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Deborah Young, CEO of The RegTech Association shares her insights into the growing sector and how mutuals can benefit from this key technology during times of tightening regulatory requirements and global change.

6.3 Mutual gains through RegTech

First coined in 2015 by The Financial Conduct Authority in the UK as a subset of FinTech, the term RegTech has evolved and now refers to a range of technologies packaged into solutions that provide risk mitigation for regulated institutions and businesses of different shapes and sizes.

As governments seek to reduce red tape, look for efficiencies and lower their costs, regulators are working hard to have a deeper understanding of the potential benefits of RegTech. In fact, government is emerging as one of the largest RegTech buying sectors outside financial services.

The global RegTech spend in financial services is predicted to reach US\$204 billion by 2026. There's also increased capital flowing into the industry with a shift away from bootstrapped founders to more professional capital, which is a sign of confidence and growth despite challenging economic times. This growth is coming as organisations understand the breadth and depth of available solutions, regulatory pressure increases, and smarter ways of working are sought, – particularly during times of crisis like the recent pandemic.

Why RegTech for Mutuals?

Keeping pace with regulatory change can be a challenge, and mutuals need the right tools to detect risks earlier, manage and monitor workflows, report and provide transparent information for decision-making.

RegTech can bring productivity, efficiency and a layer of trust for the mutuals sector by equipping employees, leadership, boards and shareholders with transparent and timely risk-mitigating information.

Put simply, RegTech offers very cost-effective ways to onboard a range of solutions at speed, to address different types of financial and non-financial risks via a Software as a System (SaaS) model. Mutuals may find RegTech attractive for these reasons, alongside being a mature industry and having access to software developers with deep subject matter knowledge, a willingness to trial and provide proof of concepts, and work with their clients to understand their needs.

In a recent mutual bank webinar hosted by KPMG, a poll of those attending showed that 36 percent had already adopted RegTech solutions or were actively considering them, while a further 45 percent were open to considering RegTech solutions.

RegTech in Australia

Australia has the third largest RegTech sector globally, and we're already seeing financial services regulators working on efficiency projects and system-wide architecture transformations. Australia's three main regulatory agencies have run RegTech or supervisory technology (SupTech)¹ projects to source more thorough and efficient interactions for the future.

As the RegTech sector is highly mature here, we benefit from more readily available information and education, as well as the development of taxonomies to guide choices and align with leading solutions. What's more, due to rapid growth over the past five years, the development time of fully deployed RegTech solutions has reduced significantly, making Australia a world-renowned innovation hub. This provides mutuals with a box seat to not only choose from world-leading local solutions, but also cherry-pick options from around the world.

Making the right RegTech decision

As interest in the potential benefits of RegTech increases, it's important for mutuals to understand the range of solutions available before getting started. Research data shows a strong trend over the last few years towards buying ready-made solutions rather than building from scratch – this is not surprising, with many good quality and accessible SaaS solutions easily available for a fraction of the cost.

Understanding the range of available solutions

Only five years ago, seeing the forest for the trees around RegTech was a significant challenge. There was no safe place for what we call the 'lounge chair look' and RegTech was mainly publicised at expos or via cold calling.

We have revolutionised this approach by creating five-minute online programs focusing on different areas of risk, designed to help organisations better understand some of the leading solutions. These programs are not a sales pitch, just a way to show how the solutions address the problem and who the provider is working with. It's become so popular that since 2020, 15,000 people from 85 countries have connected into our programs.

To help with your decision-making, we've built an online risk-based taxonomy that includes financial and non-financial risk, as well as the functional roles of potential solutions. We also include the type of technology and from which country the vendor is headquartered. This is free to access via our [website directory](#).

Get in touch when the time is right

Before you get started, make sure you're crystal clear about the problem statements you'd like addressed as well as your legacy systems and cloud infrastructure. Also, it's important to be aligned internally, particularly across areas like procurement, IT and IT security, legal, compliance, risk, governance, human resources data and transformation. We also recommend getting strategic professional advice to help you make the right decision for your specific infrastructure, compliance and regulation requirements.

Once you're aligned internally, our global taxonomy and online directory can help. Here, you can filter options based on your needs, create a shortlist and then contact those you choose at your leisure. This is a free tool and just the starting point. You can also access our private in-house technology programs that can address your problem statements. We have run two such programs so far with financial institutions, which have resulted in commercial arrangements.

Embracing RegTech

Mutuals need good tools to help their people identify risks earlier, manage and monitor workflows, report and provide transparent information for decision-making by executives and boards.

KPMG can provide mutuals with support to prepare for and make sound choices for solving their problems, plus advise on resourcing requirements for new technology.

Keep an eye on the emergence of aggregation solutions that capture different risk areas and offer monitoring and reporting through a single interface. Access to more efficiency, speed for producing reporting and data analytics will provide you with more focus on striving for the highest quality, compliant solutions and products.

¹ SupTech is a term that refers to 'Supervisory' Tech used by Regulators. It is sometimes used interchangeably with RegTech.