



Addressing top of mind banking and capital market issues

April 2025



Risk and regulatory	01	Gen AI	07
Credit	02	Cyber	08
Digital transformation	03	CIO's agenda	09
Cost optimization	04	Payments	10
Growth and profitability	05	Tax	11
Capital deployment	06		



Policy in motion

The policy landscape is constantly evolving, and the Trump administration has brought a wave of regulatory and proposed legislative changes that impact businesses, industries, and individuals alike. Staying ahead of economic uncertainty isn't just about reacting—it's about being proactive, informed, and ready to adapt.

Visit these KPMG Insights for the latest thinking on trade, fiscal and regulatory policy changes:

[Policy in motion: Insights for navigating the Trump administration with confidence](#)

[Climbing a wall of worry: Navigating uncertainty amidst an erosion of trust](#)

[Trade and Tariff Insights](#)

[Tax Policy Trifecta](#)

[First 100 Days: Regulatory Signals](#)

Risk and regulatory



This is a time of great uncertainty for the regulatory agencies. With a new administration and shifting regulatory and enforcement priorities being announced daily, **speculation continues about the future direction and intensity of financial regulation**. Amid the flurry of actions of the new administration, the financial services industry (inclusive of banking, capital markets, asset management, fintech, and insurance) looks to track indicators of likely regulatory changes.

Incoming and acting agency leadership as well as initial executive orders (including those on “regulatory freeze” and digital assets/crypto) provide preliminary signals for potential regulatory shifts in the areas of agency mission and operations as well as regulatory focus areas.

Nonetheless, **financial services will continue to be a heavily regulated industry given its critical role to the economy**. The prudential regulators (e.g., Federal Reserve Bank, Comptroller of the Currency, and Federal Deposit Insurance Corporation (FDIC)) will continue to pursue their mandates relative to the safety, soundness, and resiliency of the banking system, while promoting responsible innovation and fair competition as the markets continue to evolve.

Potential actions:

- Look to a **potential withdrawal of various proposals** from the past three years, such as those on brokered deposits and corporate governance, and potential adjustments to capital and liquidity rules. Governance around new products and the application of new technologies will remain a focus, though look for regulators to adopt a more flexible approach to innovations and technology, including fintech partnerships.
- Any lessening of regulatory scrutiny and enforcement under the new administration may also include **diminished engagement with international standard setters**, resulting in a pullback and/or withdrawal from membership and/or participation in global regulatory groups.

Thought leadership

- [First 100 Days: Upcoming Regulatory Signals for Financial Services](#)
- [2025: The Year of Regulatory Shift](#)
- [Special Alert: Digital Assets/Cryptocurrency Regulation](#)
- [Ten Key Regulatory Challenges of 2025](#)
- [Resolution & Living Wills: FDIC/FRB Final Guidance](#)

Contact

Amy Matsuo

**US Regulatory Insights & Compliance Transformation Lead,
KPMG US**

T: 919-280-5798

E: amatsuo@kpmg.com



Commercial lending continues to receive heightened focus, with both commercial real estate (CRE) and commercial and industrial loan portfolios experiencing rising delinquencies and charge-offs, exceeding prepandemic levels. Office and multifamily CRE properties remain the most challenged, with values down significantly from their 2022 peaks.

Persistent uncertainty around trade policies and global economic conditions add new layers of complexity to economic forecasting.

Financial institutions are evaluating several key topics impacting CRE loan portfolios. The “maturity wall” concern persists, as record levels of CRE loan maturities in the next 18 months at low interest rates will require strategic decisions on refinancing at significantly higher rates, which may drive increases in nonperforming assets. Uncertainty remains on the direction of financing costs (currently much higher) and the impact of reduced property values. At the same time, there is a significant amount of “dry powder” on the sidelines, and potential investors are watching how and where this capital will be deployed. Banks are facing increased competition from the private credit market, as demand for nonbank lending soars. Many larger banks are leveraging the growth in private credit by partnering with nonbank lenders.

Delinquencies and charge-offs are increasing for most consumer loan types, with the effect on credit card and auto loan portfolios approaching prepandemic levels. Institutions with higher exposure to subprime auto, credit card, and student lending portfolios will likely experience the most significant pressure on asset quality metrics.

Potential actions:

- **CRE:** Proactively identify risk through regular or enhanced portfolio reviews. Ensure loan modifications reflect sound credit risk management versus perception of delaying risk. Strengthen appraisal and valuation oversight processes. Ensure risk rating and credit decision documentation can withstand regulatory scrutiny.
- **Private credit:** Evaluate potential partnerships and or coinvestment opportunities. As a partner, ensure a sufficiently rigorous and robust risk management framework to assess, manage, and oversee indirect credit risk exposure.
- **Consumer credit:** Enhance data analytics to proactively detect shifts in consumer financial behaviors and or health. Strengthen monitoring and early warning systems to get ahead of delinquencies and charge-offs, especially in light of potential impact of tariffs and inflationary expectations that may impact consumer performance.
- **General uncertainties:** Stay current. Don't overreact or underreact. Understand the impacts and plan accordingly.

Thought leadership

- [CECL Pulse Check Q1 2025](#)
- [Credit Markets Update Q4 2024](#)

Contact

Adam Black

Commercial Lending & Credit Risk

T 267-256-2719

E adamblack@kpmg.com

Digital transformation



Finance leaders continue to face several challenges, including rising costs, rapid technological changes, talent gaps, and intense competition. Navigating this constant state of flux requires a digital growth engine. To achieve this, finance organizations must focus on three key areas: delivering differentiated and personalized experiences; continuously modernizing their technology stack; and solidifying their foundation with efficiency, safety, and soundness.

Banks increasingly adopt AI to enhance customer interactions, personalize services, and streamline operations. The combination of generative artificial intelligence (GenAI), machine learning, and automation tools means that finance teams can process, analyze, and derive meaningful insights from data for improved strategic decisions and business outcomes. The concept of Finance-as-a-Service (FaaS) is also gaining traction. FaaS offers scalable, flexible financial services that adapt to changing business needs. By automating financial operations, companies can focus on strategic initiatives, improve accuracy, and ensure compliance. AI-powered FaaS solutions also enhance risk management by identifying potential threats and optimizing resource allocation.

Potential actions:

- **Adopt Finance-as-a-Service (FaaS) models** to address persistent finance challenges and streamline operations.
- **Evaluate AI-driven risk management tools** to enhance fraud detection and compliance.
- **Implement AI-powered customer insights** to personalize banking experiences and drive customer satisfaction.

Thought leadership

- [AI in Finance delivers significant value](#)
- [Empowering Finance at the Speed of AI | KPMG](#)
- [Digital banking: Navigating the unknown and unexpected on the path to resilient growth](#)

Contact

Celeste Diana

Financial Services Strategy, KPMG US

T: 516-456-1863

E: cdiana@kpmg.com

Anand Shah

U.S. Banking Solutions Leader, KPMG US

T: 678-612-9179

E: ananddshah@kpmg.com



Cost optimization



The evolving economic landscape demands a strategic focus on cost transformation, mirroring how supply chains have adapted to disruptions and changing trade policies since 2020. The emphasis on cost optimization is crucial as financial institutions refine their growth strategies moving forward, enabling them to achieve long-term goals amidst a shifting environment.

Financial institutions face similar dynamics to those affecting global supply chains, including uncertainty on the pace of interest rate changes and potentially relaxed regulatory conditions. Cost optimization remains a central priority as entities aim to build on previous cost reduction efforts. While initial, simpler cost-cutting measures may have been exhausted, the focus now turns to sustainable "continuous performance improvement." This involves developing precise metrics and transparent reporting that resonate with stakeholders, including markets and employees. Embedding this culture is vital for ongoing success, despite inherent challenges.

Institutions must adapt to evolving technologies such as AI and Generative AI (GenAI). These technologies parallel the "connector countries" strategy used in supply chains to navigate tariffs by finding innovative pathways to optimize costs. While a definitive "silver bullet" for radically altering the cost dynamic has yet to emerge, impactful AI use cases are expected to develop. This continuous evolution will be key in driving cost transformation and operational efficiency within the banking sector.

Just as supply chains have become more complex and dynamic, financial institutions must also navigate an evolving landscape with a focus on long-term, sustainable cost optimization. Leveraging advancements in technology and fostering a culture of continuous improvement will be essential for maintaining profitability and growth in the future.

Potential actions:

- **Evaluate opportunities to reshore or nearshore critical functions** like data centers, call centers, and back-office operations to reduce exposure.
- **Drive structural cost reduction** takes place through **cost transformation programs** with clear metrics to drive continuous improvement across retail, commercial, technology, and operations.
- **Assess third-party and customer risks** across banking operations, technology, real estate, etc., to identify vulnerabilities to tariffs, disruptions, and geopolitical factors.
- **Optimize branch/ATM networks** and **pursue digital/fintech partnerships** to diversify customer delivery channels.

Thought leadership

- [2024 U.S. Banking Industry Outlook Survey](#)

Contact

Henry Lacey

Financial Services Integration and Strategy, KPMG US

T: 212-997-0500

E: hlacey@kpmg.com

Lennart de Vries

Financial Services Strategy, KPMG US

T: 771-233-7969

E: lennartdevries@kpmg.com



Growth and profitability



As the new administration has started to lay out its priorities within the regulatory space, early indications are that this will be advantageous for the deal market. However, many institutions are looking for some of the uncertainty to subside before making major strategic decisions.

While the interest rate environment is not reducing as quickly as initially expected, the potential changes in the regulatory environment may still result in an uptick of deals through the remainder of the year. Potential changes are:

1. Easing capital requirements
2. Streamlining regulatory reviews
3. Reducing the requirements of the Community Reinvestment Act
4. Relaxing market concentration limits.

These assumptions will likely be put to the test through existing transactions waiting for approval, as well as when the first few new transactions come forward for approval.

Potential actions:

- **Review of strategy looking toward future acquisitions/mergers of equals** and ensure that the deal structure is in place and documented. Given the slow deal market over the last couple of years, some of the “muscle memory” may have been lost.
- **Identify key partners through any transaction**, i.e., investment bankers/legal firms/third party vendors etc.
- **Think about how AI could be useful** in the deal cycle.
- Continue to **critically assess current market presence** and lines of business to ensure they remain core to the overall strategy of the business.
- **Reevaluate deposit product mix and pricing strategies** in light of expected decreases in interest rate environment.
- **Consider leveraging third-party firms** that are “best in market” in client service, AI, or other specialties to increase speed to market.

Thought leadership

- [2024 U.S. Banking Industry Outlook Survey](#)

Contact

Henry Lacey

Financial Services Integration and Strategy, KPMG US

T: 212-997-0500

E: hlacey@kpmg.com



Capital deployment



In this environment of uncertainty, including potential changes in regulatory oversight and questions about the future direction of interest rates, the effective deployment of capital is a critical focus of financial institution executives to steer their organizations. Major themes being considered include:

- Enhancements to the current portfolio (organic/inorganic growth investments, divestment of lagging business lines)
- Strategic projects (acquisitions that diversify the portfolio, fundamental upgrades to operational efficiency)
- Increasing financial resiliency (repay debt, adjust leverage or increase liquidity reserves)
- Distribution of excess capital (dividends in line with commitment, excess capital via share buybacks).

Balancing sufficient financial flexibility with optimal capital deployment requires management to undergo the necessary no-regret actions, as well as strategic decisions to the portfolio.

- Strategic decisions for the portfolio must be taken in the light of the current market conditions, e.g.: short-term interest rates declined with Fed Fund rate cuts, but debate over the number and timing of remaining cuts remains; longer-term rates declined from earlier highs but are up from September 2024 lows and postelection and geopolitical uncertainty contribute to volatility.
- While some tailwinds to potential M&A activities are perceived to exist, the current economic and regulatory uncertainty has resulted in many institutions not currently pursuing large transformational transactions.

Potential actions:

- **Optimize lending portfolio** by examining capital efficiency at segment and product levels to find capital releases or capital arbitrage opportunities, including capital reduction transaction/credit risk transfer.
- **Align with capital requirements and liquidity management** by reviewing business portfolios and optimizing through acquisitions or divestments for better capital allocation.
- **Explore competitive advantages** based on category classification (or identify products where capital constraints create a disadvantage).
- **Monitor developments in the Basel III Endgame reproposal** and continue to reevaluate capital and liquidity modeling as proposed rules come into focus.

Thought leadership

- [2024 U.S. Banking Industry Outlook Survey](#)
- [Onward and upward: Q4'24 M&A trends in Financial Services](#)

Contacts

KB Babar

Treasury, Resolution, Recovery & Liquidity Risk Management, KPMG US

T: 404-979-2094

E: kbabar@kpmg.com

Mark Nowakowski

Risk, Regulatory, and Compliance, KPMG US

T: 404-222-3192

E: mnowakowski@kpmg.com



Banking and capital markets organizations continue to make significant strides in their AI adoption, moving beyond the pilot stage. Organizations must balance near- and long-term priorities with a focus on areas with the biggest impact for AI. These include value streams such as loan origination, onboarding and account opening, fraud prevention, payment processing, and customer retention and growth.

As AI continues to advance, agentic AI tools that adapt in real-time are poised to transform enterprise performance in the banking industry. Within the next 12 months, leaders expect to utilize AI agents for a range of tasks, including administrative duties and the development of new business materials. With a narrowed strategic approach, banks and financial institutions can unlock new opportunities for innovation, efficiency, and enhanced customer experiences.

Potential actions:

- **Enhance AI investment strategies** to demonstrate ROI effectively.
- **Assess and integrate AI in fraud prevention** to improve real-time detection and risk mitigation in banking operations.
- **Consider AI agents for administrative tasks** to enhance efficiency and customer service.
- **Review and update data privacy policies** to ensure compliance with evolving regulatory demands and customer expectations.

Thought leadership

- [KPMG AI Quarterly Pulse Survey: 2025 is the year of agentic AI](#)
- [Intelligent Banking](#)

Contact

Binoy Palakkal

Partner, KPMG US

T: 212-954-2239

E: bpalakkal@kpmg.com

AI-focused solutions remain a top area of interest for cybersecurity investors, particularly in fraud detection and response. A notable emerging trend has been the use of AI for cybersecurity, with niche firms developing learning models that leverage bespoke data on large platforms to enhance cybersecurity activities. This area is expected to evolve rapidly in the coming year, with more niche players emerging and potentially being acquired by larger platforms.

Large platform players are increasingly adding cybersecurity offerings to their suites, not only to extend their value to customers but also to enhance their data chains. This allows them to leverage data more effectively across platform activities, enable greater levels of automation, and find new ways to monetize their data holdings. Additionally, cybersecurity remains a key regulatory focus, with financial regulators emphasizing cyber resilience, vulnerability management, and data protection. The Digital Operations Resilience Act in the European Union, which applies as of January 17, 2025, has been a significant focus, affecting not just EU institutions but also companies with EU subsidiaries or parent companies providing information and communication technology services to those in scope.

Potential actions:

- **Adopt Data fabric technology:** Implement solutions that evaluate data across cloud environments to fine-tune detection processes and improve the correlation of indicators of compromise.
- **Increase AI integration:** Emphasize the adoption of AI within cybersecurity solutions to enhance threat detection and response capabilities.
- **Prepare for regulatory compliance:** Continue to innovate and invest in cybersecurity solutions to comply with regional and industry regulations, driving forward-looking remediation strategies.
- **Leverage expanding platform capabilities:** Invest in comprehensive platform-based security solutions to maintain competitive advantage and improve integration across cybersecurity functions.

Thought leadership

- [US Insights: Pulse of Fintech H2 2024](#)
- [Cybersecurity considerations 2024](#)
- [SEC doubles down on cyber risk management accountability](#)
- [The Leadership Guide to Securing AI](#)

Contact

Matt Miller

Cyber Security Services, KPMG US

T: 212-954-4648

E: matthewpmiller@kpmg.com

KPMG conducted an extensive study of 2,450 tech executives from 26 countries and 8 industries: financial services, tech, retail and consumer packaged goods, industrial manufacturing, life sciences and pharmaceuticals, healthcare, government and public sector, and energy. In “KPMG global tech report: Technology insights,” our insights show that much of the tech leader’s digital transformation success is a result of discipline and targeted investments.

The study confirmed that the relentless speed of technology innovation is undeniable. When combined with a natural fear of missing out, ideas that may once have seemed like science fiction are rapidly converting into tangible reality. As tech innovation offers almost endless potential, many tech leaders are afraid of falling behind. From generative AI to quantum computing, the potential benefits are huge, and so is the risk of making costly mistakes.

Key themes

- The tech industry is preparing itself for cost shocks.
- Three-quarters (76 percent) of tech executives say their total cost of ownership and cost-benefit-analysis forecasts are usually accurate. Tech is one of the sectors in our survey that is most likely to prioritize technology investments based on employee feedback, with a five percentage point lead over the global average.
- Tech firms plan to keep a democratized approach with AI experiments, with most sectors working toward a centralized approach to AI implementation.
- The tech industry plans to continue developing AI governance policies and democratizing its approach to AI experimentation as it builds more experience in that area.

Potential actions:

- **Build a strong data backbone:** Establish a robust data management framework that combines data, people, processes and policies to help ensure information is reliable, relevant and appropriately used.
- **Accelerate AI proficiencies through knowledge sharing:** Test your workforce competence and sentiment on AI, and use this to determine the best way to bridge knowledge gaps, facilitate continuous learning and encourage cross-functional collaboration.
- **Prioritize trust and security:** Strive to ensure solutions are secure by design and embed trust and security assurance from the outset. Design, build, deploy and use AI and emerging tech solutions in a responsible and ethical manner so your organization can accelerate value with confidence.
- **Be empirical about defining and delivering value:** Align stakeholders around a clear definition of success that cascades into a set of tangible metrics. Adopt an “always-on” approach to performance management and continuously monitor and adjust metrics in accordance with internal and external changes.

Thought leadership

- [KPMG global tech report: Technology insights](#)

Contact

Matt Johnson

National Technology Assurance Leader, KPMG US

T: 678-644-5059

E: mpjohnson@kpmg.com

Sahil Parmar

Managing Director, Strategy, KPMG US

T: 310-947-1139

E: sahilparmar@kpmg.com

Financial institutions (FIs) and retailers face immense pressure to modernize their payment systems and infrastructure in response to the emergence of new payment technologies and evolving customer expectations. The adoption of ISO 20022 and instant payments is accelerating this process. The expected benefits of payment modernization include improved customer experiences, faster transaction processing, and long-term cost savings.

However, FIs and retailers face challenges in implementing new payment systems, such as the cost and potential disruption, the complexities of integrating new platforms across multiple systems, and the need to train staff to manage the transition. Despite these challenges, executives realize the benefits that payment modernization can bring, including efficiency gains, enhanced data and analytics capabilities, and a substantial competitive advantage. Maintaining security throughout the modernization process remains a key priority and a source of reassurance for the future.

Potential actions:

- **Prioritize customer expectations** in the payments modernization agenda to stay competitive.
- Implement a phased approach to modernization, leveraging payments-as-a-service and component-based architectures.
- **Ensure adequate resourcing** for modernization teams, balancing resources between modernization efforts and business as usual using agile operating models.
- **Harness the power of payment data** to better understand customer needs and explore data monetization opportunities.

Thought leadership

- [Modernizing payments: A new era](#)
- [Leveraging Payment Modernization Opportunities in Banking](#)

Contact

Courtney Trimble

C&O Financial Services, KPMG US

T: 404-386-7085

E: chtrimble@kpmg.com

Several expiring tax provisions make 2025 a year that tax legislation could likely be addressed. Republican control of the House, Senate, and White House make extension of these provisions and other changes (e.g., lower rates) possible. It is unclear what tax and spending changes will be proposed to offset costs associated with the Republican tax agenda. Possible ideas include the repeal of Inflation Reduction Act energy incentives, an increase in the stock buyback excise tax rate, limitations on corporate deductions for state and local tax, increases associated with Base Erosion and Anti-Abuse Tax, Global Intangible Low-taxed Income, IRS funding cuts, tariffs, and controversial spending reductions. Draft bills that may contain some of these provisions are already being written.

The Trump administration recently fired approximately 7,000 IRS employees, and as many as 5,000 have accepted a deferred resignation offer. These personnel changes could potentially cause significant disruption for the upcoming filing season and have other implications, such as impacts on taxpayer's IRS exams and on tax guidance.

President Trump signed an executive order to provide that **whenever new regulations are proposed or promulgated, 10 existing regulations must be identified to be repealed**. The order also reinstated a framework that will result in further review of tax regulations by the Office of Information and Regulatory Affairs (OIRA). This could result in fewer tax regulations in the near future.

Proposed regulations were recently released under section 162(m). Section 162(m) limits the compensation deduction for a tax year for a public corporation to \$1 million for each of its "covered employees." There are two categories of covered employees. The first category generally includes the CEO, CFO, and the three highest-paid executive officers. The second category applies to an additional group of five highest-compensated employees who are not the CEO, CFO, or one of the highest-paid executive officers for that year. The proposed regulations address this second category and provides guidance on how to determine the relevant employees and compensation amounts, the impact of affiliated group rules, and third-party payers of compensation.

Recently **released IRS Office of Chief Counsel memorandum AM 2024-003** concludes that the deductibility of FDIC special assessments imposed in November 2023, to recover the loss to the Deposit Insurance Fund arising from the protection of certain uninsured depositors, the IRS concluded **the FDIC special assessment is not subject to the limitations for deductibility** under section 162(r), is not subject to capitalization under section 263(a), and should be deductible in the year of payment.

Potential actions:

- **Stay apprised of the evolving environment** in DC that could have an impact on businesses and taxes.
- **Evaluate scope of proposed regulations** under section 162(m).
- **Confirm treatment for tax deductibility** for FDIC special assessments.

Thought leadership

- [Catching Up on Capitol Hill \(podcast\)](#)
- [KPMG report: Proposed regulations on additional five highest compensated employees subject to section 162\(m\)](#)
- [TaxNewsFlash: Deductibility of FDIC Special Assessments](#)

Contact

Liz l'Hommedieu

Banking & Capital Markets, National Tax Industry Deputy Leader, KPMG US

T: 614-249-1849

E: elhommedieu@kpmg.com



Contacts

Peter Torrente

**US Sector Leader,
Banking & Capital Markets**

ptorrente@kpmg.com

Diana Kunz

**Audit Sector Leader,
Banking & Capital Markets**

dmesch@kpmg.com

Stephen Kennedy

**Industry Insights Leader,
Banking & Capital Markets**
stephenkennedy@kpmg.com

Andrew Ellis

Banking Consulting Leader
alellis@kpmg.com

Agnel Kagoo

**Capital Markets Consulting
Leader**

akagoo@kpmg.com

Mark Price

**Tax Industry Leader,
Banking & Capital Markets**

mhprice@kpmg.com

Liz l'Hommedieu

**National Tax Industry
Deputy Leader,
Banking & Capital Markets**

elhommedieu@kpmg.com

Henry Lacey

**Deal Advisory Leader,
Banking & Capital Markets**

hlacey@kpmg.com



Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

Learn about us:



kpmg.com

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2025 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.