A 1LoD report

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The Surveillance
LEADERS' NETWORK

FORECAST

November Meeting, London

AI in Communication Surveillance:
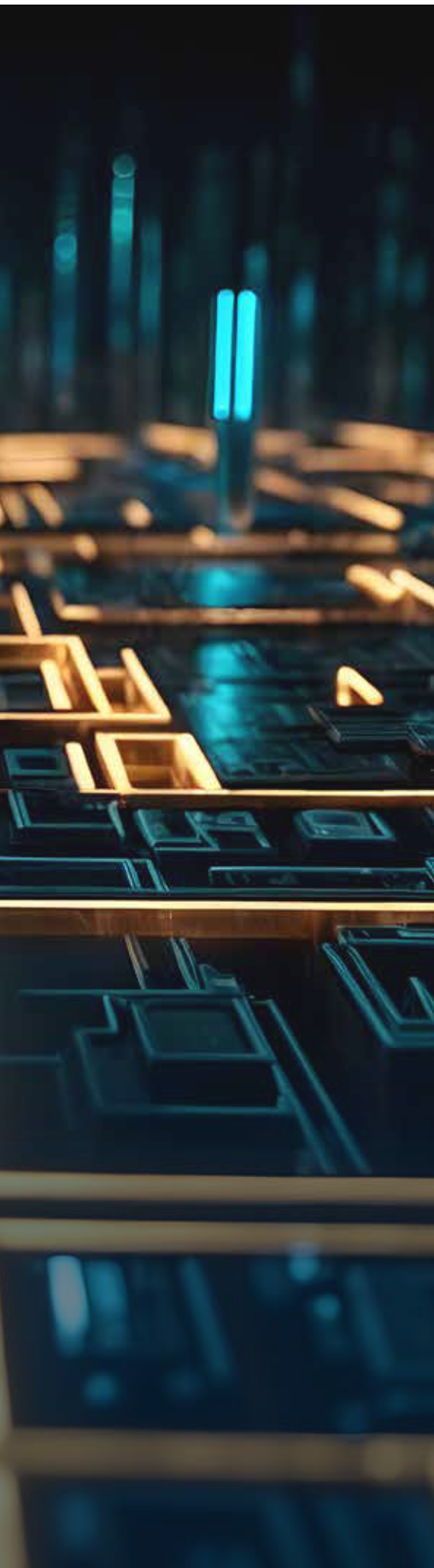## Balancing Progress, Compliance, and Long-Term Promise

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Key takeaways

Artificial Intelligence (AI) in voice surveillance has improved transcription accuracy significantly, reducing costs by up to 40%, but the benefits are not yet universally realised.

Regulators now demand 100% data coverage, leaving no room for gaps, with particular pressure in the US where zero-tolerance regimes are increasingly common.

Collaboration across the business, compliance, middle office, and IT is essential, but siloed operations often hinder progress, limiting the effectiveness of large-scale re-platforming efforts like centralised data lakes.

While AI offers opportunities for behavioural analysis and anomaly detection, implementation challenges persist, especially in integrating with legacy systems and ensuring data quality.

Economic pressures are driving firms to consolidate with larger, more reliable vendors, although this poses challenges for niche platforms critical to certain markets.

Participants emphasised the long-term promise of AI but noted that achieving its full potential requires sustained investment, transparency, and alignment with broader organisational strategies.

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The Surveillance Leaders' Network at XLoD Global – London kicked off with a conversation that centred on the role of AI in transforming communications surveillance technologies within the banking sector.

The discussion began with reflections on the progress AI has made in voice surveillance. Traditional tools were described as "going from legacy solutions with very low accuracy rates" to systems capable of delivering "transcription that works to a very high effectiveness." These improvements were seen as enabling "a significant increase in coverage at relatively low marginal cost," with some organisations experiencing "roughly...30 to 40% cost reduction." However, the benefits were not yet universal. As one participant noted, while transcription accuracy had improved, it was not yet clear whether this "directly translates into cost reduction."

Participants debated the evolving nature of workforce demands because of AI adoption. "The number of alerts is reducing," one speaker observed, "but the amount of time taken to handle some of the alerts [is] increasing." This is owing to the higher quality alerts that are being generated. This in turn has led to a reshaping of roles, with fewer staff required for basic tasks but an increased reliance on highly skilled SMEs. "It's a tough sell to management," one participant noted, adding, "you have to be really confident that your experts are actually worth the increased cost."

Several contributors highlighted that the financial benefits of AI-driven tools were likely to emerge only over time. "The short-term impact is probably not a material increase in efficiency," one speaker stated, suggesting that savings might become more apparent in a few years' time. Another remarked that AI might primarily provide "cost avoidance" by expanding coverage into areas where human expertise was limited, such as foreign languages. "You cannot have expertise for every single language," one participant explained, "but that's where AI comes in." However, implementation challenges persist, with one speaker noting that "building systems to work out when people are not speaking in a language that's recognised has often produced excessive noise and inaccuracies."

The conversation then turned to regulatory expectations, which have become more stringent, particularly in the US. Participants remarked on a shift away from risk-based approaches towards a demand for comprehensive coverage. "It's not an exact science," one contributor said, "but regulators expect that if you've got people in a location, the expectation is to cover that location." Another observed, "when it comes to regional differences, the US (regulation) is so hardline when it comes to communication surveillance, whereas the Europeans ostensibly seem more relaxed and encouraging." A particular challenge has been achieving linguistic coverage, with one speaker explaining, "the regulators want to know every single language that your swap-dealers are communicating in."

Despite the challenges, participants were optimistic about the broader applications of AI in the sector. These went beyond compliance, with AI being used for behavioural analysis and anomaly detection. "It's not just about compliance," one speaker said. "you

can build out profiles of individuals, track changes of behaviour over time, and look at surveillance in a very different way." However, there was caution about the ethical and legal implications, particularly with profiling. "Trader profiles," one participant noted, "is a terrible, terrible word because the AI Act goes completely against profiling." Instead, participants mentioned the ability to create desk or floor profiles rather than creating individual 'profiles'.

Data quality emerged as a recurring theme, with participants emphasising its importance for successful AI integration. "Most of the time we're spending right now in implementations is on data flow, data integrity, and data quality," one speaker remarked. Another added, "We don't know what exactly data looks like in the backend when you're looking for surveillance and what's in the front end." Without addressing these issues, AI tools risk producing flawed or unreliable outputs. Participants also stressed the importance of expertise, with one contributor noting, "the nature of surveillance functions has changed, and we are hiring analysts that are market experts, ex-traders, understand Python, and can train an AI model."

Collaboration between vendors, risk functions, and the front office was highlighted as essential for advancing AI capabilities. "It's an opportunity lost if you don't join up the front office," one participant argued. Another stressed the importance of aligning use cases across departments, explaining that "embedding AI with what is being done across

other risk functions could help generate collective buy-in for investment." However, vendors were also encouraged to adapt their offerings to meet the specific needs of banks. "We need smaller, more specialised models that are tailored to our use cases," one speaker said, adding that "large, general-purpose models are too expensive and unwieldy."

Despite the hurdles, there was consensus that AI had the potential to fundamentally enhance surveillance effectiveness. One participant summarised the sentiment: "It's a journey. The benefits will come, but it requires sustained investment and a lot of upfront resourcing." Another urged organisations to "think more widely" about AI's potential, suggesting that "finding more needles in the haystack" should remain the ultimate goal of communication surveillance.

The debate concluded with reflections on the path forward. Participants acknowledged the significant challenges that remained, particularly around regulatory compliance, data quality, and resource allocation. However, they also expressed optimism about the possibilities that AI could unlock. "We're in a paradigm shift," one speaker remarked, "driven by the expectations of regulators and a better understanding of ourselves." For those willing to invest in the long-term development of these technologies, the potential rewards – from enhanced compliance to broader organisational insights – were seen as substantial.

This information was taken from the Surveillance Leaders' Network event at XLoD Global - London on 13 & 14 November 2024.