



DANIEL KAPFFER

Chief Financial Officer & Chief
Operating Officer,
DekaBank

Cloud-competence determines the global competition – let's face the challenges ahead

Only a couple of years ago cloud technology has been a promising technology with only a few applications in the financial world. Since then cloud technology has developed to the main enabler of digitalization. It has become one of the most important levers to decrease IT cost (30% to 40%).

The picture is even broader when moving up the technology stack from infrastructure to applications. Cloud native applications are required to provide frequent innovations to clients and ultimately to stay competitive not only with regard to traditional players but also FinTechs or BigTechs.

The two challenges with regard to the application of cloud technology are as well Data security and privacy rules as Management of ICT (Information and Communication Technology) and cyber security risks.

Especially through GDPR the EU has established a common standard with regard to data security and privacy. Most cloud providers provide services from locations within the EU. However, most contracts would still allow a data transfer to locations outside the EU, so that equivalent rules there are needed.

But, the major part of the EU data strategy is mostly about sharing data between different entities. The goal is an aggregated pool of data that can be used for AI and other purposes. However, clients are only willing to give away their data as part of a service that they value and that they otherwise cannot get access to. Therefore, it is questionable whether the data strategy will be able to provide significant value. So the European market place for cloud services and the EU cloud rulebook both intended for 2022 are helpful.

Management of ICT have gained more and more attention by regulators in the last years, especially in terms of breach of confidentiality, failure of integrity of systems and data and inability to change information technology. It also includes security risks resulting from cyber-attacks or inadequate physical security.

The current approach with regard to managing ICT relies too heavily on principles established for outsourcing arrangements. What is adequate for a long term and stable part of a value chain, does not fit to cloud services that can be used short term and their usage can also be discontinued very easily. In addition large cloud service providers will bring a high and consistent level of standards with regard to ICT risks.

Given their heritage, they are more used to providing reliable, secure and extremely scalable IT solutions.

As an important step, the EU's digital resilience framework ("DORA") will assign third party service providers deemed critical to an EU-supervisor (EBA, ESMA or EIOPA). However, European policy makers should consider going one-step further and reduce the burden imposed on the financial services firm when managing ICT risks through cloud services.

In sum, the large US firms (Amazon, Google and Microsoft) already dominate the cloud market. We need to make sure that European financial services firms can at least use cloud services in an adequate framework to ensure their competitiveness in the global landscape.