

The Blessings of Cloud Computing and Financial Industry

Mamun Seraji

Cloud computing is relatively a new concept and getting thrust in the world of information technology next to centralization, social networking, virtualization. The key theme for cloud is how we access the information: the speed and convenience.

Cloud is rapidly changing the way the companies across the globe manage their IT infrastructure and solutions, and financial industry is no exception here. For a country like Bangladesh, I personally see the great opportunity of cloud computing as a cost saving initiative. Here financial industry is one of the main consumer of IT solutions next to telecommunication. Technology is the main driving factor for banks to attract customer (certainly next to interest rate). Even government and first generation banks are heavily investing on technology. In this age of 'Digital Bangladesh', automation became an issue of prestige for banks like DBBL, BRAC Bank, EBL, and several others are joining in this race. We have noticed this race for e-commerce, mobile banking, cards, core banking and ATM services.

Most of the system/software are from off-shore and costly, which banks use in enterprise license mode. This means banks are hosting these system in their data centre for own consumption. To host these software-infrastructure (server, storage, network, operating system, space) cost sometimes goes several fold compare to cost of software. These lead bank to massive capital expenditure along with 20% recurring cost.

In addition peak load management is a huge issue, for this bank has to scale data centre- even when most of the time

system only requires fraction of it. A recent study says, a banks technology infrastructure is often used only 10%, however there are period of 100% usages (eg. month end activity). Just think about Microsoft office, daily you may use 3 hours office tool, however once we buy a user license we buy for a year, which is not use 80% of time during the year.

In most basic form, cloud is a collection of IT services which provides services/resources over internet. Cloud computing is a type of hosting services. This is like pay and use, instead of making heavy capital expense which can be extended based on demand. Cloud computing is the new way of outsourcing. Cloud has three concepts:

SaaS(- Software as a service) In this case, an institute/user can subscribe a software to use for its need.

PaaS(- Platform as a service) and IaaS(- Infrastructure as a service):

Here platform or infrastructure will be used based on demand. IaaS provides hardware as service like CPU, storage. PaaS is one step further, it provides full platform which includes both hardware and platform specific software with lot more added feature.

For SaaS, TEMENOS, Mysis are offering their core banking in cloud. There are several other solutions in the area of CRM, ERP, HRM, risk management, sales force management, Loan origination systems, credit card management which are cloud compatible. HP, IBM, ORACLE are offering various tailored option for cloud.

In the area of IaaS/PaaS, (where infrastructure has been used as shared services) - Microsoft is offering cloud

based hosting service under the brand name of Azure. For Linux platform, Amazon is very popular under the brand name Amazon EC2. Both Microsoft and Amazon offer various package ranging from \$ 0.2 per hour to \$ 2 per hour with free trial option. There are plenty of vendor which offers infrastructure as service.

Globally several banks are considering cloud computing as a cost saving factor during this global crisis. A recent IBM study says 60% of the global organizations are ready to embrace cloud computing over next five years. Deutsche Bank, JP Morgan Chase, NAB and UBS made a strategic alliance on cloud computing and the alliance is working from 2010.

Nevertheless security is the biggest consideration for financial institute when sending data outside the premises, there are questions to ask- are the cloud hosting companies are doing right with our critical data? In addition we already have seen mistakes done by big cloud providers. Amazon's EC2 downtime- resulting in irretrievable data loss, Sony's recent PlayStation data loss was the wakeup call. Expensive internet bandwidth is another obstacle.

We are in a moment of technological transaction with cloud. This is the time for Banks CTOs, at least to start evaluating the scope of cloud before making any decision to invest on IT whereas country is suffering from poor electricity and brain drain.

Cloud computing brings benefits in two categories: economic and strategic. Economic elements are - pay as you go, pay as you grow and no CAPEX. Strategic elements are - focus on core business, leave the rest to someone specialized.

Today cloud computing is a matter of option, however day will come most of we won't have any other option ■

Feedback : mamunseraji@gmail.com