



Trade@Home Playbook

FULLSCREEN

HOW TO ENSURE REMOTE TRADING COMPLIANCE

With contributions from

Cloud9



WE ARE LIVING IN EXTRAORDINARY TIMES

We are living in extraordinary times. In the wake of a worldwide pandemic, financial services organizations (FSOs) are shuttering offices and are sending employees home in droves. Working virtually, which used to be the exception, is now the norm, and words like ‘social distancing,’ ‘pandemic,’ and ‘COVID’ have become part of our every-day vernacular.

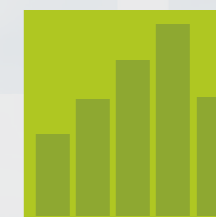
“Social distancing led to remote work, remote work led very quickly to decentralization. Even Nasdaq transitioned to doing exchange-traded activity entirely electronically for the first time in history,” said Chris DeNigris, Director of Product Marketing, NICE Actimize. “We are clearly in unprecedented times. The impact of the COVID-19 pandemic on FSOs has been profound.”

In fact, many FSOs, who never foresaw a situation where all of their regulated employees could end up working virtually, are now discovering that their well thought out business continuity plans, which mainly revolved around backup facilities or split trading floors, are not viable at all, given the current situation. As a result, in recent weeks, firms have been scrambling to get traders and other

regulated employees to set up shop at home. In a recent survey, 76% of firms said they are likely or very likely to retain some level of remote trading structure for the foreseeable future. And that brings up other concerns.

“Firms already had technologies in place at backup facilities, but few envisioned that they were going to have traders who needed to work from home, and that these employees would need to continue to be recorded and supervised remotely,” said Cliffe Allen, Director, OTC Derivatives, NFA. “While both NFA and the CFTC have provided relief to facilitate firms’ migration to remote working, they still need to continue to meet their regulatory obligations. Specific information on this relief can be found on NFA’s dedicated COVID-19 webpage.”

The biggest challenge, according to Lee Garf, General Manager, Compliance Line of Business, NICE, has been figuring out how to stay in compliance, while adapting to support remote workforces quickly.



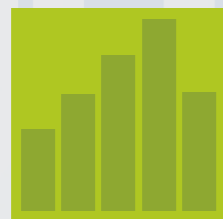
SOME THINGS CHANGE, SOME THINGS STAY THE SAME



As FSOs transition employees to work from home, they're discovering that although some things change, other things stay the same.

Using technologies like IPC's Connexus for example, traders can still access their turrets using remote access/VPN solutions and enjoy immediate access to markets and customers wherever they go. Similarly, they can use IP-based voice trading platforms from companies like Cloud9. Still other work-at-home traders are resorting to using mobile phones and unified communications platforms like Microsoft Teams. While many firms used to restrict traders from speaking with counterparties on personal cell phones, they are now lifting these restrictions.

"In an environment where workers now need to bring their own device, there's an openness, a rapid adoption of other communication modalities," said Garf. "As part of this shift, we're seeing an increased interest in unified communications and mobile capture, because recording is still mandatory even with these non-traditional devices."

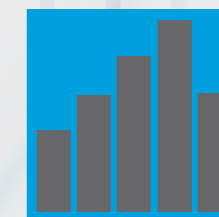


NO ROOM FOR SKIRTING REGULATIONS

While firms are adapting the modes of communications that regulated employees use to work from home environments, regulators have left little wiggle room for firms to skirt regulations around record-keeping and surveillance. Regulators in the U.S. have given firms a three month reprieve (which many started in early March), but the UK's FCA is standing firm on its requirements.

“Compliance doesn't stop with a pandemic,” said NFA's Allen. “During a crisis, NFA must continue to ensure that our members meet their regulatory obligations. Yes, there is a global pandemic, yes there are challenges that

firms are facing, but we need to maintain the integrity of the marketplace and ensure ongoing compliance. It goes back to keeping your regulator informed,” he added. “We expect members to continue complying with our rules and the CFTC's regulations during the crisis. We've issued a number of notices to members affording temporary relief, and encourage members to contact us if they require additional accommodations. We as regulators need to ensure that the market continues to have the level of integrity it always had and that comes through ongoing compliance.”



REMOTE TRADERS STILL NEED TO BE RECORDED AND SUPERVISED

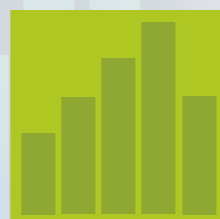
According to a survey conducted only one month into the crisis, 77% of firms were not yet fully recording their traders' activities as they transitioned to working from home.

Garf says this is a mistake that firms could come to regret. "We've seen regulators globally come out with clarifications and they've all been very clear that recording is still required. The CFTC for example, came out with guidance that they wouldn't enforce that requirement until June 30, so firms may get a temporary reprieve in the short term. In Europe, the FCA and ESMA were quite clear that recording is mandatory and there's no waiver for that, so firms need to go full steam ahead."

Remote supervision of regulated employees is another area of concern. In times of crisis, bad actors are emboldened.

"There's no COVID-19 defense for failure to supervise," reminds David Ackerman, Esq., Subject Matter Expert, Financial Compliance, NICE Actimize. "Just because there's temporary relief out there, that does not mean firms can completely abandon all of their responsibilities under the regulations."

"During this period of remote working, firms' supervision of their operations is something that has been and will continue to be challenging," added Allen. "But it doesn't mean that there shouldn't be supervision. I think it's even more important during this period."



TRADE@HOME CHECKLIST

Wherever your firm may be in the transition of regulated employees to work from home, we invite you to review this Trade@home checklist assembled from the experts at NICE Actimize, Cloud9, IPC and NFA.



1. Envision Your Minimum Viable Product (MVP) First

If your firm is transitioning to work from home more than likely it's with a sense of urgency. Given this sense of urgency, Steve Kammerer, Chief Product Officer, Cloud9 suggests rather than laying out a huge wish list, it's a good time to be guided by your MVP (or "Minimum Viable Product"). Do a business review with your head traders. Ask what they require to work from home and prioritize the tools they need so you can get them up and running quickly. "Before you even decide what technology you're going to use, whether you're going to use the cloud, you need to interview these business groups and understand how they trade and what is absolutely critical," he says. "I'll use shopping as an analogy. Don't go out there and ask a vendor, tell me everything you

can do because you don't have the time to do that. Have the vendor respond specifically to how they can address the Minimal Viable Product you need. Have a strategy for that before you talk to vendors and make sure they have the resources to do it in the timeframe you need."



TRADE@HOME CHECKLIST

2. Take a Holistic Approach

Even though you're focusing on your MVP, don't neglect to look at the full holistic technology footprint required to support remote trading. "Obviously when you're putting together the list of what a trader needs to work remotely, you have to look at the full holistic requirement across everything needed, including market data, analytics, MS connectivity, and middle and back office connectivity

as well," explains Tim Carmody, Chief Technology Officer, IPC. "Make sure that you're looking at the full gamut, not just to support traders working remotely, but to support the entire trade workflow as well."

Take a holistic approach to trade-related communications recording and surveillance too. Unfortunately, during times of market disruption, risky behavior and market abuse increases. This causes trade and alert volumes to become overwhelming for compliance teams. Firms should remain extra diligent during these times and having the right tools will be critical in managing manual tasks. Now's might be a good time to think about improving surveillance effectiveness and automation with cloud solutions, artificial intelligence, and advanced analytics.



TRADE@HOME CHECKLIST

3. Maintain Compliance

Temporary reprieves, if they exist, are just that – temporary. Regulatory obligations don't go away in a pandemic. It's important to continue to record and supervise your work from home traders, regardless of the challenges, or channels they use to communicate. "Even with temporary reprieves, recording and supervision are still mandatory, and the technology is available to facilitate this, even in work from home environments," said Garf. Make sure the vendors you rely on can help you maintain full compliance in spite of the changing situation.

4. Consider the Cloud

Regardless of whether social distancing requires traders to work from home for two months or twelve months, one truth is clear – the cloud is a great enabler for business continuity. Even firms that have been apprehensive in the past are turning to the cloud in the current crisis. "We've had firms that previously had no significant short-term or mid-term view of the cloud that have reached out to us and asked, 'Is there any way we can accelerate our ability to get to the cloud?'" said Steve Kammerer, Chief Product Officer, Cloud9.

Garf concurs: "The cloud definitely comes into play, not just with software for softphones, but for mobile capture, recording, and surveillance," he said. "The question firms are asking is 'Do we extend our current infrastructure, or do we shift to the cloud?'" Garf said that firms shifting employees to work from home environments can transition either way, but the cloud enables them to do so more quickly. A more interesting question he says is what firms do on 'Day 2' after the crisis is over – with the cloud you have the flexibility to scale up to support remote workers, scale down and back to using your on-premise solution, or even taking a hybrid approach later.

IPC's Tim Carmody offers this viewpoint: "I think most of our customers have already done a lot of investigation and already have cloud strategies. They already have a good understanding of what a full public, private or hybrid strategy looks like. Any decision they make during this current crisis should be more about accelerating those strategies, rather than abandoning them because of expediency."



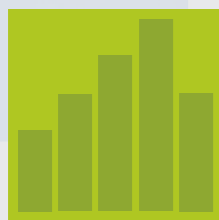
TRADE@HOME CHECKLIST



5. Communicate with Regulators

With so much in flux and situations changing every day, there has never been a more important time to stay in touch with regulators. Keep them informed of issues you're facing and any updates to your Business Continuity Plan. Don't make decisions in isolation that can increase your compliance risk. "We want to make sure that we understand what challenges our firms are having, the changes they're making to their BCP plans, and provide them with guidance to help them continue to comply with the rules and regulations," said Allen. "If you don't engage your regulators, you don't necessarily get the guidance and the help that you need. As for the NFA, we are reasonable regulators and we'll continue to monitor the situation and act accordingly," he added. Allen also strongly encourages firms to self-report any issues they may have. "Communication in this crisis is essential."

Ackerman concurs: "The standard of many regulatory regimes, especially within the U.S. are based on the idea of reasonableness, and that is not a firm line in the sand; that line can move. So, the more you interact with regulators and the more you contact them, the more they can help later on down the road when things get back to normal again."



TRADE@HOME CHECKLIST

6. Lean on Trusted Vendors

Ackerman also says it's a good idea to lean on your trusted vendors during this difficult time. "The idea of the unknown, combined with isolated decision making are where you see the biggest compliance risks," he said. "We are in touch with regulators pretty consistently, so reach out to your in-house compliance, your regulators, and by all means reach out to us when you have questions or need advice."

Garf also says it's a good idea to evaluate your vendors own BCP plans, as some vendors may be better positioned to weather the crisis with you.

7. Keep Track of Lessons Learned

For many FSOs, this crisis is the ultimate live test of their current BCP plans. "In six months, FSOs will need information about what worked, what didn't, and what lessons were learned," said Ackerman.

"Understanding this is what's going to make the difference between a good compliance program and a great one. Firms should keep track of these lessons learned and use them to amend future Business Continuity Plans."

Cloud9's Steve Kammerer thinks that firms may need to think about their BCPs and the solutions they rely on differently, more like insurance policies. "Firms have investments in infrastructure that all their traders are familiar with and they're comfortable using," he said. "The question is – can we create a solution that's more like an insurance policy? I think in the past, when firms developed their disaster recovery strategies, they were thinking more about backup sites, not cloud-based services. In the future, they might ask 'can I keep something in place that I can turn back on again quickly, so I don't have to go through this again?'"

IPC's Tim Carmody agrees: "How you provide that kind of insurance policy long-term is something the industry really should be looking at. I think part of that is going to come down to firms leveraging strategies that allow them to have a foot in multiple clouds, across multiple solutions, so they can react quickly."

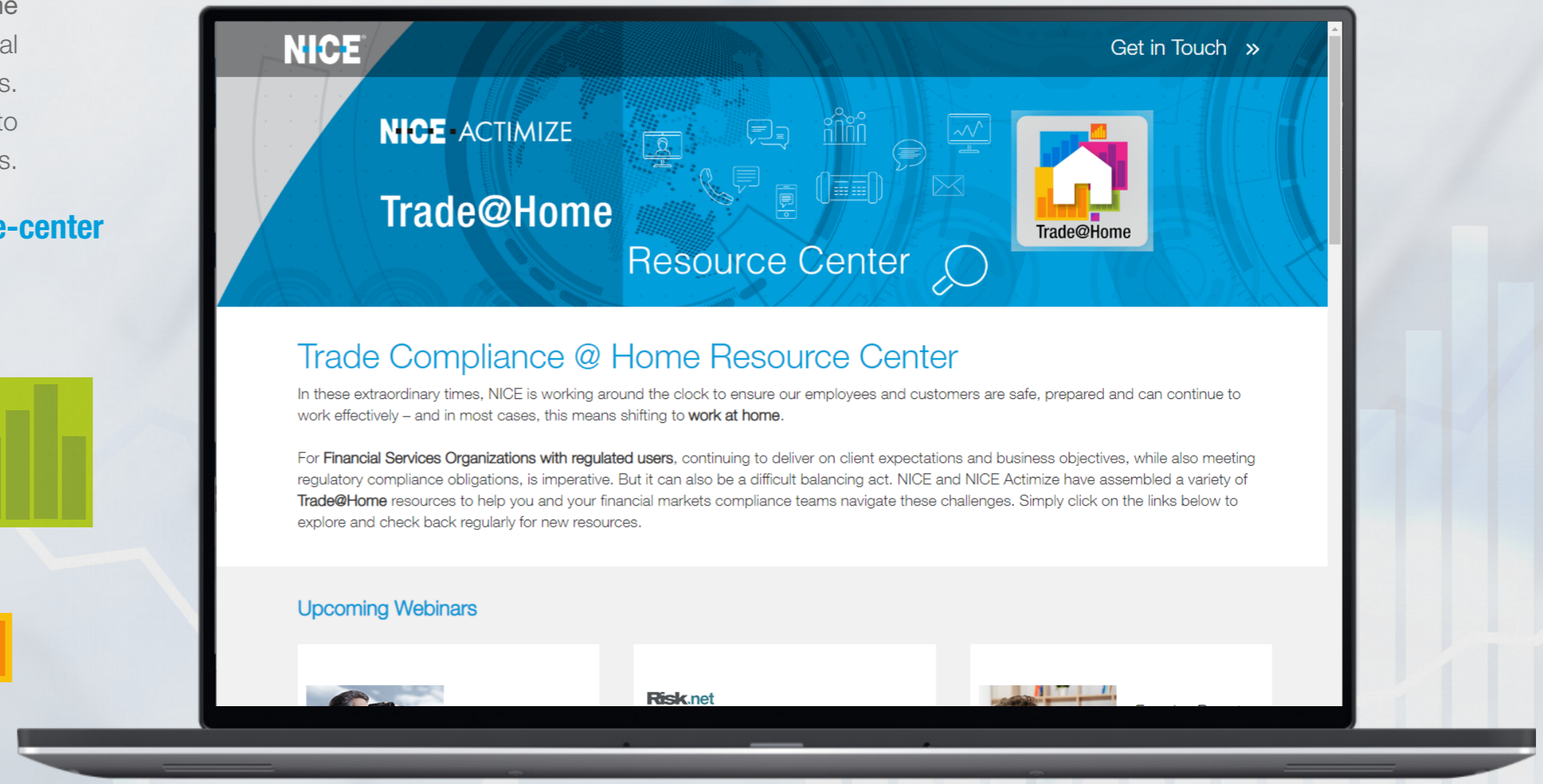
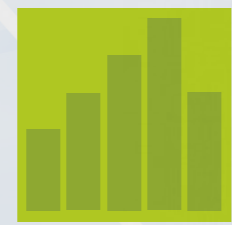
Another thing that is readily apparent from the current crisis is that FSOs need to have BC strategies and technologies that are flexible, so they can adapt to whatever unforeseen scenarios may develop, anywhere in the world.



HOW CAN WE HELP?

NICE Actimize has assembled a variety of Trade@Home solutions and resources to help you and your financial markets compliance teams navigate these challenges. Simply go to our **Trade@Home Resource Center** to explore and check back regularly for new resources.

<https://info.nice.com/trade-at-home-resource-center>



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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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