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Ensuring compliant communications in Financial Services

How unified communications platforms facilitate compliance, collaboration, and engagement



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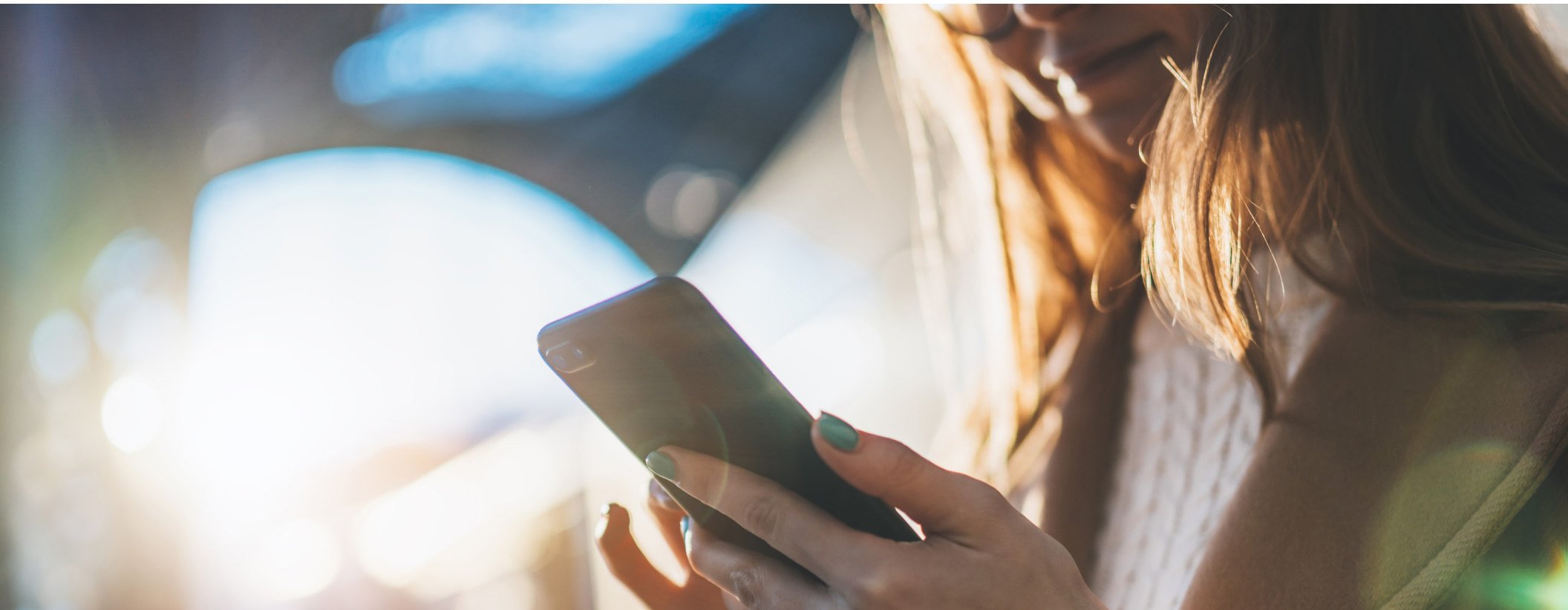
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Improve Compliance in a Multi-Channel World

The pandemic has reshaped business in myriad ways, none so much as how people communicate. In a few months, employees at financial institutions (FI) adopted multichannel electronic communications—including audio (phone), video, SMS/texting, and messaging—in what otherwise might have taken a decade. Not surprisingly, this rapid rollout has stressed the compliance groups at many FIs, which are required to monitor and archive internal communications and those with customers—and generate reports for regulators.

During the height of the pandemic, regulators tacitly gave some compliance leeway to FIs. After all, employees were suddenly working remotely, and they had to quickly adapt and find ways to communicate with coworkers and their customers. But as these practices have become quickly entrenched, regulators are taking a closer look and reasserting compliance and monitoring requirements. The Securities and Exchange Commission (SEC) has stated that new communication tools are breeding grounds for scams and other misbehavior,¹ and the UK's Financial Conduct Authority (FCA) published a report that stressed the much greater risk of misconduct associated with remote or home working.²

Indeed, the financial services industry got a real wake-up call last year when the SEC and Commodity Futures Trading Commission (CFTC) together fined JPMorgan Chase Securities \$200 million after staff used personal chats for company business. According to the SEC, employees in the securities division of JPMC avoided oversight by discussing company business on their personal devices via text messages, personal email accounts, and messaging service WhatsApp.

In the wake of greater regulatory scrutiny, some institutions initially responded by locking down communications; they thought they had to curtail communication tools to minimize compliance risk. According to Gartner, 83% of financial services firms are restricting the use of features in collaboration tools.³ The trouble is that it's not just employees who have gotten used to these tools—customers have, too. Customers expect to communicate anytime, anywhere, on any device. Not allowing employees to communicate with customers the way those customers want frustrates everyone.

Record-keeping is “an essential part of market integrity and a foundational component of the SEC’s ability to be an effective cop on the beat. As technology changes, it’s even more important that registrants ensure that their communications are appropriately recorded and are not conducted outside of official channels,”

– Gary Gensler,
SEC Chairman

¹BrightTalk/Smash webinar. 2021 Regulatory Roundup and Year Ahead: Hybrid Work, DeFi and Crypto Compliance. December, 2021.

²FCA Market Watch 66 Newsletter. Recording telephone conversations and electronic communications. January 2021

³Hoeck, Michael and Jeff Vogel. Gartner, Magic Quadrant for Enterprise Information Archiving, 2022. January 2022.

Compliance and Multichannel Communication

But that knee-jerk reaction to curtail communications reflects a false choice: compliance or multichannel communication. Companies don't need to give up ease and convenience for security and compliance, although this new reality certainly presents challenges for on-premises compliance platforms. New modes of communication—including fragmented and multiple systems offering messaging, voice, and video connections—make it difficult for compliance teams to monitor and track all of their employees' communications. The tools available on the older on-premises platforms are often not easy to use.

Given these challenges, more FIs are considering replacing their on-premises systems with a cloud-based unified communications platform such as RingCentral. An AI-enabled cloud-based unified communications platform can provide compliance across channels with the flexibility and uptime that most on-premises compliance platforms cannot. "You can meet employee needs and customer expectations in an easy, intuitive, collaborative way and remain compliant. It's not an "or", it's an "and". You can do both," said Matthew Lehman, Industry Principal for Financial Services at RingCentral.

These cloud-based platforms give companies the tools, access points, and economies of scale to efficiently feed multiple systems for surveillance, compliance, audit, and proprietary analysis while enabling the communications modes (messaging, video, phone, SMS) that empower employees to work effectively. Companies can capture and archive all forms of communication, and by layering AI and machine learning they can even automate detection of possible compliance risks to put themselves ahead of the curve.



The Crawl, Walk, Run Approach

Besides ensuring compliant communications across channels while seamlessly maintaining business critical communications, these unified communication platforms can be tailored to the needs of any sized institution. As such, these platforms can help organizations take a crawl, walk, run approach to deploying increasingly more sophisticated compliance practices.

For FIs that are just starting to grapple with the new modes of communication, a unified communication platform is a powerful, intuitive, easy-to-use new tool for adhering to regulations in an effective way. Covering these basics first—learning to crawl so to speak—is critical given the enormous challenges compliance teams face and the high stakes. These include:

- The possibility of reputational damage in the event of a data breach or non-compliance
- The possibility of heavy fines and penalties for non-compliance (While the total number of enforcement actions in 2021 only grew 7% from the prior year, the SEC reported a 33% increase in the penalties received by FIs.)⁴
- The difficulty of remaining compliant while collaborating with distributed teams
- Onboarding clients remotely while following all applicable regulatory requirements
- Constantly evolving regulatory standards that require additional surveillance and impact client communications and records retention
- The proliferation of applications, devices, and communication channels to be managed and accounted for in compliance program policies and procedures
- Lack of visibility and transparency into client communications across all channels and at every touchpoint

“Recordkeeping requirements are core to the Commission’s enforcement and examination programs and when firms fail to comply with them, as JPMorgan did, they directly undermine our ability to protect investors and preserve market integrity.”

– Gurbir Grewal,
SEC Enforcement Director

⁴ SEC press release. SEC Announces Enforcement Results for FY 2021. November 2021.



A unified communication platform addresses all these challenges by ensuring that all interactions are captured and archived. That way, in the case of a regulatory request, compliance teams can gather any relevant content or data and share that with government regulators and auditors. For example, RingCentral's unified communications platform incorporates regulatory-grade security and compliance into every conversation, including:

- Support for FINRA-regulated customer compliance requirements
- Information security and technical controls that meet rigorous global standards, such as SOC 2, ISO 27001 and more
- Transport Layer Security (TLS) and Secure Real-Time Transport Protocol (SRTP) encryption between all endpoints for secure transmission of all communications
- Integration with CRM systems and client logs that capture all client communications across all channels automatically via third party applications
- Real-time file-sharing capabilities
- Business and personal texts are kept separate
- End-to-end encryption via Message Layer Security (MLS)
- Ability to track and retain all solicitations and recommendation conversations

Begin to Walk and Improve Collaboration

Covering the compliance basics—while essential—just begins to scratch the surface of how organizations can use these unified communication platforms. With these strong compliance tools in place, the company can stand up a more collaborative working environment, improving the employee experience and meeting customer expectations in an easier, more intuitive way.

For example, some organizations rely on compliance teams to manually review their call recordings each year for compliance violations. This is a time-consuming, mundane task, and employees are only able to review a fraction of communications. AI and machine learning can automate this process, ensuring that 100 percent of cloud communications are reviewed, and freeing the compliance teams to review higher-risk content and more critical tasks. This greater efficiency is a boon to the organization, but also improves the employee experience.

In terms of improving the customer experience, a unified communications platform enables FIs to leverage **communication channels** to provide the highest level of personal touch and engagement with customers. According to **Accenture**, 88% of consumers demand a more personalized experience when buying insurance. And this desire for a personalized experience extends across other types of financial services. According to Spectrem Group, 60 percent of investors have switched investment advisors at some point, and the number one reason given is a “lack of contact.”⁵ A unified communications platform allows customers to interact with their FIs on their own terms—anytime, anywhere, and on any device.

It’s hard to overstate how much an improved customer experience also improves the employee experience. Customer-facing teams want to interact with customers in ways customers find easiest and most comfortable. Distributed teams also need to easily collaborate internally to better serve customers. RingCentral’s cloud communications platform gives employees what they need to make collaborative communications seamless, secure, and compliant. Messaging, video, and voice communications are safeguarded across all endpoints and locations. And all call recordings, call logs, faxes, SMS, MMS, audio and web conferencing, and team messaging communications are compliant with applicable SEC cybersecurity controls, which makes it simple for insurance agents and investment advisors to connect with their clients on a more regular basis.

"Digital collaboration solutions are relevant for many processes within banking, across customer segments and product categories. The potential benefits increase with the frequency of communication, complexity of information, and number of process decision points."

– McKinsey & Company

⁵ Bell, Amy. Investopedia. The Smart Way to Switch Financial Advisors. April 2022



Walker Crips Customizes RingCentral to Comply with Industry Regulations

Several years ago, Walker Crips, a provider of financial products and services in the UK, decided to upgrade its phone system to get more functionality at a lower cost. “We were on a legacy system with a lot of cost,” said Sean Lam, Walker Crips’ Group Managing Director as well as COO and CTO. “Everything was physical, everything was on site, and every time we had to upgrade it was a big pain.”

Using the API platform, the firm’s programmers worked with RingCentral programmers to set up RingCentral so that it downloads call recordings to a storage array at the end of each day. “That was part one. Part two was we built our own search facility, integrating into our own CRM, using the RingCentral call reference data so that staff can pull up the calls from our own CRM system,” said Lam.

“RingCentral gives us a lot of control, and we have seen significant costs savings, moving from capex to opex,” he adds. “Instead of needing third-party support, it provides sufficient control to do what we want to do.”

For the rest of the firm, the biggest improvement related to RingCentral is that employees can now work from anywhere. “People are not tethered to their desks, and they are absolutely more efficient,” Lam says. “They could be working from home or meeting clients where the clients want to meet. And everything is recorded centrally.”

“RingCentral gives us a lot of control, and we have seen significant costs savings, moving from capex to opex,” ... “Instead of needing third-party support, it provides sufficient control to do what we want to do.”

– Sean Lam,
Group Managing Director,
Walker Crips

Starting to Run and Go on Offense

Besides meeting compliance needs and enabling strong collaborative communication internally and with customers, a unified communications platform powered by AI and ML can facilitate more strategic decision making—a prospect that allows a company to start playing offense in many ways. RingCentral's open platform integrates with leading third-party business applications such as [Theta Lake](#), [Smarsh](#), [Dubber](#), and [Liquid Voice](#), enabling customers to easily customize business workflows.

Theta Lake provides AI-based compliance and archiving for RingCentral audio and video recordings, SMS, Teams Messaging, faxes, and voicemails with automated risk detection in digital content based on NLP and deep-learning powered policies. RingCentral for Theta Lake helps compliance and legal teams to retain, retrieve, and review fully threaded messages and files. Messages are constantly analyzed against 40+ different compliance policies and given risk scores.

Another partner is Smarsh, which captures [RingCentral](#) App content directly from the platform, including public and private channels, direct messages, group chats, text messages, notes, tasks and attachments. Once in the Smarsh archive, message content is accessible at any time. Dubber, for its part, enables advanced recording functionality, transcriptions, deep sentiment analysis, and Voice AI on the cloud. The platform can be accessed anywhere in the world without the need for CapEx costs or cumbersome hardware.

Meanwhile, Liquid Voice helps organizations capture, analyze, and replay every interaction they have with their customers to ensure compliance and a great customer experience. Besides capturing every conversation, and retaining them for as long as necessary, Liquid Voice comprehensively tags recordings and links interactions together to make it quick and easy to find and retrieve them when required.

These kinds of solutions can give organizations a real-time view into possible compliance problems by issuing alerts. Thus, companies can be more proactive in maintaining compliance. For example, an alert could flag when personally identifiable information (PII) is being exposed, such as if someone puts an account number into an SMS text. Companies could eventually leverage these apps and robust analytics to conduct sentiment analysis of customer-client interactions. Was the customer happy or dissatisfied? Was the employee helpful or disengaged? The company could then use these insights to devise marketing strategies, coach employees, and even spot the signs of poor employee engagement—an early indicator of attrition.

Conclusion

The pandemic has unalterably changed the communication habits and expectations of employees and customers. It's now a multichannel world and there's no turning back the clock. Regulators will catch up with all these changes, and FIs can position themselves now for long-term success by empowering employees to safely use multi-channel communications and meet customer expectations for how and where they want to communicate. To this end, a cloud-based unified communications platform should be a critical part of an FI's approach, one that is built specifically to enable anytime, any channel, any device usage with a high degree of flexibility and rigorous adherence to compliance rules.



To learn more about ensuring compliant communications for financial services, visit ringcentral.com

RingCentral, Inc. is a leading provider of cloud Message, Video, Phone™ (MVP™), customer engagement, and contact center solutions for businesses worldwide. More flexible and cost-effective than legacy on-premises PBX and video conferencing systems that it replaces, RingCentral empowers modern mobile and distributed workforces to communicate, collaborate, and connect via any mode, any device, and any location. RingCentral's open platform integrates with leading third-party business applications and enables customers to easily customize business workflows.

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