

## Post-Class Summary: RegTech Business Models

### Key Frameworks

#### Business Model Canvas for RegTech

The Business Model Canvas decomposes any venture into nine interlocking elements: value proposition, customer segments, channels, revenue streams, key resources, key activities, key partners, cost structure, and customer relationships. Applied to RegTech, the canvas reveals a distinctive pattern: the value proposition is absorbing an internal re-engineering friction (rule ingestion, list curation, identity verification) rather than a customer-facing friction, and the buyer is a compliance officer inside a regulated firm, not a retail user. Channels run through enterprise procurement and integration partnerships, revenue streams combine subscriptions with per-screening micro-fees, and key resources are curated data assets and documented supervisory track records rather than consumer UX polish.

#### Platform Economics Applied to RegTech

Many RegTech vendors operate as multi-sided data platforms connecting data producers — list bodies, adverse-media sources, bureaus — to data consumers — banks, crypto firms, payment processors. These platforms exhibit cross-side network effects whose flywheel sits on the data side: each additional client's query volume sharpens the curated signal, and each sharper signal makes the platform more attractive to the next client. The canonical chicken-and-egg solution is to subsidise and assemble the data asset first, so that a defensible information edge exists before clients arrive. Unlike consumer-platform network effects, the flywheel is invisible to the end-user of the financial product, but it is decisive for the compliance team's willingness to pay.

#### Unbundling–Rebundling Applied to RegTech

Christensen's disruption framework explains how RegTech vendors enter and then grow. They unbundle a single compliance check — identity verification, sanctions screening, entity resolution — out of the bank's integrated operations stack and deliver it better, faster, or cheaper. Once the wedge product has earned procurement trust, adjacent compliance products become dramatically cheaper to add because they reuse the same integration, the same audit trail, and the same supervisory relationship. Over time, the single-check vendor rebundles into a compliance suite, and the compliance team's switching costs rise accordingly. The survivors often resemble a miniature bank-ops stack.

#### Value Chain Deconstruction Applied to RegTech

Evans and Wurster argued that information-rich value chains are vulnerable to deconstruction when digital alternatives reduce the cost of coordinating across firm boundaries. The compliance value chain — rule ingestion, identity onboarding, transaction screening, alert triage, investigation and reporting, regulator interface — decomposes neatly into six separately-addressable links. RegTech vendors claim the links where data moats and supervisory credibility are hardest to replicate (screening and triage), while lighter links (onboarding, reporting plumbing) remain contestable by any vendor that can ship good integrations. The banks defend the regulator-interface link, where the filing responsibility is legally theirs.

#### Regulatory Arbitrage Applied to RegTech

Some RegTech vendors gain an early advantage by operating inside privacy or data-access regimes that are still settling across jurisdictions. This arbitrage is inherently temporary: privacy-minimisation rules tighten, consent frameworks harden, and data-residency obligations solidify. The strategic question — and the core BM test for the category — is whether the vendor can convert its head start into a documented supervisory moat: audited access agreements, published methodology, and direct regulatory engagement that later entrants cannot cheaply replicate. Passive arbitrage decays into a liability; active regulatory capability compounds into a durable barrier.

## Company Cases Summary

Company	Value Mechanism	Creation	Key Framework	What Makes It Different
ComplyAdvantage	Curated sanctions and adverse-media data sold as a screening API with cross-side network effects between data producers and client queries		Platform Economics	Eco- Flywheel on the data side: each client's queries sharpen the list, each sharper list attracts the next client
Onfido	Identity verification wedge rebundled into monitoring, fraud scoring, and multi-check orchestration behind one integration		Unbundling-Rebundling	Started as a single document-plus-selfie check, now a compliance orchestration suite with rising procurement lock-in
Quantexa	Graph-based entity resolution that stitches fragmented customer records into a single entity view for alert triage		Value Chain Deconstruction	Claims the triage link where data-resolution moats live; lets adjacent links stay as integration surface
Trulioo	Cross-jurisdictional verification agreements with national bureaus and registries, pooled into a single integration for clients		Regulatory Arbitrage → Compliance Moat	Converts early data-access agreements into audited, supervisor-visible infrastructure that later entrants cannot cheaply replicate
Sumsub	End-to-end mobile-first verification tuned for funnels where onboarding speed is itself a revenue lever		Context Dependency	Thrives in mobile-first, gig-economy, and crypto markets; stalls where human review of legal entities dominates

## The Five-Test Framework

Use these five tests to evaluate any RegTech vendor's strategic position:

- 1. Friction test.** Identify the single largest re-engineering friction the vendor removes from every bank's internal stack.  
*Application:* ComplyAdvantage absorbs the list-ingestion and fuzzy-matching pipeline; if that pipeline became trivial in-house, would ComplyAdvantage still have a reason to exist?
- 2. Platform test.** Determine whether a two-sided flywheel exists between data producers and data consumers.  
*Application:* ComplyAdvantage's data asset sharpens with every client query and attracts further clients with every list improvement — a textbook cross-side network effect on the data side.
- 3. Rebundling test.** Assess whether the vendor has begun — or is likely to begin — adding compliance products adjacent to its wedge.  
*Application:* Onfido launched with identity verification, added ongoing monitoring, then fraud scoring, then orchestration — the classic rebundling arc inside compliance.
- 4. Infrastructure test.** Ask whether the vendor is filling a vacuum (mobile-first onboarding) or displacing a human review desk (corporate KYC).  
*Application:* Sumsub fills a vacuum in mobile-first verification for crypto and gig-economy funnels; it works less well where slow, human corporate-KYC review is itself the assurance product.

**5. Arbitrage test.** Evaluate whether the vendor’s advantage stems from a privacy-or-consent gap and, if so, whether that gap is closing.

*Application:* Trulioo’s cross-jurisdictional data-access agreements begin as arbitrage; their durability depends on whether audited supervisory engagement converts them into a compliance moat before the privacy perimeter tightens.

## Connections to Other Topics

The frameworks above connect directly to several other course themes. The privacy-preserving-compliance material later in Lesson Four examines how the arbitrage-to-moat question resolves specifically in jurisdictions with hardening data-minimisation rules — the same vendor strategy tested under a harsher regulatory frontier. The sanctions-screening block, also in Lesson Four, provides the technical backbone behind the friction test: list ingestion, fuzzy matching, and false-positive economics are the mechanics that RegTech vendors monetise through per-screening pricing. Finally, the alternative credit-scoring block in Lesson Three offers an instructive contrast — there, the RegTech-like data-as-input B2B SaaS pattern exists, but the supervisory surface area and the explainability constraints differ, which changes both the BMC block semantics and the shape of the compliance moat.