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Cloud in financial services: how effective regulation can support innovation

Cloud presents important opportunities for the financial sector to accelerate innovation and improve security and operational resilience at scale.

Innovative banks are using this technology to understand risk, segment customers, track market movements, develop new instruments and ultimately gain a competitive advantage in an increasingly volatile market. They need to process large volumes of data fast and break organisational silos. The time saved processing this information allows firms to offer products at a much lower cost to their customers.

Cloud has also become an enabler for AI and machine learning (ML) technology. Banks can, for example, utilise cloud-based ML models to combat fraud and money laundering in a more effective way by combining transactional and behavioural data and avoiding costly false positives. Similarly, cloud technology is leveraged for banks' risk-management processes to determine liquidity and exposure quicker, to carry out market-to-market adjustments and for better accounting in general.

Finally, firms are tapping the cloud to develop entirely new services. Innovative firms can create experiences that closely resemble the best digital ones in other industries. Cloud is transforming the technology ecosystem well beyond the core infrastructure, and European consumers stand to gain the most from this innovation. COVID-19 accelerated many of the digital trends, and resilience of cloud infrastructure came into full view: we continued to support all our customers across the globe without shortfalls.

Understanding the benefits of this technology and with an objective of strengthening risk mitigation and digital operational resilience of the financial ecosystem, European policymakers have been leading global regulatory agenda. The proposal for the Digital Operational Resilience Act (DORA) is an important step in achieving these strategic goals by introducing a direct regulatory oversight over critical third party providers by financial services regulators.

We welcome these efforts of the EU policymakers: resilience and security are at the core of our technology and operations. We believe DORA could create a genuine opportunity to enhance understanding, transparency and trust between ICT service

providers, financial entities and regulators and ultimately stimulate innovation in the European finance sector.

To ensure its effectiveness, the oversight needs to:

- **Harmonise and deduplicate requirements**, including between DORA and existing frameworks like the European Supervisory Authorities' Outsourcing Guidelines and the NIS Directive - in particular in the view of the new NIS2 proposal;
- **Be proportionate and fit-for-purpose**, especially through the requirements that recognize the technological realities of evolving ICT services in the public cloud context - that are provided in a multitenant, one-to-many environment;
- **Maintain technology neutrality and boost innovation**, which is encouraged by open market and the free flow of data;
- **Protect the availability and integrity of digital services and cloud customers privacy**, whether they are subject to DORA or not.

We will continue to engage with the policymakers as this important legislation progresses, and are committed to being a constructive voice in the discussion.