

NEAT EVALUATION FOR NIIT TECHNOLOGIES:

Wealth & Asset Management BPS

Market Segment: New Digital Banking Models Focus

Introduction

This is a custom report for NIIT Technologies (NIIT Tech) presenting the findings of the NelsonHall NEAT vendor evaluation for *Wealth & Asset Management BPS* in the *New Digital Banking Models Focus* market segment. It contains the NEAT graph of vendor performance, a summary vendor analysis of NIIT Tech in wealth & asset management BPS, and the latest market analysis summary for wealth & asset management BPS.

This NelsonHall Vendor Evaluation & Assessment Tool (NEAT) analyzes the performance of vendors offering wealth & asset management BPS. The NEAT tool allows strategic sourcing managers to assess the capability of vendors across a range of criteria and business situations and identify the best performing vendors overall, and with a specific focus on SaaS/BPS service delivery, professional services, and new digital banking models.

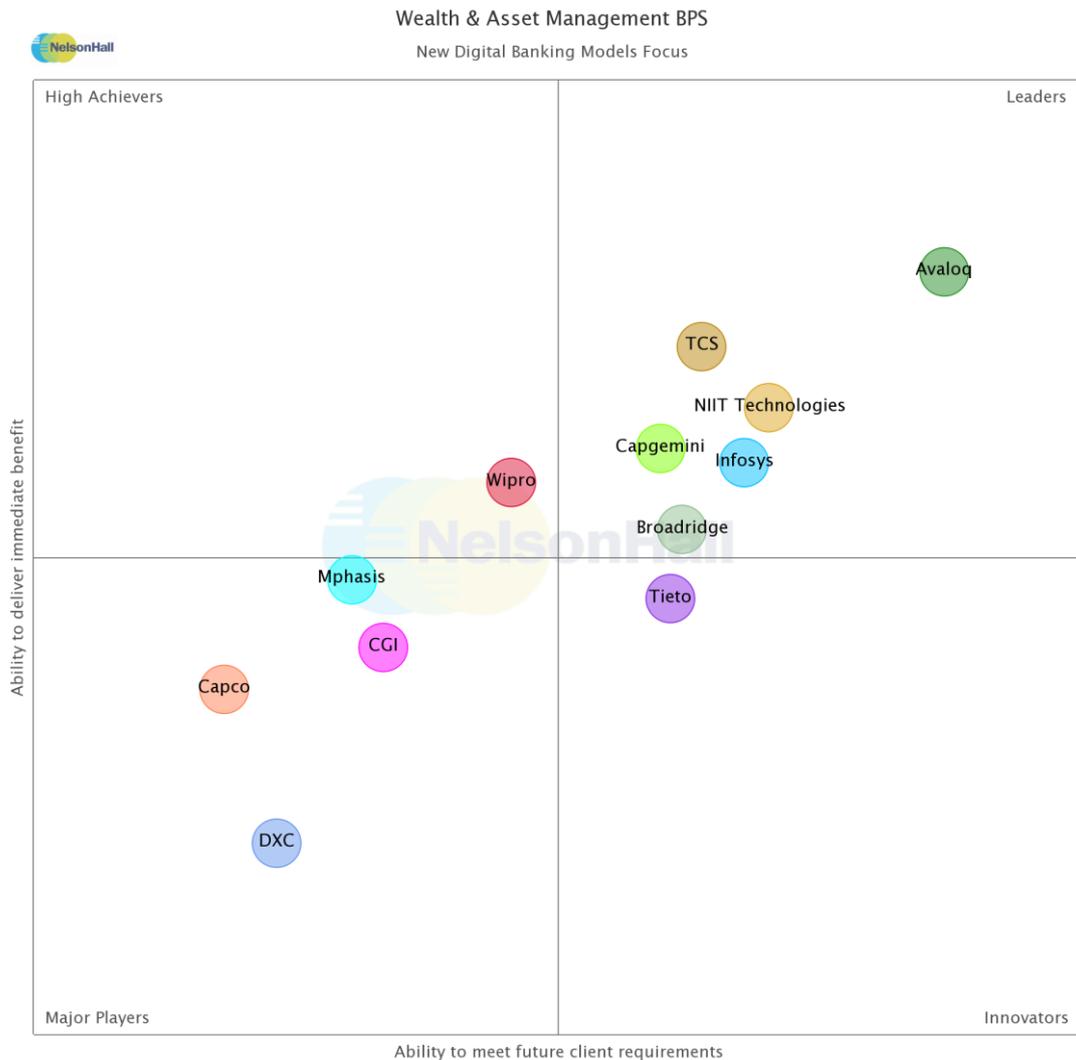
Evaluating vendors on both their 'ability to deliver immediate benefit' and their 'ability to meet client future requirements', vendors are identified in one of four categories: Leaders, High Achievers, Innovators, and Major Players.

Vendors evaluated for this NEAT are Avaloq, Broadridge, Capco, Capgemini, CGI, DXC Technology, Infosys, Mphasis, NIIT Technologies, TCS, Tieto, and Wipro.

Further explanation of the NEAT methodology is included at the end of the report.



NEAT Evaluation: Wealth & Asset Management BPS (New Digital Banking Models Focus)



NelsonHall has identified NIIT Tech as a Leader in the *New Digital Business Models Focus* market segment, as shown in the NEAT graph. This market segment reflects NIIT Tech’s ability to meet future client requirements as well as delivering immediate benefits to wealth & asset management BPS clients, with a specific focus on supporting the development of new digital banking business models.

Leaders are vendors that exhibit both a high ability relative to their peers to deliver immediate benefit and a high capability relative to their peers to meet client future requirements.

Buy-side organizations can access the Wealth & Asset Management BPS NEAT tool (New Digital Banking Models) [here](#).



Vendor Analysis Summary for NIIT Technologies

Overview

NIIT was founded in 1981 as an IT services training company and NIIT Technologies (NIIT Tech) was started in 1997 as a subsidiary of NIIT Ltd. NIIT Tech was founded to provide software and IT services, and in 2004 was spun off as an independent public company to pursue the IT services industry.

This report focuses on wealth and asset management operations services, which is part of NIIT Tech's financial services line of business. It started its wealth management business in 2008 by beginning an account set-up and maintenance BPS services relationship with a U.S. based leading asset and wealth management company (client), a customer since 1995 and a provider of investment processing services to ~200 banks, ~7.3k investment advisors, institutional investors, and investment managers. In 2013, NIIT Tech extended into asset management services with the same client, providing asset servicing and transactional processing. The client relationship includes a range of industry-specific processes, of which wealth and asset management has represented 20% to 25% of the overall contract over the years.

In 2012, NIIT Tech began its investment in building digital technologies capabilities. Since then it has:

- Made investments in digital, automation, and IMS (IP multi-media services) technology capabilities
- Acquired Incessant and Ruletek for their digital integration and business process management capabilities.

NIIT Tech's W&A management operations services have 1,200 FTEs including:

- Business services: 100 FTEs
- Application development: 250 FTEs
- Application maintenance: 250 FTEs
- Integration services: 150 FTEs
- Managed services (ASP, SaaS): 150 FTEs
- BPS: 300 FTEs.

Over the next twelve months, NIIT Tech will:

- Increase the use of RPA in its BPS engagements to reduce the cost of data management
- Increase the use of RPA in its software development services. It has a multi-year engagement with a global consulting firm to identify, prioritize, and implement RPA in its software development activities
- Utilize developers' industry knowledge to develop software enhancements
- Hire additional employees in the U.S.; specific skills targeted include:
 - Human/computer interactions
 - Data sciences: domain data modeling



- Technologies: RPA and blockchain
- Work with local schools (especially Georgia Tech) to develop students with the required technology skills.

NIIT Tech's primary targets for wealth and asset management operations services are global institutions including:

- Large retail banks, in their wealth management units
- Large retail and institutional brokerage firms
- Large wealth managers, both independents and insurance company units
- Service vendors (prime brokers and custodians) to wealth managers.

Clients are based in the U.S., U.K., and Continental Europe. NIIT Tech targets these firms for consulting, ITS, and BPS services on front, middle, and back-office processes. For the past eighteen months, clients have preferred engagements which combine elements of consulting, ITS and BPS.

NIIT Tech's wealth and asset management services currently have 25 direct clients including:

- Financial advisors network: a securities processing vendor; NIIT Tech provides W&A services to ~200 indirect clients which are asset management clients of a U.S. based leading asset management company (20% of those clients are in the U.K.)
- Wealth management unit of a retail bank corporation: U.S. based
- Hedge fund manager: based in the U.S.
- Major custodian.

Financials

NIIT Tech's M&L BPS revenues will be an estimated \$50.0m in CY 2017.

Strengths

- Proprietary protocol for large-scale, daily data collection on wealth assets
- Long term experience, with a securities servicing client and several hundred wealth managers receiving services
- Staff with combined IT development and industry experience
- Focus on working with second tier clients.

Challenges

- Needs to productize more of its capabilities to go after a broad range of lower tier wealth managers
- Needs to expand its growing presence in Europe to achieve scale.



Strategic Direction

NIIT Tech's strategy for growing its W&A management operations services business has been focused on data management to support securities pricing and advisor/investor self-service requirements. NIIT Tech has focused on software development and platform integration as the key services it uses to deliver value to clients. SaaS and BPS are secondary services, which support value delivery where clients do not have the internal resources to support platform management. NIIT Tech is currently delivering combined ITS/BPS offerings, as more clients are demanding those offerings.

NIIT Tech is building its bench of technologists with university partnerships and internal education programs for employees. It is also working with a global consulting firm to identify key software development processes and to implement RPA, to increase the speed to develop and enhance solutions.

NIIT Tech has targeted tier 1 clients based in North America and is looking to expand its targeting to Europe, where it has a few clients. It is focusing on a narrow range of data management services where it has deep expertise. The current client base is predominantly U.S. based large institutions.



Wealth & Asset Management BPS Market Summary

Buy-Side Dynamics

Wealth and asset management operations services is established with tier one W&A managers in mature markets. Lower tier W&A managers are beginning to consider widespread adoption due to severe cost pressures.

Drivers include:

- Cost: ability to reduce cost of ongoing operations and deliver labor arbitrage (~30%-50% savings)
- Compliance and shortened processing deadlines: in the last three years, compliance has driven operations. Vendors delivered project labor as needed, ongoing best practices, standardization to support compliance, and process automation and simplification to reduce TAT
- Need to increase revenues to offset margin declines, by shifting from product to customer focus: customer value maximization (mature markets) and customer acquisition (emerging market)
- Capital constraints on renewal, and global competitor/operational consolidation

The primary client profile is:

- Tier 1 banks (wealth division) and mutual fund networks remain the primary adopters (~80%), but mid and lower tier vendors are increasingly interested and buying, especially via prime brokers and services vendors
- Increasing focus on smaller specialist managers (e.g., hedge funds) and startup W&A firms (e.g., online only).

Clients are buying service bundles including:

- Support for fund and shareholder services remains the primary service bundle (~75% of revenues)
- 100% buy PS, 30% buy BPS, and 15% buy hosting services
- Processes: customer engagement (CX, CRM, marketing, RIA support, and channel delivery) and increasing data/transaction support. No areas are declining, as W&A services is underpenetrated
- Process bundles: increasing combined PS, hosting, and BPS services for multi-tower processes
- BPaaS and SaaS: for all clients to share overhead costs (especially for post-trade) and apply best practices.

Wealth and asset management operations services W&A BPS and hosting contracts are shifting to a basis point price for value of assets. Per FTE pricing is preferred in smaller and newer W&A engagements and legacy contracts, while larger engagements and larger vendors have tended towards transaction pricing. SaaS delivery (if widely accepted) will drive a shift in the smaller client market, in pricing from a FTE to subscription model, with per transaction add-ons. W&A engagements are increasingly requiring ITS services, which use per FTE or fixed price methods.



Market Size & Growth

W&A operations services is a mature business with high tier one adoption and growing mid/small tier adoption. All engagements start with PS and ~20% add BPS and/or hosting over time. Vendors are delivering elemental processes focused on non-differentiating processes including compliance, shareholder accounting, and fund administration. For the next 3-5 years, platform renewal, channel enablement, and CX will be the primary focus of tech efforts. Future delivery will be of platform-enabled services from shared service facilities (often BPaaS). The business focus will be matching revenues/costs and helping to improve revenue generation.

NelsonHall estimates the size of the wealth and asset management operations services market to be ~\$2,500m in 2017, and that it will grow at 2.8% per year in the period 2017 to 2022.

The wealth and asset management operations services market starts with North America, which accounts for ~60.0% (\$1,500m) of client spend and is growing at 2.5% over the forecast period. EMEA accounts for ~35.0% (\$875m) of client spend and is growing at 3.0% over the forecast period. ROW is moving rapidly from an emerging to established market status, with ~5.0% of client spend (\$125m).

Success Factors

Key success factors for clients include:

Digital and Fintech ecosystem development:

- Vendor ecosystem: ability to identify services vendors with knowledge of client's operations environment and business issues, select vendors with complementary skills, and work under a system of governance consistent with client operational practices. Minimizing the number of vendors within each capability set is key to reducing bottlenecks
- Key vendor attributes: employees with industry expertise and digital technology experience. Vendors should have compliance expertise, centers of excellence, relevant API libraries, consulting and development capabilities
- Redefine business model and required operational support: W&A managers need to identify and pursue models with less operational leverage (fewer economies of scale from high fixed cost) and greater flexibility (scale volumes at constant margin). Third-party support is required, where the vendor will maintain, develop functions/best practices, and share overhead for the platform. Vendors will need to deliver combined PS, ITS, and BPS services as required within each sub-process. They will need to be able to deliver a roadmap for moving from BPS to cloud solution delivery over time.

Execution:

- Redefine external/internal operations split: ability to articulate required proprietary operations (high value, non-repetitive processes) and outsourceable operations (lower value/less differentiation), and still integrate the two sets of processes effectively
- Share overhead: internal operations by standardization and consolidation, external operations by SaaS or BPaaS.



Challenges

The key challenges faced in wealth and asset management operations services include:

External challenges:

- **New clients:** clients have all been tier one BFS clients for single-process operations. Vendors need to expand beyond a tier one client base, which requires an ability to deliver services for a wide set of processes. Traditional clients have been willing to expand for one process to new products, markets, and customers. New clients are looking for multiple processes delivered to few customers, markets, and products, and will require greater investment from vendors in an engagement (i.e. platforms, solutions, ITS, and consulting)
- **New markets customer segment markets,** requiring vendors to support activities with different cost structures. W&A managers are shifting to mass affluent products such as retirement accounts, mass market alternative investments, and robo-advised. These offerings require high automation, multi-channel access, and high compliance capabilities
- **New consumers:** sales/marketing support is the fastest growing segment of W&A operations services; the model appears promising, but is not yet proven. W&A managers require support for partner access (e.g. RIAs), developing customer behavior profiles in new markets, and marketing campaign support
- **Digital technologies:** immature technology and fragmented vendor landscape make selecting technology on which to standardize a challenge. Vendors have small market share and are subject to obsolescence as the market continues to develop. Each type of technology is at a different stage of maturity
- **Regulations:** the primary challenge to date, but declining in importance.

Internal challenges:

Automation of processes:

- **Design thinking:** as clients engage with stakeholders via omni-channel environments, implementation of FinTech requires an understanding of how humans use the technology; this is critical to improving usability and satisfaction with processes
- **Cloud/PaaS/systems integration/consolidation:** small/medium W&A managers have limited internal staff, requiring support for new platforms and operational delivery. Vendors looking to expand to this market must be able to deliver automation as an XaaS
- **Monitoring ISVs and related industries:** digital solutions are experiencing a period of product proliferation. Cost effective implementation of a wide variety of processes requires standardizing and automating much of product deployment.

Operational:

- **Talent acquisition and development:** digital technology and industry experience qualifications are in short supply, and new methodologies and technologies are not widely taught. Creating and retaining qualified/licensed staff has been the top priority
- **Process quality and reduced TAT:** meeting reduced deadlines for transaction processing is the top challenge. RPA to increase STP and reduce error rates is a high priority
- **Delivery consolidation, cloud hosting:** W&A clients need aggressive cost reduction under fluctuating volumes. Standardization and virtualization offer the promise of cost takeout



with retained scalability. Vendors need to support this move, while adding new processes delivered from this type of platform.

Outlook

Vendors are introducing wealth and asset management operations services offerings with capabilities including:

- Data management:
 - Building solutions (primarily RPA) to pull and process data from legacy client silos, markets, or channels
 - Acquiring or partnering to access industry-critical data warehouses of industry information (e.g. securities, exchanges, compliance, or transactions data)
- Solutions:
 - Developing customer-facing solutions to improve sales, CX, and CRM
 - Processing solutions from ISVs and BPSs with installed client base. Key vendor capability is to monitor the fast-evolving W&A digital solution landscape and provide guidance to clients
 - Developing solutions for transactional processes to offer as SaaS or BPaaS and link to external counterparties
 - Creating and utilizing solutions to automate sub-routines (RPA) where possible, to increase overall efficiency.



NEAT Methodology for Wealth & Asset Management BPS

NelsonHall's (vendor) Evaluation & Assessment Tool (NEAT) is a method by which strategic sourcing managers can evaluate outsourcing vendors and is part of NelsonHall's *Speed-to-Source* initiative. The NEAT tool sits at the front-end of the vendor screening process and consists of a two-axis model: assessing vendors against their 'ability to deliver immediate benefit' to buy-side organizations and their 'ability to meet client future requirements'. The latter axis is a pragmatic assessment of the vendor's ability to take clients on an innovation journey over the lifetime of their next contract.

The 'ability to deliver immediate benefit' assessment is based on the criteria shown in Exhibit 1, typically reflecting the current maturity of the vendor's offerings, delivery capability, benefits achievement on behalf of clients, and customer presence.

The 'ability to meet client future requirements' assessment is based on the criteria shown in Exhibit 2, and provides a measure of the extent to which the supplier is well-positioned to support the customer journey over the life of a contract. This includes criteria such as the level of partnership established with clients, the mechanisms in place to drive innovation, the level of investment in the service, and the financial stability of the vendor.

The vendors covered in NelsonHall NEAT projects are typically the leaders in their fields. However, within this context, the categorization of vendors within NelsonHall NEAT projects is as follows:

- **Leaders:** vendors that exhibit both a high ability relative to their peers to deliver immediate benefit and a high capability relative to their peers to meet client future requirements
- **High Achievers:** vendors that exhibit a high ability relative to their peers to deliver immediate benefit but have scope to enhance their ability to meet client future requirements
- **Innovators:** vendors that exhibit a high capability relative to their peers to meet client future requirements but have scope to enhance their ability to deliver immediate benefit
- **Major Players:** other significant vendors for this service type.

The scoring of the vendors is based on a combination of analyst assessment, principally around measurements of the ability to deliver immediate benefit; and feedback from interviewing of vendor clients, principally in support of measurements of levels of partnership and ability to meet future client requirements.



Exhibit 1

'Ability to deliver immediate benefit': Assessment criteria

Assessment Category	Assessment Criteria
Offerings	<ul style="list-style-type: none"> Range of wealth management processes covered Wealth management BPS services Wealth management ITS services Customer management capability Asset/liability custody reporting, maintenance capability Operations/process capability New process models related to securities services New process models related to wealth management Process benchmarking and roadmaps Compliance capability Ongoing wealth management operations environment management
Delivery	<ul style="list-style-type: none"> Scale of wealth management delivery capability U.S. U.K. Continental Europe RoW Ability to digitize customer experience Use of emerging technology services to drive new digital wealth management models Application of platform technology to wealth management processes Application of automation (inc. RPA & AI) to wealth management processes Application of analytics to wealth management processes Williness to take over client operations Transition methodology Partnerships in support of wealth management Proprietary IP in support of wealth management Wealth management operations change management capability
Presence	<ul style="list-style-type: none"> Overall wealth management client presence Wealth management BPS client presence U.S. presence U.K. presence Continental European presence Rest of EMEA presence APAC presence LATAM presence



Continued...

Benefits Achieved	<ul style="list-style-type: none">Level of cost savingsIncrease in conversion ratesIncrease in customer satisfactionLevel of TAT reductionSpeed to market improvement deliveredImprovements in complianceData accuracy improvementSupport for new country entryProven support for M&A activityIntroduction of new wealth management products with use of technology
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Exhibit 2

‘Ability to meet client future requirements’: Assessment criteria

Assessment Category	Assessment Criteria
Service Innovation	<ul style="list-style-type: none"> Service innovation commitment Service innovation record Perceived suitability to meet future client wealth management BPS needs Perceived suitability to develop new wealth management business models & processes Ability to introduce new digital business models Service culture
Level of Investments	<ul style="list-style-type: none"> In wealth management BPS In own tools & platforms supporting wealth management BPS In new technology systems of engagement for wealth management
Market Momentum	Wealth management BPS market momentum

For more information on other NelsonHall NEAT evaluations, please contact the NelsonHall relationship manager listed below.



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Sales Enquiries

NelsonHall will be pleased to discuss how we can bring benefit to your organization. You can contact us via the following relationship manager:

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