NICE·ACTIMIZE

Markets Surveillance

Client Profile

Type: Large Regional Bank

Geography: Europe

Assets: $300B

Employees: 30,000

Business Impact of NICE Actimize Markets Surveillance

The Bank dramatically decreased theirfalse positives by tailoring alert thresholds to their trading activity and leveraging Trade Profiling data. In fact, they reported a 68% decrease in false positives for the very first alert implemented using MSC's Configurable Rules Engine and Trade Profiling.

On The NICE Actimize Solution

The Bank chose Actimize's Markets Surveillance Cloud (MSC), a turnkey solution that effectively detects market manipulation and reduces false positives by enabling firms to create rules and tailor alert thresholds based on their trading activity. Most surveillance products, on the other hand, use the same alert thresholds regardless of trading activity – a big obstacle to reducing false positives and compliance costs.

How a European Bank Reduced False Positives and the Cost of Compliance While Protecting it From Market Manipulation

Challenge

False positives are expensive. They require more analysts and increase the chance of overlooking real violations. False negatives – not generating an alert when a legitimate violation occurs – are also expensive; a Tier I bank found this out when they were fined $800K for setting alert thresholds deemed unlikely to detect non-compliant behavior. In this case, exceeding a security's Average Daily Trading Volume (ADV) by a predefined percentage triggered an alert. However, the Tier I bank set the same percentage for all securities regardless of their ADV.

Our client was committed to reducing the cost of compliance and protecting the firm from market manipulation. Their challenge was to find the best way to reduce false positives and negatives while ensuring legitimate threats would still be caught.

Solution

MSC's Customizable Rules Engine enabled the Bank to set thresholds for alerts including large order entry, ramping, spiking and front running. Together with the Actimize Technical Account Management team they identified the alerts generating the most false positives by instrument, exchange and client. The following rules were put in place:

| Order Focused	Exchange focused	Client Focused
Large Order Entry alert threshold was set based on an instrument's ADV rather than using the same ADV figure for small	Specialized thresholds were set for each sector or segment trading on a specific exchange	Rules were configured for an individual client making markets in a number of stocks on a specific exchange

The configuration process is so easy that the Bank now configures rules on its own. The Bank only needed support from Actimize to configure the initial set of rules.

Additionally, MSC's Trade Profiling helps the Bank better assess alerts by generating a profile of a client or account based on their trading history. This data provides their analysts greater insight into alerts they are investigating. They also reference the profiles when configuring rules and alert thresholds.

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Weekly False Positives:
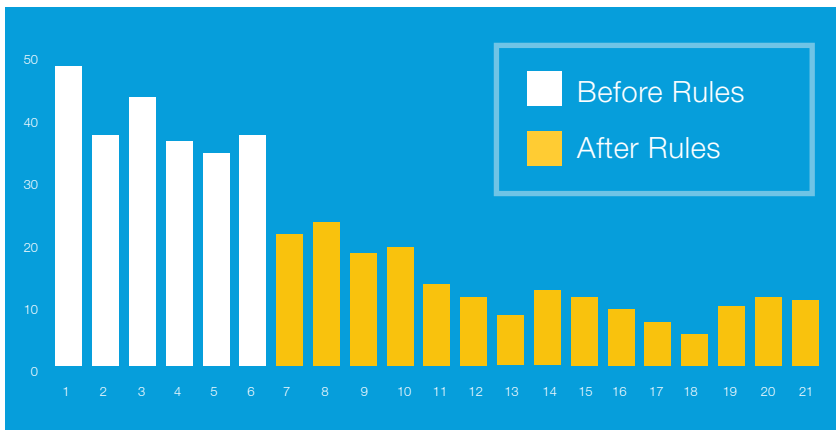
By continuing to work with Actimize, the bank has further reduced false positives by creating new rules for reviewing:

- Groups of alerts that are closed without escalation

- Alerts the Trade Profiling data indicate are not suspicious

This reduction in false positives saved analysts time – cutting the Bank's cost of compliance – while enabling analysts to focus their investigative skills on genuine threats to the organization.

Actimize Markets Surveillance Cloud (MSC) enables firms to effectively comply with regulations, protect their reputation and reduce the cost of compliance. Its extensive library of out-of-the box analytics for exchange and OTC traded instruments provides a level of protection "tick in the box" products can't match. MSC is a turnkey solution that can be deployed in weeks and includes market data at no additional charge plus our award winning case manager.

Configurable Rules Engine

Reduce false positives by configuring rules and alert thresholds based on your trading activity. Rules can be applied to order, execution, market data and client specific variables.

Trade Profiling

Assess alerts more accurately by comparing a client or account's trading history to their current activity. Profiles of a client or account are generated based on up to 12 months of trading history.

MAR Coverage

MSC provides comprehensive coverage of MAR Annex II typologies including analytics to detect manipulation across products, venues and markets.

Low Total Cost of Ownership

MSC includes market data at no additional cost, and Actimize takes full responsibility for integrating all trade data – eliminating costly internal IT projects.