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Public Clouds Take Flight

By Greg MacSweeney

Challenge: As the comfort level with cloud security increases, and as cloud providers ramp up compliance tools, financial firms increasingly will move to public cloud deployments in 2012. But not every application can fly in the clouds.

Why It's Important: Cloud computing has been a major talking point for financial institutions, but to date most firms deployed private clouds inside of their own data centers, citing security and compliance as concerns with public clouds (think: Amazon EC2, Windows Azure, Google Enterprise). However, the cloud — public or private — offers flexibility, scalability and often reduced operating costs.

Where the Industry Is Now: Firms that have deployed internal, private clouds have been pleased with the flexibility and scalability they provide. Some have reported a cost savings, due to increased resource utilization. In order to benefit from a private cloud, however, a firm needs scale, so the largest banks — State Street, [Morgan Stanley](#), Citi, BofA [Merrill Lynch](#) — have been the first to benefit from private cloud deployments. They also have the most to gain. The marketplace has also seen the creation of so-called industry-specific cloud offerings, such as [NYSE Technologies'](#) Capital Markets Community Cloud, which provides secure access to NYSE's market data feeds and proximity, or colocation, services near NYSE's main liquidity centers.

Many firms have started moving administrative, human resources and basic, non-mission-critical technology services to public cloud environments. “Three big areas — CRM via [Salesforce.com](#), HR applications and employee benefits — have already moved to the cloud at a lot of companies,” says Daryan Dehghanpisheh, global director for financial services at Intel.

Focus in 2012: Financial firms are becoming more comfortable with public clouds, and providers have begun to pay more attention to the security/compliance concerns of financial firms. One CIO at a large investment bank says his firm was ready to move email to [Google's](#) enterprise version of Gmail or to [Microsoft's](#) Outlook cloud offering in early 2011; at the time, however, the additional archiving and e-discovery “add-ons” that were required made the offerings price prohibitive. Six months later, though, and public clouds are starting to include some of the functionality that will make cloud email offerings more attractive, he adds.

Still, you won't see mission-critical applications — such as trading, portfolio, wealth or risk management applications — move to the public cloud any time soon. “You won't see cloud used for transactional applications,” insists Charley Rich, VP of product management at [Nastel Technologies](#), a provider of application performance management capabilities. “But moving development and testing [to the cloud] makes a lot of sense.”

The move to the public cloud also will be dictated by the size of the institution. Small to mid-size firms that do not have their own proprietary data centers will be among the first to move to the low-cost

capacity the public cloud offers, while larger banks will initially continue to utilize their large, private clouds.

Industry Leaders: The large banks already have turned large portions of their existing infrastructures into private clouds, and they are working to make most of their applications cloud accessible, a major task for some legacy apps. “Not all homegrown internal applications are appropriate for the cloud,” says Ben Frenkel, director of cloud technology, **Pegasystems**. But since firms have already virtualized and created private clouds for portions of their operations, those applications are ready to go to the public cloud at a moment’s notice, observers note.

Technology Providers: Many providers offer their applications via a software-as-a-service model (SaaS). Financial firms like SaaS offerings that allow them to run the same applications they already use, without having to worry about maintaining infrastructure or troubleshooting problems. In the public cloud, **NYSE Technologies** has a head start in the “industry specific” cloud category, but Thomson Reuters also offers a number of its financial industry products in the cloud.

In the public cloud space, Amazon, **Google** and **Microsoft** have the scale and the brand names. But hosted cloud services are available from a variety of providers, including Savvis, Equinix and Telx, which offer products tailored to the financial space.

Price Tag: The cost of small cloud deployments used to add processing power or capacity starts as low as a few hundred dollars a month. Large cloud ventures requiring proximity hosting, market data feeds or specific application hosting cost much more.