

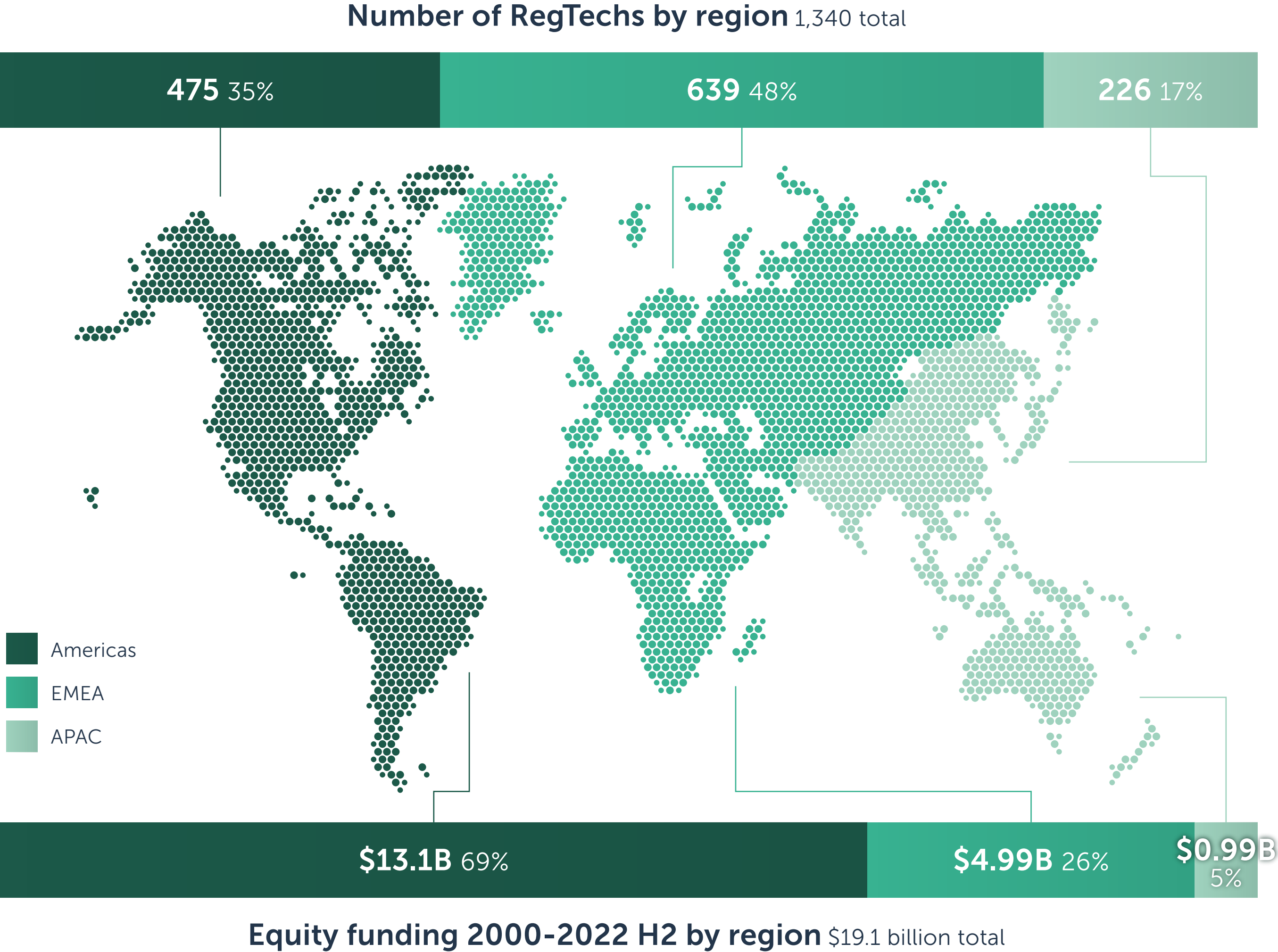
# Understanding the North American RegTech market



As regulatory pressure mounts and regulated industries demand more efficient, digital methods of compliance, interest in Regulatory Technology (RegTech) in Canada and the U.S. has taken flight.

While the number of RegTechs in EMEA still outnumber those in the Americas (48% of the world’s RegTechs can be found in EMEA; 35% can be found in the Americas), the level of investment tells a different story.

The data compiled by the [Boston Consulting Group’s FinTech Control Tower](#) (FCT) reports that between 2000 and H1 2022, investors bulldozed \$13.1B of equity investment into RegTechs based in the Americas, representing 69% of RegTech investment globally.



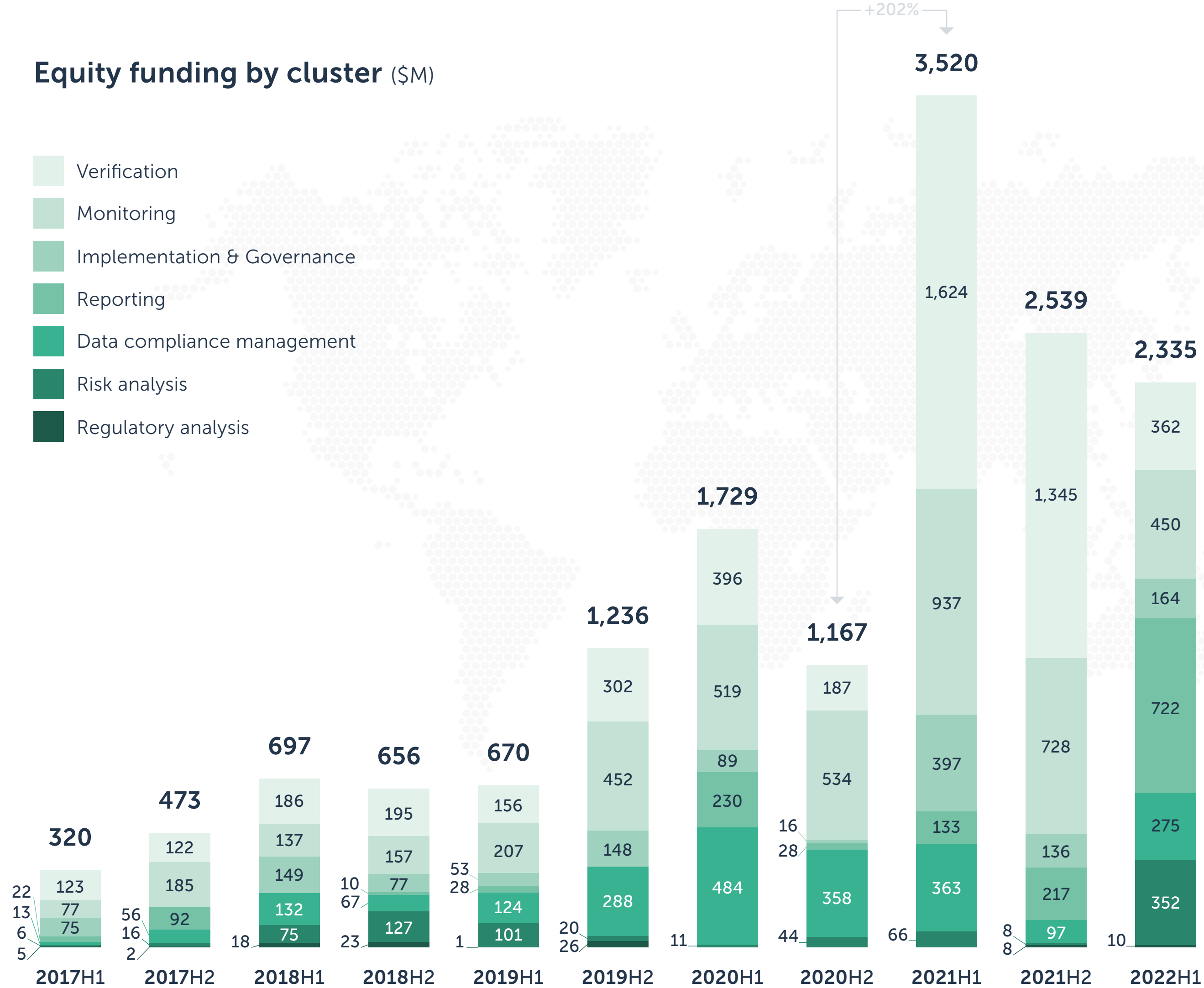


An acceleration in RegTech investment arrived relatively recently – seen in a 202% investment jump from H2 2020 to H1 2021 – as the pandemic forced compliance tasks to evolve and as financial institutions promised to put more emphasis (and dollars) behind digital transformation initiatives.

Economic conditions helped. The world enjoyed an investment boom with cheap access to capital and a well-organized ecosystem connecting startups with investment dollars.

This funding boom was also buoyed by several RegTech mega-rounds, which contributed to the 2021 uptick.

Equity funding by cluster (\$M)



Source BCG FinTech Control Tower

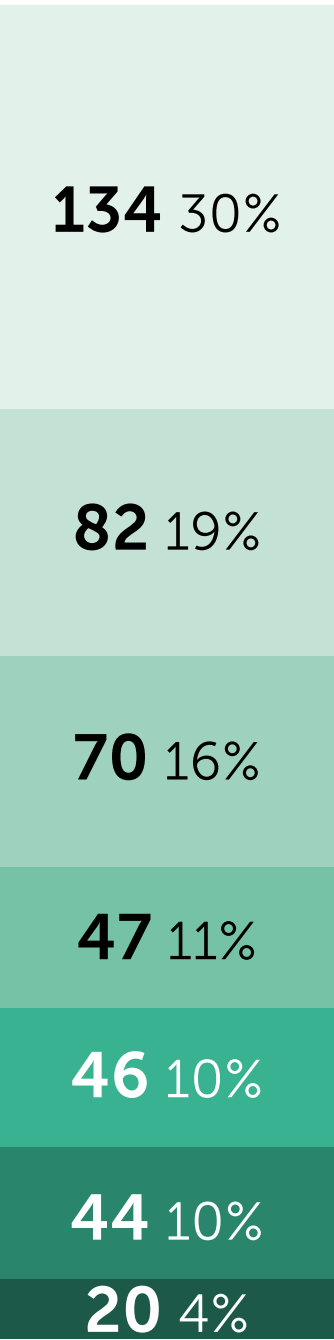
In North America, the same growth occurred, with Canada and the U.S. far leading other regions. In 2021, for example, North American RegTechs captured a whopping 83% of global investment.

Come 2022, like the trend seen across the broader tech investment landscape globally, H1 2022 has seen a drop in investment activity from the record 2021 levels but global and North American investment levels remain above all half-year periods prior to 2021.

According to data compiled by BCG FinTech Control Tower, on a year-on-year basis, so far in 2022 there has been an overall decrease of investment in FinTech (-31.5%), RegTech (-41.9%) and InsurTech (-39.6%). FinTech represents a significantly larger population of companies versus RegTech, which should be taken into account.

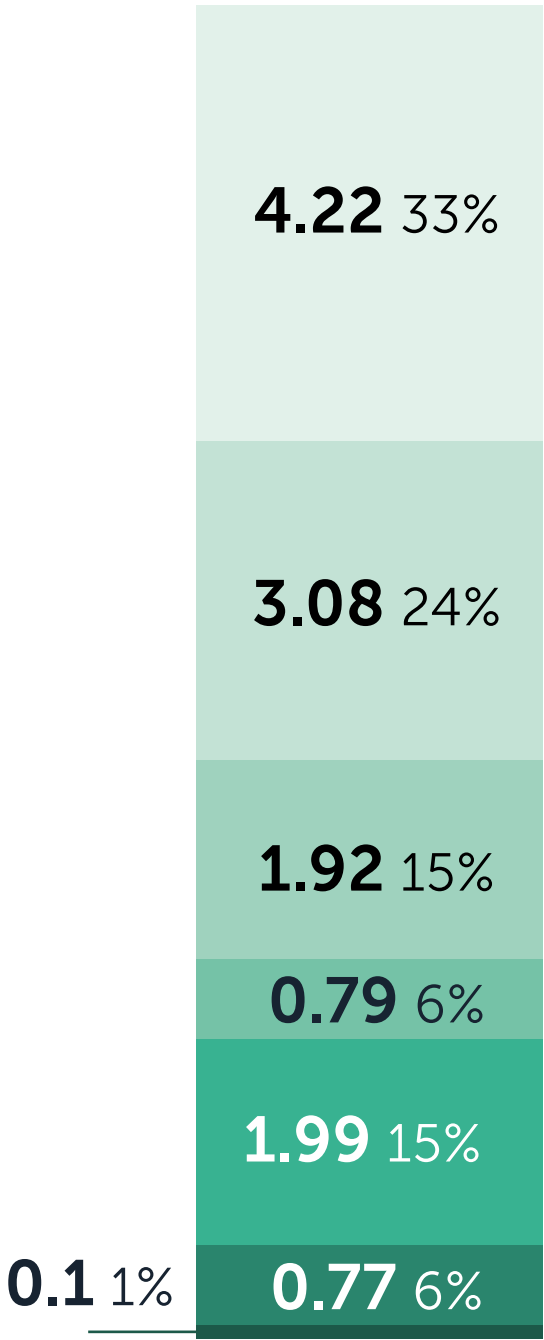
Number of RegTechs by cluster

443 total

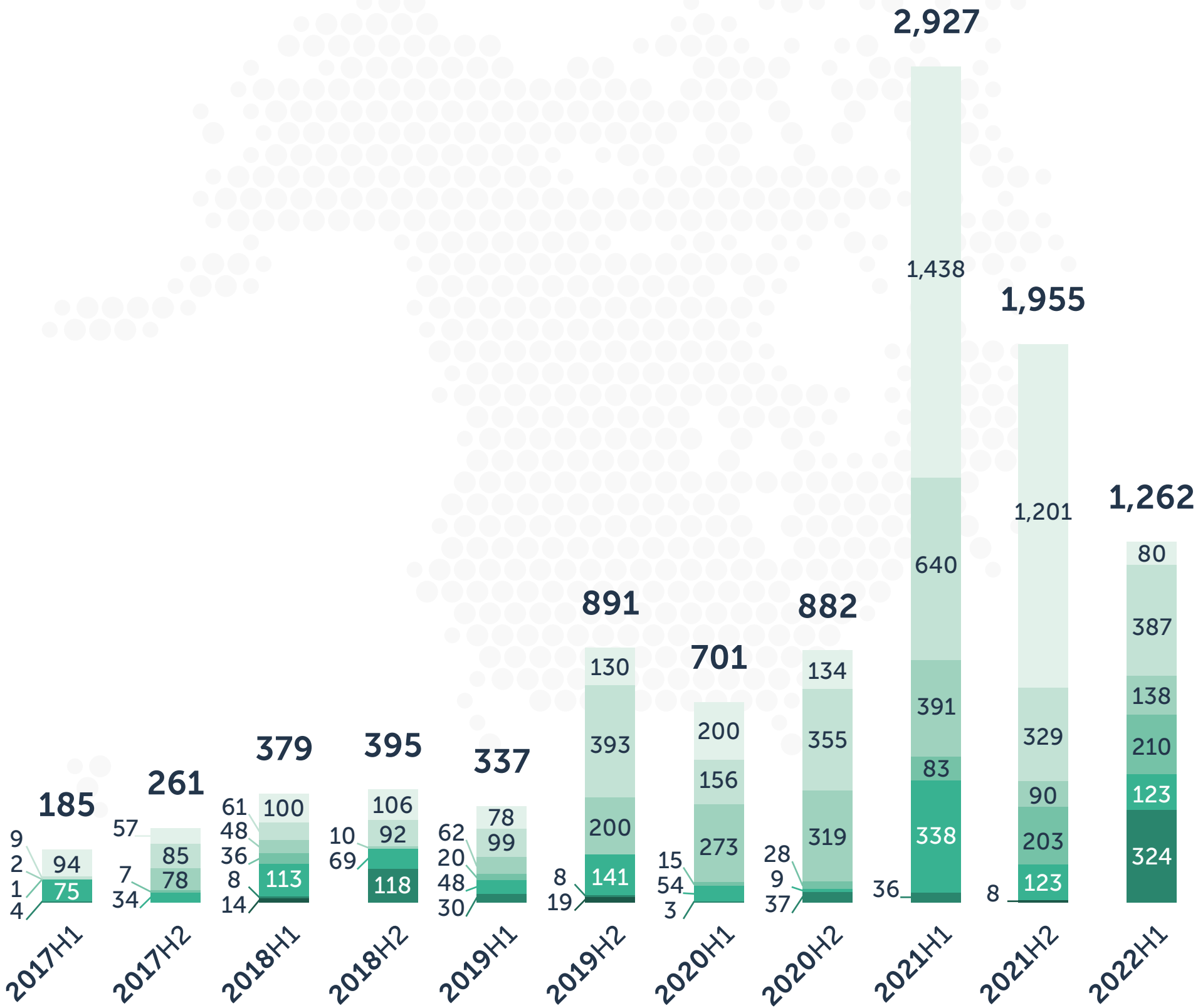


Equity funding 2000-2022 H1 by cluster

\$12.9 billion total



Equity funding by cluster (\$M)



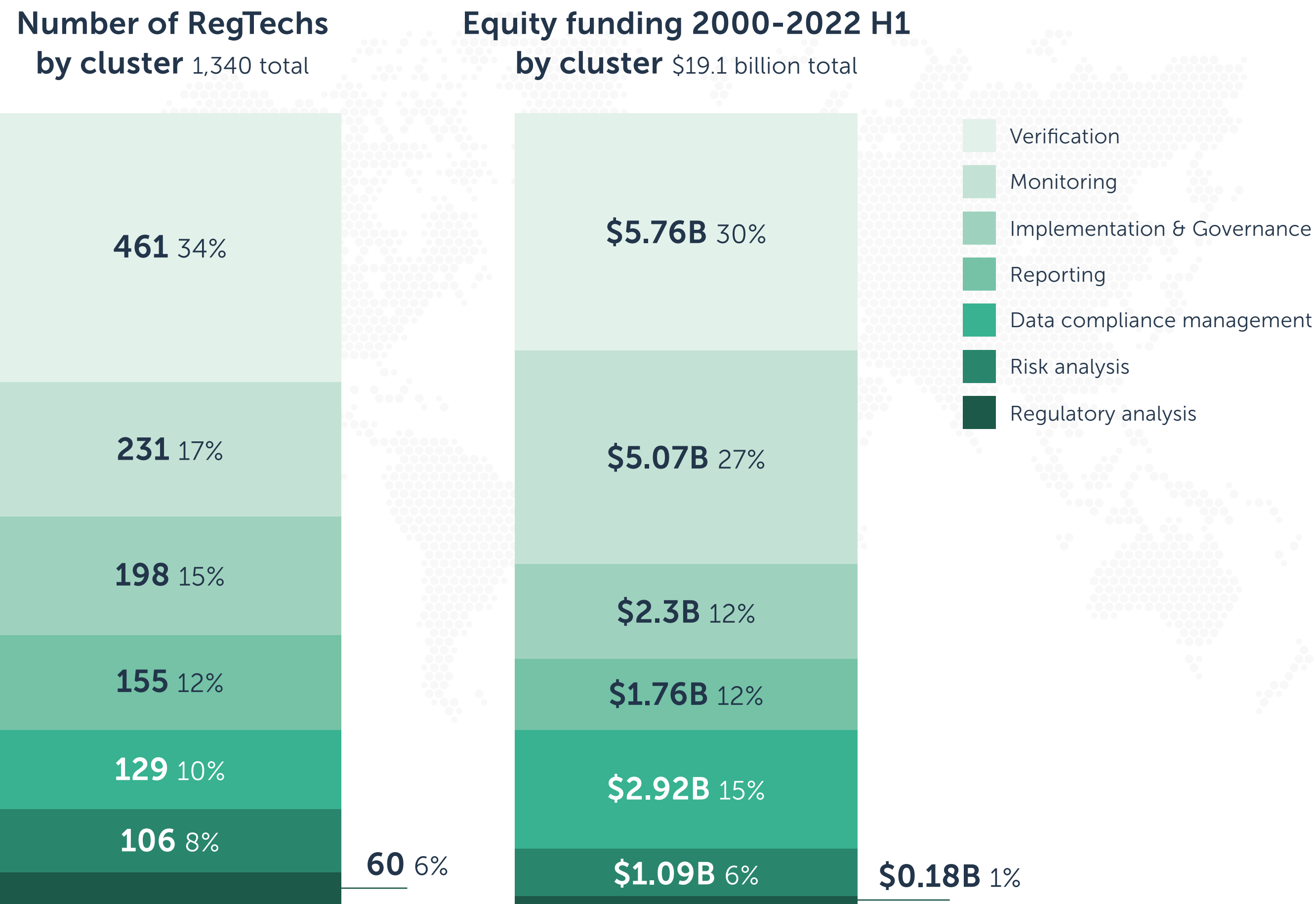
- Verification
- Monitoring
- Implementation & Governance
- Reporting
- Data compliance management
- Risk analysis
- Regulatory analysis

Source BCG FinTech Control Tower

RegTech, however, represents a broad category of firms, featuring different use cases and varying levels of adoption.

As an emerging and horizontal segment it’s useful to understand and apply some classifications. The RegTech taxonomy established by BCG’s FCT has helped us gain a picture of the landscape across the globe over recent years. The data has shown that RegTechs that are more closely tied to customer experience, which is more directly linked to revenue, have significantly outpaced ‘back office’ categories.

Verification (the ability to verify a consumer or business is legitimate and doesn’t represent a fraud or compliance risk) and monitoring (the ability to verify a consumer or business on an ongoing or risk-based basis) represent the most competitive RegTech categories. It was these categories that also received the largest share of investment. Risk analysis and regulatory analysis, two important but more operational categories, and comparatively least competitive, received the smallest share of investment.



Source BCG FinTech Control Tower





One interesting characteristic of RegTech is that its solutions often do not compete with incumbent RegTech solutions but rather against convention – that is, applying technology to what is today done by humans.

This leaves a lot of opportunity for growth and oftentimes can require transformation as processes and approaches require fundamental redesign once the radical capabilities of new technologies are taken into consideration.

Many of today's RegTechs are in this partnering and enabling proposition when it comes to relationships to regulated institutions (as opposed to say competing with incumbents for example the way a FinTech may with a bank). But given the sensitive nature of compliance and the processes being re-engineered, change can be slow going.

It's important that regulated entities, investors, technology firms and regulators continue to collaborate, apply pragmatism, patience and visionary thinking about the future state and benefits. As RegTechs are provided more dry powder for innovation and promotion, and the benefits they provide can no longer be ignored, the higher RegTechs are likely to soar.



# About Encompass

Encompass transforms regulatory compliance and customer onboarding for firms with KYC automation.

Our advanced technology, unrivaled data coverage and industry expertise help clients to safely grow their businesses and fight financial crime.

Across the globe, our customers include leading global banks and financial institutions, including Wolfsberg Group members. We have strategic alliances with a range of trusted data, technology and service providers enabling integration into existing workflows and systems.

Find out more at [encompasscorporation.com](https://encompasscorporation.com).

# About the author

## Alex Ford

President, North America, Encompass

Alex drives business growth in North America, working with customers, partners and the Encompass team to transform KYC with automation in financial institutions and other regulated entities. Joining in 2012, Alex has held Executive responsibility for business functions including Customer Success, Operations, Marketing, Product and Delivery. From 2015 to 2020 Alex was based in Glasgow with the launch and expansion of the UK operation, before taking up leadership of the North America business.

Alex also serves on the board of The RegTech Association and works with the Business Information Industry Association.

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## Ian Loh

Principal at Expand Research, Boston Consulting Group FinTech Control Tower

Based in Singapore, Ian leads the Asia research team of BCG FinTech Control Tower. An experienced professional in financial services, Ian has produced multiple studies across topics in RegTech, FinTech, Digital Banks and Digital Identity. Ian most recently led a global research on the RegTech ecosystem to identify adoption challenges and best-in-class approach by regulators seeking to drive sector growth. The study also assessed key compliance friction at financial institutions and opportunities for innovative solutions.

Prior to the FinTech Control Tower, Ian was an active chair of industry roundtables with Heads of Technology Risk, Cybersecurity, joined by policy makers such as the Hong Kong Monetary Authority.

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