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DIRECT FEEDS

Benefits of Direct Brokerage Feeds for Employee Trade Monitoring

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If your firm relies on paper statements or on indirect broker feeds to meet its obligations for employees' personal accounts and transactions, there's a better alternative. Utilizing direct brokerage feeds can benefit both the compliance department and employees, making the process easier, more reliable, cost-effective and secure.

Key Takeaway

Direct feeds are the most reliable, accurate and secure way to collect and review your employees' brokerage account data. With direct feeds you have complete control over your data, maximum visibility into the health and status of your data, and the greatest levels of security with end-to-end encryption.

Understanding Direct Feeds

When you work with a compliance technology firm that has established direct brokerage feeds, the broker carrying the account sends electronic data files to your firm's compliance system directly through a secure connection. Data files include the holdings and transaction activity for all of your firm's employees' accounts held at that broker.

Why Consider Using Direct Feeds?

Industry regulations governing employee trading are intended to ensure firms and their employees aren't engaging in insider trading, or in transactions that could otherwise be perceived as conflicts of interest to the firm.

As is the case with other industry rules, regulators haven't mandated how firms must comply with personal trading requirements. Instead, each firm must implement policies and procedures reasonably designed to help them comply, and to prevent, detect and correct violations.

In very small firms with just one or two covered employees, reviewing paper transaction statements or indirect broker feeds may still be an option. However, in doing so, there is always the potential that something will simply be missed or overlooked by the reviewer. This can put the firm and the CCO at risk. In larger firms, trying to review employees' trading by any means other than through direct broker feeds is unwieldy at best.

Benefits to Employees

Using direct brokerage feeds provides a seamless experience for your employees. Once they have reported their accounts and the compliance department has requested the direct feeds, employees won't need to worry about reporting transactions or providing physical account statements.

This is welcome news for employees who are used to providing transaction and holdings reports by sharing paper statements or uploading PDFs of their statements to the compliance department every quarter.

Direct feeds also provide a much more user-friendly experience than the credentials-based approach, also known as indirect feeds. When a firm uses this approach, employees need to provide online account login credentials for their employer firm to access holdings and transaction information. When those indirect data links break down either because an employee changed passwords or because the brokerage firm made systems updates, employees need to re- supply the compliance department with their account information.

Employees want to comply with your firm's policies and procedures. When you provide direct brokerage feeds for personal transactions, you're making it significantly easier for them to do so.

Some compliance platforms provide a limited number of direct brokerage feeds. ComplySci clients enjoy direct brokerage feeds from more than 200 brokerage houses and clearing firms, making it easy to allow employees to keep their existing accounts and broker relationships while providing a simplified process for compliance supervision and oversight. Of course, some firms may still choose to limit the number of brokerage firms where employees can maintain accounts for simplicity's sake and to manage expenses.

Benefits to Compliance and Supervisory Personnel

In firms without direct brokerage feeds, those charged with overseeing the firm's personal trading policies can carry a heavy burden. Verifying that the firm receives statements for every account on a quarterly basis or that indirect feeds work as intended can be time-consuming and frustrating, as there is almost inevitably follow-up action required. When using direct brokerage feeds, the compliance department won't need to expend time and resources chasing down copies of employees' account statements or badgering employees to provide login credentials.

Combing through manually-reported data or data received from indirect fees also comes with a significant risk that information will be overlooked or inappropriately disregarded. While that risk is still present with direct brokerage feeds, it's not as likely.

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Spot Potential Issues and React Nimbly

With some indirect brokerage feeds and with manual reporting processes, the compliance department may not see employees' transactions until weeks after the transactions have settled. This can mean that potential issues, if there are any, are stale by the time they are reviewed and questioned.

In contrast, direct brokerage feeds are batched and received each night as one consolidated data file. A single data file from each broker also means data reported is more consistent and reliable. Being able to rely on data quality and integrity means the compliance staff doesn't need to spend time reconciling numbers and can instead focus on transaction review.

Security and Confidentiality

The direct brokerage feed environment also allows compliance personnel and employees to be more confident that personal account information
is secure. System-to-system direct feeds are encrypted and don't rely on employees' individual login credentials.

Electronic feeds also eliminate the need for employees to produce – and for compliance departments to retain – paper account statements or manually-created transaction reports. Such manual methods require an additional level of security measures to ensure only authorized personnel can access the physical or electronic files. With direct brokerage feeds into a compliance technology platform, user security can be defined and changed with just a few mouse clicks. This can provide added peace of mind to compliance and risk offers and to employees.

Comply with the Spirit and Letter of the Law

Using an automated compliance technology solution for managing personal trading allows your firm to establish its own business rules for the data you're receiving.

Powerful analytic capabilities can highlight transactions that are outside established firm parameters so compliance personnel can review them in greater detail. Alerts, insights and configurable dashboards allow reviewers to make the most out of reported data, viewing and using transaction information as a tool rather than
as a chore.

A Scalable Way to Ensure Compliance Today and in the Future

Monitoring employees' personal trading accounts and transactions by relying on indirect feeds or paper statements can be more than an exercise in frustration for compliance personnel; it can put your organization at risk.

Implementing a compliance technology solution with direct brokerage feeds will give your compliance team the tools they need to effectively monitor and manage personal trading policies today, and will allow your firm to continue to add personnel without materially impacting supervisory efforts for personal trading in
the future.

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ComplySci is a leading provider of technology solutions that help compliance organisations identify, monitor, manage and report on conflicts of interest arising from employee activities, including personal trading, gifts and entertainment, political contributions, outside business affiliations, and other code of ethics violations. Founded in 2003 by early pioneers in the development of automated compliance management solutions, ComplySci is now trusted by over 1,400 customers, including some of the world's largest financial institutions. Compliance Officers rely on ComplySci's scalable and sophisticated platform to stay ahead of risk.

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