



# NEXT-GENERATION INFORMATION GOVERNANCE

## A NEW WAY FORWARD FOR FINANCIAL SERVICES ORGANIZATIONS

### The Three Pillars of Next-Generation Information Governance

- Collecting all required regulatory information
- Analyzing information risk
- Automating policy enforcement

### A WORLD OF RISK

Financial services organizations—banks, capital markets firms, and insurance companies—operate in a world of interrelated risks: credit, market, competitive, and operational. Yet, right now, information risk and regulatory compliance are two of the most pressing concerns for financial services executives. As former U.S. Deputy Attorney General Paul McNulty observed, "If you think compliance is expensive, try noncompliance." The same could be said of failing to pay proper attention to information governance.

Most executives are aware of these issues. But simple awareness does not help organizations cope with the glut of new regulations, frequent updates, and their impact on information governance and associated risk. They are plagued by regulatory "blind spots" that make policy creation and enforcement a morass of guesswork. Plus, from an operational perspective, organizations must learn to successfully manage information risk and regulatory compliance without the effort monopolizing resources to the extent that it paralyzes the business and impedes its ability to compete.

One industry source has noted that executives spend the equivalent of one day a week dealing with changing global and local regulatory requirements.

## Quantifying ROI

Next-generation information governance can deliver annual savings in the millions of dollars.

- Shrink search costs by up to 75 percent
- Reduce storage costs by up to 50 percent
- Minimize fines and penalties

And, in its 2013 Risk Practices Survey, Bank Director and Wolters Kluwer found that keeping up with regulatory requirements was the biggest risk management challenge for 72 percent of the banks surveyed. The same challenge faces investment firms and insurance carriers.

For any financial services company, managing information risk and regulatory compliance depends heavily on its information infrastructure. Much of the recent technology focus has been on managing records and their retention policies. Yet, given the enormous volume of regulations and the information management blind spots it creates, the fundamental question becomes, "how does an organization know if it's creating the right policy and how can it ensure enforcement across the enterprise?"

This EMC Perspective describes a new, more comprehensive approach to managing information risk: next-generation information governance. Next-generation information governance is equally at home on premise or in the cloud. And the benefits they deliver include compelling ROI metrics.

## REGULATORY DEMANDS IN FINANCIAL SERVICES

Most financial services executives do not fully grasp how complex and fast changing their regulatory environments are. The volume and complexity of financial services regulations—and the rapid pace at which they change—are staggering. In addition, organizations are often burdened with siloed information systems, manual processes, and obsolete records disposition and retention policies. The resulting environment is costly, high risk, and error prone.

Large financial services enterprises often operate globally, which makes information compliance even more complicated and exponentially increases information risk. In every country, there are separate national, regional/state, and local regulations—as well as a multitude of regulatory agencies—which must be considered when developing records policies and an overall information management strategy.

The number of global financial services regulations, rules, and governing authorities that oversee information management and compliance is huge. Just a short list includes:

Basel III	Markets in Financial Instruments Directive (MiFID)
Dodd-Frank	Packaged Retail Investment Products (PRIP)
Sarbanes/Oxley	SEPA—single euro payments area
Know Your Customer (KYC)	Insurance Mediation Directive (IMD)
Anti-Money Laundering (AML)	Solvency II
Consumer Financial Protection Bureau (CFPB)	Federal Housing Finance Agency (FHFA)
Financial Services Authority/UK banking law	Financial Industry Regulatory Authority (FINRA) - rules
Office of the Comptroller of the Currency (OCC)	European Securities and Markets Authority (ESMA) guidelines
International Financial Reporting Standards (IFRF)	U.S. Securities and Exchange Commission (SEC) rules

Clearly, there's no going back to a "simpler" time. The way forward requires a new strategy: next generation information governance.

## THE WAY FORWARD: NEXT-GENERATION INFORMATION GOVERNANCE

Next-generation information governance enable today's financial services organizations to deploy an end-to-end approach to information governance that meets strategic, operational, and information compliance objectives. The resulting solution delivers capabilities across three critical areas:

- Collecting all required regulatory information
- Analyzing information risk
- Automating policy enforcement

Many technology vendors have attacked various parts of the information governance problem. For example, many organizations have automated record retention policy and enforcement. But, despite these advances, little progress has been made in ensuring that the right policies are created in the first place, that they are applied holistically to all relevant information, and that there is continuous, automated connection between regulatory change, policy creation, and policy enforcement—until now.

### COLLECTING REGULATORY INFORMATION

There are thousands of regulations that impact the management of information in financial services organizations—and thousands of changes to those regulations every year. It is extremely difficult just to keep track of applicable regulations, let alone cope with the pace and volume of regulatory change.

The effort must be 24x7x365 and cover national, regional, state, provincial, and local regulatory authorities. No enterprise can manage these critical challenges and demands with personnel and manual processes.

Next-generation information governance provides an automated data service that aggregates regulatory data from across the globe. This data includes new regulations, changes to existing ones, and directives from regulatory authorities on interpretation and implementation. Operating 24/7, the service monitors the financial regulatory ecosystem, collecting regulations and updates in realtime—reducing exposure to information risk and potential fines. It also includes an expert review process to automate the creation and updating of records policies.

### ANALYZE INFORMATION RISK

With up-to-date regulatory information in hand, financial services organizations can analyze information risk, identifying areas where action needs to be taken to align information policy with government mandates. This includes discovering information "in the wild" (email repositories, file stores, and business systems) to provide a complete picture of a firm's information risk. A dashboard view identifies information compliance levels and risk across the enterprise at every level—federal, national, regional, state, and local. This simplifies and accelerates the process of generating new policies and policy updates, which can then be mapped to the appropriate documents and business records. In addition, next-generation information governance enables compliance data to be exported for legal review, showing all policy sources.

## **AUTOMATE POLICY ENFORCEMENT**

Once risks have been assessed and the right policies created to mitigate those risks, automated enforcement ensures that documents are automatically classified and linked to the appropriate policy and that those policies are continuously and consistently applied to relevant documents under central management. This eliminates "blind spots" and guesswork within an organization's regulatory framework.

Next-generation information governance enables the financial services enterprise to easily configure content retention and disposition policies that operate behind the scenes to meet business and compliance goals. It takes these tasks out of the hands of users—eliminating errors while ensuring consistency and accuracy. Moreover, reducing manual effort saves time, cuts costs, and boosts productivity.

Retention and disposition policies are applied automatically 24x7x365. The lifecycle of standard documents and corporate records are managed with equal ease—incorporating events, multiple phases, aging methods, authorities, or disposition preconditions as necessary. With these capabilities organizations can:

- Automatically apply policies that conform to changing regulations, judicial decisions, internal best practices, and corporate mandates
- Retain and dispose of documents according to internal policies or external regulations
- Integrate approval workflows into the disposition process
- Apply litigation holds to documents by case matter, with support for single and multiple holds
- Export records in accordance with NARA requirements
- Manage document disposal using a dedicated user interface that identifies deletable material
- Dispose of unofficial documents automatically as retention periods expire

## **DELIVERING ROI FOR INFORMATION GOVERNANCE**

Just as risk and compliance failure can be expensive, risk mitigation and compliance readiness can deliver big dividends. Next-generation information governance enables banks, capital markets firms, and insurance companies to effectively address the risk and compliance dimensions of their information assets—with little or no impact to users—while they:

- Realize annual savings in the millions of dollars
- Minimize fines and penalties
- Shrink search labor costs by up to 75 percent
- Reduce storage costs by up to 50 percent improving performance of production systems

## EMC—A GLOBAL LEADER IN RISK AND COMPLIANCE SOLUTIONS

With on-premise and cloud solutions, EMC can make next-generation information governance a reality for global financial services organizations, enabling them to mitigate information risk and automate compliance. For more information about EMC and its information governance solutions, please visit us online at [www.emc.com/campaign/iig-financial-services-insurance/index.htm](http://www.emc.com/campaign/iig-financial-services-insurance/index.htm)

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