

# Regtech: understanding your priorities for 2023/24



# Introduction

We're delighted to present the results from our regtech survey in collaboration with City of London Corporation. This report reviews the critical themes, immediate priorities, and long-term focus for the financial services and insurance sector.

The field of regtech is currently worth £6.6 billion a year in the UK and increased customer demand, government regulation and interest from investors is catalysing rapid growth – bringing a huge impact on the global economy. To get a clearer idea of what's happening in the industry we surveyed regtech vendors, advocates, and financial services regulated firms.

In conjunction with City of London Corporation, we designed a specific set of questions to understand the needs of the UK regtech ecosystem and map the critical themes across the industry. 40 organisations shared their views with us, uncover the key results below.

Benchmarking a global regtech industry standard in this complex environment and understanding what good looks like is difficult even for larger firms with well-established and robust processes. The indication is that open and safe communication on how they compare to their peers is a priority across the industry.

Regtech buyers are indicating the need to navigate complex regulations, such as ESG and Consumer Duty in a way that allows them to understand what's working well for other firms. This type of open-source environment will offer participants the opportunity to reduce regulatory risk and meet requirements in a more efficient and faster manner in the medium to long-term future.

“We're proud to have collaborated with the City of London Corporation and to develop a comprehensive survey covering key actors in the regtech ecosystem (regulated firms, regtech vendors and trade bodies). This survey has delivered meaningful insights into how to strengthen the regtech ecosystem to benefit all participants and deliver greater value.”

**Nikhil Asthana, Head of Data, RegTech and Digital Practice**

# Key findings

39%



of respondents put horizon scanning as the most challenging aspect of the regulatory environment.

50%



of regtech vendors highlight the areas of opportunity are environmental, social and governance (ESG), financial crime and AI (artificial intelligence) regulations.

65%



of regulated firms anticipate more regulatory obligations in 2023/24, but only 50% will invest more in regtech solutions during this period.

47%



of respondents highlighted easy of use and integration as key when buying regtech.

30%



of regtech vendors' biggest focus over the next 12 months is acquiring new clients.

10%



of the ecosystem want regtech learning and development to share best practice and successful use cases.

The top two areas of investment over the next 12 months for regtech users is:



Fincrime



Horizon scanning

The top priority areas all represent and desire or need for collaboration between the three personas surveyed. The need for an industry body to bring each of the parties together in a focused and strategic format is the predominate take away.



47% of regtech vendors have 50% or more of international business.

With Europe and North America accounting for over 50% of marketing where vendors are planning to expand into.



When buying new reg tech, one in four firms advise integration with exiting systems is key, with 23% considering ease of use key as well.

25%



of respondents highlighted that a clear signal from the regulator would help them invest more in regtech solutions.

#1 Data privacy  
#2 Financial crime  
#3 ESG

top three areas for regulated firms that are integral to their regulatory plans over the next 12 months.

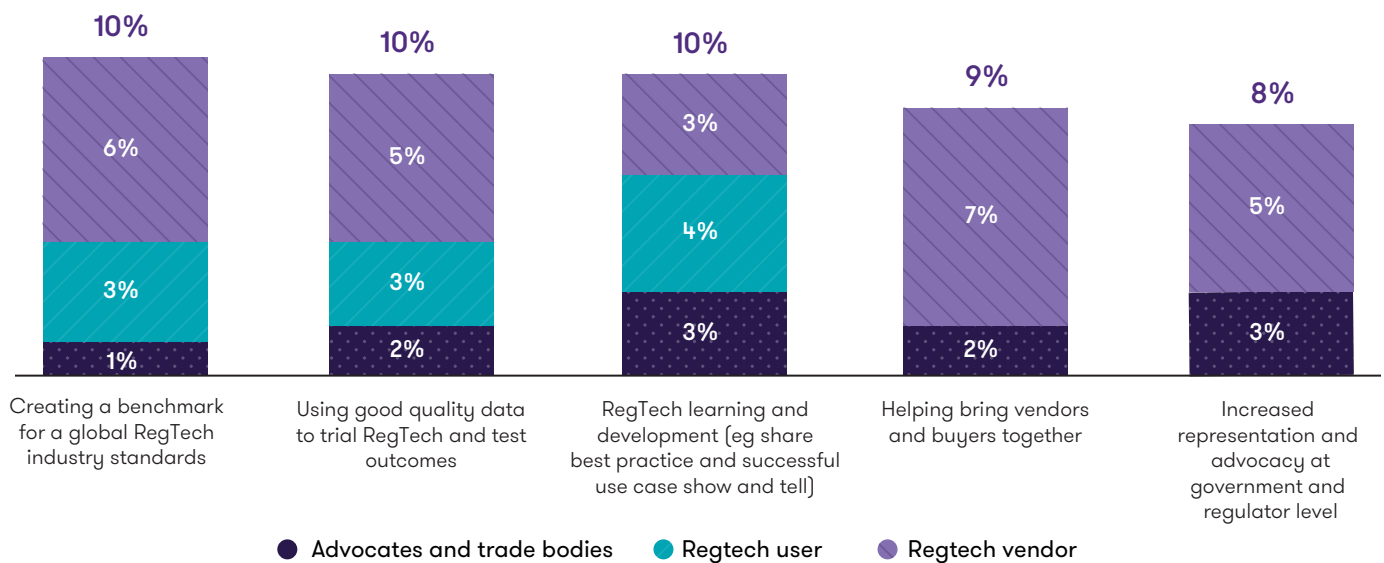
# Top trending

## Top five priorities for regtech ecosystem areas

The top five regtech ecosystem areas all represent a need for collaboration between the three different personas surveyed (regtech buyers, regtechs and advisors). The key takeaway is the need for an industry body to bring each of the parties together in a focused and strategic format.

- 1** Creating a benchmark for a global RegTech industry standards
- 2** Using good quality data to trial RegTech and test outcomes
- 3** RegTech learning and development (e.g. share best practice and successful use case show and tell)
- 4** Helping bring vendors and buyers together
- 5** Increased representation and advocacy at government and regulator level

**Fig 1: Of the activities and outcomes listed below, could you indicate the top 5 you think should be prioritised?**



# Opportunities

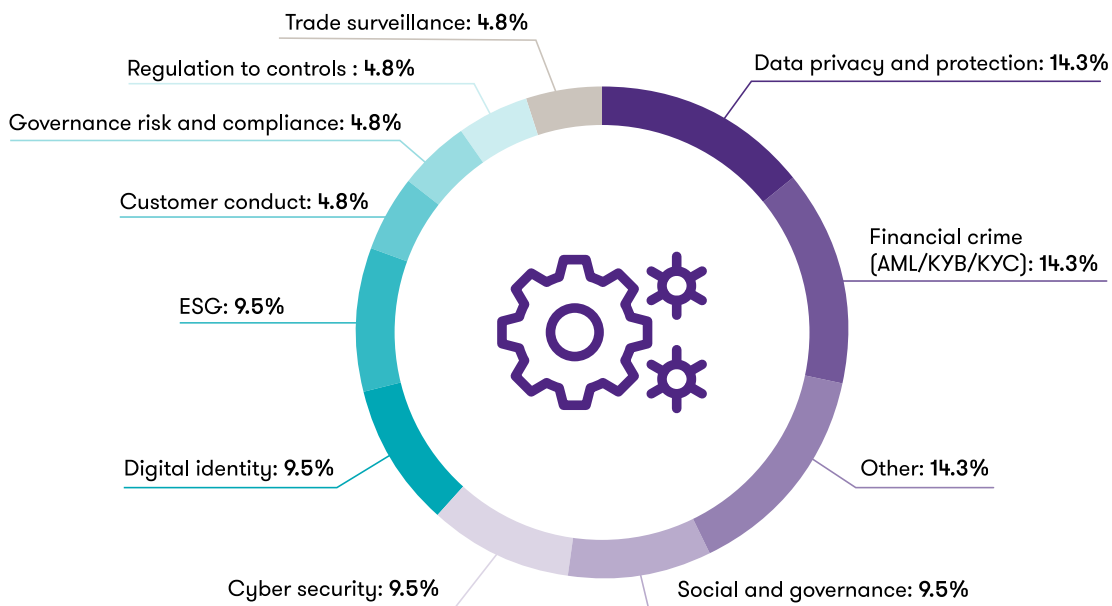
## The role regtech will play in the future

In the current volatile financial climate, many believe that the best way forward for the regtech ecosystem is to offer more engagement-sharing best practice for learning and development to allow all involved to contribute, understand, and benefit from regtech solutions.

One of the biggest challenges facing regtech is the ease of use and implementation. Many organisations have legacy systems and complex data structures that don't allow the true benefits of regtech solutions – an ecosystem where all parties can work together to address these challenges and define benchmarks for best practice will make more adoption more efficient.



**Fig 2: Looking further ahead, what do you see as the biggest areas of opportunity for developing new regtech solutions?**



# Regulatory challenges

## The regtech buyers priorities

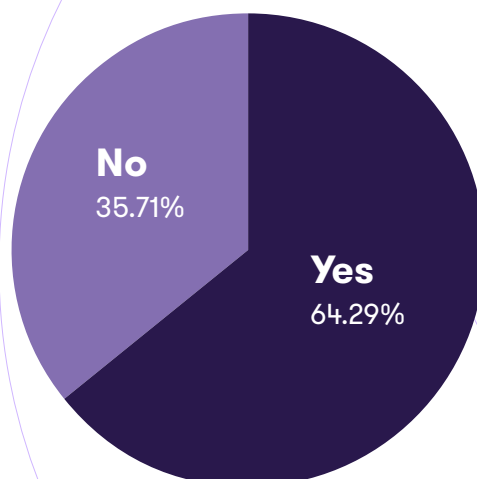
Horizon scanning, regulatory interpretation, and regulation to controls remain a priority and area of continued focus for regtech users. These predominantly manual processes are long-established within regulated entities. The need to automate and tech enable these processes within the business is a constant conversation between the regtech buyer/user and their regulator.

The survey does open the door for technology-based solutions to play their part in solving this complex interconnected area. ESG and data privacy are more recent regulatory requirements, and if a regtech association, hopefully established in the near future, can have an early influence on benchmarks and open-source materials, the benefits for the ecosystem will be invaluable.

**Fig 3: What aspects of the regulatory environment do you find challenging?**



**Fig 4: Do you anticipate more regulatory obligations in 2023/2024 than in previous years?**

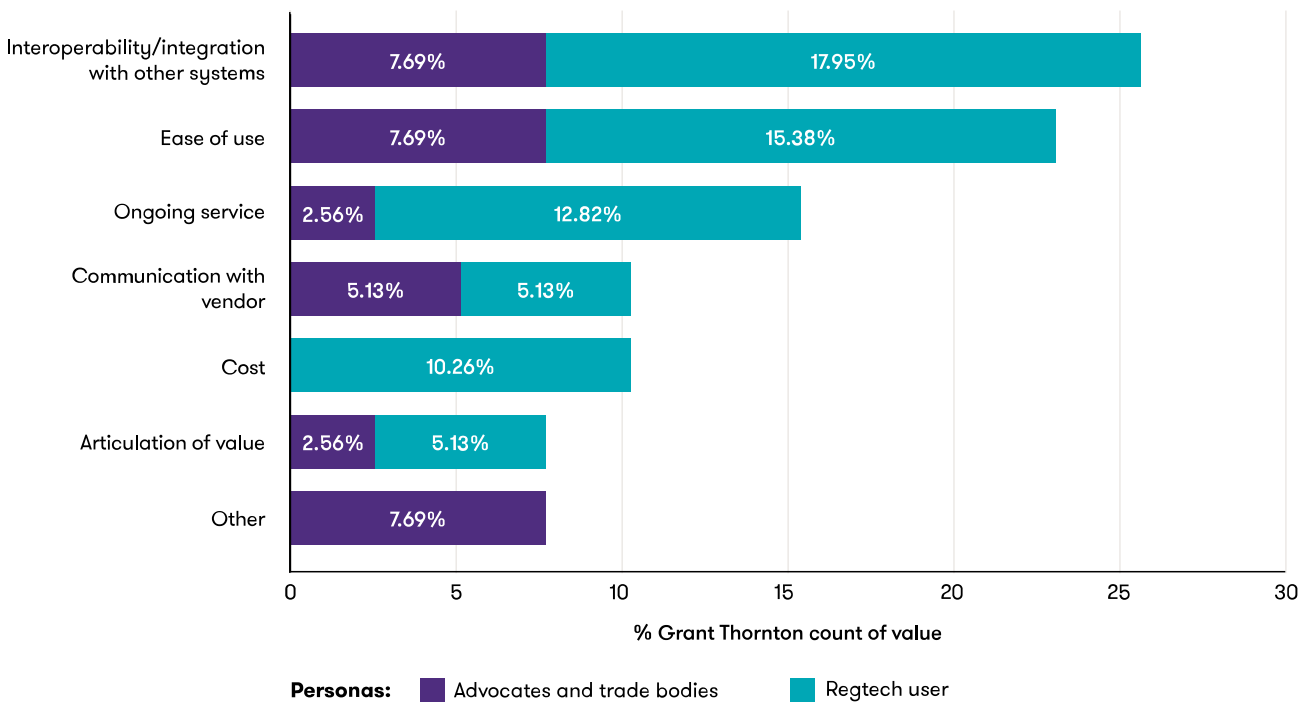


# Investing in technology

## Key areas of focus

When buying new regtech, one-in-four firms advise integration with exiting systems is key, with 22% considering ease of use as key as well. There's a clear message from the market, supported by regulators, that key c-suite buy-in from their peers would create a path for them to invest in a clear regtech strategy.

**Fig 5: What's important when buying new technology?**



“Compliance management costs are skyrocketing at rates that far outpace S&P growth. The potential costs of non-compliance can reach billions of dollars every year. The use of technology in 2023 is mission critical to overcome the complexity and velocity of regulatory changes.”

**Compliance.ai**

“As the complexity of regulatory requirements continues to intensify, enterprises clearly need technology solutions that are intelligent by design, easy to use, scalable and customisable. The organisations today want to take a proactive approach to risk and compliance and will continue investing in solutions that deliver on this promise.”

**MetricStream**

# Regtech solutions

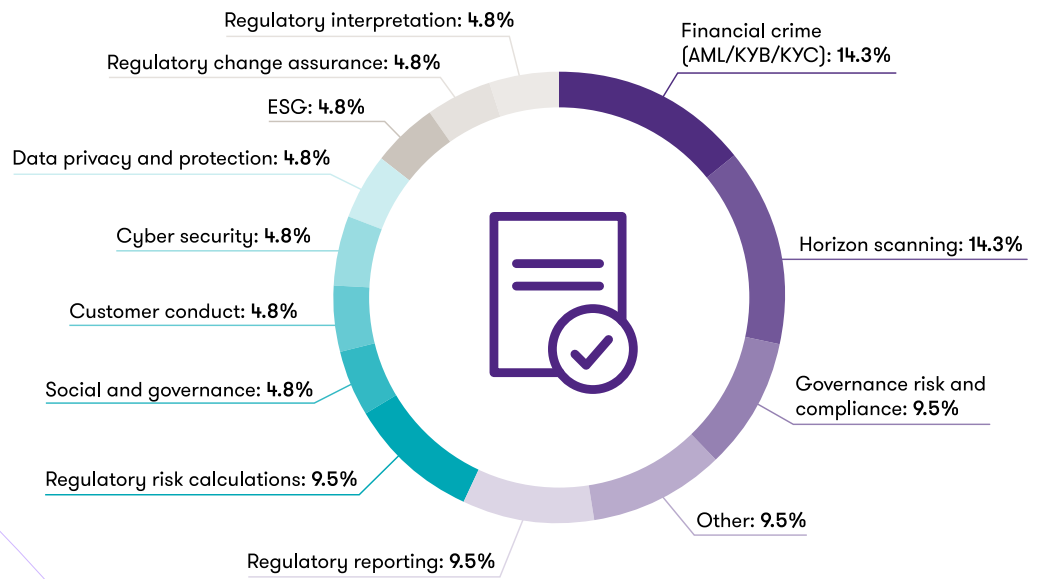
## Top five areas for regtech budget

The main regtech solutions regulated firms are looking to buy over the next 12 months are:

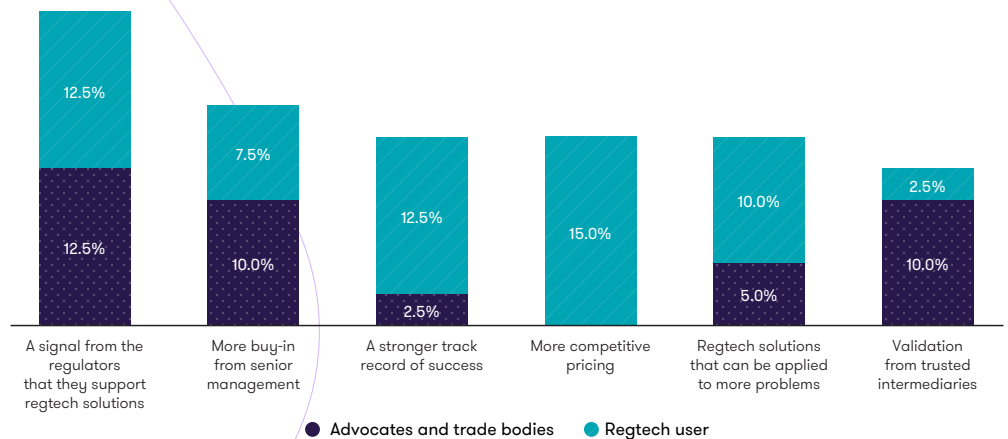
- financial crime
- horizon scanning
- governance risk and compliance
- regulatory reporting
- regulatory risk calculations.

Even though other areas of the regulatory taxonomy have been identified as more challenging, the core elements of regtech are still investment priorities.

**Fig 6: What regtech solutions are you looking to buy over the next 12 months?**

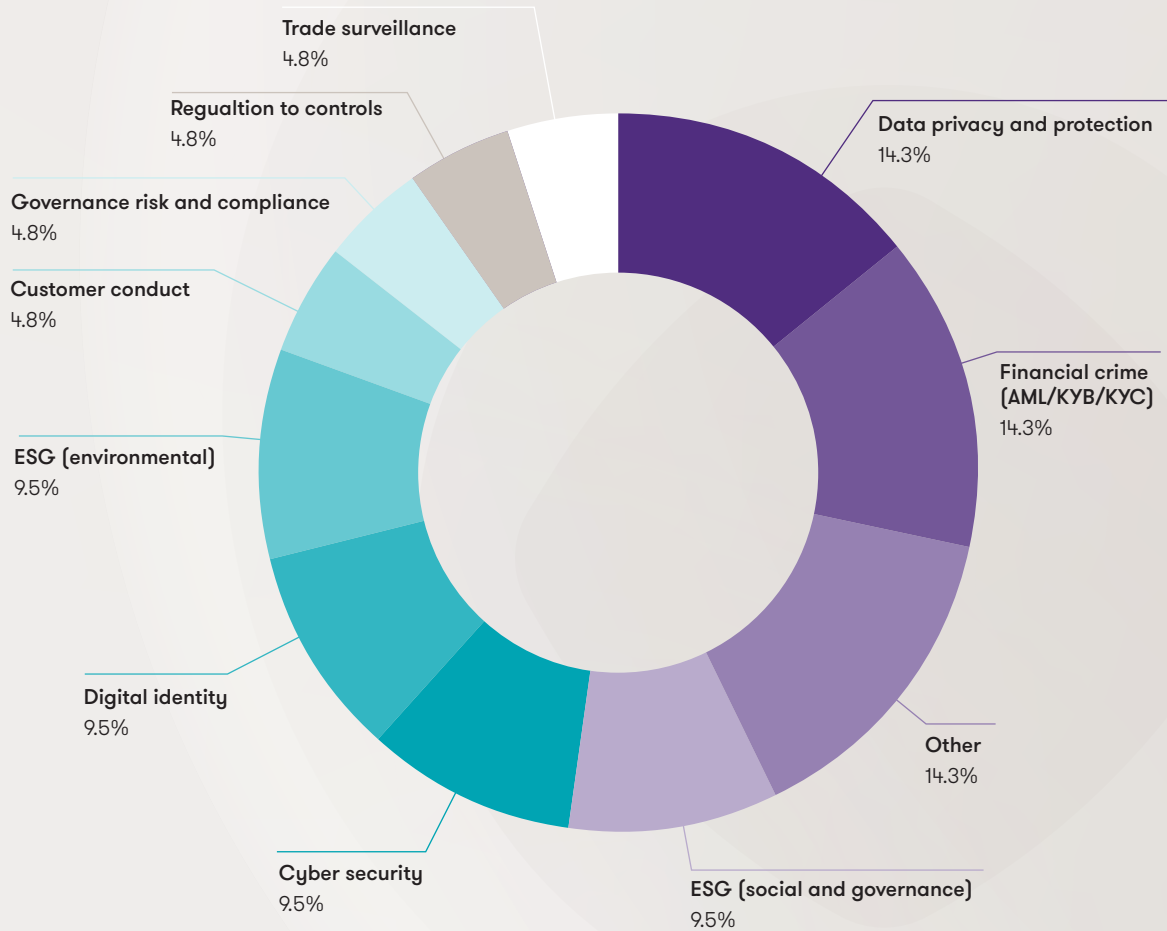


**Fig 7: What regtech solutions are you looking to buy over the next 12 months?**





**Fig 8: What regtech solutions do you see as integral to you regulatory plans?**



“Against a backdrop of increasing regulations and scrutiny, practitioners must embrace technology that elevates connected governance across their ever more complex and interlinked systems. The context it reveals will deliver confidence, enabling sustainable risk management and compliance activities, and instilling trust in customers and regulators.”

**Solidatus**

# International focus

RegTechs establishing international and diverse customer base

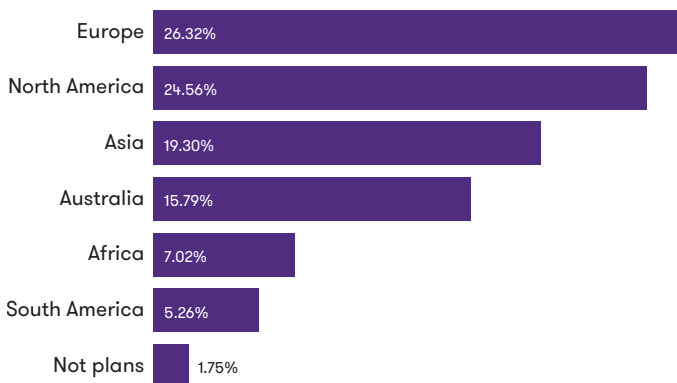
**Fig 9: Do you trade internationally?**



79%

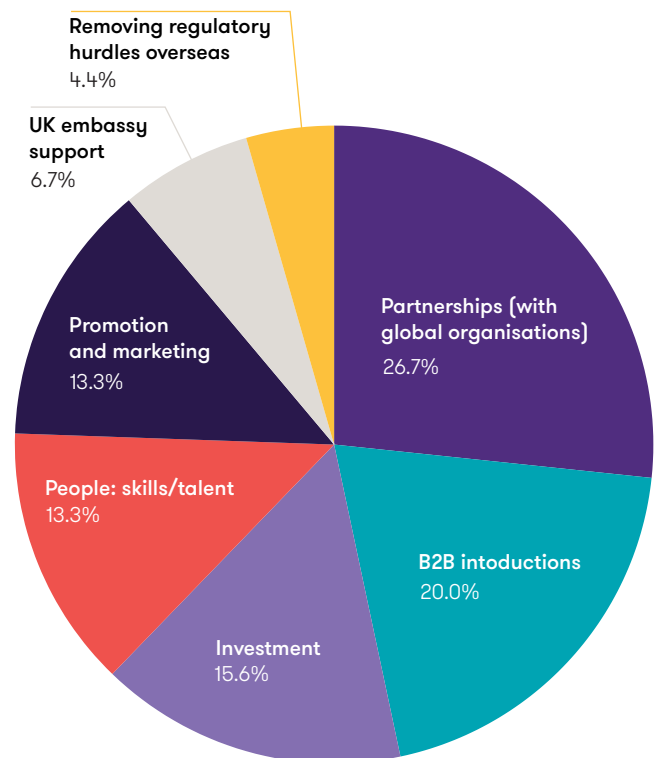
of regtech vendors trade internationally, with a further 10% planning to expand international over the next 12 months.

**Fig 10: Which international markets are you planning on expanding into?**



UK RegTechs trading internationally have opportunities for market expansion, technology adoption, regulatory harmonisation, collaboration with international partners, and entry into emerging markets.

**Fig 11: What would help you expand internationally?**



However, they also face challenges related to regulatory variations, data privacy, cultural barriers, competition, legal and compliance complexities, and financial considerations. By addressing these challenges and leveraging opportunities, UK RegTechs can thrive in the global marketplace.

“The survey results clearly indicate a strong international presence for regtech firms headquartered in the UK, and a desire for further international expansion. Partnerships with global organisations, B2B introductions and investments have been indicated as key factors which can foster international growth – a meaningful insight to understand how we can best help regtech in the UK achieve its potential beyond our borders.”

**City of London Corporation**

# Conclusion

The global regtech market is rapidly growing due to increasing regulatory requirements and the need for more efficient compliance solutions. The UK is leading the way in this industry with a supportive regulatory environment and a well-established financial services sector. To succeed in this market, regtech firms need to focus on innovation and collaboration with financial institutions to deliver effective and customisable solutions.

The regtech industry in the UK is experiencing significant growth and is valued at £6.6 billion per year. The industry is driven by increased customer demand, government regulation, and investor interest.

From our survey results conducted in collaboration with The City of London Corporation, we can see that horizon scanning remains the most challenging aspect of the regulatory environment for 39% of respondents, while environmental, social and governance (ESG), financial crime, and artificial intelligence (AI) regulations are the top areas of opportunity for regtech vendors.

Regulated firms anticipate more regulatory obligations in 2023/24, with fincrime and horizon scanning being the top two areas of investment over the next 12 months for regtech users. Integration with existing systems and ease of use are crucial considerations for firms when buying new regtech solutions.

There is a clear need for collaboration between regtech buyers, regtechs, advisors, and an industry body to bring each of the parties together in a focused and strategic format. The role of regtech in the future is essential, offering more engagement, sharing of best practice, and learning and development opportunities to enable all parties to contribute, understand, and benefit from regtech solutions. Organisations' focus with regards to technology has shifted more than ever over the last decade with the realisation that regulated firms will see a benefit from changing their approach to emerging regulatory risk. The benefit of transformation will only be realised by embedding regtech into the culture and embracing the changing landscape. Overall, the future looks promising for regtech in the UK, with significant opportunities for growth and innovation in the years to come.



**Nikhil Asthana**  
Head of Data, RegTech  
and Digital Practice  
Financial Services Group  
E [Nikhil.Asthana@uk.gt.com](mailto:Nikhil.Asthana@uk.gt.com)



**Maria Phillips**  
Associate Director  
Data, Regtech & Digital Advisory Practice  
Financial Services Group  
E [Maria.b.phillips@uk.gt.com](mailto:Maria.b.phillips@uk.gt.com)



**Martin Trotter**  
Manager  
Data, Regtech & Digital Advisory Practice  
Financial Services Group  
E [Martin.a.trotter@uk.gt.com](mailto:Martin.a.trotter@uk.gt.com)

[GRANTTHORNTON.CO.UK](https://www.grantthornton.co.uk)

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