

## DATA-DRIVEN COMPLIANCE:

How are FSIs maximising value  
and keeping their data safe,  
while staying compliant?



# INTRODUCTION & METHODOLOGY

## INTRODUCTION

As financial services and products become increasingly digitised, the industry is faced with new opportunities, threats, and challenges. And with an ever-changing regulatory landscape, the need for an effective data compliance strategy has never been more important for financial services providers in the market.

Firms must strike the right balance between maximising value from the data they collect and ensuring it stays both safe and compliant. With the shift to digital, financial institutions, from insurance and retail banking, to wealth and asset management, must also consider the best way to approach snowballing cybercrime, as well as keep up with the latest technological advancements to maintain customer engagement and meet compliance standards.

FStech, Hitachi, and Veritas conducted a survey to assess the top priorities and obstacles for financial services firms as they develop their data compliance strategies against the backdrop of a constantly adapting regulatory and technology landscape.

The following results provide a representative snapshot of the key trends, drivers, and challenges for organisations operating in the industry across compliance, cloud, cybersecurity, and technology transformation.



## METHODOLOGY

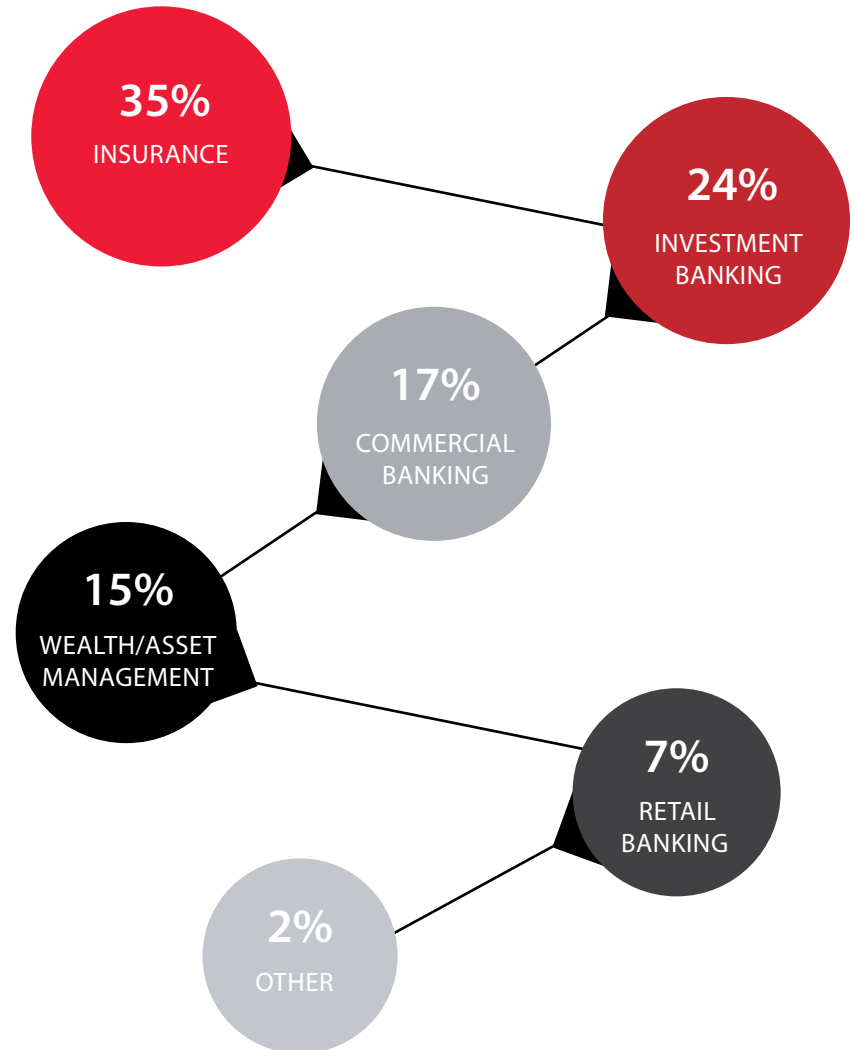
FStech, Hitachi, and Veritas Technologies surveyed 104 financial services professionals, including directors of information technology, finance directors, heads of cloud, heads of data analytics, data protection officers, as well as others, from a range of leading financial institutions across the UK and EMEA region.

# CONTENTS

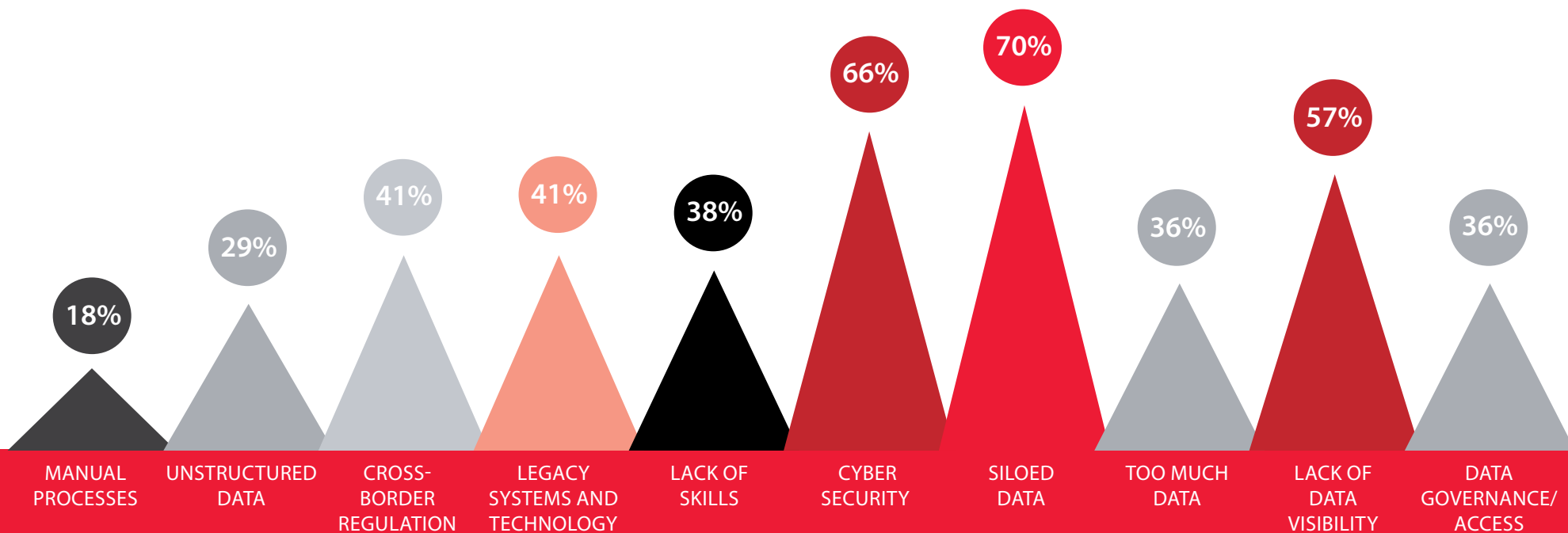
- 1 SECTOR
- 2 COMPLIANCE AND REGULATORY STANDARDS
- 3 CLOUD JOURNEY
- 4 DATA STORAGE
- 5 BARRIERS TO THE CLOUD
- 6 DATA VALUE
- 7 TECHNOLOGIES
- 8 AUTOMATING PROCESSES
- 9 CYBERSECURITY
- 10 CYBER CRIME RECOVERY
- 11 CONCLUSION
- 12 CONTACT

## 1. WHICH SECTOR OF THE FINANCIAL SERVICES INDUSTRY DO YOU WORK IN?

*(Select one option)*



## 2. WHAT ARE THE KEY CHALLENGES FOR MEETING COMPLIANCE AND REGULATORY STANDARDS IN YOUR ORGANISATION? (Select all options that apply)



Meeting regulatory standards has always been an important consideration for firms operating in the financial services industry. However, with operations and applications becoming increasingly digitised, and a shift towards cloud-based storage, data compliance is even more of a priority for FSIs.

While the shift to digital has ushered in a multitude of opportunities for financial institutions and their customers alike, there are still many obstacles to maintaining the balance between upholding compliance and embracing innovation.

The results show that when it comes to meeting regulatory standards, many of the key challenges for financial services providers are directly related to the management of data. Siloed data was top of the list, with nearly three quarters – 70 per cent – identifying this as one of the main issues for financial services teams in adhering to compliance rules.

Meanwhile, lack of data visibility was identified by over half of respondents. Both too much data and data governance or access were picked by just over a third, while unstructured data was chosen by nearly 30 per cent of the financial professionals surveyed.

The rates of cybercrime have skyrocketed in the past two years, having a huge impact on the financial services industry. It's no surprise then, that two thirds of respondents identified this as a key challenge.

Other key barriers to meeting compliance standards include cross-border regulation and legacy technology, which were both chosen by just over two-fifths. Manual processes were chosen by just under a fifth, while lack of skills proved to be a significant obstacle for firms, with almost 40 per cent picking this option.



### 3. WHERE IS YOUR COMPANY CURRENTLY ON ITS CLOUD JOURNEY?

(Select the most appropriate)



## 4. WHERE IS YOUR COMPANY CURRENTLY STORING ITS DATA?

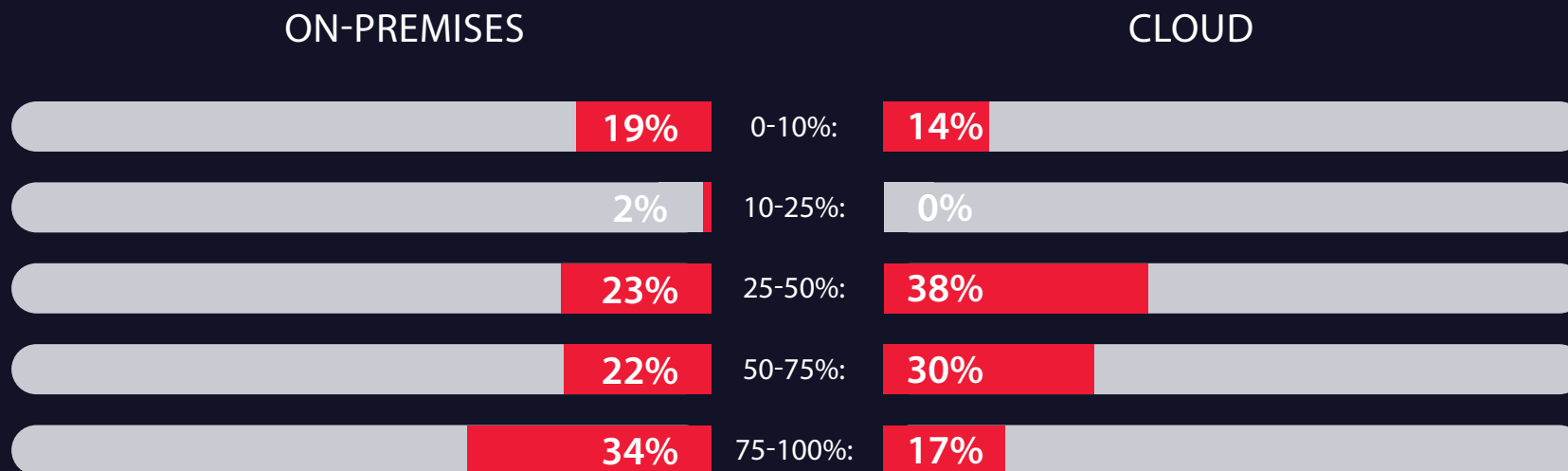
*(Select one option for each)*

The results show that cloud adoption is no longer just an emerging trend in the financial services market, it's now a key data storage option for providers.

Almost a third – 30 per cent – of professionals said that they are keeping between half and three quarters of their data in the cloud. Almost a fifth say they keep barely any – up to 10 per cent – of their data on-premises.

While changing attitudes and a shift towards cloud adoption are palpable, nearly two-fifths still keep between a quarter and 50 per cent of their data on-premises. And with more than a third revealing that they store nearly all of their data on-premises – between three quarters and 100 per cent – it's clear that on-premises is still an important option for firms.

Overall, the figures suggest that FSIs are taking a hybrid approach to data storage. Many firms are beginning to entrust operational data to cloud providers while storing sensitive data on-premises.



*\*The figures show the amount of data stored on-premises and on the cloud as a percentage of total storage. For example: 19 per cent of respondents store between 0 and 10 per cent of their data on-premises, while 14 per cent store the same amount on cloud.*

## 5. WHAT ARE THE MAIN BARRIERS TO MOVING DATA TO THE CLOUD?

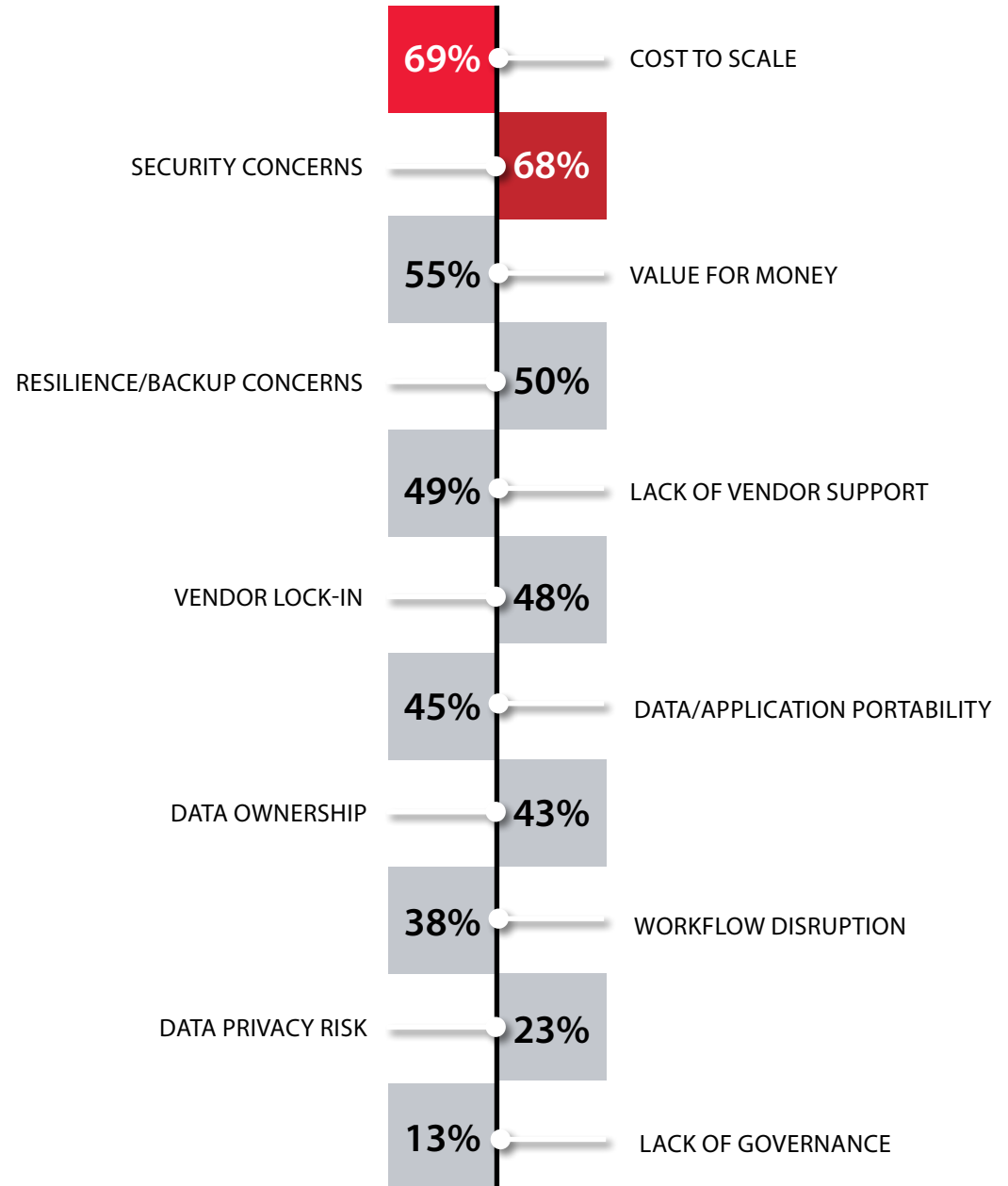
*(Select all options that apply)*

Despite economic savings and efficiencies being a key advantage of moving data to the cloud, the top barriers to adoption are tied to concerns around cost. At 70 per cent, cost to scale was chosen by the highest number of financial services professionals. Value for money was also picked by over half of respondents.

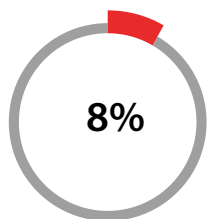
As cyber security incidents skyrocket and dominate headlines, firms are cautious about the movement of highly sensitive data. That's likely why the vast majority - nearly 70 per cent - of respondents identified security concerns as a key obstacle to transitioning data to the cloud. This is further highlighted by the nearly quarter of respondents that cited data privacy risk as a significant blocker. Over one in ten also believe lack of governance is a hurdle to transferring data to the cloud.

Another key barrier appears to relate directly to cloud providers themselves. Nearly 50 per cent said that vendor lock-in was a hindrance, while a similar number cited lack of vendor support as an obstacle.

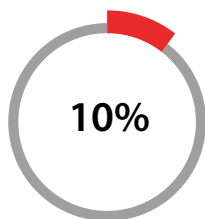
The figures demonstrate that worries about maintaining flexibility and agility are a key barrier for firms, with more than two-fifths picking data/application portability and well over a third choosing workflow disruption as a blocker to moving data to the cloud. Having control over data is clearly important for FSIs, with data ownership chosen by 43 per cent of respondents.



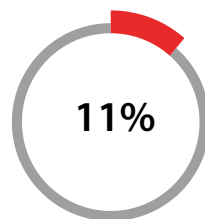
## 6. WHAT ARE THE MAIN OBSTACLES TO GAINING VALUE FROM DATA WITHIN THE COMPANY? *(Select top three)*



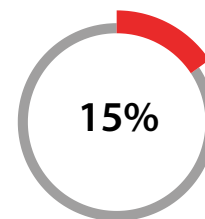
DISPARATE SYSTEMS/  
TECHNOLOGY



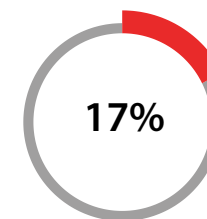
LACK OF SKILLS



LACK OF REAL-TIME DATA



DATA QUALITY



DATA PRIVACY OBSTACLES

The survey shows that the top barrier to gaining value from data is not having a single view – with over 60 per cent of respondents highlighting this as an obstacle.

This sentiment is highlighted further by nearly two-fifths choosing too much data as a blocker to attaining insight.

As the demand for digital services grows, FSIs are handling more data than ever before. While data can be advantageous, without a clear, holistic view of the information, it's valueless. That's why a fifth of those

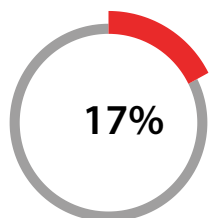
surveyed picked data siloes – where only one or limited departments have access to a set of data – as a top three barrier.

Almost a third of respondents said that it is difficult for them to leverage the value within data because it is stored manually or paper based. Legacy practices mean that while companies might have a wealth of data, they cannot transform this into something of value without the right technologies and systems.

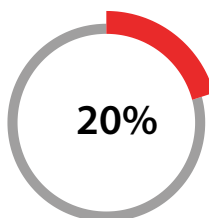
Less of a roadblock for companies is a lack of analytics

and data privacy obstacles, which were only a top three barrier for under than a fifth of firms.

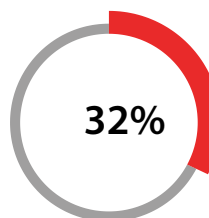
Data quality and lack of real-time data were chosen by even fewer financial professionals as a key blocker – perhaps suggesting that companies have the right data but struggle with accessing it in a meaningful way. Disparate systems and a lack of skills fell to the bottom of the pile, suggesting that while many companies have begun to rationalise and consolidate their data estates, it is the lack of a unified single view that remains the key challenge.



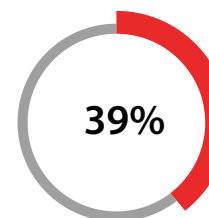
LACK OF ANALYTICS



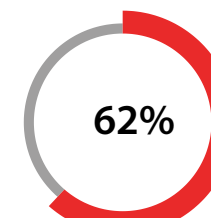
DATA SILOS



DATA STORED MANUALLY/  
PAPER BASED



TOO MUCH DATA



LACK OF SINGLE  
VIEW OF DATA

## 7. WHICH OF THE FOLLOWING TECHNOLOGIES DOES YOUR ORGANISATION CURRENTLY USE?

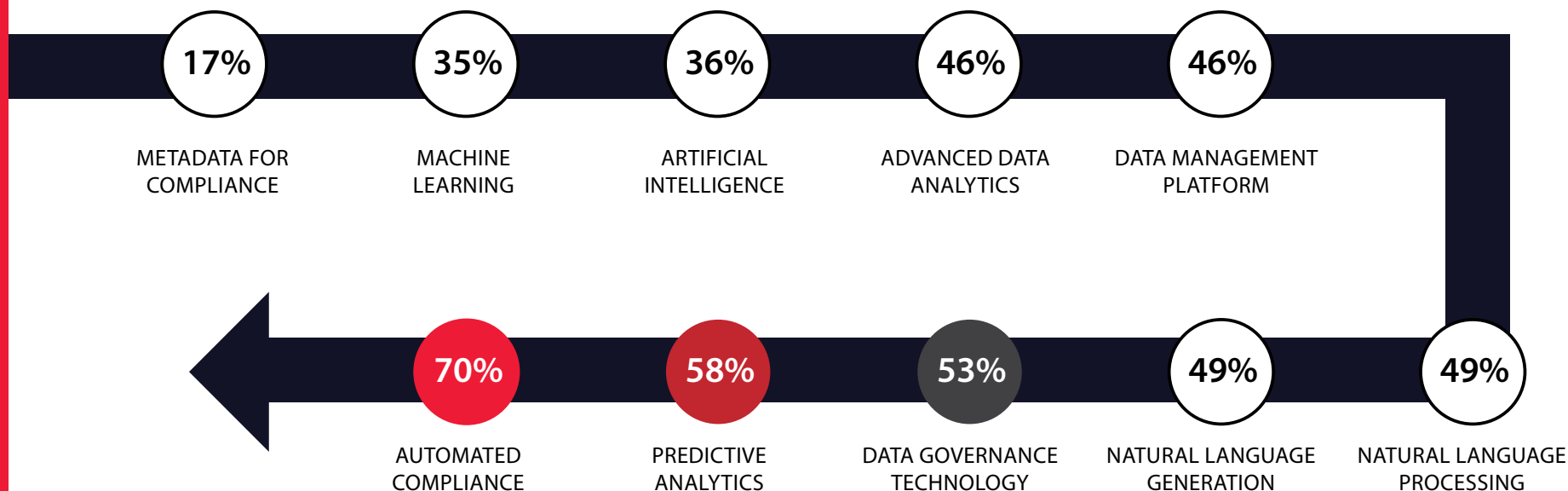
(Select all options that apply)

Automated compliance is by far the most used technology – with almost three quarters saying that they have rolled this out. Data governance technology was also a popular option, with over half choosing this as an option. In a heavily regulated environment, with new standards always around the corner and a changing threat landscape, it's not a surprise that businesses are prioritising compliance as they explore how to maximise the data they collect. When it comes to technology, businesses are prioritising compliance above all else.

Metadata for compliance, however, was chosen by less than a fifth of those that answered the survey, suggesting that while compliance functions are increasingly automated, FS providers are finding the labelling and categorisation of data - which is key to building a real-time single view of data - a struggle to implement with existing technology infrastructure.

The industry has faced great uncertainty and disruption over the past couple of years. With this in mind, it's unsurprising that nearly 60 per cent of FSIs are using predictive analytics, which can help achieve transparency and certainty about the future, giving companies insight to better plan for unexpected occurrences.

Natural Language Processing and Generation are also used widely by financial services providers, with just under 50 per cent revealing they have implemented and are using this technology. These results back-up findings outlined earlier in the report which suggest that companies are trying to better understand and get the most out of the data they collect across the business. This is further reiterated by more than 45 per cent saying they have rolled out advanced data analytics and a data management platform. AI and ML are also used by over a third of respondents.



## 8. WHAT ARE THE KEY DRIVERS FOR AUTOMATING PROCESSES WITHIN YOUR ORGANISATION?

*(Select all options that apply)*

Once again, the data shows that compliance is of upmost importance for financial services providers. Well over half identified this as a key driver for rolling out automation technologies across the business.

Digital products and services proved to be equally as important, with the same number choosing this as a reason for automating processes. For many banks, insurance providers, and other financial institutions, meeting the demand for online applications and platforms is a key priority, as the shift to online triggered by the pandemic becomes business as usual.

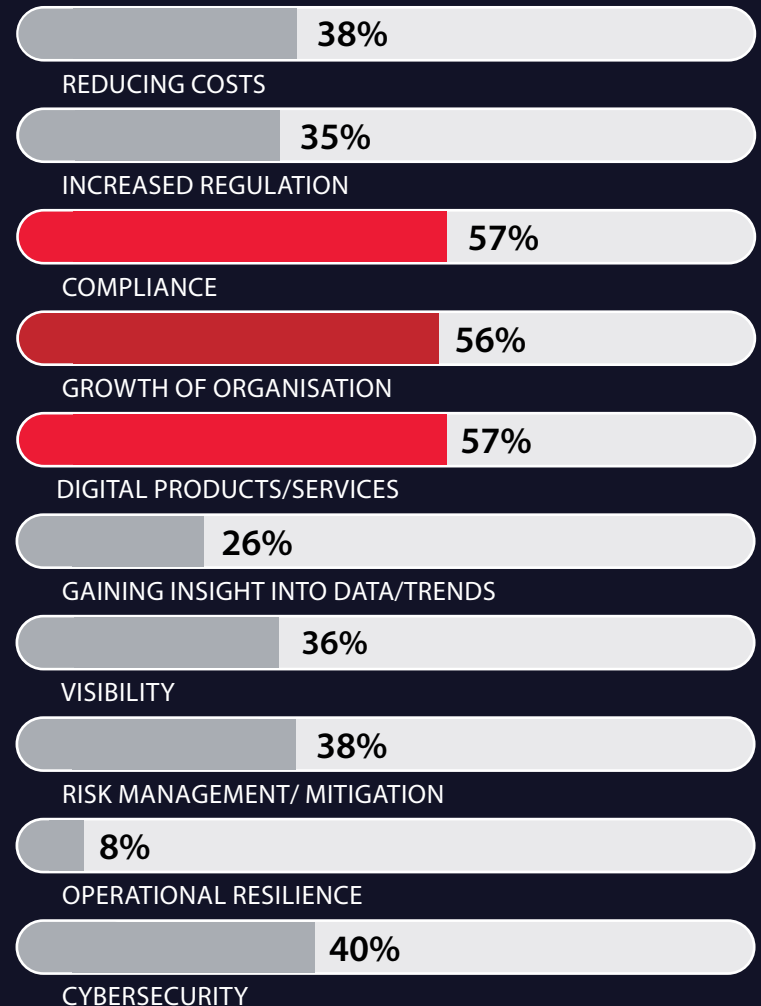
Over a third cited increased regulation as a reason for automating, further highlighting the importance of meeting compliance standards for firms in the industry.

Organisations appear to be growing quickly, with well over half of respondents rolling out automation technology to help deal with scaling up.

Cybersecurity and risk management were picked by a combined 78 per cent of respondents, demonstrating that minimising unwanted disruptions is a key consideration for FSIs at the moment.

The research found a number of purely practical drivers for the deployment of automation. Reducing costs and achieving visibility were chosen by almost two-fifths of those surveyed, gaining insight was also relatively high on the agenda with more than a quarter picking this.

Meanwhile, operational resilience did not appear to be a priority for companies when it comes to automation, with this being chosen by less than one in 10.



# 9. WHAT ARE YOUR ORGANISATION'S MAIN CYBERSECURITY CONCERNS?

(Select top three)

With data privacy and compliance a clear priority for FSIs throughout the research, it's unsurprising that data breaches were chosen by the majority – over half – of respondents as a top-three cybersecurity issue.

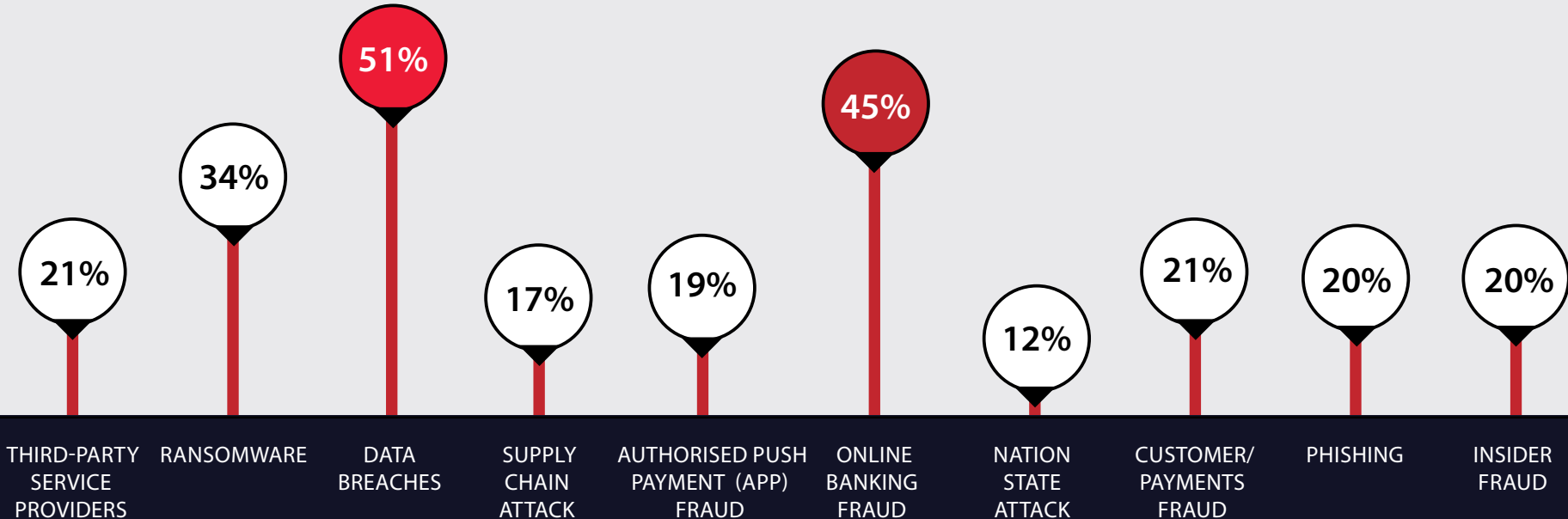
With online banking fraud becoming an increasingly popular method for criminals, this is a serious concern for firms, with over two-fifths of financial services professionals choosing this.

Ransomware is a growing threat to international security. It can be extremely disruptive, leaving firms out of action for hours, days, or even months, and can have huge cost and

reputational implications. No doubt this is why over a third chose this as one of their top three cybersecurity concerns.

Third-party service providers, APP fraud, customer / payments fraud, phishing, and insider fraud are relatively concerning for FSIs – each being chosen by roughly a fifth of those surveyed.

However, a nation state or supply chain attack is not of immediate concern to most financial services providers currently, with less than 20 per cent picking these as a top-three worry.



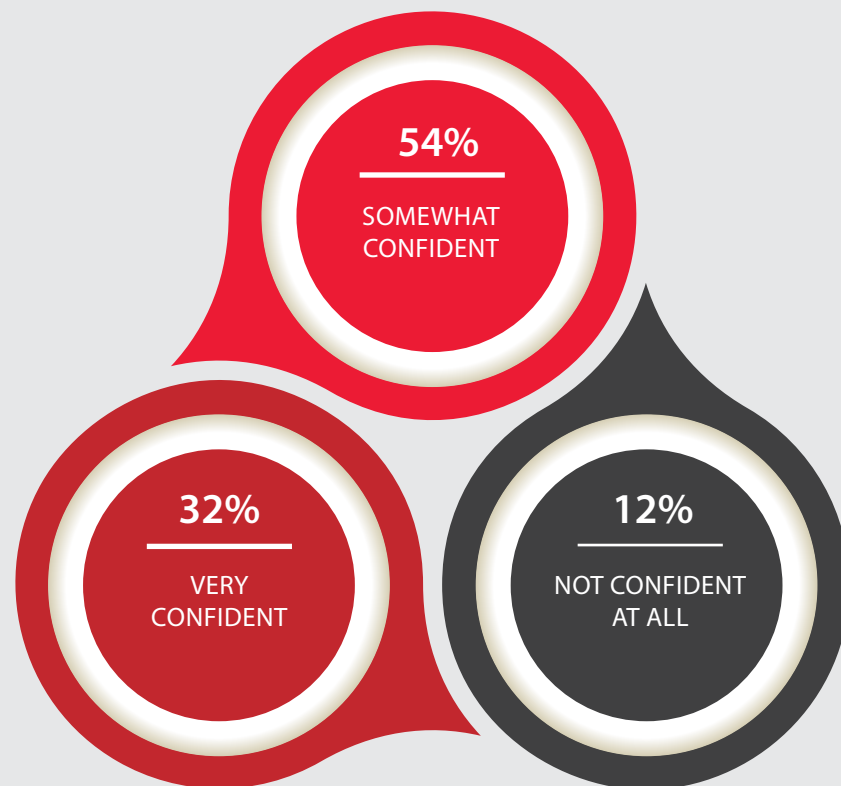
## 10. HOW CONFIDENT ARE YOU THAT YOUR ORGANISATION WOULD RECOVER QUICKLY FROM A SERIOUS CYBER INCIDENT?

*(Select the most appropriate)*

It's well known that cyber-attacks are on the rise, but it appears FSIs are still not entirely prepared for a serious incident.

The results show that companies are largely lacking confidence when it comes to fast recovery from cyber-attack. A combined 66 per cent either lacked some confidence or have no confidence at all that their business could quickly recover from an incident. It is perhaps worrying that the vast majority of firms are not completely prepared for the eventuality of an attack – which are often referred to as 'when' rather than 'if' in terms of probability.

However, it is encouraging to see that almost a third of companies do feel confident that their organisation would be able to effectively handle and recover from a serious cyber incident, suggesting a disparity between those firms who have moved quickly to proactively build cyber resilience and those who take a more reactive approach.





# CONCLUSION

The results show that managing data effectively is a key challenge for financial services firms, with the majority of respondents identifying siloed data as a top obstacle in meeting compliance and regulatory standards. This is backed up further by more than third citing too much data and data governance as a hurdle for their organisation, while unstructured data is a hindrance for 30 per cent of those surveyed.

With the majority of financial services providers having at least started their cloud transformation journeys, it seems that at this stage most companies are aiming for a hybrid cloud and on-premises model. Nearly 30 per cent have made progress with their cloud strategy, while almost a quarter already have a cloud-first approach. A mere four per cent said they hadn't yet started planning their cloud strategy.

The growing prevalence of cloud-based storage is echoed by figures that show almost a third of companies are keeping between 50 and 75 per cent of their data in the cloud. Despite the many advantages, there's a long way to go before FSIs are storing most of their data on the cloud, with more than a third saying they still keep 75 per cent to all of their data on-premises.

The top barriers for companies transferring data to the cloud are cost to scale and value for money. But there is also a lot of resistance tied to a lack of confidence in cloud providers, with almost half saying vendor lock-in and lack of vendor support are barriers to cloud transformation.

Not having a single view of data is by far the biggest barrier to maximising the value of data, with too much data to manage also a significant hurdle.

Companies operating in the financial services market are embracing technology, particularly those relating to regulation and compliance. Almost three quarters revealed that they have invested in tech that automates compliance, while over half have implemented data governance technology. Data management, natural language processing, and advanced and predictive analytics also proved to be popular technologies in the market.

It's no surprise that almost 60 per cent said that compliance is a key driver for automating processes, while the creation of digital products and services was found to be equally as influential.

The report shows that data privacy is a key consideration for FSIs, with more than half saying that data breaches were one of their top three cybersecurity concerns. With online banking fraud on the rise, 45 per cent of respondents identified this as a main worry.

Worryingly, a combined 66 per cent of financial services providers are somewhat confident or not confident at all when it comes to recovering from a serious cyber incident. However, it's encouraging that almost a third believe they could quickly recover from a major cyber-attack.

The data contained in this report clearly show a common strategy for financial services organisations to move significant data operations to the cloud. However, there remain significant technology challenges that most respondents have called out as barriers to moving more data to the cloud. The future of leading-class financial services organisations is achieved by those who capitalise on the pace of change and innovation. With the right technology partners, you can steer your path to success - accelerate digital maturity and create real customer value.

Veritas is a global industry leader in data protection and management and Hitachi Vantara is a global industry leader in data storage and management. Together they deliver comprehensive solutions tailored for the financial industry to store, protect and archive massive amounts of data where regulatory compliance and application and data resilience is paramount. In short, Veritas and Hitachi help customers build and manage a secure, resilient, compliant global hybrid cloud infrastructure with the services that will help differentiate your organisation today and adapt to the needs of tomorrow.

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