Gartner Says Cloud Banking Can Drive 'Creative Destruction' in the Banking Industry

Analysts to Discuss the Future of Cloud Banking at Gartner Symposium/ITxpo 2011, 14-17 November on the Gold Coast

A rapid shift in attitude towards cloud banking is happeningwithin the financial services (FS) industry, according to Gartner, Inc. AGartner survey* found that cloud is the top priority for global FS CIOs andthat 39 percent of those surveyed expect that more than half of all theirtransactions will be supported via cloud infrastructure and software as aservice (SaaS) by 2015.

Early cloud adoption, especially in the FS sectors, may have been limitedto non-core areas and proofs of concept, but it is set to go mainstream, movingthe heart of the business, transaction origination and processing, into thecloud, said Peter Redshaw, managing vice president at Gartner. Cloud bankingshould be innovative, dedicated to this industry and transformative.

Analysts at Gartner Symposium/ITxpo 2011, being held in Australia 14-17November, will discuss the future for cloud banking.

Cloud banking has the ability to drive creative destruction, added Mr.Redshaw. As well as helping to improve or optimize an existing service orprocess, cloud banking can provide the wealth or the freedom - to trycompletely new services and processes, such as reverse auctions and third-partycore banking systems, maybe even running them in parallel. Successful new cloudservices can displace the existing and dominant process for design,distribution or transacting in a disruptive way, rather than just incrementallyimproving them.

Among the most attractive benefits of cloud banking is being able to deploy(in an economically feasible way) the champion-challenger model. This adds acompetitive dynamic to the way processes are improved and chosen. As banksprogressively replace people in the value chain with algorithmic operations(AOs) to run processes and make decisions, their intellectual propertyincreasingly resides in these algorithms. The value of people is not in runningoperations but in improving the AOs.

Although the technology is still immature in many places, cloud is a toppriority for banks that need to continue a long-term focus on efficiency andsupport the CEO's growth strategy by becoming more flexible and agile tosupport new business models, new markets, new channels, and new products.

Gartner predicts that by the end of 2015, consumers will initiate at least10% of all banking interactions indirectly via cloud service-based exchanges andportals.

Peter Redshaw will provide further insight on the future of cloud banking atGartner Symposium/ITxpo 2011 on the Gold Coast on November 7-10. Additionalinformation on the event is available at www.gartner.com/au/symposium.

Notes to editors:

* This analysis relates to the Gartner Executive Programs annual CIO survey. Inthe fourth quarter of 2010, a total of 2,014 CIOs responded, representing $160billion in CIO IT budgets and covering 38 industries in 50 countries.Respondents included 290 CIOs from financial services organizations, including109 from insurance and 181 from banking and investment service organizations.

About Gartner Symposium/ITxpoGartner Symposium/ITxpo is the world's most important gathering of CIOs andsenior IT executives. This event delivers independent and objective contentwith the authority and weight of the world's leading IT research and advisoryorganization, and provides access to the latest solutions from key technologyproviders.

The event will feature industry focused tracks, which include a wide varietyof sessions aligned to the particular challenges and opportunities faced byvertical industries. For more information on the financial services/bankingtrack please visit financialservices/banking.

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