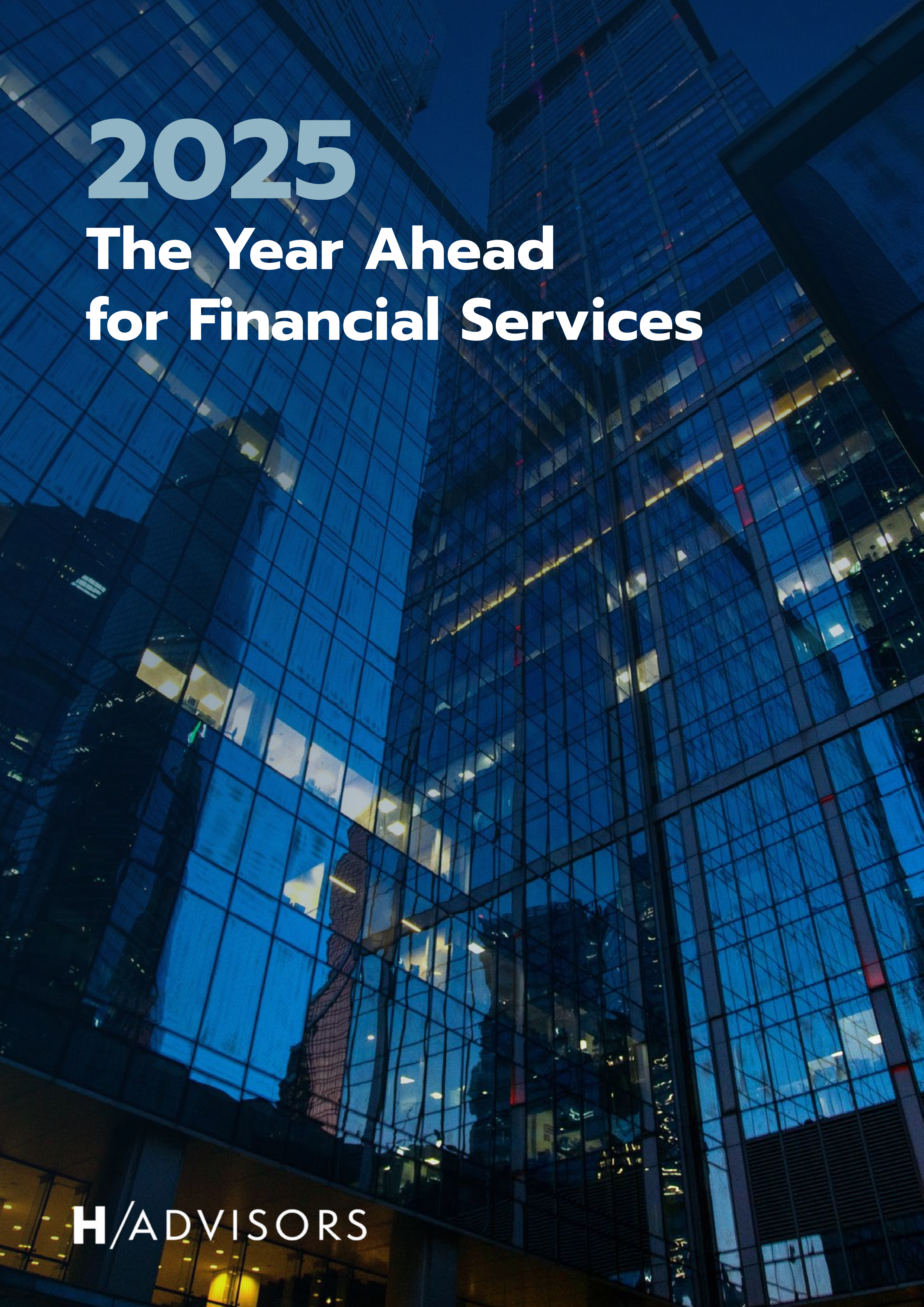
2025
The Year Ahead for Financial Services



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Introduction

Financial markets face a volatile year of tariffs, trade wars and geopolitical uncertainty as mercantilist policies take hold.

In this new world order, Trump's America will set the global agenda and likely reap the rewards of deregulation. The UK and EU must choose whether to compete or collaborate as their relative importance in financial markets wanes. While APAC markets are vulnerable to the threat of Chinese economic slow down, GCC financial centres look set to grow, cementing their position and influence.

Despite fragmentation, common themes remain across all markets. As in the past, investors are turning to gold, but in a sign of how times have changed, crypto is increasingly becoming a mainstream asset.

Heightened geopolitical tensions raise the threat of cyber attacks. Questions remain about leverage among non-bank financial institutions (NBFIs). ESG is no longer in vogue and the Global Financial Alliance for Net-Zero (GFANZ) groups that emerged from COP26 look set to become irrelevant before COP30.

H/Advisors global financial services teams set out what to expect in 2025.

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View from the US

The 2025 theme for the financial services industry in the U.S. is simple: deregulation.

In his first month in office, President Trump has ordered a pause on all new and pending regulations and begun to pursue executive actions to deliver on his campaign promises. With the White House, the Senate and (albeit by a small margin) the House under Republican control, this year will likely see rollbacks of the previous administration's policies, a focus on unleashing the financial sector for growth, and a friendlier approach to regulating cryptocurrency and other digital assets.

Expected regulatory rollbacks include potential revisions to the Community Reinvestment Act, which encourages financial institutions to meet the credit needs of low- and moderate-income communities; the Financial Data Transparency Act, which requires banks share financial data at a consumer's request and that banks have argued exposes them to greater liability; FDIC and OCC merger guidelines; Basel III endgame proposal and associated increased capital requirements; as well as full repeals of rules like CFPB's cap on overdraft fees at $5 and CFPB's rule to supervise large nonbank companies that offer digital wallets and fund transfers.

The Chairman of the Senate Banking Committee, Sen. Tim Scott (R-SC) has outlined his priorities for the 119th Congress, which include "right-siz[ing] the impacts of the Biden-Harris administration's unduly burdensome and arbitrary financial regulations." Companies representing the crypto industry made up the single largest group of corporate donors to candidates in the 2024 election, which may mean members of Congress on both sides of the aisle will approach cryptocurrencies more favourably. For example, Rep. French Hill (R-AR), a former community banker and Chairman of the House Financial Services Committee has introduced legislation that would create favourable frameworks for how to approach crypto regulation. The bill is largely expected to pass this session.

Financial services companies should be prepared for an already rapidly changing regulatory landscape and take advantage of the market opportunities it may present – while carefully avoiding political missteps.

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View from the EU

In 2025, the European Union's financial services agenda will be driven by efforts to bolster European competitiveness, simplify regulations, and enhance investment opportunities amid broader geopolitical and economic challenges. A key element of this agenda is the Commission's Savings and Investments Union (SIU) Strategy, set for release on 19 March 2025. This strategy will outline a long-term vision for capital market development, with an initial focus on boosting retail investment and long-term financing, serving as a foundation for deeper reforms throughout the 2024-2029 mandate.

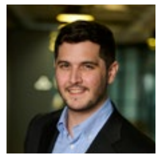
Legislative initiatives in 2025 will include the review of the Securitisation Regulation (Q2 2025) to stimulate private capital flows and enhance market competitiveness, as well as the revision of the Sustainable Finance Disclosure Regulation (SFDR) (Q4 2025) to address industry concerns regarding reporting complexity. Additionally, an evaluation of State aid rules for banks in difficulties is scheduled for Q4 2025, reflecting broader efforts to strengthen financial stability. The First and Second Omnibus packages, both set for publication on 26 February 2025, will streamline sustainability regulations—including the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CSDDD), and the EU Taxonomy—while also introducing investment simplification measures to reduce regulatory fragmentation and administrative burdens for financial institutions.

As part of the SIU rollout, the first SIU package, expected in Autumn 2025, will focus on retail investor engagement, with measures to improve financial literacy, encourage long-term savings, and advance securitization markets. This package aims to foster a more resilient financial market by expanding investment opportunities and ensuring greater transparency and accountability. Additional SIU packages anticipated in 2026 and 2027 may focus on growth finance and financial market infrastructure, further strengthening the EU's financial ecosystem.

Beyond these new major initiatives, co-legislators will continue work on files still in co-decision such as the Retail Investment Package, PSD3/PSR as well as the Open Finance proposal (expected by many to be withdrawn as part of the 2025 Work Programme). The EU will also advance discussions on transitioning to T+1 settlement, following the proposal published on 14 February 2025, ensuring operational readiness across financial institutions and aligning with the UK and Switzerland.

In parallel, the European Supervisory Agencies will remain hard at work on Level 2 and Level 3 rules, including as regards the implementation of the Digital Operational Resilience Act, the Banking Package, the MiFID II/MiFIR review and more.

The EU's 2025 financial services agenda will have wide-ranging implications for asset managers, banks, and corporates seeking financing. Firms that proactively adapt to evolving regulatory requirements will be best positioned to capitalize on emerging opportunities. Industry stakeholders should engage early with regulators and participate in consultations to shape the implementation of these measures and ensure alignment with market needs.



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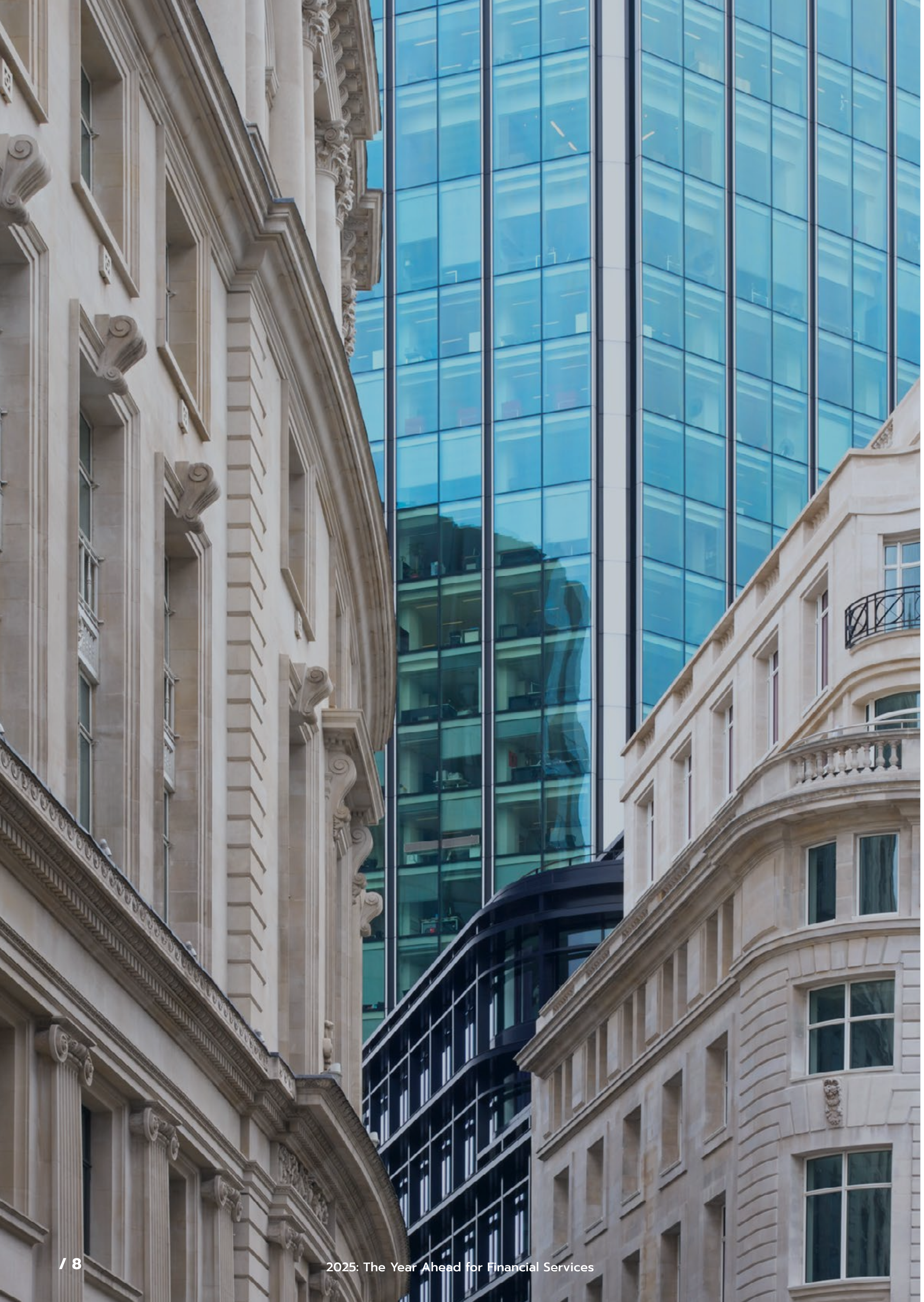

View from the UK

Prime Minister Sir Keir Starmer has repeatedly pledged that economic growth is his Government's primary mission. His chief economic minister, Chancellor Rachel Reeves has added that the UK's financial services sector sits at the heart of that growth mission.

Following the election of the centre-left Labour Government in July 2024 (the first for 14 years), the Starmer administration has emphasised its commitment to making the UK's financial services industry internationally competitive. Chancellor Rachel Reeves used a major speech in November to outline her vision for financial services, including the creation of a 10-year financial services industrial strategy focusing on fintech, sustainable finance, insurance and reinsurance, capital markets and asset management and wholesale services (due Q2 25).

In December, the Government asked the UK's financial services regulators to delivery concrete proposals to boost the growth of the UK's economy. Since then, the Chair of the anti-trust Competition and Markets Authority has been dismissed, the CEO of the Financial Services Ombudsman has left her post, and the Chairs of the Ombudsman and the DB Pension Regulator have announced their resignations.

With the future of the head of the UK's Financial Conduct Authority in doubt, there's further potential for the Government to appoint figures supportive of their growth mission. Interim office holders may also find themselves particularly receptive to views from Government and industry.

H1 2025 promises significant government reviews and legislation that will shape the sector. The review of the Consumer Credit Act will prompt debate about the role of third-party intermediaries and the regulation of sectors like SME lending. The Government's Pension Schemes Bill is a key element of its supply-side reform programme. The Government hopes that facilitating the consolidation of under-performing DC schemes and the UK's 86 Local Government Pension Schemes will create the potential for at scale investment in UK productive assets.

The Government will also continue to encourage regulators to pursue demand-side reforms, such as the Financial Conduct Authority's review of financial advice and guidance and consumer investment disclosure regime. While the Government began its term with ambitious reforms to UK listings rules, they will also need to consider further measures to boost capital markets if the UK's long-running IPO draught continues.

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View from the GCC

As we move into 2025, the financial markets in the Gulf Cooperation Council (GCC), particularly in the UAE and Saudi Arabia, are poised for robust growth and increased global influence. This is being driven by major investments, such as the recently announced partnership between OpenAI, SoftBank, Oracle, and UAE-backed MGX, in which $500 billion has been committed to advancing AI infrastructure in the United States. The UAE's strategic focus on economic diversification and digital innovation continues to strengthen its role in the global economy. The country's market capitalisation surpassing $1 trillion in 2024 is a testament to its robust economic policies and continued efforts to diversify its historically oil-based economy. This milestone, coupled with Dubai's status as a global business hub and Abu Dhabi's reputation as the "capital of capital," underscores the UAE's potential to spearhead the region's financial market development. Abu Dhabi, with its substantial sovereign wealth and strategic investments, continues to attract global capital and to drive economic growth, as exemplified by Mubadala being named as the world's most active Sovereign Wealth Fund in 2024. Thriving real estate and financial services sectors, combined with significant IPOs like Talabat's $2 billion offering, similarly highlights strong investor confidence and the dynamic nature of the UAE's economy.

Saudi Arabia, in parallel, continues to drive its economic transformation under the ambitious Vision 2030 plan. Its Sovereign Wealth Fund, the Public Investment Fund (PIF), is set to increase annual spending to $18.7 billion in 2025, which when combined with the recent budget announcement projecting 2025 expenditures at $342.7 billion and revenues at $315.7 billion, underlines the Kingdom's commitment to strategic development in the non-oil sectors. The country's reform progress and strong fiscal policies have earned it an A credit rating from S&P, also reflecting its economic resilience despite fluctuating oil prices. In 2024, Riyadh witnessed an influx of international firms into the King Abdullah Financial District, including General Atlantic, EY, and Goldman Sachs. This progress alongside recent IPOs, namely Tamkeen Human Resource Company and United International Holding Company, serves to highlight the vibrant and expanding financial ecosystem that is evolving in the Kingdom's capital. With non-oil GDP growth projected to reach 5-5.5% from 2025 to 2027, Saudi Arabia is well-placed to strengthen its position as a leading economic powerhouse in the region.

In conclusion, the outlook for the Middle East financial markets in 2025 is highly optimistic, with the UAE and Saudi Arabia at the forefront of the region's economic transformation. The UAE's strategic investments and Dubai's growing prominence as a global financial hub, along with Abu Dhabi's substantial capital deployment, are expected to drive sustained economic growth. Meanwhile, Saudi Arabia's ambitious Vision 2030 and the PIF's increasingly diversified portfolio will continue to strengthen the Kingdom's economic landscape. Both countries are set to play pivotal roles in financial markets, with the Middle East actively shaping global finance.

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View from Asia Pacific

Continued expansion across private markets, family offices, retail investments and rising interest in pension fund investments are expected across key financial hubs in the Asia Pacific region. Competition for dominance as a financial hub between Singapore and Hong Kong will continue in 2025, with an added dimension of Dubai now vying for funds that typically flow to these two countries. Inflation and interest rates will also continue to be key factors in the region's growth. Inflation is already either at target or below it for most countries in the region except for countries like Japan. Singapore, for example, forecasts its core inflation to average between 1 - 2 per cent in 2025, lower than previously expected. It is therefore expected to keep interest rates mirrored to any moves by the US Federal Reserve, unlike Japan, which has raised interest rates in late January despite the Fed keeping rates unchanged.

Such diverse policy reactions will play out across 2025, as geopolitical and macro trends are expected to overshadow the region, with a direct impact flowing back to the financial services market. For starters, the Trump presidency has already increased fears over trade wars and tariffs. The Asian financial services industry, as a collective, are also worried about a larger macro trend of the US further decoupling from China. An isolated or slowing down China is especially worrying for its neighbours – given how entrenched trade, economies and industries are with China.

Therefore, while Southeast Asia is expected to charge full steam for 2025, especially the "ASEAN tigers" of Vietnam, Philippines, Indonesia and Malaysia, their respective GDP growths forecast at above 5 per cent can slow down if they get caught in a US-China tangle, especially since they export heavily to both countries. China also exerts considerable influence in multilateral organisations, such as the Asian Infrastructure Investment Bank (AIIB), headquartered in China. For example, the AIIB has approved over US$5 billion in project financing for Indonesia since 2016 – Indonesia's economy will slow if China slows both financing and its investing in the country. Other countries in the region may be similarly affected.

Therefore, while growth in financial services is expected to be robust for the region, there are many factors that can slow or derail it. China's growth is a key factor. There will also be some countries in Asia benefiting from opportunities that these uncertainties bring, while others will be weighed down. In all, 2025, which in the Chinese zodiac is the Year of the Snake, promises to bring many twists and turns for the region.

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View from Australia

The focus of the Australian Prudential Regulatory Authority for early 2025 remains on capital adequacy and liquidity for authorised deposit-taking institutions (retail banks). There are significant challenges for Australian banks associated with strict implementation of the proposed capital framework, and ongoing consultation rightly recognises the need for a more expansive approach to valuing how banks measure and address their overall risk portfolio.

Beyond this, in the lead-up to the Federal election (due by 17 May), the issue of financial services regulation has not been central to either Party's agenda. The notable exception to this is direct contributions to the cost of living, such as the Government's initiative to remove surcharges from debit card transactions. Further, if there is a rate cut by the Reserve Bank in the first Quarter, there will be strong scrutiny on retail banks to ensure any rate reduction is passed on in full.

While there is nothing significant in the alternative (Liberal-National Coalition) Government's policy statement regarding financial sector regulation, if there were an unlikely change of Government, there will be greater focus on the operation of industry superannuation funds, which are viewed as somewhat partisan, and some of which have been accused of systemic failure around death claims.

On the M&A side, and following the finalisation of the ANZ-Suncorp merger in 2024, the Australian Competition and Consumer Commission will be revisiting questions of market share and market power in general insurance, with significant mergers and distribution partnerships between IAG/RACQ and Allianz/RAA.

For M&A advisors, there is a bullish feel about the market for deals in 2025, though there remains significant uncertainty around the short-term impact of the shift in US-China and other key relationships affecting demand for Australian commodities and services.

Across the Tasman in NZ, the still relatively new Luxon Government is progressing the second phase of its Financial Services Reforms, which include reduced individual liability for Directors and clearer rules around consumer credit and associated claims. Further, under the Conduct of Financial Institutions Regime introduced by the previous Government, the new licensing regime supervised by the Financial Markets Authority commences from end-March 2025.

2025 is shaping up to be a very interesting year for the financial services sector in both Australia and NZ - shaped by political and policy imperatives, there is an opportunity for industry to participate in shaping key aspects of their future landscape.

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