



Think Cloud Compliance Case Study

Swedish bank overcomes regulatory hurdles and embraces the cloud to foster innovation

Customer details:

Collector Bank - Sweden
329 employees
www.collector.se/en
Banking and Capital Markets

collector bank

“ If we want to stay ahead, we need an environment that inspires ongoing innovation. We’re not going to invent new products with old technology. With Azure, we attract skilled, curious people who do great work.”

Mats Iremark
IT Director
Collector Bank

Based in Gothenburg, Sweden, Collector Bank believes innovation is key to its financial success. The bank uses Microsoft cloud technologies to grow and diversify without a commensurately expensive investment in IT infrastructure. Also, the European financial services sector is heavily regulated, and past regulations were not written with the advances of cloud technology in mind. Collector has decided to face the regulatory challenge head-on, working with regulators and Microsoft to operate within a framework that promotes security, privacy, and innovative practices.

Addressing regulation vs. innovation

With assets of SEK15.155 billion (EUR1.58 billion), fast-growing Collector Bank offers innovative financing solutions to individual and corporate customers. Collector attributes much of its rapid growth to applying technology and innovation to compete against larger players. The organization sees itself as a technology company with a bank license, rather than a bank with technical solutions. Nevertheless, financial services companies in Europe are heavily regulated at regional, national, and international levels, so companies like Collector must include regulatory compliance as part of their digital transformation strategy.

With cloud providers now able to cost-effectively offer exponential computing power, high reliability, and strong security, many companies are choosing to move away from traditional on-premise IT infrastructures. Using the capabilities of cloud technology, these companies develop innovative products and streamline internal business processes. This is what digital transformation is all about. However, as new technologies evolve, there’s a time lag before the regulations catch up. That means leaders in core functional areas of banks are faced with the challenge to ensure compliance by mapping existing regulations to new and innovative technology.

Leading by example and growing rapidly

The forward-thinking, early-adopter companies—like Collector—who embrace new technologies tend to be eager, agile, young, and small compared to their more-established competitors. “We’re the pioneers, the guinea pigs, who have to work hard to get the go-ahead to put our technologies in place,” says Håkan Svensson, Head of Compliance at Collector Bank. “Still, Collector is willing to make the effort because we have to in order to maintain our rapid growth.”

And the growth has been substantial. Since 2005, Collector has experienced an annual revenue increase of 30 percent and an earnings increase of 56 percent. The bank embarked on a cloud pilot project two years ago, and given the company’s successes with the pilot, it chose to take an “all in” approach to Microsoft Azure. Says Svensson, “One of the biggest strengths of Azure is that its technologies are so simple to deploy: If I need to, for example, I can spin up a new database, scale-up virtual machines, or create a new test environment. Major initiatives are now just two clicks away.”

In deciding what technologies to adopt, Collector is aware that it must take legal issues into account. Ensuring its cloud use is in line with existing legal requirements is key to making the bank’s digital transformation possible. “We ask regulators to carefully evaluate how they view technology as they write guidelines and regulations,” explains Svensson. “Regulators have a critical job, and the efficiencies of the cloud will drive the financial services industry, so the traditional compliance functions will have to adapt to a rapidly changing market.”

Collector has been carefully preparing for cloud adoption. For example, the bank created an anti-fraud application based on Microsoft Azure, and it continues to develop expertise in the cloud. Many companies in the financial services industry have expressed interest in the cloud and recognized the value of embracing it. And financial regulators are taking notice.

Recognizing the regulatory must-haves

Recent European Banking Authority (EBA) recommendations recognize the need for cloud outsourcing guidance. Specifically, EBA says that “Due to the specificities of cloud outsourcing, the recommendations include guidance on the security of the data and systems used.” They also address the treatment of data and data processing locations in the context of cloud outsourcing. “Institutions should adopt a risk-based approach in this respect and implement adequate controls and measures such as the use of encryption technologies for data in transit, data in memory, and data at rest.” (Consultation on Recommendations on Outsourcing to Cloud Service Providers, EBA/CP/2017/06).

Moreover, the General Data Protection Regulation (GDPR) of the European Union is coming into effect in 2018 creating a comprehensive new compliance framework for data protection in the EU. A fundamental purpose of the GDPR is to establish shared responsibility and trust between the controller of personal data and the provider it engages for the processing of such data. Consequently, it is important for banks to choose a cloud service provider with a principled approach to privacy, security, compliance, and transparency.

Going forward, it will be essential for organizations like Collector to secure its own and its vendor’s infrastructure to manage privacy, security, and other legal compliance demands. The GDPR requires that controllers of personal data use only data providers that have committed to comply with the GDPR and to support compliance efforts of controllers. Microsoft was the first major cloud service provider to make this commitment.

For Collector, to ensure compliance with GDPR, it must make technology decisions based not only on the advice and expertise of its IT staff but also of its legal and compliance teams. The role of people like Svensson is now especially crucial, and understanding new technology is a critical criterion for the Head of Compliance position. Says Svensson, “We want to keep growing, so we have to stay agile. That includes having a strong in-house compliance concept that values technology.” Collector Bank also considers Microsoft a valuable, active participant in the European regulatory process. “We see Microsoft making clear efforts to understand the needs of financial services companies like Collector and the environment we operate in,” says Svensson.

Appealing to talent

Because Collector is an innovator and is able and willing to address the regulations and requirements head-on, it is updating its IT approach to align with its digital transformation strategy. That means finding the right people for the right IT jobs. Mats Iremark, IT Director at Collector, says, "When we think of the cloud, we want it to fit developers. We chose the Microsoft Azure cloud platform primarily because it appeals to skilled people. But we also think its benefits of scaling and cost are fantastic."

Iremark adds, "The main reason that we have a cloud-first strategy and focus so much time and effort on working with regulators is that we believe that if we want to stay ahead, we need an environment that inspires ongoing innovation. We're not going to invent new products with old technology. With Azure, we attract skilled, curious people who do great work."

Choosing a secure platform for the long term

Collector recognizes that companies often cite cloud security as an IT concern, particularly as it applies to the financial services industry, but the bank believes that Azure services are more secure than on-premises systems. That means that Azure improves upon the security measures that regulators require. "Security is always foremost in the minds of our developers. One of the things we appreciate about Azure is that it offers so much functionality that developers don't have to build from scratch. When it comes to security in Azure, many best practices are there by design."

For example, Azure Information Protection (AIP) allows Collector to instantly classify, label and protect new or existing data, to share it securely with people within or outside of its organization, to track usage, and even to revoke access remotely. Moreover, Advanced Threat Protection (ATP) in Microsoft Exchange Online is a feature that provides a way for the bank to create policies that prevent users from accessing malicious email attachments or malicious websites linked through emails. Those features are particularly useful tools supporting the bank's internal compliance functions in its challenge to implement core GDPR requirements, such as ensuring that data is readily identifiable and protected against security threats.

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Expanding on why Collector chose Azure over competing solutions, Iremark adds, “We have thorough experience with the Microsoft .NET Framework, so Azure was natural fit for us. Also, because Microsoft is well-aware of the regulatory challenges, Azure already meets many required certifications, so we’re confident that others will follow as we need them.”

Svensson notes that adoption drives regulation and that conversations about how technology will be used should include parties from government, the banking industry, and service providers. When Collector looks at other cloud service providers, it doesn’t see the same willingness that Microsoft demonstrates as a partner in the financial services industry. He concludes, “Following a lot of discussion, regulators now pretty much want to set standard best practices that apply to outsourcing cloud services throughout Europe. And in that effort, I think Microsoft has done a very good job.”