RISK AND REGULATORY INTELLIGENCE

A Data-Driven Approach to Enhancing Compliance Strategies

VERITAS™

INTRODUCTION

Compliance is about more than fulfilling legal requirements. It's also a critical element to building trust and integrity within and beyond your organization. Nearly all organizations face complex governance challenges, with compliance as a pivotal part of keeping customer confidence.

The shift towards digital communications introduces new risks. In particular, traditional monitoring tools often miss off-channel communications, increasing the risk of violations. Our goal was to explore how combining technology, strategic planning, and forward-thinking can help compliance teams succeed in the rapidly changing regulatory environment.

Based on insights from 499 legal and compliance professionals, this report explores questions including:

Which emerging technologies are set to change the compliance landscape?

How can organizations effectively manage risks associated with off-channel communications, turning potential vulnerabilities into opportunities?

What proactive measures can organizations take to stay ahead of compliance requirements and align with current and future surveillance strategies?

Study respondents are compliance experts from heavily regulated industries — energy, finance, healthcare, and government. They have deep compliance management knowledge and play key roles in their organizations' legal or compliance decisions. Titles include Auditors, Managers, Officers, and Specialists, highlighting diverse compliance expertise.

KEY FINDINGS

Respondent organizations are increasing compliance investments as regulatory fines spike.

- Compliance fines have increased **52%** in just three years.
- Regulatory priorities include Know Your Customer (KYC), General Data Protection Regulation (GDPR), and Health Insurance Portability and Accountability Act (HIPAA).
- More than a third prioritize detecting KYC using classification policies.

Governing information is complex in today's diverse environment.

- **36%** lack e-communications surveillance tools.
- **78%** expect to increase the use of communication tools.
- On average, respondents use more than five content sources and two communications tools (Microsoft, Google).

Off-channel communications are a significant gap.

- **67%** currently do not track off-channel communications.
- **21%** lack policies for channel use and audits.
- **54%** still rely on manual tracking, which is unsustainable as fines increase.
- Mexico (**74%**) and Canada (**56%**) plan to start off-channel detection.

Compliance teams are open to exploring emerging technologies.

- **96%** use recording functions of business tools, including Microsoft, Google, and others.
- **79%** report they have a positive impression of voice transcription, although user-friendliness needs improvement.
- **13%** currently use sentiment analysis; **31%** plan to apply it to audio and video.

Many respondents are taking steps toward regulatory resilience.

- **26%** are pursuing vendor consolidation.
- Separately, **10%** are specifically seeking a single-vendor solution, while an additional **68%** are contemplating its advantages.

The Changing Landscape of Compliance and Data Governance

In the era of digitization, data compliance and governance have evolved from mere checkboxes to become fundamental strategic business drivers. The imperative of maintaining compliance has surged. Regulations such as GDPR and the emphasis on KYC practices are reshaping business functions. Notably, the financial consequences of non-compliance have surged 52% over the past three years, underscoring the dynamic shift in the regulatory landscape.

GDPR, HIPAA, and Anti-Money Laundering (AML) introduce intricate demands for data privacy controls with substantial penalties for violations. This transformation has elevated compliance from a legal necessity to a cornerstone of safeguarding operational integrity, ensuring data protection, and cultivating customer trust.

52%
Rise in compliance fines over the last 3 years.

Big financial players have received hefty fines for not properly checking customer backgrounds, leading to AML and KYC breaches.

Elevating KYC in a Stricter Regulatory Environment

Beginning with the tangible impact — the steep rise in compliance-related fines — underscores a stricter regulatory environment in which it's impossible to avoid financial repercussions for non-compliance.

When asked which regulation they prioritized, 64% of legal and compliance professionals put KYC at the top of their list. This focus is based on hard evidence — big financial players have received hefty fines for not properly checking customer backgrounds, leading to AML and KYC breaches. These cases highlight the importance of having customer verification and anti-money laundering procedures in place.

Mistakes like incorrectly identifying employees and customers are evidence that verification processes are not strong enough. These errors put both the organization and individuals at risk, leading compliance teams to focus on KYC. KYC stands at the core of global regulatory compliance, from AML to GDPR and HIPAA, aligning with the worldwide push toward enhanced data protection and privacy amid evolving regulations and publicized compliance breaches.

Harnessing Innovation to Navigate Compliance

You can transform compliance from a mere necessity into a valuable strategic asset. A proactive approach to compliance can support strategic growth and innovation. Tactics include comprehensive data management, AI-based classification, and advanced analytics.
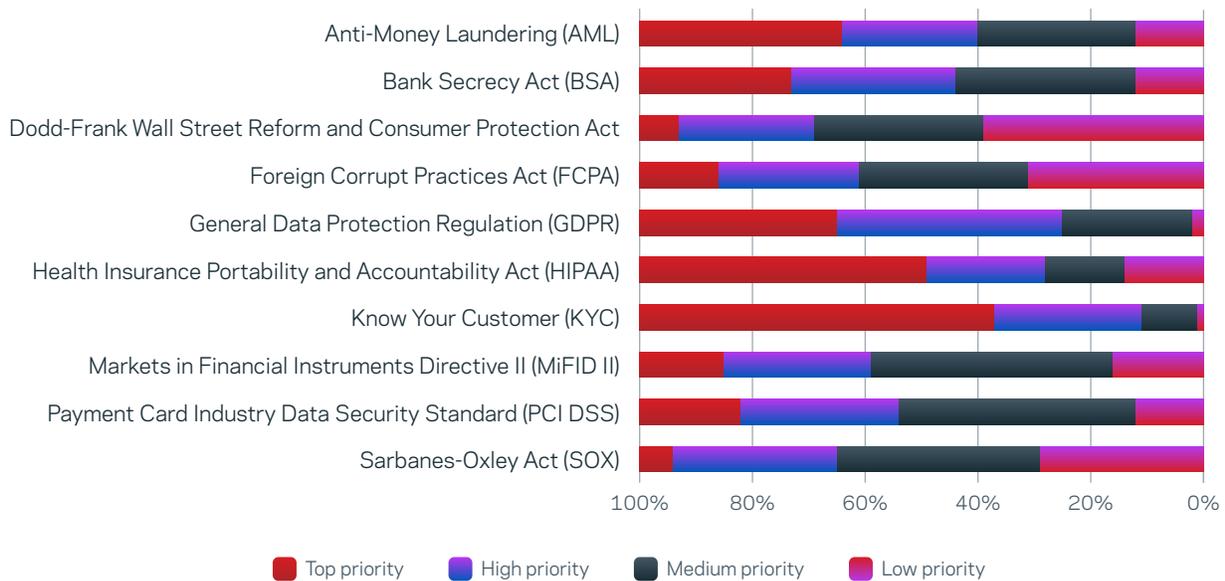
The focus on KYC (32%) and GDPR (19%) reflects a uniform effort across all regulated industries to take a meticulous approach to classifying and managing sensitive data. Adopting cutting-edge technologies and communication methods is crucial to navigating the complex compliance terrain efficiently.

The impact of compliance differs by region and organization size. For instance:

- Brazil and France have faced significant fines, while countries like Canada, the United States, and Mexico have seen fewer fines.

- Respondent organizations with more than 1,000 employees have seen 15% fewer penalties compared to their smaller counterparts, underscoring the variation in business compliance burdens and approaches.

Emphasizing technology and data management efforts both mitigates compliance risks and facilitates transformation into a strategic asset.

Top Regulatory Compliance Priorities

Anti-Money Laundering (AML)
Bank Secrecy Act (BSA)
Dodd-Frank Wall Street Reform and Consumer Protection Act
Foreign Corrupt Practices Act (FCPA)
General Data Protection Regulation (GDPR)
Health Insurance Portability and Accountability Act (HIPAA)
Know Your Customer (KYC)
Markets in Financial Instruments Directive II (MiFID II)
Payment Card Industry Data Security Standard (PCI DSS)
Sarbanes-Oxley Act (SOX)

100%   80%   60%   40%   20%   0%

■ Top priority   ■ High priority   ■ Medium priority   ■ Low priority

Transforming Compliance into Strategic Advantage

Compliance risk levels have escalated and the significance of compliance has never been greater. Central to the issue are business interactions that are increasingly vulnerable to unauthorized access. This is where communication technologies step in, seamlessly aligning with regulatory requirements and transforming the approach to compliance.

Significance and Challenges of Communications Tools

Communications tools offer unmatched efficiency, connecting teams across distances and facilitating collaboration. Beyond convenience, these tools have become central in enhancing efficiency and addressing the intricate challenges of compliance in a digital, interconnected, and global business landscape.

The significance of communications tools in modern compliance cannot be overstated. Compliance depends on communications tools to ensure adherence to regulations. Platforms like Microsoft Teams (77% adoption) and Google Meet (71% adoption) have become indispensable for organizations aiming to navigate the intricacies of compliance. Yet, reliance on digital communications brings its own set of challenges.

Regulated environments demand meticulous document preservation and compliance, which can be elusive in the digital realm. This underscores the criticality of managing communications tools effectively within the compliance framework. Recent U.S. Federal Trade Commission advisories shed light on the legal repercussions related to compliance and document retention, particularly concerning platforms like Slack and Signal, which are less utilized by the organizations surveyed.

Adoption Trends for Communication Tools

18%

5%

78%
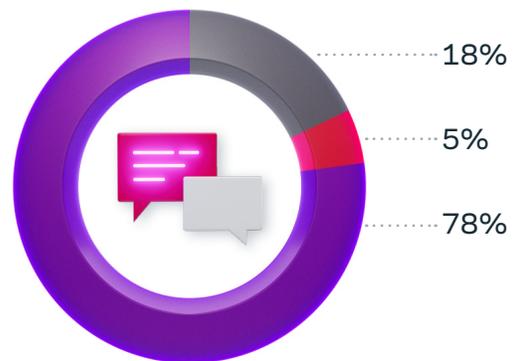
- No notable changes anticipated (88)
- Plan to use less frequently (24)
- Plan to use more frequently (387)

Global Trends in Communications Tool Usage

Today, businesses use more than two communications tools. This is higher in sectors like energy/utilities, where the average organization uses three or more.

Looking ahead, the increased use of communications tools is undeniable. A 78% uptick across sectors signals a global shift to more integrated digital collaboration. The finance sector is particularly noteworthy, with a substantial majority (79%) gearing up to increase their use of communications tools in the next year, including a major focus on Signal. This marks a notable shift in how the sector engages with digital technologies.

Each industry has its own needs, and different regions have communication tool preferences. Managing a diverse array of communications platforms, notably Microsoft Teams and Google Meet, underscores the need for strategic selection and use of surveillance tools. Doing so is essential to navigate the complexities of compliance, ensuring that organizations stay ahead of regulatory requirements and mitigate risks effectively.

79%
of the finance sector plans to increase use of communications tools.

## The Critical Role of Surveillance Tools

When it comes to electronic communications (eComm), the foundation of a strong compliance framework hinges on the effective use of surveillance tools. The risks of non-compliance are clear. In fact, 37% of respondents receiving higher fines do not use eComm surveillance tools. In contrast, those that have adopted electronic communications tools reported 62% fewer penalties, underscoring their pivotal role in successful compliance strategies. With 78% of respondents intending to increase their utilization of digital communications tools, the imperative for compliance teams to adopt proactive and advanced approaches is undeniable.

37% experiencing higher fines lack eComm surveillance tools.

62% using eComm surveillance tools report fewer compliance penalties.

Off-Channel Communications and Compliance

67%
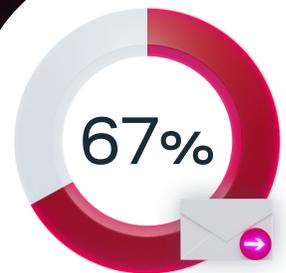
Organizations not tracking off-channel communications.

Off-channel communications — informal exchanges through personal email, social media DMs, messaging apps, and even traditional hallway conversations — evade conventional monitoring systems. However, ignoring or failing to track these seemingly innocuous interactions carries significant risks under the watchful eyes of regulatory bodies like the U.S. Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC).

Here's a sobering statistic — 67% of organizations lack effective tracking mechanisms for off-channel communications. This oversight is not a minor issue; it's a significant gap and requires immediate attention. Whether relying on manual tracking in smaller setups or implementing sophisticated automated tools in larger organizations, there is a clear imperative to act promptly.

Similarly, 21% of respondents do not conduct regular audits or have established policies for using approved communications channels. This gap is akin to walking a tightrope without a safety net and highlights the pressing need for unambiguous guidelines.

The Necessity of Advanced Tracking

Relying on manual tracking in 54% of the companies is like navigating a storm with a paper map. With the proliferation of communications tools, adopting automated, scalable systems isn't just advisable, but essential for survival.

A one-size-fits-all approach falls short, particularly for tracking off-channel communications. Both large multinationals and agile startups must tailor their strategies to suit their unique scale, resources, and specific risk profiles.

The Compliance Divide

Despite the high stakes in the financial services industry, where Dodd-Frank plays a pivotal role in compliance, only 33% of respondents actively monitor off-channel communications. This lack of oversight is not a minor gap. It's a chasm that could lead to substantial SEC fines in amounts that would make even seasoned CFOs wince. Recognizing the critical need for effective off-channel communications management, respondents look to emerging technologies to bridge this gap.

These technologies are not mere tools, but transformative solutions that offer a glimpse into a future in which off-channel communications are no longer the Achilles' heel of compliance efforts.

Pioneering Compliance: The Tech Revolution

**96%**

Respondents using call/voice recording solutions.

Advanced technologies are revolutionizing how legal and compliance teams navigate the regulatory environment. These tools have the potential to transform the essence of compliance work and regulatory oversight.
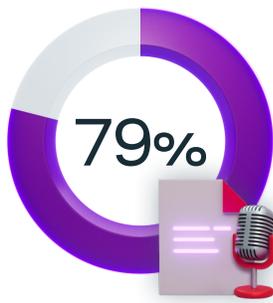
Call/Voice Recording Solutions: The Backbone of Verbal Compliance

Now ubiquitous, 96% of respondents rely on call/voice-recording solutions to capture verbal communications. The widespread adoption of these tools underscores their critical role in sectors such as finance and healthcare, where regulations such as Markets in Financial Instruments Directive 2 (MiFID II) and HIPAA mandate rigorous documentation of verbal exchanges.

The widespread use of platforms such as Microsoft Teams (72%), Google Meet (66%), Zoom (35%), and Webex (34%) underscores the necessity for integrated recording capabilities. Such platforms enable the capture and preservation of crucial interactions. The fact that many respondents use two or more recording apps potentially compounds their oversight challenges. Compliance solutions help by aggregating the recordings to provide a holistic view, ensuring consistent policy application and streamlined discovery.

Diverse Recording Landscape

72%
Microsoft Teams

66%
Google Meet

35%
Zoom

34%
Webex
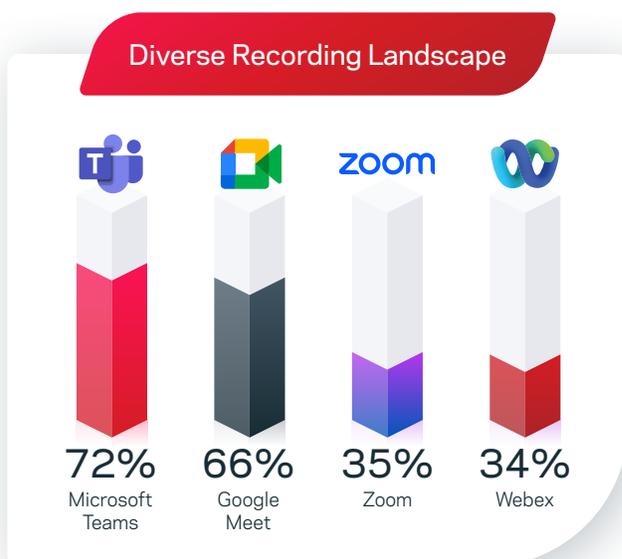
Unified compliance management is crucial. Using more than one recording tool can put you at an additional 10% risk of increased compliance fines.

Voice Transcription Tools: Bridging Audio and Text

The leap from audio to text is a game-changer, with 79% of respondents expressing satisfaction with voice transcription tools. This technology converts audio content into searchable text, a critical benefit for regulations like GDPR that rely on prompt, reliable access to documented communications.

Microsoft Azure Speech to Text (68%) and Google's Voice Typing Tool (65%) stand out as the preferred tools among respondents. While alternatives like Rev Voice Recorder, Transcribe, and Trint show some adoption, the Microsoft and Google tools clearly lead adoption.

Gaps do exist, however. With 71% of respondents using multiple tools, it's evident that organizations are searching for something better to streamline compliance reviews and legal audits.

79%

Respondents satisfied with voice transcription tools.

Sentiment Analysis Technologies: A New Dimension of Communications Insights

Although currently underutilized with only 13% of respondents using them, sentiment analysis tools offer valuable insights into emotional nuances and context in communications. Leveraging these tools can be pivotal, especially in areas like those regulated by the Consumer Financial Protection Bureau (CFPB), where customer interaction nuances are as crucial as factual content.

When it comes to audio-based sentiment analysis, 13% of respondents use it now, with 31% planning future use. Video-based sentiment analysis is in its early adoption stage: about 6% use it regularly with high satisfaction and 30% are considering future use. As these technologies mature, their potential to enhance compliance will grow.

Recent technologies are revolutionizing compliance and regulatory management, transforming how organizations monitor and document their activities. The impact of these developments is an important consideration in reshaping organizational structures and resources to address future challenges and opportunities.

Respondents report that they are looking for tools with:

65%
Improved user-friendliness

62%
Faster transcription speeds

59%
Enhanced accuracy
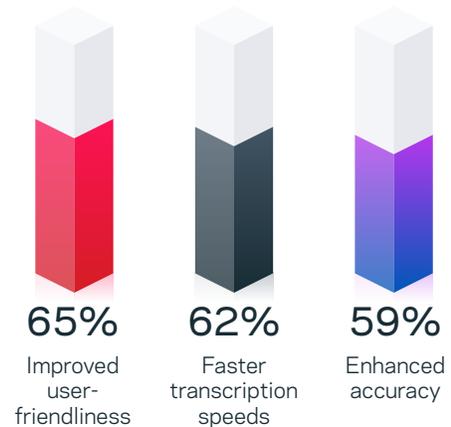
Refining Compliance Strategies

Exponential growth of digital channels and intensified regulatory demands are reshaping organizational structures, resource allocation, and strategic planning. Organizations are reevaluating how they can better navigate these changing corporate dynamics. Their approaches include:

Scaling to Meet Demand

Organizations are embracing scalable infrastructures to address increasing communications volume and compliance complexity. The consensus among those surveyed is to adopt systems that can grow and adapt to evolving regulatory challenges, achieving compliance while preserving operational agility.

Integrating to Simplify

Incorporating innovative technologies into compliance efforts requires a delicate balance. Respondents stress the need for seamless integration with existing workflows, as emphasized by 39% prioritizing improved integration of voice transcription. This approach looks to promote operational cohesion and efficiency.

Emphasizing Accuracy and Ease of Use

Respondents show a strong inclination toward compliance technologies that are both precise and user-friendly. For instance, respondents value ease of use (65%) and accuracy (59%) for tools such as voice transcription.

Simplifying the Tool Set

One in 10 respondents actively seeks compliance suites for a cohesive approach, while 26% are currently working to streamline their technology choices. Additionally, 54% indicate they prefer integrated platforms from a single vendor.

This evolution goes beyond adaptation. It's about redefining how to manage compliance, ensuring readiness for future challenges and opportunities.

CONCLUSION

In today's data-driven economy, compliance is the ticket to conquering challenges, thriving, and gaining a competitive edge. Envision a world where organizations confidently tackle risks and gain that edge. This is the power that comes from making compliance a top priority.

Think of communications tools, such as electronic-communication surveillance tools — like audio/video recording, voice transcription, and sentiment analysis — as your trusted allies in this journey. They're not just tools; they're the pathways to precision and insight in a complex regulatory landscape.

Compliance isn't about dodging penalties. It's about safeguarding your reputation and ensuring that your customers trust you with their data. Embrace compliance, harness technology, and ride the waves of trends. It's not merely about overcoming challenges, but thriving in the data-driven landscape and turning challenges into opportunities.

To learn more about Veritas, visit veritas.com/solution/compliance.

Research Scope and Methodology

Veritas Technologies commissioned independent market research specialist Hanover Research to undertake the quantitative research based on this report. A total of 499 legal and compliance professionals were interviewed during October and November 2023 with representation from the following regions and markets (number of interviews in brackets):

- **Americas (279):** U.S. (144), Canada (80), Brazil (21), Mexico (34)
- **EMEA (171):** U.K. (100), France (35), DACH (36)
- **APAC (49):** Australia (49)

All respondents represent organizations with at least 500 employees in regulated industries such as finance, healthcare, public sector/government, or energy/utilities. The respondents are decision-makers or influencers in compliance decisions.

Hanover Research conducted a rigorous multilevel screening process to ensure that only suitable candidates could participate.

Unless otherwise indicated, the results discussed are based on the total sample.

About Hanover Research

Founded in 2003, Hanover Research is a global research and analytics firm that delivers market intelligence through a unique, fixed-fee model to more than 1,000 clients. Headquartered in Arlington, Virginia, Hanover employs high-caliber market researchers, analysts, and account executives to provide a service that is revolutionary in its combination of flexibility and affordability. Hanover has been named a Top 50 Market Research Firm by the American Marketing Association every year since 2015. To learn more about Hanover Research, visit hanoverresearch.com.

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About Veritas

Veritas Technologies is the leader in secure multi-cloud data management. Over 80,000 customers—including 91% of the Fortune 100—rely on Veritas to help ensure the protection, recoverability, and compliance of their data. Veritas has a reputation for reliability at scale, which delivers the resilience its customers need against the disruptions threatened by cyberattacks, like ransomware. No other vendor is able to match the ability of Veritas to execute, with support for 800+ data sources, 100+ operating systems and 1,400+ storage targets through a single, unified approach. Powered by Cloud Scale Technology, Veritas is delivering today on its strategy for Autonomous Data Management that reduces operational overhead while delivering greater value. Learn more at veritas.com. Follow us on X at @veritastechllc.

VERITAS™

2625 Augustine Drive
Santa Clara, CA 95054
+1 (866) 837 4827
veritas.com

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information visit:
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