



**NASSCOM®**

# BFSI GCCs: The road ahead

**A NASSCOM – KPMG in India Initiative**

January 2022



# Table of contents

**Executive Summary**

**Key signals of change in the BFSI sector**

**BFSI GCCs in India: Lay of the land**

**Transformation levers for BFSI GCCs**

**Challenges faced by BFSI GCCs**

**Road ahead**

**Appendix**

# Table of contents

## **Executive Summary**

Key signals of change in the BFSI sector

BFSI GCCs in India: Lay of the land

Transformation levers for BFSI GCCs

Challenges faced by BFSI GCCs

Road ahead

Appendix

01

# Foreword

The BFSI segment across the world has long been at the forefront of leveraging technology to drive its business. As the world was swept by the pandemic, the technological foundations of the BFSI sector enabled it to achieve a smooth digital transition.

The repercussions were felt across industries such as technology, automotive, healthcare, travel, and retail, however the BFSI segment, despite being heavily regulated, was undoubtedly a leader in pivoting to an almost all-digital mode to maintain and enhance the connection with their customers.

The global BFSI industry has experienced digital embedment across the business value chain and has been gearing up to provide an omnichannel customer experience, with continued focus on addressing emerging opportunities presented by new and emerging players, the ESG focus, among others, while meeting the requirements of the regulators.

The financial services industry is at the epicentre of this change, influencing buying behaviour, individual and business

transactions across the global ecosystem. The industry has evolved and transformed its global service delivery model through establishing 'Global Capability Centres' (GCC). We intend to share how GCCs will be pivotal in shaping the businesses of the future and will act as a guiding map for organisations to start redesigning their offerings and influencing customer experiences.

Some of the other highlights of the BFSI GCC evolution include, the continued focus and specialisation to meet regulatory compliance requirements and enforcement, consumerisation demands, end-to-end experiences and personalisation, excellence in cost containment and operational efficiency, facilitating the convergence of front and back-office operations by providing plug-and play platform services.

Led by India's skilled talent-base and supportive government policies, BFSI GCCs in India have acted as a key lever to support the growing global needs and driving the transformation of the industry. This is accentuated by the fact that 21 per cent of all GCC employees in India work in

the BFSI sector, although BFSI GCCs only account for 12 per cent of the total number of GCCs.

GCCs have served as engines for enterprise transformation and are gradually transitioning by reorienting their nature of work by moving from a volume to a value-based model by improving efficiency through AI/ML, automation and IoT, and establishing various niche global technology Centres of Excellence.

This report titled 'BFSI GCCs – The road ahead' authored by KPMG in India, in partnership with NASSCOM provides an overview of the BFSI-GCC landscape in India, how it has evolved and provides a sneak peek into the road ahead for this sector. The report also has some interesting case studies of success stories / initiatives by BFSI GCCs around key transformation levers.



**Shalini Pillay**  
India Leader- Global  
Capability Centres  
Office Managing Partner,  
Bengaluru  
KPMG in India



**Sukanya Roy**  
Director GCC and  
BPM NASSCOM

# The BFSI value chains are getting disrupted faster than ever...

## Customer centricity

Demand for personalised solutions empowering stakeholders with location agnostic, real-time, integrated and seamless financial products & services

## Strict regulatory scrutiny

Increasing regulatory scrutiny and reporting requirements have also led to enhanced adoption and deployment of RegTech and SupTech tools

## Fintech challengers

Challenger Banks, Neo banks, emergence of Central Bank Digital Currency (CBDC), blockchain and decentralised finance (DeFi) through securely distributed ledgers

## ESG taking centre stage

Environmental, Social, and Governance (ESG) has taken centre stage for investment decisions, sustainable financing and regulatory agenda

### Key forces shaping the BFSI sector

#### Accelerated digital transformation

- Modernisation of legacy financial systems
- Cloud adoption at scale
- Front to back process automation
- Real-time payment solutions

#### New operating models

- Collaborative and integrated models - KYC /third party/ credit bureau utilities, open banking and API banking platforms
- Inter-operability of payment systems
- Centres of excellence for innovation, data analytics, risk and compliance, etc.

#### Reskilling

- Deep focus on niche skills hiring and training
- Reskilling at scale on new age skills such as blockchain, cyber, AI / ML, etc.
- Focus on developing techno-functional skills

#### Proactive risk management

- Embedded risk monitoring and controls
- Climate risk quantification
- Operational and cyber resilience
- Credit modelling and scenario analysis

#### Ecosystem collaboration

- Fintech partnerships
- Collaborations with ecosystem players like start-ups and academia
- Supplier rebalancing strategies as part of ESG agenda

### How BFSIs are adapting to respond to the change?

**BFSI GCCs are enabling the transformation path by focusing on various growth levers**

# ... and BFSI GCCs are enabling the adaptation by focusing on key transformation levers...

## Evolution of GCCs into Business Solution Centres



- Niche and high-value activities are being delivered from the GCCs – automation, risk modelling, cyber security, actuarial, analytics, etc.
- Centre of Excellences (CoEs) being setup to drive next gen solutions integrating front, middle and back-office functions - customer journey mapping, treasury and payment processes
- Global leaders as well as global roles being based out of India GCCs – CIOs, Regional Risk Heads, etc.

## Driving innovation and leveraging the partner ecosystem



- Global retail & transactional banking products are being engineered from India GCCs
- Dedicated teams for innovative solutions such as digital finance, blockchain, CBDC and tokenisation, etc.
- Collaboration with fintech / technology partners in digital lending, payments, utilities, risk surveillance etc.

## Spearheading digital transformation



- Driving modernisation of legacy financial systems.
- Digitising end-to-end customer and transaction journeys – creating role-based personas to customise delivery approaches
- Leveraging emerging technologies for digital disruption – AR/VR, Meta verse, etc.

## Combating cyber security risks



- Enhanced value from delivery of cyber security functions inhouse
- Capability for cyber risk quantification and assessment
- Focus on DevSecOps to mitigate ongoing cyber security threats.

## Adopting smart sourcing



- Rebalancing the sourcing mix between in-house vs outsourced portfolio
- Scalable partner ecosystem
- Dynamic platform to aggregate, characterise and fulfil demand.

## Redefining work placement



- Hybrid working model driving efficiencies and helping in ESG considerations
- Outcome-based assessment vis-à-vis time-based assessment
- Digital workplace – Connected and collaborative.

## Building the workforce of the future



- Learning and upskilling programs esp. in new age tech - Full stack development architecture , AI & ML, NLP, data engineering and product management
- Academic partnerships for specific skilling programs
- Driving diversity and inclusion agenda.

## Augmenting risk management and resilience



- Risk quantification and modelling initiatives
- Third party risk management programs
- Global AML and transaction surveillance initiatives
- Continuous controls monitoring, early warning systems, and control automation
- Risk based internal audit and compliance testing initiatives.

# ...by leveraging technology to steer digital transformation



GCCs functioning as a 'transformation hub', enabled by a **unified organisation**, **consolidated service portfolio** and **technology platforms**, **empowered and upskilled leadership and staff**, **expanded geographical footprint**, and a strong **focus on innovation** for competitive advantage

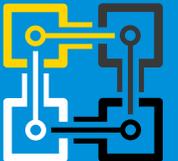
**Multi-cloud** to enhance resilience and avoid vendor lock-in



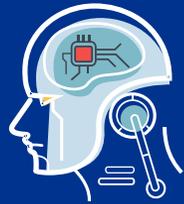
**Platformisation** to accelerate solution deployment and develop new revenue streams



**Blockchain/DLT** to ensure financial integrity, increase efficiency and lower remittance costs



**Artificial intelligence** to process unstructured data and base knowledge



**Deep learning** to rearchitect delivery platforms to adapt to new problems in the future



**Fast data** to enable real-time data analytics



**Capability skills**

**Innovation/Sandboxes**

**Platforms and partnerships**

# Mandate curves for GCCs

Each GCC transitions itself through three broad stages as given below

## Strategic partner and transformation hub/Strategise

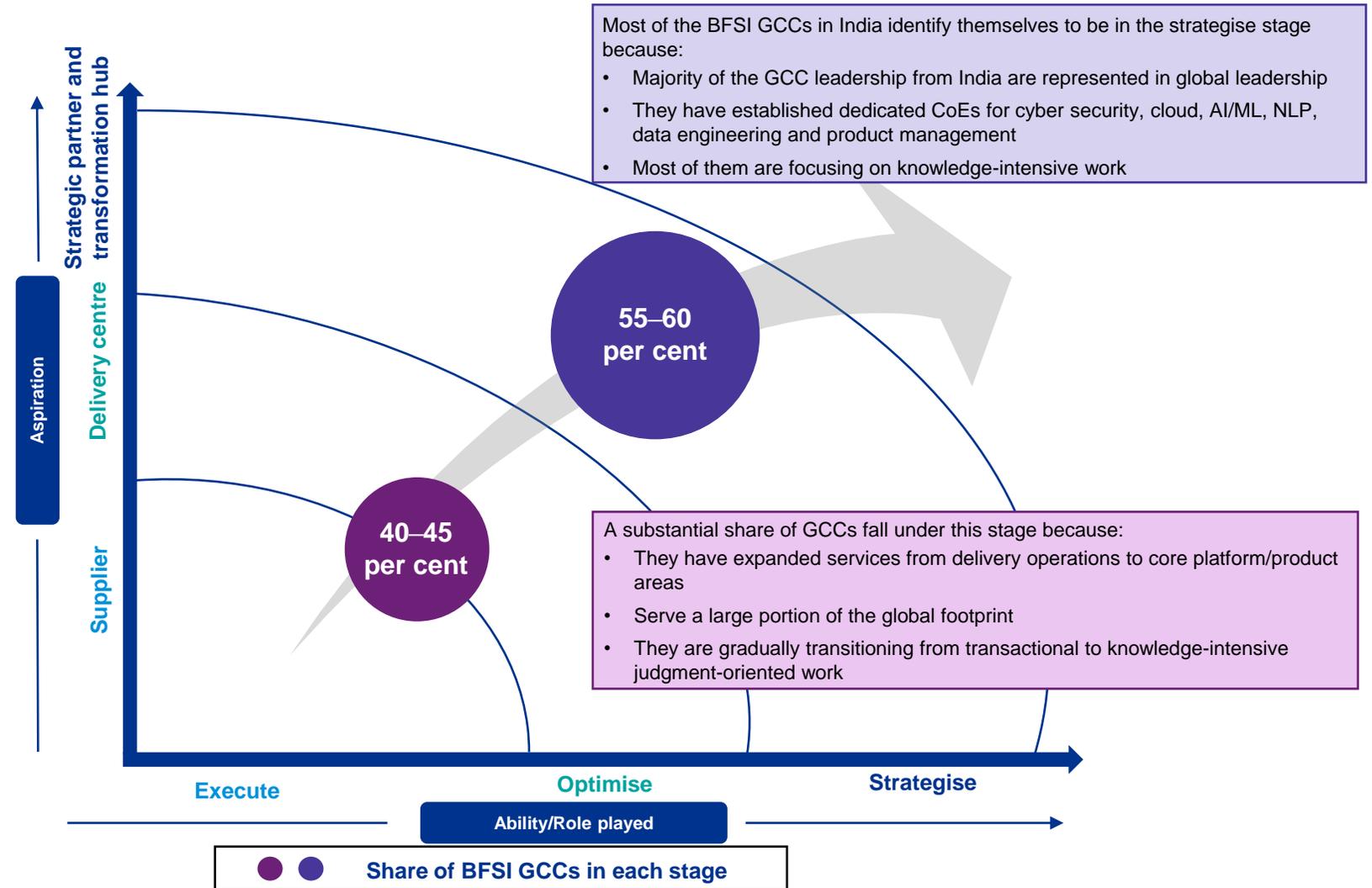
- Strategic partner involved in boardroom decision making
- Building CoE for niche capabilities
- Focus on IP creation
- Drive enterprise-wide innovation
- Key lever to drive digital transformation agenda of parent organisation

## Delivery centre/Optimise

- Focus on scale and delivery excellence
- Formal construct and funding to drive innovation
- Focus on service expansion
- Extended team of parent organisation

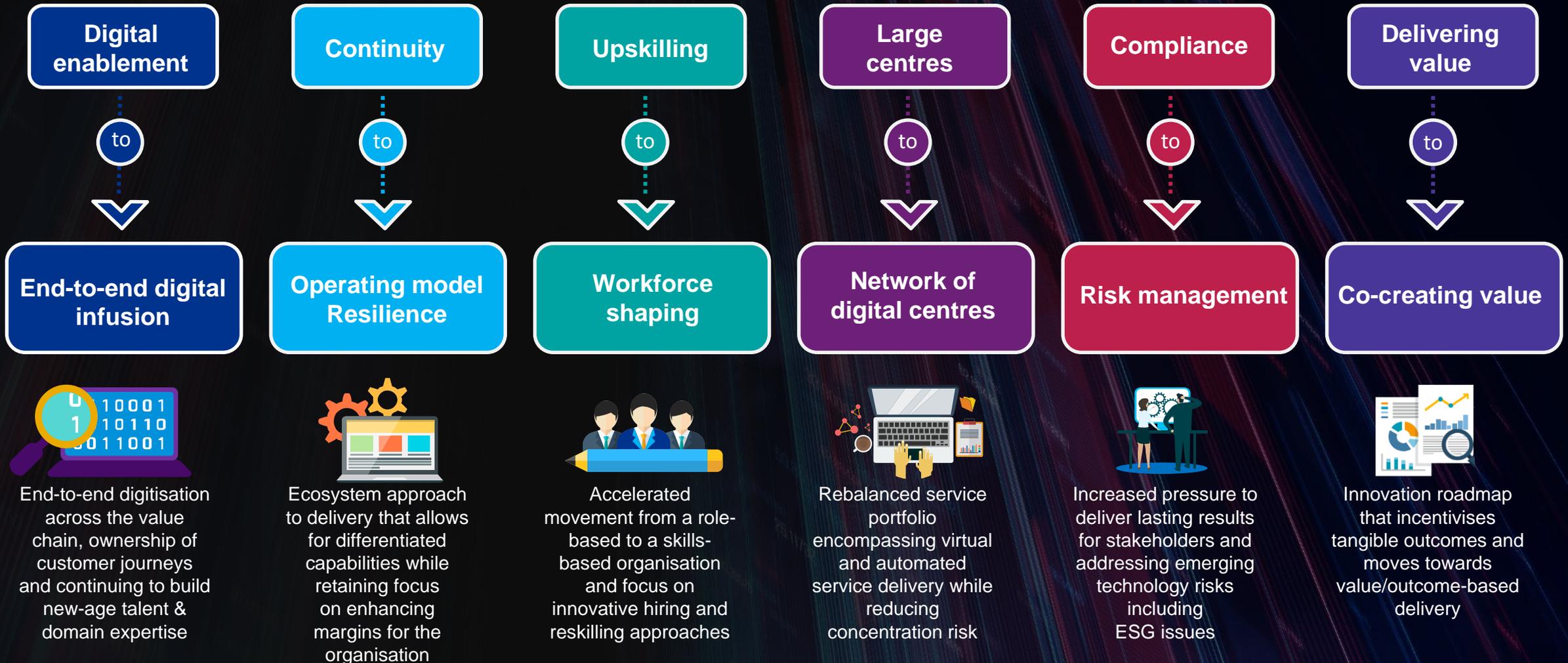
## Supplier/Execute

- Extended team for delivery augmentation
- Focus on operations
- Focus on smart sourcing
- No formal innovation mandate



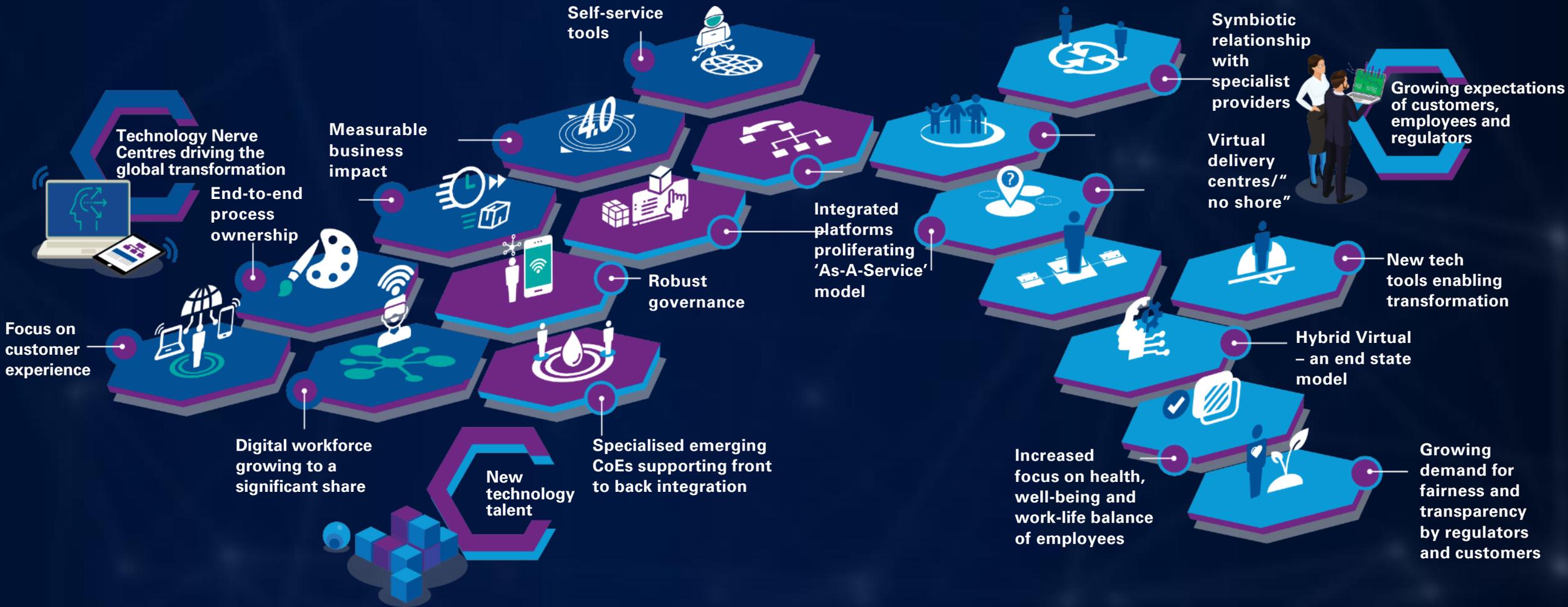
Note: Analysis has been conducted basis the primary and secondary research, including case studies

# What does the future look like for BFSI GCCs?



# GBS of 2025- a critical plug-in to the global service delivery model

GBS model = GCC + Service Providers + Startup ecosystem



# Table of contents

Executive Summary

**Key signals of change in the BFSI sector**

BFSI GCCs in India: Lay of the land

Transformation levers for BFSI GCCs

Challenges faced by BFSI GCCs

Road ahead

Appendix

02



# Key trends in the BFSI sector

## 1 CUSTOMER CENTRICITY

Personalised solutions empowering customers with location agnostic, real-time, integrated and seamless financial products and services focused on enhancing the customer journey



## 2 FINTECH CHALLENGERS

Challenger Banks, Neo banks, emergence of Central bank Digital Currency (CBDC) and other alternative digital assets and Fintech entities are transforming the BFSI space with innovative products, digital-first accessibility and collaboration.



## 3 ACCELERATED DIGITAL TRANSFORMATION

The increased demand for remote working and customer centricity through new operating models have led to a shift beyond legacy systems and have accelerated digital transformation risk management to compliance, FinTech innovation, cloud, and digital.



## 4 ESG TAKING CENTRE STAGE

Environmental, Social, and Governance (ESG) has taken centre stage for investment decisions, sustainable financing and regulatory agenda



## 5 DECENTRALISATION OF DATA

Integrated, transparent, shared and governed data ecosystem is enabling organisations to take faster and effective decisions across the value chain



## 6 CYBER SECURITY

With increasing digitisation across the value chain, integration across ecosystem and new regulations on cyber and fraud detection, organisations are exposed to significant risks and increased threats



## 7 NEW OPERATING MODELS

Collaborative and integrated models (KYC /third party/credit bureau utilities, open banking, blockchain, interoperability of payment systems) are driving efficiencies supported by distributed delivery models



## 8 STRICT REGULATORY SCRUTINY

Increasing regulatory scrutiny and reporting requirements have also led to increased adoption and deployment of RegTech and SupTech tools



## 9 PROACTIVE RISK MANAGEMENT

Enhanced focus on embedded risk management, climate risk quantification, operational and cyber resilience and embedded controls through real time monitoring





1

2

3

4

5

6

7

8

9

# Focus on customers' experience strategies through integration of technology remains critical



## Customer expectations are changing<sup>1, 2</sup>

### Shift to digital

50% of financial service customers switched from in-person to digital services in 2020

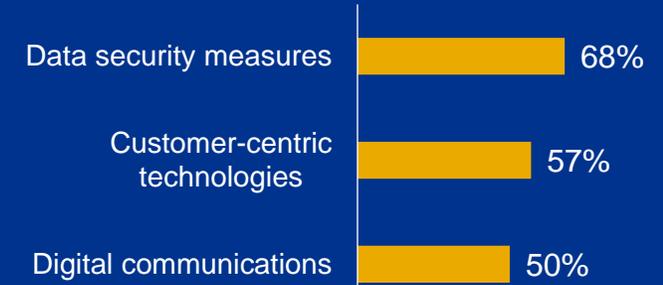
### Seeking personalisation

49% of customers want their financial institution to anticipate products/services of their interest



## BFSI are listening<sup>3</sup>

### Top three priorities of financial service CEOs



## What are customers looking for?

Ease of access	Real-time processing	Hyper-personalisation	Data security and transparency
----------------	----------------------	-----------------------	--------------------------------

## How are BFSI responding?

Offering digital platforms that are easy to use across devices such as mobiles and laptops	Providing instant processing of payments initiated by customers throughout the year	Leveraging artificial intelligence (AI) to gain insights into customers and offer enhanced experience	Building trust by securing financial data and ensuring transparency of policies
--	---	---	---

## This has led the financial services institutions to introduce a range of customer-centric offerings

**Banking:** Bank 4.0, Digital lending, faster payments processing through STP, Augmented realty based services 

*A global financial institution operates digital-only banks in markets such as Australia, Germany and Spain.*

**Financial Services:** Hyper-customisation 

*A multinational financial services company's proprietary algorithm analyses billions of client data to study the intent and automatically adapt to changes to enhance the user experience*

**Insurance:** Connected insurance 

*A global insurer determines insurance premium to drive performance by monitoring cars through a tracker.*

*A major health insurance company uses Big Data and IoT to gather health insights of customers and rewards healthy behaviour through benefits and lower premiums.*

1. 8 Trends Transforming Digital Customer Experience in Banking, Revechat, accessed as on 13 December 2021  
 2. NTT DATA Global Study Finds Nearly 50% of Customers Want Financial Institutions to Act as a Conscientious Advisor on Major Spending Decisions, NTT Data, 23 February 2021  
 3. KPMG Analysis; KPMG 2021 CEO Outlook Pulse Survey Financial Services, KPMG International, accessed as on 17 December 2021

# The entry of non-traditional players has altered existing industry dynamics



**FinTechs and other non-traditional players have altered the landscape and have been spearheading the change in customer behaviour.**

### Challenger banks, Neo Banks, Fintech, CBDC<sup>7,8</sup>

As of **November 2021**, **90 countries** are exploring **CBDC**. This stood at **74 countries** in **April 2021**, while it was just **35 countries** in **April 2020**

In the UK, **challenger banks** witnessed a record lending of **GBP143 billion** in 2020, an increase of **GBP14 billion**

### BigTechs

In 2018, an **internet and technology-based company** obtained the license for selling mutual funds to one billion users of a multipurpose application

*As per the 2021 Global Wealth Managers Survey, **87 per cent of wealth managers in the US consider big tech companies as a major threat***

### Insurance

Insurtech firms are leveraging AI and data science to automate various processes. For instance, **An Insurance firm** offers an AI-based platform to automate claims processes

4. 81% of banks would collaborate with fintech partners to execute digital transformation, Finextra, accessed as on 17 December 2021  
 5. World InsurTech Report 2020, Capgemini, 15 September 2020  
 6. COVID-19's Impact on the Fintech Landscape, MX, accessed as on 17 December 2021  
 7. CBDC Tracker, Atlantic Council, accessed as on 1 December 2021  
 8. UK Challenger Banks Hit New Lending Record in 2020, Digit, 1 September 2021



# Digital strategy through aggressive adoption of new technologies has been at the forefront

## Connected enterprise<sup>9,10</sup>

Integrated approach towards enabling customer-centric, end-to-end digital transformation with consistent data flows across the organisation breaking functional silos.

### Hyper personalisation using big data and predictive analytics



Financial institutions have started focusing on the following

- **Data mining**
- **Data personalisation**

This is to offer services and products that suit the target customer by **analysing spending and saving trends**

### Extreme self-service and STP



Customer requirements have been automated or fastened by introducing elements of self-service and STP through the following

- Providing **step-by-step instructions**, either **on screen** or **via feedback channel**
- **Queries** being addressed by maintaining **FAQ databases**, with personnel interaction for exceptional cases

### Increased adoption of cloud



BFSI institutions are leveraging cloud adoption for the following

- **Computation**
- **Storage**

This has helped save **cost** and in **advancing security**. This also helps in ensuring **on-demand scalability** and **efficient data processing**

Banks are transitioning from legacy data entry and display systems to newer technologies, involving a combination of AI, ML and RPA to gather insights into their own operations and reduce the costs involved along with garnering the output in a much lesser time frame.

### Artificial intelligence



- **Investigation of credit card frauds**
- Customer **sentiment analysis**
- **Forensic Investigations**
- **User and Entity Behaviour Analytics (UEBA)**

### Machine learning



- **Fraud anomaly detection**
- User/system behaviour to **predict malware infection**
- Technical log analysis to **detect potential frauds and/or data leakages**

### Robotic process automation



- **Algorithmic trading and surveillance**
- **Using RPA for end-to-end identity and access management journey**
- **Automation of operational processes**

9. Cloud Banking Gives Legacy Systems A Lift, Pymnts, 1 July 2020

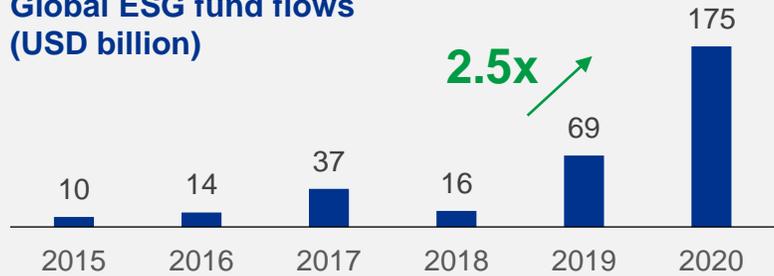
10. 43% of global financial services firms plan to increase private cloud investments in the next year, TechRepublic, 12 January 2021



# ESG has taken centre stage for investment decisions, sustainable financing and regulatory agenda

## ESG funds are gaining significant traction<sup>11</sup>

### Global ESG fund flows (USD billion)



## Major drivers of ESG prominence in BFSI<sup>12,13,14</sup>

### Address changing consumer preference

Consumers are looking at sustainability as a factor while deciding their investment priorities. 72 per cent of US adults in 2019 conveyed at least a moderate interest in sustainable investing

### Navigate investment and operational risk

Fund managers are investing in options that avoid sustainability-related risks

### Prepare for a changing regulatory landscape

Regulators across the globe are introducing ESG-based regulations. EU's Sustainable Finance Disclosure Regulation (SFDR) mandates all EU asset managers to disclose sustainable investment approach

## How are BFSI responding<sup>15,16,17,18,19</sup>

### Banks

- Responsible banking practices
- Performs testing and climate risk assessments for identifying the physical and transitional risks
- Integration of climate related aspects in credit due diligence process
- Financial inclusion
- Net-Zero Banking Alliance units banks to commit to align their service portfolios with net-zero emissions by 2050

### Asset management

- Active management focusing on inclusion of ESG aspects in the investment analysis and portfolio construction
- Passive Management: Engagement and voting philosophy
- About 200 new funds having an ESG investment mandate to launch between 2020 and 2023 in the US
- 3700 to 4347 signatories in UNPRI since 2015

### Insurance

- Insurers have started to bring ESG KPIs to the forefront of their country and buyer ratings
- Incorporation of ESG risks in underwriting and core evaluation process



11. ESG's Turning Point: Four Trends Could Accelerate Flows in 2021, State Street Global Advisors, 29 January 2021

12. Are Your Clients ESG Investors?, Morningstar, accessed as on 1 December 2021

13. Explaining the European Union Sustainable Finance Disclosure Regulation (EU SFDR), JP Morgan, accessed as on 1 December 2021

14. BlackRock CEO says sustainability is the 'top issue' for investors—here's what that means for your money, CNBC, 14 January 2021

15. Net-Zero Banking Alliance, UN Environment Programme Finance Initiative, accessed as on 1 December 2021

16. Advancing ESG Investing: A Holistic Approach for Investment Management Firms, Harvard Law School Forum on Corporate Governance, accessed as on 1 December 2021

17. Sustainable Banking Network, IFC, 29 October 2021

18. Signatory Directory, UNPRI, accessed as on 1 December 2021

19. Howden launches ESG-focused insurer, Parhelion, Reinsurance News, 2 June 2021

# Big Data is enabling BFSI to take swift and better decisions across the entire value chain

## Impact of analytics in driving growth of the BFSI sector<sup>20,21,22</sup>

**Focus on improving customer lifecycle:** Customer lifecycle has been undergoing changes by designing new products, risk management frameworks and tools for improved fraud detection. They have also revisited regulatory compliances and the growing data volume and transactions have driven banks to leverage analytics



**Democratisation of data analytics:** Analytics are no longer the core job of data scientists alone. Given the volume of data handled by banks, the resources should be skilled to infer insights from an assortment of information. Additionally, the role of data analytics has shifted from only being used in consumer banking to all aspects of the organisation.



**Data quality and management:** Data brings acumen alongside risk. It is crucial to ensure the privacy, security and sovereignty of data. Hence the emphasis should be on maximising the potential of data ethically while cultivating its quality.



## Functions across the BFSI industry have been witnessing high usage of data management and analytics<sup>23,24</sup>

### Operations and Risk

- Predictive credit analysis
- Fraud detection
- KYC enhancement
- Financial crime detection
- Cognitive automation
- Quantum computing
- Cyber risk quantification

### Product

- Algorithmic trading
- Personal budgeting
- Virtual agent device
- Behavioural data capture
- Smart wallets

### Sales and Marketing

- Empowering relationship managers
- Web and digital space crawling
- Lead generation

### Service and Support

- Recommendation engines
- Virtual assistant
- Robo advisory

20. Banking analytics trends to look in 2020, Economics Times, 18 February 2020

21. Re-imagining Financial Services with Data Democratisation and Hyper-personalisation, LinkedIn, 26 July 2020

22. How Data Democratisation Will Transform Banking, Business of Data, 7 July 2020

23. Banking on analytics, Wipro, accessed as on 1 December 2021

24. KPMG industry analysis

# Cyber security continues to be an imperative for the BFSI industry, battling large amounts of sensitive data

With data being the oil for the financial industry and increased digitisation and third-party integration, BFSI institutions have layers of security and controls to tackle cyber breaches and ensure data protection.

## Key trends in managing cyber risk in BFSI<sup>25,26</sup>

### Zero trust architecture



- Micro-segmentation
- Continuous trust verification
- Efficient access management (user, device, context)

### Work from anywhere



- One Identity — MFA & IDAAS
- Strong End Point Security (EDR)
- End-to-end data protection
- Secure migration to cloud

### Cyber analytics and automation



- User and entity behaviour analytics
- Threat hunting
- SOAR – Incident Response Playbook Automation

### Offensive security



- Breach and attack simulation
- Red teaming
- Hackathon

## Key areas of focus in cyber security<sup>27,28</sup>

### Digital identity and access management

- Identity as a service, password-less and MFA authentication
- Rapid application onboarding
- Access governance automation

### Application protection and cloud security

- DevSecOps via SAST, DAST and SCA integrations
- API Governance, secure integrations, API Gateways
- Cloud security compliance (CSPM)
- Shadow IT & workload protection

### Advanced SOC and incident management

- Actionable threat intelligence
- Threat hunting
- Security orchestration & automation
- Rapid response & simulations

### Data security, governance and privacy risk

- Consistent data security controls across lifecycle (TLS, encryption, DLP, DAM, IRM)
- Proactive monitoring and continuous compliance for data leakages

25. Cyber security threats to financial services, Mindsight, 11 June 2020  
 26. Cybersecurity in the financial sector, Wipro, accessed as on 1 December 2021

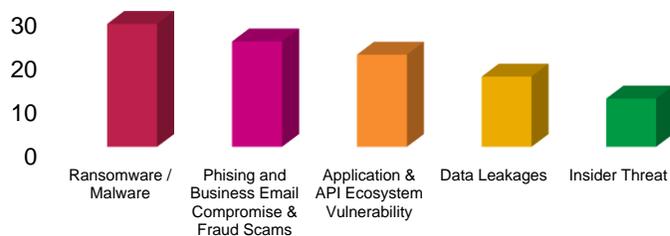
27. Cost of data breach report, Capita, accessed as on 1 December 2021  
 28. 15 Alarming Cyber Security Facts and Stats, Cybint, 23 December 2020

# Top cyber threats and controls in the BFSI industry

## Cyber threats in BFSI

- **Ransomware/malware**
  - Ransomware and financial malware are the fastest growing threats
- **Phishing, BEC and fraud**
  - Have been consistently rated among top five threats over a decade exploiting human trust
- **API, application vulnerabilities and cloud misconfigurations**
  - Application and API along with cloud is the largest source of cyber attacks
- **Data leakages/security**
  - Data leakage on dark web and in advert leakages
- **Insider threat**
  - Privilege users, third parties accessing all systems with full privileges and supply chain threats

Cyber Security Threats for BFSI (%)\*



\*Share indicates the share of respondents

## Controls

- **Ransomware/malware**
  - End point detect and response solutions
  - Updated patches
  - Immutable backups
- **Phishing, business e-mail compromise and frauds**
  - Custom anti-phishing solutions such as email security gateway; set up email rules with TI
  - Implement DMARC
  - Customer awareness and simulation
- **API, application vulnerabilities & cloud misconfiguration**
  - DevSecOps integration; continuous vulnerability assessment and remediation automation
  - Cloud security posture management
- **Data leakages/security**
  - Sensitive data identification and handling, data governance and policy enforcement
  - Technology deployment and monitoring — TLS, DLP, IRM, DAM and Masking/tokenisation
- **Insider threats**
  - Risk-based multi-factor authentication
  - Centralised access control for all apps/users
  - Enforce business rules and SoD within and between applications

- **BFSI is adopting biometrics authentication and other variable risk access control models**
- **BFSI firms are integrating, standardising and automating real-time enterprise security, fraud and controls.**
- **API security, identity frauds, and mobile security dominate and have replaced older ATM skimming, web and cheque frauds**

## Trends



# Digital disruption in the sector has led to the emergence of new operating models

## What are new operating models of BFSI players?

### Banking<sup>29, 30</sup>

**Open Banking** allows banks to offer unified digital solutions via API platforms.

**Platform Banking** allows banks to act as a marketplace integrating services of other firms.

**Banking as a Service (BaaS)** allows banks to lease their infrastructure

**Blockchain**, being a decentralised ledger, allows financial institutions to enable the existence of **cryptocurrency**



With the advent of disruptive technologies in the financial space, BFSI players are moving away from traditional organisational models to ambidextrous models, handling a variety of services

*A few financial institutions are providing cryptocurrency custody service to store personal and exclusive keys to bitcoin, bitcoin cash and Litecoin. A leading investment bank has introduced its own cryptocurrency in 2019. Some banks are also offering cryptocurrency investments to their affluent clients, while startups in the cryptocurrency landscape are offering credit cards and loans.<sup>34, 35</sup>*

### Asset management<sup>31, 32</sup>

#### Technology platforms

Asset management firms are leveraging technology to create platforms to distribute products directly to customers.

#### Partnerships with solution providers

Asset management firms are partnering with organisations such as robo-advisor platforms to offer technology-based services to their customers.



**Technology based product distribution:** Technology is being leveraged to distribute funds directly to customers.

*A financial services provider launched **Matrix**, a proprietary technology platform that includes portals for shareholders **to buy and sell funds**.<sup>36</sup>*

### Insurance<sup>33</sup>

#### New models for distribution:

Insurance firms are distributing products through online distribution models such as insurance manufacturers, brokers and aggregators.

#### AI/ML in insurance pricing

AI/ML algorithms are replacing the traditional general linear models used by actuaries, making it more real-time in nature



**New distribution models:** Online insurance markets including manufacturers, brokers and aggregators have redefined distribution.

***Global online insurance market** is estimated to grow from USD133.9 billion in 2019 to USD579.2 billion in 2025 at a CAGR of 27.7 per cent.<sup>37</sup>*

29. Banking as a Service vs. Open Banking vs. Platform Banking. What Are They And What Are They Not?, Softensy, 23 April 2021

30. World Retail Banking Report 2021: To create new value, banks can adopt Banking-as-a-Service to embed finance in consumer lifestyles, Capgemini, 25 March 2021

31. Three Ways Asset Managers Can Evolve Their Business Model and Embrace Responsible Innovation, CFA institute, 1 June 2020

32. The Emerging New World Of Asset Management, Oliver Wyman, accessed as on 1 December 2021

33. How AI and Machine Learning Helps Improve Insurance Pricing, DataRobot, 3 November 2020

34. US Bank launches bitcoin custody service as institutions race to cater to crypto demand, CNBC, 5 October 2021

35. Banks Tried to Kill Crypto and Failed. Now They're Embracing It (Slowly), New York Times, 1 November 2021

36. Digital Transformation Moving 'At Light Speed', Trader's Magazine, 27 January 2021

37. Global Online Insurance Market robot Size 2021, WBOC, accessed as on 1 December 2021

# BFSI sector regulations are being tightened and organisations are subjected to greater scrutiny

BFSI organisations operate in an environment characterised by significant regulatory scrutiny, rising reporting obligations and continuous regulatory changes. This has led to a transition to newer reference rate regimes, causing banks to uplift their IT systems, revalue portfolios, change documentation and update valuation models.

## Key changes in regulatory considerations for BFSI

-  Financial regulators are prompting BFSI players to integrate **ESG** factors into their business strategies and risk management framework.<sup>38</sup>
-  **The LIBOR migration to alternative reference rates** deadline brings forth an array of data management challenges for BFSI, including identification of new benchmarks, instruments that need to be replaced, among others.
-  **Anti-money laundering (AML):** AML rules across the globe are being tightened. Increasing pervasiveness of digital currencies is one of the prime drivers for this enhanced scrutiny and regulators are upping the ante by investing in enhancing their market surveillance capabilities.
-  Data privacy regulations such as **GDPR** and **CCPA** have gained prominence.
-  The **rise of CBDC** (Central bank digital currency) or digital fiat currency is an area of interest for banks to make global payment system better

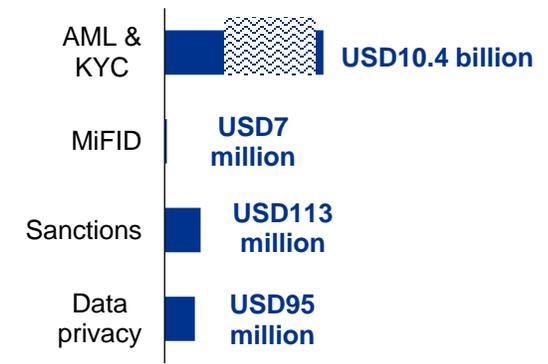
## Responses by BFSI institutes

In response to the changing regulations by the regulatory institutions, BFSI firms have increased their investments in the following:

- 1 RegTech-enabled data unification platforms to increase the efficiency around compliance activities
- 2 Enterprise risk management to generate economic value through cost reduction, while meeting the compliance needs

## Penalties are at an all-time high

Global enforcement of penalties by type (2020)<sup>39</sup>



## The rise of RegTech and SupTech

Regtech and SupTech solutions have emerged for a wide range of regulatory focus areas, including fraud detection, countering the financing of terrorism (CFT), regulatory change tracking, KYC, conduct and prudential risk management. RegTech spending is expected to grow by more than 290 per cent from USD33 billion in 2020 to exceed USD130 billion by 2025.<sup>40</sup>

38. The Next Multi-billion Dollar Opportunity for IT Services and Consulting Firms as BFSI Enterprises Embrace ESG Integration", Everest Group, accessed as on 17 December 2021  
 39. 'The Year of Personal Accountability' report, Fenargo, accessed as on 17 December 2021  
 40. Spending on RegTech booming, to exceed USD130 billion by 2025. Juniper research, 23 March 2021



# Operational and financial risk management have become key focus areas amidst increasing shift to digital and increased regulatory focus

## Major risks evaluated by the BFSI players

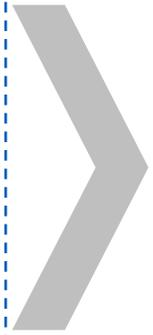
- Financial risks**
  - Credit-risks
  - Liquidity risks
  - Market risk
  - Stressed revenues/margins

---

- Operational risks**
  - Cyber risks
  - Technology risks
  - Financial crime
  - Third-party risks

---

- Other**
  - Model Risk



## Strategies adopted by BFSI industry to mitigate various risks



### Strengthening operational resilience

BFSI are revising their organisational risk management practices to be more agile in order to quickly respond to a changing risk environment. The focus on digital operational resilience is on the rise. An increasing focus on Model Risk management (MRM) has increased substantially across major banks.



### Leveraging technologies such as AI and ML in proactive risk assessment

BFSIs are using cutting-edge technologies such as AI and ML that are pre-emptive in their risk monitoring. Additionally, claims modelling, predictive analytics, EVT and fat tail modelling capabilities, copula based risk aggregation techniques are also gaining increased traction.



### Embedded controls through real-time monitoring

BFSI are switching to AI-powered real time monitoring tools with embedded controls which automatically detects markets trends and anomalies such as market changes due to news, suspicious spend activity, etc. and take respective actions. Key areas where risk and control automation are leveraged include automate privilege recertification, risk quantification and articulation for different business units, control testing and continuous monitoring.



### Cyber security and third-party risks

BFSIs are focusing on technological improvement, enhanced third party due diligence and updating workforce with new risk areas and technology to tackle cyber security and third-party risks. A global information technology services provider in its report suggests that approximately 48 per cent of financial service firms chose training risk managers on emerging risk areas as their top priority for risk management<sup>41</sup>.

41. Intelligent automation could add \$512 billion to the global revenues of financial services firms by 2020, Capgemini, accessed as on 17 December 2021

# Table of contents

Executive Summary

Key signals of change in the BFSI sector

**BFSI GCCs in India: Lay of the land**

Transformation levers for BFSI GCCs

Challenges faced by BFSI GCCs

Road ahead

Appendix

03

# India has transitioned itself to an attractive offshoring destination for BFSI GCCs

The number of BFSI GCCs serving parent organisations has increased over the last two decades in India



## Access to a conducive ecosystem

- The country has a rich ecosystem of **fintech companies** with which global BFSI companies are collaborating actively.
- For instance, **an investment banking giant** made a strategic investment in a cloud-based fintech that would help in clearing reconciliations quicker.
- Likewise, **an insurance player** mentioned that it intends to partner with technology start-ups in the upcoming years.



## Scalable English-speaking talent pool

- Compared to locations in the Eastern Europe and Asia Pacific, India offers the advantage of scaling up of technology, operations and domain specific teams at a significant cost arbitrage.



## Ability to innovate

- In the recent years, the BFSI industry has been focused on delivering innovative and personalised value-added services through APIs and RSS, while trying to standardise regular and repetitive tasks.



## Accelerated technological preparedness

- According to a survey by a leading research and consulting company, **65 per cent of CXOs of financial services** mentioned that they plan to increase their expenditure on infrastructure technologies such as **APIs, microservices and cloud** owing to the pandemic.<sup>42</sup>
- India, with more than **4.5 million technology professionals**, provides companies with readily deployable technology talent to support the rapid technology transition.<sup>43</sup>

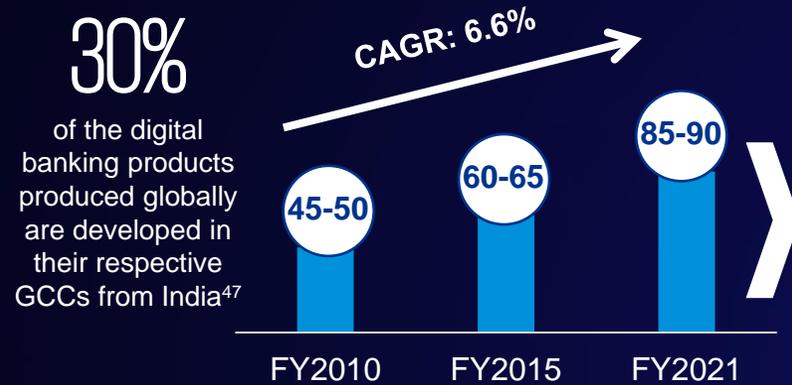
42. Financial services business leaders and CIOs disagree on IT infrastructure, Computer Weekly, 27 August 2020

43. Despite bonuses and salary hikes, India's IT sector will see over a million resignations this year, Times of India, 28 October 2021

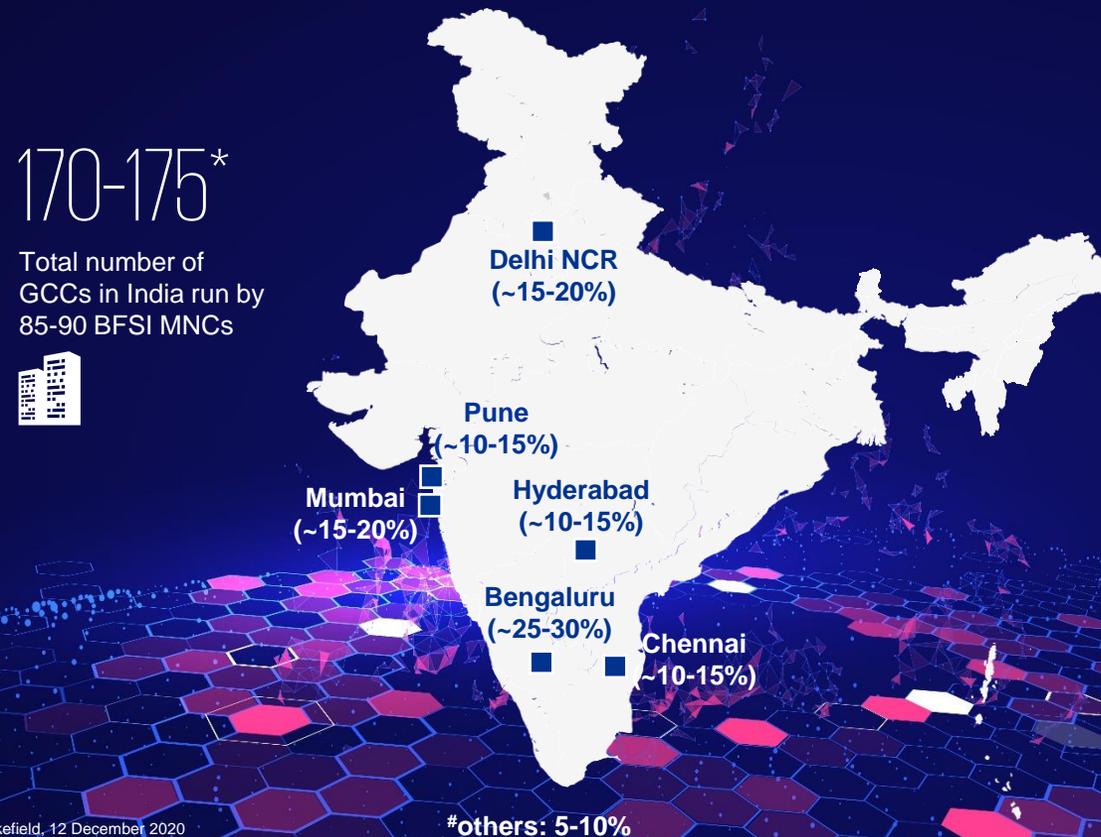
# India has emerged as a desirable location for setting-up GCCs by BFSI MNCs

## Major BFSI institutions have more than one centres in the country

Number of BFSI institutions setting up GCCs in India has consistently grown over the years<sup>44,45</sup>



## Geographic spread of 170-175 BFSI centres in India<sup>46</sup>



- While the BFSI sector globally has been at an inflection point with slow growth rates, the country continues to be a hotspot for BFSI multinationals to set up GCCs.
- The number of global BFSI institutions setting up capability centres in India has annually grown at 6.6 per cent in the last 10 years, making it one of the most preferred destinations.
- Some of the reasons driving this growth include the increase in investments in technology and the talent available at scale in the country to drive rapid adoption of these technologies.

Note: Inputs received from NASSCOM have been covered in this section

\*The number refers to total GCC units being operated by 85-90 BFSI MNCs in India

44. GCCs in India: Then and Now, NASSCOM, accessed as on 1 December 2021

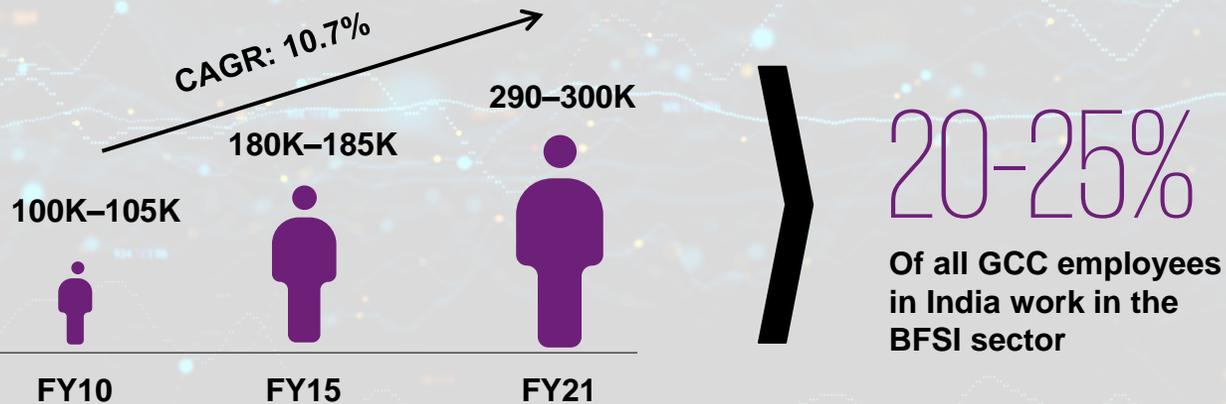
45. GCC-India Landscape - 2021 & Beyond!, NASSCOM, accessed as on 1 December 2021

46. GLOBAL CAPABILITY CENTRES - Making India the Cradle of Global R&D report, Cushman Wakefield, 12 December 2020

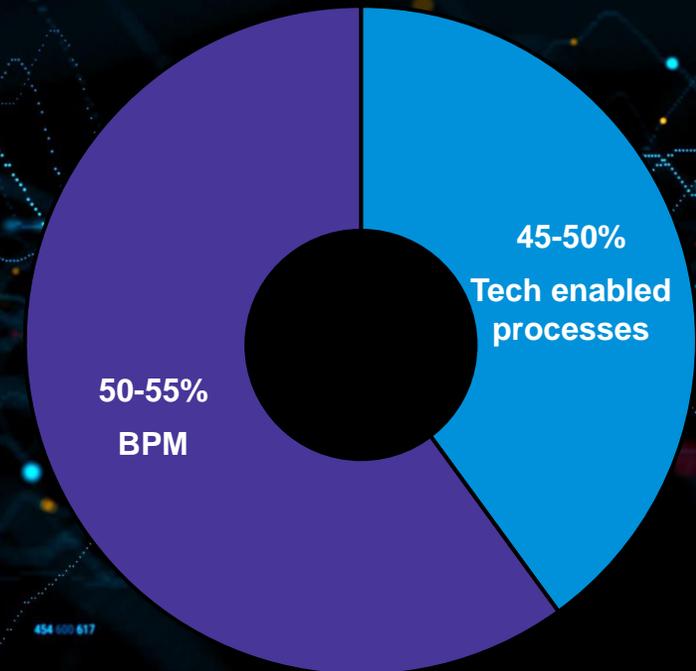
47. Why worlds biggest banks come to India for cutting edge tech, Times of India, accessed as on 1 December 2021

# The BFSI sector employs a large share of the GCC workforce, with several major institutions having a large employee base

BFSI employs a significant portion of the GCC workforce in India<sup>48, 49</sup>



GCC Workforce split by function (FY21)<sup>50</sup>



- Though the number of BFSI institutions operating GCCs in India may not be as high as some of the other sectors, they employ 1/5<sup>th</sup> of the GCC workforce.
- The workforce has grown annually at 10.7 per cent in the last decade.
- Of the digital banking products rolled out globally, 30 per cent are developed from their India GCCs

48. GICs in India: Then and Now, NASSCOM, accessed as on 1 December 2021

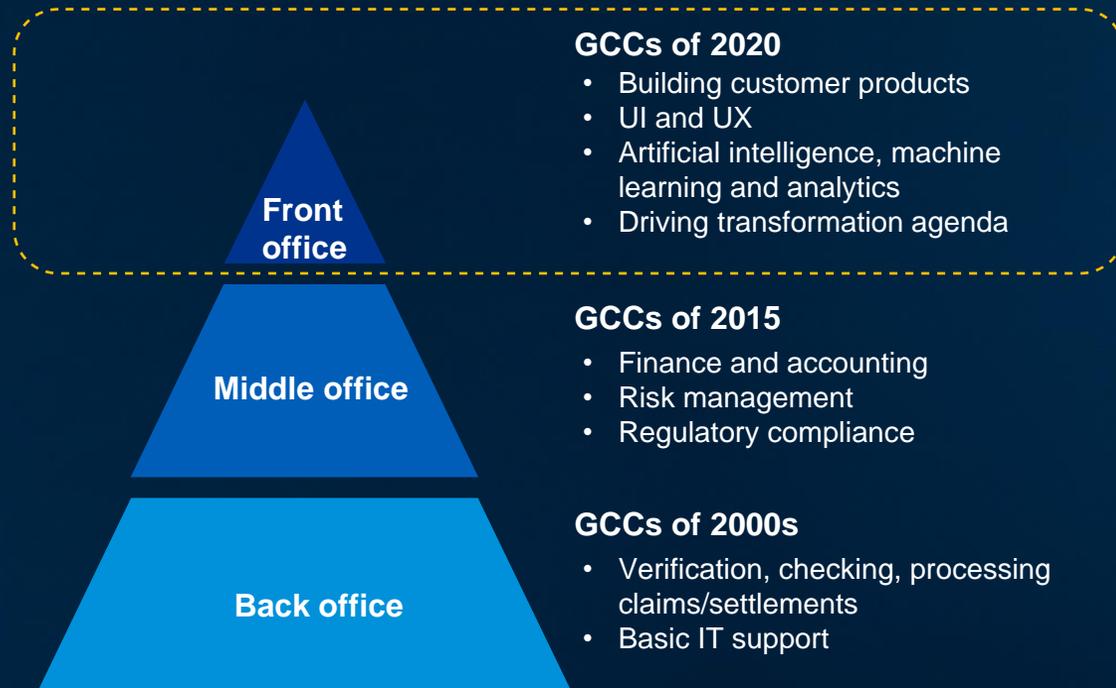
49. GCC India Landscape – 2021 & Beyond!, NASSCOM, accessed as on 1 December 2021

50. GLOBAL CAPABILITY CENTRES - Making India the Cradle of Global R&D report, Cushman Wakefield, 12 December 2020

# BFSI Indian GCCs are at the centre of digital innovation initiatives

**The GCCs capabilities and their role in the organisation has evolved significantly in the last two decades.**

Moving beyond the scale and cost arbitrages that GCCs in India provide, these centres are developing new products and technology platforms that have a major role in enhancing user experience



## These centres are driving the technology agenda of the group

Some areas where GCCs are developing new technology for the BFSI Industry:

- **Real time analytics** for generating insights, advanced portfolio analytics, risk engineering and catastrophe modelling for commercial insurance
- **Advanced UX designs** for products and services that are easy to use, consumer-centric and intuitive
- **AI/ML** driving the growth of BFSI GCCs by enabling better fraud detection, improving customer onboarding and removing the human bias from loan underwriting



**GCCs are also witnessing higher integration between the technology teams and the product owners.**

# Table of contents

Executive Summary

Key signals of change in the BFSI sector

BFSI GCCs in India: Lay of the land

**Transformation levers for BFSI GCCs**

Challenges faced by BFSI GCCs

Road ahead

Appendix

04



# Transformation levers for BFSI GCCs

## 1 Scope/ Leadership

'Evolution of GCCs into 'Business Solution Centres'



- Right-shoring
- CoEs for niche technology and operational areas

## 2 Innovation and partner ecosystem

Driving innovation across the financial services sector by delivering cutting-edge products



- Collaboration with fintech players
- Innovation to drive customer satisfaction
- Enabling the use of digital assets and digital currency

## 3 Digital strategy

Spearheading the digital transformation agenda of the parent organisation



- AI/ML for pricing and product recommendations
- Blockchain for asset tracking
- Analytics for collateral management

## 4 Cyber security

BFSI GCCs are at the forefront of combating global cyber risks



- Increasing initiatives such as DevSecOps due to ongoing cyber security threats
- SOX and other compliance

## 5 Sourcing model

Fresh focus on rebalancing supplier strategies



- Insourcing substantial share of technology services for core and support functions
- Vendor consolidation

## 6 Work placement

'Work from anywhere' is leading to a 'Hybrid Working Model'



- Optimising virtual delivery
- Outcome-based assessment vis-à-vis time-based assessment
- Serving ESG considerations with minimised emissions

## 7 Workforce of the future

Significant demand for upskilling and reskilling of existing roles in BFSI GCCs



- Upskilling in niche technology areas such as full stack development architecture, AI & ML, NLP, data engineering, actuarial underwriting, risk and credit modelling, among others

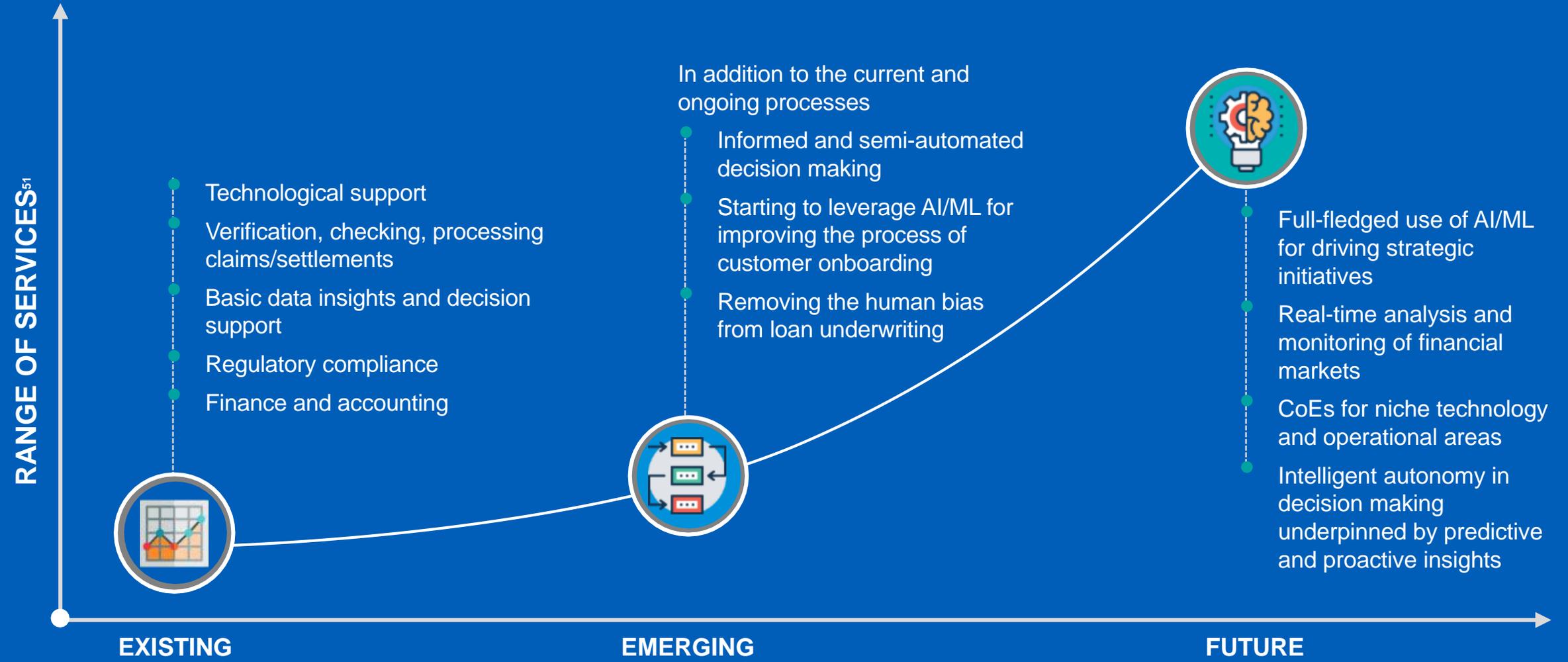
## 8 Risk and Resilience

BFSI centres are creating dynamic BCP strategies to be better prepared



- Fraud, AML and transaction surveillance programmes
- Third-party risk management initiatives

# Moving up the value curve



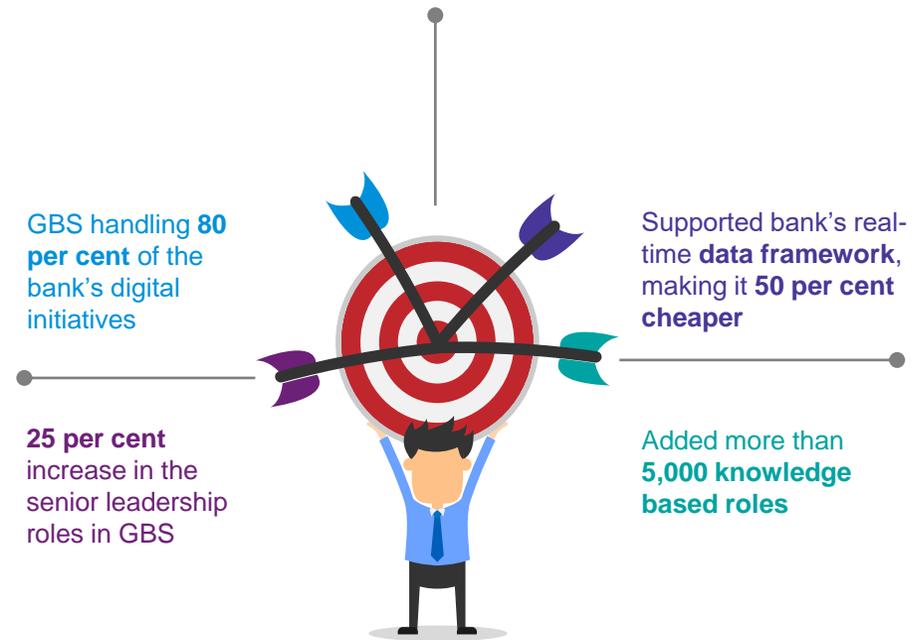
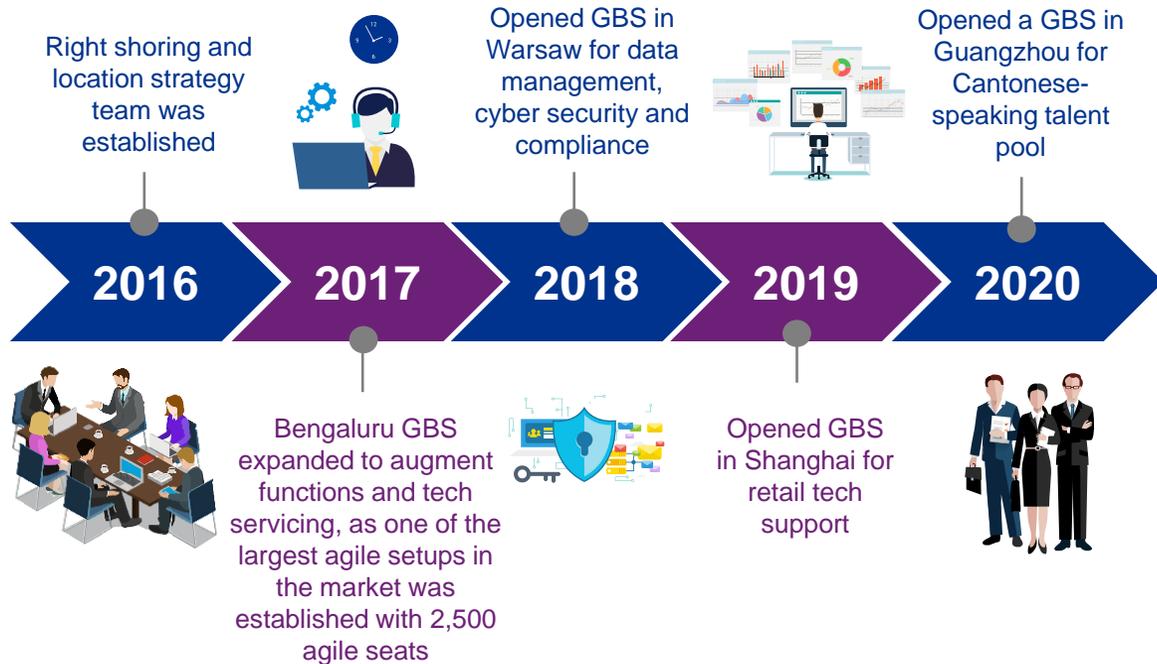
51. KPMG GCC industry analysis

# Case study: Standard Chartered has evolved in their GBS journey with a significant portion of the global organisational headcount being housed in the GBS

Standard Chartered's GBS functions are supporting more than 74 per cent of the technological and cyber capabilities, covering more than 64 markets worldwide<sup>52</sup>

## Approach and timelines

## Impact



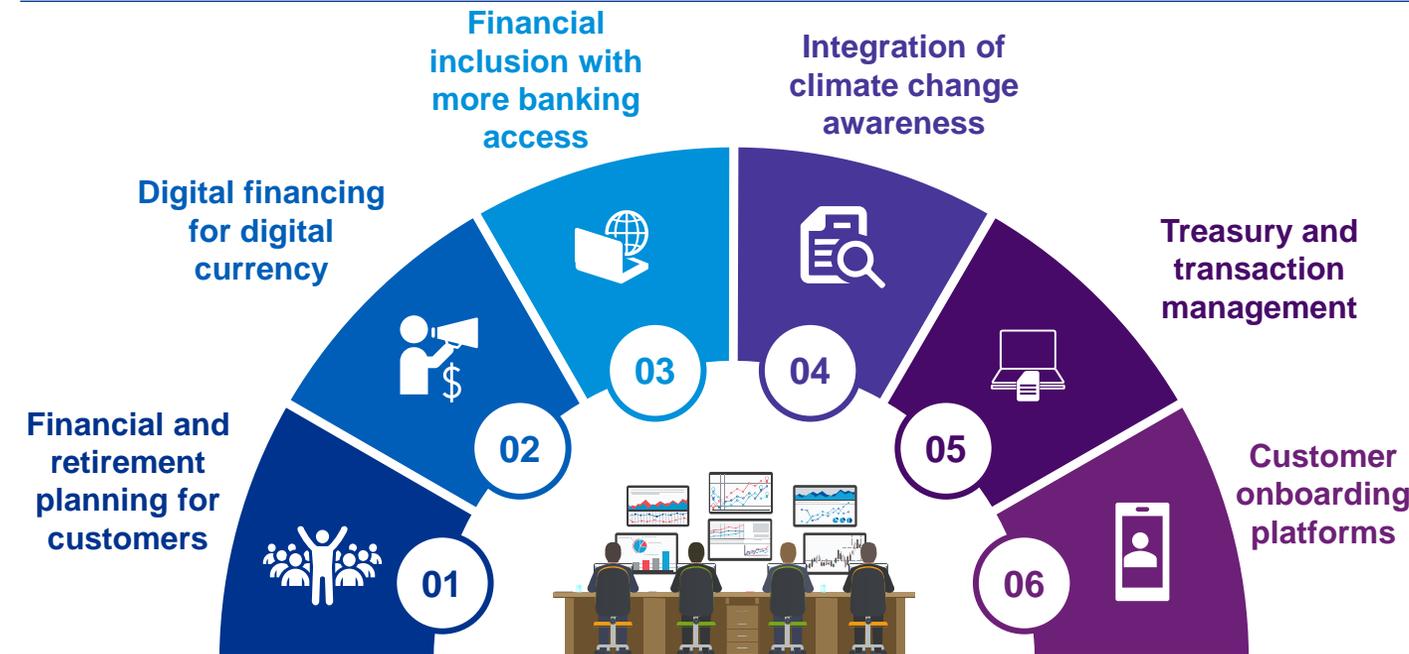
52. Based on inputs received from Standard Chartered



# These centres are acting as 'Innovation Hubs'

- The BFSI GCCs in India have experienced an exemplary shift and moved beyond service delivery and are being extensively leveraged for end-to-end sensitive processes.
- Major **fintech companies, financial services providers, financial institutions, and technology solution providers** among many others, are leveraging the Indian GCCs to provide strategic and market differentiating apps and products.

## Major product development use cases in BFSI GCCs



**A platform built in India — An investment banking and financial services provider’s success story**

The Bengaluru-based engineering team, with over 200 employees has played an important role in the creation of a platform that offer loans and savings accounts services to the US based customers. With over 5,500 employees, it is the third largest office of this investment banking and financial services provider globally by headcount

**An application built by a multinational bank’s shared service centre**

GCC of the bank in India is involved in creating an application suite that works on Basel III guidelines and regulatory programmes. The team is able to run more than 1,000 automated tests, eliminating the need for a test team, helping the company to accurately and effectively calculate wholesale credit risk within a shorter turnaround time.



# BFSI majors look for collaboration opportunities with fintech companies

## There is a significant interest to collaborate with fintech start-ups

- India is one of the most thriving fintech hubs in the world. It has been witnessing a significant growth, with nine per cent of the start-ups identifying themselves as fintech players.
- With the flourishing fintech landscape in India, BFSI MNCs are quick to identify investment and collaboration opportunities.
- Such collaborations give them access to an ecosystem that helps enhance their existing offering and reduce the time-to-market associated with bringing a new product.

India's fintech start-up ecosystem a major attractor<sup>53, 54</sup>

2<sup>nd</sup> largest

fintech hub in the world only behind the US

9%

of the total start-ups in India are FinTech players

6 cities

in India are among the world's 100 leading fintech cities

## Fintech focus areas:

Lending platforms

Payment tech

Wealth management

InsurTech

RegTech

## An investment and financial services institution's investment in an AI powered cloud platform for improving B2B payment capabilities<sup>55</sup>

In May 2019, the institution has made a strategic investment in a cloud platform that provides Electronic Invoice Presentment and Payment (EIPP) and B2B payment services.

The banking major anticipates this investment to play a major role in enhancing the experience of its Asia-Pacific customers.

## A FinTech player partnering with a loan provider<sup>56</sup>

A fintech company and a loan provider have launched a card less EMI system to finance the online purchases of the consumers.

This would combine the present 300,000 merchant distribution networks with the loan provider's real-time underwriting and its lending-as-a-service platform, leveraging machine learning.

53. India has highest concentration of fintech hubs in Asia, Nikkei Asia, 4 December 2019

54. Why world's biggest banks come to India for cutting edge tech', Times of India, accessed as on 17 December 2021

55. JP Morgan invests in Global PayEx to improve B2B payments, Times of India, 13 May 2019

56. GCC India Landscape – 2021 & Beyond!, NAASSCOM, accessed as on 17 December 2021



# With close coordination between product and technology teams to develop a range of applications and initiatives

**Product and technology themes act in close coordination to develop a range of path-breaking applications and initiatives**

## British retail and commercial bank<sup>57</sup>

The bank has a dedicated team involved in the development and rollout of its customer onboarding experience platform through its GCC.



## A leading financial services institution

A leading financial institution has developed various technological innovations, along with being awarded the best “digital bank of the year” in 2020. One of its innovation leverages 100 AI models that help customers with financial planning, retirement planning and taking a self-directed approach to investing digitally.



## A major FinTech’s innovation lab

One of the fintech’s innovation lab is working to integrate climate change awareness to its platform so that users can know and reduce the impact of their purchases.



## A major multinational bank

70 per cent of this bank’s cyber security team is based out of India as a part of its Cyber CoE.



## Technology centre of a leading FinTech

A leading financial services provider’s Centre of Excellence played a role in developing and testing payment method, apart from developing other applications.



## A banking and financial services provider

40 per cent of this institution’s global technology workforce is based out of India. It remains the largest BFSI GCC talent pool with ~22,000 people working in technology-related areas. It automated eight processes in commercial banking sector, that resulted in 20 FTE worth savings.



57. KPMG GCC industry analysis



# GCCs in India deliver some of the most impactful projects in diverse and niche areas across the firm

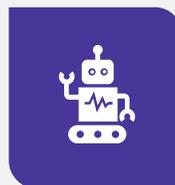
## Mobile platforms<sup>58</sup>

- An insurance company's India GCC played a key role in implementing the firm's **transformative growth initiative**.
  - They developed a **mobile app** to deliver a digitally connected experience to the user and, another **app** that connects technicians and car owners
- An investment banking and financial services company's GCC was instrumental in developing a platform that brings in all the tools and solutions along with a 360- degree production readiness view.



## New age technologies

- The AI/ML capability of one of the European financial services leader's GCC in India has implemented several measures to automate tasks across the client life cycle management process, resulting in **EUR10 million operational cost savings** to the firm.<sup>59</sup>
- The India centre of an Asian multinational bank enabled its Digital Exchange, which is a blockchain-based environment leveraged for crowdsourcing through asset tokenisation. It also enables secondary trading of digital assets such as cryptocurrencies.<sup>60</sup>



## ESG and operations specific process

- A multinational financial services company's GCC in India plays a vital role in implementing the firm's **ESG initiatives**, with a large team based out of Bengaluru driving the ESG agenda.
- Climate Impact X<sup>61</sup>, developed by four major BFSI players, is a global exchange and marketplace for high quality carbon credits.<sup>61</sup>
- A global insurance and reinsurance service provider's GCC supports niche areas such as **intelligent process automation and catastrophe modeling**.



58. Based on inputs received from the respective entities

59. Based on inputs received from the respective entities

60. Based on inputs received from the respective entities

61. A new global carbon exchange will be launched in Singapore this year, CNBC, 17 May 2021



# Case study: Allstate's two major products - GHR platform and IVR application development



The GCC units in Bengaluru and Pune helped in creating two core products for Allstate.<sup>62</sup>

Voice EZIVRBUILDER

Good Hands Rescue (GHR) Pro application

## Good Hands Rescue (GHR) Pro application

- GHR Pro is a white label app that is made for Cadillac technicians who need a platform to serve Cadillac car owners in case of soft service.
- It is a mobile first application (Android and iOS) that is customised to enable Cadillac Technicians to efficiently service Cadillac Car owners and a web portal is also available for the shop level managers.

## Key business outcomes achieved

- Some microservices and other technologies were built in-house without using third party tools, leading to cost savings of USD6,000 per annum.
- The team carried out a complete re-design of the UI/UX for all the modules, resulting in easy usage and increased customer satisfaction
- Since it was conceptualised as a white label app, the product can be released to other OEMs and partners in a PaaS - Platform as a service model in future.

## Voice EZIVRBUILDER

A configuration-driven IVR application that will be an enterprise offering from ESS-AICoE to simplify the development and maintenance of IVRs

### Benefits



Self service features to create, update and maintain IVRs



Reduction in IVR development time and faster updates

### Project highlights

- Majority of resources in telecom and full stack developers from ASPL team
- Application currently catering to 435 toll free numbers of ARS and one for AVAIL
- Scope of scaling up to speech IVRs for Esurance applications in 2021
- The team met aggressive timelines to complete the migration of ARS TFNs in 2020

### Key business outcomes achieved

54%

reduction in maintenance cost

40-60%

reduction in development and maintenance of IVRs

62. Based on inputs received from Allstate



# Digital themes in the marketplace in the BFSI sector

## New ecosystems and distribution models

- Broader sales and service offering from outside core banking to give more value to the customer and get better customer engagement and advocacy
- Challenger Banks offer a less complex banking service with fewer channels and/or a more focused set of customer facing services.

## Social engagement

- Engaging with customers who are readily turning to friends and associates
- Social lending platforms represent a threat to traditional banking but also a potential new distribution mechanism.

## Experience design

- Better engagement with the customer and the ability to more easily satisfy their needs and wants in a timely manner:
- Reduce costs through self-service and reuse
- Improve loyalty and trust by doing activities quickly and simply

## Omnichannel

- Clear mobile strategy
- Branch capability reoriented or remodelled based on how digital themes fulfil certain customer journeys
- Customer journeys and customer context managed across time and devices

## Digital Themes in the Marketplace

## Branch of the future

- Branch of the future will be **needed** and be **different**
- Branches will focus more on key **complex products** and offer a more personalised, **advisory service**.
- Branches will reflect the omnichannel customer journeys and understand where the customer is in their bank conversation

## Digitising the relationship

- The best digital players will utilise technology to provide very high levels of service and engagement on a low-cost and scalable basis
- Banks will offer digitally: Self-service, assisted advisory and predicted support to their customers

## Digital workforce enablement

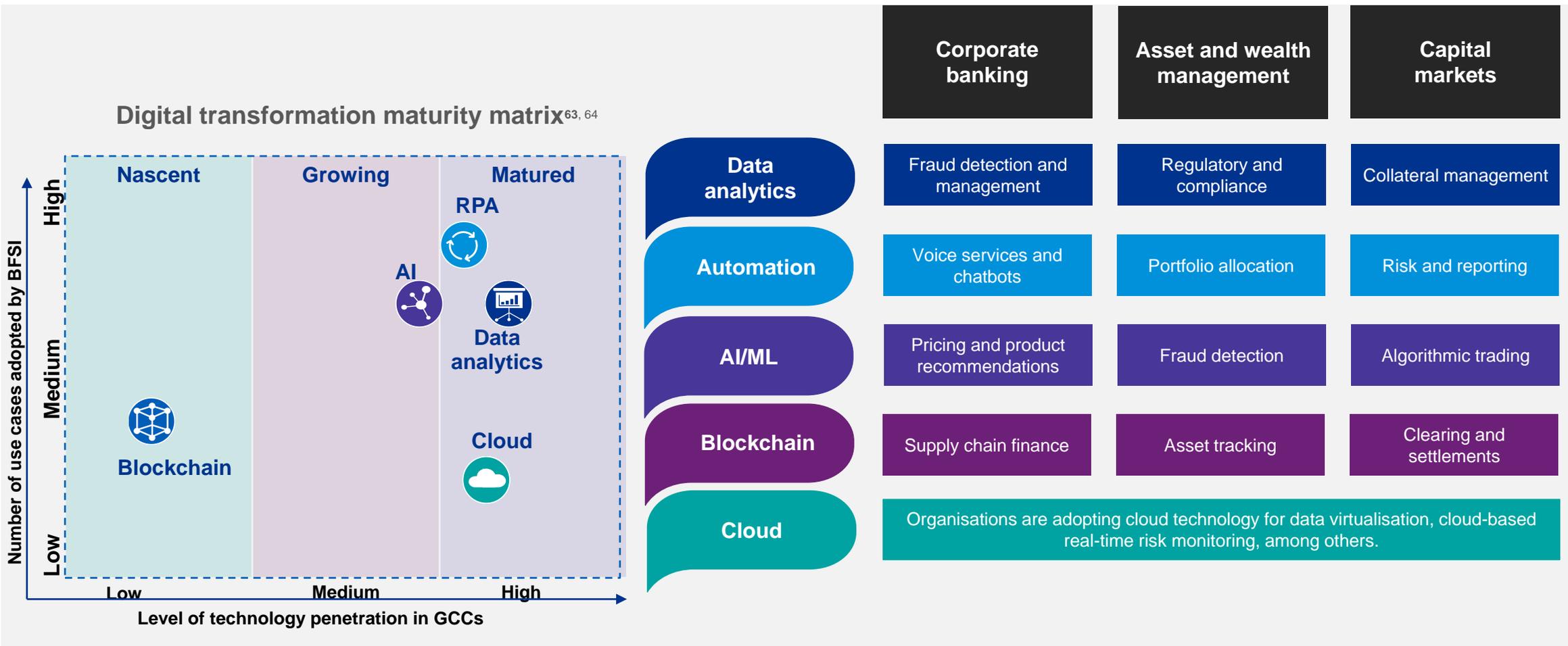
- Staff feel empowered and more confident to sell a much broader range of products
- Employees have clear sight of how they are performing and have a better understanding of customer insight delivered from central services.

## Financial fitness and gamification

- Gamification and behavioural economics provide real ways to entertain customers while helping them reach their goals
- Supporting the family economy with services that teach basic financial prudence



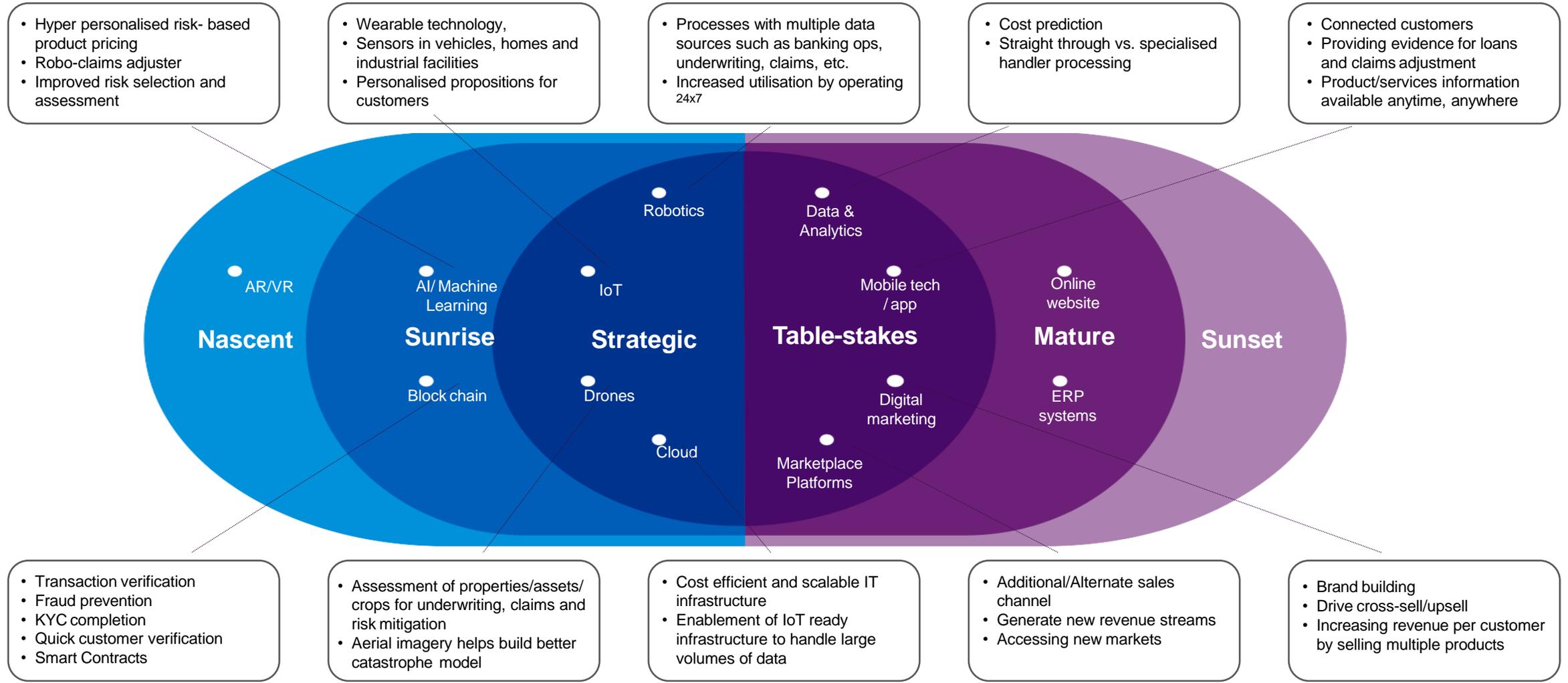
# GCCs are spearheading the digital transformation agenda of the parent organisation



63. KPMG GCC industry analysis  
 64. GCC 3.0 Spotlight on Digital, Partnerships, New Delivery Models & Future Skills, NASSCOM, accessed as on 1 December 2021

# Digital disruption in the BFSI industry

A digital disruption radar maps the relative position of emerging technologies





# Embracing digitisation to drive value and customer focus

GCCs in India have moved beyond the support activities of the parent organisation and delivered several innovative projects through their AI/ML and data analytics capabilities.

## AI/ML

An investment bank GCC's AI/ML capability has played a major role in the following areas:

- Saved EUR10 million in client life cycle management
- Helped with KYC, automatic reconciliation platform, model risk management evaluation and reporting



An insurance player GCC's AI/ML capability has helped to automate labour intensive process, resulting in cost and time savings. The areas of automation include:

- Underwriting
- Loss prevention
- product pricing
- Claims handling
- Fraud detection
- Sales and customer experience



## Blockchain

The blockchain capabilities of an asset management and an insurance firm's GCCs are pivoting various impactful projects including implementation of client passporting and trade finance contract lifecycle management and background verification, using blockchain initiatives



## Analytics

The GCC of an American insurance company has made its organisation more data driven by building

- Data lake and data mart design
- Predictive models and advanced analytics to optimise the customer journey
- Marketing budget optimisation tool for media budget allocation and customer lifetime prediction model



The analytics capability of an insurance company's GCC helped in deploying analytics across various divisions such as

- Fraud detection and prevention
- Actuarial claims
- Underwriting
- Sales and marketing



# Case study: AI CoE of an American financial company focussing on cutting edge applications

## Key business challenges

Need to retain existing customers



Addition of more customers



Required to identify the personalised needs of the customers



Reduce customer attrition to increase revenue



## AI-based product for customer optimisation

AI CoE teams in Chennai and Bengaluru that work on cutting-edge applications of AI in financial services space created an AI-backed solution to address customer outreach optimisation by assessing 10 million retail customers in real-time.

## Process

The teams developed **current recommender systems** using AI. This helped in enabling the following:

- **Identify and address specific needs** of the existing customers
- **Provide user-specific feedbacks** based on user activity monitoring

## Key outcomes achieved

Increase in revenue, with an average increase of USD2.6 million per month



Helps in identifying 'next best customer to call' for phone and branch associates



Helps in scoring 10 million retail customers in real-time to identify AI driven opportunities



Introduced data lineage and metadata reconciliation tool



65. Based on inputs received from NASSCOM

# Case study: Allstates' data science applications — Ethan Lib and EDS



Allstate has its GCC presence in Bengaluru and Pune to support its core business through operations such as development, analytics and BPM, among others. The teams in India were involved in creating two core elements to drive Allstates' operations, focusing on AI-based predictability and risk indicators for accelerating the pace of transformation

## Ethan-Lib Bot

- Enables the team to record, monitor and govern the right coding practices
- Encompasses sensors to manage by metrics

## Key product benefits

- Ethan library
- Workspace setup
- Code quality gates enforcement
- Potential TDD calculation
- Static code analysis
- Command centre (project specific behaviour )
- Unit test case execution
- Ethan post hook
- Commit badging (Certification)
- Commit details storage for analysis
- User onboarding

## Engineering data science (EDS)

- It helps product teams release new versions of their applications with confidence
- It offers tangible visibility into software quality and provides AI/ML based predictability and release risk indicators.

## Key business outcomes supported by EDS



New version product release



Quality check by comparison of product release



Product risk assessment



Time management for development, bug fix and technical debt

## In-house designed capabilities

- One simplified dashboard
- Analytics on overall product health, engineering metrics, team metrics
- Predictability of release or build
- Automated tech debt inserts into JIRA/Version One
- Automated monthly governance report to stakeholders

66. Based on inputs received from Allstate

# Case study: Driving digitalisation and differentiation at UBS through a dynamic, cloud-based, development solution

## Collaboration with GitLab

- UBS partnered with GitLab to develop DevCloud - a cloud-based solution. Over 4,000 engineers in India are part of the team supporting the enablement and adoption of the platform

## Key Business Objectives

- To set up an on-demand, dynamic development environment which improves developer experience and productivity
- To enable innovation at speed and reduced time to market.

## Key Outcomes Achieved

- From 13 tools to 1 and 3 build chains to 1
- Migrated 54,000 repositories from numerous tools, which made transitioning the applications easier
- Code compilation time has been reduced to 30 seconds
- Auto-recovery and redeployment time has been reduced to minutes
- More than 2 million successful builds
- 12,000 users have been migrated to DevCloud

## Approach



## Key Product Features

- Driving cultural change that enables shorter development cycles and faster innovation
- CI/CD pipelines provide the ability to develop, compile, test, approve and ship code in a 100 percent automated environment
- DevCloud integrates control over resources, types, scale and cost through integration of continuous compliance monitoring
- Developers were provided scalable desktops that can speedily compile code, support tool updates, integrate with CI/CD pipelines, and support prototypes
- Generates reusable codes for service infrastructure, platforms, functions, database, among others
- Makes the build pipeline fully auditable

67. Based on inputs received from UBS

# Case study: HSBC's AI-based self-healing platform zOps

## Zero operations (zOps)

Technology GCC unit of HSBC in India developed a self-healing platform that helps to automatically fix repeated and mundane issues in infrastructure using AI/ML algorithms

### Key business challenges



- Hung process or disk brought the application down
- Incident team worked for hours on it to bring the application back live
- Outage resulted in losses and possible reputational risk for the entity

Training the system brain to use issue summary

Couple categorised issue with solution

Core product features

Using NLP to categorise issues into buckets

Online issue fix without human intervention

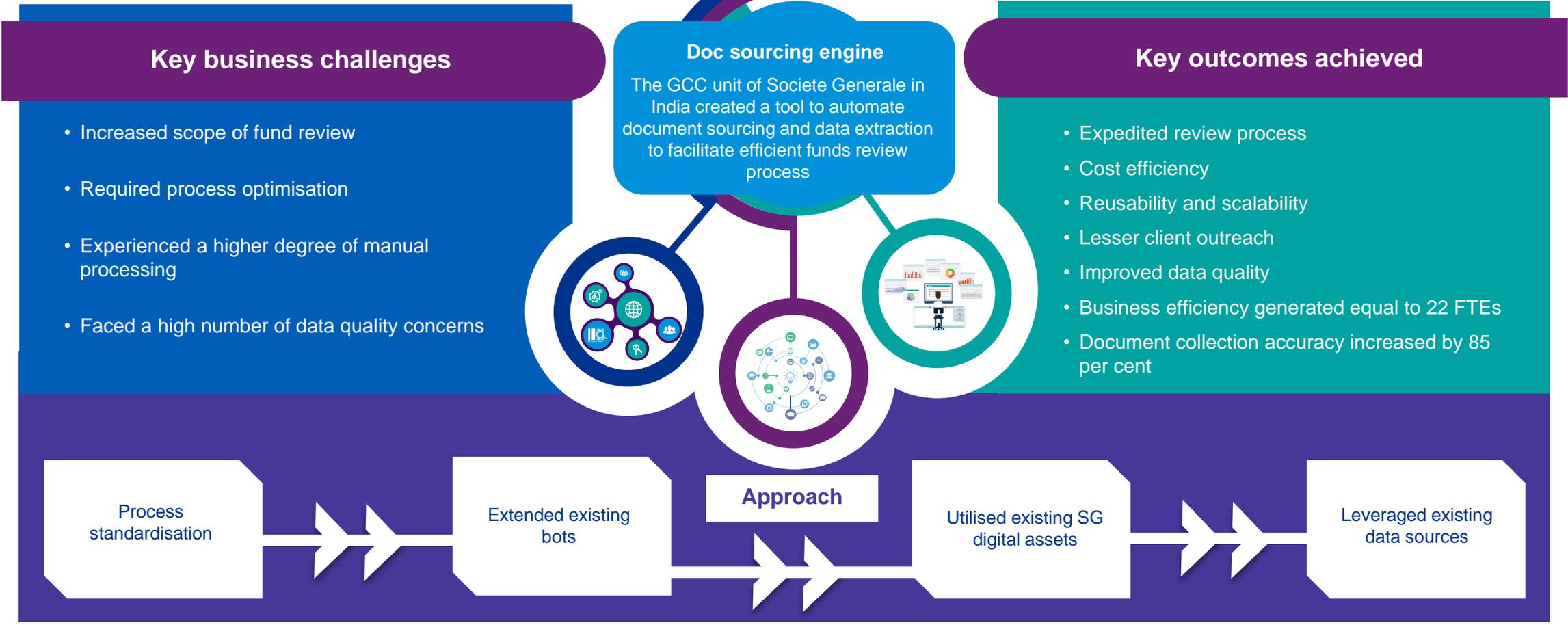
### Key outcomes achieved

- Outage reduced by 37 per cent
- Triage effort reduced by 25 per cent
- Mean time to recover reduced by 40 per cent
- Accuracy of machine learning classification increased by 67 per cent



68. Based on inputs received from HSBC

# Case study: Doc sourcing engine of Societe Generale to automate document sourcing



69. Based on inputs received from Société Generale



# Cybersecurity is a high priority and India's cyber GCCs play a major role in combating online threats

## India's GCC at the heart of the organisation's cyber security agenda<sup>70, 71, 72, 73, 74</sup>

The majority of world class organisations have their head of cyber security based out of their GCC in India. With work from home and digital communication being the new normal, organisations are concerned about cyber security threats. To help organisations combat these threats, a wide-spectrum of cybersecurity services are provided by GCCs in India by leveraging a large talent pool with strong innovation potential.



41% of GCCs in India have at least a quarter of their global cyber security staff located in India as of 2020



74% of IT leaders in APAC believe that demand for secure software development initiatives such as **DevSecOps** increased due to ongoing cyber threats, especially after the COVID-19 outbreak

### Services provided by Cyber GCCs in India

		High	Medium	Low
Spectrum	Type of support	Prevalence in India GCCs		
Strategy and governance	Cyber-strategy and governance	Medium		
Research and development	Cyber product and new solutions development	Medium		
Engineering	Cyber product implementation and maintenance	High		
Cyber risk and control management	SOX and other compliance	Medium		
	Data privacy risk management	High		
	Cyber threat, response and crisis management	High		
	Third-party cyber risk management	High		
	Cyber risk assessment	High		
	Identity and access management	High		
	Cyber risk and control operation	High		
	Business continuity and disaster recovery	High		

70. Secure In India 2018', NASSCOM, accessed as on 17 December 2021

71. Beware The Evolving Beast: Cybersecurity In Financial Services, 15 July 2019

72. Gartner Says 52% of Legal & Compliance Leaders Are Concerned About Third-Party Cybersecurity Risk Since COVID-19, Gartner 24 April 2020

73. Three in four IT leaders say COVID-19 is accelerating initiatives to secure software development process, Microfocus, 17 November 2020

74. Secure in India 2020, DSCI, accessed as on 17 December 2021



# Case study: Global Cyber Security Capability Centre of Societe Generale

Established a Global Cyber Security Capability in India, a GCC of Societe Generale, as a transversal hub to support the cyber-security needs of the group to deliver cutting-edge security solutions to global clients

## Productised service offerings

- Penetration test
- Training and awareness
- Identity and access management
- Application vulnerability management
- Risk controls

## Hybrid approach



**Intrapreneurial ecosystem:** Investments to drive innovation and upskilling



**Internal events within SG GSC:** Creating a sense of community to discuss and brainstorm



**Industry/academic tie-ups:** Tie-ups with premier institutes and industry consortiums



**Peer GCCs/fintech's collaboration:** Active engagements and partnerships with fintech start-ups

## Key value created

- Realised savings of 40–55 per cent, driven through economies of scale and optimised processes
- Strong collaborative setup leveraged the talent ecosystem in India
- Industrialised model allowed scaling of capacity (through inhouse and globally renowned third-party vendors in India)
- Risk containment and higher testing efficiencies with inhouse resources having context and knowledge of internal processes, controls and technology
- Data analytics at group level for actionable insights

75. Based on inputs received from Société Generale

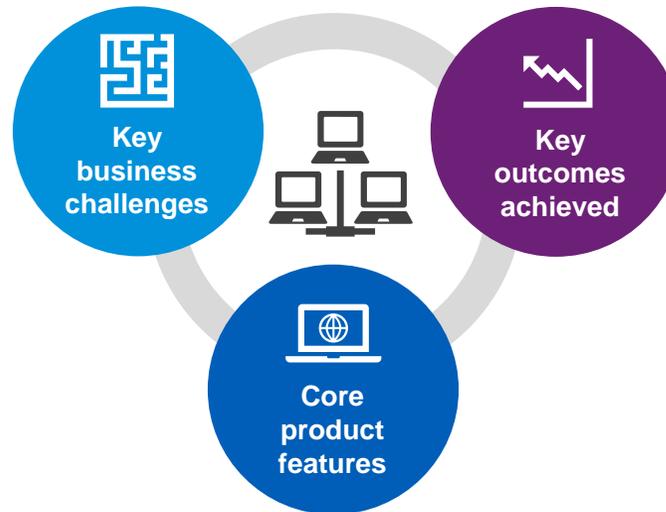


# Case study: 'HSBC Rocket Launcher'— a multi-dimensional cybersecurity as a service platform

## Rocket Launcher

HSBC's Technology GCC unit in India created Rocket Launcher, a self-service code security scanning platform that integrates all scanning tools and provides a complete and production-ready view with vulnerability scanning and testing and suggested fixes.

- No single portal clearance
- Security scanning tools were not available to the developers
- Long wait to identify vulnerabilities
- Fixes were cumbersome
- Traditional testing was slowing down the process



- Security testing reduced from four weeks to 15 minutes
- Security vulnerability remediation reduced from three days to five minutes in some cases
- Reduced cost per production and deployment, resulting in USD5 million being saved annually
- Developer efficiency and productivity increased by 60 per cent

A single portal that acts as a self-service tool to run all security scans

Tool prompts developers with fixes at their fingertips

Vulnerability prioritisation by highlighting issues that have a higher risk

Illustrates code quality trends through vulnerability trend analyser

Binary X-ray scanning to perform deep recursive scanning

Real-time alerts on issues to the stake-holders

76. Based on inputs received from HSBC



# Orchestrate a scalable and agile delivery model for demand fulfilment

GCC will be the command centre for the service orchestration model choosing the delivery model for demand fulfilment through a combination of GBS, outsourcing partners, gig workforce, academia and startups



## Decrease in outsourcing

- Organisations looked to increase control with data protection and cybersecurity becoming top priorities



## Consolidation of partners

- Lowering risks spread across multiple vendors
- Minimising the effort to manage multiple partners



## Shift to large outsourcing partners

- With increased investment on technical infrastructure, sizeable outsourcing partners offered better resilience to disruptions



## Increased contract flexibility

- Stringent clauses around adjusting the SLAs and KPIs and sustained improvement



### Outsourcing partners

- “As-a-service” models
- Outcome based engagements



### Gig workforce

- On-demand capacity
- Specialised/niche skills



### Academia

- Student Internships
- Outcome based partnerships



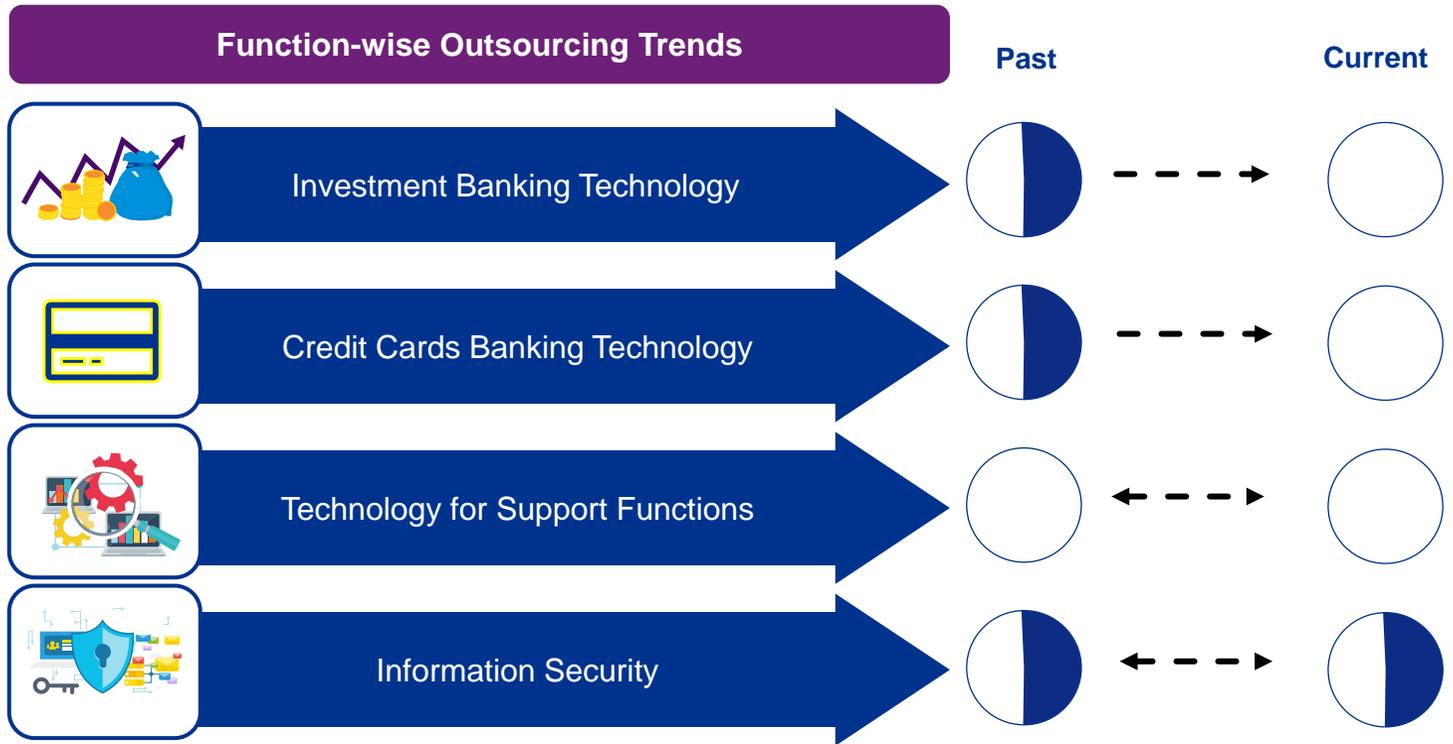
### Start-ups

- Joint GTM
- Platform partnership



# Case study: A UK based bank moving into insourcing from extensive outsourcing

A major UK based bank has significantly outsourced operations with more than 4000 vendor resources and has a well-developed vendor management office to liaise with them. However, they are currently moving into a sourcing model involving a combination of insourcing and outsourcing from a model that had multiple third-party suppliers.<sup>77</sup>



Some of their vendors are leading technology solution providers across the globe

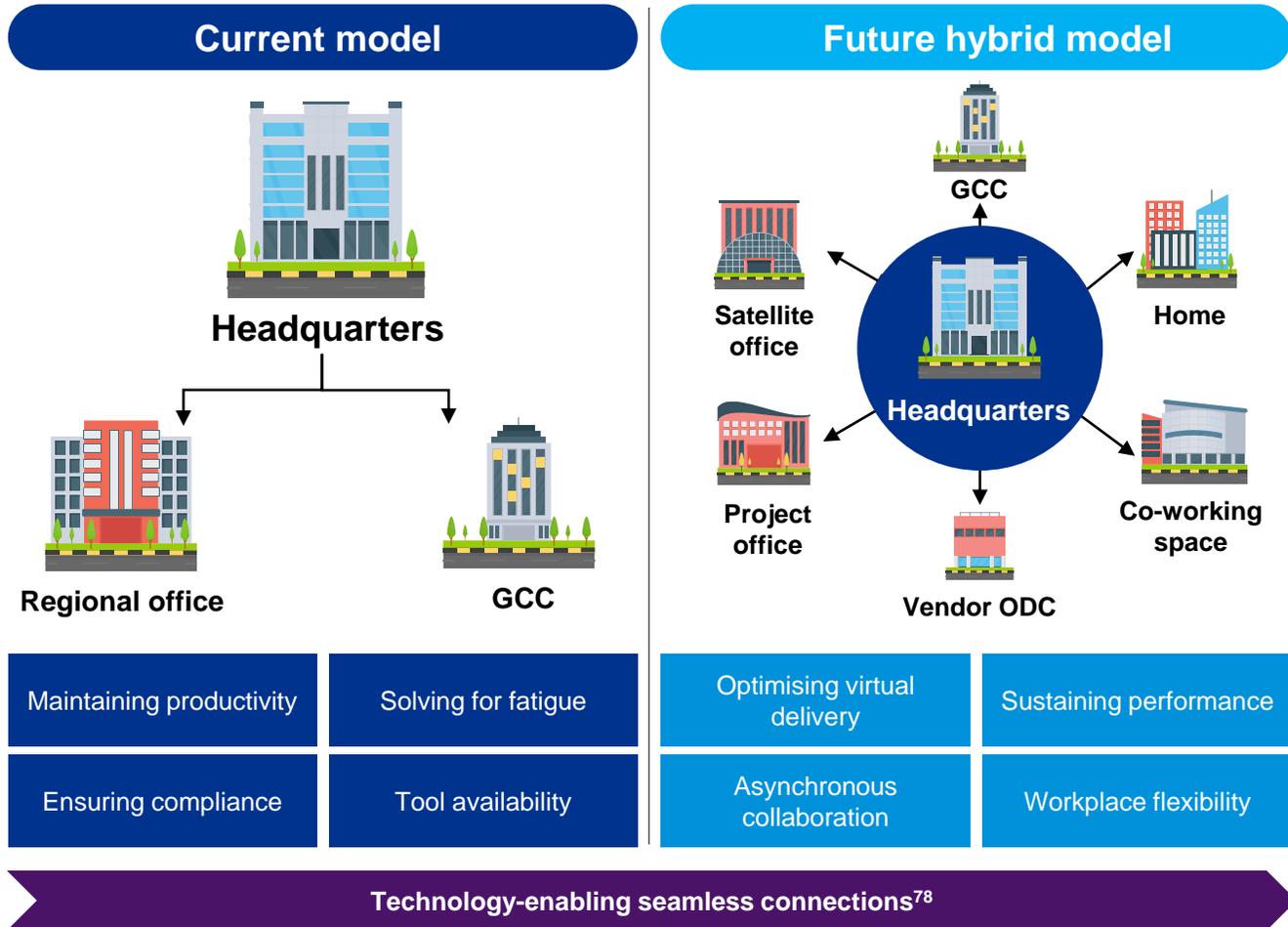
**Key to scale**

- Activities largely performed in-house
- ◐ Activities distributed between in-house and outsourced providers
- Activities primarily outsourced

77. KPMG GCC industry analysis



# Work from anywhere is leading to a 'Hybrid Working Model'



**A multinational banking and financial services company adopts a hybrid working model**

- As per the bank, hybrid workplace will be the new normal post-COVID 19. It is a model that combines office time and WFH (remote working).
- It is currently evaluating all options and working on the segmentation of workforce across categories including full-time working from home, partially working from home and full-time working from office.

**ESG agenda being at the core of GCC operations<sup>79</sup>**

Work from home in the Indian outsourcing sector has led to an 85 per cent drop in carbon emissions in FY21. Alongside, the growing focus on ESG regulations is further expected to reduce travel budgets.

78. KPMG GCC industry analysis

79. India's IT sector's carbon emissions down 85% due to WFH, digitisation, Times Now, 4 June 2021



# Case study: Swiss Re's "Own The Way You Work" programme (OTWYW)

Swiss Re's GCC in India played a key role in developing the digital workplace for effective implementation of the "Own The Way You Work" hybrid working model



- **Digital Workplace** — a one-stop-shop to learn, request and share ideas of new ways on working
- **On-demand trainings, materials and how-to videos** to equip employees on digital tools
- **Digital Workplace Experts** for round-the-clock support on remote working

Note: \*The revised policy has already been released

80. Based on inputs received from Swiss Re



# Case study: BFSI GCCs in India quickly adapted to the remote working implementation during the pandemic

## Initiatives taken by management to deal with risks<sup>81</sup>

### Short-term

- Implementation of virtual desktops (VDI/WVD)
- Conducting threat hunts to detect regular threats as well as unusual ones induced by the pandemic
- Providing privacy filters to all employees to ensure data privacy
- Updating risk management policies
- Provide access of organisation platforms to all remote users

### Long-term

- Review and revisit protection strategies of the operating model
- Build capability for on-demand incidence response
- Embrace cloud infrastructure
- Implement cyber security measures SOAR, deception and AI/ML based security operations

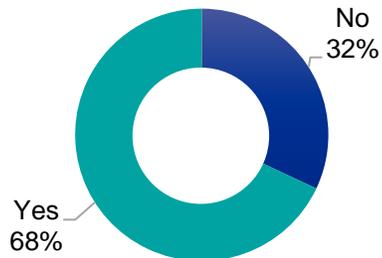
More than 90 per cent of BFSI GCCs have reported that they had effective third-party resilience measures in place to support the business operations and transition to remote-working during the pandemic

## Steps taken by the GCCs for the well-being of the employees

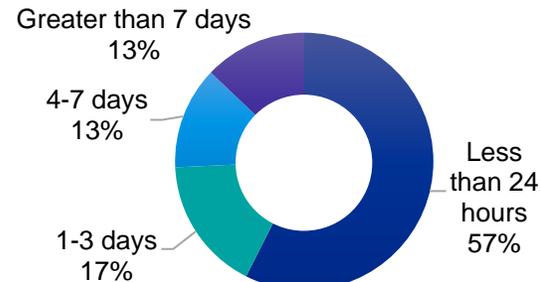
- Webinars for fun activities
- Virtual team building sessions
- Daily catch-up calls
- Providing regular operational updates



## Share of BFSI GCCs that enabled the global offices to function during the pandemic



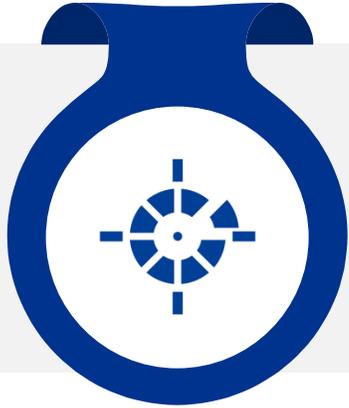
## Time taken to implement remote working in BFSI GCCs



81. KPMG GCC industry analysis



# GCCs are focused on building and preparing the workforce of the future



## Future workspace landscaping

- Redefined assumptions for the workforce blueprint
- Distributed and centrally coordinated operating model will address 'resilience' measures



## HR reshaping

- New age team structures: **Hire, Loan, Build, Bind, BOTS**
- New roles aligned to the new model



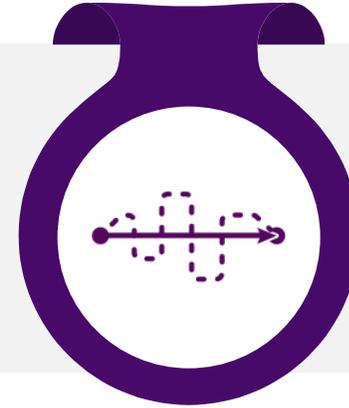
## Performance and productivity measurement

- Redefined individual and team metrics in the virtual working environment
- Leverage digital tools to track teams' productivity and use self-service reporting dashboards



## Effective leadership

- Flexibility to foster autonomy
- Authentic care for employees
- Managing a virtual and digital workforce



## Culture readiness of employees

- AI-based cultural readiness and transformation interventions will be key
- Effective and agile policies



## Technology enablers

- Digitised, self-serve processes
- Across learning, performance management, wellness, career planning and productivity management

### Workforce of the future

Adapted to the agile model

Aligned to the skills of the future

Enabled to drive efficiencies at a global scale

Leading global, networked teams

Incentivised to deliver outcomes



# There is significant demand for upskilling and reskilling of existing roles

## Demand for key GCC skills

### Growth expectations<sup>82, 83</sup>

2.5-30 million

FTEs by 2025 in GCCs in India

200-300

GCCs to be set up in India by 2025

### Examples<sup>85, 86, 87</sup>

40%

expected increase in workforce by 2022 at an GCCs in India, primarily driven by digital skills

1,700

employees onboarded in 2021 at an investment management firm's GCC in India, out of which nearly 60 per cent are for engineering functions.

### Increasing demand for skilled middle management professionals

- Growing automation and digitisation in the BFSI industry have led to creation of new technology roles
- However, with the current mid-level management lacking skills to handle the new tech-based roles, there is a need for in-house training to equip them to be future-ready

### Increasing demand for technology skills<sup>84</sup>

- Technological transformation in BFSI sector necessitating employees to invest in reskilling and upskilling to be future ready
- Digital Banking Report 2020 reports that **72 per cent** of the executives responding believed that there lies a threat in finding and training employees in the next five years
- **UX design, data analytics, AI, and cybersecurity** are some roles that are facing skill gap shortage in the BFSI sector

82. Forces to shape Global Capability centers (GCCs) in 202, NASSCOM, accessed as on 17 December 2021

83. Value Proposition Report, NASSCOM, accessed as on 17 December 2021

84. Study Reveals a 'Skills Gap' That Jeopardizes Future of Banking Workforce, Digital Banking Report, accessed as on 17 December 2021

85. GICs in India expanding their digital business, Live Mint, 23 June 2021

86. GICs in India expanding their digital business, Live Mint, 23 June 2021

87. Mass Mutual GCC to hire 550 people by December, The Hindu, 28 April 2021



# Case study: Career progression launchpad by Barclays to promote women in technology



88. Based on inputs received from Barclays



# Case study: Reskilling programmes at Societe Generale to enhance the knowledge capital

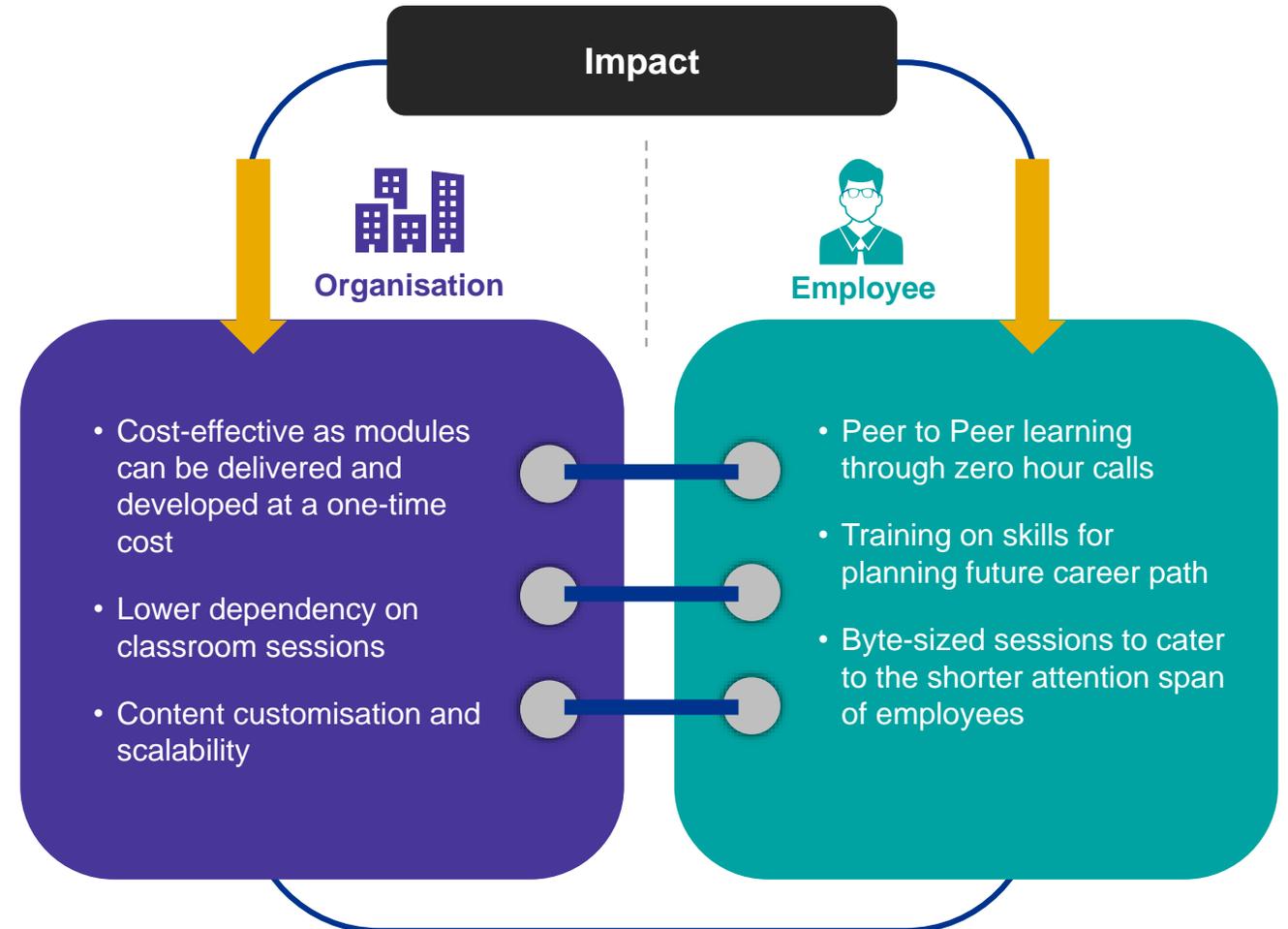
## Objectives

To transform themselves into an agile and continuously-learning organisation, thereby building a talent pool of experts with future-ready skills

## Initiatives

They launched a programme named SEEK (Skill Enhancement and Employable Knowledge Program) which has two components

- Digital Mindset Learning Program (DMLP)
- Fundamentals of Banking Operations (FBO) e-modules.



89. Based on inputs received from Société Generale



# GCCs are focused on reskilling their workforce for the future

GCCs in India are investing in upskilling and reskilling their workforce in technology and management areas through collaborations, focused training programmes and enhanced digital learning platforms.



The GCC of an asset management firm has introduced an L&D initiative with focus on two broad areas - "Student of Technology" and "Student of the markets"



Another GCC has an education policy that promotes employees to undertake higher education with reimbursement of course expenses



A banking GCC has introduced a training focused on niche technologies such as native cloud development for both public and private clouds

An insurance company's GCC introduced several measures to upskill its employees.

- Introduced a dedicated EDGE policy to drive higher education including MBA and certification courses in management and leadership
- Invested in skills of the future such as analytics, IT and robotics through trainings in dot.net, robotics process automation, Selenium, Node.JS, big data, artificial intelligence, machine learning, being agile, agile for teams, cyber security and automation testing
- Through these initiatives, 90 per cent of its employees underwent agile basics training



Another insurance company's GCC introduced immersive technology reskilling programmes with an intent to fill open positions and reduce the need to hire and mobilise talent.

- Areas covered include full stack development architecture, AI & ML, Chatbot, NLP, TensorFlow, Java and spring boot, Infoblox, SAP, data engineering and product management
- Leveraged digital learning ecosystem through curated role/ skill-based plans and pathways, Degreed LXP, O'Reilly, EdX, LinkedIn Learning and Pluralsight





# The efforts are directed towards building a more inclusive working environment

The GCCs in India are at the forefront of driving firm-wide initiatives to ensure 'Diversity and Inclusion' and workforce empowerment goals. The focus is on a wide range of areas such as accommodating women, veterans and people of the LGBTQIA+ community, while evaluating and training employees by redirecting focus from management to empowerment.<sup>90</sup>

## Impact of firm-wide initiatives

### Diversity and inclusion

- 40 per cent of the most inclusive companies in India are GCCs
- 27 per cent of the GCCs placed in 'Best Places to work for women'
- 35 per cent of the GCC employees are women
- One such example is that of GCC of a multinational bank that had a programme for women in ML to create a progression launchpad



### Workforce empowerment

- More than 200,000 employees trained within the GCCs for futuristic skills
- With effective performance management programmes, 55,000 to 60,000 employees trained for best practices to take up leadership roles



90. GCC Value Proposition – Helping India Emerge the Talent Crucible of the World", NASSCOM, accessed as on 17 December 2021



# Case study: Standard Chartered GBS' efforts in driving global programs

Standard Chartered GBS undertook several proactive efforts to drive the firm's global programmes including **Right shoring, workforce empowerment and smart sourcing** by focusing on three main areas

 Change its approach to an **advisory focus as opposed to cost focus**

 Offer industry expertise by **hiring the right talent** with deeper business acumen

 Leverage the GBS as a **sandbox** to learn by testing in smaller markets

## Major global programmes of Standard Chartered Bank

**Right shoring, location strategy and footprint optimisation**

Developed a team of **migration experts and sourcing advisory professionals**

Enhanced scalability and governance via **intuitive right shoring workflow**

Actively engaged with **country risk forums and third-party risk engagements**

**Workforce Empowerment (WFE)**

Emphasis was laid on empowerment over management by **change in narrative**

Focused on workforce well being by **promoting performance and learning culture** among staff

**Real time and outcome-oriented performance management** was established

**Smart sourcing**

Established a **champion challenger** ecosystem for client journey

Applied the learning and experience from one business/market to others

## Impact of the efforts

 Hubbing penetration increased from **31 per cent to 36 per cent**

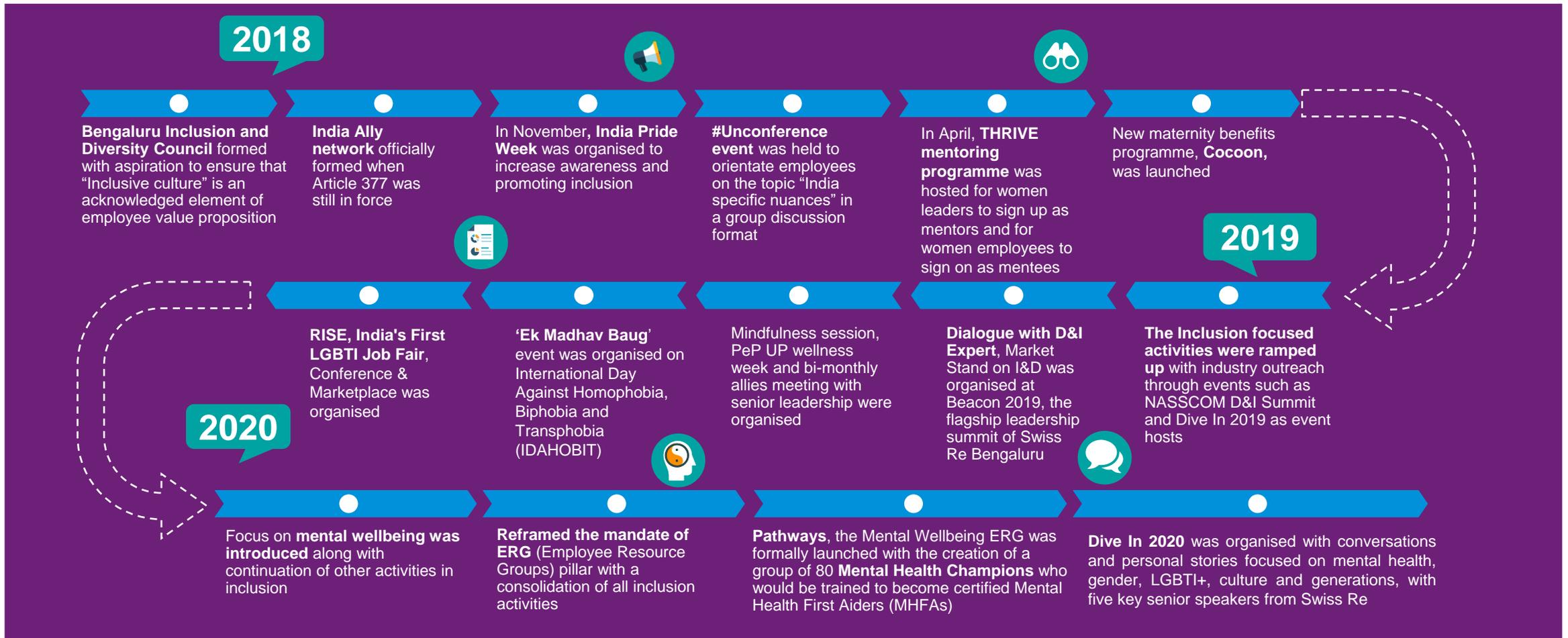
 As part of the hybrid model, **seat utilisation increased from 0.87 to 0.65** since January 2020

 Service reach in **workforce empowerment increased 160 per cent** from 5,000 pre-covid to 11,000 in 2020

91. Based on inputs received from Standard Chartered



# Case study : Swiss Re Bengaluru's inclusion journey



92. Based on inputs received from Swiss Re

# GCCs are augmenting risk management capabilities and operational resilience



## Non Financial Risks

- Non-financial risks have gained prominence on account of the potential adverse impact it can have on the financial institutions
- Leading GCCs are running specialised projects for revisiting the non-financial risk taxonomies, standardised assessment and reporting mechanisms
- Contemporary risks such as climate and catastrophic risk modelling is a key focus area across BFSI GCCs.



## Financial Risks

- BFSI GCCs have been augmenting capabilities for financial risk management with increasing talent availability and changing regulatory requirements.
- Building specialised teams for credit modelling, validation and capital modelling.



## Third Party Risks

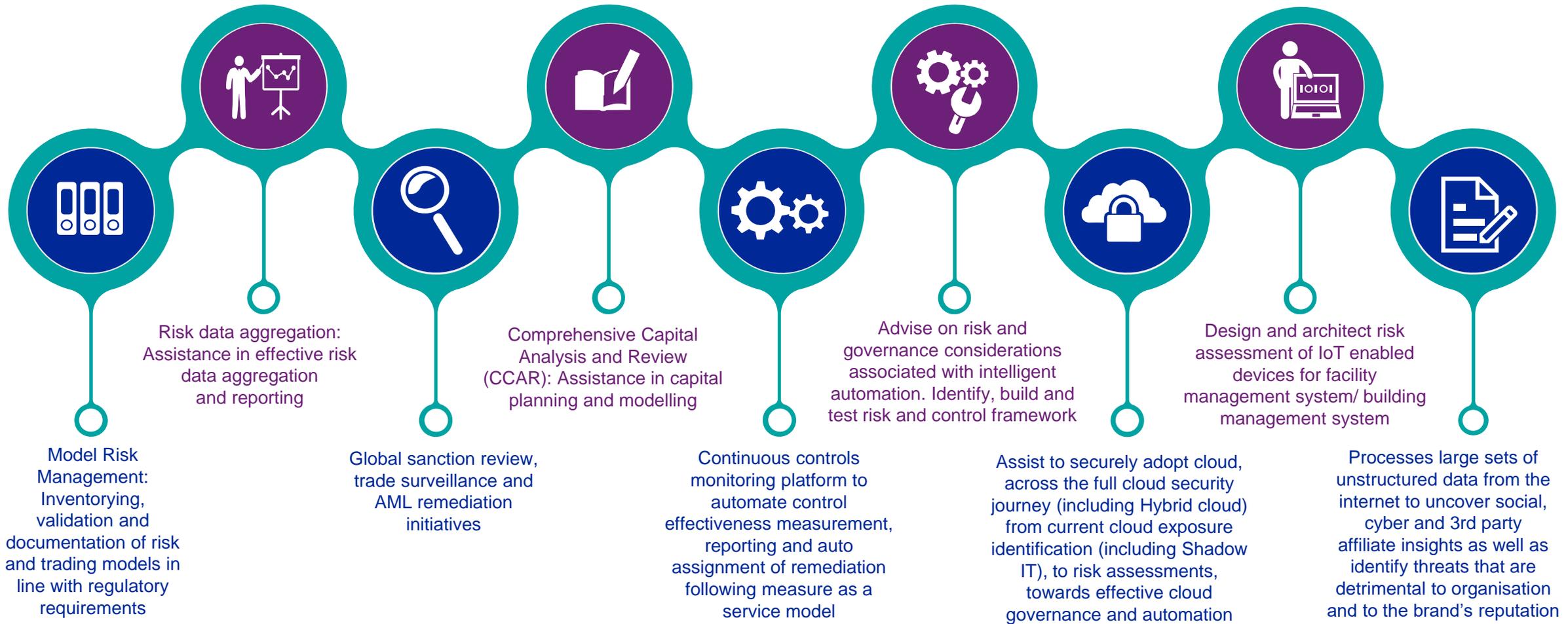
- BFSI GCCs are driving third-party risk management initiatives such as third-party risk assessment, periodic monitoring, contract management and periodic audits, in line with requirements of global regulators such as FED(Federal Reserve System), MAS(Monetary Authority of Singapore), PRA(Prudential Regulation Authority), among others



## Operational Resilience

- COVID-19 pandemic tested the resilience of capability centres and majority of the players were equipped to handle the situation by balancing work through various centres and remote working methodologies.
- Apart from alternate locations, GCCs also performed load balancing by cross-training employees and automating processes to continue business operations.

# BFSI GCCs are delivering impactful use cases in the risk and resilience space



# Table of contents

Executive Summary

Key signals of change in the BFSI sector

BFSI GCCs in India: Lay of the land

Transformation levers for BFSI GCCs

**Challenges faced by BFSI GCCs**

Road ahead

Appendix

05

# Challenges in the BFSI sector

## Geo-political issues

Growing calls for nationalism and geo-political instability are affecting location strategies

## Infrastructure challenges

Access to fixed-line broadband internet, unreliable electricity and crowded homes are restraints for a hybrid-working model

## Nearshoring

Smaller onshore and nearshore centres are an area of interest for BFSI driven by favourable factors such as cost, culture and proximity



## Retail arm closures

Global BFSI institutions are exiting the Indian retail market due to rising financial uncertainties

## Talent scarcity in scaling niche technology workforce

Talent shortage in scalable workforce within niche technology processes

# Infrastructure shortcomings and growing popularity of nearshore centres are growing threats for BFSI GCCs in India

## Challenges

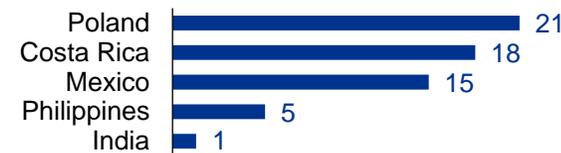
## How are firms responding?



### Infrastructure challenges

#### Access to fixed-line broadband internet, unreliable electricity and crowded homes are restraints for a hybrid-working model<sup>93</sup>

- To have a fully functional hybrid working, access to fixed-line broadband internet connections is an imperative. However, the country has low fixed line internet connection per 100 people compared to other popular nearshoring or offshoring destinations
- Lack of infrastructure at homes to enable a smooth hybrid-working model, due to periodic power outages and crowding, also act as hindrance.



Fixed broadband subscriptions (per 100 people - 2020)

The key to a successful hybrid working model lies in a robust IT infrastructure foundation. BFSI organisations operating their technology centres in India are providing allowances to enable a better working environment at home. Some of the steps focus on enabling a better at-home workstation due to lack of basic home infrastructure through

- Monthly allowances for internet connections, electricity bills etc.
- Tie-ups with furniture renting companies, etc.



### Nearshoring

#### Smaller onshore and nearshore centres are an area of interest for BFSI<sup>94, 95</sup>

- In 2019, several big banks including the likes of Deutsche Bank, Citibank, Goldman Sachs etc. transitioned their US operations from high-cost locations such as New York to low-cost cities such as Salt Lake and Jacksonville
- Cost, culture and proximity values associated with such a move were key drivers. Increasingly, BFSI is preferring to build integrated delivery models with multiple nodes connected to offshore centres in India
- Other nearshore locations such as Poland, Colombia, Mexico and Costa Rica are gaining significant traction.

BFSI organisations believe that nearshoring and offshoring can co-exist. For e.g., banks can still retain 10 per cent of their front-office work in such nearshoring locations, while majority of the middle and back-office work can be transitioned to countries such as India, as the associated advantages move beyond cost and labour arbitrages

93. Fixed broadband subscriptions (per 100 people), The World Bank, accessed as on 1 December 2021

94. Deutsche Bank is moving jobs from sunny Florida to India to cut costs, Business Insider, 12 January 2019

95. Why Phoenix companies choose Colombia for nearshore manufacturing, production and hemispheric logistics', Biz Journals, 16 December 2020

# The push for nationalism and sudden closure of retail operations may act as deterrents

## Challenges

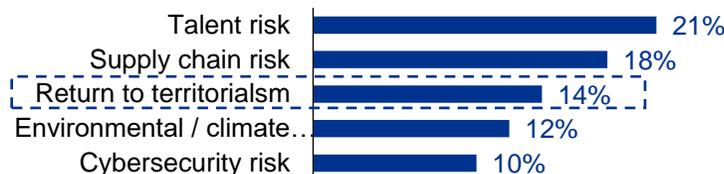
## How are firms responding?



### Geo-political issues

#### Growing calls for nationalism and geo-political instability affecting location strategies

- Since 2018, there have been several issues of nationalism affecting businesses and their location strategies. In a Global CEO pulse survey conducted by KPMG International during the pandemic, 'Return to territorialism' ranked as their third-biggest threat to growth behind 'Talent risk' and 'Supply chain risk'
- Across the globe, there are several calls made by governments to prevent greater offshoring of jobs. Such calls impact location strategy of organisations and BFSI is no exception.



Top five risks envisioned by global CEOs in 2020, KPMG 2020 CEO Outlook: COVID-19 Special Edition<sup>96</sup>

Organisations are adopting a 'wait and watch' approach. However, considering that several BFSI institutions already have a large-scale presence in India, changing location strategies may not be an easy option to consider



### Retail arm closures

#### Global BFSI institutions exiting the Indian retail market

- Heightened financial uncertainties owing to COVID-19 and poor profits are forcing global BFSI firms to wrap up retail business operations in the country. However, they are still operating their GCCs in the country to leverage operational and technological advantages
- In the last few years, a few BFSI institutions have announced plans to wrap up retail operations in the country in parts or in full. Likewise, investment majors have given up their banking license
- Despite all these closures, their capability centres in the country continue to support their parent organisations.

India as a GCC hub offers operational advantages for global BFSI that are too significant to ignore. This partly explains the growth in the headcount of centres operating in the country in the last few years — despite the exit from their retail businesses.

96. KPMG 2020 CEO Outlook: COVID-19 Special Edition, KPMG International, accessed as on 17 December 2021

# Ability to build a sustainable and scalable talent pool esp. in niche areas continues to be a challenge for the industry

## Challenges

### Talent shortage in scalable workforce within niche technology processes<sup>97</sup>

- The talent shortage is prevalent in two key areas including middle office domain specific processes for insurance, such as pricing analytics, risk modelling and actuarial, along with niche technology processes such as AL, ML, cloud, blockchain, full-stack developers and cybersecurity
- The lack of a scalable workforce in niche areas is faced with stiff competition from countries such as Colombia, China and Vietnam, which are trying to bridge the gap of the English-speaking population
- High degrees of separation between the front, middle and back offices
- Focus on traditional hiring channels like recruitment agencies, campus placement, among others. and roles tied to a particular location
- Lack of tools and technologies to manage employee performance and productivity
- Excessive emphasis laid on work archetypes tied to a role
- Ambiguous and unclear communications channels and messaging.



Talent scarcity in scaling niche technology workforce

## How are firms responding?

Indian GCCs are planning to use a combination of automation and shift low risk/complex jobs to virtual locations, upskilling and reskilling, and partnering with premium institutes to create talent with future-ready skills

They have also established tie ups with third-party vendors and are conducting training programmes to reskill/upskill their employees to make them future-ready. Companies are also looking to hire talent from Tier 2/Tier 3 cities to access a larger talent pool and minimise their talent concentration risk.

97. World Outsourcing Hub India Battles Record Talent Squeeze, accessed as on 17 December 2021

# Table of contents

Executive Summary

Key signals of change in the BFSI sector

BFSI GCCs in India: Lay of the land

Transformation levers for BFSI GCCs

Challenges faced by BFSI GCCs

**Road ahead**

Appendix

06

# Road ahead – Future of BFSI GCCs (1/2)

## End to end digital infusion



- Utilise emerging technologies such as RPA, AI, IoT, AR/VR in service delivery
- Accelerate cloudification of the organisation – control demand, plug and play, as-a-service focus
- End-to-end processes built around customer journeys and service outcomes
- Define clear performance metrics and drive increased rigor to maximise return on investment on digital spends
- Build new-age talent & domain expertise
- Design real-time performance dashboards and promote self-service offerings to free up capacity.

## Operating model resilience



- Revisit the work placement strategy and sourcing mix (in-house vs outsourced) to enhance overall efficiency
- Adopt an ecosystem approach to delivery model – allows for differentiated capabilities
- Focus on higher value-added activities and outsourcing of non-core/support functions
- Restack the vendor portfolio and enter into newer and smarter value agreements addressing risk, resiliency and quality
- Focus on gig economy for on-demand capacity augmentation
- Identify opportunities to monetise stressed assets.

## Workforce shaping



- Accelerate movement from a role-based to a skills-based organisation
- Revisit the talent acquisition strategy – from dependence on acquisition partners to innovative sourcing channels like hackathons, case studies, etc.
- Focus on employee well-being and safety
- Encourage collaboration and drive a connected workplace
- Ensure continuous capability development and reducing the quality gap through investment in productivity enhancement techniques.

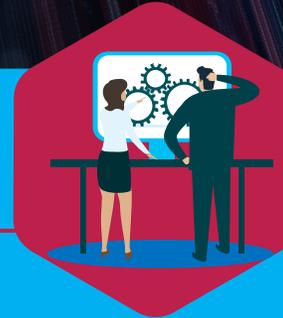
# Road ahead – Future of BFSI GCCs (2/2)

## Network of digital centres



- Rebalance the existing service portfolio by identifying opportunities for co-location, logical coupling and process adjacency
- Revisit the delivery footprint to reduce concentration risk and enhance resiliency
- Evaluate potential movement of some resources to remote working options for easy ramp up/down, and to make the real estate less capex heavy
- Geography no longer matters – focus on virtual and automated service delivery with greater end-to-end process execution.

## Risk Management



- Sharpening of brands and creating sustainability strategies
- Establishing a pandemic preparedness framework
- Assessing emerging technology risks including ESG issues
- Define process controls and adopt risk automation to meet regulatory compliances
- Use enhanced risk management frameworks encompassing fraud and misconduct risk typology assessment.

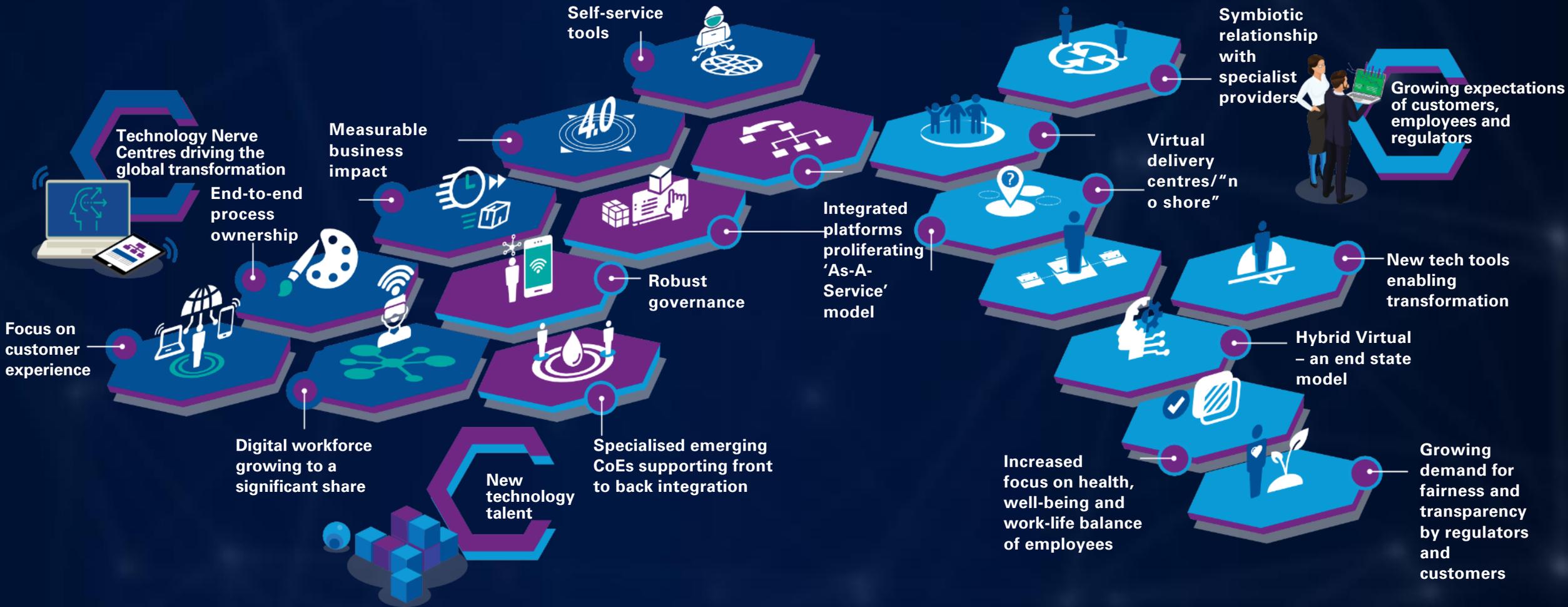
## Co-creating value



- Unlock cost savings opportunities with a frugal mindset
- Decouple correlation between labour and revenue growth
- Pivot towards value/outcome-based delivery methods to incentivise innovation
- Relook at the innovation roadmap with a focus on tangible outcomes
- Double down on wage arbitrage opportunity
- Prepare business cases for investment to uplift capability for additional resilience requirements.

# GBS of 2025- a critical plug-in to the global service delivery model

GBS model = GCC + Service Providers + Startup ecosystem



# Table of contents

Executive Summary

Key signals of change in the BFSI sector

BFSI GCCs in India: Lay of the land

Transformation levers for BFSI GCCs

Challenges faced by BFSI GCCs

Road ahead

**Appendix**

07

# Glossary: Abbreviations (1/2)

Abbreviation	
<b>AI</b>	Artificial intelligence
<b>AML</b>	Anti money laundering
<b>API</b>	Application programming interface
<b>AR</b>	Accounts receivable
<b>ATM</b>	Automated teller machine
<b>B2B</b>	Business to business
<b>BaaS</b>	Banking as a Service
<b>BCP</b>	Business continuity planning
<b>BEC</b>	Business email compromise
<b>BFSI</b>	Banking, financial services and insurance
<b>BPM</b>	Business process management
<b>CAGR</b>	Compound annual growth rate
<b>CBDC</b>	Central bank digital currency
<b>CCPA</b>	California Consumer Privacy Act
<b>CD</b>	Continuous delivery
<b>CEO</b>	Chief Executive Officer
<b>CFT</b>	Countering the financing of terrorism
<b>CI</b>	Continuous integration
<b>CIO</b>	Chief Information Officer
<b>CoE</b>	Centre of Excellence
<b>CSPM</b>	Cloud Security Posture Management
<b>D&amp;I</b>	Diversity and inclusion

Abbreviation	
<b>DAM</b>	Database activity monitoring
<b>DAST</b>	Dynamic application security testing
<b>DevSecOps</b>	Development, security, and operations
<b>DLP</b>	Data loss prevention
<b>DMARC</b>	Domain-based message authentication, reporting, and conformance
<b>EDR</b>	Endpoint detection and response
<b>EIPP</b>	Electronic Invoice Presentment and Payment
<b>EMI</b>	Easy monthly installment
<b>ERP</b>	Enterprise resource planning
<b>ESG</b>	Environmental, social, and governance
<b>EU</b>	European Union
<b>EVT</b>	Extreme value theory
<b>FAQs</b>	Frequently asked questions
<b>GBS</b>	Global Business Services
<b>GCC</b>	Global capability centres
<b>GDPR</b>	Global data protection regulation
<b>GTM</b>	Go to market
<b>IDaaS</b>	Identity as a service
<b>IoT</b>	Internet of things
<b>IRM</b>	Information rights management
<b>IVR</b>	Interactive voice response

# Glossary: Abbreviations (2/2)

Abbreviation	
<b>KPIs</b>	Key performance indicators
<b>KYC</b>	Know your customer
<b>L&amp;D</b>	Learning and development
<b>LGBTQIA+</b>	Lesbian, gay, bisexual, transgender, queer, intersex, asexual, pansexual
<b>LIBOR</b>	London inter-bank offered rate
<b>MFA</b>	Multi-factor authentication
<b>ML</b>	Machine learning
<b>MRM</b>	Model risk management
<b>NLP</b>	Natural language processing
<b>ODC</b>	Offshore delivery centre
<b>OEM</b>	Original equipment manufacturer
<b>QR</b>	Quick response
<b>RPA</b>	Robotic process automation
<b>RSS</b>	Really simple syndication
<b>SAST</b>	Static application security testing
<b>SCA</b>	Service component architecture

Abbreviation	
<b>SFDR</b>	Sustainable finance disclosure regulation
<b>SLAs</b>	Service level agreements
<b>SOAR</b>	Security orchestration, automation and response
<b>SoD</b>	Security on demand
<b>SOX</b>	Sarbanes-Oxley Act
<b>STP</b>	Straight through loan processing
<b>SupTech</b>	Supervisory technology
<b>TDD</b>	Transaction due diligence
<b>TLS</b>	Transport layer security
<b>UEBA</b>	User and entity behaviour analytics
<b>UI</b>	User interface
<b>UNPRI</b>	United Nations Principles for Responsible Investment
<b>UX</b>	User experience
<b>VDI</b>	Virtual desktop infrastructure
<b>VR</b>	Virtual reality
<b>WVD</b>	Windows virtual desktop
<b>WFH</b>	Work from home

# Methodology

This report has been authored through a series of primary and secondary studies that were focused on understanding the BFSI GCC landscape of India

## Secondary research

- Journals
- Industry reports
- Press releases

- Interviews conducted with GCC industry leaders
- Case studies shared by GCCs

## Primary research

Analysis

Compilation and report presentation

# Acknowledgements

We sincerely thank all the BFSI GCC leaders who invested their valuable time to give us inputs and contribute to this report. Our special thanks to all the NASSCOM Council Members for their valuable inputs during report finalisation.

We thank all the KPMG Global Leaders, KPMG in India Partners, Directors and colleagues who provided inputs and continuous support from conceptualisation to the launch of the report. We acknowledge the efforts put in by the following team members for publication of this report.

## KPMG in India

- Shalini Pillay
- Sanjay Doshi
- Arun Nair
- Srinivas Potharaju

## NASSCOM

- Sukanya Roy
- K S Viswanathan
- Achyuta Ghosh
- Sonia Charak
- Shreya De

We acknowledge the efforts put in by the core team, right from the initiation to publication of this report.

- Koshy Thomas
- Aayush Goel
- Kishore Kunal
- Sudipta Chakraborty
- D Raghavender
- Raahul Gautam
- Sameer Hattangadi
- Nisha Fernandes
- Shveta Pednekar
- Venkatesh R



# About KPMG in India

KPMG entities in India are professional services firm(s). These Indian member firms are affiliated with KPMG International Limited. KPMG was established in India in August 1993. Our professionals leverage the global network of firms, and are conversant with local laws, regulations, markets and competition. KPMG has offices across India in Ahmedabad, Bengaluru, Chandigarh, Chennai, Gurugram, Hyderabad, Jaipur, Kochi, Kolkata, Mumbai, Noida, Pune, Vadodara and Vijayawada.

KPMG entities in India offer services to national and international clients in India across sectors. We strive to provide rapid, performance-based, industry-focussed and technology-enabled services, which reflect a shared knowledge of global and local industries and our experience of the Indian business environment.

# About NASSCOM

NASSCOM is the industry association for the IT-BPM sector in India. A not-for-profit organisation funded by the industry, its objective is to build a growth led and sustainable technology and business services sector in the country with over 3,000 members. NASSCOM Research is the in-house research and analytics arm of NASSCOM generating insights and driving thought leadership for today's business leaders and entrepreneurs to strengthen India's position as a hub for digital technologies and innovation.

## KPMG in India contacts:

### Shalini Pillay

India Leader –  
Global Capability Centres  
Office Managing Partner, Bengaluru  
P: +91 9844018843  
E: shalinipillay@kpmg.com

### Sanjay Doshi

Partner, Financial Services  
Advisory Leader  
P: +91 9820298832  
E: sanjaydoshi@kpmg.com

### Arun Nair

Partner,  
GBS Advisory  
P: +91 9619886134  
E: arunnair@kpmg.com

## NASSCOM contacts:

### Sukanya Roy

Director GCC and BPM  
P: +91 9611000133  
E: sukanya@nasscom.in

### Srinivas Potharaju

Partner, Digital GCC Leader and  
National Co-Leader for Digital Risk,  
Security and Governance (DRSG)  
P: +91 9845919740  
E: srinivasbp@kpmg.com

### Koshy Thomas

Director, Risk Advisory –  
Financial Services  
P: +91 9930249241  
E: koshythomas@kpmg.com

[home.kpmg/in](https://home.kpmg/in)



Follow us on:

[home.kpmg/in/socialmedia](https://home.kpmg/in/socialmedia)



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation. The views and opinions expressed herein are those of the quoted third parties/survey respondents and do not necessarily represent the views and opinions of KPMG in India.

KPMG Assurance and Consulting Services LLP, Lodha Excelus, Apollo Mills Compound, NM Joshi Marg, Mahalaxmi, Mumbai - 400 011 Phone: +91 22 3989 6000.

© 2022 KPMG Assurance and Consulting Services LLP, an Indian Limited Liability Partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

This document is for e-communication only. (040\_THL0122\_SP\_RV)