

RegTech for Digital Wealth Management

The 4 Best Practices to Solve
the Compliance Challenges of
Robo Advisors and
Digital Wealth Management Solutions

Summary

In this whitepaper, we show the urgent need for wealth managers to work with machine-readable regulations.

We argue that machine-readable regulations are an integral part of digital wealth management solutions and that they are becoming increasingly important.

We propose that digital regulations allow wealth managers not only to give compliant investment advice, but also to expand business activity effortlessly and to offer value-added investment services.

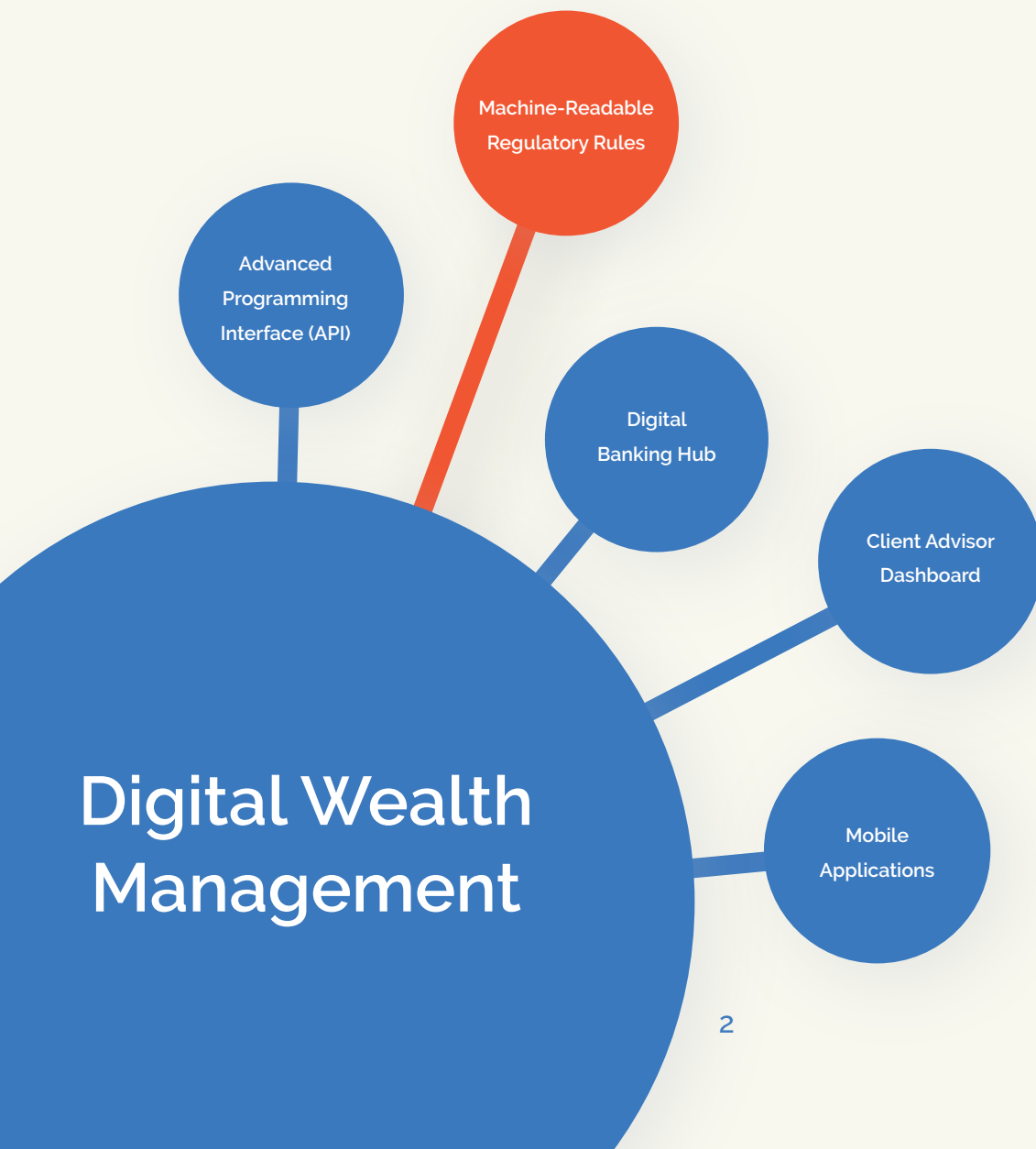
The key benefit of machine-readable regulations is their unmatched flexibility. Wealth managers can work with exactly the regulations they need to offer their services and unlock additional regulatory coverage, if the need arrives, at the click of a button.

We show the industry best practices that allow wealth managers to fully reap the benefits of digital regulations and argue that they should start small and expand later, set up a future-proof system architecture, work with API-first companies and prepare for true straight-through processing.

If they act now, wealth managers can use digital regulations to increase regulatory certainty and turn their attention to where it is most needed: generating business.

Digital Regulations for Digital Wealth Management

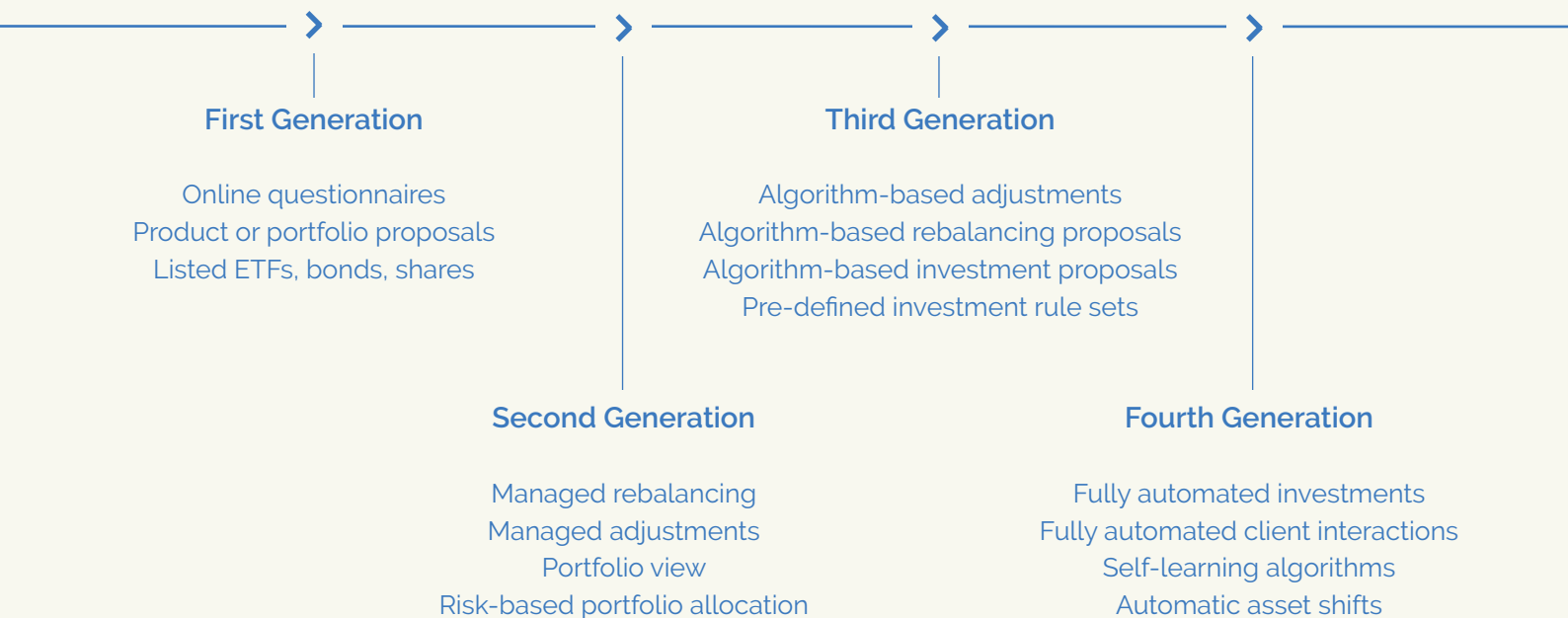
In response to evolving client needs and changing business requirements, wealth management solutions are becoming increasingly digital. Financial service providers need to develop scalable, secure and highly modular software solutions to keep up with competition. In today's highly regulated environment, to really offer scalable digital solutions across multiple markets, regulatory knowledge as provided by legal and compliance experts must also be digitalised. Welcome to a world of machine-readable digital regulations.



Increasing Need for Machine-Readable Regulatory Rules

With increasing automation and sophistication of digital wealth management solutions, the need for digital regulatory rules becomes ever more important. **Get ready for true straight-through processing now.**

Evolution of Digital Wealth Management Solutions



Source: Deloitte 2016 (The Expansion of Robo-Advisory), Apiax 2018

Increasing Demand for Scalable Solutions

Machine-readable regulatory rules can be used in all general applications of digital wealth management. In fact, the same rules can be used in multiple applications simultaneously. **Experience the power of scalable regulatory services.**

RegTech for fully automated robo advisors

Machine-readable regulatory rules empower robo advisors to cater their clients more efficiently than ever before.

They also allow robo advisors to expand their business reach effortlessly with the subscription to cross-border rules covering new business areas.

Regulatory details on financial instrument-level ensure compliance with local distribution laws and product restrictions.

Beyond ensuring compliance, digital tax rules can create real added value for clients. Tax calculations on financial instrument-level offer captivating marketing stories and the potential for an improved user experience.

RegTech for digital hybrid advisory solutions

Machine-readable regulatory rules offer the chance to always stay compliant in digital advisory relationships.

Financial institutions remain efficient and productive with even the most complicated client requests and investment proposals.

Digital regulatory rules allow service providers to expand their activities effortlessly into new business areas.

Compliance in new business areas merely takes the click of a button to subscribe to a new set of regulatory compliance rules.

Additional regulatory details such as tax calculations can add value to products and services.

RegTech for technology-enhanced personal relationships

Machine-readable regulatory rules enable digital wealth management solutions to always give compliant investment advice.

This is true even for the most complicated cross-border regulatory questions.

Financial service providers can easily serve new clients in new business areas.

With just a few clicks, relationship managers can clarify regulatory requirements. They can easily serve new clients, offer new services or instrument types or serve existing clients in a new business context.

Wealth managers can also offer added value thanks to additional regulatory details such as tax calculations.

RegTech for Digital Wealth Management: Main Benefits

We've brought together the 3 main benefits that machine-readable regulatory rules bring for digital wealth management solutions. As we will show, digital regulations allow to expand business activity effortlessly, to always give compliant investment advice and to offer tailored investment services. **Prepare for efficient, value-added investment services.**

1 Expand your reach

Give compliant investment advice

2

3 Add value to services

Effortlessly Expand your Reach

Digital regulations allow financial service providers to expand their activities into new business areas effortlessly. Digital regulations allow to cater new clients easily and to always stay confident and compliant. **Finally, financial service providers can be productive and successful again.**

Expand into new business areas. Digital regulatory solutions allow service providers to effortlessly expand their activities into new business areas. With digital regulations, expanding into a new business area comes down to subscribing to a new set of market-specific regulations. Reliable digital rules then produce dependable answers to regulatory questions such as the suitability of an investment instrument in split seconds.

Work with new clients. Digital regulatory rules save users precious time and valuable resources that they would otherwise need for clarifying regulatory questions. But the biggest benefit of digital regulations is that the same set of rules can be used for multiple needs simultaneously, allowing for true scalability of regulatory services and a consistent risk management.

Be productive and successful. Digital regulatory rules liberate users from the excessive overhead that comes with traditional regulatory solutions. This is especially true for fast-growing global businesses such as robo-advisors. Financial services can be expanded to new business areas without the need to blow up regulatory overhead. This allows financial service providers to be productive and successful again.

Always Give Compliant Investment Advice

Ensuring compliance in investment advice is a formidable challenge. This is especially true when servicing clients in different markets on a cross-border basis. Machine-readable digital regulations allow to master regulatory complexity efficiently. **Never before has it been easier to deliver compliant investment advice than in the current digital age.**

Instantly react to client requests. Digital regulations allow client advisors to immediately ensure regulatory compliance of trade requests. This allows them to give immediate answers during client interactions. They never have to postpone their answers because of regulatory uncertainties again.

Effortlessly prepare investment proposals. With the help of digital regulations, client advisors can be sure to respect all regulatory requirements even in the most complex cross-border client relationships. Offering market-specific trade proposals or discretionary portfolios fully compliant with laws and regulations has never been easier.

Always stay efficient and productive. RegTech tools help client advisors to react to client demands and prepare trade proposals much faster than ever before. Checking the compliance of individual trades takes mere seconds. Pre-configured client interactions dramatically improve reaction time. Client advisors don't spend time on checking regulatory requirements and increase time spent with clients and the quality of their client relationships instead.

Add Value to Investment Services

Digital regulations allow to assess tax calculations on instrument-level. This empowers financial service providers to create real value for their clients, establish unique touch points and activate their clients with captivating investment proposals. **Turn tax regulations into competitive advantage.**

Create real value for clients. Digital tax regulations on financial instrument-level allow to offer clients not just investment products that are compliant, but also such that are tax-efficient. This creates real value for clients. Investment performance is not just dependent on returns and fees, but also on taxes.

Create touch-points. Tax-efficient investing offers the opportunity to create additional touch-points with clients. Switch proposals are offers to clients to switch investments with alternatives that fulfil the same investment purpose but are more tax-efficient. Client advisors can inform their clients about opportunities to improve the tax-efficiency of their investments.

Activate clients and generate business. The key benefit of approaching clients with tax-efficient investment proposals is that these proposals do not just relate to clients' investment performance, but also offer a captivating investment narrative. This increases the chance clients engage in investment recommendations.

Position your brand. Tax-efficient investing with digital regulations on ISIN-level offers financial service providers the rare opportunity to position their brand towards transparency and a client-first culture – without losing sight of investment performance.

RegTech for Digital Wealth Management: Best Practices

We collected 4 best practices that financial service providers should follow if they decide to work with machine-readable regulatory rules in their digital wealth management solutions. **Prepare your services for the future.**

1 Start small and expand later

Set up future-proof architecture

2

3 Work with sophisticated APIs

Enable true straight-through processing

4

Start Small and Expand Later

Digital regulations offer unmatched flexibility. Digital wealth managers can work with exactly the regulations they need to offer their services. No need to create an excessive regulatory overhead. And if providers decide to expand their services, increasing regulatory coverage comes at the click of a button. **Experience true scalability of regulatory services.**

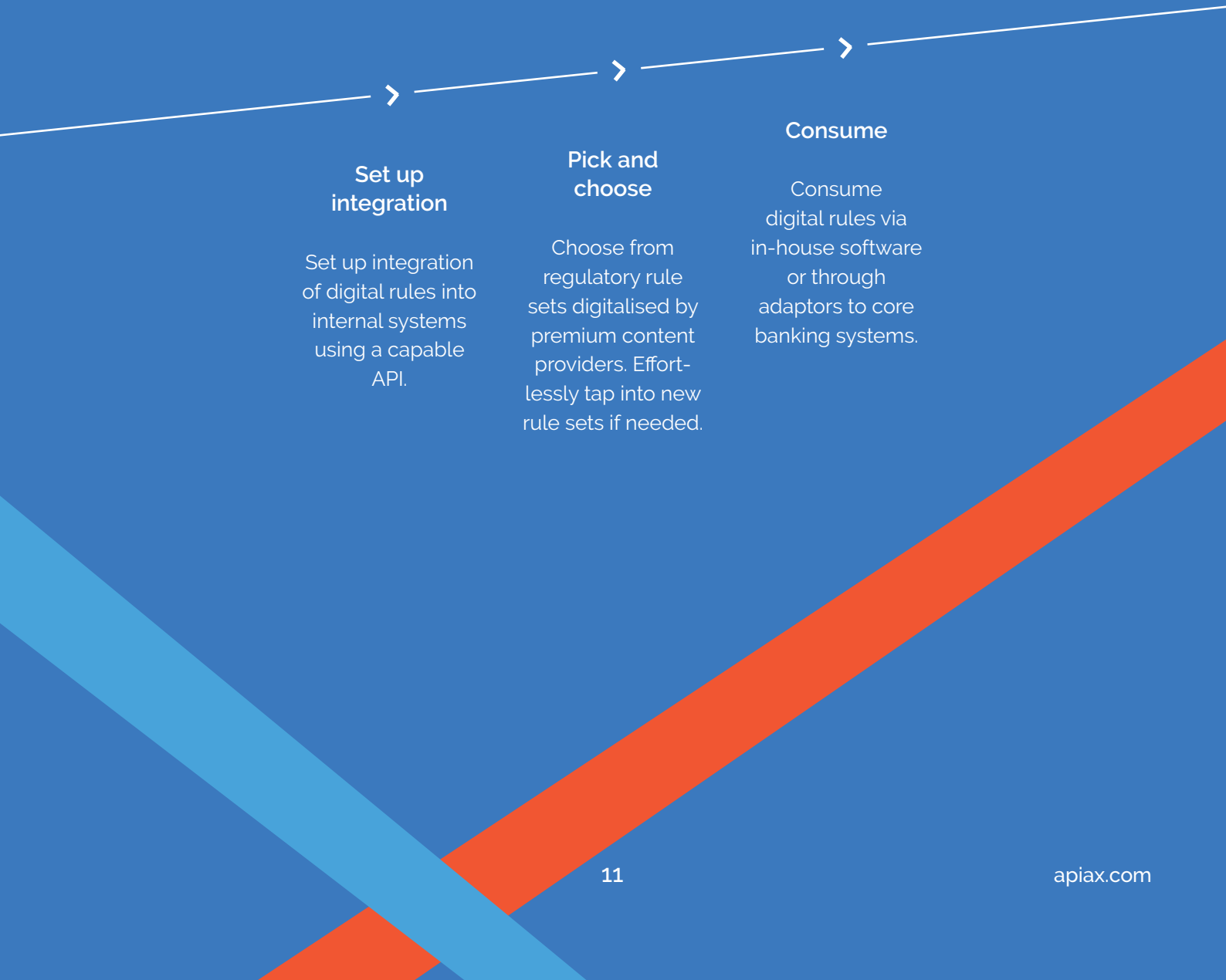
Start small. Digital regulations can be provided on an unmatched fine-grained level. This allows to access and acquire only the rules that users have demand for. Rules can be separated by countries or asset classes, for instance. Service providers can purchase exactly the amount of regulatory coverage they need.

Upgrade at will. If the need arises, providers can tap into new rules in line with their business needs. This can support expansion into new countries, offering new financial services as well as the coverage of more asset classes. A digital wealth manager may decide to only onboard clients from a specific country and to only offer major asset classes in the beginning. Later, he might want to expand to new countries and add more specialised investment products. Digital rules offer exactly this flexibility.

Tap into economies of scale. The fact that digital regulations allow to make use of regulatory services on a fine-grained level allows financial service providers to tap into economies of scale. They can expand revenues at rates far higher than costs for regulatory services.

Set Up a Future-Proof System Architecture

Working with machine-readable regulations makes most sense if digital wealth managers set up a future-proof system architecture. An API-based setup guarantees full flexibility to expand regulatory coverage at will. Providers should avoid solutions that are technologically limited or only offer limited content. **Lay down the building blocks of your future. Now.**



Work With Proven and Well-Documented APIs

The API economy is taking off. But with all the opportunities also come requirements. Financial service providers should make sure that they only work with companies that really understand APIs. And they should only work with proven technology and APIs that are well documented and well tested. **Work with proven technologies, pioneered for regulations.**

API first. APIs are fashionable. The API economy has become something of a buzzword as of late. Therefore it is all the more important to work with API-first and developers-first companies.

Proven technology. Machine-readable regulations need an API that is pioneered for this use case. But financial service providers should always be sure to use an API that is based on tested and proven technologies such as REST and GraphQL.

Well documented. A key aspect of any API is its documentation. Wealth managers should only work with API providers that offer extensive documentation for both business functions and developers. APIs can only have their full effects if they are well documented and to some degree self-explanatory.

Tested API. API testing can be one of the most challenging parts of software testing. APIs are often based on protocols and standards that are not to be found in other kinds of testing. Thus it is all the more important to work with well-tested APIs.

Prepare for True Straight-Through Processing

Digital regulations are the missing piece to the puzzle of real digital wealth management solutions. They allow for true straight-through processing and hence for increased automation, optimised speed and better business performance. **Tick the box on regulatory compliance and turn your attention to business development.**

Optimise speed. True straight-through processing optimises the speed at which financial service providers can process transactions. Digital regulations are the missing piece to the puzzle. They allow digital wealth managers to process transactions fully automatically and minimise the need for manual interaction.

Eliminate delays. True straight-through processing allows digital wealth managers to eliminate delays. These delays can be costly, if they require manual intervention. One thing is for sure: they are always annoying, because they spoil the digital experience for users and interrupt the smooth working of digital solutions.

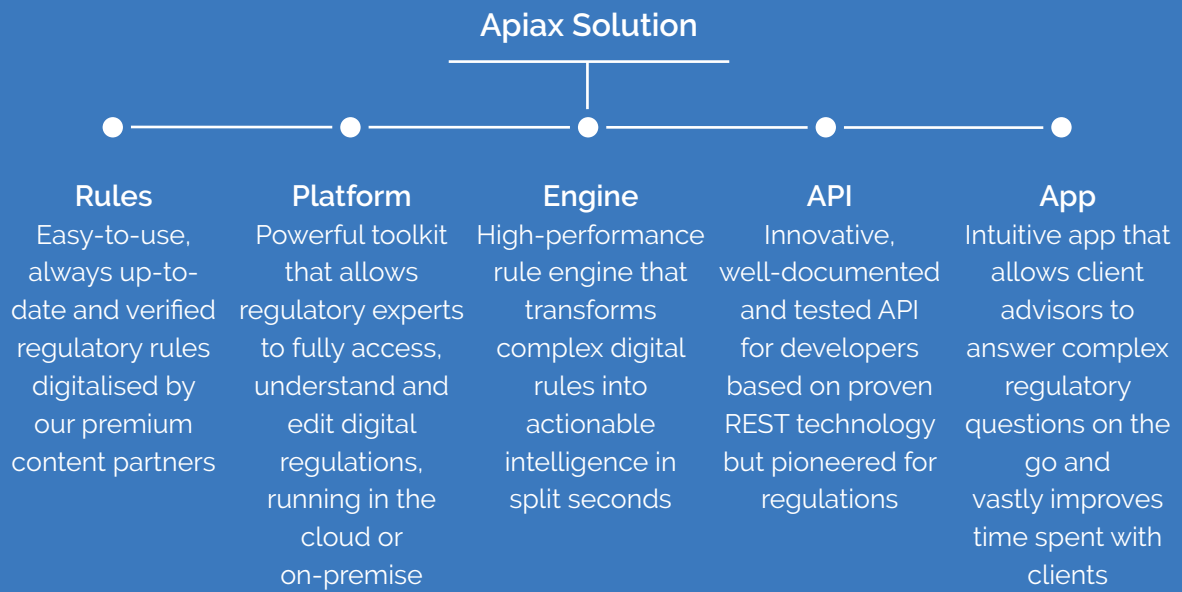
Settle more transactions. Reducing the time it takes to process a transaction increases the likelihood that a contract or an agreement is executed on time. It also allows more transactions in the same amount of time. Both benefits ultimately influence the bottom line of any digital wealth manager to the better and with almost no extra effort.

Stay agile and competitive. True straight-through processing minimises the need for manual intervention and thus liberates valuable resources to put where they are most needed: into developing the business further.

Our Offering

#RegTechNow

We build the most powerful and flexible tools to master complex financial regulations digitally.



Apiax AG
Limmatquai 122
8001 Zürich
hello@apiax.com



Medium



LinkedIn



Twitter