



T&C INSIGHTS

Navigating the journey to the cloud - challenges and opportunities for financial services

The road ahead for cloud adoption and beyond

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Eighty four percent of financial service institutions (FSIs) cite operational efficiency as the top driver behind their adoption of cloud technology, according to Capgemini's latest [World Cloud Report on Financial Services](#). However, chasing efficiencies in isolation won't future-proof incumbent FSIs, especially as the same survey found that 62% of fintech competitors are now primarily using cloud technologies to drive monetisation and net-new revenue streams.



To keep up with the competition, enterprise FSIs must shift their mindset away from what Capgemini terms a “lift-and-shift” mindset, whereby firms are simply migrating existing applications without adapting them for the cloud. Instead, they must focus on modernising applications, and using the transition as the impetus for developing new products and processes, unlocked by quicker and more flexible IT infrastructure.

Becoming cloud-first



A move to the cloud presents an opportunity for FSIs to consolidate decades of customer, claims and policy data, and everything in between. It also enables them to use AI and machine learning technologies to go beyond simply improving operational efficiency but rewire entire processes, whether it's [dynamic underwriting](#) for insurers, [fraud detection](#) in banking, or personalised products for customers.

Becoming cloud-first also significantly reduces spending on hardware and internal data centres. But the real value comes from the innovation cloud computing can enable – [McKinsey](#) found that transitioning to the cloud can generate five times the value of IT cost reductions by enabling businesses to adopt faster product development cycles and continuous delivery processes, allowing them to quickly respond to market demands and customer feedback.

Security and compliance

Migration to the cloud can also mean better data security and recovery, and enables continuous monitoring and improvement of deployed applications. Using threat detection and security systems from cloud service providers, typically run and managed within the cloud provider's own infrastructure, can ensure a robust security posture, but it isn't a magic bullet. Existing security debt – legacy security practices that do not translate effectively into cloud environments – can leave FSIs vulnerable to data breaches, system outages and regulatory fines.

Jurisdictions around the world have been tightening the rules around cloud computing in an effort to promote robust practices and enhance operational resilience. This comes after a spate of outages caused by failures in third-party providers, including both [cloud services](#) and legacy [mainframe infrastructure](#).

The Digital Operations Resilience Act ([DORA](#)) in the EU and the UK Financial Conduct Authority's [new rules](#) for 'critical third parties' now means that the regulatory burden for third-party cloud infrastructure is on the FSIs. As a result, they must ensure they have robust risk management frameworks to maintain compliance with resilience and security standards.



Highly scalable clouds



While the benefits of transitioning to the cloud are well-known for many FSIs there is still work to be done.

Though the [US Treasury](#) found that scalability and speed to deploy assets is the most attractive feature of cloud services, [Capgemini](#) found that only 11% of FSIs currently have highly scalable cloud platforms. This is despite finding that 72% of FSI leaders believe scalable platforms are critical for achieving their business goals, as it allows them to scale their compute – the amount of processing resources at their disposal – instantly and according to market demand and workload surges. Careful management of the costs associated with scaling cloud compute, such as adopting a ‘FinOps’ approach to allow IT, finance and business teams to collaboratively manage cloud spending, is key to a continued strong business case for further cloud adoption.

Cloud-based tools can help to accelerate product development via sandbox environments for product testing and development, allowing engineering teams to securely collaborate on new products from anywhere in the world. These isolated environments allow experimentation with application programming interfaces (APIs) without impacting live systems. And the scale offered by the cloud service providers themselves (AWS, Microsoft Azure, Google Cloud Platform) allows for more interoperability between FSIs and their vendors, which translates to better data sharing with third party services.



Hybrid cloud strategies

Some FSIs are now taking a middle way: hybrid cloud adoption, integrating their mainframes and data centres with multiple public (shared cloud infrastructure) and private cloud platforms (cloud infrastructure only used by one organisation). Only 9% of banks use just one cloud service provider, with 80% opting for three or more, according to [Infosys](#).

A hybrid cloud combines public and private clouds, allowing data and

applications to be shared between them. The European Central Bank's [2024 Outsourcing Register](#) shows that this approach continues to gain traction, with 69 significant institutions now using an outsourced hybrid cloud. And according to [Gartner](#), 90% of organisations worldwide will have adopted a hybrid cloud by 2027, accelerated by the need for AI and to maintain data security and privacy.



Early adopters

Staying competitive means not just adopting cloud infrastructure but coordinating it for strategic benefits, such as faster time to market for new products, and tools for better customer engagement. SAP has been working with financial institutions for decades and has industry-specific knowledge that allows them to guide FSIs to securely, compliantly, effectively and successfully transition to cloud-native organisations.

For example, [Astrobank](#) partnered with SAP and AMS to migrate to [RISE with S/4HANA](#) cloud, building a next-generation enterprise resource planning (ERP) system tailored to its needs. The seven-month implementation streamlined accounting processes, enhanced compliance, and reduced operational costs by 30%, and a more than 3,000% reduction in financial closing time.

SAP Pioneer [partnered with in1bank](#), Australia's first bilingual bank serving

Chinese-speaking communities, to help build a fully-licensed, cloud-first bank. Using SAP Pioneer's Cloud for Banking solution, in1bank launched a robust, API-driven core banking system within four months. This enabled the launch of innovative features such as customisable account numbers and QR code-based transactions, tailored to the cultural and business needs of their customers.



Join us in Munich

To learn more about how SAP and SAP Fioneer are partnering with FSIs on their journey to the cloud, alongside industry leaders, global banks and insurers.

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