

## Voice trading compliance - the way it should be

Gavin Davis, CEO, enepath

Despite the massive growth we have seen in electronic trading over the last twenty years or so, many traders - particularly those covering asset classes other than equities, or trading any kind of structured, non-standard instruments - still rely heavily on voice-based communication. Participants in these markets still need to talk to each other, and that requirement is not going to go away any time soon.

This continued reliance on voice presents a number of regulatory challenges, however. Unlike electronic trading data, which comes with very clear audit trails - meaning that it is a relatively simple task for regulators and compliance staff to pinpoint specific trades and their associated quote and order flows - trades negotiated and transacted over the phone are far more difficult to isolate and track. This makes it a lot trickier to perform any kind of regulatory or compliance activity against them.

For any bank, broker, trading or investment firm that engages in voice trading, this is a concern. Regulatory compliance is high on everyone's agenda at the moment, particularly in UK and Europe with the MiFID II deadline fast approaching. MiFID II impacts a wide range of areas right across the trading logistics chain, from pre-trade quoting and price transparency, through best execution and trading surveillance, to post-trade transaction reporting and record-keeping.

If firms want to continue operating in the market, they will have no choice but to comply with these new regulations. But that does not mean that they will have to stop trading via voice or indeed do everything electronically or algorithmically. Far from it, in fact.

Recent advances in turret technology, speech recognition, voice-to-text conversion, data analytics, and trade reconstruction software, are now enabling voice-trading firms to continue communicating in the way that they and their clients are used to, while remaining fully compliant across the lifecycle of the trade.

Much of this can be attributed to the vastly improved call recording quality that is now available in the latest generation of "hybrid" dealerboard turrets, which combine intelligent software with dedicated hardware. Unlike legacy turrets, which typically record multiple speakers to a single channel and compress the audio so that it is virtually unintelligible, the latest turret technology allows every person speaking to be recorded as an individual audio channel, in uncompressed, pristine digital format.

This ability to record multiple channels in excellent HD audio quality facilitates highly accurate conversion of voice-to-text, in real time, using the latest speech recognition techniques.

Not only that: once the voice information is available in text format, it can be indexed, categorised and structured, along similar lines to electronic trading data. It can then be analysed, proactively monitored, and recalled for trade case reconstruction, again in real-time.

One more important thing to keep in mind with this technology is that it does not just enable voice-trading firms to comply with the latest regulations. Critically, it allows firms to treat voice as data, which means that their voice communications can be fully integrated with other data flows within the organisation.

enepath is currently working with Insightful Technology, and their compliance software solution, Soteria<sup>™</sup>, to make complying with regulations and supporting local and global retention policies much less of an issue.

This ability to tap into data that previously would have been lost, or at least impossible to find, will give firms the edge they need in order to stay both competitive and compliant in the post-MiFID II landscape.