Trade Surveillance Solutions: Evolved, Effective and Essential

August 27, 2020

Executive Summary:



The persistent growth trajectory of the trade surveillance technology market has surprised many industry participants. In the years immediately following the 2008 global financial crisis, most markets (with the notable exception of Canada) were reluctant to adopt surveillance solutions despite the increase in regulatory mandates and growing focus on protecting market integrity. Major factors contributing to financial firms' cautious approach included regulatory uncertainty and lack of direct correlation to profitability. From a budgeting perspective, ROI can be difficult without an easily quantifiable "return" component.

However, the benefits of automation and advanced surveillance technology soon became clear, as did the consequences of failing to monitor trading activity and employee communications. Far beyond the threat of any regulatory fine, the consequences of reputational risk proved to be dire enough to drive more adoption of proactive surveillance and monitoring technology, resulting in an estimated 13% to 14% CAGR in global surveillance spending across financial industry segments.

As demand for surveillance technology increased, so did the influx of new entrants attempting to win share in this growing market. Clear market leaders emerged early on, but after a decade of focused development, customer demand for customization, market coverage, and data source integration has created increasing opportunities for emerging offerings to achieve market share footholds in various firm segments. In 2020, third-party surveillance technology solutions offer a variety of coverage options and price points, but the right match for a firm's specific needs can be difficult to discern.

Methodology:

Between March and June 2020, Greenwich Associates senior analysts conducted in-depth, proprietary analysis of vendor solutions, based on detailed information collected through a standardized request for information (RFI) process, as well as telephone interviews and live demo participation, with the nine vendors participating in this research.

Additionally, in the second quarter of 2020, we conducted over 30 interviews with U.S.-based representatives from banks, broker-dealers, buy-side firms, exchanges, regulators, and financial technology providers. These interviews focused on the operational and functional challenges experienced by compliance teams during the unfolding events of the COVID-19 crisis, and informed the qualitative analysis expressed in this report, along with other proprietary Greenwich Associates market research.



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