Bankers see cloud being essential to transformation

By Chee-Sing Chan *14-Nov-2012*

Banking and finance leaders gathered at the [Finance Tech Forum](#) organized by *Computerworld Hong Kong* and talked of the challenges around the need for IT transformation and the role of cloud.

With the pressure on banking and finance institutions to dramatically curb cost but deliver new customer-centric services and rapid growth capability, there is a clear need for business transformation at many levels, noted Wu Jian Cheng, business development director, Asia, [Savvis](#). "But this does not happen without IT transformation and in most cases business transformations are in fact enabled by IT."

The question of how IT must transform to enable dynamic business change is almost always focused on the role of cloud computing -- be it adoption of a private, public or in most cases a hybrid cloud model.

"Business leaders are constantly asking IT on how the organization can move forward? How to grow in a more dynamic and agile fashion? How to respond more speedily while minimizing risk and cost and traditionally long timelines for implementation? "Cloud promises a platform to enable much of these changes," said Cheng.

According to Ashok Kalyanswamy, CIO Asia ex-Japan, head of APAC equities and prime services IT, [Nomura Securities](#), there is a clear priority for all banks to find ways to sustain profit levels and maintain tight cost control.

The future is cloud

"Clearly we have to manage our cost base. And given that we are the bank's technology experts, we must always review the way we manage the cost of our infrastructure and find ways to optimize and improve," said Kalyanswamy.

He noted that banks in the past had a philosophy to own and run everything but today that model must shift to embrace third party providers and opportunities in the cloud.

"There's a limit to how much banks can continually cut cost without also losing the ability to react and support new initiatives when sudden opportunities come along," Kalyanswamy said.

Ideally the bank would move to a private cloud model where IT can charge business units for exactly the amount of IT resource and services that they consume.

The intention of this cloud computing model would also be to create a change in mindset amount business units so that they become accountable for the use of each piece of infrastructure and they understand the need to optimize and enhance IT for their benefit and the company's overall benefit, Kalyanswamy emphasized.

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Regulated cloud

In banking there has been a clear slower pace of adoption on cloud computing, noted Linda Hui, managing director, HK & Taiwan, F5 Networks. "There is a clear case for more cloud adoption but regulatory issues are holding people back and we see private cloud technologies being the area where there is more growth right now," she said. "I think banks will be keen to explore how common platforms can be better leveraged to provide applications and services in a more dynamic and on-demand way."

Deutsche Bank's head of GT Production, North Asia, Marijana Fung stressed that cloud computing will be a significant journey for finance businesses but current security and regulatory issues will continue to hamper adoption. "We operate in 17 countries in this region and each market has its own compliance issues so creating a viable and compliant cloud strategy for all markets is a serious challenge," she added.

Even with private clouds, she noted that while the technology is clearly there today, many regulators lack proper awareness and the confidence to comfortably allow aggressive private cloud adoption as there are uncertainties around clear logical separation of data as well as rules around offshoring of data.

Within insurance the outlook is seemingly more positive than the banking sectors as growth has been steady and projections indicate that to continue in the year ahead. "Clearly there are still areas of growth for insurance here in Asia," said Henk ten-Bos, CIO, Ageas Insurance. And in light of that growth challenge, Ten-Bos points to clear opportunities for his company to explore cloud computing. I think the cloud provides very clear technology opportunities to leverage resources and capabilities that currently may not be available within our own IT organization.

"But while we have gained some value from some initial cloud projects there are many considerations that companies must go through before adoption," he added. "Despite what you may read and hear cloud is not always cheaper and may not always provide all the features that you are expecting."

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Ten-Bos advised careful evaluation and comparisons of cloud versus in-house options and scrutinize vendor offerings for the required features and SLAs. "I think many cloud vendors are still quite immature, and while we want to adopt cloud in many cases it must always make business sense," he noted.

But overall spending on IT faces huge pressure given the uncertain economic outlook. The current pressure on banks to review costs and operating models is pushing them to explore new platforms and more ways to further optimize and improve IT efficiency.

Like many investment banks, Deutsche Bank is currently going through a significant cost savings drive. "This push on cost will continue over the next three years and technology is at the heart of this and everything we do in the business today," said Fung at Deutsche Bank. "But it is crucial that we do not focus too much on the short term and become too tactical in the way we operate -- we must also balance this with long term strategic initiatives."