



# An IT Provider's Perspective on Financial Services Cloud Regulatory Compliance

Denise Farnsworth

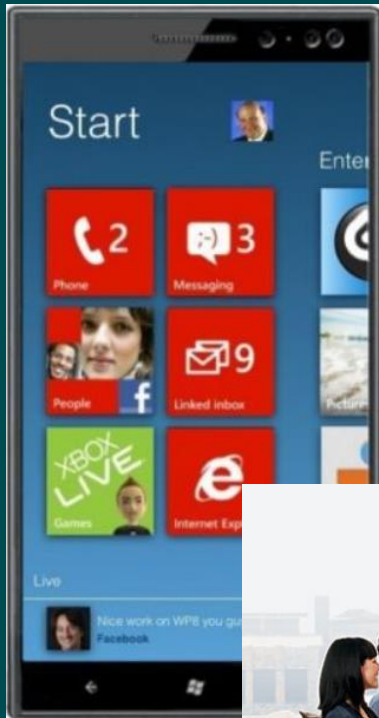
Head of Legal, Data Privacy and Compliance Officer

Microsoft Ireland

[dfarns@microsoft.com](mailto:dfarns@microsoft.com)

# A Simple Vision for a Digitized World

A financial institution must be present in the financial lives of its customers any time, any place, on any device, across any channel



# Reimagining Financial Services

## Customer Centricity

Lost loyalty and non-traditional players



## Innovation & Agility

Game changing mobile and social technologies



## Digitalization Transforming the Landscape



## Business Insight

Spiraling regulatory scrutiny and need for transparency



## A New Reality

Lower margins, talent retention

# 2014 Quotes from Executives from Largest Global Financial Institutions when discussing Cloud

"Financial Services industry is under significant cost pressure"

"Need more consistent technology"

"To compete, should have higher degree of sharing of commoditized capability"

"The Industry has significantly changed"

"Must have faster transition timelines"

"Need more flexible technology consumption and better price points"

Senior Executive from large, global bank headquartered in Europe

"By 2018 at least 40% of our workloads need to be in Cloud."

# How IT Providers Need to Reimagine the Cloud

## **Key Scenarios for Financial Institutions: Cost Reduction & Innovation**

Transform the datacenter – development & test, storage

Unlock insights from any data – big data

Enables modern business applications – departmental and LOB apps

Power improved risk insight – high performance grid “bursting”

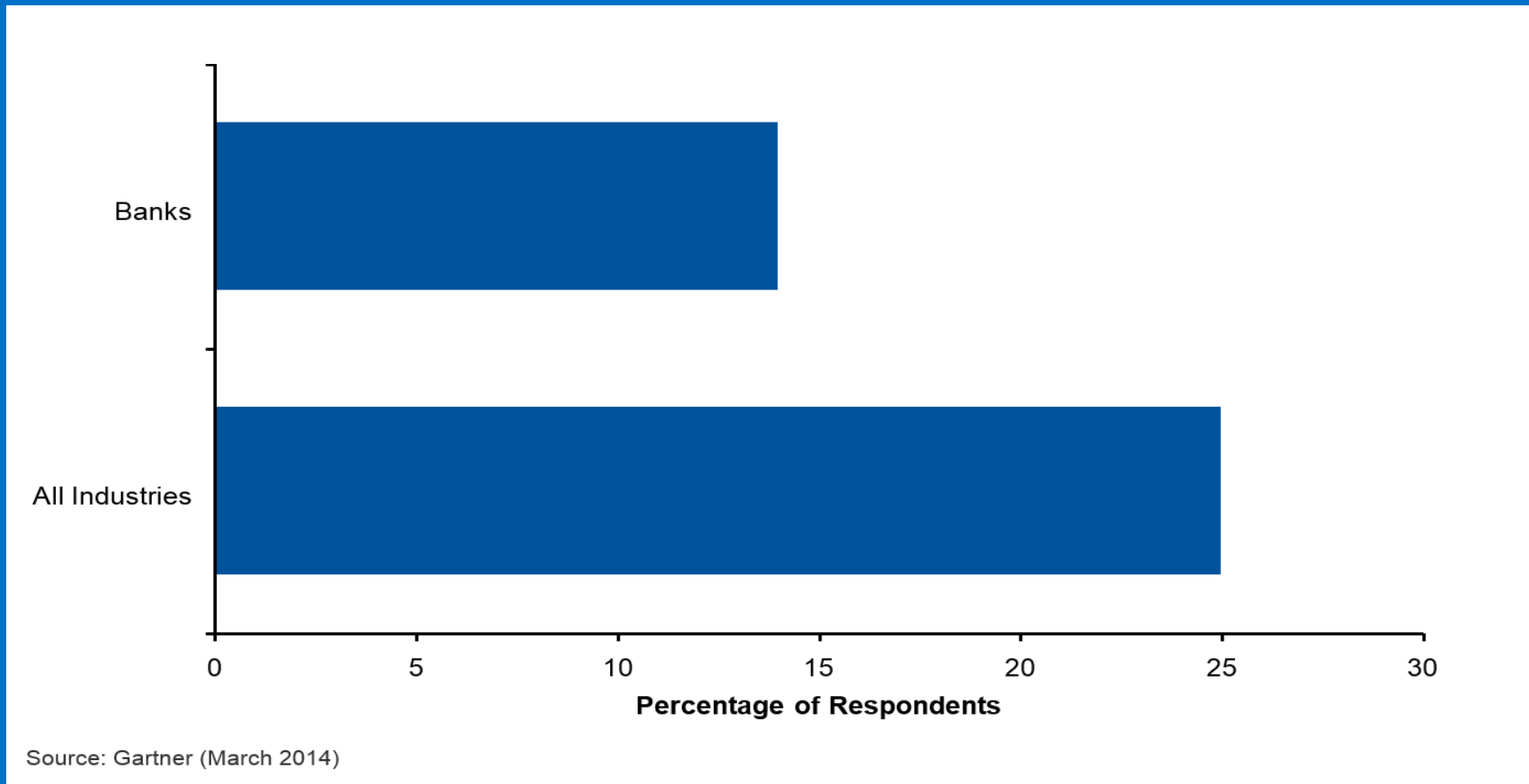


# **Perception #1:**

Cloud in Financial Services:

“Everyone is talking about it,  
no-one is really doing it...”

# 14% of Banks have made significant Public Cloud investments vs. 25% in other industries - Gartner



# MetLife puts customers first



## Objectives

improve the productivity of its staff, while reducing costs and better serving its 90 million customers.

## Tactics

Deployed Microsoft Office 365 to 64,000 employees

## Results

- Allows MetLife staff to work from anywhere on any device
- Enables MetLife to reinvest cost savings into new innovative customer experience technologies
- Optimized IT control and compliance

*"The opportunity to take advantage of Outlook and the other tools included in the Office 365 suite will ultimately help us mitigate the time and distance factors that can be detrimental to customer service. Office 365 supports and enables our strategy of customer-centricity"*

– Jim O'Donnell, Senior Vice President and Chief Technology Officer, MetLife



## Social Networking Redefining how to design and service products

Building a team of  
financial experts to  
serve clients

Deliver better client  
service and speed time to  
market by taking  
advantage of the  
collective intelligence of  
the experts in your  
organization

La Caixa implemented enterprise social networking to test new financial product ideas and innovation, and it ended up speeding up time to market and improving collaboration and productivity





# Aviva uses the Internet of Things (IoT) & Cloud to attract customers

Insurance quotes based on the behavior of individual drivers helps customers save 20 percent in premiums... social media integration makes insurance "sparkle"

"With Windows Azure, we can build on capabilities that were unavailable in the past. As a result, we can offer our customers cutting-edge solutions like never before."

—Steve Whitby, Solutions Delivery Center Director, Aviva



# Accenture reimagines core for Berkshire Hathaway

## Insurance carrier chooses Azure-based core systems to leapfrog competition

### Objectives

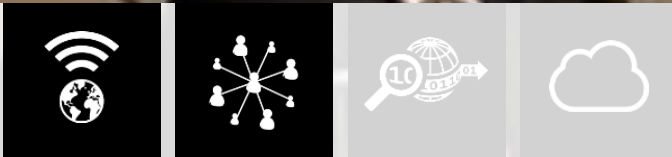
- Rapidly grow new specialty insurance business
- Accelerate product launches, enhance claims management, streamline billing

### Tactics

- Leverage a best-of-breed suite of core solutions
- Streamline processes on a single hosted platform

### Results

- Quickly adapt to changing market demands
- Enhance customer service
- Maintain competitively lower operating costs



“Berkshire Hathaway Specialty Insurance is a rapidly growing business and needs a robust and flexible core insurance IT platform that gives us a competitive advantage. We expect Accenture Duck Creek to help us achieve key business objectives.”

— James O. Roser, CIO, Berkshire Hathaway Specialty Insurance



"Azure gives us the agility you don't find in on-premises applications in terms of deployment. Azure is simple to deploy. With T24 on Azure, any bank can run it out of the box in just a few months."

John Schlesinger  
Chief Enterprise Architect  
Temenos



# Key Cloud Workloads in Financial Services

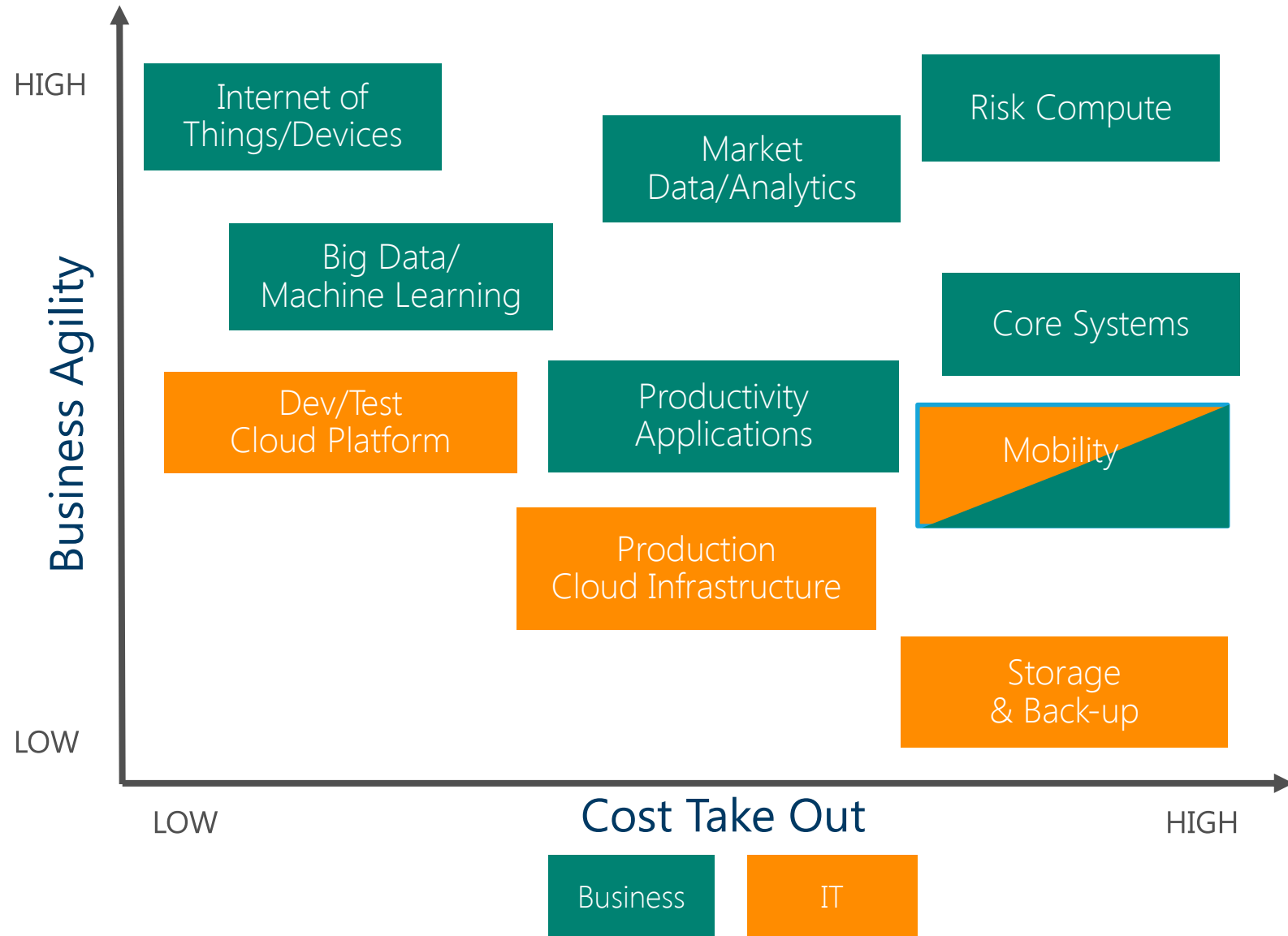
**>80%** of new apps  
in the next 5 years will be  
distributed/deployed on  
clouds

The strategic focus  
in the cloud  
will shift

from infrastructure  
to application  
platforms

**34%**

of CIOs say technology  
as a service (cloud) will  
have the most profound  
effect on the CIO role in  
the future

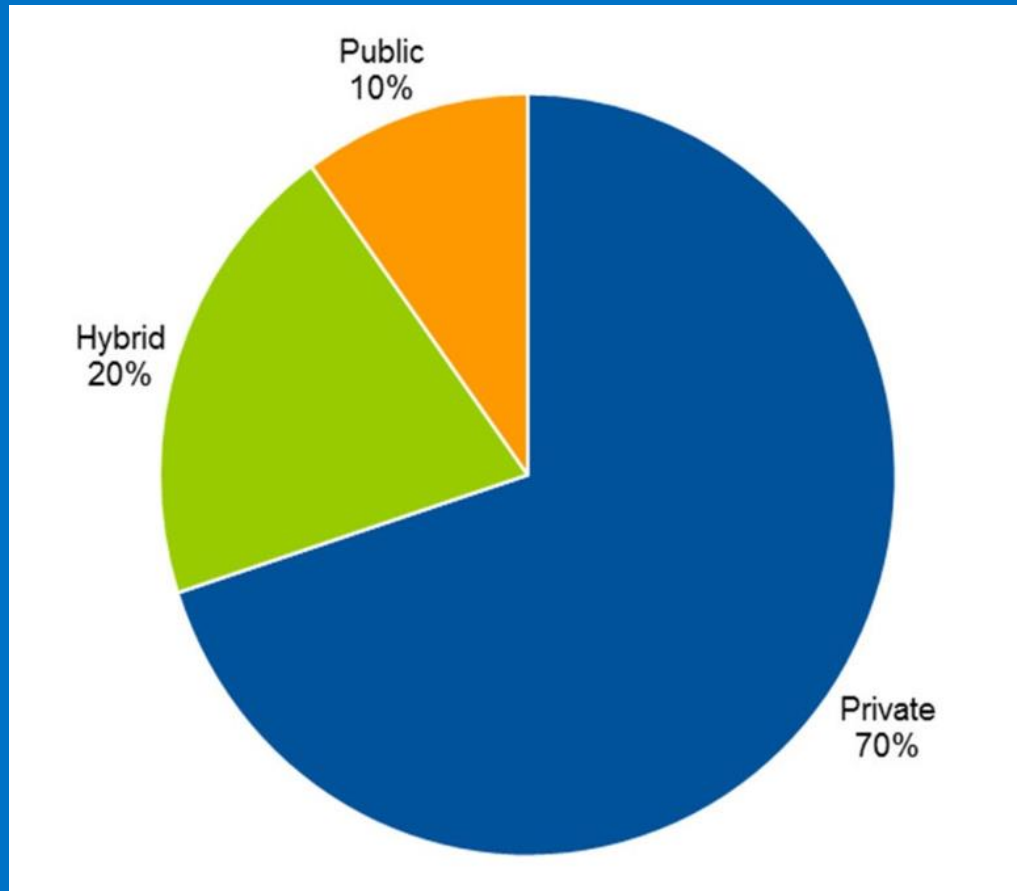


## **Perception #2:**

Banks' cloud usage is all private cloud rather than public cloud.

# 20% of Cloud use in Banking is Hybrid, per Gartner

## Microsoft sees Hybrid as highest growth area

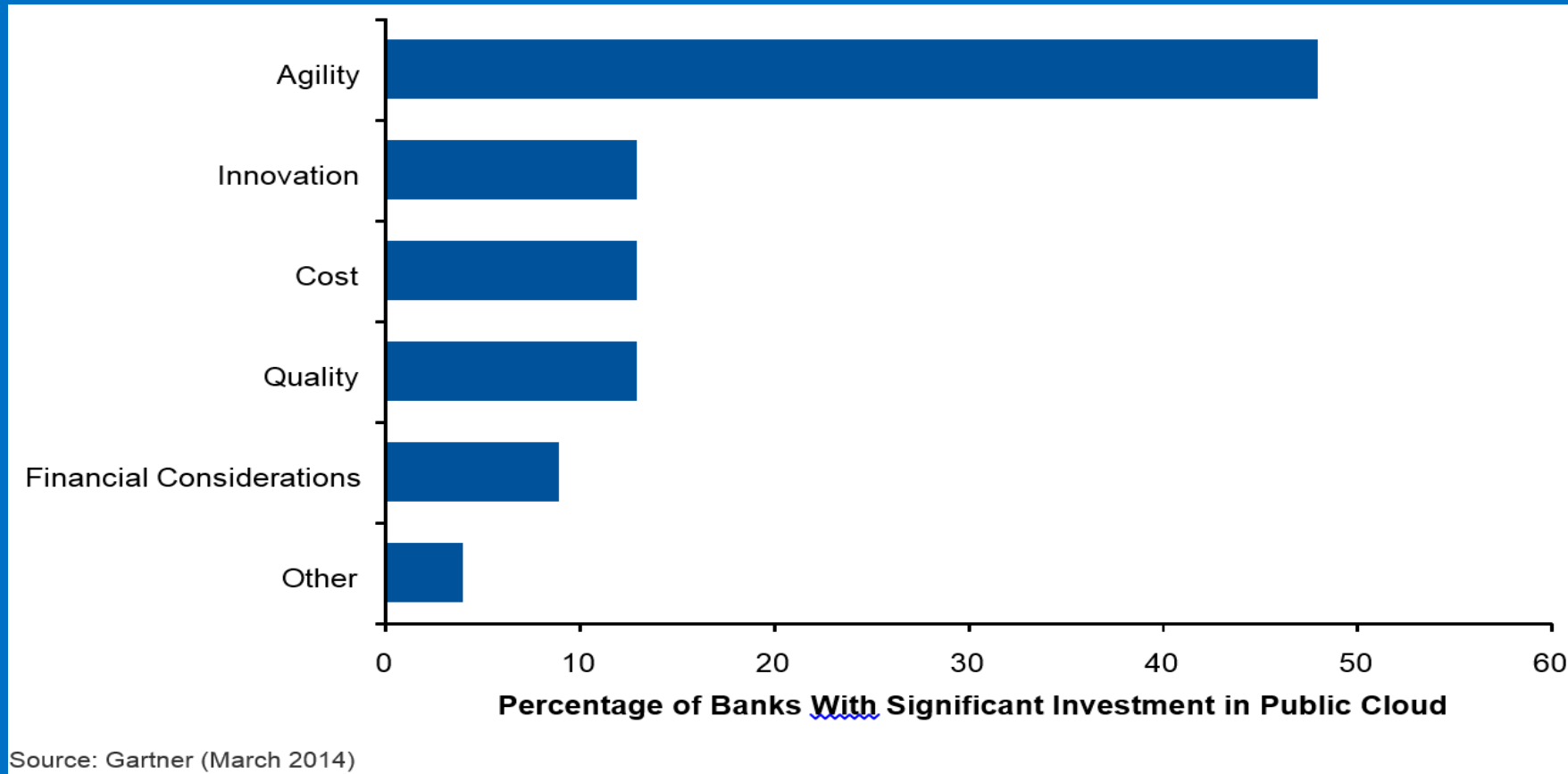


- Global banks are placing greater emphasis on private cloud projects related to data center virtualization and infrastructure consolidation.
- Gartner is seeing significant attention is being paid to noncritical supporting functions, e.g., collaboration, ERP, enterprise content management and virtual desktops and IT development and testing platforms.
- Microsoft seeing this... plus significant productivity uptake.

# **Perception #3:**

Cloud is chiefly for saving costs.

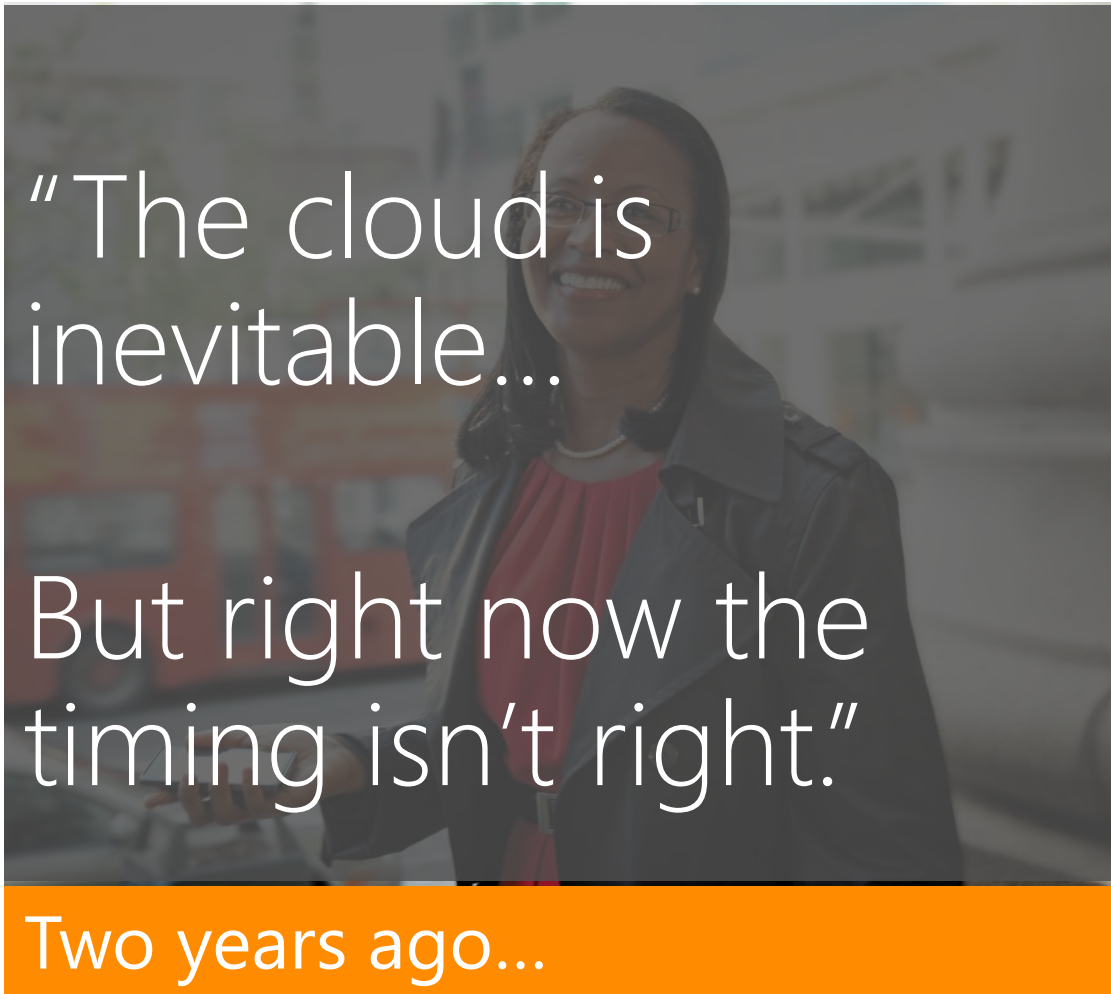
# Agility accounts for 50% of the reasons for going to the cloud, versus 14% for cost savings - Gartner



## **Perception #4:**

Our Regulators won't allow us  
to go into public cloud...

# From then to now...



# What we hear – from Customers and Partners

## Compliance



How do I meet regulatory requirements?

Does my Regulator have the right to examine the services?

How can I assess my risk?

## Security



Is the service secure?

How is data secured?

How is data managed?

## Privacy & Control



How is my data used?

Where is my data kept?

Who has access to my data?

What happens if the service goes down?

## Transparency



What are Microsoft's privacy and security policies?

How do I check Microsoft's compliance?

What if I have questions?

Help the customer be Compliant...

Help the customer Monitor and Oversee...

TRUST



# A Cloud you can Trust

## Compliance

Meet your compliance needs when using our cloud services

## Security

Know that we are committed to protecting your data in our cloud services

## Privacy & Control

Maintain control of your data in our cloud services



## Transparency

Understand what happens with your data in our cloud services

# Compliance

Be confident you can satisfy your compliance obligations when using cloud services

# Leading with Compliance

Global compliance evidence



ISO 27001:  
Security  
Management

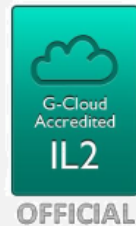


SOC 2  
Security  
Control  
Effectiveness



Payment  
Card  
Industry

Government  
accredited



UK Official  
Government  
Data



US  
Government  
Moderate



Australia  
Government  
Unclassified  
(Sensitive)

Leading privacy  
protections



EU Model  
Contracts

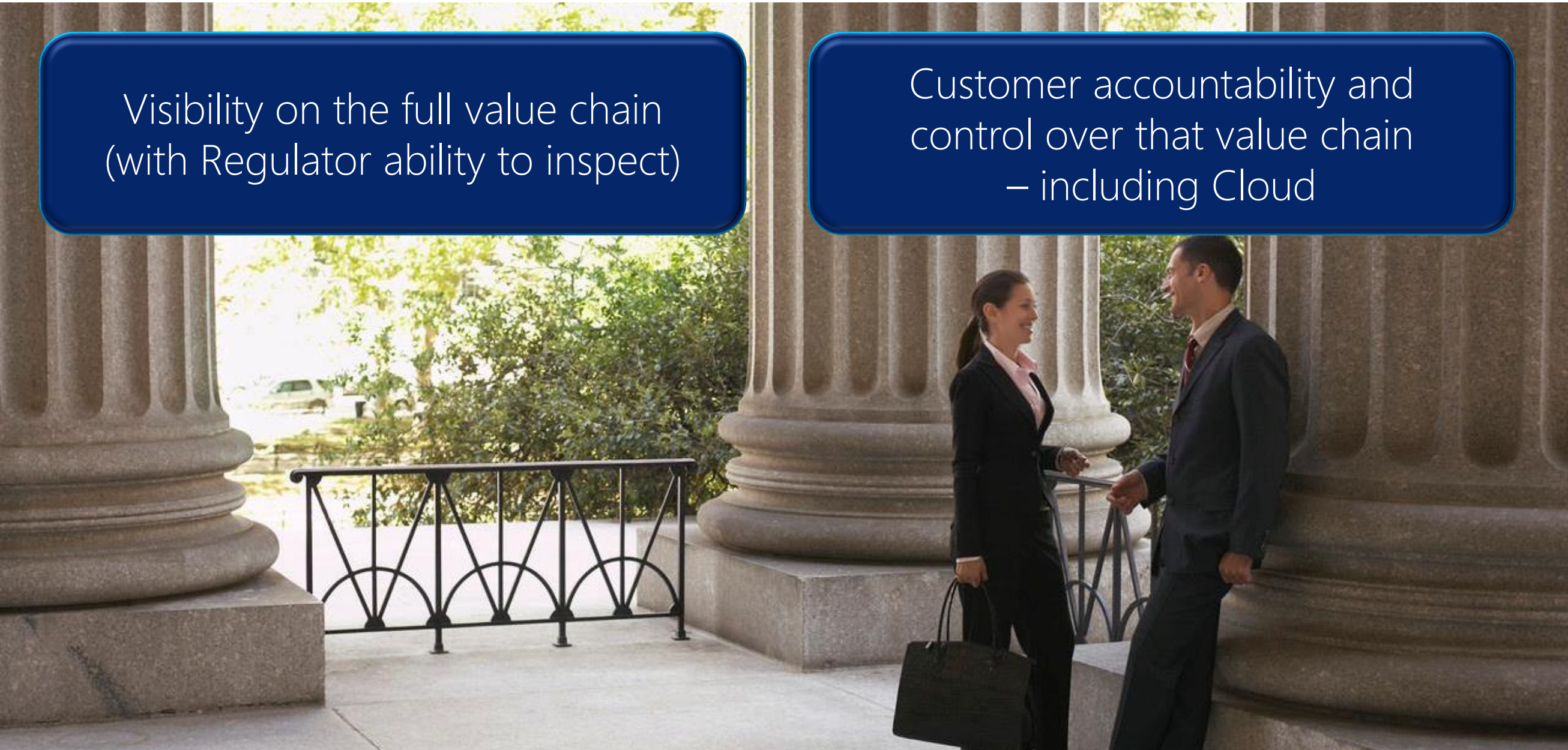


ISO 27018 Privacy  
Standard

# What Financial Services Regulators Want

Visibility on the full value chain  
(with Regulator ability to inspect)

Customer accountability and  
control over that value chain  
– including Cloud



# Addressing Compliance Requirements in Cloud

Visibility on the full value chain  
(with Regulator ability to inspect)

Customer accountability and  
control over that value chain  
– including Cloud

## For all Customers

- Privacy, Security, and Data Processing commitments including EU Model Clauses
- Access to Audit Reports
- Commit to location of customer data at rest
- Protections against unauthorized access
- Compliance with industry standards [ISO 27001, SOC 2 etc]

## For all FSIs

- Regulator Right to Examine
- Provision for change in Legal or Compliance Environment
- Contractual Right to the Compliance Program

## FSI Compliance Program

- Additional access to information:
  - Audit Webcasts & Annual Summit
  - Risk Register & Control Framework
  - Penetration Testing Reports
  - Advance Roadmap Information
  - Security Incident Reviews
  - Threat Evaluations
- Access to IT Provider's compliance and security experts & external auditors
- Ability to influence via future audit scope
- Process for additional data requirements

# Security

Know that we are committed to the protection of your data in our cloud services

# Security: Needs to be designed in at every layer



*A Foundation for Financial Services Institution and Regulatory Standards*

# Cloud Security Controls

Customer Controls	Multi-Factor Authentication	Access Controls	Encryption	Monitoring
	Identity Federation	Antimalware	Data Loss Prevention	3 <sup>rd</sup> Party Additions
Secure Services				
	SAAS	IAAS	PAAS	
Secure Foundations	Tenant Isolation	Zero Privilege Access Controls	Geo-redundancy	Assume Breach
	Physical Security	Secure Network	Configuration Automation	Denial-of-service mitigations
Practices	Single Global Security Management System	Compliance and Risk Management	Privacy Practices	Independent Verification

# Privacy & Control & Transparency

Maintain control of your data in  
our cloud services with an understanding of policies and  
the ability to verify

## Key Principles - Cloud providers must:

Not use data for advertising or marketing unless express **consent** is obtained

Be **accountable** to determine if customer data was impacted by a security breach

Be **transparent** about data location and how data is handled

Have services **independently audited** for compliance with this standard

Provide customers with **control** over how their data is used

**Communicate** to customers and regulators in the event of a breach



ISO 27018 Privacy  
Standard

# **Perception #5:**

Governments will be able to  
access all my data in the  
cloud...

# Approach to Privacy & Control – Principles and Commitments

## Responding to Requests for data

- You own your data in our cloud
- No to 3<sup>rd</sup> party with unfettered access
- No disclosure of customer data to 3<sup>rd</sup> parties unless required by law
- Notification to customers of requests unless prohibited from doing so
- Redirect valid requests to customer

Microsoft has challenged the enforceability of a U.S.-issued search warrant seeking content stored exclusively in the E.U.

## Microsoft fights warrant for customer emails stored overseas

By James O'Toole @jtotoole June 11, 2014: 2:41 PM ET



PHOTO: MIKE FUENTES/BLOOMBERG VIA GETTY

Allowing the warrant to move forward, Microsoft argues, "would violate international law and treaties, and reduce the privacy protection of everyone on the planet."

NEW YORK (CNNMoney)

Microsoft is fighting a government search warrant seeking customer emails stored abroad in a case that could have far-reaching implications for how tech companies deal with law

# What we hear – from Customers and Partners

## Compliance



How do I meet regulatory requirements?

Does my Regulator have the right to examine the services?

How can I assess my risk?

## Security



Is the service secure?

How is data secured?

How is data managed?

## Privacy & Control



How is my data used?

Where is my data kept?

Who has access to my data?

What happens if the service goes down?

## Transparency



What are Microsoft's privacy and security policies?

How do I check Microsoft's compliance?

What if I have questions?

Help the customer be Compliant...

Help the customer Monitor and Oversee...

# Questions

