

NICE Actimize

Countdown to
the Consumer Duty



SURVEIL-X

for Consumer Duty Surveillance

COMPLIANCECENTRAL

COMPREHENSIVE, AUTOMATED SURVEILLANCE FOR CONSUMER DUTY COMPLIANCE

Coming on 31 July 2023, the Financial Conduct Authority (FCA) will implement the most significant UK regulatory overhaul of the past decade. More than simply regulating firms, the **FCA's Consumer Duty** is a cultural reset. It places the onus on firms to prioritize and deliver good outcomes to retail consumers, provide evidence of these positive outcomes, and intervene and act when expectations aren't met.

What Consumer Duty Will Require

FCA's Consumer Duty consists of three key elements:

1. **The Consumer Principle** which defines standards of behavior the FCA expects from firms: namely that a firm must act to deliver positive outcomes for retail clients at every stage of the customer journey, and across all customer touch-points.
2. **Cross-cutting rules** which establish overarching expectations about *how* regulated firms and employees should conduct themselves. Firms will be required to consistently act in good faith with customers, take **all** reasonable steps to avoid foreseeable harm to customers and support them in pursuit of their financial objectives.

3. **The four outcomes** which represent the different aspects of the firm-customer relationship across which the FCA expects firms to deliver good outcomes: communications, products and services, customer service, and product and service pricing.

Through the support of the Senior Managers and Certification Regime (SM&CR), Consumer Duty affirms the obligation of UK financial services firms to put consumers' interests first and makes it clear that senior managers will be held accountable when this doesn't happen.

At the end of the day, this means firms must put appropriate and robust systems and controls in place.



Consumer Duty: Assessing Your Firm's Readiness

As you assess your firm's readiness to comply with Consumer Duty, consider these questions.

Does your current surveillance solution support monitoring of all modes of communication?

Regardless of when or how they take place, communications are expected to consistently meet the information needs of customers and support them in their quest to make informed financial decisions. To ensure you're complying with Consumer Duty your firm will need to regularly monitor all types of communications with retail customers to ensure they're meeting desired outcomes, and investigate and correct any deficiencies. This includes customer service and support functions as well.

Is your firm still relying on lexicon-based surveillance?

Surveillance solutions that rely strictly on lexicons focus narrowly on finding words rather than understanding the true context of communications. As a result, they generate high numbers of false alerts. Without the right technology, Consumer Duty's new regulatory hurdles might very well overwhelm your time-strapped compliance staff.

How will you know if your financial reps are recommending suitable products?

The concept of suitability of products and services is core to Consumer Duty. Products and services should only be sold to those whose needs they meet. The problem is – it isn't possible to monitor and surveil every single recommendation and transaction to make sure they meet this customer best outcome test. That would be a manual effort and immense undertaking.

Are you relying on outside vendors for custom analytics?

Many of the expectations under the Consumer Duty are subjective and will require firms to apply their own judgment. There's no one-size-fits all monitoring approach. Consumer Duty also places an emphasis on

considering the needs of different groups of customers, especially those who could be classified as vulnerable. All of these things point to a need for custom analytics. If you're relying on outside vendors to do the work it will be costly and time-consuming.

What data sources does your surveillance system integrate to? Is it open?

When it comes to compliance, data is your first line of defense. As with any surveillance system though, the data you put in will dictate the insights that come out. Data also directly impacts the types of analytics you can run. Ultimately, having the right data and being able to analyze it efficiently and effectively, is the key to effective compliance. If your surveillance system can't readily integrate to all the requisite data sources, your compliance analysts will be spending all of their time manually collecting, aggregating and analyzing data.

Are you relying on outside vendors for custom analytics?

By its very nature, Consumer Duty requires the ability to link and analyze different pieces of information. Consider, for example, the requirement that advice and products sold must be suitable. To know whether financial representatives are complying with this you would need to link and correlate multiple sources of information: 1) the communications (highlighting what was recommended), 2) the trade (what the customer bought), 3) the customer's risk profile and 4) products that would have been suitable for the customer to buy, given #3.

How will you know if your firm is delivering good outcomes?

Consumer Duty will require firms to continually monitor outcomes experienced by their customers and assess whether they are delivering good outcomes. Where harm does occur it must also be understood and addressed quickly to eliminate the chance of reoccurrence. The FCA will expect your firm to provide evidence of such actions upon request.



A Better Path to Consumer Duty Compliance

As the only complete, integrated, turnkey solution designed to help firms address their various obligations under Consumer Duty, NICE Actimize's **SURVEIL-X** addresses these challenges. Offered as an on-premise or cloud-based solution, **SURVEIL-X** combines NICE Actimize's market-leading Communications Surveillance, Sales Practices & Suitability, and case management solutions, all powered by Machine Learning and AI, to help firms automate Consumer Duty compliance.

Your go-to source for omni-channel recording and surveillance

Today, financial advisors have countless ways to communicate with retail consumers – in person, over the phone, via email, or even on social media. Together, **SURVEIL-X** and **NTR-X** offer your firm a fully integrated, end-to-end solution for recording and surveilling all of the different types of communication modalities your regulated employees use (in person meetings captured via CRM notes, voice (traditional, mobile, unified communications, electronic (email, chat, etc.), and even social media.

Intelligent Analytics

Consumer Duty's focus on communications outcomes necessitates a more intelligent approach to surveillance. **SURVEIL-X**'s Natural Language Processing understands and analyzes communications in 45 different languages, automatically detecting people, places, products, companies, trades, assets classes and conversation topics to reveal what really happened. Fine-tuned for financial markets, it can even detect jargon indicative of inappropriate sales practices, or aggressive behavior. Additionally, **SURVEIL-X**'s AI engine even gets smarter over time. In a recent side-by-side test, **SURVEIL-X**'s NLP helped produce positive alerts 92 percent of the time and reduced false positives (as compared to lexicon-based surveillance) by 78 percent. **SURVEIL-X**'s intelligent analytics can help firms comply with Consumer Duty by detecting:

- Disparities between what a financial representative said to a retail customer verses what appears in a product prospectus
- Communications that don't match up

- Conversations containing promises, false assurances and guarantees
- Sludge tactics, like pressure selling, or intentional friction in communications
- Financial representative aggression, pushiness or client confusion and hesitation when discussing products
- Overuse or misuse of technical jargon which can be hard for customers to understand
- Disclosures, both verbally and in written form, and whether they were timely and adequate

Proven Out-of-Box Analytics

SURVEIL-X incorporates proven out-of-the box (OOTB) analytical models that can automatically detect prohibited sales practices and determine whether your financial services representatives are fulfilling their Consumer Duty obligations. For example, **SURVEIL-X**'s Best Product Alternative model can analyze, highlight and display products that would have been more suitable for the financial representative to recommend, given a retail customer's profile.

SURVEIL-X's advanced risk detection models can also detect a broad range of other inappropriate marketing and sales practices, such as aggressive selling, commission loading, churning, as well as issues related to specific types of investment products, like life insurance, annuities, account rollovers, and loans.

Self-development Capabilities

With **SURVEIL-X**'s built in self-development analytics capabilities your firm can easily create, test and deploy its own custom analytical models, without expensive and time-consuming custom development and programming. You can easily adapt OOTB analytics or create new rules to gain insight into (and alert on) specific concerns relating to Consumer Duty. For example you can:

- Identify when specific Consumer Duty outcomes (as defined by your firm) have not been met
- Flag inappropriate financial representative recommendations involving potentially vulnerable (e.g. elderly) populations

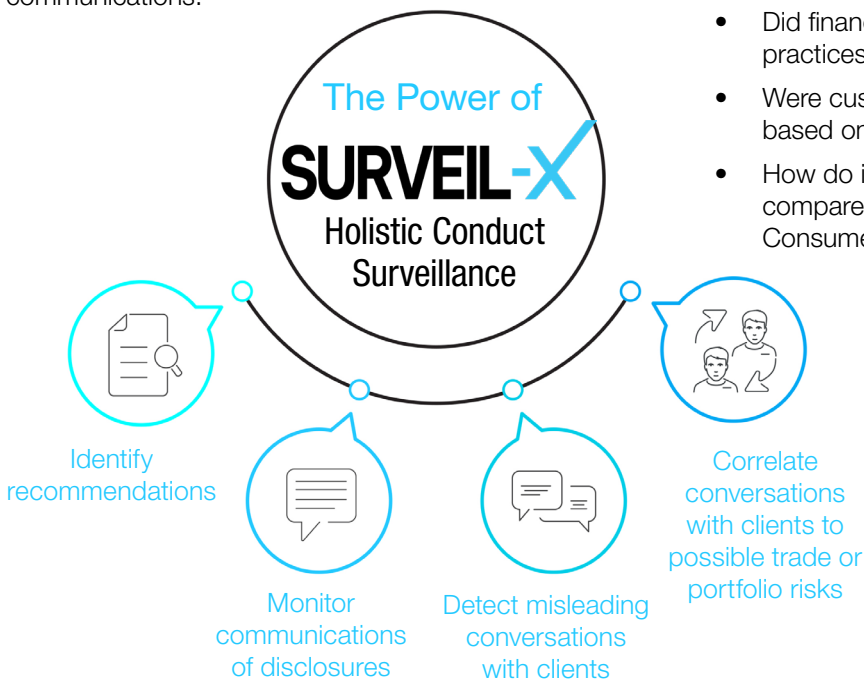
- Identify when an advisor is consistently receiving client complaints, or when customers are routinely frustrated
- Identify advisor conflicts of interest related to investment recommendations provided to clients

You can also build additional checks into your surveillance system to identify financial representatives with excessive alerts and put them under heightened supervision.

Open API

Consumer Duty expects firms to deliver good outcomes to customers across four dimensions – communications, customer service, products and services, and pricing. To understand whether you’re complying with Consumer Duty, you’ll need a surveillance solution that can ingest the desired data. **SURVEIL-X** ingests data from over 150 sources including wealth management data (e.g. fund information and product ratings), market data (e.g. Pershing, Albridge, Morningstar), Level 2 market data, trade data, captured communications across a myriad of channels (voice, email, IM/chat, social media, mobile, unified communications, etc.), CRM data, client risk profiles, customer demographics, advisor-related data (e.g. HR, meeting logs, payroll, etc.), data related to customer fees and advisor commissions, and so on.

There’s no one-size-fits all approach to Consumer Duty surveillance. **SURVEIL-X**’s open API also allows your firm to integrate to other data sources. For example, **SURVEIL-X** can ingest customer survey results as another surveillance data point, linked to communications.



Holistic Approach

If your surveillance systems can’t bridge data and analytics results from different systems, you’ll never be able to understand what your data is trying to tell you. **SURVEIL-X** integrates all of the surveillance capabilities you need in one turnkey platform. For example, whereas much of today’s current surveillance technology is limited to generating an alert using one data set (e.g. trades, electronic communications or voice calls), **SURVEIL-X** uses machine learning and analytics to analyze and link alerts and data across systems.

SURVEIL-X leverages these upstream systems to generate a single alert (enriched with all relevant correlated alerts, communications and transaction data). Your compliance analysts get everything they need to review and disposition alerts, in a single pane of glass.

Reporting Dashboards

SURVEIL-X investigation and reporting capabilities offer 360-degree visibility so you can confidently understand whether your firm is meeting its Consumer Duty obligations, by answering these questions:

- Were requisite disclosures provided for correlated trades?
- Do correlated trades match up with the recommendations made by and agreed to by the customer?
- Is there evidence of any other communications between the financial representative and the customer regarding a trade?
- Did financial representatives use proper sales practices?
- Were customers offered the best possible products based on their unique needs and characteristics?
- How do individual financial representatives compare to their peers from the standpoint of Consumer Duty compliance?

With **SURVEIL-X** built in data visualization and reporting tool you can even develop your own dashboards to understand whether your firm is complying with Consumer Duty and where improvements need to be made.

Any data or alerts that are ingested into **SURVEIL-X** can be analyzed and presented in dashboard format.



SURVEIL-X: Surveillance Revolutionized

The industry's first AI-powered, cloud-native, true holistic trade-related surveillance solution, **SURVEIL-X** detects all forms of risky behavior to ensure compliance with key global regulations, including MIFID II, Dodd-Frank, MAR, Regulation Best Interest, Consumer Duty and others, while also protecting firms from previously undetectable risks that could result in fines and reputational damage. **SURVEIL-X** revolutionizes surveillance by providing complete surveillance coverage with both AI-powered and traditional expert rule-based analytics, and advanced visualization tools, all on a cloud-native platform that drives down total cost of ownership. **SURVEIL-X** offers unparalleled risk coverage for wealth management, buy- and sell-side firms, insurance companies, crypto exchanges, regulators and more, by enabling accurate detection and rapid, thorough investigation of market abuse, inappropriate sales practices, conduct risk and otherwise undetectable compliance risks to insulate firms from fines and reputational damage.

Learn more

Contact us: compliance@niceactimize.com

Request a demo: actimize.nice.com/demo-surveil-x

Visit our website: niceactimize.com/compliance

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.

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