

The challenge of keeping up with the regulators

It has been fashionable in past years for any company to claim that it is doing compliance digitally. However, managing compliance is not easy. It requires time. It requires resources. It requires the expertise and knowledge of complex and changing legislation. Rishi Agrawal, CEO and Co-Founder of Teamlease Regtech warns that most companies simply don't have the in-house capabilities to deal with this complexity

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One of the key constraints on business in India is what Rishi Agarwal calls the 'prevalent regulatory cholesterol in the ecosystem'. Teamlease RegTech (formerly Avantis RegTech before joining the TeamLease family in 2018) is a tech native company with a suite of products and platforms all focused around improving the ease of doing business in a complex regulatory environment.

TeamLease Regtech is working with more than 1,557 legal entities across 28 States and 8 Union Territories in India, offering a state-of-the-art multi-tenant, SaaS solution on its web and mobile platforms, integrated with a comprehensive Legal and Compliance database

According to the report [Jailed for Doing Business](#), co-authored by Rishi Agarwal and Gautam Chikermane, VP at Observer Research Foundation, there are 1,536 laws that govern doing business in India and within these laws is a web of 69,233 compliances, some at government level, some at union level and some at state level. Further, the goalposts keep moving. For example, in the 12 months to 31 December 2021, there were 3,577 regulatory changes! Teamlease RegTech's aim is to help corporate India stay on the right side of the law!

What are the challenges in the RegTech space in India?

"They [companies] need technology-driven help for compliance transformation. However, the decision-making takes time to align all information within the organisation and get its digital act together in the future. This market is going to go from 10,000 companies to 1



Rishi Agrawal, CEO & Co-Founder, Teamlease RegTech

lakh (100,000) corporates, and about 3 lakhs (300,000) consultants. They have accounting teams and finance teams. They have labour teams, they have experts on labor compliance, and so on. They do it themselves.

"However, smaller companies don't have all these experts in one place, so they use consultants. For all this confidential information, today there is no legal framework protecting the confidentiality of privacy. The data of a junior work employee at an SME can easily be leaked from his workstation to anywhere in the world, and within minutes it can be available on the dark web.

“...today independent directors, board members, promoters, and key management personnel want to stay on the right side of the law, they want to understand their compliance obligation

“Hence, for service providers to survive, and continue to do what they do, they will have to embrace tech platforms that have embedded logic, which have embedded controls, so that the right information can be provided to the right people.”

What are the deficiencies in the regulatory arbitrage for new lending routes?

“Some of the new digital platforms have taken large quantities of data from [people’s] phones. They read your SMS text messages to understand which other companies or banks or institutions you are dealing with. They can pick up what kind of Electronic Money Institution (EMI) payments are you making. Also, what kind of salary credit is coming to your account every month? When the salary credits, most payroll providers will send you an SMS saying that your salary is credited to your account. Your insurance policies can also be found... these digital platforms can read reminders in your mobile app unfettered. They have no legal liability. They can pick up whatever they want. They can choose to use it whichever way they want. Privacy issues around social embarrassment, public embarrassment, are becoming critical.

“Digital lending, in general, is a nascent industry. The rules are just getting formed. Application providers are just coming up. Practices

are now getting created. Malpractices are coming to light. The root cause of creating some of these rules is to catch malpractices that have been identified among players who don’t mind operating in the grey zone. The shades of grey can be minimised – that’s really where new digital lending rules are coming up a lot more. Some criminal liability is required because you can’t just read everything on a phone beyond your [lending] app. You can read every SMS and every WhatsApp message. You can check any new number that I add to any new SMS from a financial institution that has nothing to do with the app that I [as a potential customer] have just downloaded.”

What trends do you see in RegTech in India?

“First, a clear trend is that 10 years ago, if you talked to an entrepreneur, or if you talked to a board of directors, or if you spoke to executive management, compliance will be an afterthought! Since then, criminal provisions, and jail terms for non-compliance have been established. So, today independent directors, board members, promoters, and key management personnel want to stay on the right side of the law, they want to understand their compliance obligations. The demand is changing, compliance, governance, and risk, are given a top priority.

“Another critical trend is digitisation of both government and regulators. The government is keen on going digital. Cashlessness has become a key driver within the government over the last few years. Meanwhile, the regulators are embracing technology in a big way with a lot of data matching, data reconciliation, fraud detection, algorithm management, identification delays and penalties, etc.

“The enforcement capabilities of the various regulators are growing quite dramatically. That is a big trend in the next 5-10 years as the regulators adopt digital technologies. Very soon they will use the AI and ML to identify trends around defaults, and pattern matching to find frauds.

“Lastly, in highly digital organisations, the trend that we are seeing is significant demand for digital compliance solutions.”