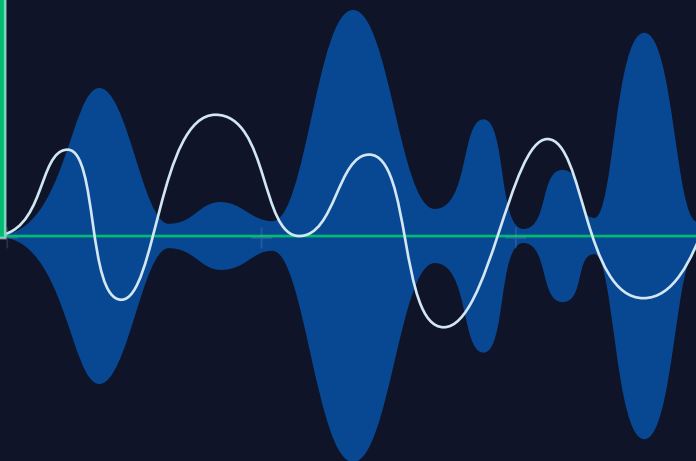


Advancements of Transcript-Based Products for Fundamental Research:

The Compliance Perspective



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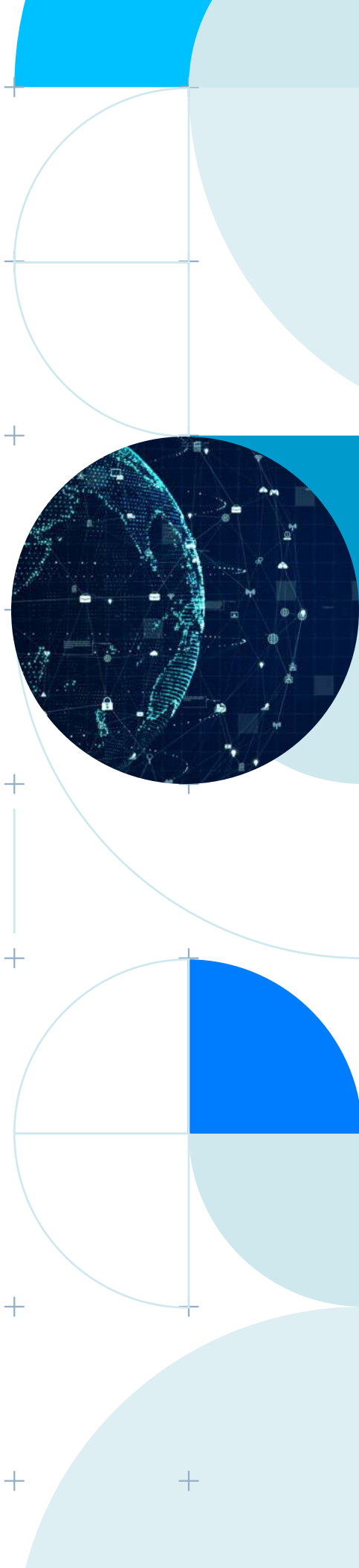
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Introduction

Expert calls come with the risk of exposure to confidential or material non-public information (MNPI), potentially inhibiting your firm's ability to trade on related positions. Yet without expert calls, you can miss out on important information, opportunities, and investment ideas. Stream by AlphaSense is disrupting the expert call landscape with its on-demand call transcript library. You may be trying to decide if the Stream model suits you versus a legacy expert call model. As you work through the decision process, we invite you to use the perspectives from compliance teams to help with your analysis.

The Evolution of Investment Research

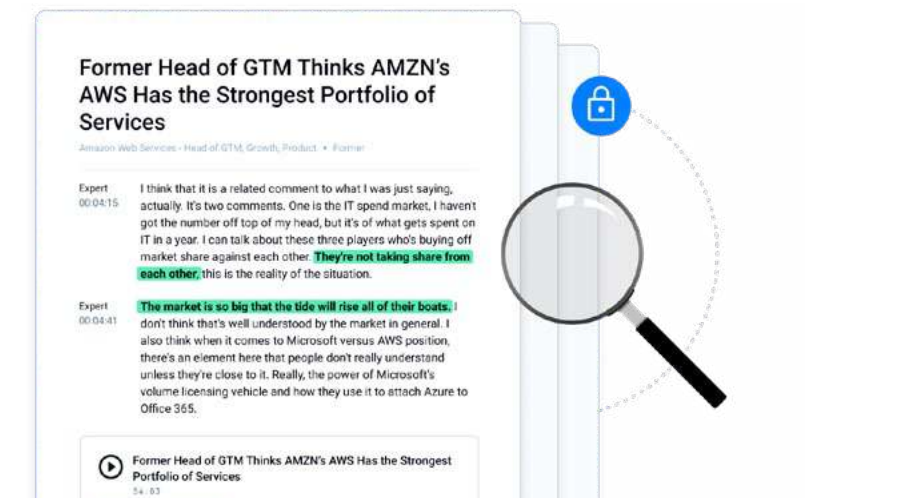
Over the past decade, we have observed that the research happening at investment firms performing fundamental analysis has evolved as a result of technological advances. For compliance professionals, these technological changes have required the development of new policies, novel procedures, innovative forms of surveillance, and distinctive compliance testing techniques. In short, as the array of investment research evolved, compliance risk generally increased while the complexity of compliance tasks tended to intensify.

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Fortunately, in a few instances, technological advancements have also resulted in the development of research services and products that mitigate compliance risk, improved efficiency, and reduce time-on-tasks for compliance professionals. One example is the development of compliance-reviewed transcripts for one-on-one consultations between industry experts and investment analysts.

The Emergence of Expert Transcript Libraries

Compliance-reviewed, transcript-based products



Similar to live one-on-one consultations, transcript-based research products have the potential to provide high-quality and informative content for investment analysts. Transcript-based products have permitted investment analysts to consume this research asynchronously and within a time frame that accommodates the investment analyst's needs. When combined with a web-based platform offering robust search capabilities, the transcript-based research product is also more effective and efficient than other forms of primary research. The exponential growth in demand for these products alone demonstrates the value they provide.

This growth has led to innovation within the consumption model for research-based transcripts. In the market today, there are three general types of relationships with a transcript platform:

1. **A passive subscriber-only**
2. **A subscriber who also provides content by conducting one-on-one calls**
3. **A subscriber who proposes research ideas and interview questions for the transcript platform to perform on the subscriber's behalf**

Fortunately, compliance-reviewed transcript-based research products have the capability to provide advantages to compliance professionals. From the perspective of internal compliance staff, a transcript platform that performs one-on-one consultations on behalf of an investment firm or who provides a compliance-reviewed, transcript-based product to an investment firm can reduce the compliance risk of primary research, allowing compliance resources to focus on more urgent research activities.



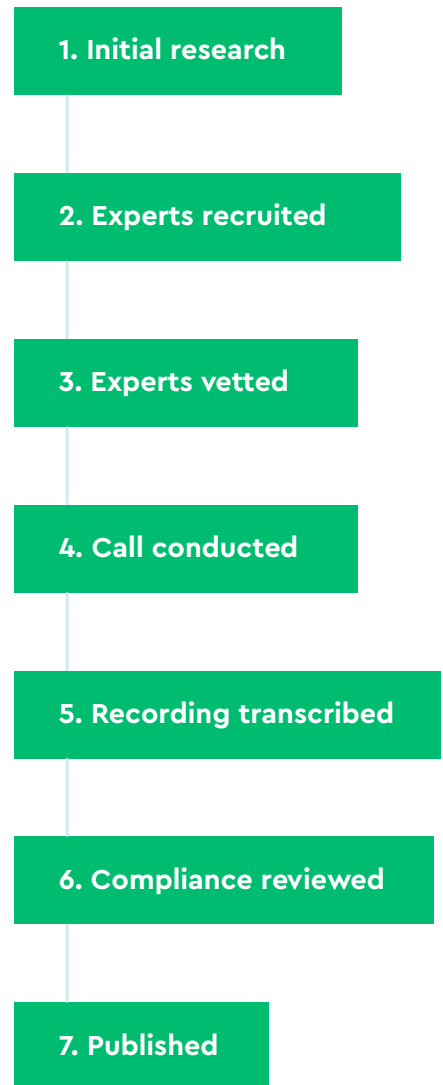
The Lifecycle of Transcript Creation

Initiation of a transcript

Understanding the lifecycle of a transcript is an important element in developing compliance policies and procedures for transcript-based products. The decision to conduct a one-on-one consultation begins with the initial research idea, typically generated by an investment analyst who requests that the transcript platform recruit potential experts for a consultation. From there, preliminarily suitable experts are initially recruited.

Those experts who appear likely to make it through the on-boarding process and compliance vetting process will then proceed to the completion of consulting agreements and pre-qualification questionnaires. For those experts that make it through the vetting process, a call will be arranged with a compliance-trained investment analyst who has experience on the proposed topic for the call.

So far, this process is identical to the process followed for live one-on-one consultations because the expert-network industry has generally centered around a core set of compliance requirements as a result of lessons learned from the insider-trading investigations surrounding expert network usage a decade ago. While those investigations were a painful occurrence, the resulting benefit to investment firms is a greater uniformity of behavior



among expert-network providers and clients. Today, outliers from the central tendency fall towards the more risk-averse portion of the compliance spectrum rather than towards the more risk-accepting portion as seen prior to the insider-trading investigations in decades past.

As we continue along the lifecycle for a transcript, we find that the sunlight of a recorded call with subsequent compliance review to be a very powerful antiseptic for unethical and corrupt practices. In short, investment analysts and consultants who otherwise would be inclined to intentionally acquire or disclose confidential information or material, non-public information are disinclined to participate in calls that will ultimately result in transcripts. It appears that consenting to recorded consultations that are then converted into a transcript to be consumed by other investment professionals is consenting to a level of scrutiny that ill-intentioned participants actively seek to avoid.

After the one-on-one consultation

The recording of the call is typically processed by artificial intelligence (AI) into a readable transcript with enhanced attributes such as time-stamps and identification of the participant who is speaking. The ability for web-based systems to convert spoken language into usable text is precisely the intersection of technology and compliance that has enabled the development of compliance-reviewed, transcript-based products. Prior to the technological ability for AI or machine learning to accurately convert spoken language into text, the time commitment and direct cost of transcription was reserved for very limited uses.



The compliance review

The transcript is then further processed. Here, the processes followed by transcript platforms will differ slightly. Nonetheless, compliance-reviewed transcripts are ultimately reviewed by trained compliance reviewers prior to publication. The compliance reviewers will listen to the recording while reading the transcript, flagging content that violates the transcript platform's publication standards. Depending on the experience of the compliance reviewer, the objectionable content will either be removed directly from the transcript or escalated to further review by more experienced compliance professionals.

Topics that compliance reviewers are trained to identify include:

- **Contradictions between the consultant's representations during the consultant's onboarding phase and what the consultant represents in the one-on-one consultation**
- **Discussions of non-public information regarding the consultant's current employer**
- **Breaches of confidentiality obligations that the consultant has with other entities**
- **Revelation of current sources of information at a target company**
- **The disclosure of information that is both material and non-public**
- **And many other topics.**



Sound Practices for Compliance Professionals

Sound practices are based upon the nature of the relationship with the transcript platform. Where the investment firm subscribes to the transcript library, but does not provide content to the platform, the compliance procedures will be less intensive than where the investment firm is also a content provider.

When performing initial due diligence on a transcript platform as a potential subscriber, compliance professionals should look for the following attributes:

- **Compliance Vetting:** A recruitment process for consultants that avoids conflicted consultants, such as those that are prohibited from performing consultations, that work for the target company, that work for a material supplier or customer to the target company, that participate in clinical trials with unpublished results, or that are employed by government agencies with access to confidential information
- **Consulting Agreements:** The mandatory use of a consulting agreement that includes, among other terms, definitions of what information is considered confidential, material, or non-public, along with representations from the consultant that such information will not be shared on the one-on-one consultation
- **Compliance Questionnaires:** The use of a compliance pre-qualification questionnaire similar in scope and depth as those utilized for live one-on-one consultations.



- **Proper Documentation:** Documented consent by all participants for the one-on-one consultation to be recorded, transcribed, and published.
- **Trained Compliance Reviewers:** A comprehensive compliance review process with trained compliance reviewers who are tasked with reviews of each transcript before publication. Similar to any role where task-saturation is possible, the quantity of compliance reviews should be reasonably correlated to both the reviewer's experience level and the time necessary to perform a thorough review.
- **Continuous Compliance Training:** The existence of a thoughtful training program for the compliance reviewers with ongoing professional development for the compliance reviewers. The training program should include materials that provide for both cognitive objectives and performance objectives, such as a combination of class-room learning and the use of training transcripts. The training transcripts should be selected to enable evaluation of progress among trainees and to permit for targeted training support if a particular lesson did not result in adequate progression.
- **Usage Reporting:** The distribution to clients of periodic usage reports that accurately reflect what transcripts have been accessed by the client's investment analysts.
- **Regular Process Audits:** The existence of a forensic testing process to ensure that the compliance processes are operating as intended.

If an investment firm chooses to also be a content provider, then additional sound practices for compliance are advisable based upon the nature of the relationship. For example, where the investment firm provides research ideas and interview questions for the transcript platform to execute, compliance professionals for that investment firm should evaluate whether an internal approval process is appropriate. Further, if an investment firm will be a content provider that engages the transcript platform to arrange one-on-one consultations with the investment firm's analysts, then compliance professionals should consider implementing their compliance procedures used for expert network platforms.



Conclusion

Advancements in technology have resulted in an evolution of the types of fundamental research performed by investment analysts. In many cases, this evolution has resulted in greater compliance risk and larger workloads for compliance professionals. However, the advancements in AI and machine learning that have supported precise transcription of spoken words into written text also have enabled the development of compliance-reviewed, transcript-based research products. These products not only improve the efficiency and effectiveness of investment research, but also reduce compliance risk while conserving compliance resources for other higher-priority objectives.



About the Author



A Managing Director at IQ-EQ, Sean Farrell has over 20 years in regulatory compliance. He has served as a regulatory consultant, a chief compliance officer (CCO), and a Securities and Exchange Commission (SEC) examiner.

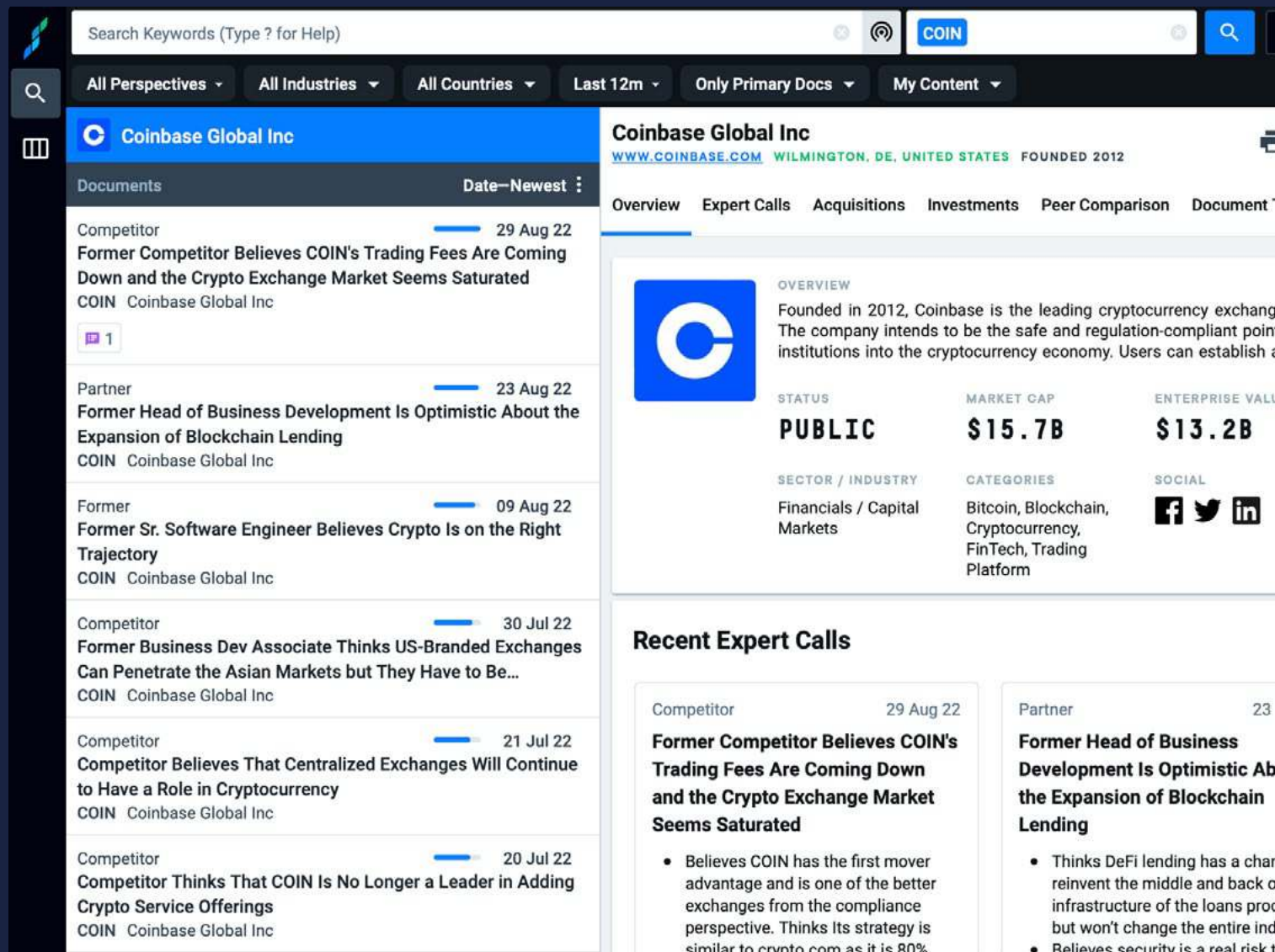
Before joining Stream, Sean founded Sentinel Regulatory Compliance, LLC, where he was responsible for all client-facing matters while providing internal control design, regulatory compliance reviews, regulatory gap analysis, regulatory examination assistance, employee training and development, and outsourced CCO services.

Sean previously served as the CCO of Greenlight Capital, Inc. and its affiliated entities from 2011–2018. He oversaw all domestic and foreign regulatory compliance matters for four SEC-registered investment advisers and one adviser authorized by the UK's Financial Conduct Authority (FCA).

About Stream by AlphaSense

Stream is a searchable database of investor-led expert interviews based on one-on-one calls with former executives, customers, competitors, and channel participants across a breadth of industries. With our proprietary AI search technology, we help the leading financial institutions and corporations get up-to-speed about a company in seconds.

[Learn more about Stream](#)



The screenshot displays the Stream by AlphaSense interface. At the top, there is a search bar with the text "Search Keywords (Type ? for Help)" and a search button. Below the search bar, there are several filters: "All Perspectives", "All Industries", "All Countries", "Last 12m", "Only Primary Docs", and "My Content". The main content area is divided into two columns. The left column shows a list of documents related to "Coinbase Global Inc", with the most recent document dated 29 Aug 22. The right column shows the profile for "Coinbase Global Inc", including its website, location, and founding year. Below the profile, there is a section for "Recent Expert Calls" with two entries, each featuring a title and a list of key points.

Search Keywords (Type ? for Help)

All Perspectives **All Industries** **All Countries** **Last 12m** **Only Primary Docs** **My Content**

Coinbase Global Inc
WWW.COINBASE.COM WILMINGTON, DE, UNITED STATES FOUNDED 2012

Documents **Date—Newest**

Competitor 29 Aug 22
Former Competitor Believes COIN's Trading Fees Are Coming Down and the Crypto Exchange Market Seems Saturated
 COIN Coinbase Global Inc

Partner 23 Aug 22
Former Head of Business Development Is Optimistic About the Expansion of Blockchain Lending
 COIN Coinbase Global Inc

Former 09 Aug 22
Former Sr. Software Engineer Believes Crypto Is on the Right Trajectory
 COIN Coinbase Global Inc




Competitor 30 Jul 22
Former Business Dev Associate Thinks US-Branded Exchanges Can Penetrate the Asian Markets but They Have to Be...
 COIN Coinbase Global Inc

Competitor 21 Jul 22
Competitor Believes That Centralized Exchanges Will Continue to Have a Role in Cryptocurrency
 COIN Coinbase Global Inc

Competitor 20 Jul 22
Competitor Thinks That COIN Is No Longer a Leader in Adding Crypto Service Offerings
 COIN Coinbase Global Inc

Coinbase Global Inc
 OVERVIEW
 Founded in 2012, Coinbase is the leading cryptocurrency exchange. The company intends to be the safe and regulation-compliant point of entry for institutions into the cryptocurrency economy. Users can establish a...

STATUS PUBLIC
MARKET CAP \$15.7B
ENTERPRISE VALUATION \$13.2B

SECTOR / INDUSTRY Financials / Capital Markets
CATEGORIES Bitcoin, Blockchain, Cryptocurrency, FinTech, Trading Platform
SOCIAL   

Recent Expert Calls

Competitor 29 Aug 22
Former Competitor Believes COIN's Trading Fees Are Coming Down and the Crypto Exchange Market Seems Saturated

- Believes COIN has the first mover advantage and is one of the better exchanges from the compliance perspective. Thinks its strategy is similar to crypto.com as it is 80%...

Partner 23 Aug 22
Former Head of Business Development Is Optimistic About the Expansion of Blockchain Lending

- Thinks DeFi lending has a chance to reinvent the middle and back end of the infrastructure of the loans product but won't change the entire industry.
- Believes security is a real risk...