



Topic: IT Outsourcing in Capital Markets – Annual Report 2013: Deploying Technology to Counter Environmental Challenges

Banking, Financial Services, and Insurance (BFSI) IT Outsourcing
Annual Report: September 2013 – Preview Deck

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- In addition to published research, a subscription may include analyst inquiry, data cuts, and other services
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- Benchmarking | Pricing, delivery model, skill portfolio
- Peer analysis | Scope, sourcing models, locations
- Locations | Cost, skills, sustainability, portfolio
- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities, technologies, contract assessment

¹ Banking, financial services, and insurance

Background and scope of the research

Background of the research

In 2012, BFSI buyers continued to remain under pressure to increase revenue, enhance customer experience, reduce costs, replace legacy systems, and meet regulatory requirements. To address these challenges, most banks focused on transforming themselves and increasing investments in technologies (such as social media, mobility, big data & analytics, and cloud computing) in order to enhance customer experience while simultaneously reducing their operational costs, better managing risk, and improving shareholder returns.

As financial institutions gear up for these changes, they are looking to identify strategic partners that can help them develop solutions that drive efficiency and sustain the pace of technological advancement in this rapidly-evolving industry. In addition, with the continued trend towards consolidation, financial institutions are signing larger and more strategic AO contracts with a fewer number of service providers, a phenomenon that is expected to meaningfully alter the AO services landscape in the BFSI segment.

In this research, we analyze the current trends and the future outlook for large, multi-year application outsourcing relationships for the global capital markets sector. We focus on:

- Trends in AO in the BFSI segment
- Market trends and activity for large AO relationships in capital markets
- Emerging priorities of buyers and key investment themes in capital markets AO
- Future outlook for 2013-2014

The research also captures key movements in volumes/values of capital markets AO transactions, evolving trends, market dynamics, and emerging priorities of buyers in the last 12 months.

Scope of this report

- **Industry:** Capital markets (investment banking, asset management custody and funds administration, and brokerage services); excludes retail and commercial banking, insurance (life, annuity, pensions, and P&C), and healthcare payers
- **Services:** Large (TCV¹ > 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)

¹ Defined in appendix

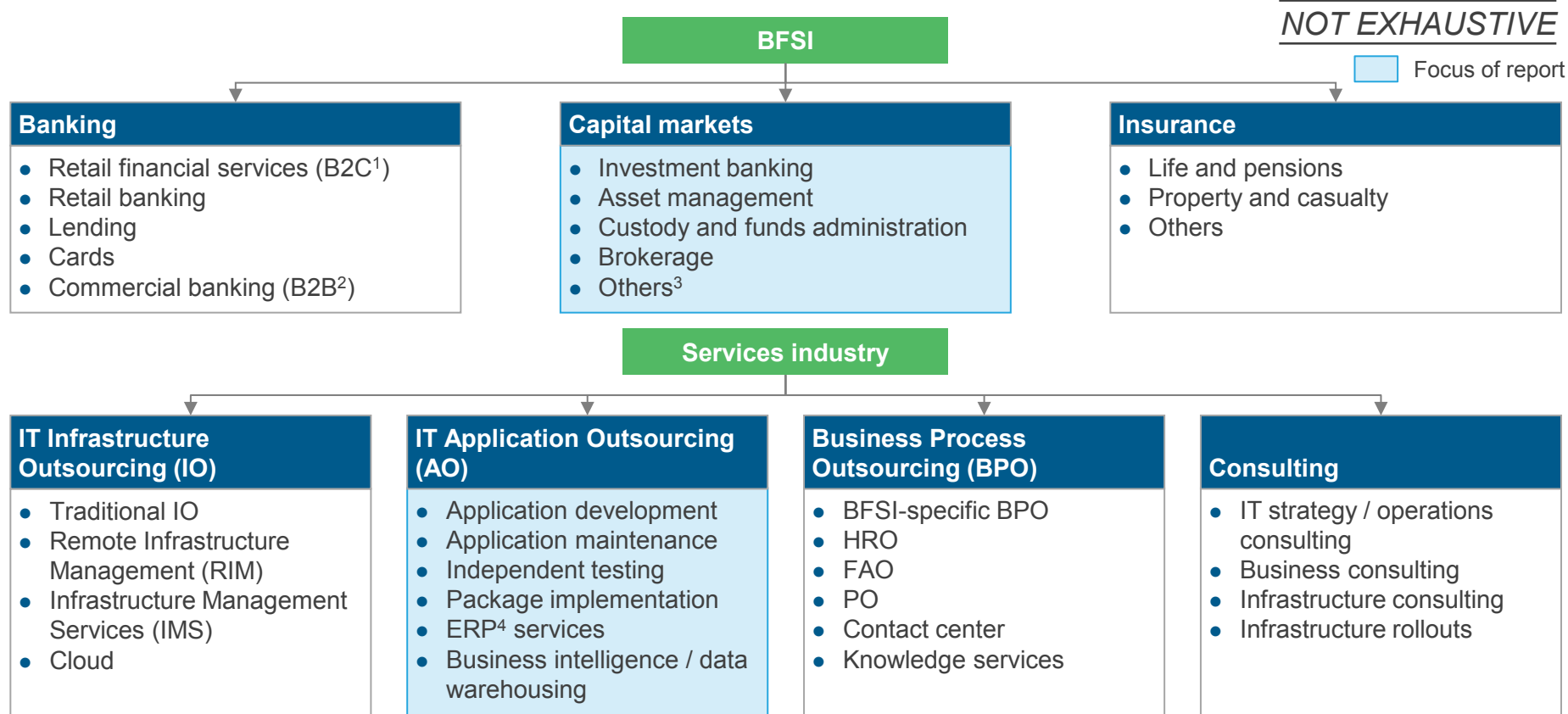
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This report provides an insight into the current trends and future outlook for large, multi-year application outsourcing relationships in the global capital markets sector



This report analyzes IT applications outsourcing in the capital markets subvertical with a focus on large (TCV > US\$25 million), annuity-based, multi-year (>three years) relationships

1 Business-to-consumer relationships

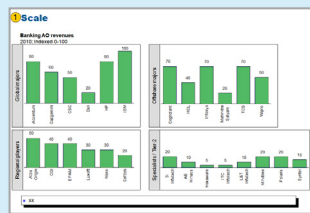
2 Business-to-business relationships

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

4 Defined in appendix

This report is a part of the Everest Group's series of nine reports focused on AO in BFSI in 2013

IT Outsourcing in BFSI – Annual Report



Each report provides:

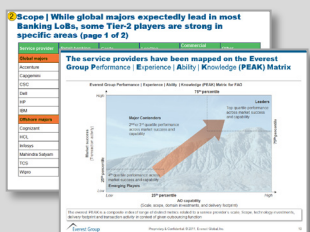
- An overview of the application services market for the BFSI verticals, capturing key trends in market size, growth, drivers and inhibitors, adoption trends, regional/functional break-outs of the market, emerging themes, key areas of investment, and implications for key stakeholders
- Key movements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

Banking

Capital Markets

Insurance

IT Outsourcing in BFSI – Service Provider Landscape



Each report provides:

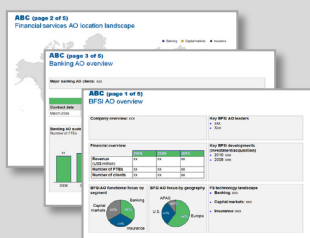
- Assessment of service provider landscape in AO services and mapping of providers on Everest Group's PEAK Matrix – as Leaders, Major Contenders, and Emerging Players
- Comparative evaluation of BFSI-AO capabilities of provider categories such as global majors, offshore majors, regional players, and tier-2 specialists. Benchmarking scale, scope, domain investments, and delivery footprint of each provider's BFSI-AO practice
- The 2013 BFSI-AO PEAK analyses focus on identifying the "Star Performers", i.e., providers with strongest forward movement over time – both in terms of market success and capability advancements

Banking

Capital Markets

Insurance

BFSI ITO – Service Provider Profile Compendium



Capability profiles of service providers capturing their AO services experience in specific subverticals. Each service provider profile includes:

- Service provider overview – details of AO services capabilities, key investments, proprietary solutions, and technological expertise
- Functional / Line of Business (LoB) focus
- Transactions overview for application services offerings
- Delivery footprint

Banking

Capital Markets

Insurance

Everest Group's BFSI 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 BFSI (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 LoB (e.g., investment banking, asset management custody and funds administration, and brokerage services)
 - 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+ BFSI AO service providers** (updated annually)
- The database tracks the following capability elements for each service provider:
 - Major BFSI AO clients and recent wins
 - Overall revenue, total employees, and BFSI employees
 - Recent BFSI-related developments
 - BFSI AO delivery locations
 - BFSI AO service suite
 - Domain capabilities, proprietary solutions, and intellectual property investments

Service providers covered in the analysis


High performance. Delivered.


CONSULTING. TECHNOLOGY. OUTSOURCING.














ITOPS for Business Outcomes






Engineering Business Performance




an HP company


live your dream


Consider IT Done[®]






Accelerating Business Outcomes


Applying Thought

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

How to read this document

Information desired	Where/how to locate the information
Summary of key messages	<ul style="list-style-type: none">• The section on key messages summarizes the capital markets AO¹ market insights• The key messages are categorized along three dimensions:<ul style="list-style-type: none">– BFSI ITO market overview– Capital markets AO overview– Emerging priorities of buyers, and key investment themes in capital markets AO
Key facts or analyses related to a specific topic	<ul style="list-style-type: none">• A section is devoted to each dimension of the summary of key messages (listed above)• Each section contains detailed charts on relevant topics within a specific dimension• Refer to the table of contents (pages 4 and 5) to identify relevant topics covered within each section• Summary pages at the beginning of each section cover the key trends
Outlook for 2013-2014	<ul style="list-style-type: none">• The section provides future outlook of the capital markets AO market
Definition for unfamiliar terms and related research	<ul style="list-style-type: none">• Acronyms or technical outsourcing terms are defined in the glossary of terms (Appendix)• Refer to the related Everest Group BFSI IT Outsourcing research publications listed in references (Appendix)

¹ Defined in appendix

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 key stakeholders, with regards to such large capital markets AO deals

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

BFSI ITO market overview

- The US\$90-100 billion global BFSI ITO industry continued to grapple with a challenging business environment. While the number of BFSI outsourcing transactions remained almost flat, TCV declined 25% as compared to last year
- Capital markets is the smallest vertical in the BFSI ITO space but is witnessing increased adoption of outsourcing as it faces challenges related to evolving regulatory requirements and profitability pressures
- The BFSI ITO buyers are gradually moving towards the next generation sourcing model as they are increasingly seeking greater business value from their ITO engagements

Capital markets AO overview

- Overall, the capital markets industry saw the highest growth within BFSI in 2012. However, IT spending for large capital markets firms fell drastically during the year
- Europe and APAC gained market share in terms of TCV for large capital markets AO deals. TCV share of North America and MEA declined during 2012
- Approximately 75 large deals with a total TCV of approximately US\$8.5 billion is coming up for renewal in the next five years
- Fixed price and outcome-based pricing continue to gain prominence driven by buyers' increased focus on effectiveness and search for new value levers

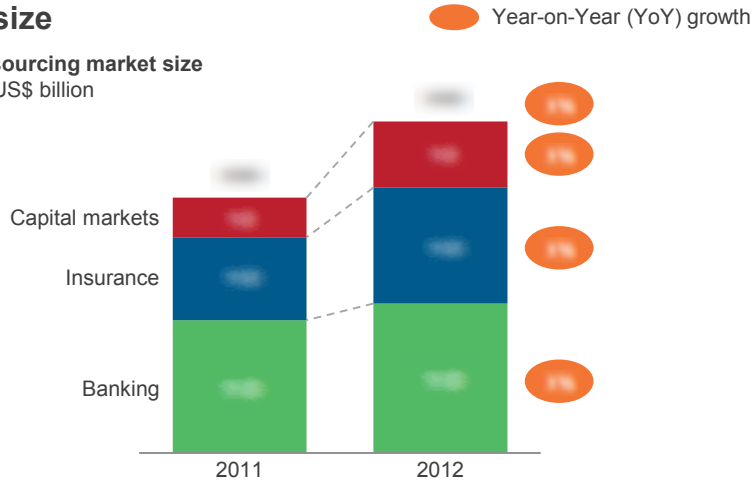
Emerging priorities of buyers, and key investment themes

- Increasing operational efficiency, complying with regulations, enhancing/growing customer base, and expanding in emerging geographies are the key priorities outlined by capital market firms
- Social media, mobility, analytics, and cloud computing are emerging as key technological themes for capital markets for the next 12 to 18 months

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

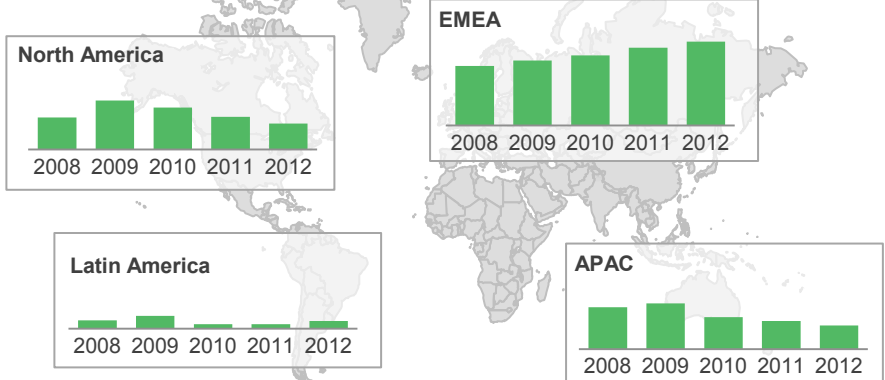
Market size

BFSI IT outsourcing market size
2011-2012; US\$ billion

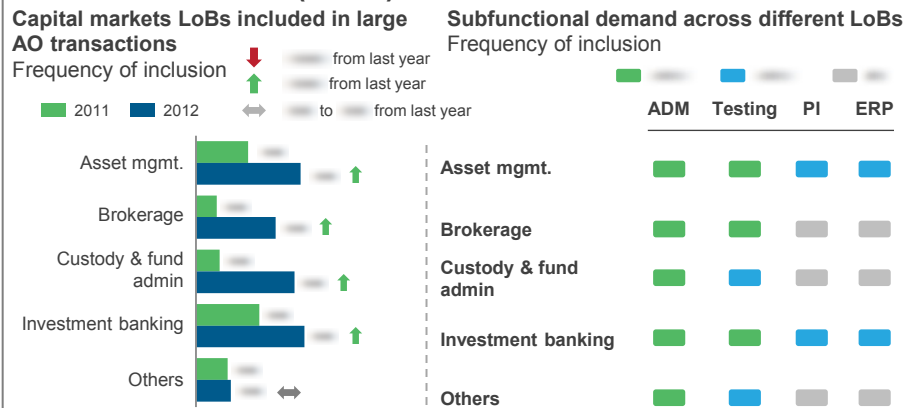


Number of BFSI ITO transactions by source regions

BFSI ITO transactions by geography
2008-2012; Number of transactions



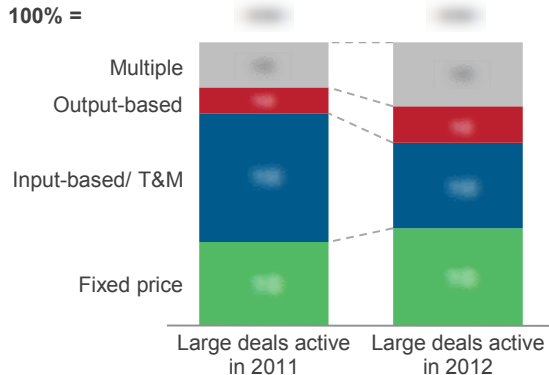
AO subfunctional demand across various capital markets Lines of Business (LoBs)



Pricing trends for large capital markets deals

Pricing models

Number of transactions



Source: Everest Group (2013)

BFSI ITO research calendar

■ Published ■ Current

Topic	Release date
IT Application Outsourcing (AO) in Insurance – Service Provider Profile Compendium	January-2013
Webinar Deck: State of the Global Services Market: 2013 Predictions	January-2013
IT AO in Capital Markets – Service Provider Profile Compendium	February-2013
Analytics in Banking: War is Ninety Percent Information	June-2013
IT Outsourcing in Banking – Annual Report 2013: Banking for the Next Generation	June-2013
IT Outsourcing in Banking – Service Provider Landscape with PEAK Matrix Assessment 2013	August-2013
IT Outsourcing in Capital Markets – Annual Report 2013	September-2013
IT Outsourcing in Banking – Service Provider Profile Compendium 2013	Q3-2013
IT Outsourcing in Capital Markets – Service Provider Landscape with PEAK Matrix Assessment 2013	Q4-2013
IT Outsourcing in Capital Markets – Service Provider Profile Compendium 2013	Q4-2013
IT Outsourcing in Insurance – Annual Report 2013	Q4-2013
IT Outsourcing in Insurance – Service Provider Landscape with PEAK Matrix Assessment 2013	Q4-2013
IT Outsourcing in Insurance – Service Provider Profile Compendium 2013	Q4-2013

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 2013: Banking For the Next Generation** ([EGR-2013-11-R-0893](#)); 2013. This report provides an overview of the Application Outsourcing (AO) market for the banking 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 & growth, demand drivers, adoption & scope trends, emerging priorities of buyers, key investment themes, and future outlook for 2012 with regards to such large banking AO deals
2. **Analytics in Banking: War is Ninety Percent Information** ([EGR-2013-11-R-0888](#)); 2013. This report provides a comprehensive understanding of the analytics services industry with focus on banking domain. Analytics adoption in the banking industry is covered in depth, exploring various aspects such as market size, key drivers, recent analytics initiatives, and challenges. The report also analyses the trends in analytics deals for various banking subverticals (cards, retail, commercial, and lending) and evaluates analytics capabilities of 20+ service providers in the banking space
3. **IT Application Outsourcing (AO) in Capital Markets Annual Report – Change is the Only Constant** ([EGR-2012-11-R-0766](#)); 2013. 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 priorities of buyers, key investment themes, and future outlook for 2012, with regards to such large capital markets AO deals

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At a glance

- With a fact-based approach driving outcomes, Everest Group counsels organizations with complex challenges related to the use and delivery of the next generation of global services
- Through its practical consulting, original research, and industry resource services, Everest Group helps clients maximize value from delivery strategies, talent and sourcing models, technologies, and management approaches
- Established in 1991, Everest Group serves users of global services, providers of services, country organizations, and private equity firms in six continents across all industry categories

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