Il termometro dei mercati finanziari (19 Marzo)

a cura di Emilio Barucci e Daniele Marazzina

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L'iniziativa di Finriskalert.it "Il termometro dei mercati finanziari" vuole presentare un indicatore settimanale sul grado di turbolenza/tensione dei mercati finanziari, con particolare attenzione all'Italia.

Il termometro dei mercati finanziari						
19-mar-21	Legenda					
Valutazione complessiva		Calma		↑	miglioramento	
				↔	stabile	
		Tensione		↓	peggioramento	
Mercati italiani	19-mar		12-mar	05-mar	26-feb	19-feb
Rendimento borsa italiana	0.36	↓	5.00	0.51	-1.24	-1.17
Volatilità implicita borsa italiana	20.61	↑	21.21	22.00	22.81	21.90
CDS principali banche 10Ysub	316.79	↔	316.39	320.51	325.28	318.66
Tasso di interesse ITA 2Y	-0.39	↓	-0.37	-0.37	-0.31	-0.38
Spread ITA 10Y/2Y	1.06	↔	1.01	1.14	1.08	1.00
Mercati europei	19-mar		12-mar	05-mar	26-feb	19-feb
Rendimento borsa europea	0.10	↓	4.46	0.91	-2.07	0.48
Volatilità implicita borsa europea	16.31	↑	17.03	19.50	19.93	17.81
Rendimento borsa ITA/Europa	0.26	↓	0.53	-0.40	0.83	-1.65
Spread ITA/GER	0.97	↔	0.94	1.07	1.03	0.93
Spread EU/GER	0.45	↔	0.44	0.48	0.47	0.45
Politica monetaria, cambi e altro	19-mar		12-mar	05-mar	26-feb	19-feb
Euro/Dollaro	1.19	↔	1.194	1.191	1.214	1.213
Spread US/GER 10Y	2.03	↓	1.93	1.86	1.72	1.66
Euribor 6M	-0.519	↓	-0.518	-0.518	-0.518	-0.518
Prezzo Oro	1740	↓	1711	1696	1727	1785
Spread 10Y/2Y Euro Swap Curve	0.55	↓	0.50	0.50	0.48	0.52

Significato degli indicatori

- Rendimento borsa italiana: rendimento settimanale dell'indice della borsa italiana FTSEMIB;
- Volatilità implicita borsa italiana: volatilità implicita calcolata considerando le opzioni at-the-money sul FTSEMIB a 3 mesi;
- Future borsa italiana: valore del future sul FTSEMIB;
- CDS principali banche 10Ysub: CDS medio delle obbligazioni subordinate a 10 anni delle principali banche italiane (Unicredit, Intesa San Paolo, MPS, Banco BPM);
- Tasso di interesse ITA 2Y: tasso di interesse costruito sulla curva dei BTP con scadenza a due anni;
- Spread ITA 10Y/2Y : differenza del tasso di interesse dei BTP a 10 anni e a 2 anni;
- Rendimento borsa europea: rendimento settimanale dell'indice delle borse europee Eurostoxx;
- Volatilità implicita borsa europea: volatilità implicita calcolata sulle opzioni at-the-money sull'indice Eurostoxx a scadenza 3 mesi;
- Rendimento borsa ITA/Europa: differenza tra il rendimento settimanale della borsa italiana e quello delle borse europee, calcolato sugli indici FTSEMIB e Eurostoxx;
- Spread ITA/GER: differenza tra i tassi di interesse italiani e tedeschi a 10 anni;
- Spread EU/GER: differenza media tra i tassi di interesse dei principali paesi europei (Francia, Belgio, Spagna, Italia, Olanda) e quelli tedeschi a 10 anni;
- Euro/dollaro: tasso di cambio euro/dollaro;
- Spread US/GER 10Y: spread tra i tassi di interesse degli Stati Uniti e quelli tedeschi con scadenza 10 anni;
- Prezzo Oro: quotazione dell'oro (in USD)
- Spread 10Y/2Y Euro Swap Curve: differenza del tasso della curva EURO ZONE IRS 3M a 10Y e 2Y;
- Euribor 6M: tasso euribor a 6 mesi.

I colori sono assegnati in un'ottica VaR: se il valore riportato è superiore (inferiore) al quantile al 15%, il colore utilizzato è l'arancione. Se il valore riportato è superiore (inferiore) al quantile al 5% il colore utilizzato è il rosso. La banda (verso l'alto o verso il basso) viene selezionata, a seconda dell'indicatore, nella direzione dell'instabilità del mercato. I quantili vengono ricostruiti prendendo la serie storica di un anno di osservazioni: ad esempio, un valore in una casella rossa significa che appartiene al 5% dei valori meno positivi riscontrati nell'ultimo anno. Per le prime tre voci della sezione "Politica Monetaria", le bande per definire il colore sono simmetriche (valori in positivo e in negativo). I dati riportati provengono dal database Thomson Reuters. Infine, la tendenza mostra la dinamica in atto e viene rappresentata dalle frecce: ↑, ↓, ↔ indicano rispettivamente miglioramento, peggioramento, stabilità rispetto alla rilevazione precedente.

Analysis-Paralysis: innovative benefits and persisting concerns about Cloud adoption journey in Financial Services.

a cura di Deloitte

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In 2016 Deutsche Bank published a report that highlighted the state of Cloud adoption in Financial Services[1]. The results showed how, at the time, Cloud suffered from widespread criticism in the Financial Services sector. Even amongst industry's early adopters, only 30% were planning to move to the cloud in 2019. In comparison, at the same time, businesses like Consumer Products or Healthcare were migrating more than 85% of their applications. Therefore, J.P. Morgan Chase decision to move its application to Public Cloud in April 2017 was considered a milestone, an example that would pave the way for other players in the market, moving the Financial Services a step closer to the Cloud.

Today, almost 4 years after Morgan Chase's decision, FSI companies seem to have overcome their skepticism over Cloud, while migration and adoption projects are everyday matter. However, the old concerns are still deeply rooted in Financial Services' Boards and every project that involves Cloud has to undergo a long and accurate scrutiny, an analysis so cautious that might likely bring to a paralysis, slowing down the pace of innovation and technological disruption.

The following paper offers a perspective on the FSI industry, aiming to analyze the reasons that hinder Cloud adoption, as well as the motives and the benefits that should move FSI boards to consider a faster adoption of Cloud technologies and methodologies, without worrying for the safety of their assets.

The digital challenge

COVID-19 pandemic had a crucial role in accelerating digital transformation to maintain business resilience. In addition to the disruption posed by the virus, FSI organizations face aggressive competition coming from Financial Technology (fintech) companies and their new offering based on digital capabilities.

Let us take Italy as an example. In Italy circa 600 banks deal with 250 fintech companies, as well as international players such as N26 and Revolut. Even though Italians still prefer traditional payments, the tide is rapidly turning: if in 2017 86% of transactions still used cash[2], in 2020 digital payments were 33% of the total[3]. More than half of bank customers (around 18 million people) manage their operations over the internet and the trend is growing by the year: customers using Internet banking rose by 52% between 2016 and 2019, while those using Mobile Banking scored +21%. [4]

The products offered by fintechs seem to meet this new demand. The Italian banking Association estimates that 81% of "advanced" bank customers used a service provided by a non-traditional player for their payments, and 55% of them did the same for other financial products[5]. Therefore, banks need to move quickly to step up to these new competitors.

The evolution of banks towards a digital, modern environment is particularly difficult because of banks' specific traits:

- **Outdated technology**: compared to fintechs, banks base their core system on ageing technology. As of mid-2019 more than 70% of institutions were still reviewing their legacy mainframe-based system, originally developed in the 1970s and 1980s, and 43% of banks in the US still uses COBOL, a programming language dating to 1959. Furthermore, a survey conducted by Censuswide in 2019 in the UK showed that only 37% of banks offer the chance to open an account instantly. The data also stated that almost double the number of UK customers of traditional banks, experience disruption to their service on a yearly basis compared to challenger banking users.[6]
- **Lack of skills**: outdated technology makes it difficult to find the right IT professional on the market, plus systems dating back to 20 or 30 years ago come with a huge deal of complexity and customization, often poorly documented, increasing the complexity of an intervention on the legacy system.
- **Regulation**: one of the main reason why many digital transformation programs have been delayed or cancelled lays in concerns over regulatory compliance. According to Forrester, 60% of European institutions stated regulation as the main obstacle in Cloud services adoption.[7]

Cloud: the transformation enabler

Under these circumstances, Cloud can be not only a solution to achieve greater business agility and cost savings, but also a platform to innovate banking infrastructure and activate innovative services that can expand and enhance the capabilities of FSI organizations.

In their recent whitepaper *Forging New Pathways. The next evolution of innovation in Financial Services*, the World Economic Forum placed Cloud as the foundation of digital capabilities. Cloud creates connectivity to access other technologies as-a-service and, focusing their investment on it, organizations can more easily access emerging technologies to solve their main business problems.

In one word, Cloud is the Digital Banking enabler, the starting point to undergo the change addressing FSI main pain points:

- **Regulation**: using Cloud models to build open and agile platforms that can easily meet regulatory requirements.
- **Ecosystem**: building API-based architecture to foster collaboration with financial technology partners to develop new digital products.
- **Customer experience**: ensuring seamless, real-time, omnichannel experience through multiple interaction points.
- **Customer centricity**: building capabilities to better identify customer needs using Artificial Intelligence and Machine Learning tools
- **Innovative Payments**: enabling faster and cheaper payments through digitization and automation.
- **New sources of revenue**: identifying capabilities to sell "as-a-service".

Banks and Financial Institutions usually manage a great amount of customer data. Using Cloud, banks can build an Integrated Data Platform to integrate their traditional databases with new data sources, such as Social Media. Artificial Intelligence (AI) and Machine Learning (ML) capabilities can then be applied to unlock the real value of data, identifying customers' needs and behavior to offer new financial products, tailored on the specific needs of each customer.

Another concrete example of Cloud possibilities is contact center transformation. Several of the main Cloud Service Providers already offer products to evolve the traditional contact center, using Cloud to cut-down costs and scale up capabilities according to the needs. Furthermore, these products can implement chatbots and AI to provide quicker responses and richer interactions based on customers' data.

Despite Cloud possibilities, however, banks' digital transformation programs had shown little results in the last decade, as Forrester[8] observes. Most of the projects do not reach the implementation phase and get stuck in the planning phase, following reluctance to undergo a transformational process that is often perceived as too complicated or that could raise regulatory concerns.

Analysis-Paralysis: how to overcome the most common concerns in Cloud Adoption

For most companies, especially in regulated industries such as Banking and payments, there are a number of attention points to address. That is the reason behind the failure of many Cloud transformation programs: the analysis often hampers the need for innovation, leading the organization to a paralysis. However, these matters can and should be overcome, as many organizations already did.

Security concerns are one of the main reasons that can prevent an organization from undergoing a full Cloud adoption. Customers often perceive Cloud as more exposed to cybersecurity threats and are concerned for the security of their data in a "shared" environment.

Cybersecurity on Cloud, however, is a matter of shared responsibility, in which the Cloud service provider takes care of the overall infrastructure, while the client has responsibility over the correct management of his own data and applications. Companies needs to understand this approach and pay attention to the correct implementation of its own data and application in order to ensure safety and avoid disruption.

Compliance is another significant worry in the Financial Services sector. Regulators require strict measures on data storage and the distributed nature of Cloud can create issues, especially when it's not clear where the Cloud service provider will physically store one company's data.

Most Global Cloud Providers have data centers in the Country or Region of interest, to address most of the compliancy requirements. AWS recently launched a new Italian Region based in Milan and other main Cloud providers (Google, Microsoft, Oracle) are planned to launch in 2022, giving Italian FSI the possibilities to store their data inside national borders and thus meet regulatory standards. Furthermore, regulators are now more open to Cloud and pushing companies in those markets to address properly their Cloud journey rather than stopping it.

The European Banking Authority (EBA) released its final guidelines on Cloud Outsourcing, which came into force on 30 September 2019, aiming to clarify regulatory expectations over documentation, risk assessment and governance around Cloud Outsourcing agreements and national regulators in UK, Luxembourg, Germany and France clarified their position on the topic.[9]

Budgeting could also raise some concerns. Shifting from Capex to Opex makes a significant impact on tax reporting and requires new accounting procedures to be managed correctly.

Cloud adoption calls for a shift in budgeting; sophisticated cost and expense control are fundamental to avoid losing cost saving and efficiency embedded in the Cloud adoption.

Apprehension over **vendor lock-in** is another issue that can stop a cloud adoption program. Moving licenses and application from one service provider to another can be extremely complex, expensive and can wear down the most cloud-enthusiast.

However, truth is that vendor lock-in has been an issue over the last decades, way before the advent of Cloud computing. A competent planning of Cloud adoption can avoid lock-ins using, for example, multi-cloud or hybrid cloud solutions to select the right provider for each workload. In addition to that, recent programs as Gaia-X - the initiative that aims to create a European Cloud – are trying to open the market to smaller initiatives and new competitors that could offer an alternative to global Cloud Providers.

Finally yet importantly, lack of **competences and Cloud skills** can prevent many organizations to go on their path to Cloud transformation. Thus, Cloud adoption should be carefully planned, designing an adequate strategy and preparation phase aligning talents and company's operating model to function in the new Cloud environment.

Cloud requires the transformation of the overall organization, as well as the IT architecture. Creating a Cloud Center of Excellence can centralize governance, operations, standards settings and demand management. Investing in people's competences is crucial and will help organization to better manage the move to the Cloud.

Conclusion

Adopting the Cloud can be daunting, but its benefits in terms of business agility, cost control, scalability and innovative solutions is something that can be crucial for banks and other Financial institutions. Building Cloud foundations will allow companies to cost-effectively build advanced automation and AI tools, in addition to enhanced business agility. Those who already made their move to the Cloud can state its benefits: National Australia Bank used Cloud to automate its security and compliance checks, deploying in only 45 seconds controls that used to take more than 3 weeks.[10] Companies should bear in mind that Cloud is more than a technological upgrade. It requires a broader, holistic business transformation for benefits to appear. Following this caveat, FSI organizations should carefully program their Cloud migration, merging technology, talent and processes to realize Cloud profits without need to worry about its downsides.

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