

The RegTech Forum presents:

1+1>2: Unleashing the Power of Collaboration

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Contributions from:



Welcome to the RegTech Forum

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Welcome to the RegTech Forum, a vibrant community of regulators, regulated firms and their technology and service providers. Facilitating discussion, collaboration and insight on the challenges and opportunities within RegTech – and ultimately a marketplace to do business. We have now completed our third month of events with a programme that gets to the heart of the issues that technology, process and servicing are addressing in the regulated arena.

Three months ago we examined RegTech's potential for Disrupting the Status Quo. In March we discussed the Rise of the Machines and the impact of AI. In April we turned to Collaboration – companies coming together, forming mutually-beneficial partnerships, then developing offerings to deliver tangible value to their clients.

Since our first event, a community of over 400 attendees have heard from over 20 contributors over three physical events and two 'In Conversation' conference calls. We have a tremendous on-line presence through regtechforum.co and other social channels. None of this would be possible without the support of our partners, sponsors, contributors and attendees.

For us, this is just the beginning. In the last month we launched events in Paris (May 22nd) and Zurich (June 15th), and are planning further afield for the Autumn.

Videos, interviews and white papers from all our events are available at regtechforum.co. Please register at regtechforum.co/register to join our thriving community, receive updates, and early access to thought leadership assets like this white paper report. We look forward to welcoming you to our next event.

Executive Summary



Vincent Kelly

Head of Editorial
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Many of the challenges that RegTech has emerged to solve are the result of a 'build not buy' mentality prevalent in financial institutions until recently. Perhaps in response to this, many of the early stage and start-up companies in this emerging market have the ambition and ability to collaborate built in to their corporate DNA. At the third RegTech Forum event on April 4th, hosted once again at Capco's offices in Shoreditch, we invited the community to explore what Collaboration means for early stage firms as well as their more established partners.

Our Principal Partners, Kx, teamed up with Thomson Reuters to demonstrate this kind of collaboration in action. Rebecca Kelly, Senior Solutions Architect at Kx, and Tom Kennedy, Thomson Reuters' Global Head of Analytic Services, discussed how they brought two teams of domain experts together, combining Kx's market-leading database technology with the Thomson Reuters data underpinning the global markets.

Then Steve Burman, Barclays' Global Head of Compliance Operations & Frameworks, provided a perspective from within a Tier 1 Regulated Institution – supported by JWG Group and Clausematch, whose collaboration enables Barclays to address regulatory change through innovative policy management.

The night closed on the topic of policing and preventing Financial Crime, with speakers from LendInvest, ComplyAdvantage and fscom exploring what collaboration can unlock in that sector.

Many thanks to all of our contributors, whose thoughts are also available in the Panel Insights section later in this document. I look forward to meeting and discussing these ideas with you at our next event.

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Kx: Kx's singular goal is to provide its customers with the most efficient and flexible tools for ultra-high-speed processing of real-time, streaming and historical data.

Thomson Reuters: The intelligence, technology and human expertise you need to find trusted answers. Thomson Reuters is The Answer Company.

Barclays: Barclays Investment Bank provides large corporate, government and institutional clients with a full spectrum of strategic advisory, financing and risk management solutions.

ComplyAdvantage: Artificial intelligence and machine learning to help firms comply with Sanctions, AML & CTF regulations. A proprietary dynamic database of AML risk exposures covering Sanctions, Political Exposed Persons and Adverse Media and a suite of screening and monitoring technologies.

ClauseMatch: ClauseMatch brings an unprecedented productivity for Compliance, Legal, Finance, Operations and Risk departments saving you millions in terms of time and resources, while significantly reducing risk, and providing accountability.

fscom: Experts in financial services regulation. Working with us gives clients peace of mind that the job will be done to the highest standard.

JWG Group: JWG are recognised by regulators, financial institutions and technology firms as the independent analysts to help determine how the right regulations can be implemented in the right way.

LendInvest: The marketplace for property finance – LendInvest provides fast finance for property professionals and opportunities for individuals and companies to invest in UK property debt.



Pat Brazel

Chief Revenue Officer
Kx

The Power of Collaboration

Changes to the regulatory and compliance landscape are ever present – year after year – wave after wave. In their wake are multiple reporting and systems challenges. Many among the industry agree that, from a Regulatory standpoint, ‘you’re only as good as your data’ – and that information is only as good as the technology used to harness it. As such Kx, the industry-recognised #1 provider of ultra-fast and scalable data solutions, has partnered with Thomson Reuters – the world’s leading market and reference data provider. Together we are developing solutions that will help firms make better use of their data and ultimately comply with regulations.

Inspiring Confidence

A key component of that collaboration is the globally-recognised credibility both organisations bring to the table. At Kx, the tick database and ability to handle massive amounts of real-time and historic data is established in financial institutions across the world. Thomson Reuters are, of course a household name – with a vast range of offerings and a systemic role within the markets. Companies trust Kx because of our proven track record, and to be trusted in turn by a firm like Thomson Reuters increases even further the confidence we give our clients.

Working Productively

Partners for collaboration, particularly in the RegTech arena, are becoming more prevalent. As the Panel Insights section later in the document will show however, collaborations can lose focus and jeopardise delivery when the team attempts

to do too many things at once. As such, the talented domain experts we assembled from both organisations remained focused on addressing a specific challenge: enabling better analytics on data from disparate sources. The Velocity Analytics Platform that we developed with Thomson Reuters solves a real problem facing firms who view market activity through a global lens – and was only made possible by working productively on the specific problem we set out to solve.

**Kx has
partnered with
Thomson Reuters – the
world’s leading market
and reference data
provider**

Delivering Value

Our work was underpinned by a core philosophy: the product’s value had to be greater than the sum of the component parts. Integrating our technologies with theirs delivered tremendous value to our customers, in terms of consuming market and reference data that was ready to be interpreted, removing the need for manual and repetitive normalisation, and enabling firms to move beyond performing this activity in search of competitive advantage. It’s about enabling our clients to deliver value to their own customers quicker, more efficiently and with a lower TCO.

Celebrating Success

While Kx and Thomson Reuters are both acknowledged leaders in their fields, the collaboration between the two organisations is a great example of successful partnership for RegTech firms as they develop their offerings. The market is in a very exciting period, with a more encompassing and co-operative approach to problem solving being adopted in favour of the traditional application-based development. Coming together to identify and address areas that can be improved by this type of collaboration, can often draw the best out of all participants – resulting in solutions that truly are greater than the sum of their parts.



Tom Kennedy

Global Head of Analytic Services
Thomson Reuters

Thomson Reuters are delighted to have worked with Kx in developing, building and bringing to market the Velocity Analytics offering.

Collaborating on Real Challenges

From our point of view, the collaboration made complete sense: combining Thomson Reuters' business critical information (across market data, reference data and news) with Kx's leading data analytics platform delivers a lower Total Cost of Ownership, as well as a speedier timeline to facilitate any regulatory changes or Front Office trading needs.

Focussing Joint Expertise

Both companies brought their unique capabilities and expertise to the project: joining our data with their technology, understanding those mappings, and deriving additional value from the sum of the parts all underpinned the partnership between Thomson Reuters and Kx.

Framework for Tomorrow's Success

Operationally, the partnership continues well beyond the implementation and go-to-market phases. Thomson Reuters provide support around the technology and content, while Kx provide us with back-end capability, engineering and support. So on a day-to-day basis we continue to work together closely to address end-user challenges.

Well Received by the Market

Our clients have been very welcoming to this collaboration. Thomson Reuters' data assets are vast: everything from market data, to news, to quantitative data sets. However, analysing and using that data can be prohibitive – the time and cost investment of onboarding and mapping that data. Bringing together the Kx and Thomson Reuters' propositions lowers the Total Cost of Ownership, enables faster analytics, and delivers better, quicker business answers. It's a natural solution for companies seeking to move the overhead and cost of supporting that data into a service.

Future-proofed, Future-facing

As regulations continue to evolve, the data required to address that challenge will continue to increase. At Thomson Reuters we're very excited about what the future holds for our relationship with Kx – this partnership enables us and our clients to deal with these volumes leveraging state of the art technology. So we're able to future-proof ourselves not only for today, but for tomorrow.

At Thomson Reuters we're very excited about what the future holds for our relationship with Kx

Contributors

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Willem Wellinghoff
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Collaboration: Opportunity Or Distraction?

When two or more companies come together, the objective is usually to deliver added value to existing clients. However, is this work – often labour-intensive and requiring significant investment of time, expertise and resources – an opportunity or a distraction for the partnering firms?

Steve Burman, Global Head of Compliance Operations and Frameworks at Barclays, acknowledged that “you’ll get a whole range of thoughts and opinions on that within a big firm. However, for what we’re doing in this space it’s an opportunity.” Elliot Burgess, JWG Group’s Head of Product and Client Services, agreed. Having partnered with large firms in the past, he explained: “For large companies, working with smaller firms can be about providing added value in innovative ways, and being seen as an innovator.”

However, for early stage and start-up firms, collaboration can invite elements of ‘key man risk’. As Willem Wellinghoff, VP Compliance at LendInvest, explained, “if there are too many senior people involved it can be a distraction, as it shifts focus away from developing the business.”

According to Rebecca Kelly, Senior Solutions Architect at Kx, “having a clear understanding of how the combined offering is separate and distinct from [their] own offerings is critical as distractions tend to arise when the scope creeps. There’s always a desire to do more but focus is key.” The secret, then, is to ensure that every partnership is structured, well-defined and working to a clearly-articulated objective from the beginning.

**RegTech
collaborations have
a broader appeal
to regulated firms
seeking solutions**

Getting To The Best Solution Quickly

As regulations continue to evolve and enforce common standards on activity, many parts of the workflow no longer contribute to a competitive advantage. That, according to Michael Southgate, Associate Director at fscm, is shaping collaborations across the RegTech arena: “There’s a lot out there now that is commoditised and that everyone needs to do the same way, so there’s no risk in collaborating – and you’ll get there a lot faster if you do.”

The ‘speed of deployment’ argument was echoed by several of the panel, including Evgeny Likhoded, CEO & Founder of ClauseMatch. “Given the speed of regulatory change, yesterday’s massive monolithic governance, risk and compliance software would take too long to implement.”

Providing a perspective from within a global regulated firm, Barclays’ Neil McKenna agreed: “Some of this technology, it’s visual, impactful, gets to the point and delivers results. [RegTech firms] can build this tech to solve a specific business problem very quickly, whereas we would need an army across a multi-year programme, and invest significant amounts of capital in comparison.”

Selecting The Best Partner For Success

Given this investment, how do companies source and select the best partner for a collaboration project?

For Stephen Ball, VP Sales & Marketing at ComplyAdvantage, it's got to be a win-win for both organisations. "Many RegTechs have deep expertise in specific areas, and therefore they might understand a particular customer segment in more detail or have complementary solutions to our own, so we can work together to provide a better solution for both sets of end customers."

Discussing a recent and ongoing collaboration between ClauseMatch and JWG Group, Elliot Burgess explained that they were introduced by a mutual client. "In my experience the best ecosystems put the clients at the centre, know how the components work separately, and link together to unlock additional value."

Further examining this type of client-driven collaboration, Evgeny Likhoded agreed that this can sometimes require a 'leap of faith' on the part of the larger organisation. "I think it took a brave visionary person in the client organisation, which often doesn't take risk, to bring in new ideas and vendors. To think, 'how do we take a step back, actually think about regulatory compliance, look at what's available out there and implement it, even when it's not a standard governance risk and compliance software but it will deliver the right results."

Steve Burman provided additional perspective on the process within these large organisations.

"First you have to look at the incumbent, to qualify or disqualify that product. Then you have to examine other 'established' internal or external solutions – unfortunately not all of them are actively working to move forward into the 21st century. Finally, you look at more innovative solutions – examining the People, Product and Process. If you take that third option, it's critical to bring your organisation with you on that journey, to sell the idea."

Assembling The Team To Deliver

So with a clearly defined goal, and a potential partner firm identified, what else is needed to maximise the likelihood of a successful delivery?

For Michael Southgate, it's important to recognize the heavy investment of time and energy that you'll be pouring into a project. "I think you've genuinely got to ask yourself if you're going to be able to spend so much time with your partners – would you go for a beer with them?"

With that settled, he also thinks it's important to get the right mix of skills and expertise on a team. "If I bring eggs, for example, and you bring flour, then we can start making a cake – which we couldn't do if we both turned up with flour."

Stephen Ball gave us an example of how widespread a particular project team can be.

"One of our customers needed to send money to Somalia and Afghanistan – clearly high-risk areas, but it's critical to keep channels open for humanitarian reasons. We collaborated with the client, their banking partners, the FCA, HM Treasury, as well as various Remittance Associations – to make sure they could transfer that money correctly and legally. Working that closely with the various entities was critical to developing a solution that really worked for them."

Willem Wellinghoff explained how the right team, working on the right collaboration project, can enable better business opportunities for both firms. "We selected a current partner through a tender process, and it took a year for both firms to understand how we could benefit the most from each other. We launched that partnership in March, and that collaboration has created opportunity for both firms: because of the due diligence and process we followed, we can now focus on what we do best, while they can focus on enabling us with services that they do best."

*The best collaborations happen when a **mutual client** encourages us to work together to unlock additional value*

Get the right mix on the team – if I bring eggs and you bring flour, then we can start making a cake

Regulatory process improvement: no longer part of Competitive Advantage?

So what are the benefits and opportunities enabled as a result of two firms assembling their experts on a well-defined project and delivering to expectations?

For Rebecca Kelly, the Kx collaboration with Thomson Reuters has enabled better and more efficient data management at a much lower Total Cost of Ownership – as well as a solution that can flex to different users' demands. "We're seeing the Velocity Analytics 8 platform we created being deployed by our customers for a variety of different use cases. In particular, we're seeing ever-increasing use within RegTech, where the same data is required across multiple regulations."

For Neil McKenna, the power is in combining product functionality with something bigger. "The solution we collaborated on removed inefficiencies around policy management, gave us a full audit trail, worked from a single repository and enabled work from a tablet or mobile. But we also wanted to benefit from a solution that was implemented, used and being improved by a community of financial institutions. So if someone suggests a great new idea, we benefit from it too. So we shared our IP, we were good corporate citizens, and in return we benefit from the IP coming the other way – suggestions for improvements on a process that is no longer part of a competitive advantage."

We see ever-increasing use within RegTech, where the same data is required across multiple regulations

Providing an investor-centric perspective, Willem Wellinghoff explained that successful collaborations improve resilience and encourage growth. "A successful solution demonstrates a company's maturity, depth of expertise and ambition for growth, which gives credibility to the business model and can encourage investors, potentially increasing your capital offering and increasing your audience."

The Recipe For Success

A key driver to a successful outcome for Elliot Burgess is alignment from the board room down to front-line employees, in both firms. "You need strong buy-in from the senior management at each of the vendors. From the CEOs and Investors downward they need to agree that the project will enhance both propositions."

Michael Southgate agreed, and added that non-participating functions also needed to be brought on-board. "You need to have support and agreement within your own firm, and know that they're briefed from day one. For example, Technology teams need to be ready to implement your solution, integrate with your APIs, and have your project as part of their roadmap."

Evgeny Likhodod again pointed to the need for a motivated client organisation: "They need to be willing to work iteratively, to work with the suppliers in a transparent and collaborative way, to bring users on board, do the workshops, test the functionality, and feed back constructively – sometimes on a daily basis. It takes time and dedication, but you don't often find success without that."

A successful collaboration gives credibility to the business model, can encourage investors and potentially increase your capital offering

Rebecca Kelly agreed: "Nothing gets done without hard work and can-do attitudes. That being said, being able to identify customers' pain-points will give you your initial product focus, then the all-important step is to assemble the right team from day one."

Risks & Pitfalls To Avoid

For Stephen Ball, trust between partner firms is critical to a successful outcome. "Often you see partnerships where one company doesn't trust their collaborator with the customer relationship – they're worried about having business taken from them in the future."

However, that trust needs to be earned – Steve Burman and Neil McKenna have both met potential partners that fall short. "You meet providers who themselves aren't convinced or clear about where the industry is heading. We're not experts, but we have a view based on our needs, the way the Bank is moving. When you end up educating the 'experts', or meeting resistance around a particular requirement – for example, if we want a technology delivered via an API but they say they're not doing that – you ask yourself, why are we here then? One of our requirements was 'no user manuals', so user experience and design has to be at the centre of the answer."



They went on, "It can be very flattering for small firms to get attention from multiple big Banks, and they become pulled in different directions – but you should be distracted by customers, not prospects. You cannot take your eye off the ball as a small organisation, or you'll fail to deliver. Our sourcing requirements can be significant and require your complete focus – otherwise you won't get a contract."

In closing, Steve Burman offered encouragement to RegTech firms looking to improve and empower larger Financial Institution clients with innovative technology. "Big Companies tend to own the problems – you have the solutions. So seek out the clients who are willing to sign contracts, seek innovation, push new thinking and adopt change."

The RegTech Forum events and community will continue to grow, mature and build meaningful connections between innovators, entrepreneurs and venture capitalists in the space. To attend or to contribute towards the next event, please register your interest at www.regtechforum.co