

Public Hearing Fintech/Session 2: opportunities and challenges raised by Fintech - GVE outline

- Welcome pro-active approach of ECON, reflection can't come too soon/fintech & digitalisation are set to affect consumers/but also the regulatory framework protecting them. Let us not wait for things to go wrong but instead empower fintech to deliver to consumers and society.
- Key message today will be that change is welcome, retail finance is still at the bottom of every consumer scorecard, but we need digital upgrade of financial consumer protection for consumers to reap the benefits. But at the same time, we should not forget that apps and on-line platforms will not solve everything (refer to GP report) and that however smart the algorithms are, consumer need access to simple, transparent and cost-effective products
- Too good to be true or not? Consumer challenges/opportunities along three defining components of Fintech
 - 1) **On-line distribution:** lower distribution costs/better access to information/more switching BUT raises several questions
 - Quid digital illiterate people: will they be paying more in the future//will they still have access to bank branches?
 - A toxic investment, unsuitable loan is just a click away. Crowdfunding example.
 - Increasing role of Price comparison websites
 - 24/7 availability; the same app that warns you not to overspend can encourage you to spend in a shop nearby
 - 2) **New players & services:**
 - Retail finance is still overwhelmingly dominated by age-old bank & insurance companies, offering a wide span of different services. Gives leeway to cross-selling at uncompetitive terms to cover their high legacy costs
 - Fintech players will challenge them with better User experience, smart digital solutions, lean business model potentially cheaper for consumers/unbundling
 - Robo-advice example//p2p lending
 - 3) **Big data**
 - Potential Advantages: more personalised information & offers
 - BUT major privacy risk + exclusion/discrimination risk (e.g. impact social media on credit rate/fitness data for insurance)
- **Policy challenges ahead**
 - Don't look at FINTECH isolation –no silo-based approach; whatever the player, it is the service that counts
 - Specific digital challenges: algorithms, advice, digital disclosure
 - Better supervision across the EU – platforms are borderless for consumers
 - Address risks of big data/set boundaries