advice REGTECH

Financial Advice File Reviews

ASIC

RegTech Symposium

August 22nd 2019

FINTECH BUSINESS AWARDS 2019
WINNER
COMPLIANCE INNOVATOR OF THE YEAR

About Advice RegTech

advice REGTECH

Advice RegTech is at the forefront of regulatory compliance tech for the financial advice sector

1. Award winning RegTech specialist

2. Founding member of the RegTech Association

3. Domain expertise - Committed founders with deep industry experience in Australia & globally

4. Scalable, integrated 'compliance tech', not limited to SoAs

FINTECH BUSINESS AWARDS 2019 WINNER COMPLIANCE INNOVATOR OF THE YEAR

FINTECH BUSINESS AWARDS 2018 FINALIST COMPLIANCE INNOVATOR OF THE YEAR

FINTECH BUSINESS AWARDS 2017 FINALIST COMPLIANCE INNOVATOR OF THE YEAR

WOMEN IN FINANCIAL SERVICES AWARDS 2018 MONEY MANAGEMENT SUPER REVIEW — Innovator of the Year WINNER

Solution - SAMI

Subjective Analytics Monitoring Intelligence

Automated assistance for
financial advice file reviews

Improving the **efficiency** and **effectiveness** of compliance, supporting experts to **scale** their expertise, **quality** and **consistency** with machine learning RegTech

SAMI - Principles

| Transparent		Trackable	Concious Design Thinking	
Verifiable, Not hidden from auditors behind a 'black box'	**Look through**, drill-down to the input and outputs	**Continuous tracking** And audit logs of permission-based overrides	**Current** & **compliant** with privacy and capture regulatory obligations	**Fit for purpose**, initial and ongoing to mitigate bias, unintended consequences

SAMI - Methodology
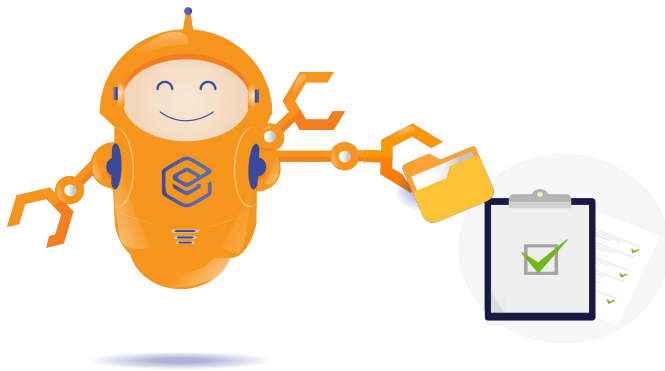
**By design,
SAMI is a fusion solution**
combining
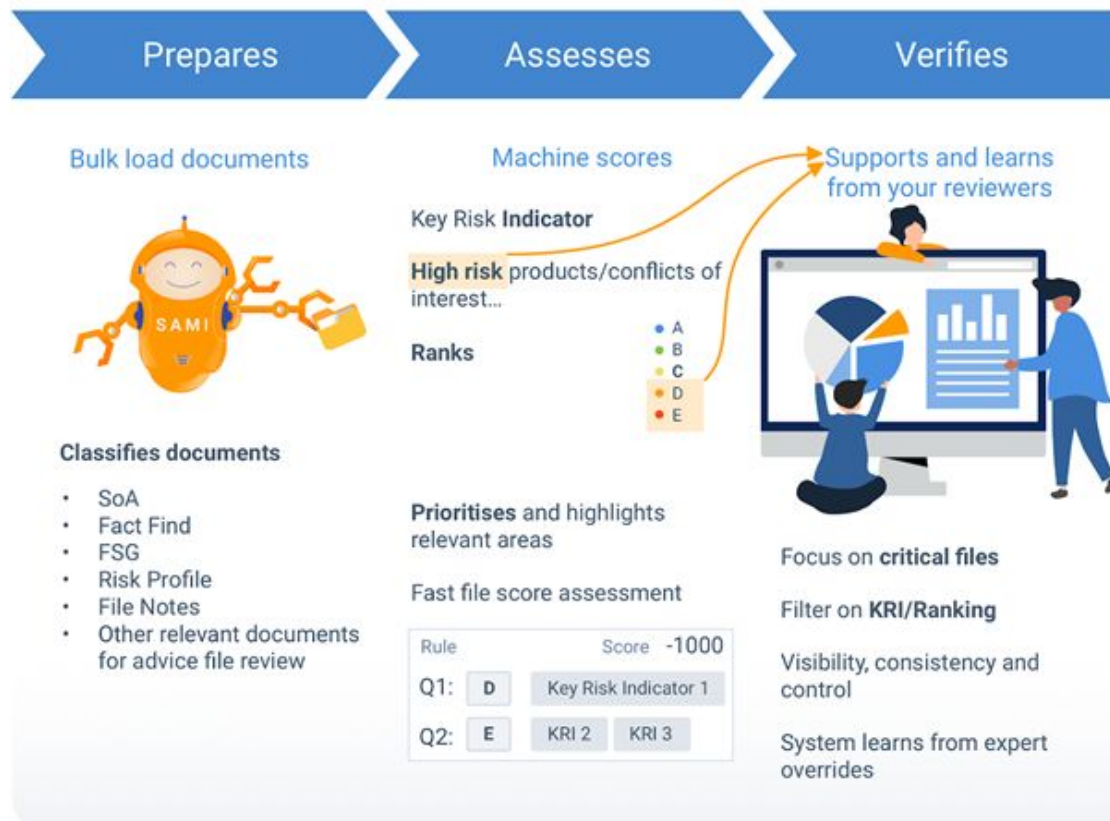automated capability,
supporting
human judgement

How SAMI works - fusion solution
combining automated capability, supporting human judgement

How SAMI works - fusion solution

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How SAMI works - fusion solution

combining automated capability, supporting human judgement

Prepares · **Assesses** · **Verifies** · **Reports**

Bulk load documents

Classifies documents

- SoA
- Fact Find
- FSG
- Risk Profile
- File Notes
- Other relevant documents for advice file review

Machine scores

Key Risk **Indicator**

High risk products/conflicts of interest...

Ranks

- A
- B
- C
- D
- E

Prioritises and highlights relevant areas

Fast file score assessment

Rule		Score	-1000
Q1:	D	Key Risk Indicator 1	
Q2:	E	KRI 2	KRI 3

Supports and learns from your reviewers

Focus on **critical files**

Filter on **KRI/Ranking**

Visibility, consistency and control

System learns from expert overrides

Reports and analyses

ASIC File Outcomes

Results, Insights, Successes,Challenges:
- ID and extract key info
- Analyse client files, indicate risk factors, advice quality, value & usefulness
- Features and functionality for key metrics and support of file assessments

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- DEMO of SAMI

Key Risk Indicators identified across the files

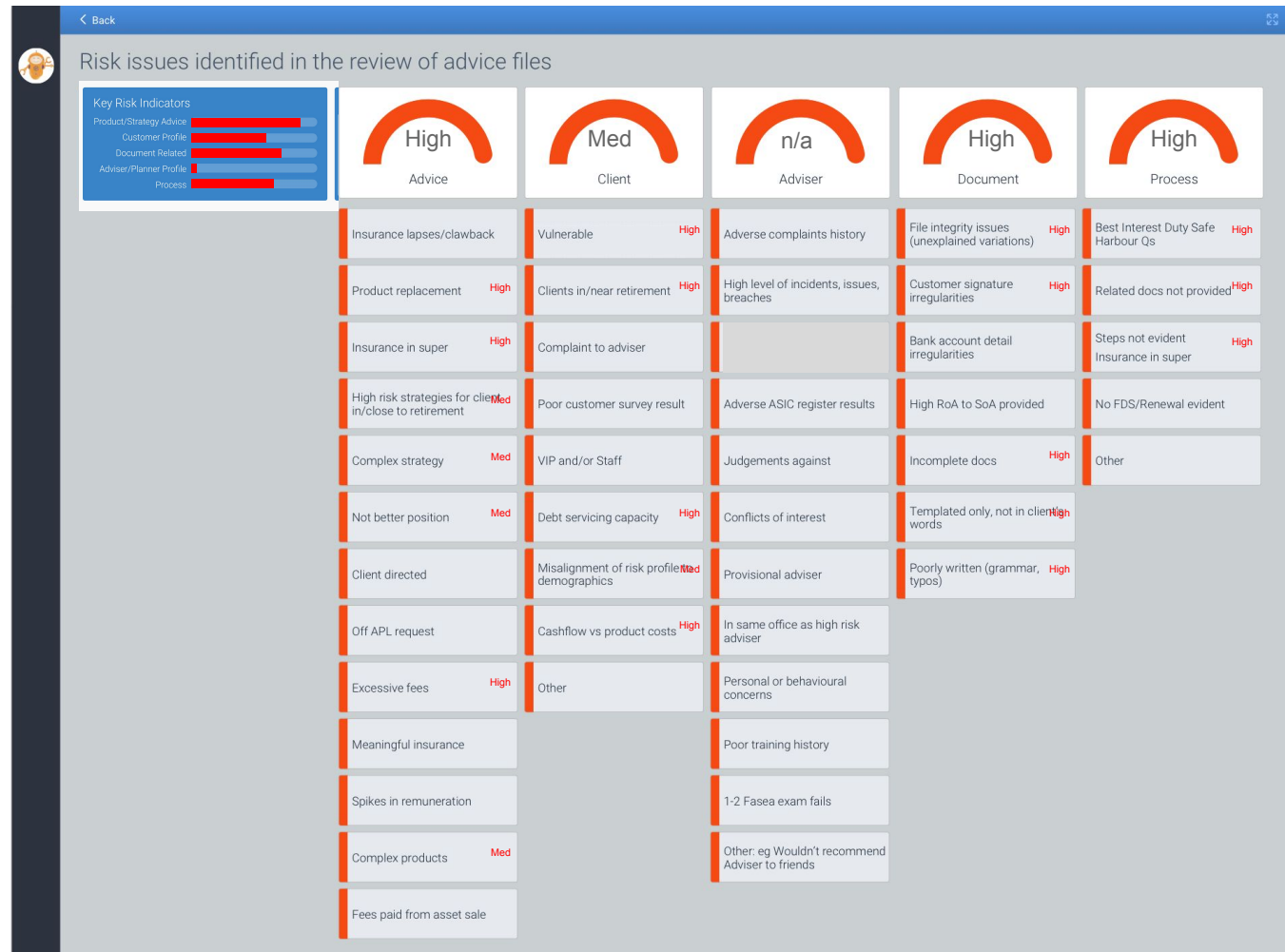Risk issues aggregated and detailed across the files for:

Product/Strategy related risks

Customer profile related risks

Adviser/Planner profile risks

Document related risks

Process related risks

Insights - Advice RegTech's SAMI

Successes	- Advice RegTech's SAMI can successfully parse information from a variety of file types including .doc, .docx and .pdf files - SAMI's fast configuration functionality enables pilots and production-ready usage - SAMI can identify and extract key info from configured templates across SOAs, Fact Finds, Risk Profiles, FSGs, File Notes etc as relevant for advice file reviews - Key risk indicators at the question-set rule level enables effective aggregation at the aggregated 'helicopter' risk oversight level for systemic risk identification and for proactive, pre-emptive decision making to mitigate / manage risks. - Identifies category of strategy / recommendations, common and specific for the client's objectives, and where a strategy is not linked with objectives - Transparent 'fusion' approach of Advice RegTech with in-built human override/control functionality (i.e. not being an auto black-box tick-only proposition) supports efficacy and adoption.
Insights	Sentiment analysis on the content of SoAs not that valuable for assessing the quality of advice files
Challenges	- Text processImages and pie chart legends can present readability challenges - Handwriting conversion can be challenging

1. Advice RegTech SAMI identifies and extracts key info

ASIC outcome sought	SAMI Features & Functionality
1. Where investment recommendations made, types of financial products or asset classes	- IDs and extracts recommendations, products & alternatives - IDs, extracts and compares target asset class mix with risk profile categorisation and parameters.
2. Client's goals and objectives	- IDs and categorises goals - Captures priority of goals - Checks if goals are quantified
3. Asset values, income, financial returns	- IDs and extracts client profile information such as assets, income - IDs and extracts asset values, returns and projection comparisons
4. Cost of advice	- IDs and extracts upfront cost - Ongoing cost - Calculates fee as % net assets

2. Advice RegTech SAMI analyses client files, indicates risk factors, advice quality, value & usefulness

ASIC outcome	SAMI Features & Functionality
1. Risk factors indicated	- Risks tagged and identified as per Report 515 - Specific risks linked to each compliance question, reported at file level and aggregated for systemic trend insights
2. Advice quality, value and usefulness	Rules and logic uses key information extracted from client files to assess advice quality, value and usefulness Eg match of client circumstances, goals & recommendations; fee extracts and comparisons; impact of insurance premiums on super balance projections.

3. Advice RegTech SAMI Key Features & Functionality

ASIC outcome	SAMI Features & Functionality
1. Realised or projected financial returns/benefits from taking up advice	• Highlights key data and content from table, charts, images • Supports identification of 'better off' net position • Supports identification of quantifiable net benefits of implementing the advice
2. ID whether the client's goals and objectives were met.	• Goals and objectives identified and categorised • Supports assessment of whether goals and objectives addressed by advice recommendations • Supports assessment of whether the product recommendations are based on the strategy • Supports assessment of whether the recommended strategies are linked to the client's objectives.

3. Advice RegTech SAMI Key Features & Functionality continued

| ASIC outcome	SAMI Features & Functionality
3. Cost of advice	● IDs and extracts upfront fees; Ongoing fees; % of net assets ● Supports assessment and comparison within and across docs
4. Insurance and superannuation considerations	● Insurance affordability - related to impact on funding source - superannuation balance value / cashflow ● Supports assessment of whether switching to new products is justified - basis, risks, cost comparison ● IDs and extracts alternative products
5. Templated vs non-templated text	● IDs whether SOAs contain required warnings and disclaimers, or where there are gaps ● IDs whether templated information is relevant to the advice - i.e. where required to be linked to a strategy ● IDs whether to-be-inserted references have been removed prior to finalisation of SoA

3. Advice RegTech SAMI Key Features & Functionality continued

ASIC outcome	SAMI Features & Functionality
6. Document length and linguistic complexity	● Parses relevant files for document full length viewability, search and relevant section identification ● Enables source file view inclusive of images, tables, charts ● IDs and assesses sentiment of content
7. Advisers' basis or reasoning for a product recommendation	● IDs and extracts text segments for the basis / reasons linked to specific recommendations ● IDs and extracts client goals, product types and alternatives
8. Consistency in asset classes, financial products, client objectives and themes across documents	● Identifies themes and categories covered by a set of documents or a specific client to calculate the similarity or difference between the content of each document ● Eg compares / contrasts the Fact Find and SOA for client circumstances such as age, salary/wages, assets, dependents, heath etc ● Eg compares / contrasts the Risk Profile and SOA content for Risk Profile categorisation for appropriateness of asset mix.

Demo capability on Client Files

Lebron Jones (Template A)	- IDs fee errors - Incorrect calculations - Inconsistencies in/across docs - Extracts information for review
Roves (Template B)	- IDs missing signatures - IDs missing information eg alternatives - IDs incorrect risk profile, extracts for review
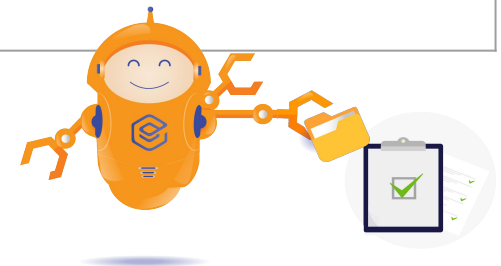
SAMI Demo

More info

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