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State of Supervision

By Shaun Hurst

Managing the Legacy

Supervisory Review has undergone a significant amount of change over the past decade. We've talked to many review teams that are attempting to update policies, procedures and technologies to better respond to risks that arise from today's communications sources. Over a series of 5 blog posts, we will address some of these key challenges and what firms are doing to overcome them. We will start with an overview of the current state of supervision.

Many organizations are using supervision tools that they onboarded at the turn of the century. This was a time when email dominated the professional communication landscape, and as a result, the contemporary tools were all specifically built around email — though the quantity of email was nowhere near the levels it is today.

I worked in IT for a large banking organization from 2000 until 2015. I was there to see the growth of email, and the eventual shift to instant messaging and collaboration tools. In my first year working for the bank, the size of all my emails and attachments totalled 120MB. By the time I left, I was sending and receiving over 9GB of email content each year! In this same time period, the number of ways I could communicate grew as well — and supervision tools have been scrambling to keep up.

269 BILLION

THE TOTAL NUMBER OF EMAILS SENT AND RECEIVED EACH DAY NOW

BY 2021, THAT NUMBER WILL EXCEED **319.6 BILLION**[1]

Exploding Scope of Review

A MERE **54%** OF FIRMS HAVE WRITTEN SUPERVISORY POLICIES IN PLACE AROUND COLLABORATION PLATFORMS.[2]

The sheer number of ways we communicate today is mind boggling. I just took a minute to make note of the various ways I have communicated today and came up with thirteen different methods. And it isn't even lunch time yet!

Communications software like Slack, Cisco Spark, Symphony, and Microsoft Teams are changing the way we work. The increased productivity gained by using these applications is something that cannot, and is not being ignored by large, regulated organizations. However, these organizations now face a new challenge: how to best supervise these new communications channels.

Legacy supervision tools can no longer keep up with this changing landscape. Whether it is through the massive increase in message volume or the number of channels of communication, the creaking is growing hard to ignore.

Complexity Growing Exponentially

When planning supervision programs for your organization's modernized communications landscape there is a level of complexity to consider, not just with the various communication channels but also with the way the supervision products are configured. In the past there was a lucrative business around hiring a consultant to set up a supervision lexicon, rules, and triggers, as it was often too complex and time-consuming for compliance teams to handle themselves. That's a problem as the requirements around rules and lexicon change constantly, and compliance teams need to be able to modify and adapt the supervision rules themselves, quickly. Admittedly, today's compliance officer is likely to be more tech savvy than a compliance officer from even a decade ago, yet some of the legacy products would still look like hieroglyphics to them!

The Ongoing Challenges of Improving Efficiency & Accuracy

The increased responsibilities placed on modern compliance teams, with the larger scope and volume of content that needs to be reviewed, is only compounded by ever-changing regulatory requirements and oversight. Compliance teams are not growing as rapidly as the amount of data they must supervise. In fact, the opposite is happening. "Do more with less" is a common mantra. This means that efficiency and accuracy are key to a modern supervision solution.

Recently, there has been a lot of talk about machine learning or Ai helping to reduce false positives. This is because it is almost impossible to have a human review absolutely every item in a supervision workflow. There's just so much content, over so many additional channels, sent both internally and externally, that is critical to review to reduce risk of fraud and reputation damage. Automation, however, is not a magic bullet. The ability to transform an idea into rules and lexicons is even more important. Ai and machine learning are only as good as the information it is fed. The old adage of garbage in, garbage out holds true.

At an even more basic level, it is essential that the physical action of reviewing and searching content is swift. A delay of even 2 seconds per item reviewed adds up when you are having to review 500 communications each day. To achieve this, a solution must be specially designed from its very core to include a scalable, speedy backend, near real-time search indexes, easy yet powerful rules and lexicon capability, an intuitive GUI, and fast exports.

Being a compliance officer in today's highly regulated world is a daunting task. Implementing a powerful solution with capabilities to capture, search, and review all electronic communications no matter channel, device, or sender, and with speed and efficiency is critical to compliance teams. Regulated firms need to be on top of responses to litigation events and ahead of compliance deadlines. Using the right supervision tools can make all the difference.

1) https://www.radicati.com/wp/wp-content/uploads/2017/01/Email-Statistics-Report-2017-2021-Executive-Summary.pdf
2) https://www.smarsh.com/guides/2018-electronic-communications-compliance-survey-report-financial/

Shaun Hurst - Principal, Information Governance Practice at Smarsh, comes from a 15 year career at Citibank, with roles in Software Development, Project Management, Intranet Development & UI Design, Management and ultimately finishing his career as the Technology Manager for the Investigation and Security division for EMEA and ASPAC. In his last role at Citibank, as well as managing an international team, he used data science and analytics, communications analysis, link charting, and GIS analysis to detect and investigate fraud.