

BearingPoint®

# The RegTech Factory

Economies of Share as joint utility approach to improve the quality and reduce the costs of regulatory reporting

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BearingPoint RegTech offers a digital, fully integrated and automated utility for regulatory reporting, the RegTech Factory. This utility achieve significant economies of scale for participating banks and financial service providers. From infrastructure services through application management to the support of the reporting process, the RegTech Factory enables financial institutions to focus on core business areas by employing “Regulatory Reporting as a Service”. By realizing “Economies of Share” and taking advantage of a vibrant ecosystem, financial institutions can benefit from the scaling effects of the RegTech Factory and can also save costs.

## Regulatory reporting of the future – trend reversal in sight

Much has changed in the ten years since the global financial crisis. There is a low-interest-rate environment, increased digitalization of processes, and new competitors such as FinTechs putting pressure on the earnings of financial institutions. And at the same time, these financial institutions are confronted with continuously increasing regulatory requirements from supervisors in Europe. The tense economic situation in the industry has also been exacerbated by the COVID-19 pandemic, making the topic of business continuity management increasingly relevant. Altogether, institutions in the financial sector are facing significant challenges.

To meet these challenges, BearingPoint RegTech expects three major trends to shape banking regulation in the next five to ten years, trends which financial institutions must start preparing for today.

- The first trend is the nature of banking regulatory requirements, moving away from collecting aggregated data towards granular data sets that must be reported in a very timely manner and reconciled with the counterparty.
- The second trend points out the necessity for clearly defined standards for data models and the associated processing logic.
- The third trend is leading toward “coopetition” models in the financial sector. Financial institutions compete in both core and non-core business areas. While competition in the core business is healthy for driving revenues, competition in a non-core business is mostly not conducive to success. Competition in banking regulation contributes neither to individual business success nor to social welfare. Therefore, regulatory reporting should not tie up resources and capacities needed for crucial investments in value-adding business areas<sup>1</sup>. Instead, financial actors should consider completely new cooperation or industrialization models to exploit economies of scale across institutions. By cooperating in non-core businesses, financial institutions can maintain and expand their competitiveness in the highly regulated environment.

### Coopetition

Collaboration of competitors through cooperation in a non-core business and competition in the core business as a win-win strategy.

<sup>1</sup> cf. Press Release (2019): BearingPoint RegTech launches an international “regulatory reporting factory” Available at: <https://www.bearingpoint.com/en/about-us/news-and-media/press-releases/regtech-factory/>

# The RegTech Factory is the answer to the regulatory reporting and economic challenges

To support financial institutions in coping with today's and tomorrow's challenges, BearingPoint RegTech developed the RegTech Factory, a standardized approach for regulatory reporting. It enables financial institutions to reduce the costs and efforts involved in operating their regulatory reporting system, both on the technical and on the functional side. By sharing infrastructure services and Regulatory Reporting as a Service, financial institutions can realize Economies of Share.

BearingPoint RegTech has been a leading provider of services for regulatory reporting for more than 25 years. The RegTech Factory builds on the existing Managed Services offering. Already more than 70 financial institutions with about 1,000 reportable institutions throughout Europe, including well-known banks and insurers, trust in the Managed Services offering. BearingPoint RegTech operates, manages, and supports around 200 Abacus instances and processes over 80 million data records per day. The experience gained from the Managed Services offering went into the development of the RegTech Factory.

## Economies of Share

The realization of cost advantages through the use of a standardized data model, a common service landscape and a common infrastructure.

Cost efficiencies are already realized through Managed Services, and further benefits are offered by more comprehensive solutions such as the Austrian reporting factory. BearingPoint RegTech has been involved in the development of the technical platform for Austrian Reporting Services GmbH (AuRep)<sup>1</sup> since 2013. AuRep is a joint venture of Austrian banks and today covers about 90 percent of the Austrian banking market. In many countries, the AuRep project is regarded as a trailblazer of innovative approaches to reporting. The experience gained from this project in the areas of technology, economic efficiency, and governance was incorporated into the development of the RegTech Factory.

BearingPoint RegTech estimates that the RegTech Factory can save up to 50% of the cost of purchasing and operating a regulatory reporting solution compared to a traditional setup. Core components are a standardized data model, standardized processing logic and standardized application operation. BearingPoint RegTech has been focusing on standardization for decades, long before it became a trend in the field of regulatory reporting.

The RegTech Factory, however, is about much more than potential cost savings. By setting up an automated reporting factory with collaborative resource management, planning, processes and operations, the quality of reporting across the industry can be significantly improved along with the efficiency of the existing system, which benefits both the supervisor and the supervised institutions.

In addition, the RegTech Factory makes a significant contribution to harmonization and transparency. It acts as an intermediary and governance platform between institutions such as banks, FinTechs and insurance companies on the one hand and supervisory authorities on the other. The RegTech Factory offers a standardized platform that is scalable for institutions of all sizes: interfaces, data models, processes, and processing logic are standardized; regulatory impact analyses and assessments can be carried out jointly; it reduces operational complexity and simplifies deployment and maintenance. BearingPoint RegTech will not only take care of the development and implementation of software but also its operation.

In economically turbulent times, such as during the current COVID-19 pandemic, the issue of business continuity has become more relevant than ever in terms of operating technology and organizational processes. The outsourcing of IT and processes offers opportunities to be able to react to potential disruption with the appropriate Business Continuity Management (BCM). BearingPoint RegTech Factory takes over tasks regarding software, data centers, operations, and certifications, such as ISO22301, ISO9001, ISO27001 and ISAE3402, and thus supports financial institutions in maintaining business continuity in the reporting area even in times of crisis.

## The RegTech Factory services in detail

With the RegTech Factory, BearingPoint RegTech offers comprehensive, modular, and individually configurable services. The RegTech Factory expands the Managed Services portfolio up to an infrastructure service shared by several banks. Based on BearingPoint RegTech software products, the RegTech Factory offers services to support the technical and functional operation of the reporting system. The offer is divided into three levels and includes infrastructure services, application management and support of the reporting process. In doing so, we work together with experienced data management and infrastructure providers. Across the three levels, the RegTech Factory model enables the realization of Economies of Share.

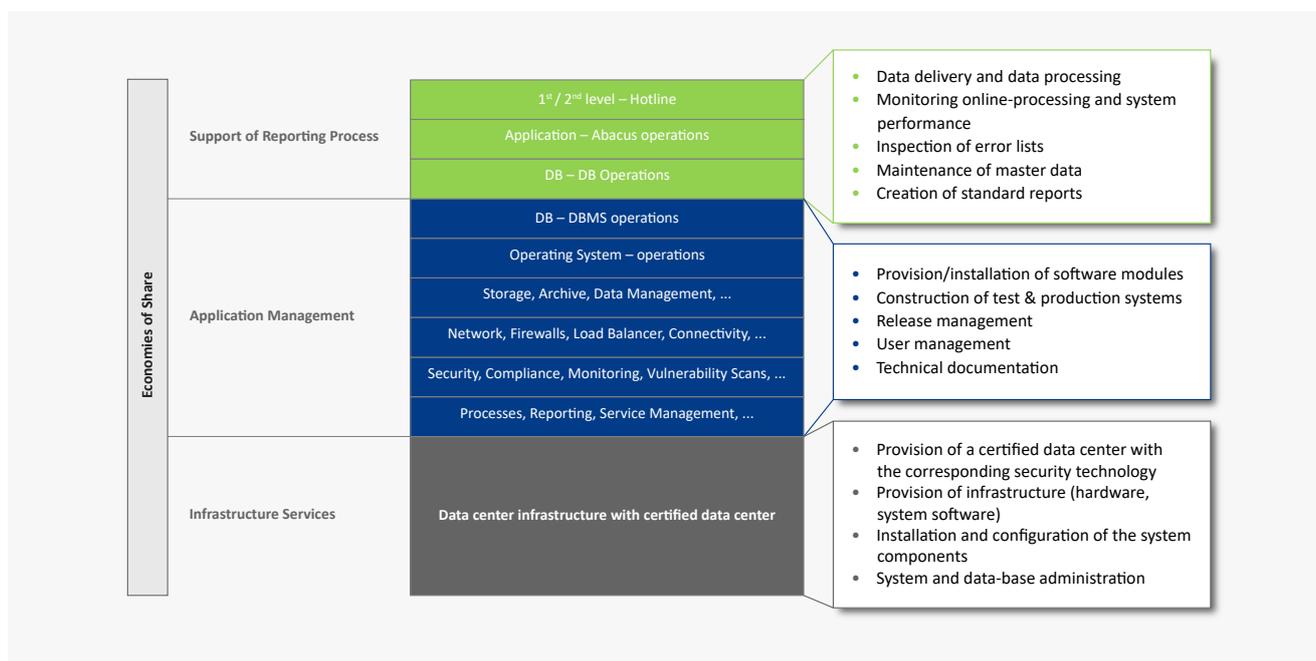


Figure 1: RegTech Factory Services

Infrastructure services include the provision of a certified data center with the corresponding technology to meet all required data security standards. Shared infrastructure can potentially save financial institutions costs by enabling more efficient use of IT resources across institutions. In this context, BearingPoint RegTech is evaluating the use of private and public cloud solutions when setting up a shared infrastructure.

Application management includes technical operations and provider management for processes and requirements, which involves, in particular, the monitoring of security and compliance, the provision of firewalls, network stability and load balancing, as well as data management and operating system. Therefore, the common application management of the participants involved can realize economies of scale.

The experienced Managed Services Team can support the reporting process of financial institutions by taking over tasks in the regulatory reporting environment, such as the import and processing of data, and the preparation of analyses and reports. Due to the experience of BearingPoint RegTech and the direct embedding in the processes of the Abacus development team, synergy effects can be achieved here as well.

In addition to the described infrastructure services, application management and support of the reporting process, the RegTech Factory offers above all a strong framework for standardization, including the use of a standardized data model as well as the offer of standard interfaces to third party providers. This also enables the complete changeover to business process outsourcing (BPO) in the areas of “Run the Bank” and “Change the Bank”.

Through the factory model, BearingPoint RegTech can help to establish governance structures and promote the creation of de facto market standards through the joint decision-making process of the RegTech Factory participants on regulatory issues. In this way, the RegTech Factory offers a well-rounded and sustainable range of services beyond Regulatory Reporting as a Service.

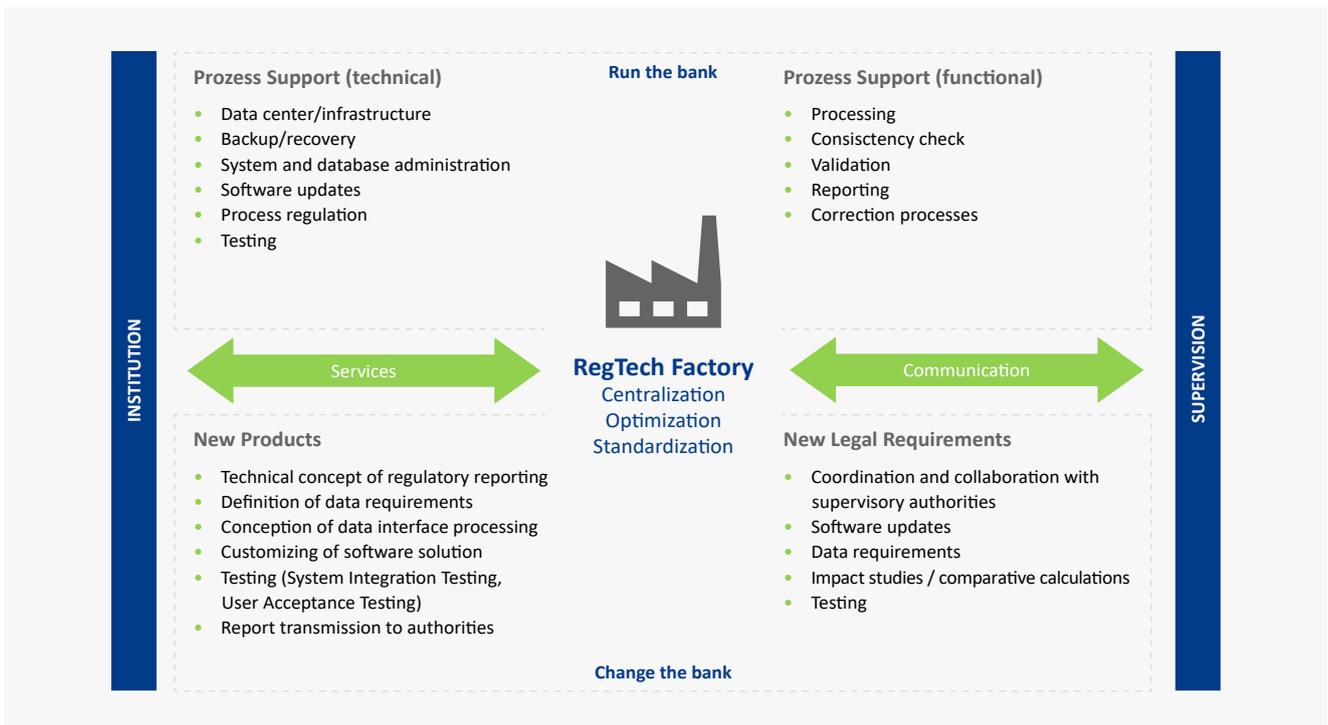


Figure 2: Centralization, Optimization and Standardization of Processes

# Why should you choose the RegTech Factory?

Through automation, IT outsourcing and the creation of standards in the area of regulatory reporting, financial institutions can continue to concentrate on their core business in the future. With our RegTech Factory, we can contribute to maintaining the competitiveness of financial institutions.



Figure 3: Benefits from the RegTech Factory

BearingPoint RegTech Factory draws on 25 years of development in the field of regulatory reporting software and 15 years of Managed Services. BearingPoint RegTech's experience in the areas of technology, efficiency, quality control and governance has been incorporated into the development of the RegTech Factory.

## About BearingPoint RegTech

BearingPoint RegTech is a leading international provider of innovative regulatory, risk, and supervisory technology solutions (RegTech, RiskTech, and SupTech) and services along the Regulatory Value Chain for financial services.

Customers representing 6,000 firms worldwide, among them large international banks, a major part of the largest European banks, leading insurance companies as well as supervisory authorities and central banks, trust BearingPoint's RegTech products and services.

We work closely with regulators and, as a member of standardization bodies such as XBRL, we actively contribute to the standard-setting process. We combine our regulatory know-how with our well-established, reliable and forward-looking RegTech solution suite, expert consulting capabilities, as well as managed services and training seminars.

For more information, please visit [www.reg.tech](http://www.reg.tech)

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