EBA RegTech Industry Survey - Financial institutions - Areas of Focus

> Fields marked with * are mandatory.

1 Section C

Please report RegTech solutions in the four specific areas of focus: i) AML/CFT – on going monitoring of the business relationship and/or transaction monitoring, ii) creditworthiness assessment, iii) compliance with security requirements and standards (information security, cybersecurity, payment services), or iv) supervisory reporting.

This part should be completed only by **financial institutions who have RegTech solution(s)** (in use /launches, pilot testing or under development) **in the** mentioned **areas of focus**.

Please respond for each RegTech solution separately. In practice this means that you are invited to submit this section multiple times if you have more than one solution that you would like to report.

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* 1.2 **Name of the respondent financial institution**
(please use the same name used in the general part of the survey)

[   ]

* 1.3 **Which area does the RegTech solution in use/launched, pilot testing or under development belong to?**

  ○ AML/CFT – on going monitoring of the business relationship and/or transaction monitoring
  ○ Creditworthiness assessment
  ○ Compliance with security requirements and standards (information security, cybersecurity, payment services)
  ○ Supervisory reporting

* 1.4 **Please provide a brief explanation on the (EU or national) regulatory requirements that the solution helps to comply with.**

[   ]

* 1.5 **What is the status of development of this RegTech solution at your institution?**

  ○ In use / launched
  ○ Pilot testing
  ○ Under development

* 1.6 **Did the adoption of the RegTech solution require the approval of the competent authority?**

○ Yes, a prior authorisation was required

○ No, but a notification to the competent authority was required

○ No, there is no requirement or expectation to seek the approval of national competent authority for the adoption of such RegTech solution.

1.7 Did you anyway contact your competent authority to discuss the adoption of the RegTech solution?

○ Yes, via innovation hub

○ Yes, via regulatory sandbox

○ Yes, via bilateral ad hoc meeting with Supervisory Departments

○ Yes, via bilateral ad hoc meeting with other Departments (e.g. technical functions)

○ Yes, via other communication channels

○ No

1.8 Please specify the "other communication channel"

[ ]

* 1.9 **What are the underlying technologies of the indicated RegTech solution?**

☐ Artificial intelligence (including Machine Learning or Natural Language Processing, among others)

☐ Big Data analytics (defined as the use of advanced analytic techniques such as machine learning, against very large, diverse data sets from different sources, and in different sizes)

☐ Distributed Ledger Technology

☐ Biometrics

☐ Cloud computing

☐ Application Programming Interfaces (APIs)

☐ Other

1.10 Please specify the other underlying technology(-ies)

[ ]

* 1.11 **How has the indicated RegTech solution been developed?**

○ Developed in house

○ Developed in house with the support of an external party

○ Commercial off-the-shelf (COS)

○ Software as a Service solution (SaaS)

○ Other

1.12 Please specify how the RegTech solution has been developed

[ ]

* 1.13 **How long has the adoption of this in-house RegTech solution taken?**

(Please consider the time span elapsed from the design and prototyping of the solution to the end of the implementation phase/launched in production)

[   ] Months

* 1.14 How long has the adoption of this third party RegTech solution taken?
(Please consider the time span elapsed from the first contact with the ICT third party provider to the end of the implementation phase/launched in production

[   ] Month(s)

* 1.15 Do you consider the adoption of this RegTech solution as an outsourcing subject to the EBA guidelines on outsourcing arrangement (EBA/GL/2019/02, 25 February 2019)?

- ○ Yes, not critical or important function
- ○ Yes, critical or important function
- ○ No, because the use of RegTech solution is considered to be a form of "third party reliance" (Article 25 to 29 AMLD) [FOR AML/CFT USE CASES ONLY]
- ○ No

1.16 Please explain how do you qualify the relationship with the ICT third party provider and how do you ensure that in any case this relationship is in the scope of your internal control framework.

[   ]

1.17 What is the agreed pricing model?
- ☐ Upfront fee
- ☐ Flat price subscription
- ☐ Per usage pricing (e.g. number of users / volume of transactions)
- ☐ Tiered
- ☐ Per storage pricing
- ☐ Feature based pricing
- ☐ Freemium
- ☐ Other

1.18 Please specify the agreed pricing model

[   ]

1.19 The agreed pricing model includes:
- ☐ on-going maintenance of the solution, aimed at fixing problems
- ☐ periodic updates to upgrade the solution
- ☐ changes due to amendments in the applicable regulatory framework

1.21 What are the advantages of the RegTech solution you have adopted, compared to traditional solutions?
(Please indicate the significance of each factor in a 1 to 5 scale, where 1 stands for "Not relevant" and 5 stands for "very relevant")

	1 - not relevant	2	3	4	5 - very relevant
Greater accuracy	○	○	○	○	○
Optimisation of data	○	○	○	○	○
Cost reduction	○	○	○	○	○
Speed	○	○	○	○	○
Enhancement of the integration between different systems	○	○	○	○	○
Real time monitoring	○	○	○	○	○
Scalability	○	○	○	○	○
Readiness to adapt to new regulations	○	○	○	○	○
Other	○	○	○	○	○

1.22 Please specify the other advantage(s)

1.23 Please provide any additional comments on the advantages, if relevant

* 1.25 **To what extent did the adoption of the relevant RegTech solution reduce the need for human intervention by financial institutions' employees?**

○ Complete automation
○ Significant automation (70% +)
○ Partial automation (30-69%)
○ Limited automation (29% - 0%)

1.26 As manual intervention by financial institutions' employees/experts is, to a certain extent, still needed, please specify for which tasks the manual intervention is required and what prevents further automation?

* 1.27 **How do you monitor the performance of the RegTech solution on an ongoing basis?**

☐ Use of AI/ML models for the automated monitoring of the solution performance
☐ Ad hoc reporting obligations (e.g. on downtime duration and/or any incidents occurred)
☐ Ex post tests on a random sample of processed data
☐ Independent reviews
☐ Other

* 1.28 **How do you monitor the performance of the RegTech solution on an ongoing basis?**

- ☐ Use of AI/ML models for the automated monitoring of the solution performance
- ☐ Ad hoc reporting obligations (e.g. on downtime duration and/or any incidents occurred)
- ☐ Ex post tests on a random sample of processed data
- ☐ Using periodic reports released by the ICT third party provider
- ☐ On-site audit checks
- ☐ Independent reviews
- ☐ Other

1.29 Please specify which are the other tools you use to monitor the performance of the RegTech solution on an ongoing basis.

[ ]

1.30 What key performance indicators do you take into account to assess the performance of the RegTech solution?

[ ]

1.31 What are the possible remediation actions/back up plan, in case the RegTech solution does not meet the minimum performance expectations?

[ ]

* 1.32 **Have you made an ex-post assessment on the performance of the RegTech solution implemented, compared to the previous solution/process/approach?**

- ○ Yes
- ○ No

* 1.33 **Did the results meet your initial performance expectations?**

- ○ Yes
- ○ No

1.34 Please briefly explain why the results met your expectations

[ ]

1.35 Please briefly explain the reasons why the results did not meet the expectations and the remedial measures taken

[ ]

* 1.36 **In addition to the general challenges in the implementation of RegTech solutions, have you encountered any specific challenges in the development/adoption of this RegTech solution?**

- ○ Yes

◉ No

1.37 Please complete the table below indicating: (a) any RegTech solution-specific challenge(s); and, for each of them, (b) the actions that you have taken and/or actions that you could take to mitigate any RegTech solution specific challenge; and (c) the possible EU initiatives to address the challenge, if any.

	RegTech solution-specific challenge (brief explanation)	Actions taken by the financial institution to address the challenge	Actions envisaged by the financial institution to address the challenge	Possible EU initiatives to address the challenge (if relevant)
1				
2				
3				

1.38 **Based on your experience, what is the level of risk linked to the use of the indicated RegTech solution?**

(Please indicate the significance of each factor in a 1 to 5 scale, where 1 stands for "Not relevant" and 5 stands for "Very relevant")

	1 - not relevant	2	3	4	5 - very relevant
* Concentration risk	○	○	○	○	○
* Money laundering and terrorist financing risk	○	○	○	○	○
* Operational risk – Legal/conduct risk	○	○	○	○	○
* Operational risk – ICT/cyber risk	○	○	○	○	○
* Reputational risk	○	○	○	○	○
* Step-in risk	○	○	○	○	○
* Sub-outsourcing risk	○	○	○	○	○
Other	○	○	○	○	○

1.39 Please specify which are the other relevant risk(s)

1.40 Please explain how you mitigate the relevant risk(s)

	Measures to mitigate the relevant risk(s)
Concentration risk	
Money laundering and terrorist financing risk	
Operational risk – Legal/conduct risk	
Operational risk – ICT/cyber risk	
Reputational risk	
Step-in risk	
Sub-outsourcing risk	
Other	

* 1.41 Have you identified any concerns from a consumer protection perspective on the indicated RegTech solution?

- ◉ Yes
- ◉ No

1.42 Please briefly describe the identified consumer protection issue

[ ]

1.43 How do you ensure that, in case of termination of the agreement with an ICT third party provider, there will be a smooth migration of the data from the current ICT third party provider to your internal systems or the new ICT third party provider?

[ ]

2 Supervisory reporting

Respondents are advised that the following questions complement answers to the Section F of the EBA Questionnaire on the cost of compliance with reporting requirements. See: https://eba.europa.eu/sites/default/documents/files/document_library/Regulation%20and%20Policy/Supervisory%20Reporting/Cost%20of%20compliance%20with%20Supervisory%20Reporting/897266/4%20-%20Cost%20of%20compliance%20study%20-%20Industry%20Questionnaire.pdf

* 2.1 What reporting requirements does your solution cover?

- ☐ Additional liquidity monitoring metrics (ALMM)
- ☐ Asset encumbrance
- ☐ COREP Own funds
- ☐ COREP Large exposures
- ☐ COREP Leverage ratio
- ☐ COVID-19-reporting (EBA)
- ☐ EBA resolution planning
- ☐ Financial Reporting (FinRep)
- ☐ Funding Plans
- ☐ Liquidity Coverage Ratio (LCR)
- ☐ Net Stable Funding Ratio (NSFR)
- ☐ Supervisory benchmarking
- ☐ Statistical Reporting (e.g. ECB Statistics)
- ☐ Single Resolution Board reporting requirements (e.g. Liability Data Report, Critical Functions Report and Financial Market Infrastructures Report)
- ☐ Major incident reporting under the PSD2
- ☐ Fraud reporting under the PSD2
- ☐ National reporting requirements
- ☐ Other reporting requirements

2.2 Please indicate what other reporting requirements the RegTech solution covers

[   ]

* 2.3 What aspect(s) of the reporting process this solution concerns?

☐ Understand regulation (understand the scope of the reporting obligation and which data needs to be reported)

☐ Extract data from sources

☐ Calculate & reconcile data (incl. internal data quality assurance before submission)

☐ Report and monitor data (incl. post-submission interaction with recipient, resubmissions etc.)

☐ Other

2.4 Please specify which other aspects of the reporting process this RegTech solution concerns

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* 2.6 Are you using more than one ICT third party provider to cover different supervisory reporting requirements?

○ Yes

○ No

2.7 Does RegTech solution you are currently using offer:

☐ a real-time data collection and/or processing for regulatory purposes

☐ lowest level of data granularity to simplify the preparation of your regulatory reporting

☐ the possibility to implement change requests and/or new developments (e.g. new reporting requirements, adding new data sources, etc.)

☐ automatic detection and management of data inconsistency

☐ automatic reconciliation of data to check consistency

☐ integration of data from other systems (e.g. due to empty fields, partial data availability or missing information)

☐ automatic tools for the periodical assessments

2.8 Does the RegTech solution you currently use provide a single, integrated business glossary that defines all business terms used for describing data inputs and outputs used for regulatory reporting?

○ Yes

○ No

2.10 Please provide any other comments related to RegTech solutions on supervisory reporting

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3 AML/CFT ongoing monitoring of the business relationship and transaction monitoring

* 3.1 For which purpose(s) is the RegTech used?

- ○ for transaction monitoring purposes
- ○ for purposes of ongoing monitoring of the overall business relationship, including review and updates, as necessary, of customer risk assessments and further decisions (such as requests for additional information, additional CDD measures)
- ○ for **both** purposes above

* 3.2 Which sources of information does the RegTech solution use?

- ☐ information from the customer
- ☐ internal information from different systems within financial institution
- ☐ official databases or registers (such as regarding beneficial owners)
- ☐ public announcements or warnings of law enforcement or other public authorities
- ☐ information from international standard setters (such as FATF)
- ☐ media, including social media
- ☐ other sources

3.3 Please specify which are the other source(s) of information the RegTech solutions uses

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3.4 Please provide any additional comments on the sources of information used

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* 3.5 Does the RegTech solution automatically identify and take into account any change of the client information over time (e.g. change in place of residency or professional activity)?

- ○ Yes
- ○ No, any change in the information collected in the customer due diligence phase has to be manually inserted

3.6 Please specify what changes can the RegTech solution take into account

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3.7 Who can select monitoring parameters and change them over time?

- ☐ This is done automatically (using AI, ML tools)
- ☐ ICT third party provider on own initiative and without involvement of the financial institution (manually)
- ☐ Financial institution (independently from ICT third party provider)
- ☐ Financial institution (with the technical support of the ICT third party provider)
- ☐ No change to monitoring parameters possible

3.8 Is the RegTech solution you are using able to:

- ☐ Monitor transactions in real-time
- ☐ Monitor transactions ex post
- ☐ Monitor the overall business relationship, including the detection of unusual activity

- ☐ Automatically block the execution of a transaction, should elements of anomaly be detected
- ☐ Trigger alerts so that operators can decide on the execution of a transaction
- ☐ Mention the parameter(s) that triggered the alert
- ☐ Keep track of alerts and related relevant information over time for different purposes, including the identification of patterns
- ☐ Reduce false positive rates, compared to traditional/manual solution you used
- ☐ Support the identification of suspicious transactions reports and facilitate higher quality analysis and assessment of the transactions, compared to traditional/manual solution

3.9 If possible, please indicate to what extent the RegTech solution has been able to reduce your false positive rate

*3.10 **Do you consider that personal data protection requirements are a challenge for the development of effective RegTech solution for AML/CTF on going monitoring of the business relationship and/or transaction monitoring?**

- ○ Yes
- ○ No

3.11 Please briefly explain

3.12 Are you aware of any technological solutions that could help to ensure both high personal data protection standards and effectiveness of AML/CFT on going monitoring of the business relationship and/or transaction monitoring? If yes, please briefly explain

3.14 Please provide any other comments related to RegTech solutions on AML/CFT on going monitoring of the business relationship and transaction monitoring

4 Creditworthiness assessment

*4.1 **What types of loan applications are analysed through the RegTech solution?**

- ☐ residential mortgages
- ☐ consumer credit
- ☐ credit cards
- ☐ leasing to consumers
- ☐ leasing to corporates
- ☐ factoring

☐ loans to SMEs

☐ loans to large corporates

☐ other(s)

4.2 Please indicate the other types of loans that are analysed through the RegTech solution

What are the main elements and sources of information that the current RegTech solution takes into account in the creditworthiness assessment?

4.3 Financial/economic data:

☐ Data provided by applicant

☐ Internal financial data on repayment capacity

☐ Internal data on payment behaviour

☐ Payment accounts data obtained through account information services F

☐ Financial and economic data from public registers

☐ Financial and economic data from private registers

☐ Other

4.4 Please specify the other financial/economic data that the RegTech solution takes into account

4.5 Non financial/alternative data:

☐ Non-financial data from social media

☐ Non-financial data on internet searches or web browsing

☐ Geolocation

☐ Other

4.6 Please specify the other non financial/alternative data that the RegTech solution takes into account

4.7 Please provide any comment on the sources of data used

4.9 How does the RegTech solution address potential issues associated to data accuracy?

☐ Cross-checks with internally available information

☐ Cross-checks with external information sources

☐ Human intervention to review the outcome of the automated assessment

☐ Other

4.10 Please indicate other methods that the solution uses to address potential issues associated to data accuracy

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4.11 How does the RegTech solution perform the actual creditworthiness assessment to facilitated granting credit only to those borrowers who can afford to repay it?

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4.12 Does the RegTech solution monitor credit performance to mitigate <u>false positives</u> (loan approved to a borrower that is not credit worthy if using other/traditional methods of creditworthiness assessment)?

- ○ Yes
- ○ No

4.13 Please explain the process how credit performance is monitored to mitigate false positives

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* 4.14 Does the RegTech solution use information on false positives to refine the creditworthiness assessment process?

- ○ Yes
- ○ No

4.15 Please briefly explain how the creditworthiness assessment process is refined

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* 4.16 How much the adoption of the RegTech solution has reduced your <u>false positive rate</u>, compared to the other solutions/methods you used?

- ○ Significantly
- ○ Slightly
- ○ No relevant reduction

4.17 If possible, please give an example and quantify

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4.18 Does the RegTech solution help to address potential barriers to accessing credit for financially viable borrowers, whose applications would otherwise be rejected using traditional process followed for the creditworthiness assessment (<u>false negatives</u>)?

- ○ Yes
- ○ No

4.19 Please briefly explain how the RegTech solution helps to address potential barriers.

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4.20 How much the adoption of the RegTech solution has reduced your false negative rate, compared to the previous (traditional) solutions/process you used?

◉ Significantly
◉ Slightly
◉ No relevant reduction

4.21 If possible, please give an example and quantify

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4.22 How does the RegTech solution address potential legal issues stemming from personal data aggregation and analysis (e.g. consumer right to rectify, erase or block the personal data concerning them where it is inaccurate or has been unlawfully processed; issues associated with the use of alternative/non-financial data)?

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* 4.23 **How would you assess the compliance of the current RegTech solutions with the requirements of the EBA Guidelines on loan origination and monitoring that apply to newly originated loans from 30 June 2021?**

https://eba.europa.eu/regulation-and-policy/credit-risk/guidelines-on-loan-origination-and-monitoring

◉ Already fully compliant
◉ Already partially compliant
◉ Some changes are needed to ensure full compliance
◉ Significant changes are needed to ensure full compliance

4.24 Please briefly explain areas where changes are needed.

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4.26 Please provide any other comments related to RegTech solutions on creditworthiness assessment

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5 Compliance with security requirements and standards (information security, cybersecurity, payment services)

* 5.1 **If relevant/applicable, which security measure does the RegTech solution relate to:**

(*for reference please see the classification provided in the following guidelines, page 15: https://www.enisa.europa.eu/publications/guidelines-on-assessing-dsp-security-and-oes-compliance-with-the-nisd-security-requirements*)

- [ ] Not relevant/ not applicable
- [ ] Governance and ecosystem
- [ ] Protection
- [ ] Defence
- [ ] Resilience

5.2 Is the RegTech solution able to:

- [ ] Provide ICT/cyber incident classification data
- [ ] Allow for submission of ICT/cyber incident reports to competent authority
- [ ] Allow ICT/cyber information sharing with other financial entities
- [ ] Mitigate insider threats
- [ ] Assist in ICT third party providers' management
- [ ] Identify and assess the ICT security risks
- [ ] Support maintain updated mapping of financial entities' business functions, roles and supporting processes, and the information assets supporting them (such as ICT systems, staff, contractors, third parties and dependencies on other internal and external systems and processes)
- [ ] Support classifications of the identified business functions, supporting processes and information assets, considering the confidentiality, integrity and availability requirements
- [ ] Provide continuous monitoring of threats and vulnerabilities
- [ ] Provide threat intelligence
- [ ] Provide security scorecards/dashboards to monitor and report on the efficacy of security measures

5.4 Please provide any other comments related to RegTech solutions on compliance with security requirements and standards