



Bringing the Cloud Down To Earth

technology cloud

Summary: Cloud migration holds big promise for financial institutions. But it's not as easy to get started with the cloud as it looks. We discuss the current state of business cloud migrations and what pitfalls and challenges to be aware of before migrating to the cloud.

The term "cloud" as it relates to software, server, and service access across the internet, was coined all the way back in 1996, [in the offices of Compaq Computer](#). They coined the term "cloud computing," although it didn't gain widespread use until 2006, when corporate giants Google and Amazon began using the term. Now, we know it simply as just the "cloud".

A McKinsey research report found that cloud use by financial institutions can lead to a [38% increase in productivity](#) in functions migrated to the cloud, and a 29% increase in infrastructure cost benefits.

There's one caveat: these gains are a result of *effective* cloud use, which is the term used in the report. As the last year of outcomes has shown, the cloud isn't being used very effectively yet by businesses rushing to cash in.

There are plenty of consultants out there who will wax poetic about all the things that cloud migration can do for your organization. However, financial institutions need to be especially mindful of the potential pitfalls and be prepared to deal with them.

A Warning from the Treasury

The Department of Treasury is so concerned about this subject that it has launched an [interagency Cloud Services Steering Committee](#), which issued a report about the benefits and challenges of cloud usage by financial firms. One of its main points is that the cloud actually consists of just a few providers, and when there is an outage, it can affect a very broad array of clients.

For example, when Amazon Web Services, one of the cloud giants, crashed last June, businesses across the country lost service, ranging from The Boston Globe to McDonald's to Southwest Airlines, along with some financial firms. Luckily, service was restored the same day, but there was still a disruption to those businesses.

That type of outage is what worries the Department of Treasury, which said in its report that the small number of cloud service providers (CSP) means there is a potential for broad impacts on the financial sector from an outage or breach at just one CSP.

That concentration also means financial institutions have limited bargaining power when negotiating contracts with CSPs. In addition, the report pointed out that issues with transparency in cloud operations complicate bank due diligence and cybersecurity risk management.

Other Cloud Migration Issues

When undertaking a cloud migration, financial institutions can encounter other issues they should be mindful of before they embark on an endeavor to migrate services, data, cyber security, and more to the cloud.

Here are a few:

- 1. **Cost overruns.** Cloud migration is not just a matter of adding a new technology to your existing systems. There is considerable work required in preparing data streams for cloud migration and in developing in-house processes around the cloud. All of this costs money and can undercut anticipated cost savings and productivity improvements.
- 2. **Skill gaps.** Having a qualified team is critical to ensuring a smooth transition to the cloud, resolving any challenges that may arise along the way (or after), and optimizing the use of cloud services to meet specific needs. Without that, it will be difficult to take advantage of what a cloud migration has to offer.
- 3. **Underlying operational issues.** You shouldn't expect a cloud migration to resolve operational inefficiencies. Instead, those problems may be magnified by a cloud migration. There may need to be fundamental changes made to your financial institution's operations before attempting to modernize with cloud computing.

Financial institutions can gain meaningful benefits by migrating functions to the cloud. However, there are plenty of challenges that need to be understood and addressed to make a cloud migration successful.

FLUCTUATING EXCHANGE RATES CONCERNING YOUR BUSINESS CUSTOMERS?

Help protect your customers against the risk of fluctuating exchange rates. PCBB's FX Forward Contracts help to "lock in" rates, while providing you with additional fee income. Contact us today to learn more: info@pcbb.com.

ECONOMY & RATES

Rates As Of: 01/30/2024 08:05AM (GMT-0800)			
Treasury	Yields	MTD Chg	YTD Chg
3M	5.42	0.02	0.02
6M	5.19	-0.07	-0.07
1Y	4.80	0.03	0.03
2Y	4.37	0.12	0.12
5Y	4.02	0.17	0.17
10Y	4.10	0.22	0.22
30Y	4.31	0.28	0.28
FF Market	FF Disc	IORR	
5.33	5.50	5.40	
SOFR	Prime	OBER	
5.31	8.50	5.31	

Copyright 2024 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.