Trade Surveillance for Modern Times

The financial trading industry has been regulated for decades, dating back to before the market crash of 1929 and the subsequent creation of the US Securities and Exchange Commission (SEC) in 1934. Other countries have similar regulatory authorities that monitor risk and compliance, as well as maintain the integrity of financial markets.

For financial organizations such as banks, brokerages, and security exchanges, managing compliance and mitigating risk is a major challenge that is only getting more complex. With the pace of new regulations and continued adoptions of Dodd-Frank in the US and MiFID II in the UK, many organizations lack the tools required to proactively monitor and respond to compliance regulators' requests and are in need of a solution. Auditors and compliance officers may spend countless hours manually searching for and listening to calls and investigating suspicious activity..

Meeting the Challenges of Increased Scrutiny

There is a growing burden on financial trading organizations to not only act aboveboard, but to prove that they did, they do, and they will continue to do so. But with hundreds or thousands of traders and millions of communications and transactions, the task isn't easy. Communication channels have multiplied, and regulators have stepped up their audits and fines. Organizations need visibility across communication channels and the ability to gather data from voice, text, and screen activities. They also need computer-powered intelligence to sift through data to find and correlate suspicious communications and actions.

The overseers of financial trading regulations have become more advanced, and at times may request specific information about a broker conversation or stock trade. The inability to comply with these requirements can — and often does — result in significant fines or penalties. If you ask leaders of risk and compliance how they handle voice surveillance today to fulfill regulators' demands, their answers might range from "not very well" to "not at all."

A Sampling of Financial Regulatory Authorities

China
China Securities Regulatory Commission (CSRC)

Germany
Federal Financial Supervisory Authority (BaFin)

Japan
Financial Services Agency (FSA)

Singapore
Monetary Authority of Singapore (MAS)

Switzerland
Swiss Financial Market Supervisory Authority (FINMA)

US
Securities and Exchange Commission (SEC)

UK
Financial Conduct Authority (FCA)

VERINT®

Executive Perspective

Beyond Compliance Recording

Having a compliance recorder to capture and retrieve only audio files is no longer sufficient when responding to regulator requests. Although you may be able to locate the right interaction, the process is often slow and intrinsically reactive.

Speech analytics is a powerful tool for processing, analyzing, and providing insights on 100 percent of recorded audio interactions. Once processed, interactions are quickly searchable by keyword, phrase, or business category, eliminating or greatly reducing the need for costly, time-consuming manual processes. Moreover, speech analytics solutions can enable you to maintain compliance and mitigate risk proactively by surfacing suspicious or unusual conversations, revealing specific trends and facilitating quick investigations. Some solutions even offer guided search capabilities to help compliance officers find relevant calls quickly — a benefit for complying with requests from regulators.

How Verint Can Help

With nearly two decades of experience as a leading provider of compliance recording, Verint® offers proven, reliable software for recording, indexing, and retrieving 100 percent of voice communications in financial trading environments, as well as powerful solutions for speech and text analytics. For an even broader approach to managing enterprise risk and compliance, these solutions can be augmented with our solutions for desktop and process analytics, encryption management, and risk management.

Because our solutions are unified, organizations can benefit from the integrations among them. For example, the employee desktop can provide useful information about specific trade activities. Verint Desktop and Process Analytics™ enables administrators to set triggers to record and tag specific transaction data. Our risk management capabilities can help compliance officers organize interactions requiring incident review and analysis. As interaction data is moved, archived, and stored, the information can be securely encrypted and protected from unauthorized access. Some organizations do not want to go through the process of replacing their existing compliance recording solutions. However, they need an analytics solution to manage compliance requirements and improve trade surveillance. Verint Speech Analytics™ can address this requirement with speech analytics and full transcription that works with Verint and non-Verint recorders. Powered by an innovative speech engine backed by more than 40 patents, Verint Speech Analytics can quickly and accurately provide insight for identifying and assessing suspicious trading activity.

Going further, Verint Speech Analytics can enable organizations that have already invested in trade surveillance analytics to integrate voice interactions into their existing analytics solution. Essentially, Verint can serve as the technology component "in the middle" by processing financial trading interactions using speech analytics and then passing the full transcription data to third-party analytics solutions (e.g., b-Next and Red Owl).

When a Fine is Not Fine

Over the years, there have been many documented cases of insider trading and other illegal and fraudulent activity. In 2015, four major banks pleaded guilty to trying to manipulate foreign exchange rates and, with two others, were fined nearly $6 billion in a global probe into the $5 trillion-a-day market. These institutions were accused by US. and UK officials of brazenly cheating clients to boost their own profits using invitation-only chat rooms and coded language to coordinate their trades.

These are the practices, fines, and kinds of publicity you want to avoid. With Verint's technology, you can capture, analyze, and pinpoint questionable activity within voice recordings and desktop activities. This can significantly reduce the chances of large fines and penalties — and help your organization proactively identify compliance issues before it's too late.

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