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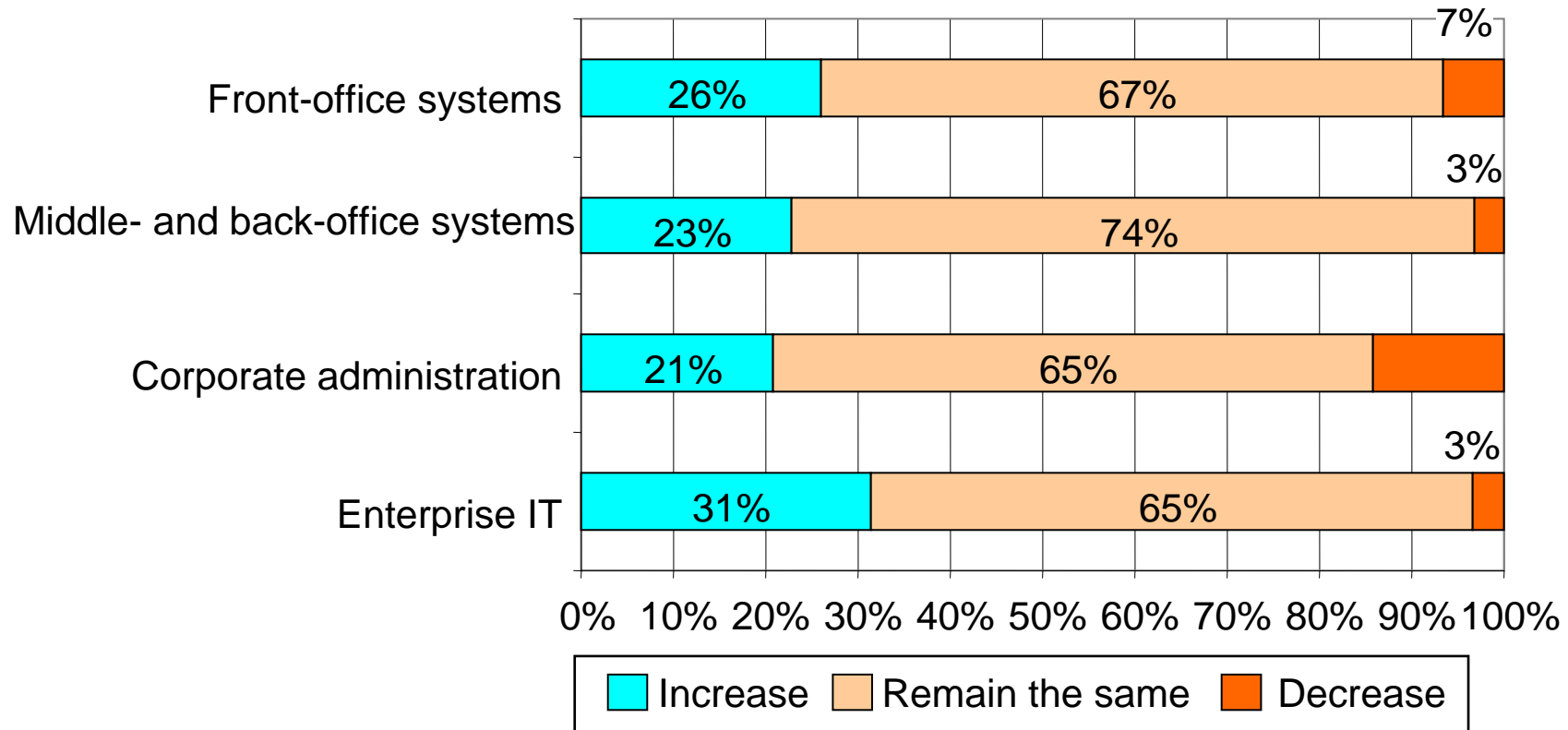
ENS Components Drive IT Spending in Investment Services

Peter Redshaw
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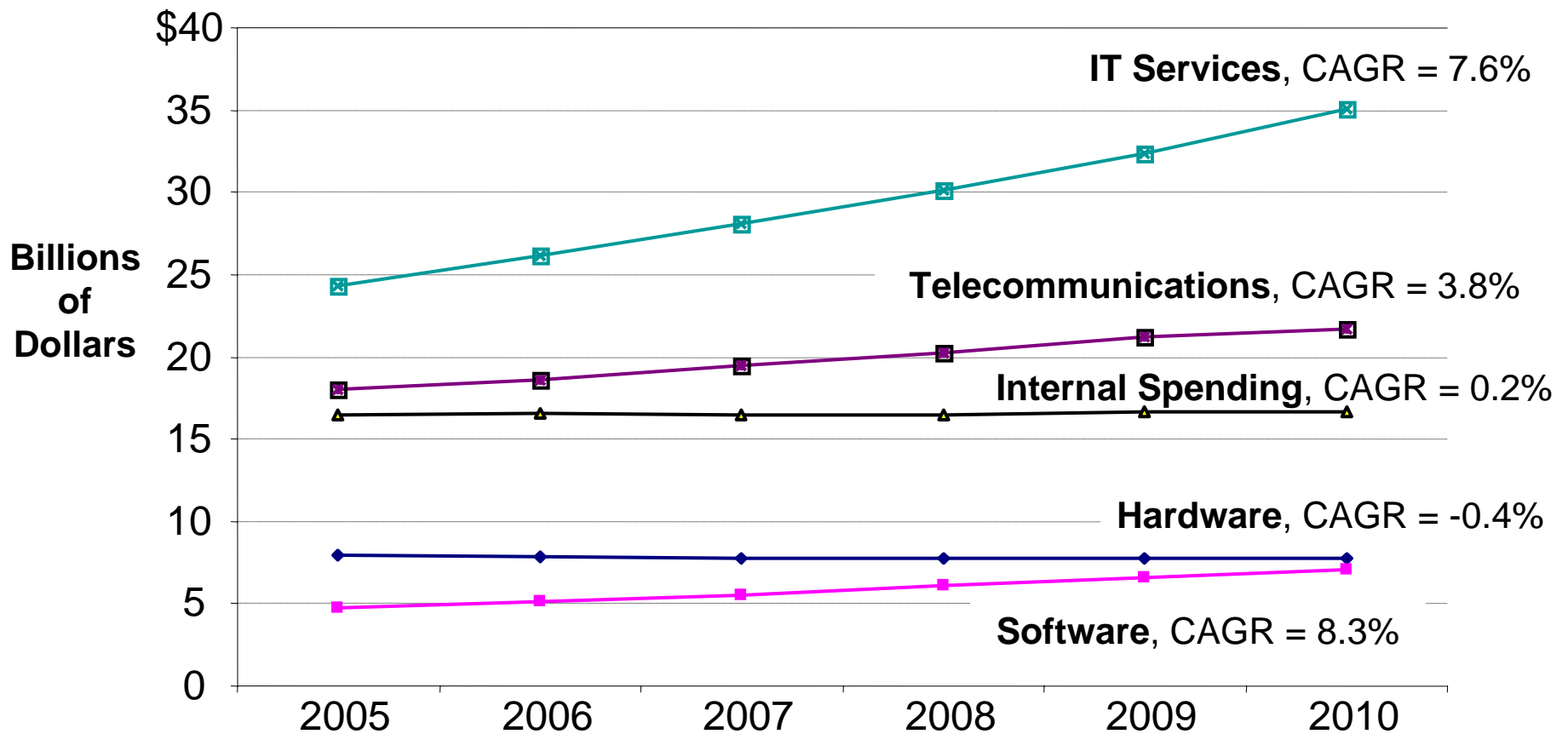
IT Budget Changes, 2006 to 2007



Few IT budgets are set to decrease in 2007; but modest increases and greater demands from the business will mean that resources are stretched more than ever.

That budget will also be expected to achieve a great deal more — coping with more transactions and more asset types and more regulations. The risk is that the amount available for discretionary investments in technology actually decreases over time.

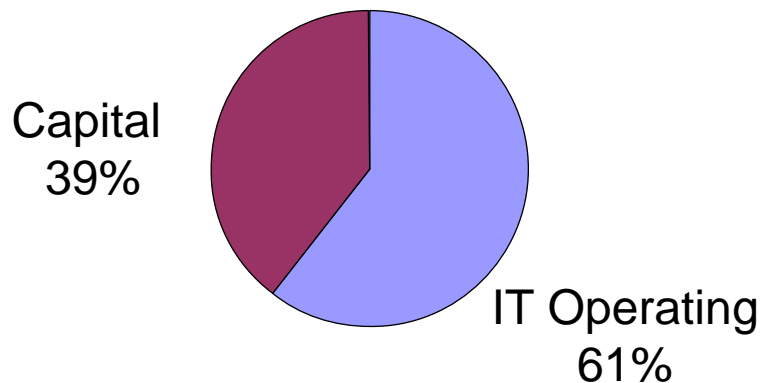
IT Spending Forecast (North America + Western Europe, Securities, 2005 to 2010)



Overall compound annual growth rate (CAGR) is 4.3%, and IT spending grows from \$71.5 billion to \$88.3 billion.

Keeping the Lights On

Capital vs. Operating Spending

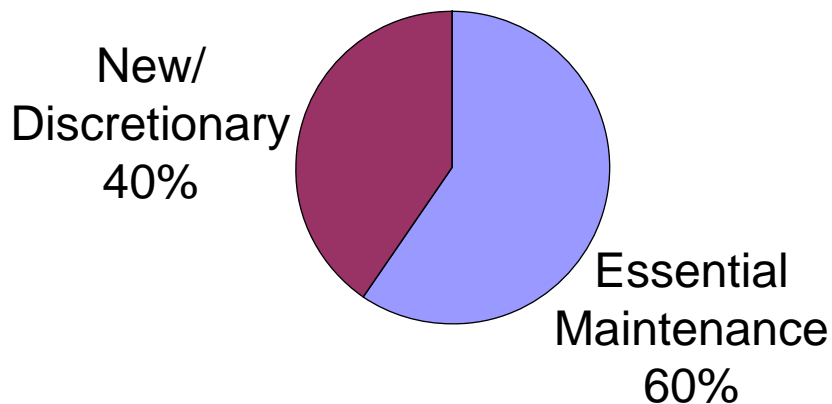


Not all capital spending is necessarily new or discretionary spending.

North America has a better ratio than Western Europe for discretionary vs. essential spending (43:57 vs. 36:64).

The ratios for investment banks are consistently better than those for other groups, such as asset managers and private banks.

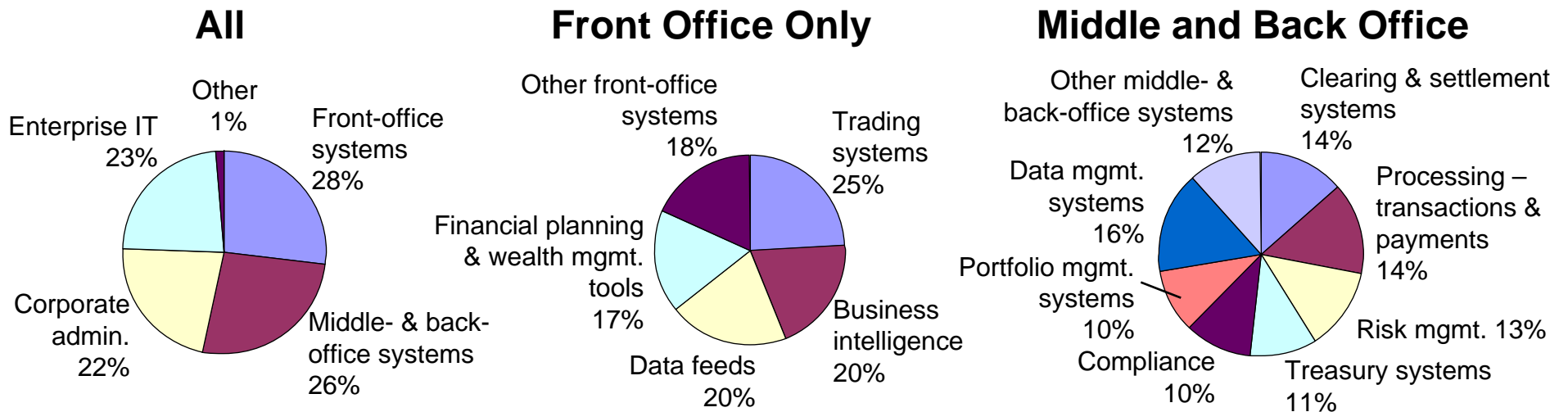
Discretionary vs. Essential Spending



Conservative adopters are worse than average for capital vs. operating (35:65), while aggressive adopters are better than average for discretionary vs. essential (45:55).

No consistent trends by budget size or number of employees; right governance and technology may be more important factors in improving these ratios than the size of the firm.

IT Budget Allocation

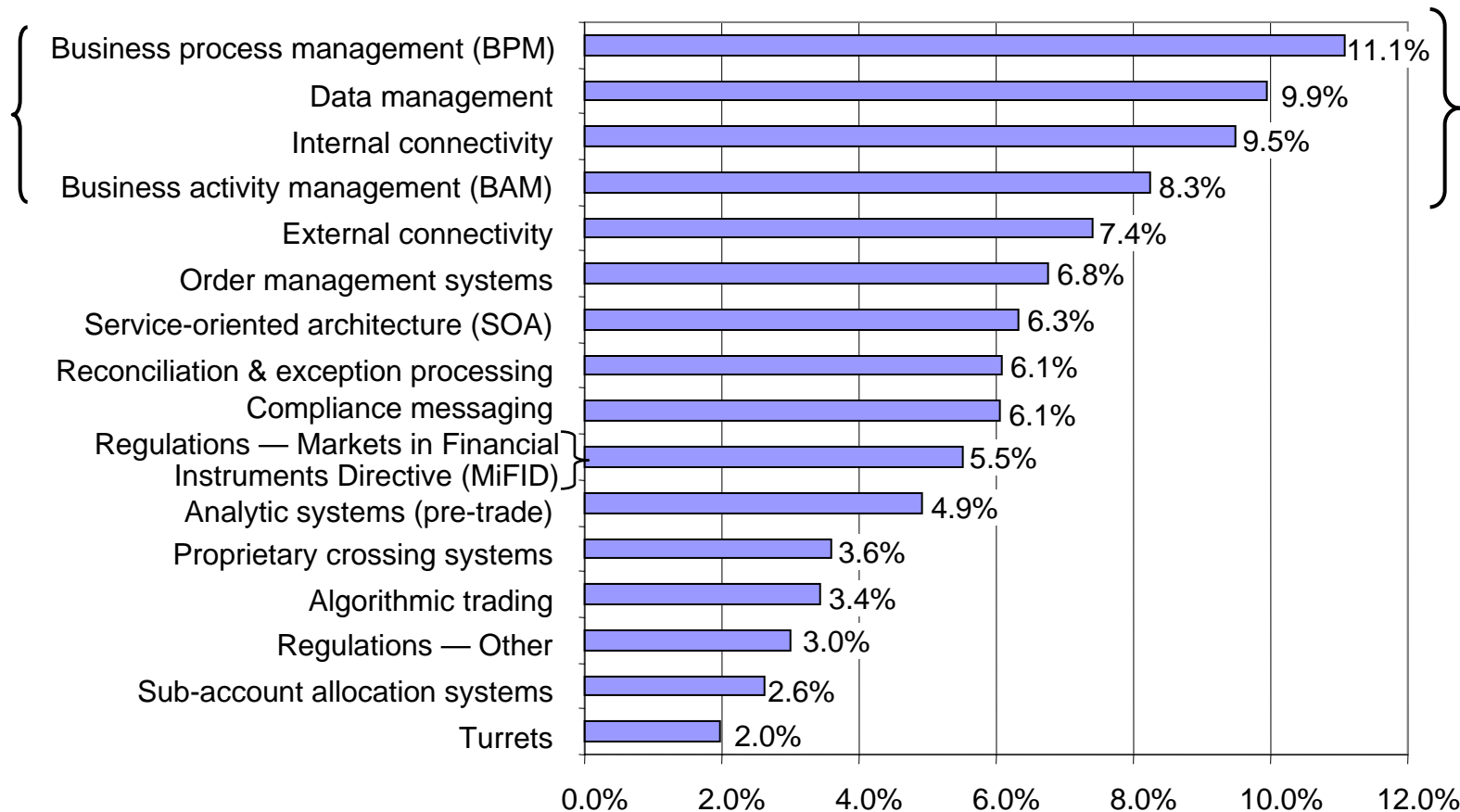


Budget allocations for the front office and the middle and back office reveal little about strategies until they are analyzed in more detail according to technology adoption profile or IT budget size or the number of employees.

For example:

- **All:** Large investment services firms (ISFs) allocate more than average on the front office, while mainstream adopters spend less.
- **Front office:** Aggressive adopters allocate more for trading systems; conservative adopters allocate more for data feeds.
- **Middle and back office:** Proprietary traders and Western Europe spend more on data management than other ISF types or North America.

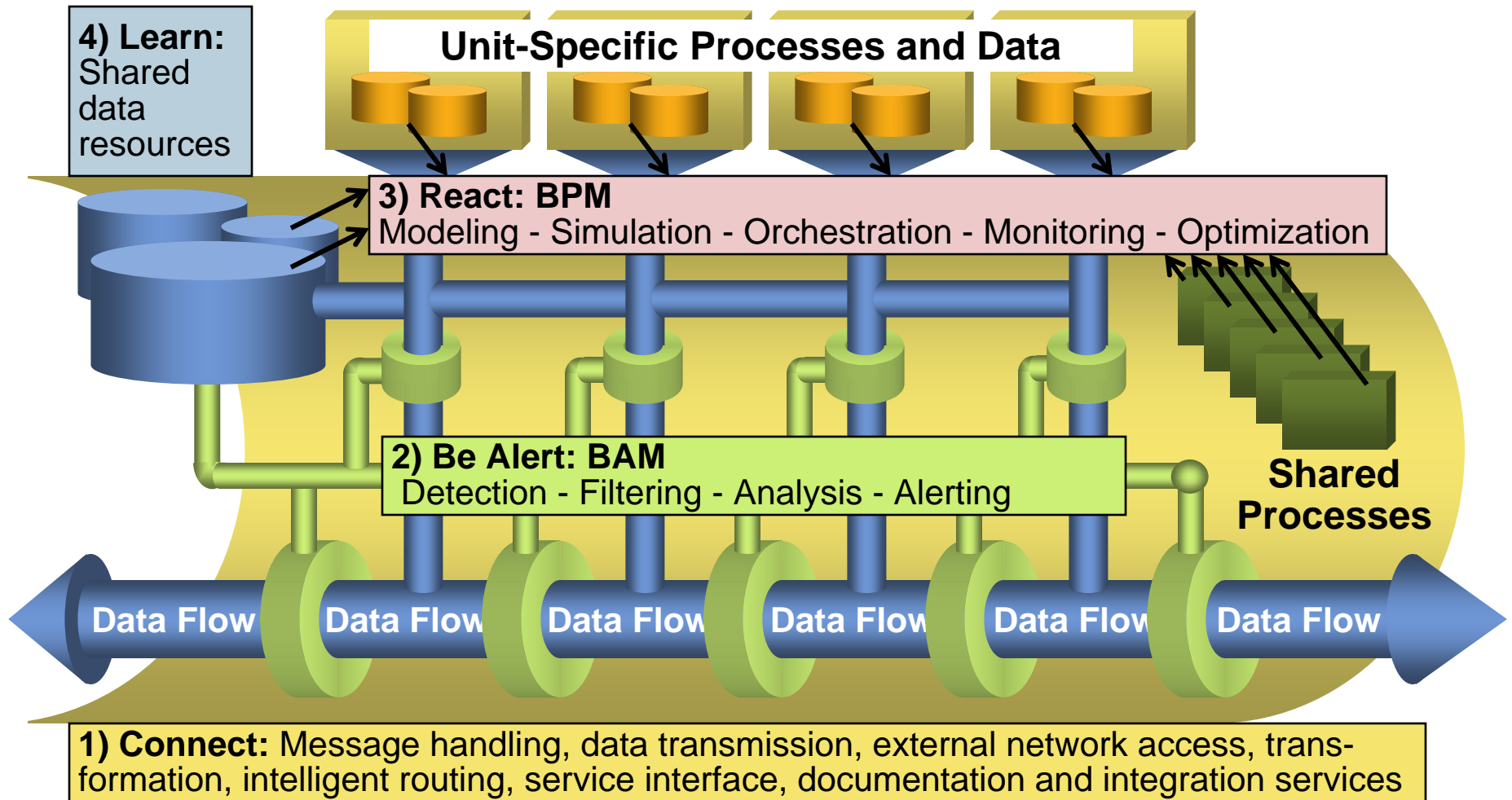
Topical Areas for IT Spending by ISFs



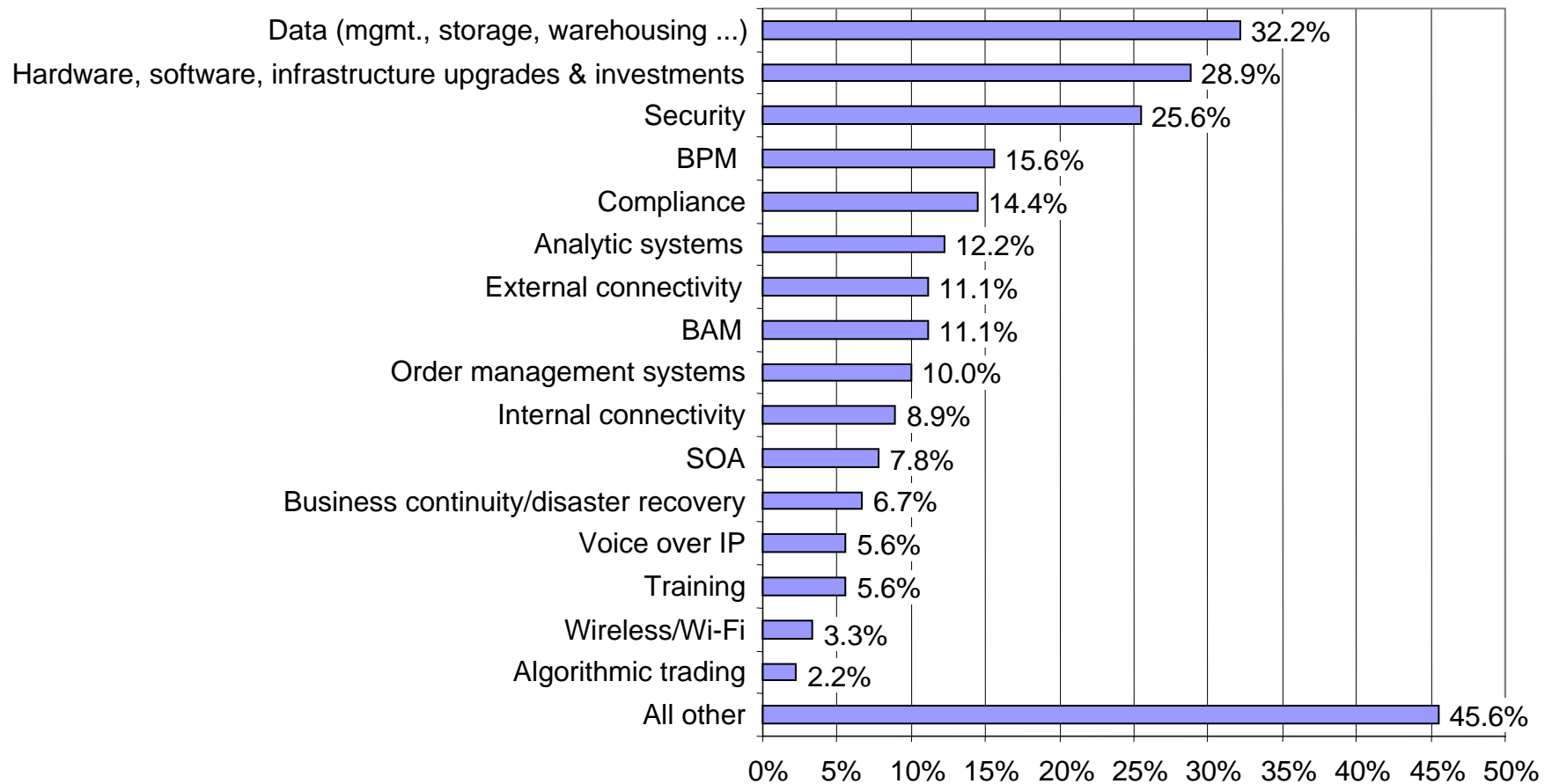
Aggressive adopters allocate double what mainstreamers did for MiFID (9.8% vs. 4.5%).

Note that BPM + data management + connectivity + BAM accounts for 38.8% of all IT spending.

The Enterprise Nervous System's Components



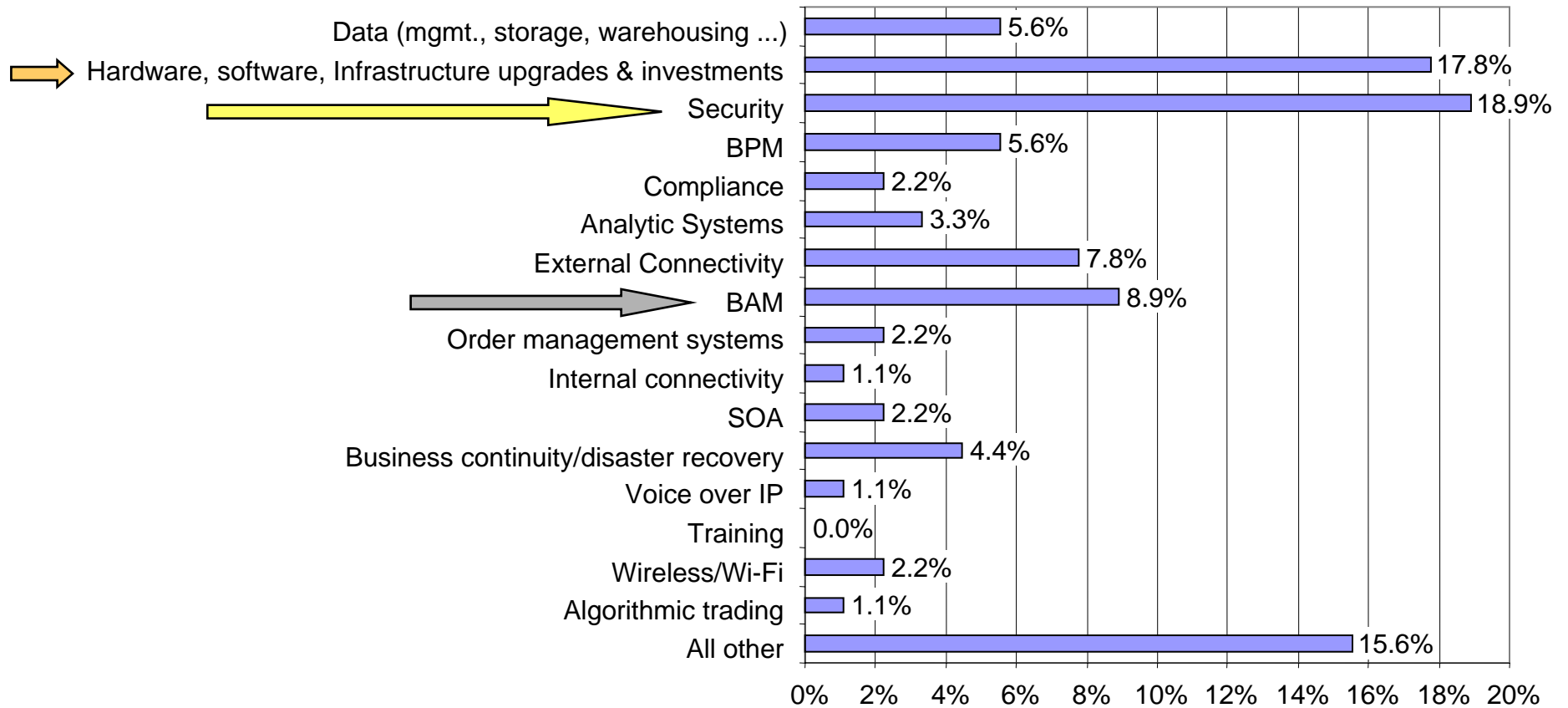
Top Three Priorities (Summary)



No predefined list this time ...

Data management (again), maintenance (again), security (familiar)

No. 1 Priority



Security is an "all or nothing" concept — so No.1 or nowhere

While maintenance is popular at all levels

BAM is very important, but only to aggressive adopters

Recommendations

- Differences in ISF type, geography and technology adoption profiles are important. Be sure to compare like-with-like for spending and prioritization.
- Measure the business value (efficiency and effectiveness) that accrues from investing in each solution area. For example, it may be best to make tactical deployments of BPM that can enhance general flexibility rather than build regulation-specific solutions.
- Start to redress the imbalance that devotes such a large percentage of the IT budget to infrastructure maintenance and operational items. Competitive differentiation will come from allocating a higher proportion to discretionary investments that add business value.
- Concern about meeting MiFID deadlines for compliance will drive spending for many ISFs through year-end 2007.