



Capital Markets IT Annual Report Part 1 - Platformification Wave Disrupting Buy-Side

Banking & Financial Services (BFS) - IT Services (ITS)
Annual Report – April 2018: Complimentary Abstract / Table of Contents

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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

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Background and scope of the research

Evolving nature of consumer demands, complexity of regulatory landscape, sluggish growth, and the threat from next-generation financial technology firms (FinTechs) are the key challenges being faced by capital markets enterprises. These challenges have forced them to revisit their business models, launch innovative products, and redefine the way in which they individually interact with their customers.

Global capital markets firms are investing in digital technologies across data, platform, and experience, to offset the above-mentioned challenges. They are simultaneously achieving desired business outcomes such as cost containment, transparency, modernization, flexibility, and agility. In a bid to drive innovation and define

regulatory standards for emerging technologies, capital markets ecosystem players (capital markets enterprises, service providers, technology product vendors, FinTechs, RegTechs, regulators & governing bodies, and consortiums) are actively forming partnerships and alliances.

This report focuses on the buy-side business nuances and digital adoption trends. Buy-side firms analyze data to generate targeted insights across products, markets, and customers, combined with the capability to provide seamless digital experiences to their customers. Digital technology investments enable buy-side firms to target customers, meet compliance standards, and generate patterns from historical data to optimize the system.



In this research, we look at the global trends in the capital markets industry and their implication for buyers and IT service providers. We focus on:



Business priorities



Technology investment themes



Implications for capital markets buyers and service providers

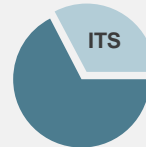
Scope of this report



Industry:
Capital markets



Line of Business:
Buy-Side



Market Segment:
IT Services






Geography:
Global



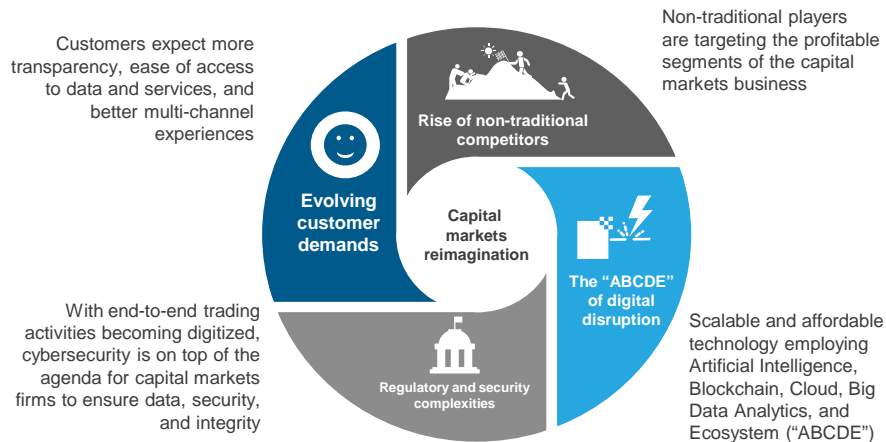
Sources:
Everest Group

The disruptive potential of the themes driving immense changes in the capital markets industry is taking different shapes and form across the industry value chain

	Evolving customer demands	Rise of non-traditional competitors	Regulatory and security complexities	The “ABCDE” of disruption
 <p>Buy-side (private equity, hedge funds, and asset management firms)</p>	<ul style="list-style-type: none"> The new breed of investors find digital services essential when choosing and dealing with buy-side firms, which is now becoming a key differentiator 	<ul style="list-style-type: none"> Rise of alternative lending and automated trading platforms are changing the way firms engage with investors 	<ul style="list-style-type: none"> Regulations, such as EU Benchmarks Regulation and Market Abuse Regulation (MAR), have increased reporting and market surveillance requirements 	<ul style="list-style-type: none"> Use of AI and automation of non-core functions will enable firms to free resources to work on core business
 <p>Sell-side (investment banks and brokerage houses)</p>	<ul style="list-style-type: none"> Diverse client needs are leading to proliferation of specialized products Since profitability is a key challenge, sell-side firms must optimize the “gives” and “gets” of their key relationships 	<ul style="list-style-type: none"> Partnerships with the ecosystem will become essential New distribution channels, competitive product offerings, and value-added non-traditional services are key demand themes 	<ul style="list-style-type: none"> Investments in data management initiatives, such as an enterprise-wide data lake, are becoming essential to manage complexities in regulatory reporting 	<ul style="list-style-type: none"> Digital technology-led disruption is creating new trading models, better cost structures, and analytics-based advisory models
 <p>Intermediaries (stock exchanges, custodians, and clearing houses)</p>	<ul style="list-style-type: none"> Changing investment behaviors with focus on data visualization & insights platforms Speed of access to services, data, and insights is a key driver 	<ul style="list-style-type: none"> Non-traditional competitors are looking to leverage digital-native platforms to fundamentally think how intermediaries can add value to the capital markets value chain 	<ul style="list-style-type: none"> Intermediaries look to leverage analytics and automation to reduce the costs of regulatory reporting 	<ul style="list-style-type: none"> Innovative technologies, such as quantum computing and AI, can change the way intermediaries operate With the proliferation of blockchain-based startups, the role of traditional intermediaries as a trusted party may diminish

This study offers a deep dive into digital adoption trends of sell-side enterprises; below are four charts to illustrate the depth of this report

Key trends in capital markets industry



Leadership opinion on digital adoption among buy-side firms

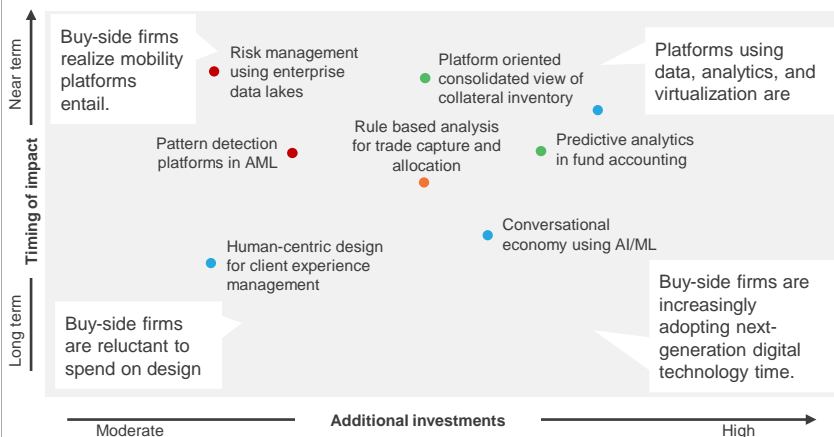
"A unified IT structure will make it easier to roll out the digital features UBS is testing. So we want to have the same processes and we also want to raise synergies and scale in the back office."
 – Dirk Klee, COO for Wealth Management at UBS

"Often, if you want to revolutionize a company's customer interface, you have to do open-heart surgery on its IT systems."
 – Simon Patterson, Managing Director at Silver Lake Partners

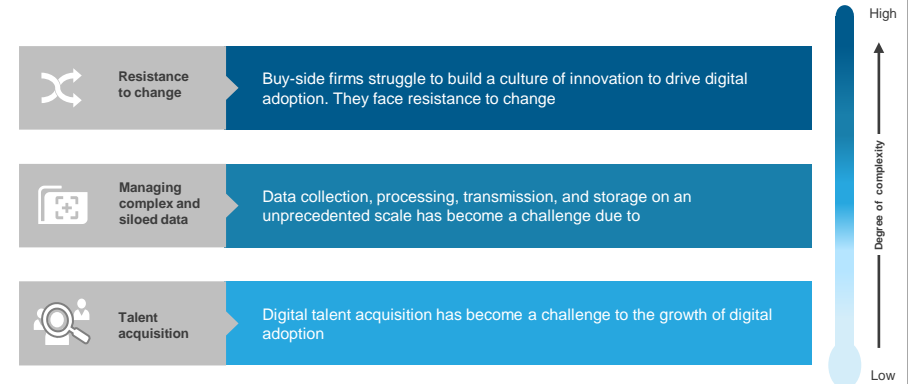
"We realized that we could not pitch for investments for our digital assets, until we ourselves invested in it at EQT. In the last two years, we have completely revamped our IT systems."
 – Sven Tornkvist, Head of Digital Business Development at EQT

"The endless wave of technology is not going to stop; putting your head in the sand is only a quick way to get buried."
 – Jim Kaiz, CEO at Association for Financial Professionals (AFP)

Key investment themes and their timing of impact



Barriers to digital adoption



Research calendar – BFS IT Services

Published
 Planned
 Current release

Flagship reports

Release date

Capital Markets IT Annual Report Part 1 - Platformification Wave Disrupting Buy-Side	April 2018
Capital Markets IT Annual Report Part 2 - Data and Intelligence Transforming Customer Experiences for Sell-Side	April 2018
Capital Markets IT Annual Report Part 3 - Building Digital Market Infrastructures	April 2018
Banking & Capital Markets – ITO Transaction Activity and Market Trends 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

Thematic reports

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

Note: For a list of all BFS IT Services reports please visit the [BFS IT Services \(ITS\)](#)

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. Enterprise Digital Adoption in Banking and Financial Services | Pinnacle Model™ Assessment 2018: Harnessing Artificial Intelligence for Digital Leadership** ([EGR-2018-31-R-2562](#)); 2018. In this report, we understand enterprises' digital strategies, by conducting a study of 55 banking and capital markets organizations across North America, Europe, the United Kingdom, and Asia Pacific. We identified 18 key dimensions in which enterprises are making investments for digital transformation, and further identified five key dimensions where Digital Pinnacle Enterprises™ in BFS differentiate and reap higher returns
- 2. 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 research, we present an assessment and detailed profiles of 18 service providers featured on the digital services in wealth management 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
- 3. Simpler, Smarter, and Seamless Capital Markets – The Digital Revolution: Capital Markets ITO Annual Report 2017** ([EGR-2017-11-R-2336](#)); 2017. In this report, we look at the global trends in the capital markets industry and their implication for application services outsourcing. We focus on business priorities of capital markets firms and key investment themes, market trends and activity for large AO relationships in capital markets and implications for enterprises and service providers

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