



Bottled Hot Dog Water And Cloud Computing

regulatory risk management strategic planning

Summary: Community banks may be more inclined than their larger counterparts to use cloud computing services. But, it may be difficult to know where to start.

I bet it never crossed your mind to drink hot dog water! Well, by now you have certainly read that a man in Canada sold hot dog water in a bottle for \$38 and a bunch of fools bought it! His goal was to prove a point about false advertising and it worked, as he claimed this gross water had health advantages such as weight loss, increased brain function and general vivacity.

Now, we haven't seen cloud computing bottled yet, but given the success with hot dog water, some companies may be trying to do so soon.

For bankers looking at cloud computing as a potential opportunity, we note that as of Q1 the dominant players by market share [according to Synergy Research](#) were: Amazon Web Services (33%), Microsoft (13%), IBM (8%), Google (6%) and Alibaba (4%).

In recent years, cloud computing has offered financial institutions an opportunity to more cost-effectively access computing power, store data and keep up with cyber security. Lately, a more stringent regulatory environment for banks, and the heightened concerns of IT security, have many technology teams more frequently evaluating the risk-reward equation.

To avoid potential risk of placing bank data on cloud servers alongside other less-regulated industries, many banks have embraced a model where they seek to store data with a cloud provider that is familiar with the financial services industry.

Alternatively, some banks are adopting a "hybrid" arrangement, wherein the bank maintains some on-premise data as well as in the cloud. In this way, many community banks find they can effectively leverage scalability, security and performance.

Whatever your choice in the matter, there are some issues that you will want to consider:

Cloud providers may offer more IT security expertise. A report by Intel Security finds 82% of IT decision-makers believe there is a shortage of cybersecurity skills within their organization and 71% say this shortage is doing their businesses "direct and measurable damage". Cloud providers may give community banks the ability to draw from a larger well of IT security skill.

Vetting cloud providers is critical. Cloud providers are third-party providers so you need to treat them as such. Make sure all conform to the same level of regulatory compliance and data assurance as you do.

Get assurances in writing. This is where the service-level agreement (SLA) plays an important role, as it does with all vendor relationships. While all major cloud providers have standard SLAs, based on price depending on the level of service, banks must consider what they need and seek that.

Cloud computing could offer innovation. Banking is a hyper-competitive field. By dealing in greater scale, cloud computing providers may offer community banks innovative tools to help meet ongoing needs now and in the future.

Have a great 4th of July, and don't forget to check any water you might fish out of the ice chest before drinking it.

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