



Securing Digital Experiences in the Banking and Financial Services – State of Digital Identity Services Market

Banking & Financial Services (BFS) - IT Services (ITS)

Market Report – April 2018: Complimentary Abstract / Table of Contents

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



Corporate Headquarters

Office: +1-214-451-3000

info@everestgrp.com



European Headquarters

Office: +44-207-129-1318

unitedkingdom@everestgrp.com



Delhi Office

Office: +91-124-284-1000

india@everestgrp.com

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Background and methodology of the research

Background of the research

As Banking and Financial Services (BFS) enterprises progress on their digital transformation journey, they are investing in four key imperatives: digital experience, digital operations, digital ecosystem, and digital security (focus of this report).

BFS firms are looking to create a secured, ubiquitous, personalized, easy, and responsive stakeholder experience. The pivot to digital-first transactions is pushing the banking and financial services firms to invest in modernizing their IT infrastructure. One of the key considerations in orchestrating the digital-first model of transactions is to enable secured access to data and services through digital channels. In this report, we will focus on the security aspects of digital transactions with a deep-dive into digital identity. In this report, we have covered current investments, market size & growth, and demand trends for the digital identity services market in the BFS vertical.

In this research, we analyze current trends and future outlook for digital identity services in the banking and financial services market. We focus on:

- Market trends and size of the digital identity market
- Role of digital identity in enabling digital transformation for BFS firms
- Current state of investments in digital identity and implications for BFS firm

The scope and methodology of this report includes:

- Primarily covers security services with focus on digital identity in the global BFS market
- Includes initiatives taken by financial institutions and government agencies in the digital identity space
- Everest Group proprietary databases and extensive secondary and primary research was used for developing this report

Overview and abbreviated summary of key messages

Digital Identity (DI) is set to play a crucial role in enabling BFS firms to create a secured digital stakeholder experience. Factors such as increasing number of data breaches, stricter regulations, and the need to enable secured digital transactions is driving digital identity & access management services market for BFS industry. While government institutions, technology providers, and startups are also investing in this space, banks are positioned to not only adopt digital identity solutions but also monetize them

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

DI enabling digital transformation

Enterprises need to balance the need for minimal friction in stakeholder experience and manage cyber risks such as frauds as they advance in their digital transformation journey

DI model has evolved

The rapid digitalization and dynamic threat landscape will demand a significant shift in Digital Identity (DI) paradigm - Future DI models will be user oriented, truth-based, and governed

BFS firms are leading the charge

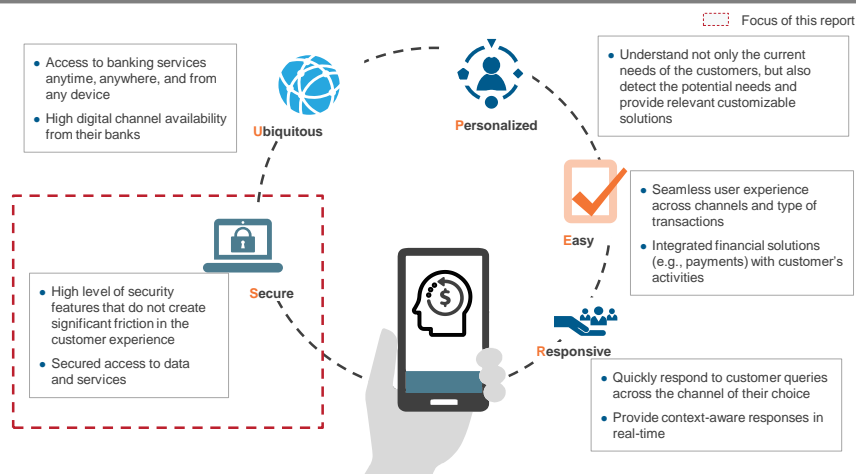
BFS firms are investing heavily in digital identity-based initiatives; most banks are working in tandem with industry bodies or government agencies

Opportunity for banks to generate revenue

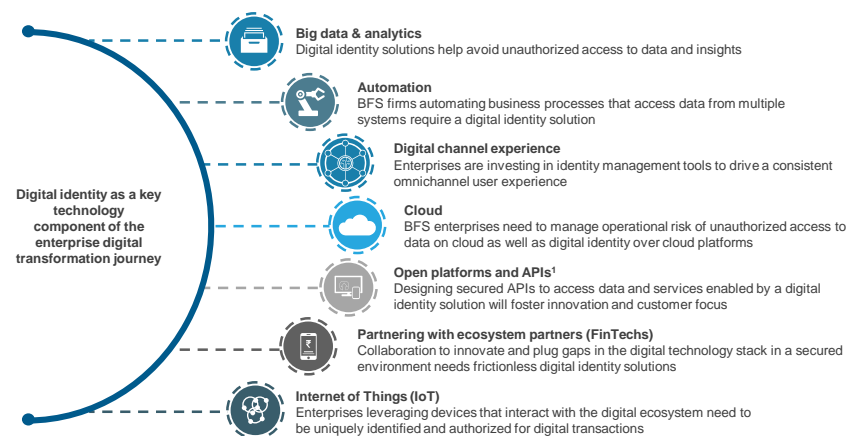
Banks are in a unique position to offer digital identity solutions backed by their platform and data – this has the potential to unlock new business models and revenue opportunities for banks

This study offers four distinct chapters providing a deep dive into key aspects of DI market; below are four charts to illustrate the depth of the report

Digital Identity services enhancing secured experiences for customers

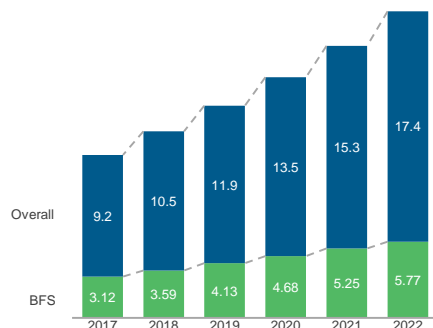


Digital Identity as a key component of digital transformation



Market size for identity and access management services

Market size for Identity and access management services¹
US\$ billion

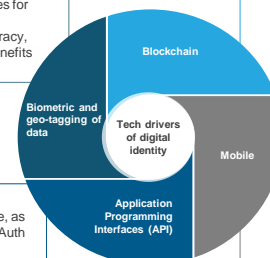


- Global enterprises are investing in building modern digital IT infrastructures and applications. Identity and access management is a key component of the investment as part of the modernization journey. Some of the key factors driving growth in the digital identity market are:
 - Increasing data breaches and cyberattacks
 - Regulatory & industry bodies reinforcing anti-money-laundering and data privacy rules (e.g., GDPR)
 - Risks of poor digital security include tarnishing of brand image and revenue decline from poor customer experience
 - Growth of digital transactions from mobile devices
- Banking and financial services enterprises account for one-third of the global spend on identity and access management services

Key technologies drivers

Digital identity solutions are leveraging machine learning and cognitive technologies to enhance their efficacy and experience

- Biometric identification management systems are replacing traditional passwords or ID card based authentication methods
- Customers are looking at balancing convenience with security as they look to leverage mobile devices for physical security
- Features such as enhanced security and accuracy, convenience, more accountability, and cost benefits work in favor of biometric systems



- Blockchain is finding its use case in digital identity management systems for its ability to provide a secured distributed digital network
- Emerging as the preferred underlying technology on which solutions are build
- In addition to large technology vendors and large BFS enterprises, multiple startups providing blockchain-based identity management platforms are gaining traction

- Proprietary solutions for user authentication provided by tech firms, such as IBM and Oracle, as well as open solutions, such as OpenID and OAuth 2.0, are based on APIs
- Digital identity solutions with API-based integration allow clients to control the user experience
- Capital One launched digital identity APIs to enable customers to enter his/her account credentials and be verified as a user

- Increasing prevalence of mobile devices has led to creation of more digital identities (including device identities)
- Mobile devices offer the convenience to users to connect anywhere and anytime; and can also play a significant role in the authentication process through multi-factor authentication
- Providing a seamless omnichannel user experience through a well-defined digital identity strategy for mobile is an important factor

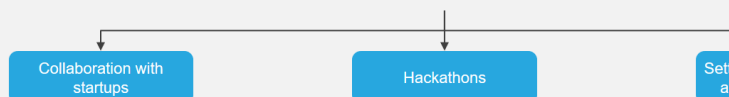
The report covers profiles and case study for BFS firms specific to investments made in DI space

BBVA Compass is driving innovation in the digital identity market through collaboration with the ecosystem

Case study: BBA Compass

- As an early mover, BBVA Compass has been actively investing in the digital identity space through collaborations with fintech startups, hackathons, as well as setting up dedicated firms to capture a bigger share of the digital identity opportunity

BBVA Compass



- Partnerships with startup:** In 2015, BBVA, in partnership with startup Dwolla, started offering a service that allows users to send and receive real-time payments. Both the companies jointly developed authentication and tokenization process that restricts BBVA account holders from having to provide sensitive bank account information or credentials to a third party for transaction authentication
- Hackathons:** In 2017, BBVA held hackathons and innovation challenges to find the 10 best fintech identity projects. BBVA is partnering with some of the participants. As part of its strategy, BBVA is focused on addressing the need for digital identity solutions from multiple angles
- Setting up joint ventures and dedicated firms:**
 - In 2017, BBVA co-launched Veridas, a technology company specializing in digital identity tools in collaboration with nanotechnology startup Das-Nano. Veridas focuses on developing customer verification and authentication solutions that allow the identity of BBVA clients online using facial, voice, fingerprint, image, and document recognition technology
 - BBVA created a technology firm called Covault, that lets consumers store their digital identity documents in the cloud. In December 2017, Covault launched user-friendly app and identity platform



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Lead steers in the BFS industry are not only using digital identity solutions but also monetizing these investments



- In 2012, Canadian banks (includes Bank of Montreal, Canadian Imperial Bank of Commerce, Desjardins Group, Royal Bank of Canada, Scotiabank, and TD Bank) launched digital identity project led by SecureKey, an identity authentication provider
- In Mar 2017, the banks selected IBM blockchain to expand digital ID project in Canada



- Launched a B2B digital identity tools for user verification
- Launched a digital identity Application Programming Interface (API) that lets websites and apps authenticate the identity of customers against the identity information stored by their banks
- Capital One is looking to monetize its investments in digital identity solutions by becoming a provider of digital identity products/solutions



- Adopted the technology of ID.me, which lets financial institutions remotely verify customer identities



- Testing blockchain-based digital identity solutions and experimenting with a shared distributed ledger that gives members a cryptographic digital identity



- Invested in developing single sign-on digital identity for cross-platform banking & services
- Partnered with Allianz, Axel Springer (publisher), Daimler (car manufacturer), and online banker Postbank for an unified online identity



- Testing blockchain-based digital identity solutions and experimenting with a shared distributed ledger that gives members a cryptographic digital identity



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Research calendar – BFS IT Services

 Published
  Planned
  Current release

Flagship reports

Release date

Banking & Capital Markets – ITO Transaction Activity and Market Trends Annual Report	Q2 2018
Capital Markets ITO Annual Report	Q2 2018
Application Services in Banking PEAK™ Matrix Assessment 2018	Q2 2018
Open Banking IT Services PEAK™ Matrix Assessment 2018	Q2 2018
Digital Effectiveness for European Retail Banks Pinnacle Model™ Assessment 2018	Q2 2018
Application Services in Capital Markets PEAK™ Matrix Assessment 2018	Q3 2018
Banking ITO Annual Report – Exploring adoption of Artificial Intelligence (AI) uses cases	Q3 2018
Digital Effectiveness for Wealth Management firms Pinnacle Model™ Assessment 2018	Q4 2018
Blockchain services in BFSI PEAK™ Matrix Assessment 2018	Q4 2018

Thematic reports

Enterprise Digital Adoption in Banking and Financial Services Pinnacle Model™ Assessment 2018:	
Artificial Intelligence Enabled Transformation	March 2018
Blockchain: Is it The Silver Bullet?	March 2018
Maximizing Value From Open Banking	March 2018

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Additional BFS IT services 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. **Digital Services in Wealth Management – Rise of Hybrid Advisory: Services PEAK Matrix™ Assessment and Market Trends 2018** ([EGR-2017-11-R-2492](#)); 2017. In this report we present an assessment and detailed profiles of 18 digital service providers featured on the digital services for wealth management PEAK Matrix. Each service provider profile presents a comprehensive picture of the provider's service focus, key Intellectual Property (IP) / solutions, partnerships/alliances, and other digital & domain-specific investments
2. **Digital Effectiveness in Retail Banking | Pinnacle Model™ Assessment 2018: Journey of North American Banks to Build SUPER Experiences** ([EGR-2017-11-R-2478](#)); 2017. In this report we analyze consumer-facing digital functionalities and the associated business impact for 30 large North American retail banks. These banks have been mapped on Everest Group's Pinnacle Model™, which is a composite index of a range of distinct metrics related to each bank's capability maturity in terms of various customer-facing digital investments and the resultant business outcomes
3. **Navigating from Front to Back – Digital Services in Consumer Banking with Services PEAK Matrix™ Assessment 2018 and Profiles Compendium** ([EGR-2017-11-R-2464](#)); 2017. In this research, we present assessment and detailed profiles of 22 digital service providers featured on the digital services in consumer banking PEAK Matrix™. Each service provider profile provides a comprehensive picture of its service focus, key Intellectual Property (IP) / solutions, partnerships/alliances, and other digital and domain-specific investments

For more information on this and other research published by Everest Group, please contact us:

Jimit Arora, Partner:

jimit.arora@everestgrp.com

Ashwin Venkatesan, Practice Director:

ashwin.venkatesan@everestgrp.com

Ronak Doshi, Practice Director:

ronak.doshi@everestgrp.com

Bharat Reddy, Senior Analyst:

bharath.reddy@everestgrp.com

Deepjyoti Mili, Assistant Manager:

deepjyoti.mili@everestgrp.com

Website: www.everestgrp.com | Phone: +1-214-451-3000 | Email: info@everestgrp.com



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Dallas (Headquarters)

info@everestgrp.com
+1-214-451-3000

Bangalore

india@everestgrp.com
+91 806-781-9999

Delhi

india@everestgrp.com
+91-124-496-1000

London

unitedkingdom@everestgrp.com
+44-207-129-1318

New York

info@everestgrp.com
+1-646-805-4000

Toronto

canada@everestgrp.com
+1-416-388-6765

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