

The Cloud – Is Banking Ready?

Financial Institutions (FIs) are traditionally challenged to stay at the forefront of technological advances due to security and regulatory compliance or risk concerns. Despite these challenges and concerns, FIs are beginning to move towards cloud-based applications. Recent studies have shown that bankers are saying they are ready to invest in cloud-based applications, but is the rest of the organizational culture ready? Let's examine how some of the experts perceive the readiness of the financial industry for cloud-based deployment models.



Oliver Chang
Vice President of Software
Product Development
Diebold Nixdorf

The future is choice, via a hybrid cloud strategy. Companies are looking to be able to choose the right kind of environment – traditional data center, private cloud and public cloud – depending on the type of workload, access to data, needs to reduce latency, or dynamic scaling requirements. The solution providers that will thrive in the future are going to be companies that support this hybrid capability to allow their offerings to be operated in the customer's chosen environment.

Great places to start are horizontal functions like sales, HR, Finance and Marketing. These are workloads that have less regulatory requirements, a very mature ecosystem of providers providing SaaS, and the least amount of integration work for the bank to get started. The next steps then focus on new digital channels like mobile application and web portals, AI/ML, data lakes and data visualization, and API enablement tools. This would be followed closely with the core workloads of the bank – the most regulated and critical.

One key inhibitor in some parts of the world for deeper cloud acceptance has been concerns about data sovereignty. I see a trend of cloud providers defining regional solutions with very tight alignment with their local data sovereignty and data privacy requirements. We're also starting to see the growth of smaller regional players ramping up cloud environments that only serve a specific geographical area.

Absolutely! The rise in SaaS offerings like marketing, and API integration demonstrate the demand that's out there. In addition, the phenomenon of neo-banks supported by new banking platforms, with several starting to offer Banking Platform as a Service, signals this demand as well. Banks are no different than any other business and need to be able to leverage the flexibility and scale of the cloud, manage their capital more effectively through SaaS/PaaS models, and move towards the cost effectiveness and resiliency that the cloud provides.

The rewards of moving to the cloud are enabling companies to use capital more effectively, enable scale and resiliency without the huge upfront investment, leverage the rapid pace of innovation that is occurring in the cloud space, and more importantly allow the FI to focus on the critical functionality they need without the need to manage the intricacies of running their own data center, provisioning all the technology tools needed, and scaling up their staff to support this entire technology stack down to the infrastructure components. The key risks that slower adopters raise are control and security—and I believe those are more perception than reality.

THE TAKEAWAY

Though the industry is traditionally slow to implement new technology platforms, cloud-based models are the future, and they offer key benefits for FIs. Identifying ways to test and learn from cloud-based services that have already been proven globally can be a good way for FIs to get their feet wet, take a first step toward getting their organizations comfortable with the concept and demonstrating the ROI that banking in the cloud could deliver.

For more on this topic, check out:

- [Blog: The New Frontier in Banking](#)
- [Blog: The Cloud Promises Unprecedented Agility, and the Time to Create a Roadmap is Now](#)



WHAT'S YOUR PERSPECTIVE ON THE DEBATE ABOUT PUBLIC VS. PRIVATELY HOSTED ENVIRONMENTS?

WHAT IS THE BEST STARTING POINT FOR FIs IN THEIR CLOUD MIGRATIONS?

CLOUD-ACCEPTANCE DIFFERS GLOBALLY; WHERE DO YOU SEE THE BIGGEST ADVANTAGES AND GROWTH OPPORTUNITIES IN THE NEXT 2-5 YEARS?

DO YOU THINK FIs ARE READY TO ADOPT CLOUD-BASED MODELS?

WHAT ARE THE RISKS VS. REWARDS?



Tais O'Dwyer
General Manager, Head of
Worldwide Financial Services
Business Strategy, Microsoft



Willayna Banner
Director, Head of Worldwide
Financial Services Business
Strategy Enablement, Microsoft

A key differentiator between public and private cloud is scale. FIs can take advantage of the global scale, speed and capacity of Microsoft in a way that would be cost prohibitive for a single company. Keeping up with the pace of change and the ability to innovate quickly when in a public cloud model takes advantage of continuous innovation in platforms, tools, security, etc.

With increased focus on resiliency, customer experience, connected employees and the compliance and regulatory evolution, there is no longer a typical "first step." Some companies choose where they see greatest business growth, greatest efficiency potential or greatest potential to improve the productivity of their workforce.

Generally, we at Microsoft expect that the pace of adoption in the next 2-5 years will be pivotal where the companies who embrace the innovation with cloud create competitive advantage over companies slower to move. As the technologies continue to evolve, integrated ecosystems that create partners where competitors existed and real-time and security capabilities, will all contribute to the acceleration of global adoption.

Less than 30% of the industry has adopted public cloud in some capacity. However, the last six months have seen an acceleration of companies' adoption. Companies see the value it brings to creating connected experiences with their customers and employees, as well as grow their businesses, improve efficiency and effectively manage risk. Companies should understand their maturity and readiness to inform the pace of change.

Risk management is critical and the regulations applicable to legacy models and cloud-based models doesn't change. Therefore, ensuring that shared accountability control models are defined as part of the architecture is critical. With all that said, the competitive advantage, opportunity for innovation and to participate in new commercial ecosystems can create new markets and business models that ultimately attract and grow business.