THE REGTECH REPORT

GLOBAL REGULATORY REQUIREMENTS ARE CREATING A HUGE OPPORTUNITY FOR REGTECH FIRMS

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KEY POINTS

- **Financial firms have faced an ever-increasing regulatory burden since the 2008 crisis.** Banks, insurers, asset managers, and brokerages are contending with soaring compliance costs as the volume and complexity of new rules tax their systems and processes.
    - **National and regional governments have introduced significant new regulation.** In particular, the US, EU, and Australia have enacted wide-reaching laws designed to prevent another global financial crash. The legislation is composed of new regulations as well as technical standards and implementation requirements for existing rules.
    - **Financial regulation across borders rarely aligns.** Because many financial firms do business in multiple jurisdictions, they must contend with different approaches to regulation of key segments across borders. This adds to the complexity, and, therefore, cost, of compliance.
- **This has created an opportunity for a new breed of company offering solutions to regulatory challenges.** These firms, known as regtechs, leverage cloud computing, advanced data analytics, and new ways of working to help financial firms address compliance, reporting, and data challenges presented by the increasingly complex regulatory landscape.
- **Regtechs are well placed to help financial firms with many areas associated with compliance.** This goes beyond automating legacy processes and can include interpreting legislation, designing new compliance processes, and managing and processing data. To do this, regtechs typically maintain a narrow focus to aid compliance in specific areas or segments. This allows them to leverage strategic advantages — including new technology and ways of working — in ways financial firms and existing compliance systems can't.
- **Large legacy financial firms are the biggest opportunity for regtechs.** This is because they have the largest regulatory burdens — some are spending as much as $100 million on Know Your Customer (KYC) and due-diligence requirements alone. They also typically offer a broad menu of services, meaning they are affected by a wider range of regulation. This means there are many areas in which their existing compliance systems and processes may face challenges.

- **Regtechs are also ideally placed to help fintech startups.** Fintech startups often face significant regulatory challenges without the resources to address them. Regtech solutions are typically well suited to working with new business models, solving specific problems efficiently, and scaling in line with company requirements. This can make them ideal partners for startups seeking to ensure compliance using as few resources as possible.

- **Despite their ability to leverage strategic advantages, regtechs still face some hurdles to achieving significant scale and success.** These include competition with existing compliance solutions and other members of the quickly expanding ecosystem of regtechs, the challenges of international growth, and building trust among customers who may face serious repercussions for failing to abide by regulations or exposing client data to misuse. The flexibility and cost savings they offer will help them overcome these challenges and achieve wider adoption.

- **Regtech solutions will likely ultimately result in job losses.** One of the ways regtechs increase efficiency is by automating many compliance processes that are currently done manually. Regtechs will likely augment compliance teams in the short term, but they could lead to job losses among compliance professionals in the longer term.

Download the charts and data in Excel »

INTRODUCTION

Regulators seeking to prevent the next financial crisis have created a mountain of new rules for banks, brokerages, insurers, and fund managers to follow. From 2008 to 2015, the annual volume of regulatory publications, changes, and announcements increased 492%, according to Thomson Reuters. In addition to major new measures like Basel III, Dodd-Frank in the US, and MiFID II in Europe, regulators are producing huge amounts of supplementary documents that specify how the rules must be implemented. To meet these new obligations, firms must collect more and better data and satisfy ever-growing reporting requirements. The international reach of most large financial services companies compounds these burdens.

Big firms are struggling to keep up. Their IT systems and compliance processes weren't built to handle the complexity and volume of new requirements and can't be easily adapted. To remain in compliance, they need to find other ways to interpret increasing volumes and complexity of regulation, to design processes that enable them to meet new requirements, and to implement and maintain those processes. All of these steps require more compliance staff, raising costs at a time when the finance industry faces dwindling profits.

Enter regulatory technology companies, known as regtechs. This new breed of firm helps banks, brokerages, insurers, asset managers, and others to address these compliance challenges. They can use cutting-edge data analysis technology to interpret new regulations and automate time- and manpower-intensive tasks. Their solutions are typically designed to integrate easily with legacy systems, avoiding costly upgrades and overhauls. And most take advantage of inexpensive cloud technology for data storage, processing, and overall infrastructure, allowing them to scale as required.

Regtechs' services have the potential to save financial firms time and money. As these solutions become more widely adopted, they will initially augment compliance professionals before ultimately replacing a large portion of them, resulting in savings on personnel (or, put another way, leading many compliance employees to lose their jobs). It's not just financial firms' needs that are driving the adoption of regtech, as it has also attracted the attention of a number of national regulators. This is especially true in the UK, where the regulator has issued a call for input into how regtech can make compliance easier for firms of all sizes. This has raised awareness of regtech solutions internationally.

Success will depend on regtechs' ability to overcome several hurdles to broader adoption of their services, including growing competition in the space, differences in international markets, questions about data security, and uncertainty about who regulators will hold accountable in the event of a compliance failure.

This report will examine the drivers for the adoption of regtech and the problems regulation and compliance are causing financial firms. It will also provide examples of how regtechs are providing solutions to these problems.

EXAMPLES OF MAJOR PIECES OF FINANCIAL REGULATION

Name of regulation	Industry affected	Region affected	Date of implementation	Scale of regulation and associated documents
Dodd Frank	All financial industries	Firms operating in the US	Ongoing. 70% of rules implemented (by August 2015)	22,000 pages of rules and specifications.
MiFID II	Financial markets	Firms operating in the EU	2018	1000+ pages of technical standards.
PSD2	Payments	Firms operating in the EU	2018	200 pages of laws. Specifications have yet to be issued.
Basel III	Banking	Global, but individual countries have to opt in and can modify the requirements	2019	500+ pages of recommendations, before national requirements.
FATF	All financial industries	Global, but individual countries have to opt in and can modify the requirements	2012	134 pages of recommendations, before national requirements.
Solvency II	Insurance and asset management	Firms operating in the EU	2016	400+ pages of technical specifications.

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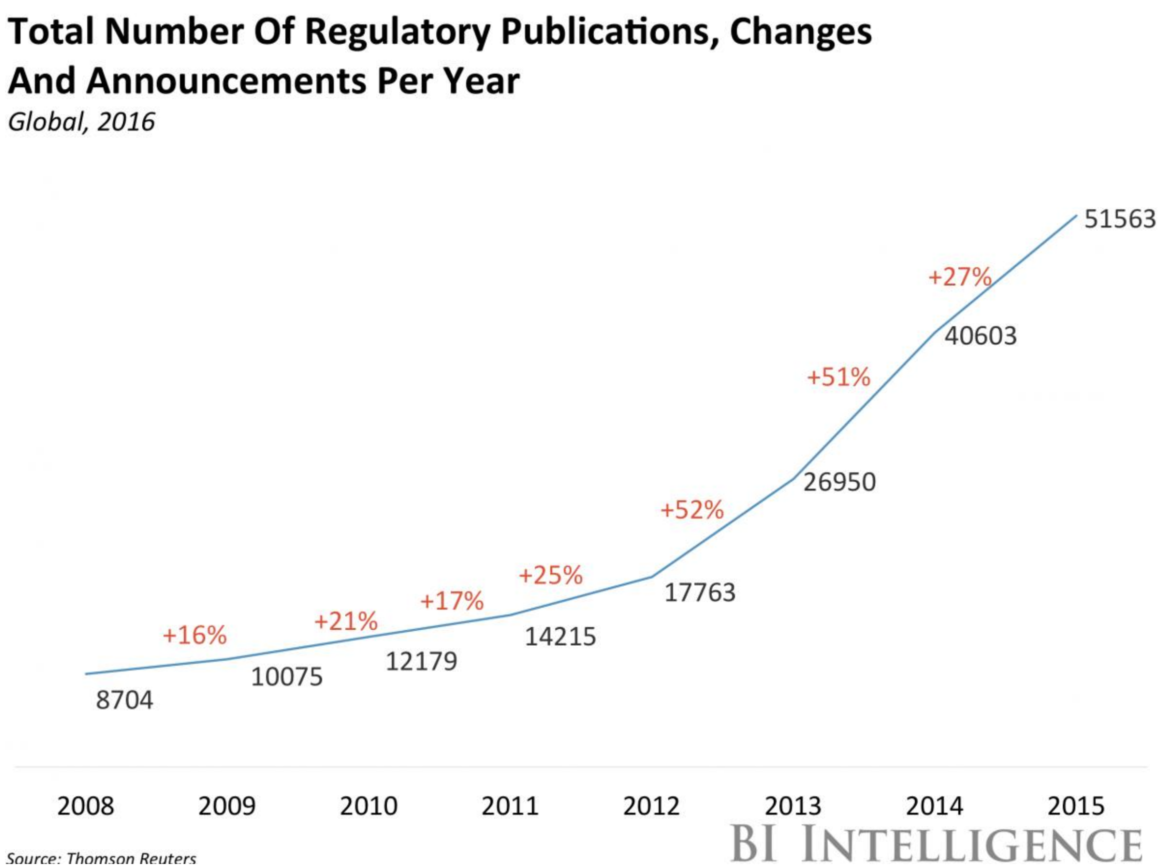
WHAT REGTECH IS AND WHY IT'S EMERGING NOW

Regtech companies provide solutions for any industry where compliance with state, national, or international regulation is required — including law, retail, gaming, and social media. But the focus of this report will be on how regtechs can help financial services firms.

That's because the rapid proliferation of new regulations in the aftermath of the 2008 financial crisis is posing a special challenge to retail and corporate banks, brokerages, asset managers, and insurance companies. Some pieces of regulation affect all or several of these areas, while others target specific segments. But while the nuances of the regulation are different, they are causing similar problems across the industry:

- **Existing compliance processes aren't designed to handle the volume and complexity of the new requirements.** Many firms struggle to keep up with the volume of new rules and the pace at which existing ones are changing. Every new technical standard and practical implementation measure requires interpretation and a decision about how to implement it.
- **The growing demands on financial services firms' IT systems make the challenge posed by increasing regulatory complexity even greater.** There's more data than they can handle, and the processes used to update and maintain client information are no longer efficient. Individual systems also aren't designed to interact with each other, meaning data is often kept in different formats, and collating data about a particular client or transaction is a heavily manual task. A third of financial services firms globally said their biggest challenge related to new anti-money laundering (AML) rules was data quality and maintenance of client information in electronic formats, according to a survey by PwC.
- **And while compliance solutions that can handle these problems are increasingly available, upgrading or replacing existing systems is time consuming, complex, and expensive.** The same PwC survey found that implementing new IT systems, or upgrading existing ones, was the main concern about new AML rules among global financial firms.

The combination of these factors has resulted in increased demand for compliance staff. More people are now needed to interpret regulation, design implementation processes, and carry those processes out. HSBC increased its compliance team from 1,500 in 2010 to 9,000 in 2015, and around 10% of its staff globally now work in risk and compliance, for example. This is expensive — financial firms in the UK now spend an estimated £10 billion-£20 billion ($13 billion-$26 billion) a year meeting regulatory obligations. And this is compounded by the fact that increased demand has led to skills shortages, driving up overall compensation costs. Globally, financial firms have expected an increase in the cost of senior compliance staff every year since 2012.



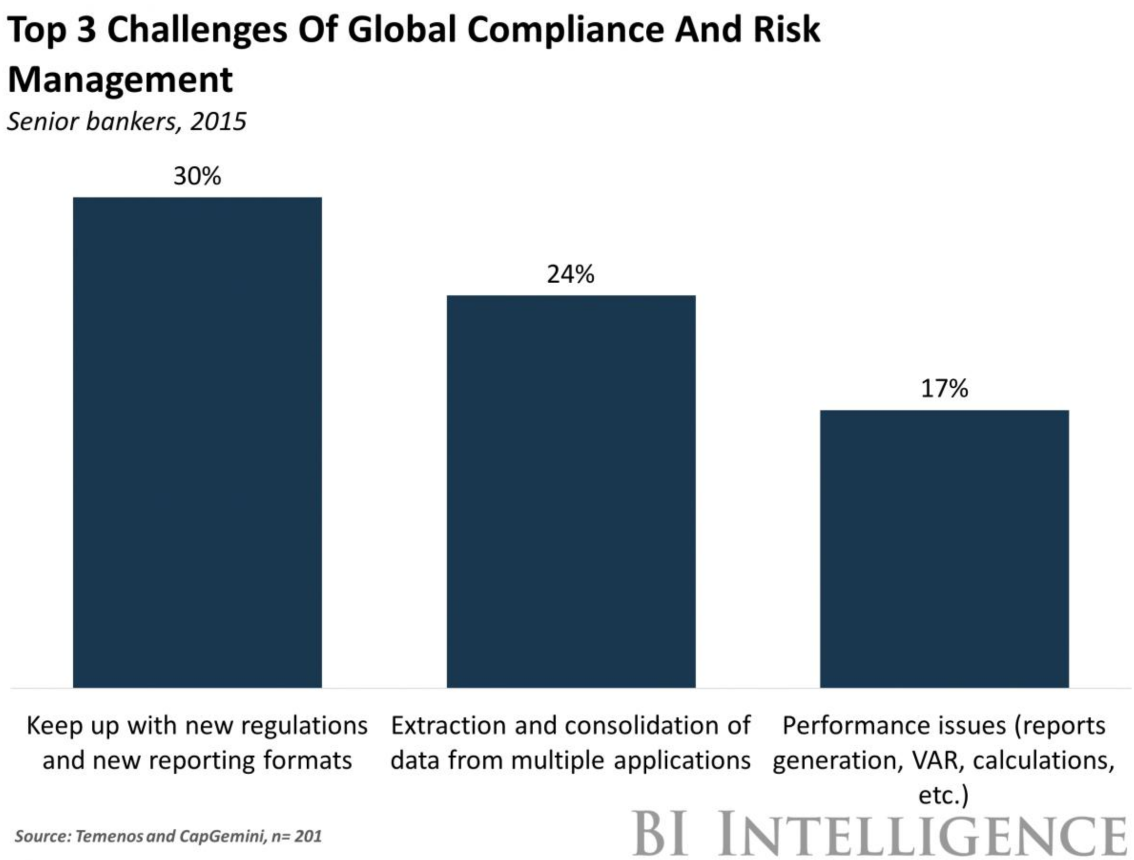
STRATEGIC ADVANTAGES OF REGTECHS

Regtechs can leverage certain strategic advantages better than most existing compliance solutions and financial firms. Regtechs typically have a narrow focus, aiming to take advantage of specific opportunities caused by inadequacies in existing compliance systems and processes. In order to do this, regtechs seek to combine and leverage new technologies and ways of working in the most beneficial way to tackle that opportunity. In comparison, financial firms have multiple areas of focus. This means that while they may be able to leverage some of these advantages, combining them in the best way to solve particular problems is not possible because of conflicting priorities or lack of resources.

- **Agility.** Regtech solutions use new technology, including advanced data analytics, to enable them to respond quickly to changes in regulation and processes — in some cases automatically. They also often only have one deployment that every firm uses, made possible by the fact it can be updated centrally. In comparison, it takes most existing compliance solutions a lot longer to react, because they often have to be individually reprogrammed by an expert who must either visit each firm using the solution, or design multiple upgrades to suit each firm's implementation.
- **Automation.** Regtechs automate many of the processes that have historically been done manually by compliance officers, like searching for relevant data and creating reports. This means fewer compliance workers are required, which saves money and allows remaining employees to do more analysis in areas where technology is less advanced, such as interpreting ambiguous areas of regulation.

- **Cloud-based.** Most regtechs' services rely on cloud computing and data storage. Existing systems often run on servers that financial firms must house on premises. For firms providing existing systems, upgrading to the cloud would be an undeniable advantage, but is likely too complex and expensive for them to do quickly. Being cloud-based gives regtechs a number of advantages over providers of existing compliance systems.
    - **Greater data storage and processing capability.** Being able to access infrastructure on demand via the cloud means regtechs are better placed to handle the increased volumes of data required to meet new regulations. To meet financial services firms' security requirements, they can use private clouds where the firms' data is ring-fenced and stored separately.
    - **Easily scalable when required.** This means firms only need to pay for the infrastructure they are actually using, rather than try to calculate what might be needed to meet future requirements and buy in advance.
    - **Enhanced stability.** Cloud-based solutions operate from multiple locations, meaning if one server is knocked out or overloaded, others can immediately take over. This reduces the risk of an entire system going offline.
    - **Easily upgradable.** Cloud-based systems can be updated remotely, as frequently as is necessary. In comparison, existing compliance systems often require on-site engineers or technicians for upgrades, which takes longer. And financial firms are often running different versions of software, which further complicates upgrades.
- **Modular.** Regtechs typically offer solutions to solve particular problems in niche areas of regulation, rather than offer systems that try to cover requirements from multiple regulatory areas like many incumbents. This means they are designed to connect to legacy systems as easily as possible, requiring little change in the firm's existing architecture. It also means firms can have multiple solutions from multiple vendors that can work alongside each other.
- **Speed.** Regtech solutions are typically faster than traditional compliance solutions at processing data, implementing changes, and producing reports. That's partially because regtechs automate these labour-intensive functions, saving time. Cloud-based solutions also give regtechs access to data in real time. This is particularly important in AML and Know Your Customer (KYC) procedures, because it enables firms to take immediate action if required.

All the major drivers for the adoption of regtech contribute to an overall reduction in the cost of compliance. In the long term, if regtech is widely adopted, it will likely mean fewer jobs for compliance staff.



REGTECH COMPANY CASE STUDIES

Regtechs can prove more attractive than existing third-party solutions in certain areas, because their products are typically aimed at a specific industry and sector. They are also designed to solve a specific compliance business problem, rather than offer a generic compliance solution. Here are some examples where regtechs are already helping financial services firms solve real problems, with real solutions.

Keeping Up With The Pace Of Regulatory Change

The top challenge of compliance and risk management is keeping up with new regulations and new reporting formats, according to senior bankers surveyed by Temenos and Capgemini. This problem is likely to get worse as post-crisis regulations are formalised and technical specifications are issued. Between 2008 and 2015, the annual volume of regulatory publications, changes, and announcements increased 492%.

Not only is the speed and volume of regulatory change problematic, but there are also differences between national regulators' requirements. For many firms operating across borders, acknowledging, interpreting, and implementing all these changes in all the regions in which they operate can consume considerable resources.

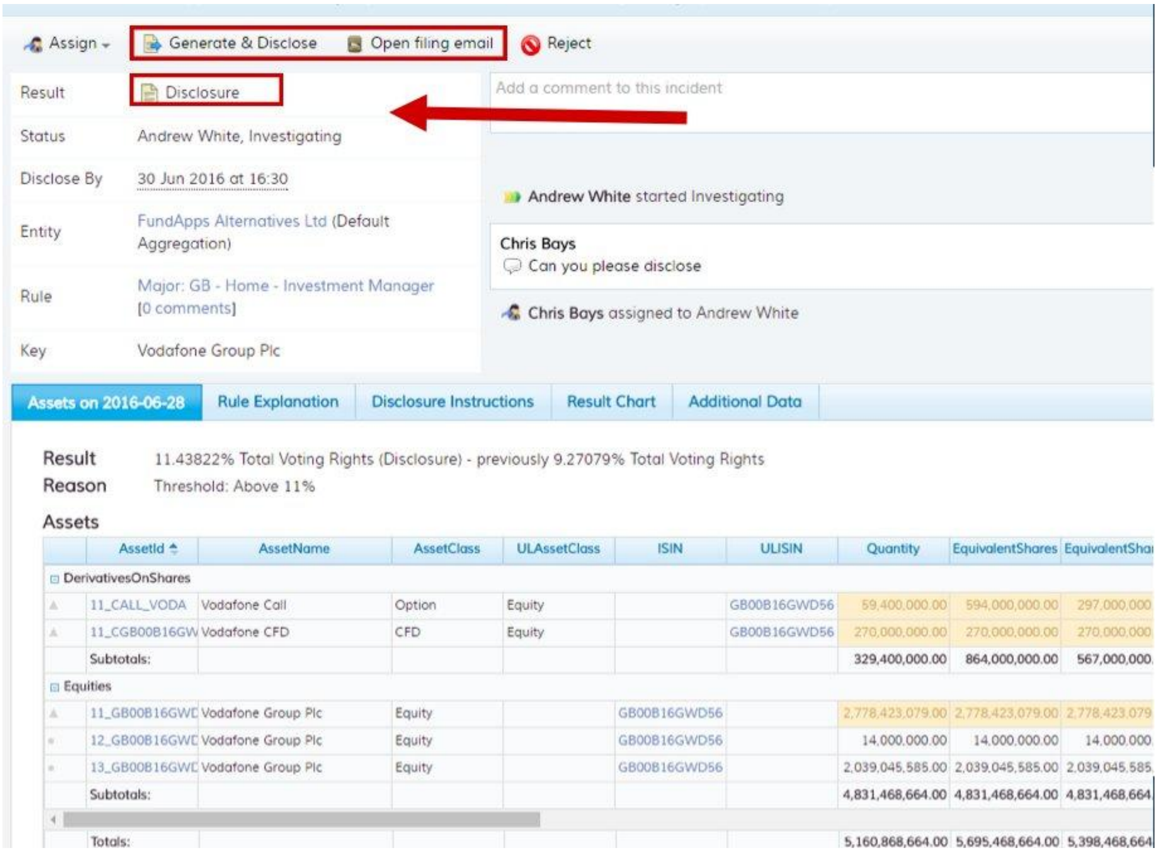
All segments are struggling to keep up with regulation, but individual changes frequently only apply to a small subset of companies in any given financial industry segment. As result, regtechs typically focus on providing a solution to one of these subsets, allowing them to specialise.

FundApps

FundApps is a UK-based firm that provides services to firms worldwide that need to adhere to shareholding disclosure and investment restriction requirements. Every country with a stock market has these rules, which apply to hedge funds, institutional investors, and asset managers. Many such firms operate across borders, and it is an area that has been the subject of particular scrutiny and action from international regulators.

How it works: Clients connect to FundApps via an API. This requires that the firm creates a data feed, a process FundApps helps it through. Clients then upload their data, either manually or automatically, at set intervals. FundApps then processes the data using cloud-based infrastructure, checking it against a global rule library to ensure it's compliant. Clients can then automatically create filing documents using the data if reporting is required. FundApps' software knows which regulators use which templates and in what format — for example, PDF, Microsoft Word, and so on.

FundApps has a team that creates software versions of regulations, including various nuances, called rules. These rules (now coded as algorithms) are then used to process the client's data. If applicable regulation has changed in any way, FundApps updates the relevant algorithm — meaning the client doesn't need to keep on top of the minutiae of changes in regulation. It also means that there is no requirement to upgrade or install new software every time regulation is updated — saving the firm time and money.



FundApps' workflow indicating that the firm needs to file a report.

FundApps' client dashboard.

Data Storage, Access And Management

Storing and managing data electronically is a particular problem for financial firms when it comes to compliance, especially KYC and AML requirements.

In 2012, the global Financial Action Task Force (FATF) introduced recommendations designed to combat money laundering, terrorist financing, and the financing of weapons of mass destruction. They were adopted in different forms by the EU, the US, and Australia, among others.

These requirements include storing customer and transaction data for at least five years after the transaction has happened or the relationship with the customer has ended, and carrying out rigorous due diligence on clients during onboarding and when a customer wants to carry out large transactions. When a client is considered to be higher risk, firms in the US and UK are required to perform enhanced due diligence (EDD), and provide evidence of the result to regulators.

Complying with AML, KYC, and associated due-diligence requirements takes a lot of effort. Historically, much of this work has had to be done by hand, including finding, interpreting, and analysing information. It also requires financial firms to have storage facilities capable of holding vast amounts of electronic data. This is a huge burden on firms — 10% of global financial institutions spend around $100 million or more a year on KYC/client due diligence and onboarding, according to Thomson Reuters. Average client onboarding costs rose 19% last year and are expected to increase another 16% this year.

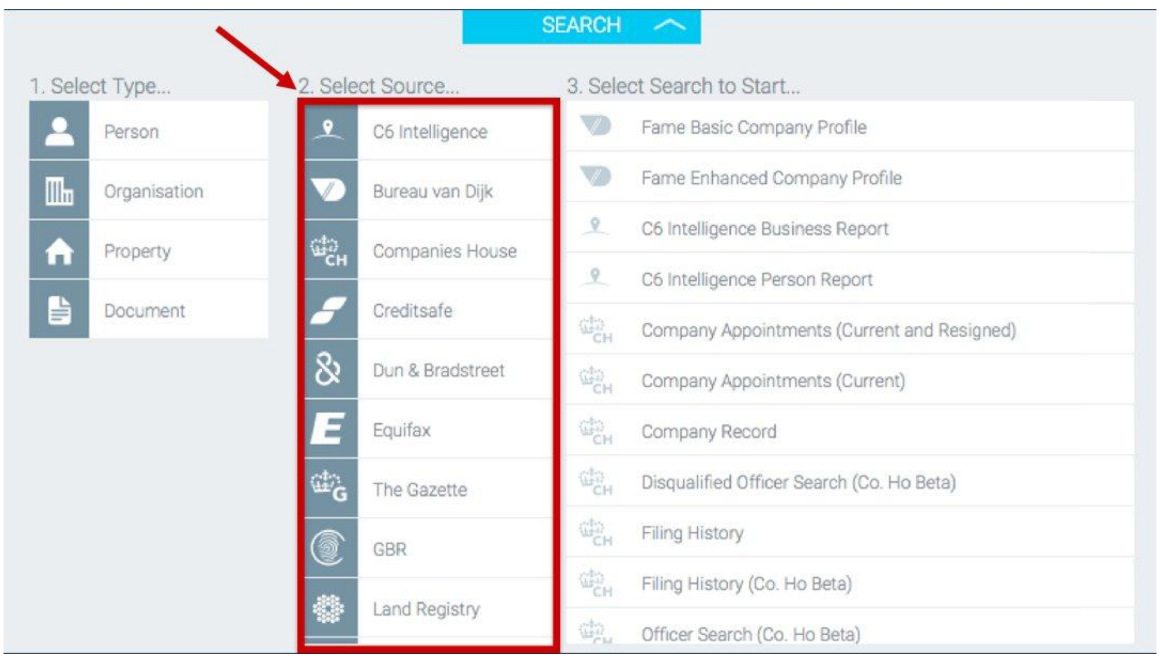
The sheer amount of pain — both financially and operationally — means this is one of the areas where regtechs have been most active.

Encompass

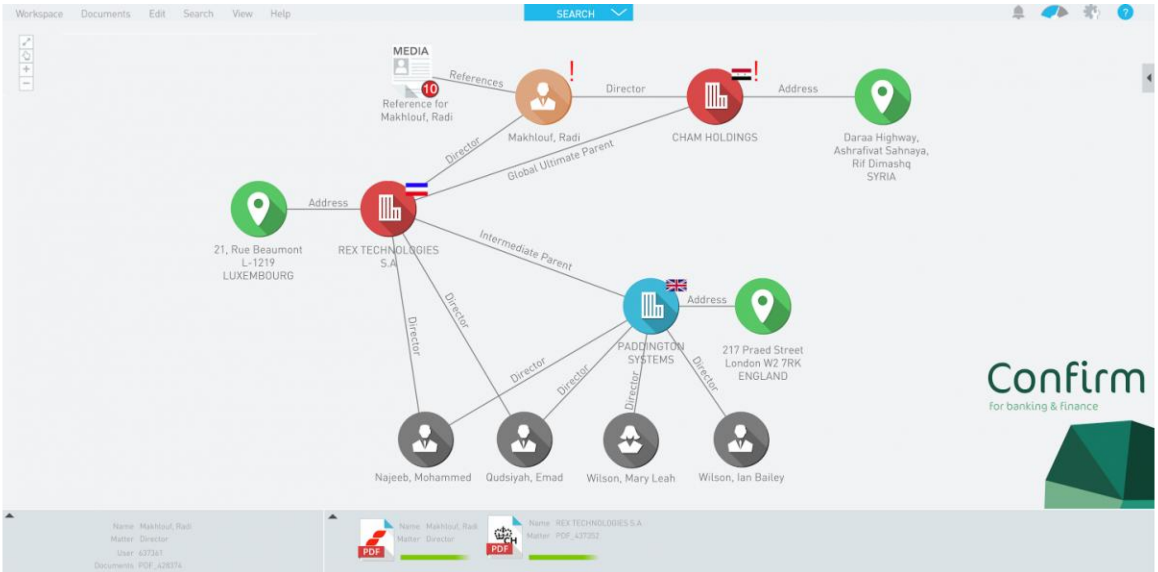
Encompass is based in the UK and Australia, and provides solutions that automate and speed up customer due-diligence processes, making AML and KYC compliance easier.

How it works: Encompass' Confirm product, targeted to financial firms in all segments, aggregates data from a wide range of sources, including credit agencies like Experian, government organisations like Companies House, and international sanctions lists. It then analyses that data, and creates a single view of an entity — a firm, a property, or an individual, for example — which can be fed into financial firms' workflow systems. This means employees don't have to perform manual searches and collate data, saving time. It also means all data related to one customer is presented in the same format and can be time-stamped and tagged with a user identifier — making it easier for firms to meet audit requirements. It also means an institution produces a proof point that it can present to a regulator to demonstrate that it has complied with its requirement to perform EDD on entities deemed high risk.

The platform makes compliance staff more efficient, allowing them to focus on areas of analysis that can't yet be automated.



Encompass' Confirm search dashboard shows the variety of sources it uses.



Results of an Encompass search.

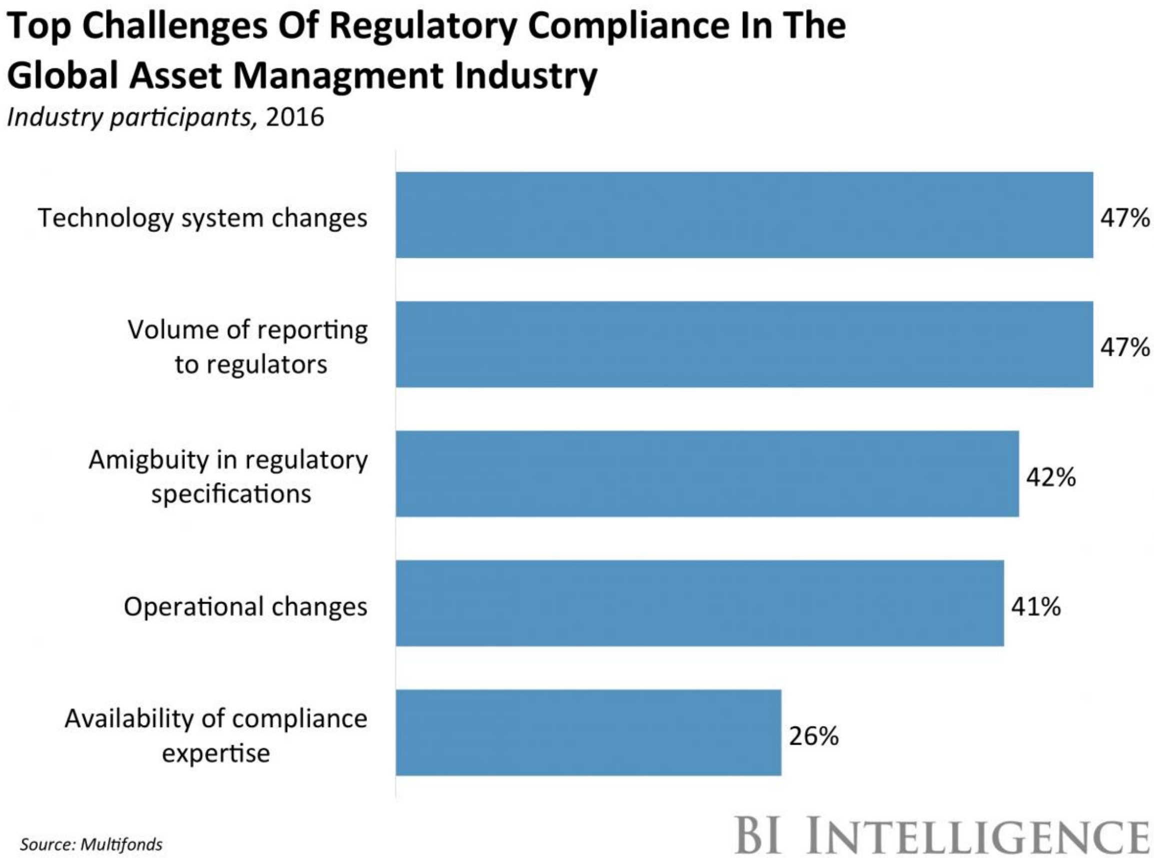
Other regtechs in this area include:

ComplyAdvantage. The UK-based firm provides a global database of individuals, companies, and organisations that may create AML risk, as well as ongoing customer monitoring.

Featurespace. Also based in the UK, this company uses machine learning to help financial services firms improve detection of money laundering and reduce the number of false positives they experience.

Reporting

Each of the major new regulatory regimes has increased the volume of reports financial firms are required to create. MiFID II, designed to make financial markets more efficient, applies to banks, asset managers and financial advisors operating in Europe, and will triple reporting requirements in some areas, for example.



The difference in reporting requirements for over-the-counter (OTC) derivatives trading in the US and EU illustrates the challenge for financial firms operating across borders in an era of rapidly changing regulation. Both Dodd-Frank and European Market Infrastructure Regulation (EMIR) have imposed significant new reporting obligations on OTC trading, in which financial instruments are traded privately, outside of a formal exchange. Both pieces of regulation require increased reporting around OTC trades in an effort to reduce systemic risk. But there are significant differences between the two. And different trade repositories in different EU countries have their own format requirements. This means a huge reporting increase for firms involved in OTC trades.

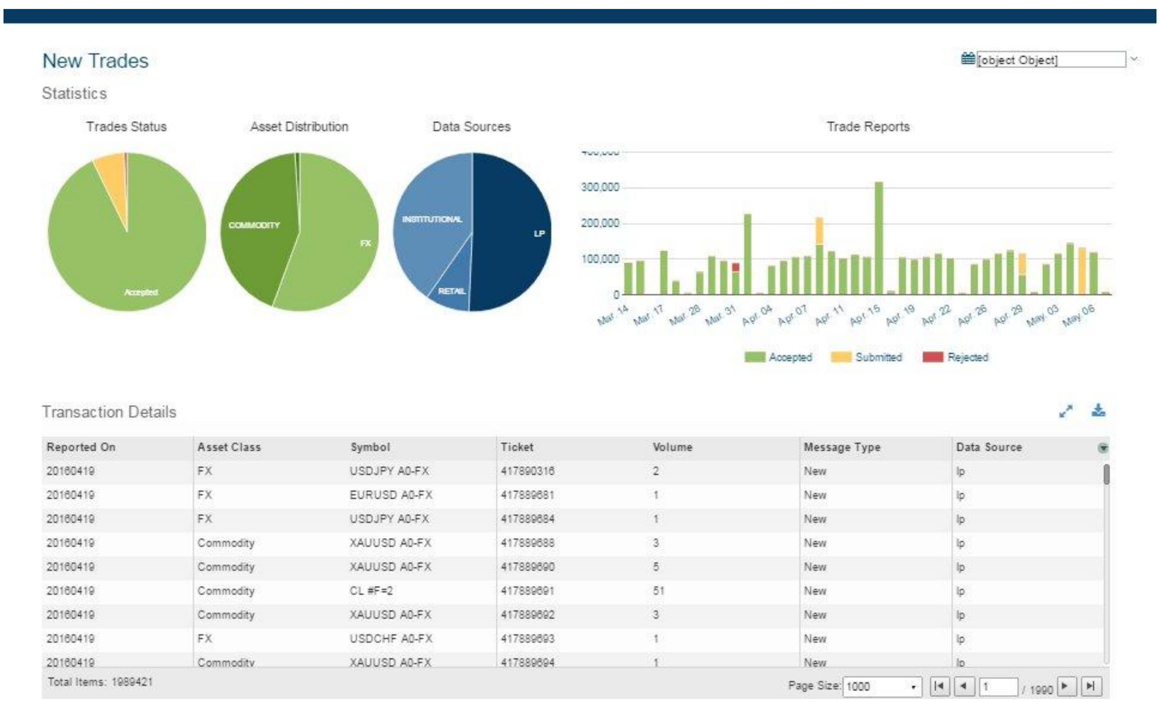
As a result of these increased reporting requirements, a number of regtechs have created solutions that make creating and filing reports easier. These solutions are typically designed to solve a specific problem for a specific segment of the financial services industry.

Cappitech Regulation

Israeli firm Cappitech offers a solution called Capptivate to firms affected by EMIR — which includes almost any firm operating in the EU that touches the OTC derivatives trade market.

How it works: Firms upload their trade reports to the Capptivate platform, which then modifies data fields to meet the requirements of individual trade repositories. The platform analyses the data for errors and alerts clients to what needs to be fixed. Once any errors are corrected, firms can then either use the data to create reports themselves, or let the platform report on their behalf. It also creates a central store for firms' trade data that comes with a dashboard, enabling them to view historical reports on submitted, rejected, and approved trades, as well as search for individual trades.

The platform seeks to reduce employees' time spent on manually cleaning data and creating reports, making them more efficient. It also provides them with a way to more easily analyse historical data — which may be required in auditing processes. But like other products that increase automation, it could result in job losses from the firm's compliance team.



Deloitte And Bank Of Ireland

Another major problem financial firms have when creating reports is that data is often created and stored by different systems that don't communicate with each other. This means it is difficult to create a single view of a customer, without labour-intensive data gathering and cleaning, which is problematic because that's increasingly what regulators require. Bank of Ireland recently worked with Deloitte on a proof of concept (PoC) using blockchain technology to try and solve this pain point.

The PoC was designed to help Bank of Ireland comply with requirements regarding transparency of share trades. Blockchain technology uses a distributed ledger, which can automatically record all the information of each individual transaction that occurs on the system, enabling it to create an immutable, distributed, searchable repository. The PoC also included browser-based views for clients, relationship managers and regulators, allowing each party to view the record, and to audit trades in near real-time. This meant Bank of Ireland could provide a single view of a particular customer, or trade history, and regulators could reduce the time spent on direct supervision — which usually involves visiting a bank.

The Fintech Startup Opportunity For Regtechs

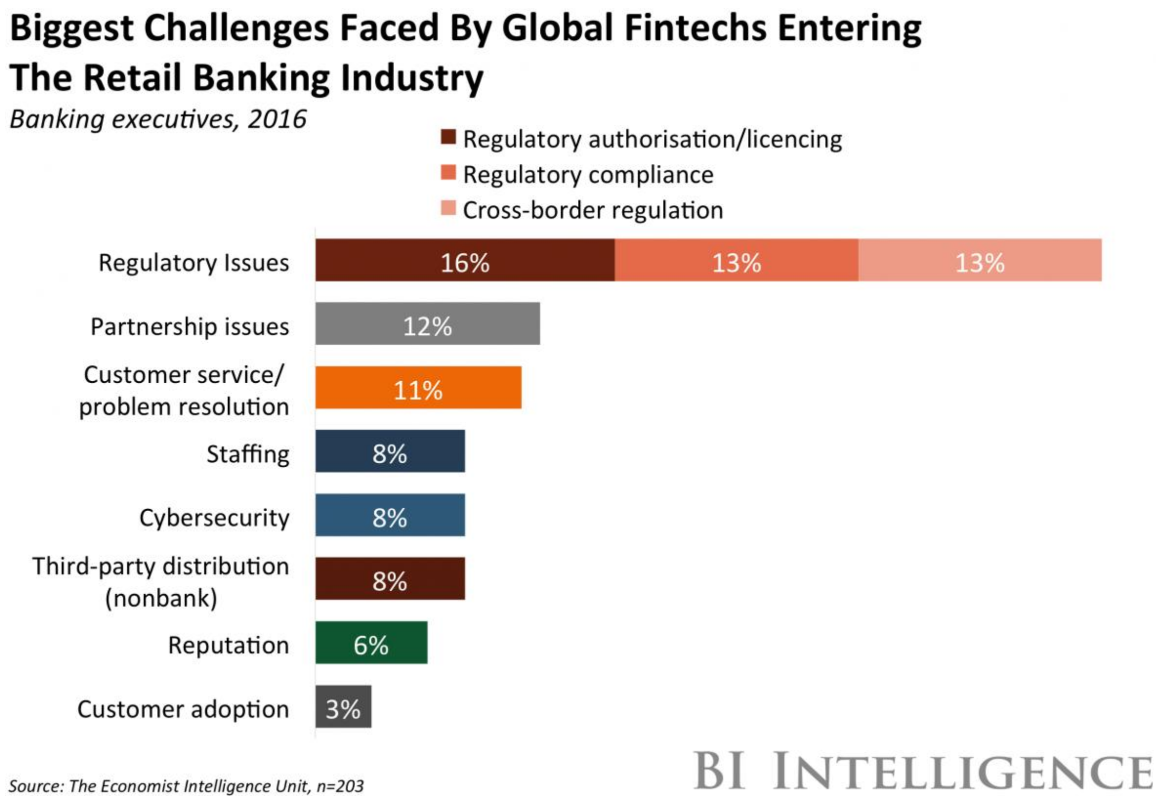
Fintech startups provide new financial products and services, often using more cost-effective models than legacy financial firms can implement. They are also not hampered by legacy IT systems. But they still face considerable regulatory challenges. Even in markets where regulators work closely with fintechs, companies still need to acquire authorisation or licensing, and abide by existing compliance rules. This can be especially problematic because fintechs are unlikely to have significant resources, in contrast to incumbents.

Trulioo

Based in Canada, Trulioo's Global Gateway product enables firms to access multiple sources of data to help with electronic identity verification — which speeds up customer due diligence, making fraud prevention and compliance processes more efficient.

How it works: Firms choose which package is most appropriate for them — National, International, or Enterprise. They then connect to Global Gateway via API, or access services via a web-based interface, and can get set up in less than a day. Firms' employees can then confirm customers' identities instantly via a search function. Global Gateway uses multiple sources to ID customers and provides firms with a record of historical searches and results that can be used in audit processes.

Global Gateway is well suited to serve fintech startups, in part because of its monthly subscription options that can be paid by credit card, rather than by invoice. This means fintechs need only pay for what they require, when they require it, in order to provide compliant services. It also means they don't need large compliance teams, or any onsite physical infrastructure. And fintech startups are typically built using new technology designed to connect with third-party systems — meaning it is likely particularly easy for them to connect to Global Gateway. All in all, regtech solutions like this enable fintechs to achieve required levels of compliance without the need for extensive resources.


Biggest Challenges Faced By Global Fintechs Entering The Retail Banking Industry
Banking executives, 2016
Regulatory authorisation/licencing
Regulatory compliance
Cross-border regulation
Regulatory Issues
16%
13%
13%
Partnership issues
12%
Customer service/ problem resolution
11%
Staffing
8%
Cybersecurity
8%
Third-party distribution (nonbank)
8%
Reputation
6%
Customer adoption
3%
Source: The Economist Intelligence Unit, n=203
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BARRIERS FACED BY REGTECHS

Despite their ability to leverage strategic advantages, regtechs still face some hurdles to achieving significant scale and success. While the solutions they offer have the potential to resolve major and growing challenges faced by financial firms, regtechs must address some key questions to continue to grow:

- **Existing compliance solutions may be ripe for disruption, but they retain some key advantages.** Many existing solutions cover all areas of compliance for their clients, which is attractive to firms that operate across sectors, such as large banks that offer insurance, wealth management, and loans. It can also be less expensive than hiring different regtechs to focus on discrete challenges. Providers of existing solutions may also have a track record of working with large, international financial firms that regtechs typically lack. There is no reason legacy suppliers can't begin to leverage some of the technologies regtechs rely on, even if not to the same degree.
- **The number of regtechs is increasing, and many of them focus on the same opportunities.** This means they are competing for the same market. And while regtechs may need only a small share of that market to succeed, they will first have to convince legacy financial firms why they are better than their competitors.
- **Given the risks of failing to achieve compliance, financial firms might be wary of new products from relatively untested companies in case things go wrong.** They may be more willing to purchase solutions from companies they know and trust — which could hamper the adoption of regtech products.
- **Not all regtech solutions are designed to operate in all geographies.** This could present a problem for financial firms, which often operate across multiple regions. However, because global financial firms' compliance solutions may already vary by region, they may be willing to use local regtech products in a similar way. UK regulators have been supportive of regtechs, and the EU's principle-based regulation gives greater leeway for innovation. By contrast, rule-based regulation in the US means less flexibility.
- **Regtechs must assure potential customers their data is secure.** Regtechs seek to reassure firms by offering private clouds, where infrastructure, including data storage, is dedicated to a single firm and may offer an on-premises installation when access to the cloud isn't necessary. Even so, regulators are likely to come down as hard on financial firms as regtechs in the event of any data breach. The UK's

FCA emphasises the responsibility of the firm to ensure contracts with third-party suppliers meet regulatory requirements, for example.

- **If a regtech's mistakes result in its client running afoul of regulators, who gets penalised?** Likely the firm employing the regtech, because regtechs are typically software vendors and not financial-services providers. Regtechs that offer reporting or regulatory interpretation solutions may have to contend with concerns among potential customers about the robustness and accuracy of their products, although a track record of success may ease any skepticism.

Even in the face of these potential obstacles, regtech solutions are likely to continue to gain traction with financial firms. Here's why:

- **Legacy compliance solutions are already showing signs of strain due to the ever-increasing amount and complexity of financial regulation.** Financial institutions are eager for new approaches to meeting these sometimes conflicting obligations, especially in an era in which financial and reputational costs for noncompliance are high. Regtechs are proving more nimble than incumbent processes.
- **Regtech solutions save financial firms money.** At a time when profits for banks, brokerages, and money managers are dwindling, regtechs can help reduce expenses by allowing firms to reduce compliance staff. They also help make remaining personnel more efficient by relieving them of previously labour-intensive tasks that can now be automated.

A Note On Brexit

Much of UK financial regulation is currently derived from EU law. Now that the UK has voted to leave the EU, there is uncertainty about how much of this regulation the UK will keep, and how much of its own regulation it will create. It seems unlikely the UK regulator (FCA) will want to move too far away from existing regulation, because it will want to make it as easy as possible for UK firms to operate in Europe and vice versa. That said, there will inevitably be some divergence in regulatory regimes as the new UK-EU deal is negotiated. This will likely work in regtechs' favour, as compliance for firms operating in the UK will become even more challenging, increasing their need for solutions that reduce the cost and complexity of compliance.

THE BOTTOM LINE

- Since the 2008 financial crisis, banks, insurers, asset managers, and brokerages are contending with soaring compliance costs as the volume and complexity of new rules tax their systems and processes.
- Regtechs are able to leverage cloud computing, advanced data analytics, and new ways of working to help financial firms address compliance, reporting, and data challenges presented by the increasingly complex regulatory landscape.
- Regtechs typically maintain a narrow focus to aid compliance in specific areas or segments. This allows them to leverage strategic advantages — including new technology and ways of working — in ways financial firms and existing compliance systems can't.
- Large legacy financial firms are the biggest opportunity for regtechs. This is because they have the largest regulatory burdens — some are spending as much as $100 million on Know Your Customer (KYC) and due-diligence requirements alone.
- Fintech startups often face significant regulatory challenges without the resources to address them. Regtech solutions are typically well suited to working with new business models, solving specific problems efficiently, and scaling in line with company requirements.
- Despite their ability to leverage strategic advantages, regtechs still face some hurdles to achieving significant scale and success, including competition with existing compliance solutions and other members of the quickly expanding ecosystem of regtechs, international growth, and building trust among customers.
- Regtechs will likely augment compliance teams in the short term, but they could lead to job losses among compliance professionals in the longer term.

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