



How would cloud improve your firm's regulatory response?

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Quick question: How many capital markets firms have embraced cloud for regulatory reporting, do you think?

In a recent survey, the European Banking Authority (EBA) reported that around 43% of financial institutions said they have an element of cloud computing in their reg solutions. In the same survey, around 70% of RegTech providers said they used cloud as part of their solutions and that satisfaction levels were significantly higher for any type of cloud solution, compared to an on-prem solution. So, it seems that industry is embracing cloud in their reg solutions, but there's a lot of room to grow.

For firms looking to embrace cloud, remember the simple "3Ds" model:

1. **Define** your business case really well. Cloud migration is not an IT decision. Add regulatory flavor and don't forget, you'll need full buy-in from the business
2. **Data** is the lifeblood of cloud infrastructure and can make or break a solution. One of the key questions asked is, "Which data can be put in the cloud?". There's no straightforward answer, but a framework could be created by analyzing the issue at multiple levels: a) regime, b) regulation within a regime, c) infrastructure and, finally, type of data.

This enables firms to create a list of do's and don'ts for input into their data governance framework. Regulatory data in the cloud should be driven from your firm's data governance framework. A typical governance framework will consider compliance across jurisdictions (e.g., a bank in Hong Kong that's storing data in Europe may have to consider PDPO and GDPR), DR sites and your contractual vendor agreements. As far as data quality goes, although we've made giant innovative strides in the last 10 to 15 years, it's still a case of garbage in, garbage out. Make sure you only send good quality data into the cloud. Focus on your data and see how cloud can help you actually improve both it and the control framework around it

3. **Design** your solution well. Sometimes firms are driven by end-of-life support dates or a new compliance date and end up taking a shortcut. You need to create your solution so you can benefit from the scalability of cloud, and that requires planning

Reporting as-a-Service

As-a-Service (aaS) is a journey with milestones such as cloud migration, PaaS, SaaS and so on. Based on your firm's current state of cloud adoption, you might want to target particular milestones, as long as certain prerequisites are met. These essential requirements include understanding your firm's current cloud strategy, plus its state of adoption and data governance

framework. Then you'd be able to choose which regulations can be migrated to the cloud, as well as the right solution and milestone within that solution. Typically, Reg Reporting as-a-Service means taking the software and/or business processes and migrating them in an aaS model.

That could be **a good end goal**

But if you're aiming for Software as-a-Service or even Platform as-a-Service, it's a really good starting point. In terms of potential, the aaS model is very exciting. You can optimize the existing solution and leverage the inherent benefits of cloud technologies, or make your operating model more resilient because, now, things are working in the cloud. You can look at the issue both vertically (bringing upstream systems into the scope of aaS) and horizontally (migrating a wider set of regulations into aaS).

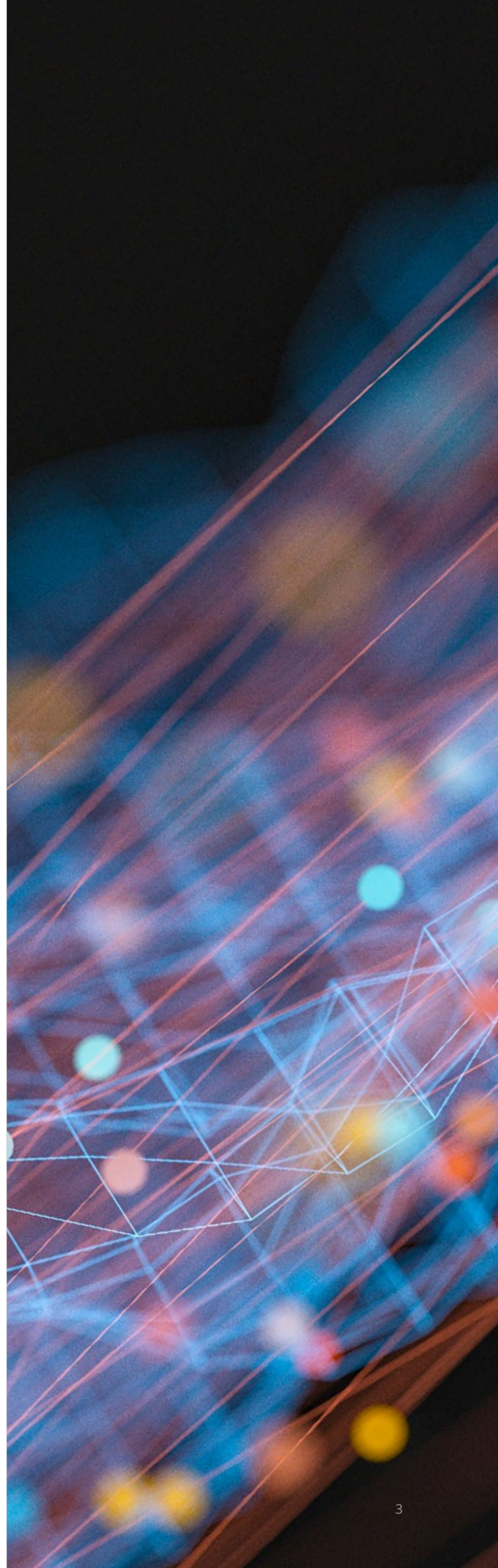
Like with other industry participants who use a similar solution, harmonization can happen faster, including agreeing on exception management and a break resolution.

The potential is huge

It takes a lot of effort to build a RegTech ecosystem. So, the key is to start small and expand. However, for this to be successful, you'll need to create a very strong control and governance framework around it (being an ecosystem, it's a little loosely coupled). As you build toward it, your organization will have a group of systems working together, using a common data model — that's a powerful construct. It will enhance your regulatory compliance and enable you to use the data for several other activities. That's a powerful solution. And a very influential ecosystem.

Get **in touch**

If you'd like to discover how Luxoft can help you migrate your regulatory response to the cloud safely and securely, visit luxoft.com/capital-markets or contact financialservices@luxoft.com. We'd welcome the opportunity to go over the cloud benefits you can expect in your unique situation, and the excellent business potential going forward.



About **the author**



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Harpreet is responsible for delivering innovative business and fintech solutions for post-trade functions like regulatory, liquidity management and operational resilience. He has a master's degree in business and more than 20 years' experience in data, driving growth and implementing front-to-back change. Harpreet is a much sought-after speaker at industry events and has published several thought-leading articles and papers. He's committed to working with industry and using the latest technologies to optimize post-trade solutions.

About Luxoft

Luxoft is the design, data and development arm of DXC Technology, providing bespoke, end-to-end technology solutions for mission-critical systems, products and services. We help create data-fueled organizations, solving complex operational, technological and strategic challenges. Our passion is building resilient businesses, while generating new business channels and revenue streams, exceptional user experiences and modernized operations at scale.

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