



Leveraging RegTech for Compliance Success

October, 2021

RT ASSOCIATES

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An abstract graphic consisting of several overlapping, wavy, teal-colored bands that curve from the top right towards the bottom right of the frame. The bands have a slight gradient and a soft shadow effect, giving them a three-dimensional appearance.

Changing Nature of Compliance

Compliance Today

Preconceptions

Compliance is too often seen as a **mundane tick box** exercise, often overlooked by leaders in favour of **revenue-generating** activities.

Characteristics

1

Manual

2

Inefficient

3

Error Prone

4

Reactive

Outcomes

Average time to *identify* a data breach in 2020 was **228 days**

Average time to *contain* a data breach in 2020 was **80 days**

UK Fraud losses have risen by **30%** in H1 2021

GDPR fines surges by **113%** in 2021

Huge **increase** in the number of staff employed in compliance roles since 2008

Businesses now recognise this is not a sustainable model and several drives of change exist

Cost and Efficiency

- **€11.bn** ongoing annual compliance cost in 11 EU member states (European Commission, 2020).
- Businesses in the U.S spend **\$10,000** on average per employee on regulatory costs. going annual compliance cost in 11 EU member states (European Commission, 2020).



Climate Change

- **74%** increase in investor-related ESG disclosure regulations (PRI, 2021)
- **400+** responsible investment policy interventions across Europe in 2020 (PRI, 2021)



Regulatory Pressure

- **≈300 million** pages published by regulators in 2020 (Burnmark, 2020)
- **39%** increase in GDPR fines in the past year (DLA Piper, 2021)



COVID-19 Pandemic

- **70%** of vendors see COVID-19 as representing a **'watershed moment'** for the industry (RegTech Associates & City of London Corporation, 2021)
- **92%** of RegTech firms believe the pandemic has positively impacted the adoption of cloud-based products (Clausematch, 2021)



A decorative graphic on the right side of the slide, consisting of several overlapping, wavy, teal-colored bands that create a sense of depth and movement, resembling a stylized landscape or a series of steps.

How should Compliance change?

Just a few examples

Shift the compliance mindset to focus on becoming **proactive** and act in anticipation of future problems, needs, or changes.



Outcome: *Organisational transformation become expected, reducing the likelihood and impact of compliance breaches across the firm.*

Focus on using compliance to achieve a **competitive advantage** and make a strong investment and ROI case for it.



Outcome: *Reduce costs on the bottom line while boosting performance and satisfaction across the top line*

Leverage technology to **automate** iterative tasks



Outcome: *Increase efficiency and reduce human error, while increasing employee satisfaction*

Always with a purpose

A case study of good compliance change

Customers who received a better than expected onboarding experience were:

*Passfort x RegTech Associates,
2021*

77%

More likely to recommend their provider

60%

More likely to buy more products

50%

Less likely to make a compliant

49%

Less likely to switch providers



RegTech to the Rescue

An abstract graphic on the right side of the slide, consisting of several overlapping, wavy, teal-colored bands that create a sense of depth and movement, resembling a stylized landscape or a series of layers.

Definition of RegTech

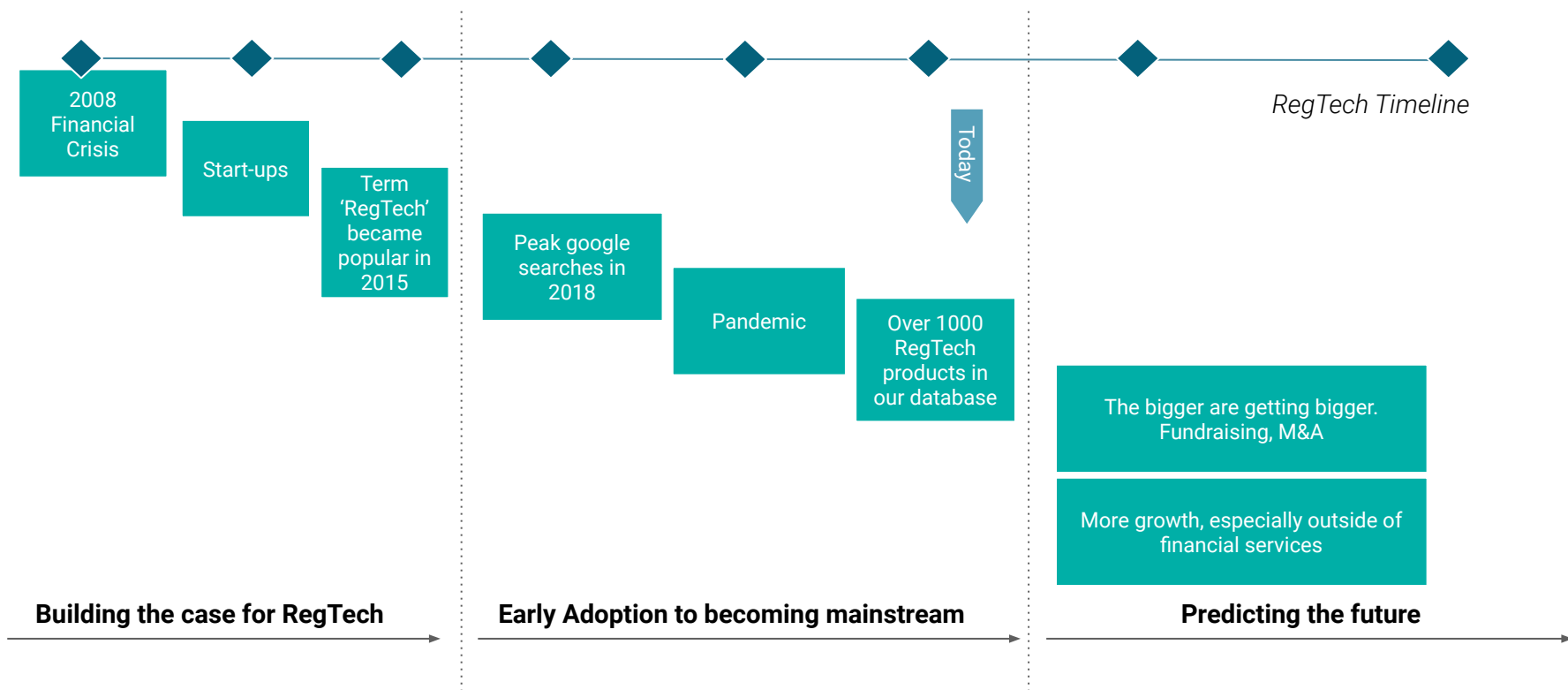
“a sub-set of FinTech that focuses on technologies that may facilitate the delivery of regulatory requirements more efficiently and effectively than existing capabilities”

FCA (2015)



“The use of technology to help regulated firms meet their regulatory obligations”.

A History of RegTech

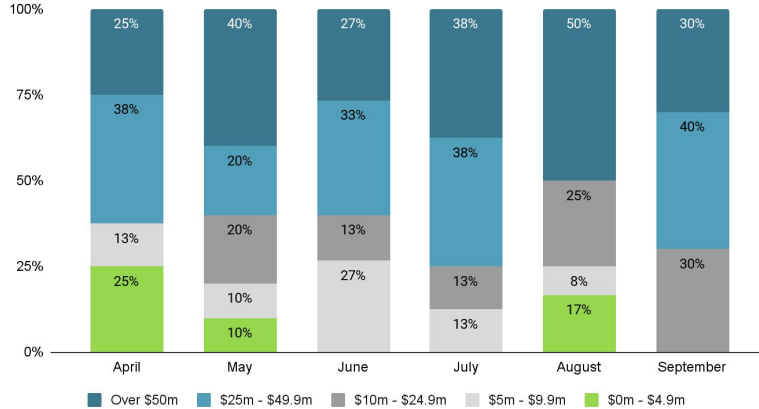




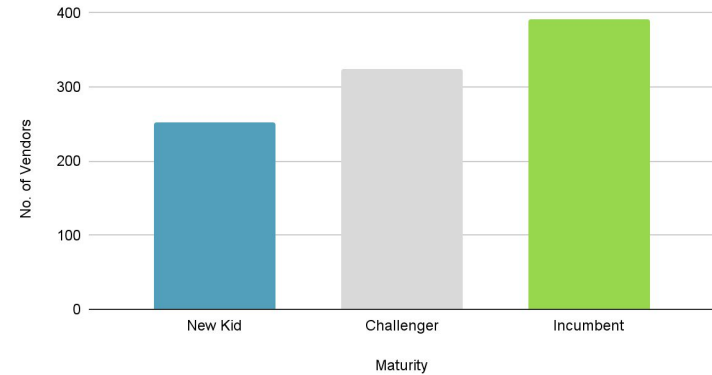
RegTech - The Current State

A maturing RegTech market achieving greater scale

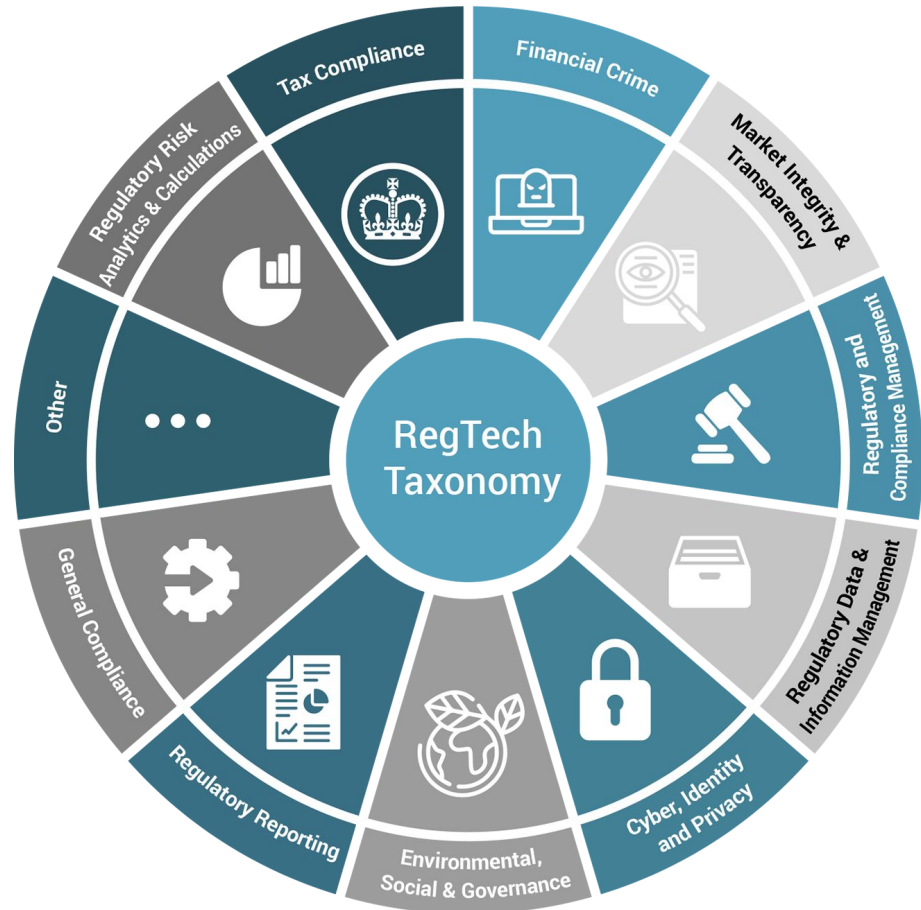
Global RegTech Investment Deal Size as a Percentage of Overall Investment



Global RegTech Vendor Maturity



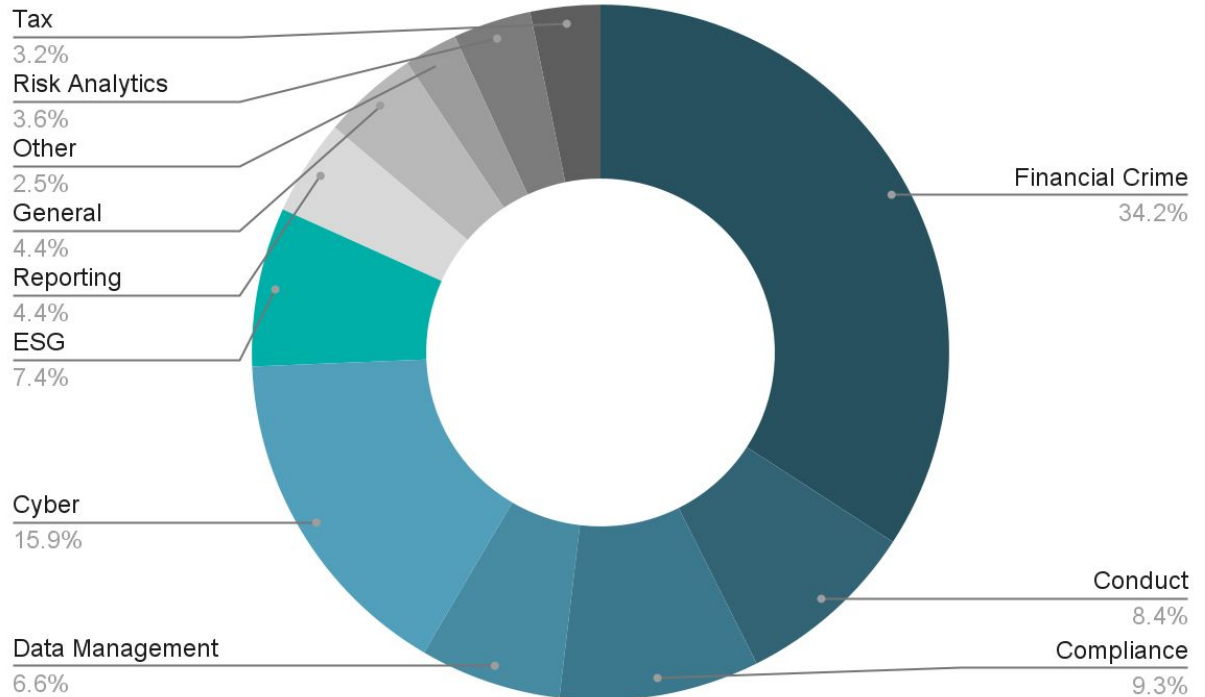
Our Taxonomy



RegTech Market

Our most recent market analysis revealed:

1326 products
11 categories



Technologies used in RegTech

The most common technologies used in the RegTech industry



Artificial Intelligence

The development of intelligent machines which think and work as humans.



Biometrics

Biometrics are body measurements and calculations related to human characteristics



Cloud Computing

The delivery of computing services (servers, databases, software etc) over the internet to offer faster innovation and scalability



Application Programming Interface

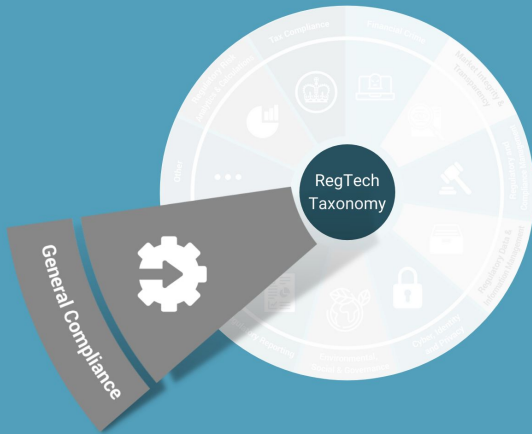
A computing interface that relays information between multiple software intermediaries.



Robotic Process Automation

Software-based technology which can be easily programmed to automate basic, repetitive tasks

General Compliance



Sub-categories

- **Training and Learning Solutions:** software products which facilitate the education of employees on laws or regulations applicable to their job function or industry
- **Operational Efficiency Solutions:** Products which focus on making the operations of an organisation more efficient
- **Marketing Compliance:** Products which ensure that an organisations marketing, advertising and sales content complies with relevant industry rules and regulation
- **Mortgage Compliance:** Mortgage compliance software runs compliance checks and loan audits in real-time to comply with relevant regulations for residential loan documents
- **Supplier Management:** Products focusing on streamlining supply chains to ensure buyers can achieve responsible and sustainable outsourcing
- **Compliance Automation:** Products focusing on making compliance automated and tech-enabled so as to make compliance efficient, swift and scalable.



HYPERSCIENCE

LAW OF THE JUNGLE



DYDON

ESG



Sub-categories

- **Sustainability Management:** Products in this category allow businesses and corporates to manage all aspects of their ESG performance from creating and tracking ESG targets and collecting data against those targets.
- **ESG Ratings and Analytics:** Products in this category provide additional insights and analysis in top of the data which they have sourced.
- **Carbon Footprint Tracking:** These products are aimed at retail bank customers and typically use the open banking framework to allow bank customers to track the carbon footprint of their transactions.
- **ESG Sustainability Reporting and Disclosures:** Products in this category focus on the reporting and disclosure obligations included in regulations as well as the requirements of industry standards bodies
- **ESG Risk Management:** This category focuses on products which help firms manage their ESG risks at an enterprise level, providing platforms and dashboards to manage and mitigate ESG risk.
- **Climate Risk Analytics:** Products in this category include those which are aimed at helping financial institutions determine the financial risks associated with climate change so they can better understand their overall exposure.

seneca^{ESG}

ETHICS
GRADE

vechain

XDI

SESAMm

ORTEC

Benefits of RegTech



A few examples ...



Discovering greater insights for decision making



Improved efficiency and effectiveness



Boosts morale and productivity by replacing mundane tasks

Case Study: Improving insights

By making use of technological infrastructure such as cloud computing and APIs, as well as new analytical methods and tools, RegTech provides new capabilities in the realm of data analysis. New sources of unstructured data can be added to more traditional structured data sets to gain new insights or highlight new sources of risk

Symphony
AYASDI

120% increase

In risk detection

40% increase

In speed to risk detection

60% Reduction

In false positives

500% increase

In operational productivity

Case Study: Improved Efficiency and Effectiveness in Action

By layering innovative technologies such as machine learning over the top of incumbent, rule-based systems, some providers are able to achieve a reduction in false positives by up to **40%**

Deloitte, 2018



10% reduction

of card fraud

20 Seconds

reduction of AHT

5% reduction

Of scams or APP Fraud

24p

saving per call

30% reduction

Of telephony banking fraud

10% increase

In calls handled by IVR

Key Takeaways

1. **RegTech is mainstream** - in realising efficiencies, what will members of the compliance team be focusing on? Will they be replaced by machines? Or be able to perform higher value, more interesting tasks?
2. **Look beyond the bottom line** - implementing RegTech isn't just about cost saving, in fact 'would be' compliance savings are notoriously difficult to quantify. Instead consider benefits to efficiency/effectiveness and customer satisfaction
3. **Finding a needle in a haystack** - with thousands of impressive software solutions in the market today, finding the right solution for **you** can be difficult. Make use of the resources that are available to you
4. **Lawyers that code** - moving forward, it will be important to have the right mix of subject matter expertise and technology knowledge



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