

# REGTECH IN THE EU FINANCIAL SECTOR: EBA ANALYSIS AT A GLANCE

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## What is RegTech?

The digitalisation of the finance sector is progressing at pace. Innovation in the sector is transforming both the way financial institutions conduct their business with their clients and how they operate internally.

Examples of such innovation include the use of technologies such as cloud computing or machine learning to provide institutions with solutions to transform the way they comply with their regulatory requirements and make certain processes more effective and efficient.

When technology is used for compliance it is called **Regulatory Technology** or '**RegTech**'.

RegTech solutions are currently most evident in:

- **Anti-Money-Laundering and Countering the Financing of Terrorism (AML/CFT)** – for example, providing solutions for sanction screening or remote onboarding of customers;
- **Fraud prevention** – through automated behaviour and transaction monitoring;
- **Prudential reporting** – supporting institutions in their regulatory submissions;
- **ICT security** – providing detection mechanisms for an institution's operations security; or
- **Creditworthiness assessments** – providing new capabilities for assessing the creditworthiness of clients.

## Why is RegTech important?

RegTech has the potential to facilitate the digitalisation of financial institutions and make them more effective in managing risks.

Financial institutions already using RegTech solutions can mainly benefit from:

- enhanced risk management capabilities;
- better monitoring and sampling capabilities; and
- reduced human error.

Meanwhile, RegTech providers emphasise that by using RegTech solutions financial institutions are able to:

- increase efficiency;
- quell the impact of ongoing regulatory change; and
- improve effectiveness.

## What does the EBA do on RegTech?

The EBA follows the principle of technological neutrality which means that the use of a specific technology (including within a RegTech solution) is neither preferred nor prejudiced and the use of new technologies is not inadvertently prevented because of regulatory or supervisory approaches.

RegTech is one of the priority topics for the EBA in its 2020 – 2021 Digital Finance work programme as part of its objective to facilitate the use and scaling up of innovation in the EU banking sector. This work aims to support the European Commission's Digital Finance Strategy objectives to put in place the necessary conditions to enable the use of innovative technologies.

Building on information collected via industry surveys, workshops and interviews with financial institutions and RegTech providers the EBA has recently published the [analysis of RegTech in the EU financial sector](#) with the aim of:

- providing an overview of the RegTech market activity in the EU to promote an understanding of the current development and adoption of innovative solutions; and
- raising awareness on RegTech within the regulatory and supervisory community to inform any relevant future policy discussions as to how best to ensure that regulatory and supervisory initiatives facilitate the scaling of innovation in a technologically neutral way.

Going forward, the EBA and competent authorities will continue to monitor RegTech developments.



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