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NEWS

ASIC regtech initiatives

Over the last few years, ASIC, together with other financial regulators around the world, has shown increasing interest in the use of technology in the regulatory space. ASIC recently published a report into its regulatory technology (regtech) initiatives for 2019-2020.

Partner Sean McMahon says the report provides interesting insight into how the regulator sees the space and how it is implementing regtech trials for some of its own activities.

WHAT IS REGTECH?

Regtech is a fairly broad term. It generally encompasses new or emerging technology used to help businesses or regulators manage regulatory obligations and compliance, or oversight of these.

WHY IS ASIC INTERESTED?

ASIC says regtech has significant potential to help businesses enhance their risk management and compliance activities. ASIC recognises that rapidly improving technology is leading to a significant increase in potential applications for regtech in the areas of risk management and compliance.

In August 2018, ASIC received funding from the Australian Government to help promote the nation as a leader in the development and adoption of regtech. ASIC developed a series of proposed regtech initiatives which it commenced rolling out in 2018-2019. However, some were suspended due to the onset of the COVID-19 pandemic.

ASIC'S REGTECH INITIATIVES

The big potential and importance of technology in financial and other businesses was brought into very sharp focus by the sudden shift in work practices during the pandemic, particularly the new 'work from home' norm. ASIC picks up on this in its report and in the regtech initiatives pursued during 2020.

For example, in July 2020, in the midst of the pandemic, ASIC hosted a webinar on the topic of regtech remote services and supervision, aiming to highlight the ability of technology to contribute to providing financial services, as well as the remote supervision of staff. The discussion between participants in the industry, ASIC and other guests focused on businesses having to rapidly pivot to the new remote work environment. The point was made that businesses with a pattern of continued investment in technology adapt to new working methods with greater agility.

ASIC'S INTERNAL SUPTECH INITIATIVES

Demonstrating its own willingness to pivot as a response to major events, after the onset of COVID-19, ASIC started several internal supervisory technology (suptech) initiatives.

These suptech initiatives will be interesting to those in the funds management and capital raising spaces, as they give a good insight into where the regulator is heading with respect to its own use of improving technology.

Artificial intelligence and advertising/promotions

ASIC engaged a technology firm to trial the use of artificial intelligence and machine learning in monitoring financial promotions between June and August 2020.

ASIC's report notes the technology it used scanned almost 1.7 million web pages and identified 9,150 potential 'risk' cases. Later, the tool scanned 1,000 Google ads and identified over 100 potential examples of concerning advertising.

Notably, ASIC states this trial identified incidences of potential misconduct for further review by ASIC staff.

Natural language processing prospectus project

ASIC ran a project that developed a proof-of-concept model in its own Data Science Lab, employing the use of text analytics and natural language processing technology to automate ASIC's initial review of prospectuses lodged with it.

ASIC states its initial findings from the project were promising, demonstrating a significant reduction in the time taken to review prospectuses and improved accuracy in rating risks. Interestingly, ASIC considers it could more easily identify concerning prospectus (or presumably PDS) features using this technology.

Those familiar with the advances in artificial intelligence and machine learning technology will note this use of technology by regulators is inevitable.

THE FUTURE

ASIC says it is committed to the continued promotion of regtech and its use by financial firms, also noting Australia is seen as a world leading regtech hub.

ASIC has had its own share of well publicised challenges in recent times. However, what is certain is ASIC will increasingly look to the technology sector to find new and innovative ways to keep on top of its supervisory responsibilities, and it will encourage the adoption of technology by financial firms in their compliance and risk management activities.

TECHNOLOGY IN VERIFICATION

Many of our clients have experienced the somewhat arduous, but necessary, process of verifying the contents of an offer document. They will understand the time and resources this process takes up.

At McMahon Clarke, we are now using web-based intuitive technology to help streamline our offer document verification service and to help cut down the time and effort needed from our clients in the process.

We are happy to report that so far, our experience, and that of clients, in using the technology is very positive and we look forward to further rolling out this service as the year progresses.

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