

clausematch

Report

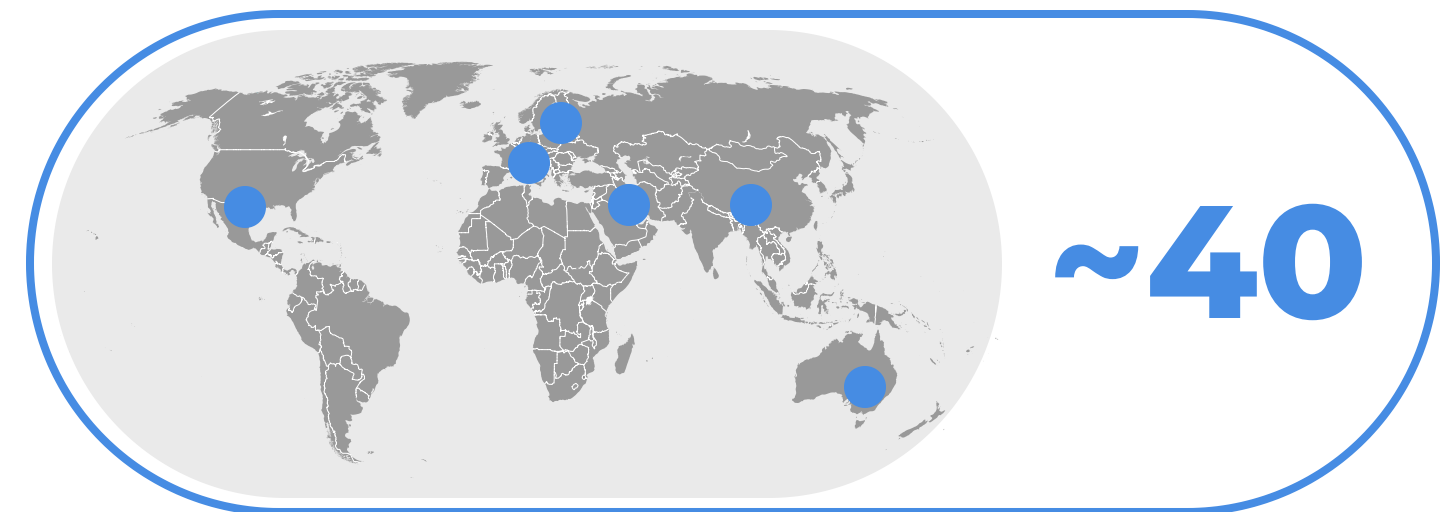
The Voice of RegTech

The **regulatory technology (RegTech)** industry is at a tipping point right now. Over the past decade, the industry has grown rapidly on the back of the ever-increasing regulatory burden and the cost of maintaining compliance. However, with the coronavirus pandemic creating a whole new set of challenges for compliance teams, demand for **RegTech** solutions has risen to the next level. Financial institutions have realized that the only way to handle compliance efficiently today is to embrace technology.

Clausematch's Voice of RegTech survey

In an effort to get a better understanding of how the pandemic has impacted RegTech firms, Clausematch recently conducted its first 'Voice of RegTech' survey. The key objectives of this survey – which was conducted between May 2020 and May 2021 – were to find out:

- How the pandemic has affected industry sales and financial institutions' attitudes to technology
- What challenges the pandemic has created for RegTech businesses
- RegTech firms' views on the role of regulators.

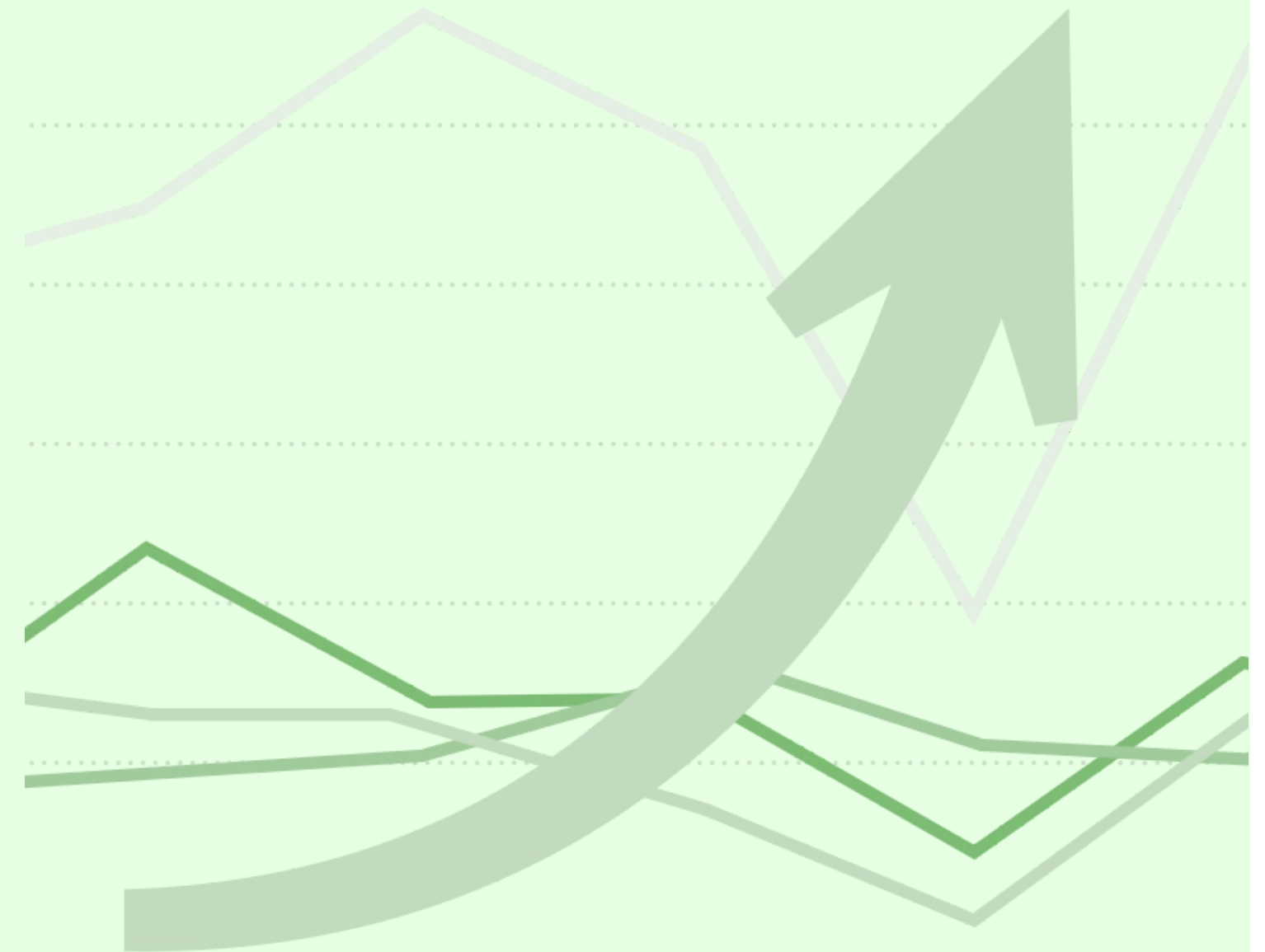


Nearly 40 RegTech firms from across the UK, Europe, the US, the Middle East, Asia, and Australia participated in the study. These firms ranged from well-established businesses with 200+ employees to small, early-stage start-ups with only a handful of employees. In most cases, the survey respondents were CEOs or company founders.

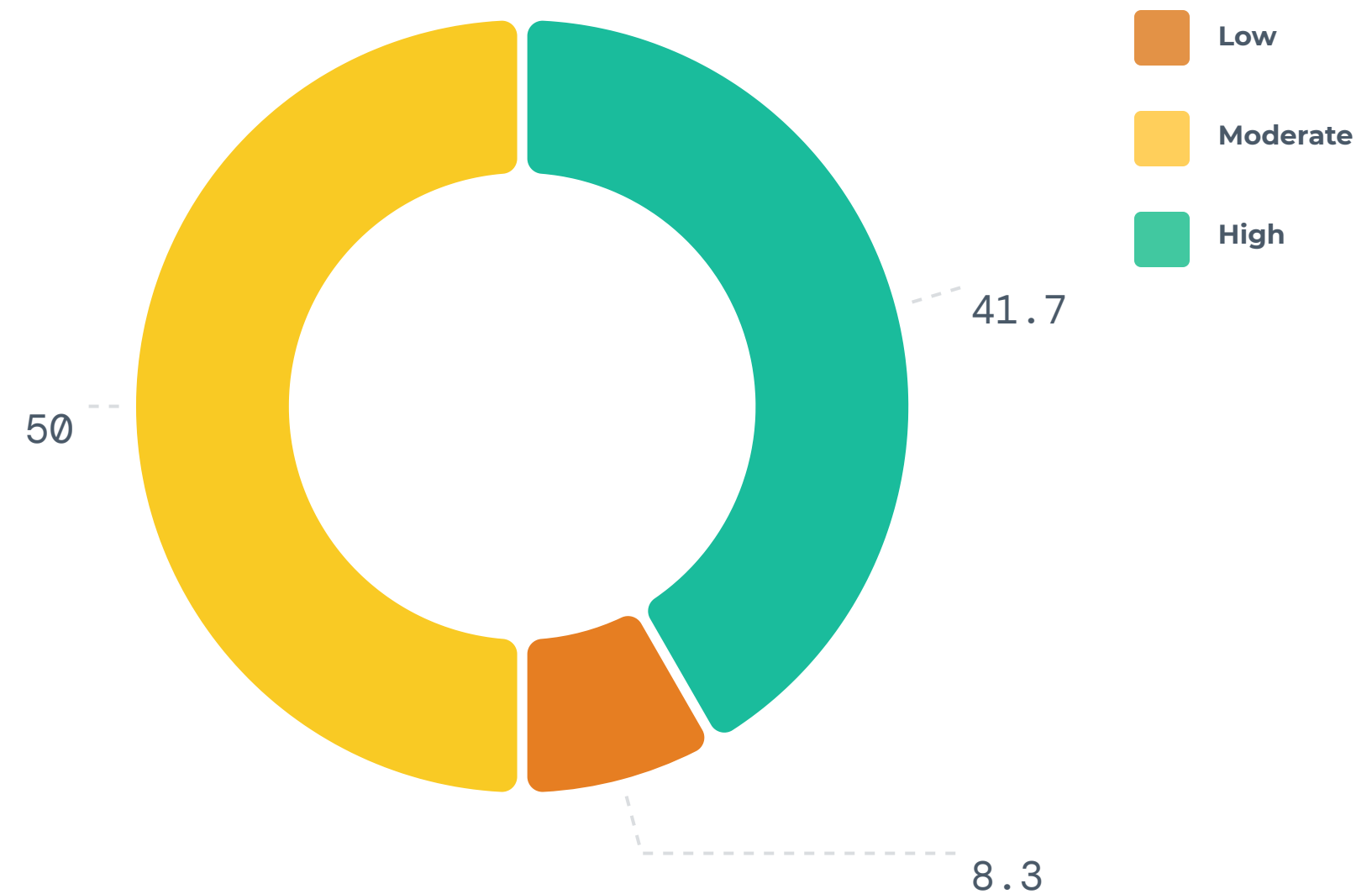
Below, we present the findings of the Voice of RegTech survey.

Sales Trends

Changes to working practices throughout Covid-19 have increased demand for innovative RegTech solutions that can enhance oversight, improve collaboration, and boost overall efficiency and this is reflected in sales trends across the industry.



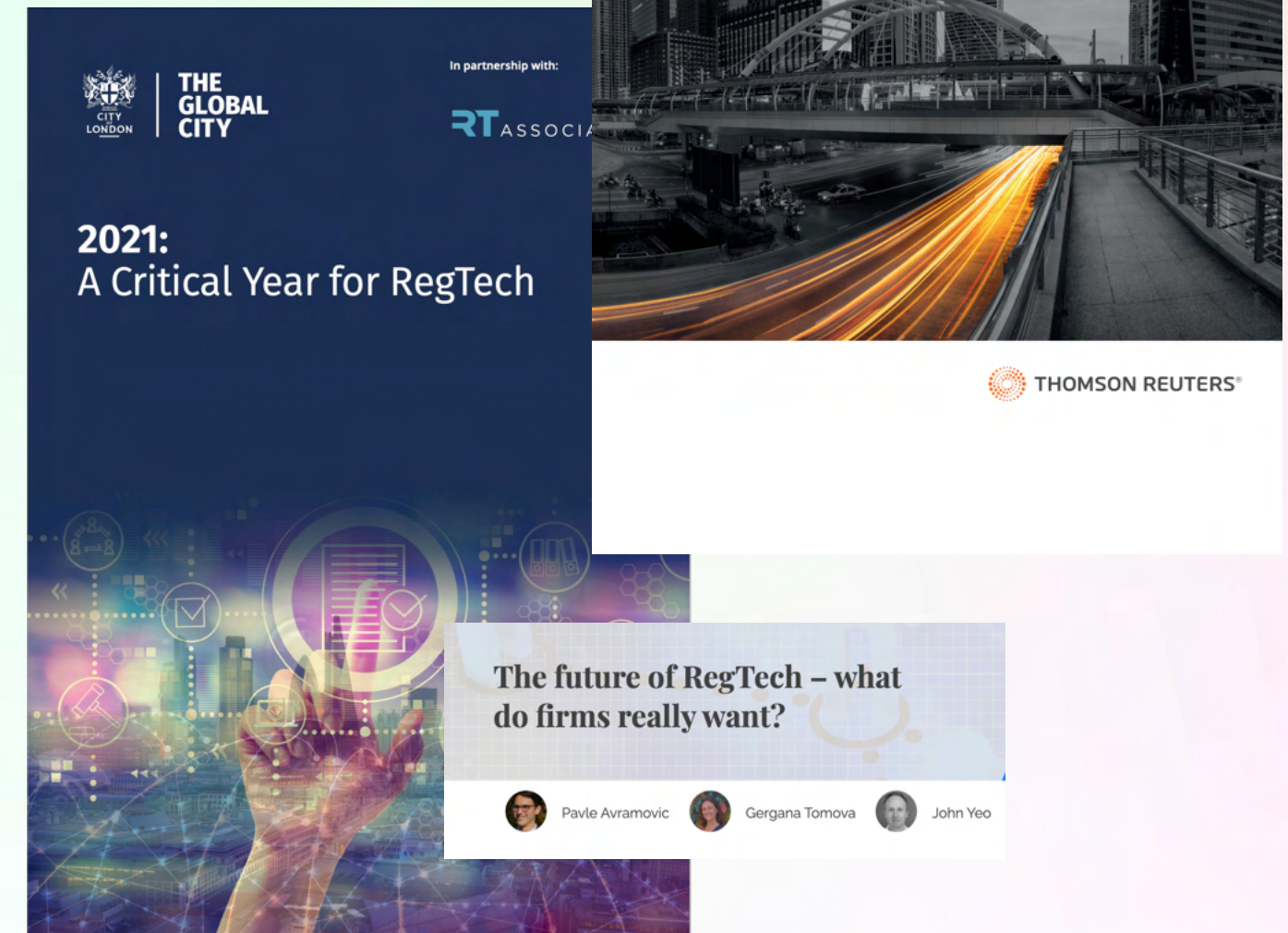
1. Have you seen an uplift in sales in the past 6 months?



There seems to be a great uplift in Sales

Of the RegTech firms that participated in the Voice of RegTech survey, 42% said that they had experienced a 'high' uplift in sales over the last six months. Meanwhile, 50% of firms said that they saw a 'moderate' increase in sales over the last six months.

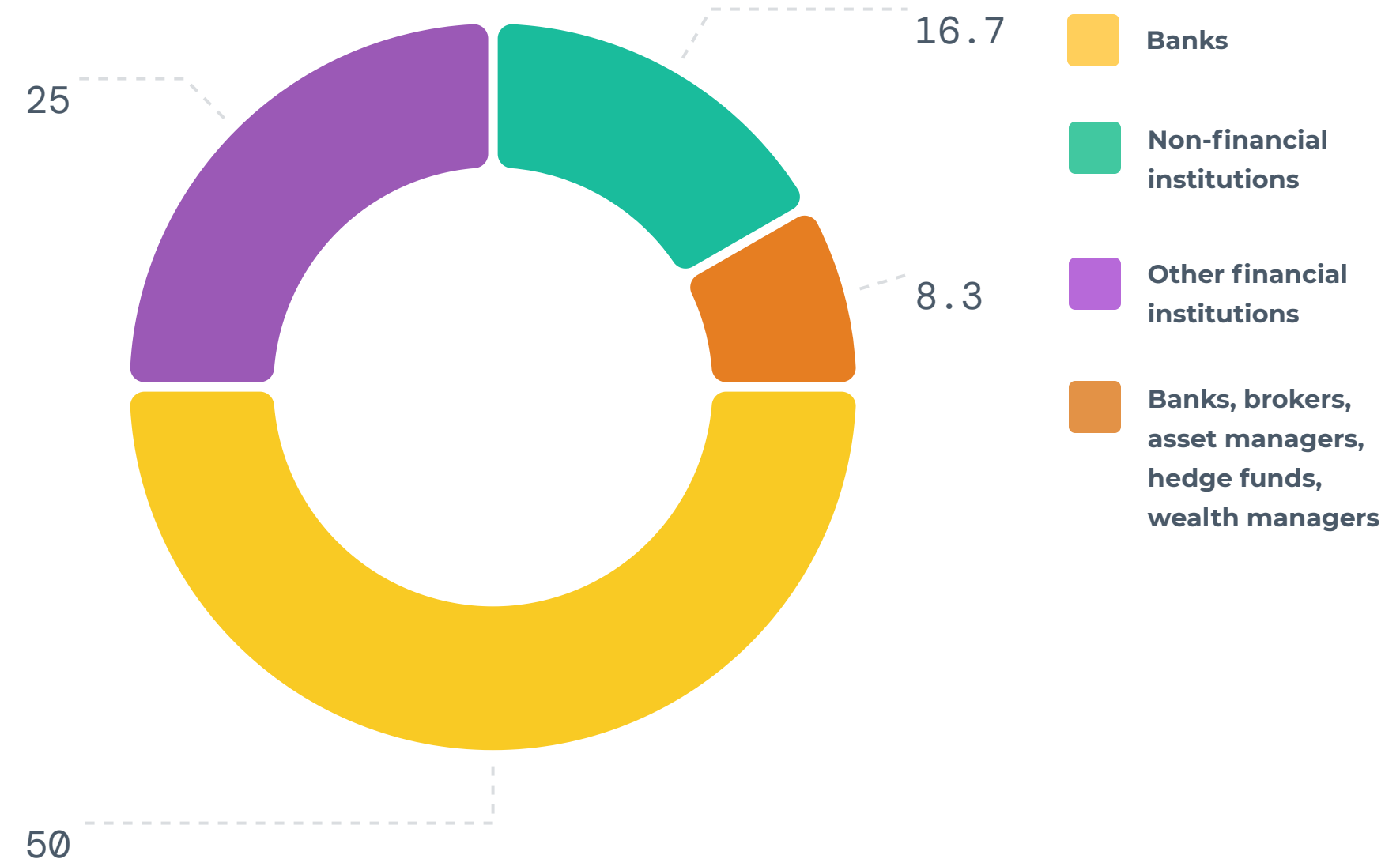
These findings are in line with other RegTech studies that have been conducted over the last year. A recent survey from [Thomson Reuters Regulatory Intelligence](#), for example, found that the adoption and implementation of technology **“has taken a huge step forward during the pandemic”** despite the budget challenges that firms face. Another study from the City of London Corporation and RegTech Associates concluded that **“Covid-19 appears to have had a fairly positive commercial impact on the sector overall.”**



2. Where is new business coming from?

● In most cases, new business is coming from Banks

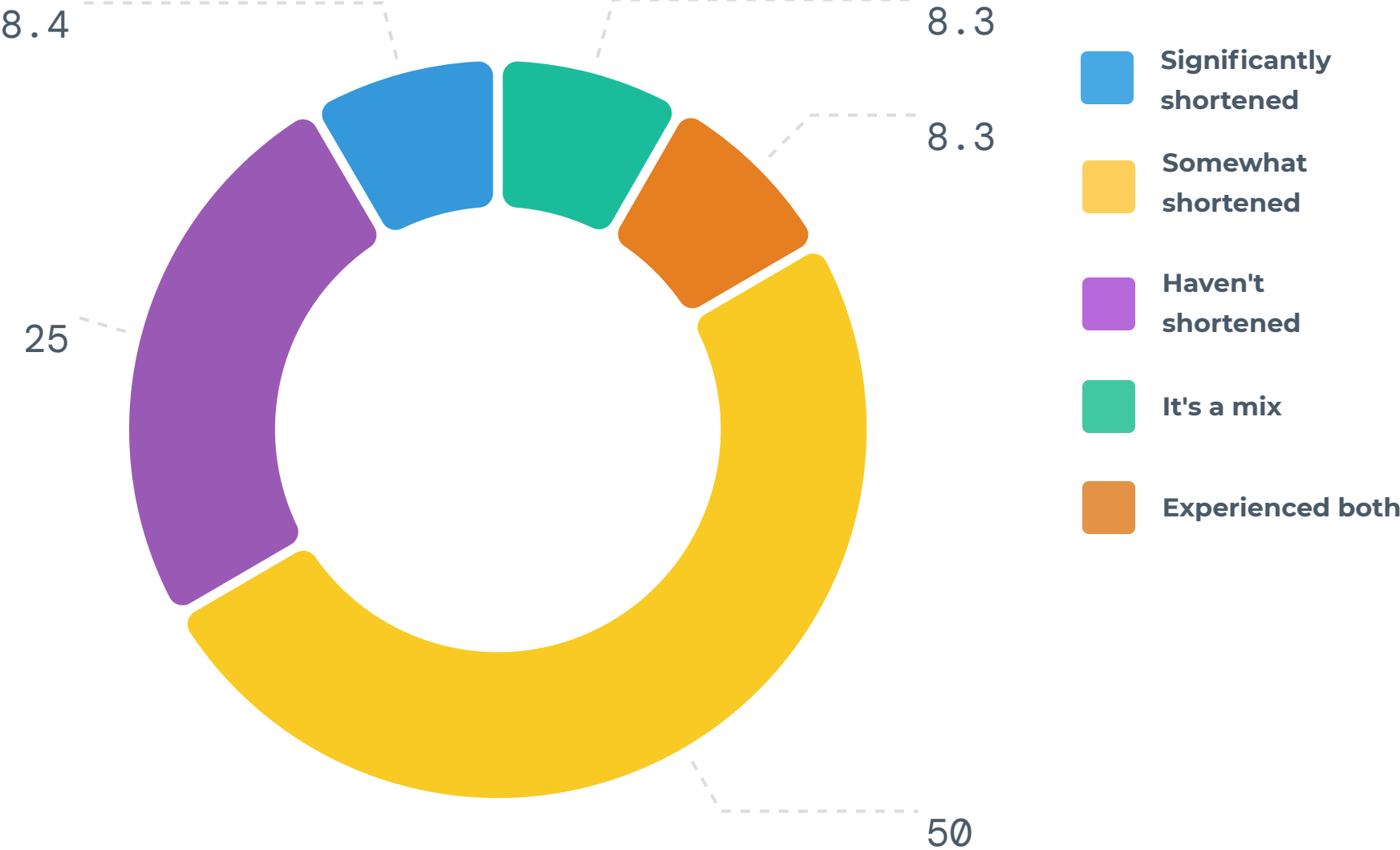
In terms of where the new business is coming from, our survey found that the most demand (50%) was from banks. This is not particularly surprising – it is a well-known fact that many banks still rely on outdated processes and legacy technology that are not suited for today's regulatory environment. RegTech represents a seamless way for banks to meet the stringent requirements that regulators demand today.



● The sales cycles have somewhat shortened

In relation to sales cycles, the pandemic appears to have shortened them to a degree. 50% of survey respondents said that sales cycles had 'somewhat shortened' recently while 8% reported that sales cycles had 'significantly' shortened recently. This is a positive development for the industry. Traditionally, sales cycles for RegTech firms have been quite lengthy. The RegTech report by the City of London and RegTech Associates lists long procurement cycles as one of the top barriers to adoption.

3. Have the sales cycles shortened for your products recently?



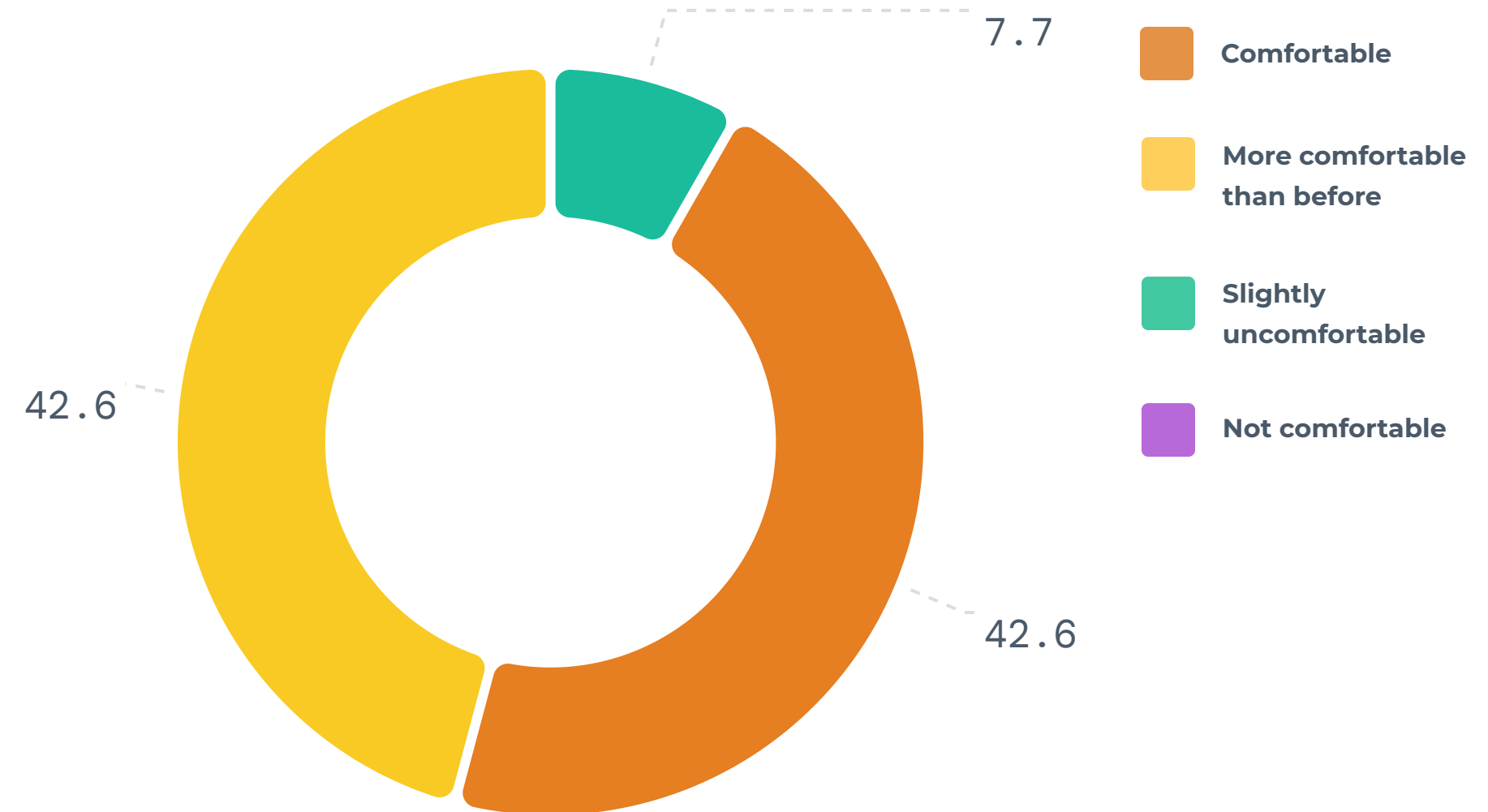
Cloud Adoption

Financial institutions have generally been slow to embrace cloud technology in the past. There are a few reasons for this. One is fear in relation to potential cybersecurity failings of cloud technology. Another is cloud service providers' compliance with the complex regulatory framework that governs the financial industry.

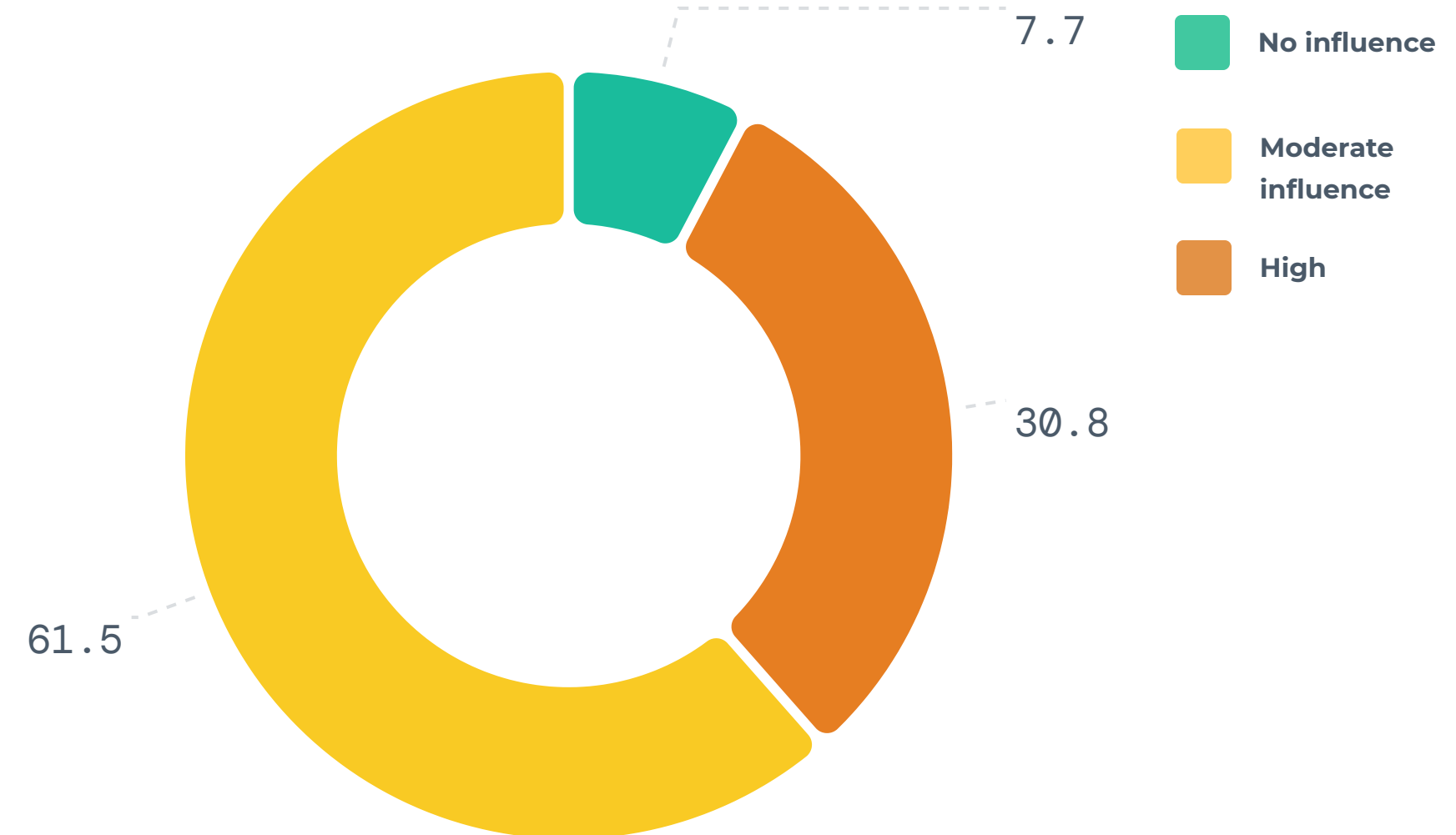
● In most cases, new business is coming from Banks

Attitudes towards cloud technology within the financial services industry appear to be changing, however. 46% of participants in our survey reported that their clients were comfortable with cloud-based products while 46% said that their clients were 'more comfortable' with cloud technology than they were in the past.

4.How comfortable are the companies shifting to cloud-based products?



5. What impact do current threats such as the pandemic have on the adoption of cloud-based products?

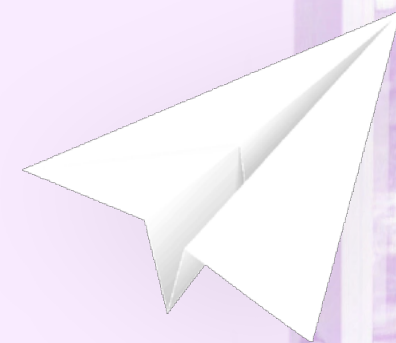


- Current threats definitely have an influence on the adoption of cloud-based products

It would appear that the pandemic has had a large impact on institutions' attitudes towards the cloud. Of those surveyed, 92% said that the pandemic has positively impacted the adoption of cloud-based products.

Pandemic Trends

Survey participants reported a number of key compliance trends throughout the pandemic.



The most dominant trend was the increase in remote compliance.

This makes sense, as the vast majority of financial services firms have been forced to shift to a work-from-home model during the pandemic. This new style of working has opened up a whole new set of risks for compliance teams. For example, remote working has led to employees using unmonitored communication apps such as WhatsApp to handle sensitive information.

In October last year, the UK's Financial

Conduct Authority (FCA) [warned banks](#) that they must provide the same standard of surveillance of staff working from home as they would in an office environment.

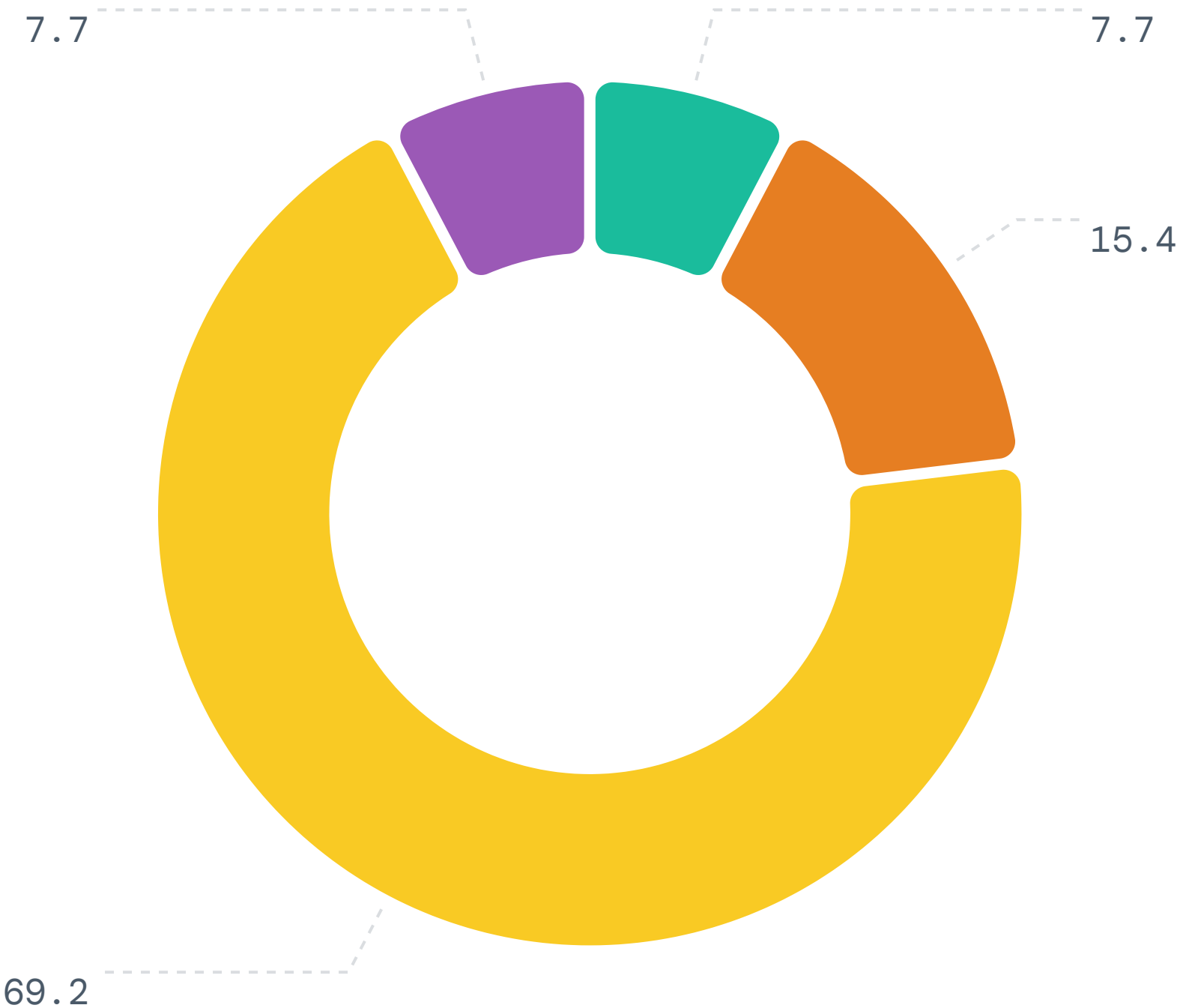
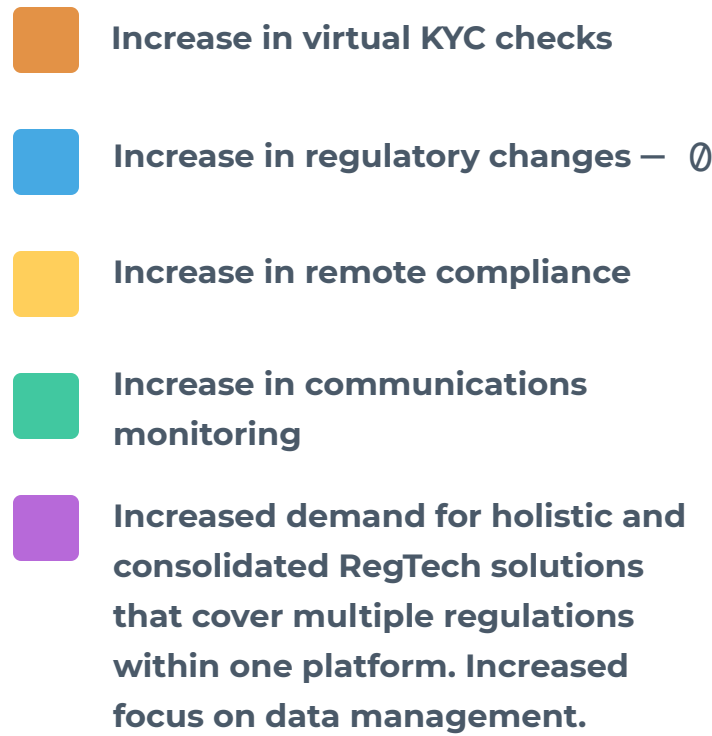
Survey participants also reported that the pandemic has resulted in a rise in virtual knowyour-customer (KYC) checks, and boosted demand for holistic RegTech solutions that bring everything together on one platform.

"We expect firms to have updated their policies, refreshed their training and put in place rigorous oversight reflecting the new environment - particularly regarding the risk of use of privately-owned devices"

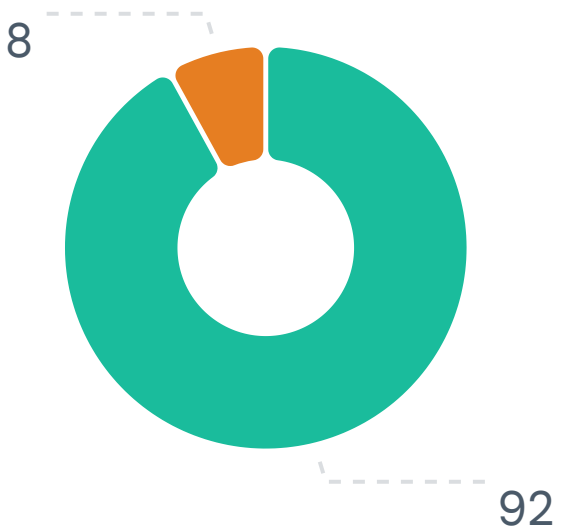
— Julia Hoggart, FCA's Director of Market Oversight.

Pandemic Trends

6. Could you name a few trends that were observed as a result of the pandemic?



7. Has your team adopted remote working?



92% of RegTech firms said that they have adopted a remote working model during the pandemic while 8% said that they are partly remote working.

The Role of Regulators

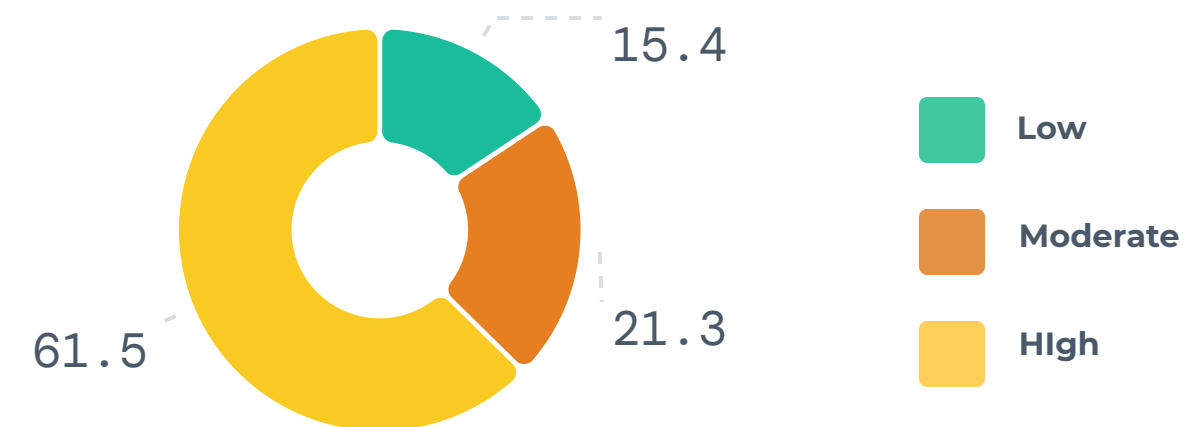


The Role of Regulators

One issue that has come up a lot recently is the role of regulators in the adoption of RegTech. Many vendors believe that regulators should actively promote the use of RegTech. The study from the City of London and RegTech Associates, for example, found that 69% of vendors wanted supervisors to encourage regulated firms to increase their adoption of RegTech as part of the supervisory process. Another survey from [RegTech firm eflow](#) found that 64% of vendors wanted regulators to promote the technology.

Our Voice of RegTech survey had similar findings. Around 85% of participants said that they were keen for regulators to take a more proactive role in the promotion of RegTech solutions.

8.To what extent would you like to see the Regulator take a more proactive role in the promotion of cloud-based solutions?



To date, regulators have approached this issue in different ways. The FCA, for example, recently called for RegTech firms to press their own case for the greater adoption of digital compliance solutions, rather than expecting it to do so.



"It's up to the market, up to the firms, to go out and make that happen"

said Sheldon Mills,
the FCA's Executive Director for Consumers and
Competition, in April 2021.

By contrast, the Hong Kong Monetary Authority (HKMA) recently launched a [two-year roadmap](#) to promote RegTech adoption in the Hong Kong banking sector.



“The banking industry should seize the opportunity to capitalise on the benefits of RegTech,”

The HKMA Roadmap said late last year.

Some regulators are clearly looking at the benefits of RegTech but are yet to actively promote the technology. The European Banking Authority (EBA), for example, launched a [RegTech survey](#) last year in an effort to better understand the industry, raise awareness of the technology within the regulatory and supervisory community, and inform any relevant future policy discussion.



The EBA said that it was seeking ways to facilitate the adoption and scale up of RegTech solutions across the EU whilst acknowledging and looking to address the underlying risks.

It's worth touching on the conclusions made by the City of London and RegTech Associates in their RegTech report here. This report concluded that UK regulators must be “empowered to take a clear and positive position on RegTech”, whilst recognising that the risks of innovation must be balanced with the benefits. It added that RegTech should become a regular topic of conversation between regulated firms and supervisors.



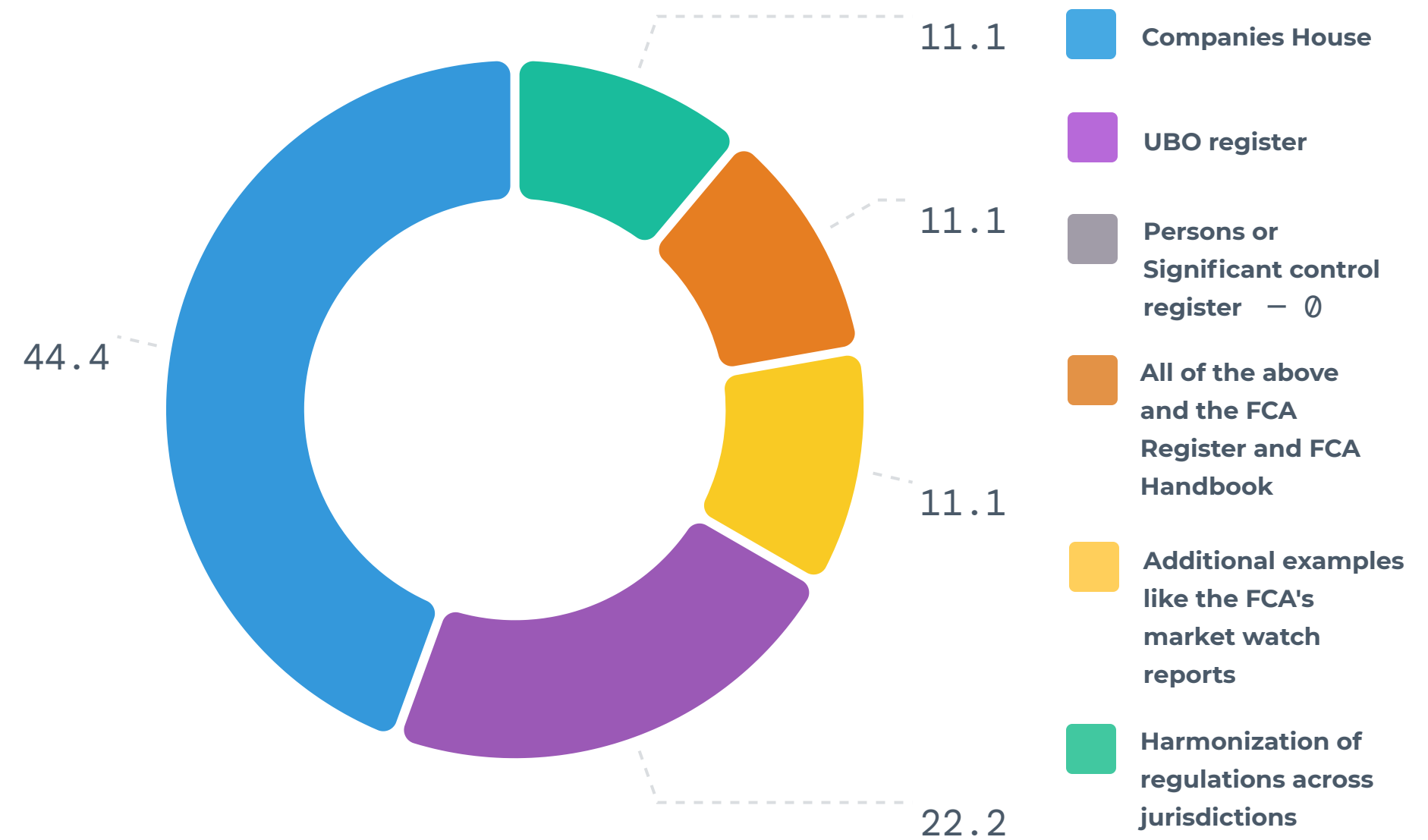
“We are calling for more to be done to support the sector to grow and thrive”

wrote Catherine McGuinness,
Policy Chair of the City of London Corporation.

9. What data source could government create or improve to aid compliance?

Improvement in Companies House data is needed

Participants in our survey listed a number of data sources that governments could create or improve to aid compliance. RegTech firms said that they would like to see an improvement in Companies House data and the creation of an Ultimate Beneficial Owner (UBO) register.



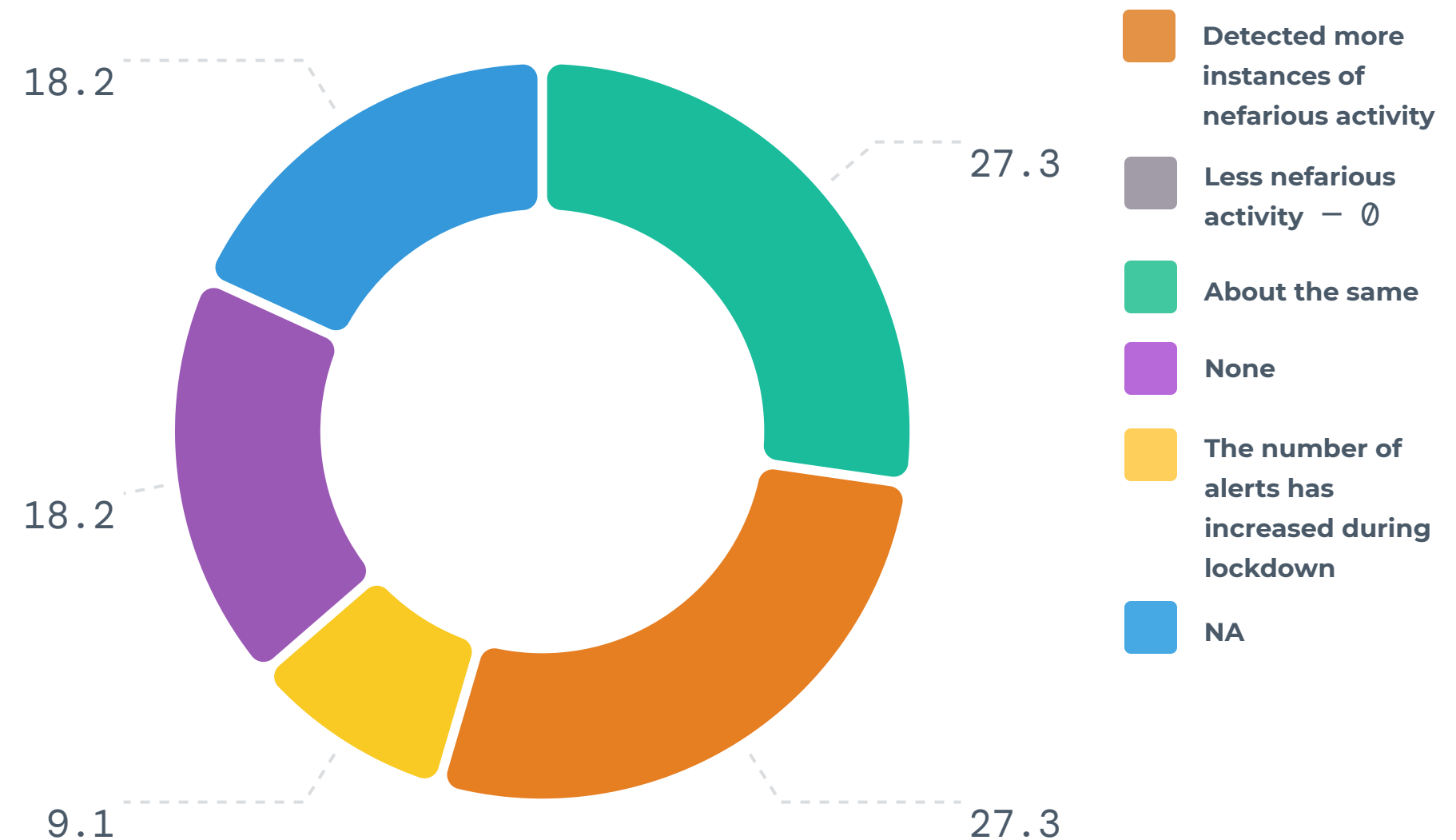
The Health of Financial Organizations

Criminals were quick to exploit the vulnerabilities opened by the pandemic. Indeed, as early as May 2020, the [FCA warned](#) that criminals were already taking advantage of the pandemic to carry out fraud and exploitation scams through a variety of methods, including cyber-enabled fraud.

Throughout the pandemic, regulators have warned financial institutions to be particularly watchful in relation to their IT networks and to be aware of new money laundering risks.



10. Compared to the same period last year, have those using your technology...



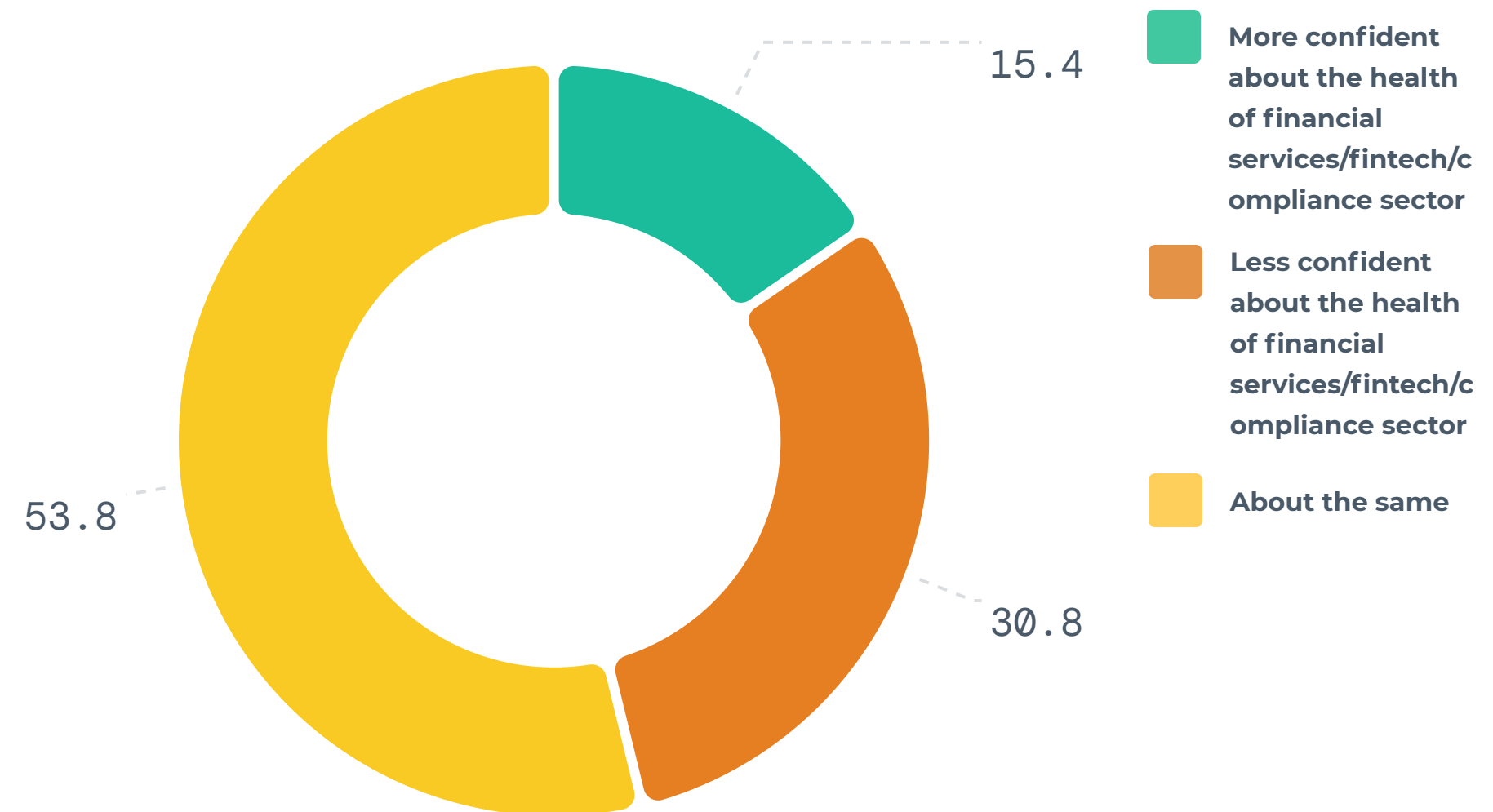
There is a certain increase in malicious activity witnessed by RegTech firms

The increase in malicious activity has been witnessed by RegTech firms. In our survey, 27% of participants reported that financial firms using their technology had detected more instances of nefarious activity over the period compared to the same period last year.

11. Compared to the same period last year, are you...

- There is, to a certain extent, less confidence about the health of financial services / FinTech / compliance sector

In terms of the overall health of the financial services, FinTech, and compliance sectors, the majority (54%) of respondents said that they had the same level of confidence compared to the same period last year. 31% of participants, however, said that they were less confident about the health of these industries.



Summary

Overall, there are a number of takeaways from the Voice of RegTech survey. The biggest takeaway is that the pandemic has increased the demand for RegTech solutions within the financial services industry. With Covid-19 creating a range of new challenges for compliance teams, financial institutions have turned to technology to increase efficiency and ease the compliance burden.

Opinion

Voices from the RegTech Community: What Does It Expect from the Regulator in the Current Situation?

What do we see the role of the regulator to be at the present times?

ComplyAdvantage

Regulators of course have standard roles in policy, monitoring and enforcement. However, they are also amongst the best placed agencies in government to act as promoters, guiders and protectors of technological innovation. There has been a spate of positive actions and statements from several globally leading regulators supporting innovative RegTech through TechSprints and new networks such as the Global Financial Innovation Network (GFIN). However, initiatives such as these need to be a start and not a destination, and need to translate into how regulators engage in reality with obligated entities during examinations and model validation. To make sure that happens, regulators need to tool up with the right kind of technical expertise and ensure that expertise is deployed in direct engage-

ments with FIs. There is also a question here about solution neutrality; following the overall approach set out by FATF, national laws and regulations tend to be non-prescriptive about what types of solutions are deployed, as long as they reflect the risk assessment of the business. But there are probably more grounds for regulators to provide insight into what types of technologies work well for different lines of business, products, etc, as well as some helpful questions that businesses should bear in mind when they are buying in new solutions. It is very easy to be bamboozled by snake oil salespeople, and it's incumbent on regulators to put some consumer protections in place — FIs are consumers too, after all.

**Change Gap,
Sarah Sinclair, CEO
& Co-Founder**

The role of the regulator and government with regard to FinTech and RegTech is to continue their support for promoting innovation and healthy competition, for example providing incentives to enter and stay in the market for providing innovative solutions to the financial services industry.

At a more detailed level, there should be a clear and co-ordinated effort to provide information and support to new and existing FinTech & RegTech firms, ensuring they retain their position in the market and recognised as a key enabler to helping the industry and economy thrive and 'build back better'.

Alyne

Regulators have put in place a set of requirements to maintain resilience of critical services in time of crisis and it's about making sure the system really works. That time is now. We believe that overall the system in Europe has been pretty resilient. We did not see big outages, people maintained trust in currencies and operations of their banks and insurances.

Regulators should be taking notes. Maybe there were very close calls? Maybe it was just a coincidence that nothing worse happened, however we would be expecting a strong lesson learned phase from regulators. From our customers we know that they are in constant contact with regulators and answering questions on a near daily basis.

Once the dust has settled, we should also expect regulators to review the risk scenarios and overall exposure that they are seeking to protect the financial system from. There is always the next pandemic that now seems more probable than we all want. If we look to the virtualisation of work, we have spent so much energy on securing the "perimeter"- and

now everyone is staying home and working decidedly outside of the perimeter. What new risks do we need to address in this space? Are there tasks that may not be done virtually? An example of this being trading and the associated trade surveillance. Can we now require a trader's private residence to be recorded the same way the trading floor is?

Then we get to the concept of knowing your customer. What will this mean when you never meet your customer due to social distancing? Finally, regulators likely need to rethink their approach to cloud. Rather than advising caution and avoidance, regulators should likely be encouraging cloud usage, as arguably cloud virtualisation was the only thing maintaining resilience when everyone was working from home.

**Evgeny Likhoded,
CEO & Founder,
Clausematch**

Regulators had to adapt to new changes very quickly and to push the new updates almost on a weekly basis to ensure the resilience of the financial services industry. That has posed challenges and not just for financial services firms - to cope with those changes that regulators were pushing out in terms of how to cope with COVID times.

This also posed challenges to regulators to coordinate response within the industry to changing circumstances. Because suddenly everyone has started working from home.

The other challenge from what we hear is that the supervision of regulators of large global banks became more difficult because previously regulators would have someone on-site in the building of the bank. Supervision would be much easier because you can talk to people and you can see how they work in order to understand whether a particular process follows regulations. But now with everyone being remote, and I think this will continue, technology doesn't really allow for easy supervision or an easy audit.

Actions or initiatives that we would like taken?

ComplyAdvantage

At a tactical level, regulators need to ensure that their policy, monitoring and enforcement departments are fully aware and comfortable with the kinds of developments that are being encouraged and promoted by their technology teams. There needs to be a “joined-up regulation” initiative to ensure that examiners are either au fait with the state of current RegTech, and understand its strengths and weakness, or be joined up relatively seamlessly with in-house technology experts who fully understand the latest developments.

At a more strategic level, regulators also need to ensure that the laws and regulations are keeping pace with the changing character of financial crime, the financial system, and the possibilities not only of technology but other

forms of innovation such as internal integration in obligated entities’ financial crime set-ups, private-private partnerships underpinned by legal safe harbors that not only allow but encourage pre-suspicion sharing, as well as public-private partnerships. Some kind of internal ‘think tank’ sitting close to the leadership of a regulatory agency might be useful; sitting back from day-to-day concerns, they would be in a position to consider all the implications of change in a connected, rather than piecemeal manner. There are lots of existential questions to be asked about whether the current AML regime really does what it should set out to do - mitigate financial crime risks - and national regulators are good places to ask these kinds of questions.

Change Gap, Sarah Sinclair, CEO & Co-Founder

With Brexit looming, there are several key areas where FinTech and RegTech will potentially be impacted:

UK is no longer included in initiatives such as the EBA work on supporting RegTech

Access to resources to support capacity in FinTech and RegTech firms may be impacted – availability and costs

UK may see its attractiveness reduced in terms of being a top place to create and maintain influence with regard to FinTech and RegTech growth

Alyne

At Alyne, we would like to see regulators taking a second look at RegTechs in the context of facilitators of operational resilience. Particularly in Germany, topics such as contactless payments need to be driven more in the context of health and hygiene. Far too often, card or contactless payments are refused under certain amounts, or not offered at all which has to stop. ‘Pecuniam non olet’ — but it can transmit disease.

Especially from Alyne’s perspective: On premise audits will be more difficult for regulators and will require them to engage data driven or virtual assessments:

Something that we at Alyne have placed paramount importance on in the context of our solution.

**Evgeny Likhod-
ed, CEO & Found-
er, Clausematch**

Regulators need to seriously consider speeding up the initiatives of digitising regulations because at a single level of one regulator it might not make a huge difference. Only if a financial services firm has to comply with the rules of that regulator. But firms that have

multiple regulators which are supervising them it’s very hard to keep track of the rules because they are published in different formats, different forms. And that means that implementation of changes pushed out by different regulators takes much longer. With regulators themselves having their workforce being remote we can see that it would be challenging for them as well to coordinate the updates to regulations and communication of new regulatory rules and guidance.

Internally, using modern technologies to actually collaborate and work together, within the regulatory organisation it would be much easier and they would be able to push out updates in a digital form much quicker. Because the internal coordination and collaboration on those changes would be ten times faster.

It would be great to see regulators actually collaborating with each other in a better fashion. That can also be enabled by technology. If we could imagine a world where all regulatory bodies can draft rules and publish rules via a single platform they could actually see, collaborate and compare their rules as they

are developing them. It could speed up the regulatory framework globally purely by using technology.

Shield

While we at Shield realize that the FCA can’t endorse any specific RegTech, we feel that given the level of innovation in the field across the UK and Europe, there are a few proactive measures that they can take during this period to help connect between financial services and RegTechs:

1. Create data lakes of historical data with relevant content for RegTechs to “train” their AI models (in our case eComms).
2. Conduct regular sessions (1/1 and group) with RegTechs to learn about their technology and provide feedback.
3. Create a certification program for regulatory technology that can assist during this new climate.

Take an active part in the discussions around the current crisis in the form of events, podcasts, content collaborations with RegTech startups, and any other form possible.

Has the present-day situation inspired momentum for RegTech?

ComplyAdvantage

COVID-19 is a dreadful thing for our society, for families and individuals. It’s really difficult to talk about momentum coming from something so negative. What it has done though is provide us with an extra sense of mission about how we can help to keep businesses and the economy moving through innovative technology. We have ample evidence that many firms with older and more inflexible monitoring systems have struggled to keep them aligned to risks in light of the changing environment, either resulting in a massive decline in alerts (due to the dearth of cash usage) or explosions of alerts due to sudden expansions in the use of online platforms. Because our approach is lighter and more flexible, it has given us an opportunity to help those kinds of firms stuck in a state of inertia. More flexible AML controls mean you can better detect the crime that’s there, so although we’re a business, we’re also helping the sector fight financial crime and protect their customers.

Change Gap,
Sarah Sinclair, CEO
& Co-Founder

Yes, very much so – it caused us to ‘pivot’ our business proposition right from the get-go, as we saw there was an urgent need in the RegTech space

With ever more pressure on budgets, and increased scrutiny on risk and compliance teams, it confirmed to us that our combined business, regulatory and technology expertise would provide a unique offering that could make a significant contribution to the RegTech industry

Alyne

The concept and importance of operational resiliency has certainly evolved for many organisations over the last few months. As most businesses have shifted their operations to the digital space to ensure continuity during this unprecedented time, it has in many ways allowed Alyne’s business offerings to gain momentum as the importance of risk management, collaborative compliance and well-constructed BCM plans have taken centre stage. Although it’s too late now for organisation’s that didn’t have a firm business continuity strategy in place before the crisis occurred, it certainly has now placed greater emphasis on digitised GRC, Risk and Compliance solutions.

Moreover, organisations are realising that the involvement and understanding of these processes should not be limited to a few stakeholders, but instead form a part of the culture of the entire company. Compliance never sleeps, and now, as certain organisational priorities have shifted, new vendors are introduced, upcoming regulations are still being held to their original deadlines and more, the need for RegTech and a fully digital and automated solution has certainly inspired momentum for Alyne.

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What's happening in the market?

ComplyAdvantage

In terms of the overall size of the RegTech market, it just seems to keep on getting bigger and bigger. Asia Pacific is a region witnessing massive growth, as many regional economies see the use of technology as an opportunity to leap forward from a cash-based economy that excludes many ordinary people from banking services, to a digitized approach that is highly inclusive, without having to go through the period of high-street bank development we went through in the West. So there's a real appetite for innovation at the moment.

That's great, and we welcome competitors in - they provide the discipline you need to keep getting better - but it seems there is some scope for a market shake-out at present. There have been lots of one, two and three men and women bands coming into the market with a good idea, getting some seed-corn venture

capital and then spending the next two to three years searching for a 'turn-key' project with a big client that is going to make all the difference. Given the changing economic climate, it may be that quite a few of these firms - however good their products - are going to struggle soon. You always hope not, but it's hard to defy economic gravity.

The ones that won't will be those that have already started to demonstrate value, and have shown themselves to be effective in dealing with their clients' needs as they evolve. In other words, they have already built a responsive relationship with clients and potential clients. It's easy for an innovator to fall in love with their product, but the best firms are those that manage to keep to the ethos of what they're delivering whilst also being able to meet the specific needs of their clients. 'Bespoke, but

off the peg', as it were! Being able to offer a platform that is inherently flexible hits a sweet spot in this regard.

So it seems there's some thinning of the market to come, possibly with some acquisitions of small firms with niche or unusual offerings, probably to some of the bigger fish in the technology sector and probably a few Financial Institutions themselves, too.

In terms of the richest veins to mine in the market, they're definitely around those kinds of tools which are designed to look for real financial crime risk, rather than just window dressing to tick the authorities' boxes. There's a mood in the industry that we need a more realistic view of what effectiveness means when it comes to AML. Not just complying, not just being more efficient, but actually

making a dent in the size of financial crime. FATF is doing its thirty year strategic review, and their General Secretary, David Lewis, has publicly admitted that no country is doing very well under the current approach. FATF's recent positive guidance on the use of Digital ID tools in onboarding is a sign of the times, here. There's a recognition that we need more flexible and resilient systems and ones that will last long beyond the current crisis. We live in a world that is increasingly cashless and where traditional high street branches are disappearing at a pace and speed no one could have imagined even ten years ago. What we will likely see is more and more legacy banks looking closely at the offerings coming from those insurgent RegTechs that survive current economic tribulations.

Change Gap, Sarah Sinclair, CEO & Co-Founder

We see that whilst there was already a sense that the FinTech and RegTech industry needed to reach a new level of maturity, to further hone its collective 'product-market fit' – the covid pandemic made this requirement more urgent.

In order to really help the firms and regulators achieve their respective goals, the FinTech and RegTech industry has a renewed sense of collective responsibility to work together, to find creative and effective ways to achieve 'better together' solutions.

Likewise, we have noticed that firms and regulators are also working toward making things easier for FinTech and RegTech businesses to work with them, and thrive.

There is, however, still much to do on both sides – hence real gaps which need an 'ecosystem mindset' and innovative ideas to make the difference, for the good of the financial services industry.

Alyne

Recent events have brought about growing opportunities in the market as business leaders shift their focus to developing maturity in their cyber security and compliance processes during this digital age. The term 'digital age' has never been more applicable as enterprises across the world adopt remote work arrangements and digital transformation.. However, as organisations remain connected through cloud-based communication and collaboration tools, the gaps between current maturity and potential threats become distinctively clearer.

In order for organisations to navigate through these challenging times, it is extremely crucial for them to reallocate their resources and reassess their maturity. Alyne sees great opportunity in providing traction for organisations to digitalise their compliance processes and transform their infrastructure to cloud-based rather than on-premise solutions. Looking ahead, it's unlikely that all businesses will re-

sume a full five days per week office setting, and workforces will continue to operate and improve on their remote working cultures. Smooth future-orientated operations may be extremely challenged if the organisation continues to rely on on-premise software. There is no better time than now for institutions to adopt scalable, cloud-based solutions.

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How has the ongoing crisis influenced RegTech?

ComplyAdvantage Since ComplyAdvantage operates entirely in the cloud, the ongoing crisis has had no major impact on providing our services to our clients. Our Engineering and Customer Success teams, as well as other functions, have all been able to operate at full capacity.

Like most businesses, we have seen the increase in phishing attempts and ensuring enhanced Information Security guidelines on working remotely.

Change Gap, Sarah Sinclair, CEO & Co-Founder

We have created a strong foundation of listening and discussing with potential clients as well as people involved in all aspects of the industry – so we are capturing key perspectives and insights on trends and needs.

This has given us a sharper view of where the needs are, and how we can best target our solutions and support for the industry.

The most significant theme from the ongoing crisis is the impact on people’s wellbeing and therefore the need to have a heightened awareness of how to read situations and people, and respond accordingly.

Openness, flexibility, collegiate and inclusive approaches are always important in business, but never more so than with the ongoing crisis impacting all of us in our work as well as home lives.

Compassion and competition are key themes for us – in order to be successful, a level of competitiveness will always be required – but competition needs to be ‘healthy’ and ‘fair’.

To get this right, we believe, will be a real game-changer for many, and we think this is a key to unlocking some really significant gaps within regulatory compliance.

How is RegTech helping clients?

Alyne

The present day situation revolutionised the way businesses operate and how the economy works, as digitalisation forcefully took its place. Not every organisation and client has seamlessly and successfully adopted digital operations and compliance processes but it has brought the attention of many business leaders to the importance of building and strengthening these capabilities. The trajectory of business operations has changed and many organisations are now functioning collectively, yet in a decentralised manner – calling for further digital solutions within risk and compliance.

As such, we have been busy providing actionable solutions for businesses, as well as projections for the future of business and compliance through useful resources such as webinars, articles, demo videos and RegTech

Report Podcasts. Alyne offers tailored guidance to our clients along with simple and actionable controls for their businesses by offering them an easy way to assess the maturity of their business, vendors or assets without the typically high cost of hiring subject matter expertise. Among many other things, Alyne’s cloud-based solution enables our customers to run Assessments at scale to internal or external stakeholders; collaborate digitally with team members through an intuitive and social-media like interface, and to track progress of risk management and mitigation tasks entirely virtually. For our new clients, onboarding can and are being conducted virtually too, making it a much more obtainable solution for remote risk and compliance teams.

ComplyAdvantage

We have been committed to helping the industry fight financial crime at this difficult time and to ensure that we help businesses identify and monitor fraudulent activity that we have been offering a 3-month free trial to our Adverse Media (Fraud) tool running until June.

In addition to this, we are offering our existing clients free user-licenses for new users who may be required to use our solutions due to the COVID19 situation. Free group and individual training sessions to help clients get the most from our tools whilst working remotely. Expert insight on how COVID19 is changing financial crime risks to your business, including Cyber Attacks Capitalizing on Coronavirus (COVID-19). Webinars including Covid and FinCrime: Resilient Compliance in the Current Crisis.

Change Gap, Sarah Sinclair, CEO & Co-Founder

We are providing products and services that seek to really change the ‘status quo’ and provide new perspectives on pricing, openness, vendor relationships and the way clients are supported and educated before, during and after products are purchased.

Fair pricing and exceeding expectations in post-sale client relationships, we believe could make a huge difference to RegTech adoption success, and also improving perceptions and trust between regulators, firms and RegTech providers.

We particularly are seeking to offer the fairer pricing and support packages to small and medium firms who are vital to maintaining the competition in the economy – which enables a balanced, competitive economy, whilst also enabling them to ensure that consumers are not overcharged and underserved

Could the crisis be a tipping point for RegTech?

**Change Gap,
Sarah Sinclair, CEO
& Co-Founder**

We think the crisis could be a tipping point, if the required conditions are supported by regulators, government, firms and other parties supporting the RegTech industry [including investors, accelerators etc].

It will also be key that the lessons from the 2008/9 financial crisis are heeded – for example, one of the issues in the wake of that crisis was that some individuals and parties took an opportunistic attitude, adding further fuel to an already blazing fire.

This will always happen to an extent, but there appears to be a new type of ‘activism’ whereby people are grouping together to make a stand and work together for good. For exam-

ple ‘civic society movements’ like the pandemic-inspired #BuildBackBetter. Thus, this should be supported and channelled into positive actions, to ensure that RegTech goes from strength to strength.

As the saying goes ‘never let a crisis go to waste’ – hence, the more we can work together, and create a harmonised ‘voice’ on all things RegTech – the better we will each be in our respective and collective missions.

Clausematch

Yes, this is a tipping point specifically for regulatory technology. Compliance departments have been inundated with all the changes and all the requests from regulators. And a lot of firms are realising that things get broken when you don’t have a centralised way to communicate and record the decisions which are being made internally within the organisation, whether it’s a on anti-money laundering, client onboarding or more high-level tools like ensuring that the rules are communicated, the changes are communicated. All these types of tools which provide real-time record keeping and reporting on a state of any particular project or any particular task which is being performed by people.

Alyne

Certainly! RegTech innovation is already helping organisations to digitalise their traditionally manual processes, where spreadsheets and endless email chains have long reigned. Through the adoption of smart technology, machine-learning and cloud computing, organisations can now address compliance requirements while supporting their cost-cutting efforts to boost profitability. Digitalising compliance processes is going to be a fundamental aspect to business success going forward, as it will help organisations scale and react quickly, as well as appropriately – both with internal and external stakeholders. In light of recent events and especially with the new ways of remote work and physical distance, this is extremely important as key personnel and the subject matter experts may not always be as readily reachable as they were before in a typical office environment, making virtual collaboration for compliance and risk management processes significantly more valuable.

ComplyAdvantage

Any crisis is a combination of challenges and opportunities. On a day-to-day basis, any business needs to pay its bills and generate revenue. An economic crisis puts extra barriers in front of making investment decisions, especially technology decisions, which is of course a problem. It would be foolish not to acknowledge it. At the same time, the crisis is changing the narrative amongst many of those we talk to, from FinTechs, right up to the world's largest high street banks, about how we do AML. COVID-19 has demonstrated something that's always been true, but is now blatantly a fact - economies, finances and business are fragile, and are especially fragile in an interconnected global economy. We have talked to many in and around the industry who have discovered that their businesses are nowhere near as resilient or agile as they thought beforehand. This is where RegTech, especially insurgent RegTech, can make a big future difference. Businesses are now looking for the lightest, most flexible and reliable plat-

forms they can find to do what they need to do. For example, big, lumbering legacy transaction monitoring systems are falling over in this crisis because they struggle to cope with the radical changes in customer and criminal behaviors. How do you ensure you're not inundated with false positives, or running dry because of all the false negatives, if your system takes six months to re-code under the aegis of the vendor? You can't. That's why you need platforms which are resilient - especially Cloud based - and more easily reconfigurable.

Thank you to all the contributors!

We're grateful to all the
contributors to this report.

Among RegTech companies who made a non-anonymous contribution are: Apiax, Basistech, Capnovum, Cappitech, ChangeGap, Clausematch,

ComplyAdvantage, Encompass, Hexanika, Insiderlog, Keepabl, Kompany, Muinmos, Objectivus, Shield, SILO Compliance, SteelEye, Sumsub, Vermeg and others.

Special Thanks to ComplyAdvantage, Shield and Alyne for their contribution to the Opinion part.

clausmatch