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Top 10 Trends in Financial Services, 2020

JANUARY 2020

INTRODUCTION

Each year, Aite Group's clients in finance and financial technology use our top 10 trends reports to stay informed, make decisions for the year to come, and expand their business reach. Though it's difficult to say what will truly happen in the coming year, Aite Group has considered the issues set to affect each of our research areas in 2020—our analysts have made predictions about the things to watch out for, the actions to take, and the technologies readying themselves to gain traction over the next 12 months. This summary offers a glimpse at industrywide trends and outlines the content available across all seven of Aite Group's top 10 trends reports for 2020:

- *Top 10 Trends in Retail Banking & Payments, 2020: Transforming by Elevating the Customer Experience*
- *Top 10 Trends in Wholesale Banking & Payments, 2020: Modernizing and Future-Proofing*
- *Top 10 Trends in Insurance, 2020: Consumers and the Industry Become More Proactive*
- *Top 10 Trends in Institutional Securities & Investments, 2020: Entering the Tumultuous Twenties*
- *Top 10 Trends in Wealth Management, 2020: Wind of Change*
- *Top 10 Trends in Cybersecurity, 2020: More Ransomware, Evolving Strategies, and New Tools*
- *Top 10 Trends in Fraud & AML, 2020: Faster, Higher, Stronger*

The top 10 trends reports are part of the rich and diverse research library that Aite Group produces each year. To see any of the full reports or speak to their analyst authors, email sales@aitegroup.com.

RETAIL BANKING & PAYMENTS

The dawn of 2020 finds the retail banking and payments ecosystem in the midst of unprecedented transformation. Understanding consumers' increasingly complex path to transact has become a challenging quest for many market participants. Consumers' expectations for a greater customer experience, easier access to personal banking and payment information, and data-driven personalized advice and engagement are forcing all financial services companies to evaluate their current infrastructure, processes, and product offerings.

- **Financial wellness is the center of many financial institution (FI) strategies:** Opportunities exist for FIs that will deliver financial wellness solutions designed around personalized, actionable advice guiding consumers through financial decisions using data and analytics via mobile devices and conversational touch points such as chatbots, voice-activated assistants, and digital banking assistants. The focus on financial wellness will help attract and retain customers as well as uncover new products or services that will generate additional fee income.
- **Consumers take control of their credit scores:** New types of credit scores—using account transaction and bill payment data—are emerging, creating additional opportunities for over half of U.S. adults to improve their creditworthiness.
- **The consumer bill payment experience takes on a new life:** Modern technology, real-time payments, and strong standards will create new bill payment experiences, providing transparency and efficiencies to help bridge the gap between payment and data.
- **Universal acceptance—can it happen?** The opportunity being created by global commerce and the proliferation of payment types will drive innovation and accelerate migration to a tender-agnostic worldwide payments network in the next few years.
- **Faster payments go mainstream—or wait, do they?** While the industry as a whole will remain focused on making faster payments ubiquitous and increasing consumer awareness, FIs will need to leverage Zelle and The Clearing House's RTP to improve the customer experience for business-to-consumer disbursements, bill pay, and business-to-business supplier payments.
- **Instant digital card issuance gains traction:** As more processors, networks, and third-party providers make the service available to cardholders, the number of FIs offering instant digital card issuance will increase, and it will become the basis for new competition and improved customer experience.
- **Payments intelligence goes artificial:** Artificial intelligence (AI) and machine learning (ML) will replace traditional rules-based engines with dynamic rules and real-time data analysis. This will bring countless opportunities to payments and commerce, especially for the optimization of the customer experience, fraud detection and prevention, payment acceptance, automation of operations, and reporting.

- **Cryptocurrency steps up to the point of sale (POS):** Supported by consumer appeal and digital payment companies, expect a whole new generation of POS solutions for cryptocurrency to proliferate in the market. By allowing merchants to confirm and settle transactions immediately, protecting from the current cryptocurrency's volatility, POS solutions will become instrumental in giving cryptocurrencies a practical use.
- **Delivering personalized experiences comes to fruition:** FIs are looking to leverage the opportunities presented by including new data sources and using AI and ML in their decisioning to uncover additional insights into consumer needs, help assess risk, or find new sources of revenue through new business models. FIs' personalization efforts will be first grounded in getting their data fit to get a holistic view of a customer's relationship and second focused on helping customers understand how to optimize their finances and give them more actionable advice.
- **Consumer lenders turn their focus to portfolio management:** Lenders that invest now in transforming and monitoring their portfolio management and collections functions will not only be perceived as innovative early movers but will also better weather the next change in the credit cycle, however and whenever it may occur.

WHOLESALE BANKING & PAYMENTS

The global wholesale banking and payments industry is evolving at an unprecedented pace, driven by technological advances and a more demanding customer base. Fortunately, new technology not only enables a customer experience that is more closely aligned with expectations but also helps bank back offices enjoy greater automation, efficiency, and cost savings. True digital transformation will not take place if banks focus only on the client-facing front-end systems and ignore dated legacy technologies on the back end: Front-to-back technology replacements are needed to accommodate today's challenging times.

- **Usability trumps functionality:** Leading institutions will need to make such enhancements a priority or risk looking dated and face challenges attracting and retaining customers.
- **Cash and liquidity products move down-market:** Opportunities exist for banks to offer scaled-down versions of products once reserved solely for their largest customers to meet the new needs of a more sophisticated customer base.
- **Real-time payments shift from "if" to "when" as new use cases emerge:** Significant numbers of community banks and credit unions will have connectivity into the RTP network, highlighting the value of real-time payments for businesses of all sizes.
- **Payment automation becomes a greater focus:** As real-time payments become the norm domestically and globally, improved payment automation becomes critical for banks. Redesigning existing internal systems is one step, while ML and robotic process automation promise significant improvements.
- **Open banking gets monetized as API strategies advance:** It is a priority for banks to plan for the right change management program that will help them agree on what an API strategy is, what it can solve, and why it represents a benefit to the bank. Banks are under pressure to grow revenue and reduce expenses. A bank incapable of measuring how an API program may address these objectives faces significant constraints to deploy a competitive strategy.
- **AI becomes a reality beyond fraud prevention:** Simply shouting AI in marketing materials is no longer sufficient, and AI development is increasingly critical in terms of product development and back-office efficiencies. Partnerships and talent development will remain critical for everyone.
- **Preparation begins for a possible recession and new market dynamics:** While the next recession might be the most anticipated and prepared for in memory, an over-supply of capital has rendered business-lending FIs uniquely vulnerable. Expect the survivors of the next recession to be those with the high-margin noncredit products that pad a lender's equity.
- **Cloud adoption continues:** The cloud allows banks of all sizes to experience greater flexibility, quicker speed to market, and operational efficiencies. Banks that are not exploring the value of the cloud will find themselves at a competitive disadvantage as technology solutions become more accessible to even the smallest banks.

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- **New opportunities for banks and technology vendors emerge:** Corporate banks are looking to leverage the opportunities presented by real-time payment networks and open banking to improve their products and services. As they turn to vendors to help them, they must avoid the trap of having “me too” products and differentiate themselves in the market.
- **Digitalization becomes both internal and external:** Millennials are beginning to dominate the controllers’ departments and C-suites of corporate borrowers; expect business-lending FIs to respond by digitalizing the borrower experience, enabling lenders to spend more time as trusted advisors.

INSURANCE

Two overarching themes set the stage for the life, health, and property and casualty (P&C) insurance industries in 2020. The first is digital transformation across the value chain, including areas with more digital transformation maturity, such as underwriting, and areas such as claims, payments, and back-office functions. The second theme revolves around group market benefits for life and health insurance-related products. This mature market is undergoing transformational change as health and financial wellness are on a crash course to become key employer differentiators to attract, retain, and reward employees.

- **Scoring gains ground in life insurance underwriting:** With a push by health and wellness platforms, life insurers are expected to increase their leverage of health scores developed by these platforms during the underwriting process.
- **Service companies find their insurtech niche in life insurance:** The insurtech life cycle has reached a stage that will increase demand for services companies across insurtech companies and life insurance carriers.
- **Worksite benefits' new product development needs become clear:** In a strong jobs economy, new products, such as worksite annuity and long-term care, will be key pieces for employers to build out attractive benefits packages.
- **The back office leads to more efficiency in the cloud:** Insurance companies take their cloud focus down the value chain, turning their eye toward operations, human resources, and financial management functions.
- **Insurance carriers accelerate adoption of modern adjudication technologies:** Carriers wade through the complexity of claims and are a key target for modernization.
- **Carriers step up their pace to move away from "pay and chase":** The adoption curve for solutions will move into the early majority as more carriers follow the innovator and early-adopter crowd.
- **Financial wellness highlights the tug of war for the same consumer buck:** The pack is getting bigger, but companies will separate themselves in the race to be the go-to provider for plan sponsors helping to bridge the persistent gap between employees' real earnings and financial resources.
- **Health savings account (HSA) assets whet retirement planners' appetites:** The retirement planner channel will be activated, leading to increased partnerships among traditional HSA players with banking and retirement planning partners.
- **Faster payments roll into insurance:** Healthcare providers and P&C carriers will turn to banks and third-party providers to power a movement away from checks to digital payments solutions.
- **Online bill payment takes on a new meaning in health benefit account administration:** Administrators seize on the opportunity to leverage ways an HSA accountholder can preserve account balances (for saving and investment gains) by making payments with other forms, bringing value to third-party administrators and health plans.

INSTITUTIONAL SECURITIES & INVESTMENTS

Portents of a global economic slowdown are ever-present as large investment banks continue to cut staff and retrench, and asset managers face the prospects of ever-decreasing revenue and plummeting fees. Meanwhile, the rise of populism across the globe indicates that there may be trouble ahead in terms of cross-border cooperation, which stands in conflict with an increasingly global capital markets landscape. To survive in this tough climate, sell-side and buy-side firms need to double down on their investments to transform their operations. But technology alone won't solve these firms' woes; the success or failure of "digital transformation" will hinge on their ability to address the rather mundane aspects of operational governance and data management.

- **Capital markets firms and vendors focus on API strategies and push the "ecosystem" angle:** Aite Group expects 2020 to feature a lot of investment banks, custodians, technology vendors, third-party service providers, etc., posturing around open and web services APIs and the notion of an "ecosystem" approach to the wild and wonderful world of fintech and data startups. The move to introduce APIs isn't without risks, however, and firms will need to keep an eye on cybersecurity and the potential longer-term competitive impacts of making it easier to move from one provider to another.
- **Environmental, social, and governance (ESG) performance attribution begins to mature:** ESG's proliferation across the industry will require investment in ESG attribution and reporting tools. Common attribution approaches will start to gain critical mass as investors desire to know how ESG integration or bets impact the risk and return profile of mandates or funds. Aite Group expects these attribution models to primarily be based on the ratings of third-party providers.
- **Federated data governance takes center stage again as part of the "digital transformation" agenda:** Chief data officers at capital markets firms will finally realize that adopting a federated approach to data management and governance—though not without its challenges—is the way forward in effecting meaningful change. Technology and cultural transformation are more easily achieved when the business works within its comfort zone (at least to begin with). After all, data assets that matter to one business unit may not mean the same thing to another.
- **Half of fixed income and currencies trade analytics will use AI or ML tools by year end, but there will be a lot of snake oil:** Although it's tempting to think the applications of AI are limitless and on a roll, market participants need to slow down instead and focus on what's practical. Aite Group expects further investment and success in the use of AI in analytics, such as the identification of outliers, categorization of liquidity regimes, and many other specific types of use cases. Those firms that are able to intelligently integrate AI into their solutions without overselling the notion of advanced technology—while instead concerning themselves with the results—will move ahead of the pack. Meanwhile, banks and other sell-side institutions that are planting the seeds for a common approach to

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digitalization will reap the benefits. However, the finish line will surely not be in 2020 and instead will take several years of evolution and continued commitment.

- **Firms struggle to make the transition from London Interbank Offered Rate (LIBOR) to its alternatives:** Aite Group believes it will be incredibly cumbersome for large, diversified businesses to shift away from LIBOR by the end of 2021. This is because there is an entire industry built on knowing what the three-month LIBOR is today. The creation of a term rate as a last step in the Alternative Reference Rates Committee's transition plan is sure to make some nervous. The chicken-and-egg issue of creating a liquid, healthy swaps and futures market necessary for teasing out a term rate could turn into a game of chicken. Should that happen, questions around the sunsetting of LIBOR will surely continue to surface as some firms dig their heels in and refuse to use the new benchmarks.

- **More merger-and-acquisition activities occur across every corner of capital markets:** Alternative data and data analytics tools will continue to be hot properties for acquisition in the next 12 months, but some of the previously overlooked areas of post-trade may also yield acquisition targets such as securities lending and reconciliation solutions. Aite Group expects to see the megavendors and custodians active on the acquisition trail, alongside the exchange providers and post-trade market infrastructures.

- **Behavioral analytics become mainstream for investment management:** The next phase in the search for competitive edge will involve investment managers turning to behavioral analytics for added insights. These analytics will be based on both internal data collected on investments or operations professionals and investors. Insights into behavior can help reveal any biases within the investment decision-making process, optimize daily activities and use of technology, and finally help teams to understand and interact with investors and prospects more efficiently.

- **Sell-side reinvention is in the cards:** After a tough few years for the sell-side, the expectation of greater volatility in 2020 combined with improved volume in equity and fixed income markets should help to boost the sell-side over the coming year. Despite some expected tinkering from the European Commission, the unbundling requirements of the revised Markets in Financial Instruments Directive (MiFID II) are here to stay, and investment research will continue to be a competitive field. Aite Group also expects prime services to feature heavily in the business strategy of the big banks for 2020.

- **Even large firms consider front-office outsourcing options:** It seemed like dozens of firms of all sorts announced in 2019 that they were offering outsourcing services for buy-side trading. These outsourced trading desks purport to be conflict-free specialists in the trading function and are flexible, global, and cost-effective. What generally was thought of as a service for small startup funds has caught the eye of traditional large and established asset managers as a way to deal with cost pressures and expanding mandates. Aite Group also expects 2020 to involve a lot of industry debate about these services and exactly how conflict-free they really are.

- **More firms make big bets on China:** 2020 is the time to start looking at the Chinese onshore bond market as well as onshore fintech. While these are still early days, Chinese time elapses in dog years. If you blink, you will miss it. While the market continues to get comfortable with onshore investing, the opportunity to settle offshore and trade using modern methods via Bond Connect has eased some frictions. Aite Group believes investors will see good progress in areas such as primary market transparency and secondary market liquidity in 2020. Western firms will continue to look for partnerships with Chinese fintech firms. Data is one area that is up for grabs, as Aite Group expects Western firms to challenge local incumbent tech companies for market share.

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WEALTH MANAGEMENT

2019 saw the ultimate erosion in transaction pricing, with Charles Schwab cutting trading commissions to zero and then acquiring one of its chief rivals, TD Ameritrade. 2020 will see a U.S. wealth management space that is being redefined by this tie-up, and there will be winners and losers. Meanwhile, instability and social uproar can be observed around the globe, and with these issues as well as the looming climate crisis, wealth management clients are increasingly asking their financial advisors for purposeful investment opportunities, with ESG and impact investing becoming part of their standard repertoire.

- **Regulation Best Interest forces smaller brokers to seek cover:** There is a natural convergence of the broker-dealer and advisor client service models with respect to a fiduciary standard. We see the development of new technologies helping to democratize the operating environments of FIs, and regulation is providing the glide path. Technology needs to be adopted with a renewed sense of urgency to remain compliant and competitive. But technology design, implementation, and pricing is not yet aligned with the needs of smaller brokers. Large players will spend to reduce risk. Smaller incumbents do not have sufficient resources to integrate these technology solutions. To that end, we see smaller brokers continuing to embrace the services of large consolidators that can deliver reasonable pricing through economies of scale. As we move into 2020, there will be a continued decline in pure broker-dealer models, increased hybrid registrations, and those that seek the shelter of large enterprise platform providers.

- **Zero commission creates a value migration:** To remain competitive and independent, broker-dealers highly dependent on commission revenue must find ways to generate new revenue sources, deliver more value to clients, and scale their operating models with technology. Trading-centric broker-dealer firms must evaluate their clients' needs and shape propositions that their clients are willing to pay for. Digital advice is one such proposition; banking services might be another. Short of meeting those requirements (and most brokers will not adapt fast enough), we see continued consolidation in this industry segment.

- **Zero commission impacts asset management distribution:** The move to zero commission for exchange-traded funds (ETFs), stocks, and options by the top discount brokers/registered investment advisor (RIA) custodians is another trend impacting asset management firms in the ability to access and influence broker-dealers, investment platform providers, and advisors. Zero-commission trading has virtually eliminated the ETF no-transaction-fee (NTF) platforms, in which ETF provides covered trading costs via revenue arrangements with RIA custodians. Participating in NTF platforms translated to greater investment flows for ETF managers, as RIAs preferred using NTF platforms over transaction platforms. The elimination of NTF levels the playing field by putting all asset managers on the same platform, but it will likely lead to more rationalization of asset managers on platforms negatively impacting midsize and small ETF managers that lack the product breadth and scale compared to larger ETFs, which are likely unaffected by this change.

- **Advisors support client longevity:** The aging marketplace is fueled by the baby boomer wave and is driving greater focus on a longevity plan. While supporting aging clients is not new, the challenges are. The average life expectancy is lengthening, and clients face the prospect of spending 20, 25, or even 30 years in retirement. This places tremendous strain on retirement savings but requires more support, which presents an opportunity for advisors transitioning to financial planning. The support goes beyond creating retirement income streams to meet client needs and wants in retirement, and expands to encompass wealth transfer and related services to support clients while they are alive and after they are gone. To meet this growing need, wealth management firms need to enhance client discovery and expand their advanced planning capabilities, including nontraditional support tied to aging clients. Wealth management firms will also need to explore advice-based compensation to monetize the expanding role and services they provide under longevity planning.

- **Financial wellness moves beyond the workplace:** Financial wellness is increasingly being used in the wealth management marketplace as a term that reflects the expanding role of wealth management and a more holistic approach to financial planning. The term “financial wellness” began in the workplace environment with employers seeking to improve not only retirement saving but also overall financial wellness by offering HSAs. Financial wellness offerings are being closely tied to 401(k) offerings. Moving forward, financial wellness is moving out of the workplace to encompass services beyond traditional wealth management, such as paying off debt, helping clients find a qualified caregiver, providing elder care support, or helping with financial crisis management. While financial wellness adds value to clients, it will also force wealth management firms to reevaluate their service and support models as well as their methods of compensation for investment management and advice.

- **Defined contribution (DC) plans add digital advice:** DC plan providers will continue to implement and improve digital advice solutions in 2020 and beyond as they contend with traditional advisor firms for rollover and nonqualified investment dollars. Large incumbents in the space have recently unveiled new solutions. Traditional advisor firms will feel more pressure from DC plan providers when vying for rollover and nonqualified investment assets.

- **Wealth managers incorporate banking services:** By controlling the management of long-term investments and now short-term savings and spending accounts, wealth management firms are able to generate money management efficiencies for clients more than ever before. These new solutions—including savings and checking accounts as well as branded credit cards and diverse lending options through partner institutions—make a client’s financial journey more cohesive and deepen clients’ relationship with the firm. As new solutions are proven successful and technology providers make the implementation more straightforward, expect to see a proliferation of new cash management offerings come to market in 2020.

- **Global private banks perpetually evolve:** The continued evolution of global private banking models is dynamic and impressive, spurred by increasing regulations, an infiltration of new technologies (including the burgeoning blockchain sector), and changes in customer expectations. Indeed, the global push for tax transparency has abruptly ended centuries-old business models and is now focusing private banks' value proposition on customizing their client experience, providing unbiased investment advice, and executing prudent risk management strategies with transparent pricing. In 2020, banks will sharpen their businesses by opportunistically hiring relationship managers and advisory personnel, deploying digital client platforms, and rationalizing their geographic footprint. On the investment side, we see increased management focus on investment solutions teams as a center of excellence for advisory and asset management services. Operationally, management teams will sharpen the focus on their respective economic models and align internal processes to deliver outstanding solutions and sustainable profitability.
- **Global private banks seek stability:** Within Asia, private clients will keep close tabs on their jurisdictional risk. Singapore, due to its strategic location, strong regulatory framework, and internationally recognized standards of client protection, will benefit from instability in Hong Kong. Other developed markets will benefit as well. This movement can be best characterized as an effort to mitigate jurisdictional risk. Financial advisors will take this opportunity to reaffirm their value propositions by showcasing their scale, Pan-Asian and global booking capabilities, and product offering, etc. In short, this is a fantastic time for wealth managers to reaffirm their value propositions to their clients.
- **Relevance of ESG heightens:** Forward-looking firms are keenly aware that their efforts to excel in this sector protect them from asset attrition in the future, due to the unique investment philosophy of millennials. Therefore, expect to see a sharp increase around socially responsible investing (SRI) on top of existing initiatives deployed across wealth managers. More firms will follow with proprietary solutions; vendors will look to incorporate ESG/SRI themes into their product offerings as well. We also see a deeper focus on crystallizing impact measurement and reporting, increased adoption of ESG options in U.S. retirement plans, enhanced terminology simplification and standardization efforts, improvements and more accessibility of ESG scoring protocols, increased awareness of critical problems such as climate change, and firms' wider awareness of their need to mitigate ESG-related reputational risks. If not already there, this sector will become part of the mainstream wealth management business.

CYBERSECURITY

The top cybersecurity trends in 2020 will drive organizations' cybersecurity strategies and investments, and capture the focus of their security leaders. Ransomware activities will target organizations of all sizes, which must look for specific solutions to bolster system and data availability as well as to optimize recovery processes. In addition, 2020 will be an inflection point for many legacy security controls, and companies will be required to move from nearly obsolete signature-based systems and to ML-powered solutions. Meanwhile, the lack of skilled cybersecurity professionals will worsen, and chief information security officers (CISOs) will have to look for new sources of talent and radically rethink how they staff their open roles.

- **Ransomware attacks expand as cybercriminals seek easy money:** Ransomware will continue to plague organizations of all sizes. This will particularly impact organizations offering high-availability services and those that have poor data restoration capabilities. New products and capabilities to defend against ransomware will become available in 2020.
- **CISOs radically rethink how to fill cybersecurity positions:** There will be continued challenges to fill vacant cybersecurity positions in all industries and geographies. Organizations will be forced to use nontraditional ways to recruit and retain cybersecurity talent to bridge the gap.
- **CISOs increasingly look for API security solutions:** As monolithic applications move to microservices and we move to an API-first world, CISOs are increasingly looking to more quickly identify all of the APIs running in their environment and to secure them properly, realizing that API gateways and web application firewalls aren't as effective as purpose-built API security solutions.
- **Cloud misconfigurations continue to expose sensitive data:** Despite 10 years of cloud computing, there will be additional cyber breaches in 2020 due to misconfigured cloud infrastructure and storage repositories. Cloud vendors and cybersecurity product vendors are offering and improving cloud configuration and auditing tools to help their clients validate configuration settings, but human error prevails.
- **Security information and event management (SIEM) solutions begin to be paired with automated response platforms using security orchestration, automation, and response (SOAR):** CISOs will be looking to improve the efficacy of their SIEM solutions using SOAR platforms to apply automated response to SIEM-generated alarms, removing the human and manual response steps. In 2020, we will start to see a convergence of the two separate product spaces of SIEM and SOAR, whereby SIEM solutions will begin to adopt SOAR capabilities, allowing users to create playbooks that the SIEM can execute when an alarm is triggered. Additionally, SIEM vendors will either create the capability on their own or begin to make acquisitions in the SOAR space, like that of Palo Alto Networks with Demisto and Splunk with Phantom.

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- **Additional complexity is associated with data privacy and compliance requirements:** It Is highly unlikely that the United States will pass a national privacy law in 2020, forcing organizations to comply with more than 50 separate laws from the states, Puerto Rico, the District of Columbia, and the U.S. Virgin Islands. The California Consumer Privacy Act (CCPA) comes into force on January 1, 2020, and will impose new requirements on all companies doing business in that state. CISOs and data privacy officers may resort to using specialized tools to reach and maintain compliance with CCPA, the EU’s General Data Protection Regulation (GDPR), and a plethora of international privacy requirements.

- **Moving to a test-centric model, companies adopt breach and attack simulation (BAS) solutions to test security controls:** CISOs are no longer going to simply trust that their security controls were deployed and configured properly. They will begin to adopt BAS solutions to instrument and test their security controls before finding out they weren’t properly configured after a breach.

- **Microsoft aggressively tries to displace traditional security vendors:** In 2020, Microsoft will try to capitalize on its deep investments in cybersecurity product development resulting from acquisitions and internal research and development. The company will attempt to displace existing security vendors with coordinated and interlocked products from the endpoint to the cloud. Although the majority of CISOs will continue to procure what they believe to be best-of-breed cybersecurity solutions, Microsoft’s offerings may complement existing defensive capabilities.

- **CISOs will look to security analytics platforms, even replacing existing SIEM solutions they feel are failing:** Many organizations are abandoning traditional log servers and SIEM solutions for security analytics, not to generate more events in their environment but rather to make sense of the growing data lakes they already have using ML to find the signal in the noise.

- **Software-defined networking, software-defined wide area network, and software-defined perimeter (SDP) solutions mature, enabling CISOs to address flat networks:** As the details published around major breaches become more commonplace, empirical evidence supports the criticality of companies no longer having flat networks. CISOs have begun to realize the importance of locking down an adversary to a specific host or hosts because microsegmentation was implemented. SDP solutions and software-based microsegmentation can implement network segmentation in large, preexisting networks more easily than using switches and VLANs.

FRAUD & AML

The financial services firms, retailers, and corporations that are the prime targets of fraud and money laundering attacks have rapidly progressing technology solutions at their disposal, but their ability to nimbly adopt these technologies is often hamstrung by internal bureaucracy. But 2020 will see firms continue to invest, even as the specter of global recession looms large. These initiatives will take hold and accelerate as the financial services industry works to go faster, reach higher, and get stronger in the face of rapidly evolving financial crime threats.

- **Financial crime convergence and collaboration accelerate.** Despite substantial efforts, economic crime is flourishing. The private and public sectors are increasingly recognizing that collaboration and convergences among fraud, anti-money laundering (AML), and information security functions can help organizations more successfully address the growing challenges.
- **FI employee fraud is resurgent.** The next economic downturn could be just around the corner, and when it occurs, a resurgence of employee fraud is likely. Smart FI executives are working now to ensure they are prepared by establishing enhanced internal controls, processes, and employee monitoring to deter fraud.
- **Self-service security becomes a competitive differentiator.** The trend to more proactively engage clients to encourage them to take a more deliberate role in improving their security hygiene will accelerate as fraudsters continue to migrate their tactics to exploit end-users' security vulnerabilities. Nudging clients toward better security practices will play a greater role in influencing how fraud executives think about controlling for these security vulnerabilities.
- **Momentum builds around mule takedown efforts.** Mule networks are an essential underpinning of financial crime, and concerted efforts to cripple these networks will impede the rampant growth that financial crime rings currently enjoy.
- **Accelerated innovation becomes a top regulatory priority.** To speed up and advance the financial crime technology revolution, global regulators will lead numerous innovation initiatives. 2020 will see the outbreak of regulator-led innovation offices and tech-sprints.
- **Faster payments risks accelerate.** As real-time payments adoption ramps up, so too will the deployment of capabilities to blend channel and transaction monitoring controls into fraud countermeasures and to experiment with organizational structures and policies that foster greater collaboration between fraud and AML.
- **FIs invest to address contact center fraud.** Fraudsters are focusing on contact centers more than ever before, using them to enable their crimes. A wide variety of technology solutions is available for contact centers, many of which add greater security without adding additional friction to the customer interaction. Investments in contact center technology can better protect the FI and ensure only legitimate customers get the great service their agents provide.

- **Business email compromise and consumer push payment scams enter regulators' crosshairs.** Now that a precedent for liability shift for social engineering fraud has been established in the U.K. market, expect regulators in other jurisdictions to take notice and wade into the fray—unless banks take the initiative and proactively improve their controls to thwart this rampantly growing fraud vector.

- **The industry sees new sanctions challenges and opportunities.** Currently, sanctions is an intensifying, unpredictable, and perhaps unforgiving ecosystem. By escalating its investment in people and talent development, process optimization, and big data and technology, the financial services industry will build and benefit from more effective and more efficient sanctions risk management practices and solutions.

- **The EU marches toward strong customer authentication (SCA).** The introduction of SCA is a double-edged sword. SCA may reduce fraud considerably, but at the same time, market participants see SCA as a risk, as it will introduce friction in the checkout process.

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