



Outsourcing Advisory Services for Banks

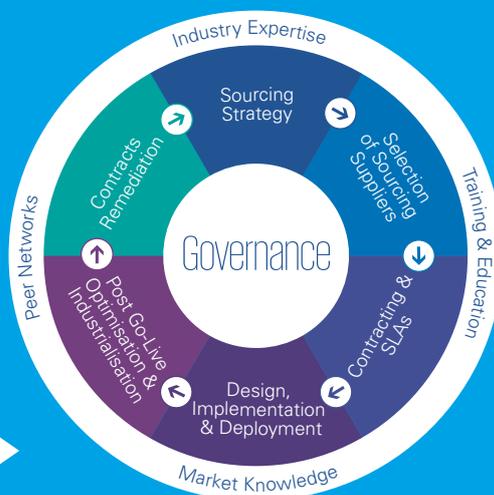


The outsourcing challenge

Nowadays, it is becoming increasingly common for banks to outsource the entire or parts of the IT and operations. Usually, this decision goes hand in hand with the selection of a new core banking system. The reasons for this are twofold: implementing and operating a new core system is a complex and knowledge-intensive activity, thus ideally handed over to the specialised outsourcing companies. Moreover, these companies are frequently able to provide implementation, operation & innovation services at favourable costs due to application of cost-effective technologies and solutions, as well as significant exploitation of economies of scale.

During the duration of sourcing contracts (typically 4-7 years) the quality of received services tends to suffer. We observe that in the initial contracting and implementation phase the service provider remains enthusiastic to accommodate all customer's needs. However, the subsequent transition to a day-to-day business usually results in lessening of provider's focus. As a result, both quality of provided services and customer satisfaction decline. Due to its high complexity, the sourcing lifecycle requires rigorous contracting, solution definition and planning, as well as accurate control of the implementation and post go-live operations. While outsourcing suppliers master these "rules of the game", their prospects and clients face the challenge to get and stay ahead of the game to ensure that their long-term goals are met.

KPMG's methodology covers the entire sourcing lifecycle as shown below



Outsourcing – a good option for many reasons

Reduce costs & time-to-market, boost quality

Reduce IT and operation costs, as well as time-to-market without eroding the quality. Moreover, due to their advanced and optimised IT solutions, the sourcing providers in many cases are able to provide solutions that allow to improve overall product and service quality.

Get off-the-shelf solutions & sharpen company focus

Define contract terms in such a way that the core system vendor and/or the outsourcing supplier remains responsible for the design and implementation of the new standard solutions as well as to fulfil new legal & regulatory requirements. Getting off-the-shelf implementations allows the client to better focus on its core business.

Facilitate access to skills & capacity

Due to a volatile nature of IT and business activities, companies face difficulties to find people with the right skills at the right time at the right price. Owing to their economies of scale and ability to balance demand and skills across various activities, the sourcing providers are better able to manage these challenges.

Increase flexibility & transparency

Adequate contract terms allow for easier remediation of existing contracts or switching to a more suitable provider. Moreover, an integral part of the contracting process is to identify services that should be outsourced as well as to estimate and benchmark the related costs. Both activities result in an increased transparency across different business segments.



Your issues

- **Sourcing Strategy:** How and where should your business strategy include sourcing? Is the selected sourcing solution aligned with your digital strategy and current and up-coming regulatory directives?
- **Selection:** Which sourcing providers are best suited for your needs? Are the provider capabilities and IT technologies appropriate to support increasing complexity of the financial business? How can you ensure that the best offer wins?
- **Getting Value for Money:** Are the expected benefits, risks and costs of your sourcing solution well defined? How do you get best value for money?
- **Benchmarking:** How do costs and services of your provider(s) compare to other players and best-sourcing-practices?
- **Implementation:** How can you ensure that the project is delivered on time, on budget and on quality? Are the appropriate skills and expertise available in order to define and negotiate the sourcing contracts and manage the entire life cycle of the sourcing transformation project?
- **Governance:** Is your governance model able to manage providers, integrating them into a joined-up IT and business service? How do you stay on track once contracts are signed?
- **Compliance:** Are you and your provider(s) compliant with the relevant FINMA regulations?



How we can help

- Perform a "Health Check" on the current operating model.
- Develop your sourcing strategy and execution plan.
- Design an adequate target solution by taking into consideration relevant technologies and regulatory requirements.
- Identify the proper scope of services to be delivered by your sourcing provider(s).
- Build an opportunity case that captures both quantitative and qualitative information.
- Support your decision-making process by providing several viable options in line with best market practices.
- Support implementation and post go-live phases with IT, business and organisational expertise. Define your change management/communications plan.
- Work out an optimal governance structure for outsourced services.
- Share best industry practices regarding outsourcing in the Swiss financial sector to reduce your risks.
- Assess your compliance with FINMA regulations related to outsourcing.

Value proposition of the KPMG expert team

- Long-standing experience and track-record at banks, insurers, outsourcing suppliers and core banking system providers
- Profound knowledge of best-market practices within the sourcing and banking industry
- Over 35 successfully realised outsourcing projects

The KPMG approach

Strategy	Target Solution	Contracting	Implementation	Optimization
<p>Define potential services and delivery models</p> <ul style="list-style-type: none"> • Assess current situation • Define sourcing strategy and goals • Evaluate sourcing and vendor models • Perform opportunity analysis • Develop business case • Develop transition strategy • Carry out risk assessment • Assess impact on public relations 	<p>Design, evaluate and select</p> <ul style="list-style-type: none"> • Define target solution • Evaluate supplier(s) and support RfI/ RfP • Consult markets for standards, prices and common practices <p>Special case</p> <ul style="list-style-type: none"> • Design & set-up of shared services captive centre 	<p>Develop contract structure and negotiations strategy</p> <ul style="list-style-type: none"> • Define contract structure based on the best industry practices • Define contracting strategy and tactics • Support negotiations • Define and benchmark pricing models • Define and negotiate SLAs that match business needs • Provide governance structure 	<p>Implement and deliver target solution</p> <ul style="list-style-type: none"> • Analyse detailed requirements • Design detailed solution in line with business needs • Analyse impact of regulatory changes • Implement target solution • Support specific phases of the implementation (e.g. user acceptance tests) • Program office and change management 	<p>Maximise value, mitigate risks, optimise and industrialise solution</p> <ul style="list-style-type: none"> • Define post go-live model: resources, skills and capacity • Review, standardise and optimise processes • Review and balance supplier strategy and portfolio • Assess and remediate SLAs

Our daily work consists of delivering advisory services that help banks review, define, implement and optimise their outsourcing solutions. The resulting business outcomes allow our clients to create competitive advantages and drive improvements.

Benefits for KPMG clients

Improved sourcing conditions

We help our clients achieve better contractual terms (e.g. service pricing in line with or better than market standards, favourable provider liability & termination clauses, etc.).

Facilitate decision-making

A structured approach that allows for a comprehensive overview of the available options and risks.

Capabilities & global presence

Access to KPMG's broad set of global capabilities in Financial Services, IT Advisory, Finance, Tax and Compliance.

Experience & expertise

Core team of advisors with management, IT and business experience at banks, outsourcing market leaders and core banking system suppliers. Our team has already been engaged in 35+ outsourcing projects for banks – covering all phases from strategy to deployment to post go-live.

Independence & objectivity

Agnostic identification of solutions and independence from technology or suppliers.

Credentials

<p>International Private Bank</p> <hr/> <p>Support of core banking system implementation in a captive service company mode</p> <p>2015–2016</p>	<p>Swiss Private Bank</p> <hr/> <p>Advice and PMO support in ASP/BPO contracting and implementation of core banking system in a fully outsourced mode</p> <p>2015–2016</p>	<p>Swiss Retail Bank</p> <hr/> <p>Contract scan and implementation advice regarding outsourcing of selected operations</p> <p>2016</p>	<p>International Private Bank</p> <hr/> <p>Contracting advice with respect to ASP outsourcing (GTC, pricing and implementation)</p> <p>2016</p>	<p>Swiss Retail Bank</p> <hr/> <p>Development of customised ASP/BPO structure: strategy, negotiations and contracting with sourcing provider</p> <p>2016–2017</p>
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