

Why EY?

► End-to-end services with multiple deployment options

From prevention to monitoring, investigation and mitigation, our multidisciplinary teams work together to help organizations build a holistic conduct risk management strategy. Whether the nature of our work is advisory or implementation, we provide a managed services delivery model so our clients can benefit from the consistent availability of our professionals and the organizational knowledge they accumulate over time.

► Deep investigative bench strength

Our professionals are experienced in conducting global, complex investigations and working with outside counsel and regulators. They effectively team up with sector-focused professionals, forensic technologists and data scientists to collectively perform investigations, impact analyses and transaction testing on a wide variety of compliance and litigation matters.

► Data-driven approach

Leveraging a robust library of fraud detection algorithms that have been widely used and tested in real-world scenarios, we enrich risk alerts with contextual data that offers insight into behavioral and relationship patterns and helps guide the entire conduct risk management life cycle.

► Integrated and efficient workflow design

By applying machine learning and automation technologies in workflow designs, we enhance case management tools with interactive dashboards where compliance professionals can gain a consolidated risk view and quickly determine escalation procedures.

Leveraging EY Virtual Analytics Infrastructure (EY Virtual) as the host platform, we offer the ability to consolidate a wide range of data sources and to generate rich contextual data that is crucial to guide the life cycle of conduct risk management. EY Virtual can be deployed on premises or via cloud.

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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About EY Forensic & Integrity Services

Dealing with complex issues of fraud, regulatory compliance and business disputes can detract from efforts to succeed. Better management of fraud risk and compliance exposure is a critical business priority – no matter the size or industry sector. With approximately 4,500 forensic professionals around the world, we will assemble the right multidisciplinary and culturally aligned team to work with you and your legal advisors. We work to give you the benefit of our broad sector experience, our deep subject-matter knowledge and the latest insights from our work worldwide.

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EY

Building a better working world

Which one comes first – culture or employee conduct?

Managing conduct risk in the Transformative Age – an EY offering for financial services

Conduct risk is the danger that an organization does not uphold its stated values and, as a result, takes actions that adversely impact the interests of its customers and other primary stakeholders or the integrity of markets. Examples include: fraudulent actions, acting in conflict of interest, unethical behavior, establishing flawed strategies and related actions, and acts of commission or omission taken in violation of policy.

If conduct risk is not actively monitored and violations occur, the corporation can face reputational harm, high penalties from regulators, litigation risk and personal liability, or competitive damage.

Increased regulatory focus on sales practices and conduct

In the UK, the Financial Conduct Authority and the Prudential Regulation Authority have been rolling out senior management accountability regimes to all financial services sectors since 2017. In 2018, the Financial Stability Board released a toolkit for firms and supervisors to mitigate misconduct risk.

In the US, regulators, including the Office of the Comptroller of the Currency, Consumer Financial Protection Bureau, Financial Industry Regulatory Authority and others, have either initiated or signaled their intent to examine or otherwise review sales practices in financial institutions.

In Australia, the Hayne Royal Commission on misconduct in the financial services sector shed light on pervasive conduct adversely impacting customers. It included questions into long-standing practices and the culture that enabled such activity. The final report called for regular culture reviews, among other conduct-focused recommendations.

In Hong Kong, the Securities and Futures Commission (SFC) fully implemented the manager-in-charge regime in late 2017 with the objective to impose and increase senior management accountability for SFC-licensed corporations.



The better the question.
The better the answer.
The better the world works.





We assist companies developing and strengthening their conduct risk management programs via a data-driven approach. The scope of our services includes responding to regulatory enforcement actions and civil litigation arising out of corporate conduct; supporting the preservation, collection, analysis and production of digital evidence; investigating root cause; identifying affected consumers, quantifying financial impact and assisting with remediation; and reporting findings and providing fact or expert testimony.

Taking a data-driven approach, we work with key stakeholders to identify the right data sources, aggregate and analyze them to gain a holistic view of potential risk behaviors. Using behavioral science, AI and data analytics, we help organizations gain insights about their culture and employees and determine risk areas that may require regular monitoring. We use machine-learning models that are continuously improved through a self-learning loop to reduce false positives and apply robotic process automation technologies to replace routine and error-prone human-intensive tasks.

We offer case management capabilities that are enhanced by the application of visualization technologies and robust workflow designs. Our implementation focuses on providing compliance executives with a consolidated view of risk alerts displayed along a common time dimension, overlaid with contextual market data and news feed, when needed. Our professionals work closely with relevant stakeholders to develop integrated workflows that bring together all key activities involved in managing conduct risk onto a single platform, from detection, to investigation, tracking, analysis, escalation and remediation. The integration is critical to facilitate collaboration among cross-functional teams and help the organization quickly respond to legal and regulatory challenges when they arise.



EY in action

Trade surveillance as managed service

Client issue: In response to a regulatory inquiry, a global tier-one bank engaged us to investigate market misconduct by performing a six-year lookback and to develop remediation plans based on investigation results.

How the EY team helped:

- ▶ We helped develop a compliance monitoring platform that brings together disparate alerts and data from trade, electronic communications, voice and other sources to help the bank effectively identify suspicious behavior patterns and material risks, and prioritize conduct risks that matter the most to them.
- ▶ EY professionals converted high-risk behavior patterns into fraud detection algorithms that helped reduce false positives in investigations. The algorithms are also embedded in the bank's control framework for ongoing monitoring purposes.
- ▶ The team used statistical models to demonstrate notable improvements in the bank's fraud detection power that helped the bank avoid regulatory penalties.

Sales practices investigation enhanced by analytics

Client issue: A global financial institution retained us to conduct an investigation of improper sales practices in Latin America that involved more than 50 products related to the company's variable compensation programs.

How the EY team helped:

- ▶ We performed risk assessment of the compensation programs using results from prior internal investigations and employee complaints records, and used the results to risk rank the pay-for-performance programs.
- ▶ Collaborating with the investigators, our forensic data analytics professionals developed algorithms to perform in-depth examination of the programs and employee portfolios that are deemed high risk.

Banker supervision enhanced by behavioral science

Client issue: A global bank needed to strengthen its banker supervision program (BSP) because its existing programs lacked the ability to incorporate the data sources required to provide sufficient risk insight and produced too many false positives.

How the EY team helped:

- ▶ The EY team developed custom analytics algorithms to aggregate data from multiple sources (e.g., complaints, whistle-blower, employee exit interviews, social media) to provide independent employee behavioral analysis and to identify risky activities and relationships.
- ▶ The team also developed an iterative process to fine-tune the risk-scoring algorithms, improving precision and reducing false positives over time.
- ▶ We incorporated visual dashboards and auditable, investigative workflows into case management tools that include real-time reporting summarizing risk behavior patterns and trends across relevant data sources.

Proactive compliance with digital twins

Client issue: A global conglomerate's internal survey showed that its compliance training programs have not been effective in influencing employee behaviors.

How the EY team helped

- ▶ EY helped the company develop a pilot program that provides personalized and near real-time compliance communications to employees.
- ▶ By adopting the digital twin concept, each employee is treated as a unique entity with a distinctive risk profile, developed based on the job profile and other publicly available information.
- ▶ We developed algorithms to aggregate and analyze the relevant employee data to predict the business compliance risks the employee will encounter and when the risks will occur; and used the results to send relevant, just-in-time risk alerts to employees before they encounter an issue, such as traveling to a high-risk location.