



Nearshore Europe Banking BPS Market: Will Europe Bank on Nearshore?

Locations Insider™ (LI)

Market Report: September 2016 – Preview Deck

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¹ Banking, financial services, and insurance

Background and scope of the research

Background of the research

Locations in nearshore Europe (as defined on page 8) play a critical role in delivery of banking business BPS (as defined on page 9) for both global and European banks, especially for their in-house delivery model (shared services centres, captives, or global in-house centres). Cultural affinity, time-zone similarity, cost savings, strong talent pool, and low risk environment makes these locations attractive for serving businesses based in other European countries. As the uncertainty over implications of Brexit grows, this report takes a closer look at the current landscape of locations being leveraged to support banking BPS, relative value proposition of these locations, and potential impact of factors such as regulatory changes, technology trends, and Brexit on sourcing strategy of companies

In this research, we assess the nearshore European region across multiple dimensions for the delivery of banking business process services

- Global banking BPS market overview and key trends
- Overview of nearshore European locations for delivery of banking BPS market
- Service provider and GIC landscape and service delivery portfolio
- Assessment of value proposition of leading nearshore European locations for banking BPS
- MAP Matrix™ for banking BPS for nearshore European locations
- Implications of regulatory changes, technology trends, and Brexit on nearshore Europe banking market

The scope of the analysis includes:

- Nearshore Europe
- Banking BPS
- Services delivered by Global In-house Centres (GICs) and third-party service providers
- Analysis of value proposition of key cities in nearshore Europe: Belfast, Bucharest, Budapest, Dublin, Glasgow, Krakow, Vilnius, Warsaw, and Wroclaw. The report also includes an assessment of Croydon (England) as a reference location for the analysis

Banking BPS covers back- and middle-office services¹ across five key lines of businesses

Retail banking

- Account opening
- Account maintenance
- Account closure
- Reconciliations
- Fraud management
- Dispute resolution

Lending / Mortgage

- Credit evaluation
- Underwriting
- Verification
- Collateral evaluation
- Loan funding & closing
- Payment processing
- Loan disbursements
- Foreclosure/ bankruptcy
- Account closure

Commercial banking

- Remittance and clearing
- Account opening and closure
- Setting credit limits
- Letter of Credit (LC) issuance & processing
- Advising & payments
- Account maintenance
- Funds transfer

Cards

- Credit evaluation
- Verification
- Credit approval
- Payment processing
- Recoveries
- Default account management
- Merchant dispute resolution

Investment banking

- Financial / M&A advisory
- Equity and debt underwriting
- Order management and processing
- Securities lending and borrowing
- Exception management

Banking BPS includes banking back- and middle-office services typically associated with retail, commercial, investment banking, lending, and cards' operations

¹ This is a non-exhaustive list and only indicates leading processes within each line of business (Lob). As part of the study, we have also covered examples of commonly nearshored/offshored processes, based on nature of work supported by leading service providers and GICs

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Overview and abbreviated summary of key messages

This Everest Group research analyzes the market landscape for Banking BPS services in nearshore European locations. It provides detailed insights about leading nearshore European locations for banking BPS delivery, covering aspects such as service portfolio, talent, cost, business and operating risk, and market maturity for banking BPS. The report also captures the impact of regulatory, technology-related and macroeconomic changes on the market and locations strategy of leading banks / global service providers.

Some of the findings of the report

Global banking BPS market overview

- Global banking BPS market employs 240,000-260,000 FTEs globally across in-house and outsourced operations
- Trends such as regulatory changes (e.g., additional KYC, compliance requirements), macroeconomic factors (e.g., slow GDP growth and Brexit), and technology related trends (automation and adoption of digital channels) are also driving additional demand for banking back- and middle-office services
- While North America is the largest market for banking services, share of Europe is increasing. Europe now accounts for approximately one-third of banking GICs and one-fourth of global banking BPO spend

Nearshore Europe banking BPS market overview

- The number of delivery centres for banking BPS in nearshore European locations grew at 6-7% CAGR over 2008-2016. Global in-house centres dominate the landscape accounting for over majority of delivery centres and FTEs employed in this industry
- While nearshore UK locations, such as Glasgow, Belfast, and Dublin have become hubs for judgement-intensive banking services as they offer large and mature talent pool, Polish locations with relatively lower cost have emerged as mature locations for both voice-based as well as non-voice (both transactional and judgement-intensive processes) work
- Retail and commercial banking are the most popularly served lines of businesses among banking BPS centres, both from global in-house centres and service provider delivery centres

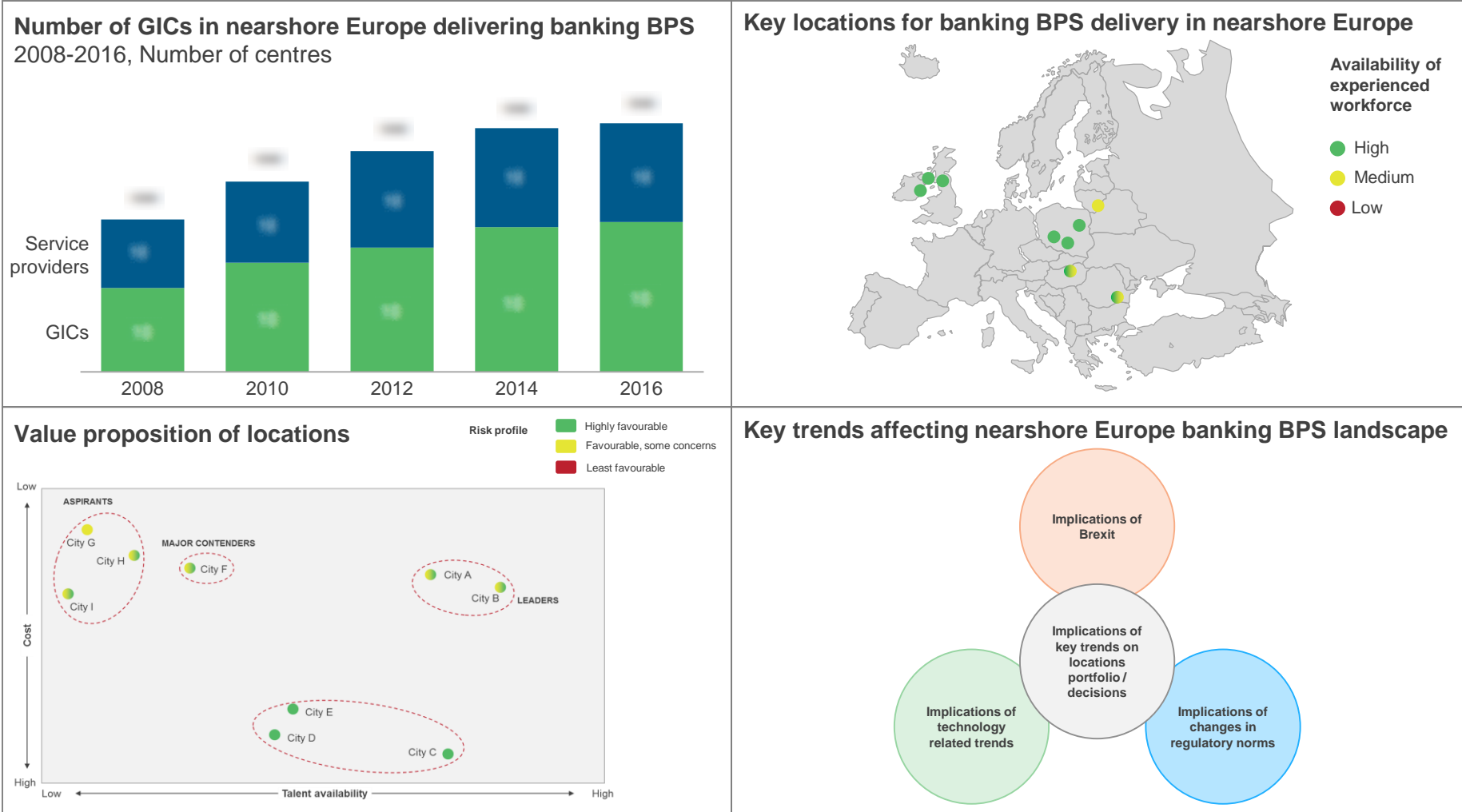
Value proposition of leading nearshore Europe locations

- Value proposition of leading nearshore European locations for banking BPS is based on several factors such as availability of large mature talent pool, significant cost savings as compared to onshore locations, geographical proximity and time-zone similarity, cultural affinity with onshore locations, availability of multi-lingual skills, attractive domestic market, and business conducive operating environment
- While most of the locations offer sizeable talent pool and cost savings over source locations, there is significant variation among different nearshore European locations which impacts their suitability for delivery of different types of back- and middle-office banking BPS work

Implications of regulatory changes, technology trends, and Brexit on the market

- Decline in the value of the British pound (following Brexit concerns) will affect relative cost competitiveness of locations
- Technology related trends are likely to have multi-fold implications for banking BPS sector
- Regulatory norms imposed by ECB are likely to cause a spurt in demand for banking back-office services

This study offers four distinct chapters providing a deep dive into the various aspects of the market landscape for banking BPS service delivery in nearshore European locations; Below are few charts to illustrate the depth of the report



Source: Everest Group (2016)

Locations Insider research calendar

Topic	Release date
<div> <div>Published</div> <div>Current</div> </div> Many Voices, Many Locations: Understanding the Multi-lingual Contact Center Market in East and Southeast Asia April 2016 "Next-wave" location profiles: Dalian, China May 2016 "Next-wave" location profiles: Iasi, Romania June 2016 Global Hotspots For Digital Services June 2016 IT Services Delivery from Latin America (LATAM) June 2016 "Next-wave" location profiles: Dominican Republic July 2016 "Next-wave" location profiles: Jordan July 2016 "Next-wave" location profiles: Estonia August 2016 Innovation Beyond Borders – Global Talent Hotspots for Engineering Services and Research & Development (ER&D) August 2016	
Banking middle- and back-office services delivery from Nearshore Europe September 2016 "Next-wave" location profiles: Chandigarh, India Q3 2016 "Next-wave" location profiles: Cape Town, South Africa Q3 2016 Emerging Locations Trends Report: Analytics delivery hotspots Q3 2016 "Next-wave" location profiles: Morocco Q3 2016 Delivery of IT services from U.S. Q3 2016 Global Locations Annual Report Q3 2016 "Next-wave" location profiles: Kiev, Ukraine 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. **Nearshore Europe Is IT! IT Services Riding The Nearshore Advantage** ([EGR-2015-2-R-1432](#)); 2015. In this report, Everest Group has analysed Nearshore Europe as a destination for delivery of IT services. This report provides in-depth assessment of key cities in the region, focussing on talent pool, operating cost, market activity, and risk analysis
2. **Cultural Affinity, Cost Savings, Coordinates – 3 C's of Targeting UK Contact Centre Market** ([EGR-2015-1-R-1420](#)); 2015. This report provides in-depth assessment of key cities in the region, focussing on labour pool (both entry level and experienced), contact centre outsourcing market, operating cost, market activity, and risk analysis
3. **The March to Maturity: Retail and Commercial Banking Delivery from Global In-house Centres** ([EGR-2016-2-R-1813](#)); 2016. This report provides an assessment of the current landscape of this industry from the point of view of GICs as well as next-generational changes such as development and adoption of new technologies (service delivery automation and mobility solutions), transformations in the sourcing models, and offshoring of complex processes

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