Topic: IT Outsourcing in Capital Markets – Service Provider Landscape with PEAK Matrix^{TM} Assessment 2013

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

EGR-2013-11-PD-0968

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- Benchmarking | Pricing, delivery model, skill portfolio
- Peer analysis | Scope, sourcing models, locations
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- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities, technologies, contract assessment

1 Banking, financial services, and insurance

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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
- At the same time, service providers in the BFSI AO space also ramped up their capabilities, built up scale, and invested in newer technologies, developing and acquiring IP/proprietary solutions. Further, they also formed alliances that allowed them to undertake and deliver on large-sized, annuity AO engagements. The competitive intensity in the BFSI AO services space is at an all-time high. As a result, it is becoming difficult to differentiate service providers based purely on delivery capability. It is, therefore, critical to have a comprehensive, well-rounded, and a fact-based assessment of each service provider's BFSI AO value proposition
- In this research, we analyze the capabilities of 20 leading AO service providers, specific to the global capital markets sector. These providers were mapped on Everest Group Performance | Experience | Ability | Knowledge (PEAK) Matrix, which is a composite index of a range of distinct metrics related to each provider's capability and market success. In this report, we focus on:
  - The landscape of service providers for capital markets AO
  - Assessment of the service providers on a number of capability-related dimensions
  - Characteristics of Leaders, Major Contenders, and Emerging Players on Everest Group capital markets – AO PEAK Matrix
  - "Star Performers" of 2013, providers with the strongest forward movement over time – in terms of both market success and capability advancements
  - Implications for capital markets buyers and service providers

Scope of this report

- **Industry:** Capital markets (investment banking, asset management, custody, fund administration, and brokerage); excludes banking and insurance
- **Services:** Large (TCV > US$25 million), multi-year (>three years), and annuity-based application outsourcing (over 130 active, large-sized capital markets AO transactions)
- **Geography:** Global
- **Service providers:** Twenty leading capital markets AO service providers (list given on page 8)

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This Everest Group report examines the service provider landscape for large annuity contracts in the capital markets AO market

NOT EXHAUSTIVE

Focus of report

BFSI

Banking
- Retail financial services (B2C[1])
- Retail banking
- Lending
- Cards
- Commercial banking (B2B[2])

Capital markets
- Investment banking
- Asset management
- Custody and funds administration
- Brokerage
- Others[3]

Insurance
- Life and pensions
- Property and casualty
- Others

Services industry

IT Infrastructure Outsourcing (IO)
- Traditional IO
- Remote Infrastructure Management (RIM)
- Infrastructure Management Services (IMS)
- Cloud

IT Application Outsourcing (AO)
- Applications development
- Applications maintenance
- Independent testing
- Package implementation
- ERP services
- Business intelligence / data warehousing

Business Process Outsourcing (BPO)
- BFSI-specific BPO
- HRO
- FAO
- PO
- Contact center
- Knowledge services

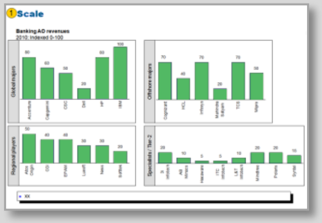
Consulting
- IT strategy / operations consulting
- Business consulting
- Infrastructure consulting
- Infrastructure rollouts

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

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

Market Trends in IT Application Outsourcing Services



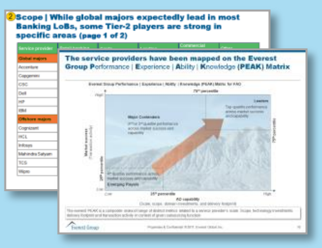
Each report provides:
- An overview of the application services market for the BFSI verticals, capturing key trends in market size, growth, drivers and inhibitors, adoption trends, regional/functional breakouts of the market, emerging themes, key areas of investment, and implications for key stakeholders
- 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

Service Provider Landscape: IT Application Outsourcing Services



Each report provides:
- Assessment of the 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, delivery footprint, and buyer satisfaction of each provider's BFSI AO practice
- The 2013 BFSI AO PEAK Matrix analyses focus on identifying "Star Performers", i.e., providers with strongest forward movement over time – in terms of both market success and capability advancements

Banking

Capital Markets

Insurance

Service Provider Profile Compendium: IT Application Outsourcing Services

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 through primary data collection via service provider RFIs)[1]
- 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 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 through primary data collection via service provider RFIs)
- 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

accenture, Capgemini, CGI, CSC, Cognizant, Dell Services, epam, HCL, iGATE, IBM, L&T Infotech, Luxoft, Infosys, Mphasis, Polaris, Syntel, Tech Mahindra, Tata Consultancy Services, Virtusa, Wipro

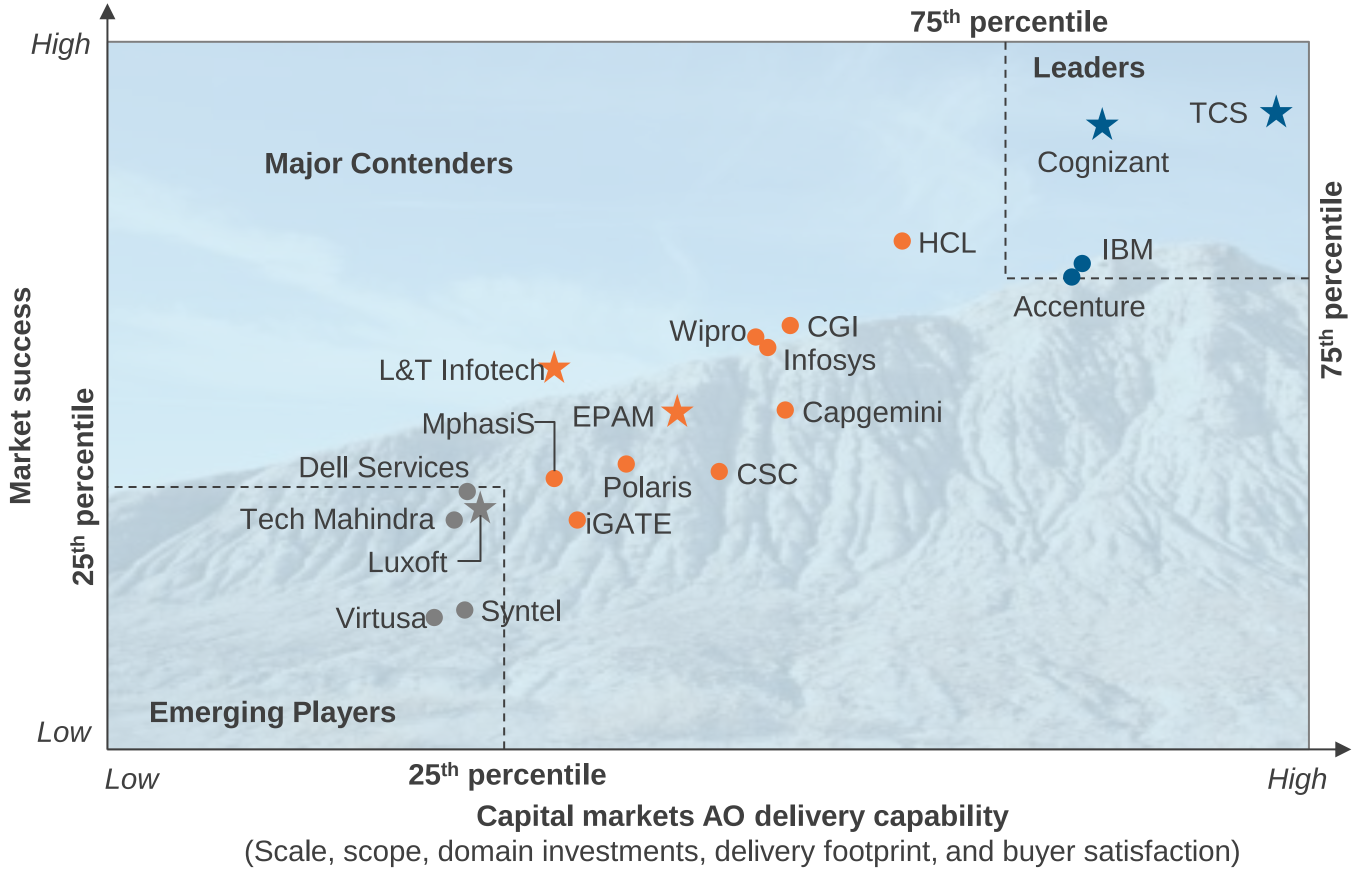
1 Assessment for Accenture, Capgemini, IBM, and Wipro excludes service provider inputs and is based on Everest Group's proprietary Transaction Intelligence (TI) database, service provider public disclosures, and Everest Group's interactions with capital markets buyers

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

Everest Group PEAK Matrix for large capital markets AO relationships

Everest Group Performance | Experience | Ability | Knowledge (PEAK) Matrix for large capital markets AO relationships



1 PEAK Matrix specific to large (>US$25 million TCV), multi-year (>3 years) application outsourcing relationships for the capital markets sector (investment banking, asset management, custody, fund administration, and brokerage); excludes banking and insurance

Note: Assessment for Accenture, Capgemini, IBM, and Wipro excludes service provider inputs and is based on Everest Group's proprietary Transaction Intelligence (TI) database, service provider public disclosures, and Everest Group's interactions with capital market buyers

Source: Everest Group (2013)

This report is structured across three key sections, each containing insights on the capital markets AO service provider landscape, focusing on large-sized contracts

	Analysis dimensions
Capital markets AO service provider landscape	**Analysis of individual service provider capability and service provider groups across the following dimensions:** • Scale • Scope • Domain investments • Delivery footprint • Buyer satisfaction • Market success
Capital markets AO PEAK Matrix characteristics	**Analysis of each of the categories on Everest Group PEAK Matrix –Leaders, Major Contenders, and Emerging Players. Additionally, this year's report focuses on identifying the 2013 "Star Performers" in capital markets AO. Key aspects covered include:** • Delivery capability characteristics (scale, scope, domain investments, delivery footprint, and buyer satisfaction) • Year 2013 **"Star Performers"** analysis • Market success characteristics (transaction activity)
Implications for key stakeholders	**Implications of trends on buyers and service providers**

Overview and abbreviated summary of key messages

The report provides a comprehensive assessment of the service provider landscape in AO services for capital markets and maps various providers on Everest Group's PEAK Matrix. The report further examines the distinctive characteristics of different service provider clusters i.e., Leaders, Major Contenders, Emerging Players, and recognizes the key implications of the rapidly changing landscape for capital markets buyers and service providers

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

Capital markets AO service provider landscape

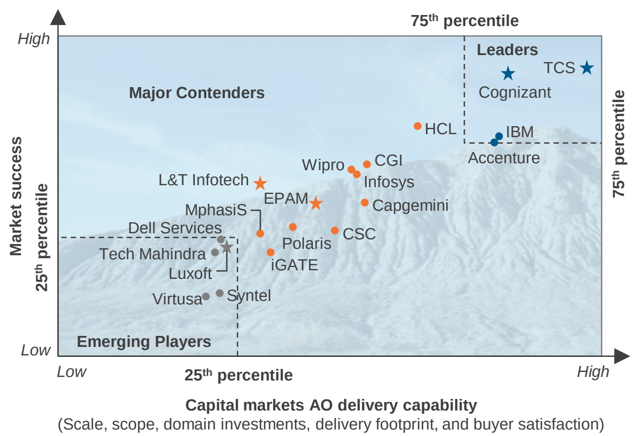
- On an average, global and offshore majors reported modest capital markets AO revenue growth in 2012 over the previous year. Regional and tier-2 Indian players struggled to grow during the year
- Global majors witnessed increased demand from European buyers. Providers across other categories continued to focus on the North American region
- Revenue growth for offshore majors declined significantly in 2012, as compared to last year
- Offshore majors had the highest level of customer satisfaction among their peers. Ability to support growth and flexibility were the key drivers of success for these providers

Capital markets AO PEAK clusters' characteristics

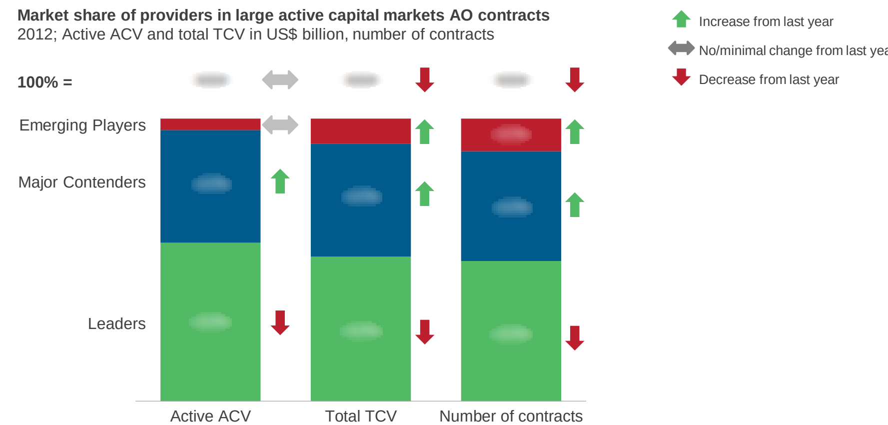
- On an average, Leaders have almost three times the number of FTEs and revenue as compared to Major Contenders
- Infosys dropped out of the Leaders category to the Major Contenders category in 2012. This drop in the number of providers impacted the total market share held by the Leaders category
- Service providers across all categories primarily leverage offshore delivery, with Leaders using a higher onshore ratio as compared to Major Contenders and Emerging Players
- Major Contenders reported the highest average revenue growth in 2012 led by growth in existing accounts as well as aggressively acquiring new customers

This study offers three distinct chapters providing a deep dive into key aspects of the capital markets AO service provider landscape; below are four charts to illustrate the depth of the report

PEAK Matrix for large-sized capital markets AO



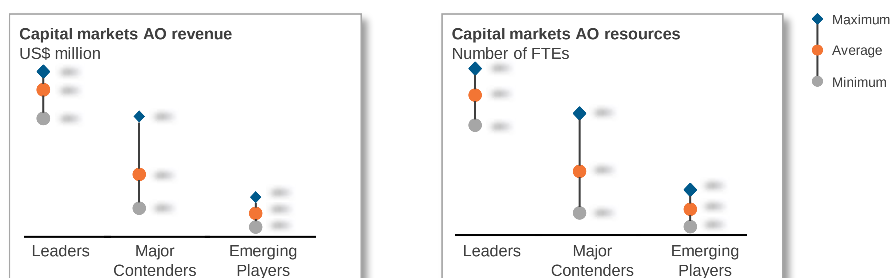
Capital markets AO market share by provider segment



Service provider capability assessment dashboard

Service provider	Delivery capability: 1. Scale	2. Scope	3. Domain investments	4. Delivery footprint	5. Buyer satisfaction[1]	Market success
Global majors						
Service provider A	●	◕	◕	●	◕	◑
Service provider B	◔	◑	◑	◕	N/A	◔
Service provider C	◑	◑	◑	◕	N/A	◔
Service provider D	◔	◑	◔	◑	N/A	◔
Service provider E	◕	◕	◕	●	◕	◕
Offshore majors						
Service provider F	●	●	◕	●	◕	●
Service provider G	◑	●	◕	◑	◕	◕
Service provider H	◕	◕	◕	◔	N/A	◑
Service provider I	●	●	●	●	◕	●
Service provider J	◑	◕	◕	◕	N/A	◑

Capital markets AO scale by provider segment



Category	Global majors	Offshore majors	Regional players	Tier-2 Indian providers
Leaders	Service provider 1	Service provider 3		
Major Contenders	Service provider 2	Service provider 4	Service provider 6	Service provider 8
Emerging Players	Service provider 5		Service provider 7	Service provider 9

Source: Everest Group (2013)

BFSI ITO research calendar

Published | Current

Topic	Release date
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 Banking – Service Provider Profile Compendium 2013	September-2013
IT Outsourcing in Capital Markets – Annual Report 2013: Deploying Technology to Counter Environmental Challenges	September-2013
IT Outsourcing in Capital Markets – Service Provider Landscape with PEAK Matrix Assessment 2013	October-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
BFS in Europe	Q4-2013
IT Outsourcing in Insurance – Service Provider Profile Compendium 2013	Q1-2014
RFI collection process for BFSI ITO	Q1-2014
Analytics in Banking: War is Ninety Percent Information	Q1-2014

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)**:** 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 2013 with regards to such large banking AO deals

2. **Analytics in Banking: War is Ninety Percent Information** (EGR-2013-11-R-0888) : 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 Outsourcing in Capital Markets – Annual Report 2013: Deploying Technology to Counter Environmental Challenges** (EGR-2013-11-R-0939): 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 & growth, demand drivers, adoption & scope trends, emerging priorities of buyers, key investment themes, and future outlook for 2013 with regards to such large capital markets AO deals)

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From **insight** to ***action***.

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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