



Q&A

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AWS helps financial services customers innovate and optimise their operations; and we are still in the early days of the digital transformation journey

How is AWS helping its financial services customers innovate and optimise their operations? What are the future prospects?

By 2028, according to Gartner, cloud computing will shift from being a technology disruptor to becoming a necessary component for maintaining business competitiveness. However, for many financial services customers the imperative to use cloud is already here due to cost, flexibility and resilience advantages. The benefits of cloud are well-established; and include efficiency gains, reduced costs, scalability, faster innovation, better customer outcomes, as well as improved operational resilience.

Talking to our customers, they highlight the following: cost savings are realised by avoiding on-premises infrastructure, with large fixed spend, and reducing the ongoing variable spend; staff productivity is improved, with increased output by the same size team, because much of their previous tactical work is no longer needed; sustainability is improved by reducing the environmental impact of IT operations; better operational resilience is achieved by enhanced availability, security and less downtime; and business agility means new products, new geo location expansions, or more features of existing products can be delivered.

When we add the potential applications of Generative Artificial Intelligence (GenAI) made possible by cloud computing, there is so much potential for further enhancements for customers and consumers in the financial services space. But more on that below...

Can cloud services be seen as a central element of an evolving digital infrastructure? Does

DORA provide an appropriate framework to support this development or should a broader approach be developed?

Cloud services are already a central element of an evolving digital infrastructure and AWS keeps that in mind as we develop our offering. Our core infrastructure is the most flexible and secure cloud computing environment available today and it is designed to meet the most stringent security requirements in the world and satisfies the security requirements for financial, health, military, global banks, governments, and other highly sensitive organisations.

Many third-party services, such as cloud computing, are provided on an industry- and location- agnostic basis. Delivering harmonization between jurisdictions and industries in regulations will be crucial to ensure that the goals of policymakers, customers and the industry can be met while financial institutions continue to benefit from the advantages of third-party services and outsourcing.

DORA can support and speed up the digitalization of the EU financial system by delivering on these objectives, but it is important that regulators, financial entities and providers work together as it is implemented to ensure that the EU financial services sector can continue to choose what is best for them and benefit from technological innovations. This is especially important in light of an increasingly complex cybersecurity landscape where threats continue to proliferate and new preventative measures are constantly being developed.

AWS is committed to working with the financial services community on the implementation of DORA, while enabling financial entities in the EU to increase agility, enhance their resilience and above all, to innovate.

Are AI and ML likely to have a truly transformative impact on the financial sector in the coming years Does the EU AI Act provide an adequate framework for the development of AI in the financial sector?

The unprecedented pace of digitalization requires financial institutions of all sizes to increase agility and accelerate innovation; artificial intelligence and machine learning (AI/ML) are at the heart of this innovation. From a technology provider perspective, what we see is that the adoption of AI/ML has accelerated in recent years - due to the availability of virtually unlimited capacity in data storage and compute power (and cost-effective) from cloud services.

AI/ML tools are powering devices and software used across financial services (FS) to solve problems and create opportunities both in the private and public sectors in a number of areas, including: product personalization, automation of legacy processes and manual document processing, improving customer experience, compliance and market surveillance and fraud detection.

Improving customer experience has been a key focus for FS institutions over the last few years and includes areas such as a seamless account opening process, a more efficient loan or claims processing workflow, and interacting with customers using their preferred communication channel: web, mobile, chat, voice, email. This continues to be a competitive area where businesses are racing to provide their customers with the best possible experience while ensuring that the appropriate security and regulatory measures are implemented. And in insurance, we also see firms using AI/ML for claims processing, benefiting from automation and generating an overall better customer experience.

On the EU AI Act we support efforts to put in place effective risk-based regulatory frameworks and guardrails for AI that protect civil rights, while also allowing for continued innovation and practical application. As one of the world's leading developers and deployers of AI tools and services, trust in our products is one of our core tenets and we welcome the overarching goal of the regulation. We encourage policymakers to continue pursuing an

innovation-friendly and internationally coordinated approach, and we are committed to collaborating with the EU and industry to support the safe, secure, and responsible development of AI technology.

What are the priorities for the next European political cycle in the area of digital finance? Should we focus on implementing the measures that have already been adopted or are additional measures needed?

The focus of this political cycle for digital finance should be getting implementation right and taking stock around the key files delivered during the previous mandate, such as DORA and the EU AI Act. DORA will not only be a change for the industry, but also for the regulators who will need to understand and engage with entities, such as cloud service providers, that were previously outside their direct scope. Ensuring a proportionate and pragmatic approach will be key to delivering operational resilience for the financial services ecosystem.

The EU also needs to keep in mind that many third-party services, such as cloud computing, are provided on an industry- and location- agnostic basis. Engagement to deliver an internationally consistent, proportionate and risk-based approach for third- party risk management and outsourcing will support the continued digital transformation of the sector. It means the EU can ensure regulations meet their needs, but are also interoperable with other jurisdictions to ensure firms can utilize services on a cross-border basis consistently. With the rapid level of technological innovation in financial services, flexibility to ensure any measures can handle increasingly dynamic complexities in the financial and technology spaces is also crucial. Therefore, it is important that the harmonization between jurisdictions and industries is front of mind as regulations are finalized.

1. <https://www.gartner.com/en/newsroom/press-releases/2023-11-29-gartner-says-cloud-will-become-a-business-necessity-by-2028>