

Competition and the perimeter of FinTech, BigTech and banks in the EU

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Is Finance Different?

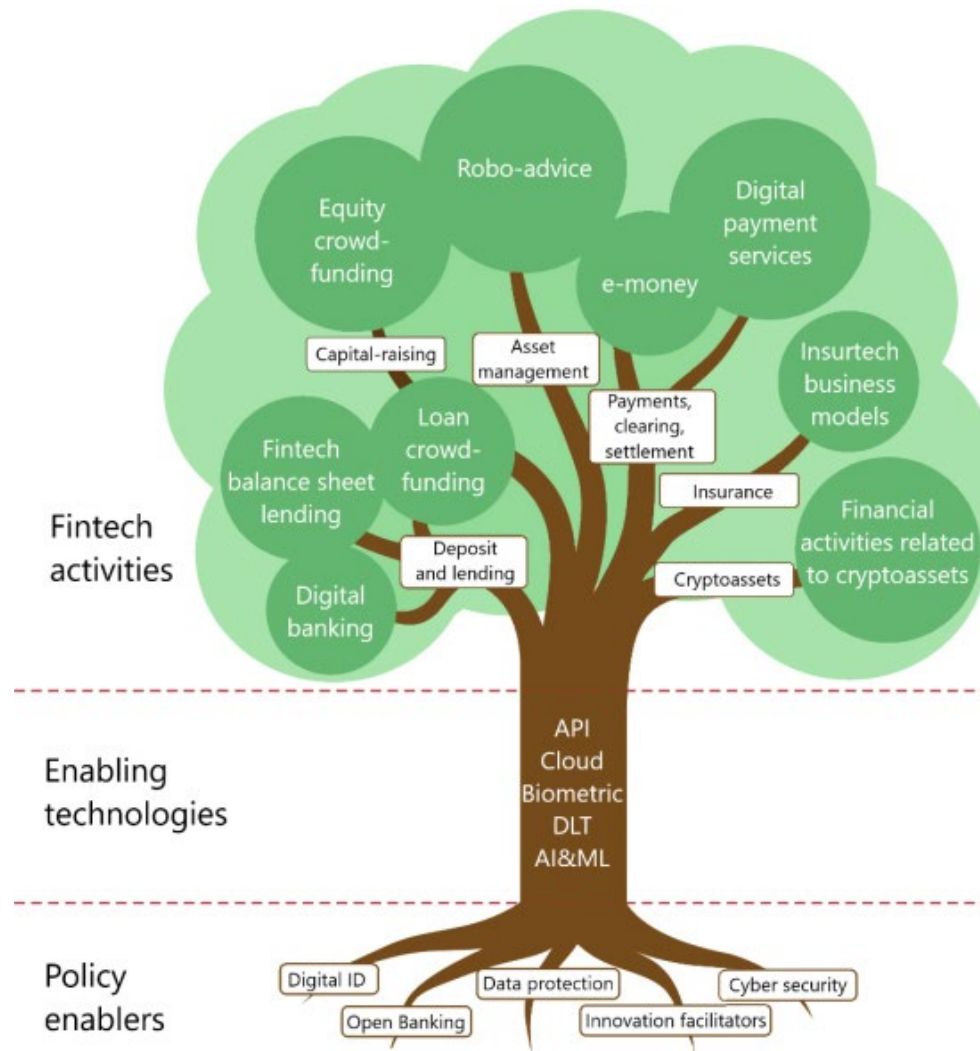


- Many areas of business, e.g., retailing and agency businesses, have been disrupted by new technology



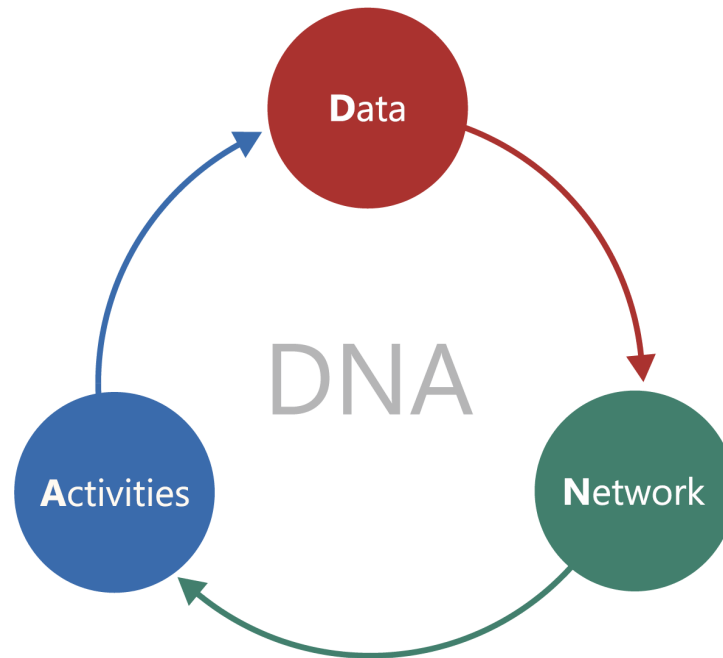
- Finance has many points of both similarity and difference with other sectors
- As in other sectors less need for physical infrastructure (fewer branches);
BUT
- Financial regulation partly shapes outcome

Fintech Tree



Source: J Ehrentraud, D García Ocampo, L Garzoni and M Piccolo, “Policy responses to fintech: a cross-country overview”, *FSI Insights on policy implementation*, no 23, January 2020

Bigtech Data-Network-Activities loop



Financial system



Bank based	Market based (Fintech)	BigTech based

Financial system



	Bank based	Market based (Fintech)	BigTech based
+ Advantages - Disadvantages			
Fragilities			
Financial stability Instruments			

Financial system



	Bank based	Market based (Fintech)	BigTech based
+ Advantages	+ Deposit rent		
- Disadvantages	+ Economy of scope - Secular disintermediation		
Fragilities	Bank runs Too Big to fail		
Financial stability	Regulation / Supervision		
Instruments	Lender of last resort		

Financial system



	Bank based	Market based (Fintech)	BigTech based
+ Advantages	+ Deposit rent	+ Specialization	
- Disadvantages	+ Economy of scope - Secular disintermediation	+ Market Efficiency + Secular disintermediation	
Fragilities	Bank runs Too Big to fail	Market runs Fire sales Procyclicality	
Financial stability	Regulation / Supervision	Regulation/Supervision	
Instruments	Lender of last resort	Market Maker of last resort (?)	

Financial system



	Bank based	Market based (Fintech)	BigTech based
+ Advantages	+ Deposit rent	+ Specialization	+ Data Network Activities (DNA)
- Disadvantages	+ Economy of scope - Secular disintermediation	+ Market Efficiency + Secular disintermediation	+ Economy of Scope + Secular disintermediation
Fragilities	Bank runs Too Big to fail	Market runs Fire sales Procyclicality	Too Big to fail Investor/Consumer private rights (?)
Financial stability	Regulation / Supervision	Regulation/Supervision	?
Instruments	Lender of last resort	Market Maker of last resort (?)	