

PRESS RELEASE

NEW INDUSTRY PAPER ON PRINCIPLES FOR PUBLIC CLOUD REGULATION

This report provides recommendations for a technology-neutral and activity-based approach to public cloud regulation

Hong Kong, 2 March 2021 - ASIFMA, the region's leading financial trade association, released a new paper titled "[Proposed ASIFMA Principles for Public Cloud Regulation](#)". This paper puts forward principles that aim to promote discussion between financial institutions, cloud service providers, and regulators about the most effective way to implement public cloud regulation. This paper was written by ASIFMA's cloud taskforce with input from public cloud providers.

"Cloud computing is rapidly becoming the norm for IT processing and data storage solutions as it is an adaptable and versatile way to consume a range of IT services," says Laurence Van der Loo, Executive Director of Technology & Operations at ASIFMA. "In this paper, we focus our attention on the regulation of the public cloud, where the cloud infrastructure is provisioned for open use by multiple organisations. The use of public cloud brings significant benefits to the financial services industry in the areas of risk mitigation, innovation, cost savings and productivity gains- although it has also been of particular interest and regulatory scrutiny due to the differences associated with public cloud versus other models."

The adoption and implementation of public cloud by financial institutions can be complex due to conflicting regulatory requirements across jurisdictions. Therefore, ASIFMA argues the importance for regulators to promote a consistent and globally aligned framework for public cloud regulation. Regional approaches still pose significant challenges to financial institutions trying to implement the public cloud as part of their global strategy. For example, limitations in one region may make the deployment of a global process to a certain service provider impossible. As well as these regulations defeating the business case for such activities, it could increase cybersecurity risks by creating a more decentralised environment that needs to be safeguarded, which inhibits central oversight and information sharing across borders.

Whilst authorities and regulators acknowledge the advantages public cloud can bring, they are also concerned with concentration risk, data access, cybersecurity and resilience. ASIFMA argues that the most effective way for regulators to address these concerns is by adopting a technology-agnostic, risk-based and principle-based approach when implementing public cloud regulation.

"Since we expect cloud technology to become the norm in the future, it is essential that regulators do not stifle technological innovation so that the financial services industry can maintain a competitive edge. Therefore, using a technology-agnostic, principles-based approach will prevent regulation becoming stale as technology changes and avoids the need to finetune/ add on adjuncts which can lead to overly complex regimes," concluded Ms. Van der Loo.

In this paper, ASIFMA propose nine high-level principles to public cloud regulation:

Principle 1: Recognising the benefits of public cloud

Principle 2: Supporting ongoing dialogue

Principle 3: Supporting technology-neutral and activity-based regulation

DEVELOPING ASIAN CAPITAL MARKETS

- Principle 4: Supporting harmonisation of public cloud requirements
- Principle 5: Supporting a principles-based and outcome-focused approach to cloud regulation
- Principle 6: Risk assessment and due diligence of public cloud arrangements and CSPs
- Principle 7: Supporting free movement of data
- Principle 8: Approval and notification requirements
- Principle 9: Concentration risk

ASIFMA and its members look forward to discussing these principles with regulators and authorities in Asia and globally. We hope these principles can help facilitate the dialogue between FIs and policy makers, drive regulatory harmonisation and support adoption of public cloud in the financial services industry whilst also addressing regulator's concerns.

To access the full report, click [here](#).

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About ASIFMA

[ASIFMA](#) is an independent, regional trade association with over 140 member firms comprising a diverse range of leading financial institutions from both the buy and sell side, including banks, asset managers, law firms and market infrastructure service providers. Together, we harness the shared interests of the financial industry to promote the development of liquid, deep and broad capital markets in Asia. ASIFMA advocates stable, innovative and competitive Asian capital markets that are necessary to support the region's economic growth. We drive consensus, advocate solutions and effect change around key issues through the collective strength and clarity of one industry voice. Our many initiatives include consultations with regulators and exchanges, development of uniform industry standards, advocacy for enhanced markets through policy papers, and lowering the cost of doing business in the region. Through the [GFMA](#) alliance with [SIFMA](#) in the United States and [AFME](#) in Europe, ASIFMA also provides insights on global best practices and standards to benefit the region.

More information about ASIFMA can be found at: www.asifma.org