

Application Service Providers

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Answered by:

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Question:

I've heard the term ASP quite a bit recently, but I'm not sure I understand the concept. Could you give me a quick description or explanation?

Answer:

ASP stands for Application Service Provider. This is a form of outsourcing with a couple of key differences. First, the only connection you need to your service provider is through the Internet. Second, the only software you need on your desktop computers is a current version of either popular web browser.

The service bureau provides access to the software, complete real-time or batch processing (depending on the needs of the application), and maintains the most current version of the software at all times. The customer eliminates costly dedicated telephone lines to the service. The per user cost of computing goes down, because less powerful desktops are required, no local server is needed, and no updating of software needs to be done locally. Today, a number of companies serving different industries are making this technology available. To date, no major bank processors have offered the ASP model. Significant issues still need to be addressed before banks are completely comfortable with this type of outsourcing.

Key concerns include security, and the operational reputation of the service bureau provider. As to security, the first step is to ensure that the bank's Internet connection - a dedicated, high-speed link of at least 128k, is properly controlled with a firewall at the bank's site. Then, ask questions to ensure that the service bureau maintains a highly secure site, one that is constantly patrolled for intrusion. Part of this process is a review of selected audit and examination reports, including the reports of regulatory agencies who may review bank data processing sites, as well as a SAS 70 Level II review conducted by an outside audit firm. As with any critical application, proper password controls, managing both access levels and need to know job description levels, must be put in place and carefully controlled. Reports of unauthorized access should be reviewed on a daily basis, and investigated to resolution.

While it is likely that existing outsourcers will be key players in offering ASP technology, determining the financial and operational stability of any potential provider is important. Regulators and outside auditors will demand that the bank show evidence of a risk assessment regarding any new such relationship. Talk to the management of the company, ask to see financials, compare them with the industry, and talk to existing customers about their experience. Taking the time to do your homework will pay big dividends if it helps you to pick the best provider for you.

As with any system selection engagement, identifying your goals and your particular needs for the application in question is very important. Use this to build a document that represents the consensus of those who will be involved in selecting and using the new system. Then, use this document to help you identify the most suitable vendor.

While full scale banking applications on ASP are perhaps a ways off, there are interesting developments taking place in this area. In the meantime, a good starting point may be to accommodate remote branches via ASP, while processing the main bank over traditional data lines. Doing so can tremendously reduce the start up costs of a new facility, especially one that is far away from the main bank or service location. Instead of expensive data lines, the new facility need only have inexpensive PCs, and an Internet connection.

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