

Call for Input: Supporting the development and adoption of RegTech

November 2015



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We are keen to support this exciting initiative and play our role in the innovation and adoption of RegTech. As such we have not stated a close date for this Call for Input. However, if you wish to provide input to inform the initial workshops planned for Q1 2016 we will need your input soon.

Please send any comments or queries to:

Barry West
Data and Information Operations
Strategy and Competition Division
Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London E14 5HS

Email: RegTech@fca.org.uk

We make all responses to formal consultation available for public inspection unless the respondent requests otherwise. We will not regard a standard confidentiality statement in an email message as a request for non-disclosure.

Despite this, we may be asked to disclose a confidential response under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Information Commissioner and the Information Rights Tribunal.

You can download this Call for Input from our website: www.fca.org.uk. All our publications are available to download from www.fca.org.uk. If you would like to receive this paper in an alternative format, please call 020 706 0790 or email: publications_graphics@fca.org.uk or write to: Editorial and Digital team, Financial Conduct Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS

1. Context

- 1.1** The FCA is committed to promoting effective competition in the interests of consumers and supporting innovation is a key part of this. In 2014 we launched Project Innovate to ensure that our regulatory regime supports the development of innovative products and services that provide benefit to consumers. It is the Government's hope that the UK can capitalise on the development and commercialisation of new financial business models and disruptive innovation (known collectively as 'FinTech') and become the world's leading FinTech hub.
- 1.2** Due to the presence of a large and technologically sophisticated customer base, its position as a world-leading centre for financial services, its excellent financial services infrastructure and position as a global trading hub, the UK is uniquely positioned to realise this goal.¹ We aim to support this by supporting innovation in financial technology and encouraging collaboration between Government, business and academia.
- 1.3** In order to realise this vision and, at the same time, ensure the integrity of the UK financial system is maintained with an appropriate level of protection for consumers, it is vital that there is an effective and an innovative regulatory regime.

RegTech

- 1.4** Following the financial crisis, we recognise that firms have to deal with greater reporting requirements and meet higher regulatory standards. In order to enable effective competition and promote innovation, it is important that technologies that help firms better manage regulatory requirements and reduce compliance costs are supported.
- 1.5** To this end, the Government announced in its budget² that 'the FCA, working with the PRA, will also identify ways to support the adoption of new technologies to facilitate the delivery of regulatory requirements – so-called "RegTech"'.

¹ FinTech – The UK's unique environment for growth
www.gov.uk/government/uploads/system/uploads/attachment_data/file/428647/UKTI_Fintech_capability_V2.pdf

² HM Treasury March 2015 Budget
www.gov.uk/government/uploads/system/uploads/attachment_data/file/416330/47881_Budget_2015_Web_Accessible.pdf

Initial investigation

- 1.6** Since the publication of the Government Office for Science's *FinTech Futures* report³ and the March 2015 budget we spent the summer engaging and meeting with over forty technology companies, trade bodies, consultancies and academia to develop our knowledge of the incredibly diverse FinTech and RegTech environment. These discussions have been invaluable in helping us shape our initial understanding of the current state of RegTech innovation in the UK as well as the challenges faced by firms involved, or attempting to become involved, in RegTech.

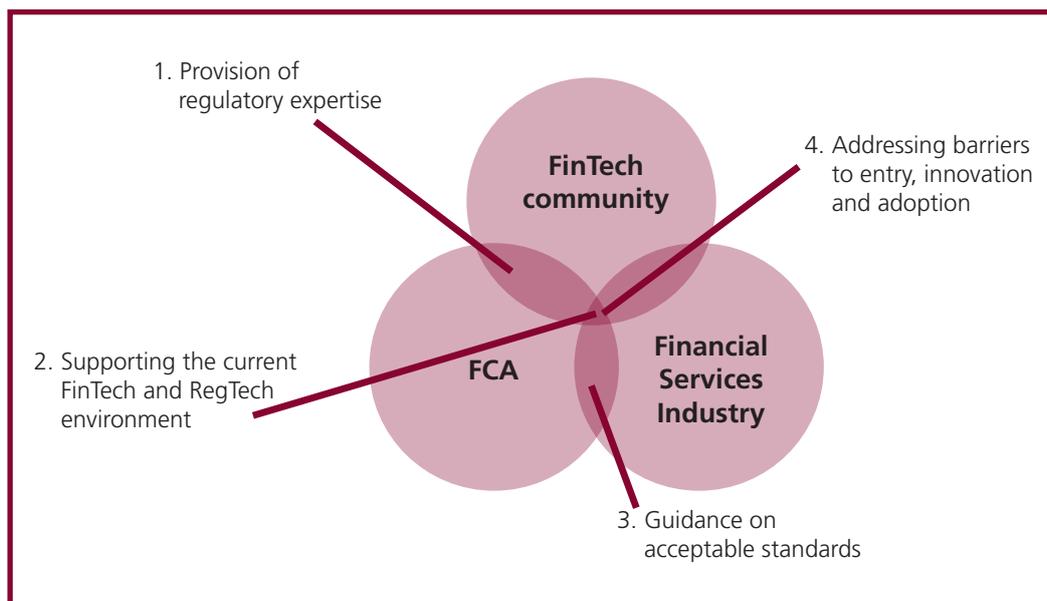
Early emerging themes

- 1.7** From our preliminary investigations we have identified some areas of interest and emerging themes that we see benefit in exploring further with the FinTech community:
- *Technology accelerators* – there are several accelerator initiatives between FinTech and financial services firms that are already encouraging, fostering and, in some cases, funding excellent innovation in the use of technology to deliver regulatory compliance and reporting.
 - *Real-time and system embedded compliance/risk evaluation tools* – innovation and advances in compliance and risk technologies have the potential to improve operational efficiency and effectiveness within financial services firms. For example, in trade surveillance, financial crime risk monitoring, anti-money laundering, customer profiling and conduct risk monitoring.
 - *Big data techniques* – there is increasing use of big data to streamline and reduce the costs of providing data to regulators.
 - *Visualisation and robo tools* – the emergence of online visualisation and robo-advice tools intended to deliver regulated advice and guidance more cheaply, efficiently and effectively has been well-publicised. There is growing interest in the application of these tools (and underlying technologies) to assist existing and prospective financial service firms better understand regulation and their individual responsibilities.
 - *Software integration tools* – innovation in software that allows off the shelf accounting and compliance tools to interact directly with regulatory reporting systems. Reducing manual keying of data to improve the accuracy of regulatory reporting, and reduce the cost of compliance for firms.
 - *Cloud technologies* – recent development of cloud based platforms and technologies are providing flexible and potentially cheaper alternatives for FinTech entrepreneurs, Financial Services firms and regulators.

³ FinTech futures: the UK as a world leader in financial technologies
www.gov.uk/government/uploads/system/uploads/attachment_data/file/413095/gs-15-3-fintech-futures.pdf

FCA involvement

- 1.8** Based on our initial investigation and the recommendations made in the FinTech Futures report we have identified several areas that, as a regulator we feel we could become involved in to support the adoption of RegTech.



- 1.** *Provision of regulatory expertise* – providing clarification of what FinTech/RegTech firms would need to do in order to be compliant with the UK regulatory regime.
- 2.** *Supporting the current FinTech and RegTech environment* – by working together to identify appropriate areas of interest and emerging themes, we believe further collaboration between accelerator programmes, academia, FinTech firms, financial services firms and the FCA will help increase the development and adoption of RegTech.
- 3.** *Standards and guidance* – providing additional clarity on our expectations in relation to the use of RegTech by financial services firms in order to support the development of shared standards and best practice.
- 4.** *Addressing barriers to entry, innovation and adoption* – seeking to understand any barriers to entry, innovation and adoption of RegTech and addressing these where possible.

2. Call for input

2.1 Following some initial exploration of this area with a range of stakeholders, we are issuing this Call for Input to seek broader views on how we should progress our RegTech work. We are interested in views on:

- Q1:** What RegTech could be introduced in order to make it easier for firms to interact with regulators, at a lower cost and administrative burden?
- Q2:** What role would it be most useful for the FCA to play in order to foster development and adoption of RegTech in financial services, and what method would best suit this engagement?
- Q3:** Are there any specific regulatory rules or policies that cause barriers to innovation or adoption of RegTech for financial services (products or processes)? Please provide examples of when these rules or policies have stifled development/adoption and describe the impact (e.g. delay, abandonment of project, economic impact). We are also interested in hearing about regulatory rules or policies that may extend beyond the UK regulatory jurisdiction including, for example, European or international policies and agreements.
- Q4:** Are there any regulatory rules or policies that should be introduced to facilitate innovation and adoption in RegTech for financial services (products or processes)? Please provide examples of when the absence of these rules or policies has stifled development/adoption and describe the impact (e.g. delay, abandonment of project, economic impact).
- Q5:** Which existing regulatory compliance or regulatory reporting requirements do you feel would most benefit from RegTech?

2.2 The information provided by stakeholders will help us refine our understanding and future approach, and identify how we (the FCA, academia, accelerator programmes, FinTech firms, the financial services industry and others) can work together in order to create a regulatory environment:

- which allows innovation and competition within the FinTech sector to flourish
- which is flexible, efficient and effective
- where new and emerging risks can be identified and managed effectively, and
- where consumers have the appropriate level of protection and suitable access to the benefits of FinTech

3. Next steps

3.1 Over the next few months, we will:

- Continue to proactively engage with participants in the FinTech and RegTech community to seek their views on regulatory barriers, and how the FCA can support the development and adoption of RegTech.
- Consider all responses to this Call for Input and, where appropriate, follow up with individual respondents. We will make a summary of the response available on our website.
- Organise workshops in Q1 2016 to discuss key priority areas of mutual interest identified through our interactions and from the responses to this Call for Input.
- Seek to work with existing accelerator programmes to identify and promote a series of RegTech challenges.
- Provide an update on progress in spring 2016.

Sending us your input and registering interest for the intended workshops

Sending us your input

- 3.2** We are keen to support this exciting initiative and play our role in the innovation and adoption of RegTech. As such we have not stated a close date for this Call for Input. However, if you wish to provide input to inform the initial workshops planned for Q1 2016 we will need your input soon.
- 3.3** Please provide your response using this [online form](#). If you are unable to use the form, either email RegTech@fca.org.uk with the subject title 'Call for Input: Supporting the development and adoption of RegTech' or write to the address below.

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Proposed workshops – registering your interest

- 3.4** We will publish further details on the planned workshops nearer the time, once we have considered initial responses to this Call for Input. In the meantime if you would like to notify us of your interest in attending, and if you have any themes/subjects that you would be interested in discussing, please email RegTech@FCA.org.uk with the subject title 'RegTech workshops'.
- 3.5** We will treat all responses as available for public inspection unless respondents request otherwise. We will not regard a standard confidentiality statement in an email message as a request for non-disclosure. We may be asked to disclose a confidential response under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Information Commissioner and the Information Rights Tribunal.



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