Winter is Coming: Navigating the Regtech Budget Paradox

February 6, 2020

Executive Summary:



After several decades of relegation to the back office, 21st century compliance departments have emerged as front-and-center players in modern capital markets infrastructure.

Banks, asset managers and end investors now recognize the importance of the compliance function to both operations and revenue.

Key findings in this report include:

1. Market participants, particularly sell-side firms, are indicating a strategic shift towards reliance on external personnel resources rather than maintenance of a standing expert knowledge base.
2. Regtech implementation has followed a reactive approach to new regulation since the financial crisis, resulting in piecemeal or even haphazardly planned compliance technology stacks, but firms are increasingly realizing the value of adopting a proactive approach—even if it results in an initially higher investment.
3. Banks and broker-dealers currently drive over 70% of surveillance technology external spending, but demand among lower tiers and the buy side is growing approximately 20% per annum.

Methodology:

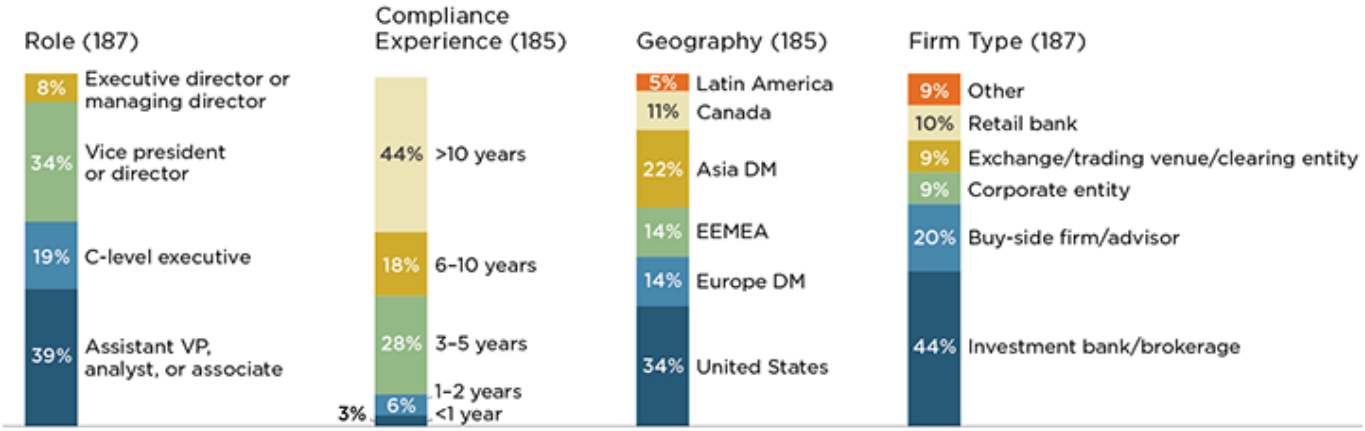
Throughout Q2 and Q3 2019, Greenwich Associates interviewed 187 professionals and executives working directly in compliance roles for the 2019 Global Compliance Study, executed in partnership with Nasdaq. Interviewees were highly experienced, with 61% working at a director or executive level, representing broker-dealers, buy-side firms, corporate entities, retail banks, and market infrastructure entities. Global distribution of respondents was wide, with the largest share of responses (34%) coming from the United States, followed

by EMEA (28%), Asia (22%), and other geographies.

Proprietary analysis of the 2019 Global Compliance Study results was completed by Greenwich Associates. Historical study results dating back to 2015 were provided by Nasdaq and were used by Greenwich Associates to interpret trends over time, as the distribution of participant demographics have remained consistent. Where applicable, statistical significance testing was conducted by Greenwich Associates; statistically significant conclusions indicate that the selected responses lay outside of two standard deviations from the mean when tested at the 95% confidence level.

Spending estimates were formed using proprietary methodology and were based on feedback provided by asset managers, broker-dealers, market infrastructure operators, regulators, and members of the vendor community, as well as participants in the 2019 Global Compliance Study. Vendor community input included ACA Compliance, Bay Street Systems, Bloomberg, Eventus Systems, and Nasdaq.

2019 GLOBAL COMPLIANCE STUDY RESPONDENT DEMOGRAPHICS



Note: Numbers in parentheses represent numbrer of respondents. May not total 100% due to rounding.
Source: Greenwich Associates 2019 Global Compliance Study

Crisil
Coalition Greenwich

---

www.greenwich.com | ContactUs@greenwich.com

Coalition Greenwich, a division of CRISIL, an S&P Global Company, is a leading global provider of strategic benchmarking, analytics and insights to the financial services industry.

We specialize in providing unique, high-value and actionable information to help our clients improve their business performance.

Our suite of analytics and insights encompass all key performance metrics and drivers: market share, revenue performance, client relationship share and quality, operational excellence, return on equity, behavioral drivers, and industry evolution.

About CRISIL

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better. It is majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics, and data to the capital and commodity markets worldwide.

CRISIL is India's foremost provider of ratings, data, research, analytics, and solutions with a strong record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights and efficient solutions to over 100,000 customers through businesses that operate from India, the U.S., the U.K., Argentina, Poland, China, Hong Kong, and Singapore.

For more information, visit www.crisil.com

Disclaimer and Copyright

This Document is prepared by Crisil Coalition Greenwich, which is a part of Crisil Ltd, a company of S&P Global. All rights reserved. This Document may contain analysis of commercial data relating to revenues, productivity and headcount of financial services organisations (together with any other commercial information set out in the Document). The Document may also include statements, estimates and projections with respect to the anticipated future performance of certain companies and as to the market for those companies' products and services.

The Document does not constitute (or purport to constitute) an accurate or complete representation of past or future activities of the businesses or companies considered in it but rather is designed to only highlight the trends. This Document is not (and does not purport to be) a comprehensive Document on the financial state of any business or company. The Document represents the views of Crisil Coalition Greenwich as on the date of the Document and Crisil Coalition Greenwich has no obligation to update or change it in the light of new or additional information or changed circumstances after submission of the Document.

This Document is not (and does not purport to be) a credit assessment or investment advice and should not form basis of any lending, investment or credit decision. This Document does not constitute nor form part of an offer or invitation to subscribe for, underwrite or purchase securities in any company. Nor should this Document, or any part of it, form the basis to be relied upon in any way in connection with any contract relating to any securities. The Document is not an investment analysis or research and is not subject to regulatory or legal obligations on the production of, or content of, investment analysis or research.

The data contained in the Document is based upon a particular bank's scope, which reflects a bank's data submission, business structure, and sales revenue Reporting methodology. As a result, any data contained in the Document may not be directly comparable to data presented to another bank. For franchise benchmarking, Crisil Coalition Greenwich has implemented equal ranking logic on aggregate results i.e., when sales revenues are within 5% of at least one competitor ahead, a tie is shown and designated by = (where actual ranks are shown). Entity level data has no equal ranking logic implemented and therefore, on occasion, the differences between rank bands can be very close mathematically.

The data in this Document may reflect the views reported to Crisil Coalition Greenwich by the research

participants. Interviewees may be asked about their use of and demand for financial products and services and about investment practices in relevant financial markets. Crisil Coalition Greenwich compiles the data received, conducts statistical analysis and reviews for presentation purposes to produce the final results.

THE DOCUMENT IS COMPILED FROM SOURCES CRISIL COALITION GREENWICH BELIEVES TO BE RELIABLE. CRISIL COALITION GREENWICH DISCLAIMS ALL REPRESENTATIONS OR WARRANTIES, EXPRESSED OR IMPLIED, WITH RESPECT TO THIS DOCUMENT, INCLUDING AS TO THE VALIDITY, ACCURACY, REASONABLENESS OR COMPLETENESS OF THE INFORMATION, STATEMENTS, ASSESSMENTS, ESTIMATES AND PROJECTIONS, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE ARISING OUT OF THE USE OF ALL OR ANY OF THIS DOCUMENT. CRISIL COALITION GREENWICH ACCEPTS NO LIABILITY WHATSOEVER FOR ANY DIRECT, INDIRECT OR CONSEQUENTIAL LOSS OR DAMAGE OF ANY KIND ARISING OUT OF THE USE OF ALL OR ANY OF THIS DOCUMENT.

Crisil Coalition Greenwich is a part of Crisil Ltd., a company of S&P Global. ©2026 Crisil Ltd. All rights reserved.

greenwich.com ContactUs@greenwich.com Ph +1203.625.5038