NICE · ACTIMIZE eBook

4 Reasons to Move Trade Surveillance to the Cloud

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Introduction

2020 has left an indelible mark, not just on everyday life, but on how we conduct day-to-day business. From Main Street to Wall Street, COVID-19 created a mass exodus from the office to reimagined virtual work environments. With the need to adapt to new working styles and situations, secure, reliable and cost-effective cloud solutions have come to the forefront.

"We've seen firms that had been reviewing projects on a six to nine-month timescale before the onset of the pandemic, suddenly fast-tracking their cloud plans," said Chris DeNigris, Director of Product Marketing for NICE Financial Compliance. "And with 76% of financial services firms claiming they'll likely retain some level of remote trading structure for the foreseeable future, the Cloud won't be going away."

While the shift may have accelerated out of necessity, it isn't the only reason that FSOs, which have traditionally lagged behind other sectors in cloud adoption, are making the move now. The Cloud can be a catalyst for: spurring innovation; bringing new products to market quickly; creating new revenue streams; leveraging new technologies like AI to generate insights from data; right-sizing for changing market demands; improving resiliency and business continuity; and last but not least, delivering incredible efficiencies and cost savings.

"With 76% of financial services firms claiming they'll likely retain some level of remote trading structure for the foreseeable future, the Cloud won't be going away"

The Cloud's Ascending Adoption in Financial Services

Numbers tell the story of the Cloud's ascending adoption in the financial sector. According to a survey by Refinitiv, financial institutions around the globe indicated that they planned to allocate almost half (48%) of their IT budget to spending on public cloud services in 2020, up significantly over previous years.

Another article in Bloomberg reported that FSOs are expected to spend $500 billion globally on information technology by 2021, with a significant portion anticipated to be funneled into hybrid cloud adoption.

And this piece in S&P Global further makes the case that for banks, cloud adoption has morphed from blue sky thinking to economic necessity. The trend is accelerating worldwide, but it's particularly strong in the Asia/Pacific with IDC estimating that some 40 percent of FSOs in the region are already running workloads and IT jobs in multi-tenant public Clouds.

> **"Financial institutions around the globe indicated that they planned to allocate almost half (48%) of their IT budget to spending on public cloud services in 2020"**

Cloud: Powering the Digital Transformation of Surveillance

As regulated firms cope with the added complexities of remote work and new communication modalities, it should come as no surprise that they're also turning to the Cloud to power their digital transformation of surveillance too.

According to Greenwich Associates, compliance weaknesses exposed by COVID-19 are driving increased spending on surveillance technology (expected to exceed $1.5 billion in 2021). And connected to that trend, in a separate survey, 70 percent of firms said that they fully expected their surveillance to move to the Cloud within two years.

> **“Compliance weaknesses exposed by COVID-19 are driving increased spending on surveillance technology”**

4 Reasons to Move Trade Surveillance to the Cloud

1. Instant Scalability

During the COVID-19 outbreak, financial markets experienced unprecedented volatility and this volatility still persists today. The coronavirus aftermath continues to rattle markets, and swings are anticipated for the foreseeable future.

Of course, market swings are joined by spikes in trading volumes which can stretch surveillance systems to the limit. When faced with surging trading volumes, on-premise surveillance systems, which have fixed capacity and processing power, could cause you to miss SLA targets, delay or miss identifying risks altogether, or worse, even crash.

On the other hand, adding surveillance capacity to on-premise systems to address these temporary spikes can generate large, unanticipated capital expenses, time pressures and headaches.

And then, what do you do with that extra capacity you've already paid for, when the crisis is over?

Implementing surveillance in the Cloud solves these problems because the Cloud makes surveillance infinitely scalable.

You simply pay-as-you-go, the equivalent of 'renting' the server space and capacity needed. If trading volumes go up, your surveillance can instantly scale up too. There's no need to procure, install and commission more on-premise hardware. Your surveillance system is no longer constrained by the programming power of the 'box' it runs on, as complex processes and applications can be spread across multiple servers, if necessary.

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"Cloud makes surveillance infinitely scalable"

Cloud-based surveillance also makes it easy to add broader conduct surveillance capabilities that require many disparate datasets and sophisticated AI-based analytics. In an on-premise world you'd have to stand up different systems to address a myriad of conduct issues – suitability, trade surveillance, comms surveillance. It's all seamless and centralized in the Cloud.

Need to add new communication modalities (like mobile phones and unified communications)? With on premise systems, this would again involve adding servers, capital expenses and operational complexities – not so with the Cloud!

> **"Cloud-based surveillance makes it easy to add broader conduct surveillance capabilities"**

4 Reasons to Move Trade Surveillance to the Cloud

2. Time-to-Value

The value of IT is measured in the value it delivers to your business. You may not think of surveillance as delivering value, but in an environment where surveillance is a regulatory necessity, it's inextricably linked to your business. It can save you money, help make you money, and protect your reputation and bottom line.

When it comes to onboarding new surveillance technology, there's no faster way than the Cloud. Consider that the typical onboarding process for a new on-premise surveillance solution can take months. With cloud surveillance you can get up and running four times faster.

With the Cloud, you can also easily extend your surveillance to new asset classes too.

This isn't as easy in an on-prem environment. Asset classes are governed by different regulatory requirements, which require different surveillance models and data inputs. With on-premise solutions, the process of adding new asset classes to your surveillance solution needs to be internally managed and prioritized by your IT department. They have to purchase and install new hardware and software, deploy new analytic models, source market data, and maintain and upgrade the system over time.

Cloud surveillance solutions remove these barriers by providing built-in risk detection models that cover all regulations and asset classes, as well as connections to hundreds of data sources, including market and trading data (at no additional cost). Adding new asset classes is as easy as flipping a switch which means you can deploy new asset classes and start creating additional revenue streams right away.

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"With cloud surveillance you can get up and running four times faster"

With surveillance in the Cloud, your firm also benefits from customer feedback and best practices that are continually built back into the solution, as well as new AI-powered analytics that can drive more efficient and effective surveillance.

You can also innovate using a DIY analytics self-development tool. You can develop, test-drive and deploy your own custom alert detection models in record time - a capability only available in the Cloud.

Finally, as new regulations emerge you can leverage purpose-built cloud surveillance solutions to address regulatory gaps, instead of risking fines and reputational damage.

Your firm can also realize benefits and cost savings by having access to newly released features faster, without having to manage, or wait to schedule on-site upgrades.

> **“Realize benefits and cost savings by having access to newly released features faster”**

4 Reasons to Move Trade Surveillance to the Cloud

3. Lower TCO

According to a survey from [Datometry](), cost-cutting tops the list of the reasons why enterprises choose to adopt the Cloud. It's a strong motivator for financial services firms too.

But if you're not ready to completely commit to the Cloud, some surveillance solutions, like NICE Actimize's [SURVEIL-X](), offer a migration path from on-premise, to hybrid on-premise or private cloud, or if you really want to lower your TCO, to a pure cloud solution.

By leveraging a cloud-native solution, you get everything you need all in one platform for an affordable subscription fee, with zero up front capital outlay and predictable costs. There's no need to purchase and commission servers, software and infrastructure, hire on-site staff to manage upgrades or maintain equipment, as all updates are managed by the provider's Cloud Services Organization remotely.

Several large tier 1 banks that have already deployed cloud Surveillance report that they have been able to reduce their compliance costs by between 20 and 30 percent (on-prem compared to in the Cloud) which, in one example, equated to an estimated $12 million+ in savings over 5 years.

Firms also benefit from no footprint, faster deployment, hassle free upgrades, seamless scalability, improved resiliency and security and streamlined innovation, with the ability to right-size surveillance programs to meet changing market demands.

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"Several large tier 1 banks that have already been able to reduce their compliance costs by between 20% - 30%"

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4. Data Security

When it comes to adopting new technology, especially cloud-based technology, security is a prime concern. Financial services firms have been historically slow to turn over their data to outside cloud providers.

But the truth is – even though on-premise solutions elicit images of servers on 'lock down,' this can actually create a false sense of security.

On-premise servers are in fact very vulnerable, and that can put your surveillance program at risk. For example, servers can be mis-handled by disgruntled employees, or not adequately updated to fight off newly-emerging cyber security threats.

Data security in the Cloud, on the other hand, is handled by the cloud provider, and Cloud is all they do. But this means, when you consider a cloud surveillance solution, the cloud provider's approach to security needs to be key part of the equation too.

NICE Actimize's Cloud Surveillance solution, SURVEIL-X, is hosted on the AWS (Amazon Web Services) Cloud. AWS is architected to be the most flexible and secure cloud computing environment available today, with a core infrastructure built to satisfy the security requirements of the military, global banks, and other high-sensitivity organizations.

AWS is backed up by a deep set of cloud security tools, with 230 security, compliance, and governance services and features, and supports 90 security standards and compliance certifications, along with the ability to encrypt data.

In fact, many leading financial services companies around the world trust AWS to manage their data, including: FINRA, Thomson Reuters, Barclays, CapitalOne, DTCC, DBS, Liberty Mutual, State Street, and many others within the banking, payment, capital market, and regulatory communities.

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"Many leading financial services companies around the world already trust AWS to manage their data"

Learn More

Interested in learning more? We invite you to click on the links to additional resources below:

SURVEIL-X - Brochure

The Future of Surveillance - eBook

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.

www.niceactimize.com/compliance   compliance@niceactimize.com