

# VIDEO IN FINANCIAL SERVICES: SOLVING RISK AND COMPLIANCE CHALLENGES

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COMPETE AND COMPLY IN TODAY'S DIGITAL WORLD

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A REPORT BY IMAGEN

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# VIDEO IS DRIVING BETTER CUSTOMER EXPERIENCES - BRINGING REWARD, RISK AND A REAL FEAR OF BEING LEFT BEHIND...

Video in banking has arrived, and the most forward-thinking banks and financial institutions are deploying video to dramatically improve customer experience and operational efficiency.

In this short guide, we explore how financial service organisations are using video and examine how they can make sure potential problems with managing video assets don't become a barrier to their digital transformation – and ultimately their future competitiveness.

Within the report we explore:

- 📺 **How will financial service organisations cope technically with large volumes of video?**
- 📺 **If the use of video puts their compliance with regulations like Markets in Financial Instruments Directive (MiFID II) and General Data Protection Regulation (GDPR) at risk?**
- 📺 **As those regulations evolve, will they be able to manage their growing use of video – storing, managing and retrieving it – to ensure effective eDiscovery and remain compliant and competitive in the future?**







**“Now’s the time to make video asset management part of your risk management DNA.”**

# VIDEO TECHNOLOGY DRIVING CHANGE

In 2011, Cisco produced a visionary report<sup>1</sup> that outlined the emerging role of video in transforming retail banking. For a sector so traditional and regulated, the report talked about what seemed to many like a fantasy world of remote advisors, concierge services and business-to-business meetings.

Now – in 2018 – those emerging practices are becoming mainstream. Major banks like Barclays routinely offer face-to-face banking from anywhere via video calls. A new breed of emerging, digital-only banks are leveraging the power of video to onboard and verify new customers. These ‘challenger’ banks are using video as part of their secure ID and sign-in process and for biometric identifications. In the wealth management space, select organisations are using high-end video conferencing to offer personal services to clients across the globe.

What underpins all these uses of video are the regulation and compliance requirements for the finance industry. As regulation evolves, technology is often seen as a means to remain compliant, while also offering customers cutting-edge services and improved processes. Video is doing this and becoming a key factor for any financial institution that wants to be part of the digital banking era.

The examples that follow illustrate where video is prevailing – and where some organisations are going to need to catch up to stay relevant and fresh.

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<sup>1</sup> Cisco, Role of Video in Transforming Retail Banking and Wealth Management, 2011



# VIDEO-BASED MEETING NOTES FOR COMPLIANCE

Recently the MiFID II regulation stopped short of requiring recorded video footage of face-to-face meetings as a means of ensuring compliance. Instead it stipulated note-taking post event “to capture any substantive points raised in the relevant conversation that provide material context and colour to the decision taken by the client.”

While video recordings are not currently mandated, it's likely video will be deployed widely to improve the efficiency of the note-taking process. In fact, in our discussions with leading financial institutions, we've discovered the practice of using video to capture post-meeting notes as part of a drive for efficiency.

It only takes a few minutes to record video notes on a smartphone, whereas the same notes could take 20 minutes to type up manually. Assuming an advisor has five meetings over the course of every week, that equates to a saving of nearly two weeks per advisor per year.

Recording notes in video format only addresses part of the challenge. The audio needs to undergo a speech-to-text process which allows tags and metadata to be immediately applied to the video files. This makes eDiscovery and compliance achievable by being able to search and retrieve customer information when requested by a court, individual or regulator.

Banks that use video to boost efficiency and compliance in this way are stealing a march on competitors.

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# STREAMLINING ONBOARDING WITH VIDEO AT THE HEART

The speed of onboarding new customers has become a point of differentiation for retail banks. The quicker they can make it happen, the better the experience is for customers, which improves onboarding and speeds up the customer acquisition process for retail banks. Yet, according to a recent report by Thomson Reuters<sup>2</sup>, it still takes traditional banks on average 26 days to carry out Know Your Customer (KYC) checks to onboard a new customer.

**“By using video as part of onboarding in this way, Monzo is aiming to reduce the process to five minutes, which in turn reduces their onboarding costs.”**

Video is once again providing a solution. Monzo – a start-up, smartphone-only bank – is employing video as part of their onboarding process to speed things up significantly. Rather than asking customers to visit a bricks-and-mortar branch, Monzo simply asks them to send a picture of their ID with a quick selfie video for verification. By using video as part of onboarding in this way, Monzo is aiming to reduce the process to five minutes, which in turn reduces their onboarding costs. Banks that fail to keep pace with this kind of change are likely to suffer a loss of competitive advantage in the future.

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<sup>2</sup>Thomson Reuters, KYC compliance: the rising challenge for financial institutions, 2017



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Examples of the Monzo sign-up process





# IMPROVING SECURITY PROCESSES

Security is another major cost within the finance sector. It's also another area where financial institutions need to provide customers with mechanisms that feel seamless and reassuring.

Another new smartphone-only bank, Starling, is currently scoring on all these points by helping customers to secure its app via a self-recorded video. In addition to being asked to provide a six to ten-digit passcode, Starling customers are asked to record a short video message of them reading out a specific phrase. This is then used for biometric identification when customers find themselves locked out of the Starling app.

As a result, Starling is able to save time by automating the re-signing in process, saving resources and costs. At the same time, the system provides a differentiating 'wow factor' for customers.



# THE CHALLENGE: A RISK AND COMPLIANCE TIME BOMB

The growing presence of video for a wide variety of uses is going to be a major benefit to banks. There's no doubting that. However, there is increasing concern that expanding volumes of video communication and surveillance are going to be a management burden and a new area of risk for financial institutions – especially if they don't know how to store and manage the assets effectively.

For financial institutions to progress with their digital transformation, they now need to make absolutely sure they have the right technical tools to manage multimedia assets they've had little experience of dealing with before.

## **Managing large volumes of video – can current video management solutions cope with another PPI?**

The PPI scandal in the UK – which saw banks having to pay enormous fines for mis-sold Payment Protection Insurance – has cost the sector dear in the last few years. Lloyds Banking Group alone has taken a hit of a reported £18bn since 2011<sup>3</sup>. In many of these cases, customers would have agreed in principle to these charges. However, in Lloyds' case it has been difficult for them to prove that they a) properly explained the purpose of the payment protection insurance and the associated costs, and b) that each customer had understood what they had signed up for.

It's the lack of documented evidence that's proved to be important. Now some financial institutions – not just in the UK but globally – are concerned that the General Data Protection Regulation (GDPR) is going to be the next big problem. Under the GDPR, which comes into effect on the 25th May 2018, individuals are given more rights and control around the use of their personal data.

Video footage that can be used to identify someone will fall under the definition of 'personal data'. This creates the scenario where customers can demand to see all the data stored on them, including video. If financial institutions are unable to respond, the fines could be severe.

With video becoming increasingly prevalent, the need to adhere to existing eDiscovery processes and with the GDPR now a reality, is the financial sector prepared to cope with another high-cost, reputation-damaging scandal like PPI? There is certainly a growing need for systems to manage any video data that contains personal data appropriately in order to maintain compliance.

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<sup>3</sup> Financial Times, Lloyds Bank hit by further £1.1bn provision on PPI claims, 2017





# VIDEO DEMANDS NEW PROCESSES AND PROTOCOLS

Of course, it's impossible to predict if we'll see anything like the magnitude of PPI faced by banks in the near future. But what is clear – whether we are talking PPI or GDPR – is that there's a need for thorough evidence of verification when it comes to financial agreements being made.

As we've already discussed, video can help improve efficiency for post-meeting note-taking to aid compliance. But this is just a small step. In the future – whether it's two, five or ten years down the line – it's also likely that new regulations will emerge that will require all meetings to be recorded in full. But how is that video going to be stored, tagged and managed for easy retrieval?

Without proper systems in place, there is a danger that the complexity of managing ever increasing volumes of video could pose banks a major risk problem. The same goes for all the video use cases we've outlined above.

Video promises better customer service, improved efficiency and security. But if handled and managed poorly, video could swiftly become a potential risk that banks – already constrained by complex regulations – could easily avoid by implementing a Media Asset Management system.

**“There is certainly a growing need for systems to manage any video data that contains personal data appropriately in order to maintain compliance.”**





# THE OPPORTUNITY: MEDIA ASSET MANAGEMENT THAT DRIVES COMPLIANCE AND COMPETITIVENESS

When McKinsey recently produced a report on the Future of Risk Management in the Digital Era<sup>4</sup>, it said that increasing digitisation brings significant implications for risk management. Indeed, when McKinsey surveyed banks, it found that 70% of them have digital risk prominently on the radar and 22% of banks have invested more than 25% of the annual risk budget to digitise risk management.

Video – if handled correctly – can play a big role in this growing trend.

Particularly when it comes to areas like compliance, it's clear that in the future paper-based evidence and audio will simply no longer be enough. Challenger, digital-only banks are already basing many of their ways of working on video to improve customer service

and efficiency. Traditional banks are going to need to respond and do the same.

Inevitably, regulation and customer expectations change in line with these practices. It's highly likely that the next iterations of regulations like MiFID II, for example, will recognise the growing importance of video and stipulate that all interactions are video recorded for compliance reasons.

As these changes occur, so must banks' methods of working. They must use video or audio as a means to capture client meetings, show consent and maintain compliance. This is not just being reactive to regulation. It will make advisors more efficient and will leave no room for doubt on the issue of consent or mis-selling, an essential part of eDiscovery.

The question is – have they got the capability to do this without adding another layer of complexity to their risk management?

Right now most financial institutions do not make allowance for video storage in large volumes, or run speech-to-text processes on audio or video files. They also do not have the capability to store, tag, search and easily retrieve all recordings. Now's the time to make video asset management a part of their risk management DNA.

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<sup>4</sup> McKinsey, The Future of Risk Management in the Digital Era, 2017



# ARE YOU READY?

For all the reasons outlined in this report, it's imperative that financial organisations address these video-related challenges. Video volumes are increasing and regulation is only going to get more stringent.

## Your next steps

To address the challenge you have right now, start with these five key actions:

### 1 Audit

Start with an audit of the video files you already have. Assess their formats, location and use-cases to determine how to manage the ever-increasing volume of video.

### 2 Access

Investigate storage platforms and tools that have the ability to access, control and store video content securely, and that meet compliance and regulation mandates.

### 3 Enhance

Evaluate tools that offer speech-to-text capability along with text annotations of video and audio files so you can easily search and retrieve in accordance with regulatory compliance.

### 4 Extend

Evaluate the future use of video and create a strategy for extending your video platform into other areas of your businesses, such as live broadcast and archiving of internal meetings.

### 5 Integrate

Determine integration requirements with other systems, both internal and external, that enable you to gain increased use and value from your video files.

Financial organisations that don't take these steps now will find themselves falling behind, not only in terms of meeting regulation and compliance standards, but in their ability to operate efficiently and competitively.

# ABOUT IMAGEN

At Imagen, we provide a flexible media management system that enables financial organisations to store and organise unlimited volumes of video – helping banks and other financial service providers to improve their digital, customer experience and process automation strategies without increasing complexity or incurring unnecessary risk.

## Key features include:

- Unlimited cloud-based or on-premise storage, bandwidth and computing power for large scale operations.
- Automatic replication of large volume libraries to strategic storage locations for rapid access worldwide via Global Distribution Networks.
- The ability to scale up or scale down as your storage requirements demand.
- Rapid cataloguing of content by media and risk managers with professional metadata tools and speech-to-text annotations.
- Ability to search and retrieve specific moments quickly with time-based descriptions.

## Find out more at:

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The background is a teal-colored graphic featuring a faint world map with a grid overlay. Overlaid on the map are several white line graphs and arrows. A large, prominent white arrow points diagonally upwards from the bottom left towards the top right. In the upper right area, the text 'Index' is followed by a small upward-pointing triangle and the number '1.56'.

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