

PFTAC Steering Committee

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Prudential Supervision and Fintech

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Key points – or competing aspects.....

Enabling



Disrupting



Enabling

Enabling technology provides solutions to business challenges for traditional financial institutions and the platform to produce new products and services, or the way in which products and services are delivered.

- improving internal efficiency
- improving security
- reducing operating costs
- improving customer acquisition
- cross-selling
- customer loyalty and retention



Australian Government
Department of Foreign Affairs and Trade





Disrupting

- Innovation that creates a more effective and efficient way of providing financial services that disrupts an existing traditional financial services market and value network, and displaces established business models of market leading providers.
- Disrupting technology provides a direct challenge to traditional providers of products and services by developing and delivering more efficient, user-friendly, convenient and “Gen-I” NEW products and services, and the delivery of EXISTING products and services.



The Classic Disrupters

lastminute.com

amazon

NETFLIX

UBER



Disrupting

Four conditions that make financial services an attractive target for disruption:

1. significant fees and charges
2. unnecessary complexity in the system
3. trust has broken down
4. financial exclusion

Why is the distinction important?

Enabling

- Supervision can focus on the management of the technology risk within the supervised institution

Disrupting

- Supervision focus need to be on the impact the disruption will have on individual supervised institutions and the financial system as a whole;
and
- Directly supervise the disrupting institution where there is a prudential risk