

PRESS RELEASE

Cambridge, UK and Tokyo, Japan – September 4th 2019

Global RegTech industry earned an estimated \$5 billion in 2018 following five-year surge in startup activity, says first Global RegTech Benchmarking Report by the Cambridge Centre for Alternative Finance with support from EY Japan.

The global RegTech (Regulation Technology) industry generated an estimated \$5 billion in revenue in 2018, as regulatory changes and technological advancements drove a surge of new startups in the past five years. These estimates were unveiled today (September 4th) in the first Global RegTech Industry Benchmarking Report issued by the Cambridge Centre for Alternative Finance (CCAF) at Cambridge Judge Business School and sponsored by EY Japan.

CCAF's first in-depth study of the RegTech sector suggests the industry is seeing rapid growth and an expanding global footprint. As of 2018, RegTech firms employed an estimated 44,000 people globally, having raised about \$9.7 billion in external funding to date. About 60% of all RegTech vendors in the CCAF research sample were founded between 2014 and 2018, and 82% had their first funding round during this period.

The CCAF report, which is based on a survey of 111 RegTech firms and qualitative interviews with industry experts and regulators, was unveiled at FIN/SUM in Tokyo, the largest FinTech event in Japan.

The report found that the industry is already highly international, with fewer than one-third of RegTech vendors active in just one market and over a third present in five or more jurisdictions. Nearly two-thirds of vendors had a physical presence or significant market share in the UK, and nearly half have the same in the US. There are also significant RegTech activities in Australia, Canada, Singapore, Hong Kong, Japan, Luxembourg, Switzerland, Ireland, Germany and France.

Survey findings suggest that a few key technologies, including the cloud, natural language processing and machine learning, as well as big data analytics, are at the heart of RegTech activity. RegTech offerings have been particularly in demand from firms that have to report large volumes of data to standard formats for supervisory purposes, or firms that risk large fines or criminal sanctions for not complying with specific regulations. Thus offerings focused on anti-money laundering requirements or on creating data lakes for reporting purposes, are relatively common.

By looking at how technologies interact with client use cases, CCAF researchers identified five distinct segments of the RegTech market. The largest by funds raised to date were the Profiling and Due Diligence and Dynamic Compliance segments, while the largest share of turnover was claimed by firms in the Reporting and Dashboards and Risk Analytics segment. A smaller Market Monitoring segment was also identified.

The report also points to challenges facing the industry. Long sales cycles, complex IT planning within client institutions, difficulties in establishing trust and high levels of competition have left some vendors struggling to gain traction. A handful of larger vendors thus dominated most funding and commercial

activity; but a half had raised less than \$1.6 million; and over a quarter had received no formal external funding. The report suggests that partnerships and co-creation with clients and other partners can help overcome such constraints.

Bryan Zhang, CCAF Executive Director, said in a foreword to the report:

“Building on our Centre’s previous work in benchmarking various FinTech sectors, this report brings together empirical data in order to elucidate the size, growth, dynamics and development of the RegTech sector.”

“The report findings point to a rapidly growing and technology-enabled global industry serving an increasingly diversified customer base, yet still working to establish trust and credibility as it matures.”

Keiko Ogawa, Partner and EY Japan RegTech Leader, said in a foreword:

“In close collaboration with the EY Global Network, EY Japan has been working with many parties in public and private sectors to create a global environment that boosts RegTech innovation.”

“A variety of key players, including regulated companies, regulators, technology start-ups, and research institutions, can contribute to each other and mutually benefit, and further drive innovation in the entire society. We hope that this report will provide them with some indication of to how to realize such a RegTech ecosystem.”

The Report’s survey fieldwork was supported by the International RegTech Association (IRTA) and the Australia-based RegTech Association, while EY Japan and the Fintech Association of Japan helped CCAF reach more of the Japanese RegTech market.

Firms headquartered in Japan made up 4 per cent of the survey sample and just over twice that total (9 per cent) had operations in the country. While both figures place Japan within the top RegTech jurisdictions, they are small relative to its share of world GDP and trade, suggesting room for further growth.

Lead CCAF researcher Emmanuel Schizas commented on the findings from Japan:

“The local market stands out compared to those of other countries for the high share of non-financial industries such as food, personal care, healthcare, pharma and public administration in RegTech firms’ sales pipelines. There is a greater emphasis among Japan-based firms on fraud detection and customer identification as core use cases, particularly those powered by machine learning.”

“In Japan, as elsewhere, regulators seek a balance between helping the sector grow, collaborate and build public goods; and letting firms make their own commercial case for automating compliance. It will be interesting to see how Japan’s network of Regulatory Sandboxes interacts with the RegTech sector. The level of demand for such assistance is comparable with that at the global level, where one in five firms has applied to a Sandbox.”

This is not the first time CCAF research has examined regulators’ interest in the potential of RegTech and SupTech [Supervisory Technology]. This growing trend was discussed in a report by CCAF and the FinTech Working Group of the United Nations Secretary-General’s Special Advocate for Inclusive

Finance for Development (UNSGSA), published earlier this year. The latest CCAF report corroborates and adds to those findings.

Bruno Abriux, President of the Japan Chapter of the International RegTech Association (IRTA), welcomed the report:

“This report is an important piece of benchmarking on the impact of RegTech and opportunities for better industry alignment to scale adoption on a global basis. The key findings will help the IRTA to deliver our goal of supporting the development of the collaborative framework and initiatives between regulators, institutions and solution providers.

“Building a shared understanding of how and where the core technologies in RegTech are delivering more effective regulatory outcomes and the factors behind successful adoption is a vital building block for the industry. By sharing and building upon this insight, we can help shape and support the impact and growth of RegTech.”

Deborah Young, CEO, The RegTech Association added that:

"The need for evidence based research for RegTech is paramount. To understand the breadth, size and growth of what is now a thriving, global industry is key in setting the cornerstone for trust, efficiency and productivity across not only financial services but all regulated industry verticals. The RegTech Association is pleased to have been able to support this global data collection exercise by CCAF and EY Japan."

Both the English and Japanese versions of the Global RegTech Industry Benchmark Report can be downloaded from: <https://www.jbs.cam.ac.uk/faculty-research/centres/alternative-finance/publications/the-global-regtech-industry-benchmark-report/>

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About the CCAF:

The Cambridge Centre for Alternative Finance (CCAF) is an international and interdisciplinary research centre based at the University of Cambridge Judge Business School. It is dedicated to the study of innovative instruments, channels, and systems emerging outside of traditional finance. This includes, among others, crowdfunding, marketplace lending, alternative credit and investment analytics, alternative payment systems, cryptoasset, distributed ledger technology (e.g. blockchain) as well as related regulations and regulatory innovations (e.g. sandboxes and RegTech). [Link](#)

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Notes to editors:

1. The CCAF estimates of industry headcount, revenue and funds raised are extrapolations from a sample of 111 of firms, of which some did not respond to the relevant questions. Estimates of turnover and funds raised for non-respondents and the unobserved population rely on figures made public by third parties; third-party estimates of the size of the total population; and the assumption of a consistent turnover-per-employee ratio and fundraising total across firms of the same employee size-band.
2. The CCAF and UNSGSA FinTech working group report can be found [here](#).