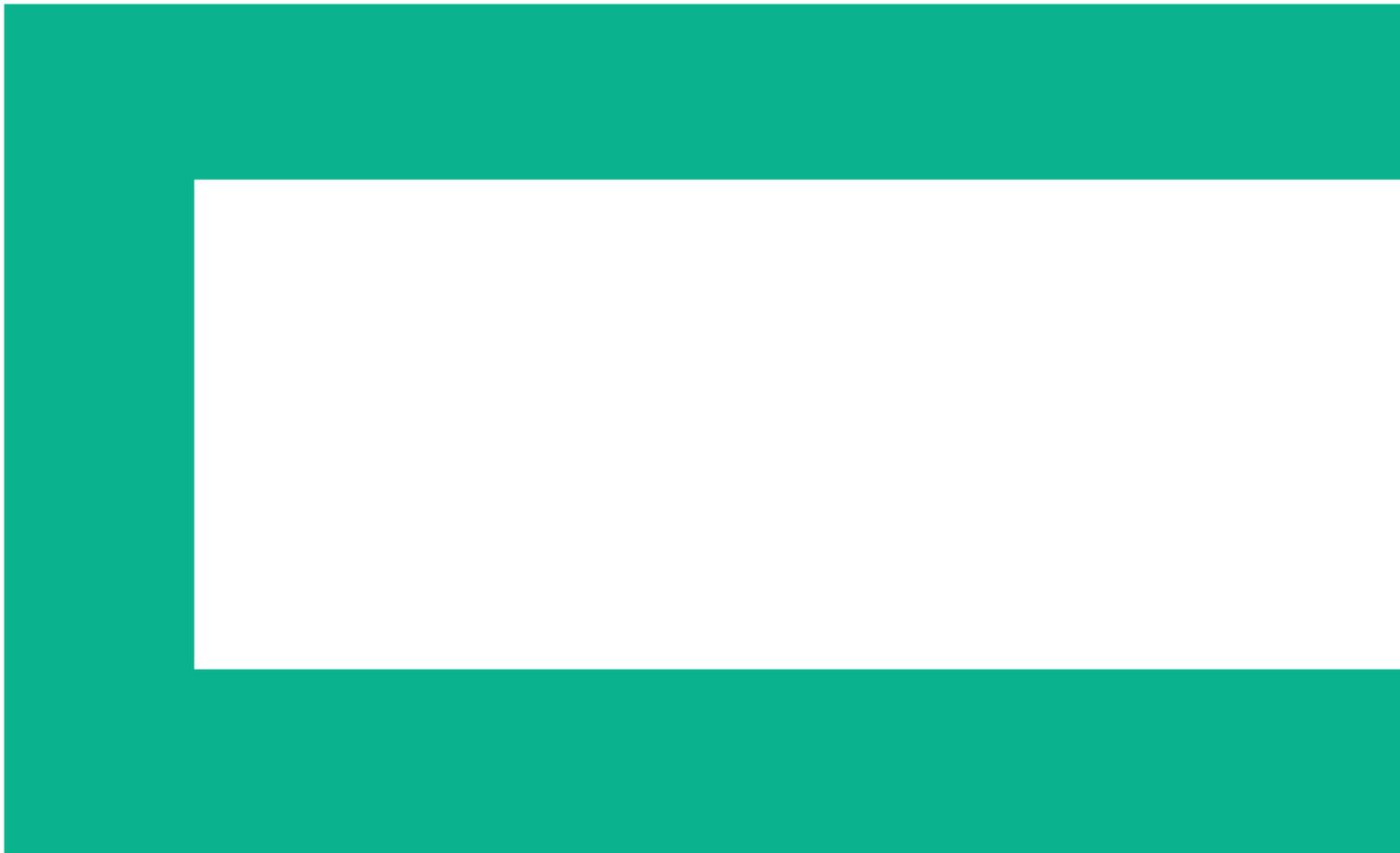


# Cloud adoption in the financial services industry



More and more financial service organizations are adopting the cloud to deliver innovation, customization, and security to generate a unique competitive advantage.

## Looking forward: Financial services in the cloud

The report on the finance cloud market by the research firm, MarketsandMarkets, has predicted that the finance cloud market will grow at a CAGR of 24.4% to \$29.47 billion by 2021.<sup>1</sup> This growth will be driven by green IT, specialized services, and the need for business agility and market focus, apart from customer management.

Some of the key findings include the following.

- During the forecast period, the professional services segment would dominate the market.
- Among the applications available in this market, the customer applications would have major growth because the BFSI companies want to leverage the benefits these applications offer, like improved productivity, lowered costs, advanced data analytics and more, to gain competitive advantage and long-term benefits.
- Regionally, North America would have the largest market share because of the wider internet penetration, strong economy and the shifting of isolated infrastructure to the cloud. This will result a reduction of CAPEX spend, lowered complexity in IT management, and improved security and agility.

IDC Financial Insights calculates that the biggest global banks will save \$15 billion by 2019 from cloud adoption and cut technology infrastructure costs by 25%.<sup>2</sup>

## The benefits of cloud platforms

We know that finance companies are typically the first into technology trends, and the last out. Cloud is no exception. As the previously mentioned report concludes, and as we see in the marketplace as well, financial services are looking to move to cloud-based platforms for a few key reasons:

- The ability to provide unique types of services in the marketplace, such as new investment types—Considering that their products are rather abstract, this becomes a core focus since they have much the same products as their competition.
- The ability to become agile—Most financial services companies are big and bulky. Over the years, they have become siloed and are hard to change. IT could not keep up. However, with cloud-based platforms that are scalable on demand and quick to change, they may be able to fix that problem.
- The ability to remove cost—At its core, cloud computing has the ability to provide more efficiency. This includes the ability to have much lower operational costs. While the financial sector has not had to economize much in comparison to other vertical sectors, today they want to tighten IT belts. Typically, first on the agenda is a move to the cloud.

<sup>1</sup> **Finance Cloud Market worth 29.47 Billion USD by 2021.** MarketsandMarkets Research Private Ltd.

<sup>2</sup> **U.S. financial firms embrace cloud, 'fat fingers' notwithstanding.** Reuters, 2017

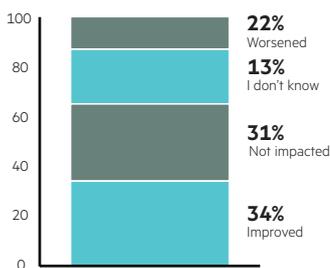


Top cloud security concerns



96% of organizations store sensitive data in the cloud

Impact of cloud adoption on the overall security of IT infrastructure



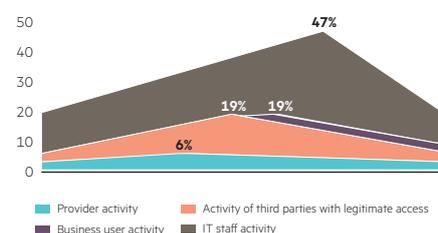
35% of IT pros believe that their provider's security controls are enough to protect data

On average 53% of organizations prefer to use both their own controls and the provider's controls for security

Biggest security risks

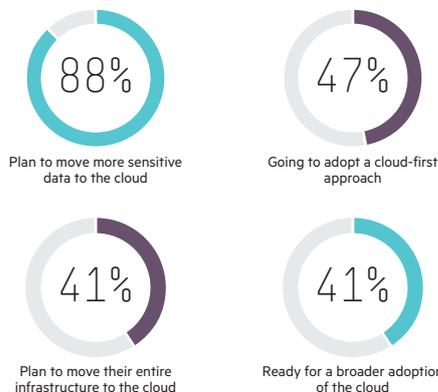


Where do organizations have complete visibility into activity in the cloud?



65% of IT pros get support from top management for cloud security initiatives

Plans



How do organizations plan to improve cloud security?



Figure 1. Banking and finance report: 2018

Financial organizations adopt the cloud more extensively than the other industries surveyed. Overall, 96% of the respondents from the financial sector store sensitive data in the cloud. One-third (34%) of the respondents say the security of their IT infrastructure improved after cloud adoption and 31% report no change.<sup>3</sup>

What about the risks?

What specific risks does the cloud pose for financial services companies? Security comes to mind most often, considering that they have the most to lose if breaches and security issues become a problem.

That said, cloud computing seems to be a security upgrade and actually removes risks in most cases. What public clouds bring to the table are better security mechanisms and paranoia as a default, given how vulnerable they are as targets. The cloud providers are much better than traditional systems at systemic security services, such as looking out for attacks using pattern-matching technology and even AI systems. This combination means they have very secure systems.

Just look at the top cloud consumers

Who's who in cloud users is really around the financial sector. Capital One made one of the largest public cloud deals to date with Amazon Web Services (AWS), and other financial firms are following suit, in terms of both scope and size of their migrations, or net new application implementations.

When asked about the whys, they pretty much stick to the items outlined previously, such as agility, cost control, time-to-market advantages, and others. However, the biggest pattern that we're noticing in this industry is the fact that the financial sectors get back more from their investment in technology than other sectors.

In other words, if somebody who owns and operates a paper mill invests into a cloud migration project, they may get 10 times their investment back over a 5-year period. However, if a financial firm invests in the same types of technologies, they may get 200 times their investment back, considering the benefits listed previously.

<sup>3</sup> 2018 Cloud Security: In-Depth Report, Netwrix Corporation, 2018



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Financial organizations plan to expand their cloud usage. Overall, 88% of financial organizations plan to move more sensitive data to the cloud and 47% want to start using a cloud-first approach.<sup>4</sup>

## The providers see it

Core of the financial sector's movement to cloud computing is the enablement from the public cloud providers themselves. AWS's understanding of this has led them to launch a marketing area that is focused just on this vertical.

Each financial services company is looking to stand out from the crowd to gain a competitive advantage. Thus, innovation and customization are often needed from both the cloud provider, as well as professional services. HPE Pointnext has developed a set of cloud principles and blueprints that enable cloud providers such as Microsoft® Azure and AWS to deliver industry aligned outcomes.

Despite the competitive advantages for financial services companies to embrace and utilize public cloud, it's still believed that only a small percentage of the workloads are in the public cloud in this sector. That's greater than most other verticals, but there is a lot of work to do to before financial services firms reach their value goals.

Learn more at  
[\*\*hpe.com/us/en/services.html\*\*](https://hpe.com/us/en/services.html)

<sup>4</sup>“2018 Cloud Security: In-Depth Report”  
Netwrix Corporation, 2018



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