

# Banking on the future with Cloud

## 3 Evolving infrastructure capabilities

Many leading financial institutions (FI) have defined a Cloud strategy and some are already implementing data-center exit approaches. However, Alfonso Gutierrez believes banks are not unlocking its full potential.

Systems within numerous established banks often use traditional, outdated architecture and can follow antiquarian approaches which are preventing them from unlocking the full benefits of the Cloud. They are hampered by a variety of obstacles.

Simply plugging into the Cloud will not generate the value needed to directly enable business outcomes at the expected financial benefits or the pace required. Leveraging the Cloud means not to lift-and-shift, but to rationalize, consolidate and transform by systematically driving innovation, for instance via blockchain and digital labs. To maximize the advantage of the Cloud, banks may also need to apply new technologies for modernization (Kubernetes or low-code/no-code) and introduce agile methods and techniques (DevSecOps or design thinking).

Additionally, transformation and cultural change may not be addressed by department leaders—organizations have pockets of Cloud transformation teams that are not necessarily visible, causing inconsistent Cloud adoption in the organization. Banks are also struggling with the cultural change of managing the new technology ecosystem which requires governance across security, compliance, architecture, data, AI, DevOps and other parts of the organization.

Moreover, regulatory compliance and associated risks complicate adoption: regulatory compliance can slow down agility and adoption if Cloud security is not properly addressed from the beginning. Regulators are recognizing the potential risk of FIs consolidating their technology in a few Cloud hyper-scalers, which is something to consider with multi-Cloud and hybrid Cloud strategies.

Banks must overcome these challenges with the imperative to lead in the market before digital disruptors and fintech companies erode their business by enhancing or automating FS. The following key themes are crucial for banks to unlock the Cloud's potential:

- Implement the Cloud “center of excellence” to accelerate Cloud adoption and drive innovation
- Mitigate risk and ensure security compliance while adopting the Cloud
- Focus Cloud adoption on differentiation and innovation in the market

### **The Cloud “center of excellence”—a catalyst for change**

Banks are starting to understand the need for a capability in the form of a Cloud center of excellence (CCoE). The CCoE modernizes applications and standardizes fast track adoption across the whole organization to unlock the Cloud's full potential. This capability is a cross-functional team of people. Their responsibilities include developing and managing the strategy, security compliance, governance, innovation, agile methods and best practices that the organization can leverage to transform the business.

This multi-disciplinary team will lead the implementation of the following capabilities:

- Cloud architecture and engineering: to implement new innovative solutions (digital labs), proof of concepts, and technologies like Kubernetes, PaaS and SaaS
- Cloud security and compliance: to drive continuous security assessment, Cloud security solutions and security controls monitoring
- Cloud management and orchestration: to manage and orchestrate automation for multi-Cloud and hybrid environments leveraging Infrastructure as Code (IaC)

### **Regulatory compliance no longer a burden**

Banks can mitigate risks and ensure security compliance by ensuring that development, testing and production environments are provisioned automatically to meet regulatory requirements and controls. Continuous Cloud compliance monitoring will ensure adherence to configuration rules and controls to manage and mitigate potential security risks.

Banks are facing massive disruption and need to explore new business models. New entrants may leverage the Cloud to differentiate themselves from the inefficiencies and lack of innovation of traditional business models.

To accelerate business enablement and differentiation, banks would do

well to collaborate with independent third parties to help with informed and unbiased decision making and strategy formulation, while leveraging partnerships with vendors for funding and discounts.

The new reality for banks requires action to unlock the Cloud's full potential while mitigating security risks. The adoption process must focus on differentiation and the business impact to avoid replication by competitors. Cloud is the foundation for digital differentiation in the omni-channel customer experience. It is also essential in creating new business models like open banking. The question remains: what will your bank do to survive this new reality?



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