

CEP Magazine – May 2018 RegTech and blockchain: Only as strong as your weakest link

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The media is awash in articles, interviews, and op-ed pieces attacking or defending the emergence and ascendancy of cryptocurrency. Although Bitcoin and other cryptocurrencies rely upon distributed ledger technology (DLT), cryptocurrency is but one application of the innovative technology also known as blockchain. This is, therefore, not an article about the merits of cryptocurrencies.

Reducing compliance costs with technology

Despite improved economic conditions in many global regions, at many organizations, compliance professionals are being asked to “do more with less” amidst budget pressures and shifts toward technological tools. As Compliance departments are not “profit centers” that contribute to the organization’s net income, senior leadership seeks to maximize the return on investments in compliance professionals and regulatory technology (RegTech) tools. Because qualified compliance professionals are valued more for their qualitative skills than their ability to accomplish repetitive tasks, the impetus to employ RegTech for routine matters is strong.

For those of us in the compliance risk management profession, the potential applications of blockchain technology are exciting and promise to revolutionize the manner in which we deploy scarce technology and key professional resources. Stakeholders—including business leaders, boards, shareholders, and customers—will look to us to ensure that compliance is not only maintained but strengthened by the implementation of these innovative tools. As experts have identified upgrading legacy systems as the biggest technology challenge of 2018,^[1] compliance leaders must partner with their organization’s technology peers to ingrain RegTech solutions into new application development.

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