



36TH ABA

**GENERAL MEETING &
CONFERENCE 2019**



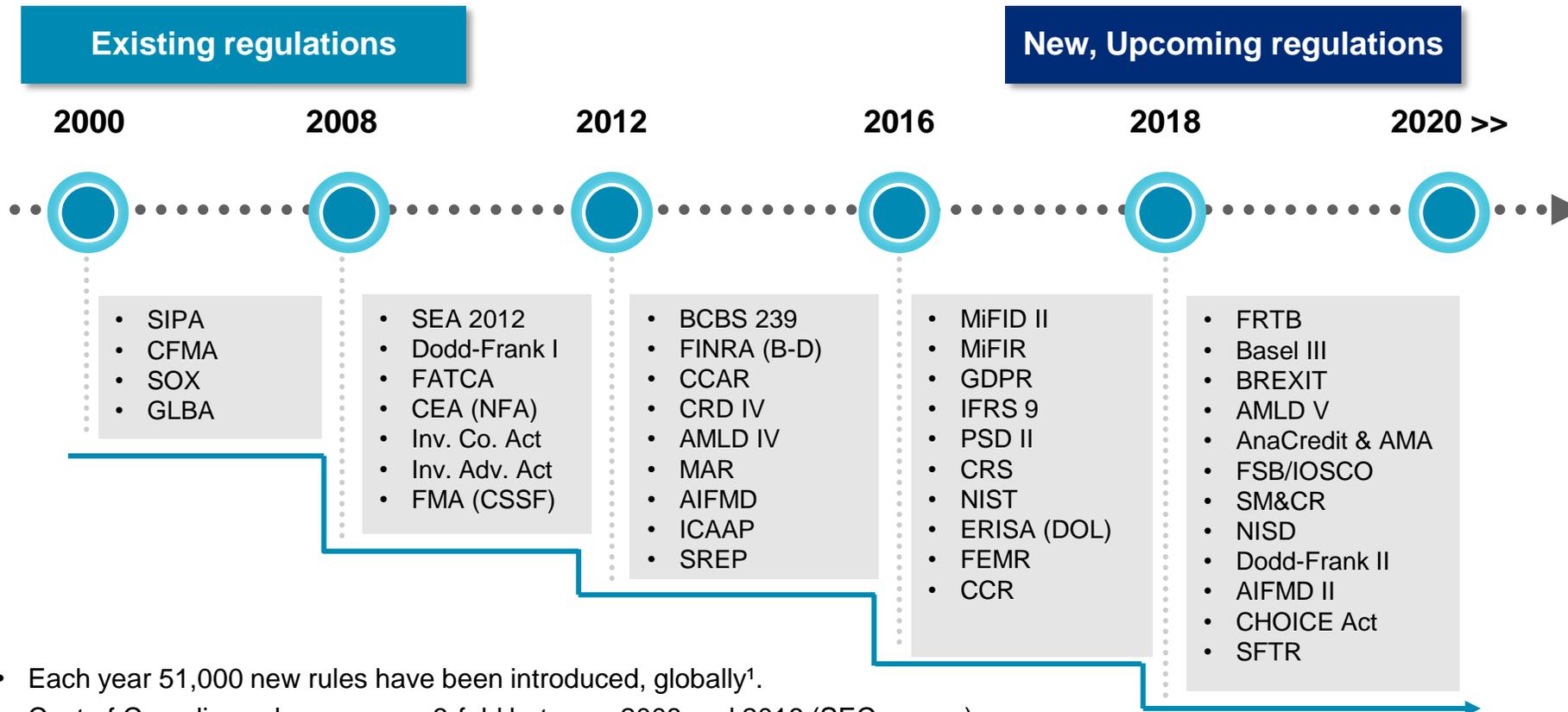
Role of the Regulator in Developing an Effective Digital Ecosystem

An international perspective

Dr. Subas Roy
Chairman – International RegTech Association
Partner – Oliver Wyman



Globally, Regulators have been busy.....often, creating more complications Regulatory complexity have gone up 20¹ times since 2004

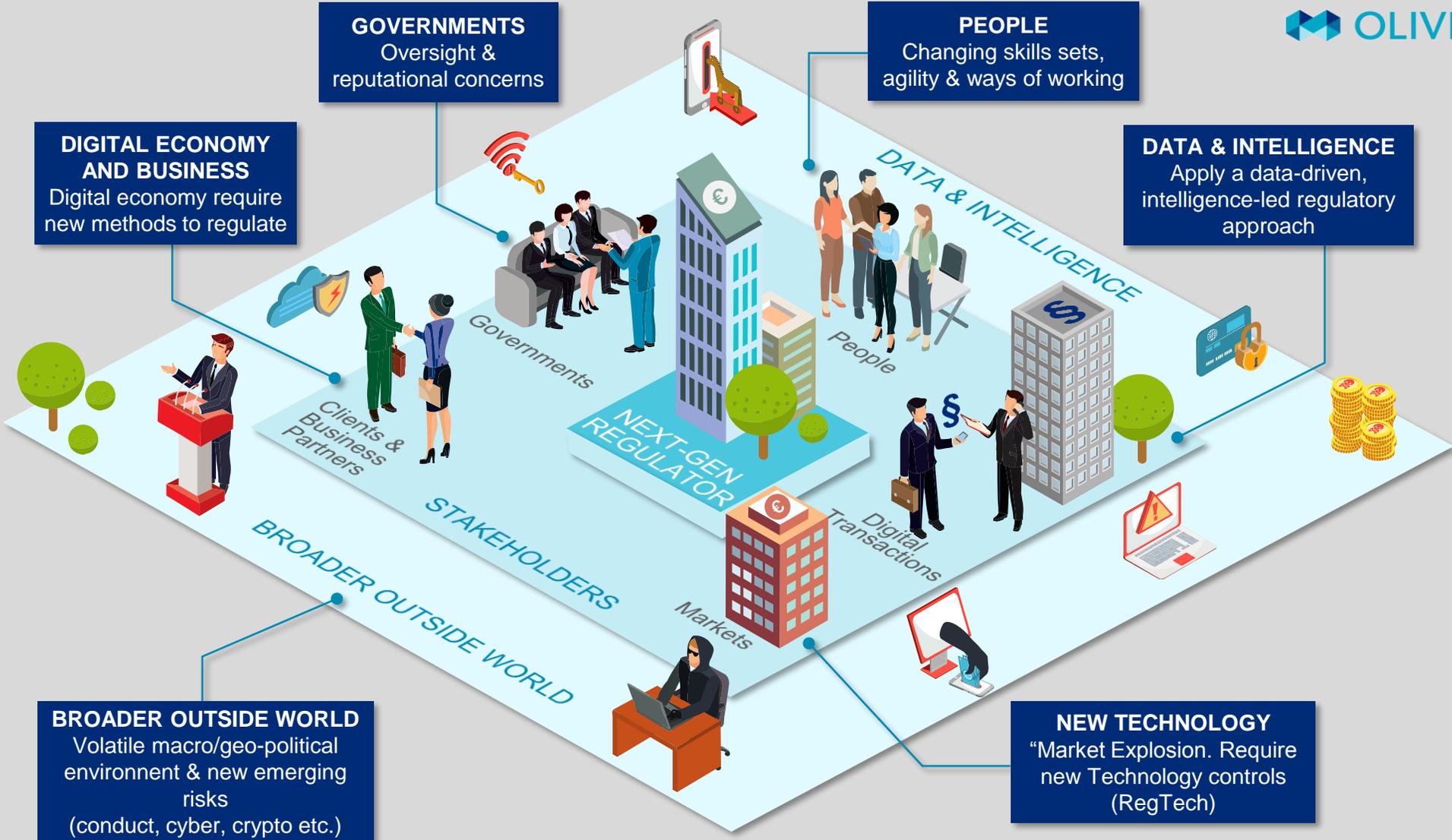


- Each year 51,000 new rules have been introduced, globally¹.
- Cost of Compliance has gone up 3-fold between 2008 and 2016 (SEC survey).
- New regulations are attacking 3 areas – liquidity, accountability & conduct, cyber & privacy.
- Each regulation is generally taken on as a separate project, leading to even disparate systems and processes.
- Fragmented budget approval processes also mean, different lead have pots of money and they spend based on their own priorities.

1. Oliver Wyman Analysis (<https://regulatorystudies.columbian.gwu.edu/reg-stats>)

What is the future for the Regulators?

Financial Regulators and Central Banks around the World are rapidly evolving to new ways of working and the Next-Generation Strategy



Digital Ecosystem provides a unique opportunity for the Regulators to help drive Economic progression in their respective country and the region they represent

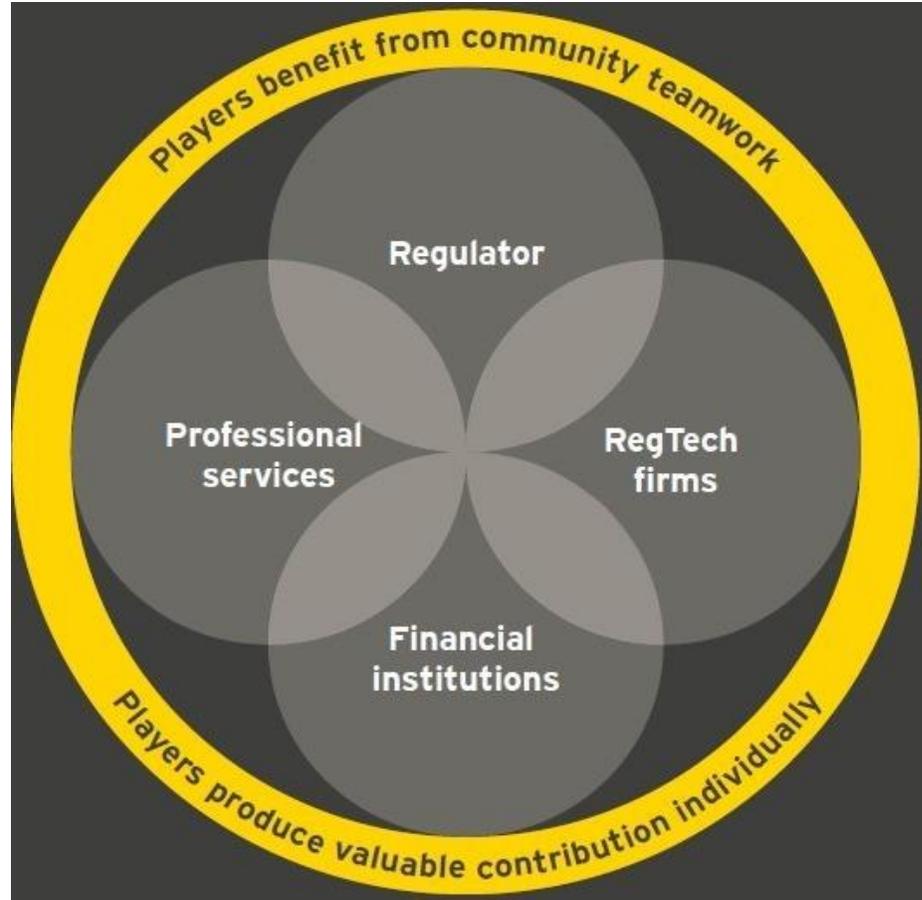
Benefits of RegTech driven digital ecosystem

Short-term

- Reduced cost of regulatory compliance
- Financial Inclusion
- Customers' behaviour
- Risk and control convergence

Long-term

- Digital regulatory reporting
- Increased market stability
- Improved governance and confidence
- Enhanced trust for BFSIs



RegTech - emerging definitions



“RegTech consists of a number of areas, including...

- *making the business of **complying with regulatory reporting requirements simpler**;*
- *technology that **drives efficiencies in regulatory compliance** by seeking to close the gap between the intention of regulatory requirements and the subsequent interpretation and implementation within firms;*
- *technology that simplifies and assists firms in **managing and exploiting their existing data**;*
- ***innovations** that allow regulation and compliance processes to be delivered differently and more efficiently.”*

*“**RegTech** signifies de-complexing and de-risking the risk and regulatory environment, to bring in or adapt to a new, alternative and more open ways of demonstrating residual regulatory compliance, moreso by risk themes than by regulations.....*

*.....thereby helping to **reducing cost** and complexities, **improving effectiveness** of the Financial Services and most crucially, **achieving trust** of its customers.”*



Size of the RegTech industry by market capitalization - US\$ 120BN by 2022

US\$ 16.1 BN of direct investment in RegTech solutions between 2017 – 2019 Q3¹

■ ■ ► Many banks are establishing their RegTech function and RegTech strategy

“Silicon Valley everywhere

There are hundreds of RegTechs with a lot of brains and money working on various alternatives to traditional risk management



Jamie Dimon
Chairman and CEO of JP Morgan Chase

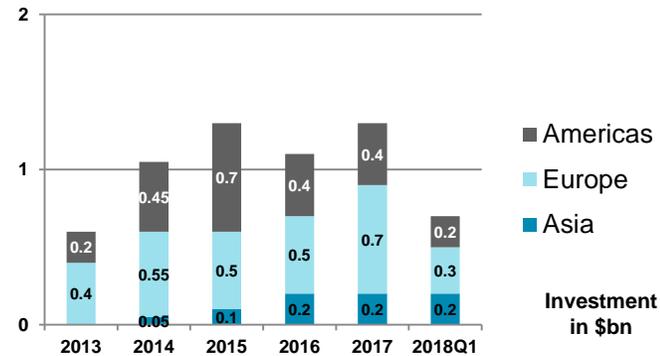


“We are looking for innovative and disruptive technological ideas and support these solutions”

Sergio Emotti
CEO of UBS



■ ■ ► ...2019 H1 saw \$4.3bn of investments*



■ ■ ► ...75% of G-SIFIs now consider RegTech as a key driver for compliance and business growth

RegTech is the new-norm for using advanced data & analytics for a business-driven, customer-centric real-time Regulatory Compliance strategy.

YoY Average RegTech market growth %

8%

APAC

25%

EMEA

18%

AMERICAS

“We are a technology company with a banking license”



Michael Corbat
CEO Citigroup

1. International RegTech Association. Investments into new solutions and technologies, excluding Tier-A risk IT firms,

RegTech innovation

Opportunities for Asia and Philippines

		Reg. Scanning & Reporting	Integrated & Automated Compliance	Data Analytics, Insights	Machine Learning, Artificial Intelligence	New directions, Compliance by-design
2018 – 2020	Maturing	<ul style="list-style-type: none"> Automated Regulatory feed Inbuilt taxonomies & Reports 	<ul style="list-style-type: none"> Digital Identity APIs FinCrime, AML solutions 	<ul style="list-style-type: none"> Big Data C-KYC Monitoring, Reporting 	<ul style="list-style-type: none"> Cognitive Learning & Analytics Real-time checks, Reporting, Decisions 	
		<ul style="list-style-type: none"> Digital Risk & Compliance platforms Compliance SAAS 	<ul style="list-style-type: none"> Robo-advice based compliance decisioning 	<ul style="list-style-type: none"> AI risk modelling & real-time visualisation Horizon Scanning using Reg standards 		<ul style="list-style-type: none"> Auto risk-assessments Initial decisions/ judgements

Case Study – UK’s Financial Conduct Authority (FCA)

Driving digital ecosystem has added US\$ 660BN – 22% to the UK economy¹

How FCA contributed in creating world’s leading digital innovation ecosystem

- 2012 – “Digital Ecosystem” with 4 UK Big4 Banks start
- “Project Innovate” platform introduced for everyone
- 2013 - TechSprints 1st cohort – Payments, Fx, Remittances automation (Regulatory Sandbox)
- 2014 – Big 6 UK banks, UK Government and the FCA jointly published Digital Innovation Strategy and guidelines
- 2019 – FCA regulatory digital ecosystem is open to everyone, globally to participate, as per defined criterias in line with UK’s economic strategy

The screenshot shows the FCA website's 'Applying to the regulatory sandbox' page. The page header includes the FCA logo and navigation tabs for 'About us', 'Firms', 'Markets', 'Consumers', 'News', and 'Publications'. A search bar is located in the top right corner. Below the navigation, a breadcrumb trail reads 'Home / Firms / Regulatory sandbox / Applying to the regulatory sandbox'. The main heading is 'Applying to the regulatory sandbox', with a sub-heading 'First published: 16/06/2017 | Last updated: 22/10/2019'. The main content area states: 'We are now open for applications to cohort 6 until 31 December 2019.' It then describes the regulatory sandbox, its purpose, and the types of firms it is open to. A red oval highlights a bulleted list of focus areas: 'make finance work for everyone – by addressing issues around access, exclusion and vulnerability', 'support the UK in the move to a greener economy – by responding to the challenges posed by climate change', and 'use technology to overcome regulatory challenges – by helping regulated firms comply with their obligations'. A right-hand sidebar contains a 'Regulatory sandbox' menu with links to 'Applying to the regulatory sandbox', 'Sandbox tools', and five cohorts. Social media icons for print and share are also visible.

2019-2020 Cohort: Regulatory Digital Ecosystem Focus Areas – Innovative Solution providers are invited to work in the UK along with the banks and other FIs

1. Her Majesty's Treasury (HMT) Economic Outlook Report, October 2019





36TH ABA

**GENERAL MEETING &
CONFERENCE 2019**

