iCOOC Online Forum

Algo Trading Working Group

Rulebook Requirements
Addressing Market Wide Non-Proprietary Challenges
Model Risk Definitions

ARMSTRONG WOLFE™

Moderated By:
Maurice Evlyn-Bufton
Chief Executive Officer
Armstrong Wolfe

Co-Hosted By:
Natasha Bonner-Fomes
Global Head of eTrading NFR and APAC
head of Conduct and Front Office
Supervision, Markets and Securities Services
HSBC

Co-Hosted By:
Marcus Welling
Director, Electronic Markets
ING

Co-Hosted By:
Bianca Fernandez-Clark
Director, Electronic and
Algorithmic Trading Risk
RBC Capital Markets

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SME tactical to strategic solutions

Armstrong Wolfe Forum

Chatham House Rule

The goal of these forums is to address market-wide non-proprietary challenges and to provide a platform for the sharing of ideas across the industry

We operate our forums according to **Chatham House Rules**

- The aim is to create a safe space for sharing ideas and information, allowing you to speak freely.
- Any summaries produced by Armstrong Wolfe on the basis of these discussions will not contain any attributions, whether to individuals or companies

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Agenda

- Regulatory Rulebook Requirements

-Model Risk Definitions

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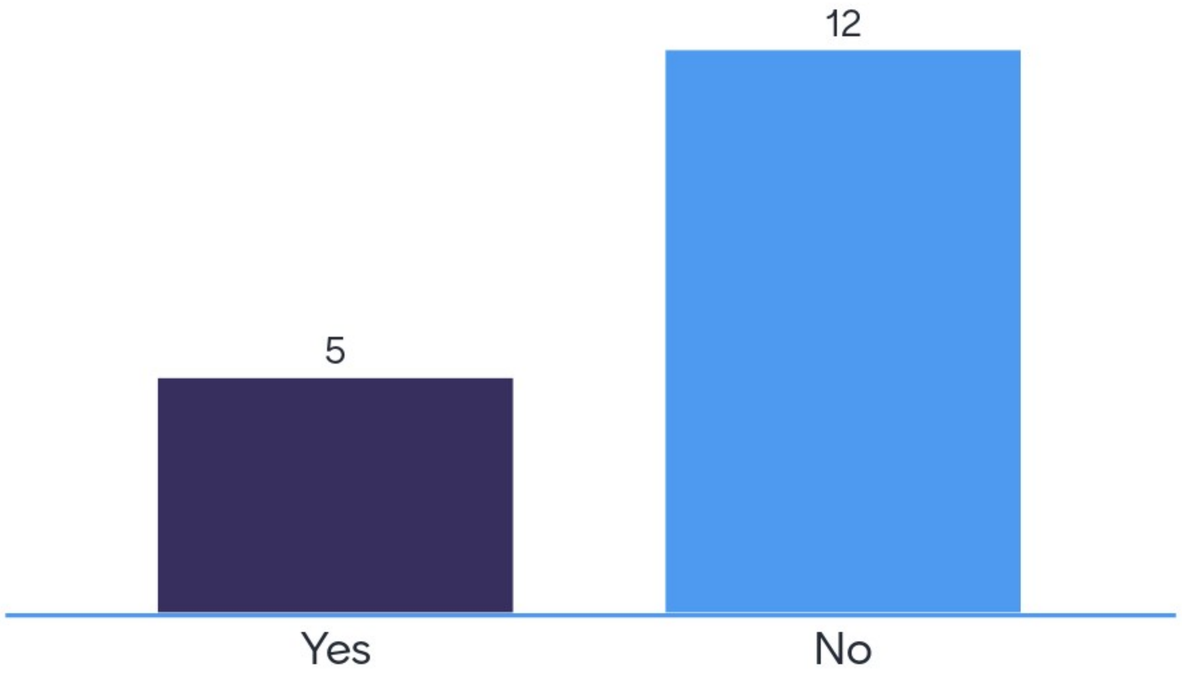
Has your firm built a control structure with audit trail to address rulebook requirements?



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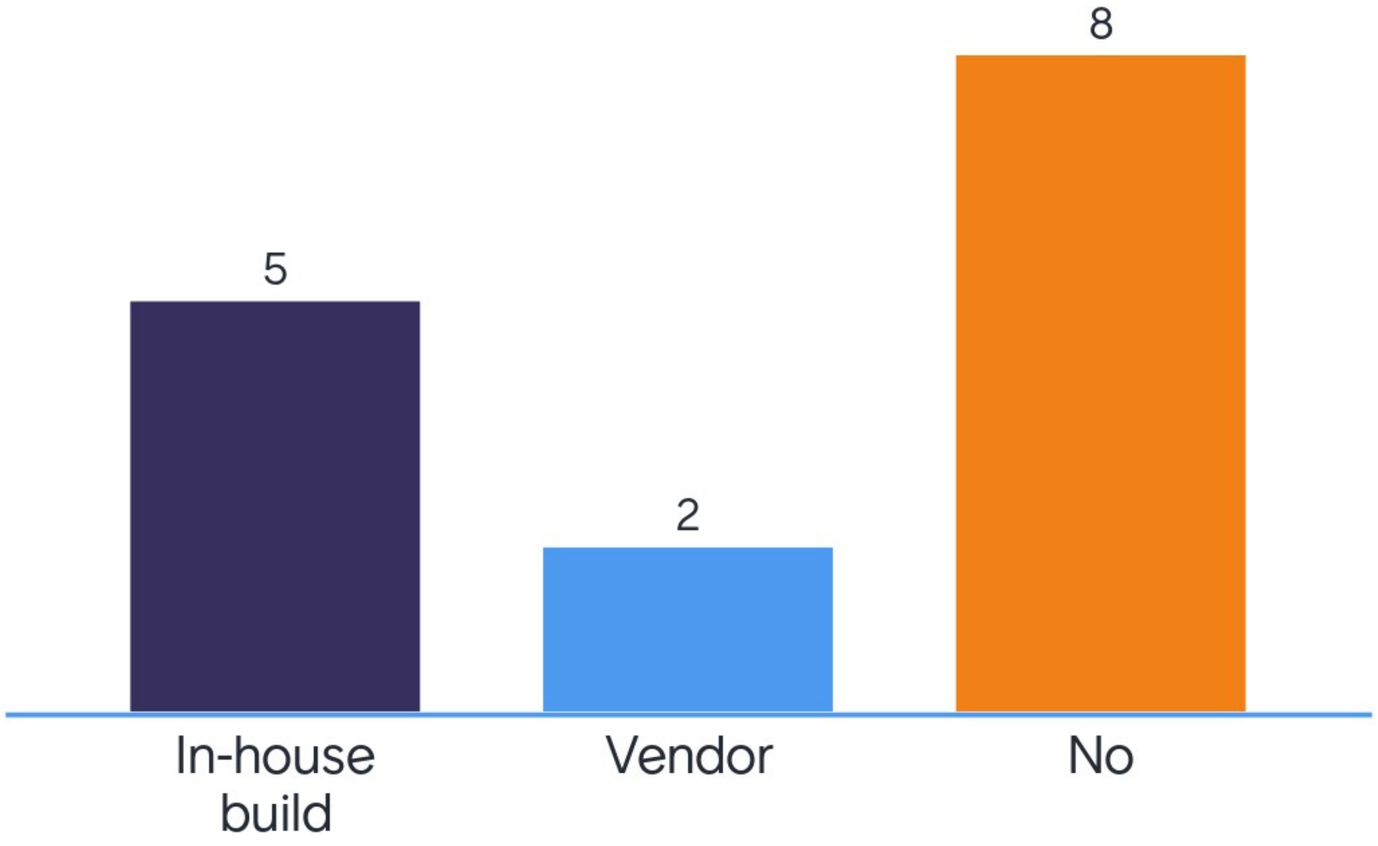
If yes, is this in-house build or vendor solution?



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If vendor, who?

9 responses

N/A	N/A	na
no	.	Ascent regtech
Na	Na	Not app

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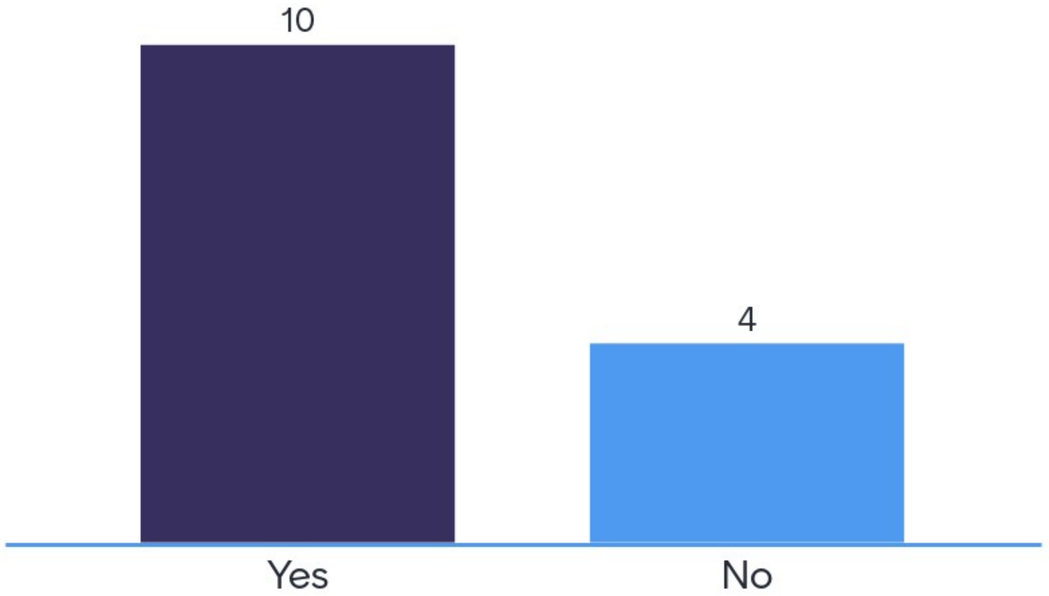
As most rulebook requirements are a representation of regulation anyway, do you divert to a reactive and risk-based approach?



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What are the 3 biggest challenges in monitoring e-communications?

8 responses

difficult to navigate

1. Vast amounts of data 2. Ability to detect problematic behaviour is limited 3. Reliance on vendors for NLP models

lack of consistent singular platform

1) ensuring that people use approved devices when WFH2) non-recorded lines when WFH3) not quite eComms -> application of lexicons and monitoring of algo code

Among of data / regulation / behaviours & paterns

being able to identify all sources of e-comms - what to review for - consistency of approach

nNA

Mmm

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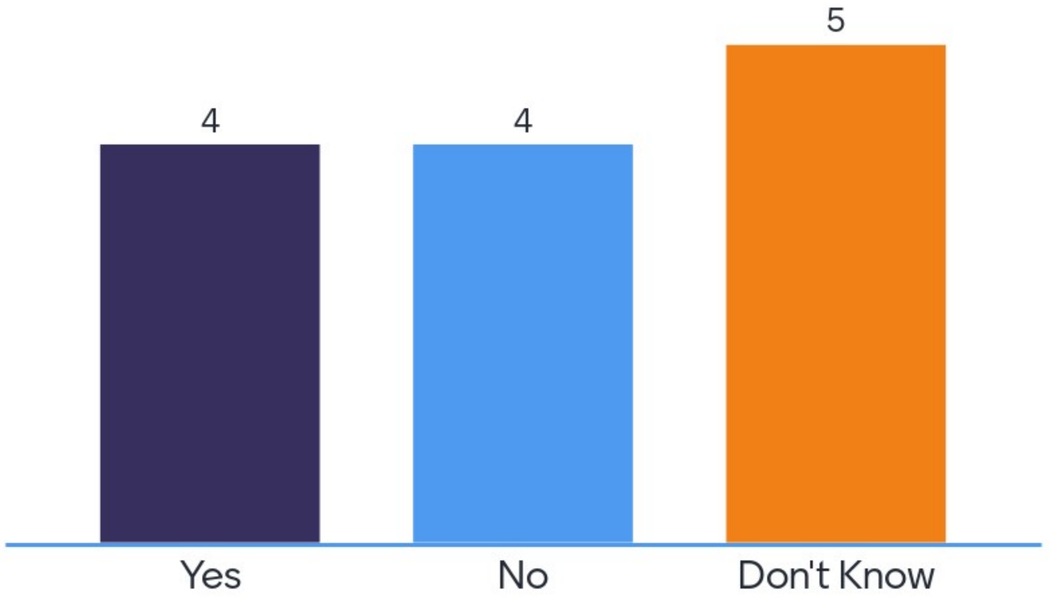
Some banks have received a letter from the FCA, informing them of intent to discuss AI plans and control framework, have you?



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What do you consider to be the principal AI threat to the banking system?

8 responses

Regulatory uncertainty

The unknown, the lack of experienced resources

How to validate outputs when inputs are unclear, and/or sourced from diverse (and vast) data sources

AI's infancy / opaque algos and algos behaviours / data security

Lack of expertise in 2nd LOD to validate/challenge AI code

Unexplained denial of service

1) how to perform model val. of AI models. 2) Conduct risk implicationInteresting paper: "Deep learning model fragility and implications for financial stability and regulation | Bank of England"

Mis understanding

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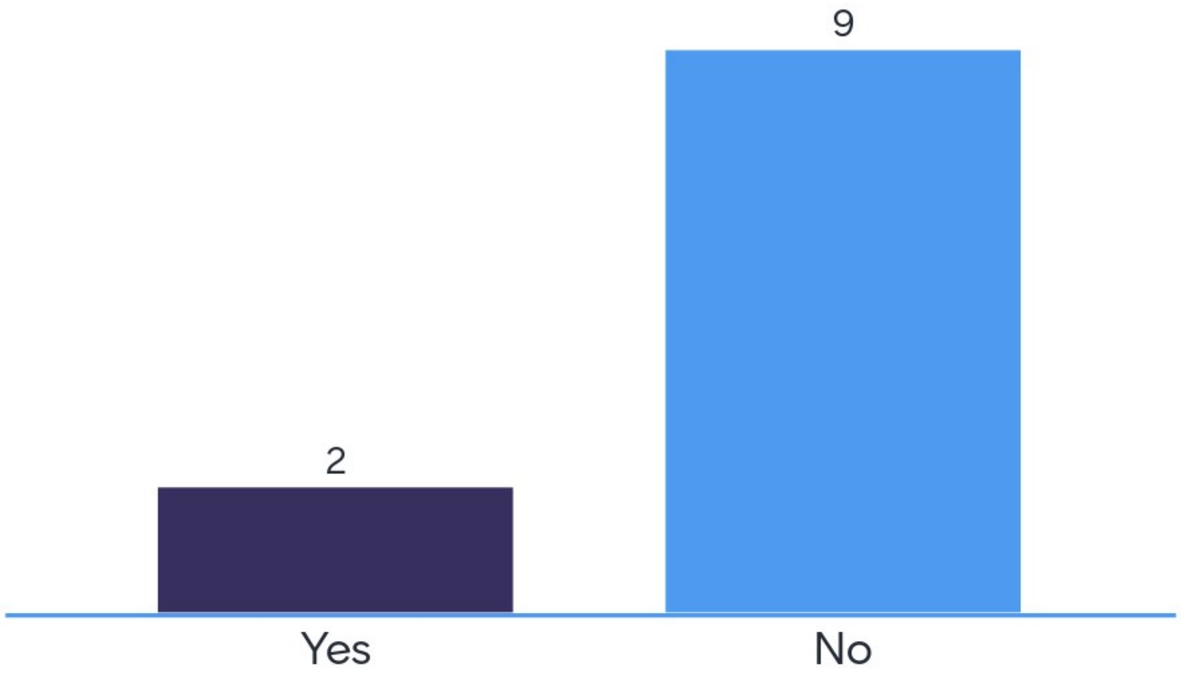
Are your e-communications management tools leveraging AI?



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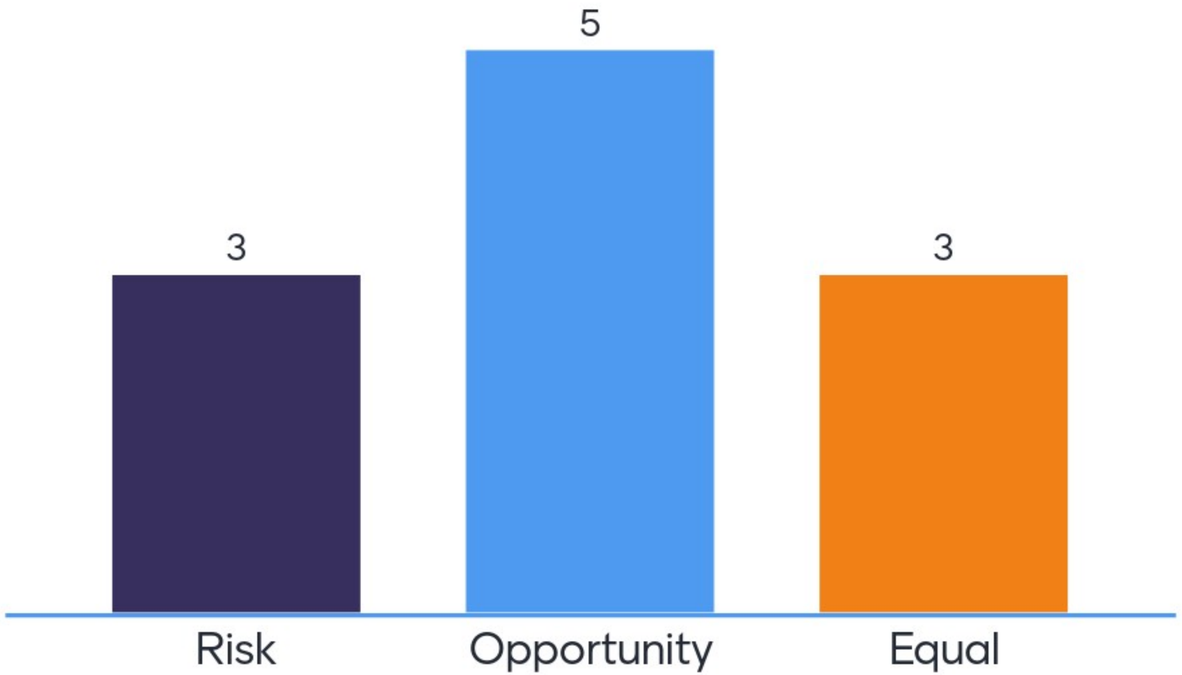
Do you consider ChatGPT a greater risk than opportunity to financial services?



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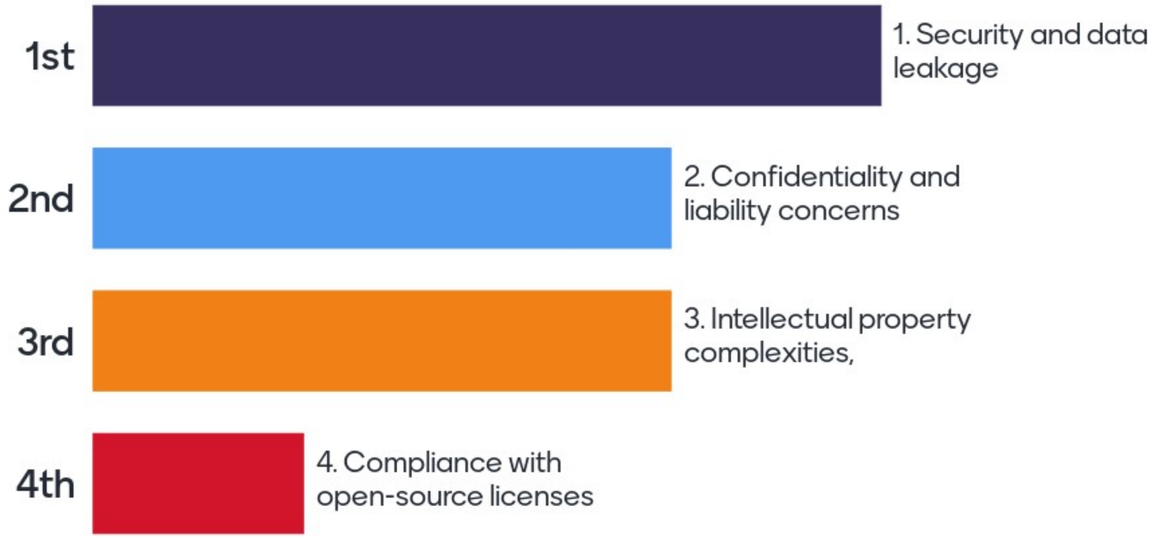
Undoubtedly direct usage of ChatGPT in an enterprise presents risks and challenges. Rank the following in order of threat priority:



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What other risks does ChatGPT present?

7 responses

Data leaving the firm which could be sensitive and no ability to oversee this

na. Mainly IP concerns

Inaccurate answers / algo oppacity / model and output bias / data privacy

degradation of markets as smaller participants use it/ similar

Output is based on probability rather the fact, and this is often not well understood...

lack of control and consistent universal access

TBD

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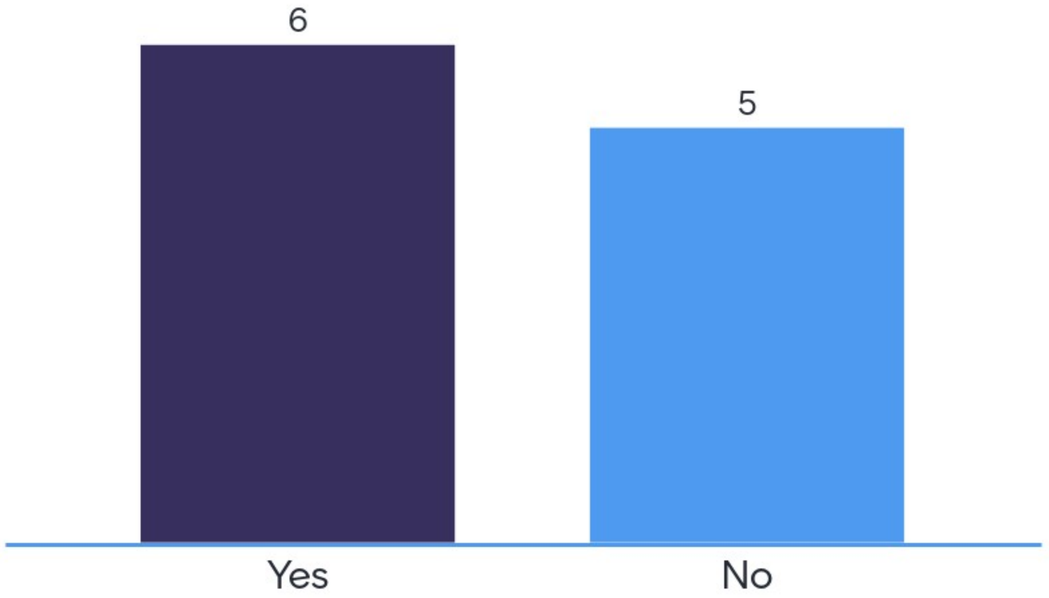
Are you using a conduct framework that defines tangible metrics of key performance indicators and tools to monitor and measure them?



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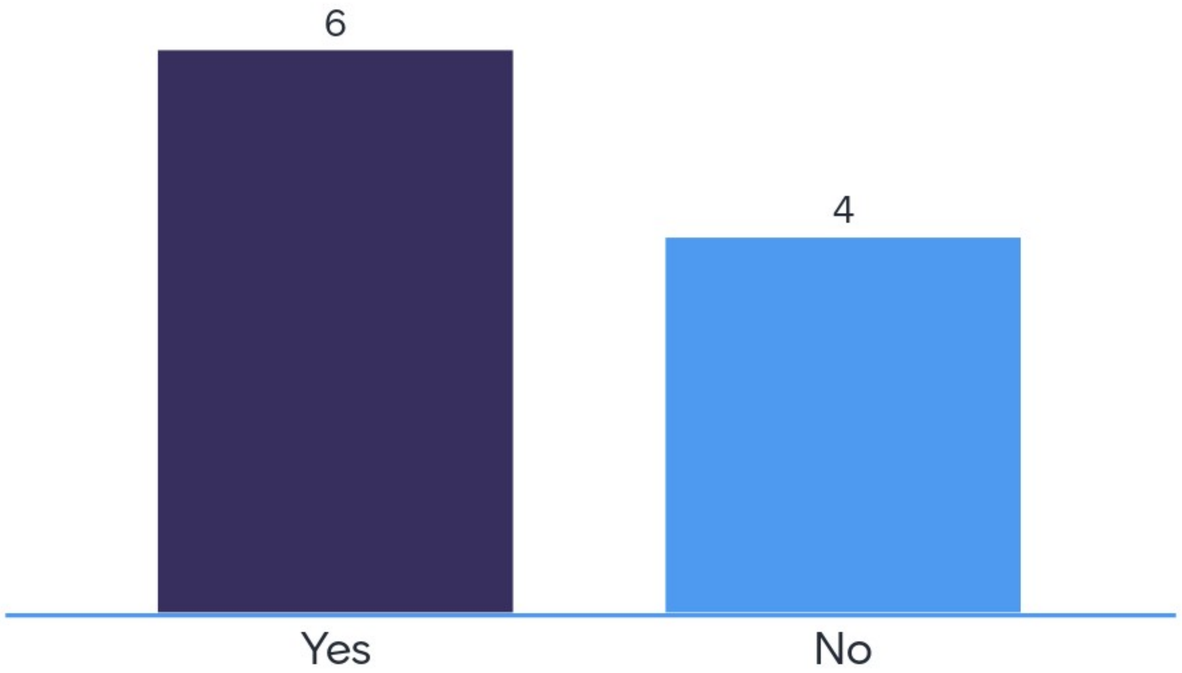
Do you have a consequences management framework and formal decision process?



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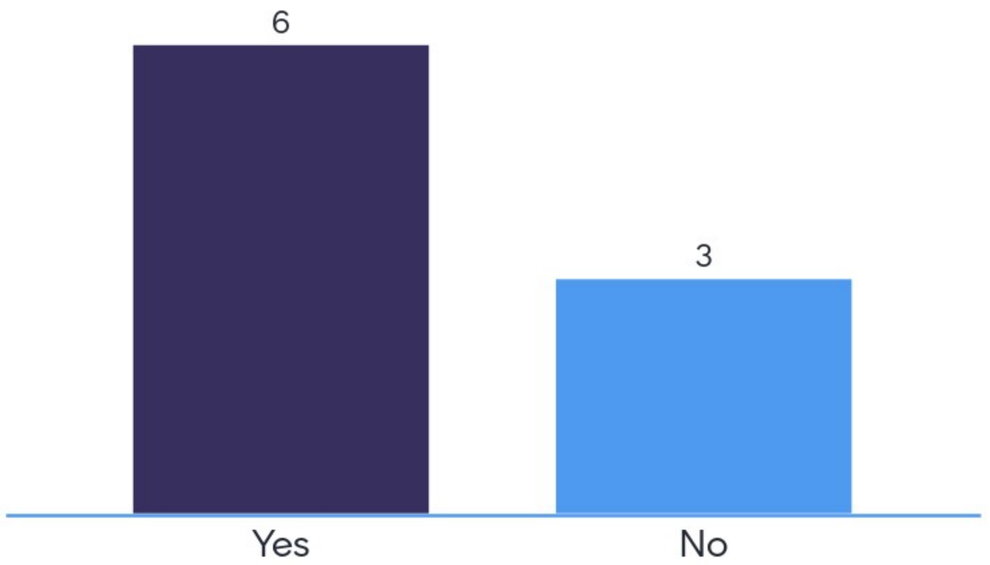
Are you screening vendors and venues to incorporate all potential communication channels?



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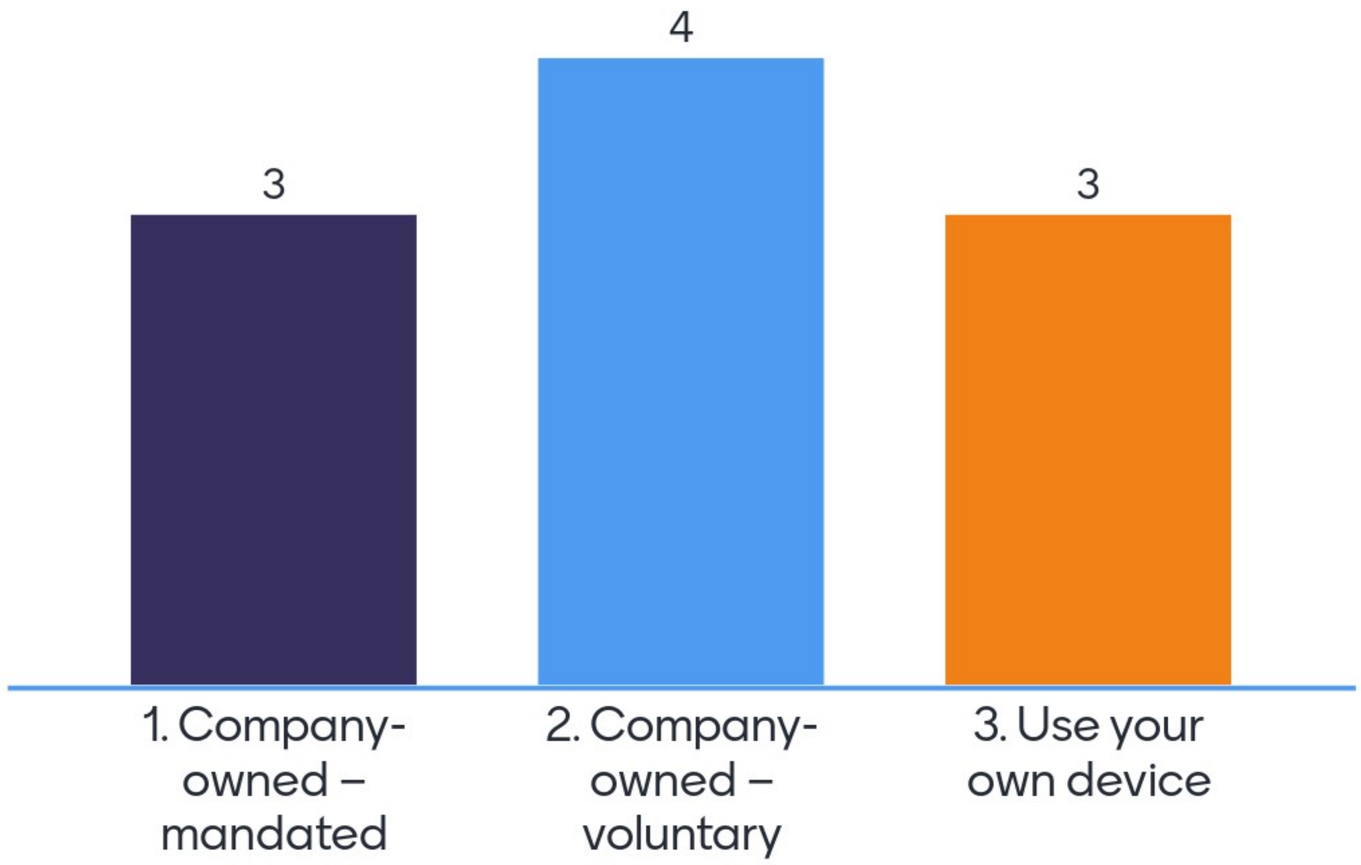
What is your mobile device policy?



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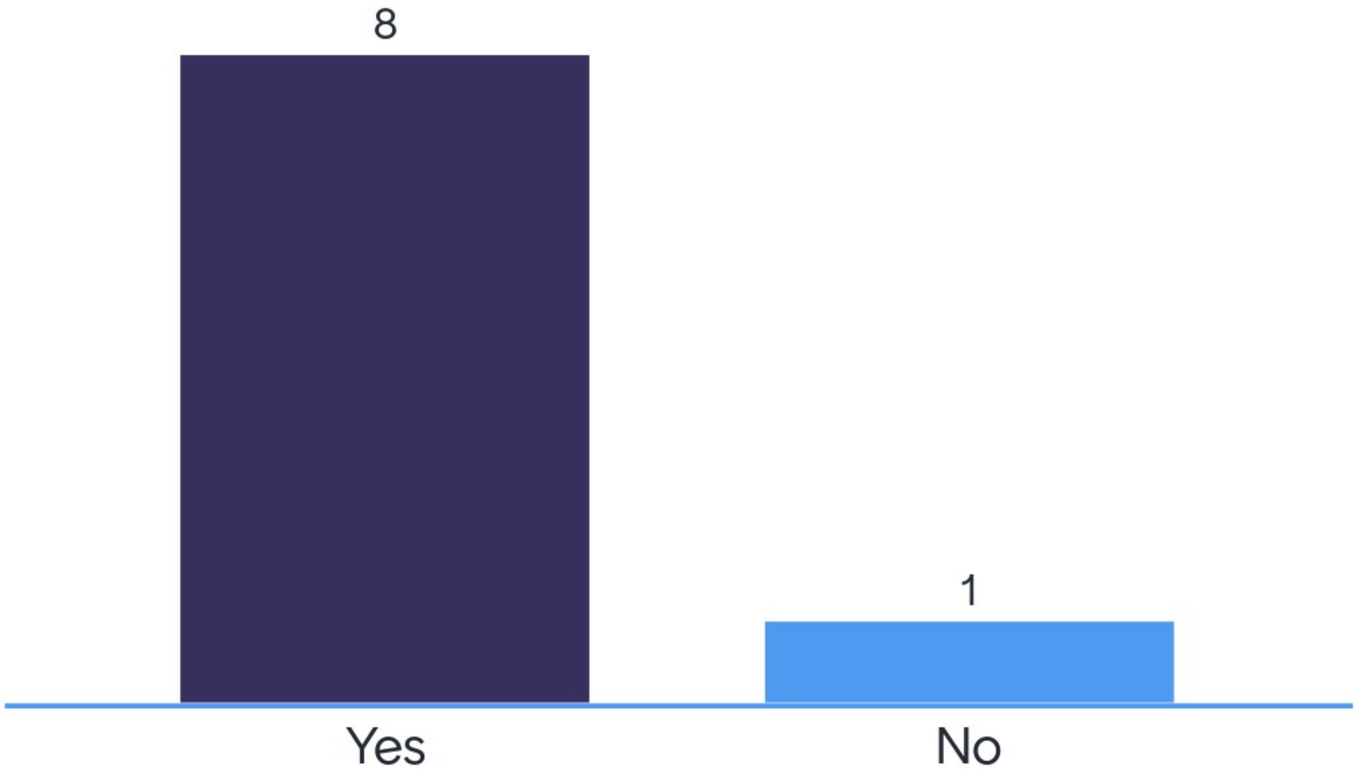
Do you monitor mobile usage?



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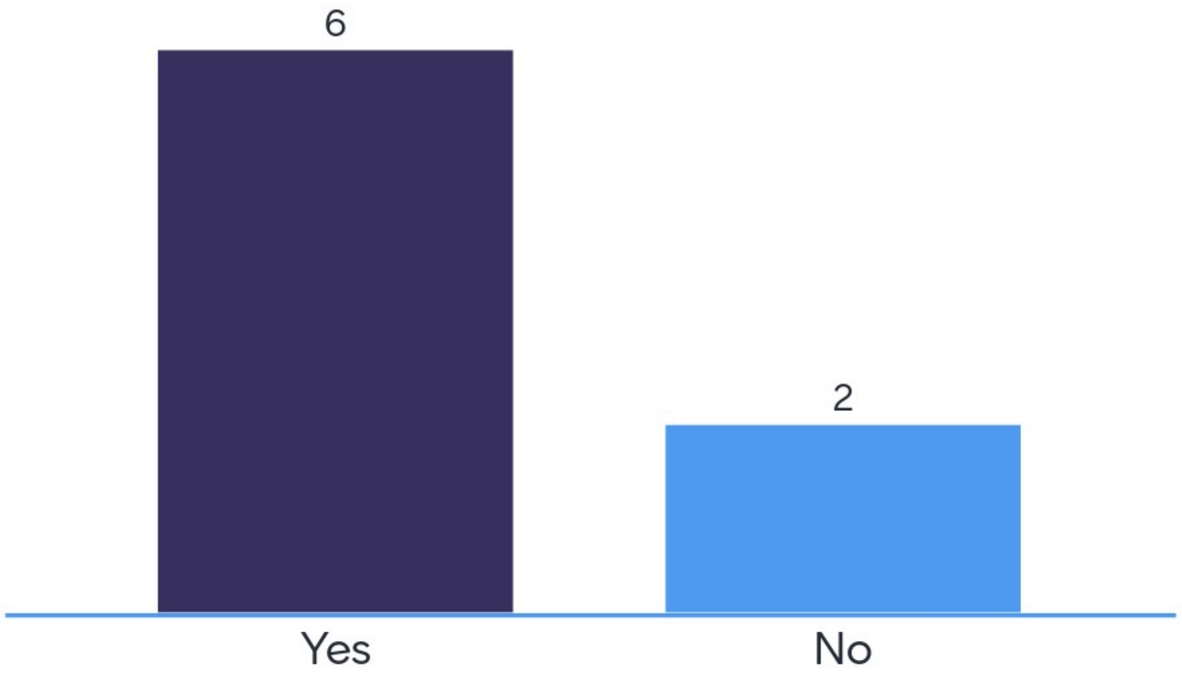
Do you detect when individuals try to move a conversation off the platform?



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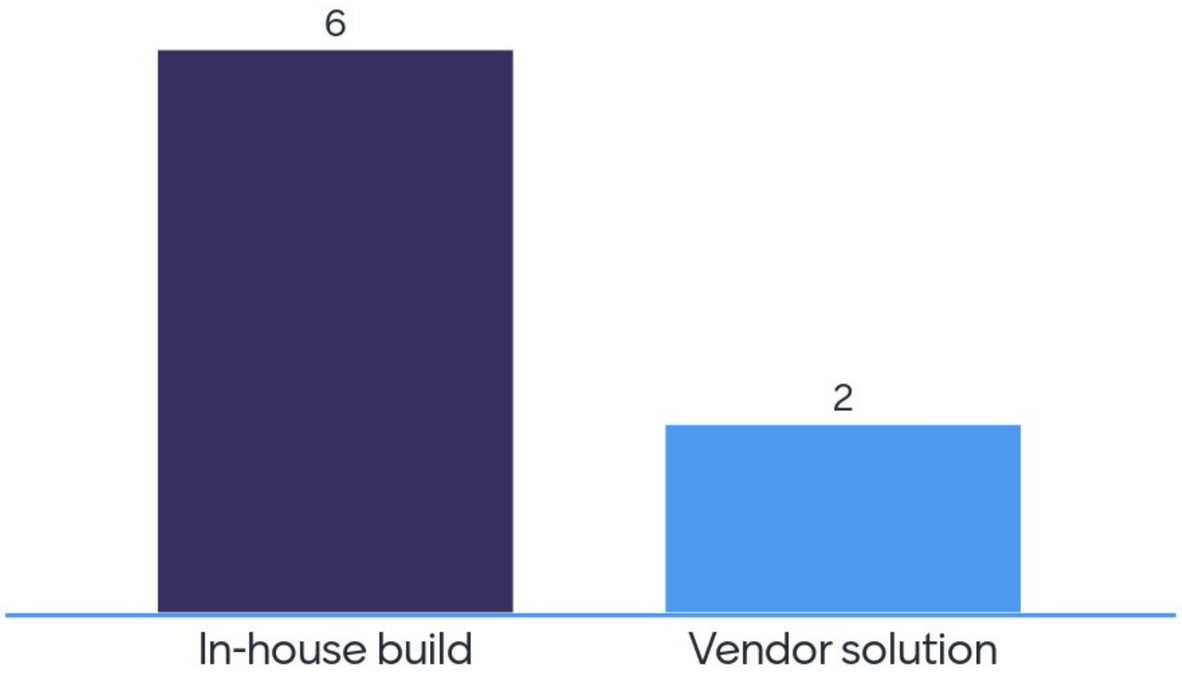
Is your ability to monitor in-house build or vendor solution?



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If vendor solution, who?

Waiting for responses ...

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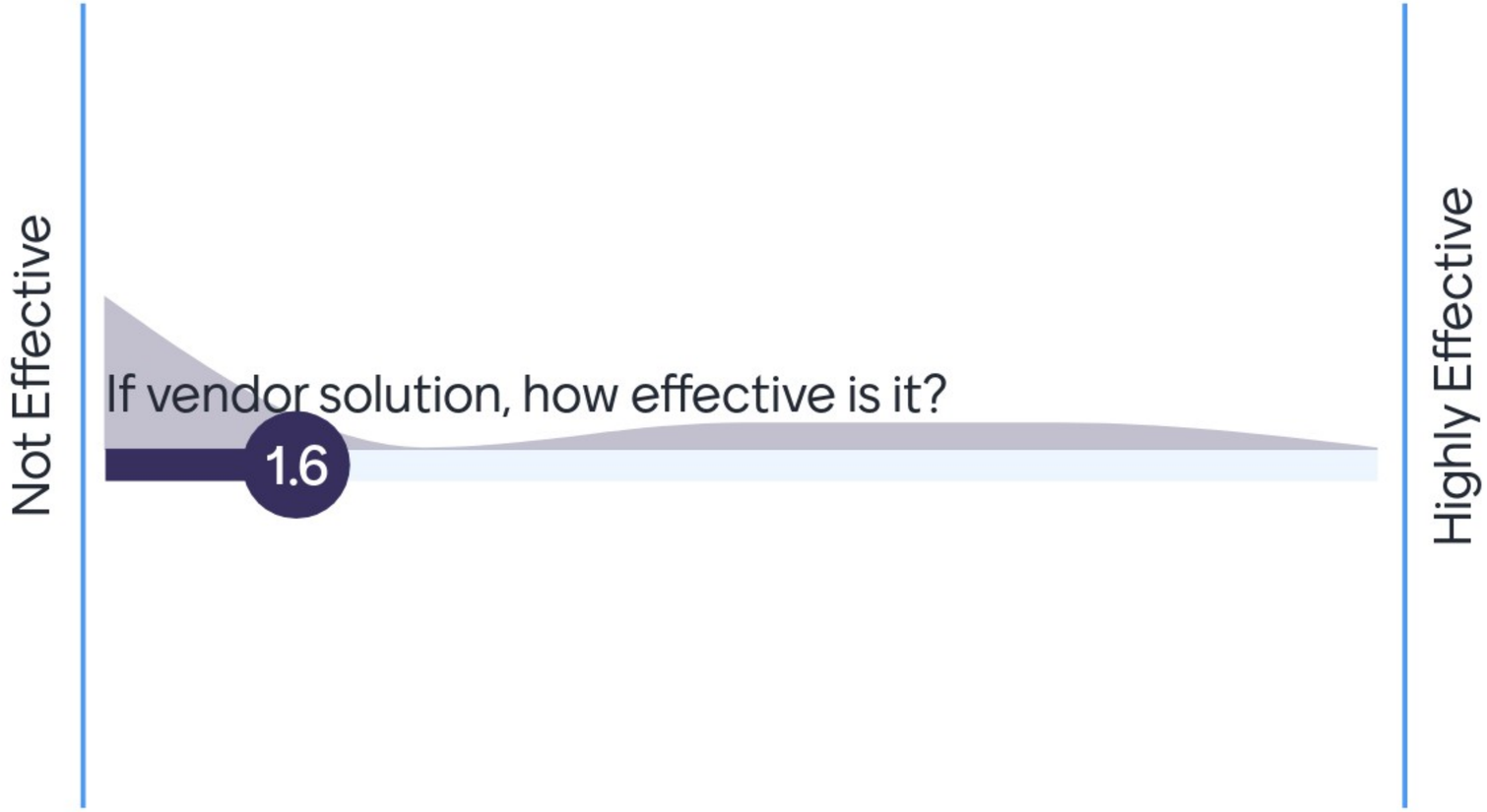
If vendor solution, how effective is it?