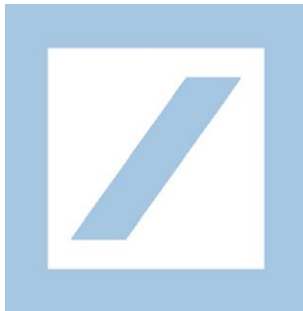


**GTO** Partners  
in Performance

V0.2 DRAFT

## SIFMA SOURCING



Cheryl Geremia  
Monday, 30<sup>th</sup> April 2007

A Passion to Perform.

Deutsche Bank

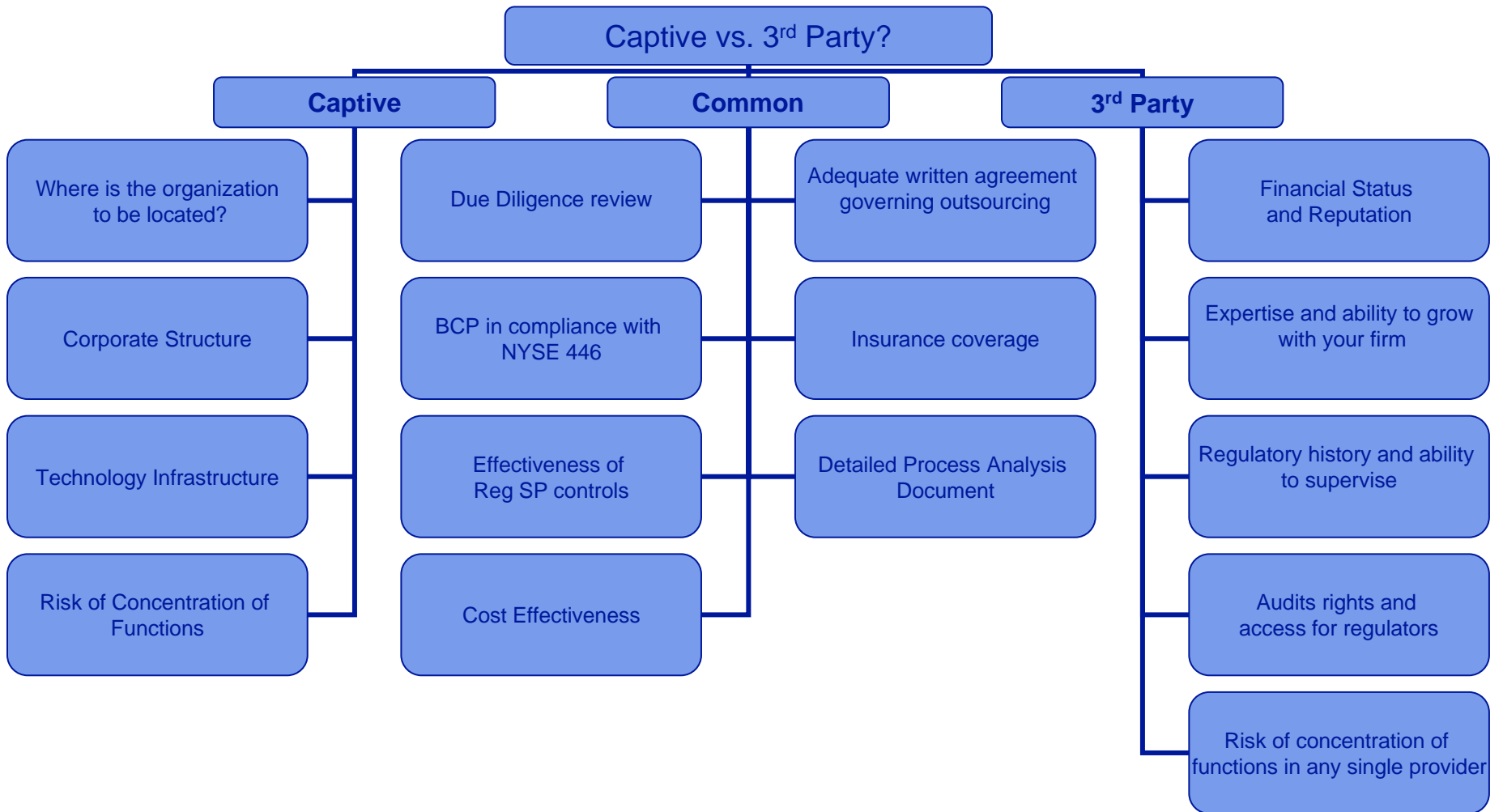


# Sourcing - Decision Making

**Prior to entering into an sourcing relationship:**

- 1. Perform thorough operational review to determine the benefit of outsourcing**
- 2. Perform Due Diligence and Site Reviews**
- 3. Complete Description of what is being sourced and how that relationship allows your firm to grow over time**
- 4. Third Party or Captive?**

# Sourcing Decision Tree



# **Additional Due Diligence for an Overseas Services Provider**

- 1. The impact of laws and business practice of the jurisdiction to which the services provider is subject**
- 2. The political and legal factors which may impact the service providers ability to perform the contracted services**

## **Steps taken in Preparation of sourcing**

**Contracting with another entity to perform important business functions always presents a series of challenges:**

- 1. Understanding the business that is being outsourced**
- 2. Establishing proper supervision and control**
- 3. Insuring the ability to track performance**
- 4. Staffing capabilities**
- 5. Knowledge transfer and shadow processing**

# Transition Tollgates: Activities DB Formula



## Activities:

- Identify target processes
- Define organization
- Agree standards, benchmarks and controls
- Begin requirements gathering
- Effort Estimate
- Understanding of the Business Entity

## Activities:

- Conclude requirements gathering
- Obtain as-is understanding of operating structure
- Define Regulatory approvals needed
- Identify management structure for onshore organization
- Complete Supervision and Control Documents
- Define Key Performance Indicators for Business and Compliance
- Staffing and Rostering

## Activities:

- Requirements defined for:
  - Resources
  - Space
  - BCM
  - Retained Organization
- Complete detailed migration plans
- BCM Documents
- Infrastructure Requirements
- Complete Training Matrix
- Review Tax and Tax related items
- Organizational Chart Complete

## Activities:

- Staff trained
- Communication to impacted staff
- Benchmarks defined
- Schedule of Services agreed
- Space fit-out complete
- IES tested
- BCM tested
- Regulatory approvals

## Activities:

- Move to steady state offshore operations
- Supervised live processing
- First Performance review is conducted
- Performance Standards are maintained
- Onshore staff released

# Pitfalls and Setbacks: What to expect in the real world

## 1. Capacity vs. Cost Savings

Experience has shown that the need for business growth sometimes outstrips cost savings goals and sourcing has, at times, become a capacity play.

## 2. Training and set up

Training can be a prolonged process both onshore and off

Don't underestimate the time it takes to get applications up and running overseas.

- **VISAs**

Lead time for Visa and be long and the process can be challenging

## 4. Ongoing challenge of optimal transparency with regulators in the current rule environment.

- NYSE = Prescriptive rule based approach specifically limiting functionality of member firms that may be outsourced.
- NASD = Principal Based, more flexible approach focused on member firms establishing effective supervision and controls tailored to the specific and often unique circumstances of each outsourcing engagement

# Overseas Labor Market Challenges

How does a company address the needs of employees who are looking to gain a more progressive career path and maintain employee morale without expanding the costs associated with outsourcing?

**Key Factors:**

**COMMUNICATION** – employee pulse, newsletters, town halls, senior management forums

**EMPLOYEE DEVELOPMENT** – extensive training both onshore and off

**EMPLOYEE ENGAGEMENT** – rewards and recognition, annual events, offsite and team building

**TALENT SOURCING** – Employee at School, internal and employee referral and sourcing

## **APPENDIX :**

### **What is a “CORE Function”?**

**Core Function = certain functions that are considered material to a member's or member organization's functioning as a broker dealer.**

- **Solicitation of customer orders, order taking, order entry and execution**
- **Comparison, allocation, clearance, and settlement of securities transactions.**
- **Opening, Approval, Monitoring, and Maintenance of customer accounts**
- **Delivery, handling, safeguarding of customer funds and securities**
- **Creation of original books and records**
- **Extension of credit**

## **APPENDIX: Key Contract Provisions - 3<sup>rd</sup> Party**

- 1. Term – increasingly important due to regulatory and competitive changes**
- 2. Requirements and exclusivity**
- 3. Services Levels**
- 4. Key Personnel**
- 5. Changes in Law**
- 6. Audit rights – Operational, Financial, and Regulatory (it is key to know and exercise your audit rights)**
- 7. Intellectual property – Understand who owns what.**
- 8. Data – when is a vendor not responsible for data security (ie Force Majeure)**
- 9. Fees**
- 10. Taxes**
- 11. Insurance**
- 12. Dispute resolution- Stop small disputes before they become large ones.**
- 13. These are long-term relationships so road map a long-term relationship plan that accounts for your firm's growth and development.**
- 14. \*Note – more than 50% of outsourcing contracts fail due to escalating costs and poor services delivery.**