



# RegTech

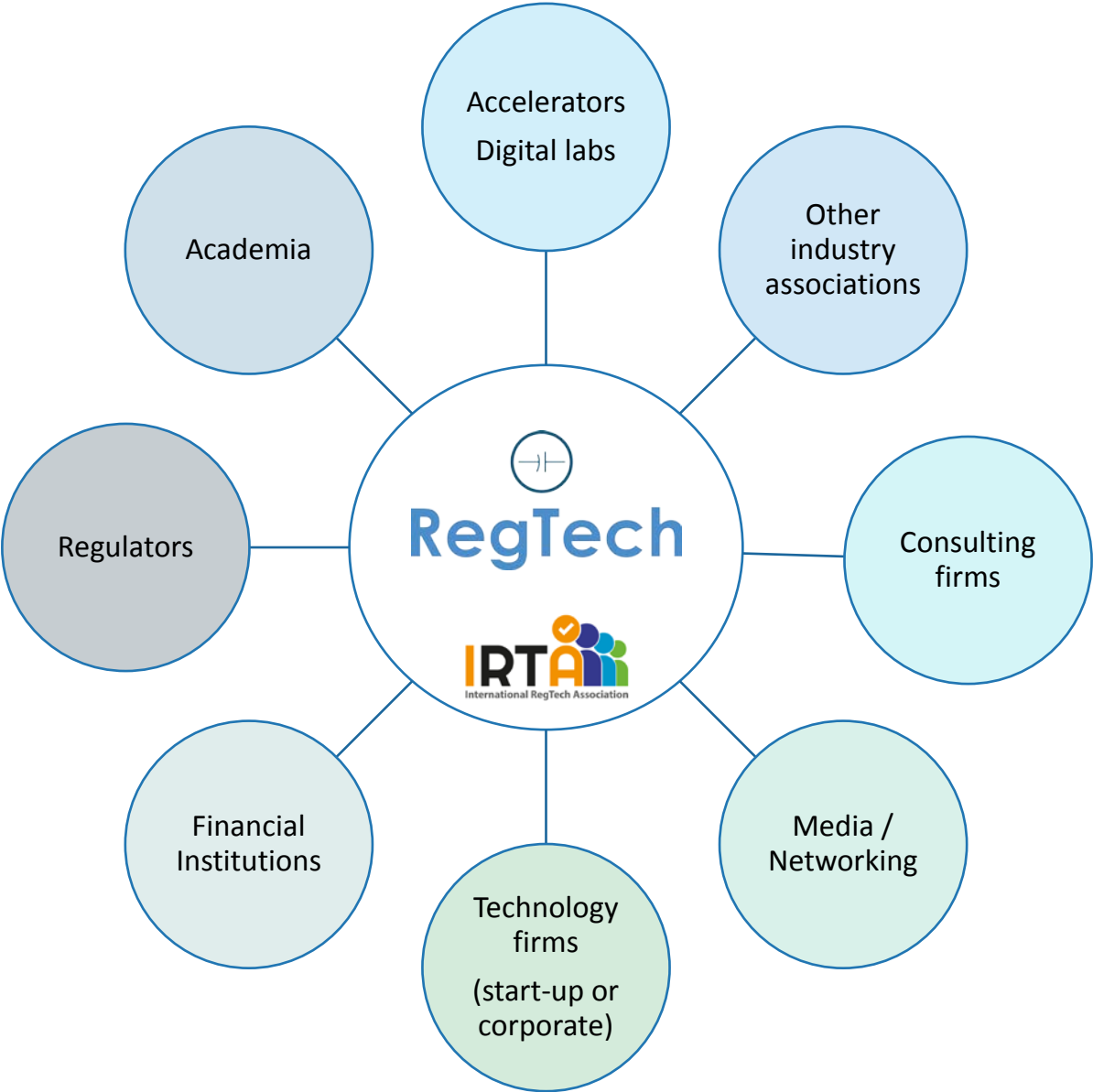
**ASIC RegTech Liaison Meeting – March 2018**



# RegTech

- The emerging global landscape for RegTech
- Perceptions of our ecosystem
- Opportunities for Australian RegTechs in the global market

# The RegTech ecosystem



# Developing The Global Dialogue

## Innovation facilitators

	Innovation hub A place to meet and exchange ideas	Accelerator “Boot-camp” for start-ups, culminating in a pitch presentation	Regulatory sandbox Testing in a controlled environment, with tailored policy options
Australia	ASIC	ASIC	ASIC
Belgium	NBB/FSMA		
ECB	SSM <sup>31</sup>		
Germany	BaFin		
Italy	BOI		
Hong Kong	HKMA		HKMA
Japan	BoJ/FSA		
Korea	FSC	FSC	
Luxembourg	CSSF		
Netherlands	DNB/AFM		DNB/AFM
Singapore	MAS	MAS	MAS
Switzerland	FINMA		FINMA
UK	BOE/FCA	BOE	FCA <sup>32</sup>

Source: BCBS-FSB Survey

# Developing The Global Dialogue

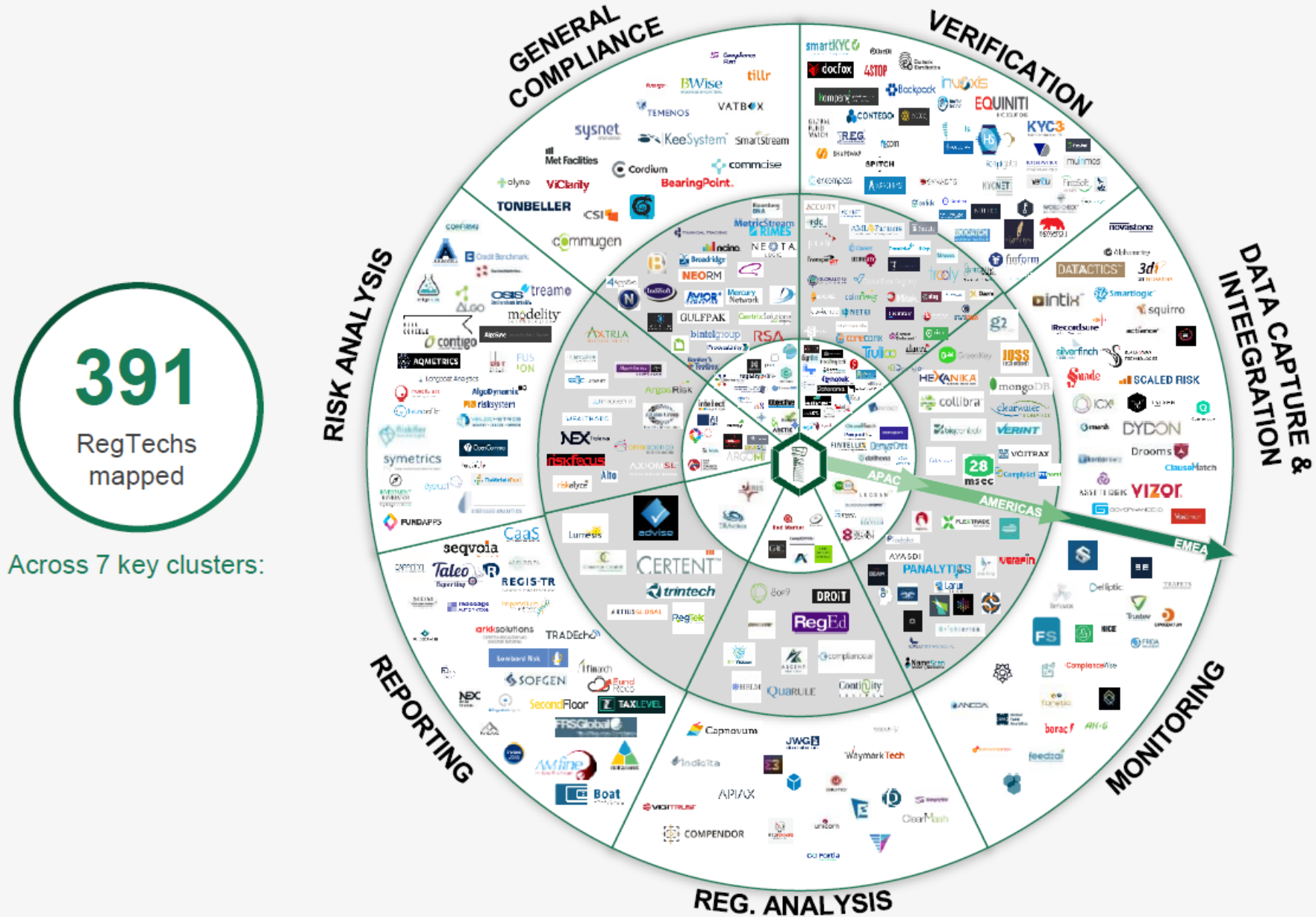
## Fintech Regulatory Engagement - Global Impact



At least 36 **Memorandums of Understanding** (MOUs) were signed between regulators in 2016 (10) and 2017 (26), forming frameworks and enabling access to information

📍 Innovation hubs  
📍 Regulatory sandboxes

Source: Thomson Reuters Regulatory Intelligence – Fintech, Regtech and the Role of Compliance 2017



Interviews across:

- 60** RegTechs
- 15** Banks
- 6** Associations
- 9** Regulators



# Investment in RegTech– \$20bn by 2020

■ ■ ▶ RegTech is growing rapidly...

■ ■ ▶ ... fastest growth in APAC, UK being most impactful...

■ ■ ▶ ...and 3 out of 4 European investment firms already considering adopting RegTech in some ways

## “Silicon Valley everywhere

There are hundreds of RegTech start-ups with a lot of brains and money working on various alternatives to trusted financial services.”

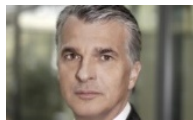


Jamie Dimon  
Chairman and CEO of  
JP Morgan Chase

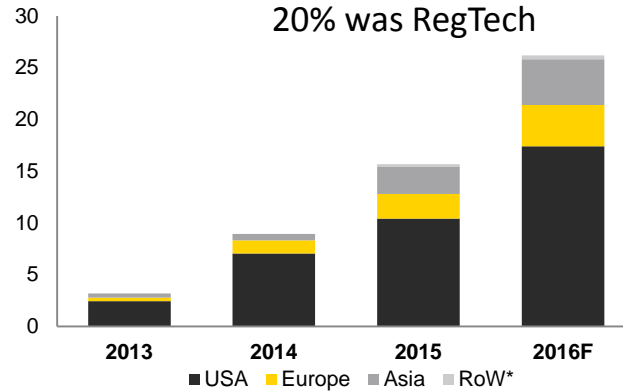


“We are looking for innovative and disruptive RegTech ideas and solutions that will support the transformation of the banking industry.”

Sergio Emotti  
CEO of UBS



\$16.6bn global FinTech investment 2016 – 20% was RegTech



“We need to revolutionise risk resilience because the world has changed...to become an applied RegTech user bank that’ll help achieve its objectives”

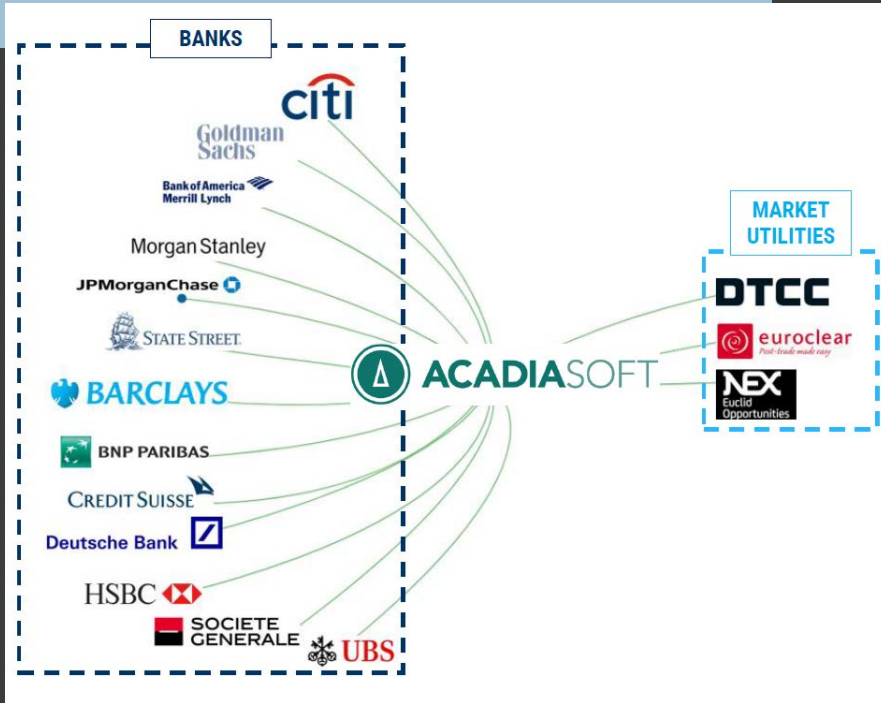


John Cryan  
CEO of Deutsche Bank

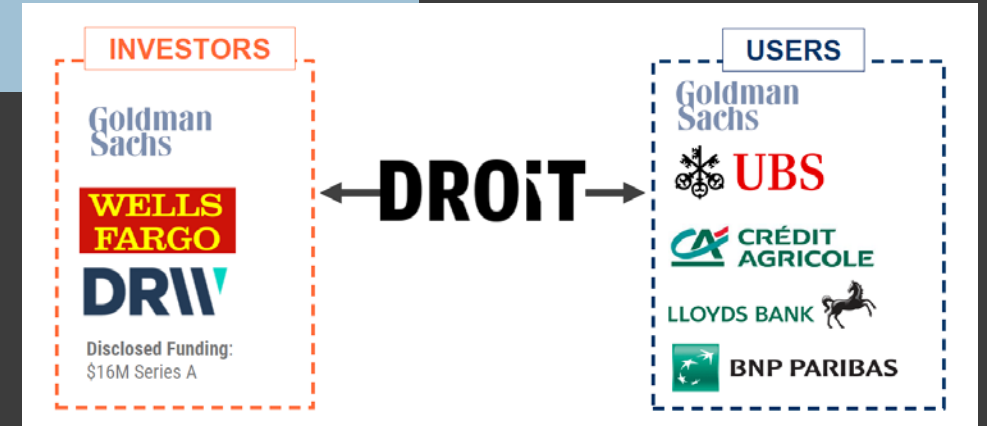


# Banks co-invest in RegTech Software

ArcadiaSoft raised \$30m to create solutions that support full implementation of International Swaps and Derivatives Association (ISDA) Collateral Requirements.



Droit raised \$16m to develop their Adept platform which provides pre-trade decision making and post-trade reporting for OTC Derivatives.

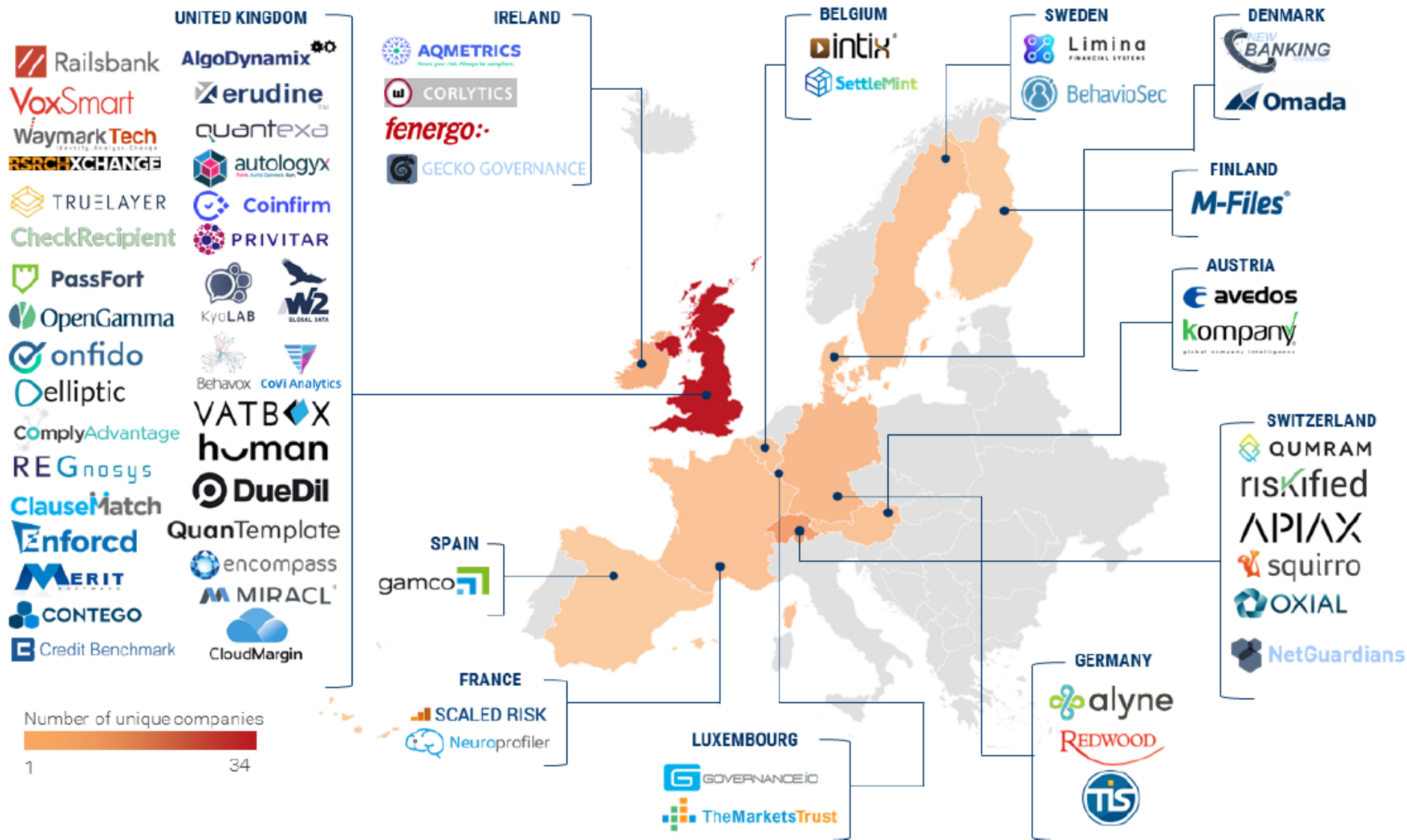


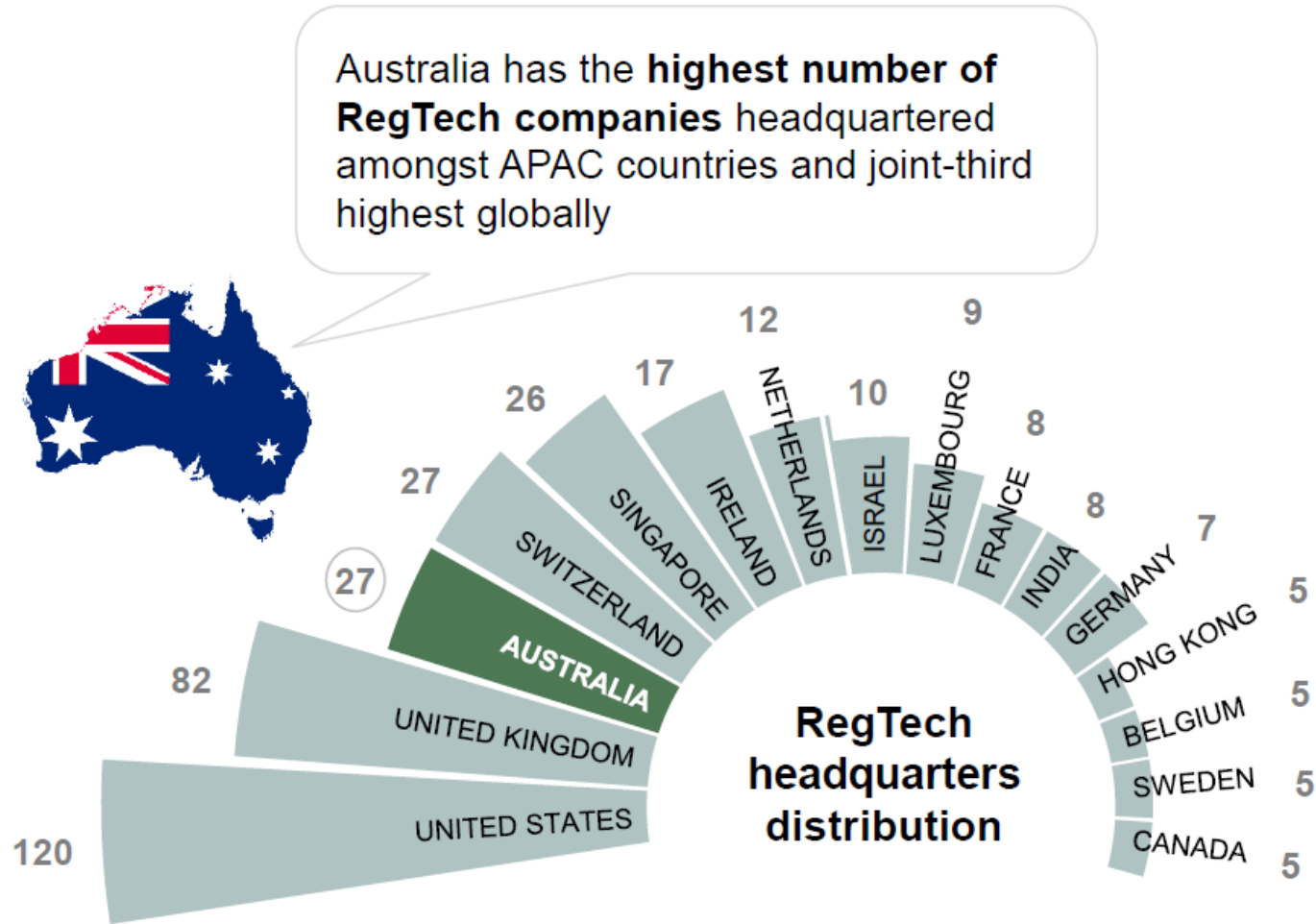
Visible Alpha raised \$30m and acquired RegTech reporting software company One Access to launch a compliance platform to track and value research products and services.





# 60+ European regtechs in financial services



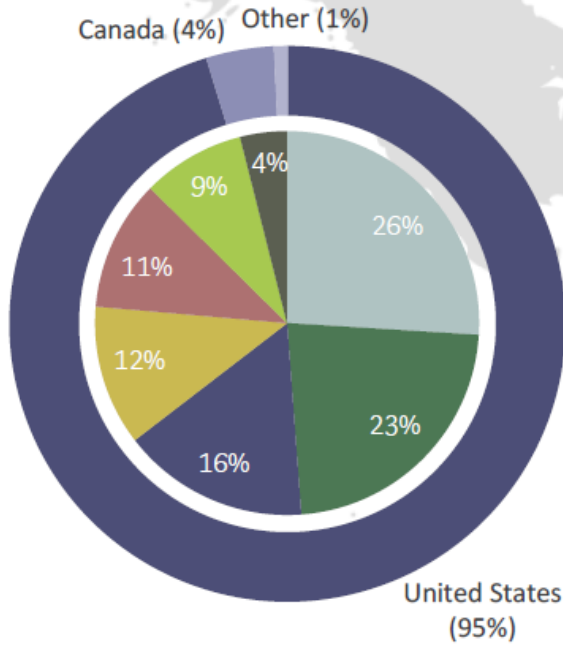


Source: BCG / Expand analysis. Note: Chart excludes 18 RegTechs distributed across 12 other countries not listed

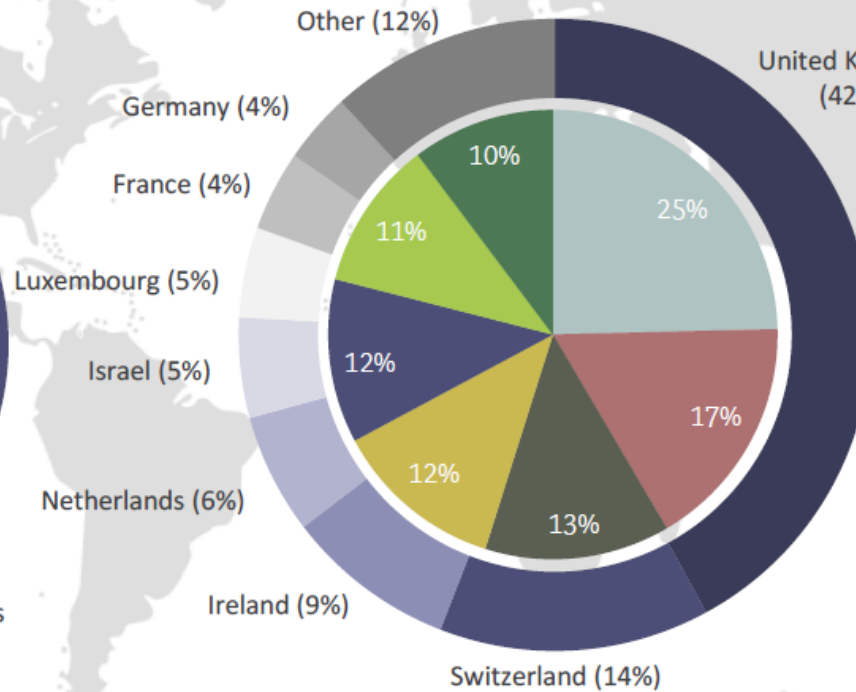
## # REGTECHS BY CLUSTERS

\$ CUMULATIVE EQUITY FUNDING

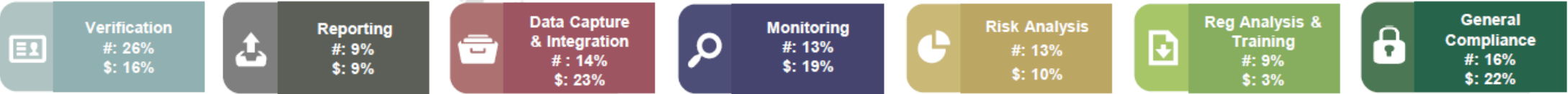
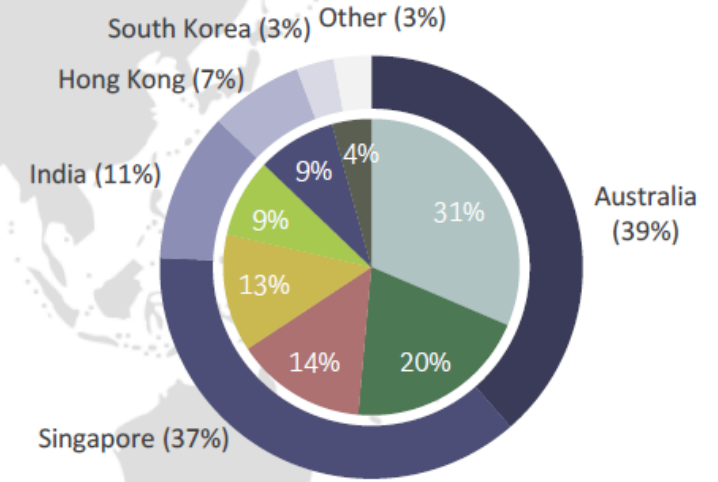
**Americas : 126 firms**  
(USD1.6bn)



**EMEA : 195 firms**  
(USD0.5bn)

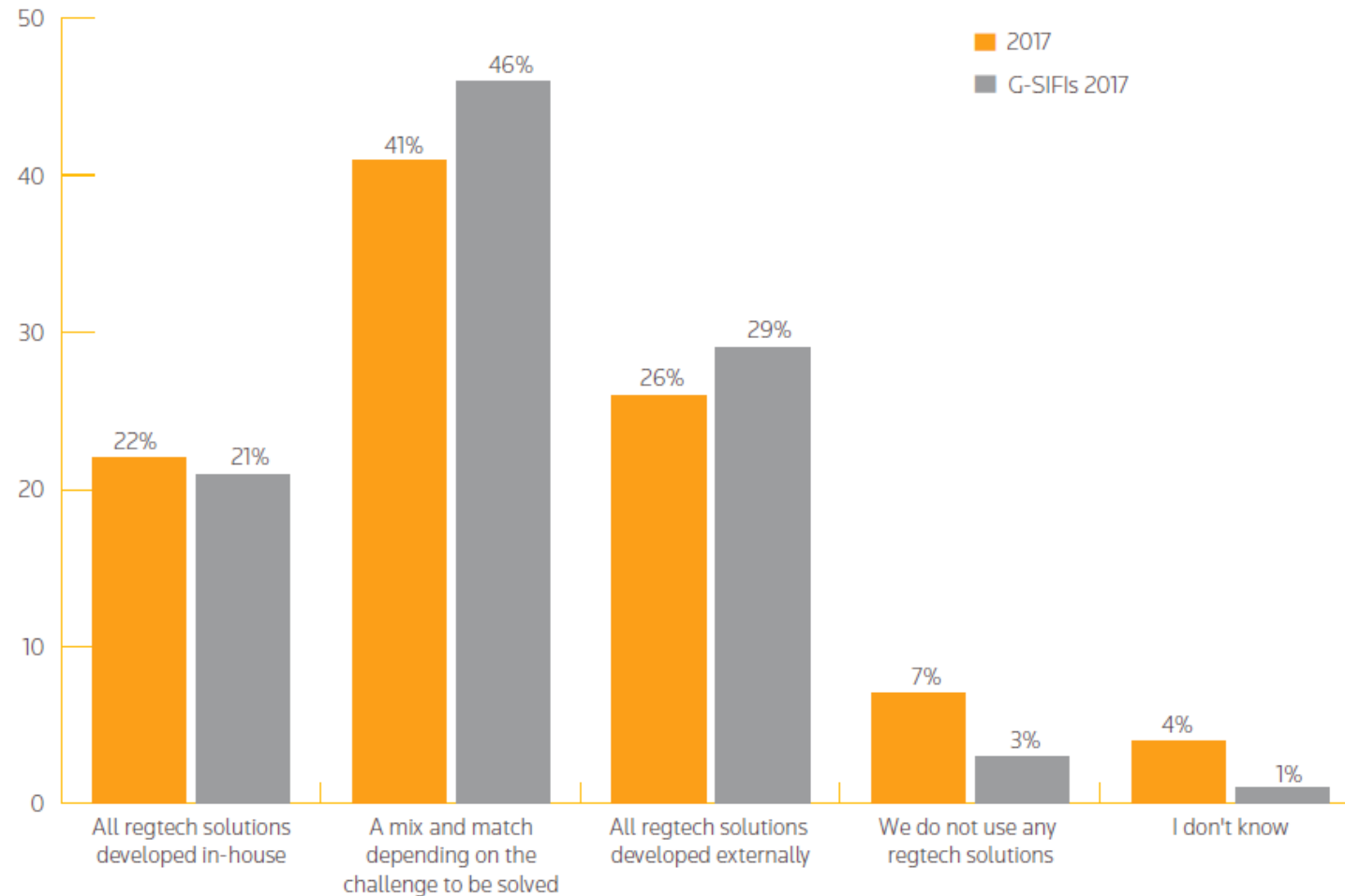


**APAC : 70 firms**  
(USD0.1bn)



Note: Data shown includes firms that have been acquired  
Source: BCG / Expand analysis, Dealroom, TechnAsia






























# Developing RegTech solutions in-house or looking at external solutions.



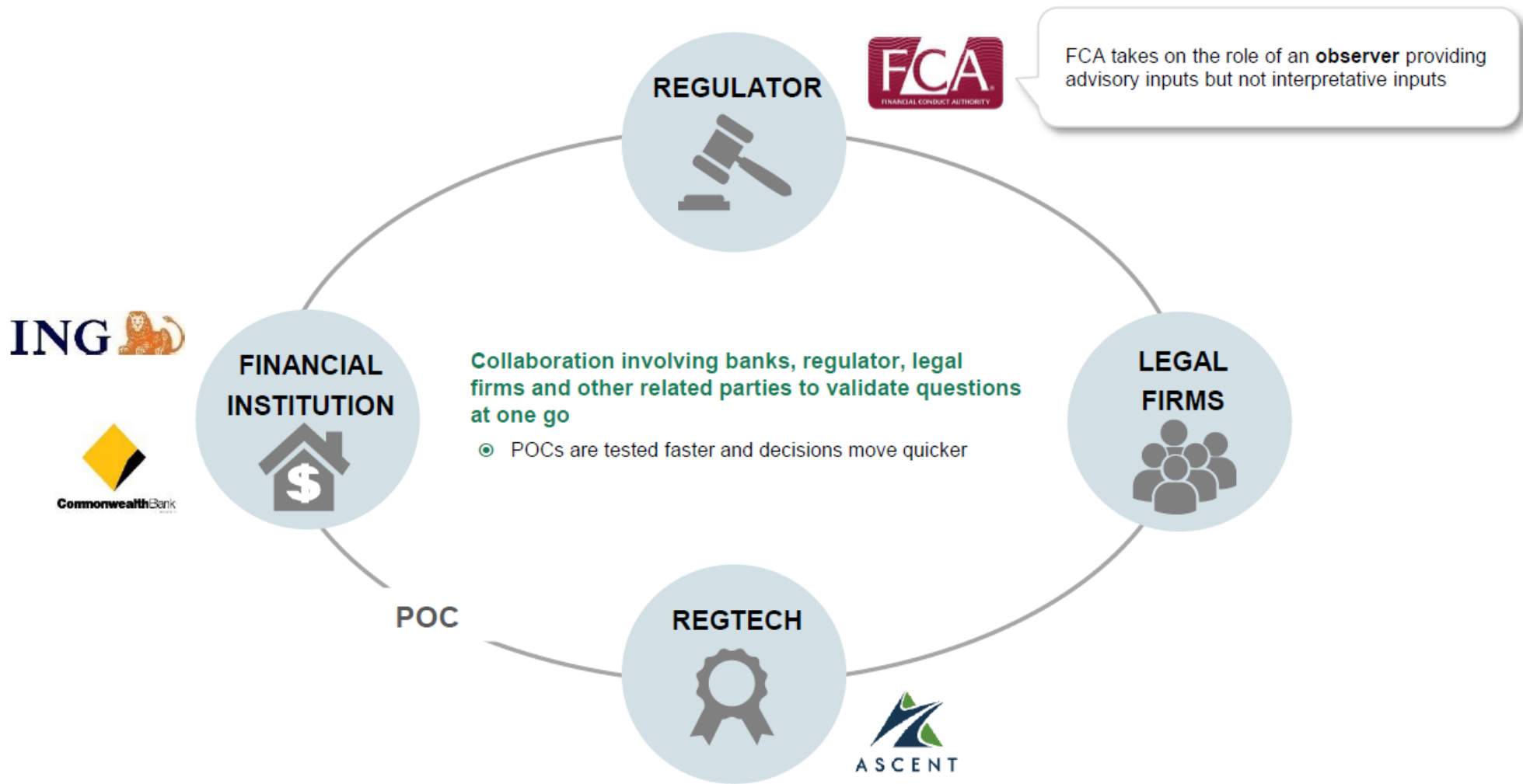
# Evolving Engagement Models

BURNMARK | ALVAREZ & MARSAL / JANUARY 2018

## Wider-ranging and more value-adding collaborations will arise

Collaboration Model	Initiative Examples	Benefits	Players Involved
Bank - Bank	Machine Learning tool for compliance (ING, CBA)	Mutualize cost of compliance and consistent interpretation of regulation	   
Bank - Regulator	KYC utility in Singapore	Offer faster digital onboarding service to customers while meeting the KYC requirements	    
Bank - Startup	RegTech accelerators RegTech investments	Use advanced technologies for faster, better and cost-effective compliance	      
Bank - Vendor	Cognitive RegTech	Traditional vendors leverage advanced technologies to make strides into RegTech	 
Bank - Regulator - Startup	Distributed ledger for regulatory reporting	Develop effective, future-proof solutions that meet the needs of all parties involved	  
Startup - Startup	Comprehensive compliance offering	Combine niche technology expertise to create a complete solution for compliance	 
Regulator - Startup	Regulator Sandbox Regulator accelerators	Allow startups to test innovative business models and allow regulators to experiment with new technologies for supervision	  
Regulator - Regulator	Home-Host regulator collaboration	Harmonize policies across borders to promote banks and fintechs to expand and operate smoothly	  

## CBA, ING AND FCA POC WITH ASCENT TECHNOLOGIES

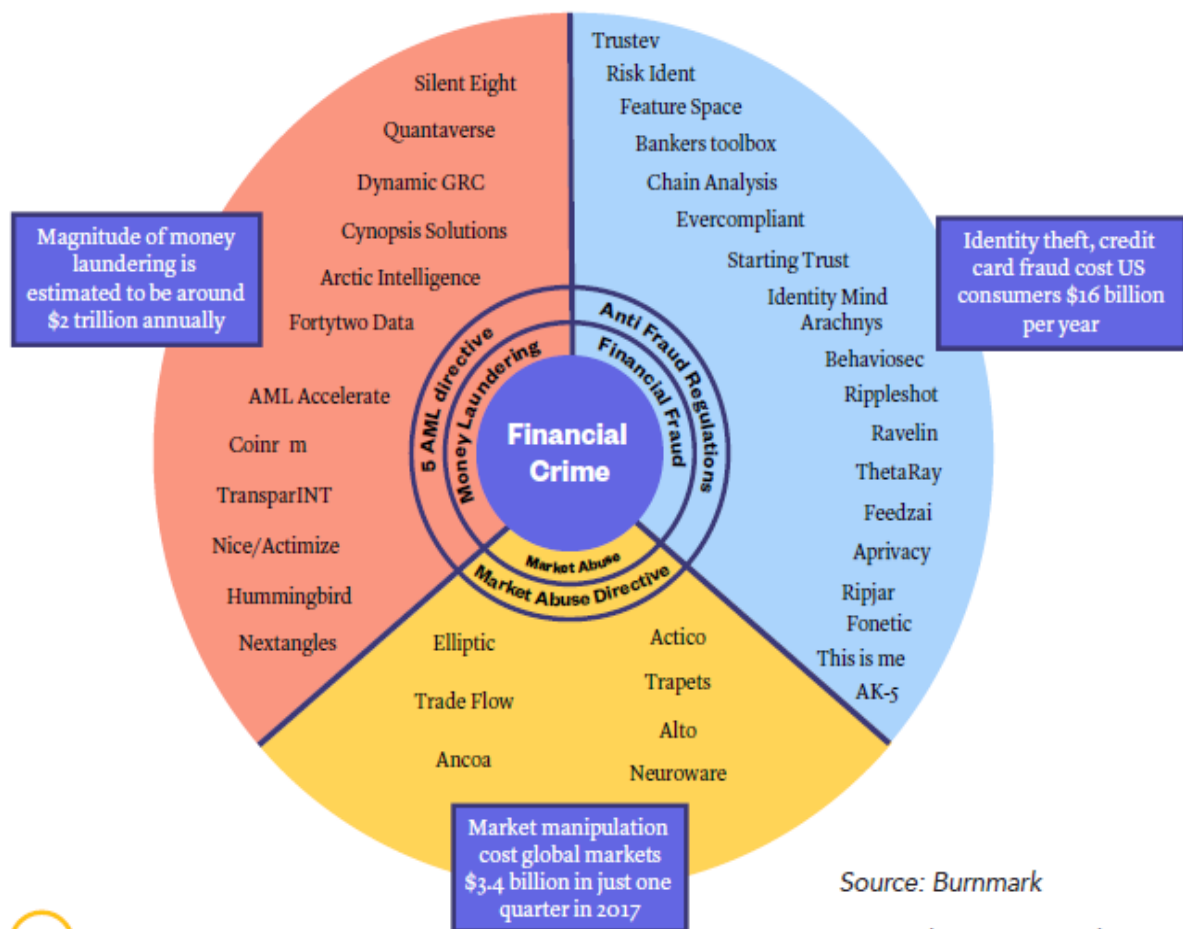




# Financial crime remains a sweet spot for RegTech

Australian firms competing globally in this space include:

- Arctic Intelligence
- AML Accelerate
- Dynamic GRC
- GRC Solutions
- Identity
- Simple KYC



“ The issue is that a lot of ‘false-positive’ situations get flagged for review, meaning that sometimes as many as 90% of these alerted transactions are not actually suspicious. Each of these alerted transactions warrants deeper investigation which ties up resources. This is a field where analytics is tremendously beneficial, but how do you do, at scale, a series of very fast experiments? ”

- DBS Bank

Source: Burnmark

Note: This is not an exhaustive list.



## Findings

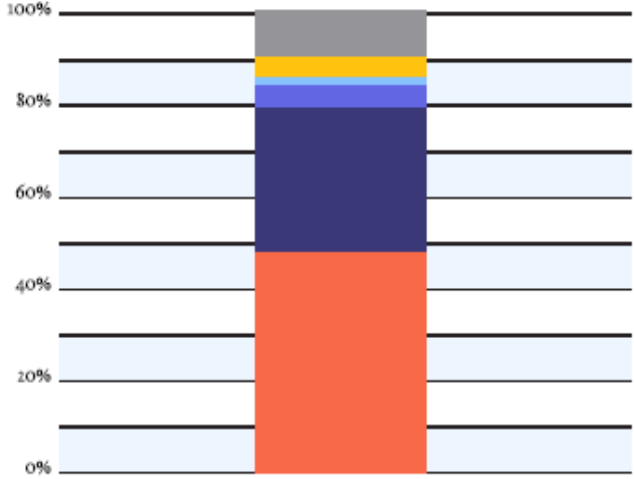
- RegTechs using sophisticated data analytics saw rapid deployment as point solutions in the risk areas of Fraud, AML and Sanctions as they provided more robust capabilities than legacy rules-based approaches.
- In RegTech 2.0, we predict that the solutions targeting financial crime will evolve into more robust end-to-end coverage of the problem areas in banks. The solutions in this phase will combine improvements in identity detection, investigation and analytics of entities and owners as well as machine learning to filter out deviant transaction patterns.

ING is said to have streamlined procurement for start-up/scale-up businesses.

Citibank runs the Tech for Integrity Challenge. Barclays and others has set up innovation labs.

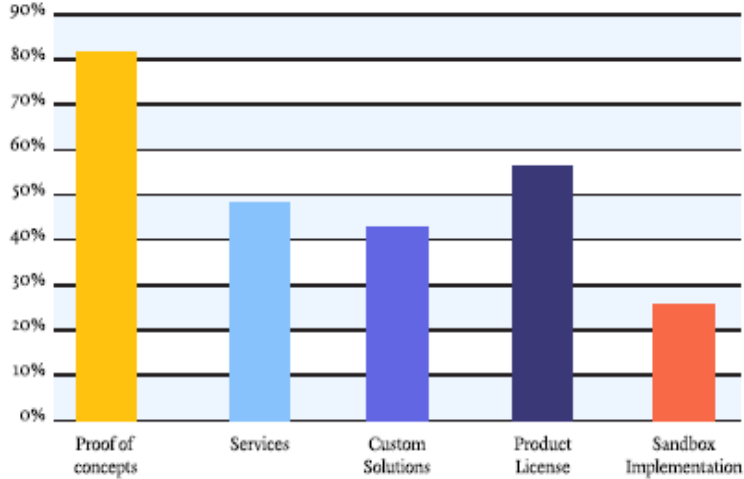
Australian RegTechs are already succeeding overseas, we now need engagements on home soil.

**What are some of the challenges you faced working with a bank?**



- ◆ Long and bureaucratic sales process
- ◆ Too many silos within a bank making adoption across the bank difficult
- ◆ Lack of new digital solutions by large technology vendors
- ◆ Difficulty understanding the context of new regulations
- ◆ In-house IT teams
- ◆ Other

**What types of engagement have you had with banks?**

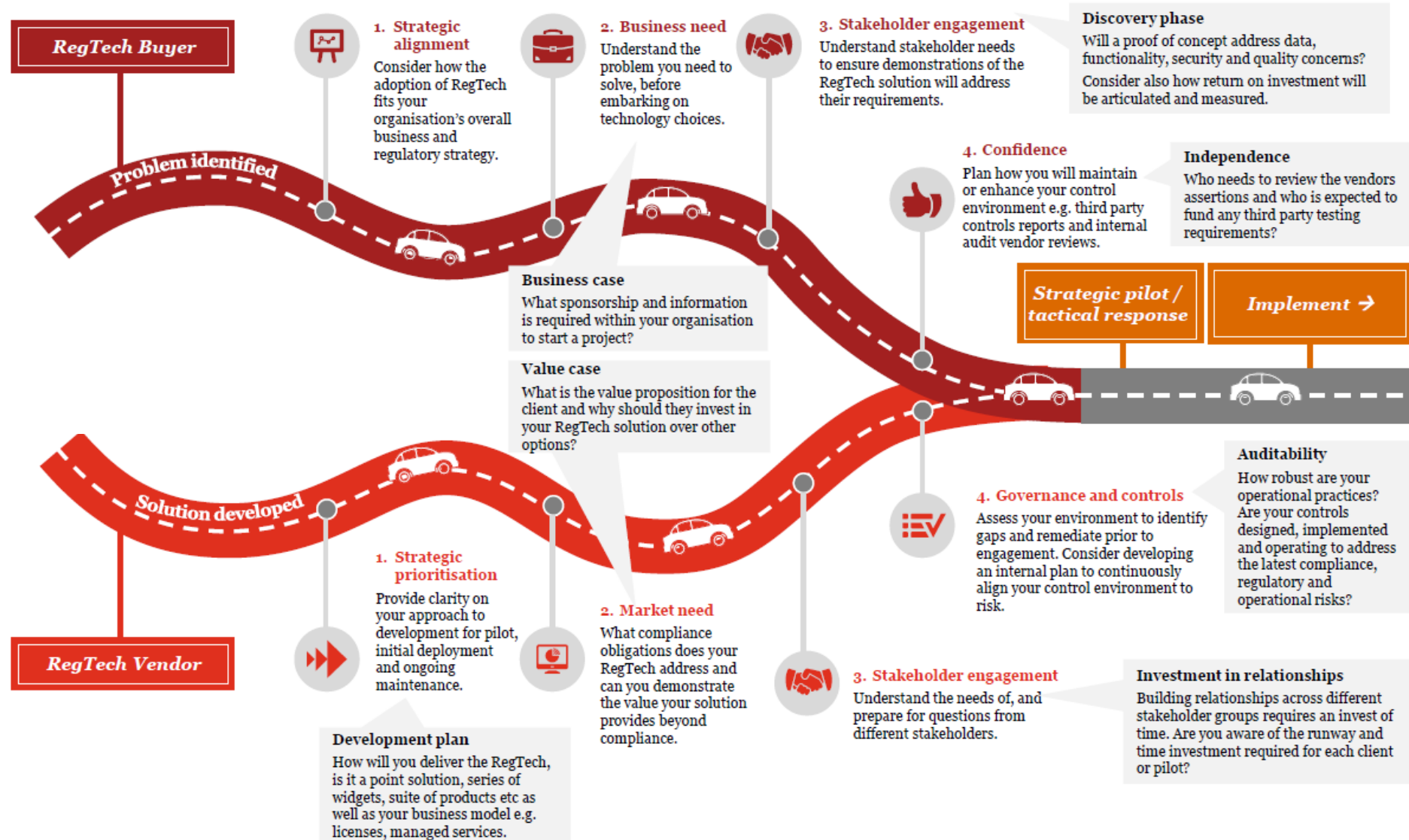


In RegTech 1.0, startups have been engaging with banks primarily through proof-of concept, while in RegTech 2.0, product licensing and services engagements are picking up pace.

## Issues for APAC RegTech

- Funding – Little interest from local VCs & banks
- Building interoperability with other RegTechs and legacy systems
- Scaling up for global deployments
- Inability to ringfence PoCs
- Looking overseas before looking locally
- Slow and cumbersome procurement processes
- Using cloud but still strong resistance to cloud

## Roadmap to accelerate RegTech adoption



For industry by industry  
SYDNEY, AUSTRALIA  
3-4 MAY 2018



RegTech

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#ACCELERATE REGTECH 2018

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# www.regtech.org.au

This presentation has been prepared with input from research from the following organisations.



The RegTech Association or join our Group!



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