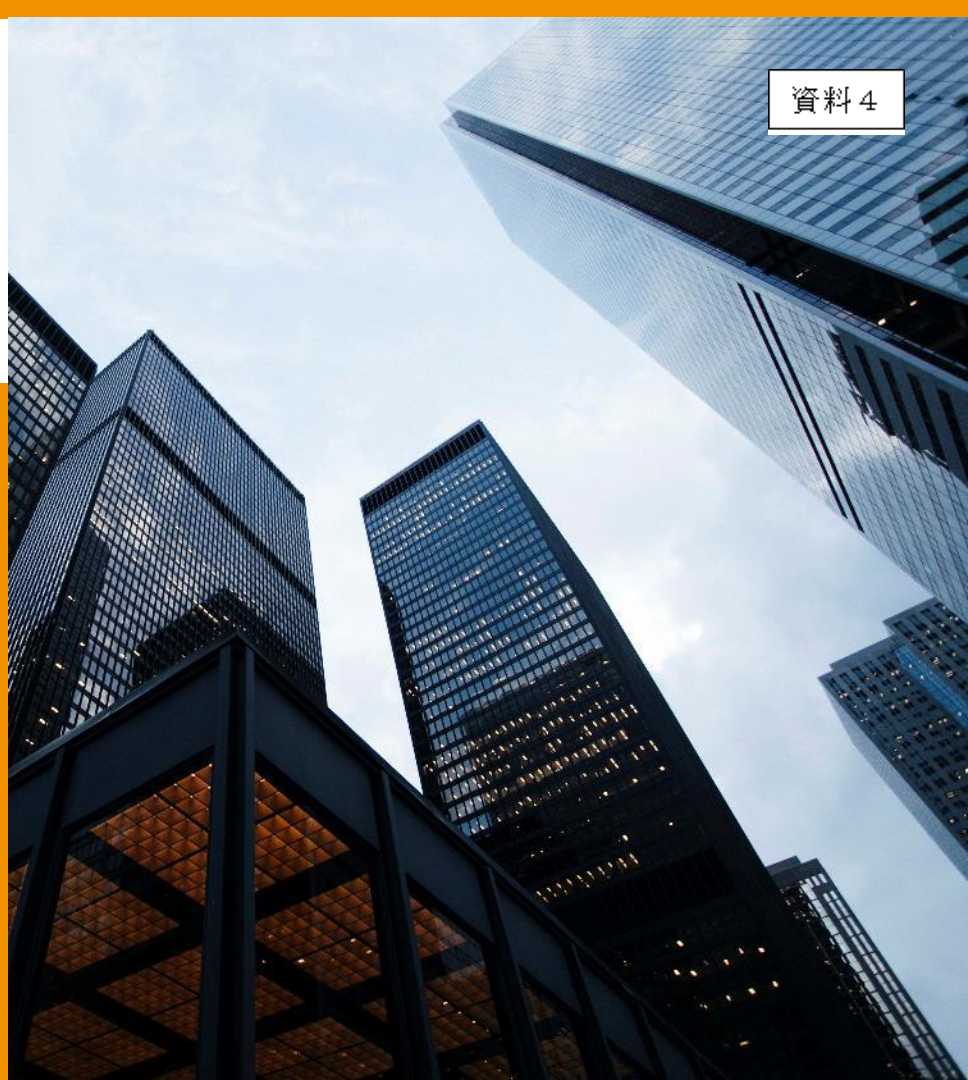




IRTA perspectives

August 31, 2018

 @WeAreRegTech

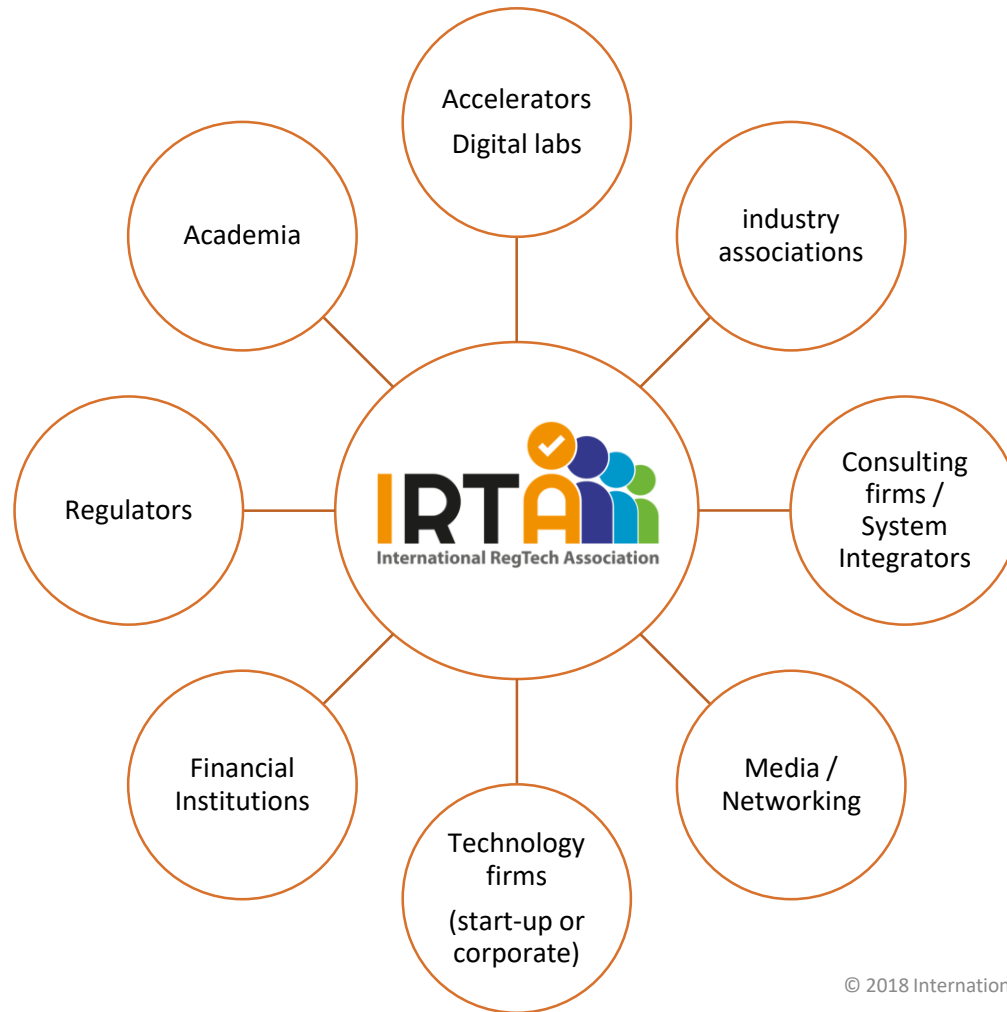


資料 4

About the International RegTech Association

The International RegTech Association (IRTA) is a truly global organization (NPO) committed to ease and accelerate the evolution of the RegTech industry, by facilitating integration, collaboration and innovation of all stakeholders, within the Financial Services sector. IRTA intends to provide a global, collaborative, eco-system for further innovation and deployment of RegTech solutions, to provide professional education and certifications on RegTech and to define, deliver a set of Standards to adopt RegTech into a Financial Institution.

Visit us at <https://regtechassociation.org/about>



About RegTech



RegTech Definition – in and beyond FinTech

“ the use of new technologies to solve regulatory and compliance requirements more effectively and efficiently”

Source: Institute of International Finance (IIF), October 2015

RegTech at a glance

Clouds

Big data / Data analytics
Robotic Process Automation
Machine learning
Natural Language Processing
Biometrics
Distributed Ledger Technologies...

Risk Management
Capital Planning & stress testing
Client On-Boarding & KYC
Identity management / verification
AML, CFT & PF
Regulatory Reporting
Conduct Monitoring
Trading rules compliance
Regulatory landscape changes
Data management
Trainings & Education...

Private Sector

efficiency & effectiveness

Policymakers, Regulators,
governmental bodies
"SupTech"
= *Supervisory Technology*

RegTech/SupTech for Industry V4



Industry V4: challenges

Balancing between

Fostering innovation and building a competitive, attractive business environment
in the global data economy

AND

Developing a sound, fair, secure environment
with safeguard protecting individuals as well as the country economical interests

RegTech/SupTech contribution to solve challenges

Providing modern regulatory frameworks
combined with RegTech platforms designed to
accelerate both innovation and compliance for businesses
while ensuring (near) real-time supervision and feedbacks to
policymakers, regulators and related supervision authorities

Enabling RegTech/SupTech innovation and adoption

Recommendations

Initiative examples

Regulatory collaboration

- Inter-governmental offices RegTech/SupTech working groups
- SupTech Office with transversal approach
- Participation to regulator-led global FinTech/RegTech initiatives

Global standard definition adoption

- Refer/use global standards when available

Digital approach of Data

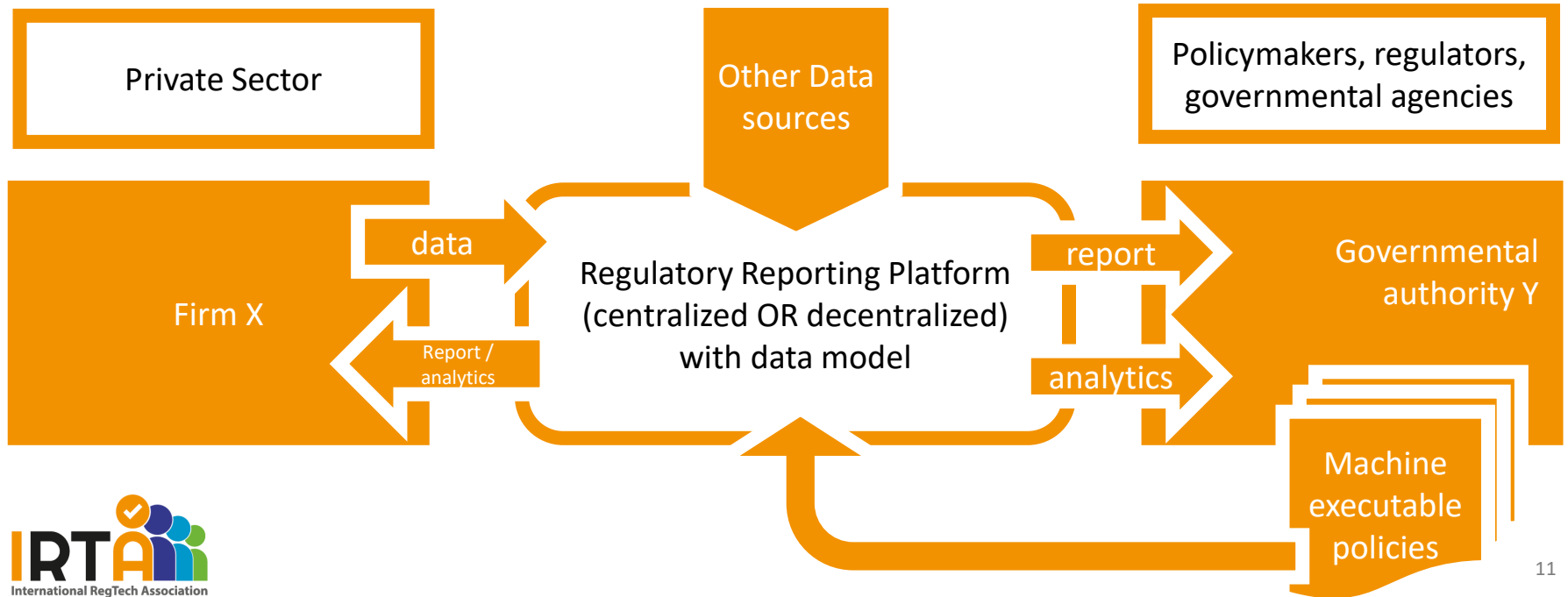
- Data Collection, reporting, Digital ID, data portability...

Innovation ecosystem development

- Develop understanding of new technology by experimenting
- Join and observe incubation/acceleration programs
- Implement regulatory sandbox
- Lead private/public RegTech initiatives on focused themes

RegTech/SupTech as Japan competitive advantage

Illustrative example: Regulatory Reporting



Examples of UK Financial Conduct Authorities (UK FCA)

Early adopters and their innovative suptech technologies

This table shows some examples of the technologies currently used by supervisory agencies or under development. The table is indicative only, based on publicly disclosed activity and makes no attempt to provide a complete overview of all suptech applications.

Table 1

Technology	Supervisory agency								
Data collection									
API	ASIC		BSP						
Data input approach	ASIC					OeNB	SEC		
Data pull approach	ASIC	BNR	BSP		FCA				
Machine-readable regulation					FCA	MAS			
Cloud computing	ASIC			CNBV	DNB	FCA	SEC		
Chatbots			BSP			FCA			
Data analytics									
Big data	ASIC	BoI		CNBV	DNB	FCA	MAS	SEC	
Artificial intelligence				CNBV	DNB	FCA	MAS	SEC	
NLP	ASIC	BoI		CNBV		FCA	MAS	SEC	
Machine learning	ASIC	BoI		CNBV	DNB	FCA	MAS	OeNB	SEC
Supervised learning	ASIC	BoI			DNB	FCA		SEC	
Unsupervised learning	ASIC				DNB	FCA	OeNB	SEC	
Topic modelling						FCA		SEC	
Random forest	ASIC	BoI				FCA		SEC	
Image recognition						FCA			
Neural networks					DNB		OeNB	SEC	

Note: based on interviews and public sources. Definitions of each technology can be found in the Annex.

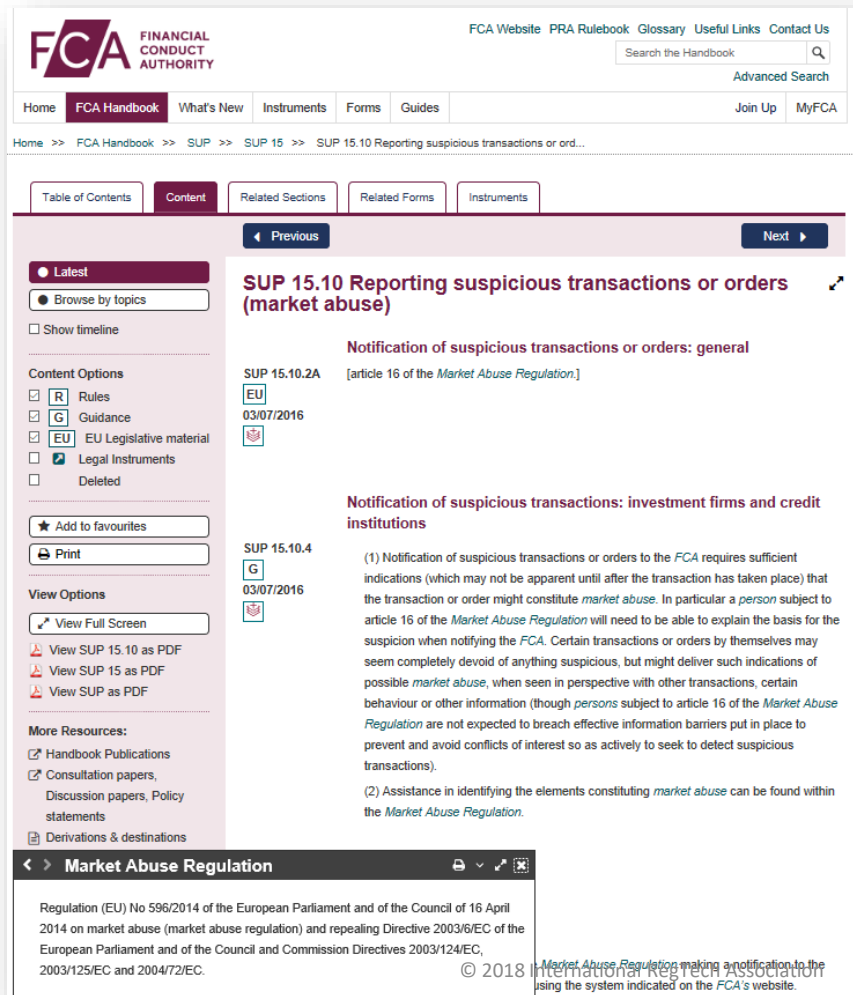
Source: Financial Stability Institute
July 2018 – Report on SupTech

<https://www.bis.org/fsi/publ/insights9.pdf>

UK FCA

FCA Handbook

“The [Handbook](#) contains the complete record of FCA Legal Instruments and presents changes made in a single, consolidated view.”



The screenshot displays the FCA Handbook website interface. At the top, the FCA logo and navigation links are visible. The main content area is titled "SUP 15.10 Reporting suspicious transactions or orders (market abuse)". Below the title, there are navigation options like "Table of Contents", "Content", "Related Sections", "Related Forms", and "Instruments". The page is organized into sections: "Latest" (with a "Browse by topics" dropdown), "Content Options" (with checkboxes for Rules, Guidance, EU Legislative material, Legal Instruments, and Deleted), "Add to favourites", "Print", "View Options" (with "View Full Screen" and PDF options), and "More Resources" (with links to publications, consultation papers, and derivations). The main text area contains two sub-sections: "Notification of suspicious transactions or orders: general" (article 16 of the Market Abuse Regulation) and "Notification of suspicious transactions: investment firms and credit institutions". The first sub-section includes a date of 03/07/2016 and a small icon. The second sub-section includes a date of 03/07/2016 and a small icon. At the bottom, a dark banner displays the title "Market Abuse Regulation" and a summary of the regulation (EU) No 596/2014. A copyright notice for 2018 is also present.

FCA Website PRA Rulebook Glossary Useful Links Contact Us
Search the Handbook

Home FCA Handbook What's New Instruments Forms Guides Join Up MyFCA

Home >> FCA Handbook >> SUP >> SUP 15 >> SUP 15.10 Reporting suspicious transactions or ord...

Table of Contents Content Related Sections Related Forms Instruments

← Previous Next →

● Latest
● Browse by topics
 Show timeline

Content Options
 R Rules
 G Guidance
 EU EU Legislative material
 Legal Instruments
 Deleted

★ Add to favourites
Print

View Options
View Full Screen
View SUP 15.10 as PDF
View SUP 15 as PDF
View SUP as PDF

More Resources:
 Handbook Publications
 Consultation papers, Discussion papers, Policy statements
 Derivations & destinations

SUP 15.10 Reporting suspicious transactions or orders (market abuse)

Notification of suspicious transactions or orders: general
[article 16 of the *Market Abuse Regulation*.]
SUP 15.10.2A
EU
03/07/2016

Notification of suspicious transactions: investment firms and credit institutions

SUP 15.10.4
G
03/07/2016

(1) Notification of suspicious transactions or orders to the *FCA* requires sufficient indications (which may not be apparent until after the transaction has taken place) that the transaction or order might constitute *market abuse*. In particular a *person* subject to article 16 of the *Market Abuse Regulation* will need to be able to explain the basis for the suspicion when notifying the *FCA*. Certain transactions or orders by themselves may seem completely devoid of anything suspicious, but might deliver such indications of possible *market abuse*, when seen in perspective with other transactions, certain behaviour or other information (though *persons* subject to article 16 of the *Market Abuse Regulation* are not expected to breach effective information barriers put in place to prevent and avoid conflicts of interest so as actively to seek to detect suspicious transactions).

(2) Assistance in identifying the elements constituting *market abuse* can be found within the *Market Abuse Regulation*.

← > Market Abuse Regulation

Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC.

© 2018 International RegTech Association
Market Abuse Regulation making a notification to the system indicated on the FCA's website.

UK FCA

November 2017 TechSprint

Model Driven Machine Executable Regulatory Reporting

“This TechSprint successfully proved that we are able to take a regulatory requirement contained in the FCA Handbook and turn it into a language that machines can understand. Using that language, machines can then execute a regulatory requirement, effectively pulling the required information directly from the firm.”

May 2018 TechSprint

AML and Financial Crime International

UK FCA

2018 initiative: launch of the Global Financial Innovation Network (GFIN)

<https://www.fca.org.uk/publications/consultation-papers/global-financial-innovation-network>

The Financial Conduct Authority (FCA) has, in collaboration with 11 financial regulators and related organisations, on 7 August 2018 announced the creation of the Global Financial Innovation Network (GFIN), building on the FCA's proposal earlier this year to create a 'global sandbox'.

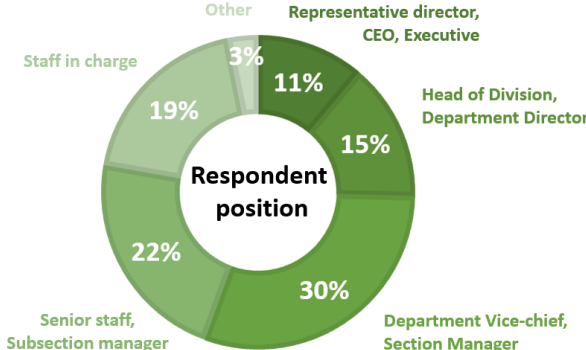
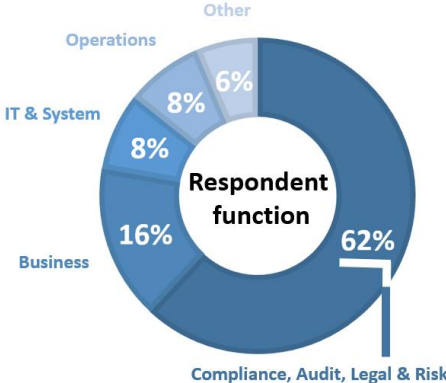
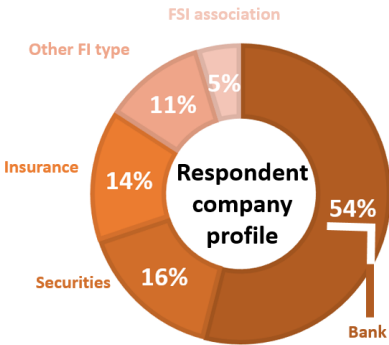
The consultation sets out the three main functions of the GFIN:

- act as a network of regulators to collaborate and share experience of innovation in respective markets, including emerging technologies and business models;
- provide a forum for joint policy work and discussions; and
- provide firms with an environment in which to trial cross-border solutions.

Japan Financial Sector Readiness for RegTech/SupTech utilities

Extract from 2018 IRTA Japan Survey

64 valid responses from Financial Services Industry participants surveyed in February 2018



Defining RegTech Utility Services

Over the past years, the financial services industry has seen an increase in number of available utility services covering diverse aspect of the financial institution business cycle.

Utility services can be defined as a multiparty cooperation to answer common requirements in a mutually beneficial spirit. For example, in order to address a given regulatory requirement common to all parties, several Financial Institutions can create a consortium, possibly involving Regulators as well, then decide to build a shared platform on their own or with the help of RegTech vendors and Consulting Firms and appoint an operator to run it and maintain it.

Utility services can come in many different shapes, leveraging various technologies. Governance regimes for utility services can also be of a diverse nature. Utility services can run in a centralized model where information is aggregated around one centrally shared platform or in a decentralized way where information is distributed among the various entities involved in the utility itself, as in the case of Distributed Ledger Technology based utilities for instance.

The next session of this report focuses on the possible benefits and design requirement for RegTech utility services.



Expected Actors for Utility Services

Number of valid respondents **limited to 30**



TOP 2

Owner

Governmental Regulator
Other SRO or Industry Body



Consulting firm

Technology Vendor / System Integrator

BOTTOM 2

Collaboration opportunity

Financial Sponsor

Financial Institutions Consortium
Industry Body (other)



SRO and Industry Association

Governmental Body (non-regulator)

Operator

Technology Vendor / System integrator
Consulting firm

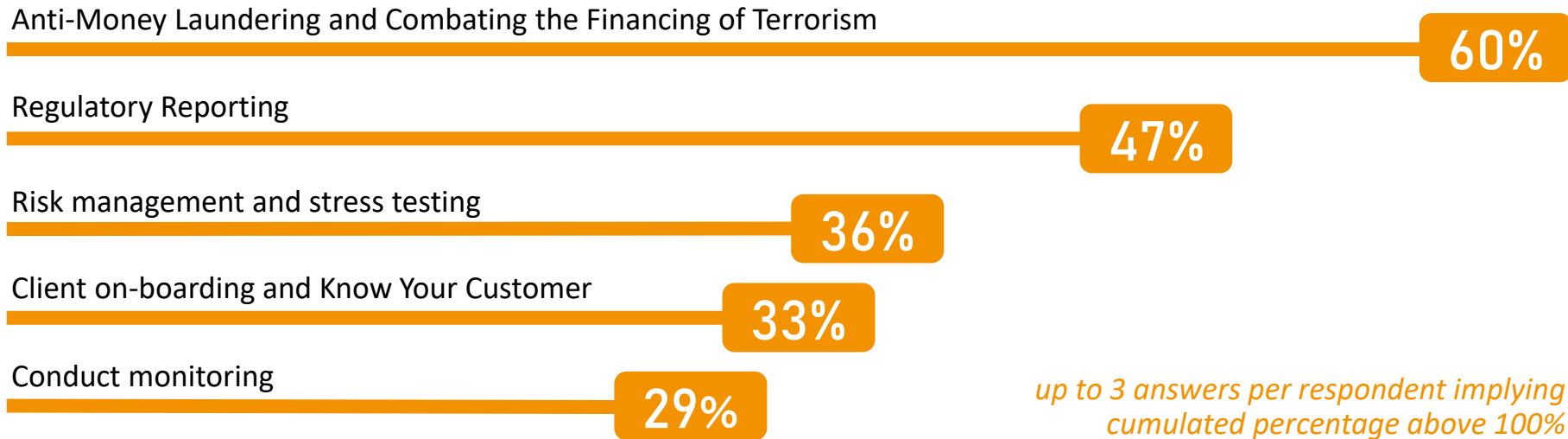


Governmental Regulator

Governmental Body (non-regulator)

Utility Services expected benefits: top 5 areas

Percentage over 55 valid respondents



up to 3 answers per respondent implying cumulated percentage above 100%

[see comments next page](#)

RegTech Utility Services: the way forward?

60% of the respondents have identified the possible benefits of RegTech Utility Services in helping them address challenges in relation to AML and CFT. This figure could reflect the angst of financial institutions in being ready for the 2019 FATF mutual evaluation. It could also emphasize the need for industry-wide solutions and services in order to answer the shift to a “risk-based” approach to AML and CFT newly required by the Japan FSA (see explanations on page 8).

The next biggest anticipated benefit of utility services points to the regulatory reporting function. With an increased expectation on regulatory reports (frequency, accuracy, granularity) and no value-add to the business, reporting appears indeed a strong candidate for financial institutions to join forces and tackle many requirements in a holistic manner for the industry.

With a growing global trend of regulators looking at leveraging digital technologies as well for their supervisory needs, a trend dubbed SupTech (Supervisory Technology), there is here a strong interest for financial institutions to engage with regulators and find ways to improve the reporting function in a mutually beneficial approach. Although limited to only 30 respondents, Regulators and SROs are actually foreseen as the best bodies to own utility services, while RegTech Vendors, Technology Providers and Consulting Firms come as a natural response to the requirement of operating and maintaining such utilities.

It is also interesting to note here that “Client On-Boarding and Know Your Customer” is positioned at the fourth rank. As client on-boarding and KYC is a part (or initial step) of AML under Japanese law (Act on Prevention of Transfer of Criminal Proceeds), this data point surely reinforces the high interest on services related to AML and CFT as a whole. The recent public announcement of Japan FSA and the Japan National Police Agency discussing an adjustment of the current requirements in terms of KYC with an objective to support electronic on-boarding will surely contribute to raise further the industry interest for such services.

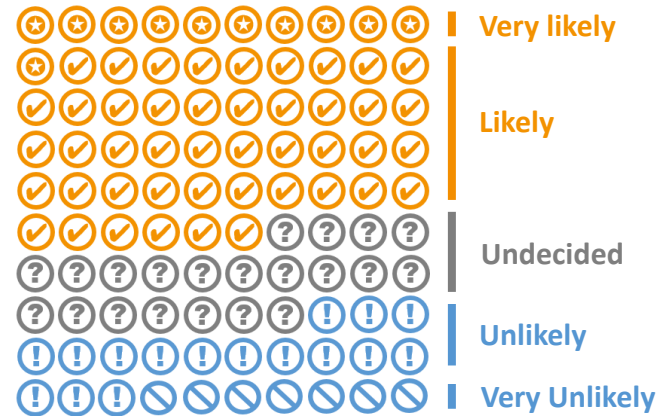
More than half of the respondents (56%) say they are ready to use RegTech Utility Services if made available.



Extract from 2018 IRTA Japan Survey (Financial Sector)

Utility Services adoption intention

Percentage over 55 valid respondents





Dr Subas Roy
Global Chairman



Bruno Abrioux
Executive Board Member
Japan Representative

Thank you