CONCEPTUAL PAPER | MARCH 20 2018

An innovative RegTech approach to financial risk monitoring and supervisory reporting ≒

Petros Kavassalis; Harald Stieber; Wolfgang Breymann; Keith Saxton; Francis Joseph Gross

+ Author & Article Information

Journal of Risk Finance (2018) 19 (1): 39-55.

https://doi.org/10.1108/JRF-07-2017-0111 Article history 🕒

Purpose

The purpose of this study is to propose a bearer service, which generates and maintains a "digital doppelgänger" for every financial contract in the form of a dynamic transaction document that is a standardised "data facility" automatically making important contract data from the transaction counterparties available to relevant authorities mandated by law to request and process such data. This would be achieved by sharing certain elements of the dynamic transaction document on a bearer service, based on a federation of distribution ledgers; such a quasi-simultaneous sharing of risk data becomes possible because the dynamic transaction document maintain a record of state in semi-real time, and this state can be verified by anybody with access to the distribution ledgers, also in semi-real time.

Design/methodology/approach

In this paper, the authors propose a novel, regular technology (RegTech) cum automated legal text approach for financial transaction as well as financial risk reporting that is based on cutting-edge distributed computing and decentralised data management technologies such as distributed ledger (Swanson, 2015), distributed storage (Arner et al., 2016; Chandra et al., 2013; Caron et al., 2014), algorithmic financial contract standards (Brammertz and Mendelowitz, 2014; Breymann and Mendelowitz, 2015; Braswell, 2016), automated legal text (Hazard and Haapio, 2017) and document engineering methods and techniques (Glushko and McGrath, 2005). This approach is equally inspired by the concept of the "bearer service" and its capacity to span over existing and future technological systems and substrates (Kavassalis et al., 2000; Clark, 1988).

Findings

The result is a transformation of supervisors' capacity to monitor risk in the financial system based on data which preserve informational content of financial instruments at the most granular level, in

The RegTech approach has the potential to contain operational risk linked to inadequate handling of risk data and to rein in compliance co of supervisory reporting.	st
Originality value	
The present RegTech approach to financial risk monitoring and supervisory reporting is the first integration of algorithmic financial datastandards with blockchain functionality.	ta
Keywords: Smart contracts, Algorithmic standards, Document engineering, RegTech	
© Emerald Publishing Limited	
Licensed re-use rights only	
You do not currently have access to this content.	
Sign in	
Don't already have an account? Register	
Client Account Email address / Username	
Password	
Reset password Register	
ICE Member Sign In	

We use cookies to optimize site functionality and targeting cookies to give you the best possible experience. Your experience, your choice. Learn more here:

<u>Visit our cookie policy page</u>

Practical implications

Purchased this content as a guest? Enter your email address to restore access.
Email Address
Pay-Per-View Access €35.00 ☐ Buy This Article

Rental

This article is also available for rental through DeepDyve.

