

2007

Simple monitoring of trades only, equities-focussed, single-market centric.

MIFID

MAR

2016

Amid a more complex market structure, MAR requires monitoring of orders as well as trades for all instruments admitted to a trading venue.

MIFID II

2018

Significant market structure change extended to many other asset classes, requiring liquid instruments to be traded on a trading venue or SI, combined with the requirement for real-time monitoring by algorithmic traders and DEA providers.

A SEA CHANGE IN SURVEILLANCE

IMPENDING REGULATION AND NEXT GENERATION TECHNOLOGY DRIVES NEW WAVE OF MONITORING

Having charted a course through ever-more sophisticated access to electronic markets, continually shifting market structure and tighter regulation, surveillance faces its biggest wave of change to date. However, next generation technology can meet this challenge head-on, whilst also reducing risk, improving business value and operational efficiency.

CHOOSE AQUIS TO NAVIGATE STRAIGHT THROUGH THE NEW WAVE OF REGULATIONS

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TECHNOLOGIES

A Sea Change in Surveillance

Impending regulation and next generation technology drives new wave of monitoring

High frequency trading, algorithmic trading and liquidity fragmentation - the past decade has seen a significant rise in sophistication and speed across many aspects of trading. The same market structure changes that have created an environment for these to flourish have also prompted a rising tide of more prescriptive risk and compliance regulation.

Pre-MiFID I, the surveillance of primary-market-only activity was simpler and manageable. Real-time monitoring platforms were necessary only at Exchanges where the intent to manipulate was visible on single order books. The calmer waters of lower electronic trading volumes meant manual intervention was feasible, and kill-switches were considered positively futuristic.

With complexity and speed comes risk. Navigating the plethora of new venues that have emerged during the post MiFID I era has forced participants to embrace more sophisticated access to electronic markets, with the introduction of smart routing and algorithmic execution on dark and lit liquidity. Within compliance, the more pro-active of market participants began to react to increasingly sophisticated strategies and related abuse by building more capable controls and detection. Inevitably, over that 10 years the regulation adapted too. Market Abuse Regulation (MAR) in 2016 was the watershed - the response to the realisation that detection of rogue trading needed to be as sophisticated as the trading itself.

Navigating the Perfect Storm

For many still coping with the outturn of MAR, the approach of a deeper, more complex weather-front in the form of MiFID II could be the ultimate challenge. It will further test the fitness and appropriateness of market participants' systems and governance for the voyage ahead.

In particular, the very stringent requirements of RTS6, applicable to anyone involved in algorithmic trading or offering direct electronic access to markets, takes order and trade surveillance to new levels. For First Line of Defence operations, the visibility of real-time, cross-venue and multi-asset flows will require them to have highly scalable systems able to cope with significant fluctuations in throughput. Furthermore, the pace of market change will also necessitate the need for platform flexibility, ensuring the ability for market participants to optimise their surveillance scenarios on an intraday basis, in order to avoid drowning in false-positive indicators.

Many trading firms are starting to recognise that navigating these far choppy waters with legacy technology is no longer appropriate. To those newly impacted, the sea change in requirements might seem overwhelming but in fact the opportunity for green field implementation at such a turning point in terms of available solutions is indeed very beneficial.

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Next generation surveillance

The emergence of powerful real-time trade analytics platforms, combined with the use of artificial intelligence and access to vast historic (in some instances virtualised) tick and trade data repositories has underpinned much of this change. Likewise, next generation surveillance technology has the ability to reduce risk, improve business value, and with greater operational efficiency. All of which has been achieved against a backdrop of fast moving and significantly more onerous requirements. The result – comprehensive, performant and intelligent monitoring is now more easily achievable, from a few important perspectives:

1. Real-time surveillance at T+1 cost

Simple integration, cloud-based hosting and innovative market data licensing have significantly reduced cost elements that hamper traditional surveillance platforms. Real-time monitoring, now an explicit requirement of RTS6, is not only achievable but also significantly improves effectiveness and visibility.

Intra-day manipulation of alert parameters reduces erroneous output, thus minimising noise. Similarly, real-time reports make access to data for investigation more flexible and useable.

2. High Performance – simplicity out of complexity

Surveilling more asset-classes, across multiple business lines and flows to facilitate true multi-asset, cross-venue monitoring requires a platform that scales, and on which day-to-day changes can be quickly and nimbly deployed.

Back-testing on the same infrastructure as scenario-replay capabilities makes optimisation simple and timely. Platforms built from the ground-up with regulatory accountability at their core, make for fully audited and compliant workflow, whilst enabling valuable insight into trading analytics.

3. Professional Intelligence

Keeping alert logic and scenarios current is critical to the success of real-time surveillance. Next generation technologies allow new logic to be deployed without the overhead of big system upgrades. Deploying new alert scenarios should be turn-key and regular - built and shipped by practitioners for practitioners – and with the flexibility to fine-tune once deployed. Out-of-the-box scenarios built for Trading Facilities, Systematic Internalisers and Market Participants alike.

The Aquis Market Surveillance (AMS) next-generation platform is designed, built and run by professionals with years of regulated market experience, specifically to meet the demands of those electronic trading participants of all sizes. With innovation at its heart, the AMS platform is built for flexibility and performance. Aquis Technologies' unique approach to integration and deployment is key to delivering top-class but affordable surveillance capabilities. A highly configurable user interface, report suite and real-time alerting have already made it the preferred choice for market professionals looking to navigate the stormy waters ahead.

About Aquis Technologies

Aquis Technologies offers a suite of trading, surveillance and financial software for businesses seeking to operate a public exchange or an internal matching system. Aquis Technologies' multi-asset class market surveillance system is available as a stand-alone service, ideally suited for trading firms that need to monitor their own trading activity on a real-time and T+1 basis. All of the technology has been developed in house. ♦