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SaaS Trends Driving Cloud Banking Forward

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Executive summary

Gartner estimates **\$195 Billion¹** of spending across industries on **Cloud Application Services (SaaS)** in 2023, with Financial Services set to be one of the key contributors to this overall estimated spend.

As banks seek to cut costs and ramp up digital transformation, cloud adoption by banks has accelerated. **Just under three-quarters (72%) of IT executives** at banks surveyed by The Economist Intelligence Unit in 2022², report that incorporating the cloud into their organization's products and services will help them to achieve their business priorities. **82% of banking IT executives** say they have a clear strategy for adopting cloud technology.

Five Software-as-a-Service (SaaS) trends will drive increased adoption of cloud in 2023.

¹ <https://www.gartner.com/en/newsroom/press-releases/2022-10-31-gartner-forecasts-worldwide-public-cloud-end-user-spending-to-reach-nearly-600-billion-in-2023>

² <https://www.temenos.com/wp-content/uploads/2022/07/2022-07-19-Economist-Cloud-report-V1-logo-update-1.pdf>

1

Migration to SaaS

Banks looking to upgrade their existing, self-hosted banking solutions on-premise, in the private cloud or public cloud, will also consider migrating over to SaaS. Doing so will enable banks to take advantage of SaaS business benefits including comprehensive and “mature” managed services, established and proven SaaS security and compliance controls, and allowing banks to streamline their purchasing budgets towards single SaaS licensing subscription costs.



2

Banking services SaaS

Banks increasingly need to remain competitive by managing costs and being compliant with regulatory standards and guidelines. To do so requires specialist solutions, which include financial crime mitigation and payment processing solutions. Provisioning such specialist solutions in a self-hosted model is both costly and time consuming for many banks to implement. Banks are, therefore, opting to consume such financial solutions as Banking Services SaaS provided by SaaS providers.



3

Empowerment through SaaS self-servicing

SaaS solutions are renowned in the financial services industry for limiting banks to specific cloud environment releases, as well as lacking banks' control in managing, monitoring, and updating their SaaS solution at a time that suits their business. Industry leading banking-cloud services are evolving to empower SaaS customers through the availability of self-service tools to undertaking cloud environment provisioning, updating, monitoring, as well as the ability to evaluate newly released product propositions.



4



Evergreen SaaS cybersecurity

Banks understand that to be competitive and be able to innovate, they need to take advantage of public cloud deployments given the scalability, agility and costs benefits that can be realized from banking in the cloud. However, banks as the regulated entities must comply with regulatory standards and guidelines around the cloud services that they will look to consume, as not doing so will land them into regulatory challenges.

The option of self-hosting banking solutions in the public cloud means that banks would be responsible for Security & Compliance Controls, such as aligning and implementing deployment security controls, setting-up and running security monitoring, etc – all of this being costly and tedious to setup and maintain.

An alternative option is to consider that a SaaS provider, to provide comprehensive SaaS certifications and accreditations i.e., such as SOC 2 and ISO 27k series, undertaking pro-active security monitoring, incident response and resolution, and provide an evergreen SaaS security and regulatory compliance artefacts library – all of this to help support SaaS customers meet regulation around consuming cloud services.

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SaaS based ESG

ESG (Environmental, Social and Governance) associated opportunities and risks are becoming more and more relevant for banks. Carbon emissions resulting from banks' end-to-end technology infrastructures are coming under intense scrutiny. This also includes the energy consumption from consumed SaaS cloud services, making many banks eager to be able to measure and reduce their overall carbon footprint and meet set targets. Some SaaS providers have launched Carbon emissions calculators to measure, improve and report emissions from their services, helping their SaaS customers reach sustainable targets.





In conclusion, SaaS adoption in the Financial Service Industry will continue to accelerate in 2023 as more banks take a SaaS-first strategic approach to ramping up their digital transformations at scale and within budget. Furthermore, SaaS providers will double down on their efforts in introducing new SaaS propositions, as well as continuing to enhance existing SaaS propositions, in-line with such SaaS trends, with the clear aim of expanding their SaaS market share.

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Zannettos (Zan) Zannettou is a Principal Solutions Consultant at Temenos in APAC, focusing primarily on SaaS based solutions, with over 25 years of banking solutions expertise. Zan is a passionate advocate of cloud-based SaaS banking solutions, given the many benefits that financial organizations can realize in adopting SaaS solutions.

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