



# Top Compliance Challenges With Online Video For Financial Institutions

## Introduction

Digital transformation has revolutionized the way businesses operate, providing a foundational shift in how companies meet market demands and deliver value to customers. Video is a key aspect of digital transformation. As termed by Forrester, 'online video' is comprised of solutions for all aspects of creating and delivering video content across digital channels to increase customer interaction. In particular, the use of video for engagement has become one of the rapidly growing success pillars of digital transformation initiatives.

And it's no wonder why.

Online video does what text does not. It creates an authentic and compelling way to bring the brand to life. Companies use video to disseminate information, promote their products, and interact with customers. With 79% of people saying a brand video has convinced them to buy a product, it's no surprise that businesses are adopting more sales and marketing programs centered around video.<sup>i</sup>

So, what does online video adoption mean for financial institutions (FIs) where regulatory compliance is an ever-present reality of business operations? In short, it means that FIs must navigate complex compliance environments and the challenges that come with it when developing their video-first communication programs for sales, customer service, and marketing.

This paper explores the current market trends that influence the types of online video content and tools organizations adopt in their digital transformation initiatives and the compliance challenges that FIs must navigate.

## Trends driving online video adoption

The adoption of video for sales, customer service, and marketing purposes continue to soar with 91% of businesses indicating they consider video use an important part of their marketing strategy.<sup>ii</sup> With digital transformation at the heart of this trend, companies are pushing video engagement as a strategic tool to drive business growth.

### *People prefer video*

With the digital revolution, consumers have gone mobile, making it possible to research products and engage with brands in a myriad of ways. Indeed, 66% of consumers use three or more communication channels to engage with brands.<sup>iii</sup> And video is now the preferred channel of choice.



For financial services organizations to reach potential customers, they must engage with them through their preferred medium. And many people simply prefer video more than text. In fact, 59% of executives prefer watching video rather than reading text.<sup>iv</sup> And given the option to read or watch a video, 72% of people would rather use video to learn about a product or service.<sup>v</sup>

Using video for sales engagement is equally effective. The average retention of personalized video "voicemail messages" is 35% higher than non-personalized videos.<sup>vi</sup>

### **Video is effective**

Customers prefer to engage over video, but does video engagement pay off for companies? The short answer: yes, it does.

At 91%, nearly all video marketers consider video an important part of their marketing strategy. And 83% of those say video gives them a solid return on investment (ROI).<sup>vii</sup> Even more, video turns watchers into advocates: 92% of video consumers share videos with others.<sup>viii</sup>

FIs are realizing these positive results as well, ranking in the top four industries by volume of video production. On average, financial services businesses produce 214 videos per year.<sup>ix</sup>

### **Video drives more sales**

One of the most compelling trends for video adoption is that it accelerates business growth. Businesses using video grow company revenue 49% faster year-over-year.<sup>x</sup>

That growth is driven by a combination of factors. Businesses know that video produces more conversions than any other type of content. And, as previously noted, consumers are more compelled to buy a product or service by watching a video. Additionally, video facilitates deeper customer engagement. Positive engagement is made up of 55% body language, 38% tone of voice, and only 7% the actual words spoken. As a result, sales engagement over video offers a unique opportunity to build rapport and trust.

### **But what about FIs?**

These trends and success metrics show that many industries are far into their adoption and maturity of video use—and reaping the benefits. However, in contrast, FIs are not as far along. This is because compliance poses an overall challenge for FIs to pursue video usage, and more specifically, the cost of compliance makes it hard for FIs to maximize video usage ROI. To move beyond these impediments, it's important to take a closer look at the top compliance considerations for video use.

Financial services and insurance firms are subject to a variety of regulatory mandates that have specific implications for the use of video and collaboration platforms.



From an advertising and marketing perspective, FINRA Rule 2210 outlines content pre-review requirements for US broker-dealer retail communications. The goal is to ensure that they are fair and balanced and do not include false or misleading information. These pre-review requirements extend across the board to video, audio, and text content, whether it is published to social media sites, video platforms like YouTube or Vimeo, or on a firm's website. Of course, FINRA's mandates also sit alongside existing FTC directives that prohibit deceptive advertising practices.

From a conduct perspective, financial services and insurance business is also impacted by the growing use of online video across channels. State laws mandate that insurers supervise annuity suitability discussions of their employees and producers, which poses risks when those conversations occur over collaboration platforms, like Zoom and WebEx, as well as in videos produced in online video platforms or posted directly via social media. In New York, this requirement has been extended as part of Regulation 187 to include conversations about life insurance, which adds another level of breadth and complexity. In addition, the issue of investment recommendations is on the mind of financial services regulators—compliance is a key element of the SEC's Reg BI. FINRA will be examining broker-dealer compliance with this new regulation in 2020.

Finally, as part of their 2019 Report on Examination Findings and Observations, FINRA states, “some firms encountered challenges complying with supervision and recordkeeping requirements for various digital communications tools, technologies and services (collectively, “digital channels”).” They noted that teams using digital channels, including those with online video, need to implement corresponding compliance controls.

Across the board from advertising to conduct, video and collaboration are impacting multiple parts of the heavily regulated financial services and insurance industries. Firms need to develop compliance strategies for oversight now so that they don't fall behind. Below are five of the top use cases, which are helpful to understand.

## Top 5 online video use cases and compliance considerations

With corporate adoption of video use in full force, businesses are enabling digital transformation programs for five types of video use cases with a dizzying number of online video tools for marketing teams to use in each area. For FIs, each of these also carry compliance challenges that must be considered.

### 1. Social Videos

Social videos are effectively driving engagement and growing audiences. These videos are short, typically less than a minute, and are shared on social media channels by individual agents, brokers, reps, employees, and by central or dispersed marketing teams. This type of video appears on networks and channels such as YouTube, Vimeo, LinkedIn, Facebook, and more. Content posted

on social platforms tends to spark viewership interest with comments and can go viral through audience sharing.

Because these videos have broadscale exposure and viewer potential, they fall under advertising review requirements for FIs that are outlined in most countries, such as the US, UK, Canada, Australia, and New Zealand. Videos that promote financial products and services or the expertise of particular investment advisors constitute the type of static advertising content that requires pre-approval under relevant regulatory regimes. Given the demand and the fact that the use of social increasingly relies on video, this creates yet another compliance challenge for FIs. Most organizations don't have appropriate processes or technology for pre-reviewing this content at the needed scale.

In fact, FIs typically don't even have a process to handle archiving and post review of any representative sample size. This means the current approach is to ban usage of social video (and try to enforce that ban) or ban the usage and ignore the violations. Regardless, neither approach works in today's reality of social media engagement, and both approaches create compliance risk while negatively impacting the ROI of social media investments. FIs need to think through both processes and technologies that can provide pre-review capabilities to better funnel social video activity, as well as processes and technologies that enable monitoring and reporting of the social video that will invariably be published.

### 2. Personalized Videos

Personalized videos allow individuals to customize approved sales content to include personal details like their name, company, and sales pitch to make videos

## The Power of Personalized Video:

This use case is attributed to the

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more relatable and effective. These are powerful in supporting sales engagements and are easily created with vendor tools that use PCs and mobile apps for video production. In fact, personalized video use cases are attributed to the 20% increase of video use in email in recent years.<sup>xi</sup>

From there, employees can directly send the video to customers or share them on personal sites and social channels while the organization gets the benefit of centralized templates, reporting, and ROI tracking.

Personalized video, using tools such as Kaltura, Videolicious, Vidyard, and Wistia, provides a better level of organizational visibility, standardization, and tracking that can improve their performance and ROI. Unfortunately, personalized videos also exponentially increase the challenge for compliance teams.

First, the volume increases in a staggering way: imagine letting 1,000 employees each create one to ten videos or more per week. And, that's just to start. For example, consider video voicemails where the personalized video is attached to an email. These are electronic communications in both form and content, so they must be retained and properly archived. At the same time, these videos are often reused and posted to personal or social sites, which means that they must also go through compliance advertising reviews. The potential for individual variations from approved content are significant, and enterprise video content platforms have not been built to identify or manage these risks.

For example, FIs run the risk that the video content will deviate from a company's approved script or talking points. Speaking naturally in a personalized video means sometimes employees will go off track and say or even show something they're not supposed to. At the same time, there is little control or coverage for things visible in the background that can create liability and risk. Other times, the personalized videos may include personal self-promotion and promises for financial performance.

For such an effective video engagement model, it's natural for FIs to include personalized videos on their video projects list. Yet, it's difficult to monitor if employees stayed on script and equally hard to go back and validate that they did so after the fact.

### 3. Interviews and Webinars

Interview and webinar videos usually spotlight one person speaking such as on a trading floor giving a report or one to two people discussing a topic and answering questions from online audience members. These videos are fantastic for sharing analysis, breaking news, company views on the industry and goals for positive customer outcomes, as well as hosting thought leadership discussions on specific topics.

For FIs, interview videos and webinars present an especially tricky challenge as real-time discussions can easily take presenters off script, and the nature of live questions can also pose a risk if they're not answered by a well-seasoned spokesperson. FIs also need to consider what is appearing in the backdrop of their interview and webinar videos. In addition, interviews on a trade floor can show tickers and transactions in the background that are not under the interviewee's control; yet, they represent a compliance consideration for FIs.



### 4. Corporate Videos

These videos are typified by being produced by marketing teams and their supporting agencies. They can be from centralized teams or regional / departmental teams, are usually higher-level, brand-awareness videos intended to introduce the company, obtain leads for prospective customers, and to gain general market awareness of a company's products, services, or initiatives.

Companies with staffed, seasoned marketing departments, tend to produce these videos in-house. For other companies, they are outsourced to a third-party design agency.

For FIs, large-scale video production (averaging 214 annually) are created and processed through different operational business units and even different regions and global offices. Videos created in such an expansive business environment make it difficult to ensure that video content has the consistent compliance review for both global corporate requirements, as well as specific regional regulatory requirements. This can be as simple as ensuring the right disclaimer language is spoken or subtitled on the video and links to disclosures are clearly marked as such, or, as complicated as ensuring the images and logos in a video don't violate branding, trademarks, or cultural sensitivities.

Managing compliance and consistency across videos can be extremely complex and challenging. For example, videos that discuss financial research may require different disclosures based on geographies and regulators. Even within the US, emerging privacy regimes like the CCPA may require unique disclosures for certain activities.

As the volume of video production increases, compliance will become more and more of a bottleneck to video production. This is because this step is largely driven by manual review without a consistent workspace, application of policy, or way to automate tasks and logging for reporting purposes. Stopgap solutions that have compliance users working in video CMS systems also create a misaligned user-base and feature set, which puts a greater strain on resources and creates inflexibility that impacts performance of both marketing and compliance.

For an area that is typified by higher production value and effort, compliance needs the ability to work at the same pace and scale to meet corporate and regulatory compliance requirements, including industry- and regional-specific regulations to which the company must comply.

## 5. Training Videos

In recent years, the use of video in training has taken over as the number one channel and mechanism for learning delivery.<sup>xii</sup> Training videos can span internal and external audiences. Internal to the FI, use cases can span onboarding training for reps, agents, and brokers to providing the latest news on new products, promotions, market analysis and more. Similarly, use cases for customers also include videos that train on their accounts, financial products, and latest market news or analysis.

Like all video trends, the usage is up, and compliance teams have to worry about a variety of risks in this content. Some are as expected like ensuring videos with market analysis and product overviews don't misstate corporate opinion, don't have corporate compliance liabilities, and have the right disclaimers or disclosures per regulatory requirements.

Other risks, stem from internal videos created for employees, affiliates, and partners. Because their intended audiences are considered internal, FIs might think of them as a "safe zone" from a compliance perspective. However, internal training videos run the risk of containing inappropriate statements or may inadvertently disclose confidential information on a time-sensitive item that the company is planning. If left unchecked, training videos can lead to human resources issues and introduce other compliance liabilities.

Like all video usage the challenge of manual review, or, trying to train compliance users to be power users of training video systems is not viable. Further, because some of the top uses of this type of video for FIs is timely market analysis, the need to react to a market change and produce these videos quickly puts a massive strain on already taxed compliance personnel who often can't move quickly when using manual processes. This creates a twofold problem whereby the business can't respond to its clients fast enough, and employees learn to not rely on the business to disseminate information to clients. The latter leading to increased risky behavior.

Compliance teams have to carefully review this content in a detailed time-consuming way that can drain resources. Using technology to automatically identify risk removes procedural hurdles and facilitates the quick publication of relevant, compliant training videos.



## Conclusion

For FIs, it's safe to say that online video provides endless opportunities to support business goals and deliver positive customer experiences. However, the efficient and effective creation and review of video content requires meaningful compliance engagement that can be challenged by legacy technologies and processes.

When developing and implementing your video-first marketing and advertising programs, compliance most certainly must be carefully considered. Adopting proven best practices for video compliance will make it possible to successfully navigate through these challenges. Many of these practices create greater efficiencies and provide time-saving efforts for your team. For details on circumventing the compliance challenges, read the Theta Lake whitepaper: [\*Best Practices for Online Video & Digital Content Compliance Program\*](#).

- <sup>i</sup> Vidyard. *2019 Video in Business Benchmark Report*. 2019.
- <sup>ii</sup> Wyzowl. *The State of Video Marketing 2019*. 2019.
- <sup>iii</sup> Forbes. *40 Stats on Digital Transformation and Customer Experience*. May 2019.
- <sup>iv</sup> Small Business Trends. *27 Video Marketing Statistics*. January 2019.
- <sup>v</sup> Vidyard. *2019 Video in Business Benchmark Report*. 2019.
- <sup>vi</sup> Vidyard.
- <sup>vii</sup> Wyzowl. *The State of Video Marketing 2019*. 2019.
- <sup>viii</sup> Small Business Trends. *27 Video Marketing Statistics*. January 2019.
- <sup>ix</sup> Vidyard. *2019 Video in Business Benchmark Report*. 2019.
- <sup>x</sup> Forbes. *Video Marketing Isn't the Future: It's Right Here and Now*. October 2017.
- <sup>xi</sup> Vidyard. *2019 Video in Business Benchmark Report*. 2019.
- <sup>xii</sup> CGS. *Top 6 Trends In Video Based Learning for 2018*. November 2017.

**ABOUT THETA LAKE.** Theta Lake provides cloud-based compliance for video, audio, and other modern digital communications. Its patent-pending technology uses AI, deep learning, and seamlessly integrates with the leading audio recording, video marketing, and video conferencing platforms to detect compliance risks in what was said or shown in modern digital communications. Using AI to also power insights and automation, Theta Lake provides directed workflow to add consistency, efficiency and scale to the compliance review and supervision process, driving down the cost of compliance.