



Q&A

SCOTT MULLINS

Managing Director, Worldwide
Financial Services - AWS

Well implemented DORA will lay the foundations for the next stage of digital transformation

How are technologies and innovations, such as cloud and AI, changing the structure of the financial industry and the way financial services are provided and consumed? What challenges does it pose for the industry and policymakers?

New technologies and innovations have always been adopted by the financial services industry. The recent options for the industry, in areas such as cloud and artificial intelligence (AI), have fundamentally changed and reinvented the relationship between customers (both consumers and businesses) and the industry and given those customers more optionality and enabled digital transformation. This has helped deliver an efficient and convenient structure for customers. For example, an EU-based global bank uses AWS for near-field communication (NFC), or wireless, payments in its mobile banking app across its network, delivering a solution for customers to make payments that is both convenient and secure.

At AWS we focus on the customer and think about change in terms of how customers can leverage these innovations in their own business. We think about how the current state of the world is challenging existing business models and revealing new business opportunities. How to choose the right services to address a particular business challenge or opportunity. How to make those services work with existing investments in technology. How to meet unique requirements that are applicable to use cases in specific industries. How to effectively navigate the choices that come with executing transformational change, and in catalyzing innovation.

Technology change brings challenges for policymakers and regulators as well. They need to adapt and modernize their approach to ensure a consistent and effective framework for the use of technology, including cloud, that also supports the digital transformation of the sector.

In the EU we will see this through the Digital Operational Resilience Act (DORA) taking effect in January 2025. As the EU institutions set out the details in level 2, it is important that the implementation remains flexible enough to handle increasingly dynamic complexities in the financial and technology spaces. This will ensure that the EU can leverage technological change and be well set for future ones as well.

What new trends are we seeing in terms of digitalisation and what role is cloud playing in these new developments?

Since the last EUROFI in Stockholm, technologies such as generative artificial intelligence (AI), have come to the fore in public consciousness and received widespread media coverage in a way we have rarely seen in recent years. AI has application across society and this is no different in the financial services (FS) industry.

Amazon has invested heavily in the development and deployment of AI and machine learning (ML) for over two decades for both customer-facing services and internal operations. AWS has been delivering meaningful innovation supporting generative AI for years through services, partnerships, custom-designed chips, and developer tools—all grounded in giving customers what they need to build generative AI applications. We put these new technologies and capabilities in the hands of all builders, not just technology companies with resources.

For the financial services industry there are four areas where generative AI is already making an impact: improving customer experience; increasing productivity of knowledge workers; understanding market and customer sentiment; and driving product innovation and business process automation. As leaders in the financial services industry move forward, they will need to define the problems they want to solve using generative AI and establish a cloud strategy to pursue new solutions.

And like all AI, generative AI is powered by ML models — very large models that are pre-trained on vast amounts of data and commonly referred to as Foundation Models (FMs). We believe the potential of FMs is incredibly exciting, and cloud can help drive the next wave of innovation by making generative AI easy, practical, secure, cost-effective, and responsible for customers. In doing so, we can support taking this technology out of the realm of research and make it available to customers of any size and developers of all skill levels. This is democratizing access to FMs and generative AI for customers. Customers get the flexibility to choose the way they want to build with generative AI: build their own FM with purpose-built ML infrastructure; leverage pre-trained FMs as base models to build their applications; or use services with built-in generative AI without requiring any specific expertise in FMs.

It is important that, as regulators look at the use of AI in financial services, they keep in mind that we are at the beginning of a journey through usage and customer benefits as well as responsible AI use. As such, making sure a principles-based approach that is adaptable to future developments is crucial in any measures that are implemented.

What are the main issues to address for preparing the implementation of DORA from a CSP perspective and are they being appropriately tackled in the work underway led by the ESA Joint Committee?

AWS is committed to working with the financial services community on the implementation of DORA, while enabling financial entities to increase agility and enhance their resilience and above all, to innovate. Technologies such as the cloud enable digital transformation and rapid innovation while improving the security and resiliency of financial firms. As financial entities continue to adopt these technologies, a harmonized, clear, and proportionate regulatory framework can help drive innovation, security, and resilience.

Our view is the DORA can support the digitalization of the EU financial system by delivering on these objectives. However, the regulatory approach set out in DORA is the first of its kind globally and it is important that regulators, financial entities and providers work together to ensure the EU financial services sector can continue to benefit from technological innovations. This is especially important in light of an increasingly complex cybersecurity landscape where threats continue to proliferate and new preventative measures are constantly being developed. The consultations that have been published so far are open and comprehensive on the approach - so it is good that we have the opportunity to share our views directly ahead of implementation.

Are further evolutions needed to adapt the EU regulatory framework (financial and digital regulation) and the current oversight approach to the digital world and notably to the increasing role played by cloud services in finance?

The first priority for the EU is implementing DORA appropriately as this will lay the foundations for the next steps of use of cloud services in finance. But in doing so, there should also be an awareness of how things fit with, for example, the forthcoming UK critical third parties (CTP) to the financial sector regime and the work of the Financial Stability Board (FSB) to deliver a toolkit on third-party risk management and outsourcing.

Any future developments to the regulatory and supervisory framework should consider the evolving technology landscape. Given the global nature of both finance and technology, coordination and interoperability across jurisdictions is critical in order to secure a consistent approach to risk management and avoid market fragmentation. The establishment of an internationally consistent and fair framework for the use of cloud services is something that supports the digital transformation of the sector globally. DORA is an important part of this. In addition, given the rapid level of technological innovation, we strongly believe that during implementation process policymakers should make sure that DORA is flexible enough to handle increasingly dynamic complexities in the financial and technology spaces.