Fintech and New Financial Landscapes

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THE EVOLUTION OF FINTECH
Technology has been a Transformative Force in Financial Services for Decades

1950s: CREDIT CARDS
1970s: ATMS
1990s: ONLINE PAYMENTS
Today: FINTECH
Modern FinTech is Affecting Several Aspects of Financial Services

$24.7B
INVESTMENTS IN FINTECH STARTUPS, 2016 TOTAL (KPMG)

2,000
FINTECH STARTUPS GLOBALLY, AS OF FEB 2016 (MCKINSEY)

24
Number of Strategic Partnerships PayPal signed in last 18 months
WHY IT MATTERS: FINTECH & FINANCIAL HEALTH
The Vision: Democratize Financial Services

Moving beyond inclusion to empower individuals and businesses to improve their financial health

ACCESS
The opportunity to build financial ID, hold and access balances, and make non-cash transactions through basic accounts

PARTICIPATION
The ability to take advantage of the full spectrum of affordable, convenient and secure financial products and services

EMPOWERMENT
The state of being when individuals and merchants have full agency/authority over their financial health and aspirations

HEALTH
The ability to manage day-to-day income and expenses, weather financial shocks and take advantage of economic opportunity
UNDERSTANDING THE SOCIO-ECONOMIC IMPACT OF FINTECH
Increasing Access to Finance for Small Businesses

Thinking beyond individual consumers to SMBs and all segments of the financial system

- 25% of PayPal Working Capital (PPWC) loans in the US in 2014 were disbursed in underserved counties.
- Nearly 35% of loans went to low-and-moderate income businesses.
- 61% of firms that received these loans were 5 years or younger.

Percentage of PPWC Loans to Low-and Moderate-Income Businesses
(By County)
Being a customer champion company means giving our customers choice and optionality in where and how they want to pay.
Lowering Costs for Immigrants and Their Families

FinTech is already making international money transfers more affordable, convenient and secure.

Figure 2: Average remittance prices worldwide, 2015 as % of amount sent.

Source: “Remittance Prices Worldwide”, Issue no. 16, Dec. 2015, World Bank; and Xoom/PayPal data.
FinTech embraces a younger generation’s philosophy about how to save for the future.

1. **Connect Your Card**
   First, connect the accounts and cards you use to make everyday purchases.

2. **Make a Purchase**
   Next, spend like normal. We’ll round-up your purchases to the nearest dollar.

3. **Invest Your Change**
   Then, watch your wealth grow as we automatically invest your spare change.
HOW WE CAN UNLOCK EVEN GREATER IMPACT GOING FORWARD
Frequently Asked Questions about FinTech
A representative sample from our conversations

1. Financial Services-related questions: AML/KYC controls, understanding various business models vis-à-vis regulatory frameworks, non-bank oversight and liquidity controls for certain business models, etc.

2. Security & privacy-related questions: Breaches, hacking with motivation of fraud, sharing of data and privacy matters, customer security, etc.

3. Consumer protection and redress: Appropriate disclosures, consumer education/awareness, handling consumer queries/complaints, etc.

4. Regulatory disruption & fragmentation: Tension between flexibility and consistency, as well as stability and innovation/competitiveness
Opportunities & Challenges: Areas for Public-Private Collaboration

- Digital Financial Education
- Identity & KYC
- Internet Access
- Government Payments and Savings
- FinTech
- Regulation
- Security