



## RegTech - Fast-Moving Progress

technology regulatory

**Summary:** Regulatory technology products can help banks manage increasingly complex regulator compliance. RegTech could make more capital available for more profitable uses.

The latest car tech features were unveiled at the consumer electronics show earlier this month and one of them was pretty mind-blowing. It was announced by Nissan and seems to connect the driver's brain to the vehicle. This new "brain to vehicle technology" is supposed to actually use driver brain waves to sense when the person is going to brake or swerve a fraction of a second faster. No word yet on when this technology actually comes to market, but that is pretty darn crazy.

Technology in all industries is speeding along quickly and the same is true in banking. For example, financial technology (FinTech) companies have been capturing a lot of attention in recent years as they launch offerings targeting all aspects of the banking and broader financial space.

One area of note is known as regulatory technology (RegTech). As it sounds, RegTech is all about how to leverage technology to help address and comply with regulations of all sorts. Seeing opportunity here, technology firms are flooding the space now and touting all sorts of things.

After all, managing compliance costs is a big deal these days, and banks have to do more with less and better leveraging technology to do so. In fact, compliance costs for community banks are estimated to have swelled by almost \$1.0B to \$5.4B in 2016, according to Fed research. Experts see much of this expense explosion coming as a result of application of new and existing regulations.

Although still in the nascent stages, RegTech is already employing the use of many innovative technologies. These include machine learning, data analytics, biometrics and mobile and PC-based application development to create greater efficiency and save money.

A [report from the Institute of International Finance](#) finds leveraging RegTech products could make more capital available for more profitable uses, as compliance management becomes more streamlined, efficient and effective. The advent of RegTech is expected to provide faster and more accurate results and that could help protect banks from coming under regulatory scrutiny.

Like many enabling technologies, the emergence of these new solutions is anticipated to help bankers offload the more tedious, time-consuming and menial parts of compliance and other regulatory tasks. By letting the machines do it, people can be better leveraged to spend more time on tasks that might require deeper thought, risk assessment and monitoring perhaps. Knowing this, bankers will need to train, retrain and continue to advance personnel to ensure that the most qualified people are in the right jobs. It is not just about the technology, after all. It is also about the people who are managing the technology.

[Deloitte's report last year on compliance modernization](#) is an interesting read too as it notes that maintaining the status quo with compliance risk management programs is no longer an option. While the technology is still progressing and regulators are trying to incorporate these new elements into their guidance, there are key drivers that continue to push the advancement of RegTech. These include: tighter, faster competition; a greater

need for departmental coordination; a more holistic view of risk and compliance; increasing liability along with cost efficiencies.

For their part too, regulators seem open to such things at least in concept. According to at least one banking regulatory expert, some industry regulators are beginning to provide compliance requirements to banks in formats that can be more easily read and processed by computers. Doing so should help facilitate the use of more automated products and services and in theory at least reduce the risk of error.

While industry insiders believe that more communication and collaboration between regulators, bankers and technology vendors is still needed, there is little doubt that RegTech seems poised to continue to grow in the coming years.

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