

**The 2014**  
**BFI Key Influencers Report**  
from Sungard Availability Services

Create the future.





# INFLUENCE

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Written in conjunction with industry leaders across Banking, Finance and Insurance, The BFI Key Influencer Report is the benchmark for recognition of the brightest minds in BFI - those who show remarkable accomplishment and outstanding potential to enhance their industry.

This report sets out to promote further conversation on the future of IT within the industry, by talking to those who help to shape it. We wanted to take a look behind the “headlines” of the Banking, Finance and Insurance markets and take a more in-depth look at what was being said day-to-day by those within it.

In light of the rapidly changing technological environment, the BFI Key Influencers report aims to get a much clearer understanding of the mindset of the key IT professionals within the industry and better explore the mood of the sector as it continues to evolve.

Of course some of our findings will not come as a surprise; security remains a concern, along with the usual issues of reliability and control when looking to incorporate cloud technologies. It is regulation, however, that dominated our conversations - or rather how this regulation could and would affect infrastructure investments in the future. With fresh regulation on the horizon set to cause further uncertainty in the industry, it seemed the perfect time to get a view from the inside.

The 2014 BFI Key Influencers Report is only the beginning of the conversation however, the catalyst to spark your feedback, discussion and ultimately positive change for the BFI Industry. Digest this years report and let us know your views, next year it could be you influencing the future of your industry.

# INNOVATE



*“ There is a general reluctance in the industry to move away from anything that “works” regardless of whether it is still the most efficient option. We have a tendency to bolt things on to an existing set-up, even when the right thing to do may be to fix them from the inside out. This must change and quickly.”*

**Chief Architect,  
Banking Industry**

## Challenges to the industry

**There were three resounding themes throughout our conversations concerning the key challenges faced by the BFI industry - Security, Compliance and Regulation.**

Whilst every concern was unique to each business, the vast majority stemmed from the industry's need to keep up with changing regulation whilst still offering the same level of service to its customers. Particularly in a time when budgets are getting tighter. The industry finds itself under a very real pressure to do more for less, meeting increased levels of compliance whilst reducing spend.

The finance sector in particular has seen an increase in the resource needed to meet regulation, whilst seeing little investment in its IT departments. This creates the challenge of efficiently deciding how and where to upgrade, invest and implement changes as smoothly as possible. Alongside this, the challenges of security and data protection are as always at the forefront of the

industry's collective mind, though they are now sharing space with fresh concerns towards new infrastructure trends such as the cloud. The primary concern here appears not to be in whether these new trends have their place, but in whether the industry and its customers can be convinced of their security.

The roll out of new regulations continues to cause uncertainty in the market with regard to the required timescales and costs of implementation. This coupled with the recent financial crisis has created a mistrust in the industry, compelling governments to act on what has been publicly perceived as soft touch regulation. As the regulators roll out evermore increased reporting and recording requirements, financial services institutions must now become more agile than ever, to adapt and respond to these changes.

The biggest challenge comes when, as is more often the case, these regulations move faster than a company's technology. This can leave organisations in a perpetual state of catch-22 as to when and how extensively to upgrade their infrastructure, always keeping one eye on the associated costs of becoming compliant with potential future regulation.

In light of this frustration, do the key influencers across BFI feel that regulation is a force for good or a necessary evil?

# CHALLENGE



## Insight

*“ I wouldn't say regulation makes life difficult, perhaps a better word would be onerous. Obviously preparing the process and procedure documents and then implementing them takes resource. However that is only the beginning, once implemented you must then live up to them, maintain them and attest to them on a quarterly basis – it is a continuous process to stay compliant with regulation.”*

Head of IT, Insurance Industry

For many it is the latter, with the vast majority of our respondents accepting regulation as part of the industry whilst decrying the “red tape” aspect of its existence. There is a ground swell of opinion in more recent times that it has become increasingly cumbersome and no longer really protects organisations and their customers as efficiently as it either could or should.

A vast proportion of IT resources in the BFI sectors are now spent dealing with new regulations, and this is set to increase over the next 12-24 months. As a direct result of the last financial collapse, there is a greater desire for increased controls and visibility, which takes the form of these new and more resource heavy regulations. Whilst there is a general agreement that something needed to change, there is a very clear view from within the industry that a lot of this regulation is now unnecessary. Whilst it

may make processes more visible, many feel it does not actually enhance an organisations security to a level that justifies the extra resource it requires. This leaves a large proportion of IT professionals across the BFI industry expending resource on meeting checklists rather than actually giving customers and clients any real reassurance that any one organisation is more secure than another.

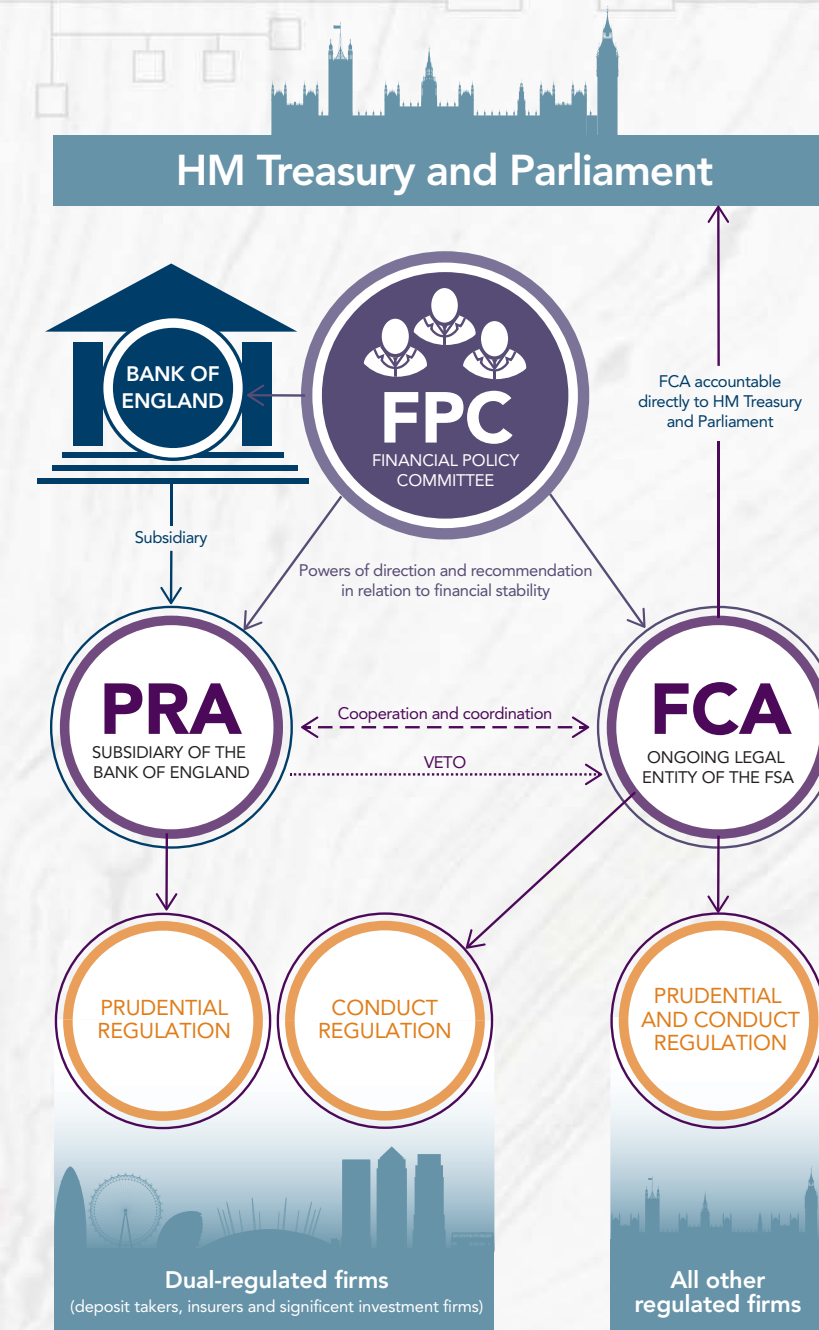
Ultimately, the majority of BFI influencers concede that regulation is necessary, but challenging. Whilst there is an acceptance that having more accurate controls and checks on data management can only be a good thing, many question whether they continue to achieve what they set out to. There appears to be a growing clamour for a more re-focused regulatory system rather than the current approach which many see as more of a box ticking exercise rather than being paramount to data security.

Of course in light of the financial crash, it is understandable why the BFI industries are under such scrutiny but the opinion now is that the market has moved on and the current levels of compliance are ready to be streamlined. Currently, this compliance is incredibly resource heavy, with several CIOs estimating that over

50% of their time is now spent dealing with security matters. A lot of the current regulation that causes this drain on resource is felt to be outdated, and perhaps even no longer relevant to the current market. With this in mind, it has been suggested that in its current guise, regulatory bodies pose an investment quandary to the industry. Many are reluctant to invest in new solutions only for greater compliance down the line requiring a further upgrade or further training.

### The Regulatory Structure

In the wake of the break up of the FSA, parts of the industry now fall under a new “twin peaks” regulatory system. Whilst the need for increased accountability is accepted, many feel these additional layers of governance could actually make compliance a far more onerous task, without substantially improving an already tightly regulated industry.



## Insight

*“ Our primary concern is security; CEOs are now taking it far more seriously as the threats to companies become more advanced. It is now way beyond virus control and firewalls - I would say that half my time is now spent keeping on top of the latest threats.”*

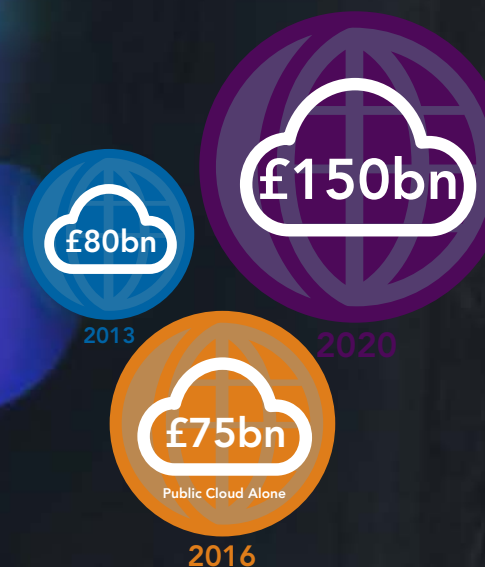
Head of Technology Strategy, Banking Industry



# CLOUD

## BFI and the cloud

With 60% of server workloads now virtualized, cloud computing was always likely to be at the forefront of our conversations with key BFI influencers. It currently accounts for a third of IT expenditure growth since the first open source cloud appeared in 2008. Throughout this rapid adoption, the way organisations are using the cloud is also changing. 28% are now utilising cloud technology for their business processes, with 15% adopting some form of Software as a Service.



The benefits of cloud technology are well documented. Increasingly organisations are taking advantage of the flexibility to mix on-premise and cloud services to simplify their processes and maximize their existing software assets. But does the BFI industry see the value in these benefits and if so, how easy is it for organisations within this highly regulated industry to migrate into the cloud?

Email continuity appears to be top of the wish list for those looking to incorporate cloud tech within the BFI industry, as many now consider mass email administration to be unnecessarily time consuming. Of course, in the event of a failure or service disruption, the most time critical aspect for most large organisations would be access to email. In light of this, it seems the BFI sector is ready to explore it's options with regard to cloud email systems to ensure real-time, remote access to email in the event of a disaster.

In keeping with the theme of disaster recovery, several technology influencers opined that the industry is potentially ready to exploit the capabilities of IaaS to provide fully managed DR in order to remove this pain from their businesses. Whilst this may be the desire of some in the industry, many continue to exercise caution due to the level of trust that would need to be placed in an external provider with regard to sensitive IP.



## Insight

*“ Keeping data in the cloud will always be a challenge, in terms of convincing the industry of its security. When looking at costs and efficiency, the cloud is of course something that comes up time and time again, and will absolutely become more prevalent in the next few years.”*

CIO, Financial Services Industry



## Insight

“Vendors come and go, especially in the software sphere, so finding a vendor we would trust to keep things like administration and authentication for an indeterminate amount of time is the real challenge for the industry.”

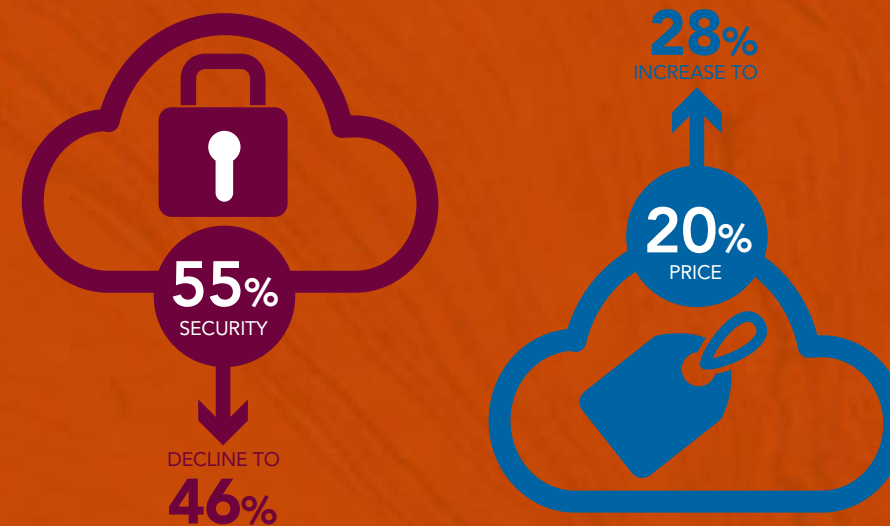
IT Director, Insurance Industry

Another common thread throughout our discussions was of course cost, with several CIOs voicing concerns with regard to the initial set up costs of moving to such an IT set-up. There are not many IT professionals within the BFI sector that haven't considered the advantages of IaaS, but many fear they are not in a position to capitalise on the possible savings of outsourcing as they cannot simply "strip out" their current IT staff in order to pay for an ongoing off-site cost. This opinion is much challenged however, with some key influencers arguing to the contrary that outsourcing IT actually frees up in-house teams to do the jobs they were employed to do, rather than becoming bogged down in a more support or maintenance role.

Overall though, there is an almost unanimous agreement that the cloud offers huge advantages for certain applications, this however was continuously tempered with caution, concerning challenges those within BFI face in terms of sharing data with third parties or hosting off-site. Many admitted that IaaS fits the bill perfectly, however most also offered the opinion that it would almost certainly hit problems in terms of regulation and compliance. There is also still a concern that complying with data regulations can cause problems for hosting providers who are not in the industry themselves.

Going forward, whilst it remains to be seen how or to what extent they will be deployed within the BFI industry, the emerging and maturing technologies of cloud computing, cloud storage and IaaS in general will most certainly garner considerable extra attention in 2014.

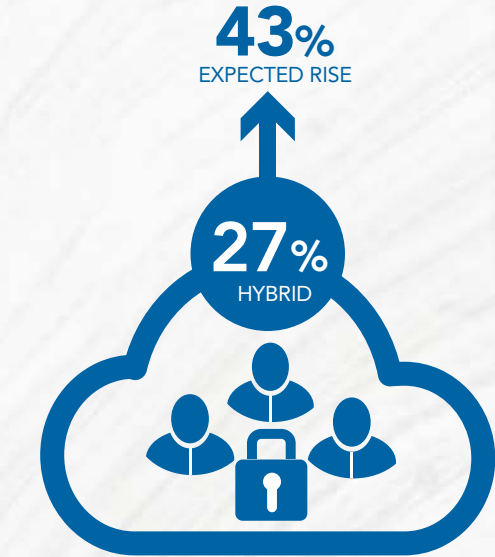
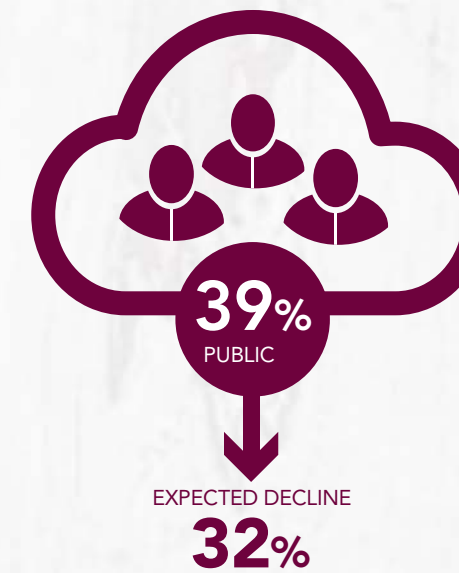
Concerns expected to shift from Security to Price



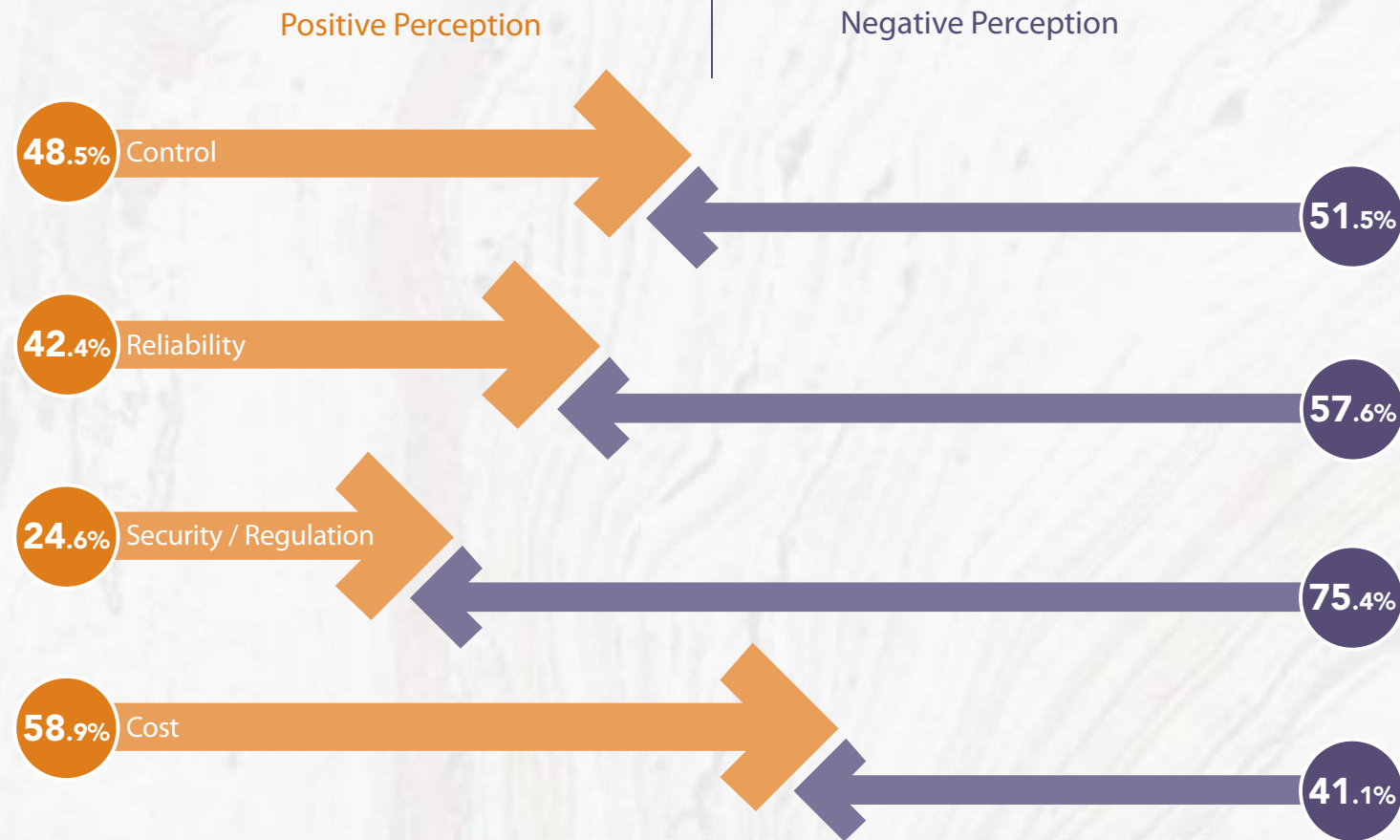
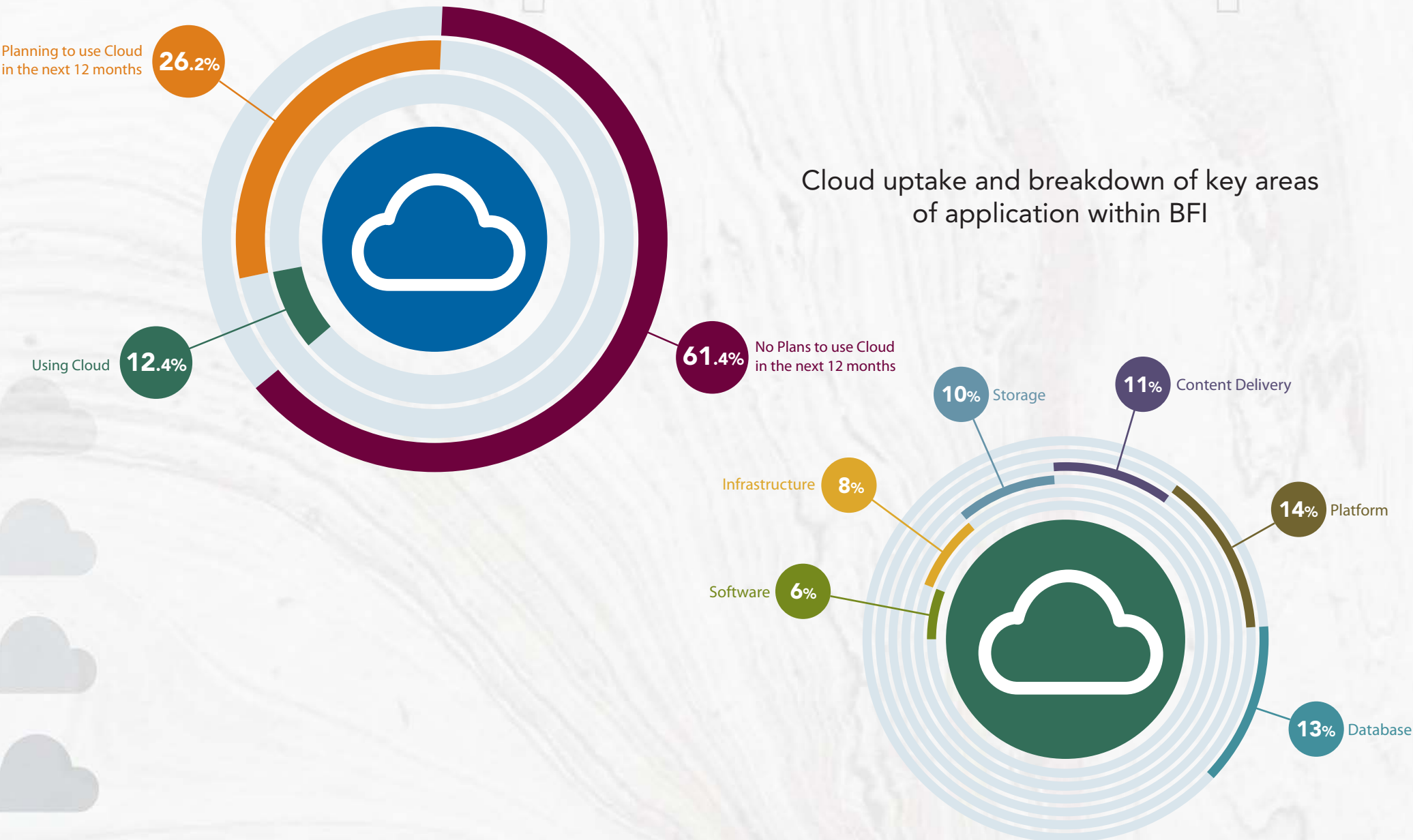
## Insight

“A flexible mix of in-house and cloud would be the ideal set-up for the industry. I think this is the way it will go as the industry softens its scepticism towards the cloud.”

Head of IT, Financial Services



Hybrid Cloud, the best of both worlds in the next 5 years



### Insight

“ I would move our email over to a cloud provider. The administrative effort in dealing with email client issues could, and should, be reduced to as little as possible. We have been doing email heavily as a sector for many years now, it's time we stop administrating it so directly.”

Chief Compliance Officer,  
Financial Services Industry



# SECURITY

## The future for BFI

We asked our pool of leading technology professionals, where they felt the industry would and should head next. The vast majority see a greater use of cloud technologies as inevitable, even if the preferred set up is still in-house, the cost and scalability benefits of IaaS are now too lucrative to ignore completely.

Even the staunchest sceptics are now seeing the benefits of IaaS, if only for applications such as email and business continuity. Whilst once considered both risky and costly, organisations are now deciding that the administrative effort in dealing with email client issues could, and should, be reduced as little as possible.

Others feel email is just the tip of the iceberg for cloud technology, as organisations grow they are seeing themselves increasingly pushed by their customers to stay available and operate in a more global way. Wherever a customer is in the world, organisations in the BFI sector are seeing the need to offer a consistent approach. Rather than having a different system for Europe, Asia or South America, customers now demand a global user interface, this

is not possible without the cloud. The main challenge then is to overcome some of these legacy systems and embrace a move into more global cloud based systems with far more flexibility. Sensitive IP however, is still likely to be handled in-house with many still raising fears over data security, despite most cloud providers now meeting or exceeding standard industry security controls.

Whilst the BFI industry’s attitudes towards the cloud are most definitely shifting, wholesale adoption is unlikely to happen overnight, suggests one CIO – “There is a fear of change throughout the BFI industry. In general, there is a reluctance to move away from anything that works regardless of whether it is still the most efficient option. As a rule the industry has a culture of bolting things on to existing set-ups rather than changing things from the core out, even when this may be the most efficient thing to do.”



### Insight

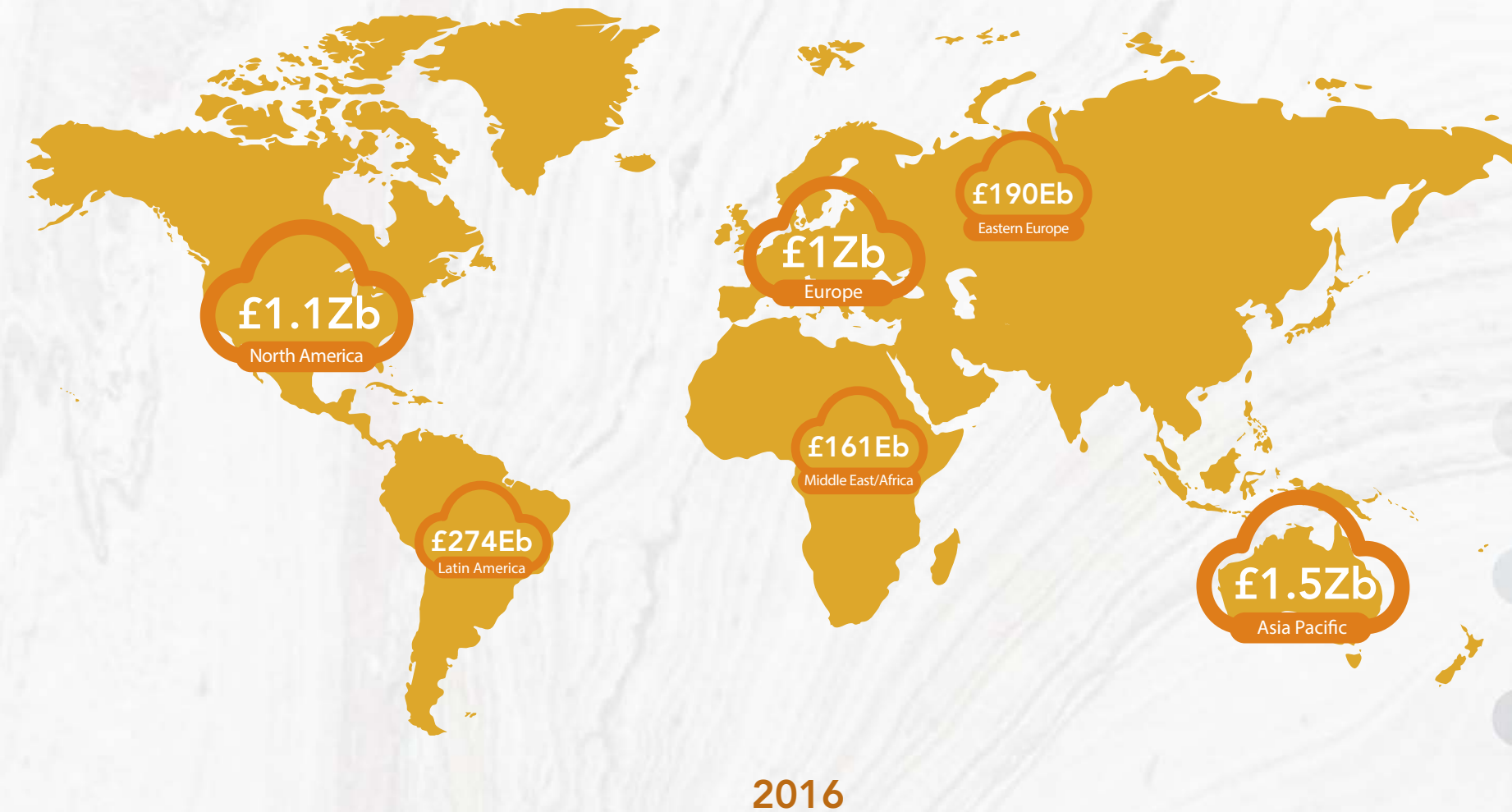
“ As for IT, it can be difficult in terms of procuring the new equipment, tools and licences needed to help us stay compliant with new regulations. This process can soon become very capital and people intensive, with very little financial return.”

Chief Security Officer,  
Insurance Industry





## Cloud traffic growth around the world



Tb - Terabyte, Pb - Petabyte, Eb - Exabyte, Zb - Zettabyte



## Insight

*“It all comes down to risk, I am not a big fan of putting sensitive IP on the cloud as I don't think it is governed well enough yet. I think a combination of in-house and cloud is what best suits the industry. A lot of business processes can go on the cloud quite happily, which certainly increases efficiency and reduces cost, but I think the company's core IP should be managed internally.”*

IT Director, Banking Industry

## Insights and Conclusions

The BFI industry is most definitely one in transition, with many organisations looking to the cloud to increase agility and responsiveness whilst reducing cost. For many it is not this straight forward however, the sector as a whole has been through a difficult time, against a backdrop of uncertain economic growth and underlying consumer distrust in the market. Historically, IT leaders have responded to these market factors by modernising legacy applications and delaying costly infrastructure upgrades. However, the more forward thinking amongst the market have already deployed cloud solutions to increase business agility and fulfil their business aims. It is now widely accepted amongst industry influencers that infrastructure choices are no longer the sole concern of IT departments but can transform how entire organisations operate.

Whilst the market is already moving, there is still the obstacle of regulation to overcome. As parts of the market brace for further uncertainty in the wake of the break up of the FSA, there is fear amongst some in the industry that regulation will only continue to become more onerous as time goes on. With this in mind, many predict and would welcome more governance around security rather than increased levels of it. As there is no uniform qualification required to practice high level security, the general feeling from within the industry is that companies will soon be required to have a level of qualification for their senior IT security experts. Several of our respondents insist that this needs to take the form of a professional accreditation rather than an optional certification which it currently is. There are calls for an on-going qualification rather than a one off, in order to stay relevant to threats happening now, not 5 years ago. Ultimately, regulation is an accepted part of the industry and the key for technology influencers now is to square the bureaucracy of regulation and compliance with the flexibility of the infrastructure they wish to incorporate.

The key influencers we spoke with were all in agreement that cloud technology is the future, as ultimately, “it works”. But rather than buy into the hype that

# CONCLUSIONS





## Insight

*“ This inaugural BFI Key Influencers Report has hopefully provided some insight into the mindset of the BFI industry as it goes through an uncertain transition - embracing new technologies and tackling increasingly laborious regulation.”*

Sungard AS

often surrounds emerging technologies, there is a general acceptance that implementing this is not quite as straight forward as in other, less regulated industries. The BFI industry is, quite rightly, taking its time to understand the exact implications of impending regulation before fully embracing these technologies. Ultimately though, the industry is expected to further utilise IaaS in order to grow, adapt and innovate, providing trust is improved and all concerns regarding speed of adaptability are put to rest.

***The onus is now on cloud providers to do just this.***

This inaugural BFI Key Influencers Report has hopefully provided insight into the mindset of the BFI industry as it goes through an uncertain transition - embracing new technologies and tackling increasingly laborious regulation. Going forward, this yearly report aims to be the voice of the industry, shining a light on its successes and shaping the way it overcomes its challenges. This is not possible without vital knowledge and insight from those who are leading the way across the industry – people like you.

## What are your insights?

To continue the discussion around this year's report, or to register your interest in taking part in next year's, please call **0800 143 413** and speak to our **BFI Key Influencer Team** who would be delighted to discuss our findings at a deeper level.



# INSIGHT





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