

GAO Highlights

Highlights of [GAO-17-361](#), a report to congressional requesters

Why GAO Did This Study

Advances in technology and the widespread use of the Internet and mobile communication devices have helped fuel the growth in fintech products and services, such as small business financing, student loan refinancing, mobile wallets, virtual currencies, and platforms to connect investors and start-ups. Some fintech products and services offer the potential to expand access to financial services to individuals previously underserved by traditional financial institutions.

GAO was asked to review a number of issues related to the fintech industry, including how fintech products and services are regulated. This report, the first in a series of planned reports on fintech, describes four commonly referenced subsectors of fintech and their regulatory oversight. GAO conducted background research and a literature search of publications from agencies and other knowledgeable parties. GAO also reviewed guidance, final rulemakings, initiatives, and enforcement actions from agencies. GAO interviewed representatives of federal agencies, including the federal prudential regulators, state supervision agencies, trade associations, and other knowledgeable parties.

GAO is making no recommendations in this report.

View [GAO-17-361](#). For more information, contact Lawrence L. Evans at (202) 512-8678 or Evansl@gao.gov

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FINANCIAL TECHNOLOGY

Information on Subsectors and Regulatory Oversight

What GAO Found

The financial technology (fintech) industry is generally described in terms of subsectors that have or are likely to have the greatest impact on financial services, such as credit and payments. Commonly referenced subsectors associated with fintech include marketplace lending, mobile payments, digital wealth management, and distributed ledger technology.

- **Marketplace lenders** connect consumers and small businesses seeking online and timelier access to credit with individuals and institutions seeking profitable lending opportunities. Marketplace lenders use traditional and may use less traditional data and credit algorithms to underwrite consumer loans, small business loans, lines of credit, and other loan products.
- **Mobile payments** allow consumers to use their smartphones or other mobile devices to make purchases and transfer money instead of relying on the physical use of cash, checks, or credit and debit cards. There are different ways to make mobile payments, including the use of a mobile wallet.
- **Digital wealth management platforms** use algorithms based on consumers' data and risk preferences to provide digital services, including investment and financial advice, directly to consumers. Digital wealth management platforms provide services including portfolio selection, asset allocation, account aggregation, and online risk assessments.
- **Distributed ledger technology** was introduced to facilitate the recording and transferring of virtual currencies, specifically using a type of distributed ledger technology, known as blockchain. Distributed ledger technology has the potential to be a secure way of conducting transfers of digital assets in a near real-time basis potentially without the need for an intermediary.

Regulation of these subsectors depends on the extent to which the firms provide a regulated service and the format in which the services are provided. For example, a marketplace lender may be subject to:

- federal regulation and examination by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency in connection with certain services provided to depository institutions by the lender;
- state licensing and regulation in the states in which the lender conducts business;
- securities offering registration requirements administered by the Securities and Exchange Commission if the lender publicly offers securities; and/or
- enforcement actions by the Bureau of Consumer Financial Protection and the Federal Trade Commission for violations of certain consumer protection laws.

To learn about the fintech industry, some agencies hosted forums, formed working groups, and published whitepapers and regulatory guidance.