

Corlytics is pleased to submit the following comments in respect to the LabCFTC Prize Competitions.

1. Are there subject matter areas or specific topics that the Commission should particularly consider or focus on for a potential prize competition?

Corlytics shares the CFTC's concern that today's regulatory framework presents "a tremendous compliance challenge" to regulated entities. We believe that improving the accessibility of CFTC Regulations will reduce risk, lower costs and improve operational performance.

• **In each case, what is the relevant challenge to be addressed?**

Our direct feedback from regulated firms indicates that complying with the scope, complexity and frequency of regulatory updates imparts a significant administrative and cost burden on the organization: Determining which rules are relevant, what the associated obligations are, and structuring a compliance program around those obligations can involve legal, risk, compliance, systems and operations resources. However, opportunities to achieve economies of scale are limited due to the unstructured format in which regulatory information is made available. Consequently, a regulated entity's compliance burden increases proportionately with the frequency, scope and complexity of regulatory notices. As the Commission notes, that compliance burden may be more significant for young or lean entities, but we add the further observation that the burden is compounded when an entity has multiple regulators. When these issues are examined in aggregate, an unintended consequence of today's regulatory framework may be to increase the risk of non-compliance.

• **In what ways can FinTech innovation potentially address this challenge?**

Corlytics shares the Commission's view that technology, combined with expert insight, can help alleviate the aforementioned compliance burdens, thereby reducing both the cost and risk of compliance. Based on Corlytics' direct experience, a regulatory taxonomy that incorporates legal, business and control factors significantly enhances a regulated entity's ability to

- Monitor and manage regulations and regulatory notices, notably the determination of relevancy, ownership and priority;
- Evaluate the significance/impact of regulations and notices in the context of their business, notably which operations and control processes are impacted;
- Evaluate and report the potential risk to the organization; and
- Formulate policies and practices to ensure compliance obligations are met.

• **How would a prize competition spur development, interest, or broader adoption?**

A prize competition would send a strong signal to the market that the Commission supports efforts to decrease regulated entities' compliance burden by improving the accessibility of regulations.

Demonstrating benefits to the monitoring, management and implementation of regulations through the competition would further incentivize stakeholders to pursue market-based solutions.

2. What criteria should the Commission use to select prize competition topics?

The competition should focus on practical outcomes and benefits to both the CFTC and the entities it regulates. In respect to the proposed topic of improving accessibility to regulations, the competition should demonstrate the ability to lower the cost and reduce the risks associated with the monitoring and management of regulatory notices.

4. What competition topics may help illuminate areas where new technology can reduce costs or improve services for market participants and end-users who depend on these markets to manage risk?

As noted above, our direct market experience indicates that taxonomizing and contextualizing regulations, used in conjunction with relevant business solutions, lowers the administrative burden of compliance, improves decision making and reduces the risk of non-compliance.

Appropriately “tagged” regulations can be made available to regulated entities via: (1) the CFTC website and/or (2) a machine-readable XML feed to a business or compliance application at the regulated entity:

- A web hosted, taxonomized and searchable regulatory rulebook would bring a distinctly business orientation to compliance. Regulated entities would be able to locate and understand their regulatory obligations in a more straight-forward manner, leading to greater efficiency, lower costs and reduced risk of non-compliance.
- Providing a structured, machine-readable file to market participants using a standardized taxonomy would facilitate integration into internal applications and enable the automated interrogation of regulatory content and the determination of relevancy, ownership and priority. Legal, compliance, risk, operations and systems resources would be used more efficiently and with greater efficacy.

The approach can be extended to include machine-executable regulation in either code or in an executable format including (1) Activity-based machine executable regulation where, for example, "to whom a regulation applies" is codified as an activity within the glossary of regulated activities of each regulator. This can be extracted by machine so that the relevant clauses or regulations are embedded in code format. This code would be attached to each regulatory provision. (2) Fully machine executable regulation. This is very applicable to regulatory reporting and regulations around financial crime that are well structured, modern and unambiguous.

Over and above the benefits to any single regulated entity, the industry would benefit from the use of a standard taxonomy around which future regulations can be based, applications can be built, and compliance performance can be measured.

5. What competition topics may highlight areas where the regulatory framework could work better or needs significant revision to accommodate market-enhancing FinTech?

The Accessibility of CFTC Regulations topic would entail the metadata tagging of current and future regulations based on a standardized taxonomy in order to facilitate automated processing and meet the business objectives outlined in the response to question 4.

6. Which existing regulatory compliance or regulatory reporting processes do you feel would most benefit from RegTech?

Our experience indicates that the overall process of monitoring, managing, evaluating and incorporating regulations into business and compliance frameworks represents a significant undertaking for regulated entities and would benefit from the solutions proposed herein.

Respectfully submitted,

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