

RegTech Apiax – Armed and Ready to Set the Asian Digitalised Compliance Scene Alight

Founded in 2017, Swiss RegTech Apiax is winning friends and clients amongst the major banks as well as amongst the medium-sized wealth management players. Apiax's technology is designed to provide them with easy access to compliance knowledge and enable financial service providers in an increasingly regulated world to refocus on their core business objectives of providing their clients with high added value and unique experiences. Apiax's team comprises legal, technology, and product veterans and the firm has offices in Zurich, Lisbon, London, and has recently established a new Asia hub in Singapore, although Covid-19 has hindered further progress there for a while. Hubbis recently met up with Philip Schoch, one of the four Swiss co-founders of Apiax, who has brought his 15 years of experience in international banking technology to the table, including five years at UBS in different product management positions during which he was a driving force behind building and globally positioning the bank's digital banking products. Schoch's passion for creating and developing digital business models shone through the conversation; he evidently sees huge potential for digital transformation in the compliance area in Asia, where the firm is establishing a presence in Singapore and where the Monetary Authority of Singapore has very recently awarded Apiax a prestigious Financial Sector Technology and Innovation (FSTI) Proof-of-Concept grant to support experimentation, development and dissemination of Apiax's nascent innovative RegTech solutions.

“In the turbulent space between wealth technology and regulation, change can happen overnight,” Schoch reports, opening the discussion. “At Apiax we say that with digital toolkits and automated processes, wealth managers can go from compliant to non-compliant in an instant. Like in most industries, technology was introduced to take the manual burden off employees while ensuring efficiency and accuracy. Over time, the heavily data-driven wealth industry has become dependent on its capabilities. But although it is designed to optimise the investment advisory process, technology and automation may also expose businesses to huge compliance risks.”

Schoch explains that as a co-founder alongside three like-minded colleagues, his own role is slanted towards strategy and he is also designated to head up Singapore, to open the office and hire staff, and so forth. “We have incorporated there in late May, and we can start hiring, but the virus has slowed things down considerably,” he reports, speaking from his Zurich home office.

Making compliance simple

He notes that the background of all four founders is in tech and compliance. “Our overriding mission is to help make compliance simple,” he reports, “so that for any bank or firm that has built any application, any investment advisory tool, any wealth management app, we will provide the data, so that they just hook up regulatory data and make the apps and tools fully compliant. That is our direction of travel, and as we also see that compliance is not as yet very digitalised, there is a huge opportunity ahead.”

He reports that Apiax has already worked to solve cases around cross-border banking and advice, around data protection and cross-border data transfer, and other specific challenges. “Although still a relatively new business, we have been building up a series of successful caseworks, covering many jurisdictions and therefore building up a suite of solutions,” he explains. “Our core market is very much focused on the wealth management and the asset management industry. We are established in the European and UK markets, and we want to expand in Asia, which is why we are setting up in Singapore, the best location for our business for the region.”

“We are incredibly proud to be granted funding support from such an important organisation as the MAS. Our hard work and dedication to pushing the boundaries of technology in compliance is getting recognised, and this FSTI grant allows us to take our product development even further, and certainly adds impetus to our thrust in Singapore and in wider Asia, too.”

The Swiss-Singapore axis

He explains that the firm sees some considerable similarities in the wealth management industry in Singapore and in Switzerland, and some of Apiax’s major clients are operating out of Singapore. “The authorities are also making it very easy for firms like ours to come here, even offering the MAS proof-of-concept funding to help stimulate FinTech and RegTech solutions to boost technology and automation in the world of financial services.”

Although Apiax only founded its Singapore subsidiary in late May

and is hampered by the pandemic, the firm is already rolling out a project with a major global banking client in Singapore, having started the project in Switzerland.

“Now we want to hire and build,” Schoch reports, “but of course we will have to do the hiring and everything remotely. Nevertheless, we have the candidates in the pipeline, and we expect in the next weeks to have one to two key people join us.”

Relevant and accredited

He explains that Apiax’s solutions are highly relevant for global and regional private banks, as they are for the independent

wealth management firms that have considerable international business. “We are most relevant for those that conduct cross-border business and advice and those that might operate out of two or more countries, so most clients will actually be the tier 2 and tier 1, mid- and large-size banks.”

He offers additional insight to the Monetary Authority of Singapore’s prestigious FSTI Proof-of-Concept grant to support the firm’s RegTech solutions programme. “We are incredibly proud to be granted funding support from such an important organisation as the MAS,” he reports. “Our hard



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Building and communicating

Schoch reports that while the firm has been building its technology, it has also been extending its reach through thought leadership programmes and special reports, for example a White Paper on the intensifying global regulatory complexities, in which the firm outlines seven key steps towards compliant investment advice in the digital age.

“The tsunami of new regulation continues unabated, with ever-increasing compliance costs and the threat of hefty fines holding back profits, growth and future investment,” he observes. “Over the past decade, financial service providers have had to keep up with a rapidly expanding regulatory environment. The current situation exposes financial institutions to fines, penalties and reputational damages. It also

Getting Personal with Philip Schoch

Schoch hails from Switzerland, a small village of about 2,200 people named Scuol, a ski resort in the Swiss alps.

“I was almost born with skis on,” he quips jovially. “Scuol is not so well known as St Moritz for example, but it has plenty of snow! It is also only about 10 minutes from both Italy and Austria, so was a great place to grow up.”

He offers an interesting fact that people from Scuol speak a little-known language, Romansh, which in fact is one of the four languages in Switzerland; it is the main language there and is based on Latin, not on German. “Actually, I speak it every day with my wife, because she comes from the same place as me, and we speak it with our children as well, they are just seven and six years old, but traditions are really important.”

Schoch says it was a joy growing up in Scuol, as tourists came from all over and it was therefore very global even if very small. He later moved to Zurich to attend the university there and study Information Systems and Business Administration, and that led to a career in banking on the IT side. He met his fellow Apiax founders while working on important projects at UBS.

Skiing is the family passion during ski season, and mountain biking in the warmer months. “Sports in the mountains, that is what we all love,” he reports. “Scuol is a great ski resort,” he enthuses, “and even though I know every square centimetre of the slopes, I enjoy every day out there, and it is not over-crowded. Moreover, it is still natural and charming.”

He enjoyed his trips to Singapore in 2019 and early 2020 in anticipation of establishing the business there and is hoping to return soon.

“Singapore to me has a business vibe that is totally different than in Europe,” he says. “Every time I go there, I feel that I am venturing into the future. I think they do a lot of things very well and adapt technology quite fast, so everything is working precisely like a Swiss clock. The support and the invention of technology I think is faster than in Europe, so that’s interesting and for a tech company it is important to be there.”

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He explains that the report highlights how in our current digital

age, mastering complex financial regulations means mastering them digitally in order to increase regulatory certainty, boost efficiency, fuel productivity. “We also show how financial institutions can improve

client satisfaction by considering the tax impact of investment recommendations and enable their client advisors to act with confidence in challenging regulatory situations whilst remaining highly efficient by using state-of-the-art advisory technology.”

“And of course,” Schoch adds, “there is the tax impact to clients, so assessing and addressing these offers real and tangible benefits and comes at no effort when mastered digitally. And finally, the seventh key step is mastering all this and producing

investment product, for example, or offer research services. With our solution the RM has an app, types in where he is going, what he is going to offer, what nationality he is going to meet, and the app or the data gives precise regulatory insights as to what he or she can or cannot do, with recommendations on what parameters they might have to change.”

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Seven steps to digital compliance

The report points to the starting point of every client interaction as a generic client offering, noting that turning it into a compliant client offering is a formidable challenge, especially in complex cross-border relationships. An important next step is to check which services may be offered in any given licensing regime, and then to take distribution rules into account, which add requirements with regards to specific investment instruments.

The fourth step centres on client suitability, with the providers needing to understand fully which rules define which services and instruments can be offered that are in line with client risk profiles. Then the banks or firms must ensure a compliant client offering to avoid exposure to hefty fines and penalties that are waiting literally at every corner.

an outcome that turns compliance into competitive advantage with a fully compliant client offering and a really satisfied end-client.”

Ground-breaking solutions

He adds that by failing to prepare institutions are preparing to fail. “This is a notion known to many organisations attempting to grow their business alongside the pressure of complying with the ever-growing rule-set governing client interaction, especially when crossing country borders,” he observes. “Apiax’s philosophy and approach to compliant client interaction is not ground-breaking, but our solutions are.”

He offers some examples, the first being an RM based in Singapore, licensed there, and working cross-border in the region. “The RM needs to be aware of and compliant with regulations for multiple countries to sell their

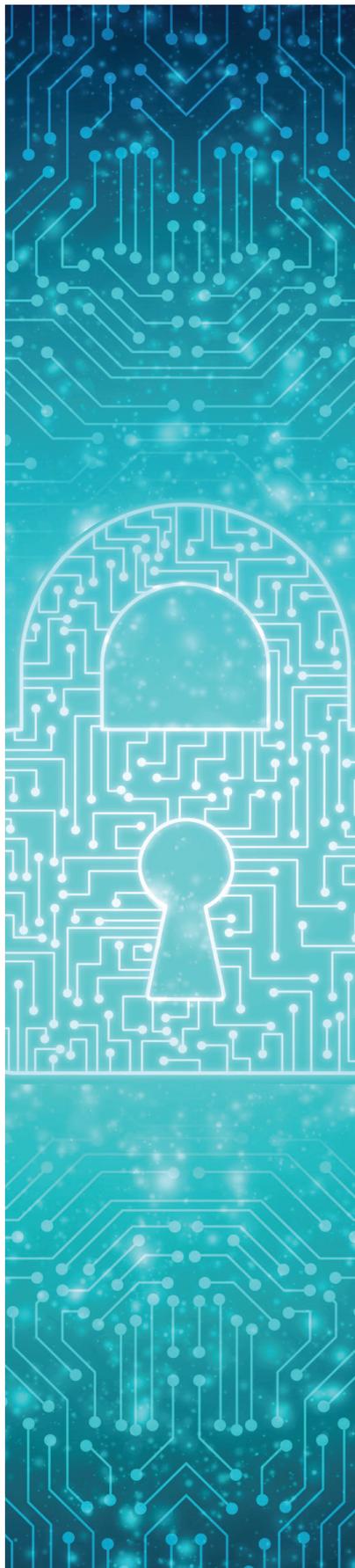
Saving money, time and hassle

Accordingly, this solution bypasses lengthy and difficult processes of working through compliance departments and the compliance teams constantly repeating the same information and so forth. “It means time and money savings all round, and is far more effective and efficient,” Schoch claims. “That time and effort can then be directed to the end clients.”

The bigger banks have teams in-house and lawyers on tap but are not very digitised, he reports. The smaller banks have the same problems but are far less resourced, and generally even more cautious on doing certain business because they don’t know how to handle those regulatory requirements.

Side-stepping the mundane

“Digital solutions such as we are offering are there to give them more certainty as to which markets they can go to, and what they can do, and all with a rapid and seamless solution,” he explains. “What we have found over and over again in Switzerland for example, is the compliance teams are wasting so much time and effort repeating all these processes and dialogues time and again. Automation and digital solutions are the way forward.”



He also observes that the growth of robo-advisory will be accelerated by speeding up the process of ensuring it is compliant with all the laws and regulations where the banks might offer that service.

“So, the banks that want to build robo-advisory come to us, hook up their data via an API and we get their process or robo-advisor fully compliant. As more and more banks digitise their investment advisory process, or even earlier stage processes such as onboarding process, for example, they need compliance data, and that is the core of the solution we offer.”

Asia – an open book

Schoch says Asian clients are very receptive to the messages Apiax puts out, as they respect the long learning process that the Swiss wealth industry has gone through in the past 10 to 15 years. “People here are curious, they listen, they see the urgency for innovation, and the MAS and other bodies are entirely supportive of both technology and FinTech and therefore helpful in generally helping these efforts. In fact, the coordination and collaboration within the FinTechs, RegTechs and regulatory space is almost better here today than in Europe.”

Schoch explains that for Apiax, RegTech is all about building solutions by experts for experts in both technology and compliance. “Credit Suisse recently received PWM’s 2020 Wealth Tech award for a collaborative project with Apiax,” he reports. “The project between Credit Suisse and Apiax is designed to free up considerable time for RMs. It is all about us solving real situations with real solutions, and constantly.”

Industry partners

Schoch explains that Apiax also has some partners in its endeavours. “We have three types of partners. The first is content partners, so while the digital regulatory solutions that we sell are digitised on our platform, the original legal opinions or policies behind those are not coming from us but from our content partners, so this is why we list EY, aosphere and also BDO. We have a business model basically where they benefit from us selling their content in a digital format. That’s really core of our business model.”

There are also other types of partners such as Wealth Dynamix, or Temenos. “They have applications, CRMs, wealth applications that are rolled out with the clients, but the clients need to have more regulatory rules in there, regulatory cross-border rules for example and so we engage with these partners as software partners,” he explains. “These partners, Temenos for example, integrate our data via an API and the Temenos client is benefiting by just using the cross-border module of Temenos with our data behind. That is almost white labelled, so the end client must not even see that Apiax is behind that data.”

The third type of partnership is with implementation partners. “Also in Singapore as soon as we kick off a larger project with a larger bank you need to define a target operating model, you need to define integrations and mappings and for that we pull in partners such as EPAM, Synpulse, or others as implementation partners that do this day by day,” he reports. “As a company we want to focus not on the rolling

out of the project but really on the building of the solutions.”

Great progress to date

Schoch is proud of Apiax’s achievements thus far. He notes several other awards, including being named one of the top European FinTech start-ups to follow in 2020 by Sifted, a European news outlet backed by the Financial Times. “Apiax was chosen because of its ability to raise money, the speed of its hiring and its formative contribution to the start-up ecosystem. These types of awards will help Apiax on our entrepreneurial journey and more importantly strengthen the awareness and necessity of RegTech. We are proud to be seen as an innovative and ambitious company by major players in the start-up ecosystem.”

He highlights another Apiax White Paper titled ‘Compliance Challenges of Digital Wealth Management Solutions’, commenting that the firm observes that in response to evolving client needs and changing business requirements, wealth management solutions are becoming ever-increasingly digital.

“Financial service providers need to develop scalable, secure and highly modular software solutions to keep up with competition,” he explains. “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.”

Great potential ahead

Regulation will never slow down, or diminish, Schoch observes, drawing the discussion towards a close. “The challenge now is how we automate the regulation and compliance and the regulatory requirements rather than just hiring more compliance people that manually go through client files and all those manual or laborious processes.

“Not only do we have many cases and solutions under our belt,” he adds, “but we are constantly evolving, so for example in the future we will incorporate natural language processing, themes to see connections in and between the jurisdictions. We call this area regulatory insight, and that is the next phase of development for

us over the coming few years.

There is a lot of innovation we are involved in and working alongside or towards.”

Schoch’s Three Key Priorities

“My three biggest priorities are to sell more solutions that we already have in place into more markets,” he reports. “That is why we are setting up in Asia. Next is adding new products that help the financial institutions solve more regulatory requirements through our platform. And thirdly, we want to hire the best talent in all our locations.”

Schoch’s final comment is that he is highly confident that compliance is a space where considerably more investment is going to happen. “We are totally confident in the market’s growth potential,” he says, “but we think the challenge is for the client to really understand what solutions they need, and which solutions truly work, and that is not always easy for them. We can see that there are immense challenges to global compliance, and challenges require solutions, and that is exactly what Apiax is all about.” ■

