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DEALHub Case Study: Compliance Gap Forces Bank to Act

Regulatory compliance requirements force banks to act

With the advent of more onerous regulatory body legislation such as SEC rule 17a-4, NASD 3010 / 3100, Sarbanes Oxley (SOX) and The Financial Services and Markets Act 2000, plus other directives and anti-money laundering legislation, there is more and more pressure on financial institutions to log and maintain adequate records of dialogues no matter what the source or what medium is used for the dialogue. Indeed, in many cases, companies must keep a record of every communication entering and leaving the organisation whether they are paper-based, emails, instant messaging (IM) or phone calls.

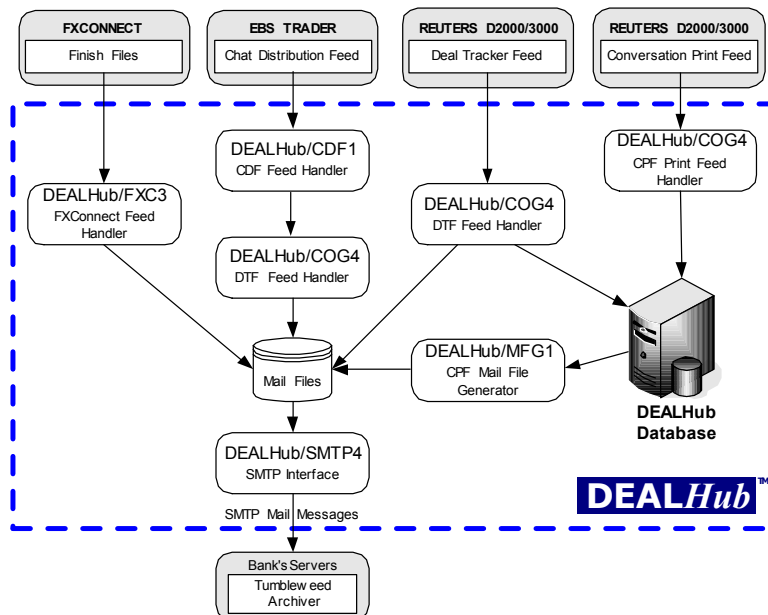
Furthermore, recent legislation imposes a requirement for frequent audits (by sampling / snapshots) of IM and email traffic to be carried out by banks' compliance departments / management and for inspection by external authorities at 48 hours notice.

Many banks already have systems in place that support the archiving of general IM and email traffic. But, it is not always realised that various dealing services (e.g. Reuters Dealing and EBS Trader along with other platforms such as State Street FXConnect) fall within the general scope of IM, even though some of them substantially pre-date the ubiquitous general purpose IM facilities that are prevalent today. Consequently, it is all too easy for banks to omit, albeit inadvertently, to keep appropriate records; leading to risks to the business and the possibility of fines for non-compliance.

DealHub/Archive plugs the compliance loophole

The key to plugging this gap is DealHub/Archive. This low cost secure central repository can log and store dealing conversations from multiple sources in a SQL Server database ready for direct interrogation using the DealHub's powerful DHView query tool or for delivery to a central IM / email archive. DealHub's ability to support feeds from a range of diverse dealing sources and map the conversations and tickets into a standard format makes DealHub unique in the FX marketplace.

Many of Option Computer's clients already use DealHub's archive for normal operational duties such as supporting investigation of out-trades and settlements investigations. Compliance requirements have added a new dimension to the DealHub archive at little or no cost to these banks, resulting in compliance being achieved with ease.



However, many banks still use conversation printers. Not only do these incur significant overheads (see www.dealhub.com) but fundamentally fail to address the compliance requirements – not least because accessing the, often incomplete, paper records is slow and error prone.

Option Computers was approached by one such bank that was urgently looking for a solution which would handle conversation feeds from Reuters (combining Reuters DTF and conversation print feeds), EBS and State Street FXConnect, whilst feeding to an established Tumbleweed email archive via SMTP. Using largely off the shelf components a DealHub solution was implemented within weeks.

DealHub meets regulatory body requirements (such as those of the Federal Reserve and the Bank of England) in terms of data retention, data quality, time stamping (per line for Reuters conversations), query analysis and reporting and provides the ability to archive to highly resilient WORM (Write-Once, Read-Many) media on a scheduled basis. DealHub is currently in use for SEC compliance in several customer locations as a sole application, and also as a facilitator of data transfer to e-mail compliance products.

DealHub now also has an Intervention Engine which supports automatic or manual interventions on conversations and trades based on user defined rules.

Benefits

In implementing the DealHub solution, not only has the Bank ensured that it easily meets regulatory body compliance requirements but also achieved the additional benefits of eradicating dealing room printers (thus saving on human resources and space as well as optimising dealing code up-time and providing a platform for resolving investigations in a fraction of the time).

About Option Computers

Founded in 1985, Option Computers (www.dealhub.com) is a leading provider of software solutions and services to trading and back office operations. DealHub, the flagship product, is targeted at FX trading operations ranging from single locations through to complete global operations. It provides extensive real-time conversation and trading monitoring, including statistics on customer interactions and dealing code usage, whilst its multi-source deal capture capabilities provide for STP from the front office right through to back office systems. All activity is archived, thus supporting investigation of out trades etc. DealHub is used by 5 of the top 10 banks at 18 locations globally.

External sources supported by DealHub include Reuters Dealing, EBS Spot, EBS Trader, EBS Prime, AVT, TIB Mercury, Voice Broker DDN, FXall, Currenex, FX Connect and Garban ICAP ETC as well as in-house trading platforms.

In addition, DealHub/Connect is a cost cutting alternative peer-to-peer FX dealing solution designed to integrate counterparties, branches and FX dealing portals without the need for routing via expensive FX dealing networks.

For more information contact:

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