



WHITE PAPER

OPERATIONS AND PROCESSING

**MANAGED SERVICES: HOW TO
MAKE IT WORK FOR YOUR BUSINESS**

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So, what exactly is a Managed Service?

There is no single answer to this question since the term 'Managed Service' is wide-ranging and versatile, with different nuances in different contexts. Typically it involves one or more services: hardware provision and hosting, technical infrastructure support, or application monitoring and support. It ranges from Software as a Service (SaaS) through to complete Business Process Outsourcing arrangements for whole business operations.

In Securities Finance and Collateral Management today, the most common interpretation of Managed Services is the structured onsite support of an application running in the customer's own technical environment. Looking forward, the more advanced customers are also looking for Managed Services to provide a complete hosted offering, allowing them to focus solely on running their business.

Managed Service and you

Due to the multitude of interpretations possible for the term 'Managed Service' it is important to define your requirements clearly when you consider implementing one into your business.

Identify what it is you are looking for: application management only, solution hosting, operating environment support, Applications Service Provider (ASP) services and/or Business Process Outsource (BPO).

Crucially, ascertain the visions of your key stakeholders. It is quite possible that each of them has a different notion of what a Managed Service is, so it is vital you all start on the same page and understand each other's expectations.

A pivotal question to pose is "How adaptable is this service, and will it deliver to my specific requirements?", rather than adopt an 'out of the box' inflexible approach.

Alongside clear definition, you need to consider the scale and scope of the service you require. Ideally, it should be flexible, allowing for the development of solutions across shared resources. This scalability should give your organization the capacity required to deliver against its own ongoing internal needs and requirements.

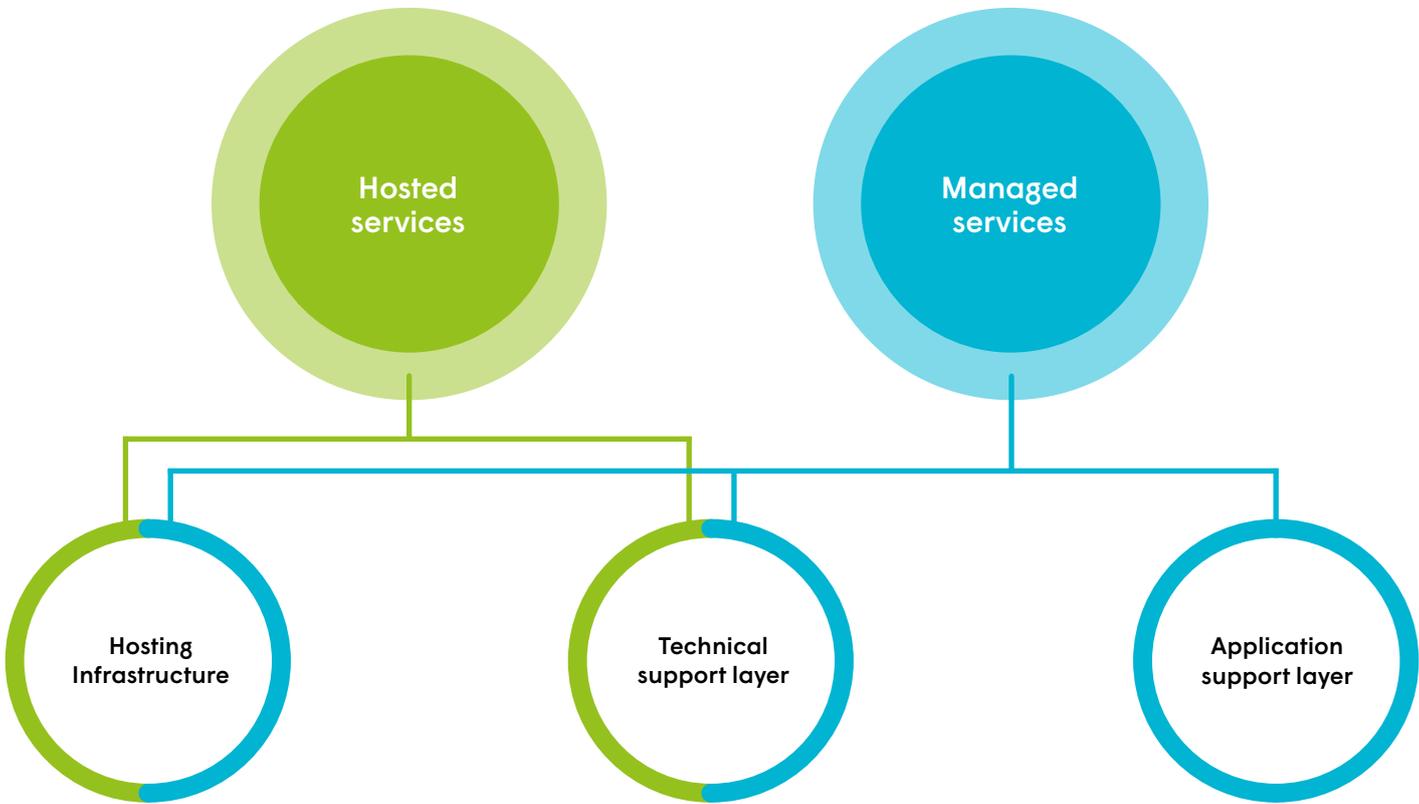
In today's cost-conscious environment, every financial institution is looking to save money and improve efficiency within their business. Consequently, there is a huge drive towards outsourced technology and business process management.

Managed Services – the provision of hardware and application services and support – is beginning to carve out an important niche, in both Securities Finance and Collateral Management. It could well be the best way to reduce your Total Cost of Ownership (TCO) and provide more efficient service delivery.

DAVID SELWOOD, HEAD OF MANAGED SERVICES SECURITIES FINANCE, FIS.



Example of a Managed Services structure



Server

- Configuration
- Storage
- Firewalls
- Comms/data pipe
- Connectivity

Desktop

- Connectivity
- Delivery to desktop
- Access

Server

- Hardware
- Infrastructure
- Operating system
- Database(s)
- Middleware
- Scheduling (server side)

Desktop

- Delivery to desktop
- Connectivity

Server

- Administrative
- Business support
- Upgrades
- Project work
- Scheduling (client side)

How will I benefit from a Managed Service?

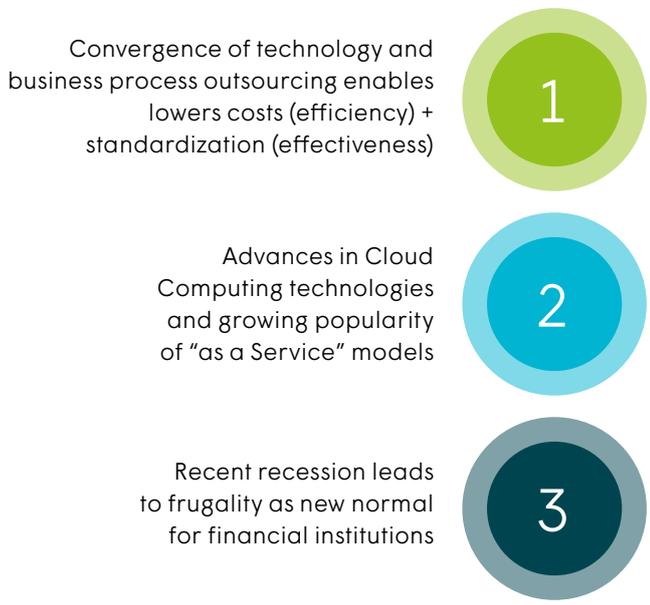
It's interesting to chart the different paths that have been taken by the North American (NA) and international securities lending markets. In NA, the benefits of Managed Services have been understood for many years, with Loanet providing a unique level of automation and efficiency in the Securities Finance market.

However, outside NA, businesses have historically had less access to these types of services, and even where it has become available they have been slower to recognize the benefits of market innovations such as software as a service, and the additional level of automation that is enabled by a connected community.

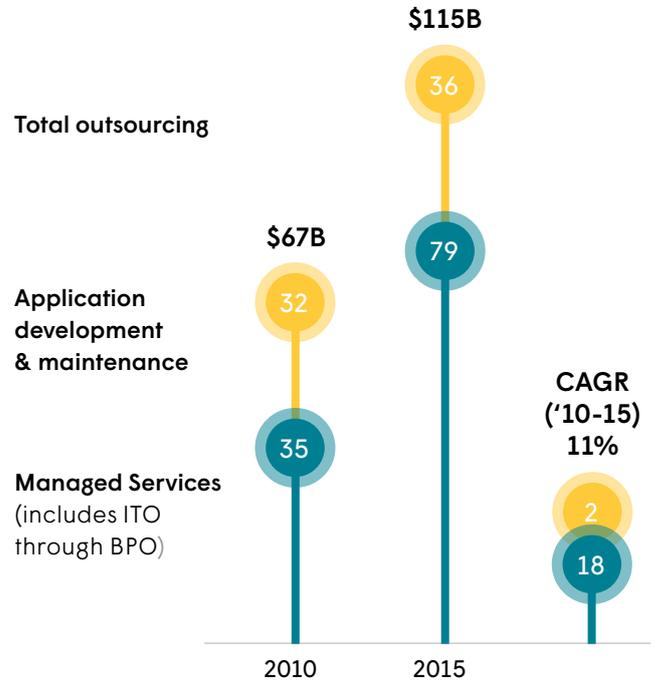
Using a Managed Service helps your business to focus on its core competency of securities finance, collateral optimization and operational management by having the Managed Services team take over the commodity and non-core aspects of running the applications and infrastructure.

As well as giving you focus, well planned adoption of Managed Services will drive efficiencies in your business and – crucially – can make it more cost-effective. How can this be achieved? The operational and support functions around highly specialized software can be one of the most expensive areas in your business. By providing such support for multiple customers, Managed Services providers combine the overheads of training, provide a breadth of experienced staff with specialist knowledge, and leverage close cooperation with application development. In this way Managed Services offerings typically reduces your TCO and operational risk.

Managed Services growth is primarily driven by three factors



Global financial services institutions outsourcing spend (\$ Billions)



New approaches

There is a clear trend developing that sees Managed Services expanding to include new ways of approaching application support in the Securities Finance market. The most prominent aspect of this is the inclusion of a hosted element, where ownership and operation of physical hardware along with support and management of applications lies within the service provider's remit. Mixed virtual and physical environments are becoming more common across the industry, and offer clients further flexibility in terms of performance and cost.

The adoption of Managed Services tends to be more advanced in the sphere of Collateral Management. One of the reasons for this may be that many firms have moved towards onshore/offshore service teams and onshore/offsite personnel – all using a single solution. It is crucial for suppliers to be able to align these services with a co-existing package that enables 'service bundle' requirements to be satisfied.

Software as a Service (SaaS) models are now becoming more prevalent. We can see this in electronic markets and automated trading activity, as well as surrounding services offering end-to-end solutions for trade matching and broadcast requirements. An interest in new services that can help improve process efficiencies is driving the demand for supplier-led initiatives.

In a number of cases, customers are initiating more of a Business Process Outsource (BPO) model, which focuses on reducing costs through the wholesale movement of people, processes and responsibilities from the client to the vendor. The objective when using this model is again to allow the customer to focus on their core competencies and use BPO to increase productivity and improve customer service, whilst simultaneously cutting costs within the business.

Looking to the future

For the smaller consumer, the provision of Managed Services will present an opportunity to level the playing field. Customers will access tier-1 systems and functionality but without the need for tier-1 scale IT operations teams and data centers.

As more regulation looms, there is an urgent need to adapt and deliver appropriate services; business convergence continues, and electronic trading platforms and automated operational processes become ever-more pervasive.

Managed Services can provide you with the ability to 'plug' into the overall market with ease. This is absolutely vital for boutique lenders and brokers, as well as institutions taking a more active approach to risk.

Perhaps now is the time to consider whether the 'installed' software model will soon be obsolete? The way in which we consume software and services in our daily lives has paved the way for this to happen. There is a new generation of business users who have evolved beyond the static model, and institutions ignore this at their peril.

In the current environment, businesses need to adapt or die. All of our customers are looking for ways to cut costs and improve efficiency within their institutions, and it is our firm belief that Managed Services should be considered as a key part of the solution.

About FIS' Securities Finance Solutions

FIS' securities finance solutions help all types of securities finance market participants achieve greater transparency, efficiency and automation. Our solutions support stock borrowing and lending, repo trading, prime brokerage and collateral management. FIS' same-day global securities lending data also helps firms analyze the latest movements in the markets. For more information, please visit www.fisglobal.com/securitiesfinance

About FIS

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