SDS SETTING DIGITAL STANDARDS

Cloud Readiness:

BANKING TECHNOLOGY IN TRANSITION. SDS IREG SUCCESSFULLY DEPLOYED.

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Whether for internal processes, organisation or the development of new business models – the opportunities offered by the topic of ‚Cloud' have a positive effect on progress, competition and customer experience. Many dynamic industries have been representing their „digital transition" for several years with successful cloud applications and models.

The financial industry and its associated service providers are now increasingly facing the obstacles and challenges posed by modern cloudification and are responding to market trends in a positive way. This includes SDS with SDS IREG and its cloud readiness which enables existing international customers as well as new customers to take the step towards next-generation tax reporting.

COMPETITIVE SITUATION, ADVANTAGES AND DISADVANTAGES OF CLOUD APPLICATIONS

The financial industry is facing dynamic changes in terms of IT infrastructure and operation that are hard to predict. Whereas in the past decade strategy and business models in particular have been questioned and revised, not least due to massive regulatory changes and the entry of new competitors such as FinTechs, „innovative technologies" and „digitalisation" are now the top issues that decisively determine the competitiveness of a financial intermediary.

The high pressure to innovate due to the increased expectations of bank customers has resulted in new financial products, services and service channels. Keeping pace with increased expectations through ongoing innovations while guaranteeing stable operational processes and securing high investment costs makes digitalisation projects a complex management task.

A key to success in accomplishing these tasks could be the advancing cloudification of back-end solutions. Whether for internal processes, organisation or the development of new business models and customer benefit – the opportunities offered by the topic of ‚Cloud' have a positive effect on the progress of market participants in the international financial industry. Despite initial obstacles, whether in connection with security, legal, business or technology issues, the signs point to growth. Decision makers in banks put established processes to the test, assessments determine the best way into the cloud and experts rack their brains over the latest product and its placement on the market. Surveys have shown that market participants are pushing their cloud strategy within the next five years by implementing clear growth plans and a corresponding capital market business. For these ambitious plans to be successfully implemented, important issues such as the competitive situation, the advantages and disadvantages of cloud applications or the possibilities in terms of type of operation and the like must be clarified in advance.

HOW CAN CLOUDIFICATION INCREASE COMPETITIVENESS IN THE FINANCIAL INDUSTRY?

Especially on the important target dates, the end of the month, the end of the quarter or upon preparing the annual financial statements, the demands on the resources of the IT operation increase massively due to the extensive reporting requirements for different stakeholders of a financial intermediary. But also the volatility on the markets, for example on the day of the BREXIT decision, leads to unexpected operational peaks in daily banking operations. The operating environment is to be adjusted to this maximum load, which leads to high permanent costs in traditional IT systems.

Through fast, flexible and automated scaling of IT resources, cloudification enables financial institutions to react dynamically to continuously changing volumes and they no longer depend on rigid IT structures. Cloudification enables fast, flexible and automated scaling of computing power, the ability to react dynamically to the ever-changing daily business.

Furthermore, the introduction of new financial services and banking applications is much more efficient, as providers can adjust their applications to standardised cloud platforms and these no longer have to be adapted to the individual IT infrastructures of financial institutions at high expense.

WHY DOES THE FINANCIAL INDUSTRY LAG BEHIND OTHER INDUSTRIES IN THE USE OF THIS SOURCING OPPORTUNITY?

he migration to cloud platforms in the financial industry is progressing very slowly in some areas – due to uncertainties in the interpretation of requirements of the bank supervision regarding operational safety and outsourcing, but also due to commercial and technical aspects. Cloud computing has been a key topic of numerous conferences and informal circles in the industry for over a decade, yet it is still far from being fully accepted.

Especially in the area of automated tax reporting, there are a number of challenges that can hinder the timely introduction of cloud solutions by banks and other financial institutions. Security concerns, legal issues as well as commercial and technical aspects are on the agenda of decision makers and experts. However, if the institutions are able to successfully overcome these obstacles in the near future, cloud solutions can be an excellent way to optimise the infrastructure and thus improve – to stay with the above example – tax reporting.

With a specific combination of different cloud operating models, these obstacles can already be overcome today.

WHAT OPTIONS FOR CLOUD OPERATION ARE BEING CHECKED BY THE FINANCIAL INDUSTRY AND WHAT ARE THE ADVANTAGES AND DISADVANTAGES OF THE INDIVIDUAL MODELS?

The migration to the cloud typically begins with defining the objectives and choosing the cloud model. It is important to note that the cloud model to be chosen is highly dependent on these objectives. The objectives and reasons are varied and range from cost optimisation (CAPEX/OPEX control) to a lack of in-house competence in operating distributed application environments. The cloud models offered include „Public cloud", „Private cloud" and „Hybrid cloud".

PUBLIC CLOUD

In the public cloud, customers rent the entire IT infrastructure of cloud providers on a flexible basis and share it with other customers. This means that no capital is invested in physical data centre infrastructures and all required capacities can be dynamically adapted to the daily business.

PRIVATE CLOUD

By contrast, a private cloud is exclusively available to a single customer. Hosting and administration is carried out internally via own resources (e.g. IT centre) or via appropriately qualified service providers. Compared to the public cloud, this offers the customers more creative leeway and perceived security at higher costs.

HYBRID CLOUD

The hybrid cloud is a mixed form that bundles IT infrastructures from the public cloud and private cloud to combine the advantages of both approaches – depending on the requirements of the individual applications.

WHAT ARE THE CORE COMPONENTS FOR THE DEPLOYMENT AND OPERATION OF APPLICATIONS IN THE CLOUD?

The core component for standardised deployment into the cloud is the container technology, such as Docker or Kubernetes. Thus, a customised infrastructure can be set up easily, efficiently and ad hoc. The concept „infrastructure as code" is not only used for software design and deployment, but also for testing and operation. Technical support in the provision of test environments is contributed by orchestration tools such as Kubernetes or complete container application platforms, which in addition to container management also include a solution for building automated build pipelines.

WHICH ADVANTAGES CAN BE REALISED ON THE BASIS OF THIS STANDARD AND HOW FLEXIBLY CAN YOU SWITCH BETWEEN THE DIFFERENT TYPES OF OPERATION?

If applications are standardised for cloud services, any type of operation can be chosen; mixing and switching between types of operation is also possible to take full advantage of each.

For example, software testing (including load testing) could be carried out in a low-cost public cloud with anonymised data, while productive operation takes place in a private cloud or continues to be „on premises" – without any difference regarding software, deployment and operation. The long waiting times for the deployment of a new environment, familiar from numerous projects, are dramatically shortened, thus reducing project costs and risks.

SDS relies on standard market cloud concepts and provides software solutions based on these standards. Our products can be operated on premises as well as in the private or the public cloud. The possibility of switching at any time increases the independence of a financial institution which can comply with the requirements of the regulator, react immediately to relaxations/restrictions and thus always produce at optimum cost.

Our licensees can thus continue to meet the growing needs in a dynamic market environment and secure their competitiveness in the long run. In foreign tax reporting with the QI, FATCA and CRS regimes, deployment in a cloud environment is particularly useful: The creation of reports is performed based on the target date in short, labour-intensive periods. With SDS IREG, we are now able to offer a sophisticated and comprehensive solution in a highly efficient deployment model.

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About SDS

SDS is continuously setting digital standards in financial market operations, regulations and compliance solutions for the international financial industry. The comprehensive SDS portfolio covers state of the future products and services for all customer and market related processes, ranging from global securities and derivate processing, regulatory, tax and compliance automation, solution-based consulting, professional testing services to managed services.
More than 3,000 financial institutions worldwide with over 10,000 users in about 80+ countries trust in SDS and its sustainable business values.

With our proven industry experience of over 4 decades, we have become a highly trusted and equally reliable partner of renowned financial institutions all over the world. SDS is Member of Deutsche Telekom, one of the world's leading providers of information and communications technology. www.sds.at

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