



THE TOP REGULATIONS CHANGING COMMUNICATION COMPLIANCE

And the need for systems and tools to comply with
these rapidly changing regulations



7 September 2017

What Caused the Rise of More Regulations?



Financial Crisis of 2008

- Some major investment banks went bust (i.e. Lehman Brothers)
- Taxpayers picked up the tab through the governments taking over parts of the banks (Bailout)

Global Regulatory Demands

- Protecting banks from themselves.
- Protecting innocent market users from market professionals

Establishment of the G-20

- Main goal - to provide insight into markets
- Regional regulators work together to provide global alignment

Which Events are Currently Driving this Change?

IBOR Rigging

- Manipulation of the rates at which banks were borrowing money to each other
- It has revealed that surveillance of all involved bank employees is crucial

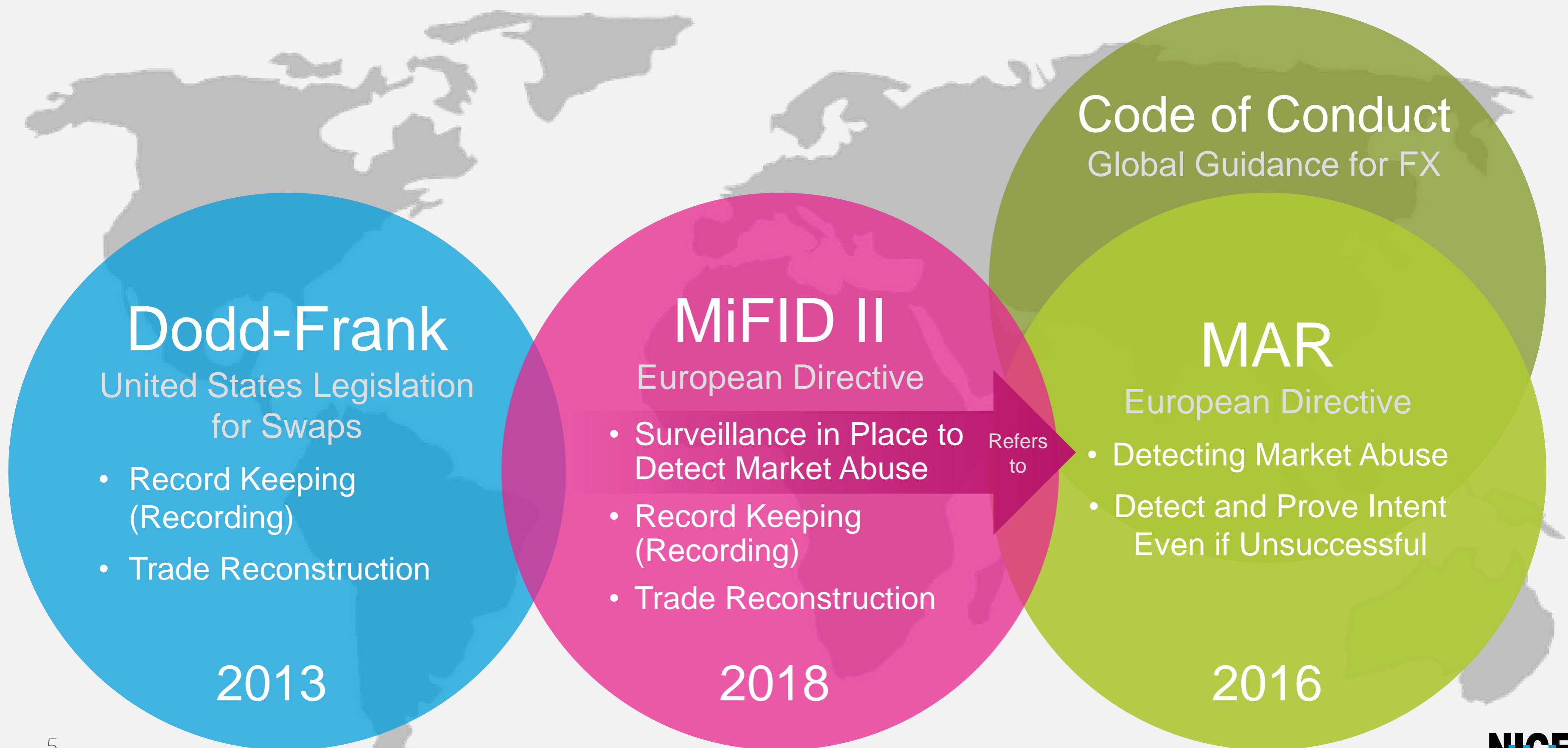
Forex Rigging

- Traders are exchanging information about client's orders to influence rates at which the FX fix occurred
- It has revealed the need for heightened surveillance of calls (FX traders still using mostly telephones to trade)

Insider Dealings

- Buying or selling of securities on the basis of information that is not public
- Illegal since 1958 in Europe
- Punishable with prison and fines

Top Regulations Impacting Communications



Dodd-Frank – Summary

- A Brief History
- What is Dodd-Frank?
- Is it Still Good Law
- The DFA and the CFTC



Dodd-Frank – The Relevant Articles/Sections

Section 764 SEA Section 15F(g)(1) Capture

- Firms must ensure capture of employee communication channels related to an order
- Channels include voice, email, IM and chat

SEC – DFA 951-954 System Health

- The system must be working and capturing as intended
- Required communications must readily available

DFA Section 764 SEA Section 15F(g)(4)

- Regulators will ask for full timeline of events around a specific trade or communication and expect the firms to respond within 72 hours

CFTC Regulation 23.2 Preventing Fraud

- Firms must monitor and review communications. The criteria for what must be reviewed generally determined by the securities involved, i.e. equities, FX, swaps, etc.

Dodd-Frank – What does it mean?

Maintain all Transaction Records

- The need to ensure that employees communication channels, voice, email, IM and chat that are related to an order must be captured

Make sure systems are running

- The need to make sure that the system is always working and capturing required communications that must readily be available

Transaction Reconstruction

- Compliance departments upon request need to be able to find requested data, then be able to find all relevant communications to be able to put in comprehensive timeline in a short amount of time

Prevent Fraudulent Practices

- Monitor and review communications, apply criteria for what is reviewed determined by asset class, create Level 1 supervision for review and a Level 2 Compliance and Product Compliance that will handle escalation process and track

Maintain all Transaction Records and Prove It

The screenshot displays the NICE contact center software interface. On the left, a search bar is visible above a list of interactions. The main area shows a detailed view of an interaction from Fri 12/28/2001 12:26:00 PM, involving Richard B Sanders and Mathew Lenhart. The interaction details include participants, metadata (Message Scope, Phone Device Type, Review Priority Level, etc.), categorization, and analytics. Below the details is a call playback interface with a waveform and controls for search and replay. On the right, a 'Reports' panel is open, showing a 'Report Details' configuration for 'Interaction by Source'. The report settings include: Report template: Interactions By Source; Reporting period: Last month; Delivered by: Email; To: jon.simone@nice.com; Subject: interactions by source; Output format: CSV; Schedule name: Reporting.

Build reporting schedules

Search & Replay of calls

Customizable reports

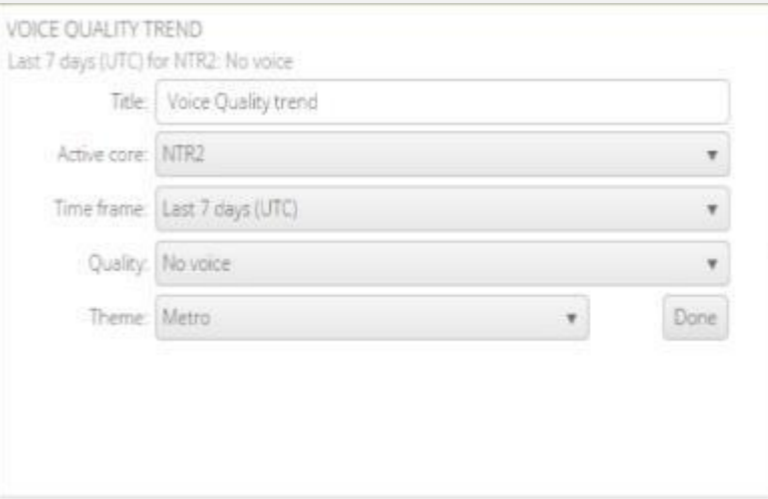
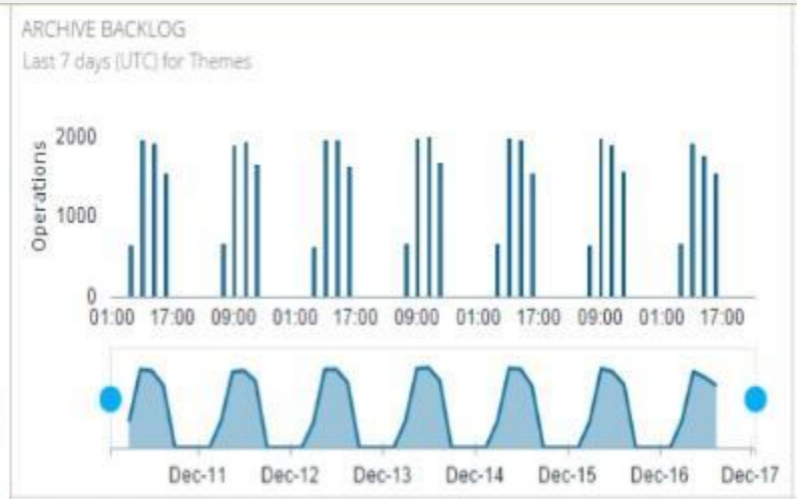
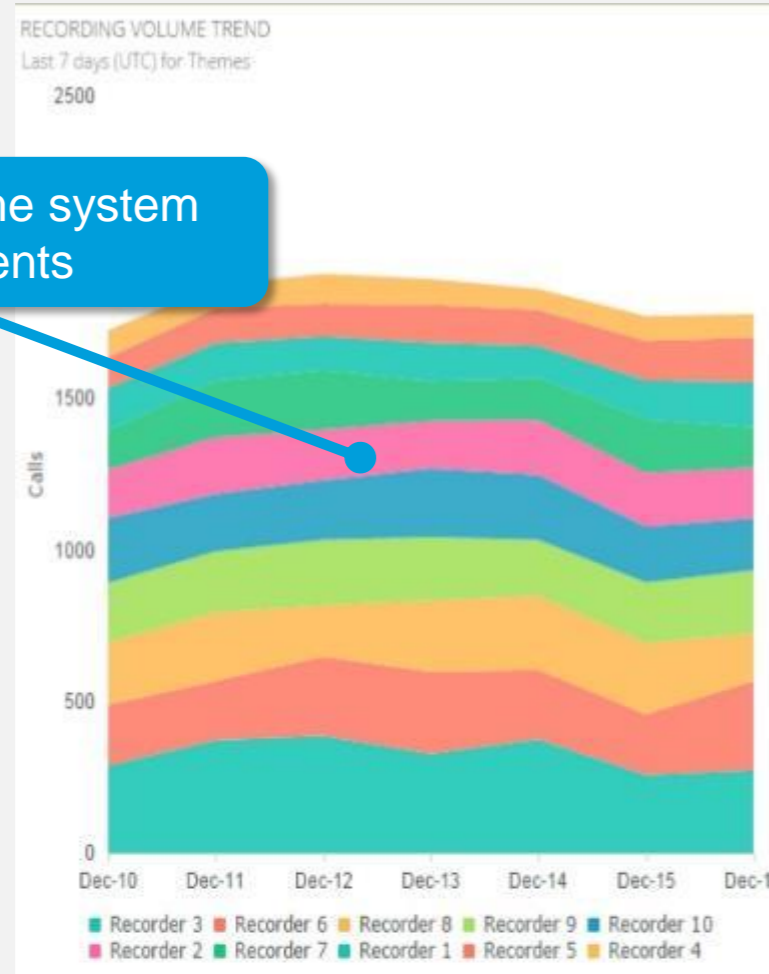
Recorded Users

Generated On: 1/4/2016 9:13:00 PM UTC
Report Period: From 1/3/2016 12:00:00 AM to 1/3/2016 12:00:00 AM UTC

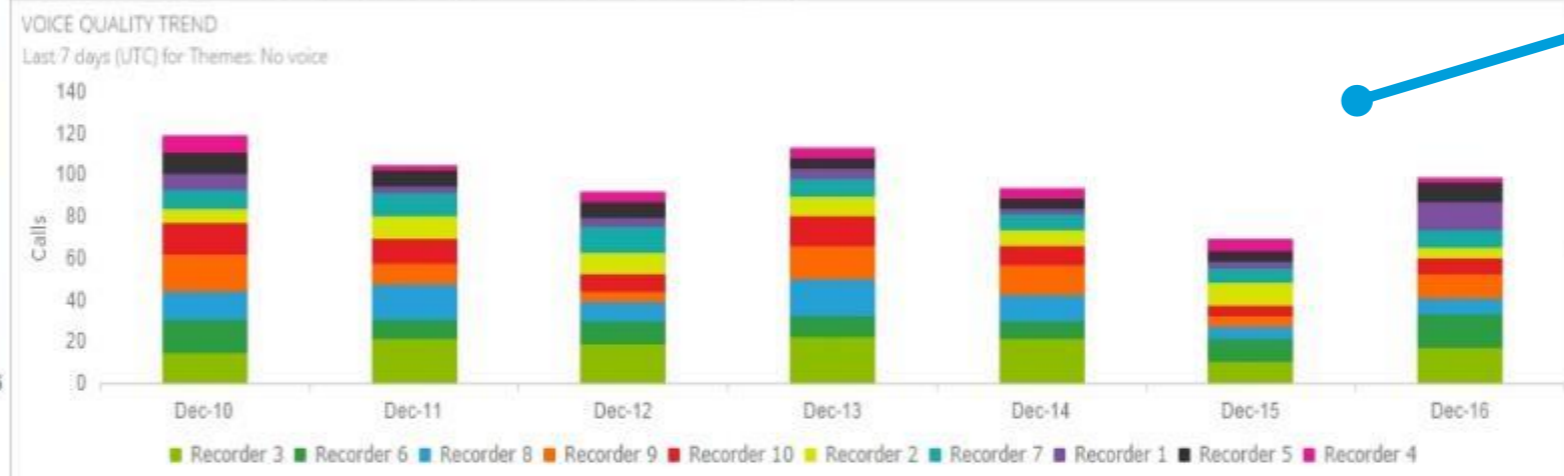
Agent Username	Agent First Name	Agent Last Name	Recorder Name	Cluster Type	Node Name	Recorder Computer Name	Recorder IP Address	Recorder User ID	Recorder Username	Recorder First Name	Recorder Last Name	Extension	Recorder Group	Retention	Retention Duration	Retention Period	Number of Calls Recorded	First Call	Last Call	Last Call Retention
eztron	Alma	Catron	NTR2	NTR2Node	PC-VRT-20918.CSFRD.2	10.37.244.23	E61	eztron	Alma	Catron	0000	Agents	User	3 days	3 days	1888	1/4/2016 5:19:19 PM	1/4/2016 5:24:56 PM	Default	
almos	Acelle	Kamos	NTR2	NTR2Node	PC-VRT-20918.CSFRD.2	10.37.244.23	E69	almos	Acelle	Kamos	0009	Agents	User	3 days	3 days	1886	1/4/2016 5:19:19 PM	1/4/2016 5:24:56 PM	Default	
amozaren	Anissa	Mozaren	NTR2	NTR2Node	PC-VRT-20918.CSFRD.2	10.37.244.23	E12	amozaren	Anissa	Mozaren	0009	Agents	User	3 days	3 days	2209	1/4/2016 5:19:19 PM	1/4/2016 5:24:56 PM	Default	
apolly	Aquitha	Polly	NTR2	NTR2Node	PC-VRT-20918.CSFRD.2	10.37.244.23	E30	apolly	Aquitha	Polly	0100	Agents	User	3 days	3 days	2189	1/4/2016 5:19:19 PM	1/4/2016 5:24:56 PM	Default	
brase	Brain	Brase	NTR2	NTR2Node	PC-VRT-20918.CSFRD.2	10.37.244.23	E09	brase	Brain	Brase	0101	Agents	User	3 days	3 days	2209	1/4/2016 5:19:19 PM	1/4/2016 5:24:56 PM	Default	
boate	Bethann	Cole	NTR2	NTR2Node	PC-VRT-20918.CSFRD.2	10.37.244.23	E68	boate	Bethann	Cole	0102	Agents	User	3 days	3 days	2205	1/4/2016 5:19:19 PM	1/4/2016 5:24:56 PM	Default	
biords	Berry	Lorcs	NTR2	NTR2Node	PC-VRT-20918.CSFRD.2	10.37.244.23	E37	biords	Berry	Lorcs	0103	Agents	User	3 days	3 days	2188	1/4/2016 5:19:19 PM	1/4/2016 5:24:56 PM	Default	
boivens	Bertram	Ovends	NTR2	NTR2Node	PC-VRT-20918.CSFRD.2	10.37.244.23	E76	boivens	Bertram	Ovends	0104	Agents	User	3 days	3 days	2217	1/4/2016 5:19:19 PM	1/4/2016 5:24:56 PM	Default	
qpenao	Curts	Genao	NTR2	NTR2Node	PC-VRT-20918.CSFRD.2	10.37.244.23	E21	qpenao	Curts	Genao	0105	Agents	User	3 days	3 days	2181	1/4/2016 5:19:19 PM	1/4/2016 5:24:56 PM	Default	
chardee	Chet	Hardee	NTR2	NTR2Node	PC-VRT-20918.CSFRD.2	10.37.244.23	E10	chardee	Chet	Hardee	0106	Agents	Group	10 days	10 days	2169	1/4/2016 5:19:19 PM	1/4/2016 5:24:56 PM	Default	
chanill	Corene	Harwill	NTR2	NTR2Node	PC-VRT-20918.CSFRD.2	10.37.244.23	E91	chanill	Corene	Harwill	0107	Agents	Group	10 days	10 days	2190	1/4/2016 5:19:19 PM	1/4/2016 5:24:56 PM	Default	
qobat	Onvy	Jobat	NTR2	NTR2Node	PC-VRT-20918.CSFRD.2	10.37.244.23	E62	qobat	Onvy	Jobat	0108	Agents	Group	10 days	10 days	2162	1/4/2016 5:19:19 PM	1/4/2016 5:24:56 PM	Default	
colter	Ora	Ober	NTR2	NTR2Node	PC-VRT-20918.CSFRD.2	10.37.244.23	E13	colter	Ora	Ober	0010	Agents	Group	10 days	10 days	1817	1/4/2016 5:19:19 PM	1/4/2016 5:24:56 PM	Default	

Make sure systems are running

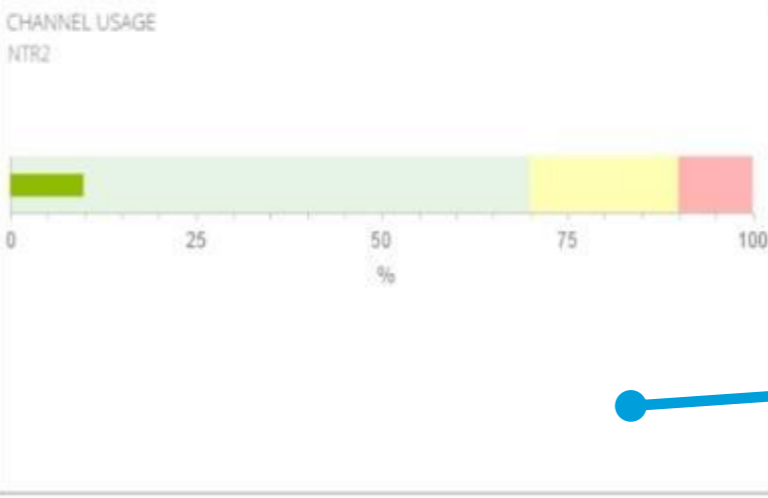
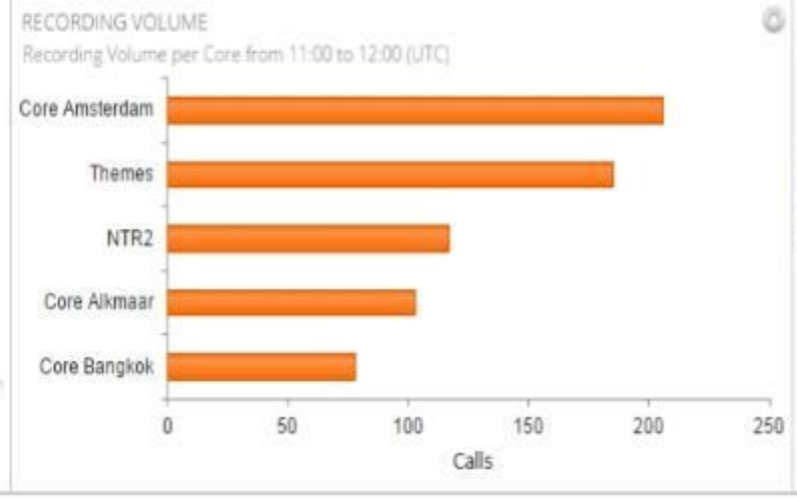
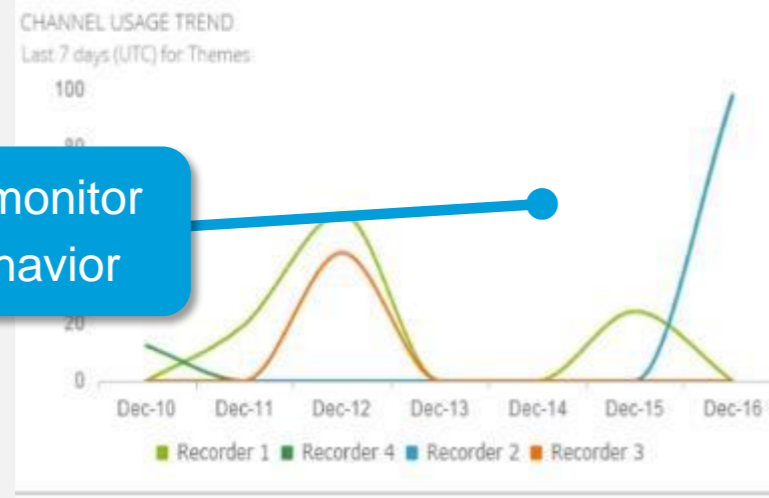
Monitor real-time system actions and events



Configure what you want to see on the dashboard



Track trend to monitor unexpected behavior



Track exceptions and anomalies

Transaction Reconstruction

Secure export with offline application access

Create Scenarios with full event reconstruction and timeline review

Machine driven correlation to instantly find related conversation across 100% of data within the system

Fully automated audit detail documented and saved with each scenario created

The screenshot displays the 'Scenario Overview' page for 'Review case 32453' on Wed 6/29/2016 12:57:06 PM. The interface includes a search bar with 'Scott Hill legal', a list of related scenarios on the left, and a detailed view of the selected scenario on the right. The detailed view shows scenario information such as 'Requested By: Business/Internal (BP)', 'Reference ID: 32453', and 'Parties: Scott Hill and 5 more'. It also features a timeline of events, a comments section, and a 'Linked Scenarios' section. A 'Scenarios' sidebar on the right provides a search function and a list of various scenarios like 'Cross Market Manipulation', 'Insider Dealing', and 'Critical'.

MAR – Summary

- Be able to identify intent related to an event and actions behind the event which requires surveillance that highlights possible fraudulent behavior
- To identify an entity how may facilitate the dissemination of false or misleading information
- Be able to monitor trading based on Material Non-Public Information (MNPI)
- Best executions investigations needed to compare the instruction to the activities of the trades with actual events.
- Reliance on random sampling or investigation of unusual activity is not satisfactory



MAR – The Relevant Articles/Sections

Suspicious Transaction & Order Reporting

- STORs
- Extends the obligation to report suspicious transactions to include suspicious orders

Inside Information & Insider Dealing

- Extended scope under MAR including information relating to spot commodity contracts and cancelling or amending an order.
- Insider Information definition expanded:
- information that would be likely to have a significant effect on the price of a financial instrument, OR
- information that a reasonable investor would be likely to use as a basis for their investment decisions;

Market Manipulation

- The market manipulation offence has been extended to include attempted manipulation and behavior in relation to benchmarks
- Emphasis on capturing attempted manipulation

Investment Recommendations

- MAR strengthens the regime that requires persons producing investment recommendations to ensure that information is objectively presented and to disclose potential conflicts.

MAR – What does it mean?

Trading on Material Non-Public Information(MNPI)

- The need to ensure that employees are not violating rules, they will need to capture their communications first. A gap will arise as to who will need to be recorded, privacy issues within certain EU countries

Fraudulent Trading Practices and Intent

- The need to look for intent and any other possible fraudulent behavior, any failure to reproduce requested data will result in a massive fine, and repercussions

Order Instructions

- When orders are received, instructions usually always come along with them, these are usually via a communication channel. Product compliance and control room will be interested in viewing these communications when they look at the entire life cycle of a trade, i.e. initial order, any modifications, updates and even cancellations

Benchmark Submitters

- Firms are going to have to monitor everything a transmitter says and does, establishing patterns and normal activity. Level 2 Compliance and Product Compliance are going to need a way to monitor and track this

Trading on Material Non-Public Information(MNPI)

Search voice communications to find conversations by discussion topics

Dynamic searching with filters and using Communication Analytics to target specific information

Find relevant information across all of communication types

Search results displayed in seconds giving you instant ability to review information

Integrated, auditable escalation process on any results to share information

The screenshot displays a search interface with the following components:

- Header:** "Explore" and "Search - Default Search" with a "By Relevancy" sort option.
- Search Bar:** Contains the query "market research".
- Filters (Left Panel):**
 - Clear selections:** A button to reset filters.
 - Date:** Includes "Date preset" (set to "Between") and "From" (dropdown menu with options: Last Hour, Last X Hours, Last Day, Last Week, Last 4 Weeks, Between).
 - Source Index:** A dropdown menu.
 - Trader:** A list of names with counts: Jeff Dasovich (33), Andrew Lewis (29), Sara Shackleton (28), Sally Beck (22), Drew Fossum (21), Richard Shapiro (13), Scott Hill (11), Mary Hain (8), Monika Causholli (8), Elizabeth Patterson (7).
 - Type:** A dropdown menu.
 - From:** A dropdown menu.
 - To:** A dropdown menu.
 - Ingestion Date:** A dropdown menu.
 - Keyphrases:** A dropdown menu.
 - Behaviours:** A dropdown menu.
 - Risk Level:** A dropdown menu.
 - Labels:** A dropdown menu.
 - Asset Class:** A dropdown menu.
 - Companies Discussed:** A dropdown menu.
- Search Results (Main Panel):** A list of communication items, including:
 - Brennan Lorna to Hyatt Kevin (Email (PST), Wed 6/6/2001 at 8:20 PM)
 - Meridien Research mailing@meridien-research.com@ENRON to Neal Scott (Email (PST), Thu 1/17/2002 at 9:39 PM)
 - Jane Stevens (Research) to Jay Gould (Market Maker) (Voice (Folder), Wed 9/12/2012 at 12:30 PM)
 - Jane Stevens (Research) to Jay Gould (Market Maker) (Voice (Folder), Thu 9/13/2012 at 2:17 PM)
 - Cannon to EB27C (Marketing Research Meeting) (Email (PST), Mon 4/9/2001 at 11:39 PM)
 - pppcmail to pppcmail@pppc.org (Email (PST), Wed 11/7/2001 at 6:25 PM)
 - pppcmail to pppcmail@pppc.org (Email (PST), Sat 11/3/2001 at 12:02 AM)
 - owner-alumnijobs@anderson.ucla.edu to Anderson Alumni Jobs List (Email (PST), Thu 10/4/2001 at 5:19 PM)
 - Shirley Crenshaw to clifford jackson (Email (PST), Wed 4/4/2001 at 8:30 PM)
 - SH-UBSW-European-Economic-Research@ubsw.com to harora@ect.enron.com (Email (PST), Wed 11/21/2001 at 4:50 PM)
 - Davidson to DL-Portland World Trade Center (Email (PST), Tue 8/7/2001 at 6:21 AM)
 - pppcmail to pppcmail@pppc.org (Email (PST), Wed 11/21/2001 at 6:23 PM)
 - pppcmail to pppcmail@pppc.org (Email (PST))
- Footer:** "Loaded 50 of 901 interactions." and "Time Zone: UTC NICE".

Fraudulent Trading Practices and Intent

Review

Clear selections

Date

Date preset: Between

From: [] To: []

Interaction Source

Interaction Type

From

To

Direction

Keyphrases

Trading Terms

Language

People

- Sarah.palmer@enron.com <sarah.palmer@enron.com> Enron Mentions -- 01/18/02 Assignee: Myself Risk Score: 2400
- Sarah.palmer@enron.com <sarah.palmer@enron.com> Enron Mentions (Part I) -- 01/16/02 Potential Risk Level: [] Risk Score: 1900
- Sarah.palmer@enron.com <sarah.palmer@enron.com> Enron Mentions -- 02/01/02 Potential Risk Level: [] Risk Score: 1800
- Sarah.palmer@enron.com <sarah.palmer@enron.com> Enron Mentions (Part II) -- 01/13/02 Assignee: Myself Risk Score: 1750
- Karen.denne@enron.com <karen.denne@enron.com> Enron Mentions - magazine articles Dec. Assignee: Myself Risk Score: 1650
- Sarah.palmer@enron.com <sarah.palmer@enron.com> Enron Mentions (major papers only) -- 02/04/2002 Assignee: Myself Risk Score: 1650
- Sarah.palmer@enron.com <sarah.palmer@enron.com> Enron Mentions -- 02/06/02 -- Afternoon Edition Potential Risk Level: [] Risk Score: 1650

Dynamic queue selection and assignment based on any data or context to prioritize review of issues

Prioritized Issues based on scoring to ensure review of most critical items

Uses the Observe classification and Random Sampling selection policies to review behaviors and comply with regulatory rules for surveillance

Queue

dorianvaughn to 317210076 Duration: 5 minutes by Assignee: Myself Risk Score: 380

Default Subject

Assignee: Myself

Risk Overview

- Risk Secrecy Score Risk Score: 200 (threshold: 99)
- Risk Collusion2 Score Risk Score: 180 (threshold: 50)
- GeneralAvoidance
- ObfuscateSurveillance
- Total Risk Score Risk Score: 380 (threshold: 149)

Remarks

You added a remark just now

Conversation suggests that participants do not want to draw attention to themselves with the execution of the deal. Escalate to Business Controls for further review.

Node Type: Primary
Cluster Type: 2N
Behaviours: GeneralAvoidance, ObfuscateSurveillance, Avoid Attention
Total Risk Score: 380
Risk Level: Critical Risk
All Parties: 10076, 317210076
Answering Party: 317210076
Deciding Rule Name: Default Recording Rule
Hardware ID: 10076MySim0
Risk Secrecy Rules: Avoid Attention
Risk Secrecy Score: 200

12/6/2016 11:13:38 PM

bc careful

11:13:38 PM

Time Zone: Europe/Amsterdam NICE

Integrated escalation process on any review item to route issues to the appropriate individuals automatically

Automatic rule highlighting taking the reviewer directly to issue within the conversation to make review process more efficient

MiFID II – Summary

- Expanded Scope of Voice Recording - Exemptions of taping of Article 3 firms, exempt firms before have not been removed. Essentially these are Financial Advisors, energy market and oil market activity and corporate finance boutiques. All of these type of firms will need recording
- Increased Length of Retention - Under current requirements, firms that fall under previous recording rules must now expand the length of retention from 6 months to 5 years, possibly 7 years
- All communications must be monitored and surveilled for market abuse - MNPI, this is outline in greater depth in the MAR



EU Directive: Applicable to all Member States. Sets certain aims, requirements and concrete results that must be achieved. Sets a process for it to be implemented. National authorities must create or adapt legislation to meet these aims by the date specified

EU Regulation: Immediately applicable and enforceable by law in all Member states. As good practice, Member states issue national legislation that defines competent national authorities, inspections and sanctions on the subject matter

MiFID II – The Relevant Articles/Sections

Article 16(7)

- Firms must ensure all recording of telephone conversations, email and instant message communication must be recorded when related to transactions concluded by the firm. Any client instruction, transmission (further conversations) orders or execution are all stated within the rule.
- It is also clearly stated that conversations that relate to the above but don't concluded in actual business most also be included
- This area clearly adds mobile phones to the voice capture devices

Article 16(7)

- Firms must take all reasonable steps to record all relevant conversation. It is clearly outlined that all email and voice calls sent or received from a firm provided device must be captured.
- An investment firm shall notify new and existing clients that telephone communications or conversations between the investment firm and its clients that result or may result in transactions will be recorded
- These notification can only be once but they must occur before the provision of investment services

Recital 57

- For all recordings firms must provide evidence they can detect behavior that may have relevance in terms of market abuse.
- This evidence must be readily available to regulatory investigation if requested

Additional points

- In a number a paragraphs in Article 16(7) it states that internal calls should be considered as a possible need to record
- ESMA advice states Investment firms shall ensure that the management body has effective oversight and control over the policies and procedures relating to the firm's recording of telephone conversations and electronic communications.

MiFID II – What does it mean?

Capture all relevant communications

- In the expansion over the original MiFID advice firms must now look closer at who and what they record. MiFID II has outlined the need to capture any client instruction and then all relevant conversations about executions and orders. This is focusing on the end to end evidence of an interaction and not just the trade itself

Firm provided devices

- The focus is to generalize the devices that are classed as recorded. The main reason for this focus is that original MiFID directive was prescriptive around the certain device that could be recorded. It also stated Mobile phones were covered. Now all devices must be covered or recorded

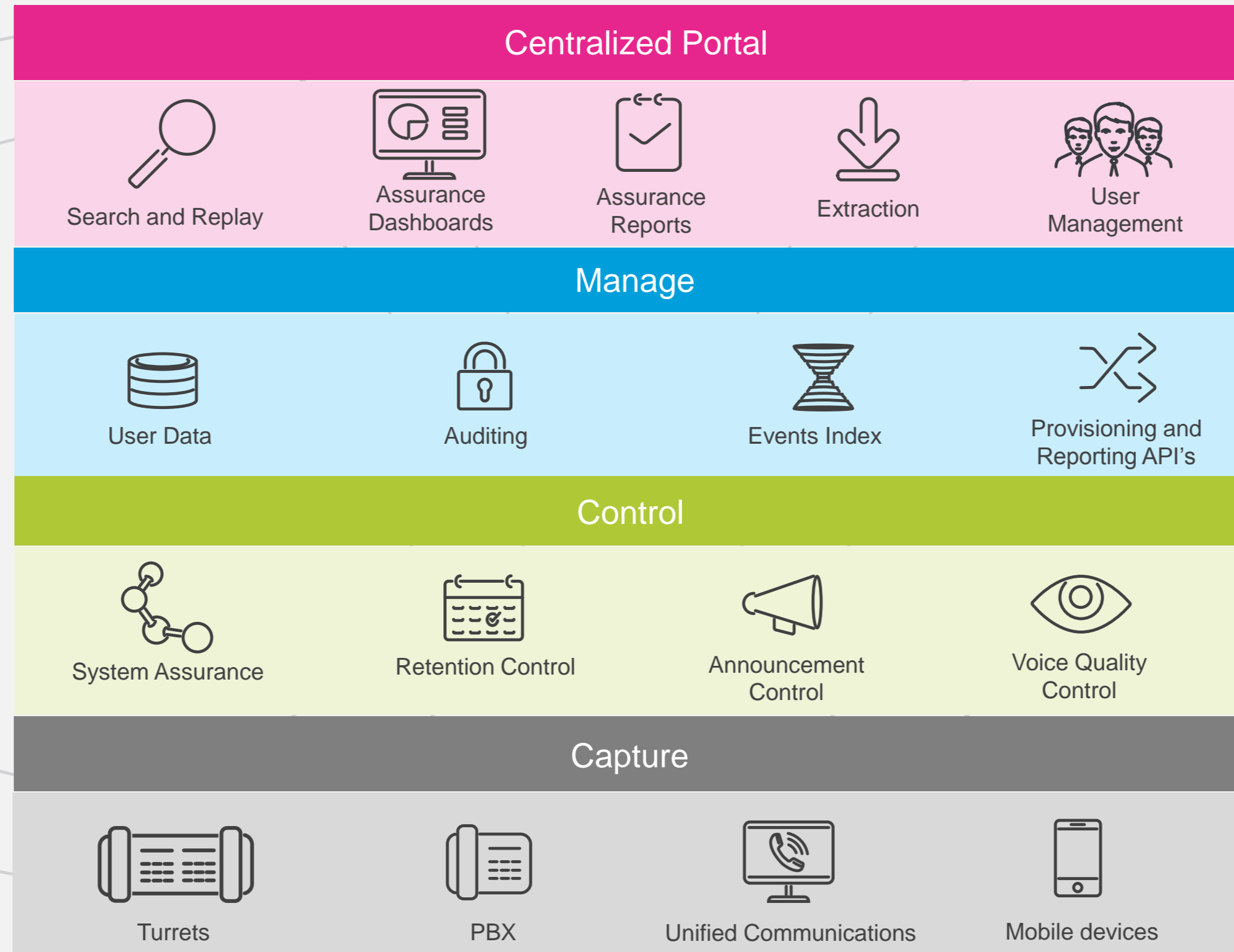
Investment advice

- If the firm is conducting investment advice that may result with transaction occurring within the same firm then all conversation related to the advice must be recorded

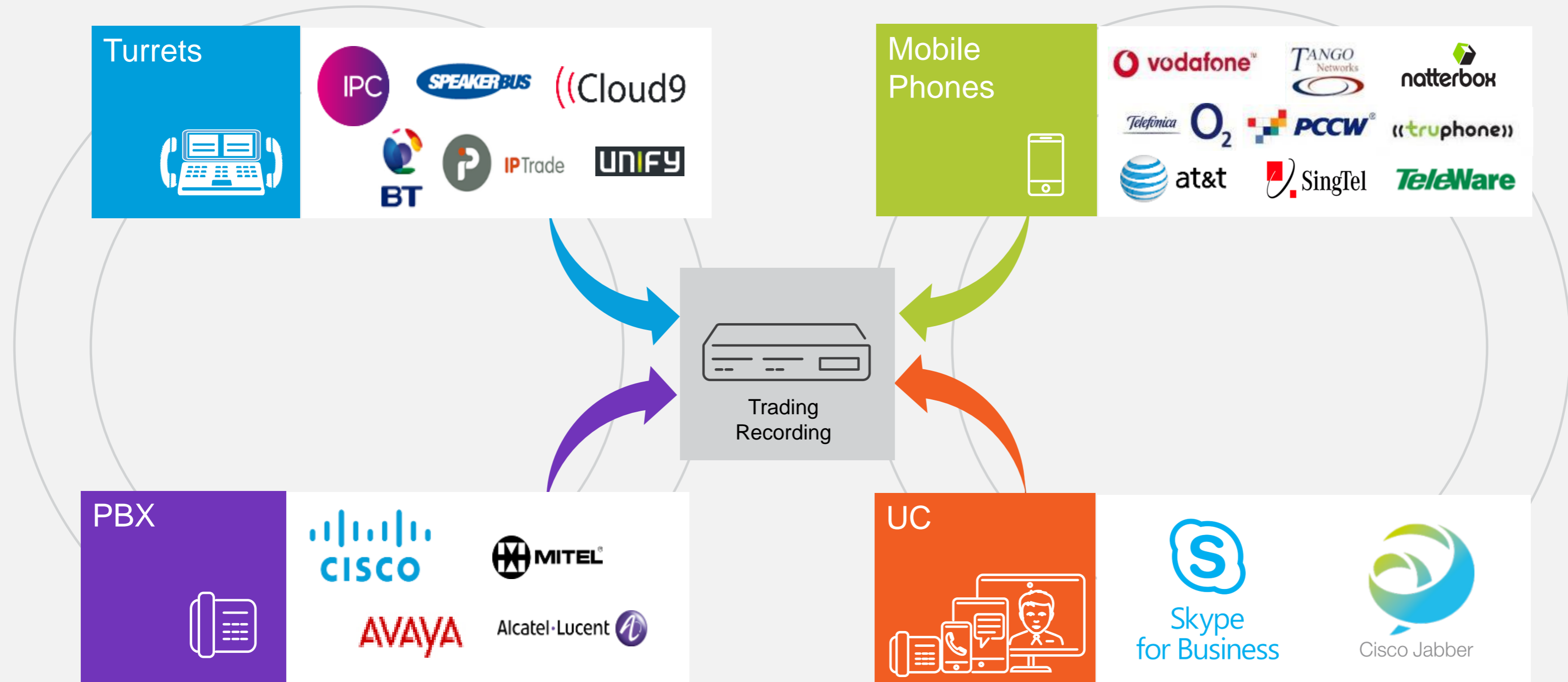
Monitor Market abuse

- Firm must provide evidence they can detect behavior around market abuse, this evidence must be readily available if requested. MiFID II references MAR as its defining logic

Capture all relevant communications...



...including from firm provided devices



Code of Conduct – Summary

A set of global principles of good practice in the foreign exchange market (Global Code) to provide a common set of guidelines to promote the integrity and effective functioning of the wholesale foreign exchange market (FX Market)



Code of Conduct – The Relevant Articles

Information Sharing

- Firms should ensure employees are only communicating information that is accurate and truthful via communication channels such as voice, email, IM and chat.

Compromising Inside Information

- Firms should make sure employees are not passing information that has not been made public.

Complete and Accurate Data

- Firms should make sure they are collecting all channels, voice, IM, e-mail and chat to prevent any potential gaps in monitoring. Must also have sand box testing of models

Measure and Monitor

- Firms should monitor and review communications to ensure their traders are promoting a fair and orderly market.

Code of Conduct – What does it mean?

Information Sharing

- Market Participants should communicate in a manner that is clear, accurate, professional, and not misleading

Compromising Confidential Information

- Market Participants are expected to be clear and accurate in their communications and to protect Confidential Information to promote effective communication that supports a robust, fair, open, liquid and appropriately transparent FX Market

Complete and Accurate Data

- This is fundamental to support effective surveillance. Automated algorithms should be documented and are subject to design and effectiveness reviews. Each communication alert should be dispositioned to the extent that it can be independently reviewed and audited

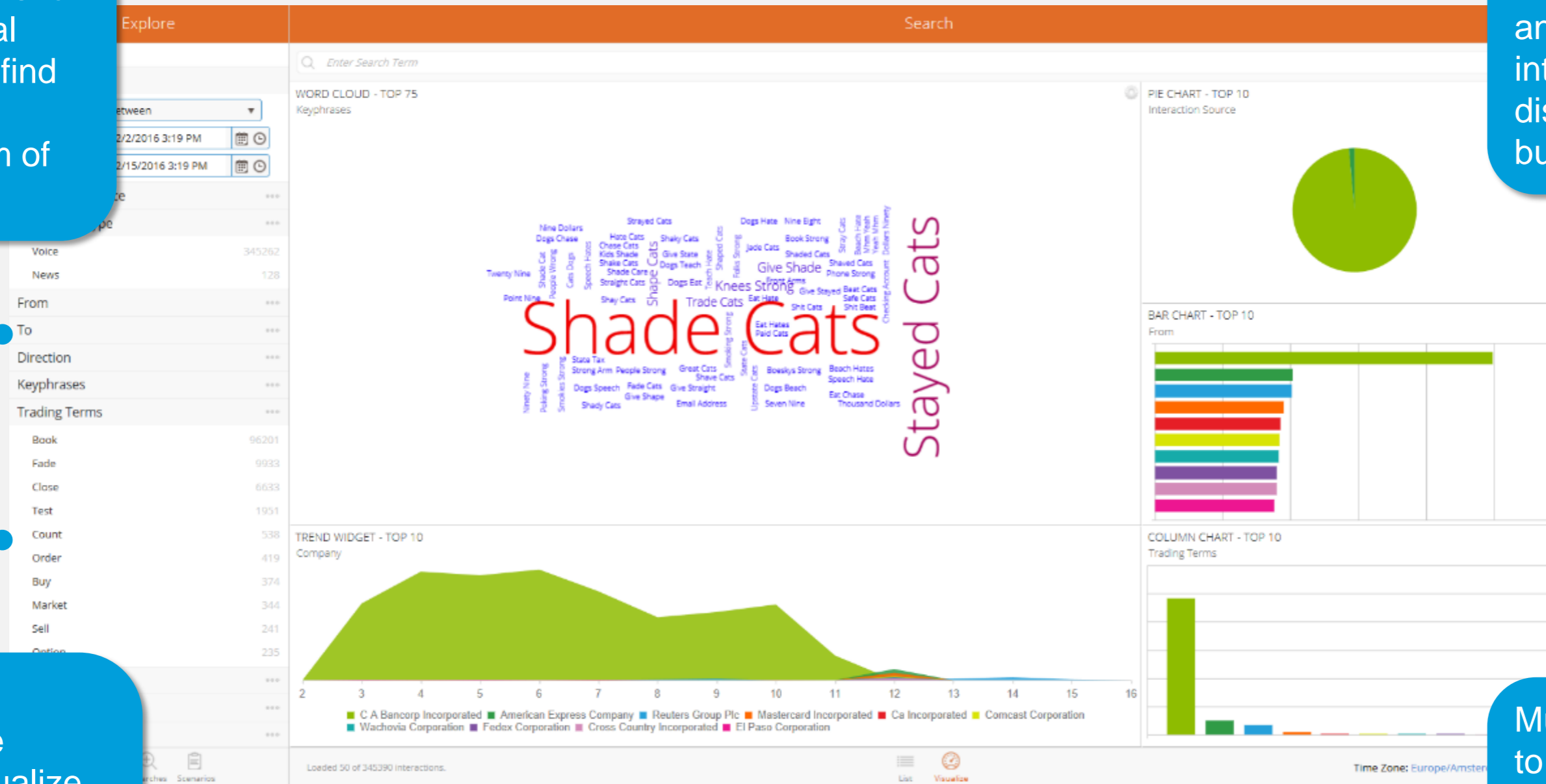
Measure and Monitor

- Market Participants are expected to promote and maintain a robust control and compliance environment to effectively identify, measure, monitor, manage, and report on the risks associated with their engagement in the FX Market

Measure and Monitor all communications

Enables Analysts and Investigators to identify potential anomalies and find related issues across any form of communication

Dynamically updates with filter selections and queries entered into the search to display related business activity



Ad-hoc Customizable Charts to Visualize search results in unique ways to identify and act on emerging trends faster

Multiple Chart Types to select from: Pie, Line, Bar Charts and Word Clouds for viewing data in multiple viewpoints

Complete and Accurate Data – Holistic Surveillance

The screenshot displays the 'Review List' section of the NICE Actimize Enterprise Risk Case Manager (ERCM) interface. The interface includes a navigation menu on the left with options like 'Dashboard', 'Workbench', 'Research', 'Policy Manager', and 'Settings'. A search bar is located at the top right. The main content area shows a list of review items with columns for status, title, and interaction count. The items listed are:

Status	Review Item	Interaction Count
In Review	Manager Review Fri March 10 at 9:09 PM	3
In Review	Daily Compliance Queue Fri March 10 at 9:09 PM	120,543
Not Reviewed	Low Priority Fri March 10 at 9:09 PM	3,125
In Review	HR – Prohibited Coms Fri March 10 at 9:09 PM	150
In Review	Voice Review Fri March 10 at 9:09 PM	4,250

Filters on the left include 'Status' (Review Completed: 25, Not Reviewed: 6, In Review: 3, Closed – No Action Required: 2, Escalated to BCO: 2, Escalated to Compliance: 1), 'Period' (Date preset: Between), and 'Reviewer'. The bottom of the interface shows navigation icons for Explore, Searches, Reviews, Scenarios, and Dashboard, along with the time zone 'Europe/Berlin (local)' and the NICE logo.

One workflow for a Holistic Compliance process

Review all alerts from Trade Surveillance & Communication Surveillance

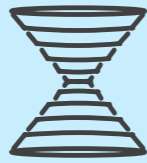
NICE Actimize Enterprise Risk Case Manager (ERCM)

Prevent Fraudulent Practices

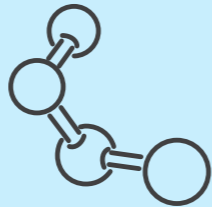
COMMUNICATION SURVEILLANCE & INTELLIGENCE



ANALYZE & IDENTIFY RISK



Search Indexing



Trade Reconstruction



Risk Scoring



Machine Learning



Voice



Email



IM / Chat



Video



Screen



Files

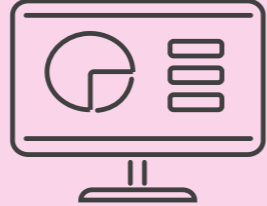
COMPLIANCE ASSURANCE



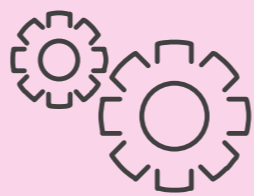
CENTRALIZED SYSTEM ASSURANCE



Search & Replay



Dashboards & Reports



Automation



Recording Checks



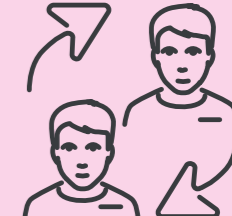
System Health



Bulk Download



Legal Holds

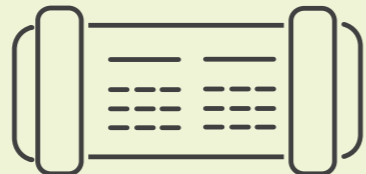


Centralized Admin

COMPLIANCE RECORDING



CAPTURE & AGGREGATE (NTR / NRX)



Turrets



PBX



Unified Communications



Mobile Devices

Thank You

www.HolisticSurveillance.com

NICE[®]