

The background of the slide is a vibrant blue color with a complex, white circuit board pattern. The pattern consists of various lines, curves, and circular nodes, resembling a printed circuit board (PCB) layout. The lines vary in thickness and direction, creating a sense of depth and technical complexity.

FinTech: What is it and what are we doing about it?

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March 29, 2017

Disclaimer

The views presented in this presentation are my own and should not be taken to represent the views of the Board of Governors or the Federal Reserve System.

Outline

- What is it?
- Why the hype?
- How are policymakers responding?

FinTech – A Definition

“Technologically-enabled financial innovation...with an associated material effect on financial markets and institutions and the provision of financial services” - FSB

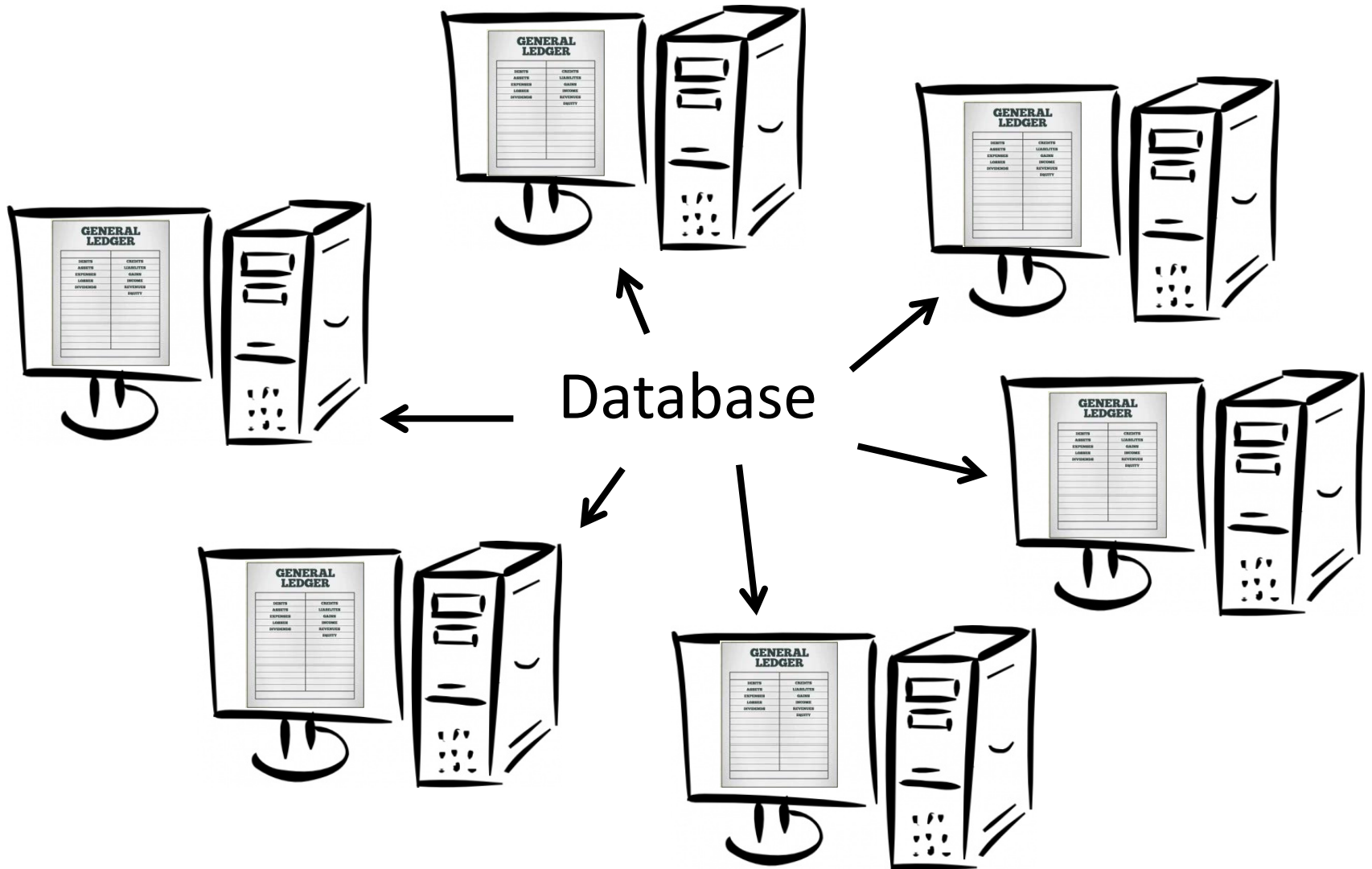
ATMs



Digital Currencies



Distributed Ledgers



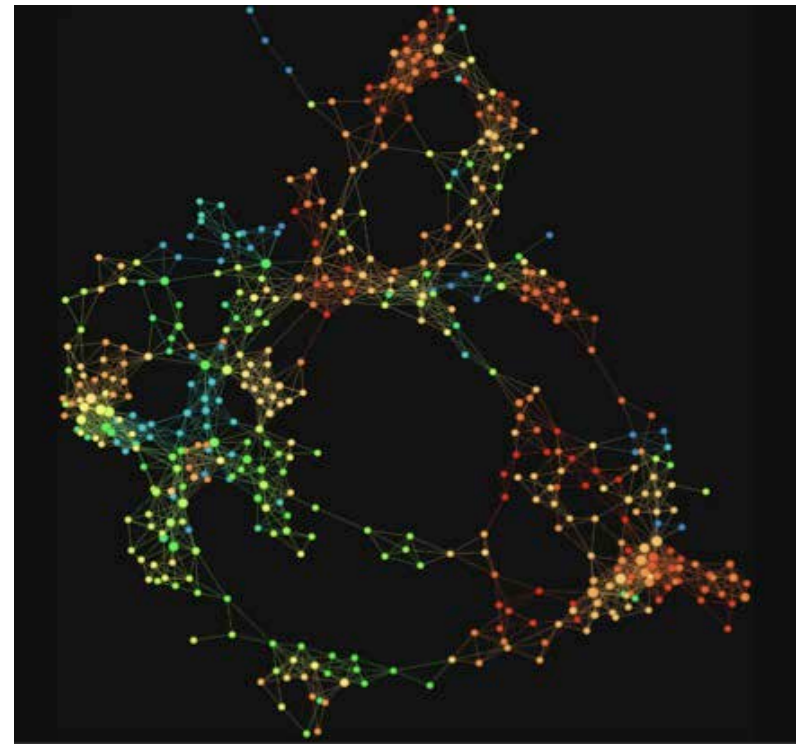
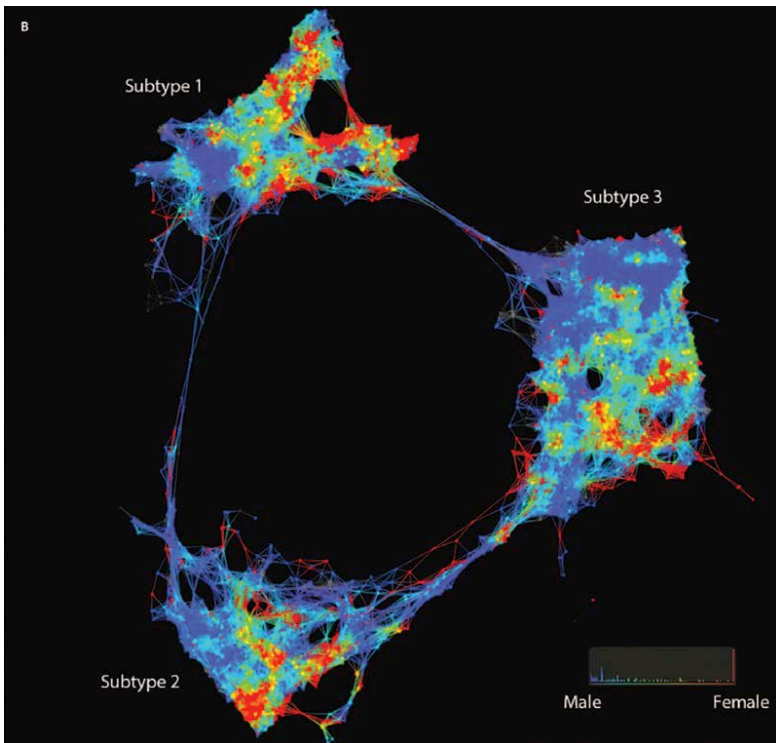
Online marketplace lending



Equity Crowdfunding



Machine Learning



Others

Robo-advice

e-Aggregators

Big Data

Mobile Payments

Digital Identity

FinTech – Why the hype?

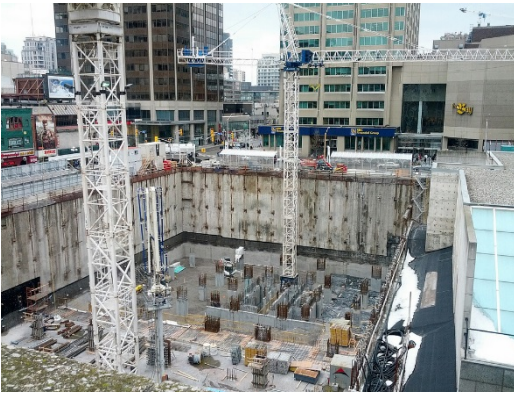


FINTECH!!!

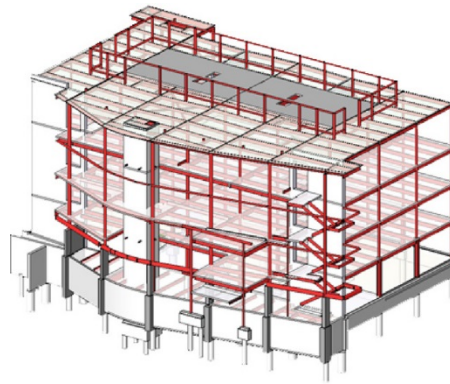
FinTech – Why the hype?

A building analogy

Foundation



Superstructure



Features



FinTech – Why the hype?

Financial innovation is like a building

- You can start with an existing superstructure and change the features
- You can start with a financial product and change the features
 - e.g. a corporate bond can be made callable, puttable, extendable, etc.

FinTech – Why the hype?

Financial innovation is like a building

- To make bigger change you need to change the superstructure
 - You create new products like securitizations, credit default swaps, etc.
 - Then you can add new features to those new products

FinTech – Why the hype?

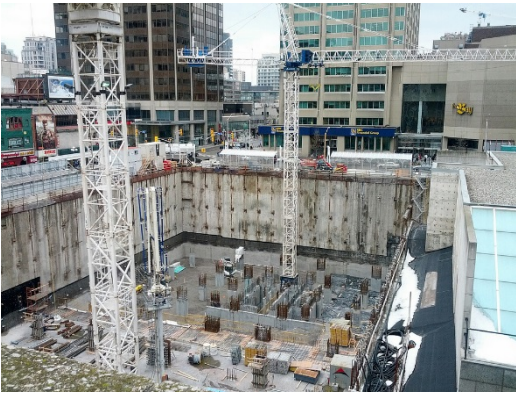
Financial innovation is like a building

- To make the biggest changes you need to change the foundation
 - You change the infrastructure on which the financial system is built
 - You build new products on the new foundation
 - Then you add features to the new products

FinTech – Why the hype?

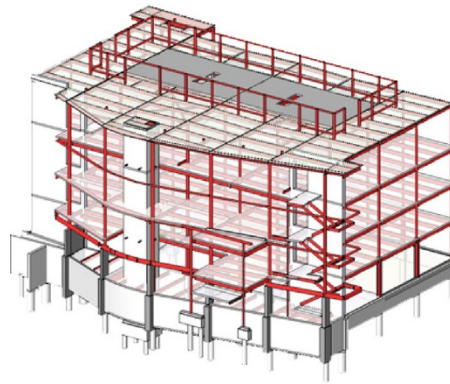
Foundation

Distributed
Ledger
Technology



Superstructure

Digital Currencies
Smart contracts
DAOs



Features

???



FinTech – Why the hype?

FinTech has a greater capacity to transform the financial system because many FinTech innovations are at a deeper level than ‘traditional’ financial innovation

Policymaker Actions

- FSB asked members to categorize themselves with respect to FinTech-related regulatory changes
 - Made changes
 - Planning changes
 - Affirmatively decided against changes
 - Researching/Experimenting FinTech

Policymaker Actions



Institutions in 20+ countries have made or are planning changes

Policymaker Actions

- Actions can be characterized
 - Facilitating innovation
 - Issuing definitions and clarifications
 - New rules and restrictions
- Actions focused on



Polymaker Actions - Examples

- Facilitating Innovations

- Innovation hubs
- Regulatory Sandboxes
- Accelerators
- Facilitation offices



Policymaker Actions - Examples

- Definitions and clarifications
 - New definitions (e.g., UK and payments systems, Switzerland and banking law)
 - Regulatory authority assigned (e.g., Argentina and crowdfunding)
 - Guidance issued (e.g., Australia and P2P and roboadvice, UK FCA and cloud providers, Korea and big data)
 - Establishing regulatory framework (e.g. France and crowdfunding, Japan and VCs)

Policymaker Actions - Examples

- Rules and restrictions
 - Registration/licensing requirements (e.g., China and P2P, Hong Kong and payments systems)
 - Restrictions on activity (e.g., China and P2P)
 - Establishing rules (e.g., Italy and equity crowdfunding, Mexico and e-money)
 - Technological standards (e.g., Pakistan and mobile banking interoperability)
 - Limits (e.g. U.S. SEC and crowdfunding)

Policymaker Actions - Motivation

- Motives for change
 - Explicit mandate to foster financial innovation
 - Investor/consumer protection
 - Financial inclusion
 - Market integrity
 - ...
 - Financial stability

Polycymaker Actions

- Some are experimenting
 - Project Jasper and Project Ubin
 - Sweden's e-Krona project
 - U.S. Faster Payments Initiative



Policymaker Actions

- Not everyone is taking action
- Some have decided not to make any changes
 - One country noted that in EU law ‘traditional’ and ‘FinTech’ entities are indistinguishable
 - Several smaller countries noted that the amount of activity did not warrant action
- Others have not reached that decision

Policymaker Action – U.S.

- All authorities are working on it
 - SEC issued some crowdfunding rules
 - CFPB created Project Catalyst
 - OCC proposed a FinTech charter
 - Treasury issued a report on marketplace lending
 - Federal Reserve has a high priority initiative on FinTech