

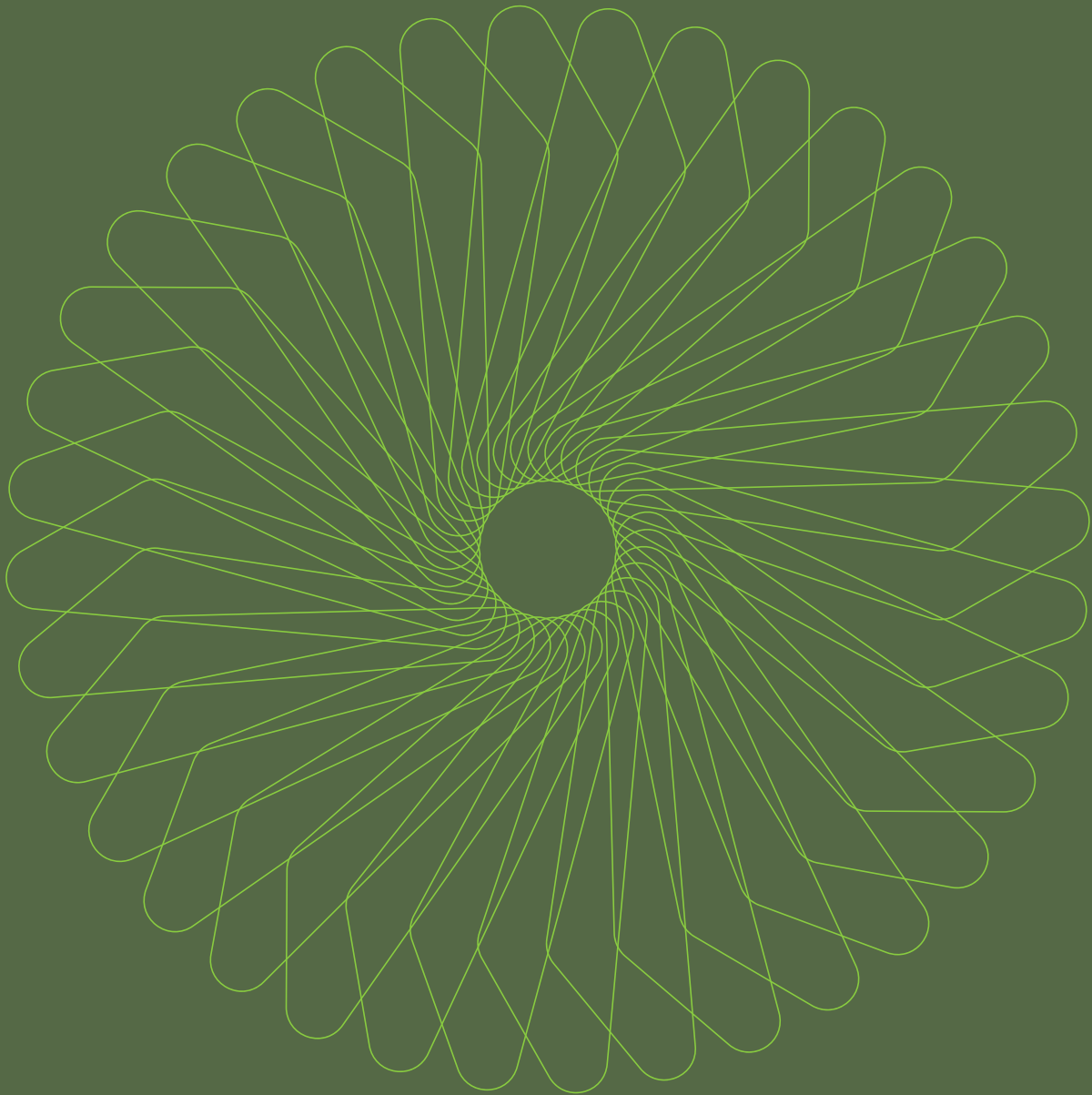


GFiN

GLOBAL FINANCIAL INNOVATION NETWORK

RegTech & SupTech Update

December 2021



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Executive Summary



Within the Global Financial Innovation Network (GFIN), one of the primary workstreams is the GFIN RegTech & SupTech Workstream. Chaired by the Financial Conduct Authority (FCA), this workstream provides a forum for joint work, knowledge sharing and collaboration in the fields of Regulatory Technology (RegTech) and Supervisory Technology (SupTech). Its three areas of focus – underpinned by working groups called ‘Special Units’ – are: SupTech, the RegTech Ecosystem, and Regulatory Reporting.

Executive Summary

In July 2021, the workstream hosted a network-wide 'Showcase Day' event to demonstrate achievements of the workstream since the launch of the refreshed work programme in September 2021. The event also provided an opportunity to discuss future ambitions for the workstream and identify key areas of potential future collaboration.

The Showcase Day offered valuable insights on how the worlds of RegTech and SupTech are rapidly changing and affecting different parts of the financial services ecosystem. The following summary note – presented by the GFIN RegTech and SupTech Special Unit Chairs – has been coordinated to share our insights with industry, government and wider regulators and stimulate discussion on how technology is changing the landscape of financial services and regulation.

Throughout the Showcase, it was clear that GFIN members particularly value regulatory knowledge sharing in this area and discussions revealed a keen interest to continue and build upon global regulatory cooperation on RegTech and SupTech topics. In the context of regulatory reporting, regulators discussed the possibility for machine readable regulation or digital regulatory reporting, and considered interim steps towards achieving this outcome, including data standardisation. Another important aspect of the discussion featured presentations and conversation about different approaches to engaging with the RegTech market and consideration how this nascent industry is evolving globally. Both in the response to industry developments and the need for internal digital transformations, participants also reflected on challenges regulators face when developing dedicated SupTech strategies.

Over the course of the next year, the workstream will continue to work together to create new, refreshed opportunities for engagement on these topics with the objective of clear, tangible outcomes that benefit regulators and the financial services industry. As a Network, the GFIN remains committed to engaging with industry and welcomes engagement with stakeholders interested in further exploration of these topics.

The GFIN RegTech & SupTech workstream and its objectives are:





Showcase Day Insights

The focus of the Showcase Day was to bring workstream members together and to engage in a discussion to identify the current gaps and opportunities for regulators in the fields of RegTech, Regulatory Reporting and SupTech.

RegTech Ecosystem

Regulatory understanding of RegTech

Attendees agreed that regulators need to have an understanding of how the RegTech market is evolving, due to potential risks from third party issues, operational resilience or compliance concerns. This can support regulators in not being perceived as 'disincentives' and regulators having a clear role in responding to the firms' use of RegTech due to the potential benefits. This monitoring can also be helpful for spotting opportunities and informing SupTech initiatives.

Blurred lines between FinTech & RegTech

Some attendees raised the point that regulated FinTechs occasionally provide RegTech services and are able to gain business at a faster pace due to their regulated status and the automatic trust that this gives b2b buyers (even though the RegTech service itself isn't regulated). There were no conclusions on how this could be addressed, but the 'RegTech-Washing' element might be a trend for the future and more momentum for certification discussions of RegTech solutions.

Regulatory Reporting

Differentiation of regulatory remits

One of the important aspects for discussions on regulatory reporting is to acknowledge that a 'one size fits all' approach is not appropriate, due to the intricacies and differences in this field. Regulatory reporting is complex and needs the right level of awareness and coordination to change things at a regional and global scale.

Data standards & GFIN role

Data standards have been continuously mentioned as an important and crucial way to improve regulatory reporting, however, attendees agreed that it takes time to agree on data standards and that the GFIN is not a standard setting body. Questions were raised around how the GFIN could align with Global Standard Setting Bodies (ISSBs) and find a 'sweet-spot' of advancing the conversation in an agile manner.

SupTech

SupTech strategy

Several regulators raised the point that an organisational SupTech strategy could be the means to gain further buy-in and development of SupTech within their specific organisations. A SupTech strategy could help regulators to clearly identify their areas of priority and secure the needed funding to develop the SupTech tools further.

The SupTech business case

One of the key challenges that attendees identified in SupTech is the quantification of benefit and success of SupTech solutions. Sometimes there are many intangible benefits that occur, or longer time is needed for them to be realised. Attendees suggested to perhaps explore 'return on investment' templates to support SupTech adoption and help build SupTech business cases.

RegTech Ecosystem

Government role in RegTech

In addition to regulators, attendees mentioned that national governments are often underutilised stakeholders that can contribute to the development of RegTech. Government grants and funding could act as an important catalyst for RegTech development and growing the talent pool in the market (of which there are several active examples), and regulators should be aware of that in their governmental engagements.

Gap in the RegTech crypto market

Attendees raised the observed lack of ambition from the RegTech market for the growing crypto assets space. Even with a high number of cryptoassets remaining unregulated, attendees reflected on the lack of RegTech involvement and products to service this growing area. Even in the AML/Fin Crime space, new organisations have spun up, but with a limited RegTech presence.

Regulatory Reporting

Machine readability remains a goal

Even with the innate complexities and difficulties of advancing machine-readable reporting, attendees expressed a continued interest of further evolving the work programme in this area and to exploring how regulators can achieve this difficult goal. The focus remains on continued experimentation and collaborating with industry in driving the agenda forward.

Covid-19 Impact on Reg Reporting impact

In continuation on the work of the Reg Reporting Special Unit and the effect of Covid-19, attendees agreed that Covid-19 had either a positive or mixed impact on regulators, but that it certainly made a difference. It made regulators more aware of the gaps in their regulatory reporting system and what tools regulators have available to address them. Potentially linked to Covid-19, an important trend also remains the large focus of regulators on the granularity of the data and regulators being more focused on the actual reporting detail.

SupTech

SupTech transparency & continued sharing

Attendees discussed the degree to which regulators avoid sharing information externally (and with other regulators) on their SupTech work, and the extent to which this 'cultural norm' presents a barrier to the increased uptake of SupTech solutions. Attendees discussed the potential benefits of more openness and for regulators to share information and interestingly, to also share their unsuccessful projects and learnings and not always focus on the successful case studies.

Opensource & AI

Opensource remains an important part of the discussion in SupTech development, however, attendees agreed that there are inconsistencies and mixed understandings around what opensource means for different regulators in different jurisdictions. In addition to the taxonomy issues, regulators also have confidentiality and security concerns. Within the context of emerging trends, the responsible usage of AI in SupTech was also discussed and for regulators to be transparent and aware of how they develop AI solutions and learn from each other's approaches.

Next Steps



Following the Showcase, the GFIN RegTech & SupTech Workstream and Special Units chairs are in the process of discussing how to progress the work and the future focus areas. These discussions were informed by the recent GFIN Annual Meeting, where members came together to discuss the overall Network's current activity and future work programme.

As part of these discussions, a recent "GFIN Pulse Survey" highlighted the key importance of RegTech and SupTech exploration and understanding for GFIN members, and activities such as the GFIN Showcase were agreed to have provided significant benefit to those involved. The Chairs will work closely to reflect on the findings from the GFIN Annual Meeting and the Showcase event and work to continue advancing international collaboration in these important areas.

If you are interested in learning more about the RegTech & SupTech workstream and work programme, you can email us at GFIN@fca.org.uk.

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