

## **RegTech Live: Driving Compliance through Innovation**

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### **Opening Remarks**

Good afternoon everyone and welcome to our second edition of RegTech Live – Driving Compliance through Innovation. Let me start by saying thank you for making the time to join us for this event, especially our speakers, panellists, demonstrators and moderators. As stated, this is our second virtual RegTech Live Event. Until we can hold in-person events, virtual events such as this one are an important tool for us all to stay connected.

### **COVID-19**

We are certainly working and living in extraordinary times. The COVID-19 pandemic has been a significant shock that has affected so many aspects of our work and personal lives. We have seen unprecedented lockdowns and containment measures on a global scale and we are now seeing countries heading into their second, more targeted, set of lockdowns. I would assume that most of you, like me, were glued to the news stories about a potential vaccine that was announced yesterday. We will soon be watching the logistics of vaccine distribution, which will, no doubt, involve significant technology. We will also need to consider that multiple vaccines might be effective, not just one.

A direct consequence of this pandemic has been the changes to the way we work. Again, what would have been a face-to-face event today and tomorrow, has been replaced by this virtual format, with many of you likely joining from home instead of the office. There are certainly minuses in that we cannot discuss topics in person, and I believe we still need that, but there are many pluses too, including we have reduced the overall amount of time we spend in our car every day. Importantly for this audience, we are also seeing the benefits of technological innovations that can support and improve the way we work, operate and live.

### **Technological change**

Technological innovations can take many forms, whether by digital transformations, or the use of disruptive technology. The pace of change can also differ greatly. In recent years, some financial institutions have been using technology to support new business models or to solve regulatory

and compliance requirements. This was done as a choice. This choice was about increasing operational and market efficiencies or enhancing the customer experience – all to remain competitive in the market.

Many have found the journey difficult. The use of technology, specifically new technology, required shedding old habits, updating cultural norms, upskilling employees and adjusting ways of thinking. Connecting the dots between digital initiatives, strategy and business enablement is challenging, and is not one that all institutions – or regulators – have made seamlessly.

But times are changing, even more so in the current situation, and technological changes are disrupting the landscape of financial services. It is now a race to invest and improve the pace in developing the necessary capabilities to make the changes. Only those who can adapt will be able to survive.

It is also becoming evident that data, and the harnessing of it, is, according to the World Economic Forum, the new currency of this digital age. The value of data has never been greater and financial institutions are looking for ways to create value using their or their user's data. Of course, they will also have to think about data privacy and security in new ways. No doubt we will hear more about the value of, and the potential limitations to, data use today and tomorrow.

### **The UAE Drive for Innovation**

In the UAE, the tone has clearly been set from the top, and many of the discussions we will be having today and tomorrow, would not be possible without the support of the UAE government and their desire to foster innovation in the country.

In 2014, His Highness Sheikh Mohammed Bin Rashid Al Maktoum, UAE Vice President and Prime Minister and Ruler of Dubai set out the **UAE Innovation Strategy**. This has been critical in driving and supporting digital transformations in the UAE and has gone a long way to enabling industries and their desire for digital transformation.

Many initiatives launched at both a Federal and Emirate level support this Strategy, including the **Emirates Blockchain Strategy 2021**, which aims to have 50% of government transactions conducted on the blockchain within three years, saving roughly USD 4 billion in transaction processing costs. **Smart Dubai**, who will be speaking tomorrow on their role in supporting digital transformations, also help with access to emerging technologies and initiatives such as Blockchain and Artificial Intelligence.

The DIFC has embraced these strategies fully. In 2017, DIFC FinTech Hive was established by the DIFC Authority to create and support an innovative ecosystem in the DIFC. You will hear more from the DIFC Authority tomorrow on their Future of Finance strategy and their work in this area.

The DFSA is completely in lock-step with the DIFC Authority in driving a growth strategy for the DIFC consistent with our remit of being the financial services regulator of the DIFC. The DFSA launched its Innovation Programme in 2017, and while the key initiative is the Innovation Testing Licence (ITL), a licensed regulatory sandbox, the Programme also facilitates open engagement with innovative firms to understand new technologies which support financial institutions and their activities. The DFSA was also one of the first regulators to establish a team dedicated to operational and technological risks, including cyber risks. We are now looking forward to new ways of cooperation with the DIFC Authority on data and technology as part of our future strategy.

### **Balancing the risk**

I mentioned above our regulatory remit. Although technology helps to mitigate risks in financial services, it also brings challenges. The pace of change I am talking about, together with the borderless nature of technology, requires a level of caution to be taken as a regulator. We need to consider a number of difficult policy choices, including how do we balance the desire for innovation with the need to protect consumers and how do we allow 'good' innovation, but ensure that the associated risks are well-managed.

We encourage the use of technology in the delivery of financial services, as well as in the maintenance of regulatory compliance, but we are also mindful of the risks relating to, for example:

- IT risk management and IT security arrangements;
- Data protection;
- Cyber security; and
- Operational risk and resilience.

Financial services institutions also need to make informed choices about how they are going to adapt and to make sure that the risks are understood, considered and measured as they make changes to their processes and business models. Managing all of these objectives takes some balancing, and it is through industry engagements, like this event, that help to further develop our regulatory understanding of available and emerging technologies.

### **Global engagement**

I mentioned the borderless nature of technology, this equally applies to the provision of financial services. Financial products and services are now available 24/7 in nearly any country you are in.

On this basis, we talk to other regulators even more than we have in the past. Being part of international networks help us to share experiences and discuss what innovative approaches are being taken. The DFSA is a founding member of the Global Financial Innovative Network (GFIN). While GFIN has a primary objective to provide a more efficient way for innovative firms to interact with regulators, helping them navigate between jurisdictions as they look to scale new ideas, it also provides a platform for regulators to informally engage on the uses of technology in the financial services sector and their experience with them

### **The RegTech Event**

This second RegTech Event is again focusing on the use of technology in the financial services sector, but this time we are focusing on risk management and risk mitigation and how technology can help financial institutions manage their risk exposures.

The purpose of this event, much like the last event, is to generate awareness of available technologies, and to demonstrate the DFSA's and DIFC's support for the development and implementation of regulatory technologies.

Our intention is not to promote any single vendor, technology or approach. Rather, our intention is to make you aware of what is available and promote the consideration of the technologies that you will hear about during the event.