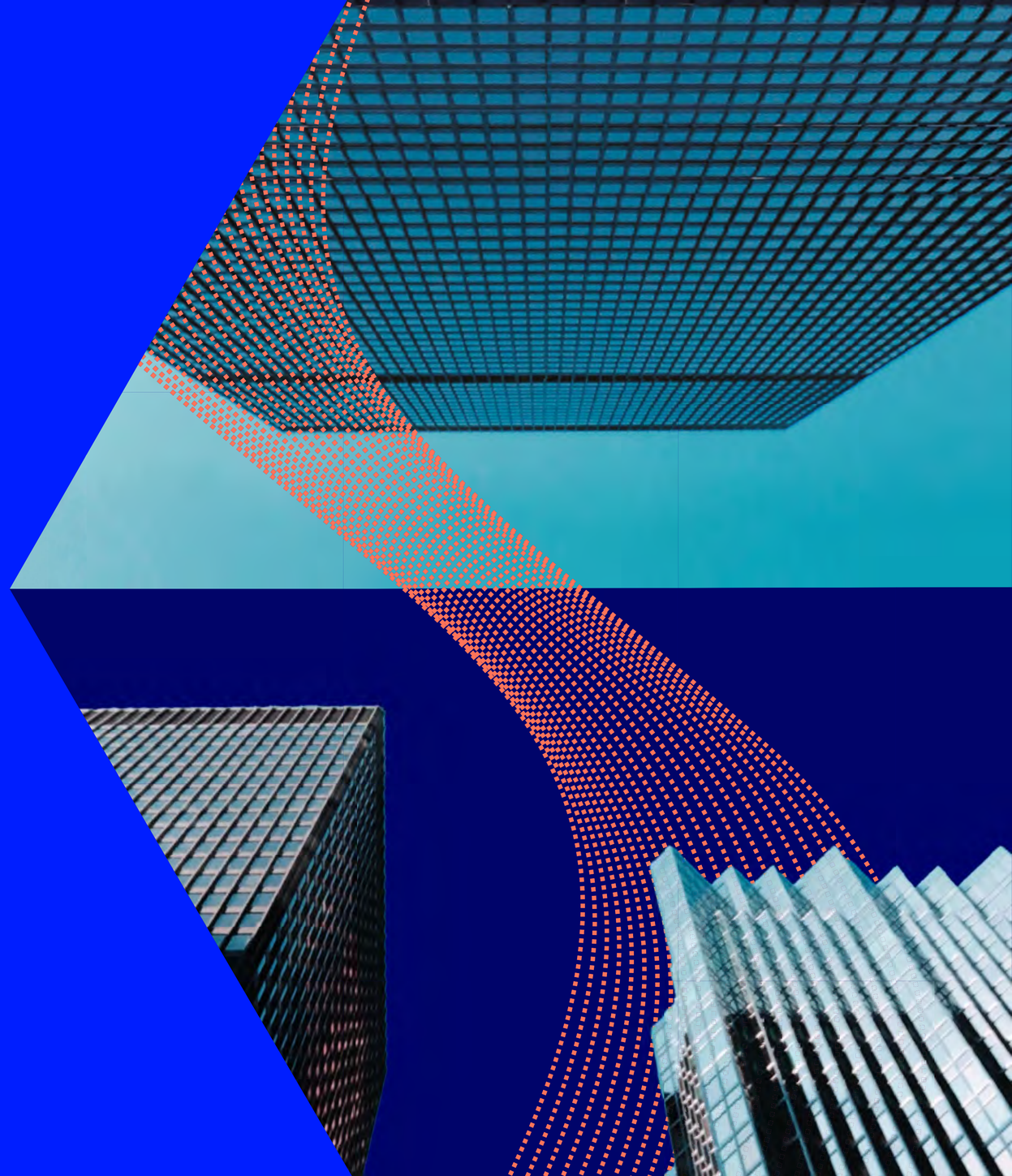
Cloud strategies in financial services

Today’s challenges are shaping tomorrow’s opportunities



LSEG

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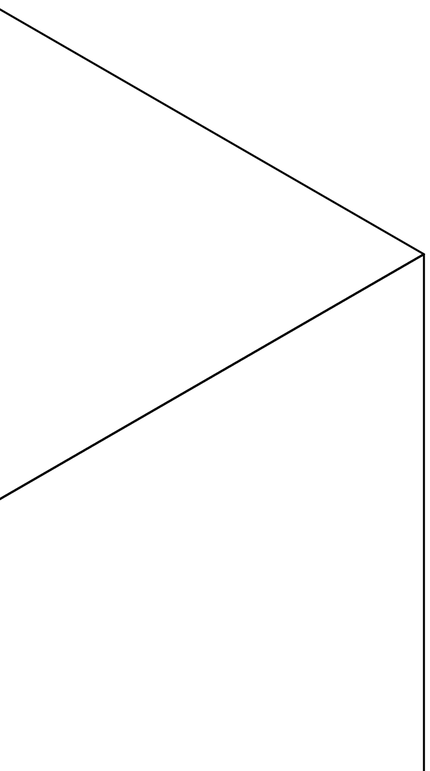


Around the globe, financial services firms' engagement with the cloud is accelerating. Whether firms are performing trading analytics, deploying more sophisticated risk management models, automating compliance tasks, or delivering a new cloud-based wealth management customer portal, they are increasingly moving data, analytics, business processes and more to the cloud.

LSEG recently undertook a survey of 453 financial services executives who are involved in decision-making for financial market data and IT solutions around the globe. This survey provides insight into how banks, investment organisations and wealth and advisory firms are shaping their cloud strategies. Specific areas we explored include:

- Current and anticipated cloud strategies and investment
- Cloud adoption maturity and challenges in realising ROI
- The impact of data security, privacy and sovereignty regulations on cloud strategies
- The importance of operational resilience and approaches taken
- Engagement with emerging technologies such as artificial intelligence (AI)

Respondents confirmed the rapid evolution of cloud strategies as firms seek to adapt to emerging use cases, identified challenges such as regulatory complexity, and pointed to the potential for fresh opportunities to create value. Although implementing the cloud does usually result in cost reduction, in terms of ROI this was less of a priority than boosting firms' competitive advantage.

The survey shows that there is not a single cloud adoption pathway. Firms are at different stages of their cloud journeys, with varying use case priorities, challenges, and interests in data types. Yet, there is much that can be learned from the trends identified in this survey's responses.

About the survey

This report is based on research commissioned by LSEG that was conducted online by Phase 5, an independent marketing research and consulting company, from November 2024 through March 2025. A total of 453 executives of financial services organisations around the globe completed this survey.

Nearly two-thirds (63%) of survey respondents are primary decision-makers for financial market data and IT solutions in their organisation, and 26% are involved in decisions but are not the primary decision-maker. In addition, 9% influence decisions but do not make the final choice.

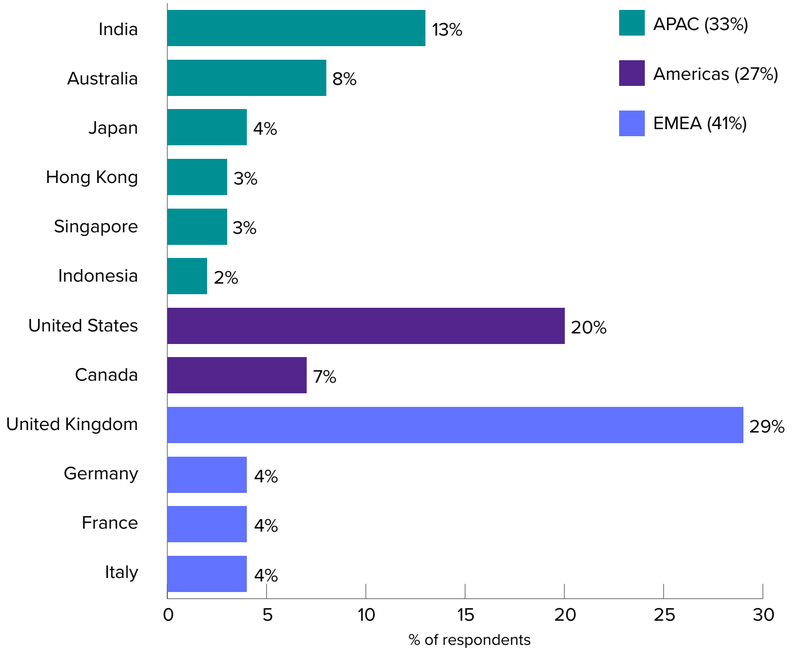
The research was conducted in 12 countries. In assets under management in USD, 37% have under $1 billion, while 62% have $1 billion or more. In terms of revenue in USD, 9% have revenues under $10 million, while 42% have revenues $10 million - $500 million, and 48% have revenues over $500 million.

Financial firm types in the survey include commercial banks/retail banks, investment banks/M&A advisory, private equity/venture capital, insurance, investment management/portfolio management, asset management, broker dealers, hedge funds, pension funds/mutual funds, wealth management/financial advisory, and independent research and consultants. Overall, 51% are in the banking industry, 37% in investment, and 12% in wealth & advisory.

The respondents have a good spread of financial market industry experience. Some 17% have between 1-4 years; 40% have between 5-10 years; 34% have between 11-25 years; and 9% have more than 25 years.

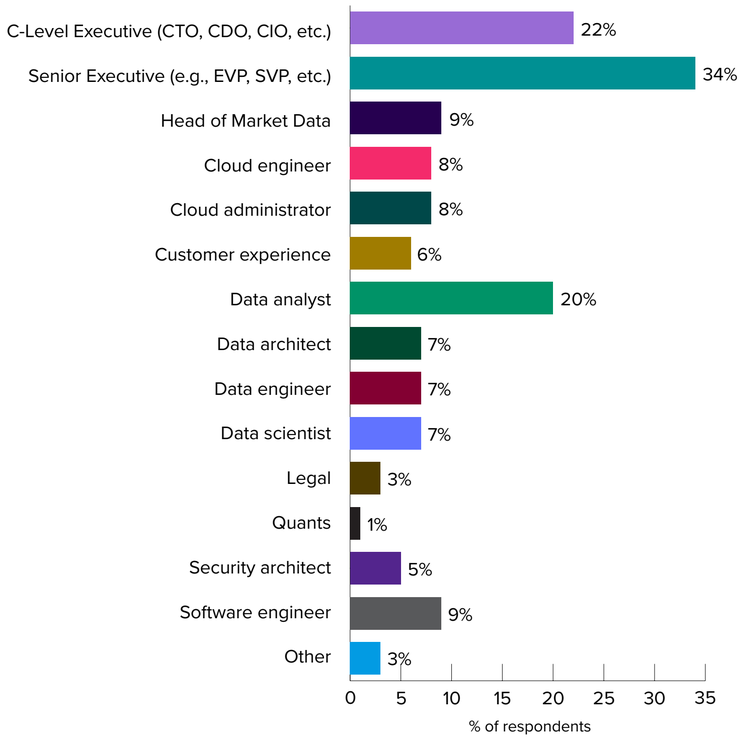
Please note that the standard convention for rounding has been applied, and so as a result, some totals do not add up to 100%.

Chart 1. Geographic scope



Highlights

Chart 2. Profile of respondents



- 87% of companies surveyed have increased their investment in the cloud over the past two years
- 51% assess cloud investment ROI through the ability to scale, and 47% via revenue growth
- 47% are using the public cloud for market data and pricing
- 43% have adopted a Software as a Service (SaaS) model for their cloud use, the most common approach
- 82% have either multi-cloud or hybrid-cloud as their primary strategy
- 47% say the sophistication of cyberattacks is their primary security concern with adopting cloud services
- 84% have had to make at least moderate changes to their cloud strategies due to regulations such as the EU's Digital Operational Resilience Act (DORA) and the EU's General Data Protection Regulation (GDPR)
- 92% say operational resilience is very important or critical when selecting a cloud provider
- 91% are using cloud services to develop AI capabilities and support AI machine learning initiatives currently or are planning to do so in the next 12 months

1

The cloud today in financial services

Cloud use is increasing. 87% of respondents have increased their investment in cloud over the past two years.

1. Investing heavily in cloud services

Financial services firms are investing significantly in moving data, processes, analytics and more to cloud service providers (CSPs), effectively outsourcing their technology infrastructure. It is easy to see why this is such a popular strategy – moving to the cloud quickly delivers benefits for most firms. These benefits include boosting competitiveness through increased agility, revenue growth, enhanced transparency for customers, and more. Firms are viewing reduced infrastructure costs as just an added bonus.

Rising cloud engagement

Cloud use is increasing. Respondents are deploying an average of 34% of their IT and data budgets on cloud services, while 87% have increased their cloud investment strategy over the past two years to invest somewhat or much more in the cloud.

Overall, 40% of respondents consider themselves very advanced in their level of progress in cloud strategy adoption and implementation, while 52% say they are somewhat advanced. Just 7% say they are not very advanced. While this sounds impressive, the data across the rest of this survey – and particularly the data that illustrates how cloud strategies may evolve – shows these assessments to be optimistic. The cloud is not "one and done". As a result, benchmarking exercises such as this survey are valuable.

Chart 3. Change in cloud investment strategy over past two years

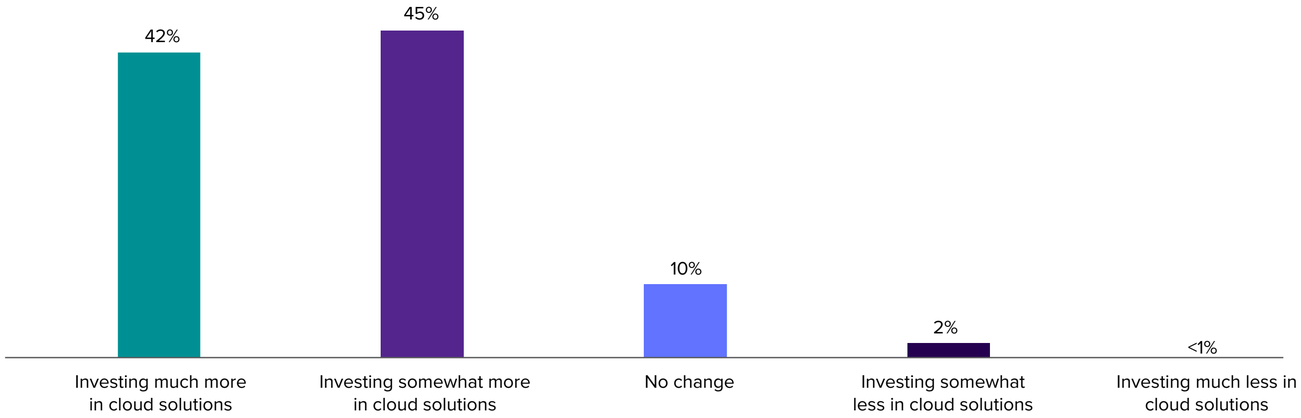
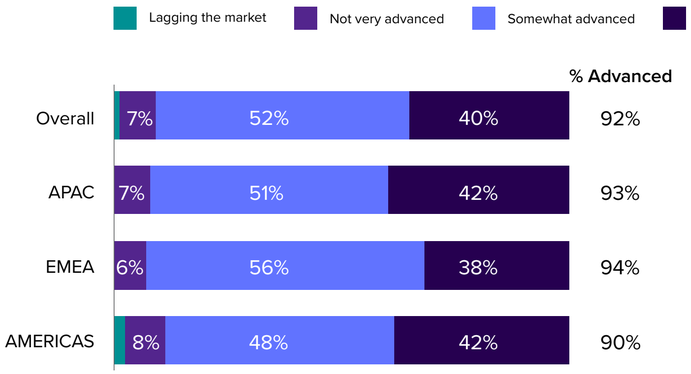


Chart 4: Level of advancement in cloud strategy adoption and implementation



2. Delivering benefits through cloud migration

Respondents who are shifting to the cloud for specific use cases are advanced in their migration. Of those who say they are migrating or using cloud services for specific use cases, most say they have completed migration. Encouragingly, the majority also say they are already seeing benefits.

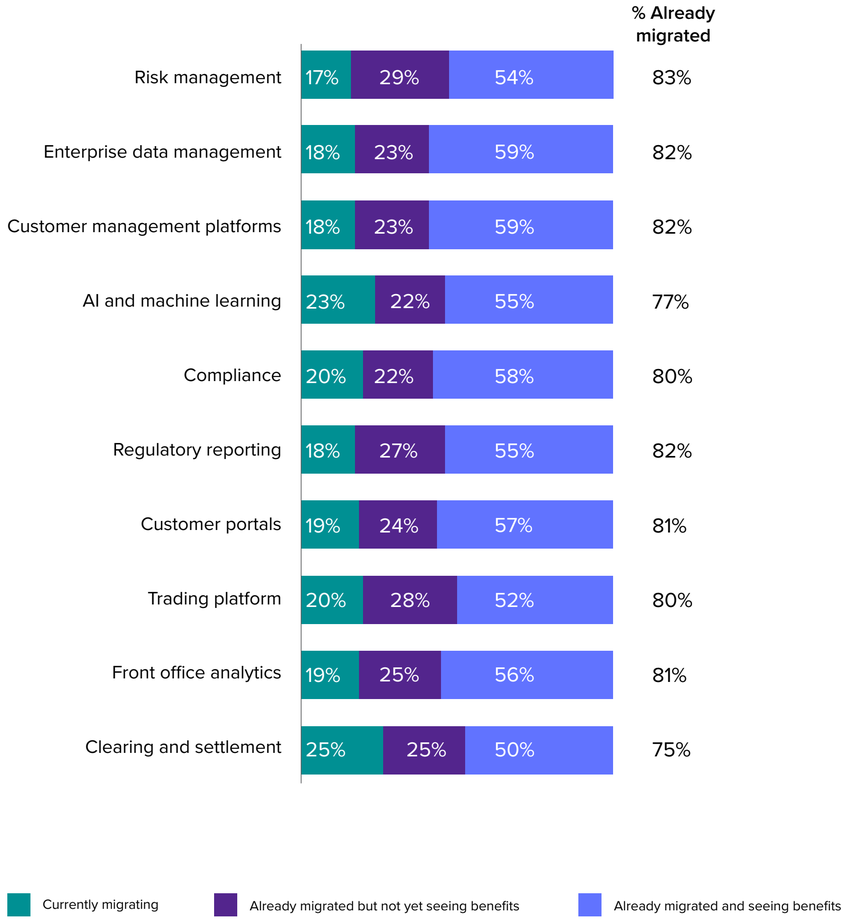
For example, 83% of those who say they are using cloud services for a risk management use case have already migrated – the highest "already migrated" use case. 54% say they have migrated and are seeing benefits. A hypothesis for this result could be that software as a service (SaaS) solutions, coupled with cloud-based data, enable more advanced risk management analytics, with faster processing times – enabling firms to be more responsive to risks.

The enterprise data management and customer management platforms have the most respondents – 59% each – who have already migrated and are seeing benefits. Enterprise data in the cloud boosts access and collaboration, while cloud-based customer data management and customer portals can deliver enhanced data and analytics, supporting tailored client engagement experiences. Compliance, which ranks low in terms of overall completed migration, albeit at 80% already migrated, has the third highest percentage in terms of respondents benefiting from migration at 58%. Advantages of compliance in the cloud commonly include process automation, increased efficiency, and earlier detection of issues or breaches.

Wealth management and advisory firms are early, successful adopters of the cloud for several use cases, including compliance (70%), AI and machine learning (74%) and regulatory reporting (69%), where they have migrated and are seeing benefits faster than banking or investment firms.

Businesses in the Asia-Pacific region are adopting the cloud for key use cases faster than those in either EMEA or the Americas. For example, for enterprise data management, 63% of APAC respondents say they are seeing benefits, compared with 59% for EMEA and 52% for the Americas. For front office analytics, 65% of APAC respondents report the same, compared with just 56% for EMEA and 46% for the Americas.

Chart 5. Stage of cloud service migration



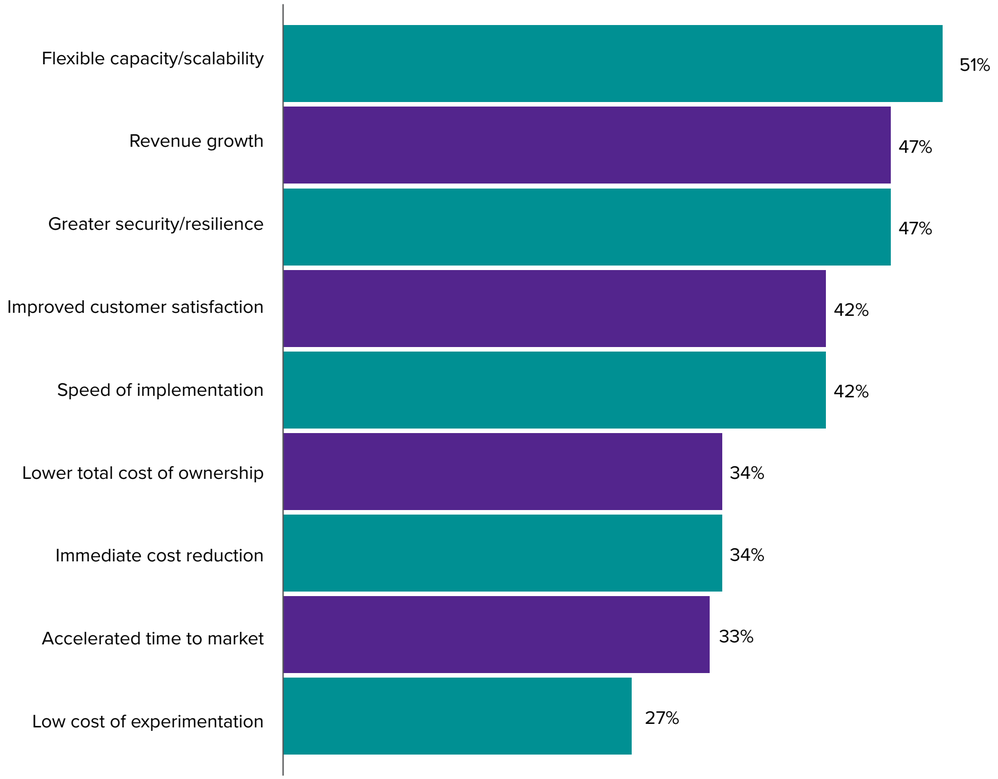
3. Prioritising competitiveness over cost reduction for ROI

Return on investment (ROI) for cloud projects is assessed more often on the benefits of flexible capacity and scalability (51%), revenue growth (47%) and better security and resilience (47%) rather than on a lower total cost of ownership (34%) or the prospect of an immediate cost reduction (34%). Previous financial services industry research from a few years ago found that firms were seeing significantly more benefit from lower total cost of ownership and immediate cost reduction than they are perhaps seeing today, which could imply that some of the “low hanging fruit” of cost savings from moving to the cloud are now in the past. Flexibility and scalability enable firms to identify and seize opportunities with more agility. Revenue growth boosts market position, while enhanced security and resilience builds trust with customers and reduces the likelihood and impact of negative events. Overall, respondents are seeking ROI from cloud investments that enhances competitiveness and drives value for customers.

Respondents from banks (55%) and investment firms (48%), rate flexible capacity and scalability as the top factor when assessing ROI. Wealth management respondents, on the other hand, place revenue growth (55%) as their top motivation, and improved customer satisfaction second (49%). A major cloud use case for this firm type is the creation of more curated, hyper-personalised experiences in wealth management client portals.

In contrast, the prospect of an immediate cost reduction ranked last for wealth management respondents (22%) and third from the bottom for investment management respondents (28%). More banking respondents prioritised cost reduction as an ROI metric – 41% – possibly because the retirement of complex legacy technology and data infrastructure that banks are burdened with is a greater ROI focus.

Chart 6. Indicators used to assess ROI of cloud investments



4. Recognising lower infrastructure costs

Even though respondents say they prioritise lower costs less as an ROI assessment point, moving to the cloud does reduce IT infrastructure costs for the majority of firms.

Among all respondents, 61% say cloud adoption either significantly reduced costs or marginally reduced costs for the total cost of ownership (TCO) of their IT infrastructure. More wealth & advisory respondents see TCO reductions (64%) than banking respondents (59%).

These differences in TCO experiences could also be reflected in the strategies that respondents' organisations are using to optimise cloud costs. For example, 66% of APAC respondents say their organisation uses a multi-cloud strategy to reduce costs, as do 70% of EMEA respondents – both regions contain a multiplicity of jurisdictions. CSPs are very active in working with local regulators to simplify this complexity, which would help reduce costs further. Meanwhile, just 58% of respondents in the Americas – where the US and Canada are two large single jurisdictions across a whole continent – take this approach.

61% say cloud adoption either significantly reduced costs or marginally reduced costs for the total cost of ownership (TCO) of their IT infrastructure.

2

Today’s cloud implementation challenges

1. Facing growing regulatory scrutiny

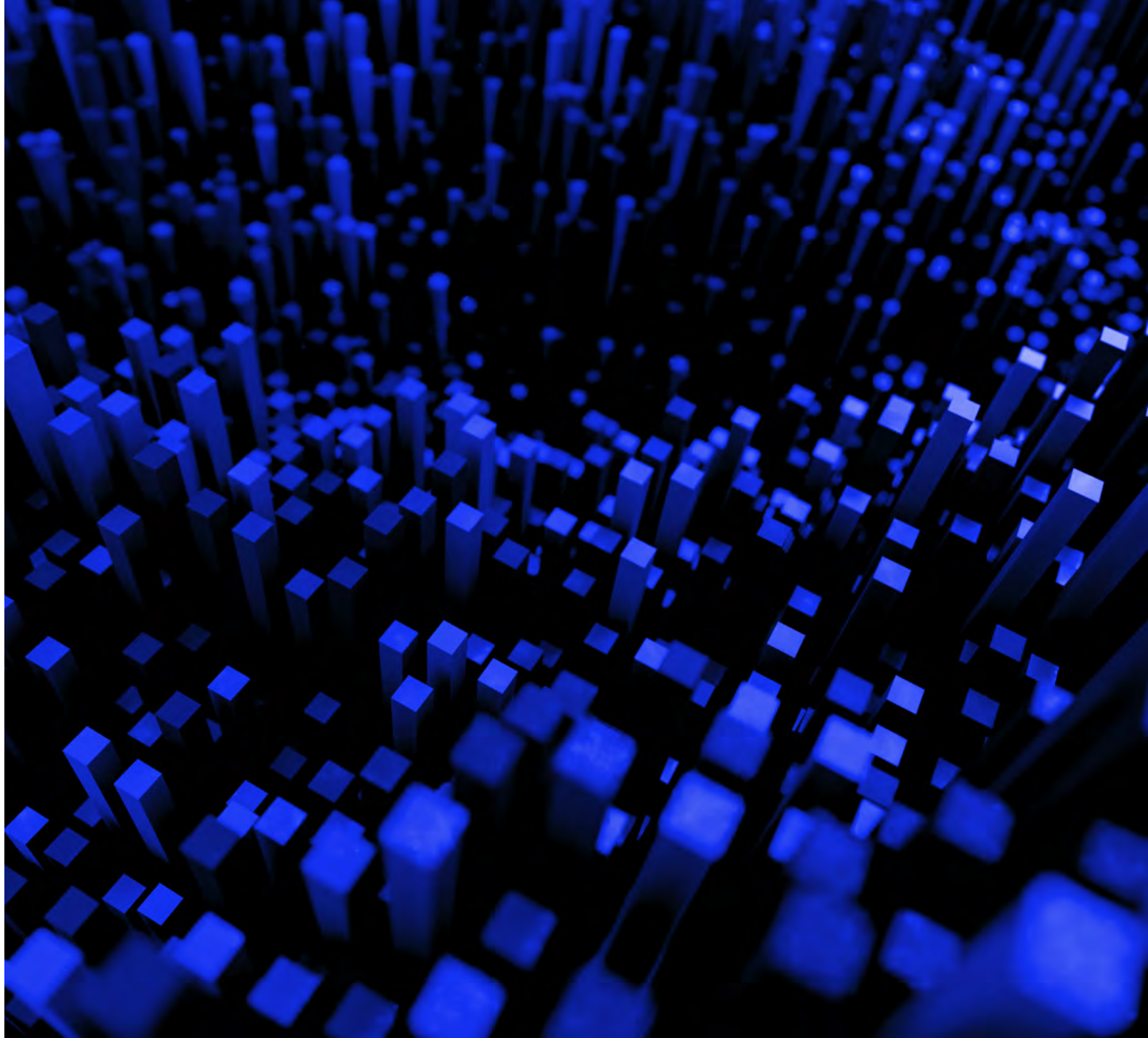
Moving to the cloud may be delivering benefits for financial services firms, but the transition is not without challenges. The increase of regulation is part of the reason firms embrace multi-cloud and hybrid-cloud approaches. In turn, managing multiple cloud and data storage solutions across an enterprise increases complexity in areas such as security, integration and cost control. Yet, firms may also understand that some of the regulations – such as those around security and operational resilience – are a rational response to significant risks, because the firms are wary of the same risks themselves. Firms face other challenges too, such as the need to drive down latency for the cloud for it to be applicable to many front office use cases.

Contending with cloud regulations

The impact of rules aimed at managing cloud risk to firms and the financial system is so great that regulatory challenges rank joint first (33%, alongside data loss and leakage risks) with respondents when asked what the main barriers to achieving the expected ROI from cloud investments are see chart 7. Compliance concerns rank fourth at 28%, while 27% say the full benefits of their investment are constrained by information security requirements. Answers such as data loss and leakage risks and information security concerns have regulatory impacts too, with rulebooks often devoting significant space to these areas.

Regulators' cloud rulebooks are causing respondents' organisations to make changes to their cloud strategies. Overall, 84% of all respondents say they have altered their cloud strategies because of data privacy, security and sovereignty regulations. More than one-quarter of respondents – 28% – say they have made extensive changes.

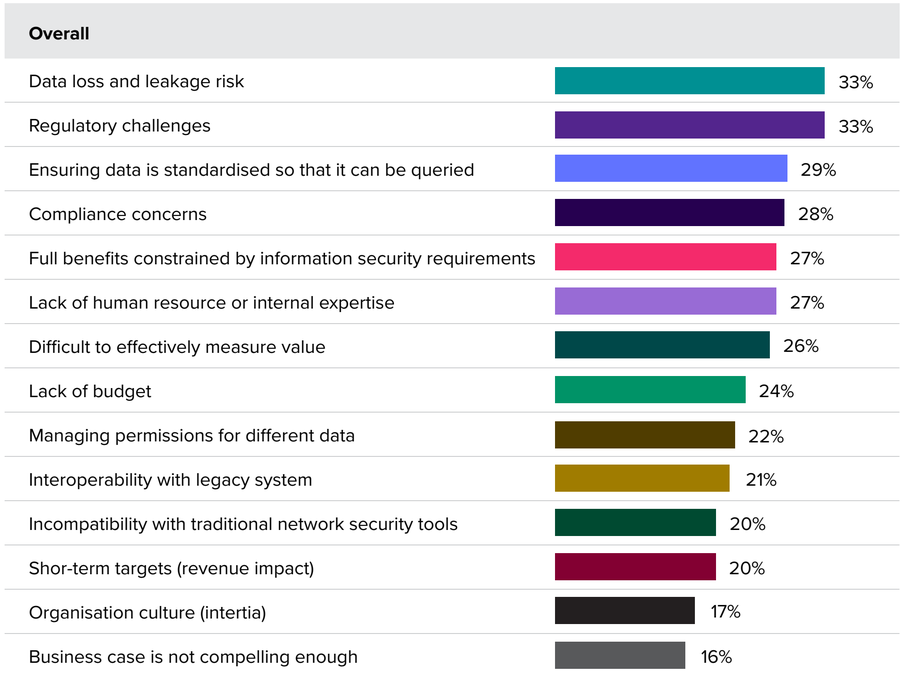
Of those respondents who say their cloud strategy is impacted by data privacy, security and sovereignty regulations, 59% say they are adopting hybrid strategies and 56% are adopting multi-cloud strategies because of rulebooks. Some 37% are limiting what data is kept in the cloud, while 35% are working with locally/regionally owned vendors. These adjustments can boost costs for firms and increase operational complexity.



There are differences in approach among firm types. For example, some 62% of banking and wealth & advisory firms say they are adopting hybrid strategies in response to regulations, while investment (59%) and banking (57%) firms are adopting a multi-cloud strategy in response to rules. Banking respondents' firms may have a wider variety of use cases to implement in the cloud, and face more stringent cloud regulations, which may account for their high implementation rates of both hybrid and multi-cloud strategies.

It is clear that cloud-focused regulatory requirements are impacting the ability of firms to implement the most efficient cloud strategy and therefore to drive value from use cases. CSPs are working with regulators to try and resolve some of these issues, but for now firms have to factor regulatory challenges into their plans.

Chart 7. Main barriers to achieving expected ROI from cloud investments



84% of all respondents say they have altered their cloud strategies because of data privacy, security and sovereignty regulations.

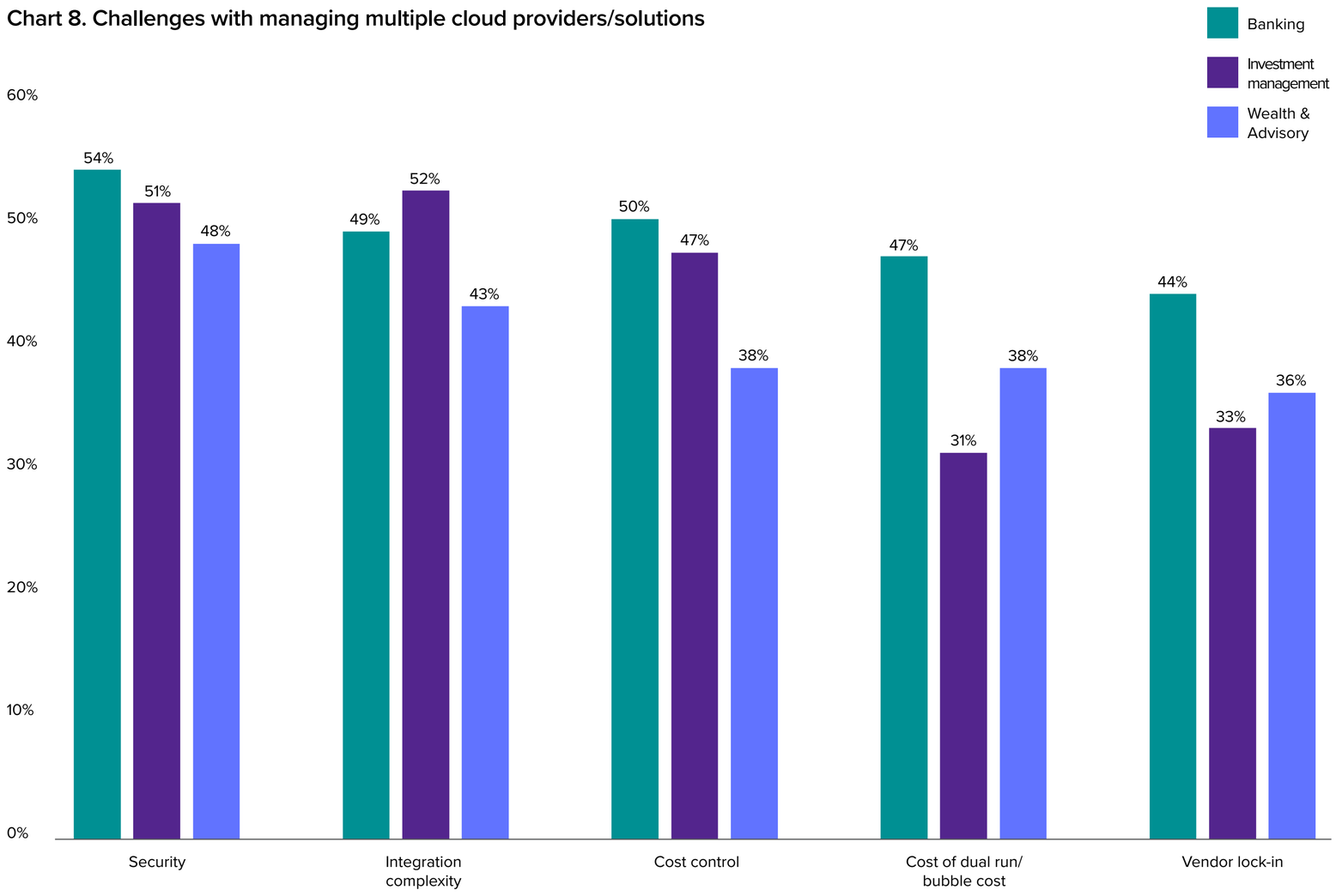
2. Managing and integrating multiple solutions

Among respondents, multi-cloud (41%) and hybrid-cloud (41%) strategies dominate. Multi-cloud strategies in the survey were defined as those in which workloads, applications, and data are distributed across multiple public cloud providers. Hybrid cloud strategies were defined as those in which workloads, applications, and data are distributed across a combination of public and private cloud or on-premises locations. Single cloud (10%), private cloud (8%) and on-premises (1%) approaches feature far less frequently. At 49%, investment management firm respondents are more likely to report using a multi-cloud approach, while bank and wealth & advisory respondents favoured hybrid-cloud strategies (44% for both). Wealth & advisory respondents are more likely to report using a single cloud strategy (15%). While regulatory issues are drivers of these cloud implementation choices, other factors such as business strategy, geographic location, and customer needs are considered by firms too.

The need to adopt approaches that require multiple cloud providers and data storage solutions creates challenges for financial firms. Top issues are security (52%), integration complexity (49%), and cost control (48%).

The integration challenge for firms looks to be internal – rather than caused by CSPs – because CSPs are rated highly by respondents in terms of satisfaction – 95% – with the level of integration they are providing. One respondent says that their CSP “provides extremely convenient data migration tools and detailed guidance documents”, while another notes that “the level of integration has been smooth and has improved customer satisfaction.” Integration challenges internal to firms can be caused by issues such as legacy systems not easily adaptable to cloud architecture, and the need to sync data across different internal systems.

Chart 8. Challenges with managing multiple cloud providers/solutions



3. Engaging with security concerns

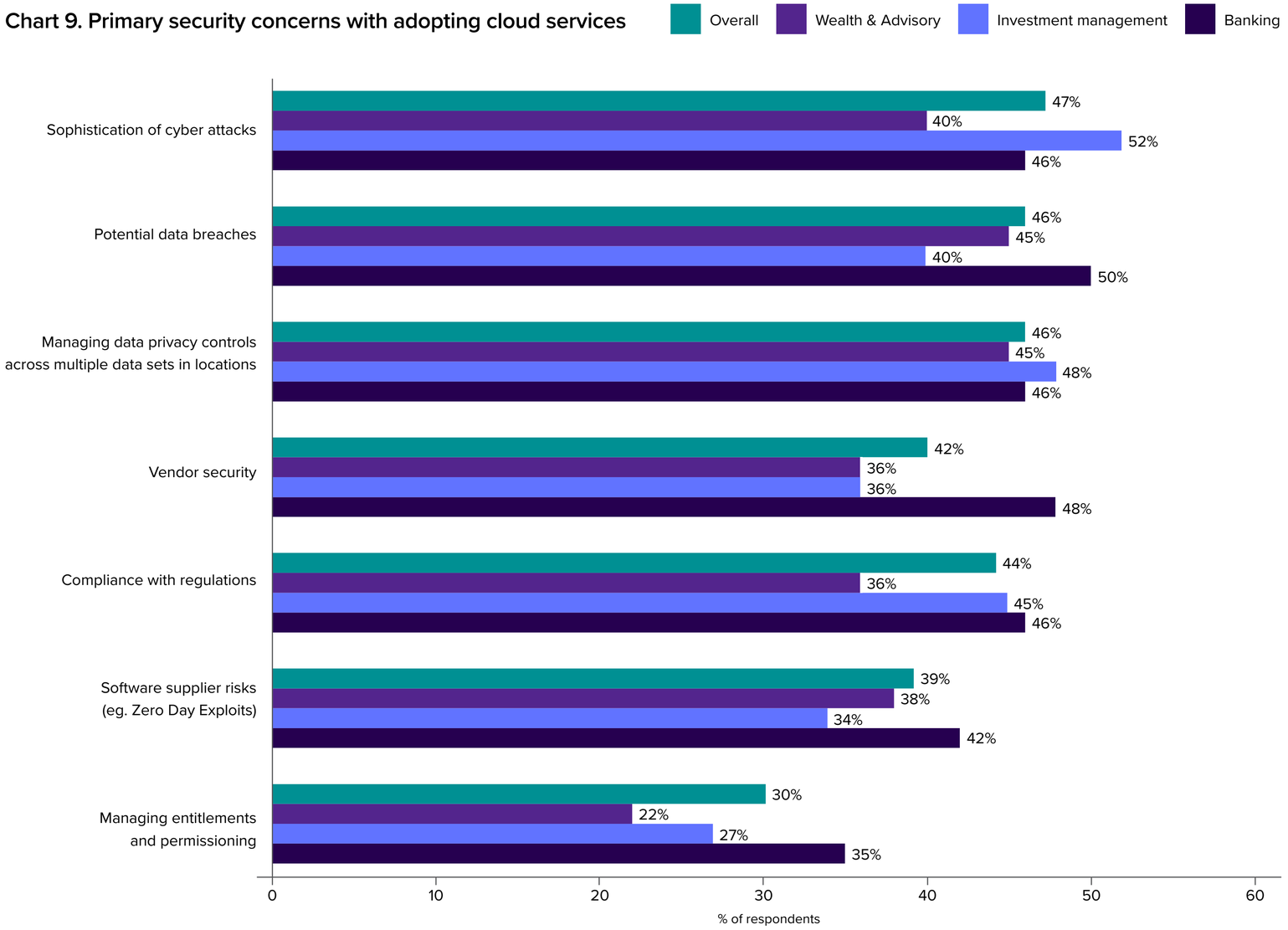
Although financial firm respondents say they have made significant changes to their cloud strategies because of rulebook requirements, their concerns around security align with the increasing focus of regulators on data privacy, the vulnerability to cyberattack and other security breaches, and the risks associated with how data is held in the cloud.

The top three security concerns that respondents have with adopting cloud services – the sophistication of cyberattacks (47%), managing data privacy controls across multiple datasets in locations (46%) and potential data breaches (46%) – show the significant security issues that are impacting the ability of financial firms to deliver value today.

However, there are differences among the three firm types in the kinds of concerns they have. For example, wealth & advisory respondents say they are most worried about both managing data privacy controls and potential data breaches, at 45% – perhaps reflecting the affluent consumers with sensitive personal data who are their client base.

Compliance ranked fourth, potentially indicating that while meeting compliance obligations from regulatory rulebooks can be an imposition, firms are concerned about these security issues in their own right.

Chart 9. Primary security concerns with adopting cloud services



Cost (35%) and security (33%) are the top challenges for low latency data, while scalability (37%) and system lag (36%) are big issues for intra-day.

4. Speeding up cloud performance

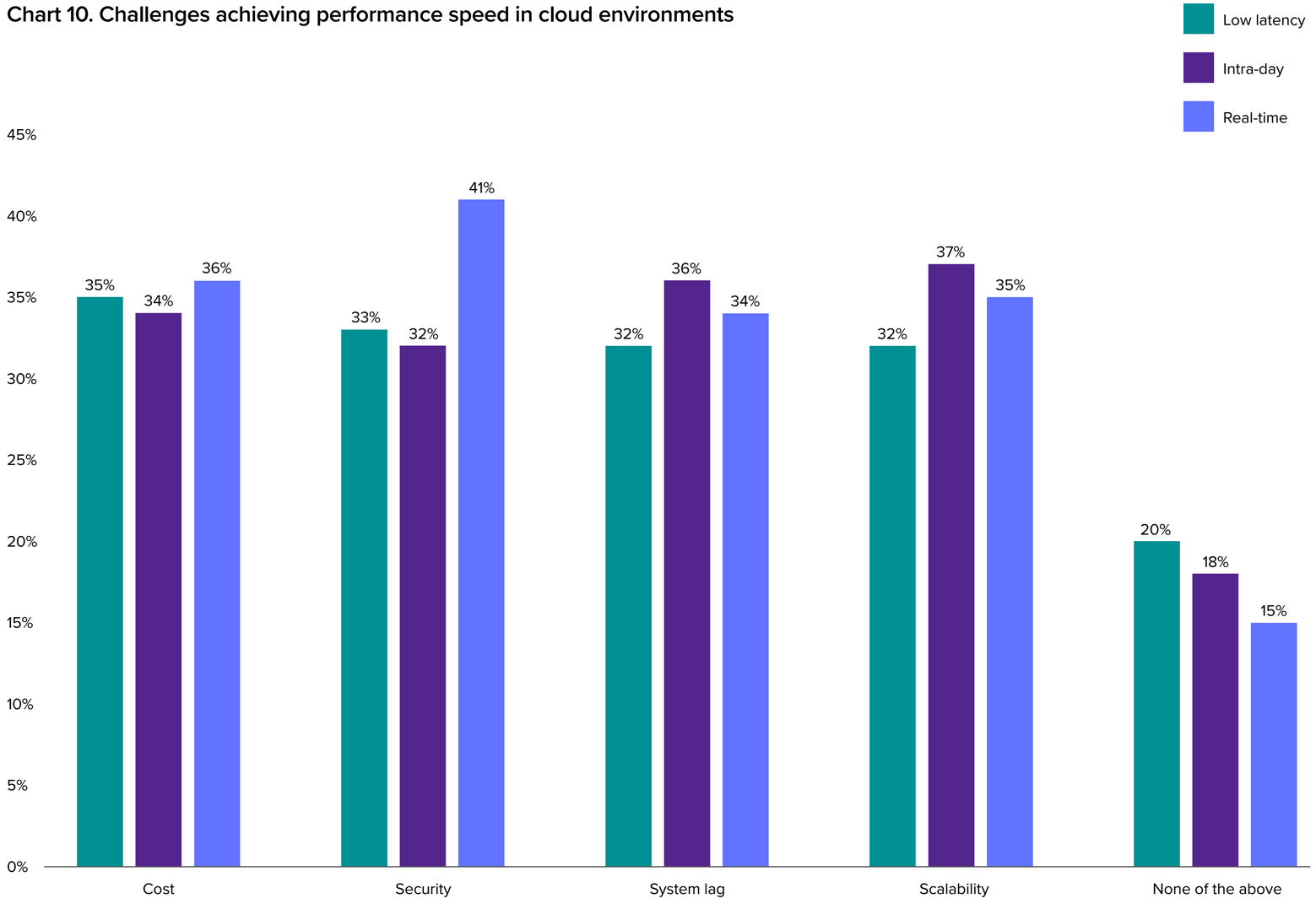
Performance speed continues to be an important metric for financial services firms that wish to provide data storage and processing in the cloud because many front office use cases are time sensitive.

Respondents say they are facing significant challenges in trying to achieve low latency, intra-day and real-time performance speeds in cloud environments. For example, cost (35%) and security (33%) are the top challenges for low latency data, while scalability (37%) and system lag (36%) are big issues for intra-day. With real-time, security (41%) and cost (36%) are the most pressing.

There are some significant differences in terms of the experience of challenges for sell-side versus buy-side firms. For example, for low latency performance speeds in the cloud, sell-side respondents say cost is a bigger issue for them than the buy-side (38% v. 32%). A similar difference exists for system lag (35% v. 28%), and both likely speak to the types of use cases that low latency data is being applied to.

To help solve the latency challenge, some cloud service providers now offer local data “zones” – data centres in a region or campus close to a financial hub. The survey data shows that this would have a substantial impact on the likelihood of respondents to consider a CSP if it offered local data zones close to where their organisation needs them. A strong 57% of sell-side respondents say they were much more likely to consider the provider, and 50% of buy-side respondents say the same.

Chart 10. Challenges achieving performance speed in cloud environments



5. Selecting CSPs based on operational resilience

Thanks to regulations such as the EU's Digital Operational Resilience Act (DORA) and headline-grabbing outages, respondents say they are focusing on their capacity to respond to disruptive events – as well as recover and learn from them – alongside being able to deliver critical operations through disruption.

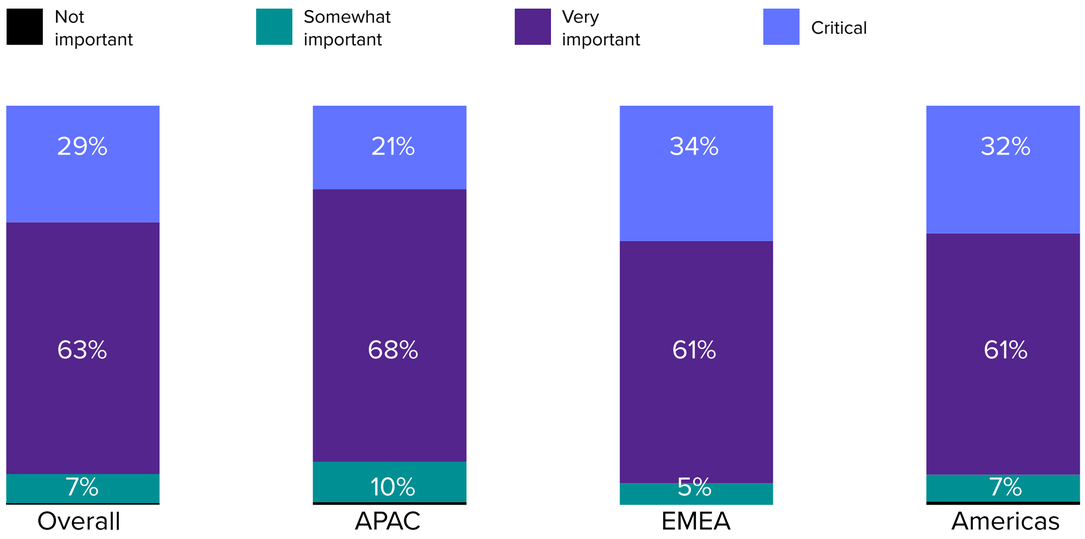
In the survey, 63% of respondents say that operational resilience is very important when selecting a cloud provider, while 29% say that it is critical. Experience may play a role in why operational resilience is considered important – 30% of respondents say that their organisation encountered operational disruption due to cloud services over the past 12 months. Wealth & advisory respondents experienced more operational disruptions (35%), compared with banking (32%) and investment firms (26%).

Experience seems to play a role in valuing operational resilience in other ways, too. A substantial 51% of respondents with 25 years or more of experience in the financial market industry say that operational resilience is critical when selecting a cloud vendor, compared with just 14% of those with 1-4 years of industry experience. This could be because respondents with more time in the industry have experienced more negative events, and so understand the importance of resilience.

Operational resilience may also be an important element in vendor selection because 47% of respondents currently use greater security/resilience as a factor when assessing the ROI of their cloud investment – the third highest factor. Some 41% say that the public cloud delivers improved availability and business continuity as a primary benefit, while 38% say greater security/resilience is a primary benefit of moving to the cloud.

Firms depend upon a variety of business continuity approaches for operational resilience from cloud services, to keep their data, operations and customers safe. Respondents rely the most on back-up solutions (59%) and real-time fail-over (54%), followed by redundancy (48%) and geo-replication (34%).

Chart 11. Importance of operational resilience when selecting cloud provider



63% of respondents say that operational resilience is very important when selecting a cloud provider, while 29% say that it is critical.

3

The future of cloud

1. The impact of cloud adoption in the future

The way that financial firms engage with cloud services will continue to evolve. AI and machine learning is the top use case for cloud adoption over the next three years, while firms will also look to change their mix of cloud services over the same period. Firms are also considering the potential for low and ultra-low latency data in the cloud. As financial services firms look to the future, they are anticipating that their cloud strategies will need to change to match the developing business, data and technology environment.

Understanding the impact

Cloud technology is expected to have a significant impact on the global financial industry over the next two years, according to respondents. The focus of this impact is on elements that enhance competitiveness, rather than explicit cost savings. Open-ended answers were categorised, summed up, and calculated into percentages, to provide insight into how respondents see the cloud impacting their industry over the coming few years.

Enhancing operational efficiency, such as the automation of processes and the reduction of manual tasks, is the top answer with 26% of respondents mentioning this opportunity. For example, one respondent said: “It will save time and space and enable businesses to run more efficiently.” Today, 33% of respondents say their cloud strategies have significantly improved efficiency, while 53% say they have marginally improved efficiency.

The second most popular impact is improving security and compliance, with 17% of respondents mentioning this in their answers. The cloud “provides a high level of data encryption and protection,” says a respondent. Today, 47% of respondents use greater security and resilience as a measure of ROI, and it ranked third in the survey question about how ROI is measured.

The third most mentioned topic is scalability and flexibility, with 14% noting this. Flexible capacity/scalability is the top answer in the survey question about how firms measure ROI for the cloud, with 51% selecting this. This benefit enables firms to “easily scale up or down to match changing business needs,” says one respondent.

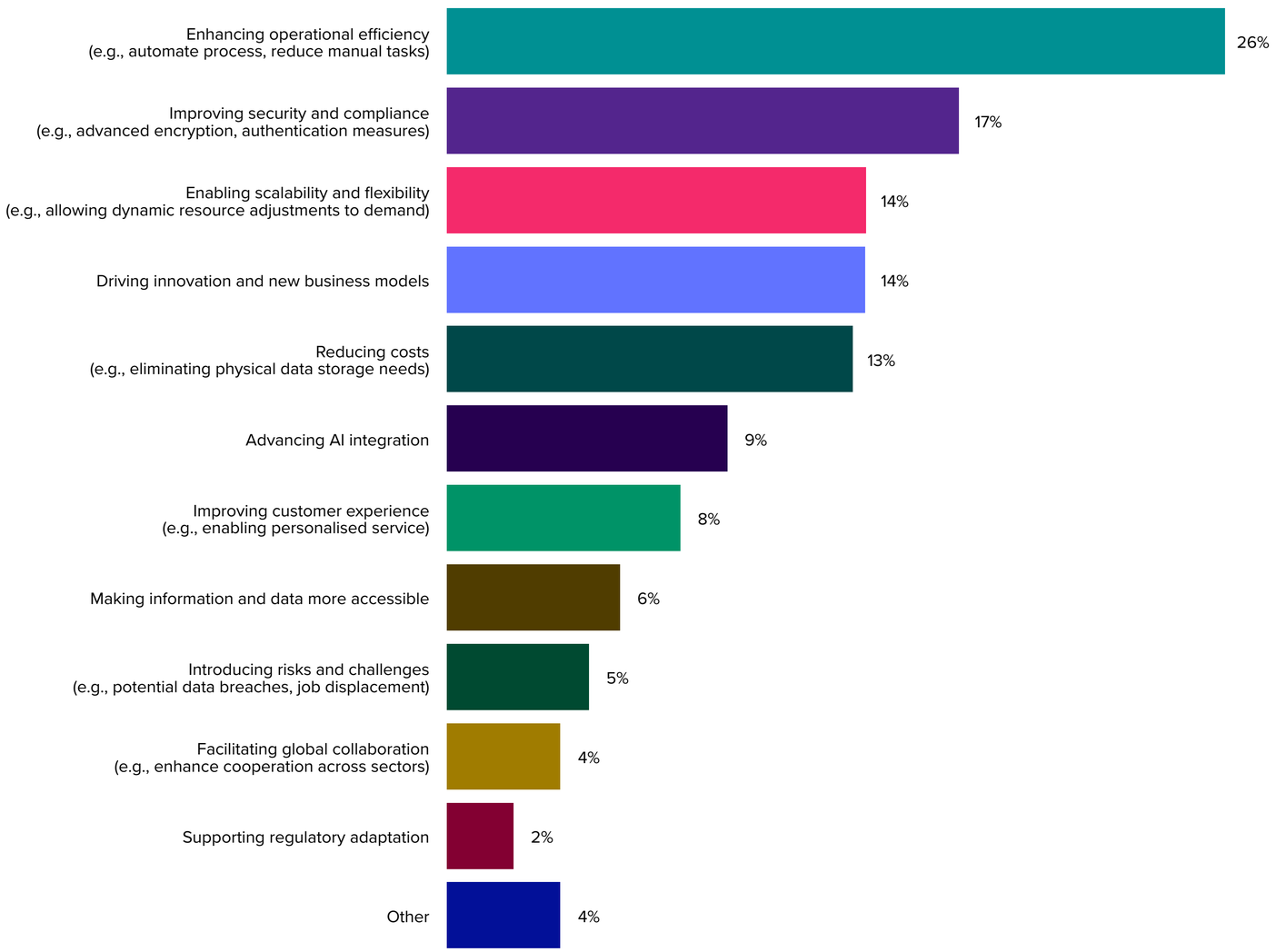
The fourth most popular topic mentioned is driving innovation and new business models, with 14% believing increased use of cloud is certain to drive competitive advantage. Reducing costs – such as eliminating physical data storage needs – ranked fifth, reflecting the lower priority that respondents are putting on this impact today. Only 34% are using either lower total cost of ownership or immediate cost reduction as a ROI metric.

Many of the respondents mention several potential impacts that the cloud will deliver over the next two years, including:

- “Reduced infrastructure costs, improved operational efficiency, and provision of data storage and analysis tools.”
- “Enhanced security, improved efficiency, and customer experience, also ensuring regulatory compliance.”
- “It will mean quicker transactions, more automation and a greater use of AI.”

Overall, respondents are anticipating that engagement with cloud services will significantly alter their firm’s technology infrastructure and business processes, as well as the way in which they identify and seize opportunity.

Chart 12. Expected impact of cloud technologies on global financial industry over next two years



2. Predicting cloud use over three years

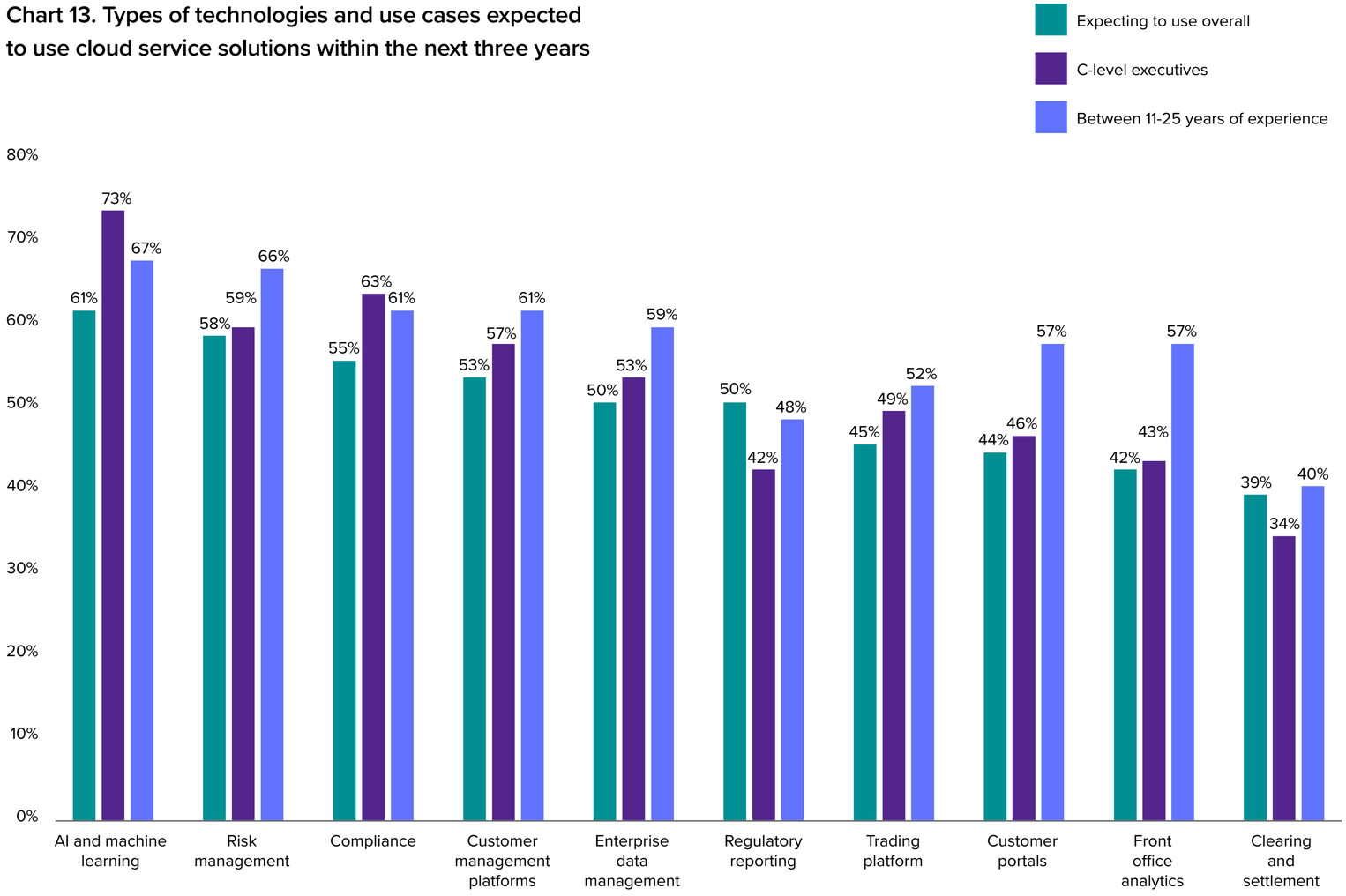
Perhaps it is not surprising that the top use case which respondents are expecting to deploy cloud service solutions for over the next three years is AI and machine learning (61%). In second place is risk management at 58%, and third is compliance, at 55%. It is possible that, in general many respondents don't expect performance speed issues to be improved over the course of the next three years, because only 45% believe they will be using cloud services for trading platforms, and 42% for front office analytics.

Interestingly, C-level executives are more optimistic about the use of cloud services over the next three years than the overall group of respondents for many use cases, including AI and machine learning (73% v. 61%), compliance (63% v. 55%) and trading platforms (49% v. 45%).

Generally, respondents who have between 11 and 25 years of experience in the financial markets industry are also much more optimistic about the potential for cloud services over the next three years than the overall group. For example, 57% say they are expecting to use front office analytics in the cloud, versus 42% for the overall group. Similarly, 52% plan to operate trading platforms in the cloud, compared with 45% overall.

So, overall, within financial firms, executives who are mid-career, and those with more strategic roles in the C-suite are more optimistic about the potential of the cloud for many use cases, and particularly for front office use cases such as trading platforms and front office analytics. This contrasts with the focus on middle office use cases of risk management and compliance that are favoured by the overall group.

Chart 13. Types of technologies and use cases expected to use cloud service solutions within the next three years



The strong position of SaaS today could potentially be behind the ability of firms to quickly migrate to and see benefits from cloud adoption.

3. Transitioning cloud service models

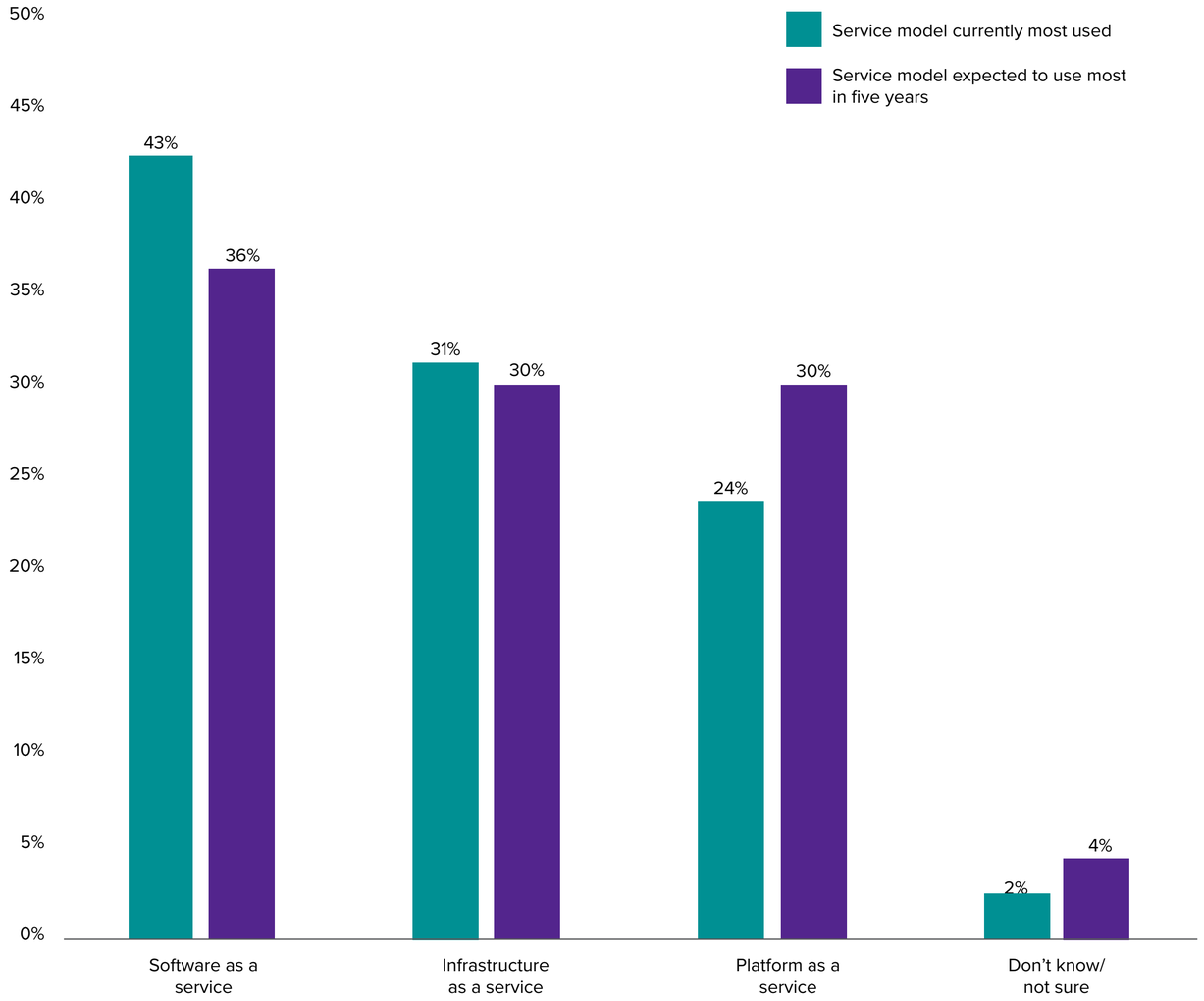
Today, respondents say that they are using software as a service the most (43%), while use of infrastructure as a service (31%) and platform as a service (24%) feature less in current cloud strategies.

The strong position of SaaS today could potentially be behind the ability of firms to quickly migrate to and see benefits from cloud adoption. Adopting either Platform as a Service (PaaS) or Infrastructure as a Service (IaaS) would require firms to develop their own applications.

In the next five years, overall respondents are forecasting that they will be using SaaS models less often, and PaaS more often, while IaaS will roughly stay the same. For example, banking respondents report that they believe they will shift away from SaaS models (44% today v. 30% in five years). Wealth & advisory are also set to shift away from SaaS (49% to 36%) and to IaaS (24% to 29%) and PaaS (25% to 29%).

It's possible that this reflects an anticipation of moving away from ready-made software solutions provided by vendors. Firms may move more towards apps that are created in-house by development teams, to gain competitive advantage through technology. Or they may choose to "build" custom solutions from components offered by different providers. The development of AI tools for coding could support firms in building their own applications. For example, one respondent says that they expect the cloud to have a substantial impact on the financial services industry over the next two years – "very much because most of them are using the AI to generate the code easily."

Chart 14. Service model currently used the most versus service model expected to be used the most in five years



Risk & regulatory data (51%), company data (48%) and market data & pricing (47%) are the top three data types currently being used in a public cloud environment by respondents.

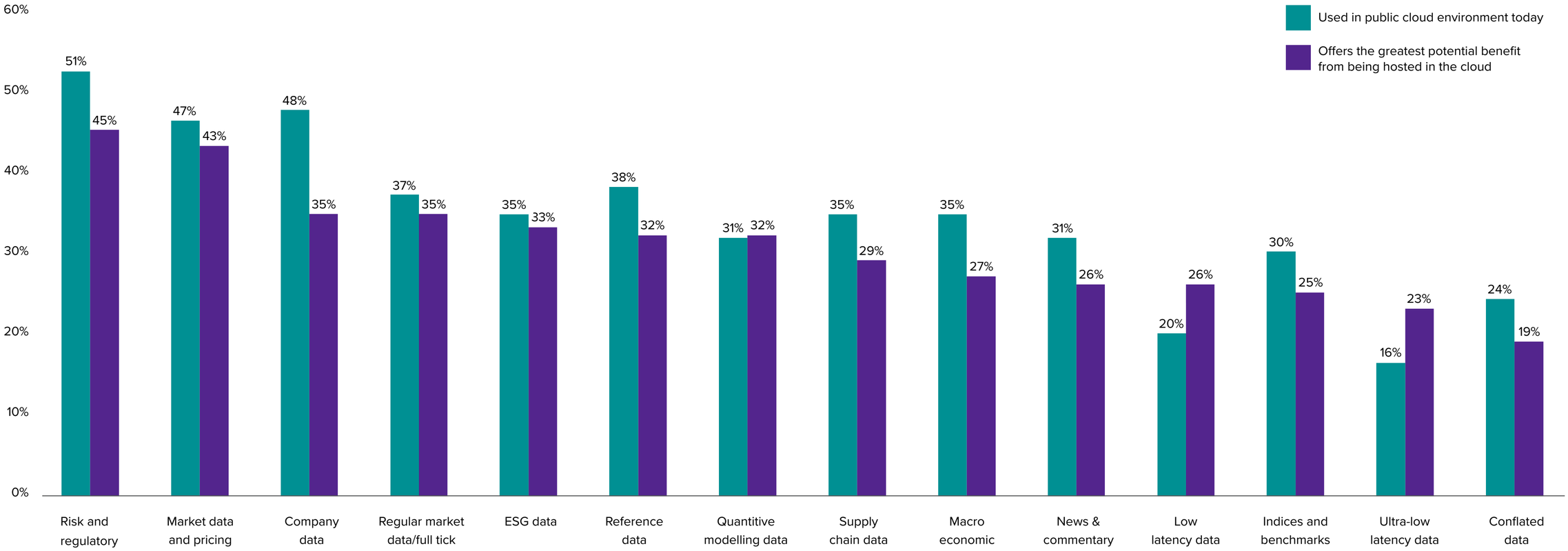
4. Working with different data types

Today, risk & regulatory data (51%), company data (48%) and market data & pricing (47%) are the top three data types currently being used in a public cloud environment by respondents. Looking to the future, these three are also the data types that respondents say offer the greatest potential benefit to their business from being hosted in the cloud – 45%, 35%, and 43% respectively. Regular/full tick data was also selected by 35% of respondents as having the greatest potential benefit.

The possibility of future benefit from these data types in the cloud likely reflects the emphasis today and tomorrow by respondents on three use cases – AI and machine learning, risk management and compliance.

However, the potential for using trading platforms in the cloud is not being ignored. While today sees modest use of low latency data (20% overall) and ultra-low latency data (16%) in the cloud, use could evolve over time as 26% see the greatest potential benefit for low latency data being in the cloud, and 23% see this benefit for ultra-low latency data.

Chart 15. Types of datasets that offer the greatest potential benefit from being hosted in public cloud



5. Forecasting the future of AI

Most respondents – 84% – say that their organisations are either somewhat or very advanced in adopting AI capabilities. Investment management respondents are more likely to report themselves as advanced (89%) and wealth & advisory firms the least likely (76%), while banking respondents fell in the middle (83%).

However, this may be a bit optimistic of some firms. When respondents were asked if they had completed migrating AI and machine learning to the cloud, just 77% could say yes, and only 55% reported having finished migrating and already seeing benefits – the second and third from the bottom in terms of ranking, respectively.

Bringing AI to the cloud

Most respondents – 91% – report that their firms are using cloud services currently (55%) or within the next 12 months (36%) to develop AI capabilities and to support AI and machine learning initiatives. Primary decision-makers are much more likely to say they are currently doing this (63%) than others on the decision-making spectrum (22%-47%).

Generative AI (60%) is the top use case for AI in the cloud among respondents, followed by fraud detection (50%) – a compliance use case – and risk management (50%). Next is predictive analytics (49%), improve/simplify customer experience (48%) and customer insights (44%) – use cases that directly deliver value and potential competitive advantage. The close results for several of these use cases show the diversity of AI use cases that the cloud is supporting.

However, respondents say their firms are facing challenges around integrating AI with their cloud infrastructure. Cost is the top issue, at 47%, with banking more likely to cite cost challenges than investment respondents (52% v. 42%). This could be because of the issues posed by the need to either replace or upgrade banks' legacy IT and data infrastructure.

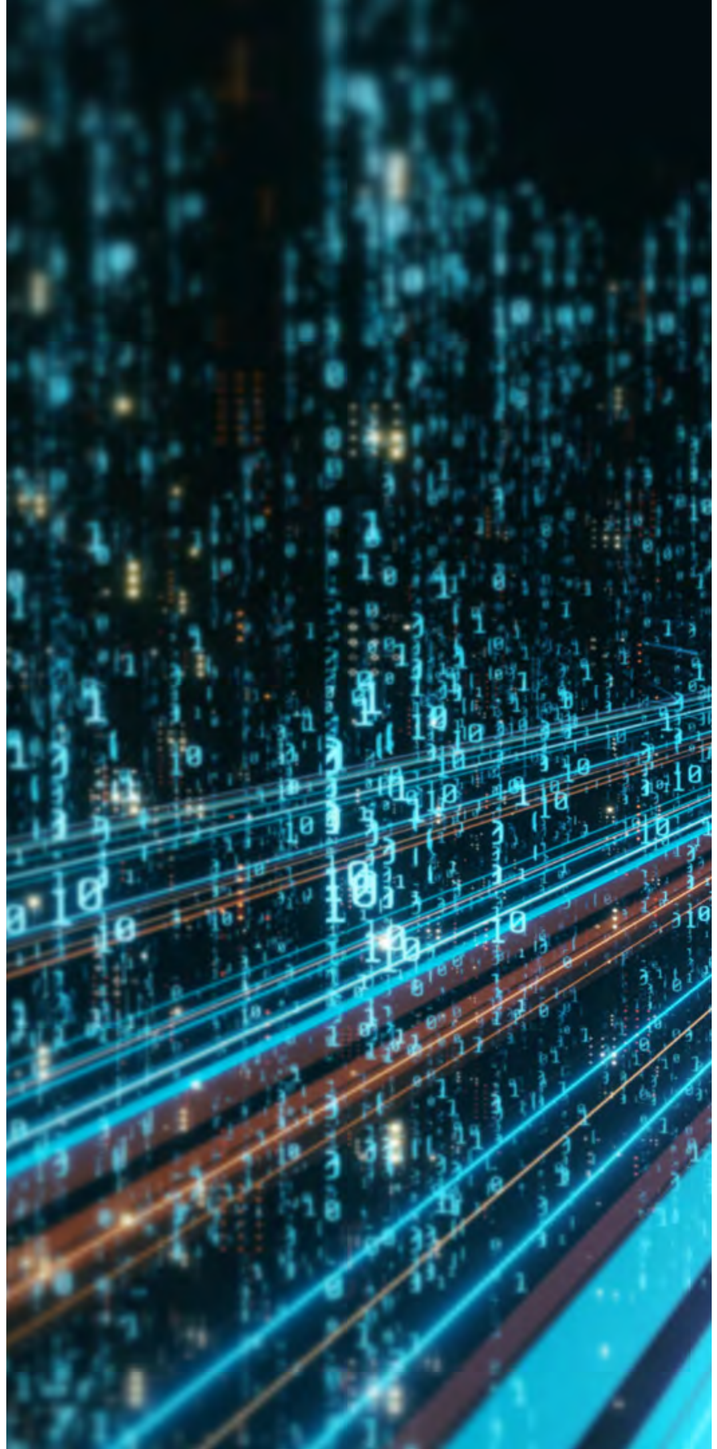


Chart 16. Using cloud services to develop AI capabilities and support AI and machine learning initiatives

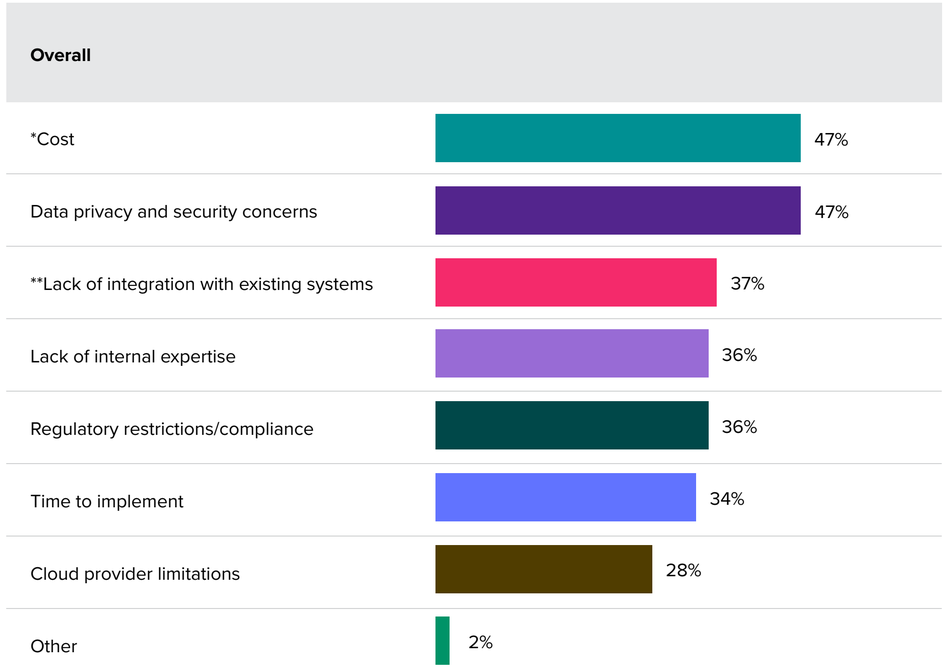
*AI adoption lags for those with lower revenue/AUM (19% v. 6%)

Tied for first place with cost is data privacy and security concerns (47%), followed by lack of integration with existing systems (37%). Cloud provider limitations is the challenge that was ranked the lowest among all respondents, at 28%, which aligns with their positive responses to other questions about their experiences with cloud providers.

Overall, financial firm respondents perceive their cloud strategy/solutions and their AI adoption to have a mutually beneficial impact. Firms currently using cloud services to develop AI capabilities are more likely to agree each technology has had a positive impact on their approach to the other. For example, 60% of respondents agree that their cloud strategy and solutions are setting them up to readily adopt AI capabilities. However, this rises to 74% among those currently using cloud services to develop AI capabilities, showing how experience reinforces this outcome.

As well, 61% of overall respondents agree that the rapid adoption of AI has driven changes that improve their cloud strategy, while 76% of those who are currently using cloud services to develop AI capabilities agree. So, experience of bringing together AI and the cloud results in a more positive view, rather than a more negative one – enhancing the likelihood that such projects will deliver value.

Chart 17. Challenges or concerns in integrating AI with cloud infrastructure



*Banking is more likely to cite cost challenges than investment (52% v. 42%)

**C-level executives more likely to see lack of integration as a challenge (46% v. 34% of others)

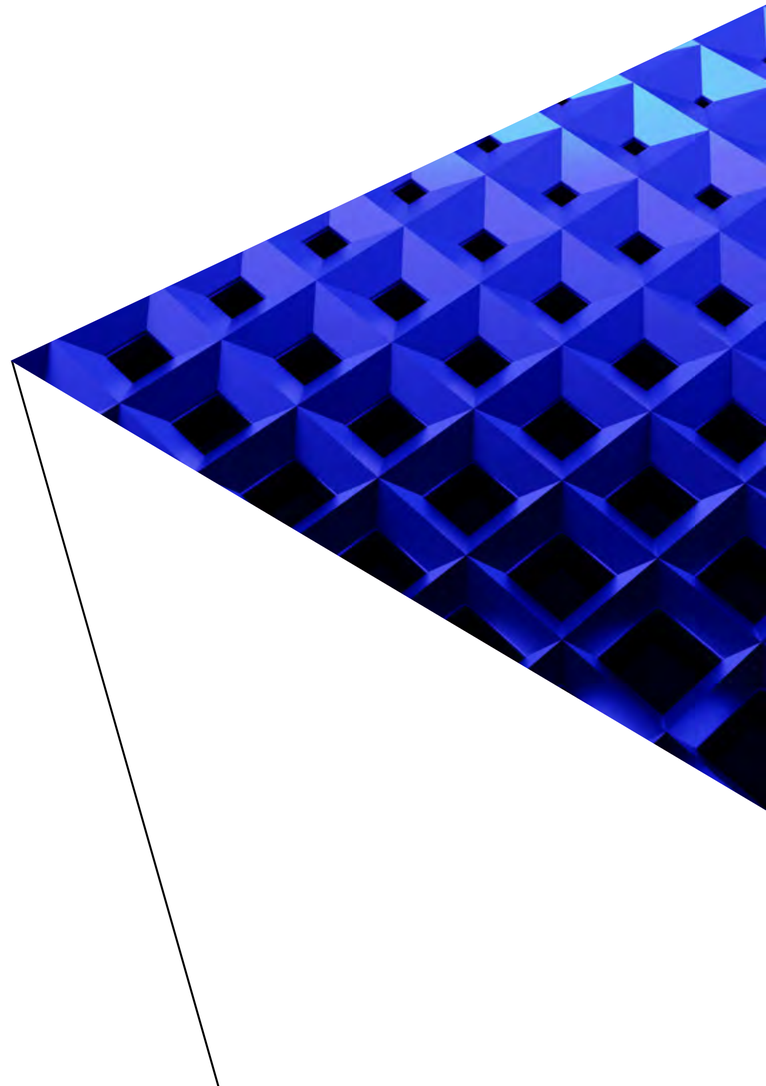
Conclusion

Financial services firms are evolving their cloud strategies, and they will continue to do so.

Today survey respondents say they are moving a wider range of use cases to the cloud and are measuring ROI based on metrics that track the delivery of competitive advantage, more than cost savings. Increased agility and competitiveness are priorities – nevertheless, cloud adoption continues to result in cost savings, too.

However, there are challenges. Regulations have an impact on cloud strategies – for example, rules are, in part, driving the need to adopt multiple cloud providers and storage solutions, along with firms' interest in operational resilience at CSPs. And yet the demands of the security challenges firms are facing – cyberattacks, data privacy and data breaches – align with the focus of much of the regulation they must abide by. Performance elements, including speed, are another challenge for cloud services that will need to be overcome, particularly around front office use cases.

Looking to the future, firms see much potential for the marriage of AI and the cloud. Firms are also likely to change their mix of cloud service models away from SaaS, possibly with a view towards writing their own apps. The use of data types in the cloud is set to expand as issues around performance, such as speed, are overcome. And while cost reduction benefits may receive more focus from investment firms going forward, overall respondents say the impacts of cloud technology on the financial services industry will be competitive in nature.



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