



2019 FINRA RegTech Conference

January 17 | New York, NY

Technology Tools for RegTech

Thursday, January 17

8:35 a.m. – 9:35 a.m.

Join industry experts as they discuss how they leverage technology to remain competitive and compliant with regulatory requirements. During this session, panelists discuss key innovative technologies that are transforming compliance functions including cloud storage, blockchain, big data analytics and artificial intelligence. Panelists also identify unique opportunities to enhance compliance efficiency and efficacy, and the potential regulatory and implementation challenges these tools may pose.

Moderator: Kavita Jain
Director
FINRA Emerging Regulatory Issues

Panelists: Jo Ann Barefoot
Chief Executive Officer
Barefoot Innovation Group

Catherine Makstenieks
Managing Director and Chief Compliance Officer
Deloitte Corporate Finance LLC

David Shrier
Lecturer
MIT Media Lab

Technology Tools for RegTech Panelist Bios:

Moderator:

Kavita Jain is Director in the Office of Emerging Regulatory Issues within FINRA's Department of Risk and Strategy. In this role, she assists the Office in identifying and analyzing new and emerging risks and trends related to the securities industry, and developing strategic responses to potential issues. Some examples of current areas of her work include FinTech, blockchain technology, artificial intelligence, RegTech and online capital-raising platforms. During her tenure at FINRA (previously NASD), Ms. Jain has served in key positions in the Offices of Emerging Regulatory Issues, Finance and Strategic Planning. Ms. Jain has an M.B.A. from the University of Southern New Hampshire and a CRCP™ Certification from the FINRA Institute at Wharton.

Panelists:

Jo Ann Barefoot is CEO of Barefoot Innovation Group, Cofounder of Hummingbird Regtech, Senior Advisor to the Omidyar Network, and host of the podcast show Barefoot Innovation. A noted advocate of "regulation innovation," Ms. Barefoot is Senior Fellow Emerita at the Harvard Kennedy School Center for Business & Government and is writing a book on financial innovation and regulation. She has been Deputy Comptroller of the Currency, partner at KPMG, Co-Chairman of Trelia Risk Advisors, and staff member at the U.S. Senate Banking Committee. She's an angel investor, serves on the board of Oportun, and advises financial companies and governments worldwide. She serves on the fintech advisory committee for FINRA, is an Executive Board Member of the International RegTech Association (IRTA), and a member of the Milken Institute U.S. FinTech Advisory Committee. Ms. Barefoot chairs the boards of the Center for Financial Services Innovation and FinRegLab and previously served on the CFPB's Consumer Advisory Board. Ms. Barefoot has published nearly 200 articles and is a popular keynote speaker, addressing thousands of people annually throughout the world.

Katie Makstenieks is Managing Director with Deloitte Transactions & Business Analytics and the Chief Compliance Officer (CCO) of Deloitte Corporate Finance LLC. Ms. Makstenieks has nearly 20 years of compliance experience in the financial services industry. She is currently attending MIT and pursuing an MBA, along with a certification in Business Analytics. She is an officer of the MIT FinTech Club and helps coordinate hackathons and other events throughout the year. She also belongs to the MIT Blockchain Club and Sloan Women in Management (SWIM). Her undergraduate degrees are in Economics and Political Science. Ms. Makstenieks has broad knowledge of FINRA, SEC, and FCA rules, as well as substantial international compliance experience. She served as the CCO for the Global Electronic Trading Corporation (a high frequency algorithmic trading firm) and worked as the Director of Equities Market Regulation for NYSE Arca (now part of FINRA). Prior to joining Deloitte in 2016, she spent nine years serving as the Global Head of Compliance for Duff & Phelps. In this capacity she oversaw compliance for multiple FINRA registered broker-dealers in the U.S., an FCA regulated business with branch offices in Europe, and other regulated businesses in Europe. Alongside managing regulatory compliance, she also built the firm's global anti-bribery program, data privacy program, and records management program. Ms. Makstenieks also served a four year term on the Securities Industry Regulatory Council from 2015 – 2018, during which she served as the Finance Chair, Vice Chair, and mostly recently Council Chair. She also served for three years on an Advisory Board for Charles Schwab prior to joining Deloitte. She is a frequent speaker at conferences and events, and currently holds the FINRA Series 7, 79, 99, and 24 licenses.

David Shrier is a globally recognized authority on financial innovation, who works with corporations and governments to generate economic expansion. He specializes in helping established organizations to build new revenue and new markets, having developed \$8.5 billion of growth opportunities with C-suite executives for Dun & Bradstreet, Wolters Kluwer, Ernst & Young, The Massachusetts Institute of Technology, GE/NBC, The Walt Disney Company, AOL Verizon, and Starwood, as well as private equity and VC funds. He has led a number of private equity and venture capital-backed companies as CEO, CFO or COO, in either interim or full-time capacities. In addition to his corporate experience, Mr. Shrier leads the University of Oxford's online programmes [Oxford Fintech](#) and [Oxford Blockchain Strategy](#), as well as MIT's Future Commerce (the first graduate fintech class in North America), all of which he created, driving entrepreneurial action in over 100 countries to build the new financial ecosystem. He has published multiple books on fintech, blockchain and cybersecurity. Mr. Shrier is the CEO of Distilled Analytics, a VC-backed AI biometrics software company that builds better identity profiles for financial institutions to help with credit, fraud, and payments; Vice Chairman of

Endor, a blockchain-enabled crowd intelligence platform; and Chairman of Riff Learning, an AI-driven collaboration technology platform provider. His current academic appointments include Associate Fellow with the Saïd Business School, University of Oxford; Lecturer at the MIT Media Lab; and Fellow with the Payne Institute at the Colorado School of Mines. He presently counsels Millennium Advisors, a middle market \$120 million revenue credit liquidity provider, on growth strategy, corporate culture, and technology trends. He previously has advised the Government of Dubai on blockchain and digital identity; the OECD, on blockchain policy and standards; Ripple, a blockchain cross-border payments company, on regulatory strategy; and the European Commission on commercializing innovation with a focus on digital technology. Mr. Shrier is presently a member of the FinTech Industry Committee for FINRA, the U.S. securities industry's self-regulatory body; and on the Fintech Trade & Investment Steering Board for the UK Government's Department of International Trade. He also informally engages with the European Parliament, European Commission, OECD, Bank of England, FCA, SEC, US Treasury, and FDIC on innovation, cybersecurity, digital identity, blockchain, and AI. Mr. Shrier is on the advisory board of WorldQuant University, a program offering a totally-free, accredited, online Master's degree in financial engineering. Mr. Shrier and MIT Professor Alex "Sandy" Pentland have published books including *Frontiers of Financial Technology*, *New Solutions for Cybersecurity*, and *Trust::Data*. The European Parliament and European Commission have asked him to author a chapter on the distributed data economy in their book *Disintermediation Economics* (2019, Palgrave Macmillan). Mr. Shrier is a *Forbes* contributor, has been published in *Newsweek* and *CNBC.com*, and also co-edits, together with Professor Pentland, the Connection Science imprint of MIT Press. He was named 2018 Global Fintech Person of the Year by Fintech Galaxy, and listed on One World Identity's Top 100 People for 2017. Mr. Shrier was granted a Sc.B. from Brown University in Biology and Theatre, and worked professionally as a dramaturg and director after college.



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Panelists


■ Moderator

- **Kavita Jain, Director, FINRA Emerging Regulatory Issues**

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To Access Polling

- Under the “Schedule” icon on the home screen,
- Select the day,
- Choose the Technology Tools for RegTech session,
- Click on the polling icon: 

Polling Question #1

1. Do you use tools at your firm that you would categorize as “RegTech” tools?
 - a. Yes
 - b. No

Polling Question #2

- 2. What do you consider the biggest hurdle to adopting RegTech tools at your firm?**
 - a. Don't have the budget for it**
 - b. Cannot find the right people**
 - c. Regulations inhibit adoption**
 - d. Firm culture does not embrace innovation**
 - e. All of the above**

Polling Question #3

- 3. What are you most interested in hearing about today?**
- a. Innovative technologies use for compliance**
 - b. Regulatory challenges**
 - c. Implementation challenges**
 - d. All of the above**

BankThink Banking needs a regtech sandbox

By Jo Ann Barefoot

Published November 02 2018, 10:07am EDT

More in [Regtech](#), [Fintech regulations](#), [Fintech](#), [CFPB](#), [Financial Conduct Authority](#)

One of the best-known inventions in banking oversight in recent years is the “regulatory sandbox.” [Pioneered](#) by the U.K.’s Financial Conduct Authority, these are running now in about [two dozen countries](#) and [several U.S.states](#), allowing fintech innovators to conduct live, small-scale testing under the regulator’s supervision.

The goals are twofold. First, the experiments help policymakers pinpoint areas where technology innovation may be outstripping current rules, signaling a need for clarifications or updates. Second, the tests give officials a way to learn quickly, hands-on, about the technology trends that are revolutionizing finance, so that regulatory wisdom can keep pace.

Among U.S. federal bank regulators, however, only the Consumer Financial Protection Bureau [is developing](#) a sandbox. Other agencies have worried that fintech experiments could harm the consumers involved. Most also lack clear authority to design sandboxes that could waive or suspend existing rules during the tests, features that help attract innovators to participate. In addition, federal bank regulators are limited by jurisdictional mandates that may impede direct lab experiments with nonbank fintechns, which are the trailblazers in innovation.

But there’s an alternative initial step that solves all of those problems and still advances the goals: Set up sandboxes to study not fintech, but regtech — technology that streamlines the government’s regulatory work and bank compliance. By focusing first on their own processes, agencies can gain the hands-on experience they need with the new technology that is transforming the financial sector, from big data and machine learning to cloud computing and blockchains, without having to worry about potentially exceeding their powers or exposing any

consumers to risk. Once they have built their regtech labs, it will be much easier to widen the scope to test fintech innovation as well.

Any or all of the federal financial agencies could create regtech sandboxes to try out new technology, without touching a single consumer or suspending a single requirement. One promising area would be to test “machine-readable” regulations that attach electronic tags to rules, in order to make regulations easier to track and implement. The FCA has even [experimented successfully](#) with this form of regulation — issuing a regulatory reporting requirement in the form of computer code rather than words to permit, in effect, self-implementing compliance, and to make it instant, and cheap.

Securities regulators [have begun using artificial intelligence](#) to search big-data patterns for signs of market misconduct. Several non-U.S. governments are trying to digitize aspects of regulatory reporting by connecting regulators and financial institutions directly through application programming interfaces, so that both parties can monitor risk trends using complete data, in real time, while sharply cutting reporting errors and expense.

And many people are working on digital identity authentication that can modernize compliance with anti-money laundering “know your customer” rules to strengthen the financial system’s security while also expanding consumer access. United Nations’ data indicate that we currently catch less than 1% of the \$2 trillion in annual financial crime that fuels terrorism and [trafficking in humans](#), weapons, endangered animals and drugs. Regulators are testing new technologies for data encryption and “differential privacy” that can enable banks and law enforcement to share anonymized data. AI can then detect suspicious patterns without knowing the identities of the people involved, unless there is justification to unveil them through a formal permissioning process that protects privacy. Such a reform would, for the first time, enable banks and authorities to share data as freely as criminals do, without infringing on civil liberties.

A good first step for regulators would be to run experiments on a model developed by the FCA called “tech sprints.” These are essentially “hackathons” that convene experts in finance, regulation and technology, team them up, and translate regulatory improvements into code, live. Such sprints typically identify a pain point shared by agencies and industry and enlist help with solving it in a safe test environment using dummy data.

Another good U.S. model is a Commodity Futures Trading Commission initiative that’s using

the [Science Prize Competition Act](#) to gather innovative ideas for improving its own processes. Rep. Austin Scott has [introduced legislation](#) to facilitate those efforts.

Just like private-sector tech “accelerators,” regtech sandboxes help regulators get up to speed. They can shorten the learning cycle and they can also move us toward digitally native systems that will be able to do more with less.

Jo Ann Barefoot

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