ASIC Regtech Initiatives 2019

Financial Promotions Problem Statement

Background

ASIC believes there is an opportunity for stakeholders to influence the development and use of regulatory technology (regtech) to respond to conduct concerns in the financial services industry.[1]

Australia has the potential to be a world leader in developing and using regtech to respond to these concerns.

The possibilities of artificial intelligence and machine learning in a regulatory context are being discussed by many financial services organisations. In some cases, these technologies are being planned and implemented. As such, it is fundamental for ASIC to understand how we can promote the adoption of such technologies to deliver better outcomes for consumers of financial services.

ASIC received funding in 2018–19 to expand its existing collaborative work with stakeholders on the application of regtech. With this additional funding in 2018–19 and 2019–20, ASIC plans a range of initiatives to promote the application of regtech to deliver better regulatory compliance and consumer outcomes.

These initiatives will also inform ASIC and other regulators in the adoption of regtech for supervisory purposes.

Retail financial product businesses, licensees, regulators, auditors and product manufacturers all have an interest in effective monitoring, supervision and analysis of promotional material for financial products and services.

ASIC plans this regtech initiative on financial promotions to explore the potential of regtech to deliver on this shared objective.

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[1] Examples of regtech includes applications of machine learning, big data analytics and natural language processing.

Problem Statement

ASIC invites interested stakeholders to publicly submit examples of regtech proposals and solutions that can monitor, identify and analyse the promotional material relating to banking, credit and insurance using an ASIC-provided dataset, as well as wider publicly available and web-based advertising data.

Demonstrators are encouraged to develop and showcase methodologies that can help analyse promotional material to extract key features and identify potential risk characteristics.

ASIC will provide at least 150 examples of promotional material relating to banking, credit and insurance.

Each example will have an accompanying dataset with 'ground truth' data including key information relating to different features (e.g. inconsistent information, absence of required information etc).

Demonstrators will be expected to use the ASIC dataset and public information such as ASIC regulatory guides, as well as other relevant third-party datasets, financial product knowledge or information.

Potential Metrics and Features

The metrics below may be applicable, depending on the type of financial promotion and financial products involved. Different combinations of these, or other metrics, could be applied to help describe the risk and compliance rating of a financial promotion or advertisement.

Informative features including (but not limited to):

1. Categorisation of the type of financial promotion, such as:

   a. Traditional (billboard, web banner, television, radio, print, etc.)
   b. Non-traditional (podcasts, social media, forums, YouTube).

2. The financial product (or products) associated with the advertisement
3. Entities referenced in the advertisement, e.g. ACN companies, Australian Credit Licensees

Potential indicators of risk or unclear content including (but not limited to):

1. High-risk words in the promotion such as: 'lowest', 'cheapest', 'best', 'largest', 'instant', 'free', 'guaranteed'
2. Inconsistent or unclear information in the promotional material such as:

   a. Small or illegible text
   b. Disclaimers inconsistent with headline claim
   c. Interest rates being quoted in a non-annualised format

3. Specific technical requirements for financial promotions relating to credit products, including where detailed in relevant legislation and regulatory guidance such as:

   a. *National Consumer Credit Protection Act 2009* and the *National Credit Code*
   b. *Australian Securities and Investments Commission Act 2001*
   c. ASIC regulatory guides including RG 234 *Advertising financial products and services (including credit): Good practice guidance.*

Target Outcomes

ASIC's target outcomes are to:

- Demonstrate how technology can be used to help in determining the clarity and level of compliance of financial promotions material based on a sample of advertising in different formats provided by ASIC, and a wider sample of promotional materials which could include social media, forums, podcasts and others.
- Identify opportunities and challenges of using regtech to identify, monitor and analyse financial promotions and thereby outcomes for clients.
- Increase awareness and understanding amongst industry of the current capability and future potential of regtech tools in their application to financial promotions and advertising.
- Identify options for next steps by ASIC and stakeholders to continue to promote the use of regtech to in monitoring and analysing financial promotions.

Event Structure and Registration

ASIC will host a symposium on Friday 2 August in Sydney. The symposium will include demonstrations from approximately 10 demonstrators, panel discussions and opportunities for engagement by attendees.

ASIC encourages participation from financial services businesses, regtech providers, consultancies, researchers and fintech startups.

Demonstrators are encouraged to apply innovative approaches – both in terms of technology, the assessment of advertising quality and risk, and regulatory compliance assessments.

We encourage collaboration between industry, regtech providers, researchers, other event demonstrators and ASIC subject matter experts.

ASIC also encourages interested stakeholders to attend as observers and engage in the symposium. We expect the symposium to be oversubscribed for attendance and will manage attendance for maximum diversity.

ASIC intends to record and live stream the symposium to maximise knowledge sharing including for those who are not able to attend.

Please see ASIC's regtech webpage for event details, registration details, and sample datasets. Register your interest here as either an observer or demonstrator.