

The background of the slide is an aerial photograph. The top half shows a dense city skyline with numerous skyscrapers, likely New York City, under a hazy sky. The bottom half shows a vast, flat agricultural landscape with green fields and a network of white irrigation canals or roads.

# The Potential Impact of FinTech on Deposit Insurance

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# A brief history of deposit insurance



1929



2007



2008



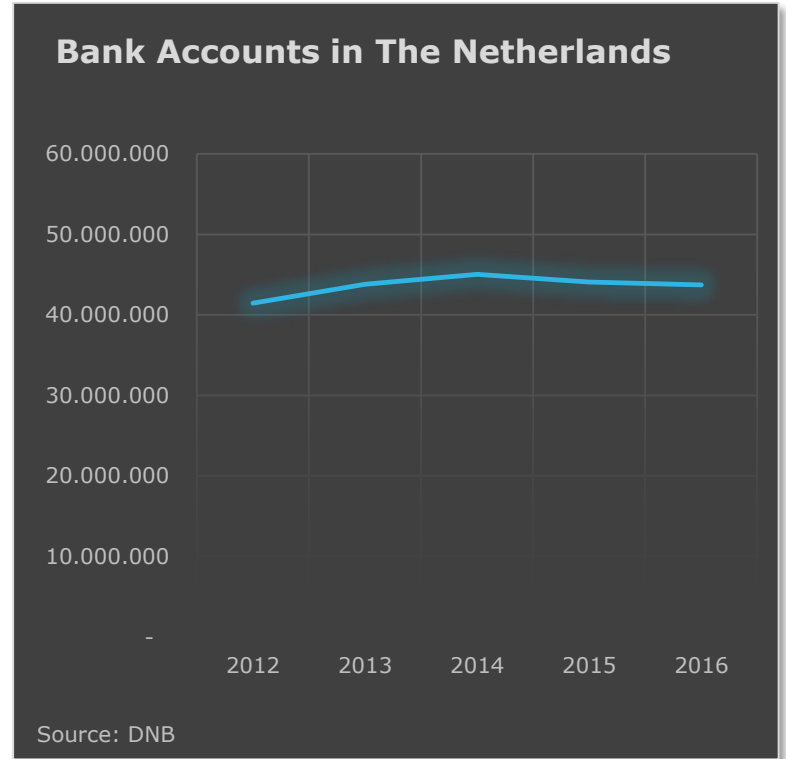
2027(?)

# FinTech has yet to take off...

## Some indicators from The Netherlands

- The number of bank accounts has been stable over the last five years
- Less than 1% of Dutch citizens currently make use of services provided by FinTech companies\*
- At the same time, The Netherlands is among the leading European countries in the adoption of online banking apps (53% of smartphone users\*\*)

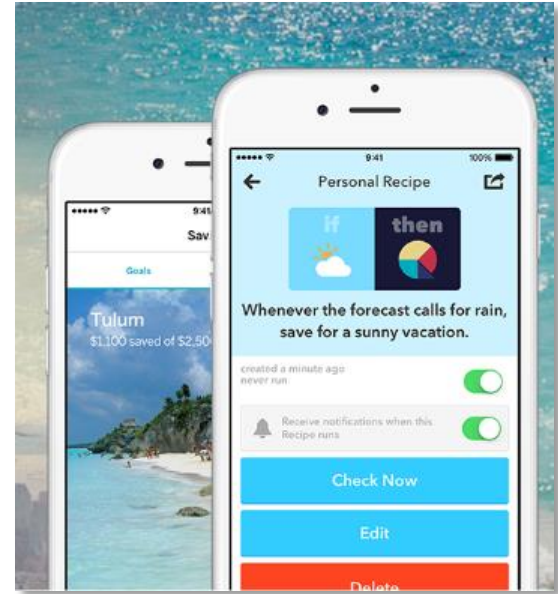
\*) CapGemini, 6 March 2017; \*\*) Deloitte, 2016



# ... but has massive potential impact on banking

## Examples

- App-based banking
- Cross-border intermediaries
- Payment service providers (PSD2)
  - including (API-based) access-to-account services (XS2A)
- Digital base money



# Why is FinTech relevant to deposit insurance?

## 1. Reimbursing depositors is a challenging task

- Coverage limit usually applies per depositor, not per account  
→ *Requires single customer views*
- In case of beneficiary accounts, coverage usually applies to persons absolutely entitled  
→ *Requires granular access to administration of beneficiary*
- Identity of depositor and amount to be reimbursement needs to be verified during payout process

**FinTech developments will further complicate these requirements, but can also be used to support operations**

## 2. Runs can only be avoided if the features of deposit insurance satisfy consumer expectations

- Extend of coverage should be transparent and understandable
- Consumers expect to regain access to their deposits (and payment functions) within a reasonable time-frame and without much effort (stress free)
- Level playing-field needed in single market (race to the top)

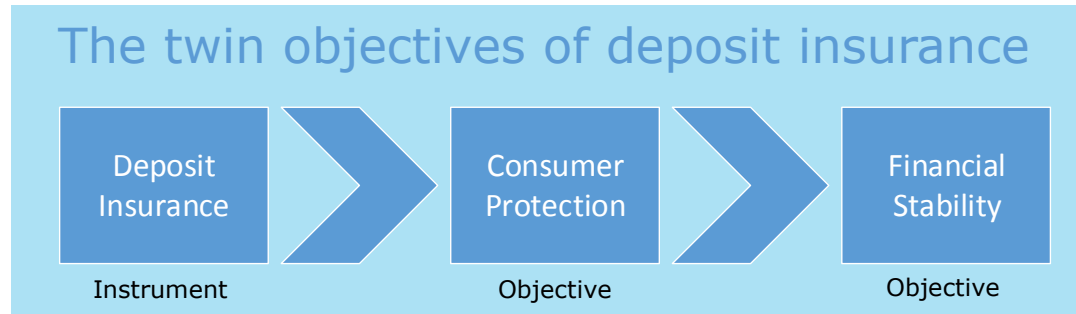
**FinTech will increase service expectations of bank customers and increase customer control of bank accounts**

# Threats to the effectiveness of deposit insurance

## FinTech will possibly lead to

1. Greater deposit volatility
2. More complex structure of (beneficiary) deposit accounts
3. Increase in cross-border (retail) banking
4. Increase of in-flight transactions
5. Public expectation of continuity of access (after failure)
6. Deposit-like instruments that fall outside the scope of the DIS

→ To safeguard the twin objectives of deposit insurance, reimbursement procedures need to (further) speed up, have to become more consumer friendly and the parameters of deposit insurance will have to adapt to the future banking system



# Opportunities for deposit insurance

## FinTech can support the role of deposit insurers

- APIs or similar functionality can be used to:
  - Immediately extract account data to test account data and prepare for reimbursement
  - Facilitate authentication of depositors
  - Integrate data on beneficiary accounts with ordinary bank accounts
  - Support communication and customer awareness
  - Support cross-border cooperation between deposit insurers
- Payment service providers can **support the reimbursement process**
- Ultimately, FinTech solutions could also **support resolution measures** such as a transfer of accounts – including payment related account data – to another bank, thereby facilitating continuity of access

# What the crystal ball tells us

## **Prediction 1: FinTech will raise the bar for deposit insurers**

(but will also be instrumental to live up to these heightened expectations)

## **Prediction 2: A one-day payout period?**

Deposit insurers currently working towards a maximum pay-out period of 7 working days. Will this provide sufficient protection for deposits or will heightened public expectations ultimately force deposit insurers to aim for a one-day payout period?

## **Prediction 3: Deposit insurers will turn into FinTech 'hubs'**

Given their mandate to protect consumer deposits, deposit insurers are uniquely positioned to developed standards on single customer views (SCVs). There can be strong interlinkages between the design of SCV- and XS2C-requirements.

## **Prediction 4: FinTech will blur the concept of a deposits, creating challenges for scope and communication of deposit insurance**

This could particularly relate to the distinction between deposits and e-money accounts

