



REGTECH100

Profiles of the RegTech100, the world's most innovative RegTech companies that every leader in the regulatory industry needs to know about in 2020



The REGTECH100 is an annual list of 100 of the world's most innovative RegTech companies selected by a panel of industry experts. These are the companies every financial institution needs to know about as they consider and develop their mission critical RegTech and digital transformation strategies.

The REGTECH 100 list will help senior management and compliance professionals evaluate which solutions have market potential and are most likely to succeed and have a lasting impact on the industry.

CRITERIA

A range of factors was considered to make the final selection including:

- Industry significance of the problem being solved
- Growth, in terms of capital raised, revenue, customer traction
- Innovation of technology solution
- Potential cost savings, efficiency improvement, impact on the value chain and/or revenue enhancements generated for clients
- How important is it for financial institutions to know about this company?

PROCESS



Risky business

MyComplianceOffice empowers financial institutions to better manage conduct risk. But while the company is thriving in 80 different countries, getting to this stage was far from easy



From money laundering to insider trading, modern financial services firms face massive risks every day. Failing to prevent misconduct, mis-selling or to do their due diligence can land these businesses in a world of hurt.

That's where MyComplianceOffice comes in. Today the company enables enterprises across the globe to ensure their clients, employees and third-party providers are all following the letters of the law.

However, just a few years ago the venture was facing massive challenges of its own. "We were staring down the barrel of a gun," says Brian Fahey, CEO of MyComplianceOffice.

He had stepped in as the leader of the conduct risk management enterprise in 2003, five years after the company was launched as a subsidiary of a multinational financial services firm. "Until my arrival, [what would become MyComplianceOffice was part of the company's] offshore development group in Ireland and was primarily a professional services or consulting arm and taking [the company's] technologies and people in Ireland and selling them for projects in the UK and Ireland," Fahey remembers.

When he entered the business, he began to transform it into what would eventually become MyComplianceOffice, which at the time was about trying to automate compliance activities for investment advisors and broker dealers in the US. "We built the core product over the first few years when we were part of [the big company]," Fahey says.

In 2008, Fahey spearheaded the push to break away MyComplianceOffice from its parent company, making it a venture of its own. Both he and the other members of the founding team revelled in the opportunity to build something for the future.

Most of them had a background building projects in bigger firms and was looking forward to creating something for the long run. "So part of the principles that we had at MyComplianceOffice when we first started building the product was that we would be building for the long term," Fahey says.

In practice, this meant that if they built a workflow solution, they ensured it would be ready to be rolled out across each solution. Once done, that enables MyComplianceOffice to also make incremental improvements.

While the new enterprise gave them a chance to do things their way, MyComplianceOffice's founding team had one huge hurdle to overcome: timing. "2008 was a terrible time to start a company selling to financial services firms," he says. As the world economy was tumbling around them, the business entered what Fahey refers to as "our survival years."

Between 2008 and 2013, he and his colleagues' stress levels shot through the roof. "We're talking about the typical entrepreneurial situation where you don't know if you're going to make payroll next month," Fahey continues. "It was hard to mouth."

Two things helped them make it through the period. The first was that they got paid one year in advance for their services. The second was that The Charles Schwab Corporation bought Compliance11, one of MyComplianceOffice's biggest competitors and repurposed it, removing Compliance11 from the playing field.

Even though those factors provide a breathing space to chase clients and develop their solution, Fahey and his team were bleeding money. Then, the watershed moment came in 2013 when startup signed on two major players as clients. Those deals proved that MyComplianceOffice had what it took to support big firms. The business secured them in the nick of time. "We nearly sold the company," Fahey reveals. "We had an offer, not what we would consider a good offer, but one that would at least pay people back what they were owed."

Fahey and his team were able to reject the offer thanks to the two deals and, from 2013 on, MyComplianceOffice found itself on increasingly steadier ground as the venture both boasted a client retention rate of 97% and attracted new customers. Today the company has over 380 firms as its clients.

The financial crisis also presented MyComplianceOffice with an opportunity. Following the collapse of Lehman Brothers, several misselling scandals, money laundry affairs and cases of terrorism financing, the public, politicians and regulators had had enough. Not only did this mean the introduction of new laws like the Dodd-Frank Act in the US and the Markets in Financial Instruments Directive in the EU, the public backlash had shown that allowing customers and employees to behave in seedy ways came attached with potentially massive consequences. "The risk of misconduct is very big for financial services firms," Fahey says.

In other words, financial services firms needed solutions to monitor clients, employees and third-party providers. MyComplianceOffice has been able to cater to this demand through its know your third party (KYTP), know your trading (KYT) and know your employee (KYE) solutions.

The business' KYE suite helps clients ensure their employees are compliant with personal trading, gifts, political contributions and other regulations.

The KYTP module ensures firms can manage the risks associated with their suppliers and other third parties by integrating a comprehensive suite of independent sources. This empowers the client to do due diligence for onboarding and to alert the right person when something happens.

MyComplianceOffice's KYT solutions empower customers to mitigate risk through trade monitoring and customer suitability programs. This minimises the risk of market abuse, insider trading and ensure adherence to fund mandate.

Each conduct risk management suite requires a different solution as each area presents MyComplianceOffice with different datasets. "Where you have data you can have software that monitor it and say 'Oh, wait, this doesn't look right, this is an inappropriate looking activity or transaction,'" Fahey explains. "When you are talking about transactional activities of a client, you'll have access to that data, can put it into a system, monitor and survey it."

However, when it comes to employees, access to data becomes more difficult. "You can't monitor all that a person does, whether it's inside the office or outside," Fahey says. Because of that, while the KYE solution monitors what it can, it is more about nudging the employees into the right behaviour. "You declare policies, expected behaviour, you monitor what you can and you use the software to ensure that they are at least doing what they're supposed to be doing in terms of declarations and all of that."

It also helps companies take decisive and punitive actions when people are behaving in a non-compliant way. "People don't get away with it and it becomes visible to the rest of the organisation that that behaviour won't be tolerated," Fahey says. "That's really where a lot of this comes together."

A decade after the company decided to fly solo, MyComplianceOffice is stronger than ever. In the last 12 months alone it has released two new products and signed on clients like multi-national independent investment bank PiperJaffray. Moreover, the business has for the past few years annually grown between 30% to 40% and set up offices in the US and in Singapore.

Fahey reveals more international offices might be on the horizon. "Our business in Japan is increasing considerably and if it continuous we will consider opening there too," he says.

In the immediate future, MyComplianceOffice is looking to keep developing its core products and to enhance the datasets it can access.

When asked if he still feels as stressed as he did in 2013, Fahey laughs. "You know, thankfully I haven't had that for quite some time and that has released our creativity in terms of new products and being a thought leadership in this space," he concludes.