



IBM Cloud for Financial Services™

Understanding your cost savings estimates

How did we estimate your savings?

To estimate compliance savings, we built a process model to show the as-is compliance costs and compared them to the compliance costs when using IBM Cloud for Financial Services™.

1. Process

We established a highly granular process view of the existing activities involved in Regulatory Technology Compliance Tasks.

The overall process was defined into five key activity categories, which contain 196 separate activities in total.

2. Effort

We estimated the existing work effort required to complete each of the activities in the process, taking into account the hours per task and the roles involved (18 separate roles).

Furthermore, three baseline scenarios (based on the size of the organization) were considered to reflect the variation in regulatory complexity.

3. Cost

This was calculated based on the number of hours per activity multiplied by the cost per hour for the relevant resources.

This enabled us to determine the cost of the existing baseline activities without IBM Cloud for Financial Services™.

4. Savings

The total cost saving impact from IBM Cloud for Financial Services™ capabilities, derived from savings of time and work effort involved across all activity categories.

How much are the savings worth?

Based on the process above, a cost saving was calculated for each of the five key activity areas. The savings across these activities were then summed to yield 30% projected savings for total compliance costs enabled by IBM Cloud for Financial Services™. To account for the variation in regulatory complexity, the savings per activity category were applied to three baseline scenarios, based on the size of the organization. The 30% value was based on the mid-point of the ‘bottoms-up’ ROI savings estimate for the scenarios:

- Single Country/Regional Financial Services Organization (one country)
- Medium International Financial Services Organization (10 countries)
- Large International Universal Financial Services Organization (65 countries)

The table below shows the five key activity areas, the savings in each of those areas and the main capabilities within IBM Cloud for Financial Services™ that enable those savings.

Projected savings are based on an estimated traditional financial services cost model over a one-year period. Estimations are based on industry data. Actual savings will vary based on company-specific factors.

	Savings %	Activity
30% reduction in compliance costs	10%	Legal, regulatory and advisory reviews Reduction in time spent on regulatory horizon scanning. IBM Cloud Framework for Financial Services™ evolved by IBM Promontory, IBM FS Cloud Council
	5%	International standards reviews Building from NIST 800-53 – a control approach that can be mapped to regulatory guidelines worldwide
	40%	Standard design and controls analysis/mapping including digital supply chain Time savings via pre-configured controls based on NIST 800-53 language plus IBM financial guidance Numerous FS ISVs, SaaS providers and business partners whose offerings are IBM FS Cloud validated
	40%	Technical and architectural design; Definition of controls sets Out-of-the-box automation that translates controls into configurations Integrated security and compliance management tools with monitoring and alerting Reference architectures with integrated and pre-configured vendor products
	20%	Controls implementation Automated evidence collation and recording of attestations Annual certifications of “below the line” components, regular PEN testing External cloud certifications and ecosystem validations Customizable single source of truth repository with historical/trend data

How much are the savings worth for you?

To estimate how much the 30% reduction in compliance costs is worth for you, we estimated how much of your total costs could be impacted by these savings. To do this, we identified two key categories of costs:

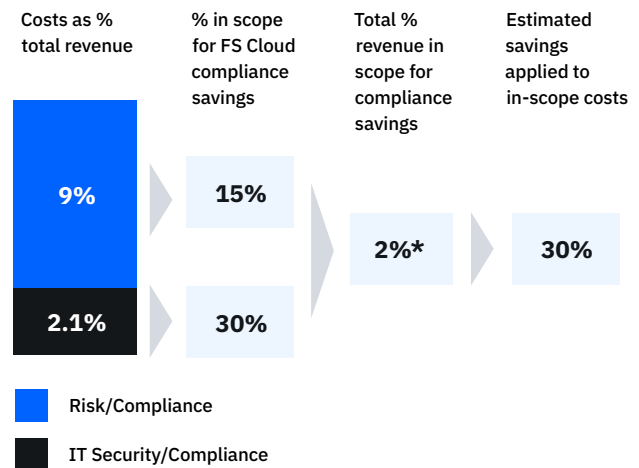
- Risk and compliance costs: This is estimated at 9% of total revenue¹
- IT security and IT compliance costs: This is estimated as 24% of total IT costs, which is based on the sum of IT security (10% of IT costs)² and IT compliance (14% of IT costs)³

Total IT costs are estimated at 8.75% of revenue, based on composite of third-party benchmarks [Gartner, McKinsey].

Since not all the spend in these two areas can be impacted by the capabilities in FS Cloud, we estimated how much of that spend is in-scope:

- Risk and compliance: 15% of total, which is a conservative estimate given the importance of issues such as data security, data privacy and protection compliance obligations for banks
- IT security and compliance: 30% of total, which is based on the percentage of regulated workloads expected to be migrated to the IBM FS Cloud and assumes a 1:1 relationship between workloads and cost (conservative, given mission-critical/regulated workloads)

These benchmarks and assumptions were applied to the data inputs you selected in the tool to generate the estimate of the total compliance cost savings, as well as the breakdown of those savings between Risk and Compliance and IT savings.



*Actual percentage (%) revenue in-scope estimated based on financial industry benchmarks. Percentage (%) revenue in-scope will differ if actual IT spend is above or below benchmark value.

1. Bloomberg: <https://www.bloomberg.com/professional/blog/rising-compliance-costs-hurting-customers-banks-say/>

2. Finextra: <https://www.finextra.com/pressarticle/78229/financial-institutions-spend-an-average-of-10-of-their-tech-budgets-on-cybersecurity>

3. Infosecurity Magazine: <https://securityintelligence.com/news/security-compliance-spend-now-or-pay-later/>

Contact your IBM representative to learn more about these cost savings and how to apply them to your business.

Connect with us:

ibm.com/cloud/financial-services

Projected savings from this assessment are based on an estimated traditional financial services cost model over a one-year period. Estimations are based on industry data. These benchmarks and assumptions were applied to the data inputs provided in the tool to generate the estimate of the total compliance cost savings, as well as the breakdown of those savings between Risk and Compliance, and IT savings. Actual percentage (%) revenue in-scope estimated based on financial industry benchmarks. Percentage (%) revenue in-scope will differ if actual IT spend is above or below benchmark value. IBM does not recommend basing financial decisions or operational strategies on the estimates provided by this assessment. Actual savings will vary based on company-specific factors. Please contact an IBM representative to learn more.

