


Wall Street banks face more than \$1B in fines over WhatsApp use

Article



The news: Some of the biggest **US banks** are likely to be slapped with more than \$1 billion in fines over traders' use of private messaging apps like **WhatsApp** to discuss key business matters.

- Banks expected to pay \$200 million each in fines include **Bank of America, Barclays, Citi, Deutsche Bank, Goldman Sachs, Morgan Stanley, and UBS**, [according to](#) the Wall Street

Journal, citing people familiar with the matter.

- Investment banks **Jefferies** and **Nomura** will reportedly face lower fines due to their smaller size.
- Fines are expected to be officially announced by the end of September.

WhatsApp crackdown: The fines result from the **Securities and Exchange Commission (SEC)** and the **Commodity Futures Trading Commission (CFTC)** investigation into bankers' use of personal messaging apps.

Using encrypted apps like WhatsApp to discuss business became more common during the pandemic with the rise of flexible working practices. But these communications have come under increased scrutiny from watchdogs because they fall outside of official channels and are harder for regulators to monitor. They also increase the risk of hackers stealing confidential information.

The big takeaway: The huge penalties are intended to serve as a deterrent against future regulatory breaches. Policing potentially large numbers of traders using encrypted apps, where message histories can be easily deleted, is exceedingly difficult. So using the threat of severe financial punishments is one of the most effective methods of control that regulators have.

But the threat of big fines may not be enough to change a culture where employees are accustomed to using apps like WhatsApp to discuss confidential business. We expect banks will make strong pushes to force staff to confine their communications to official channels. Regulators are likely to slap down more fines as they look to stamp out rule breaking and send a strong message about the consequences.

Leading Digital Priorities in 2022 for US Banking Executives

% of respondents, Sep 2021

Improving the digital experience

71.7%

Providing more resources and support in our digital channels

55.4%

Preventing fraud/improving security

53.3%

Providing more digital features

50.0%

Adoption of digital tools

40.2%

Digital account opening

28.3%

Other

1.1%

Source: Engageware, "Customer Engagement in Banking: The Path Forward for 2022," March 10, 2022

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