

## News

### Banking on Cloud



Cloud nirvana for a bank could be through a 'Private' path.

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The Cloud – though a recent buzz-word – came into existence the day the common man woke up to the Internet and it has symbolized the Internet since. True to the symbol, the definition and image of the cloud has changed over time. The essence however, broadly speaking, remains the same i.e. to consume something that is beyond your firewall.

#### The evolution of the Cloud

The late 1900's saw the email get into the cloud, with Hotmail leading, and many others following. The acceptance amazed many, and every IT company wanted to get onto it. Over time, more and more applications were offered on the web. They christened this apps-on-taps, for want of a better word, and later SaaS (Software as a Service). Today we see a lot of apps right from SFA to ERP offered through SaaS.

However, there were still apps that were typical to organizations and businesses that felt at ease behind their firewalls. Businesses which needed the entire application platforms tailored to their need. The industry obliged and offered PaaS (Platform as a Service), fully geared with application and development environment. Though the user did not get complete freedom to design the apps, (s)he did get pre-defined building blocks (like a Lego) to work with and create the apps. e.g. Force.com from Salesforce.com

With software and platform in the cloud, Managed Services could not have been left far behind. It soon followed and today a number of services like security and anti-spam services are managed in the cloud.

#### Benefits raining from the Cloud

Though the major benefit delivered by the Cloud is economics, it is also worthwhile to understand some of the other key factors which are fueling Cloud adoption by the industry in general, and maybe even banking to be more specific.

**Quick Start** – Using the Cloud for applications and services organizations can do away with investments in infrastructure like servers and storage. Thus, the startup is not only quick but also economical. Added to this, applications are available anytime, anywhere.

**Leaner Operations** – Since there are no captive datacenters, the cost of running a datacenter is no longer a part of the operating budget. This is topped with the benefit of service availability agreements that guarantee service levels.

**Grows with business** – Cloud being much bigger than the organization, it is easy to scale applications and data according to business needs, shortening the lag between business and technology. It's also economical since server and storage optimization brings down the cost for the organization.

## Cloud and the Banking space

Banking, by virtue that it deals with wealth, carries a baggage of unique features. It views every change through the glasses of concern for these features. Unlike most industries Cloud adoption by the banking industry has been marginal. Banks have however, willingly adopted Private Cloud services like the SWIFT network. Even in a Private Cloud like SWIFT there are concerns, being addressed at this very moment. This has not however, impacted the business per-se and banks continue to use the Cloud.

Let us understand the Top-3 concerns and how Cloud addresses them.

**1. Privacy of data:** Banks have traditionally relied on keeping customer data private. The biggest threat that banks have felt the Cloud carries is the fact that it allows data access to competition as well. This could mean a likely access to information that would normally not be available to the competition, or for that matter other powers that could have access to the Cloud. In case of the Private Cloud of SWIFT this concern was initially raised, but soon the bankers rested considering the benefits. However, this was not for long, and post September 2001, when US Government got access to the SWIFT data, the bankers, especially in the EU were concerned. However, the solution came soon enough with SWIFT routing EU data through servers located within the EU. As you read this, the US Government is still working on an all-agreed formula for bulk data transfer of data to the USA. However, now it is more a political debate rather than a bankers concern. Proof of this is that countries like Hong Kong opted to use this Cloud for their domestic payment and securities messaging.

**2. Security of data:** This is yet another concern that is coupled with the earlier concern of privacy. While the earlier aspect is of unauthorized access of information by persons having authority within the Cloud, this one deals with unauthorized access of information by unauthorized persons, either by posing as an authorized person (using false identity) or forcing their way in through holes left open in the cloud network. Though both these threats exist even within their owned data centers, there is a perception of being in complete control of the situation. Over the recent past, banks have moved to outsourcing their data-center management to independent professional organizations, and it is just a matter of time before we will see such organizations proving their worth and catering to multiple banks, thus leading to small private clouds.

**3. Application availability:** Banks have been the earliest and fastest adopters of technology solutions and currently there are dozens of legacy applications in each bank. Finding equivalents of all these in the cloud overnight is not possible. This is a mere hurdle and not a show-stopper. Adoption would probably happen for the available applications to start with, and, as benefits are realized and application availability improves, adoption would be on the rise. However, it would not be out of place to state that such applications ideally be located in Private Clouds only.

## Summary

While it may seem to many that the banking industry is resisting the change brought about by the Cloud, a closer look at the top-3 concerns shows that the resistance is not universal but classified. While resistance to the Public Cloud is complete, there are instances of increased acceptance of the Private Cloud. It seems to be just a matter of time, before technology will satisfactorily address all concerns and the industry will once again be the leader in embracing Cloud.

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