

## WHITE PAPER

# Email-Archiving Regulatory Compliance for Small and Midsized Firms (SMBs)

Presented by:



and

# SONY®

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## EXECUTIVE SUMMARY

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- Email is mission-critical today for virtually all businesses. But not only must email data be backed up; increasingly, these corporate records must be continuously *archived* as well – a different matter, requiring a separate, specialized solution. Backup is about restoring data; archiving is about *retrieval*.
- Archiving is required for a variety of reasons, not the least of which is to comply with ever-proliferating government regulations.
- Increasingly, companies are also realizing their archived data should be *encrypted*, to ensure that sensitive information will not be accessible by others, should storage media be lost or stolen (in transport to offsite locations, for example).
- Quick *search and retrieval* of individual email messages is a key requirement of any archiving solution today – whether to meet government regulations, or to minimize the significant “discovery costs” companies face in legal cases.
- Virtually all email archiving solutions now available are designed for *large enterprises*. They are very costly, highly complex, involve multiple vendors, and often take months to implement, requiring much specialized IT expertise.
- Sony and Intradyn are now comarketing a simple, automated, “*appliance*” solution, which enables many more firms – even small and mid-sized businesses (SMBs) – to easily and affordably archive their email, and to securely *encrypt* it if they so choose. It offers a unique marriage of the best benefits of both disk and tape. And it stands alone in *affordability* and *simplicity* – which are the two key, overriding requirements of today’s SMB customer.

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## INTRODUCTION

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***Email Can Be a Blessing and a Curse.*** Recently, the importance of saving email messages has become critical in legal battles and in high-profile government cases, where these “digital records” are being used as evidence of wrongdoing. It’s stark proof of how electronic communication has changed the legal and regulatory compliance landscape in a very short amount of time.

Being compliant to regulations concerning electronic records is an increasingly serious challenge for businesses of all sizes. But it’s a special distraction and economic burden for smaller businesses. In particular, meeting the SEC’s strict regulations for email retention and availability is a major concern today for small broker-dealers and other financial services organizations, including investment advisors. (As a point of reference, more than 90% of the member firms of the National Association of Securities Dealers, or NASD, are categorized by the association as “small firms” – meaning fewer than 100 brokers.)

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## THE GROWING NEED TO COMPLY

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Compliance with government regulations is becoming an onerous concern for small and mid-sized businesses (SMBs). In particular, complying with *email retention and availability* requirements is critical for small firms in the brokerage and other financial

services business, including investment advisors. Such securities-related firms must maintain a secure, non-alterable, and searchable archive of all their email for as long as seven years in some instances.<sup>1</sup>

Specifically, SEC, NYSE, and NASD regulations include such requirements as:

- Emails and attachments must be preserved in a non-alterable, non-rewritable, non-erasable format
- The company must be able to automatically verify the quality and accuracy of the archiving process
- Emails must be fully indexed and searchable
- All emails must be preserved for up to seven years, and in an accessible place for the first two years
- When regulatory bodies request emails, the stated retrieval time is “immediate”

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## A LARGE MARKET

Informed industry sources estimate that half or more of the small broker-dealers, investment advisory firms, and other types of financial services firms that are governed by the SEC regulations (such as banks and insurance brokers) are not in compliance today. That would put the size of this market at something in excess of 150,000 firms in the U.S. alone, based on U.S. Census data. How is it possible that so many firms could be non-compliant? The experts say it simply comes down to two hard realities: *complexity* and *high cost*. Previous solutions for email archiving, designed for large enterprises, are difficult for small firms to implement because they require specialized IT expertise, and go well beyond their modest IT budgets. In addition, research firm AMI Partners says there are more than 850,000 small to midsized U.S. healthcare firms that are impacted by regulations requiring the archiving of data. And these are not the only market segments impacted by regulatory compliance.

All broker-dealers, regardless of revenue, employee headcount, daily transaction volume, or IT resources, are subject to the same regulations as the household Wall Street names. But the vast majority of these firms don't have dedicated IT staffs and are focused on asset management, not email management, to effectively run their businesses. What's more, these smaller firms simply cannot afford the existing complex, multi-vendor enterprise-level solutions their large counterparts may have put in place, nor the expense of integrating and implementing such solutions.

Intradyn saw this need and developed an affordable and extremely simple to use solution, requiring no integration of hardware and software. It is a plug-and-play, purpose-built network appliance, ready to run right out of the box. Intradyn and Sony have partnered to market this solution, bundled with an automated Sony AIT tape library, to the SMB market.

It is a simple, integrated appliance approach to email archiving, specifically aimed at helping to make it easier for the large number of small SEC-regulated firms, and those in other industries, to address their needs to become compliant – as quickly, simply, and affordably as possible. No other single solution is available in its affordable price range.

<sup>1</sup> *Compliance: The Effect on Information Management and the Storage Industry*, Enterprise Strategy Group, May 2003.  
<http://www.enterprisestrategygroup.com/ESGPublications/ReportListings.asp?ReportType=research>

The ComplianceVault™ Email Archiving & Retrieval Appliance is an integrated hardware/software solution that captures all of a user company's email on a continuous basis. It can be put to use immediately, requires no integration time or expense, and can content search up to one million emails per second based on keywords. In addition, the device has an audit feature that tracks all access to the system.

Specific emails can be retrieved in minutes – in stark contrast to the hours, days, or weeks that many companies have needed to meet the demands of courts or agency investigators in the past. The latter is the key reason that large fines and penalties have been levied to date – that is, because companies could not retrieve requested email records within the timeframes ordered.<sup>2</sup>

The Intradyn ComplianceVault™ appliance is available in 1U rackmount models with 250, 500, and 800 GBytes of disk space, respectively. Each model archives all email onto disk, as well as to non-alterable WORM (write-once, read-many) tape – the latter via bundling with any of Sony's AIT-2 or AIT-3 automated tape libraries.

**Encryption of Archived Email.** In June 2005, Intradyn announced it was incorporating tape encryption technology into the software for its ComplianceVault™ Email Archiving & Retrieval Appliance. This technology provides customers with the added option of highly secure protection of their data in the event of tape loss or theft. Intradyn's *Encryptape™* technology is based on the same type of encryption used by the U.S. federal government, the highest level available, which is AES 256-bit – called “strong” encryption.

**How It Works:** The ComplianceVault™ appliance works with Microsoft Exchange or any IMAP or POP3 email server, which are the standards behind virtually all email systems in use today, including Lotus Notes, Novell Groupwise, and others. When attached to a company's network, all emails are continuously saved and indexed to disk, plus archived and indexed to tape – making them available for retrieval in a manner compliant with the company's corporate policies and industry regulations.

**Sony's AIT WORM Media:** Tapes are identified with a logo stamped onto the cartridge and have a life of up to 30 years. (See [www.AITtape.com](http://www.AITtape.com).) AIT technology reflects Sony's 50 years of innovation and technical excellence in magnetic recording. AIT drives and media are characterized by 8mm media form-factor in a compact 3.5-in drive mechanism, featuring helical-scan recording, unique Memory-In-Cassette (MIC) architecture, advanced read/write head technology and the exclusive use of Advanced Metal Evaporated (AME) media. These characteristics result in high capacity and performance, outstanding reliability, fast data search and superior data protection through the use of Write-Once-Read-Many (WORM) capability.

Since the AIT technology platform was announced in 1996, Sony has continuously enhanced the format, introducing three compatible generations of AIT with applications spanning from the desktop to the enterprise. AIT enjoys broad customer support, with more than 500,000 drives installed worldwide.

<sup>2</sup> *Compliance: Do No Evil – Critical Implications and Opportunities for Storage, Byte & Switch Insider Report, Light Reading Inc., May 2004.*  
[http://www.byteandswitch.com/insider/list.asp?page\\_type=all\\_reports](http://www.byteandswitch.com/insider/list.asp?page_type=all_reports)

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## MEETING SEC REGULATIONS

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*The Suitability of AIT WORM Tape for Regulatory Compliance.* Cohasset Associates ([www.cohasset.com](http://www.cohasset.com)), a leading compliance consulting firm, has provided the following opinion about Sony AIT WORM tape for use in compliance applications: “The AIT WORM tape cartridge complies with both the letter and spirit of SEC Regulation 17a-4. The technology of the AIT WORM tape cartridge allows records to be retained on a medium that is both ‘non-rewriteable’ and ‘non-erasable’. The AIT WORM technology additionally provides for the ‘automatic verification of the quality and accuracy of the storage recording process’ as required by 17a-4. The regulation’s requirements of serialization, time-date recording, and index and records downloadability are also met by Sony’s AIT WORM technology.”

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## INVESTMENT RETURN

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The ComplianceVault™ appliance has both hard and soft ROI associated with it. Soft cost savings come in several ways, relating to the ease and speed at which a company can supply accurate information to auditors or courts. Speed is very fast due to the disk-to-disk-to-tape (D2D2T) design that Intradyn uses in the ComplianceVault™ appliance. Not only can it be a stressful experience for a records manager to go through an audit, it can cost a company many thousands of dollars in salary and resources. With the ComplianceVault™ appliance, that task is reduced to a matter of minutes, providing auditors simple access to very specific information. Both courts and government agencies are increasingly expecting faster response times in their requests for companies to produce emails. To date, several corporations have been asked to search tens of millions of emails and produce very specific, individual messages tied to certain occurrences or events—within tight timeframes. Failure to meet these deadlines has resulted, for some, in obstruction of justice charges.

In addition to the “soft ROI” related to human resources savings, there are the hard cost savings in not having to pay fines, penalties, and “discovery costs.” Avoidance of these costs represents the most significant benefit a firm gains from the Sony-Intradyn ComplianceVault™ Email Archiving & Retrieval Appliance bundle, greatly exceeding the investment for the solution.

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## CONCLUSION

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Email archiving to comply with government regulations is serious business, with violations punishable by large penalties and fines. Small and midsized businesses (SMBs) are subject to the same regulations as large enterprises – and it is only a matter of time before they face such fines on a broad scale for non-compliance. And it goes without saying that ignorance of the law is no excuse.

Intradyn developed a unique and affordable solution to meet this need, and has bundled it with Sony AIT technology, partnering with Sony’s extensive sales and distribution network to effectively market the solution to the expansive SMB market.

The ComplianceVault™ Email Archiving & Retrieval Appliance bundle has no competition in its price range, and is a fraction of the cost of other compliance solutions. It is much more cost-effectively scalable than solutions using optical WORM technology. In addition, it is simpler to install and manage than other solutions, and requires no integration of software and hardware, since the latter is all incorporated into the appliance. Moreover, it offers the user the option of securely encrypting all email archived on tape.

The bundle is a completely *automated* archiving solution. It not only offers the assurance of the Sony brand, but also the assurance that AIT WORM tape has been certified by a leading compliance consulting firm as meeting SEC requirements. In addition, Intradyn has done extensive lab testing of AIT technology and AIT WORM media in conjunction with the development of its ComplianceVault™ appliance (now in its third release) – which means worry-free installation and operation for the end-user, and the assurance that the bundled solution leverages best-in-class benefits.

The combination of disk and tape storage in one, unique archiving solution offers the best of both technologies: disk is fast, for quick search and retrieval; tape has portability advantages and requires no power for long-term, offsite storage. And only Sony AIT tape libraries are certified to work with the Intradyn ComplianceVault™.

*For more information, contact [sales@intradyn.com](mailto:sales@intradyn.com) or Sony sales support at 1-800-814-2489. Additional information is also available at [www.storagebysony.com](http://www.storagebysony.com) and [www.intradyn.com/compliance](http://www.intradyn.com/compliance).*

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