

Cloud Computing: Why It Might Be Right For Your Firm

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ABOUT EZE CASTLE INTEGRATION

Eze Castle Integration (www.eci.com) is the leading provider of technology and IT services to the investment industry. The company's service areas include Startup and Relocation, Outsourced Technology Support, Professional Services, Telecommunications, Business Continuity Planning and Disaster Recovery, Archiving, Storage, Colocation Services and Internet Service. Eze Castle Integration is headquartered in Boston and has offices in New York, Chicago, Minneapolis, Los Angeles, San Francisco, Stamford and London.

With IT budgets tightened significantly over the past year, many hedge funds and investment firms have had to make changes to their businesses. Personnel changes, budget freezes and other tough decisions had to be made along the way. Both staff and systems were often on the chopping block.

More than any other industry, financial firms rely on premier technology for swift trade execution, secure data protection and much more. If it is determined that the IT budget needs to be cut, the question is “how?” What is the best way for an investment firm to save on IT costs but without sacrificing efficiency and performance? The answer is cloud computing, and believe it or not, cost isn’t the only reason firms are making the switch.

WHAT IS CLOUD COMPUTING?

Although cloud computing has become popular in recent years, many businesses and financial firms still do not understand what it is and how it works. Cloud computing is when a service or software application is hosted in a web-based repository – known as the “cloud.” The service is hosted by a third-party provider who then provides access to that service to users on an on-demand basis. In essence, a firm’s data and applications are hosted, alleviating that firm from having to purchase and maintain costly infrastructure in-house.

WHY USE THE CLOUD?

Cloud computing can support front-, middle- and back-office functions – everything from business applications and CRMs to data management solutions and accounting systems. There are a number of advantages to using this model, notably low infrastructure investment, increased flexibility, less maintenance, and even positive environmental contributions.

Cost-Savings

There is no question that migrating to a cloud computing model can render significant cost-savings for an investment firm. Rather than purchasing costly infrastructure and relying on multiple servers in a crowded Communications room (comm. room), firms can outsource that infrastructure to a third-party and manage all of their data and applications from a simple web address on the Internet. This system is particularly beneficial to start-up firms who may not have the upfront capital to invest in their own infrastructure or the staff to maintain and monitor a comm. room.

Flexibility/Scalability

One of the most beneficial aspects of cloud computing is that firms are only required to pay for the

resources and the capabilities they need. With traditional infrastructure models, firms must invest in advanced servers and storage devices that generally come at fixed costs. Cloud computing is uniquely flexible and scalable, operating on a utility basis - allowing firms to pay as they go and only for the resources they will use.

In many cases, firms can take advantage of advanced mobility features through which they can access their hosted applications and data from anywhere at any time, freeing employees from having to remain at their desks during normal business hours.

Because the cloud computing solution is virtualized, there are other distinct advantages not offered by traditional infrastructure models. Space, storage and RAM are quick and easy to add. There is no need to wait for quotes to be drafted and equipment to be ordered and shipped. Instead of taking days, your firm's needs are fulfilled in a matter of hours. Cloud computing also supports a sharing of resources among multiple users – also known as multi-tenancy – which allows for increased utilization and efficiency.

Less Maintenance

Unlike traditional infrastructure models where the firm is solely responsible for its own IT needs, the cloud computing model puts all of the responsibility on the third-party provider. Firms are no longer tasked with managing constant server updates, hardware installs and other computing issues. This allows the firms' internal IT staffs to focus on more business-critical matters and spend less time on mundane and time-consuming maintenance issues. Or in the case of many smaller firms without internal IT staffs, it saves them from having to hire and train additional employees.

Green Benefits

The idea of using the Internet as a gateway to technology has significant environmental benefits. The resources and energy needed to maintain and manage a dedicated comm. room can be astronomical. Power, cooling and basic energy supply equipment must be at peak performance at all times in order to facilitate maximum uptime for investment firms. In the case of cloud computing, however, firms don't need to host internal equipment, thereby saving on all-around energy costs.

The reduction of overall energy consumption is also multiplied with third-party providers utilizing custom data centers specifically designed for better energy efficiency. Additionally, many new computers are now optimized for virtualization, adding another layer of efficiency and using significantly less power for operation.

CONCERNS AND CHALLENGES TO CLOUD COMPUTING

Despite its clear advantages, the notion of cloud computing is still meeting a lot of resistance in the financial services industry. Investment firms tend to be concerned with data security and performance. Many firms are reluctant to migrate to virtualized platforms because they don't fully understand the system and its benefits.

Privacy and security concerns are common among financial firms given the sensitivity of their data. The idea of hosting this sensitive information on the Internet is not always a comfortable one. Third-parties that provide cloud computing services, however, are quick to point out that the system is just as secure as maintaining one's own equipment, with comparable data protection measures, firewalls, security checkpoints and passwords as traditional infrastructure models. Performance concerns, as well, seem to be easily thwarted by third-parties, who insist cloud computing is just as efficient and effective as non-web hosted systems.

Recently, however, concerns have gained a little bit of weight as cloud service providers such as Google have experienced significant downtimes to their email system and a notable privacy breach with their Google Docs application. Google maintains that their service is reliable, but it also seems reasonable for firms to have pause.

Despite concerns, over the last couple of years financial firms have become more comfortable with the idea of cloud computing, particularly given its price point. With the economic climate as it is, the cost-effectiveness of cloud computing has proven to be one of its strongest motivators. This week, Gartner Inc. concluded that spending on cloud computing and virtualization solutions has increased, despite a decrease in overall IT spending in 2009. According to Gartner, cloud computing revenue is on pace to exceed \$56 billion this year, an increase of 21 percent from 2008 (Wall Street Journal, 10/21/09).

CONCLUSION

Each firm must rely on its own needs and resources in order to determine which technologies are best for them. There are a number of factors to be considered: cost, efficiency, maintenance, etc. While cloud computing may be suitable for some firms, it may not be the best option for others. Firms should assess their individual needs and determine the best strategy based on their current resources and requirements.