

Dear Sirs,

I read with interest your publication on 12th September 2018 regarding RegTech in the Securities Industry. The section regarding the move from rules-based systems to predictive risk based surveillance models is well observed and well timed. We have seen a significant number of tier 1 banks moving from their existing rules based approach to our risk based models. This is partly due to the move by the SEC in a similar direction and partly as a result of the large number of false positives of the rules-based approach.

Following the request for comments from interested stakeholders in Section IV of the report, I would make one, hopefully useful, observation of this move that was not included. As a result of the move towards risk based models, brokers have started to be able to cooperate on improving a single model. Previously each institution would have its own set of rules meaning that the same fact pattern would produce different results in the same tool. With a move to model based approaches, it is possible for the vendor to curate the model and improve it with each additional helpful suggestion from the clients. This means that all surveillance and compliance officers across the industry are all pulling in the same direction simultaneously. As a result, the rate of change and improvement of the models is orders of magnitude higher than with the rules-based approach.

TradingHub is now installed at around 50 regulated institutions including large tier 1 banks like UBS and HSBC. We also engage with a number of regulators globally analysing their datasets with our tools. We have previously discussed doing likewise with FINRA (Kathy Kidd and Omar Morillo copied).

Let me know if you have any questions about our products, approach or feedback on the current state of the market.

All the best,

David

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