



# SupTech and RegTech

Creating more transparent, tech and data-driven approaches for supervisors and regulators

**Peter Rosenkranz**

Economist

Regional Cooperation and Integration Division

Economic Research and Regional Cooperation Department

Asian Development Bank

**3<sup>rd</sup> Asia Finance Forum: The Future of Inclusive Finance**

7 November 2019 | ADB Headquarters

This is not an ADB material. The views expressed in this document are the views of the author/s and/or their organizations and do not necessarily reflect the views or policies of the Asian Development Bank, or its Board of Governors, or the governments they represent. ADB does not guarantee the accuracy and/or completeness of the material's contents, and accepts no responsibility for any direct or indirect consequence of their use or reliance, whether wholly or partially. Please feel free to contact the authors directly should you have queries.

# Opportunities for digital financial inclusion in Asia

**1 billion adults in Asia**  
do not have access to  
financial services



**4.1 billion**  
have a  
mobile phone



**1.7 billion**  
have  
Internet



# Risks of fintech



# Issues relating to the regulatory and policy environment



Protect personal data and privacy



Protect consumers against cyber-crimes and fraud



Encourage competition and innovation



Balance innovation and financial stability



Prevent illegal activities such as money laundering and terrorist financing



Harmonize government policies and coordinate regulatory frameworks through regional cooperation

# SupTech and RegTech: an overview

## SupTech

- (*supervisory + technology*): the adoption of technology by financial supervisory agencies in the automation and optimization of supervisory tasks

## RegTech

- (*regulatory + technology*): the use of technology to meet regulatory monitoring, reporting, and compliance requirements more effectively and efficiently

# SupTech and RegTech: an overview

## Context/Need

- Rising monitoring and reporting needs of supervisory agencies
- Lack of standardization in reporting data
- Growing complexity of data architecture and increasing volume of data
- Need for real-time evaluation of risk

## Benefits

- Enhanced data collection, standardization, and supervision
- Productivity and efficiency gains
- Better regulatory workflows
- Shift to risk-based supervision (vs. data collection)

## Challenges

- Legacy infrastructure and outdated data reporting and collection processes
- Risk of cyberattacks and operational failures
- Need to balance automation and human supervision

# Key issues for financial institutions, regulators, and central banks

- Managing technological innovation to promote greater financial development, inclusion, and stability
- Developing the ecosystem to support the creation, diffusion, and scaling up of technology and innovation, including RegTech and SupTech applications
- Strengthening the role of central banks and financial regulators in managing risks and developing the regulatory environment to strike a balance between innovation and financial stability, and to protect consumers.
- Identifying the role of international financial institutions and regional cooperation in addressing challenges and vulnerabilities.

# Selected reports on financial technology

*Box 4.2: Fostering Financial Stability through Regulatory Technology (p. 75)*



*Appendix A: ADB Pilot Projects Integrating Digital Financial Solutions (p. 69)*

