

# DATA PROTECTION IN THE FINANCIAL SECTOR

## **BUSINESS VALUE WHITEPAPER**

Double-Take Software sas

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### **Abstract**

Working in the financial sector you know that staying compliant is a constant tug-of-war between resources and regulation. Acting responsibly on behalf of your consumers and ensuring that your company avoids fines, brought on by non-compliance, means staying on top of regulatory legislation. This paper looks at some of the regulations imposed on the financial sector and discusses their implications.

# 33% of storage management executives list security and data replication as critical

## Introduction

### The Advent Of Change

Over recent years there has been huge change in the way in which institutions and companies may sell or manage financial products or instruments.

However, as with all change programmes, some areas are promoted beyond others, some improve significantly and others do not. In a recent report the FSA, having inspected select institutions, was pleased to report that there was 'significant intention to improve or formalise' many of the processes involved in the sale of financial products; however, there was still considerable room for improvement in the management of data and reporting capabilities.

Alongside this are ongoing concerns for risk management, fraud data management and reporting, and concerns over an institution's ability to use management information and cope with internal loss data or more specifically institutional completeness and the validity of internal operational risk event data.

Add to this the introduction of the retail mediation activities return (RMAR), which has placed considerable pressure upon companies to be able to produce reliable, relevant financial information in a short timescale to the FSA. It is now clear that data replication and the management of information through a data-on-demand environment such as that provided through Double-Take, is imperative; as more and more reporting requirements are placed upon institutions to develop confidence in the industry.

### What Is Data-On-Demand?

Put simply, your data is replicated to the very last key click that occurred in your business – not a backup of the day before and not as costly or risky as disk mirroring. The principle of data-on-demand means that your data is actively stored as you work in a place of your choosing and as part of either your business continuity policy or disaster recovery programme.

In the event of a crisis, you are protected - as the last key click will have been recorded prior to the event so your data is as current as physically possible under such circumstances. Data assured, data protected and more importantly - referential integrity maintained, permitting you to switch to alternative systems knowing your data is correct for business use. No mis-information, and no data redundancy.

Below are considered some examples of the data implications for the finance sector against legislative requirements and those of management or performance reporting. Any of which will be directly affected should you implement a poor data 'backup' or business continuity approach. All of which are improved through the adoption of a data-on-demand approach to data replication and integrity.

# The Implications Of Data-On-Demand

## Industry Regulations And Business Reporting

As an industry you have to provide reported data based upon legislative requirements. One such example in the UK is the Retail Mediation Activities Return (RMAR). The RMAR requires regulated firms to produce management accounts and input the details onto the RMAR section of firms within thirty days. This is required twice a year and companies who fail to meet this deadline will incur fines. In some cases, as was the case for 20 companies in 2006, a business can simply be stopped from trading if they fail to comply or complete the RMAR. If the required data is not available, completing such accounting information is impossible. Your business will be at risk, your reputation tarnished.

With a secure approach to data management and data-on-demand policy making, data will always be there. This is not a solution solely for the larger companies to consider data-on-demand, as a scope and approach is possible by all financial providers regardless of their size or the complexity of their systems.

- Double-Take replication technology reduces the window for data loss, is more efficient than tape, and less costly than other replication solutions.

## Performance Reporting Regularity

As an industry your ability to manage your customers and their satisfaction is becoming a measure for the city. Indeed, it has been noted by the FSA that until senior management teams in the breadth of the financial services sector are able to judge their company's performance against appropriate management information, it will not be able to assess its TCF performance adequately or to conclude that it is embedding.

In particular, the FSA noted that in using management information it is essential that firms distinguish between customer satisfaction and fair treatment of its customers. Their survey, however, proved that data management was far from consistent and complete but the drive to use this data to improve quality of service, control selling behaviour and the use of management information to demonstrate confidence in the finance sector strong.

With this dependency borne in mind, one that both improves and proves capability, it should be based upon a data on demand process. After all, such data is created in real-time, only measured periodically. If for whatever reason, data is lost, the comparison and reporting accuracy, which will support or undermine TCF standards, is substantially eroded – and in worse cases totally lost.

- With Double-Take data access is assured. You can rely on the fact that your data is continuously being protected and will be immediately available in the event of a crisis.

## Managing And Reporting Losses, Fraud and Laundering

The changes facing firms collecting complete loss data are many and varied, largely they are dependent upon the age of their loss data collection processes, the levels of automation employed and interfacing, the nature of the losses collected – such as credit card fraud – and the internal culture of the business when it comes to reporting and managing itself against this data.

This data needs to be historic, as not only does it imply alerts to fraud, it demonstrates long-term issues and subliminal fraud or laundering. This data has to be complete to permit accurate reconciliation of the loss and institutional management and industry reporting. Failure to offer this in clear and concise, consistent and regulated forms may imply penalties at the least, and substantial fines or restrictions at the worst. Much of this data is real-time.

Therefore, to capture trend information it needs to be consistently updated and maintained. The only way to maintain data integrity is to

match the real-time update with a real-time data replication strategy. If this does not occur in this fashion, data comparison is based upon 'non-complete' data. Fraud data - unless extreme - will simply be hidden by data 'age discrepancies'. Long-term trend data, identifying such things as laundering, lost through incomplete data. Reconciliation without a data on demand approach is both inaccurate and misleading.

Managing losses and fraud provides instant windfall returns to the balance sheet – it's easier to claw back than acquire new customers and is also more profitable. Only a data-on-demand policy will enable you to do this.

- With Double-Take you will have 24x7 access to critical data and applications. The patented Double-Take failover technology ensures that your data is always accessible when it is needed.

## Operational Risk Management

The FSA considers operational risk as the risk of loss resulting from inadequate or failed processes, people and systems or from external events. Fundamental to this is the data that runs the processes supports the decisions people make and effectively empowers the systems that enable the institution to run. The vast scope of the definition has meant that firms' interpretations of it vary considerably, with some firms interpreting loss to mean direct financial impact and others include impacts that are indirect or perhaps non-financial, such as goodwill and reputation. In all cases risk is substantially controlled through a data-on-demand approach as each category of risk is balanced through an easy cost effective way of managing the data that underpins the business. Even if you consider the non-financial aspects of risk such as reputation, this is 'shored up' through a controlled and measured management policy incorporating data-on-demand – customers as well as investors will have greater confidence such an incident occur.

The implications of data-on-demand – GLBA, HIPAA & SOX

As the financial industry in the UK becomes more of a global industry, institutions are consistency reviewing overseas policy – as it may become legislation here in the UK, as it may form part of their own overseas operating practices anyway, and as part of a best practice policy.

The Gramm-Leach-Bliley Act enforced in the US requires financial institutions (banking through securities and insurance businesses) to develop comprehensive information security programmes to safeguard sensitive customer information, such as social security information and credit card data. Beyond financial or banking houses it impacts any organisation that services consumer loans, transfers money, prepares tax or provides any form of financial advice. It is based upon a need to define non-public personal information and the creation and management of a uniform standard or consumer notification and communication. This is all real-time data management and requires sophisticated data replication environments both inside the institution and with many of its external partners to maintain the secure and controlled environment in times of crisis.

Sarbanes-Oxley and the Health Insurance Portability and Accountability Act equally require the protection of data integrity, its continual availability and confidentiality.

- With Double-Take data protection exceeds regulation. Double-Take real-time replication meets the highest standards and regulations for data protection, ensuring you the ability to stay compliant.

## Solution

Double-Take® Software empowers you with the most advanced data replication and failover solutions for complete data protection. Double-Take replication technology reduces the window for data loss, is more efficient than tape, and less costly than tape or other replication solutions. Because Double-Take replicates data in near real-time, an up-to-the-second copy of data is always available on the backup server.

Double-Take also uses unique compression and bandwidth throttling features that allow an administrator to control the amount and timing of bandwidth used for backup. Double-Take can utilise existing infrastructure and is hardware agnostic; there's no large investment or

hidden costs standing between you and better backups.

Double-Take allows for the complete recovery of any Microsoft Windows application and the data associated with it within minutes. Many Double-Take Software customers replicate their data across continents and oceans to provide nearly instantaneous recovery regardless of the cause of the outage. It combines continuous real-time data replication and automatic failover capabilities for disaster recovery, high availability, and centralised backup of applications. The real-time protection of Double-Take provides a Recovery Point Objective (RPO) usually measured in seconds.

## Summary

### Data-On-Demand, It's The First Stage In Your Business Continuity.

In just a few short examples we have shown how the finance industry is now more regulated, reported, scrutinised and measured than perhaps any other industry. The data requirements to manage this scrutiny are huge as the implications of failing to report can result in closer, not just penalties or fines. As part of any business continuity policy this reporting demand has to be built into compliance, governance and adherence plans. Can you afford to be without data? Are you waiting for the unexpected to happen? Don't leave it to chance.

## About Double-Take® Software

Headquartered in Southborough, Massachusetts, Double-Take® Software (Nasdaq: DBTK) is a leading provider of affordable software for recoverability, including continuous data replication, application availability and system state protection. Double-Take Software products and services enable customers to protect and recover business-critical data and applications such as Microsoft Exchange, SQL, and SharePoint in both physical and virtual environments. With its unparalleled partner programs, technical support, and professional services, Double-Take Software is the solution of choice for more than ten thousand customers worldwide, from SMEs to the FTSE 500. Information about Double-Take Software's products and services can be found at [www.doubletake.com](http://www.doubletake.com).

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