



REGULATORY & SUPERVISORY TECHNOLOGIES

OIC/COMCEC Capital Market Regulators

11th Annual Forum

November 1, 2022

Alp Eroglu

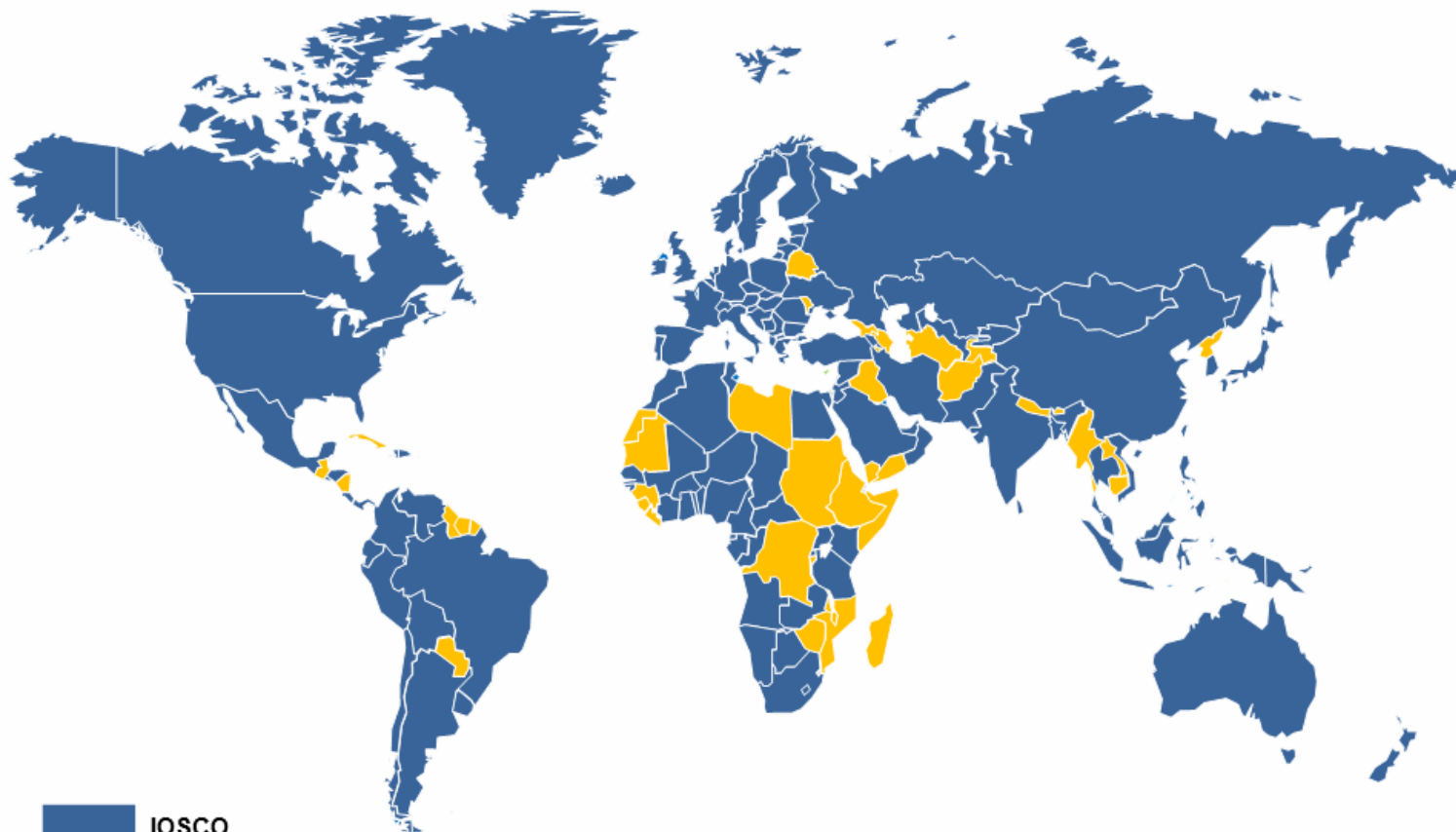
Senior Policy Advisor - IOSCO General Secretariat

IOSCO : A BRIEF INTRODUCTION

- IOSCO is recognized as the International Standard setter for Securities Regulation
- IOSCO Objectives:
 - *Protecting investors*
 - *Ensuring that markets are fair, efficient and transparent*
 - *Reducing systemic risk*
- 130 + jurisdictions, more than 95% of world capital markets;
- Growth and Emerging Markets (GEM) : 100 + members
- IOSCO Principles are one of the 12 key standards and codes recognised as key to sound financial systems
- IOSCO MMOU recognized as a benchmark for international cooperation and enforcement - 128 signatories



Our membership regulates more than 95% of the world's securities markets in more than 130 jurisdictions and includes all the major emerging markets



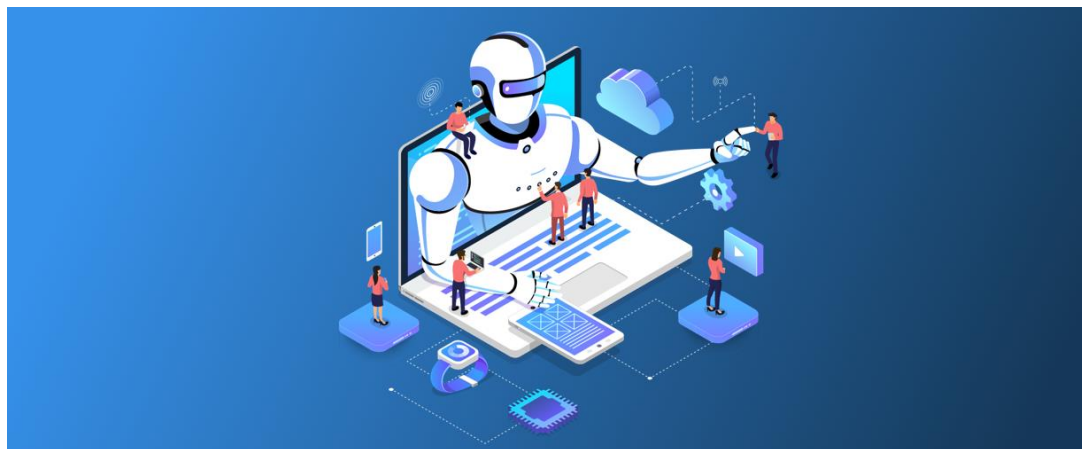
What is the difference ?

RegTech

- For regulated financial institutions

SupTech

- For supervisors and regulators



DRIVERS of SUPTECH and REGTECH DEVELOPMENTS

DEMAND SIDE	SUPPLY SIDE
Increased volume and complexity of regulatory reforms following GFC	Emerging technologies and new analytical tools such as AI/ML
Enhanced supervision and compliance	Big Data
Increased availability and digitalisation of regulatory data	Cloud services and increased storage capacity
Combatting financial crime and cyber threats	Improved data architecture
Improved risk management capabilities	
Increasing number of entities subject to supervision	

RegTech

The use of technologies to solve regulatory and compliance requirements more effectively and efficiently

Compliance as a collective burden, increased costs for every industry player.

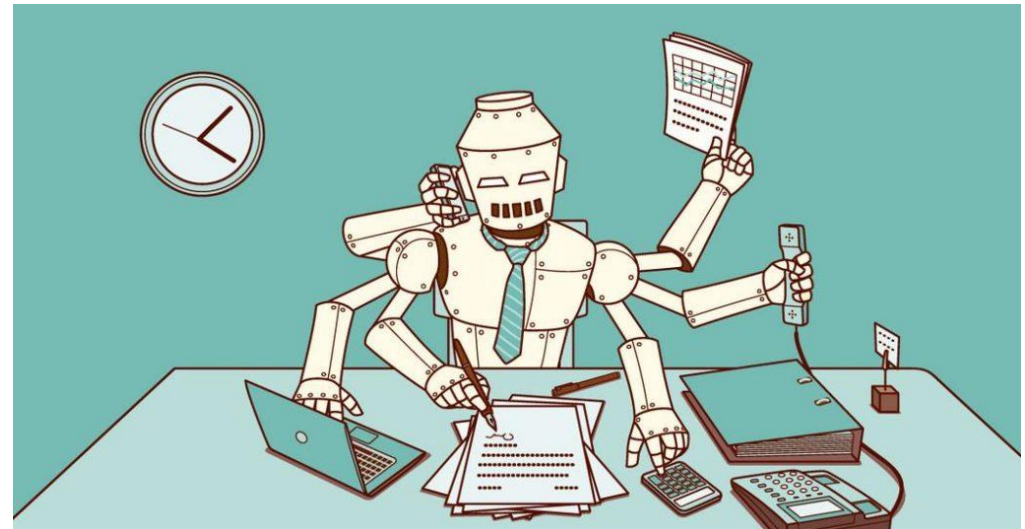
Trade off - regulatory compliance & cost reduction

Leveraging data to replace old-style processes

Real-time compliance

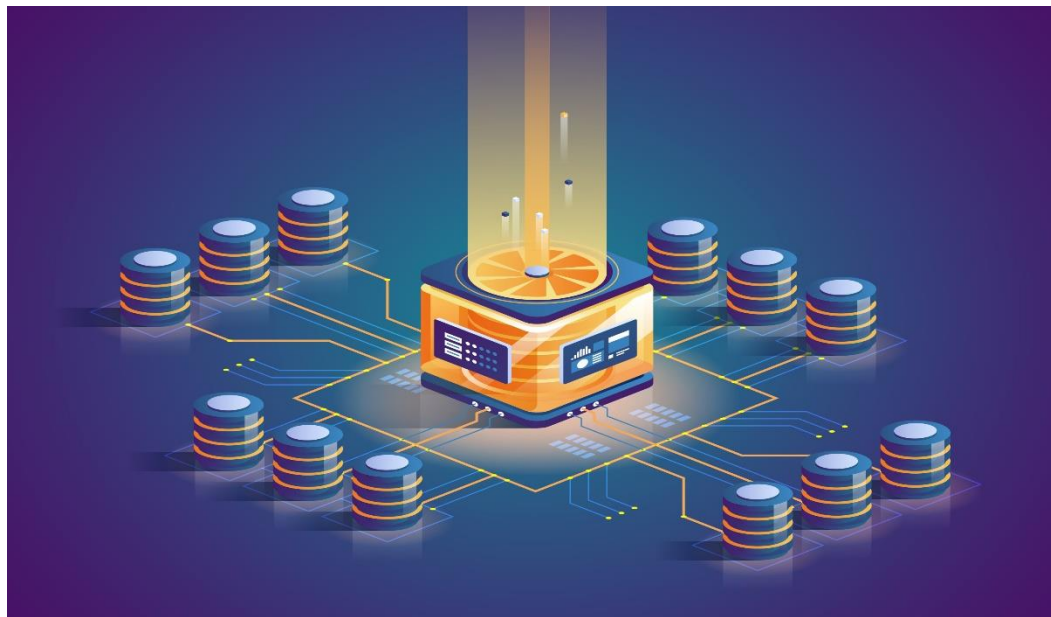
Pattern analysis, big data techniques, predictive coding, digitalisation of voice communications, etc)

Strong regulatory support and endorsement



CAVEAT

If a financial institution does not have centralized or clean data, it is difficult to implement new RegTech solutions.



RegTech - USE CASES



Compliance



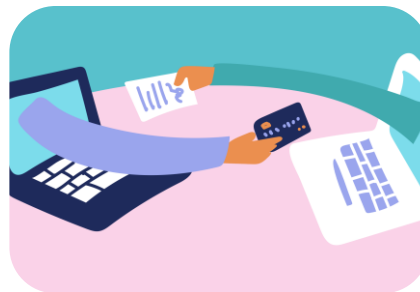
KYC, Identity
Management and
Control



Risk Management



Regulatory Reporting



Transaction Monitoring

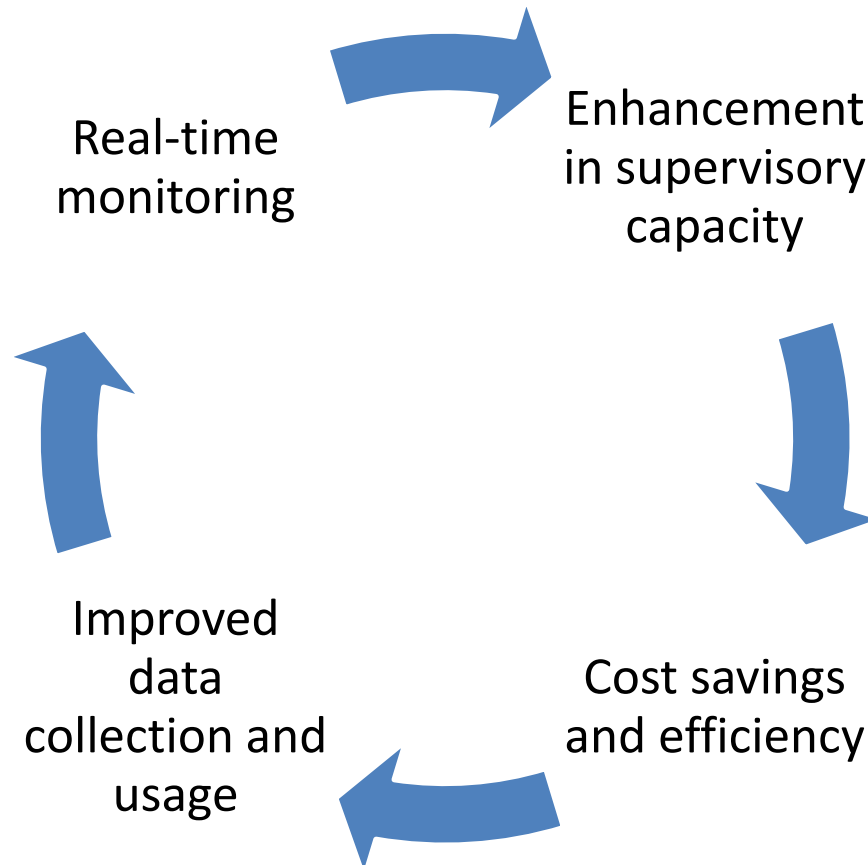


Trading Related

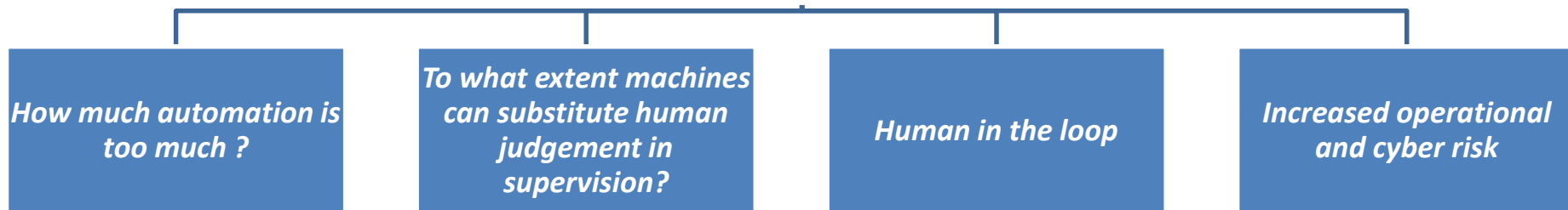
SupTech

- ***Applications of FinTech for regulatory, supervisory and oversight purposes***
- RegTech for supervisors
- Transforming supervisory data
- Shifting away from templates and manual procedures
- Innovative examples of SupTech:
 - Real-time supervision
 - Exceptions-based supervision
 - Automated implementation of supervisory
 - Dynamic, predictive supervision by using machine learning
- Machine-readable regulations
- DLT for supervision

BENEFITS of REGTECH and SUPTECH



However, RegTech and SupTech bring some uncertainties ...



RISKS & CHALLENGES

Data quality, standardization and completeness

Cyber security

Outsourcing and third-party dependencies

Human resource constraints

Data localization

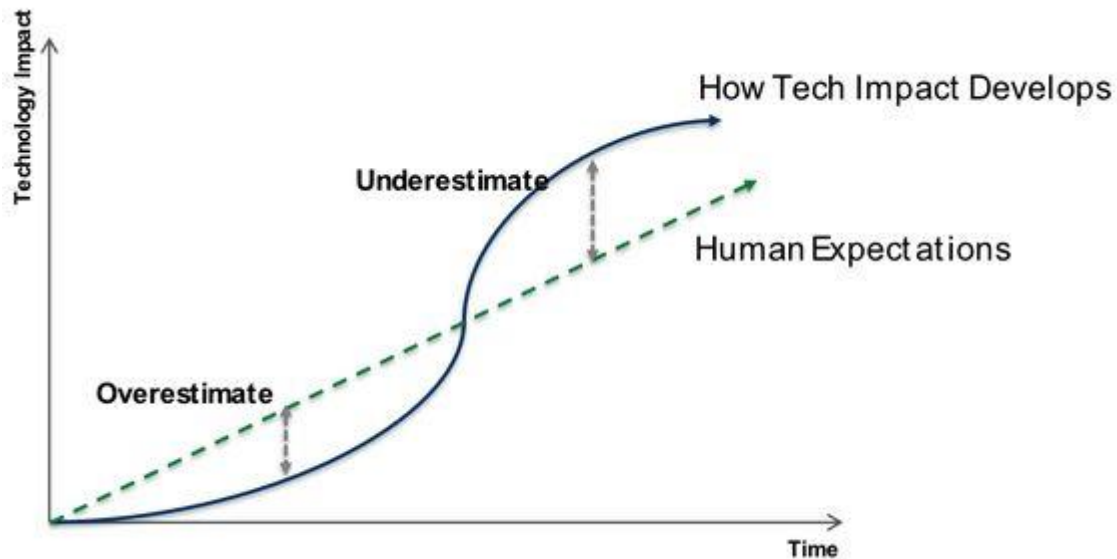
Regulatory arbitrage risks

Barriers for entry

Reputational risk

As the Silicon Valley mantra goes:

“the expected impact of technological change tends to be overestimated in the short run but underestimated in the long run”.



SOME CORE MESSAGES

- Current regulatory and market landscape is highly complex and fast-changing.
- RegTech and SupTech could lead to major paradigm shifts.
- Paradigm shifts can succeed with the right mindset and leadership at regulatory and supervisory authorities.
- A balanced reaction from the regulators is needed.
- Success also depends on adopting new technology with a strategic and overarching long-term view.
- Opportunity for emerging markets where IT systems still have shallower roots.
- Closer regulatory engagement with industry players needed - including the unregulated FinTech firms.

Thank you