

THE CENTRE OF  
REGTECH  
EXCELLENCE

THE REGTECH ASSOCIATION



**INDUSTRY**  
**PERSPECTIVES**

R E P O R T 2 0 2 1

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**COVER IMAGE: South Lawn Car Park, UNIVERSITY OF MELBOURNE, VICTORIA, AUSTRALIA**

The success of the ecological and physical ecosystem is much richer when the collective comes together as one, moving towards shared goals. This visual representation of the RTA underlines our position as the foundational support for strength and growth for the RegTech environment. The columns represent the distilling of information, challenges and opportunities into strategic and focused funnels for the advancement of individuals and the industry as a whole.

*Photo by Michael Newton*

# ABOUT US

The RegTech Association has a clear vision to make Australia a global leader in building higher performing, ethical and compliant businesses through RegTech innovation and investment. Founded in 2017 as a non-profit organisation, the RegTech Association focuses on what is needed to support the growth of the sector and to accelerate RegTech adoption.

The association brings together government, regulators, regulated entities, professional services and Founder-led RegTech companies around the world to ensure collaboration between all parties, promoting the RegTech industry as widely as possible, and stimulating the uptake of RegTech proof of concepts and deployed RegTech solutions across the global eco-system.

# FOREWORD

Since establishing in 2017, The RegTech Association's mission and vision has been to accelerate the adoption of RegTech and create a global centre of excellence.

Our annual industry research is critical for measuring the growth of the broader industry, identifying key trends, and guiding the association's strategy.

Despite the global pandemic, the results of this research are showing very promising signs of job creation and an uptick in commercial outcomes for RegTech.

If ever there was a time that RegTech is seen as a strategic digital transformation for businesses, institutions and Government, it's right now. Having access to this vital data will help enable investment, export, new market and trade opportunities. The Association's growth in our engagement from 2019 to 2020 represented an increase of 400%, indicative of the shift that is underway along with growing recognition of the benefits of RegTech.

## The most powerful insights within this report are

- The resilience of the industry throughout the pandemic
- The shortening of the sales cycle and reduction in the 'Time to Value'
- The trend towards 'Buying' rather than 'Building' from regulated industries
- For those seeking export, over a third report a slowing of export due to the pandemic, although just under a third report unexpected new opportunities
- Increase in the 'Pitch to Win' ratio in financial services
- The shift from bootstrapped self-funding to sophisticated venture capital
- Healthcare and Information / Media / Tele-communications emerging as strong new markets for RegTech
- Evidence of job growth in the RegTech industry
- Most RegTechs reporting strong growth in revenue

Since our research report 'Australia's Global RegTech Hub Poised for Growth', co-published towards the end of 2020 by RTA and Boston Consulting Group/Expand Research, placed Australia as third largest in the world, we are seeing signs of sophisticated investment in RegTech increasing, potentially uplifting Australian levels to be in line with global trends.

With more favourable capital investment conditions, growing recognition of new market segments as customers for RegTech, evidence of shortening sales cycles and the development of The RegTech Association's global RegTech taxonomy, RegTech solutions can find further support as they seek to expand into new export markets. Recent developments by Governments in cross border digital trade relations can also increase RegTechs success globally.

Over the next year we will be building out our capability to collect, analyse and synthesis our global data collection capability to support our efforts to educate, influence and drive positive outcomes for RegTech.

I'd like to acknowledge our members who have supported us on this journey, many of whom contributed to this data collection. They are listed in the report.



**Deborah Young**  
CEO

# ABOUT THIS RESEARCH

To be eligible for participation in this research, all respondents were key contacts from current (as at June 2021) member organisations encompassing Founder-led RegTechs, Corporate RegTechs and Corporates. These organisations are from eight countries and represent a cross-section of sellers, advisors and buyers of RegTech.

The study involved conducting online member surveys carried out between 28 June and 16 July 2021 from a distribution to 170 organisations with a response rate of 46%.

In 2020, we launched a new taxonomy for RegTech, clarifying the risk areas that RegTechs address and the functional purposes they take up, all to aid understanding and categorisation for institutions. This taxonomy was used for this data collection. More details can be found on our member directory [www.regtech.org.au/directory](http://www.regtech.org.au/directory).

The findings in this report should be treated as indicative due to the sample size. Sub-group analysis (e.g. cross-breaks by industry) should not be treated as a reliable representation of characteristics amongst particular industries, geographies or other sub-groups.

Focused Benchmarking was performed against the findings of our RegTech Founders' Industry Perspectives Report dated 2019 and two pandemic-related online surveys conducted in July and October 2020.

# INDUSTRY CONSOLIDATED TAKEAWAYS

## Top Takeaways

Industry has **remained resilient** throughout the pandemic, with **57%** of RegTechs reporting an **increase** in customer appetite or unexpected opportunities.

**Growth** in the portion of **RegTech firms** exposed to sophisticated investors across different investment horizons.

**Continued strong growth** in terms of full production deployments over the last **12 months**.

Over **two-thirds** of RegTechs reporting over **10% growth** in revenue from FY2020 to FY2021.

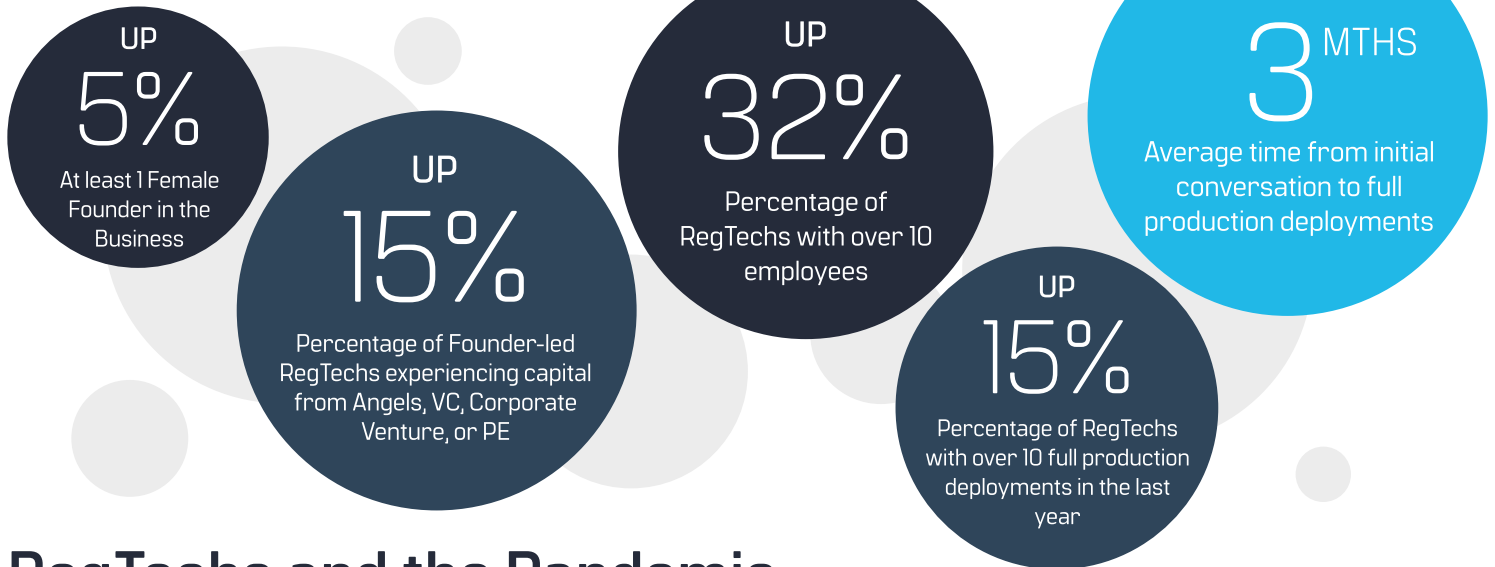
Average number of global full-time employees in RegTechs has **increased**, with **52%** of surveyed firms increasing staffing levels despite the pandemic.

**Shortening** of 'Time to Value' metrics and sales cycles by **23%**.

A **third** of RegTechs indicate that the pandemic has resulted in a **slowing** of export opportunities, although **just as many** report **unexpected new opportunities**

# FOCUSED BENCHMARKING

When compared to the 2019 RegTech Founders' Industry Perspective Survey, we noticed several changes in key statistics, reflecting a maturing industry.



## RegTechs and the Pandemic

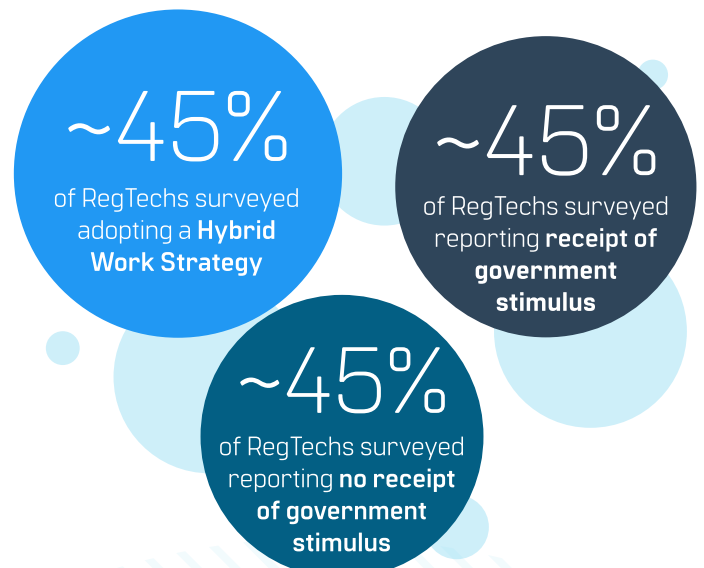
Throughout 2020, The RegTech Association conducted two surveys to gather industry sentiments related to the COVID-19 pandemic, one in July and the other in October.

The October 2020 survey showed significant improvements in several areas, including reduction in customer uncertainty, increase in percentage of organisations increasing staffing levels, and lower levels of reported slowed exports.

### Most significantly

- Reduction** in percentage of RegTechs reporting **unexpected opportunities**
- Increase** in percentage of RegTechs reporting **growing appetite**
- Reduction** in percentage of RegTechs reporting **customer uncertainty**
- Increase** in percentage of RegTechs reporting an **increase in staffing levels**

### Others have remained the same:



# TOP TAKEAWAYS FROM REGTECH VENDORS

## Three **top risk** areas addressed

- Conduct Risk
- AML/CTF and Sanctions Risk
- Regulatory Compliance Risk

■ **Increase** in the 'Pitch to Win' ratio in financial services.

■ **Increased investment** coming from sophisticated venture capital and away from bootstrapping.

■ Client **resources** and **prioritisation** are the most common challenge Post-POC/Trial.

## Four **top functional** areas

- Risk Analysis
- Regulatory Analysis
- Monitoring
- Implementation and Governance

■ Throughout the pandemic, **over a third** of RegTechs seeking exports have seen **export opportunities slowed**, although almost just as many have found **unexpected new opportunities**.

■ **Procurement** is the most **common challenge** pre-deployment.

■ **Increase** in average number of **global full-time** employees.

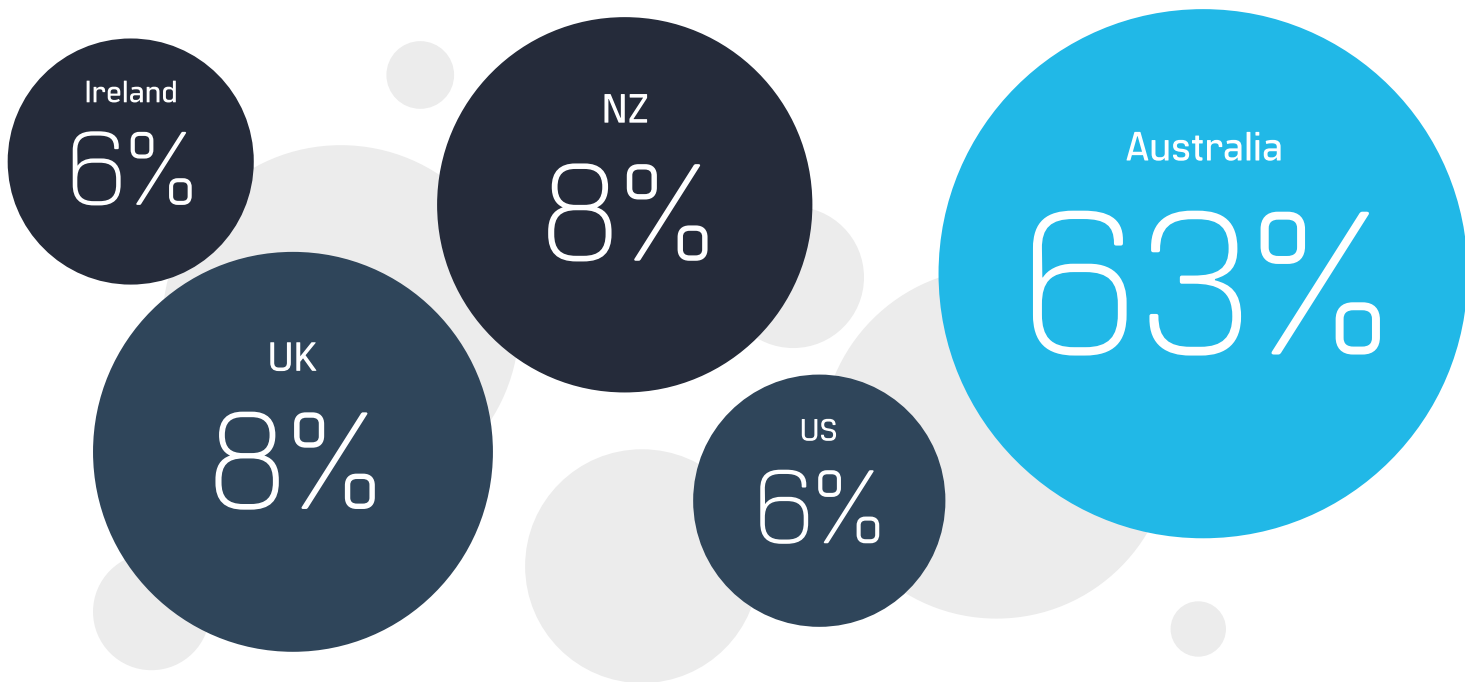
## Commentary

Our research results reflect a maturing set of member RegTech solutions. The growth in the portion of RegTechs experiencing interest from sophisticated investors, general growth in the average number of full-time employees and decrease in Time to Value metrics are welcome trends for the Association. The responses to the COVID-19 pandemic related question also reflects an industry that has been resilient throughout highly uncertain times. The nimble nature of the RegTech industry has also generally allowed vendors to transition to lockdown conditions, including hybrid work environments or even fully remote working.

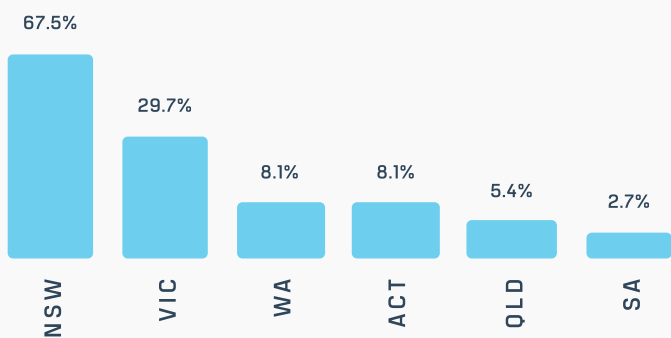


# REGTECH VENDORS FAST FACTS

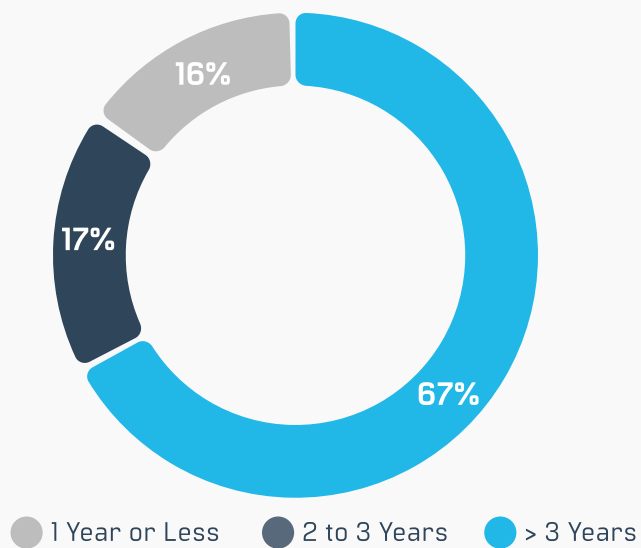
Surveyed RegTechs are Based in



AUSTRALIAN OFFICES  
(of Founder-led RegTechs)



AGE OF REGTECH

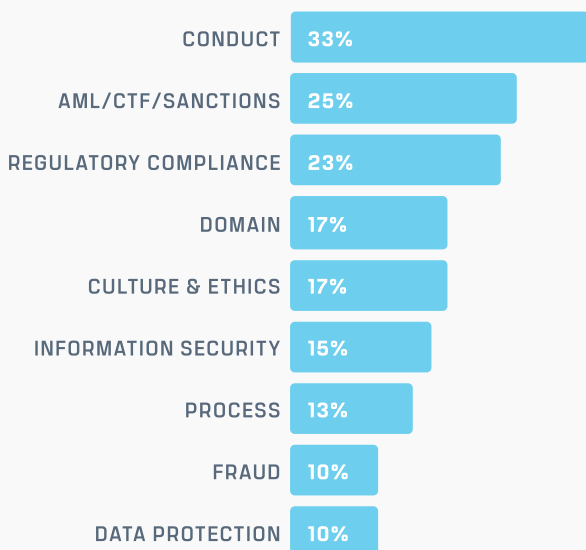


# REGTECH VENDORS FAST FACTS (CONT.)

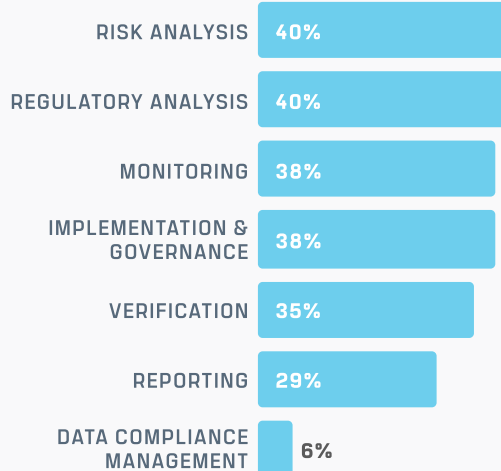
## RegTech Solutions

Under The RegTech Association Taxonomy of Risk Areas and Functional Purposes, RegTechs responded as follows:

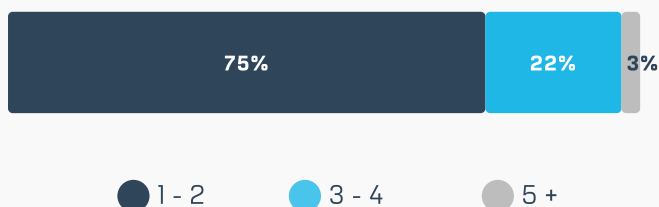
### RISK AREA ADDRESSED



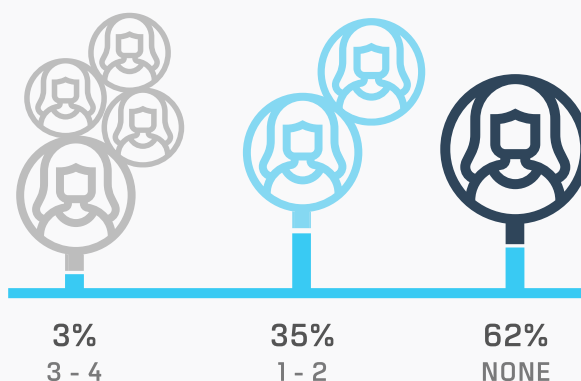
### FUNCTIONAL PURPOSE



### NO. OF FOUNDERS CURRENTLY IN THE BUSINESS

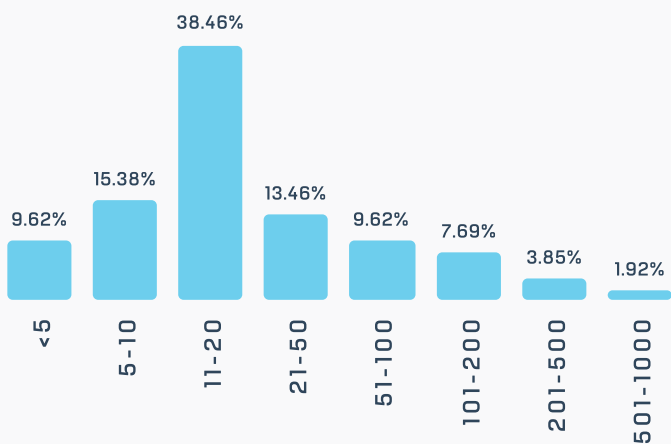


### FEMALE FOUNDERS CURRENTLY IN THE BUSINESS

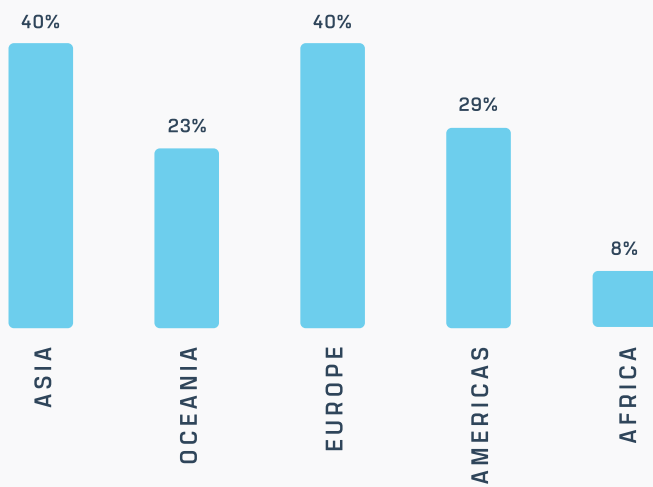


# REGTECH VENDORS FAST FACTS (CONT.)

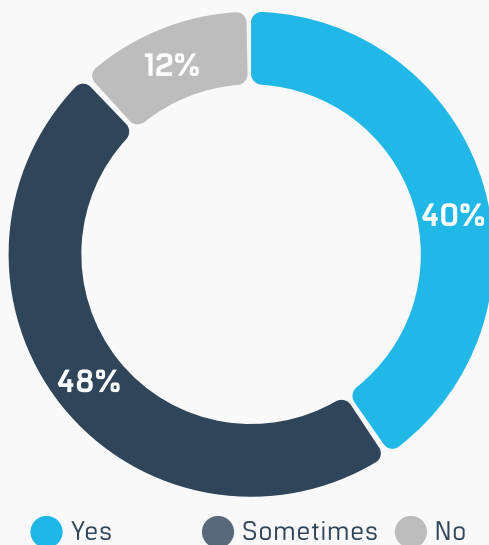
GLOBAL FULL-TIME EMPLOYEES



GEOGRAPHIES WITH STAFF OUTSIDE AUSTRALIA



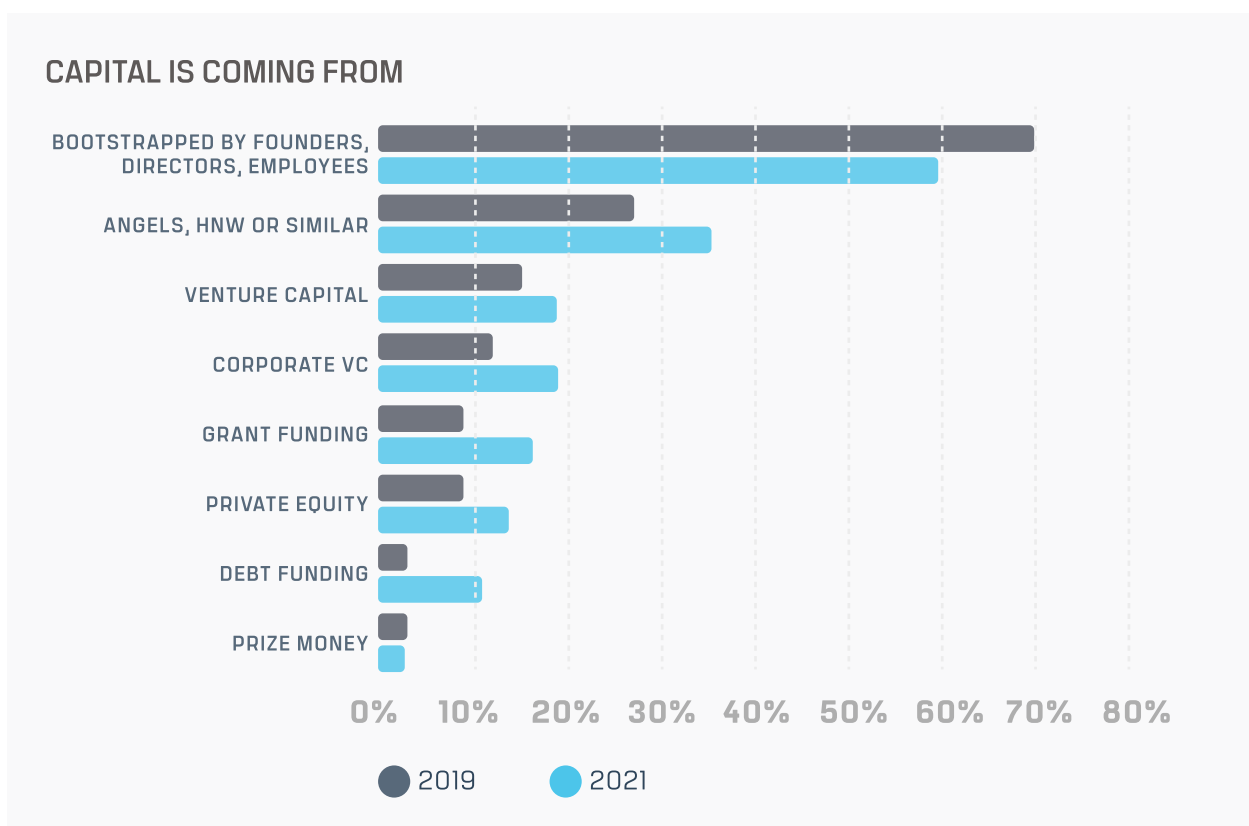
DO YOU CHARGE FOR POCS/TRIALS?



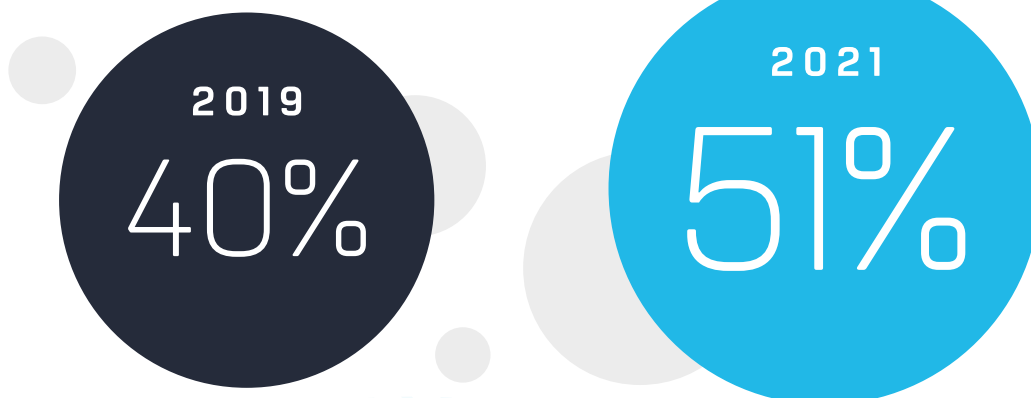
# REGTECH VENDORS CAPITAL INVESTMENT

## Where's it Coming From?

The data indicates that Angels and High Net Worth investors, Venture Capital, Corporate Venture and Private Equity have become more active capital investors and we see a shift away from bootstrapping as listed in the 2019 survey. This shows that the shortening of sales cycles and the increased buyer appetite is stimulating more professional capital interest in the sector.



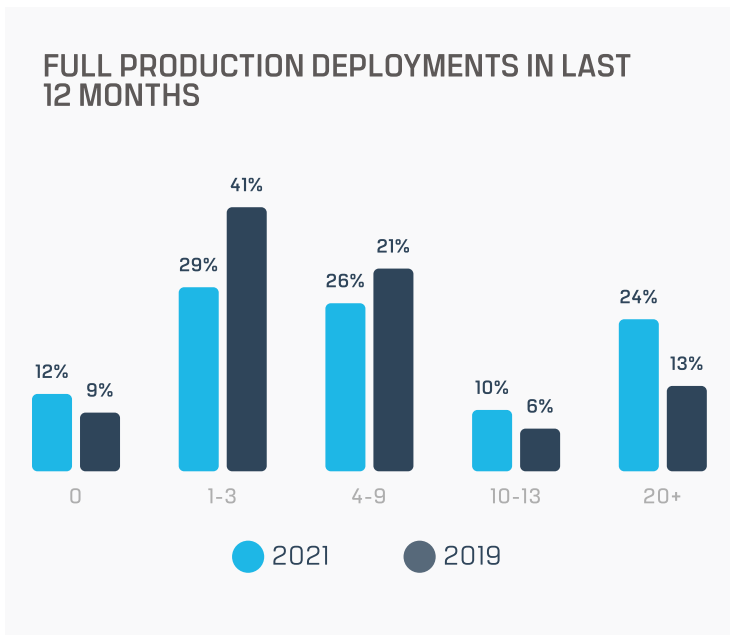
Percentage of surveyed RegTechs exposed to some form of sophisticated investment in



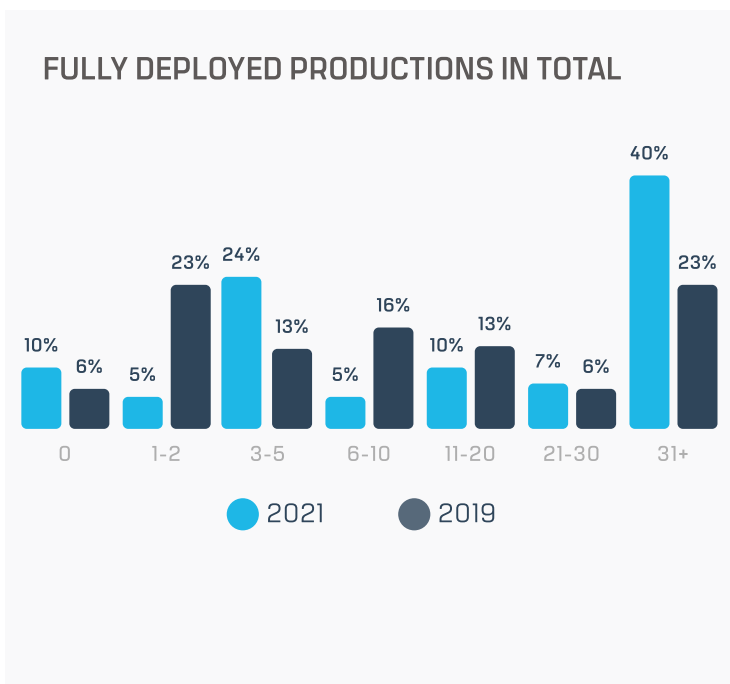
# REGTECH VENDORS INDUSTRY TRACTION

## From Pitch to New Customer Acquisition

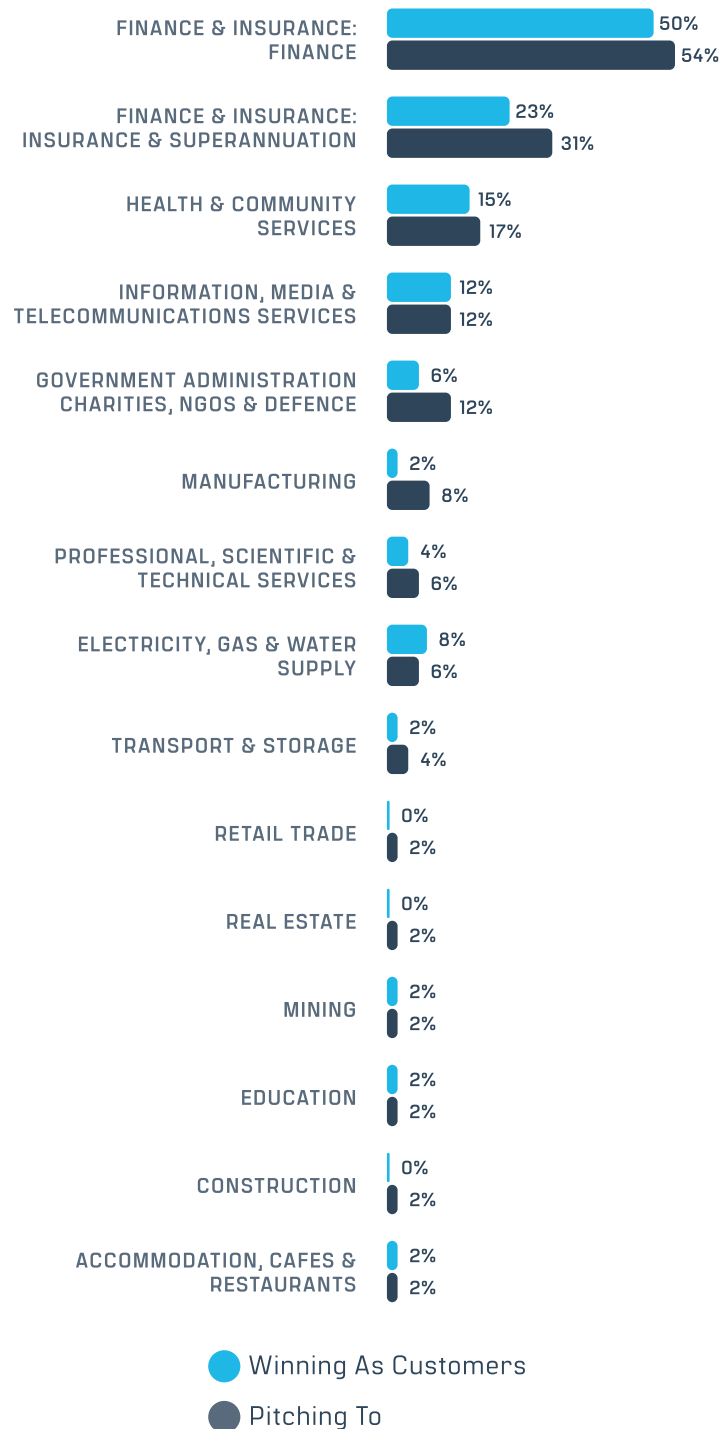
Number of full production deployments in the last year



Number of full production deployments achieved irrespective of length of time



'Pitch to Win' ratios by segment



# REGTECH VENDORS

## TIME TO VALUE

### Ease of Customer Acquisition

It typically takes RegTech solutions on average ten months to move from initial conversations to full production deployments, across all regulated industry customers. This is down from 2019, which had an average of thirteen months.

#### Time to Signed POC/Trial Across All Customers

INITIAL CONVERSATION



DURATION (MONTHS)

6.8

SIGNED POC/TRIAL



#### Time to Full Production Across All Customers

INITIAL CONVERSATION



DURATION (MONTHS)

10

FULL PRODUCTION



#### Time to Full Production for Financial Services

INITIAL CONVERSATION



DURATION (MONTHS)

8.4

FULL PRODUCTION



# CHALLENGES BETWEEN KEY MILESTONES

From the perspectives of RegTech Vendors, there is a diverse range of challenges experienced at key milestones. At each stage, the three most commonly experienced challenges are:

## Pre-Production

- Procurement generally
- Alignment of need vs. budget
- Internal conflicts and priorities

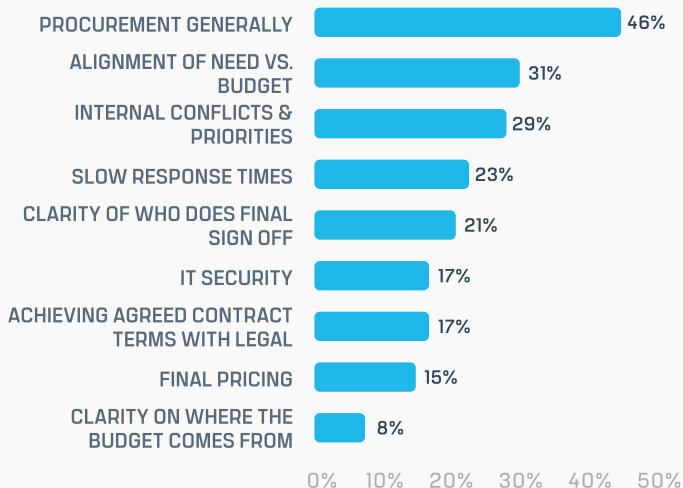
## Post-POC/Trial

- Prioritisation of client resources
- Client budgeting constraints
- Changing business priorities

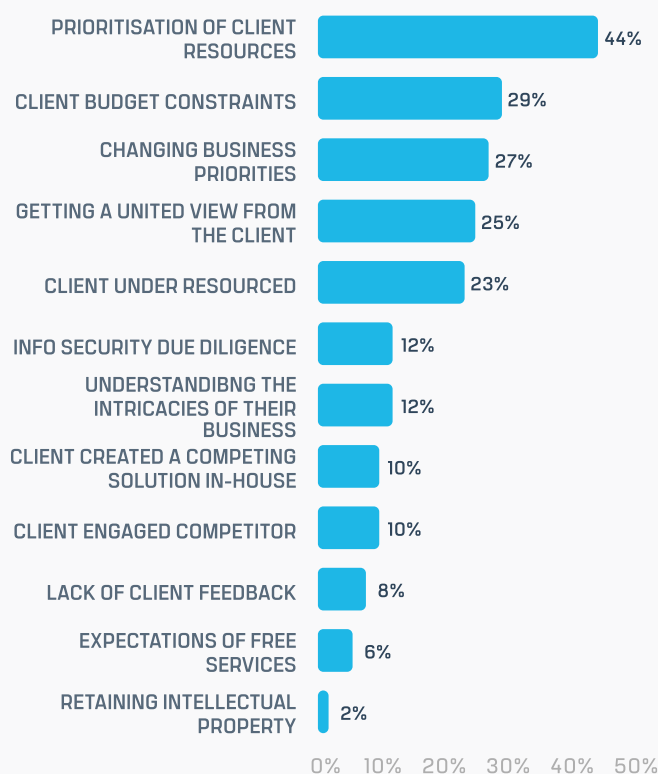
## Challenges during Full Deployment Production

- Changing personnel and continuity
- Client resourcing once live
- Scope creep

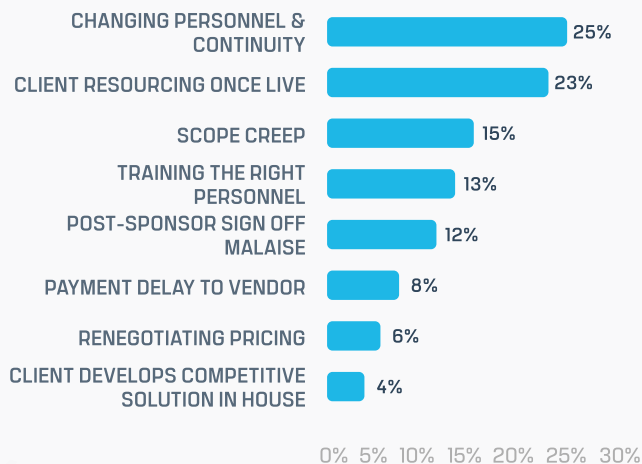
### CHALLENGES PRE-PRODUCTION



### CHALLENGES POST-POC/TRIAL



### CHALLENGES DURING FULL DEPLOYMENT PRODUCTION



# REGTECH BUYERS TOP TAKEAWAYS FROM REGULATED ENTITIES

Three top motivating factors behind RegTech adoption

- Regulatory Pressure
- Internal Digitisation and Automation
- Internal Costs increasing

Strong preference from potential buyers towards 'Buy' compared to 'Build'

Sentiments indicate increased appetite for RegTech solutions that address new priority risk areas of focus going into the future

Sentiments indicate increased funding fully or partially deployed RegTech solutions going into the future

Top regulated industries currently customers of RegTech are

- Finance/Insurance
- Healthcare and Community
- Information, Media and Telecommunications

Preferred traits in RegTech Vendors

- Organisational Readiness (e.g. Cyber Certification, Tech Risk, ISO)
- Dedicated resource from vendor on deployment
- Track record

## Commentary

Our research results reflect an accelerating uptake of RegTech solutions by regulated industries, something that is being recognised globally. From our survey of buyer-side perspectives, there is a strong preference of 'Buying' RegTech solutions compared to 'Building', and there are clear trends forming around a demand for track record, organisational readiness, and a dedicated resource on deployment.



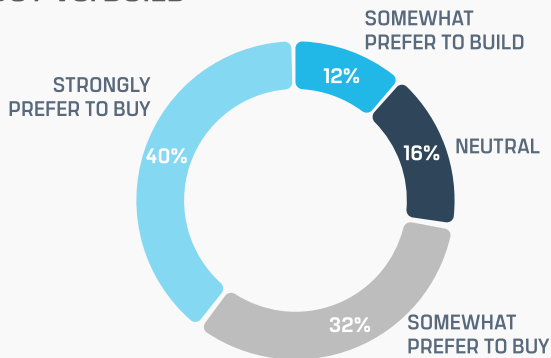
# REGTECH BUYERS FAST FACTS

## Ease of Customer Acquisition

For the first time, The RegTech Association surveyed member organisations (regulated entities and corporate advisories) who contribute to 'Buyer' perspectives. We see a strong preference for 'Buying' RegTech solutions rather than internally 'Building'.

There are a number of possible factors driving this, including the rise of cloud-based RegTech solutions, increased accessibility through advisors and associations, internal resources shifting from remediation to transformation, and recognition that investment into bespoke internally built RegTech solutions may lead to legacy system constraints over time.

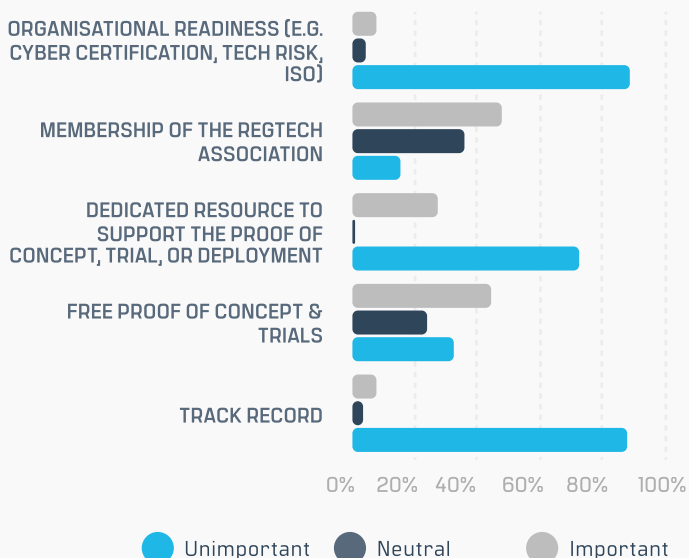
### BUY VS. BUILD



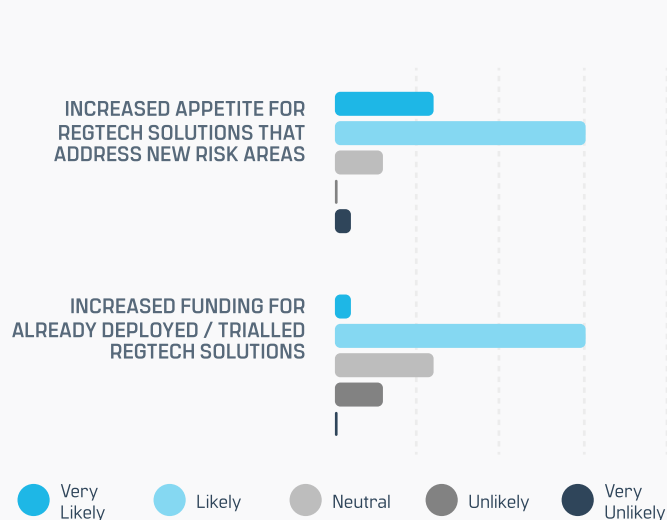
### Ranking significance of motivating factors behind adoption and interest in RegTech

1. Regulatory pressure
2. Internal digitisation and automation
3. Internal costs
4. Customer expectations
5. Strategic alignment
6. Market forces and industry trends.

### KEY TRAITS IN REGTECH VENDORS



### ATTITUDES FROM REGTECH BUYERS



# INDUSTRY AND COVID-19

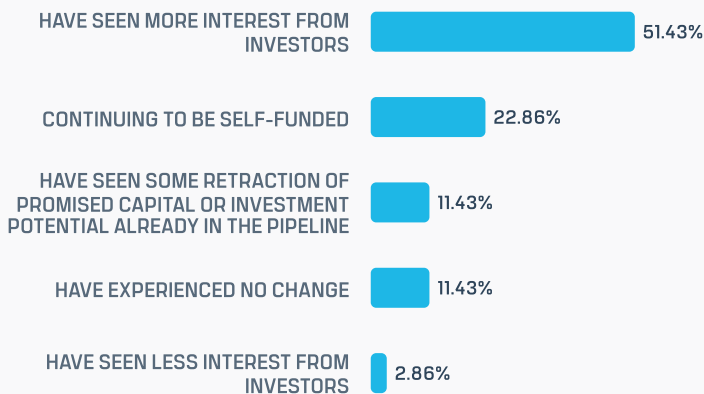
## Summary

The constantly changing set of challenges presented by the COVID-19 pandemic has had a highly mixed impact on member organisations.

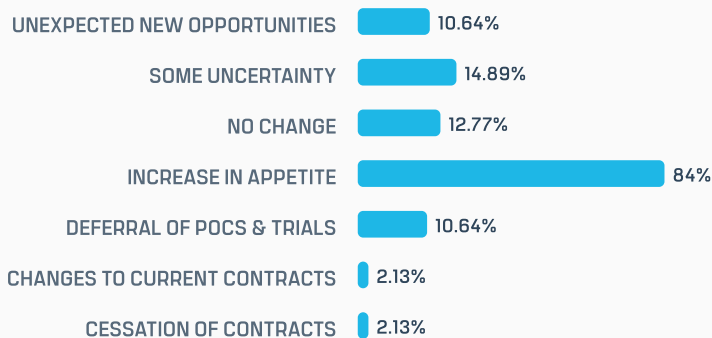
- 55% of RegTechs increased staffing levels or hired contractors, while 19% managed to maintain staffing levels
- 51% of Founder-led RegTechs saw more interest from investors, while 11% reported that they experienced retraction of capital from investors
- For those seeking export, over a third report a slowing of export due to the pandemic, although 30% report unexpected new opportunities
- 56% cite positive customer sentiments, although 14% report customer uncertainty
- Over half of RegTechs have experienced pandemic-related opportunities, most commonly from these sectors
  - Banking
  - Insurance
  - Superannuation
  - Government
- The pandemic is impacting how RegTechs work, with 44% developing a hybrid work model, and 13% moving to entirely remote working.



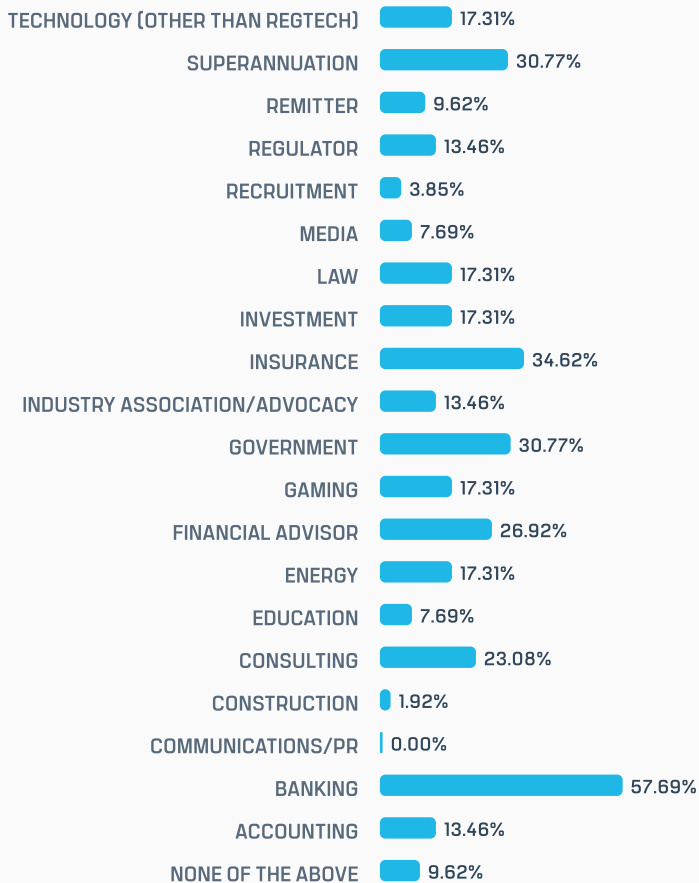
(FOUNDER-LED REGTECHS) WHICH OF THE FOLLOWING BEST DESCRIBES YOUR CURRENT INVESTMENT SITUATION DURING THIS PANDEMIC?



WHAT BEST DESCRIBES YOUR CURRENT CUSTOMER SENTIMENT?



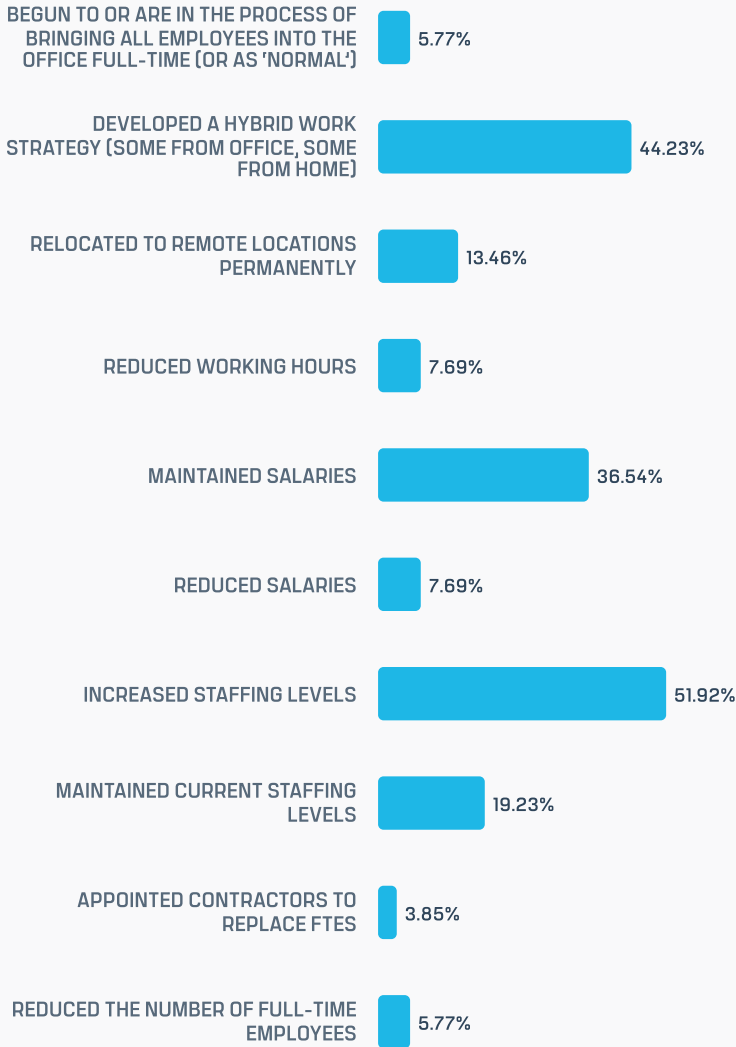
WHAT TYPES OF ORGANIZATIONS HAVE REACHED OUT WITH SPECIFICALLY PANDEMIC-RELATED BUSINESS OPPORTUNITIES?



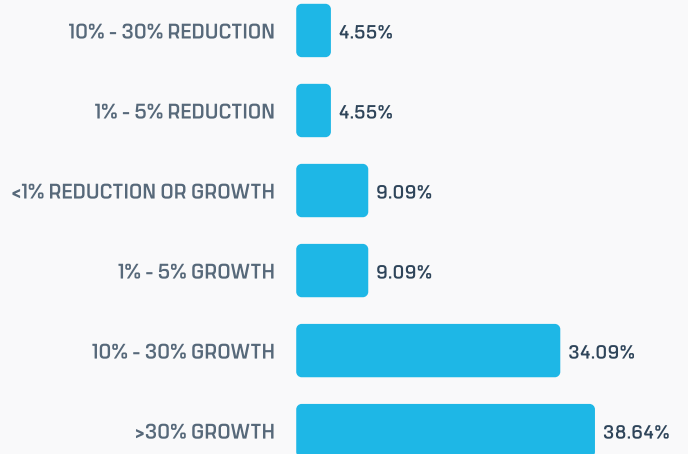
# INDUSTRY AND COVID-19 (CONT.)



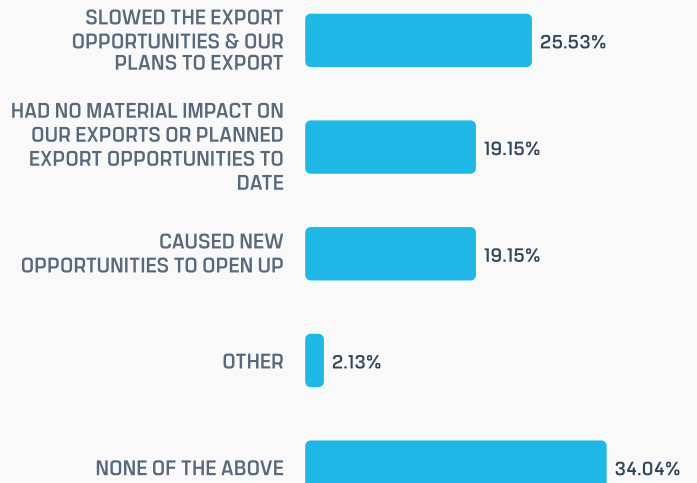
AS A RESULT OF THE PANDEMIC, HAS YOUR ORGANISATION...



CHANGE IN REGTECH'S REVENUE FROM FY2020 TO FY2021



FOR REGTECHS CURRENTLY EXPORTING REGTECH SOLUTIONS OR WERE POISED TO DO SO FROM OCTOBER 2020, THE PANDEMIC HAS...



# NEXT STEPS

The Industry Perspectives Report 2021 reflects a maturing set of member RegTech solutions, and an accelerating uptake of these solutions by regulated industries on a global level.

- Key trends for buying RegTech are regulatory pressure, internal digitisation, increasing costs
- Institutional and regulatory awareness of the global solutions addressing key risks through showcase programs has been elevated
- More transparency, certainty and awareness from buyers in terms of what to demand from RegTechs is apparent
- Development of reliable sales and accounts management teams to support both the buyers and sellers of RegTech solutions is also cited
- An expanding set of success stories that prove the value of RegTech solutions on a global scale is needed to underpin confidence
- Global exports and new markets are open to new economic benefits that RegTech can bring
- Capital is starting to flow, but there's more work to be done attracting patient capital investments
- Pandemic-specific opportunities have surfaced for over half of RegTechs, especially from Finance, Insurance, Superannuation, and Government
- The strong revenue growth experienced by most RegTechs despite the pandemic will need to be maintained by investment into sustainable and scalable business tools

The survey results also reflect the diverse range of challenges for buyers and sellers including:

- Buyer procurement processes slowing onboarding
- Issues with buyer legacy systems
- Meeting tech risk assessments and international standards criteria
- Client budget pressures
- A decrease of RegTech vendors being consistently paid for POCs/Trials (from 2019), which may impact long term industry sustainability
- Highly mixed perspectives from buyers when it comes to paying for POCs/Trials

This research will inform the ongoing strategy and work of the association going forward. The RTA remains committed to advocating for the industry, creating opportunities for export and new market development and encouraging capital.

# APPENDICES

## COVID-19 RegTech Data Comparison from October 2020 to July 2021

### Customer Sentiment

- 10.64% reporting unexpected new opportunities (down from 24%), while 46.81% report increase in appetite (up from 29%)
- 14.89% reporting customer uncertainty (down from 29%), and 10.64% reporting deferral of POCs and Trials (down from 38%)

### Jobs and People

- 51.92% have increased staffing levels (up from 36%)
- 19.23% maintained staffing Levels (down from 40%)
- 5.77% reduced the number of FTEs (down from 12%)
- 3.85% appointed contractors to replace FTEs
- 7.7% reduced working hours (a slight increase from 7%)
- 7.7% reduced salaries (up from 2%)

### Work Practices

- 44% adopted hybrid work (some from home, some from office), a continuation from the previous data
- 13.5% relocated to remote locations permanently (down from 19%)

### Exports

- 19.15% increased export opportunities (up from 14%)
- 25.53% export plans slowed (up from 17%)

### Stimulus and Investment

- 43.24% received Job-Keeper (Australia) or equivalent (down from 51%)
- 10.81% received tax relief (down from 29%)
- 43.24% received no stimulus
- 11.43% indicated that they have seen retraction of potential capital (down from 14%)

	At least 1 Female Founder in the Business	Percentage of RegTechs with over 10 employees	Percentage of Founder-led RegTechs experiencing capital from Angels, VC, Corporate Venture, or PE	Percentage of RegTechs with over 10 full production deployments in the last year	Average time from initial conversation to full production deployment
2021 Result	<b>35%</b>	<b>75%</b>	<b>51.35%</b>	<b>34%</b>	<b>10 Months</b>
Status	<b>Up</b>	<b>Up</b>	<b>Up</b>	<b>Up</b>	<b>Down</b>
2019 Benchmark	<b>30%</b>	<b>43%</b>	<b>36%</b>	<b>19%</b>	<b>13 Months</b>

# ALPHABETICAL LIST OF MEMBERS as at June 2021

Thank you to our members for their contributions.

- 1WordFlow
- 6clicks
- Accenture
- Accuity
- Achilles Systems
- Acin
- Adatree
- Advice RegTech
- Afterpay Pty Ltd
- Ajeka Pty Ltd
- Alyne
- AML360
- ANZ
- Apiax Pte Ltd
- APLYiD
- Arctic
- Artius Global
- Ascent
- Ash St. Legal and Advisory
- Ashurst Risk Advisory
- Aura ID
- Auraya Systems
- Australia Settlements Limited
- Australian Data Exchange - trading as ID Exchange Pty Ltd
- Australian Fund Monitors
- AxiomSL Pte Ltd
- Bank of Queensland
- Basiq
- BCyber
- Bearing Point RegTech
- Biometric Vision
- Birnam Wood
- Boston Consulting Group
- BPAY Group Pty Ltd
- Call Journey
- Castlepoint Systems
- Cerebreon Technologies
- Certainty Compliance
- Checkbox
- ClauseMatch
- Clear Dynamics
- Cognitive View
- Commonwealth Bank
- ComplyAdvantage
- ComplyWith NZ
- Cortell
- CreditorWatch
- CredShare.com
- CSIRO's Data61
- CUBE Global
- CVCheck
- Cyber Risk Assurance
- Cynopsis Solutions
- Daisee
- Daon Australia
- DC Frontiers
- Dekko Secure
- Deloitte
- DigitalX
- Diligent Risk Solutions
- Dubber
- DX Compliance
- eftpos Payments Australia
- Electronic Identification S.L.
- Encompass Corporation
- Enterprise Ireland
- Ephesoft Inc
- EY
- Faethm AI
- Fair Work Ombudsman
- Featurespace
- Feedzai
- Fenergo
- FICO
- Fifth Logic
- Financial Simplicity
- First AML
- foundU Holdings
- Fourth Line
- FrankieOne
- Frisk-Search
- FundApps
- Gen Advisory
- Grath
- GRC Solutions
- Gungho Marketing
- Hammond Taylor
- Herbert Smith Freehills
- Heritage Bank
- Hong Kong Cyberport Management
- iCognition
- Identitii
- Illion
- InfoSecAssure
- ING
- Ingenuous
- JadeThirdEye
- Know Your Customer
- Know Your Solutions
- KPMG
- Kyckr
- LAB Group Services
- Latitude Financial Services
- Law of the Jungle
- LENSELL
- LexisNexis
- locii
- Macquarie Capital
- Meeco
- MemberCheck
- Merkle Science
- Microsoft
- Moneycatcha
- Mothership Engineering
- MyComplianceOffice
- National Australia Bank
- Neota Logic
- Newfound Global
- Notwithourisk Consulting
- Nuix Ltd
- Objective RegTech
- Plaetos Group
- ProductCloud
- ProvenDB
- PwC
- PX Partners
- Quant Property Solutions Australia
- Quantexa
- Quest Legal
- Recordsure
- Red Marker - AI Powered Compliance
- RegCentric
- RegTank Technology
- RelyHQ
- Risk & Capital Compliance Solutions
- RSA
- RSM
- RUBIX
- SAS Institute
- Scantek Solutions
- Search365
- Sedicii Innovations
- Silent Eight
- Simple KYC
- Sintelix
- Skyjed
- SolveXia
- Starling
- SureStep
- SyphT
- TAL
- Theta Lake
- Thomson Reuters
- Tic:Toc
- TIQK
- Toyota Finance Australia
- TRAction Fintech
- Trend Micro
- Vault
- Verifi Identity Services
- Verifier
- Vermeg Australia
- Vertex Security
- Virtual Manager
- Vix Verify
- Vizor
- VoxSmart
- Wagesafe
- Waymark Tech
- Westpac
- Whispli
- Wolters Kluwer Financial Services
- X 14 Services Pty Ltd
- Yabber
- Your Financial Wellness

# GLOSSARY OF TERMS

AML/CTF	Anti-Money-Laundering/Counter-Terrorism-Financing
FI	Financial Institution
FTE	Full-Time Employees
FY	Financial Year
POC	Proof of Concept
RegTech	Regulatory Technology
RTA	The RegTech Association

## Contact Us

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