



Topic: IT Outsourcing in Capital Markets – Annual Report: Moving Towards a Simpler Future

Banking, Financial Services, and Insurance (BFSI) IT Outsourcing
Annual Report: September 2014 – Preview Deck

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¹ Banking, financial services, and insurance

Background and scope of the research

Background of the research

Strained revenue growth, burgeoning costs due to litigations, and regulatory compliance continued to adversely affect the profitability of capital markets firms in 2013. This forced them to rethink and reinvent their business models as well as technological priorities. As a result, 2013 saw strong return of discretionary spend – led by investments in development of specific applications and platform-based utilities for regulatory compliance, data management, risk management, and digital initiatives (cloud, analytics, and mobility).

Consequently, the service provider competitive landscape is also intensifying as service providers continue to ramp up their capabilities, invest in innovative technologies, form alliances, and acquire strategic targets to address the growing and complex technology needs of banks and financial institutions.

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 2014-2015

The research also captures key movements in volume/value 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 (more than 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

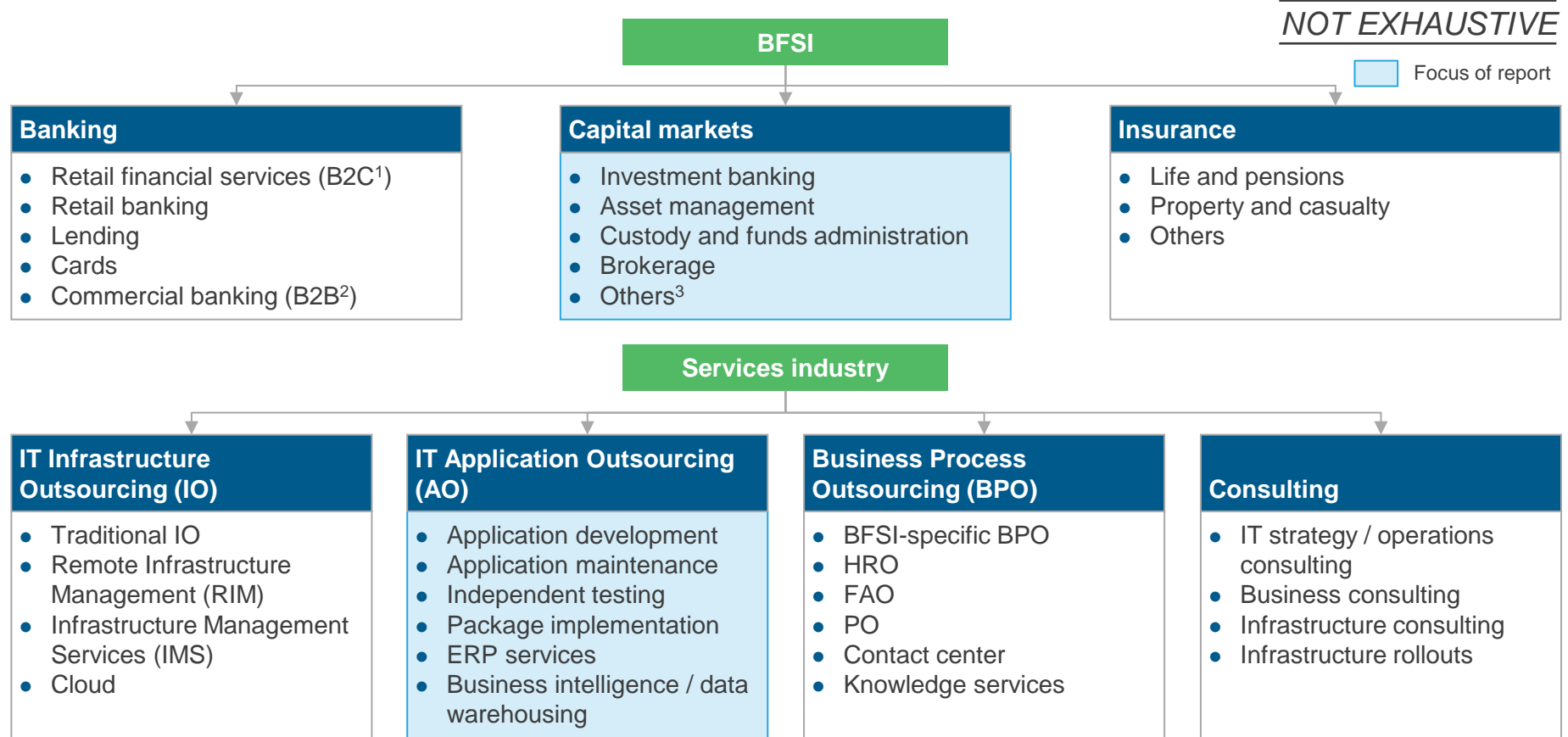
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This report provides an insight into the current trends and future outlook for large, multi-year application outsourcing relationships in the global capital markets sector



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

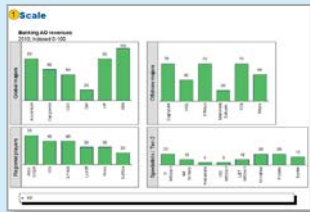
1 Business-to-consumer relationships

2 Business-to-business relationships

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

This report is a part of the Everest Group's series of nine reports focused on AO in BFSI in 2014

IT Outsourcing in BFSI – Annual Report



Each report provides:

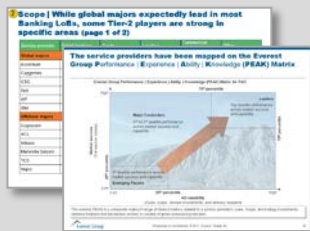
- An overview of the application services market for the BFSI verticals, capturing key trends in market size, growth, drivers and inhibitors, adoption trends, regional/functional break-outs of the market, emerging themes, key areas of investment, and implications for key stakeholders
- Key movements 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 2014 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 & funds administration, and brokerage services)
 - Scope includes coverage of buyers' 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.

 Capgemini
Elevating Technology Outcomes





 Cognizant

 Dell Services














Speed. Agility. Innovation.



 L&T Infotech


Engineering. Business. Performance.

 Mphasis
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

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 global BFSI ITO industry registered reasonable growth in 2013 to reach US\$105-130 billion
- The number of BFSI outsourcing transactions increased by ~25%, TCV grew in excess of 50% as compared to last year (for publicly-announced / reported transactions)
- The share of capital markets ITO deals increased, as did the share of banking, while outsourcing spend from insurance firms remained flat on a yearly basis
- New deals continued to make up the majority of total ITO deals within the BFSI industry
- Europe, Middle East, and Africa (EMEA) remained the largest source geography with the maximum number of deals originating from this region

Capital markets AO overview

- IT spending for large capital markets firms witnessed a strong growth, driven by investments in technology for regulatory compliance and data management
- Strong adoption for regulatory compliance and analytics in capital markets AO transactions
- Capital market firms with revenue in the range of US\$5-10 billion witnessed a surge in spending as they strived for higher technological sophistication
- More than 100 large deals with total TCV of approximately US\$12.3 billion are coming up for renewal in the next five years

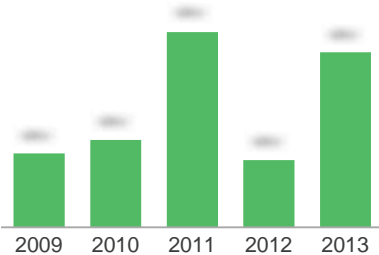
Emerging priorities of buyers, and key investment themes

- Cost reduction, standardization/rationalization, productivity improvement, improved time-to-market, and risk mitigation were key business priorities for capital markets firms in 2013
- Key technology implications of these business priorities were: industrialization/adoption of the utility model, data management and governance, shift towards cloud/SaaS model, infrastructure modernization, and digital initiatives

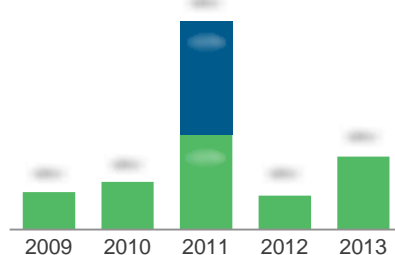
This study offers three distinct chapters providing a deep dive into key aspects of Capital Markets (CM) AO market; below are four charts to illustrate the depth of the report

Number and TCV of large-sized transactions in CM AO

Number of large, active capital markets AO contracts
2009-2013; Number of transactions

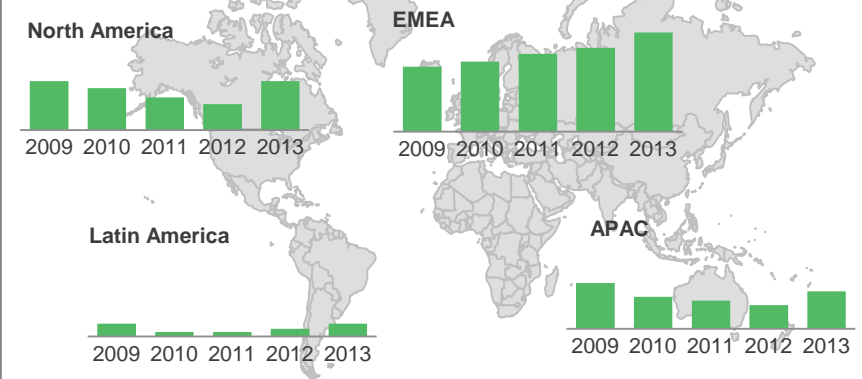


Total TCV of large, active capital markets AO contracts
2009-2013; US\$ billion



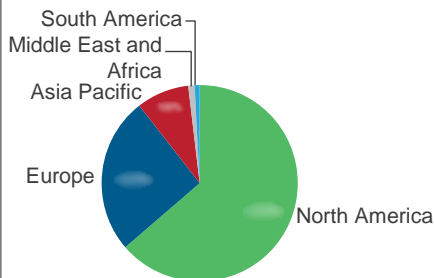
Number of BFSI ITO transactions by source regions

BFSI ITO transactions by geography
2009-2013; Number of transactions

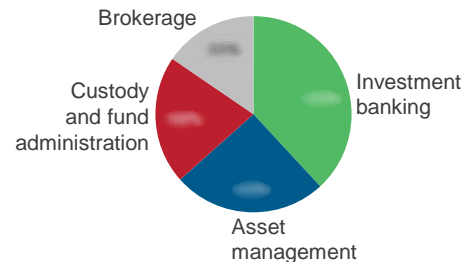


Capital markets AO supply side view

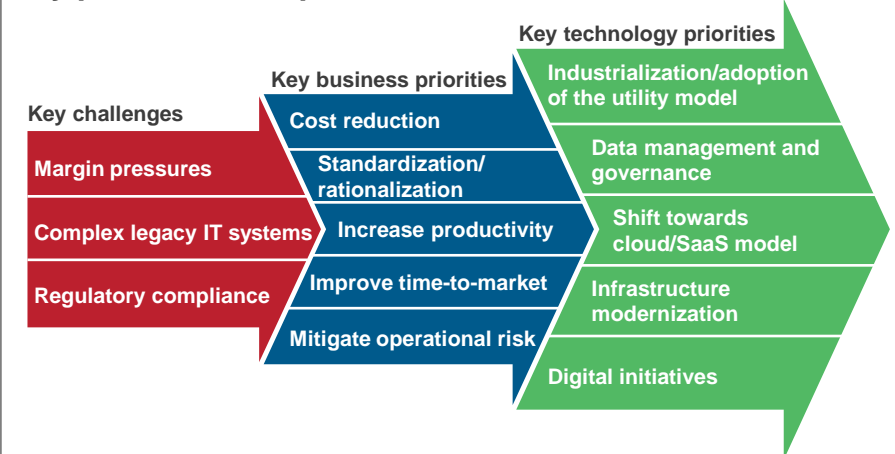
Capital markets AO revenue distribution by geography, 2013



Capital markets AO FTE distribution by LOBs, 2013



Key priorities of capital markets firms



Source: Everest Group (2014)

BFSI ITO research calendar

Published Current

Topic

Release date

IT Applications Outsourcing in Insurance - Service Provider Profiles Compendium – 2013	January-2014
Mobile Banking Adoption Trends	May-2014
Regulatory Compliance in Banking and Capital Markets - All About Good Data Governance	June-2014
IT Outsourcing in Banking – Annual Report 2014: The Return of the King	June-2014
IT Outsourcing in Banking – Service Provider Landscape with PEAK Matrix Assessment 2014	July-2014
IT Outsourcing in Banking – Service Provider Profile Compendium 2014	August-2014
IT Outsourcing in Capital Markets – Annual Report 2014: Moving Towards a Simpler Future	September-2014
IT Outsourcing in Capital Markets – Service Provider Landscape with PEAK Matrix Assessment 2014	Q3-2014
IT Applications Outsourcing in Capital Markets – Service Provider Profiles Compendium – 2014	Q3-2014
IT Outsourcing in Insurance – Annual Report 2014	Q4-2014
IT Outsourcing in Insurance – Service Provider Landscape with PEAK Matrix Assessment 2014	Q4-2014
IT Outsourcing in European Banking and CM – Service Provider Landscape with PEAK Matrix™ Assessment 2014	Q4-2014
IT Applications Outsourcing in Insurance – Service Provider Profiles Compendium – 2014	Q1-2015

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. **Mobile Banking Adoption Trends** ([EGR-2014-11-R-1109](#)); 2014. This report provides an overview of the global mobile banking and payments market, including mobile payment transaction volume, number of users, and degree of investments in mobility. It also includes region-wise adoption trends in mobile banking and payments across North America, Europe, Middle East and Africa, Asia Pacific, and Latin America along with an in-depth analysis of the mobile banking apps launched by the top American, European, and APAC banks
2. **Regulatory Compliance in Banking and Capital Markets – All About Good Data Governance** ([EGR-2014-11-R-1134](#)); 2014: This report provides an overview of regulatory compliance related IT outsourcing in banking and capital markets. It captures key regulations in this space along with their business, technology, and sourcing implications. The report captures key adoption trends and growth in value/volume of regulatory compliance related transactions, and key regulatory compliance-related investments by service providers. Finally, the report provides insights into evolving trends in the market and implications for buyers and service providers
3. **IT Outsourcing in Banking – Annual Report 2014: The Return of the King** ([EGR-2014-11-R-1145](#)); 2014. 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 2014 with regards to such large banking 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
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- 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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