

# Capital Markets State of the Market Report 2020: Automation, Data, and Cloud Trends for Buy-side Firms

July 2020: Complimentary Abstract / Table of Contents



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## Background and methodology

Impact on revenues due to lower interest rates, complexity of regulatory landscape, sluggish growth, and need to manage business resilience in the recent health crisis, are the key challenges being faced by capital markets enterprises. These challenges have forced them to revisit their business models as the focus is on enabling remote working, managing brand and customer trust, and effectively serving customers impacted by COVID-19. Global capital markets firms will see an uptick in investments across digital technologies such as data, platform, and experience, to offset the above-mentioned challenges.

This report focuses on challenges and trends for buy-side. The buy-side firms are adopting data and cloud technologies to enhance customer experience and drive cost transformation. The asset management firms are adopting a cloud and platforms strategy while pension funds are driving data and analytics initiatives. Change in investor demographic is impacting wealth managers as they focus on evolving newer channels of interaction.

We focus on:

- Key themes seen in the capital markets IT services industry for buy-side
- Capital markets IT services market size and growth
- Market outlook for 2020 – Impact of COVID-19 across business subsegments on buy-side

### Scope of this report:



**Geography**  
Global



**Industry**  
Capital markets – Buy-side (private equity, hedge funds, and asset management firms)

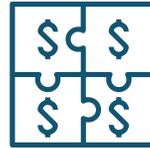


**Services**  
IT Services

## Highlights of our study around capital markets IT services



Leading capital markets firms are looking at new revenue sources such as new products, geographies, and customer segments, to mitigate the impact of decline in revenue and profitability in face of the ongoing COVID-19 crisis



Consolidation is evident across the industry with far-reaching implications for a range of market participants across the financial market universe



The evolving regulatory environment is driving a shift in settlements and trade – existing regulations (MiFID II) as well as upcoming mandates (SFTR) are driving post-trade mutualization. LIBOR transition is creating paradigm shift in settlements

### IMPLICATIONS FOR TECHNOLOGY INDUSTRY

Cloud-enabled platforms will drive growth; data analytics and automation will enable cost efficiency.

Consolidation will create opportunities for rationalization of shared services network in the near term and IT estate (applications, platforms, and infrastructure) in the long term. Data and integration themes will focus on driving synergies.

Opportunity to harness the power of Application Programming Interfaces (APIs) through collaboration and standardization. Service integration and interoperability will become the need of the hour.

# This study offers three distinct chapters providing a deep dive into key aspects of capital markets buy-side market; below are four charts to illustrate the depth of the report

## Key buy-side trends

**Pension funds tap into data services to diversify risk of increased market volatility**

**Non-traditional players are creating alternative investment avenues for customers**

**Asset management firms are focusing on efficiency as margins shrink**

**Wealth managers are investing in new channels to serve the evolving investor demographics**

## Investments by asset management firms in cloud and platforms

Improved cost efficiencies by adopting a public cloud strategy	Stay nimble and competitive in the cloud era by adopting a new Agile/DevOps culture	Leverage data driven decision making— use third-party platform to remove data silos and benefit from inbuilt analytics capabilities
Vanguard wanted to adopt a public cloud strategy, not only to reduce cost but also to enhance ability to innovate, and along the way improve resiliency	The 47-year old firm was grappling with legacy systems as well as slow, traditional ways of developing and delivering applications	Madison Investment Advisors needed a single, enterprise platform to replace its multiple disparate systems across the business
Vanguard leveraged Amazon Web Services (AWS). The firm moved away from managed data centers and migrated monolithic applications on the public cloud platform, thereby savings costs on maintenance and support operations	They leveraged a cloud foundry Platform-as-a-Service (PaaS) in further developing Fidelity's cloud-based agile software delivery strategy. The teams used automated Continuous Integration/Continuous Deployment (CI/CD) pipelines extensively and were able to respond quickly and deliver a robust platform	It selected the Charles River Investment Management Solution's (Charles River IMS) Software-as-a-Service (SaaS)
The firm has been able to reduce the cost of compute by at least 30%. It was also able to reduce time to market by building and deploying software faster	Fidelity was able to reduce the time to market for several new low commission products meant for mass affluent	The enterprise platform enables Madison to have integrated data, analytics, and benchmarks, which improves the productivity of its portfolio managers and traders. The solution helps to manage global equities, mutual funds, options, and fixed income with comprehensive compliance monitoring across the entire investment process

## Key trends and technology priorities for pension funds and outlook for 2020

**KEY TRENDS**

- Falling fund values and annuity rates will impact retirement income for savers
- Rise in withdrawal requests from pension holders to withstand the economic shock
- Firms will revisit investment portfolios and look for alternative sectors to park their funds
- Employer contributions will see a hit as firms face profitability issues
- Few firms may increase investments in local markets to support their economies in the COVID-19 crisis

**TECHNOLOGY PRIORITIES**

- Invest in robust fraud detection mechanisms to minimize data breaches
- Establish clear communication channels with customers to assure them about their payment benefits

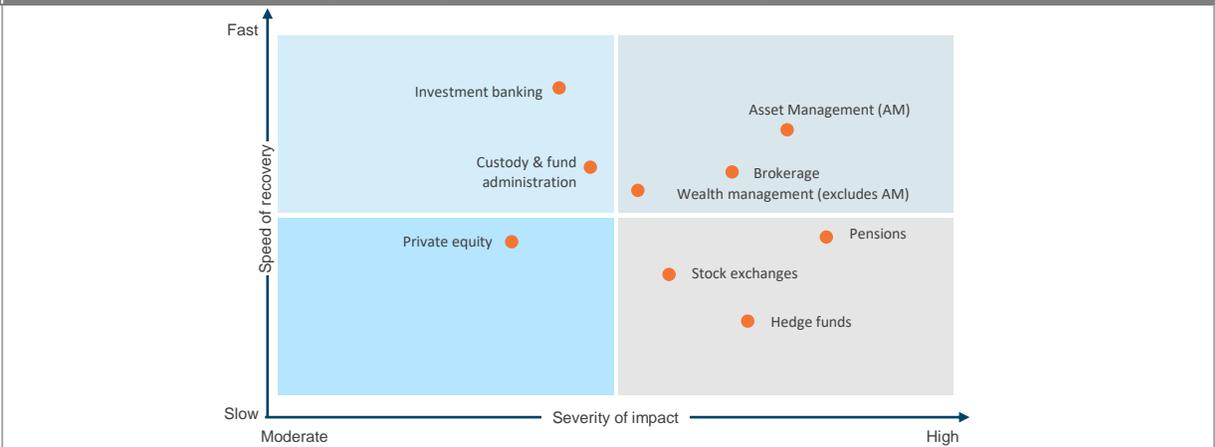
**RECENT UPDATES**

**Citing coronavirus, U.S. board delays Federal pension fund investments in Chinese stocks**

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**Canadian pension funds halt India investments over virus**

## Modeling COVID-19 impact & speed of recovery for capital markets lines of business



# Research calendar

## BFS IT services

■ Published
 ■ Planned
 ■ Current release

### Flagship BFS IT services reports

	Release date
Application and Digital Services in Banking – Services Peak Matrix® Assessment 2020: IT Modernization to Enable Digital	November 2019
Application and Digital Services in Capital Markets – Services PEAK Matrix® Assessment 2020: Beating the Slowdown with Data	December 2019
Open Banking IT Services: Moving Beyond Compliance to a Platform-based Operating Model of Ecosystem Orchestration and Value Creation – Services PEAK Matrix® Assessment 2020	May 2020
BFS Risk and Compliance IT Services PEAK Matrix® Assessment 2020: Building Cloud-based Data Infrastructure for Intelligent Real-time Controls	June 2020
Open Banking IT Services Provider Compendium 2020	June 2020
<b>Capital Markets State of the Market Report 2020: Automation, Data, and Cloud Trends for Buy-side Firms</b>	<b>July 2020</b>
Lending Technology State of the Market report: Assessing Loan Origination System Vendors – The Journey to Cloud	Q3 2020
Banking IT Services – State of the Market Report 2020	Q3 2020
BFS IT Services – Deal Trends Report 2020	Q3 2020

### Thematic BFS IT services reports

	Release date
Financial Risk Management Platforms Assessment and Vendor Profiles	March 2020
Assessing the Trade Life Cycle Management Technology Platform Landscape	March 2020
State of the Market for Third-Party Enterprise Platforms in Banking and Financial Services: Ecosystem Collaboration for Modernization at Speed and Scale	April 2020
Role of BigTechs in BFSI Industry	Q3 2020

Note: For a list of all of our published BFS ITS reports, please refer to our [website page](#)



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