

The Smarsh logo features a stylized white icon of a person with arms raised, followed by the word "smarsh" in a lowercase, sans-serif font with a registered trademark symbol.

smarsh®

The 1LoD logo consists of a white inverted triangle containing a smaller white triangle, followed by the text "1LoD" in a bold, sans-serif font with a registered trademark symbol.

1LoD®

The Rise of the Surveillance Bank

E-Comms Surveillance

FORECAST 2022



The rise of the surveillance bank

Key takeaways:

- **62%** of surveillance professionals say there are potential gaps in the surveillance of their communications due to the proliferation of channels
- **81%** say that their bank will increase investment in surveillance over the next three years
- **69%** say that their bank is considering expanding the scope of e-comms coverage beyond Sales & Trading
- **70%** believe that communications surveillance will encompass the majority of a bank's employees within the next five years



“An industry leading event where seasoned professionals and experts debate topical surveillance issues. Critical topics include the present and future regulatory landscape, emerging conduct and regulatory risks in financial markets, and harnessing technology/innovation to stay ahead of the curve. It is a must attend for any surveillance compliance professional.”

OLUWASEUN OKUNRIBIDO, SURVEILLANCE OFFICER, NATWEST MARKETS

Banks are tightening their surveillance of various communications channels and extending the scope beyond traditional boundaries. This reflects concerns over the banks’ broader culture and a clampdown by regulators.

1LoD’s recent e-communications Deep Dive was set against the backdrop of two key themes – the wellpublicised enforcement actions over the unmonitored use of WhatsApp, and the banks’ equally public adoption of tracing software on bankers’ mobile devices. The fines – and the recent statements from regulators – have changed the surveillance debate.

The result? As a first step, those employees who are regulated will be subject to more intrusive monitoring. As one participant put it, “I think regulators know the holiday’s over, the pandemic has slowed down, and now they’re back on target to actually start digging in deep into our surveillance programme. They’re going to keep digging, and the fines are going to keep coming.”

This puts the emphasis on the comprehensive capture of communications and on ensuring that everybody who must be monitored is indeed covered. More than 60% of the attendees of 1LoD’s Deep Dive event accept that there are gaps in their communications surveillance coverage. This is no longer acceptable.

Fixing this shortfall implies increased investment simply in establishing the right levels of coverage of regulated employees: 81% of the Deep Dive participants say that their bank will increase investment in surveillance over the next three years.

There will have to be investment in new tools, too. Full coverage means a big jump in the volume of communications under surveillance

as more people, more markets, and more types of communications channels (especially video-based collaboration tools), will have to be captured and analysed.

Banks are already onto this. More than half of the attendees (56%) say that they are actively moving towards AI and more advanced automation tools. Another 37% say they are doing this selectively for key parts of the business.

Banks and regulators are also moving towards a view of conduct and culture that directly links broader employee behaviours to the specific examples of misconduct contained in regulations covering market abuse. As one regulator admitted, “I am a big proponent of conduct culture surveillance, particularly in the application of behavioural science techniques to the surveillance process.”

Bankers agreed: “As we all know the population, we mainly look at those performing regulated activities. But our risks do not stop at that particular population. So, we are evolving and looking at how we can leverage e-comms to make it broader and so more effectively mitigate risk across the organisation,” one banker explained.

Deep Dive attendees confirmed these views: 69% say that their bank is considering expanding the scope of e-comms coverage beyond Sales & Trading and 70% say that communications surveillance will encompass the majority of a bank’s employees within the next five years.

This information was taken from the e-comms Deep Dive on 24 & 25 May 2022.

CHART 1

I believe that communication surveillance will encompass the majority of a bank's employees within the next 5 years:

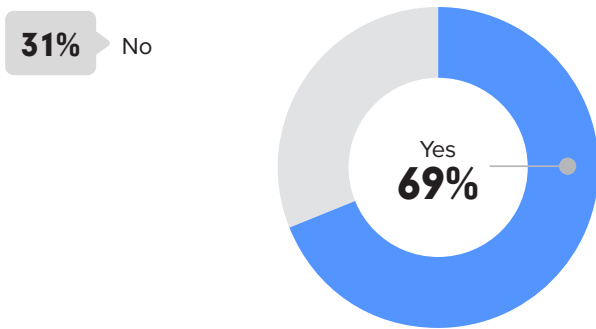


CHART 2

Over the next 3 years, I expect communication surveillance investment to:

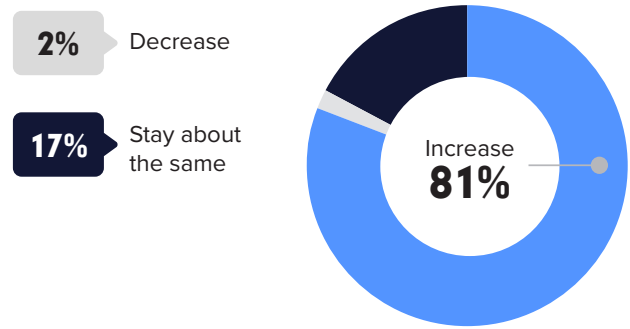


CHART 3

Is your company's policy towards bring your own device now changing?

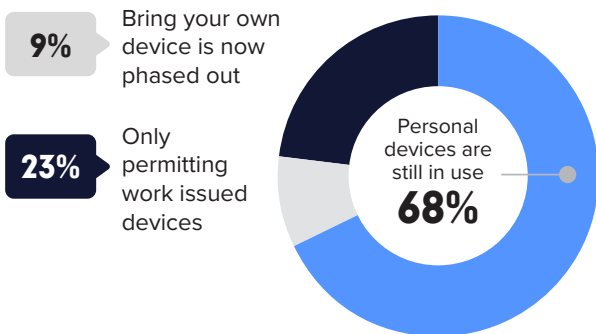


CHART 4

Are you considering expanding the scope of ecomm coverage beyond Sales & Trading?

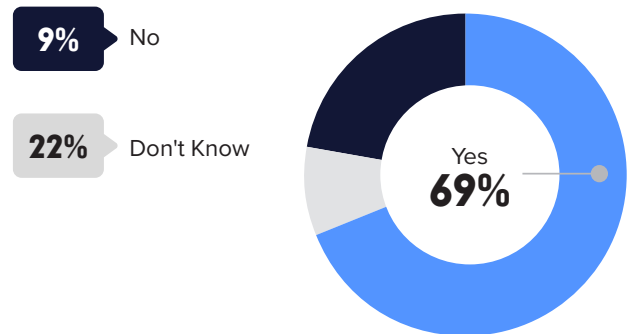


CHART 5

Do you believe there are potential gaps in your comms surveillance coverage due to the proliferation of channels?

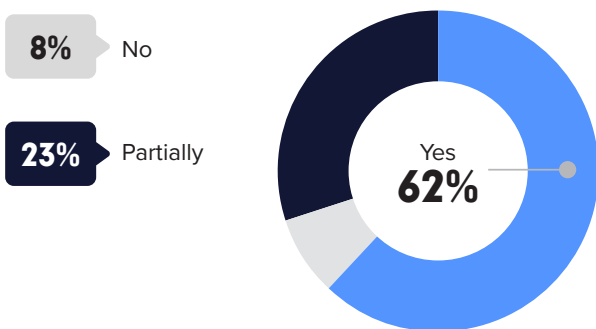
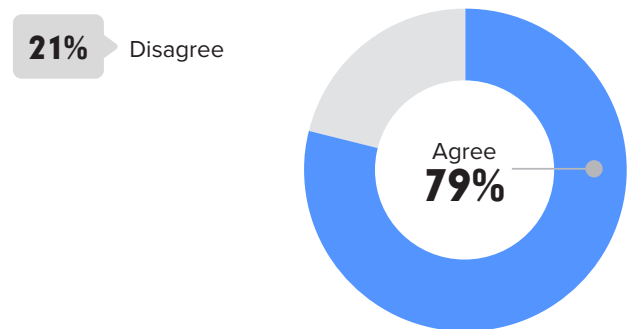


CHART 6

I believe that regulators are supportive to banks' efforts in taking a risk-based approach to surveillance:



"I find these Deep Dive sessions both rich in information and also good to hear from peers and their challenges which do not appear so different from ours"

**TERESA WILSON, HEAD: MARKET ABUSE SURVEILLANCE,
STANDARD BANK**

CHART 7

Under a risk-based approach, I think there is a strong case for firms to stop surveilling lower risk individuals:

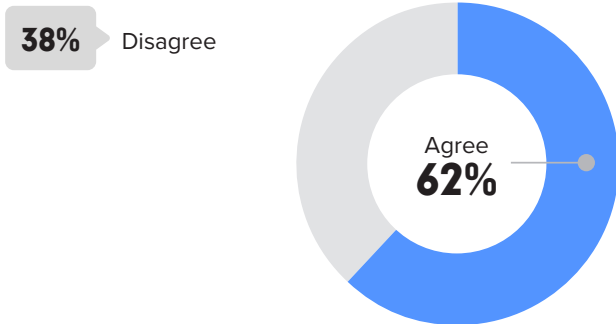


CHART 8

My organisation is moving from lexicons and sampling to using AI, machine learning and advanced communications surveillance algorithms:

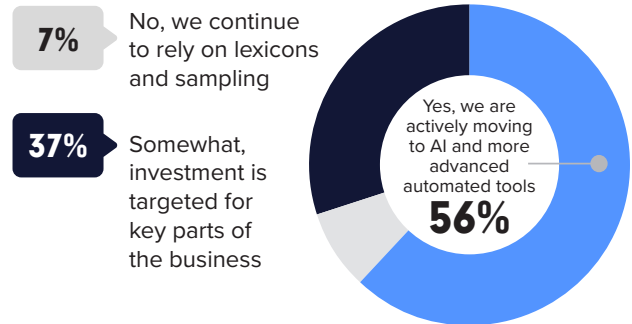


CHART 9

My organisation has effectively adjusted its communications surveillance program to adjust for the increased volumes and venues brought on by home-working

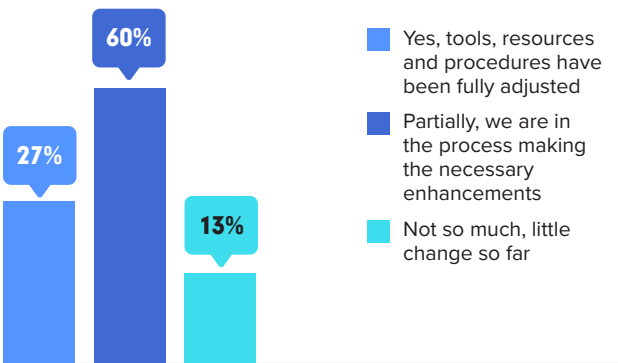


CHART 10

What is the primary driving force which is influencing communications surveillance activity in my organization?

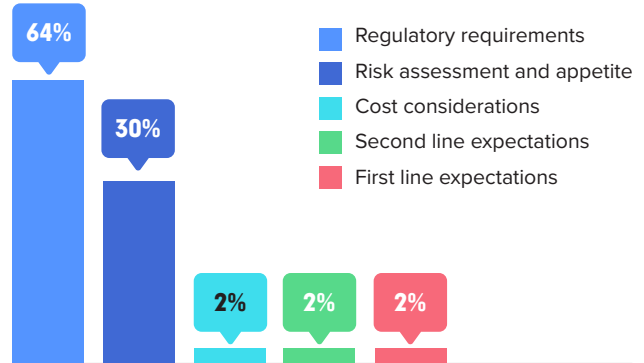


CHART 11

What best describes the scope of my jurisdictional responsibilities:

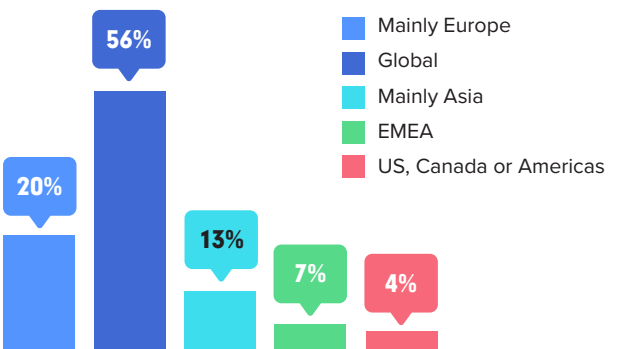
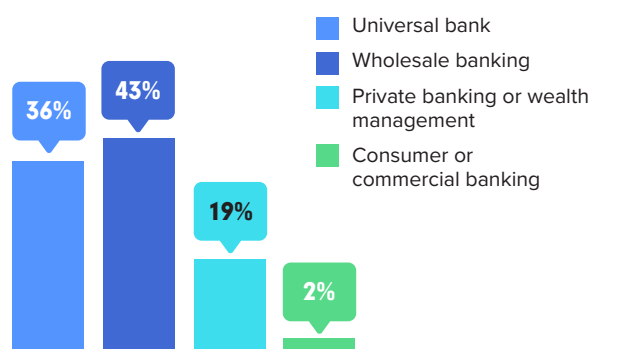


CHART 12

What best describes my direct business area:



“This E-Comms Deep dive was well structured to understand industry best practices with regard to E-comms Surveillance. It was also helpful in understanding that the challenges faced across peer groups are the same, and we are all working to find the best solutions. These sessions are really helpful in framing our firm’s strategy for the future.”

SHYAMSHANKAR SURESHCHANDRA YADAV,
IB CONTROLS AND REGULATORY COO, CREDIT SUISSE



smarsh®

1LoD®

Find out more about upcoming events and browse
1LoD Knowledge Hub for the latest insights.

www.1LoD.com