



Trade Surveillance SIG
TSS 15: Barriers to integrated surveillance
 1 Churchill Place, Canary Wharf, London E14 5LN
 5 November 2019, 16:00-17:30

In attendance/ dial in*:

Chris Collins	Altergaia	Jason Merritt*	NICE
Victoria Paris*	Aviva Investors	Stephen Bird	NICE
Ben Jeche*	BAML	Nicole Kim*	NICE
Jeremy Rawlins*	Barclays	Adam McLaughlin	NICE
Samuel Safo-Kantanka	Barclays	Myles Baxter*	pTools
Luma Zitani	Barclays	Michele Torti	Relativity Trace
Derek Fiore	BlackRock	Vangelis Tsianaxis*	Santander
Maryline Chedal-Anglay *	BNP	Neal Weston*	Scotiabank
Anna Morrison*	Credit Suisse	Haley Mitchell*	Scotiabank
Randi Schochet*	Digital Reasoning	Vanessa Gardiner*	Scotiabank
Paul Taylor	Digital Reasoning	Kevin Byrne*	SEI
David Cowland	Fidelity	Ian Woodward	Soc Gen
Chris Beevor*	GAM	Helen McCarthy	State Street
Joshua Jervis	Janus Henderson	Sylvia Vogan*	TD Securities
Gianpaolo Santamaria	Jefferies	Jason Le*	TD Securities
PJ Di Giammarino	JWG	James Hatchard	TD Securities
Corrina Stokes	JWG	Marta Piosik	UBS
Mary Grace Parker	JWG	Kathleen Thake	Wells Fargo
Yasmine Li	Macquarie		

The meeting was held under the Chatham House Rule

Meeting materials

TSS members can access to the 30-page PowerPoint presentation in the members' area.

Meeting objectives

The group discussed the key operating model gaps highlighted by the FCA's [TR19/4](#) and recent marketplace developments. JWG presented October 2019 surveillance capability survey results and the group focused on how to overcome barriers to more mature surveillance models. The next agenda was agreed to focus in more detail on data ethics issues in voice and eComms surveillance.

Key points of discussion

- ▶ [TR19/4](#). The group discussed the key operating model gaps from FCA TR19/4. Participants felt that in general, surveillance maturity reflects the relative importance of the controls. It was noted that wholesale brokers will have much bigger problems with more holistic models as they do not generally have a customer-centric view. No other major regulatory driver for change to wholesale banks was noted other than the focus this year from the UK's FCA and there was an absence of fines in this space across the globe



- ▶ JWG Surveillance Capability model research findings. An overview of the 34 responses from financial institutions in 12 jurisdictions was presented and the key findings were discussed, and the following points were noted. JWG promised to circulate the report to the group when it is ready
- ▶ Priorities. Attendees reported that findings are generally consistent with their understanding of the current state of the market and firms' goals
- ▶ Efficiency. The group agreed with the conclusion that efficiency will always be the biggest driver for surveillance priorities. The group noted that the integrated model can be perceived as being more efficient and thus fewer are willing to take the leap into a holistic model. This could explain why 90% of 'integrated' firms will stay put in the next 18 months
- ▶ Regulatory drivers. The group welcomed the survey result which highlighted that AML and Trading obligations are the biggest regulatory drivers today. Culture, conduct and accountability are emerging drivers but not top of mind as yet
- ▶ Alpha. While 'seeking alpha' was not a priority driver, some noted that it is far easier to justify spend on technologies used for surveillance if they can be market or customer facing (i.e., enabling new products or services)
- ▶ Costs. When discussing the capabilities of integrated firms, many were not surprised that firms' targets are low given the cost of new technology and the complexity of the current infrastructures
- ▶ Customer centricity. A view was expressed that a customer-centric view to surveillance is very important as it helps contextualize business activity and the motives behind them. The tendency today is for firms to view the activity, not the actual customer. Behavioural analytics was brought up as a possible enabler of a more holistic view
- ▶ Vendors. It was noted that the engagement model with vendors is changing as a one stop vendor solution is no longer fit for purpose. Firms are starting to figure out how to work with multiple vendors and at the same time, more progressive vendors are looking to do more within their licenses which are usually narrowed to specific use cases
- ▶ Management disconnects. Many reported that despite high levels of interest from senior management, real deployment of AI in its most advanced form is limited. Most are focusing on Machine Learning within data lakes
- ▶ eComms and Voice. The group supported the conclusion that voice and eComms surveillance should be supported by common platforms. Getting the best technology providers which understand the complexity of market surveillance is a top priority especially given the difficulty in interpreting 'trader speak' in multiple languages. The firm needs to play a critical role in integrating the technologies and removing barriers.



- ▶ Barriers. JWG presented the barriers which have emerged from the survey and 1:1 interviews in advance of the meeting. The key barriers noted were:
 - *Mindset*. The group felt the driving question should be: “What problem are you trying to solve” not “what solution are you trying to get?” The mindset also needs to shift from viewing compliance as something you don't need until it is too late to an enabler which will 'keep you out of jail'
 - *Data ethics/ privacy*. There are many questions surrounding the ethical use of employee and customer data. The group noted that there are a number of new papers including one from the [BoE/FCA](#) on machine learning in UK FS.
 - *Technology appetite*. The question of why 43% are not monitoring voice was asked and the group felt that despite there being a real need in this area it was primarily due to management short sightedness. Many firms are waiting to have proof of concept on voice analytics, as many have experience with it being very unreliable in the past.

- ▶ JWG conference. JWG let the group know that it has formalised plans for its annual RegTech conference on 7 February 2020. More information can be found [here](#).

Next agenda

The group agreed the next agenda would focus on data ethics issues in voice and eComms surveillance

TSS 16: Data ethics, voice & eComms surveillance

Date: 10 December 16:00-17:30

Host: Canary Wharf, London (to be confirmed end November)

Virtual Protocol: dial in for out of towners only

Agenda:

16:00 Introductions

16:10 Recap of key surveillance survey results for voice and eComms

16:30 Analysis of key policy papers including: BoE/FCA on machine learning in UK FS
[BoE/FCA](#)

16:45 Discussion of data ethics use cases

17:05 Current policy boundaries and constraints

17:20 Agenda 2020 and next steps

17:30 End