



cutting through complexity

CAPITAL MARKETS

Transforming operations and technology

Positioning firms in the capital markets
sector for long-term growth and success

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KPMG INTERNATIONAL

An industry under pressure

Organizations competing in the capital markets space today are under incredible pressure to simultaneously support the overall business strategy, pursue ongoing cost efficiencies and comply with the demands associated with an evolving regulatory landscape – while at the same time working to transform their operating models to reflect the realities of a changing marketplace.

KPMG's Operations & Technology Transformation group helps its clients

to effectively navigate the complex process of strategizing, prioritizing and implementing initiatives that will allow them to successfully transform their operations and technology environments.

Our global network of professionals has experience in helping clients identify and implement their target operating models across key business areas, including operations, technology, data and location.

Transforming the business for long-term growth and success

Leaders from an increasing number of firms in the capital markets sector are realizing that status quo is no longer an option. Many have begun seeking out opportunities to either exit unprofitable businesses or diversify into new areas and to cut costs. However, the traditional approach to cutting headcount and sending non-core functions offshore is no longer adequate. On the contrary, these are

short-term fixes in the context of a much larger paradigm shift.

KPMG's Operations & Technology Transformation group understands what it takes to succeed in times of turbulence and change. KPMG's member firms work with clients to create sustainable and profitable operational improvements, helping them transform their businesses to adapt and thrive in a changing marketplace.

Clients include:

- investment banks
- asset management firms
- wealth management firms
- fund servicing companies
- private banks
- custodians
- depository trust providers
- Futures Commission Merchants (FCM)

KPMG's member firms understand the issues and challenges companies are facing in today's rapidly-changing capital markets industry. Our networks possess the capabilities, the experience and the methodology to help these organizations transform and position their businesses for long-term growth and success.

Helping to minimize risk and maximize results

Large-scale business transformation programs entail a certain degree of risk. In order to increase the prospects for long-term success, these sophisticated and wide-reaching exercises must be handled strategically and effectively. That's why it's imperative that providers enlist the services and experience of an industry leader. KPMG's Operations & Technology Transformation group has the demonstrated experience to help clients in the capital markets sector devise and implement strategies to achieve their target operating models, while helping to ensure that potential risks are assessed, quantified and managed along the way.





An innovative and powerful business proposition

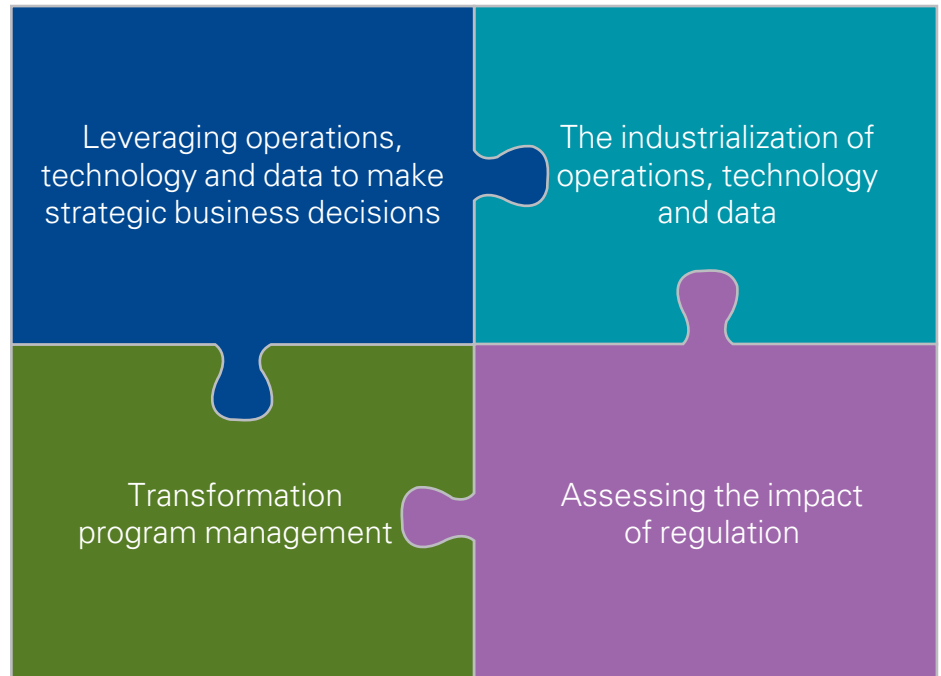
KPMG's Operations & Technology Transformation team includes an experienced, capital markets-focused team deployed across the KPMG member firm network. These professionals have demonstrated expertise in guiding large, global firms through the complex process of organizational transformation and possess clear understanding of the intricacies and risks involved in these ambitious initiatives.

As part of this market-leading service offering, KPMG's member firms provide its clients with access to a broad array of

strategies and tools to help support and expedite the transformation process.

Our approach is built around four key pillars:

1. leveraging operations, technology and data to make strategic business decisions
2. the industrialization of operations, technology and data
3. transformation program management
4. assessing the impact of regulation.





Leveraging operations, technology and data to make strategic business decisions

Overview

In response to overall market conditions, our clients in this space are actively pursuing initiatives to support the long-term growth and success of their businesses. KPMG’s member firms are engaged with their clients in the process of business transformation, cross-selling across institutional and wealth management, behavioral-based client segmentation and omni-channel marketing points of commerce.

As part of this process, we’re helping them leverage their current delivery models in operations, technology and data in order to expand to new regions and/or provide new services to other parts of their organization, while maintaining a constant focus on emerging market opportunities.

Opportunity

Our network of member firms actively seek out opportunities for clients to differentiate their service offerings and expand to other strategic areas of the value chain, including opportunities

to leverage existing infrastructure to gain greater scale and cost efficiency from a cost-per-transaction standpoint. In environments in which clients are witnessing the erosion of traditional revenue sources through margin compression or increased competition, these strategic moves into new service areas can serve as a defensive necessity.

How we work

Our team of specialists conducts a thorough scan of the market, including client segments, the competition and the client’s current service offering in the operations, technology and data environment. KPMG reviews the organization’s operations and technology infrastructure and data models, paying close attention to factors such as people and processes, scalability, cost base and potential revenue sources. Based on this preliminary research and combined with the results of a thorough gap analysis, the engagement team complete the process by developing a detailed business case outlining the new revenue-generating opportunities for the business.

There are opportunities for capital markets firms to differentiate their service offerings and expand into other strategic areas of the value chain.

Approach in action

Recent engagements in which we’ve helped clients identify revenue generation opportunities include:

- leveraging big data analytics to help a large bank implement a customer experience-focused strategy for their retail and institutional customer base
- transform the data architecture of a capital markets client with the design and deployment of a unified data platform enabling improved data quality, risk management, financial reporting, analytics, data sharing/controls and insight
- identified >US\$50 million in saving opportunities for a global bank by developing analytics and a key performance indicators (KPI) library, implementing a new data platform and defining shared services
- identified impacts across the enterprise for a global broker dealer’s operating model in support of a tax regulation impacting derivatives and equity linked instruments



Approach in action

Some recent engagements in which we've helped clients identify opportunities for operational cost efficiencies include:

- supporting a leading global investment bank with program stand-up, methodology and hypothesis testing of business case for defensible disposition
- assisting a leading global investment bank rationalize infrastructure capacity by identifying over-retained data across firm's Top 30 TCO applications
- guiding a leading global bank with implementation of cost efficiency initiatives across sourcing, footprint, workforce optimization, PeX and improvements in demand management
- helping a leading global bank outsource its multi-product operations
- partnering with a leading asset manager to publish business requirements in support of centralized reference data and pricing repository for their listed security and alternative (derivatives, real estate and private equity) investment strategies



The industrialization of operations, technology and data

Overview

In today's global economic climate in which there is continued downward pressure on margins and an increase in the intensity of competition, the ability to effectively manage costs is more important than ever. Successful firms continue to focus on improving their capital positions with a sustained focus on cost efficiency, attained through cost reduction, avoidance and investment governance.

Opportunity

There's a tangible opportunity in today's market for capital markets firms to transform what were once considered 'one-off' cost-reduction initiatives into sustainable, ongoing cost-management business capabilities. In addition to helping firms address cost pressures in the short term, this approach can also position them for competitive advantage when market conditions improve. This type of ongoing expense management capability can empower clients to manage their operations and technology functions more like businesses, helping

to create product differentiation models and reducing unit costs.

How we work

KPMG helps clients assess opportunities, create business cases, coordinate with stakeholders to validate opportunities and develop a roadmap for the Cost Efficiency Program. Our professionals undertake a detailed review of market drivers impacting the overall business, including the company's growth rate, product pipeline and the regulatory environment. We also assess the operations and technology functions, paying attention to supply optimization and potential opportunities to consolidate, share and/or reuse resources throughout the enterprise. Our team works to ensure that close attention is paid to key business considerations such as risk management, a continued focus on innovation and maintaining service quality. The end result is a detailed roadmap for identifying sustainable cost reduction opportunities for the business in its new target operating model.

[The ability to effectively manage costs is becoming more important than ever.](#)



Transformation program management

Overview

Program management and governance of multi-year transformation initiatives continue to be challenges for many organizations. The KPMG network helps capital markets clients implement and execute these initiatives and realize return-on-investment by setting up programs, establishing governance models and deploying program management teams to support C-suite stakeholders. The types of programs vary in nature from supporting product launches, re-engineering the company's operations and transforming infrastructure.

Opportunity

In this fast-paced business environment, technology will continue to be a key differentiator for organizations competing in the capital markets space. We recognize that the need to realize future cost savings, along with the growing demand for more responsive technology solutions,

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will continue to drive the demand for wide-reaching transformation program management.

How we work

The work of transformational conversion begins with an intensive information-gathering and Request for Proposal process. Once the technology vendors have been identified, KPMG's team of Operations & Technology Transformation professionals works to develop a detailed program roadmap and delivery framework for the project, taking into account elements including business requirements, functional system design and the development of an implementation and transition strategy.

Finally, our teams work to develop a sound governance framework, program-tracking mechanism, risk and issues management processes as well as a centralized function for coordinating major implementation events.

Approach in action

Some recent engagements in which we've helped clients execute transformational implementations and conversions include:

- front-to-back investment management platform implementation (portfolio management, trading and investment accounting) for a global asset liability manager
- assisting with the development of a three-year strategy and technology roadmaps for a bank global funding business
- developed and managed a detailed execution plan for the pilot implementation of a front office trade capture and blotter tool to support a centralized target state global funding platform.

Assessing the impact of regulation

Approach in action

Some recent engagements in which we've helped clients assess the impact of regulation and risk on data include:

- delivering the next generation liquidity risk management platform to enable a global bank and its subsidiaries to manage liquidity in compliance with policy and regulatory provisions
- supporting an FAS 157 implementation project for a major global asset manager
- conducting a collateral system assessment and enhancement implementation for a leading US investment bank
- providing a FINRA-MSRB trade reporting gap assessment for a top-tier investment bank.

Overview

Regulatory reform and compliance mandates continue to have an impact on capital markets providers' business and operating models. As a result, these firms are being forced to rethink their risk management models. One of the central themes in this discussion is data management. KPMG's approach to enterprise data architecture, quality, governance and disposition helps firms to manage risk while creating opportunities for business intelligence and data mining.

Opportunity

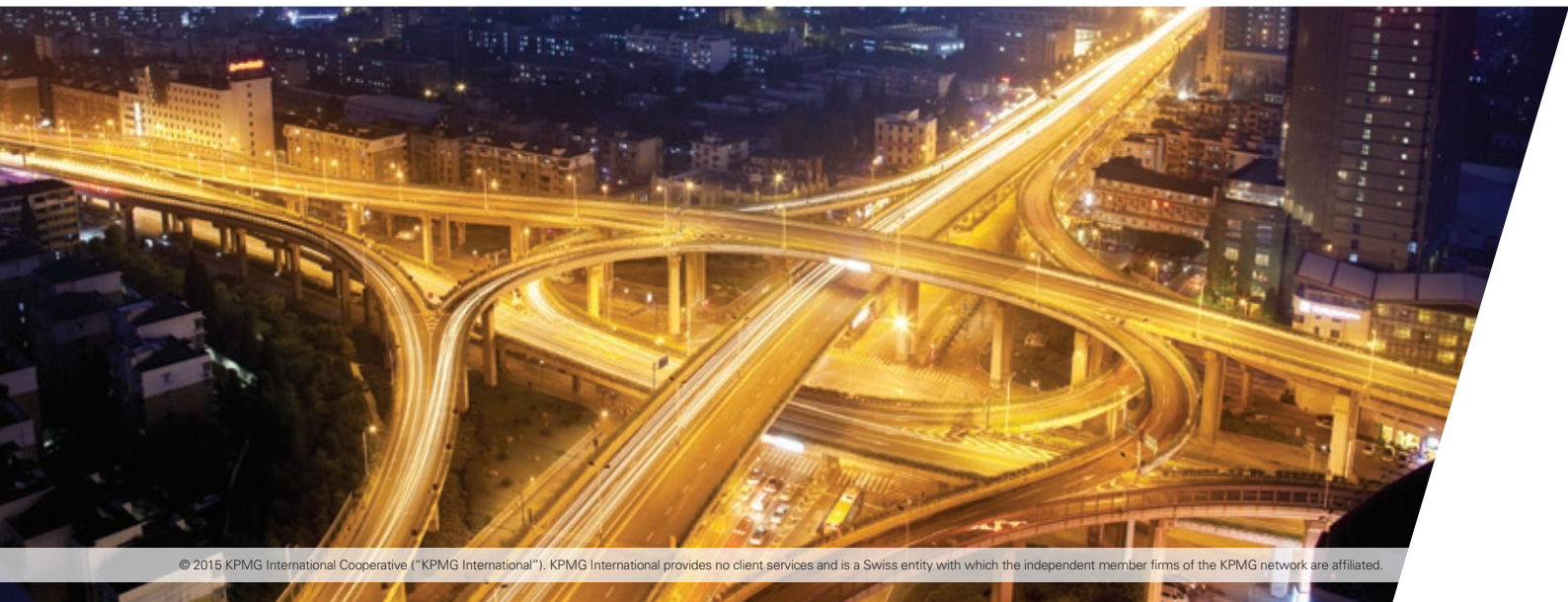
In order to support the intensive reporting and data management requirements in the target operating model, firms will require strong, flexible information management systems with a high degree of data integrity. Indeed, data management will continue to become an increasingly important

competitive advantage, particularly for asset servicers and technology data providers to both buy side and sell side institutions.

How we work

The development of a sound data management framework is an absolute priority as part of the transformation exercise. The first step is to develop and adopt data management industry practices (e.g. vision, data quality, etc.). The team will then define the overall data and reporting governance framework, outline roles and responsibilities and develop a gap assessment of current data and reports. The key areas of focus within this process will include collateral management, legal entity identifiers, risk management systems and processes and automation of compliance processes.

KPMG's approach to regulatory impact assessment on the operations, technology and data functions can help firms manage risk while creating competitive advantage.



Viewing transformation through the eyes of the client

Organizational transformation is not a new concept. Since the dawn of commerce, companies have worked at reinventing their processes and operating models, typically in response to external events such as shifts in market demand or the introduction of new and disruptive technologies.

Many of our clients in the capital markets sector find themselves at a similar crossroads. Besieged by external changes and pressures, they are forced to reassess, reevaluate and rethink their business models.

What is new, however, is the fact that more firms today are approaching the organizational transformation process from the vantage point of the customer. This represents a shift from the manner in which financial services organizations have tended to approach transformation initiatives in the past. Today, firms are choosing to adapt their processes and operating models in ways aimed at optimizing customer benefit.



Achieving the target operating model

KPMG’s network of firms has demonstrated experience in helping to guide their clients through the process of improving and transforming their businesses to adapt to a rapidly-changing business and technology environment. Our Operations &

Technology Transformation professionals work with their clients to meet business transformation objectives by creating a detailed strategy and target operating model designed to position the organization for long-term growth and success.

Service offering

KPMG’s Operations & Technology Transformation team provides member firm clients with services including:

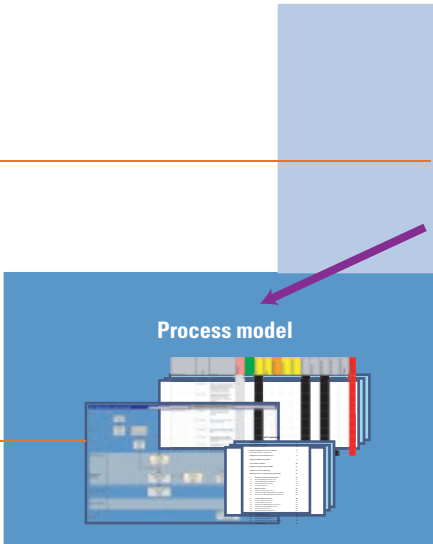
- operating model improvement
- operational cost optimization
- location strategy
- application architecture assessment
- infrastructure rationalization
- platform assessment and selection
- data quality management
- system conversion strategy and execution
- impact of regulations on operations, technology and data
- operations, technology and data innovation strategy.

Business service model defines who the “customers” (e.g., business partners) and other stakeholders are and what services they require.

The functional model outlines the functions that will be required to deliver the services.

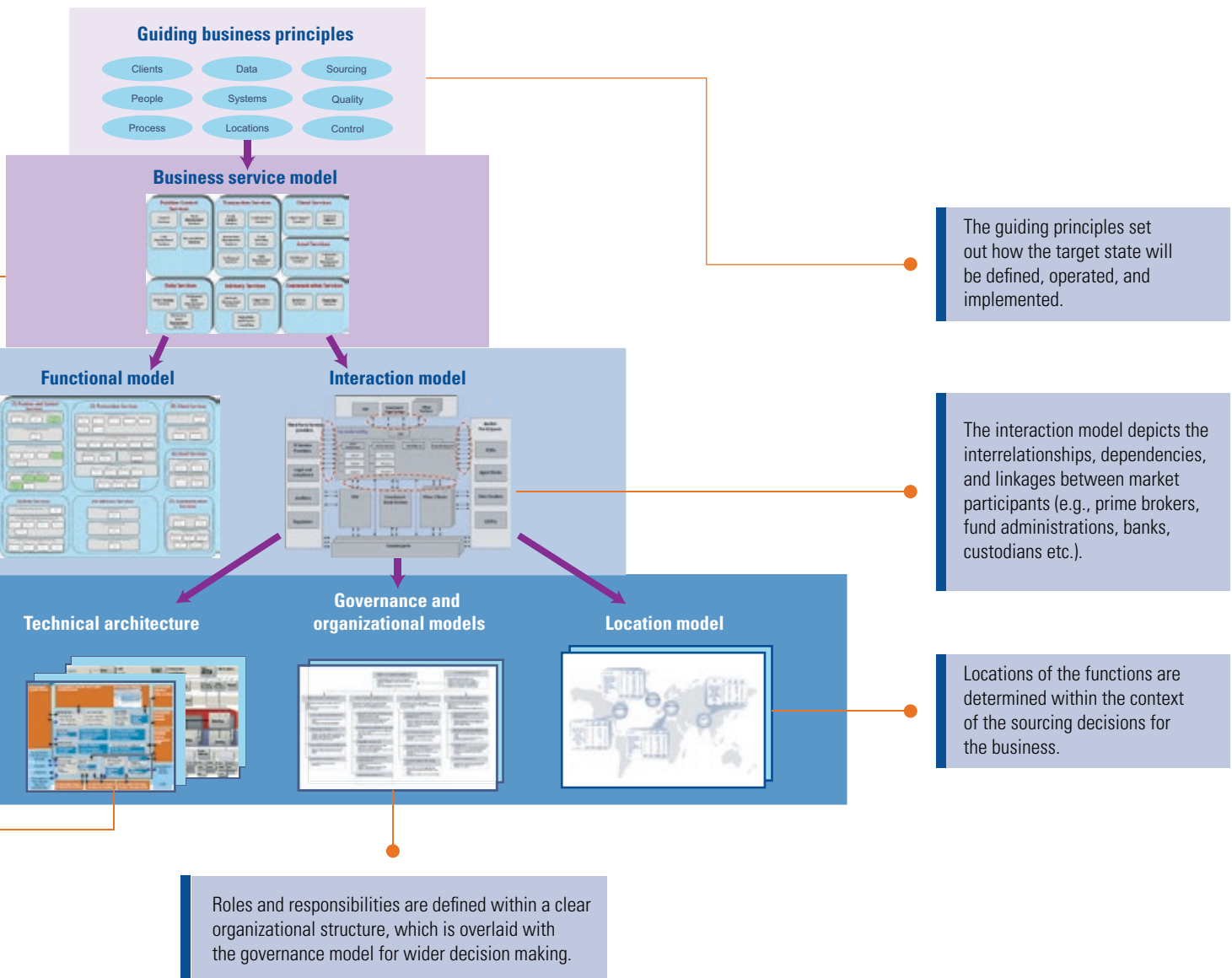
The processes are mapped and controls are embedded within accompanying process narrative.

The technology and data architecture enable STP and align to service delivery needs and interactions with various partners.





What brings it all together – the target operating model



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Contact us

Mike Conover

**Global Head of Capital Markets
Partner, KPMG in the US**

T: +1 212 872 6402

E: mconover@kpmg.com

Atul Subbiah

Principal, KPMG in the US

T: +1 212 954 3136

E: asubbiah@kpmg.com

Sandeep Kurne

Director, KPMG in the US

T: +1 212 872 2197

E: skurne@kpmg.com

Adam Hirsh

Director, KPMG in the US

T: +1 973 912 4872

E: ahirsh@kpmg.com

Craig Davis

Partner, KPMG Australia

T: +61 2 9335 8499

E: craigdavis@kpmg.com.au

Sascha Chandler

Principal Adviser, KPMG Australia

T: +61 2 9455 9596

E: schandler@kpmg.com.au

Walter Palk

Partner, KPMG in South Africa

T: +27 11 647 7209

E: walter.palk@kpmg.com

Grant Willmott

Director, KPMG in the US

T: +1 212 954 7505

E: grantwillmott@kpmg.com

kpmg.com/socialmedia



kpmg.com/app



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