

Industry Cloud for Financial Services sector

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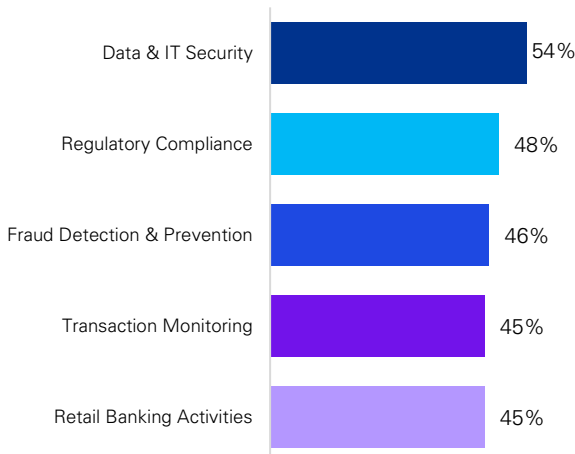


Financial Services sector has been cautiously adopting latest technology advancements owing to the heavily regulated environment and inherent risk-averse nature. However, substantive developments in modern technology advancements specifically in Cloud, AI (Artificial Intelligence) and Data promise impressive headway in achieving improved customer experience as well as stable and resilient operations.

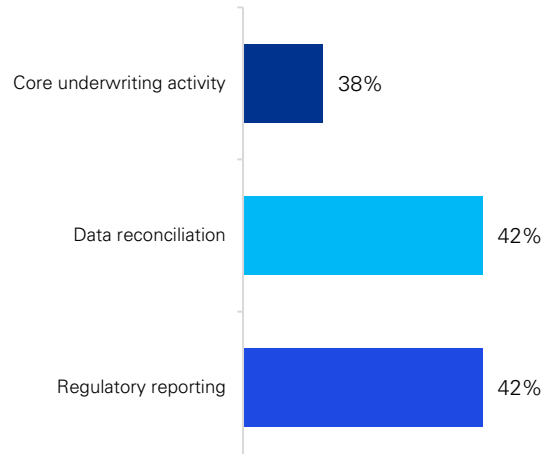


Several Banking and Insurance firms adopted cloud for non-core systems such as collaboration and productivity software and tools, such as Customer Relationship Management (CRM) systems. Encouraged with the success of these initial use cases and innovative Fintech offerings, organisations are gradually embracing cloud and have begun migrating their core technology systems and platforms such as credit and debit processing systems, payments, loans, trade finance, and general ledger systems.

Areas with high cloud adoption



Areas where cloud adoption is improving



Source: Google Cloud Study, The Financial Services Industry Sees Increasing Public Cloud Adoption as Driving Innovation and Compliance





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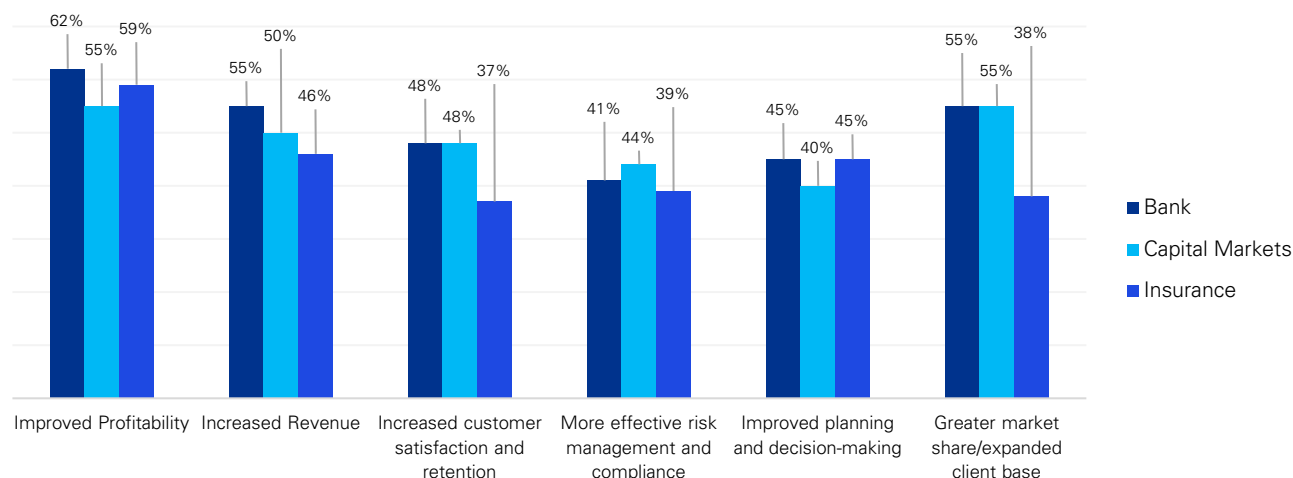
Gartner expects that by 2027, enterprises will use industry cloud platforms to accelerate more than **50%** of their critical business initiatives, whereas in 2021, it was less than **10%**.

Financial Services Industry Cloud – what does it mean?

Industry cloud for Financial Services comprises of the products, platforms and solutions that are purpose-built to fulfill requirements in banking, insurance, and capital markets industry segments using cloud native technologies.

Advantages of adopting Cloud:

Main Benefits of Cloud Adoption as Expected by Financial Services Organisation - 2022



Source: Capco | Cloud's Transformation of Financial Services, 2022



In addition to the obvious cloud benefits such as cost efficiency, accelerated time to market, built-in security, scalability, business continuity, and access to innovative products, Industry Cloud Platforms offer the below advantages:



Lean

Each Industry Cloud Platform is a bespoke offering designed to meet a specific requirement within the industry. For example, core banking platforms address the full spectrum requirements of bank operations to optimise banking operations while simplifying processes, workflows, and minimising costs.

Insurance industry cloud solutions include a comprehensive suite of products and platforms for underwriting, claims management, policy administration and management and customer account management.



Compliant

The Industry Cloud Platform providers often have deep expertise in the industry and hence the offerings are always tailored to meet the unique regulatory landscape for each geographic region.

For example, most of the Industry Cloud Platforms have tools aligned to comply with the geo-specific regulations like GDPR (General Data Protection Regulation), cross-border data transfer regulations, encryption standards, and maintain audit trails, generate automated reports for regulatory compliance and follow data residency and retention policies.



Agile

Industry Cloud Platforms differentiate themselves by incorporating cutting edge technologies and aligning to a robust roadmap with new features and changes to meet the market demand. These platforms are designed to be responsive to the use cases adopted by organisations. For example, most Industry Cloud Platforms announce APIs (Application Programming Interfaces) periodically that can be quickly deployed to launch new age solutions such as mobile banking applications and Explainable AI leveraging the existing data and complementing the existing solutions.



Composable

Industry Cloud Platforms are built following modular and composable architectures. Loose coupling between the different components of the platforms facilitates adoption of niche capabilities that can be combined to meet specific business needs.

This empowers organisations to select the best-of-breed features, build custom solutions, and scale operations quickly providing a competitive edge in the industry.



A few use cases gaining momentum in Financial Services Industry cloud:

01 **Modernisation of Core banking platform**

Replace monolithic legacy systems with micro-services based open banking platforms. Core banking modernisation improves developer experience, introduces flexibility, allows FinTech integration, enables agile delivery for new feature introduction, and achieves cost efficiency.

02 **Payments modernisation**

Deploy payment systems that can process payments in real-time, facilitate mobile payments and digital wallets, and simplify cross-border transactions. The modern payment systems can also address financial crimes through transaction monitoring, real time due-diligence and comprehensive screening; identify anomalies, and trigger corrective measures.

03 **Lending transformation**

Improve customer experience by providing personalised loan offers, automated underwriting, risk assessments and loan servicing & disbursement.

04 **Zero touch customer onboarding and self-service**

Streamline client information gathering, verification, compliance checks and take assistance from data insights generated from alternative data.

05 **Insurance policy management**

Streamline insurance settlement processes and workflows and settle claims faster.

06 **Personalised financial planning via Robo-advisory**

Generate personalised investment advice based on transaction history and customer needs/expectations.



Key considerations while choosing Industry Cloud Platform:

01 Evaluate the concentration risk

Although the cloud services have matured in the last decade, Infrastructure leaders should still factor in the downtime. Although outages are very few, there are still a few incidents that could bring business to a standstill. Hence business continuity should be carefully planned otherwise an outage in one element can bring down the services across geographies.

02 Composable/modular architecture

The degree of composability and ability to configure the platform elements that are provided out-of-the-box underscore the flexibility and customisations that can be introduced to align to the business requirements.

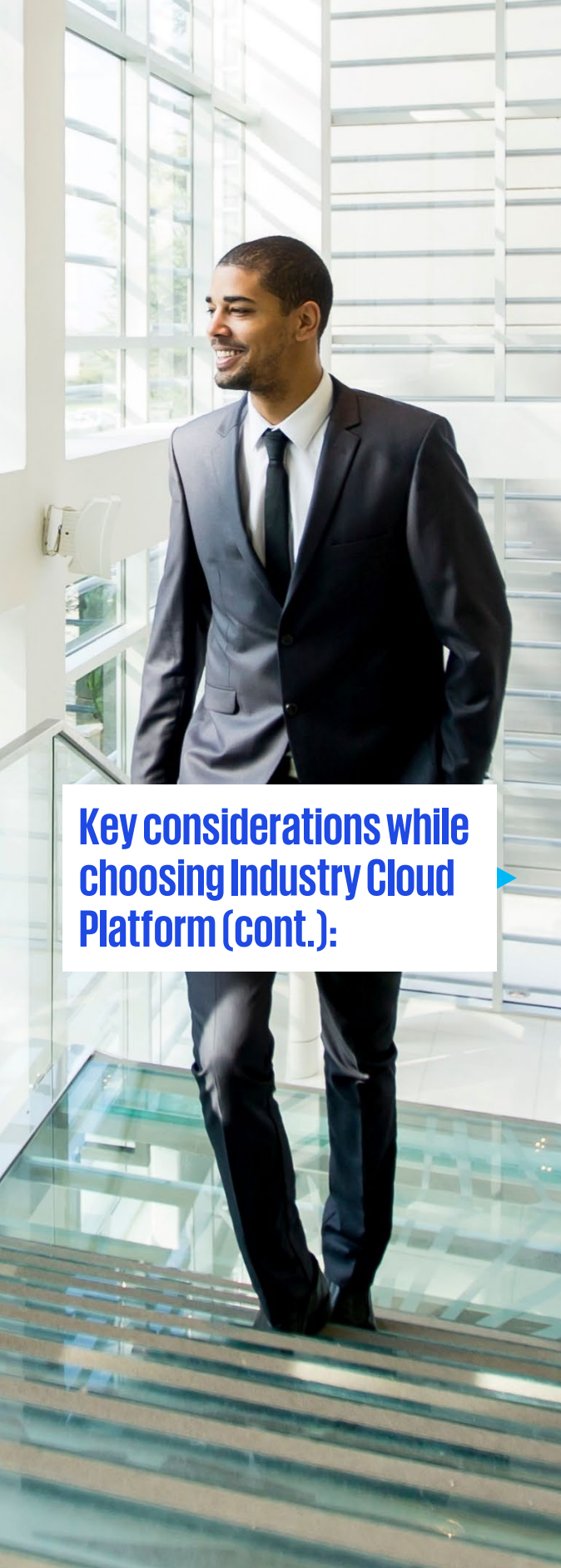
This will not only simplify the adoption of different solutions but will also improve developer experience and thus maintainability.

03 Complement the existing business capabilities

The Industry Cloud Platform should provide easy Integration and connectors to other ecosystem partners to complement existing business capabilities and leverage current infrastructure and data while adding enhanced features, functionality, and insights.

04 Compliance with industry regulations

Ensuring compliance with industry regulations and ability to quickly adapt to the ever-changing complex regulatory landscape should be a non-negotiable factor in choosing the Industry Cloud Platform.



Key considerations while choosing Industry Cloud Platform (cont.):

05 Security and data residency implications



Security and data residency requirements, data privacy and access management features should be evaluated against the business requirements.

06 Full stack offerings



Assess the maturity of the Industry Cloud Platform across the breadth of portfolio offerings. This will reduce the complexity in ensuring all solutions are interoperable, provide better negotiation power and discounts, easier user adoption, and simplify vendor relationships.

This decision should factor in the downsides of the concentration risk as well.

Typical Cloud provider offerings



01 Microsoft Cloud for Financial Services (MCFS)

Microsoft announced the availability of MCFS public preview on March 31, 2021. It is an end-to-end, industry-specific cloud that includes existing and new capabilities that unlocks the power of Microsoft Azure, Microsoft 365, Microsoft Dynamics 365, and Microsoft Power Platform to innovate for responsible and sustainable growth.

MCFS Offerings Overview

Security and Compliance	Combat Financial Crime	Deliver differentiated customer experience and empower employees				Platform Extensibility	
Regulatory compliance assessments	Account protection	Unified customer profile	Collaboration manager	Customer onboarding	Banking customer engagement	ISV and SI Solutions	
Compliance Manager	D365 Fraud Protection	Unified customer profile <ul style="list-style-type: none"> Power Apps D365 Customer In7sights 	Collaboration manager <ul style="list-style-type: none"> Power Apps SharePoint Microsoft Bookings Teams 	Loan tracker <ul style="list-style-type: none"> Power Apps 	Banking customer engagement** <ul style="list-style-type: none"> D365 Customer Service D365 Omnichannel for customer service Chat for D365 D365 Customer Voice D365 Customer Insights 		
	Purchase protection			Retail banking sample portal <ul style="list-style-type: none"> Power Apps portals 			
Risk assurance and support	D365 Fraud Protection	Dynamics 365		Microsoft 365			
Assurance Program	Power Platform				Microsoft Azure		
	Financial service data model				Industry relevant security and compliance		
	Core financial service systems						

Industry priority scenarios
Microsoft Cloud for financial services capabilities
Microsoft core technology
Third party
** Public Preview at GA

Source: [An Overview of Microsoft Cloud for Financial Services](#)

02 Google Cloud for Financial Services

Google helps financial institutions make existing and new data more useful with building blocks such as Anthos, Contact Center AI, BigQuery, Document AI and a comprehensive API ecosystem. Google's industry-aligned AI/ML expertise, powerful infrastructure and security give the businesses the freedom to innovate with lower risk.

Application management with Anthos Infrastructure and apps management across on premises, edge, and in multiple public clouds for consistent operation at scale	Embedded finance / open banking with Apigee API management APIs to build new customer experiences, open up ecosystem to new offerings, and attracting customers via third party apps	BigQuery enterprise data warehouse Real time insights and predictive analytics from serverless multicloud data warehouse	Business Intelligence and data analytics with locker Innovative and transform insurance by leveraging google cloud AI and machine learning	High performance computing for risk simulation Computing resources to calculate and simulate risk at scale, in real time or on demand, without building own server farm
Data warehouse Modernisation Solving analytics demands and scaling business by moving to modern data warehouse	Liquidity reporting Security, compliance, and governance capabilities to the bank	Contact Center AI Virtual agent that converses, naturally with customers and assists human agents on more complex cases	Conversational AI and state of the art virtual agents with dialog flow Conversational interface to solve queries and improve services	Datashare Secure, Easy and at scale exchange and monetisation of historical and realtime market datasets
Regulatory reporting Scale and analytics for reporting systems with cloud based architectures	Operational Resilience Strengthening operational resilience by cloud migration	Risk Protection Program Reduce security risks and access to an exclusive cyber insurance policy designed specifically for Google cloud customer	Exchange licensed datasets with Datashare Secure, Easy, and at scale exchange and monetisation of historical and real time market datasets	High performance computing for quantitative analysis Quantitative research on efficient, scalable compute resources to turn ideas into profitable strategies

Banking

Insurance

Capital Markets

Source: Google Cloud for Financial Services

03 AWS for Financial Services

AWS provides offerings across banking, payments, capital markets, and insurance sectors. With the broadest set of migration services and tools, AWS helps to modernise legacy accounting and storage systems for improved agility and scale.



Banking

Financial Risk Management <ul style="list-style-type: none"> Financial Modeling 	Lending transformation <ul style="list-style-type: none"> Alternative credit decisioning Credit decisioning
Financial Transformation <ul style="list-style-type: none"> Statutory, Regulatory & Financial Reporting 	Risk & Compliance <ul style="list-style-type: none"> Anti Money Laundering & Know your customer Fraud Detection
Open Finance <ul style="list-style-type: none"> Marketplaces & Ecosystems 	Customer Experience <ul style="list-style-type: none"> Customer Onboarding Personalised recommendations
Core Banking Modernisation <ul style="list-style-type: none"> Core Banking System Modernisation Digital Bank Launch 	



Capital Markets

Market Surveillance <ul style="list-style-type: none"> Communications Surveillance 	Financial data <ul style="list-style-type: none"> Alternative Data Financial Data Management Historical Data Real-Time Market Data
Customer Experience <ul style="list-style-type: none"> Customer Retention 	Risk management <ul style="list-style-type: none"> Compute Capacity Risk Management Platforms
Trade Lifecycle <ul style="list-style-type: none"> Investment Research Regulatory Reporting Trading Systems 	



Insurance

Core Insurance Systems <ul style="list-style-type: none"> Actuarial Systems Cloud based Core Systems
Digital Experience <ul style="list-style-type: none"> Digital & Customer Experience Transformation Straight Through processing
Modern Data Platforms <ul style="list-style-type: none"> Enterprise Reporting & Analytics



Payments

Credit Decisioning <ul style="list-style-type: none"> Credit decisioning using primary & Alternative Data
Fraud detection & Prevention <ul style="list-style-type: none"> Identity verification Identify Authentication Fraud prevention

Source: AWS for Financial Services

Conclusion



Industry Cloud Platforms bring in the much needed modernisation by providing a flexible pathway to replace the legacy systems in a phased manner. Based on the risk appetite and budget considerations, organisations can seamlessly transition to modern technologies and achieve business differentiation.

For Banking industry, a highly practical and advised approach would be a staggered migration strategy based on the priorities across business, people, and technology. Corporate Functions such as CRM, HR, and finance applications should be the immediate priority, as they aid the bank in establishing important guidelines and standards for the remainder of the cloud journey.

The medium term focus should be on data analytics applications, where moving to the cloud can yield very substantial benefits but also increase risk. Core solutions that involve mission critical applications like core banking apps, risk platforms, and trading systems should receive long term attention.

Their complete move to the cloud is probably going to be very expensive and risky. The extra agility that cloud computing could offer will usually need to be emphasised in the business case for it to be convincing.

For insurance firms, enhancing agility and reducing the total cost of ownership (TCO) has taken center stage in the cloud transformation. Other goals that insurers are emphasising include achieving data centricity by seamlessly integrating external data with internal datasets, allowing real time analysis of large data volumes, and enabling data driven decision making throughout the value chain.

Insurers are increasingly required to operate industry specific workloads on the cloud as they enter their next phase of growth, including processing premium payments, managing policies, notifying customers of losses, managing multi channel sales and distribution, and managing claims and detecting fraud.

In Capital markets industry, cloud adoption is minimal as compared to developments in other sectors. In order to increase agility, manage risk and security, and ensure their long term competitiveness and relevance, capital markets firms must become as cloud enabled as possible. Based on business value, and usage, capital market firms should create a roadmap for cloud adoption.

Data services, pricing, and risk calculations are less complex tasks that could provide the company with value quickly, but this value may be lower over the long term.

The most complicated workloads to be transferred are the pre and post trade transactional processing apps.

KPMG has led multiple cloud transformation programs across the Banking, capital markets, and Insurance sectors building Fintech integrations and core banking systems modernisation.

Reach out to us if you are planning to modernise your legacy systems or if you are interested in adopting Industry Cloud Platforms.

Contacts



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Sowmya is a Consulting Manager in KPMG. She has ~10 years of experience in designing and implementing IT strategy, IT Operating model, Cloud strategy and migration, and IT Cost Optimisation programs for Fortune 500 clients including establishing major program offices for strategy, operations, and delivery.



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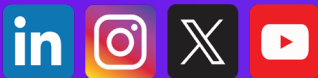
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Santosh has 4+ years of professional experience in the Tech and IT Industry. His areas of expertise include Cloud strategy and Consulting, Cloud Discovery and Data Migration, Business Process Management, Market Research, Data Analytics & Visualisation and Agile delivery. He has worked across projects in various domains including Automotive, Communication, Retail that includes opportunity identification and solution development.



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