FSB FINANCIAL STABILITY BOARD

Press release

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FSB report finds that COVID-19 has accelerated the trend towards digitalisation of retail financial services

The Financial Stability Board (FSB) published today a report about FinTech and Market Structure in the COVID-19 Pandemic.

The main finding of the report is that the pandemic has accelerated the trend toward digitalisation of retail financial services. While comprehensive data on the market shares of FinTechs, BigTechs and incumbent financial institutions in retail digital financial services are scarce, proxies suggest that BigTechs and larger FinTechs have further expanded their footprint in financial services.

The report notes that BigTech and FinTech firms' expansion into financial services can bring benefits such as improved cost efficiencies and wider financial inclusion for previously underserved groups. However, it also cautions over the potential for market dominance. In some markets, concentration measures are high, but there is no evidence yet of a generalised increase.

There could be negative financial stability implications from dependence on a limited number of BigTech and FinTech providers in some markets, the complexity and opacity of their partnership activities, and potential incentives for risk taking by incumbent financial institutions to preserve profitability. There could also be consumer protection risks from greater dependency on technology and data protection issues. In addition, the limited number of cloud service providers could magnify the impact of any operational vulnerability.

The growth of BigTechs in particular underscores the need to address data gaps that currently hamper the assessment of those firms' financial risks and systemic importance. Such data gaps make it difficult for authorities to decide whether and how to regulate BigTechs.

The report outlines the types of actions authorities have taken during the pandemic that may impact market structure and the role of different firms in providing digital financial services. These actions relate to financial stability, competition, data privacy and governance issues. The report also stresses the importance of cooperation between financial authorities and, where relevant, with competition and data protection authorities.

Notes to editors

The report published today is part of the FSB's ongoing work to monitor market developments and assess the financial stability implications raised by FinTech. Previous reports cover

BigTech firms in finance in emerging market and developing economies, the use of supervisory and regulatory technology by FSB member authorities and regulated institutions, and market developments and potential financial stability implications from BigTech in finance.

The FSB coordinates at the international level the work of national financial authorities and international standard-setting bodies and develops and promotes the implementation of effective regulatory, supervisory, and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The FSB also conducts outreach with approximately 70 other jurisdictions through its six Regional Consultative Groups.

The FSB is chaired by Klaas Knot, President of De Nederlandsche Bank. The FSB Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

For further information on the FSB, visit the FSB website, www.fsb.org.