



Thought Leadership

THE BUSINESS RELEVANCE OF CLOUD ADOPTION

Integrating cloud-based services into
the financial services operating model

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1. EXECUTIVE SUMMARY

“Why should your business adopt a public cloud solution for its digital transformation?”

This question is often mistakenly directed solely at IT departments, when in fact, it is a strategic decision impacting the entire organisation. Cloud adoption is not just an IT initiative but a driver of business transformation, offering innovation, operational efficiency, and future readiness.

This joint paper by the Euro Banking Association (EBA), Capgemini, and Microsoft, and emphasises the public cloud as a key enabler of advancements in the financial sector, while highlighting challenges and risks that must be managed carefully.

The insights in this document are drawn from intelligence provided by Capgemini and Microsoft, interviews with industry decision-makers and thought leaders from the EBA, as well as key findings from Capgemini’s report on cloud solutions in financial services.¹ These diverse perspectives provide a comprehensive foundation for a fruitful discussion. This paper extends and further develops the findings of the EBA Thought Leadership report “Ready or not? Gearing the bank operating model towards digital

and Open Banking readiness”² and underlines the impact and strategic relevance of modern technologies for the financial industry.

Following market research by Capgemini, financial institutions have rapidly shifted to cloud technology since 2021. Following the Capgemini “World Cloud Report 2023 – Financial Services”, over 90% of surveyed banks were already on their way in their cloud journey, the shift toward cloud adoption is well underway. This transition represents a paradigm shift, requiring prioritisation and strategic oversight at the highest levels. The most successful banks are those that set bold transformation objectives for their cloud journey, using the cloud to reshape their operating models, optimise costs, enhance risk control, and accelerate innovation. However, this journey involves addressing business and operational challenges at every stage.

Insights from market participants

Our research and interviews indicate that while cloud adoption offers many benefits, these may only materialise in the mid to long term. Significant transformation efforts can delay the realisation of cost savings.

Cloud technology was frequently identified as the core enabler of a digital transition. Market participants consistently emphasised that the cloud is foundational to broader digital transformation strategies, particularly in financial services. The public cloud was identified as the primary platform where innovations are first

¹ “World Cloud Report 2023 – Financial Services”, Capgemini, Sept 2023; <https://www.capgemini.com/insights/research-library/world-cloud-report-2023-financial-services/>

The findings in this World Cloud Report – Financial Services reflect global survey responses from 500 banking and insurance executives responsible for cloud decision-making and 200 senior executives at FinTech, Insurtech, and technology/cloud companies; 30+ senior cloud experts across the industry also participated in focused interviews.

² “Ready or not? Gearing the bank operating model towards digital and Open Banking readiness”; Report of the EBA Open Banking Working Group on the implications of digital readiness at large, and more specifically, the requirements for successfully initiating Open Banking on an operating model (June 2021). https://eba-obwg-gearing-the-bank-operating-model-towards-digital-and-open-banking-readiness_june-2021-11.pdf

introduced, and where banking and payment solutions from leading Independent Software Vendors (ISVs) are initially deployed.

“What’s new in the technology paradigm that can help better run and transform the business?”

Participants identified key advantages such as scalability with managed costs, agile architecture for faster time to market, increasing innovation opportunities such as the implementation of robotics in payments processing or customer service functions supported by artificial intelligence (AI), a stable, secure and cyber-robust operating environment but also supporting effects in adjacent topics such as sustainability. These advantages, however, require changes beyond technology, extending to broader operating model adjustments.

For those still unconvinced, consider the impact of AI innovations like OpenAI and solutions such as ChatGPT. These tools highlight the transformative potential of modern technologies and reinforce the strategic need to adopt the cloud in financial services.

Key areas of cloud adoption impact

Over the past five years, the most advanced financial institutions have strategically deployed high priority workloads to the cloud, achieving significant benefits, including:

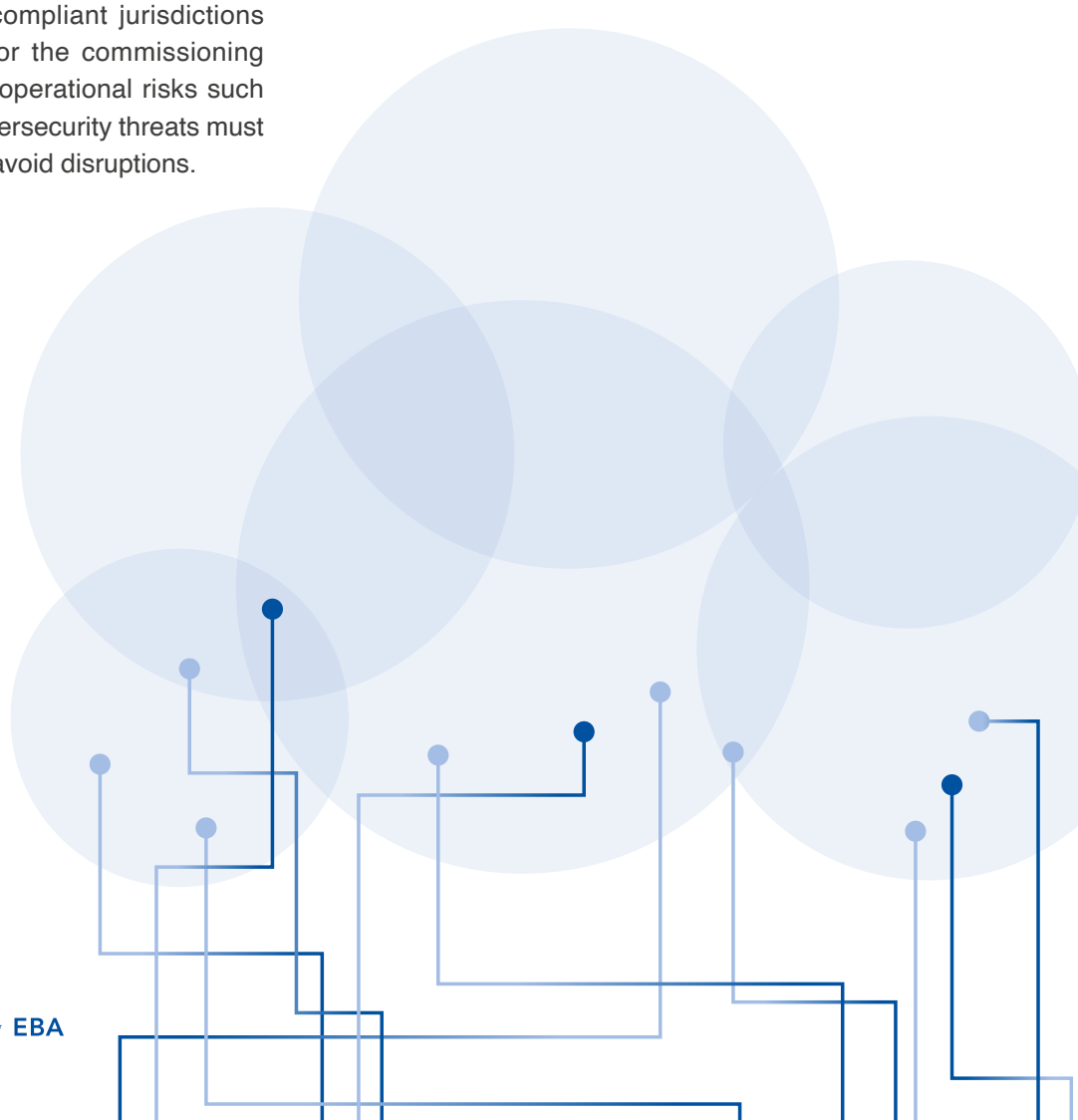
- ≡ **Risk management:** Enhanced computing power for risk modelling.
- ≡ **Payment systems:** Streamlined, secure transaction processing.
- ≡ **Fraud detection:** Advanced tools for identifying and mitigating fraud.
- ≡ **Core banking:** Integration of Independent Software Vendors (ISV) solutions to modernise core functions.
- ≡ **Regulatory reporting:** Efficient management and analysis of compliance data.
- ≡ **Mobile banking:** Enhanced customer experience through innovative mobile services.
- ≡ **Automation:** Increased productivity through automated customer service and internal operations.

Challenges and risks of cloud adoption

Financial institutions operate within a challenging risk landscape. They need to master regulatory compliance, data sovereignty, and demanding operational and business continuity and resiliency requirements. Moving individual processes or entire operations into the (public) cloud does not exempt banks from any liabilities. On the contrary, they need to monitor an additional provider and cover related and additional risks. Compliance with stringent data protection and outsourcing laws, such as GDPR (General Data Protection Regulation) or DORA (Digital Operational Resilience Act), and ensuring that cloud providers adhere to local data residency requirements are critical concerns. There have been instances where sensitive data stored by cloud providers in non-compliant jurisdictions led to significant fines for the commissioning companies. Additionally, operational risks such as service outages or cybersecurity threats must be carefully managed to avoid disruptions.

The ongoing evolution of regulations further complicates cloud adoption strategies. Financial institutions must collaborate closely with cloud providers to ensure their platforms meet these evolving requirements and that data protection remains robust and compliant.

This paper offers valuable insights into the strategic adoption of cloud technology in the financial services sector. By addressing key challenges, regulatory considerations, and the transformative potential of emerging technologies, the report provides a roadmap for institutions to thrive in an increasingly digital world. We invite you to explore the full content to understand how cloud adoption can drive innovation and operational excellence in your organisation.



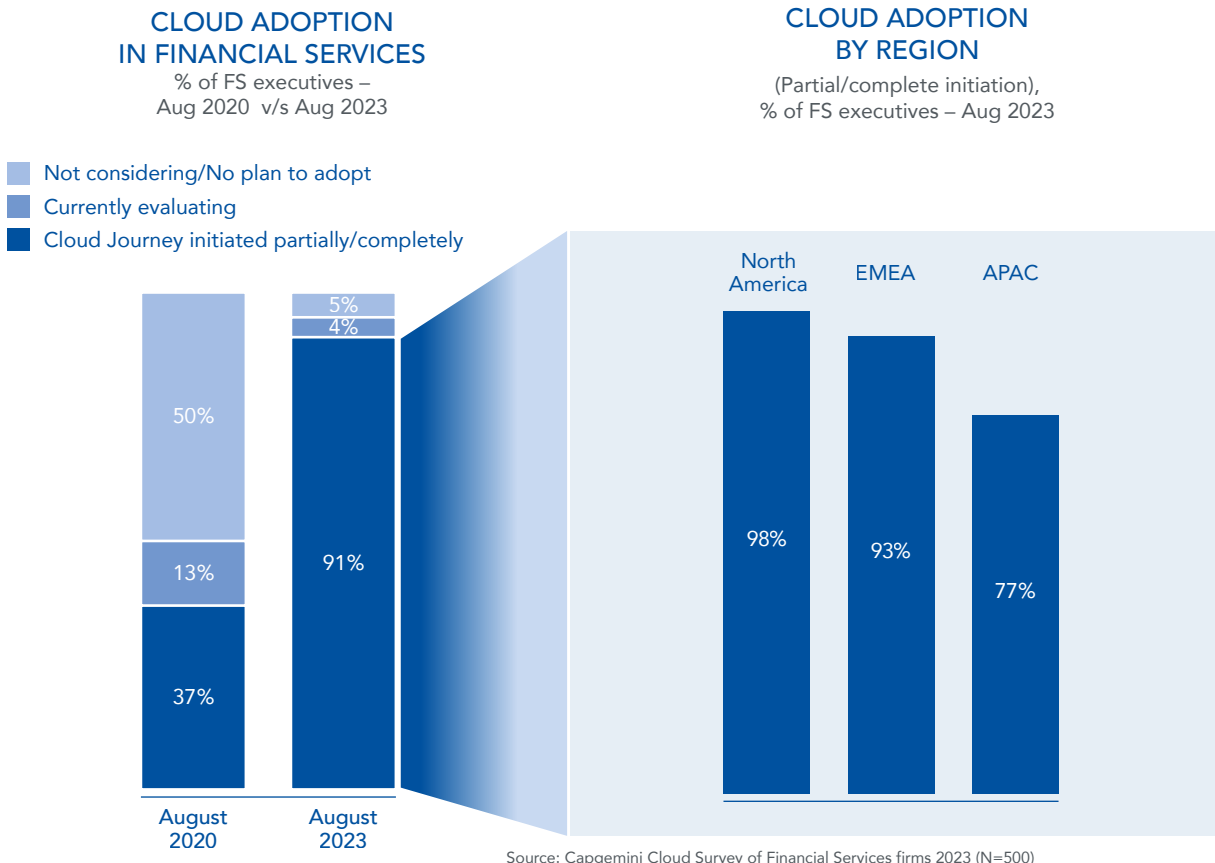
2. INTRODUCTION

In recent years, cloud adoption has transformed the financial services industry, shifting operations from traditional models to dynamic, digital systems. Financial institutions have widely embraced cloud technology, leading companies indicate that a significant portion of their infrastructure is now hosted in the public cloud, highlighting a strong shift toward cloud-based solutions across the industry, i.e., utilising cloud services operated by third parties.

Cloud technology has the potential to deliver significant benefits across key performance indicators (KPIs), including:

- ≡ **Improved services with data and AI:** Accelerating revenue generation and efficiency by enhancing Return on Equity (ROE) and Cost/Income ratios.
- ≡ **New business models:** Driving a boost in digital revenue streams, with a positive impact on ROE.
- ≡ **Optimised infrastructure:** Providing cost savings through improved efficiency, security, and control.
- ≡ **Speed to market:** Increasing agility enabling faster response to market needs.

Figure 1: **Cloud journey progress**



Our market feedback indicates that many large financial institutions are actively advancing their cloud adoption journeys, with a substantial number making progress in building business value and enhancing digital transformation efforts. Among leading institutions, a considerable portion has developed advanced digital capabilities—such as data analytics, AI, development, and cybersecurity—demonstrating significant growth in leveraging cloud platforms.

In general, we can describe cloud computing models as three main types: **public, private, and hybrid**.

The **public cloud** is operated by third-party providers who offer computing services like storage and applications over the internet. Resources are shared among multiple users, making it a cost-effective and scalable option. The provider handles all infrastructure maintenance and security, and users pay only for what they consume.

The **private cloud** is dedicated exclusively to a single organisation, providing greater control, customisation, and enhanced security. It can be hosted on-premises or by an external provider but remains accessible only to that organisation.

The **hybrid cloud** combines elements of both public and private (run on premise) clouds, allowing data and applications to move between them. This offers flexibility by enabling organisations to use the public cloud for general workloads while keeping sensitive operations within the private cloud.

Structure of the paper

This report begins with an analysis of the evolution of cloud adoption and its impact on the financial sector. It highlights how cloud technology enhances operational efficiency, customer-centric innovation, and future readiness. Key sections explore the strategic importance of cloud adoption and provide a framework for setting individual strategic directions for cloud utilisation.

The report concludes by presenting an outlook on the future role of cloud technology as the foundation for innovation and agility in financial services.

3. CLOUD ADOPTION OVERVIEW

The financial services industry’s desire to enhance agility and foster innovation is driving digitalisation, which in turn leads more and more to cloud adoption. This overview explores trends, growth statistics, and strategic deployments enhancing operational efficiency, customer experience, and future readiness, gained by the adoption of cloud-based services.

Following a Capgemini market survey, cloud adoption among financial service providers is increasing significantly, from 37% in 2020 to 91% in 2023. Payment service providers showed even stronger growth, jumping from 32% to 96% during the same period. This widespread adoption reflects a cultural shift towards

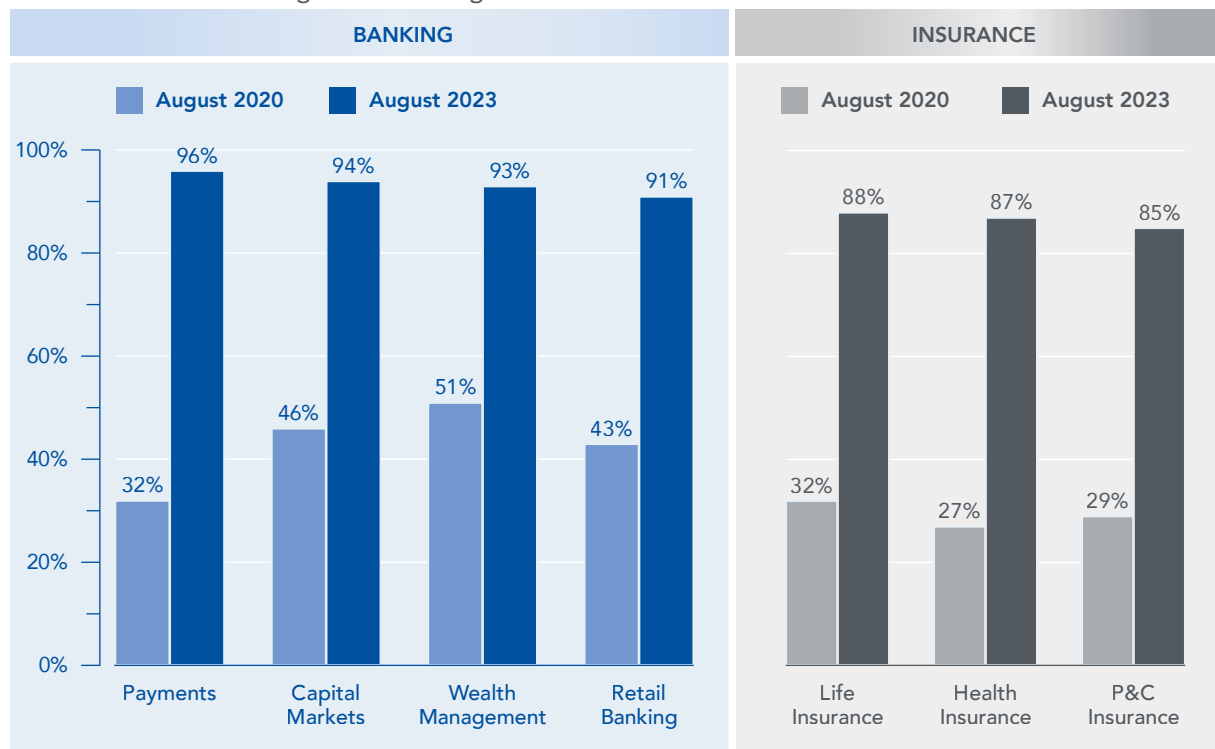
digital solutions, accelerated by the COVID-19 pandemic, which drove the need for robust cloud-based infrastructures to support digital payments (Capgemini Research 2023).

Over 80% of the companies Executives participating in the survey, acknowledge that the superior customer experiences and operational excellence enabled by cloud technology are crucial for overcoming business challenges and fostering growth. North America leads the way, with 98% of interviewed financial service providers adopting cloud solutions. Only 5% of the companies participating in the survey have no plans for cloud adoption, down from 50% in 2020 (Capgemini Research 2023).

Figure 2: **Payments leads in financial services cloud adoption**

PARTIAL/COMPLETE CLOUD ADOPTION ACROSS BUSINESS SECTORS

% of FS executives – Aug 2023 v/s Aug 2020



Source: Capgemini Cloud Survey of Financial Services firms 2023

4. STRATEGIC IMPORTANCE AND BUSINESS VALUE

Cloud adoption is a powerful enabler to develop and evolve a digital bank operating model. In changing market conditions, it helps to react fast to new and unpredicted market challenges. By applying agile work models, internal resources can be allocated directly and efficiently to the development of new products or services. With its options to scale and operate efficiently, cloud adoption helps to deliver fast and react rapidly on new market or customer requirements. As the market evolves, institutions must determine whether their primary focus is to optimise existing operations, enhance their market position, develop new business models, or all of them combined.

4.1 KEY BENEFITS OF CLOUD ADOPTION

Cloud technology supports financial institutions in a number of areas:

- ≡ **Scalability:** Adjusting resources in real time to manage fluctuating demands.
- ≡ **Agility:** Reducing time-to-market for innovations and responding faster to regulatory or market changes.
- ≡ **Customer experience:** Enabling personalised, data-driven services that boost customer satisfaction and loyalty.
- ≡ **Cost optimisation over time:** Reducing overhead costs through more efficient infrastructure and resource management will appear in the long run³.

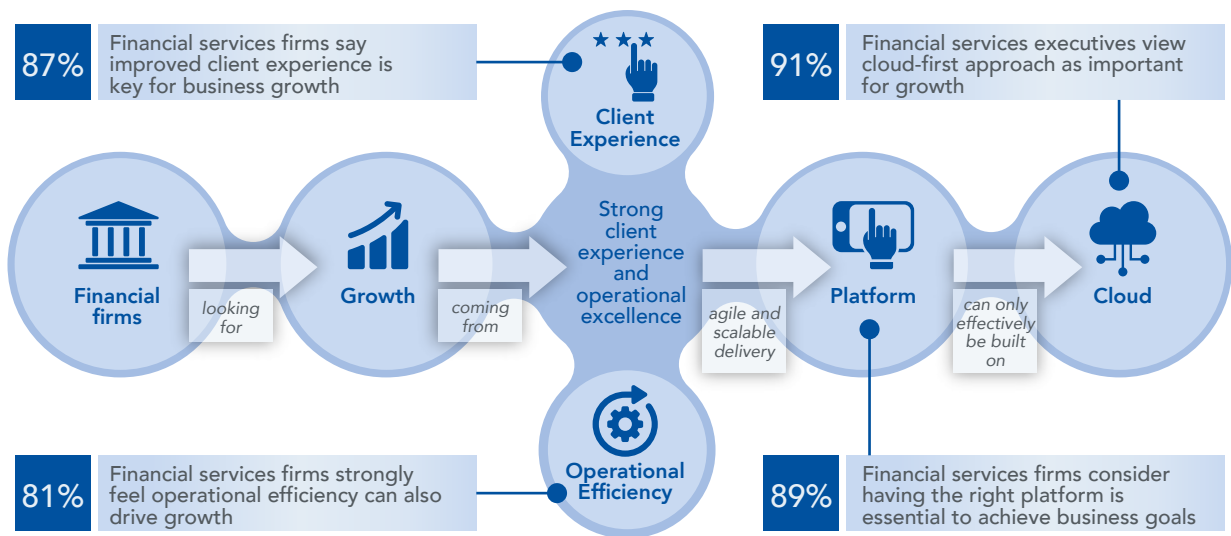
³ Some of the interviewed experts made it clear that implementing cloud services will not reduce the cost position per se. Rather, a holistic and medium- to long-term strategy is necessary to realise efficiency gains.

4.2 HOW CLOUD DRIVES FUTURE READINESS

Cloud technology, with its proven ability to enhance scalability, agility, and customer experience, offers financial institutions significant opportunities for transformation and growth in the evolving digital landscape. In light of the current market developments around advancing digitalisation, real time processes and the continuing and rising interdependencies of cross-industrial processes, financial institutions need to actively look into the topic and develop their individual strategies. Institutions need to actively review their operating model and business strategy in order to position themselves regarding a suitable cloud approach. There is not that single magic formula to succeed in a world of unknown future trends, regulatory landscapes and technological challenges. However, financial institutions which have defined a suitable strategy for themselves will be well-positioned to harness cloud computing's benefits, ensuring resilience, innovation, and future readiness in a rapidly evolving digital economy.

Figure 3: Path to grow in the eyes of the financial services executives

GENERIC MODEL: DRIVERS TOWARDS CLOUD



Cloud Adoption: A Strategic Shift Driven by Business Needs

- Rapid traction in cloud adoption across industries including financial services
- Business-related triggers for cloud transformations are essential – moving into the cloud just driven by possible technology enhancements and potential cost savings will not be successful

Source: Capgemini Cloud Survey of Financial Services firms 2023

Integrating emerging technologies

Emerging technologies such as AI are reshaping how financial institutions operate, engage with customers, and drive growth. Cloud technology acts as the backbone for these innovations. Generative AI, a cutting-edge subset of artificial intelligence, takes this transformation further by creating new content, solutions, and insights rather than just analyzing existing data. These effects will be amplified as traditional AI evolves into Generative AI, enabling massive improvements such as hyper-personalized customer interactions, automated content

creation, and enhanced fraud detection. This shift will unlock unprecedented efficiencies and innovation opportunities across the financial sector.

- ≡ AI in banking: AI is transforming banking by improving decision-making, risk management, and customer interaction. AI-driven tools such as data search, pattern recognition, and analysis of documents and unstructured data enable faster, smarter operations. AI also improves customer interaction, making services more personalised and efficient.

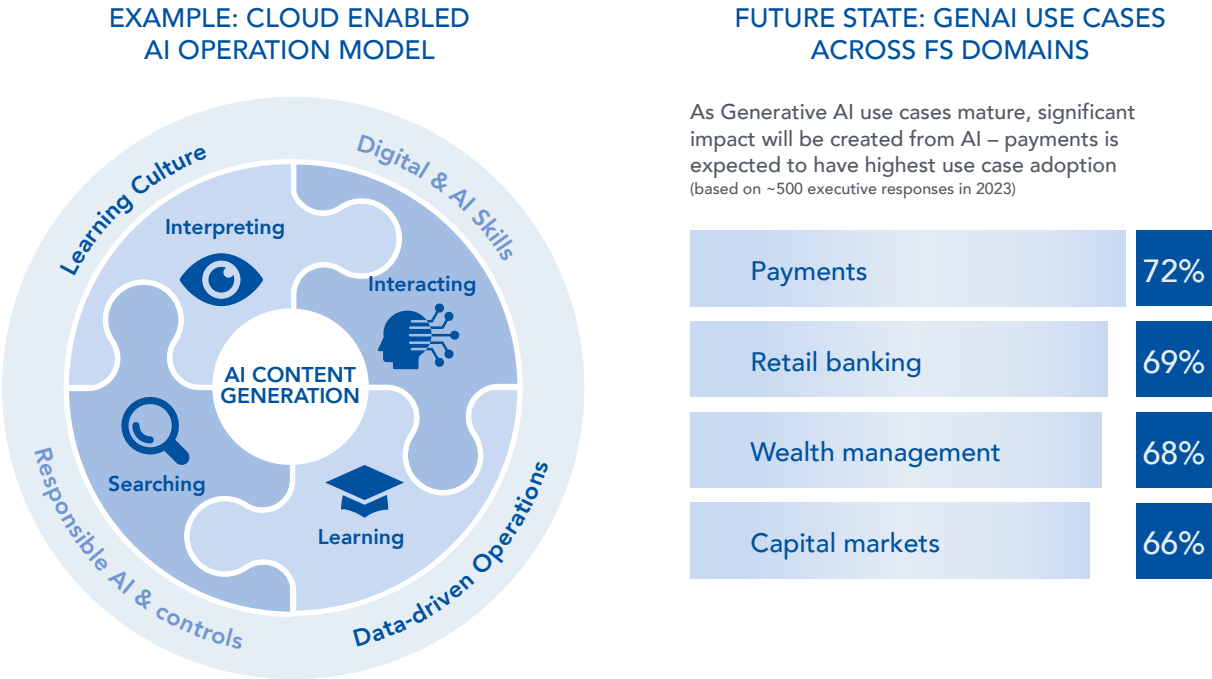
≡ AI and remote work: The pandemic accelerated the shift to remote work, with cloud technology playing a critical role in maintaining business continuity through scalable solutions like video conferencing and virtual collaboration tools. Generative AI, such as ChatGPT, has opened new avenues for automating tasks, enhancing customer service, and streamlining communication.

Evolving regulatory landscape

As cloud adoption accelerates, the regulatory environment becomes increasingly complex. As Capgemini’s World Cloud Report 2025⁴, 61% of 600 financial services executives identified regulation as the industry’s top operational challenge (Capgemini World Cloud Report 2025). Financial institutions must remain proactive in adhering to evolving regulations to ensure data privacy, operational resilience, and cybersecurity. Integrating cloud elements into banks’ operating

⁴ “World Cloud Report 2025 – Financial Services”, Capgemini, Sept 2024; <https://www.capgemini.com/insights/research-library/world-cloud-report/>
The World Cloud Report – Financial Services 2025 reflects the views of 600 financial services leaders across banking and insurance domains, as well as 120 senior FinTech and InsurTech executives, with both groups drawn from across 13 markets (Americas, Europe and Asia-Pacific)

Figure 4: AI powered operating model



Source: Capgemini Cloud Survey of Financial Services firms 2023, Microsoft 2024

models shifts compliance responsibilities to cloud providers, streamlining processes and reducing the burden on the banks.

- ≡ **DORA (Digital Operational Resilience Act):** DORA ensures that financial institutions maintain operational resilience amidst ICT (information and technology) disruptions, especially when engaging third-party cloud service providers. It mandates comprehensive frameworks for managing ICT risks, reporting operational incidents, and ensuring third-party risk management.
- ≡ **Data Sovereignty:** Regulations like GDPR continue to impact cloud adoption strategies by requiring financial institutions to store and process sensitive customer data within specific jurisdictions. DORA further enhances this by focusing on maintaining operational integrity during ICT disruptions.
- ≡ **Cross-border data transfers:** As global banking becomes more interconnected, financial institutions must carefully navigate regulations governing cross-border data transfers. Stricter future regulations may further complicate cloud adoption strategies, making continuous compliance a top priority.

Cloud as a driver of sustainability

Sustainability is becoming a top priority for financial institutions, and cloud technology is expected to play a critical role in helping meet environmental, social, and governance (ESG) targets.

- ≡ **Energy efficiency:** Cloud platforms, especially those run by major providers, are often more energy-efficient than traditional, on-premises data centres. Many cloud providers are investing in green data centres powered by renewable energy and will reach net-zero targets as early as by 2030.
- ≡ **Carbon footprint reduction:** By migrating to cloud-based services, financial institutions can reduce their carbon footprint by minimising the need for physical hardware and reducing the energy consumption required to power and cool on-premises systems.

Finance as a Service (FaaS)

Cloud adoption enables the modularisation of financial services through the concept of Finance as a Service (FaaS), a cloud-based delivery model providing businesses with on-demand financial management tools and services, such as accounting, forecasting, and analytics, to streamline and optimize their financial operations. This emerging model is transforming how financial institutions offer and use services.

- ≡ **Modular financial services:** FaaS allows financial institutions to unbundle traditional services into individual offerings, delivering more personalised products to different customer segments.
- ≡ **Collaboration with fintechs:** Cloud platforms also enable financial institutions to collaborate with fintech companies, integrating third-party services into their own ecosystem. This fosters innovation and allows for faster service deployment.

Strategic agility and future readiness

Cloud technology enhances agility, allowing financial institutions to reduce time-to-market for new products and quickly respond to customer and regulatory needs.

- ≡ **Agility through AI:** AI, integrated with cloud platforms, offers financial institutions the flexibility to analyse structured and unstructured data, make real-time predictions, and provide enhanced customer experiences. Institutions that embrace cloud and AI will improve operational efficiency and secure future readiness.
- ≡ **New business models:** Cloud platforms allow financial institutions to experiment with new business models and offer personalised services at scale, enabling them to move beyond traditional banking models and adopt more agile, customer-focused solutions.

Institutions that invest in cloud technology will lead the digital transformation of the financial sector by continuously innovating, enhancing resilience, and remaining agile in an evolving market.

4.3 DEFINING AN INDIVIDUAL STRATEGIC DIRECTION FOR CLOUD ADOPTION

Cloud adoption is not a uniform experience for all financial institutions. Each organisation's specific goals, current market position, and long-term ambitions impact the journey. While cloud technology offers a range of benefits, from operational efficiency to a rapid implementation of innovative products and services, it is critical for institutions to define a strategic direction tailored to their individual business needs.

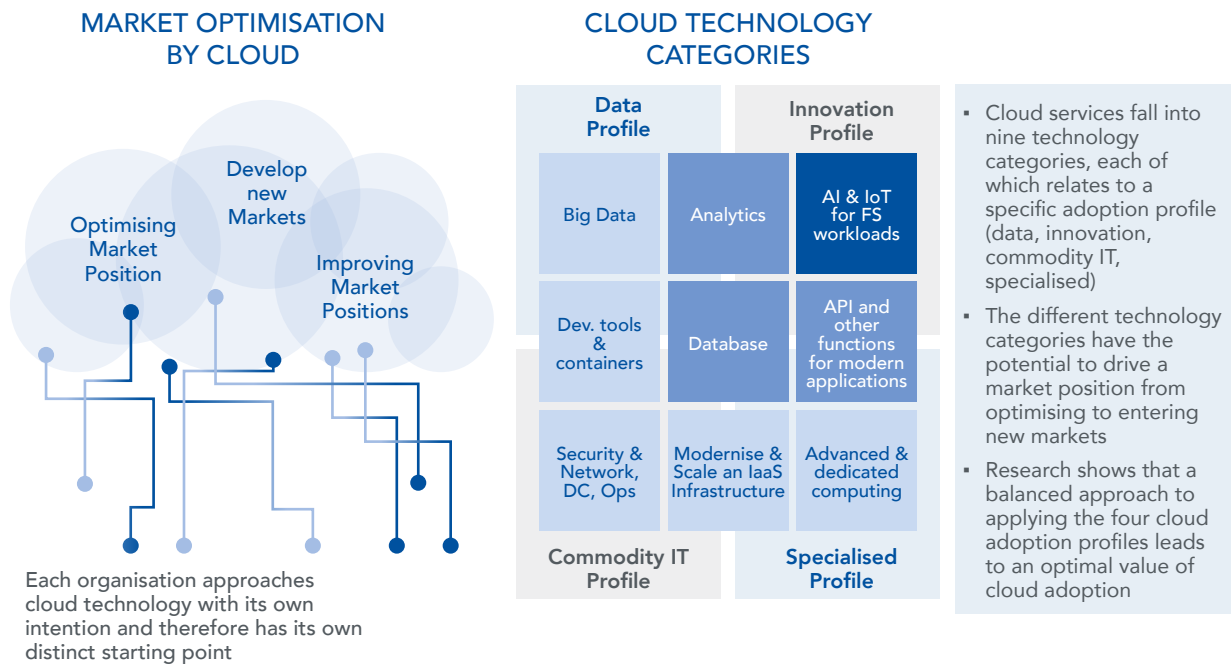
Financial institutions must align their cloud adoption strategies with their specific business objectives:

- ≡ **Optimising operational efficiency** by focusing on scalability and cost control.
- ≡ **Enhancing market position** by rapidly deploying new services and innovations.
- ≡ **Expanding into new markets** by leveraging cloud-based solutions for faster service delivery.

The strategic approach must be supported by relevant cloud technologies, including:

- ≡ **Big data:** Enhancing data management capabilities to support analytical capabilities. By leveraging cloud platforms, financial institutions can process large volumes of data more efficiently, gaining valuable insights that drive smarter business decisions.
- ≡ **Developer tools and containers:** Providing essential tools for application development in the cloud, facilitating agility and faster deployment. Cloud-native development platforms streamline the development lifecycle, enabling institutions to rapidly bring new products to market.
- ≡ **Security and network operations:** Ensuring robust security measures and efficient network operations. Cloud environments can enhance data security and network resilience, crucial for safeguarding sensitive financial data and maintaining uninterrupted operations.

Figure 5: **Ambition to introduce cloud technology**



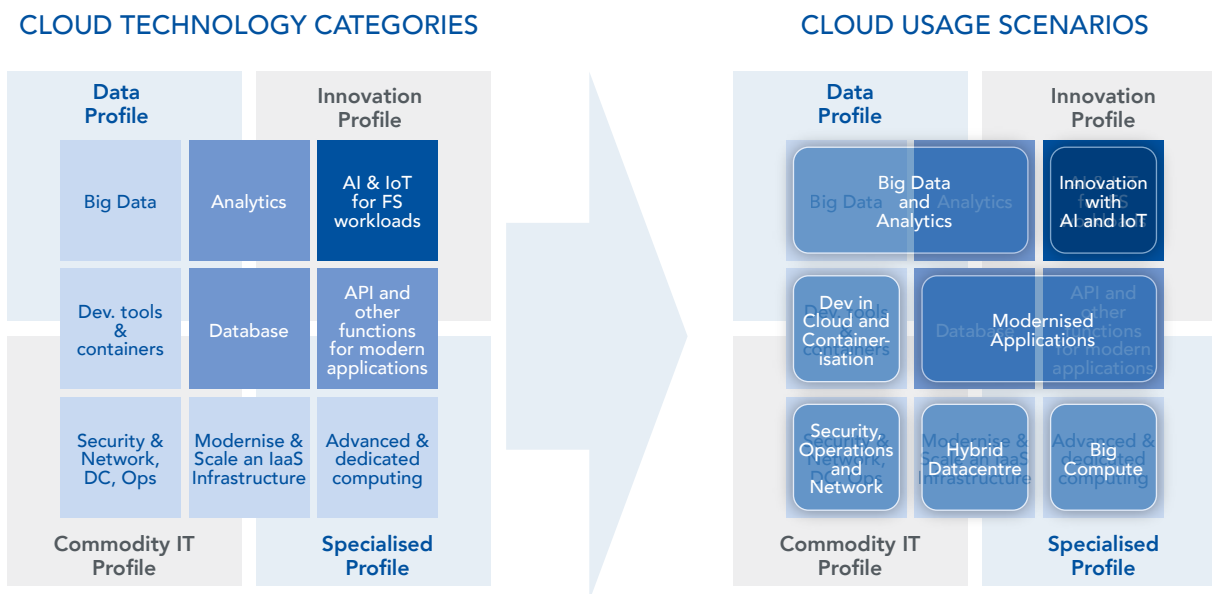
Source: Microsoft 2024

- ≡ **Modernise & scale IaaS:** Upgrading traditional infrastructures to scalable, cloud-based solutions. Infrastructure as a Service (IaaS) enables financial institutions to modernise legacy systems, reducing maintenance costs while improving scalability and flexibility.
- ≡ **Advanced & dedicated computing:** Deploying powerful computing resources for complex and demanding tasks. Cloud platforms provide high-performance computing capabilities that support advanced risk modelling or fraud detection.
- ≡ **Analytics:** Using advanced analytics to derive deeper insights from large datasets. Cloud-based analytics platforms enable institutions to conduct in-depth data analysis,

uncovering trends and opportunities that improve business outcomes.

- ≡ **APIs and application functions for modern applications:** Enhancing integration and functionality through extensive API management. Application Programming Interfaces (APIs) allow financial institutions to seamlessly integrate cloud services with existing systems, facilitating greater innovation and agility.
- ≡ **Database:** Utilising modern, scalable databases that ensure high availability, performance, and data integrity across distributed environments. Cloud databases can accommodate the growing data needs of financial institutions, enabling real-time data processing and storage.

Figure 6: From cloud technology categories to cloud usage scenarios



Source: Microsoft 2024

≡ **Rapid implementation and provision of modern tools and technology:** Leveraging new technologies, such as AI helps to drive innovation and transform business processes. Cloud implementations help the speedy delivery of new functions around enhanced customer services (e.g. chatbots), customer personalisation, operational improvements or automations, but also supports data analytics (for instance, KYC functions or fraud analytics).

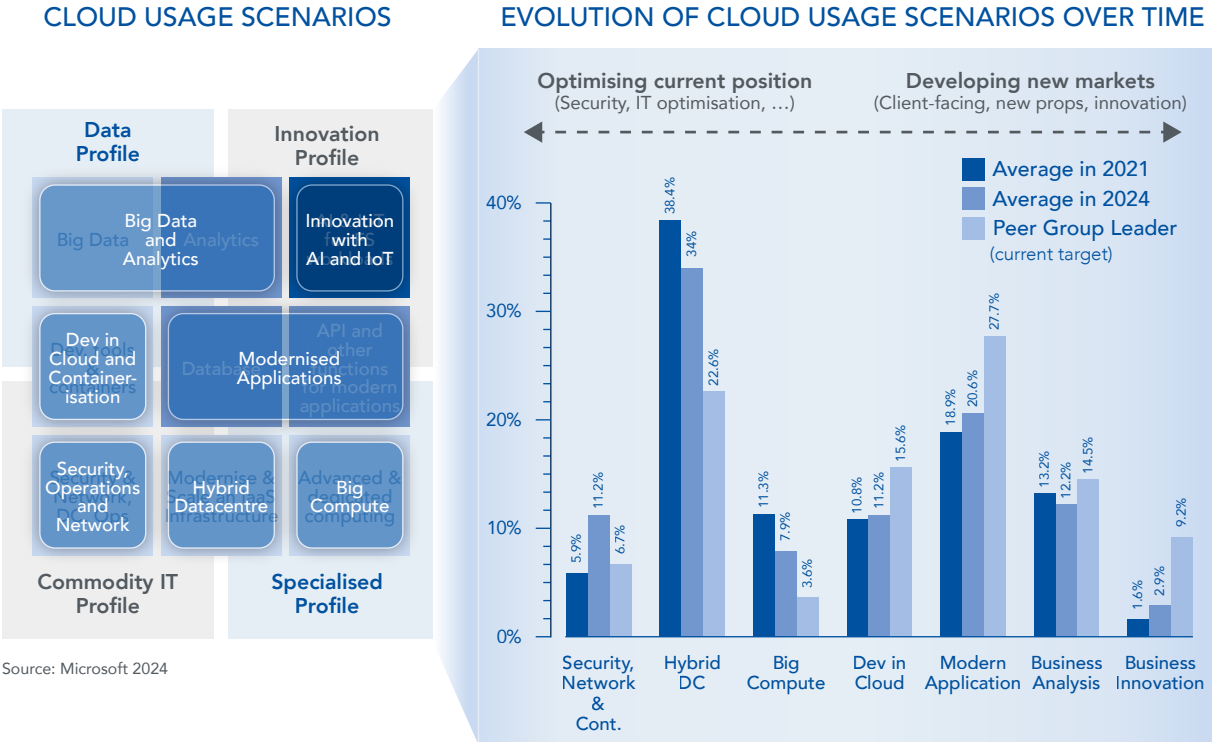
By clearly defining their objectives, financial institutions can leverage cloud technology to enhance both operational efficiency and future readiness.

As financial institutions advance cloud maturity they can evolve from simply optimising existing operations to creating entirely new revenue streams and business models. The strategic adoption of cloud technologies enables financial institutions to align their individual technological capabilities with their long-term business goals. Whether the objective is to enhance operational efficiency, improve market positioning, or explore new markets, the cloud provides the flexibility, scalability, and innovation potential needed to succeed in an increasingly digital financial environment.

We have analysed the behaviour of the financial services sector by mapping various usage scenarios over time and found a clear trend, showing the industry shifting from optimising their current position towards developing new markets. This progression is closely linked to strategic building blocks, ranging from enhancing security operations and networks to driving business innovation.

By leveraging cloud technology, in 2024 AI adoption advanced to the point of enabling AI-powered business models that support new use cases such as enhanced customer service and improved operational efficiencies. This evolution highlights the strategic role a cloud-based infrastructure plays to enable AI and machine learning.

Figure 7: Evolution of cloud usage scenarios



5. CHALLENGES OF CLOUD IMPLEMENTATION AND EFFECTS ON THE FINANCIAL INSTITUTIONS OPERATING MODEL

The transition to a cloud-based approach poses significant challenges for implementing organisations. Both the surveys for the Capgemini Research Institute’s “World Cloud report of 2023 for financial services” and the EBA interviews have identified several relevant key points.

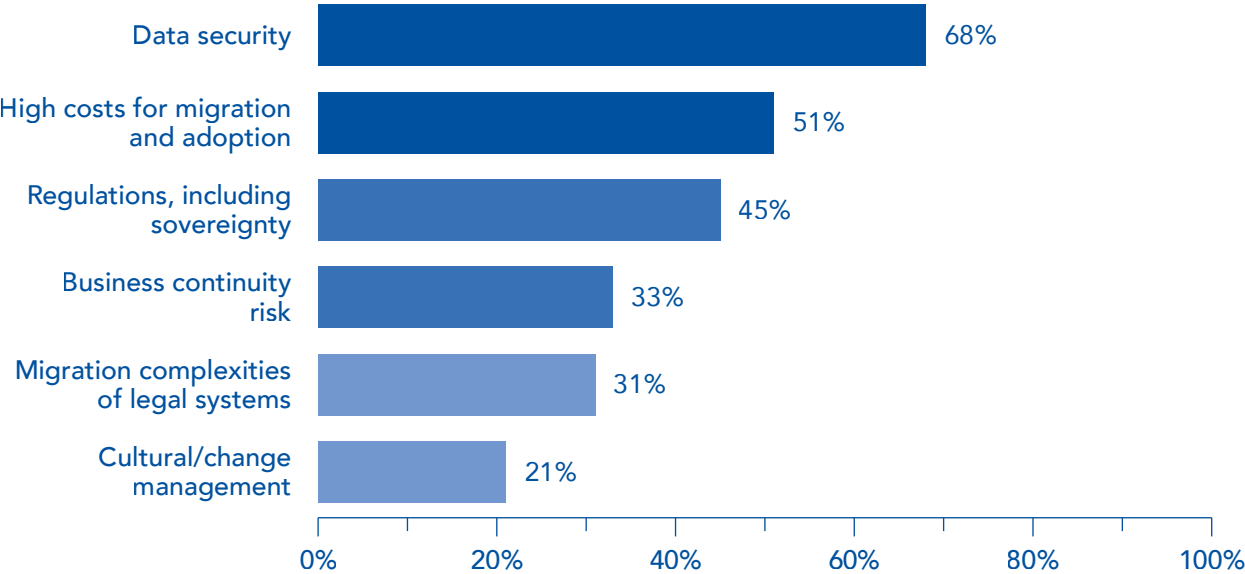
For 68% of respondents in the Capgemini interviews, data security was the biggest concern, closely followed by the high cost of migration and operations (51%), regulatory and privacy requirements (45%), business continuity risk (33%), the complexity of migrating legal systems (31%), and cultural change and management (21%).

While these issues mentioned by the surveys done for the Capgemini World Cloud report highlight the external and regulatory challenges of cloud migration, there are several internal hurdles, also mentioned in EBA Interviews, that organisations must overcome.

Integration with existing IT environments is often a major challenge. Legacy systems must be made compatible with new cloud solutions, which may require extensive customisation. It is equally important to define a clear migration path. This includes developing a strategy for moving from traditional development models to cloud-based approaches.

Figure 8: Key challenges facing cloud adoption at scale

Cloud adoption at scale is a long-lasting strategy requiring proper planning, strategy and major senior management endorsement for an extended period of time.



Source: Capgemini Cloud Survey of Financial Services firms 2023

Staff training is another critical factor. Migrating to the cloud requires new skills and knowledge. Organisations need to ensure that their employees are trained accordingly. It also requires an effective governance structure and the identification of internal champions. A clear governance model ensures transparency and control over the migration process.

The costs of cloud migration are complex and spread over time. Organisations need to carefully consider the short-, medium- and long-term costs to make an informed decision.

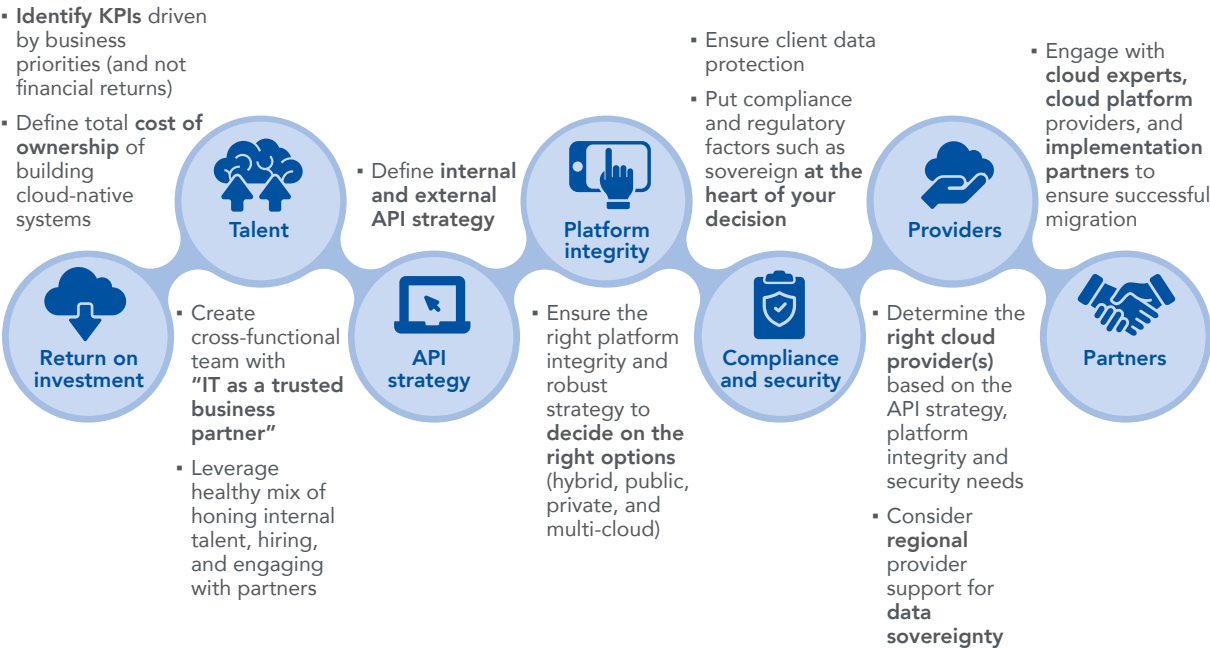
Finally, change management is critical. Successful cloud migration requires a change in corporate culture and working practices.

5.1 KEY CHALLENGES OF CLOUD IMPLEMENTATION

The following graph and the respective explanations of the 2023 Capgemini World Cloud Report illustrate the multifaceted aspects of cloud adoption and its impact on a financial institution’s operating model, highlighting that each element requires careful assessment and planning.

- Return on investment (ROI):** While cloud adoption offers long-term efficiencies, upfront costs can be higher than expected, particularly during migration. Financial institutions need to focus on business-driven KPIs like agility, speed to market, and customer satisfaction alongside cost savings to measure cloud adoption’s true value. Interviews have shown that depending on

Figure 9: Transformation elements towards cloud



Source: Capgemini Cloud Survey of Financial Services firms 2023

specific use cases or national requirements, legacy systems could not be easily switched off. Also, a “one size fits all approach” is often not feasible due to national laws and/ or other regulatory requirements. Following a report published by Gartner in 2021, the use of public cloud has increased IT cost for most organisations (54%) in the last three years, with only 29% reporting that the cloud decreased IT investments.⁵

- ≡ **Talent and team management:** Cloud adoption requires specialised skills that many institutions currently lack. Building cross-functional teams, integrating IT as a business partner, and adopting a hybrid approach of internal development and external hiring are essential to addressing talent shortages.
- ≡ **API integration strategy:** A robust API strategy is crucial for integrating cloud services with legacy systems. Currently, 27% of industry executives cite the lack of APIs as a challenge to cloud integration (IDC Report 2023). Effective API management ensures scalability and innovation, preventing data silos and inefficiencies.

- ≡ **Platform integrity:** Institutions must carefully choose between public, private, or hybrid cloud environments, balancing security, performance, and cost-efficiency. A comprehensive plan to safeguard data, ensure operational continuity, and maintain platform security is critical.
- ≡ **Compliance and security:** Financial institutions must ensure their cloud strategies comply with regulations like GDPR and DORA. Strong encryption, access controls, and real-time threat detection are crucial for securing cloud environments. 73% of companies surveyed rate this as a significant concern (Capgemini Research 2023).
- ≡ **Cloud model:** Selecting the right implementation design is critical. Financial institutions may engage multiple providers to manage different workloads across hybrid or multi-cloud environments, with 39% favouring public cloud, 49% preferring private cloud, and 12% opting for hybrid solutions (Capgemini Research 2023).
- ≡ **Cloud service providers and partners:** Partnering with external cloud service providers, consultancies, and third-party vendors is critical for filling gaps in internal capabilities. Institutions can leverage partnerships to address talent shortages, accelerate cloud migration, and ensure that cloud strategies are effectively implemented. These partnerships can bring external expertise to navigate complexities of cloud infrastructure, compliance, and security requirements.

⁵ “The Role of the Public Cloud in Digital Business Acceleration”, Gartner, August 2021; The research was conducted online during May 2021 among 120 respondents from North America, Europe and APAC, across all industries in companies with at least \$250 million in annual revenue. Respondents were screened for responsibility for IT finance management.

5.2 IMPACT ON THE OPERATING MODEL

The accelerating pace of digitalisation is reshaping the entire financial services landscape, pushing institutions to streamline and modernise their processes. In a real-time, data-driven economy that operates 24/7/365, the demand for instant access to services and information extends far beyond financial institutions, it impacts all sectors. This shift necessitates a radical transformation in operating models, one that cannot be supported by legacy, batch-based processes or outdated IT infrastructure. In the payments industry, this transformation is further propelled by the rise of open banking, open finance, embedded finance, open data frameworks, and app-driven behaviours, creating a dynamic environment that requires a fully integrated, real-time approach.

Based on research done for this paper, several key areas are particularly impacted by the shift to this new paradigm:

- ≡ **Operating models:** Moving away from traditional, on-premises IT systems to real-time, cloud-based platforms improves fraud detection, Anti-Money Laundering (AML) solutions, and treasury management. This shift also enhances agility in product development and internal processes, if the new solutions are deeply integrated with existing systems.
- ≡ **API integration and ecosystem strategy:** APIs are essential for connecting cloud platforms with legacy systems, enabling smoother service delivery and customer experience. APIs also foster collaboration with fintech service providers, enhancing innovation.
- ≡ **Platform integrity and multi-cloud strategies:** Many institutions are adopting multi-cloud strategies, distributing workloads across multiple platforms to mitigate risks. Robust management frameworks ensure real-time performance, security, and compliance monitoring.
- ≡ **Shift from centralised to vertical teams:** Cloud adoption often leads to a structural shift from centralised IT departments to business-aligned vertical teams. This decentralisation improves collaboration between IT and business units, accelerating the deployment of cloud solutions.
- ≡ **Compliance and regulatory adaptation:** Financial institutions must ensure their cloud environments comply with regulations like GDPR and DORA. Real-time compliance management is increasingly important as regulations evolve, requiring swift adaptation by financial institutions.

6. SYNTHESISING INSIGHTS

Cloud adoption is no longer a question of “if” but “how” for financial institutions. The rapid pace of digital transformation has made cloud technology essential for driving innovation, improving operational efficiency, and securing future readiness. However, to fully unlock the benefits, institutions must address key challenges, including regulatory compliance, data security, talent management, and integrating emerging technologies.

6.1 CLOUD AS A STRATEGIC IMPERATIVE

Cloud technology is not just a tool but a strategic imperative for modern financial institutions. Successful cloud adoption enhances agility, scalability, and customer-centric innovation. The key drivers for cloud adoption include:

- ≡ **Operational efficiency:** Cloud platforms streamline operations, reduce costs, and accelerate service delivery.
- ≡ **Future readiness:** Institutions prioritising cloud adoption can offer personalised services, foster continuous innovation, and adapt to market changes faster.
- ≡ **Regulatory compliance:** With regulations such as DORA and GDPR, compliance is about ensuring protection of data, resilience and security within cloud operations.

Institutions that align cloud strategies with broader business goals will remain future proof.

6.2 OVERCOMING CHALLENGES

Cloud adoption presents several challenges that financial institutions must overcome to fully benefit from its transformative potential:

- ≡ **Regulatory complexities:** Navigating regulations requires continuous monitoring of cloud environments and ensuring data sovereignty across different regions.
- ≡ **Talent and skill gaps:** The demand for cloud experts presents challenges in recruiting and developing talent. Building cross-functional teams that bridge IT and business units is essential for success. This needs to be complemented by a comprehensive and continuous training approach, enabling respective upskilling within the organisation.
- ≡ **Integration with legacy systems:** A robust API strategy is key to integrating cloud solutions with legacy infrastructure. Without this, financial institutions risk operational inefficiencies and data silos.

Addressing these challenges requires investment in skills development, strong partnerships with cloud providers, and a clear focus on compliance.

6.3 EMBRACING INNOVATION THROUGH CLOUD TECHNOLOGIES

Cloud technology unlocks access to a wide range of emerging innovations such as AI, and DLT, which are critical for future-proofing financial institutions:

- ≡ **AI-powered automation:** AI integrated with cloud platforms allows financial institutions to automate routine tasks, enhance decision-making, and improve customer service.
- ≡ **Blockchain for secure transactions:** Distributed Ledger Technology (DLT) offers potential for streamlining cross-border payments and enhancing transaction transparency.
- ≡ **Real-time banking:** Cloud enables real-time monitoring and services, such as fraud detection or AML compliance, driving operational speed and efficiency.

By leveraging cloud solutions, financial institutions can reduce operational costs, provide more responsive services, and position themselves for long-term success.

6.4 THE ROAD AHEAD: STRATEGIC AGILITY AND CONTINUOUS INNOVATION

The future of delivering financial services lies in strategic agility—the ability to quickly adapt to changes in the market, regulatory environment, and customer expectations. Cloud adoption plays a central role in enabling this agility by providing the infrastructure needed to scale operations, deploy new services, and respond to customer demands in real time.

Financial institutions that invest in cloud technologies will be able to:

- ≡ **Reduce time-to-market:** Cloud platforms enable financial institutions to quickly develop, test, and deploy new products, reducing time-to-market by up to 30% in some cases.
- ≡ **Drive continuous innovation:** Cloud technology allows for iterative development and continuous improvement, ensuring that financial institutions remain at the forefront of digital transformation.
- ≡ **Enhance resilience:** By adopting cloud platforms, financial institutions can build more resilient systems that can withstand technological disruptions, as required by regulatory frameworks like DORA.

Institutions must be proactive in adopting cloud technologies and integrating them into their broader business strategies. Those that do will be well-positioned to lead in the digital era, driving continuous innovation and securing future readiness.

6.5 KEY TAKEAWAYS FOR MARKET PRACTITIONERS

1. **Adopt cloud as a strategic imperative:** Align cloud strategies with broader business transformation goals to enhance agility, scalability, and innovation.
2. **Invest in talent and partnerships:** Address skill gaps by developing internal teams and collaborating with cloud providers.
3. **Prioritise regulatory compliance and security:** Ensure cloud strategies meet DORA and GDPR requirements while embedding security and resilience in operations.
4. **Leverage emerging technologies:** Use cloud platforms to integrate AI, and blockchain, driving innovation and future readiness.
5. **Embrace strategic agility:** Cloud adoption enables quick adaptation to market and regulatory changes, ensuring sustained future readiness.

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