

# Neorecording

How businesses and financial service providers can find secure solutions for call recording.

The new freedom in business communications.



**NFON**  
Cloud Telephone System



# Legally Compliant Call Recording and Cloud Storage.

## **MiFID II will significantly alter the course of business – here's how to best comply with the directive.**

As of 3 January 2018, MiFID II (Markets in Financial Instruments Directive) will become law for all organisations in the finance, insurance and service industries that offer securities and other investment products to consumers. Focused on providing greater protection to investors, the MiFID II regime introduces comprehensive pre-trade and post-trade transparency obligations, along with the highest standards of documentation. All financial advice provided over the phone, including mortgage, pension and protection, will have to be recorded and safely stored for a minimum of five years.

Given the rapidly approaching deadline, companies are well-advised to accelerate the implementation of MiFID II in order to avoid sanctions by the regulatory bodies. However, the vast majority of organisations have been hesitant to take action. Relying heavily on legacy on-site communication systems, they are facing significant investments to adapt their processes and upgrade their IT infrastructure, along with time expenditure for planning, installation and implementation. In addition, decision makers are reluctant to add another complex layer to rigid, maintenance-heavy, legacy systems. They are also hesitant to invest in technology that will curtail their flexibility, whilst at the same time increasing costs for maintenance and system updates.

That being said, it comes as no surprise that an ever-increasing number of companies are looking to cloud services to save time and money, to gain flexibility, and to win over new

business. In fact, cloud communications services offer a variety of compelling advantages over on-premise systems: impressive scalability, utmost reliability, elimination of maintenance, and lifetime updates. This is where NFON comes into play. Consolidating all communications systems into one single platform, our solutions adapt easily to meet the demands at hand, providing greater efficiency and predictable costs. Cloud technology enables swift implementation of change requests, providing organisations the agility they need to quickly comply with emerging legislations, embrace innovative communication channels, and fulfill the most challenging customer demands.

Until recently, there simply was no way to comply with the upcoming EU regime when utilising a cloud-based telephony system. With Neorecording, we offer a highly professional recording solution for the NFON Cloud Telephone System, enabling law-compliant recording and documentation of counseling calls-hosted in the public cloud and accessible over the web anytime, anywhere. Neorecording and the NFON Cloud Telephone System establish a high-performance, scalable, and continually updated technical foundation for business communications.

If you are currently evaluating your options to implement MiFID II in your organisation or contact center, this white paper will provide you with useful insights to inform your decisions.

**Hans Szymanski**  
Chief Executive Officer





**Take Action on MiFID II and Comply with EU Legislation.** The clock is ticking for organisations to ensure compliance, increasing the need for technology solutions that are cost effective, and easy and fast to integrate.

To fulfill the increased documentation obligations posted by MiFID II, organisations must determine the best way forward technically. Add on to an existing system, or consider a move to cloud technology?

The EU directive, MiFID II, will soon come into effect, causing companies in the financial, legal, and insurance sectors considerable administration work. Effective on 3 January 2018, financial service providers are required to record all counselling calls with clients that could lead to an order or sale and to store these recordings in a manipulation-proof manner for at least five years. At the beginning of any client-facing call, the client will have to be informed that the conversation will be recorded. There is no tolerance for exemptions, even when the client

dissents. The increased documentation mandate pertains not only to conversations between consultants and their clients but also to contact-relevant consultations between employees, e.g., consultants and their managers. The requirements are relevant to all communications, from personal consultation through telephone and video all the way to fax, email and chat. The authorities have been given comprehensive power to enforce these regulations and to impose sanctions on those that violate them.

Amongst the organisations affected by MiFID II are finance institutions such as banks and investment consultancies, as well as insurance companies. For them, the regulations mean significant administrative overhead, which many regard as disproportionate to the regulation's intended benefits. Many organisations fear their business models will be severely impacted, and they expect their revenues to drop. Very few anticipate opportunities to tap into new business segments. A recent study<sup>1</sup> revealed that 9 out of 10 organisations regard far-reaching reorganisation of their sales processes as imperative. All companies surveyed identified the adaptation of their IT and communications systems to be the largest singular cost driver, with 96 percent foreseeing significant increases in operating costs as of 2018.

Initially planned for 2017, MiFID II enforcement was postponed to the beginning of 2018 due to the substantial demands it places on organisations. Since then, many companies have focused on estimating the follow-up costs without actually taking further action. As a result, the so-called MiFID II readiness index in finance institutions was 27 percent in July 2016, which was a meager 5 percent year-on-year increase, illustrating how companies were not making significant progress with the implementation.

Furthermore, 75 percent of banks consider documentation requirements to be the central cost driver in the implementation of MiFID II, equaling a year-on-year increase of 19 percent. This suggests that these organisations have spent considerable efforts evaluating which solutions might be best suited for meeting compliance. What they will have found is that MiFID II leaves financial services providers and insurance companies with three options: First, establish an on-site, blanket-coverage recording solution and accept costly investments in hardware and software, as well as long-term follow-up costs for maintenance and data storage; second, forward relevant calls to a suitably equipped in-house contact center; and third, outsource their communications to external, third-party contact centers.

Thus, finance firms are left with the complex and far-reaching decision to either build upon an existing, often times inconsistent communications infrastructure, to conduct comprehensive outsourcing, or to make the shift towards a modern, flexible and homogenous platform. The core criterion informing that decision are reliability, investment protection, and costs.

Enter cloud services with its many benefits. Accessed over the web, cloud-based communications systems require no physical space. They can be scaled up and down with minimal effort to meet actual demand. They do not

require maintenance and can be updated without interrupting day-to-day business – NFON even provides lifetime updates free of charge. With Neorecording, the highly professional cloud solution for compliant voice recording, NFON even opens up the opportunity for quick and complete MiFID II implementation.

Fulfilling all demands posed by the EU directive requires considerable preparation as workflows and business processes must be adapted and integrated into the technical environment. To be on the safe side, organisations will be well-advised to trigger the implementation as soon as possible. With Neorecording in place to address their documentation needs, they will be free to focus on the reorganisation of internal processes to ensure compliance.

Contact centers may well become the greatest winners of MiFID II. Whilst contact centers and help desks are also facing profound challenges in upgrading their IT infrastructure, the potential benefits outweigh the risks. In complying with the documentation requirements of the legislation, they gain a compelling opportunity to increase retention with existing clients in the finance and insurance sectors, and to increase revenues by attracting new clients. Moreover, having recordings and documentation at their fingertips delivers a competitive edge, enabling them to serve more complex clients.

#### **NFON Telephone Cloud System Benefits for Contact Centers**

- › Fast integration with existing systems without special hardware/software requirements
- › Significant reduction in overall costs to the business due to moving from on-premise to cloud hosting
- › Hassle-free maintenance and system updates bring peace-of-mind to the business and system administrators
- › Effortless, just-in-time scalability to meet demand
- › Increased reliability and data security due to high-availability data centers run by cloud service providers

#### **Neorecording Advantages for Contact Centers**

- › Meet MiFID II compliance standards on time, without incurring significant costs
- › Increase customer loyalty and retention
- › Attract new business and expand into new areas of business
- › Add or remove agents just-in-time to meet call demand

<sup>1</sup> PPI AG Informationstechnologie: MiFID II-Readiness – The Status of MiFID II Implementation in Banks. Survey Wave 4, July 2016



## Minimise Risks, Increase Efficiency and Productivity. Transforming MiFID II compliance into a success story with Neorecording.

Neorecording integrates the field-proven, technically-mature solution from the market leader, ASC Technologies, into the NFON Cloud Telephone System. Neorecording offers comprehensive functionality to support call recording and storage. Neorecording enables organisations of any size to comply with EU legislation, avoid sanctions, reduce costs and explore additional areas of business.

Neorecording offers financial services providers and customer communication centers a comprehensive solution for diligent documentation as required by the upcoming EU directive, MiFID II. Integrated into the NFON Cloud Telephone System, Neorecording enables organisations to record consulting calls and to store them in a manipulation-proof manner using the most advanced encryption methods. All customer interactions, including ancillary information, are captured and stored for fast retrieval and play back.

### **Comprehensive support of compliance regulations.**

Neorecording makes it easy for you to conform with the most demanding compliance regulations. Through individual access authorisation, the system meets the demands of committees and staff associations. Specifically optimised for the financial, legal, and insurance sectors, its advanced speech analysis tool automatically detects conversations that are not legally-compliant, flags them

and submits them to management. Thanks to advanced encryption technologies, all recordings are stored in a manipulation-proof manner, and hosting on highly-secure data centers means maximum reliability and availability.

### **Flexible adaption to business processes and first-class support.**

With Neorecording Basic and Neorecording Advanced editions, NFON offers two subscription plans that are suited to support a wide variety of use cases. Both plans may be enhanced by licensing Inspiration NEO, a powerful quality management tool that enables comprehensive analyses, evaluation and reporting from an easy-to-use web interface. And when your organisation is ready to go, NFON experts set up Neorecording to fulfill client specifications and business processes, integrate the cloud service, and provide comprehensive lifetime support.

## **Neorecording Advantages for MiFID II Compliance**

### **› Legally-compliant Voice Recording**

Calls are recorded, encrypted and archived for a minimum of 5 years

### **› Powerful Search**

Intelligent categorisation and archiving for quick search and retrieval, and playback using POWERplay Web

### **› Manipulation-proof Storage**

Highest standards of security and the latest encryption technology, certified to ISO and stored in geo-redundant inland data centers

### **› Risk Rreduction**

Fulfills MiFID-II recording and storage requirements, and protects the organisation from possible sanctions

### **› Comprehensive Reporting**

Customisable logs, statistics and agent reports, pre-loaded with 20 standard reports

## **Data Security Made in Germany**

Neorecording is hosted on secure, geo-redundant, inland data centers. Our servers comply with the EU Electronic Communications law and meet the highest standards of data security, system availability, accounting precision, and many more. The speech quality of the NFON Cloud Telephone System has been assessed and certified by TÜV SÜD, a German certification authority respected by some of the world's most trusted organisations. NFON data centers have been certified according to ISO/IEC 27001 – Information Security Management.



# About NFON AG.

Headquartered in Munich, NFON AG is the only pan-European cloud PBX provider – counting more than 15,000 companies across 13 European countries as customers. NFON, the cloud telephone system, offers over 150 functions as well as a seamless integration of premium solutions. With our intuitive communications solutions, we enable European companies to improve their work a little, every single day. NFON is the new freedom of business communication.



**Cloud solution 'made in Germany'**



**High savings potential**



**Unlimited capacity**



**Intelligent functions**



**Easy to use**



**Network of local service partners**

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