ASIC
Australian Securities &
Investments Commission

Regtech Monitoring Financial Promotions: Demo and Symposium OBSERVER PACK

2 August 2019 Sydney

'There is a real need for new regulatory approaches to provide better outcomes for consumers. Regtech is something we are keenly interested in to ensure innovation in this area is utilised.'

John Price, ASIC Commissioner, 13 May 2019

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Innovative Technology

ASIC's Regtech Initiatives

- There is an opportunity to **influence** the **use of** regulation technology (**regtech**) to respond to conduct concerns of the financial services industry, and to speed progress to making Australia a world leader in its development and use - including through supervisory technology at ASIC.

- With the increasing use of artificial intelligence (AI) and machine learning (ML), it is fundamental to understand how regulators can support the adoption of the use of these technologies. In this light, ASIC received federal government funding to initiate ASIC's work in the regtech space, greenlighting four major projects each in FY2018-19 and FY2019-20.

- ASIC is designing regtech initiative projects to promote the **development and utility of regtech solutions** by financial services organisations to deliver and better, regulatory compliance and outcomes for consumers, positioning Australia as a leader in regtech.
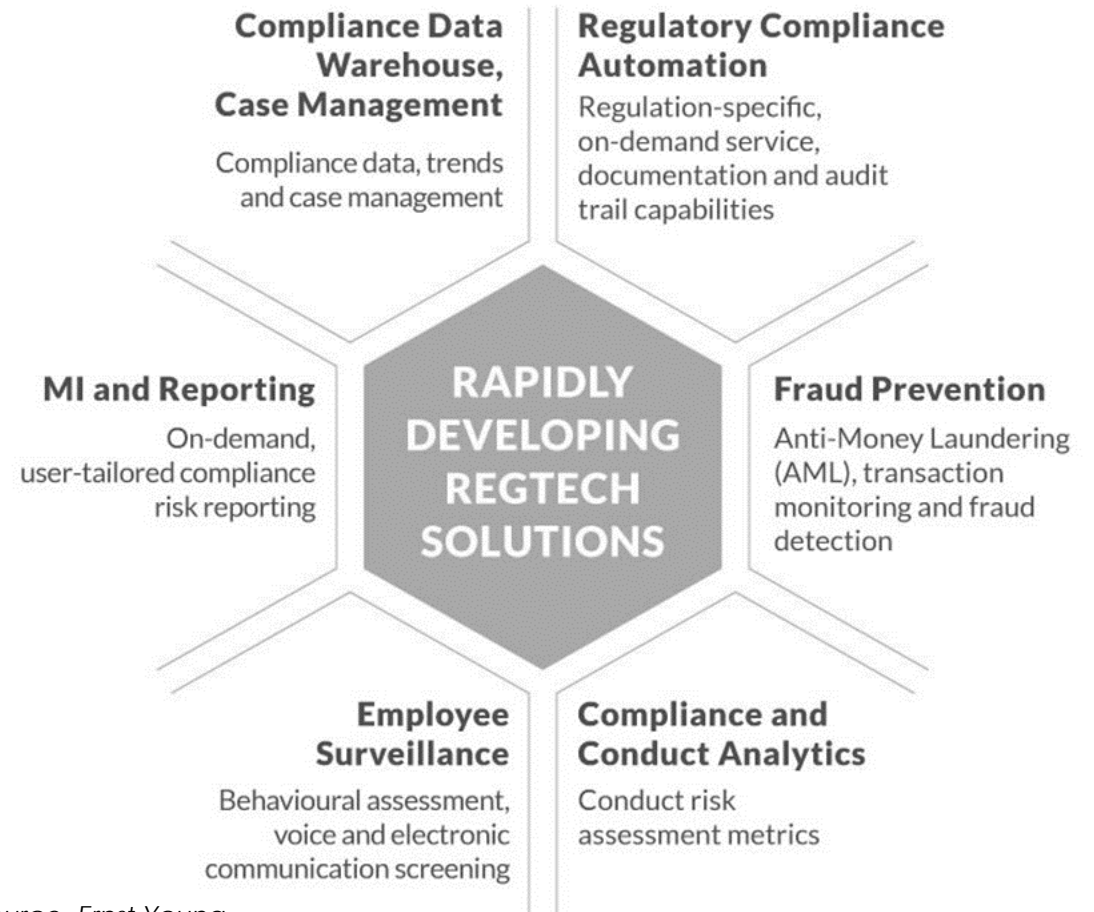
Potential Technology Options

Building on a foundation of digitisation, automation, data science/AI and user interfaces, methodologies and technologies can include:

- Text analysis (rule-based algorithms, NLP)

- ML / AI / statistics

- Automation systems

- Workflow systems

Showcase innovative technology:

- With your own product

- Build your own application

- Deliver presentations / ideas / proofs of concept

Compliance Data Warehouse, Case Management
Compliance data, trends and case management

Regulatory Compliance Automation
Regulation-specific, on-demand service, documentation and audit trail capabilities

MI and Reporting
On-demand, user-tailored compliance risk reporting

RAPIDLY DEVELOPING REGTECH SOLUTIONS

Fraud Prevention
Anti-Money Laundering (AML), transaction monitoring and fraud detection

Employee Surveillance
Behavioural assessment, voice and electronic communication screening

Compliance and Conduct Analytics
Conduct risk assessment metrics

Source: Ernst Young

Financial Promotions

Why Financial Promotions?

Accuracy of Financial Promotion

Retail financial product businesses, licensees, regulators, auditors and product manufacturers all have an interest in effective monitoring, supervision and delivery of high quality financial promotions to potential customers.

ASIC is exploring the use of technology to contribute to solving this problem and help **improve** both **regulatory compliance** as well as the **quality** of promotions distributed to target markets.

Monitoring

Supervision

Delivery

Why Financial Promotions?

We seek to:

- increase the awareness and understanding amongst industry of the current state and future potential of regtech applied to financial promotions.

- demonstrate **how technology can be used** to assist in determining the quality of financial promotions.

- identify the opportunities and challenges of using **advance technology** and other **regtech** approaches **to improving quality** of financial promotions and outcomes for consumers.

Problem Statement and Outcomes

Problem Statement:

Provide regtech solutions to monitor, identify and analyse the promotional material relating to banking, credit, and insurance.

Monitoring Indicators:

- Regulatory compliance
- Risk metrics

Key Components

Identify and extract key informative features including (but not limited to):

- Categorisation of the type of financial promotion, such as:

  – Traditional (billboard, web banner, television, radio, print etc.)

  – Non-traditional (podcasts, social media, forums, YouTube)

- The financial product (or products) associated with the promotion

- Entities referenced in the promotion (e.g. ACN companies, Australian Credit Licensees)

Key Components cont.

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

- High-risk words in the promotion such as: 'lowest', 'cheapest', 'best', 'largest', 'instant', 'free', 'guaranteed'

- Inconsistent or unclear information in the promotional material such as:

  – Small or illegible text

  – Disclaimers inconsistent with headline claim

  – Interest rates being quoted in a non-annualised format

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

  – *National Consumer Credit Protection Act 2009* and *National Credit Code*;

  – *Australian Securities and Investments Commission Act 2001*; and

  – ASIC Regulatory Guides, including Regulatory Guide 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 consumers.

- 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 monitoring and analysing financial promotions.

The Data

Dataset

ASIC will provide to demonstrators approx. 180 examples of promotional material relating to banking, credit and insurance.

Demonstrators will be expected to use the ASIC dataset as a minimum and public information such as ASIC regulatory guides.

Demonstrators are encouraged to use other relevant data (e.g. third party, public or own data), financial product knowledge or information.

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Evaluation Criteria

Evaluation Criteria

The submissions will be evaluated according to the following high-level evaluation criteria:

i.   Addresses the Target Outcomes listed in the Problem Statement

ii.   The technology is demonstrated on the sample data provided by ASIC, possibly including:

- Extraction of key data to support breach identification (e.g. Australian Credit License, Comparison Rate, Annual Percentage Rate)

- Identification of promotions which contain a potential breach

iii.   The nature of any application of the technology on some other set of data identified and collected by the participant will be rated more favourably

iv.   Technological solutions identifying principles-based breaches will be rated more favourably than the ability to identify breaches of specific requirements

v.   The technology's potential for scalability and broad applicability can be demonstrated

vi.   The demonstrator exhibits an innovative application of technology

vii.   The demonstrator exhibits how the technology assist decision making by firms

Evaluation Criteria

- Model performance and accuracy is not considered explicitly as part of the criteria, however demonstrators should consider including a performance and quality assessment of their test results in their submissions.

- ASIC is interested in reviewing submissions from a broad range of participants including but not limited to: start-ups, academics, financial institutions, professional services firms and Australian and international businesses. Thus, although all evaluation criteria will be considered, submissions that rate favourably on only some of the above criteria will be considered to present at the event.

Detailed Rubric

Breach	Details
i. Addresses the Target Outcomes listed in the Problem Statement	• Addresses the broad intention of the problem statement • Addresses specific metrics articulated in problem statement document and slides • Addresses specific metrics based on public ASIC guidance or other industry insights
ii. The technology is demonstrated on the sample data provided by ASIC	• ASIC sample data used in results presentation • Demonstration of technology on ASIC sample data is innovative and insightful • Evidence provided that technology and modelling approach is effective for multiple types of advertisements (i.e. images, videos, audio, banner ads)
iii. The technology is demonstrated on other data identified and collected by the participant	• Other datasets used in results presentation • Demonstration of technology to (i) monitor; (ii) identify; and (iii) analyse promotional material from appropriate channels such as web content, social media, and radio

Detailed Rubric

Breach	Details
iv. The demonstrator can exhibit or describe the technology's potential for scalability and broad applicability	• The submission demonstrates or describes how the product could analyse large amounts of content streamed from various advertising channels • The submission can be exhibited to be broadly applied across industry
v. The demonstrator exhibits an innovative application of technology	• Application of technology is novel and innovative • The degree that advance technologies are used to solve the problem • Standard machine learning technologies applied in a creative or an efficient and effective way
vi. The demonstrator exhibits how the outputs of the technology assist decision making by firms	• Outputs lead to clear and actionable insights • There is a visual element in the presentation of the technology's outputs or results • Potential for business value, better compliance, and / or better consumer outcomes

Submissions and Selection

Confirmation of Observer process

- Register EOI by 5.00pm (AEST) Friday 19 July 2019

- [Complete Terms and Conditions](#) by 5.00pm (AEST) Monday 22 July

- Observers informed on Wednesday 24 July

- Symposium on Friday 2 August

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