

RegTech: Solution to Streamline Reporting Procedures

2020

RegTech: Solution to Streamline Reporting Procedures

2020

© Lietuvos bankas

Gedimino pr. 6, LT-01103 Vilnius, Lithuania

www.lb.lt

regtech@lb.lt

1. EXECUTIVE SUMMARY

RegTech is an initiative to create a smart solution that would streamline reporting procedures as well as reduce the administrative burden and reporting costs for both supervised entities and the regulator. It will allow the Bank of Lithuania – the supervisory authority – to generate reports in a timely and accurate manner, gain insights on potential market risks and share them with financial market participants, resulting in more efficient supervisory practices.

The initiative is run in partnership with FinTech HUB LT. Two IT software companies were selected via GovTech Lab, a platform that ensures cooperation between the government and the business community and nurtures a culture of innovation in the public sector. The prototypes of the information exchange tool were developed by PEEKDATA.IO and COLUMBUS LIETUVA, UAB.

To improve the productivity of the testing phase, the electronic money institutions UAB ConnectPay and INTERPAYLINK as well as the mobile banking platform company PAYSOLUT have granted access to their test data.

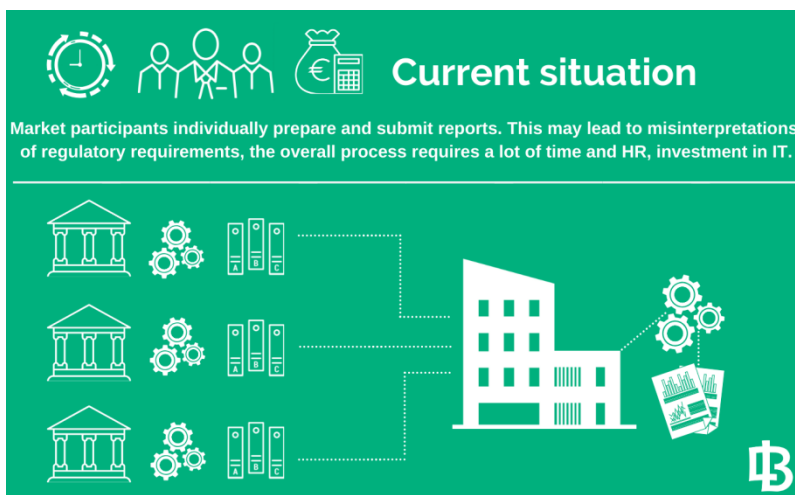
The solution has already been tested and is currently in the advanced stages of MVP development.

The assessment of MVP testing (H1 2020) will evaluate the viability of further development (types of financial market participants and specific reports, investments needed for further implementation, projections of possible implementation times and transitional conditions).

Depending on the assessment results, the project will be extended to develop RegTech tools that would simplify financial, operational and statistical reporting for financial market participants, thus moving to a micro-data exchange model and employing API technology for supervisory activities.

2. CURRENT SITUATION

- The preparation of reports requires a great deal of financial institutions' resources.
- The report calculations are not standardised.
- Financial institutions' reports contain aggregated data, leaving no possibility for detailed investigation and analysis.
- The reports are not delivered in a timely manner.
- There is a risk of an uncontrolled fintech environment.



3. CHALLENGE

What technological solution would allow the Bank of Lithuania to automatically obtain from market participants the data necessary for supervisory purposes?

4. SOLUTION

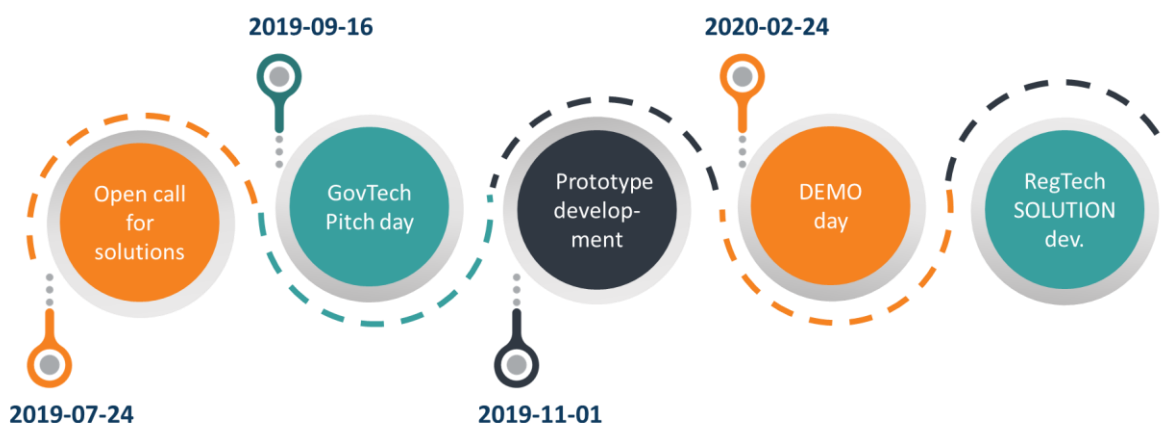
The main objective is to create a smart solution that would streamline reporting procedures and reduce the administrative burden and reporting costs.

A technological solution will allow the Bank of Lithuania to obtain structured micro-level data and automatically transfer it to the required reports, including the ability to access data in a specified format or manner.

Such a solution will allow financial institutions to save time and reduce HR costs and IT investment expenditure.

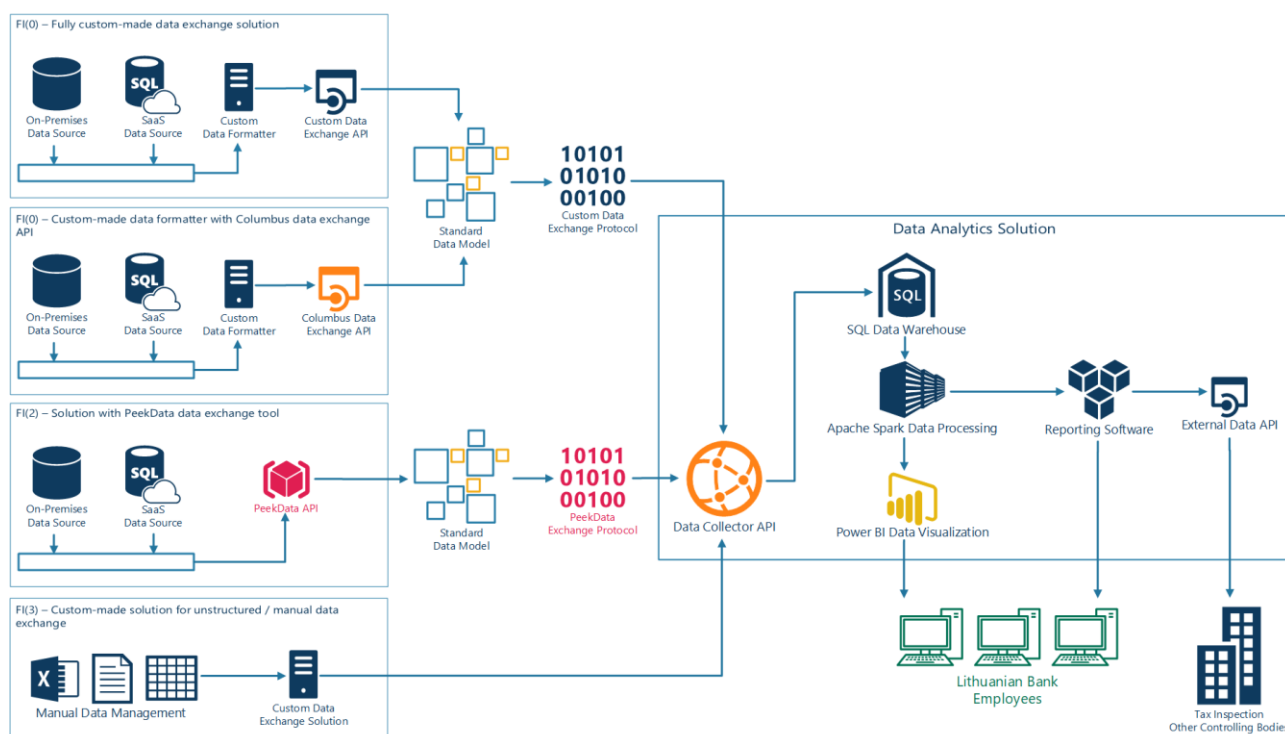
It will also allow the Bank of Lithuania – the supervisory authority – to generate timely and accurate reports as well as gain insights on potential market risks and share them with financial market participants. This would not only improve the efficiency of supervisory practices, especially as the number of market participants continues to grow, but would also have a positive impact on the financial stability and soundness of the financial system.

5. INITIATIVE TIMELINE



6. WHAT HAS ALREADY BEEN ACCOMPLISHED

- **ConnectPay, Interpaylink** and **Paysolut** have granted access to their testing data and IT environment.
- Data has been automatically collected and processed by **Columbus** solution.
- The **Bank of Lithuania** has received access to reports through the **Power BI** toolset.
- **Two real-life reports** have been selected for MVP.
- **Bank of Lithuania Analytics** can drill-down through the reports to the detailed data for a **deep-dive analysis**.



7. BENEFITS

It is expected that once the full application of the API technology is implemented, reporting *per se* will cease to exist. As a result, financial institutions will not have to bear the cost of changing regulatory regimes, as the supervisory authority itself will be able to produce different break-downs. This could lead to a shift in the supervisory approach from principle-based to insight-based supervision, where the national competent authority gains insights on potential market risks and shares them with financial market participants via API, which, in turn, would have a positive impact on the financial stability and soundness of the financial system.

The innovation would boost the attractiveness of Lithuania's financial sector, as market entrance for new participants would be eased and expedited.

Benefits for the industry

- Data processing done by the Bank of Lithuania
- Greater accuracy and fewer mistakes
- Increased possibilities to spot new patterns and get insights
- A platform for sharing data and insights

Benefits for financial institutions

- Low-cost implementation of regulatory requirements and changes thereof
- Reusable solution for customers and partners
- Faster development of reports and data applications
- Transparency and trustworthiness
- Greater focus on main business

Benefits for the supervisory authority

- Faster and automatic data collection
- Access to detailed data
- Faster access to micro-data
- Increased transparency