Going Hybrid on all Fronts in Financial Services . . .
To Outperform your competition in a digital first world

Monica Sasso
EMEA Financial Services Chief Technologist
msasso@redhat.com
The **Business Reality** of being a Bank in 2023 and competing in the marketplace
In today’s uncertain world . . .
Who is competing in the financial services marketplace is changing

The race to the top & how technology can help

**Test Question** – who will get to the nirvana end state of high SCALE, TRUST, UX and SPEED first?

**Whoever uses technology to:**
- reduce operating costs
- reduce friction in the client journey
- reduce friction in the employee journey
- increase security and enhance privacy (i.e. sovereign cloud)
- accelerate business agility with more frequent releases
- get their legacy tech to work harmoniously with cloud native tech
- And help the decision makers and control functions to understand technology and TRUST it (i.e. automation)

**Hurdles**: Crossing the IT/biz divide, 3LOD, fiefdoms, getting the old & new tech to talk, skills.
In essence: how to release tech as fast as a fintech (i.e. 10x faster) and reduce friction everywhere

**In essence**: how to get new customers and build up reg & risk knowledge / credibility

- **Incumbents**
- **FinTechs**

**User Experience**: frictionless finance

**Scale**: # of customers
Customers already expect digital-native experiences from financial institutions

Customer Expectations

- **Embedded finance**
  - To be when and where I need it

- **Hyper personalization**
  - To know me and use that knowledge to help me

- **Customer advice**
  - To understand my finances and help my financial health

- **99.99% SLA**
  - To be always available for me

Eg. Retail banking
“In a future-proof business model, the customer, not the product, is the focus.”

In 2022, banks prioritised meeting customer expectations as well as transforming their operating system as a company.

**Digital Channels**
- Web & APPs
- Multichannel
- Omnichannel

**Agility & Partnerships**
- Create faster
- Serve cheaper
- Embedded finance

**Refoundation of the Industry**
- Blurring lines between industries
- Respond to transformative changes; AI/ML, Edge, Metaverse, Quantum, CBDC,....
- Climate change/ESG

...2015
- Migrate transaction to digital for efficiency reasons

2016 - 2025
- Transform to be able to compete with digital-native

2026 - 20...
- Compete with non-banks and digital-native
The Technology Reality of being a Bank in 2023 and competing in the marketplace
Cloud usage is being reshaped by emerging regulatory requirements.

- **Data Privacy (GDPR)**: 2018
- **Digital Resiliency (DORA), NIS 2**: 2018/2025
- **Directive on Critical Infrastructure Resilience (CIR)**: TBD
- **Cloud Sovereignty**: TBD

The regulatory landscape
"Consolidate and upgrade ICT (information and communications technology) risk requirements across the financial entities to ensure all are subject to a common set of standards to mitigate ICT risks."

Risk Management
- Detection, recovery, business continuity policies and disaster recovery plans

Incident Management and Intelligence sharing
- NIS Directive, cybersecurity & (harmonised) reporting

Digital Operational Resilience Testing
- Concentration risk analysis, pen testing including remediation plans

ICT third-party risk
- Critical ICT 3rd parties subject to an EU oversight framework

Exit-Strategy

(1) Section V- art 5-14 (4) Section V- art 25-39
(2) Section V- art 15-20 (5) Section VI- art 40
(3) Section IV- art 21-24 (6) Section V- art 25-27
The UK has similar regulations for Financial Services

Financial Conduct Authority (FCA), Bank of England (BoE) & Prudential Regulation Authority (PRA)

Biggest Differences between the UK and EU:
- UK split into several different laws
- How they are looking at the Critical 3rd parties is different - His Majesty’s Treasury vs FSI regulators
- EU places more emphasis on ICT risk management requirements; is prescriptive about the processes, controls and procedures that firms will need to have in place in order to prevent disruptions / maintain operations when a disruption nevertheless occurs
- UK framework’s focus on maintaining important business services through an assumed disruption does not reduce the need for firms to still have strong ICT risk management controls in place.
Key technology actions to drive resilient digital innovation

Three strategic approaches where we support our customers on their hybrid cloud journeys

**Simplify and Standardize Technology Estate**

*Eliminate Technical Debt*

- Remove pain of **Upgrade Cycles**
- **Reduce cost to run** accelerating reinvestment into modernization
- **Digitize/Automate** to drive cost and efficiency savings

**Accelerate Application Modernisation**

*Flight Path to Cloud-native Capabilities*

- **Better, Faster, Cheaper** modernization
- **Align** Infrastructure and Development productivity
- Transition from product to **Platform Centricity**
- **Integrate** Modern Applications with Legacy infrastructure

**Drive Business Growth**

*Adopt Full Hybrid Cloud*

- **Agility** to add, remove or change any infrastructure.
- **Run** on any cloud service, datacenter or combination.
- **Operational resiliency** across the Hybrid Cloud environment.
Connecting clouds to reduce operational costs & improve resiliency

Using the hybrid cloud to solve the regulatory and competition challenges & meet customer expectations

- Portability of applications and services
- Visibility across all environments for compliance and cost
- Reduce concentration risk of services
- Capitalise on unique public cloud capabilities
Helping banking leaders unlock the power of cloud, digital and data in their organisation

- Reshaped the technology estate and reduced complexity at scale across cloud environments
- Increased delivery speed, reduced operating costs and enhanced service reliability,
- Honed new ways of working and platform delivery models to become more responsive.

Source
https://www.youtube.com/watch?v=RNLTCF-e3sA
For Maier, OpenShift is a central element of the cloud strategy. "I would never put my applications natively on a cloud," he explains, adding that he has to minimise the strategic dependency that also exists in the cloud. "If I have a problem with a cloud provider in three or four years, then I have a problem of two to three million francs for one and a half years, and not a 20 million franc problem that lasts three to four years."

(English Translation)

Andreas Maier
CIO AXA Switzerland

"Am meisten Respekt haben wir vor dem Mainframe-Teil"
Modern technology has given rise to digital platforms and is freeing banks to innovate on their own terms.

**Reducing cost and complexity**
Modern platforms are being used to improve operational efficiencies and take out unnecessary costs across a range of banking product and services.

**Fostering nimbleness, scale and reach**
Modern platforms support team topologies that improve autonomy, foster speed and innovation, so that banks can quickly pivot to changing market conditions.

**Improving security and resiliency**
Modern platforms enhance the bank’s security posture and reduce concentration risk to support emerging digital operations requirements.
Thank you