RegTech Will Overtake FinTech to Dominate Financial Industry, Experts Predict

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LONDON, UK - AUGUST 2018 - Since the 2008 financial crisis, banks and financial firms have faced increased scrutiny. A lack of regulation compliance resulted in organisations working with clients that followed illegal or unstable financial practices, contributing to the market collapse. As global authorities shore up the industry, regulation standards have shifted dramatically, with financial institutions seeing an almost 500% increase in new rules.

Backlash from compliance failures is now something to be feared. Following the financial crisis, a total of $321 billion in fines have been levied worldwide, with some financial institutions, such as the Bank of America, hit with individual bills of over $10 billion. In response, businesses operating within the financial sector are investing huge amounts of resources into regulation compliance:

- Major banks now spend upwards of $1 billion annually on client compliance checks
- Institutions across Asia invest $1.5 billion on anti-money laundering practices alone
- 15% of staff time and resources are dedicated to risk management and compliance

As demand for compliance increases, financial firms seek cost-effective solutions, opening the door to RegTech — software capable of verifying the identities of individuals and corporate entities; validating ID documents; and performing background checks, all via a single API. The incorporation of RegTech allows for the automation of the entire compliance process, introducing solutions that are cheaper and less resource-heavy, in response to risk management and new, ever-expanding regulatory environments.

Adrian Black, CEO of RegTech firm Northrow, credits RegTech's success to better automation and more advanced software:

"In recent years, increased automation, as well as improvements in the range and quality of solutions, has allowed RegTech to offer real value in terms of time and cost savings. The increased adoption of open API-based technology, married to ongoing regulation changes, has meant that RegTech firms have become important players in the financial sector. They offer the capacity to ease the regulatory burden on banks and other institutions by improving operational efficiencies, while also ensuring security and compliance standards are upheld."

With $80 billion spent annually on risk assessment and compliance, RegTech already has the potential to outstrip FinTech investment by more than 150%. This is set only to increase, with spending estimated to rise to $120 billion within four years.

"RegTech allows for a continued focus on improving and streamlining the client onboarding process, without a lack of attention on other elements risking compliance," the Northrow CEO continues. "Moving forward, we predict a major rise in the popularity of automation through RegTech, particularly in response to increased regulatory scrutiny."

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