Capital markets firms are operating in a rapidly changing environment where the adverse impact of regulatory reforms and the clearing mandate have significantly lowered the profitability of their businesses.

In response, capital markets firms are identifying the business lines, asset classes, and services to compete in and are exiting from other lines of business. After defining their strategy, they reconfigure their operations to adjust to these structural changes and move toward mutualizing costs by leveraging industry utilities.
Moving toward a streamlined industrialized processing service for derivatives is a multiyear strategy. Genpact partners with banks throughout this journey with advisory services, specific point solutions, and an end-to-end business function management offering that combines operations, analytics, and technology to run post-trade operations in an industry-wide shared services model.

**Key challenges**

**Commoditization of post-trade services**

Post-trade processing has become a largely commoditized service, and it is commonplace for buy-side firms to select post-trade service providers based on their pricing, not on the basis of the quality of services rendered. Banks providing post-trade services have little differentiation to gain, even by being the very best, but they have a lot to lose by executing poorly.

**Consolidation of different lines of business**

Regulatory reforms and the clearing mandate are driving firms to consolidate their traditional listed derivatives and OTC derivatives businesses into a single clearing business, even while bilateral, uncleared derivatives will continue to coexist with cleared products. This involves significant investments in technology and operations.

**Fragmented and evolving regulatory landscape**

Almost all middle and back office processes are now subject to some form of regulatory scrutiny. The regulations governing post-trade processing are at various stages of definition and adoption, and implementation often varies across geographies. This fragmented and constantly evolving regulatory environment is increasing the cost of compliance and hindering the development of post-trade infrastructure.

**Efficiencies of scale**

Tier 1 banks have lowered post-trade costs by apportioning the fixed cost of their post-trade infrastructure over a very large number of trades. Midsized banks, however, do not have the scale of operations to enjoy these benefits, and spend at least 30-40% more than Tier 1 banks on a cost-per-trade basis.

**Mismatch between trading costs and volumes**

The post-trade processing infrastructure at each bank has a large fixed-cost component. The ongoing volatility in the market causes frequent dips in trading volumes, leading to under-utilization of post-trade operations personnel and technology. With banks under constant pressure to reduce costs, such under-utilization is a luxury that few can afford.

**How we deliver**

**Advisory services**

**Readiness assessment for shared service operations**

As an increasing volume of derivatives transactions move toward centralized clearing and some products morph into futurized versions, creating a sustainable operations model that can be supported under an extremely challenged P&L is the key.

Determining which operations to bring together in a shared service, how they would operate, governance models and even the service level agreements and compliance requirements across business lines are the basis of the operational effectiveness advisory services that we offer. These services cut across listed and OTC derivatives post-trade operations. Genpact’s assessments will deliver detailed metrics on current operations, a target operating model, and a transition plan to get to that state with a supporting business case on cost savings.

**Generating Impact: Right-shoring advisory for shared services**

Genpact helped an investment bank relocate 300+ FTEs to a captive center in an emerging market Genpact ran the program management and governance, developed ‘to-be’ processes, and established metrics.
End-to-end business function management

Managed services on derivatives platforms

During the boom years, capital markets firms invested in multiple trading and back office platforms across silos, resulting in a very fragmented and duplicative infrastructure. Such a model is very expensive and complex to manage from a run-the-business perspective, and leaves little scope for scalability or for future modernization from a change-the-business perspective. These siloes pose major challenges for CIOs and COOs alike.

Genpact brings years of experience providing managed services on the industry’s leading derivatives platforms. These managed services include decommissioning legacy platforms as well as implementing new platforms. By taking end-to-end ownership of operations, analytics, process reengineering and platform support, Genpact offers capital markets firms the advantage of working with a single strategic partner in driving down operational costs in the short term and implementing long-term strategic initiatives.

Generating Impact: 40% savings through globally located managed services

Genpact helped an investment bank cope with high per-trade costs and decentralized trade processing by setting up and running a global, consolidated back office platform based on Calypso in managed services mode.

Point solutions - TEEVRA

TEEVRA is Genpact’s proprietary middle office trade processing system for listed derivatives. It provides connectivity to clearing houses, performs real-time reconciliations and allocations, and provides a trade repository that can be the single source for all listed derivatives transaction data.

Key features

- Real-time processing of listed derivatives and reconciliations between clearing and execution messages
- Auto-allocation of trades – internal (accounts) and external (give-ups and take-ups)
• Unified trade repository to publish to back office systems, compliance applications, or other downstream systems
• Gateways to major global clearinghouses

Key benefits
• Reduces the cost of operations by enabling full STP
• Designed ground up for high throughput and capacity
• Allows scaling up at minimal cost using a standardized framework
• Easily reconfigurable to cope with future changes to data formats and protocols
• Available as components for independent deployments and integration with existing infrastructure

Generating Impact: High performance, real-time trade matching using TEEVRA

Genpact implemented the TEEVRA middle office platform to help a securities firm support large volumes (~1 million trades per market, per day) and achieve real-time trade matching capabilities (~1,000 trades per second).

The Genpact advantage

Genpact Headstrong Capital Markets is a leading services provider for the financial services and securities industry. Genpact delivers targeted domain solutions and a full complement of services, from business consulting to technology and operations using multi-shore resources and global project management tools and standards.

Extensive experience

Genpact has more than 20 years of experience providing technology and business services to the capital markets. More than 5,000 Genpact consultants are engaged in 600+ projects with the industry’s leading firms, including nine of the world’s top ten investment banks, three of the top five asset managers, and two of the top three derivative exchanges.

Domain expertise

Genpact’s expertise in providing technology and business services to the leaders of the capital markets industry has been acknowledged by industry analysts like the Everest Group and in rankings produced by media outlets like the American Banker’s FinTech 100 rankings, Securities Lending Times, and the Black Book of Outsourcing.

Excellence in shared services operations

Genpact uses its deep domain expertise and extensive operational experience to apply its culturally ingrained Lean Six Sigma rigor at an unprecedented scale. In 2013 alone, Genpact delivered more than $700 million of business impact for its capital markets clients.

About Genpact

Genpact (NYSE: G) stands for “generating business impact.” We are a global leader in digitally-powered business process management and services. Our Lean Digital™ approach and patented Smart Enterprise Processes™ framework reimagine our clients’ operating models end-to-end, including the middle and back offices – to deliver growth, efficiency, and business agility. First as a part of GE and later as an independent company, we have been passionately serving strategic client relationships including approximately one-fifth of the Fortune Global 500, and have grown to over 75,000 people. The resulting domain expertise and experience running complex operations are unique and help us drive choices across technology, analytics, and organizational design.

For more information, contact, capitalmarkets@genpact.com and visit www.genpact.com/what-we-do/industries/capital-markets

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