

## Video Segment 3: Risks, Regulators and Data Privacy

*“Better informed participants who don’t blindly rely on technology, data and analytics will make a big difference.” -Dr. Michael Roberts*

### NOTE-TAKING GUIDE

Professor Dan Taylor believes that analytics is widening the gap between regulators and fraudsters like insider traders, who are using technology to execute financial crimes. He says that regulators have a responsibility to keep up. How are the following affecting the changing dynamic between regulator and white-collar criminal?

**Private sector vs. SEC investment in technology:**

**Quantitative risk assessment:**

**Increasingly complex frauds:**

Professor Michael Roberts says that when it comes to data and analytics in the finance space “there has to be personal agency because it’s going to help discipline behavior and ensure robustness.” That means that you realize that *you* have influence over your own actions and financial circumstances, not an algorithm or a bot. With that in mind, briefly explain the following as they apply to the power of your personal data:

**Open Banking:**

**Elaine from the TV show Seinfeld:**

**Reflection:** Technology is defining your financial future, from apps that help you manage your money, to buying NFTs and cryptocurrency and storing them on the blockchain. Does this make it easier or harder for you to control your financial decision-making? Do you welcome financial innovation? How is it changing the way you think about your finances?

## **THE LANGUAGE OF BUSINESS**

**(Linked terms are defined in the Wharton Global Youth Video Glossary)**

[Acquisition](#)

[Fintech](#)

[Assets](#)

[Hedge Fund](#)

[Asset Manager](#)

[Investor](#)

[Bank](#)

[Merger](#)

[Blockchain](#)

[Mutual Fund](#)

[Budget](#)

[Private Sector](#)

[Competition](#)

[Regulations](#)

[Consumer](#)

[Regulatory Restrictions](#)

[Corporation](#)

[SEC or Securities &  
Exchange Commission](#)

[Cryptocurrency](#)

[Stock](#)

[Crypto Industry](#)

[Stock Market](#)

[Crypto tokens](#)

[Tradeoff](#)

[Data](#)

[Financial Services](#)

**Algorithm:** A procedure used for solving a problem or performing a computation. Each algorithm is programmed as a step-by-step process for performing calculations and data processing.

**AIG (American International Group):** A global insurance organization that was embroiled in a bonus-payment scandal back in 2009.

**Beyond Business:** An ongoing conversation at the Wharton School of the University of Pennsylvania that explores the most complex and pressing issues impacting individuals and organizations across the world. Each year Wharton Global Youth creates [Explore Business mini-sites](#) around different Beyond Business themes.

**Daniel Taylor:** A Wharton School Professor of Accounting and Director of the [Wharton Forensic Analytics Lab](#).

**Data Analytics (or just Analytics):** The systematic computational analysis of data or statistics. It is used for the discovery, interpretation and communication of meaningful patterns in data.

**Due Diligence Professional:** Experts who conduct a detailed examination of a company's financial records and business transactions before entering an agreement or deal.

**Enron:** Enron Corporation was an American energy business that used fraudulent accounting practices to inflate its revenues and hide debt in its subsidiaries, or companies it controlled.

**Erika James:** Dean of the Wharton School with research interests in crisis leadership, workplace diversity and management strategy.

**Financial Intermediary:** A financial institution like a commercial or investment bank that serves as the "middleman" to handle financial transactions.

**Financial Market:** The market in which people trade financial securities, like stocks.

**Flash Crash of 2010:** The market crash that occurred on May 6, 2010, during which major U.S. stock indexes like the Dow Jones Industrial Average and the S&P 500 fell and then rebounded in less than an hour.

**FTX:** A large cryptocurrency exchange that recently went bankrupt due to an alleged financial scandal.

**Government Enforcement Agency:** In this case, U.S. agencies that enforce laws. The Securities & Exchange Commission, for example, enforces laws preventing financial market fraud.

**Insider Trading:** Buying and selling stocks in the stock market based on confidential information that gives you an advantage.

**JP Morgan:** A global financial services company.

**LTCM (Long-term Capital Management):** A large hedge fund with \$126 billion in assets that nearly went out of business in 1998, forcing the government to intervene and prevent financial markets from collapsing.

**Machine Learning:** Using and developing computer systems that learn and adapt by using algorithms and statistical models to analyze and understand patterns in data.

**Market Efficiency:** The degree to which market prices reflect all available, relevant information.

**Market Manipulation:** When someone artificially affects the supply or demand for a security, like causing a stock price to go way up or way down.

**Mergers & Acquisitions (M&A):** An area of finance that refers to the consolidation of companies or their assets through financial transactions; companies merge with each other or one company acquires another.

**Michael Roberts:** A Wharton School Professor of Finance.

**Mortgage:** An agreement between a borrower (who takes out the mortgage loan) and a lender (like the bank) that grants the lender the right to take your property (house) if you don't repay your loan.

**Open Banking:** A system that provides third-party access (financial technology apps) to financial data through the use of application programming interfaces (APIs). It allows consumers to take more control of their money.

**Quantitative Risk Assessment:** A method using measurable, objective data to determine an asset's value, the probability of loss and other associated risks.

**Retail Investor:** Someone who buys and sells securities, mutual funds or other instruments through a brokerage firm or savings account. An individual investor is a retail investor.

**Seinfeld:** A popular American situation comedy created by and starring comedian Jerry Seinfeld.

**Trade (Stock Trade):** Buying and selling shares in companies to try to make money on price changes.

**Special Purpose Entity:** A company specially created to fulfill a narrow, specific purpose, like protection against financial risk.

**The Wharton School:** The Wharton School, also referred to as just Wharton, is the business school of the University of Pennsylvania, a private Ivy League university based in Philadelphia, Pennsylvania. Wharton is a world leader in business education and a hub for academic research in all areas of business.

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