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2021/2022 Digital Transformation and Cloud Survey: A Wave of Change

Financial Institutions Takeaways | 12 January 2022



The latest iteration of our annual Digital Transformation and Cloud Survey features insights from 500 global respondents, who cite heightened attention on and investment in cybersecurity, AI and the cloud as indicators of digital transformation being an integral part of enterprise thinking and planning.

In this report, we provide you with an overview of the responses from financial institutions (FI), together with our insights from almost a decade's experience of surveying the marketplace and thought leadership in digital transformation and cloud.

KEY FINDINGS INCLUDE

- Financial institutions identify cost reduction and increased security as top benefits from investment in cloud computing. Conversely, data privacy and cybersecurity issues are identified as top concerns.
- Cybersecurity, fintech, and cloud computing are seen by a majority of respondents as key technologies in their respective digital transformation strategies.
- A large majority of respondents say they consider both off-the-shelf and in-house solutions before making a decision on what to buy as part of their digital transformation strategies.
- Take up of cyber insurance has increased every year of our survey as new technologies continue to pose new risks and organizations seek to manage those risks as best as they can.



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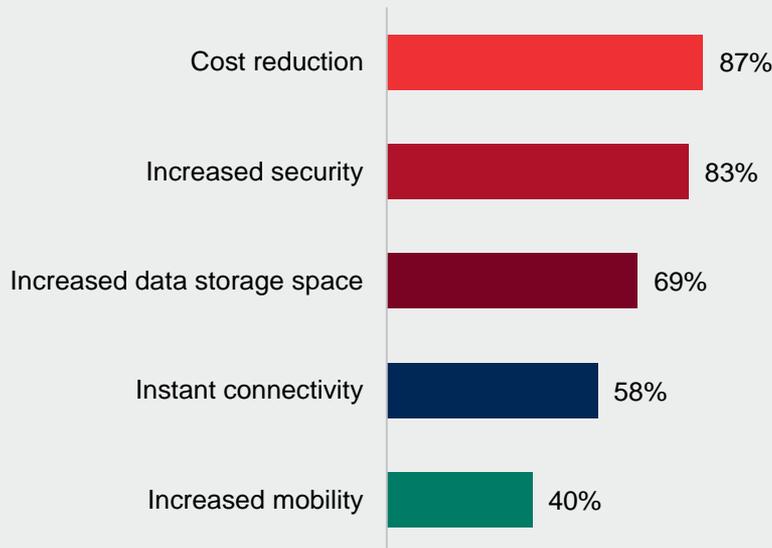
Benefits and Concerns around Cloud Computing and Digital Transformation Investments

- When asked to identify the top benefits and concerns around cloud computing investments, FI respondents cited cost reduction (87%) and increased security (83%) as the top 2 benefits. Unsurprisingly, they were most concerned by data privacy (88%) and cybersecurity (82%) issues.
- Among benefits realized from digital transformation investments in the last twelve months, improvement in cyber security / IT security (93%) and reduced costs / improved efficiencies (87%) are top benefits for FI respondents.



Almost all FI respondents reported experiencing improvements in cybersecurity due to digital transformation in the last 12 months. They consider data privacy and cybersecurity as top concerns when it comes to the use of cloud computing – in line with other industries.

Top benefits realized from cloud computing investments



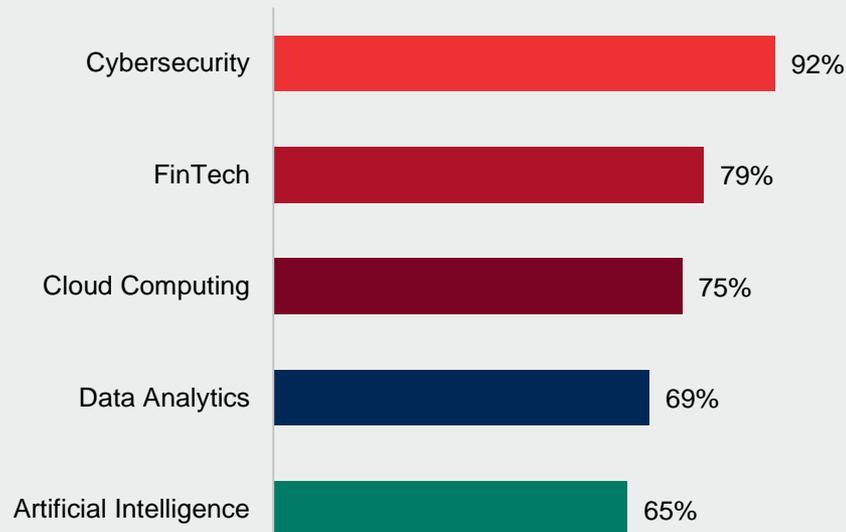
Top benefits realized from digital transformation investments in the last 12 months



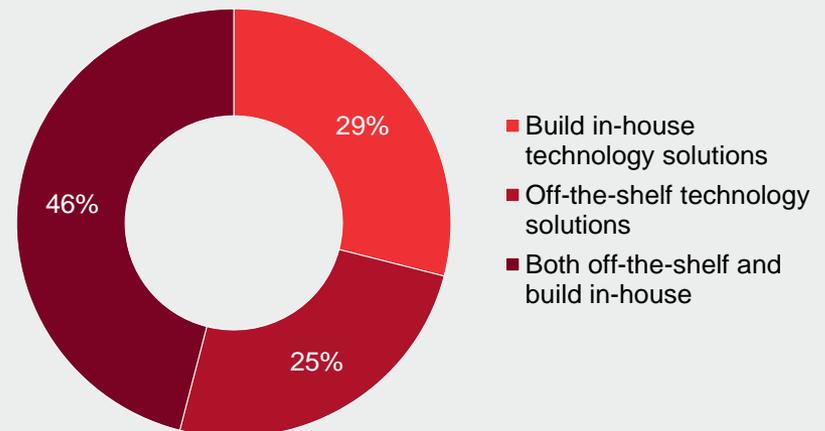
Priorities in the Digital Transformation Journey and Approach to Procurement of Technology Solutions

- There are three stages in the Digital Transformation Journey, being "defining value", "launch and acceleration" and "scaling up". The survey shows that 67% of FI respondents are already in stage 2 in their journeys.
- A clear majority identified cyber security, fintech, and cloud computing as the most important technologies in their respective digital transformation strategy.
- A strong majority (75%) also say that they consider both off-the-shelf and in-house tech solutions before making a decision on what to buy. Only 7% of FI respondents say that they do not consider building in-house solutions and spend all their time looking at off-the-shelf solutions. 18%, on the other hand, spend all their time looking at building solutions in-house rather than look at off-the-shelf alternatives.

Top 5 important technologies in digital transformation strategy



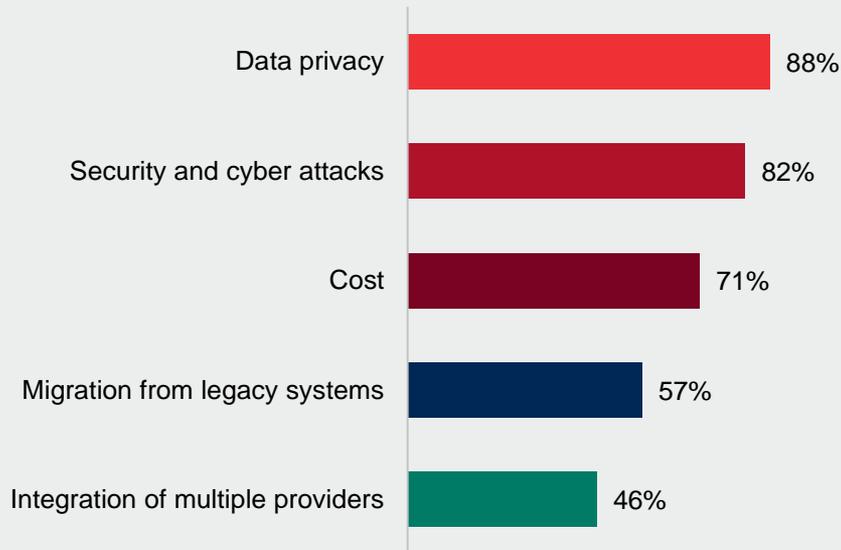
Typical Approach to Procurement of Technology Solutions



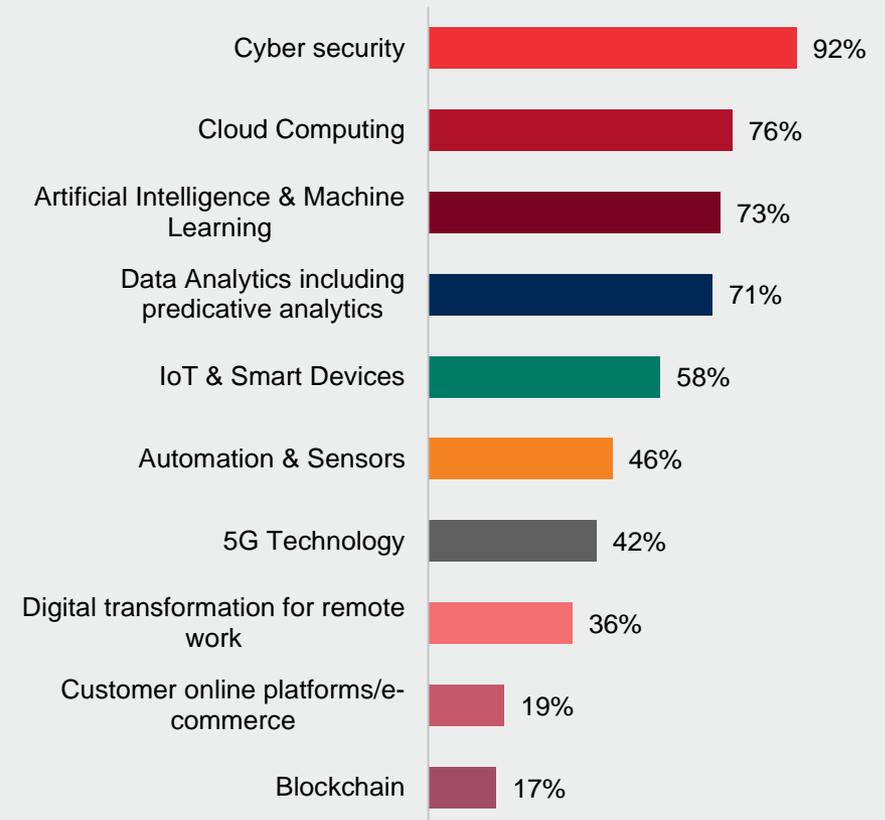
Top Concerns and Investment Areas Related to Digital Transformation

- Cyber security, cloud computing, artificial intelligence (AI) and machine learning (ML), and data analytics (including predictive analytics) are top investment areas for financial institutions in the next 1-3 years. Despite concerns around cloud computing, 76% of respondents noted that it is still part of their planned investment program for the next 1-3 years – which may be complemented by investments in cyber security.

Top concerns of cloud computing



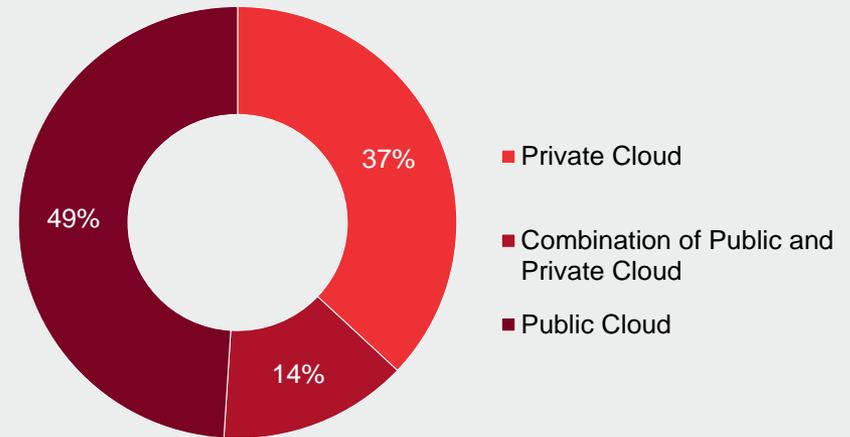
Planned investment areas for FI respondents in the next 1-3 years



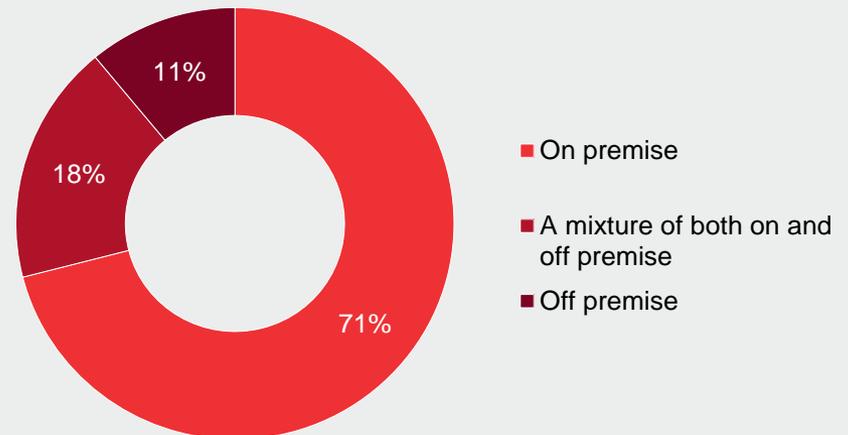
Cloud Usage and Location Preferences

- The combination of FIs' elevated concerns around privacy / cyber risk and stringent regulatory requirements might be key drivers for:
 - a high proportion (71%) of FI respondents reporting that they use solely on premises cloud solutions
 - almost all (92%) of FI respondents holding cyber liability insurance and citing cybersecurity technology as among the most important tech in their digital transformation strategy and investment plans
- Of the potential types of cyber incidents that could impact business, 86% of FI respondents identified ransomware and other forms of cyber extortion as the most concerning threat to businesses

Use of public and/or private cloud



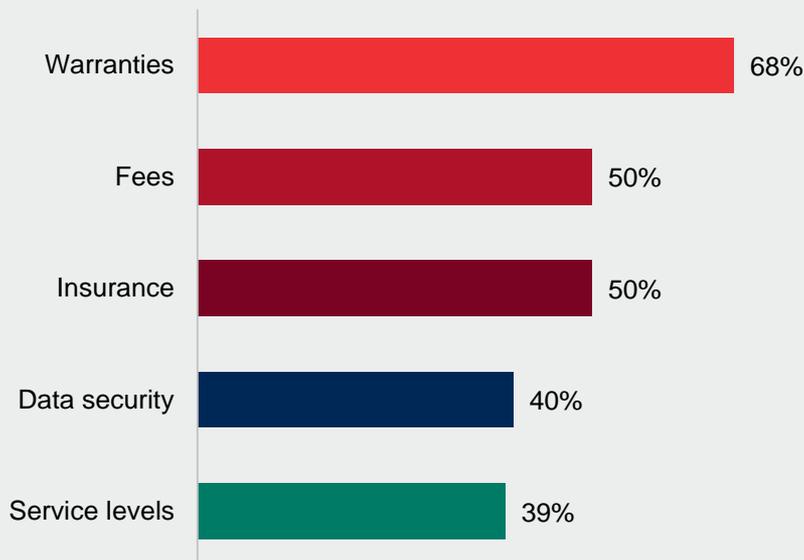
On premise and/or off-premise cloud



Cloud Agreements and Cyber Liability

- 60% of FI respondents identified supplier indemnification obligations as typical exclusions from limitations of liability in cloud agreements.
- The majority (68%) of FI respondents singled out warranties as being the most negotiable aspects of their cloud agreements. Interestingly, it seems that at least some vendors are responding to the requests of FI customers to include specific security standards in order to meet relevant regulatory requirements: 40% of FI respondents also identified that data security provisions were negotiable.
- 92% of FI respondents carry cyber liability insurance. Cyber insurance has increased every year of our survey as new technologies continue to present new risks and organizations seek to manage that risk as best as they can.

Top five most negotiable cloud contract provisions



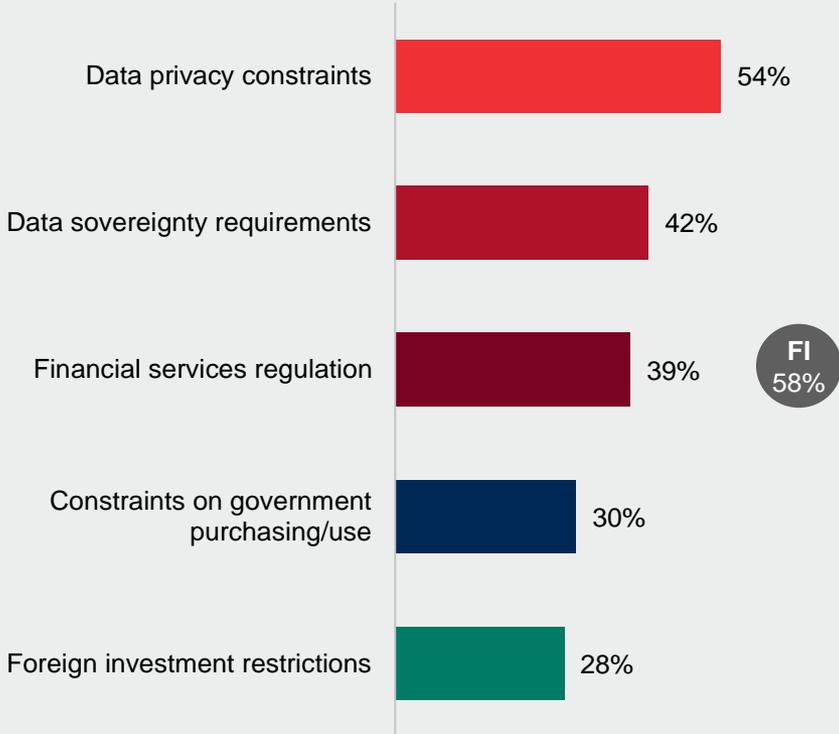
Percent of FI respondents carrying cyber liability insurance



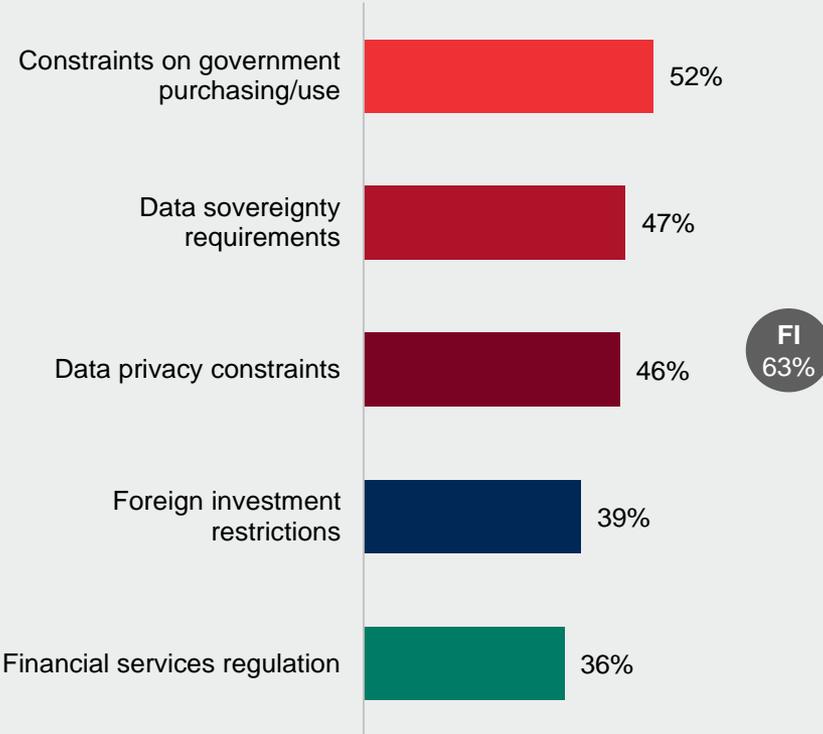
Restrictions in Implementing Cloud Solutions

- Almost all respondents face restrictions in implementing cloud for their business, such as data privacy constraints. Further, 58% of FI respondents claim that financial services regulation restricts cloud implementation for their businesses, while 63% report constraints on government purchasing/use on their customers' businesses.
- Data localization – referring to restrictions and requirements imposed by national authorities requiring data and particularly personal data to remain within a home jurisdiction – is an increasing trend giving rise to additional complexities and costs.

Regulatory restrictions in implementing cloud (Own Business)



Regulatory restrictions in implementing cloud (Customers' Businesses)



(Figures for all sector respondents shown on chart) – FI-specific figures are encircled.

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