

# Automated Compliance Checks in Personal Account Dealing (PAD)

*Increase productivity and achieve compliance reviewing PADs within your firm. Nexus FrontierTech's tailormade AI models enable your team to save time previously spent on repetitive tasks, and to spot compliance issues before it's too late.*

## Process background

- Investment firms are required to establish appropriate policies and procedures governing Personal Account Dealing (PAD) - where employees of an authorised firm trade for themselves instead of for clients - that are designed to minimise conflicts of interest and prevent market abuse.
- Since late 2019, the UK's Financial Conduct Authority (FCA) has been cracking down on PAD, having identified a number of apparent breaches of firms' internal policies in recent reviews. In the case that a firm is found to be non-compliant with internal or external regulations, they could face hefty fines or the loss of their license to conduct business. Misconduct through PAD could also lead to bad publicity, reputational damage and potential fund outflows.
- To avoid such penalties, many firms have a pre-approval process for trades as well as a dedicated team of internal compliance officers in charge of checking account statements against pre-approved reports/restricted lists. Certain employee trades must be exempt from this pre-approval process, which are manually deduced by the compliance checker.

## Issues

- ⚠ **Lost productivity**  
*The compliance checker's time should be better spent on more nuanced compliance activity.*
- ⚠ **Serious compliance risks**  
*Getting this wrong could violate both internal and external regulations, as well as risking the firm's reputation.*
- ⚠ **Manual, time-consuming labour**  
*Internal checkers spend far too many hours on repetitive tasks.*

# How Nexus FrontierTech can help

“ Nexus FrontierTech's tailormade solution mitigates risk with Personal Account Dealing by ensuring compliance with employee's personal trading activities while streamlining workflows. ”

Our unique solution allows compliance teams to set the rules for automatically surveying data that their employees provide on pre-trade requests when they intend on executing a trade. **Our Document Intelligence Engine** uses tailored AI models to extract key information from scanned, unstructured documents and transform it into a structured, usable format with near-perfect accuracy. Some examples of PAD-related documents that our models are tailored for are:



**Initial & Annual Declaration**



**Broker Statements**



**Outside Business Interests**



**Form 15**



**Fit & Proper Declaration**



**Related Party**

**Our Validation Engine** uses another set of tailored AI models to automatically validate the data extracted from the trade requests against relevant pre-configured compliance rules, judging whether there was a breach in investment intent or an automatic approval. This automatic validation and flagging process diminishes the need for large, specialised teams to spend hours upon hours manually checking the validity of data input. Once the investment is executed, we can then verify if it complies with what has been approved, to identify breaches such as dealings with the wrong companies or unapproved amounts.

## Results

Using this automated workflow, firms can:

- ✓ **Reduce** manual processing time and effort by up to 90%.
- ✓ **Increase** consistency by checking 100% of cases.
- ✓ **Ensure** PAD compliance with a 2-tiered review: before & after investment is made.
- ✓ **Increase** audit readiness by providing a single source of PAD data.
- ✓ **Increase** scalability and accommodates expansion by increasing checking capacity.
- ✓ **Empower** compliance checkers to focus on more complex compliance issues.

## Statistics

**90%**

**REDUCTION  
OF MANUAL  
PROCESSING TIME**

**100%**

**CASES CHECKED**