IT Outsourcing in Capital Markets – Annual Report 2015: Steering Through the Chaos

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

EGR-2015-11-PD-1532

Our research offerings for global services

- **Market Vista™**
  Global services tracking across functions, sourcing models, locations, and service providers – industry tracking reports also available

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- **BFSI[1] Business Process**
- **Healthcare & Life Sciences**
- **Application & Digital**
- **Cloud & Infrastructure**
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- **Human Resources**
- **Recruitment Process**
- **Contact Center**
- **Transaction Intelligence**

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- 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

- This 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
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1 Banking, financial services, and insurance

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Background and scope of the research

Background of the research

Capital markets industry grappled with high regulatory pressures, intense competition, and uncertain economy. Market participants adopted disruptive business models to contain cost and improve profitability. As the financial services industry as a whole is undergoing a technology revolution with the advent of digital technologies, capital markets actors invested in next-generation technologies to stay ahead of competition. Buy-side and sell-side participants, as well as the financial intermediaries invested in risk & compliance management solutions, automation, cloud and open source technologies, mobility, high-end analytics, and 3rd party platforms as they focused on cost reduction, standardization, and portfolio rationalization

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

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 2015-2016

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 (TCV[1] > 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 current trends and future outlook for large (TCV > US$25 million), annuity-based, multi-year (> 3 years) application outsourcing relationships in the global banking sector

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

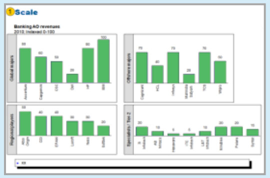
Consulting
- IT strategy / operations consulting
- Business consulting
- Infrastructure consulting
- Infrastructure rollouts

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

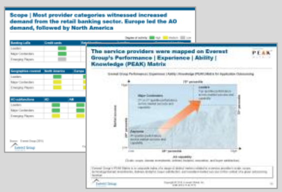
IT Outsourcing in BFSI – Annual Report



Each report provides:
- An overview of the application services market for the BFSI vertical, capturing key trends in market size, growth, drivers & inhibitors, adoption trends, regional/functional breakouts 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

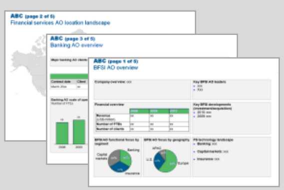
IT Outsourcing in BFSI – Service Provider Landscape



Each report provides:
- Assessment of the 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 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

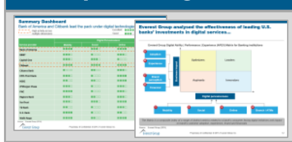
BFSI ITO – Service Provider Profile Compendium



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 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 United States, as well as map 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 the UK retail banks

Everest Group RESEARCH

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

Accenture[1], Birlasoft, Capgemini[1], Cognizant, CGI, CSC[1], Dell Services, EPAM, Genpact, HCL, Hexaware[1], IBM[1], IGATE, Infosys, L&T Infotech, Luxoft, Mphasis[1], NIIT Technologies, Polaris, Syntel, Tech Mahindra, Tata Consultancy Services, Virtusa, Wipro

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

How to read this document

Information desired	Where/how to locate the information
Summary of key messages	• The section on key messages summarizes the capital markets AO[1] market insights • The key messages are categorized along three dimensions: – 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	• 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 2015-2016	• The section provides future outlook of the capital markets AO market
Definitions of unfamiliar terms and related research	• 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 service providers, 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 2014 to reach US$110-130 billion
- The BFSI ITO industry witnessed a decline of 5% in the number of transactions signed and 43% in total value of outsourcing contracts as the total IT outsourcing spend by BFSI buyers reduced due to high cost pressures as a result of the regulatory burden
- Share of capital markets deals declined significantly by 14% in 2014; average ACV and TCV values lagged that of banking and insurance
- Europe followed by North America are top two source geographies, together constituting 80% of the total BFSI ITO deals in 2014

Capital markets AO overview

- Tough regulatory environment, growing threat from new competitors, and emergence of new technologies drove capital markets technology investments in 2014
- Number of new, large AO deals as well as their TCV were the lowest in the last 5 years (declined 58% over 2014) as firms struggled with high cost pressures and market uncertainty
- Regulatory compliance and analytics continued to remain the top IT priorities for the capital markets firms
- Mid-sized firms with revenue in the range of US$10-50 billion witnessed a surge in IT spending, contributing 44% to total TCV, as they focused on risk & compliance and digitization initiatives
- More than 75 large AO capital markets deals with total TCV of US$8.3 billion are coming up for renewal in the next five years

Emerging priorities of buyers, and key investment themes

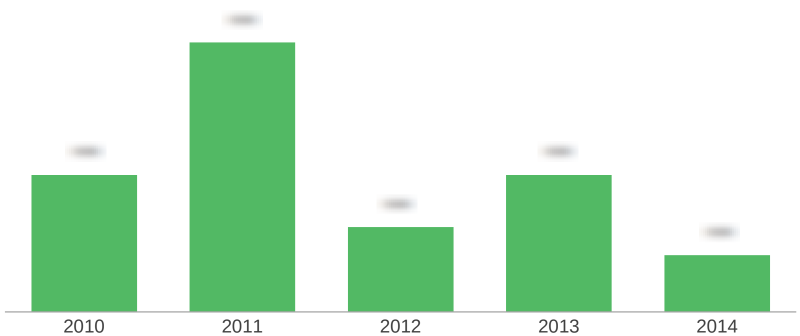
- Capital market firms made investments in procuring utility services, automation, mobility, big data, cloud / open source, platform modernization, Blockchain technologies, and advanced risk & compliance solutions
- Key implications for service providers were: invest in utility based industry offerings, grow capabilities in next generation technologies, offering SaaS and PaaS based solutions, partner with client to set up innovation labs, and come up with flexible pricing models

EGR-2015-11-PD-1532

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

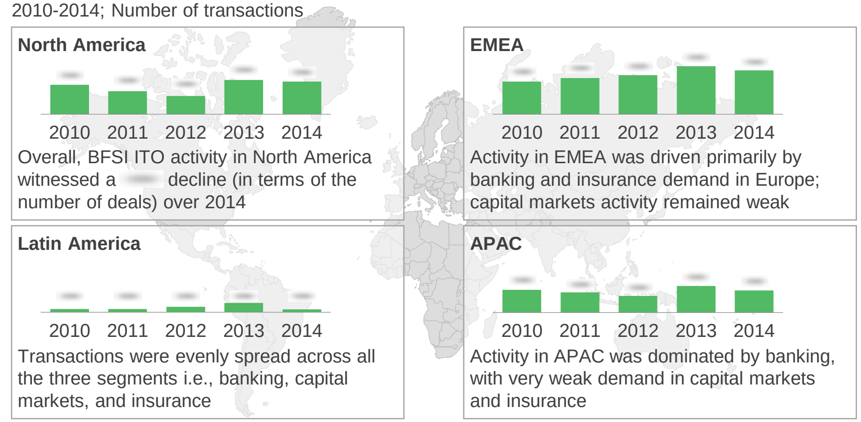
Trends for new large capital markets AO contracts

Number of large, new capital markets AO contracts[1]
2010-2014; Number of transactions announced



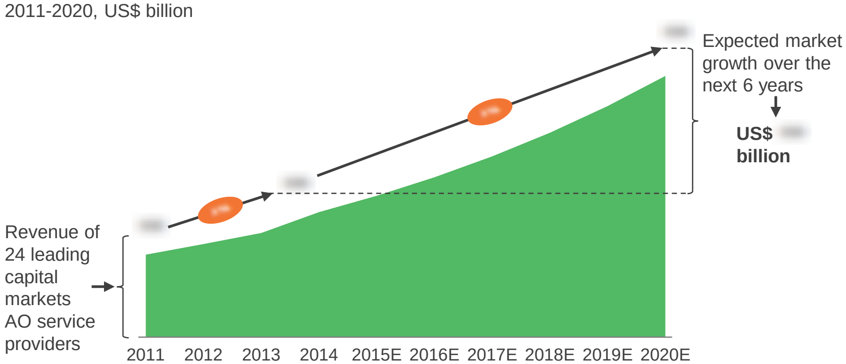
Geographical mix of BFSI ITO transactions

BFSI ITO transactions announced by geography[1]
2010-2014; Number of transactions



Supply side trends in capital markets AO

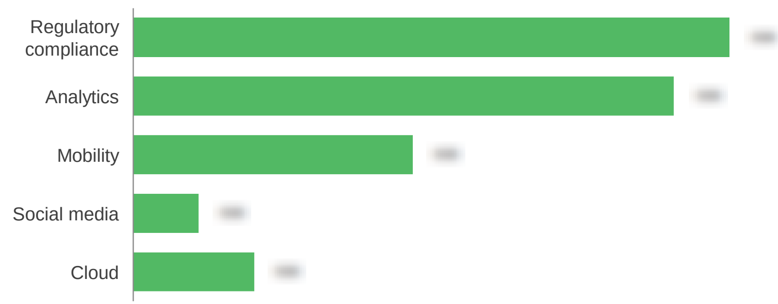
Supple side view of capital markets AO revenue[1]
2011-2020, US$ billion



Digital and regulatory compliance in capital markets AO

Inclusion of digital themes and regulatory compliance in capital markets AO transactions
Percentage of transactions

100% = transactions with known scope details



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	Q3 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

Everest Group RESEARCH

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-1479); 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.evererstgrp.com and research.everestgrp.com.

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