Pre-Class Discovery Handout: RegTech Business Models

Activity 1: Business Model Canvas Detective

Scenario: Pick ONE RegTech vendor you have heard of — ComplyAdvantage, Onfido, Quantexa, Trulioo, or Sumsub. Fill in the Business Model Canvas below by investigating how the vendor actually operates. Focus on who the buyer is, what data asset underpins the service, and how the vendor prices access to it.

Canvas Element	Your Analysis
Value Proposition *Which compliance friction does the vendor absorb?*	
Customer Segments *Which compliance team inside which kind of firm?*	
Channels *How does the vendor reach buyers — procurement, partnerships, marketplaces?*	
Revenue Streams *Subscription tier, per-screening fee, implementation services (types only)?*	
Key Resources *Which curated data asset or regulatory licence is hard to replicate?*	

Q1: What is the single most expensive compliance task this RegTech vendor removes from each of its bank clients?

Q2: How does the vendor reach new clients without branch networks or app-store downloads?

Q3: If this RegTech vendor disappeared tomorrow, what would its bank clients lose that they cannot quickly rebuild in-house?

Activity 2: Unbundling Map

Scenario: Banks used to bundle compliance functions inside their own operations stack. RegTech vendors have unbundled specific checks and sold them back as services. Match each vendor to the compliance sub-function it has carved out, then answer the questions.

RegTech Vendor		Compliance Sub-Function Unbundled
ComplyAdvantage	____	Sanctions and adverse-media screening
Onfido	____	Identity and biometric onboarding
Quantexa	____	Entity resolution and alert triage
Trulioo	____	Cross-jurisdictional verification data
Sumsub	____	Mobile-first end-to-end verification

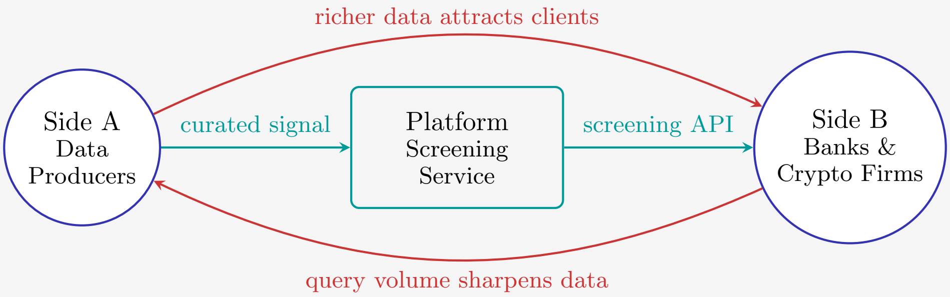
Q1: For each pair, describe in one sentence the specific re-engineering cost the vendor takes off the bank's own compliance team.

Q2: Which of these vendors has started adding adjacent products beyond its original wedge? What did it add, and which adjacency came first?

Q3: Why might a RegTech vendor that starts with a single check eventually want to offer several? What changes inside the bank's procurement process once two checks are bought from the same supplier?

Activity 3: The Platform Puzzle

Scenario: A screening platform connects two sides of a market. On one side sit the data producers — list bodies, adverse-media sources, national registries. On the other sit the data consumers — banks, crypto firms, and payment processors running compliance checks. Neither side finds the platform valuable without the other.



Q1: Why does a screening platform with more banks attached attract better data sources (and vice versa)?

Q2: The chicken-and-egg problem in RegTech: which side should a new screening platform attract first, and why?

Q3: Once the platform reaches critical mass of data and clients, why is it structurally hard for a newcomer to compete purely on a better user interface?

Solutions

Activity 1: Business Model Canvas Detective

A1: Model answer for ComplyAdvantage: The most expensive compliance task the vendor removes is the ongoing ingestion, de-duplication, and version control of sanctions, politically-exposed-person, and adverse-media lists across many regimes. Every bank otherwise rebuilds that ingestion pipeline in-house, badly, and at full fixed cost.

A2: ComplyAdvantage reaches new clients through enterprise procurement cycles, partnerships with regulators, and channel arrangements with core-banking platforms. The product itself is discovered through RFPs and compliance conferences, not app stores. Integration partners often act as the distribution channel into mid-sized banks.

A3: Clients would lose a continuously refreshed, audit-trail-backed screening pipeline. Rebuilding it in-house means re-licensing the underlying list sources, re-implementing fuzzy-matching logic, and re-establishing supervisor sign-off on the rule library — a multi-quarter project no compliance team has slack for.

Canvas elements (ComplyAdvantage):

- **Value Proposition:** Outsource the list-ingestion and screening stack so internal compliance teams spend cycles on alerts, not plumbing.
- **Customer Segments:** Primary — bank compliance and AML teams; secondary — crypto firms, payment processors, and neobanks that lack a mature in-house stack.
- **Channels:** Enterprise sales, core-banking integration partners, regulatory-conference demos, and consulting-firm referrals.
- **Revenue Streams:** Tiered subscriptions, per-screening micro-fees, and premium services for investigations and reporting.
- **Key Resources:** A curated list asset with documented provenance, fuzzy-matching IP, and a supervisory engagement track record.

Activity 2: Unbundling Map

A1: ComplyAdvantage → sanctions and adverse-media screening (removes list-ingestion and matching cost). Onfido → identity and biometric onboarding (removes in-branch identity paperwork). Quantexa → entity resolution (stitches fragmented records into a single entity view for triage analysts). Trulioo → cross-jurisdictional verification data (removes multi-country bureau integrations). Sumsub → mobile-first verification (removes drop-off at the onboarding step for mobile funnels).

A2: Onfido has rebundled beyond its identity wedge: ongoing monitoring first, then fraud-signal scoring, then orchestration. ComplyAdvantage has added investigations tooling on top of screening. Quantexa has added risk scoring on top of entity resolution. Each vendor earns procurement trust with one check, then lowers the marginal integration cost of the next check.

A3: Once two checks are bought from the same supplier, the marginal cost of adding a third check falls sharply — single procurement contract, single integration surface, single audit trail. The compliance team's internal switching cost grows accordingly. That is the precise economic reason every RegTech wedge evolves toward a compliance suite.

Activity 3: The Platform Puzzle

A1: This is a **cross-side network effect** on the data flywheel. More bank queries surface missing entities, which flow back into the curated list; richer lists raise detection recall for all clients. Each side makes the other more valuable, and the vendor intermediates both directions.

A2: Successful screening platforms typically attract **data producers and curated list assets first**. Without a meaningfully richer list than a bank's in-house feed, there is nothing to sell. Once the data asset is credible, early bank clients follow — their query volume then back-fills the list further. Attracting banks first is harder because the platform has no information edge to offer yet.

A3: A late entrant with a slick interface but a thinner data asset will still miss entities that incumbents already carry. Interface parity is achievable; data-asset parity requires years of curation, source agreements, and supervisory audit trails. Clients cannot afford the detection gap, so the incumbent's data moat translates directly into a structural competitive moat.