

## State Street uses cloud tech for IT overhaul

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By David Ricketts

State Street is transferring the bulk of its data and applications to cloud technology, as the US giant continues a “transformation of IT” across its global asset servicing and investment management divisions.

The Boston-based firm hopes the project will stem the growing costs associated with maintaining legacy IT systems.

State Street’s chief information officer, who joined in 2007 with a brief of keeping its technology strategy at the “forefront of the industry”, says the firm wants to “spend more effort building new stuff, rather than running existing systems”.



“We came to the realisation that existing IT models were old and needed to change,” says Chris Perretta.

Currently, between 20 and 25 per cent of State Street’s operating budget is typically spent on IT, says Mr Perretta, although reducing costs is one of the most obvious attractions of reducing spend on legacy IT systems.

The former engineer would not put an exact figure on the cost savings State Street would expect to make as a result of its move to cloud, although he admits it will help improve efficiencies across the business.

Mr Perretta says: “We also understood that there was major re-engineering to do on applications. At a place like State Street, this represents billions of dollars of investment, so it is a long sustained improvement.”

State Street has already piloted its cloud “multiple times”, and is moving existing applications to its private cloud “as we speak”, according to Mr Perretta.

“The use of technology continues to grow, and in an environment where there is very tight investment this puts pressure on new product development and you end up treading water,” he says.

“This is an untenable position and we saw opportunities in using this particular form of technology.”

IT consultant **Christy Kulasingam** says for all the hype surrounding the idea of cloud technology, “there is a lot of substance behind State Street’s thinking.”

He says: “State Street are well capitalised to meet the investment needed to go to the cloud model. It is certainly not an easy cost/benefit analysis to make.

“After the financial crisis, a lot of organisations started to think about how their systems and IT were organised. Firms were feeling cost pressures, and the cost of running systems was taking greater portions of their budgets.”

State Street, which has \$21.5 trillion (€15 trillion) in assets under custody and administration, announced in November last year it was embarking on a “multi-year programme” to reduce overall costs at the firm.

Through changes to its business operations, targeted cost initiatives and an overhaul of its IT systems, State Street hopes to achieve total annual pre-tax run-rate savings of between \$575m to \$625m by the end of 2014.

However, Mr Perretta argues that adopting cloud technology is not purely down to saving costs.

“When we looked at our business operations and the obstacles to getting better performance, some of the root causes were built into our systems,” he says.

“We are going to address some of these opportunities in a way that delivers benefits and uses new technologies. We also want to create a framework so that all systems are built using the same tool set.”

Cloud computing has already gained significant traction with other industries, but has so far been slow to take off with financial services firms.

Some smaller asset managers, however, have been quick to embrace the idea.

Last month, UK boutique fund house Origin Asset Management argued cloud technology “should be on most people’s agendas” and that it was “relevant to investment managers”.

The firm's COO, Lindsay Johnston, said: "[Managers] are information hungry and want [access to data] instantly and more quickly. They also want it at a lower cost."

State Street, which already provides operations outsourcing services to asset managers, recognises the potential to host cloud services for clients in the future.

"We anticipate that the cloud will provide interesting new ways for our customers to consume our services," says Mr Perretta.

"We are talking to customers about this but it is early days."

Mr **Kulasingham** says offering cloud would be a logical progression for the US firm.

"In an environment where State Street are used to providing services, it is not a massive jump to introduce cloud as an additional service," he says.

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