# CLOUD IN FINANCIAL SERVICES:

## STRATEGIC CONSIDERATIONS FOR THE C-SUITE AND BOARD MEMBERS

## Q&As

The 1st Cloud in Financial Services Webinar in our 10-part series was designed to help the C-Suite, Board Members, CIOs/Heads of Infrastructure and Architecture in Financial Institutions better understand the benefits and challenges of moving to the Cloud, while providing a cross-sector perspective from a highly-regulated industry, the Health Sector.

Those who attended will be aware that due to the number and nature of the engaging questions asked by our attendees, our panellists were unable to answer them all sufficiently within the hour. As such, we would like to share a list of Q&As from our first webinar that we hope provide a more thorough explanation of the topics explored.

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| # | Question | Answer |
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| 1 | Best practice was to use multiple cloud vendors consistently. Does this restrict innovation as we can only use lowest common denominator (virtual tin)? | Often, a multi-cloud environment is an inevitability, not a choice. Large Enterprises will find themselves with multiple 'application Clouds'. Vendors like Salesforce, SAP and Adobe all provide SaaS solutions and have a Cloud fist mantra. Core banking systems are moving in the same direction with the likes of Mambu and Thought Machine. We must then consider the 'Cloud partners' who offer the hosting platforms, data platforms and microservice platforms; think Amazon AWS, Google and Microsoft.<br><br>The technical response to this challenge is to firstly 'virtualise' and 'containerise' in-house applications, so they are capable of running on any one or more of the 'Clouds' a financial institution has.<br><br>Secondly, we have to have a stable 'Cloud integration environment' (e.g., Dell Boomi, AWS Integration, Azure Integration) whereby we can seamlessly use data and information between all our tools, applications and repositories regardless of the 'tin' on which they sit. With these two capabilities in place, we can begin to spend less time worrying about technology and spend more time innovating our business |
| 2 | If I start using a Cloud computing system with storage space, who owns the Data? Could it be possible that the provider of the Cloud system will deny me access to my data? | Cloud Providers do not take ownership of the data once collected in the Cloud platform. Depending on the deployment model (e.g., private vs. public  - a strategic aspect that we will cover during Webinar No.2) or the service model (i.e., IAAS, SAAS or PAAS – another strategic aspect that we will cover during Webinar No. 3), there are different ways to have your data back.<br><br>Generally speaking, as a customer, you maintain full control of your content and responsibility for configuring access to Cloud services and resources. 'Encryption at Rest' is a typical way to protect data in the Cloud. |
| 3 | Is the Cloud able to generate real savings at scale? | As discussed in a recent think piece written by Prof. Nelson Phillips and Freddy Gielen, cost savings is one of the traditional drivers of Cloud adoption. From a cost perspective, moving to the Cloud enables financial institutions to move to a 'pay as you go model' and it can result in significant cost savings at scale if it is well managed, i.e. underpinned by strong governance and a holistic technology-enabled approach to ensure that the financial institution can achieve cost savings at scale.<br><br>In Webinar No. 2 and No. 3, we will debunk some popular myths about cost savings, sharing with the participants how financial institutions have managed to successfully achieve infrastructure cost savings. |
| 4 | Could you please detail what is the exact role of the Product Owner in a Cloud transformation project ? | During the webinar, we discussed an organisation model that has proven to be efficient in many Cloud-native financial institutions and Cloud transformation projects. That model revolves around a cornerstone, the Product Owner.<br><br>The Product Owner is accountable and responsible for the initial and ongoing delivery of a well-defined Product or (corporate function) Service within an organisation.<br><br>In the context of a financial institution, examples of Products may include payment, savings product, traded products, etc.  Corporate function Services may include risk, finance, reporting services, etc.<br><br>While the exact scope of Products and Services remains fluid, the concept is to ensure there is identified accountability internally for a given area of the financial institution, covering all its aspects.<br><br>In practice, Product Owners typically have a small dedicated team and work – as needed – with members of other teams that the Product (Service) depends on. |

For example, a 'share trading Product Owner' would have end-to-end responsibility and accountability for:

- all business aspects (partners, business model, etc.);
- technology implementation (both front- and back-end) with the help of developers from the technology and data science team;
- management of all risks inherent to the product, supported by a member of the risk team (who in turn ensures the risk service adequately measures the risks within the product – operational, market, compliance, etc.);
- meeting the KPI and KRI requirements set at the inception of the project;

Two key underlying objectives of this organizational set-up are:

- to ensure accountability; and
- to create a sense of entrepreneurship throughout the financial institution.

| 5 | How many projects really take the opportunity to enhance the business workload rather than just lift and shift? | Some businesses begin with a 'lift and shift' and then have to do a lot work to try and fix things afterwards when they recognize the potential benefits of proper implementation of the Cloud. But as the general level of experience with the Cloud increases in the financial sector, there is less of a tendency to do the minimum and more willingness to look at how to best maximize the benefits of the Cloud. |
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| 6 | How important is the Cloud for the success of Open Banking API strategies? | Open banking originates from a legislative background and as a result the Cloud is not a prerequisite for supporting opening banking. However the adoption of the Cloud does act as a major catalyst in the area and presents "tipping point" opportunities on any financial institution's transformation journey. Cloud and Open Banking API strategies combined provide opportunities for:<br><br>• Increased scale and real time processing;<br>• Deeper customer insight through greater analytics and depth of understanding of customers;<br>• Increased data security compliance by default; and<br>• A case for continued investment in Cloud and API technologies. |
| 7 | If a financial institution wants to start making a move into Cloud-based services, is this move something which can be steered by the existing organisation and the people present at the pre Cloud phase or do we need a new type of competency which will then become a fundamental change on how we do business ultimately? | This is a very important question. From our research, it is clear that moving to the Cloud is as much a people problem as it is a technical problem. To be successful, it will require retraining many of the IT staff and also redeploying some the existing IT staff who are unwilling or unable to transition to the Cloud. It will also require a small number of IT professionals with very specialized knowledge to be hired to deal with the most technical aspects of Cloud implementation. Equally importantly, people on the business side need to understand the Cloud and its potential, so extensive training is required across the organization.<br><br>The second part of your question is particularly interesting. If Cloud implementation is done right, it will require new competencies but also allow for the development of new ways to deliver value for customers and provide a platform for the development of new competencies. This sort of innovation is the real benefit of Cloud adoption but requires a strategic approach that is driven by business needs. |