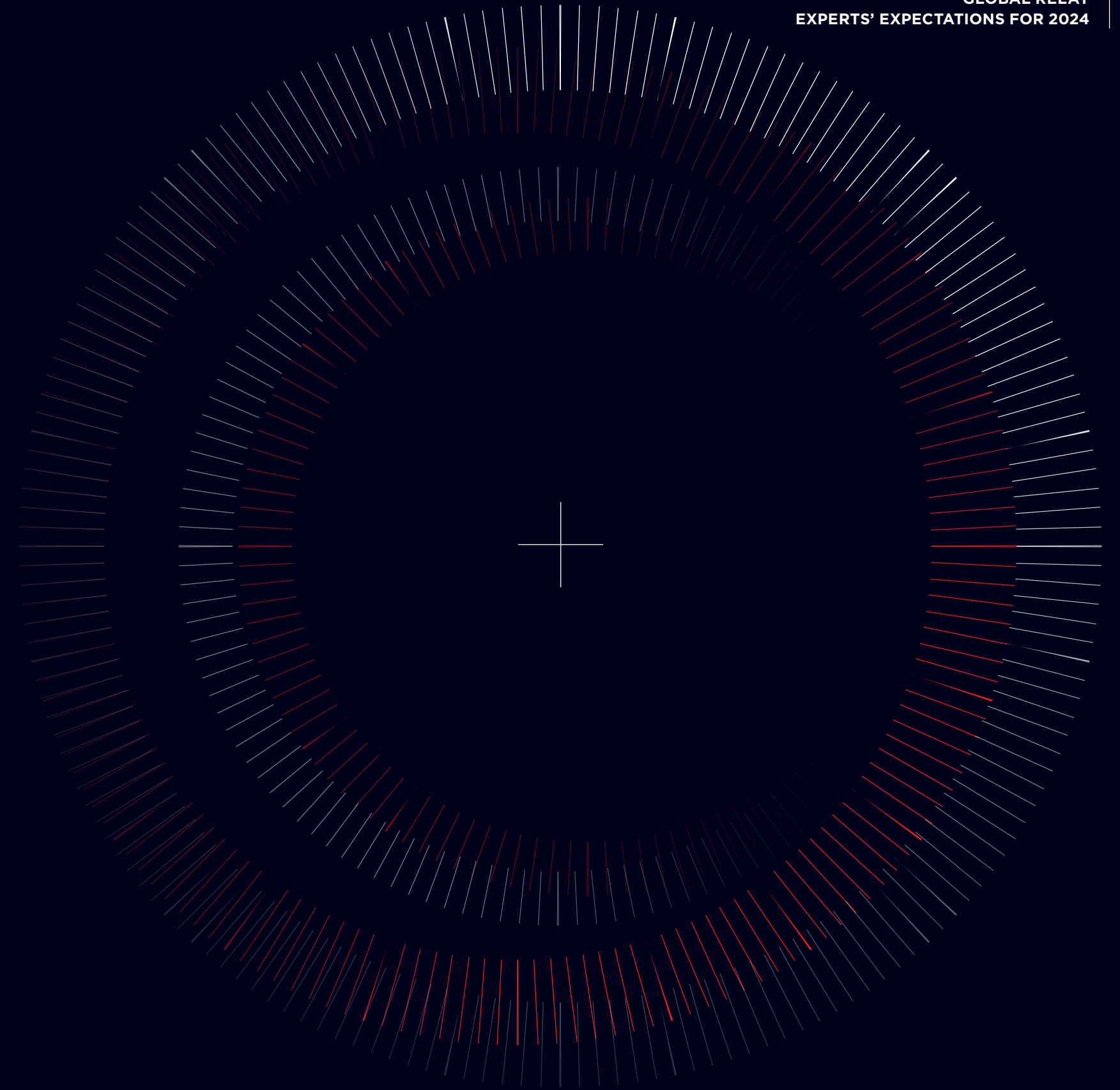


Global Relay experts' expectations for 2024





Alex Viall
Chief Strategy Officer

Will we see a continued regulatory focus on communications compliance in 2024?

U.S. regulatory enforcement was a runaway train over the last two years, and there will be no tolerance for recordkeeping failure beyond the banks, broker-dealers, and asset managers hit in the first wave. What is more interesting is the extent to which regulators around the rest of the world adopt the same approach. My prediction is that they will supervise compliant communications more rigidly, but only enforce where there is actual damage, or where a firm is manifestly failing to capture the comms that it uses for business. Continual innovation and proliferation of messaging platforms will create more headaches for compliance teams as they scramble to ensure all are captured and monitored for business purposes.

How do you feel the regulatory and industry responses to AI will change over the course of the year?

The mania behind generative AI will subside as more of us actually evaluate to what extent it can help us to improve our lives and jobs. The appetite to regulate AI will have a huge impact on the speed at which innovation can continue to be unfettered. Currently, there are strong disparities emerging at the national level that will shape the landscape in the long term. Regulators will want more 'explainability' than ever on how a model works, what data it was trained on, and the extent to which it is supervised.



Never has the conduct risk of all employees, but especially senior management, been more in the eye of shareholders, regulators, the public, and employees than now.

Will regulators continue to focus on conduct and culture throughout 2024?

This issue has always been a risk, but it seems to have grabbed the headlines in 2023 more than ever - and is not going away. Never has the conduct risk of all employees, but especially senior management, been more in the eye of shareholders, regulators, the public, and employees than now.

What trends do you think 2024 will bring for the finance sector and regulation?

Operational resilience will shoot to the top of the financial priority list and be a term that the C-suite will become familiar with this year. The huge impact of initiatives like DORA and its global equivalents will drive more finance companies towards bigger tech vendors in an effort to reduce their third-party risk.

The regulatory arms race to 'own' crypto will be fascinating to watch, but the institutionalization and gentrification of the market will continue. The fact that 'protected funds' such as Bitcoin ETFs will be formally regulated may see crypto as an asset class start to be a genuine alternative in more portfolios.



Rob Mason
Director, Regulatory Intelligence

Will regulators continue to focus on conduct and culture throughout 2024?

2024 is truly going to be the year of conduct risk. Last year included high-profile examples of conduct risk's impact, with BP's **Bernard Looney**, the odious **Crispin Odey**, Cboe's former **CEO Edward Tilly**, and the resignation of MP **Dominic Raab** to name a few, and all begging the question - who's next?

With ongoing scrutiny on relationships and behavior history, senior executives are under the microscope like never before across all organizations. This, in conjunction with the FCA prioritizing Non-Financial Misconduct with increasing frequency, as well as the Senior Managers Certification Regime (SMCR), will only add to the importance of conduct and managing this risk.

Selection and employment of new senior leadership positions will require another level of diligence to ensure no skeletons are lurking. This might see what is an already modest talent pool reduced further, making recruitment for the top jobs more challenging still. Monitoring employee behavior, especially through their communications, seems likely to expand from the selected population to a much broader set of colleagues and data types in order to seek to manage these risks effectively.

Which emerging channels and technologies might answer the question 'What comes after WhatsApp'?

What will be interesting to see is whether the primary UK regulator will take any action over WhatsApp, and also whether the other Euro regulators will - it's unusual they are missing out when the theme is repeated.

As for 'what's next', rumors are that voice is the next port of call for SEC - and it's unlikely just to stop here. Social media, and particularly LinkedIn as the channel of choice for financial services professionals, seem **likely next places to look**. LinkedIn, like other social media, is being used to self-publicize and also sell services and products. It is also a way of reaching someone where you don't have an email address or phone number, and is also commonly used for recruitment. More worryingly, it could be a means of covert, off-channel communication where a colleague doesn't want to use a monitored channel like email. It will be interesting to see how firms tackle social media channels, with one potential approach requiring employees within the scope of monitoring to give over all their social media contact details to their employer - even if these aren't routinely monitored, they can be reviewed periodically or as and when risk emerges.



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What's next: rumors are that voice is the next port of call for SEC - and it's unlikely just to stop here.



Chip Jones
Executive Vice President, Compliance

In terms of regulatory focuses for 2024, do you think we will see more of the same?

I see more of the same from U.S. regulators in 2024. Areas of focus will include off-channel communications, Regulation Best Interest and Form CRS, books and records, cryptocurrency, cybersecurity, and AI.

In the U.S., personal liability for Chief Compliance Officers (CCOs) will continue to be a concern. Numerous financial services trade associations, from NSCP to SIFMA, have raised concerns over CCO liability. In response, FINRA issued Regulatory Notice 22-10, clarifying when it would bring action against a CCO for “failure to supervise”. While Reg Notice 22-10 helped clarify the issue for CCOs, liability will continue to be on the agenda.

Books and Records will always be a focus of FINRA and the SEC. Exchange Act Rules 17a-3 and 17a-4, along with FINRA Rules 3110, 2210 and 4511, are not going anywhere. FINRA just recently devoted five pages of its 2024 Annual Regulatory Oversight Report to the topic, including a call out for possible continued enforcement activity around “off-channel communications”.

Will 2024 be ‘the year of voice’ when it comes to regulation?

Not in the U.S. - I do not see the SEC or FINRA focusing on voice anytime soon. In the U.S., the CFTC already requires voice recordings of registered swap dealers and FINRA requires voice recordings of the five broker-dealers currently subject to FINRA’s ‘taping rule’.

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Julie DiMauro
US Content Manager

Will individual accountability prove to be a continuing trend in 2024?

The SEC has pointed to how individual accountability is a key feature of its enforcement program going into 2024. As noted in its report on **enforcement results for fiscal year 2023**, approximately two-thirds of the SEC's cases in FY2023 involved charges against one or more individuals. In addition, to protect investors from future violations, the SEC obtained 133 orders barring individuals from serving as officers and directors of public companies – the highest number in a decade.

Will we see greater use of the SEC's Marketing Rule?

The Marketing Rule has been used already: the SEC **brought charges** against Titan Global Capital Management USA LLC in August 2023, and **nine firms** were charged in a sweep in September. All of these cases involved the use of hypothetical performance metrics in advertisements that were misleading.

Interestingly, the Marketing Rule is not an “ESG Rule” or in any way supposed to fill in a gap in rulemaking in the ESG arena. But it has clear implications for how corporate ESG-related representations can be portrayed to the investing public, since they seek to make firms accountable for how they entice investment from the public with labels, descriptions, and data.



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Daniel Yates

Business Development Manager, Voice

Will 2024 be 'the year of voice' when it comes to regulation?

Over the last 12 months, there have been clear signs that voice is becoming more of a focus. Regulators have been insisting that firms capture and store voice for recordkeeping purposes for some years now, so in the main firms are able to achieve this. But the voice recording requirement goes beyond landline telephone calls and trading turrets – now firms also need to ensure they are capturing all of their business voice channels effectively.

The second area of focus is around the monitoring and review of recordings. Unfortunately, it's not good enough to merely capture and store the data – regulators are keen to see that firms are monitoring and reviewing this data on a continual basis to capture any issues before they escalate. For smaller organizations, this can possibly be achieved manually, but in most cases, technology would be required to help focus in on the riskiest voice communications: and the FCA has already fined organizations for failing to ensure they had appropriate systems and controls in place to effectively detect market abuse related to voice channels.

Technology continues to evolve in this area, which not only increases its reliability and effectiveness, but also makes it more accessible for all levels of regulated firms. I think we can expect to see more fines in this area for those firms who've chosen to ignore the warning signs.

How can organizations begin to make sure their compliance posture is ready for the challenges of voice channels?

A good first step is to ensure that all voice channels that the firm's business users communicate through are recorded and stored reliably. This means any communication channel that is available, so firms should ensure they are diligent with their review of the voice channels in use and then capture and store these securely. Once capture and storage is achieved, focus should be turned to setting up proactive policies to filter and alert compliance teams to any suspicious communications.



Firms need to ensure they are capturing all of their business voice channels effectively.



Robert Nowacki
Technical Account Manager

What are your thoughts on the trends and challenges of AI through 2024?

There will be an increasing temptation to use generative AI for compliance purposes, such as scanning documents and communications in pursuit of potential breaches – we are already seeing this trend. The challenge is mainly in front of the regulators – how confident are they that AI is not going to ‘hallucinate’ or ignore real threats?

We are seeing increasing demand from financial institutions for regulators to start being proactive, rather than reactive towards emerging AI trends. I believe it will not be until 2025 that we see regulators setting boundaries around AI supervision – through 2024, I think the initial response will be focusing on market abuse via AI.

How can organizations work to ensure they minimize AI risks into the new year?

Financial institutions need to properly assess any AI tech they will consider for onboarding. It’s easy to hop on the AI bandwagon – but way harder to get off it. Companies must understand how AI models are being trained, and what (if any) the potential for AI bias is, as this is likely to become a big topic in 2024, as will explainability.

AI through 2024 will be comparable to the first autonomous car – many companies will tell you it’s okay to let the technology take over the controls, to use autopilot mode and fall asleep – but should compliance officers fully trust the tech and have their eyes shut at the wheel?



AI through 2024 will be comparable to the autonomous car – should compliance officers fully trust the tech and have their eyes shut at the wheel?

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