Everest Group PEAK Matrix® for BFS Risk and Compliance IT Service Providers 2020

Focus on TCS

June 2020

Background of the research

- Banking and Financial Services (BFS) firms are witnessing regulatory changes across cybersecurity, data privacy, enterprise risk, financial crime, and financial risk management. The industry has not witnessed such drastic changes since the Volker reforms and Dodd Frank Act, post the 2008 economic crisis. As the BFS industry deals with the pandemic induced crisis, enterprises need to prepare a resilient, scalable, agile, and flexible risk management and regulatory reporting architecture that can adapt to the needs of the post-COVID 19 world

- Firms face challenges in transforming their risk and compliance functions because of legacy IT systems and infrastructure, that act as roadblocks in using modern technologies such as AI- and big data analytics-driven risk assessment and leveraging real-time insights to manage and control risk scenarios

- Service providers are investing in building solutions and partnerships with technology vendors to help BFS firms better manage their risk and compliance function. This is accomplished by leveraging API-driven data warehouse, agile risk assessment models, and cloud-based platforms. Consulting-led change management across IT and operations is enabling service providers to help clients achieve the desired business outcomes from their risk and compliance transformation initiatives

In this research, we studied the vision and capability of, and the market impact generated by 26 leading service providers that provide Risk and Compliance IT services to BFS firms. These service providers were positioned on Everest Group's proprietary PEAK Matrix® to identify Leaders, Major Contenders, Aspirants, and Star Performers

Scope of this report

- **Services:** Risk and Compliance IT Services
- **Industry:** Banking and Financial Services (BFS)
- **Geography:** Global
- **Service providers:** Accenture, Atos, Birlasoft, Capgemini, CGI, Cognizant, Deloitte, DXC Technology, EY, Happiest Minds, HCL Technologies, IBM, Infosys, KPMG, LTI, Mphasis, NSEIT, NTT DATA, PwC, Sopra Steria, Synechron, TCS, Tech Mahindra, Virtusa, Wipro, and Zensar Technologies

Introduction and scope

Everest Group recently released its report titled "BFS Risk and Compliance IT Services PEAK Matrix® Assessment 2020: Building Cloud-based Data Infrastructure for Intelligent Real-time Controls". This report analyzes the changing dynamics of the BFS risk and compliance IT services landscape and assesses service providers across several key dimensions.

As a part of this report, Everest Group updated its classification of 26 service providers on the Everest Group PEAK Matrix® for BFS risk and compliance IT services into Leaders, Major Contenders, and Aspirants. The PEAK Matrix is a framework that provides an objective, data-driven, and comparative assessment of BFS risk and compliance IT service providers based on their vision & capability and market impact. Everest Group also identified six service providers as the "2020 BFS Risk and Compliance IT Services Star Performers" based on the strongest forward movement demonstrated on the PEAK Matrix over time.

Based on the analysis, **TCS emerged as a Leader.** This document focuses on **TCS'** BFS risk and compliance IT services experience and capabilities and includes:

- TCS' position on the BFS risk and compliance IT services PEAK Matrix
- Detailed BFS risk and compliance IT services profile of TCS

Buyers can use the PEAK Matrix to identify and evaluate different service providers. It helps them understand the service providers' relative strengths and gaps. However, it is also important to note that while the PEAK Matrix is a useful starting point, the results from the assessment may not be directly prescriptive for each buyer. Buyers will have to consider their unique situation and requirements and match them against service provider capability for an ideal fit.

Source: Everest Group (2020)

Everest Group®
R E S E A R C H

BFS Risk and Compliance IT services PEAK Matrix® 2020 characteristics

Leaders:

Accenture, Capgemini, Cognizant, HCL Technologies, IBM, Infosys, NTT DATA, TCS, and Wipro

- Leaders are characterized by their wide scope of offerings including regulatory consulting, risk architecture & modeling, validation, application development & maintenance, and Systems Integration (SI) across GRC, financial risk management, financial crime mitigation, cybersecurity, data privacy, and reporting
- They have a well laid-out strategy to train and certify talent across major third-party platforms and provide a combined IT and operations services
- They have a well-defined partnership ecosystem with major third-party platform providers across the risk and compliance landscape; a joint market attack strategy with these vendors is helping them win large deals across different geographies
- In order to keep pace with the market dynamics, Leaders continue to invest in new services capabilities such as cloud-based offerings, cross-functional domain and analytics experts, solution accelerators, proprietary solutions, and innovation centers

Major Contenders:

Atos, CGI, Deloitte, DXC Technology, EY, KPMG, LTI, Mphasis, PwC, Sopra Steria, Synechron, Tech Mahindra, and Virtusa
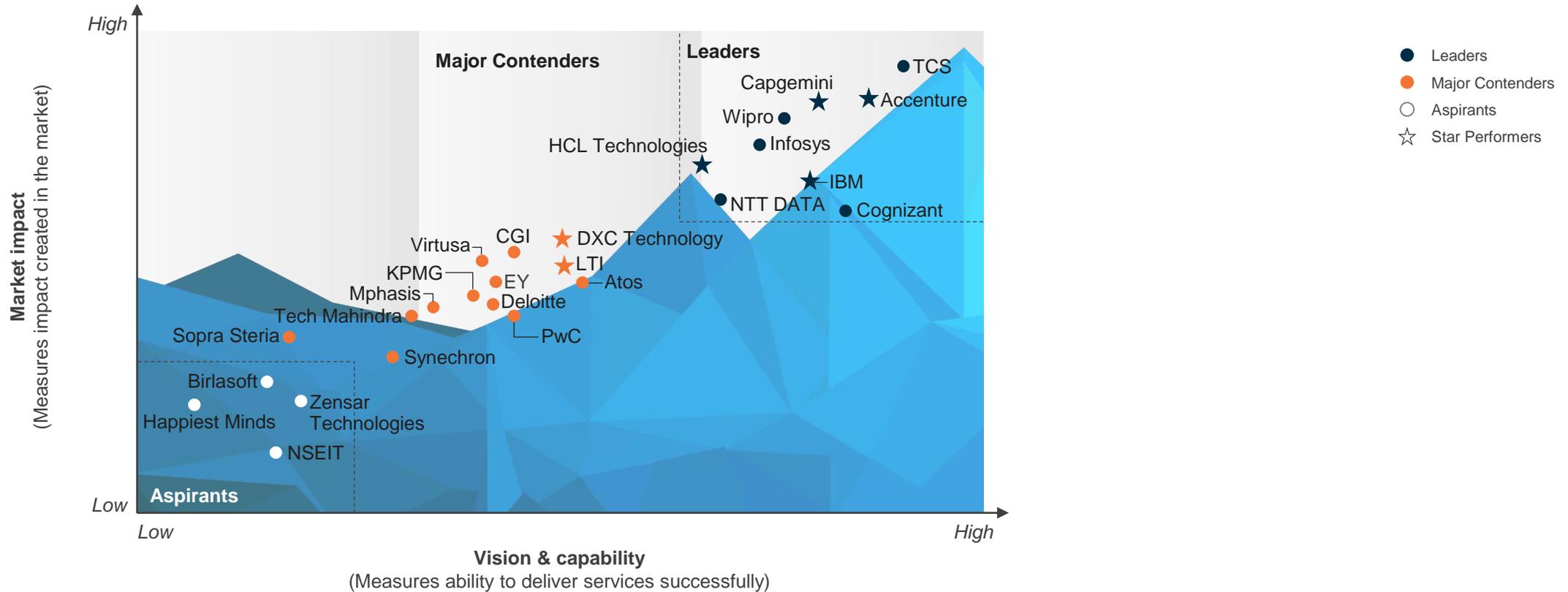
- Major Contenders includes a mix of global and regional players; these players have built meaningful capabilities to build pockets of sustainable differentiation
- They have created differentiated capabilities across specific areas such as market risk, credit risk, cybersecurity, and data privacy. Major Contenders are making continued investments in developing internal IP and bolstering partnerships in order to plug their capability gaps
- DXC Technology and LTI stand out among Major Contenders due to the breadth and depth of their solutions portfolio, proprietary platforms, capabilities across the stack (built in-house or through acquisitions), and the ability to combine offerings with next-generation technologies such as cognitive computing
- Large audit and consulting firms are moving downstream in their risk advisory projects to provide IT services support for managing the risk and compliance function as clients ask for end-to-end partners from roadmap to implementation and day-to-day operations

Aspirants:

Birlasoft, Happiest Minds, NSEIT, and Zensar Technologies

- Aspirants typically cover specific risk segments across BFS lines of business or deliver depth of services on one of the services themes such as analytics, system integration, or cybersecurity
- Aspirants are in a good position to challenge the market on specific elements in the risk & compliance value chain. They can leverage small scale to their advantage by positioning themselves as a service provider of choice for clients who seek a nimble partner that can work intimately with their risk and compliance teams

BFS Risk and Compliance IT Services PEAK Matrix® Assessment 2020 | TCS positioned as a Leader

Everest Group BFS Risk and Compliance IT Services PEAK Matrix® Assessment 2020

Major Contenders

Leaders

● TCS

Capgemini

★ Accenture

Wipro ●

● Infosys

HCL Technologies ★

★ IBM

● NTT DATA

● Cognizant

Virtusa ● ● CGI ★ DXC Technology

KPMG ★ LTI

Mphasis ● ● EY — Atos

Tech Mahindra ● ● Deloitte

Sopra Steria ● — PwC

● Synechron

Birlasoft ○

○ Zensar Technologies

Happiest Minds ○

○ NSEIT

Aspirants

High

Low

Low

High

Market impact
(Measures impact created in the market)

Vision & capability
(Measures ability to deliver services successfully)

Legend:
● Leaders
● Major Contenders
○ Aspirants
☆ Star Performers

Note : PEAK Matrix specific to risk and compliance IT services in BFS. Assessments for Accenture, Atos, CGI, Deloitte, DXC Technology, EY, IBM, KPMG, PwC, Synechron, and Tech Mahindra excludes service provider inputs on this particular study and is based on Everest Group's estimates that leverage Everest Group's proprietary Transaction Intelligence (TI) database, ongoing coverage of these service providers, their public disclosures, and interaction with buyers. For these companies, Everest Group's data for assessment may be less complete

Source: Everest Group (2020)

Everest Group® RESEARCH

Vision for risk and compliance IT services practice: Help the stakeholders of risk and compliance functions at BFS firms to build an intelligent enterprise, create exponential value for them by enabling intelligent, real time, and bias-free decision making to ensure a better customer experience, cost, and capital efficiency & agility

Risk and compliance IT services revenue

<US$20 million	US$20-150 million	US$150 - 350 million	>US$350 million

Number of active clients for risk and compliance IT services

<25	25-100	100-150	>150

Risk and compliance IT services revenue mix in BFS: ■ High (>25%) ■ Moderate (10-25%) ■ Low (<10%)

By services scope[1]

Consulting	■	Platform implementation/ integration	■
Application development	■	Testing	■
Application maintenance	■	Others	■

By geography

By buyer size

Small (annual client revenue < US$1 billion)	■
Medium (annual client revenue US$1-5 billion)	■
Large (annual client revenue US$5-10 billion)	■
Very large (annual client revenue US$10-20 billion)	■
Mega (annual client revenue > US$20 billion)	■
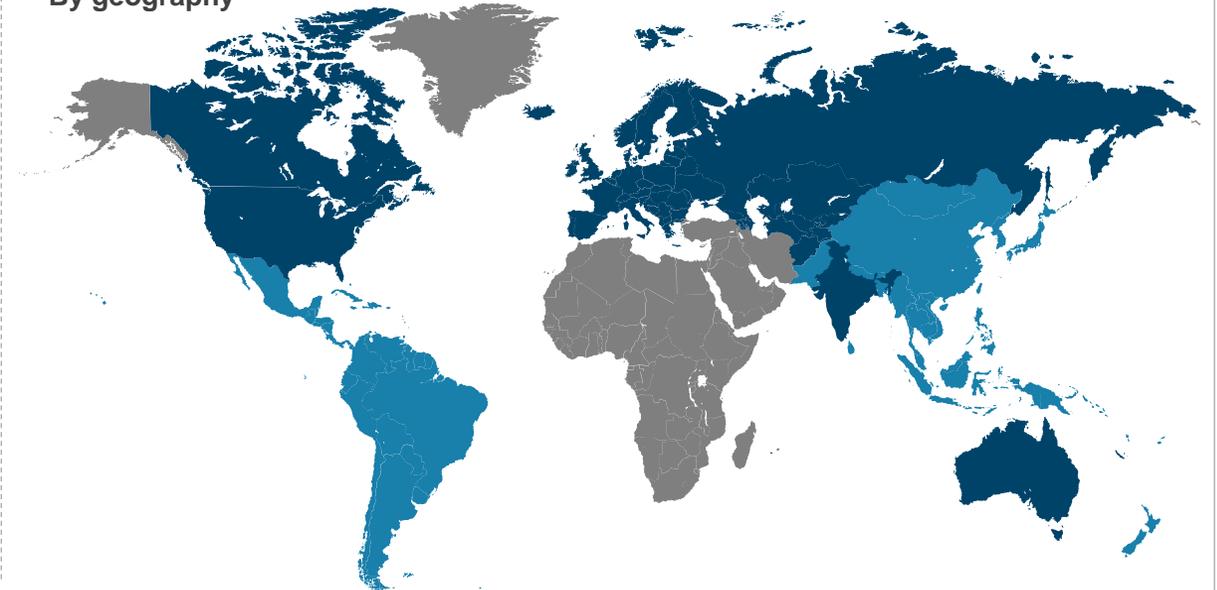
1   As per Everest Group estimates
Source: Everest Group (2020)

Client success stories

NOT EXHAUSTIVE

Case study 1: Financial Crime Compliance (FCC) transformation for a Nordic bank	
Business challenge	• Issues with a 10-year old legacy financial crimes platform that needed replatforming as extensive customizations were proving to be unsustainable • Platform was no longer compliant with major regulations such as EU AML Directive 4 and GDPR
Solution	• Design of future-ready, target state business architecture that would comply with all new FCC regulations • Replacing the existing AIX based technology stack with Linux • Building ML-based models for accurate alert generation and reduction of false positives. The team also built analytics-based network visualization to generate graphical view of linked entities
Impact	• Reduction of false positives by at least 20% • Expected reduction of 10-15% in sanctions alerts • Automated alert triaging • Reduced maintenance cost, lesser customizations involved, and reduced dependency on the product vendor

Case study 2: Risk and finance alignment for a large Canadian bank	
Business challenge	• Lack of an enterprise data management platform to service risk operations • Improve performance and cost efficiencies • Challenges with reconciliation and reporting • Comply with IFRS 9, FRTB, SCCL, and CCAR reporting standards
Solution	• Developed a target state data playbook, defining how data should be laid out in the data lake environment • Created a data catalogue, required for the mentioned reporting regulations • Designed target state architecture, integrating risk and finance data with the data lake, to fulfill internal and regulatory requirements
Impact	• 10-15% reduction in development efforts in populating data lake by leveraging data playbook • 15-20% reduction in requirement gathering phase for SCCL and IFRS 9 regulatory project implementations • 10-15% reduction in Total Cost of Ownership (TCO)

Prevalence of case studies across business segments

■ High (>40%) ■ Medium (25-40%) ■ Low (<25%)

Financial crime	Cybersecurity	Compliance management
Risk management	KYC/AML	Others
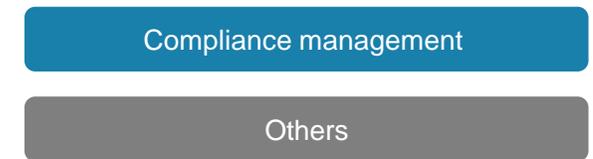
Everest Group®
RESEARCH

Key offerings and investments

Proprietary IP/solutions/frameworks/accelerators/tools developed internally to deliver risk and compliance IT services to BFS customers across following themes	
Name	**Details**
Basel 4-standardized approach for credit risk, counterparty credit risk, operational risk , and FRTB	Implementation frameworks to support banks achieve compliance – includes accelerators such as business reference architecture, requirements inventory, and data inventory
Intelligent cloud burst	Bursting risk calculations over the cloud environment with the option of leveraging machine learning, to automate and optimize the bursting process
LIBOR transition	Comprehensive framework including rates strategy and remediation, contract analysis, client outreach, impact assessment, and overall implementation
TCS IdentiFence	Digital identity-as-a-managed service on cloud offering that allows systems to remain compliant with embedded risk-based automated controls
Fraud and financial crime risk analytics	AI-based automated Adverse Media Screening covering global and local media sources, AI-based matching/alert generation with match risk scoring to identify high risk customers. Strategy for false positive reduction

Key partnerships/alliances/ M&As/ JVs leveraged to deliver risk and compliance IT services to BFS customers		
Name	**Type of investment (Year)**	**Details of investment**
W12 Studios	M&A	To bolster TCS's interactive design solutions including market specific risk solution and service offerings
RSA Archer (DELL), ServiceNow, and MetricStream	Partnerships (2016 onwards)	Build implementation capabilities on leading GRC products
Intel Saffron, BAE Systems, Tooki Taki, Quantexa, and RiskShield	Partnerships (2018-2019)	Build implementation capabilities on leading financial crime compliance products
Aptitude Software	Partnership (2018)	Build capabilities on partner's financial management and regulatory reporting solutions

Source: Everest Group (2020)

Everest Group®
RESEARCH

Everest Group assessment – Leader

Measure of capability: ● High ◔ Low

Market impact				Vision & capability				
Market adoption	Portfolio mix	Value delivered	Overall	Vision and strategy	Scope of services offered	Innovation and investments	Delivery footprint	Overall
◕	◕	●	◔	●	◕	●	◔	◕

Strengths

- TCS has created a focused go-to-market strategy for engaging with new buyer centers beyond CIOs in the risk and compliance space
- It has differentiated risk assessment offerings for clients across different lines of business including lending, payments, pre-trade, and post-trade processing
- Developed industry-leading thought capital on major risk and compliance themes such as LIBOR transition and role of AI in risk management
- Has created differentiation in the market with its innovative outcome-based pricing models and overall delivery excellence
- Clients have appreciated TCS's expertise in relationship management and agility in driving high engagement levels across risk and compliance projects
- Established a wide partnership ecosystem by including RegTech players with growing capabilities in transaction monitoring, compliance management, and identity management
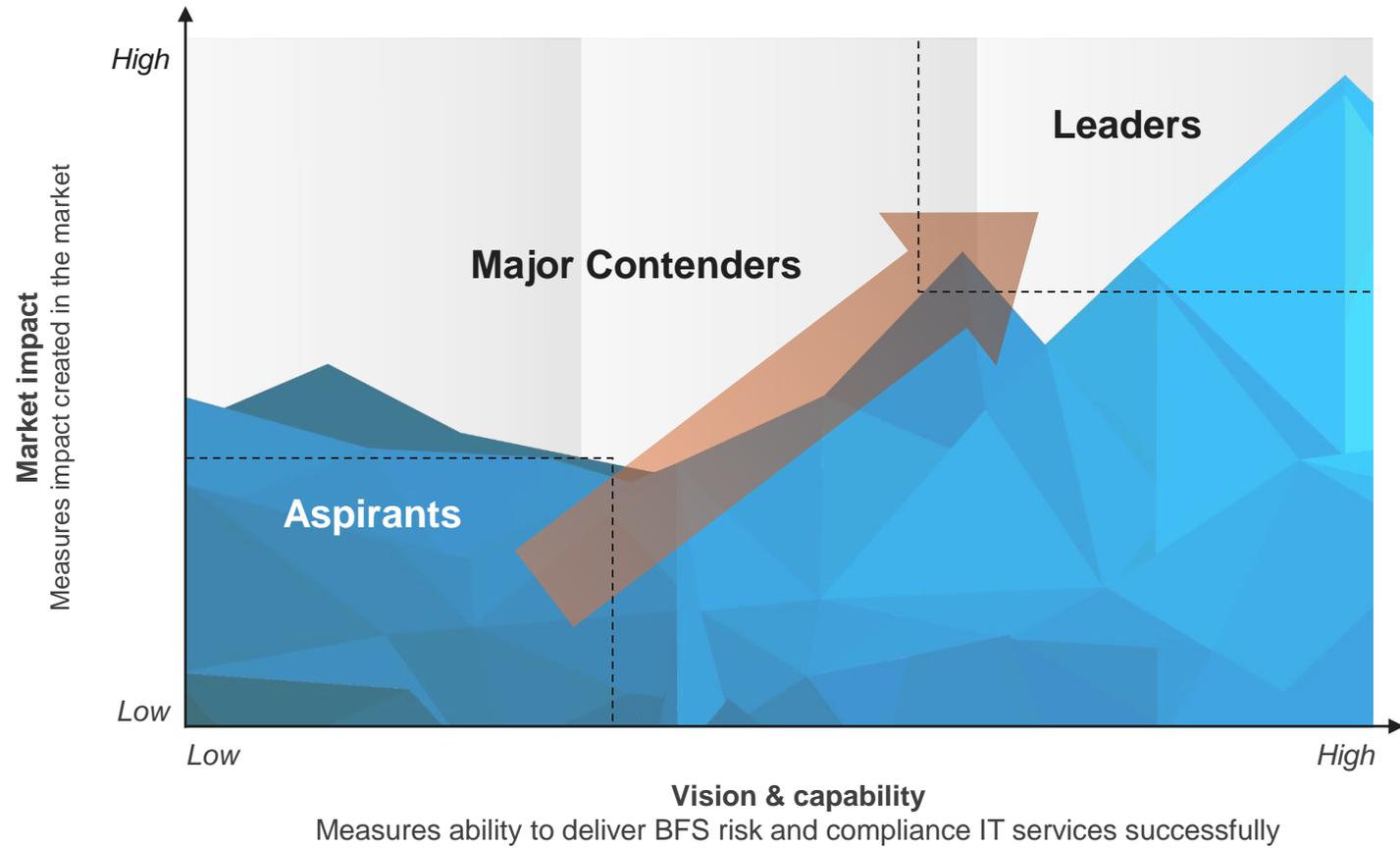
Areas of improvement

- Limited proof-points on demonstrating platform-led transformation and consulting capabilities for product selection. This stems from lack of well-structured partnerships and joint GTM with third-party risk and compliance platforms and limited investments in building talent for these COTS platforms
- Lags peers in depth of partnership for financial risk management and cybersecurity technology vendors
- Limited expertise in asset and portfolio-level risk review capabilities and associated solutions and services
- Even though TCS has an extensive repository of in-house solution frameworks in compliance management and reporting, the proportion of success proof-points in implementing these for clients is low

Everest Group®
R E S E A R C H

Appendix

# Everest Group PEAK Matrix® is a proprietary framework for assessment of market impact and vision & capability

Everest Group PEAK Matrix

Leaders

Major Contenders

Aspirants

Market impact
Measures impact created in the market

High

Low

Vision & capability
Measures ability to deliver BFS risk and compliance IT services successfully

Low — High

Services PEAK Matrix® evaluation dimensions

Measures impact created in the market – captured through three subdimensions

Market adoption
No. of clients, revenue base, YOY growth, and deal value/volume

Portfolio mix
Diversity of client/revenue base across geographies and type of engagements

Value delivered
Value delivered to the client based on customer feedback and transformational impact demonstrated through case studies

Market impact

Leaders

Major Contenders

Aspirants

Vision & capability
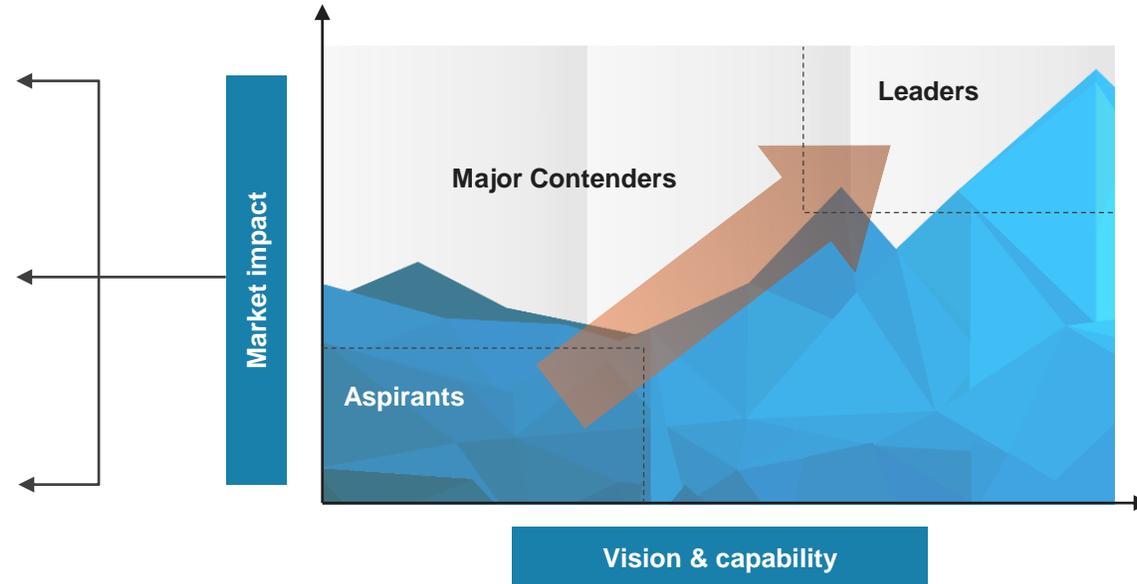
Measures ability to deliver services successfully. This is captured through four subdimensions

Vision and strategy
Vision for the client and itself; future roadmap and strategy

Scope of services offered
Depth and breadth of services portfolio across service subsegments/processes

Innovation and investments
Innovation and investment in the enabling areas, e.g., technology IP, industry/domain knowledge, innovative commercial constructs, alliances, and M&A

Delivery footprint
Delivery footprint and global sourcing mix

Everest Group confers the Star Performers title on providers that demonstrate the most improvement over time on the PEAK Matrix®

Methodology
Everest Group selects Star Performers based on the relative YOY improvement on the PEAK Matrix
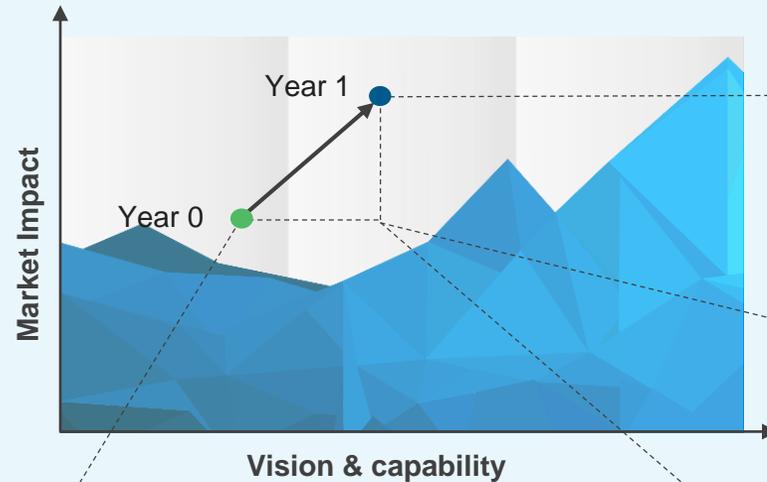
In order to assess advances on **market impact**, we evaluate each service provider's performance across a number of parameters including:
- Yearly ACV/YOY revenue growth
- # of new contract signings and extensions
- Value of new contract signings
- Improvement in portfolio mix
- Improvement in value delivered

In order to assess advances on **vision and capability**, we evaluate each service provider's performance across several parameters including:
- Innovation
- Increase in scope of services offered
- Expansion of delivery footprint
- Technology-/domain-specific investments

We identify the service providers whose improvement ranks in the top quartile and award the Star Performer rating to those service providers with:
- The maximum number of top-quartile performance improvements across all of the above parameters AND
- At least one area of top-quartile improvement performance in both market success and capability advancement

The Star Performers title relates to YOY performance for a given vendor and does not reflect the overall market leadership position, which is identified as Leader, Major Contender, or Aspirant.

FAQs

Does the PEAK Matrix® assessment incorporate any subjective criteria?

Everest Group's PEAK Matrix assessment adopts an unbiased and fact-based approach (leveraging service provider / technology vendor RFIs and Everest Group's proprietary databases containing providers' deals and operational capability information). In addition, these results are validated / fine-tuned based on our market experience, buyer interaction, and provider/vendor briefings

Is being a "Major Contender" or "Aspirant" on the PEAK Matrix, an unfavorable outcome?

No. The PEAK Matrix highlights and positions only the best-in-class service providers / technology vendors in a particular space. There are a number of providers from the broader universe that are assessed and do not make it to the PEAK Matrix at all. Therefore, being represented on the PEAK Matrix is itself a favorable recognition

What other aspects of PEAK Matrix assessment are relevant to buyers and providers besides the "PEAK Matrix position"?

A PEAK Matrix position is only one aspect of Everest Group's overall assessment. In addition to assigning a "Leader", "Major Contender," or "Aspirant" title, Everest Group highlights the distinctive capabilities and unique attributes of all the PEAK Matrix providers assessed in its report. The detailed metric-level assessment and associated commentary is helpful for buyers in selecting particular providers/vendors for their specific requirements. It also helps providers/vendors showcase their strengths in specific areas

What are the incentives for buyers and providers to participate/provide input to PEAK Matrix research?

- Participation incentives for buyers include a summary of key findings from the PEAK Matrix assessment
- Participation incentives for providers/vendors include adequate representation and recognition of their capabilities/success in the market place, and a copy of their own "profile" that is published by Everest Group as part of the "compendium of PEAK Matrix providers" profiles

What is the process for a service provider / technology vendor to leverage their PEAK Matrix positioning and/or "Star Performer" status ?

- Providers/vendors can use their PEAK Matrix positioning or "Star Performer" rating in multiple ways including:
  - Issue a press release declaring their positioning. See citation policies
  - Customized PEAK Matrix profile for circulation (with clients, prospects, etc.)
  - Quotes from Everest Group analysts could be disseminated to the media
  - Leverage PEAK Matrix branding across communications (e-mail signatures, marketing brochures, credential packs, client presentations, etc.)
- The provider must obtain the requisite licensing and distribution rights for the above activities through an agreement with the designated POC at Everest Group.

Does the PEAK Matrix evaluation criteria change over a period of time?

PEAK Matrix assessments are designed to serve present and future needs of the enterprises. Given the dynamic nature of the global services market and rampant disruption, the assessment criteria are realigned as and when needed to reflect the current market reality as well as serve the future expectations of enterprises

Everest Group®
RESEARCH

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 empower 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.everestgrp.com.

Dallas (Headquarters)
info@everestgrp.com
+1-214-451-3000

Bangalore
india@everestgrp.com
+91-80-61463500

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

Stay connected

Website

www.everestgrp.com

Social Media

@EverestGroup

@Everest Group

Blog

www.everestgrp.com/blog/