IT Outsourcing in Capital Markets – Service Provider Landscape with PEAK Matrix^{TM} Assessment 2015: A Crowded Marketplace

Banking, Financial Services, and Insurance (BFSI) IT Services
Market Report: August 2015 – Preview Deck

EGR-2015-11-PD-1521

Our research offerings for global services

- **Market Vista™**
  Global services tracking across functions, sourcing models, locations, and service providers – industry tracking reports also available
- **BFSI[1] Information Technology**
- **BFSI[1] Business Process**
- **Healthcare & Life Sciences**
- **Application & Digital**
- **Cloud & Infrastructure**
- **Global Sourcing**
- **Locations Insider™**
- **PricePoint™**
- **Finance & Accounting**
- **Procurement**
- **Human Resources**
- **Recruitment Process**
- **Contact Center**
- **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
- Other | Market intelligence, service provider capabilities, technologies, contract assessment

Subscription information

- The full report is included in the following subscription(s)
  - BFSI ITO
- 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**

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1 Banking, financial services, and insurance

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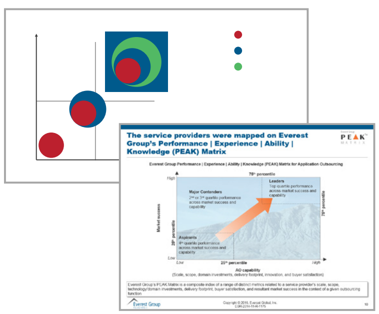
Our research methodology is based on four pillars of strength to produce actionable and insightful research for the industry

- Market thought leadership
- Actionable and insightful research
- Syndicated and custom research deliverables

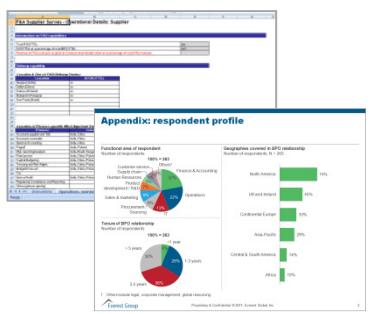
1 Robust definitions and framework

(PEAK Matrix, market maturity, and technology adoption/investment)



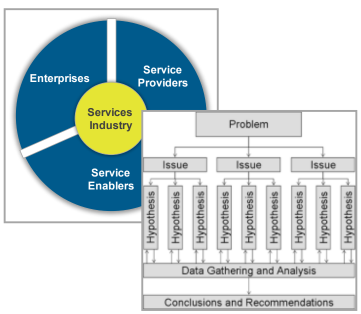
2 Primary sources of information

(Annual, contractual and operational RFIs, service provider briefings and buyer interviews, and web-based surveys)



3 Diverse set of market touchpoints

(Ongoing interactions across key stakeholders, input from a mix of perspectives and interests, supports both data analysis and thought leadership)



4 Fact-based research

(Data-driven analysis with expert perspectives, trend-analysis across market adoption, contracting, and service providers)

- Proprietary contractual database of 500+ large active BFSI AO contracts (updated annually)
- Year-round tracking of 25+ BFSI AO service providers
- Dedicated team for BFSI IT outsourcing research, spread over two continents
- Over 20 years of advising BFSI clients on ITO and BPO decisions
- Executive-level relationships with buyers, service providers, technology providers, and industry associations

Background and scope of the research

Background of the research

Capital markets industry is grappling with high regulatory pressures, intense competition, and an uncertain economy. Market participants are adopting disruptive business models to contain cost and improve profitability. As the financial services industry undergoes a technology revolution through adoption of digital technologies, capital markets players are investing in next-generation technologies to stay ahead of competition. Buy-side and sell-side participants, as well as financial intermediaries are investing in risk & compliance management solutions, automation, cloud & open-source technologies, mobility, high-end analytics, and third-party platforms as they focus on cost reduction, standardization, and portfolio rationalization.

With the capital markets industry witnessing a number of changes, IT service providers are looking to capitalize on the opportunity by tailoring their offerings with next-generation technologies, providing commoditized services, collaborating with buyers to invest in innovation, and forming alliances with leading platform providers.

In this research, we analyze the capabilities of 24 leading AO service providers, specific to the global capital markets sector. These providers were mapped on the 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 service providers on a number of capability-related dimensions
- Characteristics of Leaders, Major Contenders, and Aspirants on the Everest Group capital markets AO PEAK Matrix
- "Star Performers" of 2015, 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
- **Geography:** Global
- **Service providers:** Includes 24 leading capital markets AO service providers (list given on page 9)

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)
- Application development
- Application 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

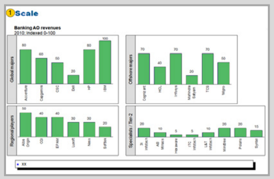
Consulting
- IT strategy / operations consulting
- Business consulting
- Infrastructure consulting
- Infrastructure rollouts

Digital Services
Services in next-generation technologies leveraged by enterprises to enable transformation including social, mobility, analytics, cloud, and others (artificial intelligence, robotics process automation, internet of things, machine-to-machine, etc.)

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 reports focused on ITO in BFSI in 2015

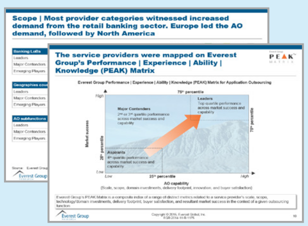
IT Outsourcing in BFSI – Annual Report



Each report provides:
- An overview of the application services market for the BFSI vertical, 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
- 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

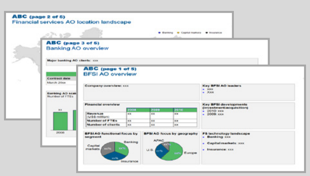
IT Outsourcing in BFSI – Service Provider Landscape



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 2015 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
- Banking and Capital Markets (BCM) in Europe
- Insurance in Europe
- Mobility in BCM
- Mobility in Insurance
- Analytics in BCM
- Analytics in Insurance
- Risk and Regulatory Compliance in BCM

IT Outsourcing in BFSI – 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 and delivery footprint

- Global Banking
- Global Capital Markets
- Global 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 United Kingdom 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 UK retail banks

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

1

- Everest Group's proprietary database of 500+ 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 20+ 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[1]

1 Assessment for Accenture, Capgemini, CSC, Hexaware, IBM, and Mphasis 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

This report contains insights on the capital markets AO service provider landscape, focusing on large-sized contracts

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, Aspirants, 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:

PEAK Matrix characteristic for capital markets AO

- Asset management followed by investment banking and brokerage witnessed the highest ITO activity among capital markets lines of business
- Application maintenance retained its position as top AO subfunction followed by custom application development and testing
- North America led the capital markets AO demand, followed by Europe and Asia Pacific
- Over 83% of the new large capital markets AO deals had a risk and regulatory component and approximately 67% of the deals had some analytics component
- Market share of Leaders increased 15% in terms of active ACV and 10% in terms of overall contract signings in 2014. HCL and Wipro's entry into the Leaders category positively impacted the market share of the Leaders category for ACV and contract signings
- The average revenue and headcount of Leaders is over five times that of Major Contenders
- Leaders accounted for ~95% of the new deal activity in 2014; their share increased given the assessment of HCL and Wipro as "new" Leaders
- There is an increase in multi-regional / global scope deals among all service provider categories

Implications for buyers and service providers

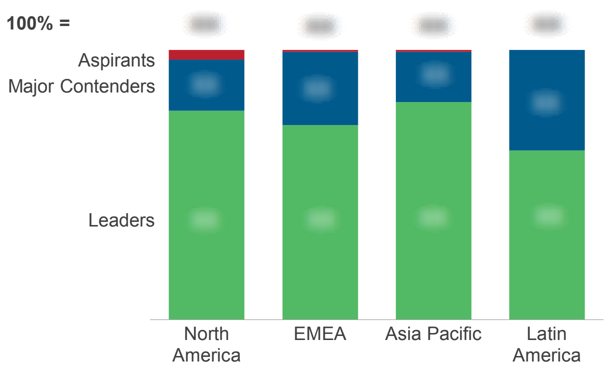
- Capital Markets buyers need to demand more automation and investigate adoption of open-source technologies to control cost
- With the competition in the capital markets service provider landscape intensifying, service providers need to develop capability to integrate third-party products across the value chain, drive operational excellence through proactive and predictive engagement models, and offer innovative pricing model

Source: Everest Group (2015)

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

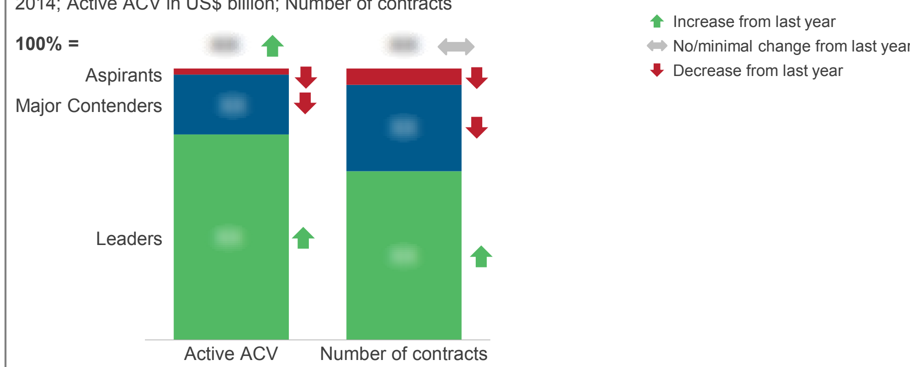
Capital Markets AO market share by geography

Capital Markets AO market share by geography
2014; ACV in US$ billion



Capital Markets AO market share by provider segment

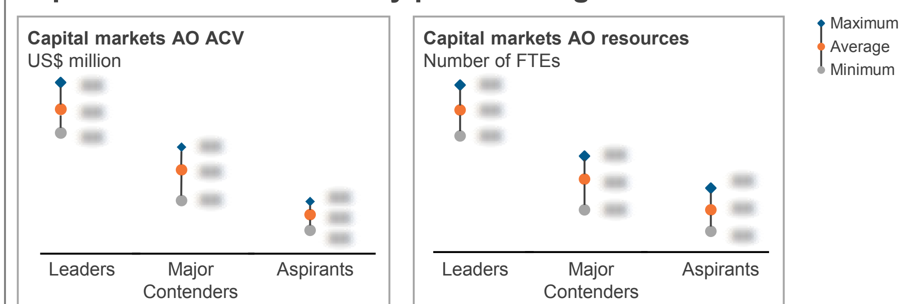
Market share of providers in large active capital markets AO contracts
2014; Active ACV in US$ billion; Number of contracts



Service provider capability assessment dashboard

Service provider	Delivery capability: Scale	Scope	Domain expertise	Delivery footprint	Buyer satisfaction	Innovation	Market success
Service provider 1							
Service provider 2							
Service provider 3							
Service provider 4							
Service provider 5							
Service provider 6							
Service provider 7							
Service provider 8							
Service provider 9							
Service provider 10							

Capital Markets AO scale by provider segment



Leaders	Accenture, Cognizant, HCL, IBM, Infosys, Tata Consultancy Services, Wipro
Major Contenders	Capgemini, IGATE, CGI, L&T Infotech, CSC, Luxoft, Dell Services, Mphasis, epam, Polaris, Genpact, Tech Mahindra
Aspirants	Birlasoft, Hexaware, NIIT Technologies, Syntel, Virtusa

Source: Everest Group (2015)

Everest Group RESEARCH

BFSI ITO research calendar (page 1 of 2)

Published | Current

Topic	Release date
IT Outsourcing in Capital Markets – Service Provider Profile Compendium 2014	January 2015
IT Outsourcing (ITO) in Insurance – Service Provider Profile Compendium 2014	February 2015
Demand Trends in Mid-Tier and Super-regional Banks in the United States	April 2015
IT Outsourcing in Banking – Service Provider Landscape with PEAK Matrix™ Assessment 2015	June 2015
IT Outsourcing in Banking – Annual Report 2015: Riding the Digital Wave	June 2015
Enterprise digital effectiveness – APEX Matrix for digital in U.S. retail banks 2015	July 2015
Enterprise digital effectiveness – APEX Matrix for digital in UK retail banks 2015	July 2015
IT Outsourcing in Global Capital Markets – Annual Report 2015	August 2015
IT Outsourcing in Global Capital Markets – Service Provider Landscape with PEAK Matrix™ Assessment 2015	August 2015
IT Outsourcing in Global Banking – Service Provider Profile Compendium 2015	Q3 2015
IT Outsourcing in Banking and Capital Markets in Europe – Service Provider Landscape with PEAK Matrix™ Assessment 2015	Q3 2015
IT Outsourcing in Global Insurance – Annual Report 2015	Q3 2015
IT Outsourcing in Global Insurance – Service Provider Landscape with PEAK Matrix™ Assessment 2015	Q3 2015
Mobility in Global Banking and Capital Markets – Service Provider Landscape with PEAK Matrix™ Assessment 2015	Q3 2015
Mobility in Global Insurance – Service Provider Landscape with PEAK Matrix™ Assessment 2015	Q3 2015

BFSI ITO research calendar (page 2 of 2)

Published Current

Topic	Release date
Social media adoption trends in insurance sector	Q3 2015
IT Applications Outsourcing in Capital Markets – Service Provider Profiles Compendium – 2015	Q4 2015
Analytics in Global Banking and Capital Markets – Service Provider Landscape with PEAK Matrix™ Assessment 2015	Q4 2015
IT Outsourcing in Insurance in Europe – Service Provider Landscape with PEAK Matrix™ Assessment 2015	Q4 2015
Analytics in Global Insurance – Service Provider Landscape with PEAK Matrix™ Assessment 2015	Q4 2015
Cloud Adoption in the Banking and Capital Markets Sectors	Q4 2015
IT Applications Outsourcing in Insurance – Service Provider Profiles Compendium – 2015	Q4 2015
Payments trends in Global banking, capital markets, and insurance sector	Q4 2015
Risk and regulatory compliance in Global Banking and Capital Markets – Service Provider Landscape with PEAK Matrix™ Assessment 2015	Q4 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. **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

2. **IT Outsourcing in Banking – Annual Report 2015: Riding the Digital Wave** (EGR-2015-11-R-1496); 2015. 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 2015 with regards to such large banking AO deals

3. **IT Outsourcing in Banking – Service Provider Landscape with PEAK Matrix Assessment 2015: Rise of the Challengers** (EGR-2015-11-R-1109); 2015. This report provides a comprehensive assessment of the service provider landscape in AO services for banking and maps the providers on Everest Group's PEAK Matrix. It also benchmarks the scale, scope, domain investments, buyer satisfaction, and delivery footprint of each provider's banking AO practice. Finally, the 2015 banking AO PEAK analysis focuses on identifying the "Star Performers," providers with the strongest forward movement over time in terms of market success and capability advancements

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Everest Group

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

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 and research.everestgrp.com.

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