

FinTech: Challenges For Regulators and Deposit Insurers

Symposium Esisuisse/EFDI/URPP/Financial Market Regulation
«Fintech – A new Challenge for Deposit Insurance?»

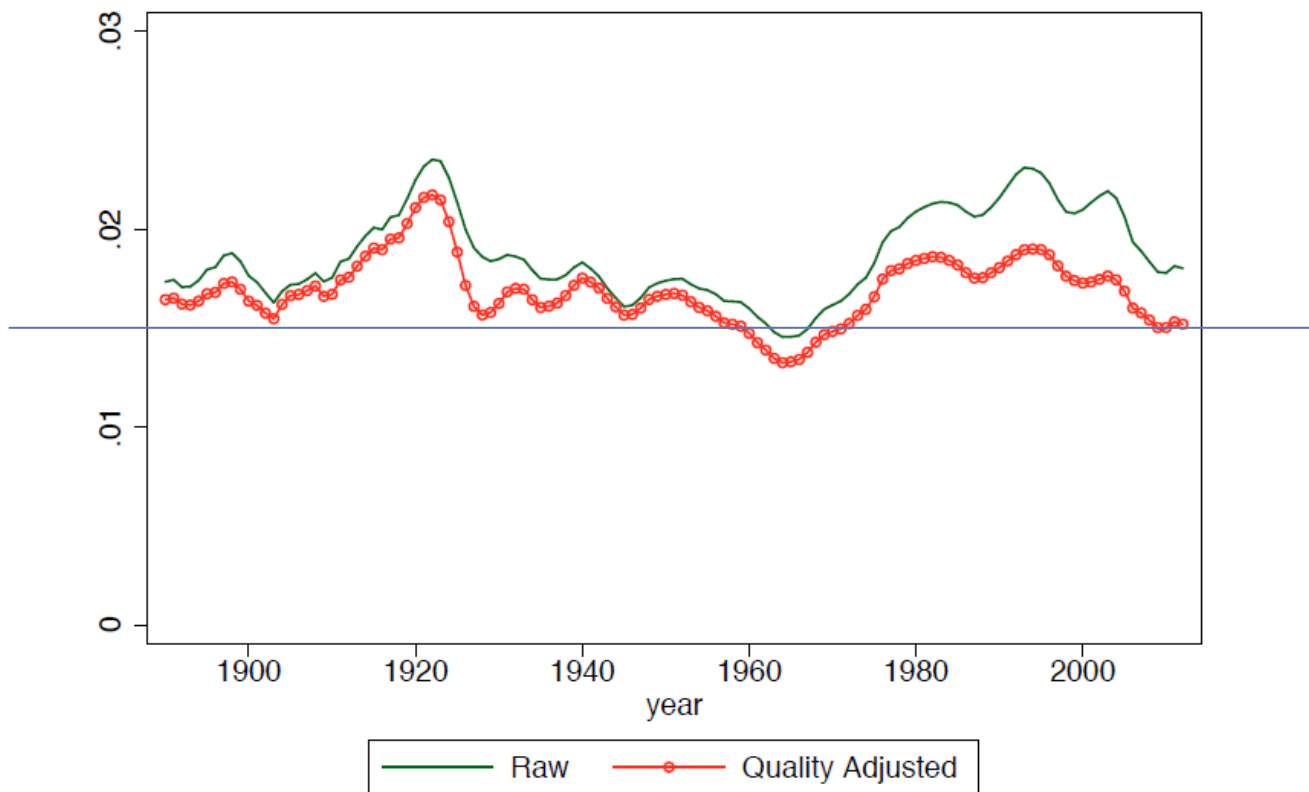
Session: «Chances and Challenges to Deposit Insurers»

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Has financial intermediation become cheaper over time?

Figure 3: Unit Cost of Financial Intermediation



Source: Phillippon (2015)



Fintech: who are we dealing with?

... Two different perspective

1

Fintech ...The aim is to inflict death by a thousand cuts.

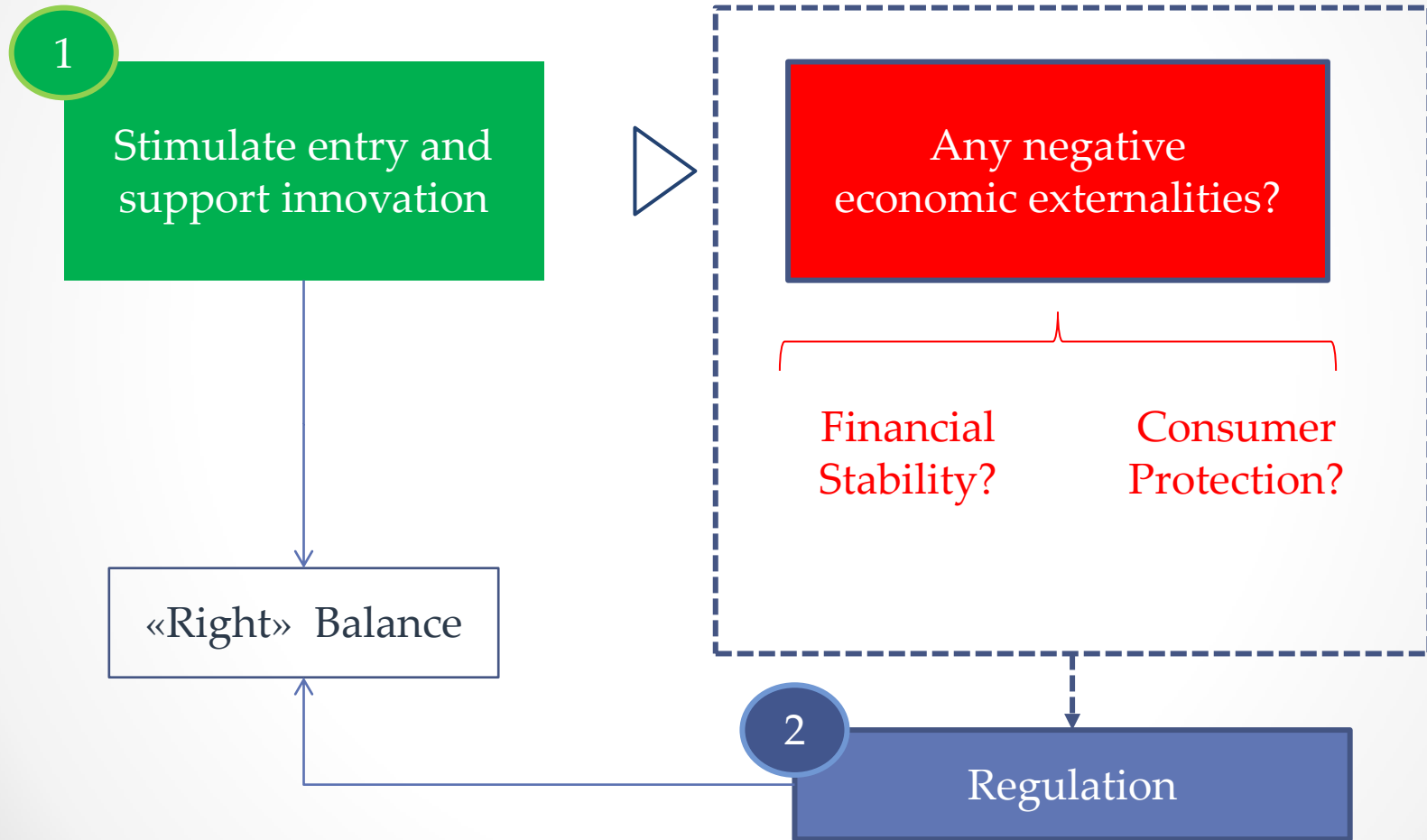
Fintech start-ups are nimble piranhas, each focusing on a small part of a bank's business model..."

2

...Fintech , as the Golden Goose



Financial Innovation is good...but



The big question is not «if regulate Fintech» but «how to regulate it»

1

Is the current regulation appropriate for Fintech?

Or we need another financial crisis to better understand the emerging phenomena?

2

Do we fully understand the new FinTech business models?
Do we fully understand their risks? Are we able to measure them?

Many Fintechs are in their start-up phase and their business models are evolving



Regulatory approaches

Closed Approach:
Overprotect incumbents by
erecting barriers

Open Approach:
Regulating newcomers less
stringently



Mixed Approach
Reliance on existing
regulation and monitor the
market



Challenges

(for both deposit insurance regulators and deposit insurers)

1

Discuss the definition of Deposit
(What is a deposit? Which deposits need to be insured?)

→ Answers are becoming difficult as digital transformations continue to evolve

→ 3 approaches to deposit insurance for digital products: “Exclusion”; “Direct”;
“Pass Through”

2

Monitor FinTech Evolution and Analyse Business Model and Risks

3

Enhance Cooperation (DIs Cross Border and Cooperation with Regulators)

4

Assess the Use of FinTech in Deposit Insurance



Let me conclude...

FinTech need to be
regulated, but...

... Let's make sure to avoid
killing the golden goose!

Thank you!

