

# The Future of Financial Services

---

## The Current Landscape

In contrast to the Global Financial Crisis (GFC), COVID-19 triggered initial impacts in the real economy and will increasingly manifest itself in a second stage throughout the financial sector.

## Introduction

---

The lockdowns and social-distancing measures imposed by governments around the globe to flatten the infection curves have caused significant damage to many industries, all of which are served by financial institutions.

Compared to all previous crises—including the GFC, the oil-price shocks of the 1970s or even the Great Depression of the 1930s—COVID-19 will likely have the most substantial impact on the global

economy, with a one-year reduction in worldwide GDP of more than 6%. Financial services firms need to consider 7 macro trends to properly plan for the future.

# Macro Trends That Matter and Their Impact in a Post-COVID-19 World

As we shift our attention to the future, it is important to note that although COVID-19 presents significant challenges, other fundamental factors such as geopolitical tensions and evolving regulatory regimes will shape financial institutions significantly in the mid- to long-term. We don't have all of the answers, but there is a set of macro trends that financial institution leadership teams need to understand in order to properly plan for their future:

1

Low interest rates will continue to wreak havoc on margins and business models.

6

Firms face unrelenting pressure to boost productivity through the digitisation of the business and the workforce.

2

The COVID-19 recession and asset impairments will reduce risk-bearing capacity for regulated industries to support the real economy as it enters the recovery stage over the next year.

7

The client-driven shift to a platform- and ecosystem-based financial services industry will create a new wave of disruption and disintermediation.

3

Alternative providers of capital are set to become an even more important part of the global financial system.

4

Alternative providers of capital are set to become an even more important part of the global financial system.

5

COVID-19 will not delay—and may accelerate—the implementation of current and planned regulatory measures in many countries and regions.

---

**“... other fundamental factors such as geopolitical tensions and evolving regulatory regimes will shape financial institutions significantly in the mid- to long-term.”**

---

# A new way to think about the future of your business

As you think about the future, it may be helpful to have a structured way to think about your organisation, operating platform and overall business. At Grant Thornton, as part of our Future of Industries project, we determined the four key categories and areas of focus to consider as you prepare for tomorrow.



## Repair the Damage

The damage from COVID-19 to the real economy—and, by extension, the financial system—is only beginning to manifest itself in various ways. This damage will require deliberative activities to repair financial institution balance sheets and reputations.

The following repair activities should be top priorities for financial institutions across the board:

- Prepare for restructurings, workouts and wind-downs
- Increase the proportion of fee-based revenue
- Accelerate 'trust-building' activities
- Create new business capacity



## Rethink the Organisation

Many of the questions about organisational structures and talent that existed before COVID-19—the efficacy of remote working and the productivity of agile teams—have been answered. These and related tools and approaches are now being deployed, and are succeeding, on a massive global scale.

- Rethinking the organisation requires a focus on the following priorities:
- Adopt a modern management approach
- Embrace new ways of working and digital upskilling:
- Crowdsource talent and innovation
- Redesign the customer journey and strategy



## Report the results

As various stakeholders demand more transparency and accountability from financial institutions, the focus will increasingly turn to complete and accurate reporting in a range of areas, including financial performance, ESG, regulatory compliance and the like. In addition, it will be critical not to miss perhaps the most important attribute of any successful financial institution in the future: being able to articulate its unique culture, story and value to society.

## Conclusion

---

The current pandemic has impacted businesses across all sectors and at a global scale – the professional services sector included. In this environment, traits such as agility, resilience, and digital transformation are the vital ingredients for success and growth. Professional services firm play a key role and shall be the first to transform and adapt their business models, their offerings, expertise and solutions to the new created demand in the market and be the force behind other businesses' and sectors' growth worldwide.

---

© 2020 Grant Thornton UAE.  
All rights reserved.

Grant Thornton refers to the brand under which the Grant Thornton member firms provide assistance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

### Dubai

Rolex Tower, 23 Floor  
Sheikh Zayed Road  
PO Box 1620  
Dubai, UAE

**T** +971 4 388 9925  
**F** +971 4 388 9915

### Abu Dhabi

Al Kamala Tower  
Office 1101, 11 Floor  
Zayed the 1<sup>st</sup> Street  
Abu Dhabi, UAE

**T** +971 2 666 9750  
**F** +971 2 666 9816

### Abu Dhabi

Office 3414, 34 Floor  
Al Maqam Tower  
ADGM Square  
Al Maryah Island  
Abu Dhabi, UAE

**F** +971 2 666 9816

### Sharjah

Al Bakr Tower  
Office 305  
7/9 Al Khan Street  
Sharjah, UAE

**T** +971 6 525 9691  
**F** +971 6 525 9690