



Getting Control of Access to Key Market Services

Commissioned by:



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1. Introduction

Introduction

Against the backdrop of the rapid adoption of electronic trading across key cash assets classes that aren't typically traded on exchanges, financial institutions are struggling to control access to external trading portals and platforms and other markets-related services. This phenomenon is presenting a particular challenge in fixed income and foreign exchange markets, where single dealer portals that allow banks to trade assets on behalf of their clients are growing in popularity and use.

An issue is control over access to these portals, due to practices like password-sharing. Lax security around the trading portals can leave firms vulnerable to potential market abuse, vendor penalties, security breaches and regulatory censure.

In particular, firms risk non-compliance with the SEC's wide-ranging Systems Compliance & Integrity (SCI) regulation, which was drafted in recognition of the potential security issues, unauthorized access and use of trading portals represent. Indeed, among SCI's areas of coverage is access to trading systems and market data, and outlines substantial penalties for noncompliance.

This white paper looks at how firms are currently using single dealer portals, and identifies shortfalls in practices that could potentially lead to breaches of Regulation SCI or worse. It explains the potential risks of failing to control access to key market services, as well as the benefits of establishing best practices around access control. Finally, it offers guidance on possible measures to ensure your firm complies with the SEC's SCI requirements.

2. Current Situation

Current Situation

Since their emergence more than a decade ago, bank single dealer portals have grown in number and in importance among banks' markets-related technology, data and service offerings. Single dealer portals allow clients to trade directly with the host banks, rather than through an intermediary, and often offer a wider range of products and services than are available through third-party platforms.

As such, they are an integral part of a bank's trading services portfolio. Many of the market-leading portals are in their third or fourth-generation iterations as banks have invested heavily to maintain the competitiveness of their offerings.

According to MarketWatch's 2023 report on the Single Dealer Platform Market, the segment is dominated by the likes of Citi, Barclays, UBS, IMC, Deutsche Bank, JP Morgan Chase and BNP Paribas.

Many blue-chip institutions offer sophisticated capabilities through their portals, among them CitiFX Pulse, Goldman Sachs Marquee, HSBC Evolve, JP Morgan Execute and Morgan Stanley Matrix. Each of these provides a mix of research, data and execution services, often covering foreign exchange, commodities and other otc market segments like fixed income.

Regular usage of bank portals for trading in OTC instrument and foreign exchange markets has grown in recent years as these markets have shifted toward electronic trading. For client firms, the portals represent a single point of access for the bank's products usually focused on a single asset class, or including logically adjacent securities and service offerings.



But while the portals and platforms offer a convenient one-stop shop window on a bank's product and service offerings, as with many market services, access to them can be difficult to control. This is in part due to the fact that the architectures supporting these services have shifted from clunky closed systems based on legacy client/server technologies accessible only from office environments, to lightweight portals and Internet-based connectivity.

This shift, accelerated by the Covid-19 pandemic, allowed traders access to the portals from anywhere. This brought tremendous benefits for firms with hybrid work from home programs and for disaster recovery purposes. But it also brought a number of security risks, which Regulation SCI in part was brought in to address.

Among the security risks posed by the new generation of single dealer portals is the widespread practice of password sharing. Users of these portals often access them from home and are highly familiar with their log-ins, making it relatively straightforward to share them with their colleagues. Even within the office environment, the fact that many of these portals have no time-out function can leave them exposed should a trader leave their desk.

Other attributes also represent potential risks. Removing unused trading services is often highly manual, for example, which means a trader may have live subscriptions on his or her laptop long after they stopped using them.

Any of these issues may expose firms to potential risk that can be damaging either financially or reputationally, or both. For instance, lack of controls over password-sharing could mean that unauthorized persons may be able to trade on the bank's books, with the obvious potential for market losses and regulatory penalties.

It also puts them in breach of Regulation SCI, raising the possibility of regulatory censure, financial penalties and worse. Specifically, Regulation SCI sets out six pillars covering individual functions within regulated entities, one of which applies to trading systems and market data. The lack of controls around access to single bank portals can represent a significant breach of this aspect of the regulation.

3. What's Needed



What's Needed

To meet the requirements of Regulation SCI, firms need to put in place the requisite security and compliance capabilities around access to market services, including trading portals. This entails establishing controls over access to these portals and other key market services, which in turn yields business benefits beyond Reg SCI compliance. Specifically, to do this, they require centralized control systems capable of secure storage and entitlement to service accounts and passwords.

Centralizing storage of all the user and service credentials is a key first step. This creates a single vault or repository for all user, access and subscription details, and gives administrators control over passwords and accesses. Should a password become compromised in any way, the administrator is able to retrieve details from the vault, reset the password and block any future access from the original.

Firms also need to be able to set a timeout for each trading portal based on their internal timeout policies. By ensuring access to any given trading portal or broker platform is cut after a specified time, firms diminish the chances of possibly illegal trading by unauthorized personnel within their own organizations.

Where trading portals are no longer being used, firms need a mechanism to report this non-usage to the centralized hub so that all access entitlements are accurate and up to date. This information can be used to automate any moves, adds, changes and removals at the access hub, again ensuring all accesses are up to date.



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4. The Benefits of Control Over Access to Key Services

How Your Firm Can Benefit

By taking a proactive approach to access control, firms can reduce the risk of security breaches and charges of market abuse. Security breaches can damage the firm in a number of ways, including monetarily through fraudulent trading and other illegal trading activity and reputationally, as the marketplace gets wind of lax security practices. Clearly, getting control over access to market services can help mitigate against these forms of operational risk.

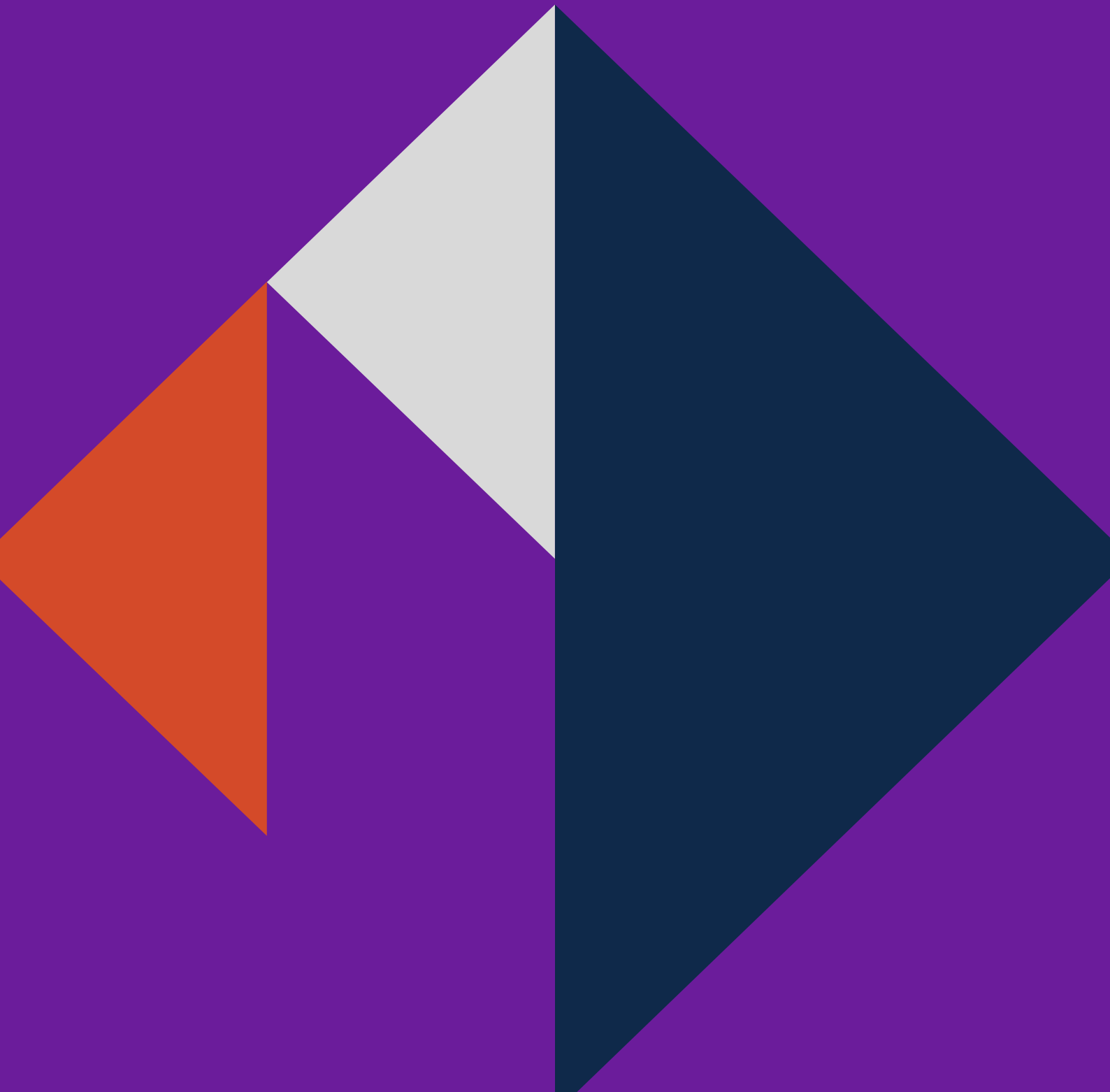
These measures can also help firms ensure that they are compliant with Regulation SCI's trading and market data access control requirements. Ultimately, this means fewer penalties and incidences of reputational damage. But it also sets up the firm for future regulatory measures that may be coming down the pike.

By expanding the approach to other market services, firms can ensure broader compliance with Regulation SCI's requirements around applications, networks and surveillance systems. More than that, however, it means they are also setting in place a framework for dealing with unforeseen regulatory requirements that may impact security and potential market abuse.

Adopting a centralized approach to access means that compliance teams can confidently demonstrate to senior management and the regulators, including the SEC, that access to the firms' trading portals is governed by a robust set of controls, thereby ensuring compliance with Regulation SCI and reducing the risk of financial penalty and reputational damage.

This approach can also be applied to other market-related services, as well as enterprise functions including legal, accounting, and human resources, giving firms a standardized methodology and mechanism for controlling access to key services.

5. How West Highland's Web Access Control Manager Can Help



How West Highland's Web Access Control Manager Can Help

West Highland Support Services (WHSS) designed its Web Access Control Manager (WACM) platform specifically to help financial institutions overcome the challenges of control around access to key market services. WACM is a centralized access hub, and acts as a repository for all of a firm's subscribers and services, from market data to trading portals and beyond. The platform can be deployed at the client's premises, in the cloud or in a hybrid configuration.

The WACM has been developed to completely control access to trading portals, web-sites and other subscription-based services, ensuring compliance with vendor licensing agreements and with Regulation SCI rules. WACM also tracks usage and non-usage of these services, alerting managers and administrators to under-utilized services for both financial benefit (in terms of subscription termination) and mitigation against potentially illegal usage.

The WACM integrates with clients' Active Directory, which allows single-sign-on with existing corporate credentials, meaning staff don't need to create and retain a new set of log-in details. It also integrates with client password vaults for storing each service's credentials. This means a user does not know their password for access to services, making password sharing impossible.

West Highland's WACM integrates with clients' Access Identity Management (AIM) platforms, with SailPoint currently supported and others in the pipeline. This allows it to normalize the different single bank entitlement file formats to a file format that the AIM requires.

WACM also integrates with clients' Access Hubs to automate the management of user adds, moves, and changes. This supports an automated password reset policy based on the client's existing policy that ensures passwords are refreshed. This feature completely removes the manual process of password resets and allows WACM instead, to automate and control them.

6. About West Highland Support Services





West Highland Support Services (WHSS) is a vendor agnostic global FinTech service provider, recognized as an industry authority and thought partner for market data, information, referential data, technology and professional services for over 25 years. We integrate and manage market data distribution platforms for clients working in the financial services industry. Our suite of Managed Services offerings enables firms to reduce market data expenditures while enhancing system performance and guarding against latency related trading losses.

As a company focused solely on helping its customers maximize ROI, clients benefit from our comprehensive industry wide experience. Pioneers of low cost remote monitoring solutions, WHSS also offers customized solutions through its Professional Services organization, tailored to address unique market data integration and usage challenges.

Our full range of services include the following:

- WACM – Secure Access Solution for single bank portals, web sites, usage / non-usage monitoring
- Data Notification Manager (DNM) – Manage all DN's from Refinitiv/BB/ICE/Activ, etc.
- Managed Services - 24-hour monitoring of market data environments (Refinitiv -TREP, Bloomberg - BPIPE, One Market Data – OneTick, Solace – market data quality feeds, etc.)
- Entitlement administration – DACS / EMRS, as a service etc.
- Commercial Market Data Management and Administration
- Robotic Process Administration for managing Invoice processing and Declaration Reporting
- Intelligent Data Platform (IDP) - Retool & digitise your Data Enterprise, a Big Data solution to all EDM use cases
- ALIVE- Market Data Service monitoring to ensure accurate / timely delivery of market data

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