



Greater Visibility into Trading Floor Communications Saves This Bank \$7 Million in Projected Investigation Costs

Forcepoint helps the financial institution meet SEC compliance challenges created by traders' use of personal messaging channels and web forums.

In the highly regulated world of investment banking, new communication channels like Skype and WhatsApp, and web forums like Investopedia, are raising the risk of widespread abuse, whether through insider trading, fraud, or leaks of sensitive company information. This bank's operations and compliance leadership knew they needed a better way to stay close to trader conversations and safeguard the trading floor.

CUSTOMER PROFILE:

This international banking group has a presence in more than 70 countries. In addition to retail activities, it is also a leading global investment bank.

INDUSTRY:

Financial Services

HQ COUNTRY:

France

PRODUCT:

Forcepoint Behavioral Analytics

Closer view of trader communication ensures compliance

According to recent reports in the *Financial Times*, the FBI is becoming increasingly concerned that Wall Street traders have found a way to turn encrypted communication apps to their advantage when it comes to illegally exchanging insider information.

From email and text messages to Skype chat and Snapchat, every year brings a new way to share experiences, memes, and—for investment bankers—trading tips. That's why it can be such a challenge for financial institutions to ensure that all trading communications comply with Securities and Exchange Commission (SEC) regulations on insider trading. Failure to prove compliance can cost companies tens of millions of dollars in penalties. With so much at stake, this bank embarked on a partnership with Forcepoint to build a program to modernize and optimize its monitoring technology.

Encryption, according to John Casale, an assistant special agent in charge of complex financial crimes in the FBI's Manhattan field office, is a "growing problem overall." This is in large part because banks must keep a record of any and all communication taking place on the trading floor.

Monitoring technology goes from outdated to highly calibrated

The bank's monitoring technology was obsolete and required a high level of manual intervention to identify and investigate potential compliance issues. With essentially just an email archiving system, investigators had to build lists of words indicative of insider trading activity and conduct manual searches within the archives to build cases. Not only did this solution not cover the full spectrum of modern communications channels, it also offered no systematic ways to flag potential indicators of fraudulent behavior.

"Investigators would have to search through what could amount to several years' worth of email archives to piece together an investigation on a person of possible interest," explained Forcepoint Account Executive Charles Keane.

These time-consuming investigations, a vast majority of them false positives, were costing the bank millions of dollars. But, more importantly, operations and compliance leaders knew they needed to do more to meet their compliance commitments. They needed a solution that would provide a robust picture of trader activity and communications, with deeper context into what was really happening on the trading floor.

Ingesting more data to get a fuller picture in less time

The bank's leadership invited Forcepoint to join them in a collaborative effort to build a stronger, more effective compliance program. "We essentially built a brand-new program that we were confident would provide them the peace of mind that their business was safe," said Keane.

The bank played an active role in customizing the product to their business needs, in some cases educating the Forcepoint team on exactly where they needed visibility and monitoring. Keane explained, "We looked to them for guidance as to which data sources were most important to their day-to-day business." That added detail to a contextual understanding of the user, contributing to a more holistic picture of the environment at large.

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CHARLES KEANE, FORCEPOINT ACCOUNT EXECUTIVE



Challenges

Fully meet SEC compliance regulations by a predetermined deadline.

Optimize investigations through reducing false positives.

Hiring and retaining a large staff of sufficiently skilled investigators.



Approach

Develop a tailored program along with efficient workflows leveraging Forcepoint Behavioral Analytics to achieve a more holistic view of trader behavior.

With one of the broadest sets of data ingest sources for full contextual awareness, Forcepoint Behavioral Analytics puts the bank closer to its traders.

By ingesting old email data as well as other electronic communications like Skype chats, Bloomberg terminals, and more, those data sources can be analyzed for potential indicators of insider trading activity. And with natural language processing to analyze unstructured data, like the contents of email and chat messages, the bank can monitor all information that its traders send and receive. When all of these data sources are compiled and analyzed, a very clear picture of behavior and context begins to emerge.

“In addition to communications data, we started the conversation about some non-trade floor ingest sources that could be interesting to the platform; for example, web proxy logs,” Keane said. Web forums like Investopedia.com are more and more frequently being used to trade information that is not publicly available, so patterns of behavior that include visits to the site could be indicative of potential insider trading activity.



66%

reduction in false positives



\$7million

saved annually in staffing cost

The ability to customize Behavioral Analytics means that tuning to business needs doesn't have to be—and isn't—a one-time, static process. As the bank leans into its new system and continues to refine its needs and use cases, two Forcepoint data scientists remain embedded in its offices to help improve the analytic models on a daily basis. And, to make the bank's transition as seamless as possible, Forcepoint built an investigation workflow that fit into the bank's existing structure, minimizing disruption to the business.

False positives drop 66% to dramatically reduce investigation time

The bank quickly saw positive results when it successfully met its SEC deadline for demonstrating compliance. It has bolstered its ability to recognize patterns of behavior and to identify situations of concern more quickly—making it much more attuned to its traders and their activity on the floor.

This improved compliance monitoring had several other positive benefits for the business as well. False positives have been reduced by 66%, leading to significant optimization in the investigation process. Unlocking these efficiencies will save the bank an estimated \$7 million annually in investigation staffing.



Results

- › **Proven** SEC compliance
- › **66% reduction** in false positives
- › Approximately **\$7 million saved** annually in staffing cost