VIEW POINT

# DIGITAL SOVEREIGNTY FOR CLOUD ENABLEMENT IN FINANCIAL SERVICES

At its core, sovereign cloud solutions are based on the concept of "cloud data sovereignty," which states that data remains subject to the laws of the nation or region of its origin or storage, regardless of where data is accessed from. It also refers to how national or regional laws govern that data and how it is handled, stored, and accessed within that specific jurisdiction, even when that data resides in a cloud environment.

This approach is particularly important for large financial institutions and global banks that have interests and hold sensitive information in multiple regions and need to adhere to strict local privacy laws.

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## Specific Industry Challenge

The financial services industry is facing increasing cloud regulation, as regulators try to ensure that innovation does not come at the cost of resilience or compliance with data security and residency rules.

For example, the Bank of England and the FCA are reviewing the need for additional policy measures to mitigate financial stability risks associated with cloud adoption. The EU has introduced DORA for financial institutions and their third-party technology providers to manage Information and Communication Technology (ICT) risk. Germany has enforced additional governance through the Cloud Computing Compliance Controls Catalogue (C5).

### How does the dominance of US cloud providers influence the decisions of financial institutions, and what are the implications of extraterritorial laws for data stored in the cloud?

The Patriot Act gives US authorities, including intelligence and law enforcement agencies, increased powers to collect information and access data, even that which is stored abroad, in the interest of anti-terrorism and national security. This means that data stored in the cloud by a US provider, even if located outside the country, may be subject to an access request by authorities.

In addition, the US Cloud Act, enacted in 2018, allows the authorities to compel US companies (including those with subsidiaries in other countries) to disclose data, regardless of where it is stored.

## A Complex Landscape

Even with a sovereign cloud, if a company is subject to US law (e.g., incorporated in the US or having a US subsidiary), it may still be compelled to disclose data under the Patriot Act or Cloud Act, potentially creating conflicts with the data sovereignty laws of the country where the data is stored.

While sovereign cloud models offer a layer of data residency and control, they don’t negate the legal obligations that US companies or their subsidiaries may have under the Patriot Act and Cloud Act. This creates a complex legal landscape for organizations handling sensitive data, particularly those operating across borders.

| Need | Challenge | Technology as an enabler |
|---|---|---|
| **Compliance with local data protection laws** | Complying with different data protection laws in different countries | Data Sovereignty Solutions – Ensure that a country's citizens' data is protected within its own borders. |
| **Managing Data privacy & secutiry** | More difficult to protect customers' data, as information may need to be stored within specific geographic borders. | Cloud - store data within a country's borders while still providing the scalability and accessibility of cloud services |
| **Data Quality Breach causing Penalties** | Ensure data is accurate and up-to-date, and that it is used for its intended purpose. | Application Programming Interfaces (APIs): APIs can be used to allow data to be shared between applications, enabling the exchange of data in a standardized format. |
| **Balancing Data protection with Data Sharing** | More difficult to share information between organizations and countries, as data protection regulations restrict the flow of information. | • Data Exchange platforms<br>• Blockchain<br>• Data sharing Protocols |

## A Common Framework

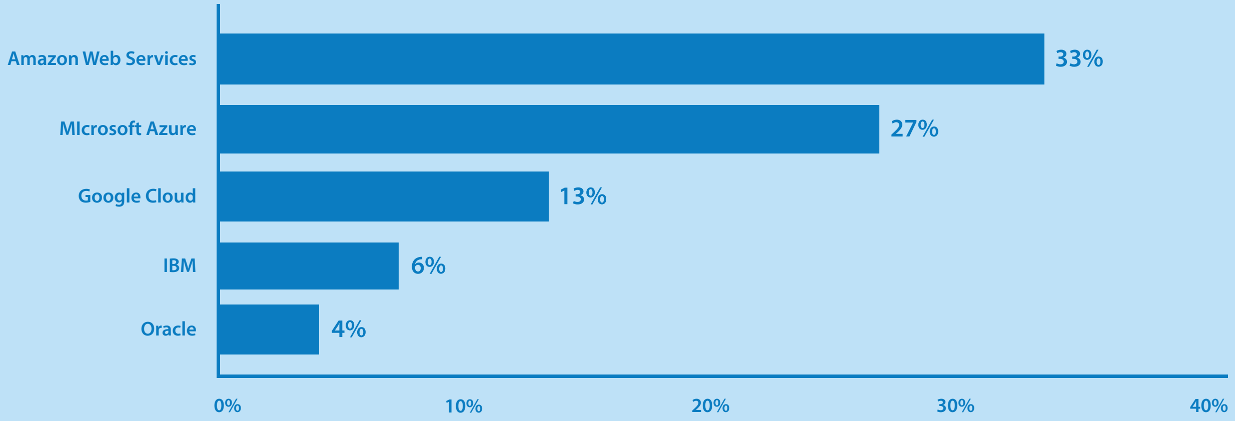
Technology partners play a crucial role in addressing these challenges by providing tailored cloud offerings and services that focus on security, data residency, encryption, API interfaces, and observability.

- Local data centers and in-region failover capacity
- In-country incorporation and on-shore, in-country citizens management
- Advanced cloud functions, hardware(GPUs) and AI models
- Monitoring and observability tooling
- Templates and best practice guides
- Ability to use customer-owned data centers

## Hyperscaler Offerings

Cloud service providers (CSPs) play a crucial role in realizing the sovereign cloud vision by establishing data centers within a nation's borders and offering tailored services that meet unique needs.

### Which Company is/will be your organization's main sovereign cloud vendor?



Source: IDC's Worldwide Digital Sovereignty Survey 2024 (June), N=675
IDC, What Do Organizations Look for When Choosing a Sovereign Cloud Provider?, Doc #US552595924, Sep 2024
*There graph only shows selections for top 5 named global providers, The other vendors respondents could choose from included Alibaba Cloud, VMware/Broadcom, OVHcloud, and Orange Business Services, All these companies drew a response rate of 2% or less.

## Infosys partners with cloud vendors to implement Sovereignty cloud adoption

### Premium Consulting Partner

- AWS European Sovereign Cloud: New Independent Cloud for Europe with Infrastructure located and Operated within EU
- Set to launch by end of 2025 backed by a $8.8Bn investment
- Physically separate and independent from existing regions
- Financial: Separate In region billing and usage metrics

### Azure MSP Partner

- Microsoft Cloud for Sovereignty launched in 2022
- Provides tools, guidance and guardrails for public cloud adoption with sovereign controls
- Built on top of Microsoft public Cloud capabilities
- Sovereign guardrails through codified architecture, workload templates, localized Azure Policy initiatives

### Google MSP

- Google Sovereign Cloud Launched for UK in 2025 and EU launch expected end of 2025
- Provides Innovation with "Sovereign AI" – Google Agentspace
- Google Cloud Air gapped solution – Deploy solutions in customers own data centers leveraging Google Distributed Cloud

CSP sovereign cloud offerings provide businesses and governments with enhanced data security, compliance, and control over sensitive information within specific geographic boundaries.

Protect data from security breaches and malicious activities

Maintain data confidentiality to protect privacy

Prevent unauthorized access to data

Secure data to prevent negative business and financial impact

## The Infosys Value Proposition

With domain expertise and over 400 global public cloud initiatives, we have helped many global financial institutions navigate this complex regulatory landscape

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