Nasdaq to Enhance Global Market Surveillance Offering with Generative AI

May 15, 2024

Nasdaq to integrate Gen AI feature into its leading market surveillance technology for regulators and marketplaces globally

AI functionality will improve overall quality and efficiency of market abuse investigations for our clients, enhancing integrity of the financial system

NEW YORK, May 15, 2024 (GLOBE NEWSWIRE) -- Nasdaq (Nasdaq: NDAQ) today announced the new AI powered feature within its Market Surveillance technology solution that will significantly enhance the quality, speed, and efficiency of market abuse investigations performed by our clients. The solution leverages generative AI to streamline the triage and examination process involved in investigating suspected market manipulation and insider dealing, empowering regulator and marketplace clients to more effectively monitor and detect potential market abuse.

During proof-of-concept testing, surveillance analysts estimated a 33% reduction in investigation time, with improved overall outcomes. This represents a substantial gain in investigation efficiency. Nasdaq is planning to leverage the generative AI enabled functionality for its U.S. equity market surveillance.

“Maintaining trust in capital markets is critical to preserving long-term growth and prosperity,” said Ed Probst, Senior Vice President and Head of Regulatory Technology at Nasdaq. “Market abuse is a substantial global challenge and one that demands increasingly sophisticated solutions to address it. As a major regulatory technology provider to the world’s financial system, with a deep culture of innovation, Nasdaq is uniquely placed to leverage the power of technology to further enhance the tools and capabilities necessary to uphold the integrity of marketplaces globally.”

New AI Surveillance Capabilities

In an effort to ensure market integrity and trustworthiness, international regulators require financial institutions to demonstrate the ongoing effectiveness of their surveillance systems and controls. Firms are expected to have comprehensive coverage across their entire portfolio and operations, spanning a broad range of asset classes and jurisdictions, with scalable systems capable of managing increased levels of risk during periods of high volume and volatility.

Today, when analysts receive automated alerts of suspicious activity, they must conduct an initial review and form an assessment of whether the activity warrants further investigation. That typically involves manually collating all necessary evidence, including relevant trading activity and corporate filings alongside a vast array of data from external sources, before deciding whether to continue the review. The process is highly resource intensive, and even more so if the alert warrants further investigation.

Leveraging Amazon Bedrock, an AWS service for building secure generative AI applications, Nasdaq’s enhanced functionality will empower analysts with generative AI capabilities to distill, analyze, and interpret relevant information more quickly, enhancing their ability to form detailed initial assessments of alerts. For example, the technology can produce a consolidated table of the company’s regulatory filings, summaries and links to company, sector, and peer company news, news sentiment analysis, and other mitigating or aggravating factors that may impact any given security.

Tony Sio, Head of Regulatory Strategy and Innovation at Nasdaq, said: “By drawing on the latest innovation in cloud technology and artificial intelligence, we can better respond to new threats and offer the global financial system advanced tools to more effectively tackle market abuse. This is a continuous cycle of investment and improvement in our capability, leveraging our unique position as both a world class market operator and best in class surveillance technology provider around the world.”

Scott Mullins, General Manager of Worldwide Financial Services at AWS, said: “Nasdaq is continuously innovating on behalf of the global capital markets by combining its industry-leading expertise with cloud and AI technology. We are honored to work with Nasdaq as it harnesses the power of generative AI to advance the stability and security of the global financial system.”

Nasdaq’s Expansion of AI Across Multiple Business Units

As a global technology provider, Nasdaq has continuously advanced AI capabilities to support capital markets, enhancing the integrity, fairness, liquidity, and efficiency of the financial ecosystem. This new generative AI functionality has been introduced as part of Nasdaq's broader research and development effort, focused on transparent, reliable, and accountable AI implementation across the financial services industry.

A major aspect of Nasdaq’s AI strategy has been to accelerate its market modernization effort by improving the quality of its data and surrounding systems while embracing cloud-enabled infrastructure. Nasdaq’s long-term approach to technology and investments has enabled the company to unlock the power of AI by scaling its capabilities, tools, and systems with proper governance, security, and oversight. To date, Nasdaq’s AI initiatives span many of its business units, including North American Markets Services, Financial Crime Management Technology, and Corporate Solutions.

Within North American Market Services, Nasdaq has launched Dynamic MELO, the first SEC approved AI order type, and Strike Price Optimization, a purpose-built program designed to align Nasdaq’s six options exchanges strike lists to market demand. For several years, the Nasdaq Investor Relations Intelligence team has also been employing different types of AI to better serve clients, with a key focus on empowering analysts to uncover new proprietary data and insights more efficiently. In addition, IR Intelligence recently launched Nasdaq Sustainable Lens ™, an AI-powered ESG

intelligence solution that helps clients make better decisions faster, boost productivity and enhance credibility on key topics such as regulatory reporting readiness and competitive intelligence. In addition, Verafin, which provides Nasdaq's Financial Crime Management solutions, announced the availability of its Entity Research Copilot, the first of its integrated Copilot capabilities that uses generative AI to automate compliance tasks and daily workflows enabling financial institutions to reduce operational costs and increase the efficiency of anti-financial crime programs.

About Nasdaq

Nasdaq (Nasdaq: NDAQ) is a leading global technology company serving corporate clients, investment managers, banks, brokers, and exchange operators as they navigate and interact with the global capital markets and the broader financial system. We aspire to deliver world-leading platforms that improve the liquidity, transparency, and integrity of the global economy. Our diverse offering of data, analytics, software, exchange capabilities, and client-centric services enables clients to optimize and execute their business vision with confidence. To learn more about the company, technology solutions, and career opportunities, visit us on LinkedIn, on X @Nasdaq, or at www.nasdaq.com.

Cautionary Note Regarding Forward-Looking Statements:

The matters described this press release contain forward-looking statements that are made under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. When used in this press release, words such as "expect," "enables," "will," "planning," "can," and similar expressions and any other statements that are not historical facts are intended to identify forward-looking statements. These statements include, but are not limited to, statements regarding Nasdaq's AI powered feature within its Market Surveillance technology solution and other uses by Nasdaq of generative AI in its solutions and offerings. We caution that these statements are not guarantees of future performance. Actual results may differ materially from those expressed or implied in the forward-looking statements. Forward-looking statements involve a number of risks, uncertainties or other factors beyond Nasdaq's control. These factors include, but are not limited to, factors detailed in Nasdaq's Annual Report on Form 10-K and its other periodic reports filed with the U.S. Securities and Exchange Commission. We undertake no obligation to release any revisions to any forward-looking statements.

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