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Governance, risk and compliance
solution of the year

Droit

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Financial institutions continue to face pressure in navigating a complex regulatory landscape with increasing and ever-changing regulatory requirements.

Brock Arnason, founder and CEO of Droit, says the next few years will be even more challenging as reporting regulations evolve to support harmonisation efforts and convergence on global standards.

As a result, it will be ever more critical for institutions to be confident their reporting process is robust and transparent to regulators across a multitude of jurisdictions, such as the Australian Securities & Investments Commission (Asic), Japan Financial Services Agency (JFSA) and the Monetary Authority of Singapore (MAS).

Droit's Adept platform provides an implementation of regulatory rules reflecting industry consensus. Arnason says institutions rely on the Adept platform for pre-trade and post-trade controls, to evaluate the permissibility of transactions, and for compliant regulatory reporting, among others.

Adept generates decisions from digitised rules, regulations and internal policies, which are visually represented in logic diagrams and linked back to the original sourced text.

"Complete traceability empowers users to act right with confidence," Arnason adds.

The patented platform removes the internal burden of requiring technologists to build infrastructure around pre- and post-trade compliance.

Arnason explains that the Adept platform comprises three parts: the Decision Engine; Logic Viewer; and Annotator.

For regulatory reporting, the Decision Engine evaluates the eligibility of a particular transaction to be reported under a set of global regulatory reporting mandates. Along with the eligibility and obligation decision response, the engine also provides an audit record along with the regulatory logic used to make that decision.

The Logic Viewer visualises that logic as a human-readable decision tree. Users can compare and explore different versions of regulatory logic. Each logic node in the decision tree is associated with precise pin cite annotations to the relevant regulatory sources.

Those annotations are then rendered in the Annotator, allowing users to explore digitally versioned regulatory and policy texts. Arnason adds that legal and compliance users can verify Droit's decision models by systematically correlating Logic Viewer decision trees with the underlying citations in the Annotator. "With these three parts combined, the Adept platform supports consensus-driven regulatory decision-making, obviating the need for front-office personnel to individually digest and interpret the law. Institutions use Droit Adept to evaluate the full implications of any given interaction within their transactional infrastructure," he says.

The platform has transparency, auditability and traceability built in, allowing users to prove to regulators that the decisions made were correct based on their obligations required at the time of the trade.



Brock Arnason, Droit

In the past year, Droit added input and response schemas provided by the API that can be dynamically refined. The schemas are versioned and can describe the impact on a specific integration point.

It also updated Logic Viewer to connect specific regulatory changes with evidentiary artifacts to improve operational processes and controls and strengthen data provenance and governance.

In addition to that, Droit also introduced logic updates to support global reporting regimes such as the European Market Infrastructure Regulation, Asic, MAS and JFSA.

The Adept platform was enhanced to incorporate key regulatory and industry-standard reference data as part of the eligibility determination and validation of relevant reportable fields.

In March, Droit raised \$23 million in its Series B funding round, co-led by Pivot Investments Partners and UBS. Arnason says Droit will use the funds to extend the Adept platform into the wealth management segment.

The investment will also allow Droit to expand into new and existing products, including position reporting, transaction reporting, advancements in its pre-trade product suite, and the build-out of new cloud-based services.

In the Asia-Pacific region, Droit is building on its coverage with regional regulators, which currently spans Australia, China, Hong Kong, Japan, Korea, and Singapore.

Arnason adds that Droit is creating an intuitive user interface (UI) to allow users to use the Adept API more directly for real-time decision support.

"Using this decision UI, they will evaluate test scenarios, investigate errors, and analyse trends. Clients will be able to gain business insights through data visualisation using Adept decisions, enabling a better understanding of operational processes and providing new supervisory capabilities," he says.

Droit is also developing integrations with third-party platforms and client tools to further facilitate error identification and thematic analysis across portfolios of trades.

Arnason says Droit has seen an uptick in licensing for APAC mandates by Adept platform users, including more than 80% of its Tier-1 and Tier-2 banks and large global asset management clients.

It is currently processing client requests relating to further reporting requirements within Taiwan, Japan, Singapore, India, and China. "Our clients value the traceability, certainty in execution, and knowledge engineering built into logic model constructions to support their compliance and operations functions," he says.

Droit continues to analyse where it can best support clients within the region. It hosts in-person across-industry workshops to discuss which jurisdictional coverage or product features would assist its clients and prospective clients in the region. ■