FSB report highlights increased use of RegTech and SupTech

The Financial Stability Board (FSB) today published a report on the use of supervisory (SupTech) and regulatory (RegTech) technology by FSB members and regulated institutions. The report finds that technology and innovation are transforming the global financial landscape, presenting opportunities, risks and challenges for regulated institutions and authorities alike.

The opportunities offered by SupTech and RegTech have been created by the substantial increase in availability and granularity of data, and new infrastructure such as cloud computing and application programming interfaces. These allow large data sets to be collected, stored and analysed more efficiently. Authorities and regulated institutions have both turned to these technologies to help them manage the increased regulatory requirements that were put in place after the 2008 financial crisis.

SupTech and RegTech tools could have important benefits for financial stability. For authorities, the use of SupTech could improve oversight, surveillance and analytical capabilities, and generate real-time indicators of risk to support forward looking, judgement based, supervision and policymaking. For regulated institutions, the use of RegTech could improve compliance outcomes, enhance risk management capabilities, and generate new insights into the business for improved decision-making. For both authorities and regulated institutions, the efficiency and effectiveness gains, and possible improvement in quality arising from automation of previously manual processes, is a significant consideration.

SupTech is a strategic priority for an increasing number of authorities. Based on a survey of FSB members, the majority of respondents had a SupTech, innovation or data strategy in place, with the use of such strategies growing significantly since 2016. Authorities are also vigilant to possible risks that could arise from the use of SupTech and RegTech technologies. Survey responses indicated that the risk reported to be of greatest concern was around resourcing, followed by cyber risk, reputational risk and data quality issues. A particular risk is over-reliance on methods built on historic data, which could lead to incorrect inferences about the future, and the potential for limited transparency of SupTech and RegTech tools. Looking to the future, the potentially catalytic role of data standards and the importance of effective governance frameworks for the use of SupTech and RegTech were also emphasised.

The report includes 28 case studies giving practical examples on how SupTech and RegTech tools are being used. The report is being delivered to G20 Finance Ministers and Central Bank Governors for their virtual meeting on 14 October.
Notes to editors

The FSB will publish a report on BigTech firms in financial services in emerging market and developing economies in the coming days, as a follow-up to its November 2019 report on market developments and potential financial stability implications of BigTech in finance.

The FSB coordinates at the international level the work of national financial authorities and international standard-setting bodies and develops and promotes the implementation of effective regulatory, supervisory, and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The FSB also conducts outreach with approximately 70 other jurisdictions through its six Regional Consultative Groups.

The FSB is chaired by Randal K. Quarles, Vice Chairman, US Federal Reserve; its Vice Chair is Klaas Knot, President of De Nederlandsche Bank. The FSB Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

For further information on the FSB, visit the FSB website, www.fsb.org.