



IT Outsourcing in Capital Markets – Annual Report 2016

Banking, Financial Services, and Insurance (BFSI) IT Outsourcing
Annual Report – October 2016 – Preview Deck

Our research offerings for global services

▶ Market Vista™

Global services tracking across functions, sourcing models, locations, and service providers – industry tracking reports also available

▶ BFSI¹ Information Technology

▶ PricePoint™

▶ BFSI¹ Business Process

▶ Finance & Accounting

▶ Healthcare & Life Sciences ITS

▶ Procurement

▶ Healthcare & Life Sciences BPS

▶ Human Resources

▶ Application & Digital

▶ Recruitment & Talent Acquisition

▶ Cloud & Infrastructure

▶ Contact Center

▶ Global Sourcing

▶ Service Optimization Technologies

▶ Locations Insider™

▶ Transaction Intelligence

Custom research capabilities

- Benchmarking | Pricing, delivery model, skill portfolio
- Peer analysis | Scope, sourcing models, locations
- Locations | Cost, skills, sustainability, portfolio – plus a tracking tool
- Tracking services | Service providers, locations, risk
- Others | Market intelligence, service provider capabilities, technologies, contract assessment

Subscription information

- This full report is included in the following subscription(s)
 - **BFSI¹ Information Technology**
- In addition to published research, a subscription may include analyst inquiry, data cuts, and other services
- **If you want to learn whether your organization has a subscription agreement or request information on pricing and subscription options, please contact us**



Corporate Headquarters

Office: +1-214-451-3000

info@everestgrp.com



European Headquarters

Office: +44-207-129-1318

unitedkingdom@everestgrp.com

¹ Banking, financial services, and insurance

Background and scope of the research

Background of the research

Assets Under Management (AUM), a key metric for global asset management industry, reached US\$71.4 billion in 2015, a mere 1% increase from 2014 levels. More importantly, this increase was led by increase in asset valuations and not by net new sales. Bond yields are at their lowest levels since the global financial crisis in a period of low interest rates in major economies around the world. Brexit has sent shockwaves through the capital markets worldwide, while much of the effects of Brexit will play out in the next two to three years, markets worldwide are grappling with a period of uncertainty.

Capital markets firms struggle with increasing costs, increasing regulation, and a period of low growth. In addition, technological advancement, especially digital, has created a new set of competitors that are not marred by the burden of legacy in their product portfolio, customer relationships, and IT setup. In 2016, capital markets firms will operate under these difficult market conditions and will need to compete with aggressive new competitors and peers, as the battle for market share and profits intensifies.

Firms will need to invest in new-generation technologies while holding IT budgets steady. This implies that saving money from run-the-business initiatives to fund change initiatives remains the only plausible way to continue technological advancement.

In this report, we look at the global trends in the banking industry and their implication for application services outsourcing.

We focus on:

- Business challenges and priorities of capital markets firms
- Market trends and activity for large AO relationships in banking

Scope of this report

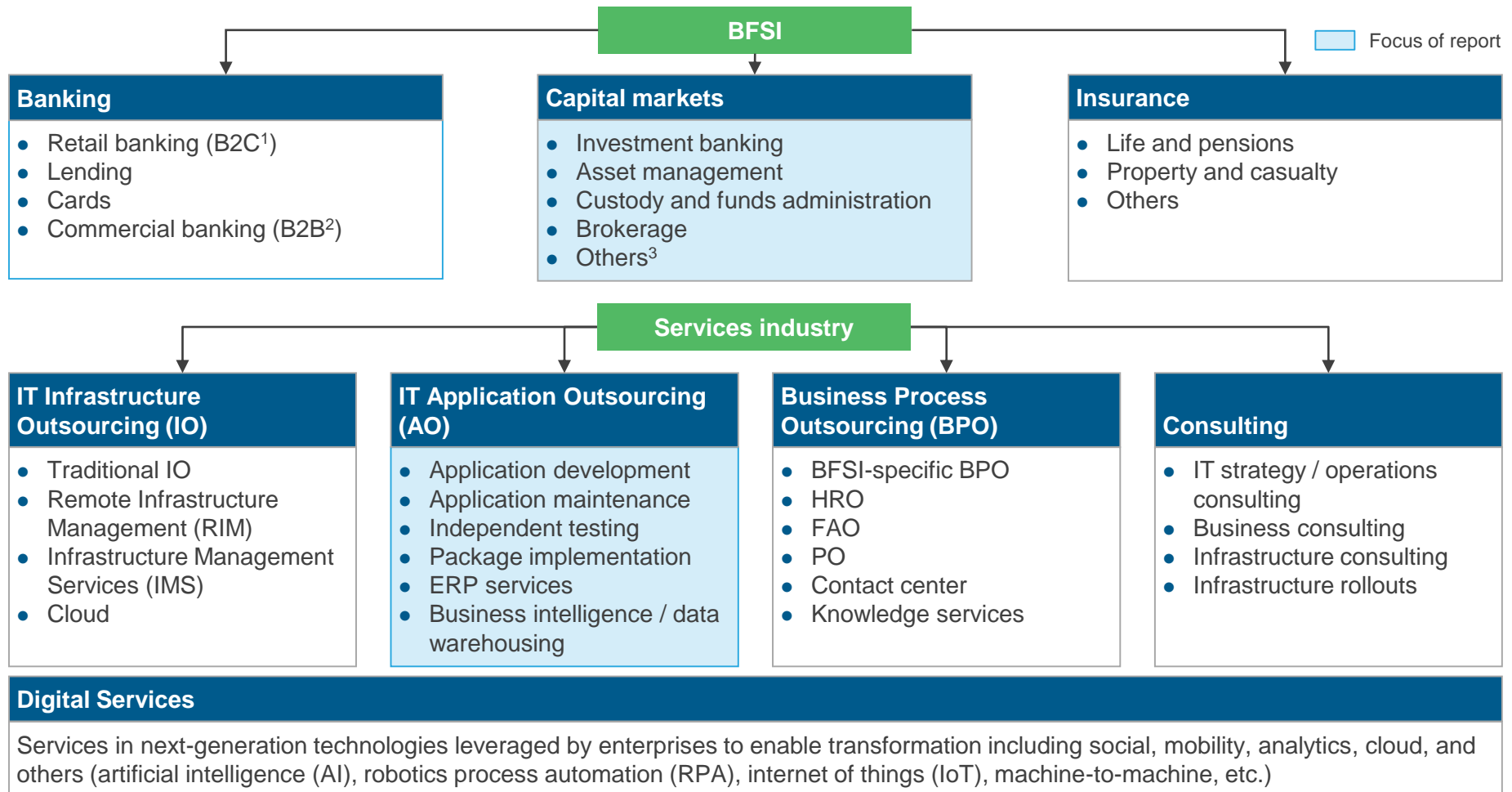
- **Industry:** Capital markets
- **Services:** Large (TCV > US\$25 million), multi-year (>three years), and annuity-based application outsourcing
- **Geography:** Global
- **Sourcing model:** Third-party AO transactions; excludes shared services or Global In-house Centers (GICs)

Table of contents

Topic	Page no.
Introduction and Overview	5
• Background and scope of research	7
Summary of key messages	11
Section I: Capital markets: challenges, priorities and solutions	13
• Summary of key market and business challenges	17
• Regional Trends	
– Sell side	18
– Buy side	25
– Intermediaries	31
Section II: Deal Analysis	37
• Summary	39
• Global IT services market growth	40
• Trends and characteristics of large capital markets AO transactions	42
• Adoption trends – digital, subfunctions, LoBs, geography, and buyer size	43
• Renewals	53
Section III: Outlook for 2016-2017	52
• Capital markets AO	53
Appendix	56
• Glossary of terms	57
• BFSI ITO research calendar	59
• References	60

This report provides an insight into the current trends and future outlook for large (TCV > US\$25 million), annuity-based, multi-year (> 3 years) application services relationships in the global capital markets sector

NOT EXHAUSTIVE



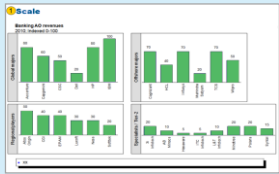
1 Business-to-consumer relationships

2 Business-to-business relationships

3 Includes other capital markets functions such as structured finance, treasury, FX, and horizontal functions including risk management

This report is a part of the Everest Group's series of reports focused on ITO in BFSI in 2016

IT Outsourcing in BFSI – Annual Report

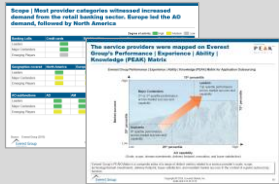


Each report provides:

- An overview of the application services market for the BFSI verticals, capturing key trends in market size, growth, drivers & inhibitors, adoption trends, regional/functional break-outs of the market, emerging themes, key areas of investment, and implications
- Key movements in volumes/values of AO transactions, evolving trends, market dynamics, and emerging priorities of buyers in the last 12 months

- Global Banking
- **Global Capital Markets**
- Global Insurance

IT Outsourcing in BFSI – Service Provider Landscape



Each report provides:

- Assessment of service provider landscape in AO services and mapping of providers on Everest Group's PEAK Matrix – as Leaders, Major Contenders, and Aspirants
- Benchmarking scale, scope, domain investments, and delivery footprint of each provider's BFSI-AO practice along with comparative evaluation of their BFSI-AO capabilities
- The 2016 BFSI-AO PEAK analyses focus on identifying the "Star Performers", i.e., providers with the strongest forward movement over time – both in terms of market success and capability advancements

- Global Banking
- Global Capital Markets
- Global Insurance
- Mobility in Banking
- Mobility in Insurance
- Analytics in Banking
- Analytics in Insurance

Enterprise Digital Effectiveness with APEX Matrix



Two reports as part of an "open source" evaluation of the digital effectiveness of the largest retail banks in Europe and the United States and mapping them on Everest Group's APEX Matrix – as Leaders, Optimizers, Innovators, and Aspirants

- APEX Matrix for Digital in the U.S. retail banks
- APEX Matrix for Digital in Europe retail banks

Everest Group's capital markets research is based on two key sources of proprietary information

1

- Everest Group's proprietary database of 400+ large, active, multi-year AO contracts within capital markets (updated annually). The database tracks the following elements of each large AO relationship:
 - Buyer details including industry, size, and signing region
 - Contract details including TCV, ACV, term, start date, service provider FTEs, and pricing structure
 - Activity broken down separately for banking, capital markets, insurance, and by line of business (for example, investment banking, asset management, custody, fund administration, and brokerage)
 - Scope includes coverage of buyer's geography as well as functional activities
 - Global sourcing including delivery locations and level of offshoring

2

- Everest Group's proprietary database of **operational capability of 25+ capital markets AO service providers** (updated annually)
- The database tracks the following capability elements for each service provider:
 - Major capital markets AO clients and recent wins
 - Overall revenue
 - Recent capital markets-related developments
 - Capital markets AO delivery locations
 - Capital markets AO service suite
 - Domain capabilities, proprietary solutions, and intellectual property investments

Service providers covered in the analysis



Note: We continuously monitor market developments and track additional service providers beyond those included in the analysis

Confidentiality: Everest Group takes its confidentiality pledge very seriously. Any information, that is contract-specific, will be presented back to the industry only in an aggregated fashion

Overview and abbreviated summary of key messages

This report provides an overview of the application outsourcing (AO) market for the capital markets industry, through an in-depth analysis of large-sized AO contracts (i.e., contracts over US\$25 million in TCV and over three years in duration). The report analyzes key trends in market size and growth, demand drivers, adoption and scope trends, emerging themes, key areas of investment, and implications for service providers, with regards to such large capital markets AO deals

Some of the findings in this report, among others, are:

State of the global capital markets industry

- The global Assets Under Management (AUM), a key industry metric grew by a mere 1% in 2015 to reach US\$71.4 trillion. Global asset management industry is experiencing a period of low growth and this phase is likely to continue as economic uncertainty remains
- Global events such as Brexit and pending US elections add to the uncertainty in the capital markets
- Tightening regulations and technological disruption are amongst the other major factors that will adversely impact capital markets firms in the year ahead

Challenges and priorities in capital markets industry

- Capital markets firms need to focus on growth, profitability and managing risk in the current year in order to survive in this challenging business environment
- Cost optimization, adoption of new technology to improve customer experience and effectively compete with FinTech firms are some of the tools in their quiver
- IT Service providers in this industry segment need to develop offerings that are unique to each customer and help clients achieve their business objectives quickly

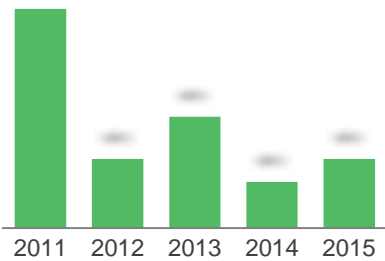
Capital Markets AO overview

- AO transactions in the capital markets IT services saw a minor decline of 2.6% compared to last year as clients reduced spending – seventy-six new transactions were signed in 2015
- Number of large contracts jumped by 50% however, TCV declined by 45% as clients reduced spending on traditional IT services
- Digital services continue to expand their share in IT budgets, nearly 65% of all large transactions included digital components in scope of services with Analytics and Mobility being the leading technology themes last year
- Renewals worth US\$2.7 billion are up for grabs in the next year compared to US\$4.2 billion an year ago, a decline of 36% suggesting a move away from traditional IT outsourcing

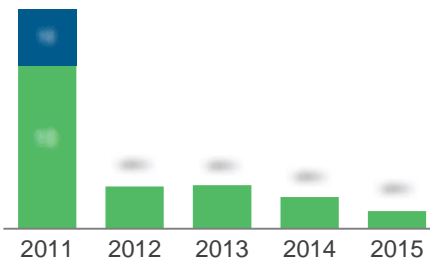
This study offers three distinct chapters providing a deep dive into key aspects of Capital Markets AO market; below are four charts to illustrate the depth of the report

Number and TCV of new large Banking AO contracts

Number of large, new capital markets AO contracts
2011-2015; Number of transactions announced

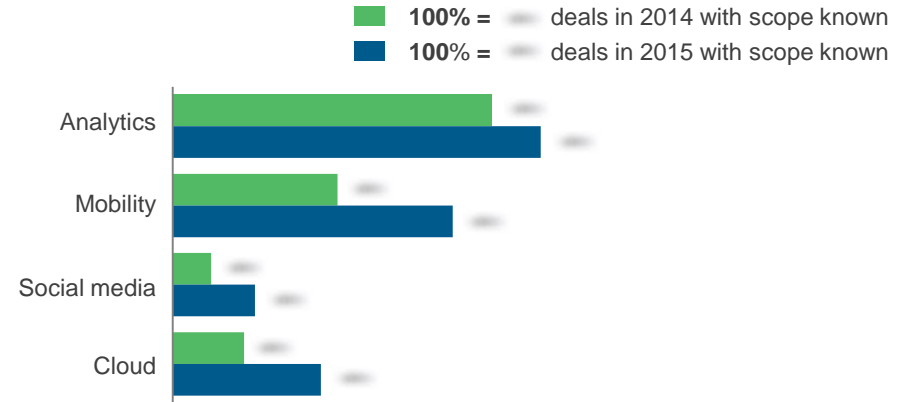


Total TCV of large, new capital markets AO contracts
2011-2015; US\$ million



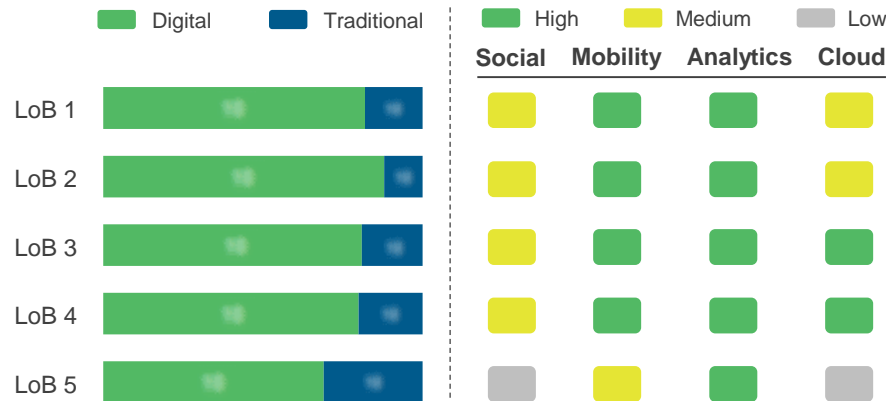
Inclusion of digital themes in capital markets AO transactions

Percentage of transactions



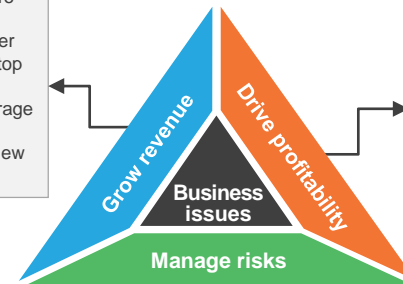
Demand for digital across different LoBs

Frequency of inclusion



Growth, profitability, and manage risks

Capital markets firms are investing to launch innovative products, offer value-add offerings on top of their existing services/products, leverage technology to acquire customers, and serve new markets to drive growth



Capital markets firms are investing in efficiency driving technology initiatives – automation, analytics, and application rationalization; reducing costs to serve and acquire customers, and adopting DevOps methodology to ensure faster time-to-market and drive innovation in the organization

Capital markets firms look at compliance beyond the demand of regulators, but as an instrument to gain competitive advantage. Ability to identify, segment, and manage risks with lesser costs and real-time is a crucial differentiator for enterprises

Source: Everest Group (2015)

BFSI ITS research calendar

■ Published
 ■ Current

Topic	Release date
Blockchain in BFSI – Looking Beyond the Hype	March 2016
IT Outsourcing in Banking – Annual Report 2016	June 2016
Digital Effectiveness in U.S. Retail Banking – APEX Matrix™ to Identify the Digital Banking Leaders 2016	July 2016
IT Outsourcing in Global Banking – Service Provider Landscape with PEAK Matrix™ Assessment 2016 and Profiles Compendium	August 2016
Digital Effectiveness in Europe Retail Banking – APEX Matrix™ to Identify the Digital Banking Leaders 2016	August 2016
IT Outsourcing in Banking – Annual Report 2016: Simplify the Bank	August 2016
IT Outsourcing in Global Capital markets – Service Provider Landscape with PEAK Matrix™ Assessment 2016	September 2016
Smart Contracts on Distributed Ledger – Life in the Smart Lane	September 2016
IT Outsourcing in Global Capital markets – Annual Report 2016	October 2016
IT Outsourcing in Insurance – Service Provider Landscape with PEAK Matrix™ Assessment 2016	Q3 2016
IT Outsourcing in Insurance – Annual Report 2016	Q3 2016
Analytics in Banking– Service Provider Landscape with PEAK Matrix™ Assessment 2016	Q4 2016
Mobility in Banking– Service Provider Landscape with PEAK Matrix™ Assessment 2016	Q4 2016
Mobility in Insurance – Service Provider Landscape with PEAK Matrix™ Assessment 2016	Q4 2016
Analytics in Insurance – Service Provider Landscape with PEAK Matrix™ Assessment 2016	Q4 2016

Additional research references

The following documents are recommended for additional insight into the topic covered in this report. The recommended documents either provide additional details on the topic or complementary content that may be of interest.

1. **IT Outsourcing in Banking – Annual Report 2016: Simplify the Bank** ([EGR-2016-11-R-1805](#)); 2016. This report provides an overview of the Application Outsourcing (AO) market for the capital markets industry, through an in-depth analysis of large-sized AO contracts (i.e., contracts over US\$25 million in TCV and over three years in duration). The report analyses key trends in market size & growth, demand drivers, adoption & scope trends, emerging priorities of buyers, key investment themes, and future outlook for 2016 with regards to such large capital markets AO deals
2. **Blockchain in BFSI – Looking beyond the hype** ([EGR-2016-11-R-1725](#)); 2016. This report provides an overview of blockchain technology and its impact on global BFSI sector. The report covers the market trends, enterprise priorities and key investment themes related to blockchain. The report helps financial services institution and service provider cut through the hype and understand the current state of adoption and the future promise of blockchain
3. **BFSI Digital Adoption Trends – The Investment Enigma for BFSI Enterprises: Where to Invest?** ([EGR-2016-4-R-1720](#)); 2016. This report assesses the current state of digital adoption in BFSI enterprises. The report establishes a definitional framework for digital adoption, provides insights into the forces driving the adoption, assessing current state of adoption, and identifying implications for enterprises and service providers in their digital investments

For more information on this and other research published by Everest Group, please contact us:

Jimit Arora, Partner:

Ankur Seth, Practice Director:

Aaditya Jain, Senior Analyst:

Archit Mishra, Senior Analyst:

Ronak Doshi, Senior Analyst:

jimit.arora@everestgrp.com

ankur.seth@everestgrp.com

aaditya.jain@everestgrp.com

archit.mishra@everestgrp.com

ronak.doshi@everestgrp.com

Website: www.everestgrp.com | Phone: +1-214-451-3000 | Email: info@everestgrp.com



About Everest Group

Everest Group is a consulting and research firm focused on strategic IT, business services, and sourcing. We are trusted advisors to senior executives of leading enterprises, providers, and investors. Our firm helps clients improve operational and financial performance through a hands-on process that supports them in making well-informed decisions that deliver high-impact results and achieve sustained value. Our insight and guidance empowers clients to improve organizational efficiency, effectiveness, agility, and responsiveness. What sets Everest Group apart is the integration of deep sourcing knowledge, problem-solving skills and original research. Details and in-depth content are available at www.everestgrp.com.

Dallas (Headquarters)

info@everestgrp.com
+1-214-451-3000

Bangalore

india@everestgrp.com
+91-804-276-4533

Delhi

india@everestgrp.com
+91-124-496-1000

London

unitedkingdom@everestgrp.com
+44-207-129-1318

New York

info@everestgrp.com
+1-646-805-4000

Toronto

canada@everestgrp.com
+1-647-557-3475

Stay connected

Website



www.everestgrp.com

Social Media



@EverestGroup



@Everest Group

Blog

[Sherpas In Blue Shirts](http://www.sherpasinblueshirts.com)

www.sherpasinblueshirts.com