

# Financial services move to the cloud

Senior IT executives in the financial services industry understand that cloud computing infrastructure can boost the value of their services and offerings by greatly reducing the problems of managing what has become commoditised infrastructure.



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In addition, cloud can ensure that resources that are already stretched can be used for strategic and other initiatives that will add value.

To successfully harness the power of cloud, businesses need to run mission-critical applications in the cloud with enterprise-class levels of availability, security and connectivity. And they need to do this while remaining flexible, and having the capacity to expand when needed.

Richard Vester, Director at EOH Cloud Services, says cloud technologies are very attractive and becoming more and more relevant to the financial services market. "These companies want a model that lets the business assets be used optimally, often by many people at once, whenever possible."

Historically, he says the larger banks have migrated less of their activity to the cloud than newer, smaller ones. "There are several reasons for this. Legacy systems play a role, as do the compliance and regulatory issues around data privacy and of course security. However, the constant pressure to lower spending is changing this, particularly in today's tough economic climate. There can be no doubt that moving services and systems into the cloud will greatly reduce spend."

## Processing of data

For example, says Vester, banks are beginning to outsource the processing of data that is not particularly sensitive, but still requires a lot of processing power and resources. In addition, larger financial institutions are also using the cloud as a means to test their systems and processes. In this way, the cloud can function as a safe environment, which can mirror the bank's systems, and make changes, or run updates without the possible risk of crashing the entire bank's systems.

However, he says there are still many stumbling blocks to the wider adoption of cloud in financial services. "I've already mentioned the security and privacy implications. For smaller entities this isn't as big a concern, as the larger cloud

providers are most likely more stable and secure than an environment they would build themselves. Larger banks that have already invested hugely in top security measures, and have built bullet-proof datacentres, are extremely reticent when it comes to handing over private client data to outside providers."

## **The question of data residency**

Another inhibitor of cloud computing among financial services organisations is the question of data residency. "Many countries have regulations and laws in place that prohibit client data from leaving the country. If cloud providers had to build multiple data centres in every country, it would nullify any savings that would be made by going the cloud route," says Vester.

These jurisdictional issues are proving a serious obstacle in the path of storing and processing data in the cloud, as cloud providers more often than not, store, process and back up data in several different locations around the world. Data security and privacy is a mammoth task, that is both time consuming and expensive. Growing regulatory challenges, data residency issues and the growing sophistication of attacks, have seen CSOs investing in multiple security disciplines in order to combat attacks and protect themselves. These include several data-centric security solutions that see data encrypted at the source.

"Either way, these issues may slow down the pace but certainly not the direction," Vester says. "The advantages of cloud far outweigh the benefits, as evidenced by the increasing take-up of cloud solutions by large financial services organisations internationally."

Improvements in cloud security and a wider variety of applications, as well as investment in cloud, by vendors and purchasers alike, is on the up and up. "Cloud technology adoption in the financial services sector has grown over the last few years. In the future, we think it will grow even faster. Although there are security and privacy concerns, and costs involved with the process of migrating services to the cloud, ultimately the adoption of cloud is readying the financial services sector, and building a platform for future innovations."

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