

## Overview

Financial technology, often referred to as "FinTech," has had a long and steady rise in the United States. FinTech is broadly defined and dates back to the 1950s as the financial services industry introduced changes to consumers such as credit cards, data analysis, and new forms of risk assessment. After nearly five decades of innovations, financial leaders and influencers have developed a global financial technology infrastructure that most people don't realize they use almost every day. As FinTech enters a new era of development, regulators are keeping a sharp eye to protect consumers and watch for objectionable practices. In our latest Basic, "FinTech and its Role in the Future of Financial Services", we offer a primer on the history of FinTech, its advantages and disadvantages, and its role in the future of the global financial services markets.

## What is FinTech?

FinTech is a term used to refer to "financial technology." FinTech is a relatively new concept for many consumers and has a loose definition. The term can be used to refer to technological innovations that relate to concepts such as financial literacy and education, stock investment, cybersecurity, blockchain technology, retail banking, crypto-currencies like Bitcoin and Ripple, among other innovations.

FinTech has been a reemerging, fast-developing sector within the financial services industry for several years and has been pioneered by those who are developing or innovating new technologies to modify the way financial markets traditionally operate. FinTech has largely created disruption for large banks and traditional financial institutions as it relates to regular practices. One simple example of this disruption can be found in a number of mobile apps that offer stock trading without charging users any fees per trade.

A number of start-ups have led the way in pioneering these technologies, including [Funding Circle](#), [Ant Financial](#), [Robinhood](#), [Stripe](#), and [Atom](#). However, while much of the FinTech sector is driven by start-ups and financial accelerators, some of the world's largest banks, such as HSBC and Credit Suisse, have strategically devoted resources to developing their own FinTech programs in addition to the more traditional financial services they typically offer.

## Who Uses FinTech

Research from EY (formerly Ernst & Young) released this year in their FinTech Adoption Index 2017 indicates that "on average one in three digitally active consumers now use two or more FinTech services, making FinTech usage significant enough to suggest that FinTech has reached early mass adoption." This research also indicates that there is a hunger amongst consumers for new financial service benefits that utilize technology such as mobile devices and cloud-based

## FinTech: By The Numbers, 2017

**33%** is the average FinTech adoption globally, compared with 16% in a 2015 study

**46%** is the average FinTech adoption across emerging markets: Brazil, China, India, Mexico and South Africa.

**50%** of consumers use FinTech money transfer and payments services, and 65% anticipate doing so in the future.

**64%** of FinTech users prefer using digital channels to manage all aspects of their life, compared with 38% non-users.

**13%** of consumers are regular users of five or more FinTech services (FinTech "super users")

## Key Statistics

### ● Most Used FinTech Services Globally:

- \$\$ Transfers & Payments **50%**
- Insurance **24%**
- Savings and Investments **20%**
- Borrowing **10%**
- Financial Planning **10%**

### ● FinTech Adoption Across Age Brackets

- 18-24 **37%**
- 25-34 **48%**
- 35-44 **41%**
- 45-54 **30%**
- 55-64 **22%**
- 65-75 **15%**
- 75+ **9%**

services. FinTech adoption has exponentially risen in places like China and India, where populations typically deal with underserved financial services and market access.

## What do FinTech proponents say are its advantages?

Proponents of FinTech argue that the advances made by FinTech firms and entrepreneurs create more choice and options, ultimately resulting in more accessible financial markets for ordinary consumers - not just top income earners. Examples of expanded financial market access include investing, securing personal or business loans, and, perhaps very soon, obtaining a mortgage or purchasing insurance. The technology and data that FinTech uses make it easier to distribute information, advise, and offer more basic aspects of financial services including banking, investing, borrowing and saving to larger populations. And, proponents insist, because FinTech firms are using different data sets and considering other factors during the underwriting processes that traditional banks do not consider, consumers have great access to capital that grows the economy and creates jobs.

## What are the concerns around FinTech?

There are those, though, who caution too quick an embrace of FinTech practices. TransUnion published an [article](#) highlighting some of the challenges facing FinTech such as small management teams who lack capacity, fewer financial resources that prevent appropriate scaling, limited credit and startup experience, lack of a developed business model, inability to attract analytics and personnel talent, and limited compliance knowledge.

While many FinTech startups are facing some of these challenges, the industry continues to grow and adapt to its shortcomings and early challenges.

## What is FinTech's future?

As FinTech becomes more mainstream and commercialized, it continues to attract greater regulatory scrutiny from a number of different federal and state regulators. In a recent [white paper](#), the U.S. Treasury department recommended regulatory changes to protect consumers and businesses looking to obtain loans through FinTech, noting that neither the Consumer Financial Protection Bureau (CFPB) nor existing banking regulatory agencies have jurisdiction that currently applies to the FinTech sector. In addition to Treasury and the CFPB, other federal agencies have expressed concern over the current lack of oversight including the Internal Revenue Service (IRS), Department of Justice (DOJ), Federal Deposit Insurance Corporation (FDIC), Federal Housing Finance Agency (FHFA), and the Federal Reserve Board (FRB), among others.

Federal watchdogs are not the only regulators taking note. States with high FinTech adoption rates and the homes of many FinTech startups, such as California and New York, have begun implementing oversight protections for consumers by mandating compliance for FinTech startups to the Department of Financial Oversight in California and the Department of Financial Services in New York.

No legislation is currently Congress that targets the FinTech sector but as the industry continues to grow and change, it is likely that Members of Congress will

## ● FinTech Adoption Rates Across 10 Markets

- Average	33%
- China	69%
- India	52%
- United Kingdom	42%
- Brazil	40%
- Australia	37%
- Spain	37%
- Mexico	36%
- Germany	35%
- South Africa	35%
- United States	33%

## Definitions

**FinTech:** Refers to technologies with the potential to alter the way certain financial services are performed, allowing traditional financial services and products to be delivered in arguably innovative ways. More generally, FinTech is a broad term relating computer technology to financial services.

pay greater attention.

## Links to Other Resources

- CNBC — Everything you've always wanted to know about fintech  
<https://www.cnn.com/2017/10/02/fintech-everything-youve-always-wanted-to-know-about-financial-technology.html>
- Congressional Research Service — Banking Policy Issues in the 115th Congress  
[https://www.everycrsreport.com/files/20170526\\_R44855\\_624d5ee53cc68e654788c182de0b14c3f7d982ba.pdf](https://www.everycrsreport.com/files/20170526_R44855_624d5ee53cc68e654788c182de0b14c3f7d982ba.pdf)
- Congressional Research Service — Marketplace Lending: Fintech in Consumer and Small-Business Lending  
[https://www.everycrsreport.com/files/20160906\\_R44614\\_df16eaab168267390150f1cf8740dd21e083f95f.pdf](https://www.everycrsreport.com/files/20160906_R44614_df16eaab168267390150f1cf8740dd21e083f95f.pdf)
- Congressional Research Service — OCC to Consider Issuing National Bank Charters to Fintech Company Applicants  
<https://www.everycrsreport.com/reports/IN10626.html>
- Congressional Research Service — Treasury Issues White Paper on Fintech and Marketplace Lending  
<https://www.everycrsreport.com/reports/IN10492.html>
- Congressional Research Service — Marketplace Lending: Fintech in Consumer and Small-Business Lending  
[https://www.everycrsreport.com/files/20160906\\_R44614\\_df16eaab168267390150f1cf8740dd21e083f95f.pdf](https://www.everycrsreport.com/files/20160906_R44614_df16eaab168267390150f1cf8740dd21e083f95f.pdf)
- EY — FinTech Adoption Index 2017: The rapid emergence of FinTech  
[http://www.ey.com/Publication/vwLUAssets/ey-fintech-adoption-index-2017/\\$FILE/ey-fintech-adoption-index-2017.pdf](http://www.ey.com/Publication/vwLUAssets/ey-fintech-adoption-index-2017/$FILE/ey-fintech-adoption-index-2017.pdf)
- EY — EY FinTech Adoption Index 2017: Key findings  
[http://www.ey.com/Publication/vwLUAssets/ey-fintech-key-findings-2017/\\$FILE/ey-fintech-key-findings-2017.pdf](http://www.ey.com/Publication/vwLUAssets/ey-fintech-key-findings-2017/$FILE/ey-fintech-key-findings-2017.pdf)
- GoodCall — The Rise of Fintech – What You Need to Know & Financial Services Now Offered  
<https://www.goodcall.com/personal-finance/fintech/#section3>
- Information Technology and Innovation Foundation — Policy Principles for Fintech  
<http://www2.itif.org/2016-policy-principles-fintech.pdf? ga=2.52882154.376256734.1510937273-1197106960.1491412621>
- TransUnion — Pros and Cons: Seven Common Characteristics of FinTech Startups  
<https://www.transunion.com/blog/pros-cons-seven-common-characteristics-of-fintech-startups>
- U.S. Department of the Treasury — Opportunities and Challenges in Online Marketplace Lending  
[https://www.treasury.gov/connect/blog/Documents/Opportunities\\_and\\_Challenges\\_in\\_Online\\_Marketplace\\_Lending\\_white\\_paper.pdf](https://www.treasury.gov/connect/blog/Documents/Opportunities_and_Challenges_in_Online_Marketplace_Lending_white_paper.pdf)