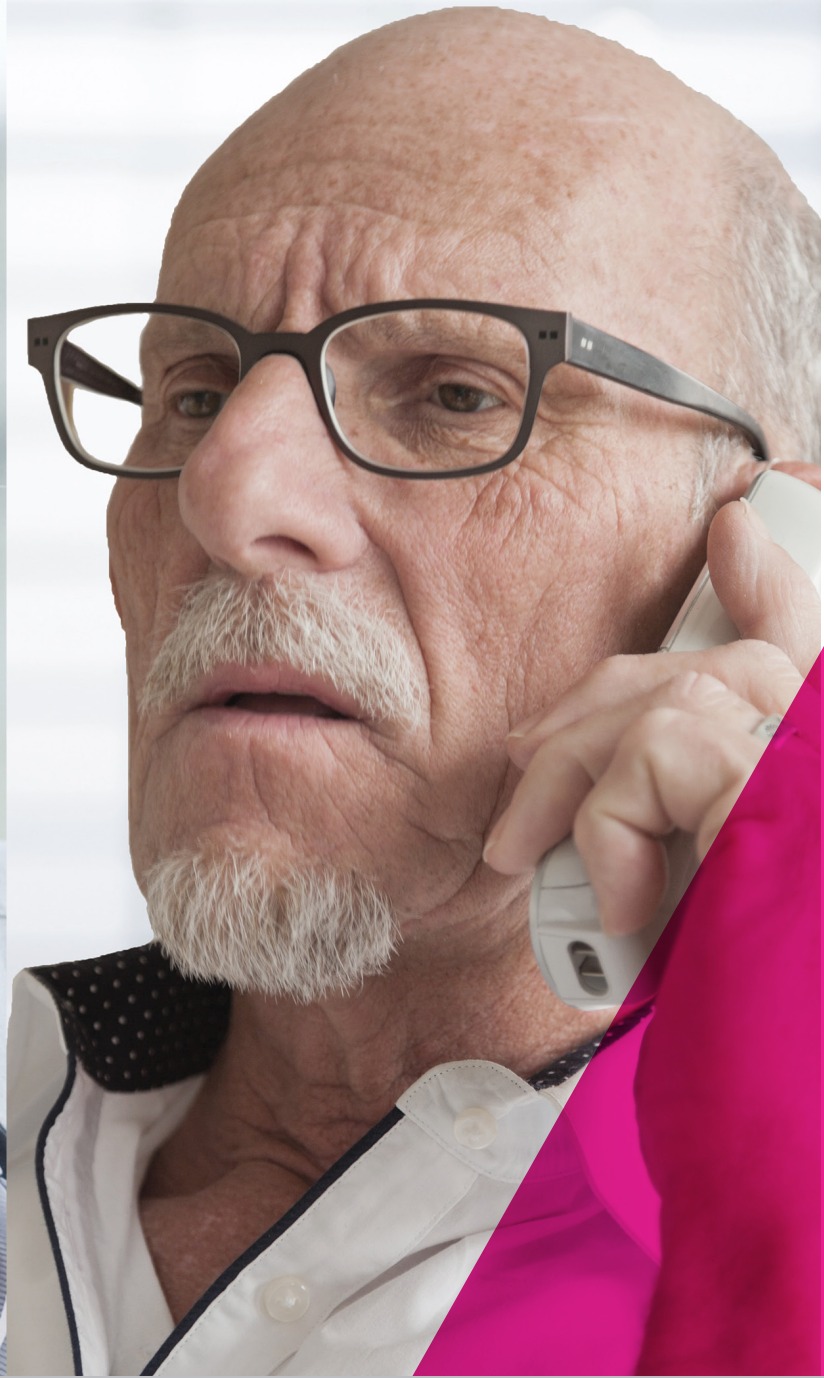


**NICE** · ACTIMIZE



**SURVEIL-X**<sup>TM</sup>

Suitability for Wealth and Insurance

# Can You Ensure Compliance With All Regulations?

Companies in the business of selling life insurance policies and annuities are increasingly finding themselves in the spotlight for questionable surveillance and suitability practices as regulators step up enforcement actions for improper sales behavior. With reputations and multimillion-dollar fines on the line, firms are realizing that vigilant supervision is essential.

A growing body of regulations – ranging from FINRA Rules 2111 and 3110 and IROC 1300 to the SEC's Regulation Best Interest (Reg BI) and OSC's Client Focused Reforms (in Canada) – have raised the bar on investor protection. These regulations are exerting more pressure than ever on firms to: monitor regulated employees; review investment recommendations, transactions and accounts for suitability and undue risks; and ensure that mandated disclosures are properly communicated.

Momentum is also building on the state level as more localities create their own regulatory frameworks around suitability and best interest. One example is New York Regulation 187 which requires firms selling life insurance policies to act in their clients' best interest. Additionally, many states have adopted NAIC's Suitability in Annuity Transactions Model Regulation 275 which requires them to act in the best interest of customers when recommending annuities, and establish reasonable procedures to detect unsuitable recommendations.

As these regulatory complexities grow, they're putting an enormous burden on compliance organizations, and increasing risk exposure.

## Is your firm...

- Lacking the surveillance capabilities, analytics and coverage to ensure compliance with regulations around suitability and best interest?
- Relying on inefficient work processes and multiple, disjointed systems for surveillance that make it difficult for your analysts to connect the dots?
- Experiencing compliance resource drain?
- Lacking self-development tools to create custom analytics to address your own business needs and quickly adapt as new regulations emerge?

## Are your compliance analysts...

- Working in different systems and wasting time manually piecing data together?
- Spending too much time chasing false alerts?

Introducing

**SURVEIL-X**<sup>TM</sup>

## Suitability for Wealth and Insurance

SURVEIL-X Suitability for Wealth and Insurance is the ultimate risk detection safety net for insurance firms. As the only end-to-end, cloud native solution designed to address all these regulatory requirements, SURVEIL-X Suitability for Wealth and Insurance provides coverage for a broad range of supervision and surveillance challenges.

In addition to ensuring investment recommendations are always consistent with client investment objectives and suitability profiles, SURVEIL-X Suitability for Wealth and Insurance automates oversight and supervision of sales practices, enabling firms to drive down costs and eliminate resource drain, while avoiding regulatory breaches, fines and reputational damage.

SURVEIL-X Suitability for Wealth and Insurance uniquely combines three core capabilities:

1. Complete surveillance coverage
2. AI-powered analytics (including new Reg BI and Insurance-centric models)
3. Award-winning case management capabilities – to help your compliance analysts identify, investigate and mitigate risk



With SURVEIL-X Suitability for Wealth and Insurance, your firm benefits from:



## Complete Coverage

### **One Surveillance Solution for All Investment**

**Products:** SURVEIL-X provides coverage for all of the investment products your firm may sell, including insurance, annuities, equities, mutual funds, etc. Cover all of your bases while lowering your overhead, training and maintenance costs.

**True Holistic Surveillance:** With SURVEIL-X, your compliance analysts no longer work in silos. SURVEIL-X combines all the capabilities you need – communications surveillance, market surveillance, sales practices & suitability, Reg BI surveillance and more – together in one integrated platform, elevating your surveillance capabilities and reducing compliance resource drain. Additionally, by correlating trade and communications data in one system, you can even go beyond the obligations of regulations to perform targeted reviews of orders for high risk products to ensure that proper disclosures were given.

**Surveils All Communications:** Today, your advisors have more ways than ever to communicate. Your surveillance and suitability solution needs to adapt to all modalities too. Surveillance gaps can make it difficult to link and analyze recommendations and disclosures along with sequences of interactions. Additionally, monitoring eComms and voice in isolation can obscure the true intent of employee actions. SURVEIL-X monitors 100% of your firm's regulated employee communications across all channels, including emails (with or without attached documents) and voice.

**Connect More Data Sources:** SURVEIL-X for Wealth overcomes data silos to provide comprehensive surveillance coverage for all your regulatory needs. It can connect to, ingest and analyze data from 180+ data sources including voice and eComms, CRM systems, order management systems, level two market data, news and sentiment analysis, trades, transactions, KYC (Know Your Customer) data (including risk tolerance, investment profiles, etc.), and details related to accounts, products, investment advisors, and positions. Analyzing this data together is key to determining investment suitability and prohibited sales practices. SURVEIL-X also connects to third party e-Comm archiving engines including Symphony, Proofpoint and others.

**Comprehensive Regulatory Coverage:** SURVEIL-X for Wealth provides coverage for a broad range of regulations, including key obligations under the SEC's Reg BI, NAIC's Regulation 275, the 187 Best Interest Rule, the CCIR (CCRRA), FINRA Rules 2111 and 3110, and more. These multi-faceted regulations impose heightened obligations on insurance firms, wealth managers, asset managers, and broker-dealers, including requirements to:

1. provide timely disclosures to retail clients);
2. exercise diligence (care) in making investment recommendations; and
3. maintain and enforce compliance procedures. SURVEIL-X addresses all these areas.



## Precision Detection

### Broad Range of Out-of-the-Box Risk Detection Models:

No other surveillance solution offers a broader array of out-of-the-box risk detection models for insurance firms, wealth managers, asset managers, and broker-dealers. SURVEIL-X offers over 150+ OOTB models, and features models related to life insurance, annuities, account rollovers, and loans on insurance policies, with respect to detecting suitability and best interest breaches.

For example, analytics can determine the suitability of a life insurance policy or variable annuity based on a client's financial resources. It can also detect spikes in the number of replacements, surrenders, or withdrawals, tied to specific advisors and accounts, to ensure advisors are making suitable recommendations in line with customer profiles. Additionally, it can look for other tell-tale signs of risky behavior, for example when customers are taking loans out on long-term insurance policies to purchase other investment products.

SURVEIL-X also incorporates Reg BI centric models that analyze transaction risks, rewards, costs and other factors, together with a client's investment profile, to determine if advisor recommendations and transactions are in the client's best interest. It even incorporates a 'Best Product Alternative' analytics model which can analyze, highlight and display products that would have been more suitable for the broker-dealer to recommend, given a client's investor profile.

### Self-Development Analytics with SURVEIL-X Studio:

Regulations are evolving all the time, and regulated employees are always finding new ways to avert detection. Internal policy changes and newly identified business risks can come at your firm fast too. In this ever-changing environment, surveillance models that get the job done today could be out-of-date tomorrow, exposing your firm to fines and reputational damage.

If you're plugging this coverage gap by mixing and matching out-of-the-box products from different technology providers, or by waiting for your technology provider to add new analytics to their roadmap, it's time to think again.

SURVEIL-X Studio builds on SURVEIL-X's extensive portfolio of out-of-the-box analytics by providing a way for you to quickly and easily develop, test and deploy your own custom analytics. With our DIY analytics, you can even develop custom models and build additional checks into the system (for example, to identify broker-dealers or agents with excessive alerts who should be under heightened supervision).

### Analyzes All Data Sources to Detect Known and Unknown Risk:

Most surveillance technology is limited by its ability to generate an alert using only one data set. SURVEIL-X goes beyond simple detection rules and thresholds to analyze and make sense of connected actions across all of your data sources, generating a single alert when risk is detected. Compliance analysts spend time reviewing what really matters, rather than chasing false positives.

SP\_DAR-3 | Alert Class Alert ID:SP\_DAR-01-200 | Alert Business Date:2015-02-28 | Alert Date:2020-02-03 | Score: 100

Item Date	Item Type	Account Number	Account Risk Tolerance	RR Name	RR Number	Owner Name	Alert Score
2020-03-27	SP Daily Account Review	00234345677	0.83	Mike Smith	REPRE_2.1.1	Steve Williams	100

Analytics | Transactions | Account Insight | Communications

**Focus Issues** | Thresholds

Daily Account Review - Suitability of Portfolio (Concentration Risk) | Risk Score: 100

- Degree of portfolio concentration risk differ from account tolerance to risk **70%** is greater than the defined threshold of **50%**
- High risk position within an account **\$60000** is above the defined threshold of **\$50000** based on total market value
- Portfolio concentration Risk **12** is above the defined threshold of **10**

**Natural Language Understanding:** SURVEIL-X combines traditional rules-based approaches with advanced Natural Language Understanding (NLU) techniques to ensure that nothing falls through the cracks. Our NLU understands and analyzes communications in 45 different languages, automatically detecting people, places, products, companies, trades, asset classes and conversation topics to reveal what really happened. By analyzing the content and context of communications, NLU can also identify intent of market manipulation. For firms looking to avoid the complications of cross-border solicitation, NLU can also catch improper solicitation attempts. SURVEIL-X also looks for aggression, confusion and hesitation when discussing products. Risky communications are automatically flagged, scored and prioritized for review and investigation.

**Monitoring Disclosures and Recommendations:** The ability to monitor disclosures and recommendations is a key aspect of Reg BI and important for teams monitoring suitability risks. SURVEIL-X can monitor communications across different modalities and use NLU to accurately identify those communications where recommendations occurred. It can then look back through previous communications to determine if proper disclosures were made (whether verbally, in writing, in attachments, or in notes in a CRM system). It can also marry these findings with analytics that assess whether specific recommendations or transactions were in a client's best interest.

**Model Fine-Tuning:** SURVEIL-X's multi-dimensional analytics can also self-tune to ensure client suitability and best interest by automatically adjusting for individual account profiles. For example, while other surveillance and suitability systems might alert to unusually large orders based on a fixed value threshold, SURVEIL-X can draw upon communication activity and a client's actual account profile (and take that historical activity into account) in making risk-based assessments.

## Sample Out-of-the-Box Models

### Insurance Coverage

- Free Looks
- Cross Product Churning
- Lapse-Death Benefit Guarantee
- Replacements-Fixed Annuities
- Replacements-Life (External)
- Replacements-Life (Internal)
- Replacements-Variable Life
- Replacements-Variable Annuities
- Surrenders-Fixed Annuities
- Surrenders-Life
- Surrenders-Variable Annuities
- Surrenders-Variable Life
- Withdrawals - Universal Life/Variable Universal Life
- Withdrawals-Variable annuities
- Loan Utilization
- Sales to Elderly

### Broker - Investment Advisers Coverage

- Suitability of Trade
- Suitability of Portfolio
- Best Alternative Product
- Discretionary Account Activity
- Opening Trade in Expiring Options
- Low Priced Security Trade
- Cost to Trade
- Large Trades
- Hybrid Switching
- Solicited Trades
- Rights of Accumulation
- Missed Breakpoint
- Near Breakpoint
- Multiple Fund Family Purchases
- Mutual Fund Market Timing
- B & C Share Analysis
- Concentration

**Advanced Anomaly Detection:** With traditional prescriptive detection methods that focus on known risks, regulated employees can easily fly below the radar or change their behavior to avert detection. SURVEIL-X's advanced anomaly detection applies unsupervised machine learning to spot suspicious behavior patterns that would be otherwise undetectable, such as communications or trading activity that's atypical for a specific account or advisor.

**Flexible Client Reviews:** Today, most compliance operations struggle to see the complete picture of a client's holdings because their legacy technology cannot link, aggregate and analyze accounts at the household level. SURVEIL-X is different. With flexible client review capabilities, you can easily manage

client risk across households. Clients benefit from optimized portfolio performance and better breakpoint discounts; and firms benefit by being able to align compliance with changing business models while better serving customer needs.

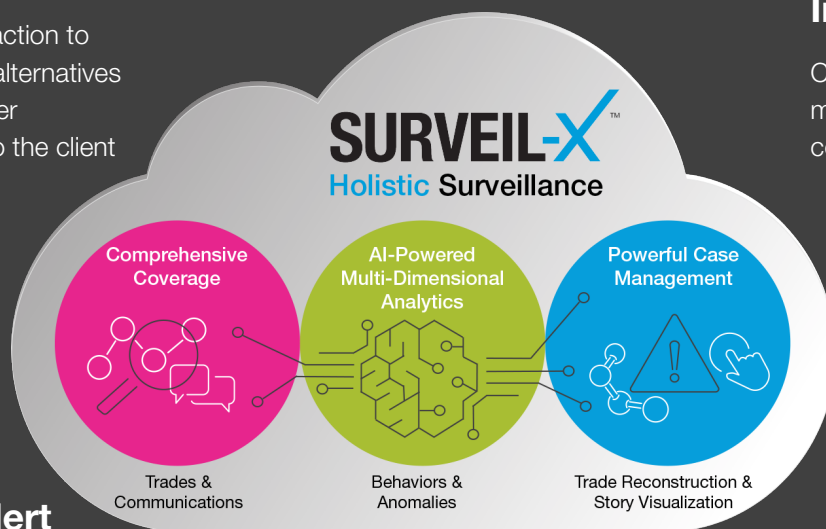
**Multi-Dimensional Analytics:** SURVEIL-X's AI-powered multi-dimensional analytics go far beyond looking at one-time events, calculations and thresholds to analyze and correlate all of your communications, trade and related data streams, for much deeper analysis and insights. Instead of being barraged by alerts from every direction, your compliance analyst gets one alert with all associated data for a complete view of what happened. No more manually piecing data together from different systems.

## Detection Coverage

Analyze every transaction to understand if other alternatives may have been better recommendations to the client

## Recommendation Identification

Categorize written forms, meeting notes or monitor communications

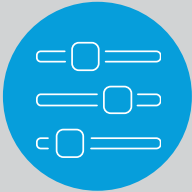


## Combined Alert Logic

Best Interest Alerts will search and find all artifacts that are involved in an event related to the alert generated

## Recommendation Check

Automatically cross reference a potential product recommendation for a client and review better alternatives



# Intelligent Investigations

**Automated Suitability Analysis:** As a modern risk-based suitability solution, SURVEIL-X enables more effective sales transaction reviews by automating risk scoring of transactions, based on customer suitability information. This approach means you can review and manage alerts in a controlled, repeatable, and fully auditable manner.

**Enforcing Processes and Procedures:** Under today's prescriptive regulations, it's not enough to simply establish processes and procedures to ensure compliance; you need to enforce them. SURVEIL-X's automated workflows provide a foundation for standardizing procedures and ensuring they are followed. You can create standardized workflows to automate every stage of the investigation process. And because all actions are tracked, they're also fully auditable.

**A Single Place to Work:** Are your compliance analysts working in multiple case management solutions? With SURVEIL-X they can do all their work in one system, and complete investigations in record time. Does your firm employ one compliance unit to support different business lines and review various types of alerts (e.g. Market Abuse vs. Supervision & Suitability)? Now, every alert and investigation can be managed from one system, saving your firm time, money and resources. Alerts are automatically enriched with correlated communications and transaction data, so analysts get a complete understanding of the chain of actions.





**Visualization and Risk Dashboards:** To be able to act on information, you need to put it into proper context and visualize the story around it. With SURVEIL-X, analysts are able to intuitively visualize all of the information they need to understand and evaluate risks, and quickly connect the dots, draw conclusions and make decisions. Analysts can instantly visualize risk posed by individual advisors on a Broker Risk Dashboard.

**Integrated Trade Blotter:** With SURVEIL-X's Trade Blotter, branch managers can perform risk-based transaction reviews and electronically review and sign-off on all trades and transactions. SURVEIL-X's ability to aggregate data at the household level also ensures that branch managers focus their time and energy reviewing truly risky transactions. Finally, roles-based permissioning cuts down on information clutter by separating out transactions from compliance alerts, so branch managers can focus squarely on the task at hand.



## Cloud Platform-as-a-Service

SURVEIL-X's cloud-native platform means your firm also benefits from faster deployment, and lower infrastructure, operational, training and maintenance costs, as well as hassle-free upgrades, seamless scalability, and improved resiliency and security.

Join the revolution and take your surveillance to a whole new level with SURVEIL-X Suitability for Wealth and Insurance

### **About NICE Actimize**

NICE Actimize is the largest and broadest provider of financial crime, risk and compliance solutions for regional and global financial institutions, as well as government regulators. Consistently ranked as number one in the space, NICE Actimize experts apply innovative technology to protect institutions and safeguard consumers and investors assets by identifying financial crime, preventing fraud and providing regulatory compliance. The company provides real-time, cross-channel fraud prevention, anti-money laundering detection, and trading surveillance solutions that address such concerns as payment fraud, cybercrime, sanctions monitoring, market abuse, customer due diligence and insider trading.

## Learn More

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