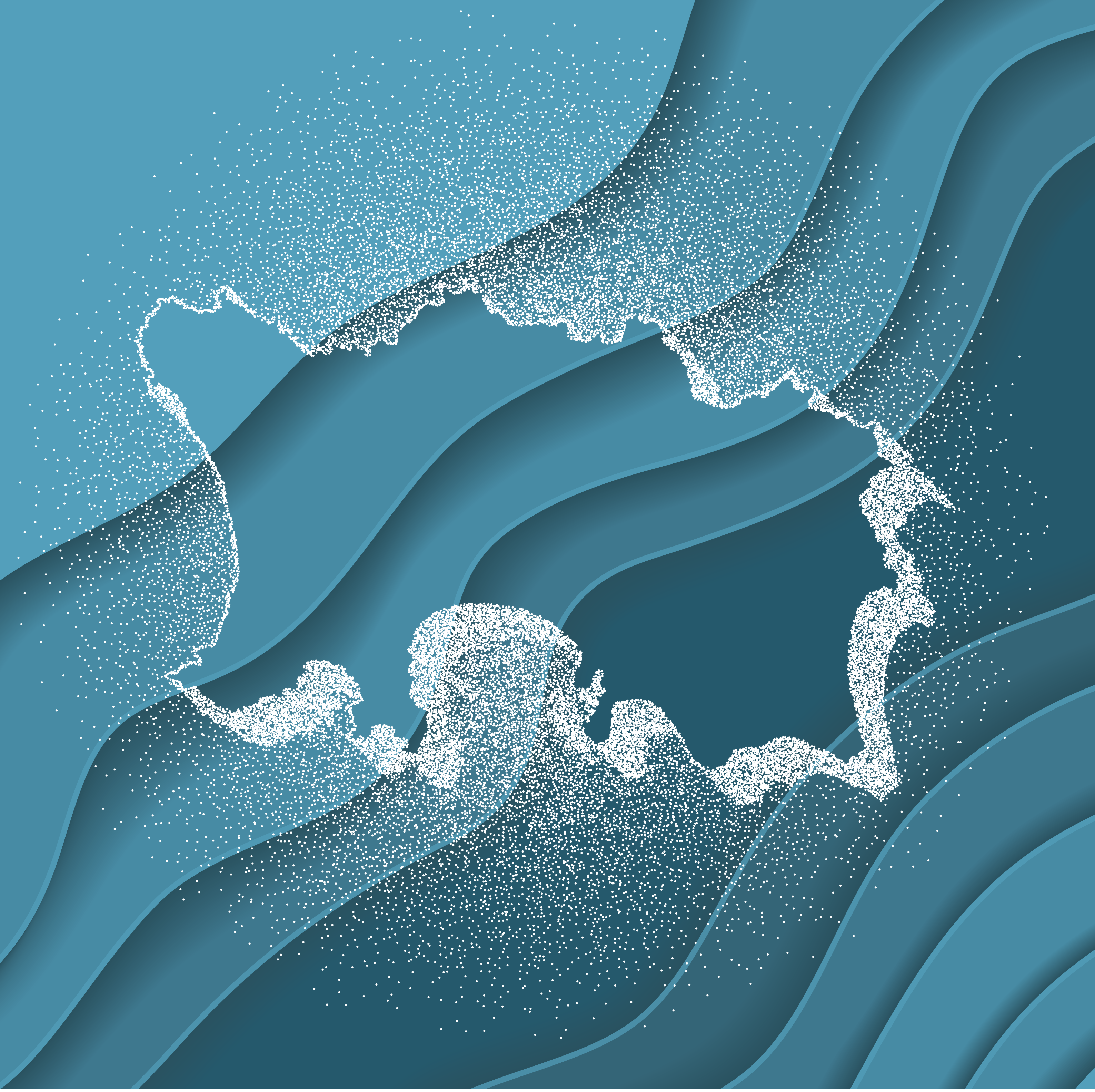
RegTech in Jersey: Closing the gap between ambition and reality



RegTech Associates

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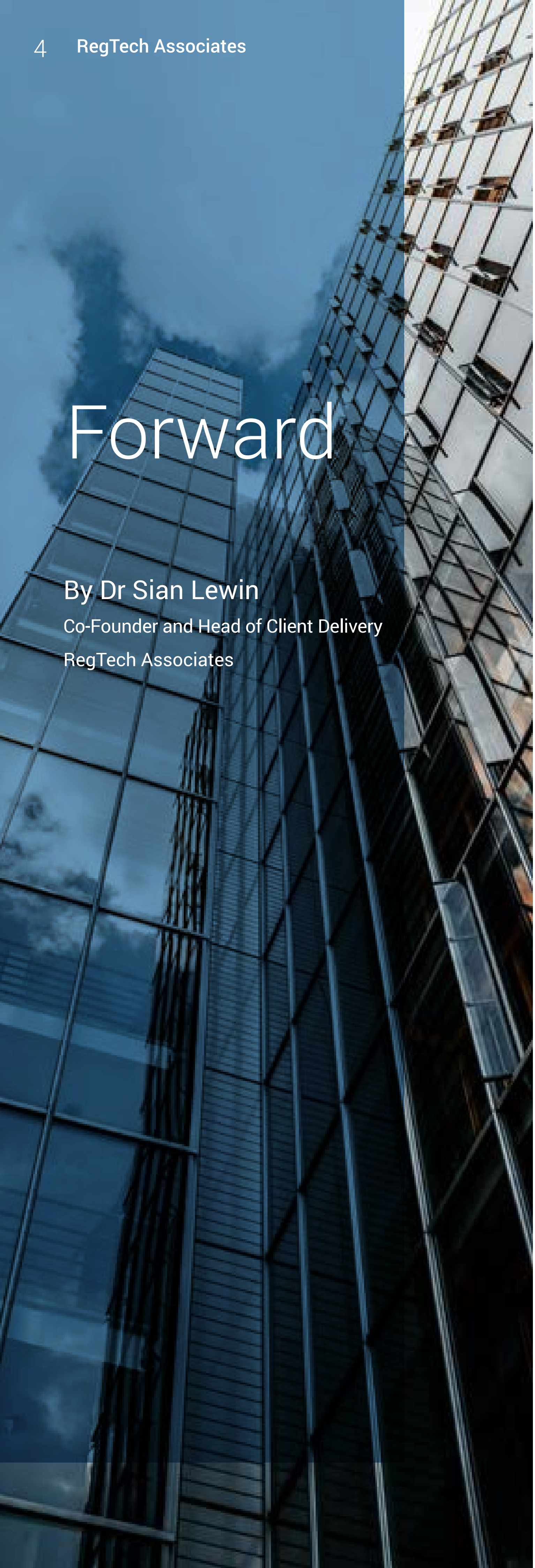


Forward

By Dr Sian Lewin

Co-Founder and Head of Client Delivery
RegTech Associates

I am very honoured to have the opportunity to present the findings of our research into the adoption of RegTech in the Jersey Financial Services industry.

At RegTech Associates, we are passionate advocates of the benefits that RegTech can bring in terms of better compliance outcomes, consumer and investor protection and financial stability. It is a privilege for us to work so closely with regulators such as the Jersey Financial Services Commission and provide much needed empirical evidence of not only the need for RegTech, but ways in which regulators and other stakeholders can act in concert to speed adoption for the benefit of the financial sector as a whole.

Jersey has a thriving financial services industry and a reputation for strong governance and oversight from the JFSC. Focusing on how the use of innovative technologies can underpin compliance will only help to enhance not only the productivity of the sector but also highlight Jersey's digital capabilities more broadly.

In conducting the fieldwork in Jersey, I was struck by the enthusiasm and high levels of engagement with the project and the importance that was being placed on the findings. It is my hope that this report will provoke not only thought, but also action, and enable the JFSC and other stakeholders to create and foster an environment where RegTech can truly make a difference.

I would like to thank all our survey participants and interviewees for their time and insights, as well as the many other people the team and I have met and engaged with along the way. Without that level of participation, we would not have been able to present such a robust set of findings and we are very grateful indeed.

Dr Sian Lewin
Co-Founder and Head of Client Delivery, RegTech Associates

1 Executive Summary

RegTech is transforming the way regulated firms achieve, manage and evidence their compliance. For many financial services firms, RegTech is now deeply embedded in their risk management frameworks, providing critical tools for fighting financial crime, measuring environmental impact, reporting key metrics to regulators, and protecting millions of global investors.

Financial centres like Jersey benefit from the adoption of RegTech. With the fastest internet speeds in the world, a vibrant and diverse financial services market consisting of national champions and the operations of global financial players, and a truly global client base, the potential for firms on the Island to drive more efficient and effective compliance processes is enormous. However, for several reasons, many have yet to fully capitalise on the opportunities presented by regulatory technology.

We find evidence of a disconnect between the regulator and the firms they regulate. The Jersey Financial Services Commission (JFSC) is a forward-looking body, a vocal supporter of innovation and an active member of the Global Financial Innovation Network (GFIN). However, their reliance on manual reporting processes and the potential for their vision and values to not always be evident 'in the field', leaves some firms unclear on how best to proceed with their compliance technology programmes.

This is a missed opportunity. While this disconnect is not the only challenge holding back adoption of RegTech by Jersey FS firms, addressing it urgently will be critical to how this barrier can be overcome in the future. Most of the firms we spoke to for this study told us that, over the next five years, they intended to achieve much higher levels of RegTech maturity, becoming more efficient and effective in their processes and even acquiring the ability to predict issues through the use of RegTech before they impact their businesses.

Bringing these two key groups closer together - the regulator and the regulated - will help to eliminate doubt around the expectations of JFSC, and alleviate much of the concern that exists for firms who worry they will be penalised by the regulator for making the 'wrong' choices when scoping and building out their solution sets. However, of equal importance are the challenges of building awareness and creating educational resources to shine more light on the capabilities and solutions on offer, as well as ensuring that the resources and talent required to design, plan, implement and maintain such tools are available on the Island where they're needed.

This report lays out findings from a detailed mixed methods research project, based on a quantitative survey of Jersey-based financial institutions and a series of qualitative interviews with senior RegTech decision makers in the industry. This analysis has been used to drive a series of five actionable recommendations for Jersey stakeholders, which are designed to address the barriers to adoption and suggest a means of promoting future engagement.

This is a fully independent piece of research, based on the facts at hand. No external party has influenced the findings or the narrative of this report, which presents an impartial and insight-led picture of the current state of the Jersey RegTech market. We are most grateful for the insights and feedback received from our stakeholders[1] which helped considerably in the initial design of the study, and we wish all relevant parties good luck in tackling and solving the issues raised here. Doing so will deliver significant benefits to all concerned and we look forward to following developments with interest as Jersey firms continue to climb the RegTech maturity curve.

1. See Appendix 1 for a full list of stakeholders engaged in the origination and design of this project

2

RegTech - setting the scene

2.1
Defining regulatory technology

In many parts of the world regulatory technologies (also known as ‘RegTech’) are helping firms from a range of regulated sectors to achieve compliance, often delivering significant business value in the process. RegTech essentially describes any technology that helps firms to meet their regulatory obligations.

In a financial services context, these obligations are many and varied. Indeed, in the wake of the waves of new regulation that swept the markets after the global financial crisis of 2007-8, regulation now touches virtually all aspects of the running of modern financial institutions. Banks need to make regular, complex calculations for capital adequacy, using RegTech solutions to assemble and analyse the required data as well as formatting it for reporting. Many institutions also need to be able to calculate and manage their market and credit risk positions in near real-time, providing another leading use case.

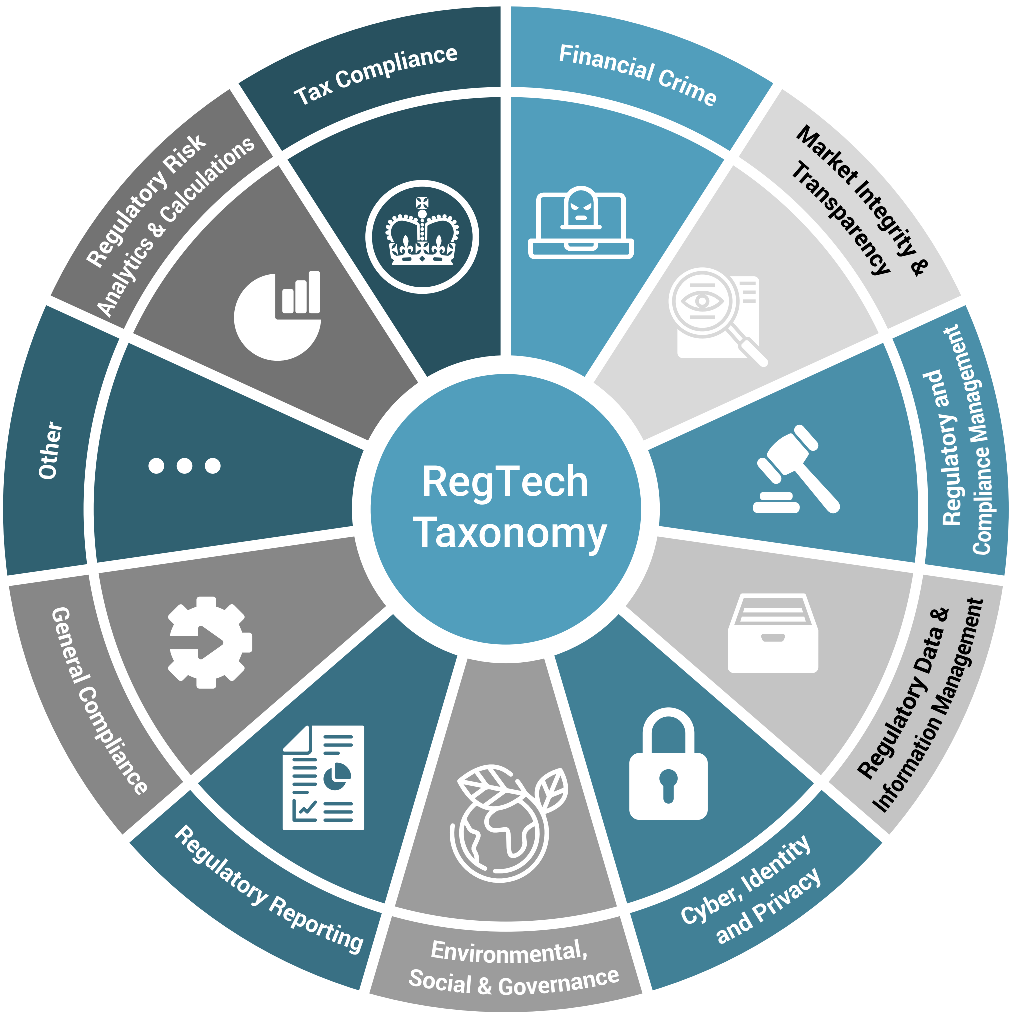
From investor protection to financial crime prevention, the obligations on financial firms are wide ranging, and RegTech solutions are now deeply embedded in the way many firms operate. They are also helping financial institutions in other ways, including:

- Gathering, collating and analysing data to calculate ESG exposures
- Monitoring transactions and the behaviours of employees to prevent market manipulation
- Tracking the activities of retail and business customers to ensure they are treated fairly
- Combating a host of complex international financial crimes, from money laundering and terrorist financing to sanctions evasion and fraud.

RegTech has a critical role to play in supporting today's complex and technology-driven financial services markets. To fully reflect the richness of the sector, which continues to grow and evolve in step with the enormously complex landscape it addresses, RegTech Associates has developed a problem-oriented taxonomy (see Figure 2.1) to map the providers of RegTech solutions.

This schema aids the classification, and sub-classification of a global RegTech market that is growing rapidly. Indeed, our proprietary research marketplace, RadarTM, covers more than 1,400 separate solutions from almost 1,000 different providers and continues to grow at pace as new innovators continue to emerge to meet the ever changing needs of institutions.

Figure 2.1 RegTech Associates Proprietary RegTech Taxonomy[2]



2. Definitions for each of the eleven areas of our RegTech taxonomy can be found in Appendix 2

2.2
Origins of RegTech

The term ‘RegTech’ first appeared in 2015, which by any measure was a critical year for the sector. A March 2015 report entitled *“FinTech Futures: The UK as a World Leader in Financial Technologies”* [3] includes one of the first recorded uses of the term. In this piece, Sir Mark Walport, Chief Scientific Adviser to the UK Government, refers to a new generation of regulatory technologies (or ‘RegTechs’) that he believes are the *“future of regulation” encompassing “...technological innovation that can be applied to or used in regulation, typically to improve efficiency and transparency”*.

Later that same year, in November 2015, Phillip Treleaven, Professor of Computing and Director of the Financial Computing Centre at University College London (UCL), published another important paper. His piece, produced in collaboration with EY’s Financial Services Institute, was entitled *“Financial Regulation of Fintech”*[4] and developed some of the ideas floated in the Walport report. Outlining his ‘RegTech vision’, Treleaven points to a future of *“automated regulation”*, calling on the FCA to encourage *“...the adoption of new technologies (and new companies), to support the delivery of regulatory requirements”*.

By the summer of 2016, the FCA was in a position to report on the results of their first Call for Input[5] on RegTech, which it also launched in November 2015. Taking its cue from Walport, the FCA’s consultation explored how regulatory requirements and technologies could be brought together through RegTech. The exercise met with a solid response from industry, and the place of RegTech on the compliance map was assured.

RegTech is, of course, a fairly new name for a much older concept. After all, technology has been used to help firms manage compliance since at least before the financial crisis of 2008. In a 2010 article for the Texas Law review[6], for example, Kenneth A. Bamberger, Professor of Law at the University of California, Berkeley, and Faculty Director of the Berkeley Center for Law and Technology, opined on the perils associated with the global market for governance, risk and compliance (GRC) technology solutions. At that point, IDC estimated[7] worldwide revenues from sales of GRC solutions to be worth $117 million per year. By 2020, however, in the span of only a decade, their estimate would mushroom to $11 billion[8], with global GRC revenues forecast to exceed $15 billion by 2025.

These are big numbers. However, considering that GRC is part of a larger compliance management category in our proprietary taxonomy, and that this is itself only one of eleven individual branches of RegTech that we track, the true size and scope of the RegTech sector becomes clear.

The rapid growth of RegTech sub-topics like compliance, financial crime, cybersecurity and regulatory reporting, owes much to the wider adoption of cloud computing and application programming interfaces (APIs) around the financial services market. Foundational technologies such as these have provided the rails on which the RegTech sector has advanced, propelled by a tidal wave of new and modified regulation that followed in the wake of the Global Financial Crisis of 2008-9.

A more complex and demanding regulatory landscape demanded new and more sophisticated solutions to address them. This also coincided with regulators and supervisory bodies themselves adopting new technology tools to enhance their oversight and supervisory capabilities. These factors, plus the intensifying pressure on costs that resulted from the post-Crisis global economic downturn, and more recently by the COVID-19 pandemic, has created a strong platform for solutions that can deliver greater efficiency and effectiveness for hard pressed institutions.

In short, the regulatory and technological transformation of financial services over the past decade, together with the growing pressure on financial services firms to achieve ever greater efficiencies, has created perfect conditions for RegTech to flourish. And, more recently, this positive trend has only been reinforced by the growing availability and variety of data, and the increasing ubiquity of artificial intelligence (AI) techniques needed by firms to analyse, visualise and exploit it performantly.

“

..technological innovation that can be applied to or used in regulation, typically to improve efficiency and transparency

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3. UK Government Office for Science (2015) FinTech Futures: The UK as a World Leader in Financial Technologies available at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/413095/gs-15-3-fintech-futures.pdf (accessed April 2022)
4. Treleaven, Philip, Financial Regulation of Fintech (November 7, 2015). Journal of Financial Perspectives, Vol. 3, No. 3, 2015, Available at SSRN: https://ssrn.com/abstract=3084015 (accessed April 2022)
5. FCA (2015) FS16/4 Call for Input: Supporting the development and adoption of RegTech available at https://www.fca.org.uk/publication/feedback/fs-16-04.pdf (accessed April 2022)
6. Bamberger, Kenneth A., Technologies of Compliance: Risk and Regulation in a Digital Age. Texas Law Review, Vol. 88, p. 669, 2010, UC Berkeley Public Law Research Paper No. 1463727, Available at SSRN: https://ssrn.com/abstract=1463727 (accessed April 2022)
7. https://searchcompliance.techtarget.com/tip/Seven-considerations-when-evaluating-automated-GRC-tools (accessed April 2022)
8. https://www.idc.com/getdoc.jsp?containerId=prUS48171921&msclkid=c1f7d056c0c211ecaf9433cd7ee4dac8 (accessed April 2022) The specific sectors of Jersey financial services researched for this report are discussed in Section 5. 10 A full list of the stakeholders consulted for the report can be found in Appendix 1.

2.3

How RegTech helps organisations

In the midst of this historic confluence of opportunity, resource, demand and supply, RegTech is now increasingly being used to address a wider range of complex risk and compliance use cases. And, depending on how, and how much, RegTech is deployed, value can be created for firms in several key ways:

RegTech solutions can deal with more data - from transactions to regulatory reporting data - than manual alternatives. Given the increasing demands of regulators for firms to report more complex data in larger quantities, RegTech is relied on by many to help them achieve full **compliance**.

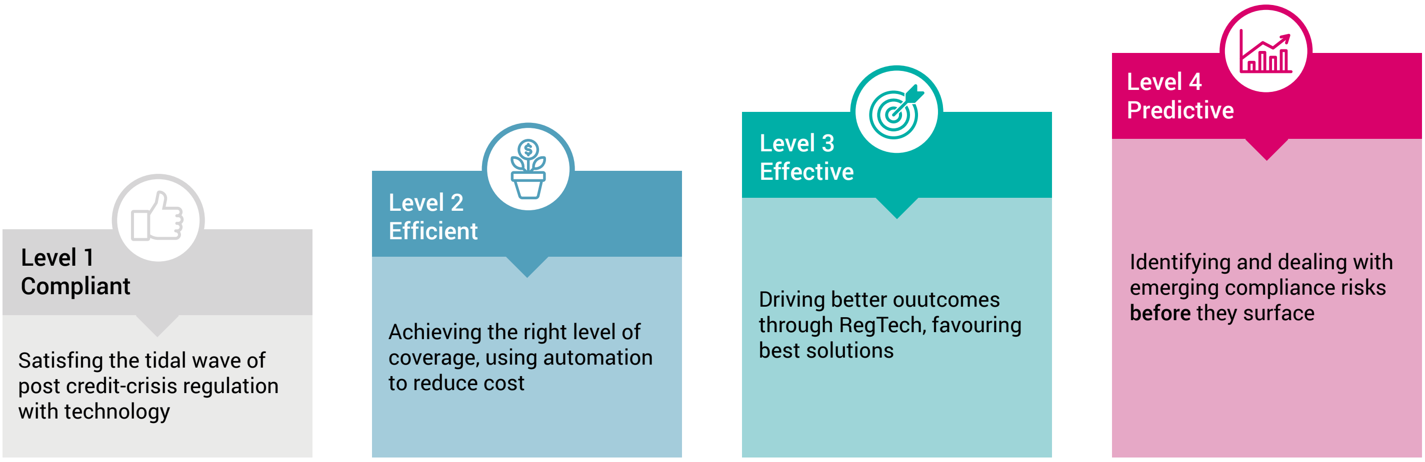
RegTech solutions can also process risk and compliance data at much higher speeds and at lower cost than existing manual alternatives. In many cases, RegTech solutions are driving significant compliance **efficiencies** at a time of relentless pressure on costs, freeing up compliance professionals to focus their expertise on more important tasks.

In the face of a rapidly evolving threat landscape, solutions powered by AI are also helping some firms to get ahead of the problem by allowing them to scan the horizon for incoming risks. These could be new regulations or emerging threat vectors highlighted in the data. In this way, RegTech helps adopters to be less reactive and take a more **predictive** stance towards the business of compliance.

Being able to ingest large amounts of data also allows some RegTech solutions to spot patterns and insights in data that might otherwise be invisible to teams relying on manual intervention. Techniques such as topographical data analysis, for example, are dramatically increasing the **effectiveness** of compliance processes in areas like financial crime risk management. Firms are also increasingly taking data surfaced for compliance use cases and feeding it into their customer lifecycle management systems to give them a richer understanding of the needs and behaviours of their clients, driving new business opportunities.

Each step along this path - *from compliance, to efficiency, to effectiveness and prediction* - raises maturity and pushes firms further along their RegTech adoption journey (see Figure 2.2). And, while firms are unlikely to need ‘everything, everywhere’

Figure 2.2: Regulated firms are at different stages in their RegTech adoption journey



2.4

Purpose and objectives of this report

Against this backdrop, our report presents the findings from a recent research project we conducted that focused on the current state of RegTech in the financial services sector on the island of Jersey[9]. The project took the form of a detailed quantitative survey of Jersey-based institutions together with a series of deep-dive qualitative interviews with senior decision makers from a cross section of firms. Both research elements focused on the following five areas of enquiry:

- **Levels of RegTech awareness**
- **Attitudes towards RegTech**
- **Use of RegTech**
- **Barriers to RegTech Adoption**
- **Measures to address barriers**

In designing the study, we developed a dozen hypotheses in collaboration with various stakeholders on the island, including our sponsor, the Jersey Financial Services Commission (JFSC), Digital Jersey, and Jersey Finance amongst others[10].

The purpose of the study was to test the hypotheses we had developed (see Table 2.1) and either prove, or disprove, each in turn.

9. The specific sectors of Jersey financial services researched for this report are discussed in Section 5.
10. A full list of the stakeholders consulted for the report can be found in Appendix 1.

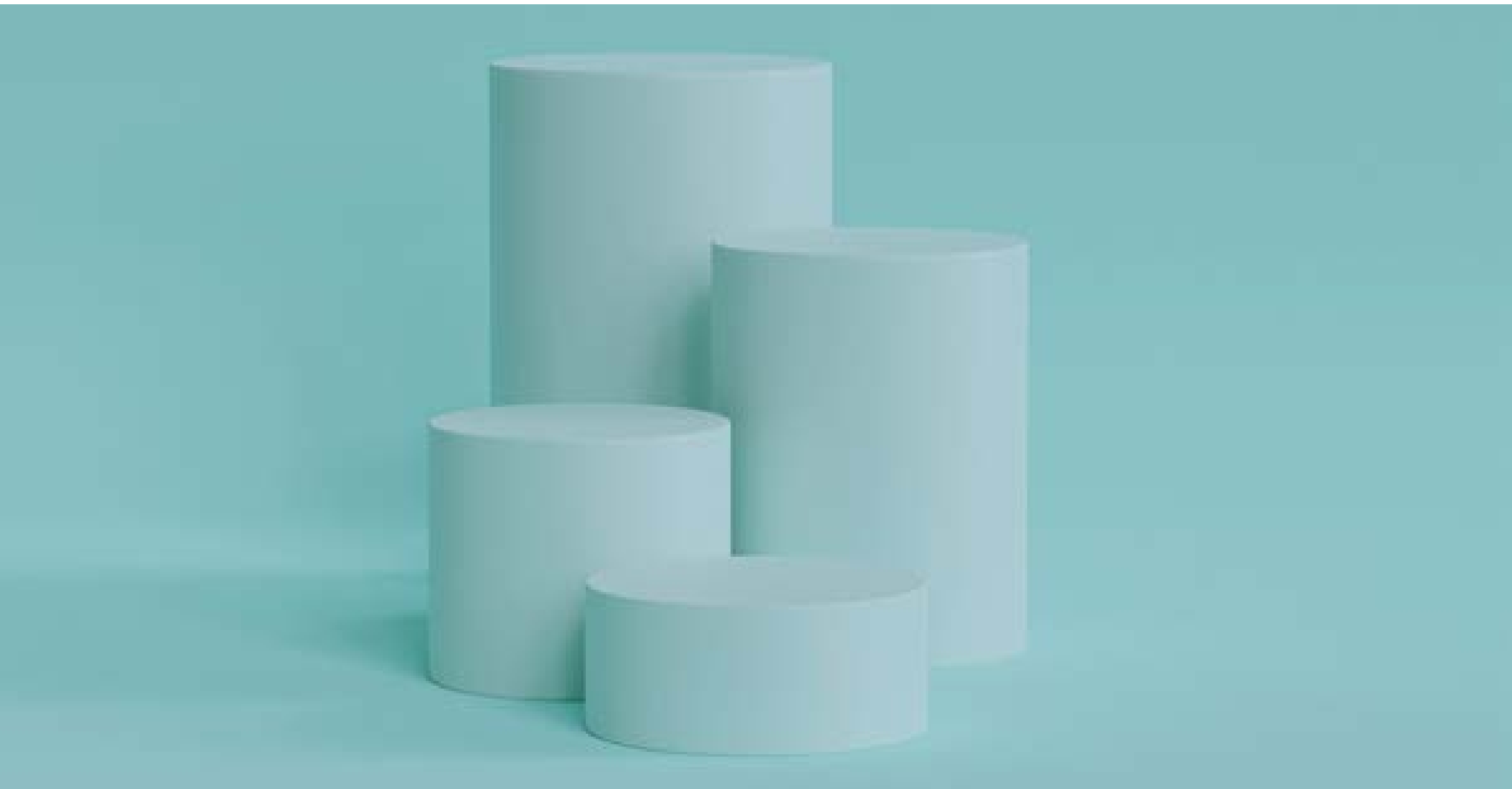


Table 2.1: Twelve core hypotheses drive our report

Focus Area	Hypotheses
Existing Compliance Priorities	1. Jersey firms are highly focused on Financial Crime-related RegTech use cases to the exclusion of awareness and engagement with the wider RegTech universe.
Use of Technology	2. While some firms are making full use of the opportunities afforded by RegTech to address their compliance challenges, a mixture of legacy IT issues and legacy thinking on the part of decision makers is preventing wider adoption of RegTech solutions.
Awareness / Perceptions of RegTech	3. There are differing levels of awareness of RegTech (what it is, what it can do) across different financial services business lines on the island.
	4. There also exists a wide range of perceptions around the value of RegTech in terms of its ability to address key compliance challenges.
	5. The benefits of RegTech are not well known and/or understood by firms on the island (e.g. Reduction in risk, Improvements in efficiency and effectiveness, Cost savings, and Enabling greater insights for decision making).
RegTech Adoption & Maturity	6. The level of adoption of RegTech by Jersey FS firms varies depending on the firm size and / or FS sector in which they operate - some firms have little or no provision, while others are extensive users of RegTech, with plenty of variation in between.
	7. Not all firms want to be highly mature in their use of RegTech (i.e. 4. Predictive), with a minority claiming they are happy to sit at a lower level (i.e. 1. Compliance / 2. Automation).
	8. Firms with higher levels of adoption (and/or ambition) together with a higher level of maturity in terms of their current or desired state are likely to be highly aware of the RegTech market (in terms of foundational technologies, solution categories and vendors).
Barriers to Adoption	9. The key barriers to greater RegTech adoption are internal factors specific to individual firms, rather than wider market-level factors.
	10. Being part of an offshore group structure operated by a larger non-Jersey firm is not regarded as a significant barrier to RegTech adoption.
Supporting Future Adoption	11. Firms regard the willingness of the regulator to support the RegTech agenda as a key route to wider RegTech adoption.
	12. Firms would be more likely to adopt RegTech products if the vendor had been through some form of approved accreditation.

In short, our initial view heading into the project was that the Jersey financial services sector had yet to fully engage with the opportunities presented by RegTech. The solutions in use, we felt, would likely reflect the immediate needs of firms seeking to achieve base compliance. This would put many firms at the low end of the RegTech maturity curve, belying a sector whose RegTech ambitions were not matched by their awareness and willingness to invest.

This, we believed, was the result of firms hitting up against a broad range of adoption barriers. These included:

- A lack of awareness of the solutions and technologies available to firms
- Misperceptions around the value of RegTech to organisations
- A lack of guidance and approval from the regulatory body to support investment decisions

The objective of this report is to outline what we discovered during our research, our approach to which is outlined in Section 5 of this report. The RegTech Associates team analysed the outputs of each research stream, using them to formulate a series of recommendations for vendors, institutions, the regulator and other bodies with a stake in increasing the adoption of RegTech in Jersey. These are outlined later in this report.

3

Spotlight on Jersey

3.1

Market structure

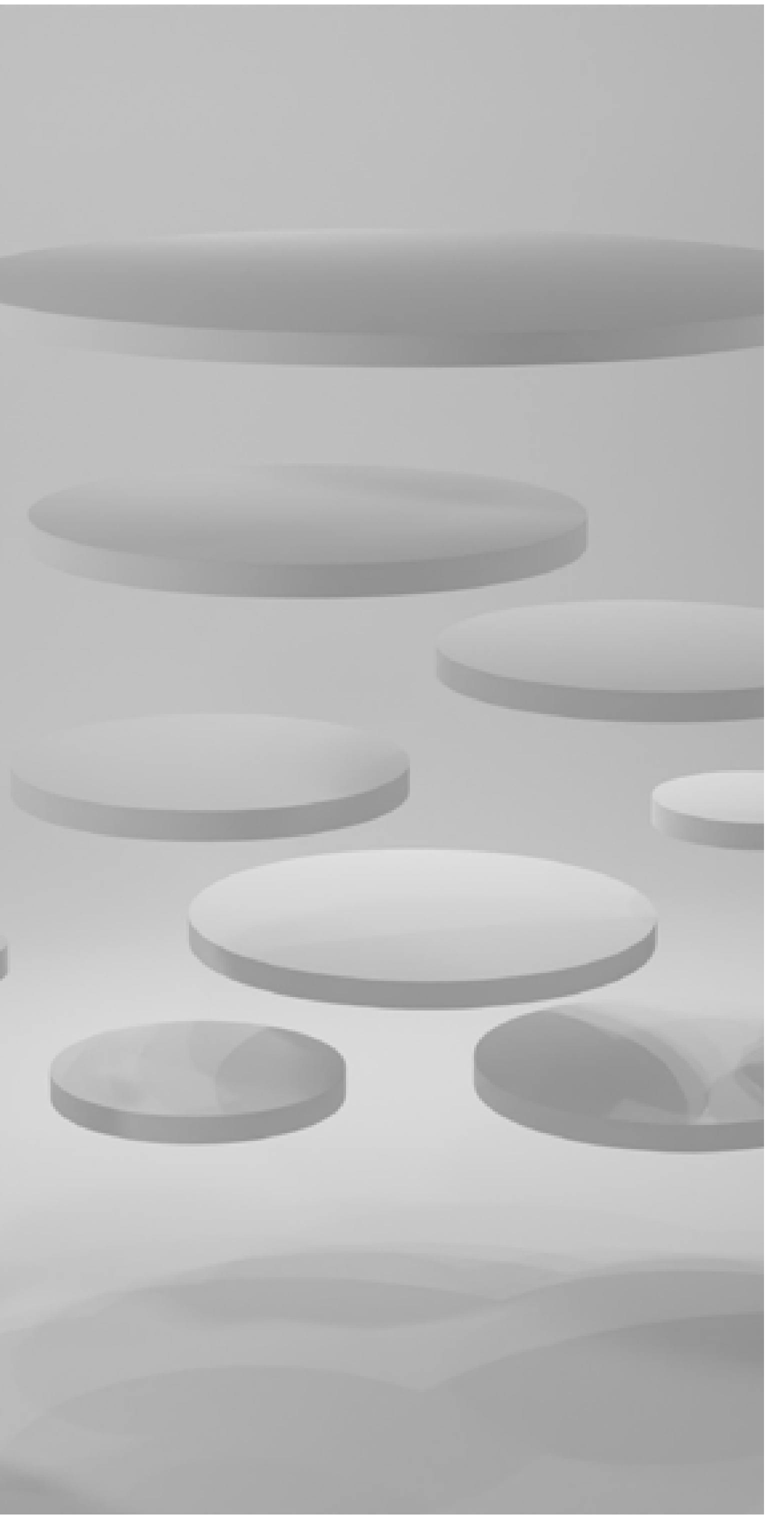
Only 85 miles off the south coast of England, Jersey is the largest and most southerly of the Channel Islands with a population of around 105,000. It has a reputation as a world-class international finance centre (IFC) and almost one-quarter of the resident population are employed in financial services and associated professional services. Unsurprisingly then, financial services contribute an estimated 40% of Jersey's annual economic output[11].

In recent years the Government of Jersey has invested in the transformation of its digital infrastructure, gaining a reputation as an international hub for digital and financial innovation. This includes full-fibre connectivity for every home and business on the Island, which was recently recognised as being the fastest in the world based on average download speeds[12].

This solid core infrastructure, together with local demand for solutions, support from the regulator and Government, and a community of more than 400 digital and creative businesses on the Island employing more than 3,000 technology professionals has positioned Jersey well to build a vibrant FinTech sector. The latest fintech map published by Jersey Finance lists 75 innovators on the island[13]. Ten of these are RegTechs, providing a range of reporting, financial crime compliance and other solutions for local and global financial services firms[14].

11. Further information on Jersey can be accessed through the Jersey Government's website here: http://www.londonoffice.gov.je/about-jersey/ (accessed May 2022)
12. In 2021, the Jersey was recognised in the Worldwide Broadband Speed League rankings as having the fastest average download speeds in the world, with a recorded 274.3Mbps. Further details can be found on the Cable.co.uk website here: https://www.cable.co.uk/broadband/speed/worldwide-speed-league/#speed (accessed May 2022)
13. The interactive Jersey for FinTech Map can be accessed via the Jersey Finance website here: https://www.jerseyfinance.je/our-work/jersey-for-fintech/#map (accessed May 2022)
14. For further details on the Jersey FinTech scene can be accessed via the Jersey Finance website here: https://www.jerseyfinance.je/jersey-the-finance-centre/sectors/fintech/ (accessed May 2022)

3.2
Regulatory landscape



Jersey benefits from a stable political and legal system, and a track record of compliance with the latest international regulatory and technology standards. The strong regulatory framework of the Jersey Financial Services Commission sets the Island apart from other IFCs, providing strong foundations for a world leading financial services sector, with a wide range of data sharing agreements with global partners in critical areas such as tax compliance and sanctions monitoring.

As a financial centre, Jersey is also at the forefront of confronting financial crime, terrorist financing and corruption. Jersey was subject to a Mutual Evaluation by MONEYVAL in 2016, which found the Island to be 'compliant' or 'largely compliant' with 48 out of 49 recommendations from the Financial Action Task Force (FATF), the joint highest score achieved by all the states assessed[15], and is hoping to maintain this high level of compliance as a result of the upcoming MONEYVAL in 2022.

The regulator also has a strong stated commitment to innovation, evidenced by its decision in 2019 to join the Global Financial Innovation Network (GFIN)[16]. This international network of 29 financial regulators and organisations gives members a forum for collaboration where they can share experiences and develop strategies for addressing new and emerging technologies. Importantly, businesses can also use the network to work with a much wider set of global financial regulators, helping them develop and scale their products and solutions more effectively.

15. Jersey will be reassessed against the FATF framework in 2023, with a subsequent report expected in 2024. Further details on the FATF recommendations and the results of the 2016 assessment can be found on the Jersey Government's website here: https://www.gov.je/crimejustice/crimeprevention/pages/financialcrime.aspx (accessed May 2022)
16. For further details on JFSC's membership of GFIN, see this press release on the Jersey Finance website: https://www.jerseyfinance.je/news/jfsc-joins-global-financial-innovation-network/

3.3
Financial Services in Jersey

Against this backdrop, Jersey has established a strong financial services sector, comprising a blend of domestic champions and the operations of large overseas institutions seeking a presence on the Island. The sector focused in the areas of fund management, private wealth, banking and investment services[17].

Fund Management

Jersey offers a full spread of fund management and related services suitable for retail, institutional and sophisticated professional investors. At last count, the net asset value of regulated funds under administration were in excess of £450 billion, 89% of which were invested in alternative assets. The Island has also seen the formation of 531 Jersey Private Funds since their launch in 2017.

Wealth Management

Jersey boasts considerable expertise in wealth management, trust services, estate planning and succession planning for wealthy individuals. The sector administers £1,140 billion of capital. Between 2017 and 2020 this supported £126 billion of global GDP creation through value chains. The Jersey Society of Trust & Estate Practitioners (STEP) has more than 1,100 members, with more than 400 dedicated foundations formed since the launch of the Jersey Foundation in 2009.

Banking Services

Jersey firms provide a range of retail and institutional banking services to local and international clients, holding more than £131 billion of deposits. There are 20 fully licensed banks operating on the Island, including more than one-third of the Top 25 banking groups. Together, they employ more than 13,500 financial professionals.

Investment Services

Jersey firms also provide a range of investment services for international clients, family offices and trust companies. There are 72 investment managers regulated by the JFSC sporting more than 15,000 clients globally.

Given the well-established and diverse nature of the financial services sector in Jersey, risk and compliance are issues of critical importance, both for the regulator and the firms they regulate. Similarly, the opportunity for firms to optimise their compliance through technology, capitalising on the opportunities presented by the expertise, infrastructure and market presence afforded by Jersey is equally significant.

17. The insights and statistics cited in the section were sourced from the Jersey Finance website here: https://www.jerseyfinance.je/jersey-the-finance-centre/sectors/ (accessed May 2022) (accessed May 2022)

4

Outlining our research approach

4.1

A research approach designed around our 12 core hypotheses

In the first quarter of 2022, the research team at RegTech Associates executed a programme of quantitative and qualitative research focusing on a broad range of financial institutions operating in Jersey. We wanted to uncover the underlying awareness, perceptions, adoption and needs of these firms, and the research consisted of four streams of activity:

1. A workshop was conducted with our core stakeholder group to help us better understand leading trends in the Jersey RegTech market, and develop our twelve core hypotheses (see Table 2.1).

2. This was used as a key input into the design of a detailed survey, consisting of 29 questions, which was put to a wide range of Jersey-based financial institutions[18]. The study ran online from January to February 2022, garnering 74 responses of sufficient quality[19] to use in our analysis.

3. We also ran a series of nine anonymous one-hour qualitative interviews in March 2022 with a range of Jersey-based financial institutions. These were conducted in-person with relevant RegTech decision makers, and were used to provide valuable colour and context for our findings.

4. Finally, our view of the Jersey market was further augmented with a broad literature review, taking into account a range of published sources concerning the digital strategy of the island, the regulatory landscape addressed by firms, and the productivity of Jersey's financial services sector.

Our research efforts were all focused on our 12 hypotheses. As outlined in Section 2, these delved deeply into the priorities, technology use, and adoption, awareness and perceptions of RegTech of our respondents. We also polled for their views on their perceptions on the barriers to RegTech adoption in Jersey, together with the measures they felt would help support greater use of regulatory technology in the future.

18. Note: the size of the survey population addressed in this study was agreed in conjunction with our sponsor, the JFSC
19. Only responses from those who answered more than 70% of our survey questions and who passed our data quality control process were included in our final analysis.

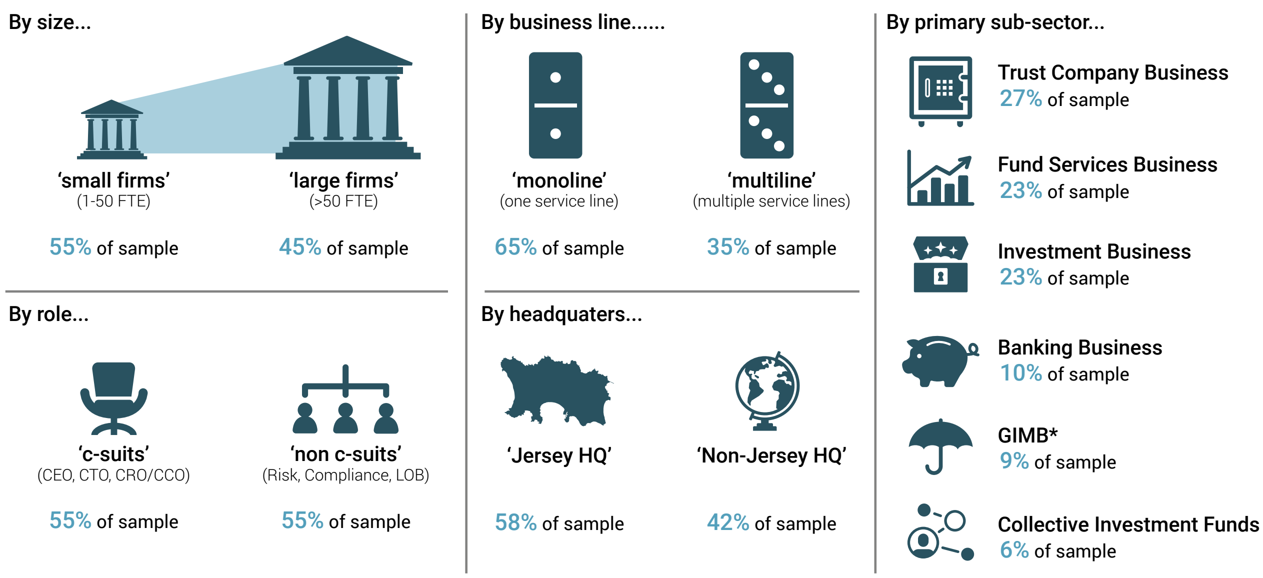
4.2
Survey research approach

Based on our core hypotheses, we developed a quantitative survey and we were pleased that our respondents were a representative mix of firms by size, primary sub-sector, role type, and entity type, be they independent Jersey-based firms, or offshore operations of larger global institutions. Specifically:

- **By size**: Our survey benefitted from a robust distribution of firms by size, with a relatively even split between respondents in the small (i.e., 1-50 employees) and large (i.e., more than 50 employees).
- **By primary sub-sector**: Our respondents provide a range of services. Trust companies, FSBs (i.e., fund service businesses), and investment firms each contributed around one-quarter of activities undertaken by respondents, with banking, insurance mediation and collective investments making up the balance. In addition, two-thirds of respondents were monolines, with the rest offering a blend of two or more services to their clients.
- **By respondent**: We have a strong set of responses by role, with two-thirds drawn from the C-Suite (e.g., CEO, CTO, CRO/CCO). Our remaining respondents were drawn from other areas of the business, including risk and compliance management and line of business leads, amongst others.
- **By entity type**: A little over half of respondents told us they were headquartered in Jersey, with the remaining firms split across a range of geographies. These included the UK, Guernsey and the US, which were the three most popular offshore HQs in the sample.

Further details on our survey respondents are included in Figure 4.1 and the results and conclusions from our survey are discussed in detail in Sections 6 and 7 of this report.

Figure 4.1 Core survey firmographics



* GIMB = General Insurance Mediation Business
Note: a further 3% of respondents descrobed their primary sub-sector as "other"

4.3
Interview research approach

A series of nine in-depth interviews were conducted with senior decision makers who would typically be involved in the process of acquiring a new RegTech solution for their organisation. These conversations provided useful colour and context for the survey results, and ensured we were able to fully test our 12 core hypotheses. Each interview was conducted on a basis of anonymity. This allowed our interviewees to be free and frank with their views on RegTech. However, while the identities of our interviewees are not disclosed, some general commentary on the personas accessed for this study is permitted and underscores the robust nature of the sample achieved. We would note the following:

- We saw strong senior-level engagement, with 89% of interviewees drawn from the C-suite.
- We also addressed a good mix of sub-sectors, with 40% of our respondents representing firms with a focus on banking services, 40% for fund and investment services, and the balance consisting of more specialist and multi-line financial services institutions.
- We also tapped a good range of interviewees by organisational size, with the firms represented ranging from 1-10 employees to the overseas offices of global firms with more than 10,000 staff worldwide.

Table 4.1 provides further details on the personas interviewed for this study.

Table 4.1: Breakdown of interview personas based on key traits

Interview Number	Interviewee Title	Main FS Sub-Sector Addressed	Size (# of employees)	Jersey HQ'd? (Y/N)	Global FTE in Jersey (%)
1	CRO	Banking	101-200	N	35%
2	CCO	Banking	201-500	N	1%
3	Risk/Compliance Manager	Banking	1,001-5,000	N	36%
4	'Other C-Suite'	Banking	10,000+	N	1%
5	CCO	Fund Services	11-50	Y	1%
6	CEO	Fund Services	11-50	Y	20%
7	CEO	Fund Services	11-50	Y	100%
8	'Other C-Suite'	Fund Services	101-200	Y	70%
9	Group Ops Director	Investment Management	51-100	Y	100%

During the interviews, which were conducted face-to-face in Jersey by a senior member of the RTA team, we focused attention on a range of key areas, including:

- The compliance challenges that each interviewee regarded as the greatest facing their institution, and how they had reached their judgement.
- The awareness of each interviewee concerning RegTech at large, as well as the types of RegTech solutions that are available in the market. In this context, we also dug into general perceptions around the value and usefulness of RegTech in each respective institution as well as their relative grasp of key foundational technologies (i.e. cloud, automation, more complex AI and blockchain).
- How each respondent believed their organisation was using RegTech to help solve their compliance challenges. This included the mix of third-party software versus in-house solutions used, the types of RegTech projects the firm had run, their individual success or failure in addressing the challenges at hand, and the resulting level of adoption at time of interview.
- Where relevant, we also asked about their experiences of working with third-party RegTech vendors, looking at the buy-in achieved, outcomes and any 'war stories' they shared.
- We also investigated different patterns of adoption between Jersey headquartered firms and offices of larger global entities, the ambitions of the interviewees when it came to future RegTech adoption, and their personal assessment of the key barriers and remedies that might be adopted to support the greater use of RegTech by Jersey financial services institutions in the future.

As with our quantitative survey, the results and conclusions from our industry interviews are also discussed in detail in Sections 6 and 7 of this report.

5

Key findings

5.1 Overview

In structuring our analysis for this report, we focused on five key areas of insight that address our core hypotheses head on. These were:

1. **Prioritisation** - the level of priority that Jersey firms are giving to the full range of regulatory compliance challenges addressed by RegTech solutions.
2. **Adoption** - the extent to which the firms surveyed have invested in RegTech solutions, in which key compliance areas and how effective the solutions are.
3. **Awareness & Access to Information** - how well informed are the respondents to our survey, as well as our interviewees, regarding the technologies and solutions on offer, and from where do they source their insights?
4. **Understanding & Future Outlook** - how are firms using the awareness they have to make longer term decisions about RegTech, and what perceptions have they formed on future state for their organisations?
5. **Barriers & Remedies** - taking everything into account, what factors do firms feel were holding them back from greater RegTech adoption, and what would they like to see done to address them?

We overlaid the outputs of our quantitative survey and qualitative interviews onto this broad framework, driving out a core narrative and set of recommendations.

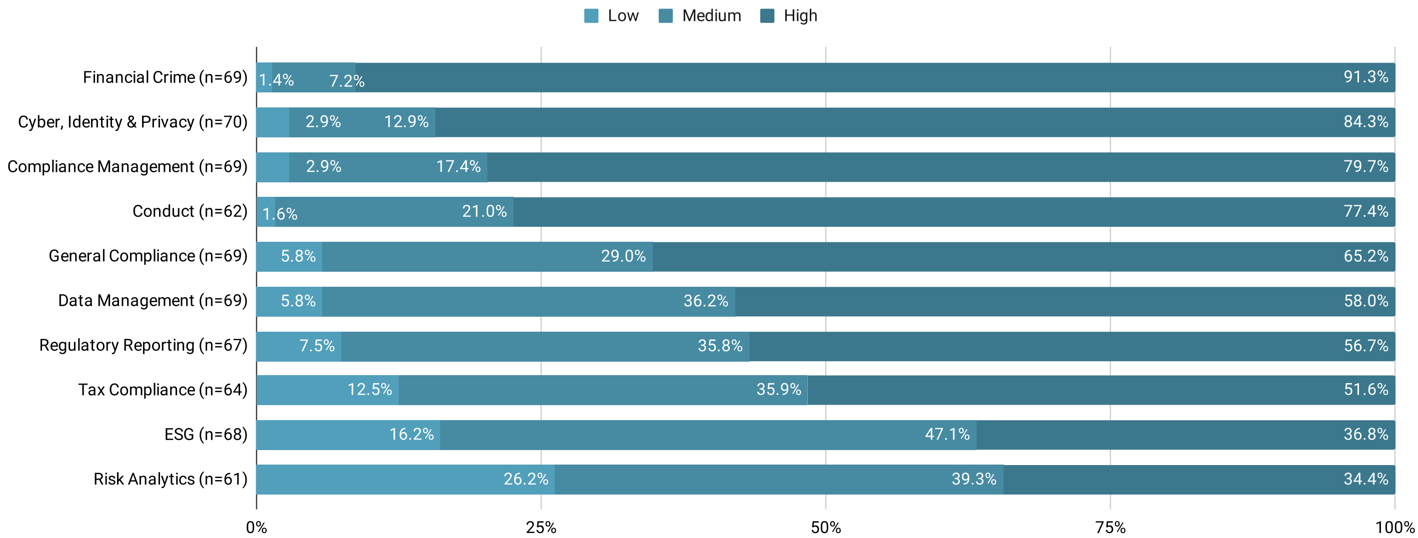
5.2
Prioritisation

Looking first at prioritisation, we found that Jersey financial services firms were engaging across a wide range of compliance areas. However, levels of focus varied between categories. In our survey, we offered respondents a set of eleven key compliance areas[20], asking them to describe the extent to which their respective institution was giving each priority. In at least 82% of cases, all the options proposed to respondents were afforded some level of priority.

As Figure 5.1 shows, Financial Crime, Cyber Risk, Compliance Management and Conduct emerged as the four biggest challenges facing regulated firms in Jersey[21].

Figure 5.1: Financial Crime, Cyber Risk, Compliance Management and Conduct emerge as the biggest challenges facing regulated firms

Q7: What priority is your organisation giving to each of the following regulatory compliance issues? (n=74)



The top two categories were Financial Crime and Cyber Risk, both of which were rated as high priority compliance areas for 91% and 84% of respondents respectively. In contrast, Risk Analytics was least likely to be rated as a high priority. Surprisingly, this was only two percentage points behind Environmental, Social & Governance (ESG) compliance, which is a major issue for global firms from both the investment and compliance perspectives.

Although ESG saw relatively high levels of engagement, with 92% of survey respondents ascribing it some level of priority, the majority of them regarded ESG as either low (16%) or medium (47%) in terms of its importance. One respondent also reported that ESG was "not relevant" to their business. Nevertheless, this somewhat surprising view compared favourably with other categories, where relevance was more of an issue. For example, in our survey 11% of respondents felt Risk Analytics

20. As mentioned in Section 2, definitions for each of the eleven categories in the RegTech taxonomy can be found in the Appendix.

21. It should also be noted that the sample sizes for each category vary, since not all respondents chose to ascribe a level of priority to every category. For example, the category of Risk Analytics was rated lowest in our survey, with only 61 of our 74 respondents rating it as a 'low', 'medium' or 'high' priority for their organisations. However, since we rank on priority, it is also bottom of the pile since only one-third (34%) of respondents rated it as a 'high priority'. This is why Conduct is ranked much higher. Despite only 62 respondents (84% of the sample) ascribing priority to it, for those who did 77% rated it highly.

was "not relevant", with a surprising 8% saying the same of both "Conduct" and "Tax Compliance".

Our interviews helped shed light on these results, with interviewees calling out a range of factors driving their decisioning. For example, in cases where the entity concerned was the Jersey office of a larger international institution, broader risk and compliance prioritisation was more likely to be driven by the parent group. In these cases, high priority was given to specific areas of local need. These included investment in financial crime countermeasures, with provision specific to the needs of Jersey firms (e.g., suitable for trusts, FSBs and complex banking structures focused on high net worth (HNW) and ultra-high net worth (UHNW) customers). In these instances, we heard that other risk categories were either managed centrally (i.e., not a local priority since provision was made by the group) or, as was the case with risk analytics, a "solved problem" for some, where solid analytics were a prerequisite for doing business. This was a perception often described by interviewees representing branch offices or subsidiaries of larger overseas entities, and explains in large part some of the unexpected prioritisation decisions we saw reflected in our survey results.

For ESG the situation was rather more complex. Here, interviewees also explained that a lack of specific and well-defined ESG reporting obligations was making them hold off on their investment, with some discomfort also voiced over the current lack of global data standards for ESG. Elsewhere, one firm pointed to what they referred to as a "lack of mental capacity" in the firm to deal with the wide-ranging compliance priorities presented in our survey. Resources were tight, and priority was given to immediate needs, leaving ESG and certain other categories to be pushed down the running order until such time as they also became pressing concerns.

This more reactive, tactical approach to prioritisation cuts in the opposite direction when it comes to aligning compliance priorities with client needs. For example, the Sustainable Finance Disclosure Regulation (SFDR, 2021)[22] demands greater ESG engagement from wealth and fund management firms offering sustainable investment products. Understandably then, those firms at the sharp end of the SFDR's reporting requirements rated ESG compliance much higher in the survey than their peers.

22. Further details on the technical standards underpinning SFDR can be found on the European Commission website at the following link: https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/sustainability-related-disclosure-financial-services-sector_en (accessed May 2022)

5.3
Adoption

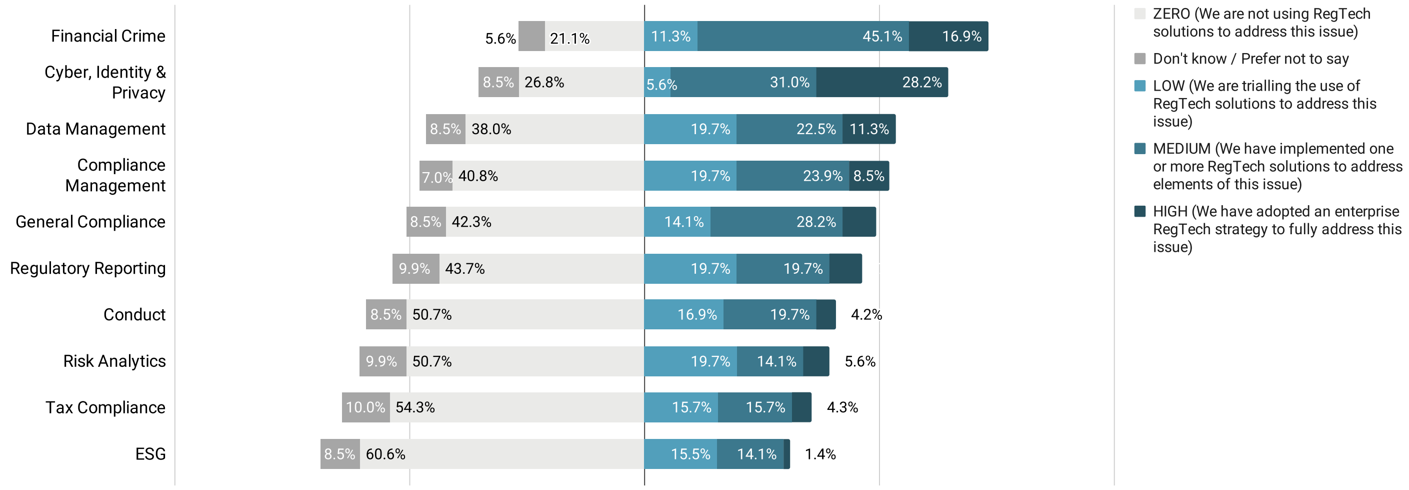
Turning next to adoption, we see that patterns of RegTech use very much reflect the risk and compliance priorities called out by Jersey firms. As Figure 5.2 shows, based on the concentration of medium- and high-level adoption amongst institutions, we saw the strongest adoption in the Cyber Risk and Financial Crime categories, mirroring the pain points expressed in the previous section.

Cyber also sees the highest proportion of firms reporting 'high adoption' (i.e., 28% vs. only 17% for Financial Crime). This reflects a global focus on cyber protection - from passwords and firewalls to data security and quantification - in the wake of the global pandemic and, more recently, Russia's invasion of Ukraine, both of which have raised the number of cyber attacks on businesses worldwide.

This trend may also have contributed to the strong showing of the Data Management category, which posted third position in our RegTech adoption ranking. However, firms' broader digital innovation and transformation journeys will also play a strong role here, creating the rails for risk and compliance focused data enrichment, storage, control and reporting projects to run along. Enterprise data transformation, for example, was called out by several interviewees as part of their ongoing activity. This, in tandem with cloud migration, which several interviewees also called out, are key enablers for RegTech adoption.

Figure 5.2: Cyber Risk, Financial Crime and Data Management are leading RegTech adoption categories

Q8a: What is your organisation's level of RegTech adoption in each regulatory compliance category? (n=72)



Looking at the results in more detail, ESG, Tax Compliance, Risk Analytics and Conduct are also notable for the high level of 'zero adoption' reported in the survey. In each case 50-60% of respondents told us they were not using regulatory technologies to address these issues. The absence of adoption in these critical areas is entirely consistent with the compliance priorities reported by firms in our survey.

In our interviews, we heard that investment of RegTech very much tracked with the immediate needs of regulated firms. For example, the significant investments going into anti-money laundering (AML), 'Know Your Customer' (KYC), counter terrorist financing (CTF), and electronic ID verification (eIDV) solutions, was part of a larger push towards safer and lower friction onboarding processes that could help firms provide a faster, more digital, and more joined up experience for their customers. In this context, the elimination of manual documents and processes was regarded as a priority, with investment put into screening tools, data security solutions and compliance training packages for Jersey-based teams.

In contrast, interviewees regarded regulatory reporting as a lower priority area, with firms noting the regulator's preference for manual submissions for its National Risk Assessments (NRAs)[23], for example, as reason enough to retain existing manual processes. As noted above though, investment in data was a common theme, particularly amongst offshore offices of larger firms, where the fruits of global transformation programmes were delivering higher standards of data integrity and control for firms.

23. More information on the JFSC's National Risk Assessment regime can be found on their website at: https://www.jerseyfsc.org/industry/risk/national-risk-assessments/ (accessed May 2022)

Box 5.1: The influence of offshore ownership on RegTech adoption

By and large, our interviews revealed that those representing the Jersey-based operations of larger regional or global financial institutions felt they benefited from investment and implementation programmes driven from the core.

In several cases, the decision to acquire a solution was driven fully at Group level, with vendor selection managed and executed centrally. In other instances, interviewees described feeding their requirements into a wider global process or, as one noted, being encouraged to select a solution from a pre-approved panel of providers drawn from existing technology relationships owned at Group level.

On more than one occasion, interviewees noted how efficient implementation support had also been provided, effectively neutralising the problem of sourcing local skills to manage the process.

These firms acknowledged they were not perhaps acquiring the "latest and greatest" solutions, but rather that they were getting what they needed, when they needed it, backed up by centralised processing and data transformation. This top-down distribution of RegTech helped to push such firms up the RegTech maturity curve almost by default, leaving them free to focus on managing local issues.

In contrast, independent firms found themselves relying on their own resources, with no higher power to insulate them from the resource, talent and implementation challenges associated with technology change. In this context, efforts to provide RegTech-focused support and education for Jersey firms could be highly beneficial, raising awareness and attracting skills to the Island as adoption increases and the local market grows.

Nevertheless, the fact that we have such a large minority (and in some cases majority) of zero adopters in all the categories offered (including Financial Crime, where 1-in-5 respondents were not using compliance technology to manage their risk, and Cyber Risk, where this climbs to 1-in-4) shows the scale of the task ahead, as well as the enormous potential benefits available to Jersey regulated financial institutions who increase their adoption of RegTech.

5.4

Awareness and access to information

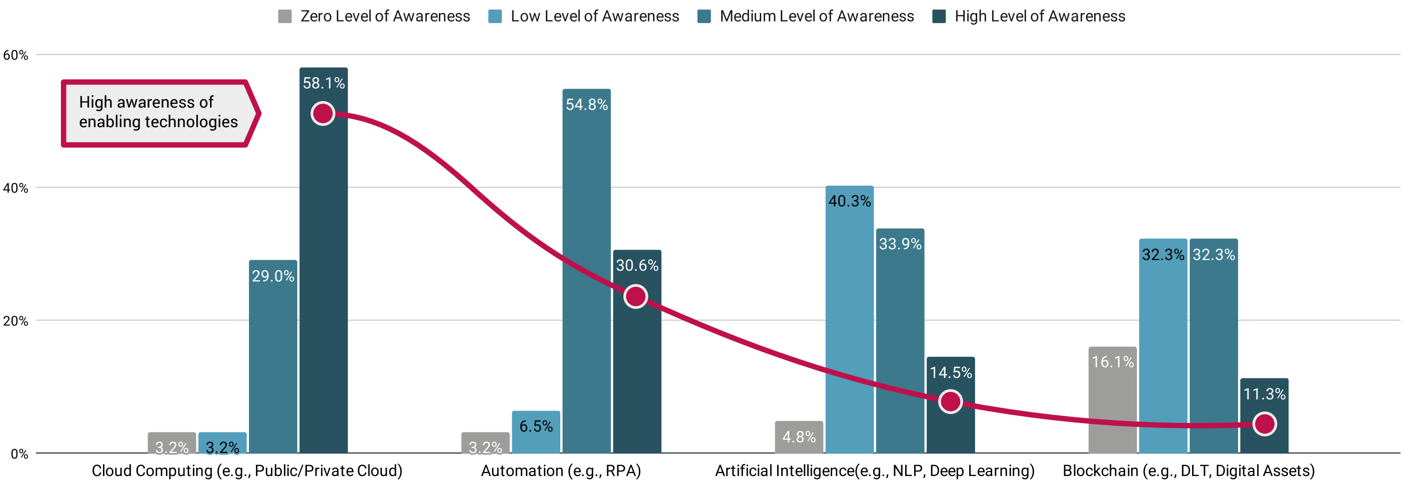
Our survey also pointed to low levels of awareness around RegTech. This included low relative awareness of the foundational technologies underpinning RegTech. As Figure 5.3 shows, limited awareness levels mirror the limited adoption of the sector.

As an enabler for many other types of technologies, cloud computing was the best known, with 58% of respondents claiming to be 'highly aware' of how cloud can be used to address their compliance issues.

This was followed by automation (31%) which, through RPA, has superseded many manual processes across many industries for more than a decade, bringing a range of efficiencies in the process. RPA might also be considered the first step along the path to deeper AI adoption. However, in contrast, more complex AI techniques including natural language processing (NLP, 15%) and use cases addressable using Blockchain technology (11%) were far less well known, typically addressing newer and more abstract use cases and requiring more complex proofs of concept.

Figure 5.3: Awareness of foundational tech mirrors adoption, with a huge opportunity to raise the bar through education

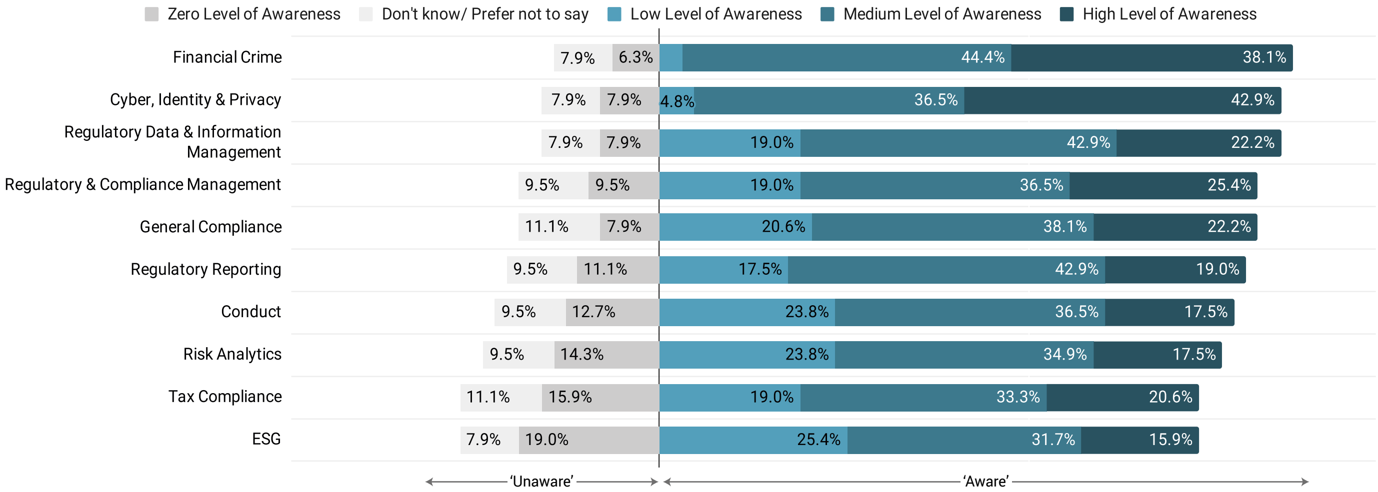
Q13. How would you rate your organisation's awareness of the ways that the foundational technologies listed below can be used to address risk and compliance use cases? (For each technology type, please select one option) (n=62)



NB. Respondents who answered 'don't know / prefer not to say' have been excluded from this chart for clarity. This group represented 6.5% of Cloud Computing responses, 4.8% for Automation, 6.5% for Artificial Intelligence and 8.1% for Blockchain

Figure 5.4: When it comes to solutions, awareness levels reflect the needs and priorities of firms

Q14. How aware is your organisation of the types of RegTech solutions available to address the following regulatory compliance issues? (n=62)



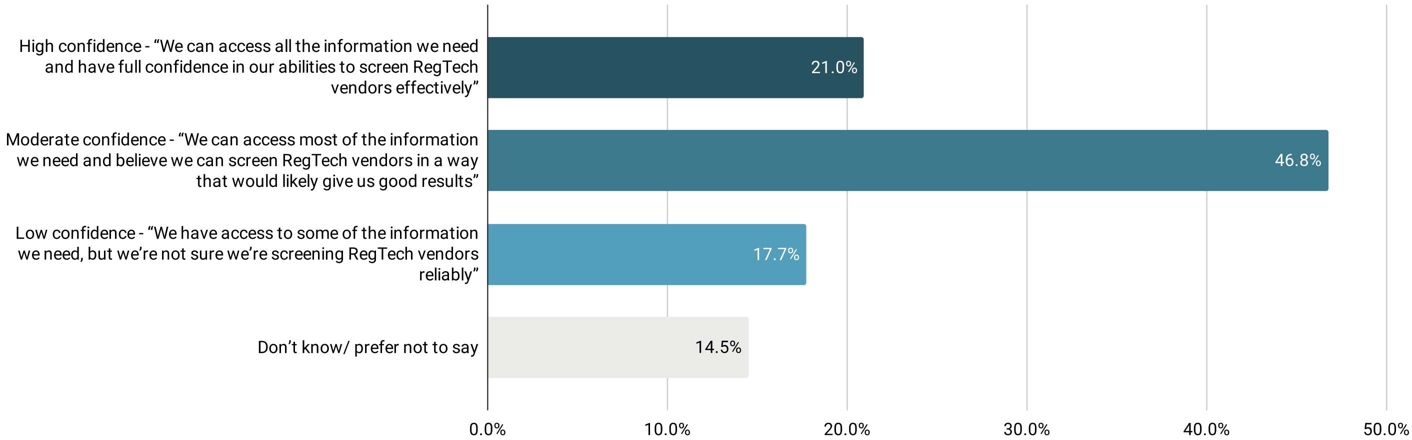
In most cases though, with a majority of respondents reporting zero-, low- or medium-levels of awareness in these dimensions - from an aggregate 35% for cloud, growing to 81% for blockchain - there is clearly a huge opportunity to raise awareness here. This is also true for the RegTech market itself, where awareness of the vendors and solutions on offer was also relatively low.

As Figure 5.4 shows, only a minority of survey respondents declared themselves possessed of a 'high level of awareness' when it came to the solutions available to address their compliance needs.

Yet again, we see another mirror for the priorities and adoption patterns noted earlier in this report, with high relative awareness in Cyber and Financial Crime, where the need of firms is most pronounced, dropping off into other categories that are considered of less importance. Of particular concern here are categories such as ESG where, for example, more than half of respondents (52%) either had zero- or low- awareness of solutions, or otherwise felt unable to comment. Again too, categories such as Tax Compliance and Risk Analytics show a similar trend.

Figure 5.5: 68% have moderate or high confidence in their abilities to access the information needed for RegTech vendor selection

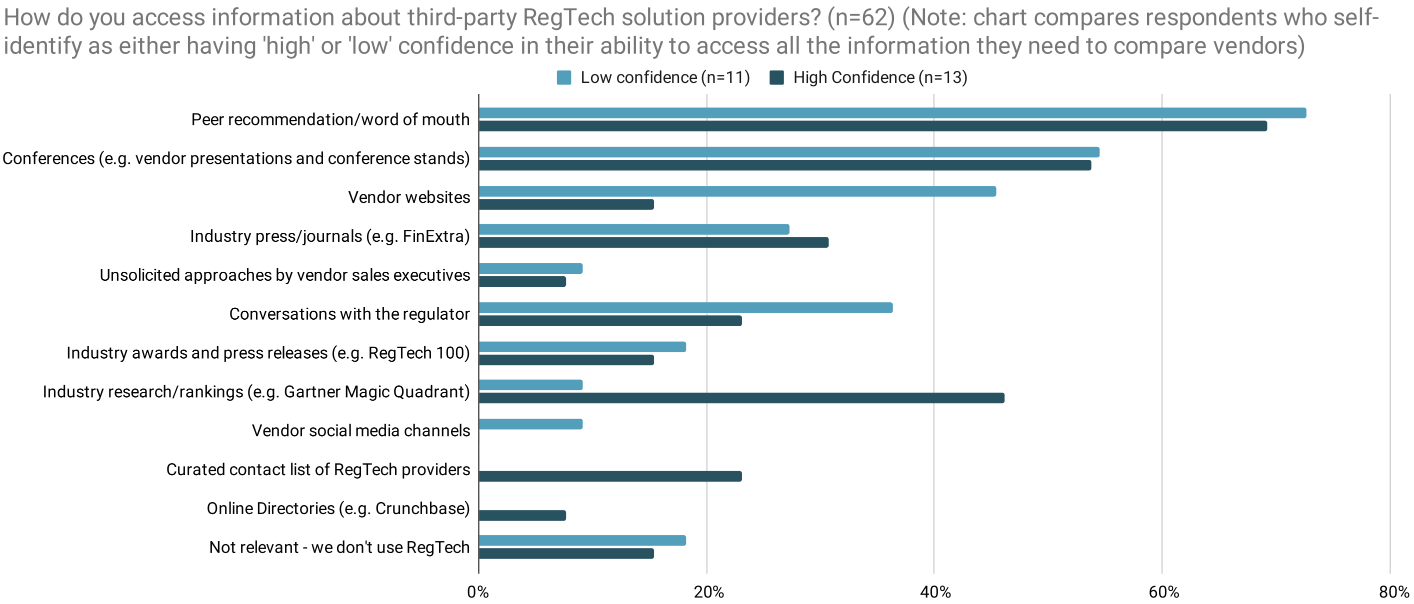
Q16. How confident are you that your organisation can find the information it needs for RegTech vendor screening and selection from these sources to help it make the right decision? (Please select ONE of the following options) n=62



However, relatively low levels of awareness, of both the underlying technologies underpinning RegTech as well as the market providing these solutions, may also reflect the basic nature of information acquisition in the Jersey FS market.

As Figure 5.5 illustrates, the 84% of the survey sample for whom the question was relevant (n=62) were bullish on their capabilities when it comes to finding out the information needed to select RegTech vendors. Around half (47%) felt they could access most of the information required to garner good selection results, while one-fifth (21%) claimed to have full access to all the information needed to screen vendors effectively.

Figure 5.6: Peer review and conferences remain key sources, but leaders rely on research and directories



As Figure 5.6 illustrates, however, there is a significant difference in the quality of sources addressed by different groups in our survey. For example, the 21% of respondents who expressed a high level of confidence in their ability to access required information used a wide range of sources. Around one half of this group (46%) used industry research and rankings to inform their selections, while one quarter (23%) took advantage of curated contact lists of RegTech firms.

In contrast, the 18% of respondents who described themselves as having 'low confidence' in their ability to find information were much less likely to leverage research, reporting instead a much stronger reliance on passive sources such as word of mouth, peer recommendation, vendor websites and so forth. Indeed, while 8% of high confidence respondents told us they relied on online directories as a source for insights in vendor selection, almost the same proportion of low confidence respondents (9%) used vendor's social media channels instead.

Nevertheless, it is important to note that high confidence respondents also made use of these passive channels. We found through our interviews that individual networks of contacts, both through word of mouth discussions and conference attendance, played an important role in informing decision makers about the market. Indeed, most interviewees were united in their reliance on personal recommendations when selecting RegTech products. In one case, the small and active compliance community on the island was called out as a key strength of the Jersey market, where it was far easier for decision makers to meet and discuss technology choices with their peers. If a solution was being used by one firm and delivering good results, other companies who learned of this experience would be more inclined to trial and adopt it.

There was little discussion of research and directories as key sources, with consultants and even vendors themselves called out as popular sources for more technical information. However, while email updates from vendors were cited as a specific source in one interview, our respondent made clear that, in many cases, these would be ignored or deleted out-of-hand unless they addressed their specific needs.

As Figure 5.6 also shows, discussions with the regulator were also an important source of insight, albeit more so for low confidence respondents (36%) than in the high confidence cohort (23%). In this same vein, some interviewees wondered why success stories (e.g., where one regulated firm had seen success with a particular vendor for a specific use case) were not publicised by the regulator as a way of syndicating what they saw as 'best practice'.

Finally, when it comes to awareness, our interviews provided valuable colour on the important role of context. Our interviewees generally described their awareness of RegTech as medium or high, with only two of our nine respondents claiming to have little or no awareness. However, digging into this in greater detail, we found that awareness was focused in the hottest areas of financial crime and cyber security, while other categories, such as ESG and Conduct, were much less well represented. Bottom line, interviewees 'know what they know' and use their experiences to inform their future decision making. However, it seems there has been little in the way of will, free time, or even a good excuse to spend time deepening and broadening their awareness of RegTech. And, particularly for firms with limited resources, we saw tactical priorities trump strategic oversight.

Of course, decision makers will necessarily have areas of focus and expertise and resources will be directed where they can do the most good. However, while a deep understanding of every RegTech category is clearly not necessary in most instances, the somewhat blinkered approach of respondents to RegTech, and their lack of curiosity about available solutions may be holding them back from achieving some of the higher potential efficiency and effectiveness offered through innovation.

5.5
Understanding and future outlook

So how did our respondents think about their future RegTech journeys? Our survey found that most had expressed a desire to achieve a more mature RegTech posture over the next five years. However, we found that the shared understanding of the RegTech concept itself was limited. Elsewhere, support for RegTech investment was positive but muted, leaving the path forward unclear.

As Figure 5.7 shows, when asked whether they would agree that they had a good understanding of what RegTech is, only 14% of respondents were in full agreement. A troubling 46% only ‘somewhat agreed’ with the statement, while a further 31% either declined to answer or declared themselves neutral, neither agreeing nor disagreeing with the statement.

It should also be noted that of our 74 original respondents, only 59 addressed this question at all (80% of the total sample) further boosting the ranks of those who ‘preferred not to say’.

Despite varying levels of comfort with the core RegTech concept, perceptions of its value were broadly positive. In the survey we asked respondents to rate six statements - three positive, three negative - regarding RegTech. Taking the positive statements first, Figure 5.8 shows that the majority of respondents either somewhat or strongly agreed that RegTech was both increasingly necessary for achieving compliance (78%) and the future of compliance (64%). Interestingly though, only a minority (44%) somewhat or strongly agreed that RegTech was a priority investment area for them.

Figure 5.7: For almost half of respondents, the concept of RegTech is not fully understood

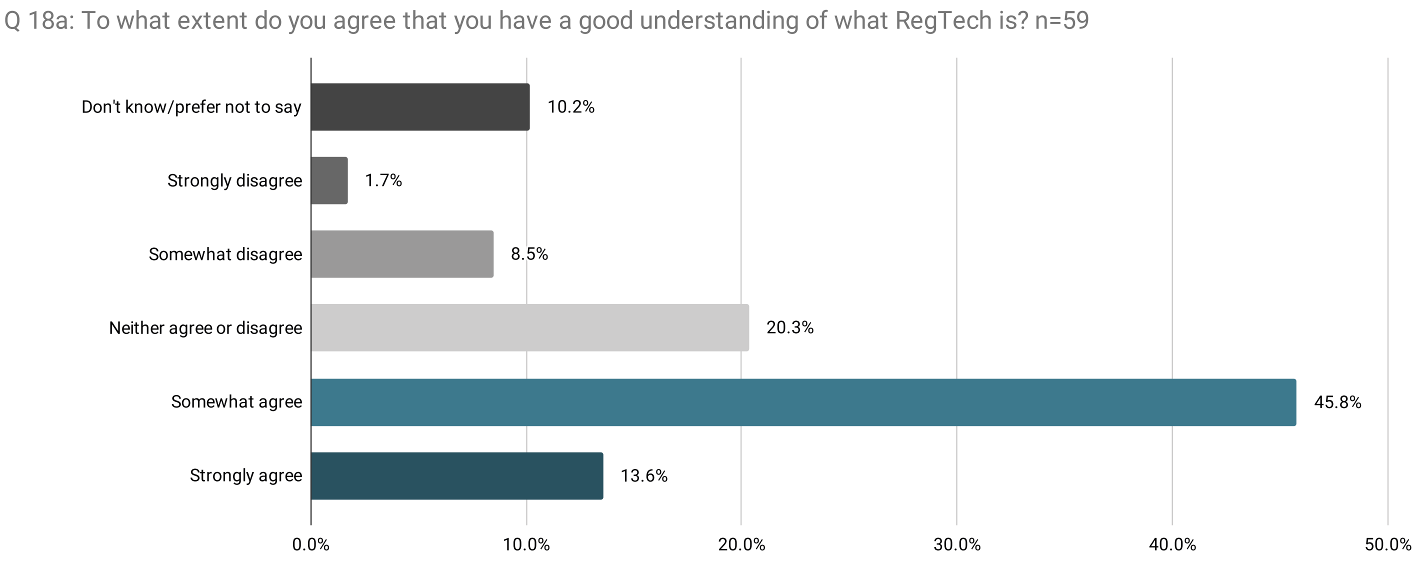


Figure 5.8: Plenty of positivity on show for RegTech, although fewer regard it as a priority investment

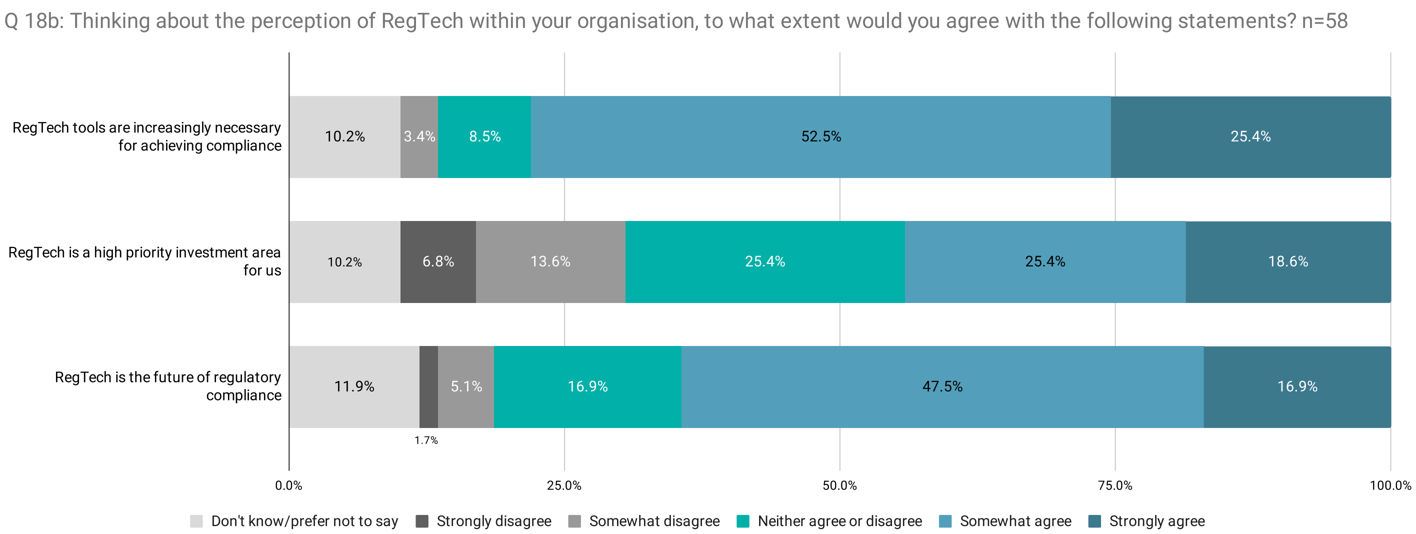
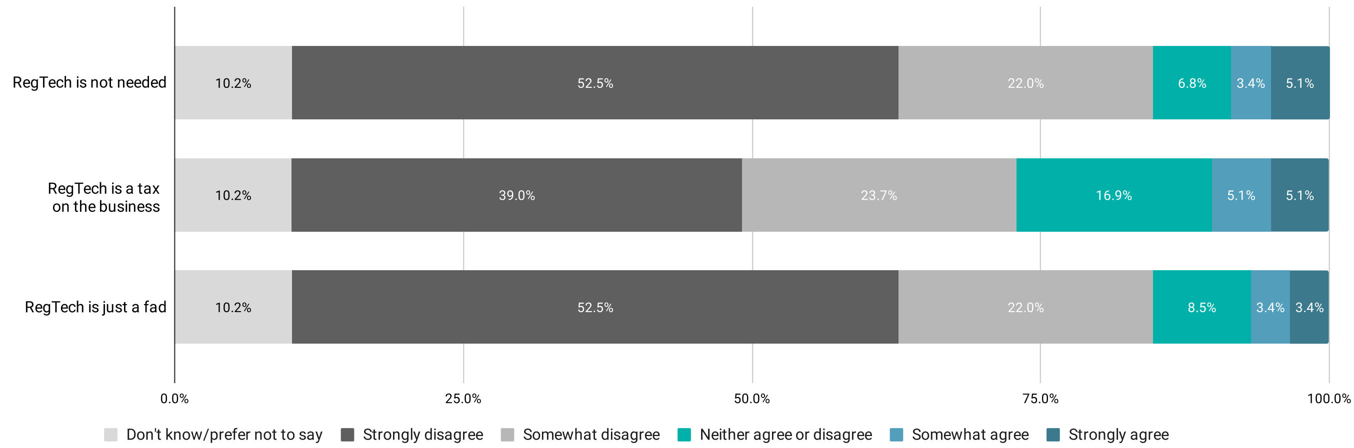


Figure 5.9: Most respondents disagreed with the notion that RegTech is 'a fad' and 'not needed'

Q 18c: Thinking about the perception of RegTech within your organisation, to what extent would you agree with the following statements?
n=58



Nonetheless, as Figure 5.9 demonstrates, the positive attitude towards RegTech continued through to our negative statements, with a majority of respondents (n=58) either somewhat or strongly disagreeing with them. A solid 75% disagreed with the notions that RegTech was 'not needed' and 'just a fad'. A slightly slimmer majority (63%) also disagreed in one form or another that RegTech was a 'tax on the business'. However, only a minority of respondents strongly agreed/ disagreed with the statements presented, so there is perhaps still some way to go to strengthen perceptions of RegTech.

Turning to our interviews, we found the decision makers we spoke with also had a generally positive perception of RegTech, albeit with some reservations around its utility. Some interviewees expressed the view that available solutions were ill-equipped to satisfy Jersey firms, some of which had more exotic needs. At least one interviewee criticised RegTechs for being too focused on retail financial services use cases, leaving clients like them having to consider unsuitable solutions.

Elsewhere, where the institution was an offshore unit of a larger business for example, the mood was perhaps best described as 'detached'. Decisions on solutions were taken collaboratively with group entities, but these firms were one voice amongst many. Final decisions came down from above, and procurement and implementation might even be wrapped up in a global RegTech rollout to which the Jersey firm was subject (assuming of course the solution selected could meet the needs of the firm concerned).

All that being said, neither a lack of awareness, nor understanding, nor engagement could dampen the ambitions of Jersey-based firms. Many, it seemed, wanted to become highly mature in their use of RegTech.

Figure 5.10: Jersey firms are confident they will have a mature RegTech posture in five years' time

Q 21: Thinking about your approach to RegTech, where would you say your organisation is in terms of its use of RegTech now and where would it like to be in the future? n=58

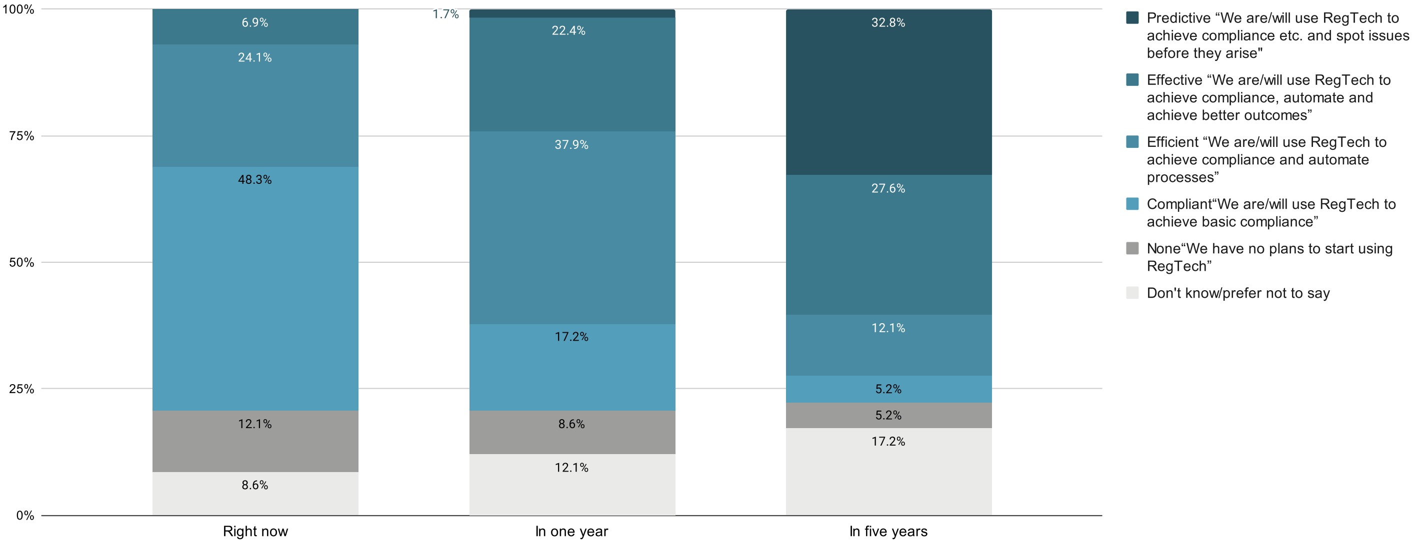


Figure 5.10 shows the results of a survey question concerning the current and ideal future state of Regtech adoption of respondents. Around one-third of respondents who shared a five year view with us (n=58) claimed they were targeting the most mature 'predictive' state of RegTech adoption, with most of the rest seeking to achieve 'efficiency' or 'effectiveness'. This journey, if it is made, would see the proportion of Jersey firms with an 'efficient', 'effective' or 'predictive' RegTech posture jump from 31% 'now' to 73% in 5 years' time.

In many cases this would require a significant intensification in RegTech adoption, which would be difficult to envisage given current levels of awareness, perception and investment. However, our interviewees also gave us some valuable clues as to how these ambitions might be met.

For several, it seemed the long climb up the RegTech maturity curve was inevitable, since the predictive state at the top of the mountain was only the natural outcome of a set of wider investments in data and analytics. Here again, a key issue for interviewees was not knowing what they don't know, which left some respondents uncertain as to the issues they could meaningfully resolve through technology, beyond their immediate Cyber Risk and Financial Crime compliance priorities. Other firms were clearly reliant on their parent firms to establish the foundations for future adoption. In one case, the 'zero cloud' approach of one parent entity had left its Jersey office unable to consider providers who did not install their solutions 'on- premise'.

Nevertheless, most interviewees supported the view that firms ought to be investing in RegTech and looking for the best solutions, and there was some appetite for manual processes to be replaced through automation, although this was by no means the view of the whole group. In many cases, 'vision' was in somewhat short supply. Instead, RegTech maturity would be delivered on the rails of the broader institutional data transformation programmes that were ongoing. These, it was felt, would provide new solutions with the big data analytics and AI techniques needed to drive them, delivering a 'predictive' level of RegTech maturity by default.

Box 5.2: The bigger they are, the harder they fail?

One of the hypotheses we wanted to test in our research concerned the impact of size on behaviour. Would larger firms have a natural advantage when it came to RegTech adoption, leaving smaller firms floundering for lack of vision and resources?

This proved not to be the case at all, with no evidence of a strong correlation between firm size and adoption. In our study we looked at two groups. Smaller firms, with no more than 50 full time employees, and large firms of 50 FTE and above. We actually found that smaller firms were more likely to be high adopters in areas such as Financial Crime than their larger cousins, with 22% of small firms reporting high-level adoption of financial crime solutions vs. only 7% of larger firms. This trend persisted in the next largest category of Cyber Risk, with one-third (32%) of small firms self-identifying as high adopters, versus only one fifth (21%) of larger institutions.

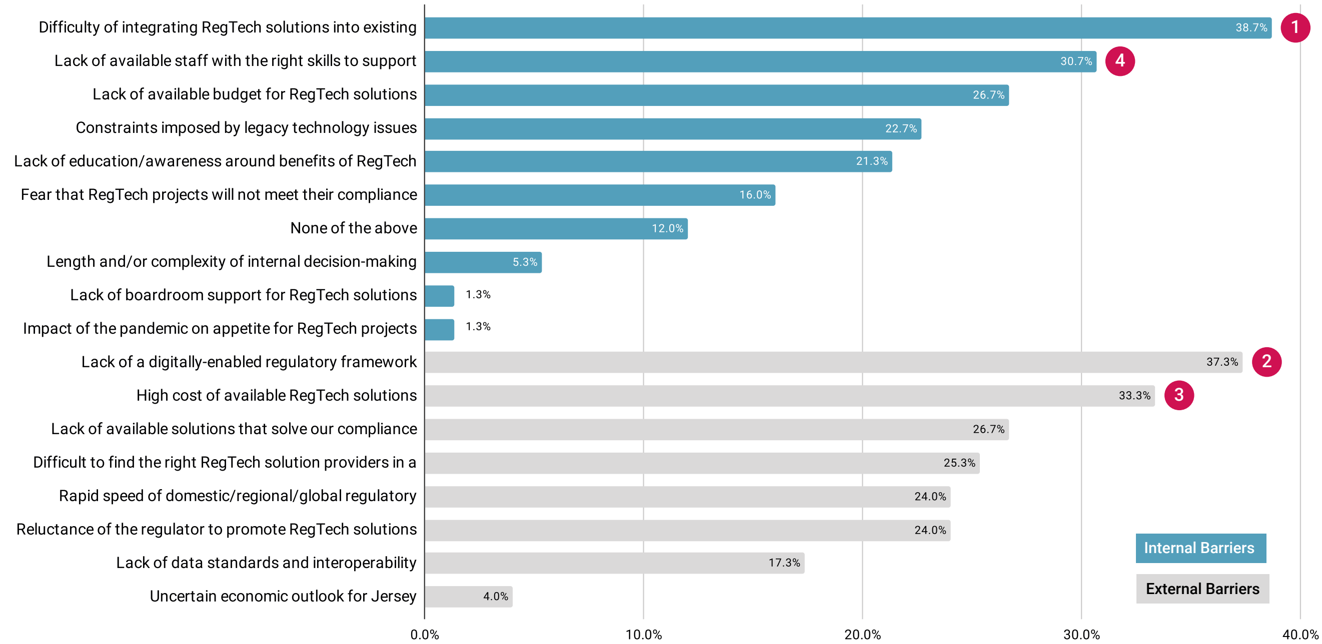
Nevertheless, the story here is also not one of smaller firms being bigger adopters of RegTech, since those with fewer than 50 FTEs were also much more likely to have zero provision in these same categories. In Financial Crime one-third of small firms (32%) claimed to have zero RegTech adoption versus only one-fifth of larger firms (21%). And, once again, in Cyber Risk we see the same trend, with 27% of smaller firms claiming to have zero adoption in this category, versus 14% of larger firms.

A case could perhaps be made that smaller firms find it harder to reach the threshold for RegTech investment (e.g., owing to a lack of financial, physical or technological resources), yet when they do they do so with enviable alacrity when compared to larger firms. However, more work would need to be done to validate this view. For now, what we can say is that bigger firms are not always the biggest users of RegTech, and that the barriers of drivers of adoption for Jersey firms are far more nuanced.

5.6
Barriers and enablers

Figure 5.11: Top four adoption barriers for Jersey RegTech are integration, regulation, costs and talent

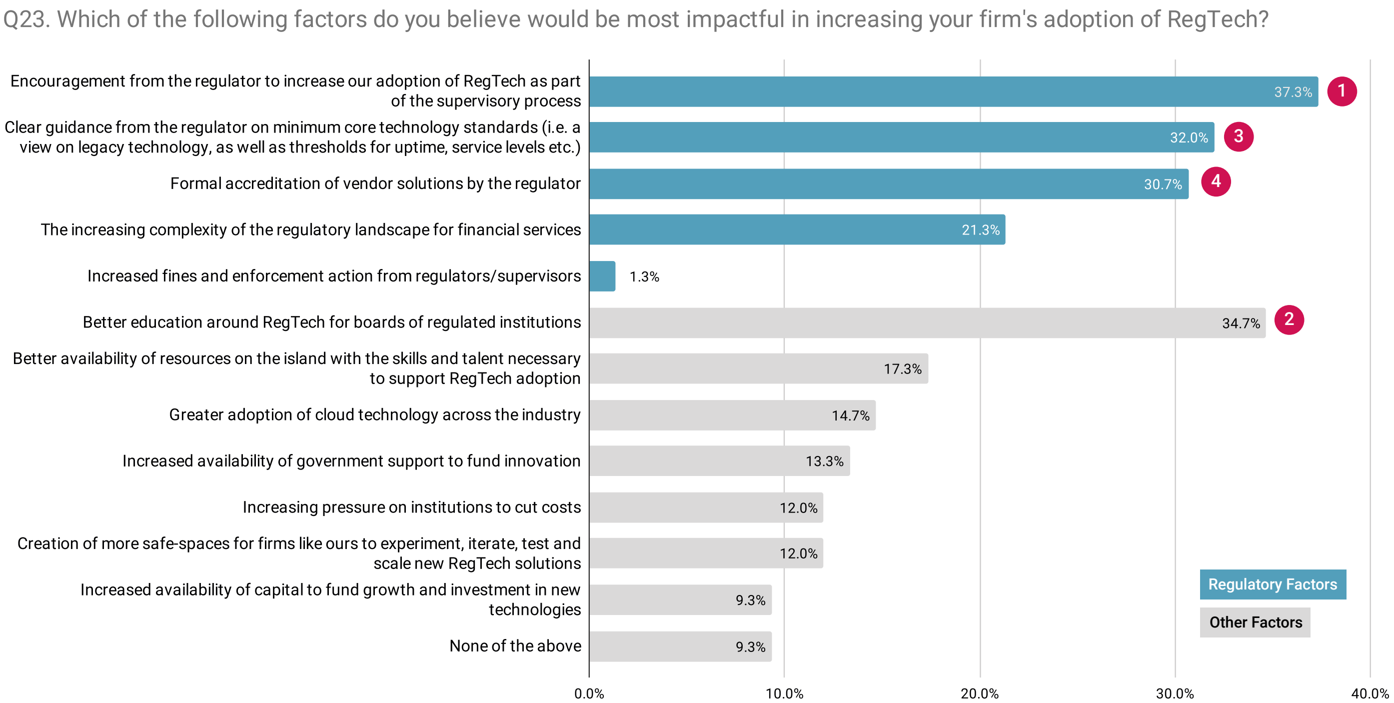
Q22: As a Jersey regulated firm, which of the following factors do you regard as the greatest barriers to your adoption of RegTech solutions?



Our survey revealed a broad range of barriers to greater RegTech adoption in Jersey. This blend of internal and external factors acted in concert to hold back deeper engagement and investment. However, some factors were more important than others and, to overcome these barriers, respondents selected a range of suitable remedies. RegTechs, they said, would need to be easier to implement, with more skills needed on the Island to support project delivery, and clearer signals needed from the regulator to instil confidence that decisions being taken were the right ones.

As Figure 5.11 shows, 39% of respondents called out the implementation layer of projects, where tools and solutions are integrated into existing technology stacks, as a key barrier to adoption. This was the largest challenge for respondents, closely followed by the lack of a digitally enabled regulatory framework in Jersey (37%), the perceived high cost of RegTech solutions (33%) and a lack of skills on the Island (31%).

Figure 5.12: Three of the top four remedies for these barriers are with the Jersey regulator



Interestingly, factors such as the global COVID-19 pandemic, boardroom support for RegTech investment, and the wider economic outlook for Jersey garnered only 1% to 4% of clicks in our survey. Instead, the issues at hand were practical and structural.

In terms of addressing these barriers, it's clear from Figure 5.12 that the regulator is seen as having a key role. In terms of the steps that respondents felt should be taken to ameliorate the situation, three of the top four remedies proposed by our respondents lay with the JFSC.

Specifically, survey respondents are seeking greater regulatory encouragement for RegTech adoption (37%), clearer guidance on core technology standards for Jersey financial services firms (32%), and the formal accreditation of RegTech vendors (31%). Elsewhere, better education for boards on RegTech was the second most popular proposal, selected by 35% of respondents. Notably, 17% also called out access to a larger pool of skills as a key remedy for consideration. Conversely, funding did not emerge as a strong proposition for driving the adoption of RegTech, neither in terms of its potential to cut costs (12%), nor in calls to improve access to investment capital (9%).

For our interviewees, several pointed to a lack of guidance from the regulator, which they felt, for want of a better phrase, generated a 'fear factor' amongst institutions, who could not be sure what to do for the best when it came to RegTech investment. While firms acknowledged that JFSC has a tightrope to walk, like all regulators, in terms of how much direction or guidance it can provide around technology matters, for many interviewees the lack of a clear set of expectations around 'what good looks like' was a major brake on innovation.

In many cases firms also feared the outcome of 'getting RegTech wrong', especially in the nightmare scenario of implementing a solution that the JFSC would later take issue with. Another spectre was the concern that an accidental problem with a new RegTech implementation that led to a technical breach would lead to fine and censure, which for reputational reasons all firms were keen to avoid.

Some interviewees also perceived a kind of 'cognitive dissonance'. Publicly, the JFSC was in favour of RegTech, yet it still requires firms to report using spreadsheet templates that differed from year to year and had to be updated manually. Similarly, messaging from supervisors 'on the ground' sometimes did not match the stated ambitions of the JFSC itself. These contradictions, in conjunction with the ongoing reliance on manual reporting, encouraged firms to persist with manual processes that they knew worked.

Continuing with the regulatory theme, for two-thirds of our interviewees, vendor accreditation by the JFSC was called out as a valuable measure. Again, firms understood that asking the regulator to endorse specific products was unrealistic, but a clear checklist approach for the features and functions that the regulator was looking for, if possible, would be a big step forward, as would a deeper dialogue with the regulator on technology matters. This extended to the idea of 'approved' training courses and educative materials that would help deliver clearer signals from the regulator into the market that a move beyond manual processes would be welcome. This, it was felt by some interviewees, would eliminate the need to 'bring the regulator along on the journey' when it comes to innovation, setting the scene for a more functional and collaborative relationship between JFSC and regulated firms around technology issues like RegTech.

Elsewhere, access to skills was another challenge interviewees raised. While offshore offices of larger regional firms could typically rely on IT and change support from their Groups, independent Jersey-based FS firms had to rely much more on their own resources, which was a definite problem. This would need to be addressed so that firms could more easily exploit the clearer dialogue they were seeking with the regulator and ultimately engage with RegTech innovators around the specific, local challenges they faced in a way that strengthened, rather than imperilled existing standards of compliance.

6

Recommendations

6.1

Testing our hypotheses

In executing this project, the team at RTA set out to prove, or disprove, a set of core hypotheses around the Jersey RegTech market. Table 6.1 shows the outcome of this effort.

Table 6.1: Testing our hypotheses with research

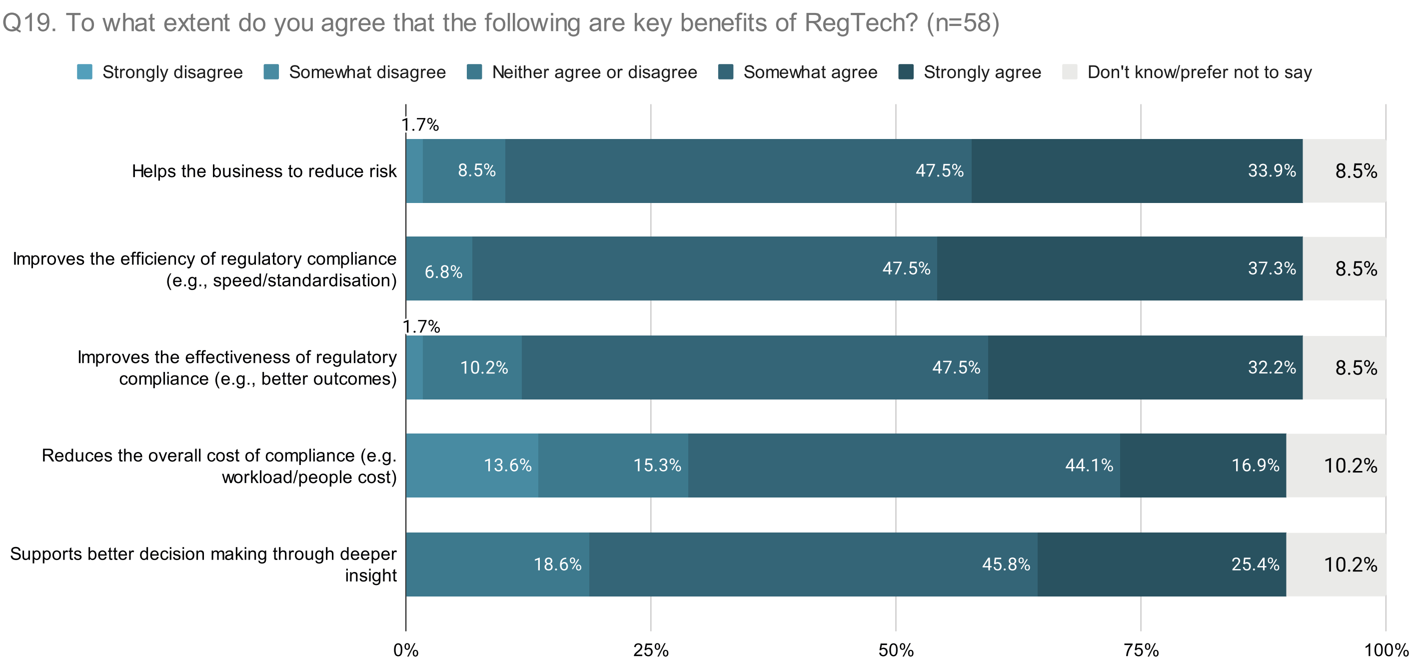
Theme	Hypotheses	Outcome
Current Compliance Priorities	Jersey firms are highly focused on Financial Crime- related RegTech use cases, to the exclusion of awareness and engagement with the wider RegTech universe.	**PROVED** - more than 90% of firms surveyed reported Financial Crime to be a high priority area of compliance focus. In addition, financial crime was the area of greatest adoption, with 62% of firms reporting medium or high levels of adoption in this area, which was the most highly penetrated in our study.
Use of Technology	While some firms are making full use of the opportunities afforded by RegTech to address their compliance challenges, a mixture of legacy IT issues and legacy thinking on the part of decision makers is preventing wider adoption of RegTech solutions.	**SOMEWHAT PROVED** - adoption levels are patchy, reflecting immediate needs, so it would be untrue to say that firms are making full use of the opportunities afforded by RegTech. Nevertheless, with integration challenges representing the greatest barrier to adoption, and with many firms seemingly waiting for permission from the regulator to innovate in the area of compliance, there is certainly a case to be made that legacy IT and attitudes are holding adoption back.

Theme	Hypotheses	Outcome
Awareness/ Perceptions of RegTech	There are differing levels of awareness of RegTech (what it is, what it can do) across different financial services business lines on the island.	**DISPROVED** - service line is not a driving factor of RegTech awareness. Looking at those who strongly agree that they have a good understanding of RegTech, Banking, Fund Services, Investment and Trust and Company Businesses, Collective Investment firms and GIMBs are all represented.
	There also exists a wide range of perceptions around the value of RegTech in terms of its ability to address key compliance challenges.	**DISPROVED** - in both cases the hypothesis is disproved. As Figure 6.1 below shows, a majority of survey respondents agreed with all of the value statements proffered in the survey. At a high level, 61- 85% of respondents agreed that RegTech reduced risk, improved efficiency and effectiveness, reduced costs and led to better decision making within organisations.
	The benefits of RegTech are not well known and/or understood by firms on the island (e.g. Reduction in risk, Improvements in efficiency and effectiveness, Cost savings, and Enabling greater insights for decision making).	
RegTech Adoption & Maturity	The level of adoption of RegTech by Jersey FS firms varies depending on the firm size and / or FS sector in which they operate - some firms have little or no provision, while others are extensive users of RegTech, with plenty of variation in between.	**DISPROVED** - there is no strong correlation between firm size or sector and adoption. For example, firms of < 50 FTE were more likely to be high adopters in areas such as Financial Crime than larger firms (22% vs. 7%), with a similar trend present in Cyber Risk (32% vs. 21%). However, smaller firms were also more likely to have zero provision in these same categories of financial crime (32% vs. 21%) and Cyber Risk (27% vs. 14%) with no clear trend emerging.
	Not all firms want to be highly mature in their use of RegTech (i.e. 4. Predictive), with a minority claiming they are happy to sit at a lower level (i.e. 1. Compliance / 2. Automation).	**PROVED** - while many firms reported they were targeting higher levels of RegTech maturity over the next five years, only one-third (33%) expected to achieve 'predictive' maturity.
RegTech Adoption & Maturity	Firms with higher levels of adoption (and/or ambition) together with a higher level of maturity in terms of their current or desired state are likely to be highly aware of the RegTech market (in terms of foundational technologies, solution categories and vendors).	**PROVED** - analysis of the survey data (see Figure 6.2) revealed that those reporting medium or high overall levels of RegTech adoption were more likely than those reporting zero or low level adoption to target 'predictive' RegTech maturity in the next five years (38% vs. 24%), more likely to agree with the statement that they had a good understanding of RegTech (74% vs. 43%) and more likely to express a high level of understanding around how foundational technologies can be used to address compliance use cases (34% vs. 19%).
Barriers to Adoption	The key barriers to greater RegTech adoption are internal factors specific to individual firms, rather than wider market-level factors.	**DISPROVED** - as Figure 5.11 shows, there is actually an even split between factors internal to the organisations concerned and external factors concerning the market and the regulator.
	Being part of an offshore group structure operated by a larger non-Jersey firm is not regarded as a significant barrier to RegTech adoption.	**PROVED** - quite the opposite, with relevant firms interviewed for this study reporting benefiting from the experience, talent, vendor relationships and processes of their larger parent groups.
Supporting Future Adoption	Firms regard the willingness of the regulator to support the RegTech agenda as a key route to wider RegTech adoption.	**PROVED** - of the four leading remedies selected by survey respondents, three are with the regulator - encouragement to adopt RegTech, clear IT standards and central accreditation of vendors.
	Firms would be more likely to adopt RegTech products if the vendor had been through some form of approved accreditation.	**PROVED** - almost one-third of survey respondents (31%) called out regulator accreditation of vendors as being likely to increase their adoption of RegTech.

6.2
Key challenge areas

A deeper review of the research conducted for this project reveals three key challenge areas for stakeholders to consider.

Figure 6.1: While a majority of respondents acknowledge the value of RegTech, only a minority strongly agree on the benefits

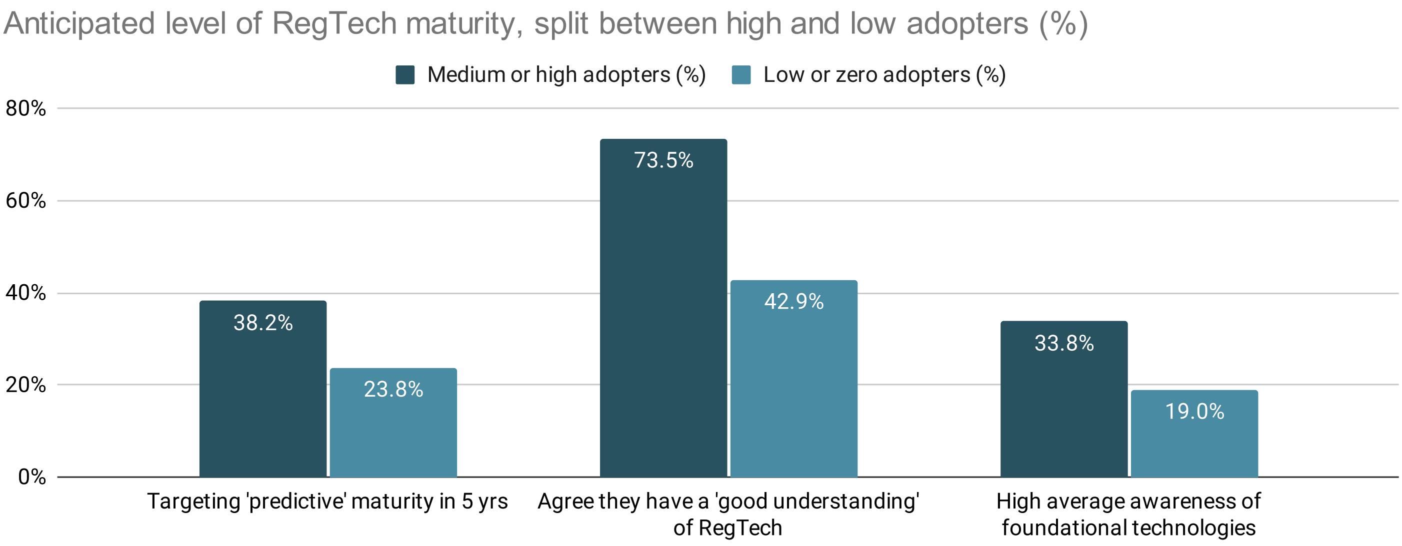


Awareness and understanding

The first, and greatest challenge facing RegTech in Jersey concerns the lack of awareness around RegTech. This acts to suppress RegTech adoption in two key ways. Firstly, there is the limited awareness of what RegTech is. As Figure 5.7 shows, fewer than one-in-seven respondents to our RegTech survey (14%) strongly agreed that they had a good understanding of what RegTech actually is. In contrast, three times as many (40%) either didn't want to express an opinion or disagreed with the statement. Despite, as Figure 6.1 shows, a strong belief in the value of RegTech, a weaker grasp of what RegTech really is will make it less easy to initiate projects and push through to adoption.

In addition, though, there is also a limited understanding of the value of RegTech. As Figure 5.2 shows, many firms have decided that RegTech is not for them. For example, 20-60% of survey respondents declared themselves 'zero adopters' in each of the RegTech categories offered, even in the challenging areas of financial crime (21%) and cyber risk (27%). In each case, these firms are choosing not to use regulatory technologies to achieve compliance, despite the challenges involved being largely technological in nature.

Figure 6.2: Higher level adopters are more ambitious and better informed about RegTech and its key foundational technologies



Aspiration and Commitment

The next major problem is the current gulf between aspiration and commitment. Figure 6.1 showed that most firms buy into the value that RegTech offers and, as we saw in Figure 5.10, many are also committed to pushing their way up the maturity curve. However, as we have seen time and again, prioritisation and patterns of adoption tend to mirror the immediate needs of firms. And, without a wider body of experience to draw on, many firms find themselves relying on recommendations to inform their decisioning. This is not a strong basis for deepening and broadening maturity.

Instead, it seems that precious experience with RegTech can provide firmer foundations for future growth. As Figure 6.2 clearly shows, survey respondents who self-identified as currently being medium- or high- level adopters of RegTech solutions were more likely than those with little or no experience to target the highest level of maturity. They also had a stronger grasp of the core concepts around RegTech as well as those underpinning a range of critical foundational technologies.

Experience can generate deeper understanding and drive better future outcomes. And yet, despite the existence of 'hotspots' in high priority categories like Financial Crime and Cyber Risk, overall RegTech adoption levels are low. The challenge then is how, against this backdrop, to stimulate the critical mass of projects needed to deliver the experience required to fuel future growth. Or alternatively, how to supplement that traditional source of energy and insight with other sources?

Achieving alignment between the regulator and the regulated

The last key challenge is around how to align regulated firms more closely with the JFSC itself, promoting sustainable collaboration in a way that encourages deeper RegTech adoption. As reported above, many of the barriers highlighted in our survey concern issues that belong to the regulator to solve, at least in the eyes of our respondents.

As a reminder, Figure 5.11 shows the five greatest barriers to RegTech adoption identified by our Jersey-based survey respondents were:

1. **Difficulty of integrating RegTech solutions into existing technology stacks Lack of a digitally enabled regulatory framework**
2. **Perceived 'high cost' of RegTech solutions**
3. **Lack of available talent**
4. **A tie between budget availability and the availability of suitable solutions**

This is a mixed bag of factors running the full gamut of people, processes and technology. And yet, when asked what measures would help to resolve these issues, in most cases survey respondents looked to the regulator to lead. As Figure 5.12 showed, the five leading factors survey respondents felt would help drive greater adoption were:

1. **Encouragement from the regulator to adopt more RegTech solutions**
2. **Better education for boards on RegTech**
3. **Clearer guidance from the regulator on technology standards**
4. **Formal accreditation of vendors by the regulator**
5. **The growing complexity of the regulatory landscape for FS firms**

While the last of these is a global phenomenon, three of the top four factors sit directly with the regulator to solve, addressing the 'fear factor' that was referenced in our interviews as a crucial brake on RegTech adoption. The regulator even has a role to play in the education piece, with at least one interviewee calling for approved (or even mandated) training that could provide a common baseline for Jersey-based firms when it comes to RegTech.

Similarly, as another interviewee pointed out, there was also a role for the JFSC in sharing leading practices and examples of successful projects with regulated firms as a way of establishing 'what good looks like' when it comes to implementation. In short, a clearer roadmap from the regulator, laying our expectations and standards, could definitely help to address the full range of barriers.

While these are not the only issues surfaced in our research, we feel that these interlocking pieces - awareness, experience and clear guidance - are amongst the most important to address. Below we present our recommendations for achieving this outcome.

6.3
Recommendations

Based on our research, we have five recommendations for stakeholders in Jersey as they work together to improve the levels of adoption of RegTech by financial services firms on the Island.

Recommendation 1: CLARIFY the JFSC's position on RegTech and ensure consistency

In many ways, the future success of RegTech in Jersey depends on a step change in the conversation between the regulator and the firms they oversee concerning technology matters. The current situation is confusing. Strong statements in support of innovation from the JFSC are not matched by an innovative approach within. Leading by example and moving away from the manual processes that underpin flagship initiatives like the National Risk Assessment would go a long way towards signalling a clear intent to move towards more innovative ways of reporting and complying. Similarly, eliminating the existing cognitive dissonance that exists between the regulator and supervisors on the ground would further eliminate doubt, allowing JFSC to speak with a single voice on RegTech, and giving much needed confidence to institutions around the Island's commitment to innovation.

We believe that there is much value to be generated by engaging in these important discussions. While the ends themselves are important, the dialogue between regulator and regulated on technology issues will improve dramatically as part of this effort, potentially laying the groundwork for further progress in more contentious areas like technology standards for firms, and perhaps an approach to accreditation that allows the regulator to maintain detachment while providing valuable guidance to firms trying to make the best technology decisions.

Suggested next steps:

- Establish the JFSC's position and strategy with respect to RegTech adoption based on the JFSC's mandate, regulatory priorities and objectives, risk appetite, capacity and skills
- Produce a clear communications strategy and plan regarding the JFSC's overall position on RegTech and ensure this is followed consistently by all JFSC staff
- Review the JFSC's own technology roadmap and position in adopting innovative technologies such as making the Handbook machine readable and automating regulatory returns such as the National Risk Assessment. Publish the updated roadmap and give clear updates to industry on progress.
- In the longer term, considering data standardisation as well as making the underlying regulatory framework in Jersey more digitally enabled are worthwhile objectives. This could include a common set of data standards for various types of regulatory reporting, which ideally slot together with those of other jurisdictions as global regulators of all stripes slowly move towards more globalised technology standards. In doing so, JFSC can prompt a valuable debate with the sector, take a lead in building out some of the core regulatory 'pipework' that firms are looking for, and helpfully encourage further investment in key areas like legacy IT renewal

Recommendation 2: Broaden and deepen AWARENESS of RegTech

Given the dependence shown by regulated firms on the JFSC to illuminate the way forward for them on RegTech, the regulator is supremely well placed to drive a programme of awareness activity for firms on the island. There are numerous precedents for this in other jurisdictions. In the US, for example, the CFTC launched its innovation lab (LabCFTC) in 2017[24]. This project acts as a valuable hub for regulated firms and innovators, encouraging collaboration, running competitions to stimulate engagement with innovation, and using touring roadshows (known as 'Office Hours') to spotlight technology areas such as blockchain and crypto, and socialise leading practices with an audience of regulated firms.

Elsewhere, the Monetary Authority of Singapore (MAS) has for some time now run innovation competitions, FinTech and RegTech events and even offers grants to firms who meet their criteria to encourage them to invest in regulatory technology25. The Hong Kong Monetary Authority has been engaged in a range of activities to raise awareness around RegTech and has recently launched the RegTech Knowledge Hub, "an online platform for the RegTech community, including banks and RegTech providers, to share success stories and implementation experience".[26]

Of course, the scope and scale of these individual projects reflects the needs and objectives of the jurisdictions concerned. Nevertheless, we believe there is exciting scope for the JFSC, perhaps in collaboration with other stakeholders in Jersey, to adopt a more active approach to raising awareness around RegTech innovation. Should the regulator seize this opportunity, our study indicates firms on the Island would be receptive to engaging with such a programme.

Suggested next steps:

- Engage with local trade associations such as Jersey Finance, Jersey Funds Association and the Jersey Bankers Association to create a programme of awareness raising activities, which could include
  - Vendor demonstration days around a specific compliance issue or problem
  - Sharing best practice on successful RegTech implementations on the island
  - Mentoring between more mature RegTech adopters and those at an earlier stage in the journey

24. Further details on LabCFTC can be found on the CFTC website here: https://www.cftc.gov/LabCFTC/index.htm (accessed May 2022)
25. Further details on the initiatives run by MAS in this area can be found on their website here: https://www.mas.gov.sg/development/fintech/regtech-grant (accessed May 2022)
26. https://www.hkma.gov.hk/eng/key-functions/banking/regtech-knowledge-hub/

Recommendation 3: Focus on RegTech EDUCATION

To further enhance the benefits gained through awareness raising activities like those outlined above, heeding the calls from our survey respondents for educational materials would be another sensible measure. There is a need for some fundamental education about RegTech and the power that is has to transform compliance processes, as well as ensuring financial institutions are educated on the regulator's position on the use of RegTech in key compliance areas such as Financial Crime and Cyber Risk. Beyond this, addressing the opportunities presented by RegTech in other compliance areas would be valuable.

Suggested next steps:

- Create a campaign to establish clear parameters around RegTech as a concept and ensure more firms really know what RegTech can do to transform their compliance processes
- Build a set of focused guides unpacking the position of the regulator as regards firms' and the JFSC's high priority compliance areas. Simple primers explaining the types of solutions that exist in critical areas such as Financial Crime and Cyber Risk would speak to the pressing needs of firms and help ensure broad engagement. We suggest these assets are accompanied by simple guidance notes from the regulator on expectations around process and outcomes, eliminating some of the uncertainty that currently holds back deeper adoption.[27]
- Create similar assets for other compliance issues that our research showed as lower priority but are no less important. This would help to highlight the 'art of the possible' of other types of RegTech solutions (e.g. managing regulatory change and compliance, regulatory reporting etc). The aim would be to build a comprehensive body of insight to encourage firms to take a more integrated approach to regulatory technology. This will also have the added benefit of ensuring firms who engage with the materials have a much clearer idea of how to meet their 'effective' or 'predictive' aspirations for future RegTech maturity.

27. The RegTech Adoption Practice Guides produced by the HKMA are a good example of what can be achieved here: https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2021/20210726e1a1.pdf

Recommendation 4: Developing RegTech SKILLS in the Jersey workforce

Jersey already benefits from having several leading RegTech vendors headquartered on the Island. However, as our survey clearly showed, there is a lack of talent available to consider RegTech strategies and help manage implementations. While the operations of overseas institutions can typically rely on their parent entities to run some, or all, of the implementation process for them, native firms face a significant resource challenge, given the shortage of digital skills on the island. As a result, there is a risk that resource constraints could choke off the ambition of firms to do more with RegTech.

In addition, the 'fear factor' we identified in relation to RegTech adoption is partly a result of a broader lack of understanding and engagement with digital technologies, issues which are already on the agenda of bodies such as Digital Jersey.

Finally, if the JFSC is to adopt a clearer position on encouraging the adoption of RegTech, supervisory staff at the JFSC will need to be equipped with the knowledge and skills necessary to ask the right questions and assess the responses as part of the ongoing process of supervision.

Suggested next steps:

- We would call on stakeholders on the Island to work together to build on recent reports such as Tech Nation's 2019 study for Digital Jersey[28] and produce an action plan to attract technology skills to the Island, with a pronounced focus on RegTech. This action plan should consider sources of funding for education and apprenticeship, the trend towards offshore remote workers and the opportunities that exist to grow a vibrant RegTech talent pool and sell skills back into markets such as the UK.
- Focus should also be given on how to upskill the existing workforce on the island with respect to RegTech. In addition to the awareness raising and educational actions outlined above, there is an opportunity for the JFSC to partner with bodies such as Digital Jersey to create specific training and education courses about RegTech. Consideration could also be given as to whether the JFSC has the appetite to mandate this type of training.
- JFSC should consider how best to build RegTech expertise within its own ranks, particularly for supervisory staff - this could make use of the suggested work with Digital Jersey or a separate training plan. Thought should be given to key success metrics and how this ties into the JFSC's broader position on RegTech.

28. Further information on the Tech Nation study can be found on their website here: https://technation.io/insights/digital-jersey/ (accessed May 2022)

Recommendation 5: Provide CERTAINTY on specific policy areas related to RegTech

Jersey FS firms are looking to the regulator for certainty and clarity with respect to their use of RegTech. Whilst some aspects of this could and should be a matter for financial institutions to determine themselves, there is perhaps an opportunity for the JFSC to provide some definitive guidance on policy elements which some financial institutions still feel are unclear with respect to regulatory expectations. Two key areas arose repeatedly during our research - the use of electronic identify and verification tools for customer onboarding vs. the need for 'wet signatures' and the *Outsourcing and Policy Guidance Note (2020)* and its application, if any, to the implementation of RegTech. Whilst we are not in a position to validate these concerns, the fear of non-compliance with specific rules was holding some firms back from considering RegTech solutions. Awareness and education should go some way towards allaying these fears but some other actions may also be necessary.

Suggested next steps

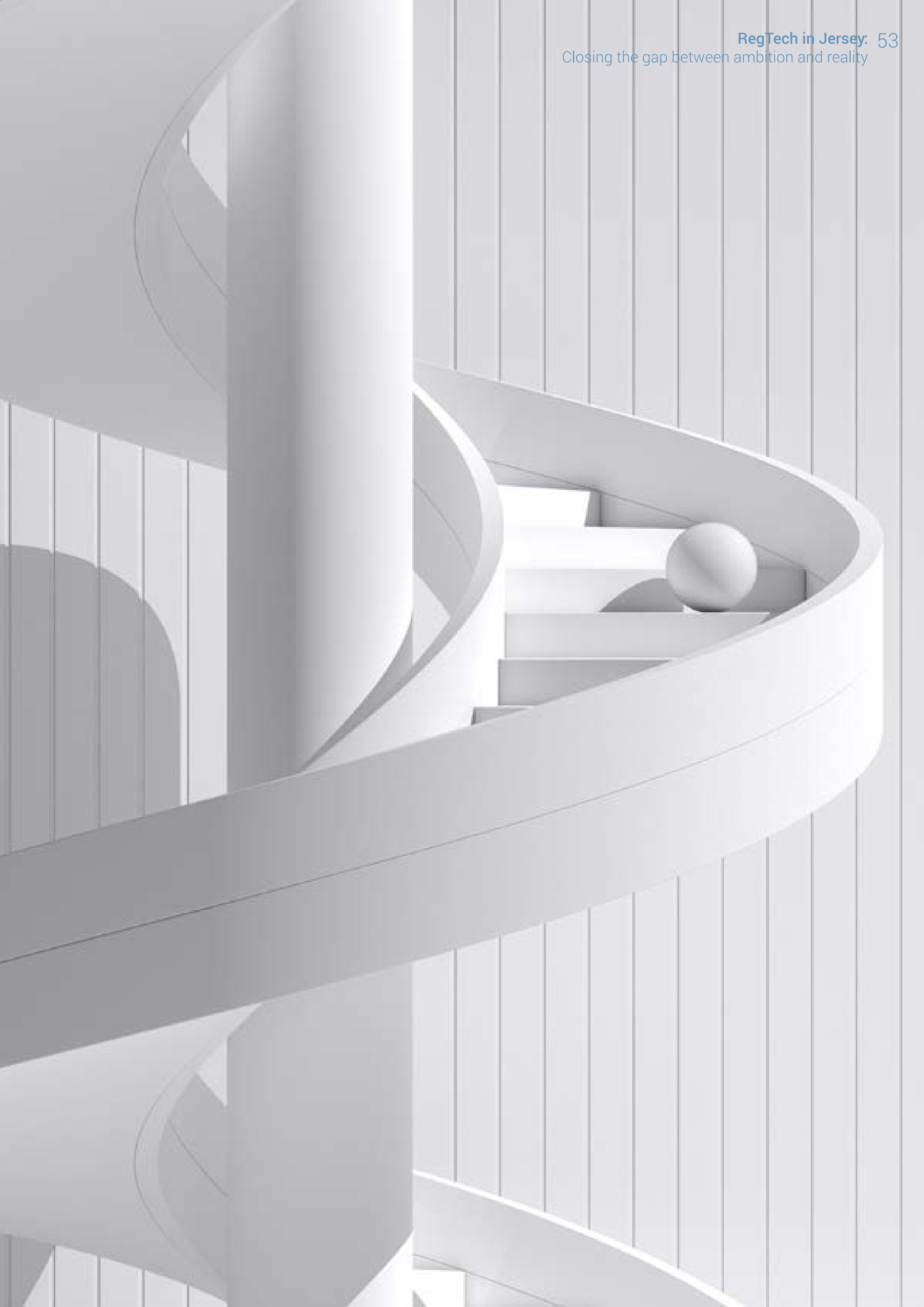
- Consider reviewing areas of policy and regulation that firms are finding difficult to interpret with respect to the adoption of technology and, if necessary, publish updated guidance or clarifications to help address firms' concerns
- Consider whether specific guidance is required around regulated firms' management of technology risk which would clarify firms' responsibilities for the risk assessment and management of new technology solutions[29].

29. A good example of this is The Monetary Authority of Singapore Technology Risk Management Guidelines (2021) https://www.mas.gov.sg/regulation/guidelines/technology-risk-management-guidelines

6.4
Conclusions

For those with an interest in fostering a brighter future for RegTech in Jersey, there is a lot to be positive about in these findings. Proponents of RegTech are in many ways pushing on an open door here. Most of the people we surveyed - representatives of the Island's compliance community - reject the idea that RegTech is a fad, instead embracing the notion that it is the future of compliance. The ambition is clearly there too and, regardless of the rails firms expect to carry them forward, for many the destination lays far beyond base compliance with many firms targeting greater efficiencies and the ability to get ahead of challenges before they arrive through a 'predictive' RegTech posture.

Stacked against this are the challenges we have called out in this report. In these ways, by bringing fresh clarity to the debate around RegTech, by raising awareness, through focused education for those who need it, by reinvigorating the RegTech talent pool, and by taking tangible steps towards a more digitally enabled regulatory future, we believe the barriers holding back RegTech adoption in Jersey can be surmounted.



Appendix

Appendix 1

List of stakeholders engaged in the development of this report

- **Jersey Financial Services Commission** (JFSC, Sponsor)
- **Jersey Finance** (Stakeholder)
- **Digital Jersey** (Stakeholder)
- **Jersey Funds Association** (Stakeholder)
- **Jersey Bankers' Association** (Stakeholder)
- **Government of Jersey** (Stakeholder)

Appendix 2

Definitions for the evelen areas of our RegTech taxonomy used in this research

1. **Financial Crime (FinCrime)**: Financial Crime deals with helping firms comply with anti-money laundering, fraud detection and counter terrorism financing legislation.

2. **Regulatory Reporting (RR)**: Regulatory reporting across a range of data types, including aggregated capital adequacy and risk management data.

3. **Market Integrity & Transparency (MIT)**: Financial markets are regulated to ensure they are fair, efficient and transparent. MIT helps firms comply with these regulatory requirements.

4. **Regulatory & Compliance Management (RCM)**: Regulatory change and ongoing compliance monitoring is a critical activity for all regulated firms due to the volume of rules with which they must comply and the rate and scale of changes to these rules.

5. **Cyber, Identity and Privacy (CIP):** CIP focuses on helping firms address cybersecurity risks, data protection and data privacy issues, and ensuring the identity of all devices and applications for which the client is responsible are known, recognised and verified.

6. **Regulatory Risk Analytics and Calculations (RRAC):** Several aspects of regulation require regulated firms to perform complex risk calculations, scenarios and simulations for various purposes such as pricing, capital allocation and stress testing. Firms are also required to perform calculations for prudential regulation such as Basel 3 and Solvency 2.

7. **Regulatory Data and Information Management (RDIM)**: Before firms can accurately analyse or report on regulatory data, there is a lot of work to do to improve data quality, understand the lineage of individual data items and apply best practice data governance principles. There is also a drive towards the need for common, granular data models to break down organisational data silos.

8. **Environmental, Social, Governance (ESG)**: ESG helps firms by integrating ESG factors into their middle and back office operations to ensure compliance with internal policies and external regulations.

9. **General Compliance (GenComp)**: General Compliance focuses on helping firms address problems that are either agnostic to specific types of regulation -- e.g. training, marketing compliance, supply chain risk -- or that cut across regulatory boundaries.

10. **Tax Compliance (TaxComp)**: Products in this category tend to solve compliance problems that span a number of tax regulations.

11. **Other:** This category focuses on industry sectors other than financial services or where regulatory compliance is only one of many use cases for the technology.

About RegTech Associates

RegTech Associates is a research company and we use our analysis of the RegTech and RiskTech markets to provide strategic insight and advice to our clients. We bring all sides of the market together to help RegTech vendors grow and regulated firms manage compliance more effectively.

Founded in 2017, RegTech Associates is a privately held company based in London. Our experienced team has extensive industry and regulatory knowledge and we often collaborate with financial institutions, regulators and other ecosystem players to foster dialogue and promote the adoption of RegTech.

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