

# Markets Surveillance Buying Guide: Everything You Need to Know



Technology and regulation have transformed surveillance. While compliance has never been asked to do more it also has an unprecedented set of tools at its disposal. Trade alerts correlated with communications data, behavioral profiling, anomaly detection, machine learning, rule-based models and automated case management should be in every compliance team's toolbox. If your surveillance program isn't capitalizing on these tools you're compromising on surveillance and putting your firm at risk.

This guide will provide you with 12 factors every firm should focus on when selecting the surveillance solution that is right for you.





# 1. What is the Total Cost of Ownership?

When evaluating stand-alone trade surveillance solutions, firms must look beyond the solution's basic subscription fee and quantify all additional costs associated with the service – both external and internal. Market data and case management are core elements of any trade surveillance solution; find out if the vendor charges additional for them. Either way, there may be costs associated with integrating market data or case management with the surveillance platform. Allocating IT resources to these projects is also an underlying cost. Don't overlook them. And there may be a professional services fee from the vendor to integrate market data or case management – one you're not likely to forget.

You also need to assess whether your trade surveillance solution enables you to leverage technologies such as behavioral analytics and communications surveillance, and if there are incremental costs involved. These technologies enable compliance to detect more threats better but buying a collection of point solutions can drive up your infrastructure, support and training costs. It also robs analysts of time and unique insights as they toggle back and forth between siloed systems to get the information they need.

NICE Actimize's cloud-based Markets Surveillance has an all-inclusive and affordable subscription fee. Market data feeds from 100+ exchanges, and ActOne, our award-winning case manager, are included at no additional costs. Since ActOne is natively integrated with our Markets Surveillance solution and our technical team takes full responsibility for market data integration, there are no external or internal IT projects to drive up your TCO.

Our trade surveillance is part of a suite of solutions delivered on a single platform, reducing your infrastructure, training and support cost. Our platform also produces unique insights that save analysts' time by correlating trade alerts with communications data. The NICE Actimize compliance platform supports our trade surveillance, behavioral analytics, communications surveillance, trade reconstruction and sales practices & suitability solutions. Having this range of solutions delivered on the same platform enables you to support different lines of business (wealth management and institutional trading) and dramatically drives down your TCO.



All-Inclusive  
and Affordable

## 2. Can You Provide Holistic Surveillance?

Recent regulations and standards, such as MAR—Market Abuse Regulation — and the FX Global Code, require compliance to detect the intent or attempts to manipulate and also requires your compliance team to reconstruct trades (a Dodd-Frank mandate). Holistic surveillance – correlating and analyzing related trade and communications data – is the best and arguably the only way to meet this obligation as well as detect insider trading. It's critical that the communications data analyzed include voice as well as email, chat and instant messaging. Holistic surveillance also enables analysts to assess alerts faster and more accurately by providing context and unique insights about the alert.

NICE Actimize enables firms to implement a holistic surveillance program on the cloud-- no other vendor can do this. Holistic surveillance helps firms meet their obligations to detect intent and reconstruct trades while saving time that would otherwise be wasted chasing false alerts.

NICE Actimize is a market leader in both trade and communications surveillance. However, it is our ability to correlate related communication and trade data from these solutions in our case manager that is unrivalled. This generates essential information needed to determine if an alert is a true violation or a false positive and whether a trader intended to manipulate the market. Our automated trade reconstruction solution takes this a step further by sequencing all pre-trade, trade and post-trade communications related to a specific transaction. It does this so quickly—in only 10 minutes-- that it can be used as an everyday tool to proactively investigate suspicious trading activity. Unlike other vendors, NICE Actimize collects all forms of communications and trade data – phone calls, emails, instant messages, chats, orders and executions. This result is a holistic surveillance program without gaps or blind spots.

### Holistic Surveillance in the Cloud



### 3. What Case Management Capabilities Are Included?

A good case management platform will make your investigations more effective, your analysts more productive and win you the admiration of internal auditors and regulators. Producing an audit trail when a regulator or auditor stops by to ask about an investigation is a great way to lighten the mood – make sure your surveillance solution enables you to do this. The trail should include timestamps of all work items and detailed administrative activity. Alert management tools, configurable workflows that automate processes and communication tools promote more effective investigations while boosting analyst productivity. Truly superior case managers will enable firms to understand market behaviors around the time of the alert and easily pull out related communications with one click, assessing the potential impact of the firm's trade on the market in one step. When searching for your next surveillance platform, be sure to confirm these types of capabilities are included.

NICE Actimize's ActOne – named best case management platform by Risk Management magazine – enables you to execute efficient investigations and quickly produce audit trails. Audit trails contain timestamps of all work items and administrative activity, reducing the likelihood of regulators expanding an investigation. Sophisticated alert management, workflow and communication tools reduce redundant activities, leading to more effective investigations. ActOne's ability to provide a replay of market behavior around an alert and automatically bring in related communications takes compliance efficiency to the next level. ActOne is provided as part of Markets Surveillance's base capabilities. With ActOne Extend, you can correlate data and alerts from other solutions, like fraud, anti-money laundering or communications surveillance, to further enrich investigations and improve compliance efficiency.

Efficiently Execute  
Investigations



## 4. Are There Flexible Deployment Options?

Your firm has locations and business groups in different circumstances with various challenges: limited IT support, fast approaching regulatory deadlines, data privacy laws and custom requirements. One deployment option does not fit all. The cloud may be perfect for some of your locations while others may need an on-premises solution. Look for vendors that offer both options and consolidate the alerts from all deployments in a single dashboard. Otherwise you'll be "swivel chairing" between monitors and still get only a fragmented view of what's going on. By the end of the day your chair won't be the only thing spinning.

NICE Actimize gives you options. Our cloud and on-premises deployment options enable you to meet the diverse needs of the firm while producing a consolidated view of risk. Deploy our cloud solution at locations with limited IT support or to quickly meet a deadline. Use our on-premises solution in countries with stringent data privacy laws. Or augment existing on-premise deployments with new asset classes, regions, communications data or case management options in the cloud. Cloud augmentation provides the tactical benefit of expanding coverage without the chore of normalizing and integrating trade data, while also offering the strategic advantage of moving toward an all-cloud surveillance program. Most important, all deployment models work as one. Alerts spanning all deployments are consolidated in a single case manager, giving you a complete view of risk.

## Cloud and On-Premises Deployment

## 5. Are Your Models for Off-Exchange Instruments Widely Used?

Dodd-Frank and MAR added off-exchange instruments (credit default swaps and foreign exchange swaps) to the menu of products a firm must monitor. You don't want to be one of the first users of a vendor's models for these complex instruments, so ask to speak with clients who have already successfully deployed them. If you don't like what you hear you could end up with two platforms: one for off-exchange coverage and another for exchange-traded coverage. Paying for two trade surveillance platforms is a budget buster.

NICE Actimize Trade Surveillance provides comprehensive, market-proven surveillance of both off- and on-exchange instruments in a single platform. Leading dealers have trusted our FX and fixed income analytics for over a decade while the largest swaps dealers rely on our models. We're experts in mapping and standardizing FX and Swaps trading data and product classifications. As a result, firms using Actimize Markets Surveillance monitor off-exchange activity more effectively while reducing the cost of monitoring all instruments.

Market Proven  
Experts in OTC

## 6. Can You Monitor Manipulation Across Products and Markets?

MAR raises the trade surveillance bar by mandating the detection of manipulation across products and markets. For instance, your compliance team must be able to detect the manipulation of an underlying instrument and its related instrument (e.g. a security and its derivative) as well as the manipulation of the same instrument traded on different venues. Ask the trade surveillance vendor if they can perform cross-product and cross-market surveillance between all venue combinations, what instrument relationships they can monitor, and how they do it. Complying with MAR depends on it.

NICE Actimize's out-of-the-box market surveillance models detect the manipulation of instruments across products and markets, enabling firms to comply with MAR, avoid costly fines and protect the firm's reputation. When trade abuse occurs on an instrument, Markets Surveillance generates an alert and identifies the related instrument that may be affected.

Detect Manipulation  
Across Markets and Products



## 7. Does Your Solution Monitor Orders and Executions or Just Executions?

Certain forms of market manipulation can only be reliably detected by analyzing orders and executions. This includes quote stuffing, fictitious orders and momentum ignition. Many surveillance solutions analyze only executions, leaving you exposed to an array of violations. Monitoring both orders and executions also helps to detect intent. Get the facts – and monitoring of orders and executions – before you buy.

All NICE Actimize market surveillance models monitor both orders and executions, enabling you to detect all forms of market manipulation, including quote stuffing, fictitious orders and momentum ignition.

## Monitor Orders and Executions to Detect Sophisticated Forms of Manipulation

## 8. Can You Accurately Detect Insider Trading?

Insider trading violations can destroy a firm's reputation and cost hundreds of millions of dollars. The threat is particularly acute for hedge funds, where it's not unheard of for a single insider trading violation to bring down an entire firm. Because insider trading is tricky, models designed to detect it are often plagued by excessive false positives. This is especially true of models that trigger alerts based solely on price movement. To accurately detect insider trading violations, make sure your insider trading models analyze news source and sentiment as well as price movement.

NICE Actimize has sophisticated models to help firms, including hedge funds, accurately detect insider trading and minimize false positives. Our models are more accurate because they analyze price movement, news type and sentiment together, unlike 'trigger-happy' models which just analyze price movement. NICE Actimize transforms insider trading detection into a true science by correlating alerts generated by our sophisticated models with communications data including emails, chats and voice conversations.

## Accurately Detect Insider Trading



## 9. How Can You Reduce False Positives?

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 and can lead to undetected market manipulation and sizeable fines. Most surveillance products have a one-size-fits-all approach to alerts – the alert thresholds are the same for every firm and each instrument. This approach is illogical and produces a lot of false positives. For example, the annual daily volume (ADV) for a small cap instrument is different than the ADV for a large cap – so why is the large order alert threshold the same for both? Ask your vendor whether they can minimize false positives by tailoring alerts to your trading activity.

NICE Actimize's Markets Surveillance effectively detects market manipulation and reduces false positives by enabling firms to create rules and tailor alert thresholds based on their trading activity. Thresholds can be customized for alerts focused on orders (large order entry, front running, ramping), exchanges (specific sector) and clients (market makers). Our configurable rules engine is so easy to use that you can create rules and adjust thresholds on your own.

Customizable Rules Engine  
Reduces False Positives



## 10. How Do You Protect Our Data?

Ask the vendor to provide documentation on their security approach (including their encryption methodology, penetration testing, and industry certifications). Testing should be done at the application and network (internal and external levels), and at the network penetration level, several times a year. To protect your firm, also make sure that any solution ensures strong encryption of your firm's data (while at rest or in transit). Advanced Encryption Standard (AES) is the gold standard used by governments to protect their classified information. Finally, assess the vendor's commitment to security - are they certified for SOC and ISO standards? Find out if data security is a necessary evil for the vendor or part of their culture.

NICE Actimize is dedicated to protecting our customers from security vulnerabilities that cause regulatory, reputational and financial damage. This is why NICE Actimize takes extra steps to ensure a secure, certified approach to surveillance. Our products are subject to rigorous external network, internal network and application penetration testing. Network penetration testing and vulnerability scanning is performed quarterly, and following any significant change in the network such as firewall modifications or the installation of new components. Application penetration testing is performed annually as well as after application upgrades or modifications. Encryption is provided at rest and in transit, so data is always secure. Like the US government, Markets Surveillance utilizes AES encryption to protect a client's data. Clients can choose full disk encryption (AES 256 bit) or encryption of customer added fields and attachments (AES 128/256 or 3DES symmetric key). NICE Actimize is ISO27001 certified and NICE Actimize Services are regularly audited according to SOC2, meaning that our security approach is tested, verified and part of our culture.

Certified, Audited and  
Secure Services



## 11. Can You Address My Other Compliance Requirements?

Utilizing one platform to address multiple types of financial crime (trade compliance, anti-money laundering and fraud) and lines of business - wealth management and institutional trading - can dramatically improve efficiency and reduce costs. A single Financial Crime and Compliance platform enables compliance to do more with less, reduce costs and hit internal benchmark objectives. Don't settle for a collection of point solutions. Look for an integrated platform and vendor that's a leader across each of these disciplines, not a one trick pony.

NICE Actimize's market leading trade surveillance, AML and Fraud solutions are all delivered on a single Financial Crime platform and case manager. This creates a consistent and efficient investigative process across the firm's trade surveillance, AML and fraud teams. It also drives down costs by reducing your infrastructure, training and support expense.

One Platform for Trade Surveillance,  
AML and Fraud



## 12. Why NICE Actimize Markets Surveillance?

Low Total Cost of Ownership



Holistic Surveillance



Award Winning Case Management



Flexible Deployment Options



Proven OTC Models



Cross-Product and Cross-Market Surveillance



Intent and Insider Trading Detection



Lower False Positives



Leading Security Approach



Market Leading Financial Crime Solutions





## 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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