



MIGRATING TO MANAGED IT SERVICES FOR FINANCIAL SERVICES: OPTIMIZING THE OPERATIONAL AND CYBERSECURITY ADVANTAGES

A growing number of financial services firms are moving to the cloud – and to cloud-based managed IT services. Here's how to realize the greatest rewards as you digitize and optimize your business.



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EXECUTIVE SUMMARY

Today's financial services companies expect more from their IT infrastructure. It's no longer enough for technology investments to merely keep the lights on. Instead, they need digital transformation that accelerates the business, serves customers better, and propels them ahead of the competition.

That's why financial services like yours are moving to the cloud – and to cloud-based managed IT services. Managed IT gives them the capabilities and flexibility to adapt to changing regulations, stay ahead of cybersecurity threats, respond to unexpected market movements, and meet emerging customer demands.

But migration to managed IT comes with a broad set of requirements and considerations. You need to achieve modernization while maintaining operational efficiency, protecting data resources, and sustaining both revenue and reputation. As you enter into a relationship with a managed IT provider, you want to be sure you're working with a partner who understands your business, has rich experience in all aspects of your operations and collaborates closely on achieving the results you want.

This white paper provides the guideposts you need on your digital transformation journey. Read it to understand:

- The types of managed services that can benefit financial services firms
- Why cybersecurity is crucial to managing workloads in the cloud
- How to both optimize benefits and address risk
- Best practices in structuring your outsourcing agreement
- Service provider due diligence and oversight
- Your next steps to success

Organizations in highly regulated markets need robust yet flexible digital solutions that improve operations and enable customer-centric services. For a growing number of financial services companies, managed IT services provide the answer – and a portal to future success.

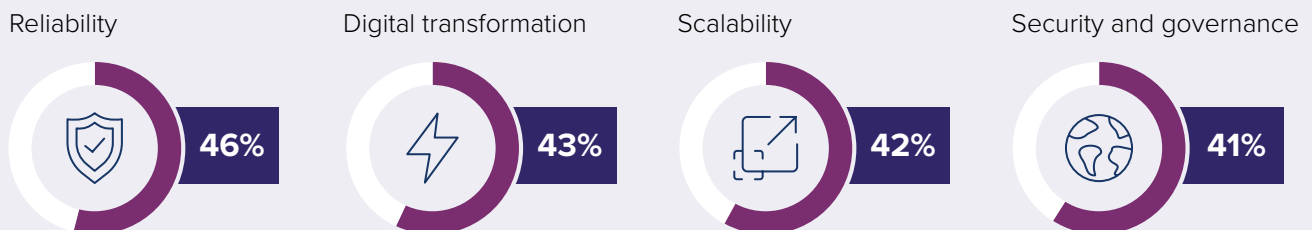
NAVIGATING THE MANAGED IT SERVICES LANDSCAPE

As the drive to the cloud accelerates, cloud permutations are proliferating. Organizations now have greater choices in public, private, and hybrid cloud platforms.

Today, 60% of technology practitioners and decision makers are using multi-cloud, which is expected to grow to 81% over the next 12 months. Nearly half (46%) are driven to cloud adoption to improve the reliability of their operations, with scalability, digital transformation, and security also seen as key aspects cloud can support (See Figure 1). That's according to a [Forrester report](#) that surveyed IT experts and decision-makers in June 2022.

Figure 1: The factors driving multicloud adoption

“What are the business and technology factors driving your multicloud adoption?”



Base: 874 application development and delivery decision-makers with budget authority for new investments

Note: Respondents selected all responses that applied

Source: A commissioned study conducted by Forrester Consulting on behalf of HashiCorp, June 2022

NAVIGATING THE MANAGED IT SERVICES LANDSCAPE CONT.

A recent **Microsoft-sponsored Harris Poll** revealed that 89% of decision-makers say that multicloud or hybrid cloud solutions drive meaningful business results. And 95% agree that multicloud or hybrid cloud is crucial to business success. Benefits range from lower costs to increased agility. (See Figure 2)

Figure 2: Top five benefits of multicloud or hybrid cloud

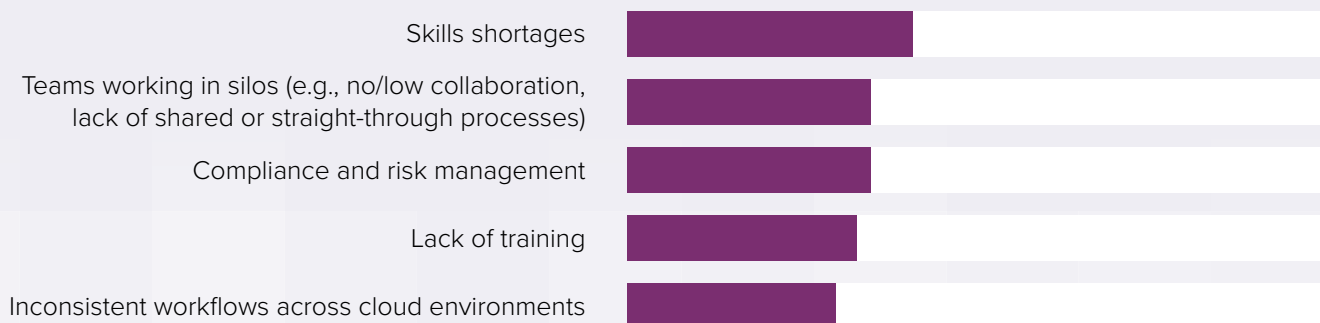


Source: "Hybrid and Multicloud Perceptions Survey", Microsoft, October 2021

However, migrating to the cloud creates complexity and multiple challenges. Organizations are being held back from operationalizing cloud primarily because of a skills shortage (41%), but also because of business silos (35%) and compliance and risk management (35%). (See Figure 3)

Figure 3: The factors complicating the ability to operationalize multicloud

"Which of the following factors complicate your organizations's ability to operationalize multicloud?"



Source: "Hybrid and Multicloud Perceptions Survey", Microsoft, October 2021

NAVIGATING THE MANAGED IT SERVICES LANDSCAPE CONT.

Consequently, a growing number of financial services firms are looking to managed IT services for:



INFRASTRUCTURE

Infrastructure as a service (IaaS) tops the list in managed service outsourcing. IaaS empowers your firm to make more accurate and confident decisions on technology investments, with the support of experienced infrastructure experts. At the same time, you can save costs and headaches on hiring and training in-house IT staff.

Just as important, you can free up decision-makers and their teams to focus on core competencies, deliver superior customer experiences and achieve differentiation in the marketplace. By leaving infrastructure in the hands of a proven, trusted IT partner, you can improve operational efficiency while keeping technology aligned with your business goals.



COMPLIANCE

From the EU's General Data Protection Regulation (GDPR) to forthcoming new rules on cybersecurity risk management from the SEC, your firm faces stricter regulatory scrutiny. Effective compliance oversight is crucial to responding to new rulemaking as it emerges and ensuring your firm doesn't incur damaging penalties, unexpected costs, or lost customer confidence.

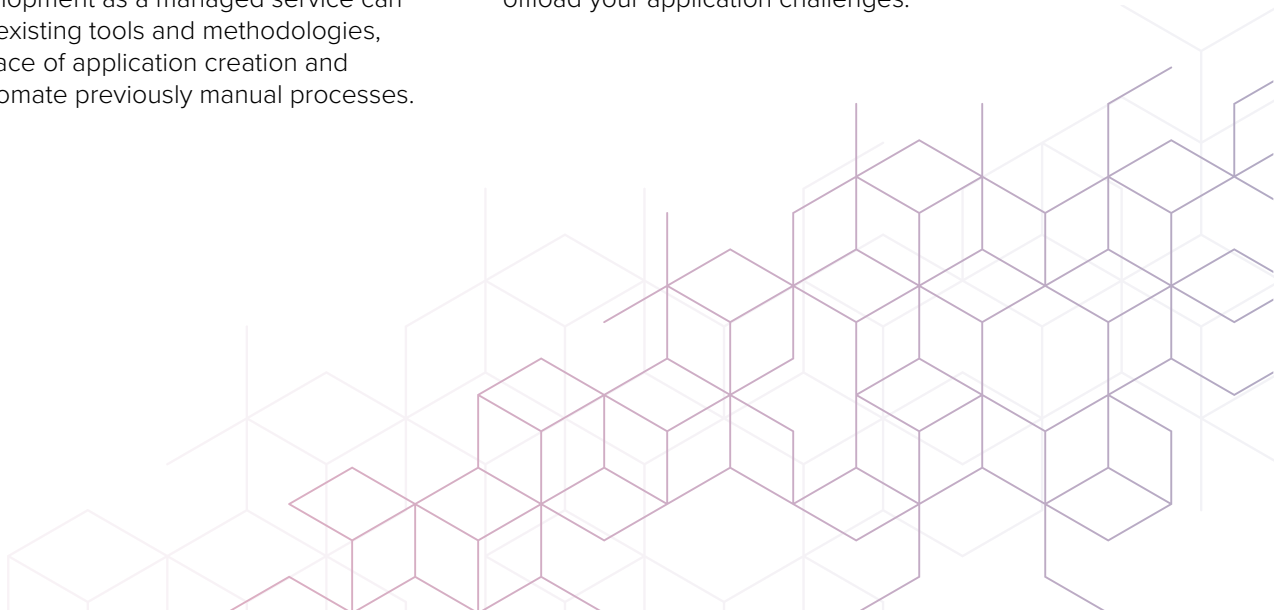
A managed service provider can equip your firm with the capabilities of a chief compliance officer (CCO), chief information security officer (CISO), data protection officer (DPO), and more. You gain the experience and expertise to remain in compliance, without the expense and inefficiency of trying to maintain in-house compliance management.



APPLICATION DEVELOPMENT

As your firm becomes more digitized, it relies more on customized applications that improve customer experiences and enable market differentiation. Application development as a managed service can modernize your existing tools and methodologies, accelerate the pace of application creation and delivery, and automate previously manual processes.

You can leverage this approach to achieve project-based advancements, augment your in-house development team, or entirely offload your application challenges.



PLACING CYBERSECURITY FRONT AND CENTER

In today's environment, security can no longer be added as an afterthought. In fact, 80% of firms say cybersecurity consulting services are crucial to their digital transformation efforts. That's according to a recent ECI-sponsored report by IDC, ["Cybersecurity and Digital Transformation of the Global Alternative Asset Industry: A Critical Pairing."](#) The study surveyed 400 executive-level decision-makers at alternative investment firms in North America and Western Europe.

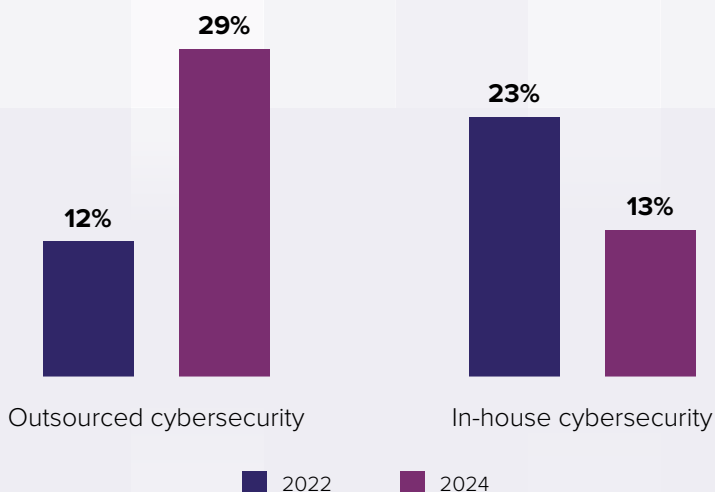
There are many reasons for this:

- Threat monitoring is a 24x7x365 undertaking that requires robust knowledge, data, and tools.
- Threat analysis and escalation are time-consuming and time sensitive.
- Emerging cyber risks require continual investments in new tools and technologies.
- Industrywide competition for cyber experts results in high turnover and staff shortages.

Cybersecurity as a managed service provides a more secure and cost-effective approach to risk reduction. By relying on an experienced, trusted cyber partner, you benefit from the latest threat knowledge, cyber protections, and response best practices.

More alternative investment firms are recognizing the value of security outsourcing. Reliance on a managed service provider for cybersecurity will more than double by 2024. At the same time, the use of in-house security staff will almost halve. (See Figure 3)

Figure 3: Cybersecurity Outsourcing in Alternative Investment Firms



Source: "Cybersecurity and Digital Transformation of the Global Alternative Asset Industry: A Critical Pairing," IDC, June 2022

OPTIMIZING BENEFITS, ADDRESSING RISK

From infrastructure to cybersecurity, managed IT services promise tremendous benefits:



Secure access to assets and data

For stable, reliable systems and minimum downtime, and with disaster recovery and business continuity built in. As cloud environments change rapidly and demand for IT expertise increases, you can free yourself from infrastructure burdens to focus on customer service and competitive advantage.



Highly secure cloud solutions and proactive cloud management to keep you aligned with standards and protected against cyber threats

Implemented alongside Cybersecurity Solutions, financial services can benefit from advanced protection via next-generation firewalls, web filtering, antivirus and malware tools, patch management, email security, and endpoint protection.



A lower barrier to innovation and improved business agility

Cloud enables you to get to market faster and scale up quickly as your business grows. A managed cloud provider empowers you to benefit from economies of scale. This combination of advantages creates a virtuous cycle in which you gain larger returns on your technology investments while freeing up capital to focus on innovation and growth.



Better control of costs, with reduced total cost of ownership

Reducing costs is a compelling motivator, and a more predictable and ultimately lower total cost of ownership is what drives many in financial services to managed IT services. By working with a trusted partner on both infrastructure planning and ongoing administration, you can digitize and automate more of your business – and gain higher value for your money.

OPTIMIZING BENEFITS, ADDRESSING RISK CONT.

Of course, some decision-makers might harbor concerns about ceding control of IT management. These hesitations are understandable. But as cloud-based services have grown more robust, flexible, and secure, the advantages have far outweighed the potential risks.

To manage concerns in your own firm, take these steps:



ESTABLISH OVERSIGHT

Managed IT services can free your firm to focus on what it does best, but you still need to ensure oversight of your IT partner. Conduct due diligence before entering into an outsourcing relationship and monitor service-level agreements (SLAs) to ensure the partnership continues to meet your needs. You'll want to retain some level of in-house IT expertise to oversee the contribution of your managed service provider.



MAINTAIN CONTROL

Handing over the management of an internal function doesn't mean you should cede control of your operations. Determine upfront with your IT partner the level of control you want to maintain and monitor that control on an ongoing basis. That will help manage expectations for your service provider and internal teams. It will also ensure the relationship with your IT partner remains a trusted one.



ENSURE COMPLIANCE

Regulatory bodies are alert to the potential risks of outsourced services, especially around data management and cybersecurity. Increasingly they provide guidance on your responsibilities in an outsourced relationship. Never fail to conduct due diligence to ensure your provider has the right amount of industry knowledge, internal controls, and a proven track record of maintaining regulatory compliance.

STRUCTURING OUTSOURCING AGREEMENTS

A well-structured outsourcing agreement is crucial to the effectiveness of the managed service relationship and its outcomes. Your firm will require a clear and specific agreement that sets and manages service levels and expectations. Be sure to address these crucial issues, both before you negotiate a contract and as you structure the agreement:

Industry knowledge – Make sure your provider fully understands both the financial services market and your unique needs within that market.

Regulatory compliance – Confirm that the provider can meet the regulatory requirements specific to your business model and the markets you operate in.

Roles and responsibilities – Managed service relationships are a partnership between your firm and the provider. Be clear about the responsibilities of each party and the roles key stakeholders will play.

Best practices, processes, and third parties – Insist that the provider be fully transparent about its best practices for providing services and the specific processes it follows to deliver those services. Also, ensure you have a clear picture of third parties that assist the provider in delivering services and that might have access to your data.

SERVICE PROVIDER DUE DILIGENCE AND OVERSIGHT

Not all managed service providers will be a good fit for your business. Investing time and effort in due diligence upfront will pay off with smoother transitions and better outcomes.

Committing to ongoing oversight will ensure that your managed IT services deliver the digitization, automation, and improved customer and employee experiences you want. Key aspects of due diligence and oversight include:



Certifications and service levels

Look for an outsourcing partner with certifications specific to the financial services sector. These are an indication of the provider's commitment to your market and its ability to deliver relevant best-in-class services.



Vendor and subcontractor locations

Different jurisdictions have different regulatory requirements for issues such as offshoring and data protection. Gain a clear understanding of where your managed service provider and its subcontractors maintain operations and ensure they're in compliance.



Audit processes

Make sure your provider is transparent about its processes, your ability to maintain oversight of them, and how it audits the processes of any third parties that will support your operations or have access to your data.



Disaster recovery and business continuity

Your managed service provider not only needs to support the continuity of your business; it also must be able to ensure its own continued operations. Demand transparency around its resilience practices and disaster recovery measures.



Data breach notifications

Forthcoming SEC rules require investment firms to promptly notify both the SEC and clients about data breaches. Other jurisdictions might have similar requirements. These disclosures extend to the service providers that handle your data. Be sure your IT partner can comply.



Cybersecurity track record

An effective service provider can strengthen your cybersecurity posture. It must also be able to demonstrate the integrity of its own cyber protections. Make sure you have a clear picture of its track record for protecting data and sustaining operations. Be sure to understand how your data is stored, who is authorized to access it, whether it will be encrypted at rest and in transit, whether it can be fully wiped at your request, and other aspects of data governance.

NEXT STEPS TO SUCCESS WITH MANAGED CLOUD SERVICES



The financial services landscape is forever dynamic. Markets fluctuate unexpectedly. New technologies emerge and transform capabilities or upend business models. Cyber threats proliferate. And regulatory landscapes shift continually.

Your IT infrastructure can no longer simply act as a utility that sustains the status quo. Instead, it needs to continuously flex with new functionality, greater scale, and better outcomes. It must respond to customer demands, cybersecurity realities, and market opportunities.

Cloud-based managed IT services provide an opportunity for financial services companies to break free of aging technology constraints. You can gain the capabilities, expertise, and insights to achieve digital transformation, automate previously manual processes, and compete for market share and profitable growth. You benefit from the robust solutions you need to operate securely and confidently today – and a roadmap to your digitized, more-successful future.

Ready to conquer the cloud, benefit from managed IT services, and achieve digital transformation?

Contact ECI today to find out how your organization can leverage our strategic IT managed solutions, cloud services and cybersecurity protections.

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