



WAVESTONE

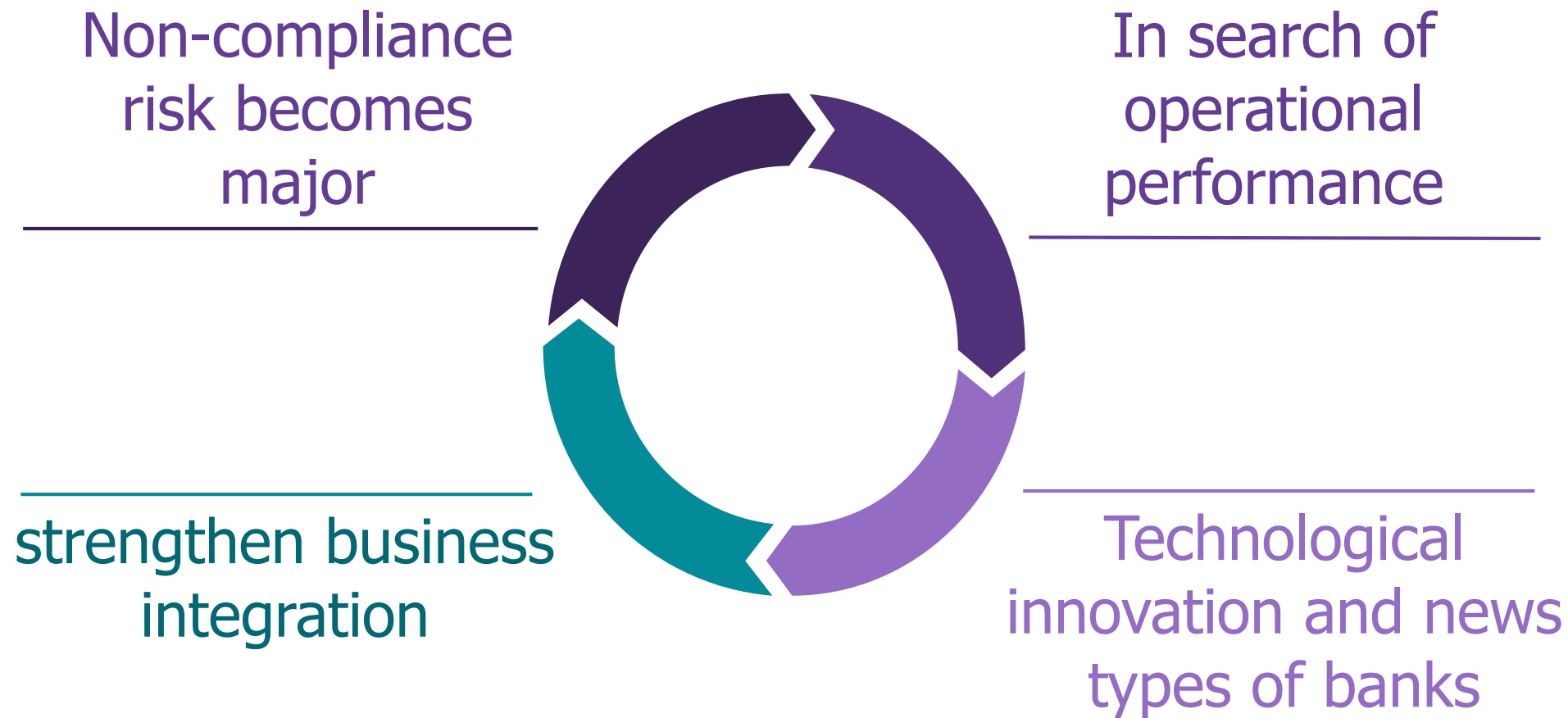
EIFR
European
Institute of Financial Regulation

CompliTech : why and how to "tool" compliance

Workshop #3 : "Mapping needs and solutions"

12 décembre 2018

Compliance function needs to transform



Added value

operational efficiency

customer relationship

Commercial performance

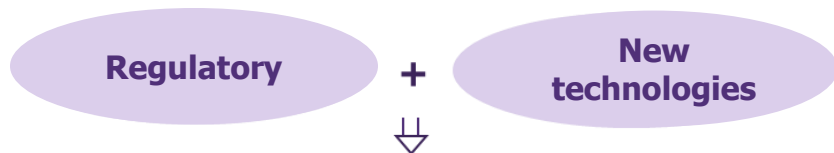
What is a regtech ?

Définition

A regtech is a company specialized in services related to the management of financial regulatory risks.

Typology

There are different types of regtechs, with different sizes



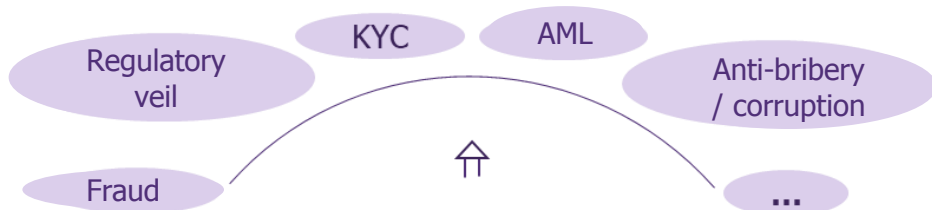
REGTECHS



Goal

Regtechs reduce the internal management of the compliance function of financial institutions. They cover all aspects of the compliance function

Regtechs generally offer 3 types of different offers



REGTECHS



Extended

A very rich and extensive range of services offered



Module

Modules answering standard problems (Reporting, Browsing Web ...)



Spécific

Innovative software for specific needs (Monitoring atypical operations-ML)

Apparition

Regtechs have appeared on the market mainly in response to regulatory inflation that followed the financial crises of 2007/2008

Technology

RPA

API

Chatbot

Machine learning

Blockchain



Compliance and regtechs in numbers

300M

estimated **regulatory pages** in 2020

10-15%

of the bank workforce dedicated to regulatory compliance

10%

start-up received by the AMF are regtechs

30

mergers and acquisitions of regtech by banks during the year 2016

75%

banks Don't outsource at all their compliance function

\$345b

finances of non-compliance paid by banks between 2008 and 2017

\$1b

of expenses in regulatory compliance by major bank per year

2 x

more of Regtechs between the year 2016 and 2017

260

regtechs at least referenced to date

\$4,5b

funds raised worldwide for Regtech since 2014

Compliance digitalization and the way to improve the function

Main activities to be digitalized

- / Surveillance and monitoring
- / Sanctions screening
- / Know your customer
- / Conduct risk analytics
- / Integrated stress testing capabilities
- / Tracking new regulations to aid change management
- / First and second line of defense testing
- / Issues management

Actions to reduce cost of compliance

- / Simplification of geographies
- / Outsourcing
- / Offshoring
- / Simplification of products
- / Augmented risk scoring
- / Utilities (e.g. know-your-customer, anti-money laundering or third party assessments)
- / Straight through processing
- / Risk models using artificial intelligence
- / Machine learning
- / Digitization
- / Automation

Some use cases applied today (or in progress)

Know Your business relations

- / Automated Relationship ABC scoring
- / KYC updates by automated public information collect
- / Adverse medias : Intelligent web browsing
- / Decrease false positives during enrolment process by Machine learning (potential frauds)
- / Optimize enrollment by blockchain

Activity surveillance

- / AML / CFT detection of atypical behaviors by machine learning
- / "Sensitive people" changing behaviour detection by machine learning
- / Connexion analysis by behavioral biometrics

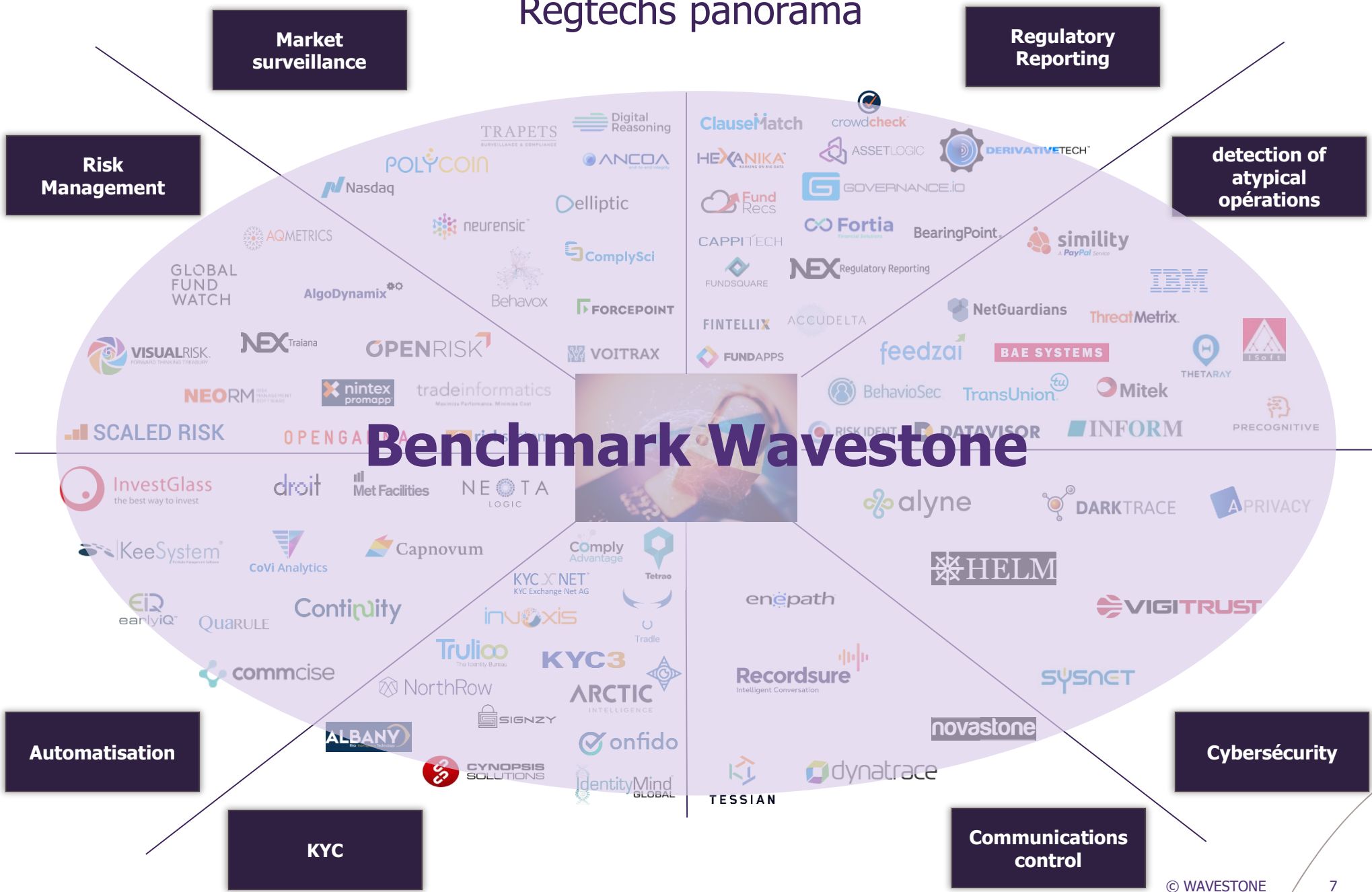
Optimize compliance process

- / Sanctions / PEP screening
 - > Names collected by OCR
 - > alerts relevance scoring by machine learning

Compliance risk management

- / Automated Regulatory veil and impact analysis
- / Qualitative analysis of compliance risks
- / Pre-trade risk analysis in real time
- / Regulator reporting

Regtechs panorama





WAVESTONE

Laurent RENAUDOT
Senior Manager

M +33 (0)6 16 81 97 97
Laurent.renaudot@wavestone.com

wavestone.com

@wavestone_