

## **BANKING AND CAPITAL MARKETS**

### **Mr. Ashok Vemuri**

Senior Vice President and Member – Executive Council

Good morning, everybody. It is pleasure to be back here to talk to you. Amongst the other things that I would be talking about, I will also tell you how we are spending all the money that Bala is trying hard to save. But let me actually first start by running you through a familiar slide on the Safe Harbor clause.

I will introduce to you very quickly the banking and capital market business, what we do and what our financial picture looks like. It is the largest vertical and the largest practice in Infosys, delivers best-in-class business solutions, leverages technology to provide these business solutions to global banks, securities firms, asset managers and other market participants. Our vision is to become the financial services industry's trusted business partner for next-generation consulting, operational and transformational services. Of the six clients that we added in Q2, this is a little perspective on them - UK-based global bank, a U.S.-based investment management firm, a leading U.S.-based financial services and payment processor, a US government-owned mortgage originator, a leading U.S.-based private equity firm and a leading UK-based consumer co-operative. Our service spans across business process management, consulting and package implementation, system integration, ADM, product development and independent validation services.

We have won many accolades from the industry, whether it is the third year in a row the "Best Outsourcing Partner" for financial services company from "Waters" or the best use of IT in retail banking and financial sector technology as well as many accolades that we have won from our clients in terms of "Best Service Partner," "Best Vendor," etc. We continue on our journey of being thought leaders. We have made many publications and presented at many seminars. In fact I would request all of you to take a copy of FinSight, which is our quarterly magazine which will be available during coffee where we actually capture to a certain extent our thought leadership that we bring to the table.

So we service many global marquee names in the financial services industry. Last year our revenues were a \$ 1.2 billion, last 12 months as of September '09, it was a \$ 1.1 billion. 24,000 associates across 22 global development centers spread across wherever Infosys provide services from. We have a blue chip client base covering retail banking, investment banking, asset management, brokerage, trading, cards. We have 2 clients with revenue greater than a \$ 100 million, 7 clients with revenue greater than \$ 50 million and 14 clients with revenue greater than \$ 20 million.

The downturn impacted spending across all sub segments. I don't have to tell you that, you probably know that better than I do. But in this downturn we have done a couple of things. One is we have invested for the business of today as well as for preparing ourselves for the future. So if you look at the IT spending, notwithstanding all the reports that are out there, there will be a 3% growth which is what Gartner says in terms of budget, etc. But if you look at the IT spend, we do see an upward trend in both in the banking as well as in the capital market sector, much delayed in the capital market sector but definitely happening in the banking sector. I would like to draw your

attention to the lower graph which actually captures the expands or the spread of the footprint from an outsourcing perspective. So when I look at the budget of our clients, I look at multiple aspects of it. And the most important one I look at is the external outsourcing, which if you can make out rather busy slide, is actually showing an upward trend of about 9.4%. And that is the one that we really want to focus in. So this year our key focus area has been to continue to service our clients, to do more with the less with singular emphasis on cost reduction, we have gone into smart sourcing, profit harmonization and platform rationalization, improve operational efficiency through creation of centers of excellence, greater automation and risk-based outsourcing, back to basics lending to improve risk management practices, a stronger focus on regulatory compliance and adoption of risk-based approaches. We have actually created product type solution or bespoke solutions in the market that I will be talking about later. And also we are seeing an increased focus on customer experiences and strengthening of channels which have resulted in a significant number of CRM-related transactions in deals for us.

Shibu and Kris talked about transformation deals, series of transformation deals is what we are seeing in the market as one of my clients was telling me that there used to be two aspects to IT in a bank, one is run the bank and the other was change the bank. And now to run the bank, is to change the bank. Keeping in line with that thinking, we have actually done a significant amount of investments and build solutions along the transformation space. We do a lot of work on the post merger integration, a lot of work in GRP, that is Governance, Risk and Compliance and process and platform rationalization. Cost containment, operational efficiency, productivity improvement and a significant amount of replacing core banking platform and enterprise payment programs from an efficiency perspective is where our focus has been. I will call out two of these and talk in a little more detail. One is the post-merger integration story which is relatively new to us because it spans a much more end-to-end kind of a spectrum than we have ever done in the past. I will also talk about core banking platform, which is our product Finacle which is finding increasing traction outside of the traditional market of Asia and Africa, we are finding traction in Europe and a very big way in the US as well.

In terms of the transformation space, just a few examples of the kind of wins that we have had, the number of mandates that we have got in the post-merger integration space has actually jumped to a large number. We talked about this during our quarterly results as well. We are actively engaged at this point of time in five post-merger integration transactions in the financial services space. We are partnering with leading banks in the US and UK on large core banking transformations. We are partnering with multiple banks on multi-year payment transformation program. We are working on the wealth management especially in the Middle East and in Australia. These are basically platform kind of deals, wealth management platform deals. We are doing significant amount of work in the brokerage platform. In fact, for one of the large broker dealers we are creating a new brokerage platform. I will talk about that also a little later in detail. And we are engaged with a global leading asset manager on a defined benefit transformation program.

Couple of minutes quickly on the merger integration, what we are essentially bringing to the table is a methodology and a framework which is actually built upon one of our own designed core business transformation framework called IMPACT and this is designable and customizable to various industries and we have picked financial services industry as one of the core areas to use it in. As a case study, multiple strategic acquisitions made by a bank both in the banking sector and the securities business, what we have brought to the table is we have managed the technology integration and transition across these multiple acquisitions along specific lines of business. We have program managed the transition which is the key component transition initiative which have implications on the regulatory reporting as well as on go-to-market, designed and deployed the integrated solution to align with the overall strategy of the bank. We have done work on consolidation of data centers and we have worked on de-risking through vendor consolidation and fortunately in that, we have landed on the right side of the vendor consolidation and the fact that we have actually had to program manage it. The IMPACT has been fairly well-received and

acknowledged in terms of the timely execution of the integration roadmap, not only resulting in cost saving. More importantly from the banks perspective it was also about regulatory reporting because they have had a certain timeframe in which they have to do it and we were able to successfully do it. This is actually still work-in-progress because there are so many regulatory milestones that have to be met. It is also interesting from our perspective because each of the deliverables is a function because it has a dependency on regulatory sign-off. So it is not happening in parallel, it is actually happening in an iterative fashion.

We have done rapid and de-risk transition strategy as I talked about and we have retained SME knowledge and through vendor consolidation as well as re-badging. Some of the salient features on this program, I am spending a bit of time on this because it is really very exciting work for us and new work for us. It is an end-to-end offering that includes front-end consulting, it includes IT strategy, it includes technology refresh, sun-setting, decommissioning, it includes platform and infrastructure consolidation. It leverages more importantly pre-defined industry reference models combined with our own solutions that we have invested in which allow us to accelerate the transition road map and create definition and execution process. It actually touches not only the technology but also process, it touches organization change management, it touches training and it touches every aspect of people, process and technology that is important to consider. And it is all based on our post-merger integration framework and methodology which has been built along the components of what we call IMPACT which is our core business transformation framework.

On the core banking side, another area that we are finding increasing traction and when I say core banking, it is just not the core banking solution, Finacle that we have but it also includes a lot of the surround work that is around there. So as an example there is a leading US bank which is replacing its legacy core banking system with a single integrated platform. This is also a bank that actually came together through a series of mergers and its own buyback and is not in the country of its residence. We have leveraged IMPACT along with Finacle, focusing on 60-plus ageing and significantly constrained legacy system that need to be replaced, a lot of the focus for this bank is on the retail and corporate banking side, envisages creation of a enterprise payment and CRM platform. So essentially around the core banking we have created products, we have created productized solutions which I talked about earlier, bespoke solution which we used to plug and play into this particular core banking transformation which allows us to address each and every aspect of that bank on the retail and the corporate banking side. From an IMPACT perspective, again, cost reduction, faster roll outs, innovative customer, specific product-offering across multiple geographies that they are addressing and improves the ability of the bank to promote growth and expansion, so essentially merger ready. One of the strategies that they had actually outlined to us was that in three years time if they want to go out and acquire a regional bank, what is it that I need to get ready from my technology and process perspective so that when I do this particular acquisition it will be in a very seamless fashion. Again, the key component, IMPACT, I can never tire talking about IMPACT or the core banks or the core business transformation framework that we have because that is a key component, a methodology and a process of well-defined scalable, robust methodology, it is a key component for doing any of these kind of transformational activities. The fact that we are leveraging tools, templates and deep repositories which are based not only on technology best practices, but also learning from successfully completed integration and implementation that brings in technology capability, process capability and fairly deep-domain knowledge, the best to the extent that we need to know on how to actually use technology to provide business solutions, spans the entire banking value chain and product spectrum. It is not just restricted to core banking on the corporate banking side, but talks to CRM, talk to Enterprise Risk Management. It talks to all aspects that touch people, process and technology.

So essentially throughout the downturn what we have done is, we continue to invest to be close to our client, we continue to invest in building capabilities around things that we are good at and that the reason we get invited to the party whether it is pure technology work or a pure process work. We have also expanded the service footprint to include a lot of the other things in terms of



capabilities that our clients need at this point of time and which we believe going forward they will need an increase in quantity. So whether it is consulting, we are doing a lot more of the industry and process consulting, we are investing our time, money and effort in building those capabilities as well as acquiring talent in the marketplace. We are creating subject-matter expertise and that is what we are bringing to the table. We are doing a lot more of the technology front-end consulting work whether it is IT strategy and rationalization or expertise in cutting-edge technologies. Kris briefly mentioned Cloud, there are discussions that we are doing at this point of time in financial services clients on that particular aspect. We have continued to build- this is a journey that we undertook and started about two, two and a half years ago, we continue to build bespoke solutions and we are creating platform solutions and accelerators which will allow our clients to meet their goals and objectives. We are investing on focused themes through our investments which are business-case driven, which are along some sub-verticals in the financial services space and also in certain horizontal areas of technology and process. We continue to strengthen our alliances with ISPs and product companies and very often nowadays when we are actually making a transformational solution implementation, we are actually pulling in the third-party product companies who standalone are unable to service the client. So we are actually pulling them into the core platform that we are building. We are building Competency Centers, these are again centers that are focus either along a particular sub-vertical or around a large enough project which could be in the area of system integration, package implementation, I talked about certain product companies that we are talking to whether it is Calypso, Actimize Charles River, essentially on the brokerage side as well as in the retail banking side, independent validation in terms of testing tools, and framework etc.

So just to spend a quick minute on our solutions program that I talked about. Essentially if you look at the solutions paradigm, I look at applications on the extreme left and I look at a product on the extreme right. In between, it is the bespoke or a productized app or a solution which is customizable and is adaptable to a plug and play. And we have built a series of them as a consequence of the transformational work that we have done. Some of these are in partnership with our client. There is certain amount of equity that they bring to the table. We are bringing in certain amount of sweat equity and building some sort of shared components that they are using across the bank. Hopefully one day when the banks do decide to collaborate with themselves, we could use that as a shared service across the banking sector. We will keep our fingers crossed for that. Once that I want to highlight is iCLO which is our integrated lending platform, supports multiple retail lines whether its mortgages, auto etc., Wealth management platform - wealth management is a key strength and a capability of ours. The wealth management platform essentially envisages the client portals, advisory desktop and financial planning tools and it is integratable. Most of these products, both the iCLO and the wealth management platform are integratable into Finacle. We have a securities trading and processing, multi-lingual, multi-asset class, broking portal called i-Trade which is targeted at mid-size and broker-dealers and investment bankers are actually in play, in a couple of places. We have a configurable rule space, an exception engine called iRECON to develop a capital market term and which has now been extended to cover reconciliation requirements within banks and of course, our governance and risk management compliance solutions, that is a KYC solution that we have as well as very interesting solution which is a transaction surveillance offering called iWATCH which is finding a lot of traction in the market especially in the capital market space and in the dealing and trading rooms. IT essentially creates a holistic compliance platform for both banks and securities, it actually tracks the rogues deals, it tracks anything exception that are contrary to the behavior or contrary to the limits or trading the limits that are being set up.

I am actually seem to be running out of time, so I will just leave this for you to read but we are finding traction not only for our transformational programs but also through our solutions. Our solutions are actually kick-starting conversations which are leading to transformation programs. So though these solutions and products may be small in size or in scale, they are actually leading to larger conversations.

So what are we doing and what have we done so far? We are well-positioned to be a trusted partner to our client in every step of the transformation and that is where our focus is. So all along this curve we are participating, we are participating in sourcing-driven transformation that is what our clients want through innovative pricing model. Shibu talked about that, extreme offshoring, sourcing rationalization. We are participating with our clients around capability-driven transformation, around key transformation themes whether it is operational efficiency, value realization, improve customer experience, CRM etc. or we are working on the platform-driven transformation where we are leveraging our solutions program whether it is in the core banking space, wealth management etc., So that is essentially how we prepare ourselves to service our clients today and prepare ourselves to service our clients tomorrow. Thank you. I think I am taking questions.

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**Trip Chowdhry**

Trip Chowdhry with Global Equities Research. I was wondering from your point of view in existing about IT budgets, are you seeing any shift say if you split between hardware, software and services, say, a year back and right now?

**Ashok Vemuri**

It is little too early to comment. Whether we will see that shift, it is fairly early days and people are putting their numbers together. The one thing I can say about budget is obviously of great interest to everybody is that, though we do not know the numbers yet, I do hope and I am seeing trends for the fact that budget numbers will actually get crystallized and communicated to us in approximately the kind of timeframe that we used to see in the past, unlike the last year when, I do not know if they ever got the hang of the budget and we did not got the hang of the budget. So the good news is that I think we will see rapid move towards budget closures, what the numbers will be and what the distribution of that numbers across the various parameters I think that is still up in the air

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**Sandeep Mahindroo**

Any more questions on banking?

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**Hari Srinivas**

Hari Srinivas from Neuberger Berman. Ashok, given that a lot of the financial institutions are now controlled by government are you seeing any resistance to outsourcing?

**Ashok Vemuri**

No. In the US we have absolutely seen no resistance at all. It has been business as normal from communication perspective or from the programs. Obviously, the number of programs that they have whether it is government or a non-government have come down but I do not think there is any tangible impact as a consequence of government ownership. Though in Europe, I would say that we have had to deal with a different set of people in summer time where we were talking to people who were not on the bank but from the government agency, but that too has now tampered down significantly.

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