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## THOSE WHO WATCH THE WATCHERS: EVOLVING ENFORCEMENT TRENDS IN FINANCIAL INDUSTRY SURVEILLANCE PROGRAMS

*This article provides a comprehensive overview of the regulatory landscape governing surveillance compliance programs in the financial industry. It highlights the stated priorities of financial regulators, recent notable enforcement actions, and the emerging role of artificial intelligence in enhancing surveillance programs. Articulating the importance of establishing and maintaining comprehensive and effective surveillance programs to ensure adherence to numerous regulations at different levels, the article also discusses the impact of technological advancements on surveillance programs, rising expectations for compliance standards, and potential areas of focus for the current administration.*

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Surveillance programs in the financial industry touch nearly every facet of firms' and their personnel's operations. From completing client or firm transactions and taking in or sending out customer funds, to monitoring internal and external communications, account activity, service providers, and personal trading — to name only a few — compliance programs are the front line of defense to intercept red flags and ensure adherence to the myriad rules and regulations at the federal, state, self-regulatory, and international levels. Advances in technology bracingly accelerate the pace of change in the surveilled landscape, while bringing improved tools and efficiencies to those charged with this critical safeguarding. Risk matrices grow in length and complexity, and expectations for the norms of industry standards across compliance functions increasingly rise. Against this backdrop, it is no surprise that surveillance tops the list of financial regulators'

priorities year after year, as those who are "watching the watchers" seek to stay one step ahead in this rapidly changing environment.

This article describes the key aspects of the regulatory structure applicable to surveillance compliance programs; highlights current priorities identified by regulators in this arena; and explores recent cases of note. Lastly, the article considers how firms are beginning to employ artificial intelligence tools as part of surveillance programs and the considerations these developments portend.

### ENFORCEMENT MECHANISMS AND SUPERVISION

Registered broker-dealers and investment advisers are required to supervise the activities of their associated persons. To comply with this obligation, firms must

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