

Banks prefer “ready-made regtech” over in-house solutions: Oracle

30 April 2019 | REGTECH

Financial institutions in the region are increasingly warming to “existing and proven” compliance programs rather than building in-house regtech solutions owing to rapid and continuous regulation changes across jurisdictions, according to Stuart Houston, banking innovation advisor, agile finance and risk at Oracle.

According to Oracle, finance-related regulations are updated or added every 12 minutes somewhere in the world, leading to an increasingly prominent demand for regtech firms, with which multiple private banks have collaborated to improve regulatory efficiencies and compliance measures.



Stuart Houston, Oracle

“Many private banks have to report to multiple regulators but they also have group reporting where they aggregate and report all their information to one major regulator, usually where they are headquartered,” Houston told *Asian Private Banker*.

“From what we have seen, rather than banks trying to keep up to date with all the different regulators in all the different jurisdictions that they are operating, they may look for a vendor to deal with all these and focus their resources in delivering their capabilities in strategic differentiation in their core business.”

Given recent and significant developments in the regtech space, some vendors have amassed a reputation for delivering reliable and adaptable compliance solutions, thus increasing banks’ willingness to delegate important compliance functions to a third party, Houston explained.

“In most of the situations, it is not a competitive advantage in complying with the regulatory requirements — you

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just have to do it,” he said. “Regulatory change is a ‘non-discretionary’ spend. Banks have to work on it according to licensing requirements, so the problem is how they can best maintain business as usual.”

In order to best leverage the regtech on offer, Houston suggested banks consolidate data in a centralised data hub as, currently, 60-70% of digitalisation costs are spent on transferring data to a single location for third-party use.

“It has been probably ten years since we first had this multiple-use data warehouse, and we’ve seen a hike of interest in the past two-to-three years in Asia,” he said.

The need for data warehouses has also been driven by regulators’ requirements, such as the MAS 610 overhaul, which significantly increased demand for centralised data stores. And according to PwC, such regulation standards are [likely to become the “cornerstone” of future reporting in the city-state.](#)

“Ultimately, the requirement on refined client data is about much more transparency on lower-level data. For instance, MAS is looking at a certain level of loans and requiring a view of raw data. The regulators are now giving more time to the banks but need to make sure that the banks really meet the standard of data quality as requested,” explained Houston.

Not only are the region’s regulators pushing for streamlined data from financial institutions, but some have expressed their intentions to improve data literacy within their own organisations.

Case in point, [in its data strategy for 2017-2020](#), the Australian Securities and Investments Commission (ASIC) said it intended to become more data-driven and resilient to cyber threats. At the time, ASIC chairman, Greg Medcraft, said “good quality” and “well-governed” data is a prerequisite to making good regulatory decisions.

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