Regulation Best Interest Surveillance

Comprehensive, Automated Solution for Reg BI Compliance

Reg BI: The Most Significant Change to Suitability Regulation in 20 Years

With a target date of June 2020, Regulation Best Interest (also known as Regulation BI or Reg BI) is the most significant change to suitability regulation in the past 20 years. It requires broker-dealers to act in the "best interest" of their retail customers, fundamentally altering the investor protection process.

The over-arching mandate requires that broker-dealers "shall act in the best interest of retail customers at the time a recommendation is made without placing the financial or other interest of the broker-dealer ahead of the interest of the retail customer." The best interest obligation is satisfied via a four-prong test. A broker-dealer must satisfy all four obligations: (1) the disclosure obligation; (2) the care obligation, (3) the conflict of interest obligation, and (4) the compliance obligation.

Meeting the Best Interest Obligations

For compliance organizations, understanding how they will be able to meet the various aspects of these detailed requirements is of paramount importance. It can be distilled down to a few key questions:

- How do you identify recommendations?

- How do you identify disclosures, both verbally and in written form?

- How do you identify recommendations which are not in the client's best interest?
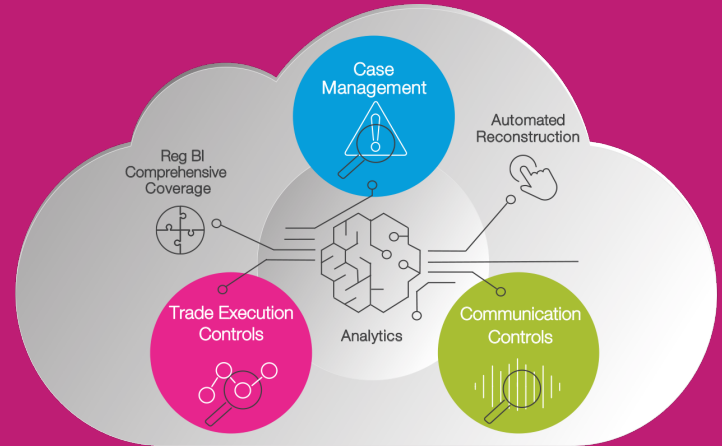
As firms get closer to putting together strategies for Reg BI compliance, they need to take account of how their communication and trade control processes are handled today. Traditionally, technology which would be required to answer these questions (sales practices, suitability, communications surveillance and case management technology) is managed separately. Marrying the disparate technologies together could require expensive, time-consuming integrations. To fill this gap, NICE Actimize has introduced Reg BI Surveillance, a single comprehensive and automated Reg BI solution that helps firms meet their Reg BI compliance obligations.

Introducing NICE Actimize Reg BI Surveillance

As a leader in Autonomous Financial Crime Management, NICE Actimize is uniquely positioned to help firms comply with Regulation Best Interest. Reg BI Surveillance leverages the traditional capabilities of the market-leading surveillance, suitability, and case management solutions in one standalone solution to automate the review of trading risk alerts associated with disclosure and recommendation communications.

DON'T COMPROMISE ON SURVEILLANCE

How Reg BI Surveillance Works

Reg BI Surveillance automatically identifies potential risky communications, in any modality from voice to text, and generates an alert on the recommendation. With language models based on machine learning neural network automated speech recognition technology specifically trained to understand the language used in financial services environments, Reg BI Surveillance ensures that the most relevant conversations, or those which are deemed aggressive or pushy, are highlighted for analysts for review. The solution also efficiently and accurately reviews transactions to detect trade risks related to prohibited sales practices and recommendations which are not in the client's best interest. For each alert generated, the solution automatically searches and displays all transactions, disclosures and recommendations, giving analysts unprecedented insight into broker-dealer actions.

Recommendation is identified and analyzed

Disclosure is identified

Alert is created showing all details

Trade is reviewed against BI models

The Power of Reg BI Surveillance

Unique in the market, Reg BI Surveillance leverages NICE Actimize's market-proven surveillance and suitability capabilities, alongside Intelligent Analytics powered by Machine Learning and Natural Language Understanding, for a single, comprehensive approach to help manage Reg BI compliance.

Reg BI Surveillance reviews all broker-dealer conversations, accurately identifying communications where recommendations occurred, and looks back through previous communications to determine if proper disclosures were made (whether verbally, in writing, or in attachments). Communication models analyze conversations across all communication modalities, and search for aggression, confusion and hesitation when discussing products. Risky communications are automatically flagged, scored and prioritized for review and investigation .

Leveraging a large variety of out-of-the box analytical models, Reg BI Surveillance also detects prohibited sales practices, and analyzes transaction risks, rewards, costs and other

factors to determine if a broker-dealer is acting in the client's best interest.

Data and alerts flow into the Reg BI Surveillance case management system, where all data sources are automatically correlated into a single alert, enriched with the related communications and transaction data. This holistic approach allows analysts to review orders for high risk products to verify that proper disclosures were given. With the click of a button, analysts can see disclosure scores and review every communication leading up to a recommendation or trade. Compliance analysts can manage the investigation process with upmost efficiency and take appropriate actions for high risk activities.

Firms can also create standardized workflows to manage Reg BI compliance enterprise-wide (complete with audit trails), and have one place for managing all alerts and investigations. Enhanced visualization of alerts also helps analysts understand the chain of actions leading up to an alert, and demonstrate proof of compliance that non-compliant activity has been appropriately identified, reviewed, investigated and acted upon.

By automating compliance processes around Reg BI, NICE Actimize's Reg BI Surveillance provides a foundation for standardizing procedures and ensuring they are followed.

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