

Fintech and the Transformation of Financial Services

Workshop on Fintech, Payments, and Financial Inclusion

9 July 2018

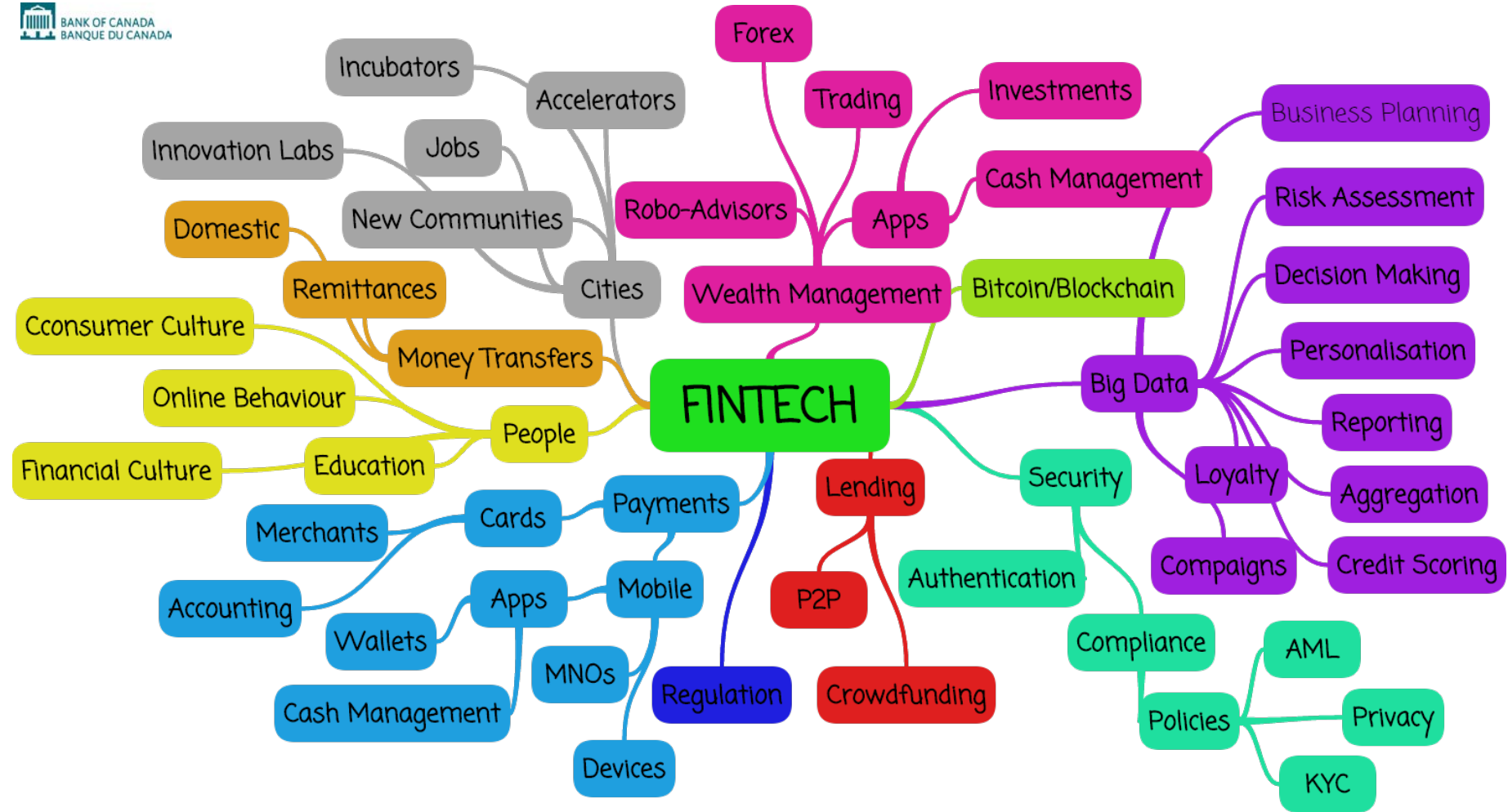


Scott Hendry

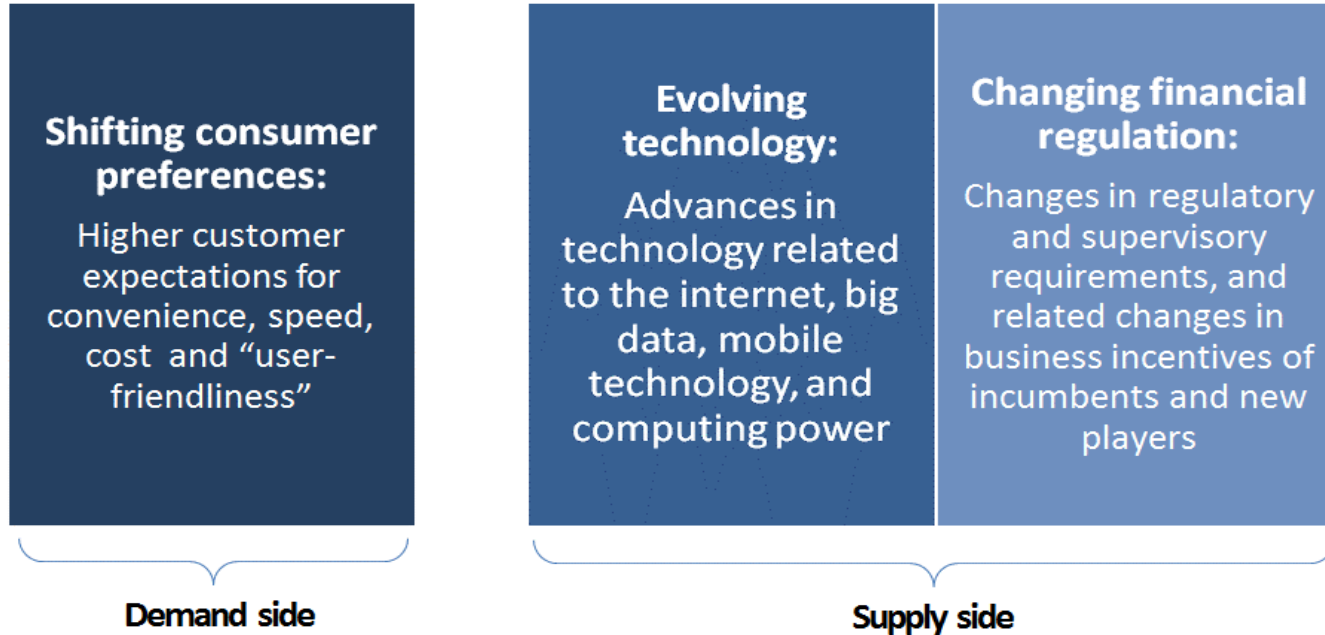
The views expressed here are my own and no responsibility of them should be attributed to the Bank of Canada

What is Fintech?

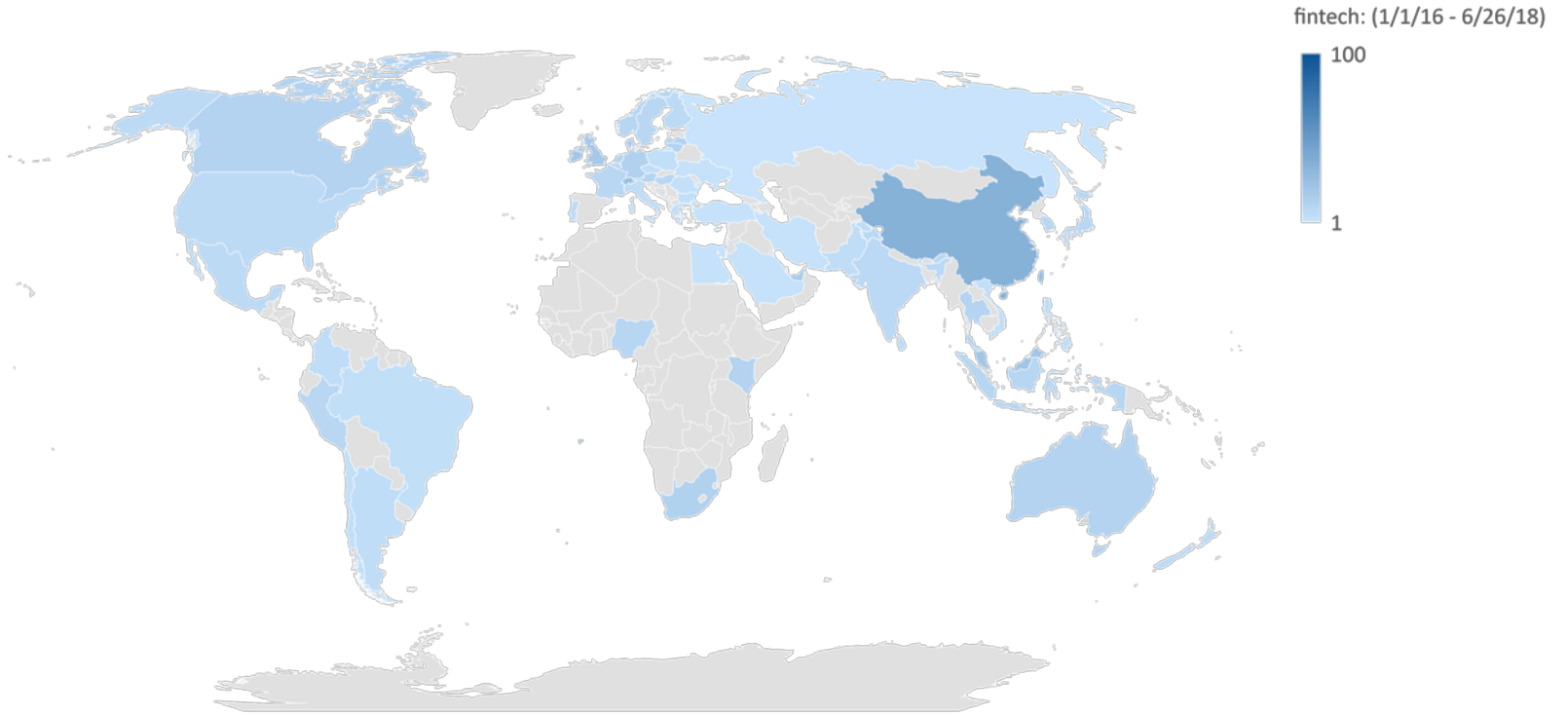
Definition: Technology-enabled innovation in financial services that could result in new business models, applications, processes or products with an associated material effect on the provision of financial services.



Drivers of financial innovation

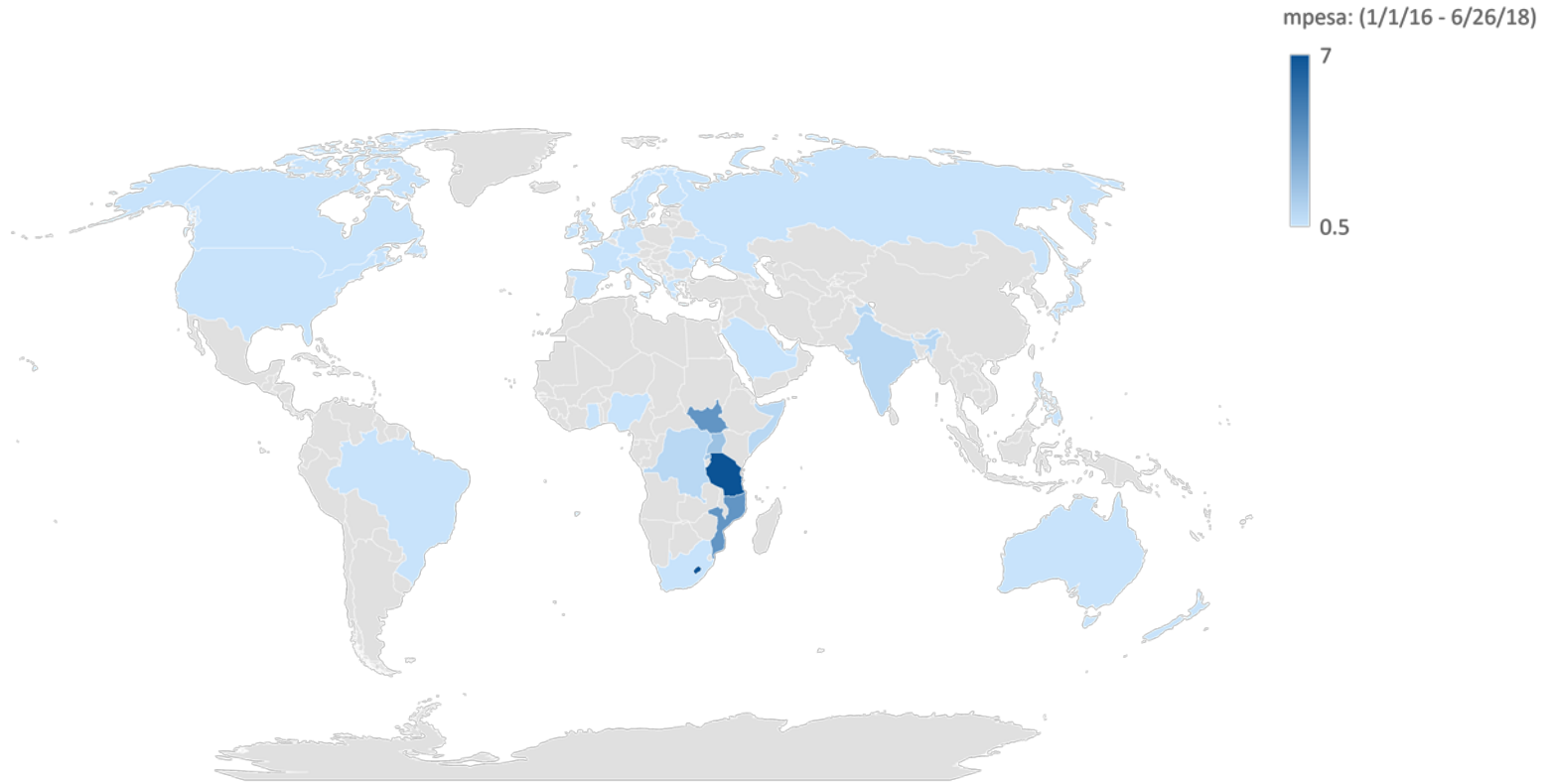


Google Trends: Fintech



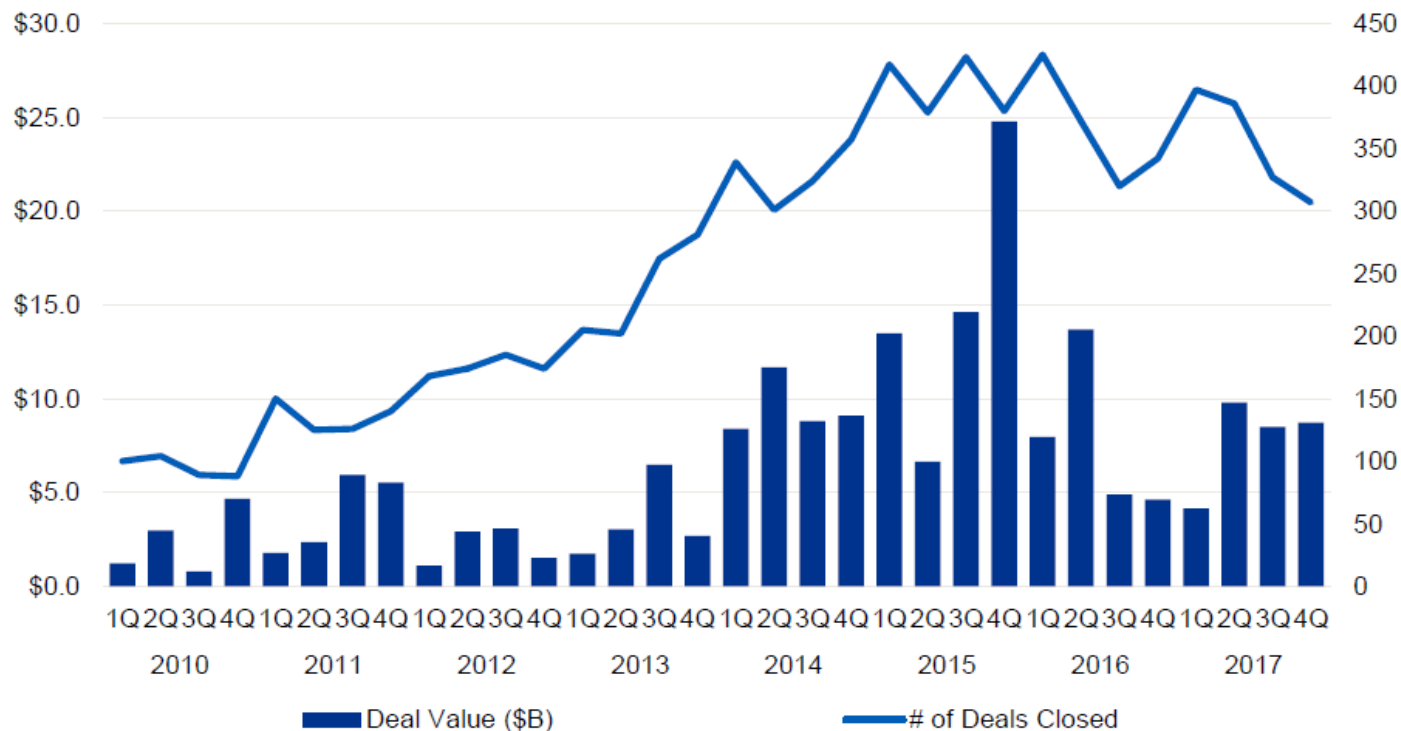
Powered by Bing
© GeoNames, MSFT, Microsoft, NavInfo, Navteq, Thinkware Extract, Wikipedia

Google Trends: M-Pesa (excluding Kenya)



Global investment activity (VC, PE and M&A) in fintech companies

2010 – Q4'17



Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

Why should we care about Fintech?

- Cheaper, more efficient financial services
- Introduction of new products and services tailored to customer
- Financial inclusion
- Improved security and regulatory compliance
- Increased transparency
- Decentralization and diversification of services

Impact on market structure

- Financial innovation may have material implications for market structure:
 - Level of **concentration** could be reduced given greater competition
 - Lower barriers to entry drive **contestability**
 - **Composition** of service providers may be affected due to the unbundling of financial services, new entrants

Fintech Risks

Summary of the FSB report: Financial Stability Implications of Fintech

Priority areas for international cooperation

- Managing operational risks from third-party service providers
- Safeguards to mitigate cyber risks
- Monitoring macrofinancial risks

Other issues that merit authorities' attention

- Cross-border legal issues and regulatory arrangements
- Governance and disclosure frameworks for big data analytics
- Assessing the regulatory perimeter and updating it on a timely basis
- Shared learning with a diverse set of private-sector parties

Other issues that merit authorities' attention

- Further developing open lines of communication across relevant authorities
- Building staff capacity in new areas of required expertise
- Studying alternative configurations of digital currencies

Thank You

