

Mohamed Saeed Al Jaber

ESSAY CFTE X ADGMA SCHOLARSHIP PROGRAMME

Subject: FinTech and RegTech

Introduction

The main goal of technology is to make the normal activities is less timely oriented activities through creating new and innovative products and services. From financial perspective, technology will reduce the time consumptions of doing financial activities which will lead to reduce the man-hours so that the efficiency will be improved. Technology related to financial activities is called FinTech such as, mobile payments and peer-to-peer lending, digital currencies, and crowdfunded lending. FinTech companies are increasing with unprecedented pace in the financial industry. These companies are changing the way we bank, invest, collect, and borrow money.

RegTech is one of the FinTech types which mean the technology used to functioning regulation activities. It is a set of innovative technologies that are deployed to automate the compliance process for various regulatory requirements like anti-money laundering (AML) and know-your-customer (KYC). With the help of RegTech solutions, organizations can manage their compliance risks more effectively and in a cost-efficient manner. As the volume and complexity of regulations has grown rapidly, the RegTech companies is growing with the same speed as more financial institution realize the benefits that can be offered.

In the past, manually reviewing, and interpreting regulations was feasible, but this is no longer the case. The speed and complexity at which regulations are changing and the number of authorities to which they apply has made it necessary to look for automated solutions. In addition to that, cost of non-compliance has grown. Fines for violations of regulations can be significant, and the reputational damage that can result from non-compliance fines can be even more costly.

Regulator fines to financial institution

Compliance team in banks have to constantly ensure that the bank is adhering to all the regulations set by the government. This process is time-consuming and often, and sometimes not able to keep up with the ever-changing compliance situation.

One example is, **U.S. Bancorp**, which has agreed to pay \$613 million for violating the government regulator due to failing to monitor their customers' activities and report suspicious transactions. In some cases, the bank even processed transactions for known money launderers. Banks must compliance with anti-money laundering (AML) regulations and take steps to ensure their customers are legitimate and that their transactions are properly monitored.

Also, **HSBC Holdings Plc** agreed to pay \$1.9 billion to settle similar charges situation which is failure to report suspicious activity to the government.

RegTech provider/solution

ComplyAdvantage, a RegTech startup that provides AML/KYC compliance data and analytics to financial institutions by using artificial intelligence, machine learning and natural language processing to help regulated institutions to manage the risk and counteract financial crime. ComplyAdvantage has been able to help companies like Barclays, HSBC, and Standard Chartered save millions of pounds by identifying compliance risks early. In one case, ComplyAdvantage was able to help Barclays avoid a £50 million fine by identifying a risk that had been overlooked by the bank's compliance team.

Conclusion

As shown above, RegTech solutions is very valuable for financial institution, and there is a growing recognition of technology that can play in helping organizations meet their regulatory obligations, with the global RegTech market expected to increase to \$127 billion by 2023.

RegTech can help banks by providing automated compliance solutions. The financial services sector is under constant pressure to meet strict anti-money laundering (AML) and know your customer (KYC) compliance regulations. Many institutions have turned to RegTech solutions to streamline their compliance processes. By automating compliance, RegTech can help financial institutions reduce associated costs, improve efficiencies, manage risks, and meet regulators requirement to avoid fines.