



# Briefing

# FinTech



## General themes from our RegTech Roundtable with the FCA

In our previous [report](#), we welcomed the [FCA's Call for Input on RegTech](#) and its efforts to improve the UK's financial regulatory environment by listening to and engaging with firms operating inside it.

Last week, and following our response to the Call for Input, we were pleased to support these efforts by welcoming the FCA together with key stakeholders in the RegTech sector, including RegTech providers, academics, banks, asset managers and FinTech startups, to participate in a roundtable discussion.

We highlight some of the general themes that arose from the lively discussion:

**1. Greater clarity** – the clearer the FCA can be in its rules and guidance, the less uncertainty there will be and the more confidence potential investors will have in FinTech. Ideas included:

- when rules change, FCA guidance on which changes affect your firm;
- more guidance to aid interpretation and compliance with the rules, such as more good and bad practice guides;
- standardised training tools to teach individuals about key points of focus and useful tools to use.

**2. Identifying problems** – Participants were able to identify and highlight specific areas in which they had encountered difficulties with the current regulatory regime. Examples included:

- an old system of reporting which uses locked-out MS word documents when more tech-friendly coding could be put in place;
- duplication of reporting certain information to different regulators;
- the application of double entry book keeping in the CASS rules where this is inappropriate for some new FinTech solutions, especially when there is now technology available which can do this far more accurately and efficiently.

**3. Engaging with Tech** – If the FCA can help developers better understand the regulations and address the generally perceived need for more technological competence within the FCA, then RegTech can offer further solutions for compliance.

**4. Tech solutions** – There were suggestions for how the FCA could adopt technology to improve user experience online. Examples included:

- tools to reduce the FCA's Handbook down to only the rules relevant to the user or to link rules to their corresponding examples in the good and bad practice guides, possibly sponsored by a non-profit consortium to develop a coding structure for standardised interoperability (without reinventing the wheel where existing standards could be used);
- tools to help map out the user's "journey" when carrying out their KYC or reporting requirements;
- an online quick diagnostic tool to get a high-level overview on whether the user should contact the FCA directly or not (which would be particularly useful for smaller firms with limited compliance resources).

**5. Policy and regulation** – There was general agreement that improved communication amongst RegTech stakeholders would lead to better regulation and the FCA's RegTech Call for Input was a good start. Specific comments included:

- a recurring theme, echoed by many of the roundtable participants, was the need for clearer guidance from regulators on what RegTech could be considered "good practice" in compliance (and therefore warranted investment, by RegTech providers and regulated firms);
- it was acknowledged that the FCA could not kitemark or promote specific RegTech, but could facilitate a forum to generate awareness and for "best in class" solutions to be legitimised and proliferated;
- good corporate behaviour should be driven through good regulation using tech with "in-built" compliance (though this is complex with cross-border legislation and multiple interpretations and solutions);
- regulators need to engage with technology to develop more appropriate legislation (albeit, it is acknowledged that any policy goals need to be pragmatic and aimed at "low-hanging fruit");
- some challenged whether the FCA should actually strive to be up-to-date on new technological choices, as this could lead to partisanship and early lock-in, but should

instead (together with the ICO, PRA Ofcom and others) have the remit to propose, test, respond and advise on RegTech, noting that the Regulatory Sandbox and Project Innovate could potentially fulfil these functions together with a neutral advisory body made up of RegTech stakeholders able to provide leadership, intellectual input and guidance.

### Looking ahead

The innovative and diverse ideas generated by the discussion ranged from small improvements in reporting through to the adoption of a machine-learning-based “Robo Handbook”. Whilst these did not necessarily lead to any consensus, what was clear was a general preference for clearer guidance and the fact that the FCA should be looking to RegTech to address existing difficulties within the regulatory regime both from within the FCA as well as firms in financial services.

On next steps, Barry West of the FCA said:

*“Once the roundtables have concluded we expect to formally close the Call for Input and share our findings.”*

We look forward to further developments on the FCA’s RegTech initiative in the Spring and will continue to remain engaged with the FCA and RegTech stakeholders.

So, if you have any comments please contact a member of the FinTech team or your usual Burges Salmon contact.

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