Mobile Call Recording in the Financial Markets: Assessing the Impact and Opportunities Created by Changing International Regulation

From compliance to operational insights
EXECUTIVE SUMMARY

CATALYST

This is the first in a series of white papers in which Ovum will discuss the regulatory requirement for financial markets firms to record their traders' mobile communications. Regulation already mandates such action in the UK and the US, with the latter's Dodd-Frank Act (DFA) imposing recording internationally for firms that are dealing in the swaps market with a US counterparty. The European Union is expected to impose mobile recording with the Markets in Financial Instruments Directive II (MiFID II) in 2014/2015, with the potential for an increase in the mandatory retention period to three years. Regulators in other geographies are expected to follow suit in the next few years.

In this series of white papers, Ovum will discuss the UK regulation, DFA in the US, DFA outside the US, and, finally, the prospects for similar regulation in other parts of the world. The white papers will also look at the evolution of the technological solutions on offer for achieving compliant mobile recording, particularly for voice communications, but also for other forms such as text messaging (SMS) and instant messaging (IM).

INTRODUCTION

In November 2011, the UK’s financial regulator, then called the FSA, introduced a requirement whereby all companies with traders operating in the country's financial markets are required to record all their mobile communications, i.e. all the verbal and non-verbal communications from and to the mobile devices that they use to perform their professional functions. Those recordings should then be stored for a period of six months lest they be required by the regulator or other legal authorities investigating any transaction(s) deemed suspect.

The exact scope of the regulation in terms of which companies and which of their operations and activities on mobile devices need to be recorded is the subject of much discussion, not least because, in a study carried out by TeleWare, a number of firms thought that they were altogether exempt and were thus making no effort to comply with the requirement. What is clear, however, is that all asset classes and instruments are included in the regulation, as are all sizes of buy- and sell-side firms. As for what needs to be recorded, the original wording states that “any relevant conversation” should be recorded and stored, which is an extensive and highly inclusive statement.

The actual number of mobile phones covered by the 2011 regulation has also been the subject of considerable debate, and there are varying estimates of how many mobile phones are now being recorded in order to comply with the regulation. As for those that should be recorded, according to the requirement, but are not, the assumption is that the firms involved have chosen to “manage by policy,” a phrase used to mean that they have opted to simply ban the use of mobiles for any relevant conversation.

Two years on from the introduction of the regulatory requirement, this white paper looks at how the market for compliant mobile recording has evolved and what technical and technological options the firms covered by the regulation have for achieving compliance. It also considers where the technology and the service offerings are heading in the next few years.

SMS AND IM MUST BE FACTORED IN
Most of the effort in these first two years has been on the voice recording part of the requirement, so this white paper focuses primarily on that aspect of the problem. That said, a number of vendors have lately mentioned SMS and IM in their marketing, so the awareness that non-voice modes of communication must also be recorded as part of the regulatory requirement is clearly growing.

Capital markets participants mulling their options for mobile recording should factor in the non-voice aspects, quizzing their prospective suppliers on how they achieve that part of the requirement. A number of companies offering recording technology and/or services rely on the presence of a BlackBerry Enterprise Server (BES) within the customer’s infrastructure, for instance. Although this constitutes an invaluable central point of control from which messaging streams can be recorded, it does make a solution BlackBerry-specific and unable to address multi-OS environments.

In considering this multi-mode recording requirement, various dimensions will need to be checked. First is the ability of whatever technology platform/service you are looking at to actually capture SMS and IM. Next is how and where the recordings will be stored: from an ease-of-use perspective, it may well be best for them to be stored on the recording server on which the voice recordings are held, though this will depend on the platform's ability to store them in an appropriate format and may have cost implications in requiring additional channels into and storage space on the recording server. Beyond that, there is the solution's ability to search across voice and non-voice records, associate the relevant ones with each other, and play them back in a timely fashion for reporting purposes.
WHAT TO RECORD AND THE NUMBERS

FCA REQUIRES "ALL RELEVANT CONVERSATIONS" TO BE RECORDED

The first topic that needs to be dealt with is exactly who and what needs to be recorded. When the then FSA was first thinking about imposing a recording requirement across both fixed and mobile in 2007, it put out a consultation document that outlined the scope of who and what it expected to cover with the eventual regulation. In the event, the fixed-line recording requirement was imposed in 2009, two years earlier than the mobile one, but the overall spirit of the regulatory initiative was already present. The table in Figure 1 is from that document, and gives a good indication of where the regulation was heading.

Figure 1: How the FSA defined the scope of regulation

<table>
<thead>
<tr>
<th>In-scope</th>
<th>Fixed lines</th>
<th>Mobile lines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relevant conversations</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Voice conversations and other electronic communications that involve the receipt of client orders and the negotiating, agreeing and arranging of transactions across the equity, bond and financial commodity and derivatives markets, and to retain electronic communications relevant to these activities.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relevant activities</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Proprietary trading and other principal dealing and agency broking and the associated sales functions.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relevant firms</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Banks, stockbrokers, investment managers (including CIS managers and hedge fund managers), financial and commodity derivatives firms.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: FSA

The term "relevant conversations" clearly leaves room for interpretation, opening up a grey area in the regulation with regard to mobile communications. Firms covered by the regulation must decide who within their organization is having relevant conversations and with what frequency, the idea being that anyone who takes part in such conversations, but on an infrequent basis, can be required by company policy to limit them to their deskphone, where they will automatically be recorded since the 2009 regulation.

MANAGEMENT BY POLICY IS SHORT-TERMISM

The FSA specifically made provision for this kind of management by policy in its consultation paper, outlining two options for compliance:
continue to use mobile phones to make/receive relevant conversations/communications but then record these conversations/communications, or

develop internal policies to prevent relevant conversations/communications from taking place on mobile phones.

The second option is clearly problematic, in that the more infrequent the relevant conversation is, the less likely it is to be conducted within office hours, and the more likely it will need to take place on a mobile phone.

Moreover, a study by TeleWare has shown that the manage-by-policy option is used even more widely than just for infrequent conversations. Some firms have simply introduced a blanket policy that mobile phones are not to be used by anyone for any relevant conversations pertaining to trading.

Again, this approach seems to Ovum to be unworkable beyond a very short-term basis. Although it undoubtedly is compliant, in that it adopts one of the prescribed means of meeting the regulatory requirement, it clearly limits the effectiveness of employees to the hours when they are at their desks, which is hardly realistic in today's 24×7, globalized economy in which firms are trading across multiple geographies and time zones.

Furthermore, there is the competitive element to consider. Will firms that opt to ban the use of mobiles for work run the risk of losing some of the best and brightest of their traders to firms that permit their use and record them in order to do so?

Equally unsuitable, in Ovum's opinion, is the situation identified by TeleWare as quite common, in which an institution deploys some form of mobile recording technology but only for some of its traders and market-facing employees, with the rest being told that they cannot use their mobile for any work-related calls. While this may represent a cost-saving in the short term, it is surely not a comprehensive solution and looks destined to result in inconsistency, customer dissatisfaction, and employee confusion.

THE FSA'S 22,000 ESTIMATE FOR PHONES TO BE RECORDED LOOKS CONSERVATIVE

Beyond the issue of who and what should be recorded, there is the question of how many phones fall within the remit of the regulation. This number is important, not only for companies considering launching a product or service to gauge the size of their prospective market, but also to measure the advance of mobile recording in the UK's financial markets: adding up all the numbers claimed by the vendors, subtracting a certain percentage for vendor hubris, then comparing the result with the total number of phones that should be recorded provides an indication of how successful the regulation has been to date.

In 2007, the FSA carried out a sample survey with a number of institutions to come up with an estimate. They were asked how many fixed and mobile phones they had that would need to be recorded, and their answers totaled 11,000 and 4,800, respectively.

The FSA calculated what it thought was the number of fixed phones in use in the UK's capital markets that would need to be recorded. It reached a figure of 63,000 in 2008, and subtracted 15% to cover an exemption it had granted to certain investment management firms, and a further 5% for the reduction in the overall size of the country's capital markets as a result of the recession provoked by the global financial crisis.

This left a total of 50,400 fixed phones, so the regulator concluded that its survey group represented around 22% of the entire market. Extrapolating from there to the mobile environment and assuming similar proportionality, it concluded that there must be some 22,000 mobiles that would need to be recorded. That number gained considerable currency, often rounded up to 25,000 for ease of reference and to cover any minor adjustments. There is no final consensus, however, and a study carried out by TeleWare suggests that the figure may be as high as 45,000.
What is clear is that by no means are all the target phones currently being recorded. Some firms have deployed recording for all of their regulated phones, others have implemented and continue to run pilots, and a third group has opted to ban the use of mobile phones altogether on their trading floors. Ovum’s research in late 2012 and early 2013 suggested that at that time, no more than 18,000 phones were actually being recorded, and perhaps as few as 9,000. TeleWare agrees that no more than 50% of the target number of phones are currently being recorded.

Among those firms that have so far chosen not to deploy any form of mobile call recording, TeleWare finds a variety of explanations, ranging from ignorance of the regulation to the mistaken impression that the respondent's firm does not need to comply.

**Figure 2: The reasons for not complying**

Source: TeleWare

**THE TECHNICAL SOLUTIONS FOR VOICE**

When the UK mobile recording requirement was introduced in 2011, there were essentially two ways of achieving it and, barring some minor evolutions, they remain the options open to companies facing the compliance challenge today. The terminology, however, has changed slightly.

**THE APP-BASED APPROACH**

The first wave of mobile call recording technology offerings relied on a software client deployed on the device, and initially they tended to be known as software client-based solutions. They work by detecting when an outbound call is about to be made or an inbound call is on its way to the phone. The technology enables recording of the conversation, either by forcing the call through the company's fixed-line infrastructure (where it will be recorded on an on-premise recording server) or by setting up a second mobile call to the same recording server.
This type of solution is now more commonly referred to as an app-based product. Ovum considers this slightly regrettable, because it associates the solution with software that can be downloaded from an app store and turned on and off as the user desires.

By contrast, a mobile recording client must come on as soon as the device itself is switched on (the term for this being "autostart"), in order to be compliant, without the user's intervention being required. It must also stay on until the phone is switched off, and it must be tamperproof, i.e. the user cannot turn it off. It is also usually the case that the client is put on the device by the user's IT department rather than downloaded from an app store.

Despite these important differences, Ovum has adopted the "app" description for this approach, which has gained too much currency already, particularly in the US, to make opposition to it worthwhile. It must always be remembered, however, that this is not an app that the end user turns off and on, and should probably not require the end user to download it in the first place.

**Figure 3: How the app-based approach works**

The app on the device detects when an inbound or outbound connection is about to be made and routes the call through a recording server (on-premise or in the cloud) so that a copy can be made there.

Source: Ovum

**The pros**

The fundamental advantage of the app-based approach is that it can be deployed independently of whatever mobile network operator (MNO) happens to provide connectivity to a firm's trading floor. This means that the company's own IT department can deploy, manage, and control the apps, routing the recordings to an on-premise recording server and thereby keeping the infrastructure entirely in-house. It also means that the same technology can be deployed internationally, regardless of which MNOs the firm's local offices use in different countries. These are huge advantages that should not be dismissed out of hand, but they must be weighed against the significant downsides of app-based mobile recording.

**The cons**

The disadvantages of this approach to mobile call recording can be divided into various categories: those that impact the IT department, those that affect end users, and those that concern the CFO.

(1) For the IT department
From an operational perspective, the challenge of the app is that it is specific to the mobile operating system (OS) on which it sits. If you are an end-to-end BlackBerry customer, as many financial markets institutions still are, this is not such a problem, as you will at least only have to maintain one set of apps, but even in this scenario you may face issues if your estate is a mixture of, say, BlackBerry 5, 7, and 10 devices: not all apps work across the different versions.

If, on the other hand, you have a mixed estate of BlackBerry, iOS, and Android devices, you will face some serious issues. There are no compliant mobile call recording apps for iOS and there never will be, unless Apple releases an application programming interface (API) to enable developers to write one, which frankly appears unlikely. Meanwhile, keeping an estate of BlackBerry, Android, and potentially Windows Phone apps up to date seems like an operational nightmare. This would appear to argue in favor of a diktat, whereby all traders on the floor will only be able to use a BlackBerry, but this flies in the face of the bring-your-own-device (BYOD) trend that is sweeping across many industries, including investment banking.

(2) For the end user

From the perspective of the end-user experience, there are clearly issues with the app-based approach: it inevitably introduces some delay in the communication while it is setting up the recording, whether by re-routining through the corporate local-area network (LAN) or placing a second mobile call to the recording server.

Another issue encountered by firms that have deployed an app-based solution is that the need to re-route inbound calls can lead to them being dropped or going unanswered without being forwarded to voicemail, on account of the delays in setting up the re-routing. This is probably a problem of immature technology that will be ironed out over time, but is certainly something to be considered at this stage in the development of mobile recording.

All of this can result in irritated traders, particularly if they are fairly intensive mobile users, which is clearly undesirable.

(3) For the CFO

Some app-based solutions re-route outbound calls from a mobile through the corporate telephony system to reach the on-premise recording server and, as such, the call ceases to traverse the mobile network at a very early stage. This can have an impact on the number of minutes a mobile number makes during the month and, as a result, may reduce the company's overall monthly usage, thereby causing it to fall short of an eligibility threshold for a corporate discount.

Conversely, other apps place a second mobile call to the on-premise recording server, thereby doubling the phone's mobile usage and potentially resulting in significant increased charges.

THE IN-NETWORK APPROACH

The other way of carrying out mobile call recording involved putting the functionality to enable it in the mobile network, where it is triggered based on which SIM card is making or receiving a call. For this reason, this approach was originally referred to as a SIM-based solution. The terminology for this has changed slightly: it is now more commonly known as the network-based or in-network approach.

With this approach, the functionality in the network detects when an inbound or outbound call is about to take place and triggers a recording. The early versions made it obligatory for the recording to be stored in the operator's network, with the customer's compliance officer being able to download any call recordings as required, but more recent versions have recognized the need to route the call directly to an on-premise recording server, given the data security concerns of many big financial institutions.
The pros

The main advantage of the network-based approach to mobile call recording is that it requires no intervention by either the end user or the corporate IT department, since the recording functionality resides in the SIM card, which comes directly from the operator. This also means that there is no significant increase in delay in the call going through, so the end user experience is not impaired.

The cons

The downside of this approach is that it is operator-dependent. As such, if the recorded employee is working abroad when he or she makes a work-related call, the service will rely on the operator's ability to continue to record over the network of a roaming partner, which must support an intelligent networking protocol called CAMEL in order for the recording to work in a compliant manner. This can be problematic in places such as China, and in this scenario the bank or brokerage requiring the recording will need to consider how to report on calls made. The mobile provider will be able to advise where this might present a challenge and how it can be supported.

Of course, a bank or brokerage that has offices in several countries and wants to record all of its traders' calls, regardless of which office they work in, will need to sign deals with multiple suppliers if it wants to go down the in-network recording route.

The MNO/MVNO issue

One further detail that should be mentioned here is that, specifically in the UK, no MNO has so far launched an in-network recording service, although Vodafone, which also provides the lion's share of the mobile lines in the City, is continually making noises about doing so. As a result, companies that want to adopt such an approach to their compliance needs must rely on a so-called mobile virtual network operator (MVNO) – a third-party operator that piggybacks on an MNO's network but has responsibility for issuing the SIM card and thus "owns" the customer relationship, with the underlying network provider being transparent to the customer.
This can represent something of an inconvenience for the customer because it means managing two separate mobile contracts, one with an MNO for the bulk of their employees, and the other with an MVNO specifically for those employees whose calls must be recorded.

Conversely, this situation can represent an opportunity for the MVNO: if it does a good job providing a mobile service for the trading floor staff, it might be able to win additional business with that customer further down the road. Furthermore, the MVNO may be a systems integrator specializing in providing a broader range of services around enterprise mobility and device management, and it may have the ability to deliver a recording service across different geographies.

**Figure 5: The pros and cons of app- and network-based approaches**

<table>
<thead>
<tr>
<th>App-based</th>
<th>Network-based</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Supports local recording and storage of mobile calls, typically on an existing recording server used for fixed-line recordings (NICE, Verint, Red Box, etc).</td>
<td>- No software to support on individual devices.</td>
</tr>
<tr>
<td>- Requires software clients to be deployed and supported for each and every mobile OS (and their successive versions).</td>
<td>- Currently requires a SIM change to a separate telephony provider (MVNO), though this will change when MNOs enter the market.</td>
</tr>
<tr>
<td>- May therefore cause headaches if your organization has opted for a BYOD policy.</td>
<td>- Cloud-based, though recordings can be downloaded subsequently by a compliance officer.</td>
</tr>
<tr>
<td></td>
<td>- BYOD-friendly.</td>
</tr>
</tbody>
</table>

Source: Ovum

**ON-PREMISE VERSUS CLOUD-BASED STORAGE OF THE RECORDINGS**

The first-generation app-based recording products all routed the recording, by default, to an on-premise recording server, and providers made a virtue of this, arguing that it met customers' security concerns and offered greater efficiency since they were already running recording servers to comply with the fixed-line recording requirement introduced by the regulator in 2009. It can also be argued that on-premise storage makes sense if you are already storing your fixed-line recordings there, since both mobile and fixed recordings will need to be scrutinized in the event of any investigation by the regulator.

Meanwhile, early versions of network-based recording services made it obligatory for the recording to be stored in the operator's network, with the customer's compliance officer being able to download any call recordings as required. However, more recently, the companies offering in-network recording have recognized the need to offer the option of routing the call directly to an on-premise recording server, given the data security concerns of many big financial institutions.

This would seem to put an end to the on-premise versus cloud-based storage debate, because most of the companies now offering recording, whether in-network or via an app, can do either, based on the customer's preferences. It is worth considering the longer-term operational implications of where you are storing the recordings, however.
ON-PREMISE: THE PROS

We have already mentioned the security advantage of keeping all recordings on a server on your own premises rather than having them stored in a service provider’s cloud, as well as the operational efficiency of keeping them in the same place as your fixed-line recordings.

Beyond these considerations, however, there is the potential to extract value from the recordings by applying analytics. In this context, having them stored on-premise will make it much easier and more convenient to subject them to analysis as frequently, and in as many different ways, as required.

ON-PREMISE: THE CONS

Although it can represent operational efficiency by “sweating” the recording assets that a company already has in place for fixed-line communications, storing the records on-premise will inevitably imply additional cost, since the recording server will need additional inbound channels to receive the recordings and further storage space to hold them.

Another potential issue is that because the recording server is not aware of the network, and the network is not aware of the server, if there is a failure on the server, calls will continue to be made, thus raising a compliance issue.

CLOUD-BASED: THE PROS

The most obvious advantage of storing mobile communications recordings in the cloud (i.e. on a service provider’s network) is that it avoids any additional capital expenditure on the part of the customer and, as such, represents a quicker and easier way to comply with the regulatory requirement.

Another advantage is that it avoids any problem in the event of a failure with an on-premise recording device. Any failure on the part of the service provider can and should be the subject of penalties in the service-level agreement.

CLOUD-BASED: THE CONS

There are clearly security concerns relating to any form of enterprise functionality residing in the cloud, though these are subsiding as providers improve their defenses.

A more long-term issue is that by leaving their recordings on a service provider’s cloud, companies may fail to derive the potential value of submitting them to analytics and gaining insights regarding operational efficiency, trader productivity, and so on.

A BEST-OF-BOTH-WORLDS APPROACH

Given the upsides and downsides of both of these approaches to the storage of mobile communications recordings, a number of companies, including TeleWare, have begun to advocate a hybrid approach, making the recording on the service provider’s network to guarantee compliance, but then immediately forwarding a copy to the customer’s on-premise server so that it can perform analytics and so on.

This is something of a belt-and-braces approach, which, though it will mean additional capex on premises, should greatly reduce the risk of non-compliance through equipment failure, while allowing the customer to use the accumulated data to gain analytical insights.
MARKET EVOLUTION

DODD-FRANK TAKES MOBILE RECORDING INTERNATIONAL

The most significant change to have taken place since the UK regulation came in in 2011 is that mobile call requirements have now gone international, thanks to the US Dodd-Frank Act (DFA) coming into force. This legislation imposes mobile recording not only for all participants in swaps transactions in the US, but also for their counterparties overseas. Thus companies in Australasia, Europe, and Latin America are now required to record mobile calls if the counterparty on the other end is in the US and covered by the DFA requirement.

The next white papers in the series will deal with this issue is greater detail, but with regard to the UK situation, this means that companies that have businesses on both sides of the Atlantic or deal with swaps counterparties in the US must now comply with both sets of regulation. This gradual "globalization" of mobile recording regulations is driving awareness, particularly among the big multinational institutions with trading operations in multiple geographies, of the need to find a technological solution that serves their needs wherever they are.

BLACKBERRY IS ON THE WANE

Aside from these trends in the market for mobile communications recording, there are also the developments in the enterprise mobility market to consider. The most obvious of these is the decline in market share for BlackBerry, as corporate buyers prepare for the company’s possible demise. Ovum research into the advance of the BYOD trend shows that of those employees still using mobile phones provided by their company, the percentage using BlackBerry dropped dramatically between 2012 and 2013.

Figure 6: What employees with corporate handsets are using

This decline in BlackBerry’s share of the enterprise handset market underscores a broader trend toward BYOD, which clearly favors non-BlackBerry devices, with which consumers are far more familiar. The Ovum survey, with replies from 4,371 corporate employees in 19 countries, reveals that between BYOD and “choose your
own device” (CYOD, in which the company still pays but offers a choice of handsets, also known as “corporate-owned, personally enabled” or COPE), the choice of which handset a mobile employee is going to use is moving overwhelmingly towards the employee.

**Figure 7: The enterprise no longer mandates what handset will be used**

![Pie chart showing smartphone provisioning methods]

The significance of all this for the mobile call recording market is that the only mobile system that ships with a central management capability (i.e. the BlackBerry Enterprise Server) is waning, while those that come from the consumer world, such as iPhone and Android devices, are growing their share in the enterprise. This trend tends to favor more cloud-based solutions, particularly for iPhones, given the likelihood that Apple will never release an API to enable the development of a compliant recording app.
TECHNOLOGICAL EVOLUTION

Not surprisingly, there are early moves to meet the regulatory requirement and address the shortcomings of both the app- and the network-based approaches. An ideal solution would be one that was operator- and mobile OS-independent and would work anywhere and on any device, with zero impact on the end-user experience.

Ovum has heard of efforts to embed call recording functionality into the actual mobile OS, such that it would require no app to be loaded onto the device but would ship as default from the factory, with the functionality being turned on either by the customer’s own IT department or, potentially, by its mobile provider or a third-party global recording service provider. The one fly in that particular ointment is that in order for it to work, it would require the developer to negotiate agreements with all of the relevant mobile OS providers: BlackBerry, Microsoft, Google, and Apple.

THE ROLE OF BUSINESS INTELLIGENCE

Beyond improvements in the way that mobile call recording is actually achieved, another technological evolution that Ovum considers inevitable is the application of business intelligence techniques to the stored recordings, with a view to deriving useful insights that can lead to operational improvements in the way a company conducts its affairs. Under the current UK requirement, recordings must be stored for six months, but that is expected to be extended to three years by MiFID II. If a company is investing heavily in a technology platform or service to enable recording, including all the additional storage capacity, it seems only logical that it will want to apply analytics on what it has stored.

This will be necessary anyway if companies are to comply in a timely fashion, as it should enable them to isolate relevant calls and present them to the authorities for any investigation, as well as helping with an audit trail of all the calls made around a given trade. It should also be remembered, in this context, that the regulation covers all forms of mobile communication, so whatever analytical technology is used for compliance will need to be able to handle all the non-voice means of mobile communication.

Firms such as Actiance and MobileGuard specialize in recording and analyzing such forms of messaging, but if you are deploying such technology you will need to check that they can integrate with whatever voice recording infrastructure you have selected. Alternatively, if you have opted for a single provider across all means of mobile communication, make sure that whatever technology you are deploying to analyze the recorded data can handle voice, non-voice, and associated records across both, for single-view reporting.

Above and beyond complying with the regulatory requirement, Ovum believes that firms will begin to explore the operational efficiencies to be gained from analyzing their call behavior around trades. Do some traders manage to close deals and provide profits for their clients with a smaller number of calls? Do sales proceed more smoothly and quickly at particular times of the year? Is there an optimal length of mobile conversation?

Ovum therefore sees the application of analytics to recorded mobile calls, alongside those made on fixed-line phones, as inevitable, and expects to see a number of vendors and service providers moving to offer such functionality over the next year or two.
WINNERS AND LOSERS

MOBILE RECORDING IS STILL AN EMERGING CAPABILITY

The market for mobile communications recording products and services that enable regulatory compliance in the financial sector is still in its infancy, so it would be premature for Ovum to declare any winners or losers among the firms vying to supply them. It is possible, however, to mention some of the attributes that companies will need to compete successfully in this space.

On one level, it would seem logical that the MNOs themselves should be offering recording as a value-added service, since they provide the actual mobile networks. The fact that no UK MNO has yet launched such a service as a tick-box item on enterprise mobility contracts indicates that this is not a simple undertaking, involving as it does the maintenance of FCA-compliant data centers and stringent service-level agreements with major investment banks.

WILL MNOS HAVE THE EXPERTISE FOR SUCH AN ENTERPRISE SERVICE?

Beyond that, Ovum sees major mobile carriers struggling with other aspects of recording. Many MNOs lack the nous to service enterprise customers, set up as they are to address the consumer market. Even if they do have an enterprise services arm, this may well have experience only in negotiating tariffs and volume discounts. Will they have an ecosystem of partners in areas such as search, e-discovery, and analytics, that they can call upon for a full-service offering?

Pure-play technology vendors will, Ovum believes, face their own set of challenges. Their technology may be excellent, but will they be able to implement it, integrating where necessary with existing infrastructure? Will they be able to offer it as a service, and how well will they integrate with analytics platforms?

In this context, systems integrators may be better placed to address the needs of capital markets firms deploying mobile recording. They can not only handle the selection and implementation phases, but also potentially run the technology as a service and operate the post-recording analytics required both to comply and reap additional benefits such as operational insights.
APPENDIX

FURTHER READING


*Mobile Recording in the Financial Sector: an Update*, IT001-000476 (February 2013)

*Mobile Communications Recording in the Financial Markets*, IT001-000438 (June 2011)

DEFINITIONS

**Customized Applications for Mobile network Enhanced Logic (CAMEL)**

CAMEL is an application to extend the services offered within a GSM network. It provides the mechanisms to support operator-specific services that are not covered by standardized GSM services. The services can even be supported when customers are roaming outside their home network.

**Instant messaging (IM)**

IM is a form of realtime, direct text-based communication between two or more people using PCs or other devices, along with shared clients. The user's text is conveyed over a network such as the Internet. More advanced IM software clients also allow enhanced modes of communication, such as live voice or video calling.

**Mobile network operator (MNO)**

An MNO is a telecoms operator that is licensed by the regulator in a given country to operate a full mobile network, including both the core network functions and the radio access network of cell towers. It is thus able to sign up customers and is responsible for issuing them with SIM cards, which are what enables their mobile phones to access the network and communicate.

**Mobile virtual network operator (MVNO)**

An MVNO is a mobile operator that does not own its own spectrum and usually does not have its own network infrastructure. Instead, MVNOs have business arrangements with traditional mobile operators to buy minutes of use (MOU) for sale to their own customers.

**Short message service (SMS)**

SMS, also referred to as texting, sending text messages, or text messaging, is a service that allows for short text messages to be sent from one mobile phone to another mobile phone or from the Web to another mobile phone.

**SIM card**

A subscriber identity module or subscriber identification module (SIM) is an integrated circuit that securely stores the service-subscriber key (IMSI) used to identify a subscriber on a mobile telephony device such as a mobile phone or computer.

AUTHOR

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