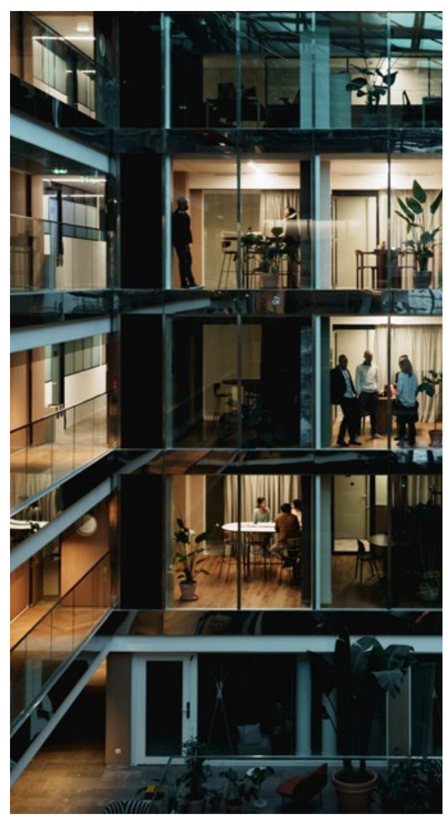
BNY INSTITUTE

Future of Finance: Key Developments in 2026

The world continues to move faster. The pace of change and innovation is accelerating organizational and infrastructure changes across the financial system. In 2026, we will see developments across five focus areas: greater speed in securities settlement and real-time payments, central clearing in U.S. Treasury markets, greater collateral mobility, increasing adoption of digital assets and blockchain technology, and AI's ability to transform productivity and growth. **Preparations to provide continuity, resiliency and optionality will be critical to maintain client trust and safety in this rapidly changing environment.**

1. Speeding Up Securities Settlement & Real-Time Payments



Asset and payment flows are accelerating as global capital markets are modernizing. Institutions now demand fully integrated, end-to-end platforms and institutional clients want speed, certainty and real-time visibility on transactions.

Securities Settlement

After the transition to T+1 settlement in the U.S., the rest of the world is working to make faster settlement a reality. In From SIU to T+1: Transforming Post-Trade Settlement in Europe, we noted how the EU, U.K. and Switzerland are expected to implement T+1 by October 2027, with the EU aiming for full systems implementation by the end of this year and testing beginning early 2027. In Asia, markets are actively reviewing the feasibility of implementing T+1 for different types of securities before setting firm transition timelines.

The year ahead will be an important one for this transition. Across the EU, U.K. and Switzerland, the focus will be on implementation and client readiness. Misalignment could ripple through the chain, therefore successful migration will depend on:

- International cooperation between public and private sectors
- Robust preparation to ensure operational readiness
- Testing to mitigate risks of trading parties following different trade lifecycles across jurisdictions

Real-Time Payments

Global real-time payments will continue to scale rapidly across markets, expanding use cases, increasing volumes and interoperability. In 2026, we expect expanded payment rail connectivity and further technological innovations (see section 4) to drive faster, more transparent cross-border payments. Key opportunities for 2026 include:

- Enhancing interoperability via SWIFT pilots (retail scheme and ledger) to simplify cross-border payments
- Investing in both payment validation and fraud-prevention technology

2. Central Clearing in U.S. Treasury Markets

By the end of the year, eligible cash transactions in the U.S. Treasury market will transition to central clearing, with eligible repo and reverse repo transactions transitioning by June 2027. With an estimated $4+ trillion in daily uncleared transactions in scope, (Figure 1) this shift is significant, and we have continued to provide our perspectives to clients through its evolution. U.S. firms recently reported that they have a high degree of confidence in readiness for the transition while Europe and Asia need to work quickly to catch up.

FIGURE 1

Cash – Purchase & Sale

TRANSACTION TYPE	DAILY AVG. ($B)
ATS and Interdealer Broker*	$626
Dealer to Customer	$541
TOTAL	$1,167

ATS – Alternative Trading System

Prepared by BNY reflecting FINRA TRACE's Daily Aggregate Treasury Statistics for Q2 2025.

Financing – Repo & Reverse Repo

TRANSACTION TYPE	DAILY AVG. ($B)
BILATERAL	$4,557
Uncleared Bilateral*	$2,777
Cleared Bilateral	$1,780
TRIPARTY	$1,675
Uncleared Triparty*	$1,288
GCF Triparty	$70
Sponsored GC Triparty	$317
TOTAL	$6,232

GCF – General Collateral Finance

**Market segments with uncleared activity that may require central clearing under rule*

Prepared by BNY reflecting New York Fed's Primary Dealer Statistics for Q2 2025, as well as internal BNY triparty data. Primary dealers do not typically participate in the ON RRP and are therefore not reflected.

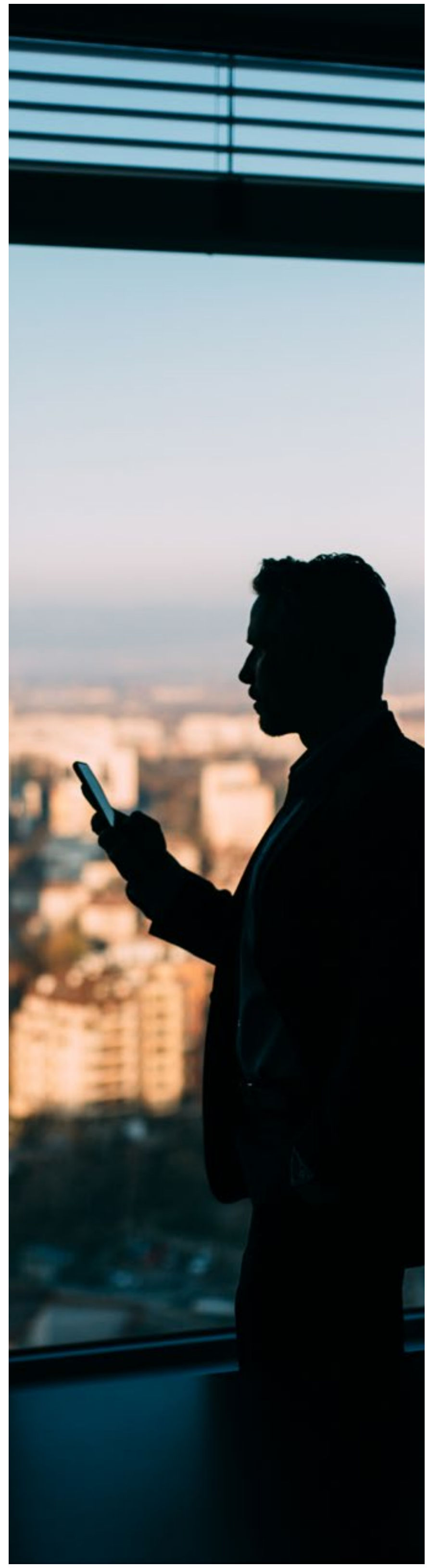
This year will be important for all firms to make meaningful progress and prepare for the transition, including:

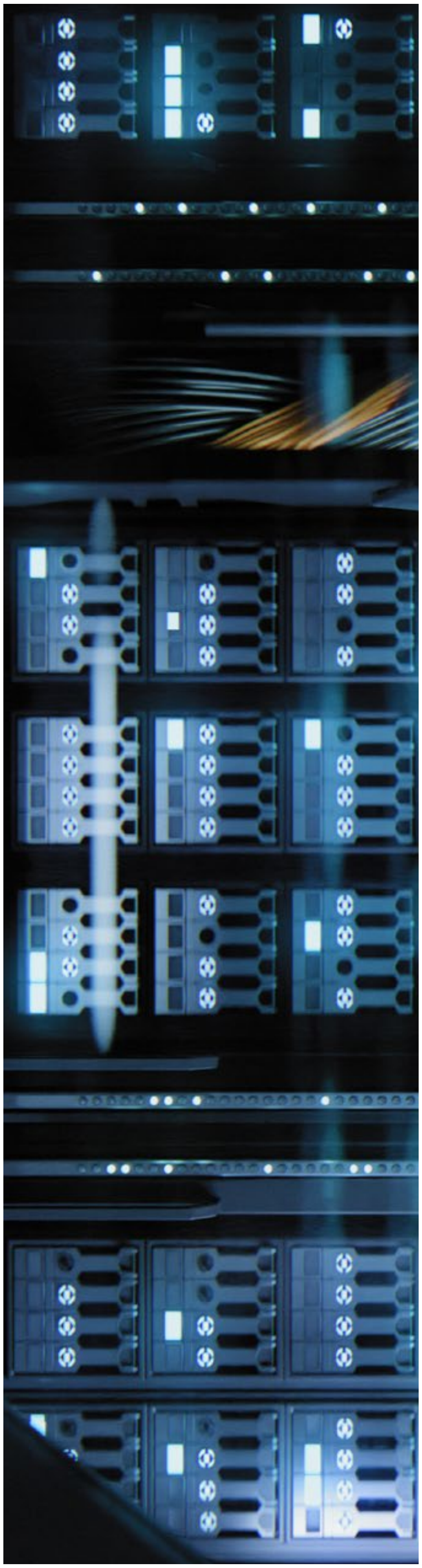
- Assessing which types of transactions will require central clearing
- Determining an access model and provider
- Adjusting risk management practices to address the implications of central clearing for margining and collateral management processes
- Conducting ongoing change management, prioritizing documentation around access models as well as system and process changes

3. Greater Collateral Mobility

Institutions looking at new investment opportunities will pursue additional ways to put their assets to work, increasing the strategic importance of collateral mobility and intraday liquidity. Central banks and private sector platform providers will build off their work in 2025 to harmonize collateral systems and optimize collateral use. In Europe, following the launch of the Eurosystem Collateral Management System, market participants across public and private sectors will look to further refine their operations. In the U.S., following the expansion of the Fed's Standing Repo Operations (SRP), there will likely be a push to create more interoperability between collateral platforms, including the Fed's Discount Window and SRP, the Federal Home Loan Bank system and private sector third-party platforms. As with other market developments, institutions will need to prepare by:

- Being operationally and legally (i.e., documentation/agreements) ready to mobilize collateral
- Prepositioning assets to plan for contingencies and allow for swift draws
- Strengthening intraday liquidity management by forecasting payment flows, market margin calls and settlement timelines





4. Increasing Adoption of Digital Asset & Blockchain Technology

In The Digital Revolution: Transforming Financial Market Infrastructure, we highlighted how the rise of blockchain technology is enabling a new operating model in which traditional financial infrastructure is evolving (as noted above), while also embracing digital rails — fundamentally transforming how assets are recorded, transferred and moved. Three key areas stand out as ones to watch in 2026 as adoption of digital assets and blockchain technology progress:

> **Digital cash and cash equivalents:** Stablecoins and tokenized deposits are poised to see greater adoption this year as use cases develop further.

> **Tokenization:** Market participants will lean into exploring tokenized real-world assets and liabilities to help drive greater efficiency and liquidity in markets and on balance sheets.

> **Regulation:** Policymakers will continue to pursue domestic legislative and regulatory frameworks while jurisdictions also work toward harmonizing regulations globally.

These developments will progress throughout this year and over the longer term, but the key to unlocking these opportunities will be the interconnectivity between traditional and digital systems.

5. AI as an Enabler

With greater speed and 24/7/365 operating models for institutions and markets, humans can benefit from AI-driven tools to help proactively identify risks, prevent fraud and strengthen market resilience. At BNY, we are using AI-based solutions to further improve quality and agility. For example:

> **Settlement prediction:** BNY's Predictive Trade Analytics uses AI and patented technology to analyze trade patterns, identify high-risk transactions, and help anticipate potential settlement failures before they occur, enabling proactive intervention and reducing operational risk.

> **Payment validation:** BNY created AI-enabled digital employees to help validate payments that cannot be straight-through-processed, improving speed, accuracy and transparency.

In AI In the Next Phase: Driving Adoption, we detail our AI journey and offer several learnings that can help firms navigate further adoption in 2026:

> **Adoption approach:** Out of a range of technology options available, consider what approach delivers the most strategic value and differentiation while providing flexibility and efficiency for the long-term.

> **Empowering employees:** Technology alone does not drive transformation — people do. Build a culture of learning where employees can use a variety of pathways to upskill themselves.

> **Governance to scale:** Having the right governance frameworks not only helps deploy AI in a responsible, risk-managed way, it is essential for building scalable solutions.

Final Thoughts

As these developments drive modernization in global markets, preparation will be essential to unlocking the benefits. BNY stands ready to help our clients navigate these changes, enabling a trusted ecosystem that supports growth and investment.