Front Office Supervision and Trade Monitoring – Detect, Analyse and Escalate

Do You Know What Story Your Data is Telling You?
How Will Front Office Supervision and Trade Monitoring Benefit Your Organisation?

Bursa Malaysia organised a Front Office Supervision and Trade Monitoring Conference on 20 October 2016 attended by 121 participants from 30 Participating Organisations and 18 Trading Participants. The conference brought together Head of Compliance, Head of Dealing, representatives from the SC and BNM and industry experts from Australia and UK for one day of interaction.

Our speakers, Amanda and Andrew, who were previously regulators of ASIC brought a unique blend of experience in the market in both roles - as industry participant and regulator and shared technical know-how and the Australian perspective on the subject matter. Graham and Ruk, Partners at PwC UK with strong knowledge of market abuse, shared a blend of data and technology and their regulatory and internal control expertise.

The programme covered the following modules:

- **Building and maintaining an effective monitoring and surveillance programme in practice** - The speakers walked through a 5 step approach for building and maintaining an effective monitoring and surveillance programme in practice – (1) informed risk and industry standard assessment, (2) technology vendor evaluation and selection (3) pilot phase (4) implementing operating model and (5) run, optimise and embed.

- **Data analysis, analysis of trends and spikes and moving beyond manual** - The speakers defined the key elements of market manipulation, shared what makes a good surveillance tool and approaches to detecting market manipulation. We discussed 6 common types of market manipulation (window dressing, wash trading, churning, layering, spoofing, and pump and dump) and red flags to watch out for, followed by facts and key takeaways on equities and derivatives case studies, covering marking the close and spoofing respectively.

- **Pre and post trade monitoring for market abuse** - The speakers shared from the Australian perspective on regulatory and trading landscape, impact of change on trade monitoring and regulatory response. They also covered approach to pre-trade monitoring and post trade surveillance including calibration of filters and the complexities involved. Case study on ABN Amro was discussed with a demonstration of market replay showing disorderliness in the order book.

- **On the future of surveillance** - The speakers had 9 predictions for the future of surveillance – (1) bid data driven surveillance, (2) emergence of a new generation of surveillance solutions, (3) reduction in eComms false positives, (4) voice transcription replacing phonetics, (5) behavioural analytics, (6) analysis of social media – true 360 view of employees, (7) the rise of data scientists, (8) a move to outsourcing and utility models, and (9) front to back compliance.

To questions from participants, our speakers shared their views on human capital requirements for front office supervision and monitoring moving forward and the seriousness of regulatory breeches regardless of market liquidity.

From left to right : Lim Hui Mei (Equity Surveillance, Bursa), Cindy Sim Theng Siew (Equity Surveillance, Bursa), Kuldip Singh (Derivatives & Bond Surveillance, Bursa), Graham Ure (Partner, PwC UK), Andrew Tait (Director, MIntegrity), Amanda Mark (Director, MIntegrity), Rukshan Permal (Partner, PwC UK), Vaithiyanathan Madavan (Equity Surveillance, Bursa), Lee Siew Thong (Market Surveillance, Bursa)