The Future of RegTech

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Mr. Schwartzman currently serves as the Chief Operating Officer and General Counsel/Chief Compliance Officer at UniTeller Financial Services, Inc. and Servicio UniTeller, Inc., subsidiaries of both a US Bank Holding company and of Banorte. He has held these positions at the Company since 2007. He began as GC/CCO at the Company in 2001. Prior to his role at UniTeller, Mr. Schwartzman was a founding partner at the firm of Mezan, Stolzberg & Schwartzman in New York City, where he specialized in a corporate practice representing financial industry clients.

Antonio is YapStone’s Chief Compliance Officer and responsible for compliance with laws, rules and regulations including AML and CTF. Prior to YapStone, Antonio was Vice President of Product Compliance at Western Union where he build a global compliance program for its Digital business. Antonio has worked at Visa Inc., where he managed the Visa International Operating Regulations, and at American Express, where he held positions of increasing responsibility in the U.S. and Australia. Antonio holds a Masters in International Management from the Thunderbird School of Global Management and a Bachelor’s degree in International Business from San Diego State University.
Kevin Erwin is Counsel in the Atlanta office and helps lead BCLP’s global payments and fintech practices. Kevin focuses his practice on representing emerging and established technology companies, banks, and non-bank financial service providers with complex commercial, regulatory, and product development matters related to fintech, mobile payments, money transmission, person-to-person payments, crypto currencies, stored value, co-branded and white-labeled financial services, and compliance-related initiatives. Kevin previously served as in-house counsel for a leading mobile wallet provider, and as the Chief Legal Officer and Deputy Chief Compliance Officer of a licensed-money transmitter.

Ben Duranske is CEO and co-founder of Beam, creating software to streamline and modernize transaction monitoring. Prior to Beam, Ben served as Chief Compliance Officer of Facebook Payments from its 2010 formation through mid-2015. While at Facebook, Ben built a global compliance team, managed worldwide licenses and regulator relationships, and directed internal compliance software builds and external compliance software requisition. Prior to Facebook, Ben worked at PayPal, and before that, he represented payments and platform companies in practice as an attorney. He earned his J.D. at the University of California Berkeley, Boalt Hall.
Introductions

Karen Tingley
Regional Manager in the Office of Consumer Finance for the State of Michigan

Karen is the Regional Manager in the Office of Consumer Finance for the State of Michigan, overseeing the examinations of the following Consumer Finance Statutes: Deferred Presentment, Money Transmission, Debt Management, Regulatory Loan, Credit Card, Motor Vehicle Installment Sellers, Motor Vehicle Sales Finance and Consumer Financial Services. Karen began working for the State of Michigan as an IT examiner with the Financial Institutions Bureau (now the Department of Insurance and Financial Services) and then transferred to the Credit Union Division and worked as a Credit Union examiner for 10 years. Karen graduated from Grand Valley State University with a Bachelors of Business Administration, majoring in Accounting.
What is RegTech?
What is RegTech?

• “Regulatory Technology”
• Created for financial services industry to address regulatory challenges.
• Cloud computing based solutions structured as software-as-a-service (SaaS). Advent of real time transaction monitoring.
• AI and advances in transaction monitoring.
• Sensitive to ease of integration and price.
• Slowed growth for Dodd-Frank related solutions amid deregulation, but increasing growth for AML.
• Source: https://www.investopedia.com/terms/r/regtech.asp
Using RegTech In AML Compliance

Antonio Alvarez Lorenzo
Chief Compliance Officer, YapStone
Using RegTech In KYC

- Seamless customer document collection (Documentary)
  - Document Template Libraries
  - Document Authentication and OCR

- Electronic data verification (Non-documentary)
  - Electronic Data Consolidators
  - Government Provided Verification Services
  - Data Triangulation Services
  - Data Privacy Concerns

- Customer MetaData (Risk-based complement)
  - IP/Device ID GeoLocation
  - eMail Headers and Footers

- Hardware Based Authentication
  - Hard Tokens
  - Mobile Phones

- RegTech in Face to Face WORKS TOO!!!
Using RegTech In Transaction Monitoring

• Connecting Customer Data Points
  – MetaData
  – Beneficial Ownership
  – Known Associates
  – PEPs and Other Designations
  – Fake News

• Data Infrastructure (More Data More Data and More Data)
  – Working with Unstructured Data
  – Putting It All Together

• Working With So Much Data
  – Data Mining
  – Link Analysis
  – Machine Learning
AI and RegTech: What to Know

Ronald Schwartzman
Chief Compliance Officer, UniTeller
AI and RegTech: What to know
Artificial Intelligence

• What it is and is not

• AI and AML

• Automation to ferret out suspicious activity

• How best to adapt to this ever changing IT framework
Assessing the RegTech services

- Increased Focus on Customer
- Less Focus on Transactions
- Machine Learning Techniques
- Use for Standardized reviews
- Risks:
  - Consumer Privacy
  - Security of Confidential Information
  - Disclosures to customers
Virtual Food for Thought

• Time to incorporate AML into big data review?
• Record keeping efficiency
• Analytical trail automated and documented
• Weighing the Costs vs Benefits: In-house vs. 3rd Party Vendor
Power of Blockchain in Compliance Monitoring

Ben Duranske
CEO, Beam
How Blockchain Keeps Historical Records Connected

- Recording and sharing of identification information (KYC).
- Digital contracts.
- Immutability and finality of blockchain based transactions, including informational transactions.
- Payment and securities industries are far more advanced than KYC & AML companies in adoption of blockchain for infrastructural innovation.
- Source: https://www.finextra.com/blogposting/13903/kyc-and-blockchain; https://blockchain.works-hub.com/learn/Which-Major-Banks-Have-Adopted-or-Are-Adopting-the-Blockchain-
Vendors Offering These Types of Tools

• Circle Internet Financial
• Microsoft with BofA Merrill Lynch
• [Source: https://blockchain.works-hub.com/learn/Which-Major-Banks-Have-Adopted-or-Are-Adopting-the-Blockchain]
RegTech & State Compliance

Kevin Erwin
Counsel, Bryan Cave Leighton Paisner LLP
RegTech & State Compliance

- Challenges faced by companies in ensuring compliance with state requirements
- New challenges presented by state cybersecurity laws
  - New York
  - Colorado
- How can RegTech be utilized by companies to address these challenges, and what types of solutions are currently available?
RegTech & State Compliance

- How has technology been used by regulators to streamline processes and improve efficiency/effectiveness?
- What challenges and limitations have regulators and/or companies faced in connection with the prior efforts?
- What can we expect in terms of future initiatives?
How to Integrate RegTech

Ronald Schwartzman
Chief Compliance Officer, UniTeller
RegTech Vendor considerations

- In-house controls vs. vendor specialization
- Control of Data vs. Confidentiality risks
- Control of algorithms vs. 3rd Party expertise
- Quicker revs in-house vs. regular prof. updates
- Ownership of Data vs. Data outside processing
- Common sense vs. Automated confusion
Business Plan

- Proposed Activities (services and/or products) with forecast of benefit
- Best use of resources
- How success is to be measured
- Regulatory oversight perspective
Cryptocurrency and the Future of Money Transmission

Panel Discussion
Banks and Other Financial Institutions Engaging

Goldman Sachs  
Bank of America  
Merrill Lynch  
Barclays  
HSBC  
JP Morgan

Source: https://blockchain.works-hub.com/learn/Which-Major-Banks-Have-Adopted-or-Are-Adopting-the-Blockchain-
Case Studies

- Goldman Sachs
- Microsoft and Bank of America Merrill Lynch
- Barclays (working with R3) Also, see link: https://www.coindesk.com/barclays-trials-bitcoin-tech-with-pilot-program/
- HSBC (working with R3)
- RBC (not compliance, but payments)
Panel
Q & A