

WHITE PAPER

# Compliance Solution: Buy vs. Build

Making the right decision for your communications compliance





# Introduction

Financial services firms find themselves at a crucial collision point, with the surge of new communication and collaboration tools at work set against the sharp uptick in regulatory enforcement actions and headline fines being handed out over the last few years.

Couple this new technology with the increased mobility of employees and the demand for almost immediate response times from customers, and the need to adopt and implement the right communication compliance strategy for your organization has never been more pressing.

Chief information officers (CIOs), chief compliance officers (CCOs), heads of surveillance, and chief information security officers (CISOs) must work together to update their compliance strategy and infrastructure to meet this challenge. Otherwise, they risk compliance breaches, fines (for the firm and for themselves) and reputational damage through inappropriate use of unauthorized channels.

If you and your firm have decided to modernize and streamline your channel capture capabilities and compliance processes, you must answer a pivotal question:



**Is it better to build a custom solution using internal resources or buy a compliance solution from a third-party provider?**

In this white paper, we analyze the drivers behind build vs. buy decisions and strategies for measuring the return on investment for each approach. We'll go over:

- Why a modern compliance solution is necessary (whether you buy or build)
- Factors that influence cost and ROI for build strategies
- Factors that influence cost and ROI for buy strategies
- Other functionality aspects to consider when determining ROI
- Best practices to enable agile adoption of new channels

At the end of this white paper, you'll have the information you need to achieve a scalable and reliable solution that enables business growth while meeting compliance requirements and reducing risk.

## Why a modern compliance solution is necessary

Financial services firms dramatically changed their business operations in just three short years. This was largely driven by the move from working in the office to working from home – for both staff and customers. These changes forced IT and business leaders to rapidly adopt new collaboration, social and mobile channels to ensure everything ran smoothly.

But this change was also a significant growth catalyst for the industry, creating opportunities for firms to:

- Reach a broader, more diverse customer base for revenue growth
- Deliver new revenue-generating services for upsell and customer base expansion
- Transact business in real-time for faster deal cycles



### Did you know?

A large firm will capture and export **20+ million** messages daily

A firm may capture **up to 4,800** messages per second

But with opportunity comes risk. Specifically, the risk that the expanding number of communication channels available might be used in ways outside of corporate policies and guidelines set by regulatory bodies, including the SEC, FINRA, CFTC, FCA, MiFID II, and GDPR.

As a result, firms faced two options: **prohibit** or **permit** certain channels:

- **Prohibit:** Tell staff not to use specific channels
- **Permit:** Build or buy a solution that covers desired channels

# Building a custom solution

The primary drivers for firms to build their own solution are agility and customization. Especially in larger firms, leaders may view their environment as too unique for an off-the-shelf offering. They may believe that in-house staff can design and deliver faster than a third party could – especially around emerging channels.

## Factors and considerations: Build

### Development of capture software

The initial deciding factor for build vs. buy is a cost and time analysis to develop the channel software. This includes:

- Time to learn APIs for the channels and archive where data is stored
- Time to develop the software and unified communications as a software (UCaaS) with multiple features, which may be extremely long
- Time to build and test on different operating platforms (PC, MAC, mobile)

## Overall solution testing

Capture is only the first step in a broader solution set that includes archiving and/or supervision and surveillance. Each channel must be tested with other solution software to ensure communications are correctly recorded into the data store and logged.

## Infrastructure costs

The software will need to be tested and deployed somewhere. Depending on the delivery strategy, the footprint may be small, but a cost analysis is critical.

## Ongoing maintenance and support

Communication applications like Zoom, Microsoft Teams and WhatsApp are constantly patched and updated. While creating a custom capture application is a one-time event, firms must ensure their custom solution will work after every application update.

This adds costs, including customer service staffing, ongoing development costs as the environment changes (e.g., IT, channel and archive software),\* and testing of APIs. These costs are compounded for every custom capture solution.

## Functionality coverage

'Supporting' a channel may be a simple task if the feature set is small. But as functionality increases, the time to develop and support a channel can quadruple or more.

## Cybersecurity testing

A key consideration for any solution is security. User interfaces must be secure. Transmission between capture software and the archive should be checked for risks. Engineers must also check that they can capture encrypted conversations.

## Regulation and corporate compliance checks

Compliance teams must understand and stay current with all regulations and corporate guidelines and work closely with internal developers to validate that software meets compliance requirements. The firm will be subject to substantial fines if the custom solution does not meet a requirement.

## Global and regional data residency requirements

If the firm's data spans multiple geographic regions, it needs to stay current with specific data residency requirements of every jurisdiction it operates in.

*\* If the rate of change on any software is high, coding and interoperability testing requirements will escalate.*

## Building your own monitoring solution has better ROI if:

- Staff and infrastructure investments have already been made (sunk costs) to develop internally
- Data security isn't a factor
- Regulatory compliance isn't a factor



### Did you know?

**Smarsh findings show 3-5% of API calls fail after major channel/archive software updates.**

## Buying a third-party solution

Buying a pre-built solution significantly reduces development, integration and support costs, and infrastructure costs for development and testing. However, it's not without its own cost and operational considerations.

### Factors and considerations: Buy

#### Cost of acquisition

Leaders should look at the recurring price for any build vs. buy analysis. A more extensive solution stack (e.g., capture + archiving) purchase may minimize costs.

#### Additional costs and hidden fees

Vendors may charge for certain actions or features. For instance, exporting case data may result in data export fees.

#### Cost of customization and integration

Depending on firm needs, the capture offering may be required to support/integrate with specific software. While this can increase costs, leveraging a vendor's professional services or migrating to their broader solution stack (capture + archive + surveillance) may still be cheaper and faster.

#### ROI of increased channel coverage

The number of channels firms use to conduct business has jumped to six or more in just the past few years.

A capture provider will likely cover all major communication channels and commonly adopted channels of known risk, including on mobile devices. This provides a significant advantage over build/test/maintain strategies.

It also offloads API testing to vendors, many of which have strategic partner relationships and have early access to new APIs.

### Increased channel functionality coverage

The move to UCaaS offerings like Zoom dramatically increases the range of information captured per channel (instant messaging, voice, etc.). Vendors with robust capture solutions can handle this.

### Industry and communications expertise

Vendors should consistently monitor regulations and ensure their products meet compliance requirements. They should also have development relationships with UCaaS providers (Zoom, Microsoft, etc.) to understand the size, frequency and even structure of messages. This reduces the risk of a compliance gap while enabling the firm's staff to focus on their core responsibilities.

### Cost of improved efficiency/scale

One of the biggest challenges any development team faces is how to support ongoing scale. External vendors are more likely to have performed additional stress and scale testing. Many also are designed to streamline workflows, such as eliminating duplicate messages to improve efficiency by 20% or more. These items reduce ongoing costs and solution complexity.

## Buying a vendor solution has better ROI if your firm:

- Needs to monitor more than two communication channels
- Has communication channels that include multiple UCaaS functions
- Needs more than a simple archive repository



### Did you know?

**Some solution providers have a 99.99% successful change rate, which means there's little chance of compliance gaps or compliance interruptions during solution integration and deployment.**

## Compliance beyond capture

It's easy to focus too closely on your firm's immediate needs. But as we noted earlier, change can happen quickly. The financial services sector is now embracing mobile communications and other digital applications for collaboration to reach new audiences. It's very likely that in just a few years, there will be another crop of powerful, must-have digital communication channels — bringing you right back to your current dilemma.

While a cost-benefit analysis can help contextualize meeting your firm's existing known parameters, it's important to consider your firm's broader requirements.

### Overcome surge capacity

Your capture and archive solutions need to flex with your organizational requirements. Any solution must scale to support up to a 10x user increase and conversation data volume to ensure compliance.

### Mitigate risk with reconciliation

Reconciliation is the safety check that gives you peace of mind that a conversation is captured. It can be done via API integrations with build your own capture software but requires significant development and maintenance to ensure information is securely recorded.

### Reduce cost and complexity with solution extensibility

In addition to capturing and archiving data, many firms have mandated requirements for supervision, surveillance and auditing of a monitored population of users.

While it's possible to purchase separate vendor offerings for capture, data retention and supervision or surveillance, it can dramatically increase total cost of ownership.

This includes:

- Paying for overlaps in offering functionality
- Maintaining multiple service contracts and negotiating who owns an issue
- Losing power in purchase negotiation
- Training teams to use multiple interfaces/management methods



### **Improve reviewer speed and efficiency with metadata analysis**

Capturing communications data is pointless if you can't find or retrieve it. The ability to search, audit and reconstruct conversations is an important part of your compliance strategy.

Whether you build or buy your system, your capture solution should be able to apply metadata to captured messages for analysis and retrieval. This can be a significant undertaking for your firm's internal development team, but it's a common capability for many service providers.

Depending on your vendor, their solution may have advanced metadata analysis that empowers your staff to find, retrieve and review conversations — improving efficiency, enabling staff scalability and mitigating risks.

### **Available APIs for specific build efforts**

At a macro-level, a buy solution will almost always provide a superior ROI to a communications capture offering built in-house. That said, your firm may have unique aspects that require a more customized or nuanced solution. You may think there are few options to support your firm's specific needs besides acquiring multiple vendors or building your own solution.

However, some solution providers are dedicated to being an active partner. They'll work with your compliance team or provide APIs so their offering can fully meet your firm's requirements. This partnership extends to successful deployments and professional service support throughout the life of the solution.

# How Smarsh can help

Smarsh understands the importance of buy vs. build conversations. We've designed our Capture solution to be an integral component of our integrated portfolio, providing the industry's most complete compliance solution on the market today.

## Cloud Capture performance & scalability—2023 metrics



With over 20 years of experience in financial services and regulatory compliance, we build compliance solutions from the ground up and continually update and manage them so firms like yours don't have to.

Smarsh is the leading capture provider, supporting today's most popular email, mobile, social, collaboration, video and voice applications. More importantly, we ensure that captured data has important contextual details so your supervision and e-discovery reviews are faster and more efficient.

## Smarsh Capture advantages

### Preserves native format

When responding to investigations, litigation or audits, compliance personnel must quickly and carefully review data to understand its relevance – and risk. Legacy systems retain communications in email format, making it difficult to reassemble conversations.

Smarsh captures all communications in their native format as threaded conversations with metadata, such as joins, leaves, edits, deletes, comments, replies, attachments and more. Communications data can be sent seamlessly to the Smarsh Enterprise Warehouse or any existing archive, application or data lake.

### Delivers unified identity management

Employees assume different identities and names when using various channels. This switching makes identifying digital entities — even within the organization — challenging.

With Smarsh, your employees' identities are unified across different channel sources, from email to instant messages and collaboration channels to social media. As firms and workers adopt new communication channels, unified identities across sources are becoming increasingly important.



### **Monitors and protects your conversations and content**

Capturing conversations also means identifying the potential risk and value to the enterprise. With Smarsh capture solutions, you can easily define lexicon policies to flag incoming text and file content. You can also protect sensitive information with near real-time alerts on suspicious activity.

We offer additional advanced management capabilities for channels such as Webex Teams, Jabber, IBM Sametime, Facebook, Twitter and LinkedIn. These include ethical walls, blocking, redaction, remediation, disclaimers, federation controls and pre-review.

### **Uses open APIs to collect custom communications**

Your content can't live in silos. Beyond the many channels Smarsh supports out of the box, you can also capture and manage custom networks and channels using our APIs and SDK.

This ensures there are never gaps in your information governance solution. We offer purpose-built supervision and e-discovery applications that meet your compliance and legal teams' needs and seamlessly integrate with our capture solutions. You can build your own applications or use third-party tools to interact directly with your communications data.

### **Captures mobile device communications**

Your organization, employees and customers can embrace mobile communications. Capture and monitor SMS/MMS text, voice and collaboration apps like WhatsApp, WeChat, Signal and Telegram in their native format on corporate-owned and employee-owned devices. Smarsh continues to invest in expanding our global coverage, working with leading networks and mobile messaging apps.

## Build vs. Buy

Key considerations for firms deciding between building a custom compliance solution using internal resources or purchasing a solution from a third party.

### Build costs checklist

- Developer staff cost:** Cost per headcount to build and maintain software. Multiply by number of channels
- Support staff cost:** Cost per headcount to maintain the software
- Interop staff cost:** Cost per headcount to test releases, end-to-end stability and regulatory coverage
- Training costs:** Cost per headcount for training teams on the channel and its integration capabilities
- Infrastructure costs:** System or cloud costs for the environment and any dev/test environment costs
- Channel lifecycle cost:** With the high turnover rate in apps used by staff and customers, staff may need training every two to three years as channels age out and new channels are added
- Time to deliver:** Besides the cost analysis, leaders must consider the time to create, test and deploy software — at initial and ongoing deployment

### Buy costs checklist

- Acquisition cost:** Cost for the offering. Be sure to understand how costs scale (users, channels, etc.)
- Additional costs:** One-time or periodic fees for specific activities
- Professional services costs:** Costs for customization, integration, data migrations or other efforts
- Channel development savings:** Cost reduction for not having to develop, maintain and test X number of channels
- Channel depth savings:** Cost reduction for not having to cover extended UCaaS functionality
- Channel lifecycle savings:** Cost savings for not having to handle the high turnover rate in apps (see build) or invest in UCaaS research / relationships
- Time-to-deliver savings:** Realize how quickly a vendor solution can deploy when compared to an in-house team developing a solution from the ground up



## The Smarsh Advantage

Get the information you need to achieve a scalable and reliable solution that enables business growth while meeting compliance requirements and reducing risk.

Buyer Checklist	The Smarsh Advantage	Details
Acquisition costs	Pay only for what you use Realize 2x or more ROI with full stack solution set	SaaS pricing ensures you only pay for what you use. A comprehensive, global portfolio of capture, archiving, supervision and surveillance, and e-discovery solutions consolidates service and purchasing as your firm grows. It also reduces time spent on management for a 2x better ROI.
Add on/hidden fees	Transparent pricing No hidden fees	Our transparent pricing ensures you know exactly what you are buying. It eliminates hidden fees for items like data export that other vendors charge.
Delivery costs Development, test and lifecycle management	5x – 10x savings on implementation	Smarsh handles all channel development and testing to ensure software stays up to date, which saves you up to 5x – 10x when compared to build-your-own strategies.
API review and time to support	Continually update and add new channels for capture Reduced risk of capture failure	Smarsh maintains relationships with multiple channel providers, allowing us to stay current with updates and patches. For example, we were the first to support the new Microsoft APIs. We performed extensive testing prior to release to ensure no API capture issues existed.
Time to coverage New channels and features	4x faster feature delivery	Smarsh maintains a robust development team with over 200 internal and partner engineers. This allows us to support new communication types 4x faster than a firm's internal development team. Contact your representative for roadmap details.
Surge coverage Designing and testing for ongoing scale	Easily support over 300K users running six channels Reduces risk of compliance gaps by 50% or more	Smarsh does scalability testing to ensure rapid increases in monitored users, number of channels and size/frequency of messages. We have customers with 300,000+ users with six channels per user.
Data reduction Ongoing costs savings	2x or more cost reduction	Smarsh Capture automatically removes duplicate messages for a 20% reduction in data retention costs. It also offers data life cycle management that can reduce retention costs for captured data by 50% or more.
Reconciliation For risk elimination	Reduced risk of capture failure	Smarsh Capture, when integrated with our other solutions, provides reconciliation reporting so you can do spot audits to ensure all data is captured.
Customizability	Support your unique communication capture needs	While Smarsh already captures the most common (and some uncommon) channels, we recognize there may be unique channel needs. Smarsh offers open APIs and professional services support, so firms meet their unique and specific requirements.



Smarsh enables companies to transform oversight into foresight by surfacing business-critical signals in today's most in-demand communications channels. Regulated organizations of all sizes rely upon the Smarsh portfolio of cloud-native electronic communications capture, retention and oversight solutions to help them identify regulatory and reputational risks within their communications data before those risks become fines or headlines.

Smarsh serves a global client base spanning the top banks in North America, Europe and Asia, along with leading brokerage firms, insurers, and registered investment advisers and U.S. state and local government agencies. To discover more about the future of communications capture, archiving and oversight, visit [www.smarsh.com](http://www.smarsh.com).

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White Paper - 07/23

