United Nations Secretary-General's
Special Advocate for Inclusive Finance for Development
UNSGSA

Briefing on Regtech for Regulators

By the UNSGSA's Fintech Sub-Group on Regtech for Regulators

What is RegTech for Regulators?

- Regulatory technology ("RegTech") involves new technologies to help financial service providers streamline back-office functions, enhance productivity, and overcome regulatory challenges, such as the risks and costs related to compliance obligations.

- RegTech for Regulators (also called "SupTech") involves technology-based solutions and data science that can help financial authorities regulate and supervise the marketplace more effectively and efficiently. RegTech for Regulators solutions can support financial authorities to implement their mandates related to financial stability, integrity, inclusion, and consumer protection. Some of these solutions are critically needed to monitor competition and enable innovation, and to facilitate more cross-sectoral and cross-jurisdictional cooperation between supervisory authorities.

Why does it matter for financial inclusion?

For supervisory and regulatory authorities: Financial marketplaces are expanding rapidly and becoming increasingly complex. RegTech for Regulators provides solutions that strengthen the capacity of the financial authorities to:

- Monitor providers, channels, and products, by improving and increasing the volume, variety, speed, and accuracy of data available to the financial authorities. This data is essential to drive risk-based supervision, for the implementation of mechanisms to facilitate innovation (e.g., regulatory sandboxes), and for the development of proportional regulations. This is critical to achieve healthy financial inclusion.

- Establish a direct relationship with users, creating a direct information feedback loop to better understand their behaviors and needs, and new avenues for recourse and escalation that increase trust in public authorities and the formal financial sector.

- Standardize processes and tools to make it easier for financial authorities to coordinate cross-country and cross-sector supervision.

For financial service providers: The benefits of RegTech for Regulators extend to the private sector by:

- Making the regulatory environment clearer and more streamlined.
- Lowering compliance costs and regulatory risks, resulting in greater compliance and better data analysis.
- Allowing providers to develop better risk-management systems.
- Enabling providers to grow and maximize profits through better intelligence on business cases, customer segments, and geographies, increasing their willingness to innovate and expand their business to reach the bottom of the pyramid.

For financial service users:

- Effective supervision of the marketplace makes the financial sector more secure and competitive, and pushes providers to increase the quality of services.
- In an enabling regulatory and data environment, innovation flourishes and inclusion is achievable. As a consequence, products and channels are more accessible and suitable.
- Moreover, solutions that increase safety and put more control in the hands of the user reduce fraud and crises, and increase customer trust, particularly if the user has access to financial authorities to escalate complaints.

How does it work?

Financial authorities in emerging markets are adopting RegTech for Regulators solutions to improve market conduct, AML, and prudential supervision, and are leveraging data science techniques to generate intelligence that builds evidence for oversight and policy development.

Case study

Bangko Sentral ng Pilipinas (BSP) is developing a chatbot and processing utility solution for customer complaints (i.e., a dashboard with administrative and reporting capabilities, integration with existing complaints process, etc.). The chatbot will:

- Allow all Philippine financial consumers to file complaints with BSP through their mobile handsets via either an app or SMS, thereby creating new channels to correspond with BSP.
- Enable BSP to: (a) address queries and complaints through the chatbot; (b) manage the structure and flow of automated conversations based on expertise and historical data; and (c) use data and insights gathered through the chatbot to verify compliance with market conduct regulation and develop policies that are informed by knowledge of users' needs and challenges.
- Reduce market conduct supervisors' workload and response time by delegating routine tasks to chatbots (e.g., first screening and directing non-BSP complaints to the right institution), saving human labor for more complex or nuanced tasks such as the analysis of recurrent types of frauds and onsite inspections.

What can governments do to promote RegTech for Regulators?

Financial authorities can launch initiatives such as tech sprints to crowdsource ideas around some of the challenges they are facing (see fca.org.uk for examples). Moreover, they can reach out to programs such as the RegTech for Regulators Accelerator (R2A) to seek assistance in developing RegTech strategies, assessing priorities, launching competitions to engage with tech vendors, evaluating RegTech products, and improving their understanding of the available technologies and solutions.

Annex: Resources

Programs

Selected jurisdictions with RegTech for Regulators innovations.

- BSP, Philippines
- CNBV, Mexico
- FCA, UK
- MAS, Singapore

Organizations involved in technical assistance and/or funding of relevant activities

- Bill and Melinda Gates Foundation
- Omidyar Network
- Rockefeller Philanthropy Advisors
- USAID

Selected Experts

- Simone di Castri, BFA and RegTech for Regulators Accelerator
- Nick Cook, Financial Conduct Authority
- Matt Grasser, BFA and RegTech for Regulators Accelerator
- Sopnendu Mohanty, Monetary Authority of Singapore
- Pia Roman, Bangko Sentral ng Pilipinas

Recommended Readings

di Castri S, Grasser M, Kulenkampff A. 2018. *Financial Supervision and Regulation in the Era of Data Abundance: RegTech and SupTech Solutions.*

Transatlantic Policy Working Group Fintech. 2017. *The Future of RegTech for Regulators: Adopting a Holistic Approach to a Digital Era Regulator.*

Woodsome J, Ramachandran V. 2018. *Fixing AML: Can New Technology Help Address the De-risking Dilemma?* Washington, DC: Center for Global Development.

This note was drafted by Simone di Castri of BFA under the guidance of the office of the UNSGSA and with support from Bangko Sentral ng Pilipinas, CGAP, De Nederlandsche Bank, McKinsey & Company, Monetary Authory of Singapore, Omidyar Network, and World Bank Group.