



# MiFID II: All Trading Calls Must Be Recorded

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In a Q&A, Greg Kenep, president of Cloud9 Technologies, details a key requirement of the forthcoming regulation of the European Union.

*(Editor's Note: One of the more underreported aspects of the Markets in Financial Instruments Directive/Regulation (MiFID II) is the voice recording requirements. Greg Kenep, president of Cloud9 Technologies, a cloud communications service provider, has been focused on these forthcoming requirements, which are likely to turn out to be more challenging than most operations professionals think. FTF News recently got time with Kenep to review the matter.)*



Greg Kenepp,  
president, Cloud 9  
Technologies

**Q: How many firms should be worried about the MiFID II recording guidelines? Is it more than a niche concern?**

A: This is an issue that should be front-of-mind for all E.U.-based firms, even in the wake of the regulators pushing back the MiFID II implementation date to January 2018.

Financial institutions should be aware that the directive states that if there is an intention to execute a trade, the entire dialogue and/or discussion must be recorded. This will impact nearly all firms in Europe and they should not be complacent, ensuring their technology and procedures support compliance.

**Q: How should firms proceed if they have a lot of physical infrastructure already in place? Should they start ripping out turrets and systems and move everything to a remote, digital environment?**

A: The implementation process for modern trader voice systems is far less painful than implementing a traditional telecom-based solution, which can take several weeks.

**Q: What are the storage demands for the retention of the recordings – it would seem to be rather high?**

A: Storage for voice messaging systems varies by solution. Cloud9 stores all recording with several layers of encryption on AWS, and provides a much more secure environment than a traditional trader voice solutions.

**Q: How harmonized are the U.S. regulatory requirements for voice trading retention and reporting with the MiFID II rules?**

A: While MiFID II regulates only the 28 E.U. member states (plus Norway, Liechtenstein and Iceland), there is no regulatory harmonization in place at this time with the U.S.

However, there are compliance recording regulations in place in the U.S. under the Dodd-Frank Act that govern when and what messages must be recorded.

**Q: What are the searching and retrieval demands for these retained conversations?**

A: Current MiFID II rules require that 180 days of call and communications data to be retained by financial institutions.

Most regulated firms already go beyond this and retain five or seven years of records for best practice or to comply with additional regulatory guidance.

MiFID II will eventually specify that firms must meet a mandatory requirement of five years of data recordings. Cloud9 gives firms the ability to define their own retention periods, and to download their own recordings.

**Q: What is an optimal strategy for a firm that has a mix of voice and digital communication that it will have to retain, review and report upon?**

A: This is the case for most firms in today's market structure.

Institutional traders want to have the option of voice and digital communication, so service providers must have solutions that reflect these demands while meeting regulatory recording standards.

One of the issues with turret-based phone systems in the past has been the inability to completely record all calls and messages, and the inability to identify individuals on calls leaving institutions in a precarious position when trying to reconstruct conversations with regulators.