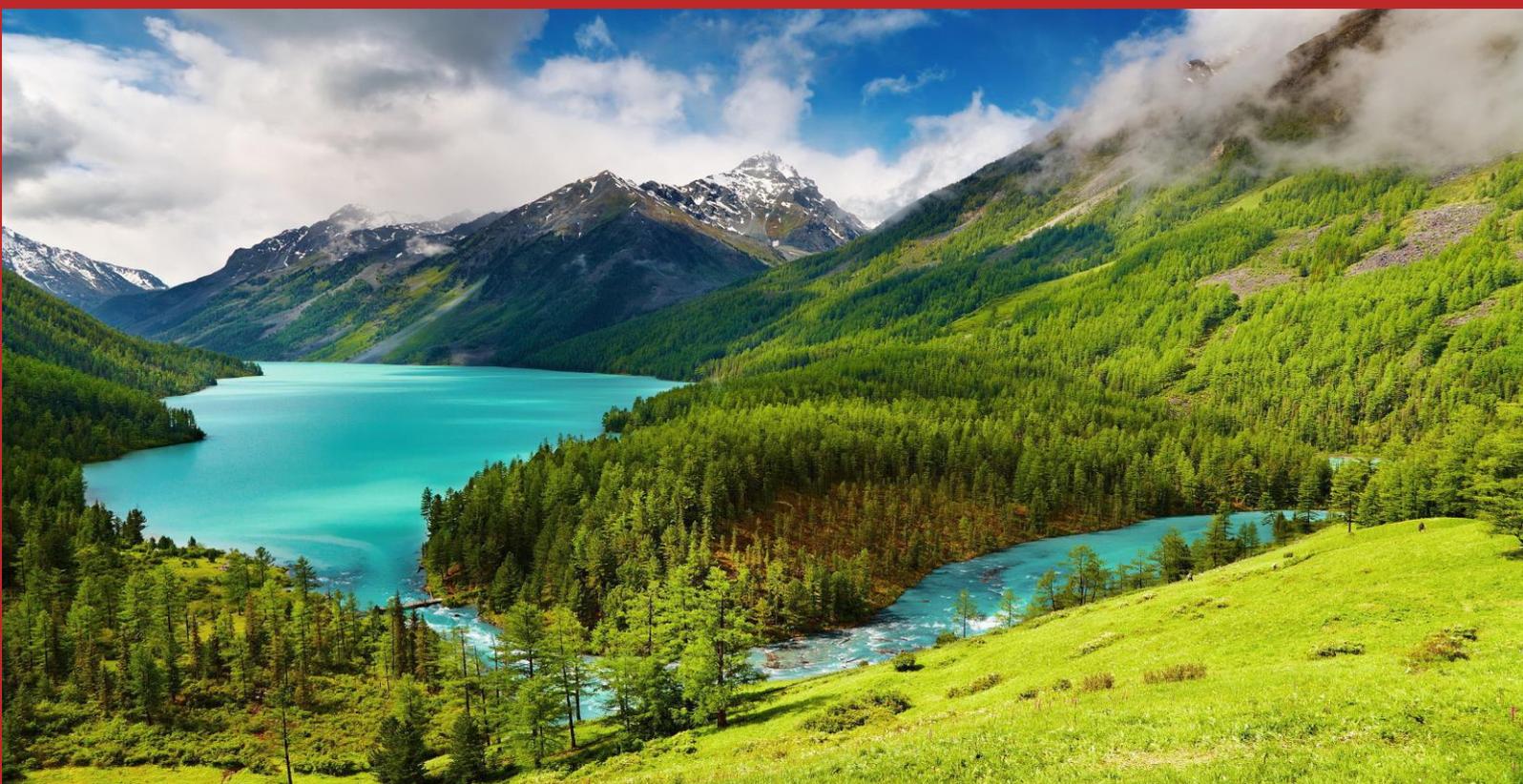




# river partnership

## RegTech in 2019

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# Introduction

*“FinTech is there to make firms more cutting edge and competitive and give them their competitive advantage. Regtech is there to use technology to solve the regulatory problems. It’s not a trend, it has to be there and not just in financial services” – Nirvana Farhadi (Hitachi Vantara).*

For the past few months, RegTech has been hard to avoid. Vast sums of money are being pumped into various companies across the UK, with the global RegTech market set to be worth over \$12 billion by 2023.

River have been engaged on important RegTech acquisition projects for in banking, insurance and consulting. We have helped our client hire strategic RegTech leaders and build talented teams. To uncover useful data and insight during our searches, we threaded questions into our conversations and collated the information over a 12 month period. We also analysed 81 RegTech firms across the UK and began to build a comprehensive picture of the market.

Finally, we synthesised this information and discussed our findings with leading figures in RegTech:

- Subas Roy, Partner at Oliver Wyman and Global Chairman of the International RegTech Association
- Daniel Kline, Chief Revenue Officer at FundApps
- Diana Paredes, CEO and Co-Founder at Suade Labs
- Nirvana Farhadi, Global Head RegTech at Hitachi Vantara
- Peter Cunnane, Policy Adviser at Innovate Finance
- Daniel Sawko, Commercial and Communications Lead at Taina Technology

The following paper is a summary of the key problems facing UK-based RegTech firms. We explore River Partnership’s solutions for RegTech firms and functions seeking new talent and provide advice to professionals seeking to enhance their RegTech careers.



# The Right Environment

Spending on RegTech in 2018 was an estimated \$18 billion worldwide, making it a lucrative growth area. In the UK, this could perhaps be attributed to the supportive way in which the FCA have worked with RegTech – introducing Tech Sprints and the much-lauded Regulatory sandbox. This approach has undoubtedly contributed to the impressive growth of the RegTech market in the UK.

The relationship between the FCA and RegTech firms is very different relationship to the supervisory relationship often experienced by financial institutions. They are a collaborative participant in the RegTech space. They ask difficult regulatory questions and then seek technology which can help solve these problems. One example is the monthly showcase day at the FCA where RegTech firms introduce their technology and regulatory issues they are solving.

**\$18 billion**  
Spending on RegTech in  
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billion worldwide

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The supportive nature of the FCA and the environment this has created has not gone unnoticed, Daniel Sawko (Taina Technologies) told us that, “the FCA has quite rightly won plaudits for its Fintech and RegTech approach in the UK”. It is no surprise, then, that the UK has one of the largest markets for RegTech and, across the world, financial authorities are looking to the FCA for guidance on how best to handle the new wave of Tech regulation: FinTech / InsureTech / RegTech.

It can be argued that the environment in the UK is ideal for RegTech growth. There are already more people working in the UK in FinTech than in Singapore, Hong Kong and Australia combined. London continues to occupy first place in the FinTech rankings and the size of investment, talent, flexible regulation and government support has enabled the UK to lead the way.

However, it's clear that RegTech is a global phenomenon.

Regulators, financial services and technology firms across the world are collaborating to drive RegTech forward. The UK is not the only country that has taken firm steps in its commitment to promote and regulate the fintech sector. An increasing number of regions are joining the trend to create regulatory sandboxes, in order to accelerate innovation in their business sector and turn themselves into international hubs. Outside of the US and UK, we would highlight the following:

- **Hong Kong** – There are 104 FinTech firms are supported by the Hong Kong Monetary Authority (HKMA) who created a regulatory sandbox in 2016 and the FinTech Career Accelerator Scheme to assist in the growth of FinTech in the region.
- **Canada** – With Toronto becoming a key area for FinTech in North America, the Canadian Securities Administration (CSA) created its regulatory sandbox in 2017.
- **Holland** – The regulatory sandbox was launched in 2017, with Holland being one of the strongest and fastest growing Fintech ecosystems in Europe.

- **Australia** – In 2016, they launched the first regulatory sandbox.
- **Singapore** – The Singapore Fintech Association (SFA) opened its regulatory sandbox in 2017. Their online directory has over 300 RegTech companies.
- **Abu Dhabi** – Opened its RegLab (regulatory Laboratory), the first in the Middle East / North Africa region.
- **Malaysia** – A group of regulatory agencies opened a regulatory sandbox to promote FinTech in 2016.

## Should we invest in RegTech?

When new technology, such as RegTech, makes such a sudden splash in the market, it's natural to be cautious. Since the 2008 financial crisis, \$26 billion in fines has been imposed upon companies for non-compliance. A RegTech solution must be trusted to a better level of speed and accuracy than the human equivalent, eliminating risks associated with non-compliance.

“Clients need to be careful about who they work with, certainly in this space”, Daniel Kline (FundApps) told us. With regards to non-compliance, it is ultimately the company's responsibility to be compliant – not the tech solution they are relying on. However, growth in the adoption of RegTech solutions will grow hand in hand with increased trust.

Ensuring RegTech firms are more reliable is something Subas Roy (Oliver Wyman) and the International RegTech Association (ITRA) take very seriously. The IRTA have created and endorsed a set of widely industry standards for RegTech Firms which have been widely adopted by their members.

Despite the infancy of the RegTech market, we're only scratching the surface of RegTech's capability - that's why there's so much excitement about the potential. Daniel Sawko (Taina Technologies) argued that whilst there is a mass of competition, “RegTech makes the case for itself”, citing the magnitude of difference in the speed and accuracy of a machine learning engine versus a human reading the same set of data.

It's true that RegTech is an interesting proposition for businesses across the UK: speed, accuracy, cost of regulatory change and the size of fines being handed out for being non-compliance are all reasons why companies have turned to RegTech as solution.



The options are threefold, with each having their own positives and negatives (Figure 1).

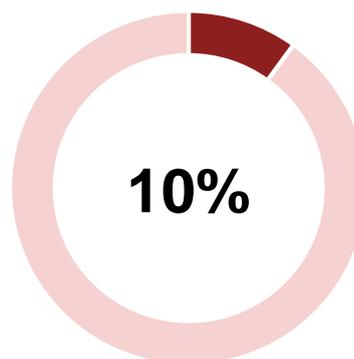
Solution	Considerations
<b>Build your own RegTech solution</b>	<ul style="list-style-type: none"> <li>- Time, specialist talent and specialist knowledge may be scarce in your organisation</li> <li>- Will there be enough time and resources deployed to ensure a comprehensive holistic solution is embedded.</li> </ul>
<b>Use a Consultancy with specialist RegTech talent and solutions</b>	<ul style="list-style-type: none"> <li>- Cost for consultants may run high, particularly if you've not defined the outcomes ahead of time and scope creep is introduced to the process</li> <li>- Some consulting firms are strides ahead of their competitors. It's important to identify the correct consultancy for your requirements – rather than choose on price.</li> </ul>
<b>Outsource to a RegTech Firm</b>	<ul style="list-style-type: none"> <li>- It's imperative to trust the firm you're using</li> <li>- Some firms have narrow specialisms, others can integrate multiple platforms</li> <li>- Review the firm's leadership, the company fundamentals, previous client projects and ensure their solution is fit for purpose</li> </ul>

**Figure 1:** Considerations for investing in RegTech Solutions

If you decide to build your own RegTech solution in-house, it's imperative to plan ahead in detail to ensure that you get it right. Daniel Kline (FundApps), spoke of a client of theirs who initially spent \$10million to create their own RegTech solution. When they realised the solution was not comprehensive enough, they incurred a further cost of \$2million a year to plug the gaps that were created with the introduction of new regulations. Eventually they turned to FundApps to build the solution in a more cost-effective way, planning for the regulatory changes and knitting together the solution set.

If you outsource to a RegTech firm, however, there has to be significant trust that they can deliver a solution that's right for your business. Doing rigorous due diligence on the RegTech firm, their leadership team and their technology is the minimum requirement to give you piece of mind.

**Percentage of total revenue firms could be spending on compliance by 2022**



**Figure 2:** Firms revenue spend on compliance by 2022

If you decide to employ strategy or consulting firms, you're likely to have a greater degree of immediate comfort as they can leverage information, talent and pioneering technology at scale. However, with RegTech central to operating efficiency, eventually you'll need to look at the next phase – building a robust in-house function or outsourcing to or partnering with a RegTech Firm. Consultants are well positioned to deliver both.

# Growing Pains

In our research of 81 RegTech firms, 56% have a headcount of less than 30 and just 11% have more than 100. Nirvana Farhadi (Hitachi Vantara) was not surprised, “that’s the way it is until they’re scalable”.

With many small organisations crowding the RegTech market, being able to scale, successfully is the only way to stand out from the crowd. For some companies this has been a more organic way of growth, spurred by the client need for their product and by the ready availability of high-quality talent to join their team - FundApps have experienced 100% organic growth with no external funding and are currently going through a massive hiring push.

“From a scalability perspective it’s important to look at the experience and background of the people who are running these firms”, argues Subas Roy (Oliver Wyman), “it’s important to identify and understand their growth strategy”.

If you want to scale organically, scarcity of talent is the major consideration. “It’s the age-old question” argues Daniel Kline (FundApps), “where there are of ‘a lot of fish in the sea’ but which are the two or three people who are the best fit?”. River Partnership have dedicated significant time to benchmarking talent for our clients, understanding the unique characteristics and goals for each position and creating optionality in the hiring decision. We employ a detailed research-led search methodology that reviews talent from all corners of the market, benchmarking against the position criteria, corporate goals, team culture and industry standards.

## 81 RegTech Firms

56% have a headcount of less than 30 and just 11% have more than 100

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When employers are looking at the same talent pools for growth, supply shrinks rapidly, and we’ve seen this impact corporate goals significantly in the last year with ad-hoc hiring initiatives taking 6-8 months longer than expected. The optimal way of solving this problem is to employ a dedicated search team and trusted methodology. River have developed an enviable record of completing wayward hiring initiatives by employing a structured solution that delivers a shortlist of high-quality talent within 5-6 weeks. The positive impact on the bottom line from reducing hiring time by around 26 weeks in such a fast paced and competitive market can be huge.

The fact is that RegTech business are growing though significant investment activity. Global RegTech investment grew almost five-fold between 20-14 and 2018. This shows a capital investment CAGR of 48.5% (\$92.4m to \$4,484.5m). In the first quarter of 2019, \$1.3 billion was raised by RegTech firms. The large portion of this investment is from Angel investors, Venture Capital Firms and Private Equity Firms, suggesting aggressive growth cycles will precede future sale events. Finding talent that can grow your business value swiftly and give your organisation a competitive advantage is therefore a significant priority for CEO’s and Boards, and investors.

# What skill set is most in-demand?

Interestingly, through our conversations we found that there's no singular skill set which all RegTech's place at the top of the list of what is missing or most wanted in the market. While Engineers and Developers are always in contention, the real value, Nirvana Farhadi suggests, is in a candidate who combines business understanding of the regulatory problem with the technical ability to be able to communicate this to developers.

Firm Success	People Success
Platform	Regulatory understanding
Engineers	Business knowledge
High quality system	Technical understanding of the regulatory solution

Figure 3: The skills required for RegTech success.

So rather than a single skill set that's most in demand, it's a certain type of skill set that leans slightly more on either the Reg or the Tech side:

- 1) Experts within that regulation who can understand the regulation so thoroughly that it can be communicated to those who build the technology.
- 2) Those who understand technology and how to build a technological solution so thoroughly that they can create a technology which solves a regulatory problem.

In other words, these two pillars of hiring within RegTech are not only intrinsically linked but are exceptionally important. "You've got to have a good platform, you've got to have good engineers and an intuitive system.", Daniel Kline (FundApps) told us. "Companies are driven by people, it's a talent war in many respects".

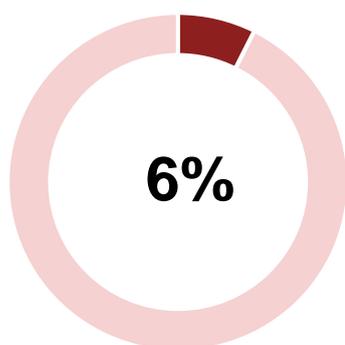
Beyond just technical ability, Diana Paredes (Suade Labs) identified other key skills she looks for in candidates. "One of the things you're really trying to find is people who are curious, who are willing to contribute... When you're building a company, these people are the ones you're looking for".

It's a useful point about working within a RegTech firm: because of the size of the company, it is likely you'll be asked to take on more responsibilities. While you'll need the understanding of the regulations, the business and the technical side of things, the best candidates will also be willing to roll their sleeves up and assist more broadly with the RegTech firms' growth.

# Uncertainty

A perhaps less obvious issue in the RegTech market was raised by Peter Cunnane (Innovate Finance). Because of the fast pace of the entire FinTech market (including RegTech and InsureTech), younger companies are looking for talent overseas, rather than raising talent domestically.

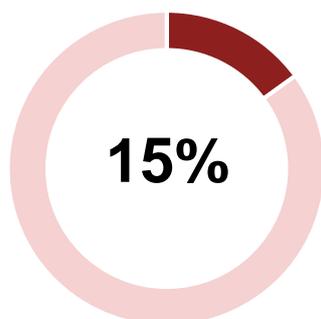
**Proportion of Female CEOs**



With the speed of growth in the sector, it's a very logical move by RegTech firms, but one which could leave the UK exposed in the future. Of course, with the looming uncertainty surrounding Brexit and its unknown effect on sourcing talent within the UK, the issue of finding top quality engineers, regulation experts could be compounded.

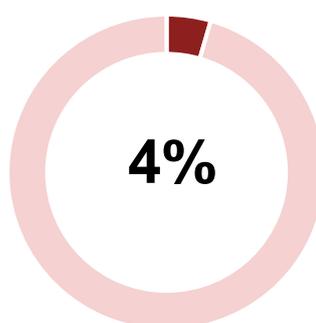
There appears to be a barrier to entry for many women into CEO roles within RegTech firms. Of the 81 companies we surveyed, just 6 have female CEOs – just 7%. While an exceptionally low number (and equal to the percentage of female CEOs in the FTSE100) it's not to say that there isn't exceptional female talent within RegTech as a whole, nor is it a reflection on the quality of female leadership within RegTech.

**Percentage of female leaders in Regulatory Consulting**



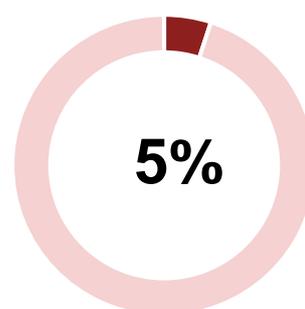
1

**Percentage of female CEOs in the world's major Financial Institutions**



2

**Female CEOs in the Fortune 500**



3

**Figure 6: Regulatory Consulting Leaders gender diversity**

Across the UK there's disparity in the number of women who hold senior leadership positions. Perhaps, then, we should not be surprised that when the male dominated Financial services and the male-dominated technology sectors converge there's no increase in the number of female leaders.

<sup>1</sup> Retrieved from River Partnership research in 2018 reviewing of 285 Regulatory Consulting Leaders in the UK.

<sup>2</sup> Retrieved from: [https://30percentclub.org/assets/uploads/UK/Research/OW-Women-in-Financial-Services-04\\_12\\_14\\_FINAL-v3.pdf](https://30percentclub.org/assets/uploads/UK/Research/OW-Women-in-Financial-Services-04_12_14_FINAL-v3.pdf)

<sup>3</sup> Retrieved from: <http://fortune.com/2018/05/21/women-fortune-500-2018/>

Positive change appears afoot, however. All the companies and leaders we spoke to within industry agreed that it was a central challenge and disparity that needed to be resolved. In fact, Dr Sian Lewin launched the RegTech Women network in March 2019. A group which aims to promote and enhance the role women play in the RegTech industry.

## Where will RegTech go next?

### 1) Increase in headcount in RegTech

The first is a natural increase in the size of RegTech firms. Our research suggests a consistent trend among most RegTech firms to a larger headcount. This dovetails with the assertion from Nirvana Farhadi (Hitachi Vantara) that RegTech firms that survive in the current market need to be scalable – those that are scaleable or have had recent cash injections, are turning to expert talent to assist in their growth plans.

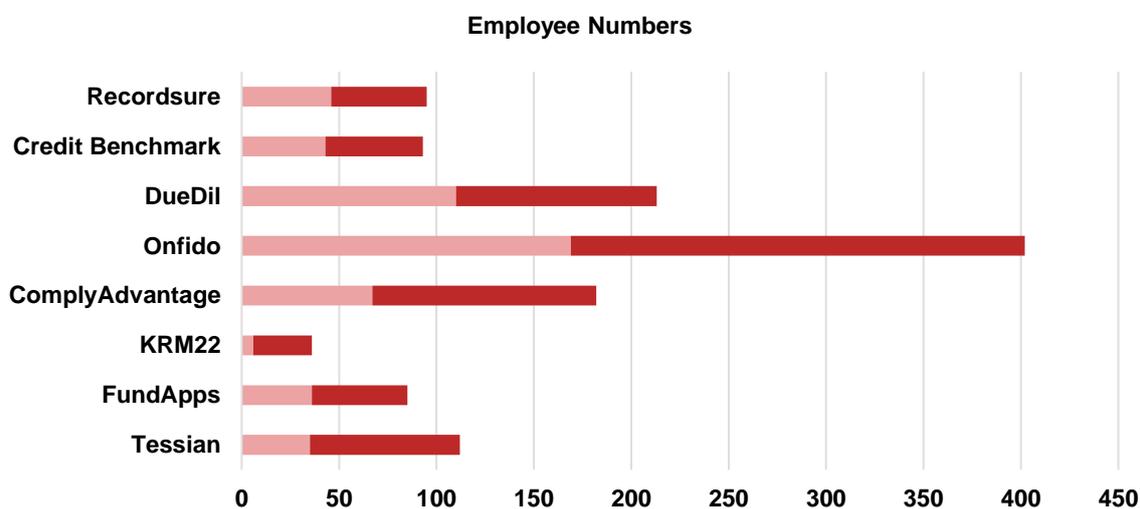


Figure 7: Analysis of 5 years of employee data for 8 of Techworld's 'One's to watch'.

### 2) Consolidation?

In a new, competitive market, consolidation through acquisition or the closure of companies is to be expected – particularly if solutions are not yet scalable or are struggling to stand out in a crowded marketplace. One company who are particularly active at the former are London-based KRM22. They made two significant acquisitions – Irisium and Prime Analytics – in 2018 and look set to continue growing into 2019. On the other hand, VeriduLabs – an identity verification solution, who were part of the 2018 FCA Fintech Sandbox – dissolved last year.

### 3) Sector Growth

Innovate Finance estimates the total number of FinTech companies operating in the UK to double by 2030 to 3,200. They also estimate there's around 55,000 people working in FinTech at the moment, a number which they predict this will only increase to 105,000 in the same period of time. This is a clear suggestion that the sector is growing.

#### 4) Holistic, end-to-end solutions

RegTech is currently focused on point solutions – singular issues and solutions being solved by singular companies – which has led, in some respects, to the industry acting in silos. Nirvana Farhadi (Hitachi Vantara) sees a need for this to change in the near future: “break down the silos and look things from a holistic perspective”. This is perhaps an inevitable consequence of consolidation but could also be affected by market forces such as the popularity of RegTech and the economic conditions more broadly.

If companies are turning to RegTech is to resolve the issue of time and money being spent on regulatory compliance, the smart money is on a company who can provide a holistic, end-to-end set of regulatory solutions for a reasonable price being favoured over a multitude of companies providing single point solutions.

#### 5) An Acceptance that RegTech is here to stay.

While debated and, on occasions, scorned as a ‘flash in the pan’, one thing’s for certain: RegTech is now fundamental to the global financial services market. As Subas Roy (Oliver Wyman) told us, “RegTech will always have a role to play in how it can help people comply with regulations”. The number and complexity of regulations is still likely to increase, and technology helps to find a better answer as to how companies can effectively deal with the threat of fines for non-compliance.

**\$12.3 billion**  
The amount that RegTech is  
forecast to grow by 2023  
(Researchandmarkets.com)

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RegTech is the cost-effective solution to the regulatory problem. Success depends on the acceptance of larger firms and of potential candidates themselves that RegTech is not only here to stay, but is not as risky as it is perhaps still perceived. Peter Cunnane (Innovate Finance) told us, “People still see FinTech as new... but these are good companies who will be turning over considerable profit in the next few years”.



# Conclusion

As the quote at the beginning of this paper suggests, RegTech is here and it's here to stay. Whether you are a RegTech company or RegTech professional, we've distilled key advice from our RegTech research into these recommendations:

## Recommendations & How River Can Help

### Scale carefully:

A common pitfall company's face is scaling at the wrong time or, most importantly, without the best talent in place to take your company to the next level. Review where your talent gaps lie and what areas will assist you in reaching your future goals.

### How River can help:

- River Partnership provides advice, benchmarking, research, M&A analysis and business consulting services to help you make the right choices.
- Last year we worked with a CEO on an extensive M&A consulting project reviewing 231 businesses, generating a list of 26 'target' companies with synergies that met the buying criteria could add enterprise value post-acquisition.
- Our client has commenced discussion due diligence with 6 of these firms.

**Don't miss out on good talent:** Candidates with both a regulatory and technical background are rare. Just because you may not need them now, it doesn't mean that you should miss out on an introduction to talent that could help you further down the line.

### How River can help:

- River Partnership are immersed in the RegTech community. We have built a global network of professionals and regularly communicate with the leading performers in the market.
- If you are interested in pipelining talent for future growth, we can discreetly put you in touch with impressive individuals and promote your brand to your target market early.

**Don't be afraid:** RegTech and FinTech are now established, growing markets. Candidates, potential candidates and those looking to move into the RegTech space shouldn't be afraid of making the move, the risks and challenges are offset by the rewards inherent in a dynamic growth market.

### How River can help:

- River Partnership can provide skilled RegTech professionals advice on their career options and market opportunities.
- We work with leading brands to pipeline future talent and can make discreet introductions to progressive leaders, helping you to build a knowledge of your market and relationships that may propel your career forwards.

**Keep in touch:** RegTech is moving fast. What, one day is an important attribute needed within RegTech may not be the same the next. Keep in regular contact with executive search specialists and former colleagues. This allows you to understand the demand in the market and the types of skills important for growth.

**How River can help:**

- River Partnership have access to the leading minds in the RegTech market and can help you keep your finger on the pulse of RegTech change.
- We regularly research talent, analyse skill and market trends and compile detailed Management Insight for our clients.

For further information on the trends, skills and themes in RegTech, we suggest you look at attending some of the upcoming events in this sector (Figure 4). A great way to keep in touch with the leaders and potential talent for your Firm.

Hopefully we'll see you there!

Conference	Location	Date
Open Banking World Congress	London	May 7, 2019
Comply 2019	New York	May 14, 2019
RegTech Sydney	Sydney	August 6, 2019
Data Management Summit	New York	September 20, 2019
Capital Markets Innovation Summit	London	September 25, 2019
RegTech Summit	London	October 3, 2019
Risk and Compliance Leaders	Berlin	November 7, 2019

**Figure 4:** The RegTech conferences on the horizon that will outline key skills and talent trends



# River Partnership – Governance, Risk, Compliance & RegTech

David Young leads our governance, risk, compliance and RegTech teams globally working with leading organisations across professional services and financial services. He has 15 years' experience in executive search and leadership consulting working directly for Executive Board level stakeholders to complete projects that range from talent and leadership acquisition to strategic research, MI and M&A.

David studied his MBA in Australia at the University of Queensland's Business School, rated in the top 10 globally. He serves as the Deputy Chair of the UQ Business, Economics and Law Alumni Council Board in London and also has an undergraduate degree from Warwick University. He has a record of growing successful teams and practice areas in both London and Australia.

Chris Williams has a Masters in International Politics, is an ex-teacher and has now built a global network of RegTech and Compliance professionals. He's led a series of search mandates in RegTech and FinTech over the last 12 months spearheading extensive research into this sector.



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#### Recently completed mandates:

- Building several expert Brexit teams for major FS organisations in Europe
- Partner, Risk & Regulation
- Partner, Non-Financial Risk Management
- Partner, RegTech Practice
- Director, Investment Management Consulting
- Director, Investment Management Regulation
- MD, Financial Crime Technology
- MD, Regulatory Change and Governance
- Director Risk Modelling and Analytics
- CRO

#### Recently completed research:

- Competitor Analysis for new market entry – 60 Firms
- M&A Project – 231 Firms analysed, 26 meeting criteria
- Regulatory Consulting market analysis – 68 Firms
- Risk and Regulations 2017 Trends – 70 Interviews
- Brexit Impact on Regulations – 100 contributors
- Insurance CRO Survey – 40 interviews

# About River Partnership



A multi-disciplinary human capital firm headquartered in London specialising in executive search, competitor insight, succession planning and market mapping across the Professional Services, Financial Services, Consumer Goods & Retail, Manufacturing, IGS, Technology and Energy sectors.

We work on global mandates with the aim of being the search and staffing partner of choice to a small group of industry-leading companies across Europe, Asia and the Americas.

In short, River Partnership helps you build winning teams.

We know that is only possible if our own team is equally talented. That is why the River Partnership line-up is a roll call of experts who are, to a person, passionate about delivering excellence and enjoying their work. Our consultants are specialists with decades of combined experience in our chosen fields and functions.

All regularly handle high-profile mandates from C-Suite, to one-below-public-board level, through heads of department and function, to specialists or subject matter experts. By combining deep knowledge of the key issues and drivers in your sector and by employing a clear methodology, utilising extensive personal networks, good judgement and a passionate approach, we help you to swiftly identify, benchmark and acquire top talent.