

FinTech Credit: Market Developments, Business Models and Financial Stability Implications

Jon Frost, FSB Secretariat

SRA event, regulatory developments in the
FinTech Arena, 12 September 2017

Folie 1

PJ6

Need to say a little about who we are i.e. focus on fin stab therefore not all reg, G20 therefore not all geographies

Perry, Joe; 01.09.2017

FinTech credit: small but growing fast

Size of FinTech credit market by jurisdiction

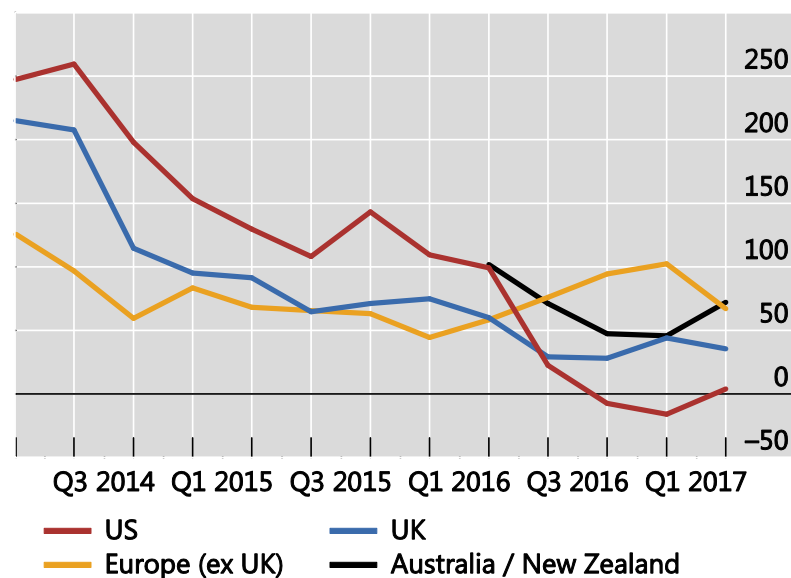
In USD million

	Volume of new credit ¹		Memo: % of new credit	Credit outstanding ¹	
	2013	2015		2016 (latest)	Memo: % of credit
China	5,547	99,723			
France	59	201			
Germany	48	205			
Japan	79	326			
Netherlands	48	91	180	<0.1	
New Zealand	0	245			
Nordics	112	84			
Russia ³		140			
Singapore	0	21	7.4		
UK	906	4,126	<5.0	1.4	
United States	3,757	34,324	2.0		

¹ Data on lending volumes are sourced from academic surveys of market participants (with the exception of the official data from Russia) and cover the range of platforms shown in Graph 1. Data are adjusted to USD using average daily exchange rates for 2013 and 2015 where necessary. Credit outstanding data are from national responses to the CGFS-FSB survey on FinTech credit. ² Credit outstanding data are adjusted to USD using average daily exchange rates for 2016. The denominator for the percentage of credit is loans by depository institutions. ³ 2015 data are for first half of 2016. ⁴ Only data for consumer lending are available.

Sources: BIS; Cambridge Centre for Alternative Finance and research partners; national responses to CGFS-FSB survey on FinTech credit.

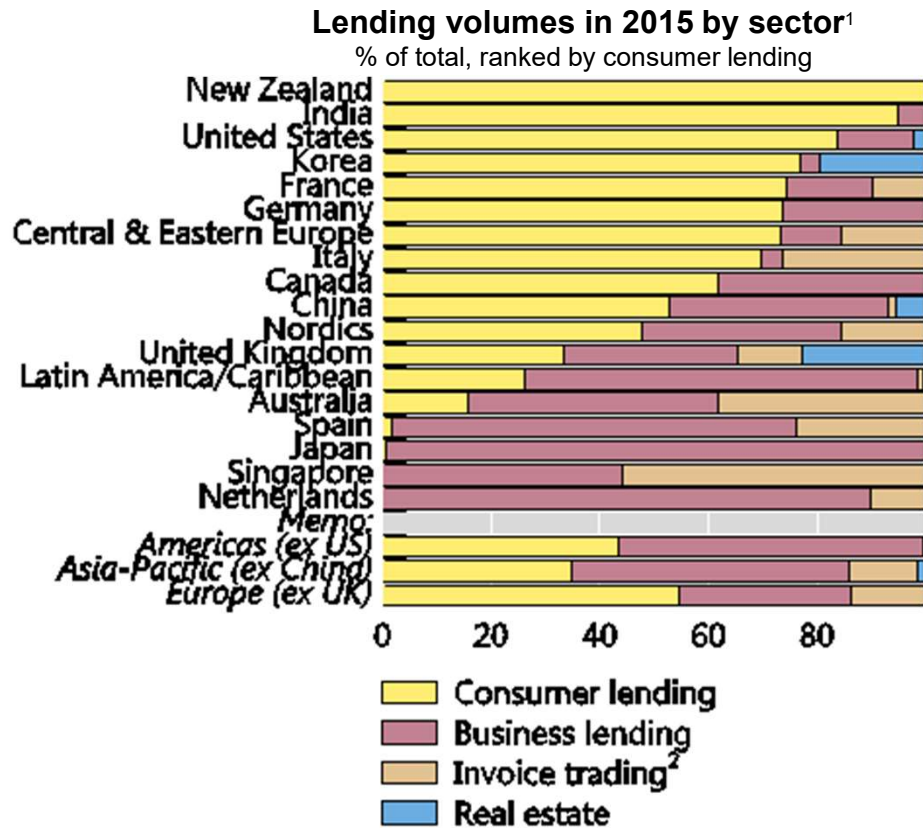
Growth in FinTech credit volumes¹ %, annual change



¹ Data are based on four large platforms for the US (SoFi, Lending Club, Prosper, and OnDeck), 29 platforms for the UK, 31 platforms for Europe and three platforms for Australia and New Zealand (SocietyOne, RateSetter in Australia, and Harmony). US data for Q1 2017 are projections. Australia and New Zealand data start in Q4 2015 based on data availability for all three platforms.

Source: AltFi Data

Lending to both consumers and firms

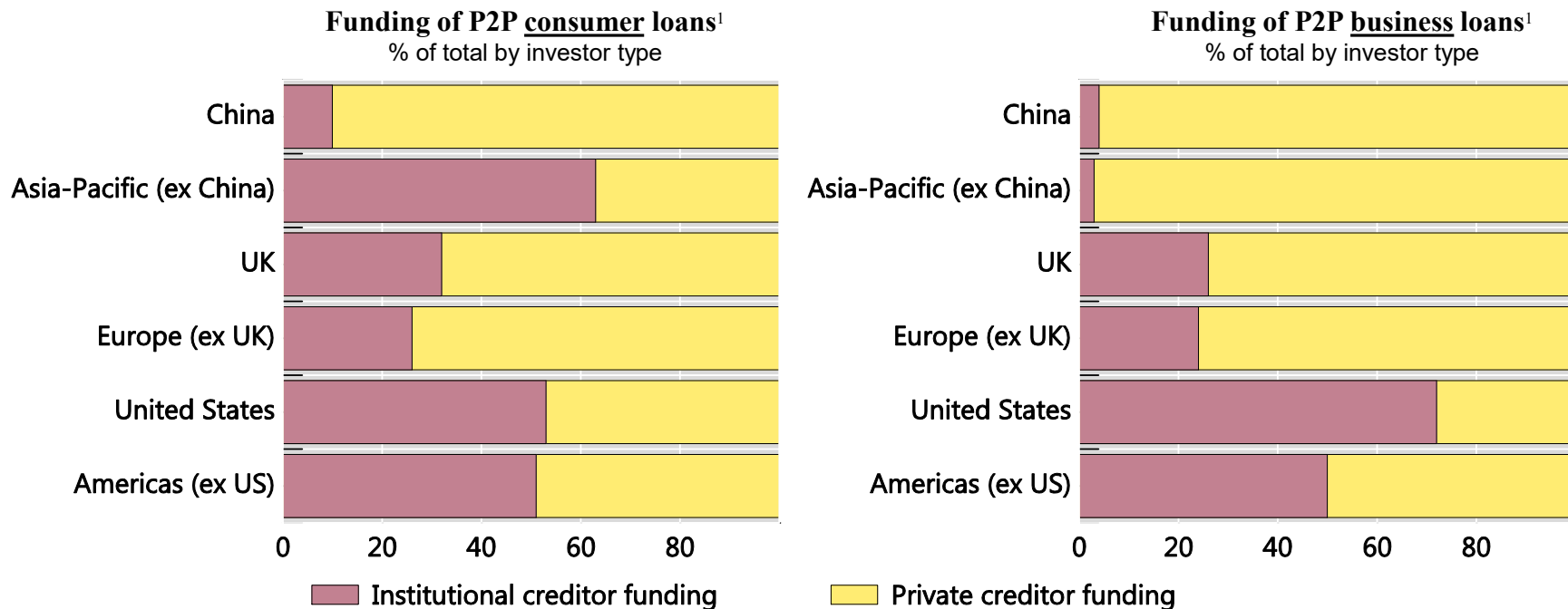


¹ Includes a very small amount of debt-based securities for France, the Netherlands and the United Kingdom.

Source: Cambridge Centre for Alternative Finance and research partners.

- China: consumer and business lending
- US: primarily consumer lending
- UK: businesses, consumers and real estate

...funded by consumers and firms



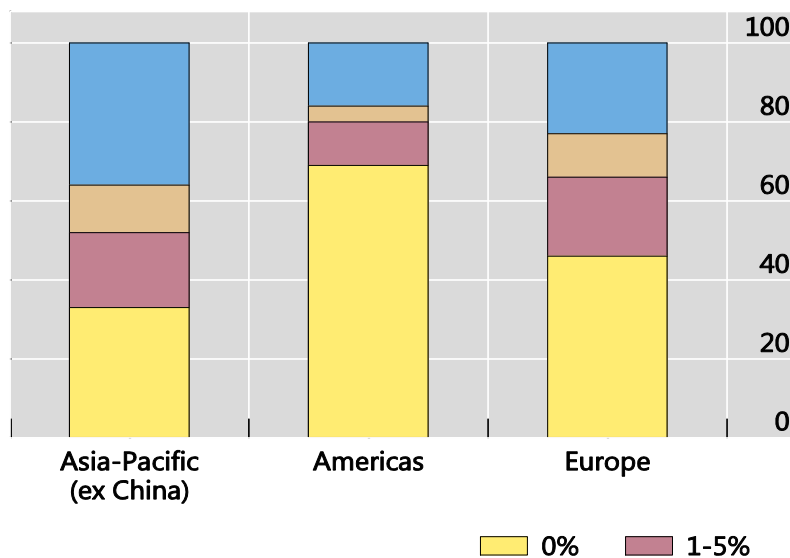
¹ The data for Asia-Pacific and the Americas are for 2013–15, whereas those for Europe (ex UK) are for 2015.

Source: Cambridge Centre for Alternative Finance and research partners.

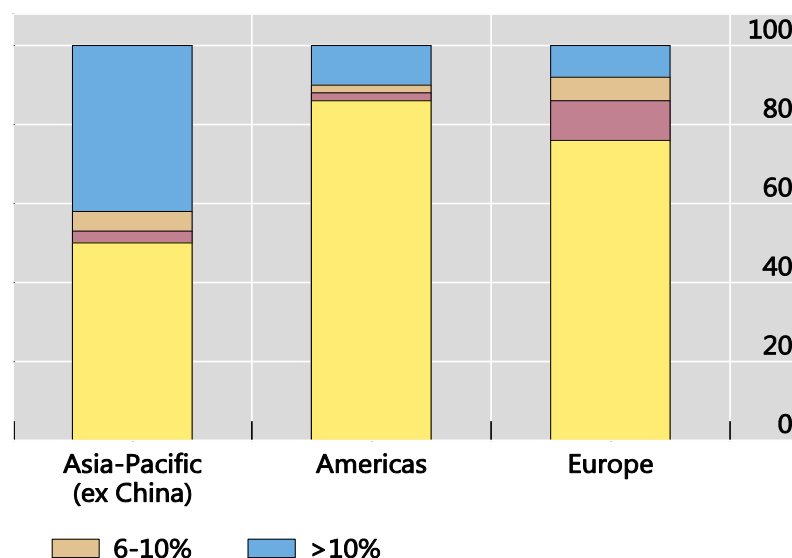
- China: ~90% private creditors (savings role)
- US: both private creditors and institutions (securitisation)
- UK: private creditors somewhat more prevalent

Cross-border lending limited

Cross-border lending shares – creditors
In %



Cross-border lending shares – borrowers
In %

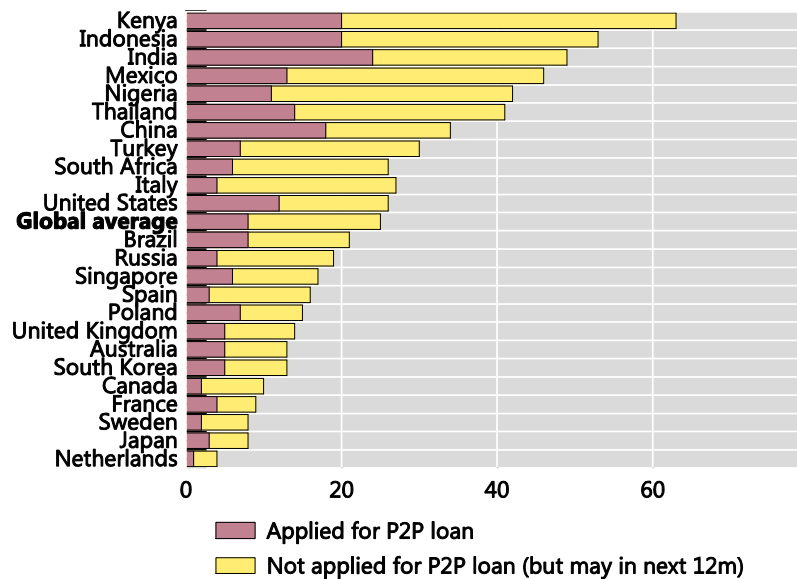


Source: Cambridge Centre for Alternative Finance and research partners.

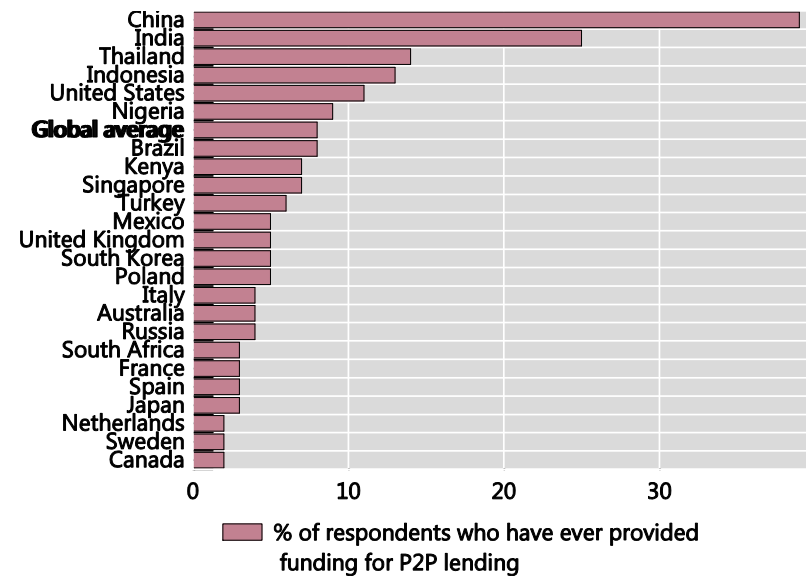
- Cross-border lending share highest for creditors and borrowers in Asia-Pacific
- Americas have very little cross-border lending share, particularly for borrowers

How big will it get?

Propensity to use P2P platforms– borrowers
In %



Propensity to use P2P platforms– lenders
In %



Source: UBS survey of ~28,000 bank customers across 24 countries, conducted in April-May 2016.

- Large potential in emerging market and developing economies
- Funding is often the limiting factor

Regulatory approaches

Table 5: Selected features of dedicated FinTech credit policy frameworks

Jurisdiction	Tax incentives	Regulations¹	Licensing/ authorisation¹	Investor protections¹	Risk management requirements¹
Argentina	–	–	–	–	–
Australia	–	–	–	–	–
Brazil	–	–	–	–	–
Canada	–	–	–	–	–
China	Yes	Yes	Yes	–	Yes
France	Yes	Yes	Yes	–	Yes
Germany	–	–	–	–	–
Hong Kong SAR	–	–	–	–	–
Indonesia	–	Yes	Yes	Yes	Yes
Italy	–	–	–	–	–
Japan	Yes	–	–	–	–
Korea	–	–	–	–	–
Mexico	–	–	–	–	–
Netherlands	–	–	–	Yes	–
Russia	–	–	–	–	–
Saudi Arabia	–	–	–	–	–
Singapore	–	–	–	–	–
South Africa	–	–	–	–	–
Spain	–	Yes	Yes	–	Yes
Sweden	–	–	–	–	–
Switzerland	–	–	Yes	–	–
Turkey	–	–	–	–	–
United Kingdom	Yes	Yes	Yes	Yes	Yes
United States	–	–	–	–	–

¹ Specific rules for FinTech lending that are separate from those pre-existing rules for other financial intermediaries.

Sources: CGFS-FSB survey on FinTech credit intermediation; publicly available policy statements.

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