Delta Data

FOUR REASONS

Financial Services Resist Cloud Technology

and how to overcome them...

THE PROBLEM

What keeps financial services companies away from cloud solutions?

It's hardly surprising that risk-conscious financial institutions have been wary of dancing in the cloud. Many firms within the industry had initial resistance to cloud technologies primarily due to concerns around these factors...

1 SECURITY RISK

The perceived security risk presents one of the most cited and standard reasons for financial firms' hesitancy in turning to cloud-based solutions. The data owned by these institutions is highly sensitive and critical in nature.

Even with security certificates and encryption standards in place, financial firms have largely preferred to have complete control over their data. Because of the security component, the private in-house cloud was naturally the initial move for many companies seeking to break away from the traditional on-premises, server-based IT infrastructure.

In recent years, cloud service providers have further developed their security and resiliency capacities, which is why many financial institutions have taken a hybrid cloud approach – one that involves both private and public cloud – to balance security and costs.

2 VENDOR SELECTION

Concerns around choosing the right vendor is also a factor that has contributed to the industry's cloud adoption lag. Financial firms that have time-sensitive trading applications need exceptionally strong SLAs with no downtime, as incidents of publicized downtime can cause significant damage to a firm's reputation.

For many companies, the key to accelerating digital transformation is more effective vendor participation.

When discussing partnerships, financial executives cite a lack of coordination and transparency of vendors as a concern.

3 CLOUD SKILLS GAP

As a result of the challenge in finding technical hires, new partnership opportunities have emerged as a means of addressing the skills gap, with financial firms looking to third-party service providers for cloud enablement.

That's where an experienced vendor can help accelerate digital transformation.

Another challenge to cloud adoption faced by financial companies is personnel. Technical hires are critical for the success of any strategic digital initiative, including cloud transformation, but many financial firms have struggled in the past to attract and retain technical talent due to the widespread prevalence of legacy systems.

Financial institutions are famous for their legacy systems, having spent generations building software. Current operating models, however, are not agile enough to keep up with the latest technological developments. As a result, these institutions are now looking for and accepting cloud-based solutions to reduce dependency on these rigid legacy systems.

Any digital transformation requires not only access to the technology features, but also the personnel with skills and expertise in cloud application.

4 REGULATORY COMPLIANCE

Regulatory compliance is yet another concern that has historically besieged financial firms and hindered the pace of cloud implementation. In the past, some regulatory agencies mandated in-depth audits and due diligence before a vendor could be chosen for cloud services. The time, effort, and expense needed for such activities can be rather significant, causing delays.

Just as they've done with their security capabilities, cloud service providers have also worked to further develop their compliance scope. These enhancements continue to establish cloud-based solution providers as increasingly adept at operating a more modern and secure infrastructure than many financial firms could do in-house.

THE SOLUTION

Public Cloud Serves as a Catalyst for Modernization in the Financial Services Industry

In the past, firms embraced cloud technology via the private cloud due to its inherent security features and service and support model. Now, with technological advancements enhancing security, investment management firms are embracing the public cloud model.

For many industries, the public cloud serves as a catalyst for driving continuous modernization and innovation.

The financial services industry is no different, but due to the rigid nature of the regulations, it has been a slow adopter of new technologies and the private cloud was seen as a more appealing option compared to the public cloud.

Today's financial services organizations are no longer timid to move mission-critical workloads to the public cloud. These cloud-based solutions are changing both business-critical and front-end operations to enable a more efficient and adaptable organization.

PRIVATE CLOUD VS. PUBLIC CLOUD

A private cloud is an infrastructure dedicated to a single user organization, so access is limited rather than being available to multiple subscribers. Potential drawbacks from a private cloud include the higher cost of renting dedicated servers or the responsibilities and risks that come with owning and managing infrastructure. In addition, firms are more limited in the number of resources they can quickly access.

By contrast, public cloud is an IT model in which on-demand computing services and infrastructure are managed by a third-party provider and shared with multiple organizations using the public Internet. The cloud provider hosts and operates the physical servers and locates them in multiple locations to provide improved resiliency capabilities.

A hybrid cloud combines private and public cloud capabilities, typically in an interoperable and orchestrated way. Financial institutions might pursue a hybrid model if they elect to hold more sensitive data within a private environment while allowing less-sensitive data to be hosted on a public cloud.

Hybrid cloud is also commonly used as a transition strategy while moving on-site private cloud systems and data to the public cloud. However, the management of multiple cloud arrangements can create greater complexity and diseconomies of scale from managing multiple environments and potentially lead to redundancies between systems.

With financial institutions facing more and more costs, operational synergies need to be identified. Public cloud service models simplify operations and eliminate overlap while providing system elasticity for an organization's technology.

THE OPPORTUNITIES

Benefits of Third-Party Cloud-Based Solutions in the Financial Services Industry

Today, the financial services industry is grappling with a multitude of new challenges, and technology decisions continue to remain at the forefront of the conversation.

Understanding how third-party cloud-based solutions produce results and provide benefits is essential for firms seeking to improve their business operating models and strategies. With the capabilities to maintain front, middle, and back-office functions, these offerings support an abundance of operations.

Third-party cloud-based solutions are shifting how the financial services industry operates by providing opportunities for...

ENHANCED DATA CENTRALIZATION

Utilizing cloud-based solutions from third-party providers offers a mechanism for well-organized data management and eliminates the need for more than one server or digital location for the storage of sensitive and important financial information.

The cloud can also greatly help with creating more accurate inventories and records to optimize the storage of data and information. This can, in turn, greatly improve a firm's day-to-day efficiency and productivity, as well as in the long term.

IMPROVED COST SAVINGS AND EFFICIENCY

Without the cloud, the storage and use of information and digital infrastructures relies upon a firm having the proper equipment – including hardware, data centers, and technological facilities to ensure the systems are operating correctly and accurately. The combination of the cloud with third-party solution providers reduces the need for external equipment, easing operational costs.

GREATER SCALABILITY

Scalability is one of the fundamental strengths of cloud-based solutions. The cloud allows for a firm to be much more flexible in scaling up or down, according to how much asset or other financial data must be managed at any given time.

Improved scalability also helps to minimize risk and optimize the maintenance of software and systems that are necessary for completing critical financial services tasks. If faced with the need to decrease capacity, adjustments to infrastructure can be made easily and efficiently.

EXPANDED SECURITY

Storing information and operating virtual infrastructures through the cloud can often be safer than traditional legacy systems, and cloud service providers have worked to enhance security capabilities and expand their compliance scope.

As a result, cloud-based solution providers are increasingly adept at operating a more modern and secure infrastructure than many financial firms could do in-house.

The Benefits of Cloud-Based Solutions are Unequivocal...

The reality of current industries and markets is that digitization consistently demonstrates its benefits, especially for financial institutions that need the flexible technology that outsourced cloud-based solutions can offer.

This digitization can significantly streamline every-day measures to be less complicated and more efficient. The functionality, scalability, and security of third-party cloud-based solutions, like those offered by Delta Data, can't be matched by most legacy systems, outweighing the argument for firms to build and host their own.