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Consider Compliance Tech Impact Of New Policies, Firms Tell UK Regulators

Financial firms using compliance technology should be front of mind for UK regulators planning to implement new regulations or policy adjustments, the RegTech Platform has said.

The platform, set up by fintech industry body Innovate Finance, the City of London Corporation and corporate digital identity provider Encompass, aims to facilitate the uptake of regulatory technology by financial services companies. Its members include UBS Group, KPMG, Goldman Sachs, RegGenome, Standard Chartered and EY.

In a statement this month, the RegTech Platform suggested that the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) should create a policy working group in the next three to six months, followed by policy sprints and impact testing over the next six to 12 months, and efficacy testing in the next one to two years.

The proposal suggests three key questions to identify the impact of a given policy on the way financial firms, including payments companies, use compliance technology.

First, has the regulator considered how the policy will affect firms' existing compliance technology? Second, could new technology help the regulator to meet its objectives more effectively? And third, has it considered how existing data standards or reporting requirements could be re-used to meet its objectives?

The recommendations envisage the use of technologies that have emerged over the last decade, such as cloud computing, artificial intelligence (AI), software application programming interfaces (APIs), robotic process automation, distributed ledger technology (DLT) and biometrics.

Implementing the proposal would help regulated firms understand the impact of policy changes, give them more time to adjust to changes and reduce their compliance costs, the RegTech Platform said.

The recommendations do not imply that the PRA or FCA should endorse specific third-party products or technologies, it said.

"Rather, this is an opportunity for regulated firms to give more information on the technology-related impacts of new or changing regulation which can often be underestimated, and for policy teams within regulators to better understand the impact of what is being required on firms," the proposal states.

The aim is for policymakers to "better understand where novel approaches can be used to meet regulatory objectives" given the speed of innovation within the regulatory technology sector.

In a survey conducted by the FCA in 2021, 43 percent of respondents said the regulator should continue raising awareness of regtech, while 35 percent agreed the regulator should encourage innovation.

The survey also showed that smaller firms are more likely to contact the FCA in relation to questions about regtech, and the RegTech Platform's proposal notes that compliance costs, which can have a greater impact on smaller companies, are expected to increase by around 8 percent over the next three years.

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