ASIC's Regtech Liaison
Forum

12 December 2018

"ASIC believes Australia can position itself as a **world leader** in development, and adoption, of regtech solutions."

James Shipton, ASIC Chair, 30 May 2018

Why is ASIC doing this work?

- Accelerate the development and use of regtech solutions by financial services firms

- Enable ASIC to deliver better regulatory compliance and outcomes for consumers

- Facilitate making Australia a world-leader in the development and use of regtech

- To inform the market through the release of public reports following each initiative's completion

Our Plans

2018–2019 Four Regtech Initiatives

2019–2020 Four More Regtech Initiatives

Scene setting

- ASIC is still in design mode on our initiatives

- ASIC plans multi-channel communications with stakeholders

- ASIC seeks interest from stakeholders – venues for events; advice; participation; observers

- ASIC intends the learnings to shared publicly including through reports/briefings

- ASIC looks to attract widespread domestic and international interest

- There are likely to be some ASIC procurements – open tender

- These trials are not supervision exercises

Year One Initiatives

- Four initiatives across key focus areas

  - Financial Advice – personal

  - Financial promotions – banking

  - Life insurance – communications

  - ASIC guidance – when do I need a licence

Financial Advice Problem Solving Event

- **Context:** There are widespread concerns with improving the quality of financial advice

- **Initiative:** Host a problem solving event ('techsprint') whereby participants can use an ASIC dataset and demonstrate potential solutions to improve detection of problematic financial advice

- **The event is planned for 2nd/3rd quarter 2019**

- **Early ideas:**

  – Make use of past analysis by ASIC of financial advice including SOAs

  – Make use of content with ASIC from past and recent financial advice files

  – Issue: redaction of data

Financial Promotions Problem Solving Event

- **Context:** ASIC's ongoing review over financial promotions continues to highlight issues in compliance with the obligations for banking and credit services

- **Initiative:** Host a problem solving event ('techsprint') whereby participants can use an ASIC dataset or rules logic and demonstrate potential solutions to improve the automated detection of problematic promotions

- **The event is planned for 2nd/3rd quarter 2019**

- **Early ideas**

  – Make use of past ASIC analysis of and guidance on promotions

  – Make use of past and/or current financial promotions

  – Issue: use of promotions in the trial

Life insurance calls - Voice Analytics Initiative

- **Context:** ASIC's work in life insurance has identified behaviour falling short of community expectations including in the area of phone calls (REP 587)

- **Initiative:** Work with small set of insurance firms and technology providers to demonstrate how voice analytics software can help firms improve their communication and conduct and result in better consumer outcomes

- **Substance of trial complete Q2 2019**

- **Early ideas**
  - Make use of past ASIC analysis of phone calls
  - Consider involvement of more than one voice analytics firm
  - Look to small number of life insurers to be involved – past or current calls
  - Issue: privacy compliance

Technology-enabled Licencing Assistance

- **Context: ASIC would like to facilitate improved access and understanding of ASIC guidance. ASIC would like to test case this in the content of our guidance on when do you need a licence and if so, what kind of licence**

- **Initiative: Procure a technology firm and/or a law firm to design a user-friendly, modern prototype tool to provide effective licencing guidance. This may involve a chatbot, a Q&A wizard and/or other NLP applications**

- **Prototype Q2 2019**

- **Early ideas:**

  - Looking to inform a production outcome with minimal ongoing maintenance

  - Looking to an integrated solution with other forms of current and future ASIC solutions

Year Two Initiatives – FY 2019-20

- Digital record keeping of financial advice – landscape report

- Behavioural insight technology based tools stocktake

- Structured financial information of public companies case study

- AI monitoring of lending problem solving event

Coming soon

- Pages on ASIC's website around these initiatives as the central channel for communication and engagement

- Further discussions with stakeholders

- Further briefings and industry events

- Various procurements are in the pipeline and will be released to market over the coming period

What is NLP and what did ASIC do?

NLP is the extraction of concepts and insight from human language using artificial intelligence to automate and streamline existing business processes

ASIC trials involved five engagements of external NLP consultants to test the benefits and challenges of the technology at ASIC through five different problem statements and subject areas

Financial Advice Trial (FA)	**PDS Trial** (IMS)	**Announcements Trial** (FR&A)	**Fundraising Trial** (Corporations)	**Promotions Trial** (DCI) - ongoing
• Measuring of compliance risks in statements of advice	• Measuring of compliance risks in PDS documents	• Extraction of financial information and events from ASX announcements	• Extraction of key information in prospectuses	• Identification of non-compliant promotional material

Preliminary assessment

- Promising results and NLP learnings were achieved in short, proof of concept trials

- However, all trials experienced common challenges to further NLP at ASIC:

  - data availability

  - a lack of annotated or labelled data

  - IT infrastructure

- Identification of events in ASX announcements and extraction of predefined concepts from prospectuses provided useful insights for teams

- Attempts to develop a predictive model to flag risky product disclosure statements and Statements of Advice were areas for further development

What does this buy us?

- **Efficiency** – the implementation of NLP tools will make analyst's work easier, faster, and more efficient – giving them time to focus on analysis, rather than document processing

- **Coverage** – NLP will allow for a much greater coverage for monitoring than is currently possible, with NLP algorithms transforming long, free-form documents into structured information that can be interpreted by analysts

- **Competitiveness** – NLP is being used in the financial services industry and by our fellow regulators.

Open Q&A

Thank you

Questions and comments to

innovationhub@asic.gov.au

From an industry perspective 2018 saw

- APAC market entry for global RegTechs
- BCG's Report pegging Australia as No. 3 in the world
- Successful capital raisings
- Global scale for some RegTechs
- Strategic partnerships signed
- Proof of concepts underway
- Winners of many industry awards including global RegTech awards, Innovator of the Year, Thought Leader of the Year, Westpac Innovation Challenge winner 2 years in a row and many more
- Regulators all engaging with industry through RegTech showcases, their RegTech project initiatives and through forums like this
- UK & South Korea showing significant interest in the APAC market

RegTech

Est. 2017

GROWN
BOARD 3-5
INCL 2 REG ENTITIES

Leading Global NFP Assn

Australia NZ, UK, US, Spain, Singapore

STONE & CHALK

Highly functional advisory committee

64 MEMBERS
51 REGTECHS
13 CORPORATES

19 events
776 attended
High NPS
Avg above 35

ACCELERATERegTech
GLOBAL CENTRE OF EXCELLENCE

250 attended 98% highly satisfied NPS 56

Good relationship with media & growing with Fed Govt

Energy Govt

Events included RegTech in the Bag, Boot Camp, NSW Government Seminar, AML Series, Accelerate RegTech, ASFA, Sibos, BCG Report seminar, various industry events, ASIC RegTech Liaison Forums and Showcase, RegTech Showcase, Singapore, AUSTRAC Showcase, NPP CollabNPP

Signed globally recognised brands
Microsoft, TAL, Equifax, Lexis Nexis CBA

Supported by NSW Govt CSIRO Data61 Collaborating with Regulators

CEO appointed Jun 18

December 2018 update

The RegTech member eco-system map

What's next?

- Board and executive strategy day
- Continue the work started with the Boot Camp concept including developing the outcomes into industry guidance and templates
- Strategic alliance with a UK based RegTech consultant to provide support in UK and Australia for RegTechs
- Industry forum #AccelerateRegTech
- Foundation level education
- Co-branded and co-supported events to engage and provoke
- Targeting alliance industry bodies for greater market penetration
- Building out the community

Where are the opportunities?

- Exploring international markets and connections
- Growing our stable of RegTechs to build out capabilities to meet the reg entity demand no matter the industry
- Expand our research capacity as an industry
- Consolidating a seat at the policy-making table
- Continuing to work with regulators
- Connecting the dots from RegTech to RegTech
- More roadshows/demos to showcase capability
- Breaking down the challenge barriers

What are the challenges to tackle in 2019?

- Reg entities: Procurement programs, IT security, proof of concepts, lack of business imperative, risks associated with engaging startups, vendor fatigue, curation of the right RegTech at the right time, solutions in bits and pieces
- RegTechs: Two year sales cycle, accessing the right people to have the right conversation, protection of IP, understanding their client, burning their resources for POCs that don't go ahead
- Both: Lack of guidance, checklists, experiment guides, templates, industry standards

Thank you