

THE RISE OF REGTECH

A guide to RegTech solutions for high performing legal and compliance functions.



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Introduction

Regulation Technology, commonly known as RegTech, are a class of technological solutions that address the changing, complex, and increasingly dense corporate regulation landscape. Increased emphasis on social consciousness, corporate social responsibility (CSR) and a dependency on consumer trust for growth has led to rigorous regulatory action that focuses on customer outcomes and interests, aiming to hold organisations and their leaders to greater account.

In this [three-part RegTech Series](#), we explore the growth of RegTech in industry and how it can be used by in-house legal teams to enhance specific functioning areas of an organisation's operations. In particular, the [Reporting and Compliance](#) and [Risk Management](#) functions.



What is RegTech?

RegTech refers to any technology that assists with, and ensures that, companies are in compliance with any and all relevant and industry specific regulatory requirements. In addition to this, RegTech can also allow near-real-time monitoring of regulatory changes in the environment that enables efficient, standardised and transparent reporting and enforcement processes.

According to Deloitte, RegTech solutions fall into the following distinct categories:

- Regulatory reporting
- Compliance
- Risk management
- Identity management
- Transaction monitoring
- Governance

Categories and Descriptions of RegTech Solutions

REGULATORY REPORTING	COMPLIANCE	RISK MANAGEMENT				
The process of submitting data required by regulators to evaluate and assess an organisation's health and compliance with regulations.	The process of adhering, and demonstrating adherence to relevant and industry specific rules, policies, standards or laws.	The process of detecting, evaluating, prioritising and managing potential and imminent threats to an organisation.				
IDENTITY MANAGEMENT	TRANSACTION MONITORING	GOVERNANCE				
The process of managing internal user and client identity through authentication. Often referred to as "Know Your Customer" or KYC.	The process of monitoring transactions to detect fraud, money-laundering, market abuse and other financial misconduct.	The process of establishing frameworks that ensure accountability, product and service quality and proactive governance.				
 Application Program Interface	 Artificial Intelligence	 Automation	 Big Data and Analytics	 Cloud Computing	 Voice and Text Recognition	 Blockchain

Regulation Landscape

In 2018, a report by Thomson Reuters revealed that a new regulatory update is implemented globally every 7 minutes. The effects of this rapid increase in regulation were reflected in the Association of Corporate Counsel Chief Legal Officers Survey 2021, where:

64%

CLOs anticipate the volume of regulations in their industry to further increase within the next 12 months.

61%

CLOs expect industry-specific regulations to pose the biggest threat for their organisation in the coming months.

(Data source: Association of Corporate Counsel: Chief Legal Officer Survey, 2021)

RegTech In Industry

Industry specific regulation and compliance are now the top concern of Chief Legal Officers (CLOs) in most global regions. Consequently, organisations have been prompted to adopt and implement RegTech solutions to safeguard against audits, reduce costs, avoid reputational damage and keep up with the rapidly increasing regulations. Whilst these are the obvious advantages of RegTech, some additional benefits include:

- Increased efficiencies
- Greater accuracy and comprehensiveness
- Greater internal alignment
- Improved risk management
- Reduced administration and compliance costs
- Increased responsiveness
- Real-time monitoring

Summary

Overall, RegTech exists and has become important in assisting organisations to navigate an increasingly complicated and saturated regulatory environment. The proliferation of regulation in industry has surpassed what manual processes can effectively manage without being at risk of non-compliance and reputational damage. As such, RegTech can enable, and should be implemented to streamline regulatory reporting, compliance monitoring and risk management processes. Used in combination with workflow automation and intake tools, RegTech can further support legal operations, demonstrate proactive governance, and enhance the role of the legal department.



RegTech Solutions: Regulatory Reporting & Compliance

In the second part of our three-part RegTech Series, we explore how RegTech tools can assist organisations with regulatory reporting and compliance. Specifically, we examine the technological features that in-house legal teams are using to integrate and enhance their reporting and compliance function.

The proliferation and complexity of industry regulations has meant that reporting and compliance requirements have become much less straightforward. Manual processes are now simply inadequate and in response, RegTech solutions have entered the market to support reporting and compliance workflows in organisations.

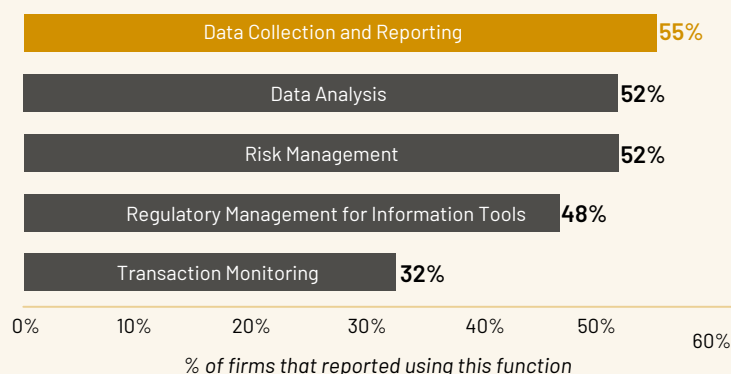
What is Reporting and Compliance?

Regulatory reporting and compliance are mandatory practices in which organisations are required to collate, analyse, and submit specific data and information that regulators can use to assess the organisation's health and level of compliance with the relevant regulatory frameworks. Although some reporting can be managed internally, most reporting is governed externally by a dedicated and independent regulatory body. That being so, all organisations are likely obligated to report to one or more regulatory bodies across varying industries to comply and demonstrate compliance with the industry-specific regulations.

The financial industry in particular has experienced increasingly sophisticated regulatory obligations which demand more traceable, accountable and auditable reporting processes. Accordingly, the Ernst & Young Global RegTech Industry Benchmark Report 2019 showed data collection and reporting to be the top function area for RegTech solutions across firms. As such, many organisations have adopted and implemented RegTech solutions that can improve how they collect data and report, in order to remain compliant and demonstrate compliance with the evolving regulatory obligations.

Top Five Areas for RegTech Solutions

The Ernst & Young Global RegTech Industry Benchmark Report 2019 indicated that the top functional area for RegTech was to support **Data Collection and Reporting** processes.



(Data source: Ernst & Young: The Global RegTech Industry Benchmark Report, 2019)

RegTech Reporting and Compliance Solutions for In-House Teams

RegTech reporting and compliance solutions for in-house teams require two main capabilities. These are **Reporting and Dashboard** tools that collect information from across the organisation and develop standardised reports for management and compliance purposes, combined with **Compliance Frameworks** that monitor and/or reflect changes in the regulatory environment to ensure that the organisations policies and controls are up to date with the latest requirements. Accordingly, RegTech solutions for regulatory reporting may utilise Big Data and Analytics, real-time reporting, cloud computing and automation (workflows, document) to aggregate, analyse and report large volumes of data.

RegTech can be used by Chief Legal Officers (CLOs) and their Legal Department to assist with **Reporting** and to demonstrate **Compliance** with relevant and industry specific regulations. In 2021:

75%

of CLOs oversee the compliance function in their organisation.

51%

of Legal Departments have implemented technological solutions to prepare for emerging regulations.

39%

of Legal Departments do not have a strategy to ensure compliance with emerging industry regulations.

(Data source: Association of Corporate Counsel: Chief Legal Officer Survey, 2021)

An example of a financial services focused reporting tool that integrates the collection, assessment and reporting of potential issues to one online platform is the **Gadens Breach Manager** solution for in-house legal and compliance teams. In this example, the platform can be configured for access by multiple internal and external parties which facilitates collaborative, timely and cost-effective reporting and compliance workflows. Furthermore, the software intuitively collates and organises data into a predetermined format, which enables efficient cross-functional management, compliance monitoring, analysis, documentation, reporting and review.

Additional benefits of using RegTech for reporting and compliance include:

- Increased operational efficiency
- Increased auditability, reliability, and consistency of information
- Improved data quality and data retention
- Access to data-driven insights and continuous process improvement
- Flexible and scalable process

Summary

In summary, RegTech presents an opportunity for in-house teams to replace manual reporting and compliance processes with in-built workflows, automation tools, visual analytics, data capture and cloud computing. As a result, the legal and compliance functions can achieve the necessary agility required to keep pace with an increasingly complex regulatory environment, whilst also improving their operational processes.

RegTech Solutions: Risk Management

In the final part of our three-part RegTech Series, we examine how RegTech tools can transform the risk management function for in-house legal teams. We discuss the key features that enable proactive governance, assist with contingency planning, and facilitate strategic decision-making.

Risk management in the digital age is a volatile, intricate, and constant process that, although laborious, often delivers no visible outcome or tangible value to the day-to-day operations of an organisation. As the risk landscape continues to intensify, in-house legal teams are seeking solutions that can facilitate a strategic and comprehensive approach, whilst maximising the operational value of risk management.

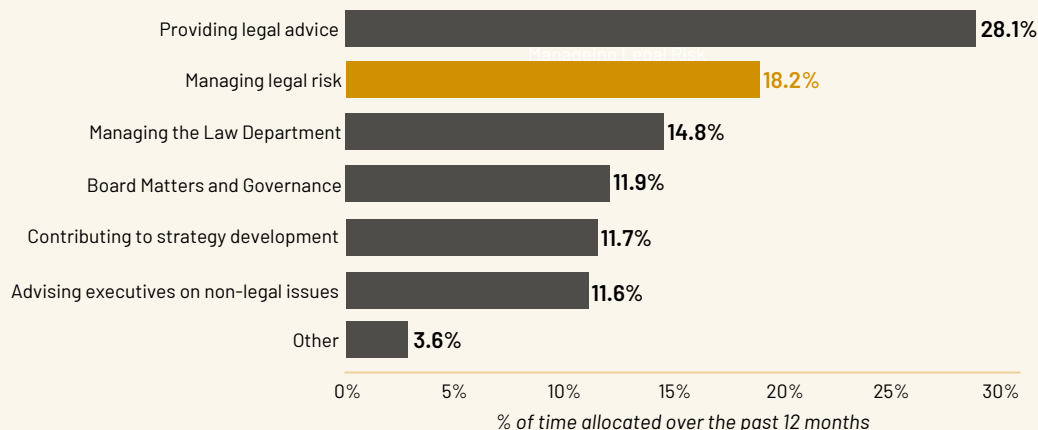
What is Risk Management?

Risk management is the process of detecting, evaluating, prioritising, and managing potential and imminent threats to an organisation's operations, resources, or reputation. RegTech solutions for this function use technology to assess an organisation's risk exposure in order to develop strategies that can mitigate potential threats. This involves establishing digital frameworks and workflows that monitor internal operations and the external environment more efficiently and at a lower cost than manual processes.

In the past, risk management was mostly a great concern for financial institutions, however, increasingly complex technology systems, access to large amounts of data and heightened cyber threats has exposed nearly all industries to new forms of business, legal and financial risk. Consequently, risk management practices are gaining wider adoption across all industries and legal teams are assuming more responsibility, allocating more resources, and spending more time managing risk in their organisation. Accordingly, the Association of Corporate Counsel Chief Legal Officers Survey 2021 revealed that 95% of Legal Departments now oversee the risk management function in their organisation, with Chief Legal Officers (CLOs) spending approximately 18% of their time managing legal risk.

Chief Legal Officer Time Allocation:

The Association of Corporate Counsel Chief Legal Officers Survey 2021 indicated that Chief Legal Officers (CLOs) spend the **second most** amount of time **managing legal risk**.



(Data source: Association of Corporate Counsel: Chief Legal Officer Survey, 2021)

RegTech Risk Management Solutions for In-House Teams

RegTech solutions for risk management are generally built upon core technologies such as Application Program Interface (API), Big Data and Analytics, Cloud Computing and Voice and Text Recognition. For in-house legal teams, RegTech risk management solutions can provide additional functions that automate risk calculation, project potential scenario models, and streamline workflow management. As a result, risk management can be an enabling business practice that contributes to strategic decision making through predictive analysis and contingency planning. The operational benefits of these capabilities are cross-functional, especially when risk management is integrated with other functions such as matter intake, matter management or spend management. Here, the legal team will be able to aggregate data from across the organisation, which allows them to comprehensively monitor processes and promptly deploy mitigation tactics where needed. Consequently, the time and costs of overseeing multiple risk areas are reduced, all the more whilst gaining business insights, maximising the operational value of risk management and demonstrating proactive governance.

RegTech can be used by Chief Legal Officers (CLOs) and their Legal Department to enhance the Risk Management function of the organisation. Currently:

95%

of Legal Departments oversee the risk management function in their legal department.

70%

of CLOs almost always meet with their organisation's leaders to discuss risk areas.

25%

of CLOs are very confident in their organisation's ability to mitigate against emerging risks.

(Data source: Association of Corporate Counsel: Chief Legal Officer Survey, 2021)

Additional benefits of using RegTech to manage risk include:

- A centralised system that can be integrated with other functions across the organisation
- Automated decision-making based on built-in, coded, predetermined logic and workflows
- The ability to store, log and track all user actions
- Increased data linearity
- Supports transparency, cooperation, and a positive risk culture across the organisation.

Summary

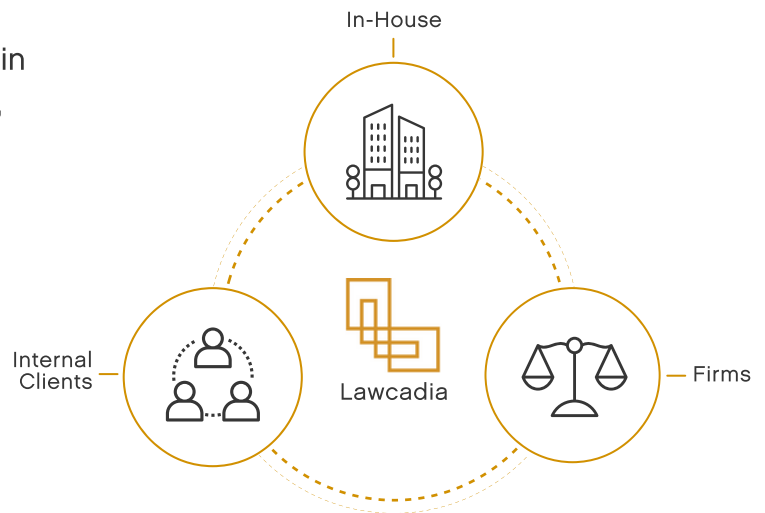
In summary, RegTech can facilitate a strategic and comprehensive approach to risk management for in-house legal teams. The ability to integrate the risk management function with other processes facilitates streamlined workflows that save time, costs and produce business insights that contribute to strategic decision-making. As a result, risk management can deliver additional value, demonstrate proactive governance, and enhance legal operations.

An intelligent platform to power the legal function.

Lawcadia is a cloud-based platform that in-house legal teams and their law firms use for matter management, legal intake and triage, and legal spend management.

The entire legal function benefits from streamlined workflows, greater control of legal budgets, accurate instructions, built-in document automation, collaboration tools, and actionable insights.

The Lawcadia platform can also be used to solve different workflow challenges across legal, risk and compliance such as privacy, data breach reporting, regulatory reporting and freedom of information requests.



Transform your legal operations with intelligent solutions.



Intake, triage & self-service

Streamline legal requests from your internal clients through to the in-house legal team and deploy 'self-service' capabilities



Matter management

Create, manage and track your legal matters and seamlessly collaborate with your legal team and law firms



Innovative spend management

Get predictable and transparent legal spend with an innovative approach to instructing, engaging and managing outside counsel



Workflow automation

Lawcadia's powerful automation engine automates workflows, approval processes, documents, tasks, reporting and much more



Document automation

Easy-to-implement document automation generates draft documents, agreements and even complex contracts



Regulatory & compliance workflows

Deploy easy-to-use workflow solutions for privacy, data breach reporting, regulatory reporting and freedom of information requests

Why Lawcadia.

These are some of the reasons clients choose Lawcadia's awarding winning platform:

✓ Greater efficiency

Intelligent, automated workflows, document generation and reporting eliminates manual data entry, reduces admin and saves time

✓ Improve client service delivery

Client intake, collaboration tools and custom notifications provide transparency plus a streamlined customer experience

✓ Predictable legal spend

Structured instructions, competitive RFPs, scope management and approval processes provides predictability and demonstrates value

✓ Accurate data & BI reporting

Empower decision making with a single system that connects internal clients, legal teams and law firms, with accurate data, insightful reports and custom dashboards

✓ Enterprise-grade security

ISO 27001 certification, private-cloud infrastructure, on-premise deployment capability, along with best-in-class security controls, sets us apart from the competition

✓ Sensational customer support

We are only as successful as our clients' implementation, and so we focus on tailored implementations, dedicated customer service, and on-going support

“

Lawcadia provided us with the system we needed to ensure we could accurately track our matters, budget and spend across the legal function.”

Nigel Lowry, General Counsel & Company Secretary, Ausgrid

