

# RegTech and Regulatory Change report 2024



# Introduction

We are delighted to present the results from our RegTech and Regulatory Change Report 2024, this report reviews the critical themes and immediate priorities to be considered.

Grant Thornton is pleased to present the annual RegTech and Regulatory Change Report 2024, which aims to provide industry insights on the regulatory technology landscape within the UK financial services sector. Our survey, was distributed to risk and compliance professionals across the UK, for the purpose of surfacing the trends and developments in how the UK sector is approaching regulatory challenges through technology and its outcomes.

The regulatory landscape is constantly evolving, and firms face increasing challenges in meeting their regulatory obligations. The rise of RegTech solutions has provided firms with innovative technology solutions to help them manage these challenges more efficiently and effectively.

The RegTech and Regulatory Change Report 2024 aims to provide deep insights into the current state of the RegTech market, how firms are using RegTech solutions, and the challenges and opportunities that RegTech presents.

## Executive summary

The report takes a data-driven approach, using survey responses from a diverse range of industry professionals to understand their experiences and perspectives on regulatory change and RegTech solutions. One hundred and nineteen responses were gathered in the creation of this survey. With these findings, we aim to take a pulse of where the key stakeholders within Risk and Compliance are focusing their time and anticipating change to understand how this will impact the industry long-term.

The survey covers topics such as investment in RegTech solutions, regulatory challenges, and ultimately the most in-demand RegTech solutions.

These insights can help inform the development of RegTech solutions that meet the needs of firms and improve their ability to manage regulatory change both in the short-term and long-term.

Overall, the The RegTech and Regulatory Change Report 2024 provides valuable insights into the current state of the RegTech market and its potential to manage regulatory change more efficiently. The data-driven approach provides objective insights into how firms are using RegTech solutions and the challenges and opportunities they present. This information can ultimately help to better understand their clients' needs and to develop solutions that address their most pressing regulatory challenges.

# Key findings

77%



of respondents anticipate more regulatory obligations in 2024 than in previous years, an increase of 12% from last years survey.

13%



of respondents find regulatory interpretation and impact assessment against their organisation most challenging

16%



of respondents feel the level of collaboration between departments and stakeholders is very good

54%



view cost, ease of use and operational effectiveness as the top 3 considerations when buying new regtech.

10%



are looking to invest in financial crime (AML/KYB/KYC) over the next 12 months

86%



of respondents feel the level of communication between departments and stakeholders could be improved upon.

71%



of respondents suggest that although the majority of respondents believe that their organisation's employees are adequately trained to adopt new regulations, there is still room for improvement in training efforts. 54% of respondents rated their organisation's training efforts as high. (4 or 5 out of 5)

32%



of respondents viewed their organisation as adopting technology to meet regulatory requirement. (4 to 5 out of 5)

37%



of respondents rated their organisation's employees as adequately equipped with tools to support and adopt new regulations. (4 to 5 out of 5)

25%



of respondents have interest in regtech solutions that can be applied to multiple regulatory use cases and leans in on the AI and Cloud product.

94%



of respondents rated their readiness as somewhat to very ready. (3 to 5 out of 5)

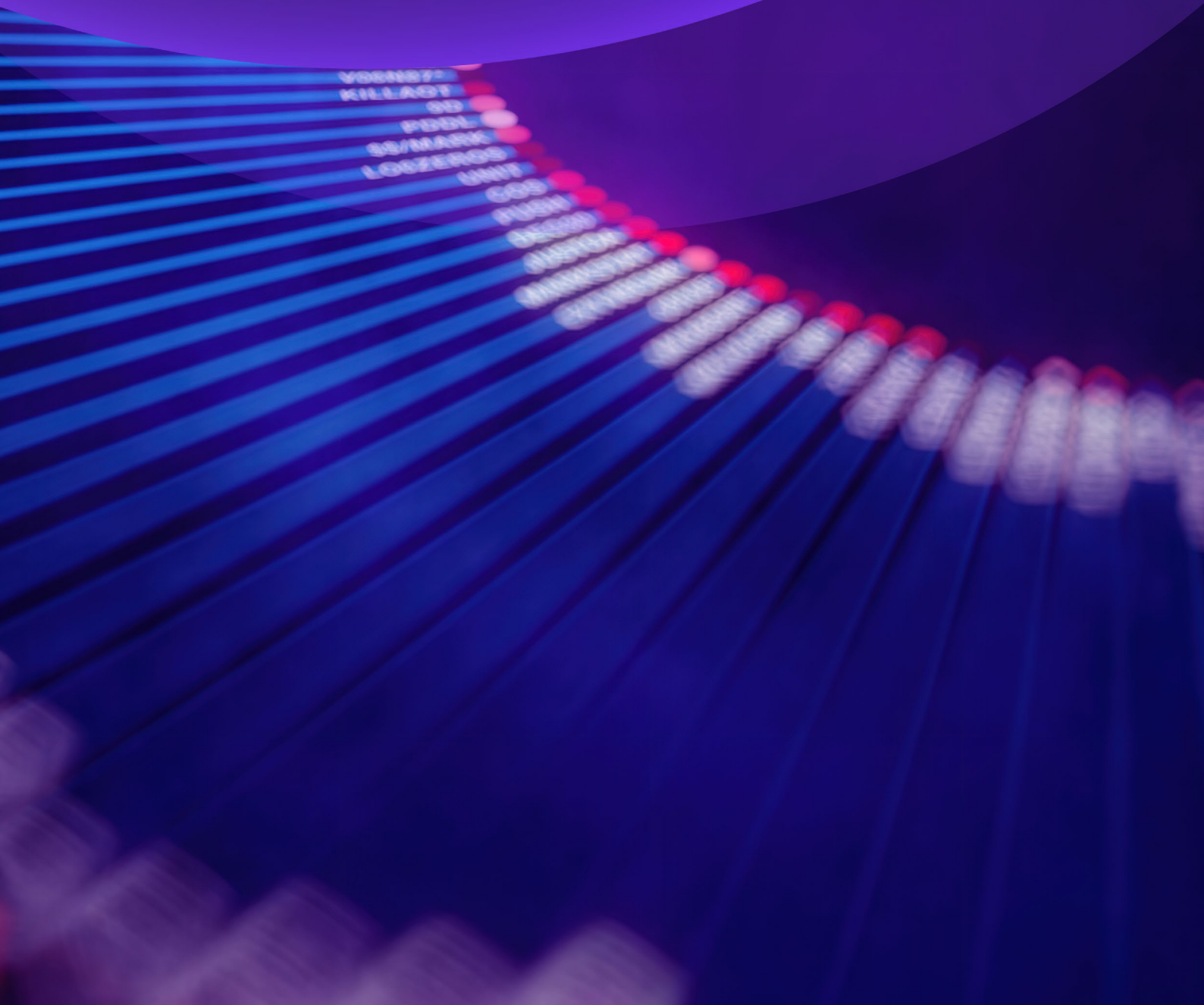
54%



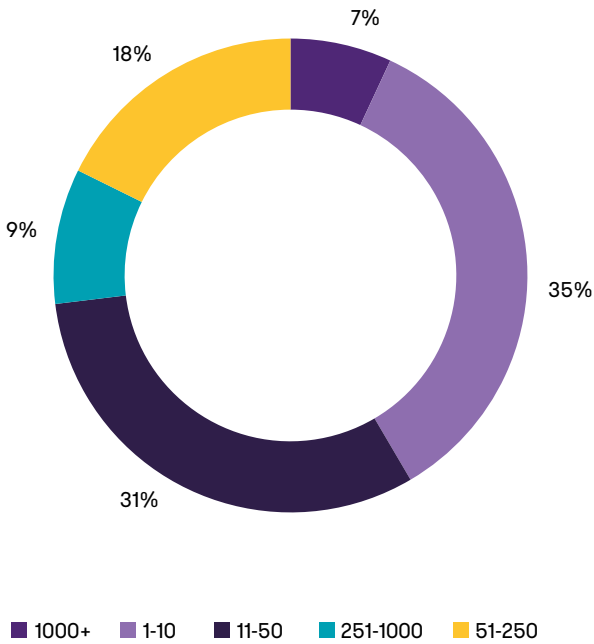
of the respondent view these as the top 3 considerations when buying new RegTech. 1 Cost 2 ease of use 3 operational effectiveness.



# Personas



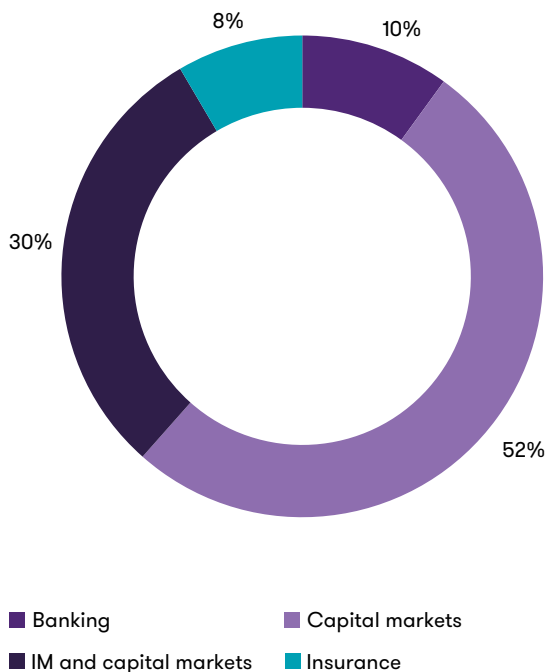
### Organisation size



The survey responses highlights the distribution of organisations across different employee ranges in the UK market. The majority of organisations that responded to the survey were small to medium-sized enterprises, which is reflective of the current UK market. Subject Matter Experts (SMEs) make up a significant proportion of the UK economy, accounting for 99.9% of all private sector businesses in the UK, and employ over 60% of the UK’s workforce.

45 of the small to medium-sized organisations surveyed had 1-10 employees, 41 had 11-50 employees, and 23 had 51-250 employees. Larger organisations with over 1000 employees constituted a minor proportion of the survey population, with only 9 organisations falling under this category.

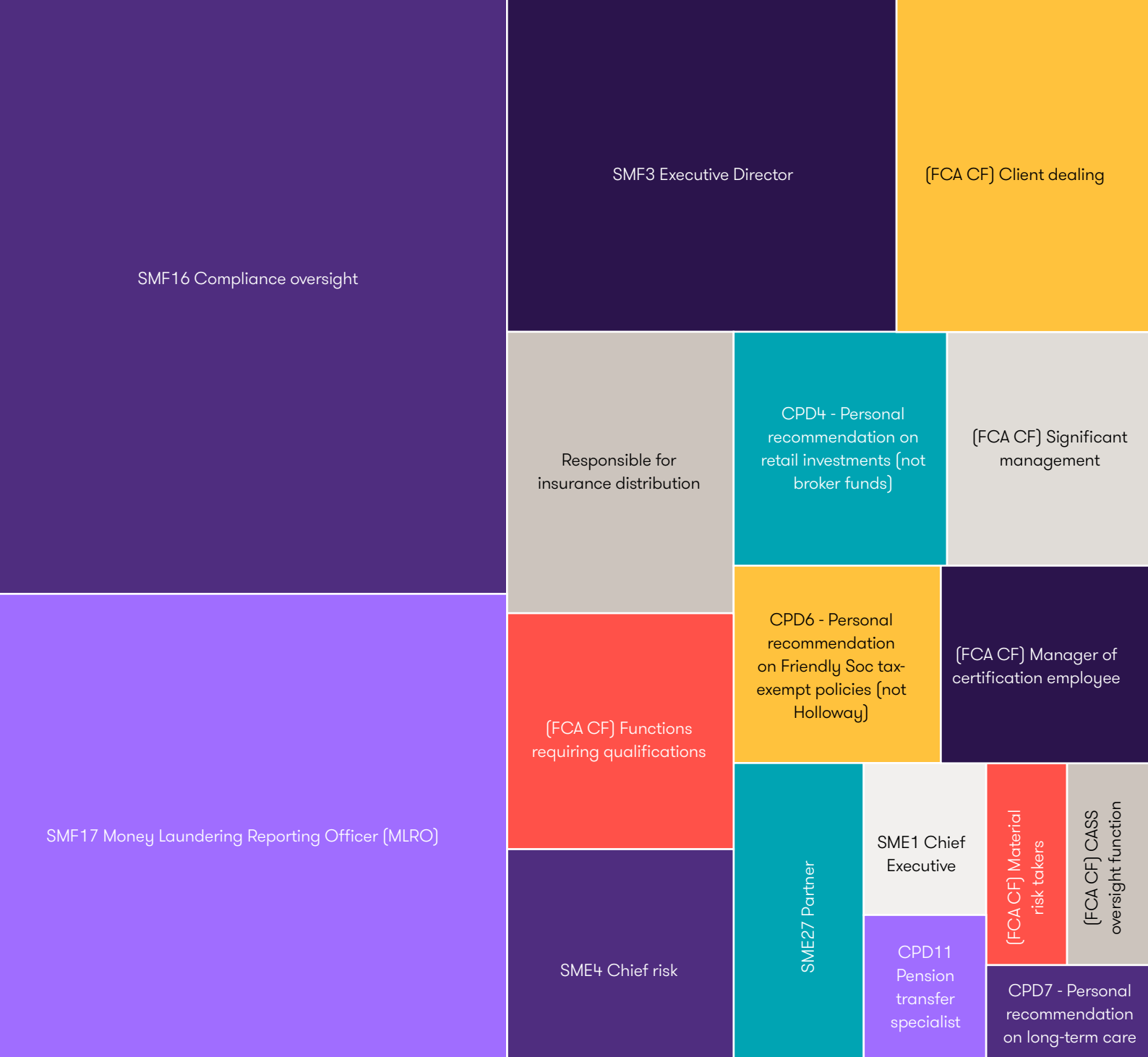
### Sector response



The diagram to the left show that the Capital Markets sector was the most represented sector in the survey, with 67 organisations falling under this category. This finding is reflective of the UK market, where the Capital Markets sector is a significant contributor to the economy. According to a report by the Centre for Economics and Business Research, the Capital Markets sector contributes £72.1 billion to the UK economy annually and supports over 300,000 jobs.

In terms of sectors, the data shows that the Capital Markets sector was the most represented sector in the survey, accounting for 67 organisations out of 130. The IM (Investment Management) and Capital Markets sector combined constituted a further 39 organisations. By contrast, the Banking and Insurance sectors were less represented, with only 13 and 11 organisations, respectively.

Overall, the sector breakdown data provides valuable insights into the representation of different sectors in the RegTech market and highlights the importance of understanding the needs of different sectors to develop solutions that cater to their specific needs.



The range of SMFs that responded to the RegTech survey demonstrates the importance of regulatory change and regulatory technology across the SMF spectrum.

The survey includes responses from a diverse range of SMFs, including Compliance Oversight, Money Laundering Reporting Officer (MLRO), Executive Director, Chief Risk Officer, and Responsible for Insurance Distribution roles.

The fact that the survey received responses from such a range of SMF roles indicates that the RegTech market is relevant to a broad range of functions within organisations. It also suggests that RegTech solutions are being recognised as a valuable resource for compliance and risk management across different sectors.

Moreover, the diversity of SMF roles represented in the survey highlights the importance of understanding the specific needs of each function within an organisation. Reg Change/Tech solutions need to be tailored to meet the unique requirements of each SMF role to ensure that compliance and risk management processes are effective.

Overall, the range of SMFs that responded to the survey demonstrates that Reg Change/Tech solutions are becoming increasingly relevant and valuable to a broad range of functions within organisations and that understanding the specific needs of each role is critical in developing effective solutions.

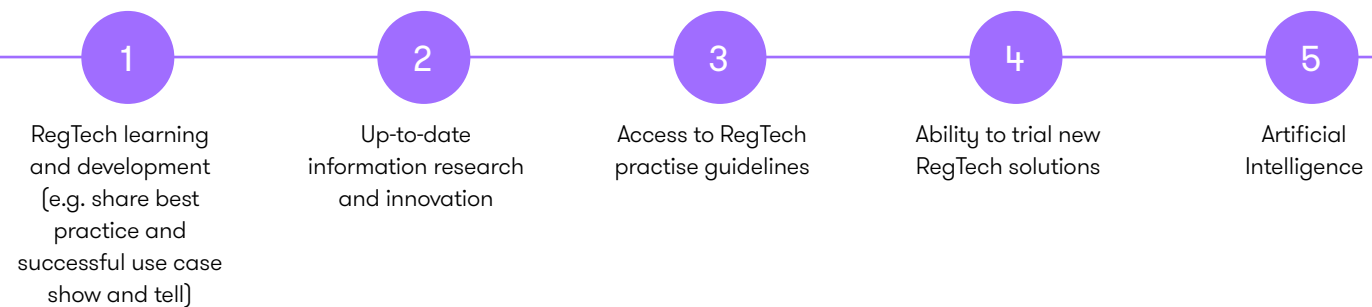


# Voice of the market

# Top trending

## Top five priorities for RegTech ecosystem areas

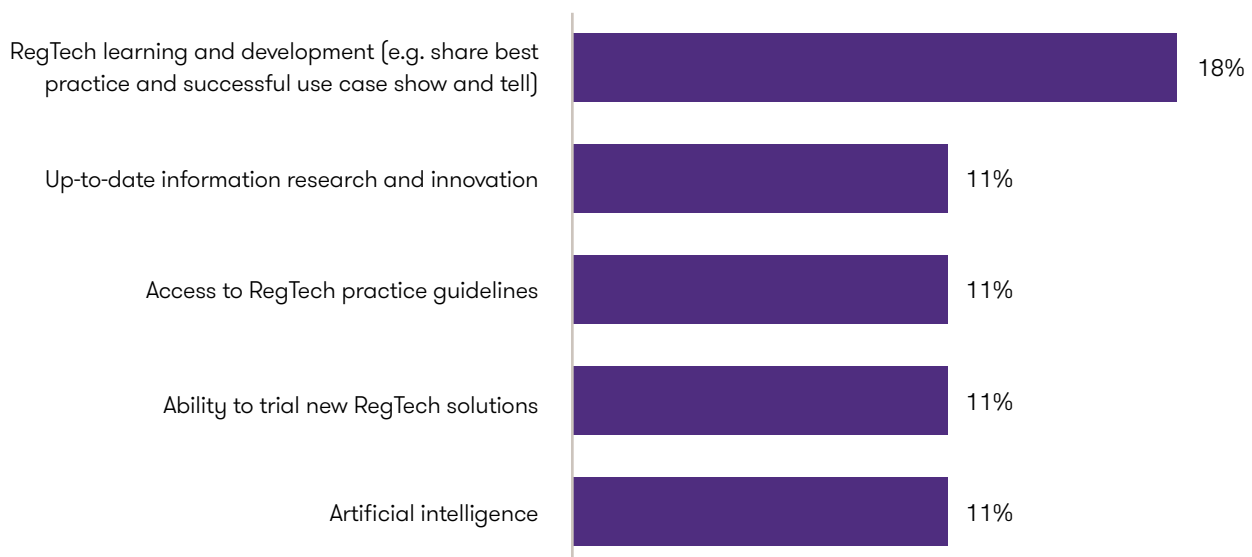
The top five RegTech ecosystem areas all represent a need for collaboration between the three different personas surveyed (RegTech buyers, RegTechs and advisors). The key takeaway is the need to stay up-to-date with the latest developments in RegTech, and the potential benefits that advanced technologies can bring to the regulatory compliance landscape.



This suggests that financial services firms are seeking to leverage the latest technologies and best practices in regulatory compliance to enhance their operations and reduce risk.

As such, RegTech providers that focus on these areas are likely to be in high demand, as they can help financial services firms to navigate the complex and ever-changing regulatory landscape more effectively. Overall, these findings underscore the need for financial services firms to embrace innovation and collaboration in the RegTech space, to remain competitive and compliant in today's rapidly evolving market.

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





# Regulatory challenges

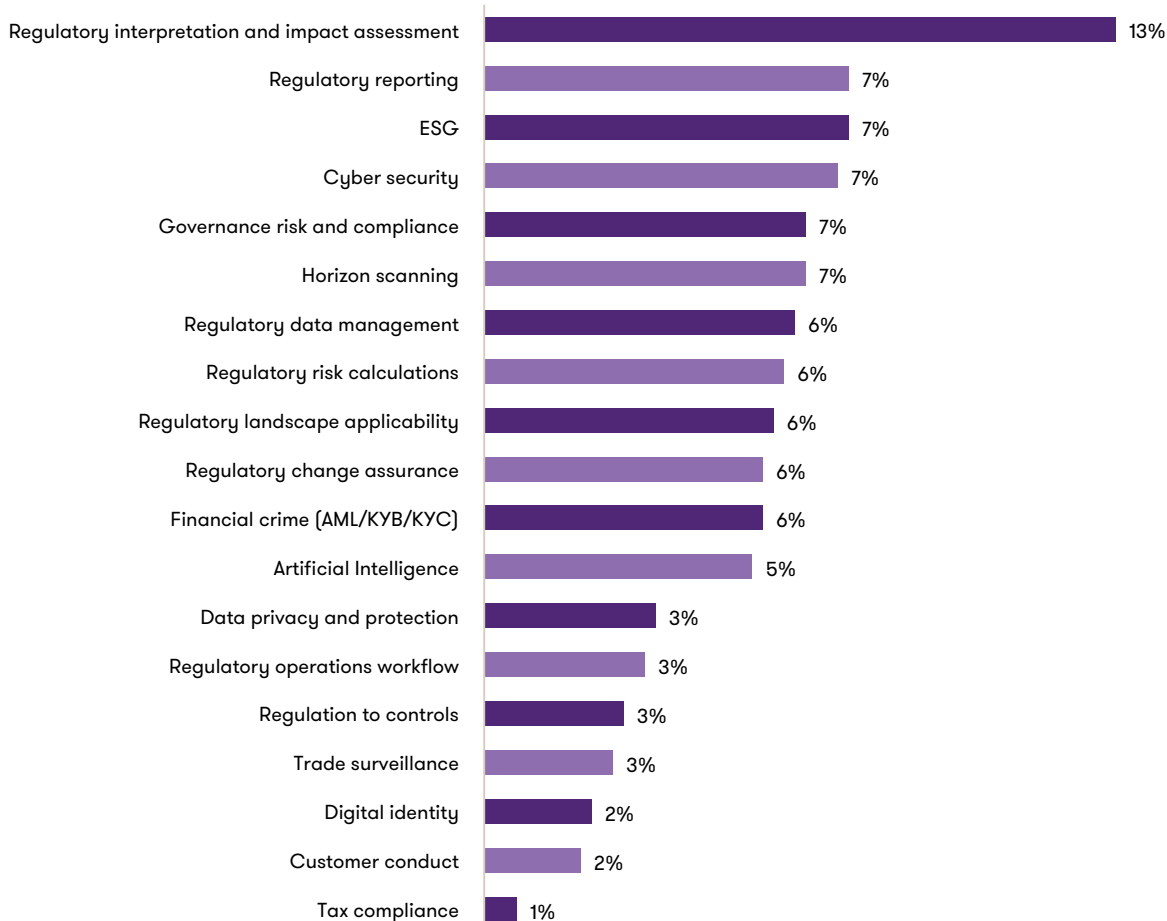
## The regulatory challenges

The respondents to the RegTech and Regulatory Change Report 2024 survey provides valuable insights into the areas where organisations are facing the biggest challenges for the regulatory environment. The results show that the most significant areas of focus for RegTech users include regulatory interpretation and impact assessment, regulatory reporting, ESG, cyber security, governance risk, and compliance, and horizon scanning.

This information can be useful for organisations as it highlights the areas where they should consider automating processes to improve efficiency and reduce the risk of regulatory breaches. For example, RegTech solutions can be used to automate regulatory reporting, horizon scanning, and regulatory risk calculations, allowing organisations to stay up to date with regulatory changes and manage their compliance obligations more effectively.

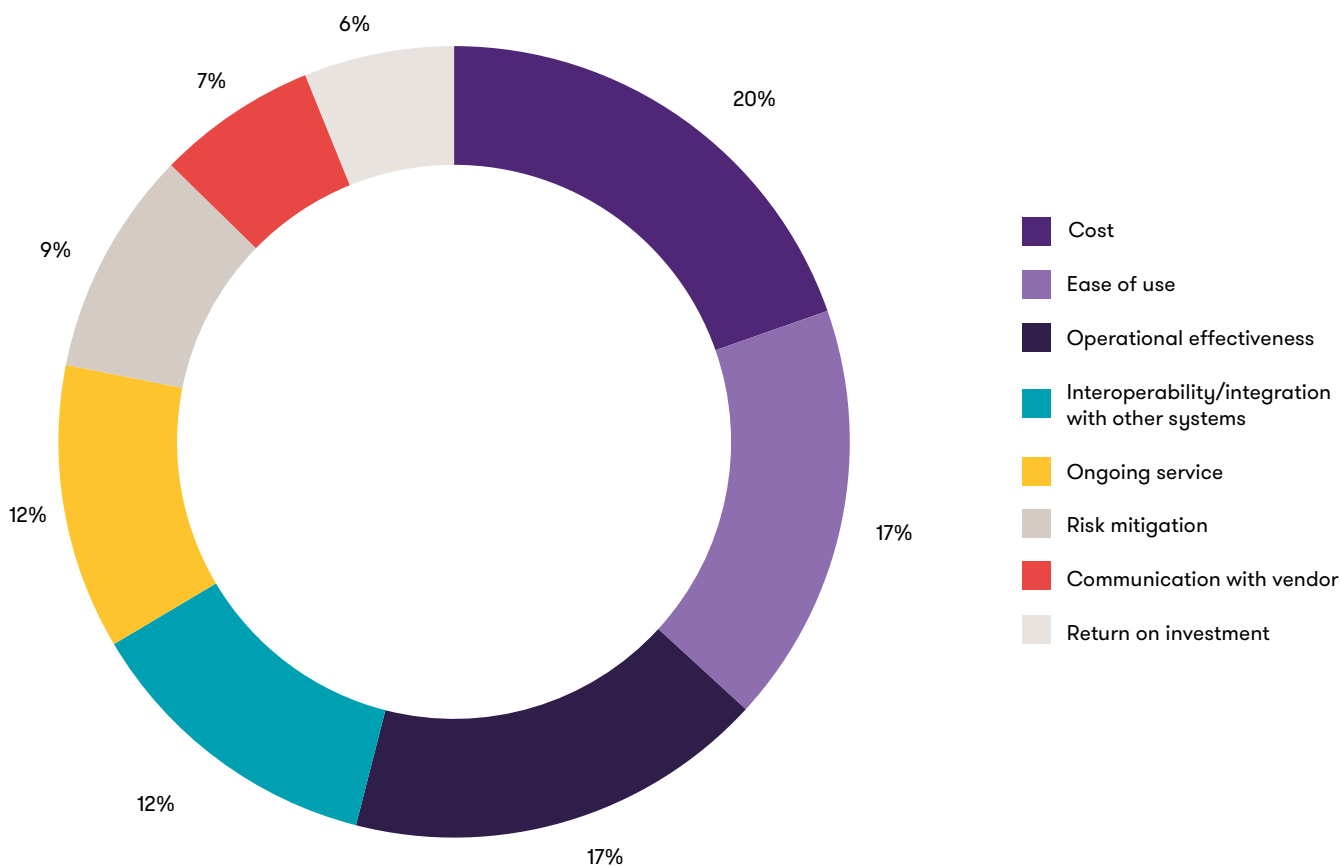
The survey's results also suggest that organisations face challenges across a range of areas, highlighting how challenging the regulatory environment can be. Organisations must understand where their challenges are, leverage native and regulatory technology to manage their compliance obligations effectively.

**Fig 2: What, if any, aspects of the regulatory environment do you find challenging?**



# Buying new technology

Fig 3: What is important to you when buying new technology?



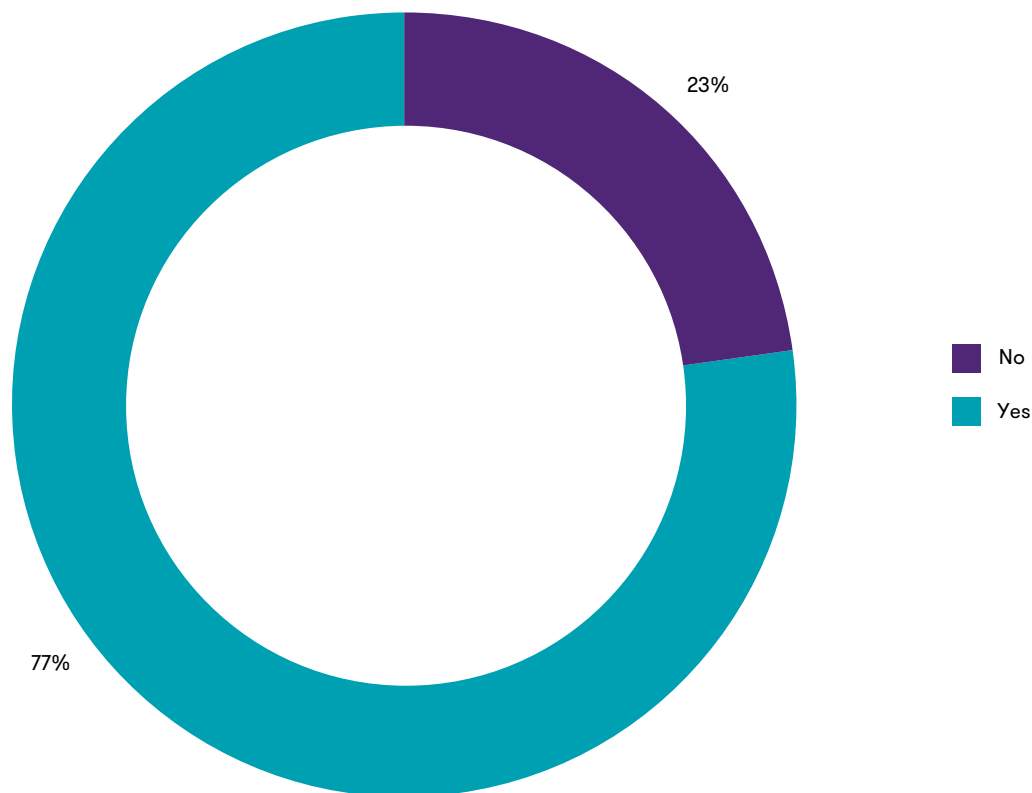
The results show that the most significant factors for buyers include cost, ease of use, and operational effectiveness accounting for 54% of responses. This indicates the ongoing cost and time pressures organisations face when buying RegTech. It also highlights to technology providers the need to develop solutions that are affordable, user-friendly, and effective in addressing the needs of the client.

Furthermore, the results suggest that interoperability and integration with other systems, ongoing service, and risk mitigation are also important factors for buyers. RegTech providers should take these factors into account when developing new solutions to ensure that they meet the needs of their clients.

The report's results also indicate that the return on investment is a less critical factor for buyers. This suggests that buyers are more concerned with the immediate benefits of a technology solution rather than the long-term return on investment.

# Do you anticipate more regulatory obligations in 2024 than in previous years?

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



The majority of respondents, 77%, anticipate more regulatory obligations in 2024 than in previous years. This indicates that regulatory change is expected to continue.

Regulators expect firms to identify, assess, and manage regulatory risks effectively and efficiently. They also expect firms to have robust internal controls, to be able to evidence compliance with regulatory requirements and to respond quickly and effectively to regulatory change.

Ultimately, regulators will be expecting that firms have adequate processes, procedures and technology solutions in place to support their compliance efforts, and to be able to demonstrate that these solutions are effective and well-integrated into their organisation.



# Investing in technology

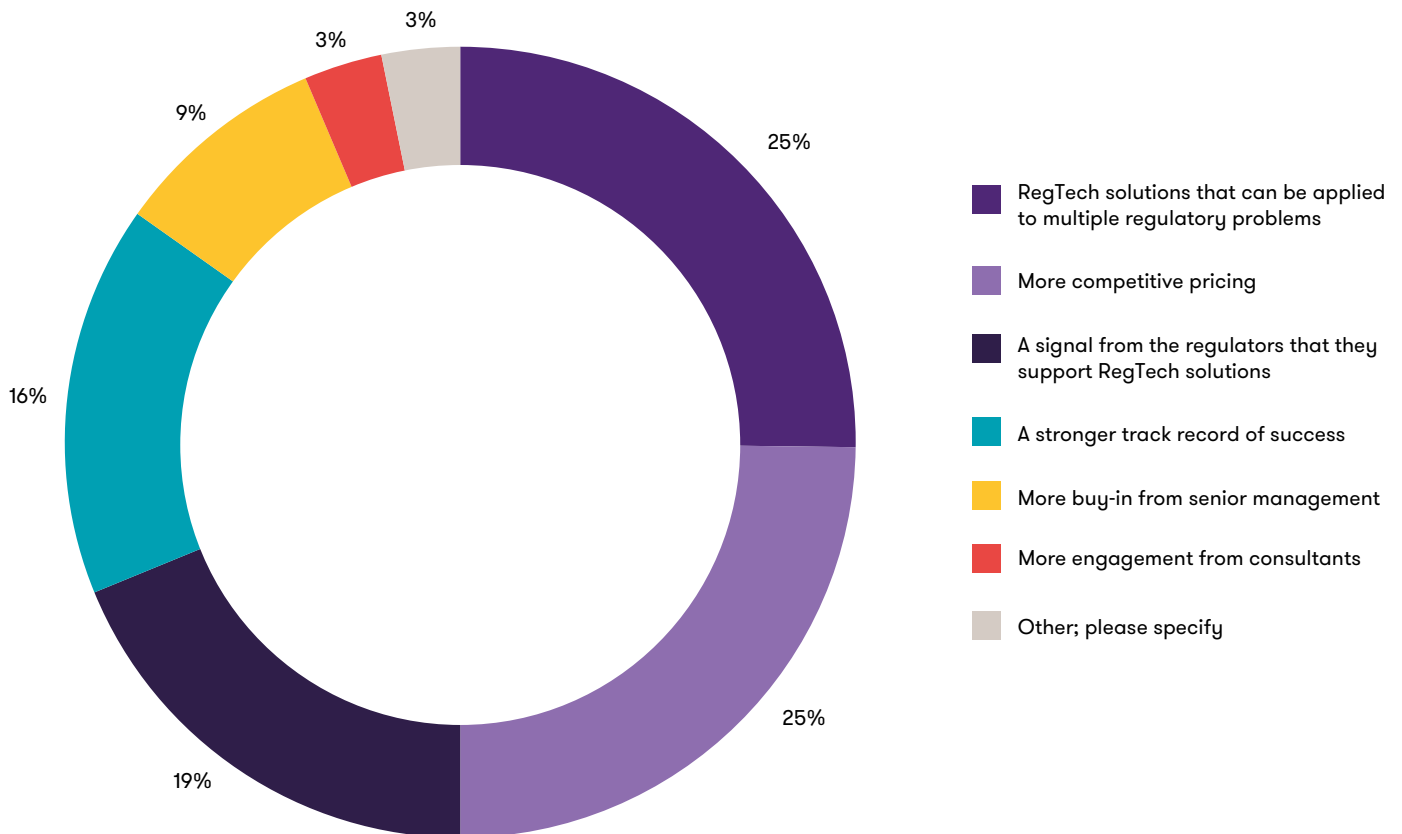
The results show that the most significant factors for buyers include RegTech solutions that can be applied to multiple regulatory problems and more competitive pricing.

Furthermore, the results suggest that a signal of support from regulators and a stronger track record of success are also important factors for buyers. Regulators' support can encourage buyers to invest more in RegTech solutions, while a strong track record of success provides confidence in the effectiveness of the solution.

The respondents have also indicated that more buy-in from senior management, more engagement from consultants, and other factors are relatively less critical for organisations.

Overall, the responses show the key factors that would encourage more investment in RegTech solutions. RegTech providers should focus on developing solutions that are cost-effective, offer broad regulatory coverage, and have a strong track record of success to gain more investment from organisations. Regulators' support can also be crucial in encouraging buyers to invest more in RegTech solutions.

**Fig 5: What would help you invest more in RegTech solutions?**



# Regtech solutions

## Top 5 areas for RegTech budget

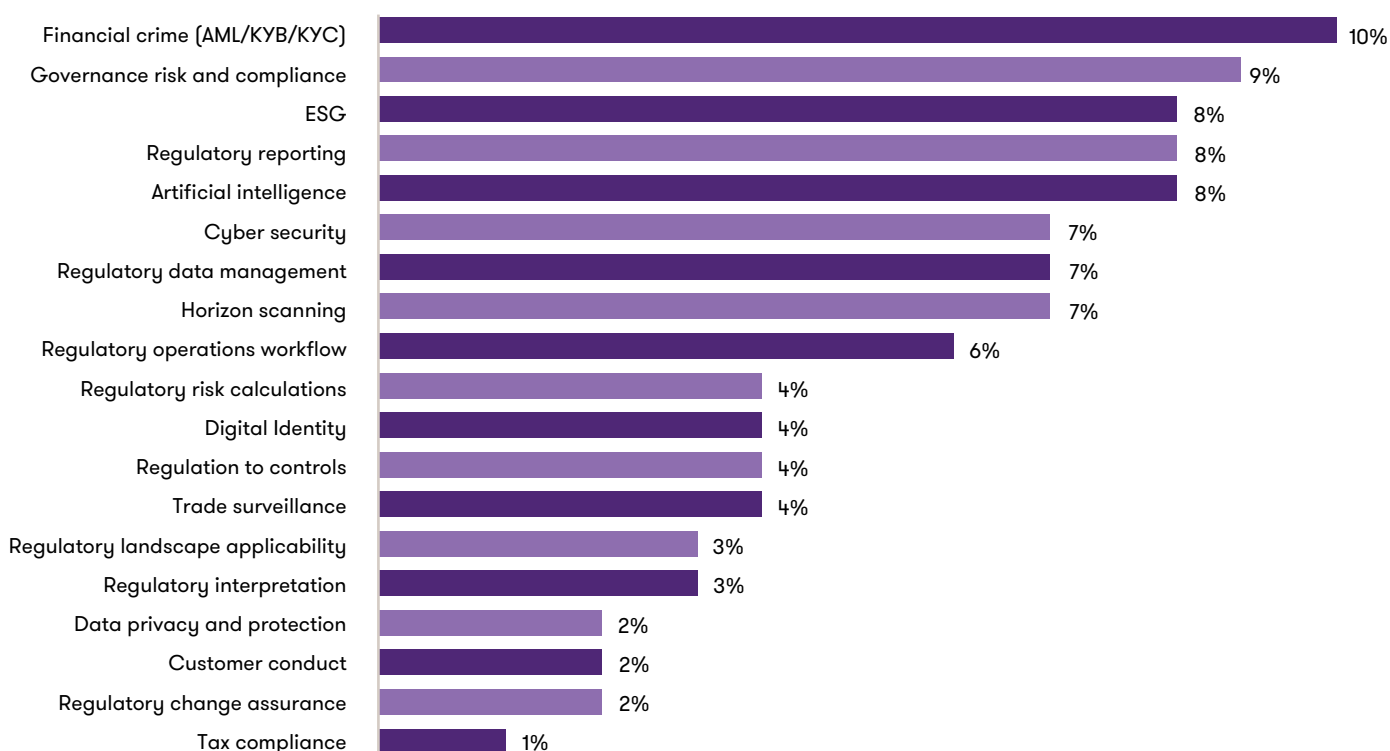
The main RegTech solutions firms are looking to buy over the next 12 months are:



The results show that financial crime solutions, including AML/KYB/KYC, are the most sought-after RegTech solutions, with approximately 10% of respondents indicating that they plan to invest in these solutions. Governance risk and compliance, ESG, regulatory reporting, and artificial intelligence solutions are also popular, with around 8% of respondents indicating their intent to invest in these solutions in the next 12 months.

Furthermore, cyber security solutions, regulatory data management, horizon scanning, and regulatory operations workflow solutions are also highly sought-after, with approximately 7% of respondents indicating that they plan to invest in these solutions in the next 12 months. Other RegTech solutions, such as regulatory risk calculations, digital identity, regulation to controls, trade surveillance, regulatory landscape applicability, regulatory interpretation, data privacy and protection, customer conduct, regulatory change assurance, and tax compliance, are less in demand, with less than 5% of respondents indicating their intent to invest in these solutions.

**Fig 6: Over the next 12 months what RegTech solutions are you seeking to invest in?**



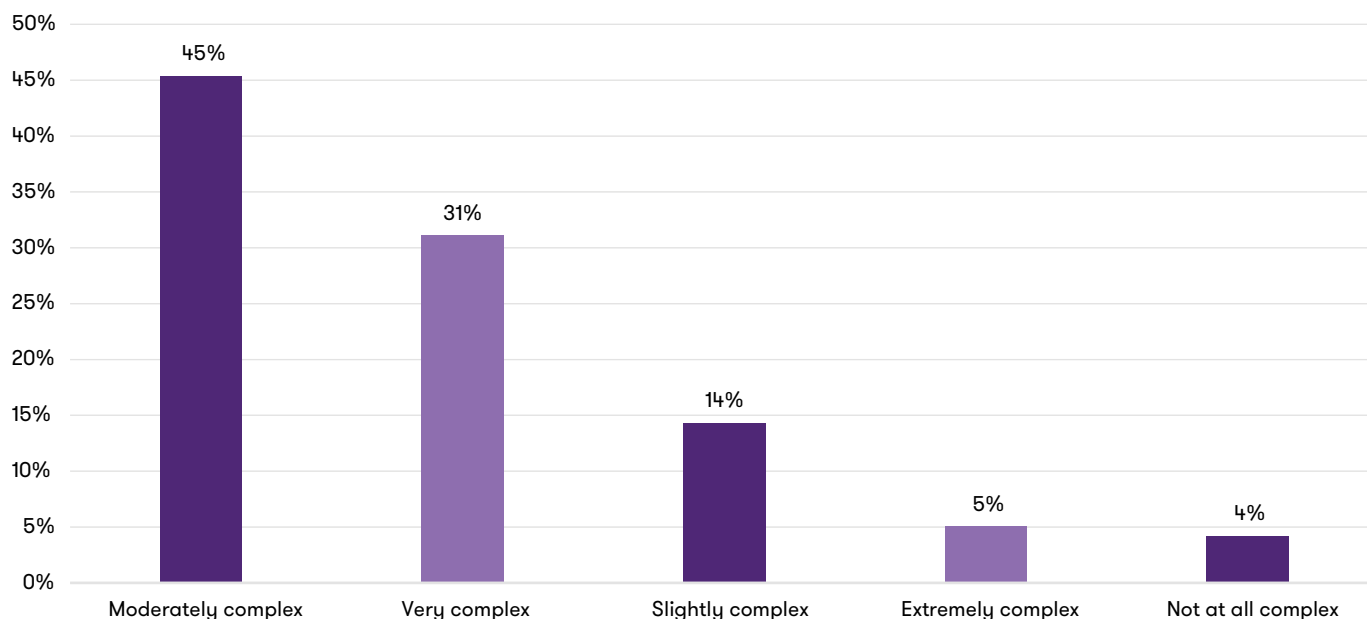
# Pulse of the market





# Regulatory landscape complexity

**Fig 7: How complex do you feel the regulatory environment is for your organisation?**



Navigating the regulatory environment is a complex challenge for organisations, and having a clear understanding of the level of complexity is crucial for success. The results indicate that the majority of organisations (45%) rated the regulatory environment as moderately complex, with a significant portion (31%) rating it as very complex.

To improve their ability to navigate the complex regulatory landscape, organisations can take several steps:

Firstly, they can invest in employee training, tools, and support, to ensure that employees have the knowledge and skills they need to keep up with new regulations and changes to existing ones. This can include training on regulatory compliance best practices, as well as the use of RegTech solutions to automate compliance processes and reduce errors.

Secondly, organisations can take a proactive approach to regulatory change management, by establishing clear processes for monitoring and assessing regulatory changes, and taking proactive steps to adapt to them. This can include conducting regular risk assessments to identify areas of the business that are most vulnerable to regulatory risk, and taking steps to mitigate these risks.

Thirdly, organisations can leverage external expertise to better navigate the regulatory landscape. This can include engaging with industry associations, regulatory bodies, and external consultants to stay up-to-date on the latest regulatory developments and receive guidance on how to comply with them.

Finally, organisations can take a holistic approach to regulatory compliance, by recognising the complexity of the regulatory landscape and the interdependencies between different regulations. By doing so, they can develop a more strategic and proactive approach to compliance, and ensure that they are well-prepared to meet regulatory challenges.

# Organisation readiness

Regulatory compliance is a key challenge for organisations across a range of sectors, and the ability to address regulatory challenges can be a critical factor in achieving success. Organisations were asked to rate their level of readiness to address regulatory challenges on a scale from 1 to 5, with 5 being the highest level of readiness.

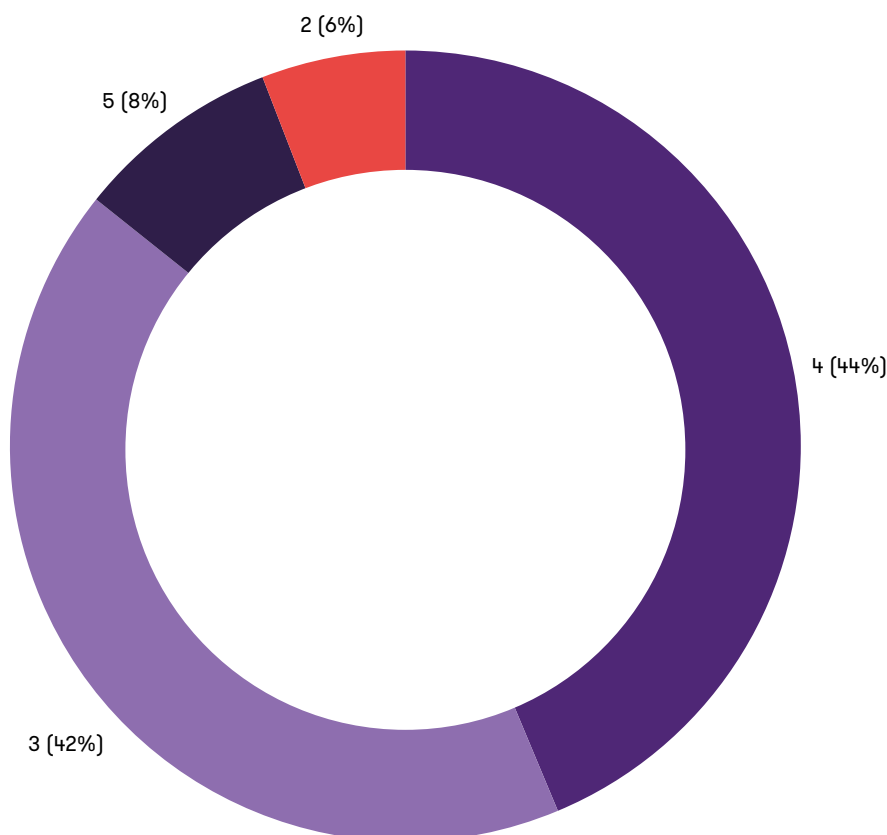
The survey results indicate that a significant portion of organisations rated their level of readiness as either a 3 or 4, indicating that they feel moderately well-prepared to address regulatory challenges. However, a smaller portion of organisations rated their level of readiness as a 5, indicating a high level of preparedness. This suggests that there is still room for improvement when it comes to preparing for regulatory challenges.

To improve their readiness for regulatory challenges, organisations can take several steps. Firstly, they can invest in RegTech solutions that can help them automate regulatory compliance processes, reduce errors, and free up resources for other business activities.

Secondly, they can engage with industry associations and regulatory bodies to stay up-to-date on the latest regulatory developments and share best practices with their peers.

Thirdly, they can conduct regular risk assessments to identify areas of their business that are most vulnerable to regulatory risk and take proactive steps to mitigate these risks.

**Fig 8: On a scale from 1 to 5, how ready do you feel your organisation is to address regulatory challenges? - Level of readiness**



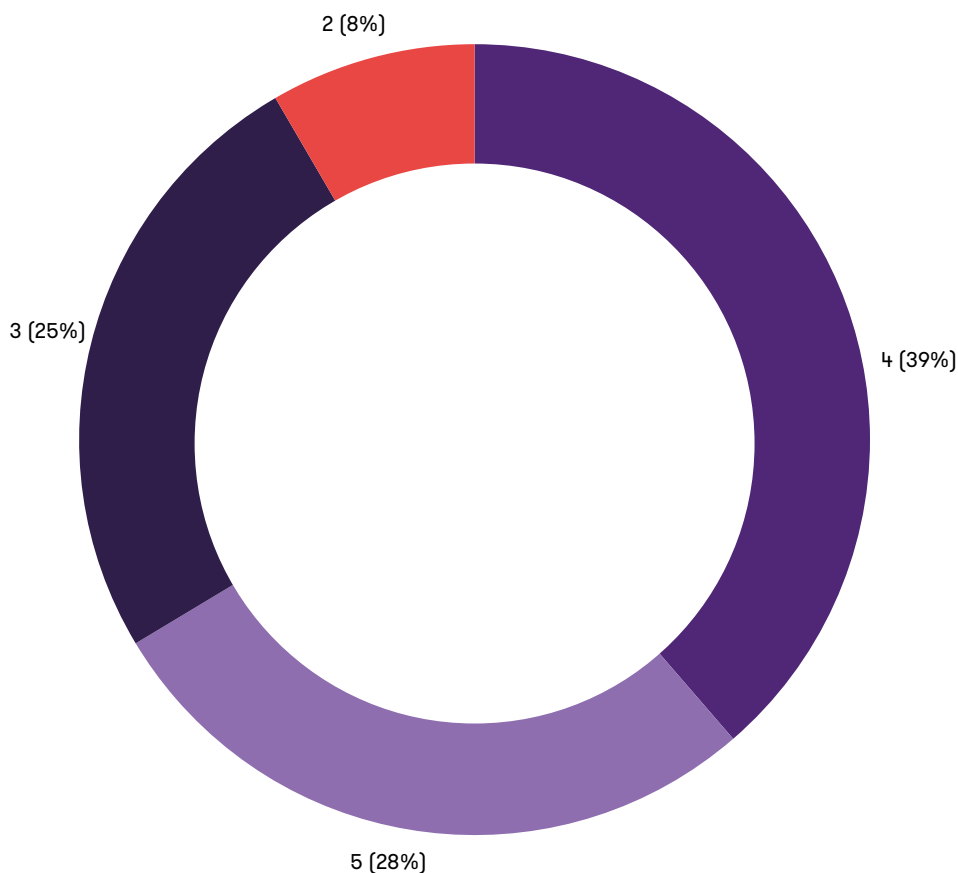
# Organisation collaboration

Effective collaboration between different departments and stakeholders is crucial for achieving regulatory compliance and driving success in today's complex business environment. Organisations were asked to rate their level of collaboration between different departments and stakeholders on a scale from 1 to 5, with 5 being the highest level.

The survey results indicate that a significant portion of organisations rated their level of collaboration as either a 4 or 5, indicating that they feel they cooperate relatively well between different departments and stakeholders. However, a smaller portion of organisations rated their level as a 2, indicating that there is room for improvement when it comes to collaboration.

By improving collaboration between different departments and stakeholders, organisations can achieve greater efficiency and effectiveness in their operations, and better address regulatory challenges. The survey results highlight the importance of fostering a culture of collaboration within organisations. By investing in collaboration tools, training and initiatives, organisations can achieve their goals more effectively.

**Fig 9: On a scale from 1 to 5, how would you rate the following between different departments and stakeholders within your organisation? - Level of collaboration**





# Organisation communication

Effective communication is critical for organisations to achieve success and regulatory compliance in today's complex business environment. In a recent survey, organisations were asked to rate their level of communication between different departments and stakeholders on a scale from 1 to 5, with 5 being the highest level of communication.

The survey results indicate that a significant portion of organisations rated their level of communication as either a 4 or 5 (64%), indicating that they feel they communicate relatively well between different departments and stakeholders. This suggests that many organisations recognise the importance of effective communication and have already taken steps to improve it.

However, a smaller portion of organisations rated their level of communication as a 2 (7%), indicating that there is room for improvement. This highlights the need for organisations to continue to invest in improving their communication practices to achieve greater efficiency and effectiveness in their operations, and better address regulatory challenges.

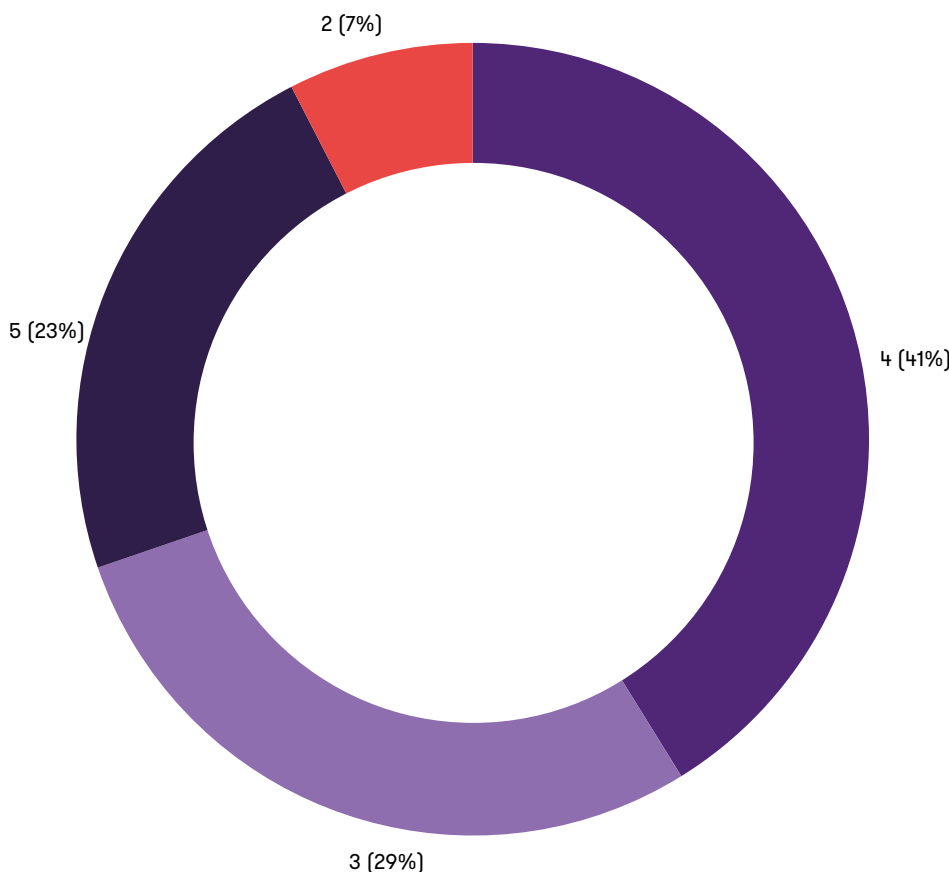
To improve communication between different departments and stakeholders, organisations can take several steps.

Firstly, they can invest in communication tools and technology that can facilitate communication and collaboration between different teams and stakeholders, such as instant messaging platforms, video conferencing, and project management software.

Secondly, they can establish clear communication protocols and guidelines, including frequency and mode of communication, to ensure that everyone is on the same page and information is shared effectively.

Finally, organisations can incentivise communication through performance metrics and other measures, to encourage employees to communicate effectively and collaborate towards common goals. This can help to foster a culture of communication and collaboration within the organisation, and ensure that everyone is working towards the same objectives.

**Fig 10: On a scale from 1 to 5, how would you rate the following between different departments and stakeholders within your organisation? - Level of communication**

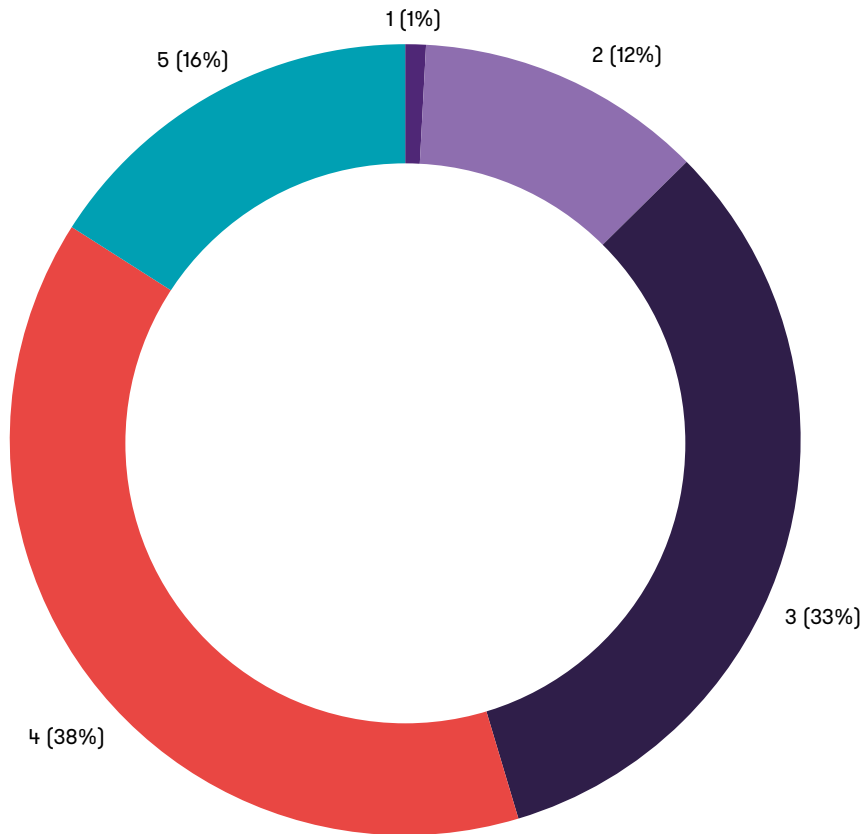


# Organisation training

Regulatory compliance is an ongoing challenge for organisations, and the ability to adapt and train employees is crucial for maintaining compliance. Organisations were asked to rate their level of employee training to adopt new regulations on a scale from 1 to 5, with 5 being the highest level of training. The survey results indicate that a majority of organisations rated their level of training as a 4 or 5, indicating that they feel their employees are adequately trained to adopt new regulations. However, a smaller portion of organisations rated their level of training as a 2 or below, indicating that there is room for improvement in terms of training employees.

By investing in employee training and development, organisations can improve their ability to achieve greater efficiency and effectiveness in their operations. By prioritising employee training and development, organisations can ensure that they have the skills and knowledge to meet best practice and succeed long-term.

**Fig 11: On a scale from 1 to 5, please rate the following statements: - My organisation's employees are adequately trained to adopt new regulations**

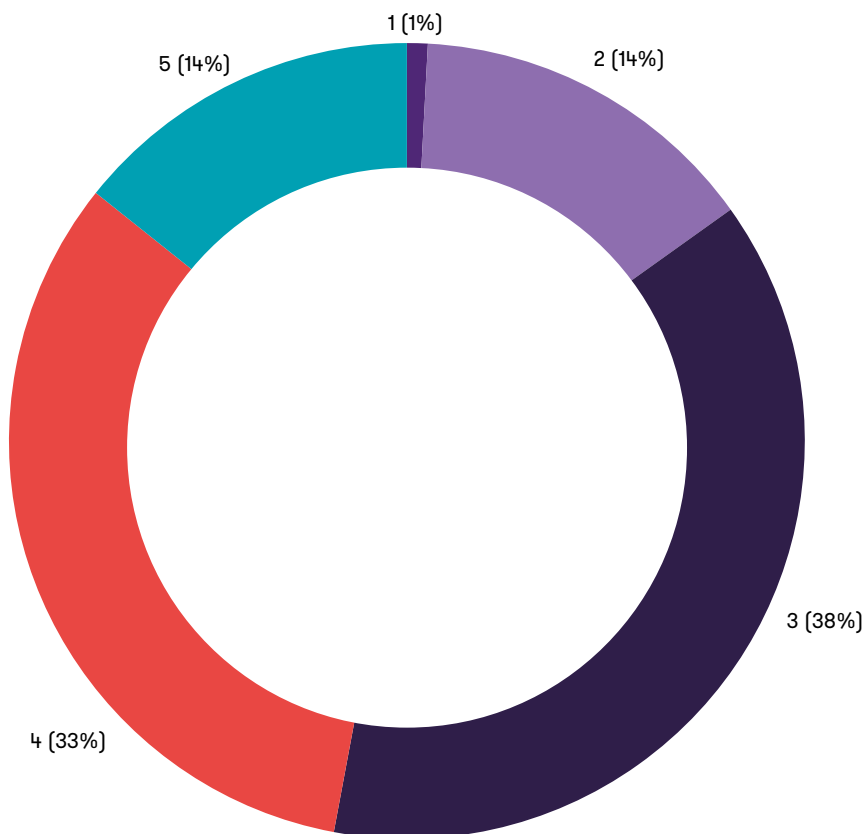


# Tools and support

The ability to adopt new regulations is a critical success factor for organisations in today's complex regulatory environment. Organisations were asked to rate their level of employee tools and support to adopt new regulations on a scale from 1 to 5. The survey results show that while a majority of organisations (57%) rated their level of employee training as a 4 or 5, indicating that they feel their employees are adequately trained, (43%) rated their level of employee equipment and support as a 3 or lower, indicating that there is room for improvement in providing employees with the tools and resources they need to adopt new regulations.

Investing in employee tools and support is crucial for organisations to adapt to new regulations and achieve regulatory compliance. The results underscore the importance of taking a holistic approach to regulatory compliance, by not only providing employees with training but also equipping them with the tools and resources needed to meet regulatory challenges.

**Fig 12: On a scale from 1 to 5, please rate the following statements: - My organisation's employees are adequately equipped with tools and support to adopt new regulations**





# Regulatory technology adoption

Of all the challenges that organisations face in meeting regulatory requirements, adopting the right technology is becoming increasingly important.

The results indicate that a majority of organisations (49%) rated their adoption of technology as a 3, indicating that there is room for improvement to meet regulatory requirements. Other firms (32%) rated their adoption as a 4 or 5, indicating that they are well on their way to adopting the right technology. However, there were still some organisations (16%) that rated their adoption as a 2 or below, indicating that there is significant room for improvement in adopting the right technology.

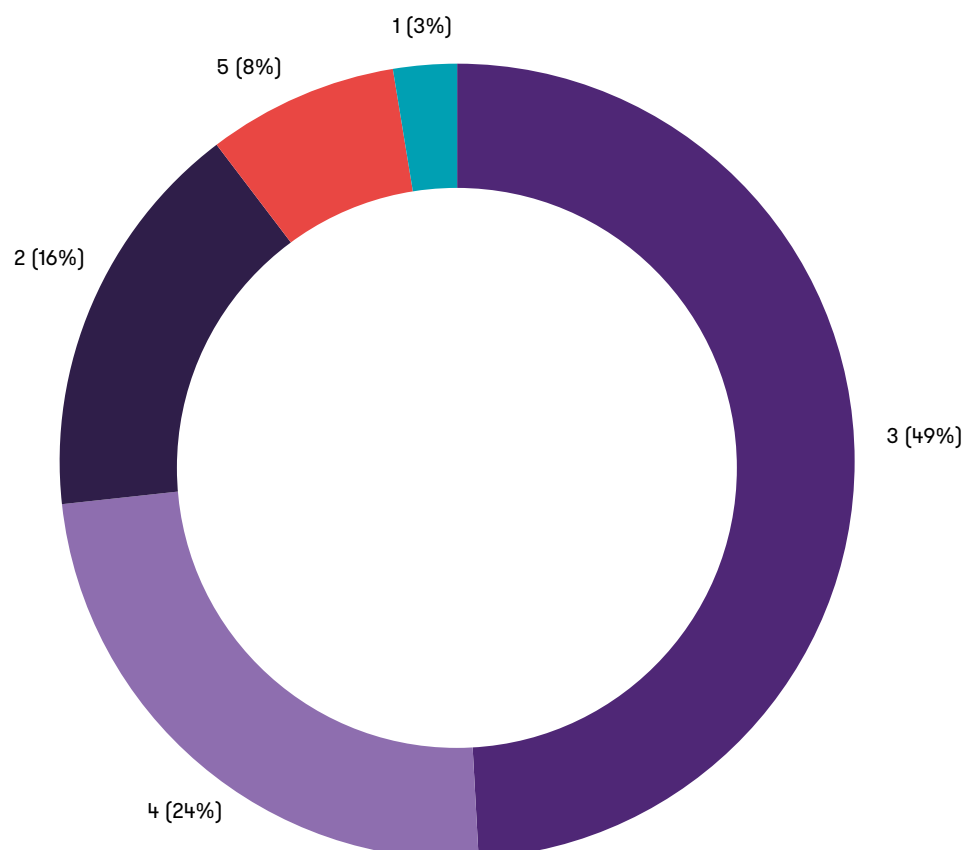
To improve their Regulatory Technology Adoption, organisations need to develop a strategic approach that is aligned with their business objectives and regulatory compliance requirements. This strategic approach should consider the specific needs of the business, such as identifying areas of the business that are most vulnerable to regulatory risk and taking steps to mitigate these risks using the right technology and tools.

A comprehensive analysis is necessary to identify areas where technology adoption is required and where existing technology needs to be improved. This analysis should also take into account the potential benefits and risks associated with new technologies and ensure that the chosen solutions are cost-effective.

Leveraging external expertise, such as RegTech solution providers and external consultants, can also help organisations to stay up-to-date on the latest regulatory developments and receive guidance on how to comply with them.

Finally, organisations can incentivise technology adoption by tying it to career progression, performance bonuses, and other rewards. This can help to foster a culture of continuous learning and development within the organisation and ensure that technology adoption is prioritised.

**Fig 13: In your opinion, how well has your organisation adopted technology to meet regulatory requirements?**  
- Adoption of technology to meet regulatory requirements



# Conclusion

Navigating the complex regulatory environment is a significant challenge for organisations, and the use of technology is becoming increasingly important for meeting regulatory requirements. The majority of organisations recognise the importance of regulatory compliance and have taken steps to equip their employees with the right tools and support. However, there is still room for improvement in terms of providing employees with the resources they need to adopt new regulations and to adopt the right technology to meet regulatory requirements.

The results of this survey highlight the complexity of the regulatory environment, with a majority of organisations rating it as moderately complex, and a significant portion rating it as very complex. This underscores the need for organisations to take a holistic approach to their regulatory compliance, and to recognise the importance of technology adoption in meeting regulatory requirements. By investing in the right technology and tools, organisations can improve their ability to meet these requirements, achieve greater efficiency and effectiveness in their operations, and gain a competitive advantage.



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