

Regtech Evolution in Buy-Side Compliance

February 23, 2021

Executive Summary:



When the magnitude of global events and a sudden shift to home working environments unfolded in early 2020, financial firms found their compliance systems and practices under a spotlight. With every weakness unforgivingly exposed by the combination of remote working upheaval, record market volatility and a general atmosphere of chaos, the importance of regtech to market infrastructure became clear.

Likewise, speculation has been intense about the long-term effects of the past year's revelatory experiences. Potential changes to regulatory requirements, communications technology usage and monitoring practices, and surveillance technology adoption trends are all key discussion points in the risk and compliance world.

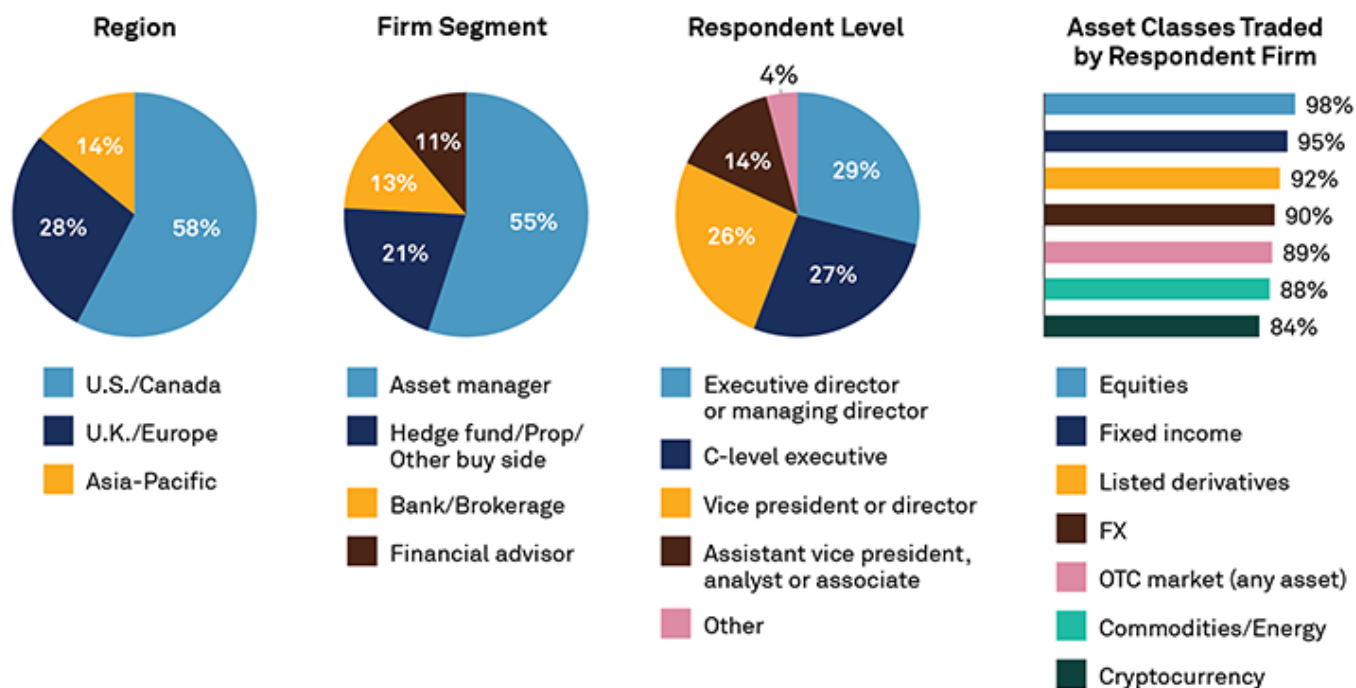
Buy-side firms tend to be proactive in promoting compliance culture and managing compliance policies, but they are more reluctant when it comes to expanding compliance budgets (in the absence of imminent regulatory drivers). Nonetheless, increases in key compliance risk factors during the work-from-home (WFH) transition made a compelling case for investment in compliance infrastructure, particularly in relation to communications monitoring and surveillance efforts.

As 2021 proceeds, market participants will make progress with regtech adoption strategies. Despite significant budget increases, compliance officers will be carefully optimizing budgets by evaluating investments in compliance technology and personnel. And fortifying weak infrastructure areas related to the highest risk factors, including those recently elevated by COVID-19 conditions, will be a key challenge for buy-side compliance officers to tackle in the coming 12 to 24 months.

Methodology:

In the fourth quarter of 2020, Greenwich Associates conducted 93 online interviews with representatives from asset managers, financial advisors, hedge funds, proprietary trading firms, private equity investment firms, and banks/broker-dealers in the United States, Europe and Asia. Information gathered from these interviews, which focused on the operational and functional challenges experienced by compliance teams before, during

and after the work-from-home transition that took place in the first quarter of 2020, informed the quantitative and qualitative analysis expressed in this report, along with other proprietary Greenwich Associates market research.



Note: Based on 93 respondents.

Source: Greenwich Associates 2020 Buy-Side Compliance Risk Study



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