

## **Cloud-based fears are fading fast in MEA banking and financial services sector**

Cloud computing is one of the fastest growing areas of technology adoption in the Middle East and Africa region, where organizations are rapidly playing catch-up with their peers in the US and Europe. According to [Cisco](#), the Middle East and Africa region is expected to have the highest cloud traffic growth rate between 2016 and 2021 at 41 percent, followed by Central and Eastern Europe (38 percent) and North America (33 percent).

Driven by developments in infrastructure availability and open banking, financial services institutions are overcoming their historic reluctance to entrust systems and data to the cloud. Their reasons for doing so are clear. Cloud-based systems are easier to manage and don't require organizations to perform time-consuming technology upgrades. The pay-as-you-go utility model is attractive from a CapEx perspective and enables organizations to scale IT systems up and down in line with business requirements.

Yet predictions for the adoption of cloud-based systems by financial services providers in the MEA region have not always been optimistic. Banks have historically chosen to maintain complete ownership of their systems and customer data with a 'closed' approach that they considered highly secure. But having started to trial private cloud projects a couple of years back, many are now moving full steam ahead into the public cloud.

This significant turnaround in banks' attitudes to the use of cloud is being driven in part by the regional expansion of global cloud service providers. Microsoft has revealed plans to open its first Middle East data centers, in Abu Dhabi and Dubai, by 2019. The fact that 80% of the world's banks use Microsoft's Azure cloud service will surely bring further confidence to banks in the MEA region.

A second major driver is open banking, heralding a shift from a closed banking model to one in which banks must be able to support customer requests to share data securely with other trusted third-party providers. To adapt to this model and become more customer-centric, banks have to open up their systems and collaborate with partners.

A cloud-based approach is vital to establishing this collaboration and data sharing approach in a secure and cost-effective way that is responsive to customer needs. As the industry moves in this direction, banks are becoming increasingly confident in the viability of the cloud to support open banking initiatives.

Open APIs are crucial in enabling banks and Fintechs to collaborate and share third-party data and services within their applications and to deliver the best possible service to customers. Banks that fail to adapt to the new open ecosystem in response to customer demands run the risk of becoming irrelevant over the longer term. Technologies such as platform-as-a-service (PaaS) are also key in enabling innovative new providers to enter the banking sector and deliver their services to a wider audience in a nimble and cost-effective way.

A cloud-based approach will help banks become more agile – enabling them to bring new products and services to market faster to meet changing customer needs. In the Middle East and Africa, where many consumers remain unbanked, the provision of mobile banking and payment apps developed by trusted third parties and included in a bank’s ecosystem will be particularly important.

The cloud offers increased flexibility and can enable banks to scale their services more rapidly and efficiently than is typically possible in a legacy environment. There is no one-size-fits-all approach to the cloud – there will be business cases for a combination of both private and public cloud usage. Many will opt for a hybrid model in the short term, but it’s clearly essential to have the right security in place when handling customer data.

Traditionally, many banks in the MEA region had held back from fully embracing the public cloud in particular because they had concerns about security, whether these related to data being accessed by other companies in a shared data center or to the risk of inadvertently transgressing regional data security regulations.

Security is an issue of the utmost importance for banks, which suffer from more than their fair share of cyber incidents because of the personal financial data that they hold. Of course this is an issue to be taken extremely seriously, but cloud providers such as Microsoft have already demonstrated that they can offer services securely to multiple industries on a global basis. In addition, there are multiple regulatory, privacy and security rules that these providers must adhere to in the MEA region.

By using cloud services instead of on-premise systems, banks and financial institutions can entrust the development of software as a service that they use to its provider, which will be dedicated to keeping systems up to speed with the latest developments in data protection and other security guidance and regulations. The fact that cloud IT and cloud IT security professionals are in increasingly short supply makes choosing a reputable software and hosting provider even more sensible.

Now that Microsoft and other providers have responded to greater demand for cloud infrastructure from governments and businesses working towards technology-hungry smart cities, and initiatives such as Saudi Arabia’s Vision 2030, the stage is set for regional acceptance of cloud as the preferred IT platform. Banks and financial institutions that need to innovate and collaborate with third parties as part of open banking will reap the rewards that a secure cloud platform can deliver.

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