

SEI NEXT



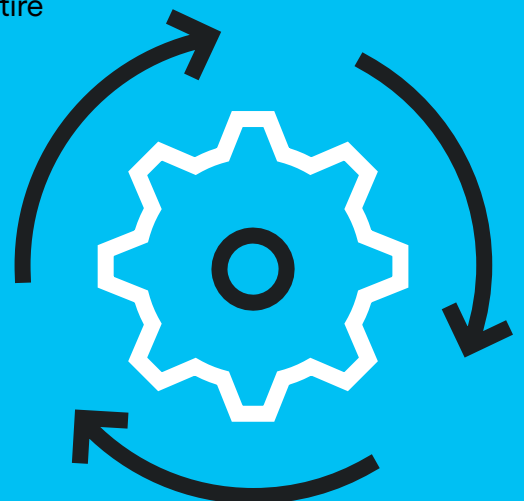
2026: The year the baseline moved.

A perspective on financial services transformation.



When innovation becomes operational reality.

2026 marks a pivotal inflection point in financial services—the moment transformative technologies shifted from experimental initiatives to operational infrastructure. AI-driven decision-making, real-time data orchestration, tokenized digital assets, and identity-based security architectures are no longer proofs of concept. They have become baseline capabilities that define minimum operational standards across the industry. Organizations that treated these technologies as optional or future-state considerations now face structural disadvantages as the industry’s foundation has fundamentally reset. The baseline has moved, and with it, the entire competitive landscape of financial services has been redefined.



Structural shifts reshaping financial services.

Five foundational shifts are reordering the strategic priorities and operational models of financial services firms:

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- 1 Platform distribution and embedded contexts** increasingly shape product design (features, pricing, data, and risk) rather than simply delivering pre-built offerings.

 - 2 Wealth** is shifting from portfolio-only advice toward goals and balance-sheet-aware planning (assets, liabilities, taxes, and life events), especially in advice-led and high-net-worth segments.

 - 3 Fund administration** is expanding from accounting and reporting into an end-to-end ownership, onboarding, and controls layer that governs who owns what and what they're entitled to, which translates into faster, more automated reporting and distributions.

 - 4 Convergence** is accelerating as banking, wealth, insurance, and asset management recompose into ecosystem value chains and hybrid offerings.

 - 5 Customer journeys** are fragmenting across specialized touchpoints, while data, identity, and risk decisioning consolidate into a smaller number of platforms that coordinate the financial relationship.
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These shifts are fundamental reconfigurations of how financial services operate and create value.

Where foundations are shifting

- **Bain & Company** projects embedded finance will exceed \$7 trillion (roughly 10% of all U.S. financial transactions) by 2026.¹
- **Morgan Stanley's** move to establish a regulated digital trust bank illustrates how industry convergence is reshaping financial services, bringing banking, wealth, and asset custody into a unified platform where distribution-led channels are beginning to define how digital assets are held, governed, and experienced by clients.²
- **Depository Trust & Clearing Corporation (DTCC)** received SEC authorization to launch a new tokenization service for DTC-custodied assets, advancing tokenized entitlements and automated distributions from pilot to regulated production infrastructure.³

Distribution now shapes product strategy

Financial products are increasingly designed around distribution realities rather than institutional manufacturing capabilities. Digital-first channels demand modular product architectures that can be assembled and customized at the point of client interaction. Embedded finance integration requires products that can be white-labeled and seamlessly incorporated into non-financial platforms and workflows. Distribution economics now determine product viability as customer acquisition costs and platform fees reshape profitability calculations. Product development cycles have compressed dramatically to match the velocity of digital distribution channels. Firms that continue to design products in isolation from distribution strategy find themselves with sophisticated offerings that cannot reach clients efficiently or economically.

Defined by distribution

- **BCG** shows that vertical SaaS platforms are reshaping embedded finance. Rather than replicating standalone bank offerings and pushing them through traditional channels, businesses are now designing lending, payments, and account products around their existing distribution advantages: deep workflow integration, real-time data, and daily user engagement.⁴
- **Apple's** Apple Card is a credit product designed to live natively inside the Apple Wallet and iOS ecosystem, prioritizing interface control, update cadence, and customer experience over issuer flexibility—ultimately contributing to Goldman Sachs' exit and the transfer of the roughly \$20 billion Apple Card portfolio to JPMorgan Chase.⁵
- In **Xero's** 2025 acquisition of **Melio**, instead of building bill-pay capabilities internally, Xero spent approximately \$2.5 billion to embed accounts payable and payments directly into its accounting platform, explicitly unifying “accounting + payments,” where U.S. SMBs and accountants already work. The deal was framed as closing a distribution gap, demonstrating that product design and investment decisions followed channel control rather than institutional manufacturing priorities.⁶

Market dynamics that are already underway.

Consolidation has reached a new phase where the consolidators themselves are being consolidated.

Mid-sized aggregators and roll-up platforms that grew rapidly through acquisition are now targets for larger-scale combinations as economies of scale continue to increase. Large-scale mergers and acquisitions have become structural responses to technology investment requirements and regulatory complexity rather than opportunistic growth strategies. The outsourced chief investment officer (OCIO) market is entering its own consolidation cycle as institutional clients seek providers with comprehensive capabilities and operational scale. Public markets are testing the enterprise registered investment advisor (RIA) model as several large platforms consider or execute public offerings, creating new transparency into unit economics and growth sustainability. These market dynamics reflect fundamental changes in the economics of financial services where scale advantages have intensified and mid-market positions have become increasingly untenable.

A consolidation of consolidators

- **Capital One's** \$35.3 billion acquisition of Discover Financial Services brought a scaled payments network under a much larger banking balance sheet, illustrating how even mature consolidators are now being absorbed to meet rising technology, compliance, and infrastructure scale requirements.⁷
- **Fifth Third Bancorp** announced a \$10.9 billion all-stock acquisition of **Comerica**, creating the ninth-largest U.S. bank with approximately \$288 billion in combined assets and demonstrating how regional banks are using M&A to build deposit scale, deepen commercial capabilities, and absorb rising fixed costs.⁸
- **Banco Santander** has acquired Webster Bank for \$12.2 billion, creating a top-ten U.S. retail and commercial bank by assets and a top-five bank by deposits in the Northeast—illustrating how global banks are using M&A to build U.S. deposit scale, expand distribution, and absorb the rising fixed costs of technology and compliance.⁹

Global forces shaping the next phase.

Geopolitical realignment is reshaping capital flows and risk management frameworks as deglobalization accelerates and regional blocs solidify.

Friendshoring has moved from policy concept to operational reality with supply chains, data infrastructure, and investment flows increasingly constrained by alliance structures rather than pure economic optimization. Automation and demographic shifts are fundamentally changing labor economics in financial services as AI-driven capabilities reduce demand for certain roles while aging populations in developed markets constrain talent supply and reshape client needs. These global forces operate on timescales beyond typical strategic planning horizons, yet demand immediate operational responses as their effects compound rapidly. Financial services firms must simultaneously navigate near-term geopolitical volatility while building resilient operating models for a structurally different global environment.

Global forces at work

- **Friendshoring becomes operational, and resilience replaces efficiency as the organizing principle.** As geopolitical alignment increasingly governs supply chains, data infrastructure, and investment flows, firms are prioritizing resilience and sovereignty over cost optimization. WEF analysis shows that geopolitics, demographics, and technology now amplify one another rather than offset.¹⁰
- **Long-cycle forces, short-cycle consequences.** Structural forces such as deglobalization, demographic change, and technological acceleration operate over decades, yet their impacts are materializing immediately—forcing firms to manage near-term volatility while rebuilding for a structurally different operating environment.¹¹
- **AI reduces role demand while demographics constrain talent supply.** Advances in AI automation are reshaping labor demand across financial services just as aging populations in developed markets tighten workforce availability, altering both cost structures and client service models.¹²
- **Systemic risk is becoming interconnected and nonlinear.** Global risks—from geopolitical fragmentation to technology disruption—are no longer isolated shocks but compounding dynamics that accelerate quickly and exceed traditional planning horizons.¹³

Technologies that are now assumed.

Four technology domains have transitioned from innovation agenda items to baseline operational assumptions.

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- 1 Artificial intelligence has evolved from assistance to delegation with autonomous agents executing complex workflows, making decisions within defined parameters, and adapting to changing conditions without human intervention.

 - 2 Tokenization has become infrastructure rather than experimentation, as digital asset representations, programmable ownership rights, and atomic settlement capabilities are embedded into core operational systems.

 - 3 Quantum readiness has shifted from theoretical concern to mandatory preparation as quantum-resistant cryptography, secure communication protocols, and data protection strategies become essential components of technology architecture.

 - 4 Identity has replaced the device as the security boundary with zero-trust architectures, continuous authentication, and contextual access controls forming the foundation of cybersecurity models.
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Organizations still treating these as emerging technologies rather than operational requirements face growing technical debt and security vulnerabilities.

Where innovation became operational

- **Anthropic’s Project Glasswing** trusts an AI model to autonomously identify and chain high severity vulnerabilities across critical systems—capabilities now deployed defensively by major infrastructure providers under human oversight rather than operating as advisory tools.¹⁴
- Analysis from **McKinsey** shows that measurable returns from GenAI emerge when AI is integrated directly into core workflows, decisioning, and operating models—not when it is layered on as a productivity add-on or isolated innovation effort.¹⁵
- **Google Research** has publicly disclosed that advances in quantum computing may compromise widely used cryptographic systems sooner than previously expected. In response, Google has committed to defined timelines for migrating critical systems to post-quantum cryptography—treating quantum readiness as an immediate engineering and governance priority rather than a distant research problem.¹⁶

What remains true.

Amid structural transformation, certain fundamental realities persist.

- **Fee pressure continues** across all client segments as transparency increases and alternative providers proliferate, compressing margins and demanding operational efficiency.
- **Private market friction remains substantial** despite technological advances, valuation complexity, illiquidity premiums, and operational challenges continue to constrain access and scalability.
- **Scale advantages intensify** rather than diminish as technology investment requirements, regulatory complexity, and talent competition favor larger organizations.
- **Human judgment remains essential** for complex decisions, relationship management, and navigation of ambiguous situations where algorithms lack sufficient context or adaptability.
- **Capital moves to performance and experience** with client tolerance for underperformance and operational friction approaching zero in an environment of abundant alternatives.
- **Cyber risk escalates continuously** as attack surfaces expand, threat actors mature, and the interconnectedness of financial systems creates cascading vulnerabilities.
- **Complexity increases rather than simplifies** as regulatory requirements multiply, technology stacks deepen, and client expectations for personalization and integration grow.

These persistent truths provide stability and continuity amid disruption, anchoring strategic planning in enduring industry dynamics.

Here to stay

- **McKinsey's** Global Asset Management research documents multiyear fee compression across active funds, ETFs, and advisory services, with revenue margins continuing to erode even as assets under management grow—confirming that pricing transparency and abundant alternatives are pressuring margins across every client segment.¹⁷
- **JPMorgan Chase** disclosed plans in 2026 to spend nearly \$20 billion on technology—spanning AI, cloud infrastructure, cybersecurity, and compliance—highlighting how rising regulatory and technology investment requirements increasingly favor firms with massive balance sheets and operating leverage.¹⁸
- **The U.S. Securities and Exchange Commission's** 2023 cybersecurity disclosure rules now require public companies to disclose material cyber incidents within four business days and detail their cybersecurity governance, codifying third-party vendor risk and operational resilience as board-level concerns.¹⁹
- **The National Institute of Standards and Technology's AI Risk Management Framework** emphasizes governance as a core function for trustworthy AI.²⁰

The point of no return—what leaders should do now.

Financial services leaders face decisions that will determine organizational viability over the next decade.

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- 1** Accelerate technology baseline adoption by treating AI, tokenization, quantum readiness, and identity architecture as operational imperatives rather than innovation projects, allocating resources and executive attention accordingly.

 - 2** Clarify strategic position in the consolidating landscape by determining whether to pursue scale through acquisition, become an attractive acquisition target, or identify a defensible specialty niche that can sustain independence.

 - 3** Redesign operating models around distribution realities by inverting traditional product-led approaches and building flexible, modular capabilities that can adapt to evolving client access patterns.

 - 4** Build resilience for geopolitical fragmentation by diversifying infrastructure dependencies, establishing operational redundancy across regions, and developing contingency protocols for supply chain or data flow disruptions.

 - 5** Invest in workforce transformation by reskilling teams for AI-augmented workflows, restructuring roles around high-judgment activities, and creating career pathways that retain talent in an industry undergoing rapid automation.
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These actions are not comprehensive strategic plans but essential near-term decisions that position organizations to navigate structural change effectively.

SEI's structural advantage in a new baseline.

The shifts described above have moved the industry's operating floor. AI is no longer an efficiency layer. Tokenization is no longer experimental. Distribution realities, regulatory pressure, and scale economics now define what is viable—and what is not.

Many firms recognize these signals but face real constraints: legacy technology that resists change; balance sheets that limit investment; and governance frameworks that weren't built for this pace of deployment.

SEI is positioned to act on these shifts because our core platforms were built for this kind of environment. Our investment processing, wealth platforms, and fund administration operate as regulated, high-volume infrastructure, not point solutions bolted onto older systems. AI, data, security, and controls are treated as operating fundamentals. That allows us to take clear positions on how these technologies move from promise to production, and to stand behind those positions operationally.

The economics reinforce the advantage. The cost of modern infrastructure, continuous regulatory compliance, and ongoing platform evolution increasingly exceeds what individual firms can justify independently. SEI's model distributes those fixed investments across a broad, global client base. Organizations gain access to enterprise-grade capabilities without needing to build, staff, and govern them on their own.

Governance is where the gap widens. As automation, agentic AI, and tokenization move from controlled pilots into live production, the question is no longer whether to experiment—it is whether you can deploy at speed without losing control. SEI's decades of operating under direct regulatory scrutiny mean that oversight, resilience, and auditability are embedded in how platforms are designed and run, not added after the fact. That foundation is what enables us to move forward with confidence.

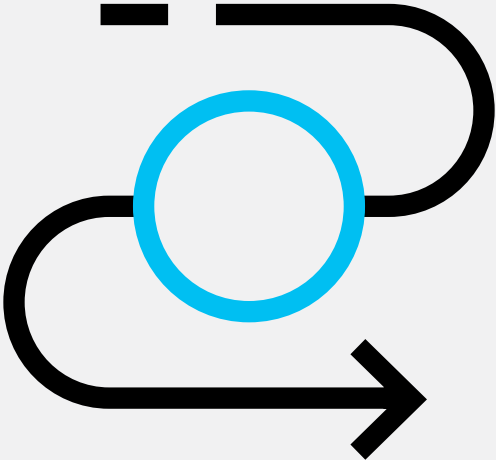
The signals reshaping financial services are not abstract trends—they are operating realities SEI is already building for, alongside clients navigating the same pressures.

Navigating structural change with SEI.

SEI partners with financial services organizations to modernize technology infrastructure, optimize operating models, and navigate industry transformation.

Through integrated investment processing, portfolio management, and wealth platform capabilities, SEI enables firms to focus on client relationships and strategic differentiation while leveraging shared technology infrastructure and operational scale. SEI's investment in AI-driven automation, real-time data orchestration, and modern security architecture seeks to ensure clients benefit from baseline technology capabilities without bearing the full cost and complexity of independent development.

As industry consolidation accelerates and technology requirements intensify, SEI provides stability and continuity through multi-decade client relationships, platform investments that span market cycles, and operational expertise gained across hundreds of implementations. Organizations working with SEI gain access to enterprise-scale capabilities, continuous platform evolution, and operational resilience that would be prohibitively expensive to develop and maintain independently.



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IMPORTANT INFORMATION

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ABOUT SEI NEXT

SEI Next is dedicated to creating new sustainable growth engines and exploring emerging frontiers of wealth and impact. By identifying, building, investing in, and scaling emerging technologies and business ideas, SEI Next helps accelerate progress from promising ideas to scalable outcomes that can drive meaningful market impact.

For more information, visit <https://www.seic.com/about-sei/sei-next>.



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ABOUT SEI

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