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

<table>
<thead>
<tr>
<th>Country</th>
<th>Innovation hub</th>
<th>Accelerator</th>
<th>Regulatory sandbox</th>
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<tbody>
<tr>
<td>Australia</td>
<td>ASIC</td>
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<td>ASIC</td>
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<tr>
<td>Belgium</td>
<td>NBB/FSMA</td>
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<td>ECB</td>
<td>SSM10</td>
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<td>Germany</td>
<td>BaFin</td>
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<tr>
<td>Italy</td>
<td>BOI</td>
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<td>Hong Kong</td>
<td>HKMA</td>
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<td>HKMA</td>
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<tr>
<td>Japan</td>
<td>BoJ/FSA</td>
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<td>Korea</td>
<td>FSC</td>
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<td>Luxembourg</td>
<td>CSSF</td>
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<tr>
<td>Netherlands</td>
<td>DNB/AFM</td>
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<td>DNB/AFM</td>
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<tr>
<td>Singapore</td>
<td>MAS</td>
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<td>MAS</td>
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<tr>
<td>Switzerland</td>
<td>FINMA</td>
<td></td>
<td>FINMA</td>
</tr>
<tr>
<td>UK</td>
<td>BOE/FCA</td>
<td></td>
<td>BOE</td>
</tr>
</tbody>
</table>

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.

Source: Thomson Reuters Regulatory Intelligence – Fintech, Regtech and the Role of Compliance 2017
ISSUE #18: OVERVIEW OF COVERAGE

391 RegTechs mapped

Across 7 key clusters:

Interviews across:

60 RegTechs
15 Banks
6 Associations
9 Regulators
Investment in RegTech—$20bn by 2020

RegTech is growing rapidly...

- 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

- ...fastest growth in APAC, UK being most impactful...

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

$16.6bn global FinTech investment 2016—20% was RegTech

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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.
Europe is a hotbed for RegTech startups focused on financial services

60+ European RegTechs in financial services

[Map showing various European RegTech startups with names and locations marked on a map of Europe.]
Australia is emerging as a headquarter for RegTech activities. Australia has the highest number of RegTech companies headquartered amongst APAC countries and joint-third highest globally.

Source: BCG / Expand analysis. Note: Chart excludes 18 RegTechs distributed across 12 other countries not listed.
THE FCT IDENTIFIED 391 REGTECHS GLOBALLY ACROSS THE 7 KEY CLUSTERS

# REGTECHS BY CLUSTERS

$ CUMULATIVE EQUITY FUNDING

**Americas :** 126 firms (USD 1.6bn)
- United States (95%)
- Canada (4%)
- Other (1%)

**EMEA :** 195 firms (USD 0.5bn)
- United Kingdom (42%)
- Switzerland (14%)
- France (4%)
- Germany (4%)
- Other (12%)
- Luxembourg (5%)
- Ireland (9%)
- Israel (5%)
- Netherlands (6%)

**APAC :** 70 firms (USD 0.1bn)
- Australia (39%)
- Singapore (37%)
- South Korea (3%)
- Other (3%)
Developing RegTech solutions in-house or looking at external solutions.

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

Wider-ranging and more value-adding collaborations will arise

<table>
<thead>
<tr>
<th>Collaboration Model</th>
<th>Initiative Examples</th>
<th>Benefits</th>
<th>Players Involved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank - Bank</td>
<td>Machine Learning tool for compliance (ING, CBA)</td>
<td>Mutualize cost of compliance and consistent interpretation of regulation</td>
<td>ING, Santander, Commonwealth Bank</td>
</tr>
<tr>
<td>Bank - Regulator</td>
<td>KYC utility in Singapore</td>
<td>Offer faster digital onboarding service to customers while meeting the KYC requirements</td>
<td>MAS, UOB, DBS</td>
</tr>
<tr>
<td>Bank - Startup</td>
<td>RegTech accelerators RegTech investments</td>
<td>Use advanced technologies for faster, better and cost-effective compliance</td>
<td>Citi, UBS, NVIDIA</td>
</tr>
<tr>
<td>Bank - Vendor</td>
<td>Cognitive RegTech</td>
<td>Traditional vendors leverage advanced technologies to make strides into RegTech</td>
<td>Mizuho, IBM Watson</td>
</tr>
<tr>
<td>Bank - Regulator - Startup</td>
<td>Distributed ledger for regulatory reporting</td>
<td>Develop effective, future-proof solutions that meet the needs of all parties involved</td>
<td>RBS, FCA, R3</td>
</tr>
<tr>
<td>Startup - Startup</td>
<td>Comprehensive compliance offering</td>
<td>Combine niche technology expertise to create a complete solution for compliance</td>
<td>encompas, ComplyAdvantage</td>
</tr>
<tr>
<td>Regulator - Startup</td>
<td>Regulator sandbox Regulator accelerators</td>
<td>Allow startups to test innovative business models and allow regulators to experiment with new technologies for supervision</td>
<td>FCA, ASIC, MAS</td>
</tr>
<tr>
<td>Regulator - Regulator</td>
<td>Home-host regulator collaboration</td>
<td>Harmonize policies across borders to promote banks and fintechs to expand and operate smoothly</td>
<td>ASIC, FCA, MAS</td>
</tr>
</tbody>
</table>

Collaboration models and new ways of working are emerging between all parties of the regulatory ecosystem.
INDUSTRY-LED: A NEW ENGAGEMENT MODEL IS EMERGING AS FIS COLLABORATE TO MOVE AS AN INDUSTRY BY ENGAGING THE REGULATOR AT AN EARLY STAGE

CBA, ING AND FCA POC WITH ASCENT TECHNOLOGIES

REGULATOR

FCA takes on the role of an observer providing advisory inputs but not interpretative inputs.

ING

Collaboration involving banks, regulator, legal firms and other related parties to validate questions at one go:
- POCs are tested faster and decisions move quicker.

LEGAL FIRMS

REGTECH

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FinTech Control Tower - RegTech
Australian firms competing globally in this space include:

• Arctic Intelligence
• AML Accelerate
• Dynamic GRC
• GRC Solutions
• Identitii
• Simple KYC

Financial crime remains a sweet spot for RegTech

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

**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
- Exposure to FT teams
- Other

What types of engagement have you had with banks?

- Proof of concept: 90%
- Services: 70%
- Custom Solutions: 50%
- Product License: 30%
- Sandbox Implementation: 10%

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