

Meet the newest systemic risk.

Why the regulator is concerned about
Operational Resilience, and how it will impact you.

teradata.

Your future in the cloud.

Financial services firms should generate significant economic value from cloud adoption.

Those set to dominate the industry will transform customer experience, uncover new revenue streams and drive down costs. They will springboard themselves into becoming the digital-first financial services firms of the future.

Cloud is shifting from being primarily an IT concern to being a matter of strategic importance for the entire business. However, the current trajectory is that the industry will continue to rely on a narrow set of cloud service providers.

The top three cloud service providers already account for 67% of the market¹, and they will take the lion's share of the projected \$85 billion cloud spend by 2025². This is more than double the spend seen in 2021. By the end of the decade, cloud will likely underpin every business critical service across the entire industry.

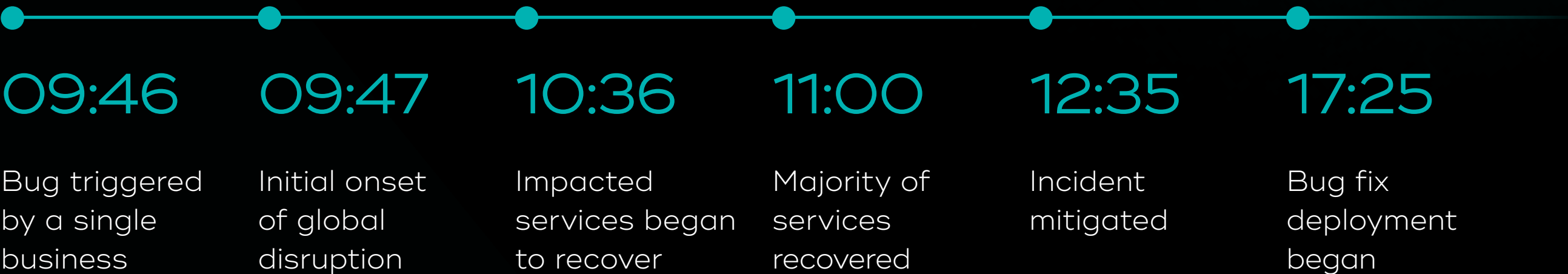
¹ Synergy Research Group, 2021 ² IDC, 2021

HOWEVER, outages are inevitable.

8 June 2021, 09:47 UTC.

A massive internet outage occurs. Businesses affected include The Guardian, the UK government’s website gov.uk, Amazon, Reddit, CNN, the New York Times, the Financial Times, Twitch, Hulu... the list goes on. The issue made these sites inaccessible for over an hour. And interestingly, this outage was neither geographically specific, nor was it universal. The list of those affected seems to be random to the untrained eye.

Outage timeline



The consequences of sudden downtime

What this episode – and many others like it – highlights is the fact that infrastructure, concentrated in the hands of a few large companies, makes the whole system vulnerable to sweeping outages. In this case the internet was affected, but the cloud could just as easily be impacted.

The results can be dire: millions in lost revenue, big impacts on customer retention and eye-watering sums required to bring services back online swiftly. Reputational damage is also a concern, and perhaps most importantly for financial services firms, severe regulatory sanction – including personal accountability for the senior decision makers.

INEVITABLY, **the regulator will act.**

Regulators are nervous. And financial services firms should pay attention, because regulatory unease has already been translated into tough new regulation. There's good reason for this apprehension. Financial service institutions and third-party providers – particularly cloud service providers – have become increasingly intertwined.

As more and more digitalization projects succeed, Operational Resilience is now front and centre in the eyes of regulatory bodies. They are increasingly concerned about firms being locked in to cloud service providers without credible exit plans, particularly under stress. And this isn't just a UK and EU-wide issue, but a global one.

Specifically, regulators want to avoid:

- A single institution becoming overly reliant on one or a limited number of service providers
- Large numbers of financial institutions becoming reliant on the same limited number of service providers in a specific business area

But you can get ahead of regulatory expectations while sticking with your cloud plans.

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