

Smart guide.

MiFID II: Smart guide to mobile call recording.



The upcoming Markets in Financial Instruments Directive (MiFID II) aims to provide stronger investor protection and transparency for clients. The implications of the Directive and the new Regulation (MiFIR) are wide ranging and will impact a large number of financial services firms across the UK.

One of the introductions of MiFID II is the requirement for investment firms to record telephone conversations and electronic communications relating to own account and clients' transactions. This includes telephone conversations that are intended to result in the conclusion of a transaction.

Whilst the requirement to record mobile conversations is a new obligation for financial advisors and insurance brokers, mobile call recording is not new technology. As a result there are a plethora of solutions available. Whilst MiFID II regulations will come in effect in January 2017, establishing a call recording system can be complex and require careful consideration.

To help you find the right solution, we will show you the benefits and limitations of each approach.

MiFID II – what is it?

The original MiFID gave EU member states the discretion to decide if telephone conversations were required to be recorded.

In 2011, the UK's financial regulator, then called FSA, enforced that all relevant mobile communications between traders had to be recorded, including SMS and voice.

Exactly which firms are required to record mobile calls has been heavily debated in the UK, with some firms believing that they were exempt of the regulation all together. In addition, some firms argued that they were exempt from recording mobile calls as employees were using personal phones.

MiFID II makes the requirement to record mobile conversations mandatory, regardless if the conversation is on a device provided by the firm or not.

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Does MiFID II apply to my firm?

Unlike the current FCA regulations for mobile call recording, MiFID II stipulates that financial advisors and corporate broking firms have to record telephone conversations and electronic communications.

This means thousands of businesses will have to begin recording conversations, text messages, emails and other data that are intended to end with a trade. It also means that an additional 300,000 people will need to have their mobile conversations recorded. If you don't already have a mobile call recording solution, this document outlines the different approaches to stay compliant.

Even if you already have a mobile call recording solution, can it be scaled to meet the additional breadth of the types of conversations that need to be recorded?

The options to stay compliant

When the need for mobile call recording was introduced in 2011, there were a couple of options such as, mobile phones or adopting mobile call recording technology that routed conversations through a call recording server. The technology used two main approaches, either using an app or a SIM card to steer calls through a network based call recording solution.

There's now a third solution, a hybrid that combines the best of an app based and network based solution.

App-based mobile call recording

Some of the first solutions were apps created for BlackBerry mobile phones. Vendors have taken several approaches to record calls:

- Detecting a call is about to be made and steering it through the corporate telephone system or through a cloud based server to record calls.

- Creating a second call leg to a call recording platform, effectively conferencing the recorder.
- Utilise voice over IP technology which requires 3G or WiFi connection to make or receive calls.

The benefits of app-based mobile recording

The advantage of app based solutions is that they are independent of the mobile network operator, so are able to record calls no matter what country the user is roaming in.

The limitations of app-based mobile call recording

Many solutions are available on a variety of mobile operating systems, which reduces the challenge of finding a solution for organisations who have adopted a BYOD strategy. However, that's not always the case, older apps are tied into BlackBerry which isn't helpful for a mobile estate with different devices running different operating systems.

App-based mobile call recording has usability challenges as well. There are either latency issues incurred while waiting for the call to be routed via the firm's telephone system or waiting for a second mobile call to be connected. The impact is that calls are either dropped, missed or parts of the conversation are not recorded.

With solutions that route calls through the corporate telephone system there can be hidden costs. For example, additional telephone lines, to carry the additional mobile traffic and additional licenses for the corporate telephone system to record mobile calls.

Network-based mobile call recording

The network based solution is based on installing a new SIM card which automatically redirects calls to a recording server on the operator's network or the customer's on-premise infrastructure.

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The benefits of network-based mobile call recording

The network based solution has been viewed as the best option by many firms. It dispels with many of the latency issues involved with an app based approach and provides a more reliable call recording service.

Network based options provide an improved user experience as there is minimal delay in connecting the call. Additionally, modern solutions avoid the requirement for local infrastructure changes as calls are recorded in the cloud with recordings sent or downloaded.

The limitations of network-based mobile call recording

Network based solution are often dependent on installing a new SIM card to identify when a call is made or received. This ties the call recording solution to a specific mobile network operator.

As the SIM card needs to be replaced, the personal SIM cannot be used. This means that users cannot have a personal mobile number on the same device, which often rules out BYOD strategies.

Two numbers on one phone: smartnumbers mobile plus, the best of both worlds

There are positives and negatives to both the app and network-based solutions. However, a new approach is now available: smartnumbers mobile plus. It provides the reliability and user experience of a network-based solution that records all business calls whilst being operator and network independent.

This provides the benefit of a GSM mobile call recording service that records all business calls on personal phones whilst personal calls remain private. Every call made through the app is automatically recorded and sent securely to the compliant email server.

For the first time, firms are able to consider BYOD without the risk of breaching market regulations and EU privacy laws.

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