

# Leveraging cloud banking

The conference held discussions on various cloud management practices that can be adopted by the banking and financial sector in the country



(From L to R) Kailashnath Adhikari, Dr AS Ramasastry, Mrutyunjay Mahapatra



(From L to R) Anup Purohit, Dr A Pedgaonkar, Chandra Mohan Malladi, Kersi Tavadia

GN Bureau

**U**nderstanding security challenges and cloud initiatives in banking and finance sector was the central theme of ‘Banking on Cloud Conclave’ organised by Governance Now, in Mumbai, in July. Stakeholders from public and private sector, cooperative banks, and IT companies held discussions on transforming business through cloud, adopting suitable cloud models, applications and strategies for banks, regulatory concerns, and several cloud initiatives adopted by banks.

Outlining the conclave’s objective, Kailashnath Adhikari, director, Governance Now, said despite enormous opportunities in cloud computing environment, the industry faces challenges like initial inertia, legal, and public

policy.

Delivering the keynote address, Dr AS Ramasastry, director, Institute for Development and Research in Banking Technology (IDRBT), said that cloud is like a cooperative movement which optimises resources. New banks that do not have legacy systems can look at cloud, but cloud requirement will be dependent on different factors. He added that with new models of clouds coming like Aadhaar, identity as a service can be converted into data. Besides core banking, many other things can be connected to the cloud. He also cautioned about issues that may surface if data is not in the custody of banks. Though cloud does not require the use of any hardware and software, cloud services are better suited for varied rather than constant demands, and are not suitable for customisation.

He advised banks to take small steps

in context with cloud, and launch pilots if required without incurring huge expenditure. Outlining security concerns like inadequate laws and regulations, data leakage, insecure APIs, malicious insiders, etc. he said, “Despite inhibiting factors as compared to five years ago we are in a much better position”.

“For long, banks were getting people who understand IT but now the concern is if they have proper skill which is the biggest challenge. Both, the cloud service providers and consumers, have to sit together to get the best out of different types of clouds like private, public, hybrid and community,” he added.

Deputy managing director and chief information officer, State Bank of India (SBI), Mrutyunjay Mahapatra, said, “Nearly 50 percent banking sector data in volume and 35-40 percent data in value is controlled by the SBI. Banking environment is changing and in

future, business will demand fast delivery from IT. Probably 60-70 percent of our mind space will be occupied for short, intensive, and lumpy projects which we will have to deliver because the eco system changes every minute.”

“In the banking sector we are not only concerned about technology but



(From L to R) Kirit Shah, Ravikiran S Mankikar, CN Vaze, Shiv Kumar Bhasin

also about the governance model. Banking does not have agility of governance process and even large international banks are struggling with change. Cloud brings this torrential challenge to us,” Mahapatra added.

He urged bankers to come up with a consensus on minimising the risks. “Even European banks are hiring consultants to design their clouds and process them. Keeping this in mind we will have to do some standardisation. Most large cloud providers are going to set up data centres in India. Exploiting the benefit of incremental pricing initially will be a big challenge,” he added.

Starting the panel discussion on cloud adoption and security challenges in banking, financial and insurance services, Chandra Mohan Malladi, segment head, India non-linear business unit and global head, financial inclusion, TCS, said, “Today, the disruption has come from digital forces and it is

invariable to live with cloud because the consumer economy is now changing from service to digital and leveraging the eco system around a cloud will be a challenge.”

“Though core banking resides with the bank but the system that enables transaction to capture and transmit would require Aadhaar for authentication, NPCI, bill aggregator and applications that may not have ownership of data but are carrier of data. In regulatory perspective, some applications can help banks to think how to move the data and customer credentials,” Malladi added.

Anup Purohit, senior president and CIO, YES Bank, pointed out that there are no clear guidelines from the RBI on requirements of critical business applications on cloud in absence of which no one will take clear-cut decisions on critical business applications. “It is better sense to have your own private cloud and be on the right side of regulator,” he said. Purohit further said that the moment one shares their resources it gets classified into financial outsourcing. “This becomes deterrent for bank in terms of RBI being over vigilant and my exposure in terms of risk (in terms of regulator) shoots up,” he

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said. To this, A Pedgaonkar, chief advisor, banking technology, Indian Banks, said that for the bank it is important to have full control of end point equipment and its computers.

Kersi Tavadia, chief investment officer, BSE, said that most companies do not use 90 percent capacity, and using cloud on regular sustained applications is expensive. He was of the view that it

is better to start from lowest range and slab and move up as per requirements and upgrade. On cloud cost, Malladi said that cost in terms of managing proprietary versus shared resources will always depends on case to case basis.

Giving his own example at the BSE, Tavadia said, “At the BSE they set up a smaller cloud for B class brokers which is available for free. This model is successful with more people using it. The entire broking community, which was never tax savvy, has asked for a separate cloud for their business.”

In the second panel discussion on Indian banks cloud initiatives CN Vaze, chairman, Janakalyan Sahakari Bank Limited, said that there will be ethical issues in cloud governance.

Chief technology officer, SBI, Shiv Kumar Bhasin, said, “We have a large private cloud with virtual environment. Every aspect in cloud is taken care of by providers. We are now going in for database as a service and cloud may help us to bring agility in hardware procurement processes.”

Ravikiran S Mankikar, chief general manager, IT, The Shamrao Vithal Cooperative Bank Limited, said that though there is a reluctance to move to cloud, all public and private sector banks have gone to core banking solution (CBS). Around 600 core middle banks (60 percent) are yet to move to cloud and this is a challenge for cooperative sector banks due to the RBI mandate that asks all banks to go to CBS by December 31, 2014. “Though we are just four percent we have to compete with the 96 percent in providing services that other banks are providing as a matter of survival. It is here that cloud comes to rescue of smaller banks and the collaboration between cloud providers can help on a bigger cloud.”

Citing an example, Kirit Shah, CTO, Shri Arihant Cooperative Bank Ltd said that embedding CBS and CTS together on their own private cloud, the bank never invested its energy to build their own data centre and today the bank is at par with any private or nationalised bank. ■

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