

A Roadmap for the **Future of Finance**

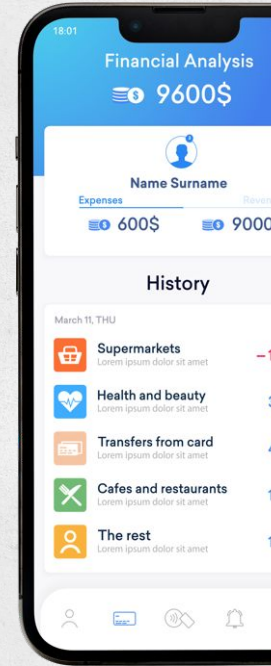
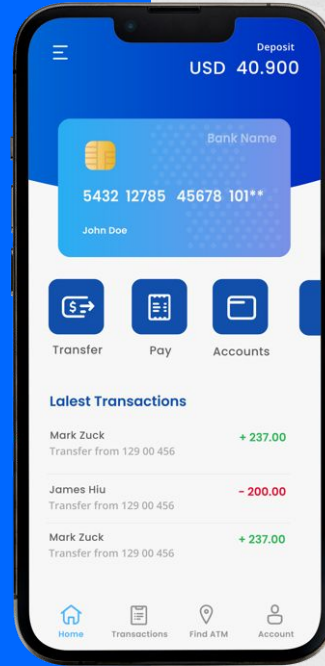
In an increasingly digital world, the
future of finance lies in innovation.



What Is Fintech?

Financial technology (fintech) refers to new technology that improves and automates the delivery and use of financial services.

If you have ever used a digital financial tool to pay bills, send money, fund your business idea, or get your dinner delivered, **you know fintech.**



The Legacy Financial System Is Leaving Americans Behind

- Over 5 million Americans are **unbanked** and millions more lack access to reliable, affordable financial services. SOURCE: FDIC
- Americans hold over **\$1 trillion in credit card debt**. SOURCE: Lending Tree
- Nearly 8 in 10 small business owners are **concerned about access to capital**. SOURCE: Bipartisan Policy Center
- Consumers are still paying billions in **overdraft, non-sufficient funds, and brokerage fees**. SOURCE: CFPB
- Millions lack access to fair credit because of **outdated credit scoring models**. SOURCE: CFPB
- **Racial disparities persist** in access to banking, credit, and investment services. SOURCE: FDIC



But Fintech Is Closing the Gap

Financial technology (or fintech) puts the tools for success in the hands of more American consumers, small businesses, and entrepreneurs.

Fintech means lower costs, more services, and better financial outcomes.



Fintech Is the New Normal

8 in 10 Americans use fintech to manage their finances.



With the average person using **3 to 4 apps**.

SOURCE: Fintech Effect

Fintech Delivers Key Benefits for Consumers, Small Businesses, and Startups



Financial Inclusion

Expanding access for underserved communities.



Competition and Choice

More options in the marketplace.



Cost Reduction

Lower transaction fees and financial service costs.



Enhanced Security

Improved fraud detection and data protection.



Personalization

Tailored services to meet various needs.

Fintech Makes it Possible to:

Send money to a friend on an app

Pay a bill on a mobile phone

Purchase an item without interest using Buy Now Pay Later

Access earned wages early

Track expenses and subscriptions



Understand your finances and optimize your money

Sell goods and services online

Fund a new business idea

Move money to a high-yield savings account

Manage a small businesses account and expenses

Send money to family members overseas

Fintech is the Financial Tool of Choice

American consumers, small businesses, and entrepreneurs choose fintech products to manage their financial lives. Lower-income Americans are more likely to rely on low or no-cost fintech products. [Source: SaverLife]



2/3

of Americans find **digital financial apps more convenient** than traditional, in-person banks

SOURCE: SWNS



75%

of consumers want to **connect their accounts** to digital finance apps and services

SOURCE: Fintech Effect



10M+

small businesses use fintech to **access capital and digital financial tools** for success



84%

of **small business owners** saw **increased profits** using more than six technology platforms

SOURCE: U.S. Chamber of Commerce

Fintech Powers Job Creation and Economic Growth



Job Creation

Fintech has been a major driver of job growth in the tech and finance sectors.



Impact on GDP

The fintech industry significantly contributes to the economy, projected to become a **\$1.5 trillion global industry by 2030.**

Fintech Powers the Full Lifecycle of a Startup or Small Business

Brilliant Idea

Digital access to legal and tax expertise so entrepreneurs can set up their companies in a fast, safe, and easy way.



Secure Capital

Streamline access to capital through innovations like cash-flow underwriting that provide a real-time snapshot of finances.



Support Employees

Manage equity for employees and offer personalized retirement accounts and financial wellness programs.



Smart Management

Optimize spend management and streamline time-intensive tasks like accounting, bill pay, and expense management.



Make Sales

Tools to process customer payments anywhere, anytime - online and on smartphones.

Fintech Simplifies Payments

Fintech transforms online payments, making transactions simpler, faster, and more secure for both businesses and consumers.



Seamless Payment Integration

APIs for businesses to integrate payment processing directly into their websites and apps.



Faster Transactions

Near real-time payment processing. Consumers receive goods and services more quickly and businesses access cash flow faster.



Mobile Payments

Optimized payment systems so users can make purchases with their smartphones.



Enhanced Security

Advanced security measures such as encryption, tokenization, and biometric authentication.



Cross-Border Payments

Competitive exchange rates and lower fees, making it easier and cheaper to send money abroad.



User-Friendly Interfaces

Intuitive, friction-less interfaces that make it easy for customers to complete transactions.



Fintech Using AI Responsibly



Fintech companies have long used artificial intelligence and machine learning (AI/ML) responsibly to lower costs, increase efficiency, and expand fairness in the financial system.

Improved Credit Underwriting

Millions of consumers and small businesses lack access to credit because of outdated and ineffective credit models. AI/ML can analyze large data sets and create fairer outcomes for borrowers.

Advanced Compliance and Fraud Detection

AI/ML can increase the effectiveness of compliance and fraud detection, leveraging technology and data insights to identify suspicious activities. .

Back-Office Efficiencies

AI/ML automates routine tasks and streamlines processes, like data entry and accounting, freeing up businesses to focus on serving customers.

Personalized Services

AI/ML can help anticipate customer needs and offer customized services like savings recommendations, bill pay reminders, personalized cashback offers, and more.

Expanded Investment Opportunities

Digital investment advisory platforms use AI/ML to help Americans take advantage of investment advice previously only available to the wealthy.



Trust and Safety is Our Top Priority



Deploying Advanced Tech

Advanced encryption, authentication, and security measures keep users safe.



Trust and Transparency

User-centric design and transparent terms and conditions meet a high bar for consumer protection.



Growing Use Fosters Trust

The more consumers and businesses use fintech, the more comfortable they are, and the more they trust it.

Appropriate Regulation Benefits Consumers and Fintech

Fintechs are regulated by **state and federal governments**, and are subject to many of the **same regulatory frameworks** that govern the entire U.S. financial services industry. They follow laws designed to protect customers and ensure financial institutions operate in a **safe and sound way**.

Our industry recognizes the **value of clear, appropriate regulation** to provide certainty, create guardrails and foster trust and security.



Future of Finance Policy Agenda

We Need Clarity

Fintech growth has been constrained by **lack of regulatory clarity** and **laws that haven't kept pace** with technology.

→ Many financial laws were written **before the age of the Internet or mobile phones.**

Consent orders have had a negative impact on the industry, slowing the pace of innovation and jeopardizing access to services.



Future of Finance Policy Agenda

The Path Forward

The Need for Smart Regulation:

Encourage a regulatory environment that balances innovation and competition with consumer protection.

Vision for the Future:

A commitment to creating a financial system that is accessible, affordable, and secure.

Risk-Based and Fit-for-Purpose:

Need for rules and regulations that fit the unique nature of fintech products.

Call for Collaborative Policy-Making:

Engaging fintech stakeholders in developing regulations.



Our Vision:

A Policy Agenda for the Future of Finance

We can shape a future of finance that enables more innovation, competition and consumer choice, and expanded access to the financial tools for success.



Ensure Avenues for Responsible Financial Innovation



Support Modern Financial Infrastructure



Expand Financial Access, Choice, and Inclusion



Future of Finance Pillar #1

Ensure Avenues for Responsible Financial Innovation

Promote **broad chartering authority** to keep pace with the constantly evolving business of banking.

Allow companies to innovate safely through **sandbox and pilot programs**, no-action relief, tech sprints, and related regulatory tools

Support a healthy and safe **bank-fintech partnership ecosystem** to serve consumers and small businesses and drive financial innovation.

Support a modern, robust **national consumer privacy regime** that increases trust and safety

Support consistent and **harmonized state and federal regulatory frameworks** tailored to the risks posed by particular business models.

Support the creation of an **optional federal payments charter** that would grant direct access to the Federal Reserve settlement and clearing system.



Future of Finance Pillar #2

Support Modern Financial Infrastructure

Grant well-regulated payment companies **direct access to the national payments system**, including FedNow.

Support the development of **faster, safer, interoperable payment rails**.

Expand and improve on the CFPB's 1033 open banking rule and move towards an **open finance future** that puts consumers in control of the full range of their financial information.

Refine regulatory frameworks for AI governance, including **national privacy legislation** to govern the data that feeds AI/ML models.

Encourage and enable **cutting-edge fraud prevention capabilities** to protect consumers and businesses.

Establish **digital ID standards** and modernize KYC/AML requirements.

Modernize credit reporting to make scoring practices and data collection efforts more transparent and inclusive to account for innovations like Buy Now Pay Later



Future of Finance Pillar #3

Expand Access, Choice, and Inclusion

Build a more fair, inclusive, and robust consumer finance ecosystem through **appropriate regulatory frameworks** for alternative data, AI/ML, earned wage access, buy now pay later, and modernized income verification.

Support responsible approaches to underwriting, such as incorporating **cash flow data** or using transparent AI/ML to expand access to credit

Enhance access to **wealth-creation opportunities**, including by expanding the definition of an accredited investor.

Ensure small businesses can access capital and financial tools for success, including investment and retirement solutions.



Financial Literacy and Education: **Future of Finance**



Enhancing Financial Education:

Fintech platforms that provide financial literacy tools.



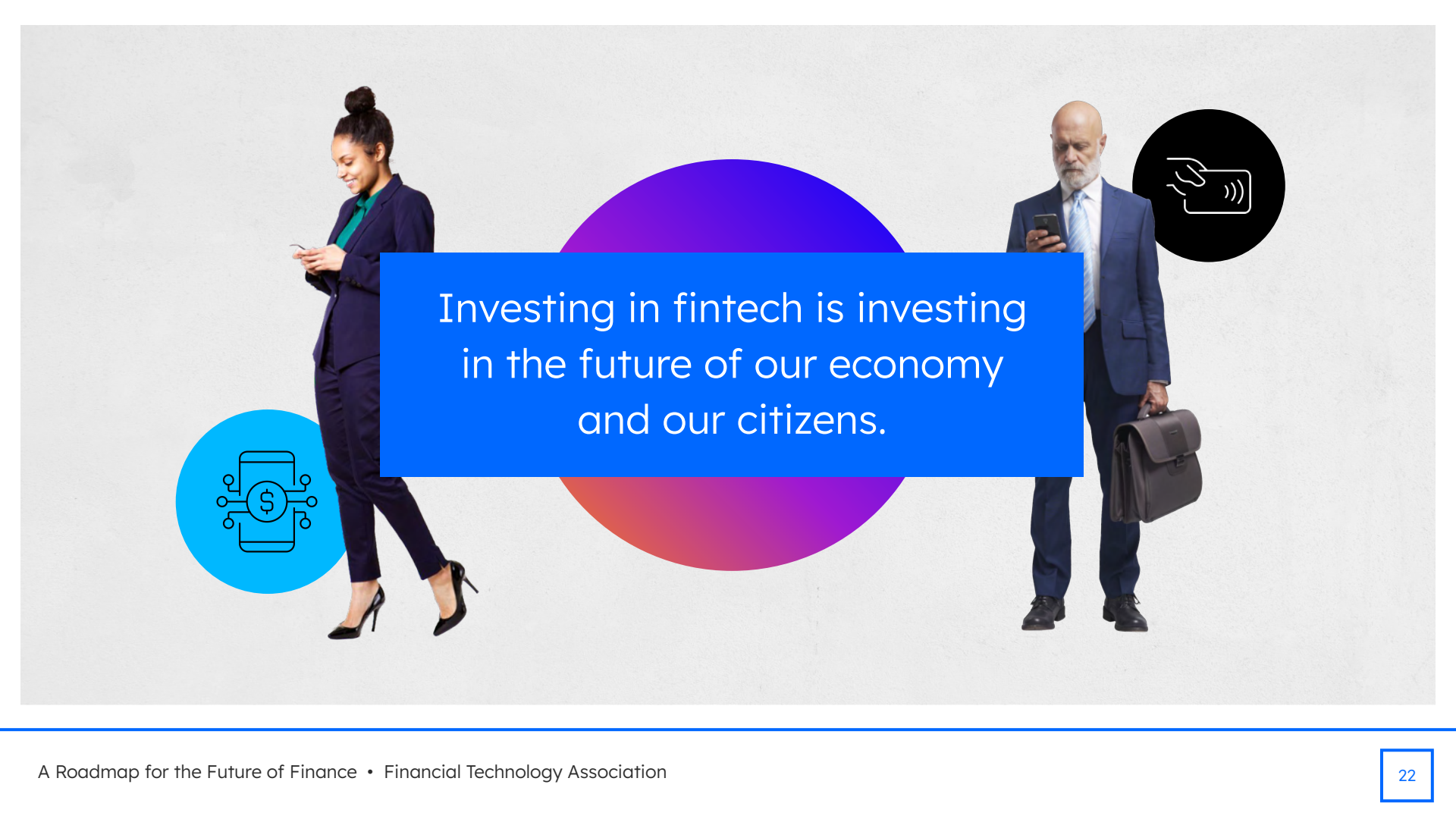
Public-Private Partnerships:

Collaborate with fintech firms to promote educational initiatives.



Impact:

Increased financial literacy leads to better financial decision-making.



Investing in fintech is investing
in the future of our economy
and our citizens.



The Financial Technology Association (FTA) is proud to represent innovative fintech companies.

