

Is 2022 Going to Be the ‘Year of the RegTech’?

Industry executives believe that the demand for regtech services will grow. Improvement of data quality might be a priority for regulators this year.

Demand for [regtech](#) services ballooned in 2021, and there is still a lot of room for the industry to grow further. Services of the industry have become mainstream with increasing regulatory requirements for financial service providers.

“You can look at 2021 as the year that Regtech became mainstream and virtually every large financial firm had contracted or was in deep discussions with regtech firms with their services,” Ron Finberg, Director of Global Regulatory Reporting Solutions at IHS Markit, told Finance Magnates.

In addition, the demand was driven by the benefits of regtechs like deployment speed, cost savings and streamlining of all compliance needs. Also, the industry competition for the implementation of the best technologies boosted this demand. The impact of Covid-19, the introduction of EMIR Refit, [Brexit](#), implementation of leverage restrictions in the Australian CFD market and the final phase of MAS reporting have all contributed to the [boom of regtech](#) services.

Moreover, the regulatory demand around cryptocurrencies and the addition of digital currency products might escalate the regtech demand.

“This presents an opportunity for regtech firms in 2022 as clients are trusting them to outsource more or their technology build to them,” Finberg added.

Additionally, executives across the industry believe in the same line and are optimistic about the growth of regtech services in 2022.

But, There Are Also Challenges

The regtech companies have to mould their products according to the changing regulatory scenarios. Further, there are risks as regtech firms need to continue to build trust with clients that can adapt and grow with their customer’s needs to roll out new features and services while maintaining performance.

Sophie Gerber, a Director at Sophie Grace and TRAction Fintech, explained: “There will still be a lot of work in the implementation of regulatory tweaks which are scheduled or in the pipeline in most major jurisdictions. Thankfully there are no major new pieces of regulation that need to have products developed as well.”

2022 Trends

Despite the risks and challenges, regtech remains among the fastest-growing industries. It generated \$5.32 billion in revenue in 2019 and is expected to bring in \$21.73 billion by 2027, thus growing at a rate of 19.5 percent.

So, what will be the primary trend in the regtech space this year?

Remonda Kirketerp-Møller, the Founder and CEO of Muinmos, believes that the biggest trend for 2022 will be RegTech-regulators cooperation. “We’re seeing this with regulators approaching us, wanting to know more about the capabilities of our products; and with regulators approaching us and offering us the opportunity to participate in test labs and

sandboxes; and we even see regulators holding joint working groups with RegTech companies in order to better cope with upcoming challenges and market changes,” she said.

“I believe this is a very positive development.”

But, that is not everything as many other areas within regtech can have a big impact this year.

“Next year’s big trend will involve accuracy, more specifically what’s required to show your workings in the reconciliation world and retain oversight on a fully transparent workflow,” said Mark Ellis, the UK Business Development Manager at [MAP Fintech](#).

“I think this will affect trade level reporting for the former and trade surveillance for the latter. This will bring about the implementation of systems that can adapt to future regulatory changes, be this EMIR’s refit or the natural divergence between the EU and the UK.”

Gerber added: “In trade and transaction reporting, We can expect to see widespread adoption of ISO 20022, XML schemas and the shift toward a legal entity identifier (LEI) only policy within the OTC derivatives market across jurisdictions globally. This adoption will provide regulators with richer and more consistent data enabling improved global data aggregation.”

Regulatory Priority

The past few years have remained very busy in terms of regulation with many macro-economic events and a changing regulatory landscape. Compared to that, 2022 is expected to be quieter as financial regulators shift their focus to the much-needed stability and simplicity.

“I expect financial regulators to try to tighten up their controls, as well as keep the ‘end points’ as harmonized as possible,” Ellis said. “It has been an industry concern that regulators are receiving fragmented data from multiple TRs, certainly where matching is concerned, and they will look to tighten up, a move that will directly impact the reporting firms themselves.”

Also, Finberg believes that improving data quality will be a regulatory priority this year. “Regulators are keeping their eye on the adoption of new CDE standards and writing their new regulation using subsets of these data fields that best collect the information to do their jobs of monitoring the market,” he said.

But, the most-watched space will be regulatory frameworks around booming [cryptocurrencies](#).

“The regulation of crypto seems to be the hottest topic in financial regulation right now, and it seems like that’s not going to change in 2022,” the CEO of [Muinmos](#) said.

“The only thing that might stop the regulation-train, and that’s a big ‘might’, is if Crypto exchanges will self-regulate in such a way that will put the minds of regulators at ease. We’ve seen some signs of that across various parts of the world but not currently to an extent that will prevent regulatory intervention.”