FinTech:
Shaping the Financial World

May 6, 2020
Class 11: Overview

• Financial Sector Crises
• 2008 Financial Crisis & Post Crisis Reform
• Coronavirus Crisis Economic Forecasts
• Financial Market Reactions
• Risks & Scenarios
• Economic Policy Responses
• Coronavirus & FinTech
Class 11: Readings

• '8 top Fintech VCs discuss COVID-19 trends, signals and opportunities’ TechCrunch

• 'Is the Coronavirus Killing Off Cash?' Politico

• 'Fintech firms race to plug gaps in UK’s coronavirus relief measures' CNBC

• ‘7 VCs look into the future of Fintech’ TechCrunch
Class 11: Study Questions

• How is the Coronavirus Crisis affecting the Financial Services world?

• What will this crisis do to existing trends affecting FinTech? What new trends are likely to emerge?

• What opportunities and challenges has the crisis presented for specific companies? Which companies are more likely to be winners or losers?
Financial Sector Crises

• Latin American Debt Crisis – late 1970s
• Continental Illinois - 1984
• Black Monday – 1987
• Savings & Loan Crisis – 1986 – 1995
• Asian & Russian Debt Crisis – 1997 – 1998
• Subprime Mortgage Crisis – 2008
• European Debt Crisis – 2009 – 2012
• Coronavirus Crisis – 2020 - ???
2008 Financial Crisis

• Weak Underwriting & Predatory Lending =>
  Subprime Mortgage Crisis & Housing Bubble

• Easy Credit & Financial Derivatives =>
  Increased Leverage & Interconnectedness

• Poor Risk Management & Incentive Structures =>
  Many Vulnerable Financial Institutions

• Multiple Failures => Systemic Loss of Funding & Liquidity =>
  Contagion & Near Collapse in Highly Interconnected System
Post Crisis Reform
Dodd-Frank Rulemaking Progress by Agency

As of July 19, 2016

Bank Regulators (132)
- Finalized, 94
- Future Deadline: Proposed, 2
- Future Deadline: Not Proposed, 22
- Missed Deadline: Proposed, 7
- Missed Deadline: Not Proposed, 7

CFTC (69)
- Finalized, 51
- Missed Deadline: Not Proposed, 1
- Missed Deadline: Proposed, 6
- Future Deadline: Not Proposed, 1

SEC (94)
- Finalized, 67
- Future Deadline: Proposed, 3
- Future Deadline: Not Proposed, 7
- Missed Deadline: Proposed, 10
- Missed Deadline: Not Proposed, 7

Other (105)
- Finalized, 62
- Missed Deadline: Not Proposed, 17
- Missed Deadline: Proposed, 6
- Future Deadline: Not Proposed, 18
- Future Deadline: Proposed, 2

Dodd-Frank Rulemaking Progress

As of July 19, 2016

Finalized, 274
FinTech - Finance’s Fertile Ground

Coronavirus Crisis

• Digitalization of Money, Securities and Credit
• Wide Public Acceptance of New Tech
• Legacy Customer Interface and Processing Systems
• Vast and Expanding Amounts of Customer Data
• Rapid Expansion of Computational & Analytical Power
• Reliance on Multiple Systems of Ledgers
• Infrastructure Systems’ Costs and Counterparty Risks
• Economic Rents and Centralized Concentrated Risks
Coronavirus: FinTech Incumbents & Tech

• Big Finance
  • Volumes: Capital Markets, Government Debt
  • Stimulus Loan Programs
  • Allocations for Loan Loss Reserves
  • Reliance on Connectivity

• Big Tech
  • Significant Online Growth
  • Possible Shifts in Views on Data Usage - Contact Tracing
Coronavirus: FinTech Startups

- Runway: Burn Rates, Cash, Revenue Model & Adoption Rates
- IPOs on Hold
- VC Investment will Slow
- Valuations Decline

- Consolidation Increases
- Sector Matters:
  - Transaction fees & Consumer Credit?
  - Retail, Travel, Events, Restaurants?
  - Mobile Trading, Remittances, Compliance
Coronavirus: FinTech

• **Additional Opportunities**
  • Serving Those Tapping Fiscal Stimulus & Loan Programs
  • Consumer & SME Refinancing's & Consolidation Loans
  • New uses & sources of Alternative Data

• **Additional Challenges**
  • Delinquencies & Defaults
  • Loan Servicing
  • Business Models relying on Float
Coronavirus: FinTech
