



ASIC
Australian Securities &
Investments Commission

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ASIC's Regtech Initiatives 2018–19

Report 653 | December 2019

About this report

This report summarises ASIC's regtech initiatives and events conducted during FY2018–19.

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Disclaimer

This report does not constitute legal advice. We encourage you to seek your own professional advice to find out how the Corporations Act and other applicable laws apply to you, as it is your responsibility to determine your obligations. Examples in this report are purely for illustration; they are not exhaustive and are not intended to impose or imply particular rules or requirements.

Executive summary

Regtech initiatives in 2018–19

ASIC considers that the regulatory technology (regtech) sector has enormous potential to help businesses build a culture of compliance, identify learning opportunities, and save time and money relating to regulatory matters. ASIC recognises that in various use cases regtech has been in deployment for some time (e.g. monitoring of trading and regulatory reporting) and is making an important contribution to promoting regulatory compliance, market integrity, and positive consumer outcomes.

On 7 August 2018, ASIC received federal government funding for financial years (FY) 2018–19 and 2019–20 to promote Australia as a world leader in developing and adopting regtech solutions to risk management and compliance problems relating to financial services. This funding meant ASIC could build on its existing engagement and collaboration approach in promoting the potential of regtech to financial firms.

ASIC used this additional funding in FY2018–19 to develop a series of regtech initiatives. These initiatives focused on the potential use of technology to help businesses deal with conduct of business compliance issues, thereby promoting better outcomes for consumers and market integrity. ASIC consciously chose difficult regulatory problems to examine the potential of regtech that is still in development, or in an experimental phase, rather than focusing on more mature services. Further initiatives of this kind are intended for FY2019–20 (see page 20).

ASIC undertook four regtech initiatives in FY2018–19:

- › **Monitoring Financial Promotions Demonstration and Symposium (2 August 2019)**
A problem-solving event consisting of five regtech demonstrators analysing financial promotional material from a curated dataset to identify potential risk and non-compliance characteristics.
- › **Financial Advice Files Demonstration and Symposium (22 August 2019)**
A problem-solving event to investigate how regtech can be used to improve compliance in Australia's financial advice industry. Six demonstrators used a synthetic dataset, along with key risk indicators, to test their regtech solutions in the identification of potentially non-compliant financial advice.
- › **Voice Analytics and Voice-to-Text Trial and Symposium (24 September 2019)**
ASIC shared findings from an ASIC regtech trial that examined how voice analytics and voice-to-text, applied to over 1,700 life insurance sales calls, may assist in identifying and analysing poor sales conduct in the financial services industry.
- › **Technology-Assisted Guidance (TAG) Tool Trial**
ASIC designed and developed a proof-of-concept TAG tool to help businesses navigate the

credit and financial services licensing regulatory framework. In this case, a proof-of-concept chatbot was developed.

Results

The series of regtech initiatives enabled the display of what regtech is capable of achieving (and not yet capable of achieving), in the identification and assessment of potentially poor conduct by financial services firms. Specific findings from the regtech initiatives include the following:

- › incidents of potential non-compliance across mandatory disclosure requirements, in both financial promotions and personal financial advice, were identified by regtech demonstrators
- › the future promise of voice analytics to locate signal identifiers of poor sales practices in stored, non-compressed, life insurance phone call records was presented by the procured regtech vendors
- › a viable proof-of-concept chatbot to provide guidance on whether a business needs a financial services or credit licence was developed for ASIC by procured regtech vendors.

ASIC considers these findings were clear and valid based on the presentations provided by the regtech firms, as well as the trial outputs. ASIC did not undertake a complete verification of the demonstrators' presentations given the scale of the trials.

ASIC also considers the findings show the potential for regtech to be used by ASIC, and other regulators, in supervisory work (i.e. as supervisory technology, known as supotech).

Primary observations

Participants and attendees of ASIC's regtech initiatives made the following observations:

- › **There is an imperative to implement regtech**
Exponential growth in data volume means the financial services industry must consider implementing regtech to undertake risk management and compliance functions.
- › **Regtech enables analysis of large, high data volumes at speed, and in real time**
Related to the challenges of the growing size of data collected, regtech allows for real-time monitoring of vast expanses of information with greater efficiencies in evaluating sales practices, as well as the provision of financial advice and promotions.
- › **A need for improved standards on data capture and storage**
Data quality is critical and, as the saying goes, 'garbage in, garbage out' applied to data quality at each event. Demonstrators and panellists stated a need for improving practices and setting standards around data capture and storage.

- › **Australian firms are experimenting, but resourcing is a challenge**

There is a great deal of activity within the regtech sector, but due to the experimental nature of new forms of regtech there are limits to how much resourcing flows from firms towards its development. This will need to change.

- › **A larger role for regulators**

Beyond being a consumer and user of regtech, ASIC and other regulators have opportunities to work with industry as an observer of regtech trials and projects. ASIC should consider providing further training datasets for future projects, outlining recommendations for industry practices, and updating regulatory guidance to improve current standards.

- › **Streamlining risk management and compliance**

Adoption of regtech by (but not limited to) the finance, insurance, and credit industries may allow for more targeted and effective implementation of identification, investigation, and problem-solving procedures, all at a reduction in the cost of compliance.

- › **Regtech poses further cyber security and privacy risks**

Increasing use of regtech brings with it concerns around cyber security and resilience. Use of cloud-based systems for storing, monitoring, tracking and processing data will require financial services firms and regulators to consider the risks involved.

- › **Regtech implementation is not easy**

It will take dedicated subject-matter and software-development experts to design, implement and refine regtech on an ongoing basis.

- › **Always a role for humans**

Regtech applications will not replace humans in risk management and compliance roles. However, regtech will augment the role of these professionals so that they can focus on more significant compliance matters identified from a larger, more complete sample size of financial services provided to consumers, rather than file reviews of small sample sizes.

Next steps

ASIC will continue to promote regtech by conducting more regtech initiatives in the remainder of FY2019–20. The focus of these initiatives will include exploring opportunities for machine learning (ML) to monitor compliance with regard to responsible lending; a report on the state of digital record keeping within the financial services industry; and a showcase on the publication of structured financial information in public companies.

“ In this fast-moving space we also need to ensure that fintechs have the tools that they need to navigate the Australian regulatory environment so that Australia remains a competitive place to do business.

Senator the Hon Jane Hume, Assistant Minister for Superannuation, Financial Services and Financial Technology, Opening Statement, 24 September 2019

Regtech Monitoring Financial Promotions

Demonstration and Symposium

Event overview (Sydney 2 August 2019)




Problem statement and event design

Retail financial product and service businesses are challenged with the effective monitoring, supervision and delivery of financial promotions to potential consumers. They seek to ensure promotions are clear, balanced, meet specific disclosure obligations, and are not misleading or deceptive (i.e. quality promotions).

ASIC designed this event to explore the use of regtech to help address this compliance challenge by improving regulatory compliance systems as well as the quality of promotions distributed to consumers.

ASIC selected five demonstrators — **Sintelix**, **Law of the Jungle**, **Cognitive View**, **Red Marker Allens**, and **Visteo** — from a set of applicants, based on the strength of their solutions, to work with a curated data set of financial promotions of credit services. These service providers had to then demonstrate how technology can be used to assist in assessing the issuance of financial promotions in compliance with the law. The service providers demonstrated their solutions at a symposium on 2 August 2019.

Table 1: Regtech Monitoring Financial Promotions attendance statistics

Attendees	Livestream Audience	Unique Video Viewers to Date
 102	 33	 541

Data

The five demonstrators received a curated set of 180 examples of promotional material related to credit products. The advertisements varied in traditional and non-traditional formats and mediums and included: web banners, billboards, print, television and radio ads. ASIC encouraged participating demonstrators to include other relevant data or publicly available promotions to supplement the data provided. ASIC also provided demonstrators with:

- › an explanation of the rules or risk factors as guidance for identifying potential non-compliance

- › applicable legislative requirements and regulatory guidance ([ASIC Report 234 Advertising financial products and services \(including credit\): Good practice guidance](#) (REP234))
- › material to assist demonstrators in identifying principle-based breaches.

Problem-specific findings

Demonstrators made use of a combination of tools to identify examples of misconduct, including: content extraction, rules engines, legal checklists, and non-legal based analytics.

Most demonstrators presented that they were able to accurately detect potential breaches of mandatory disclosure requirements in around 90% of specific cases. Potential non-compliance included guaranteeing an annual percentage rate (APR), missing comparison rates, and overstatements of benefits. ASIC considers that there was a reasonable basis to conclude demonstrators were able to identify these relatively simple examples of potential breaches, even though ASIC was not in a position to conduct a complete verification of all the demonstrators' results.

Demonstrators were also able to show identification of more subjective examples of poor disclosure, such as potentially misleading or deceptive conduct. These demonstrators were not able to indicate what their accuracy rates were for this kind of assessment given the limited nature of the training dataset and subjective nature of the assessment.

Some demonstrators noted that poor image quality challenged data analytics, failing to meet minimum requirements for optical character recognition (OCR).

Some demonstrators indicated they had built risk-rating systems that would allow for their solution to calculate, assign, and prioritise various levels of concern relating to potential breaches. These ratings were based on the number and severity of these potential breaches of the financial promotion requirements, and the reputation of the entity publishing the advertisement. The associated challenges with these approaches included the limited size of ASIC's testing dataset, as well as the diversity of media, making it difficult to train some of these more complex systems.

One demonstrator showed how to track advertisements in real-time during their development, allowing for red flags to be reported and corrected prior to promotions being published.

General observations

- › **Interoperable capabilities are a key factor when considering regtech solutions**
Some demonstrators designed solutions that worked when integrated into existing monitoring systems, which event observers said would encourage use of the demonstrators' technology.
- › **Breach identification and triage**
Regtech can provide an initial review of advertising monitoring and compliance, freeing up human resources to assess more complex issues or edge cases.

Challenges faced

- › **Promotional material diversity**
Demonstrators found the variety of promotional media and poor image quality a challenge when working with the provided data.
- › **Dataset size**
Access to a larger and more tailored dataset would assist with ML to identify advertising risk factors, vastly improving results.



From left: Mark Adams, Senior Executive Leader Strategic Intelligence and Co-ordinator Innovation Hub, ASIC; David Cummins, Partner Technology Advisory, PwC Australia; Larissa Shafir, Director, Head of Consumer Bank Independent Compliance Risk Management, Citibank (Australia); Mark Staples, Senior Principal Researcher, Software Systems, Data61; Jasper Poos, Head of Governance and Assurance, Commonwealth Bank of Australia; Nigel Bond, General Counsel – Wealth, Australia Banking, and Technology, Westpac; Julian Fenwick, Chairman, The RegTech Association (Sydney 2 August 2019).

Each engagement helped immensely in identifying key themes and emerging opportunities that the sector sees as important. But the greatest takeaway we received from you was probably that last point: to keep an open mind.

Commissioner Cathie Armour, Opening Statement, 2 August 2019

Regtech Financial Advice Files

Demonstration and Symposium

Event overview (Sydney 22 August 2019)

Problem statement and event design

Australia's financial advice industry has been under considerable scrutiny following the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Financial Services Royal Commission). This has led to an increased focus by ASIC and licensees on how licensees can better monitor and supervise their representatives in the provision of personal financial advice.




To test whether an adviser has provided compliant advice to their client, a review of the client file is required. To date, this has been a manual, resource-intensive task. This impacts the number of reviews a licensee can undertake and the timeliness of those reviews.

This event set out to investigate whether regtech can provide licensees and regulators with a better solution so that reviews could be done in a more efficient and effective manner. With this in mind, the purposes of the problem statement were to:

- › explore how regtech could be used by licensees to make file reviews more efficient and accurate
- › identify opportunities and limitations for licensees associated with using regtech to assist in file reviews
- › highlight regtech tools for licensees currently available or in development
- › demonstrate how regtech tools may also be able to help ASIC in day-to-day reviews.

ASIC selected six regtech firms from a set of applicants — **Advice Regtech, Flexprod, IBM Research, IRESS, K&L Gates**, and **TIQK** — to demonstrate their solutions to the problem at a symposium on 22 August 2019. These demonstrators were selected from a set of applicants based on the strength of their solutions.

Table 2: Regtech Advice Files attendance statistics

Attendees	Livestream Audience	Unique Video Viewers to Date
 118	 60	 450

Data

To assist the regtech firms in demonstrating their solutions, ASIC provided a dataset of 20 synthetic financial advice client files that contained approximately 60 documents in total, across all the files (including file notes from client meetings, a 'fact-find' document, and a Statement of Advice (SOA) document) across varying formats.

For the purpose of this exercise, demonstrators were advised that they should consider the legal requirements that apply to financial advice products and services as detailed in relevant legislation and regulatory guidance. Additionally, demonstrators were provided with some key risk indicators, which (to the extent that they were identified in the synthetic client files) might indicate non-compliant or high-risk advice.

Problem-specific findings

Many of the demonstrators focused on processing larger volumes of client files aiming for the highest possible levels of accuracy.

Using combinations of natural language processing (NLP), rules-based expert systems, proprietary artificial intelligence (AI), and application programming interface (API), demonstrators were able to identify a range of potential compliance issues in the financial advice files provided by ASIC. Whilst the results provided by the demonstrators could not be verified as part of the limited nature of the trial, the presentations were promising.

Some demonstrators went beyond ASIC's provided dataset to include hundreds of additional real SOAs in their platforms. These demonstrators illustrated on an aggregate basis how their applications attempt to identify and assess potential misconduct from large numbers of financial advice files.

The demonstrators had a limited time to work with the dataset. This meant some demonstrators found it difficult to break down Portable Document Format (PDF) documents contained within the dataset, and extrapolate data contained within tables and images. The difficulty of processing this unstructured data was exacerbated by varying file formats and terminology.

Some demonstrators were able to rate the level of potential risk to clients contained in various advice documents. When combined with real-time or near real-time tracking, this would enable them to capture, flag and investigate potential misconduct in financial advice prior to it being provided to a client, or within hours of being sent to a client.

General observations

- › **Monitoring accountability more efficiently**

Regtech can help reduce compliance costs and provide an initial review of financial advice. However, responsibility remains with advice providers and advice licensees for the outcomes of these models.

- › **Regtech can help rebuild trust and confidence in the financial advice sector**

Regtech has potential to help the financial advice, and wider financial services industry, and regain consumers' confidence by building automated checking processes into the provision of financial advice and other services.

Challenges faced

- › **Complex solutions require higher data volumes**

Access to larger datasets would assist with ML in identifying risk factors, vastly improving results.

- › **Standardisation of datasets**

Some observers advocated for industry and regulators to introduce standardised models, glossaries, and/or practices for financial advice file documents to assist in the implementation of regtech tools.



As technology's potential becomes more obvious, consumers' expectations are rising, also. And we do expect financial services organisations to keep up. We're all aware of the consequences of not keeping up, particularly relating to the provision of financial advice.

Deputy Chair Daniel Crennan QC, Opening Statement, 22 August 2019

Regtech Voice Analytics and Voice-to-Text Trial and Symposium

Event overview (Melbourne 24 September 2019)

Problem statement and event design




ASIC conducted a trial into Voice Analytics and Voice-to-Text (VA&VT) technology to better understand its capacity to assist with regulatory activities, as well as help inform the financial services industry on how it can use it to streamline compliance monitoring practices of phone sales of financial products. This project was in response to findings from [ASIC Report 587: The sale of direct life insurance](#), which found instances of inappropriate life insurance sales practices, leading to poor consumer outcomes.

ASIC's engagement with the industry indicated that insurance firms were already using voice-to-text (VT) for compliance purposes. As such, ASIC wanted to add value through this trial by investigating voice signal solutions. This technology seeks to identify the emotional state of the speaker by analysing tone, speech patterns (e.g. pauses, speed) and sentence structure.

The project tested whether VA&VT could process a large volume of life insurance sales calls to identify, analyse and report on poor conduct, including pressure sales tactics, sales to vulnerable consumers, inappropriate or omitted information about products, and possible indicators that consumers were not comfortable engaging with the service.

ASIC selected three vendors — **Call Journey**, **Daisee** and **Deloitte** — to participate in the trial as a result of an open tender in May 2019.

Table 3: Regtech Voice Analytics and Voice-to-Text attendance statistics

Attendees	Livestream Audience	Unique Video Viewers to Date
 98	 82	 389

Data

The vendors for this event were supplied with a dataset of 1,710 life insurance sales calls and set the task of analysing the recordings in two stages to identify:

- › whether call quality was sufficient to transcribe the voice data into text
- › if the call quality allowed for the identification of poor conduct through direct analysis of voice signals or other methods.

Due to time and resource limitations, the vendors used 'out-of-the-box' technology (i.e. an unmodified or non-specially configured solution) to conduct analysis. Usually the systems are trained with specific machine rules. To assist with word, phrase and speech-pattern identifications, ASIC provided the vendors with 23 reviewed calls, a call-criteria guide, and REP 587 as a source of more detailed information.

The final results provided by each of the vendors were compared to ASIC's previous manual analysis of the complete dataset.

The vendors presented the results of their regtech solutions to the problem at a symposium on 24 September 2019.

Problem-specific findings

When compared to ASIC's manual investigations, it was shown that VA&VT technology has potential to assist with improving the efficiency of identifying some forms of misconduct in life insurance phone sales compared to manual review.

Above all, call quality stood out as the critical component for the efficient and effective application of these technologies. As the set of calls spanned approximately nine years, it was clear more recent calls improved in capturing, compressing, and storing audio to a higher standard for analysis. This meant that the voice signal analysis trial had limited success, as conclusive results would require thousands of hours of high-quality audio for rigorous testing. Nevertheless, the potential of this level of analysis to identify misconduct was highlighted.

The trial showed that advanced methods of VT using logic (as opposed to voice signaling) are better suited for detecting more straightforward instances of misconduct, such as information being omitted or the use of clearly misleading statements. The trial also revealed that VT has the potential to detect more nuanced forms of pressure selling through its analysis of the text. More research is required to determine its capacity to detect subtle elements of speech indicating vulnerability or uncertainty (hesitations, tone and pace).

Based on these initial findings, the ongoing use of VA&VT will require human input. Beyond a need to manually monitor recordings of poor quality that cannot be analysed by a machine, humans must interact with these solutions to:

- › ensure the tool is programmed to detect evolving conduct within the industry
- › quality control findings generated by the tool and test its ongoing effectiveness
- › feed in quality assurance findings
- › respond to changes in script, product, and agent behaviour.

VA&VT technology has the potential to aid ASIC in reviewing larger volumes of sales calls than is manually possible, but has not yet reached a state to replace current forms of monitoring of phone sales in the near term.

General observations

- › **'Garbage in, garbage out'**
Data quality is key and as technology gradually improves, the accessibility to usable voice recording data will increase, allowing for more comprehensive testing of VA technologies.
- › **Stakeholder engagement is integral to the success of regtech**
There is a need for greater collaboration between industry, vendors and regulators to encourage uptake, refine analytics engines and improve data quality of voice recordings.
- › **Supporting compliance across sales tactics**
Potential exists to assist people in identifying and triaging reviews of conduct across phone sales engagements.



From left: ASIC Chair James Shipton; Senator the Hon. Jane Hume, Assistant Minister for Superannuation, Financial Services and Financial Technology; and ASIC Commissioner Sean Hughes (Melbourne 24 September 2019).

“ Regtech’s aim is not only to streamline procedures but to build a culture of compliance and, importantly, improve consumer outcomes.

ASIC Chair James Shipton, Opening Statement, 24 September 2019

Regtech Licensing TAG Tool Trial

Trial overview

ASIC set out to explore the development of a simple TAG tool for businesses to more easily enquire about financial service and credit licensing requirements, as well as related regulatory guidance.

In April 2019, ASIC approached the market seeking a technology company and legal firm to work together to develop a proof-of-concept for a licensing TAG tool.

This TAG tool project, which took the form of a chatbot, set out to deliver several outcomes:

- › create a minimum viable product that delivers guidance about the regulatory framework and licensing requirements in response to user inquiries
- › design a product that could incorporate regulatory and legal updates and amendments
- › capture information input into the TAG tool for future NLP-based interactions
- › have a user-friendly, web-based user interface allowing for cross-mobile and cross-browser compatibility.

The TAG tool was made with the intention of providing informal guidance, not legal advice.

Problem-specific findings

As a result of a tender process, ASIC selected **Piper Alderman** and **Gronade** (the supplier) to work on developing the TAG tool. The supplier developed a viable prototype that was demonstrated to ASIC in October 2019 and was publicly presented at ASIC's 8th Regtech Liaison Forum on 22 November 2019.

The solution was designed and developed in an internal testing environment. The chatbot was built to enable ASIC to flexibly continue its development, and slowly increase uptake, use and functionality.

Due to the design of potential capacity for the TAG tool to be used by stakeholders searching the ASIC website, ASIC required the supplier to develop features not otherwise present in off-the-shelf chatbot solutions. Specific challenges included:

- › finding a structured way to incorporate complex decision trees and translate these into a logic engine
- › anticipating user needs without having an existing dataset of previous interactions, conversations, or inquiries

- › guiding users based on legal and regulatory requirements in a prescriptive way, while ensuring they understood that chatbot licencing guidance did not qualify as legal advice.

These hurdles required the supplier to take several tailored approaches when designing the TAG tool. The most significant design approach was that without a dataset of previous interactions, this chatbot was created as a data-centric solution. This meant that the chatbot had to be designed to anticipate the type of information users may require, and adapt multiple nuanced versions of communication in order to provide the most likely applicable answers, considering legal interpretation.

The suppliers stated that the delivery of the TAG tool provided some significant lessons for any other stages of this ASIC trial and any similar initiatives by industry. At its core, the lack of an initial dataset limited the scope and development cycle of the chatbot. If this kind of information had been accessible, challenges around not having clear user-interaction histories or references for developing logic and decision trees, as well as limiting any ability to train the tool, could have been minimised.

The complexity of the licensing regime made mapping the logic of the TAG tool a challenging task. The level of overlap across guidance for products and services, along with associated exemptions, required skilled practitioners with confidence in their understanding of the regulatory landscape. This is doubly important when attempting to balance for user experience by optimising the language of the questions and the number of questions users must answer.

Specialised human input does not stop there — with legislation and regulatory guidance being as dynamic as it is, there will be an ongoing need for continual updates to the TAG tool.

ASIC's regtech approach and next steps

ASIC's general approach to regtech

ASIC established its Innovation Hub in March 2015 to help financial technology (fintech) and regtech businesses navigate Australia's regulatory system in the financial services sector without compromising investor and financial consumer trust and confidence. In so doing, the Innovation Hub streamlines ASIC's engagement with the fintech and regtech sectors and removes red tape where possible.

ASIC considers that 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. ASIC notes that in some use cases regtech has already been making a valuable contribution in promoting regulatory compliance across consumer and market integrity outcomes (e.g. monitoring of trading and regulatory reporting).

Since its inception, the Innovation Hub have met with over 150 regtech entities, more than 60 of which received informal assistance to better understand their business models and regtech development within the sector more widely. As part of this work, ASIC engaged in close collaboration and knowledge-sharing with domestic and international regulators.

In May 2017, ASIC released [Report 523: ASIC's Innovation Hub and our approach to regulatory technology](#) on its current and future approach to regtech. In response, in part, to feedback received on the approach in the report, ASIC has taken a leading role in promoting networking and collaboration in the regtech sector.

ASIC's approach to regtech is guided by a set of basic principles that include:

- › working towards outcomes in regtech that align with our strategic priorities and approach to innovation
- › undertaking a number of focused initiatives that will deliver outcomes in the near term
- › learning from industry input, good international case studies and our own experience from engaging with the regtech sector.

As part of ASIC's approach to regtech, and in response to the 2017 consultation, ASIC convenes quarterly Regtech Liaison Forums to promote networking, collaboration and information-sharing. To date, ASIC has hosted eight national forums with attendance of approximately 250 people per session. The Australian Prudential Regulation Authority (APRA), the Australia Transaction Reports, and Analysis Centre (AUSTRAC), the RegTech Association and FinTech Australia regularly provide insights into their regtech initiatives and the state of the sector at these forums.

Regtech initiatives in FY2019–20

ASIC intends to implement further regtech initiatives during the remainder of FY2019–20. The design and planned implementation of these further initiatives have been informed by the initiatives undertaken during FY2018–19. ASIC is planning initiatives on the following topics in FY2019–20:

- › **Machine learning monitoring of responsible lending obligations by credit providers**
A public problem-solving showcase event.
- › **Digital record-keeping of financial services**
A landscape report to look at current and potential future practices for financial services providers' digital record keeping.
- › **Structured financial information of public companies**
A showcase to illustrate the relative ease of producing structured financial information reports of public companies and the benefits to users.
- › **Licensing Guidance TAG tool (Phase 2)**
To undertake internal (and potentially some external) testing of the prototype licensing guidance chatbot provided to ASIC as a result of the trial conducted in FY2018–19 (see Regtech Licensing TAG tool, pages 17–18). Phase 2 would inform future decision-making on whether to put such a tool into production.

ASIC is also considering other regtech initiatives in FY2019–20 depending on available resources and managing competing demands on scheduling of the regtech initiatives.

 There is enormous potential for regtech to improve the compliance outcomes for people. This fits in neatly with our objectives.

John Price, ASIC Commissioner, Panel Discussion at Financial Advice Files, 22 August 2019

ASIC will consider a range of ideas for continuing to promote regtech beyond FY2019–20. The scope and nature of what ASIC can do will depend on an assessment of the regtech initiatives during the remainder of FY2019–20 and available ongoing resources. Some of the initiatives ASIC may consider include:

- › leading the narrative on the application of regtech
- › hosting further regtech showcase events and playing a larger role as observer to regtech trials by firms
- › providing more guidance on good practices on engaging, implementing and maintaining regtech, including applying AI and ML
- › leading the way through ASIC’s own adoption of regtech in its supervisory work.

Industry-led initiatives

ASIC strongly encourages the financial services industry and related stakeholders to take more of a lead in developing the regtech sector. Some ideas industry may wish to consider include:

- › enhanced channels for general information sharing on regtech between firms, regtech firms, and regulators
- › standards on digital record keeping of financial service provision and regtech procurement practices
- › minimum terms and expectations to be used by stakeholders in conducting regtech trials.



Regtech VA&VT Trial and Symposium (Melbourne 24 September 2019).

Appendix

ASIC recorded each Regtech Initiative in 2019. They are available on the ASIC website.

Please see the below links for further details on each initiative where you can find the event recording, images, presentations, notes and trial reports.

ASIC's Regtech Initiatives 2018-19 web pages

[Monitoring Financial Promotions Demonstration and Symposium](#)

[Financial Advice Files Demonstration and Symposium](#)

[Life Insurance Sales Calls Voice Analytics and Voice-to-Text Trial and Symposium](#)

[Regtech Licensing Technology-Assisted Guidance Tool Trial](#)

Terms and related information

Terms

Regtech	Regulatory technology
Suptech	Supervisory technology
AI	Artificial Intelligence
API	Application processing interface
APR	Annual percentage rate
MR/L	Machine rules/learning
NLP	Natural language processing
OCR	Optical character recognition
SOA	Statement of advice
TAG	Technology-assisted guidance
VA&VT	Voice analytics and voice-to-text

Related information

[ASIC Report 587: The sale of direct life insurance](#)

[ASIC Report 523: ASIC's Innovation Hub and our approach to regulatory technology](#)

[ASIC Report 234: Advertising financial products and services \(including credit\) – Good practice guidance](#)