

Financial Compliance

How a Data-centric IT Infrastructure Facilitates
Compliance in Financial Services

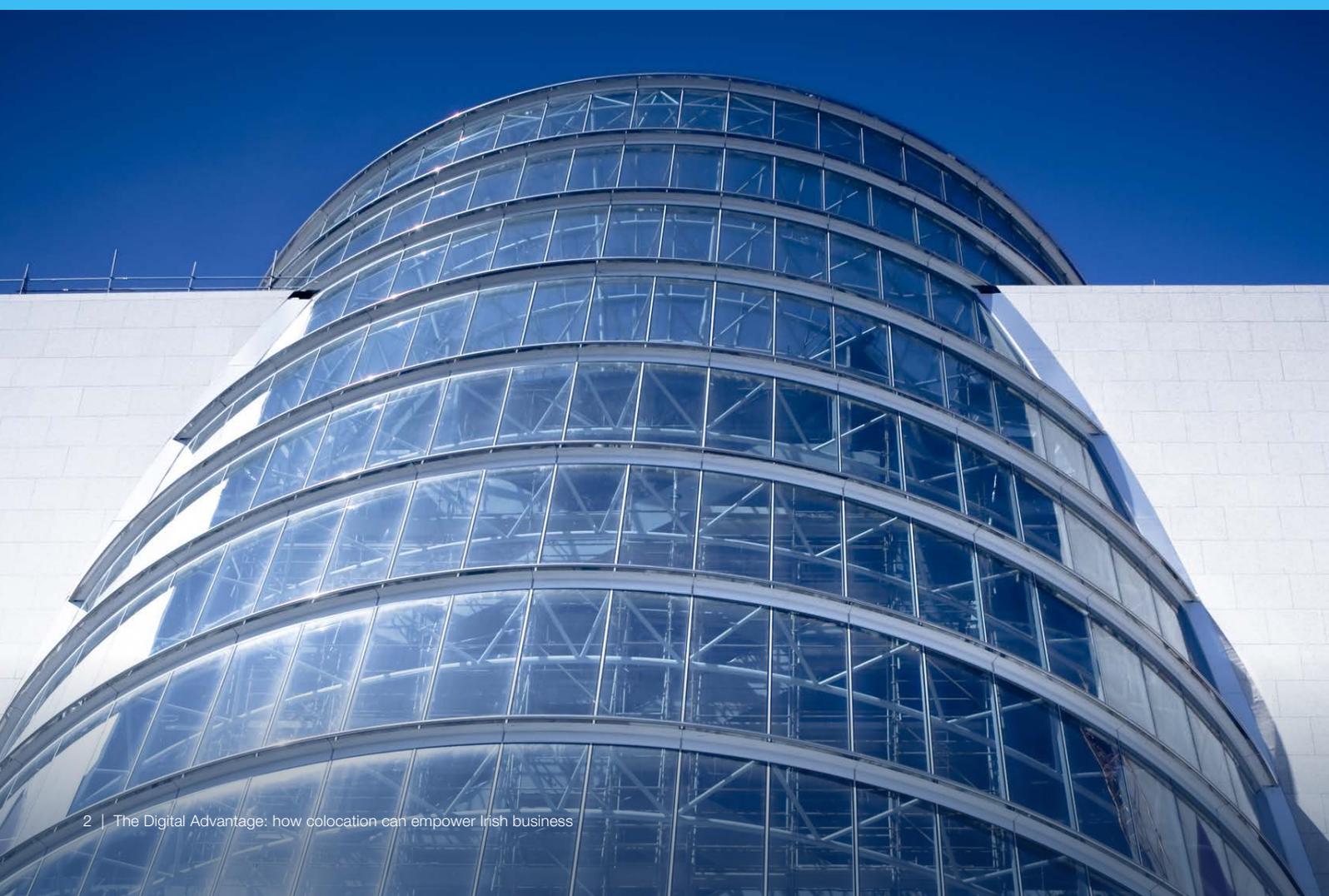
EXECUTIVE SUMMARY

Rather than pulling back when the pandemic hit, many businesses—including financial institutions—accelerated their digital investments. Per a study conducted by BDO1, a global financial advisory services firm, more than 6 in 10 financial services firms added new digital projects this year, and over half are revising their long-term strategic vision. Key areas of transformation include

- Pursuing enterprise agility (51%)
- Introducing new digital revenue streams (51%)
- Expanding a digital partner ecosystem (49%)
- Digitizing the supply chain (45%)
- Adding new payment models (44%)
- Expanding into new markets (43%)

“ A recent Gartner report highlights 83% of CEOs surveyed expect to increase investments in digital technologies, and 70% are betting on digital data products to grow.²”

Digital Transformation Creates Higher Risk





Financial services firms are **300X** more likely to be **targeted by cyber-attack** than businesses in other industry segments.*

Just as these digital initiatives create new opportunities for financial institutions, they also present challenges that prompt rethinking their IT architecture.

The explosion of data and the acceleration of digital transformation has financial services firms trying to store and process record amounts of data. The lack of optimized data exchange presents opportunity targets for cyber criminals and nation-state actors. For example, a study by the Boston Consulting Group³ finds that financial services firms are 300 times more likely to be targeted by a cyber-attack than businesses in other industry segments.

Cybersecurity risks are a critical threat to any financial services industry (especially commercial banking), but legacy infrastructure barriers can also create fraud risks for those in the securities, trading and investment banking sector.

*Boston Consulting Group

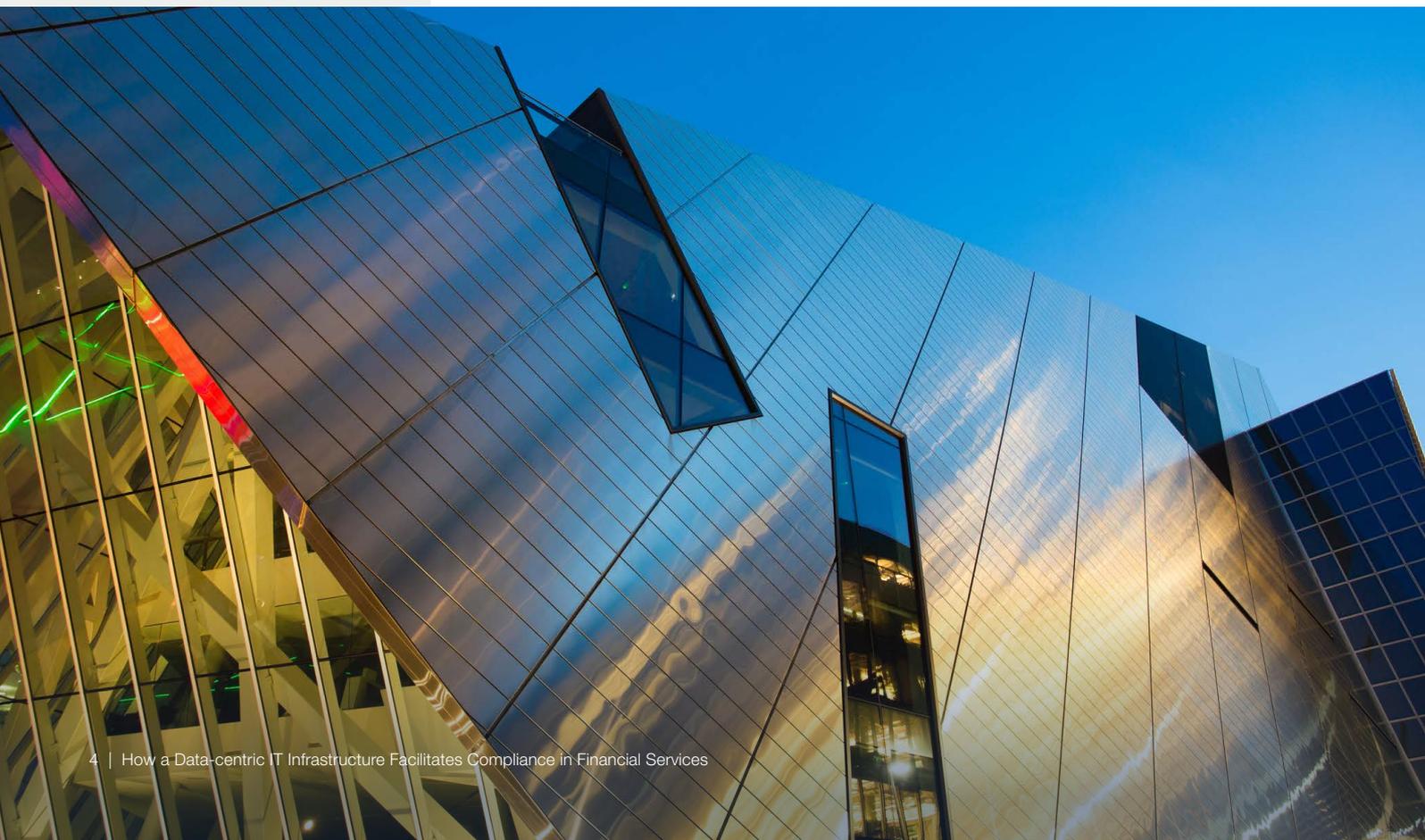


OVERSIGHT AND RISK MITIGATION DRIVE REGULATORY COMPLIANCE

One of the responses to these trends is a continuing deluge of regulations. Indeed, the cost for compliance in financial services is up 22.9%, from \$130.4 billion in 2019 to \$160.3 billion in 2020. Yet, these investments were not centered on technology, but rather labor. A majority of costs went to labor—specifically hiring entry-level staff over mid-career and senior-level staff. In North America, for example, the growth in labor cost associated with compliance jumped from 53% in 2019 to 59% in 2020.⁴ Technology costs, however, decreased—dropping from 47% of the compliance budget in 2019 to only 37% in 2020.

What is the reason for this shift? The most probable likelihood is the need to train more staff. Like many other industries, financial firms shifted to a digital workplace and even laid off staff due to the COVID-19 pandemic. Now with new goals in place, there is a need to train and hire team members who understand how to evolve technology to meet those goals.

For example, new technologies need to have capabilities like AI to properly address today's credit and fraud concerns. IT architectures that optimize data exchange should be able to localize AI-augmented risk and fraud while securing customer and third-party data.



THE NEW COMPLIANCE “NORMAL”

As financial services firms settle into the new post-pandemic normal, their focus is likely to return to technology. Those that invested in compliance technology before the pandemic reaped the rewards during the pandemic—performing better than firms that failed to do so beforehand.⁵

The digital economy has changed the ways the financial services industry creates and delivers value. With numerous options available, including a rise in digital banking, investment, and insurance services, customers expect their financial services providers to deliver enriched advisory experiences. This cannot occur without the capture and storage of data via digital interactions over omnichannel devices and services.

DATA-CENTRIC IT INFRASTRUCTURE NEEDED FOR REGULATORY COMPLIANCE

Financial firms require a more aggressive approach to compliance to remain competitive, and an implementation of a data-centric IT infrastructure strategy gives financial institutions greater agility and flexibility to facilitate compliance with industry regulations.⁶ Furthermore, a recent Gartner study, 100 Data and Analytics Predictions through 2025, projects 75% of organizations are expected to have deployed multiple data hubs to drive mission-critical data analytics, sharing and governance.⁷

By empowering your infrastructure to optimize data exchange, this expedites compliance with new and existing regulations while driving more informed decision-making processes to preserve the integrity, competitiveness and reputation of a financial firm. At the same time, compliance with regulatory mandates around data integrity and security preserves—and even builds—the brand reputation for financial firms.

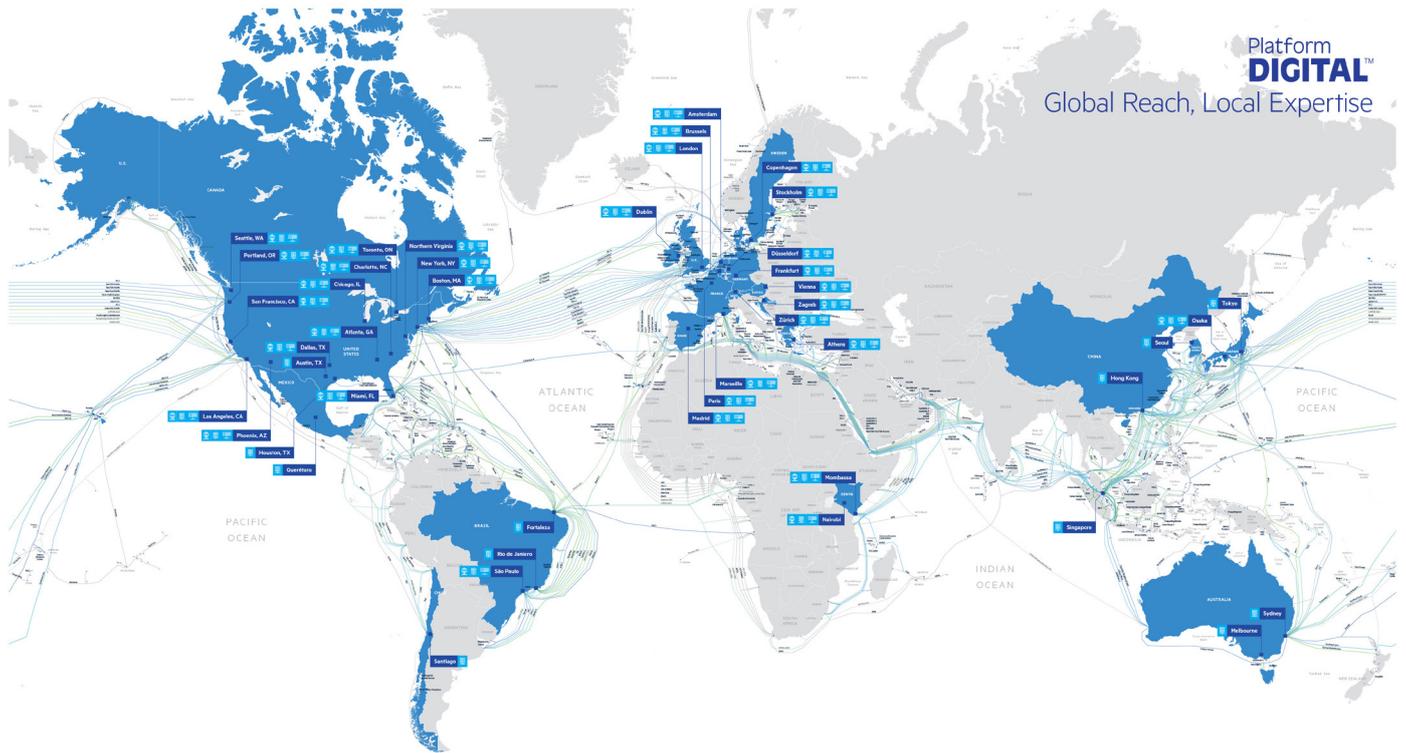
At Interxion, we understand that in order to succeed, financial services firms require a global data-centric platform that operates ubiquitously, and on-demand, augmented by real-time intelligence to best serve customers, partners and employees. We provide this through PlatformDIGITAL™, which also standardizes regulatory compliance with distributed workflows at centers of data exchange. This is a pervasive data center architecture (PDx™) that is specifically designed to:

- Defy data gravity;
- Secure data near the customer;
- Enforce data compliance; and is
- Enable artificial intelligence (AI)

- Reduce risk through secure data exchange
- Lower cost, bandwidth and duplicated infrastructure
- Grow revenue through unbounded data analytic performance

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Our Global Reach



About Interxion: A Digital Realty Company

Interxion: A Digital Realty Company is a leading provider of carrier- and cloud-neutral data centre services across EMEA. With more than 700 connectivity providers in over 100 data centres across 13 European countries, Interxion provides communities of connectivity, cloud and content hubs. As part of Digital Realty, customers now have access to 49 metros across six continents.

For more information, please visit www.interxion.com

¹ BDO, 2021 Financial Services Digital Transformation Survey, January 2021

² Gartner, Driving Value & Innovation with Data & Analytics, Virtual Executive Retreat for CDAOs, September 2020

³ CIODive.com, Cyberattacks hit financial services 300 times more than other sectors, June 2019

⁴ Radical Compliance, Financial Crime Compliance Costs Keep Going Up, June 2021

⁵ Radical Compliance, Financial Crime Compliance Costs Keep Going Up, June 2021

⁶ Digital Realty, Optimizing Financial Services Data Exchange, 2021

⁷ Gartner, 100 Data and Analytics Predictions Through 2025, March 2021



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Cofounder: Uptime Institute EMEA chapter. **Founding member:** European Data Centre Association. **Patron:** European Internet Exchange Association. **Member:** The Green Grid, with role on Advisory Council and Technical Committee. **Contributor:** EC Joint Research Centre on Sustainability. **Member:** EuroCloud.

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