

RegTech vs. SupTech: What You Need to Know



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What Is RegTech?

Regulatory technology, or RegTech, is a technology solution designed to help a bank, credit union, or other financial institution [manage regulatory compliance](#). From business continuity and vendor management to fair lending and cybersecurity, financial institutions are often overwhelmed by the sheer volume of laws, rules, and regulations they must implement, obey, and oversee. RegTech helps streamline the compliance process.

RegTech solutions take many forms. Enterprise solutions can be designed to paint a 360-degree view of compliance and risk in real-time, while single-rule solutions are aimed at one specific area.

Good compliance officers know that regulation is not a black and white area. Financial supervisory agencies give institutions the freedom to develop risk and compliance management programs that are suitable and appropriate for their size and complexity. One size doesn't fit all. The best RegTech solutions combine automated, cloud-based software with the expertise and services of regulatory experts who have years of experience interpreting nuance and subtleties of regulation and its implementation. Strong RegTech solutions focus on the whole regulatory picture, identifying and examining the interplay of different types of risk across the entire enterprise to increase efficiency. They also allow an institution to better understand regulatory challenges

What Is SupTech?

Supervisory technology, or SupTech or RegTech for regulators, is technology solutions designed to help financial supervisory agencies manage regulatory compliance. Supervisory agencies are responsible for managing risk in the financial system and enforcing regulation.

Just as financial institutions are responsible for following thousands of rules and regulations, supervisory agencies have the equally daunting task of ensuring all those rules and regulations are followed by financial institutions. (If you think regulatory burden is weighty on the institutional side, know that it's no picnic on the other side.)

SupTech gives regulatory agencies technological tools to improve efficiency through automation.

The FDIC's SupTech Initiative

Consider the FDIC's ongoing, longer-term project to modernize supervision. The goal, according to FDIC Chairman Jelena McWilliams, is "changing the very nature of supervision and examination from static, point-in-time assessments to more routine engagement and analysis, all at a lower cost for the FDIC and institutions."

"With sustained focus and targeted investments, the FDIC can dramatically change how we conduct supervision, utilize technology to detect risk at institutions and system-wide, and engage with institutions to mitigate risks to safety and soundness and ensure consumer protection. These changes have the ability to both increase the efficiency and effectiveness of examinations and decrease the cost of compliance for supervised institutions."

The goal is to reduce examiner time spent on-site and reduce exam turnaround and report processing times.

In 2019 the FDIC launched the FDIC Tech Lab, or FDiTech, with a mission "to promote the adoption of innovative technologies across the financial services sector." One of its four main goals is to conduct pilot projects to test new technologies with regulators. Last year it launched a "hackathon" with 30 technology firms to develop tools for more timely and granular financial data while making reporting less burdensome for financial institutions. Some may be invited to make fully functional prototypes.

discuss operations, understand emerging risks, and resolve questions surrounding new products and services,” McWilliams said. It could eventually replace quarterly Call Reports.

“Targeted data sets from banks, which would be more frequently available and more granular than current reporting, could reduce the need for cumbersome quarterly reporting,” McWilliams said. “Such a modernized and automated data system would also improve the ability of supervisors to identify bank-specific and system-wide risks sooner and more efficiently, while simultaneously reducing the compliance burden on individual institutions who voluntarily adopt the technology.”

The Future of RegTech and SupTech

The transformation of financial institution supervision through SupTech will be a slow, ongoing process. Like the institutions they supervise, the regulatory agencies are conservative when it comes to change. They want to ensure any SupTech technology solutions are safe, secure, and cost-effective.

Supervisory agencies also recognize that technology to automate, streamline, and increase the efficiency of automation is increasingly necessary. The sheer volume of regulation, remote working environments, and the need to have more continuous risk management had added to the challenge of supervision. SupTech is poised to help reduce that burden.

Want to learn more? Here's my take on [RiskTech vs RegTech](#).

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