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In which the RegTech right now is establishing itself? Where are the most impactful services and which are the technologies? It leverage? The ravages?

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Okay, so like when we think of regulatory technology, it's basically technology that will help all regulated entities fulfil their legislative and regulatory obligations for whatever kind of business area that they work in. Financial services are one of the key kind of buyers off of RegTech, because they have not only financial reporting requirements, but they also have financial crime prevention requirements. So, it's in both these areas that you tend to see regulatory technology come up. So, when you think of the financial regulatory requirements that are those are the financial reports that need to be sent to regulators on a kind of ongoing basis, it could be monthly or yearly, they need to report things like their liquidity positions, how much customer money they're safeguarding, and a lot of that is very manual.

So, the main solution that reg tech is trying to solve is to reduce all of that manual work, which could lead to inconsistencies in reporting from human errors. By making it such that you're having a machine, generate the reports for you, but also ensure that all the data that's being reported is being reported in a consistent manner.

The Financial Crime side is where a lot of reg tech players are coming up, because, right, the reg tech that's used for financial crime prevention is used on a daily basis. Whereas if you think of the financial reports that need to be submitted, it's periodic, it doesn't happen on a daily basis. So some companies depending on how much resource and funding they have, they might just prefer to do it themselves, rather than purchase an expensive rec tech product.

So the financial crime prevention acts like it spans across a customer's journey. If you think of yourself as a customer taking out a financial product, you're going to onboard, you're going to open up an account, then you'll start using that account. And it's through each of these different touch points where reg tech adds value. So it is the customer screening against sanctions, watch lists, other types of financial crime and terror watch lists, you then need to meet screen, not same customer on a daily basis, depending on the type of financial service company at most, I mean, at least on a monthly basis, because sanctions are constantly evolving good every day, there are new sanctions changes happening. So financial service companies conscious rely on screening of customer every month, they need to do a daily, and you can't do that manually anymore. It needs to be done automated automatically, which is why you have the reg tech that does it for you. And then in addition to that, you need to be able to monitor customers transactions for suspicious activities, and then also screen transacting parties to make sure that they're not sanctioned individuals, and all of that, again, it relies on technology. And the reason why we're seeing so many reg tech players out there and such a big kind of drive for REG tech, it's like a billion dollar industry already.

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The introduction of real time payments. You know, back in the day, there wasn't a concept of real time payments, you'd use cheques, a check would take three to four days to be credited to your account. And within that three to four lag time, that gives enough time for a financial service company to manually check and screen and monitor. But now there you have real time, Faster Payments, everything is happening instantaneously, everything is happening cross border, it that that is fueling the need for regulatory technology. And then also technologies such as machine learning and artificial intelligence, because the number of customers that are now using banking products has grown like dramatically, because I mean, 20 years ago, you would never have an account for someone who's 13 years old, or nine years old. But now there's so many different types of junior financial products that are coming out. There's so many customers and now have access to mobile phones and the internet that are able to make transactions digitally and online than there was before. So, this is like a need that's going to exist, and it will just kind of continue to exist and even grow further.

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In the reg tech space. Then you have companies like law firms, and things like legal tech, which also could be you know, some people call it reg tech, but it's more legal tech. And again, the purpose of legal tech is to solve for those manual burdensome tasks of drafting contracts, drafting case arguments, agreements, everything that is anything that you could be templated as a document rather than having templates, you could have legal tech, that just does it for you. Do you have any example of how this can apply to regulatory requirements of this legal tech thing.

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So legal tech is really good for outsourcing agreements. So that's a regulatory requirement where financial service companies that outsource some of their services like to customer support agents, or call centres overseas, or also they could have financial crime investigation teams overseas. So, there are third party companies that are being used to do this, to perform the processes that the regulated entity should be doing. So because you're outsourcing regulated activities, there are very tight outsourcing agreement terms that need to be included, particularly around data protection. And that's where I see reg tech / legal Tech University. Okay. Okay, this is very interesting.

So basically, the regulated company, business in general, has to comply with certain requirements. So in order to do that, it creates kind of a network of outsource companies that perform those regulatory requirements. And so therefore, they have to share data with one another. And in order to share those data. There is where like, legal type of RegTech technologies kick in, to make sure that these data sharing is safe and compliant. Yeah, okay.

And I haven't really, in my experience, seen many kind of this type of legal tech, these type these type of players in the market, I think people are still doing it, you know, with lawyers in house or external legal counsel. But it takes so much time. I mean, on average, it could take like, three to three weeks to a month to even get a basic agreement drafted, which is and it's very costly, like one of these agreements, especially if you're getting it done by external lawyers, they will charge 10s and 1000s of pounds.

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It's a really a monument. And it doesn't make sense why someone would actually go to a law firm to do it. If there could be legal Tech, I think that's a gap that currently is not being plugged. But it does because it delays kind of the servicing doesn't if I've been waiting a month to even get an outsourcing or Data Protection Agreement in place with my third parties. That means that my customers can't like I can't do business, right. So it has a direct business impact. Okay. Okay. This is nice. This made me think about a company I interviewed.

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I guess it was he was the chief of legal operations of HSBC. And he told me that he worked at regulation, which is, which is still I think, a startup and they developed an algorithm that fulfils that exact purpose. So basically, it allows different parties to share data.

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But yeah, exactly. It's not properly sharing it. It allows a technology like AI or an algorithm to learn from different from data coming from different parties. But just by taking, you know, the learning side, so not the data itself. So the data is not properly shared, it's shared just to some extent, in order to make the technology learn, I think this is kind of in that direction, because you're providing a way to share, sharing knowledge, coming from data without actually sharing the data that you don't want to. So maybe this can be a start. Exactly, exactly. And it's a really good area.

And then there's other types of reg tech, which focuses just on the different kinds of regulations, and helps companies understand which regulations are applicable to their business. And then we'll end it doesn't really, I mean, it's very basic technology, it doesn't have much machine learning, or artificial intelligence is more like a repository of all global regulations that then a firm can look through and say, you know, this is the country operate. And these are the products I, I provide. And these are the types of customers I work with, tell me what regulations are applicable to me. And it will then tell you those regulations, and then keep you updated whenever a regulation changes. So they'll use like scraper technology to scrape on the public sources of regulators and legislators, and then feed back to a customer whenever something is changing, you remember, by any chance to name of a company, one is CUBE, I worked with cube we use, I got cube onboard, when I worked at revolute, because we needed something to be able to literally map our policies and procedures back to this specific regulation to show that the company was compliant. And the challenge there is that whenever regulations change, if you don't have like this type of reg tech in place, you're always manualized. Exactly, you know, you might not be notified your policies will be out of date, your procedures will be out of date.

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And especially the more global accompany you are the more regulations, do you think this

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can be applied also to SMEs or network that SMEs that collaborate? Because maybe, okay.

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Yeah. So, it's not strictly for financial services is?

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Yeah, it could be any type of SMEs. I mean, like the financial crime type reg tech that I went through, those would be required by lawyers, real estate agents, accountants, so any kind of business that is regulated under anti money laundering and terrorist financing regulations would need to have financial crime reg tech in place. And then again, like accountants, they will have reporting obligations that they would have to report so they might use the reg tech products that allow for financial reporting. Okay, so okay. So, SMEs, as well, of course, are subject to anti money laundering regulations.

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This is perfect. Thank you.

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Going back to the aanti-money laundering thing that you told me previously, and now as well,

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what are the

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biggest, not not the biggest word most common industries that are subject to these kinds of regulations or sanctions? Apart from of course, like financial services, because I think it's trivial.

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Yeah, so when even within financial services, you have companies like payment service providers, merchant acquirers, so if you think of things like Stripe, Lauren Ella, they're not they're not like the bank. Way. They're, they're more like payment processors, Visa, MasterCard, so the card issuers there, they're under obligations of AML. But then wider than that is like the lawyers, the accountants, real estate agents, gambling companies, so casinos and gambling, industry gaming as well.

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And then you also have on money service bureaus. So just like currency exchanges, where you can go either into a shop and get foreign currency or you do it online. And in addition to that, dealers have antiques and arts. So luxury good dealers are now also falling under the anti money laundering, regulatory requirements.

And we've also seen companies like that and these type of designer brands for luxury watches and luxury goods also start to purchase Reg Tech because they also have a requirement to identify financial crime. I see.

Do you think these regulatory requirements impact how different kinds of different types of businesses interact with one another? business wise?

Yeah, the interaction would be more around kind of the data sharing. That happens.

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But often the, if you think of companies outside of financial services, like lawyers, accountants, there, they're usually called professional enablers. There's not much data sharing between them and a financial service company. So, it's more companies within the financial sector will share data and collaborate with each other.

Out of the industry, there's less sharing. Okay, so maybe the

improvement in the teg tech field, do you see that it has a

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potential effect of in fostering collaboration even more between players in the financial sector? Yeah, there definitely needs to be more collaboration, but the chart like private to private and public to private sector, but the challenge there, and why it hasn't been so easy to do that is the data protection,

you know, restrictions of sharing an individual's data like you, under GDPR, you can rely on the one at the data processing rules of legitimate interests.

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A company could argue it's my legitimate interest to share this client's data with this bank, because I'm preventing money laundering. But in reality, companies don't care that much about it. And they and they don't want to get into the hustle of sharing data, because potentially they could be sued for sharing personal data.

Okay, okay. So just to just to understand this topic, it's more collaborations that allow RegTech to develop more, or is the other way around the development of new and more efficient rec tech tools may help certain kinds of collaborations? No, so I think it's, well, it's a bit of both, I think, firstly, collaboration is the desire to collaborate needs to be there, there needs to be a way to share data and collaborate without breaching data privacy of different jurisdictions, and then the reg tech will come in to provide the tools by which data can be shared securely and safely.

So yeah, it's kind of okay, this is because I'm sorry, but I'm picturing the theory in my head is like, maybe there are two different if you can then give me like a concrete example, it will be great.

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There are two different businesses 2, 3, 4 different businesses that collaborate a bit because they have to for their business operations or something. They need to share data. And maybe they are interested, they would like to share data safely. And they would like to innovate the way they're sharing data, like creating a kind of innovation ecosystem, that they're trying to innovate the way in which they share data. And so RegTech can kick in, in helping this process of data sharing that allow them to, to innovate the way in which they communicate and make business.

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Yeah, like a good example for this would be fund management. Fund managers, for example, a lot of the underlying investors in a fund or could be trusts, right? So, it's not a person, it is a trust, it's a vehicle, and that trust will have a beneficial owner behind it. Now, what the fund manager which would be the financial service company would need the trustee of the trust to share information with them. And then the bank through which like the the money's coming through would need to collaborate with the fund manager in order to understand who the participants of the fund are. And then who are there basically, at the end at the participants are a trust, who are the beneficial owners of the trust. Now that can be very complex. The data sharing usually happens like via email or you know, encrypted messaging, where documents are shared. So that is a good area where reg tech can play a role, but it's it's limited by the jurisdictional data privacy laws.

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jurisdictions like India is a good example.

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Some Middle Eastern countries, eu as well. But India is India and the Middle East are very strict about data cannot leave that country. So, if I'm, for example, I have a trust, and my trust is based in India, but I'm investing in a fund, which is based in the EU, and the bank is based in the EU, I am not going to share any trust information with those participants, because I cannot, I cannot transfer my data outside of the region. So what I would need is for those, that fund manager in that bank, to be able to have maybe a Google Cloud or hosting or like a cloud hosting server in India, and I would then only be able to send it to that cloud instance, do you see what I mean? But it can leave India. So the challenges come when it comes to hosting and storing the data. And you can solve for it when you think of cloud storage, have a Google or Amazon service within the country and store it there. But that becomes very then costly to individual firms to do that. So that's where then reg tech will need to kind of come up with an innovative way of having a low-cost data warehouse within jurisdictions where there are restrictions being jurisdiction. So it's like what, like a one stop warehouse with different jurisdiction can somehow communicate, let's say, just

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one wanted to be very innovative, and move away from the traditional way of doing things. That's where blockchain and digital distributed ledger technology can work because it's decentralised. It's not tied down by any data privacy restrictions. Everything is in the open. So one industry like the trade, finance (import exports and shipping of physical goods). So when I say trade finance, I don't mean shares and securities. And I'm talking about the Import Export and you know, the actual shipping in vessels of physical goods. That industry is now starting to use block trade blockchain and distributed Ledger's in order to share data about the goods being imported. Like, for example, through procedures, like letter of credit are very important. Okay, exactly. So rather than have a physical letter of credit, they use distributed ledger. So they have letters of credit that are digital, and that are then transferred on blockchain. Okay. So in this way the issue of different regulations about data is almost not present.

22:48

Exactly, exactly. And I mean, like companies like HSBC that have huge trade finance business, they're already using, you know, digital letters of credit, digital, they're called bills of lading. So like, the documents of what are the goods on on a vessel? What is the weight of the goods? What is the price of the goods there, they've now started to use distributed ledger technology, but they have the money to afford building this out internally or purchasing it. Because it can get costly for the smaller businesses that are trying to do this. So the tech needs to be cost effective. Okay, okay. Okay. So right now is the big businesses that are developing this kind of solution. But there's more businesses by interacting with the big, big businesses can benefit by this innovation. Oh, definitely. Definitely. Okay. Okay. Okay. So this can be an impact for for SMEs, indirect one.

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Yeah. What about the because previously, you mentioned the funds. What about the ease of raising

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finance by like startups or SMEs?

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Do you see? How could this be impact impacted by this evolution? Do you have any idea about something that pops up in your mind?

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So I think,

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I think it's the crowdfunding space, which

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is more like if someone is going to raise funds, and but they're going to do it through crowdfunding platforms, then that's where reg tech will help a crowdfunding platform service provider, perform their kind of anti money laundering checks, but also be able to, you know, reconcile how much investments come in when investment is due to be paid. When any kind of dividends are owed. That's where technology can come through. But most companies are like the, it's always like it's tends to be the smaller scale kind of SMEs that are trying to raise funds that would use crowdfunding in the early stages; after that they do the angel, kind of angel investors and VC investments and those guys don't really use. Okay. I see. So you just see the, the help that RegTech can give to crowdfunding platforms, basically operate their business model. Exactly any digital way of being able to get groups of people to raise funds. That's where reg tech will come in. Okay. Okay.

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I have to tell you, this is one of the most insightful interviews I've been doing.

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is nice.

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Yeah. And you basically covered everything really fast, because you were super ready to answer.

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Questions. Yeah.

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Yeah, one question that we kind of answered that, like in which ways RegTech could directly or indirectly facilitate entrepreneurial innovative activities, for example, by solving some of the obstacles that new businesses have. But somehow we already answered the if you have any other potential thing that could be plugged into this question. It's fantastic. Otherwise, I think, I think the biggest areas of reg tech, the biggest areas where reg tech will solve is where it's reducing the time where a human would do something. And UK and they rely on like,

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you broke a little bit. Just restart the sentence. No worries.

26:42

Yeah, he, you know, okay, good. So, when we think of like, okay, what type of problems can wreak Texel? It's always good to start from the position of what are the really heavy manual tasks that an SME or company needs to perform, specifically around meeting their legal and regulatory obligations? Because otherwise, a company wouldn't really care about doing it, unless it's unless it's technology that gives a better product or service. But that wouldn't be reg tech, right? So it will thinking about what are those manual long time consuming tasks? How can we automate that for the user, and use and learn to use like a model that can learn from actions that a human has taken, so that going forward, those actions can be delivered through automations robotics

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at wave in in the financial crime context, a lot of that is the screening of clients the monitoring of suspicious activity. So the innovation in terms of financial crime, Reg tech is being able to understand how criminals are changing the behaviours and like how our criminal behaviours changing when it comes to how they commit crimes and how they then launder that money. So with crypto, we've seen crypto now being used by criminals, to to collect payment for their criminal activity. So back in the day, let's say I'm a money, I'm a drugs drug dealer, I would take cash for the drugs, right. And then I'd have a lot of cash that I need to place into a bank account. And that's where I would use people called Money mules. So different people, and I'd give them like 3000 3000, you know, totaling like maybe 50,000, and they were deposited into their accounts, and then send it to some offshore account. Now you see those same drug dealers using E money cards. So they would use like a revolute card, they would use a n 26 card, whatever, to accept payments, or their use crypto. So there are a lot of like drug dealers that have websites, and you can then just purchase the drugs online, they will post it to your address, and you pay them in crypto. So that the ways criminals are they generating funds for their activities are changing. They're using all these new payment technologies. And what reg tech needs to do is it needs to be able to build learning models around these different types of typologies. So that you can then alert your user whenever those types of suspicious trends are spotted.

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And then another area where RegTech can prosper are these things around data restrictions, sharing data across different jurisdictions by moving away from on premises kind of data warehouses where you're actually storing documents, but moving towards that cloud based system where you can have a cloud that is hosted in one jurisdiction, but I in the UK can still access it. So for me so then I'm not breaching any data restrict

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Shouldn't so if that India example I gave if I'm an analyst, and I'm sitting in the UK, and I need to analyse transactions of my Indian customers, I just can log into the Indian cloud. And I can still do my job sitting in the UK and the US still in the in India. But there needs to be technology that can facilitate. It's basically a filter for the UK business analyst. Exactly.

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This good?

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Okay. Yeah. Since you were so insightful. Do you Do you know, someone else that may be as knowledgeable as you that could interview?

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Yeah, like, I, I'll send you the email address of a couple of people like definitely my, my boss, Andrew Davis, he's really good. Because he's, from me, my I worked in financial service companies. And then I've moved over to the reg tech side. So I have that SME experience. Whereas Andrews spent like the past 3030 plus years working with your technology companies, when types of technology companies, so you will have a better lens in terms of what the reg tech space is going to look like in the future what they've already done. What what is on the horizon.

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Yeah, and then there are a few other people so I what I'll do is, after this call, I'll just like, message you a few names. I'll also then speak to Andrew, myself and this chat with you and how you know, because I'm almost done with the interviews. I just need a couple more because I've done several of them. So yeah, but since it was really knowledgeable and

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it will be great if I

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could do one more or two more.

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There's also the founder of rec tech and it's she's she they do financial reporting. I think they're called comply first, but we're I'll send you her details as well. It's a different type of reg tech space. It's more you know, the regulatory reporting and the financial reports. But again, it will give you a good a different perspective, if she's willing to thank you. Thank you just stop the recording.