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**Financial Services BPO (FS BPO)
Report: April 2011 – Preview Deck**

**Topic: Role of Global Sourcing in FS BPO – Significant
Traction, Yet Tremendous Untapped Potential**

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Background of the research

In the current economic scenario where financial services companies are reconsidering their cost base, Business Process Outsourcing (BPO) across industry-specific processes in banking, capital markets, and insurance is generating much interest. Beyond arbitrage, several other factors including access to new talent pools, risk diversification, and operational flexibility are driving financial services organizations to push the global sourcing envelope. At the same time, the global sourcing market needs to overcome specific legislative, perception related, and operational challenges to realize its potential

In this research study, we analyze global sourcing in FS BPO across banking, capital markets, and insurance. We focus on:

- Global sourcing models and trends including, market size, growth, and potential
- Drivers and challenges to global sourcing in FS BPO
- Maturity of functions and processes represented as being mature, credible, and emerging
- Global sourcing location landscape across banking, capital markets, and insurance
- Global sourcing service provider landscape across banking, capital markets, and insurance

Scope and methodology of this report:

- This report covers global sourcing in vertical-specific FS BPO across banking, capital markets, and insurance. The report does not include coverage of horizontal business processes like F&A, HR, procurement and contact center
- The coverage spans nearshoring and offshoring in third-party service providers. The report does not include coverage of captives and internal shared services
- The analysis leverages existing Everest IP on FS BPO, detailed assessment of 15+ FS BPO service providers, and interviews with leading FS BPO service providers to understand their perspective on global sourcing in FS BPO

Summary of key messages (page 1 of 2)



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Global sourcing models and trends in FS BPO

- FS BPO accounts for nearly 40% (US\$16-18 billion) of the global sourcing market, and is growing at 20%+ annually
- There is significant potential for further growth of global sourcing in FS BPO
- While there are multiple global sourcing operating models, most large financial services companies adopt a “value-added hybrid” model for BPO
- Beyond arbitrage, factors such as access to talent pool, risk diversification, improving service levels, and operational flexibility are drivers for global sourcing in FS BPO
- Various legislative, people-related and operational issues pose challenges to the adoption of global sourcing in FS BPO

Maturity of global sourcing in FS BPO

- Insurance BPO is the most mature FS BPO segment, followed by banking BPO. Capital markets BPO is the least mature
- In banking BPO, process maturity has increased significantly in judgment-intensive processes such as credit evaluation, underwriting, and collateral evaluation
- In capital markets BPO, processes such as equity research, market research are being globally-sourced from specialist KPO firms in nearshore and offshore locations
- In insurance BPO, new healthcare reforms are generating work that is being globally sourced to keep costs under control

Summary of key messages (page 2 of 2)



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Delivery location landscape in FS BPO

- Different nearshore and offshore delivery locations offer differing leverage points such as lower operating cost, language capability, time-zone proximity, and cultural affinity
- India, Philippines, and China are mature locations for FS BPO, while Eastern Europe and Central & South America are witnessing the fastest growth
- In South East Asia, maximum growth is being witnessed in capital market BPO
- In Central & South America, most FS BPO delivery locations focus on banking BPO, primarily to service domestic operations

Global sourcing leverage by FS BPO service providers

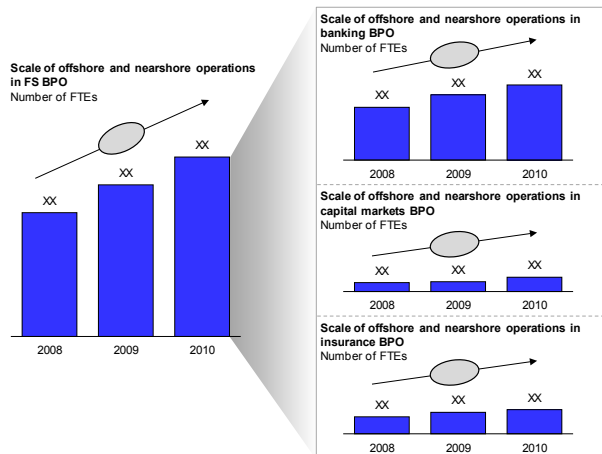
- Everest analyzed the global sourcing capability of 15 FS BPO service providers for each business segment – banking, capital markets, and insurance, across the parameters, global sourcing scale, global sourcing growth, global sourcing leverage, and global delivery footprint
- TCS emerged as players with strong capability in both banking and capital markets BPO
- Genpact and HP emerged as strong players with global sourcing capabilities in banking BPO
- Infosys BPO and Wipro emerged as strong players with global sourcing capabilities in capital markets BPO
- Accenture, EXL Service and WNS emerged as the strongest players with global sourcing capabilities in insurance BPO

This study analyzes the global sourcing trends in FS BPO; below are four charts to illustrate the depth of the report

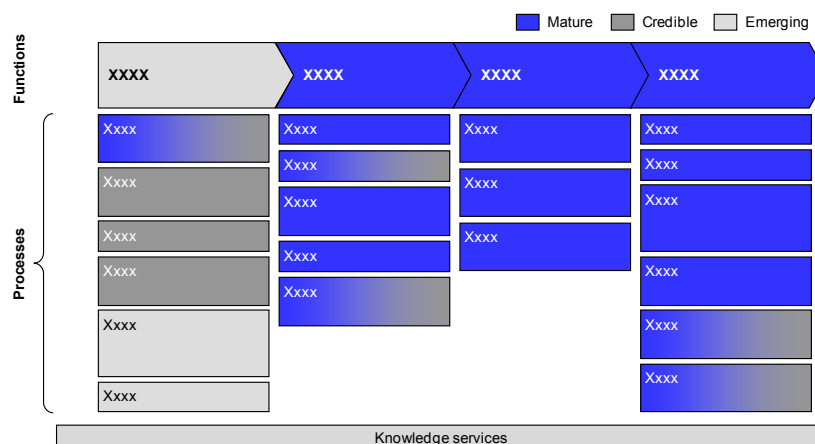


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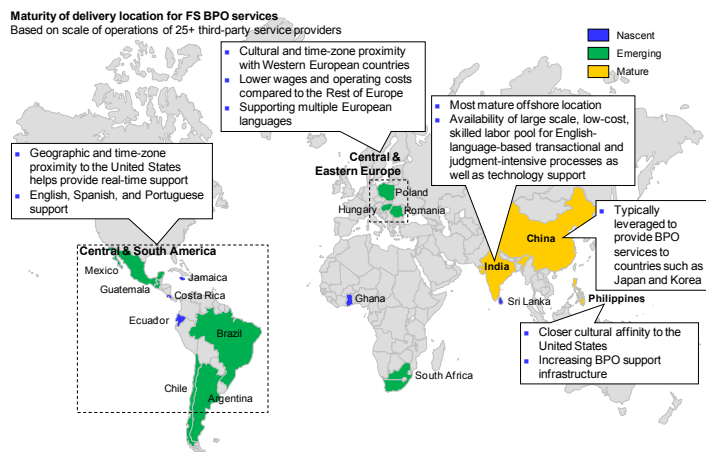
Scale of offshore and nearshore operations in FS BPO



Maturity of global sourcing in FS BPO segments



Maturity of FS BPO global sourcing locations



Global sourcing capability of service providers in FS BPO segments

Global sourcing capability assessment in banking BPO

Legend: ● High, ◐ Medium, ○ Low

Service provider	Global sourcing scale	Global sourcing growth	Global sourcing leverage	Global delivery footprint
XXXX	◐	○	●	◐
XXXX	○	○	●	○
XXXX	○	○	○	○
XXXX	○	○	Does not serve	○
XXXX	○	○	●	◐
XXXX	◐	◐	●	◐
XXXX	◐	◐	●	◐
XXXX	◐	◐	●	◐
XXXX	◐	◐	●	◐
XXXX	◐	◐	●	◐
XXXX	◐	◐	●	◐
XXXX	◐	◐	●	◐
XXXX	○	○	●	○
XXXX	○	○	●	○
XXXX	○	○	●	○

Notes: Dashed green lines separate groups of providers. Two providers are marked "Does not serve".

Source: Everest Research Institute (2011)

Appendix: Additional FS BPO research recommendations



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The following documents are recommended for additional insight into the topic covered in this research report. The recommended documents either provide additional details on the topic or complementary content which may be of interest.

1. **FS BPO Service Provider Profile Compendium** (ERI-2011-10-R-0523); 2011. This compendium provides accurate, comprehensive, and fact-based snapshots of 14 service providers in the FS BPO market. Each 4-5 page service provider profile provides a comprehensive picture of their service suite, scale of operations, technology landscape, recent developments, and delivery locations across all financial services segments including banking, capital markets, and insurance
2. **Global Lending BPO Across Credit Cards, Consumer Loans, and Commercial Loans** (ERI-2011-10-R-0494); 2011. This research focuses on the market size and potential of the global lending BPO by business segment and function, adoption trends, sourcing models, maturity of lending BPO sub-functions across business segments, and the service provider landscape across business segments
3. **BFSI Industry Trends** (ERI-2011-8-R-0503); 2011. This report focuses on trends in the BFSI vertical across three areas – outsourcing transactions, captive market analysis, and service provider activity and deals
4. **The Growing Maturity of Offshore Research and Analytics in Financial Services** (ERI-2010-5-R-0445); 2010. This report analyzes the evolution and maturity of the largest segment in the knowledge services market – research and analytics for financial services
5. **Impact of Regulatory Changes on Offshoring in Financial Services** (ERI-2009-8-R-0349); 2009. This report provides a fact-based view of the implications of the regulatory and legal provisions on offshoring by U.S. financial services companies. Specifically, the report focuses on the impact of the Troubled Asset Relief Program (TARP) and related regulations on offshoring activities. In addition, the report also provides a forward-looking perspective on potential regulations and associated implications for the offshoring industry

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