



SPEECHMATICS

COMPLIANCE REPORT

Compliance is a Global Language



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Speechmatics

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Executive summary

73 unique languages

Speechmatics offers accurate speech transcription in 73 unique languages, and deploys a unique accent-agnostic model for English, known as Global English.

Organisations throughout the world are faced with a range of new and complex incoming regulations if they manage customer data anywhere within the European Union, increasing the burden to understand and manage their voice data, with significant penalties for non-compliance.

This new, industry-changing legislation gives consumers increased protection and power over the storage and use of their personal data, while shifting the obligation to record transactional communications from the customer to the business. As a result, organisations are now required to provide more secure and easily accessible data storage for a large volume of recordings.

A reliable, established solution, Speechmatics' speech-to-text technology is ideally positioned to support financial service organisations through this regulatory shift. Speechmatics offers accurate speech transcription in 73 unique languages, and deploys a unique accent-agnostic model for English, known as Global English. This language pack removes the need for multiple dialect models and captures English spoken with an accent. As well as offering a cloud-based service, Speechmatics offers an on-premises deployment model—the preferred option for many organisations that process sensitive data.

Its partnerships with Deloitte UK on conduct risk analytics and with Red Box Recorders for call recording are two examples of Speechmatics' commitment to helping its customers re-evaluate their data handling, turning this regulatory challenge into a valuable business opportunity.

Financial services compliance

\$375 billion

Estimates put the total amount banks have paid in fines for non-compliance at \$375 billion over the last five years.

A host of new regulations have been or are being introduced in the financial services sector.

These regulations focus on communication channels used for official trading, regulated product or services sales, and data protection and data sovereignty of personal client records. In April 2016, we saw the adoption of the General Data Protection Regulation (GDPR), which is due to be implemented by May 2018. Changes have also been made to the overall regulation around conduct risk. At the beginning of this year, we saw the introduction of the second instalment of the Markets in Financial Instruments Directive (better known as MiFID II).

These regulations are being introduced, in part, as a result of the financial crisis a decade ago. Initially, new measures were brought in to shore up and strengthen the foundations of the financial system. A light was then shone on the conduct of the financial services sector as a whole, with new laws introduced to restore investor confidence and heighten personal accountability in relation to risk-taking, including a revision of remuneration packages and incentive arrangements that benefited a longer-term view of success.

Tackling conduct risk – increased transparency and accountability

Today, the concept of 'conduct risk' has risen to the top of organisations' and regulators' agendas. Conduct risk is broadly defined as any action from an individual or financial institution that leads to customer detriment or has an adverse effect on market stability or competition. In the UK, the Financial Conduct Authority (FCA) expects conduct risk management to be embedded into organisations' risk management frameworks, supported by appropriate management information. With estimates putting the total amount banks have paid in fines for non-compliance at \$375 billion over the last five years, it is clear that there is still room for improvement in this area.

New regulations and their effect on the industry

€2.5billion

Not only is a lack of knowledge an issue, but the cost of complying is high. MiFID II, on its own, will cost the finance industry more than €2.5billion to implement.

MiFID II

Early 2018 saw the implementation of MiFID II, a Europe-wide regulation to improve transparency in the financial services industry. One of the key mechanisms of MiFID II is around call recording of financial advisers to support regulatory compliance, protect consumers and resolve any trading disputes cost effectively.

Signifying a major overhaul of previous legislation, MiFID II expands the range of qualifying financial instruments that must comply with the regulation and includes previously exempt organisations. It also increases the volume of relevant transaction-related communications that must be recorded, extends the retention period for call recordings to at least five years, and requires that organisations must demonstrate that specific call data can be retrieved quickly and easily, and must display a clear policy around the recording of electronic communications.

While many banks are already archiving landline and turrett communications, they will now be required to do the same for mobile, as well as capturing a wide array of context for each conversation. This is notoriously difficult across telephony or voice channels such as the noisy trading floors, contact centres or online multi-party voice conferences commonly used by financial, legal and Merger and Acquisition teams. Meeting MiFID II requirements such as these presents a technical challenge that thousands of organisations are now struggling to come to terms with.

MiFID II – The cost of compliance

Research commissioned by Speechmatics' call recording partners, Red Box Recorders, provides insight into the attitudes, preparedness and concerns around the MiFID II regulation just prior to its introduction. Speaking to IT decision makers and senior compliance managers across the industry in late 2017 revealed that, while institutions were aware of the requirements, many did not have solid implementation plans ready to roll out, particularly surrounding the regulatory requirements for areas such as call recording. In fact, nearly three quarters admitted they were not ready for the MiFID II regulations and only a quarter were aware of the increased financial penalties for failing to comply with the regulation, which can reach €5 million or 10% of global turnover.

Not only is lack of knowledge an issue, but the cost of complying is high. According to estimates by consultancy organisation Opimas, MiFID II will cost the finance industry more than €2.5 billion to implement, with the largest banks expected to spend more than €40 million each on compliance.

Just 1/4

Just a quarter of organisations across Europe are thought to be in the clear already, while another 22% expect to become compliant in the next 12 months.

GDPR

GDPR will come into effect from 25 May 2018 and replaces an outdated directive that does not address current data use and storage. Like MiFID II, GDPR aims to modernise and standardise data law while encouraging consumers to take back control of their data. A regulatory response to public concern over the privacy and security of sensitive and confidential data, GDPR gives EU consumers the right to know much more about how their information is collected, stored, used and processed by organisations, and supports their right to request that personal data is transferred or deleted.

The introduction of GDPR means all organisations will have to implement more stringent practices, ensuring data can be located quickly and easily, while also requiring better storage with adequate checks and processes in place to protect it. The purpose of this is to avoid personal information being accessed during cyberattacks, with identity theft and data breaches being an ever-growing issue in today's digital society.

GDPR – penalties for non-compliance

Once GDPR comes into force, the financial penalties for failing to comply, especially if the organisation is hacked and found to be negligent, could potentially reach 4% of company turnover, with reputational damage from a data breach costing much more in the long term. However, a report by analysts Forrester suggests that many organisations may not be GDPR compliant by 25 May 2018 – just a quarter of organisations across Europe are thought to be in the clear already, while another 22% expect to become compliant in the next 12 months.

Making your compliance investment work

The importance of the new regulation to all kinds of financial organisations and their customers is not in doubt. Nor is the impact its implementation will have on the industry for years to come. Doubt arises, however, when we consider how businesses are making their compliance investment work. Where they choose to prioritise capital and the types of systems they put in place will determine how they perform in the future.

Due to the nature of the new regulations, an essential area of focus must be that of voice call recording.

Until now, the onus for recording voice calls has been on the call maker to record, make notes or document the call's content, with no requirement to include any information on the sentiment or tone of the call. Under the new legislation, this is no longer sufficient—or legal. Instead, GDPR redefines the relationships between financial services organisations and their customers, making these organisations accountable for recording relevant communications and providing secure yet accessible data storage.

The Speechmatics solution

Here at Speechmatics, we see the new regulations as an opportunity to support organisations – not only to comply with the law, but to future-proof their business and protect their customers. With additional investment from IQ Capital and Amadeus Capital, Speechmatics is scaling up its solutions to support customers facing these new regulations.

Automatic Speech Recognition (ASR) technologies are a well-established compliance solution, delivering a complete, searchable archive of voice call translations and transcriptions. However, the confidential and sensitive nature of client call records, together with enterprise data protection and data sovereignty regulations, prohibits the use of general-purpose cloud-based ASR technologies. Additionally, effective wide vocabulary ASR usage has been restricted due to limitations associated with telephony noise, multi-party accents or dialects, differing languages and changes in sector-specific vocabulary.

40 countries

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Founded in 2006 by Chief Technology Officer Dr Tony Robinson, who pioneered research into recurrent neural networks in the 1980s, Speechmatics enables organisations to harness the full potential of its speech technology in 73 languages—more than any other provider on the market, including Amazon, Google, Nuance, Microsoft and IBM.

Most calls in the EU banking sector are conducted in English, but the challenge for standard ASR is when there are several different accents used in one call. Any call conducted in English can be transcribed using our innovative Global English pack, a single language pack supporting English spoken with all major accents, for use in speech-to-text transcription. Global English was trained on thousands of hours of spoken data from over 40 countries, and tens of billions of words drawn from global sources, making it one of the most comprehensive and accurate accent-agnostic transcription solutions on the market.

Customers have adopted Speechmatics' technology for a wide range of uses, including automating note taking, real-time monitoring, and screening and classification of calls for conduct and ethics. With in-line indexing of the call content, discovery and investigation is simple, as is retrieving historic audio archives. If a call contains personally identifiable information (PII) such as credit card details or bank account and address information, this can be live-screened and tagged, or retrospectively analysed to support records preservation and security classification.

By grasping the value of comprehensive data collection, which can be used not just for compliance but also for reducing operational costs through valuable business insights, organisations can strengthen and future-proof their operations.

Speechmatics and Deloitte UK

Emotional analytics for conduct risk compliance

Deloitte believes technology is the way forward in compliance, and is working with Speechmatics on an initiative that includes some of the most advanced behavioural and emotional analytics and workflow in the world.

Deloitte has developed an Artificial Intelligence voice analytics machine learning platform, BEAT (Behaviour and Emotion Analytics Tool), as a smart solution to deal with the growing regulatory pressures facing its clients. Open API architecture allows clients and partners to exploit industry-standard Natural Language Processing and AI technologies to configure advanced big data analytics workflow solutions.

BEAT combines Speechmatics' highly accurate transcriptions of conversations with the output from Deloitte's own emotion analytics engine, which provides a basis for determining the outcome of customer interactions through sentiment and behavioural analysis, topic modelling and Natural Language Processing. By highlighting the key risk indicators resulting from each interaction, BEAT improves an organisation's ability to proactively identify, monitor and manage the risk of delivering poor outcomes for customers.

Speechmatics and Red Box Recorders

Drawing business insights from compliance data

Red Box Recorders is the market leader in compliance recording technology and has seen regulation change dramatically and increase in complexity over the 28 years it has worked with financial, contact centre, government and public-sector organisations. It has partnered with Speechmatics to provide audio call recording, offering an innovative transcription service that allows organisations to dig deeper into their analysis.

By combining accurate transcriptions of audio conversations together with call meta data and different speaker identification, the data becomes easily searchable for auditing and compliance purposes, while its searchability also makes key data more accessible for analysis. This allows organisations to gain valuable business insight and strengthen training across trading floors to improve the quality of service and reduce operational costs.

Summary

This is a time of crucial change, and there is no question that organisations in the financial sector must comply with the new regulations. But there is an opportunity for these organisations to improve their performance output and reduce their overall cost footprint by using innovative technology that is already available and in use.

The bigger organisations in the financial services sector are in the best position for compliance, as they tend to have large regulatory teams. For smaller businesses, the next few months will be crunch time. There is still a lot of work to be done by the financial services industry not only to comply with the MiFID II regulations but to ensure that they are ready for the GDPR regulation in May 2018.

As leaders in speech recognition technology, working with a variety of organisations from small start-ups to enterprise customers, Speechmatics is confident that utilising this technology is the most efficient way to ensure your organisation is compliant. Given the increasingly stringent requirements as outlined above, it is crucial to work with your chosen ASR partner to ensure they understand your business needs and are able to offer an accurate, secure and flexible solution.

To find out more about cost-effective compliance solutions using Speechmatics' ASR engine, visit:
www.speechmatics.com/compliance



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