10 Compliance Technology Trends for 2014

Includes Quotes from FINRA CEO Richard Ketchum,
SEC Chairwoman Mary Jo White, Inc. 2014 Entrepreneur of the Year Aaron Levie
and other Financial Services Business Professionals!
Unlocking your firm’s potential in 2014.

Technology has played an increasingly important role in the evolution of the financial services industry. With the ever-growing surplus of big-data, paired with the regulatory pressure to keep pace with changing regulation, more and more firms are being forced to rethink the value of technology when it comes to managing their firm’s compliance risk.

Despite its significance, many tenured compliance professionals are resistant to trade in their pen and paper for automated technology just quite yet. Where some see value in tangible data, others fear what will happen should this information fall into the wrong hands.

Enclosed are ten technology trends for compliance professionals to keep an eye on in 2014, as projected by industry professionals and gathered by Quest CE for our industry partners.

“The most dangerous phrase in the language is, We’ve always done it this way.”

Admiral Grace Hopper
Famed American Computer Scientist and US Navy Rear Admiral
As the markets change, so too must the regulators that watch over them. As a result, in response to the industry’s deployment of advanced technology, FINRA and other governing bodies are conforming to the need to implement big-data technologies.

In fact, in October 2013, FINRA’s Chairman and Chief Executive Officer, Richard Ketchum, addressed the industry in a speech entitled, “A New Day in Regulation for of the Financial Markets,” during which he discussed how technology – and the data it allows us to see – is changing the way that FINRA and other regulators plan to examine firms and oversee the markets.¹

As regulators continue to implement stringent oversight through the aid of advanced technology, it’s important for firms – now, more than ever – to do the same as a means to mitigate compliance inaccuracies.

Today’s auditors are tech savvy.

FINRA is already capitalizing on technology to more efficiently analyze data during the examination process. In fact, according to FINRA’s chief risk officer, Carlo di Florio, the self-regulatory authority is stepping up data collection and hiring quantitative analysts as it looks to better use information from firms to target its examinations.

Instead of running exams based on random samplings that try to find a “needle in a haystack,” regulators are starting to ask for data ahead of examinations to more selectively target its exams.²

As a result, during your next audit, you can expect FINRA’s auditors to come “well-armed” with the tools necessary to more quickly and efficiently identify risk.

Firm participation required.

The use of compliance technology is steadily becoming an industry standard. The question is no longer, “Are you utilizing technology to protect your business,” it’s “Why aren’t you utilizing technology to protect your business.”

If you’re a bystander waiting idle from the sidelines for this ‘technology phase’ to pass, I can tell you right now, it’s only getting started.

When it comes to the application of technology in the financial services industry, we’re witnessing the emergence of a completely new paradigm – one in which technology is more than an ‘add-on’, but a necessary compliance program asset. If there are resources out there for your firm to better protect investors, FINRA expects you to leverage them, regardless of how intimidating the initial transition may be.

“... We have a great opportunity to leverage technology and big data to improve compliance and protect investors’ interests. Let’s all be on the same team when it comes to looking at how modern technology and analytical methods can revolutionize the industry.”

Richard Ketchum
FINRA Chairman/Chief Executive Officer
SIFMA C&L New York Regional Seminar


Activity Tracking for Outside Business Activities, Gifts, Entertainment, and Political Contributions
Data security is vital.

I can’t talk about the possibilities of technology without recognizing the dangers. One common fear of using technology to host firm data is the concern over privacy issues and the potential for leakage of confidential account and trading information.

Not only is cybersecurity listed as a 2014 FINRA Regulatory and Exam Priority, but it’s also been a hot-topic in the news as of late, with the SEC recently holding a roundtable to discuss the issues and challenges cyber security raises for market participants and public companies.³

The outcome? While technology is a valuable and unavoidable asset to your firm’s compliance arsenal, firms using technology to create data storage repositories will be held to a much higher standard to ensure that information is not abused by unauthorized hackers.

FINRA and the SEC take this responsibility very seriously, and security in 2014 will continue to be a primary concern.

The digitalization of financial products and services has dramatically changed the way companies do business. In the era of big data, the pace and complexity of the financial market has increased significantly. As a result, it has unavoidably become more difficult for compliance departments to supervise firm activities as they occur in real-time.

In turn, the door to unethical behavior has been swung wide open. In order to keep pace with technology, representatives have been found cutting corners, leading to unauthorized trades, errant red-flags and unsuitable product recommendations.

Case in point - if you’re still conducting your compliance procedures on paper, you’re putting your company five steps behind the average advisor. To combat the risks of today’s mobile industry, your firm needs to implement compliance technology that can compete.

“The manual trades on the exchange floor of the 1930s have given way to trading that is high-tech, high-speed, and widely dispersed among many different venues, some of which did not even exist when I last gave this address, but which now occupy significant parts of the market landscape.”

Mary Jo White
SEC Chairwoman
The SEC in 2014

4 Mary Jo White, “The SEC in 2014” (Speech, 41st Annual Securities Regulation Institute, Coronado, CA, January 27, 2014).
Centralized information management.

A common obstacle facing many firms is the hurdle of overcoming ‘disparate data sources’. There are a multitude of data repositories in use within the financial services industry, and in order to successfully exercise good governance, you need to be able to monitor most, if not all of them in order to stay up-to-date with industry changes.

However, gathering and integrating data from disparate data units and systems is a very daunting task. Not to mention, the continuous and time-consuming task of upkeep. As a result, firms are quickly beginning to realize the tremendous power of investing in a technology solution that can bring together many disparate pieces of data, under one centralized roof.

By centralizing data management, firms can seamlessly analyze and retrieve data, monitor for changes and quickly generate reports on the information they need.

“We talk to a lot of compliance professionals and a common theme in every conversation is the annoyance of “disparate data sources.” Because of this frustration, firms in our marketplace are clamoring for an application that provides a real-time 360 degree compliance snapshot of the organization’s interests.”

Patrick Torhorst

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According to a 2013 CISCO survey, the number of BYOD devices in U.S. workplaces will reach 108 million by 2016.\(^5\) This identifiably means better cost savings for your firm and more work-life flexibility for employees.

However, what happens if a personal device with confidential business information gets stolen, or a user-installed app is attacked, compromising the security and confidentiality of your business’ data? After all, over 40% of people don’t use password protection on their individual smartphones.\(^6\)

As a result, in 2014 and beyond, the line between what we’ve traditionally viewed as ‘work’ and ‘personal’ technology will be blurred, as we are likely to see greater tension between the need to protect firm data and the demand for more mobile flexibility.

**If you haven’t already, you should start integrating what is considered acceptable BYOD protocol into your firm’s corporate procedures.**


Be mobile-ready.

Everywhere you look, people are using their smartphones, iPads and tablets to access the web. This is especially true in the financial services industry.

As a result, in today’s increasingly mobile world, it is important for firms in invest in technology that offers the ease and convenience of ‘anytime, anywhere’ access.

As we become more dependent on mobile technology and more closely connected to our colleagues through social networks, compliance platforms must reflect and extend the rest of the corporate environment. Empower your employees with mobile accessible resources, so they can easily input their compliance activities from a desktop or laptop, make edits on the go from their Smartphone, and tie up any loose ends from their tablet or home device.

The easier/more accessible you make compliance, the more likely your representatives are to be in favor of it.

“There are phases in technology. Mainframe to PC, PC to cloud, to cloud and mobile. These things come around every 10 to 15 years... And what that means is that it’s a catalyst for IT buyers to implement the next generation of technologies that they’re going to run their businesses off of. This opportunity did not exist in ’03, ’05, ’07, ’08 or ’09. It’s happening right now.”

Aaron Levie

Co-Founder and CEO of Box
Inc. 2014 Entrepreneur of the Year

Financial services firms and markets generate perhaps the highest volume of data of any industry segment. Consider, for example, that the NYSE creates 1 TB of market and reference data per day, covering the use and exchange of financial instruments (1 terabyte = 1000000000000 bytes).8

The key differentiator from the ‘compliant’ and ‘incompliant’ in the financial services today is dependent on how successfully that firm can not only store their data, but also how skillfully they can turn it into useful information.

It’s extremely important for firms to invest in ‘data real-estate.’

Similar to investing in a cellular plan that offers unlimited data, you should also invest in a compliance management platform that is equipped to store and manipulate a surplus of data.


“Data storage is a company’s lifeline. Businesses must have a well prepared storage plan for both analyzing its resources and system recovery. If anything happens to the main data source, internally or externally, it has a direct effect on a company’s bottom line.”

Jason Loomis
Quest CE IT Operations Manager on Data Storage

Trend #9

Firms will invest in more data storage.
Three important and influential words to remember in 2014 are Attest, Archive, and Analyze. While it may appear that we picked these words due to a very similar common denominator, or letter if you will, they all carry heavy meaning when considering the future of compliance. **Let me explain.**

Digital attestations are quickly becoming a vital asset, as they are both affordable and easy to implement. By having your reps attest to firm policies and training materials online, your firm can easily demonstrate to FINRA that it is taking the necessary steps to monitor, uncover and negate risk.

In recent years, FINRA has increased the demand for firms to improve their operational transparency. In other words, FINRA wants to be able to access years of firm’s historical data at any given time. Simply said, be sure to archive your necessities so you don’t lose the game due to a technical foul.

Lastly, always analyze your data. Simply warehousing data is not the same as analyzing it. Archiving your firm data is fruitless if you’re not actively using it to draw conclusive findings on risk affecting your firm.

**We can help (Surprise!).**

In addition to offering state and federally mandated continuing education, Quest CE provides a complete spectrum of technology solutions for managing risk and compliance exposures.

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