

# How **cloud solutions** are rapidly becoming the safest path to innovation





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The Big Data Revolution has considerably accelerated the adoption of innovative digital solutions across industries, allowing improved capacity to handle data. Among the emerging innovative digital solutions and most transformative ones, is cloud computing. With cloud, information travel rapidly in both directions, across computing systems that, with attributes like virtualization, scale up or down to handle bigger workloads.

The IT industry broke the concept into three categories:

### SaaS

#### Software as a Service

Software is owned, delivered and managed remotely by one or more providers.

### IaaS

#### Infrastructure as a Service

Compute resources, complemented by storage and networking capabilities are owned, hosted by providers, and available to customers' on-demand.

### PaaS

#### Platform as a Service

The broad collection of application infrastructure (middleware) services.

Cloud Computing has indeed emerged as a new era in IT and while concerns around security and organizational structures are still being raised, the banking and financial industry is cautiously positioning itself in the cloud environment, envisioning enhanced capacity and an unrivalled level of agility, security and scalability. Why? Because the dramatic changes taking place in banking require new ways to maximise profitability and returns and cloud technology is now offering secure deployment options that

can help banks develop new customer experiences, enable effective collaboration and improve speed to market - all while increasing IT efficiency. So far, the industry has been fueling efforts in seeking 'banking' talent and not necessarily technology, which requires the right specialists and expertise. We wanted to seek the opinions of banks on the cloud subject. So, MCB Consulting conducted a survey with 50+ financial institutions across 4 different continents, who were asked about their appreciation

for cloud-based services. When results came out, an overall 55% were in favour of cloud adoption, which is not a significant number, although a majority, and those who weren't in favour claimed reasons like regulatory constraints, IT migration complexity, security as their main concerns. As the findings also point out, the regulators themselves are not against cloud, but they want to approach this new 'business animal' with caution. The questions of data protection, ERM framework, integration of cross border regulations and the setting up of different types of framework remain on top of their minds, which are fair concerns.

However, there are upsides to the use of cloud-based services that the banks highlight, and from the findings of the survey, cost reduction is listed as the first positive area with 66% of our respondents claiming that they have achieved savings through the implementation of cloud technology, and a roaring 80% affirming an enhancement of quality of service after further to cloud adoption.

These positive feedbacks and opinions are more and more being shared worldwide by financial institutions. A recent article published by IBM as with other global trends, have largely written on the main areas where banks need to stress on to gain a competitive edge, three of these areas being convenience, trust and cost, which merit a highlight.

In a time where customers are constantly looking for hassle-free procedures, convenience and instant gratification, and that seamlessly, the sad truth is that most traditional banks find it difficult to materialize such level of experience. Processes take weeks and require increased human intervention across the whole chain.

Cloud, on the contrary is particularly designed to bring an enhanced and differentiating experience through automation and speedier processes.

Yet, Cloud Computing is poised to become a new professional segment in itself, requiring a whole new set of technical skills and aptitudes. And those businesses of the financial industry which have embraced technology are already leveraging the right talents to fuel their growth, although there may still be a talent gap before supply can be at par with demand in the industry as far as cloud technologies are concerned.

Fintechs and other challenger banks which have surfaced are those exact new actors in the marketplace who are disrupting the financial services industry, taking the market and redefining it through technology, while building a new level of trust with a new generation of customers.

Today, traditional banks have no choice but to follow through to stay in tune with the market and respond to their customers' needs. In fact, the days where financial institutions feared putting sensitive information online should be gone, whereby they will need to learn to trust and embrace cloud technology willingly. Cloud Computing has proven its worth in terms of security, privacy, and encryption, which is exactly why those traditional banks particularly should focus more on developing their services and skills around cloud.

Just as it has also proved its point that moving into the cloud is an effective way to bring down costs for financial institutions in many aspects, which is why fintechs are slowly nibbling at market share and gaining enormous competitive advantage in terms of pricing and investment. They have and will have a lower cost-to-income ratio, thus pushing existing players to reinvent themselves or to shape out

### **Did Covid-19 power a paradigm shift?**

The answer is, most likely. Almost all industries across the world have had to reframe their ambitions and ways of doing business in the face of Covid-19 which has dramatically accelerated the need to go digital and develop a new 'normal'.

So, we decided to again survey the same banks worldwide last September 2020, months into the pandemic, asking about whether their opinions and actions may have altered or naturally triggered the adoption of cloud-based solutions.

Although most of the respondents clearly indicated that the solution resides in cloud computing and that such disruptive events favour its adoption, it was more from a business continuity perspective than for the sake of cloud technology itself, which still shows some kind of struggle and insecurity related to this type of technology. For sure, banks and even regulators have improved their perspectives with regards to cloud-based services, further even claiming for instance that they have lost business opportunities due to lack of cloud infrastructure and the relevant human resources to deal with them.

Nonetheless, there is still some kind of skepticism at play with the same concerns,

While enabling financial institutions to achieve considerable gains in efficiency and reduction in costs, as the technology requires banks to pay for only services they use, this ultimately means that cloud computing is much more cost-effective than existing IT infrastructure. And then the world was hit by a pandemic and reshuffled the technology cards.

namely regulatory constraints, migration impacts and lack of skilled manpower. Indeed, more than just enabling new technologies, banks, and even regulatory bodies moving into the cloud, have a fundamental factor to address and that cannot be delayed further. They need to work with the industry players and education and training providers to scope out the skill requirements relevant to the surging demands. It's no more about building programming and development skills but rather have a knowledge of cloud security, machine learning or AI, leverage on risk experts, SLA managers who will be responsible of assessing frameworks and agreements among others.

Finally, the successful adoption of cloud technologies or any technology alike will require to cultivate a new mindset, and this undoubtedly goes through training and education of regulatory bodies as well.

The good news is, there is a clear path for innovation and it is proving to be a safe and structured one, provided all stakeholders of the financial industry are aligned and activate the right levers.

### **Adapt or perish somehow?**