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Three Ways RegTech Could Help Your Institution

technology regulatory regtech

Summary: RegTech has become one of the most popular subsets of FinTech development in recent years for effective compliance. Here are three ways it could help your institution.

Did you know one of the differences between alligators and crocodiles is that crocodiles can't stick out their tongues? Strange and fascinating. But, we wonder what methods were used to test this fact! Before you dig too deep into that, we bring up Regulatory Technology (RegTech) as a method used by some bankers these days to stay compliant.

With ongoing regulatory demands and faster payments, financial institutions (FIs) have become more focused on efficient and effective regulatory compliance methods. For this reason, it's little surprise that RegTech has become one of the most popular subsets of FinTech development.

FIs know that it is always important to stay in compliance. Still, US banks received 35 "severe" enforcement actions from federal regulators last year; as of early 2020, more than 100 US banks are operating under a severe enforcement action, according to S&P Global Market Intelligence.

RegTech may provide help. While it is not entirely new on the scene, more advanced data analytics are expected to raise this segment of bank development to the next level. Here are three ways RegTech will benefit from a data boost and help more FIs:

1. **Disparate information is easier to digest.** The most effective regulatory solution is one that pulls from myriad sources to best determine the potential risk of a customer or transaction. Some FIs have been using data analytics to consolidate and better detect potential incidents of money-laundering or fraud already. But the addition of more advanced machine-learning (ML) and artificial intelligence (AI) technologies have given FIs clearer insight into their customers' behaviors, regardless of the channel(s) they are using. Experts say that getting the data is the lion's share of the work. The use of advanced analytics and ML can significantly reduce false positives too.
2. **Individual cases compared to general trends.** Risks come from behaviors that deviate from the general norm, and also what is normal for that customer and their transactions. By pairing RegTech with customer histories, FIs can get a more accurate view of what behaviors are customary for that particular customer or account, and thereby more effectively pinpoint red flags.
3. **Customer onboarding is easier, faster, and more compliant.** The best time to assess potential risks is right at the beginning. Hence, doing a thorough risk assessment when a customer establishes a new account is critical. Yet, FIs are often called upon to draw new customer data from siloed legacy systems, credit bureaus, investment platforms, and the like. The ability to collect KYC and due diligence information at account opening within the platform can help FIs facilitate a more compliant and faster onboarding experience.

Progress has definitely been made on the RegTech front. In times like these where things are still unstable, it is especially important to stay compliant. To do so effectively and efficiently is the goal. RegTech is one option. For more information on fintech (RegTech) partnering, read our article, Is It Time For A Fintech Partnership?

WEBINAR: PROFITABILITY & THE PANDEMIC - WHAT'S THE STRATEGY

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