



**IOWN**  
GLOBAL FORUM™

# Services Infrastructure for Financial Industry Use Case

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[FSI Use Case]

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# 1. Introduction

## 1.1. Opportunities for the Financial Industry

Perhaps more than any other industry, the financial services sector is deeply engaged in its ongoing digital transformation. This journey has not been without some obstacles, as the performance limitations of current technologies, increased regulation, and reliability requirements all conspire to impact business agility and service resiliency while presenting new opportunities to improve infrastructure and advance new service models.

Many IT solutions vendors offer cloud computing platforms that either serve as a platform for, or can be integrated with existing IT systems. However, the very nature of the financial institutions demands hybrid cloud solutions capable of connecting cloud infrastructure with multiple data centers through stable bandwidth and low latency. Existing hybrid cloud solutions, though, are significantly complex, expensive, and challenging to implement.

The following digital initiatives are just some of the opportunities that Financial Services Infrastructure with the Innovative Optical Wireless Network (IOWN) Technology will enable organizations to address.

- **The Ongoing Shift to Digital Banking Services:**  
As of 2024, it's estimated that around 3.6 billion people (JUNIPER2020) globally are using digital banking services. In the United States alone, the number of digital banking users is projected to reach nearly 216.8 million by 2025 (STASTIA2023). Additionally, about 73% of customers (DELOITTE2018) use online banking platforms at least once a month, indicating a significant adoption of digital banking services among consumers. As the world becomes more dependent on digital financial services, financial institutions must increase their computing power to deliver rich UX and improve resilience to serve the fundamental functions of society and economy. Financial Services Infrastructure with IOWN Technology increases the agility of digital services by providing greater customer touch points, performance, and resiliency.
- **Cross-Industry Collaboration/Competition:**  
Today's financial institutions provide diverse services, from microfinance between individuals and small companies to sharing risks with the most prominent businesses and governments. As a result, collaborating with and sharing data across multiple industries is essential for new services. For example, new financial services such as Buy Now Pay Later (BNPL) are made possible through collaboration between business companies, Fintech companies and financial institutions. These new services will be more direct and provide faster service to new customers. They are accelerated by B2C companies, also known as bank-as-a-service providers, and embedded and automated via technology, including AI. Financial Services Infrastructure with IOWN Technology will be an essential driving force in linking disparate industries and institutions, fostering these new markets and business segments.
- **Leveraging Data to Provide a Personalized Customer Experience:**  
A superior customer experience provides critical competitive differentiation and is quickly becoming a standard expectation for financial services customers. A promising example is to offer a customer an investment product that complements the customer's asset portfolio. This service example requires the collection and analysis of a variety of social and business trend data that is updated daily. It is then expected to detect and collect events such as creation, update, and deletion in each trend data source (these are likely to be small in data size). Subsequently, a large number of transactions will be generated. Financial Services Infrastructure with IOWN Technology provides high-performance interconnections to rapidly collect data from connected data stores and quickly build personalized services.
- **Navigating and Automating Regulatory Compliance:**  
Keeping up with the ever-changing landscape of financial regulations, such as Digital Operational Resilience Act (DORA) in Europe, California Consumer Privacy Act (CCPA) in California, and various global anti-money laundering standards, is a constant challenge. IT departments must ensure that their systems and procedures

are compliant. Hence, financial institutions must leverage services provided by cloud providers who have a far larger customer base and have invested heavily to track compliance. That said, some services should also be contained on-premises due to regulations. Once realized, Financial Services Infrastructure with IOWN Technology can bridge public cloud and on-premises services, enabling financial institutions to use services provided by cloud providers and provide secure and resilient services to end-users in compliance with various regulations.

- **Maintaining Legacy Systems While Delivering Next-Gen Services:**

Financial institutions must maintain legacy systems because they often simply cannot discontinue service to their existing customer base. As a result, they are sometimes forced to maintain some systems for generations. In other cases, some financial services rely on legacy systems (e.g., mainframes) that are difficult to deploy off-premises and, constrain other peripheral systems to the same site. Financial Services Infrastructure with IOWN enables the flexible placement of peripheral systems at different sites.

## 1.2. Purpose of the Services Infrastructure for Financial Industry Use Case Project

The Services Infrastructure for Financial Industry Use Case project aims to deliver performance and reliability far beyond existing solutions, enabling financial entities to compete successfully in this crowded and highly regulated market. The Innovative Optical and Wireless Network Global Forum (IOWN GF), an association of the world's most advanced technology leaders, has turned its collective efforts to developing new technologies that enable the financial sector to successfully address these challenges with agile and resilient services.

To fulfill its purpose, the project proposes that a financial service interconnect its own data centers and industrial, private, and public clouds to build and operate its own zone (like availability zones) that allow for application deployment and workload migration. The Services Infrastructure leverages highly advanced IOWN GF technologies, such as Open All-Photonic Networks (Open APNs), which primarily rely on photonics (using laser light rather than electricity) as the basis for data transmission. This approach offers far higher energy efficiency, performance, resiliency, and more dynamic and flexible network management than existing technologies.

Eventually, the value of the project is streamlined requirements and reduced operational expenditures, providing a more cost-effective approach with lower Total Cost of Ownership (TCO) and greater Return on Investment (ROI) compared to legacy data infrastructure solutions.

## 1.3. Objective and Scope of the Services Infrastructure for Financial Industry Use Case Project

The objective of the Services Infrastructure for Financial Industry Use Case project is to define a reference design for multi-data center computing infrastructure with the advanced capabilities financial institutions required for their agile and resilient infrastructure.

The scope of this project is to:

1. Describe the Financial Use Case and its key requirements.
2. Define the Technology Evaluation Criteria, which include reference cases and key benchmarks-
3. Develop the Reference Implementation Model, which provides practical implementation of IOWN technologies as a reference model to realize the use case.
4. Define the Proof of Concept (PoC) Reference, which provides guidelines for conducting PoCs for the use case to evaluate the Reference Implementation Model with the defined Technology Evaluation Criteria
5. Develop and evaluate the PoC based on the PoC Reference

This document is the first step of this activity covering Steps 1 and 2 to engage early adopters in the financial industry.

The following sections of this document will describe use cases and define their key features and performance objectives. In addition, this project will define technology evaluation criteria to meet the defined features and objectives, which include reference cases, key benchmarks, and guidelines for evaluation.

The primary purpose of this document is to outline how IOWN GF technologies will help financial services organizations develop game-changing services with agility while maintaining very high service resiliency with Financial Services Infrastructure enhanced disaster recovery capabilities.

## 2. Use Cases

To achieve the operational resiliency with agility, lower TCO, and regulatory compliance mentioned in section 1, financial institutions can apply IOWN technology on the Services Infrastructure for Financial Industry Use Case with hybrid cloud environments as multi data center computing infrastructure for various use cases. We distilled two significant and promising use cases for the target objectives: “Intra-regional application deployment and workload migration for operational resiliency and agility” and “Inter-regional back-ups and workload migration for resiliency”. The sustainability vector, i.e., the interest to drive greener data center applications and infrastructure, will be addressed in the future.

### 2.1. Intra-regional Application Deployment and Migration to Improve Operational Resiliency and Agility

#### 2.1.1. Description

This use case aims to introduce an improvement in the flexible usage of computing resources, e.g., resource pooling and dynamic resource allocation for operational resiliency, agility, and cost optimization. If applications can be deployed without service outages and computing resources can be used more flexibly, it will improve scalability and facilitate the provision of new services such as Banking-as-a-Service, which relies on external service requests and makes it challenging to predict transaction volumes. In terms of operational resiliency, low-priority services can be moved to another data center so that high-priority services can respond to topical events. As another example, all services could be deliberately evacuated to another location immediately upon a local disaster such as a fire.

In this use case, a financial services institution builds and operates one logical computing zone by interconnecting private data centers, leased spaces in co-location data centers, operators' offices and private/public clouds in one region (Note).

Note: We define “a region” as a geographical area within a 50km radius. This comes from the geographical measures in Japan, but different values can be applied for other countries. See Appendix A for the definition of region.

#### 2.1.2. Key Requirements

The computing resources in one logical computing zone should achieve the following key requirements (KRs) and features:

- Virtual Machines (VM) Migration across data centers
  - KR1.1 --- Downtime for VM online migration: less than 1 second (Note1)
    - one data center to another data center or public cloud
      - When migrating an application from one data center to another data center or public cloud, the downtime needed during VM migration is short enough that it does not impact the functionality of the application, for example less than a few seconds (Note2).
      - In online migration, a sender server copies the virtual data of the original VMs (including VM images and memory) and sends it to another data center. Then, the differential data of the original VM during the data transfer is sent to the destination while suspending the original VM. After the VM migration is completed, the migrated VM is resumed. Also, access to the VM will follow the migrated VM. The downtime is the time needed to ensure data and configuration consistency



between when the original VM is suspended and when it restarts at another data center.

- Downtime should include the processing time to ensure data and configuration consistency so that the application can continue successfully.

Note1: However, financial institutions expect downtime for VM migration to be closer to 100ms, because the shorter the downtime, the more flexible many services can be operated.

Note2: VM image conversion is required when migrating to a public cloud, resulting in longer VM downtime. Even in such cases, downtime should be minimized. In addition, data that cannot be replicated to the public cloud will access storage in the data center from which it is migrated. The performance degradation of data access must be acceptable to the application.

## 2.2. Inter-regional Back-Ups and Migration to Improve Resiliency

### 2.2.1. Description

In this use case, a financial services institution achieves disaster recovery and inter-regional workload migration, e.g., for energy demand and supply balancing, by using infrastructures in multiple regions with replication between sites close to real-time. IOWN technology can simplify systems and enhance their effectiveness. For example, it enables the placement of the secondary system directly at the backup data center, allowing us to bypass the redundant intermediate system typically found in the main data center. This approach not only streamlines the system architecture but also significantly improves data security and system efficiency.

The distance between two sites should be geographically meaningful, e.g., in different seismic areas with more than 500km in distance, as there is a huge earthquake in the case of Japan (Note).

Note: See Appendix A for the size of regions and the distance between regions in Japan.

We set a disaster recovery scenario as a critical feature with top priority and define RPO/RTO (Recovery Point Objective/Recovery Time Objective) from the viewpoint of business continuity aspect.

There are priorities in system groups, because business continuity is one of the key demands of today's financial organizations. A financial institution has the highest priority for business-critical data and services, such as accounting systems and its ledger data (Tier 1 Systems, Top Priority Group, < 1% of all systems). It also places major systems as a moderate priority to be resumed in reasonable duration (Tier 2 Systems, Second Priority Group, < 10% of all systems). Data synchronization and application migration are mandatory to realize this system recovery autonomously. The remaining systems other than Tier 1 and Tier 2, the general group, are referred to as Tier 3.

In traditional systems, it is challenging to replicate data synchronously to a remote data center, either causing application performance degradation or asynchronous replication that either tolerates a certain level of data inconsistency or assumes operational coping. Essentially, Tier 1 systems require synchronous replication to ensure continuity of financial transactions.

### 2.2.2. Key Requirements

For financial service operation, all systems, Tiers 1-3, should achieve zero RPO at the system level. However, this requirement cannot be readily translated into the database's replication performance because of the following reasons:

According to the nature of database systems, there is a trade-off between the data protection capability and the update throughput. Synchronous replication can achieve data protection at the DB layer. However, it largely degrades the update throughput. In particular, the performance degradation worsens as the latency between the replicated servers increases.

On the other hand, asynchronous replication can suppress performance degradation. However, in case of disaster, there would be updates that had been accepted but not yet been replicated to other sites.

Given the above, we should find a solution that can achieve good update throughput while tolerating a certain amount of recovery time, as summarized below:

- KR2.1 --- RPO
  - Tier 1,2,3 Systems:
    - Zero.
    - User data on system use for financial services cannot be lost.
- KR2.2 --- RTO (Note)
  - Tier 1 Systems:
    - Less than half an hour.
    - Additional time is acceptable if a human operator needs to restore unprocessed transaction data or check the consistency of data.
  - Tier 2 Systems:
    - Less than two hours.
    - The backup period is not always real-time, and hourly or daily is ordinarily timing for full backup.
  - Tier 3 Systems:
    - Less than 24 hours.
    - The backup period is not always real-time, and daily or special maintenance time (e.g., holidays) is also ordinarily a time for full backup.

Note: We have confirmed that this RTO is sufficient by interviewing people with experience in the financial institutions.

### 3. Technology Evaluation Criteria

First, we define reference cases to accurately evaluate these reference designs under the specific conditions that meet the key requirements defined in Section 2. Then, we select key benchmarks for each use case based on the technology evaluation definition in Figure 3-1 to evaluate reference designs under the conditions of the defined reference cases. Because the development of instrumentation methods for green data center utilization is in its very early stages, technology evaluation criteria of green data center are slated for future study.

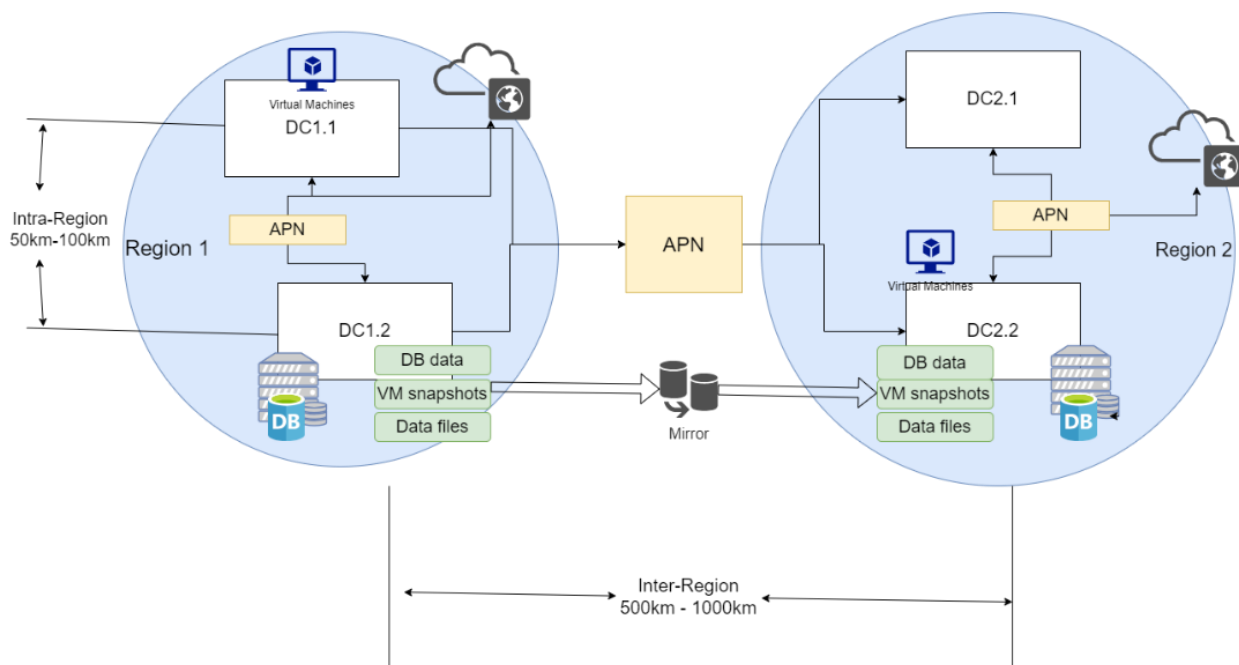


Figure 3-1: Technology Evaluation Definitions

#### 3.1. Intra-regional Application Deployment and Migration to Improve Operational Resiliency and Agility

This section describes the technical evaluation criteria for the use case 2.1.

##### 3.1.1. Reference Case

- In generally today, each data center site has 100-1000 physical COTS, Commercial Off-The-Shel, servers running many financial applications on guest OSs in 1000 - 10000 virtual machines.
- The normal backend traffic volume between two data center cluster sites is less than 100 Gbps, and it will increase over 100 Gbps (up to 200 Gbps) during data replication, etc.
- Database journal data, to be used for live replication, and data files are replicated among data centers placed intra-regionally within an area that distance is between 50km and 100km (0.25 msec to 0.5 msec in light speed).
- There is a constant delay between the network interfaces of servers across data centers and Open APN networks. The bandwidth ranged from 10- 40 Gbps, and one-way latency was 0.5 msec with a general optical fiber propagation delay of 100 km.
- The bandwidth of the VM host server I/F should be 25 Gbps or more.

- The VMs to be migrated are assumed to have a data size of 100 GB and a memory size of 16 GB, and are to be hot-migrated or cold-migrated.

### 3.1.2. Key Benchmarks

#### 3.1.2.1. Scenario 1: DC1.1 to DC 1.2 VM Migration

- Description
  - For VMs at the origin server running in DC1.1, hot migration to DC1.2 is requested. First, the memory contents of the VM running in DC1.1 are copied to a VM host located in DC1.2 in the background.
  - The VM running in DC1.1 is switched to suspended state. Then, the parts of the VM memory that were dirtied by the VM after the previous copy to DC1.2 data are copied again, resulting in identical memory images in DC1.1 and DC1.2. After that, the migrated VM is restarted on DC1.2 based on the VM data that was copied from the origin data center DC1.1.
  - The network configuration is updated so that the new VM in DC1.2 takes the place of the original VM in DC1.1.
- Metrics
  - Preparation time to migrate VM data from the VM migration start instruction before VM migration downtime occurs.
  - Downtime in VM connection switchover in VM migration from DC1.1 to DC1.2

#### 3.1.2.2. Scenario 2: VM Import from DC1.2 to Public Cloud

- Description
  - Assuming a system test when adding a new financial service, VM data from the standby system site (DC1.2) will be replicated to the public cloud and started in the public cloud with VMs.
  - Data not replicated to the public cloud will be accessed in storage at DC1.2.
- Metrics
  - The time from preparation start to the time of the application becoming ready to launch.
  - Performance degradation in latency and throughput of test app benchmark scores between DC1.2 and public cloud

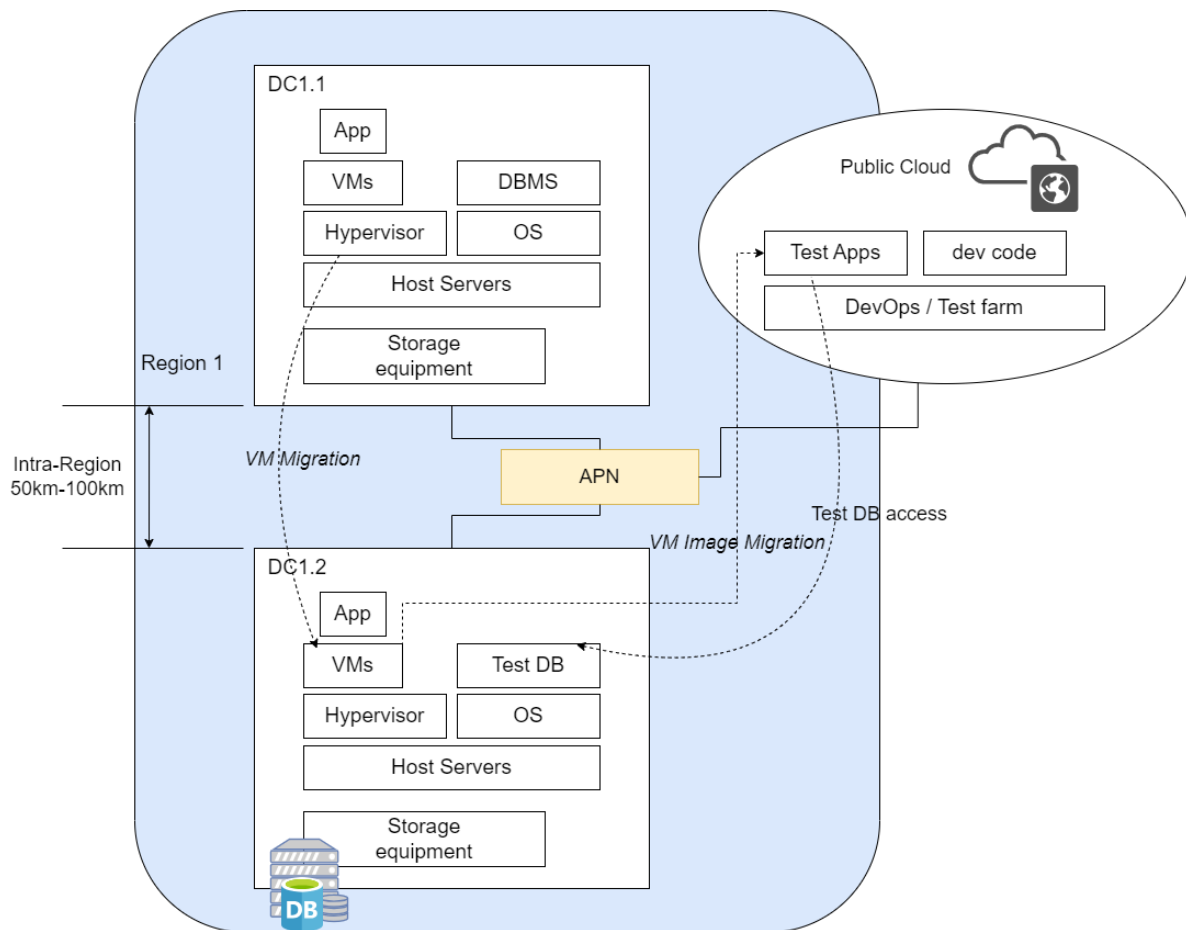


Figure 3-2: Intra-Region Technology Evaluation Connections

## 3.2. Inter-regional Back-Ups and Migration to Improve Resiliency

This section describes the technical evaluation criteria for the use case 2.2.

### 3.2.1. Reference Case

- A distance of more than 500km is needed for a meaningful backup site use case.
- Each data center site has 100-1,000 physical COTS servers running many financial applications on guest OSs are placed in 1,000 - 10,000 virtual machines.
- The network lines between the two data center cluster sites are redundant.
- Normal backend traffic volume between two data center cluster sites is less than 10-100G bps, depending on the Tier 1, 2, and 3 ratios. It will increase to over 100 Gbps (up to 200 Gbps at peak) during data backup, etc.
- File transfer of Database Management System (DBMS) data (log journals, commit log files, etc.), VM disk images, and other file data (log files) is also required.

### 3.2.2. Key Benchmarks

#### 3.2.2.1. Scenario: Inter-Region VM Migration

- Description
  - As described in KR2.1, the DB of Tier1 systems is replicated from DC1 to DC2, the data of Tier2 systems is backed up hourly, and the data of Tier3 systems is backed up daily.
  - When a disaster occurs and shutdown of services running in DC1 is expected to be imminent, data from VMs running in DC1 are moved to DC2, which is more than 500 km away (Figure 3-3).
  - System migration is performed in the order of Tier 1, Tier 2, and Tier 3.
- Metrics
  - Downtime of VM migration from DC1 to DC2 (for all Tiers)
  - DB Performance, in Transaction / Sec (for Tier 1)
    - Performance degradation should be minimized in TPS and round-trip time when migrating Tier 1 systems from DC1 to DC2.
  - Backup speed (for all Tiers)
    - Backup will be done with snapshot milestones, the latest, consistent place where all the recent data is located. Backup speed is not equivalent with throughput. Most delayed data arrival is important (see Appendix B).
  - RPO
    - Evaluate system RPO. It is better to be smaller. RPO zero will be realized with the IT system and operational procedures. If some portion of data is guaranteed to be RPO zero, it brings great simplicity to an operational recovery procedure.

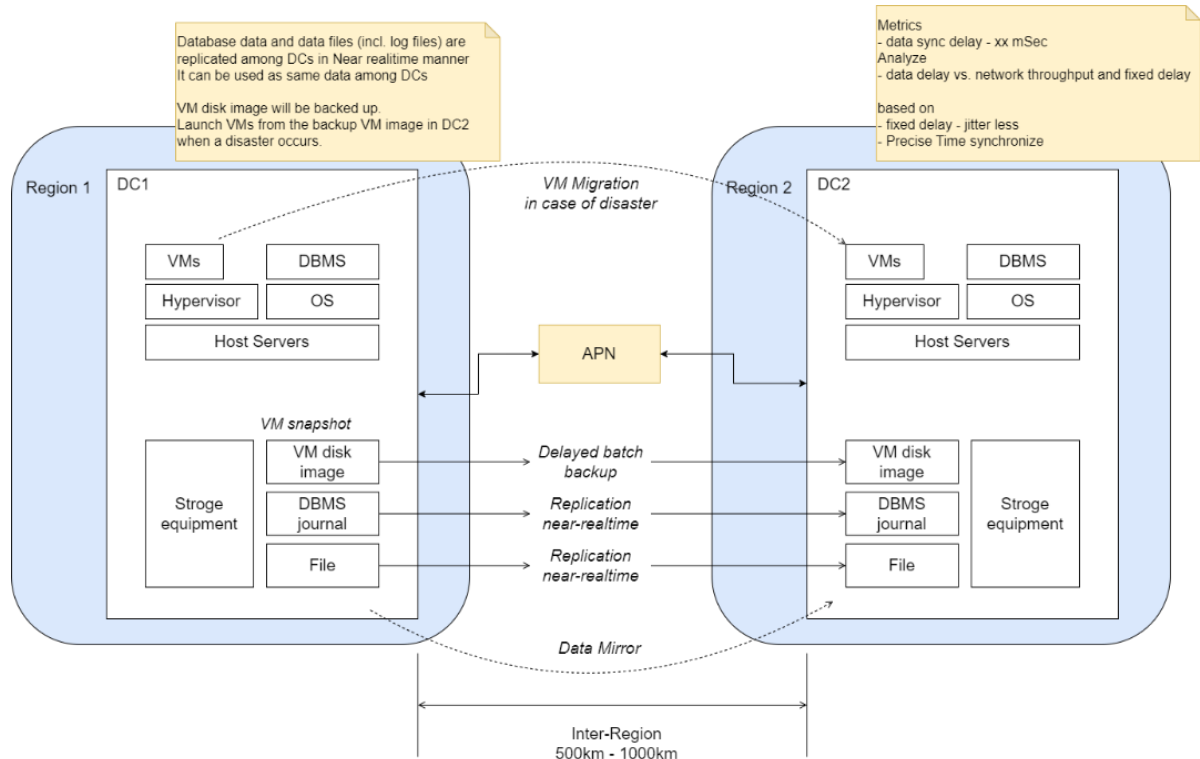


Figure 3-3 Inter-Region Technology Evaluation Connections

## 4. Conclusion

The Services Infrastructure for Financial Industry Use Case will improve the quality of continuous financial services under any conditions including disaster situations such as earthquakes. This level of reliability is critical to the financial institutions, especially in Japan, for supporting Business Continuity Planning (BCP).

As explained in the section 1, this document covers the first step of the IOWN GF's activity to engage early adopters in the financial institutions. Further documentation, which will contain technical details than this document, will be issued to evaluate the feasibility of this vision through the development of a Reference Implementation Model and Proof-of-Concept demonstrations.

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STATISTA2023	May 2023, U.S.: digital banking users 2025   Statista <a href="https://www.statista.com/statistics/1285962/digital-banking-users-usa/">https://www.statista.com/statistics/1285962/digital-banking-users-usa/</a>
DELOITTE2018	Dec 2018, Deloitte insight <a href="https://www2.deloitte.com/us/en/insights/industry/financial-services/online-banking-usage-in-mobile-centric-world.html">https://www2.deloitte.com/us/en/insights/industry/financial-services/online-banking-usage-in-mobile-centric-world.html</a>
DORA	Digital Operational Resilience Act (DORA) <a href="https://www.eiopa.europa.eu/digital-operational-resilience-act-dora_en">https://www.eiopa.europa.eu/digital-operational-resilience-act-dora_en</a>
CCPA	California Consumer Privacy Act (CCPA) <a href="https://www.oag.ca.gov/privacy/ccpa">https://www.oag.ca.gov/privacy/ccpa</a>
JMA	Japan Meteorological Agency, “The 2011 off Pacific Coast of Tohoku Earthquake Distribution of JMA Seismic Intensity”. <a href="https://www.jma.go.jp/jma/en/2011_Earthquake/chart/2011_Earthquake_Intensity.pdf">https://www.jma.go.jp/jma/en/2011_Earthquake/chart/2011_Earthquake_Intensity.pdf</a>



## Appendix A. Geographically Meaningful Size of Regions and Distance Between Regions in the Case of Japan

We define “a region” as a geographical area within a 50km radius, i.e., 100km in maximum distance, and classify the applicable cases into two categories, a regional system, and a national-wide system, as shown in Figure A-1.

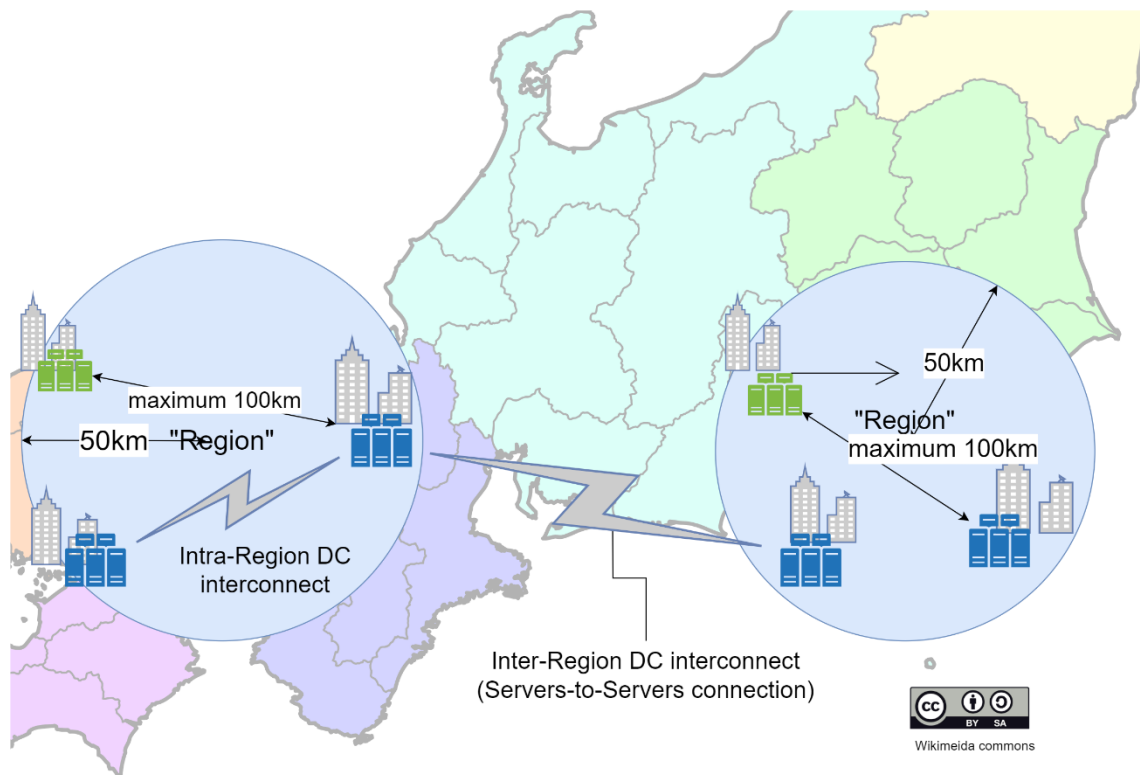


Figure A-1: Geographical Cases for Services Infrastructure for Financial Industry Use Case

The distance between two sites in the national-wide system should be enough to be located in different seismic areas, as there has been significant earthquake activity in Japan over the last decade. This illustrates that a 500km distance is an appropriate separate range for potentially disaster-affected areas (Figure A-2) [JMA].

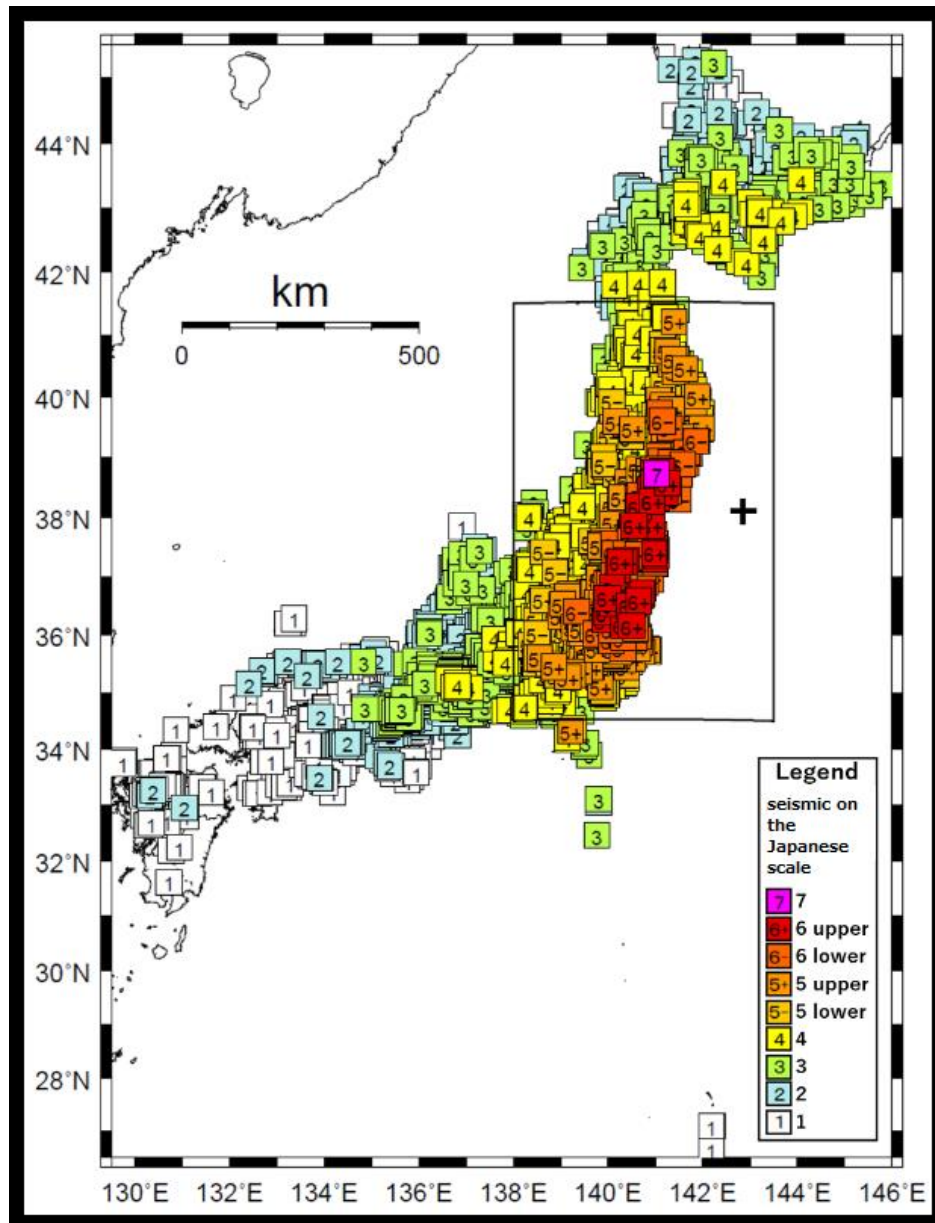


Figure A-2: Affected Area by Mega Earthquake, 2011

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## Appendix B. Note for Measurement of Data Transfer Delay

This appendix demonstrates how APN improves use cases through detailed behavior analysis. The very high bandwidths enabled by an APN allows the sender and receiver to transfer data with great speed, but we should consider total data flow and validation period.

The applications and software layer required for APN use cases, such as a DBMS, and hypervisor, write data in its timing and then “sync” in the file system on demand from a data transfer application, or “commit” in the database system. Backup process can be triggered to transfer and start reading written data. Data itself will be in high-speed medium like main memory as cache and will immediately start transferring. The receiver can receive data chunks and write this data to a storage medium concurrently.

After all the data arrives then the receiver can process the “validation” of the received data and flush it into a persistent medium, such as SSD storage, etc. This presents the time to finish to backup process.

“sync” or “commit” is important because APN application requires “consistency” among data, which is a “checkpoint”.

APNs can reduce the delay between application checkpoint and a time when the remote site flush/sync to the checkpoint. The backup completion time will be predictable and consistent, allowing the start and end times to be easily integrated into the schedule without needing significant buffer time. Daily checkpoint backup system only guarantees data the day before using, yesterday’s backup data. Hourly checkpoints provide a two-hour lag. Jitter-less fixed delay provide ultimate small duration for checkpoint, only limitation is on software layer.

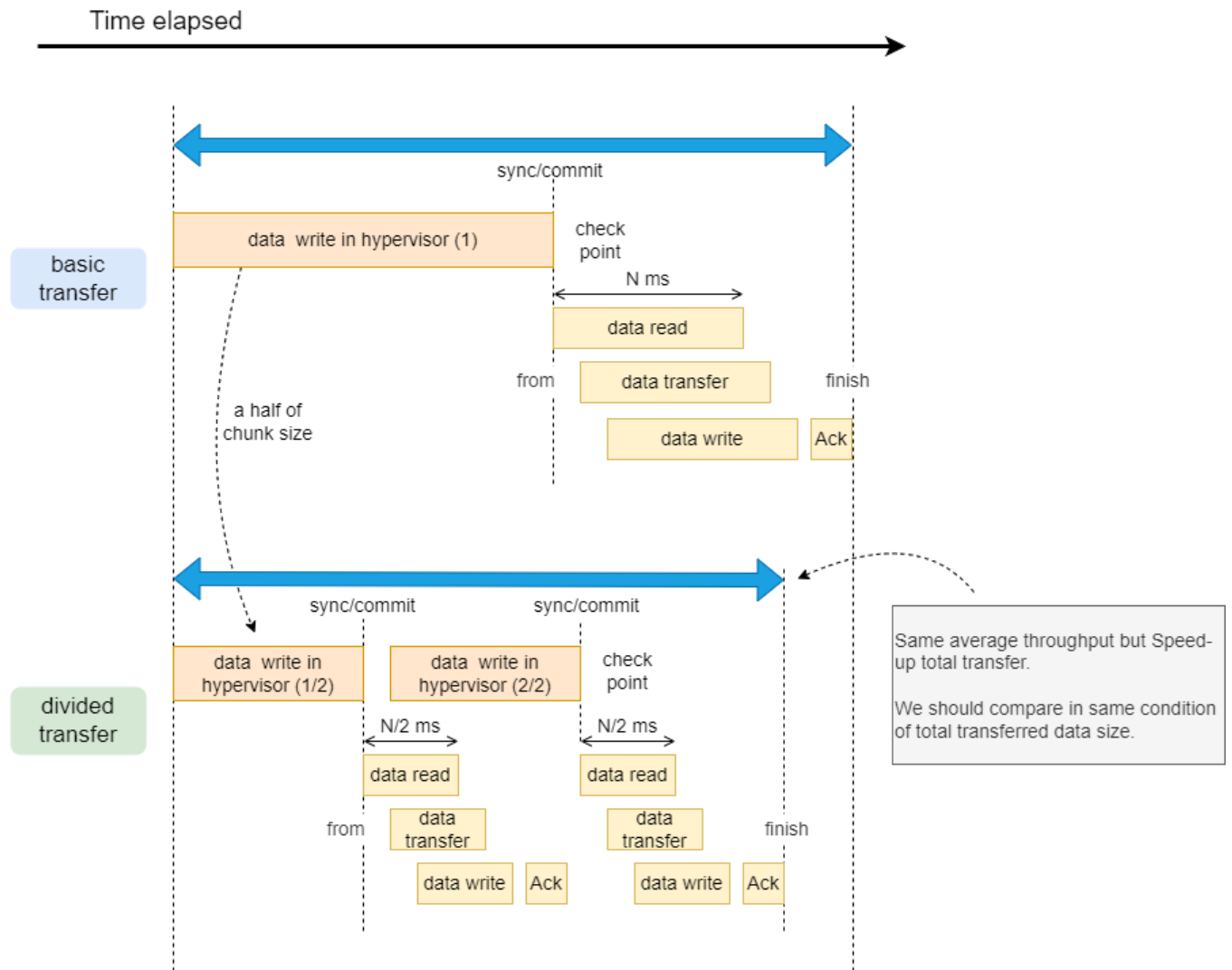


Figure B-1: Data Replication of Regional System Benchmark Conditions

# History

Revision	Release Date	Summary of Changes
1.0	July 19, 2024	Initial Version