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[Nataly Arber] Welcome to another episode of Shaping Global Markets, a series focused on key topics in the regulatory and financial technology space. I'm Nataly Arber, your host. And every episode, I'm joined by industry experts to discuss relevant ideas and answer timely questions about where the industry is headed. As always, we would love to hear from you about topics you want us to cover. So please, subscribe, leave a comment, or follow us on Twitter [@DFINsolutions](https://twitter.com/DFINsolutions).

Today, I'm thrilled to be discussing RegTech's impact on the financial sector. Following the financial crisis in 2008 and the "flash crash" of 2010, regulatory bodies questioned whether their approach was appropriately matched to the modern market and ultimately responded by putting new, extremely stringent regulations in place; companies quickly needed to reprioritize risk management and compliance, as cost for non-compliance was increasing. In this aftermath RegTech was born: a new technology that at its core is designed to support the accurate and efficient reporting and filing of financial documents.

I'm excited to be speaking with Eric Johnson, president of Global Investment Companies at DFIN, today, focusing more on the Regulatory side of RegTech.

Hi Eric, thanks for joining me and welcome to the Shaping Global Markets podcast.

[Eric Johnson] Yea, thanks Nataly! Glad to be here today.

[Nataly] We're happy to have you as our expert guest today. We're excited to dive into RegTech as our topic today, but before we do that can you tell us a little bit about yourself, and our listeners about your experience in the regulatory and compliance space.

[Eric] Yeah, sure. I've been in the financial and regulatory space for well over 20 years now. Starting my career in a big six firm, specifically focused on financial services and then since moving to the operational side of things, my focus has been primarily around back office automation and making the processes more efficient -- from a communications and technology perspective -- but ultimately a very strong understanding of the regulatory environment and how the technology and the regulatory worlds meet, and how we can best serve our clients.

[Nataly] That's so interesting. And especially that optimization piece fits right into our conversation today. When RegTech was first born, it was ultimately designed to help optimize some of the processes that happened. So, can you define in your own terms what is RegTech? and where do you see its greatest impact in the regulatory and financial sectors?

[Eric] I think the way we define RegTech is: certainly, technology is a big part of the process and as we're seeing now and living through a global pandemic technology is helping us accomplish our daily responsibilities and helping us all stay connected. You know, ultimately, where I think technology will help us in the RegTech world is making the back-office operations more efficient. And using technology to create better workflows, using technology to create better shared content across data requirements. That's the fiber or the backbone of a RegTech,

but where RegTech gets very interesting is the regulatory component. On a global basis, regulators are changing

- How they want to see data,
- How they want to see that data better-connected
- Formats
- How they want to see information
- How things are filed
- How things are distributed

And that's where RegTech gets very exciting; because for many years what we wanted to do from an industry perspective, potentially was more challenging, because the technology wasn't necessarily where it needed to be to meet the Innovation demands, so to speak, then on the regulatory front there were certainly some things that didn't allow a real robust technology type solution. I think we're at a point in the industry where we're seeing data-driven filing requirements in the ability to link through taxonomies to see underlying information. I think we're at a really interesting point in the industry, where RegTech, the complexity, and the requirements of the Reg side are matching up quite nicely with the technology that's available in the market today, to make that process more efficient.

[Nataly] And certainly it seems that as the SEC continues to transform, and honestly the entire industry is going through digital transformation in its own way, I think that RegTech is definitely helping propel those changes and helping people become more comfortable with what a future state could look like. But I'm also curious, do you have any concerns as RegTech continues to grow and becomes more accepted and incorporated into different workflows? Do you think that as it grows in its use cases is there anything that we should be concerned about?

[Eric] I would say my biggest concern is that we stop innovating. I don't want to see the industry become comfortable, where we are today. My concern would be that technology is going to continue to evolve and we'll be able to do very interesting things with the data in the information that the Regulators need. So, my concern is that we as an industry and working with the regulators across the globe, that we become complacent, and somewhat, stop with where we are. It makes me think of some areas like app-driven technology. As we see electronic delivery becoming a very important part of the RegTech world around how information is distributed. It is certainly a much more efficient way to communicate, but I still think there are more steps we should take as an industry to really allow the communication to happen in the medium and in the format that most folks consume information today. While we can all still read an email, or some sort of e-delivery on our phones, it's really an app-driven environment. How do we take that app-driven technology and utilize it to operate under the current regulatory rules are bound beneficial ownership but at the same time use app-driven technology to allow the mutual fund industry to take control of that communication and content, utilizing technology and ultimately helping bring the documents to life. So, you get the RegTech side and the regulatory requirements and where that meets technology, and then how do you make it a better investor experience.

[Nataly] Can you speak to the complacency concern you mentioned. What does that look like? If RegTech sort of becomes more commonplace and incorporated into more workflows how could that potentially increase complacency, or how could that [complacency] cause a break in the process and efficiencies that we're looking to grow?

[Eric] Yea, I think the concern is it's good enough. I think there's a lot of focus on, in some cases, driving out cost, which is certainly a big focus of ours, from a DFIN perspective, around our back-office solutions and our technology. Driving out costs is certainly a critical component of all of this, for the industry, but the concern is that we're comfortable that it's good enough. We, as an industry, can continue to push forward, cost-efficiently I might add, but do it in a way that protects the investor and it understands the true essence of the regulatory requirements. I think that's what makes our industry very conservative, and generally I would say slower to move, because there is a very important role we play with getting information to investors in a secure and safe way and ultimately providing them with the best information we can to help them make the most informed investor and business decisions. While there is a reason for the pace that we move, at times, I think with the technologies available today, if we were to really open it up, it will protect the investors' information, it will protect the security of the information, provide better workflows and ultimately create a much better environment. Certainly, it's important to understand that some of the pace of change is driven by the industry's wanting to be really confident in what they're doing and making sure that it's in the best interest of the investor and certainly making sure that it fits within regulatory requirements. At DFIN, we think that we're in a really good place as an industry. We're really starting to see things move forward in a positive way around electronic delivery, and we'd love to help the industry move forward at a faster pace, and really moving to some real exciting technologies that I think the investor community will really benefit from.

[Nataly] As RegTech implies in its name: marrying technology – the efficiency, moving faster and making sure things are more accurate in an automated fashion – with the regulatory expertise that you have – your years of experience within the sector and understanding the need for maybe slower work processes in some places to ensure accuracy and compliance with SEC regulations – those two pieces have to work hand-in-hand. On the other hand, being able to find those elements where technology can maybe bolster the regulatory part and make it more interactive or easier to communicate, that sounds like something you think is really exciting and where the future of the industry is going, as you mentioned the interactive piece. Can you also talk a little bit more about what you think the future and possible applications of RegTech could be and what's most exciting to you about that?

[Eric] The exciting piece for me really is around the investor, and the opportunity to provide the investor with more information, better information and potentially information to help educate the investor in the same time. I think the foundation of RegTech is to create that back-office efficiency. Paramount to all this is making sure that it's a cost-effective, efficient model for our customers and the industry, and I think we're there. To your question, I think the exciting part for me is how we can really help the investor with the information in the technology that we would

use to deliver that information. The regulatory compliance world, it's information that's regulatory driven and required, but how do we take those requirements and add information to what's already required to be distributed that would help investors understand terms, understand industry positioning on portfolio strategies, and there are so many things that I think we can start to add to our normal recurring regulatory requirements that ultimately improve the investor experience all under this broad RegTech umbrella.

And a point you made earlier Nataly, and I don't think I could say it any better than you did, but I'll just reiterate it, is the regulatory expertise. The regulatory expertise is a really big part of all this; really understanding the regulations so you're designing technology that works for a regulator as well as the industry participants. And I think that's a critical element in RegTech. Obviously knowing technology and how to innovate is important, but the piece that's also very critical, and probably the most important component, is understanding the regulation and then understanding how those regulations map to the technology, and making sure that we can leverage the technology and the best way forward, understanding the particular requirements of that regulatory driven compliance document. It's something that is very important to us at DFIN, and something we find on a daily basis are working with our clients – of course utilizing technology, but really helping them from a project management perspective, working through solutions that help them from a back-office cost perspective, but also in innovative ways to do things differently.

[Nataly] It's interesting that you mention this idea of, and I guess it makes sense, that regulation and what the SEC is driving has created the opportunity to create these technologies that help ensure the compliance of those regulation. Do you ever see a world where maybe the technologies that may exist in other industries, but then can be applied to the regulation? So, thinking in the other direction, rather than regulation driving technology development? Or is there maybe not a purpose for that within the finance and regulatory space?

[Eric] I think that's an interesting point and its one that we review regularly. The technology that sits out there today, how can we use that technology and how can we, potentially, best apply it to what we already do today. Technology like AI allow us to look at how we can better map information from our clients' systems to our systems much faster, much more efficiently. So, in scenarios like that, we are always looking for better ways to do the existing job, as it relates to our technology and how we integrate it with our clients' workflows. [For example] how do we take their existing data fields and documents and map them were quickly to our systems. Those are all areas where I think the existing technology today plays an interesting part in how we can make existing tools even more efficient.

[Nataly] That piece of the puzzle, finding multiple use cases for what already exists and then making the changes that we need in order to take advantage, to speed up the industry, and to really develop those solutions for people who need them is really fascinating to me. You also talked a little bit about the new investor, I'm wondering how you describe them, but also what do you see as their needs right now? How do they differ from previous generations of investors? What is different about the new investor and how do we understand their needs and what RegTech could do for them?

[Eric] The new investor, this new generation of investors, is obviously important for the long-term growth of the industry. I think the most important characteristic is their use of technology in many ways. Right, so, how do we better appeal to a group of investors that wants things delivered in better formats and utilize technology to give them the opportunity to search, link, and review information. I think they're a very curious generation that want to know, want to understand. And we as an industry have the opportunity to give them what they're looking for. I think the firms that figure that out, and the service providers that can help those firms deliver that type of content, are the firms that are going to engage a larger subset of that new investor group.

[Nataly] You mentioned creating easier ways to communicate and creating filing that are more interactive and to make the data more accessible, does that apply across investors, or do you think it's more targeted toward the new investor to make them more interested in the industry itself? Or is it across the board, that interactive aspect, is that useful everywhere?

[Eric] It is [useful everywhere]. And as an industry when we think of RegTech it has to work for all investors. I think the opportunity we have is to make it very cost-efficient for the industry to deliver content in numerous formats, through numerous types of technology-driven solutions. Some investors are quite comfortable with email-type delivery, while another subset might be far more interested in an app-driven environment that allows that interactive experience, but I don't think one way works for the entire investor community. That's also exciting when you look at RegTech! Through a single vendor-driven solution, you can apply to your entire investor base, by allowing that vendor to manage how that information is communicated, either sourcing interactive documents to allow the mutual fund or the fund company to distribute documents through their app-driven environment, or in a scenario where there is an e-distribution process and workflow already in place, we can manage that for our clients and making sure that their investors are getting the information in the format and shape that they're most interested in.

[Nataly] That's great! As we've been talking about different apps and how that might help the investor, I'm also curious – this is a question that I ask at the end of every episode – can tell me about one of your applications or tools that you use either on your mobile device or elsewhere, that is helpful in your day and that you might recommend to others.

[Eric] Well, I find myself, especially in the work from home pandemic world that we're in today – I seem to find myself using TD Ameritrade app quite frequently. With the market volatility that are in place today, you know, the efficiency of how you can use an app like that to, and there are many on the market, create watch lists and track certain parts of the market and make very simple and informed business decisions, or investor decisions, is really appealing to me. And I'll tell you, it fits right hand-in-hand with our RegTech discussion, because I am using my phone, and an app, to see information that can be presented in many different formats, and very efficiently, in the way I want to consume it. I think that's probably what is pushing my view, or vision around how the RegTech community can adapt, or adopt, similar technologies to make that investor experience very similar to what you see you on the investing side.

[Nataly] That's great, Eric. I'm sure many of our listeners also have similar apps and if no I'm sure they'll be scouring their Google Play store or App Store to find one that fits their needs. So, thank you so much for taking the time out of your busy day to talk to us and share your expertise on RegTech and we'll talk to you next time.

[Eric] Oh, thanks Nataly. It was a great time and I enjoyed speaking with you today. Have a good day. Thank you.

[Music outro]