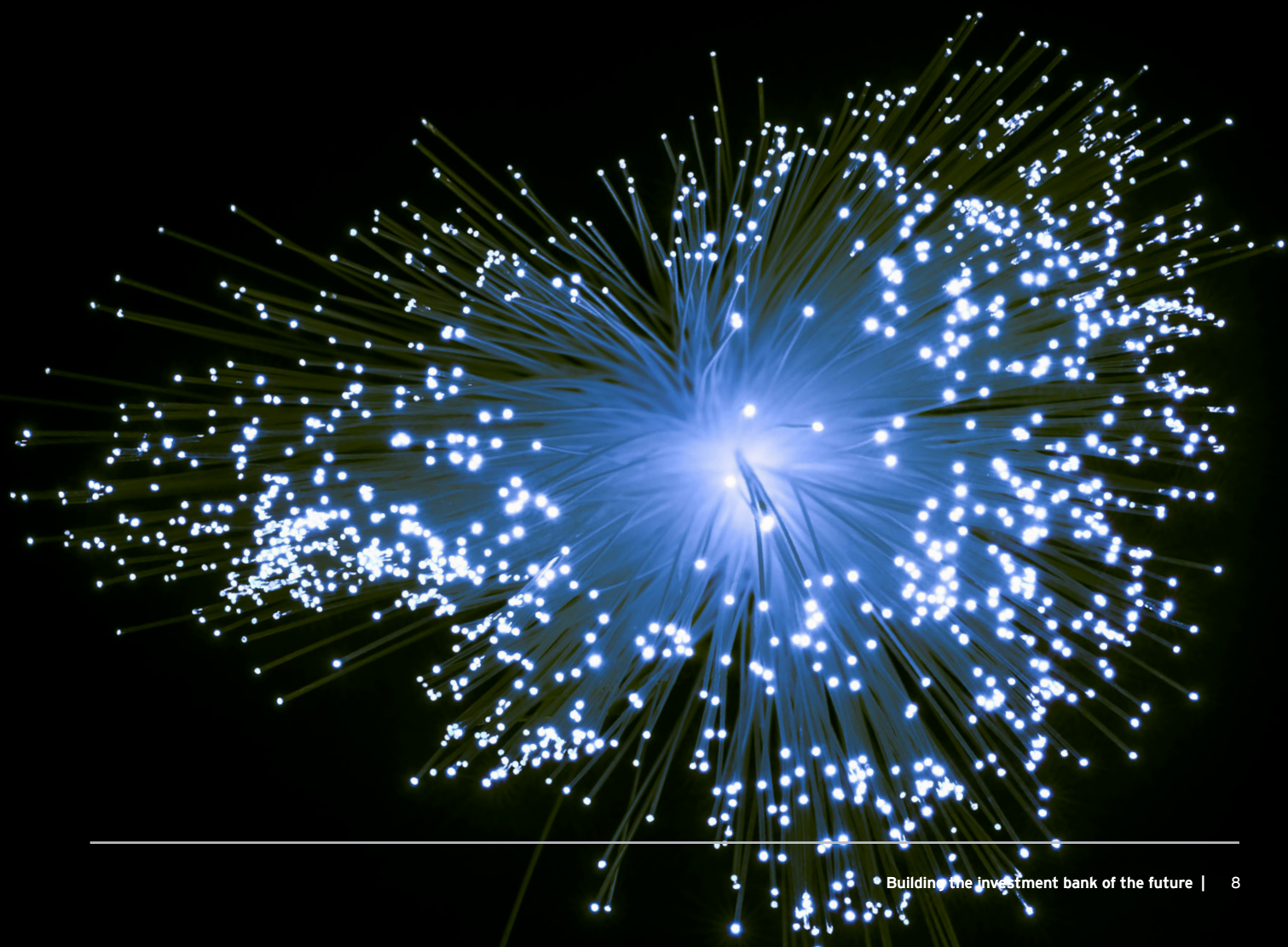


Sources: Company accounts, EY analysis

Select your geographies: International banks will need to be selective about which markets they expand into and which market segments they serve, given that increasing capital requirements are making it harder to operate in all their existing geographies let alone expand into new ones. Global institutions will pursue only a few limited business lines, such as high-value investment banking, in key markets. Ultimately, all financial institutions must ask whether their existing product sets work for these markets. Expansion into new markets is not just about attractiveness but also about suitability. Banks must identify not only growth opportunities, but also where the regulatory environment will allow them to operate profitably.

There will be opportunities for growth in the coming decade, particularly in emerging markets. The expansion of trade between regions, will need to be supported by banks. In the longer term, increasingly formalized economic unions in Asia and Latin America may encourage regional banking unions. If this occurs, it will turn the tide against protectionism and make it easier for banks to operate across these regions and offer an array of opportunities to grow.

- ▶ **Innovate.** Innovation may come in the form of product innovation—through the potential monetization of the data, information and technology that banks own, or through innovation in the delivery of products and services. Banks should be ready to take advantage of technology to innovate, either on their own or in partnership with others. Technology can enable a bank to completely change the way it delivers a product; for example, using blockchain to settle gold contracts digitally, potentially making a cumbersome and capital-intensive activity cheaper and more efficient. Back-office functions in investment banks are a significant source of cost and operational complexity, which are prime candidates for disruption by emerging technology.
- ▶ **Cooperate.** Banks will need to carve out and maintain a space in an increasingly complex ecosystem, one that it will have to share with FinTech firms, third-party service providers and industry utilities. As banks hone their focus, they should consider 'co-opertition'—sticking to those functional areas and geographies where they excel and forming alliances, sometimes with their longtime rivals, to do the rest. We expect co-investing in industry utilities with long-term competitors to be a key trend of the future.



3 Optimize the business

Optimizing the operating model and the associated cost base

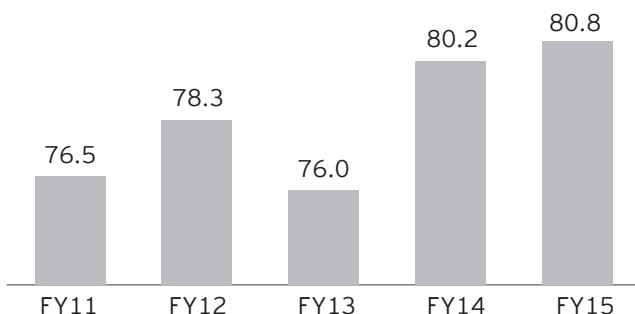
Despite years of years of focus on achieving meaningful cost reductions, investment banks haven't actually become more efficient; the average cost-income ratio has significantly deteriorated in the last five years (Figure 8). That's due in large part to the burden of maintaining complex and inflexible IT infrastructures that are often decades-old, with layers upon layers of applications.

Banks can do more to optimize their business, especially by harnessing technology.

As banks have cut their headcount, they've often ended up with the wrong people in the wrong places. Front-office employees have been left doing work once done by back-office workers. At the same time, banks have found themselves short of the talent they need to thrive in the new environment, especially digitally savvy innovators and compliance officers.

Even with these constraints, banks can do more to optimize their business by harnessing technology, some of which is ready now and some of which still has to be refined.

Figure 8
IB average cost-income ratio (%)



Sources: Company accounts, EY analysis

Near-term options

- ▶ **Develop robotic process automation (RPA) and advanced analytics.** These tools sort through large amounts of data and can help banks make better decisions about customer needs, due diligence, economic models and price trends. RPA uses software robots to do tasks previously done by humans and legacy IT systems. RPA works with existing interfaces, meaning it's usually not necessary to rewrite existing code. In EY's experience, the technology can cut the costs of high-frequency tasks, such as reconciliation and other back-office processes, by as much as 50% to 70%. Some leading firms have committed to reducing their operations workforce by 30% in less than three years by applying RPA.
- ▶ **Invest in digital transformation.** Banks can now interact directly with their customers through client portals, improving the customer experience, fostering quicker decisions and reducing client attrition. While much of the innovation has so far been in retail banking, we believe there are significant opportunities to digitally transform B2B capital markets as well. Digital transformation will also reduce the need for bespoke processing for clients, thereby reducing the cost of serving clients.

Medium-term option

- ▶ **Establish utilities/hosted platforms.** We see significant opportunities for banks to gain economies of scale by working together on common external platforms for meeting such requirements as Know Your Customer (KYC) and anti-money laundering (AML) or through using specialist third-party providers for services such as post-trade processing and tax and regulatory reporting. Care must be taken in these arrangements to ensure that customer data and privacy are safeguarded. Banks will need to establish mechanisms for establishing trust with their counterparties.

Longer-term options

- ▶ **Utilize blockchain.** Distributed ledger technology is a hot topic that has drawn considerable interest from the investment banking industry. In our opinion, this technology could eventually have a profound impact on capital markets, but issues remain concerning resilience, scalability and security. Blockchain has great potential for reducing settlement costs and time for banks and their customers.
- ▶ **Develop smart contracts.** These are programs that facilitate, verify or enforce the negotiation or performance of a contract, without themselves being legal contracts. Smart contracts can work in conjunction with blockchain and may ultimately be able to serve as models for master service agreements or credit support annexes associated with derivatives contracts.
- ▶ **Invest in artificial intelligence (AI).** While AI has been talked about for decades, recent advances in computing power and the ability to analyze big data have increased the possible uses for banks in areas such as credit evaluation of corporate and commercial clients.

Optimizing the balance sheet

With major international banks having seen their RWAs and total RWA to total asset ratios increase by more than US\$6t and 7%, respectively, since the global financial crisis, upcoming regulatory changes related to FRTB, CCR and CVA will significantly increase regulatory capital even further, contrary to the Basel Committee on Banking Supervision's (BCBS) stated intention that "the Committee will focus on not significantly increasing overall capital requirements."²

Recent advances in computing power and the ability to analyze big data have increased the possible uses for banks in areas such as credit evaluation of corporate and commercial clients.

In an effort to create a simple and holistic view of on- and off-balance sheet leverage, the BCBS introduced the leverage ratio framework. With the final wording on the revisions to the Basel III leverage ratio framework in progress and the TLAC framework for banks under review, banks will likely face additional capital pressure.

The way forward for the investment bank of the future is twofold:

Evaluate profitability of activities. Banks must evaluate the returns associated with certain business activities and make tough decisions to discontinue any activities that don't meet targeted profitability hurdles.

Focus on balance sheet and RWA optimization. In our experience, even when institutions have already delivered RWA reductions, we have found that further savings of 15%-20% of RWAs can still be made. To achieve further savings banks should:

- ▶ **Banks should take steps to enhance data.** For instance, missing or poor collateral data could lead to valid securities being considered ineligible and removed from RWA calculations.
- ▶ **Banks should review their models.** Most banks have a portion of their book outside the advanced internal ratings-based (IRB) approach and could explore the merits of extending their internal models to those assets.
- ▶ **Banks should review regulatory and business processes.** In a rush to comply with new regulations, some banks have made compromises in their processes for calculating RWA, such as manual interventions at certain points. If, for example, a bank has an overly complex process to identify whether counterparties should be subject to CVA RWAs, this could result in the bank holding unnecessary RWAs. This issue could be addressed with relative ease and would result in more accurate RWA values.

²Data sourced from annual reports and Pillar 3 disclosures.

³"Revised market risk framework and work programme for Basel Committee is endorsed by its governing body," <http://www.bis.org/press/p160111.htm>

4 Protect the business

In the years since the financial crisis, the investment banking industry has suffered numerous scandals, which have resulted in steep fines and legal settlements while also shattering a less tangible, but still invaluable asset: the trust of their clients.

Although there are some signs that the reputation of the financial sector is beginning to recover—51% of respondents to the 2016 Edelman Trust Barometer expressed trust in financial services, up from 48% in 2015—the industry remains the lowest ranked of the nine sectors covered. Moreover, banks must not only deal with legacy issues, but also must address the reputational threat posed by potential future systems outages and cyber attacks.

Regulation alone cannot solve the problem, and it will take more than hiring legions of compliance officers to rebuild the trust of clients, regulators and investors. To overcome the regrettable perception that investment banks do not always operate in the interests of their clients, a culture change and greater investment in technology are needed.

The good news is that some regulators are well aware of the important role of regulatory technology (Regtech) solutions.

The good news is that some regulators are well aware of the important role regulatory technology (Regtech) solutions can play in helping the sector manage regulatory requirements more effectively and efficiently. If global regulators are willing to put a “stamp of approval” on Regtech-driven solutions for compliance, banks may be more willing and able to seek outside assistance from these vendors.

We believe that as investment banks reshape themselves, they can take the following steps to protect their business:

- ▶ **Establish governance and decision-making frameworks.** To minimize the risk of future crises and to manage them when they do occur, banks need clarity of governance. They also need a decision-making framework that enables them to rapidly understand issues and escalate them.
- ▶ **Enhance ecosystem management.** As banks outsource tasks previously done in-house to vendors, partners and utilities, they will need to take steps to ensure that these counterparties are held to the same standards as their own employees. However, banks will need to work with their counterparties and regulators to develop and agree on appropriate models for sharing risk.

- ▶ **Establish standards and training.** We see the right organizational culture as a key point of differentiation for leading investment banks. The industry should develop norms of behavior and codes of conduct for its employees, similar to what other professions have. Workers would be trained, examined and certified. For example, with higher levels of accountability for senior leaders, banks should establish a conduct academy where employees need to demonstrate they are well drilled on decision-making and on the standards and behaviors required, both when they enter the industry and certainly before they take leadership roles in an investment bank.
- ▶ **Invest in Regtech.** Banks can use technology not just to do things more efficiently but also to make things safer. In some countries, banks have begun working with authorities to develop Regtech solutions that can make compliance more cost-effective. With the cost and effort of compliance radically increasing in recent years, many banks are struggling to find the right talent to support regulatory programs. We see a key role for analytics and AI in reducing the cost and manual effort required to monitor activity across the bank, spotting poor behaviors much more quickly, or identifying patterns of behavior that predict where failures will happen.
- ▶ **Further industrialize perimeter safeguards.** Even in an era of cost-cutting, banks cannot skimp on cybersecurity. Data breaches, in addition to harming the business directly, can do significant harm to the bank's reputation. AI and advanced analytics offer the ability to analyze and potentially prevent cyber attacks by identifying patterns of activity. Critically, we believe the industry will be stronger where it can rapidly collaborate to share information about cyber threats.

5 Control the business

Tomorrow's investment banks must stem losses related to past behavior and be ready to comply with heightened supervisory standards. We expect that investment banks will continue to be in the spotlight and will be held to increasingly high standards on compliance and conduct issues by all stakeholders (shareholders, customers, regulators and employees).

Tomorrow's investment banks must stem losses related to past behavior and also be ready to comply with heightened supervisory standards.

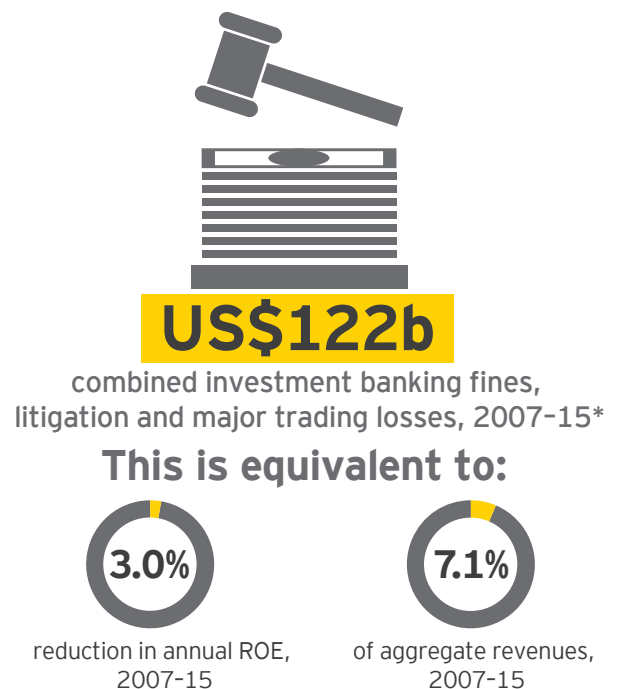
In addition to the heightened focus on conduct, investment banks now have to operate in a more complex market and regulatory environment. Historically, banks have focused on one regulatory constraint, capital, and one overarching financial metric, return on equity. Today, banks have to operate across a range of regulatory constraints – capital, funding, liquidity and leverage. In addition, banks have to demonstrate on an ongoing basis that their business and financial model can be resolved easily and in a timely manner without an adverse impact on the financial system. Now that the key components of the new regulatory regime are well-defined, banks will need to define how the multiple constraints can be considered in their strategic planning decisions.

We believe that as investment banks reshape themselves, they can take the following steps to control the business:

- ▶ **Change culture and incentives.** The board and executive management team have to change the culture of their firms by embedding a risk management and control mindset in day-to-day business decisions, processes and procedures. They also need to invest in and empower the risk management, model validation, internal control, compliance, and internal audit functions to provide independent and effective challenges to the business.

- ▶ **Enhance crisis management capabilities.** Investment banks have to improve their crisis management and recovery and resolution planning capabilities so that in the event of stress, the organization has an effective toolkit, contingency action plan and clear communication protocols that can be deployed in a timely and effective manner. Banks will continue to be under pressure to demonstrate that their business model and growth strategy do not lead to systemic risks or the need for a bailout.
- ▶ **Invest in data and analytics.** Investment banks will be required to make significant investments to enhance their legacy data and technology architecture to preemptively detect potential breaches of controls and limits (e.g., trade surveillance). They will also need the ability to produce accurate, granular and multidimensional analytics on a timely basis, in most cases, intraday (e.g., availability of unencumbered collateral).
- ▶ **Improve balance sheet management.** Investment banks will need to develop tools and processes to manage and optimize their balance sheets across a range of market and regulatory constraints. In addition to product and customer segments, legal entity and jurisdiction will become important dimensions.

Figure 9
Cost of control



*Additional fines have been incurred in 2016

Source: Company accounts, EY analysis

Toward the investment bank of the future

As investment banks re-examine and reshape their businesses to determine new ways to grow, be more efficient and rebuild, they must also ensure that they are meeting the demands of regulators. In our experience, this means the execution of change will be critical.

The key to success will be building a better ecosystem, not a bigger bank.

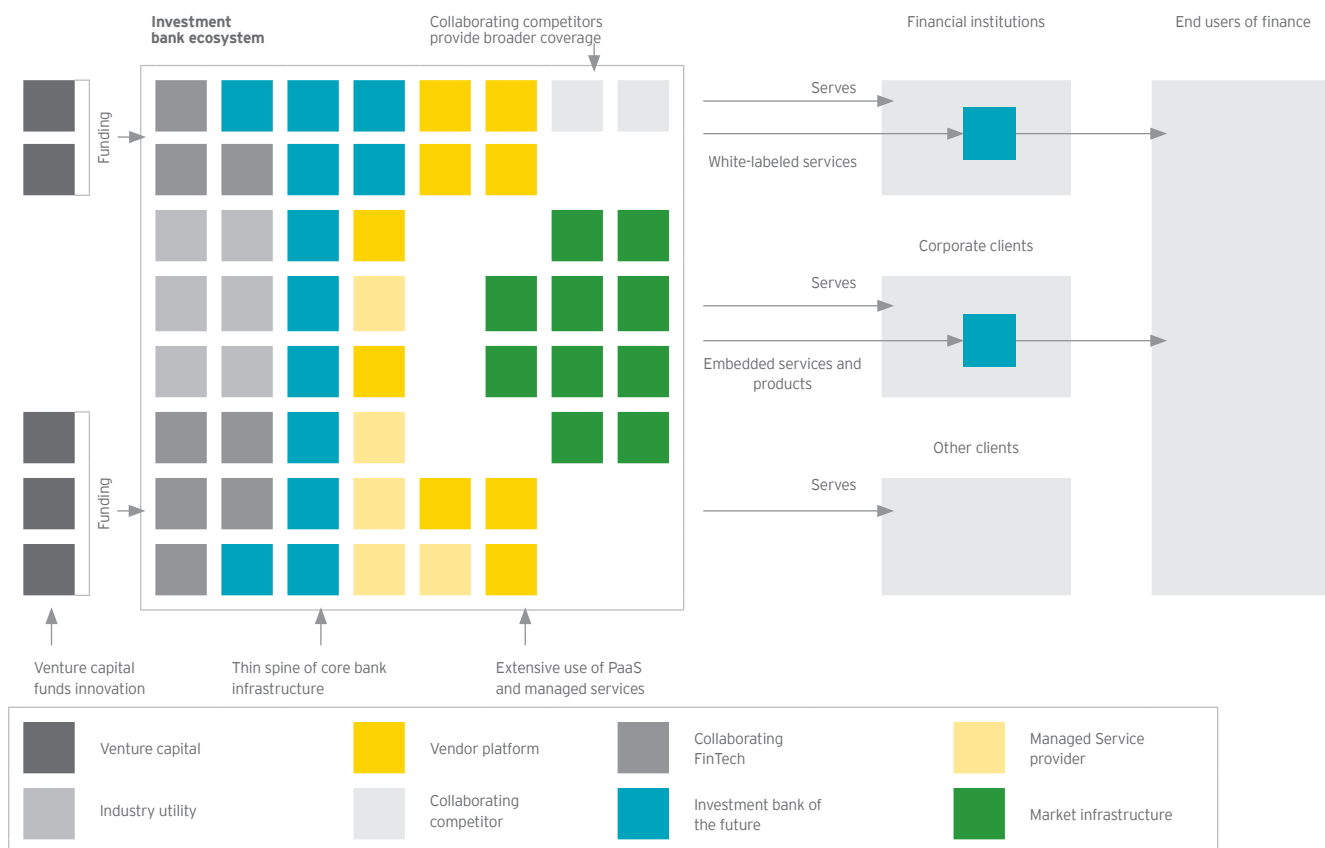
One thing is clear: banks currently are ill-positioned to do all this alone. We believe the key to success will be building a better ecosystem, not a bigger bank. The investment bank of the future must look for alternative ways to be organized and to operate. In our view, the operating model will be far more aligned to legal entities and will have a much thinner spine than investment banks have today, making extensive use of industry utilities and a diverse range of partners to deliver better services, drive out cost, manage risks and help protect the organization.

We believe investment banks will see meaningful benefits from this more flexible (and more specialized) model:

- ▶ From improved risk management to better compliance, and from better resolvability to greater trust, these institutions will be safer than ever before.
- ▶ From lower costs – with a diminished legacy estate, expenses could be more 30% lower than they are today – to greater efficiency; from lower capital requirements to a stronger employee proposition; and from an enhanced client experience to smarter revenue acquisition, they will be better optimized and better able to grow than ever before.

The challenge to investment banking leaders is to be bold and move beyond incremental adjustments to broader transformation. The challenge is to commit to a vision of the investment bank of the future, and build it. Success will depend on the effectiveness of implementation and execution of innovation, as well as the quality of the ecosystem banks build with their partners.

Figure 10
A better ecosystem, not a bigger bank



Source: EY

Further reading



Capital Markets: innovation and the FinTech landscape



Transforming investment banks

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