

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

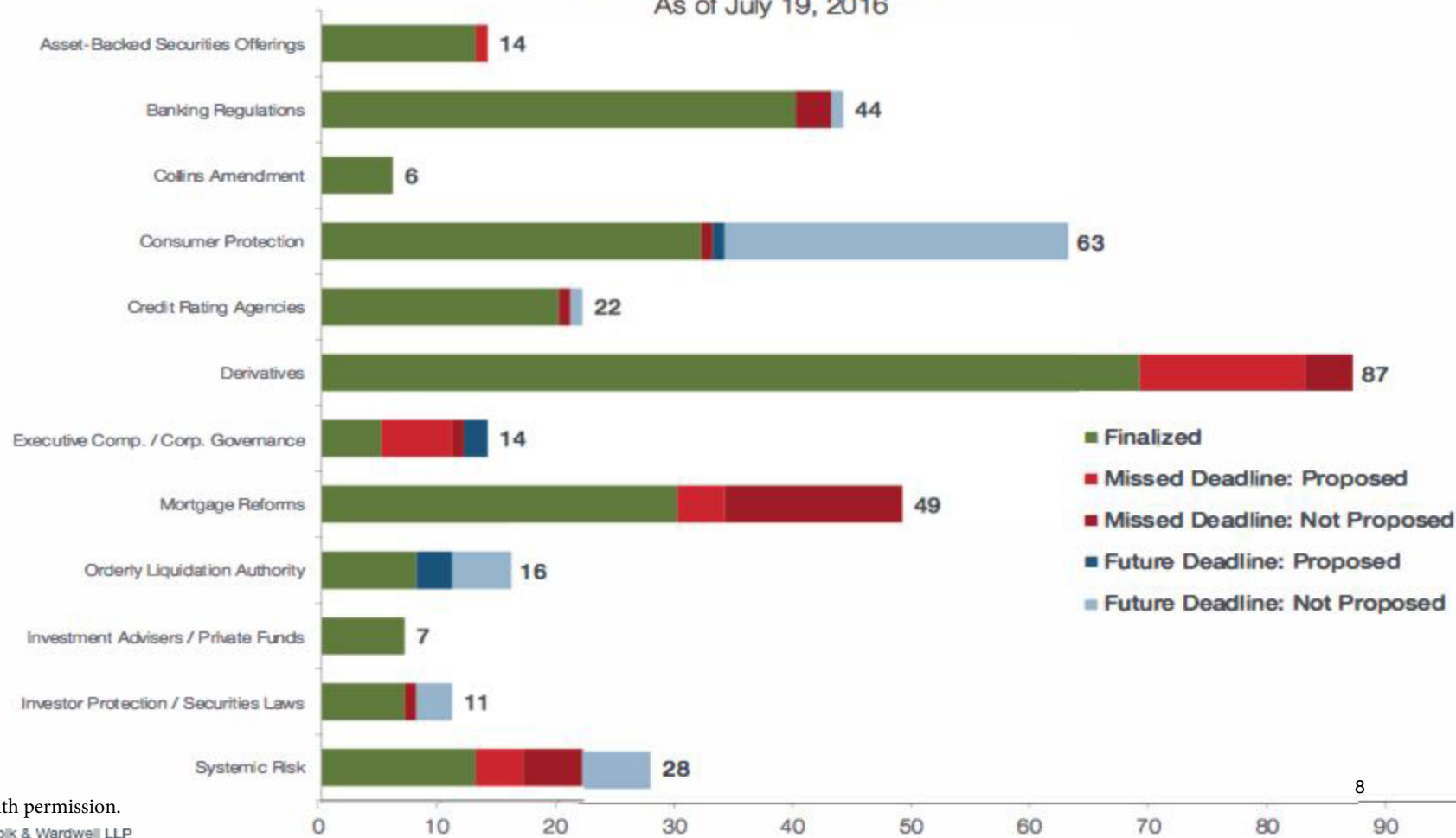
Post Crisis Reform



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Dodd-Frank Rulemaking Progress in Select Categories

As of July 19, 2016

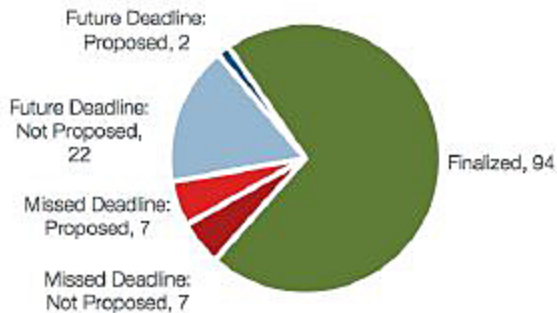


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Dodd-Frank Rulemaking Progress by Agency

As of July 19, 2016

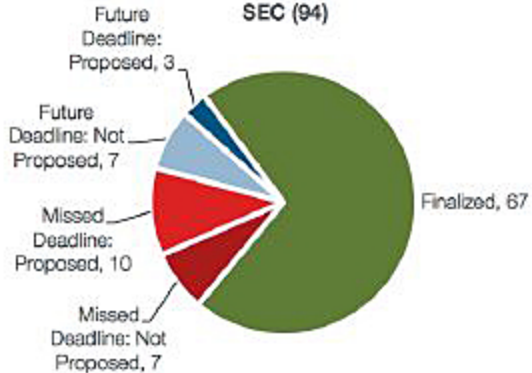
Bank Regulators (132)



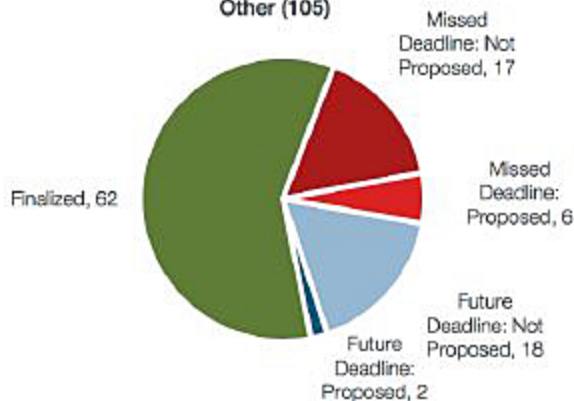
CFTC (59)



SEC (94)



Other (105)



Dodd-Frank Rulemaking Progress

As of July 19, 2016



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

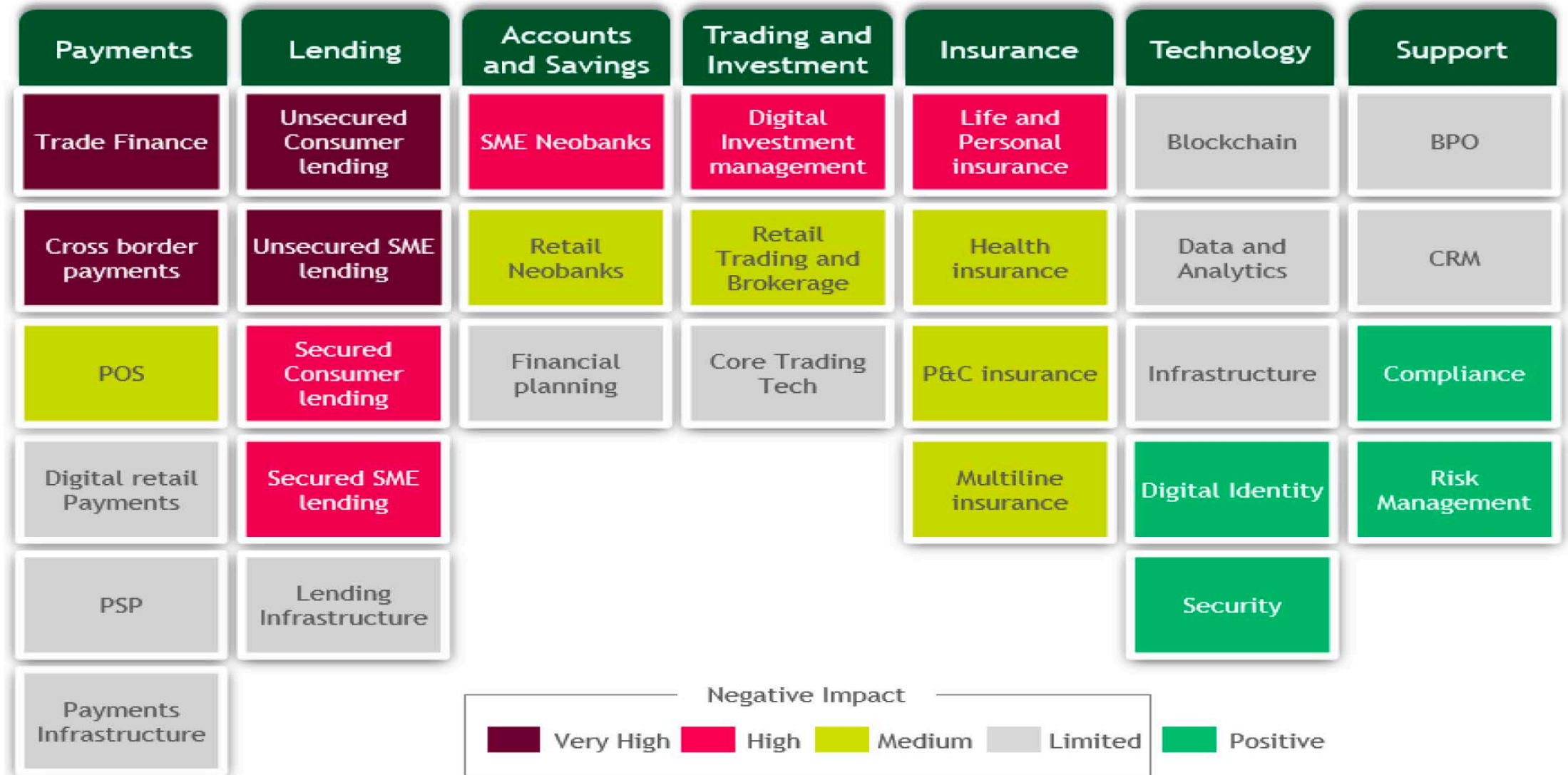
- Runway: Burn Rates, Cash, Revenue Model & Adoption Rates
- IPOs on Hold
- VC Investment will Slow
- Valuations Decline

- 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



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