



**ASIC**

Australian Securities & Investments Commission

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## **#Accelerate Regtech 2018: The role of the regulator**

*Keynote address by John Price, Commissioner,  
Australian Securities and Investments Commission*

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### **CHECK AGAINST DELIVERY**

Good morning everyone.

It's fantastic to be here today to kick off the proceedings for the very first Accelerate Regtech conference – I'm very thankful for the opportunity.

And, it's great to see so much of the sector represented here – the diversity of views and perspectives will be as important as the ideas themselves.

I want to congratulate the Regtech Association for putting this event together with your partners – the program looks like it will stimulate a lot of important insights and I'm sure a lot of exciting outcomes will come out of the next two days.

As I'm sure you'd all agree, I think a lot of great work is being done by the Association both for the members and the broader sector.

In fact, I'm not aware of many other groups of this nature with such a focus, and I believe that the support of the Association is helping Australia take a leading role in the development and deployment of regtech solutions.

For me, one of the things that really stands out about the regtech sector in Australia is how supportive the ecosystem is, and the willingness everyone has to collaborate – be it to define challenges or come up with better solutions and ways of doing things.

I'll touch more on collaboration and information sharing a bit later on, as they are areas where ASIC feels we can continue to play a positive role in supporting regtech in Australia.

## ASIC's role and approach to regtech

To start, I wanted to talk a bit about ASIC's role in relation to regtech.

Although it is not something that we at ASIC regulate directly, regtech is something we are keenly interested in, both as a consumer of regtech products and a facilitator of regtech generally.

We strongly believe that regtech should be top of mind for both regulators and industry.

The reason for this is simple – the regtech sector has enormous potential to help organisations build a culture of compliance, identify learning opportunities and save time and money relating to regulatory matters while improving compliance and – most importantly – outcomes for consumers.

It also has potential to support ASIC and our regulatory peers in the way we undertake our own work, including engaging with industry.

A participant at one of ASIC's industry events last year summed it up really neatly by defining regtech's potential to deliver, 'a flawless consumer experience that is safe'. You really can't distil it much further than that.

Remember Australia already has a track record in doing this. Regtech is already a core element of risk and compliance frameworks for some parts of the Australian financial system, such as the monitoring of financial markets activity.

As we can all see, its use is rapidly evolving, and is now extending to a much broader range of areas to assist businesses in meeting their regulatory obligations – and the possibilities really are endless.

We take our role as a facilitator very seriously and want to do our best so that the community can get the benefit from new technologies while minimising any risks they might pose.

Some of you may be aware that we put out a [report](#) this time last year asking what you thought ASIC's role might be in relation to regtech.

In general, respondents were in favour of ASIC being ambitious in the regtech area – which was good, because so are we!

Respondents also raised complex questions of policy surrounding our role in the area of regtech, and that we must consider how best to balance our roles as a regulator and as a technology user.

They also encouraged us to improve transparency across the board in our engagement with the regtech industry, which is something we have been working on.

While it isn't clear where technology will take us, we feel very strongly at ASIC that for ourselves and other regulators, remaining open, engaged and globally connected will mean the best chance for regtech to bring benefits to all participants in the financial sector.

Our approach to regtech at ASIC is guided by a set of basic principles. These are to:

- work towards regtech outcomes that align our strategic objectives
- undertake a focused number of initiatives that have near term deliverables, and
- have regard for industry input, good international case studies and our own learnings in forming our plans.

I also believe it is important for regulators to keep an open mind and try to harvest the benefits of regtech by adopting a technology-neutral approach.

Finally, on innovation in general, while it is very important that ASIC does not stand in the way of technological change, we also need to continue to target our strategic objectives to ensure good governance in the financial sector.

That balancing act is something that we always have to bear in mind when it comes to innovation.

## **ASIC's Innovation Hub and regtech**

Turning now to the work of our Innovation Hub, which drives a lot of ASIC's practical support for regtech and innovation.

In mid-2016, we expanded the scope of the Hub to include engagement with the regtech sector.

This work has included hosting and attending regtech events, including our Regtech Roundtable and Showcase events, as well as our new Regtech Liaison Forum, which we proposed last year and later initiated following positive feedback.

Since announcing our interest in regtech, ASIC has had over 60 meetings with regtech stakeholders and service providers to discuss their developments.

In terms of services, through the Innovation Hub we provide informal assistance to regtech entities on their regulatory obligations, the overarching regulatory framework and, as appropriate, options relating to ASIC's relief powers.

We have also been meeting with our international regulatory counterparts to discuss developments and policy proposals.

We will continue to engage with the International Monetary Fund, the World Economic Forum and the Financial Stability Board to contribute to the global discourse on fintech and regtech and champion what is being done here in Australia.

Also on the international front, we have the mechanisms in place to make referrals of regtech providers under cooperation agreements with international agencies and are more than happy to do some heavy lifting where we can.

With regard to regtech solutions, we are also conducting our own trials of regtech technologies, which I'll talk about shortly.

In many ways, we consider what we are doing now as the starting point of an evolving approach to regtech and we hope to learn more about how we can promote collaboration and encourage the development of the regtech sector from our work, other regulators and, of course, all of you in the industry.

## **ASIC's Regtech Liaison Forum**

One of the key regtech initiatives that we have undertaken, which I'd like to take some time to talk about, is the Regtech Liaison Forum that we established in December last year.

The purpose of the Forum is to facilitate networking and stimulate discussion on regtech developments and opportunities that promote positive applications of regulatory technology.

Through convening the Forum, we are hoping to create a venue for information sharing and discussion and opportunities for future collaboration that will ultimately lead to strong outcomes for consumers and an improved financial services sector.

We are also hoping that it provides a platform to help identify practical areas of focus for industry and regulators.

For example, one of the outcomes for us at ASIC so far has been to consider simple, practical and cost-effective measures to support good consumer and market outcomes through the development of regtech applications.

This could translate to things like how we communicate guidance and make data available in the future.

We hold these meetings every three months and they are open to all interested parties. I encourage you all to attend.

In fact, the next meeting is coming up on 5 June 2018. You can register via the Innovation Hub website to attend at our offices throughout Australia.

## **ASIC's natural language processing trials**

Finally, I'd like to give you a brief update on ASIC's natural language processing trials.

In February this year we released a set of problem statements with use cases to understand and encourage the application of natural language processing (NLP) in resolving regulatory problems.

The trials are to explore potential efficiencies in supervision, including through automation and prediction, and present a genuine learning opportunity for ASIC.

A tender was issued for the provision of pilots in the areas of:

- the advertisement and promotion of financial and credit services
- phone sales of insurance
- managed fund PDS review
- financial advice file review
- financial reporting review of company announcements, and
- prospectus review.

We received approximately 30 applications and are in the process of meeting with a number of those solution providers.

Our intention is to land on a set of trials in the coming few weeks and conduct them this year.

We'll keep you updated on how this is progressing and share any insights we can on our learnings.

## **Conclusion – getting in touch with ASIC**

Now, a lot of this event is focused on meaningful collaboration, so I thought it would be a good idea to let you know how best to get in touch with ASIC.

We've opened the doors formally a number of times over the past 18 months at our Regtech Roundtable, Showcase event and Liaison Forum, and will continue to do so whenever we can.

I also want to remind you that, outside of these larger events, ASIC welcomes contact through our Innovation Hub.

We are keen to hear from businesses that wish to share their progress in the development and application of regulatory technology, as well as those seeking informal assistance in developing their business.

We encourage both new and existing regtech developers to make contact with us through the Innovation Hub web pages.

Importantly, I also encourage you to get in touch with us if you'd like to talk about doing things differently in the regtech space, or would value having ASIC as an observer on a project you are undertaking.

Valuable collaboration can occur in many ways throughout the ecosystem, and if all of us are as receptive to feedback as possible, this will help ensure that Australia continues to take a leading role in the development and deployment of regtech solutions.

On that note, I'll wrap things up. Thank you and enjoy the next two days.