

**BANK OF ISRAEL**

Office of the Spokesperson and Economic Information

February 29, 2024

Press Release:

**Remarks by the Supervisor of Banks on cloud banking at the “People and Computers” NIMBUS Summit**

In remarks by Supervisor of Banks Daniel Hahiashvili on the issue of banking in the cloud, the Supervisor presented the changes and trends around world regarding the use of cloud banking, as well as the Bank of Israel’s main supervisory strategies in this area.

Following are the Supervisor’s main points:

* In the past two years, we have seen a sharp rise in the banking system’s use of cloud technologies. The system’s use of cloud systems increased by 35 percent in 2023 compared with 2022 and included, among other things, transformation of material systems to cloud computing, in business areas as well as in control and protective systems. The Supervisor noted that the trend is expected to continue in the coming years as well, and the NIMBUS project is expected to have an impact on this trend as well.
* The supervisory policy regarding the cloud has undergone considerable changes in recent years, with the understanding that cloud technologies contribute to banking corporations’ computing capabilities to provide higher quality services to their customers. This is alongside increased efficiency and technological advancement, as well as promotion of collaborations with nonbank entities from various technology sectors.
* Accordingly, after a learning process that included a comprehensive review of the sector and a survey of international regulation, we established supervisory regulation that enables banks to switch to cloud computing, while applying the responsibility for managing risk on the banks. The Banking Supervision Department, for its part, expanded the reporting and ongoing supervision requirements in order to ensure that the banks are managing the risks inherent in cloud computing accordingly.
* In addition to enabling regulation, the switch to cloud computing is driven by business necessity. Cloud computing allows the use of advanced technologies, many systems work solely on cloud computing systems, and on the bottom line, better business services can be provided both to the bank itself and to its customers.
* Alongside the advantages of cloud computing, there are also challenges and risks that the banks must take into account. Among other things, these include understanding the structure and method of cloud computing activity in contrast to internal systems, as well as the Banking Supervision Department’s ability to supervise and control the cloud computing provider. The Supervisor of Banks noted that the question of regulatory supervision of cloud providers is also raised in international forums.