

## Cloud Adoption and Regulation in Asia Pacific Financial Services: Key Initial Findings

October 13, 2021

The IIF is conducting a study on cloud adoption by financial institutions (FIs) across the Asia-Pacific region, including with interviews with central banks, supervisors and FIs.<sup>1</sup> A report of the study will be published in November, and this note summarizes some of our key initial findings, on the occasion of the IIF Annual Membership Meeting.

**Cloud adoption by FIs is trending higher, and in some cases accelerating.** Many authorities have seen FIs migrate non-core services, and several authorities now oversee cloud-native FIs, while fewer have seen mainly smaller banks migrating core services to the cloud.

**Benefits of adoption include improved security, cost savings.** FIs, particularly smaller ones, stand to benefit from the increased sophistication of cyber defenses and patching at cloud service providers (CSPs), while authorities warn misconfiguration risk management is key. FIs expect substantial reductions in cost from cloud migration, as well as more flexibility in budgeting.

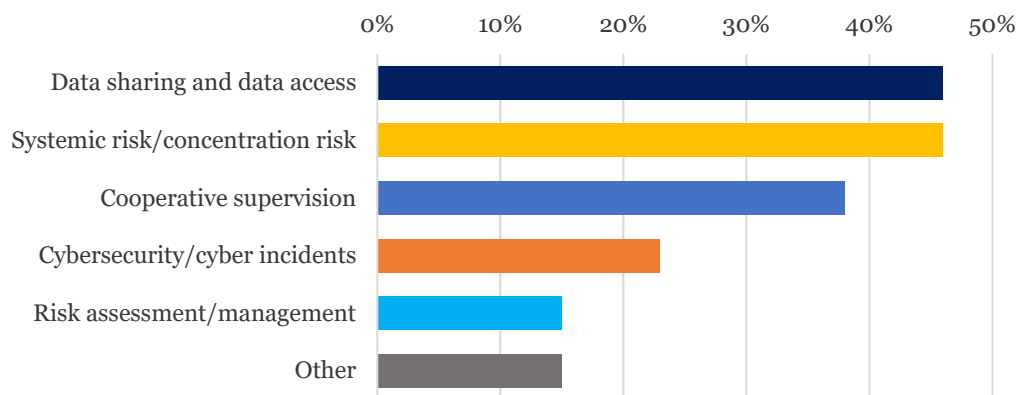
**Talent is crucial.** Recruiting and retaining talent is an issue, particularly granular expertise around cloud migration and particular CSP offerings. Regulators are encouraging FIs to reskill existing workforces to meet this challenge, and CSPs are offering more courseware to assist.

**There is a variety of attitudes to data localization, but all regulators insist that access to data is vital.** Some jurisdictions require that encryption keys remain local even if data is held remotely. Authorities often make an exception from data localization rules for foreign-headquartered banks. A variety of rationales are cited for data localization rules where present.

**No authority sees an immediate need to extend the regulatory perimeter to cover CSPs, and systemic risk is not considered significant at this time.** Most regulators see their role as ensuring that FIs manage the risk of cloud adoption, rather than the risk of *not* adopting cloud. Data sharing/access, systemic risk and cooperative supervision are among the topics where authorities feel more coordination would be helpful (see chart below).

### In what areas would you like to see greater coordination?

% of agencies\*



\*Each of the 13 agencies sampled were able to select as many options as appropriate.

<sup>1</sup> As part of the study, the IIF has so far interviewed supervisors and central banks in Australia, Hong Kong SAR, India, Indonesia, Japan, Malaysia, the Philippines, Singapore, and Thailand.